AIR EDITION

JANUARY 6, 1962

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The Economist

UNITED SECRETARY TO STATE
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IN 1962 BRITAIN AND EUROPE

BLEAK OUTLOOK?

Britain's economic prospects seem as cheerless as the weather

THE YEAR BEFORE EUROPE

The Exchanges The Economies
The Stock Markets

BRAVE OLD WORLD

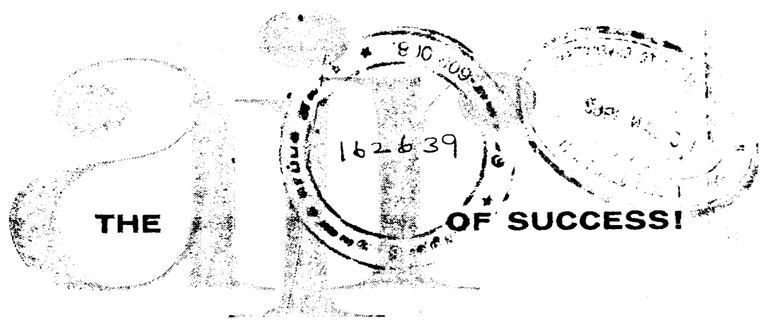
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Published weekly every Saturday, fifty-two times a year in London, England.

In The Economist this Week — January 6, 1962

INTERNATIONAL

CRISIS OF CONFIDENCE

Lord Home's nostalgia for the days when Britain really ruled the waves and the Great Powers ruled the roost does not accurately reflect either the past or the present. This is not only unwise at a juncture when Britain is likely—because of Rhodesia—to be especially exposed to United Nations criticism, but dangerous; if indulged, it will divide the non-communist world still more deeply (p. 13).

Nor is Britain behaving any more wisely in appearing to shelter Africa's "white south" from reality—especially since France and Belgium are ceasing to exact such a policy as the price of association (p. 14). Portugal—like the president of Guatemala (p. 23)—has reproved Britain and the UN equally (p. 19). Pressure by M. Spaak and the United States on the Union Minière might bring Mr Tshombe into line if Britain co-operated (p. 20) but the Cabinet has yet to brace itself to face Sir Roy Welensky, either about Katanga or Northern Rhodesia (p. 19).

And meanwhile the American Administration is meeting a right-wing attack on the United Nations head-on (p. 34).

CRISES IN EUROPE

Common Market: The Community's internal negotiations have resulted in an agreement about equal wages for women and a ...omise on the control of cartels (p. 23). But German policy ...i holding up the adoption of a common agricultural tariff ...22).

Britain's attempts to secure entry to the common market have their part to play in the current difficulties of the Canadian cabinet (p. 41).

France: General de Gaulle is still caught between the armed forces' implicit threat of disobedience and France's overwhelming need for peace in Algeria (p. 42).

Germany: Probings in Moscow may, it is to be hoped, lead to talks on Berlin (p. 20). To expel an east German journalist from Britain can do something to help (p. 22).

Holland's excellent labour-management relations make a nice, peaceful contrast to all this (p. 43).

CRITICAL POINTS IN THE MIDDLE EAST

Lebanon has just turned a nasty corner (p. 41).

Neither **President Nasser** nor **General Qasim** looks forward to 1962 with much confidence (p. 18).

CRITIQUE OF AMERICA

The American trade union movement, surprisingly united at the moment, is preparing for a battle with the steel industry (p. 33).

The Treasury and the Federal Reserve Board have established a partnership in the money market (p. 37).

The House of Representatives is ready for a heavy session (p. 34).

The St Lawrence Seaway is doing better, but not as well as it should (p. 38).

Government employees are to get more pay in New York and perhaps in Washington (p. 38).

62 IN BRITAIN AND EUROPE

HAPPY NEW YEAR ?

Britain, in the last year outside Europe, is likely to be running under a handicap imposed by the Government itself (p. 11).

Money troubles: inadequate, though not insignificant, progress has been made to meet strains on the international exchanges. Special expedients may be needed for the pound this year (p. 49).

Slow markets: Continental stocks seem overpriced (p. 55), in New York investors are scratching around for the remaining under-valued shares (p. 55), while in London quick profits will be few and far between (p. 54).

Slack Britain: unless the Government changes its tune, a rise of only one or two per cent in production is likely (p. 51).

Steel output in 1962 is unlikely to be up on last year (p. 57).

Slackening Europe: members of the Six may be lucky to achieve their forecast of a four per cent rise in production (p. 52).

HOME

DEEP FREEZE

The postal workers' go-slow has been reinforced by the weather freeze—some of the disruption could have been avoided (p. 20)—but may not do much to thaw the wage freeze (p. 18).

Guiding light: if the Chancellor has an idea of the right amount for this year's wage increases, he should proclaim it (p. 18).

FAIR PROSPECTS

The hot war for higher education—and the need for bigger universities and technical colleges sooner (p. 16).

Professional status for teachers? (p. 24).

Town halls—the case for a pay rise (p. 25).

Suburbia embattled—the campaign for the Home Counties (p. 26).

SECOND WIND

Imperial Tobacco is allowed to retain its stake in Gallahers—but the Government fails to explain why (p. 58).

What are knighthoods for? (p. 20).

RR radiator on BMC cars has become a possibility (p. 58).

Ukase for the Yewkai—a new name for the Old Country (p. 24)

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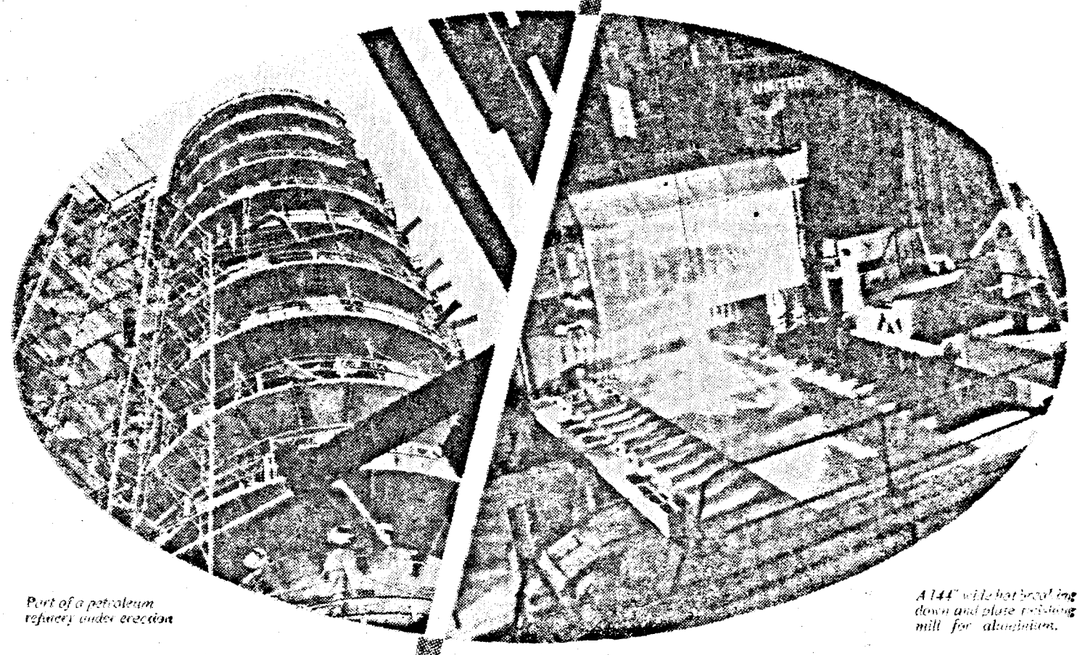
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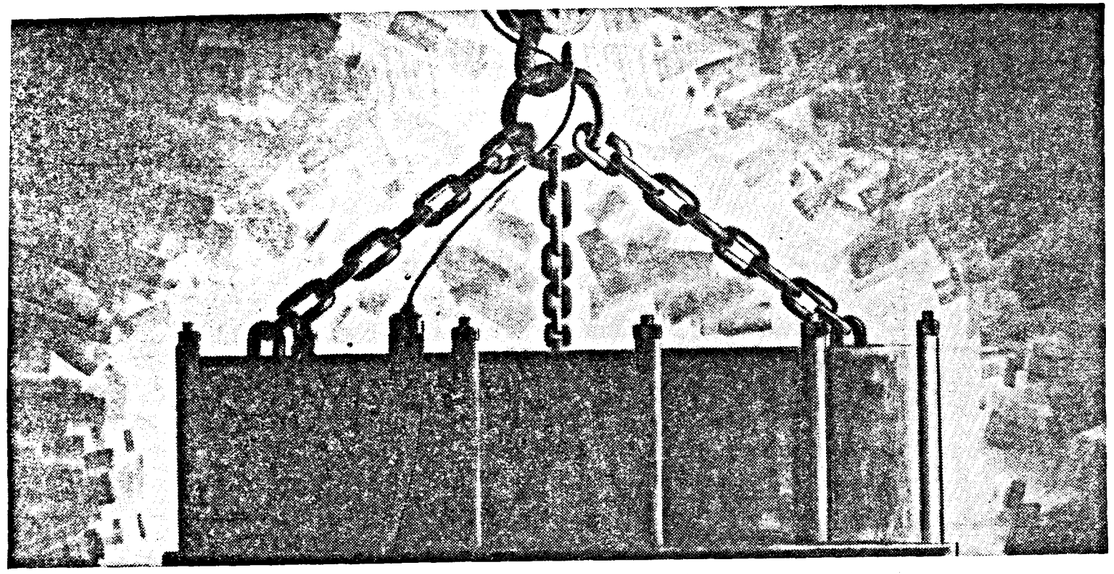
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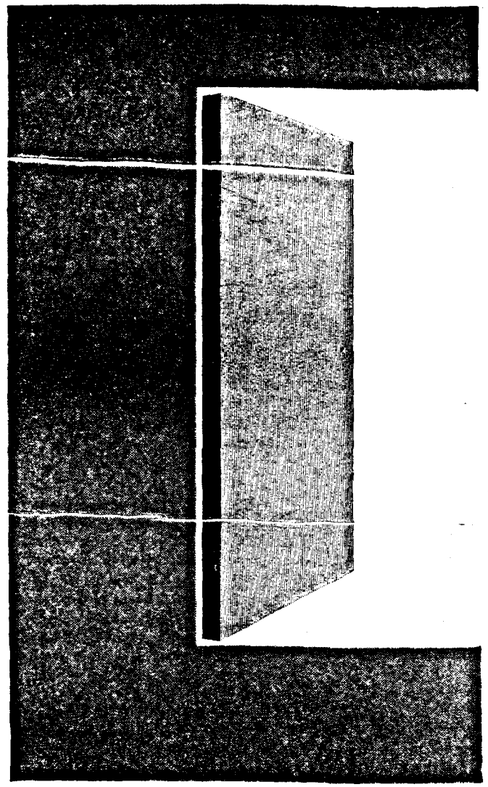
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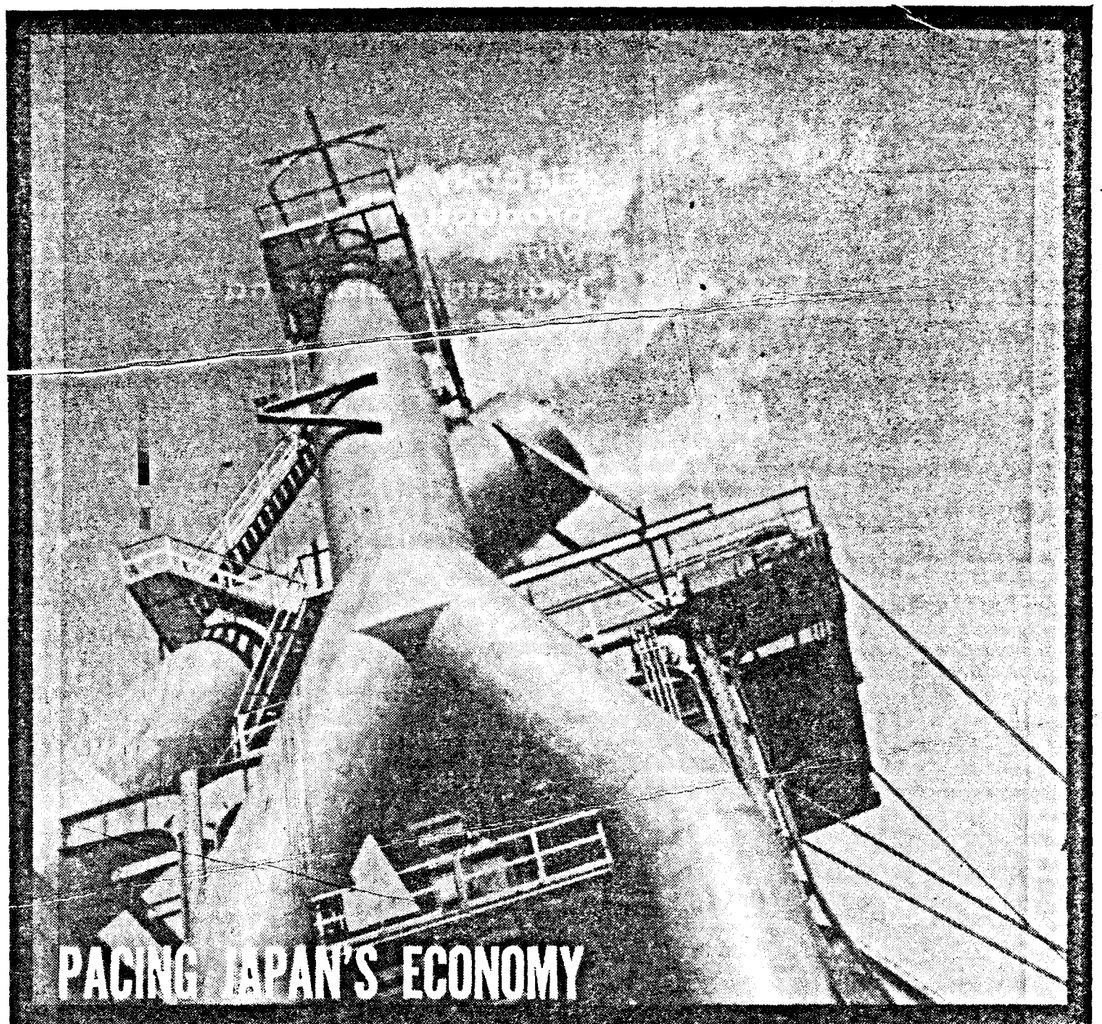
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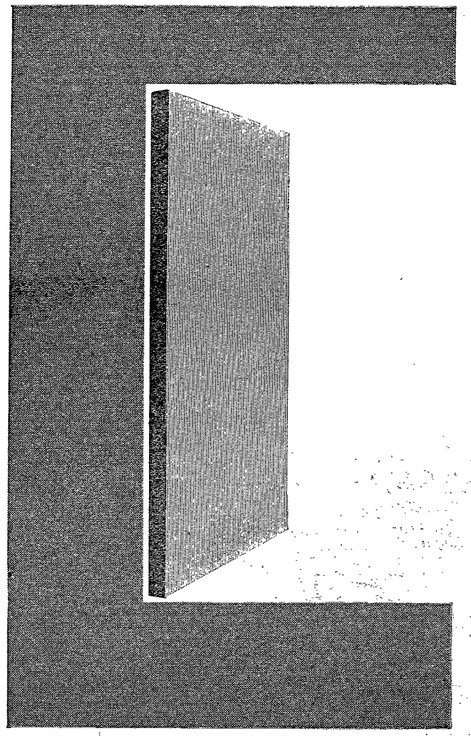
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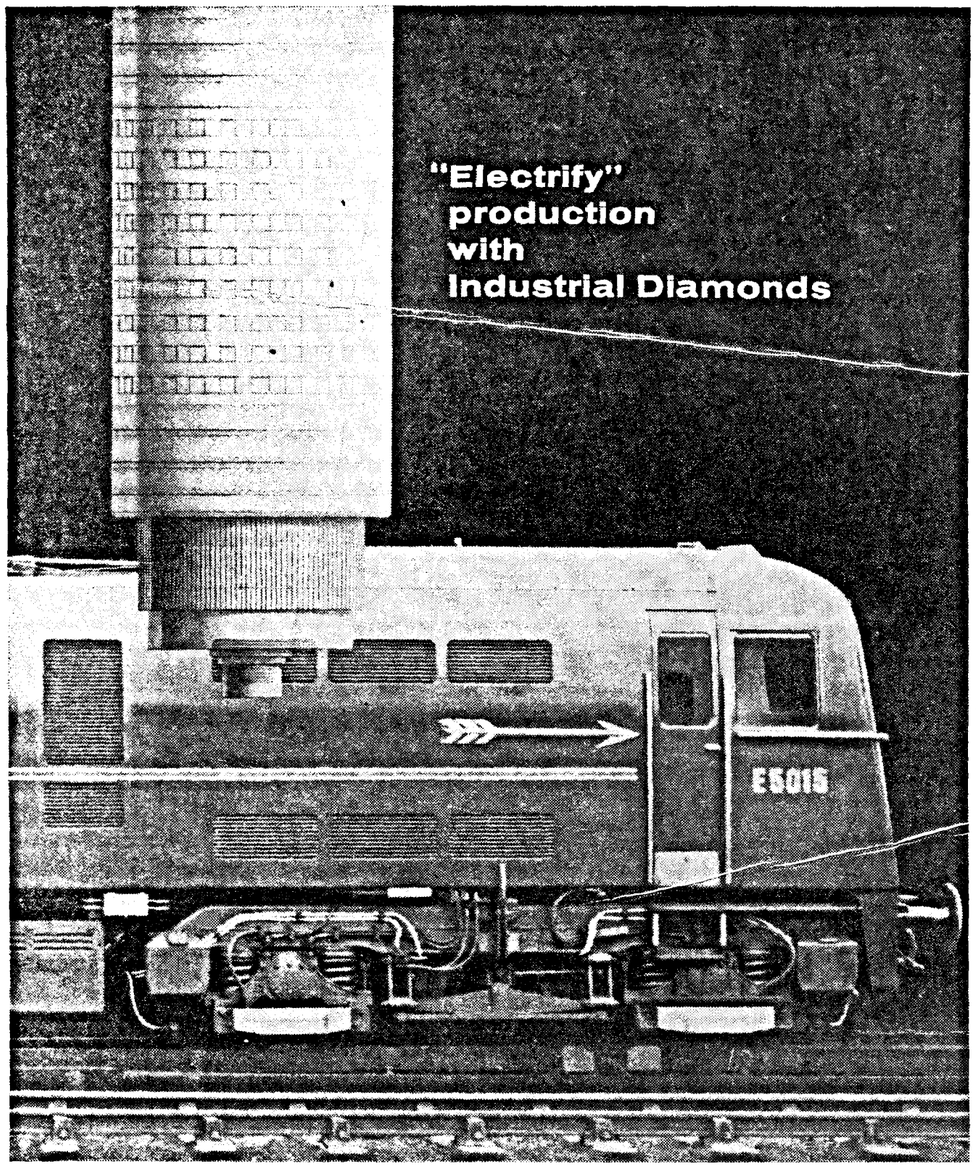
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1962 IN BRITAIN AND EUROPE
Bleak Outlook?

THE economic prospect before British and overseas businessmen in 1962 is discussed, under separate and detailed heads, on pages 49 to 56 of this issue. Unhappily, the conclusion must be that Britain is likely to limp only painfully through what should be its last year before integration with Europe. The maddening thing is that this gloomy guess rests less on one's assessment of the probable movement of impersonal economic forces than on one's misgivings about the economic policy that is likely to be followed by the Government.

This is not a new year in which the economic doctors seem to be differing wildly in their prognoses, so much as in their prescriptions. If the soothsayers were asked to start from the assumption that the next budget will be an entirely neutral one, most of them would probably guess that there may be some increase in Britain's real national income in 1962, but only a very small one (say 1 or 2 per cent) indeed. As industrial production now—in early January of 1962—can be barely if at all above its level of two years ago, while capacity to produce most certainly has been increased by two years of high investment, it should at once be obvious that this likely rate of expansion looks insufficient. In these circumstances the orthodox Keynesian advice for the coming budget—the sort of advice that one would expect Lord Keynes to give if he were suddenly to return from Valhalla to the Treasury—would surely be that Mr Lloyd should seek to widen the Exchequer deficit and thus raise total demand within the British economy.

Quite obviously, however, Mr Lloyd, without any such departed spirit to guide him and with the experience of recent years weighing heavily on his mind, is at present looking in precisely the opposite direction. Instead of preparing to give some mildly stimulatory reliefs away in his budget, the whole tone of his recent speeches suggests that he may intend to put £100 million or so of new taxes on. Here is a pretty damp and dragging economy, he says, and it is incumbent on me to dampen it further. When a statesman seems to be preparing to do something so very unpopular, he must have reasons that seem good to him for supposing that such a policy is right; it is therefore logical and proper to have greater inhibitions about criticising him than one would have about laying into a politician who was preparing to do something popular which he knew in his heart to be wrong. But at least Mr Lloyd, and all who think like him, should be begged at this new year to think again through the reasons for his present apparent prescription.

He seems to have three such reasons. The first is his fear that any revival of home demand would suck resources away from the all-important export drive. Nobody would deny that this can happen. When production is running at absolutely full capacity, it is obvious that any additional home demand must suck resources away from somewhere—and the export drive is one of the "somewheres" that can then suffer badly. Even when total production is not running at absolutely full capacity, there are some individual firms who will be fully engaged, and a reduction in home demand may enable them to shorten their delivery dates (and thus increase their sales) to export markets. But whereabouts on the cycle below full capacity production does Mr Lloyd assume that Britain stands now? At a pure guess, we would say that in present circumstances each £100 million of reduction in home demand might lead to perhaps a £10 million increase in exports and perhaps a £90 million cut in other production. If this guess is of approximately the right order of magnitude, this particular

form of export encouragement begins to look very expensive, even in the short-term; certainly some more direct form of encouragement to get British exports out of their rut (see pages 49 to 51) would seem to be better for the whole world economy. But it is the longer-term effects of this policy that Mr Lloyd particularly needs to consider now, in the light of Britain's experience in the last few years.

There are two ways in which resources can be shaken free for the export drive or any other desirable form of production. One way is by holding down total demand—in which case the industries that suffer most are, necessarily, those that would otherwise expand most rapidly as national income grew. The other way is to concentrate on shaking resources out of forms of production that are at present plainly inefficient; the main force that should be used to shake them free is the deliberate encouragement of competition—by cutting tariffs and other shelters for the inefficient (including watching very carefully the shelter that can arise from sheer, unchallenged bigness), stopping subsidies to lame dog industries, abolishing legal sanction for the enforcement of resale price maintenance and the like. Nobody who looks dispassionately at the record of the British economy can doubt that there has been far too much reliance on the first sort of sanction in recent years, and too little reliance on the second. It is significant that the industries where lengthy delivery dates are said to be a factor in holding back exports are nearly always manufacturers of specialised engineering products, in which Britain's capacity for production has increased by less than Europe's capacity in recent years. If Mr Lloyd's method of "making room for exports" this year is the method of the tough budget, cutting off the top of total demand instead of seeking to cut out the bottom sorts of sheltered inefficient production, he will be perpetuating this long-term weakness. If his method is that of encouraging competition—causing some permanent bankruptcies among firms that have been aided by special restrictions or subsidies for far too long, and some temporary unemployment among their workers—he will deserve to be much more widely supported.

EXACTLY this argument applies to the wages pause. The second reason why Mr Lloyd seems determined to hold down total demand this year is his fear that, as demand and production rose, employers with bigger orders on hand would bid up wages; of course they would, but of course many wage increases of that sort should be welcome. Except in conditions of blatantly overstrained production and hyper-inflation, the harmful ingredient in wage increases appears only when there is some extraneous "above-the-market" element which raises every firm's labour costs—pushing up the costs of firms that do not need more labour by the amount of some flat national wage increase, and obliging the firms that do need more labour to impose their (perfectly economic) bidding up on top of that national increase.

In recent years, unfortunately, nearly every national settlement with a big trade union has included some such above-the-market element; this is a direct result of the way in which our system of wage arbitration and conciliation works. When this happens, an automatic species of cost inflation has appeared, which may have little connection with the current state of demand. There really is no inconsistency in saying that the country, in such circumstances, should resist increases in money incomes that add to costs, while agreeing to increases in demand that lead to increases in production (and through those increases in production to increases in real income). It is generally true that a boxer who carries a growing amount of weight behind his punch is more likely to win international honours than a boxer who carries much less; but that does not mean that Mr Floyd Patterson's performance would be improved by loading a sack of coals on his back, and then saying that he should cut down his steak dinner because some boxers suffer through carrying a different kind of surplus weight as a result of over-eating.

THE third reason why Mr Lloyd appears to want to hold down demand this year is his belief that foreign holders of sterling will be impressed by such sternness. Now, there is no doubt that some foreign holdings of sterling are affected by foreign bankers' general state of confidence in the British Government's policy: in particular, at present, by confidence (or lack of it) that the Government will not run away into cost inflation before every strike threat. But, except when there are real fears of imminent devaluation in the air, the most direct determinant of whether foreigners will hold sterling is obviously the return or interest rate that they can get for holding it. That is why there is a good case for saying that Mr Lloyd should maintain high interest rates in 1962, and reflate demand through his budget.

As things are, there is a pressure group for softness over British interest rates, both in the City and elsewhere; and there is also an even more obvious pressure group for softness in British wages policy, in the shape of some national newspapers and all trade unions. So the danger for 1962 is that Mr Lloyd will be less stern than he ought to be about interest rates and wages policy; and that he may then feel it right to make up for this by being stern in his budget. He may then be tempted to invent, and even believe in, certain "confidence-creating factors" which he may suppose that foreign bankers are particularly looking out for in his budget: the necromantic status symbol of an overall Exchequer balance, for example, or a much-publicised swinging of Mr Henry Brooke's axe, not merely against Government waste, but against some forms of public expenditure that economically ought to increase more than proportionately with national income.

These prognostications may be too gloomy. Provided Britain gets into Europe, 1962 could bring with it one great saving grace: the Government might then find itself committed, towards the end of the year, to bring down British tariffs in the biggest single freer trading swoop that any major manufacturing country has ever dared to accomplish throughout commercial history. At long last the Government might then learn the lesson which one suspects it now most needs to imbibe: namely, that the arguments which it at present interprets as signs that Britain requires a greater deflation of total demand are often in fact a straight misreading of the signs that Britain requires a greater encouragement of competition. But profiting from this lesson, in turn, will depend on how far Britain can carry with it into Europe a glowing eagerness for expansion, a driving urge for competitiveness, to offset the signs of cartel-mindedness that are at present reappearing there as well as persisting here; the temperature reading of the Government's prescience at the onset of this new year can hardly be called very hopeful.



Brave Old World

If Britain, at next week's Washington talks, presses Lord Home's ill-founded arguments for curbing the UN's active role, international violence will be made more, not less, likely

"WHY," asked the Foreign Secretary in his speech at Berwick on December 28th, "is there a crisis of confidence in the United Nations? The answer is that, for the first time since its foundation, a number of countries have voted publicly and without shame in favour of the use of force to achieve national ends."

Lord Home was referring to the fact that four of the eleven members of the UN Security Council had been prepared to condone India's aggression against Goa, which he described as "a direct breach of the Charter. . . . When the UN approves that, it could be, as Mr Adlai Stevenson said, 'the beginning of the end'." The crisis, said Lord Home, had been foreshadowed by the growth of the Assembly's "new and dangerous practice" of passing "reckless" resolutions, "in particular on colonialism," which "revealed an almost total lack of responsibility." The "double standard" adopted by many of the newer member states forced him to ask whether there was to be one rule for the communists, who dealt in fear, "and another for the democracies, because their stock in trade is reason and compromise?" This was "evidence of a serious falling away from the principles of the Charter." It placed Britain in an "appalling dilemma."

How, asked Lord Home, could the UN be saved? He called for "a determined effort by ourselves, and those who feel like us, to bring the UN back to working the Charter as it was meant to be." He recalled that its 51 founder members had "laid the whole emphasis on the organisation of peace through collective security," expecting that the great powers "would deal together with any breach of the peace by the smaller powers."

The argument thus summarised—fairly, one hopes—deserves careful attention and dissection. Some of Lord Home's points clearly require correction too. The Security Council voting on Goa was, alas, by no means the first instance of UN members condoning the use of force to achieve national ends. Nor can such a minority vote be described as "approval" by the UN. Nor is it easy to recognise the picture of the Assembly's latest resolutions on colonialism as "reckless" and "irresponsible" and reflecting simply the voting power of the newly independent countries.

The resolution of the present General Assembly calling for a rapid end to colonialism was carried, on November 27th, by 97 votes to none, with the support of the older Commonwealth countries, the United States, and twelve west European countries; Britain, France, South Africa and Spain abstained. Russia withdrew a much less moderate draft on finding that the Asian and African members in fact would not back it. The resolution condemning South Africa's racialist policies, and urging it to change them, was carried by 97 to 2, with the support of every west European country except Portugal. Another draft, mainly backed by African states, and envisaging sanctions against South Africa, failed to get through—largely because India and a dozen other Asians would not back it. Of the two main resolutions on South West Africa, one was carried without a division; the other by 90 to 1 (Portugal), Belgium, Britain, France and Spain abstaining. The resolution condemning Portugal's failure to comply with its UN obligations on colonies was carried by 90 to 3 (Portugal, South Africa and Spain), France and Bolivia abstaining. The Arabs put up a moderate resolution on Algeria, which was carried without opposition, and an immoderate one on Oman, which failed to collect even half of the Afro-Asian votes.

Lord Home's complaint that "democracies" were discriminated against "because their stock in trade is reason and compromise" rang false in the context of Goa. Dr Salazar's stock in trade consists too largely of explicit denunciations of democracy and a proud rejection of compromise. And would this complaint ring true in a wider context? Where the colonial powers have bowed to reason—in India, Malaya, the Philippines, Burma, West Africa, Tanganyika—they (as well as the world at large) have enjoyed improved relations. It is where they have gone on trying to expectorate into the wind of change that unpleasant things have been flung in their faces.

IS the Foreign Secretary's version of the UN's original nature any more accurate than his picture of its present state? His recall to fundamentals suggests a nineteenth-century nostalgia for the brave old world in which the great powers kept (or supposedly kept) the pax Metternichiana. But there is more in the founding fathers' Charter than one might suppose from Lord Home's selective emphasis on law and order and the primacy of the great powers. Mr Hammarskjöld, in the introduction to his last annual report—a political testament which all foreign ministers might profit by reading—pointed out, as one of the UN's fundamentals, the fact that the 51 founding governments asserted "the equal rights . . . of nations large and small." Their stated purposes, moreover, included the furthering of self-determination for all peoples. Those members that were colonial powers promised "to take due account of the political aspirations of the peoples" of their dependencies, and to help them to develop "free political institutions."

It would be charitable to suppose that lack of acquaintance with these Charter provisions accounts for such flat statements as Lord Home made at Berwick, attributing the Congo's troubles simply to the "premature grant of independence to a country whose people were totally unprepared." Such a

statement implies that the colonial power's only fault was granting independence too soon; it contains no breath of criticism of that power's neglect of its promise to take account of the dependent people's aspirations and to help them build their own political institutions.

The Charter declares the first purpose of the United Nations to be, in part, "... to bring about by peaceful means ... settlement of international disputes or situations which might lead to a breach of the peace." One does not need to be an Indian to identify Portugal's continued authoritarian rule over Goa long after the transfer of power in British India, and Portugal's absolute refusal to discuss a settlement other than the status quo, as a situation likely to lead to a breach of the peace. Without pleading any justification for what India did by force last month, one may yet ask whether the member nations, in requiring themselves not to use force against each other, did not implicitly accept a joint responsibility for devising peaceful but effective means of adjusting the world to changing realities?

The preamble to the Charter announces a determination "to ensure, by the acceptance of principles *and the institution of methods*, that armed force shall not be used, save in the common interest" (our italics). It has never been seriously argued that the aim of this outlawing of war was to perpetuate the status quo of 1945. Any such argument would not only be absurd in itself; it would also flatly conflict with much else that the Charter contains, and which implies a world of substantial change, particularly in colonial matters.

HERE lies the most durable of the dilemmas of the United Nations. And, without doubt, it is a very real dilemma. A century ago, when Italy won its national unity, its struggle was supported by liberal opinion everywhere—and notably in Britain. Is the UN Charter to be so construed that, if it had applied at the time of the Risorgimento, the organisation would have been bound to condemn Cavour, Garibaldi and Napoleon III, and to uphold Austrian, Neapolitan and papal authority? Neither the letter of the Charter, nor the known intentions of the UN's founders, supports such a construction in favour of the petrifaction of the status quo. On the other hand, it is quite certainly the UN's clear purpose to prevent international violence, or failing that to restrict it. To approve the use of armed force to achieve national aspirations would be to open Pandora's box; the nations have signally failed to find an agreed definition of aggression, and could not possibly find one that distinguished aspirations justifying the use of force from aspirations that did not justify it. Any attempt to do so would be perilous indeed.

Between the two extremes of barring all violent change in the status quo and of opening the door to a calamitous free-for-all lies a huge void. Should it not be a major objective of all who are concerned with shaping UN decisions to seek to fill this void by "the institution of methods" that could secure a peaceful transformation of obviously explosive situations before the ultimate resort to arms occurs? Mr Hammarskjöld's concept of a UN executive capacity clearly pointed in just this direction. Lord Home's thinking, equally clearly, points the opposite way. To confine UN executive action to conciliation, as the British Government now seems to wish to do, means to leave the void aching—and thereby to make resort to violence more likely, and the scale of the likely clash larger.

It is not difficult to discern the reason for this new British anxiety to curb the United Nations, at a time when there is some vigorous thinking in Washington about means of strengthening it. Hitherto Britain's colonial position in Africa has enjoyed relatively gentle treatment in the UN. Now, however, with the screws tightening on the Katanga secessionists, Tanganyika newly independent, and Portuguese repression in Angola exciting general reprobation, the spotlight is moving inexorably toward Rhodesia, where Britain faces its most painful test of disimperialism. The Rhodesian federal government is already embroiled in an exchange of demands, accusations and denials with the UN secretary-general. And the UN Assembly, just before its Christmas recess, placed on its agenda an item—to be discussed when it resumes on January 15th—calling for a report about the present status of Southern Rhodesia.

A particularly difficult phase in Britain's relations with the UN is about to open. Some manœuvring for tactical position is, naturally enough, to be expected. But one can only hope that the manœuvring at the London end, and the British arguments in next week's discussion of the UN's future with the Americans, will not take the shape—negative, restrictive, founded on misinterpretation of known facts, and almost calculated to lead into blind alleys—that the Foreign Secretary's speech appeared to foreshadow. He said at Berwick, of the UN's new Asian and African members, that "unwittingly they play the communists' game." They?

Eight and Twenty Blackbirds

Divided, Africa's 28 states are a source of danger to one another, and to the world

NOW the pie is open, but Africa's 28 independent non-white states sing not in harmony. And there are about another 28 territories on the continent which could achieve sovereign independence. "Balkanisation" is becoming an obsolete word: it should be "africanisation." A dangerous enough place in 1961, Africa continues to get more dangerous. And like other quarrels, the quarrels of Africa attract bigger birds, the vultures and the eagles.

That is why the United Nations is in the Congo. Strife of that kind, with each side calling for support from outside powers, could occur again in countries unprepared for independence, or unable to sustain it: Angola, Mozambique, Spanish Guinea, perhaps Kenya. The small ones, like Gambia, French Somaliland, or Basutoland, tempt take-over bids—as do artificial new states with rich resources and little population, like Gabon or Mauretania; there is more than one Katanga.

Plenty of room exists for argument between independent African countries. Ethiopia and Somalia, Ghana and Togoland, Morocco and Mauretania—each is a pair of tethered fighting-cocks, any one of which might soon begin to draw blood. Again, one of Africa's many great dividing-lines lies between French-speaking and English-speaking Africa. To the Ghanaians, most of the French-speaking African countries are half-way dependent, being ruled by French "neo-colonialists." Certainly some of these featherweight countries, like Niger or the Central African Republic, amount to no more than a few small towns and vast empty expanses of jungle or semi-desert. Necessarily, they depend heavily on France to run their administrations, balance their budgets, and provide their armies.

Because of this, even Nigeria still seems too suspicious of French motives to apply for associate membership of the European common market—although such a move might lead other English-speaking African states into closer union with their French neighbours. The economic division between that part of Africa associated with the common market and that part likely to stay outside it is an added irritant. There are more. Many frontiers mean much smuggling. The comparative wealth of some African countries—Ghana, for instance—is a cause of resentment to others.

Sufficient though they may seem, these are not the only reasons why Africa should seek unity. Most of the new countries, especially in west Africa, revolve around the route to the capital and the port at the coast. Their trade is with their parents in Europe; to speak from one state to another on the telephone they must channel their calls through London and Paris. Economic planning is possible across state boundaries, but it would be easier in west Africa if the boundaries did not exist. Because of this, Africa will have a better chance of developing its economy if it is more united—just as it will never be safe from local quarrels while it remains so divided.

This is why most Africans talk of African unity. Dr Nkrumah's dictum, that Ghana's independence is "meaningless" so long as the continent is divided as it is and parts of it are still colonised, is not without foundation. Although many educated Nigerians and French-speaking Africans oppose Dr Nkrumah's flamboyance and his methods of government, few of them seem to think that he is wrong when he calls for pan-African unity.

THERE is, however, a difference of approach. The five countries that met at Casablanca at the beginning of 1961—Ghana, Guinea, Mali, the United Arab Republic, and Morocco—have a radical approach to African unity, as to most problems. In President Nkrumah's phrase, they seek first the political kingdom: their belief is that political unity must come first, before inter-territorial divisions can be ended.

Virtually all the rest of independent Africa (excepting, of course, South Africa) got together at Monrovia in May, 1961, and decided that existing political boundaries must be respected. Before political unity could be thought of, they said, practical bonds must be established. They spoke of road and telecommunications networks, schools of French and English, a common market, and a common currency. Some members of the Monrovia group think that this sort of thing may lead to political unity, but that it probably will not—the Nigerian prime minister, Sir Abubakar Tafawa Balewa, seems to believe this. But others—Dr Azikiwe, or the Nigerian foreign minister, Mr Jaja Wachuku, for instance—seem to think that a more unified Africa is inevitable in the long run.

The Monrovia approach, however, is essentially conservative. Since May, both the Monrovia and the Casablanca groups have decided, at a bunch of separate conferences, to forge links among themselves. In both cases little has been done, although many plans have been made. Now the heads of state of the Monrovia group are to meet at Lagos from January 25th; their hope is that some at least of the members of the rival group can be persuaded to attend. To this end there has been much coming and going in west Africa. In December, Sir Abubakar visited President Sékou Touré of Guinea and President Houphouet-Boigny of the Ivory Coast went to see President Modibo Keita of Mali. The President of Mauretania, Mukhtar Ould Daddah, paid a call on President Nkrumah—who, earlier in the year, spent some time knocking down a specially-built brick wall on the border between his country and Upper Volta.

There are faint hopes alive in Lagos that the coming conference will bring about a rapprochement between the radicals and the conservatives of Africa. This is in fact unlikely unless the Casablanca radicals decide that their best tactics are to work within the opposite camp. And even the tenuous kind of unity that could come out of a conference of heads of state would be no more than what Mr Dunduza Chisiza, of still-dependent Nyasaland, calls a "federation of intellectuals." Mr Chisiza's point, that pan-Africa is a long way ahead because it has yet to be instilled into the minds of ordinary Africans who, in the main, still see no further ahead than their tribes, has also been taken by some Nigerians and French-speaking Africans. They look to federations of federations—an Africa divided into five great economic regions federated with one another and themselves federations of states. More may well be heard of such a complex scheme at Lagos.

Paradoxically, the most potent drive to African unity exists in Europe, where, according to pan-Africanists in Accra, the neo-colonialists plot and scheme to divide Africa. This drive is the result of Africa's most explosive and terrifying division of all: between the black-ruled north and the white-governed south. In Katanga the two giants have, for the first time, met in a head-on clash—and the echoes are certain to be heard in Lagos. Whatever the British Government thinks it is doing in Katanga, and Rhodesia, it appears, in Africa, to be supporting the white south. When Africans in Lagos, or even Dakar, look at this part of their continent, their rawest nerves are touched: to them, it seems, Britain and Portugal, France and Belgium, are acting in concert to preserve their own Deep South for white domination. Deference to Dr Verwoerd has the same effect.

The tragedy of this is that none of the former colonial powers has any real long-term interest in placating Dr Salazar or Dr Verwoerd—although the Conservative party may feel that it has an interest in placating Sir Roy Welensky. The British Government's recent record in Africa was good until events reached Rhodesia. It seems now to be spoiling the record in the interests of placating European partners who themselves, almost unobserved in London, are moving out of the era of hidebound colonial thinking. It is easy to be cynical and say that the result of this is to push the African leaders who will meet at Lagos into closer co-operation: a more likely result is that the dangerously divided Africans will come to place even less faith in being looked after by Europe than South Americans divided put in being watched over by America.

Report on Robbins

A progress report on the work of the committee which is examining what Britain should do to reform its system of higher education



Keele: now a full university

ONE day a campaign medal may be struck for the Robbins committee. To be in the cockpit of the top people's debate on higher education (the War of the Oxbridge Succession) has its risks. Stormed at by donnish shot and shell for the past year, the committee must be wondering whether the ammunition supply is ever going to run out. Its brief communiqués speak of absorbing a hefty onrush of memoranda, engaging the big guns in twice-weekly hearings and still finding strength to descend on Scotland in the rigours of December. Expeditions are being planned to the United States in April and Russia in June. But how is the war really going? It looks (from a safe reportorial distance) as if things are only just beginning to hot up.

The central issue is over numbers: when all is said and done this will be what matters in the Robbins report. If the expansionists can win their battle, the objectives of the other reformers, in securing the wider conferment of university status, raising the reputation of the general degree, starting new institutions like liberal arts colleges, cutting down the wastage of potential talent (particularly among the women), and strengthening the academic higher command by overhauling or superseding the University Grants Committee, must eventually be added unto them. And if a balanced but flexible system of higher education can be evolved in this way, then the whole problem of the curriculum and specialisation in the sixth forms of schools will also be capable of solution.

There are now just over 175,000 student places for full-time higher education in Britain: about 110,000 in universities, 30,000 in teacher-training colleges and the rest in colleges of advanced technology, technical colleges and art schools. Anything up to 10 per cent of these places are taken by Commonwealth and foreign students, and despite the growing pressure of the 17-plus population at home it is actually in Britain's interest to maintain and even increase the facilities for overseas entrants in its own programme. If one takes the normal first-degree course to be three years and then makes allowance for the increasing length of post-graduate courses, it is apparent that no more than 6 per cent of British children (50,000 a year) achieve a higher education of any kind and no more than 4 per cent make their way through the universities proper.

The nub of the expansionists' case is that by 1980 the rising birth-rate, the rising number of children staying on at school beyond the age of 15 and achieving two advanced levels in the General Certificate of Education, and the rising middle-class expectations of working-class families generally will produce a qualified and active demand for 500,000 places in higher education: that is, 20 per cent of children in each age group will want to go on to it. There are obvious incalculables in this figure, but in the past these have invariably been under-estimated not over-estimated. The Canadians follow the 20 per cent formula, and all good British expansionists (following Crowther, Vaizey and others) should be pressing the Robbins committee to do the same.

If anyone thinks this is a wild estimate, either of the supply of potential students or of the prospective demand for teachers, administrators and technologists, they should read the Fabian Society's memorandum calling for between 700,000 and 730,000 places by 1980. And if anyone imagines that even the 20 per cent formula can be attained without draconian measures, they should reflect on these facts: current expansion plans will provide only an extra 100,000 places in the present decade (and the Committee of Vice-Chancellors and Principals is jibbing mightily at the thought of going faster). This means that the effort in the second decade, the 1970s, which is what the Robbins committee is really asked to determine, will have to be twice as great if those who possess the ability to pursue a higher education are going to be allowed one.

WHAT does this entail in providing new institutions? A new university is doing well by present standards if it provides 3,000 places in its first ten years. To the extent that this rate of growth is governed by genuine academic standards it must be respected; to the extent that it signifies the administrative and financial difficulties in starting from scratch in a cathedral town and constructing split-new faculty buildings, laboratories, and student halls of residence it needs to be looked at again. One would like to hear of more people telling the Robbins committee that, abroad, two universities can actually co-exist in the same conurbation, that laboratories and other facilities are grossly underoccupied in the vacation months (although Oxford and Cambridge bursars know how to pack in paying customers between June and October), and that halls of residence are not the only guarantee of a lively interchange of minds.

Outside the donnish firmament there is a better grasp of realities. The Association of Teachers in Technical Institutions says stoutly that the enclosed academic community "is neither necessary nor desirable." It would prefer to concentrate on providing common room and student society facilities on the campus and positively encouraging the students to live in the outside world. This is good sense. At the outset of a crash programme it is far better to have students who "belong" to a university only from nine-to-five o'clock each day, and even a shift system, than no opportunities at all. The graces can come along later. If this sounds old-fashioned, Oxbridge dons who sniff at the Scottish system

should have a word with industrial employers (and the General Medical Council).

In any event, the Robbins committee should find the technical colleges and teacher-training colleges more ready to experiment and expand. This is where the chief effort should be made and where financial outlay would bring the quickest return, at first in vocational training and later in a more rounded education. First, there must be a rise in status, and one that makes a real impact on parents and school teachers who still cling to the belief that the high road to success is only through the university gates. The colleges of advanced technology are beginning to make their mark all round: they should be granted degree-giving status right away (not even the Committee of Vice-Chancellors and Principals denies this). This, in turn, ought to encourage the advancement of some other technical colleges, which can equally be helped by the growing emphasis on "sandwich courses" in co-operation with industry—provided, of course, that the aim is to widen syllabuses, not to provide purely vocational training at the behest of a dominant local firm.

The teacher-training colleges are more of a problem. They happen to be the most tightly enclosed educational institutions in the country, but none of the published memoranda submitted to the Robbins committee is entirely happy about them. What one would really like to see is a breaking down of their cloister walls and a steady development into multi-purpose colleges, both to sharpen the intellectual atmosphere and reduce the caste-complex that the profession has been developing. Their entrance standards are improving: at present 35 per cent of their students had two or more passes at "A" level and a further 25 per cent one pass. So, too, are the quality and quantity of the research work they are doing. Initially there are grounds for bringing them much more into the life, and partly under the wing, of their nearest university. But the aim ought to be to raise them to a full degree-giving status of their own: the present pressure towards a degree-holding teaching profession in England should be capitalised on. In any large town the three nuclei of a teacher-training college, an up-and-coming technical college, and perhaps a new liberal arts or commercial college should provide the foundation of a first (or second) civic university. Obviously this kind of higher educational development will cause serious staffing difficulties, at least initially. It is good to see that the National Union of Teachers, in its evidence, is looking ahead to short-term and part-time secondment from the schools—both to relieve the shortage in the new institutions and to provide closer links between secondary and higher education.

ONE of the more important issues that the Robbins committee has dragged into the light of day is the tolerance of an unnecessarily high wastage rate among even the existing highly-competitive university entry. A paper submitted from the University of London Institute of Education shows that between 13 and 15 per cent of non-Oxbridge students in England and Wales fail to stay the course, and that the rate is probably even higher in Scotland. At Oxford and Cambridge it is as little as 4 per cent. Figures of this kind are invariably seized upon by the restrictionists to show that the new type of Redbrick entrant is pretty hopeless and that to let more people in would be a disaster. But the facts are rather different. The minimum entrance requirements of all universities are well above those before the war, and in many faculties have actually risen out of sight of the minimal two "A" levels. There is disquieting evidence that a shortage of second-year places in science and technological departments means that students who are fully abreast of their work are still thrown out: this is known as keeping up standards. Many dons are inclined to talk about 10 per cent wastage as inevitable, and this is even echoed outside. The case rather seems to be that a great deal more research needs to be done into methods of selection and dismissal, and possibly that faculty decisions at Redbrick should be reviewable, with more general considerations of progress and circumstance given a full hearing, as at Oxbridge.

TWO issues have emerged about the University Grants Committee itself. The first, generally agreed, is that the committee needs reinforcing, both because of the growing routine demands on its full-time staff and because the universities as a whole could benefit from more central research into education, administrative and even new building problems. The second issue is whether the UGC should remain directly tied to the universities alone or whether it should become the basis of a supervisory body embracing all higher education. This is an important point, not least because of the £50 million in public funds annually put at the disposal of an authority which is not responsible to Parliament. There seems to be a good case for disturbing the equable relationship between the UGC and the universities as little as possible. If this is so, then the colleges of advanced technology might be happy to evolve a similar guardian and intercessionary agent of their own.

There is also a school of thought that would put the lot under a Government department, either the Ministry of Education or Lord Hailsham. This hardly seems a happy solution, either in terms of potential political supervision or of the understandable preoccupation of the Ministry of Education with the vast problems in its present sphere. The best approach may be to let the UGC (and any new counterparts) stay in business, but to set up a permanent brains trust for higher education to watch over the whole scene, encourage fresh ideas, ensure co-operation with the schools and fit new institutions like commercial colleges into the structure as they develop. Something like parity between academic and non-academic membership is to be desired. Whether any members of the Robbins committee will volunteer for the job is, of course, another matter.

NOTICE

to Postal Subscribers

It is possible that this issue of *The Economist* will reach postal subscribers later than usual. The explanation is that the Post Office staff is "working to rule" (see our note on page 18). This means that they have been told by their trade union not to show any "goodwill" to their employers or customers—e.g. they will not show any undue hurry to catch outgoing trains or 'planes—until their wage dispute with the Government is settled.

NOTES OF THE WEEK

PAY PAUSE

Post to Pillar?

THE postal workers' go-slow has started 1962's wage battle on a note of serious farce. The union is issuing communiqués saying that its members are loyally doing their jobs as badly as possible. The Post Office is issuing counter-communiqués saying that on the contrary many of its people are working very well and that the current delays in the mail are mainly due to the weather. And Mr George Woodcock has told a rally of postmen and postgirls, who were hardly expecting such oratory, that it is they who will "save the working people of this country" by thus "standing in the forefront of the battle" and showing "that the only thing to make the Government reconsider the pause is force."

The reasons for the union's and the Post Office's cross-talk are easy to understand. Both know that many postal workers would have been loth to obey a union call for a full-scale strike, although fewer workers are averse to a form of action that can actually increase their current earnings (by necessitating more overtime). It is in the union's interest to exaggerate, and the Post Office's to minimise, the very real delays which obstructionism by even a minority of post-workers can cause. Mr Woodcock's heroics are easy to understand also. Being a moderate man, he must wish to achieve the appearance of breaking the pause before the greater militants of the union movement have recourse to full-scale (and possibly unsuccessful) strikes.

Even if the postal go-slow did not hold up a single weather-bound mail bag, it could, as it happens, be strategically well-sited to achieve this appearance, both in place and time. In place, because everybody knows that some post office workers are going to get a wage increase anyway, when the report of the Civil Service pay unit comes out. In time, because Mr Henry Brooke is due to meet representatives of other civil service unions soon, and is expected to foreshadow some increase for them. In ten days' time, too, London Transport is to make its reply to the wage claim by the London busmen. London Transport is probably the weakest of the managements of the nationalised industries just now; on past form, it is likely to be aching to be able to break the pause, and then say that other people did this first. The next two weeks are therefore liable to see a new rash of newspaper headlines proclaiming weakness by public authorities on the wages front; and Mr Woodcock could then draw attention to the postal delays, saying *"post hoc, ergo propter hoc."*



Mr Woodcock: moderate heroics

Delays which may really have been largely due to one sort of freeze would then be given credit for having broken another.

Light under Bushel?

IN these circumstances, the Government may find itself obliged to take quick action to try to dispel the appearance of having thus been driven from post to pillar. "Quick action" could mean obliging Mr Brooke to give another very dusty answer to the civil servants after all; this is still quite conceivable. Or it could mean taking the first wraps off the Government's so-called long-term wages policy; presumably something may even be heard about this before the weekend, for Mr Lloyd is due to meet the TUC about his planning council this Friday. Unfortunately, it looks as if there has been a muddled wrangle in the Cabinet about what this policy should be. Last weekend an extraordinary story began to appear that perhaps Mr Lloyd thought that the safe average increase for wages this year might be around 2 per cent; but that he may not announce this figure, for fear that this safe average increase would promptly be interpreted as the minimum increase that ought to be granted to everybody. There would be a wonderful dottiness in this decision: to indulge in wages planning but not to tell anybody about it, to turn on the guiding light but only under a thick blanket of secrecy where nobody would be able to see it. Presumably even the present Government cannot really mean to do this.

The obvious and right course is to turn on the guiding light now; and to make it a real and specific one. Let the Government say, if it believes this, that the safe *average* increase for wage rates this year is only 2 per cent; but let it make it quite clear that this means that in deficit industries without any real shortage of the labour needed to run economic services the safe increase for 1962 is less than this: indeed is nought. And let it say specifically and publicly how this formula should apply to the London busmen—and to the miners and railwaymen—instead of risking another inflationary debacle as over the electricity claim.

MIDDLE EAST

The Sorry-go-round

GENERAL QASIM and President Nasser, the Arab world's two revolutionary leaders, have equal and opposite reasons to contemplate 1962 without much complacency. President Nasser is relying on the strength of his name and character to get away with reforms that are hated by most men of influence in the United Arab Republic; General Qasim is carrying out policies that might win general approval if they were initiated by somebody who had not already forfeited so much respect. Both the Egyptian president and the Iraqi prime minister rely on the support of armies whose loyalty is no longer unquestionable.

The two leaders have become linked by the tenuous bond of their discomfort and isolation. For the time being, Cairo is overlooking the dawning friendship between Baghdad and the new Syrian government; it has also become more ambivalent in its attitude towards General Qasim's ever-repeated claim to Kuwait. In Cairo and Baghdad alike, almost everything that is now happening in the Middle East is bundled into the same package marked with a large anti-imperialist (alternatively, in Cairo, an anti-reactionary) label. The Egyptians have been able to quote the Kuwaiti ambassador to Cairo in support of their thesis that last week's military movements in the Persian Gulf were part of an imperialist conspiracy that was wider and more sinister than the protection of Kuwait. The Iraqis, for their part, have discerned the same hand behind the recent flare-up in Kurdistan, the British tactics in the Gulf and the quarrel with the oil companies; the coincidence of all these events points, in their view, to a conspiracy between the rebellious Kurds and the anxious, money-grubbing imperialists.

On Sunday, General Qasim told a Baghdad newspaper that fighting had again broken out in Kurdistan. During the autumn, Kurdish guerrillas led by Mullah Mustapha Barazani were forced into temporary retreat after ruthless bombing of the Kurdish villages by the Iraqi air force. The British too, in the years when Iraq was under their control, used punitive bombing against the independent-minded Kurds, but on a different principle, giving advance warning so that the property could be

destroyed without slaughtering the villagers. Last year's attacks were different; even so, the quiet that followed has not lasted long. Once again the Iraqis are claiming that the revolt has been crushed; the Kurds may possibly know better.

Troubles to the north and south of the country are, according to General Qasim, bound up with the government's dispute with the Iraq Petroleum Company. The Iraqi minister for oil, Dr Salman, ended a private visit to London with a press conference on Tuesday. He pointed out that the law of December 12th restricting the oil companies' operations to less than one per cent of their concession areas, was only a beginning; since the two sides had failed to agree satisfactorily on any of Iraq's twelve demands, other laws were already in the making. Dr Salman did not go into detail, but maintained with some persuasiveness the justice of his government's case and excused its actions by arguing that the oil companies had been disingenuous and patronising. With the opposed attitudes far apart, the IPC has called for arbitration without, one supposes, much hope of getting it.

PORTUGAL

Lisbon Earth Tremor

CAPTAIN VARELA GOMES'S unlucky attempt to launch an armed rebellion against Dr Salazar at Beja, in southern Portugal, on New Year's Day ensured Dr Salazar of attention, outside Portugal at least, for the address read on his behalf to the National Assembly on Wednesday. But what was definite in the speech was not new. Dr Salazar still does not intend to recognise the Indian conquest of Goa as final. He regards the United Nations as a failure, speaks of Portugal being "among the first" to leave it (this is something less than actually leaving) and intends to refuse co-operation with the organisation; but Portuguese co-operation has not been exactly conspicuous for some time. He appreciates Britain's efforts to deter Mr Nehru from the invasion of Goa, but deplores his ally's reluctance to resort to arms in his defence, and therefore proposes to re-examine those parts of the treaty that seem to bind Britain to defend Portugal's colonies. He carefully did not say that the alliance was at an end. There was no hint of any greater realism in Portuguese foreign and colonial policy. In short, the whole speech can be seen as an effort to reassure and rally the regime's supporters, little more.

The unsuccessful *coup* at Beja may have been prompted by right, or wrong, reactions to Dr Salazar's disastrous colonial policy. Either way, it is of interest as the first recorded rising in arms within Portugal against Dr Salazar (an intrigue against him among senior officers was easily defeated last spring). It is as yet far from clear how serious the attempt was. If the various rumours that there were attempted uprisings at three other places in Portugal, including Lisbon, are true, then it suggests that the underground opposition to Dr Salazar may be more active and more, if not better, organised than has hitherto been supposed. The fifty or so civilians who are said to have followed the small officer group in the assault on the barracks at Beja are officially alleged to have been workers from the industrial areas near Lisbon: taken in conjunction with Beja's reputation for left-wing sympathies, it suggests that a new element has joined the active opponents of the regime.


Pioneer rebel: Capt. Varela Gomes

The cancellation of the mass demonstration that had at first been intended to accompany Dr Salazar's speech does something to confirm this. Tens of thousands of demonstrators were to have been brought to Lisbon by special train: but Dr Salazar appears to have decided that even hand-picked proletarians can no longer be relied on to demonstrate on the government's side. His spokesmen deny that there has been trouble in other places than Beja; but all army officers' leave has been cancelled, and "preventive measures" were taken this week at barracks, police stations and other vulnerable points.

CENTRAL AFRICA

The Twist

AGAINST the beat of the war drums at Kipushi, on the border between Katanga and Northern Rhodesia, the political dance is like the newest in the West: the Twist. You wiggle the posterior as if drying yourself with a towel, whilst stamping out an imaginary, or actual, cigarette end with one foot. On Wednesday, December 27th, for instance, the Rhodesian federal government denied charges made by the United Nations that arms and soldiers were being allowed to cross the border. At the same time, the Rhodesian government said it was "particularly alarmed" at an alleged appeal by U Thant for tanks and howitzers to use in Katanga. On the 29th the acting secretary-general of the United Nations, U Thant, denied having asked for any howitzers or tanks. The Rhodesian office in London, asked to substantiate the charge, has pointed to a news agency report that Brigadier Rikhye, the UN military adviser in the Congo, had said on December 16th that more artillery and tanks were needed.

The importance of all this squabbling is that it underlines the lack of faith many Africans and Asians have in Sir Roy Welensky's protestations that he favours the re-integration of Katanga into the Congo. Their suspicions already extend to the British Government, which is put in a double difficulty by U Thant's request on December 28th that UN observers should be admitted to points on the Northern Rhodesian side of the border, to check whether arms and mercenaries are crossing. This may oblige the Government to face the question whether it is answerable for the Northern Rhodesian border or not. If it accedes to the request, a political row seems certain. If it refuses, Afro-Asians and others will take the refusal as confirmation that there is something to hide. (A request made to Portugal, to allow UN observers into Angola for the same purpose, is not likely to be seriously thought about at all.)

Mr Tshombe himself seems to be in no hurry to keep the agreement he made at Kitona on December 21st. He then promised to send 15 deputies to the central Parliament in Leopoldville; only seven arrived. He said the agreement should be ratified by the Katanga Parliament, but cried "illegal" when President Kasavubu called for a Katanga provincial parliament to be held at Kamina, in central Katanga, rather than at Elisabethville (Kamina is in UN hands). Mr Kasavubu's call was partly a ploy designed to show that Mr Tshombe's parliament is no more than a rump organisation: it should have 60 members, but more than half of them have deserted it. Contacts between UN and Katangan officials were cordial this week, but the commanding officer of the mercenaries, Colonel Falques, threatened reprisals against his Swedish prisoners if anything happened to two captured mercenaries.

The Turn

ACROSS the border in Northern Rhodesia the British Government has avoided an inquiry into allegations that the disturbances between July and September last year were put down with brutality; instead it has issued a long official denial in reply to the United National Independence Party's charges. This official statement does, however, admit that the disturbances were due to dissatisfaction with Northern Rhodesia's proposed new constitution, as announced in June; it also admits that some members of the security forces had to be disciplined, that there may have been "bullying on a few occasions," and that some houses were burned down. It argues, convincingly that UNIP members started it all.

A new version of the June constitution is long overdue, but this has become part of the Katangan, and whole central African, problem. The British

Government will need a courage it has not so far demonstrated in Rhodesian affairs if it is to act in pursuit of its own highest interests, undertake constitutional change at a pace the African population will accept, and face manfully the unpleasantness with the United Federal party that could be put off, but cannot be avoided.

Mother Goose

THE exchange of verbal fire at the end of the year between the United Nations and the Union Minière is a reminder that the future of Mr Tshombe's government, and for that matter of the Congo generally, turns in large measure on how much backing the Union Minière gives him. Holding the purse strings, as it does, it is in a position to sustain him in independent affluence or to guide him towards co-operation with Leopoldville.

Reports that M. Spaak, pressing on bravely with his policy of reconciliation with the United Nations and the Congolese central government, has been urging the Union Minière to hand over some of its taxes to Leopoldville instead of paying them all to Mr Tshombe, therefore make good news. The Belgian government has denied the reports. It is not finding it easy to swim against the stream of Belgian public sympathy for Mr Tshombe. Indications remain that the reports are true.

Unfortunately there have been few signs that the Union Minière is prepared to take notice of M. Spaak on his own. Some of its officials are reported as saying that Mr Tshombe would rather gut its installations than see a chunk of profits paid to the Leopoldville government. Would he? That would be killing the goose that lays his golden eggs. This week the United States has indirectly added its weight to M. Spaak's persuasions. Here is an opportunity for the British Government to do something specific for a Congo settlement. A word in the ear of the important British shareholders of the Union Minière might tilt the balance. In the long run, after all, the company's own future will be secure only in a united, peaceful Congo.

WEATHER

Winter Wonderland

No doubt official publications will continue to describe the British Isles as "of temperate climate" long after this week's great freeze-up is forgotten, or at least relegated to the sort of folk-memory that likes to sentimentalise about Frost Fairs and skating on the Thames. No doubt, too, most official bodies will take the description at its face value and neglect to make provision for anything of the same sort again; so that next time it snows all over Britain, and the temperature drops below freezing for three or four days, the entire country will once again be plunged into the damp and miserable chaos with which it greeted 1962.

It may seem unfair, for a newspaper which is always urging British Railways to run themselves economically, to castigate them for some of the things that happened this week. It would be absurdly uneconomic, a railway spokesman has said, to undertake vast anti-freeze-up precautions in order to avoid perhaps 24 hours of acute inconvenience a year. But would it? It is clear from the experience of countries wiser or less temperate than ours, that there are ways of seeing that points do not freeze; that conductor rails do not short out; that signalling systems are not so unprotected as to require a man riding on the engine-front to direct trains. The London underground, whose ability to keep running (with spasmodic



Edinburgh's solution: the electrified Mound

delays) prevented the worst chaos, spends £100,000 a year on frost precautions. For a nation with a subsidised railway system, the cost against which such rarely-used precautions should be measured is not the cost of lost custom to the railways during a freeze-up; as most people have to travel anyway, there is not much custom lost. The real measure, apart from personal inconvenience, is the cost of working hours lost and commerce disrupted. If every central London worker lost on average two hours office or factory time this week—and over the week as a whole this seems unlikely to be an overestimate—the cost of this factor alone, in central London alone, must have been at least £1½ million. Add to this the cost of disruption of movement of goods, and the economic case for installing even "elaborate and rarely-used precautions" on crowded lines no longer appears to be quite such an absurd one.

KNIGHTS AND OTHERS

Honours without Profits?

THE New Year Honours list was a pretty conservative one (with both a small and a big C). In some respects, this "small c" conservatism was a pity. One would like to see this odd public prize-giving of between 4,000 and 5,000 awards a year—a prize-giving which no other country has—turned to hard national profit in encouraging the export drive: knighthoods and other honours for leading lights in firms that have expanded their exports particularly notably, with citations explaining that they have done much better than other and bigger firms in their industry. No doubt this would cause great annoyance and envy among bigger lights in the same industry. But that is not an objection; it would be the objective. Another traditional radical complaint against the honours list—that it is too heavily weighted with knighthoods for civil servants—is, however, unfair. Most civil servants who get their Ks nowadays are of a quality that would attract a higher salary in outside industry; this is pre-eminently true of this year's batch. The only possible cause for annoyance arises when a civil servant receives the accolade and then departs to get a higher salary in outside industry before he reaches full retirement age—but unless one is to invent reversible knighthoods, it is not very clear what can be done about that.

Mr Macmillan has continued his habit of recommending even more honours for Conservative party workers up and down the country than other Conservative Prime Ministers have done; it is typical (and rather engaging) of him that he has not been deterred—as most timider politicians would have been—by the recent publicity given to the figures dug out by an American researcher relating to his generosity in this respect. Since these rank and file Tories presumably enjoy getting their awards almost as much as Labour hugely enjoys criticising Mr Macmillan for giving them, a good time is had by all—with no possible harm to the rest of us. Near the top of his political honours list, Mr Macmillan has continued to award more knighthoods to long-service (mostly class of 1945) Tory backbenchers whom he has not included in his administration, often because they have been too right-wing for him; rebel Tory motions on Africa always read nowadays like some medieval roll of chivalry.

Outside Parliament, where honours are plainly a recognition mark of achievement rather than a consolation prize for failed-Cabinet-status, more difficult problems arise. In Fleet Street, the newspaper success story of 1961 was the establishment of the *Sunday Telegraph*. But the success story of the past quarter of a century or so has been the rise of its daily stable-mate, and the successful, estimable and urbane managing editor of the *Daily Telegraph* (an ex-*Times* man like so many of the top *Telegraph* people) is the new newspaper knight—which raises again the old, real question whether the active editors of independent national newspapers ought properly to be offered, or to accept, these marks of official esteem.

BERLIN

First Foot

HAVING called on Mr Gromyko on Monday to wish him a happy new year, Mr Llewellyn Thompson, the American ambassador in Moscow, went back to



YOU'D be short of mod. cons. without the vital metal

Steel

The street is the best washroom that many people have in countries where they simply haven't enough steel to go round. In Britain we enjoy the advantages of plenty of steel – enough for all the domestic equipment that makes for civilized living. Steel, not only for baths, but for automatic boilers, washing machines, cookers, refrigerators, sinks, cisterns. For labour-saving gadgets of all kinds. But none of these would be very much use without the background of power supplies, transport and manufacture – all dependent on steel. Anything that has to be strong or springy, tough or hard, proof against heat or elegantly and intricately shaped, can be made of steel – and generally is. And Britain's steel industry supplies steel of the right quality, in the right quantity, at the right price. We use 6¼ cwt. of steel per head every year. That much, and more, is being produced by our own steel industry, with a comfortable margin for export. Year by year new plant is being put in, new methods are being adopted, efficiency and economy are increasing. Britain's steel industry is playing its part in providing a sound basis for a healthy economy. THIS IS THE STEEL AGE

BRITISH IRON AND STEEL FEDERATION

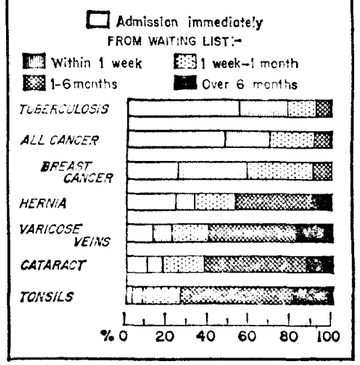
the Soviet foreign ministry on Tuesday to resume the "probe" of the Soviet position on Berlin. This is the first formal move in that direction since the conversation between President Kennedy and Mr Gromyko on October 6th, three months ago, before these talks were side-tracked by the confrontation of tanks at the Friedrichstrasse crossing-point. How close the "probe" is getting to real negotiations can be judged from the questions Mr Thompson presumably put to Mr Gromyko.

He asked Mr Gromyko, it is fair to assume, whether the Russians stand by the unofficial suggestion they let drop after Mr Khrushchev's talk to the west German ambassador on November 9th. This proposed that the Soviet Union should come to terms with the West about the future of Berlin, and then make sure that Herr Ulbricht respected the arrangement by embodying it in a peace treaty between Russia and east Germany. Probably Mr Thompson also asked whether, as an alternative, the Russians would simply promise that there should be no interference with western access to Berlin, if the West let the Russo-east German peace treaty be signed without protest. The first alternative would presumably involve negotiating the western position in Berlin afresh (the lawyers could be left to argue whether this meant a "new status" for the city, or just a reaffirmation of the old one). The second would, in effect, leave things as they are for the time being.

Recent events in Berlin itself may have some bearing on the matter. On December 30th, the Americans announced that the Russian commandant in Berlin was to be excluded from the western half of the city in retaliation for the refusal of east German border guards to let American officials into the eastern half of the city unless they showed their identity cards. But to keep the Russian commandant out of west Berlin further weakens the (already rickety) western argument that the city is a quadripartite entity. The quadripartite status established in 1945 is, in turn, intimately linked to the postwar occupation rights which the West at present claims to be the legal basis of its garrison in the city. If the United States is moving towards an acknowledgment that the city is for all practical purposes two, the thesis that the occupation regime is still in force looks much less convincing. In that case, there is a strong argument for sitting down with the Russians and working out an up-to-date agreement defining western rights.

WAITING FOR ADMISSION

Figures compiled by the Registrar-General (HMSO 17s. 6d.) show how long health service patients have to wait for admission to hospital. As one would expect, patients needing "cold surgery" (those with varicose veins, hernia, etc.) tend to wait the longest, whereas the majority of cancer patients are admitted within a week. It is unsatisfactory that 9 per cent of cancer cases have to wait over a month; presumably a diagnosis is sometimes not made until after admission. The figures are also analysed according to whether the admission is to a teaching or general hospital and according to which hospital region.



A Krahl for a Wall

THE same desire for retaliation that led the Americans to keep the Russian commandant out of west Berlin has led the British Government to require the departure of Dr Franz Krahl, the correspondent in London of the east Berlin paper *Neues Deutschland*. Since the western powers do not accept east German passports, an east German who wants to visit the West, otherwise than as a refugee, has to obtain a substitute in the shape of a temporary travel document from the allied travel office in west Berlin. The Nato countries have agreed that, in retaliation for the restrictions on movement in Berlin imposed by Herr Ulbricht's wall, these documents are to be denied to east Germans and existing ones are not to be renewed. Dr Krahl's expires next week, and with it his right to reside in Britain.

One can understand the urge to launch a kick, even a rather indirect one, at Herr Ulbricht's wall. Most of the Nato countries took similar steps in 1960, when the east Germans interfered with Berlin traffic for a time, and it might be argued that the measure had a marginal effect in persuading the east Germans to stop being awkward. (The west German threat to stop trade between the two parts of the country was a far more potent persuader.)

But this resort to the principle of an eye for an eye looks less impressive when it is realised that, apart from one news agency colleague who was away and is not being allowed back, Dr Krahl will be the only person affected so far as Britain is concerned. The east Germans who deal with commercial matters in London are to stay because their expulsion would amount to an economic embargo on east Germany. In any case, the objection to Herr Ulbricht's wall is that it blocks the flow of people, information and ideas between the two halves of Germany, and between East and West. Is it really worth while, when so many lights have gone out over Europe, to snuff out even a dim flicker in the name of "retaliation"?

EUROPE

Forever 1961

IN fudging up a legal fiction which enables them to delay, but not disastrously, the passage into the next phase of the common market due on January 1st, the six governments of the common market have shown themselves pragmatists. Not for the first time they have proved willing to improvise —by no means the conventional British picture of European functionaries quibbling over the literal interpretation of texts. Under the Rome Treaty, passage into the "second phase" of the common market has to be agreed unanimously; and if this is not done on time, the move is postponed for a whole year. In fact the bus was missed, but rather than lose the year the Six decided on December 30th to stop their imaginary clock and carry on their agricultural discussions until they agree, as if 1962 had not arrived. Once reached, the farm agreement will be retroactive to January 1st. The ten per cent cut in the common market's industrial tariffs due on New Year's Day has already been made anyway.

The immediate threat to the momentum of the common market has thus been dodged, but the manœuvre cannot conceal the differences that still exist between Germany and its partners. The tendency exists in Bonn to attribute the hold-up to French intransigence about technicalities. But in fact the three main agricultural exporters—France, Italy and Holland—have been declaring with one voice that it is time Bonn stopped procrastinating and made a move to put the common market in agriculture into practice. The dispute touches on some essential common market principles. In one argument—about escape clauses—the Germans are seeking the right to shut off imports from other members on their own initiative and with virtually no control from Brussels—a challenge to the whole idea of agricultural free trade. They want the common fund which is to support prices, finance farming improvements and subsidise exports, to be financed from national budgets and not from the community's levies; and they expect most of the money to go to German farms. In foreign trade they are anxious to maintain their bilateral relationships with outside countries—a handy instrument of west German trade policy generally—instead of a common trade policy.

Dr Adenauer, who is being pressed to lower the protective wall that shelters his peasant voters, deserves sympathy in his predicament, though not much. Before the west German elections in September he was believed to have given the French to understand that they could expect concessions afterwards. The reduction in his majority in the Bundestag has made it more difficult for him to move.

Fortunately compromises are in the air on many aspects of the matter. But some further concessions still seem needed from the German side. Herr Schwarz, the west German minister of agriculture, has been insisting that time is needed to adapt the antiquated structure of German farming. But the need for adaptation has been well known for many years. The common market has itself demonstrated that there is no medicine like competition for hastening such necessary changes.

Competition Without Tears

AGRICULTURE was not the only contentious subject which the Six had to decide on before the guillotine fell on New Year's Eve. Agreements on a common anti-cartel policy and on the first steps to harmonise social legislation were also regarded by some countries as preconditions for the advance into the second, freer tariff, phase of the common market. And decisions on both questions were in fact rushed through the marathon meeting of ministers.

The nub of the social agreement is that equal pay for women shall be introduced throughout the community by 1965. The new rules on cartels, although better than continuing with no rules at all, will disappoint liberals who hoped for a bonfire now of private restrictions on trade. In the treaty of Rome there is a fairly strong statement of principles—outlawing a number of cartel practices, like price agreements, if these disrupt the common market, and declaring that it is a bad thing for any one sector of industry to be dominated by one firm or by very few. Earlier this year the European commission recommended some stiff medicine for putting these principles into practice: registration of all agreements, and a ban on any whose innocence could not be demonstrated. This would roughly match the position in west Germany, with its relatively strong anti-monopoly law.

No other member country, however, has a law of comparable strength or an economics minister as keen on competition (except in agriculture) as Dr Erhard. When the commission's plans were put before the ministers in the autumn, the French did their best to water them down. Cartels should be banned only if they could be shown to cause damage, they claimed. And more effort should be made to curb dominant concerns—a hit at the Ruhr giants. The Federation of British Industries, in a sighting report last July on the common market, also took a stuffy view of the commission's bold ideas.

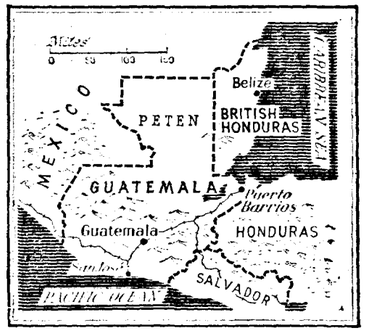
The ministers have now amended the proposals in the direction of the French (and British) view. All agreements affecting trade within the common market must be registered by the middle of this year, but the "abuse" principle—that they will be voided only if they are distorting trade—is to be accepted instead of the outright ban. If it thinks "abuse" is taking place, the commission can disqualify an agreement and impose fines if it continues. Everything will thus go on depending on how liberal-minded the commission is. Though it is to consult the national governments, it will have the last word in deciding whether Europe is to unite by competition or by cartels—a crucial point for 1962 and beyond.

CENTRAL AMERICA

Curiouser and Curiouser

IN publicising his country's claims to British Honduras, President Ydigoras Fuentes of Guatemala has managed to embarrass the State Department and, just conceivably, Lord Montgomery too. The field-marshal has denied that he offered to mediate between the British and Guatemalan governments; all he did, he says, was to report on his chat with President Ydigoras last month. Washington's involvement is more curious still. On New Year's eve, President Ydigoras reminded the United States of an alleged promise of mediation made in return for Guatemala's help in training Cuban rebels for the unsuccessful invasion of Cuba in April. Until now, it has been the Guatemalan government's habit to deny the existence of any such training camps.

Since a seventeenth-century shipwreck landed a band of English pirates on its shores, British Honduras has been a source of dispute first with Spain and then, after the end of Spanish rule, with Guatemala. British possession was recognised in 1859, but a British commitment, made at that time, to help provide a route from the Guatemalan capital through British Honduras to the sea never came to anything. The colony is certainly the poorer for the omission. A hundred years on, this is less relevant than the fact that the Honduranian leaders have, after initial hesitation, come



down against union with Guatemala. The territory, flat broke and now laid physically flat by last year's hurricane, is already on the way to self-government. In August, the prime minister, Mr George Price, said roundly that under his direction the colony would never become part of Guatemala. Since then, the Guatemalans have been talking in terms of some kind of federal association, and negotiations on these lines were in the air.

But in his new year speech, General Ydigoras dismissed the usefulness of continuing talks that had gone on, he said, for 150 years. He also implied that he had no use for the United Nations, and that he sympathised with Portugal, not with India, in Goa. The general may be right that further talks are useless just now. He is a demagogic right-wing extremist, and Guatemala under his charge would be an unhappy partner for any emerging

The Economist

JANUARY 4, 1862

THE FINANCIAL OUTLOOK

"Perhaps an Englishman at the present moment might be pardoned a little financial exultation. While France has just announced an annual excess of many millions in her expenditure over her income; while Austria is in a similar position, with the addition that her credit is well-nigh gone, and her borrowing power almost lost; while the Federal States no longer preserve the faintest *approach* to an equilibrium between their taxation and their expenditure, and are relying principally on loans extravagant in amount and uncertain of attainment,—there is not a breath of doubt or a shade of suspicion as to the power of England to raise a far larger sum than her present vast taxation—as to her power of borrowing any required number of millions—as to the ease with which all her ordinary wants could be provided for by an easy adjustment of our present taxation. . . . . Last quarter we showed that as yet there was a considerable deficiency in the revenue that it was less than Mr Gladstone expected that it would be . . . although there were many good grounds for thinking that the second half of the financial year would be considerably more productive than the first half. The deficiency has not been made up during the present quarter. . . . But if we look deeper, the prospect mends, though it is not free from some discouragements. The very serious deficiency in the Excise will, it is believed by those best competent to judge, be much diminished at the close of the quarter just commenced. . . . The Customs show an increase as usual. There has been a falling-off in raisins, owing to the state of the fruit trade; but everything else is prosperous—wonderfully prosperous. The income tax seems to yield less than was anticipated, principally because the Act imposing it was unusually delayed. That calculation was £7,687,000: the actual yield has been £5,938,000. Great efforts are being made to get in the outstanding arrears.

people. But in 1963 there will be presidential elections. Guatemalan elections are not always wholly convincing, still, it is a hopeful sign that Dr Arévalo, a former president now in exile in Caracas, has announced his candidature and may, it seems, even be allowed to stand. Under Dr Arévalo's presidency in the late nineteen-forties a start was made with social reform; there has been no advance since.

TEACHERS

Search for Status

UNDER the ægis of the College of Preceptors yet another movement is on foot to give the teachers a supervisory professional body along the lines of the General Medical Council for doctors. It is difficult to believe that it will get off the ground. Teaching remains a disparate job: it attracts a sizeable number of transients (particularly among married women), requires varying qualifications (the lowest of which is hardly impressive by other professional standards) and its members are already organised into a number of recognised and well-established bodies. No one can suppose for a moment that, for example, the National Union of Teachers, with a membership of nearly 250,000, would be inclined to renounce its interest in educational policies and standards and relegate itself simply to a salary pressure group: it would be very unwise if it did. It is certainly conceivable that, when and if the attainment of a university degree becomes the generally accepted standard for those in academic teaching posts, a teachers' council might be an effective (possibly too effective) body in imposing its criteria for full active membership of the profession. Until that time it will be necessary to have the qualification to teach set by the Minister of Education.

The inspiration behind the idea of a teachers' council is evidently the search for status that younger members of the professioh are anxious to acquire and the older ones to have restored to them. Last year the teachers found themselves making common cause against the Chancellor, not with the doctors but with civil servants, local government officers and other white collar workers. Some people may think that if a professional council were set up the leopard would change its spots, and its pay scales, overnight. But, after all, one of the features of many professions with powerful controlling councils—at the Bar, for example—is that practitioners have much smaller earnings at the beginning of their careers than at the end of them; it was not clear from last year's row that this was what most teachers ardently want. As for instilling a sense of corporate unity, it will be enough for the moment if the NUT and the National Association of Schoolmasters really do sit down together to make the new Burnham machinery work.

UK BRITAIN *Ambiguous Albion*

ONE of the few things that are always changing about this country is the name by which different people call it; another change is taking place behind the scenes at this moment, and it is right that puzzled people at home and overseas should be told about it. *The Economist* and some other less uniformly right-minded organisations have always preferred to call this country Britain (as in *Come to Britain, Buy British* and British European Airways) and have eschewed the traditional colonial, Commonwealth and foreign usage of United Kingdom—or Yewkai. The supporters of the name Yewkai are of two kinds. First, the accomplished hair-splitters. They are always eager to point out that the Isle of Man, after all, is part of Britain, but not of the United Kingdom, which is of Great Britain (that is, the Kingdom of Scotland, the Kingdom of England and the Principality of Wales) and Northern Ireland (which is not part of Britain). And the Republic of Ireland is part of the British Isles but not, whatever Mr Butler may think, of the United Kingdom. Whenever one puts any of these territories in the wrong country, one gets a shoal of letters to the editor about it.

Secondly, there are some people who insist that the full diplomatic style and title of the country must remain The United Kingdom of Great Britain and Northern Ireland for a severely practical reason: so that we may retain our precarious state of bufferdom between the Union of Soviet Socialist Republics and the United States of America in the United Nations Security Council. Call ourselves Britain, and we should be rubbing uneasy shoulders with the Republic (but not the People's Republic) of China, called China (or Formosa). In the General Assembly, where ex-colonial countries would certainly object to Great, we should be found in the company of Brazil; unless (French being the proper language of diplomacy) we were called, properly, *Grande-Bretagne,* when Greece would be our nearest neighbour. We should become non-U, unable (in company with the Union of South Africa and the once United Arab Republic) to sustain our social position.

Long ago, this puzzle became too much for the Foreign Office: our ambassadors are British, even if their staffs are expected to run United Kingdom Information Services. But the Commonwealth Relations Office until recently maintained the full glories of United Kingdom High Commissioners, Trade Commissioners, Information Libraries and Atomic Energy Authority. But now, all this is to change; although, perhaps to placate old Commonwealth hands (who are attached to the Yewkai in the same way as fifth-generation Australians, New Zealanders and English-speaking South Africans are attached to Home), great discretion, even secrecy, is being maintained about the fact that the change is being made. In the CRO's institutions abroad, we can now reveal, Britain this country are to be; High Commissioners are to be British and perhaps bold and brave as well. The decision is a sensible one: for its success, we should like to wish its sponsor the best of United Kingdom luck.

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HOME REPORT

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

Town Hall Troubles



FROM OUR SPECIAL CORRESPONDENT

REVILED by ratepayers and harried by local politicos, the lot of the town hall official is seldom a happy one. Today as always, local government service offers security, a pension and the chance of advancement up a ladder of diplomas to the town clerk's seat of dignity: but the spread of pensionable prosperity to so many other professions has dimmed the attractions of the local civil service in recent years. The first—and to some the most surprising—proof that this worthy group of people has felt itself put upon has been the upsurge of trade unionism among them. The National and Local Government Officers' Association is the country's fastest growing union, and now has 183,000 members in local government as compared with only 147,000 ten years ago. (Members in the health service, electricity, water and transport bring its total strength to 273,500.) Over 85 per cent of local government white-collar workers now belong to Nalgo—from town clerks to office boys, as the union's officials are fond of saying. Even if one discounts the union's natural desire to emphasise those points that will reinforce its current pay-claim, the findings of a recent inquiry among its members are disturbing for those who believe in the need for efficient local administration.

Between January and November, 1961, over 20,000 of the 215,000 local government officers in England, Wales and Scotland changed their jobs. Some 8,000 of these moved from one authority to another, which is a normal process for officers on the way up the promotion ladder. Some 5,000 left the service on death, retirement or marriage. But 7,000, and perhaps more, went into jobs outside local government service. Of the posts that fell vacant, two-thirds were still vacant in November, despite some expensive advertising by the authorities concerned. In county boroughs and boroughs with a population over 75,000 nine out of ten of the posts that had fallen vacant during the year were still unfilled in November. There are alarming stories of prosperous, fast-expanding industrial cities with shortages of up to thirty men in the engineering department. There is a serious national shortage of public health inspectors. Planning officers, faced with drawing up forecasts for the quinquennial ministerial review of the prospects for their town, cannot find assistants; overwork is no defence if they muff their figures.

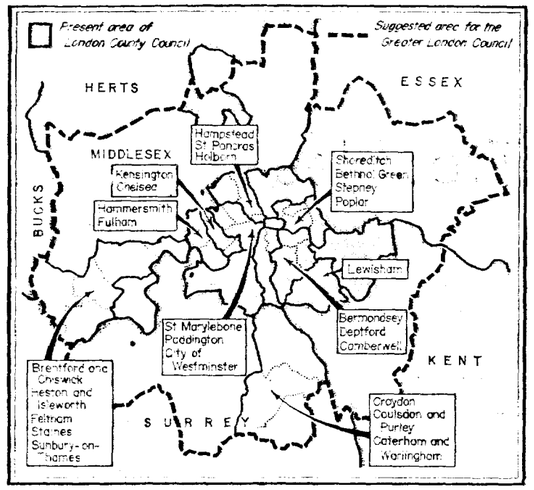
Shortages at the lower end of the scale of responsibility are harder to pin down—all the more so because the union's survey appears to be the first piece of systematic research ever done into local government staffing problems. But the most serious development seems to be the falling off in the quality of the youngsters entering local government offices. The time-honoured principle has been that school leavers would start work as junior clerks at the town hall and, by obtaining their professional or technical qualifications as they go along, gradually rise into the senior grades. About 40 per cent of local government white-collar staff are in the grade which includes general clerks, in which the maximum pay is £630 a year (bank juniors can fairly easily get promotion into the £950 a year range): bright lads with their General Certificate of Education, who would once have worked their way up out of this grade, are now tempted by higher pay elsewhere.

The next senior grade (43 per cent of the service) includes the administrative, technical and professional staff, earning between £645 and £1,480. There can be little incentive for a qualified accountant, engineer, surveyor or solicitor to stay in a service in which he is limited to a salary scale between £960 and £1,310. Just over 3 per cent of local government staffs are classified as chief officers (the odd 13 per cent are unskilled people), including town clerks who have little cause to complain—the top salary is £4,500, depending on the size of the authority. But obviously competition for promotion to this level is hot. As yet there is probably no weakening in the talent available for the very top jobs—the generous local government pension arrangements would make it unprofitable for a man over 55 to leave the service except for a really large salary in outside employment. But the present standard of recruits arouses severe doubts for the future.

NOT only have some councils been obliged against their will to employ junior office staff who have not passed their GCE. Some of them, in default of qualified applicants, have given jobs to men with inadequate technical diplomas or experience. Some authorities have regraded vacant posts in order to bring them into a higher salary scale, or offered applicants inducements in the form of cars or houses. The evil of this is not that such inducements are immoral, but that they make it necessary to give the same to everybody else, and thus put a concealed burden on the ratepayers. A further burden that may fall on ratepayers is the need, in the absence of qualified men in the town hall, to bring in expensive consultants from outside to do jobs that should be done by the regular staff. In a few cases, such are the disparities in pay for qualified staff, contracts for such jobs have included clauses against the poaching by the consultants of personnel from the local authority.

Nalgo's solution for these anomalies and shortages is predictable—local government officers should get more pay. Its survey shows that the shortages are not concentrated in particular technical departments, or in areas of high employment (in fact, since promotion in local government depends on holding down jobs in areas where things are active, the poorer country districts sometimes have the worst staffing problems). The pay differentials offered by a dozen large authorities are all small, and are designed to meet high local rents rather than to attract staff by bidding up the rate. The union, which normally keeps well clear of lining up with any side in politics (it has no political levy and does not affiliate to the TUC), has taken the lead in talks with other white-collar unions on how to beat the pay pause. But its time-honoured tactic has been to act on Parliament by approaching friendly members of parliament of both parties: when the pause is over it will have a formidable case.

Battle for London



Amalgamations: some specimen boroughs

THE Middle Saxons, East Saxons and their allies are aroused, and the word has gone out from their witanagemots that the Greater London Council is to be resisted to the last ditch. A top-level conference of the affected counties will be held on Tuesday. This may surprise Mercians and Northumbrians who (like the best planners) regard the whole lot as Londoners anyway. It may also amuse the London Labour party to see, in the very hour that the trumpet has sounded for the Tory suburbs to march to the siege of county hall, the flags of parochial revolt fluttering in all the debatable lands. But it is only what was to be expected: the one time when English local government springs into life is when some antiquated institution is condemned to die.

Middlesex is not Rutland: but its claim to survive as an independent entity, a state within the greater London state, is, if anything, even less well-founded. The county has apparently decided to concentrate its attack on the Government's educational plans for the London area. It does not see why, if central London is to retain an *ad hoc* education authority, the name of Middlesex should not be continued by a similar body.

This could be good tactics, for the chief bit of common ground in the counties' alliance is to preserve the present educational set-up. The Government's expanded boroughs may, or may not, make good educational authorities at the primary and secondary school level; but certainly for higher education, where the need is to exercise a general surveillance over the whole London area, the obvious recourse should be to the Greater London Council itself and not to shadowy counties.

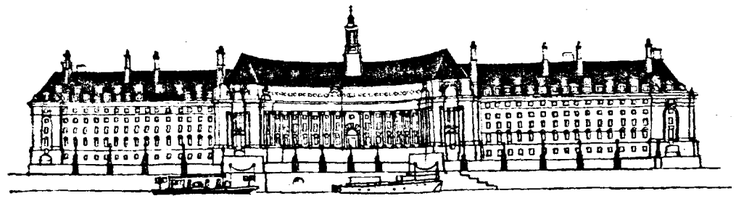
If it is difficult to believe in the local patriotism of Middlesex, the Herbert commission at least paid Surrey the compliment of being "a very homogeneous county both socially and politically." The effect of this, inevitably, was that "Surrey looked at everything through Surrey eyes"—as it still does. Last February Surrey cast a protecting arm round its threatened territories with the flat assertion that "there can be little community of interest between Esher and Barking or Banstead and Tottenham"; Esher and Banstead, it was intimated, identified themselves wholly with such rural playgrounds as Hambledon and Dorking.

It is all a matter of degree. The best argument for setting up a strong Greater London Council is precisely that authorities in the surrounding area have turned their backs on London itself and the problems of the region that (except for Esher and Banstead) it dominates. Surrey, like the other threatened authorities, attempted to turn the Herbert commission's flank by contending that planning problems involved a far wider region than even the new Greater London. This is true: but the only way that Surrey and the others proposed to cope with these problems was to throw everything back into the lap of the nine counties and county boroughs in the region, with the Minister of Housing and Local Government keeping an eye on matters from time to time. If (as it should) an effective regional planning authority is eventually to emerge it will have to be along much more purposeful lines.

Another resistance of a kind is developing inside the metropolitan boroughs themselves. This, too, is pretty much as expected. The Government's mergers have worked out reasonably well in terms of rateable value: only poor Lewisham (which, as it happens, is the one of the three unmerged authorities in the whole area) is likely, with a rateable value of £14 per head, to qualify for deficiency grant. Public discussion, as in the messes of merged regiments, has therefore revolved round the names of the proposed hybrids. Thus St. Marylebone and Paddington ("Marypad?"), having looked doubtfully at each other for months, now have to consider Westminster too.

But the major point that the Government has to answer is why it means to tolerate vast and amorphous bodies in the outer ring without following through and making real sense in the centre. The map shows the contrast between, for example, the gerrymandered-looking group running from Staines in the west to Chiswick, and snugly-affluent Chelsea-Kensington. It seems as if the Government has done just enough merging to transfer most local government powers to the new boroughs, thereby leaving the Greater London Council with too little authority to intervene effectively in housing, roads or planning. On the other hand there is a danger that some, at least, of the suburban mergers could develop in practice into rather inefficient minor counties. Better Middlesex again than that.

If the opponents of the Government's policy are to secure any useful adjustments before it is too late they ought to concentrate on this kind of issue, rather than refight the Herbert commission hearings, as many of them seem tempted to do. But the most welcome adjustment would be a Government assurance that the Greater London Council will be given the authority that the Herbert commission recommended and that it palpably needs.



Smallpox Scares

FROM OUR SPECIAL CORRESPONDENT

THE notification of two cases of smallpox, both involving Pakistanis recently arrived in Britain, has provided some of the more vocal and fervent guardians of the public health with what may seem to be a good reason for giving the Immigration Bill a swift passage. Health checks, it is argued, must be carried out on every entrant who has not got a clearly verified certificate of immunisation against the more unpleasant of the infectious diseases; and anyone in the least suspect must be sent back before he can infect the whole of Britain.

The history of smallpox outbreaks in this country over the past ten years hardly supports the fears of a major epidemic begun by two cases: in the whole of that time there have been 204 cases, of which 22 were fatal. Of these, 192 occurred in the three years 1951 to 1953 (19 fatal), 135 in 1952 alone. Of all these cases, only 6 were importations of the type which is now causing so much apparent concern, and in the big outbreak of the mild form of smallpox in 1952, not one case was imported. To try to establish an enormous administrative machine to catch these viruses at the point of entry would be impracticable: one cannot put every arrival into quarantine for 16 days in case he develops smallpox, even if sufficient trained men could be found to mount so fantastic an operation.

Nor is there any way in which vaccination certificates (which are required by Pakistan and most other non-European countries as a condition of exit) could be verified: vaccination is ineffective in about a fifth of all those vaccinated, and where it is effective the immunisation conferred may last less than two years—or more than 20—and most certificates are valid for three years or more. They are, in addition, not difficult to forge. The fact must be accepted (as it is by the local health authorities in the big ports) that occasionally, out of the millions of people who visit Britain every year, one will come in suffering from an unpleasant disease which cannot in the ordinary way be immediately spotted; and if it were, it would be inhuman to send the sufferer back rather than take him in and treat him.

IN fact, smallpox and other infectious diseases are dealt with reasonably efficiently. At the first suspicion by any doctor, the local medical officer of health must be informed, and he in turn will probably call in one of the consultants who serve on the Ministry of Health's smallpox panel. If the diagnosis is confirmed, the case is isolated, and the task of tracing contacts is begun. This is a difficult, expensive and time-wasting process, and can fail to catch everyone involved if the sick man has been longer than a few hours in the country. But on the evidence of the past ten years it is enough to prevent epidemics.

Naturally the most effective way of escaping infection is by immunisation; but this is not easy in a population of 53 million. Vaccination itself has its limitations, and many people object to it or are prevented from taking advantage of it on conscientious or medical grounds: when vaccination was compulsory in Britain, before 1948, nearly 80 per cent of the population found some excuse for avoiding it. The acceptance is actually higher now that it is voluntary—over 30 per cent, and rising. This is a fair level, considering that two other immunisation treatments are being simultaneously campaigned for: those for poliomyelitis (in which acceptance is high, perhaps because scares are more frequent) and diphtheria.

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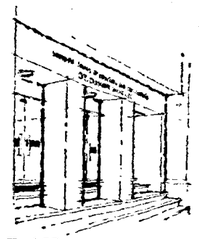
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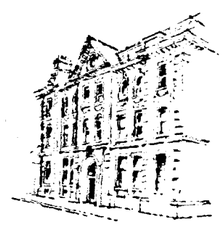
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To LSE . . .

Union Colleges


. . . or Ruskin

THE Educational Trust of the Trades Union Congress has sent out details of the scholarships it is offering in 1962-63. These scholarships are open to union members who are over 20 but under 36 years of age, though in certain circumstances the trust will consider applications from people up to 41: they will enable union members to enter for full-time courses—not only at Ruskin College and the London School of Economics but also at Hillcroft College (for women only) at Surbiton, and at Coleg Harlech in Wales.

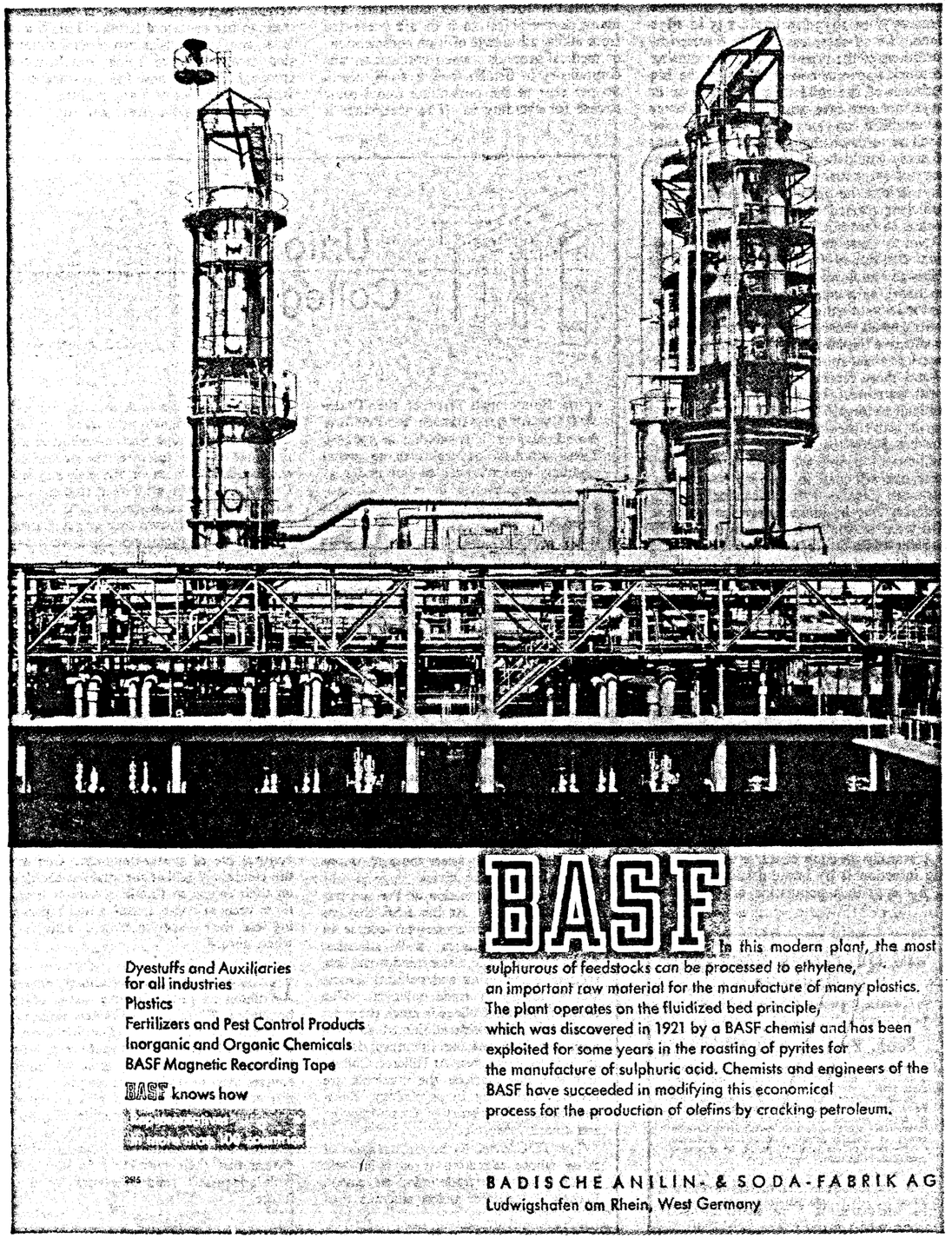
The first test is an essay of between 1,000 and 2,000 words on one of six topics: Do candidates think "stagnant affluence" is a fair description of Britain today?; "trade union democracy"; unofficial strikes; the structure of the trade unions. Less provocatively, applicants can write about the place of art and cultural activities in the union movement, or give the arguments for and against Britain's entry into the common market. Next May the TUC educational trust will interview the writers of the most promising essays and from this short list select those to whom scholarships will be given.

What kind of education do the successful handful get? At the LSE they go through an intensive one-year course in elementary economics and statistics, economic and social history, industrial law, political organisation and political theory, and contemporary trade unionism. The course at Ruskin College is much the same as at LSE, but with additional subjects such as public speaking, literature, drama, and foreign languages. At Hillcroft College and at Coleg Harlech the curricula are broader and bring in psychology, European history, the history of art, philosophy, and comparative religion.

The TUC naturally hopes that most of those whose education it pays for will return to serve the trade union movement. Perhaps more LSE union students than Ruskin students go back into the movement, since Ruskin opens the way to Oxford scholarships and to administrative jobs in, for instance, the probation and welfare services or the Ministry of Labour. But then all Ruskin students do not go on trade union scholarships. Many of them pay their own fees or get grants from local education authorities, while an appreciable number (like Mr Tom Mboya of Kenya) come from trade unions overseas.

Union members can also get scholarships for education tours such as the annual scholarship from the English-Speaking Union which enables a British trade unionist to make a six weeks' tour of the United States. They can apply for the travelling scholarships offered by the Imperial Relations Trust whose chairman is Dame Florence Hancock, a former president of the TUC. With these scholarships trade unionists can spend six months in either Canada or Australasia where, under the guidance of a local university, they can study the dominion's trade unionism, its industrial and social problems, and the cultural life of the community. One of the conditions is that the students should on their return to Britain remain at least three years at home, lecturing and reporting on their experiences and activities when abroad.

DESPITE all these opportunities, trade union education is, in a sense, only beginning. When the TUC's new rationalised scheme (explained in *The Economist* of June 3rd) starts in 1963 there may well be an increase in the number of full-time courses open to trade union members. In this way the unions can both give a unique opportunity to intelligent people who for one reason or another have failed to be selected for education by the state, and ensure that their movement is supplied with adequately trained leaders for the future.



LETTERS

Rhodesia

SIR—In your issue of December 16, 1961, it is stated: "The Europeans, led by Sir Edgar Whitehead, the prime minister, seem—to their credit—to be willing to meet nearly every African demand except the two most important—the demands for more land and for universal suffrage."

At the last congress of the governing party, the United Federal Party, it was unanimously resolved that all discrimination based on race must be removed, and the Government of Southern Rhodesia is in the process of implementing this resolution as rapidly as it can. This process will certainly include the early repeal, or the drastic amendment, of the existing Land Apportionment Act, which will remove all colour restrictions on the ownership and use of land throughout the country; and although this stage has not yet been reached, it should be appreciated by all fair minded people that time is required for preparing the necessary legislation and for working out all the implications of the move, so as to minimise hardship and to ensure protection to primitive people who still need economic protection in a competitive world.

The demand for universal suffrage is quite a different matter. It is believed by the Government, and by all but a handful of white Rhodesians, that there is nothing discriminatory or unfair about the existing qualified franchise. If democracy means "one man one vote," which I refute, then it is contended that very little of Africa, and certainly not this part of it, is ready for democracy. The fact that the black nationalists are vocal in their demands for universal suffrage does not prove anything. What is wanted in this country, as in every country, is not black government or white government but good government. This requires reasonably high standards of education and integrity in public life. The Government is spending every penny it can afford on education, and the standard is rising steadily. But there is a long way to go, and the Government sees no reason why it should be stampeded, by either internal or external forces, into extending the franchise more rapidly than the people can be fitted to use it. After all, we do not have to look far beyond our borders to see some of the results of such action.—Yours faithfully,

J. H. HUMPHRIES

Salisbury

How Many Fiestas?

SIR—When your correspondent in Barcelona listed (in your issue of December 23rd) the number of *fiestas* in Spain, he chose to overlook the fundamental motive for their existence, and the extent to which this particular day has been perverted from its original intention.

The purpose of the religious *fiesta* was to commemorate a specific Catholic event, such as the celebration of a Saint's day, and this was done through devotion and meditation. For this reason all unnecessary physical or manual work was strictly forbidden. Nowadays, however, the true value of such an opportunity has been vitiated by the very authorities who sought its initiation—that is to say both the Church and the State.

In spite of being able to exult in political parades commemorating the Spanish people's liberation from tyranny by the present regime, the average Spaniard is still so impoverished that any opportunity to supplement the scant monthly income is eagerly welcomed. The result is that the time of the *fiesta* is neither dedicated to prayer nor to party but to the individual.

The actual use of time varies with the different Spanish provinces. The acceptance of a part-time job is a scheme generally favoured by the Catalans, Basques, and Galicians, while the Andalusian, and more usual, remedy is to combat despair with *vino*—thus giving a Bacchic euphoria, or what the tourist feels is a typical Spanish joy of living.

It should also be mentioned that the local district holidays, or *fiestas mayores*, are often the only occasions when people in humble communities can afford some entertainment organised exclusively for themselves. To make these possible, contributions by the whole neighbourhood are made weekly throughout the preceding months. Even though this type of *fiesta* may last several days the actual celebrations only take place in the evenings, after a full working day. Similarly, the guild holidays have become staggered, with so many tradespeople taking an enforced day off every week, instead of the whole of one trade taking a national holiday.

This state of affairs is due to two commercial reasons—firstly, the impractical long hours of the normal working day (the *siesta* still exists in principle if not in practice), and secondly the failure of business administrations to pay satisfactory wages. In a recent economic survey, Spain was allotted the lowest standard of living index of all non-communist European countries.

The connivance between the State and the Church mentioned by your Barcelona correspondent is, in fact, a mutual condonement of each other's failure to improve both the spiritual and financial position of the nation. There is hope that the Church is increasing its influence in national affairs through the ministerial representatives in the *Opus Dei* society.

One last point is worth making—if your correspondent chose to examine the murky caves under the meretricious maritime esplanade in Barcelona he would find crowds of destitute people huddled round those huge *paella* dishes (a typical tourist dish), and no one ever thinks there that it is *fiesta* time.—Yours faithfully,

F. L. B. MACNEILE-DIXON

London, W1

Airports for London

SIR—In your issue of December 30th you report that this year London Airport is expected to break even, but that the higher landing charges imposed last April will still be necessary in order to finance the loss of about £1 million a year being made at Gatwick. It seems worth asking why this loss occurs and ensuring that the policy of the Ministry of Aviation is not such as might increase it.

The theory behind the development of Gatwick was good: that the same airport should be used for winter fog diversions and for seasonal summer traffic. In practice, however, Gatwick has been available for only about 50 per cent of the occasions when London Airport has been fogbound. Hurn has had to be kept ready for diversions with consequent duplication of staff and facilities.

Another reason why Gatwick makes a loss is that the geographical limitations of the site mean that the runway can never be long enough to take big jets. Thus few airlines can run all their services from Gatwick. Moreover, the maintenance facilities are limited, because being sited on the boundary of a New Town it was pledged that they would not be extensive. Airlines are noticeably loth to move to Gatwick.

It would seem that it would have been more economical to have kept Hurn (with its good weather record) for all the long-range diversions while being satisfied with something much cheaper for the other services. For example, Blackbushe, Biggin Hill, Eastleigh and Ford have all been closed since Gatwick was opened, and would all have been suitable.

It is no use crying over spilt milk, if it were not that the Ministry of Aviation seem to be contemplating spilling more. It was announced just before Christmas that they are making a survey for a possible second runway at Gatwick. Again the limitations of the site would restrict this to 6,000 feet—suitable for medium to small planes, Continental traffic, in fact. Yet it has been estimated that the cost of this second runway would be the best part of £4 million—ten times as much as Silver City spent building their own airport at Lydd. In view of the success of Southend airport and the fact that Luton airport is crying out for just the traffic that the second runway at Gatwick might cater for, surely it is worth questioning whether the extra expenditure at Gatwick would be justified. Would it not merely increase the annual losses and result in still higher charges at the State-owned airports?—Yours faithfully,

BRENDON SEWILL

Charlwood, Surrey

BOOKS

Scientists Turned Moralists

Einstein on Peace

Edited by Otto Nathan and Heinz Norden. *Simon & Schuster* New York, (1960). 720 pages. $8.50.

Has Man a Future?

By Bertrand Russell.

Allen & Unwin. 10s. 6d. *Penguin* 2s. 6d. 128 pages.

THE ethical and political opinions of a great scientist or mathematician are not necessarily of a value comparable to his achievement in his chosen profession, but the prestige of his name can be of great importance for the propagation of such opinions. In recent times several personalities who have become world famous in fields of mathematics or the natural sciences have subsequently devoted themselves to problems of morals and the governing of mankind, and their fame has caused them to be listened to with respect even when they have had nothing very original to say or when their arguments have been strangely deficient in the logic characteristic of their scientific work.

Among these scientists turned moralists Einstein was long pre-eminent. From the early twenties until his death in 1955 he figured before the eyes of the world as a militant pacifist—except for the period of Hitler's rule in Germany, when, to the consternation of his "absolute" pacifist associates, he deviated so far from his antipathy to war as to join with Szilard in writing a letter to President Roosevelt urging him to go ahead with the making of an atomic bomb. This volume, published in 1960 in America, is a kind of anthology of his correspondence and public statements in all periods of his life dealing with questions of war and peace, together with a running commentary by the editors and inclusion of some letters and statements by other people either in support of or in disagreement with Einstein's views. It is of value to have all this material sorted out and gathered together in one volume.

Born in Germany, Albert Einstein adopted Swiss citizenship at an early age, but took an academic post in Berlin shortly before the outbreak of the war of 1914; after Hitler came to power in Germany he became an American citizen. He was a Zionist and always regarded himself as first and foremost a Jew. From the beginning he had an intense dislike for the German nationalist mentality. In the twenties he became a champion of the League of War Resisters, who were pledged to refuse military service in countries that had conscription. From 1933 onwards he predicted Nazi aggression and urged that western countries should build up their military strength to oppose it. After the war, however, he declined to recognise any threat to peace from Russia and became a campaigner against the "militarism" of the United States, though his proposals for Soviet participation in a "world government" to supersede the United Nations were met with a sharp reminder from Moscow that the idea of a world authority was an imperialist trick.

When asked by a Japanese pacifist how he could have brought himself to recommend the making of the atomic bomb, he replied: "While I am a convinced pacifist, there are circumstances in which I believe the use of force is appropriate—namely in the face of an enemy unconditionally bent on destroying me and my people." By "my people" Einstein meant the Jews, and his words might be taken to mean that only genocide can justify the use of force. But Einstein advocated armed resistance to Germany long before there was any question of the total physical extermination of the Jewish people; on one occasion he declared that in a Europe dominated by Hitler "life would not be worth living." The pages of this volume give the impression of a man who preached, quite sincerely, a lofty moral code for the conduct of nations from whose fortunes he felt himself detached, but who reacted in a very human and passionate way when the fate of his own people was at stake.

Two days before Einstein died, he signed, together with ten other eminent scientists, a statement drafted by Bertrand Russell (and reproduced in "Has Man a Future?") which argued that "a war with H-bombs might quite possibly put an end to the human race"; that any agreements that might be reached in peacetime not to use H-bombs would be violated in the event of war; and that the only sane policy was therefore the total abolition of war. In his new book, Lord Russell develops the argument that human survival requires the entrusting of all major weapons to a single world authority of irresistible power.

He does not, however, deal at length here with the problems involved in bringing a world government into being; he is content to glance at the difficulties rather than to offer a set of solutions. His greater concern is with the first step towards security that could be taken in a still anarchic world of sovereign states. Some of the items on his list are almost wanly familiar: the halting of nuclear tests; the prevention of the acquisition of nuclear arms by more countries than already have them; the bringing under international control of all launching of missiles into orbits round the earth; the conclusion of a deal guaranteeing West Berlin's freedom and free communications with the west in return for western recognition of the East German government. Lord Russell permits himself little more than a brief flicker of unilateralism, in the shape of a rather parenthetical suggestion that Britain should become neutral between East and West in order to be in a better position "to inspire wise action."

Neutrals are cast for starring roles in his scheme of things. They should, he proposes, take the lead in getting the United States and the Soviet Union to declare publicly that nuclear war would be a common disaster ("I do not see how either side could incur the odium of refusing to sign"). They should invigilate, during a first period of about two years, over an agreement that all provocative actions would be avoided (Soviet interference with Berlin's affairs, or American with Cuba's, being cited as examples of such action); that hostile propaganda would be "discouraged," and east-west contacts expanded in order to moderate each side's vision of the other as "monsters of wickedness" and to "increase mutual knowledge of each other's case." A small international conciliation committee, in which neutrals would hold the balance, should be set up, starting with only advisory powers, but acquiring in time "such moral authority as would make its proposals difficult to resist." Lord Russell's suggestions would seem to call for further debate; in the first instance, perhaps, the international "Pugwash" meetings of scientists and others, to which he draws much attention in this book, might serve as an illuminating forum.

Homo Sovieticus

The Soviet Economy

By Alec Nove.

Allen and Unwin. 328 pages. 25s.; paper 15s.

THE Russians, are they human? Most books about Soviet politics and economics assume they are not, and tend to fall into either demonology or idealisation. What separates Mr Alec Nove's new work from the crowd is his skill in avoiding these two traps. This is perhaps the most balanced attempt yet in the English language to describe the Soviet economy as it is—not as a continuous miracle of growth, not as a prison camp in which economics is the slave of political decree, but as an imperfect economic system, worked by human beings who are wrestling with economic and organisational problems with mixed success. It is the kind of picture that will not be welcome to crusaders on either side of the iron curtain, but which ought to be read by them both.

What emerges from this sane and perceptive analysis? Not, of course, an economic system exactly like our own. Russia's economy is centrally planned and largely state-owned, and where western economies excel in providing variety, choice for the consumer and good distribution, Russia's central achievement is a crash rate of growth in the basic industries. Western economies waste resources through failure to invest and through depressions that leave capacity idle; Russia wastes resources through indiscriminate expansion, and because the means for communicating consumer wants to industry are so primitive. The hierarchic society stands contrasted with the open one.

But more and more of the problems of the Soviet economy—which the Russians are discussing more and more keenly—are familiar. There is the sheer complexity of planning every detail of a vast industrial society, the problem of allocating supplies and varying them to suit demands. Though this is still done mainly by quantitative allocation of supplies for preordained purposes, incentives have to be given to managers and workers, and use made of the price mechanism. Despite the direction of labour, a market in labour (and with it unemployment) exists. And critics inside Russia are constantly looking for ways of making the system more flexible still.

Mr Nove does not try to answer the great speculative question—how far the loosening-up process will go in future, and how far this will bring major political change. But by analysing the Soviet economy as it is, instead of as some would like it to be, and others fear it is, he shows how relevant these questions are.

His style is uncompromising, a compressed crystal of thought, relieved only by an occasional flash of the humour inherent in the subject—like *Krokodil's* charming caricature of the nail factory whose staff achieves planned production in record time by producing one enormous nail. But though the reader is required to make some effort, it is well worthwhile. The book is designed to introduce the non-specialist, with some interest in economics, to the Soviet economy. It does so and opens up new horizons at the same time.

The Twist

The Coil of Life

By Ruth Moore.

Constable. 426 pages. 40s.

THE article by Dr Crick and his colleagues in last week's issue of *Nature* on the genetic code for proteins has rightly aroused a great deal of interest in that fascinating chemical DNA [deoxyribonucleic acid]. It also makes this book particularly topical. Anyone who wants to know more about the nucleic acids, which surprisingly were discovered nearly a hundred years ago but whose unique importance has only become apparent in the last ten, could not do better than read this book.

It is a substantial but very readable account, in the best tradition of popular science, of the development of chemistry, organic chemistry, genetics, bacteriology and such other branches of science as are necessary to an understanding of the structure and significance of DNA. It is accurate and has welded into it many quotations from the authors of important discoveries, and it must be the product of wide reading and hard work. The sprinkling of helpful illustrations needs a special word of praise; in the later, more difficult, chapters the diagrams are outstandingly useful. To single out the best from the good is difficult, but the chapter on the Abbé Mendel's mid-nineteenth century experiments on inheritance is certainly one of them, and the details will probably be unfamiliar to many readers.

It is not very clear why the author went quite so far back in history—in fact to Lavoisier in the eighteenth century—for her beginnings, and the early chapters on Bichat, Liebig, Schwann and Pasteur add little but bulk to her story. Some people, too, may complain of her romantic approach, of some purple writing and of the intrusion of that overworked adjective "famed." Anyone who did a little chemistry at school ought not to find the subject too difficult, and, at the other extreme, only those scientists who are working on cellular chemistry themselves are likely to know all of it already.

There is no doubt that DNA is a chemical to fire the imagination. Its structure is a double spiral, and in this spiral it seems to hold the secret of individuality; along its lengthy molecule the theoretical genes, Mendel's units of heredity, acquire a material existence; it alone accounts for the infectiousness of viruses; it is the stuff that can be altered by fall-out and by X-rays so that future generations may be harmed; it is presumably fundamentally involved in the wild uncontrolled growth of cancer; and finally, because of its powers of self-replication, it raises the question of what is living and what is non-living matter.

And yet, despite its governing role in the cell, it is elegantly and parsimoniously built from only six constituents: phosphate, a sugar and four nitrogenous bases. Since all DNAs, from animals, plants, bacteria and so forth, have the same general composition, their individual differences seem to be determined by the varying sequence of the four nitrogenous bases, and as the molecule contains upwards of 2,000 of these bases in all, the possible number of different arrangements is astronomical.

Dr Crick's article deals with a possible way in which sequences of bases in DNA can determine the arrangement of the amino-acids during the synthesis of the protein molecule. From experiments in causing mutations in a virus he produces cogent evidence that a sequence of three contiguous bases codes a particular one of the twenty different amino-acids. A mutation can be either a deletion or an interpolation of a base in the DNA chain. A single mutation altered the virus's properties, but both a deletion and an addition, if near each other, left the virus's properties almost unaltered, as did three deletions or three additions. This is only a fragmentary description of the sort of work being done; but it is clear that it may soon lead to a knowledge of which particular sequence of bases on the DNA chain stands for a particular amino-acid—an essential step in understanding the conversion of the genetic code into actual bodily characteristics, which are determined by the make-up of individual proteins.

Some nucleic acids have now been synthesised. The great dichotomies—plant/animal, organic/inorganic, living/non-living—have a habit of melting away the closer one gets to them; but, in unravelling the spiral, scientists have now gone a considerable way towards the creation of life.

Successful Non-Intervention

England and Italy, 1859-60

By Derek Beales.

Nelson. 208 pages. 18s.

IN a disarming preface Mr Beales acknowledges the labours of his forerunners in the field of Risorgimento studies, and modestly justifies his own work by pointing out that, with the exception of Mr Mack Smith, no English scholar has, up to now, been in a position to exploit the wealth of

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both English and Italian documents dealing with British policy towards the unification of Italy. So valid is this claim that Mr Beales can be congratulated on having produced a most desirably up-to-date and comprehensive account of an important chapter in Britain's foreign policy, on exploding one more textbook myth, and on having contributed to an understanding of the operations of the mid-Victorian political system.

He sets himself three questions: "what, and especially how 'pro-Italian,' was England's policy? How was it arrived at? And what was the importance of England's Italian policy as an issue in the domestic political crisis of 1859?" His answers, briefly, are that public opinion, to which, said Napoleon III, British government was enslaved, was predominantly pro-Italian and (much more powerfully) anti-French; that the operation of these contradictory sentiments equally hampered the pro-French Palmerston and the anti-French Queen Victoria in their attempts to launch a "forward" policy; that, paradoxically, the resulting indecisiveness of British diplomacy furthered the Italian cause more than active assistance, in the forms of, for example, guarantees of Piedmontese gains in 1859 might have done; and that the Italian question did not cause the fall of the Derby government or the victory of Palmerston. Mr Beales also points out that the success of British non-intervention in 1859-60 misled the Cabinet into supposing that such a policy would always be justified by events—a supposition that was brusquely exposed as false by Bismarck in 1864, when the Schleswig-Holstein question arose. All these are useful things to know.

Of all the personalities involved, Lord Palmerston emerges the best. Mr Beales has a weakness for the old rogue, and it is easy, in this context, to see why. No British statesman of the time had a stronger grasp of the essentials of the international situation, and was less sentimental and at the same time more upright in the application of liberal principles to that situation. His Crimean and Athenian excesses were behind him; one is left regretting that British timidity and humbug were so consistently to frustrate his old age. One also regrets that he was matched with such a character as the French Emperor. Napoleon was at his zenith, and the dexterity of his Italian policy was even superior to Cavour's; but repeatedly he alienated British opinion and made the task of his would-be allies, Palmerston and Gladstone, impossible by his apparent duplicity, which made it seem that the whole Italian affair was a plot for the aggrandisement of France; though it is only fair to add that he received little encouragement to behave more considerately. But the English were in a high-flown mood: Napoleon was an illiberal foreign despot of shady reputation and dangerous name. It was all too easy for him to wound delicate insular sensibilities.

Mr Beales writes tamely, but briefly. He furnishes an excellent bibliography. His book might have been better had he interwoven his account of the Risorgimento with his main subject, rather than putting it all in his first chapter, to which one has constantly thereafter to refer; but otherwise this is a model piece of miniature history.



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Towards the Charter

The Northeners: *A Study in the Reign of King John*

By J. C. Holt.
Oxford University Press. 286 pages. 42s.

THE term "Northeners" was used by the thirteenth century chroniclers to describe the baronial resistance to King John. Mr Holt's book starts from this superficially simple fact. But it is more than a study of local interests, or even of a party within the barons; it is a detailed examination of the events leading to Magna Carta.

Mr Holt shows that a small group of northern barons did indeed form the hard core of resistance to the king; and that, for various reasons, these men were either in debt to the crown or otherwise hard pressed; the "discontented baronage" becomes a factor in politics. He also argues that John's defeat at Bouvines led directly to Magna Carta: "like John the Northeners were gambling, they on the failure of the campaign, he on its success. The Northeners won. The road from Bouvines to Runnymede was direct, short, and unavoidable." At this point the composition of the baronial party changed; the Northeners were joined by others and were submerged in a "wider flood of protest." Magna Carta was thus forced upon the king by a larger group; only eight out of the twenty-five commissioners were Northeners. This fact helps to explain why John was able to split the baronial opposition so soon, repudiate the charter, and move to supress the north in the last year of his reign.

The reasons for the north becoming the centre of baronial resistance are complex. One was geographical; not until the eighteenth century was England secure on its northern frontier. But another explanation, Mr Holt shows, lay in John's own actions. The forest laws hit the north particularly hard, the king's administration was harsh, and more important still John visited the north every year of his reign except four, whereas Richard had never been farther north than Sherwood. It is possible to see in the resistance a provincial reaction to centralisation, a reaction to an attempt by the king to integrate the north. It is not without significance that one of the most prominent rebels, Eustace de Vesci, was a son-in-law of the Scottish King William the Lion, and that Scottish help was given to the rebels.

This is a scholarly account of a complicated subject, which is at the same time readable—not an easy achievement.

Timeless Tome

Principles of Economics

By Alfred Marshall.
Ninth edition, with annotations by C. W. Guillebaud.
Macmillan, 2 vols., 892 and 895 pages. £6.

THE proper approach to these two handsome and weighty volumes is one of reverence, both for the great Marshall and for the scholarship of his nephew in preparing this edition. Volume I is a reprint of the eighth edition (using good sized print) and volume II contains the notes. These notes show from which edition each sentence in the eighth (and last) edition of 1920 was dated, indicate all changes of substance that were made before a passage reached its final form, and reproduce the material from earlier editions that did not appear in the eighth edition.

It is, unfortunately, fatally tempting for the modern reader to undervalue Marshall's work. His original contributions to economics were so important that they are an essential part of the subject today and it is easy to forget their provenance. Furthermore, Marshall's exposition often seemed rather woolly, even though it was based on acute theoretical analysis, because he was aiming at the general reader. Lastly, his work sometimes makes rather dull reading, for he was a Victorian and, not unreasonably, wrote like one.

To say that the book is old-fashioned, however, is not to say that it is out of date. It is, indeed, a classic and should be read as much today as in the past. Marshall was wise as well as clever and included nothing which he could not illustrate by examples that are important in real life. Too many of his successors are clever without being wise.

AMERICAN SURVEY

AMERICAN SURVEY is prepared partly in the United States, partly in London. Those items which are written in the United States carry an indication to that effect; all others are the work of the editorial staff in London.

Labour Bounces Back

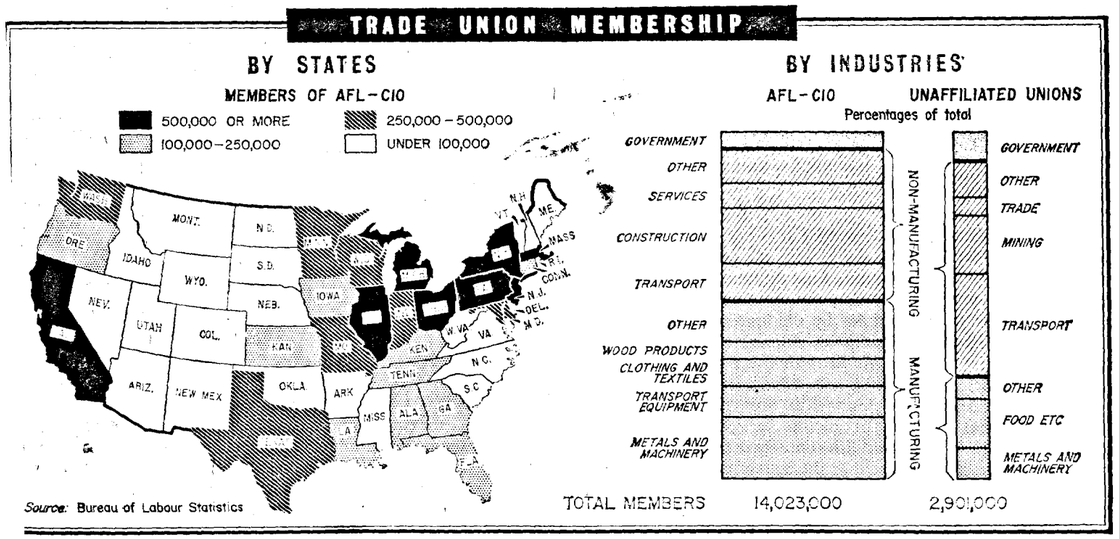
FROM A SPECIAL CORRESPONDENT

AMERICAN labour's confidence in its own future has a way of bouncing up and down with all the elasticity of a yo-yo. Before the American Federation of Labour and Congress of Industrial Organisations held its biennial convention last month amid the gilt and marshmallow splendours of the vast Americana Hotel in Miami Beach, there was much unhappy speculation about how long the six-year-old merger between the two trade union groups would endure and whether, if it crumbled, this would be much of a loss. Mr Walter Reuther, the highly articulate leader of the industrial trade unions, which cut across craft boundaries, proclaimed publicly his conviction that the unity of labour was more nominal than real and the old-line craft unions in the construction and metal trades were equally frank in pronouncing the fruits of the merger to be sour. A lack of any discernible sense of mission, stagnation in the search for new members, high levels of unemployment and the shrinking requirements for workers in factories, communications, transport and other traditional union strongholds, as a result of the spread of automatic equipment, all reinforced the fear that it might be time to add an RIP to the initials AFL-CIO.

But an astonishing lift out of the miasma of pessimism was effected at Miami Beach, thanks in large measure to a forceful reassertion of leadership by the man who had been the chief architect of the merger six years before—Mr George Meany, the federation's blunt, belligerent president. Improved machinery for ironing out their conflicts was agreed upon by the craft and industrial unionists, who have been at odds over questions such as which workers should do certain jobs, and the chances for turning to more constructive purposes the energies which all the big unions have been pouring into civil war seem brighter than they have for some time. Mr Hoffa, who leads the exiled International Brotherhood of Teamsters, set up a field headquarters in the Eden Roc Hotel, a couple of miles down the Florida Gold Coast from the Americana, but his expeditionary force made no converts. It is perfectly plain that, as long as Mr Meany heads the federation and Mr Hoffa heads the teamsters, that giant but scandal-tainted trade union will remain out in the cold. A good deal was also done at Miami to ease the tensions that had developed between the federation and the Negro community over racial discrimination in many trade unions. However, the prospect of lasting amity in this field is not bright; Negro trade unionists feel that the colour bar at work is coming down far too slowly.

President Kennedy told the convention how much both he and the country owed to labour and came away with a promise from Mr Meany that the federation would "co-operate 1,000 per cent" in helping to enact the President's controversial plan for a flexible tariff policy to permit American trade with the European common market to expand. The convention endorsed this promise in a formal resolution but it larded its support of freer trade with enough escape hatches and cushioning arrangements to satisfy all the protectionist elements in the trade unions in such industries as the needle trades, textiles, glass, pottery and electronics.

The real difference between the President and labour is over Mr Kennedy's appeal for wage restraint. It is true that the Administration is even more reluctant to say exactly what it means when it asks labour not to over-reach itself in collective bargaining



than the British Government is to define its concept of "modest increases." Nevertheless, Mr Kennedy's general line is that improvements in wages and other benefits should be restricted to those earned through increased productivity and that a broad cut in the 40-hour basic work-week would be a mistake in the light of intensified competition abroad and of Mr Khrushchev's threat to bury the West on the production front.

The AFL-CIO's rejection of any go-slow policy at the bargaining table stems from two great fears. One is worry that the present economic upturn will run out of fuel by the middle of this year unless the trade unions and the government take more vigorous action to stimulate mass purchasing power and to step up the pace of economic growth. The other is labour's certainty that automation means the wiping out of millions of jobs in a period when one American worker in every seventeen is already out of employment. A warning that a new recession may begin in the second half of 1962 has been put in the hands of all trade union leaders by the federation's economic analysts. Their prediction is that the current recovery will flatten out in about six months, with unemployment down only a little from the November level of 6.1 per cent of the labour force and with nearly 15 per cent of the country's industrial capacity still idle.

Mr Reuther, who heads the federation's economic policy committee, estimates that the United States lost 20 million man-years of work and $40 billion of gross national product in the last eight years through under-use of its human and material resources—a loss of more than $8,000 for every American family. Even more forbidding are his figures on how many new jobs must be created to keep everybody at work in the nineteen-sixties. He sees technological progress jolting 28 million workers out of jobs in the next ten years. In addition, the flooding into the labour market of young people born since the last war will increase the number competing for employment by 13.5 million, even after allowing for all who die or retire. Under this computation, the economy will have to bring new jobs into being at the rate of 80,000 a week every week for a decade if there are to be enough places to go around. This is the equivalent of creating a new company as big as the General Motors Corporation every five weeks.

LABOUR'S formula for making the economy climb more swiftly toward the goal of "more for all" involves a combination of unshackled collective bargaining to put more money into consumer's pockets and of an "expansionary" federal spending policy, under which balancing the budget would be less important than the achievement of full employment. Industry and the powerful coalition in Congress of southern Democrats and northern Republicans feel that this course would simply foster inflation, discourage investment and reduce the number of jobs.

The first big test of these conflicting viewpoints will come in the middle of the year when the contracts expire between the major steel producers and the United Steel Workers of America. The union has announced already that its chief stress will be on winning a four-day, 32-hour week, with no cut in the pay its members now get for 40 hours. Last autumn, when the steel companies were putting into effect the third and last of the increases in labour costs called for by the agreement they signed under pressure from the Republican Administration to end the 116-day steel strike of 1959, Mr Kennedy asked them to hold the price line as a defence against a new inflationary spiral.

The President coupled his plea with an assurance that he would be equally vigorous in urging the union to be moderate in its wage demands in 1962. This is a ticklish commitment even if increased productivity were to be accepted as the measuring rod of moderation. The companies contend that the annual long-term gain in productivity runs at about 2 per cent; the union argues that with new technology 4 per cent is a more accurate (and still conservative) figure. The prospect is that steel, the last big labour battlefield of the Eisenhower era, will become the first big battlefield of the new frontiersmen. Mr Goldberg, the present Secretary of Labour, who as the steel union's general counsel played a leading part in negotiating the 1959 pact, will be in the position this time of having to clarify what the present Administration considers to be a non-inflationary agreement.

Congress at the Ready

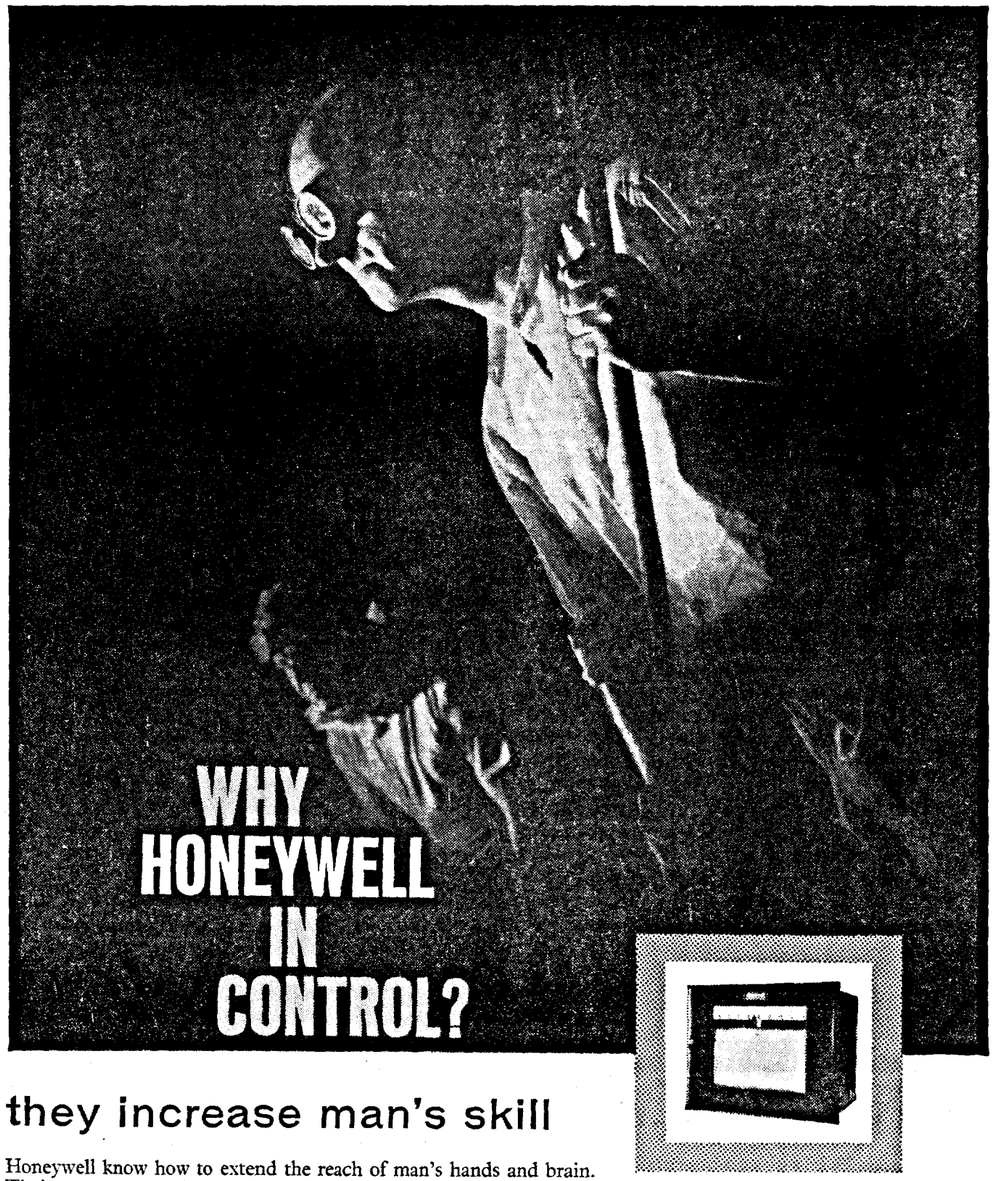
PRESIDENT KENNEDY has spent the year-end holiday preparing the heavy batch of messages with which he proposes to keep the Eighty-seventh Congress busy from the moment it starts its second session next Wednesday. As far as is known his only completely new proposal will be for the sweeping changes in tariff policy which have been outlined in general terms in a series of stimulating speeches. The President is said to hope that this trade Bill has gathered enough momentum already to sail through Congress before the protectionist lobbyists catch up with it. At least the reorganisation of the Democratic majority, the first business in the House of Representatives, where the Bill must start, does not seem likely to delay matters.

It is now accepted that the new Speaker, to succeed Mr Rayburn, who had been Speaker almost without interruption since 1940, will be Mr McCormack of Massachusetts and that he will be succeeded as majority leader by Representative Albert of Oklahoma, with Representative Boggs of Louisiana probably taking over from Mr Albert as Democratic whip. Mr Boggs, who has specialised in trade policy, will certainly do his able best for the tariff Bill. But neither Mr McCormack nor Mr Albert, both of whom represent regions which have suffered economically from imports, are as sympathetic to this legislation as the President would like; otherwise both have had satisfactory, although not outstanding, voting records from the Administration's point of view, except that Mr Albert, a Southerner, has supported racial segregation. But neither of the new leaders has the prestige, the firmness and the experience which enabled Mr Rayburn to discipline the House so strictly.

The President would, it is presumed, have preferred one of these offices to go to Representative Bolling of Missouri, a younger, more energetic and more liberal man who was close to Mr Rayburn and is congenial to Mr Kennedy. But without the President's active help—and probably not even with it—Mr Bolling had no hope of overcoming the claims which the established custom of succession gave to Mr McCormack and Mr Albert. If Mr Kennedy had tried to flout these claims he would have cancelled out any good that might have come from Mr Bolling's more progressive leadership, by dividing the Democratic party and arousing Congress's resentment against presidential interference. In particular any opposition to Mr Albert would have alienated the southern Democrats whom Mr Kennedy is wooing at the moment since without at least some of their votes little of his programme has much chance of success. Mr Bolling is now standing down although he may yet head a new steering committee which is suggested as a way of gingering up the uninspiring leaders of the Democrats in the House.

Bailing out the UN

INSTEAD of taking shelter from the right-wing storm over its support for the United Nations in the Congo, the Administration has announced firmly that it means to ask Congress for permission to buy up to half of the $200 million in 25-year bonds to be issued by the UN. This request will guarantee a wide-ranging debate on American relations with the UN in the next session of Congress and will give the government a chance to



they increase man's skill

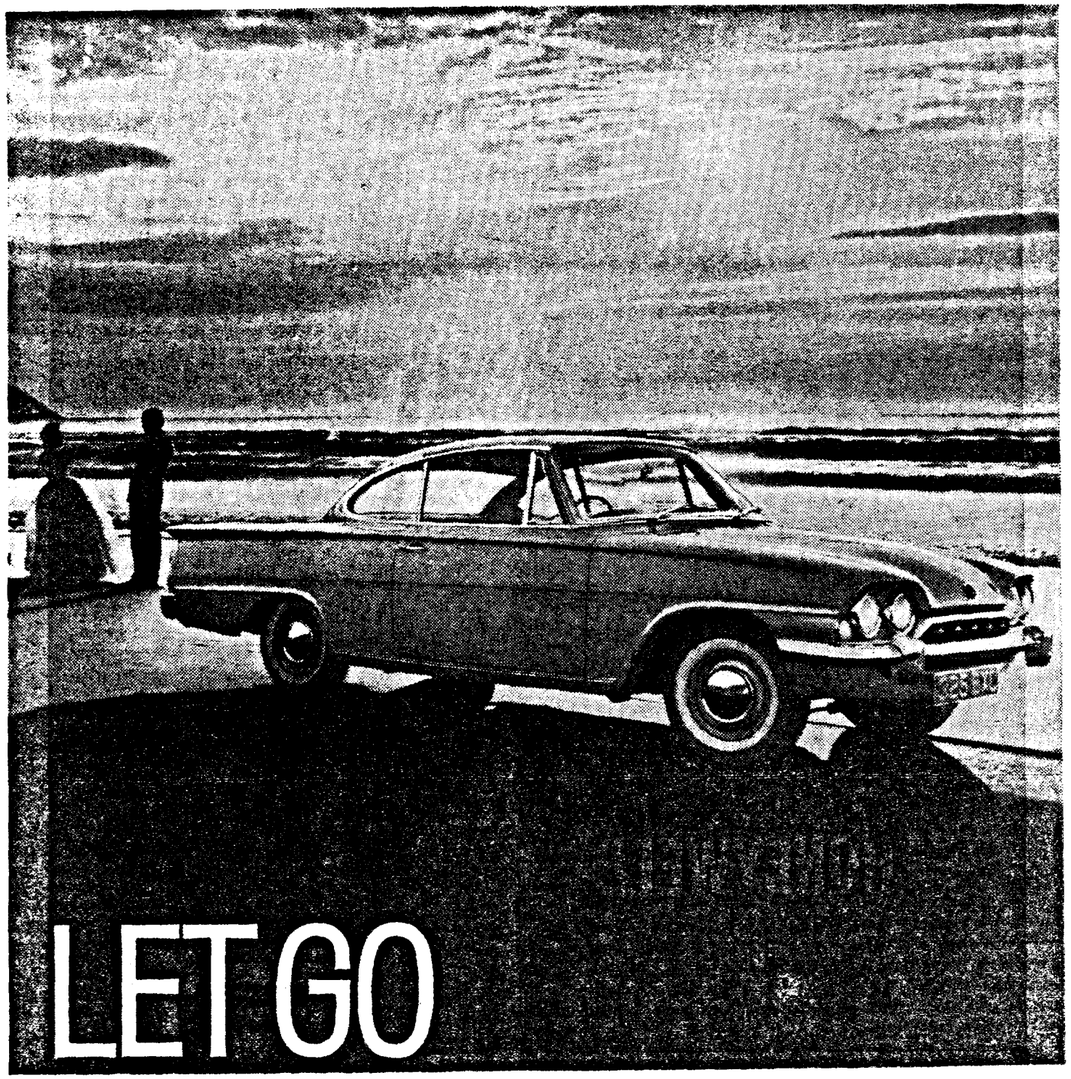
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put its side of the argument—something which has not been done as frequently or as clearly as it might have been. An example of most unfortunate confusion is the State Department's decision this week to soften many of the hard things said last week by two of its spokesmen—Mr Mennen Williams and Mr Carl Rowan—about the *Union Minière du Haut-Katanga* and the money being spent by the Tshombe government to influence public opinion in the United States.

The case for buying United Nations bonds has been well put by Mr Harlan Cleveland, the able Assistant Secretary for International Organisation Affairs. The UN's books are $104 million in the red primarily because certain countries—the Soviet Union, France, Belgium and the Arab states—have refused to pay for military operations which they dislike. The interest on the bonds and their repayment will be met out of the regular UN budget. The particular charm of this arrangement is that the recalcitrants will thus have to pay their share or run the risk, in time, of losing their votes in the General Assembly. (There is some doubt, which it is expected that the International Court will dispel, as to whether assessments for special military operations are similarly binding upon all members.) For the United States, which has been paying 47½ per cent of the cost of the Congo operation, there is the additional attraction that its final share would amount to only 32 per cent—the present amount of its contribution to the regular budget. (In all, over the past sixteen years the United States has contributed $1.2 billion of the $2.7 billion which the United Nations and its agencies have spent.) The only part of Mr Cleveland's argument which seems unfortunate is the suggestion that, if the bond issue is a success, the Administration will not have to ask Congress for more money immediately for the Congo. This would be perfectly just, as the United States has overpaid in the past, but it may be misunderstood abroad; in any case, by July the deficit may eat up most of the proceeds of the bonds.

More important than such financial details is the underlying question, which the Congo has brought to a head, of how much it is in the American interest for the United Nations to continue to exist. Mr Cleveland argues vigorously that it would be a great blow to the United States if the communist countries were able to starve the UN but, if the argument in Congress and the country is to be won, the President himself will almost certainly have to enter the battle.

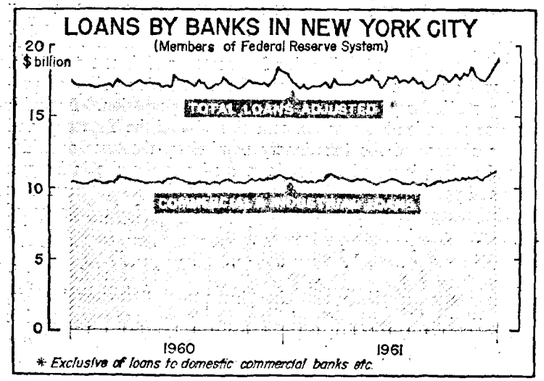
Co-existence in the Money Market

NEW YORK

USUALLY money becomes scarcer with a rise in business activity but only now, fully ten months after the recession ended, is the first discernible sign appearing on the New York market of the increase in interest rates which shows that money is in tight supply. In other periods of expansion the Federal Reserve Board demonstrated its zeal for combating inflationary pressures by rationing credit so stringently that the cost of borrowing soared; this time the Fed and the Treasury, which shares the responsibility for the current deviation from past patterns, express confidence that enough credit will be available and that any increase in rates will be gradual. Their recent success in maintaining a stable structure of interest rates cannot be denied, yet the financial community is doubtful whether they can continue to temper fluctuations and to avoid a curtailment in credit.

Sceptics have already been confounded by the extent of the co-operation existing between the Kennedy Administration and the Federal Reserve Board, headed by Mr William Martin. A year ago a clash was considered inevitable; Mr Martin was being attacked by Mr Kennedy's economic advisers for his alleged bias towards tight money, while the Fed and its supporters were critical of the Democratic party's traditional affinity for easy money and, by inference, for inflation. Instead of a rupture, however, there has been a convincing—and apparently enduring—display of peaceful co-existence. The Fed has supported the Administration's desire to provide credit for domestic expansion without inviting an outflow of funds to foreign countries, by keeping short-term rates of interest from falling to the extremely low levels reached in earlier recessions. In additional contrast with its past performance, the central bank is still expanding the credit base as economic activity rises, justifying this by the fact that there is still unemployment and excess productive capacity; to defend the dollar the Fed is prepared to allow the demand for credit to push up interest rates, at least moderately.

Some critics claim that the new harmony has been achieved only at the expense of the Fed but Mr Martin, a dedicated public servant who has championed the independence of monetary management since his appointment by Mr Truman in 1951, dismisses the notion that he has bowed to the dictates of Mr Dillon, Mr Kennedy's Secretary of the Treasury. Admittedly, the Fed made the initial gesture last February when it formally abandoned its "bills only" policy, the practice of confining its open market operations to short-term Treasury bills. But this olive branch was hardly a surrender, for adherence to "bills only," which tends to exaggerate swings in interest rates, had weakened within the Fed itself with the recognition that the international status of the dollar was as much a factor in the formulation of credit policy as were domestic conditions. So the central bank ruled out a sharp decline in rates, which its anti-recession easing would have induced, by dealing in all maturities. While the Administration also had hopes of a simultaneous decline in long-term rates to encourage investment in mortgages and in business, little change was registered largely because the recession proved short-lived and demand for capital, particularly in the first half of the year, was heavy.



Although the Fed may have made the more overt moves, the Administration did its part in bringing about what has been described as a "new balance" between monetary and fiscal policy. In taking over some of the burden that had formerly been shouldered by the central bank alone, the Administration limited its contra-cyclical spending to about half the amount incurred in the 1957-58 recession and did the bulk of its financing in the short-term area, thus shoring up interest rates. At the same time it made use of advance refunding to put more outstanding obligations into the long-term area and thereby prevented a shortening in the average maturity of the national debt. The Administration also resorted to jawbone tactics (the Fed, in this respect, was more restrained) to dispel inflationary fears and worked out a series of agreements with foreign bankers to minimise the spread between interest rates in New York and abroad.

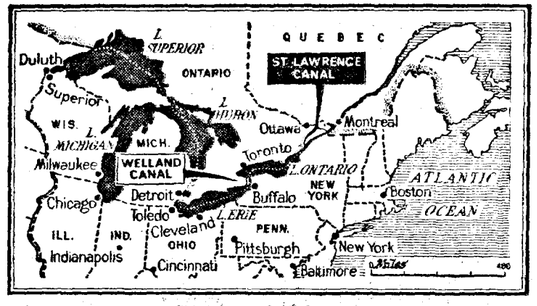
The balance may shift somewhat more ostensibly in the effort to provide funds for growth. According to government officials, the 1959 recovery was thwarted by the abrupt change from extreme deficit to surplus in the Eisenhower Budget accompanied by a comparably sharp reversal from easy to tight money. The Kennedy team, which did not permit the deficit to get out of hand, believes that its milder transition will not interfere with the rise of the economy. Its deficit financing is to be completed next week with the auction of $2 billion worth of one-year notes (only $500 million of which will be for new money) and the sale, on terms which will not be announced until the results of the auction are known, of another obligation to raise $1 billion to $1.25 billion in new cash. Both will bolster the structure of short-term interest rates and once they are out of the way the government will not be competing with private borrowers for funds, so that the Fed can make credit more readily available. Mr Martin's recent statement that the Fed has no intention of "choking off the flow of credit and forcing rates artificially higher" makes clear that he is in agreement. At present the net free reserves of the banks, which govern the growth of credit, stand at $427 million, far more than the central bank has permitted in past periods of expansion.

Professionals in the money market, who are suspicious of unorthodoxy and fearful that the Fed's independence is (or will be) in danger, cannot reconcile a moderate rise in interest rates—and plentiful credit—with an expanding economy and a deficit in the balance of payments. They argue that the Fed-Treasury partnership has succeeded only because the demand for bank credit has been unexpectedly sluggish. This demand is now strong and could be explosive; thus it might bring a sharp rise in rates along with a restriction of credit. In addition, while the Treasury will not be doing any fresh borrowing over the next six months, it has to refinance the huge amount of short-term debt it has floated and this will be an added pressure on the rate structure. And a sudden tightening of credit, which could stifle the economic upsurge, is also possible if the deficit in the international balance of payments worsens and if there is a fresh outflow of short-term funds.

It will not be easy to carry out the unorthodox policy of providing credit for growth without encouraging inflation. But with close co-operation between the central bank and the Treasury, and in the absence of the inflationary psychology that was so widespread earlier, it may be possible to moderate the rise in interest rates and promote productive investment. This does not mean that the influence of the market or the discipline of the balance of payments can be ignored; indeed, if the dollar comes under pressure or if inflation looms, the Fed—with the support of the Treasury—will revert to orthodoxy. But they are showing a willingness to experiment and, though the market remains dubious, the success achieved by effective teamwork last year suggests that the gamble is worthwhile.

Seaway Under Way

THE St Lawrence Seaway, the great system of locks, canals and deepened channels to enable ocean-going vessels to sail into the heart of the North American continent, has done considerably better in its third season than it did in its second. But this does not mean that it has come up to the expectations with which it was opened in the spring of 1959; these are now recognised to have been based on over-optimistic calculations. Over 23 million tons of cargo were carried through the seaway proper, the St Lawrence Canal section, in the season which ended when the waters froze in December and 30 million tons through the Welland Canal, increases of 13 per cent and 6 per cent respectively over the 1960 figures. On both sections the increases in eastward (downstream) traffic were much greater proportionately and were offset



by decreases in upbound cargoes, which fell this year largely because of the low level of activity in the steel mills of the Great Lakes and because they were employing more low-grade iron ore from Minnesota, now made usable by a special process, instead of higher-grade ores from Labrador and other foreign sources. Eastbound traffic benefited from heavy shipments of wheat from the plains of both Canada and the United States. Bulk cargoes of this kind are by far the most important freight on the seaway.

Even with this year's improvement traffic was still running about 35 per cent below the amount originally forecast for 1961. This means that the toll charges are covering costs of operation and maintenance but not the interest and amortisation on the cost of building the seaway—$471,000,000—which is supposed to be paid off in fifty years. Thus there is likely to be pressure for higher tolls when the rates come up for review in 1964. The experts who have faith in the seaway, however, hope that by then it will be doing well enough to make it unnecessary to raise charges even though traffic is not now expected to reach its maximum of 50 million tons a year before 1970.

By 1964, these experts hope, not only will the channels through the western section have been deepened, but so also will the ports. At present ships with the 27-foot draught for which the seaway was designed cannot carry full cargoes all the way from Minnesota and Wisconsin; nor can they get into all the ports. But everywhere lakeside cities are improving their approaches, dredging their harbours, building up their docks and ancillary services and training labour to meet the complaints of shipping companies and shippers about delays and inefficiencies in unloading and distributing cargoes. Moreover, these ports are advertising their advantages both at home and abroad and the Department of Commerce is now backing their efforts, unpopular as these are with the eastern and southern railways and ports. Already traffic through the St Lawrence coming from or going overseas is up to about 6 million tons this year compared with 700,000 tons in 1958. This development should continue as shipowners and their crews and the businessmen who export and import become more accustomed to using the seaway.

Worthy of Whose Hire?

PRESIDENT KENNEDY must envy the ability of Mayor Wagner of New York City to rush through, in a few days, big increases in salary both for himself and other high city officials. Whether this speed was prudent is another matter. The main objections of civic groups are not so much to the increase in the Mayor's pay to $50,000 a year—as much as the Governor of New York State and half as much as the President himself—as to the $35,000 a year for the five Borough Presidents; under the new city charter, which goes into effect next January, they will have considerably less work to do. Mr Kennedy's need to attract good men

AESOP-TO-DATE

The Early Bird and the Elephants

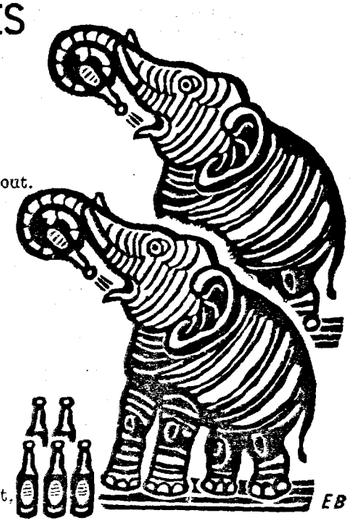


A singing Bird did so entrance
A pair of simple Elephants
That they implored the songstress tell
What was it made her sing so well.
It must at least be Guinness Stout
That brought such rapturous twitt'rings out.

Alas! the eager pachyderms
Found that her diet was of worms,
And though at first they were upset,
They said "We'll trill like Birdie yet,"
And started singing semitones
On Things they dug up under stones.

At length one day at crack of dawn
Their trumpetings announced the morn.
The neighbourhood so rudely stirred
Not only gave them both the bird,
But further concerts they implied
Might end in elephanticide.

The Moral: Nature knows what's best.
And that's where Guinness stands the test.
For barley malt and yeast and hops
Make this a drink that's really tops.
And music-makers can go far
On several Guinness to the bar.



EB

Guinness
is good for you—and me
G.E. 3675.B



into government service is as great, if not greater, than Mr Wagner's but in Washington the obstacles are not so easily surmounted. Last week the President made a bid for public support by appointing a committee headed by Mr Clarence Randall, a Republican, to recommend by January 15th how far the federal government should go toward making the salaries of high government officials comparable with those paid by private enterprise.

To go the whole way might mean adding as much as $2 billion a year to a payroll of about $13.6 billion. The Civil Service Commission has found that salaries of government workers in the lower ranks are as high as those paid by industry, sometimes higher. But the men in responsible jobs could earn twice as much if they worked for private employers ; a man like Mr McNamara, who was paid $300,000 a year by the Ford Motor Company and now gets $25,000 a year as the Secretary of Defence, is an extreme example. And there are risks in serving the government as a number of the newest—and some of the brighter—workers in the State Department found this Christmas when 500 jobs had to be abolished because Congress had failed to appropriate enough money for them.

The increases which the President is actually contemplating would cost eventually an annual $1 billion or so, but only a modest start is proposed for the coming pinched fiscal year. (In any case, a big splash would be unfortunate when the trade unions are being asked not to press for big increases in wages.) The salaries of Cabinet members would be raised from $25,000 a year to $30,000 or a bit more and those of civil servants in the highest grade from $18,500 to $25,000. There would be smaller rises in lower grades and the smallest of all in the lowest ones, as a sweetener for Congress which tends, particularly in election year, to look with more sympathy on pay increases for the lower paid (and more numerous) workers than on what seems to be very large increases for the comparatively well-off. The organised government workers are already preparing a big drive in Congress for higher pay. This is still the only road to general wage increases, even though the Administration has just laid down new and more progressive rules for the treatment of the trade unions to which about a third of the 2.4 million federal workers belong.



Fertilising the Atmosphere

FROM A CORRESPONDENT IN DENVER

ADDING carbon dioxide to the air has been found to be a great stimulator of growth for plants in greenhouses during cold weather. When a greenhouse has to be kept closed during the daytime plants exhaust the available carbon dioxide very quickly and virtually stop growing. Experiments at Colorado State University have shown that adding CO_2, up to levels of 550 parts a million, hastens the growth and increases the yield of carnations by as much as 38 per cent. Growth in roses was stimulated by only 9 per cent, but the improvement in quality was "tremendous." The chief experimenter, Mr Holley, says that deficiency of carbon dioxide has now become the limiting factor in winter growing (when greenhouses are ventilated, as they are in the summer, the natural supply is sufficient). Scores of experiments with other greenhouse crops, such as tomatoes, cucumbers and so on, are beginning to be made all over the United States.

The atmosphere's average natural content of CO_2 is a little more than 300 parts a million and is thought to be increasing slowly as a result of man's activities. But it can go as low as 207 and as high as 362. The growth of plants slows down greatly when the proportion of carbon dioxide falls to 200 and stops entirely at 125. The carbon dioxide added to the atmosphere in a greenhouse must be pure, since the slightest trace of carbon monoxide or of unsaturated carbons can ruin plants. Mr Holley recommends that it should be introduced by means of a lump of dry ice, an unstoppered source of liquid carbon dioxide, a small charcoal fire or even a floor mulch of decomposing corncobs or other organic material.

Helium Goes Up

UNTIL recently both the supply of helium and the demand for it were almost a government monopoly. It is to bring in private commercial interests that the price has been pushed up from $19 to $35 a thousand cubic feet. This is what the Department of the Interior, which has been providing practically all the helium not only for the United States but also for the whole free world from its own five extraction plants, is now charging its customers ; they need helium mainly for their work on government contracts. Non-inflammable, non-poisonous, helium is a conductor of sound, light and heat, does not react to any other chemical compound and can be reduced to lower temperatures than any other substance. It is used in missiles and atomic reactors, for welding aluminium and other metals and in cryogenics (the study of the effects of exceptional cold). As a result of all these modern needs for helium, once used only as a safe inflator for balloons, demand has been going up recently by 15 to 20 per cent a year. In 1960 600 million cubic feet were sold, virtually all that was produced, and by 1970 at least twice that amount will probably be required.

To meet this growing demand the Department of the Interior is now encouraging private operators to produce helium. It is normally found mixed with natural gas in the mid-continental oil fields ; in the past as much as 4 billion cubic feet a year have been burnt with that gas instead of being extracted before the gas is consumed. Such waste can no longer be afforded, especially as it is nearly twenty years since an important new helium-bearing gas field was found in the United States and as there is practically no known source of helium elsewhere outside the iron curtain. The department is now guaranteeing to buy all the output of private operators who conserve helium by separating it from the gas before it is sold. This helium will either go into current use or be put into storage underground in an exhausted natural gas field in Texas ; the department hopes to build up a reserve of 52 billion cubic feet by 1985. It is paying from $11 to $12 a thousand cubic feet to these suppliers. The difference between this and the new selling price of $35 will cover the department's costs, particularly those of the storage programme, which includes pipelines to collect the helium.

So far three contracts have been signed with private firms to build new helium plants, all in Kansas ; between them they will provide the government with 2.3 billion cubic feet a year of helium for 22 years. Together these contracts will cost the government about $34 million a year ; it has authority from Congress to borrow $47.5 million a year from the Treasury for the purpose and would like this to be increased. In theory the new selling price should make helium an attractive proposition for private firms to sell directly to industry and one company is beginning to do so. It is tapping an Arizona field of natural gas that is particularly rich in helium though useless for other purposes ; this will produce about 65 million cubic feet of helium a year for commercial sale. But so far no other company shows any desire to enter into competition with the government.

THE WORLD OVERSEAS

Mahomet on the Heights of Abraham

FROM OUR OTTAWA CORRESPONDENT

MR EDWARD HEATH arrived here on Tuesday night for discussions about Britain's negotiations with the European Common Market ; his talks are continuing as this is written. Probably his main object is to persuade Canadian ministers to let their officials play a more positive role as consultants to the British negotiators as the Brussels talks proceed. He must have found that both ministers and officials are very reluctant to tender any advice about Canadian interests which might appear to make them consenting parties to British decisions. If Mr Heath makes any dent in this rigid policy of aloofness, it is likely to be well concealed, though it might be no less important for that.

Mr Donald Fleming is taking part in the talks after all, although as recently as ten days ago there were few Canadians who believed that he would now retain the finance portfolio which he has held since 1957. The general belief that Mr Diefenbaker was determined to move him was fed during the last few months by widespread press reports whose source can be traced directly to Mr Diefenbaker himself. Intending to make a complete reorganisation of the cabinet, starting with the replacement of Mr Fleming as minister of finance and of Mr Davie Fulton as minister of justice, Mr Diefenbaker decided just before Christmas to take his whole cabinet to Quebec City where the Governor-General, Mr Georges Vanier, was in residence. These arrangements were deliberately well publicised. But they started to fall apart even before the Christmas holidays were over.

By Boxing Day Mr Diefenbaker had received renewed protests from the financial community against the removal of Mr Fleming, and it is understood that these were repeated by Mr Fulton at a private Boxing Day meeting with the prime minister. By the morning of Wednesday, December 27th, when Mr Fleming was summoned for a long meeting, Mr Diefenbaker had probably already decided to abandon his plans for reorganising the ministry. But it was too late to abandon the ponderous safari to Quebec. So the mountain combined its two proverbial tricks: it moved to Mahomet in heavy labour and brought forth a mouse at his feet. Mr Vanier approved a couple of minor cabinet appointments and two formal honorific additions to the privy council.

Obviously something went wrong. Apparently Mr Diefenbaker reversed his plans even before his Wednesday morning meeting with Mr Fleming. But that encounter, lasting nearly an hour and a half, has seized the public imagination. It took place in the prime minister's office and reporters were on hand to record Mr Fleming's expressions before and after. They had no doubt that it was a stormy encounter. As soon as it was over Mr Diefenbaker passed out the word that no change was to be made at the finance ministry. But only time will tell how much authority Mr Fleming retains along with his office.

For Canadians the significance of these events lies in their influence on the timing and substance of the election campaign expected this year. Mr Diefenbaker flew his first kites about reorganising the ministry and replacing Mr Fleming several months ago when his principal idea was to sacrifice a scapegoat for the blundering attempt to dismiss Mr Coyne from the Bank of Canada last summer, the unpopularity of the government's opposition to Britain's common market negotiations, and the series of budget deficits. His manœuvres in these usually intimate cabinet disputes can be reported with unusual confidence thanks to his established habit of using a few favoured correspondents and friendly newspapers to hoist trial balloons for whatever he is thinking of doing. He certainly believed three months ago that he could enhance the popularity of his government by getting rid of Mr Fleming, and there was every sign that he meant to do so in good time for an election before the middle of 1962.

In one sense of course every prime minister always has the next election in mind. Men, besides being born equal, are political animals. If some are more equal than others, some are also decidedly more political. But it is difficult to think of anyone more political—or for that matter more equal—than John Diefenbaker. The obviousness of his tub-thumping whistle-stop electioneering tours in recent months may have marked a change of pace rather than of principle, but it persuaded most Canadians that the election campaign had already opened. So when Mr Fleming was still in office in mid-December the logical conclusion, supported by the strong representations in his favour known to have been made by the financial community, was that Mr Diefenbaker had decided he was more of an asset than a liability. There is indeed private evidence that their disputes were patched up at least once in this period.

The revival of equally inspired newspaper stories just before Christmas therefore suggested that the dispute had moved to new ground involving the pre-election programme and the finance minister's authority to keep departmental spending projects within some kind of overall budgetary control. Mr Fleming has been given very little chance to do this in the last year. He may have even less with an election close at hand which not only whets the appetites of his colleagues but undoubtedly touches responsive chords in his own highly political make-up. The legislative programme to be submitted to Parliament when it opens on January 18th has still to be decided. Its nature may indicate both the sort of terms on which Mr Fleming keeps his office as finance minister, and also the likelihood of a quick election before Easter or a postponement till next autumn.

Greater Syria, Pocket Edition

FROM OUR MIDDLE EAST CORRESPONDENT

BEIRUT

THE abortive *coup d'état* in the small hours of Sunday, December 31st, was the most startling event in the Lebanon since the 1958 disturbances ended. The attempted *coup* was the work of an extremist group, the PPS, formed in 1932 under the name of Parti Populaire Syrien with, as its principal aim, the creation of a unified "fertile crescent" in the area that now comprises Iraq, Syria, Lebanon, Jordan, Israel and, oddly enough, Cyprus—"the star within the crescent." The PPS has had a chequered career. Banned in 1937, it re-emerged in 1944, and was suppressed again in 1949, when its leader, Antun Saadeh, was executed. It remained active underground and strongly supported President Camille Chamoun throughout the disturbances of 1958, when it was reliably reported to be receiving arms from the

government of Nuri Said in Baghdad. As a reward for its support, President Chamoun licensed the group under the new name of Nationalist Social Party. Since then it has operated as an activist right-wing movement of a slightly dotty kind.

This lunatic fringe aspect was strongly in evidence last weekend. The movement was spearheaded by two army captains and 40 men. After keeping a pre-arranged rendezvous with PPS adherents in Beirut, they kidnapped several senior army officers, made a vain attempt to storm the ministry of defence and the post office and were promptly suppressed. The kidnapped officers were released unconditionally. The only obvious result of all this effort was, inevitably, the third suppression of the movement, a police round-up of several hundred known party members, and the discovery of considerable quantities of illegally stored arms and ammunition, including machine guns.

The suppression of the PPS can hardly be anything but salutary for the Lebanon. Memories of 1958 are still vivid, and the public at large is nervous of extremism of any kind. The farcical nature of the *coup* has thoroughly discredited the movement, and the authorities have promised condign punishment for the ringleaders. Nationalists here and elsewhere in the Arab countries lost no time in pinning responsibility for the conspiracy on the unfortunate British embassy here. What British interest PPS rule in Beirut could possibly serve is difficult to see, fatally easy though it is to link the *coup* with recent British military movements in the Middle East. The only possible substance for this current allegation reaches back to 1958, when the British Government certainly favoured the re-election of President Chamoun and thus may be said indirectly to have entered into a relationship with the groups supporting him. The lesson of that failure has, however, been thoroughly digested, and even those most supicious of British motives might have the charity to assume that any British-supported operation would have been conducted on less idiotic lines.

At all events, the Lebanese are congratulating themselves on the promptness with which the threat to national stability was nipped in the bud. Congratulatory telegrams are still pouring into the palace of President Chehab at the village of Sarba, north of Beirut. A notable inquirer was the Syrian president, Dr Nazim Kudsi, who has just come to power himself as the result of an army *coup*. The conspiracy has also been denounced in both Cairo and Baghdad ; so, just for once, we have an issue on which practically all Arabs seem to agree.

LA TÊTE À L'OMBRE ET . . .

Les Pieds au Grand Soleil

FROM OUR PARIS CORRESPONDENT

NOWADAYS, if a Frenchman were set to write an essay on the elephant, he would not write the elephant's love life as he was supposed to do in the old days ; it would be " The elephant and the Algerian question." It is Algeria that is uppermost in French political minds nowadays, and the Algerian passages that were most attentively listened to when the President broadcast to the nation on December 29th. General de Gaulle's contrasts between the recent political and financial stability and the merry-go-round of the past were adroitly done, and effective as far as they went. But he could not announce, as some had hoped, any concrete steps leading to peace in Algeria. He did declare that " one way or another " France must put an end to this drain on its men and resources. He added that he " still " believed a mutually acceptable agreement to be the best possible solution. He concluded, however, that whatever happened, 1962 would witness the gradual withdrawal into Europe, and modernisation, of the bulk of the French armed forces. Two more army divisions and several air force units will begin their evacuation this month.

The reduction of the French forces in Algeria is politically significant. The presence of the bulk of French forces on the other side of the Mediterranean has been a major factor in shaping French policy. In the 43 months since General de Gaulle's return to power, his Algerian policy has been determined by two contradictory aims: the desire to end the war, and thus consolidate his position at home and abroad, and his reluctance to provoke a major crisis between the state and the armed forces. What a distance separates the early declarations that all Algerians are " fully fledged Frenchmen " from the current talk of a " sovereign and independent " Algerian state. The road is marked by successive refusals of the Moslem insurgents to accept gaullist terms and by French inability to impose such terms on the Algerian population. The



Paris, December 19th

Algerian leaders have changed in status from rebels to potential partners. Negotiations broke down at Evian and Lugrin last year on, apparently, the question of future sovereignty over the Sahara. In September, only a few weeks after the Lugrin breakdown, General de Gaulle suggested that this was not a major obstacle after all. Critics who claim that a bargain could have been struck at half the price now offered, if only concessions had been made in time, forget, however, that these unfortunate delays were not caused only by miscalculations about rebel strength. General de Gaulle's strange relationship with his army was equally a cause.

In May, 1958, the armed forces converted a settlers' revolt into a successful insurrection, brought the Fourth Republic to its knees, and chose General de Gaulle for the succession: and all in the name of French Algeria. But, once their choice had been confirmed by a massive popular vote, the Algerian policy of the new ruler gradually departed from that of the kingmakers. Some officers rebelled, others chose passive resistance, others still resigned themselves to discipline. In order to avert a rebellion of the whole officers' corps, General de Gaulle decided that persuasion and ruse were a better method than surgery. He used promotions and reshuffles, promises and threats, ambiguous homilies uttered on tours of officers' messes, to cure the army of its Algerian fixation while avoiding an open clash. Last year, on November 23rd, officers and NCO's from France, Algeria and Germany were summoned to Strasbourg to hear General de Gaulle's views on the world crisis and on France's need for a national strike force. The French parliament, a wit observed, had been replaced by the Strasbourg assembly. But it is easier to calculate the votes of parties at the Palais Bourbon than to forecast what the military officers will do.

Many of these officers are known to put their Algerian " vocation " well before any Berlin crisis, imaginary or real, in the scale of importance. Others are sceptical of France's ability to build and maintain its own independent deterrent. Others again see a danger to their profession in a modernised army, which would not require the present huge officers' corps swollen by the long years of uninterrupted colonial warfare. Nevertheless, during the Algiers mutiny last April, most of the professional soldiers simply

waited to pick the winning side ; and only a tiny minority have rallied to General Salan's OAS (*Organisation de l'Armée Secrète*) since then. On the other hand, the OAS, even enjoying as it does the sympathy of the bulk of the European population, could not act with such impunity in Algeria without a good deal of complicity within the armed forces. Now that the OAS is trying, with some success, to extend its methods of intimidation into the home country, where its popular support is very thin indeed, the relative impunity that it seems to enjoy in France raises the question of complicity at all stages within the machine of state.

Wishing to show the OAS that a *coup* would be faced with popular resistance, trade-union and left-wing organisations called an anti-fascist demonstration in Paris on December 19th. A popular demonstration in France raises inevitably the problem of communist participation. Yet the feeling that something had to be done to stop the rot was such that even the union to which the majority of the Paris police belong asked the minister of the interior to authorise the demonstration. The minister's reply was the mobilisation of tremendous forces, including special squads, to break it up. Thousands of Parisians who were brave enough to get near the Bastille on that evening learnt that the police had been ordered to use their truncheons. About a hundred, treated in hospital, discovered by physical experience that the government's effectiveness is greater in breaking up a popular demonstration than in tracking agents of the OAS.

The brutality used on this occasion has stirred up much feeling. The liberal case has been well put in *Le Monde* by M. Fauvet, who accused the authorities of " objectively assisting " the OAS. He reminded the government that the people on whom it was using its truncheons in December were the very same it had called upon for rescue in April, and whom it may very soon have to call upon again. His basic contention was that, in the exceptional circumstances created by the Algerian war, the government will not be able to crush the OAS and keep the army under control unless it can show that it has the articulate backing of the nation and the support of its " organised forces," whether parties or trade unions.

If it were to follow these precepts the government would be betraying the gaullist conception of power. In the gaullist pattern, the people are intended to approve, applaud, and express confidence in the ruler's wisdom. In a crisis their voice may be used as background music, for instance to help General de Gaulle in his exchanges with the recalcitrant military. But to let parties or unions influence policy would mean behaving like any other regime and might push more officers into the ranks of the OAS.

For such a design to work, the instruments of state power must be disciplined and obedient. It remains to be seen whether General de Gaulle can settle the military question *en famille*, while pulling the army out of Algeria. A couple of weeks ago, the official mood was one of euphoria. The President was then preparing to announce, in his New Year message, an imminent cease-fire resulting from a general agreement with the Algerian rebels, the details to be completed by further negotiations. While these proceeded, advantage would have been taken of popular satisfaction to alter the constitution, by an overwhelming vote, to strengthen the President's powers and fill the new assembly with neo-gaullists on a platform of peace. Unhappily, no such auspicious disclosures could be made in the presidential message. It is now said that the secret negotiations with the insurgents are held up by three stumbling-blocks: military bases, which mean in effect Algeria's future international alignment; the status of the European minority, which involves the social structure of the new state ; and sovereignty in the transitional stage, an issue that reflects the mutual mistrust accumulated by the seven years of war.

If and when these obstacles are overcome, the army's obedience will be put to its real test. Without an agreement, and assuming that the evacuation of the French troops from Algeria continues nevertheless, the government will drift towards a partition of Algeria ; a large proportion of officers may decide not to treat the partial evacuation as a sufficient cause for revolt, and the relationship between state and army may remain for a while unresolved.

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Holland's Industrial Peace

FROM A CORRESPONDENT IN HOLLAND

THE remarkable peace that distinguishes Dutch labour relations had its origin in the dark days of the wartime occupation, when the common resistance and the common concern for the future created solidarity between employers and employed. The Foundation of Labour, a private institution, composed half of trade unionists and half of employers, was founded then to provide a framework for reconstruction and a better postwar deal for working people. In it the two sides of industry have continued to meet informally to discuss their problems, and though they have differed, they differ without acrimony and their personal relations are excellent. The foundation was soon recognised by the government as the principal advisory body on wages and social matters generally ; and it has succeeded in averting major labour troubles or, where trouble threatened, in devising compromises.

Since its establishment the foundation has had to deal with more than three thousand " cases," and in most it has reached a unanimous opinion, to which the government has lent a ready ear. These have referred to wages, productivity, job classification, merit rating, dismissal problems, fringe benefits, social insurance, joint consultative committees, vocational training, unemployment relief, sick funds and the like. Mixed committees, composed of members of the foundation and government officials, have often been set up to expedite recommendations. And since these have mostly been adopted as binding decisions by the Board of Government Conciliators, the government's " executive " in wages and kindred matters, the foundation's influence has been big. In addition, if an agreement on wages or labour conditions is reached independently, it has to be discussed with the foundation ; but here, too, agreement has usually been quickly reached.

With such achievements to the foundation's credit, it seems a pity that part of its work is now being handed over to the Social-Economic Council, in which government, employers and workers each have one third of the representatives. In the social-economic council there is always a danger of domination by the government, in practice though not in theory. And one may ask: " Why change a winning team ?" The important work of the board of government conciliators is also to be transferred—to a new Wages

Council, which is to work within the framework of the social-economic council. Reasons for this change, too, are hard to find, except that the Dutch are perfectionists.

This social-economic council is the apex of a "corporate" pyramid, set up some ten years ago, but still not fully accepted by Dutch opinion. Under this scheme, the whole of Dutch industry, trade and services was to be grouped in comprehensive horizontal and vertical structures. The horizontal bodies, called *Bedrijfschappen,* in principle group all similar firms (for example, all paper, or all rubber enterprises) under an industrial board. The vertical bodies, called *Produktschappen,* are to link all enterprises handling the successive stages of a given product. The social-economic council is supposed in theory to supervise the whole system; but in practice many branches of industry are unwilling to join it. Fortunately the government has so far refrained from making these corporative bodies compulsory though the social-economic council recently recommended a system of semi-compulsion. Dutch labour relations being what they are, there is no need for a structure that is in sharp conflict with the liberal Dutch outlook.

A much better contribution to good labour relations is made by the Enterprise Councils (*Ondernemingsraden*), set up under an act of 1950, in all enterprises with more than 25 workers. These councils do not interfere with management policy, but they often give good advice on labour and social problems; and they provide a forum where management can communicate new policies and ideas and obtain a closer contact with the elected shop leaders.

Dutch wages are still controlled. After the war a centrally planned wages policy was applied to all sectors of trade and industry. This led to general wage increases, and its inflationary effects became embarrassing; in 1959, therefore, the non-socialist cabinet introduced a system of "differentiated wages." The fixing of wages was transferred from the authorities to the industrial branches themselves, with the bargaining left to employers and workers, though with the government keeping watch on the sidelines. One of the criteria laid down by the government, in transferring responsibility for wages policy to industry, is that any rise in wages must be related to a rise in productivity or, where this is not applicable, to a rise in profits or in national income.

These new arrangements have given workers even larger pay rises than they got under the old system. Taking 1954 as 100, wages between 1955 and 1961 have risen as follows: 106, 111, 125, 131, 134, 146, 156. Further increases this year are certain. At the same time fringe benefits have been improved. The 5-day working week has become almost general. Children's allowances have been (and will be further) increased. Old age and widows' pensions and orphans' allowances have been put on a satisfactory basis. Dutch wages have still not reached the Belgian standard, but they are now approaching the European average. Holland is no longer the "island of cheapness" of a decade ago.

Higher wages and better labour conditions are mainly attained through collective bargaining, which leads to agreements of one to two years' duration. Government approval is required, but it is mostly granted automatically, unless the agreement conflicts with the government's anti-inflationary policy.

The Dutch trade union federations are strong bodies, embracing some 40 per cent of the working population. They are divided on political and religious grounds:

NVV (Socialists)	500,000	members
KAB (Catholics)	407,000	"
CNV (Protestant)	222,000	"

Each of the three federations embraces a range of industrial unions. The federations are well managed. They exert a considerable influence on the political parties, and they have a joint consultative council which enables them to co-operate on most matters of importance. The Dutch employers are organised in a neutral, a Catholic and a Protestant federation. These, too, co-operate, if anything, more closely than the trade union federations.

Despite the partial failure of the corporate system, described above, the Dutch economy has greatly benefited by the loyal way in which employers' and workers' organisations have played the game. Will this near ideal situation continue indefinitely? There is no doubt some pressure from labour for a bigger slice of the national cake, but even under the present non-socialist government, the pressure is not unduly heavy. The labour leaders are not rash men. They are alive to the fact that a good real wage is best assured by a sound economy in which costs are not screwed up excessively; and that the Netherlands, being more dependent than most countries on international trade, has to keep its costs in check.

Battle of the Cars

FROM OUR PARIS CORRESPONDENT

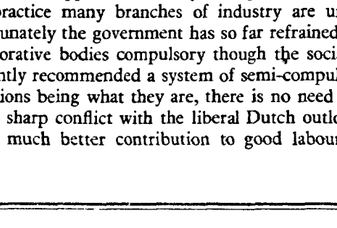
"THE future of the car industry in the common market? Ultimately, there will be just one firm, General Motors . . ." The French motor tycoon who said this may have been joking; but the French manufacturers are seriously aware of the growing competition from the United States and of the new vistas being opened by collapsing trade barriers. For the French motor industry, 1961 was a year of transition and readjustment. The tremendous expansion of exports was halted in mid-1960 by the drop in sales to the United States. Since then, efforts have been made to recover some of this lost position, to consolidate sales in Europe and to find new outlets overseas. Last year, production was approximately one-and-a-quarter million cars, or 100,000 less than in 1960. This year, it is hoped to approach the one-and-a-half million mark, but it will not be easy. To prepare for battles on both the home and foreign fronts, three of the Big Four in the French motor industry have recently introduced entirely new models.

All the newcomers are small cars, with engines of less than 1,000 cc. In general, the factories are designed to produce small cars that are economical to run. Most Frenchmen do not go in for conspicuous spending on cars. A successful business man, or a cabinet minister, will run a Citroen DS; though these initials in French give this elegant car the sound of a goddess, it only costs £1,000 in Paris.

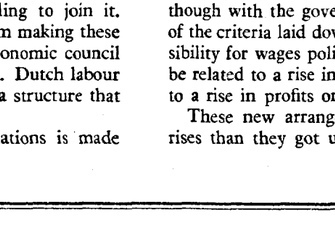
By British standards, cars in France are cheap to buy and expensive to run; Frenchmen have to pay the highest price for petrol in Europe as well as an annual tax—the *vignette*—based on the capacity of the engine of their car. This may explain the lasting success of that utilitarian hunchback on wheels, the Citroen 2 cv. It costs just over £350 and is cheap to run and repair; it is roomy, and it can stand up to any road. Renault, which has stopped producing its old 4 cv, is now enthusiastically entering the small car market. Its new R3 and R4 models are in the same price range as the Citroen and combine some of its qualities with numerous others, such as freedom from greasing.

Citroen's answer to this was to have been its Ami-6, but the price, nearly £500, puts it into a different category. Probably, Citroen will not bother about the sales of the Ami-6 until its new factory, at Rennes, swings into full production and the price of the new model can be cut. Thus, the battle for the cheap utility market is not yet at its height. In the field of medium-priced cars, however, battle may be joined fairly rapidly. The reigning model, the Renault Dauphine, has had, so far, to meet the price competition of the more powerful Simca Aronde. Now it will have a direct competitor in the Simca 1,000. Renault have denied rumours about the scrapping of the Dauphine with the sound argument that it is still, by far, the most popular French car (400,000 were produced in 1960 and 167,000 in the first half of last year). Nevertheless, rumours persist that Renault is going to bring out either a substitute for the Dauphine or, with an eye to the European market, a slightly more powerful model.

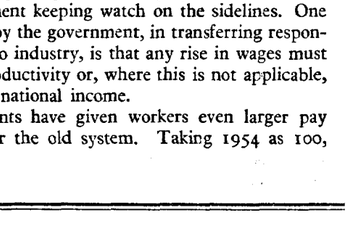
The French motor industry can no longer concentrate on the home market. Encouraged by the government, exports have grown substantially in the last five years. In 1959, after the devaluation of the franc, sales outside the franc area jumped to the record figure of 468,000 (including 22,650 commercial vehicles). This total fell to 448,000 (37,575 commercial) last year and is less than 400,000 this year. Renault, the main leader of the export drive, was the worst hit by the fall in exports. But it has found new markets in Latin America, where Dauphines are now being assembled in Brazil, Argentina and Mexico. In Italy, too, the agreement with Alfa-Romeo on the assembly and sale of the Dauphine has now been extended to the new smaller model.



Renault 4L



Simca 1,000



Citroen Ami-6

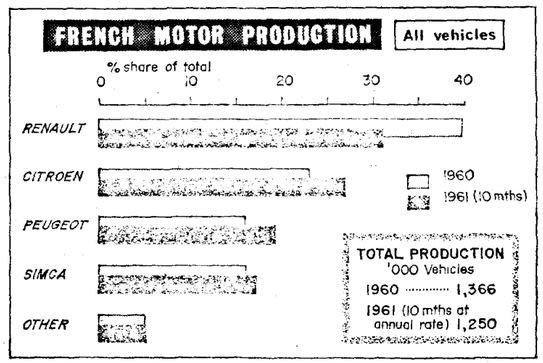
IF the French output of cars is to reach its planned target of 1.85 million by 1965, exports should, by that time, absorb over 600,000. New registrations totalled 761,650 in 1960, of which 613,000 were private cars. Home sales have thus recovered from the 1959 recession, but they now have to face increasing competition from imports. The small Fiats, Anglias or Ford Taunus now to be seen on French roads are a reminder that sports cars and American limousines are no longer the only foreign cars coming into the French market. Only 11,000 cars were imported into France in 1959. The figure rose to 25,600 in 1960 and were expected to reach 70,000 in 1961. There is nothing to substantiate the suggestion often made in Paris that imports will reach and settle at double that figure, particularly as foreign competitors improve their distribution networks and as tariffs come down; moreover one big producer—Britain—may move on to the right side of the preferential wall.

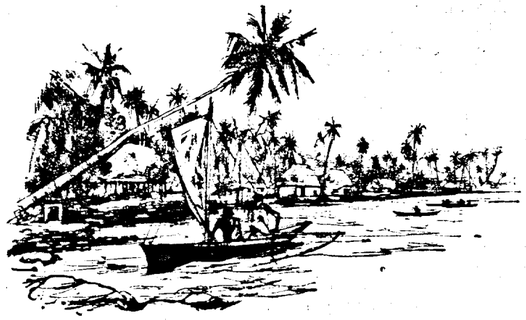
Increased competition will, of course, shake up the whole European motor industry. In France, there is still room for amalgamation in the field of commercial vehicles. In the private car industry, any further concentration would mean that the national giants would devour one another, unless some foreign ogres joined in the struggle. The four giants account for practically the whole of France's car output. (Citroen now owns a quarter of the shares of Panhard, which assembles Citroen vans.) What are their prospects?

Renault, which accounts for more than a third of French output and for more than half of exports, is a nationalised industry. It should now be able to increase its share of the lowest price market, but may have difficulty in selling the Dauphine. Citroen—in which Michelin (tyres) have a majority holding—has assured sales for the DS. Its future will depend on the extent to which the Ami-6 can gradually replace the old Citroen 2 cv as a steady seller, thus providing scope for the new works at Rennes. Peugeot is still partly a family affair. It did not introduce entirely new models this year, but its latest product—the 404—has been a great success and should enable the company to keep its position as France's second exporter. Simca has shared Renault's misfortunes in the American market and the success of its new model is, therefore, particularly important. Simca, incidentally, is the only French firm with strong foreign ties; Chrysler owns about a quarter of its shares and Crédit Suisse is the nominee holder for another quarter. Rumours of a possible merger between Simca and Citroen have not been entirely silenced by the companies' denials.

France's motor industry is entering the battle for sales with modern plant and up-to-date equipment. The industry's spokesmen are now repeating their usual pleas for better roads and cheaper petrol. They claim that cheaper petrol would be beneficial in two ways. Car-owning is fairly widespread in France, with about twelve vehicles a hundred inhabitants, or one car for every third family. But many cars are old and their annual mileage is low (the average is just over 5,000 miles, which is half the rate in Germany). Cheaper petrol, and more motoring, would increase the rate of replacement. It might also change the structure of French production by removing the premium on small engines and so helping sales in foreign markets.

A fear often expressed here is that British, German and Italian investment plans now look more ambitious than the French. It was Paris that produced the idea of co-ordinating the various European car expansion plans. But so far, this idea has made little progress. As M. Dreyfus, the chairman of Renault, pointed out: "competition is not trench warfare; it is a war of movement."





Balance Sheet in Samoa

FROM A CORRESPONDENT IN NEW ZEALAND

THE first sovereign Polynesian state was inaugurated on Monday when Western Samoa became independent. New Zealand has occupied this island territory since 1914, and has administered it either as a mandate or a trusteeship since 1921. Although progress towards independence has on the whole been smooth and amicable, there has been heart-searching among New Zealanders about their country's record in Samoa.

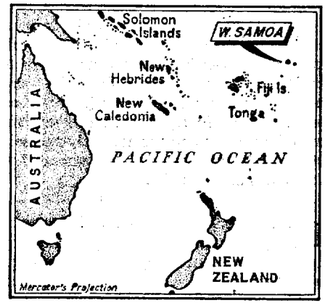
In the plebiscite last May, a substantial majority of the Samoan voters voted for independence on January 1, 1962, on the basis of the constitution that was adopted in October, 1960. This result, however, was largely achieved through the last-minute efforts of the members of the Legislative Assembly, which adjourned so that they could go back to their villages and persuade the voters to give affirmative replies to the two questions on the voting paper. These asked the voter whether he agreed (a) with the written constitution, and (b) that the country should become independent on January 1, 1962, on that basis. Some felt that these questions were badly framed, since few Samoans had any idea what the written constitution was all about, and although most of them wanted independence some time, they do not feel that their leaders are yet ready for it; but there was no opportunity to express this point of view on the voting paper. Thus the average Samoan simply felt that since he did not want to be a slave, he had better vote Yes to both questions.

It is certainly true that there are, as yet, no leaders of real competence among the Samoans, although there may be some in the making. None has had the training or the education to fit him to understand the problems of government, let alone solve them. In general the people have been contemplating uneasily the time when the present ministers would be in full control of their destinies. And though the Samoan leaders will undoubtedly expect the promises of continued generous financial help that successive New Zealand prime ministers have made to be fulfilled, there is hardly less doubt that they will be disinclined, now they are independent, to take outside advice.

New Zealand must, to a great extent, accept responsibility for this state of affairs. In its anxiety to push the Samoans into self-government at the earliest possible moment, it has paid perhaps more deference to the desires of the local politicians than the welfare of the people as a whole might have required. Its efforts have been more political than economic. For many years it has been the practice to draw up glowing reports about the country's progress, which read convincingly to those who have little knowledge of the real state of affairs. Visiting UN missions have, to a large extent, adopted the same practice. (One member of a UN mission began his reply to a speech of welcome in one of the outlying villages with the words, "I am immensely impressed with the progress this country has made and with its readiness for self-government." At the time of speaking he had been in the country for less than 24 hours.)

Despite the self-flattering phraseology of the official reports, New Zealand has always looked on Western Samoa as a backwater to which the best officials should not be sent. Apart from a few conspicuous exceptions, the territory has been advised and supervised by New Zealand mediocrity and not by New Zealand ability. Even those who showed some promise could not afford to stay in the Pacific for more than one three-year tour of duty; to be in line for promotion in New Zealand one had to be on the spot, and not in the forgotten obscurity of the mandated territory. New Zealand's valuation of its Samoan service has been demonstrated by the recommendations of successive governments for honours and awards. Since 1949 not one British subject living and working in Western Samoa has received an award, except for Sir Guy Powles who was High Commissioner from 1949 to 1960. Only five Samoans and one Frenchman have been honoured, three with the CBE.

Yet there is something on the credit side of the New Zealand administration. Considerable financial benefits have gone to the Samoans. The biggest gift was the property known as the Reparation Estates. This was a vast undertaking, based largely on cocoa and coconut plantations, which had been built up by German capital and German technical ability on lands bought from the Samoans. After the first World War these estates were given to New Zealand to help defray its share of the cost of the war. They were managed profitably for many years, but not a penny of the profits was used for the relief of the New Zealand taxpayer, and a year or two ago the whole undertaking was handed over as a free gift to the Samoan government. The value of the gift was substantially more than £1 million, or £10 a head to every man, woman and child in Western Samoa. (The population, then about 106,000, is now put at 113,000.) In many other ways as well New Zealand has given financial help to the Samoans; in particular it has promised a sum of £400,000 for education in the next five years.



Despite the avowed intention of the Samoan leaders to restrict very severely the right of New Zealanders to enter the country after independence—and in fact some of them speak of prohibiting New Zealanders altogether—New Zealand continues to receive Samoans freely with only token restrictions in the way of immigration requirements. There is a Samoan colony of some thousands in Auckland, many of them now naturalised New Zealand citizens. Many Samoan children go to New Zealand to be educated, either privately or by virtue of scholarships granted by the New Zealand authorities. Many of the Samoan immigrants run into trouble when they are released from the discipline which binds them firmly under the *matai* system at home. But there has been no movement to exclude Samoans from New Zealand, and many of them are eagerly looking forward to migrating overseas to the land they regard as El Dorado.

In carrying out its mandate New Zealand's biggest fault has been its failure to give the Samoans technical and administrative training. On the other hand, it has much on the credit side; it has not been ungenerous financially, and its efforts to help its protégés have not always received much encouragement from the Samoans themselves.



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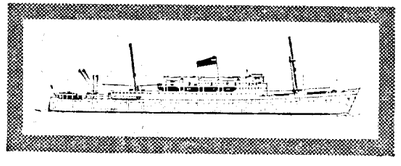
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THE BUSINESS WORLD

IN BRITAIN AND EUROPE 62

THE YEAR BEFORE EUROPE

THE EXCHANGES

Expedients for the Pound?

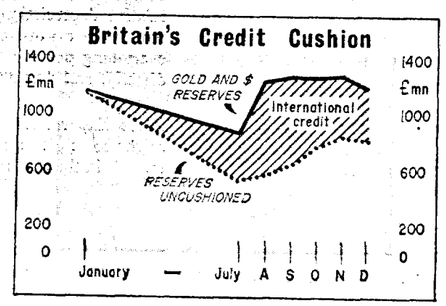
At the opening of 1962, the biggest question facing the international business community can be put quite bluntly. Will the pound and the dollar be worth the same at the end of the year as they are at the beginning—and will the whole structure of the international exchange system that has been built up since the war survive intact? Every forecast of economic activity, every analysis of stock market prospects, is now being hedged with this currency proviso. The feeling that recent strains on international payments may force some sort of climax in 1962 is sharpened by the so-called time limit set by Britain's projected entry into the common market.

The common market issue in fact complicates an already delicate currency situation in two ways. It tends to increase speculation, and notably speculation on still uncertain contingencies; it also means, for Britain, that any contemplated changes in trade or currency arrangements must be weighed with special care against their likely reception in Europe. Reasoned discussion of these matters is going to be more difficult than ever this year; so a discussion of the widest range is desirable, before anyone who mentions devaluation is assumed to accept or even recommend it.

A lot of work has been done on the international currency defences in the last eighteen months. Progress towards an adequate system of international credit, which alone can in the end uphold the present system of fixed exchange rates, has been frankly disappointing to its proponents; and the continuance of general uncertainty about exchange rates has shown that practical men are unconvinced too. But even so, progress has been made in international finance—the New York-London gold bridge, the short-term "Basle" assistance between central banks, and the scheme for limited lending by surplus countries to the IMF.

Even with its present tenuous resources the Monetary Fund did last year assume in practice some of the functions of an international clearing—as did the European central banks for the brief period in which they agreed to hold each other's currencies. International credit cushioned not only the fall in Britain's reserves in the first half of 1960 but also their rise in the second half—when, more unusually, the machinery of IMF also cushioned an outflow of reserves from Germany. There could be no less revealing figures of the course of the exchanges in 1961 than official gold reserves; and although to some extent this simply means that the analysts have rather more difficult sums to work out, it also means that more attention is given today to underlying payments trends, elusive as these are, and less to the count of immediate cash reserves—now that these are more easily fortified.

One clear official success has been against speculation on a depreciation of all currencies against gold. It was always clear that provided national monetary authorities stood their ground together, no weapon in the hands of speculators could force them to pay more for gold than the price they chose to set. The experience of the past few months, in which worries about the dollar have again been widely voiced but interest in gold has nevertheless waned, has been encouraging, if not yet conclusive. Holders of large funds have shown themselves notably less willing to harbour an asset that brings in no return. And except through gold there is no practical way of speculating against the dollar and sterling at the same time. This explains the relative calm on the surface of the exchange markets at a time when uneasiness is so widely voiced.



Speculators therefore find it much more difficult to overturn the currency apple cart by themselves. But what if it is threatening to collapse under its own maldistributed weight? The easy task for 1962 would be to counter a speculative run on the dollar such as took place in October, 1960, when the basic balance of payments was improving. The difficult, and more likely, contests would be to defend the dollar if its basic balance continues to deteriorate, as seems likely at a

time of rising business activity and to defend sterling if its basic balance does not improve by more than can be attributed to the opposite, downward course of business activity here. Despite this temporary improvement, sterling seems a bigger worry than the dollar. One still feels that a country running a current surplus of $4 billion and with gold reserves of nearly $17 billion should be able to look after itself. In particular, no one should doubt the potential influence, on long-term as well as short-term capital flows, of a rise in United States interest rates *vis-à-vis* Europe.

Britain has achieved a considerable reduction in its current deficit this year, and the final figure of perhaps £120-£140 million may be little more than the current receipts lost in the persistently favourable balancing item—the literally invisible invisibles, whose existence has now been acknowledged even by the Bank of England. In the first nine months of 1961 as a whole, when the flow of short-term capital must have been outward on balance, total unrecorded receipts at £222 million more than covered the deficit on recorded current and long-term capital transactions—so that by this measure, Britain was in basic balance.

Bare balance, however, is not enough ; nor is a small surplus anything to be proud of at a time of restrained business activity. Britain needs to earn an appreciable basic surplus in order to repay the large sum (£386 million) it still owes to the International Monetary Fund, and to fortify the reserves from its own earnings. It is likely, too, that the change in the system of agricultural protection that will be necessary after Britain joins the common market will add to Britain's import bill, as Commonwealth countries will certainly press for the higher food prices on the British market to be paid to them too. On the other hand, there should be no reason to expect any additional strain as a result of liberalisation of capital movements. On the contrary, Britain ought to attract capital from Europe, provided it maintains relatively high interest rates and provided its currency is not suspect. It is quite impossible to say now what the net effect on the balance of payments in 1963 might be. The sums being done on the Continent with every item on the debit side have little worth. But they are being done by observers who are already worried about sterling as it moves into a more competitive world.

HERE are all the ingredients of another sterling crisis, and it is a common view that this might well coincide with a crystallisation of the common market negotiations in the early summer. It is useful, as well as ominous, for a crisis to be so well docketed in advance. It gives the authorities good time for their preparations. A crisis may never arise, but preparations cost little. What should they be ?

1. **Another short-term credit ?** This would clearly be of questionable value, given Britain's existing commitments. It should be considered only if the balance of payments had by then continued to show good signs of improvement, so that the credit was needed simply as an extra cover for Britain's entry into the Community. An improvement of this kind is far from unlikely. Cost comparisons in the past few months at least appear to have moved favourably to Britain ; new facilities are due to be announced very shortly for easier and, one hopes, cheaper export finance ; and there has been a distinct sharpening of British manufacturers' interest in European markets. All this gives good ground for hope. But equally the absence of a decisive improvement in so short a time cannot be ruled out. What then ?

2. **More deflation ?** This routine response to payments difficulties would almost certainly be a false remedy this year. " If external stability can be maintained only by economic stagnation at home, people will begin to wonder whether such external stability can be sustained." This is the gist of a comment from Continental central bankers themselves, in a recent working group reporting to the European Economic Commission. Neither Britain nor the United States will make any impact on real confidence by running their economies at an artificially low level. It is on wages and costs that the eyes of monetary analysts are now, rightly, turned.

3. **Devaluation ?** If sterling were an ordinary currency, a small devaluation would doubtless have been considered before now—and might even have been thrown in last July to give a direct external push alongside the stern measures of domestic retrenchment. But sterling is not an ordinary currency ; and in practice a straight devaluation to a new fixed parity would pose immense difficulties, quite apart from the question of prestige. To be decisive, and to minimise the appalling task of stopping a withdrawal of sterling balances, any devaluation of sterling would therefore need to be unexpectedly and artificially big—as was the devaluation of 1949. But, by definition, such a devaluation would cause intense anger, and quick retaliation, among countries whose currencies would then appear overvalued. A new parity for the pound would inevitably look either too high or too low.

4. **Floating rates ?** For these reasons, depreciation of either the pound or the dollar would be almost sure to come by way of a wider margin of fluctuation around existing parities. True, this is against the rule of IMF ; but the IMF formula of " adjustable pegs " is plainly unworkable once any adjustment takes place—witness the convulsive upheaval caused by the minor revaluations of the mark and guilder last March. Now a floating pound would very probably float off the dollar, too. No one can predict what would emerge from the resulting turmoil, but it would almost certainly (a) cause great disturbance to traders, who would no longer know what their foreign business was worth to them, and would find that the cost of forward exchange cover had become prohibitive ; (b) invoive a big run-down in sterling and dollar balances—into appreciated gold ; (c) annoy the common market countries, who would be horrified at the thought of floating rates within the common market, and, having seen how the small upvaluations by Germany and Holland had checked their domestic growth, might be very reluctant to accept any appreciable competitive disadvantage against their outside competitors. Thus the end-result could be a pretty small relative depreciation of the pound and dollar, questionably worth the disturbance caused. This is the case for doing everything possible to achieve the desired boost for exports directly, and " cold."

5. **Direct Export Aids ?** The best and most straightforward way might be to give a straight 10 per cent subsidy to all British exports in the next two years. This would be a formal breach of postwar international conventions, whereas a devaluation would not. Yet the direct export subsidy would in practice be less disruptive for Britain's competitors in two important ways: it would involve no general currency upheaval and it would involve no element of protection in the British home market—there must be no question of any special tax on imports. The export subsidy would be designed as an alternative to throwing world exchanges into upheaval and as a way of maintaining the momentum of freer trade.

Britain could thus put a good case for a special, temporary export subsidy, and so could the United States, as the other country which is inhibited in making currency adjustments by its international responsibilities. But clearly, in this of all years, an expedient of this kind should not be carried through against the violent opposition of Britain's European partners. Such opposition, however, could hardly be raised against some other forms of official encouragement. Favourable facilities for export finance—which are expected to be announced in Britain later this month—and direct or indirect tax incentives to exporters are both to be found on the Continent. Britain can respectably claim that it is simply, and belatedly, coming into line. The prospect of a new round of hidden subsidising of exports is admitted distasteful ; and it would be preferable on all counts for Britain to get sanction for an open export subsidy, on the understanding that this would later be dismantled together with the specific and less open subsidies prevailing on the Continent. But, one way or another, Britain should almost certainly attempt a special direct boost to its exports this year.

This remedy is frankly an expedient. If the payments disequilibrium between the Anglo-Saxon and the Continental countries were to prove enduring, it would be necessary in time to consolidate special export subsidies in formal devaluations. The argument for taking the " cold " way (or rather halfway—with no check to imports) is based on more than the special danger of upsetting the exchanges in this particular year. It is surely true that as economic barriers between countries come down and economic co-operation between them becomes closer, exchange stability should become easier to maintain. It will need, without doubt, much larger swings in international credit than are provided for now ; the idea of some form of Reserve Pool is slowly gaining ground, and it is still worth trying to move towards it before, rather than after, a great exchange upheaval. There is no compulsive reason why such an upheaval must come in 1962. But conscious efforts may be needed to prevent it. Continental governments and bankers will need to take the most enlightened view of their stake in exchange stability. Britain and the United States will need to keep the sharpest eye on their competitive drive and on their wage costs. It is to this critical trend that this survey now turns.

THE ECONOMIES

BRITAIN

Slightly More Competitive?

ONE would like to be able to deduce from the stability of British export prices last year, in comparison with those of its major competitors on the Continent, and from the fairly encouraging recent run of export orders in the engineering industries, that Britain has become markedly more competitive in the world market since early 1961. One can, certainly, reckon on an increase in the volume of British exports this year: it is surprising that this has not shown up before. And it does appear that British exporters are competing rather more effectively with those of Germany, where even apart from the effects of revaluation there has been a rise in export prices following upon large increases in wages. But comparisons with some others of the Six are less favourable.

Moreover, the slight improvement in comparative economic performance has occurred because European momentum has slowed down, not because the rate of growth that Britain finds manageable is catching up. During 1962, certain of the common market countries are reckoning that their annual rate of growth in national product might fall back to about 4 per cent. Others forecast much higher rates ; all could prove optimistic. But it is salutary to recognise that such a rate of growth, achieved here in the first half of 1961, was felt by the Chancellor to be more than sterling could stand.

A sufficient shift in the posture of British industry towards emphasis on exporting, admittedly, is the condition of relaxing those constraints on the economy's rate of growth. The evidence of export prices, unfortunately, may be a little too encouraging. The recent run of these indices may simply imply that Britain and the United States are now having to meet a general international price level that has emerged for many kinds of manufactured prices, above which any country simply cannot sell. Some of the Continental exporters, at any rate, have evidently had much more leeway to meet that price level than Britain ; they achieved significantly larger increases in their total export volume, at slightly rising prices, than Britain did at stable export prices.

Britain, however, roughly matched the large increase of intra-market trade between the member countries with its own large increase in exports to Western Europe: it had some significant successes with engineering exports, for example, into Western Germany. This is a creditable achievement against competitors enjoying some internal trading advantages: though the slackening in West European growth is likely to reduce progress for both in this market this year. If the even greater business optimism now current in the United States is justified, it should somewhat enhance the opportunities for exports there this year, which had always seemed likely to improve because of re-stocking. Prosperity in America may also indirectly improve buying power among the primary producing countries of the sterling area. The Continental countries, so far, have gained rather more from recovery in the United States than have British exports : but any recovery of demand within the sterling area countries gives obvious advantages to Britain.

IF no more, Britain's pay pause has stretched out the current round of wage negotiations, and could possibly have affected salaries, which of late years had been rising the faster, rather more than the negotiated levels of wages. The labour market has become a little softer, though the effect of this is localised. Civil employment is up from the beginning of last year, and output slightly down, so that labour productivity has not improved ; labour costs and capacity costs per unit of output, therefore, have probably increased. But on these movements in costs, Britain may still be faring better than Germany—though fuel prices here have risen, and the

businessman is still denied the very cheap imported fuels to which many of his competitors on the Continent have access.

A more positive improvement in relative costs could perhaps only come if Britain were to achieve a more significant growth in total output this year, which would improve its unit costs. That will depend mainly upon how soon and how much the Chancellor feels able to relax his disinflationary pressures. The main effects of the July measures in checking the growth of consumption have probably passed ; with incomes somewhat larger this year than last, and with a likely upturn in hire purchase buying, one would expect some small renewed growth in personal spending this year even without relaxation. The reduction expected in private investment may more than offset increases in public investment. Though stocks of certain materials such as steel seem likely to be run down further during the first half of this year, in general one would expect stocks to be rising from now on—which would imply a renewed increase in imports.

Allowing for a moderate rise in exports, the indications for aggregate demand might call forth a rise in output of perhaps 1-2 per cent. That would hardly make much difference to the employment of capacity throughout the economy, which probably grows by 3 per cent or more each year ; so it cannot be expected to offer much further improvement in labour and capacity costs. The past six months have proved neither of the polarised attitudes frequently taken about the balance of internal demand and export performance in this economy. It cannot yet be said that this time the authorities, by seeking to cut back demand at home, have yet forced any impressive increase in exports. On the other hand, the improvement in export orderbooks does not bear out the industrialists' argument that a highly prosperous home market is vital as a springboard for export.

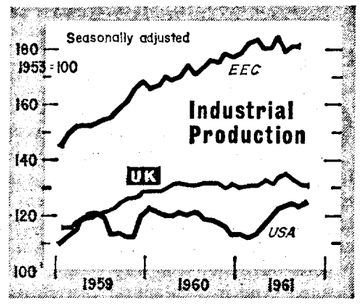
In Whitehall some official experts still argue that there are some sectors of industry, particularly in the capital goods industries, where capacity is overloaded ; and certainly for particular items of plant and machinery some firms are again having to quote pretty long delivery dates. Continued pressure upon these sensitive areas of industrial capacity comes from an investment boom which everyone believes to be virtuous, but which is hardly bringing very impressive returns, on which has been superimposed an export drive to which these engineering industries ought to contribute and are contributing quite largely. Their rate of booking new home orders has fallen away somewhat of late, and this indeed may have helped them to cope with their solid orderbooks for export.

EUROPE

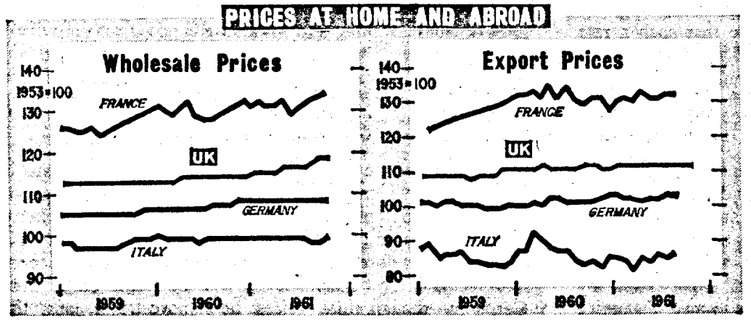
Year of Readjustment

For the European Continent and particularly for the common market countries, 1962 promises to be a year of readjustment. For the Six, expansion will be slower than in 1961, when it already lagged considerably behind that for 1960. The development of total demand will hinge essentially on consumer demand: moreover, stocks of goods are at a high level which could delay the impact of this demand upon actual production. Industrial output, except in France and Italy, is showing scarcely any sign of improvement. Inflationary pressure has been further strengthened by the rise in incomes during 1961 ; and on the whole, wage increases have outstripped any increase in productivity. During 1962 the European labour market may soften from its present level of high demand ; but this seems likely to show mostly in cuts in hours worked, rather than in any fall in the numbers employed.

Official estimates on the Continent are still suggesting that gross national product among the Six may possibly show an increase of about 4 per cent over the 1961 figure ; the 1961 figure seems to have been about 5 per cent above that for 1960. In Germany, Holland and France, output is forecast to rise by 4 per cent, although the French Plan aims at a 5.5 per cent increase. Progress in Belgium may be slower ; in Italy it should be faster. The official outlook, therefore, is for a slower but more uniform rhythm of expansion during 1962.



These official forecasts, however, already look optimistic against some of the current indices. In Germany, where a rate of growth of about 4½ per cent this year is officially forecast, seasonably adjusted figures suggest a levelling of industrial output since the second quarter of the year. Output in France and Holland is probably at present rising less than is forecast. The most important fact is the changed rate of output in Germany. Since the beginning of 1961 demand for producers' goods has been falling off. In certain sectors no progress has been recorded, while there has been a recession in the iron and steel industry. Orderbooks, however, are still well filled, thus giving assurance of moderate progress in the first half of 1962. From information obtained from heads of firms in France and Italy, it can be inferred



that they hope to maintain the present rate of output.

Is demand likely to justify these hopes ? In Germany, the volume of retail business is continuing to grow at between 6 and 7 per cent, and in France at 5 per cent ; but in both countries 1962 is expected to show less advance than 1961. An increase of 5 per cent in consumer expenditure is forecast for Germany, and of 4½ per cent for Holland and France, while in Italy it may maintain the same vigorous rate of expansion as in 1961. Both economic forecasts and budgetary estimates point to a more rapid expansion of current demand by public authorities than in 1961. Military expenditure has risen in both Germany and Holland, and increased agricultural subsidies must be expected in both Germany and France. Pay rises are either expected or have been already approved for the beginning of 1962.

Fixed investment in Germany, following its three-year boom, is expected to rise by only 4 per cent this year, against 9 per cent in 1961, and 12 per cent in 1960. In Holland the rate of increase is expected to compare with that of 1961 ; firms are under pressure to overcome the shortage of labour. Investigations in both France and Italy lead to the conclusion that 1962 may see a slightly slower rate of investment in these countries than in 1961. In building (and construction) demand continues to grow. There has been, however, a general falling off in the number of building licences issued, except in Belgium. In general, because of slackening demand, there appears no pressing need for an extension of productive capacity. At the same time the contraction of profit margins has cut down scope for self-financing of fixed investment.

The shortage of labour in Europe is, however, becoming acute. In France, Holland and particularly in Germany more jobs are available than the number of registered unemployed. The numbers employed in Germany, contrary to most expectations, increased once again by 500,000 in 1961. In spite of the slowing down of the rate of expansion of demand, firms on the Continent as in Britain are tending to maintain the numbers employed, first by reducing hours of overtime and then the number of working hours.

On the export side, forecasters agree in expecting another slackening in the rate of expansion. This had of late been most noticeable in trade between the Six, which in 1961 was 17 per cent up on the previous year. Exports by the Six to North America suffered relatively less than British exports as a result of the recession in the United States ; they also reaped the advantage of the American economic recovery more quickly than British exports were able to do.

Inflationary pressure is likely to persist in the Six. The current phase is characterised by wage rises above the level justified by advances in productivity. Between January 1960 and the end of 1961 the rise in gross hourly wages appears to have been 12 per cent in Germany and Holland, 11 per cent in France and less than 8 per cent in Italy. This compares with an increase in manufacturing industry in Britain of just under 8 per cent. In 1960 the upsurge of Continental wages was to a considerable extent offset by increased productivity ; the same was not true in 1961.

On the Continent as in Britain, costs are rising by more than businessmen can afford to increase prices. Decreased profit margins will have serious effects on the financial results of businesses. Short-term borrowing there, admittedly, is facilitated by an easy money market. The volume of loans granted to the economy is rising steeply, 17 to 18 per cent up in France and Germany. The capital market is less tight than in the United Kingdom and bond yields are now in most cases lower, though bank finance is still expensive for many firms.

Inflation seems most pronounced in Germany, France and Holland ; firms in these countries may offer weaker export competition for British firms than in the past. One might expect, also, a relatively faster expansion of imports into these members of the Six, and thus a reduction of their present external payments surplus.

UNITED STATES

Peaks in Prospect

The American economy over the past year moved through three separate phases : the ending of the recession, which proved to be one of the mildest on record ; a rapid and broadly based recovery ; and, after a pause, a new expansionary wave. This performance was generally in line with expectations, of businessmen and economists, and of Wall Street and Washington. Because the majority forecast prevailed, a good deal of weight is being placed on what can be termed the standard prediction for 1962, which looks for a continuation of the expansion that is now taking place. According to this forecast, gross national product should increase by 6 to 8 per cent over the 1961 estimate of close to $525 billion, with industrial production recording a commensurate rise. But almost all of the increase is expected during the first six months, after which many forecasters expect a pronounced levelling off. Myopia is a common affliction of prophets, but the outlook is also clouded by the mid-year wage negotiations that are expected in the steel industry. Most forecasters are counting on a rebuilding of steel stocks fairly quickly ; if there should be a prolonged strike (though this is regarded as unlikely), economic activity would decline. But even if there were just a short strike, or no stoppage at all, the prevailing view is that the demand for steel, and steel output, will contract during the second half of the year.

Whether economic activity can show a new lease of life after the momentum now provided by a rising level of Government and consumer spending is exhausted will depend largely on business outlays for new plant and equipment. Government and consumer spending will still be rising, but at a markedly slower rate ; if the economy is to continue moving ahead, business, which will be adding to its stocks over the next six months, must also embark on a big expansion of spending on capital goods.

Business outlays are usually volatile and not easily determinable, because many elements are involved—the level of demand, the extent of profits, the ability of the Government to enact its proposals to liberalise depreciation reserves and provide a tax credit for corporate outlays on capital goods, the state of the money market and the general mood of the business community. The latest surveys of corporate intentions indicate only a moderate increase in investment outlays over the 1961 level, but even the standard forecast contem-

plates a rise of about 10 per cent, which would bring them close to a new peak. But if demand absorbs excess productive capacity, which is now shrinking fast, and makes further inroads into the ranks of the unemployed, which is conceivable, it may generate a wave of business exuberance, leading to an upward revision in capital spending plans.

One of the most propitious signs of such a rise is that the expansion appears to be embracing the entire field of durable goods, which in recent years has marked time, while consumer lines and the technological industries forged ahead. Car sales reported for the latest two months are extremely encouraging, and suggest that a 7-million car year in 1962 is well within the bounds of probability, and mounting orders are reported by machinery and machine tool makers. This suggests that the character of the rise will be more solid, and hence more durable, than the previous short-lived boom.

It will be prosperity laced with problems, including the potentially explosive issue of steel wage negotiations, the need to reduce the deficit in the balance of payments, and the difficulty that business finds in maintaining or increasing its profit margins. Nevertheless, the standard forecast could turn out to be a modest one, even if there should be some pause during the third quarter. Washington has certainly provided the essential ingredient, an ample supply of credit, to fuel a boom, and with the budget moving into balance, the Administration feels it can avoid the sharp move to tight money that helped to choke off the last business recovery. An inflationary threat exists and prices could begin to rise as the economy continues with expansion, but the inflationary psychosis prevalent in the late fifties has faded, and, unless it returns, there is a good chance that the economy can enjoy growth without inflation. With a little luck and some restrained guidance from Washington, prosperity may carry over well beyond the next twelve months.

THE MARKETS

LONDON

Equities and Competition

EQUITY prices, as measured by the leading indicators, are almost exactly at the same level as a year ago, the fall in the capital goods stocks being cancelled out by the rise in such defensive shares as insurance, banking and property, and in consumers goods issues. In the last few weeks, British equities have moved very little, while Continental stocks have been falling and dollar stocks rising. The British investor is temporising, digesting the lessons of last year's fluctuations, which carried *The Economist* indicator, now standing at 364, up to a peak of 427 in May and lowered it to 343 in October. The first and most certain lesson was taught by the collapse of the boom in early summer; since then, no rational investor has been able to justify the indiscriminate purchase of equities either as a hedge against inflation or in simple pursuit of economic growth. A second though less firm lesson came in the autumn when investors showed that, despite a bleak economic outlook, they would not accept that equities at roughly three times their prewar prices were over-valued. As the Trustee Act gave special support to equities early in the autumn, it does not follow that 280-300 for the *Financial Times* index and 340-360 for *The Economist* indicator represent an unbreakable floor for equities, but the economic outlook would have to be black indeed if resistance could not be sustained at around these levels.

These two lessons have taught investors and dealers alike the old virtues of selectivity, where investment performance rests not on buying the averages but on skill in picking out companies which, on their management record, can still thrive amid competition. The possibility that Britain will enter the common market has made this search the more urgent.

So far, however, the change of mood has not led to many purchases, nor to any wholesale thinning-out of less eligible stocks. Economic uncertainties, associated with the Government's policies, have frustrated the first, and the exposure of capital losses has inhibited the second. The insurance companies, having built up their equity portfolios, have been broadly content to stand pat, though they will take up rights at attractive prices or cut down their Unilevers when Wall Street hoists them to a price/earnings ratio lower than the institutions are prepared to accept. In 1962, at least, an institutional peg for the industrial market is not likely to come so much from the insurance funds as from trustee investors and pension funds. And this influence is likely to be more diffused in effect and less decisive in impact than was the buying of equities by insurance funds in the fifties.

Another radical switch by the institutions to equities cannot in fact be expected when gilt edged offer 6½ per cent and the yield on blue chips averages just over 5 per cent. As the outlook for industrial profits turns sour, the assurance of a fixed income is regaining some of its attraction for investors; and open hints that the authorities would like to place less reliance on monetary policy have encouraged the feeling that the gilt-edged market may at last have passed bottom. Yet the immediate outlook, inevitably, remains clouded by the uncertainties over the Government's wages policy and the contingent threat to sterling. For these reasons, it is difficult to feel confident that gilt-edged will rise steadily in 1962. But the investor who is willing to take a three-year view should see some merit in gilt-edged at present prices. Successful defence of sterling and reviving British exports could have a sharp effect on gilt-edged prices and bring in Continental as well as British investors.

The chances of quick gains in the gilt-edged or in the industrial markets do not look bright but they would, in any case, be overshadowed by the threat of a short-term capital gains tax. Apart from the take-over gamble the investor can look outside the general run of British equities for speculative opportunity: gold shares as a hedge against sterling and the dollar; tin shares, because the rise they have already enjoyed may not fully discount the profits that will be reported this year; copper shares, as a political gamble; and the high-yielding oil shares, not because the companies are earning fat surpluses but because cash is accumulating with the slow-down in capital spending.

The prophet's caution may give too gloomy an appearance to the outlook for British equities, but until the impact of the Government's policies is more certain, caution is justified. But it need not run to the extreme of supposing that the British economy, and with it British equities, are incapable of competing in Europe. By Continental and American standards, dividend yields on British equities look high (though the comparison is not quite a straight one because of taxation) and at least the investor is given some notion of the earnings he is buying. Once the European and American investors are convinced that a British company can prosper in competition, the prices of the "Leylands" and "Jaguars" of the British market could receive another sharp boost.

Speculative operations are, however, garnish to the meal. The problem in British equities is to choose the meat in a year when profit margins are likely to fall further, when industrial profits are heading downwards and when some dividends may be in danger. This week's lists of "shares for 1962" have followed last year's successes in concentrating on companies closely connected with consumer buying. The argument is that, wage pause or no wage pause, no present-day government will hit really hard at the elector's pocket; so, since the "Marks and Spencers" and the "Boots" have already done outstandingly well, this may be the time to buy the "International Teas" and the "Butlins." But equities in the retail trade, the finance group and the immediate consumption industries have already had good rises and, for the moment at least, consumer spending seems to be tailing off. Keeping with the fashion in investment can be profitable; but following it can be expensive for those who buy near the peak.

If he accepts the proposition that the British economy will recover and that exports will rise, the investor with patience might well consider what opportunities may eventually be presented by the cyclical equities in the capital goods industries. These remained right out of fashion last year and prices fell sharply. Pressure on the profit margins of such companies is still intense but they would be among the first to benefit from any sustained effort to raise productivity. The snag is the waiting—in the obvious example of steel, demand is not likely to pick up for at least six months. If it revives later, steel profits will be showing the benefit just as a general election approaches. In some other capital goods industries, investors have every reason for doubts about the adequacy of management.

This has a general bearing on investment decisions. As always, the problem is to judge the ability of management, and this is not directly associated with bigness. It could well be that 1962 will see more turning away from the big groups towards medium-sized companies. The best of these are not second-grade companies because they do not figure in the top hundred ranked by assets. The point is that they often make better use of their assets than the big fellows. In all equity investment this year, the investor will have plenty of homework, satisfying himself that earnings yields on the shares he chooses compare respectably with the current gilt-edged yield and that their rate of return on capital employed has been rising—and not falling as it has for too many British companies.

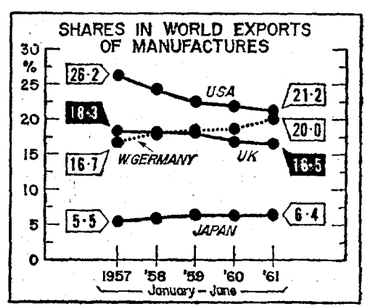
NEW YORK

What is Undervalued?

WALL STREET appears to share the widespread view that while business activity and corporate profits will hit new heights in 1962, the boom may lose momentum before the year is out. Thus, the expectation is that equity prices, which rose substantially during the past year, will climb somewhat higher in coming months but that a downturn will start in advance of the decline in business. Certainly, stock prices, as measured by the Dow Jones industrial average, are displaying some of the symptoms of fatigue usually associated with a fairly advanced bull market. The market began rising in November 1960, while the economy was still receding, and in the past 12 months it has gained almost 25 per cent; but it has been able to make little headway since the summer, and a rise of similar magnitude seems improbable in 1962, unless the economy performs much more impressively than Wall Street expects.

In fact, the rather stable appearance of equity prices hides some rather violent shifts in investing preferences. A mass exodus from electronic issues occurred last spring and summer, accompanied by a shift into consumer-oriented stocks, such as discount houses, foods and soft goods; now the consumer issues are being deserted for cyclical stocks, including motor, oil, metal, and chemical issues. These shifts have not seriously disturbed the general level of prices, which suggests that investors are both faithful to equities and have been demonstrating considerable prescience about the business outlook. Indeed, the market has been an extremely good forecaster of economic conditions, and its current pause, at so high a level, reflects both confidence about the immediate future and uncertainty over the longer run.

Moreover, the present show of discrimination is due, in part at least, to the high prices and low yields that are on offer. The market has, indeed, discounted a considerable expansion, and it is doubtful whether investors will push up prices any further without concrete evidence of higher profits. At present, the Dow Jones industrials are selling at over 20 times current earnings and yielding less than 3 per cent, which are historically high ratios; if the economy in 1962 performs according to expectations, a 10 per cent rise in stock prices could take place without any marked change in the ratios. So the emphasis is on picking undervalued issues, which are few and far between, and on the cyclical stocks that have not been able to show much improvement in earnings during the past periods of expansion. There is still surprisingly little interest in fixed income obligations, even though yields are attractive; but if the rise in business activity leads to a greater disparity in the spread of yields between stocks and bonds and if Wall Street begins anticipating a general economic decline, then switching from equities into bonds may take place. For the moment, at least, the shifting is from one stock group to another in the belief that the outlook invites cautious selection but not blind buying.



EUROPE

Around the Bourses

THE great re-evaluation of Continental European securities which began with the initiation of the common market in 1958 was broadly completed in 1960, when Continental bourses went on booming while London and New York were in the doldrums. In 1961 the Continental stock exchanges paused too—and by then Wall Street (though not London) was rising steadily. Broadly, movements in Continental share prices in 1961 have reflected the problems as well as the promise of the common market; and the problems, both political and economic, have been growing. One significant new characteristic of the European bourses is that while national trends continue to be important, there has been a growing recognition of trends common to particular industries throughout the common market area. This has been exemplified by the general weakness of chemical securities in the second part of the year in all common market countries at the same time.

The future of the common market countries still holds the promise of great dynamic development. It has been increasingly realised, however, that this development has been anticipated at times with exaggerated optimism; and that instances of over-capacity or over-employment are bound to occur, and at some points to be acute. For 1962, this means specifically that the very high productive capacity that has been built up will perhaps not be fully employed; and that the slackening in the rate of expansion which began around the middle of 1961 may go on for some time this year. This, of course, is true only in a general sense, as the circumstances of individual industries vary. The lag in the rate of growth means, just as it has meant in Britain and the United States, lower profit margins, increased competition and growing needs of capital by companies which can no longer finance their investment plans entirely by ploughing back profits.

Another important factor for the European bourses is the currency scene. Between 1958 and 1960 this was virtually unclouded for the common market countries. Now it must be recognised that the revaluation of the German mark and the Dutch guilder last March restored the state of general uneasiness about money which has recurred periodically in Continental Europe ever since the first world war. True, the fear of devaluation which plagued many currencies in the years before and after the war has now given way to speculation on an opposite movement, of upward revaluation. But in this field constant speculation in any direction is disturbing in itself. Moreover, revaluation has created difficulties in the two countries that have taken the plunge; in both Germany and Holland exports and profit margins have been harmed.

These difficulties would be less worrying if monetary inflation had been prevented at

the same time. But, far from this, the major problem in most common market countries for 1962 is how to curb an inflationary movement, which was definitely re-born in 1961. Increases in prices, wages, and the spending drive of the consumer show that inflation is a major factor again.

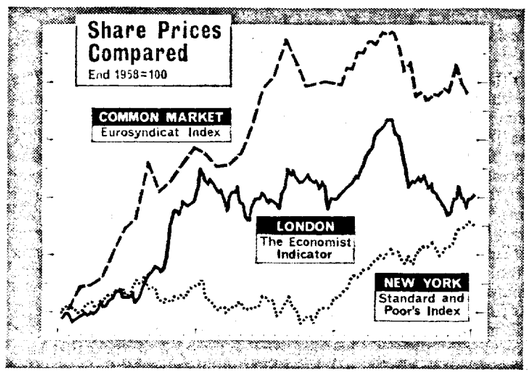
Another underlying worry on a national basis, is the political factor. Apart from Holland and Luxembourg, all common market countries face major political problems. In France everything is dominated by the future of Algerian negotiations. In Germany, apart from the Berlin situation, the succession to Dr Adenauer remains a major query for the future. In Italy, the permanently unstable government of the Christian Democratic Party creates recurrent possibilities of a leftish coalition. And in Belgium, the government lacks support for its economic reforms, and public opinion is split on many important issues.

LOOKED at from these angles, the general price level of common market securities seems high. Moreover, if one excepts a few international concerns, the information available on earnings of companies does not give the investor any precise idea of what he is buying. But from all the guesses that can be made, the expected rate of growth of the common market economies has been very heavily discounted in present share prices. This does not mean, of course, that all securities are overpriced, and it is certain that with improving information some attractive opportunities will appear frequently.

The possible entry of Britain into the common market will certainly draw more and more European attention to London securities, at least those which give the impression that the company will benefit from greater European competition. Moreover it is possible that the fall in prices in the London stock market in the last few months has made many British shares more attractive than their Continental counterparts—with the important proviso that the British Government is successful in solving its present payments problems; Continental opinion looks closely in this context to what happens to wages. Foreign buying on European bourses is now a dominant factor in price movements of most securities. It is a constant observation that nationals of one country keep selling the securities which are being bought from abroad—as indeed is bound to happen if foreign participation is to increase.

Another fundamental factor in the investment reckoning is that many common market companies now enjoy much better management, thanks to the development of a younger class of managers who have been trained in American methods and are extremely conscious of the importance of development research, commercial organisation, and public relations. This is reflected also in the rapid growth of European investment trusts, which in a short space have contributed to a marked widening of Continental equity investment and play a growing role in improving the relations of stockholders with directors. They have developed investment research organisations which begin to have a reasonable knowledge of European companies and encourage a more intelligent approach towards investment.

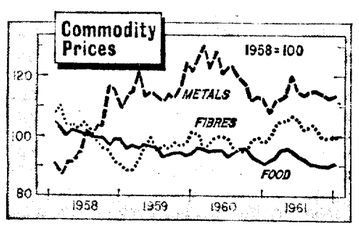
Growing selectivity will therefore be required for the investor who wants to buy himself an interest in the common market. He must consider both the industry where the investment is made and the company in that industry more than he considers the country and the political problems of that country, however serious they may look. The "European" trends are becoming markedly more significant than simply national ones.



New fields of investment will gradually emerge, as happened in 1961 in both hire-purchase and supermarkets. These new fields will usually offer considerable attraction both for European and non-European investors. Growing interest is also commanded by second line companies; but in this case extreme care must be taken, for low marketability may make it very expensive to unload.

COMMODITIES In Better Shape

AFTER a depressing year, primary producers are better attuned psychologically and economically to the level of prices they can expect in 1962. For commodities, year ends do not make satisfactory bench marks: over the past year *The Economist* commodity price indicator fell less than one per cent; foodstuffs fell and fibres rose fractionally, while metals showed a gain of 2½ per cent, mainly because tin succeeded in destabilising itself upwards earlier in the year in spite of the Tin Council's attempt to thwart the rise. But 1961 was the most turbulent and for most producers distressing year for commodities since before the war. During the year the general level of prices has fluctuated by about 6 per cent, but for several months, commodity prices have been, as they are now, within one per cent or so of their lowest point since the devaluation of sterling.



Producers' costs are higher—Commonwealth sugar producers, for example, whose guaranteed price is related to their costs, have obtained a further price concession this year which has produced the seeming absurdity of higher sugar prices in this country at a time when world prices have slumped to their lowest level since the war. However, the failure of some attempts at stabilisation and other upheavals in commodity markets have made primary producers button up their coats without hoping that the depression of 1960 was a passing chill. There has been a general reduction in prices guaranteed to cocoa and oilseed producers in Africa. A serious attempt to regularise coffee production is promised and western Treasuries are looking askance at the mounting cost of protecting their farmers.

Although prices of industrial materials are little higher than a year earlier, stocks of many are lower. The economic recovery in the United States has improved the prospect for metals, which nevertheless remains fairly bleak. Lower stocks of both wool and cotton should help to keep prices firm, though the textile industries are unlikely to find 1962 enchanting.

Primary producers have the promise of a reasonably sustained rate of growth in industrialised countries and, one would hope, a steady rise in living standards in poorer areas. Against this must be set the considerable slack in productive capacity that must be taken up before that expansion will make itself felt. The effects of surplus capacity caused by high prices and post-war scarcity have probably not fully worked themselves out. But the timing and strength of increased demand for commodities caused by economic expansion cannot be foreseen; in 1961 prices were probably more "normal" than primary producers would care to admit, but producers will be unlucky if they are dealt quite as harsh a blow this year.

BUSINESS NOTES

STERLING

Funds Flowing Back

THE foreign exchange market was quite untroubled by the fall of £85 million in Britain's gold and convertible currency reserves in December, which after the end-year loan repayments of £67 million to the United States and Canada denotes a residual fall of £18 million. The last £17 million of debt under the Basle arrangements was repaid to Switzerland, but this was exactly matched by a Swiss government loan. Britain nearly always loses foreign money in December. A year ago the true outflow was £21 million; in December 1959 it was £19 million, and there was even a net outflow in December 1958, on the eve of convertibility. Last month the reserves took the strain not only of the usual end-year window dressing by commercial banks and corporations as well as by central banks, but also of the sudden scare that blew up at the beginning of the month first over the Chancellor's misreported references to devaluation and quickly afterwards over a sudden flurry into the Italian lira, which gave the Exchange Account one very bad Friday.

In fact the authorities almost certainly regained reserves in the last days of the month, and this kept the net loss down. Withdrawals for window dressing ceased just before Christmas, and since then some of these balances have been returning. This accounts for the firmness of sterling this week, though business has not been large, even after the new year holidays. The release of money from balance sheet purposes has also been reflected in a return of offerings of dollar deposits in Europe, and the rate for three months Euro-dollars has eased from 4 to 3½ per cent. In its December bulletin, the Bank of England gives the first official figures of conversions of Euro-dollars into sterling. After July foreign banks in London again found it profitable to switch these deposits into loans to local authorities and hire purchase companies, even after meeting the cost of forward cover; the amount of these assets held against foreign currency liabilities rose by £30 million in August and September together and by another £20 million in October. Subsequently the margin of profit on such operations narrowed, but the shading in Euro-dollar rates has encouraged further conversions into sterling in the last few days.

RESERVES AND CREDITS IN 1961

	Change in Reserves	Basle credits	IMF credits	Other credits or special payments	True flow of funds
Jan.-July..	−278	+317*	...	+57*	−652*
August...	+369	−200	+518	+ 5*	+ 46*
September	+ 24	− 90*	+ 18	...	+ 96*
October..	− 8	− 10	−100	−15	+117
November	+ 9	...	− 50	...	+ 59
December	− 85	−17	...	−50†	− 18
Aug.-Dec.	+309	−317	+386	−60	+300*
Year 1961	+ 31	—	+386	− 3	−352

* Figures approximate and adjusted slightly on basis of new information in Bank of England bulletin. † Allowing for £17 million from Swiss government to fund debt to Swiss National Bank.

Some private funds have also taken a renewed interest in gold; the London price, which had been falling steadily from late November to the end of the year from its support price of $35.20 to below $35.14, has edged up a shade in the past week, to $35.15½. The market is a little more active than in the stagnant weeks at the end of the year, though by previous standards business is still far from large. The Bank confirms in its bulletin that after the end of July it sold a "moderate" amount of gold "to prevent the price rising to the point at which gold purchased in the United States could be sold at a profit after shipment across the Atlantic."

Bank Rate Tangle

THE bulletin gets into something of a tangle on the subject of the two reductions in Bank rate. "The authorities had at this time [end-September] to consider how large an inflow of foreign money to expect as a natural reversal of the earlier outflow." They seem to have decided—the bulletin has a rare relapse into circumlocution here—that there was still scope for a further replenishment of normal working balances; "but there was nothing to be said for too large and too rapid an inflow of short-term capital." So a cut in Bank rate was made, unexpectedly early; and: "It was followed by a considerable inflow of investment funds. . .." The second reduction in Bank rate, in November, had no such perverse effect—but that was because the curve of confidence had taken a downward shift. It is to be hoped that the Bank will turn a deaf ear to the irresponsible talk about a further cut in Bank rate now, which indeed has sensibly been ignored in the gilt-edged market. The Bank itself gives warning in its bulletin that immediate improvements in the balance of payments as a result of the restrictive measures give rise to the risk that "the vigorous pursuit of longer-term policies, designed to secure increased efficiency and flexibility of the economy, will be relaxed." No doubt the Bank of England would claim that Bank rate was not a part of the "longer term policies"; the Minister of Labour probably takes the same view of his preserve.

STEEL IN 1962

A Waiting Year

"IF a view had to be hazarded," says an article in the Iron and Steel Federation's *Review*, "it would probably be that production in 1962 as a whole may not exceed the 1961 level, although by the end of the year the trend of output should be moving upwards." For the first time in years, the Federation does not project a figure for crude steel production; to do so, it says, would merely "compound uncertainties"—and there are plenty of them. What happens, in particular, to stocks, which after last year's destocking and a swing of over 2 million ingot tons between 1960 and 1961, still represented about 4 months' supply at the year-end?

It is only too probable that what the Federation describes as "a wildly destabilising swing in steel stocks" has not spent its force and that 3 months' supply is to be regarded as a future norm, or even optimum. A month's supply, in terms of crude ingots, represents nearly 2 million tons. Output last year fell by 2¼ million tons to 22.06 million tons, and the best guess that seems possible now is that output over 1962 will not be very different, even if by the end of the year steel operations have improved

GUIDE FOR INVESTORS

THE security prices and yields, in London and New York, which appear on pages 78 and 79 of this issue, now include leading French, German and Dutch stocks each week and leading Canadian, Australian and Japanese stocks, alternating each fortnight with a selection of Italian, Belgian, Swedish and Norwegian stocks. *The Economist* indicator and the *Financial Times* indices now appear in Company Affairs (this week on pages 77 and 80). After the year-end revision *The Economist* indicator now includes International Computers and Tabulators, City Centre, Rank Organisation and Associated British Foods. Courtaulds, United Molasses, Furness Withy and Babcock and Wilcox have been removed.

to an annual rate of, say, 24 million tons. There will certainly be ample capacity to meet the demand for any product—an end-year capacity figure approaching 29 million tons (with important new units coming in at Richard Thomas & Baldwins, Colvilles, Steel of Wales, Consett and English Steel) shows how far the industry has already succeeded in planning for over capacity. One consequence should be a more even and economic work load, once this further stock adjustment is out of the way. But it would need an important relaxation of official policy to produce any jump in output—as distinct from slowly gathering forces of improvement—during the second half of the calendar year.

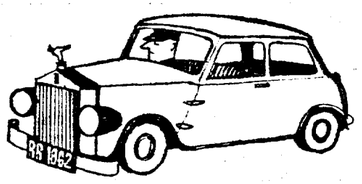
The implication for steel companies' profits in their financial year to next September is obvious; the only factor in mitigation is the possibility that investment allowances may steady the further fall in net earnings. So far, this prospect has not led to any cancellation, as distinct from an extension of timetables, for any items in the industry's development programme. The *Review* looks at the suggestion that the British economy might be becoming less "steel intensive" and reaches consoling but qualified conclusions. The use of steel grew only half as fast as industrial production between the first quarter of 1960 and the first quarter of 1961, mainly, it says, because of a short-term shift in the pattern of demand in favour of industries using little steel as against industries using much steel. For the longer run, "steel intensity" should increase, though the *Review* sees understandable cause for concern about the use of steel in manufactured exports. It is going to be difficult to persuade this industry, caught at the end of one phase of expansion by a sharp fall in demand, to think expansively on to the next stage. And its arch-persuader, Sir Robert Shone, is now leaving the cause of expansion in steel for the bigger cause of expansion in the economy as a whole, pursued by cries from the steel masters that a pricing formula based on operating at least to 90 per cent of capacity is hard on them when the working rate falls below the datum.

BMC AND ROLLS-ROYCE

Mini-Rolls?

GIVEN the British Motor Corporation's proclivity for collecting brand names, it was inevitable that the announcement of talks between it and Rolls-Royce on the feasibility of technical collaboration should be followed by suggestions that BMC was planning to buy the car division of Rolls-Royce, or even that the two companies would merge. The Delphic ambiguity of the second sentence of BMC's statement encouraged such speculation, by saying "that in view of the economies to be gained by large-scale production and the ever-increasing importance of quality in the world's car markets there is a *prima facie* case for such an investigation." From this to seeing a Rolls-Royce made by BMC, using components common to other cars, is but a short step in the journalistic mind—especially when BMC has recently been so successful with its Princess 3-litre saloon, which is no more than the Austin A 110 with a coachbuilder's finish. And the Princess limousine, which uses a lorry engine, now has a good share of the prestige market.

The success of these cars will have helped to weaken the belief that any change in the character of the Rolls-Royce would destroy its appeal as a car that brings prestige. And the halving of Rolls-Royce's



sales on the home market since tax relief was ended on expenditure of more than £2,000 on a car in last year's budget must be making Rolls-Royce wonder how long it can afford to go on making cars. Now that the aero-engine business is no longer as lucrative as it used to be, the company can hardly manage to retain its car division for the prestige it provides. So there might be sound business logic as well as journalistic imagination behind the suggestion that BMC might take over Rolls-Royce cars, and treat them as the most expensive part of its already wide range.

On a strictly engineering basis, Rolls-Royce and BMC might have more in common outside the car field. Both make diesel engines for commercial vehicles, and Rolls-Royce probably does so on a larger scale than BMC; its engines are used in many diesel railcars. Rolls-Royce's diesels are rather more powerful than BMC's; and now that BMC is expanding its heavy lorry business, it might want to use Rolls-Royce engines. On the research side, BMC is working on small gas turbines, and might be able to benefit from Rolls-Royce's experience of bigger ones. But cars seem to be the primary subject of the two companies' discussions. If they should end by turning the Rolls-Royce into little more than another BMC radiator grille, one might regret the change. But the character of Rolls-Royce has already changed much since its reputation as a hand-built car was established; and apart from its own V-8 engine, there might be little of exceptional technical merit to be lost in a merger of designs.

IMPERIAL TOBACCO

Who Gets Slapped?

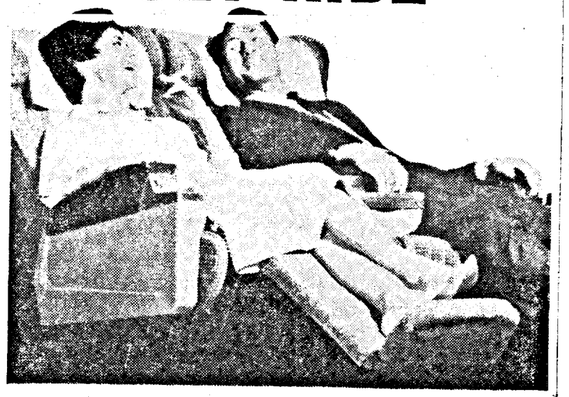
IN deciding that Imperial Tobacco can retain its shareholding in Gallaher the President of the Board of Trade gave three reasons for rejecting the view of the Monopolies Commission that the public interest would be best served if Imperial Tobacco divested itself of this holding. First, he thought it right to draw attention to the "commission's references to the responsible attitude adopted by the Imperial Tobacco Company and to the special regard which the company has paid to the public interest." Secondly, competition in the cigarette trade, already recognised by the commission as being intense, "has, if anything, grown" since the commission reported. Thirdly, Imperial Tobacco has assured him that it regards its undertaking "not to interfere in the management of Gallaher as binding for the future." The Board of Trade has, however, accepted the commission's other recommendation that Imperial Tobacco should terminate the bonus agreements under which it secures advertising and display facilities at its customers' premises and Imperial Tobacco has agreed to do away with these agreements "as soon as reasonably practicable," which in practice will mean by the end of next October.

Imperial Tobacco's share of the market is now about 60 per cent. In 1959, according to the commission's report it amounted to about 63½ per cent. To that extent competition has grown; certainly this is a trade where the dominance of a single firm has not prevented its bustling rivals, Gallaher and to a lesser extent Rothmans, from making headway. Competition has been expressed in heavier advertising expenditures and the promotion of new brands rather than in prices. Resale price maintenance has been the order of the day within the trade and the majority report of the commission accepted Imperial Tobacco's argument that it did not operate against the public interest. Though Wix has offered gift coupons with "Kensitas," competition has not been so fierce as to lead to an outright coupon war similar to that in the 1930's. Nor, incidentally, has it brought the cigarette card back. Imperial Tobacco may be a price leader but it does not wield the big stick.

For Ever Mum?

IN leaning upon the commission's argument that Imperial Tobacco has not influenced, or sought to influence, the Gallaher management in its conduct of the business the Board of Trade has in effect rejected the qualifications made by the commission which in its view were sufficiently important to justify the sale of the Gallaher

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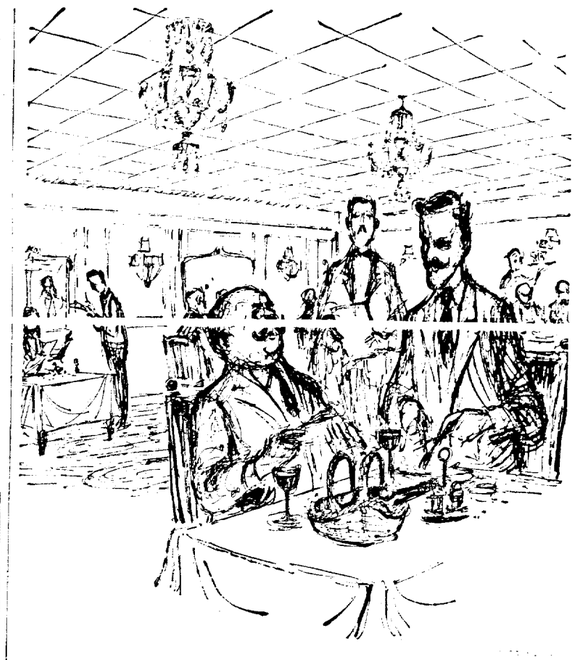
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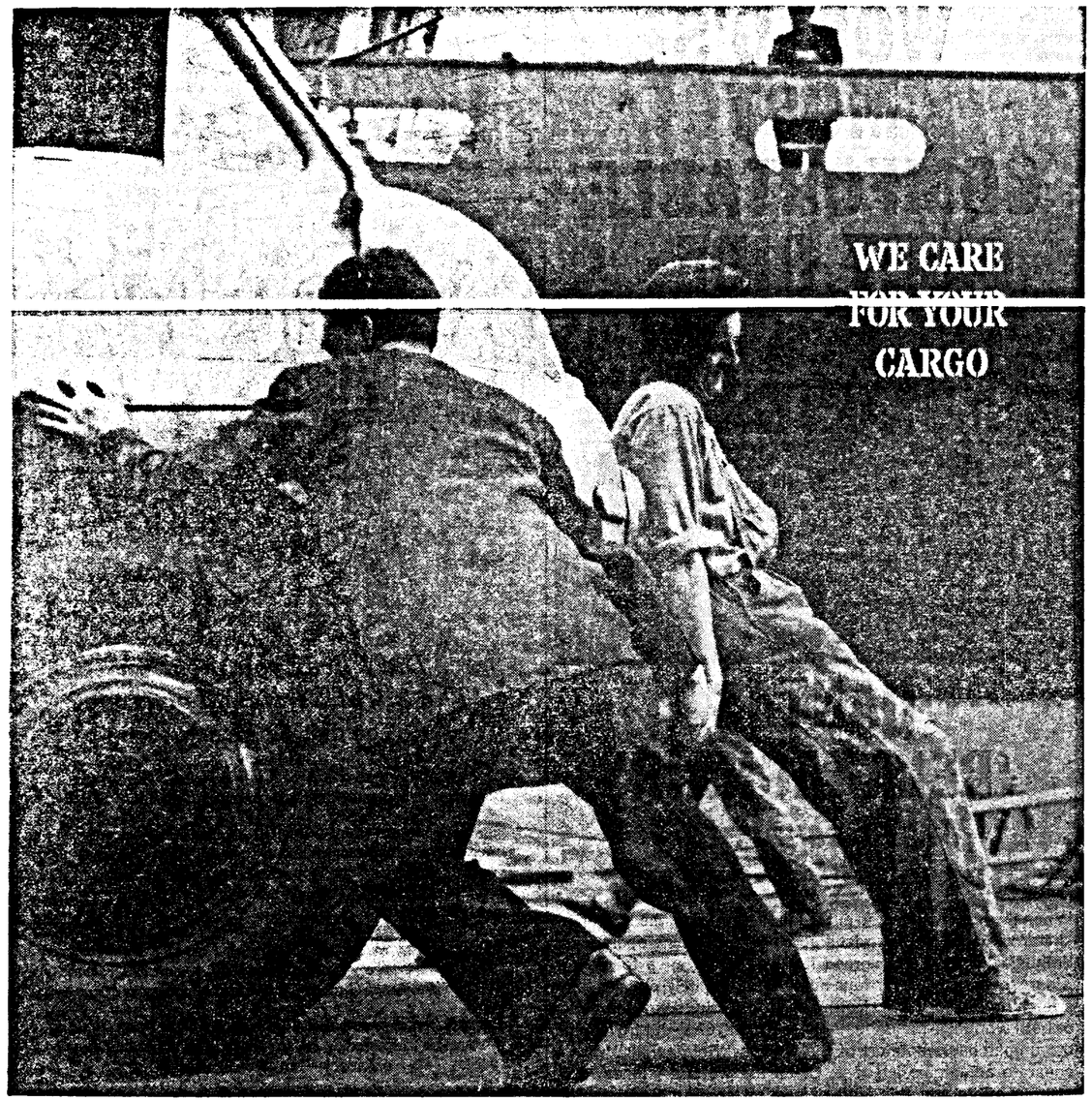
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shareholding. These were, first, that the stimulus to efficiency provided by Gallaher's thrust would have been even greater if Imperial Tobacco had not been cushioned, through its shareholding, from the complete loss of profit on trade ; secondly, that it was not necessarily either in the interests of Britain or of competition within the trade if the shareholding frustrated (as it was originally designed to do) the incursion of foreign manufacturers, mainly American, into the British market. (One of the ironies of the Board of Trade's decision is that just a few days before it was announced American Tobacco sold Wix to Gallaher and that the stake it thus secured in Gallaher shares has reduced Imperial Tobacco's holding from 42½ to 37 per cent of the issued capital.)

The commission's arguments on this score have not lost any of their force simply because the Imperial Tobacco directors have bound themselves to continue to treat the Gallaher shareholding as a trade investment. This, in effect, would appear to bind them never to vote their shares nor to interfere in any way with the Gallaher management. At the moment Gallaher is an efficiently run business and its shares are a profitable investment for Imperial Tobacco, contributing roughly three points of its net equity earnings of about 40 per cent. But it may not always be in the interests of Imperial Tobacco shareholders that, as far as Gallaher is concerned, their directors should remain permanently mum. If Gallaher fell on evil days, what then? Would the Imperial Tobacco directors then sit back, content that the degree of competition had diminished ?

If Imperial Tobacco had been forced to sell its shareholding, the marketing of the Gallaher shares would not have been easy. The stock market's relief that this shadow had been removed was measured by the net rise of 2s. to 41s. in Gallaher. Tax complications may have stood in the way of either a free distribution or the sale of the Gallaher shares ; but the government could surely have provided some accommodation on this point. The easy way out of not doing anything is, moreover, no excuse for rejecting the findings of a competent body designed to examine the working of single-firm monopolies. In the past the government has often tinkered with recommendations from the Monopolies Commission. But this is a direct rebuff, which damages the commission's standing and which could inhibit any future recommendations it may make in the field of monopoly to which the government has already restricted it.

DIAMONDS

A Stone is Cast

In his statement to shareholders in Consolidated African Selection Trust last week, Mr Chester Beatty had some unseasonable things to say about the diamond ring. He alleged that CAST had received unfavourable prices for its diamonds and inferred that it had been asked to pay inflated charges for their handling. De Beers controls this romantic, yet hard headed, international cartel. It produces in its own mines a large proportion of the world's diamonds ; through purchasing contracts with "outsiders" it gained control over all but a tenth of the market. After 1900, a series of discoveries in other parts of Africa threatened to undermine the De Beers diamond syndicate's virtual monopoly of production in southern Africa. The discovery of diamonds in Sierra Leone in 1930 was nearly the last of the major finds. CAST, already producing diamonds in Ghana, obtained an exclusive licence to mine diamonds in Sierra Leone, but from the outset marketed all its stones through the De Beers selling organisation. De Beers completed the ring by making marketing agreements with practically every other sizeable producer.

At the end of 1960, however, most of the five-year agreements with outsiders fell due for renewal. At the same time, nationalism in Africa and diamond discoveries in Russia threatened the ring. Since the beginning of 1961, all diamonds from Ghana have been put outside De Beers' control and newly independent states have difficulty in controlling illicit production. But through a government sponsored buying agency, De Beers now handles diamonds won by native diggers in Sierra Leone. This year, De Beers has also opened an agency on the Ivory Coast. Two years ago Russia agreed to channel its exports through De Beers' Central Selling Organisation. The contract was renewed at the end of 1960 and has recently been extended for a longer period. De Beers has therefore come more or less successfuly to terms with the new powers in the diamond field.

But among the former members of the ring, CAST, in which De Beers controls about a sixth of the equity (the powerful American Metal Climax-Selection Trust mining group holds a third) chose to defect. Under the terms of the previous contract, CAST disposed of its stake in De Beers' marketing company and contracted to sell the bulk of its production to a large American merchant. A breach with the CSO after such a long association called for comment. Mr Beatty treated shareholders—and interested observers since so little is known about how the cartel operates—to a detailed account of the events leading up to the rupture:

> "During 1957 I formed the view that we were not obtaining the best prices for our diamonds . . . in the case of the valuable Sierra Leone gems, our price was considerably below market value. Following negotiations lasting over eight months amendments were agreed which are estimated to have increased our revenue by £2.7 million. . . . Regarding our Sierra Leone production . . . we had hoped to sell the bulk to the Central Selling Organisation. . . . On a two year contract covering about £10 million worth of diamonds we offered 4 per cent or £400,000. . . . The Central Selling Organisation informed us that it would require 12 per cent or £1.2 million to handle the contract we proposed and despite an attempt to compromise no agreement could be reached. At this stage we started negotiations with Harry Winston Incorporated, the well-known firm of New York diamond merchants, and found this firm willing to accept the conditions for a two-year contract which had been rejected by the Central Selling Organisation."

CAST did not want a guaranteed market, and evidently thought that, at the price demanded, it should dispense with the De Beers umbrella. The CSO's service—maintaining a reserve fund to support prices and grooming the diamond trade by careful regulation and a little private policing—is certainly not cheap. About 150 firms are allowed to purchase diamonds from the CSO. Allocations are controlled to ensure that both high quality gems (in great demand) and lower qualities (not in such keen demand) are cleared. The distribution of diamonds among the various diamond centres is regulated by the same process, which is meant to ensure that diamonds get into the "right" hands.

The Winston deal might give that firm a larger allocation (approximately 5 per cent of the world total) than it would otherwise obtain. It will certainly throw De Beers' careful arrangements out of gear. Another possible source of weakness is that although it now handles Russian diamonds and a large proportion of those produced by African diggers, De Beers cannot control their production. In the ring, producers have a quota of sales related to their productive capacity. In a slump, the quotas may be reduced but not to a point where the mine would be put out of production. CAST's output in Sierra Leone now amounts to only half that of native diggers. The political risk —its ordinary shares yield 18 per cent— is at least as pressing as the commercial risk. For security, a two-year contract with Winston cannot be compared with a five-year contract with De Beers. But with record diamond sales of £96 million last year and higher prices apparently obtainable elsewhere, De Beers' policy might conceivably be considered too costly and conservative for a producer like CAST. However, the government of Sierra Leone is now considering whether it should compel the sale of all diamonds produced within its borders to its purchasing agency, managed by De Beers.

BANK PROFITS

Still Higher Profits

BANK share prices rose by nearly 30 per cent during 1961 as a whole, as measured by the *Financial Times* index, and although at the close of the year they were 6 per cent below the mid-May peak, this was one of the year's best performances in the stock market. While the first of this year's results, from Martins, was unexciting, Thursday's interim statement from Barclays showed that this bank at least has improved significantly further on its outstanding results of 1960. The stock market is expecting no increase in dividends, beyond those foreshadowed by the Midland and National Provincial at the time of their capital changes, as the banks would be loth to go against the Chancellor's wishes. But the results from Barclays suggest that another increase in dividends might otherwise have been forthcoming—and that there will be a particularly large surplus available next year. The discount houses, by contrast, have had a more difficult year. On Thursday afternoon the Union Discount company announced a slight fall in published profits, from £575,924 to about £566,000 after tax; the year's dividend is unchanged at 12½ per cent.

Barclays' published profits which in 1960 rose by 31.6 per cent to £5,452,000, easily the highest of any bank, have now increased by a further 11.4 per cent to £6,074,000 which is more than double the figure of four years ago. The dividend is unchanged at 13 per cent for the full year. Last summer's rights issue of one-for-eight entails an equivalent increase in the amount of the distribution; but the allocation to published reserves is still no less than £2,586,000, compared with £2,163,000 for 1960.

On Monday Martins, as usual the first to report, announced only a marginal rise in disclosed profits, from £1,420,000 to £1,449,000, and an unchanged final dividend, maintaining the total at 15 per cent. The rise in disclosed profits was in fact smaller than the coming cut of £37,000 in the bank's prospective dividend from Mercantile Credit, the hire-purchase finance house in which, like the Westminster, it has a 20 per cent interest; this dividend is not paid until January.

The banks are now reporting their third successive year of bumper profits. In 1959 total disclosed profits rose by 24 per cent and in 1960 by a further 28 per cent. The average increase for 1961 will plainly be a good deal smaller. Other large banks, and notably the Midland and Lloyds, have suffered bigger setbacks from hire-purchase than Barclays; and the extent of the increase in both earning assets and average interest rates slowed down markedly in 1961. The average level of net advances in 1961 was 9 per cent higher than in 1960, while in that year the increase was 24 per cent over 1959. The average level of Bank rate in 1961 was 5.67 per cent compared with 5.35 per cent in 1960; it was only 4 per cent in 1959. At the same time the higher interest rates have produced a further small switch to deposit accounts, which rose by 4.9 per cent on an increase in gross deposits of 2.2 per cent. Deposit accounts are still, however, only 36 per cent of gross deposits. The general debit clearing in 1961 rose by 1.9 per cent, the smallest increase since 1952, and below the increase in deposits—which suggests that the velocity of circulation actually declined last year.

Admittedly, the banks' costs also continue to rise. The 5 per cent salary increase granted in July of 1960 has now been effective for a full year, and in addition there were some further increases in 1961 to senior staff and new entrants. At the same time the clearing banks continued to increase the size of their staffs in 1961 and the banks are on the verge of very expensive electronics programmes. A very rough guess indicates that over the next twenty years the capital outlay on electronics equipment by the banks could amount to over £60 million. The banks may not be wholly sorry for their opportunity to tuck more back into reserve this year.

BOATING

Consolidation—in Concrete?

BOATBUILDERS are parading for the Daily Express International Boat Show after a year in which they felt the edge of the depression that hit the motor industry; perhaps because theirs is more truly a growth industry, perhaps because they make something not at all utilitarian—and so a more tempting purchase—the output of most established firms fell only slightly. Boats in the middle price range—£1,000 to



£3,000—seem to be those hit worst; cheap boats remain a strong market, and so do those bought by the truly affluent. Stiffer competition for sales has pushed a number of small firms out of business; and some firms that had come in with little idea of what a good boat needs have now disappeared. Even among the makers of a technically successful product, it appears that a newcomer like Dowty has had to content itself with selling about a tenth of its original target of 4,000 speedboats a year; it now seems to be placing as much emphasis on the sale of its jet-propulsion units to other boatbuilders as on that of its own speedboats.

This year will, the boatbuilders hope, prove rather better; some report a sharp increase in the number of enquiries that they are getting from potential buyers, even though actual orders show less sign of rising yet. Nobody knows just how many boats are built in Britain in a year, except that it must run into tens of thousands. Among dinghies about 5,000 were built to the designs of Jack Holt alone last year; Fairey, which makes cruisers and motor boats as well as dinghies, sold around 1,000 compared with 1,100 in 1960. But it sold more expensive motor cruisers in 1961.

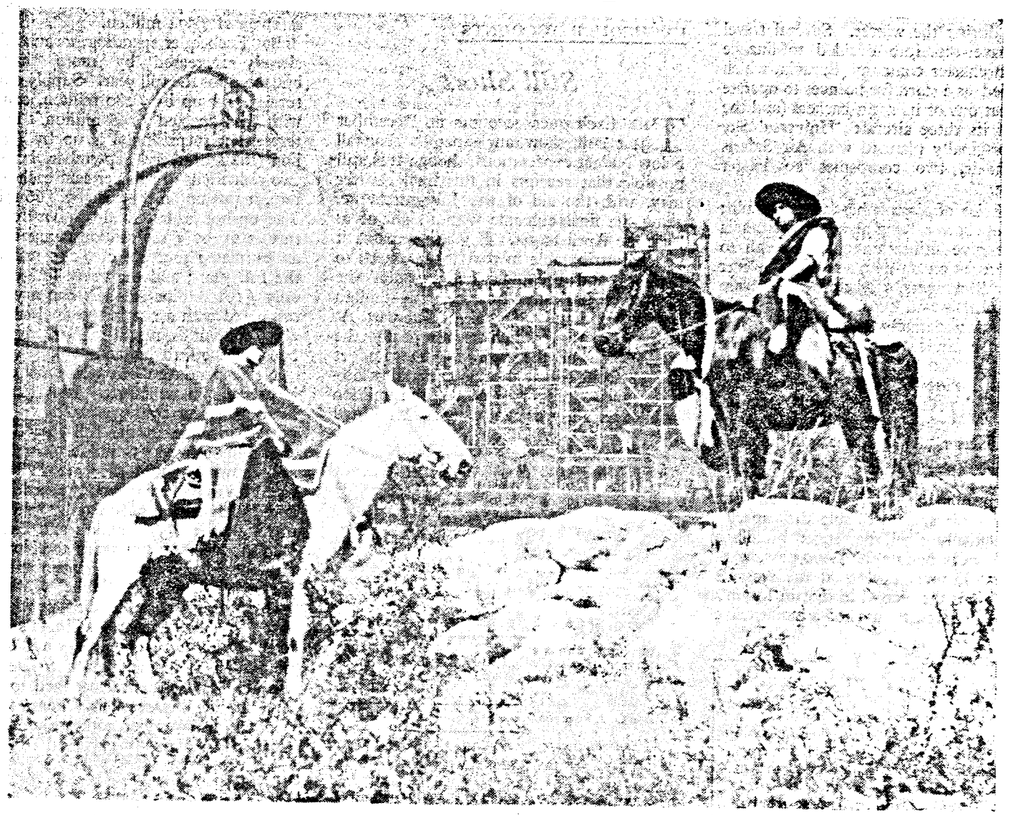
Technically, the most interesting innovation at the show is the concrete hull being exhibited by Windboats. Concrete has been used for boats before—originally as a means of overcoming the steel shortage in the 1914-1918 war—but it never became commercially established. Windboats is keeping its construction method secret; but the hull is about one inch thick, and presumably uses much the same type of reinforced concrete that would be employed for a thin shell roof. The advantage claimed for concrete is cost; Windboats put this at two-thirds of the cost of a glass fibre boat. The topsides, however, seem a little wavier. Glass fibre itself still grows in popularity; now that builders are more generally recognising that a chemical process is involved, and that this means working under rather different conditions to building in wood, the results are proving more satisfactory. Medium-sized sailing yachts and motor cruisers are now often built of glass fibre; but they still look the same. Boat design is not something that changes fast; the catamaran, still becoming more popular, and the small cruiser with bilge keels remain the only innovations of the past few years.

INDEPENDENT AIRLINES

A New Approach

THE collapse of several small independent airlines last summer and autumn has caused consternation among travel agents. This is not merely because some of them had stranded and infuriated passengers on their hands at the height of the holiday season. Unless they employ a foreign operator, they can sell a packaged holiday only in association with a named airline that has already been given a licence for the flights, a long-winded process that involves planning up to twelve months ahead. These

Chemicals come to the Pampas



Two hundred miles up the broad Paraná river from Buenos Aires lies the town of San Lorenzo, overlooking the *pampas*—the seemingly endless wheat and cattle plains that were once Argentina's only source of wealth. Here, a stone's throw from fields of maize, a group of chemical plants is taking shape. Soon it will be pouring out raw materials for commodities ranging from textiles to plastics; and in the not-too-distant future new plants will be added to transform oil from Argentina's sub-tropical North into polythene and polyester fibre.

This £10 million enterprise is only one of many launched by I.C.I. of England to nourish manufacturing industries throughout the world. I.C.I. plants making polythene, blasting explosives, dyestuffs and heavy chemicals serve the newly emerging industries of India. In Australia and New Zealand, scores of chemical products that once had to be imported are now made in quantity by an I.C.I. subsidiary; and I.C.I. associate companies meet many of the chemical needs of Africa. To these overseas activities there is to be added a new complex of chemical plants near Rotterdam, which will supply plastics, petrochemicals and related products to the highly sophisticated industries of the E.E.C. and the E.F.T.A.

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

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

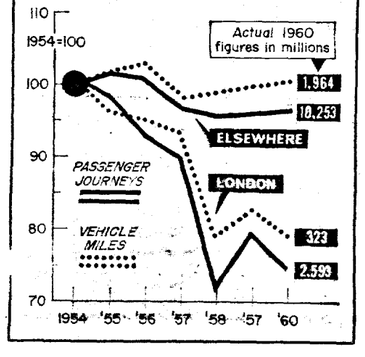
ICI

tours depend for their low cost on chartering entire aircraft at rates lower than the cut-price seats offered on the scheduled airlines; some of this coming season's are in hazard because certain airlines went out of business during the winter. Several travel agents have therefore decided to finance their own charter company, Euravia, which has applied, as a start, for licences to operate flights that one of its main backers (and the owner of its three aircraft), Universal Sky Tours, originally planned with Air Safaris and Tradair, two companies no longer operating.

The choice of aircraft has been difficult; the kind of charter flying planned by Euravia does not give utilisation good enough to meet depreciation on new aircraft, however efficient. Passengers, on the other hand, are growing choosy and expect at least a pressurised and moderately speedy flight. The compromise choice has been three of the smaller type Constellations, bought from the Israeli airline El Al because these had the advantage of being in regular service, regularly maintained, up to the moment of sale. The new airline's base is planned at Luton airport, using the road link along M1. Luton Corporation is undertaking, in return, to put the airport on a 24-hour operating basis and to double the capacity of its relatively small passenger buildings so that they can handle the 1,000 passengers a day that Euravia expects at the season's peak. This is the second feather in Luton's cap since the airport launched a major drive for more traffic, its first being KLM's decision to use it as a bad weather alternative to London's Heathrow.

BRITISH BUS TRAVEL

Travel by bus is a declining habit in Britain, as more and more people provide themselves with their own means of transport. The trends shown on the chart continued into the first half of 1961. London Transport has been losing its bus passengers faster than its provincial counterparts and the country bus services have done; traffic congestion may be one reason, but the availability of an alternative public transport system in the underground is another that does not apply elsewhere. Travel on London Transport trains was static from 1957 to 1960, but rose slightly in the first eight months of 1961.



EXCHEQUER ACCOUNTS

Still Short

THE Exchequer accounts at December 31st still show an apparent shortfall below budget expectations, though it is still possible that receipts in this final quarter may, with the aid of the July surcharge, bring the final outcome within sight of at least the April target. If a gap remains it will be attributable in part to the check to incomes and economic activity that the Chancellor has himself engineered—though higher spending has also played its part. At December 31st, which is seasonally the worst time of the year for the budget accounts, the deficit after debiting all below-line expenditures was only £102 million smaller than a year ago, whereas Mr Lloyd budgeted in April for an improvement of £325 million, to bring the overall deficit to only £69 million—which with the £130 million expected from the July surcharge would be transformed into overall surplus.

NINE MONTHS' OUT-TURN

(£ million)	April 1, to Dec. 31, 1961	Change on April 1, to Dec. 31, 1960	Expected change in full year on 1960–61 out-turn
Revenue			
Income tax	1,126	+129	+296
Surtax	63	+ 6	+ 20
Death duties	188	+ 20	+ 4
Stamps	72	+ 5	+ 4
Profits tax, EPT & EPL	263	+ 54	+ 62
Total Inland Revenue	1,712	+214	+386
Customs and Excise	1,958	+135	+120*
Motor duties	55	+ 12	+ 29
Other revenues	222	+ 69	+ 39
Total Ord. Revenue	3,947	+430	+574*
Expenditure			
Interest on debt	553	+ 35	− 1
Sinking funds	27	+ 1	+ 1
To Northern Ireland	66	+ 6	+ 3
Miscellaneous	12	+ 7	+ 14
Total Cons. funds	658	+ 49	+ 17
Supply Services	3,846	+280	+198
Total Ord. Expend.	4,504	+329	+215
Above-line balance	−557	+101	+359*
Net below-line outlays	−489	+ 1	− 34
Total deficit†	−1,046	+102	+325*

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

In the nine months to end-December, receipts from income tax were fairly buoyant, and they are £129 million up on the corresponding period of 1960. The bulk of these payments are still to come, and despite the pay pause, the final increase could come close to the budget estimate of £296 million. All the other items in the revenue account, except motor duties, are ahead of schedule. But the increase in customs and excise in the first nine months of the fiscal year is so far only £15 million ahead of the April estimate of £120 million more for the full year. At this pace it seems unlikely that the Chancellor will get the whole of his extra £130 million from this source. Total ordinary revenue is so far up by £430 million, and well placed to overtake the April estimate of £574 million.

But Exchequer spending, meanwhile, has already increased by more than was budgeted for the full year. Supply expenditure is now up by £280 million, compared with the expected £198 million. Debt interest, not surprisingly, is up by £35 million (though at end-September, before the two reductions of half per cent each in Bank rate, it was up on the year by £66 million). The upshot is that total ordinary expenditure is up by £329 million compared with an estimated increase of £215 million for the full year; and the above-line deficit is only £101 million smaller than a year ago, compared with a rise in the final surplus of £359 million estimated in April, before the boost of the little budget.

Net expenditure below-line, by contrast, is pretty well on target. It is almost the same as a year ago, compared with an expected increase in the full-year deficit of £34 million to £575 million. Colvilles has still drawn none of the £30 million provided for in the estimates; Richard, Thomas and Baldwins has taken only £26 million of its allotted £58 million; and Exchequer loans to overseas countries total only £25 million of an estimated £49 million. On the other hand the Public Works Loan Board, for which no lending provision was made in the estimates, has in fact lent the local authorities some £15 million—£10 million in the three months to December. The building societies managed to borrow £44 million before their scheme was suspended in November, rather more than the Chancellor originally expected for the full year.

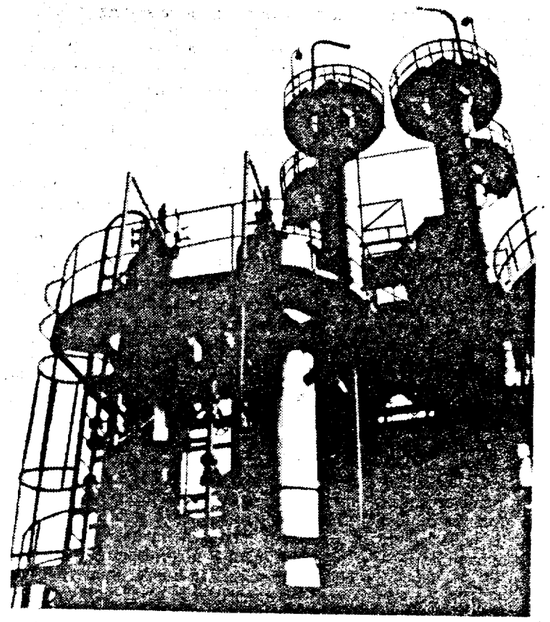
CONSUMER EXPENDITURE

Rising Rents?

ACCORDING to some commentators, the 1960 family expenditure survey for Britain records a steep rise in rents. The evidence for this, however, is far from convincing. Admittedly, the dozen households with incomes of £50 or more a week who rented unfurnished accommodation paid on average £3 a week (surely not excessive?) while the thirteen comparable households in 1959 paid only £2 10s.; but households with £30–£50 a week recorded a smaller average rent than a year before and for all households renting unfurnished accommodation the increase had been little more than a shilling a week.

AVERAGE WEEKLY HOUSING EXPENDITURE
(shillings)

	1959	1960
Pensioner households	18·2	17·4
Other households with income of head :—		
Under £30 a week	28·9	30·1
£30 a week or more	52·3	88·8



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With its 100 years of heavy industrial experience, IHI is fully qualified to undertake the design and construction of a large variety of chemical processing plants and components. From preliminary survey to continuing after-service, IHI's 17,000 highly trained employees offer efficient and economical handling of all your chemical plant requirements. Also at your service is the IHI Technical Laboratory, with a research staff of 300, specializing in the design of new processes and products and in improving production methods.

IHI is Japan's leading heavy-industry company. Its many-sided operations include the design and manufacture of all kinds of heavy equipment—from ships, engines, and boilers to heavy machinery for use in the chemical, construction, iron and steel, power generating, and mining industries. Brochures outlining IHI's capabilities and informative "IHI Letter" will be sent on request.

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Special 17 day excursion fare £125 return (economy) —until 31 March 1962

PLEASE HELP SPASTICS

NEW YORK EVERY FRIDAY, SATURDAY AND SUNDAY

Admittedly, too, at the top of the income ladder there was a handful of families paying a pound or two a week more for furnished accommodation ; but it was a higher imputed rent for those owning their own houses and much higher repair costs (which had been obviously under-recorded in 1959) which put up the total housing expenditure of the more well-to-do.

The 1960 survey caught, in its random net, some wealthier people than the 1959 survey ; the average expenditure of the hundred or so households where the head got upwards of £30 a week had risen from £33 to £51 a week. The richer families taking part in the 1960 survey had better houses and spent considerably more on women's clothes, furniture and cars. There is nothing wrong about having a mink coat or a Bentley mixed up with the weekly shopping list, provided their inclusion is not regarded, as it so often is, as representing a rise in the cost of living. This is a phrase that Humpty Dumpty might well have had in mind when he said, "When I use a word, it means just what I choose it to mean—neither more nor less."

Let's Eat Out

ONE of the things on which money goes, where there is more of it about, is eating out. A man with £30 a week does not spend twice as much on feeding his family at home as one with £15 a week, but his spending on meals out is likely to be more than double. The chickens turning on a spit, steak houses, the crop of Chinese restaurants in the provinces and the transformation of Lyons teashops into quick-service grill rooms—these are symbols of the growing prosperity of the British people. Yet it is not easy to find just how much they do spend in restaurants, hotels and pubs—when it comes to recording such items in the family expenditure survey an extraordinary coyness overcomes people.

CATERING TURNOVER IN 1960
(£ million)

	Sales of :— Meals & refreshments	Alcoholic drinks	Cigarettes & tobacco	Total turnover
Hotels & holiday camps	46·2	41·3	5·9	179·1
Public houses	33·2	559·9	103·0	711·5
Restaurants & cafes	176·2	19·3	24·8	241·1
Fish & chip shops	48·5	...	2·6	52·4
Canteens & catering contractors	69·3	1·2	25·7	102·3
Other catering establishments*	7·9	1·6	1·1	14·0
TOTAL	381·3	623·3	163·1	1,300·3

* Refreshment cars on trains, hostels, refreshment bars in cinemas, theatres, etc.

Last week, however, the Board of Trade published the results of an inquiry into the catering trades in 1960, which showed that their main receipts came to £1,300 million, nearly half of which represented sales of alcoholic drinks. Even so, this survey is incomplete, for it excludes smaller hotels and boarding houses, catering establishments operated by mainly retail organisations and registered clubs. And the results, which are summarised in the table below, may be blurred here and there by difficulties of classification.

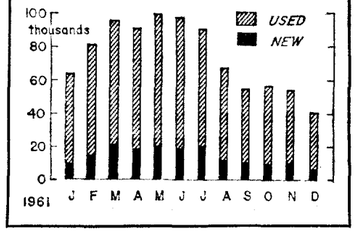
More than half of all drinking, it would seem, is done outside the home or office, since the total expenditure on drink in 1960 is estimated to have been about £1,060 million. Of the total sales of meals and refreshments, it is perhaps surprising that fish and chip shops account for one-eighth and, in spite of the hamburger competition, seem to have lost relatively little of their popularity over the last decade, although their numbers have declined. These shops have remained almost entirely in the hands of independents, and even so far as ordinary cafés and restaurants are considered the multiples have not increased their grip, accounting for just less than a quarter of the takings in both 1950 and 1960. On the other hand, independently operated canteens have become much less important.

The catering trades covered by this inquiry had a combined turnover of nearly one-sixth of that of the retail trades. How many of their clients are business and how many personal would still seem to be anyone's guess. The official guess is that one-tenth of wines and spirits drinking and one-twentieth of eating out in restaurants is done on the business account.

FEWER CARS ON CREDIT

December is usually the year's low-point for the motor trade, but this time new and used car contracts recorded by Hire Purchase Information were at their lowest level for four years—10 per cent below December, 1960 and 31 per cent below December, 1959. Motor dealers believe, however, that things will improve this year when three-year contracts made in 1959 and two-year contracts made in 1960 mature at the same time—they have obviously been reading Mr Cuthbertson in *Economica*.

Contracts registered with HP Information



ADVERTISING

How Captive an Audience?

THE television advertising industry—comprising programme companies, agencies and advertisers—has only a short time before it must decide how, in the future, it will assess the value of its product, the TV commercial. The present contracts with TAM expire at the end of June, and although in practice it seems they will be extended a further three months, it will take that long to set up any new or extended system of assessing television audiences. The Joint Industry's Committee for Television Advertising Research (JICTAR) is currently considering ways and means. In addition to the methods used by TAM—meters attached to the sets of about 1,000 carefully selected households plus viewing diaries, or Tamlogs, kept by the obliging inhabitants—the committee is looking at various interviewing techniques, which may provide a more highly defined picture.

In the past year both the London Press Exchange and J. Walter Thompson have been examining the degree of attention paid to the screen by housewife viewers at different stages in the evening and how this is affected by such commonplace activities as preparing food or sewing. Not surprisingly, results show that concentration increases during the peak period of viewing, when chores and meals are over and most housewives can sit down and look the telly square in the face rather than out of the corner of their eyes. The most important conclusion to be drawn from the J. Walter Thompson survey, now published in full, is a greatly increased emphasis on the value of peak time and a corresponding decrease in the apparent "value for money" of advertising time bought at off-peak periods.

The main aim of this survey was simply to find out what housewives were actually doing when their television sets were switched on. According to their description of their actions at the time immediately before the interviewer's knock they were classified as "paying full attention" to ITV, as "viewing but doing something else" (e.g., reading a newspaper), or as "present in the room but not viewing" or absent from the room. Advertisers know as well as anyone that it is easier to hit a sitting target, and this evidence of the restlessness of their main quarry, the housewife, in the earlier part of the evening should make media planners take another look at the placing of their allocations—and programme companies at their fees. On the present scales of charges, based very largely on TAM evidence, the rates are roughly in proportion to the supposed size of audience—sometimes varied by incentives to use off-peak time, which is anyway reckoned to be cheaper per thousand viewers. In spite of this, on the JWT evidence, if the audience to be reached is qualified by its degree of likely awareness, the cost per thousand rises for off-peak time. It appears that in winter there is virtually no difference between the two periods in the cost of reaching fully attentive viewers while in summer off-peak time is, for this purpose, actually more expensive.

EXPORT CREDITS

Third Line Reserves

FOR the first time the Export Credits Guarantee Department has revealed the forward schedule of repayments due to Britain under export credits that the department insures. This information has become public through a backdoor route, the December bulletin of the Credit Insurance Association, which acts as a broking firm in credit insurance. The table shows the spread of instalments due between 1962 and 1969, to a total of £253 million. The concentration in the early years reflects first the high proportion of shorter credits—even though short-term credits up to six months have been entirely excluded—and also the fact that the longer credits are more important now than they were a few years ago. These credits cover the period of manufacture or construction, so that a seven year maturity schedule does not necessarily reflect more than five years' credit from date of shipment. The special new credits for ten years and more that are granted in special cases direct to the buyer with an ECGD guarantee are not yet reflected in these figures, as the scheme was brought into play only last summer. But it seems clear that the comparable schedule in a few years' time will be significantly more extended. Further innovations in export financing facilities have been discussed by the insurance companies this week, and the Government has promised a statement when parliament reassembles on January 23rd.

AMOUNTS DUE UNDER ECGD GUARANTEES
Datum—June 30, 1961.

Year	£'000	Year	£'000
1962	99,838	1966	19,078
1963	55,577	1967	7,391
1964	39,225	1968	2,537
1965	27,326	1969	1,906
			252,878
Section III direct government loans—1962 onwards			171,819
			424,697

In a different category, the new figures also give a cumulative total of total economic assistance loans granted from the Exchequer under section III of the Export Guarantees Act—£172 million was outstanding in mid-1961. These figures have an important part in the sterling balance sheet—though perhaps as third line rather than second line reserves—and the ECGD should be pressed to publish them regularly.

EXPORTS

The American Touch

CHAUVINISTS who see something sinister in the sizeable American stake in British industry might do well to read the results of a survey published by the US Chamber of Commerce of the export performance of 120 US manufacturing subsidiaries in the UK. This shows that, compared with 492 big exporters that were surveyed by the FBI last year, the US firms as a group send a rather higher proportion of their output abroad. Nearly 20 per cent of them exported over half their production in the first half of 1961, as against 12 per cent of the FBI sample. About 30 per cent of both samples of companies exported between 25 and 50 per cent of production and 36 per cent of the American-owned companies sold between 10 and 25 per cent of output abroad. The 23 companies which directly exported over half their output were all manufacturers of specialised capital goods or of consumer durables with a relatively small market in Britain. The whole group of American subsidiaries, however, showed a slight decline in the percentage of output exported in recent years. It is clear that increased spending in Britain has helped to mop up goods that might otherwise have been exported.

Their parent companies, again, have been setting up other subsidiaries abroad, particularly in Europe. Of late the British government has been less particular about the type of industry set up here with US finance ; in the days of the dollar famine it encouraged those that would not only save dollars at home but also earn them abroad.

This combination of factors suggests that the days when circumstances were particularly favourable to the US subsidiaries as exporters are now over ; but most of them still seem likely to remain fairly successful salesmen both here and abroad. Nearly all the 120 US subsidiaries considered in this survey were small-to-medium-sized concerns ; their relative success as exporters points to the more fully developed international sales organisations of their parent companies. Many, such as the pharmaceutical companies, benefit from intensive research carried out in the United States. Most of them are relatively young enterprises, and their concentration in the more capital intensive industries also plays its part in making American subsidiaries over here more productive than the average medium-sized British firm.

SHORTER NOTES

Leak was the word Mr Paul Chambers used to describe the events that led him hurriedly to announce ICI's terms for the merger with Courtaulds and to explain them at a press conference on Monday, December 18th. The two companies in a joint statement avoid the word in saying that they have instructed Messrs William Charles Crocker, solicitors, to investigate "the allegation of a premature disclosure of information regarding the negotiations between the two companies." The solicitors have retained the services of Commander L. J. Burt, formerly the head of the Special Branch of Scotland Yard, to assist in the investigation.

★

The two biggest shoe concerns in this country, Saxone, Lilley and Skinner and the British Shoe Corporation (controlled by Mr Charles Clore through the Sears group), have, after long expectation, announced that they have entered into discussions with a view to a merger.

★

The Hotpoint division of Associated Electrical Industries has cut the price of its refrigerators and washing machines by 11 per cent. The chairman, Mr Craig Wood, says that this move is intended to give the company a bigger share of the appliance market. This strengthening of competitive pressure in the industry follows the apparent failure of Prestcold's efforts to associate itself with AEI.

★

M. Samuel is offering 1,582,400 ordinary 5s. shares in Samuel Properties at 20s. each. Samuel Properties holds 4 per cent of the equity of City Centre Properties and half the capital of Samuel Estates, which has extensive properties in Mayfair. For the year to June 30th next a dividend of 9 per cent is forecast.

J. Henry Schroder is to acquire the remaining 30 per cent holding in Helbert, Wagg. Schroder bought 70 per cent of the Helbert, Wagg equity in May, 1960, and will issue 198,000 fully paid £1 ordinary shares at 80s., which is 8s. below the current market price, for the minority holding. This purchase will result in the complete amalgamation of the businesses of these two merchant banks.

★

Last week a ban was placed on the import of Egyptian banknotes into Egypt, allowing foreign holders one month's grace to repatriate their notes. Earlier a ban was placed on the export of notes from Egypt. This means that all dealings in Egyptian notes outside Egypt are completely unofficial. There is still a market in London, however, quoting 9s. 6d. to one Egyptian pound—a discount of over 50 per cent. Tourists buying Egyptian pounds in Egypt receive a premium of only 23 per cent through official facilities.

★

The Ministry of Aviation is showing willingness to learn from past mistakes. In the tenders invited for a hotel at Prestwick airport, the Ministry states that the rent to be paid will be a percentage of gross takings.

COMPANY AFFAIRS
Comments on pages 77 and 80 on :
South Durham, Dorman Long, Mecca-Forte, United Steel, Fairey, Watney Mann

SECURITY PRICES AND YIELDS
Stock prices, yields and security indices on pages 78 and 79

MONEY AND EXCHANGES
Money market report, exchange rates and public finance on page 81

COMPANY MEETINGS

SOUTH DURHAM STEEL & IRON COMPANY

REASONS FOR REDUCED PROFITS

GOVERNMENT DECISIONS ADD HEAVY BURDEN

PROVISION OF SHORT-TERM FINANCE ARRANGED

MR B. CHETWYND TALBOT'S STATEMENT

The Sixty-third annual general meeting of the South Durham Steel and Iron Company, Ltd., will be held on January 31st at Caxton Hall, Westminster, SW.

The following is the Statement of **Mr Chetwynd Talbot, TD,** Chairman and Managing Director, circulated with the report and accounts:

In forwarding to you the Reports and Accounts for the financial year which ended on September 30, 1961, I include my address to shareholders which will be made at the Company's Annual Meeting in London on January 31, 1962.

The financial results for your Company's past year show the gross profit, including £24,835 income from investments, amounting to a total for the year of £7,087,989 compared with £8,088,461 for the year 1959-60.

The decrease of £1,000,472 is accounted for by:

(a) Increases in costs of coal, fuel, oil, wages and other items during the year without adequate compensating adjustments in selling prices by the Iron and Steel Board.

(b) A fall in demand for heavy steel products during the last six months of the financial year.

(c) The World demand for steel pipes has fallen considerably and the few contracts secured have been subject to very keen competition by foreign producers.

It will be noted that the net level of profit after deducting Directors' Fees, Pensions, Depreciation and Interest Charges amounted to £2,121,661 compared with £4,482,706 in 1959-60.

CAPITAL EXPENDITURE

In commenting on the Balance Sheet figures as at September 30, 1961, you will note the capital expenditure incurred during the year amounted to £9,912,590. Of this total, approximately 32 per cent was secured from your Company's resources by way of sums set aside for depreciation and transfers to reserves. The capital commitments as at September 30, 1961, still to be expended on development work amounted to £3,750,000.

You will note that, compared with amounts at October 1, 1960, the value of stocks and work in progress has increased by £1,007,530 and debtors have increased by £144,858.

At September 30, 1961, Loans of £15,500,000 from Barclays Bank Limited and the £20,500,000 from the Finance Corporation for Industry Limited had been absorbed.

CAPITAL AND APPROPRIATIONS

Under the terms of the Trust Deed, holders of £227,488 of the £8,000,000 6 per cent Second Debenture Stock 1978-83 exercised their option to convert halt their Stock into £1 Ordinary Shares at par on March 31, 1961. These conversions resulted in an increase in the Issued Share Capital of £113,744 with a corresponding reduction in the Second Debenture Stock.

During the financial year under review the Capital Reserves have been increased by £900,000 following the practice of previous years of setting aside the tax relief applicable to the Investment Allowances on the current year's capitalised expenditure.

This sum has been deducted from profits for the year along with transfer to taxation provision, reducing the balance of profit after taxation to £1,021,661 compared with £2,232,706 for the previous financial year.

PLATE MILL PLANT

I stated in my Remarks twelve months ago that the slabbing mill and plate mill at the South Works became fully operative during the month of December, 1960. Naturally, with a plant of such intricate nature, initial troubles were encountered due chiefly to faulty design in shearing equipment on the heavy and medium plate lines. These difficulties are in the course of being overcome and the potentialities of these two units are in accordance with your Directors' anticipations with regard to the level of output of steel plates referred to in my Remarks in previous years. Your Directors have accordingly decided that no useful purpose is served by retaining under the heading of fixed assets the slabbing mill and the heavy plate mill at the North Works, which were closed twelve months ago on the commencement of production at the South Works, and these two units at their depreciated values have been written off from Capital Reserves. Considerable modern electrical equipment from these two mills is being incorporated in the wide flange beam mill at Cargo Fleet.

TECHNICAL IMPROVEMENTS

At the time the steel plant at the South Works was being developed, output was based on the performance of steel furnaces of similar size which were operating in the United Kingdom. By incorporating improvements of a technical nature it has proved possible to increase the individual output per furnace by approximately 50 per cent. This achievement has been secured without the usage of tonnage oxygen, a plant for the production of which will be available to suit your Company's requirements early in 1962. Taking these factors into consideration your Directors are of the opinion that the increased level of ingot production at a considerably reduced cost at the South Works will be sufficient to supply the order load of the heavy and medium plate mills in the immediate future. It is the intention of your Directors to retain the steel plant at the North Works as a reserve capacity for ingot production but at the same time to write off from Capital Reserves the depreciated capital value of this plant.

PENSION SCHEMES FOR STAFF

It will be noted that the amounts charged for Pensions and Life Assurance Schemes in the Profit and Loss Account have increased in the case of staff by £2,744 and for workmen by £19,367. These increases are chiefly attributable to the introduction of the National Insurance Act 1959, which came into operation in the first week of April, 1961. The Company's pension funds were adequate to provide the equivalent pension benefits required by the Act and the members earning £12 per week or over were "contracted out" of the State scheme.

To provide additional pension benefits the Company inaugurated a Voluntary Supplementary Pension Scheme on a graduated basis, for the male members of the existing Pension and Life Assurance Schemes earning at least £12 per week, in which the contributions of the employees and the Company comprise an equal amount. In effect 87 per cent of the members of the existing Pension Schemes took advantage of the greater benefits to be secured from the Company's Supplementary Scheme which on retirement at the age of 65 years will ensure a yearly increase of 50 per cent over the present rates of the National Graduated Scheme.

INCREASED COSTS AND REDUCED EARNINGS

I advised shareholders twelve months ago that the policy of appeasement adopted by the Minister of Power in accepting the demands of the National Coal Board for increases in coking coal prices was not only of a discriminatory nature but was bound to have serious reflections on the earning capacity and the future competitive ability of the Industry in export markets.

Further, in his Budget last April, the Chancellor of the Exchequer introduced a revenue

tax of 2d. per gallon on heavy oils and the majority of coal tar fuels utilised in steel production. These two misguided and ill-judged decisions have added a burden approaching £20 million on the costs of iron and steel production. The additional consequential increases for electricity charges and other consumable materials have added an amount of £7 million. Twelve months ago the Industry negotiated wage increases and alterations in working hours which added a further £11.5 million on to production costs. Together with increases in insurance and pension contributions and other items it is estimated the overall increases which the Industry has been required to shoulder approximate £40 million a year. As far as your Company is concerned these additions represent an increase in cost in excess of 35s. per ton on the finished production of steel plates, sectional material and rails, against which an increase in prices of one per cent for deliveries into the home market only was secured in the latter part of June. In effect these increases have caused a reduction in earnings during the financial year of approximately £1 million and are largely responsible for the decrease in the level of gross profits compared with the previous financial year.

THE IRON AND STEEL BOARD

The Industry gave its support to the creation of an Iron and Steel Board during the introduction of the 1953 Iron and Steel Act. Up to the early months of 1959 it is reasonable to say the Board and the Industry worked in harmony to improve the efficiency of the Industry, to encourage development, and to ensure reasonable margins were secured between production costs and selling prices for purposes of finance and avoidance of over-heavy borrowings for development purposes. It is entirely due to the attitude of the Iron and Steel Board, as at present constituted, on their insistence to apply an unrealistic rate of 90 per cent of working capacity and interest on money at 9 per cent in price fixation that this relationship has greatly deteriorated. The refusal of two Executive Members of the Board—the Chairman since July 1, 1961, only operating half-time—to adjust their attitude to the changed conditions which have been encountered in the last 15 months is rendering a serious dis-service to the future prosperity of the Industry and is tantamount to misleading shareholders who have invested money in the Industry.

There can be no criticism that the Industry since its return to Private Enterprise in 1953 has not made every effort both to expand production and at the same time to make itself highly efficient. Therefore those in positions of responsibility, who by their industry and foresight have secured this condition, are surely entitled to final decisions as to whether the levels of prices are adequate to ensure the future prosperity of the Industry.

TRADE DECLINE

The level of ingot production for the year 1961 was forecast twelve months ago at a figure of 24.5 million tons with an estimated steel-making capacity of 27 million tons. During the last six months there has been a steady decline for steel products, particularly in the range of heavy steel products manufactured by your Company, which has necessitated the original forecast to be reduced to a level of ingot production of some 22 million tons for the year. It is no easy matter to determine when the demand for steel may return to the levels of 1960 and the earlier months of 1961, but it is the considered view of the Industry that ingot production for 1962 is unlikely to exceed 21.5 million tons, though overall capacity will by the latter part of the year approximate 29 million ingot tons. This reduction in demand which is only equivalent to 75 per cent of capacity working may continue for a period which it is difficult to forecast and is further evidence of the unrealistic appraisal of the Iron and Steel Board of their approach to their insistence that 90 per cent of potential capacity should be taken as the yardstick in assessing the prices of steel products.

STEEL PIPE

During the last twelve months there has been no change in the number of enquiries circulating for steel pipes for the conveyance of oil and gas. Your Company has managed to hold its own in Libya and the Persian Gulf against intense competition from Continental and Japanese makers. The Canadian market has dried up for the time being and from recent experiences it is evident it is the Canadian policy to award what contracts are circulating to Canadian producers even though prices delivered to site for a similar quality of steel pipe are some 12½ to 15 per cent above the prices quoted by your Company.

THE INDUSTRY AND THE COMMON MARKET

The Industry has advised the Government that if and when the United Kingdom indicates its decision to join the European Common Market the Industry would favour entry into the European Coal and Steel Community under the terms and conditions of the Treaty of Paris in preference to any other arrangements so far as ECSC products are concerned. At this stage I do not think I can say more than to advise you the Industry is making a close study of the issues involved. Membership of the ECSC would appear to include the cessation of the present arbitrary powers exercised by the Iron and Steel Board with regard to determination of steel prices in the home market.

FINANCE: PLANS FOR THE FUTURE

I advised you twelve months ago that the South Works at Greatham had been virtually completed twelve months in advance of the date indicated in my Remarks in January, 1958. This, I consider, is a great achievement both on the part of all contractors and of your development and engineering staff. The earlier completion dates have necessitated payments of retention moneys on plant some twelve months in advance amounting to some £2,330,000. Under normal working conditions and with the increase in values as compared with four years ago, it has been found necessary to increase the sums required to finance stocks and work in progress. During the course of construction of the South Works and the wide-flange beam mill at Cargo Fleet, improvements have been incorporated to ensure greater efficiency in production.

The additional finance amounting to £6 million is required to meet the earlier payments of retention moneys, for working capital and improvements in plant efficiency, divided more or less evenly over the three items concerned, and the unexpected recession the Industry is now experiencing.

Since the close of the financial year, negotiations have been completed with Barclays Bank Limited and the Finance Corporation for Industry for this additional finance to be made available to the Company on a short-term basis.

In order to repay these borrowings and to provide further permanent or long-term finance required by the Company, your Directors intend, during the next 18 months, to raise new capital to the extent of approximately £10 million.

DIVIDEND DECISION

Your Directors have given careful consideration to the dividend policy for the financial year under review. To maintain the existing final rate of 8 per cent would necessitate drawing on the balance of the Profit and Loss Account to the extent of £57,600. Under existing conditions, which include the attitude of the Iron and Steel Board with regard to prices, the high level of Bank Rate and the continuing low level of demand for steel products, your Directors consider the continuation of the annual rate of 12 per cent, first established in the 1958 financial year, cannot for the financial year under review be justified. It is with great reluctance your Directors recommend that the final payment should be at the rate of 6 per cent, making with the interim dividend of 4 per cent, a total for the financial year of 10 per cent. The South Plant is now completed and is in a position to take full advantage of a high level of output at an economic cost when the demand for steel increases to the levels which the Iron and Steel Board and the Industry have forecast in order to meet home consumption and export over the years ahead.

THE BOARD

During the year Mr J. E. Shepherd expressed his wish to retire from his capacity as Assistant Managing Director of the Company. Mr Shepherd joined the Company in 1923 and during the 38 years of his association with the Company he has given most valuable service. Though I have lost a colleague whose advice I always readily sought Mr Shepherd had the foresight to instruct a younger generation to take over when the time for retirement arrived. I am pleased to say that Mr Shepherd has agreed to be available for consultation in a financial capacity of the Company's affairs.

It has always been the policy of your Company to promote to the position of Executive Directors the members of the Company's staff who have distinguished themselves in the execution of their responsibilities. I informed you twelve months ago that the planning and design of the South Works had been executed by our own development and engineering staff, and therefore I feel you will join me in expressing your congratulations to Mr S. Scott and Mr S. H. Walker on being elected Directors of the Company.

By an understanding agreed with the Finance Corporation for Industry in 1957, FCI requested the right to appoint a nominee as a Director of the Company. Accordingly Sir Duncan Anderson was elected to the Board last August.

In concluding my Remarks I would like to place on record my tribute and that of your Directors to the loyal services of our staff and workpeople during a year in which all their efforts, for reasons outside our control, have tended to be frustrated. I am confident we can look forward to their co-operation which has been readily given over a long number of years and, together with all managers, are hoping the days of normal working will not be long delayed.

MID KENT WATER COMPANY

ANOTHER YEAR OF CONTINULD PROGRESS

MR A. W. WHITE'S REVIEW

The Annual General Meeting of The Mid Kent Water Company was held on December 28th at the offices of the company, High Street, Snodland, Kent, **Mr A. W. White, FCA,** Chairman of the Company, presiding.

The Chairman said:

In presenting to you the Directors' Report and Statement of Accounts for the year ended September 30, 1961, it gives me pleasure to record another year of continued progress in the Company's Undertaking.

The revenue from water rates and charges amounted to £439,385. The balance of the Revenue Account carried to Profit and Loss (Net Revenue Account was £144,888, and after providing for charges, gross interest on Debentures and Debenture Stock, Dividends at the statutory rates on the Preference and Ordinary Capital, and the appropriation of £38,000 to Renewals and Contingency Account, a balance of £79,793 is carried forward to the next Account.

The accounts show an increase of £42,840 compared with the previous year's in the revenue obtained from water charges etc. Some of the reasons for this increase are the increased scale of charges levied from April 1, 1960, which was effective for the whole year as against only six months of the previous year, the increased quantity of water supplied by meter because of the comparatively dry summer, and the record number of new connections to the Company's mains.

NEW MAINS AND WORKS

During the year approximately twenty miles of new mains have been laid and 2,209 new supplies afforded. The total number of supplies for all purposes at the end of the year was 74,992. The estimated population supplied was 246,876, and over 99 per cent of the dwellings within the Company's statutory limits of supply, covering 776 square miles and comprising 1,309 miles of mains, have piped supplies of water.

New works completed during the year included the Linton reservoir, a new depot and office at Wye, boreholes at Denton and West Kingsdown and trunk and distribution mains as required.

New reservoirs at Aylesford and Trosley are in hand, and new works proposed include a reservoir at Biddenden, a new pumping station at Harrietsham and a new depot and office at Charing.

Capital Expenditure has been and will continue to be curtailed as far as possible because of prevailing conditions, but some new works are essential to enable the Company to fulfil its statutory obligations and provide for the continuing substantial increases in the demands for water for domestic and other purposes.

I am pleased to report that the Company's resources were adequate to meet the exceptionally heavy demand which resulted from the dry summer and the high rate of development throughout the area supplied.

DOMESTIC FINANCE

The consolidation of the 10 per cent Original Ordinary and the 7 per cent Ordinary Stock into 5 per cent Consolidated Ordinary Stock authorised by the Mid Kent Water (Financial Provisions) Order 1960 was effected on April 1, 1961, and from that date the authorised capital and borrowing powers of the Company were increased as shown in the Statements of Capital and Loan Capital.

It is anticipated that it will be necessary to raise additional capital during the coming year.

In furtherance of the Directors' policy of combining maximum efficiency with economy, the programme for the extension, modification and improvement of the works and distribution system has been continued, but some desirable but not imperative works have been deferred. All the works, reservoirs, mains and properties have been properly maintained.

The staff have efficiently met the increasing demands made upon them, and the Directors join me in expressing thanks for their loyal and willing service.

The report and accounts were adopted.

J. GLIKSTEN & SON LTD.

Timber Producers and Importers

Extracts from the Report for the year ended 30th June, 1961

	1961	1960
	£	£
Capital and Reserves	5,064,995	4,491,909
Group Profit before Taxation	1,023,648	1,246,059
Taxation	482,487	574,688
Ordinary Dividend (32½%)	209,016	179,156
Net Current Assets	3,634,913	3,361,577

Building and Plant Extensions continue particularly in connection with the door factory in Hull and the Dwinasi Sawmill in Ghana.

Group Sales were similar to last year but there is a falling off in profitability. However, the benefits arising from improvements in production facilities and other developments give rise to confidence in the long-term prospects.

LONDON CITY & MIDLAND PROPERTIES LIMITED

Further Acquisitions and Increasing Income

Extracts from Sir A. S. Comyns Carr's circulated Statement

	1961	1960	1959 (9 months)
Book Value of Properties ...	£4,850,377	£4,301,828	£3,528,643
Net Revenue	£393,745	£343,899	£204,812
Profit before Tax	£180,759	£162,977	£90,288
Ordinary Dividend...	27½%	25% (equiv.)	15% (equiv.)

The Board has recommended a free bonus issue of 1 for 10 which has been approved. It is intended that, as a result of the increase in income already assured and other income which should arise for the first time, the dividend for the current year should be at the rate of at least 27½% on the capital as increased by this issue.

When a Revaluation of properties takes place there will be a substantial surplus over Book Value available for Capital Reserve.

ANGLO-ECUADORIAN OILFIELDS, LIMITED

The 43rd Annual General Meeting of Anglo-Ecuadorian Oilfields, Limited, was held on December 29, 1961. The following are extracts from the Chairman's circulated Statement.

The year to March 31st last saw no progress towards the achievement of the Company's contractual right to refined product prices sufficient to give it a reasonable return on its investment, together with exchange for crude oil imports at the prevailing official rate of exchange.

The consolidated trading profit for the year was £285,735 compared with £273,353 for the preceding year. Although there was a reduction in the provision for Ecuadorian pensions there were substantial increases in development expenditure and the provisions for the depreciation of fixed assets.

I am sorry to say that as a result of the increased costs of exchange for crude oil imports, materials and services, in terms of Ecuadorian currency, combined with higher labour and operating costs in Ecuador, the Company is at the present time trading at a loss.

The Company has made constant and intensive representations to the authorities concerning the vital necessity for it to be furnished with its foreign currency requirements at the official rate of exchange.

I sincerely hope that these representations will result in an early betterment of your Company's position, which is vital not only to the Company but to the Ecuadorian economy as a whole. Stockholders will be advised of any progress made.

Meanwhile under these circumstances your Board have reluctantly decided that a dividend could not be declared.

DORMAN LONG & CO. LIMITED

REVIEW BY MR E. T. JUDGE

FLUCTUATIONS IN STEEL DEMAND AND RISING COSTS: STRUCTURAL STEELWORK MORE COMPETITIVE

The 72nd Annual General Meeting of Dorman Long & Co. Limited will be held in London on Wednesday, January 31, 1962. The following are extracts from a statement by the Chairman, **Mr E. T. Judge,** circulated with the Report and Accounts.

After transferring £1,000,000 to Fixed Assets Replacement Reserve of Dorman Long (Steel) Limited (last year £1,000,000) and charging depreciation based on historical cost, the group profits before taxation amount to £7,333,000. Deducting from this the profits of subsidiary companies applicable to outside shareholders (£50,000 before taxation), there is left £7,283,000 which arose broadly as follows:

	1961		1960	
	£	%	£	%
Bridge building Engineering & Chemicals	2,294,000	32	1,982,000	24
Iron & Steel	4,989,000	68	6,255,000	76
	7,283,000	100	8,237,000	100

The Bridge building and Engineering results depend on contracts completed during each year and for this reason may be expected to fluctuate from year to year. Although the engineering works are fully employed, prices remain keen and lower margins can be expected on contracts in progress.

Whilst new plants at the iron and steel works commissioned following the completion of the third stage of the Company's developments contributed considerably, cost increases had a serious impact on the iron and steel results during the year.

DORMAN LONG (STEEL) LIMITED

The Company's output of steel for the year to September 30, 1961, was practically the same as last year, being 2,234,347 ingot-tons compared with 2,274,472 tons and 1,892,219 tons of rolled steel—a record—against 1,881,688 tons. The above comparison is misleading unless the variation in level of operations during the year is taken into account. The percentage variation in production for the first quarter of 1960/61 compared with 1959/60 was +15.5, for the second quarter +4.8, for the third quarter −4.2 and for the fourth quarter which includes the summer holiday period −15.1.

The near capacity working achieved in the early part of the financial year temporarily softened the impact of the coal price and wage increases in the autumn of 1960 but most plants were working short time during the latter half of the year, with an inevitable upward swing in the cost per ton of product, aggravated by these cost increases.

DEVELOPMENT AND STEEL DEMAND

The Iron and Steel Board in restricting the increase in prices in June last year must have been influenced by the high level of trade in heavy steel earlier in the year. At the same time they suggested that by speedier technological advance the industry could reduce costs.

The industry has consistently shown a high degree of responsibility in striving for improvement in efficiency and productivity. In the last fifteen years it has absorbed a large part of the increased cost it has had to carry in respect of dearer raw materials and higher wages. It has taken pride in its ability to do so.

Technological advance depends not only upon human effort but in the case of the iron and steel industry on substantial capital investment.

When new developments are proceeding and there is a recession in trade there is inevitably concern as to whether serious over-production of steel will arise. The present weakened demand is largely the result of Government credit policy and is in marked contrast to the general trend over many years when a ready market has existed for the steadily increasing quantity of steel manufactured. If any industry needs to take a long and steady view of the future it is steel. The high capital cost of development and the protracted period required for new plant to be installed and be fully operative make it essential to take the long view. Decisions must not be unduly influenced by annual variations in demand, aggravated as they are by the violent fluctuations in customers' stocks with which the industry is bedevilled.

The forward view for the industry as a whole and for the company is surely favourable if efficiency in production is relentlessly pursued. If the country is to continue to advance as an industrial nation and sustain a high standard of living, steel consumption must resume its expansionary trend, albeit at a less spectacular rate than in recent years. However, it appears unlikely that the current financial year, certainly the first half, will show any improvement in steel demand as compared with the latter part of the past financial year. There might be a deterioration unless stability is quickly re-established and the national economy confidently moves forward.

British industry in many fields must re-equip to meet the highly competitive conditions immediately ahead. Steel will be required not only for plant but on a quite substantial scale for industrial buildings.

STRUCTURAL STEELWORK MORE COMPETITIVE

Recent improvements both in the materials available and in the techniques employed have given the structural engineer the opportunity to use steel economically in many buildings where a short while ago reinforced concrete prevailed. The competitive position of steel rests upon the consulting engineers and architects ensuring at the outset that full use is made of these advantages.

The demand for universal beams and columns was maintained at a high level throughout the financial year but the demand for other heavy structural steel weakened appreciably in the last quarter. A restricted range of universal beams and columns is now being rolled by other makers. With our much wider range and the revision of the British standard specification for structural steel sections whereby universal beams and columns will be accepted as the standard, superseding the less efficient standard joist, we feel confident in our ability to maintain our preponderant share of what should be an expanding trade.

An important development is the introduction of high yield point steel which will enable structural steel engineers to reduce building costs. The economies in weight which are possible, and the resultant lower transport costs, will help particularly in international competition for exports of fabricated steelwork. Efficient but cheaper methods of fire protection of steelwork have been developed.

The availability of universal beams and the new high yield point steel, along with advances in fabrication methods and site erection techniques, together with a generally more aggressive attitude resulting from recent less favourable trading conditions, all help to justify a more confident view of the future for structural steel construction.

This is of real significance for Dorman Long with its large stake in the manufacture of structural steel and in structural engineering generally.

PRODUCT DIVERSIFICATION

The company has also been diversifying its products and increasing its interest in lighter steel manufactures. A completely new factory for the manufacture of plastic coated sheets has been built at Newton Aycliffe, Co. Durham, where commercial production is now beginning. This product has attracted much attention for cladding industrial buildings and has interesting possibilities in other directions. We are sure this venture has a bright future.

Production of a special reinforcing bar in high yield steel is being undertaken and our Wire Department has been equipped for production of the high tensile wire required for prestressed concrete. These two developments are designed to keep abreast of the steel requirements of customers in the reinforced concrete field.

Our Stage IV development programme now in hand has been planned taking a view that in the future the company may have to operate at less than full output more frequently than in the past. When the programme was announced it was emphasised that it was not primarily for expansion, though some increase of capacity would result. The chief objective was improvement of the company's competitive position through increased efficiency and a rationalisation and expansion of facilities for light rolled product manufacture.

The statement concluded with a review of the activities of Dorman Long (Bridge & Engineering) Limited, Dorman Long (Chemicals) Limited, Redpath Brown & Co., Limited, Tees Side Bridge & Engineering Works Limited, The British Structural Steel Company Limited, Dorman Long & Amalgamated Engineering Limited and Dorman Long (Ghana) Limited.

the united steel companies limited

Extracts from the Annual Statement of the Chairman, Sir Walter Benton Jones, Bt., to the Shareholders

The statement is addressed specifically to the nearly 50,000 shareholders of the company. It is an endeavour to examine in every man's language the factors which may determine the prospects of steelmaking in the next few years. It is a vital subject for those in every country who have provided steelworks and for those who spend their lives in them.

The statement implies that in general the world conditions and developments described affect all steel companies in this country and the statement, so far as it is a report, is made with this wide background.

PRODUCTION. At the annual meeting on the 26th January, 1961, trade prospects were reviewed. It was stated that production over the first three months had been maintained and for the rest of the year, on the assumption that general industrial activity did not decline, it was expected that the Company's output would be maintained at a satisfactory level. For the year as a whole production has not been much lower than was expected, but in the last quarter of the year it fell considerably.

RESULTS BEFORE TAX. It was also stated that as a result of cost increases which had been imposed and for which there had been no compensating increase in prices, the results before tax for the current financial year would be 10% to 15% lower than for last year. In a statement published by the directors at the time of the declaration of the interim dividend, a greater reduction was forecast.

The actual reduction has been 24% compared with last year.

ACCOUNTS. The accounts follow the customary form which includes full explanatory notes. In addition, as in recent years, there have been attached an Analysis of Income and Expenditure, a Statement of the Employment of Capital and two graphs, one showing annual rates of output and the other net earnings for previous years.

The Directors' Report reviews in detail the Company's affairs and I shall not comment on them further, except to say that apart from the increase in cost arising from falling production, the increase in imposed costs is estimated to have been £3½ million. In the same period the latest review of maximum prices by the Iron and Steel Board did no more than offset reductions made a year earlier.

PROSPECTS. Last year the steel industry had reached a high peak in production. Since then demand and production have fallen. Our Company has had the same experience. Our prospects also will be influenced by the factors which will affect the steel industry as a whole, though in varying degrees.

STOCKS. It may surprise you to learn of the large volume of steel which is held in stock in this country by consumers and merchants. It is at present about six million tons, which is equivalent to thirteen weeks' make. When demand falls consumers reduce their stocks and this makes it worse for producers. As a result the makers of steel have to reduce production to a greater extent than the fall in demand. When demand recovers consumers replenish their stocks and this assists producers to increase their make faster than the rise in demand.

In the years following the credit squeeze which began with the increase in the Bank Rate to 7% in September 1957, stocks were reduced and output fell. Here are the output figures:

Ingot tons		
	1957	21,699,000
	1958	19,566,000
	1959	20,186,000

In 1960 it was 24,305,000, the highest output which it has ever reached. Stocks had recovered to 6,375,000 ingot tons and undoubtedly this replenishment made a contribution to this high output.

Steel demand became weaker at the end of 1960 and during 1961. It has diminished every quarter and the final estimate of the output for 1961 is 22,000,000 tons. Since 1960 stocks have been reduced and this reduction continues. The reduced demand during 1961 has been accentuated by the present credit squeeze.

It is not possible to judge by recent past experience of variation of stocks and its effect on production how soon recovery in demand for steel may begin.

EXPORTS. But you may ask, if the demand for steel at home has gone down and perhaps because of the credit squeeze, is it not possible to sell more steel abroad? Indeed, the motive behind the credit squeeze is to induce us to try to sell more abroad, in other words, to try to increase exports.

In the year immediately preceding the Second World War, that is in 1938, the quantity of steel exported directly in terms of ingot tons was about 2 million tons. By 1945, in consequence of war conditions when we had to turn all our steel into requirements of war, it went down to 700,000 tons. By 1946, that is after the War had ended, it jumped up to 2,300,000 tons.

With considerable fluctuations it rose to nearly 4 million tons in 1957. It went down again in succeeding years but in 1960 it reached 4 million tons again. In 1961 it is estimated that it will be well over 4 million tons and this will be a record.

However, steelmaking capacity throughout the world is increasing rapidly, plans for further increases are large and competition is very keen.

With regard to our own Company, we have traditionally exported about 10% of our production and every effort is being made to increase this proportion to offset the fall in home demand. Last year we exported products to the value of just over £12 million out of a turnover of approximately £140 million. Our export trade now covers a broad range of products with the main weight in heavy steel and railway materials, and in the higher grades of steel which although much less in weight are accompanied by a much higher value.

WORLD INCREASING CAPACITY. You may have read of the building of new steelworks in various countries throughout the world and you may wonder if foreign countries may not become more self-supporting. This is their aim and competition is becoming keener. But it is surprising by how much the use of steel has increased in recent years, and it may be that there will be room for growing capacity.

THE COMMON MARKET. The Common Market is a subject which is occupying our daily attention and the attention of many other countries.

The great weight of opinion in the British Steel Industry welcomes the Government's decision to apply for full membership of the European Communities. In reaching this conclusion it is believed that in the main membership will bring advantages to our major customers, the British steel-using industries, and obviously anything that benefits them helps us.

The consolidated accounts for the year ended 30th September, 1961, showed:

	1961 £	1960 £
Excess of income over expenditure, including extraneous items	17,275,000	22,582,000
Consolidated surplus after taxation	11,061,000	12,849,000
Balance available for appropriation	5,750,000	7,780,000
Increase in ordinary share capital	20,000,000	—
Dividends paid or recommended less tax	4,048,000	3,588,000
Rates of ordinary dividend (1960) on 30,000,000 shares	—	18%
(1961) on 50,000,000 shares	12·3%	—

Copies of the full Statement are available from the Secretary, The United Steel Companies Limited, The Mount, Broomhill, Sheffield 10

THE STRAND HOTEL LIMITED

The fifty-fourth annual general meeting of The Strand Hotel Limited was held on December 29th in London, **Sir Samuel Salmon,** the Chairman, presiding.

The following are extracts from his statement which had been circulated with the report and accounts for the year ended September 30, 1961:

The profit for the year after taxation and the other items shown in the Accounts is £206,452, compared with £209,067 in 1960, which was a record year. You will notice also that the trading balance is much the same as last year's, and I am pleased to be able to say that the volume of business is in fact greater. The Board recommends a dividend of 21 per cent for the year on the Participating Preferred Ordinary Shares.

Operating costs during the year have been higher, mainly because of an exceptional increase in wages, a particularly significant factor in an industry which has a large element of personal service. Increased business and savings from greater efficiency have gone most of the way towards covering these costs, so that our charges have been raised by only a modest amount; they are still low in relation to the high standards of comfort and service we give.

The Ariel Hotel has been operating for less than a year but we are pleased with the results so far. The building of our new hotel in Birmingham, the "Albany," is progressing satisfactorily; it reached the stage of "topping out" in October, and should open towards the end of 1962.

The report and accounts were adopted.

DANNIMAC (MANUFACTURING) LIMITED

The 49th annual general meeting of Dannimac (Manufacturing) Limited was held on December 29th in London, **The Rt Hon Lord Keyes** (the chairman) presiding.

The following is an extract from his circulated statement:

The year's results are satisfactory and reflect the substantial increase in turnover achieved during the year. The Group's trading profit shows a gratifying increase on 1960, being £532,716 against £381,604.

At the Annual General Meeting in 1959 I made it clear that the Board had no intention of increasing the dividend in the near future owing to plans for expansion. Pursuant to this policy the Directors recommend that the Dividend for the year be maintained at 7½ per cent less tax.

The Company continues to be the largest manufacturer of ladies' rainwear in Europe and serious consideration has been given to the challenge of the Common Market. On investigation, your Board feels that whilst considerable expenditure will be involved the opportunity exists for future expansion.

Group turnover for the eight months of the current year shows an increase compared to 1960. Forward orders taken for the 1962 Spring Season are again on a very satisfactory level. Your Directors are confident that in the absence of unforeseen circumstances the results of the present year will be satisfactory.

The report was adopted.

JOHN GALLOWAY AND COMPANY LIMITED

INCREASED VOLUME OF SALES AND HIGHER TRADING PROFIT

The Twenty-seventh Annual Ordinary General Meeting of John Galloway and Company Limited will be held on January 29th at the Registered Office, Balerno Bank Paper Mills, Balerno, Midlothian, when **Mr John Galloway,** Chairman and Managing Director, will preside.

Mr Galloway's Statement to the Shareholders, has been circulated to them with the Directors' Report and Accounts and reads as follows:

TRADING RESULTS

The end of 1960 and the first few months of 1961 was a period during which the Papermaking Industry in general experienced a high level of activity though thereafter trading conditions were not so favourable. In so far as your Company is concerned, however, during the year under review, sales, both in quantity and value, showed a considerable increase over those of the preceding year. This was particularly gratifying since the alterations to our No. 1 Paper Making Machine had necessitated a complete closure of this unit for the months of August and September, 1961. During the year we had sufficient orders to work as much overtime as was possible and we were thus able to minimise the effect of the loss of production from No. 1 Machine. At the very beginning of the Financial Year the selling prices of some of our papers were increased but almost at the same time we were faced with another wage increase.

ACCOUNTS

The profit, after taxation, amounts to £102,390 being an increase of £20,869 over that of the previous year. This is accounted for partially by an increase in trading profit of £12,807 and partially by a reduction of £8,062 in the charge for taxation arising from increased allowances on Capital Expenditure which for the year reached a figure of over £200,000. The debit for depreciation has been increased by nearly £18,000.

The Board recommends that the profit after taxation should be dealt with as follows:

Transfer to the reserve for depreciation on buildings £5,000 and to write off expenses of the issue of bonus shares in January, 1961, of £1,919.

Keeping in mind the wishes of the Chancellor of the Exchequer, the Board have decided that the amount of the Ordinary Dividend should be the same as that paid last year. The Final Dividend will therefore be 7 per cent which, with the Interim Dividend of 3 per cent already paid, makes 10 per cent for the year. This is equivalent to the 20 per cent paid last year when the Ordinary Share Capital of the Company was £225,000. The bonus issue of one new Ordinary Share for every Share held to the Ordinary Shareholders has, of course, increased the Ordinary Share Capital to £450,000.

After charging Preference and Ordinary Dividends this will leave unappropriated profits amounting to £63,529. In order to simplify our accounts, a more modern treatment of reserves in our Balance Sheet has been adopted this year and we now show the Profit and Loss Account Balance and General Reserve under the one heading—Revenue Reserve. Therefore at the close of this Account the Revenue Reserve stands at £172,045.

CAPITAL EXPENDITURE

Shareholders may remember that in my last Review I stated that in recent years a comprehensive scheme of alterations and additions had made our No. 2 Paper Making Machine into an efficient modern and fast unit. I also indicated that No. 1 Machine would soon be brought to the same high standard. The close of the Financial Year coincided with the end of the first phase of this work which took two months to complete and which I am confident will prove the considerable expenditure to have been well worth while.

Of the total amount spent on Machinery and Plant, more than half has been incurred on No. 1 Machine. Additions to our buildings accounted for £22,639, being mainly the cost of an addition to our Finishing House where paper is sorted and despatched.

EXPORTS

The negotiations for the entry of the United Kingdom into the European Common Market which are at present being undertaken by the Government, have been welcomed by the Paper Industry generally. For many years this Company has exported Esparto Papers to the Continent in spite of high tariffs imposed by these countries. Any reduction of these tariffs can only help to improve the situation and make our papers more competitive in Europe.

For a number of years Australia and New Zealand have together been our best customers within the Commonwealth. Recently however the Australian Government has imposed high tariffs on imported papers and the New Zealand Government has restricted imports by the introduction of a licensing system. It is to be hoped that these countries will soon solve their internal problems and see their way to easing restrictions.

Regular visits overseas by members of the Board and of the Sales staff are part of the Company's policy; these are continuing and by this means many valuable contacts overseas are being maintained.

DIRECTORATE

I very much regret that I have to report the death in February, 1961, of Mr F. D. H. Macdonald who was Sales Director of the Company. He had served the Company well for more than 30 years and was very popular with customers and colleagues alike.

It is just a year ago that I reported to you on his tour of Australia and New Zealand where he made many contacts from which we hope to benefit in the future.

PERSONNEL

The past year has not been an easy one for our staff and work people and I should like to take this opportunity of expressing my thanks to them for the way in which they have carried out their duties. Although production was cut back in August and September during the machine

alterations, the management were able, by means of interdepartmental transfers, to avoid paying off any employees.

As papermaking machines run faster and are improved by instrumentation and other technical developments, so does the job of operating them become more and more complicated. In order to provide the necessary skilled operatives in the future, arrangements are at present being made for the setting up of training schemes for our work people.

FUTURE OUTLOOK

The effect of the Chancellor's restrictive measures has been apparent during the latter part of this year and until some easing of the restrictions is permitted it would be unrealistic to hope that trade will improve. The policy of improving and adding to our Buildings, Machinery and Plant over the years has made the Mill an efficient modern unit which, provided more orders are forthcoming, should enable us to maintain our position. At present full time is being worked in the mill but it has not been necessary to work overtime on production.

I have always believed that consistent high quality counts more than anything else in the winning of orders. I know that everyone at Balerno will do their utmost to maintain our reputation as High Grade Paper Makers.

J. H. FENNER & CO. (HOLDINGS) LTD.

The annual general meeting was held in Leeds on Wednesday, 3 January, 1962.

These extracts are from the joint statement to the shareholders by the Chairman, Mr. C. Bradshaw, F.C.A., and the Deputy Chairman, Mr. S. B. Hainsworth, F.T.I.

The consolidated profit of the Group, after providing for depreciation and taxation, amounts to £436,656, compared with £373,223, for the year ended August 31, 1960. We manufacture mechanical power transmission equipment.

Last year we were happy to report a significant advance in the level of the profitability of the Group and we feel it is a matter for considerable satisfaction that this higher level has been maintained in what has been a difficult trading year.

The accounts contain a provision for a centenary bonus as promised to certain employees.

During the period ended August 31, 1961, we have been heavily involved in the rehousing and expansion of production facilities at three of our manufacturing divisions. Apart from the heavy cost of re-equipment, this programme has involved some dislocation of production schedules with consequent reductions in the turnover and profitability of those divisions. The work of reorganisation is now almost completed and we have confidence that, in these sectors of our business, the results for the coming year will reflect in some measure the benefit of the work which has been undertaken.

In all other divisions of the Group's activities, we are able to record increases in the volume and value of sales in both home and export markets. The higher figures have been achieved in the face of increasing competition from other manufacturers, both in the U.K. and abroad, and against a rising tide of tariffs and quotas in countries which have traditionally been importers of our products.

In common with other industrialists we have been faced with continuing reductions of profit margins resulting from the steady upward spiral of some material and all labour costs. In the face of these pressures, the profitability of our Group enterprises has been maintained only by holding our position in the forefront of research and the development of production techniques, our insistence on manufacturing the best products of their kind, and our providing for maximum service to our customers.

Fenner

into a second century of progress

Our Report last year indicated that we were then on the threshold of substantial expansion of the Group's productive and research establishments, and major progress has been made in this regard during the year ended August 31, 1961, resulting in capital expenditure of over £500,000, all of which has been financed out of profits of past years which were retained in the Company for this very purpose.

The Consolidated Balance Sheet of the Company demonstrates the continuing soundness of the Company's liquid position.

During the year it was only with difficulty that we kept pace with the demand for the products of our iron-goods division. More and more users are making the Taper-Lock bush their standard by which fitting times are judged and the range of products containing this easy fixing device continues to widen. Torque-Arm speed reducers, which have the advantage of being shaft-mounted, are also being applied in new directions.

In Western Europe our plans are developing, and they are based on the knowledge and experience we have gained in trading there over many years.

As already stated, we are happy with the strenuous year's work which is behind us. We are now in a position to take advantage of any increases in demand which should come our way on the basis of the products we have available and those that are coming along. The things we set out to do a year ago have been done.

We have completed the reorganisation of our overseas affairs and are now in a position to take further steps forward in that area, too, as opportunities offer.

We believe that it is our business now to prepare this Company so that it is ready for whatever comes our way when we move, as we think we may, into the European Economic Community. We are under no illusions about what is likely to happen to us. We know that the price we shall have to pay for the greater market to which we shall have access will be more competition. We will have to pit ourselves against the brains and the energy of the Western Europeans and that, industrially, is no easy task.

BRITISH FEEDING-MEALS COMPANY, LIMITED

The thirty-fourth ordinary general meeting of British Feeding-Meals Company, Limited, was held on December 29th in London, **Mr A. H. Philpot, OBE,** Chairman and Joint Managing Director, presiding.

The following are extracts from his circulated statement:

In the year ending September 30, 1960, the parent company had a very difficult time indeed with the depressed state of the fish meal trade, due to excessive Peruvian exports. Happily, due to better co-operation between Peruvian producers, the situation has gradually improved during the year under review. In fact, at the time of writing this report, the fish meal market is quite firm. Our sales of Seemeel Concentrates to the merchant trade expanded considerably during the year and are currently running at record levels.

In order to have available increased authorised capital, it is proposed to raise the authorised total of 1s. ordinary shares by 1,460,000 to 6,960,000.

We are recommending the issue to each shareholder of one ordinary 1s. share credited as fully paid for every four 1s. Ordinary shares held, and in addition your directors are considering a Rights Issue in the New Year in order to increase the cash available in the Company.

The report was adopted and the increase in the authorised capital and the one for four scrip issue were approved.

ST. MARTIN PRESERVING COMPANY

The thirty-third annual general meeting of the St. Martin Preserving Company Limited was held on December 29th at Maidstone, **Mr R. N. Scott,** presiding.

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

After providing for depreciation and taxation there is a profit of £105,204 as against £98,596 for the corresponding period last year. Having in mind our plans for expansion it has been decided to conserve funds for the immediate future, and accordingly your Board recommends a dividend at the rate of 7½ per cent.

The Board has decided to make important changes in methods of marketing and distribution. These changes will necessitate considerable investment and expenditure in equipment and the means of marketing and distribution.

Our subsidiary Company, Foster Clark Limited, which had a loss for the period ending March 31, 1960, has during the year to March 31, 1961, made a profit. Our subsidiary company, Atholl Houses Limited, has continued to make its contribution to the Group's profits.

Your Board is of the opinion that consolidation and digestion of the acquisitions that currently comprise your Group, together with our new plans for marketing and distribution will more than offset the difficulties and decreasing margins available, and is confident that our wide range of products, successfully exploited, will enable your Group to secure an increasing profitable share of the grocery trade.

The report and accounts were adopted.

BARCLAYS BANK DCO

ANNUAL GENERAL MEETING

The Thirty-sixth Ordinary General Meeting of Barclays Bank DCO was held on January 2nd at 54, Lombard Street, London, EC.

Mr Julian Stanley Crossley, the chairman, presided.

The Secretary, Mr E. W. Bithell, read the notice convening the meeting and the auditors' report to the stockholders.

With the concurrence of the stockholders present, the report and accounts and statement by the chairman, which had been previously circulated, were taken as read.

CHAIRMAN'S ADDITIONAL REMARKS

The chairman said that he would like to mention one or two matters which had arisen since his statement was issued, the first being that Sir Frederick Crawford, GCMG, OBE, who until recently was Governor of Uganda and who had also served in Northern Rhodesia, Kenya, Tanganyika and the Seychelles had been elected a member of the Rhodesian board. The Bank was delighted to be able to maintain in this way a personal association which had been so much valued in the past. Mr P. M. Moulding had been appointed a Local Director in Nairobi and Mr H. V. Gilby Regional Manager in Uganda in succession to Mr W. Scott.

The chairman then said that he was very sorry to have to refer to one more major disaster affecting the Bank's territories since the hurricane and tidal wave in British Honduras had caused such shocking damage. This time it was the famine in Kenya caused by drought and the ravages of army worm followed by the worst floods the country had experienced in this century. Tanganyika and Somalia had also suffered famine conditions due to drought or floods. He felt sure stockholders would confirm the action of the board in making, on their behalf, a substantial contribution to the relief funds both for Kenya and British Honduras. Natural disasters apart, the year 1961 had not been a happy one for the Commonwealth. It had to be recorded, with deep regret, that South Africa ceased to be a member as from last May. Inevitably, considerable uneasiness had been caused in many Commonwealth countries by the proposal of Great Britain to join the Common Market, despite the safeguards for Commonwealth interests stipulated for in the negotiations. It was thus hardly a propitious time for the introduction of a highly controversial Bill to limit immigration into Britain from other parts of the Commonwealth and it was hardly surprising if some of its members showed feelings of anxiety lest Britain were turning her back on them.

The chairman then referred to the Bank's claim for compensation for loss of its Egyptian business, regarding which he had regularly been obliged to report a lack of progress. Since the end of the Bank's financial year, however, the claim had been argued before the Compensation Commission, who had now made a provisional award. Whilst nothing had, as yet, been received, a payment of something over 20 per cent of the award could be expected in the near future. The Bank had received a fair hearing throughout and accepted the basis on which distributions were being made but whatever the outcome, nothing, unfortunately, could restore the business in Egypt in which such great pride had been taken and which had its origins almost a century ago.

THE FUTURE

Turning to the future, the chairman said that stockholders would not blame him if he refrained from any attempt to forecast trends for the current year. He would not pretend that the outlook in all the principal countries in which the Bank did business was "set fair," since they would hardly believe him if he did. Throughout a great part of the world today it must seem that, even where storms were not actually raging, there was more troubled water than smooth. The Bank, nevertheless, offered a type of service which was necessary in any community aspiring to economic progress and had been able, in some places, to make quite a notable contribution to that progress. There seemed no valid reason why it should not still have a useful part to play. There could, however, be no doubt that until the economy of the United Kingdom itself could be placed on a sound basis the whole of the sterling area would be subject to sudden strains which must, to a greater or lesser degree, adversely affect the economies of most of its member countries.

Expressing a warm welcome for the renewed interest being shown by the authorities in the subject of decimalisation of the currency, the chairman said that he thought this was a constructive proposal of far-reaching importance. Although the bill for the initial cost would need courage to face, the need for decimalisation could, he believed, only become more pressing with the passage of time, while the cost was hardly likely to become less. Small coins in circulation weighed approximately 20,000 tons, or well over 1 lb. weight per head of the adult population. It was to be hoped that a consequential reform of the currency would remove this largely unnecessary burden weighing down and wearing out the trouser pockets of the average Englishman.

Finally the chairman said how pleased he was to see Mr Tuke at the meeting once again. It would be the last occasion on which he would be present as chairman of the parent Bank. He hoped no one would be in danger of breaking the fifth commandment—failing to honour father and mother—or of forgetting what the Bank owed to Barclays Bank Limited and its successive chairmen. On behalf of all he offered to Mr Tuke sincerely felt good wishes on his retirement and thanked him for the close personal interest which he had always taken in the affairs of the DCO.

FORMAL BUSINESS

The chairman then moved the adoption of the report of the directors and the statement of accounts and the payment of a final dividend of 5 per cent actual on £17,000,000 Ordinary stock, less income tax at the standard rate of 7s. 9d. in the £.

The motion was seconded by The Hon Sir Geoffrey Gibbs, KCMG, deputy chairman, and carried.

The retiring directors, Mr Julian Stanley Crossley, Captain Derek Fitzgerald, Marshal of the Royal Air Force The Rt Hon The Viscount Portal of Hungerford, KG, GCB, OM, DSO, MC, and Sir James Wilson Robertson, GCMG, GCVO, KBE, were re-elected.

In terms of special notice given, Col The Rt Hon Lord Robins KBE, DSO, and Mr A. C. Barnes, DSO, OBE, were re-elected directors of the Company.

On the motion of The Rt Hon Lord Cornwallis, KBE, MC, seconded by Mr P. H. Pearson, the auditors, Messrs Deloitte, Plender, Griffiths & Co., Messrs Price, Waterhouse & Co., Messrs Peat, Marwick, Mitchell & Co. and Messrs Cooper Bros. and Co., were re-appointed.

VOTES OF THANKS

A vote of thanks to the staff, proposed by Mr R. D. Smith, a director, and seconded by Sir Frank Newson-Smith, Bart, was carried unanimously and was responded to by Mr R. G. Dyson, a general manager.

A vote of thanks to the chairman was proposed by Mr A. W. Tuke and unanimously accorded after which the proceedings terminated.

HOLT PRODUCTS LIMITED

(Manufacturers of Car Chemicals)

WIDENING RANGE OF PRODUCTS

The annual general meeting of Holt Products Limited was held on January 4th at Winchester House, Old Broad Street, London, E.C.

The following are extracts from the circulated statement of the Chairman, **Mr Douglas R. Holt,** for the year ended September 30, 1961:

Once again your Company has achieved record results in the year under review

The profit before taxation was £330,455 (£266,792). A net profit of £159,531 added to the balance brought forward, leaves a total of £373,332 available for appropriation.

The Directors recommend a final dividend of 35 per cent less tax on the Ordinary Shares. This makes a total for the year of 50 per cent which is the same as last year and leaves the sum of £354,957 to be carried forward. In making this recommendation the Directors have in mind the Chancellor of the Exchequer's request for dividend restraint, but in normal circumstances consider that the profit achieved last year would have justified the payment of an increased dividend.

Your Directors propose a scrip issue of ordinary and "B" shares of 1 for 2.

CURRENT TRADING

During the year your Company has continued to expand both its Home and Export business. The research and development programme carried out by your Company has enabled them to introduce many new products during the year. Sales of established products have been maintained and in many cases increased. The extension to our Factory has been completed and is in full operation.

Our French and Dutch companies have continued to expand their activities and sales.

Your Directors are considering the future financial needs, manufacturing facilities and selling organisations, that may be required to expand and consolidate your Company's position within the Common Market.

For the first part of this current year, trading has been maintained and the Directors anticipate, subject to unforeseen circumstances, that the Company will continue to make satisfactory progress.

The report and accounts were adopted and at a subsequent extraordinary general meeting and separate meeting of the Ordinary shareholders the proposed capitalisation of reserves and scrip issue were approved.

THE MURRAYFIELD REAL ESTATE COMPANY LIMITED

REMARKABLE GROWTH

The sixty-third annual general meeting of The Murrayfield Real Estate Company Limited was held in London on December 28th. **Field-Marshal Sir C. J. E. Auckinleck, GCB, GCIE, CSI, DSO, OBE, LLD** (the Chairman), presided and in the course of his Speech said:

I would like to comment upon the accounts which have more than fulfilled the expectations of last year and have completely justified our policy of creating ultimate income-producing investments which provide a substantial capital equity. The growth shown is remarkable and very satisfactory, even though it has for another year been deemed prudent not to recommend a dividend.

The projects listed last year have all advanced satisfactorily and in addition other well chosen transactions have been undertaken, some of a very substantial nature. When reviewed in relation to the accounts, these fully confirm your Company as one of the leading Shop Investment Companies in the Country.

Your Company has now completed developments at Basildon, Bromley, Kingston, Sheffield, Northfields, Dudley, Glasgow, Lichfield, Liverpool and Woking.

Investment properties are now held in London and Suburbs, Birmingham and Suburbs, Glasgow and Suburbs, Oxford, Tunbridge Wells, Smethwick, Bilston and other leading towns in England and Scotland.

Town Centre redevelopment schemes and negotiations are proceeding at Dundee, Preston, Greenock, Huddersfield, Wallsend, Inverness and Cardiff.

Other such schemes are in an early stage of development in leading towns throughout England and Scotland.

Negotiations are in hand for a considerable number of transactions and your Board is confident as to the quality of these properties, which will in time prove to be very satisfactory investments.

MERGER WITH CITY CENTRE PROPERTIES

I reported last year on the important step we had taken in exchanging shares with City Centre Properties Limited, which created a close association between the two Companies and ensured satisfactory and adequate financial arrangements for completion of developments. This association has worked extremely well and enabled very substantial progress to be made.

Early in 1961 it became apparent that the Chancellor of the Exchequer would be seeking wide powers to restrict credit facilities and it was deemed wise by your Directors to consider most carefully what steps they should take, not only in relation to the National Economy, but also in regard to the tremendously important and far reaching developments they were undertaking throughout the United Kingdom. As I reported last year competition has never been greater, much of it being very speculative, often at unrealistic prices.

Your Directors were drawn to the conclusion that it would be in the future only the large and well organised property companies with well secured credit facilities that could adequately and efficiently undertake the task of redeveloping our badly planned and out of date towns and cities. The Murrayfield Real Estate Company's stake in the redevelopment of town centres is probably second to none and it was considered in the best interests of our Shareholders and the many local authorities with whom we have agreements, to secure that this growth and progress should not be hindered.

To this end negotiations were opened with the Board of City Centre Properties Limited to explore the possibilities of effecting a complete merger of interests. In May 1961, agreement was reached as to a merger on a share exchange basis.

I and my fellow Directors are well satisfied that this agreement is a wise one, and that our shareholders' interests have been fully considered in that, whilst current income may of necessity be restricted, they may happily expect a greatly improving future, enjoying not only the benefit of your own Company's present growth and potential, but the immense overall investment of the properties of the City Centre Group as well.

It remains for this agreement to be finally cleared by the Inland Revenue and I had hoped to be able to report at this meeting that this had been received, but although a long delay is not anticipated, I cannot yet do so. In due course, when the Inland Revenue decision is known, a circular will be sent to all shareholders giving full details of your Directors' recommendations.

This has been an outstanding year in the affairs of your Company.

The Report and Accounts were adopted.

RIM (MALACCA) RUBBER ESTATES

EXTREMELY SATISFACTORY RESULTS

The fifty-first annual general meeting of Rim (Malacca) Rubber Estates Limited was held on December 29th in London, **Mr H. A. Kinney, FCA** (the chairman), presiding.

The following is an extract from his circulated review:

The accounts of the company for the year ended June 30, 1961 show a profit of £75,954 which is extremely satisfactory when it is borne in mind that the crop was sold between October, 1960 and September, 1961. The relevant statistics are: Crop harvested 3,004,500 lbs. (2,698,800 lbs. in 1960), Nett realised price per lb. 21.25d. (27.68d. in 1960), Estate cost per lb. 12.97d. (13.42d. in 1960), actual expenditure on immature areas less grants and replanting reserves £14,123 (£12,571 in 1960), Dividends 27½ per cent (32½ per cent in 1960) and yield per tapped acre 638 lbs. (551 lbs. in 1960)

Having referred to the operations on the Rim and Mentri estates and to the progress of the subsidiary company, Anglo-Johore, the chairman concluded:

Subject to no unforeseen happenings I confidently predict an increase in crops and a reduction in cost of production for the current year. As to the sale price obtained one would have to be not only a soothsayer but a reliable one at that to predict this. At current prices we shall be able to show a reasonable profit though not as good as the year under review.

The report and accounts were adopted.

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Further particulars should be obtained from the Assistant Secretary, the London School of Economics, Houghton Street, Aldwych, London, W.C.2.

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Applications (six copies) with full details of qualifications, experience, etc., and naming three referees, to be sent before 31st January, 1962, to the Assistant Registrar (London), University of Ghana, 15 Gordon Square, London, W.C.1, from whom further information may be obtained.

For other appointments see pages 83 & 84

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COMPANY AFFAIRS

Equity prices were firm at the beginning of the new year in the London stock market. So, too, were gilt-edged prices, helped a little by further talk of a cut in Bank rate. Some of the rises that took place in the industrial market immediately after New Year's Day were the result of the various forecasts made about the shares which should do well this year, which focused attention on shares in industries closely in touch with the consumer. Equities in the capital goods sector remained out of favour and steel shares, in particular, were depressed by the first batch of statements from the spokesmen of the industry.

South Durham's Capital Problem

IN the first dealing days of 1962 the £1 shares of South Durham Steel and Iron fell to 20s. 3d., less than half their 1961 peak and a third of their peak levels in 1959 and 1960. With the dividend cut from 12 to 10 per cent the shares still offer 9.9 per cent, a higher yield than any other steel share. Ordinary shareholders, of which the Finance Corporation for Industry is one, will look in vain in the full report and chairman's statement for an indication that the shares are likely to regain some of the lost ground in 1962. The directors must, on the other hand, hope that some recovery will be made, for they intend to raise about £10 million of new capital in the next eighteen months.

South Durham's development spending is reflected in the £20½ million loan from FCI (due to be repaid between 1963 and 1967) and the increase of £10 million to £15½ million in the loan from Barclays Bank. This bank loan is £2½ million more than the maximum borrowing limit mentioned in the 1959-60 report. Since the end of the financial year arrangements have been made with FCI and the bank for additional short-term finance amounting to £6 million.

As a result of these big loans South Durham's ordinary capital is extremely highly geared and at September 30th loans and debentures amounted to £43 million against an ordinary capital of £13.9 million. Thus the directors are faced with a tough problem, for it will be difficult to raise further prior charge capital, while a rights issue would offer little attraction to shareholders when the shares are standing so close to their par value. The effects of this high gearing was seen all too clearly in the results for the year to September 30th when higher interest charges were a contributing factor in the fall in gross profits before tax from £4.5 million to just over £2 million. The chairman, Mr B. Chetwynd Talbot, puts most of the blame for lower profits on the sharp in costs and the inadequate level of steel prices.

Shareholders may gain a grain of comfort from the fact that the new South Plant at Hartlepools is now completed and, in the words of the chairman, "is in a position to take full advantage of a high level of output at an economic cost when the demand for steel increases." But the outlook for steel pipes for the oil and gas industries, into which a proportion of South Durham's plates are made, is still clouded. The company has managed to "hold its own" against competition from the Continent and Japan in Libya and the Persian Gulf, but in Canada the market has "dried up."

United Steel

IN his valedictory statement as chairman of United Steel, Sir Walter Benton Jones says that output in the year to September 30, 1961, when United's production of ingot steel fell from 3,284,000 to 3,184,000 tons, was not much lower than expected a year ago. Demand began to fall off early in 1961 but it was not until the last quarter of the financial year that this was reflected in a marked drop in output and the effect of working below capacity was felt in several major departments. The value of sales was practically unchanged at about £140 million but rising costs squeezed margins so that gross profits fell by nearly 29 per cent, from £22,102,000 to £16,812,000. Sir Walter analyses the current influences on steel production—the running down of stocks by consumers, the growth of world capacity and competition in export markets—and though this makes the immediate prospect depressing he describes himself "for the long and not so long view," as a confirmed optimist.

After the rights issue, which raised £10 million, the directors expected to finance the group's capital development programme without raising any further capital. In 1960-61 the group spent over £20 million on capital account but the cash flow fell from £17.6 to £16.4 million. The big question now is how much further the cash flow will fall, for unit costs will remain high so long as the plants are working below capacity. The directors have simply deferred part of the capital development programme and this will considerably reduce the rate of capital expenditure in the next two years. In coming to this decision the directors have faced up to the changed situation in the steel industry in this country resulting primarily from the continued destocking by consumers. Their assessment has been that "it may be that the expansion in the industry as a whole has raised its capacity to a level which will be in excess of normal demand for some time to come." The £1 ordinary shares now stand at 37s. 9d. xd to yield 6½ per cent on the dividend of 12.3 per cent.

Dorman Long

STAGE IV of Dorman Long's development programme has been planned not so much to increase capacity, except in light rolled products, as to increase the efficiency of the plants. Benefits from the development programmes and improvements in the techniques of using structural steels, to compete more effectively with reinforced concrete, no doubt played some part in restricting the fall in Dorman Long's gross profits in 1960-61 to 12½ per cent, from £8 million to £7 million. They will play an increasingly important role in the future. Developments on the structural steel side include high yield point steel; at the same time, Dorman Long is adding to its interests in lighter steels. In 1960-61, about 68 per cent of Dorman Long's gross profits came from iron and steel, in which heavy structural steels predominate, and the remaining 32 per cent from engineering, bridge building and chemicals; this compares with 76 per cent from iron and steel and 24 per cent from the other interests in 1959-60. The demand for universal beams and columns was well maintained through 1960-61 but in the last quarter the demand for other heavy structural steels weakened appreciably.

In his statement, indeed, the new chairman, Mr E. T. Judge, shows the marked variation in the output of rolled steel in the four quarters of the year with increases of 15.5 and 4.8 per cent in the first and second quarters balanced by falls of 4.2 and 15.1 per cent in the third and fourth quarters. Under-capacity working towards the end of the financial year and a rise in costs which was not balanced by the increase in steel prices brought Dorman Long's profits down, as happened to other steel producers. Profits seem likely to fall further in 1961-62; Mr Judge does not anticipate any improvement in the demand for steel, at least in the first half of the financial year.

This may well reduce the 1961-62 retained cash flow below the 1960-61 level of just over £6½ million. This covered Dorman Long's capital expenditure of £5.3 million but its outstanding commitments are estimated at £6.8 million and an FCI loan of £2 million is due to be repaid by December 31, 1962. Dorman Long may not require new money immediately, but it seems possible that new capital will have to be injected before the five years development programme, originally estimated at £43 million, is completed. This is one reason for the current yield of 8½ per cent offered by the £1 shares at 23s. 3d. xd on the maintained dividend of 10 per cent.

Company Affairs continued on page 80

SECURITY PRICES

Prices, 1961/62 High	Low	BRITISH FUNDS AND GUARANTEED STOCKS	Price, Dec. 27, 1961	Price, Jan. 3, 1962	Net Red. Yield, Jan. 3, 1962§	Gross Red. Yield, Jan. 3, 1962
					£ s. d.	£ s. d.
92½	88⅜	Savings Bonds 3%.....1955–65	90716	90⅜	4 12 4	5 19 11
100 32	99	Convers. 4½%.....1962	99-17-4½	99–17–7	...	5 6 6
99⅛	98⅞	Convers. 4½%.....Ass'd. (m)	99116	99⅛	3 17 11	5 6 7
91⅞	91116	Convers. 4½%.....Ass'd. (n)	91132	91⅝	3 19 10	6 6 5
96⅜	93¼	Exchequer 3%.....1962–63	96⅛	96316	4 11 1	5 16 0
101516	98⅛	Treasury 5½%.....1962	100132	100132	2 11 11	5 1 5
93232	90¼	Exchequer 2½%.....1963–64	93532	93316	4 11 1	5 12 7
99932	96⅝	Conversion 4¾%.....1963	98½	98⅛	3 18 3	5 17 0
98⅝	94½	Conversion 4½%.....1964	97½	97116	3 19 4	5 17 1
101316	96	Exchequer 5½%.....1966	98316	98332	3 13 11	6 0 5
83⅛	78716	Funding 3%.....1959–69	82½	82⅝	4 15 2	6 2 2
89¾	84¾	Funding 4%.....1960–90	88⅝	88316	3 11 10	5 5 10
80½	74⅝	Savings Bonds 3%.....1960–70	79½	79116	4 16 7	6 4 7
85⅛	80¾	Savings Bonds 2½%.....1964–67	84134	85116	4 16 2	5 18 3
72116	66¼	Savings Bonds 3%.....1965–75	713⅛	71516	4 15 6	6 5 3
84116	78⅛	Funding 3%.....1966–68	833	83⅜	4 15 11	6 1 5
86316	80¼	Conversion 3½%.....1969	85⅜	85⅜	4 12 7	6 0 8
97½	92½	Victory 4%.....1920–76	93¾	93⅞	3 10 2	5 4 8
93516	87	Conversion 5%.....1971	90116	90916	4 5 5	6 6 4
95116	88½	Conversion 5½%.....1974	92	92⅛	4 1 1	6 4 3
73⅛	66	Treasury 3½%.....1977–80	69316	69¼	4 12 9	6 7 2
72¼	65	Treasury 3½%.....1979–81	69316	69516	4 12 6	6 8 2
97116	88½	Funding 5½%.....1982–84	90¾	90116	4 0 10	6 6 5
59½	51½	Redemption 3%.....1986–96	537	54¼	4 9 5	6 6 6
88¼	79¼	Treasury 5%.....1986–89	82316	823⅛	4 3 8	6 9 2
63116	55	Funding 3½%.....1999–2004	56116	57*	4 7 7	6 9 7
94⅜	81⅝	Treasury 5½%.....2008–12	847⅛	84516	4 2 8	6 13 3
65⅜	56½	Consols 4%.....after Feb. 1957	58116	58¼	4 3 10	6 16 8
59¼	50½	War Loan 3½%.....after 1952	51⅞	52116	4 2 8	6 15 4
59	50½	Conv. 2½%.....after Apr. 1961	52	52516	4 2 10	6 16 3
50⅞	43¼	Treasury 3%.....after Apr. 1966	44½	44⅝	4 2 9	6 16 0
44	36½	Consols 2½%.....after Apr. 1975	37⅜	38116	4 0 4	6 11 2
43½	36½	Treasury 2½%.....after Apr. 1975	37⅜	38116	4 1 4	6 13 8
91⅜	85¾	British Electric 4½%.....1967–69	91716	91916	4 4 9	6 4 2
75116	70⅛	British Electric 3%.....1968–73	74916	74¾	4 16 8	6 5 3
70⅝	64½	British Electric 3%.....1974–77	69	69⅛	4 15 5	6 5 6
81⅞	74⅞	British Electric 4½%.....1974–79	79716	79116	4 6 3	6 5 6
73½	67	British Electric 3½%.....1976–79	70316	70916	4 12 1	6 6 5
84⅜	78¾	British Gas 4%.....1969–72	84⅛	84116	4 9 11	6 4 3
82	76	British Gas 3½%.....1969–71	81½	81⅝	4 12 2	6 4 3
59⅜	51¾	British Gas 3%.....1990–95	53⅝	53516	4 11 2	6 8 0
75116	70⅛	British Transport 3%.....1968–73	74916	74¾	4 16 8	6 5 3
80⅞	74	British Transport 4%.....1972–77	77½	77⅝	4 8 10	6 5 5
61716	53¾	British Transport 3%.....1978–88	56516*	56⅝	4 14 7	6 8 9

Prices, 1961/62 High	Low	DOMINION AND CORPORATION STOCKS	Price, Dec. 27, 1961	Price, Jan. 3, 1962	Red. Yield, Jan. 3, 1962
					£ s. d.
82¼	76½	Australia 3¼%.....1965–69	80⅝	79½*	6 10 0
101	92¾	Australia 6%.....1974–76	97	97½	6 7 0
72½	64½	Ceylon 4%.....1973–75	66¼	66	8 8 0
101¼	92¾	New Zealand 6%.....1976–80	95¼	95¾	6 10 0
80½	70½	Rhodesia and Nyasaland 6%.....1978–81	75½*	75¼	8 12 0
82	73	South Africa 3½%.....1965–67	81¼	82	7 16 0
59	53½	Southern Rhodesia 4½%.....1987–92	58	58	8 10 0
84⅝	76½	Agricultural Mortgage 5%.....1959–89	77¼*	77¾	6 13 0
89	82¼	Birmingham 4¼%.....1967–70	85¾*	86	6 6 0
92¾	86½	Bristol 5%.....1971–73	88½	89	6 6 0
93	86½	Corporation of London 5¼%.....1976–79	88	88	6 8 0
48¾	41	L.C.C. 3%.....after 1920	42⅞	43	6 18 0
89⅛	80¾	L.C.C. 5½%.....1980–83	83¾	84	6 9 0
93	84¼	Middlesex 5½%.....1980	88¼	88½	6 9 0

NEW YORK PRICES AND INDICES

	Dec. 27 $	Jan. 3 $		Dec. 27 $	Jan. 3 $		Dec. 27 $	Jan. 3 $
Atch. Topeka ...	27¼	27¼	Boeing.....	513⅛	51	Int. Harvester...	52	52⅞
Can. Pacific.....	25⅛	24¾	Celanese.....	353⅛	357⅛	Inter. Nickel...	85⅛	85
Pennsylvania....	17⅛	18	Chrysler.....	493⅛	503⅛	Inter. Paper ...	373⅛	36⅛
Union Pacific ...	33½	33⅝	Col. Palmolive ..	52½	55	Kennecott.....	83	85
Amer. Electric...	68¼	68½	Crown Zeller...	59	59¼	Monsanto	54⅛	53¼
Am. Tel. & Tel...	134⅝	134¾	Distillers Seag. ..	42¾	43¼	Nat. Distillers..	27	28⅛
Cons. Edison....	82¾	81	Douglas.....	36¾	33½	Pan-American ..	21⅜	21¼
Int. Tel. & Tel...	58½	57½	Dow Chemical..	73½	72¼	Procter Gamble	93⅜	90½
South'n. Nat. Gas	53⅝	47¾	Du Pont.....	246¼	241¾	Radio Corpn...	52¾	54¼
United Corpn...	8½	8½	East. Kodak.....	110⅜	109⅝	Sears Roebuck .	88⅞	83½
Western Union .	39	41¼	Ford Motor.....	115⅛	115	Shell Oil	39¼	38⅝
Alcoa.....	65⅜	66⅜	Gen. Electric ...	74	74	Socony-Mobil ...	51⅝	52⅜
Aluminium.....	28¼	27⅞	General Foods ..	93½	94⅜	Stand. Oil Ind..	55¾	54⅜
Amer. Can.....	46⅛	46	General Motors .	57½	56⅜	Stand. Oil N.J..	51	51¼
Am. Smelting...	62⅞	62	Goodyear	43⅛	43¾	Union Carbide.	122¼	120¼
Am. Viscose	53	53	Gulf Oil.....	42⅞	40½	U.S. Steel	79¾	78¼
Anaconda	49⅛	51	Heinz.....	63½	60½	West. Electric..	38½	38
Beth. Steel	42½	43¼	Int. Bus. Mach...	582	577	Woolworth.....	91	90

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

1961/62	425 Industrials	Yield %	25 Rails	Yield %	50 Utilities	Yield %	Govt. Bonds	Yield %
Dec. 6	75·97	2·77	33·56	4·83	66·59	2·83	87·87	4·09
,, 13	76·60	2·74	33·33	4·87	66·84	2·99	87·67	4·11
,, 20	75·22	2·81	32·39	4·98	64·85	3·08	87·57	4·12
,, 27	75·93	2·78	33·09	4·88	64·21	3·11	87·67	4·11
Jan. 3	75·22	2·81	34·10	4·73	64·40	3·10	87·67	4·11

425 Industrials :—High, 76·69 (Dec. 12, 1961). Low, 60·87 (Jan. 3, 1961).

Prices, 1961/62 High	Low		Last Two Dividends (a) (b) (c)		ORDINARY STOCKS	Price, Dec. 27, 1961	Price, Jan. 3, 1962	Yield, Jan. 3, 1962	Cover
			%	%					
89/7½	64/–		13 c	6½ a	**BANKS, DISCOUNT & HP**				
100/3	74/3		16 c	8 a	Barclays.....£1	87/3	89/6	2·91	...
80/–	58/7½		13 c	5 a	District.....£1	94/9	98/6	3·25	...
26/4½	18/7½		7 a	8 b	Lloyds.....£1	67/9	70/6	3·09*c	...
94/6	67/3		19 c	9½ a	Martins.....5/–	22/–	22/9	3·30	...
97/3	73/–		7 b	7 a	Midland.....£1	88/9	89/6	3·35*c	...
95/6	58/9		7½12b	6¾ a	Nat Provincial.....£1	89/3	90/6	3·09	...
44/9	35/3		4 a	8 b	Westminster 'B'.....£1	87/9	88/3	3·34	...
52/–	41/–		6 b	4 a	Australia & N.Z....£1 p.p.	41/6*	42/3	5·68	...
£25516	£23116		$2·05c	$2·05c	Bk. Lond. & S. Amer.£1	47/–	47/6	4·21	...
303/4	251/4		8 c	9 c	Bank of Montreal....$10	£25516	£25716	2·75	...
44/9	31/9		10 c	5 a	Bank of New S. Wales £20	273/4	273/4	5·19g	...
60/7½	46/7½		7½ b	7½	Barclays D.C.O.....£1	37/6*	37/6	5·33	...
£21	£14¾a		5/– a	10/– b	Chartered.....£1	54/–	54/–	5·56	...
70/3	49/9		7½ a	9 b	Hongk'g. & Shang....$25	£18¼	£18	4·17	...
£29516	£25516		$2·32½c	$2·37½c	Nat. Com. Bk. Scot. 10/–	54/3	55/3	2·99	...
41/6	32/–		10 b	5 a	Royal Bk. Canada....$10	£28516	£28716	2·85	...
165/–	95/–		22½ c	22½ c	Stand. Bk. S. Africa...£1	40/6	39/–*	7·69	...
89/6	59/6		5 b	2½ a	Hambros .....£1 f.p.	157/6	157/6	2·86	...
60/6	45/6		6¼ a	6¼ b	Schroders.....£1	84/6	88/–	1·70	...
33/9	22/4½		2 b	10 a	Union Discount.....£1	52/9	53/–	4·72	...
9/11½	3/4½		18 c	Nil a	Bowmaker.....5/–	12/4½	14/1½	...	11⅞
23/6	11/9		19 c	5 a	Lombard Banking ..5/–	12/–	14/3	...	1
21/9	12/9		5 a	2½ b	Mercantile Credit ...5/–	13/10½	14/7½*	2·56	...
52/6	33/–		22½ b	4 a	United Domins. Tst. .5/–	37/9	39/–	3·40	9¼
					BREWERIES, Etc.				
15/4½	11/–		...	...	Bass, M. & B.....5/–	15/4½	15/11½	3·64*e	2¼
41/11½	31/–		8½ b	6 a	Distillers.....10/–	37/7½*	37/6	3·87	2
26/9	13/–		4 a	8 b	Flowers.....5/–	18/3	18/6	3·24	2
60/6	50/–		8 a	14 b	Guinness.....10/–	50/3*	50/6	4·36	13¼
15/3	12/–		...	...	Ind Coope T.A.....5/–	15/3	15/11½	3·97*e	...
37/9	26/–		27 c	9 a	Watney Mann.....£1	108/9	107/9*	3·34	2
					Whitbread 'A'.....5/–	36/3	35/9	3·78	13¼
					BUILDING, PAINT, Etc.				
64/–	44/10½		52½ b	3 a	Associated Portland....£1	54/3	56/9	2·94	2½
38/11½	19/10½		7¼ b	4 a	British Plaster Bd. ..10/–	22/3	23/3	5·38	2¼
26/10½	15/6		10 c	6 a	Richard Costain.....5/–	16/–	14/7½*	3·41	2¼
18/6	10/–		6 a	14 b	International Paints ..4/–	10/6*	12/6	6·40	1½
66/9	40/6		21⅞ c	25 c	Rugby Portland 5/–	56/–	57/3	2·18	3¼
167/11½	118/6		7½ a	17½ b	Wall Paper Defd.....£1	134/9	136/3	3·67	2¼
					CHEMICAL				
29/3	20/3		14 b	6 a	Albright & Wilson...5/–	22/6	23/3	4·30	2½
22/–	14/10½		11½ c	4 a	Borax Defd. 5/–	15/9	17/–	3·38	3
58/9	30/7½		7 b	4 a	Fisons.....£1	36/9	37/–	5·95	1½
81/6	54/6		7½ b	6¼ a	I C I £1	56/9	57/7½	4·77	2
26/10½	14/6		10 b	5 a	Monsanto.....5/–	16/6	17/–	4·41	2½
					DRAPERY & STORES				
36/–	24/–		8 b	4 a	Boots Pure Drug 5/–	29/–	30/4½	1·98	2¼
107/–	58/6		7½ a	20 b	Montague Burton....10/–	104/3	102/6*	2·68	2¼
75/03¼	47/7½		5⅝ a	13½ b	Debenhams.....10/–	58/3	58/–	3·31	1½
59/4½	45/–		25 b	12½ a	G.U.S. 'A'.....5/–	54/11½	55/10½*	3·36	2
46/99¼	33/4½		16⅔ b	13½ a	House of Fraser 5/–	40/–	40/3	3·73	1¼
21/11½	14/3		7½ b	5 a	Lewis's Invest. Tst....4/–	15/6	15/4½	3·21	2¼
106/9	85/11½		32½ b	15 a	Marks & Spencer 'A'.5/–	101/6	99/9	2·38	1½
53/10½	34/10½		20 b	10 a	United Drapery 5/–	49/3	49/9	3·02	1¾
62/11½	49/9		25 b	10⅝ a	Woolworth.....5/–	52/6	53/–	3·38	1½
					OIL				
51/3	32/–		†6·94b	†2·78a	British Petroleum £1	33/3	32/3	9·84	2¼
49/6	31/3		†6⅞ b	†2½ a	Burmah Oil.....£1	32/3	31/3	9·80	1¼
52/–	36/–		13¾ b	6¼ a	Cassrol.....10/–	41/3	41/9	4·79	2½
£15116	£10⅝		23·87c	11⅛ a	Royal Dutch.....20 fl.	£12⅞	£12916	3·76	2¾
34/10½	27/3		†20·8 c	10 a	Shell Transport 5/–	30/11½	29/–	5·86	3
41/3	23/9		...	...	Ultramar.....10/–	23/9	24/–	... d	...

FOREIGN AND OVERSEAS STOCKS

FRANCE	Dec. 27 Frcs.	Jan. 3 Frcs.	GERMANY	Dec. 27 %	Jan. 3 %	HOLLAND	Dec. 27 %	Jan. 3 %
Air Liquide ...	1,134	1,120	A.E.G.....	473	478	A.K.U.	404⅞	400
Banque de Paris	509	530	Bad'che. Anilin	500½	500	Bijenkorf	1,260	1,238
Citroen.....	158	169·9	Bayer.....	662	662½	Heinekens	595	585
Cie. Fran. Pet..	291	297	Commerzbank.	620	621	Interunie (Fl.50)	Fl.228	Fl.228
Cie. G. d'Elect.	1,194	1,209	Deutsche Bank.	676	683	K. N. Hoogoven	775½	778½
Machines Bull..	785	799	Hoechst Farb...	532	529	Kon. Zout-Ket.	1,070	1,100
Pechiney.....	286·1	289	Kundenkr. Bank	526	526	Philips.....	984¼	981¾
Printemps.....	680	694	Lowenbrau....	1,118	1,195	Robeco (Fl.50)	Fl.252·5	Fl.253
Rhone-Poulenc	501	504	Mannesmann ...	249¾	258½	Rotterdam Bk..	389¾	389¾
S.I.M.....	370	378	Siemens.....	720	718	Thomassen & D.	682	689¾
Saint-Gobain ..	490	491	Thyssen-H'te...	224	232	Valeurop.....	Fl. 79·7	Fl. 79·9
Usinor	220	230·5	Volkswagen ...	783	779	Zwanenb. Org.	1,024	1,044½
CANADA	**$**	**$**	**AUSTRALIA**	**£A**	**£A**	**JAPAN**	**Yen**	**Yen**
Abitibi Pr. & P.	40⅛	40	Ampol Pet.....	11/3	11/6	Ajinomoto	544	540
Aluminium....	29	29½	Ass. Pulp & P...	32/6	31/7	Fuji Iron.....	53	52
Bell. Tel.....	58	58	Aust. Con. Inds.	72/6	72/–	Hitachi	99	102
Can. Brewer's.	58⅜	59	Aust. Oil & Gas	47/–	63/6	Honda Motor..	221	223
Can. Imp. Bank	73½	72¼	Brit. Tobacco...	25/6	25/3	Kirin Brewery.	624	615
Can. Pac. Rly...	26	25¾	Broken Hill P'ty	69/–	69/9	Mitsub. Chem..	98	95
Hiram Walker.	58½	58¾	G. J. Coles	13/7	13/8	Mitsub. Elect...	91	95
Imperial Oil...	50⅛	51½	Felt & Textiles.	7/7	7/9	Mitsub. Heavy.	101	102
Noranda Mines.	59½	59⅜	I.C.I. A.N.Z. ..	38/3	38/3	Nippon Elect..	344	343
Shawinigan Wtr.	26½	26½	Myer Emporium	29/3	30/–	Sony	716	735
Steel of Canada	77¾	80½*	Ready Mix Con.	17/–	17/–	Toyo Rayon...	151	152
Trans. Can. Pipe	26⅞	27⅛	Woolworth	15/4	15/9	Yawata Iron ...	60	60

* Ex dividend. † Tax free. ‡ Assumed average life 7¾ years. § The net redemption yields allow for tax at 7s. 9d. in £. ‖ Ex capitalisation. ¶ Ex rights. (a) Interim dividend. (b) Final dividend. (c) Year's dividend. (d) Capital distribution of 1s. 0d. per share. (f) Flat yield. (g) Equivalent to 7·2 sterling. (h) After Rhodesian tax. (l) To latest date. (m) Assented into Conversion 6% 1972. (n) Assented into Funding 5½% 1982–84.

AND YIELDS

LONDON: NEW YORK:
FRANCE: GERMANY: HOLLAND:
CANADA: AUSTRALIA: JAPAN

Prices, 1961/62 High	Low		Last Two Dividends (a) (b) (c)		ORDINARY STOCKS	Price, Dec. 27, 1961	Price, Jan. 3, 1962	Yield, Jan. 3, 1962	Cover
			%	%					
48/6	28/3		10 b	5 a	**ELECTRICAL & RADIO**				
15·51¼	9/7½		...	15 c	A.E.I.....£1	29/6	31/9	9·45	1
62·3	49/–		9½ b	4 a	Brit. Electronic Inds..5/–	11/–	11/–	6·82	1¼
14·7½	11/3		5 a	7½ b	B.I.C.C.....£1	55/10½	56/7½	4·77	2
95/6	58/9		7½12b	6¾ a	Crompton Parkinson.5/–	12/11¼*	13/3	4·72	2¼
89/6	54/–		7½ a	15⅝ b	Decca Record.....10/–	78/–	80/–	2·92	1¾
52/–	35/–		5 a	12½ b	E.M.I.....10/–	44/6	45/3	3·87	2
45/6	25/9		8 b	5 a	Elliott-Automation....5/–	45/–	45/1½	1·44	2
40·6	22/6		3 a	7 b	English Electric £1	23/–	24/–	8·33	1½
39·6	23/3		3 a	7 b	General Electric.....£1	26/3	28/6	7·02	3¼
72/9	47/–		8½g b	4⅜ a	C. A. Parsons.....£1	50/9	51/–	4·90	4
52/3	37/6		6½ b	3¼ a	A. Reyrolle.....£1	44/–	45/–	4·33	2¾
68/3	45/3		25 c	25 c	Thorn Electrical.....5/–	67/–	68/3	1·83	3
					ENGINEERING				
36/9	18/9		9 c	Nil a	Babcock & Wilcox....£1	20/6	22/3	...	1
48/9	30/4½		4 a	7 b	John Brown £1	36/9	36/9	5·99	2¾
8/6	4/2¼		9 b	3 a	Cammell Laird.....5/–	4/6	4/6	13·33	1
33/9	22/4½		20 b	10 a	Internat. Combust. ..5/–	24/4½	25/10½	5·80	1½
9/11½	3/4½				Rich'ds'ns. Westg'th. 10/–	3/9	3/9	...	11⅞
40/–	28/–		9½ b	2½ a	Swan Hunter £1	36/6	37/11½	6·46	2¼
17/4½	10/6		5 c	5 a	John Thompson 5/–	13/–	12/9	1·96	...
34/4½	21/8¼		†21½ a	†6¼ b	Coventry Gauge.....10/–	31/6	30/7½*	4·67	2¾
79/9	51/6		?·6b	†23¼ a	Alfred Herbert £1	64/6	66/–	4·21	1¾
78/–	41/–		12½ b	5 a	Allied Ironfounders....£1	42/6	41/9	8·38	1½
110/–	81/10½		10 b	5 a	Averys.....£1	96/9	95/3	3·15	2½
36/10½	17/–		7½ b	4 a	B.S.A.....10/–	17/6	17/6	6·67	2¼
14/9	9/–		8½ b	4½ a	George Cohen 5/–	9/6	10/–	6·50	1¼
44/4½	29/–		10 a	17½ b	Davy-Ashmore 5/–	31/9	31/9	4·33	2¼
108/7½	70/–		11 b	5 a	Guest Keen.....£1	78/3	76/6	4·18	3½
31/–	18/3		4 a	12 b	Head Wrightson.....5/–	20/9	20/6	3·90	3½
100/9	68/3		5 a	8 b	Metal Box.....£1	84/–*	85/6	2·81	2¼
22/6	14/–		4 a	10 b	Ransome & Marles...5/–	16/–	16/–	4·38	3
50/6	34/6		7 b	3 a	Renold Chains £1	45/–	45/–*	4·44	2
85/6	54/–		7 a	7 b	Tube Investments.....£1	62/6	63/4½	4·42	3
38/4½	25/6		7½ b	2½ a	Vickers £1	27/9	27/4½	7·31	1¾
84/6	58/–		34¾ a	10 b	Ward (Thos. W.).....£1	60/–	61/–	4·51	3
30/–	18/–		22½ b	5 a	Woodall-Duckham ..5/–	18/–*	18/–	5·83*e	2¾
					FOOD & TOBACCO				
34/–	17/4½		10 c	10 c	Allied Suppliers 10/–	21/6	23/3	4·30	2¼
15/–	7/9¾		12½ b	10 a	Assoc. British Foods..1/–	11/3	11/6	1·96	2
74/–	54/3		8 b	4 a	Bovril.....£1	57/9	59/–	4·07	2½
12/11¼	9/9¾		†1·7a	†3·9b	Brooke Bond 'B' 5/–	11/4½‖	11/4½	4·02	3½
19/3	12/6		10 b	2½ a	International Tea 5/–	14/3	15/9*	3·97	1½
107/9	65/–		10⅝ b	5 a	J. Lyons 'A'.....£1	72/9	72/9	4·25	1¼
35/6	25/9		5 a	9 b	Ranks 10/–	30/6	31/–*	4·52	2
14/03¼	10/4½		7½ b	2½ a	Spillers.....5/–	12/6	12/4½	4·04	2
50/–	38/7½		10·9c	10·7a	Tate & Lyle.....£1	47/10½	47/10½	5·01	2
20·10½	14/10½		9 b	5 a	Unigate 5/–	16/6	16/9*	4·18	2
73/–	55/9		†21½ c	†11½ a	Brit. Amer. Tobac. .10/–	57/3	56/6	6·26	2¾
51/6	34/7½		15 b	5 a	Gallaher 10/–	39/3	41/–	4·88	2
71/9	62/–		14 b	8½ a	Imperial Tobacco.....£1	62/9	62/3	7·23	13¼
					INSURANCE				
15½	11516		†55 b	†50 a	Britannic 5/–	15116	15316	2·82	...
86/3	60/6		25 b	20 a	Commercial Union ..5/–	64/9	66/9	3·37	...
34¼	17⅞		†41·17c	†41·17c	Equity & Law Life ...8/6	32⅞	34¼*	0·83	...
88·4½	51/10½		20 b	10 a	General Accident....5/–	85/6	87/–	1·72	...
60/6	42/7½		40 b	35 a	Guardian.....5/–	52/–	52/–	2·56	...
40¼	21⅞		110 b	80 a	Legal & General.....5/–	38516	40¼	1·18	...
146/–	100/–		11½ b	8½ a	Northern & Empl.....£1	141/9	143/3	2·79	...
272/6	156/3		†70 b	†20 a	Pearl 5/–	215/–	217/6	3·38	...
29	18		†183⅓c	†208⅓c	Prudential 'A'.....5/–	25½	25⅞	2·63	...
49/3	38/10½		11¼ b	7½ a	Royal 5/–	45/4½	46/10½	3·20	...
129/3	100/3		11¼ b	7½ a	Royal Exchange £1	108/9	110/3	3·40	...
					MOTORS & AIRCRAFT				
18/10½	12/10½		7½ a	12½ b	British Motor 5/–	15/03¼	15/9¾	6·32	3¼
86/6	66/11½		20 c	20 c	Jaguar Cars 'A'.....5/–	84/10½	85/11½	1·17	7¾
48/6	35/6		11 c	5 a	Rolls-Royce.....£1	36/3	39/9	5·53	2¼
10/–	5/6		12 c	4 c	Rootes Motors 'A'....4/–	6/2¼	6/3	2·56	...
88/9	52/2¼		5 a	11 b	A.C.V.....£1	77/–	78/6*	4·08	2
101/–	77/7½		15 b	20 c	Leyland Motors £1	90/4½	92/3	4·34	...
18/6	14/–		9 b	3½ a	Bristol Aeroplane ..10/–	15/7½	15/9	7·94	2¼
33/3	20/6		15 c	5 a	Hawker Siddeley.....£1	22/–	22/6¾	9·40	1¼
41/3	28/10½		†4 a	†5½ b	Dowty Group.....10/–	30/–	33/4½	4·65	2¼
29/3	21/6		15⅝ c	5 a	Dunlop Rubber 10/–	29/–	29/3	5·41	2
72/–	49/9		2½ a	11¼ b	Joseph Lucas.....£1	64/–	63/9	4·31	2¼
33/–	15/9		30 c	Nil a	Pressed Steel.....5/–	17/11½	17/11½	...	2¼
46/3	29/3		15 c	12½ c	Triplex Holdings ..10/–	34/4½	35/3	3·55	2¼
					MINES				
168/9	110/–		50 b	40 a	Anglo-American.....10/–	138/9	140/7½	6·40	1½
70/6	43/–		6¼ b	18¾ b	Consolid. Gold Fields .£1	62/6	63/9	7·84	2½
108/9	72/6		15 a	20 b	General Mining £1	96/3	96/3	7·27	2
68/6	42/–		120 b	40 a	Union Corporation ..2/6	59/3	59/9	6·69	3
25/3	15/3		40 a	40 b	Daggafontein 5/–	18/6	17/6*	22·86	1½
125/–	73/9		70 a	100 b	Free State Geduld ...5/

Fairey

FAIREY'S answer to the bid by Bristol Aeroplane and Westland Aircraft of two of their ordinary shares each for every three in Fairey has been a prompt "No." Whether it will be a decisive "No" will depend upon the reaction of Bristol and Westland (or possibly another bidder), for the arguments put forward by the Fairey directors are so strong that Fairey shareholders would be ill advised to part with their shares at the price of 21s. 3d. imputed to them by the Bristol-Westland bid. Immediately, the Fairey directors promise to match the bid in income by forecasting a dividend of 15 per cent for 1961-62. They make no estimate of profits for that year; but they say that the forecast dividend will be well covered by earnings. They add, moreover, that gross profits in 1962-63 will be not less than £800,000 and that within the following two or three years "profits should be running at a rate in excess of £1 million per annum."

Such estimates must be conjectural and these are based on the assumptions first that the Ministry of Aviation will guarantee a sufficient volume of orders for guided weapons developed by Fairey (under a new agreement these will be produced and owned jointly with the British Aircraft Corporation) and secondly that the negotiations for a Nato contract by the Belgian subsidiary, Avions Fairey, will be brought to a successful conclusion. Under the agreement with BAC, Fairey would receive for a period of ten years 50 per cent of the profit derived from the development and manufacture of certain guided weapons, while Fairey's share of the Nato contract would be about £12 million spread over four or five years, with the greater part of the profit from the contract coming in the late years.

As a back-stop to the profit estimate, the Fairey directors have revealed that a revaluation of land and buildings puts their value at nearly £4 million, nearly four times their book value of just over £1 million. On this valuation, the net asset value of each Fairey share is 47s. 4d. and if the company's claim of £1.6 million for compensation for the expropriation of the Great West Aerodrome is successful the net asset value would rise to 55s. 2d. per share. These estimated asset values are not irrelevant to the decision that Fairey shareholders have to take, for in an honest recognition that their management of the group in its new form is still very much on trial the Fairey directors say that if the profit forecast for 1962-63 is not fulfilled they will "invite shareholders' views on a distribution of assets" and that in any event a distribution of any proceeds from the Great West Aerodrome claim will be considered. This week Fairey ordinary shares have risen to 23s. 9d. and this is above the value of a bid which promised to bring Fairey shareholders right back into the aircraft industry—a move that the Fairey directors indicate is not likely to prove either profitable or advantageous.

Mecca-Forte

THE proposed merger between two of the biggest and probably the two liveliest catering groups in this country, Mecca and Forte, has fallen through. From the outset in October when the directors said they were negotiating it was clear that there were some formidable obstacles in the way of a complete merger. First, Forte is a private company. It is always difficult to value the shares in such a concern and what may have seemed to be a satisfactory price from Mecca's point of view may not have looked so satisfactory to Mr Charles Forte, who through a merger would be giving up some measure of control over the undertaking. Secondly, Mecca has both voting and non-voting ordinary shares and the issue of voting scrip to Mr Forte would have tilted the balance of control in the Mecca organisation. The directors did not say why they failed to agree on the merger terms but they emphasised that the abandoning of the plan would not affect "the friendly relationship which has existed over many years."

The failure to agree raises the possibility that Forte will independently seek a quotation on the stock exchange, a move that would make any future merger negotiations easier. But that is no consolation to the speculators who gambled on the prospect that the merger with Mecca would go through. Their buying had carried the price of the Mecca voting stock up from 44s. in October to 71s. It had fallen back to 64s. 6d. by last Friday but after the directors had said the merger was off it slumped to 51s. 3d. At this price the shares still yield only 2 per cent.

Watney Mann

HALF of the 50 leading stocks that make up *The Economist* indicator were lower at the end of 1961 than they were at the beginning. Among those that achieved the biggest rises and produced a small rise of one per cent in the indicator as a whole was Watney Mann. Its price rose by 40 per cent, beaten only by Legal and General (up by 83 per cent) and Midland Bank (up by 46 per cent) and equalled by United Drapery Stores. Brewery shares have been one of the best performers in 1961 and many of the trading results from this industry that have been published in recent weeks have justified the confidence of investors. None have done more so than Watney Mann, which achieved in the year to September 30th a 13 per cent increase in profits after depreciation from £6,984,000 to £7,872,000. These results were certainly up to expectations, reflecting not only a rise in beer consumption and a small increase in prices but benefits from the mergers of the past two years.

This is confirmed by Mr S. H. Combe, the chairman of Watney Mann, who says that the past financial year was one of consolidation and internal reorganisation. Much of this has been centred on meeting the increase in demand for the container draught, "Red Barrel." Capacity has been increased at some of the recently acquired breweries, such as Phipps at Northampton, Ushers at Trowbridge and Wilsons at Manchester. Pursuing its policy of decentralisation Watney Mann has acquired Morgans Brewery in Norwich following the merger of Steward and Patteson and Bullard & Sons. This will not only leave Watney Mann better placed to supply East Anglia, but arrangements have also been made for "Red Barrel" and other Watney Mann beers to be sold in Steward and Patteson and Bullard's houses.

Capital expenditure and additions to trade investments absorbed £5.4 million in 1960-61, of which just about half was covered by the net cash flow. Stocks rose sharply from £9 million to £11½ million and the group's net liquid assets fell from £6.5 million to £1.8 million. Watney Mann is planning to spend heavily again in the current year, not only on the brewing side, but in building up its other interests in wines and spirits, Coca-Cola and motels. At the end of September capital commitments already totalled £3 million. The need for fresh funds was pressing and recently Watney Mann placed £5 million of a 6½ per cent debenture, 1987-90. Placed at 96½, the £25 paid stock was dealt in this week at 25.

The issue of further prior charge capital raises the capital gearing still more and this makes the ordinary shares particularly attractive when profits are rising. Mr Combe makes it clear from his statement that the latest results only partially reflect the benefits arising from integration and reorganisation and the heavy capital expenditures. A further increase in profits, however, is well discounted in the current yield on the £1 shares of only 3.3 per cent, as is a dividend higher than the payment of 18 per cent for 1960-61 (which would have been raised but for the Chancellor's request). The recent strength of the shares, which now stand at 107s. 9d., has in part anticipated the fact that the shares will be more attractive to small investors when they are split into 5s. units and, on balance, it would perhaps be unwise to expect the shares to perform as well in 1962 as they did last year.

The Economist Indicator (1953=100)

1961/62	Indicator	Yield %	1961/62 High	1961/62 Low
Nov. 29	356·9	5·33		
Dec. 6	347·3	5·53		
,, 13	355·5	5·41		
,, 20	356·7	5·38	427·2 (May 10)	342·7 (Oct. 18)
,, 27	359·2	5·35		
Jan. 3	363·6	5·01		

Financial Times Indices

1961/62	Index†	Ord. Yield	2½% Consols Yield	Bargains Marked
Dec. 27	303·7	5·20	6·60	6,929
,, 28	303·9	5·19	6·60	9,604
,, 29	304·8	5·18	6·58	10,229
Jan. 2	307·1	5·14	6·56	14,765
,, 3	306·7	5·15	6·56	11,911

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

Money and Exchanges

EXCHEQUER RETURNS

For the 15 days ended December 31, 1961, there was an "above-line" deficit (after allowing for sinking funds) of £103,105,000 compared with a deficit of £62,872,000 in the previous week and a deficit of £122,465,000 in the corresponding period of last year. There was a net expenditure "below-line" of £58,679,000 leaving a total cumulative deficit to date of £1,045,779,000 compared with £1,147,464,000 in 1960-61.

£'000	Estimate 1961-62	April 1, to Dec. 31, 1960	April 1, to Dec. 31, 1961	2 weeks ended Dec. 31, 1960	15 days ended Dec. 31, 1961
Ordinary Revenue					
Income Tax	2,728,500	997,391	1,126,177	63,757	65,971
Surtax	210,000	56,900	63,400	4,400	3,500
Death Duties	240,000	168,300	188,300	7,400	6,800
Stamps	94,000	67,100	71,700	4,300	3,400
Profits tax, EPT and EPL	325,500	209,500	263,400	5,700	7,300
Other Inland Rev. Duties	...	100	...	50	...
Total Inland Rev.	3,598,000	1,499,291	1,712,977	85,607	86,971
Customs	1,550,000	1,108,313	1,219,425	44,290	45,844
Excise	960,000	714,340	738,475	22,490	21,670
Total Customs and Excise	2,510,000	1,822,653	1,957,900	66,780	67,514
Motor Duties	155,000	42,669	54,590	1,195	3,280
PO (Net Recpts)	...	...	...	1,500	...
Broadcast Lic's.	40,000	26,500	27,800	4,000	4,000
Sundry Loans	205,000	40,292	194,141	...	6,012
Miscellaneous		86,411		6,102	
Total	6,508,000	3,517,816	3,947,408	162,184	167,777
Ordinary Expenditure					
Debt Interest	660,000	517,933	553,072	47,596	32,190
Payments to N. Ireland Exch.	92,000	60,141	65,903	3,564	6,327
PO Fund — Initial settlement	15,000	...	7,282	...	...
Other Consolidated Funds	8,000	4,921	5,149	195	158
Supply Services	5,186,902	3,565,621	3,845,600	233,024	231,737
Total	5,961,902	4,148,616	4,477,006	284,379	270,412
Sinking Funds	40,000	26,680	27,254	450	470
"Above-line" Surplus or Deficit	657,480	556,852	122,465	103,105	
Below-line" Net Expenditure*	489,984	488,927	116,295	58,679	
Total Surplus or Deficit	1,147,464	1,045,779	238,940	161,784	
Net receipts from:					
Tax Reserve Certificates	219,919	204,927	20,421	16,127	
Savings Certificates	46,800	—18,700	1,900	—300	
Defence Bonds	79,369	19,753	2,265	—146	
Premium Savings Bonds	41,950	31,600	1,300	2,500	
Total		388,038	237,580	25,886	18,181

* Net receipts of the Civil Contingencies Fund £5 million in 1961-62 compared with a net receipt of £4 million in 1960-61.

FLOATING DEBT

(£ million)

	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Dept.	Ways and Means Advances: Bank of England	Total Floating Debt
1960					
Dec. 31	3,580·0	2,007·4	294·1	4·0	5,885·5
1961					
Sept. 23	3,220·0	1,928·7	228·3	...	5,377·0
,, 30	3,220·0	2,018·6	283·7	...	5,522·3
Oct. 7	3,240·0	1,998·1	207·2	...	5,445·3
,, 14	3,260·0	2,003·4	208·7	...	5,472·2
,, 21	3,270·0	1,997·8	183·1	...	5,450·9
,, 28	3,280·0	2,003·2	211·5	...	5,494·8
Nov. 4	3,280·0	2,063·7	201·1	0·8	5,545·5
,, 11	3,290·0	1,990·7	216·9	...	5,497·6
,, 18	3,310·0	1,976·2	250·6	...	5,536·8
,, 25	3,330·0	2,016·1	205·3	...	5,551·4
Dec. 2	3,350·0	2,078·9	228·5	...	5,657·4
,, 9	3,370·0	2,083·8	222·2	...	5,676·0
,, 16	3,370·0	2,148·9	235·2	0·8	5,754·9
,, 31	3,400·0	2,205·3	205·1	...	5,810·4

THE MONEY MARKET

AT the last Treasury bill tender of the old year the syndicate of discount houses again lowered its bid, by a further 2d. to £98 13s., and the average rate of discount rose by 9.54d. to £5 8s. 0.72d. per cent, bringing the increase over the past two tenders to 1s. 7.89d. Total applications for the £250 million of 91-day bills on offer rose by £82 million to £396 million, with no 63-day bills on offer, and the market received 51 per cent of its application compared with 52 per cent in the previous week.

Credit conditions in the week straddling the turn of the year have been erratic. On the Thursday before the end of the year two or three houses were forced to borrow a small amount from the Bank of England at Bank rate. On Friday credit was comfortable and the end-year pressures were not fully felt until Saturday, the last working day of the year, when the authorities provided a large amount of special help. Credit was very easy on Monday, January 1st, and the authorities sold a large number of bills to absorb the surplus credit. Conditions then changed abruptly with the postal delays adding their share of uncertainty, and authorities provided large amounts of help on both Tuesday and Wednesday.

MONEY RATES

LONDON

	%		%
Bank rate (from 6½%, 2.11.61)	6	**Discount rates** (Wednesday):	
Deposit rates (7 days' notice):		Bank bills:	
Banks	4	60 days	5⅝–5 11/16
Discount houses	4–4¼	3 months	5⅝–5 11/16
Local Authorities	6¾	4 months	5⅝–5 11/16
Call money:		6 months	5⅝–5¾
Clearing banks' minimum	4⅜	Fine trade bills:	
Day-to-day	4⅜–5½	3 months	6¾–7½
		4 months	6¾–7½
		6 months	7 –8

NEW YORK

	%		%
Official Discount rate: (from 3½%, 11.8.60)	3	**Treasury bills:** Dec. 22	2·594
		,, 29	2·703

BANK OF ENGLAND RETURNS

£ million	Jan. 4, 1961	Dec. 27, 1961	Jan. 3, 1962
*Issue Department**:			
Notes in circulation	2,313·9	2,458·1	2,405·4
Notes in banking dept.	36·4	17·2	69·9
Govt. debt and securities†	2,348·0	2,474·0	2,474·0
Other securities	0·8	0·8	0·7
Gold coin and bullion	0·4	0·4	0·4
Coin other than gold coin	1·3	0·3	0·3
Banking Department:			
Deposits:			
Public accounts	13·9	22·2	11·6
Special deposits	155·9	233·5	236·5
Bankers	229·2	216·1	231·2
Others	65·6	73·0	70·3
Total	464·6	544·7	549·6
Securities:			
Government	349·2	476·5	424·9
Discounts and advances	77·4	49·1	52·6
Other	18·9	19·2	19·5
Total	445·5	544·8	497·0
Banking department reserve	37·2	18·1	70·8
	%	%	%
"Proportion"	8·0	3·3	12·8

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

TREASURY BILL TENDERS

Date of Tender	Amount (£ million): Offered	Amount (£ million): Applied for	Three Months' Bills: Average Rate of Allotment	Three Months' Bills: Allotted at Max. Rate*
1960	91 day		s. d.	%
Dec. 30	250·0	392·9	86 11·78	50
1961				
Sept. 29	270·0	447·9	131 0·48	39
Oct. 6	260·0	397·9	122 5·80	57
,, 13	260·0	419·0	120 2·28	59
,, 20	250·0	416·1	118 5·35	51
,, 27	250·0	431·2	114 6·57	66
	91 day	63 day		
Nov. 3	200·0	60·0	412·7	108 6·10	63
,, 10	230·0	40·0	458·9	108 5·49	44
,, 17	220·0	50·0	430·2	107 9·71	56
,, 24	220·0‡	60·0	471·8	107 9·40	42
Dec. 1	220·0	50·0	461·3	107 1·08	44
,, 8	230·0	30·0	455·3	106 5·34	46
,, 15	210·0	50·0	371·6	106 4·83	37
,, 22	210·0	50·0	379·0	107 3·18	52
,, 29	250·0		396·0	108 0·72	51

* On December 29th tenders for 91 day bills at £98 13s. 0d. secured 51 per cent, higher tenders being allotted in full. The offer for this week was for £240 million 91 day bills.
‡ Allotment cut by £10 million.

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Effective Limits: January 3	Market Rates: Spot: December 28	December 29	December 30	January 1	January 2	January 3
United States $	2·78–2·82*	2·80 3/4–7/8	2·80 3/4–7/8	2·80 3/4–7/8	2·80 13/16–15/16	2·80 7/8–81	2·80 7/8–81
Canadian $	...	2·92 13/16–15/16	2·93–93/8	2·92 15/16–93 1/16	2·93 1/16–1/4	2·93 1/8–1/4	2·93 5/16–7/16
French Fr.	13·622–14·027	13·75 1/4–76	13·75 3/8–7/8	13·75 1/4–76	13·76 1/8–3/8	13·76 1/8–5/8	13·76 1/8–5/8
Swiss Fr.	11·94–12·54 7/8	12·11 7/8–12 1/8	12·11 3/8–5/8	12·11 7/8–5/8	12·12 1/8–12 3/8	12·12 1/2–3/4	12·13 1/2–3/4
Belgian Fr.	137·96–142·05	139·75–80	139·72 1/2–77 1/2	139·72 1/2–77 1/2	139·77 1/2–821/2	139·80–85	139·80–85
Dutch Gld.	9·98 1/2–10 28 1/2	10·10 3/4–11	10·10 1/2–3/4	10·10 5/8–7/8	10·11–11 1/4	10·11 3/4–12	10·11 3/4–12
W. Ger. D-Mk.	11·037–11·365	11·22 1/4–23	11·22–22 1/4	11·21 7/8–22 1/8	11·22 1/8–3/8	11·22 3/4–23	11·22 1/2–3/4
Portug. Esc.	...	80·20–30	80·20–30	80·20–30	80·20–30	80·20–30	80·20–30
Italian Lire	1725–1775	1742 1/2–43	1742–42 1/2	1742 1/4–3/4	1742 1/2–3/4	1743–43 1/2	1743 1/4–3/4
Swedish Kr.	14·27 1/2–14·70	14·54 1/2–3/4	14·53 3/8–7/8	14·53 1/2–3/4	14·53 5/8–7/8	14·53 3/4–54	14·53 1/4–1/2
Danish Kr.	19·06 1/2–19·62	19·31 7/8–8/8	19·32 1/4–1/2	19·32–32 1/4	19·32 1/8–3/8	19·31 5/8–7/8	19·31 5/8–7/8
Norwegian Kr.	19·71–20·30 1/2	20·00 7/8–01 1/8	20·01 1/4–1/2	20·01 1/4–3/4	20·01 3/8–5/8	20·01 7/8–02 1/8	20·02 3/8–5/8
	* Official Limits	**One Month Forward Rates**					
United States $		11/16–9/16c. pm	11/16–9/16c. pm	11/16–9/16c. pm	11/16–9/16c. pm	3/4–9/16c. pm	3/4–5/8c. pm
Canadian $		3/4–5/8c. pm	3/4–5/8c. pm	3/4–5/8c. pm	3/4–5/8c. pm	3/4–9/16c. pm	11/16–5/8c. pm
French Fr.		3 1/2–3c. pm	3 1/2–3c. pm	3 1/2–3c. pm	3 1/4–2 3/4c. pm	3 1/4–2 3/4c. pm	3–2 1/2c. pm
Swiss Fr.		3 7/8–3 3/8c. pm	3 7/8–3 3/8c. pm	3 7/8–3 3/8c. pm	3 7/8–3 3/8c. pm	3 7/8–3 3/8c. pm	3 7/8–3 3/8c. pm
Belgian Fr.		30–20c. pm	35–25c. pm	35–25c. pm	35–25c. pm	35–25c. pm	35–25c. pm
Dutch Gld.		3 3/4–3 1/4c. pm	3 1/2–3c. pm	3 1/2–3c. pm	3 1/2–3c. pm	3 1/2–3c. pm	3 1/2–3c. pm
W. German D-Mk.		3 3/4–3 1/4pf. pm	3 3/4–3 1/4pf. pm	3 3/4–3 1/4pf. pm	3 3/4–3 1/4pf. pm	3 3/4–3 1/4pf. pm	3 3/4–3 1/4pf. pm
		Three Months Forward Rates					
United States $		17/8–13/4c. pm	17/8–13/4c. pm	17/8–13/4c. pm	17/8–13/4c. pm	17/8–13/4c. pm	15/16–13/16c. pm
Canadian $		15/16–13/16c. pm	15/16–13/16c. pm	2–17/8c. pm	2–17/8c. pm	2–17/8c. pm	17/8–13/4c. pm
Swiss Fr.		10–9 1/2c. pm	10–9 1/2c. pm	10–9 1/2c. pm	10–9 1/2c. pm	10–9 3/4c. pm	10 1/4–9 3/4c. pm
W. German D-Mk.		10 1/2–10pf. pm	10 3/4–10 1/4pf. pm	10 1/2–10pf. pm	10 1/2–10pf. pm	10 1/4–9 3/4pf. pm	10 1/2–10pf. pm
		Gold Price at Fixing					
Price (s. d. per fine oz.)		250/2	250/4 1/4	...	...	250/3 1/4	250/3 1/4
,, ($,, ,,)		35·14 1/2	35·15	...	...	35·15 1/2	35·15 1/2

The United States

Monthly averages or calendar months except where annual rates are shown

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

BRITISH			
Prices and Wages	Dec. 30th	External Trade	Dec. 30th
Manpower and Output	Dec. 16th	Industrial Profits	Oct. 14th
OVERSEAS			
Western Europe	Dec. 23rd	United States	This week

PRICES AND WAGES

	Wholesale prices		Consumer prices				External prices			Stock prices	Average weekly earnings in manufacturing	
	All commodities	Farm products	All items	Food	Clothing	Housing	Import	Export	Terms of trade	Composite index	At current prices	At 1960 prices
	1947–49=100						1948=100			1957–59=100	$	
1948	104·4	107·3	102·8	104·1	103·5	101·7	100	100	100	36·6	54·14	65·54
1959	119·5	89·1	124·6	118·3	107·9	129·2	117	110	106	116·7	88·26	89·60
1960	119·6	88·8	126·5	119·7	109·4	131·5	118	111	106	113·9	89·72	89·72
1961, August	118·9	88·6	128·0	121·2	109·9	132·3	117	113	104	137·4	92·86	91·76
,, September	118·8	87·2	128·3	121·1	111·1	132·6	117	114	103	136·2	92·73	91·45
,, October	118·7	87·1	128·4	120·9	111·4	132·7	...	...	...	138·0	94·54	93·14
,, November	118·8	87·5	128·3	120·3	111·2	132·9	...	...	...	144·0	95·82	...

PRODUCTION AND MANPOWER

	Gross national product Seasonally adjusted annual rate	Total industrial production	Manufacturing production: Durable goods			Manufacturing production: Non-durable goods			Building: New construction: seasonally adjusted annual rates	Civilian employment[1]		
			Total	Metals	Vehicles, etc.	Total	Textiles, clothing	Chemicals and petroleum products		Total labour force	Total employment	Unemployed as per cent of labour force: seasonally adjusted
	$ billion	1957=100; seasonally adjusted							$ billion	thousands		
1948	259·4	68	64	84	44	72	87	54	23·2	61,442	59,378	3·4
1959	482·8	105	102	90	98	110	115	113	56·6	69,394	65,581	5·5
1960	504·4	108	104	91	102	113	115	118	55·6	70,612	66,671	5·6
1961, July		112	107	95	102	119	118	127	57·0	73,639	68,499	6·9
,, August	525·8	113	108	98	103	120	120	127	58·0	73,081	68,539	6·9
,, September		111	105	99	95	119	118	126	58·9	71,123	67,038	6·8
,, October	...	113	107	96	102	120	122	127	58·9	71,759	67,824	6·8
,, November	...	114	109	97	108	121	122	128	59·5	71,339	67,349	6·1

TRADE

	Personal consumption Annual rates	Wholesale: Sales	Wholesale: Stocks[2]	Retail: Sales	Retail: Stocks[2]	Imports for US consumption: Total	Imports for US consumption: Crude materials	Imports for US consumption: Semi-manuf'res.	Exports of US merchandise: Total	Exports of US merchandise: Finished goods	Volume of trade: Imports	Volume of trade: Exports
		$ billion; seasonally adjusted				$ million					1948=100	
1948	178·3	7·5	7·9	10·9	15·8	591	179	136	1,044	591	100	100
1959	314·0	12·3	12·6	18·0	24·3	1,249	258	275	1,453	878	182	127
1960	328·9	12·3	13·2	18·3	25·4	1,221	251	258	1,692	953	175	147
1961, June	336·1[6]	12·8	13·5	18·2	24·6	1,189	239	254	1,678	982	174	143
,, July		12·5	13·6	18·0	24·7	1,241	254	257	1,617	941	181	138
,, August	341·0[7]	12·8	13·6	18·2	24·5	1,250	259	252	1,650	932	182	141
,, September		12·4	13·5	18·1	24·7	1,176	243	252	1,615	937	172	138
,, October	...	12·6	13·5	18·6[8]	24·8	1,335	271	284	1,867	1,036	...	...

PURCHASING POWER AND FINANCE

	Personal income: Total	Personal income: Labour income	Personal income: Farm income	Consumer credit[2]: Total	Consumer credit[2]: Instalment	Banking statistics[3]: Investments	Banking statistics[3]: Loans	Budget expenditure[4]: Total	Budget expenditure[4]: Surplus or deficit	Bond yields: 3-month Treasury bills	Bond yields: Taxable Govt. bonds[5]	Bond yields: Corporate Aaa bonds
	$ billion: seasonally adjusted annual rates			$ billion; end of period		$ billion; end of period		$ billion		Per cent per annum		
1948	210·4	137·9	17·8	14·45	9·00	71·8	42·5	33·1	+ 8·4	1·040	2·44	2·82
1959	383·3	268·8	11·3	52·12	39·85	79·4	110·8	80·3	− 12·4	3·405	4·08	4·38
1960	402·2	282·2	12·0	56·05	43·28	81·9	117·6	76·5	+ 1·2	2·928	4·02	4·41
1961, July	421·2	293·4	12·9	54·69	42·46	87·0	118·1	6·3	− 3·3	2·268	3·90	4·41
,, August	419·4	294·0	12·8	54·89	42·64	86·7	118·5	7·6	− 1·3	2·402	4·00	4·45
,, September	421·1	295·2	12·7	54·87	42·55	89·3	120·8	6·8	+ 2·2	2·304	4·02	4·45
,, October	425·2	297·8	13·5	55·05	42·71	89·8	120·5	7·8	− 4·7	2·350	3·98	4·42
,, November	429·0	300·3	14·2	...	...	89·6	121·7	7·5	− 1·1	2·458	3·98	4·39

(1) 1948 figures are not strictly comparable. (2) End of period. (3) All commercial banks. (4) Annual figures are totals for the fiscal years ended June 30th. (5) Bonds due or callable 10 years and after (except 1948: due or callable after 15 years). (6) Average for second quarter. (7) Average for third quarter. (8) November. 19·3

APPOINTMENTS

CALTEX

THE BAHRAIN PETROLEUM COMPANY LIMITED, BAHRAIN

MATHEMATICS TEACHER

A teacher of mathematics is required by the Bahrain Petroleum Company Limited for its Apprentice Training School in Bahrain (Middle East). The apprentices and other adult students are Bahraini Nationals and the language of instruction is English. Instruction will be up to G.C.E. "O" level standard in classes of 25-30.

Applicants should hold a degree in Mathematics together with a teaching certificate and should have had at least three years' experience of teaching mathematics to G.C.E. "O" level.

A commencing salary of £1,680 per annum is offered together with free air-conditioned accommodation and a living allowance. An initial kit allowance, medical attention, paid home and local leaves (passages paid for the former and generous assistance towards the latter) are also provided, with participation in Pension and Provident Fund Schemes.

Suitably qualified men should apply to Caltex Services Limited, Caltex House, Knightsbridge Green, London S.W.1., quoting ref. "M.T."

Ford

FORD MOTOR COMPANY LIMITED has made significant progress in developing the most modern techniques to assist management in formulating policy and controlling the Company's operations. The positions to be filled are suitable for men with experience or special interest in any of the following work :—

Industrial Economics
Cost Control—Manufacturing or Commercial
Procedures and Systems Analysis
Financial Planning—New Products
Sales and Market Analysis
Computer Programmers

Applicants are expected to be competent in their own field and at the same time to possess the personal qualities to merit early promotion to broader responsibilities. Prospects and salary depend entirely on results, and there are no restrictions on rate of advancement. The minimum qualification is a good honours degree or an appropriate professional qualification. The upper age limit is 35; there is no lower age limit provided the ability and will to succeed are apparent.

Men who can fulfil the strict requirements for these positions are invited to send brief particulars, indicating alternative dates and times at which they can be available for interview at Dagenham, to:

H. G. Pearman,
Training and Recruitment Office,
Ford Motor Company Limited,
Dagenham, Essex.

Please mark envelopes C/109E

Esso

CO-ORDINATION AND ECONOMICS DEPARTMENT

Is looking for a young assistant—an economics graduate not more than 25 with a 1st or upper 2nd. He is to help in work on general business trends, energy studies and petroleum economics. For the right man this would be an excellent starting point in our business and there would be early opportunities to branch out into other fields of activity in a range of company departments. Write giving brief initial details to: Head of Recruitment, (Reference 394), Esso Petroleum Company, Limited, 16 Charles II Street, London, S.W.1

Pressed Steel Company Ltd.

In view of the increased use of Data Processing the Company now wish to appoint a

COMPUTER PROGRAMMER

Applications are invited from those whose qualifications and past experience give them an appreciation of how best to use a machine with a large random-access store to extract Management information during the processing of a large variety of inventory and production data. The successful candidate will be responsible for his own programming work and that of his assistants.

This vacancy arises at the Head Office of the group at Oxford—one of the most desirable areas in the country—and is of outstanding interest because of the wide variety of the work, and the opportunity it provides to join an expanding Organisation.

Write, in strict confidence giving full details of education training, experience and salaries earned, to the Staff Officer Pressed Steel Company Limited, Cowley, Oxford.

For further appointments and other classified advertisements see pages 76 and 84

Young Chartered Accountants

required

(age 25 or under)

for unusual opportunities in the production departments of an Iron and Steel Company. Applications from young men wishing to gain management experience should be made in writing to the General Manager (Production) Dorman Long (Steel) Limited, The Grange, Eston, Middlesbrough, Yorks

THE UNIVERSITY OF SOUTHAMPTON

Applications are invited for the post of Lecturer or Assistant Lecturer in Accountancy. Candidates should have a university degree and should hold a professional qualification in Accountancy. Salary Scales: Lecturer £1,050 x £50—£1,400 x £75—£1,850 with an efficiency bar at £1,475. Assistant Lecturer £800 x £50—£950. The initial salary will depend on qualifications and experience.—Further particulars should be obtained from the Secretary and Registrar, The University, Southampton, to whom applications (6 copies from United Kingdom applicants) should be sent not later than 10th February 1962.

ECONOMIC AFFAIRS REFERENCE SERVICE

CENTRAL OFFICE OF INFORMATION (ECONOMIC UNIT) requires an Information Officer (unestablished) to write reference information papers and provide factual briefing for overseas use on British and international affairs. Desirable qualifications are a university degree in economics or related subject, research experience, and the ability to present factual information concisely and accurately. Candidates may be asked to produce examples of written work. Salary £1,282—£1,490.—Write, giving age, full details of experience and qualifications, to Manager (PE/427/PC), Ministry of Labour Professional and Executive Register, Atlantic House, Farringdon Street, London, E.C.4.

THE Institute of Bankers have a vacancy for an Assistant Secretary. Applicants should have a degree of a United Kingdom University—or appropriate professional qualification—and experience of banking or kindred matters. They must be vitally interested in education and experienced in administration and public speaking. Age should be 31-35. The post is progressive and pensionable, with commencing emoluments in the region of £1,500 p.a.—Apply in writing, by 1st February, 1962, to the Secretary, The Institute of Bankers, 10 Lombard Street, London, E.C.3.

ECONOMIST

Male graduate in Economics or Statistics required as the Senior Assistant in an advisory department of an international food manufacturing company with headquarters in London. The person appointed will be expected, after collation and analysis of relevant material, to make market appraisals for many products both in the United Kingdom and overseas. Age limits 25-35 years. Previous experience in this type of work and a knowledge of French are desirable. The salary and the prospects are good and a Pension scheme is in operation.—Applications, giving details of age, academic qualifications, experience and any special research interests, should be sent to the Personnel Officer, Liebig's Extract of Meat Company, Limited Thames House Queen Street Place, E.C.4

SENIOR EXECUTIVE MARKET RESEARCH

Leading Company needs executive with experience of consumer surveys administration and interpretation of data. He will control a department and must be able to sell research services. For the right man this could be a very worthwhile opportunity.—For details write Box 1579.

GALLAHER LIMITED

makers of

SENIOR SERVICE CIGARETTES

STATISTICAL APPOINTMENTS

Applications are invited for the following new appointments:

1. **A GRADUATE IN ECONOMICS (including statistics) OR MATHEMATICS** to join the Statistics Section at the Head Office in London. His main duties will be the interpretation of market research surveys and analysis of statistical data relating to a wide range of the Company's activities.

Candidates, male or female, should be between 25 and 30, and preferably have a market research background.

2. **A GRADUATE IN MATHEMATICS, ENGINEERING OR SCIENCE,** with a sound knowledge of statistics, to be responsible for the statistical services at the Company's Manchester group of factories (J. A. Pattreiouex Ltd.). His duties will be principally concerned with quality control and process investigation and will offer great scope to a graduate interested in the application of statistics to production processes.

Candidates, male, should be between 25 and 30. Salary according to age and experience. Excellent Company Pension Scheme.

Please apply in writing to Personnel Adviser, Gallaher Limited, Granite House, 97-101, Cannon Street, London, E.C.4.

THE NUFFIELD PROVINCIAL HOSPITALS TRUST

wish to appoint a Senior Research Fellow to undertake the research study of the initiation and execution of hospital building projects. The aim of the work will be to make a critical examination of existing methods for the administration and design of hospital building projects to ascertain the degree of success of existing methods in obtaining suitable buildings with speed and economy and to make recommendations for their improvement. The Fellowship, which is being financed by the Trust, will be for a three-year period and will be located at the Building Research Station, Garston, Watford. A salary in the range of £1,600 to £1,800 per annum will be paid. Candidates should have experience of research in the fields of operational research, economics or social or industrial administration.

Applications should be made to:—**Director, Building Research Station, Bucknalls Lane, Garston, Watford, Herts, by 20th January, 1962.**

TUBE INVESTMENTS LIMITED
ECONOMICS OFFICE

require an Economics Graduate, age not more than 27. He should have an Honours Degree in Economics with some Statistics and preferably at least 2 or 3 years' experience in Industry or Commerce.

Send brief details to:

Head of Economics Office,
T.I. (Group Services) Ltd.,
The Adelphi,
John Adam Street,
London, W.C.2.

MARKET STATISTICS

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For further appointments and other classified advertisements see pages 76 and 83

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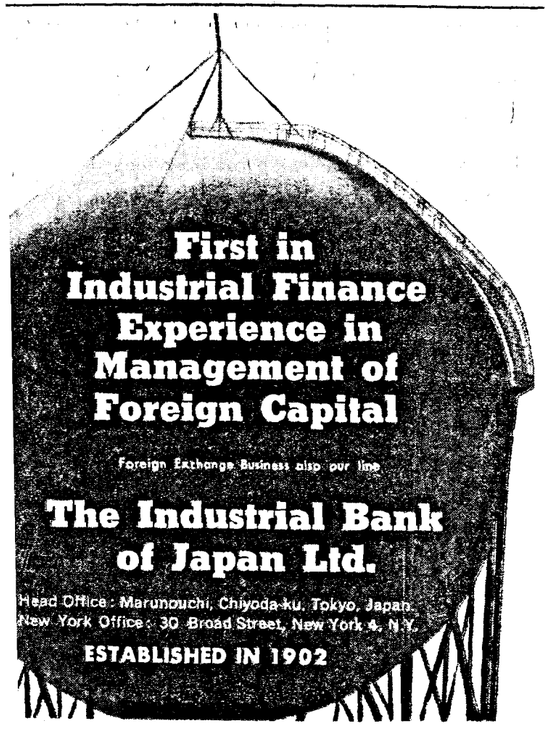
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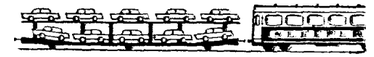
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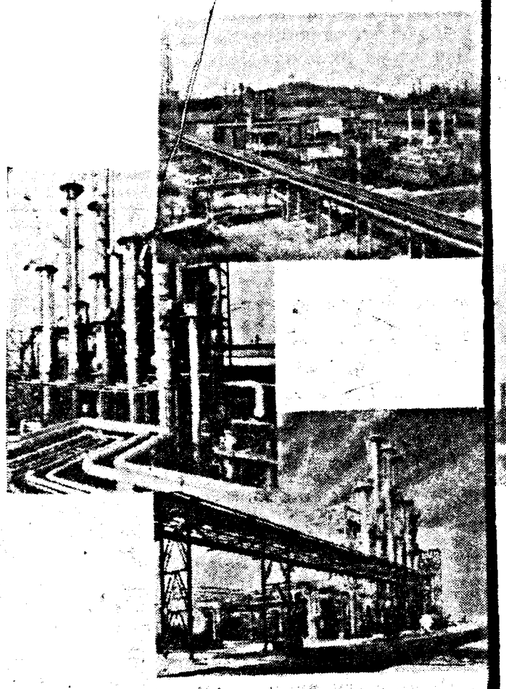
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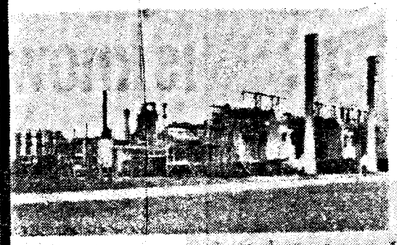
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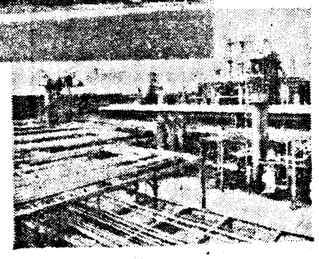
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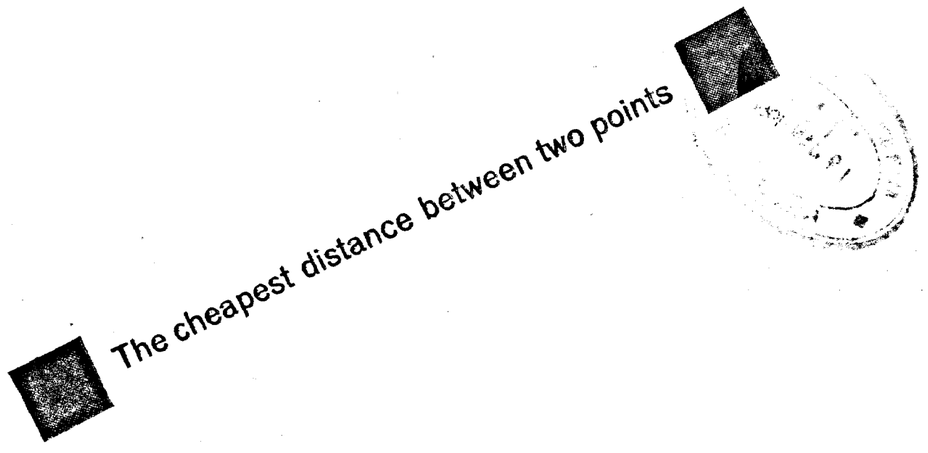
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In The Economist this Week — January 13, 1962

INTERNATIONAL

BOOK OF BEASTS

Dodo: Sir Roy Welensky's white-dominated Central African Federation will not survive as it is. The British Government has allowed itself to be compromised too far. The time has come to give a liberal constitution to Northern Rhodesia, even at the cost of quarrelling with Sir Roy—and Conservative back-benchers (p. 103).

Locust: Nor are Sir Edgar Whitehead's liberalising policies in Southern Rhodesia likely to save the day there: it is far too late in the years (p. 138).

Tiger: China's latest pet-of-the-year is likely to be a bookish and old-fashioned animal, poring over statistics and the problems of food production, instead of winning glory in heavy industry (p. 135). A book taking a different view of China is reviewed on page 121.

Sacred Cow: The Congress party may be unusual in having only one stomach, but it seems able to digest most of India's contradictory elements, in spite of competition from communists and high tories (p. 136).

Political Animal: President Kennedy may not be treating Congress with his present cool patience for very much longer (p. 125).

TESTS AND TRIALS

Berlin: The West will not lose this trial of strength by giving a minimal recognition to the east German regime in return for a durable agreement on the status of Berlin. In the long run it may lose if it does not do so (p. 107).

Britain and Europe: The common market's agricultural programme, and with it Britain's application for membership, may be running into difficulties, but it is too early for its foes to write the effort off (p. 109). British relations with west Germany are somewhat happier as a result of the Macmillan-Adenauer meeting (p. 135).

France: General de Gaulle is now required to curb his right-wing extremists if he is to have peace with the Algerian nationalists (p. 111).

West Papua/Irian: The vast distance from Jakarta to New Guinea, and a province to conquer the size of France, make it possible for the New Guinea problem still to be solved before President Sukarno goes to war (p. 109).

The Balkans: Macedonia again (p. 115).

Italy: Signor Saragat's political skill may be severely tested in the coming political crisis that he proposes to launch (p. 111).

IMF: Limited though it is, the latest addition to the Fund's resources should strengthen it in times of speculative emergencies (p. 146).

STATE OF AMERICA

Laos: An emergency which seemed, originally, to provide a test of Mr Khrushchev's intentions now seems to test Mr Kennedy's control over his dependants (p. 110).

Moon: Americans are to be sent there for the sake of national survival as well as national pride (p. 126).

Money: This year's defence Budget will be the biggest ever but not as big as it might have been (p. 128). Much-needed reforms on the American Stock Exchange are being speeded up (p. 128).

Distinctions: Los Angeles stands out as the largest city with no more than two daily newspapers (p. 131): Mr Rockefeller still hopes to stand forth a President (p. 131).

HOME

MAKE-UP

Two of Mr Lloyd's three suggestions to the Trades Union Congress for a wages policy are barren: the third, although much more fruitful than what has gone before, treats the facts too timidly (p. 105).

Which?'s car tests, or the claims of British manufacturers—which? (p. 150).

Courtaulds have rejected ICI's bid: their counter-proposals will have to offer a hard alternative (p. 147).

All so-called 'flu is not influenza (p. 112).

FACE LIFT

The Government needs a comprehensive science policy, to make sure that public money for research goes to the best scientists and not to the smoothest talkers (p. 143).

London's office boom should be curbed by taxation, not indiscriminately halted by a total ban (p. 119).

COLD DOUCHE

More Welsh railways are to be closed by economic pressure: the closures are being resisted by sentiment and nationalism (p. 120).

The apprenticeship system needs a most thorough overhaul: the Minister of Labour's ideas are welcome, if inadequate (p. 110).

Colvilles' new steelworks in Scotland will be a heavy liability unless demand improves (p. 149).

MUDPACK

Government support for farmers this year will cost £78 million more than was expected: future policy (in Europe or out) must be to help them (and the taxpayers) to get out of uneconomic business (p. 106).

A new report on milk marketing rattles too few farmers' churns (p. 114).

The post office work-to-rule has brought Britain's services down to normal American standards (p. 109).

FOOTNOTE

Mr Clore wants to increase his interests in our feet: and, square or pointed, he should give them a profitable twist (p. 144).

Police: the trudge away from the parish pump? (p. 112).

Detailed contents on page 103

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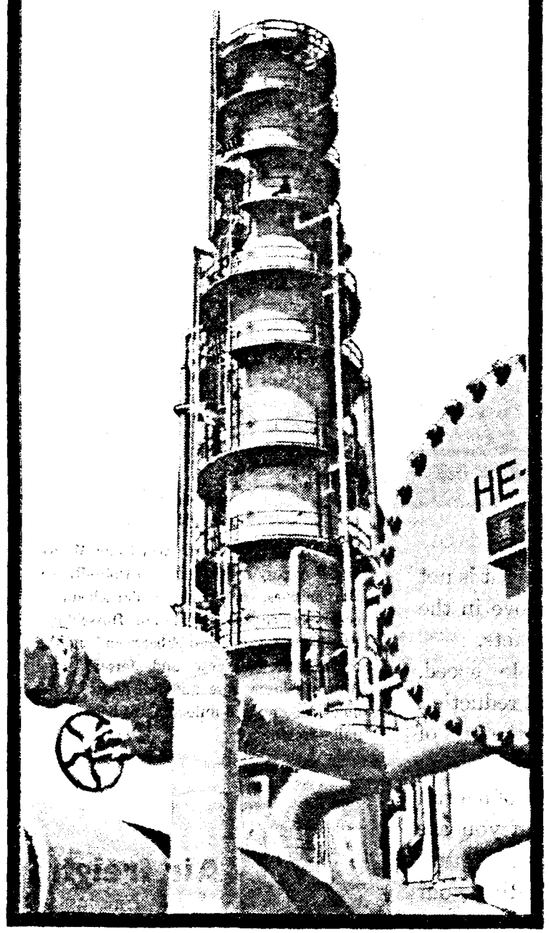
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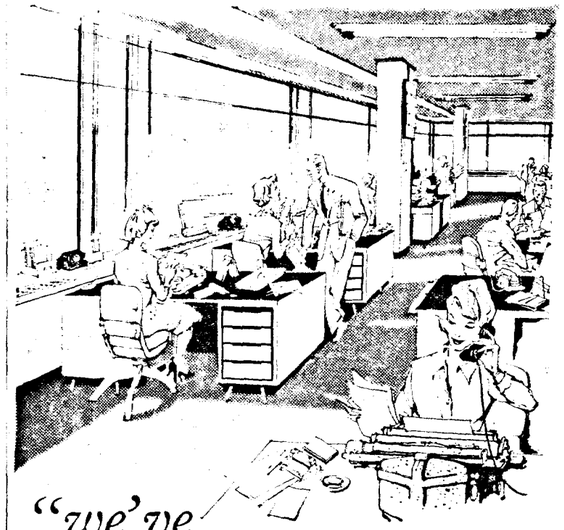
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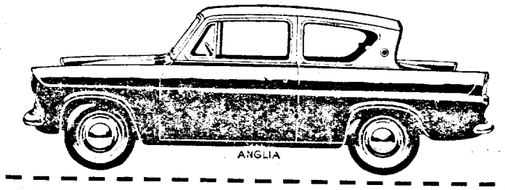
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"Tell that to Mr. Marples, Son"
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With apologies to Harold Wilcott

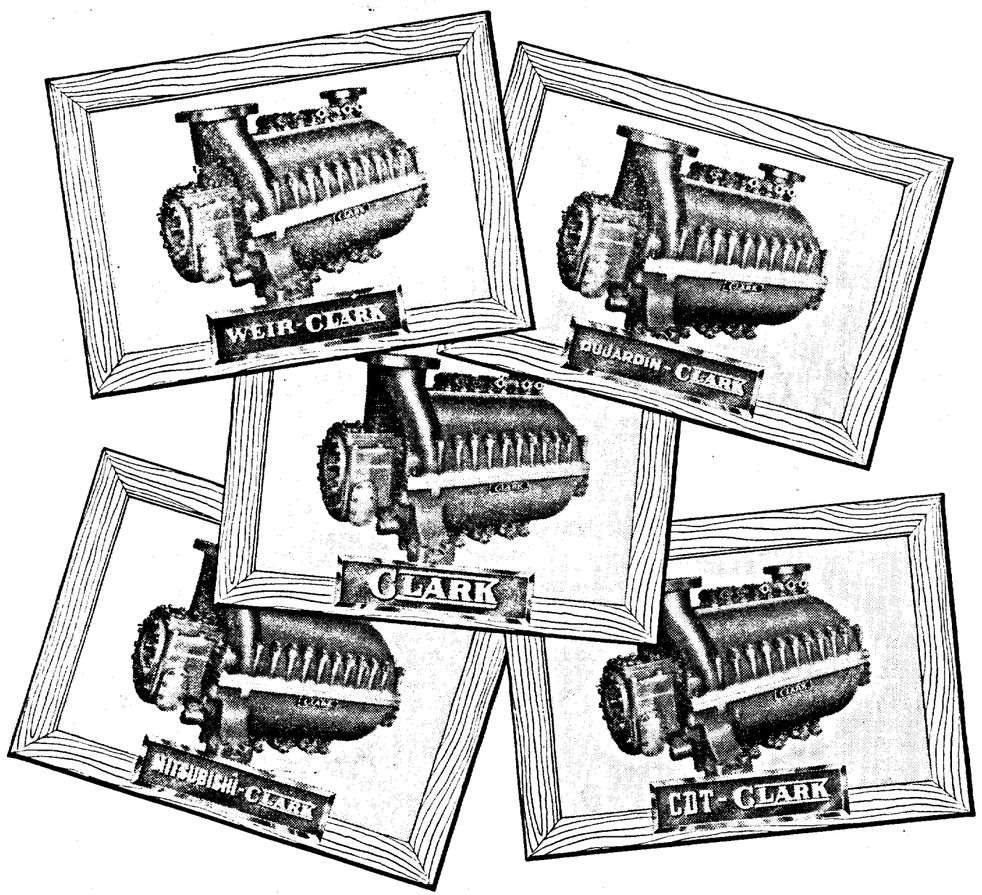
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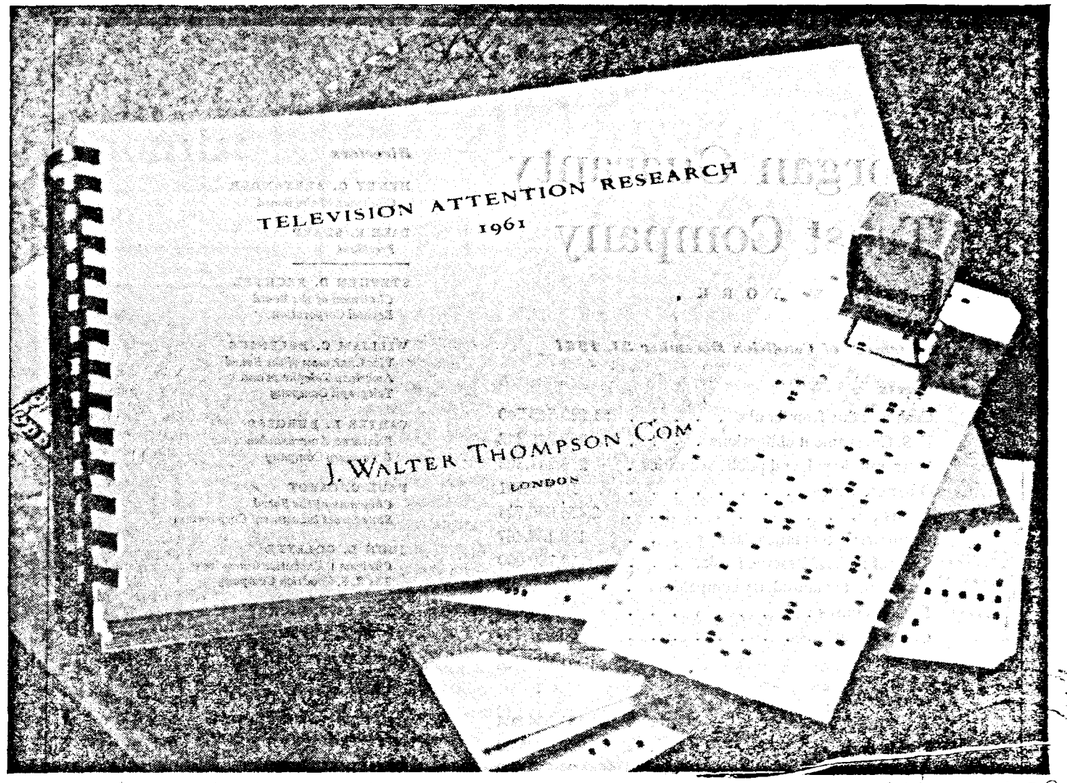
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Television advertising: How some new research really pinpoints housewife viewing

Most research studies into Television have simply classified housewives as viewers or non-viewers. "Television Attention Research 1961," a book published last week by J. Walter Thompson Company, goes a great deal further.

It is true of all media that the advertising carried communicates with its audience at various levels of intensity. It is equally true that up till now it has been difficult to research these levels. This research, in this particular medium, has gone further than anything before it. It does not, in any degree, set out to measure the effectiveness of T.V. as a medium, but analyses the housewife audience in terms of their varying degrees of attentiveness at various viewing times.

Of course all kinds of things interfere with the levels of attention in viewing (over and above the obvious ones of disinterest in the programme and switching off). The average housewife will bath the children, make meals, mend clothes: all that we all know. The value of this research is that for the first time it puts a measure on the actual extent to which these sorts of activity conflict with her T.V. viewing.

The survey has shown us that the attention housewives pay to T.V. programmes varies widely at different times during the evening. And, more important, is not a constant proportion of all those housewives claiming to "view."

We think this piece of research will be of the utmost interest to every media planner and programme company. We decided to publish it because we know from its reception by our own clients and by our own executives, marketing and creative people that it repays a wide professional readership.

* * *

"Television Attention Research 1961" was prepared by the British Market Research Bureau for the J. Walter Thompson Company Limited. It is a spiral-bound document, 11¼ by 8½ inches deep. It includes all details of pilot research and the main surveys with definitions, comments, appendices and questionnaires. It costs 12 guineas.

Please write for a copy or copies to the Librarian, British Market Research Bureau Ltd., 47 Upper Grosvenor Street, London, W.1.

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LIMITED

Morgan Guaranty Trust Company

OF NEW YORK

Statement of Condition December 31, 1961

Assets

Cash and due from banks	$1,223,545,740
U. S. Government obligations	997,248,242
State, municipal, and public securities	219,241,303
Other securities	10,506,791
Loans	2,454,646,724
Customers' acceptance liability	179,139,487
Stock of Federal Reserve Bank	12,750,000
Investment in subsidiary companies	6,720,496
Bank premises	22,401,483
Other assets	95,587,410
	$5,221,787,676

Liabilities

Deposits	$4,135,554,504
Funds borrowed	200,000,000
Reserve for expenses and taxes	38,593,292
Liability on acceptances	180,439,691
Dividend payable January 15, 1962	7,540,000
Other liabilities	88,580,903
Capital — 7,540,000 shares — $25 par	$188,500,000
Surplus	236,500,000
Undivided profits	146,079,286
Total capital funds	571,079,286
	$5,221,787,676

Assets carried at $484,419,342 in the above statement are pledged to qualify for fiduciary powers, to secure public monies as required by law, and for other purposes. Member of the Federal Reserve System and the Federal Deposit Insurance Corporation. Incorporated with limited liability in the State of New York, U.S.A.

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A Message for Sir Roy

PAINFULLY, the British Government has its foot caught in the central African trap. It cannot move without being torn by the sharp teeth of either Sir Roy Welensky or Messrs Banda, Kaunda and Nkomo; it cannot stand still without suffering the tightening wrath of the anti-colonial world. It can do nothing without danger, for unless it treads carefully it may set off a bloody black-white war: the federation of Rhodesia (and Nyasaland) is but a few shots away from an Algerian kind of tragedy. This is the excruciating situation in which the British Government finds itself after fifteen years of decolonisation. Since the second world war Britain has granted independence to 600 million people; now the independence of action of the British Government itself is compromised by fear of what the white Rhodesians—fewer people than there are in Nottingham—might do.

It has been most severely compromised in Katanga. The declared policy of the British Government is to support the unity of the Congo and to oppose the secession of Katanga under Mr Tshombe. This is also what the federal government says it wants. But the federal prime minister, Sir Roy Welensky, has long thought of Katanga as a buffer state between the black nationalism of the north, and his own white nationalists; if, as he says, he has not supported Mr Tshombe, it is permissible to say that he has done little to oppose him.

Indeed, in a statement issued on December 27th, the federal government spoke of its "policy of strict neutrality in regard to the provision of military supplies, equipment and personnel" to Katanga; and on Tuesday, when it refused transit to 27 out of 36 recruits for Mr Tshombe's army, it explained that this was because the 27 lacked visas. On Wednesday the federal ministry for home affairs said that the country's immigration laws "do not concern themselves with what the individual traveller intends to do when he reaches his country of destination." No wonder the UN finds this kind of neutrality unhelpful. About Katanga, the interests of the British Government and what Sir Roy may understandably think are his government's interests do not coincide. Just as in the past a look behind the humbug of "multi-racial" constitutions in, say, Southern Rhodesia revealed all the devices for retaining white control, so, now, a clearing away of cant shows the Rhodesian government as an opponent of anything that might put a black nationalist government in charge of the parts of the Congo that touch its borders.

Yet, although Northern Rhodesia is a British protectorate, Britain has no control of the 1,200-mile border between Northern Rhodesia and Katanga. Sir Roy, by his own admission, has not much more, but a theoretical division of functions is apparent: the federal government is the master of its own army and its own borders, while Britain, for international purposes, takes the blame. A fortnight ago the acting secretary-general of the United Nations, U Thant, asked Britain (not the federal government) for permission to station observers along this border. But it was the federal government that, on January 4th, said "No." London declined to transmit all of Sir Roy's comments to U Thant; instead the British Government invited U Thant to visit Salisbury and, on January 9th, was turned down by him.

A British Government possessed of more backbone would not need to be so deferential to Salisbury. According to the Monckton Report on the federal constitution, issued in October, 1960, the federation cannot be a "full inter-

national person" so long as Northern Rhodesia and Nyasaland remain British protectorates. In fact,

> The federal government can assume international commitments and participate in international negotiations only to the extent to which the United Kingdom Government are prepared to authorise them and other states are prepared to treat with them; and even in these circumstances it is the United Kingdom Government who remain ultimately responsible in international law.

If the consequences of deference to the federal government were no more serious than an academic judgment that the British Government was letting a dependency behave like a sovereign state, then things might not be too bad. But in fact what is happening is that Britain is being branded as a scheming "colonialist" power in an age when neither quality is popular. There has been an embarrassing difference with the Americans over what to do about Katanga. In the eyes of most Africans and Asians Mr Macmillan has sometimes been seen as too closely friendly with Dr Salazar, Dr Verwoerd and Sir Roy Welensky for comfort. It is manifestly unfair to link these four names—the four countries concerned are run on different lines. But, fair or not, the names are linked, especially whenever the rearguard action of colonialism is spoken of. The name of the British Prime Minister should not be on the list; only the communists can be glad that it is.

DIFFICULTIES also beset the British Government because of the arrangements within the federation; here, too, the problem is that everywhere except in Nyasaland the political power is still in the hands of the white minority—a thing that, in 1962, cannot persist. Here, it is not altogether just that Britain should take the blame. Southern Rhodesia has, in fact, been in control of its own internal affairs since 1923. Its leaders have lately shown an admirable willingness to sweep away racial discrimination; at the same time they are apparently determined that power shall not be transferred to an African government in the discernible future. Britain could not directly contest their determination unless it were willing in the last resort to send in troops, which it is not. Yet Southern Rhodesia is, in the eyes of the world, still Britain's responsibility—and it is Britain that will be arraigned when Southern Rhodesia's affairs come up before the United Nations next week.

In Nyasaland, too, trouble is brewing. Dr Banda and his Malawi Congress party are in control, with 90 per cent of the population behind them; since they came into office in June they have shown themselves to be intelligent, responsible men. They are biding their time, but sooner or later Dr Banda will make a bid to take Nyasaland out of the federation; and Sir Roy will doubtless decline to accept Katanga as a precedent for such a move. The British Government, committed to holding the federation together, and yet valuing Dr Banda and seeing the sense of working with him, will be pulled two ways. Dr Banda might join in a federation of Rhodesia and Nyasaland—but not while Sir Roy is prime minister, and not while the federation is a white institution. From his point of view, only breaking up and starting again would do.

Most agonising of all is Northern Rhodesia. To recapitulate: In February, 1961, Mr Macleod, then Colonial Secretary, designed a constitution that looked as if it might put the African nationalists and white liberals into joint control of the legislative council. Sir Roy objected and managed to bully Mr Macleod (or was it Mr Macmillan?) into a deal, concluded in June; a constitution giving Sir Roy's United Federal Party the better chance of winning control of the legislature was to be put in place of the February constitution; in return Sir Roy would withdraw his threats of embarrassing action (he is said in Whitehall to have threatened to declare the federation independent and even, at one desperate stage, to have said that he would march into Northern Rhodesia and arrest the Governor).

The June constitution was soon seen to be a disaster. The international outcry apart, violence broke out in the protectorate and it took until October to quell it. It became obvious that, in an age where it makes no political sense to put down colonial peoples by force, the least that could be done in Northern Rhodesia was to go back to the February constitution. In September the British Government opened up the whole question again. Mr Maudling's decision is awaited.

Mr Maudling, who has made a good start as Colonial Secretary, probably knows what he ought to do in Northern Rhodesia. He cannot be unaware of the difficulty of persuading some members of the Cabinet to brave the back benches and Sir Roy and go ahead. Mr Maudling ought to be wished all courage in his attempts. Letting the United Federal Party down in Northern Rhodesia may, as Sir Roy fears, mean the end of the federation he has built; but this federation is, in any event, doomed.

The trouble is that many members of the Conservative party do not yet understand this. There is a deal of sympathy for Sir Roy among middle-of-the-road Tories who think he is right both about the United Nations and about Katanga; others still stick to the belief that only he has enough stature to lead the white Rhodesians to a more liberal approach. But, however true that was, Sir Roy has now done this job—well enough. He has failed, however, to make any attempt at all to come to terms with the African nationalists—another thing that only he, by stature and personality, could have done. Now it is too late; any pacification of the black nationalists of Rhodesia will be prevented, not made more feasible, by Sir Roy's continued political leadership. The matter is one, of course, for Rhodesia's voters, and Sir Roy (whose doctor has told him to rest), to decide. But it no longer makes sense for Whitehall to trim its policies to his bidding.

It is important to say this because some conservatives remain honestly convinced that Sir Roy is still the best, indeed the only, man for the job. He was. He is no longer. Nevertheless, it must be recognised that more Tories believe in Sir Roy than there could ever be in any Rhodesia lobby, or in any copper men's pockets. These are the men who, for the nation's sake, have to be persuaded that, frankly, the time has come to face the music in central Africa. There is still an appalling danger that the whole thing might blow up this year. The British Government must find the courage to give a liberal constitution to Northern Rhodesia and, as civilily as possible, to make plain to Sir Roy that his assistance in the international sphere is no longer required. It is sad, even tragic, but any other way might be disastrous.

Appointments, Business and Personal notices, and other Classified Advertisements: pages 182, 183 and 184

Half-Brass Tacks

The Chancellor's overtures to the coy trade unions on wages are still too unspecific

THE Treasury burned its midnight oil this week preparing the special letter which the Chancellor of the Exchequer sent to the Trades Union Congress on Wednesday. The hopelessly divided TUC then decided that there was "again nothing new in it," and put off for yet another week any decision about joining Mr Lloyd's planning council. Actually, some things were more or less new in this slightly-better-than-usual letter. Mr Lloyd's advisers have provided him with an estimate that production per head might increase by the normal (and unsatisfactorily low) recent average of about 2½ per cent during 1962; unless he stimulates demand slightly one would have thought that even this guess was a bit optimistic for 1962, but it is good to know that he now has some target figure for expansion in mind. Against the background of this presumed 2½ per cent increase in production per head, he asks the TUC which of three alternative courses for wages policy they think would be best.

One suggested course would be to "devise a formula" for measuring increases in productivity in each industry, and tying increases in wages to that. Mr Lloyd agrees that "there might be difficulty and protracted argument about the formula." This is an understatement: the whole of this first idea is absurd. It would mean that in any industries where a lot of money is spent on installing new and productive capital equipment—such as in office employment, if the computer age begins—wage rates should rise like the deuce; while in industries where more labour is needed (sometimes precisely because labour-saving machinery has not been invented and therefore cannot be installed) wages would tend to rise by less. Until people realise that movements in different industries' wage rates must depend on their relative needs for labour, not on movements in some magic productivity formula, national economic thinking has not progressed beyond the nursery school stage.

The second suggested course is that "the Government and both sides of industry should accept the fact that only a limited sum can without inflationary effects be distributed by way of wages and salaries during 1962." On the basis of a 2½ per cent increase in production (although Mr Lloyd's letter refrains from naming this sum), the amount available for increased earnings from wages and salaries would presumably be around £400 million in 1962; but this would mean that wage and salary rates (as distinct from earnings) must go up by much less. The Government recognises, however, that if it announced any such wages fund formula—if it said, in effect, "the country may have some £300 million available for wage and salary increases, come and get it"—there "might be the feeling of first come first served, and an acceleration of claims." There might indeed.

The only practical course is therefore the third of Mr Lloyd's suggestions: that "the Government and both sides of industry should accept an understanding that the overall rate of increase in wages and salaries in 1962 should be kept within a stated [percentage] figure." Presumably this means that earnings from wage and salary employment should not increase, on average, by more than 2½ per cent during 1962; once again, the average increase in wage and salary rates (as distinct from earnings) would have to be less than this. But, again, Mr Lloyd refrains from saying this. He merely expresses his fear that under this course "the percentage stated might be regarded as the minimum in each case and not an overall maximum." This would be awkward because, as he points out, the "stated [percentage] figure" must:

> provide for the exceptional cases where there are sustainable claims for special treatment. It must also be realised that some industries cannot afford any increases at all, if they are to remain competitive.

But he does not say specifically which these "industries that cannot afford any increases" are.

In the end, if a wages policy is to succeed, Mr Lloyd will have to make his guiding light specific, and relate it bravely to the large named industries that should give below-average increases (or none). When he does, he will probably have to accept the fact that in some of the industries concerned, the country may have to stand up to strikes. Even if the TUC, after long argument, does join the new planning council, it will then indulge there in equally long argument about what the council should say. Perhaps in some passages of this week's letter to the unions, Mr Lloyd does get nearer to passing on the plain facts of economic life. But always, when he appears to be on the point of saying something specific about some specific case, he draws back. How much longer can this circumlocution go on—this jangling down on to half-brass tacks?

The Economist

JANUARY 11, 1862

DEFENCE AND THE COLONIES

The peaceful issue of our differences with America has happily changed the immediate defence of Canada from a pressing necessity into a speculative contingency. But it revives a question which seriously occupies the minds of our practical statesmen,—which is likely to occupy them, but which the ordinary busy public can but very rarely be induced to consider:— Ought we or ought we not to defend our Colonies in time of war? The case of Canada on the present occasion was a perfectly clear one. Whether we should or should not undertake to defend Canada, is a serious and a difficult question; but it is indisputable that so long as we do undertake to defend it we must defend it. It may be right or it may be wrong to induce our distant fellow-citizens to rely exclusively on our remote aid; but so long as we do induce them thus to repose upon our promises, we must perform those promises. Yet we should be warned by the practical instance before us to consider the evident consequences of the engagements by which we are bound; we should seriously consider whether we can or cannot perform those engagements in time of need, and whether we are not really injuring both our Colonies and ourselves by entering into them. . . . The tendency of war since Napoleon's time is not to disperse itself through the extremities, but to concentrate itself at the vital parts. In the case of a French war, we could not detach a force for the defence of Sydney, or Otago, or Canterbury. We should want our men here. The effect would be this: We should have denuded ourselves of a force sufficient for a peace establishment in the Colonies, but not enough really to defend them. We should have sent away soldiers whom we should want extremely; and we should neither defend the Colony nor the mother country. We should have dispersed men over the world who would have been invaluable if concentrated at home; or should have scattered them in small detachments over remote Colonies which they could not defend, and which, by the operation of our policy, would be too enervated and unwarlike to defend themselves.

How Much for Farmers?

The whole basis of aid for British agriculture is going to have to be reorganised, whether we go into Europe or not

When the Chancellor made his famous statement of July 25th, inaugurating the pay pause, he said that the Government "will have to look critically at the level of agricultural support during the 1962 review." Since then the news that support even during this financial year will cost the Exchequer £78 million more than originally estimated (£67 million of the excess being for meat) should have made the adverb "critically" an understatement. But, immediately, there does not seem to be much that Mr Lloyd can do about it. Under the 1957 Agriculture Act, the Government is committed each year to a global guarantee of gross farm income. In effect, it is allowed to try to cut its support by a maximum of just over £30 million a year, and even that only after a year when farmers' costs have not risen (which they always prove to have done). So all that the Government can do in the 1962 review, which is due to start very shortly, is to make full use this year of the small cuts permitted to it under the 1957 Act. Even this will cause the farmers to roar angrily that the Government has cut them back far too much; but it will leave the Chancellor looking sadly at still-inflated expenditure estimates, and feeling that he has not cut nearly enough.

In the longer term the lesson of this year's experience is that the present system will certainly have to be changed very radically—will have to be changed, that is, even if Britain does not get into the European common market. Not everybody has realised this, but Mr Soames himself has now admitted as much. The advantages of the present (1957 Act) system were supposed to be (a) that the consumer had the great benefit of being able to buy the cheapest possible British or imported food on an absolutely free market (although the British farmer himself secures a deficiency payment direct from the Government whenever the price actually paid to him falls below a stated figure); and (b) that the Government, although obliged to see that farmers' incomes as a whole did not fall by more than a certain percentage, would at least be able to vary its pattern of support so that British farmers were encouraged to produce less of the things in which British production was most obviously uneconomic and more of the things in which it seemed that British production could expand reasonably economically. For ten years now, beef and lamb production have been favoured in accordance with argument (b) because they have been relatively more economic than most other guaranteed products. Hence the further large fillip given to these products last spring, and the stupid but vague promise to maintain guarantees for them in 1962. As events have shown, these increases were not intrinsically necessary to secure production of the amount of beef and lamb that British housewives wanted, but they seemed more desirable than any other increases in support prices at the time.

Now that events have disproved the assumption that "increases in supports for beef and lamb, at least, are always right," the whole system is in a mess. It has been shown this year that in every commodity—even these two—British farmers, operating on their present scale, are now liable to produce more than can economically be absorbed on a British market that is also left open to imports from abroad. One of three things must therefore follow. Either, first, if we continue with the present system, the Chancellor is likely to lose all control over his budget estimates for subsidy payments—because he will always be liable to have to finance a glut of something, even if the Ministry of Agriculture has triumphantly managed to shape the pattern of support prices in a way that makes the gluts appear in the "relatively less uneconomic things" like meat. Or else, secondly, Britain will have to cut down free imports of food from overseas; in that case prices to the housewife will go up considerably, and the main imports we will be restricting will be imports from the Commonwealth. Or else, thirdly, it must be accepted that the number of farmers in Britain (or, if we are operating in a European system, within Europe) should be reduced, and the global guarantee of gross farm income withdrawn.

Of these unpleasant alternatives, which should be chosen? No doubt, initially, the British people will try to disguise from itself the real meaning of whichever course it takes. Even if the common market negotiations had not intervened, one's guess is that the Government's next step might have been to supplement (and eventually try partially to replace) the deficiency payments system by operating a system of genuine support prices—i.e., intervening with direct government purchases of non-perishable foodstuffs when prices fell below a certain level. This might be sensible and useful for ironing out purely seasonal gluts; but, eventually, as a system of support, it is almost bound to lead to the Government piling up large surpluses of particular commodities, as the Americans have often done. The result is always that a Government then resorts to import controls in order to clear its stocks.

If we do go into Europe, and if the common agricultural policy there makes any headway at all, this support price system might well appeal even more strongly to the Government as a halfway step to Europe's system. For example, the French *Office du Blé* at present buys all wheat in France and sells as much as it can at home at a fixed price; it then tries to sell the surplus in export markets at the lower world price, but with the loss financed by a levy on farmers who have sold their wheat for domestic consumption at the full internal price. The object of the common market agricultural policy, which is now experiencing such wracking birth pains, is to bring these domestic support prices to a common level in Europe.

But now we come to the snag. If Britain goes into Europe it is committed to struggle to see that these European support prices are fixed at a level which is not so far above the world market level that Europe is condemned to eating only its own expensively-produced food while excluding by stringent import controls cheaper food grown in the rest of the world (especially in the overseas British Commonwealth). In other words, Britain is committed to seeing that these European and British support prices should be as low as possible; which means in turn (it would be honest to admit this

straightaway) recognising that some of Britain's and Europe's less efficient farmers must move out of farming. And if Britain does not get into Europe, exactly the same problem will face us, albeit more abruptly and alone.

For, to repeat, the lesson of this year's beef and lamb fiasco is either that Britain, even if outside Europe, must accept a further reduction in the amount of its resources that are tied up in agriculture—or else that it must impose restrictions on imports of food in order to keep the present global guarantee of total income to British farmers in being without huge Exchequer bills. And we would look pretty silly if we stayed out of Europe because we could not secure fair play for Commonwealth farmers, and then proceeded to deny it to them in our own isolated market. Moreover if we fail to enter Europe, we will have to be ruthless in trimming uneconomic production out of our whole economy.

As one of the industries that would suffer in this process, agriculture has every right to be liberally treated for a transition period, but no more than that. The best fundamental reform for a Britain outside Europe might be to say that a (gradually tapering-off) proportion of present annual government payments should be earmarked for aiding existing farmers, if necessary by voting a straight annuity or pensioning-off payment to some of them; but that, once this cushion was in place, they and all future farmers should have to sell their products on a free market—subject perhaps to some system of evened-out support for some prices at times of seasonal glut, but not to eternal subventions.

A short while ago, any such ideas—of switching some agricultural subsidies from being support payments into being pensioning-off payments for farmers who cannot make a living on a free market—would have been treated as heresies suitable only to freer trading cranks like *The Economist*. Now some surprising people are coming round to them. In a new Fabian pamphlet* Lord Walston, who might well be Minister of Agriculture if a Labour government returned, gives his blessing to some such idea. He would be in favour of gradually cutting the level of agricultural support, but "buying out [some] existing farmers for a cash payment or, preferably, an annuity; or, hand in hand with the progressive reduction in [support] prices, a rising pension payable until death, in return for which the freehold of [or, for tenants, the tenancy rights in] the farmer's land would pass to the Government or a government agency, but the farmer would be given security of tenure until his death." Perhaps inevitably, Lord Walston's idea is that these annuity payments should also be accompanied by a system of long-term contract prices that would almost certainly tend to be higher than free market prices, and that would thus still keep a surplus of farmers in being; and he appears to want all the land thus released by marginal farmers to be reorganised into bigger and more efficient farms—which, until and unless these more efficient British farms could produce as cheaply as New Zealand's, would be illogical (it could mean that the Government subsidised a larger volume of uneconomic production from fairly inefficient farms instead of a smaller volume from grossly inefficient ones).

But here, at least, is a notable burgeoning of ideas on the intelligent left; and it is almost certain that, behind the scenes, some people in the Conservative government must be starting to cast their thoughts in the same directions, after looking at this year's subsidy bill. Is it not possible now to thrust these ideas further forward? The time has come for some radical rethinking indeed.

* "The Farmer and Europe." 30 pages, 3s. 6d.

Qualis Modus Vivendi?

If a live-and-let-live solution is to be sought in Berlin, it had best be spelled out precisely and formally

Since October 17th, when Mr Khrushchev put off his time limit for a peace treaty with east Germany, the countries concerned in the Berlin dispute have been living in the quiet eye of a hurricane. In the past ten days a burst of movement among statesmen and diplomats has suggested, like a stirring of leaves, that the circling storm may be about to return. Berlin has been discussed by Mr Gromyko and Mr Llewellyn Thompson, the American ambassador in Moscow, on January 2nd, by Herr Erhard and Mr Dean Rusk in Washington on Monday, and by Dr Adenauer and Mr Macmillan in Bonn on Tuesday.

Mr Gaitskell and Lord Home have been to the city to see the wall, and Mr Gaitskell has produced a proposal (promptly dissented from by Dr Adenauer) to allow the east German government the modest degree of recognition involved in letting it take part in an international organisation to control the access routes to Berlin. The west German foreign ministry has spent the first days of the new year poring over a curious Russian memorandum handed to its ambassador in Moscow which suggests, apropos of Europe's problems, that everyone except Russia is beastly to the Germans in his heart.

It is clear that the Berlin crisis of 1962 is not the same as it was in 1961. The range of possible outcomes has not exactly narrowed; but the extreme possibilities have become, if not less likely, at least less apparently imminent than they seemed when Mr Khrushchev revived the crisis last June, announcing that he intended to settle the matter, one way or another, by the end of the year. In the first place, the possibility that the crisis might lead to negotiations about the whole problem of central Europe, as a result of which west Germany would begin to regularise its relations with its communist neighbours, and a start could be made on limiting armaments and tension in the area, has gradually diminished until it is now almost invisible. Dr Adenauer, by the time he went to visit President Kennedy in Washington on November 20th, had succeeded in persuading the President that negotiations should be limited to the question of Berlin itself—that is, to the preservation of the western position there.

This limit on the scope of negotiations might just possibly be removed if the situation took a sharp turn for the worse: if, say, a sudden decision by Mr Khrushchev to sign his separate peace treaty with east Germany were followed by an east German attempt to assert control over the access

routes. But, unless this happens, west German objections appear to have ruled out for the time being any attempt at a general pacification of middle Europe, though this remains the only way of removing the threat to Berlin definitively. In particular, Bonn has rejected with special vigour the idea of local experiments with arms control; and Dr Adenauer's response to Mr Gaitskell on Monday shows that the Chancellor is ready to give Herr Ulbricht just about as much recognition as the well-known signal got from Nelson at Copenhagen.

In the second place, the possibility at the other end of the spectrum—the danger of war—has also somewhat receded, though it has certainly not disappeared. This is partly the result of the decision Mr Kennedy took in the summer to send substantial American reinforcements to Europe. This and other American measures persuaded Mr Khrushchev both of the importance the Americans attached to Berlin, and of the scale of the military operation that would be needed to wrest it from them. Nevertheless, a danger undoubtedly remains. Both Mr Khrushchev and Mr Kennedy have allies and advisers who stand out against compromise and, to avoid one, are willing to call the other side's bluff. Two bluffs called equals one war over Berlin.

This fading at the edges of the spectrum does not in any way mean that the outcome of the Berlin dispute has now been settled by a process of elimination, and that everyone can stop thinking. The phrase currently being offered, in various pronunciations, is *modus vivendi*. In plain English, it is widely accepted (at least in the West) that the best way out of the crisis lies in an agreement to live and let live, which allows each side to protect its primary interests. But the Latin, as often happens on these occasions, conceals an ambiguity. The proper retort is *qualis modus vivendi*—what kind of an arrangement to live and let live? In particular, should it be a tacit understanding, or should parts of it, at least, be spelled out in international agreements?

The tacit variety would probably take the shape of a gentleman's agreement, arrived at by formal diplomatic discussion at any level from that of ambassador upwards, but not formally committed to writing. In this agreement, the hope is, the Russians would undertake not to interfere with the western position in Berlin, at least for the time being, and to see that the east Germans did not interfere with it. The West, for its part, would smile as brightly as it could while Moscow and east Berlin signed a separate peace treaty. For the western powers, the advantage of such an arrangement is that it would leave matters in Berlin exactly as they are—for a while—without the awkwardness of renegotiating the legal basis of the western garrisons, or of giving Herr Ulbricht so much as a wink from a western eye. But the disadvantage of a gentleman's agreement, which seems overwhelming, is that it depends on both partners staying gentlemen; the people of west Berlin would not know from day to day how long the Russians intended to abide by it.

Dr Erhard, the west German minister of economics, has been telling Mr Dean Rusk this week how much it costs the west German budget to keep the economy of the allied half of Berlin alive. This cost has just been increased by a decision to grant tax reliefs to people working temporarily in the city. The only way these material costs can be minimised (and, far more important, the morale of the Berliners maximised) is an attempt to reach the alternative kind of *modus vivendi*: that is, a more formal agreement in which the future of Berlin, and the allies' rights of access, would be publicly spelled out in documentary and thus more durable form. This was presumably the motive behind Mr Gaitskell's proposal.

Two objections can be made to a solution of this sort. One is that it would mean negotiating the whole status of Berlin afresh, and would thus make it possible for the Russians to argue that the allied occupation rights dating from 1945 had lapsed. But to judge from some of the things the Americans have done recently (excluding the Soviet commandant from their sector, and halting a bus load of sight-seeing Russian officers last Sunday) the West seems to be admitting that the status of Berlin has changed a good deal since the postwar days of quadripartite occupation. In any case, it would always be open to the western powers to argue that a freshly negotiated status was a reaffirmation of their former rights, not a substitute for them.

The other objection to a formal new Berlin arrangement is that it is hard to see how the east Germans could be prevented from taking part in it, at some stage and in some form. One can understand Bonn's dislike of this, and no doubt the West would try to keep the east Germans' participation as small as possible. For instance, it is reported that Mr Gromyko hinted to Mr Thompson on January 2nd that the Russians might agree to designate east German officials on the access routes as "agents" of the Soviet Union. But some of the arguments that have been put forward for refusing even a minimal degree of recognition to Herr Ulbricht are so strange that they must not be left unchallenged.

It has been alleged, for example, that even a little bit of recognition of the east German regime would enable Mr Khrushchev to claim that he had achieved that decisive "breaking of the West's will," which is said to have been his chief objective all along. The straight reply to this is to ask exactly who would interpret a partial acknowledgment of the facts of life in Europe as a collapse of will power. The real test of will, as the world knows, is over the continued freedom of Berlin. There is something equally fey about another assertion—that to let Herr Ulbricht take part in an international agreement on Berlin is tantamount to abandoning the hope of reuniting Germany one day. It is time someone drew attention to the demarcation line between the question of recognition and the question of reunification as they affect east Germany. To recognise a government (especially in the muted form under discussion) is not the same as admitting that its control over the territory it presently holds is permanent. One might look at the attitude of the western powers towards Dr Salazar's regime in Portugal, and his claim that the "overseas provinces" are inalienably Portuguese.

There are good reasons, largely to do with the morale of the German people, why Herr Ulbricht cannot be granted total baptism (as it were) in the waters of international recognition. They are not reasons for insisting that international arrangements for access to Berlin should be without east German participation, and thereby should be made difficult, if not impossible, to work at all. Such arrangements might mean a dipping of the east German little finger in the waters. To condemn west Berlin to prolonged uncertainty about its future, simply in order to dodge this finger's-worth, would be a disservice to the people of the city; it might, in the end, shorten the life of free Berlin by destroying its will to survive.

NOTES OF THE WEEK

POST OFFICE WORKERS

Battle for Mount Pleasant

The Postmaster-General's estimate that no more than 20 per cent of postal staff have been working strictly to rule this week is virtually confirmed by evidence of normal deliveries in most provincial centres. Even among football pool punters only a small minority failed to get their coupons in last Saturday. But the union's tactical strength has been fully demonstrated in London itself, mainly because so many operations have been centralised there for efficiency's sake and any tendency to go slow in a single department has immediate repercussions throughout the system. First, Mr Bevins was forced to divert mail from the central clearing office at Mount Pleasant for sorting at provincial offices, and to insist on extended overtime throughout London. This kept first-class (3d. stamp) mail moving fairly well for some days, and even reduced the Mount Pleasant arrears from 5 million to under 2 million letters by mid-week. But on Wednesday the Post Office temporarily suspended London's parcel post in order to use the parcels staff for letters.

This has been taken by the union as a confession of serious difficulties, although one of the chief factors in Mr Bevins's mind seems to have been the mounting cost of overtime. Many London staff are expecting to take home pay packets of well above £20. For those who are working hard to make up for their colleagues' working to rule, this is fair enough; for the others, it is not. Some time public employers are going to have to consider suspending those who do go slow if this enticing fashion of earning-more-while-you-deliberately-slack spreads. The straightforward one-day strike on February 5th, threatened by the shipbuilding and engineering unions, invokes no such problem; it must, in fact, prove absolutely pointless for all concerned.

Plainly Mr Bevins can afford to use his parcels staff in London only for a short run in order to get the main arrears of letters worked off. But if provincial diversion continues to work as it has done so far, the rate of ordinary mail delivery during the period of go-slow should settle down at very little below the normal expectation of service between, say, large cities in the eastern United States. This cannot yet be construed as quite such a weighty imposition as some industrialists make out (advertising circulars apart). The real cost of a surrender to the Post Office union, which, as Mr Bevins said on Wednesday, "would run like wildfire throughout the public sector" and industry at large, would be much greater than the present price of irritation and delay.

EUROPE

Doubting Thomas

Not content with the gleeful thought that the common market is at last running into difficulties in Brussels, the opponents of British membership are indulging in another hope. Assertions by Mr Heath in America and Mr Macleod in Britain—that the interests of the Commonwealth and the European Free Trade Association must be protected—are being interpreted as a new backsliding by the Government. Don't take British membership for granted, gloats the *Daily Express*. It's not in the bag yet.

How much substance is there behind these alarming noises? In Brussels the Six are making piecemeal progress towards agreement about agriculture, but it is much too slow. Serious discussion, it is now clear, started far too late; the technicalities are taking time. True, the concessions are being squeezed out of Bonn bit by bit, and even if agreement does not come soon, the common market is not going to collapse. What is disturbing is that even a temporary failure may hold up the negotiations with Britain.

Fortunately, ideas of a new retreat by the British Government still look far-fetched. At this stage, when the main negotiation is about to begin, a repetition of assurances about the Commonwealth and Efta seems entirely natural. At home the Government is bound to be uneasy about the evolution of Tory feeling so long as its pressing African problems give trouble. Certainly it has no wish to see the rumbling doubts about Europe, which have been erupting lately in the correspondence columns of *The Times*, acquire political force. In Brussels it does not want the substance of the talks to be prejudged by the assumption that Britain will join whatever happens.

That substance—as Sir Roy Harrod and Mr Douglas Jay have pointed out repeatedly—boils down to how to provide markets for exports from the undeveloped countries when Britain joins. It is a problem that can be met in a right and a wrong way. The wrong way, tried without success in 1958, is to try to preserve existing Commonwealth privileges in the British market. This way would knock a hole in the common market system and thus offend the Europeans; it would discriminate against the Americans and thus arouse their opposition too. The right way is to make British membership the starting-point for a new effort by both Europe and America to pull the barriers down. This, as Professor Meade has pointed out, is the new opportunity opened up by America's awakening interest in freer trade. It gave point to Mr Heath's visit to Washington last weekend, at a time when the United States Administration is putting the finishing touches to its new trade legislation.

NEW GUINEA

Dim Deadlines

Dr Subandrio, the Indonesian foreign minister, announced on Tuesday that President Sukarno would decide in the next week or ten days whether to negotiate with the Dutch about West Papua. The odds, he said, were against negotiation because the Dutch position was "so vague." Was this a fairly open invitation to the Netherlands to use the announced period by coming forward with something more specific? The Indonesians can hardly have failed to notice the movement of Dutch opinion towards quick disengagement from New Guinea that was clearly shown in the parliamentary debate at The Hague on January 2nd and 3rd. In that debate widespread support was expressed for the idea of opening discussions with Indonesia without setting any conditions, an idea openly canvassed by the prime minister, Professor de Quay. (The Labour party went still further, demanding that Dr Luns, the foreign minister, should be removed from



Professor de Quay (left), Dr Luns

office on the ground that he was not the right man to reach agreement with the Indonesians.)

Certainly it would seem wrong to interpret the reference to "a week or ten days" as an ultimatum. The pressures on the Indonesian president for swift military action mounted sharply in the wake of India's occupation of Goa, and he has duly been responding with a series of menacing gestures, which have gone down well with mass audiences. But the appointment of a general to command the "Irian theatre," and of a governor who, Dr Sukarno claims, is already secretly installed on Dutch-held territory, does not reduce the logistical difficulties involved in an attack on West Papua.

From Jakarta to West Papua is about as far as from London to Newfoundland or Cairo. West Papua is no Goa-sized principality, but a territory the size of France. It resembles Goa only in containing a population of no more than 700,000. This population is thinly scattered around a territory largely empty and almost entirely lacking in communications; and so are the Dutch defending forces. Although the Indonesians have local military superiority, West Papua is no easier to conquer than it is to defend. Neither of the contesting governments can want a protracted campaign. There may thus be more promise than appeared at first sight in the attempts made by U Thant to persuade both parties to engage in some "quiet diplomacy" on the top floor of the UN building in New York.

LAOS

Boun Gloom



Presenting arms: Prince Boun Oum (right)

PEACE in Laos, it was generally agreed after Mr Kennedy and Mr Khrushchev met in Vienna last June, depended on Mr Khrushchev's willingness to keep the promise he made there to encourage the formation of a neutral Laotian government. But it now turns out to depend on Mr Kennedy's ability to keep his side of the bargain. The 14-nation Geneva conference on Laos, which assembled last May, more or less finished its work of drawing up an agreement on Laotian neutrality in December. Since then it has been waiting for Laos's three-quarter line of princes—Boun Oum (right wing), Souphannouvong (left wing) and Souvanna Phouma (stand-offish centre)—to form a coalition government of national unity that could add its signature to the agreement.

The princes, who agreed at Zurich in June to form such a government, and back home in Laos in October that Souvanna Phouma should be the prime minister, were asked by the Geneva conference on January 5th to get a move on and finish the job. It has become clear that Boun Oum, the prince who was thought to be obedient to the Americans' will, is the culprit. He has been deliberately avoiding further meetings with his fellow princes, because he wants the ministries of defence and the interior to go to right-wingers.

On January 7th Washington, which agrees that neutralists should get these posts, announced that it was withholding payment of the monthly cheque of $4 million it pays to Boun Oum's government to back up the currency. The result has been, first, to force the government to stop the purchase of foreign exchange and, second, to extract an offer from Boun Oum to meet the other princes in Geneva. The American ambassador in Laos has steadily urged Boun Oum (and, more important, his minister of defence, General Phoumi Nosavan, who is the prince's guiding spirit, if the term is appropriate) to reopen negotiations. But there are persistent reports that members of the American military aid group in Laos have encouraged the prince and the general in their obstinate desire to hold on to half a country, rather than merge their fortunes in a government of national unity. It is strange that Laos, which was designated as a test of Russian sincerity when President Kennedy took office, should have proved to be a test of Mr Kennedy's control over his own allies and subordinates.

BRITISH CONSTITUTION

Lords into Commoners?

WHEN the second Lord Stansgate sought last year to remain plain Mr Wedgwood Benn, MP, Mr Butler said that this could be considered only within the ambit of a much wider investigation into possible reforms of membership of the House of Lords. Labour was unwilling to join in this wider investigation, because of its traditional fear that if the membership of the Lords became less obviously absurd the House might insensibly become more respected—and therefore more powerful. This unwillingness was a pity. There was at least one minor question that could usefully have been studied to everybody's advantage: namely, whether the time has not come when a small number (say, a dozen) of nominated "peers of Parliament" on the Opposition front bench should be paid an ordinary parliamentary salary. Apparently any investigation into such ideas has been finally thwarted for this year by the crabbiness of some backbenchers, who would not tolerate any discussion of salaries for any peers until there has been another increase in MPs' own salaries in the Commons.

Given this unwillingness of some Labour backbenchers to think unmyopically, however, Mr Macleod has wisely eaten Mr Butler's words; and he has now apparently agreed that the coming joint committee of Lords and Commons should concern itself only with anomalies arising out of the enforced disfranchisement and disbarring from the Commons of reluctantly enrolled peers. The best reform would be the simplest one: all peers should be allowed to resign from the Lords and contest seats in the Commons if they wish. Whether such resignations from the Lords could be temporary or would have to be for life would then be a very minor matter, depending on one's touchiness about the principle of fair shares. This reform would not only restore justice to the ex-Mr Wedgwood Benn by allowing him to stand again as candidate for Bristol South East. Perhaps eventually, if the prospects for the Conservative succession remained as uncertain as they are at present, Lord Home or even Lord Hailsham might be induced to consider returning to old pastures—although no doubt each would at present sincerely deny any such possibility, as firmly as distinguished Americans regularly deny that they could ever be candidates for the Presidency.

Just conceivably, therefore, Mr Benn's private struggle could have a much more important effect on the whole course of British history than anybody foresaw when he started it.

APPRENTICES

Wholesale Reforms?

MR HARE is certainly right to tackle the engineering, shipbuilding, printing and building industries about the need to modernise their apprenticeship arrangements. But one's guess is that he is not going to be nearly radical enough about it. The trades on which the Minister is concentrating provide the bulk of the apprenticeships and learnerships in Britain—places that are taken up by no more than one-third of the boys and less than one-tenth of the girls leaving school in any one year. In this sense they have a good record compared with other industries; but their arrangements are invariably so hedged around with special interests and restrictive practices that the acquisition of a skill by the traditional means has become increasingly less attractive to the school-leaver and less valuable to his employer as a test of real proficiency.

The changes that Mr Hare has in mind include the reduction of the normal training period (chiefly, that is, the time spent watching a journeyman on the job and brewing his tea) from five to three years; relaxing conditions on the age of entry (it is not necessarily an asset to the prospective apprentice to spend an extra year idling at school until he is 16, and there should also be scope for some older men to retrain into

skilled jobs); and improving the quality of the training itself. Last January's white paper on technical education acknowledged that, whatever might be done for the aspiring technologist, the opportunities for the craftsman and operative left a great deal to be desired. The extension of day release as a right for young workers who wish it and the encouragement of block release courses and group apprentice-training centres, are matters on which the initiative and the provision of the actual college buildings must come from the Government itself.

The biggest immediate field for establishing higher general training standards might be in setting up government-sponsored centres (on the French model) for employees of small firms, whose present chances of doing other than working their way up by the hard night-school grind are discouragingly small. Two years ago the Government decided to open eight small centres (total capacity 300 places) to provide first-year apprenticeship training for boys already accepted as apprentices by their firms. One would like to see an imaginative development of this scheme, particularly in areas like the west of Scotland where the number of apprenticeships is below the national average and where youth employment opportunities are still poor. The local unions would be on bad ground if they sought to object. As a second step, a real incentive would be provided to all apprentices if, as the building employers have proposed, wage negotiators would agree that all apprentices who have actually passed their final craft examinations should automatically be given higher pay and status than those who have merely "done their time."

FRANCE

Jam When?

ANY day now, the pundits said in December, General de Gaulle would be able to announce real progress in his peace talks with the Algerian nationalists. It seemed that there were no outstanding differences of principle between the French and nationalist leaders, and not many about tactics. But the prospect has darkened enough to inhibit both the French President in his broadcast of December 29th, and the Algerian government in exile,



Algerian leader (Mr ben Kheddah) and host (King Hassan)

which met in Morocco from January 7th to 10th. It now begins to look doubtful whether the French government is in a position to make a settlement until it has brought under control the right-wing terrorists who at present defy the police with their bombs and murders in metropolitan France, and who have almost destroyed public authority in Algiers and Oran.

In the statement issued at the end of their meeting, the Algerian leaders announced that they would now themselves act against the European extremists, who "are trying to lead the Algerian Europeans into an adventure which might compromise their future in Algeria and their legitimate interests." In other words, the Arabs have grown unwilling to make allowances for the violent feelings of the settlers, or for General de Gaulle's need to conciliate them (if only to keep his army quiet). They are prepared to put off peace until the OAS (Organisation de l'Armée Secrète) has been brought to heel. General de Gaulle's intransigents are now a liability to him in negotiation, and not in any sense an asset.

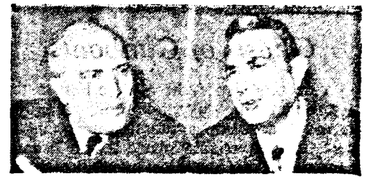
Any day now, the pundits are saying this month, there will be a new *coup de force* by the OAS. The neo-fascist underground is showing a tendency to a split between the supporters of full-scale, "*Algérie française*," integration, and those who would settle for the partition of Algeria between the European settlers and the indigenous populations. But neither policy is compatible with General de Gaulle's wish to put an end to the Algerian war.

Other happenings are more disquieting. Explosions of the handy do-it-yourself explosive called *plastique* continue to plague Paris as well as Algeria—M. Sartre's flat narrowly escaped wreckage on January 7th. OAS and FLN (Algerian nationalist adherents) continue to murder each other, policemen, and whomever they choose—in the past few days the OAS have selected a communist civil servant for death, the FLN a French magistrate in Algiers. The OAS has organised several daring thefts of arms from military bases in France. Alarmed at last, the authorities handled a communist-inspired demonstration in Paris on January 6th with unaccustomed restraint, and have visibly been collecting forces in the capital to deal with any attempt at a right-wing coup. France and Algeria never needed peace more. But as things are going now, the will-o'-the-wisp seems likely to elude capture for a while yet.

ITALY

Saragat Gambit

SIGNOR FANFANI'S lightning visit to London next Wednesday will allow Mr Macmillan to discuss European problems with a European statesman who is known to sympathise with Britain's wish to join the common market. What is in doubt is



Signor Fanfani, Signor Moro

Signor Fanfani's own position. According to present plans (though the details may be changed) sentence of death on his government is to be pronounced by the Social Democrat leader, Signor Saragat, when the Christian Democrats' congress opens in Naples on January 27th. The sentence will presumably be carried out (that is to say, Signor Fanfani will resign) when Parliament reassembles on February 6th; but complications arising out of the internal organisation of the Christian Democrats after their party congress may cause some delay.

This curious advance planning of a government crisis is part of the current manoeuvres in Italian politics designed to make possible that ancient and often-frustrated design, an "opening to the left," which in its turn would allow the formation of a government more broadly based and stable than recent Italian governments have been. Signor Saragat announced on December 29th that he would withdraw his parliamentary support from Signor Fanfani on the opening day of the Christian Democrat congress. (The Republicans are planning to do the same.) It was understood when the Christian Democrat cabinet was formed in March, 1960, that if any of the three small centre parties (the third is the Liberals) supporting it in parliament withdrew its support, Signor Fanfani would resign. In any case, deprived of Social Democrat and Republican votes he will have lost his majority. Signor Saragat's avowed object is to relieve Signor Fanfani of his present governmental responsibilities so that he can appear before his party congress as leader of those Christian Democrats who favour an opening to the left.

Whether Signor Saragat's gambit will work remains to be seen. It may have received the support of Signor Fanfani himself; and Signor Moro, the party's secretary-general, is on record as saying (on television on November 22nd) that there was no stable alternative to a "centre-left formula"; in this the Nenni Socialists would promise their support to a centre coalition on conditions that have yet to be agreed with the Christian Democrats—and may prove unacceptable. Possibly, Signor Nenni's outspoken criticism of the Communists after the 22nd Soviet party congress may have made his support more acceptable to more Christian Democrats. All the same, those among them who believe that Signor Nenni is still dangerously polluted by his communist connections will fight hard for their view. The forthcoming party congress may well be turbulent, and could mark a turning-point.

MIDDLE EAST

Ghosts of Gunboats

At fleeting glance, the Middle East might be entering 1957, not 1962. A snowstorm of accusations tumbles indiscriminately on "imperialist" heads, with Britain marked out for the most generous share. The colour for all the suspicions is remarkably thin: the British military movements performed, with an eye on Kuwait, over Christmas; the unsuccessful revolt in Lebanon on December 31st; Kurdish and other troubles of the Iraqi government. None of this, to a westerner, suggests an imperialist master mind at work. For the past five years, one of the principal aims of British policy in the Middle East has been to drive home the sensible, if unexciting, point that Britain is now trying to make the best of existing situations, not to overturn them. Most Arabs kept their minds, and their memories, open. Now, judging by the wild charges pouring out of Baghdad and Cairo, and to a lesser extent being echoed in Beirut and Damascus, many Arab leaders believe, or at least find it expedient to seem to believe, that Britain is at its old tricks again.

In this context, the usefulness of the recent British and American notes to the Iraqi government is questionable. On January 3rd, the British ambassador to Baghdad handed over a note that, in a friendly way, urged the Iraqi government to resume its negotiations with the Iraq Petroleum Company and to accept its call for arbitration. The United States, apparently, presented a similar note. This mild diplomatic concern is perfectly proper, and in a situation less corroded with suspicion and ill-will it might even have had some possible usefulness.

But as things are the Iraqi prime minister, General Qasim, in his Army Day speech on January 7th, chose to represent the notes as old-fashioned intimidation, backed by British "military concentrations and fleet movements." Nonsense this may be. But if General Qasim is set on taking over the heroic role of the leader of a small nation bullied by big outsiders—a part played a good deal more convincingly by President Nasser in 1956—it seems necessary to avoid helping him by providing any evidence of political pressure. The strength of the oil companies does not lie in the support of powerful governments, but in their economic utility and in the powerful interest of General Qasim, however near the brink he gets, to stop short of doing anything that might lose him the oil revenues altogether. The danger is that he may miscalculate where the brink lies.

POLICE

Towards Amalgamation?

Even Dr Watson would have taken the hint by now; it looks as if the Royal Commission on the Police, whose report is due fairly soon, may recommend the amalgamation of the multitude of local borough and county police forces into a much more coherent, and in some aspects a national, organisation. If so, its recommendations will be thoroughly welcome. The Government must be bold enough to accept the full logic of the mobility and technology employed by the modern criminal. Since the pay of the ordinary constable was increased on the commission's urgent recommendation a year ago, two priorities remain. The first is to raise the police, and particularly the criminal detection departments, into a thoroughly professional, expert force by attracting men of high educational and executive calibre. The second is to break down the traditional barriers to inter-force co-operation. Small amalgamations have taken place in the past (usually over some standing committee's dead body) and many existing arrangements between neighbouring forces, and between local police and Scotland Yard, work well: but there is disconcerting evidence that delays and prejudices still persist—solely to the criminal's advantage.

The political overtones (and genuine dangers) attached to the creation of a single, national police force make any such proposal unacceptable. But a scheme like that propounded to the Willink commission by the Inns of Court Conservatives for broad amalgamations on a regional basis might even be better in terms of efficiency, and would also preserve a basic element of non-political control. The Inns of Court Conservatives suggested 11 regions, the London metropolitan area being the largest and Wales the smallest. Scotland ideally should have one, or at the most two. Each region should have a strong, independent commissioner and an *ad hoc* police authority, on which the larger local councils would be represented, to look after establishment questions and senior appointments. But all the regions, like the Metropolitan Police at present, should be answerable on policy issues to Parliament through the Home Secretary.

One would prefer not to hive off the CID into an entirely separate national force, although the present system could certainly be strengthened. Local pride might be pacified by retaining county and borough control of traffic police—although eventually the motorway era will make even this anomalous. The chief need is to give scope for the effective deployment of manpower and scientific aids to prevention and detection, and equally to give senior officers the incentives, status and salary that can come only from ending watch committee rule. The Popkess case in Nottingham and the Kilmarnock appointment row should have helped to drive the lesson home.

INFLUENZA

Epidemic or Not?

Not all the hundreds of people who have gone sick in the last few weeks are suffering from influenza. In the last week of 1961 the number of deaths from influenza had increased to 146 from 84 in the previous week, but this does not yet constitute an epidemic. In the week ended February 11th last year—at the height of what was recognised as an epidemic—the number of influenza deaths was almost ten times as many.

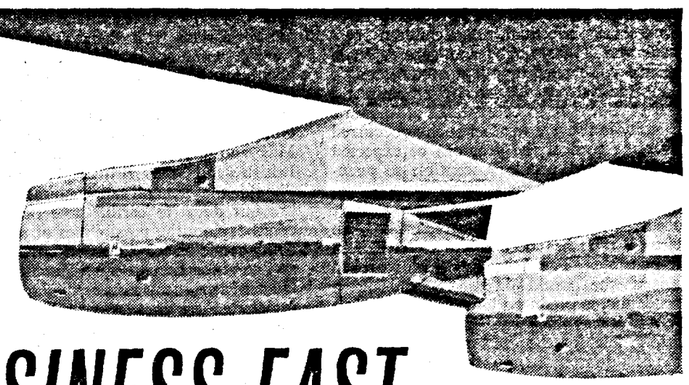
There have certainly been local outbreaks of flu this winter. In November, for

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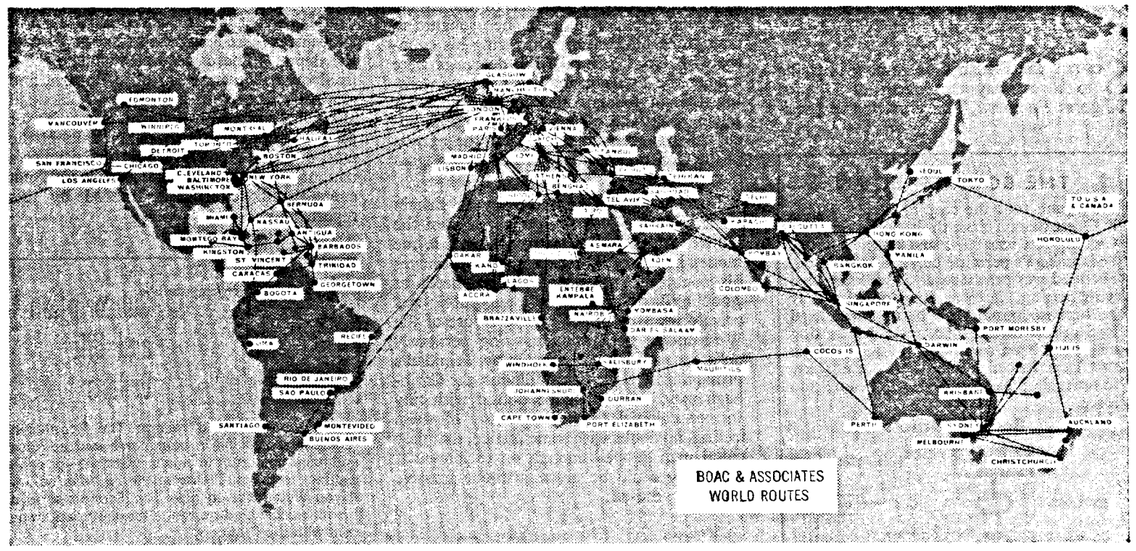
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SPEEDS THE EXPORT DRIVE

BRITISH OVERSEAS AIRWAYS CORPORATION WITH ASSOCIATE AIRLINES

instance, it swept through the north of Pembrokeshire, affecting schoolchildren particularly. But coughs and sneezes, even when accompanied by a temperature, are by no means always caused by an influenza virus. They are to be expected at this time of year, and severe weather such as occurred over the turn of the year can be expected to kill off old people susceptible to pneumonia and bronchitis.

Where true influenza outbreaks have occurred this winter and been identified, the virus B type has been found to have been responsible. The Asian flu which marched across the world in 1957, causing a pandemic, is produced by a variant of virus A, and it was this virus A2 that was mainly responsible for the epidemic in Britain in the first quarter of 1959 (though some of the outbreaks in that period were caused by virus B) and again last year. The winter of 1959-60 was virtually flu-free. Usually virus B produces a milder form of flu than virus A, whether the Asian variant or not, but in the 1959 epidemic there seems to have been little difference in the symptoms or severity of the illness whichever the virus responsible.

CARIBBEAN

Outposts of Empire

SOFTLY the British Government is trying to turn away the wrath of General Ydigoras Fuentes. The Guatemalan president's reiterated threats to break off diplomatic relations with Britain, and the fiery New Year message in which he called British Honduras a concentration camp and the British prison warders, have been countered by a polite note on January 5th inviting the Guatemalans to come to London in April or May and talk things over with both the British and the British Honduranians. Should the general allow himself to be brought down to earth, these negotiations could explore the possibilities of some kind of economic association between Guatemala and an autonomous British Honduras. The Guatemalans themselves seemed to be thinking along these lines last year, but the hurricane that smote Belize in November swept away the hope of doing anything about it at the time. Since then, the whiffs of good sense have looked like disappearing in the general's chauvinist steam.

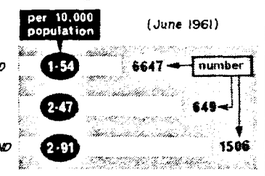
Britain is also under fire in its other enclave on the American mainland, British Guiana. But here the colony has its own gunman. Dr Cheddi Jagan, who has been British Guiana's prime minister since August, declared himself thoroughly disillusioned after a trip to London and Washington at the end of the year. On December 18th Dr Jagan petitioned the United Nations Fourth Committee for its assistance in bringing British Guiana to immediate independence. Although he sought to strengthen his case by comparing his country with Israel, several Arab delegates were among the 15 sponsors of a resolution asking Britain to start negotiations with Dr Jagan about the colony's future. This inoffensive suggestion is now on the agenda of the General Assembly, which meets again next week.

But Dr Jagan is not cross with Britain alone. He has also spoken out against the United States for its failure to provide the money he has asked for. Dr Jagan estimates his country's immediate financial needs at £200 million, divided between public and private investment. With the future of the West Indies Federation hanging perilously on a decision yet to be made by Trinidad's prime minister, Dr Eric Williams, the Caribbean may before long be dotted with tiny former colonial territories, many of them feeling, no doubt with some justice, that they could manage well enough on their own if only they could be given just one massive financial send-off.

THE BOOKIES' BOOM

By June 1961 the crop of betting offices in Great Britain since the 1960 Betting and Gaming Act was 8,802 and the number of bookmakers' permits current was 9,944. Scotland was nearly twice as well supplied with betting offices as England; this may be because postal cash betting was legal in Scotland before 1960, and illicit betting may have been commoner in Scotland, so that experienced bookmakers were ready to open shop as soon as the Act came into force.

Betting Offices



Towns with less than 2,500 population per betting office

Aberdeen	Kirkcaldy
Ayr	Merthyr Tydfil
Blackpool	Newcastle
Cardiff	Newport
Chester	Northampton
Derby	Salford
Doncaster	Wakefield
Glasgow	Warrington
Hamilton	York

MILK MARKETING

Small Change

THE Thorold committee's report on the remuneration of milk distributors is a distinctly placid document. It does not unduly worry itself with the thought that Britain's liquid milk prices are almost the highest in Europe. The chief adjustments it recommends concern the payment of allowances at specific points in the distributive process, which might make minor improvements in economy and efficiency. The report favours the continuation of government control (through the milk marketing boards) over the first-hand selling price of all milk, over distributive margins, and over the retail price of pasteurised milk (which means some 70 per cent of the total liquid supply). It recommends decontrol of the retail prices of quality grades of milk, including the high butter fat, homogenised and sterilised varieties, and another look at the prospect for general decontrol of retail prices in five years' time. But it shies away from the recommendation that many people had expected—that, even while prices to farmers remain fixed, there should be freer competition in the distributive process lower down. The committee has been impressed by the steady concentration of milk distribution into a smaller number of hands: it does not believe that decontrol would lead dairies to compete in cutting retail prices and improving retailing efficiency. Some people would say that the control itself has helped to breed this trend towards monopoly, and find it inconsistent that the trend should now be cited as a reason for continuing control.

Perhaps the committee's most pertinent suggestion is that more milk should move directly from the farms to the retailer; it complains that under the existing system of allowances there is little incentive to by-pass the depot. The committee wants to see a fixed over-all margin for all dairymen, and gradually to end the allowance to the small man who cannot do his own processing or pasteurising. This prospect has brought the most anguished protest from the dairymen's national association. But, in general, not enough milk churns are rattled by this report.

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BALKANS

Nerves

BALKAN nerves are easily set on edge. Recently, for instance, references in Skoplje and Belgrade to the "Macedonian minority" in northern Greece have produced lively reactions in Athens, where it



is held that no such minority in fact exists. Macedonia had seemed in danger of losing its status as the classic hot potato of Balkan politics. Greco-Jugoslav relations have improved steadily in recent years; and whenever some local enthusiast in Skoplje has sounded off about his brethren in Greek Macedonia, he has been heavily sat upon by Belgrade. Last month, however, the official Jugoslav spokesmen seemed to back up the latest references in Skoplje to Greece's "Macedonian minority." Naturally enough the Greeks took offence.

Greece's reaction seems to have been sharpened by a feeling that the Balkan situation as a whole had been unsettled by Albania's open breach with the Soviet block, and that Belgrade's resuscitation of the Macedonian question might have something to do with a general reappraisal of its Balkan—and even Soviet—relations. There is no other evidence to back this supposition, but the Greeks, under constant pressure from Moscow to loosen their Nato ties, are understandably nervous.

Meanwhile the Albanians, in spite of increasing economic links with China and an abundance of morale-boosting messages from Peking, show signs of a hankering for friends nearer home. This week the official party paper said Albania would like to establish diplomatic relations with any western country willing to do so. Feelers have already been put out for the establishment of a legation in Vienna (Albania already has formal relations with Austria); and after Christmas Tirana suddenly agreed to repatriate some 600 Greeks who had been carried away as hostages by the communists during the civil war. This unexpected gesture may well find a response in Athens, where the need for a new look at Greece's relations with Albania was already widely felt.

TRISTAN DA CUNHA

Scientists' Sortie

BEREFT of its human population, lava-spouting Tristan da Cunha offers an unusual study both in the habits of volcanoes and in those of birds and beasts when left to their own devices. The challenge has been taken up by a scientific expedition of twelve men, who are being sent to the island next week by the Royal Society, assisted by the World Wild Life Fund. Tristan's volcano, though small, is of exceptional interest in that it is now alive and growing after being deemed extinct for nearly 4,000 years. Thus much may be learned about it that is hidden from students of bigger, but less persevering, volcanoes elsewhere.

While the scientists, splendidly detached, declare that they have no human interests, their findings may well be important to people who have to live in other volcanic regions. They are also bound to affect the Colonial Office's ideas about whether Tristan da Cunha could or should be resettled. There is, besides, a humane interest in what kind of animal farm those herds of cattle and sheep and the donkeys, cats and hens that the islanders had to abandon have concerted with the wilder creatures. That the island's black rats should not become its bosses will be one of the expedition's several animal cares.

LETTERS

Iran

SIR—In an article entitled "Gift for Dr Amini," which appeared in your issue of December 2nd, you state that Dr Amini has been given "a royal gift" in the form of a decree from HM the Shah to carry out a specific six point programme . . . "that protects him from the opposition's demand for elections and a parliament."

It is important to bear in mind that in view of the opposition of the National Front and all responsible citizens of Iran it has now been conceded that no such *farman* or decree has actually been issued by HM the Shah personally. The document you had in mind appears to be only a transcript of the Shah's statements as prepared and signed by Mr Hirad, the Shah's private secretary.

HM the Shah is under oath to maintain and uphold the provisions of the Iranian constitution according to which no authority except parliament can enact laws. Thus neither the transcript of the Shah's verbal statements nor even an authentic *farman* can authorise the government to legislate or to violate the constitution in any other way. To do so would be tantamount to destroying the constitutional monarchy of Iran and any minister or ministers responsible for such violations should, of necessity, face the full consequences of their action. It is the sincere hope of the National Front that in such constitutional matters a greater sense of responsibility will be displayed by all concerned.

As for the motive behind the so-called decree you state "the decision to govern by decree is based on a conviction, long held by Dr Amini, that Persia is not ready for full democracy."

Dr Amini, if you recall, posed during his campaign against the government of Dr Eqbal and Dr Sharif-Emami as the champion of free elections and full democracy. Now he would seem guilty of either misleading the people or of resorting to outright opportunism. Dr Amini, when he first came to power, tried to govern with some public support and thus tried to avoid an open clash with the National Front. However, failing to hold elections within the period of time stipulated in the constitution, and after banning the July demonstration of the National Front, he has been inclined to seek only the support of certain ruling cliques and has tried to rule by decree.

Your correspondent's observation that ". . . Senior officials, including the Prime Minister, have tended more and more to link the name of the front with the outlawed Communist Tudeh Party" goes a long way to show the sort of antiquated and unfair methods of suppression that the government is using against its opposition. To associate a national movement which is supported by the overwhelming majority of the Iranians with communism is a claim that the communists themselves dare not make in their wildest dreams. But extravagant as the charge may be, it is not likely to cover up Dr Amini's unpopularity. So long as the people oppose him, his government rests on shaky foundations, and no royal gift—of a white elephant or anything else—can help him.—Yours faithfully, KARIM SANJABI

Chairman, Executive Committee,
Teheran The National Front of Iran

London Buses

SIR—"London Transport seems already to be letting it be known, through the usual backdoor route of the Labour Correspondents, that it is itching to pay higher wages in order to be able to employ still more busmen to operate still more of its less economic routes." (*The Economist*, December 23rd.) May I comment?

1. London Transport has already made an offer to the Transport & General

Workers' Union of a "scarcity allowance" for bus drivers, the shortage of whom is much greater than that of conductors. This information was released to the press in an official statement which was widely published, and can scarcely be described as a "backdoor method."

2. Despite overtime working by the crews, London's bus services at the present time are not at full strength owing to a continuing shortage of operating staff and London Transport is doing all it can to make good this shortage so that the proper number of buses required to carry the traffic can be operated. The main impact of this shortage is on the profitable and heavily used major bus routes, particularly those operating from the north-western and south-western suburbs up to Town. It is wrong, therefore, to suggest that in London Transport's efforts to attract more staff it is doing so merely to operate "still more of its less economic routes."—Yours faithfully,

R. M. ROBBINS
Chief Public Relations Officer,
London Transport Executive
London, SW1

[If the "main impact of this shortage" is on the heavily-used and most profitable routes, why on earth does not London Transport transfer staff to them, from its admittedly unprofitable routes? This is the whole point on which criticism of it rests.]

Brave Old World

SIR—In your issue of January 6th you appear to have come down solidly in favour of those who believe in the now popular African slogan, the god-given right to one man, one vote. Though when the Almighty made this pronouncement is not clear, and the fact that the gospels seem to be slanted in quite the opposite direction causes little concern to those who believe in this creed!

The Utopia to which your correspondents look forward appears to be a world dominated by majorities both on a national and, as far as the United Nations is concerned, on an international basis. In other words, in any country the majority race or tribe has the right to impose its will and the majority decision in the UN must always prevail. Such a world would see Britain reduced to the status of a small off-shore island of Europe and the white nations of the world permanently subservient to the coloured. This may satisfy some of our liberal thinking "do-gooders," but many of us are sufficiently old-fashioned to believe that this country still has a major role to play in world affairs.

The real danger ahead is not that of a world divided as today between East and West with the South (Africa and South America) uncommitted, but a world divided strictly between white and coloured. This trend is already evident, indeed the common market represents a getting together of the whites; should, in future, China emerge as the leader of the "true democracies," then there will be a clear division between white and coloured which would present the world with one of the greatest dangers it has ever had to face. Only two organisations can bridge this gap: the Commonwealth and the United Nations. If it can face the stresses and strains of the next few years, the Commonwealth may very well succeed. The United Nations now seems to be acting, however unwittingly, as the vehicle for pushing the Afro-Asian nations into the communist camp. Aggressions against Goa may be followed by "anti-colonial" moves against Kuwait, west New Guinea and British Honduras. The stationing of UN observers in Northern Rhodesia could be followed by UN troops and pressure to "liberate" the country from the Federal Government.

This could be followed by similar action against Angola and Mozambique—then, who knows, Panama may have to be "liberated" from American "tyranny" and the negroes in the United States encouraged to set up their own state, as only then could they be regarded as first class citizens. By this time the European ex-colonial powers will have been so weakened that they will be fit for "true democracy" and the internationalists will at least have achieved their aim.

Who then will have "unwittingly played the Communist game"?—Yours faithfully,

House of Commons PATRICK WALL

Moving the Cash

SIR—The considerable increase in highly organised robbery of very large sums of money in transit from central banks to large business organisations has very properly given rise to correspondence in the press.

The skill and audacity with which these crimes have been organised, and the success of many of the attempts, make it plain that these same qualities must be matched by engineering and technical skill of the first order if this outbreak of lawlessness is to be halted. The larger the size of our major industrial organisations the larger the sums involved, and therefore the larger the possible coup. The problem is therefore likely to be a growing one and will not diminish. Thus far the only counter-measures that have received much public attention have been limited to a not very profitable public debate on the wisdom or otherwise of arming bank guards in charge of such consignments.

Since large sums in transit are always covered by insurance, and apart from the inconvenience to customers it is the insurance companies that are the real losers, I write to suggest that there already exists in the insurance world a parallel set-up providing a pattern that might well be adapted to cover the transit of money.

As is well known, the major insurance companies have for many years operated jointly the Salvage Corps, a private brigade of trained men with the very sensible objective of salvaging goods from warehouses and factories that have caught fire. This body of men has in the course of the years saved the insurance companies many millions of pounds in claims. Surely it would be a relatively simple matter for the leading insurance companies, who are having to meet these heavy claims for robbery, to get together and organise a security delivery service, not only staffed by top quality and highly trained uniformed staff but operating specially designed armoured (but not necessarily armed) vehicles. Far too much money is being conveyed in vans not intended for that purpose and inviting trouble. Even the security vans in operation are often out of date in design. Moreover, the police are short of manpower and chronically overworked.

The initial cost of such a service to the insurance companies would obviously be considerable, but the ultimate saving might well be immense. Moreover, the greater peace of mind enjoyed by both bank executives and their clients might even persuade the latter cheerfully to share part of the burden by way of a slightly higher premium.

—Yours faithfully, A. DOUGLAS MILLARD
London, WC1

Blackbirds

SIR—You speak (January 6th, p. 14) of "Africa's non-white states." Will you not give a lead to the disuse of this silly but nowadays prevalent adjective? Black, brown, copper, coffee, beige, yellow are colours; and when there is need to distinguish persons, races or nations whose pigmentation differs noticeably from that of the Nordic minority, what is wrong with the adjective *coloured*?

I myself happen to be a pale, uneven pink, like most Englishmen. I am resigned to being called white (like Montrachet or café au lait). But if I were a blackamoor or a Kanaka, with a skin to be proud of, I should think it condescending, if not positively disparaging, to be described as *non*-something else.—Yours faithfully,

London, SW3 JOHN CARTER

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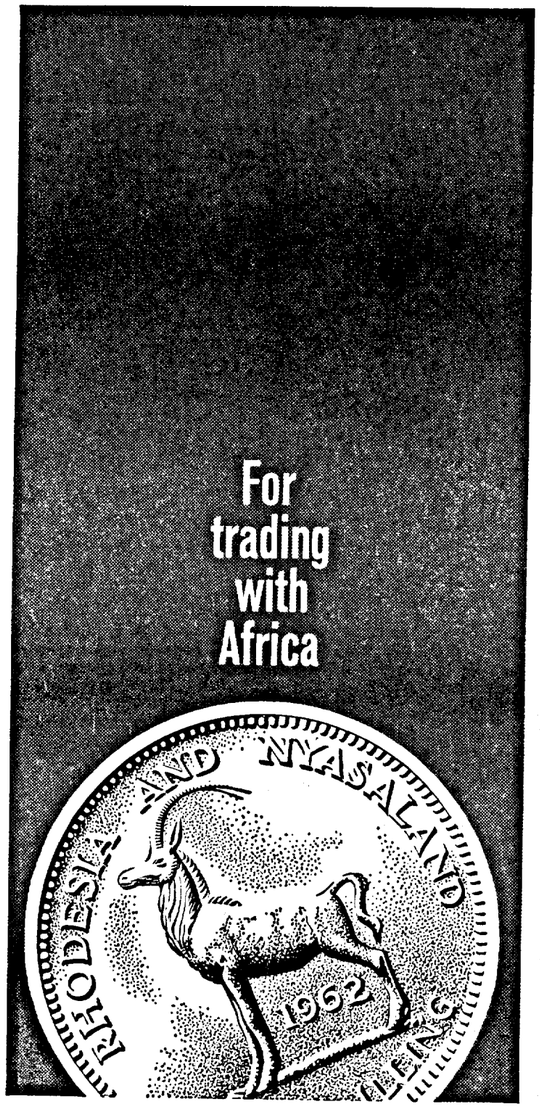
Although there is some pause in expansion in certain capital goods sectors, the Review suggests that increasing consumer demand will carry the boom well into 1962.

However, this will be accompanied by a continuing rise in prices. Against the background of a non-expansionary budget, the Review discusses the current proposals to stop the wage-price spiral—particularly the recent Raab-Olah agreement.

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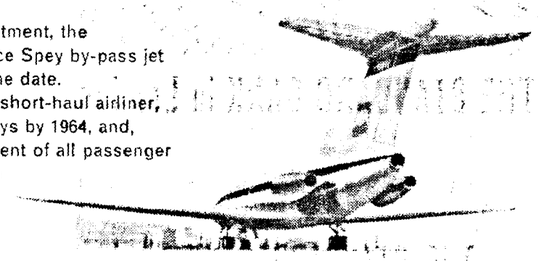
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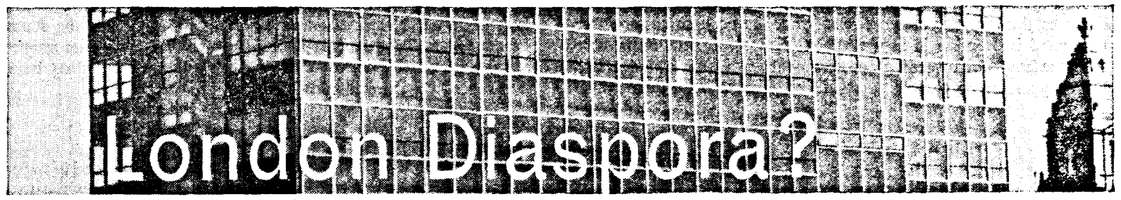


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HOME REPORT

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



London Diaspora?

FROM OUR SPECIAL CORRESPONDENT

LONDON'S office population, in the central area alone, has been growing by some 15,000 a year for the past decade. It is probable (and the railways intend to provide the commuter capacity) that it will rise even more rapidly in the next ten years. The proposals for limiting this growth, issued on Monday by the Town and Country Planning Association, deal with a familiar problem. The London County Council produced a plan for decentralisation in 1957, and the TCPA itself held a conference in 1958 at which the practical advantages of dispersal, experienced by over thirty big firms that had taken the plunge, were proclaimed abroad. These were the days of persuasion. Not surprisingly, boom and congestion have gone on unabated.

There are two issues that need to be faced now. The first is London's immediate problem. The Minister of Housing and Local Government, Dr Charles Hill, is confronted by the accumulated troubles of the years. But the second issue is even more important. Membership of the common market will initially increase the drift of employment and population to the south-east, and may eventually establish a radically different structure of British industrial and commercial life. The primary need in Government planning is to settle the future of London and the south-east region: to reconsider what size and pattern of commercial concentration are both necessary and tolerable for a successful juncture with Europe. This is Dr Hill's opportunity. The best place for him to start is in the centre of London.

No plan for central London can succeed without a sure grasp of what central London's business is. This is not always apparent in the higher reaches of idealised planning. Even the TCPA's argument is vitiated, to some extent, by the absence of estimates or even good guesses on how much of London's office growth has been healthy and necessary, in the sense of expanding the city's commercial function, and how much has really been superfluous and unhealthy. Subjective judgments have made "prestige" a dirty word: among political planners it sometimes seems that any new office block making a profit (that is, adding to the "property boom") is morally wrong. The office boom began in the early nineteen-fifties with the delayed reconstruction of the bombed City. Its chief stimulus has not, at least until recently, been profit from speculative building but the direct dependence of industry upon government: this is particularly so of the newer, science-based industries whose development has often been by Government contract.

These, and other, firms have moved in or increased their establishments as, in the nineteenth century, the railway companies moved in to Westminster to lobby Parliament. At the same time, the practice of commercial and marketing operations has altered to meet the new needs of the times. It is more essential than ever to be in close and constant touch with the credit and banking facilities of the City, to have advertising agencies on tap and to send directors and salesmen to the one airport in the country that actually connects with the outside world. One suspects that a good many flagging firms, which have not yet geared up to sell in Europe or to survive European competition, ought to be moving into London now. Any plans to control office employment must therefore be as flexible as possible. They should not bar incomers (which quotas and development certificates would tend to do). Neither should they encourage firms that have settled down lock, stock and barrel to sit pretty for ever.

The factors that make an emigration out of London tolerable and even desirable depend on communications and costs. Part of an office operation can do very well in a new town, or in the suburbs (although some are becoming congested themselves) or even in Lancashire and Newcastle if it can be sure of a direct-dial telephone service, a telex service (how many public telex offices are there in Britain?) and good air and rail communications for senior staff. It cannot be said that this necessary infrastructure for dispersal exists at present. It should, however, be becoming apparent to managements that the shortage and soaring cost of good office staff in central London can be substantially reduced by moving out to suburbs (where wages are affected by the lower price of housing and transport) or to new towns, particularly to those where industrial growth has lagged behind population increases and the spread of secondary education. But it is still easier, and still not too expensive, for firms to carry on a number of inessential operations in London itself.

The public cost of failing to put the squeeze on these inessential operations is increasingly obvious. There is a cultural cost which London has begun to pay, sometimes architecturally but even more important in the deadness of its heart when the evening rush-hour has left Cannon Street and Waterloo. (This is already true of Birmingham as well.) The financial cost is also clearer, even to local councils rubbing their hands at the thought of bigger rateable values. The Greater London Council will be confronted with a massive roads programme: the subsidy for the Victoria tube, if it is built, may have to cover the full capital cost of £55 million. The best argument for redeveloping British Transport Commission sites near the railway terminals is that this will help to reduce congestion elsewhere. But before plumping for vast public projects the demand for office space can be thinned out.

THE TCPA wants to advance on two fronts. First, it wants planning controls: these include the abolition of owners' rights to increase the cubic content of offices on rebuilding, stricter zoning of new development, the withdrawal on expiry of temporary consents for the use of residential buildings as offices, and the consideration of a quota system. Secondly, it wants to stimulate decentralisation by the Parisian system of a levy on new floor space (repayment being made to owners demolishing buildings) and by charging a special central London payroll tax on every employee above the first twenty.

The most flexible and discriminating instrument is obviously the payroll tax, which could operate reasonably well with a zoning

policy both inside London and (to avoid office sprawl) on the periphery. The same effect might be secured from a special rate on offices, paid to the Greater London Council. It seems preferable to set a system of this kind in operation before imposing rigid upper limits to the quantity of office space that the economy as a whole may need in London in future years. At present it is impossible to gauge how much weeding-out firms will do of their own accord: but they should be given a powerful incentive to bend their minds to the task. It ought not to be entirely negative. Dr Hill's comprehensive planning (if and when it comes into being) must give a high priority to office development in the new towns and potential counter-nuclei to London (Southampton-Portsmouth, Swindon, Northampton, Norwich) on which the coherent life of the south-east region will depend. If Britain does enter the common market he should be able to count on some "prestige" building being transferred to Düsseldorf at least.

Railway Patriots

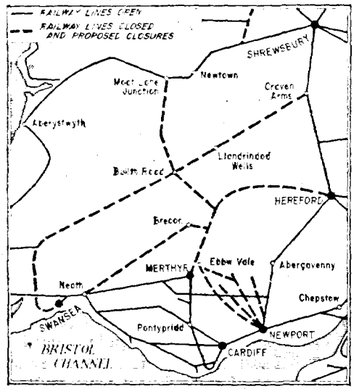
FROM OUR SPECIAL CORRESPONDENT

BRITISH RAILWAYS was intended, from its inception, to be self-supporting and a public service—and these two states are inherently incompatible. Even before what are darkly called "Beeching's cuts" aroused the ire of distressed branches of the National Union of Railwaymen, the British Transport Commission came down, with some hesitancy, on the side of profitability. The hesitancy may help to explain why BR has been losing £100 million a year. While the main lines, the "crack" trains, are still comfortably profitable (although now threatened in the north by cheap air flights), on the rural branch lines never before has so much had to be provided for so few.

The ending of this rural bliss has antagonised placid Englishmen who, despite being taxpayers, are primarily Titfield-Thunderbolt worshippers and Bluebell line preservers. Even more incensed are those touchy patriots the Scots, Welsh, and Cornishmen. No more trains north of Perth or west of Exeter is a cultural and national, rather than a mere economic issue.

Now, when in many places the ratio of bus to train users is as high as 14 to one, the public service aspect of rural branch lines is at an end. Their remaining traffic is in railwaymen on free passes or reduced fares, die-hard anti-motorists and the very few whose convenience is actually better suited by rail than by road. These last passengers think, almost to a man, that British Railways does not take them into account. But where even the introduction of three-car or single diesel units will not sufficiently reduce operating expenses, or where (as in some Scottish lines) it would be cheaper to give away motor-scooters to all the passengers than to run a train, closures have to come.

All Wales has now been alerted by the plan to close four lines connecting the county town of Brecon, in mid-Wales, with the outside world in the shape of Neath, Newport, Hereford and Moat Lane Junction (for Shrewsbury). This concerns passenger traffic; much of the system will remain in use for freight (for which the permanent way standards are lower and therefore cheaper, and which is not subject to the rigid scheduling which makes passengers so costly a cargo). The objectors naturally claim that a tightening up of British Railways' efficiency would remove the losses on these lines. They err: on a strictly comparable system, between Oxford and Fairford, a case study showed that the existing passengers would either have to persuade three times as many people to use the trains rather than their cars, or they would have had to pay three times as much in fares themselves if the line was to remain open.



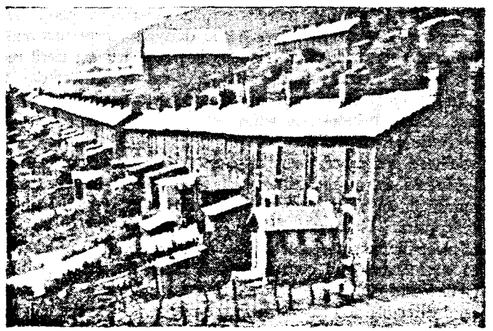
IN the Western Region, British Railways lose no less than £7 million a year on passenger services, in spite of the high profitability of such trains as *The Bristolian, The Capitals United Express* from London to Cardiff and Swansea, and the twice-daily Pullman to Bristol. Of this, £287,000 can be saved by the discontinuation of the Brecon passenger services and, in addition, an average of £76,000 a year will not have to be spent on capital improvements: together with savings already made on past closures and restrictions, well over £500,000 a year will be subtracted from the red side of the balance-sheet.

Nor is this the end of the intended saving: as the map shows, several other lines in Wales are due for "examination for profitability," and it is likely that most of them will eventually be abandoned, leaving what is known as the "inverted E" of main lines linking Chester and Newport, Chester and the West Coast, Shrewsbury and Aberystwyth, and Newport and Swansea, in keeping with BR's avowed intention of confining its services to links between large towns.

In fact, most of the objections so far voiced have had nothing to do with the usefulness or otherwise of the four lines affected, but have been confined to pleas to "save Wales from English vandalism," "cut Dr Beeching's salary," or "buy the lines for Wales and show British Railways how profitable a branch line can be." (British Railways, as it turns out, would be more than happy to sell the lines to anybody who offered them a fair price; but they point out that the running of 160 miles of track with paid staff is less likely to be profitable in private hands than is the Bluebell line's four-and-a-half miles of amateur maintenance.)

Since the lines will continue to carry freight, staff redundancy will not be as severe as the objectors would like to make out; and all those affected will be offered other BR jobs. Nor does the National Union of Railwaymen harbour nearly as much resentment over the proposals as Welsh pride hopes it does: at the last closure, in Monmouthshire, a threatened strike turned out to be nothing but the groanings of a few.

Nowhere does there seem to be a reasonable argument for continuing the services (of which there have always been too many in Wales). If precedent were needed, it might be recalled that a similar outcry greeted the closing of the Merthyr, Tredegar and Abergavenny line in 1958, and that when this newspaper wrote to the chief objectors asking whether their dire forebodings of ruin and humiliation had been proved true, they replied—precisely nothing.



South Wales valley: end of the line?

BOOKS

One Man's China

The Wall Has Two Sides: *A Portrait of China Today*
By Felix Greene.
Cape. 416 pages. 25s.

THE truth, as the Japanese film *Rashomon* pointed out some years ago, is not the same through different eyes. Through the eyes of Mr Felix Greene, the truth about China approximates to the truth as Field-Marshal Montgomery saw it but differs wildly from that of some other observers. A passage from Mr Greene's book, quoted on the wrapper, is characteristic:

> There is a prevailing opinion in the West that the Chinese are being threatened, brain-washed, or bludgeoned into work of national industrialisation; that a small group of power-hungry Communist leaders have fastened themselves on to an unwilling and resentful population and are driving them fiercely forward against their will. I believe this picture is the very opposite of the truth.

Mr Greene's picture of the new China is of a people carried forward by a spontaneous surge of enthusiasm, of a leadership taken by surprise by the scale of the commune movement (if we are to accept the opinion he expresses on page 118. Mao Tse-tung himself did not really intend the communes to start when they did), of a country in which everything, from justice and hygiene to education and technology, is constantly improving. His work is the outcome of painstaking observation and leg-work and of research that is accurate within its limitations. He is able, not merely to quote official Chinese communist statistics, but also to describe, in precise detail, just how a rural commune is organised and what kind of technical innovations emerge out of the ideas boxes of assembly works.

There is clearly a good deal of valuable information in "The Wall Has Two Sides," and Mr Greene's China cannot be dismissed out of hand as a benign hallucination. It deserves, as well as needs, critical examination. It is hard to conceive that he is writing about the same country as, for instance, the French journalist Lucien Bodard in his "La Chine du Cauchemar" (*Gallimard*, 1961). M. Bodard, who was born in China, wound up many years of Far Eastern reporting for *France-Soir* with a long stay in China in 1959-60, his second visit in recent years. M. Bodard's China lives up to his title. It is a nightmare world of human beings driven up to and beyond the limits of endurance by a peasant emperor determined to prove that no miracle is impossible if undertaken by the people or in its name. When the absurdity of turning peasants into scientists and professors into manual labourers wrought its own failure, Mao was pushed aside, and the fanatical ideologist, Liu Shao-chi, took over the Stalinist dragooning of the Chinese masses.

Can M. Bodard and Mr Greene really be writing about the same things? Although M. Bodard is a less accurate writer than Mr Greene and does not name, much less classify, his documentary material, his thesis is supported by the great mass of communist sources and further confirmed with every new twist of the Sino-Soviet dispute.

Mr Greene does not mention M. Bodard's work and may not, indeed, be aware of it; it does not appear to have been published in English. He cannot, however, be absolved of the charge of leaning on authors who have taken the same view of the Chinese revolution as he has, such as Professor C. P. Fitzgerald (one of the most distinguished), and of tending to ignore evidence that appears to weaken his case. Thus he minimises the importance of the hundreds of thousands of Chinese refugees in Hongkong (on page 337); similarly, his bibliography does not mention Suzanne Labin's impressive collation of refugee evidence in "The Anthill: the human condition in communist China" (*Stevens*, 1960).

To be fair to Mr Greene, one ought to measure his work by his own yardstick. As a British writer living in the United States, he has rightly been dismayed by the sterility of public policy on China and by the consequences of feeding the American public with propaganda in the enforced absence of real reporting about the most populous country in the world. He has set about to remedy the deficiency, by seeing for himself and by presenting the Chinese communist side of the story, which is almost totally ignored in the United States. (His book includes an ingenious chapter entitled "The Chinese Case" which lists, with deadly effect, the grievances of China—before and after 1949—against the West.)

The task was worth undertaking, but Mr Greene has fallen into the pitfall of accomplishing it too well. Even if one concedes that Americans have been fed on a surfeit of horror stories from continental China and exhorted to see Mao as absolute evil and Chiang Kai-shek as absolute good, was it necessary for Mr Greene to gloss over the early rigours of the communist regime or leave uncorrected the grotesque picture of Formosa which he puts into his chapter on "The Chinese Case"? If the American reading public needs such corrective treatment, the same is not necessarily true of the British.

No Need for Keynes?

United States Fiscal Policy, 1945-1959.
By A. E. Holmans.
Oxford University Press. 356 pages. 40s.

EXPERIENCE has taught reviewers to approach PhD theses with apprehension. Too often their subject has been chosen chiefly because it has never been done before rather than because the author has any particular feeling for it. This book is very different. Its subject is certainly one that deserves extensive study and Mr Holmans is passionately interested in it. He has written a fascinating account of the growing influence of economic facts upon American fiscal policy during the first fifteen postwar years.

It appears from the preface that the author paid his first visit to the United States in 1957. He is to be congratulated on having been able to absorb all the documentation and to soak himself so thoroughly in the period from a distance. There are not many moments when someone who had been close to the sources of policy all the time could have added significantly to what he has to say.

Mr Holmans starts by reminding us that, when the war ended, there was little confidence in Europe that the United States would be able to prevent another slump or to confine it to moderate depth or duration. He concludes that "the conduct of general economic policy . . . belied the worst of the fears." But because the conditions experienced were so different from what was expected "the effectiveness of American counter-cyclical policy on really unfavourable terrain remained untested," and he still has his fingers crossed about the future. He feels that a more flexible fiscal policy than was achieved in the 1940s and 1950s—and a more flexible one than is often politically possible in democracies—will be needed to maintain adequate control over aggregate demand if the inflationary tendencies, which he noticed when he finished his book more than a year ago, continue.

The rest of the world may no longer catch pneumonia when the United States catches a cold, but we still have to button up our overcoats if we are to avoid a nasty bout of 'flu. And it is therefore Mr Holmans's detailed account of how each tax bill finally passed and his comments at the end of each annual, or biennial, chapter that give his book such value.

If he finds himself sometimes falling back upon luck as the most important ingredient of the success (comparative though it may have been) in achieving stability in any particular year, he is only saying what many observers on the spot have found themselves reduced to saying. And he recognises that the greatest piece of luck of all is the existence of the "automatic stabilisers," none of which was introduced with any idea of their stabilising effect in mind. On the revenue side both the progressive income-tax and the corporation profits tax, on the expenditure side the agricultural subsidies

and unemployment compensation, have the effect of increasing the budgetary surplus in good years and the deficit in bad ones. In most years no conscious counter-cyclical policy is felt to be needed, which is probably fortunate in a country where Keynes is still a naughty word in business circles.

Mr Holmans may underestimate the importance to other countries of the American experience with the progressive income-tax. He explains that "the length of the time lags which American institutions introduce into discretionary changes in fiscal policy" makes automatic stabilisers so important to the United States. But he does not comment on, though he notices, the fact that during the months in which a tax bill is being debated new statistical evidence will provide quite a new estimate of where the economy is going. On those occasions the bill passed in July may be, with the approval of the Administration, very different from what it would have been in April.

It is hard to imagine any American economist, committed over the years to one party or one point of view, writing as objective an account of these years as Mr Holmans has written. That is not to say that he does not show his political sympathies. But he is fair in his assessment of the performance of the Republican Administrations even if he would rather like to be unfair and to judge President Eisenhower and his advisers on their words alone—a trap that it is easy to fall into.

Mr Holmans knows how to tell a story and how to put a book together. He has style and he has humour. He is a new writer on economics of great promise.

Last Years of the Ancien Régime

Europe in the Eighteenth Century, 1713-1783

By M. S. Anderson.

Longmans. 375 pages. 25s.

THE first volume in this new "General History of Europe" series is also the first extended work by an English hand on eighteenth century Europe for a quarter of a century. It is an impressively scholarly work, closely argued, with enough interpretative ideas to keep serious students in dispute.

Curiously, Mr Anderson has been halted in 1783: perhaps this is to allow his successor room for manoeuvre in the demolition of the *ancien régime*. He will find the charges well laid and the fuses smouldering. While insisting that, in some respects, this age was "closer to the thirteenth than to the nineteenth century," Mr Anderson shows how precarious the structure was becoming. The weight of administrative changes and fiscal demands superimposed on a rigid social system was crushing. Politically, the *ancien régime* destroyed itself. Social forces did nothing to underpin it: growing towns and increasing trade were catalysts long before the factory system appeared. Ideas, not through their own worth, but by their liberating effect, destroyed the justification for those very changes which the rulers were making in the name of efficiency and progress. Ingeniously, Mr Anderson shows how the growth of knowledge about the extra-European world was crucial in loosening traditional loyalties. The New World provided both the noble savage and the successful revolution, while the reception of Confucius, rather than the more mystical Lao Tzu, from China eased the discrediting of revealed religion. But it is difficult to accept his view that the Roman Catholic kings, in destroying the Jesuits, removed the one instrument that might have reconciled the new with the old beliefs. It is doubtful if even this resilient corps, despite its dextrous accommodations, could have complied with Diderot's cry of *élargissez Dieu*.

It is a great advantage that the author of this volume is an expert in eastern European history. But it is possible that it has led him into an exaggerated emphasis on the position of Russia in European affairs. His insistence that the rise of Russia to the status of a great power "is the most important single fact in the history of the period" seems strained. The evidence presented suggests that it was the collapse of the powers on Europe's eastern "frontier"—Sweden, Poland and Turkey—rather than the gathering strength of the Czarinas that drew Russia into Europe in this period. Certainly, the powers continued to act as though they could manipulate and ally with the new power to their own advantage and the discomfort of their rivals.

It is dangerously easy to criticise the form and balance of a textbook. This is an excellent analytical treatment of a very complicated society in the process of dimly perceived dissolution. But it is likely to be very tough going for those "university students, sixth forms and the general reader" at whom it is avowedly aimed. At a time when few historians attempt narrative and fewer succeed, we must be grateful that as much as a third of the book is devoted to chronology. But even here, when we are allowed out of the laboratory for a breath of fresh air, we are always being summoned to make some significant observation of a relevant kind about the events before us There is not a single human being in the whole work who seems ever to have been alive, let alone been capable of laughing or weeping. Not many readers coming to the eighteenth century through this avenue are likely to hear the bells ringing out for the capture of Quebec in the bald statement that it was the "result of the most remarkable amphibious operation in British history," or to be led to the scene where Maurice de Saxe, the victor of Fontenoy, was crowned with laurels at the Opera, from a mere recital of the great bastard's battles. The chapters on culture are excusably slight; but it is in line with the pervading gloom that not a single German rococo architect is mentioned. This is, indeed, an eighteenth century in which Balthazar Neumann or Johann Michael Fischer might never have existed. Illustrations would have helped to distract attention from the paucity of the maps, which do nothing to justify the publishers' claim that the volumes will contain "plenty of sketch maps."

One must hope that student and general reader alike, after the rigours of this austerely nourishing diet, will allow themselves an occasional *bonne bouche* from Sir Harold Nicolson's jolly "The Age of Reason."

French Colonial Ideas

Assimilation and Association in French Colonial Theory, 1890-1914

By Raymond F. Betts.

Columbia University Press. 237 pages. 37s. 6d.

THE French were almost as absent-minded as the British in acquiring their overseas possessions and only in the adolescence of their second empire did they start to debate the problems of imperial rule. In the nineteenth century their belief in the brotherhood of man and esteem for the Roman tradition made them want to mould Asians and Africans in their own image. Their policy was to assimilate: subject peoples were to be culturally and administratively absorbed. Then, at the turn of the century, they began to have second thoughts. The exciting new scientific theories of evolution and natural selection stressed the fundamental differences in races. At the same time the French observed that the British in India were getting, by unbrotherly indirect rule, a better return for their money than was France in Indochina. So "assimilation" was dropped in favour of "association," whereby native institutions were encouraged in moderation, the better to secure native interest in making the territories pay.

Professor Betts's elegant essay traces all the nuances of thought by which French colonial theorists arrived at this mundane conclusion, only to be outpaced by its brilliant practical exponents—Gallieni and Lyautey. Once such men got the bit between their teeth practice raced ahead of theory. Still, the breathless analysts had occasionally their flashes of insight. Even in its finest hour—as evinced by Lyautey in Morocco—"association" was recognised by some of them as merely a built-in version of the older protectorate idea. And others thought they saw annexation as its only logical end. "The genus is annexation, the protectorate is the species" wrote the unflinching Louis Brunel.

There was never of course a perfectly clear departure from the assimilative trend. As Professor Betts remarks: "the ghost of assimilation lingered on." Judged now, this haunting appears to have been a benign one since the Frenchman's most enduring and enviable colonial achievement has lain, after all, in transporting his language and culture to so many distant lands.

Strangely enough, the fact that France had no real need of *colonies de peuplement* blinded the writers of the period under survey to the danger of indigenous people clashing with European settlers. This problem, the only acute one in today's devolution of empire, is not mentioned in the body of this book, though a note suggests that August Billiard, for one, was aware of it. Not the least useful parts of this neatly turned out study are its good notes and bibliography. These form quite a treasury of reference for those who can pay the price.

What About the Workers?

The Worker in an Affluent Society

By Ferdynand Zweig.

Heinemann. 285 pages. 25s.

TWENTY years of a welfare state and full employment have, as is well known, wrought profound changes in the life of the British working classes. Detailed documentation of what precisely is taking place is still lacking, however, and in the absence of hard fact a great many myths about the new working class have sprung up. The more extreme left in particular, which has long equated middle class prosperity with the obstacles to socialism, has tended to interpret the rising living standards as evidence that the true working class was disappearing and was being replaced by a new class of status seekers.

In his fascinating new study Dr Zweig goes a long way to demonstrate the superficiality of this interpretation. His book is based on a series of interviews with some hundreds of workers and their wives in five large firms, including Dunlop and Mullard. Dr Zweig is a shrewd observer. Although some sociologists might quarrel with his very personal approach, which is based more on intuition than scientific method, there can be no doubt about the value of his findings. He has covered considerable ground, from attitudes to the job to changing family habits, and it is on this latter subject that he provides his most fruitful arguments.

Dr Zweig describes how higher living standards, along with better living conditions, earlier marriage and the ubiquitous television set, are producing a much more self-centred type of working class family life. The traditional working class father, whose word was law but who was seldom at home to exercise his rights, is fast disappearing. Instead, a greater sense of partnership is developing (Dr Zweig calls this the "feminisation of the man"), whereby the responsibility for the home and the upbringing of the children are shared equally. The author then goes on to argue the new point that this constitutes an actual withdrawal of the British working man back into the family nucleus. It has already meant that there is less working class gregariousness and rather more social isolation of the workers from their mates. The old solidarities of extended family, street and trade union branch have been replaced by a more intense married life and a set of impersonal relationships built up around television and other mass media. Together with this, Dr Zweig notes what he calls a marked "revolution of rising expectations." The majority of the men that Dr Zweig interviewed were very ambitious both for themselves and for their children. Thus, he argues, as the worker of today is cut off from his old feelings of class solidarity, he tends to express these ambitions in terms of a desire to obtain better conditions for himself, rather than for society as a whole.

All this has, of course, quite a bearing on the problems now besetting the Labour party. For if Dr Zweig is right, and the indications are that he is, then the question for the Labour party is not how to provide itself with a new "middle class" image. It is instead how to become a new focus for the individual ambitions of the many men who described themselves to Dr Zweig as "working class but not poor." An astute Labour politician who reads this book might well decide that the clue lies in the field of education, for forty per cent of the men interviewed were non-readers, and this at a time when education has become the very stepladder to success. Dr Zweig's advice would probably be to make "working class—but well educated" the slogan for the sixties.

Quot . . . Tot . . .

Does Pornography Matter?

Edited by C. H. Rolph.

Routledge. 119 pages. 18s.

IF pornography is defined as the publication of writings, drawings and photographs deliberately and solely designed to stimulate sexual excitement, little is probably produced in this country and access to it is difficult. There is plenty of what can be called semipornography, where the author's pornographic intention is mixed with other ones. But of serious writing about pornography there has been very little since D. H. Lawrence's essay in 1930.

The six authors of this book (Mr C. H. Rolph's contribution is mainly a summing up) have managed to produce a splendid clash of disharmony. In a historical survey, Lord Birkett does not attempt to answer the question asked in the book's title and contents himself with saying that in all civilised countries the state suppresses pornography and punishes it. Sir Herbert Read joins the two churchmen in viewing it with horror and as a symptom of a sick society. Dr Soper has extreme opinions; he believes that pornography has strong links with alcoholism, makes an important contribution to delinquency and is a prime cause of prostitution. Dom Denys Rutledge thunders too, but he will find few to agree with him that both his own essay and family planning literature are pornographic.

Among these heated polemics it is a relief to find Mr Gorer's and Dr Gosling's cooler and more thoughtful appraisals. The pornographer's customers are, as they point out, immature, and indulgence in such reading is a solitary and private occupation. Mr Gorer doubts if this indulgence is any more likely to lead to crime than is a regular diet of murder stories. But even he would try to keep pornography away from the young. The young, however, will often go to considerable trouble to find erotic excitement in the most unlikely places—even in the Bible.

OTHER BOOKS

BRITISH HONDURAS: *A Historical and Contemporary Survey.* By D. A. G. Waddell. *Oxford University Press* for *Royal Institute of International Affairs.* 159 pages. 18s.

THE SINO-SOVIET DISPUTE. Documented and analysed by G. F. Hudson, R. Lowenthal and R. MacFarquhar. *China Quarterly.* 234 pages. 5s.

THE RELIGION AND MYTHOLOGY OF THE GREEKS. By W. K. C. Guthrie. The Cambridge Ancient History. Revised edition of Vols. I and II. Vol. II, Chapter XI. *Cambridge University Press.* 55 pages. 6s.

PEACE WITH JUSTICE. Selected Addresses of Dwight D. Eisenhower. *Columbia University Press.* London: *Oxford University Press.* 283 pages. 32s.

TECHNIQUES OF MONETARY CONTROL. By Joseph Aschheim. *Johns Hopkins Press.* London: *Oxford University Press.* 173 pages. 36s.
This is a concise discussion of alternative instruments in central banking, focused mainly on the United States.

INVESTORS GUIDE 1961/62. *Daily Mail.* 352 pages. 15s.

INCENTIVE PAYMENT SYSTEMS. By R. Marriott. 2nd edition. *Staples.* 291 pages. 25s.

Commonwealth and the Sterling Area

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December 31, 1961

RESOURCES

Cash and due from Banks	$256,183,285
United States Government Securities	112,186,533
Municipal and Other Public Securities	17,233,037
Other Securities	2,333,027
Loans and Discounts	305,815,871
Banking Houses and Equipment	11,553,077
Customers' Liability for Acceptances	31,602,651
Accrued Interest and Other Resources	3,782,253
	$740,689,734

LIABILITIES

Capital (270,000 Shares—$100 Par)	$ 27,000,000
Surplus	20,000,000
Undivided Profits	11,234,628
Reserve for Contingencies	5,648,241
Dividend Payable January 2, 1962	810,000
Deposits	634,759,322
Acceptances	32,236,270
Reserve for Taxes, Interest, etc.	4,746,801
Other Liabilities	4,254,472
	$740,689,734

Securities pledged to secure U. S. Government Deposits and for other purposes as required or permitted by law $21,159,775.

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AMERICAN SURVEY

AMERICAN SURVEY is prepared partly in the United States, partly in London. Those items which are written in the United States carry an indication to that effect; all others are the work of the editorial staff in London.



In Step with Congress

WASHINGTON, DC

PRESIDENT KENNEDY seemed determined to play the cool American in his message on the State of the Union. He pressed no panic buttons and raised no false hopes. World tensions will continue and there can be neither brinkmanship nor appeasement. Neutrals can be nuisances but Mr Khrushchev has his troubles too. The President's proposals for dealing with domestic ills, with unemployment and with the economic growth which is impressive by every yardstick except that of what needs to be done, were pitched in the same modest key, even though they were intended "to fulfil the world's hope by fulfilling our own faith." Job training and tax incentives, rehabilitation rather than relief, medical insurance and improved schools: what disciple of Lloyd George would not approve? Here, it seemed, was a young man with both feet on the ground, sensitively aware that he had to deal with a conservative Congress and correspondingly determined to have no truck with Utopias.

After eight years of President Eisenhower many Americans were in an adventurous mood when they elected Mr Kennedy. Many more of them are now, if his tremendously high popularity rating is a criterion. These Americans look on him as a man who might blaze a trail to new frontiers, not as a cool political calculator. Even though he insisted that he and Congress were not rivals for power but partners for progress, some well-wishers persist in regarding him as a Saint George for the congressional dragon—and the maiden he is to rescue first is a Negro. She and her fellows should be guaranteed, at once and effectively, the right to full equality with their white fellow citizens in school, in employment, in housing, in travel, in voting.

To the President's liberal supporters—their spokesman is the left-wing group, Americans for Democratic Action—his failure to press Congress on this issue has been the great disappointment of the past year and is likely to be the great disappointment of the present one. They believe that he should use his overwhelming popularity as a lever to force through Congress what both he and the public want. The ADA does not accept the excuse that the President has had to hold back on civil rights for the sake of other measures, that if he alienated the Southerners in Congress by insisting on pro-Negro legislation, then he would lose what is in any case his very precarious majority on matters which are more urgent. The liberals argue that the Southerners will vote for Bills they are interested in, whatever the President does about civil rights.

Whether in fact the President provides the "dynamic, crusading leadership" which the ADA demands may depend on the Legislature's attitude at this session towards the new trade policy which he wishes to adopt, to meet the challenge of the common market in Europe and "to build in partnership a new trading community in which all free nations may gain from the productive energy of free competitive effort." From what happens to this Bill Mr Kennedy may decide either that he really can work with Congress or that he must fight it as Presidents Truman and Roosevelt had to do. But the problem goes deeper than Congress's attitude to this or that presidential proposal.

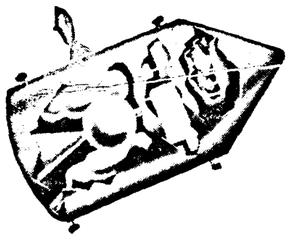
Mr Kennedy said in his message that the country's urban areas containing three-quarters of the population should be represented at the Cabinet table; meanwhile they are under-represented in Congress. Its outlook is rural, southern and conservative and its leaders are ageing men who have achieved positions of dominance through seniority rather than merit. By and large Congress favours spending for defence (but not necessarily for civil defence) and for little else. Its predominant mood is suspicion: of civil rights for Negroes, of lower tariffs, of the United Nations and of outlays on public welfare, including health and education. Mr Kennedy was elected President by the people but the people as a whole did not elect the chairmen of the congressional committees who block the road to progress.

Liberals ask if it is too much to expect the richest country in the world to educate its children properly and the chairman of the Federal Reserve Board asks why the richest society on earth cannot get its income and expenditure into balance. There is, of course, nothing to stop Mr Kennedy playing the man in the middle. But if he did so he would risk being accused of abetting the deferring of decisive change until the twenty-first century, in a world that may not wait so long. It is highly unlikely that Mr Kennedy's temperament really prompts him to try waiting so long either. If his cool patience gains him little there may presently be fireworks both at home and abroad.

Meanwhile, "the one unchangeable certainty is that nothing is certain or unchangeable." The goal of American foreign policy—"a peaceful world of free and independent states," with the state "the servant of the citizen and not his master"—may not be reached even in the President's lifetime, let alone in his term of office. But the search for it will be "the greatest adventure of the century."

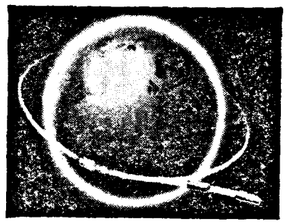
"I Don't Know If It's Solid Enough To Hold Both Of Us"





Out of This World

"Is our policy that space is for peaceful purposes fooling anyone but the American public?"—Mr Trevor Gardner, former Assistant Secretary of the Air Force.



WASHINGTON, DC

THE United States has plans to put Americans into space as well as into nuclear shelters. The two projects are not wholly unconnected for military survival as well as national pride are regarded as being at stake in the celestial olympics that the Russians began last spring. President Kennedy says America is going into space because "whatever mankind must undertake, free men must fully share." The Vice President, Mr Lyndon Johnson, who is chairman of the Space Council, says that Americans in space will contribute to their country's military strength as well as being symbols of its determination to maintain world leadership. The new Everest has to be tackled not just because it is there but because the Russians are already on its slopes.

Probably some time this month the United States will attempt to put a man into orbit around the earth, as the Russians did for the first time last April, and during the year it will send a space probe near Venus and try to land a seismograph on the moon. All this and other heavenly satellites, too, will cost American taxpayers about two billion dollars. This year the Russians may send an unmanned spacecraft round the moon and back to earth. Neither the United States nor, it is believed, Russia has a rocket powerful enough to get men on to the moon just yet but the United States will try to land three Americans there before the end of the nineteen-sixties, at a cost estimated at between twenty and forty billion dollars.

The United States has launched 64 satellites to Russia's 15 and has 33 now in orbit to Russia's three. Russia's rockets are more powerful, because they were built to carry heavy warheads which then went out of fashion with the invention of far more awful but also far lighter ones. Thus what was actually a military blunder gave the Russians their lead in space; the United States hopes to shorten or eliminate this by putting a fully fuelled rocket and a spacecraft containing three men into orbit separately, and then joining them together in outer space to provide power for the trip to the moon. The first generation of American satellites and space probes were modestly called Pioneers, Explorers and Discoverers but the sky is soon to contain Mercuries and Apollos launched by mighty Atlases and Saturns.

Perhaps only a touchy ancient Greek would call this *hubris*. But some eminent American scientists do feel that these rather feverish and extremely costly preparations for sending men into space disregard the fact that there is very little that a man can do in space, or on the moon, which cannot be done better and more cheaply by instruments. The extreme vulnerability of the human frame when plucked from its own narrow environment adds immensely to the already formidable difficulties of space exploration; if manned space flights are insisted on when ingenious robots are available, the only really honest defence of them is that *one day they may have great military significance.*

Meanwhile, the risks involved are very considerable. The deceptively sleek-looking rocket is in fact still in a crudely belching early stage that will undoubtedly appear almost unbelievably clumsy to future space explorers. Essentially, a man is riding a missile: a missile, moreover, that was designed initially to carry a warhead, not a human being. It would probably be much safer to be shot from a cannon. Fire and explosion before the thing takes off remain possibilities. When successfully launched the spacecraft may go into orbit and refuse to come out of it again, in which case the unlucky astronaut might circle the earth until he died; or the craft could go on irretrievably into space forever. There are risks from radiation, from meteorites and from the effects of weightlessness. It is not yet known how three Americans on the moon will be able to launch themselves back to earth when hundreds of highly skilled helpers will have been needed to send them from earth to moon; or how they and their craft are to survive re-entry of the earth's atmosphere at four hundred miles a minute and a consequent estimated temperature of six thousand degrees Fahrenheit, which is about half the temperature on the surface of the sun.

It has been found necessary to cite other arguments for a costly space programme besides the American determination to wipe out the humiliation of trailing the Russians into orbit. Dr Edward Welsh, the executive secretary of the Space Council, claims that the programme will make the gross national product grow faster. Mr Lyndon Johnson says that shooting men to the moon provides much-needed jobs for thousands of Americans who remain on the ground. This argument seems to regard space as a sort of gigantic common market into which surplus American production can be poured, without incurring the headaches of tariffs or competitive imports; New England and New Orleans are already benefiting from space spending. Mr Webb, the head of the National Aeronautics and Space Administration, describes the exploration of space as the cutting edge of a whole new technology that is advancing at a meteoric pace.

The United States will experiment this year with two types of communications satellites able to receive and transmit messages—about thirty of them placed 500 miles above the earth, or three 22,300 miles high. Mr Adlai Stevenson has raised the sobering prospect of the United Nations being televised to all the world and Mr David Sarnoff, the chairman of the Radio Corporation of America, forecasts even more sombrely that a billion people may watch soap-opera simultaneously. The communications satellites are expected to be privately owned, under government supervision. In all, some five thousand companies and research organisations are now engaged in space business. There are big financial risks, for the government is the sole buyer of the huge booster rockets, taller than the Statue of Liberty, which will be scrapped if someone invents a better engine or a new fuel. Certainly not all of the companies will succeed. But the survivors hope to be the leaders of a vast new industry and meantime the rewards are big as well as the risks. Most of the work is military but the civilian contracts let by NASA often run to many millions of dollars.

Some of the Germans working on space rockets in the United States have explained that when they were making buzz-bombs at Peenemunde they were thinking primarily not about destroying London but about going to the moon, which they now seem to regard as an ideal place to fire missiles from. Some Americans also think about the moon in terms of its possible use as a military

Continued on page 128

Persuaders in the Open

FROM A CORRESPONDENT IN WASHINGTON, DC

WHEN the Ways and Means Committee of the House of Representatives closed public hearings last year on President Kennedy's proposals for new tax legislation, it had heard two hundred and fifty witnesses in a month. To the innocent, this might seem to be a heartening example of spontaneous public participation in a democracy. But it is hard to imagine two hundred and fifty citizens in odd corners of the country suddenly deciding to fly to Washington and help Congress to write a tax Bill. In fact, the phenomenon showed the Washington lobbying industry in one of its finest hours. Lobbies—organised pressure groups—knew what these people represented, marshalled them, arranged their appearances, coached them and perhaps wrote their testimony for them. The same thing happens whenever Congress considers any major issue; this week when the legislators came back to work, the lobbyists were waiting for them.

The constitutional "right to petition" is guaranteed in Article I of the Bill of Rights. The distinction between a citizen petitioner and a lobbyist is that for the lobbyist petitioning and organising petitions is a living. As a professional, he is subject to regulation by law but it is an extremely gentle restraint. The Regulation of Lobbying Act of 1946 is intended less to regulate than to provide information for Congress and the public on who lobbyists are, what interests they represent, where their money comes from and where it goes. The Act applies to both organisations and individuals "principally" engaged in seeking to influence legislation. They must register and file financial and other reports with Congress; failure to do so may mean five years in prison, a fine of up to $5,000 or even both. But there are almost no provisions for enforcing the law and those who comply do so either because their consciences prick or because they are afraid of being caught.

There are at any time between two hundred and fifty and three hundred organisations registered as lobbyists, and about five hundred individuals, some of whom work for these groups and some of whom operate independently. The organisations acknowledge spending about $4 million a year. They cover just about every kind of legislation that interests Americans; the alphabetical leader is the Active-Retired Lighthouse Service Employees Association. But most of the work and spending is done by a few big groups; the United States Chamber of Commerce speaks for business, the American Federation of Labour and Congress of Industrial Organisations for the trade unions, the American Farm Bureau Federation for farmers and the American Legion for ex-servicemen. Every day of every year they work at lobbying. Major but transitory issues bring new groups to the fore. The American Medical Association shot to the top of the list in the first half of 1961 when it spent $147 million mainly to oppose bringing medical care for the aged under the social security system. Congressional lobbies are usually either conservative or liberal and members of each group work with other like-minded ones. The Farm Bureau, for example, helps the AMA to fight "socialised medicine." The AFL-CIO devotes great energies and resources to promoting the medical care Bill.

TOP TEN SPENDERS
($ thousand)

	First half, 1960	First half, 1961
American Medical Association	46·1	146·9
AFL-CIO	62·9	68·0
American Farm Bureau Federation	50·3	57·5
American Legion	33·5*	55·4
American Trucking Associations	38·1	49·2
National Farmers Union	37·3	45·4
National Education Association	77·9	39·2
U S Savings and Loan League	35·1	38·1
American Steamship Committee on Conference Studies	21·8*	35·7
Internat. Assn. of Machinists, District Lodge 44 (AFL-CIO)	39·3	35·2

*First quarter only.

As well as registered practitioners of the art, there are those who do not register because they insist that they are not "principally" so engaged. There are free-lances and fly-by-nights. There are lawyers who feel that they are only doing legal work for clients and could not by any conceivable cost-accounting be proven to be principally lobbyists. Only congressional lobbyists (and foreign agents) need to register. The executive departments and regulatory agencies swarm with people seeking to influence policy or to win favourable decisions or material rewards such as billion-dollar contracts. The White House lobbies in Congress. Any embassy is in a sense a lobby in Washington for its national interest. But by definition, a lobbyist works on Congress; the word is derived from the lobby of the House of Commons where members meet constituents.

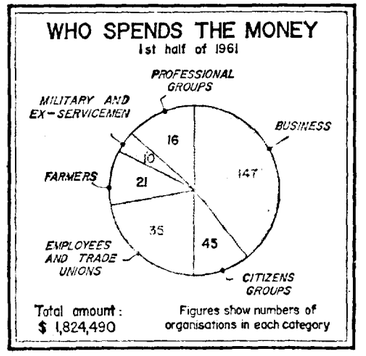
Countless millions are spent on legislative lobbying—far more, certainly, than is shown in the reports—but the amount invested in direct corruption can be counted in pennies. Much goes into campaign contributions and political assistance to Senators and Representatives. The lion's share, apart from staff salaries, goes on what may be called "educational activity." The main business of the lobbies in Washington is to use all means of communication to mould public opinion and to bring this to bear on Congress. If a lobby can convince members of Congress that they will be committing political suicide by opposing the lobby's aims, so much the better. On big, long-fought issues, opposing pressures tend to cancel each other out.

Lobbyists spend a great deal of energy doing favours for Congressmen and making themselves useful—not, of course, out of sheer goodness of heart. The lobbyist finds a sponsor in Congress for the Bill which he is promoting. He finds witnesses to support it in committee hearings, usually writes their testimony and coaches them on how to answer questions. He may plant friendly queries with helpful members of the committee. He tries to assist the staff of the committee in the preparation of a report on the Bill which will give it a good send-off on the floor. When the Bill reaches this stage, the lobbyist may write speeches for members who favour it and brief them for the debate. He counts votes, tries to stiffen the backbones of wavering and brings pressure from their districts to bear on opponents of the Bill.

Apart from these chores, which are known as "legislative engineering," the lobbyist tries to lighten the financial burdens which afflict almost all members of Congress. He may contrive to make a direct contribution to election expenses or may help a Congressman to secure one from a wealthy disciple of the lobbyist's cause. He may arrange a speaking engagement for which the Representative or Senator will receive a fee. To keep on friendly terms with key legislators, the lobbyists take them on fishing trips, find them tickets for a sold-out Broadway show or do some of the string-pulling which saves the legislator trouble. This means that the lobbyist must know the members, their political problems, constituencies, inclinations and weaknesses.

Each lobby has its eye on its opposition, which helps to keep everyone honest. Lobbyists are also under pressure to be discreet. A representative of an oil company did himself no good last year when he undertook to find guests, at $100 a head, for a Democratic party dinner and used the name of the Secretary of the Interior (whose department regulates many aspects of the petroleum industry). A lobbyist for natural gas interests got into real trouble a few years ago when he offered a Senator a campaign contribution which the Senator chose to feel was meant to influence his vote on a Bill involving federal regulation of natural gas.

Today, the main function of lobbying is making a case. The lobbyist is more likely to be running a large office resembling a publishing house than to be pouring bourbon whiskey down a legislator's throat and sliding large sums in currency into his pockets. Lobbying, once covert and corrupt, has not outlived that reputation. But today it is open and generally honest, and anxious to be recognised as a respectable and even essential part of the legislative process—which it is.



Continued from page 126

base and they think about space as a satisfactorily vast parking place for super-weapons. In the United Nations, the United States and Russia have agreed in principle that it is desirable to keep outer space at peace even if all hell breaks loose on earth. It is proposed to eschew territorial claims to celestial bodies and to register all space launchings with the United Nations. The United States fears that the Russians may use their big rockets to claim the moon and to put atom bombs into orbit. The Russians meanwhile have objected to American satellites in " their " skies, because a satellite can photograph at regular intervals those portions of the planet that pass 300 miles beneath it and then toss the film safely back to earth. It is not yet possible to shoot down satellites from the ground, but it may be possible to cause an explosion close enough to the satellite to destroy it or, still more ingeniously, to put a small artificial sandstorm in orbit to fog the film. The United Nations Committee on Peaceful Uses of Outer Space (28 countries including Morocco, Chad, Sierra Leone and Mongolia) will evidently have some pretty problems set before it.

It is with an eye to such prospects that the United States Air Force is engaged in a polite but indubitable tug of war with NASA for ultimate control of the space programme. How the struggle will go may be indicated by a recent statement by Dr Welsh that it is the policy of the United States that activities in space be devoted to peaceful purposes but that these include maintaining peace with the rockets and satellites from the Department of Defence.

Defence Repackaged

THE Budget which President Kennedy is to present to Congress next week will provide for total expenditures of over $90 billion in the fiscal year beginning on July 1st. Of this, $50 billion at least will be for defence, some $3 billion more than in the current year (itself running above 1961 by about the same amount) and the largest military Budget in peacetime history. It is thought that it would have been even larger if the President had not insisted on reductions at the last minute ; this suggests that in the final analysis his irresistible resolve that the country should have all it needed for defence, whatever the cost, may have given way slightly to his immovable determination that his total Budget should be balanced.

Nevertheless, according to the experts outside as well as inside the Department of Defence, this military Budget is the most efficient and fundamentally the most economical in recent years. Its size is explained by the growing threat to the national security, by the need to compensate for past deficiencies and by the new Administration's desire for more flexibility and variety in its military operations. Plans are now being made for five years ahead, not on a year-to-year basis as in the past ; this long-term thinking is one of the civilian business methods which have been introduced into the department by its new Secretary, Mr McNamara. Just as important, and more offensive to established military tradition, is his " package programming " approach to this year's Budget. In the past a total sum has been fixed by the White House and divided up between the three services, which each then allotted its share to various projects almost as it saw fit—and not necessarily as was in the best interest of the national defence as a whole. This year the complete military undertaking has been separated into seven functional sections—strategic retaliatory forces, continental defence, sealift and airlift, research etc.—and only after it was decided what was needed in each package were the contents divided up among the services. Thus the rivalries between the services no longer obscure the comparative effectiveness and cost of competing weapons ; nor should unnecessary duplication or unfortunate omissions be able to go unnoticed.

All this involved months of negotiation, at the end of which several hundred decisions had still to be made by Mr McNamara personally, both to settle inter-service conflicts and to get the total down to a figure which he was willing to present to the President. Mr McNamara's was apparently the " anti-anti-missile-missile " ruling under which the Nike-Zeus is not yet to go beyond the experimental stage in spite of its recent successes ; he has also stopped the scheme for Minutemen to roam the country on railway wagons and has put all these missiles into fixed concrete pits. Civilian control is now clearly established at the Pentagon but even Mr McNamara still has to subdue Congress.

Wall Street under Fire

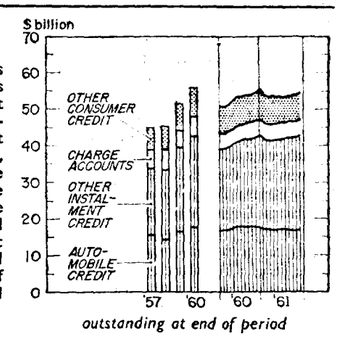
NEW YORK

THE highly critical view taken of the American Stock Exchange —the second largest in the country—in a report to the Securities and Exchange Commission, which was made public last week, was not entirely a surprise to Wall Street. But the report's extensive documentation of abuses and the evidence of widespread laxity came as a shock which is speeding up far-reaching reforms. The report was only the first in a series which the SEC plans to publish in the course of its investigation, which began last spring, and Wall Street fears that further attacks and individual prosecutions may be on the way. But Washington seems to be sticking to the principle of self-regulation, and it is probable that the opening cannonade, which did not make any specific recommendations for changes in the way the exchange is run, was designed to spur the financial community to reform itself. This is already being done. Just this week the ASE endorsed the call of its own Levy committee for a new constitution and for the election next month of ten new members to the governing board ; this will reduce the power of the insiders who have dominated the exchange in the past. Other steps to expand its permanent staff and strengthen their authority to deal with the transgressions of members are considered inevitable.

The key point made in the SEC report is the dominant part played in the exchange by the specialists—members who act both on their own account to maintain an orderly market in certain securities and as brokers on behalf of others. The ASE has always been run by its specialists and because they are interested in a growing volume of trading they have emphasised the desirability of securing the listing of new securities and neglected the proper supervision of the market. This attitude prompted Mr McCormick, the president of the ASE who resigned recently under fire, to devote most of his energies to expanding the list of securities quoted on the exchange and thwarted efforts to give adequate policing powers to the permanent staff. As a result abuses—such as the distribution of unregistered shares and profits made from advance

CONSUMER CREDIT

The excellent business done by motor car dealers in November brought with it the biggest increase in instalment debt for eighteen months, when allowance is made for seasonal factors. The figures for November are calculated on a revised basis which shows that instalment credit declined during the first part of 1961 by less than had been estimated earlier.



outstanding at end of period

Chemical Bank New York Trust Company

Founded 1824

Condensed Statement of Condition

At the close of business December 31, 1961

ASSETS		LIABILITIES		
Cash and Due from Banks	$1,090,895,359	Capital Stock ($12. par)	$ 101,719,080	
U. S. Government Obligations	622,698,369	Surplus	248,280,920	
State, Municipal and Public Securities	581,957,994	Undivided Profits	80,197,532	$ 430,197,532
Other Bonds and Investments	20,745,384	Reserve for Contingencies		9,854,539
Loans	2,441,792,252	Reserves for Taxes, Expenses, etc.		23,029,927
Banking Premises and Equipment	58,295,959	Dividend Payable January 1, 1962		5,933,613
Customers' Liability on Acceptances	203,665,527	Acceptances Outstanding (Net)		206,961,869
Accrued Interest and Accounts Receivable	20,873,291	Other Liabilities		18,113,865
Other Assets	5,934,922	Deposits		4,352,767,712
	$5,046,859,057			$5,046,859,057

Securities carried at $252,626,541 in the foregoing statement are deposited to secure public funds and for other purposes required by law.

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Henry Upham Harris — *Partner, Harris, Upham & Co.*
Harold H. Helm — *Chairman*
H. E. Humphreys, Jr. — *Chairman, United States Rubber Company*
Adrian M. Massie — *Vice Chairman of Trust Committee*
Robert J. McKim — *Chairman of the Board, Associated Dry Goods Corporation*
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Henry L. Hillman — *President, Pittsburgh Coke & Chemical Company*
Charles H. Kellstadt — *Chairman of the Board, Sears, Roebuck and Co.*
H. I. Romnes — *President, Western Electric Company, Inc.*
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John K. Roosevelt — *Partner, Roosevelt & Son*
Graham H. Anthony, — *Chairman, Executive Committee, Veeder-Root, Inc.*
Frederick E. Hasler — *Chairman, Haytian American Sugar Company, S. A.*
James Bruce — *Director of Various Corporations*
B. F. Few — *Trustee, Duke Endowment*
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STATEMENT OF CONDITION, DECEMBER 31, 1961

ASSETS

Cash and Due from Banks	$2,483,988,331
U.S. Government Obligations	1,587,779,982
State, Municipal and Other Securities	563,745,342
Mortgages	243,953,481
Loans	4,847,597,675
Less: Reserve for Loans	*124,156,432*
Banking Premises and Investment in Realty Affiliates	80,462,048
Customers' Acceptance Liability	270,524,919
Other Assets	98,041,981
	$10,051,937,327

LIABILITIES

Deposits		$8,875,793,657
Foreign Funds Borrowed		5,563,375
Reserve for Taxes		44,320,747
Acceptances Outstanding		276,243,016
Other Liabilities		110,906,198
Reserve for Contingencies		21,419,970
Capital Funds:		
Capital Stock (Par Value $12.50 Per Share) 13,967,554 Shares Outstanding of 14,639,071 Shares Authorised	$174,594,425	
Surplus	500,000,000	
Undivided Profits	43,095,939	
		717,690,364
		$10,051,937,327

Of the above assets $566,858,210 are pledged to secure public deposits and for other purposes, and trust and certain other deposits are preferred as provided by law. Securities with a book value of $36,105,557 are loaned to customers against collateral.

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CLEVELAND
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CINCINNATI
Sheraton-Gibson
ST. LOUIS
Sheraton-Jefferson
OKLAHOMA CITY
Sheraton-Oklahoma
OMAHA
Sheraton-Fontenelle
AKRON
Sheraton Hotel
INDIANAPOLIS
Sheraton-Lincoln
FRENCH LICK, Ind.
French Lick-Sheraton
RAPID CITY, S.D.
Sheraton-Johnson
SIOUX CITY, Iowa
Sheraton-Corbin
Sheraton Warrior
SIOUX FALLS, S.D.
Sheraton-Carpenter
Sheraton-Cataract
CEDAR RAPIDS, Iowa
Sheraton-Montrose
SOUTH
DALLAS
Sheraton-Dallas
HOUSTON
Sheraton-Lincoln
(opens March 1962)
NEW ORLEANS
Sheraton-Charles
LOUISVILLE
Sheraton Hotel
MOBILE, Alabama
Sheraton-Battle House
WEST
SAN FRANCISCO
Sheraton-Palace
LOS ANGELES
Sheraton-West
(formerly the Town House)
PASADENA
Huntington Sheraton
PORTLAND, Oregon
Sheraton-Portland Hotel
HAWAII
HONOLULU
Royal Hawaiian
Princess Kaiulani
Moana
Surfrider
MAUI
Maui Palms
(opens July 1962)
CANADA
MONTREAL
Sheraton-Mt. Royal
The Laurentien
TORONTO
King Edward Sheraton
NIAGARA FALLS, Ont.
Sheraton-Brock
Fontaine Motor Inn
HAMILTON, Ont.
Sheraton-Connaught
CARIBBEAN
PUERTO RICO
San Juan
(opens December 1962)
JAMAICA
Kingston
(opens June 1962)
OVERSEAS
ISRAEL
TEL AVIV
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knowledge of listings—were allowed to flourish in an astonishingly open fashion. Some officials of the SEC think that the specialist can be dispensed with, but they will probably be satisfied if restrictions are placed on his activities. It is not simply a matter of adopting new regulations but of seeing to it that those already adopted are enforced; this calls for ridding the exchange of its present leaders.

Although the investigation has been centred on the ASE, which is regarded as the adventurous market, the club-like atmosphere which the SEC criticised there is also characteristic, to some extent, of the staid and well-policed New York Stock Exchange. Some of the activities of the NYSE's specialists may also be questioned, as well as its practice of not announcing the transgressions of its members (or their punishment) unless these lead to expulsion from the exchange. The SEC report puts so much stress on the public nature of the security markets today that even the NYSE would be ill-advised not to re-examine the safeguards which it has set up to protect the public.

Stop Press

FROM A CORRESPONDENT IN LOS ANGELES

LAST week, with startling suddenness, the number of daily newspapers serving the Los Angeles metropolitan area—the second largest in the country—was cut from four to only two. The *Los Angeles Mirror*, an evening paper, has been consolidated with the morning *Los Angeles Times*, which is also owned by the Times-Mirror Company; and the morning *Los Angeles Examiner* has been absorbed into the evening *Los Angeles Herald-Express*, whose name is being changed to the *Herald-Examiner*. These last two papers belonged to the Hearst Publishing Company. The reason for the holocaust is one familiar the world over: in recent years costs have been rising faster than revenues. In the case of the Hearst publication the news is not very surprising, since the *Examiner*, with a daily circulation of 381,037, has long limped behind the *Times*, with its 548,702 readers. Moreover, the Hearst publishing empire as a whole has fallen on difficult times—it reported substantial losses in both 1959 and 1960—and the lopping off of uneconomic operations is logical. The 58-year-old *Examiner* clearly belonged in this category.

The disappearance of the *Mirror*, after thirteen years of publication, was more unexpected. Its circulation stood at 301,882, compared with 393,215 for the *Herald-Express*, and it was the personal creation of Mr Norman Chandler, the president of the Times-Mirror Company. This is a flourishing and profitable firm which also owns a broadcasting station in Los Angeles, operates a large commercial printing plant, publishes paperback books and, through its investment division, manages property holdings and a portfolio of securities. But for some time, it now appears, the *Mirror* had been a serious drain upon the earnings of this highly diversified operation. No such cloud overshadows the surviving *Times*, which is one of the most successful daily newspapers in the country, comparable in size and amount of advertising to such other giants as the *New York Times* and the *Chicago Tribune*.

Both the *Los Angeles Times* and the new *Herald-Examiner* seem certain to benefit from the disappearance of their rivals. This aspect of the situation and the simultaneous deaths of two newspapers in the first week of a new year have not escaped the notice of the Department of Justice and of Congress. Mr Celler, the chairman of the House Judiciary Committee, has already announced plans to investigate the closing of the two papers to find out if this represented concerted action between the two publishers, in violation of the anti-trust laws. He is also disturbed by the fact that a city of 2.5 million people, with a metropolitan area of almost 7 million, has been reduced to one morning and one evening paper. It is certainly something of an anomaly that this should have happened in fast-growing Los Angeles. But if the Chandlers and the Hearsts say that they cannot make a go of four papers, it is difficult to see where new local competition may come from. The city is also served by two national newspapers—the *Wall Street Journal* and the *Christian Science Monitor*—and the *New York Times* is to begin printing a western edition in Los Angeles later this year. There are also a number of flourishing daily papers in the mushrooming suburbs.

Rockefeller Still in the Ring

BEFORE Christmas a story was circulated in New York that Mr Rockefeller, the Republican Governor, had decided to retire from public life, partly because of the loss of his son and partly, the story suggested, because his decision to seek a divorce would be a heavy handicap, not so much in his campaign for re-election this year as in his drive for the Republican presidential nomination in 1964—his real goal. Mr Rockefeller hotly denied the whole tale and the programme which he laid before the State Legislature in Albany last week is clear evidence that the Governor is still very much in politics. His message dealt mainly with increases in social welfare: a higher minimum wage for workers in the state, more medical benefits for the elderly, higher workmen's compensation, more vigorous war on racial discrimination and more aid for housing and education. When the Governor sat down there was very little clapping from the Republicans who control the Legislature; later a spokesman for business said sourly that the programme would add $147 million a year to the cost of doing business in New York.

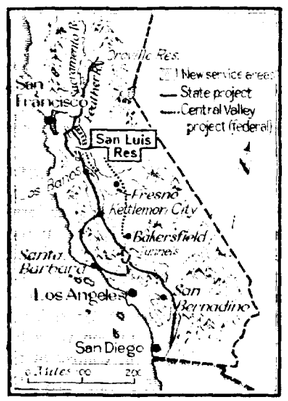
Such social benefits ought, however, to endear the Governor to low-income groups, such as the Negroes and Puerto Ricans in New York City, and they might even secure for him the endorsement—or the benevolent neutrality—of the local Liberal party; this would increase Mr Rockefeller's chances of being re-elected by a margin large enough to impress the professional Republican politicians who have so big a say in the choice of the party's presidential nominee. Four years ago Mr Rockefeller defeated Mr Harriman by a margin of more than half a million votes but the going may not be so easy this year. Then the control of the Democratic party by political bosses who made no secret of their disregard for public opinion worked for Mr Rockefeller. Now Mr Wagner, the Democratic Mayor of New York, has made the issue his own. He was re-elected in November in the teeth of the opposition of the old-line Democratic leaders and at his inauguration for a third term he pledged himself to give the city better government and the party better leadership.

The Kennedy forces, who need to carry New York for the President in 1964 and would like to cut Mr Rockefeller down to size this year, have given the Mayor an important tool for his house-cleaning: control of the federal patronage in the state. He has set about his task with uncharacteristic vigour; the Democratic boss of Brooklyn, Mr Sharkey, has lost his place as majority leader of the City Council and there are plans for dislodging him and two other bosses at next summer's party elections. A real difficulty, however, is to find a Democrat to take on Mr Rockefeller next November. Mr Stratton, an able young Congressman from Schenectady who is being gerrymandered out of his seat by the Republicans, has entered the lists but he is not well known. Conceivably Mr Wagner himself may be drafted for the job of giant-killer, although he would probably prefer to stand for the Senate and although no Mayor of New York City has ever been able to keep out of political trouble sufficiently well to be elected Governor.

Trial by Water

THE greatest achievement of Mr Brown, the Democratic Governor of California, whose hold on his office is to be challenged this year by Mr Nixon, is the $2 billion Feather River project, which is to bring water from the northern part of the state to the thirsty South. Mr Brown must have been greatly relieved last week when the federal government decided not to throw a spanner in these good works. The possibility of this arose because both the state and the existing federal Central Valley project needed a reservoir near Los Banos and had decided to share the only suitable site. Under the agreement signed last week the state is to have just over half of the storage capacity and pay just over half of the $430 million which the San Luis Reservoir will cost. The real question, however, has been whether the federal government would insist upon restricting the use of all the water which will pass through the reservoir to farmers with 160 acres or less of land. This has been standard federal practice for sixty years; the aim is to prevent speculation in land and to encourage small family-sized farms.

In California, however, many farms are ten or more times larger than this and it is argued that small units are not feasible economically. If the 160-acre restriction had been applied to the state's water which will pass through the San Luis Reservoir on its way to farms further south and to fast-growing cities such as Los Angeles, San Diego and San Bernardino, Governor Brown's whole scheme would have been endangered. But on the advice of his department's solicitor and with the concurrence of the Department of Justice, Mr Udall, the Secretary of the Interior, has decided that the 160-acre restriction will apply only to 500,000 acres of farmland between Los Banos and Kettleman City, which will be served by federal water from the reservoir; it will not apply to the 2 million acres to be irrigated by the state water project. This decision may, however, be challenged in the courts and in Congress by advocates of the 160-acre restriction.



They ought to be mollified, however, by another accompanying decision of Mr Udall's which shows that the Administration is by no means abandoning the 160-acre rule. Several very large land-owners in the 1.5 million-acre Kern and Kings area, between Fresno and Bakersfield, who receive water from the federal Central Valley project, have been counting for years on being able to evade the restriction by offering to pay their share of the project's cost in less than the usual time. Last week Mr Udall reversed an earlier ruling of the Bureau of Reclamation and declared that if they wish to go on receiving supplies of federal water they will have to sell their excess acres.

Who Controls the Banks?

NEW YORK

THE main function of the Comptroller of the Currency is to supervise the 4,500 nationally chartered banks in the United States and this function is bringing him into direct conflict with the Department of Justice under the Kennedy Administration. Mr Ray Gidney, a hold-over from the Eisenhower regime, resigned in November after a dispute over how bank mergers should be dealt with; now his successor, Mr James Saxon, a Democrat who would not accept the post until he was assured that he would have complete independence in carrying out his duties, is involved in an irate argument with the department over its anti-trust actions against national banks. Three banks in New Jersey have been accused of conspiring to fix uniform charges for their banking services and seven Dallas banks have been ordered to appear with their records before a grand jury in Texas, presumably to determine whether they also have conspired to fix fees and lending charges. Mr Saxon criticises the Department of Justice for not telling him about these actions beforehand and goes on to question their propriety. He has disclosed that the anti-trust division has asked him for information on a number of other banks and reports that he is unwilling to co-operate unless he is consulted about what the department is doing.

The department, professing to be mystified by Mr Saxon's attitude, insists that the investigation—and prosecution—of alleged violations of the anti-trust Acts by the banking system are entirely its affair and have nothing to do with the Comptroller. The lawyers, who feel that they have evidence that banks are conspiring to fix interest rates at artificially high levels, want the courts to decide whether they are right. Uniform lending rates and service fees—for checking accounts, managing trust funds, acting as a custodian—are common in many communities, although there are variations between regions. Bankers, however, contend that this uniformity is the result, not of price fixing, but of competition and that this has the effect of forcing interest rates down. Nevertheless, commercial banks in many rural areas pay much less on savings accounts than do those in major cities and the department suspects that price fixing is taking place.

If the anti-trust division can prove that conspiracy exists it may seek to challenge the major commercial banks on their uniform prime lending rate—the minimum rate charged on loans to the biggest and most credit-worthy corporate customers. This rate has been attacked in Congress as being an administered price adhered to by all the major lenders and the department would have political backing for any attempt to abolish it. Mr Saxon has the wholehearted support of the banking community in his counter-attack on what he terms the "anti-trust zealots" for engaging in fishing expeditions. Moreover, he may be justified in feeling affronted. But since the Comptroller's jurisdiction does not extend to the anti-trust field, Mr Saxon's independence is clearly still limited even though he may be free to exercise his regulatory authority over banks more effectively than was his predecessor.

SHORTER NOTES

A completely automatic underground train went into operation in New York City with the beginning of the new year, carrying passengers on the short "shuttle" between Grand Central and Pennsylvania stations; for the first six months it will also carry a completely idle driver. This was one of the provisions which the Transport Workers Union insisted upon in its new contract with the city transport authority. The contract, which avoided a city-wide strike on New Year's Day, also provides that there shall be no lay-offs during its two-year life.

* * *

The 10 per cent federal excise tax on gambling brought in $6,682,000 in the fiscal year which ended on June 30, 1961. Indiana ($959,000), Illinois ($834,000) and Kentucky ($765,000) brought in more than Nevada—supposedly the gamblers' paradise—where only $597,000 was collected.

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Statement of Condition as of December 31st, 1961

ASSETS

Cash and Due from Banks	$2,213,717,908
United States Government Obligations	1,839,572,603
State and Municipal Securities	671,210,720
Other Securities	74,653,142
Loans	4,395,176,028
Customers' Acceptance Liability	160,044,479
Federal Reserve Bank Stock	19,500,000
International Banking Corporation	7,000,000
Bank Premises, Furniture and Equipment	115,792,752
Items in Transit with Overseas Branches	17,279,029
Other Assets	16,097,979
Total	$9,530,044,640

LIABILITIES

Deposits		$8,371,837,148
Liability on Acceptances		164,275,359
Foreign Funds Borrowed		606,000
Bills Payable		82,555,000
Reserves:		
Unearned Income		44,800,647
Taxes and Accrued Expenses		72,434,262
Dividend		9,363,600
Shareholders' Equity:		
Capital (12,484,800 shares—$20 Par)	$249,696,000	
Surplus	400,304,000	
Undivided Profits	134,172,624	784,172,624
Total		$9,530,044,640

Figures of Overseas Branches are as of December 23

United States Government obligations and other assets carried at $722,678,843 are pledged to secure Public and Trust Deposits and for other purposes required or permitted by law.

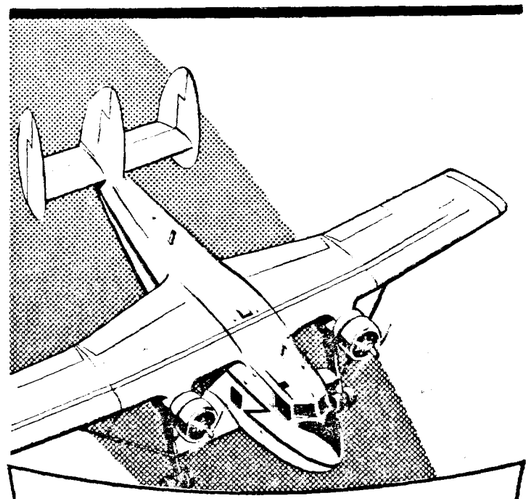
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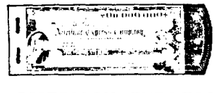
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U.S. Government Securities	697,090,845
Loans	1,696,757,418
State and Municipal Securities ...	180,632,927
Other Securities and Investments ...	41,607,920
Banking Premises and Equipment ...	35,665,360
Accrued Interest, Accounts Receivable, etc.	13,700,487
Customers' Liability on Acceptances	106,139,011
	$3,847,259,982

LIABILITIES

Capital		
(Par value $10 per share)... ...	$ 80,779,000	
Authorised 8,460,000 shares		
Outstanding 8,077,900 shares		
Surplus	160,300,000	
Undivided Profits ...	69,156,718	
		$ 310,235,718
Dividends Payable January 15 ...		3,635,055
Deposits		3,390,921,255
Reserve for Taxes, Accrued Expenses, etc.		29,419,396
Liability on Acceptances		110,086,560
Other Liabilities		2,961,998
		$3,847,259,982

Assets carried at $166,269,403 on December 31, 1961, were pledged to secure deposits and for other purposes.

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THE WORLD OVERSEAS

The Year of the Hungry Tiger



FROM OUR CORRESPONDENT IN HONGKONG

In the last week of the Year of the Ox (1961), Peking admitted with awkward casualness that, for the first time since "liberation" 12 years ago, the National People's Congress had missed its annual democratic convocation and would not assemble until March in the current Year of the Tiger. This was hot news indeed, even if conservatively played down in the pages of the *People's Daily*. More significantly—and without any official mention—the full-dress party meeting which, by top directive in 1957, was written into the Mao constitution as an annual obligation was also quietly discarded.

Observers of the China scene in Hongkong—who, like Marie Corelli's ambivalent devil in "The Sorrows of Satan," must confine their scrutiny of paradise to gloomy keyhole squinting—saw more than coincidence in the revelation that, in that same week, Mr Li Fu-chun, the chairman of the state planning commission, went personally to Peking airport to greet a "mission of distinguished statistical experts." This rare protocol honour so underlined the importance of the visiting mission that it probably helps to explain the government's failure to unfurl the party's glorious banners at a dutiful People's Congress.

There seems to be no doubt that the party's planners are still having serious trouble with their figures. The wretched Li Fu-chun would have lost his job in any decadent capitalist society. His bureaucracy has clearly not yet recovered from the shock of discovering that the results of the second five-year plan and the blueprints for the third one (1963-67) were based on faked and wishful statistics, including particularly grotesque misrepresentations of grain production in 1959. Hence, one surmises, the prudent omission of any hard figures from all the party's proud proclamations of "the glorious and triumphant" leap backward to agriculture in the Year of the Ox. The Chinese, in fact, have never announced the targets for the past year, although Mr Po I-po, chairman of the state economic commission—another bungler whose head would have rolled under either a Kennedy or a Khrushchev—has assured the trusting faithful that most of these anonymous targets were reached or improved upon.

Presumably, China's planners have decided to enlist the services of some professional experts before they deluge the shaven heads of the parliamentarians, when the prorogued Congress reassembles in March, with a torrent of revised statistics and percentages and a flood of belated balances and estimates. It may well be that Comrade Li Fu-chun needs the moral support and sanction of an independent, authoritative cost-accounting check before he presents the blueprints for the next five-year plan—indiscreetly committed to a deadline of July, 1961, by Mr Chou En-lai at the beginning of the Year of the Ox.

It is a notable, even a romantic fact that the visiting statistical experts whom Comrade Li Fu-chun draped with chrysanthemum blossoms at the airport hail gaily from Hungary. This observation is not intended to question the development of mathematics as a science on the banks of the blue Danube, or even to suggest that statistical talent for party purposes is now deficient in Moscow. At a time when Peking is organising a joint-stock shipping company with that proud maritime power, Albania, preference in the search for external cost-accounting aid might well settle realistically in Budapest rather than in the Kremlin.

Despite—or because of—the absence of succulent statistics from the dry handouts of the Year of the Ox, it is a reasonable deduction that the Year of the Tiger will see no industrial leap forward. Traditionally, this year should be one of ferocious, bounding, roaring progress, with the tiger burning bright in the factory furnace instead of crouching low over the abacus or the adding machine. But until accurate estimates of the coming harvest, and even reasonable assessments of the last harvest, are available, tigerish leaps forward on the industrial front must remain reckless and ill-advised.

Overseas food purchases must, apparently, persist. Some agricultural authorities here predict that, assuming that the reports of natural calamities have not been grossly exaggerated, China cannot expect bumper harvests for another four years. Already China's grain import commitments through the Year of the Hungry Tiger and up to 1963 amount to approximately 10 million metric tons, which—as the Hungarian statisticians may well be now pointing out—can add only 40 calories to the estimated 1,900 calories a head which the teeming population consumes daily.

Irresponsibly, one is reminded of Comrade Hilaire Belloc's advice:

And mothers of large families (who claim to commonsense)
Will find a Tiger well repay the trouble and expense.

Anglo-German Interests

FROM OUR BONN CORRESPONDENT

Dr Adenauer was conspicuously at pains to please his British visitors this week. The Prime Minister and Lord Home had made it plain that they did not expect the Chancellor, who was 86 last week, to be cooling himself at Bonn airport after nine o'clock on a January night solely in order to greet them; but there Dr Adenauer was, a few minutes before ten, when the RAF Comet landed nearly half an hour late. Earlier that evening the Chancellor had invited British journalists to the Palais Schaumburg for a nice cup of tea, over which he told them, among other things, how highly he thought of the Foreign Secretary. It was Lord Home, the Chancellor enthused, to whom much of the credit should be given for a further extension of Anglo-German understanding: for Lord Home had the gift of being able to see and explain things clearly—" and if I may say so, gentlemen," the Chancellor added, grinning sagaciously, " that is a rare gift among British statesmen." Dr Adenauer's own efforts to engender a friendly atmosphere for the talks were reinforced—not altogether fortuitously—by many amiable newspaper variations on the theme of Britain's thickening ties with Germany and Europe. Pondering the discordant noises emitted by some British papers on the eve of the Prime Minister's departure for the Rhine, *Die Welt's* Bonn commentator remarked

reassuringly that such cheap anti-German sentiment was no longer taken seriously by serious politicians, "thanks chiefly to the British royal family, the British Government and Britain's leading politicians."

Dr Adenauer, who explains things more clearly than he can sometimes see them, told the British correspondents why he thought it proper that the Federal Republic should thus be in the mood to please the hesitant islanders—even to the point of being ready once again to help to reduce the worries caused them by having to find £70 million worth of marks a year to maintain their army on the Rhine. Flourishing a sheet of paper on which he had just jotted down the subjects he intended to raise in his private talk with the Prime Minister, Dr Adenauer said that the first consisted of the single word "unity." And so, in the event, Dr Adenauer spoke broadly next day. He did not touch upon the only issue that could be settled bilaterally—the problem of a German contribution to the upkeep of the Rhine Army—until he had reviewed recent Soviet moves which in his opinion clearly demonstrated that there was little hope for the time being of the West being able to achieve a satisfactory *détente* with the Soviet Union. His catalogue of significant misdemeanours included Moscow's recent warning to Denmark and Austria; its demand for the extradition of General Heusinger and, of course, the unaddressed and unsigned memorandum handed to the German ambassador on December 27th, in which it is pointed out how much the Federal Republic has to gain from quitting the Atlantic alliance. Dr Adenauer scarcely mentioned his deepening concern at the condition of France. Yet it was surely much in his mind while he spoke of the necessity for accelerating the economic and political unification of Europe, including Britain. And so eventually to the point that, in the circumstances, Germany was ready to reconsider its decision of 1958 that after three annual payments, each of £12 million, there would be no further German aid for the Rhine army.

MR MACMILLAN, who had brought along some simple face-saving proposals of his own, tried to pin the Chancellor down to a definite political decision; and he appears to have succeeded, more or less. In the wider talks that followed, arrangements were made to work out details for the substantial though indirect relief of Britain's Rhine army currency problem. The Anglo-German committee that is to be set up under ministerial guidance for the purpose of settling these details will begin its delicate task in Bonn on January 22nd. It should then soon be apparent how generously Dr Adenauer's Olympian political decision is going to be translated into tangible deeds by his ministers of defence and finance (neither of whom took part in the Bonn talks) and their several experts. At this lower level there are some strong advocates of parsimony. This year's federal defence budget, they point out, is already due to be so steeply increased as to make yet heavier taxation unavoidable. According to some Bundeswehr observers, the civilian "tail" of the British forces in Germany is grotesquely long and should be ruthlessly docked. At the ministries of economics and finance there are those who maintain that Britain could profitably cut its foreign spending on obsolete military bases elsewhere, and that British industry could, if it put its house in order, earn the required German currency by increasing its exports to Germany. The Prime Minister was ready to counter these arguments, citing the forthcoming White Paper on defence expenditure, the pay pause and the export drive as instances of the honest effort Britain was making to pull its weight.

The total figure of the promised relief of the British foreign exchange burden has yet to be finally determined in committee. There is good reason for believing that the Germans are ready to shoulder half—some £35 million a year, that is to say—for the next two years. According to the joint statement issued before Mr Macmillan returned to London on Tuesday night, a substantial part of it will derive from "the additional purchase of arms in the United Kingdom on a considerable scale." Other sources are likely to be found in leasing to the Bundeswehr training areas and storage facilities in Britain. The British negotiators would like the federal government to help pay the Rhine Army's "tail," which is composed largely of German civilians. Unhappily, the undignified argy-bargy is not altogether over and done with.

Indian Elections Are Different

FROM A CORRESPONDENT IN BOMBAY



Mr. Nehru



Dr. B. C. Roy



Mr. Krishna Menon

WITH general elections five weeks away, political debate, one might think, should be raging in India. It isn't. The campaign has been on for at least a year; political activity and interest are, by British standards, at fever pitch. But of the argument and assessment of policies expected in a European election campaign there is barely a sign.

The political struggle is real enough. But its parameters are different, and ideology is among the least of them. The determinants of Indian politics are three: the overwhelming position of the Congress party, which holds power at Delhi and in all the fifteen states; the tensions between the states and the centre, and among the individual states themselves; and still, unhappily, religion and caste. Congress is still far from being a political party in the European sense, and its unshaken grasp of the levers of power helps to prevent any such development. Formally it is dedicated to the socialist pattern of society; in practice, anyone who wants to get anything done is well advised to be on good terms with it, and that includes every business man anxious for a permit or licence.

The socialists in Congress thus have some strange bedfellows. A large part of the party's funds comes directly from big business. Some of the big firms have announced that they would simultaneously back their ideological fancy, the Swatantra party. This led Mr Nehru to declare indignantly that Congress would have no part of their tainted money. So far his party's treasurers have not seen their way to agree. The contradictions extend to individuals: the party was led to victory in last year's mid-term elections in Orissa by an energetic young business man, distinguished not only for his wealth but for his leftist views. In almost every state, Congress is riven by factions, whose feuds are fully reported. During months of such reports one barely recalls a mention of ideological differences. The struggle is one for office and its rewards.

Equally, desperation has led to some strange electoral groupings among the opposition parties. The rightist Swatantrites have been flirting with the Praja Socialists in various states, without success. In North Bombay, the two are electorally allied against Mr Krishna Menon (who, as a Congress candidate, nevertheless has the willing support of the Communists). In Punjab, there is a mutual non-aggression pact of all opposition parties, which thus extends not only from right to left, but also from the determinedly secularist to the determinedly religious (Hindu) Jan Sangh and (Sikh) Akali Dal—the last two being also by nature mutually hostile. In Madras

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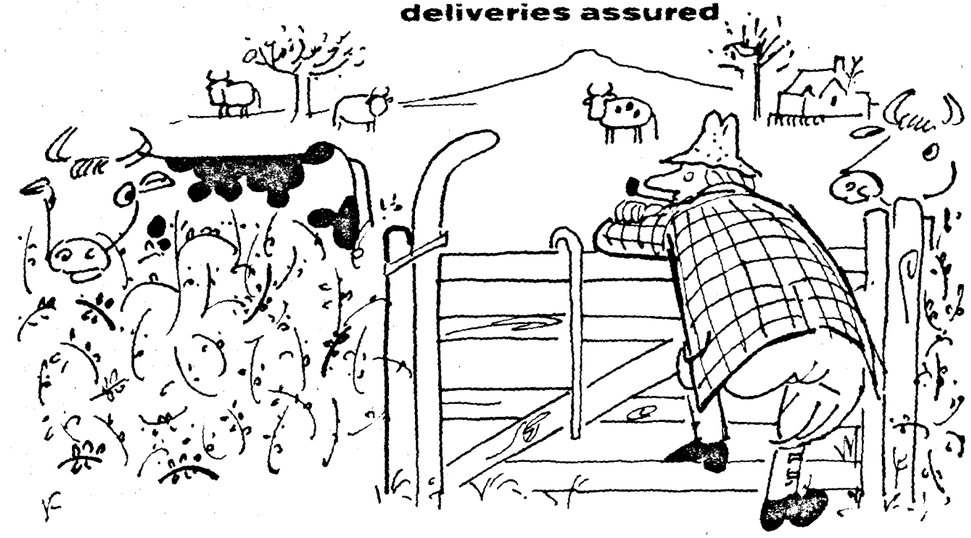
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the Swatantrites have only just failed to conclude an arrangement with a secessionist party already ideologically and electorally allied to the Communists.

Not only parliamentary but state assembly seats, too, are at stake next month. In each state the opposition parties are determined to prove they could better the state's position against its neighbours or the central government. Each wants public projects sited in its territory, and when Delhi is regrettably unable to announce fifteen such at a blow, there is further grist for opposition mills. Conversely, Congress leaders are quite ready to point out that the local pork barrel may be fuller if the rulers in state capitals and in Delhi are kith and kin.

Of two states, Madras and West Bengal, it has been said that the former acts as if it were separate from India, the latter as if it were India. This last is a reference to West Bengal's autocratic octogenarian chief minister, Dr B. C. Roy, who recently raised some eyebrows by negotiating a massive loan from the World Bank without a by-your-leave to Delhi. In Madras, the secessionists' demand for an entirely independent Tamil-speaking country is fantastic enough ; but local feeling imposes a real restriction on Congress freedom of action. For instance, any attempt by Delhi to impose the intended national language—the north Indian Hindi—on any of the four southern states, or (inconceivably) any sign of local willingness to assist such an attempt, would at once shatter Congress power in the south.

INTER-STATE disputes are sometimes expressions of linguistic loyalties, sometimes of real interests ; both are equally potent. Two states are at odds over border pockets which are linguistically misplaced, three over river waters. West Bengal denounces Assam's treatment of its Bengali-speaking minority. In no case can the state government afford to take a strictly rational attitude, even if it wanted to.

The politics of religion and caste could perhaps be called ideological politics, since they implicitly strike at the very concept of the secular state. If Congress's efforts to eliminate these factors from the political struggle matched its words, they would be heroic indeed. Congress did take a major step last autumn, when it broke its anti-communist alliance in Kerala with the Muslim League. And recently it has been made an offence to appeal for votes on religious grounds. But it still happens. In north India, Congress faces a strong challenge from the Jan Sangh, the political wing of the semi-fascist Hindu organisation that spawned the murderer of Gandhi. (To be fair, the Sangh's philosophy is milder than that of its parent body ; it even claims some Muslim members.) There are two lesser Hindu parties. In Punjab, the Akalis will appeal as Sikhs for Sikh votes. In Kerala, the Muslim League is active. On top of these, covert communalism is widespread.

These pressures have their effect on Congress, which has not been over-successful in its avowed attempts to provide a fair number of nominations for the minorities ; while the latter, in turn, have responded in communal fashion, demanding seats in proportion to their numbers. Within the Hindu ranks, caste is still important in some areas. In Mysore, for instance, two castes only share the political plums. Kerala's Praja Socialists are drawn very largely from one group. In several states caste and faction lines within the local Congress organisation tend to coincide.

Ideological conflict, as Europeans understand it, must operate within this powerful framework. The significant warring groups are three: the Communists ; the Congress leftists ; and the Swatantra party. Communist strength lies mainly in industrial West Bengal and among the peasants and intellectuals of Kerala, which, fortunately for the anti-communists, will not elect a state assembly next month. But, in the parliamentary contests, the record of the Congress-Praja Socialist state government may aid the Communists, who are at present following the line of co-operation with the national bourgeoisie promulgated by the 81 communist parties at Moscow in November, 1960. But their efficiency may be affected by their internal differences over this tactic, and about the Chinese aggression on the northern frontiers, which also tends to damage their public image.

At the other extreme the Swatantra party, headed by the former governor-general, Mr C. Rajagopalachari, offers a well-articulated brand of high toryism. But it is not solely a party of the rich and the feudal elements. Its make-up allows of concern for the countryman who has not shared the past decade's rise in urban incomes. The party's chief value is that of a gadfly. "Rajaji's" abhorrence of statism, his denunciation of "permit-licence-raj," may rest on *laisser faire* premises simply untenable in India today, but his often justified criticisms are not disposed of by the accepted habit of shrugging them off.

For obvious reasons, the Congress socialists are the most significant group. Mr Nehru might be called their leader, with Mr Krishna Menon and Mr K. D. Malaviya, the minister for mines and oil, doing the spadework. Leftism within the ruling party has recently been invigorated by the self-styled "ginger group," and at least numerically increased by the remarkable number of Soviet sympathisers who have lately discovered an allegiance to Congress. Co-operation with the bourgeoisie apparently is being undertaken on two fronts.

The election in itself does not promise any change in Indian policies at home or abroad. The Congress manifesto is the mixture as before. Even if Congress suffers at the polls it can hardly suffer enough to be forced into concessions. Mr Nehru is plainly in no mood to give ground to the right and the religious fanatics. However, the often accepted picture of Indian policy emerging immaculate from the head of the prime minister is only part of the truth. On such major issues as the language question, extension of prohibition, land tenure ceilings, or the concentration of capitalist power, he could not just impose his wishes if he wanted to. It is hardly less false to see his foreign policy as a projection of the malign influence of Mr Krishna Menon. The idea of Jawaharlal Nehru as the empty vehicle of any other man's policy is a curious one, and only such assumptions make the "Menon" theory of Indian policy tenable.

Thus it has been suggested that the occupation of Goa was an election stunt to save Mr Menon's seat in North Bombay, or a sop to his Afro-Asian friends. Mr Nehru has vigorously denied that there was any thought of the election in the timing of the Goa move ; but only a few days ago he was using it openly as an election counter (declaring the best answer to western critics to be a massive vote for Congress). Omitting other powerful motives, let us suppose both these applied. Why are they to be attributed to Mr Menon ? Mr Nehru, faced with increasing criticism of his inaction, had other elections to win beside North Bombay ; and he does not need Mr Menon to inspire him with pity for Angola. The more rational explanation is that on this and all other issues Mr Nehru, though freer than other politicians, is still subject to multifarious pressures. Only because these pressures take forms unfamiliar in Europe do we fail to see that they are there.

What the Locusts Ate

FROM A CORRESPONDENT IN RHODESIA

FOR all the pace of events in neighbouring territories, the climacteric has not yet been reached in Central Africa. Nyasaland is well on the way to black self-government after the Malawi Congress party's massive victory in the general election last August, which among its other results destroyed the United Federal party's claim to represent the "moderate" African. Dr Hastings Banda's public pronouncements since he took office have been, for the most part, friendly, even generous ; it is only when he speaks of the federation that the old bitterness creeps in. He is reported to have remarked, after watching the Union Jack being lowered for the last time at the independence ceremonies in Tanganyika last month, that the same scene would be enacted in Nyasaland before long. In fact a secession by Nyasaland would bring new problems in its train ; but these are brushed aside by Dr Banda's followers, among whom there are already murmurs about election pledges unredeemed.

For Northern Rhodesia 1961 was the year of the locusts. Two abortive attempts to frame a constitution that would be accepted with the minimum commotion failed to please anyone and led to widespread violence by the younger men in the United National Independence party. Mr Kaunda's hold on them is not as firm as it should be, but he has some reason to feel that he was scurvily treated by Mr Macleod. It is too late now for Mr Maudling, Mr Macleod's successor, to make a completely fresh start. His own new proposals cannot be long delayed ; and it is widely expected that they will represent some concession to African opinion, a reversion, perhaps, to something like the original February plan, which had the virtues of being comprehensible and of seeming to be fair. The amended proposals achieved neither.

APART from the likely reaction in Salisbury, any step in this direction is bound to incur the displeasure of the ruling power in Barotseland, the large slice of Northern Rhodesia which lies astride the Zambesi River. Sir Mwanawina Lewanika, the Paramount chief (or *Lutunga*, as he is now called) is in much the same position as a prince in British India twenty years ago watching with a sense of foreboding the steady growth in power and confidence of the Congress Party. Nationalism and paramountcy go ill together. The Lutunga's feudal and oppressive regime has survived almost unchanged for nearly a century under the special protection of the British Crown, a state of affairs which he is very anxious to perpetuate when the changes come, as they must, at Lusaka. Political activity is not welcomed in Barotseland. The tribal courts there spend much of their time harassing and gaoling any nationalist leaders who come within their reach, and the High Court of Northern Rhodesia, on appeal, spends less time in releasing them. The wind of change has barely touched this backward territory of marshland and bush where men must still approach their Paramount Chief on their knees.

At a quick glance Southern Rhodesia presents a brighter picture. The new constitution has been ratified, and Africans will have their own representatives in the Legislative Assembly for the first time. Fifteen seats out of a total of 65 may seem little enough, but to those who remember the mood of white Rhodesians only a few years ago it represents a considerable, if reluctant, step forward. For it is here, among these uncomplicated, industrious people of very limited horizon, that one finds the greatest resistance to African advancement. After the success of his July referendum Sir Edgar Whitehead's approach to multi-racialism grew bolder ; it had been timid enough before. He has embarked on a programme of legislation designed to persuade the African that he has a stake in the country. The Land Apportionment Act, that potent symbol of white privilege, has already been amended in a minor way, and a complete repeal is promised. Some of the indignities imposed by the colour bar have been removed or muted ; the "courtesy campaign," organised by a group of progressive women, has had some success. An African may now dine in most of Salisbury's best hotels, enter any cinema, swim in the central baths. But these concessions, made often with ill grace after angry debate, have left him unmoved ; they do not touch his poverty or his menial status. As long as the present enormous disparity in the standard of living of the two races remains, the brash and ignorant white artisan will continue to regard himself as the social and intellectual superior of every African.

That economic advancement is basic to any policy of partnership is recognised by members of the government ; most clearly, perhaps, by Mr A. E. Abrahamson, the able and enlightened minister of labour. He has shown courage and understanding in dealing with recent industrial disputes when he has entered the dusty arena and spoken to African strikers in their own language. At the same time he has reminded employers of their obligation to pay a reasonable wage, although the present high incidence of African unemployment makes industrial bargaining a very one-sided affair. Last autumn's campaign by the TUC to secure a country-wide minimum wage of £25 a month fell completely flat and has not been heard of since.

While Sir Edgar Whitehead has been preparing the electorate for more liberal measures he has kept a sharp and hostile eye on the African opposition. No one was very surprised—least of all the Africans themselves—that after the new constitution was ratified the prime minister should, on December 9th, move without delay to ban the National Democratic party and cripple all nationalist political activity. It has been done before (the African National Congress was banned in 1959) and no doubt will be done again if the militants show signs of gaining mass support. It is true that the tactics of the NDP have been inept. They played into Sir Edgar's hands by organising factitious demonstrations which seemed remote from the realities of Rhodesian politics, and he moved swiftly against them. On the television screen that night Sir Edgar, describing the crisis through which the territory had just passed, and justifying his ban on the party, looked extremely pleased with himself. The legal position, of course, is impeccable. The law may be an ass, but it can kick very hard. On the eve of the season of goodwill a Rhodesian citizen was gaoled for seven years for throwing a handful of stones at the police. One stone had struck a superintendent on the leg. For the record perhaps it should be said that the superintendent was white and the accused was black.

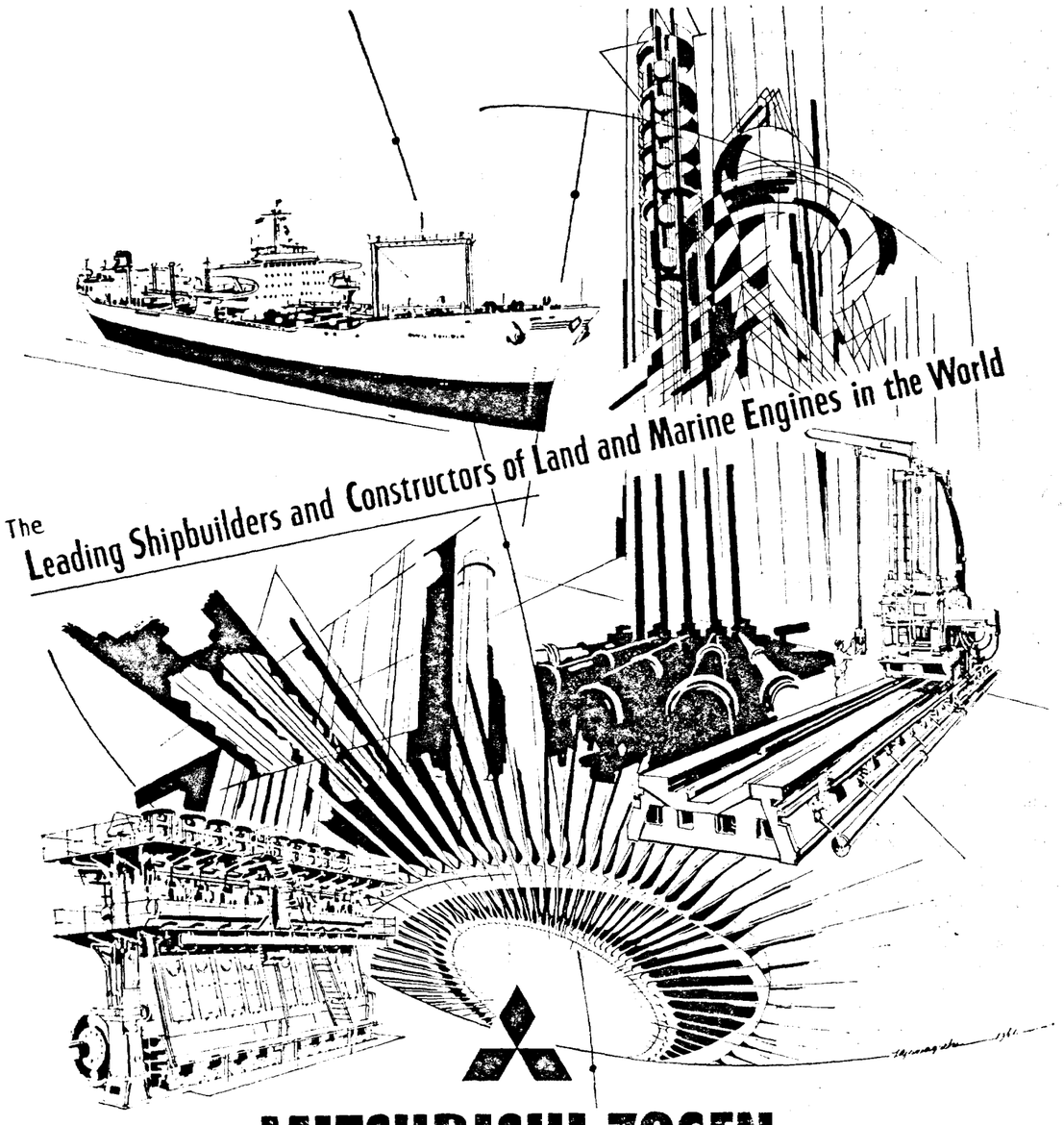
For all this, Sir Edgar does want to see African advancement—on his own terms, which would ensure white control for a very long time to come. He and his United Federal Party have recently launched a *Build a Nation* campaign, with a fanfare of press publicity. In the light of other events it looks, at the moment of writing, like the latest Voice and Vision gimmick.

African University Problems

FROM A CORRESPONDENT IN SIERRA LEONE

PRESSURE is growing, in many fields of life, for co-operation among the independent states of West Africa. The first preoccupation of most of these countries after independence was to loosen all ties suggestive of a colonial status. Inter-territorial projects which still have any connection with the Colonial Office, or with the former central British or French administrations, were among the first to come under question. But tendencies are now appearing for the independent African countries to combine in supranational projects which call for collective thought and planning.

The International Seminar held in December in Sierra Leone on Inter-University Co-operation in West Africa, and sponsored by Fourah Bay College (the University College of Sierra Leone) and the Congress for Cultural Freedom, falls into this category. Historically, this college was for long the only institution which granted degrees (pass degrees of Durham University). In 1925 Achimota was opened and after some years produced a handful of engineering graduates of London University. Most of the other institutions gave diplomas. Towards the end of the war and soon after, the Asquith and Elliot commissions laid down blueprints for the development of university education in British West Africa. The French were proceeding steadily with the development of



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Dakar University, which was taken under the wing of that of Bordeaux in France.

Today there is at least one university college in each English-speaking territory except Gambia, a faculty in the French-speaking Ivory Coast Republic in addition to Dakar University, Lovanium University in the Congo Republic (Leopoldville) and two institutions in Liberia, the National University and Cuttington College. Ghana has just instituted a second one, the Kwame Nkrumah University of Technology at Kumasi. Nigeria has, in addition to the well-known University College at Ibadan, founded the University of Nigeria at Nsukka, the University of Ife, both already functioning, and the Universities of Northern Nigeria and of Lagos, both at the planning stage. The impetus behind these latter universities in Nigeria came from a distinguished commission on Nigerian education chaired by Sir Eric Ashby, Master of Clare College, Cambridge.

REPRESENTATIVES attended the seminar from nearly all the universities and colleges in English-speaking and French-speaking West Africa, together with eminent university people from Britain, France and the United States. Sir Eric Ashby, in an early speech, urged the West African universities to develop a dual loyalty, first to their own society and next to world standards of higher education. This second loyalty has in the past been safeguarded by the links which most West African colleges have formed with metropolitan institutions. The links of Fourah Bay with Durham, and of Dakar with Bordeaux, have been mentioned. Those of the present University of Ghana and of University College, Ibadan, with London University have gone through an extremely fruitful and rewarding decade. The University of the Congo draws most of its staff, including its eminent Rector, Mgr Gillon, a lay priest and a nuclear physicist, from Louvain. Even the new universities strive to link up at least in their initial stages with over universities. The University of Nigeria at Nsukka, very much a child of Dr Azikiwe, the Governor-General, has formed a link with Michigan State University through the auspices of the International Co-operation Administration (now the Agency for International Development). The new University of Ife has even gone further and formed faculty links with Indiana and Cornell in America and Heidelberg in western Germany. All these West African institutions have thus integrated themselves into world scholarship. It is in the first loyalty, that to their indigenous society, that a certain amount of tension sometimes develops.

What is needed, as the seminar recognised, is an intellectual community in West Africa as a supporting base for a university and as an independent critic of national affairs, which at the same time develops creative activities in the arts and humanities. Professor Edward Shils of King's College, Cambridge, and Chicago University, who has studied the development of intellectual communities in three other continents, was lucid about the African situation, which he and his associates are studying now. The universities play a great part in the development of this type of community and by means of conferences, exhibitions, competitive festivals and extramural activities, territorial limitations could be overcome. Means of surmounting the language barrier between French-speaking and English-speaking territories were discussed, and it was suggested that in each territory the other metropolitan language should be compulsory at some stage in the educational ladder. This would mean that most West African students would be trilingual, since they already possess an indigenous language.

Differences between the French and English university systems are many but not, it was felt, insurmountable. One paper gave concrete suggestions for co-operation between universities in printing and publishing. It sometimes takes time for new universities to realise how essential for educational development are university printing and publishing outfits, which foster groups of writers and scholars, and provide for the particular needs of their local students. Suggestions were discussed for the exchange of students and staff, recruitment of expatriates, planning for common standards and the division of labour in specialised teaching and research. One speaker made a necessary plea that the universities should be allowed to train their own post-graduate students instead of seeing them snatched away by the numerous international fellowships, studentships and scholarships temptingly held in front of graduates in emergent countries.

A field that is likely to develop rapidly, and which appeared to call for the closest co-operation, was that of African studies. The French-speaking delegates, both black and white, doubted whether this subject was necessary. They felt that African studies should permeate the normal curriculum and not be put aside as a separate discipline; as they said, they could not find "European studies" as such being taught in European universities. (They were probably not aware of the new faculty project at the University of Sussex.) However, as the English-speaking West African universities felt strongly that the subject should be developed the French-speaking delegates gallantly agreed to consider it.

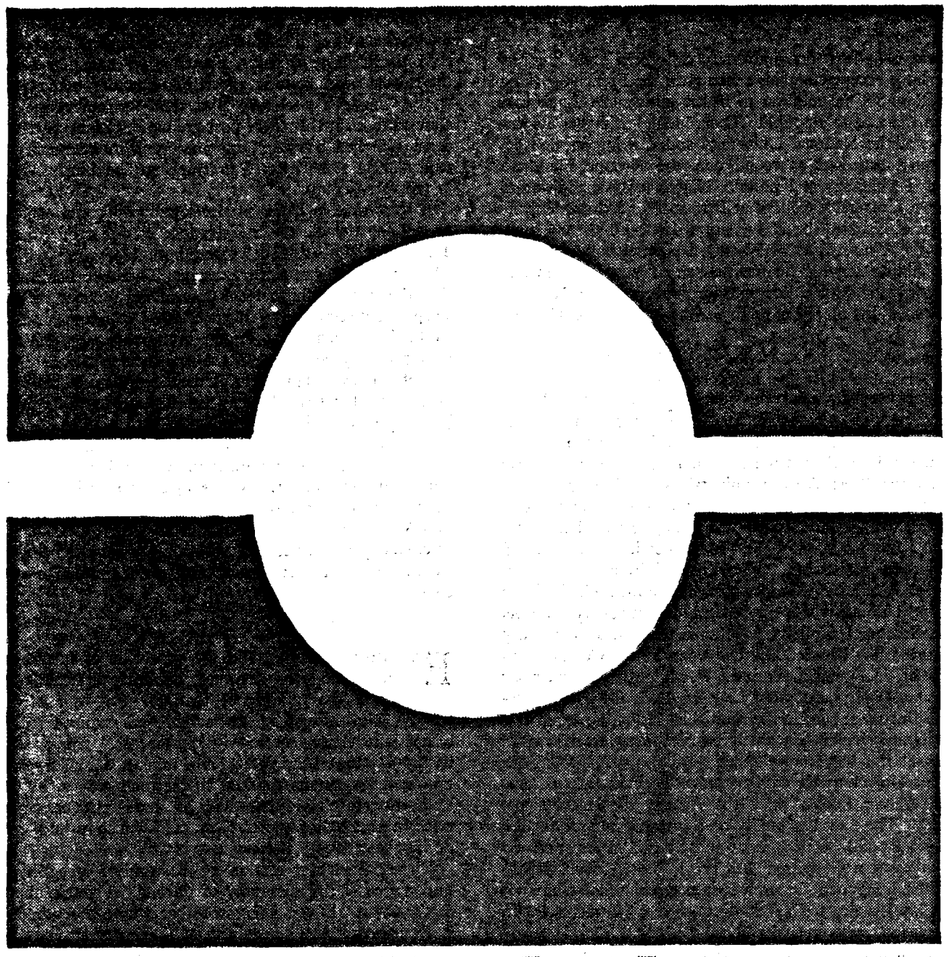
One of the clearest statements on the need for African studies is to be found in the report of the Ghana University Commission, published last summer. As a subject, it may be self-eliminating; yet to introduce it is one way of ensuring the pursuit of research into African history, and into aspects of the scientific and humanistic, chiefly linguistic, field which can otherwise be elbowed aside by the mass of more easily accessible knowledge of European civilisation.

EXTRAMURAL studies, and the expansion of extramural departments, were seen as one way in which these institutions could take part in the training of that essential layer of leaders and workers who through age or lack of opportunity could not satisfy formal university entrance requirements. This, with teacher training, technical and professional schools, secondary school education and, at its most basic, literacy campaigns, all formed the broad framework against which an intellectual community would arise in succeeding generations, and which would cross-fertilise existing and future universities.

The final plenary session of the seminar recognised the great importance of the autonomy of universities within the framework of the state. It was suggested that where the governing bodies were not composed exclusively of university teachers they should be responsible for explaining the needs of the university to the government and for interpreting to the university the demands which the nation makes on it; but that they should leave to the academic body such functions as the admission, teaching and examination of students, the appointment, promotion and tenure of academic staff and the allocation of funds to the different categories of their budgets.

This broad resolution reflects the present relationship of the university to the state in West Africa. The various heads of state take a particularly keen interest in their country's universities. Leaders like Dr Nkrumah, Dr Azikiwe and President Senghor of Senegal feel that the universities must not fall out of step with their nationalistic aspirations. While realising this, the conference was also aware of the state control of French universities, of the University Grants Committee's financial control of British university development and of the multiplicity of governance of American universities and colleges. These controls had not led to friction and had mostly worked well because of maturity, identity of interests of controller and controlled and a fundamental belief in the liberty of the individual.

The formation of a committee to prepare an Association of West African Universities was advocated by the 42 university administrators, scholars and educators present.



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THE BUSINESS WORLD

First in Science

THE group of senior scientists who advise the Government on research policy must have weighed carefully the implications of their recent advice to Lord Hailsham that the present organisation for dealing with civil science needs overhauling. To say that the present organisation is unobtrusive is an overstatement—many will be surprised to learn that any exists. Since the Government came to appreciate the leavening value of science in the economy, its main concern has been to get the results of science applied in industry. It has paid less attention to how the scientists themselves were spending their time, especially those inhabiting the deep academic pools where basic research is mysteriously conducted. The Advisory Council on Scientific Policy thinks it is time that the Government did inquire more closely into these activities and attempt a task so far shunned—to say what should come first in science.

The council's reasons are simple. Pure science, running in the universities at a cost of perhaps £30 million a year, is beginning to require some large pieces of capital equipment costing from £250,000 up to tens of millions of pounds. These installations are usually financed by a direct Government grant, being too big to be covered by the normal five-year budget of the University Grants Committee. The way these grants are allocated, and the people to whom they are given, make the Government the arbiter of scientific research in this country whether it wishes or not. So Lord Hailsham's advisers think it right for the Government to make up its mind in advance which are the main lines of scientific development—taking science in its academic sense—that it wishes to see followed. They suggest that the responsibilities of the Advisory Council of Scientific Policy should be widened to provide "the mechanism for arriving at decisions on major priorities."

Such advice may well seem like striking at the roots of long and honourable traditions of scientific freedom in this country. It will be pointed out that research cannot produce results to order; the history of science is not a smooth race, but a confused affair with odds-on favourites discovered to have broken wind and outsiders streaking up to the front from nowhere. Scientists succeed in adding something to the sum of human knowledge by following their noses, not by working to any preconceived programme. And many younger men will certainly feel that the Advisory Council on Scientific Policy reads too much like a membership list of the scientific establishment to inspire confidence in its ability to get the priorities right. All these points are well taken, and need not be disputed.

But the fact remains that when the Government grants £10 million for a proton synchroton, or allots £1 million for research reactors for universities, some Peter has to be robbed to pay Paul, and Peter ought to be able to state his case, or have someone state it for him. When resources are limited, grants for new radio telescopes mean, for example, that some other university department has to do without the modest computer that it has long wanted to complete its studies, and other scientists up and down the country go without useful but unglamorous pieces of equipment that are too expensive for their universities to buy, yet not quite impressive enough to win direct Government aid.

Indeed, the council's report suggests that some scientists are growing disturbed about the Government's influence on the direction of science, with more than a hint that they find it capricious. An earlier report on the management of research made out a strong case that fundamental research inside Government establishments should cease; the proper place for this, it was argued, was in the universities. But this argument comes up against the difficulty that appears to have led the Advisory Council to recommend an official policy for science—the size and cost of some of the equipment required and the need to employ it fully all the time.

When the country can afford only one or two major installations, who should get them? Should they go to the university that has made outstanding progress in a particular field, like Manchester with high-speed computers? Should they be grouped in a separate establishment to which everyone can have access, like Harwell's new research centre for thermonuclear fusion or the National Institute for Research in Nuclear Science with its £10 million proton synchroton? What if the whole venture is so big that it can be tackled only with international co-operation, like space research or experiments in nuclear physics calling for the kind of monster machine installed in the international laboratory at Cern in Geneva? These are not academic questions; Manchester University is getting a £3 million computer; the Government is planning to site three nuclear research reactors where two or three universities can have access; and it is being strongly advised to merge the three independent teams now working on radio astronomy into a single, perhaps an international, organisation to co-ordinate all the work—often competing—with radio telescopes, including the two new ones recently approved by the Government.

Such major decisions can be taken only by the Government, but it now makes them, if at all, with incomplete knowledge of the state of scientific research, of the new ideas that look

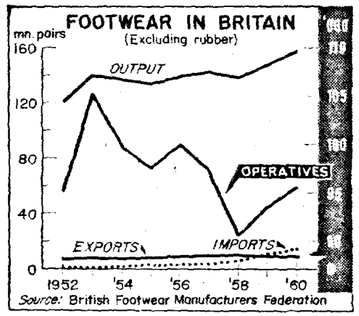
interesting, of the fields where research is becoming overdone, and of the programmes that need re-organising. The present arrangements encourage the suspicion that massive Government aid goes to the best advocates and not necessarily to the best scientists.

But if the assessing of priorities is to be done at all, it must be done properly. Lord Hailsham, as Minister for Science, is responsible only for certain types of civil research, and even so he has no control over expenditure. The organisations that he oversees, the Atomic Energy Authority and the various research councils, get their funds by individual bargaining with the Treasury. A system of priorities would have to weigh new reactors at the Atomic Energy Authority against, say, new facilities at the Department of Scientific and Industrial Research, or extra allocations to the University Grants Committee. If research is to be organised over a broad front, Lord Hailsham needs some say in what goes on inside the Ministry of Aviation's aircraft and electronics research establishments. In the construction of a supersonic airliner, to take one example, the Ministry of Aviation is embarking on one of the biggest civil scientific ventures this country has ever tackled, on the basis, so far as the evidence goes, of the sketchiest research.

Considerable re-organisation has gone on during the past few years inside the Government's own civil research establishments, the latest candidate being the Nature Conservancy, now about to be merged into a more comprehensive group examining the country's natural resources as a whole. The battle to get industry to support its own research associations is far from won; the latest counterblast here is a complaint from industry that the Government gives these associations a mere £1.8 million a year because they lack the glamour of other candidates for scientific pump priming. But the idea of arranging all these candidates for public assistance in order of scientific importance presupposes a comprehensive science policy of the kind that no government has yet framed. It had better do so before we are swept into a science budget and a full blown ministry for science.



No Business like Shoe Business?



To all appearances, Britain's shoemakers and shoe salesmen as well as the general populace were never better heeled. More than 160 million pairs of shoes were delivered by manufacturers last year. After the traditional and necessary January clearances some, including many of the pointier reminders of a style that started a boom, will remain unsold. But although several competing fashions have trodden on one another's toes, confusing manufacturers, retailers and public alike, 1961 seems to have been a fairly satisfactory year for the shoe trade. It was hardly out of the way before Mr Clore made his long expected bid for Saxone, Lilley and Skinner.

To be lord of the manor of Oxford Street is to be heavily involved in a trend. But it is not easy to be sure what the trend is. It is said, for instance, that the prosperous young generation gets through or discards considerably more footleather than its seniors did in their day; yet consumption of shoes per head (neat if not conclusive short-hand for the trend in demand) has not risen much since the footslogging thirties. In the past twenty-five years, consumption of leather shoes appears to have risen by a mere third of a pair to just over three pairs a person a year. Production has grown steadily but not dramatically since 1950; expansion at 1½ per cent per annum does not put British shoe manufacturers in the top league for growth. Productivity has risen; the labour force in shoe factories has tended to decline, and output has increased to nearly 1,750 pairs to each employee, compared with 1,250 ten years ago. It is not a bad performance and it has been helped by a revolution underfoot, in which rubber and compositions have largely replaced dear soling leather. By the middle of last year, only 5 per cent of children's shoes, 16 per cent of ladies' and 46 per cent of men's shoes had leather bottoms.

As yet, only the styling and colour of uppers shows much change in this country. But Du Pont, Courtaulds and Japanese fibre-plastic interests threaten, however distantly, the dominance of calf leather in uppers, which needs skilful handling at all stages. The use of lasts may be affected by new processes such as heat setting, by which the period that shoes spend on the last may be cut from days to minutes, and thus save heavy capital outlay. Shortage of female labour is persistent. In several factories, conveyor belts—shaped like horseshoes—have been introduced into closing and lasting rooms; the shoe factory today is nothing like the craftsman's shop. Labour disputes involving the industry's one major union are uncommon and the introduction of new techniques does not appear to be a prickly problem.

Manufacturers of boots and shoes have been shrinking in numbers. In four years, membership of the British Footwear Manufacturers Federation declined by 40 to fewer than 400, and the number of largish firms has increased. It is, however, an industry still predominantly of small units with an average

THREE YEARS' SHOE PROFITS

	1955 Gross profit (£000's)	1955 Gross profit/capital employed* Per cent.	1959 Gross profit (£000's)	1959 Gross profit/capital employed* Per cent	1960 Gross profit (£000's)	1960 Gross profit/capital employed* Per cent	Current price	Dividend Per cent	Yield Per cent
W. Barratt & Co. "A" 5s.	395	17·3	345	12·3	417	14·6	10/6	10	4·8
Brevitt 2s. 6d.	105	16·9	59	9·8	111	17·6	5/6	15	6·8
British Shoe Corporation	...	...	4,271	...	6,426	40·5	...	...	...
K. Shoes 10s.	469	32·8	674	34·0	662	30·9	50/9xd	22	4·3
Lotus 5s.	407	16·4	466	16·8	563	20·1	11/6	10	4·4
Norvic Shoe Co. 5s.	530	18·8	595	14·6	656	14·0	16/–	15	4·7
Panda Shoes 2s.	94	28·2	144	31·7	100	18·7	8/–	25	6·3
Saxone, Lilley & Skinner 10s.	...	...	1,866	18·9	2,098	20·6	30/3	6¾	2·2
W. Timpson 5s.	825	29·5	988	30·9	1,252	27·5	14/–	10	3·6
John White Footwear 5s.	367	31·4	383	28·2	442	30·4	23/–	25	5·4

* Based on balance sheet values.

of just over 200 operatives a firm, and less than a dozen with more than a thousand. A fair number have stock exchange quotations, which have reflected the industry's prosperity in recent years or provoked takeovers from Mr Clore and others.

Most of the bigger companies are represented in the high street by their own retail outlets or stockists. C. and J. Clark, Norvic, Lotus, W. Barratt and British Bata control a considerable number of stores. The majority of smaller firms however must sell to wholesalers or the multiples. At the last census of distribution, there were more than 14,000 shops stocking shoes which seems more than enough. The expanded British Shoe group will control nearly 2,000 of them. Manufacturers with strong brands, like C. and J. Clark, sell to independents and department stores; they do not generally sell unbranded shoes to multiples, and the multiples who have shoe factories normally sell their own shoes or shoes bought from outside manufacturers which they sell under their own name. There is no sign of decline in the number of shoe shops. No revolution, apart from some half-hearted attempts at self-service in a limited number of shops, better display and attempts at improving stock control, has occurred in shoe selling. Yet the business has been consistently prosperous (a common figure for the gross profit margin is said to be 25s. to 35s. a pair) and multiple retailers have not been noticeably setting the pace; independents have so far held their own.

THIS is where Mr Clore came in. The major upheaval in retailing has come from him, though he began with the different idea of chasing under-exploited site values. But after acquiring Trueform, Freeman, Hardy and Willis, Dolcis, Manfield and Phillips, Mr Clore was in leather, not bricks, and his bid last week through British Shoe Corporation (the shoe division of his Sears group) for Saxone, Lilley and Skinner will make him the top name in shoes, if one can keep count of them all. Mr Clore had long been buying Saxone shares in the market, pushing them up from 19s. to 30s., until his position was impregnable and he could command the goodwill of the Saxone board. Their support, with his already large holding, ensures success for Mr Clore.

The terms are for an exchange of British Shoe ordinary shares and a debenture stock (with cash as an alternative) for Saxone ordinary shares, providing a market value of approximately 30s., in line with Saxone's recent price. The offer involves seeking a quotation for British Shoe of which only the preference shares are now quoted. Earnings amounted to about 65 per cent on British Shoe's £7 million ordinary capital in 1959. Ordinary shares will presumably make up the bulk of the consideration, but the debenture will give additional gearing to enlarge British Shoe's earnings on its ordinary capital. No firm value can be put on British Shoe ordinaries for the time being. Saxone, Lilley and Skinner will continue as a separate entity under its existing management, but clearly without definite economies in mind, the merger would hardly be contemplated. There is, indeed, a wide disparity between the rates of return on capital employed by the two concerns. In 1960, British Shoe earned about 35 per cent on assets valued in 1953, 1956, and subsequent additions at cost. Saxone's return in the same year, taking freeholds at up-to-date valuation and leaseholds at book value, was only about 8½ per cent.

If there are too many shoe shops, with no chance of better selling methods, some of them could be sold to extract their full property values. That would leave plenty of scope for modernising the rest. The 51 shops in Oxford Street that sell shoes (Mr Clore is the prospective owner of 16) may all be necessary and more profitable than shops in suburban high streets—but somewhere rationalisation seems desirable, if not in Oxford Street, then elsewhere.

The merger will weight British Shoe slightly more towards manufacturing; even so it will control less than 8 per cent of Britain's production. It is a large net buyer of shoes, and not least of foreign shoes, imports of which have cut like a knife through exports. Changes already under way in the structure of the industry will become marked. Small manufacturers will be put under greater pressure by the big purchaser. He will buy abroad when styles or prices attract him. Whether the smaller shoe manufacturers are capable of merging into effective counter groups is a question involving leadership in other hands than Mr Clore's. After the Saxone merger, Clarks will probably still be the largest manufacturer in this country. They and other large manufacturers—of which Norvic and Lotus are examples—might follow the Clore line in their own way.

INVESTMENT SERVICES ON LATER PAGES

PROFITS ANALYSIS

Profits for the quarter ended December 31st are discussed on page 149

COMPANY AFFAIRS

Comments on pages 174, 175, 176 and 177 on:

Banking Profits	Discount Houses	Stewarts and Lloyds
Steel of Wales	John Summers	Thos. Firth & John Brown
ICT	Leyland	ACV
Westland	Peachey Property	Ranks

LONDON, NEW YORK AND OVERSEAS STOCKS

Prices and yields on pages 178 and 179, and security indices on pages 177 and 178

MONEY AND EXCHANGES

Money market report, exchange rates and public finance on page 180

Rules for the Lenders' Club

THE scheme for supplementing the resources of the International Monetary Fund has now been formally approved and published, with no last-minute surprises. It is embodied not only in a decision of the board of the Fund but also in a letter recently sent by M. Baumgartner, the French finance minister, to his fellow finance ministers in the new lenders' club. This dualism runs right through the new arrangements; the French have ensured that the voice of national governments is heard not only through their representatives on the Fund board, who sit round a table with the managing director, but also directly, as a body which the managing director must, to put it no higher, consult. In this way, the scheme does involve, as was to be feared from the outset, a weakening in the international authority of the Fund, just as a troika system would weaken the United Nations Secretariat. At the same time, the new scheme is a notable step forward, both in its practical significance and as a foretaste for the future; the pity is that this has been partly overshadowed by all the argument about power and influence.

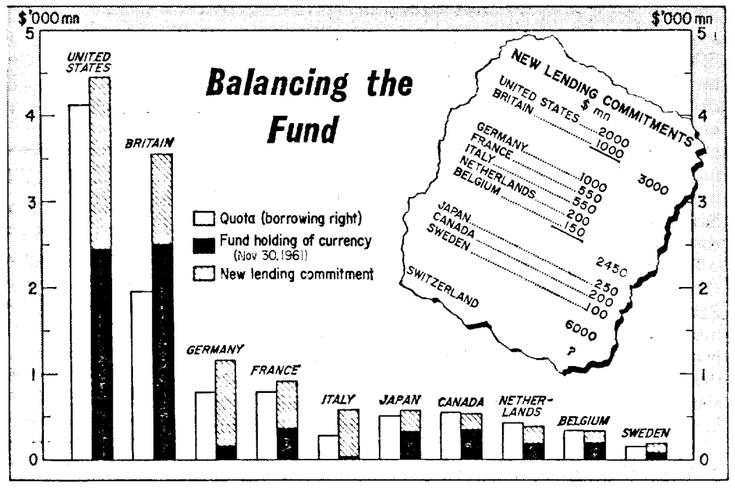
Club Members. "The need for additional resources," the IMF is anxious to reassure anyone who may have got other ideas from Professor Triffin or M. Rueff, "arises not from any failure of the monetary system," but simply from the broader spread of convertibility, which makes sudden large movements of short term capital funds more likely. But the formal criterion under which the managing director will ask the lenders' club to activate the additional resources is indeed a need "to forestall or cope with an impairment of the international monetary system." This is for the big stuff. Ten industrial countries are the club's founder members, but any country can join. All it need do is put itself down for a minimum of a hundred million dollars in freely usable money.

Club Procedure. The club will lend only to its own members—other members of IMF will continue to draw on its ordinary resources, more of which will now be available to them. When a club member asks the Fund for a drawing that may entail a call on the "supplementary resources," it will consult the managing director first and the other club members second. If the managing director then makes a proposal for calls on the special credits, the club members will confer, and "inform" (as M. Baumgartner's letter puts it) the managing director of the amounts of their currencies which they consider they can make available. If, unexpectedly, the club members disagree, a favourable decision will require a two-thirds majority by number, with no vote for the prospective drawer, and a three-fifths majority weighted on the basis of commitments to supplementary resources. The next step will be to decide how much will be put up and by whom: the totals that have been agreed are simply maximum commitments, for which some countries (including Britain) have to provide by legislation. Division of the actual credits among the participants will depend on their respective external payments positions and reserves at the time; it is open to individual countries, on balance of payments grounds, to opt out altogether or to ask for a reduced contribution; in this case the other participants will consider whether they can make good the deficiency.

Club Perks. These credits are a highly attractive central banking asset. They are gold guaranteed; they bear interest in gold, at 1½ per cent a year plus a fixed payment of one half per cent on each borrowing. And repayment terms are as favourable as any bank could wish. The maximum term is five years, but repayment will normally be earlier, phased with the borrowing country's own repayments to the Fund. Moreover, a lending country can ask for earlier repayment still if it gives notice of a "balance of payments need"—and the Fund will give "the overwhelming benefit of the doubt" to such representations. Repayment here will be in a currency which is convertible "in fact" (this covers the Japanese yen), or in gold; and if necessary the other club members may be asked to put up more money to finance this. Repayment in the ordinary way will where possible be in the creditor's own currency.

Club Reform. Thus although the new facilities are being provided through the existing articles of the Fund, they do mark an important advance in the form of its operations. Hitherto the Fund has had a fixed stock of currencies, paid in not according to countries' positions in world payments but simply on the basis of their trading size. The new arrangements for contingent, returnable contributions conform to the principle of—and could be a first step towards—a true international clearing system. Moreover, contributions under these credits will be acknowledged by certificates of indebtedness, and it seems that some countries sensibly intend to include these in their official statements of reserves. The certificates are non-negotiable, and may be transferred only with the consent of the Fund; if this limitation were later to be dropped, the world would have its international currency.

Club Spirit. This is therefore a step along the right road. It is still a small step. For the specific purpose of meeting an American drawing it is clearly far from ample. The United States has a quota of $4.125 billion, and because it starts with a big creditor position at the Fund its total drawing potential is nearly $6 billion. Yet the Fund's total holdings of common market currencies, at present under $1 billion, will be increased by a maximum of less than $2½ billion; and the other members of the club would not find it easy to meet their commitments at the moment—Japan indeed is expected to draw on the Fund very soon. On paper the scheme can therefore be made to look inadequate, and the formal provisions for consultation through all the different channels could be forbidding. But in practice they need not be; and at the critical point, the specific lending commitments need not be the last word either. The worth of any such scheme depends on the enthusiasm not of the likely debtors (that can be taken for granted) but of the creditors. Perhaps even they may in time recognise the appeal of interest-bearing gold.



BUSINESS NOTES

ICI—COURTAULDS

Any Room for Countermove?

BY the middle of next week, Courtaulds will have to produce counter-proposals that satisfy Mr Paul Chambers; if they do not, his bid (3 ICI shares for 4 Courtaulds) will hold the field. The Courtaulds' board a week ago broke silence with two statements of importance. The first was that after seeking advice from Baring Brothers they would not recommend acceptance of the bid if it is made. The second was that they had put "certain proposals" to ICI for the "further strengthening of the man-made fibre industry." On this, Mr Chambers abandoned a press conference fixed for last Monday afternoon and ICI stated that Courtaulds had sent proposals for solving the problems of man-made fibres "other than by a complete merger of the two companies" and had suggested that "all matters of principle could be settled within a week or ten days."

What can be expected to emerge dramatically new after long discussions between the two groups have seemingly got nowhere? It would be extraordinary if variations on this theme "other than by a complete merger" had not been tried extensively already. For example, one can ring all sorts of changes with a pooling of the component parts. Suppose that all the chemical-based synthetics were to go to ICI, which has been the leader in this field and Courtaulds the follower; what would Courtaulds make of its already exessive capacity in rayon and its side interests in paint? It is not solely on the fibres side that it has lacked a chemical base; the new competition in transparent film (with ICI busy on a caprolactum plant) is another portent for Courtaulds' future.

It seems, indeed, that the respite that the Courtaulds' board has won may not avail to avert a fight. It would be well for shareholders in both companies to understand what the fight will be about. For Courtaulds' shareholders, it is simply a question whether their board can do markedly better for them in the future than they have in recent years—and better than ICI could do too. Many of the weaknesses in the company's structure are long-standing and may be irremediable; at least they could not be remedied (for example, in developing chemical-based products) without time, great investment and bringing out ICI's full commercial opposition. It is quite unconvincing for the board, having recently cut the interim dividend, to make so much of the signs of improvement by which they justify an unchanged dividend for the year. No doubt trade has improved, but the troubles are troubles of structure, not of the incidental movements of the textile cycle. "Great confidence in the future prospects of the company," which the directors proclaim, will need to be spelled out in convincing form if shareholders are to turn down the ICI bid.

What, on the other hand, of the assets that ICI is offering to buy? The logic of a complete merger in all synthetic fibres, film and paint, is evident enough. How the assets and earnings work out respectively for the two companies would puzzle any accountant, since book values and depreciation are on totally different bases. It will be asserted that the ICI offer is too low. But shareholders in ICI might ask whether it may not be too high. If the torpid weight of Courtaulds is, in the end, acquired by ICI, it will be long before it is trimmed and assimilated. What happens to ICI's growth meanwhile?

THE EXCHANGES

Bank Rate and Sterling

FEW people in the City doubt that the Bank of England would like to reduce Bank rate quite soon—though even some observers who habitually dislike high interest rates are asking whether it can really be safe to do so before a major improvement in Britain's external payments has been achieved. The main factors in the Bank's mind are probably (a) the Government's grip on wages; (b) the prospect of an impressive budget surplus in April; and (c), perhaps decisively now, the immediate behaviour of sterling. The possibility of pressure on the pound later this year is a rather different consideration, as the Bank still tends to give weight to the rather odd argument that going down makes it easier to go up again later. But plainly, the Bank would be taking a big risk if it made a cut while there was still any doubt about sterling's strength at this, its most favourable season.

On this kind of reckoning the Bank is presumably fairly well satisfied with sterling's performance in the first fortnight of the new year. Foreign money withdrawn in December for balance sheet purposes has clearly been flowing back, and until the middle of the week sterling has been in continuous demand. By Wednesday, however—with dealings for delivery on Friday, after the Bank rate decision—the growing expectation of a Bank rate cut provoked some precautionary selling of sterling from the Continent. These expectations have also brought a flood of offers to the local authority mortgage market, and at a weak 6¼ per cent, seven day money became cheaper than bank overdrafts. Foreign as well as domestic money had been returning to this market, and conversions of Euro-dollar deposits for this purpose caused a slight widening of the forward exchange discount to the equivalent of 2.9 per cent in annual interest cost—above the reduced differential between Treasury bill rates in New York (up to 2.82 per cent) and London (5.43 per cent). By midweek a covered swap of Euro-dollars into local authority loans was no longer showing a net profit. After Thursday's "no change" in Bank rate, sterling was again in demand.

One factor said to have impressed Continental opinion in favour of sterling this week is the formal approval of the IMF plan—but Zurich is surely not contemplating another $2 billion credit for Britain this July. The plan has more immediate significance for the dollar, which has in fact been stronger against some Continental centres, including Milan—but apparently for local reasons. The price of gold in London continues to edge up very slowly, to $35.16 an ounce in mid-week, compared with the low point of $35.14 in late December. Demand has been moderate.

IN THE MARKETS

Buying Gilt-edged Long

THE outstanding feature of the London stock markets this week has been the strength of gilt-edged. The early months of the year, it is worth remembering, are usually the best for this market, as they are for sterling. But this week demand has been particularly strong, and, most interestingly, it has been concentrated not on short bonds, which one would expect to benefit from anticipation of a Bank rate cut, but on long-dated and even undated stocks: the long "tap" stock, 5½ per cent Treasury 2008-12, has attracted particularly large demand, notably from insurance companies.

The gilt-edged market has in fact been talking less confidently about Bank rate than the daily press—which in turn has influenced the foreign exchange market. And the discount market, for three successive weeks, actually reduced its bid for Treasury bills and raised the rate by a total of nearly ½ to 5⅛ per cent, in an attempt to improve its margins following the downward pressure on the bill rate in the last quarter of 1961, when the discount houses were deter-

mined to rebuild their bill portfolios. The discount market would not necessarily be surprised by a new cut in Bank rate—but its actions so far have plainly not been dominated by the possibility.

The strength of gilt-edged is based on a longer view, that the chances of avoiding another economic crisis this year have marginally improved. One did not exactly expect the IMF plan to prompt buying of War Loan, but it evidently moved at least one foreign investor in this way, and the better tone in sterling duly gave confidence to domestic investors. On home economic policy, the City cannot yet be convinced that the Chancellor will be able to carry through his wages policy, but it did feel on Thursday that at least he had gained the initiative.

This was a favourable background for the triple offer of £5 million each by Bristol corporation, Buckinghamshire and the West Riding of Yorkshire in identical 6½ per cent stocks, 1971-72, offered at 99½. The offers were comfortably subscribed on Thursday —the lists were specially kept open until afternoon for country applications postmarked the previous day—but there was no wild rush. A total of £15 million is substantial for the corporation market, and this appears to have kept off the stags. They were active enough however in the issue by Samuel Properties, in which an offer of 1,582,400 shares at 20s. each attracted 60,000 applications worth £52 million.

Decline on Wall Street

A correspondent cables :

DESPITE many signs that economic expansion in the United States is gathering momentum, stock prices have been under pressure since the first week of the new year. The worst fall came on Monday when the Dow Jones average dropped below the 700 mark for the first time since October. The subsequent rally was feeble and there are no signs that the profits taken in December and the proceeds of sales made this month are being reinvested. Even Wednesday's announcement of a two for one split in Ford shares and an increase in the dividend failed to reverse the trend; profits were taken in Ford and the Dow Jones average closed at 706, reflecting a fall of almost four per cent since the end of last year.

There are a number of explanations for this reversal of form, not least that the stock market often refuses to behave as the majority of forecasters predict it will. Revelations of malpractices on the American Stock Exchange made by the Securities and Exchange Commission this week were not calculated to bolster confidence and this was certainly a factor in the sharp fall in prices on Monday. But the decline began well before the report was published and it is clear that although practically every business indicator is rising investors continue to be worried about prospects in the second half of the year when some levelling off in economic activity is expected. The possibility of a steel strike and doubts about the level of business spending are also casting their shadows. Although most of the institutions suggest that they will continue to add to their stake in equities, they are not rushing in to buy now when selling is in the vogue; the chances are that they may be able to pick up the stocks they want at lower prices later. Even so, the bull market still seems to have some life left in it and in a thin market prices could turn up quite sharply if demand improves.

CAPACITY INQUIRY

Undaunted Expansionists

THE National Institute of Economic and Social Research, in its annual inquiry into the use of labour and capacity in the metal-using industries, interviewed 112 firms employing nearly 30 per cent of these industries' workers. In November, output of the motor and aircraft industries was running 4 or 5 per cent above a year before ; output in mechanical engineering had risen by over 5 per cent ; but in electrical engineering the increase was only 3 per cent and output of metal goods other than engineering products had actually fallen. The motor industry was using a lower labour force on a slightly longer week ; conversely, employment in engineering had risen, but hours of work had fallen slightly. The Institute roughly calculates that output per man-hour had increased over the twelve months by about 3 per cent in engineering and 5 per cent in motors.

The inquiry suggests that the motor industry was working at 70 per cent of capacity in November and the engineering industries at 80 to 85 per cent—much the same as a year before, with capacity keeping pace with output. Producers of heavy plant, machine tools, electronic equipment and office machinery still had little or no spare capacity ; those with a lot of spare capacity were mainly engineering firms making components for cars or ships. The motor industry said that output could be stepped up by 18 per cent without taking on extra labour, but only by working 15 per cent longer hours ; the engineering industry's estimate was a 7 per cent increase with 3 per cent longer hours. To utilise all their capacity, the Institute reckons that the engineering and motor vehicle industries would need 300,000 more workers.

Nearly all motor producers and one-half of the engineering firms interviewed said that output was limited by demand. The other half of the engineering firms mostly pointed to shortage of skilled labour as the limiting factor. Motor manufacturers expected an upturn in the spring and to deliver 9 per cent more vehicles to the home market this year and 22 per cent more overseas ; they were proceeding with their major expansion plans but had slowed them down. Engineering firms expected an increase of 5 per cent in home deliveries this year and a slightly larger one in exports ; their plans for expansion, undaunted by the recent poorer showing of orders, were in line with their expectations about output. If this inquiry is a true barometer, additions to capacity, except in heavy electrical engineering, promise to be at least as big this year as last.

BANK SPEECHES

Last Words

BOTH Sir Harold Bibby of Martins and Mr Anthony Tuke of Barclays, who have this week led off, according to custom, the annual rite of bankers' speechmaking, address their stockholders and their wider audience for the last time. This is a year of wholesale change among top bankers ; Sir Oliver Franks of Lloyds will next week also be making his valedictory address, and Lord Aldenham of the Westminster has already departed. The new chairmen are Mr John Thomson at Barclays, Mr Harald Peake at Lloyds, Mr D. A. Stirling at the Westminster and Sir John Nicholson at Martins.

Mr Tuke's parting words are perhaps rather more restrained than those with which he has provoked and sparkled his audience in past years ; his one novel (and very sensible) suggestion is for an extra week's holiday with pay in exchange for the four statutory bank holidays. On general financial policy, neither he nor Sir Harold Bibby has any liking for the control of economic affairs through varying interest rates, and both share the customary banking view that the trouble would be avoided if the Government spent less and ended budgetary inflation—even though the recent re-attainment of overall balance in the budget, for which the City clamoured for so long, has clearly had no such magic touch. On export finance, Mr. Tuke favours "some more comprehensive scheme to carry the longer dated maturities" but immediately adds "with which we, as bankers, are not and do not wish to be directly concerned."

Among the few items of new information about banking operations, Mr Tuke reveals that the big run down in gilt-edged and the shortening of the life of the remaining portfolio is recognised as permitting a rather less ample cushion of inner reserves, and £5 million has been transferred this year to published reserves, apart from £2 million from the year's profits. Sir Harold Bibby's interesting item of banking news is that "our personal loans have shown an improvement as regards arrears." If there is one plea to the incoming chairmen it is—more about banking, please.

STOCK DEALINGS

Dogs and Mangers

THE council of the London Stock Exchange is suggesting a change in its rules designed to channel more business in overseas securities through its jobber members. Under the present rule, brokers are allowed to execute orders for overseas securities with the British agency of a foreign firm of brokers provided that they have previously offered the business to jobbers in the London market. This rule was not being strictly observed. But it is now proposed to replace it by one prohibiting brokers from offering business in overseas securities to any of the agencies and branches in this country of foreign firms. If this rule is confirmed, it will mean that a broker with an order to execute in an overseas security would either have to go through London jobbers or to deal directly with an overseas firm in its own centre, not through its British agent. Such agencies in the City, which provide statistical and information services as well as dealing facilities, are not well pleased with the proposed amendment and they have been making strenuous protests.

If the rule were to be vigorously applied, it might have some unwelcome consequences for members of the London Stock Exchange. Big investors, institutional and private, often deal with these agencies directly, without going through their brokers, and the new rule would make them more inclined to do so. So far, too, the agencies have worked within a gentleman's agreement by not publicly advertising their services ; the new rule might tempt them to think again. The suggested amendment, indeed, seems to combine too much tenderness towards the jobbers with no great certainty that more business in overseas securities would pass through their hands. In accordance with customary practice, the rule has been posted to allow time for representations before it is confirmed. The point of principle here is that the narrow interests of some members of the Stock Exchange may not conform with the wider interests of the investing public. It would not do the London market any good if it were to give even the slightest impression of trying to keep business to itself at a higher cost for the investor.

STEEL

Stuck with Strip

THE strip-making plant that Colvilles has built in Scotland is one of the biggest, and economically the most dubious, parts of the steel industry's expansion programme. Now that the cold reduction mill at Gartcosh has begun to process bought-out strip—the hot rolling mill at Ravenscraig that will supply it will not start production until the autumn—Colvilles is getting uncomfortably near to the problem of selling a product for which the local demand is minute relative to its capacity of 500,000 tons a year. With the 250,000 tons of hot-rolled strip that will be sold as light plates or sheets, the company is initially adding 750,000 tons to its existing capacity of about 2 million tons ; the full potential of the hot strip mill is around 1½ million tons. Colvilles' present operating rate is about 65-70 per cent ; unless demand has improved by the autumn, the new plant will be a pretty heavy liability. It is hardly surprising that Colvilles needs the £30 million that it has not yet drawn of the £45 million the Government offered to lend it ; the total cost of its venture is likely to exceed £72 million.

The rise in the price of Scottish coal, which has added £900,000 a year to Colvilles' costs, is the latest burden that it has to bear for its situation ; it has produced talk of trying to import American coal, or of using oil. Other Scottish industrialists

Profits Fall

TRADING profits of 454 companies publishing their reports in the last quarter of 1961 (largely a reflection of trading results in the year to September 30th) fell by 6¼ per cent from £333½ million to £312½ million. This is the first time since the third quarter of 1958 that industrial profits collated in this office have fallen absolutely. The sharp fall of one third in the trading profits of the motors and aircraft group was the principal culprit, but engineering profits were 4½ per cent lower ; miscellaneous manufacturing showed practically no change. These results swamped the higher profits earned in the consumer industries such as brewing, clothing and footwear and shops and stores. The detailed figures for all industrial groups will be published next week.

It has been clear for many months that profits are falling, except in the direct consumption trades, and this year's analysis of reported profits will produce a string of minuses. In the current quarter, in particular, steel companies will drag total industrial profits down. Equally important, the rate of return on capital employed has been falling—in the latest quarter, the net rate for the 454 companies fell from 9.4 to 7.4 per cent—and there is little chance that this trend will be reversed in 1962. This prospect, plus the fact that net equity earnings in the fourth quarter fell by 13½ per cent, from £117 million to £101 million and that net ordinary dividends, paid on a total issued capital increased from £502 million to £554½ million, were only fractionally higher at £53¾ milion, will keep a brake on share prices.

PROFITS, PROVISIONS AND DEPRECIATION (£'000)

	Reports Published October to December, 1961 — 454 Companies		Reports Published January, 1961 to December, 1961 — 2,298 Companies	
	Previous Year	Latest Year	Previous Year	Latest Year
Gross trading profit	333,474	312,505	2,539,247	2,710,217
Income from investments	9,222	11,808	142,775	165,204
Other current income	393	317	1,817	1,736
Non-recurring credits	7,974	11,003	64,300	53,835
Total Income	**351,563**	**335,633**	**2,748,139**	**2,930,992**
Depreciation	59,944	66,487	519,693	570,523
Income tax	103,632	89,893	762,056	796,686
Profits tax	23,849	25,735	150,572	193,357
Directors' emoluments	10,969	11,482	65,920	69,209
Administrative charges	3,197	4,249	18,964	25,136
Contingencies and provisions, etc	4,345	3,430	46,754	40,791
Pensions	3,631	3,830	32,487	35,294
Minority interests	3,174	2,742	31,707	32,960
Loan interest	8,946	10,782	74,059	82,416
Preference dividends	4,932	4,993	34,639	36,108
Profits retained by subsidiaries	23,467	18,166	168,831	180,272
Ordinary dividends	52,016	53,854	434,682	479,573
Reserves (parent company)	38,006	33,376	298,623	323,879
Brought in (parent company)	67,199	78,654	506,117	595,269
Carried forward (parent company)	78,654	85,268	595,269	660,057

ANALYSIS OF BALANCE SHEETS Published October to December, 1961 (£'000)

Capital Liabilities and Reserves — 454 Companies	Previous Year	Latest Year	Assets — 454 Companies	Previous Year	Latest Year
Capital:—			**Fixed Assets:—**		
Debenture	168,629	197,183	Land, property and plant	1,277,921	1,476,567
Preference	138,395	139,855	Less depreciation	414,543	461,802
Ordinary	502,110	554,407		863,378	1,014,765
	809,134	891,445			
Reserves and Surplus:—					
Capital reserves	215,191	256,359			
Revenue res. and carry forward	528,535	557,271			
Total Capital Reserves and Surplus	**1,552,860**	**1,705,075**	Trade Investments	83,400	64,301
Outside Interests in subsidiaries	**48,971**	**53,839**	Intangible Assets	38,232	60,050
Current Liabilities and Provisions:—					
Bank overdrafts and loans	154,519	220,205	**Current Assets:—**		
Creditors	378,146	408,727	Stocks	630,936	699,941
Other current liabilities	224,155	254,694	Debtors	513,455	650,719
Future taxation	99,956	89,570	Gilt-edged securities	27,502	30,924
Other provisions	19,059	20,493	Other marketable investments	22,929	25,857
	875,835	993,689	Cash	237,834	206,046
				1,492,656	1,613,487
	2,477,666	2,752,603		2,477,666	2,752,603

are not falling over one another in efforts to build factories that might use Colvilles' strip; the industrial renaissance that was supposed to follow its availability remains a pious hope. The only big local consumer of strip will be Pressed Steel, and even if the new Rootes small car reaches capacity production, it does not expect to use more than 100-125,000 tons a year. As no firm likes to buy all its steel from one producer, Colvilles cannot hope for all this market. The British Motor Corporation's truck and tractor factory at Bathgate might use another 20,000 tons a year. A pricing system that sets a uniform price—except for £1 off in South Wales and 10s. on in northern Scotland—gives Colvilles no help in getting local sales; their only advantage is the technical superiority of a freshly rolled steel. Much will have to be sold in England, and the transport cost of £2 or more a ton will come out of Colvilles' pocket.

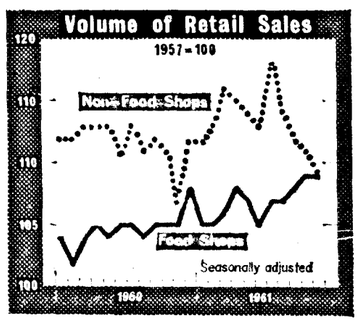
CONSUMER SPENDING

Go-Slow Shopping

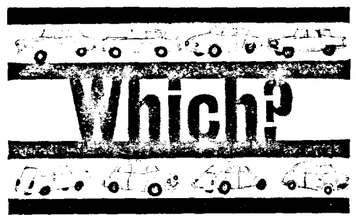
NOVEMBER was an even duller month for shopkeepers than had first been thought. According to the Board of Trade's final estimates of seasonally adjusted sales (1957 = 100), their value fell from October by a full point to 114 and their volume by 1½ points to 109, the lowest level since the beginning of the year. Most kinds of shops seem to have had a quieter time; even the food trade slackened slightly.

Shopkeepers selling durable goods reckoned their business was still declining in November, although only gently. Among them, furniture dealers seem to have the least to grumble about; their turnover in November was 6 per cent higher than a year before whereas that of other retailers in the group continued rather below the 1960 level. Credit sales of household goods shops in November moved in line with the total business of these shops and outside ordinary retail trade, there was little change in the trend of new credit business; as a result, total instalment debt fell again by £11 million over the month.

Slackness in the shops and motor showrooms might have deflected money into the



service trades. But there was little sign of this by the third quarter of last year, for which full figures of consumer spending are now available. Admittedly, after taking account of price changes and seasonal factors, spending on housing and fuel rose a little but barely back to the level of the final quarter of 1960; and spending on other services was unchanged. Only clothing purchases were at a record level; the volume of total spending was 1 per cent below its peak in the previous quarter but 1½ per cent above a year before.



THE Consumers' Association's first test of cars is its most ambitious and probably most irritant report. To suggest that the Volkswagen is technically superior to small British cars, though import duty makes it too expensive for *Which?* to recommend it as a "best buy," will not be well received by British manufacturers. The detailed catalogue of faults shown by British cars when they were bought (back in April, 1961) or developed in 12,000 miles is damaging evidence, though *Which?* seems to have been unlucky in some of the cars it bought. The worst trouble on the eight cars tested (Austin Seven and A40, Ford Anglia and Popular, Morris Minor 1000, Renault Dauphine, Triumph Herald S and Volkswagen) was the need to replace the gearing twice and the clutch once on the Austin Seven—which led CA to buy a second car. This did not suffer from the same fault. The Triumph needed to have its gearbox and all steering bushes replaced once, the Minor suffered clutch failure, and the Anglia's gear lever came off—apart from more minor troubles such as failure to keep out water from which even the Volkswagen suffered when it was new. *Which?* concluded that the Anglia was by a small margin the best value among the British cars, slightly superior to the Austin Seven.

One weakness of this valuable addition to the information for the potential car buyer is that *Which?* cannot afford to buy enough examples of each car to ensure that it gets a representative view of all their qualities—good and bad; and if it did it would have an almost impossible task to test them all. But it might be able to drive the cars for more than 12,000 miles to gain some experience of the durability of the main components, and this may be done later. There are, however, other improvements in the tests that could be introduced sooner and at little cost. The first report

gives the impression that the CA's testers have sought to measure more than they could. They have, for instance, produced apparently objective figures that in fact may mislead on the handling characteristics of the cars tested—and which make the Volkswagen and Renault look better than they are.

Technical improvements will doubtless be made in later tests and reports; but such defects reduce confidence in the testing. Manufacturers are sensibly refraining from direct attacks on *Which?*, limiting themselves to pointing out that the tests were made on one car, and implying that they have got better since last spring. At the moment the only information *Which?* gives that cannot be obtained from the motoring papers may be the lists of defects experienced on one example of each model, and the comparative nature of the testing; in some respects CA's tests may be inferior. But they are independent and could be made more informative and authoritative; the sooner they are, the longer they will live.

DOMESTIC APPLIANCES

Hotpoint Cuts

AEI-HOTPOINT'S price cuts, announced last week, are pretty sweeping in appearance—an average of 11 per cent and some as much as 20 per cent—though some of them do little more than bring Hotpoint into line with makers of similar products. This is true of their washing machine, the Supermatic, which should now make even further inroads into the dominating Hoover share of the market. The most striking changes are undoubtedly in Hotpoint refrigerators, which in 1961 were weak sellers in a generally feeble market. Now a 3.7 cubic foot Special model, for example, cut from 47 to 39 guineas (why guineas, in this age?) should prove competitive even against cheap imported appliances, while most comparable British makes are decidedly undercut.

The reductions have presumably been timed with an eye to the seasonal habits of the trade; the big refrigerator retailers place orders at this time of year, against the peak selling season of April to June. But stocks are overflowing so that even late orders are likely to be met with prompt delivery; this may blunt the immediate effectiveness of the Hotpoint move. Hoping to maintain a constant volume of work, the refrigerator makers have become shy of revealing the exact number in the pipeline; but it is certainly higher than a year ago, when 322,000 were in stock; the figure may well now be around 350,000. All this means that the other manufacturers are going to find it hard to stick to their present determination not to embark on another round of price-cutting.

Part of the AEI cuts takes the form of a 2½ per cent reduction in wholesalers' and retailers' discounts. This is not a complete novelty; apart from the unofficial reductions

introduced by cut-price traders, some of the smaller firms like Lec and Morphy-Richards already offer a 22½ per cent rather than the more usual 25 per cent discount. It is reasonable enough to expect retailers to accept a smaller margin in an effort to get the stickier appliances on the move again and none has so far complained to Hotpoint.

PATENTS

Old Japanese Custom

PLAGIARISM, an old Japanese custom, dies hard, long after original reasons for it have disappeared. Japan used to arouse the wrath of western manufacturers by selling cheap, shoddy copies of their products; now they are selling cheap, good quality copies. Ronson Products, the British subsidiary of the American firm, which last week won a case in a Japanese court against four firms who had used a patented gas lighter device as well as apeing Ronson's design and trade-mark, found the offending lighters were of reasonably high quality. It has not been unknown for a British manufacturer to complain about a Japanese copy which on examination proved better than its model.

The success of the Japanese camera and radio industries shows that the "made in Japan" mark is a positive asset where a well-designed and well-made product is able to prove its good quality. It is absurd that the Japanese wool textile manufacturers, for instance, do not offer their perfectly good low-priced cloth for what it is, instead of making bad blood by passing it off under a supposedly Scottish name in the American market.

Officially, piracy is unfashionable. The Japanese government is well aware that such practices hardly encourage the country's wider acceptance as a bona fide trading partner. Three years ago Japan thoroughly revised its laws on patents, trade-marks and published designs; it is now no longer necessary to ensure publication in Japan in order to be protected by the law there. More effectively, certain Japanese industries have co-operated with their British counterparts in setting up design registers against which any would-be Japanese export can be checked. This works satisfactorily in printed textiles and pottery, where a copied design is easily identifiable; less so in the case of fabrics where differentiation lies in subtleties of weave. Here, legal proof is virtually impossible, and foreign manufacturers often have to accept what they cannot prove to the contrary—that the similarity was accidental.

TRANSISTORS

Economies of Scale

TRANSISTORS, more than any other single component, have been the symbol of growth in the electronics industry. Their production has soared here and in the United States; this has been followed in America by bitter price cutting and sharply falling profits. There are signs that the same pattern is being followed, though in a gentler fashion, in this country. In the past twelve months, Associated Electrical Industries has closed its transistor factories; English Electric, Automatic Telephone and Ericsson Telephones sold their jointly owned transistor company to Mullard, and now the General Electric Company, one of the bigger transistor manufacturers, has signed a pooling agreement with Mullard. Like the valves they replace, transistors are specially responsive to economies of scale, as indeed are most electronic components, and there is no place in the industry for a medium-sized producer. But the kind of agreement being discussed by GEC and Mullard, with the probable setting up of a jointly-owned subsidiary, is also typical of the ways in which GEC is trying to streamline its management by calling on the expertise of other, more successful producers in the same fields.

NICKEL

Plenty to Spare

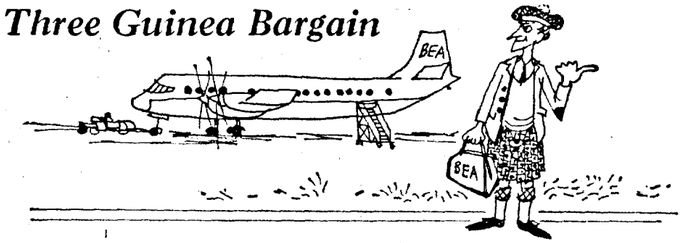
LAST year was not a happy one for international stabilisation schemes, cartels or private monopolies in commodities. The International Nickel Company of Canada, which appears to control about 60 per cent of nickel production outside the Sino-Soviet block and is the acknowledged price leader in the West, brought its new Thompson mine in Manitoba into full production in 1961, raising the group's annual capacity by more than 75 million lbs. Sales have hardly responded. Net sales proceeds (including those from other metals won in conjunction with nickel) were lower in the first half of 1961 than in the corresponding half of the previous year, though they recovered to the 1960 level by the end of the third quarter. At the end of June, however, Inco raised the nickel price, from £600 to £660 a ton in Europe. Disposals of nickel by the United States stockpile authorities through International Nickel were only slightly below their 1960 level, and the reported increase in the group's deliveries must have been small.

Much of the nickel produced at Thompson must still be on the group's hands—it has not yet disclosed how far it has reduced production below capacity. This view finds support from the chairman's review of the industry in 1961. Consumption throughout the free world last year ran at about the record level of 1960. Excluding Cuba, capacity for producing 625 million lbs was available. About 500 million lbs were consumed, and to the apparent surplus must be added the 45 million lbs released from the American stockpile. To top this, Cuba, which had facilities for producing 50 million lbs when the Americans left, was selling nickel in Europe. Mr Wingate believes that Cuba's capacity will shortly be doubled.

International Nickel is accustomed to

CHEAP FLIGHTS

Three Guinea Bargain



THERE are rumours that the British Transport Commission may not, after all, proceed with its appeal against British European Airways' new three guinea night flights to Scotland (the BTC did not lodge an appeal against similar flights to Belfast). This would save the Minister of Aviation from a possibly embarrassing job of arbitrating between the railways and BEA if the railways could show that they were losing a substantial amount of traffic.

The new services, which started in November, hinge on mail and newspaper contracts received by BEA which are not of themselves sufficient to make the nightly flights profitable. Some passenger revenue is needed to break even; the low three-guinea fare was planned to coax a regular trickle of people to make the journey in the middle of the night. It is a few shillings below second class rail travel, and the flights have been so successful that BEA has had qualms about whether the passengers crowding them might not, after all, be air travellers who might otherwise have paid the normal air fare of about £5 9s.

There is some evidence to show that the majority of them have been attracted from the railways (including at least one member of *The Economist* staff). The short flight of about an hour makes spartan flying conditions with no refreshments more tolerable than a long train journey and at least one passenger (not our man) is known to have walked from the airport and thumbed a lift into London rather than take the 5s. airport bus.

taking the long view in nickel. Evidently it did not budget for anything like the sale of Thompson's full output in 1961. Though this vast capital absorber has reduced the group's liquid resources, they stood at $70 million at the end of 1960. But stocks had risen to $179 million while the group's deliveries of its own nickel actually declined in that year. In 1961, European consumption of nickel slackened, but after a slow start the United States absorbed more. In Mr Wingate's view, consumption will continue to rise gradually in the free world. Yet something better than a gradual rise seems to be needed. In 1960, it may be recalled, nickel consumption increased by 68 million lbs.

FINANCING INVENTIONS

From Banks and Insurers

INVENTION is becoming an estimable profession in Britain ; it can now be financed by insurance companies, the Industrial and Commercial Finance Corporation and merchant banks, which makes it almost established. This unexpected combination has been brought together by Sir John Benn, chairman of the UK Provident Institution, in Technical Development Capital, of which he is chairman, to provide capital for the commercial development of inventions. The ICFC and 32 companies have so far subscribed £1,800,000 of the £2 million of equity capital in sums ranging from £200,000 to £25,000. A project like this might seem unusual for the more staid City institutions, but Sir John Benn reports that it was received with enthusiasm. The long-term nature of the returns that can be hoped for—and the risk of losses—seem to have been no deterrent.

The new company will in principle develop inventions that have already passed the first stage of research ; in practice it will be more flexible than this, and will consider inventions at an earlier stage. To limit itself to inventions where initial work had been done might have cut TDC off from the main source of ideas that lack support, even though this is a field in which the National Research and Development Corporation is active. Technical Development Capital will provide an alternative place to which inventors can bring their brainchildren ; as an organisation solely devoted to developing them, it may have some advantages over the corporation.

TDC may well collaborate with the NRDC or commercial organisations in developing the inventions it takes up; this will help to spread its resources among more inventions—initially they are rather meagre for the expensive work of development, though they can be increased by debenture issues. Ideas may come from small companies as well as individuals, or a company may be formed to develop the invention ; here the ICFC's experience will help it. But TDC will have to take a closer interest in management than the ICFC likes to do, for it will have to control the work it is paying for. It is starting with a full-time technical staff of one—its technical director, Mr Edward Hawthorne. But its directors include Sir John Baker, professor of engineering at Cambridge, and it can use the ICFC's staff of engineers, as well as calling on outside advice. Eventually it will build up its own staff as it find what it needs.

CAPITAL MARKET

New Figures for New Issues

MEASUREMENT of new issues has always presented numerous problems of definition (as *The Economist* knew many years ago when it made its own estimates) and the merit of figures published monthly by the Midland Bank and quarterly by the Bank of England has been their consistent basis since they were started in 1919 and 1928 respectively. Now the Bank of England series has been revised, as the old statistics are "not well suited to the general scheme of new financial statistics now being assembled." The new ones have been

Belgium's Banking Reform

BY A CORRESPONDENT

WHY was the reduction in the discount rate of the Belgian National Bank a fortnight ago so small—one quarter of one per cent, leaving the rate at 4½ per cent compared with 3½ per cent in Italy, France and the Netherlands, and 3 per cent in Germany? The money market in Belgium is anything but tight, and the authorities are anxious to encourage investment. It is true that they are already doing this directly, in part through differential interest rates. The slow growth of the Belgian economy was long attributed to the lack of private industrial investment; this prompted the government to give interest rebates on loans to acquire equipment, erect new industrial buildings or to modernise existing plants. These rebates can rise to 4 per cent per annum for approved projects, and further aid is obtainable if the investment is in one of the defined "development areas." The interest rate rebates, however, do not as a rule cover the total loan, or run for its whole period.

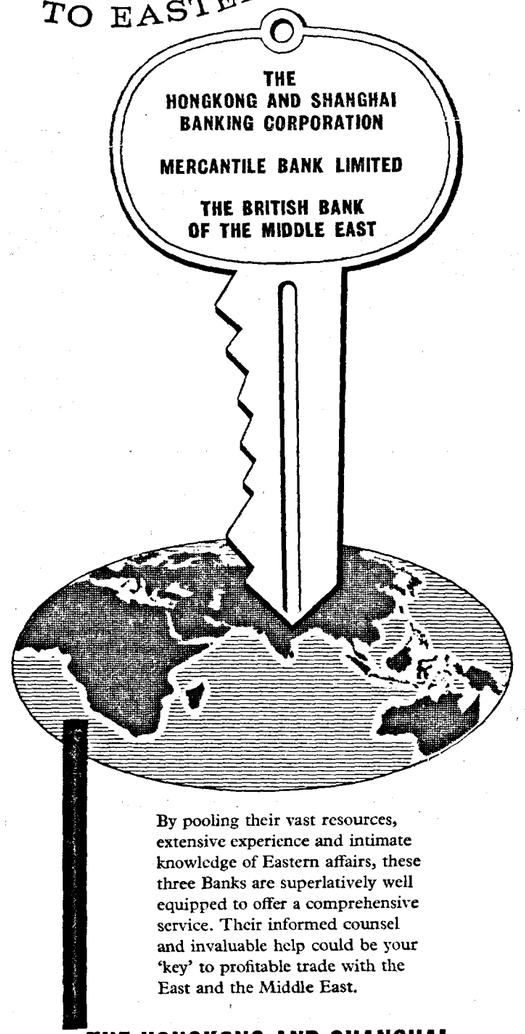
There are special allowances, too, for depreciation. Fiscal regulations governing mergers and the sale of industrial assets have been relaxed and the authorities are empowered to assist research and development. In the past three years investment plans to a total amount of 48,778 million Belgian francs, almost $1,000 million, have received aid in one form or another. Moreover, these measures have notably attracted foreign investment to Belgium; in the first nine months of 1961, this reached 4,855 million Belgian francs.

The Belgian government is satisfied with the success of its policy so far, but there is no reason to believe that this has encouraged the authorities to maintain high interest rates in the market. More important here is the adoption of a significant structural change in the banking system. Since the end of the war, the Belgian commercial banks have had to keep 65 per cent of their total deposits in Treasury paper, so that their opportunities for credit creation have been limited. The reform does away with this restriction; the banks are still bound to maintain their present holding of Treasury bonds, but are not liable to cover increases in their deposits by new purchases of Treasury bonds. At the same time, the monetary authorities have been given power to force the banks to place a portion of their deposits with the National Bank.

But reform goes further. Attempts to create an effective money and bill market in recent years have not been wholly successful, partly because rates for loans and advances and also rates paid on deposits have been strictly tied to official Bank rate, and were sometimes wholly out of line with market realities. The new scheme breaks the link between Bank rate and the rate of interest paid on deposits in commercial banks, which will now be determined through negotiation between the monetary authorities and the Association of Belgian Banks. The new rates applicable from January 1, 1962, are being discussed and a major change in Bank rate would no doubt have caused complications.

Another possible explanation of present monetary policy could also be found in the balance of payments. In 1960, Belgium registered a comfortable surplus of $98 million on current account and a surplus of $124 million for net monetary movements. In 1961, however, while exports have reached record levels, imports have also risen appreciably so that the surplus on current account will be reduced. Should capital movements also be unfavourable, the central bank might conceivably look to relatively high rates to keep foreign funds in Belgium. But total external reserves are still ample, and it is likely that a further drop in interest rates will occur early in 1962, once the banks' deposit rates have been worked out.

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designed for use with other statistics of changes in the liabilities and assets of various sectors of the economy.

The new figures include estimates of all redemptions (whereas the old series took account only of redemptions linked with new issues) and so should give a better idea of the net amount of new capital raised in each period. They also register new issues as and when calls are made, not as in the old series, on the date of the first subscription. The new statistics will exclude issues by the nationalised industries; in fact, there have been none since 1956. Another important change is in the distinction between United Kingdom and overseas borrowings: formerly these were classified as far as possible by the destination of the funds; now the criterion will be where the borrowing company is registered. Hence, the new statistics will include subscriptions by overseas residents to issues that are classified as being made in this country.

The Bank of England has broken down new issues into various industrial and commercial groups. By using both the Bank's and the Midland Bank's figures the statistician should be able to discern the trends in borrowing requirements for most of the major industries in this country. From the accompanying table of the revised figures it is clear that new issues remained comparatively stable at just over the £250 million mark in the mid fifties but increased sharply later. Not surprisingly, the figures show a sharp decline in recent months from the peak level of last summer. This trend seems likely to continue in the current year, with companies deferring their capital programmes and with the stock markets uncertain about the prospects for profits.

CAPITAL ISSUES
(£ million)

	Gross issues	Gross redemptions	Net total	Ordinary	Prior charge	UK borrowers	Overseas borrowers
1954	335·4	70·3	265·1	93·3	271·8	217·8	47·3
1955	353·1	80·3	274·8	145·1	129·7	271·4	3·4
1956	305·0	36·2	268·8	152·4	116·4	258·5	10·3
1957	391·5	50·8	340·7	156·5	184·2	333·4	7·3
1958	387·4	93·7	293·7	100·7	193·0	277·9	15·8
1959	511·6	86·7	424·9	254·0	170·9	419·5	5·4
1960	573·5	92·3	481·2	333·9	147·3	475·6	5·6
1961	661·6	65·5	596·1	421·6	174·5	587·0	9·1

*For eleven months.

TIN COUNCIL

Precarious Existence

THE second international tin agreement has been completely ineffective since its inception last summer; but it seems not to have been "definitively" in force either. To bring the new agreement properly into being, ratifications or proper acceptances must be deposited by nine consuming countries holding 500 votes and six major producing countries with 950 votes represented at the United Nations conference on tin in 1960. If insufficient ratifications were not forthcoming by the end of 1961, a meeting of the Tin Council had to be called. That meeting was convened on Wednesday: among consumers, the council was one member short, and of the producers, Bolivia failed to meet the deadline. Congo (Leopoldville) had handed an instrument of ratification to a British ambassador. It is not clear what that instrument is worth.

A meeting of the council was already on the cards for February 14th to discuss pro-

INSURANCE

Records and Claims

MEMBERS of the life offices' associations underwrote ordinary life sums assured of £2,673 million last year, 15 per cent more than in 1960. Premiums from this new business, including annuities, rose by £19 million to £160 million. In the industrial branch new sums assured rose last year from £398 million to £416 million. Demand for assured pension schemes and the group life cover that is normally linked with them seems to have been even more brisk last year than in 1960 when interest was stimulated by the extension of state pensions. Sales of individual policies, however, may not have been much larger. Immediate annuities did well; but deferred annuities, securing in the main assured pensions, account for the bulk of this type of business. Total annual premium income of the life offices, excluding industrial assurance, probably exceeded £525 million last year, of which £160 million related to deferred annuities. Industrial assurance premiums brought in about £190 million.

New money for investment by ordinary life and annuity funds amounted to at least £450 million and to about £80 million for the industrial assurance funds. There appears to have been a change in emphasis in investment policies away from equities and a good proportion of the new money will have gone into fixed interest stocks and mortgages. Offices that have built up a substantial stake in equities in the past have probably managed to offset last year's depreciation in fixed interest stocks with something to spare even though the leading indicators of ordinary share prices showed little change over the year.

Underwriting profits from fire, accident, marine and aviation insurance were as hard to come by last year as in 1960, when the leading offices were, on the average, just in the red, after meeting overhead expenses and tax. The small reduction in British fire losses was more than offset by an increase in fire wastage in North America, where British insurers also met a substantial part of the $85 million bill for hurricane "Carla" and of the $50 million bill for other windstorm damage. The devastation in British Honduras from hurricane "Hattie" will probably cost them £7 million and last winter's flooding in the West Country and South Wales resulted in claims for over £6 million.

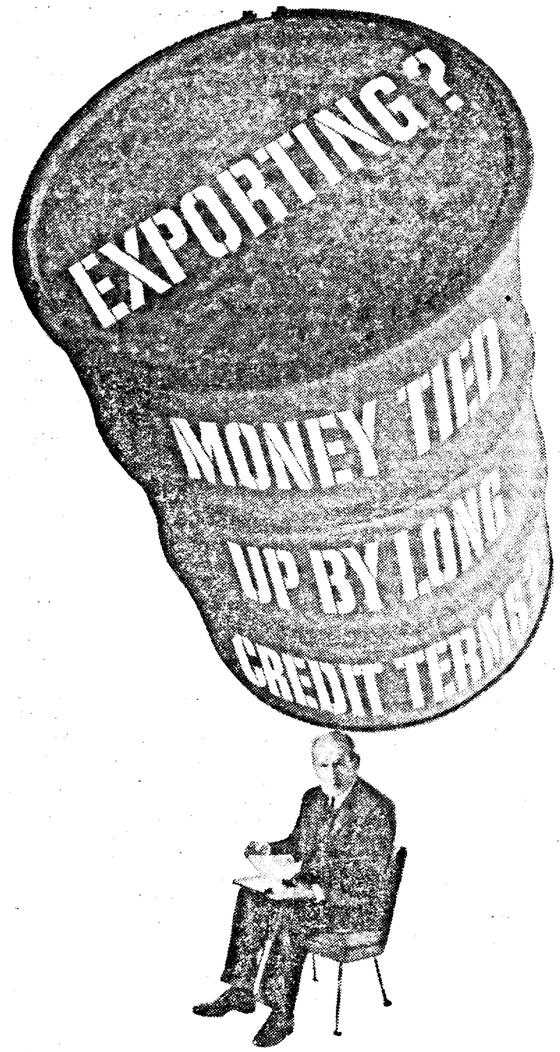
Motor insurance was again unprofitable but higher premiums are now being charged in some areas. Jet and other aircraft crashes are unlikely to have left much, if any, surplus in aviation business. Indeed, the only department in the non-life business that did well was marine. The premium income on the non-life business of the insurance companies rose by about £50 million to more than £750 million and the steady growth in interest earnings helps to explain why insurance shares claim such high investment status in a period of exiguous underwriting profits. No doubt the further rise in interest income has been sufficient to cover dividends at the 1960 rates with useful margins, and increases are freely discounted in current share prices.

ORDINARY LIFE NEW BUSINESS
(Net sums assured. £ million)

Office	1960	1961	Office	1960	1961	Office	1960	1961
Alliance	20·9	22·1	Law Union & Rock	10·8	11·2	Provident Mutual	21·3	21·5
Atlas	16·8	25·8*	Legal & General	271·5	283·8	Prudential	312·5	330·0
Australian Mutual†	4·5	8·6	Licenses & General	5·1	6·1	Refuge	24·9	26·2
Avon	1·6	1·7	Life Assn. of Scotland	7·1	8·3	Reliance Mutual	2·8	3·4
Beacon	14·5	14·0	Liverpool Victoria	6·4	7·0	Royal (b)	68·6	84·3
Britannic	13·5	14·2	London & Manchester	10·0	12·7	Royal Exchange	22·2	22·4
Caledonian	12·5	16·2	London Assurance	14·1	18·0	Royal London	23·1	22·6
Canada Life†	26·9	25·7	London Life	9·1	12·9	Scottish Amicable	26·8	26·3
Clerical, Medical	17·8	18·0	Manufacturers' Life†	19·5	25·1	Scottish Equitable	12·2	15·0
Colonial Mutual	23·5	28·1	Marine & General	5·3	5·5	Scottish Life	16·1	20·0
Commercial Union (a)	73·3	88·2	Mercantile & General	62·4	73·5*	Scottish Mutual†	12·8	12·7
Confederation Life†	12·8	11·8	Midland Employers'	4·9	11·0	Scottish Provident	18·5	20·0
Co-operative	49·7	54·0	National Employers'	5·6	45·0*	Scottish Union & Nat.	11·4	12·4
Crusader	14·0	17·0	National Farmers' Un.	12·3	12·6	Scottish Widows'	48·6	62·5
Eagle Star	77·9	88·0	National Mutual	3·4	6·7	Standard	101·0	118·3
English	17·8	26·0	N. Mut. of Australasia†	13·4	19·1	Sun Life	88·6	110·0
Equitable	8·4	10·8	National Provident	12·0	13·7*	UK Provident	18·8	20·7
Equity & Law	37·6	41·5*	Northern	59·9	60·2	University Life	1·5	2·1
Friends' Provident	53·9	71·7	Norwich Union	139·8	160·0	Wesleyan & General	7·4	8·3
General Life	18·7	25·3	Pearl	55·5	64·1	Yorkshire	53·9	71·7
Gresham Life	15·4	17·4	Phoenix	16·75	31·0			
Guardian	45·1	58·8	Provident Life	18·4	20·5	Total 61 offices	2232·3	2573·3

* Approximation. † UK business only; the figures for the other offices are global. § Not comparable with later years.
(a) Including North British & Mercantile. (b) Including Liverpool & London & Globe.

PROBLEM NO. 3



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Manchester Tel—Manchester
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CRG 45

ducers' requests for a higher price range for the council's currently moribund price stabilising agency, which consumers rejected at the last meeting. Bolivia apparently persuaded the council to continue in session to discuss this matter, which seemed sensible. However, the current session of the United States Congress, which holds the key to American stockpile policy and hence to prices, began only on Wednesday. The first interpretation of Bolivia's move was that either it wished to gain some assurance about prices before accepting the agreement, or perhaps wished to push through a rise in the support price within the agreement, which could influence the level at which American releases might be authorised. It may be recalled that there have been threats to withdraw from the tin agreement and to establish an independent buffer fund. There seems little point in tying up funds in an international scheme pledged to support tin at a lower level than producers thought proper. All the money in the international buffer fund is provided by producers.

URANIUM

The AEA Drives a Bargain

THE Atomic Energy Authority has agreed after nearly a year of bargaining to take an additional 12,000 tons of uranium concentrates from Canada but at prices that are little more than half those first demanded. The contract is expected to be announced when Parliament reassembles after the Christmas recess; its origins lie in a letter of intent signed by the AEA for this extra tonnage some years ago, before the Authority discovered it was embarrassingly overstocked with enough uranium to meet all requirements to 1970. It only agreed later, and with reluctance, to take up its option on the extra tonnage to save the Canadian uranium industry from closing down in 1967, when existing contracts expire.

The price agreed is said to be $5 a pound, against the $8 a pound that that Canadian government wanted. The Canadian demand would have been in line with the prices now paid by the United States government to its own home producers, and would have been a fairly sizeable reduction on the $11 to $12 a pound that the mines get under their outstanding contracts. But it also happens to offer the most efficient Canadian mines a profit of in some cases more than 100 per cent. The best mines could break even at $3 a pound, could show a profit of sorts at $4 a pound, and make a comfortable if not a lush living at the $5 a pound offered by the Authority. The AEA has been generous in the circumstances, considering that it is currently taking a heavy loss on its own stocks and considering also that it would probably have struck a better bargain had it been able to negotiate direct with the producers and not through the government selling agency, Eldorado. Eldorado will now allocate shares in the 12,000 ton contract among those mines that it wants to keep open, probably on a cost-plus basis since not all can break even at $5; the mining companies hope, however, that it will also make these quotas transferable so that they can be bought and sold between companies, which would still allow them to concentrate production on the lowest cost mines.

BUILDING SOCIETIES

A Difficult Year

LAST year was difficult for building societies. They had to raise their rates to check withdrawals and the increase in profits tax narrowed the margins out of which reserves are built up. The little budget suspended the government's house purchase scheme, shutting off one source of money for new advances. The societies have been rationing mortgage advances and will probably have to do so throughout this year. Yet despite the difficulties some of the leading societies, such as the Abbey National and Woolwich Equitable have made headway of a steady, rather than spectacular kind; and that is the kind of progress that satisfies managers now.

In 1961, Woolwich again advanced £34½ million (including £5½ million lent under the government's house purchase scheme); Abbey National's advances were only £500,000 lower at £68½ million (including £11 million under the house purchase scheme). Both societies paid out more in withdrawals to investors; Abbey National's net investment receipts were slightly higher at £28½ million, against £27¾ million, and those of Woolwich slightly lower at £12 million, against £13 million. After rates were increased in the autumn, the net inflow of funds to both societies picked up and helped their liquidity ratios. At December 31st, Abbey National's liquidity ratio, taking investments at book values, was 16.6 per cent, against 15.3 per cent a year earlier and the Woolwich figure was 13.2 per cent, against 12.3 per cent at the end of its financial year on September 30th. The leading societies are anticipating no reduction in rates and no increase in them, unless the rates on national saving certificates and defence bonds were to be raised. Then they might think again; but they would prefer the stability of 3½ per cent net on shares and 6¼ per cent on mortgages.

PILOTS

Flying is Tiring

PILOTS have argued for a long time that it is more tiring to fly an aircraft in short hops, with frequent take-off and landing, than it is to cruise over the North Atlantic with an automatic pilot. They did not succeed in convincing the Government when it was introducing new regulations about pilots' flying hours that it should therefore prescribe shorter duty periods for pilots on short flights, like those operated by BEA, than for pilots on long routes like those flown by BOAC, but investigations recently carried out for BEA by Air Ministry doctors suggest that there is much in what the pilots say. Russian doctors have already produced evidence that the pilot of a jet is under greater physical stress than pilots of slower aircraft; those from the Air Ministry consider that there is also more strain and fatigue flying in regions where navigation aids are few and far between and where traffic control at airports is below international standards. They are now suggesting that the length of time a pilot spends on duty should be worked out on a points system taking into account the type of aircraft he is flying, and the region.

The report has been criticised for vagueness and lack of detail, in particular about specific routes, but BEA seems to have reacted favourably to the principle of a points system. A tired pilot is a dangerous pilot who faces the most difficult part of the journey, the landing, at the end of his stretch of duty. BEA limits its Comet pilots to four stops in a row, so that they are on duty for considerably shorter time than the statutory limit of hours they are allowed to fly.

SHORTER NOTES

Britten-Norman, the designer of the Cushioncraft, has formed a joint subsidiary, with J. Samuel White, Cushioncraft, to make and market air-cushion machines. Britten-Norman will hold 60 per cent and White 40 per cent of the £100,000 capital; production will be carried out at White's Somerton factory, starting next autumn with the CC-2 model exhibited at the Boat Show.

*

In last week's issue of *The Economist* it was stated that the Finance Corporation of Industry was a shareholder in the South Durham Steel and Iron Company. Although the FCI exercised its option to take up 2 million shares it sold this holding late in 1959.

*

In December, 1961, for the eighth consecutive month the value of units sold by unit trusts, at £2,192,000, was appreciably higher than the value of units repurchased, totalling £703,000. The value of net purchases was almost £1½ million compared with £1¼ million in November, when there were five offers by trusts compared with two in December. Over the year net sales of units totalled £7,356,000.

COMPANY MEETINGS

BARCLAYS BANK LIMITED

MR ANTHONY TUKE LOOKS BACK ON THE LAST DECADE

INTENSIVE INDIVIDUAL COMPETITION STILL THE MOST POTENT FACTOR

THE PROBLEM OF EXPORT FINANCE

The Annual General Meeting for the year 1962 of the Stockholders will be held at the Head Office of the Bank, 54, Lombard Street, London, EC3, on Thursday, February 8, 1962.

The following is the Address by the Chairman, **Mr Anthony William Tuke,** which has been circulated to the Stockholders. *Copies of this Address and of the Annual Report & Accounts were posted to Stockholders on Wednesday, January 10th, but may be delayed by difficulties in the Post Office.*

THE YEAR'S RESULT

During this past year our deposits, which are the raw material of our business, have been running at higher figures than in 1960, the average increase being about £80,000,000. We began the year with a high and rising level of advances, but with the prospect of lower rates of interest following the reduction in the bank rate to 5 per cent which had been made in December, 1960. I wrote a year ago that prudence required us to check the rate of increase in our advances, and in the first six months of the year that policy began to take effect, but only slowly. Between January and June, 1961, advances rose by £87,000,000, compared with an increase of £99,000,000 in the first half of 1960. This increase was only made possible by further sales of investments to the extent of £48,000,000. Then in July came the Chancellor's new measures, which required us to take yet sterner action to check the growth in advances; indeed some reduction became necessary if we were to find the additional 1 per cent of Special Deposits and also build up sufficient liquid assets to meet the seasonal tax payments which are now falling due. Thus our experience as between the two halves of the year was precisely reversed. In the first six months we had rising advances but a lower level of interest rates, and the second brought a higher rating structure but a fall in advances, which was very steep in August and September. This fall was no doubt due primarily to pressure by the banks on their customers in earlier months, which necessarily needed some time to become effective, but I do not think this abrupt reversal of the previous trend was entirely due to the action of the banks. The most potent influence on our lendings at any time is our customers' desire to borrow, which is reflected not only in reduced or increased overdraft facilities but also in reduced or increased use of existing facilities. To the extent that customers decided after July to draw in their horns, for example to carry lower stocks of raw material or indeed of manufactured goods on borrowed money, to that extent would their bank borrowings be very quickly reduced. Whatever the cause, the pressure on the bank's liquidity, which had been very uncomfortable during the early months of the year, was suddenly relieved.

In spite of the pressure on their liquidity during the first half of the year, the banks had not in fact on any monthly make-up day failed as a whole to hit their target of 30 per cent. Individual banks, including ourselves, showed up a percentage fractionally below this figure on occasion, and it can never be guaranteed that this will not happen. A heavy and unexpected payment in the clearing to other banks on the final day may upset the most careful calculations but in that case the other bank or banks should have an unexpected surplus and the amount of liquidity in the banking system as a whole would remain unaffected. Provided that all banks aim at the 30 per cent target with equal care and accuracy, the banks as a whole may be expected to hit it, subject always to the possible intervention of the authorities to draw money out of the banking system into the maw of Government: a manoeuvre which, one hopes, they would be hardly likely to carry out without warning at that particular juncture.

I said last year that, with the same resources, used in similar proportions, and with the lower interest rates which then seemed probable, we could hardly hope to show quite so high a profit in 1961 as in 1960. In fact our deposits have increased very substantially, as I have stated, and in spite of the fall in the later months the average of our advances in 1961 was higher by £72,000,000 than in 1960, the average rate of interest also being slightly higher. These factors taken together have enabled us to show a distinctly better profit after absorbing the additional taxation imposed by the 1961 Budget. The whole of the increase has been added to the carry-forward but it should be borne in mind that a full year's dividend on the new capital at the current rate would require an extra £200,000 next year.

CAPITAL AND RESERVE ACCOUNTS

In order to improve the relationship between our capital and our liabilities and to give ourselves rather more elbow-room in relation to our fixed assets, which continue to increase rapidly, we have during the year carried through another issue of new ordinary capital on favourable terms, and we have thereby added approximately £5,000,000 to our capital account, and £7,500,000 to our reserves in the form of a share premium account. We have also added nearly 5,000 to the number of our ordinary Stockholders of whom there are now nearly 70,000. The new capital ranks for the final dividend which we are now recommending but it can have made little contribution to the profits of the year. In addition to the £7,500,000 to which I have just referred, we have further augmented our Reserve Fund by a transfer from Profit and Loss Account of £2,000,000 and also one of £5,000,000 from Contingency Account which we consider it no longer necessary to retain in our inner reserves. These transactions bring the total of our capital and published reserves to £84,000,000, an increase of £19,500,000 on the previous year. The new issue leaves us with less than £5,000,000 of authorised capital unissued, and it is for this reason that we are putting forward a special resolution to add a further £20,000,000 to the authorised capital, which would give us a proper margin for future use as occasion may require.

If I remind Stockholders that since the middle of 1958 we have reduced our portfolio of investments from £526,000,000 to £261,000,000, on a falling market, it will be readily understood that losses have been incurred in the process, especially as we have been careful not to concentrate our sales on the shorter end of our maturities; in fact the average length of our portfolio is considerably shorter now than it was in 1958. There is however a happier side to this picture. Now that our portfolio is so much reduced, and this particular shock has been taken without much diminution of our inner reserves, we feel that the improved situation can be reflected in the transfer from Contingency Account to the published reserve. It is of course true that the money taken out of Government Securities has been invested in other assets which carry risk, namely advances, which have gone up from £404,000,000 to £783,000,000 in the same period, and that it is possible to lose 100 per cent of a particular loan, which cannot happen in the case of a short-dated government security. The difference is that our advances are spread over more than 400,000 borrowers of all sizes and shapes. Individual accounts may and do go wrong and a whole trade may be involved in a slump, but as a general rule the community pays its debts and the interest on them. When it comes to investments it is a case of "when father slides we all slide." The whole question of our inner reserves is again under investigation, and in certain quarters there is pressure for their disclosure. Even our critics admit, I think, that we sometimes have to expose ourselves to the cold winds of misfortune, which is not always of our own making, and I would claim that we are entitled to provide ourselves with a good wardrobe of warm underclothes to wear when bad weather is threatened. On the other hand

it is not necessarily in anyone's interest that we should be subjected to the public gaze when we are in the act of putting them on and off.

TRADE INVESTMENTS

Our fixed assets have increased during the year by over £5 million, which almost exactly corresponds with the increase in our issued capital. Over £2 million of this has been invested in premises where, in addition to the continuing need for modernisation of our older buildings, there is growing up a need for more space, and particularly for more counter space, to enable us to handle our continually growing business. Our trade investments show an increase of just over £3 million, which is due in the main to our having taken up our proportion of a "rights" issue of new shares by Barclays Bank DCO.

I must also report that during the year there has been a change in the form of one of our principal minority investments in overseas banks. The Imperial Bank of Canada, with which our small Canadian subsidiary was merged six years ago, and in which we have therefore since that time had a considerable shareholding interest, has in its turn been merged with one of the largest Canadian banks, The Canadian Bank of Commerce. We welcome this move as improving still further the value of our investment in Canadian banking, but the making of a sound investment, though of great importance, is not our primary object in acquiring a series of minority holdings in overseas banks, operating in areas where their business does not compete with our own interests through Barclays Bank DCO. We also hope by this means to build up an increasingly fruitful mutual agency business with the banks in which we are interested, though it is not possible nor desirable that a relationship of this kind should exclude the maintenance and development of friendly relations by both parties with other banks in their respective territories.

INTERNAL DEVELOPMENTS

Two years ago I referred to our purchase of a computer for bookkeeping purposes. During the past year this machine, and the multifarious equipment that goes with it, was installed and put to work in premises specially adapted by our own staff, and on July 4th the centre was formally opened by the Postmaster-General, The Right Honourable J. R. Bevins, MP. We were thus the first bank in the country to carry out branch bookkeeping on a computer. By the date of the Meeting we expect to have linked to the computer centre five branches, carrying over 15,000 accounts, towards its ultimate capacity of 40,000. The successful launching of this venture has encouraged us to place an order for a second computer, like the first an EMIDEC 1100, which should be in action by the end of the year; and we have taken steps to expand that part of our organisation which deals with the conversion of branches from traditional to electronic methods of bookkeeping so that we may be ready to take full advantage of our increased capacity as soon as it becomes available. This extension of inhuman mechanical devices to save human labour is an essential feature of modern progress. To me, however, they have a regrettable aspect, in that they are destroying the traditional craftsmanship for which this Country used to be famous. Even in banking the human touch has had to be sacrificed in bookkeeping, however well we may succeed in preserving it at the counter and in the manager's room. I remember, in my young days, a ledger keeper of mature years going to his manager with his quill pen behind his ear to report that Mr So-and-So had changed his bookmaker again. I doubt if the computer will ever be invented that will perform a service of that quality.

Last year I referred to the new Credit Transfer system which was then in its early stages, and was being introduced by us and the other Clearing Banks to extend the facilities we could offer, both to customers and non-customers, for the transfer of funds and the settlement of debt. A matter of this sort takes time to arrange. The framework of the organisation must be firmly established; staff must be trained; and an interval must be allowed for our customers—from whom we have had splendid co-operation—to adjust their own procedures. The full scheme came into operation in October last, and the Credit Transfer system now deals daily with large sums of money which have previously been transmitted by a variety of other means. That the introduction of the new system was justified is clearly evident from the response we have already received, and as customers and non-customers make increasing use of it the monthly totals of the credit clearing grow. Continued expansion can be expected during the coming months when a respectable proportion of the bills which find their way into our homes are likely to have credit transfer forms attached, ready for those who wish to make use of them.

BALANCE OF PAYMENTS

Although we are able to report satisfactory progress, both in regard to the growth in the Bank's deposits and to the profits on its working, the year has brought us a number of disappointing and frustrating experiences, mainly attributable to the unsatisfactory state of our external balance of trade. So far as internal influences were concerned, the omens were favourable in the early months in one important respect: the Government, for the first time for many years, had set a good example by bringing in a budget which was, to all intents and purposes, balanced overall. There should therefore have been no further inflation from that source, which has in my opinion been the cause of most of our troubles since the war. Unfortunately there were also two adverse factors operating at this time, one internal and the other external: incomes were rising more rapidly than production, and our trade balance remained unsatisfactory. We were bothered by the extent of our adverse trade balance at this time last year but it was masked by the effect of transient capital transfers which were operating in our favour during the latter months of 1960. Perhaps I may be allowed to quote what I said on this subject in my Address a year ago: "There is no doubt that the strength of the sterling-dollar exchange in the summer and autumn of last year (1960), in the face of a less satisfactory export-import balance, was due to the pull of high rates in London against much lower rates in New York and elsewhere. But the money that comes to us in these circumstances is 'hot' (except in so far as it is permanently invested), and it is liable to leave us even more quickly than it came if the wind changes. It ill behoves us to lean too heavily on a reed that will break so easily." The wind did change early in the new year, owing to causes with which we were not directly concerned, such as abnormal strength in the German mark, and when both capital movements and trade balance pull in the same direction the effect can be catastrophic. In considering this problem it should always be

remembered that when one country gains gold some other country must lose it: the total world stock of gold can only be increased by the introduction into the system of gold which has been newly mined, probably either in South Africa or Russia. The amount available from that source in any one year is quite small in relation to the volume of world trade.

The extent of the fall in our reserves in the early months of the past year was masked by an arrangement between the central banks of Europe, known as the Basle agreement, to enable a stronger country to lend temporary support to a weaker one. These, however, were only short-term banking loans, and in July it was announced that a large new credit had been arranged with the International Monetary Fund out of which part at least of the Basle loans were liquidated. This again is only a temporary palliative, useful in an unexpected crisis but not a sound permanent basis on which to conduct the country's finances. It is a better plan to reduce the country's imports, even though that means reducing production, until such time as increased income is available from exports to pay for them. That may be said to have been the immediate purpose of the additional measures which the Chancellor introduced in July. In the main it was the mixture as before, including the dubious expedient of a 7 per cent bank rate, but there was a new and important feature in the imposition of a wage pause, necessarily applied in the first instance to the wages and salaries paid directly by the Government, but clearly intended to be of general application throughout industry and commerce, including the nationalised industries, one or other of which has too often led the way in starting a new round of over-generous concessions. The introduction of the short-term measures had an immediate effect in strengthening the value of the pound sterling in overseas markets, but to what extent this was again due to the ephemeral capital transfers I am unable to say. Moreover, in so far as the short-term debt is held by overseas interests, the additional interest caused by the 7 per cent bank rate imposed a further strain on our balance of payments as well as on the budget and tended to make our exports less competitive. The sterling balances, as they used to be called, amount to about £3,500 million; an extra 2 per cent on this sum would cost £70 million in a full year. We may hope that it will not last as long as that; indeed the rate has already been cut by 1 per cent, but this is not the whole picture as the large sums now being borrowed by Local Authorities directly or indirectly from foreigners do not seem to be included in the published figures.

Mathematically a decrease in imports is just as effective as an equivalent increase in exports. In present conditions this is good in the short run, but to treat the patient with lowering medicine is penny wise and pound foolish; in reality exactly the opposite result is required: a policy designed to promote expanded production of goods which can be sold at competitive prices. The latter qualification is most important. In a free capitalist economy, such as ours, it is of no use merely to expand productive capacity without reference to probable demand, as seems to be implied by some of the advice which one hears or reads on this subject. If for any reason the production of a certain commodity exceeds the demand at current market prices, either some of the product will remain unsold, as happened to coal; or the price of the product will have to be reduced, which will please the consumer but if carried beyond a certain point may ruin the producer; or the situation may be saved by a general inflationary rise in the price

level, which has happened many, many times since the war.

The short-term measures were intended to pull up the runaway horse, as a necessary preliminary to turning its head in the opposite direction. As a long-term plan the Chancellor has in view an economic development council, by means of which he hopes to secure agreement between the two sides in industry on the measures needed to increase productivity without inflation. This seems rather a forlorn hope, especially if the Council is to contain no independent members. But perhaps independence, if that implies impartiality, is hardly conceivable in regard to this highly contentious question. It must be conceded, however regretfully, that orthodox monetary doctrine, after ten years' trial, has not provided the answer, given the limitations which politicians impose upon themselves by the need to trim their sails to meet the winds of popular favour. Orthodoxy, in this sense, seems to swing between two extremes; the policy during the nineteen-twenties, when there was too much emphasis on the traditional City view, which demanded a stable pound at any cost, including deflation and unlimited unemployment; and the policy of the postwar years when there has been too much emphasis on indiscriminate economic expansion at the expense of inflation and an unstable pound. It is true to say that in the earlier period leading bankers, with one notable exception, and he an ex-Chancellor of the Exchequer, fully supported the official policy, on the old-fashioned principle that an honest man pays his debts in the same coin as that in which they were incurred. In the later period bankers have been much less happy, even when the swing of the pendulum has produced temporary stability. We have not yet found the true answer. Some better technique than either of these must be evolved. After having experienced the alternative method of central planning, few people would willingly accept again the physical controls and all the restrictions which are required to enforce the doctrine that the gentleman in Whitehall knows best. Yet it seems that some sort of central organisation of our economy may have to be accepted, if it can be conducted on the basis of voluntary co-operation between employers and employed, and preferably under some appellation which avoids the prejudice inevitably aroused by a term evoking such nauseating memories. But in the long run the most potent factor making for efficiency in production is intensive individual competition.

THE COMMON MARKET

It seems likely that an additional stimulus of this description may soon be provided as a result of our entering the European Common Market, which will open up new opportunities of expanding our business if we are prepared to work for them. In all that we do in this direction we must be careful not to inflict serious damage to our existing channels of trade with the countries of the Commonwealth, with many of which our Bank has a direct business connection. That would indeed be a poor exchange for an extended market in Europe. Neither must we break faith with our partners in EFTA. Subject to those provisos, I feel confident that our economy will gain from the new association. Some individual trades will no doubt feel the draught, at least until they have adjusted themselves to the change; others will probably benefit from the beginning. The banks will have their part to play in this transition by supporting generously projects which make for expansion and by treating with sympathetic patience those

of their customers who require time to adjust themselves to a shrinking market in their old lines. A greater volume of exports and imports between this country and the Common Market would naturally be welcomed by the banks both in the public interest and on account of the additional banking business it would stimulate. In anticipation of increased activity in this direction we have recently opened an office in Zurich where we propose to maintain a representative of our group of banks, for the purpose of developing our business links with our banking correspondents in Europe.

FINANCE FOR EXPORTS

Alongside the necessary tightening of our economy at home, we must not neglect the perennial problem of organising more substantial increases in our exports. There are in fact two problems. The first and more important is to devise means of encouraging the manufacturer to devote more of his attention to this side of his activities, which is often less immediately rewarding to him. That is a question for the Government and it is made more difficult by the existence of an international agreement that exports shall not be subsidised. The interpretation of this agreement seems to give rise to considerable misunderstandings in practice, and it is doubtless difficult to devise a method of encouragement which does not take the form of a subsidy. I cannot pretend to judge what would and what would not be regarded as a breach of the agreement, but I would suggest that in this matter a distinction can be drawn between a benefit which is calculated by reference to the volume or value of the exports themselves and one which is applied to the profits of the undertaking as a whole, which may or may not have been earned from its export trade. An exemption from liability to profits tax related to the proportion which export turnover bears to the whole of the company's turnover seems to me to be a possible method of approach to this difficult question.

The second problem relates to finance and directly affects the City, including the banks, though the Government is also concerned through the operations of the Export Credits Guarantee Department. This problem has two aspects, availability and cost, and a distinction must also be drawn between shorter and longer term credits. Until fairly recently the maximum period in practice was five years from the date of shipment, and the banks have generally speaking been ready to finance the whole of this business to the extent that the Government guarantee was available. We have been helped to carry a larger volume of these credits by special arrangement made in February last whereby at any given moment the instalments due to be paid during the next eighteen months are refinanceable at the Bank of England and can therefore be regarded as liquid assets. More recently, however, a demand has grown up for finance for more than five years, mainly for the export of certain heavy capital goods. This demand is due primarily to international competition, but it has a practical basis in the fact that the buyer needs to meet the instalments of his debt, in part at least, out of the produce of the plant purchased, and from this point of view in a period of five years is clearly far too short. In the case of, for example, a power station, the banks have taken the view that they have stretched their principles far enough in accepting repayment over a five-year period, and I believe that in the national interest the resources of institutional long term investors should be harnessed to provide longer term finance. Two or three such arrangements have been made on an *ad hoc* basis to carry the longer credits for certain specific export projects, but while these credits are long for the banks they in reality not all long enough to be attractive to investors such as the insurance companies for their funds, who quite properly wish to match their assets to their liabilities as to point of maturity. In any case the *ad hoc* approach to individual investors is far too laborious and time-wasting. The banks are fully prepared to come to finance their customers for the maturities in the first five years; what is required, in my opinion, is some more comprehensive scheme to carry the longer-dated maturities with which we, as bankers, are not and do not wish to be directly concerned. I believe, however, that the most helpful method of approach might be to invite these long term investors to set aside a proportion of their accruing funds over the next few years to subscribe for twenty or twenty-five year bonds carrying directly or indirectly the guarantee of the Government through the exports guarantee scheme and enjoying, if possible, the advantages of marketability. The money thus subscribed could be channelled, through some intermediate mechanism, to the financing of the longer end of all credits lasting more than five years, and as the instalments are in due course repaid it could be used over and over again for the same purpose. It would however be necessary, as cost is also important, that the money should be raised on reasonably favourable terms, which would not be available in the open market in present conditions.

In considering this export problem it should not be forgotten that the export of ten million pounds worth of risky for cash brings a credit of £10,000,000 of the equivalent foreign currency into our balance of payments immediately. The export of a power station costing £10,000,000 and paid for over ten years brings in only a small down payment immediately and less than £1,000,000 in the first and each subsequent year after delivery. In either case it is likely that some at least of the raw material will have to be imported and paid for in cash. In the first case the net immediate effect on our balance of payments is favourable; in the second benefits are deferred and the immediate effect is unfavourable. In the present state of our external reserves, we cannot afford to postpone entirely the effect of present debits when earning money in order to build up credits for the future. There will be a happy day when the credits roll in without any present effort, but can we afford to wait for it?

A CAPITAL GAINS TAX?

The Chancellor has let it be known that he is interested in the question of taxing as income certain short term capital gains. It must not be supposed that the case for this tax rests on the presumption that speculation is sinful and should be punished, though the Chancellor himself seems to be confused on this point when he says that he wants to tax short term profits which are more in the nature of speculation than investment. (See *Hansard* Vol. 645, No. 155, Col. 222). Gambling may be sinful, and it is certainly foolish when conducted beyond one's means, but every investment and business deal is speculative in some degree, in that the parties to it take a view as to whether they shall buy or sell, and whether the price is right. One of the main motives for a capital gains tax is no doubt envy in the minds of those who would not be

affected by it. Leaving motives aside, there is, I think, a case to be argued for a tax on capital profits made by individuals when those profits are made very quickly, assuming that we are talking of the realised profit between cost price and sale price, and that it is limited to certain classes of assets and does not include, for example, the house in which one lives and the furniture which it contains. If there is to be a general tax on capital profits, I consider that it should be quite separate from income tax and should fade out in a very few years. This principle is, I believe, recognised in Sweden. A tax on a so-called profit, which merely registered (perhaps only partially) a fall in the real value of the currency, would be a gross injustice. Unhappily this objection has greater validity here than it has elsewhere. It, of course, goes without saying that, to be fair, realised losses must be allowed to be set off against realised profits.

From a practical point of view I doubt if there would be much money in it for the Treasury. We must remember that professional investors, or many of them, are already obliged to treat realised capital profits as income and to pay tax accordingly. It is the private investor, the amateur, who enjoys his capital profits free of tax. Up till a few months ago there had been such a boom in equities during the last two or three years that even the amateurs had made money. Lately more sober and sensible views have prevailed and many of the paper profits on equities have been blown away. In normal times, when there are ups and downs in the markets, on the whole the professionals win and the amateurs lose. The Government then gets tax out of the professionals and does not have to give any back to the amateurs. Why should it not be content to go on having the best of both worlds? As a business proposition I would, therefore, reject a capital gains tax. But I can see that, to expiate his crime in raising the lower limit of surtax on earned income, a crime which should have been committed years ago, it may be worth the Chancellor's while to adopt it, provided always that it is limited to short term gains. It might even do some good if it had the effect of making income more desirable in itself and of diminishing today's passion for converting it into capital. The present state of affairs is without doubt unhealthy and we are all compelled to spend much too much time in considering what we call the tax angle on all our business dealings. Anything that the Chancellor can do to reverse that trend must be good for the community, and it might even be directly profitable to the Revenue. It will be most regrettable, however, if the necessary legislation is very complicated, as the Chancellor foreshadows; tax law is already in great need of simplification, and the principles which I have set out seem to me to be simple enough.

THE LAST TEN YEARS

In looking back over the past year and, as I am disposed to do at this moment, over the past decade, which marks the span of my chairmanship, and also as it happens of the period since we returned to control by normal monetary methods, I cannot help being impressed by the fact that, although monetary measures have not yet been made to work, great progress has been made in material prosperity and in the increased enjoyment of the amenities of life by almost all sections of the people of this country. I am not sure that the benefits have been quite fairly shared, though "fair shares" was one of the slogans of the early postwar years. That meant, however, at the time, that the weekly wage-earner was to have more than the rest of the community, because his share in the past was considered to have been less than fair. Even though the correction was required, it has certainly gone far enough now: any further improvement in the standard of living should be applied equally to all classes of the community, and that would be best done by a reduction in prices and perhaps increased leisure. In a Utopian dictatorship basic wages and salaries would be fixed and immutable; increases would be given only for proved individual merit. So far as leisure is concerned, if I were the economic director in this Utopia of my own imagining (a post which I would willingly undertake if I were ten years younger) my first act would be to introduce a third week's holiday with pay in exchange for the cancellation of the four statutory bank holidays. These holidays were instituted at a time when there was no fortnight's holiday in industry, in order that the working man might enjoy an occasional rest from his labours. Today the situation is very different. The enjoyment of the holiday is so highly organised that the beneficiaries often return more exhausted than they went out, and its period is often so much expanded that industry must lose considerably more than one day's production on each occasion. The exchange would, therefore, be to the benefit of both parties.

But, although the country as a whole is now enjoying a higher standard of living than ever before, I feel that we could have done so much better for everybody and especially for those living on fixed incomes if we had been prepared to take a firmer line in matters of public finance. The persistent feeding of inflation by unbalanced budgets, and the frequent fobbing off of a difficult decision by referring problems to committees, which had no responsibility for what flowed from their recommendations, all add up to a record of failure in the field of leadership. I am afraid that today everyone is disillusioned with both the leading parties in the State, except perhaps those of us who never had any illusions.

The great need of every nation, in every age, is leadership. The qualities required are hard to define but easy to recognise, and they do not seem to depend very much on the passing of examinations, though an intelligent leader must be better than a stupid one. And yet, before we condemn too severely any shortcomings which we see in those who have governed us in recent years, let us remember that most of the natural leaders of their generation and mine lost their lives on the battlefields of the Somme and Passchendaele. Those of us who survived have had to do the best we could in posts which were in many cases far above our natural capacity. We are now on our way out and the country's leaders during the next ten years, whether or not they prove to be of a higher calibre, will at least be drawn from ranks which have not suffered crippling losses in war. It may be that a new era has already dawned. In recent months the Government has taken a more courageous line, and, although they have been severely shaken by the irresponsible settlement of the ETU wage-claim, we must hope that they will not waver in their resolution, whatever outcries and even kicks and scratches they may have to endure. The chilx that has been spoiled for as long as it can remember is genuinely shocked when for the first time it learns that "no" means "no." After all that has been left undone, it may be inevitable that there should be a clash before order is restored.

CHANGES IN THE BANK

I must finally refer to the impending changes in the Higher Command of the Bank. During the past year certain plans, which have been evolving for some time, have begun to take effect. I have already written a letter to Stockholders to tell them that, with the consent of my colleagues, I propose to step down from the Chair immediately after the close of the forthcoming Annual General Meeting, and there is no need for me to say any more about myself except to express my sincere thanks to the many Stockholders, known and unknown to me, who replied in most kindly terms to my letter. I was very pleased but by no means surprised that many spoke also of the good service that they have received as customers. One of my correspondents, in referring to my propensity to draw upon the Classics, called my attention to a passage in the Epistles of Horace which I think sums up the situation very succinctly:

*solve senescentem mature sanus equum, ne peccet ad extremum ridendus . . .**

The poet is defending himself to his patron, Maecenas, for having given up writing verses: apparently the humble hexameter was counted as mere prose. For good measure I might perhaps add the line which follows:

Nunc itaque et versus et cetera ludicra pono.

I have never myself been guilty of versification, but *cetera ludicra* are calculated to bring a blush to my cheek.

As I hand on the torch, which seems to be burning brightly at this moment, the Bank has in Mr John Thomson a fresh runner, who will add a measure of youthful energy to the wisdom and experience gained in a lifetime of banking according to our Barclay ethos. I am very happy to think that such a successor is waiting to lead and serve the Bank in the years which lie immediately before us.

He will have as his deputy Sir Thomas Bland, whose banking experience has been of a similar character to his own, with a rather large and varied admixture of outside interests, some of which he is now surrendering in view of the greater calls on his time which the office of Deputy Chairman will impose. We congratulate him on the Knighthood which he received in the Birthday Honours on account of his public services, particularly as Chairman of the County Councils Association.

After a most distinguished career in almost every managerial appointment in the Bank, culminating in that of our Senior General Manager, Mr R. G. Thornton retired on pension in October last. He was succeeded in that office by Mr J. D. Cowen, and the vacancy in the ranks has been filled by the appointment of Mr D. E. Wilde. On his retirement we appointed Mr Thornton a Director, and the Board have been very pleased that he has agreed to accept election as a Vice-Chairman as soon as there is a vacancy arising from my retirement. With the other two Vice-Chairmen, Mr Cuthbert Fitzherbert and Mr Emlyn Bevan, who have been my close colleagues for many years, to complete the Chairman's team, there can be no doubt that I am leaving the day to day direction and management of the Bank in safe hands.

(* *Hor. Ep. I. I. 8.* When your horse is getting old, be wise and turn him out to grass in good time, lest in the end he stumble and people begin to make fun of him.)

MARTINS BANK LIMITED

COMMENTARY BY THE CHAIRMAN

SIR A. HAROLD BIBBY, BART, DSO, DL, LLD

INCREASED PRODUCTIVITY ESSENTIAL

The one hundred and thirty-first Annual General Meeting of members of Martins Bank Limited will be held at Head Office, Liverpool, on 9th February, 1962. In his statement circulated to members, the Chairman, **Sir A. Harold Bibby,** *Bart, DSO, DL, LLD, writes:*

THE BANKING SCENE

During the past year our activities in common with those of the other banks have again been largely influenced by the operation of government financial policy

In consequence, our advances compared with a year ago, have shown a fall of £2,365,875 to £165,605,837 in contrast to the steep rises of over £23,000,000 and over £37,000,000 in the preceding two years. It may be noted that we have not had a fall to record in this item between one year end and the next since 1956. We are confident that the needs of our customers have been satisfied despite the stringent tests which we have had to apply to applications for loans and advances. Our Personal Loans show an improvement as regards arrears. Our deposits compared with last year are practically unchanged although the average of the balances held throughout the year has increased by £13,000,000 which is on the whole gratifying under the present circumstances. The outcome of the numerous changes in Bank Rate over the past two years is that the average interest earnings rates for 1961 are just a little higher than for 1960 and with our increased level of resources we have been able to achieve an increase in gross profits tempered as has been the case for the past few years by a further increase in overhead expenses, again mainly in respect of staff costs.

The net profit for the year 1961 comes out at £1,449,194 against £1,420,261 for 1960; our subsidiary company, Lewis's Bank Limited, has again paid us a dividend of 10 per cent.

Our investment in Mercantile Credit Company Limited has suffered a set-back in common with others operating in the hire purchase field, but as a long term project it should prove beneficial to the bank and we look forward to steady progress in the future.

An interim dividend of 7 per cent was paid in July last and a final dividend of 8 per cent, less income tax, is recommended, making 15 per cent, less income tax for the whole year, as in 1960.

Your board has carefully reviewed these results against the background of the present economic situation and the recent official policies of restraint in the financial field, in the light of which it is recommended that the same rate of dividend be paid as in 1960 on the capital as increased by the rights issue that year, a decision which, I am sure, will also have the Chancellor's approval.

In addition to the dividend, appropriations from published profits have been made of £250,000 to Reserve for contingencies and £250,000 to Premises Redemption.

Our quoted investments, which stand at £44,698,345, continue to be valued at under market value and show a reduction of only £2,759,369 as compared with reductions of £19,570,000 in 1960 and £21,985,168 in 1959 when large increases in advances necessitated realisation of investments.

Liquid assets stand at £134,915,150 against £130,138,080 a year ago and in spite of the increase in the Special Deposit with the Bank of England from 2 per cent to 3 per cent, our liquidity ratio is at the comparatively high figure of 35.83 per cent.

REFINANCEABLE CREDITS

During the year a new banking feature known as Refinanceable Credits has been introduced to facilitate the medium-term finance of exports. Advances to approved borrowers for three years or more repayable by instalments and covered by Export Credits Guarantee Department guarantee are made by the Clearing Banks mainly by way of the discount of bills of varying tenor appropriate to the particular transaction, and the Bank of England is now prepared to refinance that part of the accommodation which is within 18 months of maturity. In our case, this means in practice that such portion is added to Bills discounted and is thus included in the bank's liquidity items. It will be observed that "Balances with banks abroad" is no longer being shown as a separate item; it is now included partly in "Money at call and short notice" and partly in "Loans, advances and other accounts . . ." in conformity with an agreement made recently between the Clearing Banks and the Bank of England to standardise practice for the purpose of comparative statistics.

The developments in mechanisation to which reference was made last year have moved steadily forward. The Pegasus II Computer is now fully operational for branch current account working in Liverpool and its scope in this respect is being gradually extended. Certain ancillary operations, such as share registration and trustee work, will in due course be added. We have also taken delivery of the first of several IBM Cheque Sorter Readers which marks an important further step in our progress in automation. Our specialist staff, responsible for these developments, is at present small in number but it is to be expanded to meet future developments. This small body, which was chosen from within the bank, has been faced with an exacting task and they are worthy of high praise.

THE CREDIT TRANSFER SYSTEM

The Credit Transfer System inaugurated in April 1960 for the improved transmission of payments entered its third and final phase of development on March 6th, 1961, with the introduction of the "third party credit." Any member of the public whether having a banking account or not can now use the counters of the Clearing Banks for paying in to the credit of any banking account in the British Isles. In its early infancy this new system is showing encouraging growth, which is being stimulated by a vigorous publicity campaign. The changes brought about in form, design and office procedures have been extensive and have involved lengthy negotiations between the representatives of the banks and many of the associations, representing amongst others the interests of hire purchase, insurance, local authorities, the nationalised industries, company registrars and other large scale organisations. Attention is, of course, also given to the needs of private individuals who in the aggregate constitute the largest single class of bank customers. The high degree of friendly co-operation evinced in these operations has been remarkable, due probably to the widespread recognition that the new methods are part of a general design towards automation. This new system is evidence of the desire of the banks to extend and improve the services rendered to the community.

STRENGTHENED BANK SECURITY

Constant and progressive thought has been given throughout the year to security measures for the safety of bank staffs and bank property.

I can assure our staffs that this is receiving earnest and effective attention.

By far the biggest risk of personal injury is to those members of the public responsible for the conveyance and custody of cash outside bank premises.

The amount of coin and notes in circulation has gone up in the ten years between 1951 and 1961 from £1,676 millions to £2,744 millions all of which in one way or another is at risk.

I regret that the powers given under the Payment of Wages Act 1960 are not yet being used to any great extent by employers for the crediting of wages to banking accounts. If this system were more widely adopted and greater general use made of the cheque book instead of carrying round large quantities of notes many of the opportunities for robbery would disappear.

The acquisition of new branches, where we can be of service to our customers, continues steadily and the extension and modernisation of many of the older branches has been of convenience to our customers and staffs alike. The financial provision needed for these works is very heavy and costs are continuing to rise astronomically.

In certain localities our staff position is still not as adequate as we would wish but overall there are encouraging signs that more young men and women of the standard we require are seeing in banking an interesting and rewarding career.

Personally, and on behalf of the Board, I have to record with deep sorrow the death in September last of The Hon Sir David Bowes-Lyon, KCVO, LL, who, for twenty-four years, served both on the General board and on the London board of the bank. We have suffered a very real loss and we greatly miss his invaluable service and his delightful personality.

During the year Mr E. Norman-Butler, TD, formerly a Joint General Manager of the bank, and Lt. Col. C. P. Dawnay, CBE, MVO, were elected to the London board and Mr I. A. D. Maclean joined the Manchester board. All will be valuable additions to our team. Mr Norman-Butler will continue to devote the most of his time to the affairs of the bank in London at 68 Lombard Street.

There have been several changes of note in the General Management of the bank: Mr D. O. Maxwell has been appointed Deputy Chief General Manager in succession to Mr G. R. Tarn who has retired after forty-eight years' distinguished service to the bank; Mr C. Whiteley has become a Joint General Manager and Mr J. A. Naisbitt, Joint General Manager, Special Duties; Mr L. G. Tunnah and Mr L. J. Walton have been made Assistant General Managers.

A YEAR OF CRISIS

1961 has been another crisis year. The Chancellor has again used the short term defences of high Bank Rate, which was raised from 5 per cent to 7 per cent in July last and has since been reduced to 6 per cent, of greater pressure of credit restrictions on the banks and of an increase from 2 per cent to 3 per cent in the Special Deposits lodged by the Clearing Banks with the Bank of England.

Once again the main weight of the Chancellor's restrictions on the financial sector has been thrown on the shoulders of the banks, from whose available resources has been removed in the form of Special Deposits the sum of £220 millions which would otherwise have been available for the legitimate business of lending by the banks.

Other financial institutions handling very large sums of money have not had the same restrictions placed on them. What applies to one should in fairness and equity be applied to all, no matter what fresh legislation this may entail.

The Chancellor also used his powers to increase taxation in certain directions. The net effect of all this has been a restoration of confidence in the pound and a recovery in the value of sterling, but these measures are not, unfortunately, a cure for the nation's financial disabilities.

The credit squeeze, freezing of dividends and the pause in wage increases continue as the official line. The first is being strictly enforced, rises or falls in dividends must largely depend on the profits or losses of the undertaking (profit margins are already being severely cut) but the demand for wage increases seems to be based on no logical grounds.

As productivity rises there is room for a fair proportion of the diminished costs to be passed to those engaged in the industry and such grounds for wage increases are generally accepted.

If the cost of living was rising rapidly as it did in the post-war period there would be a case for some support to cushion a drop in the standard of living, of which there has been no evidence during the past two or three years.

Today, the cost of living is reasonably steady in the essentials of life, such as food and clothing, and salaries and wages have already increased at a greater rate than productivity.

The new claims for wage increases and those in the pipeline are not based on either of these contentions. The claim is merely that others have had a rise so whether the industry can afford it or not and whether or not the degree of productivity has risen faster than wages, claimants argue that they are entitled to at least an equal rise merely to keep up with the Joneses.

The most glaring examples of this are in the nationalised industries which are either like the railways or the coal mines run at a crippling loss, or the monopoy industries, like gas, electricity and the post office which by enforcible high charges to the public manage to keep out of the red.

We are all now very well aware of the disturbing effects which are brought about by frequent alterations in our Bank Rate. As a result of the use of Bank Rate over the past few years it has become clear that the level of the rate has been rising and the outcome seems to be that a 7 per cent Bank Rate now is perhaps only as effective as one of 5 per cent would have been ten years ago. The flowing of "hot" money to and from the country is not good for our internal economy and the high interest charges we have had to pay to foreign holders of sterling must have added many millions to our external debt during these periods of high Bank Rate.

Under existing financial conditions industry cannot formulate a reasonably reliable forward policy on which to plan future developments.

I am hopeful that at long last something may be done as a result of the study the Chancellor is making of government expenditure with the idea of introducing major economies. I must point out, however, that in spite of all the previous promises of economies in the public sector, expenditure is to rise from £1,640 millions in 1960-1961 to an approved estimated expenditure of £1,840 millions for 1962-1963 which is not encouraging and which, of course, includes the financing of our nationalised industries.

For the first time for a number of years as the result of the two budgets in 1961 an overall budget surplus should be achieved. This coupled with increasing productivity which is not outstripped by rises in wages and salaries is the only basis in the long term on which we can internally keep solvent and combat inflation.

EXPORTS—A VITAL NECESSITY

Externally, our problem is equally difficult: as a nation with very few natural resources other than coal we must live by our brains and the skill of our hands. We can only improve our standard of living by increasing our exports.

I do not for one moment decry the efforts of the many manufacturers who are trying to find export markets and indeed I have been most impressed to note how very active they are all over the world in trying to develop old markets and find new ones. Unfortunately, it is still true to say that owing to the tariff protection afforded to large sections of our home market there are manufacturers who are quite happy to sell all they can produce at home without the trouble of having to face the rigours of the cold blast of world competition overseas. This generally easy life in the home market is doubtless one of the reasons why our productivity has not been forced to rise by economic compulsion. Between 1953 and 1960 the value of United Kingdom exports rose by only 39 per cent., whilst in Germany the rise was 160 per cent, in Italy 142 per cent, the Netherlands 87 per cent, and Switzerland 56 per cent. Internationally, the United Kingdom is among the high tariff countries.

During the year there has rightly been greater emphasis on finance for exports and the Export Credits Guarantee Department has gone to considerable length to see that facilities in the United Kingdom at least match those obtainable elsewhere. The banks are helping, in appropriate cases, with medium term credit (up to five years), but the exporter is still in some difficulty, even with ECGD support, in finding finance required for that portion of the requisite credit which is longer term.

It now seems to be generally agreed that a form of co-ordinating organisation for channelling finance for British exports would be desirable. Such organisations are to be found in a number of other countries, and they undoubtedly play an important part in smoothing the path for exporters.

In considering financial help for manufacturers it must be borne in mind that there is no hard and fast line in many manufacturing businesses between the export and home trades. The manufacturers of components are a surprisingly large percentage of the whole, be they supplying the shipbuilding, aircraft, road vehicle, electronic or other industries, and will be working for both the export and home markets. It is impossible to trace accurately which items finally find their way into the export markets, so it is not easy to lay down one rule for the home trade and another for the export trade as the two are interwoven.

It has taken a long time for the public to appreciate the advantages to be gained by our entering the Common Market. Today the overwhelming weight of opinion is in its favour, both on national and global grounds. Admittedly some sections of our industry will have to adjust themselves to meet the keen competition or cease to exist. In this growingly competitive world we must face up to the fact that it is only the efficient who will survive.

Of equal importance to a correct monetary policy is a campaign to increase our productivity and sales and to see that the fruits of increased productivity are fairly shared between capital and labour, after ensuring that industry retains a sufficient amount of profits to replace equipment and to provide adequate sums for research and to finance future growth.

The introduction of labour-saving devices in industry must always create a fear in the hearts and minds of men and women of loss of employment and we shall need all the skill of management to bring about the co-operation of labour and to provide essential ideas and direction which will be needed more than ever. I am glad to note that in this country the already wide range of facilities for management training is being rapidly extended.

A QUESTION OF PRIORITIES

In this era of full employment few industries can expand further for want of manpower and to make this available for the all important export trade an easing up is necessary in activities which are essentially domestic; office buildings, large shop development schemes, civic centres, to mention only a few, are all desirable in themselves but do not, as it seems to me, add commensurately to our productive capacity and certainly make heavy demand on materials, labour and finance.

MARTINS BANK
LIMITED

STATEMENT OF ACCOUNTS 31st December 1961

LIABILITIES

	£
Capital paid up	9,893,298
Reserve Funds	6,819,106
Current, deposit and other accounts (including Profit and Loss Account)	376,587,953
Acceptances and engagements on account of customers	21,902,612
	£415,202,969

ASSETS

	£
Cash in hand and at Bank of England	34,083,029
Balances with, and cheques in course of collection on, other banks in the British Isles	26,676,370
Money at call and short notice	29,582,344
British Government Treasury Bills	65,320,000
Bills discounted and refinanceable credits	5,929,777
Special Deposit with the Bank of England	10,700,000
Investments	44,698,345
Advances to customers and other accounts	165,605,837
Subsidiary Companies	1,625,000
Trade Investments	3,035,444
Bank Premises	6,044,211
Liability of customers for acceptances and engagements	21,902,612
	£415,202,969

LONDON DISTRICT OFFICE: 68 LOMBARD STREET · EC3
HEAD OFFICE: WATER STREET · LIVERPOOL 2

In our present difficult position a strict sense of priorities must be observed. To attempt to do everything at once, good as each may be, can only end in failure if we overrun our resources.

THE NATION'S HOUSEKEEPING

Till our balance of payments is put on a sounder basis we must restrict our home consumption and in this state of full employment, where extra hands are not available, the switch must be made from the home to the export trade.

We all very well understand the simple necessity of living within our income when it applies to ourselves personally or to our own business affairs. We all know that if we offend against this fundamental law the only result will be the bankruptcy court or even prison with a distressing reduction in our own standard of living.

But when this is stated in the enormous national figures we substitute for these simple understandable things different wording; we talk of the national economy, balance of payments, ratio of wage and salary increases to the national productivity and then the simple question and answer gets befogged in the mist of facts and figures which the ordinary man in the street and on the shop floor does not understand and it all passes over his head unnoticed and unheeded.

The Chancellor's proposal for a joint planning organisation consisting of representatives from the Government, industry and trade unionism has everything to commend it, if it will help us to understand and solve our national problems.

I believe that in the heads and hearts of most responsible trade union leaders you will find agreement on the need to increase productivity. I sympathise with them in their very real difficulty of interpreting this need to the rank and file and whatever help can be given them in doing so should be readily forthcoming.

No one owes us a living, let alone a high standard of living; only by the sweat of our brow and our own increased productivity, resulting in our ability to sell our goods abroad, are we entitled to the comforts and amenities which the majority in this country at present enjoy or to any further addition to our leisure and general well-being.

May I close on a personal note. I have had the honour of being your Chairman for the last fifteen years. Now, I am convinced the time has come for a fresh and younger mind to take over. May I thank you, our shareholders, for your confidence during my chairmanship.

For the past, I can look back with satisfaction at the progress of Martins Bank; for the present, may I thank most sincerely my colleagues on the Head Office and District boards, the General Management and all our staff for their support, encouragement and co-operation not only during the past year but also throughout the time of my chairmanship; for the future, the bank is in first class order to take advantage of all and every opportunity.

May I extend to my successor, Sir John Nicholson, every good wish in his task. We are all delighted he has accepted the invitation to lead the bank in the years ahead. He has our fullest confidence and we deem ourselves fortunate to have him at the helm.

I·C·T

INTERNATIONAL COMPUTERS AND TABULATORS LIMITED

This is a time when change and development stand as a challenge to the whole electronic industry. Your Directors are keenly aware of the need to secure for the Company every advantage which can be achieved from successful technological research and development and during the past year we have extended our operations in preparation for further advances in the electronic field.

The demand for conventional punched card equipment has been well maintained, and your Board holds the view that both in its own right and as an auxiliary for computers, punched card machinery will retain its place for many years to come. We are equipping ourselves to meet the much larger demand for computers which we expect to arise.

The Group Profit for the year, before charging interest, amounts to £4,295,000, compared with £3,767,000 last year.

From the circulated Statement of Sir Edward Playfair, K.C.B., for the year ended 27th September, 1961.

STEWARTS AND LLOYDS LIMITED

INCREASED COSTS MAIN CAUSE OF LOWER PROFITS

MR A. G. STEWART'S REVIEW OF 1961

The Seventy-second Annual General Meeting of Stewarts and Lloyds Limited will be held in the Merchants' Hall, 30, George Square, Glasgow, on Wednesday, February 7, 1962, at 12.15 p.m.

The Accounts for the 52 weeks ended September 30, 1961, have been circulated with a Statement by **Mr A. G. Stewart,** the Chairman, which reads as follows:

Mr J. C. Lloyd

By the death of Mr J. C. Lloyd on April 24th last year your Company lost an able and experienced administrator, and his colleagues on the Board a wise counsellor and a good friend.

Mr Lloyd joined the Company shortly after the first World War. He was appointed a Director in 1930 and for nearly thirty years was a Managing Director, in charge of Sales.

Mr Lloyd was a descendant of the Lloyds who founded the Birmingham side of the business in 1859.

ACCOUNTS AND FINANCE

As shareholders will have noted from the Statement accompanying the Final Dividend recommendation issued last month, the trading profit of the Group for the year ended September 30, 1961, amounting to £14,002,000 was £4,239,000 (23 per cent) lower than that of the previous year. There are three main reasons for this decline.

First and foremost, is the absorption without adequate compensating price increases of significant additions to costs in the United Kingdom owing to a higher charge for fuel, wages and salaries. These additions to costs amounted to £4.6 million, but higher prices sanctioned by the Iron and Steel Board for our price-controlled products in the home trade provided an additional revenue of only £660,000. I refer to this later in my Statement.

Secondly, there was a fall of 39 per cent compared with the previous year in our exports of tubes to the Oil and Natural Gas Industries. In my Statement last year, I referred to our success in the year then under review in obtaining orders for a number of pipeline projects and said that the volume of available business might not be as large in the succeeding year.

Thirdly, as a result of keen competition from overseas tubemakers, there was a fall in export prices for general purpose tubes.

It will be noted that a sum of £1.5 million has been withdrawn from capital reserves. This amount has been applied to reduce the book value of a plant originally installed for mass production. The change in the pattern of demand has meant that this plant is likely to be employed to a large extent on jobbing work and an opportunity is being taken to reduce its book value.

During the year capital expenditure on plant and equipment at home and overseas amounted to £10,200,000. Capital schemes were authorised to a total of £42,774,000 of which a large proportion was to provide for the major development of iron and steel capacity at Corby, which I referred to in my Address at the Annual General Meeting last year. At the end of the financial year, the balance of expenditure on schemes sanctioned by the Board amounted to £47,875,000.

As a necessary step in financing this large programme, an issue of 6,000,000 Ordinary Shares on a "Rights" basis at 44s. per share was made in May 1961.

We shall expect to find part of the further finance required from future retained profits. The extent to which we shall need further recourse to outside finance, and the form and timing of it, will depend on several factors chief of which are the Iron and Steel Board's price policy, the level of industrial activity and the phasing of our capital expenditure. We have, meantime, an assurance of adequate assistance from our Bankers. A further approach to the market is not expected to be required in the near future.

TRADING POSITION

Tonnages of steel tubes and spun iron pipes and castings despatched during the year are set out in the table at the end of this Statement.

(a) Stewarts and Lloyds Limited

I stated last year that, if the high level of activity in the building and capital goods industries continued, the demand for steel tubes in the home trade would be sustained but that the outlook was uncertain. Activity has happily been well maintained and home trade despatches of general purpose tubes were only slightly below those of the previous year. As there has been some de-stocking of this product, the maintenance of our despatches is satisfactory.

The demand for quality tubes continued buoyant, and sales of rectangular hollow sections for the structural steel market continued to expand.

The reduction in our exports to the Oil and Natural Gas Industries to the level of the year 1958/59, was largely caused by the lack of demand for major linepipe projects. Sales of other tubular goods for the Oil Industry were less seriously affected and there has been an appreciable improvement in demand for these tubes in recent months. We have, however, had to meet increased competition, particularly from Japanese tubemakers.

Our general export despatches showed a small decrease compared with the previous year. They would have been maintained but for a slackening in world demand at the end of 1960 for general purpose tubes, in which field we are fully competitive.

Steelmaking capacity at our three steelworks is now a good deal higher than we need for the requirements of our own tubeworks and, during the year, our total despatches of semi-finished steel and hot rolled strip reached a record level of 313,000 tons compared with 230,000 tons in the previous year. During the first half of the year there was a substantial demand from other steelmakers for supplies of ingots which took up most of the surplus ingot capacity at our steelworks. There was also a heavy demand during the first half of the year for semi-finished products from re-rollers, drop forgers and other steel users in the home market but demand then fell somewhat during the remainder of the year. As demand declined at home, however, we were able to step up our exports of semi-finished steel, though competition became increasingly severe and prices consequently fell.

Our Pipework Engineering Division increased its business.

(b) The Stanton Ironworks Company, Limited

The Staveley Iron & Chemical Company Limited with its subsidiary, The Sheepbridge Company Limited, has been grouped for administrative and operating purposes with The Stanton Ironworks Company Limited. A subsidiary company, Stanton and Staveley Sales Limited, has been formed to deal in the products of the Stanton and Staveley Group, thereby permitting economies in selling expenses.

Total despatches of spun iron pipes in the home market were 35 per cent higher in value than in 1960 before the acquisition of The Staveley Iron & Chemical Company Limited. The home market, however, remained generally weak. There was a satisfactory return to more profitable operations in other iron castings.

Although both the tonnage and value of despatches to the export market increased following the acquisition of The Staveley Iron & Chemical Company Limited, exports of spun iron pipes were disappointing. We have been able fully to maintain our participation in world markets, but it must be recognised that due both to the growth of local manufacture overseas and to the impact of competitive materials for water pipe service, the total export demand for spun iron pipes continues to contract.

Despatches of foundry pig iron in the home market declined by about 12 per cent but for the

greater part of the year this was fully compensated by an increase in sales of basic iron for steel-making. However, towards the end of the year there was a marked but not unexpected reduction in the requirements of basic iron and it became necessary to reduce the rate of production at all blast furnace plants.

(c) Tubewrights Limited

The new fabricating shop at the Liverpool Works is largely in operation. A concerted effort is being made to reduce costs and to promote the use of rectangular hollow sections and of tubes for many purposes.

(d) The Victaulic Company Limited

The value of despatches was greater than in the previous financial year but the value of orders received fell slightly from the record figures of 1960.

The transfer of the Rubber Works to Huntingdon is now being completed and we expect a substantial increase in orders for rubber rings during 1962. It is intended to specialise in the manufacture of rubber rings for joints for all types of pipes.

(e) Stewarts and Lloyds Plastics Limited

Turnover again increased during the year, with the water industry as the principal consumer. The Works will be transferred to the new site in Huntingdon during the present year and will have an increased capacity.

(f) Extended Surface Tube Company Limited

Steady progress was made by this new joint company during the year as new plant was commissioned and development work continued.

(g) Lancashire and Corby Steel Manufacturing Company Limited

The demand for cold rolled strip produced by the Lancashire and Corby Steel Manufacturing Company Limited in which we have a half share, declined during the latter part of the year, but the year's despatches at 57,000 tons were only 3,000 tons lower than in the previous year.

TRADING PROSPECTS FOR THE CURRENT YEAR

(a) Stewart and Lloyds, Limited

Steel tubes are used in virtually every industry. Prospects in the home trade during the current year, particularly for general purpose tubes, will therefore principally be determined by the level of economic activity. The indications are that there will be some diminution in the demand for general purpose tubes, since investment in housing is slowing down, whilst industrial building will almost certainly decline during the year.

As will be seen from the table at the end of this statement, for the products which we supply to the Oil and Natural Gas Industries we rely largely on exports. The overall demand for these products remains low and competition from makers in other countries, both in prices and quality and also in finance and credit, continues to be severe. I am confident, however, that we shall continue to obtain a satisfactory share of the available orders.

As regards our export trade in general purpose and boiler tubes, we look forward to another good year. I am glad to say that the prices of general purpose tubes have increased and we expect this improvement to be maintained.

(b) The Stanton Ironworks Company, Limited

At the year end there was an improvement in orders in hand for large diameter spun iron pipes, but the current rate of new bookings generally is below current production levels. Future activity will depend largely on Government credit policy and its influence on our principal customers for spun iron pipes.

Demand for foundry pig iron in the current year shows little change from the experience of last year but steelworks' requirements of basic iron from merchant sources have fallen away dramatically. As a result, it has been necessary to close down the blast furnace plant of The Sheepbridge Company Limited which has for some years been almost wholly devoted to the supply of basic iron.

(c) Costs and Prices

I drew attention last year to the fact that there had been no major price change affecting the Group products as a whole since the summer of 1957 and to the increased costs that the Group had consequently been compelled to absorb. In July 1961, the Iron and Steel Board sanctioned an increase of 1 per cent in home trade steel prices generally. It also agreed in January and July 1961, to some increases in maximum home trade prices for certain categories of Hot Finished tubes. The effect of these adjustments goes only a small part of the way to meet increased costs, even taking account of all that can be done to increase operational efficiency. This, together with their belatedness, is reflected in the figures quoted earlier in my Statement that against increased costs of £4.6 million, additional home trade prices sanctioned by the Iron and Steel Board provided an additional revenue of only £660,000 and, at the same time, export prices for general purpose tubes, were lower than in the previous year.

In my opinion, any policy which results in steelmakers being unable to earn an adequate return on capital employed has very serious implications for the future of the Steel Industry.

(d) The Common Market

The United Kingdom has applied for membership of the European Economic Community and has stated that it will apply at an appropriate stage for membership of the European Coal and Steel Community. If the United Kingdom joins these two bodies, tubes and cold rolled strip will come within the provisions of the European Economic Community and our other steel products will come within the provisions of the European Coal and Steel Community.

The direct effect of our joining these Communities is not likely to be very great. Our products have a comparatively low value per ton and transport costs are, therefore, a material factor in our delivered export prices. For this reason, it is unlikely that we will be able substantially to increase our sales into those European countries which manufacture the same products. Equally, it is unlikely that they will substantially increase their trade into our home market.

Nevertheless, under Common Market conditions, costs of production will be of even greater importance to our competitive position. This is an added reason why we consider it essential to proceed with our developments at Corby which will materially improve our costs of iron and steel production and so of tube production. Our developments at Corby will also result in an increasing proportion of our iron and steel production being sold in products other than tube and will, therefore, provide an alternative outlet in the event of a recession in the demand for tubes.

OPERATIONS AND DEVELOPMENTS

(a) Ironstone

The output of the Group amounted to 6,185,000 tons compared with 5,064,000 tons in the previous financial year. The reason for this increase is the inclusion in the Group figures of the output of the quarries formerly owned by The Staveley Iron & Chemical Company Limited. The demand for home ironstone has shown a downward trend in recent months and there is, at the moment, little sign of any improvement in demand.

Our limestone quarries at Wirksworth in Derbyshire had another record year with output at the rate of 22 per cent above that of the previous year.

(b) Blast Furnaces, Steel Works and Rolling Mills

Steel production continued at a high level in the early part of the year under review but fell in the last quarter to 80 per cent of the previous annual rate. At Corby, the new coke oven plant was completed and began operations. The installation of the prototype 100-ton LD/AC converter, to which I referred last year, is now completed and operations will begin very shortly. The modernisation programme for the heavy mills was continued and the new 34 in. mill was installed and brought into operation. The No. 2 strip mill has been reconstructed to give greater capacity and to provide heavier coils.

The first steps have been taken to implement the new development scheme designed to modernise and increase iron and steel capacity by nearly 500,000 tons at annual rates. This work should be completed early in 1965.

At Bilston, the major scheme of expansion and reconstruction has now been completed.

(c) Tube Works

Overall, the tube works operated on a short-time basis and tube production was about 10 per cent less than the record figure of the previous year mainly due to reduced demand for large seamless pipe and continuous weld tube.

The shortage of orders from the Oil Industry for casing and linepipe forced the suspension of operations at the end of July at one of the two rotary forge mills at Clydesdale Works until such time as demand improves.

Satisfactory proving trials were completed on the 16 in. Electric Resistance Weld plant at Shotton.

The two small size E.R.W. mills at Corby were heavily loaded all year and the third E.R.W. mill now being installed at Corby to meet this demand is progressing to schedule and should be in production by the end of 1962.

The Cold Drawing shops were also well loaded during the year and plans have been approved to lay down additional drawing capacity of 10,000 tons in a new plant at Corby. This plant will be combined with a finishing shop for stainless tube which is a fresh line of market development for the Company. This scheme should be ready by the spring of 1963 and will improve our ability to participate in the increasing demand for these categories of tubes.

(d) Spun Iron Pipe Works

At Stanton, the new plant for the production of spun pipes and castings in ductile iron, to

which I referred last year, has been commissioned and we are now able to offer spun iron pipes and castings for service uses beyond the range of ordinary grey iron.

OVERSEAS COMPANIES

South Africa and Central African Federation

The turnover of Stewarts and Lloyds of South Africa and its subsidiary companies was virtually unchanged compared with the previous year. However, profits after taxation dropped by 30 per cent.

One of the major reasons for this sharp fall is the continuing increase in African wages at a rate substantially faster than the general growth in the national economy. It seems probable that this trend will continue for some time to come. This situation, combined with a general overcapacity in the tube industry, makes it extremely difficult to give any accurate short or long-term forecast.

These developments have not been unexpected and the Works' modernisation programme which is now nearly complete, including the successful installation of the new welded tube mill, has been directed towards minimising their effect.

Australia

In November 1960, the Commonwealth Government took action aimed at curbing the boom and damping down inflation which showed signs of getting out of hand.

The action had a marked effect on Tubemakers of Australia and its subsidiary companies during the second half of the financial year which ended on June 30, 1961. In consequence, production, sales and profits, which had been buoyant during the first half of the year fell considerably and the figures for the full year were not as good as those for 1959/60.

The worst of the recession appeared to be over in June and from then on the trend has been one of steady improvement.

It is expected that Tubemakers of Australia's new subsidiary, Stanton Pipes of Australia Pty. Ltd., will make its first spun cast iron pipe at the new Sydney plant early in 1962. Construction of a similar plant in the Melbourne area has commenced.

New Zealand

The Steel and Tube Company of New Zealand and its subsidiaries achieved their highest volume of trade in the year under review. A strong demand for steel products continued throughout the period, but as a result of the serious drop in New Zealand's overseas funds, imports will have to be substantially reduced for the immediate future. Production of steel by Pacific Steel Limited is expected to start early in 1962.

India. *The Indian Tube Company (1953) Limited*

The Company had another good year. Despatches of all categories of tubes and of cold rolled strip were more than in the previous year and the demand for the Company's products continues to increase.

The construction will start shortly of the second Fretz-Moon mill which I mentioned last year.

Stewarts and Lloyds of India, Private Limited

The Company again had a record year. Sales of tubular structures showed a notable increase.

Canada. *Stewarts and Lloyds of Canada Limited.*

Stewarts and Lloyds of Canada was successful in maintaining the volume of our sales in Canada where demand has remained at much the same level as in the previous year. Increased competition has, however, resulted in lower prices and reduced profit margins.

Stanton Pipes (Canada) Limited

The spun iron pipe plant installed at Hamilton, Ontario, was officially opened in June. A satisfactory start has been made to build an order load for this plant, and it was put on to double-shift operation at the end of October.

Ireland. *Stewarts and Lloyds of Ireland Limited*

The Company has had another satisfactory year. Bookings and despatches both showed a small increase over the figures for the previous year.

The Company has made arrangements with an Irish company under which the latter will manufacture for it high density polyethylene pipe to be marketed entirely by our Irish Company.

THE BOARD

Sir Walter Benton Jones, who is due to retire at the Annual General Meeting, has decided not to offer himself for re-election. Sir Walter is so well known as a leading figure in the Steel Industry that you will appreciate how valuable to the Company his wisdom and experience have been during his twenty years as a Director.

Sir Frederick Scopes has also decided not to offer himself for re-election. Sir Frederick joined the Company in 1914. He was appointed a Director of The Stanton Ironworks Company in 1941, and has been successively Managing Director and Chairman of Stanton. He was appointed a Director of Stewarts and Lloyds in 1943 and subsequently became a Managing Director. Sir Frederick's wide knowledge of virtually every section of the Stewarts and Lloyds' organisation has been of great value to his co-Directors in the Company. We are grateful to him.

EMPLOYEES

Once again I would like to pay tribute to the work of our 50,000 employees during the year. Unfortunately there has been a measure of short-time working in some of the Works for reasons which I think all understand are not within our control.

We are very conscious of the anxiety that this causes and appreciate the sensible views that are prevailing in the difficulty.

These words of thanks to all employees are no formality, I can assure you. We have a very fine team of men and women serving us both at home and abroad, and the Shareholders owe to them their deep gratitude.

TONNAGES DESPATCHED

	52 weeks ended 30th September, 1961			52 weeks ended 1st October, 1960	
	Tons	Per cent of Total	Per cent Variation on 1960/61	Tons	Per cent of Total
Steel Tubes:					
Home, excluding Oil	524.000	58	− 2	533.000	53
Oil Industry—Home	22.000	2	+10	20.000	2
Export excluding Oil	232.000	26	− 6	248.000	25
Oil Industry—Export	126.000	14	−39	205.000	20
	904.000	100	−10	1.006.000	100
Spun Iron Pipes and Castings:					
Home	392.000	82	+26	310.000	79
Export	88.000	18	+ 6	83.000	21
	480.000*	100	+22	393.000	100

* Including The Staveley Iron & Chemical Company Limited.

WEBSTERS PUBLICATIONS LIMITED

LT-COL W. D. GIBBS ON ANOTHER SUCCESSFUL YEAR

The annual general meeting of Websters Publications Limited was held on January 8th in London. **Lt-Col W. D. Gibbs** (the Chairman) presiding.

The following is his circulated statement:

I am glad to report that the profits of your Group for the year ended August 31, 1961, again exceeded £100,000, and enable your Board to recommend a final dividend of 40 per cent which, together with the interim already paid of 20 per cent, makes a total of 60 per cent for the year, which is similar to the previous year.

It is gratifying to note that your Sporting publications "Racing & Football Outlook," "Week-End Special," "Racing Specialist," and Racing and Football Annuals maintain a high standard in their respective spheres and it will be appreciated that the success of these publications and of your Financial publications is achieved in the face of constantly rising production costs.

It will be recalled that in my statement last year I reported that the goodwill of "The Financial World" and "The Gold Mining Record" has been acquired by your Company's subsidiary (Investors Review Ltd.). It will be seen that this is reflected in the figure of goodwill appearing in the Consolidated Balance Sheet and these publications are contributing to the Group profits. It will also be noted that future taxation has now been completely reserved.

Finally, I am pleased to report that trading during the current financial year continues satisfactorily.

The Report and Accounts were adopted.

THOS. FIRTH & JOHN BROWN LIMITED

From the Statement of Sir John Green, Chairman, circulated with the Report and Accounts.

Group surplus before Debenture Interest, Depreciation and Additional Depreciation £5,420,170, an increase of £66,245. Taxation £2,063,330. Final Dividend 7½% making 12½% for the year.

Group assets nearly £35 million. Reserves and unappropriated profit at £14,637,539 are £1,794,222 more than last year. Current assets exceed liabilities by over £14½ million.

TRADING RESULTS

THE PARENT COMPANY

Results before tax show a decrease of £661,619. Turnover achieved was practically identical in value with that of the previous year. Selling prices of a number of products had to be reduced in spite of increased costs in order to obtain business.

WILLIAM BEARDMORE & CO. LIMITED

Profit showed some improvement as compared with the previous year. A dividend of 5% was paid to the parent company as against nil the previous year.

THE FIRTH-DERIHON STAMPINGS LIMITED

Substantial increase in turnover and profit again achieved. Company able to operate to its maximum capacity throughout the year despite fall in orders from the vehicle industry in latter months.

FIRTH-VICKERS STAINLESS STEELS LIMITED

This associated company had excellent outputs during the first nine months of the year and the results for the year are regarded as very satisfactory, particularly having regard to the increased manufacturing costs which it had to absorb.

CAPITAL EXPENDITURE

During the year £1,768,100 has been spent on land, buildings, plant and machinery by the Group.

THE PARENT COMPANY

Capital expenditure was £1,188,012 and covered new machine tools, Apprentice Training Shop, part construction of vacuum melting shop, and part construction of new 4,000 ton press, and series of medium presses.

WILLIAM BEARDMORE & CO. LIMITED

Capital expenditure was £371,894 and covered primarily completion of new roll hardening plant, new machine tools, and modifications to the melting shop pit side arrangements.

THE FIRTH-DERIHON STAMPINGS LIMITED

Capital expenditure was £201,874 and covered primarily the installation of new presses, 2,500 ton and 500 ton capacity, and furnace equipment.

FIRTH-VICKERS STAINLESS STEELS LIMITED

Capital expenditure was £1,445,016, the main items being extensions to Shepcote Lane hot mill, new descaling line, increased cold rolling capacity and new 12 in. strip mill.

THE OUTLOOK

The difficulties associated with the manufacture of heavy forgings and castings are not diminishing. The installed capacity for dealing with the available work in these categories is still adequate. The capital expenditure in this regard is designed to increase efficiency rather than capacity.

Demand for bars and billets during the first six months of the year was at a high level but the collapse of exports in the vehicle industry, together with the contraction in the sale of durable consumer goods, had the effect of reducing demand.

The demand for hardened steel rolls has remained satisfactory and exports of these products have increased. Stainless ingot production has fallen in line with Firth-Vickers' reduced requirements.

The full effect of increases in costs has not yet been fully reflected in profit margins. The latest increases in fuel and transport charges are additional. Further demands for increased wages and reduction in working hours are outstanding which, if conceded, will inevitably lead to a further rise in the cost of all stores, materials and services which the Group requires to buy. Under existing trading conditions it will be impossible to adjust prices to meet further rises in costs and margins will deteriorate still further.

It is difficult at this stage to forecast the trend of events during the current year, but the Company is well equipped to take advantage of any improvement in demand which may take place.

As a substantial income is derived from the Subsidiaries, Associated Companies and Investments as distinct from that derived from the trading activities of the Parent Company, the Board has decided that the Parent Company should be converted into a Holding Company. A scheme of reorganisation will be submitted to Shareholders at an appropriate date.

The Steel Company of Wales Limited

Highly Creditable Results Under Difficult Conditions

MR HARALD PEAKE STRESSES CONFIDENCE IN THE FUTURE

Extracts from the Annual Statement of the Chairman, **Mr Harald Peake,** to the Shareholders.

The year has been one of continued technical progress. But we have had disappointments resulting from the causes and effects of the national economic crisis, as well as from the breakdown of negotiations with the bricklayers' union. Sales and other income amounted to £133,040,159, a reduction of £10,055,580 or 7 per cent compared with the previous year, but yet the second highest so far achieved. The production of steel sheets was 96,600 tons lower than a year ago at 1,017,000 tons. Tinplate production fell by 100,000 tons to 791,000 tons compared with a year ago. The tonnage of our products exported was about the same as a year ago but the total value fell from £36,279,000 to £34,236,000 as a result of lower prices all round and a larger proportion of steel sheets being shipped.

Under the present conditions of national and international stress it is impossible to assess the prospects for the current year. But the Company is in a good position to take advantage of any improvement that may be experienced.

PROFIT AND LOSS ACCOUNT

The Trading Surplus before Depreciation is £23,252,739. This is £7,226,353 or 23.7 per cent less than last year and results partly from working below capacity, but more particularly from higher wages and increases in the cost of coal, oil and transport.

After charging Depreciation, Interest and Taxation, and putting £2,000,000 to Fixed Assets Replacement Reserve, the Balance of Profit for the year is £4,929,121—compared with £7,026,891 a year ago.

If the proposed final dividend is approved the total dividend for the year will amount to £2,450,000, or 2s. per share, less income tax, as compared with £3,062,500 or 2s. 6d. per share, a year ago. £2,479,121 out of the profit for the year will be retained in the business and added to the Revenue Reserve. This compares with £3,964,391 retained in the business last year.

The reduction in dividend will come as a disappointment to shareholders as it has to the Directors. If the results of the past year had been considered in isolation the maintenance of last year's dividend would have been fully justified.

On September 13, 1961, the bricklayers' strike started and although the Works were kept going by the praiseworthy efforts of foremen bricklayers and volunteers, the entire Steel Division was brought to a standstill on October 12th and did not restart until October 29th.

Bearing in mind the existing commitments of the Company, the Directors are unanimous in the view that it is not in the interest of the shareholders, either in the short term or the long term, to view the results of the year in isolation. They have also felt bound to take into account the effect on current profits of this unhappy strike.

BALANCE SHEET

The Fixed Assets Replacement Reserve has been increased during the year by £2,000,000 to the total of £16,450,000. Now that a substantial reserve has been created, your Directors have decided to abandon the theoretical calculation adopted in 1954 and to make such allocation from profits as may seem to them to be appropriate from year to year.

Profits retained in the Revenue Reserve now total £16,716,796.

It is satisfactory to record that on March 3, 1961, the Iron and Steel Holding and Realisation Agency sold to the public its holding of £40,000,000 First Debenture Stock 1980/85. There are four thousand seven hundred holders of this stock registered in our books.

The loan from the Iron and Steel Holding and Realisation Agency, which is due to be repaid by December 31, 1964, has been reduced to £18,000,000.

The Bank overdraft at the date of the Balance Sheet is £4,280,273. This is materially reduced at the time of the month when customers' accounts are paid, but it will be necessary for the Company to use to a rather greater extent facilities made available by our Bankers during the next year or two while capital expenditure is running at a high level.

Under Fixed Assets it will be seen that expenditure to date on plant not yet in production amounts to £12,214,338 compared with £5,216,421 a year ago. This marks the progress of the Fourth Development Plan as also do the commitments for capital expenditure shown at £17,000,000 compared with £29,000,000 last year.

FOURTH DEVELOPMENT PLAN

In February, 1960, a plan was approved to increase the capacity for steel ingot production from 3,000,000 to 3,600,000 tons per annum, with corresponding increases in the capacity for the production of tinplate and sheet steel.

The main features of this plan are:

1. Modifications to the ore preparation plant and to the two largest blast furnaces to produce the additional iron.

2. The construction of a fourth VLN steel converter and the replacement of four 230-ton by four 400-ton open hearth furnaces to increase steel production after providing for the closing down of the six old type 100-ton steel furnaces at the Port Talbot melting shop.

3. A continuous slab casting plant to supplement the production of the existing slabbing mill.

4. A new mill for tempering the steel coils, together with other finishing facilities, completes the programme in the Steel Division.

5. At Trostre a new continuous annealing plant and a third electrolytic tinning line and, at Velindre, a continuous pickling plant to increase the capacity to produce tinplate from 900,000 to 1,100,000 tons per annum.

These developments are due for completion by the end of 1962 and some parts of them are already in operation.

STEEL DIVISION

Ingot production of 2,633,000 tons is the second highest in the history of the Company but 144,000 less than in the previous year.

Taking the capacity of the Works at the 3,000,000 tons provided by the Third Development Plan, the Division has worked 88 per cent of capacity in the past year.

The financial year started well with a good supply of orders, and a record output of 60,156 tons of ingots was achieved in the week ended December 10, 1960. Early in 1961 it became apparent that the majority of our customers for steel sheets were heavily overstocked and their orders were for reduced quantities. As the year proceeded, further contraction of demand was experienced and in June, 1961, it was decided to close down the Port Talbot steel melting shop.

The operation of the Abbey melting shop has been made more difficult this year during the replacement of two of its twelve 230-ton open hearth furnaces by new furnaces of 400-ton capacity. At the same time improved types of roofs have been installed in the remaining ten furnaces. Difficulties arose over proposals to introduce a new wages structure and method of working for the furnace bricklayers. The Company's proposal to refer the matter to arbitration in accordance with the terms of the existing agreement was steadfastly declined by the Union representing the three hundred and fifty bricklayers affected.

If our Company is to compete successfully in the markets of the world it is essential that management and labour make a concerted effort to get the best possible result from the excellent equipment at their disposal. The full co-operation of our bricklayers can have a big effect on employment and prosperity in the town of Port Talbot.

TINPLATE DIVISION

Production for the year was 791,000 tons, being a reduction of 100,000 tons or 11 per cent compared with the previous year. Profit was lower than a year ago by 25 per cent, partly on account of the reduced output but mainly because of increases in wages and in the price of tin together with the additional tax on fuel oil imposed in the 1961 Budget.

Both the Trostre and Velindre Works were operating to capacity until the end of 1960. From January to mid-May, 1961, short time was worked and from June to the end of the year there has been a return to full-time working. Such unpredictable swings in demand highlight the difficulties of operating modern high production mills which supply a very sensitive consumer market.

A large amount of development work has been undertaken at both Trostre and Velindre throughout the year. This inevitably interferes with normal production and adds to production costs, especially during the commissioning periods.

NEWPORT DIVISION

Despatches of all grades of electrical steel sheets totalled 125,000 tons compared with 132,000 tons in the previous year. Shortage of orders has involved some short-time working since April, 1961. The main cause of this has been the reduced demand for domestic equipment using electric motors of fractional horse-power.

Exports to twenty-two countries represented about 18 per cent of total sales.

Profit has been lower than in the previous year because of reduced sales and of higher wages and other costs.

MARKET REPORT

During the past year a falling off in orders for the home market for both steel sheets and tinplate has coincided with more competitive conditions, and consequently lower prices, in the export market. As a result the Steel Division has worked at appreciably below its ingot capacity of 3,000,000 tons and the Tinplate Division below its capacity of 900,000 tons.

Consumption of steel sheets in the United Kingdom rose in 1960 by about 13 per cent over 1959. In our financial year to September, 1961, the fall was about 10 per cent on the previous year but consumption was still higher than in 1959. These changes in consumption are clearly related to the considerable changes in the demands of the motor industry both at home and abroad, and of the durable consumer goods industries which have suffered from the various changes in Government fiscal policy.

Consumption of tinplate in the United Kingdom was about 3 per cent less than in the previous year and increased capacity on the Continent caused the export of tinplate from the United Kingdom to fall appreciably. As a result we were able to export only 36 per cent of total production compared with 38 per cent in the previous year.

DIRECTORATE

Viscount Amory took up his duties with enthusiasm and his unexpected appointment in Canada has deprived the Company of a most valuable Director.

Shareholders will, I know, welcome to the Board Lord Cobbold whose unique experience of world finance and trade is certain to be of the greatest assistance.

Sir Robert Barlow, who retires from the Board by rotation, has attained the age of seventy. His knowledge of the tinplate industry is unsurpassed and I commend to the shareholders most strongly his re-election to the Board.

Earlier this year I felt in duty bound to accept the invitation to fill a vacancy, which could not be foreseen, as Chairman of Lloyds Bank in which I had served for several years before joining your Company. Accordingly I tendered my resignation as Chairman and as a Director. The Directors accepted my resignation as Chairman and invited me to remain as an ordinary Director. It is with greatest possible regret that I am retiring from the Chairmanship and I have gladly accepted the invitation to remain on the Board.

The Directors have appointed the Managing Director to succeed me as Chairman and I wish Sir Julian Pode all success on assuming the leadership of the Company which he has done so much to build up.

The Directors have appointed Mr W. F. Cartwright to be Managing Director, Mr David J. Young to be Assistant Managing Director, and Mr R. W. Evans to be General Manager of the Steel Division. Mr R. P. Tovey, in addition to his duties as Chief Accountant, will become Secretary of the Company. My relinquishing the office of Chairman is made easier by the knowledge that it will bring increased responsibility to these persons who have served the Company so well.

I should like to take this opportunity to thank the shareholders, the staff, the workpeople and the customers for the support they have given me during my six years as Chairman.

PROSPECTS

Writing my statement two years ago, I described the prospects as being "very good" and we were fortunate to show a Trading Surplus before Depreciation of £30,479,000.

Last year I said, "There are some signs of recession in world trade and, if the tendency were to spread, the results of our Company for the current year could suffer," and I ended, "The Steel Company of Wales can justly claim to have made remarkable progress. This progress will continue—and the prospects are good."

The circumstances which led in July, 1961, to the passing through Parliament of a second Budget within four months surprised the nation as a whole. I had hoped that we should have shown a Trading Surplus before Depreciation of about £26,000,000 and naturally I am disappointed that the actual figure was £23,253,000. Undoubtedly our results have been adversely affected by the large scale capital developments. Nevertheless, I regard the results, achieved under difficult conditions, as highly creditable to our staff and workpeople.

Shareholders will wish to know about the prospects for the future. Under present conditions I find it quite impossible to assess the prospects for the current year. We have started with a substantial reduction in production as a result of the strike of the bricklayers in October. It is impossible to quantify in money the cost of the strike but it means that we have much leeway to make up during the remainder of the year. Furthermore the effects of the national economic crisis are still with us although the recent reductions in Bank Rate are indications that the worst may have passed.

Whilst the Tinplate Division is better placed, the order books in the Steel and Newport Divisions are still suffering from the recession in the motor car and domestic appliance industries. Business in the export markets is more competitive than a year ago and prices are lower. In the short term, shareholders cannot reasonably look forward to larger profits—they may easily fall below that achieved in the year under review.

In the longer term, we are living in a steel age when sheet steel is increasingly replacing other materials in a wide range of industries.

If the threat of war can be removed and peace assured I believe that a new situation will arise in which there will be a ready market for all the sheet steel that can be provided by existing mills and by those now under construction.

In the Steel Company of Wales we have a skilled staff, good workpeople and first class equipment. I have confidence in its future.

MANUFACTURERS HANOVER TRUST COMPANY • New York

Statement of Condition, December 31, 1961

ASSETS

Cash and Due from Banks	$2,005,061,413
U. S. Government Obligations	1,179,523,122
State, Municipal and Public Securities	340,803,077
Other Securities	36,284,228
Loans	2,371,921,096
U. S. Government Insured F.H.A. Mortgages	82,176,475
Other Mortgages	63,778,987
Banking Premises and Equipment	39,335,654
Customers' Liability on Acceptances	179,282,400
Accrued Interest and Other Assets	23,934,443
	$6,322,100,895

LIABILITIES

Deposits		$5,521,092,564
Acceptances		185,109,227
Reserve for Taxes, Accrued Expenses, etc.		52,954,457
Dividend Payable January 2, 1962		5,859,334
Other Liabilities		9,263,783
Reserve for Possible Loan Losses		93,640,497
Capital Funds:		
Capital Stock ($15 Par)	$175,780,005	
Surplus	200,000,000	
Undivided Profits	78,401,028	454,181,033
		$6,322,100,895

U. S. Government obligations and other securities carried at $265,536,444 were pledged for various purposes as required or permitted by law.

International Division: **44 WALL STREET, NEW YORK**

LONDON Branches: 7 Princes Street, E. C. 2 • 10 Mount Street, W. 1

Representative Offices: **Paris, Frankfurt am Main, Rome, Tokyo, Beirut, Manila**

Incorporated with Limited Liability in U.S.A. • Member Federal Deposit Insurance Corporation

SECOND COVENT GARDEN PROPERTY COMPANY LIMITED

Property investment company with substantial first-class holdings in the major stable areas of the world.

Directors: Sir Brian Mountain, Bart. (Chairman), H. R. Moore (Vice-Chairman), G. L. d'Abo, H. Oliver-King, H. J. A. Harbour, J. M. Keyworth (General Manager), R. A. Parry.

Subsidiaries:
COVENT GARDEN PROPERTIES COMPANY, LIMITED
COVENT GARDEN MARKET LIMITED
CLARENDON PROPERTY COMPANY LIMITED
THE BLAKE & RICHARDS ESTATES LIMITED
HAMPSTEAD & SUBURBAN PROPERTIES LIMITED

Undertakings in which the company has a substantial investment:

UNITED KINGDOM
BUSINESS PROPERTY INVESTMENTS LIMITED
THE ARNDALE PROPERTY TRUST LIMITED

UNITED STATES OF AMERICA
ZECKENDORF PROPERTY CORPORATION. (Acquired December, 1961)

AUSTRALIA
REALTY DEVELOPMENT AND MORTGAGE COMPANY LIMITED

CANADA
TRIZEC CORPORATION LIMITED PLACE VILLE MARIE CORPORATION
CANBRITAM DEVELOPMENT CORPORATION LIMITED

Financial Position at September 30, 1961

	£
FIXED ASSETS*	19,000,256
INVESTMENTS* in other companies	3,658,190
	22,658,446
Less NET CURRENT LIABILITIES	3,856,233
	£18,802,213
* At book value.	
Represented by	
5% Preference Shares	700,000
Ordinary Shares	2,125,000
Reserves—Capital	4,817,211
Revenue	538,150
Mortgage Debenture Stocks and Mortgages	9,503,220
Minority Interests	1,118,632
	£18,802,213

Allocation of profit for year ended September 30, 1961

		£
PROFIT BEFORE TAX		797,067
Allocated as follows:		
Taxation	56%	394,128
Minority Interests	7%	51,708
Preference Dividends	3%	21,438
Ordinary Dividends	30%	208,250
Retained in Business	4%	31,543
RATE OF DIVIDEND ON ORDINARY SHARES		16%

Extract from Chairman's Statement

The Group net profit for the year, after providing for taxation and minority interests is £261,231, as compared with £250,461 for the previous year. Your Directors recommend a final dividend of 10%, less income tax, making a total distribution of 16%, less income tax, for the year.

Good progress has been made during the year on a number of property developments in the United Kingdom. Projects have been completed or nearly so in Walsall, Cleckheaton, Southampton, Flint, Wokingham, Ilford, St. Helens and Stroud. In all these cases lettings have proceeded very satisfactorily and the income will be reflected in next year's accounts.

Other developments are in progress at Shrewsbury, Chesterfield and Bedford and it is hoped that in 1962 we shall start on a new shopping scheme in Kilburn High Road, London.

Properties for redevelopment have been acquired in Lincoln, Ashby-de-la-Zouch and Garforth; and acquisitions are in progress in a number of provincial towns.

After commenting on the progress of the company's North American interests through its investments in Trizec Corporation Ltd., and Canbritam Development Corporation Limited.

Sir Brian continued: It is the aim of your Board that your Company should continue to develop as one of the leading property investment companies, with substantial first-class holdings in the major stable areas of the world. It must in the long run be a source of strength to have a spread of property investments in this way.

Your Board are confident that the large amount of development work now being undertaken at home and overseas, which is far larger than at any time in our history, will soon be reflected in the Profit and Loss Account; and we look forward to the Company's steady and continued progress.

Sir Brian also referred to his circular of December 27, 1961, in which were set out the details of the company's investment of $12,500,000 in shares and notes of Zeckendorf Property Corporation which is carrying out major works of property development in the U.S.A. and expressed his satisfaction at the outcome of the negotiations.

The report and accounts were adopted and a resolution increasing the Capital from £5 million to £6 million by the creation of 4 million new Ordinary Shares of 5s. each was approved.

NELSON FINANCIAL TRUST LIMITED

REVENUE WELL MAINTAINED

SIR DENYS LOWSON ON BALANCE OF PAYMENTS PROBLEM

The Annual General Meeting of Nelson Financial Trust Limited was held on January 8th at Estates House, 66 Gresham Street, E.C.

Sir Denys Lowson, Bart (Chairman), who presided said:

The Total Revenue of £154,080 for the year compares favourably with that of the previous year which amounted to £146,698 and the Net Revenue of £60,560 after taxation compares with £59,847.

The Directors are recommending the payment of a dividend for the year of 12 per cent, less tax, on the Ordinary Share Capital against 10 per cent paid last year and, if you approve that, there will be £94,377 to carry forward against £76,842 brought in.

The distributions require a total of 78 per cent of our revenue, Debentures taking 0-24½ per cent, the preference and preferred ordinary 24½ per cent-49½ per cent, and the Ordinary 49½ per cent-78 per cent.

As shareholders will have seen, the valuation of our investments at October 31st, last, is satisfactory considering the uncertainties of the times and the fall in security indices in this country. The valuation shows an appreciation over Balance Sheet figures of 59 per cent as compared with 52.70 per cent last year.

During the Company's year under review there has been a further deterioration in the country's economy. The gold and convertible reserves had dropped from £1,121 million in October, 1960 to as low as £876 million in July, 1961; since when there has been a material recovery. During 1961, there was also still a deficit on the balance of payments current account, though substantially at a lower rate than in 1960. This situation made it necessary for the Government to introduce certain deflationary measures in July last which are still in force.

The main problem is, of course, one of the balance of payments. The solution here has been made no easier by the fact that the surplus on the invisible items has fallen from £285 million in 1958 to as little as £35 million. In the past any deficit on the visible balance could be offset to a large extent by the surplus on the invisible items; but clearly now the invisible items are unable to make good the difference and the further outlook in this respect is not at all encouraging. If, therefore, we are to improve our balance of payments, it is more important than ever that every effort should be made to increase our visible exports, and this can only be achieved by keeping down costs and thus making our industry more competitive.

We have prepared our usual estimate of the revenue which we may hope to receive during the ensuing year and I am happy to tell you that this is satisfactory, and shows that our revenue should be well maintained.

The resolution for the adoption of the report and accounts was seconded by Mr Guy Montague Nelson, OBE, JP, and carried unanimously; and the proceedings terminated with a hearty vote of thanks to the Chairman, Directors and Staff.

WESTLAND AIRCRAFT LIMITED

ONE OF THE WORLD'S LEADING SPECIALISTS, REMAINS CONFIDENT AS TO THE FUTURE OF THE HELICOPTER

CHAIRMAN'S STATEMENT

The following are extracts from the annual statement of Mr. Eric Mensforth, C.B.E., M.I.Mech.E., F.R.Ae.S. Copies of the statement can be supplied on request.

With a Group consolidated profit of £2,781,837, the first full year's trading after the merger of the British Helicopter Industry has been very satisfactory.

Integration of the Group's resources has progressed steadily. The organisation is strong, especially on Research and Development where it compares favourably with any competitor. Its foreign, particularly U.S.A. technical connections are most valuable.

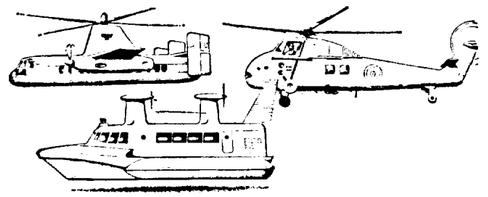
British Government orders are still awaited for the Rotodyne—the World's First Vertical Lift Airliner. We are ready to commence production of this quite exceptional aircraft which could, given home support, produce an important volume of exports. The Belvedere, now in R.A.F. service, is the only twin engined helicopter in the Western World to give 'one engine out' flight safety. The turbine engined Scout, Whirlwind and Wessex are all doing well.

We have a leading position in the Hovercraft field with the 27 ton, 68 seater, SR.N2 now preparing for trials.

With the Westland Heliport still unique in London, Government decision to proceed with a larger one is urgently needed.

Normalair is busy with environmental control equipment for many important aircraft and missiles and with industrial breathing sets. Its air conditioning units are being fitted to a range of British Motor Corporation cars.

Westland Engineers has had an excellent year with doors, chalkboards and window balances.



WESTLAND *the great name in HELICOPTERS*

WESTLAND AIRCRAFT LIMITED · YEOVIL · ENGLAND

INCORPORATING:- SAUNDERS ROE DIVISION · BRISTOL HELICOPTER DIVISION
FAIREY AVIATION DIVISION · NORMALAIR LIMITED · WESTLAND ENGINEERS

SMITH'S DOCK COMPANY

COLONEL T. EUSTACE SMITH ON FUTURE PROSPECTS

The Sixty-third Ordinary Annual General Meeting of Smith's Dock Company Limited was held on January 9th at North Shields. **Colonel T. Eustace Smith, CBE, TD, DL,** Chairman and Managing Director, in the course of his speech, said:

We are satisfied that we have obtained a reasonable proportion of the work available in shiprepairing and we are well placed to ensure that this state of affairs continues. Since the end of the year under review, we have been able to secure in competition with foreign yards, a contract for the repairs to the Norwegian tanker "Fernmount." This contract involves the construction of a new centre section at South Bank which when launched will be towed to North Shields for fitting in place, and it is gratifying to consider how well the Company is placed to undertake such contracts.

In the current year the shipbuilding department will be reasonably employed but thereafter we have gaps in our programme. We have so far not been successful in obtaining further orders in spite of having submitted very competitive quotations.

During the first nine months of 1961, some 6½ million gross tons of shipping were ordered in the world, yet only 500,000 gross tons were ordered in this country, 430,000 gross of which were for British Owners. British Owners have been ordering at the rate of 2½ per cent of their fleet whilst other countries have been ordering at a much larger rate, with Norway at over 9 per cent. Exports are vital to this country but so are the invisible exports which are provided by a large British Mercantile Fleet. To compete in the difficult conditions of today this fleet must be modern but 2½ per cent of new ships is not even normal replacement. British Shipyards are just as up to date as the yards abroad and have shown in recent months that they can compete with foreign yards, on equal terms, that is with those countries who do not grant direct subsidies.

Surely the time has come when we should give some encouragement to our British Shipowners to at least maintain a highly efficient Merchant Fleet of the same magnitude as at present. Failure to do so will mean further loss of invisible exports, serious curtailments of insurance and the many ancillary trades connected with the world of Shipping, and a cutting down of the capacity of British Shipyards which are geared to the requirements of British Shipowners. The Government, through their Export Credits Guarantee Department, provide credit guarantees for foreign owners, and in the last few months the City has made great strides in providing the necessary finance against these guarantees. Should there not be similar organisation for British Shipowners who wish to build in this country, a Home Market Credit Guarantee Department? Surely the City would make great efforts to find the finance necessary. Whilst this would not solve all the problems of the shipowners, it might well provide that extra encouragement which is so necessary. The report and accounts were adopted.

STERLING ESTATES

The Thirty-fourth Annual General Meeting of Sterling Estates Limited was held on January 10th in London. **Mr Douglas Overall, JP, FAI** (Chairman), presiding.

The following is an extract from his circulated Statement for the year ended September 30, 1961:

Despite the reduction in gross rents of approximately £30,000 per annum resulting from the sale last year of leasehold properties by two of the Subsidiary Companies, the gross rental income of the Group has increased to £285,350 which, together with the income from the Associated Company and a surplus of £32,047 derived from the sale of property, results in a total income for the year of £329,099. Your Directors recommend a final dividend of 7 per cent, making a total of 12 per cent for the year.

Approximately £162,000 was expended during the year on the purchase of properties at Blackpool, Bristol, Kettering, Northampton, Putney, Shoreham, Southampton and Weston-super-Mare, also a site at Wokingham for redevelopment, on which work has already commenced. Expenditure on developments in hand at Weston-super-Mare and Sheffield totalled nearly £200,000. The development at Slough of a parade of six shops with offices over is virtually finished and lettings are being effected on satisfactory terms.

During the year a mortgage of £375,000 was arranged with a well-known Insurance Company on satisfactory terms; arising from this and the sales of property already referred to, the Bank Overdraft has been substantially reduced.

The report and accounts were adopted and the capital increased to £1,875,000 by the creation of 1,500,000 Ordinary Shares of 5s. each.

MITCHELL COTTS GROUP LIMITED

FAR-REACHING EFFECTS OF AFRICAN POLITICAL DECISIONS

The forty-second ordinary general meeting of Mitchell Cotts Group Limited was held on January 5th in London.

Mr H. C. Drayton (the chairman) presided and, in the course of his speech, said:

Last year I expressed the hope that our profits would be better for the year under review than for the previous year. I did point out the political risks we had to run in Africa, and unfortunately they have been as bad as we could have expected them to be, with the result that our results for the year are disappointing.

Our Group trading profit for last year did show a little improvement, but not as much as I expected, and after adjustments relating to previous years it is a little down—£1,058,000 compared with £1,117,000. Your Directors are recommending a final dividend of 6½ per cent on the Ordinary, making 12½ per cent for the year.

Today more than ever politics and economics get interlocked and the consequences of purely political decisions have far-reaching effects on the business life and trading prosperity not only of the various territories themselves but also of their neighbours.

Constitutional advance, discussion and argument in East Africa: a major political and constitutional change in South Africa: political argument about the constitutional future of the Rhodesias and Nyasaland: a flight of capital to a greater or lesser extent from them all: a severe Agency Law in Libya: these are some of the factors with which we have to contend and is a large part of the background against which we have been operating during the past 12 months.

During virtually the whole of our year under review there has been a continuing outflow of capital from South Africa. The total net withdrawal of capital during the period was probably something of the order of £80,000,000 to £100,000,000, the effect of which on the general economy might have been even more serious than it was but for the simultaneous creation of quite a large amount of credit. For example, advances by the Banks between January 1960 and April 1961 went up by about £80,000,000—an increase of about 25 per cent.

It is scarcely, therefore, surprising that towards the end of last June, a number of severe restrictions were introduced on the export of money and on imports and, at the time of speaking, these in the main still continue. They would seem to be having their intended effect in strengthening South Africa's reserves.

You will no doubt want to hear what I think the year to 30th June, 1962 holds for us. On the basis of such information as we have today in making what I hope is a reasonable guess of how the rest of the year will turn out, it seems to me that we have got one or two areas where we should certainly do better, one or two where I feel pretty confident that we shall not do as well, and for the remainder, I would expect there to be no very great difference either way. Putting it all together, I would hope for a modest overall improvement and I would ask for your sympathetic understanding when I use the word "hope" and not "forecast."

The report was adopted.

MERCANTILE CREDIT COMPANY LIMITED

INCREASED TURNOVER BUT LOWER PROFITS

HIRE PURCHASE AN ESSENTIAL SERVICE

The Twenty-eighth annual general meeting of Mercantile Credit Company Limited was held on January 10th in London, **Sir Mark Turner,** chairman, presiding.

The following are extracts from his circulated statement for the year to September 30, 1961:

A year ago I reported for the first time for many years an appreciable decline in our profits and I had hoped that our financial year which has just ended would have seen this downward trend reversed. In fact the profits before tax at £677,995 are £956,000 lower than for the previous year, and the profits after tax and minority interests of £345,082 are £400,000 lower, despite an increase in the volume of our business and in a year characteristically bedevilled by changes in government policy. In April I gave a warning that things were not easy and the reason for the decline is not hard to seek. Our problems can be summed up in the two words "bad debts," a problem facing this industry as a whole.

We are now paying for the exuberance of the industry in 1958 when all controls were removed. If we were re-examining now the accounts for the financial year ended September 30, 1959, we should have felt it appropriate to set aside a larger provision for the higher bad debt risk inherent in transactions extended in time and having substantially reduced down payments. The 1958 honeymoon opened hire purchase motor car facilities to a great number of people who had not enjoyed such facilities before. There was a boom in all types of consumer durables and many people took on commitments which were really beyond their capacity to meet. We have always prided ourselves as being a country of individuals who intend to honour their contracts, but over a very small sector of the community, there is unmistakable evidence that there are people who will lightheartedly engage in contracts without any intention of continuing their payments if it does not suit them to do so. A motor car involves the user with heavy operation costs and I think a number of people may have left that out of their calculations when estimating how much could be set aside to meet instalment payments.

Hire purchase as a service is essential to the community and I have no doubts whatever about its long-term soundness and profitability. The quality of business which we are now doing is better than it was. Terms are better, our staff is more experienced and, helped by our training school, is better qualified in the assessment of risks. There is still business on our books, however, which dates back to 1958, but I am convinced that in the future we can take care of the position with a provision of more normal proportions.

A very exhaustive appraisal was made of our portfolio and provisions were made which we believe to be realistic. We believe that the back of the problem has been broken. Although there is a reduction in the unappropriated profits to be carried forward to next year, our reserve position as a whole has been strengthened during the year, due to our having realised a surplus on the sale of 50,000 shares in our Irish subsidiary.

Referring to the company's non-hire purchase and overseas interests Sir Mark Turner said:

Kingsway and General Property Trust Limited.—This company continues to meet a natural need among our dealers, particularly in the motor industry, for short and medium term secured loans for property extensions and the like.

Mercantile Leasing Company Limited.—Now well established and meeting a very definite need among companies whose own financial circumstances make leasing more beneficial than buying for cash or on hire purchase.

Mercantile Credit Company of Ireland Limited.—We now have with us as partners the Provincial Bank of Ireland and our board in that country has been strengthened by the election of Mr John W. Freeman and Mr Patrick Bourke, respectively the chairman and general manager of the bank. This new association is already showing results to our mutual advantage.

South Africa and the Federation of Rhodesia and Nyasaland.—National Industrial Credit Corporation Limited, in which The Standard Bank has a 40 per cent interest, is conducted in close co-operation with the bank but difficult trading conditions and intense competition have led to narrower profit margins.

Interprovincial Building Credits Ltd., Toronto.—Our holding in this company remains at approximately 40 per cent of the equity capital. The company's annual accounts for the year ended February 28, 1961, showed an increased profit and progress is continuing during the current year.

I cannot conclude without a word to the executive directors, managers and staff of all the companies comprising the group. The response of all concerned has been splendid; their morale is high and their enthusiasm in their work and the future of the company is as great as ever.

The report was adopted.

Binding Cases

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COMPANY AFFAIRS

Gilt-edged stocks have been the liveliest sector of the London stock market this week. Partly on hopes of an early cut in Bank rate, prices have risen sharply and War Loan, on foreign buying, has gained a full point. Initially, uncertainty about the Government's intentions in economic policy kept the equity market subdued and The Economist *indicator lost 1.8 points to 361.8; but after the Chancellor's letter was published, prices improved. Against this trend, Leyland fell sharply on its results. Uniformly depressing statements from the spokesmen of the steel industry checked a rally in steel shares while bank shares were little changed.*

Higher Bank Profits

TOTAL disclosed profits of the "big seven" banks after transfers to inner reserves, rose by 11 per cent—exactly in line with the increase reported last week by Barclays, but well above the marginal increase at Martins. This followed the exceptional increase of 24 per cent in 1959 and 28 per cent in 1960. On dividends the banks toe the Chancellor's line, the only changes being those of the Midland and National Provincial, which stand by the forecasts made at the time of capital changes, and the minor rounding-up by Lloyds. But the scrip and rights issues made in 1961 raise actual distributions by 7 per cent; these payments had risen by over a fifth in 1960 and by a third in 1959. This year, the banks could find it difficult to avoid some setback in profits after this remarkable run. Increases in advances, the banks' most lucrative asset, now depend largely on deposits which are growing only slowly, and average interest rates could fall this year—though this is by no means certain.

This year the laurels for the largest increase in published profits go to the **National Provincial** with a rise of 19 per cent, compared with 25 per cent for 1960. The dividend is 14 per cent, which was the minimum rate forecast at the beginning of last year when the one-for-seven scrip issue was announced. Last year's dividend, allowing for this issue, was equal to 12¼ per cent. The **Westminster,** which had the best increase for 1960, is now second with a rise of 15 per cent. The dividend on its "B" shares is unchanged at 13½ per cent. Over the three years since the bankers got their commercial freedom the NP's profits have increased by 90 per cent, and the Westminster's by only a fraction less.

Disclosed profits of the **Midland** rose by 12 per cent. This rise, just above the average, was notable in view of the Midland Bank's subvention payment of £1.3 million to its hire purchase subsidiary, Forward Trust, though presumably this payment came out of hidden reserves rather than current profits. In line with past practice the Midland has made no transfer to write-down gilt-edged holdings, and uncovered depreciation on gilt-edged is now £4.03 million, which is an unchanged 1½ per cent of the total portfolio. The final dividend as forecast is 7½ per cent, which allowing for the one-for-three scrip issue, gives a total for the year equivalent to 14⅝ per cent.

In 1960 the Midland disclosed a relatively small increase in profits and fell behind Lloyds as well as Barclays in total profits. This year it is **Lloyds** that has lagged behind with an increase of only 7 per cent. Lloyds, which has the biggest hire purchase interests of the "big seven," collected £784,000 in hire purchase dividends in 1960; last year they fell by more than half to £315,000. The final dividend is rounded up to 11 per cent from last year's equivalent of 10⅛ per cent following the one-for-five scrip issue. A further scrip issue of one-for-six and an interim dividend of 4½ per cent are forecast.

The **District Bank,** with an increase in profits of 10 per cent, is for the third year running ahead of its larger northern rival, Martins. The dividend for the year is unchanged at 16 per cent. The **Royal Bank of Scotland** has also reported this week. Profits have increased from £1,034,000 to £1,095,000 and the dividend is up from 18½ per cent to 19 per cent, as was expected when the interim was increased from 8½ to 9 per cent.

BANK PROFITS AND DIVIDENDS

	Disclosed profits		Dividends		Retained earnings		Div. rates		Price, Jan. 12,	Price, Jan. 11,	Current yield
	1960	1961	1960	1961	1960	1961	1960	1961	1961	1962	%
	(£000's)		(£000's)		(£000's)						
Barclays	5,452 +32%	6,074 +11%	3,289	3,488	2,163	2,586	13	13	59/–	88/9	2·9
Lloyds	4,605 +35%	4,935 + 7%	2,772	2,814	1,823	2,121	10⅝†	11	59/6	74/6	3·0
Midland	4,501 +18%	5,043 +12%	2,812	3,257	1,596	1,786	14¼†	14⅝†	70/11½	88/9	3·4*
Nat. Provincial	3,566 +25%	4,256 +19%	1,803	2,061	1,763	2,195	12¼†	14	73/11½	92/3	3·0
Westminster	3,413 +36%	3,924 +15%	1,905	1,905	1,508	2,019	13⅓	13⅓	63/10½	87/3	3·4
District	1,082 +25%	1,192 +10%	588	588	494	605	16	16	75/4½	97/3	3·3
Martins	1,420 +22%	1,449 + 2%	909	909	511	540	15	15	19/2¼	22/3	3·4

* On dividend of 15 per cent as forecast. † Adjusted for scrip issues.

Discount Houses

AS money dealers rather than money lenders (as the banks are) the discount houses are affected very differently by a sharp rise in interest rates, which causes an equally sharp depreciation in the value of the paper they have in stock—and must now finance at higher rates. The third quarter of 1961 was among the most difficult ever experienced by the market. The fourth quarter brought some relief, with its reduction, in Bank rate from 7 to 6 per cent, even though the houses had to accept some narrowing of running margins as their determination to increase holdings of Treasury bills edged the bill rate down, while the rearguard action by the Bank checked the concomitant decline in call money rates. It was the first half of 1961.

Thus over the calendar year as a whole both the Union Discount and Alexanders managed to show only marginal falls in profits, from £575,924 to £566,000 at the Union, and from £174,720 to £169,946 at Alexanders. These are creditable achievements. Both companies, expectedly, are paying unchanged dividends, of 12½ per cent and 10 per cent respectively.

The National Discount company, the other company which reports on December 31st, is also maintaining its dividend, at 10 per cent, even though the distribution of £335,808 is not covered by published profits of £317,034. Moreover, while the fall on last year's figure (£339,913) was in roughly the same range as at the two other houses, the National has again changed the basis of its profits computation. Losses realised on sales of securities in 1961 were met out of provisions retained towards depreciation of securities, whereas in 1960 corresponding losses were charged before arriving at the year's profit. And despite these sales, the National Discount again shows an uncovered depreciation in the market value of its securities portfolio, and indeed a higher one—£820,000 on a portfolio of £83.7 million, compared with a depreciation of £577,000 on a slightly larger portfolio in 1960. Yet in the year to December 31st most short bonds showed a market appreciation; the conspicuous exception was 5½ per cent Exchequer 1966, which came within the discount houses range last March.

Steel Profits and Development

Stewarts and Lloyds

REASONS for the fall of 23 per cent in the trading profits of Stewarts and Lloyds from £18,241,000 to £14,002,000 in the year to September 30th were given by the directors in the comprehensive preliminary statement, but Mr A. G. Stewart adds some further details with the full accounts. Increases in costs amounted to £4.6 million while price increases authorised by the Iron and Steel Board brought in only £660,000. Other contributing factors to the decline in profit were a fall of 39 per cent in the export of steel tubes to the oil and natural gas industries and a fall in export prices for general purpose tubes. In volume, however, the export of the latter showed little change while in the home market demand for them was sustained by the high level of building activity, though Mr Stewart expects some fall in demand in the current year.

Following the acquisition of Staveley Iron and Chemical, sales of spun iron pipes both in the home and export markets rose last year, but in neither market was demand strong. For the future the chairman expects the export demand for such pipes to contract further, reflecting the growth of local manufacture overseas and the increasing use of other materials for water pipes. At home orders for large diameter pipes had improved by the end of September, but the rate of new orders is now below current production.

Work is now beginning on the expansion scheme at Corby which should raise Stewarts and Lloyds' steel making capacity by nearly 500,000 tons. This scheme accounts for a big proportion of the outstanding balance of £48 million of expenditure sanctioned at the end of September. Against this the rights issue last May produced £13 million, but clearly more new money will eventually have to be raised. The company has an assurance of adequate assistance from its bankers and the extent, the form and the timing of further capital issues will depend on such factors as the Iron and Steel Board's pricing policy, the level of industrial activity, the size of the cash flow, and the phasing of the capital expenditure schemes. But £10 million of loan stock is due to be repaid in 1964. The current yield of 8.3 per cent offered by the £1 shares at 36s. reflects the prospect that it will be some time before Stewarts and Lloyds earns a full return on its new capital.

Steel Company of Wales

IN his valedictory statement as chairman of the Steel Company of Wales before taking up his duties at Lloyds Bank, Mr Harald Peake offers little short-term encouragement to shareholders still smarting from the cut in the dividend from 12½ to 10 per cent. Trading profits in the year to September 30th fell sharply from £30½ million to £23¼ million and net income after tax from £7 million to £4.9 million. These results, which are still the second best in the company's history, would have justified a maintained dividend, but the directors' decision to reduce it was influenced by the company's development commitments and by the effect of the bricklayers' strike on the current year's results.

Steel of Wales has been hit badly by the fall in demand for sheet steel and tinplate and by higher costs. Its profits were also adversely affected by additional expenditure incurred in bringing new plant into efficient production. The fourth development scheme is due for completion this year and Mr Peake says that "orders for all the major items were placed many months ago and any deferment of expenditure is impracticable." He is confident that the long-term prospect of selling the additional tinplate is good; indeed in the short term the prospect for tinplate seems brighter than those for sheet. The tinplate mills were working short time in the first months of the financial year, but since June they have been working to capacity.

Order books for sheet and electric sheet are still under the shadow of the recession in the motor car and domestic appliance industries at home, and abroad the markets are more competitive than they were a year ago. Not surprisingly, therefore, Mr Peake warns shareholders that profits may well fall further in the current year. This almost certainly points to a smaller cash flow than the £12¼ million retained in 1960-61 and £15¼ million in 1959-60. Steel of Wales's capital commitments have fallen from £29 million to £17 million, but the company expects to have to make greater use of bank loans, which amounted to £4¼ million at the end of September, over the next couple of years. By December, 1964, it must repay in full its loan from ISHRA, now amounting to £18 million. On the smaller dividend the £1 shares at 27s. 9d. yield 7.2 per cent and in view of the company's need to retain profits shareholders would be unwise to expect an early return to 12½ per cent.

STEEL PROFITS AND ASSETS
(£000's)

Years to end-September	Steel Co. of Wales		Stewarts & Lloyds		John Summers		T. Firth & J. Brown	
Consolidated Earnings:	1960	1961	1960	1961	1960	1961	1960	1961
Trading profit	30,479	23,253	20,011	19,067	14,338	13,175	4,700	4,646
Depreciation	8,217	8,333	4,021	5,038	3,074	3,438	734	870
Replacement Reserve	3,000	2,000	2,000	2,000	1,500	1,285	625	537
Interest	4,835	4,890	559	608	689	714	130	125
Tax	7,400	3,100	7,681	6,349	4,400	4,090	2,104	2,063
Net profit	7,027	4,929	10,118	7,411	4,675	3,648	1,810	1,912
Ordinary dividends	3,063	2,450	2,481	2,848	1,860	1,860	737	737
Ord. dividends (per cent)	*12½*	*10*	*15*	*15**	*15*	*15*	*12½*	*12½*
Retained profits	3,964	2,479	7,817	4,226	2,679	1,653	1,073	1,175
Consolid. Balance Sheet:								
Net fixed assets	165,228	173,893	86,189	90,232	55,560	58,260	10,691	11,521
Stocks	18,960	19,425	38,709	39,792	13,276	14,403	7,014	8,036
Liquid assets	453	14	1,666	8,769	2,445	605	7,462	7,641
Bank overdraft	...	4,280	5,379	911	4,581	3,000	...	...
Net current assets	18,807	8,942	36,916	47,255	9,670	9,979	13,900	14,626
Reserves	29,879	33,167	56,288	67,086	20,054	22,992	12,843	14,638
Loan capital	85,000	83,000	10,000	10,000	11,839	11,803	2,860	2,749
Preference capital	...	...	10,000	10,000	4,000	4,000	...	...
Ordinary capital	40,000	40,000	27,000	33,000	20,250	20,250	9,625	9,625

* On capital as increased by rights issue.

John Summers

WITH the major developments and alterations to the Shotton works completed, John Summers's capital expenditure fell in 1960-61 to £5.8 million, the lowest level since 1955-56. But expenditure is likely to be higher again in the current year, for at September 30th capital commitments amounted to £13.3 million. Plans for the development of the Shelton Works are at advanced stage and may involve expenditure of about £18½ million in the next three years. This programme could just be financed by the cash flow, so long as retentions did not fall below the reduced rate of £6.4 million in 1960-61. In the past John Summers has financed the bulk of its capital spending from ploughed-back profits but faced with a net overdraft of £2.4 million, the repayment of £8 million of loan stock in 1964 and uncertainties about the level of earnings in the next two or three years, the directors are now taking the first steps towards raising new capital by proposing an increase in the authorised capital from £24¼ million to £30 million. This suggests that they are thinking in terms of a rights issue rather than a prior charge issue, but they emphasise that there is no immediate urgency for new funds as there are adequate overdraft facilities.

In his statement Mr Richard F. Summers, the chairman, acknowledges that an

8 per cent fall in trading profits in the year to September 30th last was less than had been expected; he attributes the increase in John Summers's deliveries partly to the wide range of sheet produced and to the growth in demand from the building industry. Mr Summers says that increases in wages and fuel prices added £2 million to costs and that the one per cent increase in steel prices brought in only £130,000 to offset these increases in 1960-61. With initial difficulties at Shotton now overcome, production costs within the company's direct control have been trimmed even though it is working well below capacity.

Mr Summers is less pessimistic about the current year than most steel spokesmen, reporting a good start to 1961-62 with record deliveries in November having "a favourable effect on production costs." Deliveries have not been maintained at this level, but while the chairman does not look for any immediate spectacular improvement in demand he expects that Summers will get "at least its fair share of whatever business is available." The £1 shares have lost 1s. 3d. since the proposal to increase the authorised capital was made, and at 44s. 4½d. yield 6.8 per cent.

Thos. Firth and John Brown

SURPRISINGLY good results from Thos. Firth and John Brown for the year to September 30th last largely reflect another big improvement in the profits of the Firth-Derihon stamping subsidiary and increased income from the 50 per cent holding in Firth Vickers stainless steel. The impact on the group's earnings of higher costs and lower profit margins was greater than Sir John Green had forecast a year ago—he then talked of an increase of at least £500,000 in costs—and he warns shareholders that the full effect has still to be felt.

On the immediate prospects for the group's products Sir John is equally sombre; the market for heavy forgings and castings grows no easier and the demand for forgings, boosted earlier by orders from plant manufacturers engaged in the steel expansion programme, is likely to fall; new orders are likely to be scarce in view of the present surplus of capacity in the steel industry. Demand for billets has also fallen sharply and short time is being worked in a number of departments. In stainless steels, too, Firth-Vickers is working short time. Profit margins already squeezed by increased costs have been squeezed further by intense competitive pressures overseas. Despite this setback after a period of growth, Firth-Vickers is embarking on a £4½ million programme to modernise its plate and wide sheet plants; this will take two or three years to complete. The Thos. Firth and John Brown group is committed to further expenditure of £1½ million but the emphasis will be on increasing the group's efficiency rather than its capacity. Finance should present no problem, for the group's net cash flow was maintained last year at about £2½ million and its liquid assets had risen to £7.6 million by the end of September. Having fallen by 2s. after the chairman's statement, the £1 shares at 42s. 4½d. are still close to their level a year ago. They yield 5.9 per cent, the lowest return among the steel companies.

International Computers & Tabulators

IN the numerous lists of recommended growth stocks for 1962 the shares of International Computers and Tabulators figured prominently and at 109s. 9d. they now yield a bare 2 per cent. The latest accounts and the first statement from the new chairman, Sir Edward Playfair, go some way to justify the market's esteem. The increase of just over 20 per cent in trading profits from £7,925,000 to £9,506,000 in the year to September 30th and of 12 per cent in profits before tax from £2,961,000 to £3,330,000 would have been higher but for the exceptional writing off of the heavy expenditure on training, systems study and "all the build-up of effort which is needed to launch new machines on the market." Research expenditure is already written off immediately. But the major factor in keeping a brake on current profits is the large amount (over 73 per cent) of ICT's output which is rented; this, as Sir Edward points out, means a deferment of higher profits.

The increase in the renting business has aggravated ICT's need for funds. A year ago it raised £10½ million by a rights issue and an issue of debentures; but this did no more than cover the repayment of a loan of £2 million from Vickers and the replacement of large overdrafts. In 1960-61 expenditure amounted to over £11 million against a net cash flow of £6¼ million, so that at September 30th ICT's overdraft still amounted to £2¼ million and its cash balance to only £819,000. The directors recognise that from time to time it will be necessary to raise further capital but for the moment they are making use of three other sources of short-term finance: acceptance credits; rental discounting on a small scale; and in the United States a credit from a leading New York bank in connection with ICT's purchases of electronic equipment from Radio Corporation of America. Sir Edward attaches great importance to the recent agreement with RCA, which provides for exchange of information in the electronics field as well as for the purchase of equipment, as one of the ways in which the expected growth in demand for computers will be satisfied.

The glamour of electronics has pinned a growth tag on ICT but the demand for conventional punched card equipment has been well maintained and the directors believe that such equipment will retain its place for many years to come both on its own and as an auxiliary to computers. In general, ICT's business continues to expand "at a satisfactory rate," but clearly it will be some years before the major benefit from current demands and from the 1960-61 increase of £3 million to £21.6 million in the value of machines on rental will be reflected in profits. The ordinary dividend for 1960-61, it should be noted, was simply maintained at 11¼ per cent on the capital as increased by the rights issue.

Leyland Motors

OVER the past few years the performance of Leyland Motors has been distinctly superior to that of its main rival in the heavy motor industry, Associated Commercial Vehicles, and the latter's 22 per cent increase in trading profits in 1960-61 had given rise to hopes of satisfactory results from Leyland even though it was known that Standard Triumph's losses would make a big dent in earnings. In the event a fall of 25 per cent in net earnings from £4.6 million to £3.4 million and in earnings per share from 75 to 39 per cent came as a surprise to the market and the shares fell back by 2s. 1½d. to 86s. 9d. to yield 4.6 per cent on the maintained dividend of 20 per cent, now covered 1.9 times.

The fall in net profits is more than accounted for by the post acquisition loss of Standard Triumph of £1.5 million, but after adding this back and the doubled depreciation charge of £2.9 million (against £1.4 million) trading profits for the year to September 30th last amounted to £11.2 million, against £10.6 million in 1959-60; this represents an increase of only 6 per cent. This hardly seems to accord with the encouraging report from Leyland of a big increase in overseas sales of diesel trucks and buses in 1961 with shipments up by 20 per cent over the previous year. Leyland's policy is to push up overseas sales in the belief that there is little scope for further expansion in the home market. The results suggest either a falling away in home trade or a sharp increase in costs.

The speech of the chairman, Sir Henry Spurrier, will be awaited with keen interest not only for an explanation of these disappointing results but for some indication as to whether Standard is now earning profits again.

ACV

A DETAILED preliminary statement from Associated Commercial Vehicles last month stole some of the thunder of the full report, for it showed a 21½ per cent rise in profits from £2,163,000 to £2,628,000 and a fatter order book than a year earlier. No allowance has been made in the profit and loss account for losses incurred in integrating Transport Equipment (Thornycroft) into the group after it was acquired last February; this involved the writing down of stocks as well as seven months' unprofitable trading and these losses have been dealt with in the balance sheet. The dividend is 16 per cent, as forecast, but as a result of issues of one-for-one rights and shares in the Thornycroft deal, the cover has been reduced from 2.3 times to just over twice.

The balance sheet includes the Thornycroft assets and Lord Brabazon says that full provision has been made for outstanding payments totalling £1 million. Expansion has put a strain on liquid resources; despite the £3 million raised by the rights issue, bank overdrafts rose from £1,279,000 to £1,703,000. In the year to September 30th the cash flow was only about £950,000 and capital commitments amount to £783,000. A reduction in the overdraft seems unlikely in the current year. Lord Brabazon is optimistic about prospects in the long term, though any marked rise in profits has to wait upon an increase in turnover in the home market, where in 1960-61 the credit squeeze had an increasingly severe effect. A year ago, the yield on ACV was 6 per cent; it is now down to 4½ per cent with the shares standing at 71s. 3d.

Westland Aircraft

SHAREHOLDERS of Westland Aircraft will be disappointed that the chairman's statement circulated with the full accounts appears to have been written before the joint bid with Bristol Aeroplane for Fairey Company was made. There is a brief addendum to the statement referring to the bid and its rejection by the Fairey directors, who include Mr C. H. Chichester Smith who has now resigned from the Westland board. The Westland directors say that in their circular the Fairey directors gave "certain information about Fairey not previously known" and that Westland and Bristol are "considering this matter further."

Trading profits of Westland for the year to September 30th rose from £2,583,000 to £2,782,000; the previous year's figures included only nine months' profits from Fairey Aviation and the Bristol helicopter division. It is not clear whether the increase can be attributed to a full year's earnings from these acquisitions; the chairman, Mr E. Mensforth, points out that "profits in the aircraft industry do not accrue from day to day and comparisons are therefore always difficult." The balance sheet shows that the improvement in liquidity in 1959-60 was only temporary; as a result of teething troubles on several helicopters, which resulted in delays in deliveries, stock and work in progress had risen by £2½ million to £12½ million at the end of September. These difficulties have apparently now been overcome, but at the accounting date the consolidated balance sheet showed an overdraft of £835,000.

For the future much will depend on whether the Government decides to place orders for military and civil Rotodynes. Probably the most significant event for the company last year was the licensing agreement with the Vertol helicopter division of the Boeing Company, for it is the Vertol 107 helicopter which BEA has decided to buy in preference to the civil version of the Belvedere on which Westland has now stopped working.

Apart from helicopters Mr Mensforth reports increased interest in Westland's hovercraft (which will soon be starting trials) while the production of Gannet aircraft and the Black Knight missile is continuing. Normalair has continued to expand steadily and Westland Engineering is adding to its floor space to meet the higher volume of orders, mainly from the building trade. The market's assessment of the company's prospects has changed little over the past year and at 15.3 the 5s. shares yield 4.8 per cent on the maintained tax free dividend of 9 per cent.

Peachey Property

ALTHOUGH Peachey Property still yield more than most property shares they are now in a less speculative category than they were two or three years ago when the company's profits came mainly from property dealings. The latest accounts, for the year to June 24th last, show some of the results of the company's two year investment programme, designed to ensure a stable minimum dividend with dealing profits providing the icing. In 1960-61, profits before tax rose from £689,000 to £1,015,000, including a £280,000 increase in investment income. The new chairman, Mr Farrow, is confident that this will rise further in the current year as recently completed new leases and a new block of luxury flats in Harley Street earn their full income.

Peachey also appears to have been stepping-up property sales recently but profits from them are variable and depend particularly upon the extent of completions before next June. Purchases of property have been smaller than hitherto, reflecting "competition and extremely high prices" but recently the group purchased for nearly £2 million over 800 flats and houses mainly in London and Birmingham. Most of the 500 flats have been purchased by a sub-group of companies, in which there are minority interests of slightly under 50 per cent. Mr Farrow does not say how this purchase is being financed. But Peachey is now linked with London Assurance, which secured one seventh of the Peachey equity when it acquired the three million 2s. shares which were the personal holding of the late chairman, Mr C. W. Hutley. This link has strengthened Peachey's investment status and this may now be improved further by the writing up of the 2s. shares into the more fashionable 5s. units. This is in effect a three for two scrip issue and on the increased capital the chairman forecasts a dividend of not less than 16 per cent, equivalent to 40 per cent, against 38¾ per cent for 1960-61. The 2s. shares, up 1s. 9½d. to 17s. 5½d. on the full report, give a prospective yield of 4.6 per cent.

Ranks

RANKS' formal offer for Hovis-McDougall accompanied the full report for the year to September 2, 1961. Hovis shareholders should be pleased with the offer of three Ranks ordinary shares for every five since the prospect of an increase of one third in their income is backed by a report of a successful year's trading by Ranks. It has overcome some of the difficulties arising from excess capacity in the flour milling industry by rationalising and reconstructing old plant, and the bakery division has been strengthened. Ranks' trading profits rose by 5½ per cent from £11,446,000 to £12,045,000; the resulting cash flow of £4.2 million covered the bigger capital outlays of the group. Fixed assets rose by £1½ million and new acquisitions were also reflected in the increase in stocks and debtors from £16.5 to £18.5 million. With capital commitments of £3.9 million the group has some way to go in modernisation but they present no financial problem.

Both Ranks and Hovis say that profits are now running at a higher level than a year ago; Ranks earned higher profits in the first quarter of the current year and Hovis profits for the year to March 31st will be higher than the £3,275,000 earned in 1960-61. Ranks Hovis McDougall, as the new group will be known, therefore expects to pay a dividend of not less than 14 per cent. Hovis shares now stand at 18s. 4½d. and Ranks shares at 30s. 6d. xd to yield 4.6 per cent.

The Economist Indicator (1953=100)

1961/62	Indicator	Yield %	1961/62	
			High	Low
Dec. 6	347·3	5·53		
,, 13	355·5	5·41		
,, 20	356·7	5·38		
,, 27	359·2	5·35	427·2 (May 10)	342·7 (Oct. 18)
Jan. 3	363·6	5·01		
,, 10	361·8	5·01		

Financial Times Indices

1962	Index †	Ord. Yield	2½% Consols Yield	Bargains Marked
Jan. 4	306·3	5·15	6·56	12,057
,, 5	307·1	5·14	6·56	12,626
,, 8	304·1	5·19	6·56	15,870
,, 9	303·7	5·20	6·49	12,848
,, 10	305·3	5·17	6·48	12,409

High, 365·7 (May 15, 1961). Low, 284·7 (Oct. 16, 1961).
† July 1, 1935=100.

STOCK PRICES AND YIELDS

LONDON: NEW YORK: FRANCE: GERMANY: HOLLAND: ITALY: BELGIUM: SWEDEN: NORWAY

Prices 1961/62 High	Low	BRITISH FUNDS AND GUARANTEED STOCKS	Price Jan. 3 '62	Price Jan. 10 1962	Net Red. Yield Jan. 10 1962§	Gross Red. Yield Jan. 10 1962
					£ s. d.	£ s. d.
92½	88⅝	Savings Bonds 3% 1955–65	90⅜	90⅜	4 15 4	5 19 4
100[1]/32	99	Convers. 4½% 1962	99–17 -7	99-18-9	5 3 11	5 3 11
99⅛	97⅛	Convers. 4½% ..... Ass'd. Im	99⅛	97[1]/16	5 19 5	6 6 1
91[7]/8	90[1]/4	Convers. 4½% ..... Ass'd. Im	91⅞	90[1]/4	4 0 10	6 6 6
96[7]/8	93⅝	Exchequer 3½% 1962–63	96⅞	96[1]/32	4 9 1	5 14 4
101[3]/32	93⅝	Treasury 5½% 1962	100[1]/16	100[1]/32	2 10 7	5 1 2
93[29]/32	90[1]/2	Exchequer 2½% 1963–64	93[1]/16	93[7]/16	4 9 0	5 10 8
99[19]/32	96⅝	Conversion 4½% 1963	98[1]/2	98[3]/32	3 14 10	5 6 2
98[3]/32	94[1]/2	Conversion 4½% 1964	97[1]/4	97[3]/16	3 18 1	5 16 2
101[1]/2	96	Exchequer 5½% 1966	98[3]/32	98[7]/32	3 13 1	5 19 10
83[1]/4	78[3]/4	Funding 3½% 1959–69	82⅝	82⅜	4 15 0	6 2 1
89⅜	84⅜	Funding 4% 1960–90	89	88[13]/16	4 11 6	5 5 7
80[1]/2	74⅝	Savings Bonds 3% 1960–70	80	79[11]/16	4 15 10	5 3 10
85[1]/2	80⅜	Savings Bonds 2½% 1964–67	85[1]/16	85[1]/16	4 16 6	5 18 9
72[13]/16	66[1]/4	Savings Bonds 3% 1965–75	71[5]/16	70[9]/16	4 15 11	6 4 3
84[11]/16	78[7]/8	Funding 3% 1966–68	83⅜	82⅞	4 16 3	6 1 9
86[3]/16	80[1]/4	Conversion 3½% 1969	85[7]/8	86[1]/16	4 11 9	6 1 5
97[1]/2	92[1]/4	Victory 4% 1920–76	93[15]/16	93[15]/16	4 3 10	6 4 9
93[3]/16	87	Conversion 5% 1971	90[9]/16	90[11]/16	4 0 5	6 6 4
95[11]/16	88[1]/2	Conversion 5½% 1974	92[1]/16	92[3]/16	4 0 11	6 6 2
73[1]/8	66	Treasury 3½% 1977–80	69[7]/16	69[3]/4	4 12 3	6 6 7
72[1]/4	65	Treasury 3½% 1979–81	69[7]/16	68[5]/8	4 12 5	6 6 7
97[9]/16	88[1]/4	Funding 3½% 1982–84	90[1]/16	90[1]/16	4 9 10	6 6 6
59[1]/2	51[1]/2	Redemption 3% 1986–96	54[1]/4	54[1]/2	4 9 1	6 6 6
88[1]/2	79[1]/2	Treasury 5% 1986–89	82[3]/4	82[3]/4	4 3 3	6 8 9
63[1]/16	55	Funding 3½% 1999–2004	57⅝	57[7]/16	4 2 6	6 8 10
94[3]/8	81[5]/8	Treasury 5½% 2008–12	84[15]/16	85[1]/8	4 2 6	6 13 2
65[3]/8	56[1]/4	Consols 4% ..... after Feb 1957	58[1]/4	59[3]/8	4 2 4	6 14 3
59[1]/2	50[1]/4	War Loan 3½% ..... after 1952	52[1]/16	53[1]/16	4 1 2	6 13 11
59	50[1]/4	Conv. 3½% ..... after Apr. 1961	52[1]/16	53[5]/16	4 1 4	6 13 9
50[3]/8	43[1]/4	Treasury 3% ..... after Apr. 1966	44[7]/8	45[5]/8	4 1 5	6 13 11
44	36[1]/4	Consols 2½%	38[1]/16	38[9]/16	3 19 6	6 12 11
43[1]/4	36[1]/2	Treasury 2½% ..... after Apr. 1975	38[1]/16	38[5]/16	4 0 4	6 12 11
91[7]/8	85[3]/4	British Electric 4½% 1967–69	91[5]/16	89[7]/8	4 6 1	6 2 8
75[11]/16	70[1]/4	British Electric 3% 1968–73	74[1]/4	74[7]/8	4 16 6	6 5 1
70[3]/8	64[1]/2	British Electric 3% 1974–77	69[1]/8	69[3]/8	4 15 0	6 5 11
81[7]/8	74[7]/8	British Electric 4¼% 1974–79	79[11]/16	79[15]/16	4 6 11	6 5 2
73[1]/4	67	British Electric 3½% 1976–79	70[3]/16	70[11]/16	4 12 0	6 6 4
84[7]/8	78[3]/4	British Gas 4% 1969–72	82[11]/16	82[3]/4	4 10 0	6 4 4
82	76	British Gas 3½% 1969–71	81[5]/8	81[11]/16	4 12 2	6 4 4
59[3]/8	51[3]/4	British Gas 3% 1990–95	53[15]/16	54[3]/8	4 10 6	6 5 6
75[11]/16	70[1]/8	British Transport 3% 1968–73	74[3]/4	74[7]/8	4 16 6	6 5 1
80[7]/8	74	British Transport 4% 1972–77	77[1]/2	77[5]/8	4 8 9	6 5 4
61[7]/16	53[3]/4	British Transport 3% 1978–88	56[5]/8	57[1]/16	4 13 1	6 7 0

Prices 1961/62 High	Low	DOMINION AND CORPORATION STOCKS	Price Jan. 3 1962	Price, Jan. 10 1962	Red. Yield Jan. 10 1962
					£ s. d.
82[1]/4	76[1]/2	Australia 3½% 1965–69	79[1]/2*	79[3]/4*	6 11 0
101	92[3]/4	Australia 6% 1974–76	97[1]/2	97[1]/2	6 7 0
72[1]/2	64[1]/2	Ceylon 4% 1973–75	66	66	6 8 0
101[1]/4	92[3]/4	New Zealand 6% 1976–80	95[3]/4	95[7]/8	6 11 0
80[1]/2	70[1]/2	Rhodesia and Nyasaland 6% 1978–81	75[1]/2	75	8 12 0
82[1]/4	73	South Africa 3½% 1965–67	82	82[1]/4	7 14 0
59	53[1]/2	Southern Rhodesia 4½% 1987–92	58	56[1]/2	6 9 0
84[5]/8	76[1]/2	Agricultural Mortgage 5% 1959–89	77[3]/4	78	6 12 0
89	82[1]/4	Birmingham 4¼% 1967–70	86	86	6 6 0
92[3]/4	86[1]/2	Bristol 5% 1971–73	89	89[1]/4	6 6 0
93	86[1]/2	Corporation of London 5¼% 1976–79	88	88	6 8 0
48[3]/4	41	L.C.C. 3% ..... after 1920	43	44	6 17 0
89[1]/4	80[3]/4	L.C.C. 3% 1980–83	84	84[1]/4	6 9 0
93	84[1]/2	Middlesex 5½% 1980	88[1]/4	88[1]/2	6 9 0

NEW YORK PRICES AND INDICES

	Jan. 3 $	Jan. 10 $		Jan. 3 $	Jan 10 $		Jan. 3 $	Jan 10
Atch. Topeka	27[1]/4	27	Boeing	51	49[3]/4	Int. Harvester ..	52[7]/8	51[1]/2
Can. Pacific	24[3]/4	25[3]/4	Celanese	35[7]/8	35[5]/8	Inter. Nickel ...	85	83[1]/2
Pennsylvania	18	18[1]/8	Chrysler	50[3]/8	52[1]/2	Inter. Paper	36[1]/8	34[7]/8
Union Pacific	33[3]/8	33	Col. Palmolive ...	55	51[1]/2	Kennecott	85	84[3]/8
Amer. Electric ..	68[1]/2	66	Crown Zeller.	59[1]/4	56[7]/8	Monsanto	51[3]/4	49
Am. Tel. & Tel...	134[3]/8	131[7]/8	Distillers Seag.	43[3]/4	43	Nat. Distillers ..	28[1]/8	27[7]/8
Cons. Edison	81	79	Douglas	33[1]/2	33	Pan-American ..	21[1]/4	21[1]/8
Int. Tel. & Tel...	57[1]/8	54[7]/8	Dow Chemical ...	72[1]/4	70[3]/4	Procter Gamble	90[1]/2	86[1]/8
South'n. Nat. Gas	47[3]/4	46	Du Pont.	241[3]/4	228[1]/8	Radio Corpn....	54[1]/2	51[3]/8
United Corpn...	8[1]/2	8[1]/8	East. Kodak	109[5]/8	107[3]/4	Sears Roebuck	83[1]/2	77
Western Union .	41[1]/4	39[1]/2	Ford Motor	115	110[3]/4	Shell Oil	38[3]/8	38[1]/2
Alcoa	66[3]/8	63[7]/8	Gen. Electric	74	71[7]/8	Socony-Mobil ..	52[3]/8	50[1]/8
Aluminium	27[7]/8	27[1]/8	General Foods	94[3]/8	91	Stand. Oil Ind.	54[3]/8	54[1]/2
Amer. Can.....	46	43[1]/2	General Motors ..	56[3]/8	54[1]/2	Stand. Oil N.J.	51[1]/4	49[3]/4
Am. Smelting	62	59[3]/8	Goodyear	43[3]/4	43	Union Carbide .	120[1]/4	117[1]/2
Am. Viscose	53	55[7]/8	Gulf Oil.....	40[1]/2	38[3]/8	U.S. Steel	78[1]/4	76[1]/2
Anaconda	51	51	Heinz.....	60[1]/2	60	West. Electric ..	38	36[5]/8
Beth. Steel	43[1]/4	42	Int. Bus. Mach...	577	557	Woolworth.....	90	88

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

1961/62	425 Industrials	Yield %	25 Rails	Yield %	50 Utilities	Yield %	Govt. Bonds	Yield %
Dec. 13	76·60	2·74	33·33	4·87	66·84	2·99	87·67	4·11
,, 20	75·22	2·81	32·39	4·98	64·85	3·08	87·57	4·12
,, 27	75·93	2·78	33·09	4·88	64·21	3·11	87·67	4·11
Jan. 3	75·22	2·81	34·10	4·73	64·40	3·10	87·67	4·11
Jan. 10	72·88	2·90	33·84	4·77	62·54	3·19	87·87	4·09

425 Industrials :—High, 76·69 (Dec. 12, 1961). Low, 60·87 (Jan. 3, 1961).

Price 1961/62 High	Low	Last Two Dividends (a) (b) (c)	ORDINARY STOCKS	Price, Jan. 3 1962	Price Jan. 10. 1962	Yield Jan. 10 1962	Cover
		%		%	%		
39/7	64/-	6[1]/2 a	**BANKS, DISCOUNT & HP**				
100[1]/2*	74/3	8 a	Barclays £1	89/6	87/9	2·96	...
80/-	58/7[1]/2	5 a	District £1	98/6	97/9	3·27	...
26/4[1]/2	18/7[1]/2	7 a	Lloyds £1	70/6	74/3	2·96	...
94/6	67/3	7[1]/8 a	Martins 5/-	22/9	22/3	3·37	...
97/3	73/-	7 a	Midland £1	89/6	87/9	3·42*	...
95/6	59/6	6[3]/4 a	National Provincial £1	90/6	91/9	3·05	...
44/9	35/3	4 a	Westminster 'B' £1	38/5	37/6	3·34	...
52/-	41/-	6 f	Australia & N.Z. ..... £1 p.p.	42/3	42/6	5·65	...
£25[15]	£21[1]/2	$2·05c	Bk. Lond. & S. Amer. £1	47/6	46/9	4·28	...
30[3]/4	25[1]/4	8 c	Bank of Montreal $10	£25[7]/16	£25[1]/16	2·79	...
72/9	47/-	8[1]/8 b	Bank of New S. Wales £20	27[3]/4	27[3]/4	5·19[5]/8	...
52/3	37/6	6[1]/2 b	Barclays D.C.O. £1	37/6	36/9	5·44	...
70/-	45/3	25 c	Chartered £1	54/-	53/6	5·61	...
£21	£14[5]/8	5/- a	Hongk'g. & Shang. $25	£18	£18[1]/2	4·05	...
30/3	19/9	7[1]/2 a	Nat. Com. Bk. Scot. 10/-	55/3	57/3	2·88	...
£29[3]/4	£25[15]/16	$2·32[1]/2c	$2·37[1]/2c	Royal Bk. Canada. ...$10	£28[7]/16	£28[3]/16	2·87	...
41/6	32/-	10 b	Stand. Bk. S. Africa ..£1	39/-	38/9*	7·74	...
165/-	95/-	22[1]/2 c	Hambros .....£1 f.p.	157/6	157/6	2·86	...
39/6	59/6	5 b	Schroders £1	88/-	89/-	1·69	...
40/6	45/6	6[1]/4 a	Union Discount £1	53/-	53/3	4·69	...
27/4[1]	12/3	18 c	Nil a	Bowmaker 5/-	14/11[1]/2	13/7[1]/2	...	1[1]/4
23/6	11/9	19 c	5	Lombard Banking 5/-	14/3	14/3	...	1
21/9	12/9	5 a	21[1]/2 b	Mercantile Credit ...5/-	14/7[1]/2*	14/10[1]/2*	2·52	...
52/6	33/-	22[1]/2 b	4 a	United Domins. Tst. .5/-	39/-	39/-	3·40	3[1]/4
				BREWERIES, Etc.				
15/4[1]/2	11/-	...	...	Bass, M. & B. 5/-	15/11[1]/2	15/-*	3·67[8]/8*	2[1]/4
41/11[1]/2	31/-	8[1]/2 b	6 a	Distillers 10/-	37/6	37/4[1]/2	3·88	2
26/9	13/-	4 a	8 b	Flowers 5/-	18/6	18/6	3·24	2
60/6	50/-	8 a	14 b	Guinness 10/-	50/6	49/-	4·49	1[3]/4
15/3	12/-	...	...	Ind Coope T.A. 5/-	15/11[1]/2	14/10[1]/2	4·03[3]/4*	...
102/9	76/9	6 a	12 b	Watney Mann £1	107/9*	105/9*	3·40	2
37/9	26/-	27 c	9 a	Whitbread 'A' 5/-	35/9	35/6	3·80	1[3]/4
				BUILDING, PAINT, Etc.				
64/-	44·10[1]/2	5[2]/3 b	3 a	Associated Portland ..£1	56/9	56/-	2·98	2[1]/2
28/11[1]/2	19·10[1]/2	7[1]/4 b	4 a	British Plaster Bd. ..10/-	23/3	22/7[1]/2	5·52	2[1]/4
26/10[1]/2	15/6	10 b	6 a	Richard Costain 5/-	17/7[1]/2	17/7[1]/2*	4·54	2[3]/4
18/6	10/-	6 a	14 a	Internacional Paints ..4/-	12/6	12/-	6·67	1[1]/2
66/9	40/6	21[3]/8 c	25 c	Rugby Portland 5/-	57/3	57/6	2·17	3[1]/4
167/11	118/6	7[1]/2 a	17[1]/2 b	Wall Paper Defd. £1	136/3	133/3	3·75	2[1]/4
				CHEMICAL				
29/3	20/3	14 b	6 a	Albright & Wilson ..5/-	23/3	22/9	4·40	2[1]/2
22/-	14·10[1]/2	11[1]/2 c	4 a	Borax Defd. 5/-	17/-	16/7[1]/2	3·46	3
58/9	30/7[1]/2	7 b	4 a	Fisons £1	37/-	36/3	6·07	1[1]/2
81/6	54/6	7[1]/2 b	6[1]/4 a	I.C.I. £1	57/7[1]/2	57/6	4·78	2
26·10[1]/2	14/6	10 b	5 a	Monsanto 5/-	17/-	16/6	4·55	2[1]/2
				DRAPERY & STORES				
36/-	24/-	8 b	4 a	Boots Pure Drug 5/-	30/4[1]/2	29/6	2·03	2[1]/4
107/-	58/6	7[1]/2 a	20 b	Montague Burton....10/-	102/6*	100/7[1]/2*	2·73	2[1]/4
75/0[3]	47/7[1]/2	5[5]/8 a	13[1]/2 b	Debenhams 10/-	58/-	58/4[1]/2	3·29	2[1]/2
59/4[1]/2	45/4	25 b	13[1]/2 a	House of Fraser 5/-	55/10[1]/2*	55/4[1]/2*	3·39	2
46/9[3]	33/4[1]/2	16[3]/8 b	13[1]/2 a	Lewis's Invest. Tst. ..4/-	40/3	39/9	3·77	1[1]/4
21/11[1]/2	14/3	7[1]/2 b	5 a	Marks & Spencer 'A' .5/-	15/4[1]/2	15/5[1]/2	3·19	2[1]/4
106/9	85/11[1]/2	32[1]/2 b	15 a	Sears Holdings 5/-	99/9	99/-	2·40	1[1]/2
53/10[1]/2	34/10[1]/2	20 b	10 a	United Drapery 5/-	49/9	49/10[1]/2	3·01	1[1]/2
62/11[1]/2	49/9	25· b	10[5]/8 a	Woolworth..... 5/-	53/-	51/9	3·46	1[1]/2
				OIL				
51/3	32/-	†6·94b	†2·78a	British Petroleum £1	32/3	32/6	9·77	2[1]/4
49/6	31/3	†6[7]/8 b	†2[1]/2 a	Burmah Oil..... £1	31/3	31/3	9·80	1[1]/4
52/-	36/-	13[1]/2 b	6[1]/4 a	Castrol..... 10/-	41/9	42/-	4·76	2[1]/2
£15[1]/16	£10[3]/8	23·87c	11[5]/8 a	Royal Dutch ..... 20 fl.	£12[9]/16	£12[7]/8	3·81	2
34/10[1]/2	27/3	†20·8 c	†10 a	Shell Transport 5/-	29/-	28/-	8·06	3
41/3	23/9	...	...	Ultramar 10/-	24/-	28/-	... d	...

FOREIGN AND OVERSEAS STOCKS

	Jan. 3	Jan. 10		Jan. 3	Jan. 10		Jan. 3	Jan. 10
FRANCE	Frcs.	Frcs.	**GERMANY**	%	%	**HOLLAND**	%	%
Air Liquide	1,120	1,085	A.E.G.	478	478	A.K.U.	400	385
Banque de Paris	530	522	Bad'che Anilin	597	597	Blienkorf	1,238	1,204[3]/4
Citroen	169·9	167·5	Bayer	662[1]/2	636	Heinekens	585	620
C. F. Petrole.	297	281	Commerzbank .	621	600	Interunie (Fl.50)	Fl.228	Fl.224 5
Cie. G. d'Elect.	1,209	1,172	Deutsche Bank .	683	648	K. N. Hoogoven	778[1]/2	746
Machines Bull	799	733	Hoechst Farb...	529	518	Kon. Zout-Ket.	1,100	1,046
Pechiney	289	280	Kundenkredit .	526	522	Philips	981[3]/4	969[3]/4
Printemps	694	665	Lowenbrau...	1,195	1,130	Robaco (Fl.50)	Fl.253	Fl.248
Rhone-Poulenc	504	502	Mannesmann .	258[1]/2	257	Rotterdam Bk.	389[3]/4	394[3]/4
S.I.M.	378	394	Siemens	718	718	Thomassen & D.	689[3]/4	686
Saint-Gobain .	491	453	Thyssen-Huette	232	226	Valeuroo	Fl. 79·9	Fl. 78 7
Usinor	230·5	233	Volkswagen	779	746	Zwanenberg	1,044[1]/2	1,020
Index	100·8	98 6	Index	118·31	115·20	Index	368·80	363·34
Base.	Dec. 30, 1960=100.		Herstatt Index Base:	Dec. 31, 1959=100.		Base:	1953=100.	
ITALY	Lire	Lire	**BELGIUM**	Frcs.	Frcs.	**SWEDEN**	Kr.	Kr.
Ass. Generali.	147,000	135,630	Arbed	30,450	31,475	Asea	191	196
Breda	7,800	7,350	Bque. Nat. de Bel.	10,800	10,950	Elektrolux	131	130
Edison	5,464	5,101	Bque. Soc. Gen.	3,250	3,295	EricssonB.Kr.35	129	133
Fiat.....	2,910	2,870	Cockerill-Oug .	3,200	3,255	Separator B....	287	305
Finsider	1,550	1,524	Esperance Long	6,900	7,000	Skand. Banken .	206	210
La Centrale....	18,550	17,100	Hoboken	16,425	16,250	Sv. Cellulosa....	212	211
Montecatini....	3,800	3,630	Innovation	7,400	7,150	Sv. Handelsbank	210	211
Motta.....	38,500	37,000	Photo Gevaert .	3,720	3,605	Tandstck. B Kr.50	152	154
Olivetti	11,028	10,490	Sidro	1,018	1,078	Index	175·21	177·72
Pirelli S.p.A...	9,800	9,520	Soc. Generale .	13,750	13,875	Base:	Dec. 29, 1956=100.	
Rinascente....	890	865	Sofina	8,030	8,310	**NORWAY**	Kr.	Kr.
Snia Viscosa ..	7,450	6,965	Un. Miniere f'10	1,320	1,344	Bergens Priv'bk.	250	250
Index	723·40	692·16	Index	403·6	405·2	Borregaard....	297[1]/2	272[1]/2
Base:	1950=100.		Base:	May 9, 1940=100.		Norsk Hydro..	322[1]/2	326[1]/4

Prices 1961/62 High	Low	Last Two Dividends (a) (b) (c)	ORDINARY STOCKS	Price, Jan. 3 1962	Price, Jan. 10, 1962	Yield, Jan. 10. 1962	Cover
		%		%	%		
48/6	28/3	10 b	5 a	**ELECTRICAL & RADIO**			
15/5[1]/4	9/7[1]/2	...	15 c	A.E.I. £1	31/9	32/3	6·10	1
52/3	49/-	9[1]/2 b	4 a	Brit. Electronic Inds. 5/-	11/-	12/3	6·12	1[1]/4
14/7[1]/2	11/3	5 a	7[1]/2 b	B.I.C.C. £1	56/7[1]/2	58/-	4·66	2
89/6	54/-	7[1]/2 a	12[5]/8 b	Crompton Parkinson. 5/-	13/3	14/1[1]/2	4·42	2[1]/2
52/-	35/-	5 a	12[1]/2 b	Decca Record..... 10/-	80/-	78/-	2·99	1[3]/4
45/6	25/9	8 b	5 a	E.M.I. 5/-	43/-	43/-	4·07	2
40/6	22/6	3 a	7 b	Elliott-Automation.. 5/-	45/1[1]/2	43/-	1·51	2
39/6	23/3	3 a	7 b	English Electric £1	24/-	24/9	8·08	1[1]/2
72/9	47/-	8[1]/8 b	4[3]/8 a	General Electric..... £1	28/6	30/3	6·61	3[3]/4
52/3	37/6	6[1]/2 b	3[1]/4 a	C. A. Parsons £1	51/-	51/6	4·85	4
70/-	45/3	25 c	25 c	A. Reyrolle £1	45/-	46/6	4·19	2[3]/4
				Thorn Electrical 5/-	68/3	67/6	1·85	3
				ENGINEERING				
36/9	18/9	9 c	Nil a	Babcock & Wilcox... £1	22/3	22/9	...	1
48/9	30/4[1]/2	4 a	7 b	John Brown £1	36/9	36/9	5·99	2[1]/4
33/8	22/4[1]/2	9 b	3 a	Cammell Laird 5/-	4/6	4/6	13·33	1
33/9	22/4[1]/2	20 b	10 a	Internat. Combust. ..5/-	25/10[1]/2	25/4[1]/2	5·91	1[1]/2
9/11[1]/2	3/4[1]/2	...	...	Rich'ds'ns. Westg'th. 10/-	3/9	4/-	...	...
9[1]/2 b	2[1]/2 a	...	...	Swan Hunter £1	37/11[1]/2	37/11[1]/2	6·46	2[1]/4
17/4[1]/2	10/6	5	5 a	John Thompson 5/-	12/9	12/6	2·00	...
34/4[1]/2	21/8[1]/4	†21[1]/2 a	†6[1]/4 b	Coventry Gauge 10/-	30/7[1]/2*	30/7[1]/2*	4·67	2[3]/4
79/9	51/6	† 6b	†2[1]/2 a	Alfred Herbert £1	66/-	68/4[1]/2	4·06	1[3]/4
78/-	41/-	12[1]/2 b	5 a	Allied Ironfounders... £1	41/9	41/-	8·54	1[1]/2
110/-	81/10[1]/2	10 b	5 a	Averys £1	95/3	94/6	3·17	2[1]/2
36/10[1]/2	17/-	7[3]/8 b	4 a	B.S.A. 10/-	17/6	17/9	6·57	2[1]/4
14/9	9/-	8[1]/2 b	4[1]/2 a	George Cohen 5/-	10/-	10/-	6·50	1[3]/4
44/4[1]/2	29/-	10 a	17[1]/2 b	Davy-Ashmore 5/-	31/9	32/6	4·23	2[1]/4
108/7[1]/2	70/-	11 b	5 a	Guest Keen..... £1	76/6	77/7[1]/2	4·12	2[1]/4
31/-	18/3	5 a	12 b	Head Wrightson..... 5/-	20/6	19/9	4·05	2[1]/4
100/9	68/3	5 a	7 b	Metal Box £1	85/6	84/-	2·86	2[1]/4
22/6	14/-	4 a	10 b	Ransome & Marles...5/-	16/-	17/-	4·12	3
30/6	19/10	7[1]/2 a	3 a	Renold Chains £1	45/-*	44/6*	4·49	2
85/6	54/-	7 a	7 b	Tube Investments..... £1	63/4[1]/2	62/4[1]/2	4·49	3
38/4[1]/2	25/6	7[1]/2 b	2[1]/2 a	Vickers £1	27/4[1]/2	27/6	7·27	1[3]/4
84/6	58/-	33[1]/4 c	10 b	Ward (Thos. W.) £1	61/-	60/6	4·55	3
30/-	18/-	22[1]/2 b	5 a	Woodall-Duckham...5/-	18/-	18/-	5·83[3]/8*	2[3]/4
				FOOD & TOBACCO				
34/-	17/4[1]/2	10 c	10 c	Allied Suppliers 10/-	23/3	22/9	4·40	2[1]/4
15/-	7/9[3]/4	12[1]/2 b	10 a	Assoc. British Foods.. 1/-	11/6	11/-	2·05	2
74/-	54/3	8 b	4 a	Bovril £1	59/-	59/4[1]/2	4·04	2[1]/2
12/11[1]/4	9/9[3]/4	†1·9b	†3·9b	Brooke Bond 'B' 5/-	11/4[1]/2	11/7[1]/2	3·93	2[1]/2
19/3	12/6	10 b	5 a	International Tea 5/-	15/9*	15/7[1]/2*	4·00	1[1]/2
107/9	65/-	10[5]/8 b	5 a	Lyons 'A' £1	72/9	73/9	4·29	1[1]/2
30/-	25/9	5 a	9 b	Ranks..... 10/-	31/-*	30/9*	4·55	2
5/03	10/4[1]/2	7[1]/2 b	2[1]/2 a	Spillers..... 5/-	12/4[1]/2	12/7[1]/2	3·96	2
9/-	38/7[1]/2	10·9c	10·7a	Tate & Lyle..... £1	47/10[1]/2	47/10[1]/2*	5·01[1]/4*	2
20/10[1]/2	14/10[1]/2	9 b	5 a	Unigate 5/-	16/9*	17/-*	4·12	2
73/-	55/9	†12[1]/2 c	†11[1]/2 a	Brit. Amer. Tobac. 10/-	56/6	57/3	6·18	2[3]/4
51/6	34/7[1]/2	15 b	5 a	Gallaher 10/-	41/-	40/-	5·00	2
71/9	61/9	14 b	9[1]/2 a	Imperial Tobacco..... £1	62/3	62/-	7·26	1[3]/4
				INSURANCE				
15[1]/2	11[5]/16	†5[5]/8 b	†5[0]/8 a	Britannic 5/-	15[3]/16	14[15]/16	2·87	...
86/3	60/6	25 a	20 a	Commercial Union .5/-	66/9	64/6	3·49	...
34[1]/4	17[7]/8	†41·17c	†41·17c	Equity & Law Life ...8/6	34[1]/4*	34[3]/4*	0·82	...
88/4[1]/2

Money and Exchanges

EXCHEQUER RETURNS

For the 6 days ended January 6, 1962, there was an "above-line" surplus (after allowing for sinking funds) of £41,004,000 compared with a deficit of £103,105,000 in the previous 15 days and a surplus of £46,871,000 in the corresponding period of last year. There was a net expenditure "below-line" of £124,422,000 leaving a total cumulative deficit to date of £1,129,197,000 compared with £1,101,986,000 in 1960–61.

£'000	Estimate 1961–62	April 1, 1960, to Jan. 7, 1961	April 1, 1961, to Jan. 6, 1962	Week ended Jan. 7, 1961	6 days ended Jan. 6, 1962
Ordinary Revenue					
Income Tax	2,718,500	1,060,308	1,189,619	62,917	63,442
Surtax	210,000	70,700	77,600	13,800	14,200
Death Duties	240,000	172,200	194,300	3,900	6,000
Stamps	94,000	68,700	73,800	1,600	2,100
Profits tax, EPT and SPL	325,500	213,900	270,400	4,400	7,000
Other Inland Rev. Duties	...	100	...	...	...
Total Inland Rev.	3,598,000	1,585,908	1,805,719	86,617	92,742
Customs	1,550,000	1,138,523	1,252,678	30,210	33,253
Excise	960,000	725,100	752,100	10,760	13,625
Total Customs and Excise	2,510,000	1,863,623	2,004,778	40,970	46,878
Motor Duties	155,000	55,356	55,875	12,687	1,285
PO (Net Receipts)	...	...	...	...	...
Broadcast Lic's.	40,000	26,500	27,800	...	...
Sundry Loans	205,000	40,433	194,347	141	206
Miscellaneous		95,462		9,051	
Total	**6,508,000**	**3,667,282**	**4,088,519**	**149,466**	**141,111**
Ordinary Expenditure					
Debt Interest	660,000	521,332	558,217	3,399	5,145
Payments to N. Ireland Exch.	92,000	64,684	70,889	4,543	4,986
PO Fund — Initial settlement	15,000	...	7,282	...	...
Other Consolidated Fund	8,000	6,857	7,087	1,936	1,938
Supply Services	5,186,902	3,657,421	3,932,300	91,800	86,700
Total	**5,961,902**	**4,250,294**	**4,575,775**	**101,678**	**98,769**
Sinking Funds	40,000	27,597	28,592	917	1,338
"Above-line" Surplus or Deficit (+ / −)	**610,609**	**515,848**	**46,871**	**41,004**
Below-line" Net Expenditure (+)	491,377	613,349	1,393	124,422
Total Surplus or Deficit (+ / −)	**1,101,986**	**1,129,197**	**45,478**	**83,418**
Net receipts from:				
Tax Reserve Certificates	220,804	225,309	885	20,382
Savings Certificates	47,600	−20,400	800	−1,700
Defence Bonds	81,024	19,158	1,655	−595
Premium Savings Bonds	43,150	31,900	1,200	−300
Total	**392,578**	**255,967**	**4,540**	**18,387**

Net receipts of the Civil Contingencies Fund £3 million in 1961–62 compared with a net receipt of £3 million in 1960–61.

FLOATING DEBT

(£ million)

	Treasury Bill: Tender	Treasury Bill: Tap	Ways and Means Advances: Public Dept.	Ways and Means Advances: Bank of England	Total Floating Debt
1961					
Jan. 7	3,510·0	2,054·7	277·3	...	5,842·0
Sept. 30	3,220·0	2,018·6	283·7	...	5,522·3
Oct. 7	3,240·0	1,998·1	207·2	...	5,445·3
,, 14	3,260·0	2,003·4	208·7	...	5,472·2
,, 21	3,270·0	1,997·8	183·1	...	5,450·9
,, 28	3,280·0	2,003·2	211·5	...	5,494·8
Nov. 4	3,280·0	2,063·7	201·1	0·8	5,545·5
,, 11	3,290·0	1,930·7	216·9	...	5,497·6
,, 18	3,310·0	1,976·2	250·6	...	5,536·8
,, 25	3,330·0	2,016·1	205·3	...	5,551·4
Dec. 2	3,350·0	2,073·9	228·5	...	5,657·4
,, 9	3,370·0	2,083·8	232·2	...	5,676·0
,, 16	3,370·0	2,148·9	235·2	0·8	5,754·9
,, 31	3,400·0	2,205·3	205·1	...	5,810·4
1962					
Jan. 6	3,330·0	2,163·3	339·7	...	5,382·9

THE MONEY MARKET

At last week's Treasury bill tender the syndicate of discount houses lowered its bid, for the third week in succession, by 2d. to £98 12s. 10d., and the average rate of discount rose by 7.09d. to £5 8s. 7.81d. per cent—bringing the total rise in the three weeks to 2s. 2.98d. per cent. The market received 38 per cent of its application compared with 51 per cent in the previous week. The discount houses now seem to be seeing how far they can push the bill rate up again—a reversal of the policy pursued in the fourth quarter of 1961 when they went all-out to rebuild portfolios depleted by heavy competition in the third quarter.

Credit has been short this week, and conditions have been confused by the postal delays. The London clearing banks have issued a warning that cheque clearings may be delayed. In the morning sessions the banks have made heavy precautionary withdrawals. Before the close, however, money has generally been on offer. In these conditions the authorities have been set a difficult task in judging the market's credit needs. On four days the authorities provided special help, but on Tuesday one or two houses were still forced to borrow a small amount at Bank rate.

MONEY RATES

LONDON

	%		%
Bank rate (from 6½%, 2/11/61)	6	**Discount rates** (Wednesday):	
Deposit rates (7 days' notice):		Bank bills:	
Banks	4	60 days	5 11/16–5 3/4
Discount houses	4–4 1/4	3 months	5 11/16–5 3/4
Local Authorities	6 1/4	4 months	5 11/16–5 3/4
Call money:		6 months	5 11/16–5 13/16
Clearing banks' minimum	4 1/2	Fine trade bills:	
Day-to-day	4–5 1/2	3 months	6 3/4–7 1/2
		4 months	6 7/8–7 1/2
		6 months	7 –8

NEW YORK

	%		%
Official Discount rate (from 3 1/2%, 11 8 60)	3	**Treasury bills:** December 29	2 703
		January 8	2 823

BANK OF ENGLAND RETURNS

(£ million)	Jan. 11 1961	Jan. 3 1962	Jan. 10 1962
Issue Department:			
Notes in circulation	2,255·0	2,405·4	2,361·3
Notes in banking dept.	45·4	69·9	64·1
Govt. debt and securities*	2,298·0	2,474·0	2,424·0
Other securities	0·7	0·7	0·7
Gold coin and bullion	0·4	0·4	0·4
Coin other than gold coin	1·3	0·3	0·3
Banking Department:			
Deposits:			
Public accounts	12·2	11·6	16·1
Special deposits	155·9	236·5	236·5
Bankers	227·0	231·2	223·3
Others	64·6	70·3	67·4
Total	459·7	549·6	548·1
Securities:			
Government	371·8	424·9	439·9
Discounts and advances	40·9	52·6	42·5
Other	19·0	19·5	19·3
Total	431·7	497·0	501·7
Banking department reserve	46·2	70·8	64·9
"Proportion"	10·0 %	12·8 %	11·5 %

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue reduced by £50 million to £2,425 million on January 10th.

TREASURY BILL TENDERS

Date of Tender	Amount (£ million) Offered	Applied for	Three Months' Bills: Average Rate of Allotment	Allotted at Max. Rate
1961	91 day		s. d.	%
Jan. 6	240·0‡	398·0	86 10·38	32
Oct. 6	260·0	397·9	122 5·80	57
,, 13	260·0‡	419·0	120 2·28	59
,, 20	250·0	416·1	118 5·35	51
,, 27	250·0	431·2	114 6·57	66
	91 day / 63 day			
Nov. 3	200·0 / 60·0	412·7	108 6·10	63
,, 10	230·0 / 40·0	458·9	108 5·49	44
,, 17	220·0 / 50·0	430·2	107 9·71	56
,, 24	220·0‡ / 60·0	471·8	107 9·40	42
Dec. 1	220·0 / 50·0	461·3	107 1·08	44
,, 8	230·0 / 30·0	455·3	106 5·34	46
,, 15	210·0 / 50·0	371·6	106 4·83	37
,, 22	210·0 / 50·0	379·0	107 3·18	52
,, 29	250·0	396·0	108 0·72	51
1962				
Jan. 5	240·0	406·9	108 7·81	38

* On January 5th tenders for 91 day bills at £98 12s. 10 secured 38 per cent, higher tenders being allotted in fu The offer for this week was for £240 million 91 day bil ‡ Allotment cut by £10 million.

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Effective Limits: January 10	Market Rates: Spot: January 4	January 5	January 6	January 8	January 9	January 10
United States $	2·78–2 82"	2·80 15/16–81 1/16	2·80 15/16–81 1/16	2·80 15/16–81 1/16	2·81–81 1/8	2·81 1/16–3/16	2·80 15/16–81
Canadian $	...	2·93 7/16–9/16	2·93 5/16–7/16	2·93 7/16–9/16	2·93 3/8–1/2	2·93 1/4–7/8	2·93 1/2–5/8
French Fr.	13·622–14·027	13·76 1/4–1/2	13·76 1/4–3/4	13·76 1/2–3/4	13·76 7/8–77 1/8	13·77 3/8–5/8	13·76 1/8–77
Swiss Fr.	11·94–12·54 7/8	12·13 1/4–3/4	12·13 1/4–3/4	12·13 3/8–7/8	12·13 1/4–1/4	12·13 1/4–1/4	12·13–13
Belgian Fr.	137·96–142·05	139·82 1/2–87 1/2	139·82 1/2–87 1/2	139·82 1/2–87 1/2	139·85–90	139·92 1/2–97 1/2	139·85–9
Dutch Gld.	9·98 3/4–10·28 1/2	10·12–12 1/4	10·12–12 1/4	10·12–12 1/4	10·12 1/4–1/2	10·12 1/8–3/8	10·11 7/8–12
W. Ger. D-Mk.	11·037–11·365	11·22 1/4–3/4	11·22 3/8–5/8	11·22 1/4–3/4	11·22 1/4–3/4	11·22 1/4–1/2	11·22–22
Portug. Esc.	...	80·20–30	80·18–28	80·18–28	80·18–28	80·18–28	80·18–28
Italian Lire	1725–1775	1743 1/4–3/4	1743 1/4–3/4	1743 1/4–3/4	1744 1/4–45 1/4	1745–45 1/2	1744 1/2–45
Swedish Kr.	14·27 1/2–14·70	14·53 1/8–3/8	14·53 1/8–3/8	14·53 1/4–1/2	14·52 3/4–3/4	14·52 5/8–7/8	14·52 3/4–5
Danish Kr.	19·06 1/2–19·62	19·33 1/4–1/2	19·33 3/8–5/8	19·33 3/8–5/8	19·33 3/8–5/8	19·33 3/8–5/8	19·33 1/2–3
Norwegian Kr.	19·71–20·30 1/2	20·02 3/8–7/8	20·03 1/8–3/8	20·03 1/8–3/8	20·03 1/8–3/8	20·03 1/8–3/8	20·03 3/8–5

* Official Limits

One Month Forward Rates

United States $	13/16–11/16c. pm
Canadian $	3/4–5/8c. pm
French Fr.	3–2 1/2c. pm
Swiss Fr.	3 3/8–3 1/8c. pm
Belgian Fr.	38–28c. pm
Dutch Gld.	3 1/2–3c. pm
W. German D-Mk.	3 3/4–3 1/2pf. pm

Three Months Forward Rates

United States $	2–1 7/8c. pm
Canadian $	1 15/16–1 13/16c. pm
Swiss Fr.	10 1/4–9 5/8c. pm
W. German D-Mk.	10 1/2–10pf. pm

Gold Price at Fixing

Price (s. d. per fine oz.)	250/3 1/4	250/3	...	250/3	250/2	250/2
,, ($,, ,,)	35 15/16	35 15/16		35 15/16	35 16	35 16

Manpower and Output

Labour figures relate to Great Britain and production figures to United Kingdom unless otherwise stated.
M = Monthly averages or calendar months.
W = Weekly averages.

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

BRITISH

Prices and Wages	Dec. 30th	External Trade	Dec. 16th
Manpower and Output	This week	Industrial Profits	Oct. 14th

OVERSEAS

Western Europe	Dec. 23rd	United States	Jan. 6th

	Unit	Mid-year or averages: 1958	1959	1960	1960: Oct.	Nov.	Dec.	1961: Aug.	Sept.	Oct.	Nov.	Dec.
TOTAL MANPOWER		June figures										
Working population:												
Total	'000s	24,070	24,145	24,436	24,691	24,709	24,557	24,757	24,778	24,814	24,838	...
Men	,,	16,160	16,137	16,239	16,354	16,343	16,295	16,364	16,365	16,387	16,392	...
Women	,,	7,910	8,008	8,197	8,337	8,366	8,262	8,393	8,413	8,427	8,446	...
Armed Forces	,,	614	565	518	511	508	503	464	464	461	457	...
Civil employment:												
Total	,,	23,080	23,197	23,628	23,858	23,875	23,711	24,000	24,008	24,017	24,029	...
Manufacturing industries	,,	...	8,477	8,811	8,949	8,953	8,897	8,963	8,994	8,990	8,997	...
Employees:												
in engineering (2)	,,	...	3,545	3,740	3,795	3,795	3,781	3,818	3,840	3,850	...	...
in consumer goods industries (3)	,,	...	3,102	3,154	3,200	3,203	3,172	3,192	3,198	3,214	...	...
UNEMPLOYMENT		Monthly averages										
By duration:												
All durations—total	,,	457·4	475·2	360·4	328·5	351·8	365·1	305·2	317·0	365·7	387·4	389·3
Temporary	,,	47·3	30·7	14·5	15·3	23·8	42·2	8·2	26·4	43·2	39·0	34·8
Wholly unemployed(5)—total	,,	401·9	432·8	337·2	308·5	325·7	321·9	264·9	276·2	318·2	345·5	352·9
" " *Seasonally adjusted*	,,	...	...	...	310·4	312·3	309·6	308·9	307·4	322·7	334·1	341·3
Over 8 weeks	,,	197·7	243·4	187·6	151·2	159·7	166·2	137·9	134·2	143·9	155·3	168·5
By regions (4):												
Great Britain	%	2·1	2·2	1·6	1·5	1·6	1·6	1·4	1·4	1·6	1·7	1·7
London and South Eastern	,,	1·3	1·3	0·9	0·9	1·0	0·9	0·9	0·9	1·0	1·1	1·1
Eastern and Southern	,,	...	1·5	1·3	1·1	1·3	1·4	0·9	0·9	1·2	1·4	1·2
South Western	,,	2·2	2·2	1·7	1·5	1·7	1·7	1·2	1·2	1·5	1·7	1·7
Midland	,,	1·6	1·5	1·0	0·9	1·2	1·9	1·1	1·4	1·7	1·7	1·6
North Midland	,,	1·6	1·5	1·1	0·9	0·9	1·0	0·9	0·9	1·0	1·1	1·1
East and West Ridings	,,	1·9	1·9	1·2	1·0	1·0	1·0	0·9	1·0	1·1	1·2	1·2
North Western	,,	2·7	2·8	1·9	1·7	1·7	1·5	1·6	1·7	1·7	1·9	1·8
Northern	,,	2·4	3·3	2·8	2·5	2·6	2·6	2·3	2·3	2·5	2·9	3·0
Scotland	,,	3·8	4·4	3·6	3·3	3·4	3·3	2·9	2·8	3·0	3·2	3·5
Wales	,,	3·8	3·8	2·7	2·4	2·6	2·8	2·1	2·2	3·5	2·8	2·8
VACANCIES												
Unfilled vacancies: Total	'000s	198	224	314	324	310	294	359	328	289	263	248
" " *Seasonally adjusted*	,,	...	...	...	*332*	*328*	*318*	326	322	296	282	279
STOPPAGES OF WORK												
Working days lost: Total	M '000s	289	439	252	398	266	104	121	181	381	153	...
in engineering (15) (2) industries	M ,,	51[14]	80[14]	121	205	179	45	63	94	249	48	...
INDUSTRIAL PRODUCTION												
Index:												
All industries	1954=100	106	113	120	127	127	120	102	125	127	...	...
" " *seasonally adjusted*	,,	...	...	...	*121*	*120*	*121*	*124*	*122*	*120*	...	...
Mining and quarrying	,,	94	92	89	94	94	87	67	89	94	...	...
Construction	,,	105	111	118	...	121[13]	...	128[9]	...	...	...	...
Gas, electricity and water	,,	119	123	133	136	151	160	111	123	140	...	...
Manufacturing, total	,,	107	114	123	131	129	120	100	127	128	...	...
" " *seasonally adjusted*	,,	...	...	...	*123*	*122*	*123*	*125*	*123*	*121*	...	...
Engineering and electrical goods	,,	111	118	127	135	135	138	105	144	140	...	...
Shipbuilding	,,	109	101	92	89	90	93	91	93	93	...	...
Vehicles	,,	118	131	139	133	131	124	94	129	128	...	...
Chemical trades	,,	115	131	145	151	152	142	134	149	...	...	...
Textiles, leather and clothing	,,	91	98	102	115	112	94	82	109	107	...	...
Basic material production:		M/W averages										
Coal (7) (8)	W '000 tons	4,150	3,963	3,725	3,880	3,933	3,657	2,732	3,708	3,940	4,061	3,699
Pig iron	W ,,	245	242	303	314	315	306	265	261	248	270	250
Steel, ingots and castings	W ,,	369	388	467	497	505	451	338	400	382	420	357
Sulphuric acid	M ,,	186·8	202·3	225·1	233·3	222·6	238·8	203·9	208·3	225·4	...	...
Newsprint	W ,,	11·81	12·87	14·25	15·09	14·87	13·57	11·45	13·06	13·30	...	...
Electricity (7) (11)	M mn. kwh	8,208	8,764	9,904	10,448	11,467	12,654	8,306	9,148	11,022	12,586	...
Gas (12)	W mn. therms	54·9	53·5	55·7	55·6	61·8	65·7	40·8	46·3	53·9	63.2	...
extile production:												
Cotton yarn, single	W mn. lb.	14·77	14·58	14·44	15·52	15·54	13·65	12·40	12·41	13·58	...	...
Worsted yarn (6)	M ,,	17·18	19·34	20·40	22·16	23·39	19·70	14·96	21·66	22·10	...	...
Rayon and synthetic fibres	M ,,	35·18	42·89	49·33	50·21	51·00	47·10	41·95	45·40	52·8	52·10	...
Cotton cloth, woven	W mn. yds.	27·0	25·7	24·9	26·9	26·4	24·3	23·1	23·0	24·5	...	...
Wool fabrics, woven (4)	M mn. sq. yds.	29·1	30·4	30·6	32·9	34·1	29·4	23·3	31·1	31·8	...	...
ngineering production:												
Passenger cars and chassis	W '000s	19·84	22·88	26·01	22·58	19·00	15·36	11·49	20·18	18·84	20·78	...
Commercial vehicles and chassis	W ,,	5·90	7·13	8·81	8·97	9·39	9·10	5·36	9·00	8·73	8·81	...
Merchant ships (1)	M '000 gr. tons	120	115	108	86	134	104	50	196	115	131	...
Internal combustion engines (4)	M '000 BHP	378	468	577	576	639	649	445	...	...	...	...
Metal-working machine tools (4)	M £'000	6,993	6,564	7,911	8,094	9,131	8,662	7,445	10,148	10,420	...	...
Television sets	M '000s	166·5	238·6	178·4	166·8	158·3	110·9	64·2	124.7	...	...	...
rmanent houses completed (10):												
Total	M '000s	20·13	20·78	22·44	24·35	23·24	24·07	21·92	22·36	25·44	22.79	...
For local housing authorities	M ,,	9·43	8·29	8·60	8·63	8·20	9·71	6·98	7·01	8·45	7.68	...

(1) Vessels of 100 gross tons and over completed. (2) Engineering and electrical goods, shipbuilding and marine engineering, vehicles, metal goods. (3) Textiles, leather goods, clothing, food, drink and tobacco, timber, furniture, paper, printing and publishing. (4) Number registered as unemployed expressed as a percentage of the estimated number of employees. (5) Excluding school-leavers. (6) Deliveries. (7) Great Britain. (8) Excluding all screening losses normally amounting to around 5,000 tons a week. (9) Average for third quarter. (10) England and Wales. (11) Generation for public supply. (12) Total available at gas works. (13) Average for fourth quarter. (14) 1948. S.I.C. (15) Also including metal manufacture.

APPOINTMENTS

CALTEX

THE BAHRAIN PETROLEUM COMPANY LIMITED

DATA ANALYSIS SPECIALIST

The Bahrain Petroleum Company Limited in Bahrain (Middle East) requires the services of a Specialist in Data Analysis for its Technical Services Department.

Applicants should possess a degree in Science, Engineering or Economics and should have had at least five years' experience in data analysis work involving the use of statistical methods and operational research techniques such as multiple regression analysis, factorial and other experimental designs, the setting up and calculation of optimisation problems as in linear programming. A keen interest and some experience in the application of digital computers to data processing problems would be an advantage.

Depending on experience and background, a commencing salary of between £2,000 and £2,500 will be offered together with free air-conditioned accommodation and a living allowance. An initial kit allowance, medical attention, paid home and local leaves (passages paid for the former and generous assistance towards the latter) are also provided, with participation in Pension and Provident Fund Schemes.

Suitably qualified men should apply to

CALTEX SERVICES LIMITED

CALTEX HOUSE, KNIGHTSBRIDGE GREEN, LONDON SW1

UNUSUAL ACCOUNTANCY APPOINTMENT

RECKITT & COLMAN wish to appoint an experienced accountant to advise their companies overseas about their accounting procedures, with a view to introducing changes where needed.

Enquiries are invited from Chartered Accountants with a sufficient knowledge of management accounting, costing, budgetary control and mechanised systems to make it appropriate for them to give advice to qualified company accountants, who may not have so much experience in some of these subjects.

The appointment offers an exceptional opportunity to an enterprising man, who would like to visit other countries whilst making his home in the U.K. Preference will be shown for men aged between 32 and 40, with a good liberal education.

Enquiries should be addressed to:

Personnel Adviser,
Reckitt & Colman Holdings Limited,
Dansom Lane, Hull.

DCL

MANAGEMENT ACCOUNTANT

The Distillers Company Limited wishes to appoint a man with an accountancy background to the Headquarters of its Industrial Group in London. The position calls for a wide interest in the theoretical and practical use of figures as applied to industrial problems with particular emphasis on the economic and financial aspects of new investment projects in the United Kingdom and overseas. This work will involve co-operation with senior executives in the Divisions and Departments of the Industrial Group. Study of techniques and practice in management accounting in the United Kingdom and other countries will be another substantial part of this job.

This is not a back-room appointment and is an opportunity for an energetic and able man to play a full part in the development of the Industrial Group's varied interests.

Candidates must be Chartered Accountants preferably with a university degree including economics as a subject. Reasonable ability to speak and read French and German is most desirable. The post will probably be filled by a man in his thirties currently earning about £2000 p.a. plus who aims at a senior financial/commercial appointment in three to five years' time.

Write: STAFF MANAGER
THE DISTILLERS COMPANY LIMITED,
21/22, BOLTON STREET, LONDON, W.1.

Quote reference: 201 E.C.

THE BRITISH ALUMINIUM CO. LTD.

Industrial Market Research

The British Aluminium Company has two vacancies in the Market Research Department. The department is responsible for evaluating new and existing outlets for aluminium at home and abroad. It also analyses and comments upon the sales performance of the company and assists in long-term planning. The vacancies are :—

Assistant Manager

Requirements : A man with a first or upper second class honours degree, preferably in economics. A knowledge of statistics would be an advantage. An essential is at least three years' experience in industrial market research. Age 25 years minimum.
The successful applicant will be capable of carrying through a major industrial market survey from first planning to final editing and publication, without supervision. This will involve intermittent travel in the U.K. and occasionally abroad. He will also share in all the other functions of the department, and will deputise for the Market Research Manager.
Starting Salary dependent on qualifications and experience, but not less than £1,200 a year. There is a pension scheme and other benefits. Prospects are excellent.

Research Assistant

Requirements : A woman with a good honours degree, preferably in economics, plus some experience of industrial market research. This must include practical experience of interviewing on industrial subjects. Knowledge of European languages would be an advantage. Age : at least 23 years.
The successful candidate will be chiefly engaged in assisting the other members of the department on industrial market surveys, and will be expected to work with limited supervision. There will be a fair amount of travelling within the U.K.
Starting salary according to qualifications and experience but not less than £850 a year, plus fringe benefits.

Applications, with brief details of education, qualifications and experience, should be addressed to The Staff Manager, The British Aluminium Co. Ltd., Norfolk House, St. James's Square, London, S.W.1.

FINANCIAL CONTROLLER

This is a new appointment in Central London with an old established Public Company employing some 800 people. The Company designs, manufactures and installs on site specialised equipment.

The selected candidate will be around 40, with adequate professional qualifications and first-class industrial experience, especially in management accounting. He will be required to participate in reorganisation and must be able to overcome the human difficulties associated with changing the methods used by many long-service staff.

Initial salary will be commensurate with responsibilities and is open to negotiation. There is a contributory Pension Scheme. Prospects include the possibility of a directorship in due course.

Reply in confidence, stating present salary, to Cook, Orr & Partners Ltd., 6 Buckingham Palace Gardens, London, S.W.1, who are advising on this appointment, quoting reference FC/1561/EC in the envelope.

ABRAC

A. BOAKE, ROBERTS & CO. LTD.

Member of the Albright & Wilson Group of Companies

seek a

GRADUATE TRAINEE

preferably in Commerce or Economics who will receive a comprehensive training throughout the Accounts Division. He will commence as an assistant on Budget Control and will gain an all-round knowledge of financial accounting and of the Company's activities.
The person appointed will be given every encouragement to qualify as a Certified or Cost & Works Accountant. He will also be given day-release facilities and assistance with study costs.

Applications to:

Staff Manager.
A. Boake, Roberts & Co. Ltd.,
Carpenters Road, Stratford,
London, E.15.

THE LONDON SCHOOL OF ECONOMICS AND POLITICAL SCIENCE

Applications are invited for the positions of RESEARCH FELLOW and RESEARCH OFFICER in the Research Techniques Division.
The RESEARCH FELLOW will conduct criminological research primarily on the *methods* on which studies of crime are based. Research issues include : the accuracy of research information ; techniques for eliciting information ; the potential of survey methods for the development of control samples ; the adequacy of existing methods of analysis for studying the causes of crime.
The position will involve responsibility for the development and the progressing of research projects and will entail liaison with public bodies and with those working in crime research.
Applicants must have a university honours degree (not less than second class) or advanced training in psychology or in sociology, and a working grasp of statistics. *Practical experience in social research is essential*, preferably including survey work with members of the public and the use of intensive interviewing techniques. A realistic concern with scientific method is essential.
The salary will be upwards of £1,700 a year, plus a London allowance of £60 a year and F.S.S.U. benefits. There will be full opportunity to publish findings.
The RESEARCH OFFICER will work on the same series of projects but will, in the first instance, be responsible to senior research staff. Applicants should hold a university honours degree, should have advanced training in psychology or sociology and a good grasp of elementary statistics. Practical experience in social research is essential.
Salary is in the range £750-£1,000 (plus London Allowance of £60) per year. This position offers opportunity to publish results, and experience in an area of basic importance to research (i.e., methods). There would be opportunity to work towards a higher degree.
Applications, which should be received by February 14, 1962, should be sent to : The Secretary, The London School of Economics and Political Science, Houghton Street, London, W.C.2. The following information should be included in the application—academic and other qualifications, with special reference to psychology, sociology and statistics ; practical experience in research, with a statement of the level of responsibility involved ; research interests ; reference to any publications ; age and other relevant biographical details.

FEDERATION OF RHODESIA AND NYASALAND

CENTRAL STATISTICAL OFFICE
STATISTICIANS

Applications are invited from graduates having university degrees with first or second class honours (or the equivalent) in Statistics or Economics with Statistics or in Mathematics with Statistics :—
Senior Statistician
Applicants who have at least six years' post-graduate experience, some of which has been in a position of responsibility, will be considered for posts at £2,000 per annum (men) and £1,600 per annum (women) on contract for three years.
Junior Statisticians
Applicants with four years' post-graduate experience will be considered for posts at £1,350 per annum (men) and £1,150 per annum (women). Applicants with less than four years' experience will be considered for posts at £1,150 per annum (men) and £985 per annum (women). General conditions will be the same as those for senior statisticians.
All posts on contract will be for a period of three years and return passages will be paid.
Medical aid scheme, low income tax, free education up to university entrance, opportunities for sport and recreation in excellent climate.
Application forms and further particulars from : The Secretary (R), Rhodesia House, Strand, LONDON, W.C.2.
Closing date : **January 30th.**

APPLICATIONS invited from Women Historical and English Graduates (25-40) with personality and interest in World Affairs to teach girls over 18. Stimulating work, international connections. Scope for initiative, good salary and delightful conditions.—Apply, Mrs. NEVILLE-ROLFE, HOUSE OF CITIZENSHIP, Aylesbury.

UNIVERSITY COLLEGE OF NORTH WALES, BANGOR

APPLICATIONS ARE INVITED for Honours graduates for the post of Assistant Lecturer in Economics.
The salary scale is £400 x £50—£950 per annum and in addition there are F.S.S.U. benefits and family allowances. The appointment will date from October 1, 1962.
TWO copies of the application should reach the Registrar, from whom further particulars may be obtained, *not later than February 1, 1962.*

Financial Journalist

Leading Sunday newspaper wants bright young financial journalist. Must have some knowledge of stock market and be able to write like an angel. Will be rewarded with wide brief, generous salary and excellent prospects.

Please write Box TE.320, c/o Hanway House, Clark's Place, E.C.2.

POSTGRADUATE STUDENTSHIPS IN USSR 1962-63

Applications are invited for twenty scholarships for study in Soviet universities for the academic year 1962-63. These awards are open to postgraduate students currently engaged in study or research at universities or equivalent institutions. Undergraduates now in their final year may be considered. Applicants must be of British nationality and have a working knowledge of the Russian language. Outline particulars and application forms, for which a stamped (4½d.) self-addressed foolscap envelope should be sent, are obtainable from the British Council, State House, High Holborn, London, W.C.1. Completed application forms must be returned to the British Council by February 16, 1962.

STATISTICIAN/ECONOMIST with good degree and preferably with some research experience required progressively post in sizeable economics department. The successful candidate will work in London on varied and interesting topics mainly within a framework of econometrics. ECONOMIST—with or without statistical qualifications—also required, carrying salary for both posts commensurate with qualifications and experience. Good working conditions, pension scheme, etc.—Please apply by letter to The Director of Administration, INTERNATIONAL WOOL SECRETARIAT, Dorland House, 18-20 Regent Street, S.W.1, marking the envelope "Confidential".

THE UNIVERSITY OF LEEDS
DEPARTMENT OF MATHEMATICS

Applications are invited for appointment as Tutor or Assistant Lecturer in Statistics at a salary on the scale £1,050 x £50—£1,400 x £75—£1,850 (efficiency bar at £1,550) a year for a Lecturer, or within the range £800—£950 a year for an Assistant Lecturer, according to age, qualifications and experience. Applications (three copies) stating date of birth, qualifications and experience, together with the names of three referees, should reach the Registrar, The University, Leeds 2, from whom further particulars may be obtained) not later than 1 February, 1962. Applicants from abroad may apply in the first instance by air mail, naming three referees, preferably in the British Isles.

THE UNIVERSITY OF LEEDS
DEPARTMENT OF MATHEMATICS

Applications are invited for appointment of Tutor or Assistant Lecturer in Applied Statistics at a salary on the scale £800 x £50—£1,400 x £75—£1,850 according to age, qualifications and experience. Applications (three copies) stating date of birth, qualifications and experience, together with the names of three referees, should reach The Registrar, The University, Leeds 2, from whom further particulars may be obtained, not later than February 1, 1962.

SCHOLARSHIPS ABROAD 1962-63

Applications are invited from British students for scholarships offered by Austria, Belgium, Czechoslovakia, Denmark, Finland, France, Germany, Greece, Iceland, Indonesia, Iran, Italy, Japan, The Netherlands, Norway, Poland, Portugal, Roumania, Spain, Sweden, Switzerland, U.S.S.R. and Yugoslavia. The awards are mainly for university graduates and are tenable for periods varying from one to twelve months during the academic year 1962-63. Full particulars and application forms, for which a stamped (4½d.) self-addressed adhesive label should be sent, are obtainable from the British Council, State House, High Holborn, London, W.C.1, or from any British Council office in the United Kingdom.

UNIVERSITY OF NOTTINGHAM

Applications are invited for a LECTURESHIP OR ASSISTANT LECTURESHIP IN INDUSTRIAL ECONOMICS, with special reference to Industrial Relations. Scales : Lecturer £1,050 to £1,850; Assistant Lecturer £800 to £950 ; initial salary according to qualifications and experience, plus membership of the Universities Superannuation Scheme and children's allowances. Conditions of appointment and form of application, to be returned by Saturday, February 3, 1962 from the Registrar.

For further appointments and other classified advertisements see pages 182 & 184

AUSTRALIAN NATIONAL UNIVERSITY
Canberra

RESEARCH SCHOOL OF SOCIAL SCIENCES

Applications are invited for appointment to a PROFESSORIAL FELLOWSHIP IN ECONOMIC THEORY IN THE DEPARTMENT OF ECONOMICS, Head of Department : Professor J. W. Nevile. The salary will be within the range £A3,250-£A3,750 per annum. Recognised travel and removal expenses are payable.
One year's study leave with travel allowances will be granted after each two years' service.
Four Professorial Fellows will be elected to undertake research in economic theory and to supervise and take part in post-graduate studies. The work of the Department of Economics has three main branches—economic statistics, economic history and economic theory. The present general interest of the Department is in processes and problems of economic growth and fluctuation, but the interest of the Professorial Fellows in Economic Theory need not be in this field.
Further particulars should be obtained from the Secretary, Association of Universities of the British Commonwealth (Branch Office), Marlborough House, Pall Mall, London, S.W.1.
Applications close in Australia and London on March 12, 1962.

THE ROYAL COLLEGE OF ADVANCED TECHNOLOGY, SALFORD

MANAGEMENT STUDIES

The College is to set up a new Department of Management Studies and the Governors require a person of administrative ability as Head of Department who has already had relevant experience.
The future position regarding the salary scales applicable to Colleges of Advanced Technology is not yet finally settled, but it is anticipated that the salary attached to this post will be of the order of £2,750 to £3,000 per annum.
Applications, giving details of age, education, qualifications and experience, together with the names and addresses of not more than three referees, should be sent to the Registrar, ROYAL COLLEGE OF ADVANCED TECHNOLOGY, Salford 5, Lancs., by February 15th, 1962.

THE UNIVERSITY OF MANCHESTER

RESEARCH STUDENTSHIPS AND GRANTS IN ECONOMIC AND SOCIAL STUDIES

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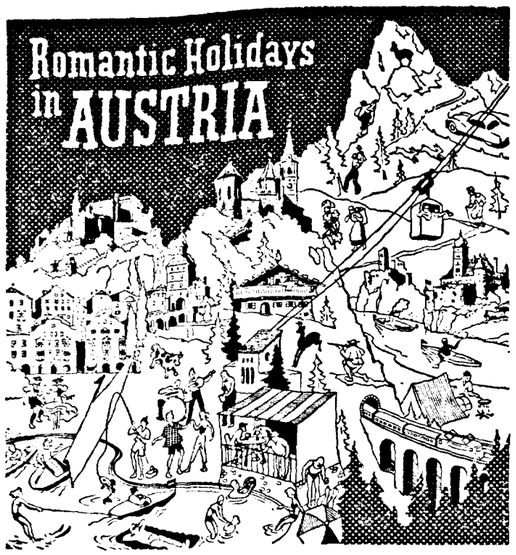
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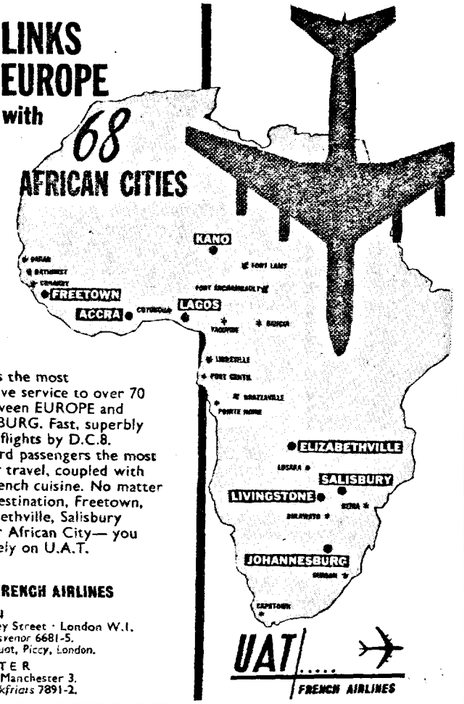
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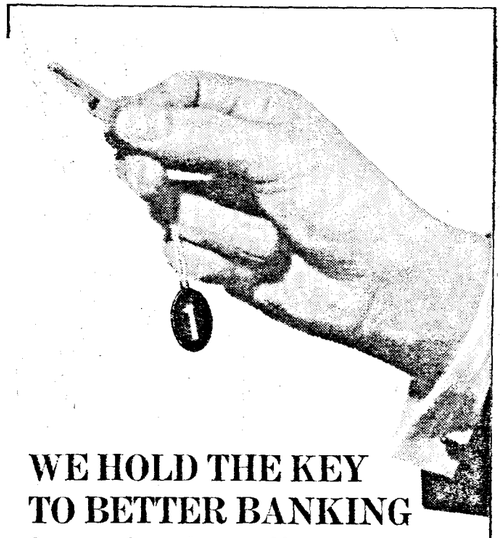


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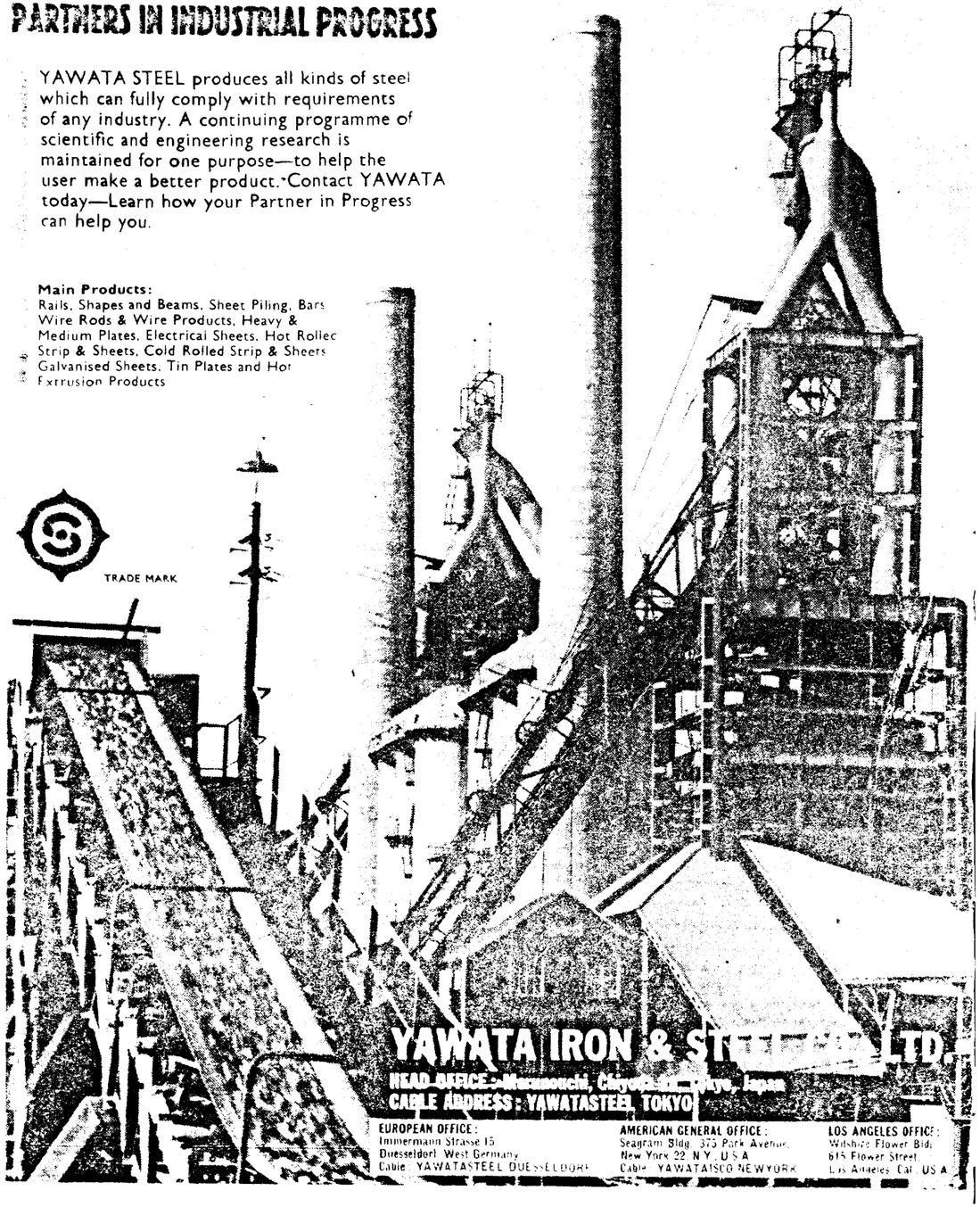
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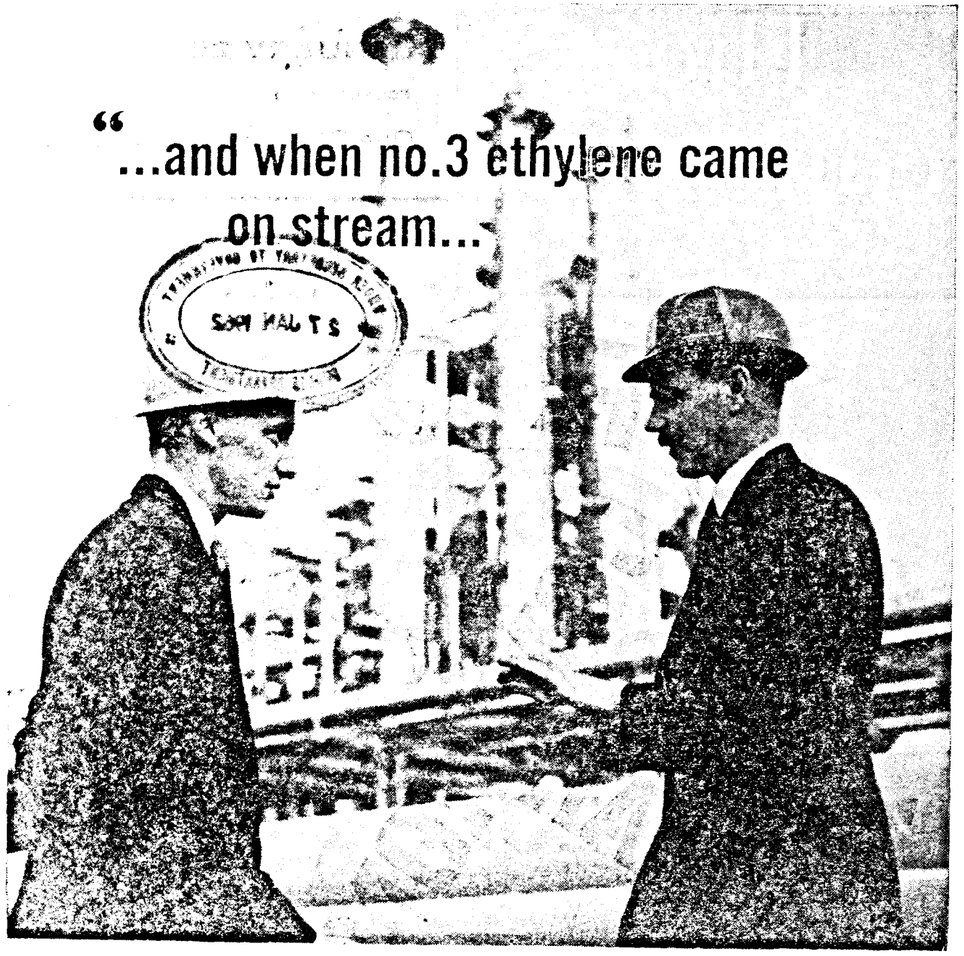
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WEST AFRICA **NOW, FREEDOM**
Pages 203 to 206

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INTERNATIONAL

ONE MAN ONE VOTE

Next Thursday, the leaders of the independent (non-white) countries in Africa will meet at Lagos to talk about unity. A special survey of what unites (rather than divides) them in west Africa begins on page 203.

In the Congo, Mr Adoula seems to be getting somewhere (p. 210).

In Algeria, the first task is to end the slaughter (p. 209).

Sir Roy Welensky: votes in favour (p. 216).

"Guilty Land," a new book about South Africa, is reviewed on p. 220.

ONE COUNTRY ONE VOTE

The new African and Asian countries voting at the United Nations are no less likely to act according to their self-interest than are the older countries; the task is to channel this self-interest in the right direction (p. 201).

British and American officials met last week to discuss the United Nations—their contrary votes ended in a kind of understanding (p. 232).

Work for the United Nations to do: in Indonesia, p. 209; in Kashmir, p. 213.

ONE PRESIDENT—HOW MANY VOTES?

Before the United States Congress:

President Kennedy is trying to fit the national needs into a balanced budget (p. 226). His proposals for a new tariff policy are imaginative and far-reaching (p. 227).

He would like to give city-dwellers a fairer share in the government (p. 227).

The managers of the United States public debt received a slight setback this week in their manoeuvres (p. 230).

The two largest American railways have given notice of their intention to marry but the union may be forbidden (p. 231).

The Mormons are as successful in business as they are in missionary work (p. 228).

NO VOTE

Mr Khrushchev is not the undisputed master of all the communist world. Is he even master of his own house? (p. 207)—or master of the land where the tall corn grows? (p. 237).

His quarrel with China, via Albania, continues (p. 207).

The Greeks, meanwhile, hope to patch up their own quarrel with Albania (p. 234).

But east Germans and west Germans are still shouting at one another over the air-waves (p. 234).

BRITAIN AND EUROPE

The European Six have reached a potentially liberal—if immensely complex—agreement on agriculture: now they can turn their attention to the Anglo-Saxons (p. 199).

The British must learn to make do with less than a full feast (p. 200).

The Labour party finds that European policy is its greatest bone of its present internal contention (p. 208).

HOME

ROUNDABOUT

Courtaulds-ICI: Britain's two giant producers of man-made fibres are professing—and backing—two entirely different philosophies of manufacture (p. 241).

Who gets credited with the balance-of-payments deficits? (p. 254).

King's Lynn: an East Anglian town, under its own power, is trying to ease one of London's problems while increasing its own prosperity and population (p. 218).

Circuitous arguments about electronic computers for banks (p. 249).

Either the BBC or Independent Television must be claiming the others' viewers (p. 257).

BLACK SPOTS

Miners are producing more per head, partly because the coalfields are producing less: behind protection against imports, coal felt it had to declare a vintage year (p. 243).

Wage increases—for miners among others—are in the balance: but is the pause over? (p. 206).

Freight rates are sinking (p. 250).

DANGEROUS CURVES

In Parliament: immigration, Rhodesia, public expenditure and the common market will give the Commons a bumpy passage (p. 207).

A ban-the-bomb candidate in farthest Wales threatens to explode the anti-nuclear bubble (p. 210).

Smallpox: prevention rather than panic (p. 212).

Influenza: colds, flu, and the Christmas bonus (p. 220).

Industrial output: the index rehashed (p. 246).

CLEARWAY

Lord Snowdon, as a working journalist, can be a suitable recruit for Fleet Street (p. 208).

Education: more to pay—but how much? (p. 213).

Government employees have offered some lessons for trade unionists in private industry (p. 219).

Detailed contents on page 199

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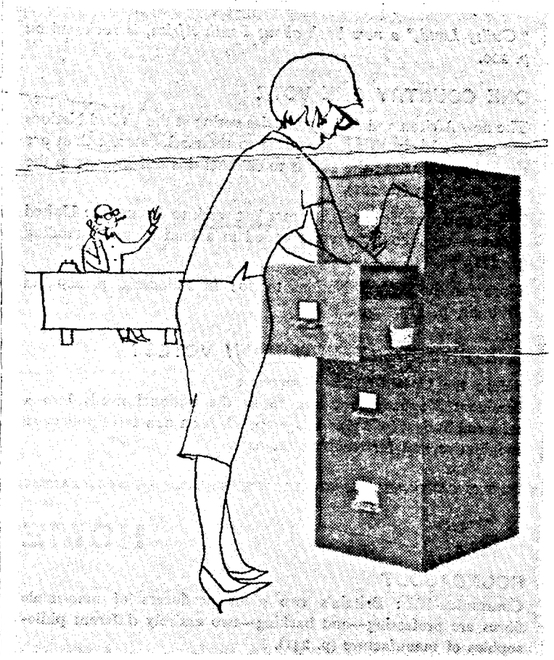
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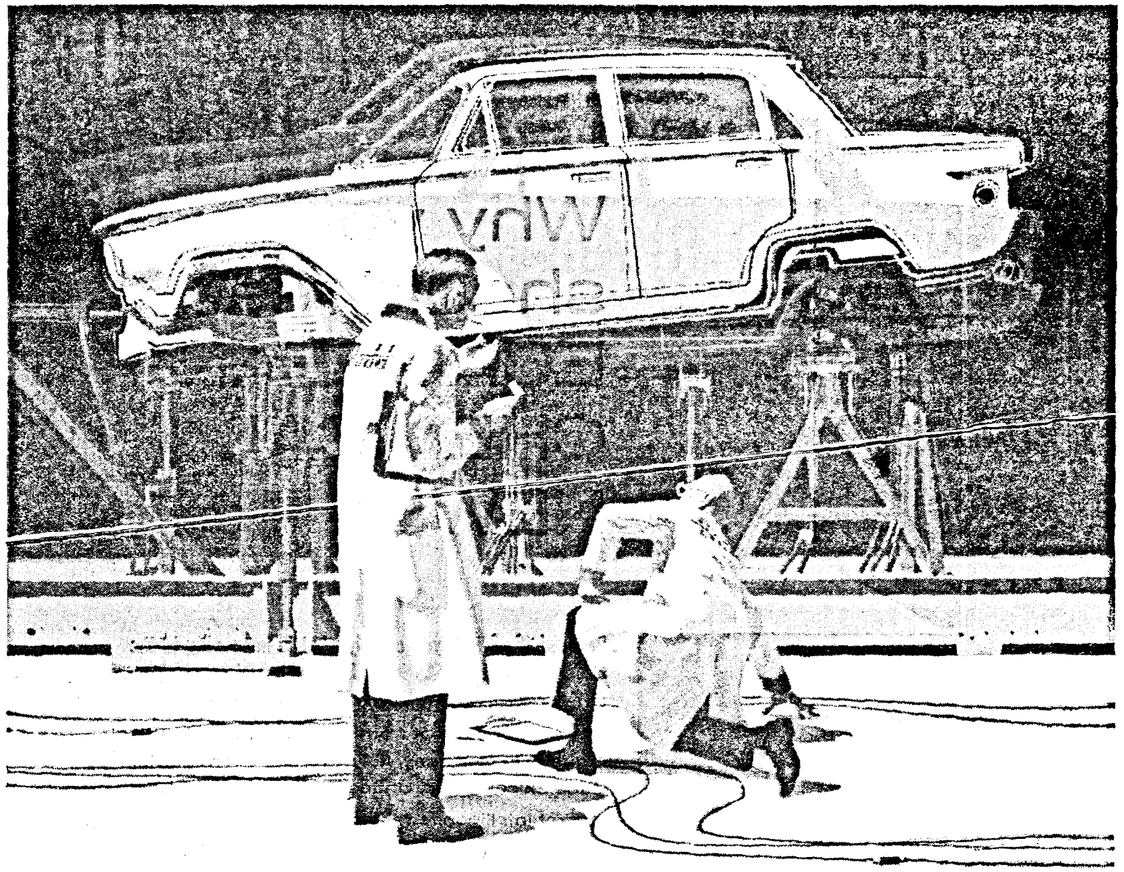
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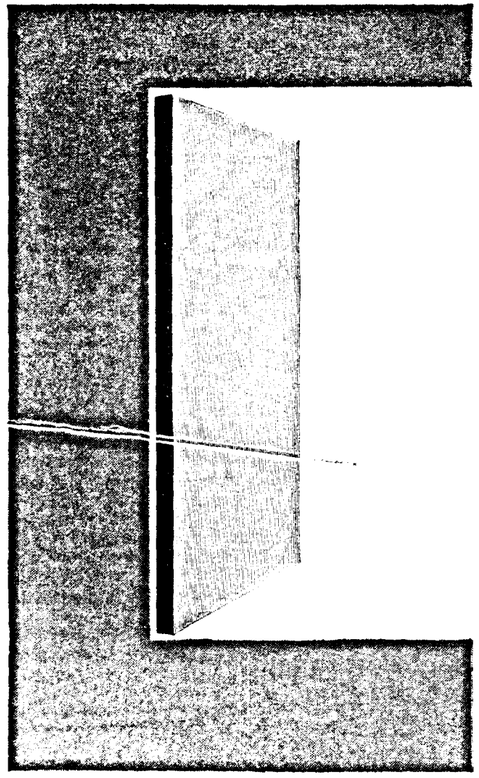
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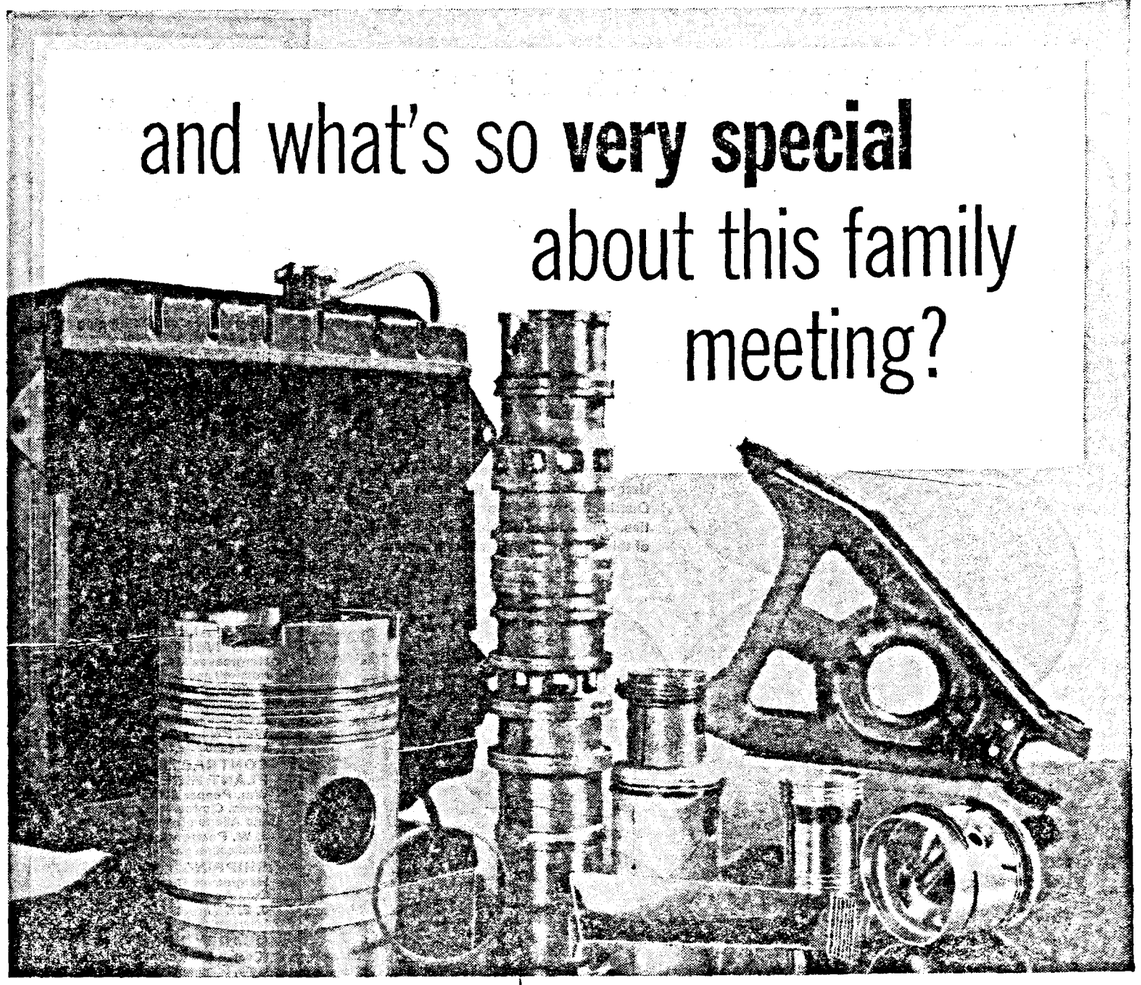
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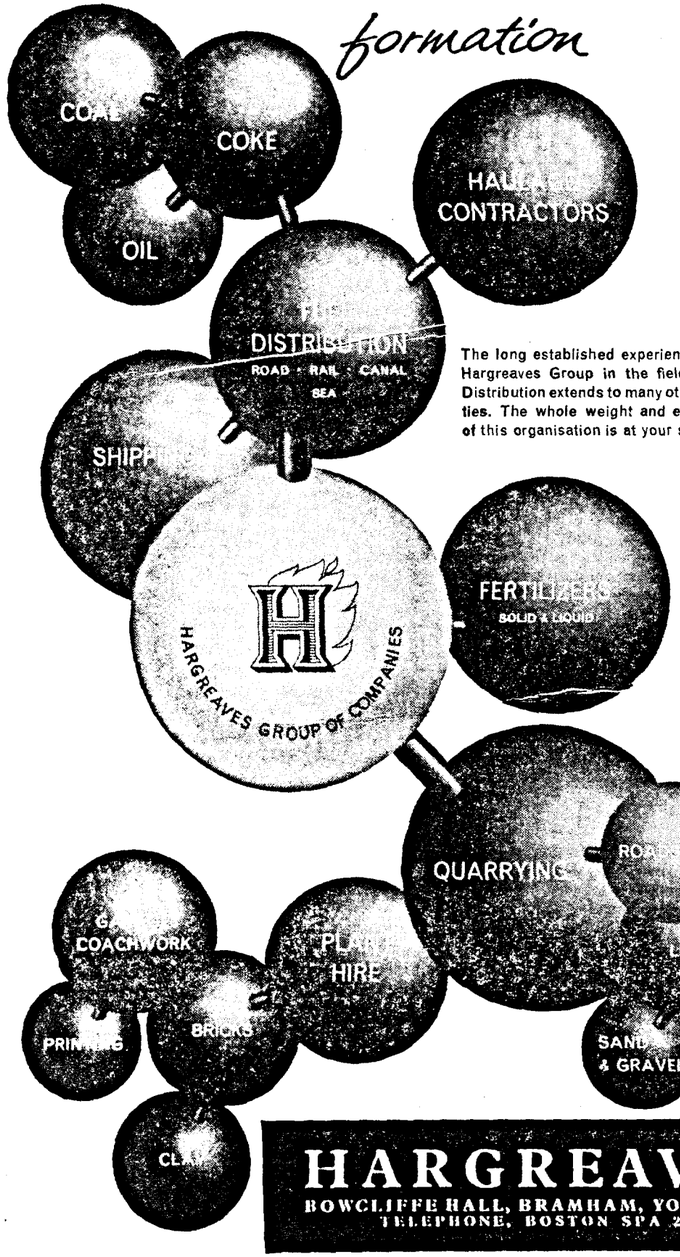
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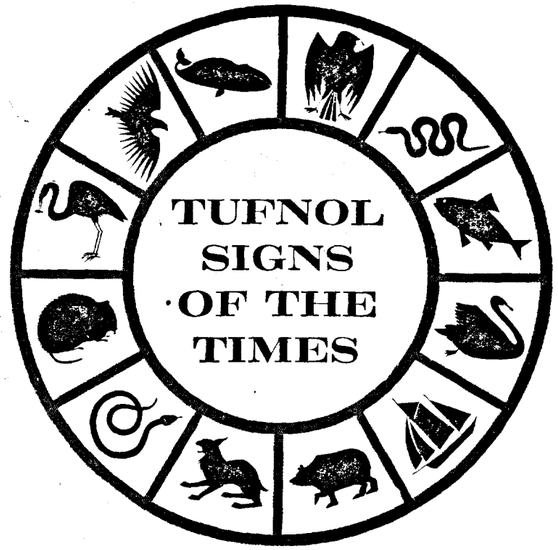
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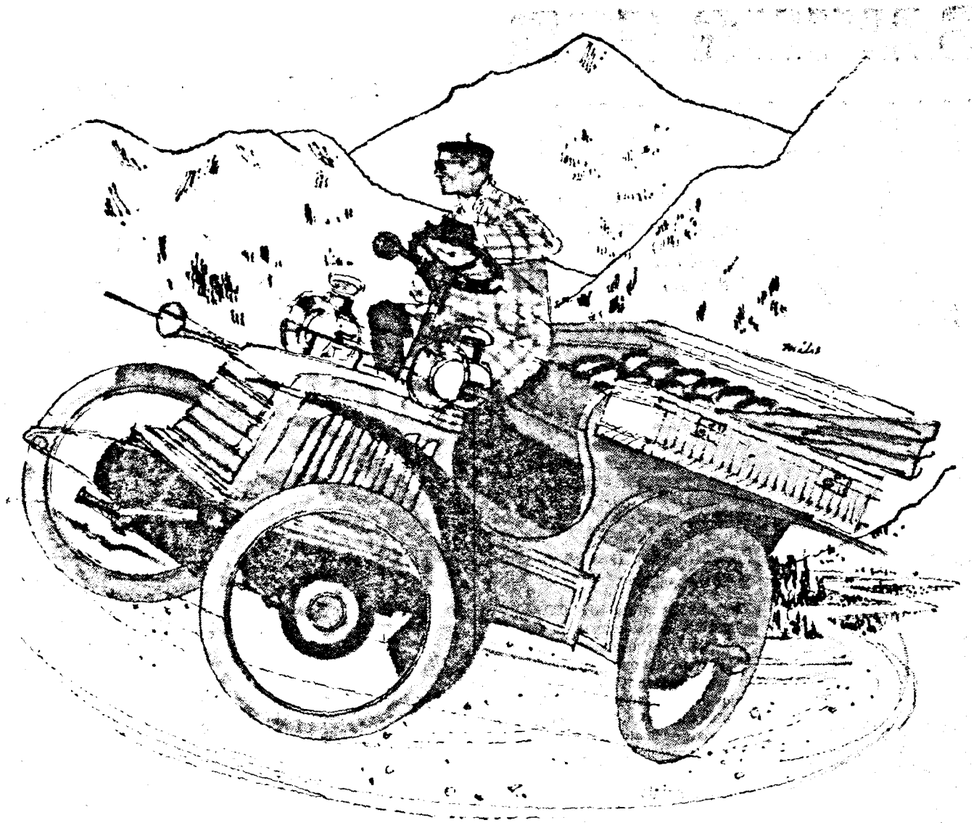
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The Economist

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Europe Arrived

BY agreeing about agriculture, the six members of the European common market have passed the point of no return on their road to unity. When state secretaries and officials fall like ninepins rather than give up the quest for agreement, as they did on the last toiling lap of the marathon talks that ended before daybreak last Sunday in Brussels, it is a sign that something important is at stake. What was at stake was not the existence of the common market, which had already come too far and withstood too many trials to be in real danger of collapse. But the agreement of January 14th should put a stop to dawdling on the way. The problem of agriculture, the big unfinished piece of business in the treaty of Rome, which in recent months has threatened to block the entire forward advance of the European communities, is not to be allowed to hold up progress.

The common market has thus passed intact through the severest crisis in its four-year history. Encouraged by the boom in their economies, the Six have found it much easier to sweep away barriers to trade in industrial products than seemed possible when the treaty of Rome was signed in 1957. The almost total failure to make any progress at all in sweeping away barriers to trade in food, and in devising a common agricultural policy, has been equally manifest. When the common market treaty was drafted, the agricultural chapter—dealing as it did with deep traditions, entrenched vested interests, and the least flexible part of economic life—was left extremely vague. Four years of talk did not make it much clearer. Now the blank has been filled in with a timetable for an agricultural common market. Herr Lahr, the German chairman who took over in the last hours when his exhausted superior fell ill, has described the difficult negotiation as a second Rome treaty, adding gratefully that it would have taken national parliaments a year to work out.

With elation in the Brussels air, the common market thus passes into the next phase with little loss of momentum. The French threat to block further progress in the whole common market if no farm agreement was forthcoming has proved a formidable and effective weapon against the resistance of the German farming interests who will be the first to lose when the barriers come down. Now the threat is lifted, and the community can press ahead with the changes that were due on New Year's Day. The 10 per cent tariff cut due between the members on that day has been made already, and a whole series of internal measures of integration—on transport, cartels and social matters—has come into force. Now the institutions will gradually become stronger, with majority voting superseding unanimity on some matters.

The passage into the new phase also has great constitutional significance. This was the last occasion when the further development of the common market could be stopped by the vote of a single country. Henceforth, unless all the members agree to stop it, the treaty rolls inexorably on until the economic unification of the area is complete. Psychologically, as well as legally, no way back is visible. Any doubts that lingered about the common market's chances of becoming a reality should be set at rest. With these worries lifted, the Six may also feel free now to press forward with new schemes. An additional 10 per cent tariff cut, planned for New Year's Day on the old (accelerated) programme, but deferred by the end-of-year agricultural row, may be brought off in July. New energy can be brought to the plans for closer political co-operation,

launched in Bonn last July but overshadowed since by the mounting storm over agriculture.

What are the essentials of the agreement that has been reached? After all the bargaining, it is remarkable how much of the European Commission's original proposals has emerged intact. Over a period of eight years (7½ years from July 1st) a single market is to be created, protected in the main not by the tariffs, quotas and subsidies which national governments use at present, but by a system of supported prices, maintained by variable levies on imports from outside. The adoption of this plan is a triumph for Dr Mansholt, the liberal Dutch member of the Commission.

UNDER protectionist German pressure, a little water has been added to Dr Mansholt's strong Dutch brew. The transition period to the common market is—provisionally at any rate—to last until 1970, as the Rome treaty envisaged, instead of being cut back to 1968, as Dr Mansholt had proposed. Escape clauses have been introduced permitting national governments to block imports from other member countries if they get out of hand and damage home production. This will no doubt be, above all, an escape clause for apologetic use by the German government, when it has to sell the scheme to its angry peasants.

But even here the Brussels Commission has regained with the right hand what it has lost with the left. As with escape clauses for trade in manufactures, the Commission can order the government concerned to remove its emergency barricades,



Ox-power in Bavaria

subject to an appeal to the Council of Ministers. The Commission is made again the guardian of free trade principle.

Sceptics may well ask how important all this is when one—perhaps the—central issue remains unresolved: that is, the level at which the new common market food prices are going to settle. It is this that will ultimately decide whether the common market becomes a relatively low-cost region importing on a large scale from outside, or an inefficient high-cost overproducer dumping its surpluses embarrassingly on the markets of the world. It is this that will decide whether the farmers of south Germany or Belgium are to continue to farm by outdated, inherited methods, or whether Europe's living standards are to benefit from the farming revolution modern technology permits. The Six have agreed eventually to harmonise their prices somewhere between the present French and German levels; but the process is not to begin for another twelve months. The delay does not diminish the value of the new agreement, but it does mean that the battle within the community between liberals and protectionists is still unfinished. And much will depend on the pressure that outside exporters —America, the Commonwealth—can bring to bear.

Fortunately, now that the Six are over their own hurdle, they can turn their attention to the Anglo-Saxons at the gate. On Wednesday they reached agreement with an American delegation which has been on the doorstep since the New Year hoping to extract some kinds of guarantees for outlets for American farm exports to Europe. The Americans have not been wholly satisfied, but they got enough satisfaction to tie up the 20 per cent cut in tariffs, haggled out between the Six, Britain and the United States in the General Agreement on Tariffs and Trade. This agreement, intended to apply to all major industrial powers in Gatt, bears out Professor Hallstein's dictum that the quicker the Europeans unite, the more liberal they can be. It means that, in all likelihood, British industry will be faced on July 1st with a first invigorating tariff cut on imports from the whole world, six months before the first possible date for entry into the common market. And it sets the stage for the far bigger transatlantic tussle which seems likely if President Kennedy persuades Congress to follow his bold call for a new Atlantic partnership.

Where is Britain?

Never ask for too many impossible things before breakfast

WHAT effect will all this have on Britain's chances of getting into Europe? The worst outcome for this country would have been no agreement between the Six last weekend. The best outcome would have been an easy agreement between them. The excruciatingly difficult agreement eventually reached—which could have the effect of making some Europeans feel for a while that they do not want to discuss any more agricultural compromises, ever—falls somewhere in between. And the struggle has rubbed home the fact that there will be some fierce in-fighting—with excitable repercussions in British domestic politics—when the negotiations between Britain and the Six on the even more difficult subject of Commonwealth agriculture come to a head in the next two or three months.

But the actual details of the Brussels compromise are much less daunting for Mr Heath's team than some pessimists had expected. The bugaboo sort of compromise, which Britain had some reason to fear, would have had two heads. First there was the danger that, under German pressure, support prices for European agriculture might be pitched high enough to keep even the most grossly inefficient peasants of west Germany in nearly full production, and thus high enough to give an incentive to every other farmer in Europe to step up his output massively; the result of this incentive to a glut of overproduction would be to make the new Europe self-sufficient in many foodstuffs, thus leaving no room for imports of cheaper food from the Commonwealth.

Secondly, there was the fear that, in order to secure agreement on uneconomically high support prices, Germany might accept an open-ended commitment to pour into the European agricultural fund the import levies that are to be imposed on imports of food from outside Europe; the money in this agricultural fund is to be used to help backward farmers, to finance market interventions, and to subsidise exports from Europe of the surplus agricultural produce which high support

prices would generate. Germany would be the biggest contributor of these import levies among the present Six, because in the year to last March it imported over £500 million worth of food from outside the present European community, compared with France's imports from outside of about £270 million, Italy's of £225 million, Holland's of £170 million, and Belgium's of £100 million. But Britain in the same period imported some £1,270 million worth of food from outside the present European community, so that theoretically an open-ended commitment to plough import levies into the common agricultural fund could cost us between two and three times as much even as Germany.

In the event, however, the compromise reached about support prices is to defer at least until the 1963 harvest (and probably, in fact, for longer) the main decisions about how high they will be. And the compromise about the common agricultural fund has been to say that Germany should not pay more than 31 per cent of the contributions to the fund for the first three years, and that thereafter the amount from the import levies that should be ploughed into aid for European agriculture must be decided by unanimous agreement. This leaves Britain with a very reasonable framework within which it should be perfectly possible for it to negotiate, which is a great temporary relief.

It would be wrong to be over-optimistic about it. When the eventual political decision about European support prices is made, realists must suspect that they will still be high enough to give European farmers an incentive to gross overproduction, especially if and when the relatively efficient farmers of Britain and Denmark join the community and get an opportunity to share in these high prices. In all probability, if room is to be left for long-term contracts for the import of cheap Commonwealth food into Britain, these high support prices will have to be applied only to something like Europe's present quota of production, not to limitless extensions of overproduction in the future; and (after last week's all-night sittings) there may be loud squawks from some European politicians if Britain is tactless enough to point this fact out in the next few months, although every European agricultural expert must suspect in his heart that it is true.

NEVERTHELESS, last weekend's compromise provides another useful precedent, if only Britain can grasp it. In most matters where agreement has been reached, the compromise is rather more liberal than many people would have dared to hope a short while ago; in matters where reasonable liberalism would at present be politically impossible, the Six have simply agreed to defer decisions for a period. When that period has passed, it is reasonable to guess that the next round of decisions will again be rather more liberal than snap decisions on these matters could possibly be now. Any agreement that Britain manages to make with Europe this year will almost certainly have to be of this same pattern: we will probably be able to secure some safeguards for the Commonwealth and our other imperative interests straightaway, but others only for an interim period with a promise to discuss permanent arrangements later. The great question for 1962—and, indeed, for the economic and political future of the whole free world—will be whether British and Commonwealth statesmanship can rise to a sufficiently high level to recognise that this best *pis aller* will be good enough: whether the motto forced upon Britain in these negotiations will be to demand six impossible things before breakfast (like the Red Queen in Alice), or the wise man's precept "on occasion's forelock watchful wait" (which comes from *Paradise Regained*).

How to Use the UN

Rather than deplore or deny national self-interests, it is better to try to harness them usefully

ACCORDING to Mr Khrushchev, there are neutral nations but no neutral men. In the real world, however, the reverse is true. The real world is less simple than the Soviet leader's vision of two rival "camps" flanked by a third, "neutral" group. (Where, for instance, does Albania fit into that picture?) It is hopeless, in this real world, to try to find an exact definition of neutrality, a subjective term that must shift with circumstances. But there is an alternative term that can be more precisely identified: disinterestedness. Disinterested individuals are to be found; men who have won a reputation for ability to do whatever duty is laid upon them without regard to their own feelings. No such degree of integrity can be attained by a whole nation; nor can any national government be expected, in its external actions, not to look first at the interests of its people. Degrees of national interest range widely; but when a government judges a particular international question to be too remote to have any bearing on its national interest, it is liable to slide from objectivity into unconcern. Disinterested action can sometimes be expected from men; but not from nations.

Here is a starting-point for discussion of the future of the United Nations organisation. The disillusion that marks the present debate in Britain seems to arise from the crumbling of a double delusion. Some people had apparently assumed that the Asian and African states would, on attaining independence, soar like angels high above the sordid world of particular interests and scorn to use their new sovereignty for their own ends. Others, evidently, held that such altruism was the speciality of the older independent countries.

Both assumptions were, and are, baseless. Old or new, states are not altruistic. For all the verbal pieties uttered in the United Nations, its congregation strongly resembles that of a medieval church, to which the villagers came more to trade than to pray. It is useless either to deny that brisk chaffering goes on at the back while the ritual genuflections at the altar proceed, or to deplore the fact. It was ever thus: even in San Francisco in 1945. The horse-traders can neither be converted into, nor disguised as, angels. Real and fleshly, their interests are ignored only at peril.

But self-interest can be enlightened. Horses can be harnessed as well as traded: harnessed into teams that will pull the whole community out of bogs in which its members, each struggling separately, would only flounder and founder. And the whole UN experiment makes much more sense as an attempt, not to deny the reality of national interests, but to harness the force of these as much as possible for common ends.

The limitations in this direction are obvious enough. In principle, every citizen in a community has an interest in the existence of a clear code of law backed by an efficient police force. But, as Mr Kennedy said in defence of the UN in his message on the State of the Union last week, "No policeman is universally popular." Nor has any code of law ever been devised that did not leave some of those subject to it smarting under a sense of injustice. What is true of individuals is still more true of nations, in whose community the whole concept of obedience to a body of world law is still very tenuous. Even more tenuous, among nations, are the ideas of equality before the law and of acceptance, after debate, of majority decisions. In democratic countries, there has already been a rejection of the idea that powerful individuals should enjoy a privileged position and that voting rights should depend on tax payments. In the community of nations, as a letter on page 217 shows, this issue is still contested.

In the present debate about the United Nations, a debate that has given rise to last week's Anglo-American talks in Washington (discussed on page 232) and to much public disputation in both countries, the basic issue may be defined as follows. Ought the great powers to reassert in full the special privileges and responsibilities that they secured in the Charter; or ought they to accommodate themselves to the progressive encroachment on their position by other, physically weaker, countries, which now not only dispose of great numerical voting strength but have also enlarged their place in the UN's executive arm, the secretariat?

It is not seriously supposed that the latter alternative implies complete surrender. The two super-powers, at least, are too overwhelmingly strong to be imposed upon by any UN ruling that touches what they regard as their essential interests. The UN can be used to chivvy Russia about Hungary or America about Cuba; but international indignation on these issues would be expressed whether the UN existed or not. Britain and France, while more vulnerable to pressure through the UN, can be made to yield in the last resort only when the super-powers support that pressure, as they did in the 1956 Suez conflict; China is at present too much of a special case to fit into the argument.

But the argument primarily concerns matters which, as in the case of the Congo, do not directly involve the great powers, but which make them itch to get their hands on the UN's steering-wheel. In such cases, a conflict of interests can easily appear, not only between, but within, nations. All the powers had an interest in aligning themselves with the Afro-Asians' wish to see the Congo's independence secured; but Russia and Britain, in their different ways, were also to some extent partisans of fractional Congolese groups, American views were strongly marked by anti-communism in a sometimes crude form, and French views by antipathy to all UN enterprise. Thus direction of the UN Congo operation by a kind of concert of powers would have been impossible, even if it had been acceptable to the smaller nations. The Congo crisis, which has now provoked British hankerings to get back to the veto, had in reality already shown the powers' inability to run any international operation of this sort.

The British argument advanced before and during the Washington talks was that direction of UN action by the whole body of members led to both irresponsibility and dangerous vagueness; that the secretariat was thus either ordered to take precipitate action, or left to make its own decisions, the result in either case having an unfairly anti-colonial slant. The point about vagueness is valid in a general sense. Mr Hammarskjöld frequently stressed the troubles imposed on him by lack of clear mandates. But his and U Thant's Congo mandates have in fact come not from the 104-member Assembly but from the Security Council, in which the powers still wield their vetoes and Asia and Africa are still greatly under-represented. If, as one American proposal has suggested, the Secretary-General could draw clearer guidance from a group representing those few states that are actively contributing to the operation in question, the perils of a vague mandate might possibly be reduced.

As to the charge of irresponsibility, let the record speak. In the Council, no British government, since Suez, has judged a resolution so unacceptable as to provoke a veto. The Assembly's recent resolutions on major colonial questions have been backed by old and staid European states as well as by the supposedly rampageous Afro-Asians and Americans. As to the new Asian Secretary-General, he has already crossed swords ably with Mr Zorin of Russia, as well as with Sir Roy Welensky and M. Spaak; and President Kennedy, who was to pay him a demonstrative visit this Friday, went out of his way on Tuesday to commend his efforts to ward off a conflict between Indonesia and Holland. U Thant's key officials in the Congo, it might be further noted, are mainly westerners.

Even Lord Home, in his famous Berwick speech on December 28th, conceded that "the common sense of the Assembly" had defeated Russia's "troika" demand. He might have added that this humiliating defeat reflected both the Afro-Asians' rejection of Soviet designs on the UN, and a more general rejection by smaller nations of anything that would give the powers, as a group, more of a grip on the organisation. In so acting, the smaller nations were pulling together, regardless of ideological orientations, to secure a real common interest. They are not altruistically disinterested; and anti-colonialism is a lively interest for many of them. In this respect, the UN merely mirrors the world's fast-changing mood, and tinkering with its works will not moderate, though it may exacerbate, that mood.

If the UN ball is now more at the smaller nations' feet, there is of course no guarantee that they will not fumble it. They (like the great powers) are not a uniform abstraction, but a very mixed bunch; one useful distinction is between those that have contributed worthily, in men and money and diplomacy, to the Congo operation, and those that have given nothing but trouble. But enlightened self-interest suggests that no intelligent nation, great or small, would choose this moment to swell the ranks of the unhelpful—ranks in which colonialism's uncompromising defenders, and its loudest-mouthed and least constructive antagonists, have lately found common cause.

WEST AFRICA

NOW, FREEDOM

The leaders of freed Africa will meet in Lagos on January 25th. Most are from West Africa, where lines of physical, cultural and economic unity cross the political divisions. Here is how it works:

BLACK BROTHERS

In the last ten years the chief impetus to African independence has come from the great bulge of Africa as it stretches westward into the Atlantic. Today, save for the tiny enclave of Portuguese Guinea and the minute self-governing sliver of Gambia, the whole area from Port Etienne to the frontiers of Cameroun enjoys political independence. A dozen states achieved it between 1957 and 1961 in four dizzy years of constitutional upheaval. And out of the process has come a spectrum of states varying in size from Mauretania, where 600,000 people depend on an iron mine and a railway, to Nigeria with its population of nearly 40 million spread over a vast federation.

In wealth the scale runs from Ghana, where gold, bauxite, logs and cocoa provide an income of nearly $200 a head, to Niger, in whose desert lands, on the fringes of the Sahara, so many of the 3 million inhabitants live outside the market economy that no calculation of per capita income is possible at all. In style, too, the variations are remarkable. In Dakar, a wholly French city, the Wollof ladies wear the shimmering gauzes and elaborate turbans of the First Empire; in Lagos appear the sensible cotton dresses and canvas shoes of English seaside holidays. At conferences, polished rhetoric from the Sorbonne has to be translated into the language of Laski and Cole, while Liberia adds its inimitable version of the transatlantic accent.

Yet beneath all the differences—of scale, of wealth, of French or Anglo-Saxon culture imposed from outside—an inchoate but unmistakable desire for unity is strongly at work. It is bringing the leaders to Lagos. It appears in every statement of policy. It excites the young. It is a weapon in the political struggle—a holy faith for some, for others a pretext. But no leader can ignore it, and indeed it springs from facts that lie at deeper levels than the varied surface. The unities of West Africa are greater than its diversities.

First, the physical and geographical unities: the national frontiers tend to divide West Africa along vertical lines, the ex-British territories reaching up like grasping fingers into the ex-French hinterland. But the physical divisions are horizontal. Four broad belts traverse the bulge of Africa—the mangrove swamps of the coast, the rainforest behind, savannah country beyond the line of 60 inch rainfall, and, furthest north, the baked, infertile marches of the great desert. The various states owe their physical endowment to their position on these belts. Like notes or chords on the musical clef, some lie on one line, some traverse two. Nigeria covers them all. Wealth tends to increase as one goes from north to south. The poorest lands—Niger, Chad—lie almost wholly in the desert zone. Mauretania is saved from comparative poverty only by its rich iron ore. Senegal, Mali, and Upper Volta are largely confined to the savannah country. But the great Niger river creates more fertile zones as it winds its way from the mountains of Guinea in a huge arc before it turns south to Nigeria and the sea. On the coast, Togo and Dahomey are too small for prosperity, Sierra Leone too poorly endowed.

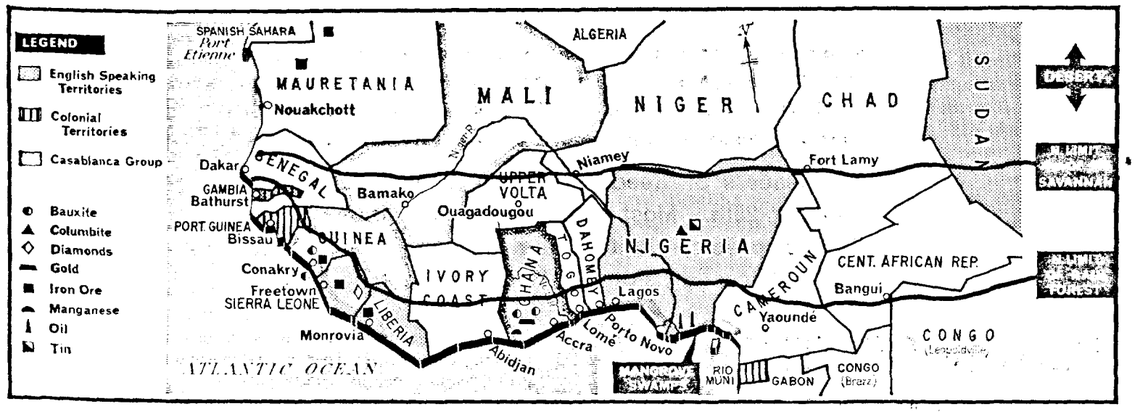
Otherwise, the wealthiest states are coastal communities. Not only are these the regions of flourishing tropical agriculture—producing cocoa, coffee, palm products, rubber, timber, bananas, citrus. Present geological surveys, though still incomplete, suggest that nearly all the mineral resources of West Africa lie not much more than 300 miles from the coast. Guinea's bauxite and iron ore, Sierra Leone's iron ore and diamonds, Liberia's fabulous Mount Nimba where the entire line of connected peaks is iron ore with an extraction rate of 65 per cent, Ghana's gold, manganese and bauxite, Nigeria's tin and columbite, all lie on the sea side of the savannah. The whole of West Africa is desperately short of supplies of energy, but once again the best hydro-electric sites are found in the main near the coast. Nigeria's proposed Niger Dam is up-country, but its big oilfields are in mangrove swamps at the very edge of the sea.

THE EX-COLONIALS

Then the underlying cultural unities—these, too, follow the horizontal lines of climate and vegetation, from the austere Moslem culture of the north, reaching only across the savannah country, to the lively, tumultuous societies of the coast, where native animism and the Christianity of the missionaries coexist not only in each country, but perhaps in each soul. And even this division masks a profound resemblance. Save among the Yorubas, everyone, until the day before yesterday, lived in tribal villages and practised subsistence farming based on communal land ownership and shifting cultivation. To this day, food crops are still produced in this fashion and the change to more intensive methods is hampered by immense uncertainties over tribal boundaries and rights of tenure. No state has yet completed a cadastral survey.

Above all, the whole area bears the common stamp of its colonial past. Even though the purposes of British and French colonialism were different—the British aiming rather vaguely at training for self-government, the French proposing deliberately but not very speedily to make a majority of assimilated French citizens—the consequences are remarkably similar. Both systems built up a very small educated urban élite, above all in the liberal professions, and did little for technical or popular education. Both put in those elements of "infrastructure"—roads, railways, ports—needed to develop trade with the metropolitan country. And both established the basic pattern of a colonial economy which leaps to the eye from every map of West Africa—all the lines of communication draining vertically down to the sea to the only big cities, all, with the exception of a few towns in Nigeria, seaports.

It is largely a derivative economy, outside investment creating the cash crops and the minerals needed in the industrialised West, export income creating the resources to buy back consumer goods from western suppliers—goods which would be sold locally either



by the big European commercial firms—VAC, SCOA—or by local Levantine and Indian traders. In extreme cases, where the local mine or plantation has been wholly owned abroad, the outcome was almost as though a small segment of a foreign economy had been set down on African soil. Investment came in, technicians came in, materials went out, profits and salaries followed them ; the gain to Africa was little more than the wages of local unskilled labour.

Since the war, this old pattern of exchange has changed decisively. France, massively, and Britain, more modestly, began to pump government capital into local development. High export prices for primary products and export taxes piled up large reserves in local marketing boards and stabilisation funds. Foreign firms began to pay income tax. Planning for growth became part of the equipment of practising politicians. Thus, when the rising postwar demand for political independence began to gain momentum, proposals for constitutional advance were almost invariably flanked by social and investment programmes. The nineteen-fifties were a decade of very general economic advance and most of West Africa underwent something very like a boom. As one government report disarmingly put it: "All around us churn the symbols of ever-growing gallant economic development."

Yet a decade of relative wellbeing has done very little to modify the old dependence. Now that primary prices are weak again, the growth in government revenues has slackened, and in such countries as Ghana and Nigeria ten years of brisk investment have drastically reduced the state's reserves while increasing those current expenditures—on political sovereignty, on health, above all on education—which revenues and reserves have to cover. Internal trade is still meagre, and the experience of Guinea suggests that no gain accrues from switching markets wholesale to the eastern block. Thus dependence on western trade and upon outside capital remains as heavy as ever. Indeed, in the micro-states left behind by France—Niger, Chad, Dahomey, Togo—only by direct subventions to the budget from Paris can even current expenditure be covered.

The desire to achieve greater economic independence is, therefore, common to most of the West African states and is a common feature in their economic plans—and all these states have either a plan, or an interim plan, or at least preliminary studies for a plan. The emphasis on greater production of food, on local processing, on internal lines of communication, on increasing internal revenue and saving—all these familiar gambits of planning "for take-off" have an extra post-colonial urgency in West Africa.

It is present, too, in some of the more political aspects of the new states' economic policies—in Senegal's desire to "Senegalize" its large commercial houses, in Guinea's establishment of state comptoirs, in Mali's state monopoly of basic imports, in Ghana's official timber monopoly and control of imports, in the very general desire of governments to have a share in the equity of the foreign enterprise they feel compelled to try to attract. The ambivalence in all their reactions springs from their awareness of a continued dependence which, though they must in realism recognise it, they yet find hard, emotionally, to accept. This ambivalence tends to govern their attitudes to the outside world and above all to the West.

THE WEST'S AFRICA?

All the new African countries—excepting Guinea—rely heavily on the West for money, manpower and markets. But none of them likes it

WHEN most of the leaders of independent Africa meet in Lagos next week—it is not certain that the "Casablanca" powers will be absent—their main theme will be the means of increasing co-operation between themselves: by improving communications, by co-ordinating policies, by examining, cautiously, ambitious projects like African development banks and common markets. Yet the reality they face in Africa—above all, in West Africa, the only region that is wholly independent—is not one of interdependence and co-operation. On the contrary, there is almost no inter-African trade and the whole area exhibits an extreme dependence upon the outside world, above all on the West. And this dependence is a factor making not for co-operation but for division between African states.

Its scale is still massive. Only in Guinea have large-scale aid, trade and technical assistance from the eastern block filled some of the vacuum left by France's angry departure in 1958. Ghana, too, now looks east as well as west, but the final agreement over the Volta project leaves western aid predominant, and Ghana's western commercial links remain close. In fact, Guinea apart, no West African country conducts less than 80 per cent of its foreign trade with the West and the share of the old metropolitan power is usually above 50 per cent. Indeed, in some of France's ex-colonies it is still 90 per cent.

All draw heavily on trained western manpower. In countries with a longer educational tradition—Senegal, Ghana, western Nigeria—the number of expatriates actually working *in* the administration is dwindling rapidly. In most of the ex-French states, however, French officials still play a crucial part. And all the states depend heavily upon outside experts coming in under contract to man specific and technical services, to help staff the universities and to supplement a teaching body wholly inadequate to meet the area's bounding educational ambition. Nigeria, for instance, faces the need to secure 7,000 "teaching years" a year from abroad in the next decade. There are exceptions. Guinea, by compulsion, and Ghana, by choice, are using more experts from the eastern block. Some have arrived in Mali as well. But in general a western orientation is still the rule.

Again, Guinea apart, every form of economic assistance comes overwhelmingly from the West. The British give modest support in the shape of small preferences on some tropical products. They



Ivory Coast: Houphouët-Boigny | Liberia: Tubman | Nigeria: Sir Abubakar

With about two dozen others, they will meet at Lagos next week

also provide a certain amount of technical assistance—115 experts are serving in West Africa under such schemes—and some governmental grants and loans: a £12 million loan to Nigeria on independence and a £5 million grant towards its educational programme, to Ghana a £5 million loan for the Volta project. The United States has embarked on more ambitious aid with an £80 million grant to Nigeria to assist its forthcoming plan, and a £13 million loan to the Ghana government for the Volta together with a loan of £40 million for the projected alumina smelter company. About $13 million has been promised to Liberia. The $2.5 million project in Guinea has more political significance than its scale suggests. The west Germans, too, are appearing on the scene with loans of nearly £10 million for Liberia. But the colossus of African aid-giving remains France.

It is difficult to get into proper perspective the complexity and scope of French economic assistance. Most tropical products entering France enjoy sizeable preferences—the range runs from 8 to 15 per cent—which are being extended to cover entry into the whole common market. In addition, some imports, Senegal's groundnuts, for instance, and the robusta coffee produced in the Ivory Coast, are given guaranteed quotas in the French market at prices which in some years have been as much as 50 per cent above the world price. Some Africans claim that the French, by selling back their manufactures at equally inflated prices, end by profiting from their own "generosity." But ex-French West Africa is no longer a closed French monopoly now that common market manufactures enjoy similar rights of entry.

This loss of the old monopoly makes all the more remarkable—and possibly the more precarious—the scale of France's direct aid. To the ex-French territories of Africa (including the old states of French Equatorial Africa) the figure is now about $300 million a year. To it should be added the contribution of the common market fund (Fedom) which has now risen to around $100 million a year, an immense sum. It does not include military assistance. Algerian expenditures are not part of it. Some of it goes in direct subventions to the current budgetary expenditure of the poorest states. French deputies grumble. French critics demand that the money be diverted to the Dordogne or Seine-et-Loire. Yet, so far, each year the bill is met and the capital floods out—to the roads, schools, hospitals, power schemes and urban development of ex-French Africa. It is one of the largest gift horses in history. African opinion is passionately divided on the issue whether a close examination of its teeth will or will not reveal a "Greek presence" down its throat.

This general fact of extreme economic dependence upon the West is divisive in two senses. In the first place, especially among the younger educated groups—junior ministers, up and coming young civil servants, university lecturers, in short the likely African leaders of tomorrow—it raises the question whether political independence is genuine and whether the "western imperialists" have really gone for good. An obsessive concern with colonialism is in any case inevitable so long as colonial control remains a reality in Africa. Algeria, Angola, Katanga, Rhodesia—with the Union of South Africa behind them on the lowest rung of the Inferno—play on nationalist nerves as constant irritants, and the fact that these troubled areas are all linked in one way or another with the French and the British throws tragic shadows of suspicion across British and French relations with West Africa where, Guinea apart, the record has been wholly tolerant and constructive.

Can the French, who torture Algerians and explode nuclear



Ghana: Nkrumah | Guinea: Touré | Mali: Keita

They may not come

devices in the Sahara, have genuinely innocent intentions when they pay half the running costs of an unviable Niger Republic? Can the British, who are accused of being "on the side of Mr Tshombe and Sir Roy Welensky," really mean no harm with their Nigerian defence pact? Such are the questions which, in the context of colonial deadlock in other parts of Africa, West Africa's extreme economic dependence helps to arouse in African minds, especially the younger ones. Thus when Dr Nkrumah denounces "neo-colonialism" and looks for eastern aid as a symbol of "positive non-alignment" he appeals to nationalist sympathies far beyond Ghana's frontiers. Younger Nigerians, for instance, may reject his personal claims to any kind of African leadership. But they find his ideas more congenial than Sir Abubakar's caution. And knowledge that this mood exists certainly played its part in Nigeria's severance of relations with France.

One might even go so far as to suggest that this issue of "neo-colonialism" is one of the chief points of division between the radical Casablanca group (Guinea, Ghana, Mali, Morocco and Egypt) and the Monrovia grouping, which includes virtually all the other independent African states. In fact, the differences are a little blurred. Both groupings aim at greater economic unity—and by the same routes of development funds, common markets

and so forth—and if the Casablanca group talk of giving up political sovereignty, there is no sign at all of their doing so between themselves. Both groups denounce colonialism. If Monrovia is less vocal on neo-colonialism, Mali fails in ideological purity by remaining a member of the franc zone and being associated with the common market. Cynics might say that it is "revisionism" that chiefly defines the Casablanca powers, Morocco eyeing Mauretania; Mali, Senegal; Ghana, its neighbours; Egypt the Moslems and the Horn of Africa. Yet the truth probably is that mood rather than fact keeps the two groups apart; dominant, perhaps, is Casablanca's radical dislike of extreme dependence on the West.

OR AFRICA'S WEST?

Nor is the issue one simply of dependence. So long as ex-French Africa enjoys close, preferential relations with France and the common market, while the ex-British territories do not, trade barriers are introduced into Africa which reflect not African so much as European arrangements and interests. Europe continues to project its economic divisions into an area from which its direct political influence has been removed. Inevitably, Britain's proposed entry into the common market has exacerbated this aspect of West Africa's relations with the West, and has created an uncomfortable situation in which the African powers seem to be left with two unsatisfactory choices—either to get rid of division at the cost of continued dependence or to avoid dependence at the price of further division. The ex-French territories derive such formidable economic advantages from their association with France and the common market that they will hardly abandon them. Yet the solution for such states as Nigeria and Ghana—which, in European eyes, seems quite straightforwardly to lie in joining the association—runs counter to their profound hostility to the idea of a "Euafrican" union in which, so it seems to them, Africa will inevitably play the subordinate part, hewing wood and drawing water.

This dilemma may not be a dominant theme in next week's meetings in Lagos. Britain's negotiations with the Six have not yet reached the point of forcing the issue. But once its entry is assured, either its ex-colonies in Africa must find ways of coming in as well, or Africa's divisions and resentments will harden along the old colonial frontiers.

Much at this point will depend upon the form of association which is worked out between western Europe and its old colonies. The existing forms of preference and co-operation, worked out under the Treaty of Rome, have to be renegotiated this year. If they take the form of close, formal political association and narrow, highly preferential economic ties, it seems doubtful whether the ex-British territories—not to speak of Liberia or Guinea—will be ready to seek association on such terms. The divisions and hence the political malaise will persist.

But this outcome is not inevitable. Proposals have been put forward—in Germany, the Low Countries, and the United States—with the purpose of securing no less aid to West Africa but of providing it on a non-preferential basis. Free entry to Europe for tropical products, general price agreements for commodities such as coffee or cocoa, Atlantic aid to supplement the French effort, particular assistance designed to diversify those economies (Senegal, for instance) in which production now depends upon artificial French prices and quotas—such measures, taken together, would leave the ex-French territories no worse off, but would progressively end their condition of lopsided dependence and open up the existing advantages to the neighbours on equal terms. Local barriers could then come down and greater inter-African co-operation be secured without loss of essential western assistance.

It would seem the path of political wisdom in the West to build its future relations with Africa on such a generous but non-preferential basis. The desire for African unity cannot be exactly measured. Yet no one can doubt its political force. Nor does the last year leave any doubt about the havoc it can create when it washes up against supposedly "neo-colonialist" obstacles. Any settlement that could be twisted to imply African subordination to European interests would have in it the seeds of its own disintegration. It would be wiser to begin with the postulate of unity—in Africa as in Europe—and build on it the only relationship that can enjoy a secure political base.

NOTES OF THE WEEK

WAGES PAUSE

The Red Tape Letter

THE pay pause has now entered the stage where nobody quite knows what any given statements mean, certainly not the makers of them. Mr Henry Brooke wrote to the civil service unions this week that he hoped that he could allow civil service wage claims to go to arbitration after March 31st next; but that in these arbitration proceedings the Government would "strongly argue" that arbitrators should not award increases out of line with the Chancellor's guiding light about probable increases in national production (i.e. presumably the average of their awards this year should be rather less than 2½ per cent, with no awards at all for any grades where there are no recruitment difficulties). The civil service clerks proclaimed that this letter meant that they had won a complete victory for "unfettered arbitration" of the traditional sort, and promptly called off their threatened go-slow. Next day some officials of the Post Office union said the letter did not mean this at all—which one hopes that it certainly didn't—and they continued their work to rule after weighing up the phraseology at a formal meeting on Thursday. On Wednesday, too, the economic committee of the Trades Union Congress met once again to discuss the Chancellor's invitation to join his National Economic Development Council. They at last decided to put in another recommendation to the full TUC leadership that they should join this national planning body, but only on condition that Ned does not do any planning of wages—which is just what the top council of poor Ned was originally supposed to help to do.

Miners and Busmen

IT seems clear, however, that the fate of the economy this year will mainly depend, not on what ministers write or on what TUC committees recommend, but on what chairmen of nationalised boards do in response to the Oliver Twist tactics now being deployed against them. On Wednesday the miners' union turned down a wage and reduced hours offer for day-wage (i.e. non-piece rate) men of a particularly complicated sort. The guess must be that, when all factors are taken into account, it would raise the average earnings of the men concerned by around or over 3½ per cent. Nevertheless, the union is to go back and ask Lord Robens for more after another meeting of its executive next week.

The Government cannot have been entirely happy even about Lord Robens's offer of this week. It is almost certainly above the average for Mr Lloyd's guiding light, and it is again a flat national offer for day-wage men in an industry where regional needs for recruitment differ widely (nobody wants to attract any more miners into unprofitable pits in Scotland, even if there may be a case for increases in the East Midlands).

But Lord Robens was in a stronger position to bulldoze the Government than most other nationalised chairmen. When he was transferred from Labour's front bench to the Coal Board in 1960, it was on the understanding that he would have a very free hand in all policy matters, provided he could bring the Coal Board's accounts back out of deficit by 1962. At the time of the last miners' wage increase it was said that any further wage increases would depend on this balance being achieved. Now, thanks to the fuel oil tax, to an increase in productivity following large scale mechanisation, and to his own ebullient management he thinks that there is just a possibility that the board may get back into balance by the end of this year, provided everything in the industry goes almost unimaginably right and even after this offer of a wage increase has been made. His offer certainly stretched optimism to the limit; but all that need be said now is that it would be quite wrong for him to consider going beyond it—and, in particular, he should do nothing to encourage a rise in piece rates per unit too, but should point out that stability in these rates will allow earnings to rise directly with productivity.

In another nationalised industry the London busmen this week once more asked for higher pay all round. London Transport turned them down—but not without giving the union's chief negotiator the impression that things might be different if the pause could somehow be considered over. The best that can be hoped for here is presumably a settlement on lines that London Transport has already mooted: a special so-called scarcity allowance for drivers in central London, but no more for conductors or other workers. The worst thing that could happen for the whole economy would be if Mr Cousins pushed London Transport into granting an inflationary increase for all his busmen after all. The trouble is that nobody is yet convinced, despite this week's welcome show of firmness, that London Transport does not really want to grant this. (Doubters will not have been encouraged by the tone of their letter to *The Economist* on page 115 last week.)

SOVIET UNION

Meaning of Molotov

WILL he, won't he? The Molotov game has now lasted for two weeks, yet it is still uncertain whether the old Soviet leader will return to his Viennese post as Soviet delegate to the International Atomic Agency. An article in *Pravda* on Wednesday attacking Mr Molotov's "dogmatic stubbornness" has thrown fresh doubt on his future. The fascinated interest in the West in the whole affair shows how difficult it is to get accustomed to the idea that the penalty for political defeat in the Soviet Union need no longer be jail or execution. But Mr Molotov's case is not unique. According to reports from Moscow, while the two marshals—Voroshilov and Bulganin—in the defeated anti-party group



In or out? Mr Molotov

have been retired, Messrs Malenkov, Kaganovich and Saburov have each some minor job. Mr Shepilov's function is unknown, but Mr Pervukhin is still the Soviet envoy in Berlin.

The various contradictory statements about Mr Molotov's destination that have been made by officials of the Soviet foreign ministry have given rise to the idea that the Soviet leaders have not yet made up their minds what to do with the anti-party group. This sounds very possible. Already during the twenty-second Soviet party congress in October one could distinguish differences on this subject. Many speakers asked that the offenders should be expelled from the party, and even that they should be held responsible for their "criminal" acts. Others, Mr Mikoyan in particular, insisted that the matter should be treated politically, not as a matter of criminal justice. Tolerance, in this context, must not be confused with Stalinist sympathies. On the contrary, it may well have been prompted by the desire to avoid any more political trials on the Stalinist model. In any case, if the Soviet leadership has not yet decided how to deal with the defeated opposition, there is no need for surprise that hesitation about Mr Molotov's foreign posting should be apparent. What is curious is that if a great debate is really going on, Mr Khrushchev should be in west Russia and Mr Mikoyan in west Africa.

But might not the controversy go deeper? After all, it is known that on the eve of the party congress Mr Molotov sent the central committee an essay criticising Mr Khrushchev's policy of co-existence in terms that Mao Tse-tung could have endorsed. And the Sino-Soviet controversy shows no sign of abating. Has Mr Molotov found important supporters for his case in Moscow as well as Peking? It is necessary to get used to the fact that the first man in the Kremlin is no longer the undisputed leader in the communist world or even necessarily unquestioned master in his own house. The phenomenon is not really new; but analytical reflexes are still conditioned by the Stalinist experience.

RUSSIA AND CHINA

Deepening Quarrel

IN their wide-ranging verbal duel on the theory and practice of marxism, Moscow and Peking both seem to be attacking with increasing determination. And the fact that the Chinese can call on such uninhibited and pugnacious allies as the Albanians has helped to expose the gravity of the quarrel. The latest Albanian attack, published early last week in *Zeri i Popullit*, is a quite skilfully argued presentation of the whole range of issues over which Peking and Moscow are at odds. In particular it bitterly attacks "Nikita Khrushchev and his group" for being in favour of total disarmament and for attaching more importance to peaceful co-existence than to the struggle against colonialism and capitalism. The article also directly challenges Mr Khrushchev's right to make the views of his party (in any case, it maintains, opportunistic and wrong) compulsory for all other parties.

This hard-hitting effort by the Albanians was implicitly endorsed later last week in Peking, when the Chinese signed a new series of trade and technical aid agreements with the Albanians and when Mr Chou En-lai warmly praised their "correct leadership." The hand of Mr Khrushchev's sworn enemy could hardly have been taken more openly or more pointedly. On Monday the Chinese themselves weighed in with a statement put out by their central committee on the "despicable persecution" of the United States Communist party. In this savage attack on the Kennedy administration, Mr Kennedy is compared with Tojo, Mussolini and Hitler and is credited with the intention of launching a world war in order to destroy the socialist camp and rule the world; peaceful co-existence with such a government is, by implication, impossible. On Wednesday, in its attack on Mr Molotov, *Pravda* also thundered back, at the Albanians by name and the Chinese by implication, with the assertion that peaceful co-existence was "absolutely necessary" because a world war would be suicide.

Clearly, the Sino-Soviet quarrel does not arise from trivialities. But at present Peking and Moscow are carefully avoiding quarrelling with each other directly, and they have strong reasons for keeping up this circumspection. What is tricky is the interaction of Mr Khrushchev's internal battle with the anti-party group on his external quarrel with Peking. In both disputes the issues are basically the same, so that in his struggle with his domestic opponents, Mr Khrushchev may find himself being pushed further than he really wants to go in his dispute with Peking.

POLITICS

Stormy Session?

PARLIAMENT will return next week to what may well be a very stormy session indeed. The storm signals were

hoisted before the recess with the announcement that the Government is to introduce a guillotine procedure for the remaining stages of the Commonwealth Immigrants Bill ; the smallpox scare is not likely to make debate on this measure any more cool-headed or collected. But much bigger rows may almost immediately engulf it. Within the Conservative party there seems certain to be an eruption over whatever the Government does about Northern Rhodesia (see page 216 for the eruption in our letters column, from Rhodesia and elsewhere, about the article on Central Africa which we ourselves published last week). Between the parties battle is looming over Mr Brooke's expenditure axe. When the Chancellor introduced his economy measures last July, he said that he would do his utmost to keep current Government expenditure for 1962-63 at not more than 2½ per cent in real terms above the original estimates for 1961-62 ; he estimated that this would leave above-the-line budgetary expenditure for the coming financial year some £125 million above the 1961-62 estimates, but it would also oblige it to be some £175 million lower than "it would have been otherwise." To secure £175 million of cuts in public expenditure is presumably liable to require some very large and controversial policy decisions indeed—including some affecting the social services.

Obviously, however, the really important policy issue of the new Parliamentary term will be what happens about the common market. During the parliamentary recess there has been some talk about the possibility that Conservative backbench opinion may be hardening against entry ; but nobody can really tell yet how far this is true. It is easier to pass some comments about how Labour's policy towards Europe seems to be evolving, because Labour has the engaging habit of fighting out even its Christmas holiday battles in public.

Labour and the Market

For pro-Europeans the battle within the parliamentary Labour party at present does not seem to be going too badly. Admittedly the Victory for Socialism group is planning a "Keep Britain Out" campaign, which from time to time will make the headlines. A manifesto is to be issued calling on the party to come out in open and wholehearted opposition to Government policy, and attempts will be made to show that membership of the community will inevitably fetter Labour's freedom to extend public ownership. Much will be made of the argument that Britain's entry into the community will exacerbate the cold war. However cogent these points may (or may not) be, they will hardly be enhanced by being made by such pillars of the left as Mr Stephen Swingler, Mrs Judith Hart, and Mr Zilliacus, who are among the leaders of Victory for Socialism. Their extremist followers, in any case, cannot be higher than twenty to thirty Labour MPs. Rather more significant is the overlapping group of anti-marketeers, made up of members of all shades of parliamentary party opinion, under the chairmanship of Sir Lynn Ungoed-Thomas. Their forty or so members include some prominent right wingers such as Mr Douglas Jay and Mr Will Blyton.

Opposed to these two groups is the Labour Common Market Campaign Committee led by Mr Roy Jenkins and Mr John Diamond. Mr John Strachey is an active member as are Mr Ness Edwards, Mr Roy Mason, and Mr Charles Pannell. The committee intends to concentrate on winning over other members of the parliamentary party, and when Parliament reassembles some prominent foreign socialists will be invited to speak at Westminster. Since many, although not all, of the committee's members are Gaitskellites, they hope that the leader is much more likely to listen to them than to their opponents. Quite apart from the difficulties Mr Gaitskell would experience in turning against his own supporters, he is known to be a mild pro-European. Mr Brown, who is never mild about anything, is also a common market supporter. Mr Callaghan and Mr Wilson are on the fence. Probably official party policy will remain unheroically perched with them there until some definite proposals are made by the Government. But if these are then in any way reasonable the party—touching wood, barring accidents and despite some vociferous dissentients—at present seems rather more likely than it once did to swing towards the policy of accepting entry in Europe.

LORD SNOWDON

Press Lord?

The one bit of sound, unanimous advice that Lord Snowdon has ever had from the great British press has been to get a job. Obediently, he has got a new job—in addition to his part-time post, advisory, uncontroversial, rather unsatisfying, and unpaid, with the Council of Industrial Design. His new job is still (it appears) largely advisory, but it is indubitably paid by that part of the great British press owned by Mr Roy Thomson.



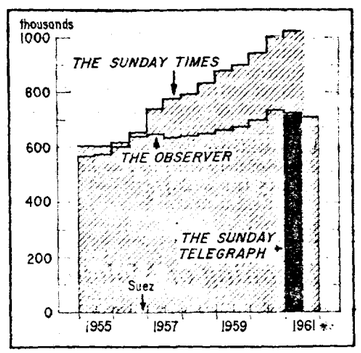
Unfair to all?

Now the balloon has gone up, in the peculiar way that rivals in the great British press manage these things. On Sunday the *Observer* complained, in two articles, that Lord Snowdon's (rather vague) part in producing the *Sunday Times* new colour supplement (which has still to surmount its distribution troubles) was unfair competition: the very name of the Queen's brother-in-law would stampede advertisers into a race to buy space. Both articles were reprinted, verbatim but without comment, in *The Times* on Monday (overseas readers may like to be reminded that *The Times* has nothing to do with the *Sunday Times*: in fact, its machines are used on Saturday night to print the *Observer*). And at least one paper in the Beaverbrook empire has joined in the *Observer's* attack on the "Palace's advisers."

The Palace's advisers should not interfere. This has been all along a matter for the young man himself to decide. If he is going to do a real job of work for Mr Thomson his abilities will be worth the money he earns. If not, if he has been given any reason to feel that Mr Thomson intended to use him as no more than a gimmick, he could surely be trusted to know what to do about it. But the *Observer's* arguments of last Sunday hardly carry conviction. Space buyers are not an impressionable race: they will not support the *Sunday Times* supplement because Princess Margaret's husband is employed on it behind the scenes, but only if so many thousand impressionable readers are inclined to buy a quality Sunday paper for its snob value alone. One wonders how many of these people the *Observer* really believes still watch ITV's Sunday arts programme because the Queen's cousin introduces it. And, if it thinks there are many such, are they the kind of readership that the *Observer* wants, and can expect, to attract to itself ?

Behind the Protest

The chart explains much of the *Observer's* concern at the addition to a richer rival's armoury of what used to be called in the wartime rationing days an "adventitious aid to circulation." Although since it opposed Sir Anthony Eden over the Suez expedition it has fallen behind the *Sunday Times* in the competition for an expanding middle class (and therefore largely pro-Tory, pro-royalty) readership, its total circulation continued to mount upwards until the *Sunday Telegraph* appeared last year. In 1960, its expansion was still proceeding merrily, by 25.8 thousand to 703.7 thousand in the first half of the year, and then up again to 738.1 thousand in the second half. But since then it has fallen slightly, to 728 thousand in the first half of 1961, and to 715.2 thousand in the second half. Last Sunday it truthfully claimed that these figures still meant that its total circulation for 1961 was higher than that for 1960, and naturally its circulation in the last three months of 1961 was higher than in the three holiday months immediately before them ; but to report the figures in this way is to put something of a gloss upon them. The gloss was not really needed. One suspects that a check of this kind, or worse, has happened to all the other Sundays, except the *Sunday Express*. The general performance of the *Observer*, in the face of the challenge from the *Sunday Telegraph's* successful appearance, should not be such as to cause it to show any signs of waning morale.



* July-December circulation figures not available for *Sunday Times* or *Sunday Telegraph*

INDONESIA

Twelve of the Best

President Sukarno has made it harder not to take his aggressive intentions seriously by arresting twelve of the most prominent Indonesian dissenters. Certainly the arrests, which took place on Wednesday, lend greater credibility to the present preparations for military action against West Papua (Dutch New Guinea) than, say, the drilling of volunteers with bamboo spears and wooden rifles. A regime that feels the need to arrest such men as Dr Sutan Sjahrir and Dr Mohammad Rum—two of the most famous leaders of the Indonesian revolution—betrays its insecurity and proclaims that it really does mean business.

It could be argued, alternatively, that Dr Sukarno is merely using the New Guinea crisis as an excuse for levelling out such opposition as remains. Although the arrested men did not go into armed rebellion with some of their friends in 1958, all have been critical of Dr Sukarno's guided democracy. Dr Sjahrir and Dr Rum are the leaders respectively of the Socialist and Masjumi parties, which were banned in 1960. Suggestions in one report from Jakarta that the arrested men were lukewarm on the New Guinea question are absurd ; one of them, the former foreign minister Gde Agung, threatened to walk out of the independence talks in 1949 because the Dutch refused to hand over New Guinea immediately. It is doubtless true, however, that they disapprove of President Sukarno's threat to take the territory by force.

A report that Egypt will prevent Dutch warships from using the Suez Canal in the event of hostilities with Indonesia is part of the present war of nerves. An undertaking to this effect is said to have been given by Field-Marshal Abdel Hakim Amr, vice-president of the United Arab Republic, who is on a visit to Indonesia. If this undertaking has indeed been given, then President Nasser has promised to break another promise—for he pledged himself in 1956 to uphold the conventions governing the use of the canal in peace and war.

CARIBBEAN

Which Dictatorship?

Next Monday, at Punta del Este in Uruguay, Cuba will be in the dock before a jury of the twenty foreign ministers of the Organisation of American States. Latin American attitudes towards Dr Fidel Castro have gradually hardened, but the United States is still not sure of getting the two-thirds majority needed to carry its proposal that the OAS should impose sanctions against Cuba. The larger Latin American countries are in several minds about the wisdom, or utility, of this step, and although the persuaders from Washington are closer to diplomatic victory than they have ever been before, the verdict is far from certain.

In this context the United States has every reason to deplore the new distraction in the Caribbean. On Wednesday, during rioting in Santo Domingo, the Dominican council of state, which came into being only on January 1st, was overthrown and a junta of four civilians and three military men took over—by their own account for one year. Two weeks ago, the OAS lifted its sanctions against the Dominican Republic, while the United States resumed diplomatic relations and prepared to pump in economic aid. Now the State Department has labelled the latest turn of events in Santo Domingo a "backward step" and has talked of withdrawing diplomatic recognition. President Kennedy's comment last Monday that since the Dominican Republic was moving from its dictatorship on the Right, the western hemisphere could concentrate on removing the other dictatorship on the Left, turns out to have been unhappily timed.

Temporarily at least, the laborious effort to replace the 30 years of Trujillo family rule with a parliamentary form of government has failed. The council of state had pledged itself to hold elections in May, but President Balaguer, who had promised that he would step down when the OAS sanctions were lifted, showed every intention of hanging on. Earlier this week, the demonstrators in Santo Domingo were demanding that both he and, more significantly, General Rodriguez Echavarria, the chief of the armed services, should go. But the general was still in command to announce, on Wednesday, the president's resignation ; and though he is not a member of the new council, he is now assumed to be the man in charge.

ALGERIA

Fear Country

Already this month over 300 people have been killed, and more than 500 wounded, by terrorists of the OAS (European extremists) and the FLN (Moslem nationalists): such is the dismal record in Algeria. The terrorists of both sides maintain their pressure on the government (if that is the right term—it barely controls the principal cities any more). The FLN,

The Economist

JANUARY 18, 1862

PRUSSIA AND PIEDMONT

Prussia stands now, and has long stood, towards Northern Germany in very much the same attitude as Piedmont stood towards Northern Italy before the advent of Cavour to power. Both Prussia and Piedmont had been regarded with a great deal of dislike by the absorbable States. Both had obtained and probably deserved a reputation for Northern stiffness and martinetism. Both had been looked upon with jealousy as unfit to constitute the nucleus of a great nation. Both had been regarded as the only possible nucleus, nevertheless. The main differences between the Prussian situation and the Piedmontese lie in two facts : —that Germany is not yet threatened by any overwhelming Power as was Italy by Austria, — and that Prussia has not yet produced any great Minister whose large policy could make all Germany eager to dismiss their small Dukes at once and to coalesce under his guidance. In fact, German unity, if it is coming, seems likely to come through the regular decomposition and recomposition of political Nature, while Italian unity was the fruit of a sudden fusion and reorganisation under excessive outward pressure. . . . Nor ought we to regret the slow progress of the Liberal cause in Prussia. So long as no Minister arises with ability enough to teach the Executive how to *gain* strength rather than lose it by dependence on the people, it is desirable that the instinct of respect for hereditary monarchy which is so strong in Prussia should directly strengthen the Administration ; —that the King's feeble powers as a statesman should be eked out by the respect of the people for his person. It is always a critical moment for a great State when first the people become the real initiative source of power, and unless, when that moment comes, the class of statesmen have been also produced who know how to govern the people *through* themselves, and yet to govern them, there is every danger of anarchy like that we see now in America. In Germany, the executive power has not yet learnt to rest on the people : and we trust that before it does so, the men will be forthcoming who know how to recommend a broad and honest policy to the approbation of the people, without looking to the people to carry it out.

strengthening its grip on the Moslem quarters, continues to ambush army patrols; the OAS exercises its own quasi-political authority over the European communities.

The operations of the European terrorists are now frequently directed against settlers who wish to retire to France while the going is good; such people, held to have betrayed the cause of French Algeria, are sometimes punished by death. The OAS is said to levy taxes on the Europeans, and has begun to order Moslems out of houses in European districts to make room for frightened Europeans who have moved out of Moslem areas. It has announced impending action on an even larger scale, and advised housewives of both communities to lay in two months' food supplies. The Arab leaders have retorted by declaring total war on the OAS. They have been severely provoked. But it is impossible, now, to say where provocation begins, so tight is the vicious circle. It is almost impossible to see how to break it.

The French government, uncertain of the loyalty of the armed forces, and knowing its representation in Algeria to be riddled with disaffection, struggles on its chosen way. A cabinet meeting on Monday discussed the problem of maintaining order in Paris and Algiers. M. Joxe, minister for Algerian affairs, has made an Algerian tour which may perhaps lead to some effective measures. But the main French hope remains a favourable outcome of the secret negotiations with the Algerian government-in-exile. About these, a mild optimism is appearing in Paris, and there are even hopes that by February the progress made will allow of an open resumption of talks. "The whole future of this country depends upon the co-operation of the two communities," said General de Gaulle more than a year ago; "without that I foresee nothing but chaos." Chaos has come. It will not be checked by the accustomed method of ignoring the subject. An effort to restore civilised intercourse between Europeans and Arabs is overdue. But who is to undertake it?

CONGO

Cher Cyrille

DR NKRUMAH, in a famous letter to the prime minister of the Congo, then Mr Lumumba, wrote:

> Cher Patrice . . . you cannot afford, my Brother, to be harsh and uncompromising. . . . Be "as cool as a cucumber" . . . and consolidate your position before you take the next step.

By taking this good advice the new prime minister of the Congo, Mr Cyrille Adoula, has come a long way. Mr Kalonji, who once declared his South Kasai province independent, is in jail; his followers are meekly represented in the central government in Leopoldville. Mr Gizenga, the Little Brother of Mr Lumumba, seems to have had the ground cut from beneath his feet by the cool Mr Adoula. His party has expelled him, his soldiers (some of whom, by one account, massacred 18 priests in northern Katanga three weeks ago) are divided for and against him; he has been dismissed as deputy prime minister. The Communist-supported breakaway of his Orientale province seems to be coming to an end. He may one day join Mr Kalonji.

Quite a lot of ground, however, still remains beneath the feet of Mr Tshombe, head of the breakaway province of Katanga. True, the rump parliament at Elisabethville seems to be on the point of ratifying Mr Tshombe's agreement with Mr Adoula to re-integrate Katanga with the Congo. But, according to most reports, paid white volunteer soldiers are still arriving in towns outside Elisabethville, notably Kipushi, on the Northern Rhodesian border. Because of this, the acting secretary-general of the United Nations, U Thant, has pointed out that there is no official state of cease-fire in Katanga, only a voluntary abstention by the UN forces; and that operations against the mercenaries will continue.

The triangular negotiations between U Thant, the British Government, and the government of the Rhodesias are still at the delicate stage: U Thant may send a representative to Salisbury, but no effective way of sealing off the Rhodesian border and at the same time satisfying the pride of both



Another freelance in adversity: Mr Antoine Gizenga

sides has yet been devised. Nor has the Union Minière company yet, it seems, been persuaded to pay a share of tax revenue and government dividends to the legal recipient, Mr Adoula's government. Britain and Belgium should continue to use their good offices with the company to this end: they could point to the success of Mr Adoula's methods so far, as an indication of where the company's long-term interests lie.

The Katanga secession is still a sore in the body of the young Congo state—but there is some hope. Mr Adoula is said to be contemplating the appointment of someone in Mr Tshombe's Conakat party to a high ministerial post in the central government. If Mr Tshombe is sure that he has a wide base of support in his home province he need not take fright from this, even though the post, that of deputy prime minister, has just been vacated by Mr Gizenga.

LABOUR PARTY

Jack the Bomb

THE Campaign for Nuclear Disarmament has always been unwilling to put up candidates at parliamentary elections. It knows that, if it did so, it would be likely to win only a derisory proportion (perhaps 4 or 5 per cent) of the national vote. Its preferred tactics have been to try to make use of the peculiar theoretical constitution of the Labour party: whereby, if the CND captured the support of a majority of the few thousand people who influence the casting of votes at Labour conferences, it has an opportunity to edge the policies of Labour leaders in a direction which it wants—even though it be a direction opposed by a majority of the 13 million people who vote Labour at general elections. One can question the morality of such take-over tactics—of a company which, in City terms, has an unduly narrow voting equity and artificially silly articles of association. But, obviously, in such circumstances, the directors have the right to use every opportunity to fight back to retain control.



Independent Sheppard

Just such an opportunity may now have presented itself to Transport House. In Pembrokeshire—where the sitting Labour MP is that outspoken anti-unilateralist Mr Donnelly—the local branch of CND apparently consists of independently-minded rural Welshmen, led by a Mr Sheppard (locally known as "Jack the Bomb"). The branch has announced its intention of putting up a CND candidate at the next general election. Labour's constitution decrees that any organisation which puts up a candidate against an official Labour man becomes "proscribed": i.e., nobody can belong to both it and the Labour party. It follows that, theoretically, Trans-



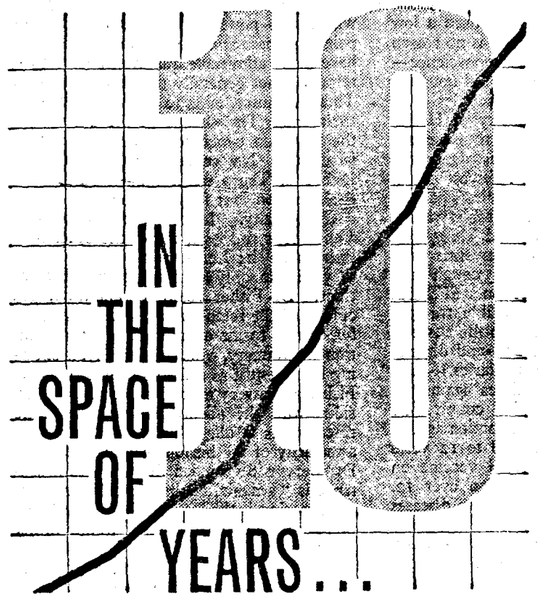
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port House might now be able to say that anybody who wants still to belong to the Labour party (including about 40 unilateralist Labour MPs) must disown any connection with CND.

Naturally, Canon Collins has reacted very strongly to this threat. He has said that "the Campaign for Nuclear Disarmament is a democratic organisation and its local committees are bound by the policy agreed by annual conference" (i.e., the policy of not putting up candidates at democratic elections); there is no evidence that the Canon recognises that this doubletalk is in any way funny. Every effort will therefore be made to dissuade any CND man of Pembroke from standing; and, if any does, it will be argued that proscription must be confined to the Pembrokeshire branch of the CND and not to CND's national organisation. Probably, therefore, the Labour leadership will not seize this chance to cut off the incubus of its extreme left, even though it knows quite well that that extreme left is one of the main impediments in the way of its regaining power. But, if only the Gaitskellites were as ruthless as their opponents, how happy, both for them and for the structure of democratic politics in Britain, could be the reverberations of this explosion from Jack the Bomb.

SMALLPOX

Prevention or Panic?

THERE have been two unpleasant side-effects of the present smallpox scare. One is the intensification of racial bitterness, directed particularly against Pakistanis because they started the outbreak. The second is a public clamour for vaccination which might cause local shortages of vaccine, and divert the energies of public health authorities from ringing off and vaccinating contacts of known and suspected cases.

The success of this method of control may be gauged by the fact that no one has caught smallpox from one of the first Pakistanis to arrive with the disease—the one who landed in England on Christmas Day and who has since died. So far, indeed, the total number of confirmed cases gives no cause for panic—17 with 5 deaths; but the incubation period is from twelve to sixteen days, so that more cases may arise among the contacts of the patients diagnosed this week—they include two more Pakistanis, who arrived in England with the disease, and a Pakistani child.

All travellers by air from Pakistan, where in Karachi alone over 250 people have died from smallpox since November, are now being vaccinated at London airport, unless they show evidence of recent successful vaccination, and are also being temporarily isolated. Thus the further imports of smallpox from Pakistan should by now have been blocked. But in preventing the spread of the infection already in England the public health authorities would be helped if the vaccination rate in the public at large were far higher. The generation that grew up before air travel increased the risk of smallpox being imported can be excused a low level of vaccination. But there is no reason save inertia—and occasionally conscience—why the coming generation should not have protection. Immunisation schedules have been prepared by the Ministry of Health that should enable children to have the widest possible immunity against dangerous infectious diseases with the fewest pricks and jabs. In these time schedules smallpox vaccination has its place, preferably when a child is four to five months old, along with immunisation against poliomyelitis and against diphtheria, whooping cough and tetanus in a combined injection. (Tetanus was wholly or partly responsible for 562 deaths in England and Wales in the 1950s—compared with smallpox's 22—and did not need Pakistanis as intermediaries.) The schedules include booster doses against all the diseases except whooping cough after the child starts school—revaccination against smallpox is recommended at 8 to 12 years—and are completed by BCG vaccination against tuberculosis for children over 12. Permanent protection against these diseases is not of course guaranteed by this procedure. But it may well lessen their severity, and in any case it is a far better course than panic.

CANTERBURY CONVOCATION

No Hanging Bishops

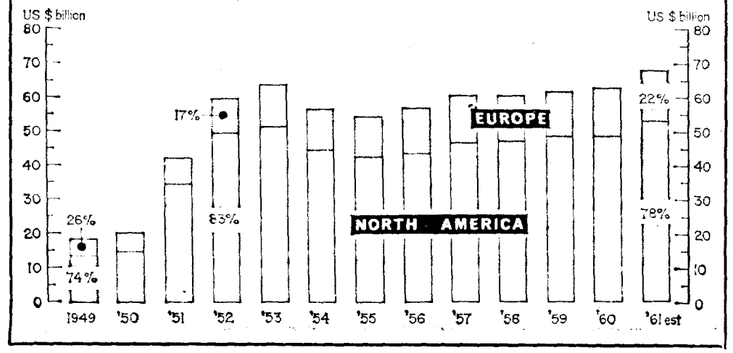
THE unanimous vote of the bench of Church of England bishops in the upper house of Canterbury Convocation in favour of abolishing the death penalty for all types of murder, or of suspending it for five years, will give a powerful impetus to the campaign against capital punishment. Bishops have many admirable qualities, but zeal for reform is not generally their strongest suit. This, of course, adds to the significance of their vote. The change in the attitude in the Anglican bench to capital punishment is marked. Not so very long ago, the late Bishop of Truro was campaigning not for the abolition, but for the extension, of the death penalty. In 1956, although both archbishops and eight out of the other nine bishops in the Lords, voted for abolition, they did so only with important reservations. Dr Fisher voted for abolition, but envisaged the retention of the death penalty for certain forms of murder. In Convocation, Dr Ramsey, who, incidentally, is showing himself just as skilled a chairman as Dr Fisher and a very much less loquacious one, sided with the abolitionists and made no reservations at all. This is not to say that a majority of the bishops would agree with Dr Mervyn Stockwood that the death sentence is "a denial of the Gospel," and that by imposing it the state "takes to itself the prerogative of God." They would rather concur with Dr Mortimer, the Bishop of Exeter, that the state does have the right to take life, but that it should not be exercised in the circumstances of present day England. The bishops' motion has great moral authority. Taken with the vote of the lower house of Canterbury Convocation last October, also favouring abolition, it means that the mind of the Church, at least in the southern part of the kingdom, is officially against the death penalty. York Convocation has not yet considered the problem, but a motion is on the agenda for the May meeting, and there seems little doubt that York will follow Canterbury's lead. And the effect of the opinion of the Anglican church on the views of Conservative backbenchers, although it is a force that moves slowly and sometimes mysteriously, can be surprisingly decisive.

Who Pays for Defence?

America still shoulders the main burden of Nato defence. But since 1952, when the Korean war boosted American expenditure, the European share has risen slightly. As the figures for individual countries show, the United States also spends a larger proportion of its gross national product on defence than any other country. In Europe, France and Britain carry the heaviest burdens.

Between 1953 and 1960 the defence spending of Nato countries has never been above the $64 billion spent in 1953. But forecasts for 1961 showed a sharp increase. For the United States, in particular, which accounts for three-quarters of the total, an increase of 10 per cent is forecast, bringing its defence spending last year to $51 billion.

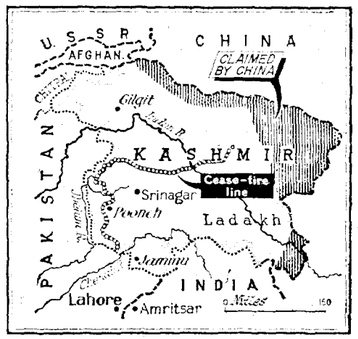
	1960 Expenditure as % of GNP	1961 Forecast in $ mn
Belgium	3·2	396
Canada	4·6	1,703
Denmark	2·7	184
France	6·7	4,041
Germany	4·3	3,214
Greece	5·3	170
Italy	3·6	1,185
Luxembourg	1·1	7
Netherlands	4·1	538
Norway	3·3	165
Portugal	4·7	174
Turkey	4·3	286
UK	6·5	4,742
USA	9·2	51,093



KASHMIR

Less Than All?

LIKE an underground river, the Kashmir dispute flows on through the years, never absent from Indian and Pakistani minds, but easily forgotten by others until it breaks surface again in full view. For more than ten years an American, Dr Frank Graham, has held quiet tenure of an office at the UN's headquarters as its special representative for the question. There has



been no UN debate since 1957; President Ayub Khan's request for a Security Council debate is his first approach to the UN on the subject since his military government took power in 1958.

The Pakistani request cites the tough talk indulged in at this month's Patna conference of the Indian Congress party by Mr Reddy, the party president; and India's swift and summary occupation of Goa last month is clearly much in mind. But President Ayub had announced his intention of an early appeal to the UN before the Indians moved into Goa. There has been a sad worsening of Indo-Pakistani relations since September, 1960, when Mr Nehru and the president met and signed the Indus waters agreement.

In 1958—before the military take-over—Pakistan accepted a suggestion by Dr Graham of a meeting of the two heads of government to discuss Kashmir; but India argued that there could be no useful discussion until the Pakistanis actually withdrew from the parts of the state they hold. On Tuesday, however, the Indian government, in asking the Council to reject the request for a meeting, pointed out that it was prepared to resume direct negotiation, and that President Ayub could take up at any time the invitation to visit India that Mr Nehru extended in 1960.

Hitherto the president has maintained that such a visit depended on some sign of change in India's attitude. But Pakistan's apparent readiness to see a Council debate adjourned until after India's elections next month suggests that its new move may be no mere propaganda exercise, but a serious attempt to break the logjam. The long postponed trial of Sheikh Abdullah, the Kashmiri leader whom India first backed and then jailed, must be reminding Indians of the painful side of their impalement in the mountain state; China's third-party encroachments there are another disconcerting factor. An eventual settlement by compromise, of resounding benefit to both parties, could be brought much closer if some Indian gesture now enabled the Pakistanis to trim down their long standing all-or-nothing claims.

ARGENTINA

Men of Principle

AS a master of the art of political flexibility, President Frondizi demands some of the same aptitude from his lieutenants. Last week, two important members of his cabinet, Dr Alemann, the minister of economy, and Sr Acevedo, the minister of works, tripped over the inflexibility of their convictions, and resigned. Dr Alemann, who has been in office only eight months, has been strictly faithful to his predecessor's policy of monetary control; Sr Acevedo has been trying to put some sense into the country's over-weighted and outdated railway system. Both men have made enemies, and neither recognised the expediency of calling a truce until after the congressional elections in March. Business men, if they needed to borrow money to see them through Argentina's holiday months, have had to borrow privately at exorbitant rates. The railway workers have been on strike. But last month, while Sr Acevedo was conveniently out of the country, a compromise settlement with the railway unions effectively put all the vital issues of wage increases and labour regulations into cold storage until the end of March.

The new minister of economy, Dr Coll Benegas, is a close associate of President Frondizi and has held various banking jobs, the last being representative in Buenos Aires of Crédit Suisse. The president has tried to lessen the dismay caused by the two resignations by insisting that the government's anti-inflationary policy will continue unchanged. So it may in the long run. The president's cautious twisting between rival pressures has, stage by stage, gradually brought his country some of the way towards political and economic recovery. The World Bank has sealed its confidence in Argentina's future with a loan of $95 million for hydro-electric development for Buenos Aires. After long stagnation, industrial production rose handsomely last year; the currency is stable and the unions, apart from the railways, are less intractable.

The armed services, too, have become less impetuous in their efforts to control public affairs. For some months now, Argentina has been spared any attempted *coups d'état*. But Dr Frondizi is not the man to underestimate the influence of his senior military officers. Last month, in the middle of all this financial stringency, Argentina's congress voted £100 million for the rebuilding of the navy. An order of priority that puts warships before, say, workers' houses is not unusual, and in this case it is, perhaps, particularly ungracious to quibble since the first orders for new ships have gone to Britain. But the timing still seems curious.

EDUCATION

Paying the Piper

WHAT should this country be investing in education? In a report on future needs, published on Monday, an independent committee under Sir Charles Morris, vice-chancellor of Leeds University, has produced some estimates which have been called expansionary, but in fact seem remarkably sober. The committee believes that Britain will have to increase real public expenditure on education by £40-£50 million a year for the next twenty years to cope with the rising birthrate, the revolution in working class expectations and the need to reduce the size of primary and secondary school classes. A rise of £50 million a year would in fact be rather below what has been achieved since 1951, in which time the proportion of the gross national product devoted to education has gone up from 3 to over 4½ per cent; it is also not out of line with the increase in spending that the Minister of Education has been talking



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about in his plans for 1970. But it is possible that the committee has underestimated the likely cost of the real improvements it seeks.



Sir Charles Morris: sober expansion

The committee's second estimate is that recruitment to the teaching profession in England and Wales alone will have to run at something like 30-35,000 a year for the next decade; i.e., 7,000 a year above the present rate. The net increase the committee wants by 1970 (94,000) is slightly above other people's guesses, but the real argument over recruitment is chiefly about wastage: that is, the large number of young women who leave after four years or so to get married, compared with (up to now) the small number of married women who return later on. The Minister's recent campaign to get more married women back has begun to show some results: over 2,000 have responded so far — enough, numerically speaking, to release all the staff required to expand the training colleges to get more teachers. The committee ignores this trend, although it is the obvious point to push in making the most of resources that the country has already paid for. Again, it is worth emphasising priorities: 56,000 of the new teachers that the committee wants are for the secondary schools, especially to teach children who stay on voluntarily past the present compulsory leaving age. This is precisely the point that should be driven home in the Burnham committee when the time comes to talk about financial encouragement.

SYRIA

Somersault from Socialism

RIGHT at the start, Syria's new leaders have run into trouble. In Damascus and in Aleppo, students, and others, spent part of last weekend demonstrating against the general statement of policy made on January 8th by the prime minister, Dr Maarouf Dawalibi. Although phrased cautiously, this statement showed that the conservative-minded government is not prepared to make much concession to the infant socialism that came to life while Syria was the northern region of the United Arab Republic. True, the land reform law is to be retained, though there may be changes in the way it is carried out. But all nationalisation laws are to be repealed. This will affect the banks and the half-dozen or so large companies that have been taken over altogether by the state, and also those firms whose shares are still in private hands, but whose administration is now controlled by the government.

The demonstrators were probably less concerned with the prospect of denationalisation than with the omissions in the prime minister's proposals for social security. Dr Dawalibi promised the Syrian worker that he would be given priority in buying shares in reorganised companies, and he also committed the government to a programme of social reform. But his proposals are bound to seem colourless against the rosy hopes with which President Nasser has been encouraging under-privileged Egyptians, and which, not so long ago, were on offer to Syrians too.

Perhaps to offset the attack on himself as a "reactionary," Dr Dawalibi has joined



Under fire: Dr Dawalibi

forces with Cairo and Baghdad in denouncing "imperialist" conspiracies in the Middle East. On Sunday, the prime minister said that it was clear to him that the target of the recent British military movements was "nowhere but Lebanon and Syria." He also vigorously rejected any attempt, at present, to breathe new life into the Fertile Crescent dream. A couple of days earlier, King Hussein of Jordan had described the Fertile Crescent as a "reality"; to be in agreement with King Hussein these days is no position for an Arab leader who is already under fire at home for his right-wing opinions.

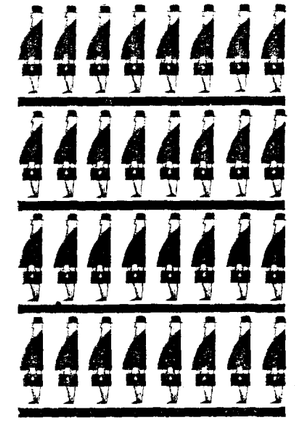
OLD AGE

Poverty's Extent

MRS DOROTHY COLE'S inquiry into "The Economic Circumstances of Old People"* is an odd mixture of very useful social research and (as we see it) very questionable political conclusions. It is based on 400 interviews with people over retirement age in 1959-60; and the main "conclusion" blazoned abroad is that while only 21 per cent of old people were then receiving national assistance, another 10 per cent were entitled to it and yet another 11 per cent were either borderline cases or "excluded from receiving help from the national assistance by the present regulations, which rather illogically protect some sources of income and capital but not others." It turns out, however, that about two-thirds of the 10 per cent who are listed as entitled to assistance but not receiving it were living with other people, usually their grown-up children or other relatives; so were most of the 11 per cent of "borderline" cases; in such cases assessments of entitlement to assistance are very difficult for any amateur researcher; and some of Mrs Cole's assumptions about what should be logical "disregards" of assets and income (don't count the value of any owner-occupied houses, assume that disregards under the earnings rule should also apply to income other than earnings) are decidedly questionable. From these assumptions, Mrs Cole concludes that, if the Government concentrated on raising national assistance rates and improving the mechanism for distributing it, some 40 per cent of old people would be receiving national assistance; so, she implies, it might be just as reasonable to concentrate on getting "the basic old age pension substantially increased." This implication, that one might as well spread several hundred million pounds worth of increased benefit over everybody in an age group if four out of ten of them badly need it, is a bit staggering.

The danger is that some of the pamphlet's questionable conclusions may detract from the real value of its genuinely pioneering research. For example, this research confirms that older people (often those who retired before private pensions became less ungenerous) are worse treated than younger retired people, and that the women in the sample tended to be much worse off than the couples or the men. There might well be a good case for making the next special increase in pensions apply only (or mainly) to those who reached retirement age before, say, 1956—which would mean, immediately, only to men over 70 and women over 65. Certainly, too, some private occupational pensions contain quite insufficient protection for widows' rights. And what appalling misery must be disguised in the statistics that those "who appeared to have little social contact (less than once a month) represented some 4 per cent of all old people"; and that (here, probably, lies the real substratum of intolerable poverty in our society) there were another 4 per cent of old people who "kept house alone . . . who had definite entitlement to national assistance but were without such help."

* By Dorothy Cole with John Utting, Occasional Papers on Social Administration No. 4. Codicote Press. 139 pages. 12s. 6d.



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AESOP-TO-DATE

The travelling Kangaroo



A Kangaroo from Dublin Zoo.
A female of the species,
Was put inside a sort of ark
And shipped direct to Regents Park
Where every prospect pleases.
But this marsupial had some doubt
If she would get her Guinness Stout.
And so she packed herself a few
Bottles of What is Good for You.

In England, when the Customs men
She failed to understand.
They searched her . . . ouch!
And in her pouch
They found the contraband.
Protesting was of little use
For ignorance is no excuse.

And so in future all beware,
When asked, "What have you to declare?"
Declare in accents loud and free—



Guinness is good for you—and me

G.E. 3627

LETTERS

A Message for Sir Roy

EDITOR ECONOMIST—YOUR EDITORIAL ON SIR ROY WELENSKY IS ILL CONCEIVED INACCURATE AND MISCHIEVOUS. FEDERATION IS ONLY STABLE STATE IN CENTRAL AFRICA AND CONTINUED APPLICATION WESTERN PRINCIPLES IS ENABLING IT TO STAY PEACEFUL AND TO STEADILY INCREASE STANDARDS AND RESPONSIBILITY OF ALL PEOPLE. THIS LARGELY DUE TO SIR ROY WELENSKY LEADERSHIP. DEPLORABLE RESPECTED JOURNAL *Economist* PUBLISHES SUCH IRRESPONSIBLE AND DAMAGING SUPPOSITIONS THAT CANNOT BE SUBSTANTIATED—N. S. FERRIS, CHAIRMAN UNITED FEDERAL PARTY; M. M. HOVE, MP; S. S. SAWYER, MP, CHAIRMAN SOUTHERN RHODESIA UFP; B. G. SPARROW; TIKILI; N. NYANGONI; J. W. MILLS, CHAIRMAN NORTHERN RHODESIA UFP; G. A. CHAZA; J. B. PATEL; J. W. SWAN, MP; G. MSUMBULWA, MLC; R. E. SAGAR; M. AYL; S. UDWIN, MP; R. RICH, MP; G. CUTHBERTSON; R. ALLANSON.

★

SIR—Your Message to Sir Roy Welensky is a shattering revelation of the expedience and cynicism which motivate *The Economist's* persistent hostility towards the Federation of Rhodesia and Nyasaland. I cannot deplore too strongly your irresponsible advocacy of policies based neither on principle nor reality but on a desire to appease the anti-colonialists at all costs. Equally deplorable is the encouragement which your mischievous analogy with Algeria will give to the Federation's extremists.

There may be—as *The Economist* seeks to remind its readers—fewer white Rhodesians than there are people in Nottingham. This does not make any less valid their determination to ensure, with the support of moderate Africans (whom we believe to be in the majority), that political power in the Federation shall remain in the hands of responsible men, black and white.

One of the Federation's chief aims has been to foster partnership between the races. Yet *The Economist*, while acknowledging that under Sir Roy Welensky's leadership white Rhodesians have become more liberal and racial discrimination is being swept away, declares that Sir Roy is no longer the best man for the job of political leadership and that the Federation is doomed. This seems clear proof that *The Economist* now rejects the concept of multi-racialism in favour of support for the racialist policies of the African extremists.

Your cynical and discourteous reference to "the federation of Rhodesia (and Nyasaland)" is in itself an interesting comment on the bias with which *The Economist* approaches the whole question of the Federation's future. Equally, responsible readers will question your motives in giving circulation—and attributing to Whitehall—the malicious nonsense that Sir Roy Welensky at one stage "threatened to march into Northern Rhodesia and arrest the Governor."

Can *The Economist* substantiate its surprising contention that "international outcry" followed the announcement of Northern Rhodesia's new constitution last June? There was violence in certain rural areas of Northern Rhodesia and a few incidents in the urban areas, but the action taken to quell it can in no sense be interpreted as the "putting down of colonial peoples by force," for it is important to remember that these disturbances were not spontaneous. As the recently published report of the Northern Rhodesia government makes clear, this campaign of violence was organised by officials and members of Mr Kaunda's United National Independence Party in an attempt to gain by violence what the party had failed to achieve by negotiation. In advocating the granting of constitutional concessions to UNIP now, *The Economist* is apparently prepared to condone the use of violence as a political weapon.

Your arbitrary statement that, in 1962, political power cannot remain in the hands of Europeans ignores the fact that in the Federation political power is increasingly being shared with Africans. We have set our face against the doctrine of the supremacy of one race over another, and surely it is as illogical for Africans to be granted political power simply because they are black as it is for Europeans to exercise power simply because they are white. I am sure your readers will agree that the deciding factors in determining the exercise of power should be merit and responsibility, not race. That this view may be unacceptable to the Afro-Asian block at the United Nations in no way undermines its validity and we in the Federation believe that the British people—if not *The Economist*—would wish their Government's policy at the United Nations and elsewhere to be based on what is morally right, however unpopular it may be in some quarters. Sir Roy Welensky made clear in his recent address to the Institute of Directors' annual conference his belief that there is nothing wrong with the courage of the British people and their leaders, and Lord Home's recent speech on the United Nations is further evidence of this.

You refer to Sir Roy Welensky being unlikely to accept Katanga as a precedent for Nyasaland's withdrawal from the Federation. Since the Federal government has never supported the secession of Katanga from the rest of the Congo, no question of "precedent" arises. The Federal Prime Minister has constantly sought to encourage the reintegration of Katanga into the Congo by means of peaceful reconciliation between the Congolese leaders themselves and all the Federal government's influence has been exerted towards achieving this aim. The Federal government has done everything legitimately possible to prevent the attempted solution of the Congo problem by the use of force. Contrary to the opinion of *The Economist*, the interests of the British and Federal governments over Katanga do indeed coincide, for the survival of a stable, pro-Western government in Elisabethville is as vital to Britain and the whole free world as it is to the Federation. Sir Roy Welensky does not regard Katanga as a buffer state between black and white nationalism but welcomes having on the Federation's northern border a territory whose leaders share our belief in inter-racial co-operation and the maintenance of law and order, and with whom we can enjoy friendly relations.

While control of the Federation's frontiers and immigration are Federal government responsibilities, the joint statement on December 29th by the Governor of Northern Rhodesia and the Federal Prime Minister shows that there is the closest co-operation and agreement on these matters between the British and Federal governments. The two governments are also in complete agreement that the onus to establish a traveller's bona fides should be decided in the metropolitan countries concerned. Several weeks ago the Federal government requested that this matter be examined by the British Government with those metropolitan countries mainly affected. This is now being done.

I believe that confidence in the political, economic and indeed moral judgment of *The Economist* will be severely shaken by your partisan and vindictive attack on the Federal Prime Minister and all he stands for, and that your call to "face the music" will be regarded as an invitation to surrender unconditionally to extremism. No one will deny your right to oppose the policies of Sir Roy Welensky, as indeed you have consistently done for a long period. Many who have disagreed with you have been permitted space to reply to your views. All of this is fair and proper. But when you take an obviously calculated step to besmirch the honour and purpose of a great Commonwealth statesman and encourage those who employ violence in pursuit of their political aims, I am bound to protest in the name of principle and fair dealing; which I now do with all the emphasis at my command.
—Yours faithfully,

A. E. P. ROBINSON
High Commissioner for Rhodesia and Nyasaland.

London, WC2

★

SIR—Your "Message for Sir Roy" is clear, unequivocal and potentially disastrous: "Welensky Must Go." Apart from the fact that, in the supposedly sober pages of *The Economist*, it is a surprising exercise of what Stanley Baldwin, similarly attacked by the newspapers, devastatingly described as "power without responsibility—the prerogative of the harlot throughout the ages," it is based on a profound misunderstanding of the situation in Central Africa.

To what end is Sir Roy to be sacrificed? To the destruction of the Federation, of which your approval is explicit. To the establishment of (black) African domination, under the slogan "One man, one vote," of which you approve by implication. In the international sphere, to the full-out support by Britain of the United Nations' effort and policies in the Congo.

These aims—let us, as you so rightly urge, cut out cant—can only be fulfilled against the direct will of the majority of the white population of the Rhodesias. These white Rhodesians are not a scattered few, as were the Kenya settlers, to be dismissed at first contemptuously and then with a hideous crocodile pity. The policy which you demand can only be imposed upon the Rhodesias by force—force of the kind that was used to batter Katanga into submission, but of enormously greater weight and (it must be added) greater military efficiency.

Whence is this force to come, and what will be its character? Are Salisbury and Bulawayo to be reduced to the present state of Elisabethville? Are we to see Indian Canberras (with or without British 1,000 lb bombs) swooping merrily over the centres of these cities, while Ethiopians winkle out the desperate resistance of old ladies and school children in the suburbs, and Swedish staff officers—relaxing after their arduous duties—watch unmoved while colonialist vipers, such as bank managers, shop assistants and public relations consultants, are dragged off to summary execution?

Is it conceivable that you contemplate with equanimity the repetition, on territory for which Britain still holds responsibility and where the majority of whites are of British stock, of episodes such as these, which have all occurred in Katanga recently? Of course not; yours is a liberal, humane journal, written and read by liberal, humane people, a long, long way away from central Africa. Those who will such an end as you desire shut your eyes to the means by which it is attained. It is time you were brought to understand what those means are; it is time you realised why, for example, a large part of the British electorate revolted against the proposal to supply British 1,000 lb bombs for the attack on Elisabethville. However desirable or expedient the end, the means were morally shocking. Your end is evil because your means are evil.

You say that people like myself, who believe in and support Sir Roy, for the simple reason that we believe his policies to be right, "have to be persuaded that, frankly, the time has come to face the music in central Africa."

"Face the music" is a brave enough phrase. Violence, murder, oppression, corruption, and the ruin of civilisation are dismal, ugly words; but in them is contained the music which you say must be faced—not for the moment, in London, SW1, but in Africa.—Yours faithfully,

London, SW1 JOHN CONNELL

SIR—We have had the United Nations in the Congo deciding that it must try to destroy President Tshombe because he is determined to protect the interests of his people from the excesses of racialism. Now, we have *The Economist* deciding that Sir Roy Welensky must go, because he, too, appears equally determined to protect the interests of his people, African and European alike, from similar dangers.

You seem surprised that Sir Roy should have "done little to oppose" Mr Tshombe, and take him to task for this. But why should Sir Roy be expected to act in opposition to Mr Tshombe's aims? Sir Roy has himself worked unceasingly for nearly a decade to build up a multi-racial partnership in the Federation—a partnership based on responsible citizenship and not racialism.

Beyond the border in Katanga, President Tshombe has been administering this province by means of European and African co-operation—another multi-racial society. Why should Sir Roy want to destroy this administration?

Is it really surprising, furthermore, that Sir Roy should prefer to have International Red Cross observers on his territory rather than representatives of the UN? He has seen the UN trying to impose a political solution upon Katanga by force. Who is to say that once on Rhodesian soil the UN would not, as suggested by my colleague Patrick Wall last week, interfere in the internal politics of Northern Rhodesia?

You say that "except in Nyasaland the political power is still in the hands of the white minority—a thing that in 1962 cannot persist." Are you suggesting that political power should be handed over to Africans regardless? If so, you forget that the majority of Africans in the Federation, like the majority of Europeans, look to the Federal government and Her Majesty's Government to protect them from exploitation by extreme racialist elements of either colour, black or white, whilst the political advancement of the Africans is allowed to continue in a peaceful and orderly manner.

Please do not refer me to Dr Banda's Malawi Congress Party and its "90 per cent of the population behind them." When I was in Blantyre a year ago, I saw the smouldering ruins of an African politician's home. His crime? He had dared to form a Christian Democrat party instead of supporting Malawi, and had attended a reception for British MPs the night before. Whilst this form of intimidation is rife in Nyasaland, I do not doubt the ability of Dr Banda's henchmen to secure him the support of 90 per cent of the population at the polls, any more than I doubt the ability of Herr Ulbricht's henchmen to do the same for him in East Germany.

Nothing I saw in the Federation, or have heard from those within it since, gives me the impression that "the whole thing might blow up this year." But all the achievements of the past will be destroyed instantly, if power is handed over to an irresponsible racialist regime.—Yours faithfully,

VICTOR GOODHEW

House of Commons, SW1

Brave Old World

SIR—The article in your issue of January 6th criticised the Foreign Secretary's speech at Berwick, but entirely ignored the real problem to which the speech was addressed—namely the lack of balance in the United Nations today, where the bill is paid by a minority, who in the main uphold the Charter, while the majority who control the voting in the Assembly regard the organisation very largely as an instrument for furthering their own ends.

This was the ominous feature of the voting in the Security Council on Goa. Four members voted to reject Portugal's appeal against Indian aggression on the ground that this question was a colonial one, and opposed a resolution calling for a cessation of hostilities. You urge that this was not the first time that members had condoned the use of force. I cannot see that that makes the symptom less alarming. The voting in favour of Indian aggression—and the vote would have been far stronger in the Assembly—reflects the fact that many UN members vote on questions of this kind according to their prejudices and not according to the Charter.

We all know that this is what has bedevilled the situation in the Congo. The supposed shortcomings of Belgian colonial policy in the past do not alter the fact. The immediate cause of the present disaster was, as Lord Home said, the premature grant of independence by the Belgian government, who allowed themselves to be hustled by the anti-colonialists into abandoning a territory that was not prepared.

To return to the question of Goa, you draw attention rightly to the problem which must face any peace-preserving system, that of bringing about necessary changes without the use of force. In fact this problem is hardly soluble without the Metternichean concert of the great powers which you refer to so disparagingly in your article. The great powers acting in unison might by firm persuasion have induced the parties in a dispute to accept a fair agreement. What hope is there, when the party with the worse cause can always be sure of the support of Russia—at a price? But here too the change in the balance of UN membership has made matters worse. What chances are there likely to be for conciliation by the Secretariat, when its actions are conditioned by a majority which votes according to prejudice? Do you really think there could have been any chance of Portugal accepting a formula of agreement approved by the Afro-Asian nationalists?

Your article comes perilously near to arguing that the UN ought to have forced Portugal to surrender Goa, and that failing this it could not object to the Indian aggression, because Portuguese rule in Goa was offensive to the Indians. I fear that you, Sir, like the Afro-Asians, cast your voice according to your prejudices. A similar argument could unfortunately be easily applied by those with different prejudices to, say, Basutoland.—Yours faithfully,

CHARLES STIRLING

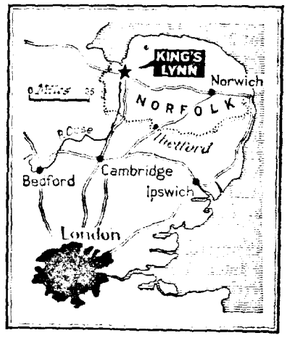
Alton, Hants

HOME REPORT

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

London to Lynn

FROM OUR SPECIAL CORRESPONDENT



THE only way to lift the burden of population and industry from the old back of London is to push people and their work into areas whose worries are of dearth rather than surfeit. There are still quite a few such places left in southern England, and the consequences of joining the common market should bring many of them to light. But London's overspill is ideally directed towards small, underpeopled towns in Norfolk and Suffolk whose elders have decided to quit the dreams of eighteenth-century greatness and revive their fainting boroughs.

But people and industries are loth to move: and small towns sleeping under the huge fen sky are often loth to accept them. Up to 1951 London concentrated on its new towns: since then, the Wen has had to depend on its persuasive tongue—sometimes with notable success, as at Swindon, but more often to no avail.

Under the Town Development Act of 1952 London is an agent for recruiting firms into a new area and producing the work-people. Generally, it helps to build the necessary houses ; meets, for ten years, half the deficit on the housing account rates which may come about as a result of the overspill ; pays part of the special grant (over 15 years) provided by the Government for each house in a development town ; and makes sure, through its industrial selection scheme, that the overspill town gets just the type of citizen it needs. For a poor town with potential, it is a fairy godmother. Not that many of the overspill towns see the process in that light: their sacrifices, their citizens think, merit any handout from London.

There are, however, exceptions. The most noteworthy of them is the ancient port of King's Lynn, lying on the Ouse and living off what remains of (200 years ago) the fifth largest port in Britain. In its approach to its own problems of stasis, underpopulation and the limitations that go with having small needs in an age of large contracts, Lynn has exhibited a rare intelligence and resource.

Lynn lies in the centre of one of the richest and most intensively worked farming areas in the world, with the fens to the west and the chalk and clay of high Norfolk to the east ; and it is an increasingly thriving point of entry for cross-channel traffic, much of it in timber (now that roads dominate communications, the town expects to regain some of the trade it lost when the railways destroyed its old waterway system).

Four years ago a large soup firm moved in to Lynn's new industrial estate, to join and be followed by other firms in the same line of business: frozen foods, fertilisers, canneries and the mill which processes the sugar beet grown in depressingly large quantities in Norfolk. The soup firm is the key to the current scheme for absorbing about 10,000 Londoners over the next ten years. When it began plans for expansion included the attraction of about 1,000 new employees, preferably from somewhere less intensively used than the Lynn area is ; Lynn itself, unhappy about the shortage of labour, and perhaps worried by the drainage away from agriculture which might come about, saw a solution to its own problems in the LCC's problem of overcrowding.

Then the soup firm decided on a policy change which would expand its operations by automation rather than by extra labour, and the scheme might have died had not other firms begun to ask about prospects in the area. They found, to their surprise, that the Board of Trade was unenthusiastic about their moving to Lynn and, being none of them very large, they found it difficult to resist its persuasion to go to official development areas. The Ministry of Agriculture was also unenthusiastic about an industrial Lynn, not so much because of land use (500 acres of mainly waste land will be taken out for development), but because the agricultural wage structure of west Norfolk might be adversely affected.

The overspill scheme was thereupon revived, and an immediate softening of attitude followed: two industrial development certificates were granted, even though the scheme was (and still is) embryonic. Lynn's offer to London was a departure from the normal: the borough offered to build 3,500 new houses over ten years and to provide industrial employment for the 10,000 tenants, if London would supply the tenants. The LCC accepted in principle, harbouring its own doubts about the high degree of co-ordination which would be required, but happy to be relieved of its usual responsibilities.

The scheme has not been undertaken lightly by the borough: for two years it has investigated the development of other overspill towns, evaluating housing schemes, measuring the social pressures involved and generally preparing for what will be something of a revolution for the 27,000 Lynnites. Not quite such a revolution as many of them think it, however: with no town of comparable size nearer than 40 miles away, Lynn serves a population of about 100,000, most of whom seem to be in the town on at least two days a week. A mere 10,000 Londoners will not make much impression on them ; nor will 16,000, which is the number Lynn hopes eventually to attract.



What is envisaged will also help to solve one of Lynn's worst problems: the redevelopment of the town centre. As things are at present, no large contractor can be found willing to undertake the small volume of building which is Lynn's annual target: and the town is therefore forced to make do with as much as small contractors from the area can manage, about 50 houses a year where it would like to see 150. As a result, much of the tottering Victorian jerry-building which mars a largely medieval and Elizabethan town remains unrazed and ugly. The proposed overspill housing, together with the town's real needs for its own citizens, should now attract a large developer, leaving ample capacity for the rebuilding of the town centre, to which it is thought most Lynnites will return.

So far much of Lynn's planning is in that stage in which things look either very rosy or extremely black: the details of roads, services and finance have yet to be fully worked out. At its rosiest, the scheme would revitalise Lynn, give 16,000 people their own homes, relieve the pressures on London and show a small profit. At its blackest, the town might be left with derelict ground, a heavy rate deficit and crippling stagnation: but that seems unlikely.

White Collar Stomp

FROM OUR SPECIAL CORRESPONDENT



Mr Dankworth and militants.

THE Royal Albert Hall, whose tiered galleries have done so much across the years to dampen its visitors' artistic or political enthusiasms, notched up another victory on Tuesday night. This was to be the apotheosis of white-collar trade unionism: after sixty years of staid existence the Civil Service Clerical Association, goaded into action by the Chancellor's unprecedented refusal to allow an arbitration tribunal to name the day from which a pay increase should come into force, had decided to make its power felt. Its members were to work to rule (junior typists, 30 words a minute and not a syllable more): and the slow-down was to be preceded by a mass rally, designed to prove for the benefit of those junior typists that trade unionism could be fun as well.

The sum of £5,000 was spent on hiring the hall and the motor-coaches to bring in the crowds: speeches by the union's leaders were to be leavened by Johnny Dankworth's 14-piece jazz orchestra (the leading traditional bands being busy with the pantomime season, the union was forced to go progressive in its music as well as in its politics). In all, 7,000 members filled the Albert Hall: down the road in Westminster, 3,500 more were waiting in the Central Hall. They were due for a thumping let-down.

Mr George Green, general secretary of the association, had spent the afternoon with Mr Henry Brooke at the Treasury: what he had learnt there caused him to step bravely out, between Dankworth numbers, and announce that the whole thing was to be called off. The Government, he said, was to restore unfettered arbitration from April 1st: this he interpreted as victory for the union ("What about retrospection ?" cried a barracker), and the rally could be transformed from a protest meeting into a victory celebration. Mr Green bears a marked resemblance to Mr Selwyn Lloyd, and it is debatable which of the two is the less inspiring orator—his brief report was vague enough to give those inclined to cheering a chance to cheer, while those wanting to boo failed to find a rallying point.

The general secretary rushed off to break the news at Central Hall as Mr Dankworth led into a fast number—but the magic was broken for good. As the teenagers clustered towards the band-stand, the adults sought the rainy streets and the buses home. In the foyer the militants greeted each other with prophetic satisfaction: "Sold down the river again, eh Charlie ?"

This, indeed, seemed a common reaction, and was perhaps an inevitable one. Trade unions in the civil service cannot be militant because of the middle-class attitudes of their membership. On the other hand they depend on people who are by temperament militant to do much of the ungrateful voluntary work of union organisation. These people have always chafed under the knowledge that they could not strike: but they always had an outlet for their energies before the committees and tribunals that settle their rates of pay.

When the Government appeared to close even this outlet, the moderate union activists feared lest their more militant colleagues should profit from the situation. The work-to-rule was an opportunity for both kinds of activist to work fully together. The abandonment of this militant policy, and the return to careful negotiation and arbitration, brings the conflict between militants and moderates back into the open. The jazzed-up fiasco of Tuesday evening at the Albert Hall will not strengthen the hand of the moderates, led by Mr Green himself. He had a narrow squeak in his executive next day.

MEANWHILE, militancy is paying off in two other unions that also contain their fair share of extremists and are led by moderates. The Post Office Workers' work-to-rule is, in the union's view, having just enough effect on the GPO's operations —and on the public—to keep up a steady pressure on the Government. It is also most welcome to many members of the union, since a great deal of compulsory overtime is being worked in many areas to clear the backlog of mail, with corresponding effects on postmen's pay. The Post Office Engineers are due to launch their work-to-rule as well next Friday (and are hoping to distribute their interpretation of the rules to branches despite their colleagues of the UPW). The POEU expressly states that its campaign will at first have almost no impact on the public, but will inconvenience the post office and cause it to pay out more cash than usual in overtime. In a diverting paragraph of its statement to the press, the union explains that its members in post office factories will not be asked to work to rule because, as piece-workers, their pay would be reduced—surely a new principle in industrial action.

The important lesson of the action by these three unions was summed up by a CSCA official who claimed that, whatever Mr Lloyd's faults in the eyes of the union, he had united it as never before (and increased the membership from 140,300 to 146,900 in 1961). None of these unions has ever indulged in industrial action before: coming into the field with no preconceptions, they have been able to evolve methods of annoying the employers without making their members suffer or making themselves unpopular with the public.

Most surprising of all, they have all three been able to secure an amazingly good press —for cases which are certainly not without flaws. Unlike most British trade unions, each of them has a full-time press officer whose word is taken by the top-level officials: one of these press officers will, at the drop of a hat, use the revolting expression "public-relations-wise." If this kind of thing spreads, employers may have to watch out.

The Snuffling Season

It may not be real flu: it may only be coughs and sneezes. But whatever it is, Britain has caught it. In the week ended January 9th, the last for which figures are available (and even these were held up by the postmen's work-to-rule) there were 477,000 new claims for sickness benefit throughout the country. Normally, the Ministry of Pensions and National Insurance expects under half that number in an average week in January, although there were 280,000 in the corresponding week last year. The January 9th figure is an increase of over 130,000 compared with the week ended January 2nd, and it is, in fact, the biggest single influx of claims since the height of the Asian flu outbreak in mid-October, 1957, when 567,000 new claims were received in a single week.

Health officials, beset by smallpox worries, have had less time to track down influenza viruses, if these are really doing the damage. But the figures show that there are more ways of losing a staggering number of man-hours in production than by enduring an official epidemic.

NEW SICKNESS BENEFIT CLAIMS (ALL CAUSES)

(in '000s)

Weeks ending	Dec. 12	Dec. 19	Dec. 26	Jan. 2	Jan. 9
London (2 regions)	35·5	29·0	16·6	61·2	92·5
North-West	30·6	27·7	17·5	67·5	97·2
North	13·6	11·2	7·5	22·8	32·6
Midlands	14·8	13·1	8·2	34·7	46·8
Scotland	24·4	19·4	15·1	16·3	36·2
Britain (12 regions)	189·5	160·9	103·8	341·6	477·3

The worst-affected areas this month, as the table shows, have been in London and the north-west region, including Manchester. In the first week of the new year deaths from influenza, bronchitis and pneumonia were highest in Lancashire, Cheshire and parts of Derbyshire: this could be a comment on housing conditions as much as on the incidence of local chills and ills. Sickness benefit claims are the best single indicator of a spluttering nation, but, if anything, they underestimate the time lost from work. They do not include those who go back to their jobs after only two days' absence, and many people, particularly salaried workers and married women, do not bother to claim at all.

What seems to have happened this month is that the peak of winter sickness (over 400,000 claims a week), which was reached in February in both 1961 and 1959, has arrived much earlier this time. The rise has been a very steep one from the Christmas holiday, and its statistical appearance was concealed in the first week (ending January 2nd) by the normal number of carry-overs from the holiday period. It has long been established that people do not want, or have no need, to go sick in Christmas or Easter week, and the table suggests that the reluctance was showing up in mid-December as well this year.

On the face of it, the Scottish holiday period now lasts for a healthy two weeks, not merely over Hogmanay alone. Christmas has its converts north of the border. The Scottish figures fell noticeably, if not as dramatically as the rest of the country's, between December 12th and 26th: they did not begin to rise until well after the New Year had been ushered in.

In the absence of identifiable flu viruses, it is reasonable to put most of the blame for all these snuffles on December's cold spell, followed by rapidly alternating warm and chilly snaps. What is evident is that the folklore of going sick would repay more serious official study. There is a psychological factor both in epidemics and apparently in choosing one's time to succumb to a normal cold in the head. Or is it merely the thought of those bonuses and office parties that keeps everyone clocking in until Christmas ?

BOOKS

Out of Africa

Guilty Land
By Patrick van Rensburg.
Cape. 224 pages. 18s.

White Madam
By Myrna Blumberg.
Gollancz. 160 pages. 18s.

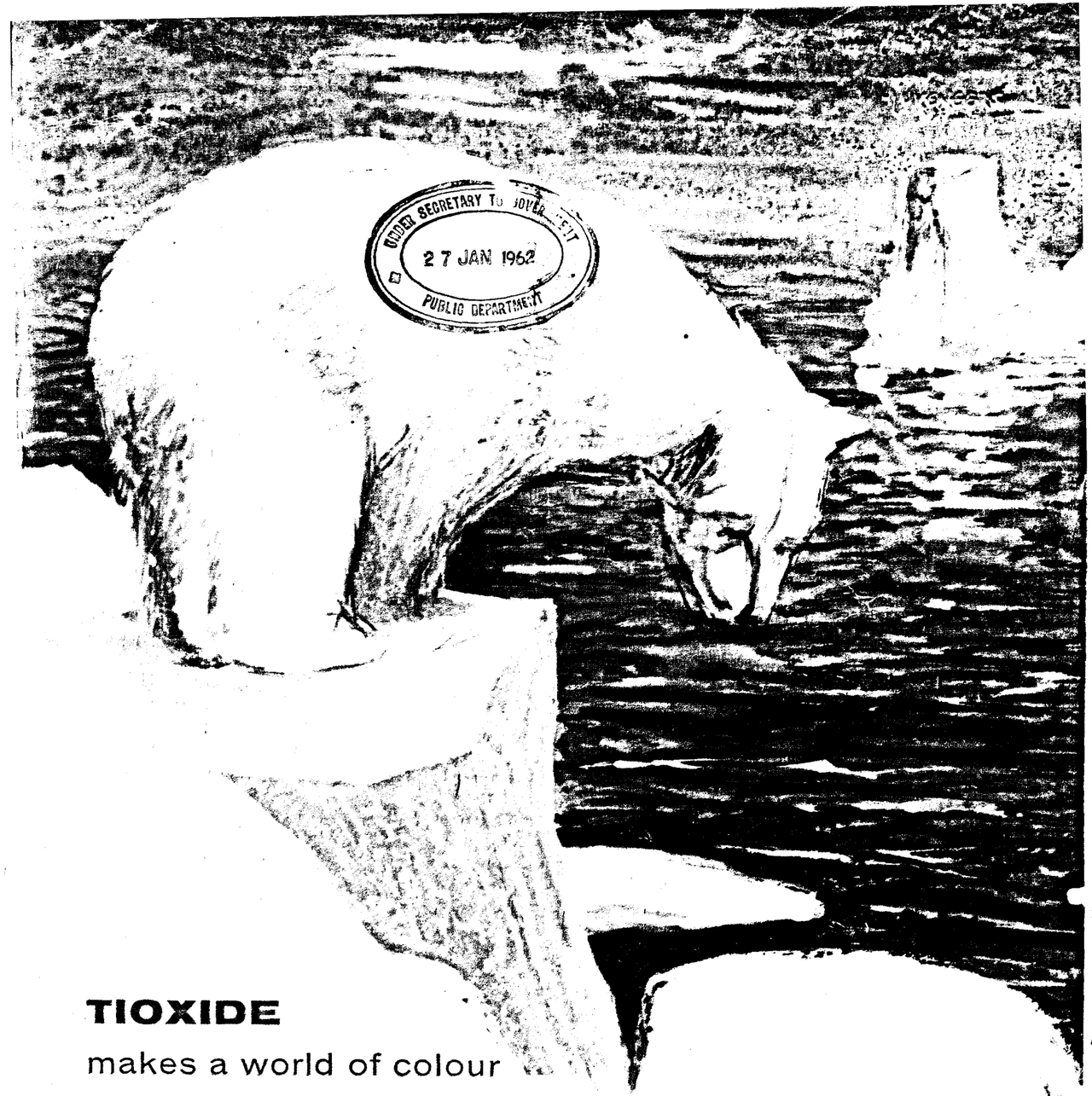
It is the solace of exiles to write illuminating, polemical or vindictive books about their homelands, from which they have been rudely driven for their beliefs. Neither of these books is either bitter or vengeful about South Africa, and they fall happily into the first category of exile writing, throwing much light on a situation in which few Europeans can take more than an emotional interest. Of the two, Mr van Rensburg's is the more ambitious, Miss Blumberg's the more illuminating.

Patrick van Rensburg, an Afrikaner born, was brought up in an alien tradition: carrying his grandmother's name of Lagesse, he grew up as one of that strange band of brothers, the English-speaking South Africans, to whom every other race on earth is something tainted with inferiority. Like the rest, therefore, he hated and despised the Afrikaners who make up the greater part of South Africa's white population—only to embrace those hard, principled and Calvinistic people with fervour when he discovered that he was one of them. He joined their government service ; became a member of their diplomatic staff ; conscientiously conducted their apologias in the foreign country (ironically, the Belgian Congo) to which he was sent.

Here, by chance, he began to think, prompted by people whose detestation of South African racial policy was already high, and his disillusionment was rapid. He resigned, joined the non-racial South African Liberal party and shone briefly as the arch-traitor to his land and culture (while he helped to organise the British boycott of South African produce) before his final escape from South Africa in 1960 after Sharpeville and the following emergency.

Mr van Rensburg's description of his conversion (practically unaccompanied by alien proselytising) is the best thing in his book ; written with economy and a quite unfashionable sincerity, it makes it hard to believe that all South Africans with white skins are, as we all too easily imagine, monsters of intolerance and shut minds. He cannot be the only one to have seen this light ; and that he is a member of that very race for which most odium is reserved makes this account more heartening.

The other two-thirds of "Guilty Land" are taken up with a detailed summary of the legislative machinery which makes the South African racial situation possible, and a painfully explicit exposition of the role and requirements of white liberalism in the overthrow of nationalistic Afrikanerdom for which, as for the millennium, much of Christendom waits. His conclusions can bring comfort to very few among the white liberals whose task it has been, these twenty years past, to try to bring some reason and justice into the South African scene, for he will have none of the earnest adherence to accepted principles of justice and fairness. Seeking the limited victory first, he adjures us and the liberals to embrace the cause of black nationalism, to work with it, to be anti-white, to use that anti-white force



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(which he believes the strongest force in Africa south of the Zambesi today) to overthrow the current regime—and only then to think of liberalism.

Reluctantly, many of the most courageous liberals in South Africa will agree with him; it is the side of their dilemma easier to fall on. Between the apparently hopeless cause of bringing peace and enlightenment to this riven land and the attainment of the first of liberal ideals—that the underdog must be raised to equality—they will choose, possibly in a spirit of atonement for white wrongs, to risk their own destruction for the sake of the smaller end. That answer has the merit of heroism and self-sacrifice; but the true liberal, the humane worker for humane ends, cannot countenance it. Mr van Rensburg's thinking has been long and deep, and there is no doubt that his cast of mind will eventually lead him to that belief, by which liberalism exists, that if the world (and South Africa) is ever to be a better place, no compromise with prejudice, with blind emotion, with revenge and bloodshed, is permissible. But if it is possible to pick at Mr van Rensburg's conclusion, it is not easy to suggest an alternative: his own diligent examination of his people's history earlier in the book shows clearly enough that they will not give in easily. And it is certainly true that Africans' resentments are rising. Perhaps he is right; at any rate, the book is good enough to make one think he might be.

Miss Blumberg's book is a simpler proposition, but it combines the same qualities of economy and sincerity as make Mr van Rensburg's first 56 pages so compelling with the skill of a trained writer (she was the *Daily Herald's* correspondent in Cape Town during the first part of the emergency of 1960). It is the story of her imprisonment, without charge, without trial, without conviction, after the ferments that followed the slaughter at Sharpeville. It is, as the publishers crow from the cover, a very good "prison book"; but it is something more: not the unforgettable exposition of the "feel" of South Africa which they claim, but the testament of the true liberal which Mr van Rensburg, for all his passion and compassion, has not yet become. Miss Blumberg has those rare qualities of love and sympathy, not only for her friends and allies but for her enemies, too, that can make the least sinful of us ashamed of our meanness; and she has those other qualities of unsentimentality and clear sight that can make the best of us blush for our blindness. Hers is a very good book indeed.

East Anglian Fortunes

The Wealth of the Gentry, 1540-1660.

By Alan Simpson.

Cambridge University Press. 234 pages. 35s.

THERE has lately been a pause in the battle fought over the fortunes and role of the gentry in the century before the Civil War. But guerrilla fighting still continues, and Professor Simpson in these studies of some East Anglian fortunes, manages some effective sniping from his post at Chicago. When Professor Trevor-Roper distinguished between the rich "court-gentry" and the depressed "mere gentry," detecting in their antagonisms a fertile breeding-ground for rebellion, he passed lightly over the gentry of middling prosperity who, because their fortunes were sound, were "generally unobtrusive in national affairs." Miss Finch's Northamptonshire studies have already shown how much personality and chance can play in the rise and fall of families. Another regional investigation, pursued with the care, caution and liveliness shown by Professor Simpson, is very welcome, even if his conclusions are the sober ones that continuity is the keynote of Suffolk's agrarian history, that there is a presumption in favour of the prosperity of gentry families, and that so-called capitalist techniques merely mean "immemorial shrewdness."

Professor Trevor-Roper emphasised how much landed fortunes owed to a transfusion of capital from office, law or trade. The three main families considered by Professor Simpson reinforce this view. The purchase of the Bacon manuscripts by the University of Chicago provided Professor Simpson with a rich vein of material on which he has based the longest and most interesting chapter of his book. Nicholas Bacon, the founder of the family, was a lawyer who obtained office under Henry VIII at the crucial moment of the dissolution of the monasteries and who rose to be Lord Keeper under Elizabeth. He was able to establish his sons by his first marriage as solid East Anglian landlords, and they were content to remain in that station. But he died before he could make proper provision for the sons of his second marriage, Anthony and Francis; and they pursued a feverish and notorious quest for office. The story of Thomas Cullum is that of a member of a small East Anglian family who became a London draper. Steadiness and moderation brought him a capital of £20,000 on the eve of the Civil War. With the aid of office under parliament he more than doubled this capital, acquiring a baronetcy at the Restoration, and handing on to his descendants a Suffolk estate which provided "a comfortable shelter for the seven baronets who succeeded him." Sir Thomas Cornwallis was a member of the court gentry for five prosperous years under Mary and, as a recusant, a member of the country gentry for the next forty-five years. But he survived well enough without selling land, living in a country house commonly reputed to have been built out of his profits as Treasurer of Calais.

Professor Simpson's most striking point is on the profits of farming. Whereas Professor Trevor-Roper considered that only on the best managed estates did income from land keep pace with a threefold inflation and lavish standards of expenditure, the East Anglian landlords here considered were much more successful. Profits from sheep-farming rose only threefold, but rents on the Bacon estates rose up to eightfold. Long leases were granted only by the crown and the church, and here the gentry were the beneficiaries. But it remains true that land was not the basis of great fortune. It is also significant that Professor Simpson's prosperous gentry played an insignificant part in national affairs: only Anthony and Francis Bacon played an active role in the politics of discontent. In this connection the career of Sir Charles Cornwallis, a younger son, in the reign of James I might have been investigated more fully. But this is a valuable book, for it takes a firm path throughout treacherous accounts, shows a welcome preference for light rather than heat, and combines meticulous research with wit and engaging modesty.

Scottish Law

British Justice: *The Scottish Contribution*

By T. B. Smith.

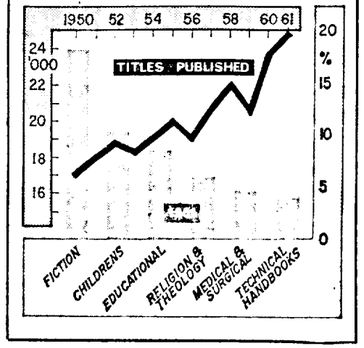
Stevens. 246 pages. 25s.

THE purpose of the annual Hamlyn lectures is to further the knowledge of law among "the Common People of the United Kingdom" so that they may "realise the privileges which in law and custom they enjoy in comparison with other European peoples." The present series, being the first to deal with Scots law, was naturally entrusted to its leading living publicist, Professor Smith. The independence of the Scottish system was guaranteed in the Act of Union of 1707, the constitutional effects of which are discussed in the last lecture. His aim is both to encourage any faint-hearted Scots to maintain that independence and to enlighten the ignorant English by pointing out where the two systems differ. Although in the last hundred and fifty years

MORE AND MORE BOOKS

British publishers issued 24,893 book titles, including new editions, in 1961: a record figure, but a welcome sign for many, the annual gain was smaller than the average over the last five years.

The same six subject classifications as last year took the highest percentages of the total and of these all but "educational" and "medical and surgical" slightly increased their share.



it has been much influenced by English law (usually, in Professor Smith's view, to its disadvantage), Scots law has on occasion made contributions in return, such as the doctrine of diminished responsibility, and could offer more if its merits were better known.

After an initial historical survey, the author describes the organisation of the civil and criminal courts and shows how the House of Lords, as the highest court of appeal in civil matters from both England and Scotland, has enforced a measure of assimilation. But in criminal cases there is no appeal beyond the Scottish courts, so that Scots criminal law has been immune from outside interference. It is largely judge-made law, but the claim of the Scottish courts that they have the power to declare new crimes today is viewed with muted misgivings. The system of public prosecution through the Lord Advocate and local Procurators Fiscal is well described, and a convincing case is made for the superiority of a system that avoids the prejudicial publicity associated with the English preliminary hearing before magistrates. On the other hand, the justification of the "Not Proven" verdict, the illogical alternative to "Not Guilty," is somewhat lame. Whether it ought to do so or not, the "Not Proven" verdict does in practice seem to "reflect unfairly on a person who has been acquitted."

In "the patrimony of private law" the merits of Scots law lie mainly in the field of obligations, where the law is simpler and probably more rational than its English counterpart. The law of property and of succession is admitted to need considerable reform, some of which awaits Parliamentary time. In one respect, however, reform unexpectedly overtook the author. The Companies (Floating Charges) (Scotland) Act, 1961 (based on English models), allowing floating charges to be created over the assets of a Scottish company, received the royal assent in July. Throughout, Professor Smith stresses Scots law's traditional links with the Romanist systems of the Continent, and concludes this lively and authoritative survey with the claim that, if Britain should enter the common market, the Scottish system could play the part of "an interpreter and reconciler" between continental and Anglo-American law.

Brollies into Europe

New Dimensions in Foreign Policy

By Max Beloff.

Allen and Unwin. 208 pages. 25s.

DID Whitehall bumble Britain's way into Europe in the past ten years? This is the question enticingly implied by Professor Beloff's latest book. It gives no conclusive answer. But it does, in a careful donnish way, describe in considerable detail the way our machinery of government has been changed or not changed to respond to the new European and Atlantic organisations. The first half of the book describes the development of the new organisations, the second the way British government was adapted for the new tasks—how delegations operated, how policies were formulated at home, how MPs were chosen to go to Strasbourg. There were no radical new changes in the machinery of government, but the existing structure proved, as so often in the past, remarkably supple and capable of taking on new tasks. Our Man from the Foreign Office would do his turn of duty on the Nato or OEEC delegation for a couple of years, between turns in San Salvador and Prague; others from the Board of Trade and Ministry of Defence were seconded to help. The method did not create great experts, but it did give a large proportion of the staff of the Board of Trade, for instance, some experience of international work. At home the system of inter-departmental committees—between officials and ministers—which was veiled in secrecy until the common market issue cast the limelight on it last year, proved a flexible instrument of co-ordination. If British proposals in the European bodies tended to be somewhat dim, at least they got there more punctually than some other people's.

But was the dimness itself partly explained by the attitudes and interests of this competent Establishment? Why did the bowler and the brolly become symbols of foot-dragging obstructionism in OEEC and the other bodies? The British, Professor Beloff emphasises, disliked any kind of supranational scheme that threatened the sovereignty of Parliament. War left their society more cohesive than ever; far from discrediting the idea of the nation it enhanced loyalty to it. The question he does not examine is how much the very function of civil servants—the fact that they would be the first to lose powers to supranational bodies, for example—inspired their caution. The bitter hostility of some members of the Board of Trade in 1959 to a common European commercial policy, which would touch the main job of the department, was a striking example. It contrasted sharply with the dawning awareness in the Foreign Office, whose job is to take in the changing outside world, that a more "European" British policy was needed.

Professor Beloff might have got farther, and brought more life to his thorough but pedestrian study, if, instead of generalising about organisations, he had touched on personalities. How important were Sir Frank Lee and Mr Thorneycroft at the Board of Trade in the inception of the free trade area? Personalities played their part again in the tragic breakdown of communications in 1958, when for at least a year the cabinet seemed not to have taken in the message the French were delivering forcefully in Paris: that they disliked the British project from top to bottom. Since 1959, the last year covered by Professor Beloff's study, the Prime Minister has, in his devious quiet way, put British policy into reverse, reshaken the existing machinery and picked from departments hitherto stuffy about ties with Europe a team of able negotiators dedicated to the task of getting Britain into the common market. Changing facts of power are responsible for the change. But when historians come to write the footnotes, and see how it took place, they may learn more from studying men—Mr Maudling and Mr Heath, Mr Figgures and Mr Roll—than machinery.

Moscow and the West

Ivan the Great of Moscow

By J. L. I. Fennell.

Macmillan. 400 pages. 50s.

BETWEEN the tenth and thirteenth centuries a considerable state was established in Russia, based at first on Kiev and then stretching far north and east into the forests and along the great rivers. Taking its religion and culture from Byzantium, it also made contact with Latin and Germanic Europe, and had an honourable place in the civilised world of the Middle Ages.

This first Russian state was destroyed by attacks from two sides, from the Tatar hordes of the east and from the pagan Lithuanians of the north-west. Swedish kings and German knights also made their contribution to its downfall. During the fourteenth century Lithuania, most of whose inhabitants were Russians, was becoming culturally a Russian state. In the same period, under the weakening Tatar overlordship, the central Russian principalities were gravitating towards the comparatively new city of Moscow. In the fifteenth century Lithuania and Muscovy appeared as rivals for the succession to Kiev, as rival claimants to "gather together the Russian lands." Much was to depend on the result of this conflict. It was to decide whether the eastern borderlands of Europe would be controlled by a ruler whose cultural links were with the west or by one whose outlook was formed by a combination of Tatar and Byzantine traditions.

The ruler whose victories marked the decisive stage in this conflict (though it was not brought to a successful conclusion until more than two hundred years later) was Ivan III of Moscow, the subject of an admirable and much needed biography by Mr Fennell. This book is essentially concerned with foreign policy, with Ivan's diplomacy and wars. In the last chapter something is said of internal political struggles and religious heresy, but even these are regarded largely from the point of view of foreign influences. Mr Fennell notes that Ivan III's reign is also important for the construction of the apparatus of a centralised state. But he does not discuss this at length, nor does he pay much attention to the social structure and antagonisms in Muscovy. This however is rather a merit than a defect, for the limitation of his theme enables him to do justice to foreign policy which, covering forty-three eventful years, is a formidable subject in itself.

Mr Fennell shows how Ivan subdued the city republic of Novgorod, linked by Baltic

trade with northern Europe and possessing its own great empire in the fur-bearing forests of the north-east. Novgorod was the only place in Russia where an equivalent existed of the urban middle classes of medieval Europe. By its suppression Ivan destroyed an incipient bourgeoisie no less effectively than the autocratic regime of his ancestors and himself had prevented the rise of a feudal nobility with corporate consciousness and institutions. The lack of either class determined Russia's social and political climate until modern times. Ivan then broke the power of the Great Horde, the main Tatar state based on the lower Volga. In this he was assisted by the rival Tatar state of the Crimea, and he was able to establish tolerable relations with the Crimeans' overlord, the Ottoman Sultan in Istanbul. Negotiations with Sweden, Moldavia and Denmark also strengthened his position for the struggle against the real enemy—Lithuania.

This careful account of Ivan's policy shows his single-minded devotion to the task of fighting Lithuania. At his death in 1505, Muscovy had gained vast territories, and though Lithuania was still strong, with Poland reluctantly committed to its support, yet it was already clear that Muscovy was the principal Russian state. From this fascinating and complex story there is perhaps one point that emerges with special clarity. This is that Ivan always regarded Catholic-ruled Lithuania as a greater enemy than any Moslem state, even Turkey. Appeals from Rome for aid against the Sultan left him unmoved. The Padishah might be the enemy of Christendom, and the Grand Duke of Lithuania Ivan's own son-in-law. But for Ivan, and for the Orthodox hierarchy which supported him, the hated enemy was in the West.

The Converts

Britain and the Common Market

By John Pinder.

Cresset Press. 144 pages. 12s. 6d.

Full Text of the Rome Treaty and an ABC of the Common Market

By Paul Minet.

Christopher Johnson. 218 pages. 12s. 6d.; paper 5s.

The Common Market

By Stuart de la Mahotière.

Hodder and Stoughton. 192 pages. 3s. 6d.

Europe at Sixes and Sevens

By Emile Benoit.

Columbia University Press. 296 pages. 37s. 6d.

IN the last few years there has been a certain remoteness and unreality about the many well-intentioned British books on European unity; the long descriptions of the Council of Europe, Western European Union and so on have had a pallid Anglican flavour, at a time when history was being made by the new Rome of the Six. Now, suddenly, the British conversion is beginning to release a series of books about the more exciting new religion. All the three British books are journalistic in a sense, put together quickly to catch the printers, but they do provide material for the public discussion now getting under way.

The best of the three is John Pinder's "Britain and the Common Market." Mr Pinder is a member of The Economist Intelligence Unit and a very good "European," so a reviewer in these columns has double reason for caution in assessing his work. But one does not need to agree with him to recognise that Mr Pinder has something to say. His book is an attempt to explain what the "Europeans"—the creators of the common market—have been trying to achieve during the past decade, and he interprets their tussles with Britain during the period as a clash of fundamental objectives. The portrait is, of course, sympathetic, an attempt to show that in going into Europe the British are not merely giving up an untenable position, but participating in a creative venture. And there will be those who will say that his handling of the Commonwealth problem makes it all seem too easy. But the book as a whole is none the worse for the strain of quiet enthusiasm that runs through it. This is the most effective "case for joining" that has yet appeared; and anyone who wants to grasp why Britain, after being at loggerheads with the continental countries for years, is now able to discuss its Commonwealth problems amicably with them, can find an answer here.

The other two British books are more superficial and show much greater signs of haste. But Mr de la Mahotière's paperback is a readable 3s. 6d. worth, even though it contains slips. Mr Minet's book is an odd mixture: an economic discussion of Britain's competitive position, and of the Commonwealth problem, a series of objections to joining by another author, plus the text of the Treaty of Rome, though without the vital protocols to it.

Professor Benoit's careful study is in a different class from these two ephemeral works. Americans, unlike the British, do not need to be told that the common market is a good thing. There have been moments when there seemed to be more "Europeans" in the State Department than in the chancelleries of Europe. But now the United States too is entering a new phase; like Britain before it, it has to decide how far it is going to become involved in the process of integration itself. President Benoit is one of the American "good Europeans" who knows Europe well, so his work could have a useful formative effect.

Finished before the negotiations between Britain and the Six got under way, and before President Kennedy took the decision to plunge into the trade battle, it is not a campaign manifesto. But it gives a full description of the dynamic economic development of Europe and discusses at some length America's economic interests in it—the dollar gap in reverse, the opportunities for investment in the common market, and the competitive position of American industry. Like British books about Europe, American ones have tended to be woolly, but more through excessive enthusiasm than through aloofness. This one brings the problem down to earth and focuses the American interests that are prompting reappraisal in Washington.

Independence with Dependence

The Canadian Identity

By W. L. Morton.

University of Wisconsin Press. 135 pages. Cloth $3.50; paper $1.50.

INTIMATE neighbour to a dynamic colossus, Canada has maintained its separate identity, pursuing a distinct, if never very clearly manifest, destiny. Inescapably involved in North American continentalism, it clings to membership in a worldwide multiracial, maritime Commonwealth. Developing in the shadow of a republic with a revolutionary tradition, dedicated to individual liberty and conformity to a uniform pattern, it has evolved as a parliamentary monarchy with sufficient elasticity to allow two cultures and innumerable diversities to flourish within one political nationality.

That Canadian history is thus not a parody of American history, but a unique human endeavour, in basic essentials a contradiction to American experience, is brilliantly explained in this small book. Professor Morton sees Canada as an extension, across the Atlantic, of the northern European frontier. While the United States realised its western destiny, Canada was left to work out a northern, transcontinental nationhood. From scattered French and British settlements a Canadian nation has emerged, with a national spirit that is neither French nor British, but totally Canadian in sentiment, "the characteristic product of a country resting on paradoxes and anomalies, governed only by compromise and kept strong only by moderation." The central fact of Canadian history has been the preservation and elaboration, in one "of the largest, harshest and most intimidating countries on earth," of an organic unity of state, society and individual that allows ultimate autonomy to the individual but expresses his sovereign obligation to respect and safeguard the autonomy of his fellows.

The United States achieved world power as an independent state while Canada was working out the idea of colonial self-government, a process out of which evolved the basis of today's Commonwealth. Ties with the Commonwealth and with the rest of the world remain a fundamental element in Canada's continued independence in North America:

> Canadian nationhood has at least put the proposition that association and equality are not incompatible terms.

AMERICAN SURVEY

AMERICAN SURVEY is prepared partly in the United States, partly in London. Those items which are written in the United States carry an indication to that effect; all others are the work of the editorial staff in London.

Balancing National Needs

WASHINGTON, DC

AMERICAN Budgets are largely guesswork. It is not really possible to estimate revenue and spending six to eighteen months ahead. President Kennedy expects revenues to increase by $10.9 billion to $93 billion in the fiscal year which runs from next July to the following June. His experts predict that the gross national product will rise from about $540 billion now to between $580 billion and $585 billion in the last quarter of this calendar year to give an average, record figure for 1962 of $570 billion. But a steel strike or an insufficient rise in corporate profits could upset the calculations.

Mr Kennedy proposes to spend $92.5 billion, leaving a small surplus of $500 million. His experts explain that this will have a mildly restraining effect on prices but that the Budget as a whole will help, not hinder the economic upswing that began last April and, judging by past experience, should continue, perhaps at a slackening pace, at least through the late summer or autumn of next year. By then they expect the economy to have reached a calm plateau with unemployment at 4 per cent of the labour force, after the recent storms and stresses which have included unemployment at almost 7 per cent, a budgetary deficit of nearly $4 billion, and what the Secretary of the Treasury describes as the sharpest restriction of credit witnessed in this century; he holds this responsible for prematurely snuffing out the last recovery.

While the Budget cannot be called an inspired contribution to the making of tomorrow's world it does reflect a trend. About three-fifths of the proposed outlays are accounted for by defence at $52.7 billion, foreign aid and the conduct of foreign affairs at $3 billion and space research and technology at $2.4 billion. These three categories also account for three-quarters of this Budget's increase of $3.4 billion in expenditure over the current year. There is hardly any change in the total of domestic outlays though there are some shifts between categories: for example $800 million more for education, health and welfare, and $434 million less for agriculture. In the nineteen-fifties defence spending averaged $40 billion annually; during the nineteen-sixties it is expected to average $50 billion or more. But by deferring desirable new projects Mr Kennedy hopes to balance his Budget, primarily because of the need to reduce the deficit in America's international payments. He calls a balanced Budget "meeting the national needs within a responsible fiscal framework," but whether the national needs will in fact be met is even more doubtful than whether his Budget will really balance.

The public reaction to the President's State of the Union message was one mainly of tolerant scepticism: tolerant because the public likes Mr Kennedy, but sceptical because few believe that Congress will give him what he wants. For example, the President proposes to ask for power to cut taxes as well as tariffs. But Congress is very jealous of its authority over taxes and seems unlikely to give him authority to cut them to ward off recessions, although a recession would probably become a depression before Congress got round to taking such averting action itself. The President's modest proposal to increase the social security tax by half of one per cent to finance hospital care for citizens over sixty-five years old also apparently shocks many members of Congress, whatever it does to older voters. In his Budget Mr. Kennedy proposes to spend $1.5 billion of federal money on education, $900,000 less than on space research. But he would like to do much more for America's schools and colleges. In spite of the rising population the number of science students is actually falling, while Russia apparently manages to have plenty of scientists and lots of poets as well. Russia has more peasants and a smaller industrial base than America, but Mr Kennedy will spend $5.8 billion on agriculture and most of it will go to subsidising the incomes of farmers producing unmanageable abundance.

Few Congressmen want to see farm subsidies cut but most of them seem to think that America's schools are quite good enough—although Admiral Pirie pointed out recently that half of the boys recruited into the proud Marines do not know what July the Fourth signifies and are extremely hazy about the Declaration of Independence. Mr Kennedy has also suggested that Congress ought to do something to enable all Negroes of voting age and adequate education to vote. But the South is expected to defend the virtual disfranchisement of such Negroes although the Secretary of State has called race discrimination the biggest single burden that America lays on its own back in trying to carry out its foreign policy.

The cold war with Russia kept President Kennedy too busy in his first year to wage a cold war with Congress. But informed people are asking how long the pressures on and within him to realise his New Frontier can continue to co-exist with the hoary, traditional policies that this week he fooled nobody by professing to respect. Even if it is true that most Americans are currently hugging the middle of the road, some feel that Mr Kennedy should use his immense popularity to move them to support the bold progressive policies which he himself cherishes in his heart. It is argued that even if nobody at all were pushing Mr Kennedy should be pulling, because in the American system that is what the President is for. It is also argued that if he does not, the millions who idolise him now may become cynically indifferent to him as "just another politician."

"You Really Think You Can Charm Those Birds?"



One answer is that Mr Kennedy is a coolly pragmatic man who regards politics as the art of the possible and who is more interested in practical, if limited, results than in slogans, however fine they sound. He will always take a half or even a quarter loaf rather than risk having no bread.

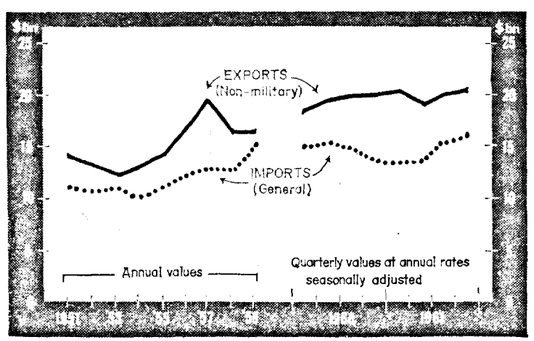
Nevertheless, there is a growing feeling that to achieve things that would entitle him to go down in history as a "great" President, Mr Kennedy will have to challenge what President Wilson bitterly called "government by the chairmen of the standing committees of Congress."

This involves the State Legislatures as well as Congress's iron law of seniority, for these Legislatures create congressional districts and it is to such rural roots, especially in the South's one-party states, that the critics attribute much of Congress's alleged malfunctioning. (Mr Kennedy owed his own victory in 1960 largely to the big cities where more and more Americans live.) Elections to the House of Representatives are held every two years and next November the President could conceivably challenge the grip of the grassroots on national policies by giving support in the campaign to members of Congress who have helped him during the session. But the task is complicated by the fact that there are progressive sheep in the Republican fold and diehard goats in the Democratic one. Mr Kennedy must not cause the Democrats to lose more seats to Republicans than they will do in the normal course of an "off year" election. Another problem for the President is that if he gets into the November electioneering he may well find himself trapped in a maze of petty conflicts involving narrow local interests. But whether he chooses the November elections or some other occasion there is a gathering belief that sooner or later Mr Kennedy will be compelled to stand and do battle for what he believes in.

Quite a Dish of TEA

WHILE the details of the President's proposed Trade Expansion Act are not yet available—and they will certainly be numerous and complex—the outline in his address on the State of the Union provided quite enough to be going on with. Indeed, this "bold new instrument of American trade policy" is planned as a keystone not only for his foreign policy, in which economics are playing an ever greater part, but also for his domestic policy, which aims at providing growing opportunities for everyone. Such opportunities will be found abroad, particularly in the European Economic Community after Britain has joined (as the President assumes it will), so long as barriers are not put up against exports from the United States. And a steady increase in these exports, following the satisfactory trend of the last two years, is essential if the American balance of payments is to bear the strain of foreign commitments on the present scale.

What the President wants is far-reaching power to abolish duties altogether on items in which 80 per cent or more of the world's trade is shared between the United States and the enlarged common market; these are mainly industrial products and ones of which the United States exports more than it imports. On most other goods it would be possible under the scheme to reduce tariffs by as much as 50 per cent. The aim is to enable American industries to compete on equal terms with those inside the European Community and the reductions would only be made as part of a bargain in which reciprocal reductions were granted by that organisation. The negotiators would deal with broad classes of goods—drugs in general, for example—instead of only with individual items, a limitation which has hampered and delayed bargaining under the outmoded and expiring Reciprocal Trade Agreements Act; but the agreement concluded in Brussels this week shows that even in its last days that Act had not lost its usefulness.



The drastic new reductions in tariffs would only be gradual, spread over five years, and specially sensitive industries, such as textiles, would be in a reserve category and would not be affected. The President says that the old safeguards—escape clauses and peril points—will not be neglected and the Bill will provide for appropriate assistance to help businesses and employees which suffer particularly badly from imports to readjust their operations. It will be difficult to convince the critics that such aid can be effective, but Mr Kennedy is counting on this proposal to keep the opposition from gathering strength. To give his supporters fresh arguments he is having surveys made of the benefits which foreign trade brings to individual communities. There will be plenty of time for both sides to do their educational work, for under the present congressional schedule it will be weeks, if not months, before the Bill even reaches the first stage of committee hearings and even longer before Congress decides whether the President should be allowed to seize the initiative and the United States be allowed to compete in an expanding world.

Voice for the Cities?

RIGHT at the top of the President's proposals to increase America's strength at home is his renewed request for a Department of Urban Affairs and Housing; this would deal with the problems of the cities, at once the country's glory and its shame. Almost three-quarters of all Americans now live in urban areas, compared with about 40 per cent at the beginning of the century. Yet city-dwellers have no spokesman in the Cabinet to voice their frustrations; many of these arise because the governments of the states are controlled by rural groups which grudge every penny spent to fight the cities' slums and crime. The President's proposal is to transfer to the new department the functions of most of the federal housing agencies; it would be empowered to co-ordinate the rehabilitation and development of metropolitan areas and to help the cities to provide decent housing for all. But the preamble of the Administration's Bill hinted that the department should also be concerned with adequate transport, sites for industry, open spaces and cultural activities.

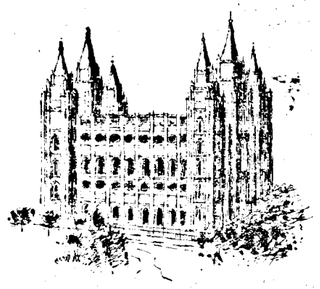
This ambitious view is one of the reasons why Congress failed to act on the Bill last year. Conservatives of both parties suspect that the change would mean, eventually, big new spending programmes and the erosion of local control. Republicans also fear that it may mean even closer links between the Democrats and the big cities which provided Mr Kennedy with his margin of victory at the polls. The other obstacle was the man in line to run the new department—Mr Weaver, the present head of the Housing and Home Finance Agency who, if he gets the job, would be the first Negro member of the Cabinet. Even liberal Southerners felt that they had to oppose the Bill and the Rules Committee of the House pigeon-holed it.

Mr Weaver is not only a Negro; he has also made no secret of his belief that both Negroes and whites should have equal access to housing built with federal funds or federal guarantees

Continued on page 230

Business-like Saints

FROM A CORRESPONDENT
RECENTLY IN UTAH



THE visitor who returns to Salt Lake City after an absence of several years finds the headquarters of the Mormon faith astir with change. The pivot of the city is still Temple Square, where every day clean-cut, neatly dressed, pleasantly earnest young men conduct flocks of tourists through the meeting house with its enigmatic Star of David over the portico, past the temple, which only members of the sect may enter, and the column, commemorating the seagulls that in answer to prayer saved the first settlers from famine by eating up a plague of grasshoppers. Nearby is the tabernacle where pins are dropped to show the incomparable acoustics exploited by the Mormon choir.

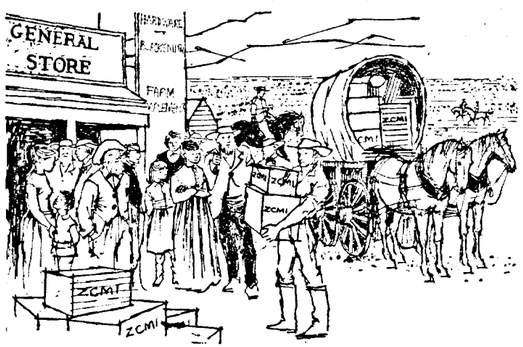
But across the street the visitor notices a million-dollar luxury motel, which the Mormons have built recently, in striking contrast to the nearby Hotel Utah, a nineteenth-century building in which the Church owns a majority of the shares. The hotel is to be enlarged by the addition of a 17-storey annexe and near it there is to be a Church-financed skyscraper to house the various offices of the Church of Jesus Christ of Latter Day Saints, to give the Mormons their full and proper title. It will be the tallest building in Salt Lake City. There are also plans for an 11-storey building for archives and a park for 2,000 cars, with four stories underground.

On Main Street the Church-controlled department store, Zion's Co-operative Mercantile Institution (ZCMI), which dates back to 1869 and is said to be the oldest in America, is undergoing a complete transformation. Inside, the shop has already been brought abreast of modern techniques of display, lighting and selling. Now the exterior, built in 1875 and with its pilasters and long, narrow windows a rare example of pioneer architecture, is being made over entirely, as part of a major architectural and structural reorganisation.

This will probably take a number of years to complete, but when it is finished Zion's Store will have 290 feet of modern, well-lighted windows for display purposes and a much larger car park. The plans also call for a 50-foot-wide landscaped plaza, with attractive lighting effects and show windows. According to the president of the firm, the new ZCMI will be one of the finest shopping areas in the country. Another innovation is on the way. After almost a century in business as a single store in the busy centre of town, ZCMI is branching out into the suburbs.

A few years from now, the city may have changed beyond recognition except for its religious shrines. But the more it changes, the more Salt Lake will remain the same in one respect—it will continue to bear the sharp impress of the Latter Day Saints. From the time that Brigham Young led the first band of settlers to this barren region, where they could practise their beliefs unmolested by the persecutions of civilization, the Mormons have dominated the city. Today nearly nine-tenths of the people of Utah are still Mormons and they represent about 40 per cent of all the members of the Church. There are also large concentrations of Mormons in California and Idaho (Idaho is about 43 per cent Mormon) and smaller numbers in the other states and abroad.

Besides their majority interest in the Hotel Utah and in ZCMI, the Saints also have a controlling interest in the Beneficial Life Insurance Company and the Utah-Idaho Sugar Company, one of the largest producers of beet-sugar in the country. The Zion Securities Corporation, the Church's financial arm, owns all the property adjacent to Temple Square (to prevent any offensive business from intruding, it is said), and much other property in Salt Lake City and elsewhere. Just last week the Mormons revealed plans to build a skyscraper in Manhattan to house their own activities and to provide office space for letting. For many years the Church was in the banking business and three members of the board of Zion's First National Bank, in which an interest is still retained, are Apostles of the Church. The Saints also own the local newspaper, the *Deseret News*, radio stations and a television station affiliated with the Columbia Broadcasting System's network.

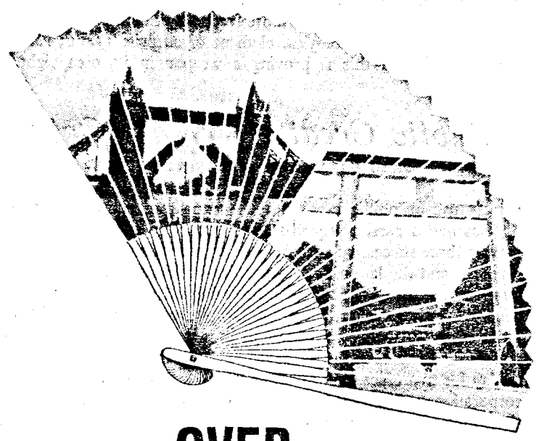


The Mormons began by tilling the soil and their present holdings in agriculture are vast. They own over 600 farms, their crops and cattle being found from New Jersey to California and from Washington to Florida. They also own canneries, mills and a coal-mine. These enterprises are operated by the voluntary labour of Church members and the produce is returned to those members, either as a free gift in case of need or at substantial discounts from shop prices. At present Saints in all parts of the country are taking advantage of this facility to accumulate one-year stocks of food, clothing and other things which would be needed if there were a national emergency.

Self-help is the maxim by which the Saints live today, as they have always done. The sense of isolation from the rest of the world, instilled in them when they left civilisation to brave the wilderness, has remained. The Mormons are exceptional in that they avoid federal and state assistance as long as the Church can find work and sustenance for them. The various organisations of the Church do not claim the tax exemptions to which, in some cases, they would be entitled under the law.

Finally, the Mormons believe literally in the tithe, in addition to the usual forms of charity. A Church member in good standing is expected to contribute 10 per cent of his income annually to the common chest. Over the years the resources accumulated and, multiplied by shrewd investment, they have created a capitalist empire. No city in the United States is more adamant than Salt Lake City in its opposition to communism. And, as the many investments now taking place and financed out of the Church's own resources prove, none is more adept in the practice of capitalism. The Mayor of Salt Lake is Mr Bracken Lee, an enemy of the income tax who was a spokesman of the extreme right-wing conservatives long before they began to attract the following which they have today.

LONDON—
TOKYO



OVER
THE
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Continued from page 227

of mortgages. Mr Kennedy believes this too ; before he was elected he promised to wipe out such racial discrimination "with one stroke of the pen." But that stroke keeps being postponed, although the order has been on the President's desk for months. From his rather embarrassed comments this week, it seems that the order will not be issued until Congress has adjourned ; the belief is that this delay will make it easier for the southern Democrats to vote for the Department of Urban Affairs and for other Bills of even greater importance, such as that on trade legislation.

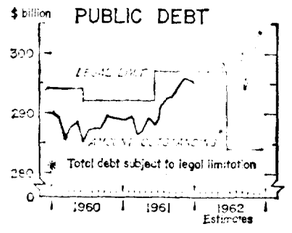
Surprise from the Treasury

NEW YORK

THE Treasury's influence over interest rates has just been demonstrated convincingly in New York's money market, where a minor borrowing operation has had major repercussions. In making what amounted to its last net borrowing of cash for the fiscal year ending next June, the Treasury decided on a two-stage programme: first it sold $2 billion in one-year bills at auction, which gave it $500 million in cash after paying off $1.5 billion to holders of a maturing issue ; secondly, the debt managers announced that they would reveal the terms of another financing to raise an additional $1 billion after this first operation was completed. With the central bank pursuing a policy of easy credit, the market assumed, quite correctly, that the Treasury was seeking to raise short-term interest rates, in order to prevent funds flowing abroad, and wanted to test conditions before deciding on the precise nature of the second stage. In the event, the auction itself did all the Treasury wanted, for the one-year bills sold at an average rate of 3.3 per cent, and the yield on the regular weekly auction of 91-day bills averaged 2.8 per cent, the highest rate since the onset of the recession in the spring of 1960 ; this gave yields in New York an advantage, on a hedged basis, over London.

Investors had bid up interest rates because they were certain that the Treasury would follow up the auction by tapping the short-term market again. But, having succeeded in their primary object, the debt managers evidently reasoned that it would be unwise to push up rates too fast ; this could have been misinterpreted as the beginning of a tight money policy and might have touched off a scramble for funds. So the Treasury pulled a surprise by reopening an outstanding issue of 4 per cent bonds maturing in 1969, offering to sell $1 billion at a slight discount to yield 4.04 per cent. This is well above the yield available on other issues of similar duration and was clearly designed to attract commercial banks. The issue was oversubscribed, but not by nearly as much as had been expected ; this reflects the general coolness of investors towards longer-term securities, however attractively they are priced. Moreover, bond dealers—and many of the big New York banks—felt that with its new offering the Treasury was taking advantage of a temporary situation, based partly on the market's anticipations, to achieve a minimal stretch out of the maturities of the public debt, and that this might hamper its ability to reconstruct that debt drastically, which is the long-range need.

In spite of the disappointing result of this week's refinancing, the Treasury still maintains that it has freedom to manœuvre. Certainly the managers of the debt have shown themselves to be both flexible and adept in their efforts to influence rates and lengthen the average maturity of the debt. They will have a series of opportunities for doing so over the next few months, beginning in February, because a large volume of short-term obligations—part of last year's deficit financing programme to counter the recession—will be falling due. And, though the Treasury is no longer engaged in deficit financing, it is requesting Congress to raise the legal ceiling on the public debt, now fixed at $298 billion, and due to fall to $285 billion on July 1st, as a means of gaining even greater flexibility. The latest borrowing puts the total debt outstanding close to the ceiling ; the debt managers want more elbow room—a margin of at least $3 billion is what they like—to give them more freedom of choice and to allow them to use the psychological element of surprise again ; for the moment, at least, this is proving a weapon in its own right.



Public Credit—Private Gain

FROM A CORRESPONDENT IN NEW YORK

THE use of public credit for the benefit of private enterprise has had a particularly ill-starred history in the United States. During three successive periods—the eighteen-forties, the eighteen-seventies and the late nineteen-twenties—billions of dollars in state and local bonds, which had been floated to aid railway and property development, went into default. Despite this sorry record local government financing on behalf of industry is once again on the rise, in the form of industrial revenue bonds issued by communities to pay for manufacturing facilities which are then let to industrial corporations. The rent paid is the only security for the interest and principal. Last year some $88 million of these bonds were sold, compared with only $7.6 million as recently as 1957.

With total borrowing by states and local governments running at an annual rate of $8 billion, the portion going for industrial financing is not very impressive. Yet its rapid growth is viewed with alarm in many quarters. Northern industrial states resent the loss of industry to the southern communities which are doing most of the borrowing and a great many of the firms which underwrite municipal bonds fear that the historic exemption from federal taxation that is accorded to interest paid on state and local obligations may be jeopardised by this particular form of borrowing. Bills to eliminate tax exemption on industrial revenue bonds are pending in both houses of Congress and, though the Kennedy Administration has not yet decided to back them, its eagerness to plug loopholes in the tax laws may spur it to action. But it may be difficult to get enough votes in Congress to pass the measure if the northern states follow the South's example by financing industry in this way. Several states have recently amended their Constitutions to permit borrowing for this purpose and others are expected to do so soon.

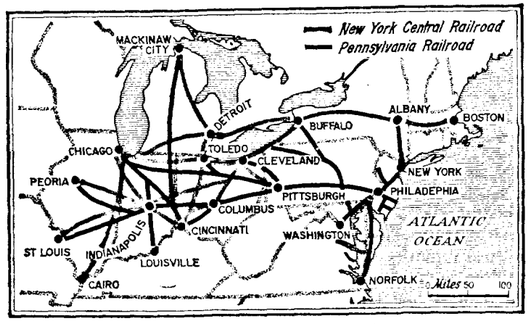
Because the interest on their obligations is exempt from federal taxes municipalities can borrow much more cheaply than can corporations and when a big plant is being built the difference in interest costs may be substantial. The corporation renting the plant from the municipality pays no property taxes as it does not own the site. Finally, the rent may be deducted from the firm's taxable income as a business expense. For private industry this is an attractive proposition. But if past experience is any guide, a good many of the companies leasing municipal facilities will prove to be poor risks and the growing competition for industrial tenants may lead to concessions that will increase the prospects of default. However neither these dangers nor the argument that the system provides an unfair tax advantage for certain corporations seem to discourage communities which are seeking to win new industry, particularly if they have a lot of unemployment.

A majority of the underwriters are prepared to forgo the profits in this business if it endangers the principle of tax exemption. But enough underwriters are willing to work with local borrowers to ensure a rapid increase in these industrial revenue bonds and this, in turn, will make it hard for more scrupulous underwriters to stand aside. Last year a single issue exceeded the entire total of such bonds in 1959 ; it was for $25 million to enable the town of Cherokee, Alabama, to build a fertilizer plant for Armour & Company, the country's second largest meat-packer. This year underwriters expect another big increase ; the town of St Genevieve, in Missouri, which has only 5,000 inhabitants, has grandiose plans to issue $500 million worth of bonds to build a steel plant—if only it can find a tenant.

Rails Pair Off

AN old courtship which broke up three years ago was back on the rails last week with the announcement that the directors of the two biggest lines in the country—the Pennsylvania Railroad and the New York Central Railroad—have agreed to merge. With these two eligibles out of the marriage market, the way is clearer for some of the fourteen other mergers now before the Interstate Commerce Commission. This is because the New York Central, after it had called off talks with the Pennsylvania, was snubbed in all its efforts to find another partner. In its fear of being left out in the cold, it has been opposing the two other big mergers planned by eastern railways: that of the Chesapeake and Ohio with the Baltimore and Ohio and that of the Norfolk and Western with several smaller companies. Now this opposition seems certain to be withdrawn and most of the railways appear prepared to accept the emergence of three large systems in the north-east, the part of the country where the industry's woes are concentrated.

The new Penn-Central would be much the largest of these, with over 20,000 miles of lines running through the rich industrial heart of the country, over $5 billion in assets and annual operating revenues of $1.6 billion. As the map shows, there is scope for the elimination of duplicated lines and terminals ; preliminary studies suggest that the annual savings might exceed $100 million. In 1961—the worst year ever for the eastern railways—both probably lost money, the Central perhaps to the tune of almost $15 million. If the combination is finally brought about, control will rest with the Pennsylvania, financially the stronger of the two ; its shareholders will hold about 60 per cent of the shares of the new company. The ICC seems likely to take a favourable view of the merger in spite of the probable objections of the Department of Justice (which is opposing all the other fourteen) and, perhaps more important, those of the railway trade unions. The two lines employ over 120,000 men and as many as 25,000 may lose their jobs.



Like the railway industry itself, the government seems to have decided that the situation has deteriorated so far that stern measures are needed. The Administration has proposed controversial new "user" charges on two of the railways' competitors—the airlines and waterways. The ICC has repeated in its year-end report to Congress what it said last August (just after the New Haven railway finally collapsed into bankruptcy): that federal subsidies for suburban operations are necessary. In the country as a whole $485 million was lost carrying passengers in the year which ended last June (nearly $50 million of it by the Pennsylvania and the New York Central). Without help for the railways the cities which now enjoy suburban services may lose them just as cities which have never had them—such as Los Angeles—are building new ones.

Striking the Hours

UNLESS there has been an unexpected last minute settlement of the electrical workers' strike building has practically stopped by now in New York City. The construction companies claim that local laws forbid them to work without electricians to maintain proper lighting conditions, but there is little doubt that they have closed down in the hope that the other building trade unions will bring pressure to bear on the electricians. Under their existing contract they work a five-day week, six hours a day at $4.40 an hour with at least a seventh hour, and usually more, at $6.60 an hour. They are demanding a four-hour day with the same pay. The employers, refusing to negotiate on hours at all, contend that such a contract would double their electrical wage bill and would set off a round of similar demands from other unions in the industry. The companies point out that there is a shortage of electricians for installation and maintenance jobs and that the amount of work available is increasing all the time with the demand for air conditioning, electronic machines and so on in new buildings. To this the union replies that more and more electrical building components, such as switchboards, are being assembled in factories instead of on the site, that automatic equipment is reducing the man-hours needed for individual jobs and that in any case New York's building boom cannot last forever and where will the electricians be then?

This particular argument gives a very distorted view of what is nevertheless labour's main concern at the moment. When the President's Committee on Labour-Management Policy, composed of businessmen, trade unionists and representatives of the public interest, issued its first report last week on the impact of mechanisation on the demand for labour, the majority declared that for the sake of economic growth full employment should be achieved with a 40-hour week, and that a general reduction in hours of work should not be considered. But five of the labour members insisted that if unemployment did not fall substantially very soon there would have to be a general shortening of the work week.

In the steel industry, where this year's most important collective bargaining will take place, Mr McDonald, the president of the union, has called for a cut in the work week to 32 hours at the same basic pay. But it is suggested that Mr McDonald has done this mainly to dramatise his demand for greater security for his steel workers and that some other means of satisfying him can be found without an inflationary increase in labour costs. The Administration is exerting all its influence to bring about a settlement and to bring it about quickly, in order to keep manufacturers from building up extra stocks of steel in anticipation of a strike in the summer. Such a build-up has begun already and could bring a collapse in the demand for steel, once the danger of a strike was over and consumers began to use up their accumulated stocks ; this would disrupt the national economy almost as severely as a strike itself would do.

Correction:—In the article on congressional lobbying on page 127 of *The Economist* of January 13th, the figure given in the table for spending by the American Medical Association was correct but the figure in the text should have read $147 thousand *not* million.

THE WORLD OVERSEAS

Whose Horse?

FROM OUR WASHINGTON CORRESPONDENT

THE British and American officials who met in Washington last week to discuss the peace-keeping machinery of the United Nations held views that rather tended to cancel out—which may well be what the United States Administration expected to happen. Mr Stevenson and his associates on the American UN team, possibly with an eye to crises in places like New Guinea, would like to give the United Nations more operational coherence, as well as to dig it out of its current financial hole. The British team, possibly with an eye on places like Rhodesia, were opposed to investing an unruly international body with increased authority, at any rate until Britain's own colonial troubles are all happily over.

The two teams met just as the ever-shifting scenery in the Congo was being shifted yet again, with the apparent eclipse of Mr Gizenga, whom the American press delights to call the moody marxist rebel. The meetings, after having been gloomily interpreted as an admission of an Anglo-American chasm, terminated in a glow of well-lunched well-being and an inconclusive haze of "common aims," one of which, according to the State Department, was a determination to be "very realistic" about the United Nations. British critics of the international body can applaud the desire that was expressed to have it run economically and by a secretariat that is "truly international," meaning men in whose bosoms the flame of anti-colonialism does not burn so brightly as to consume all other considerations. Mr Adlai Stevenson and Mr Harlan Cleveland, his opposite number at the State Department, can if they wish stress that the role of the United Nations is to be an effective operational peace agency and that what it now needs is not extractions but more teeth. And the American Administration can present a suspicious Congress with whichever thesis seems most opportune at any particular moment.

Neither Congress nor the British Government wants to get out on an anti-United Nations limb. There will probably be an uproar in Congress about the President's intention to spend about four shillings for each American on buying United Nations bonds. But opponents of the plan for buying bonds affirm that they have no wish to have the United Nations die of malnutrition and that they are willing that the United States should continue to pay even a disproportionate share of the bills, as a direct contribution. Similarly, though the British Government had solicited the meeting in order to wave the United Nations Charter and express to the United States its anxiety over the allegedly irresponsible antics of the General Assembly, it did make it clear that Britain regards the United Nations, with all its faults, as indispensable. The Americans for their part agreed to join Britain in frowning on such lighthearted United Nations extravagance as members voting for big increases in the spending of specialised agencies to which they themselves do not contribute. The Americans also agreed not to support extravagant resolutions on colonialism.

Detailed consideration of a tentatively drawn American plan to furnish the Secretary-General with a sort of shifting cabinet composed of representatives of member nations supplying the money and the men for a United Nations operation, was put off to a future occasion. There are grave doubts, in American as well as British minds, whether such a plan would get past either Russia or the Afro-Asians—or whether, if it did, it would not simply enable them to get tough with the West. Some quiet Americans who support the plan do so because they believe that it can serve the West's purposes and that, if an attempt were made to use it against the West, the United States could stop it by getting tough with the international organisation. The same quiet Americans, incidentally, oppose United Nations bonds, and argue that it is better not to call on the Russians or anyone else to stump up, but that the United States should go on paying almost half the cost of the United Nations by itself, because who pays the piper can usually call the tune. (Such quiet Americans are not to be confused with ugly Americans, who are dead set against the bonds but for the different reason that they now see no way for the West to control the unruly General Assembly, and therefore think that the sooner the United Nations is abandoned as bankrupt, the better.)

The British official viewpoint seems to differ from that of both quiet and ugly Americans, by thinking that the West will always bow, however grudgingly, to a two-thirds majority vote in the Assembly, and that it is this that renders the American plan thoroughly dangerous (especially if one also happens to believe that while the General Assembly is willing and eager to make things hot for the West, never will it challenge Russia). Fearful Britons suspect the sort of cynicism that seems to be shared by both quiet and ugly Americans, holding that, at least in the western hemisphere, this cynicism may result in such un-British attitudes as wanting Guiana not to have its independence because Doctor Jagan is a left-wing socialist, but aspiring (it is said) to give British Honduras to Guatemala as a reward for Guatemalan assistance over Cuba.

AMERICANS who support the United Nations strongly deny the allegation that the General Assembly is racing headlong in an anti-western direction with the bit between its teeth. They feel that, as a late South African poet might have said, "the extreme anti-colonialists may have the bit, but it's the West that has the bloody horse." When they are told that the British Government fears that the General Assembly by pressing too hard on the colonial countries may produce "more Congos," those Americans tend to reply that the best antidote to that is for Britain and the United States to put pressure on countries that still have colonies, so that they get rid of them as fast as Britain is doing.

Provided things continue to go well in the Congo, and provided also that the General Assembly resists the temptation to behave as foolishly as its detractors say it will, Congress, after what promises to be a thorough exploration of the entire American relationship with the United Nations, seems likely to support the bond purchase plan. The American Administration hopes that the exigencies of British political life will enable Mr Macmillan's cabinet to make a similar decision. Congress is expected to give its assent despite very considerable dissatisfaction with what seems, to many Americans, to be wilfully contradictory United Nations attitudes towards Goa and Angola.

It is, however, unfortunate that much American thinking about the United Nations should be moulded by false reading of events in Africa. Mr Tshombe has been cast by some in the role of a staunch anti-communist. Others tend to look on Mr Adoula as a black George Washington, and both groups persist in believing that the Congo's "marxists" have a plan. The brutal facts about the former Belgian Congo—that terror and violence continue almost everywhere to stalk its darkened and foodless cities, and that the followers of Mr Tshombe, Mr Adoula and Mr Gizenga are young men adrift, their immature minds full of rubbish imbibed from western films—tend to get lost amid the ideological myths. Yet this is the sort of world the United Nations may increasingly have to deal with.

Canada and Nuclear Arms

FROM OUR OTTAWA CORRESPONDENT

SOME time before April 1st the Canadian cabinet will have to answer some embarrassing questions from U Thant, the acting Secretary-General of the United Nations, about its readiness to undertake not to manufacture or acquire or "receive" nuclear weapons. If the answer exacerbates old disagreements within the cabinet, it will be difficult to feel sorry for the ministers who have helped to bring this on themselves. The Secretary-General's question, which has not yet been sent out, arises out of Sweden's General Assembly resolution which was nicknamed "the non-nuclear club." It was supported by Canada, Norway, Denmark and Iceland. All the other Nato countries voted against it, though it is believed here that both Britain and the American delegate at the UN, Mr Adlai Stevenson, would have preferred to abstain. Mr Stevenson's negative vote was cast on instructions from Washington, and the British Government chose to follow suit. Since the resolution was carried easily against the major Nato powers, U Thant has to ask all UN members who do not now have nuclear weapons what conditions they would require before giving an undertaking never to accept them.

For Canada, as for most other countries, there is no difficulty about promising not to manufacture or acquire—in the sense of buying—them. The difficult part is the promise not to "receive" them on its territory on behalf of or in co-operation with another power. Canada has acquired American interceptors and Bomarc missiles, which require nuclear warheads, as part of the joint North American air defence plan. The military establishment, staunchly represented in the cabinet by its minister, the former Lieut.-Col. Douglas Harkness, argues with perfect logic that since Canada is already committed to joint air defence it is equally committed to the most effective means of protecting the American nuclear deterrent. The United States Administration, right down the line from the President through the State Department to the most fire-eating generals in the Pentagon, is unanimous in maintaining that this involves the use of nuclear warheads on the weapons stationed in Canada.

They would probably be installed already but for the opposition of one obstinate and sincere cabinet minister who happens to be Mr Diefenbaker's most trusted lieutenant and deputy. Mr Howard Green is a 66-year-old Vancouver lawyer of abstemious habits and unchallengeable rectitude who fought in the first world war and never went overseas again until Mr Diefenbaker made him minister of external affairs in June, 1959. His own temperament, which regards nuclear war with a typically Protestant moral horror, and his prejudices, which are ineradicably pro-British and suspicious of Americans, combine happily with the advice of the professional diplomats under him in rejecting the military thesis. In his determined opposition to Canadian use of nuclear weapons, Mr Green is very close to his distinguished predecessor, Mr Lester Pearson, who is now leader of the opposition, and like Mr Pearson he is unable to go nearly as far in the direction of neutrality as Mr Douglas, the leader of the New Democratic party. But he is convinced that each small addition to the nuclear club must make it more difficult not only to achieve disarmament, but even to restrain the competitive development of ever more frightful and unnecessary weapons of mass destruction.

This harmless generality covers a very specific objection to the giving of nuclear weapons to west Germany which Mr Green has never felt it proper to state publicly. One of the strongest reasons for Canadian hanging back is the fear of smoothing the way for an extension of German control of nuclear weapons. Theoretical plans for Nato control inspire no confidence here. It is doubted whether west Germany could be given nuclear weapons on any terms which would not compel the Soviet Union to give them to east Germany too. To do that, it is argued, would be for the West to take the responsibility of dividing the world into two armed camps. The United States assumes that this has already happened: the Canadian defence experts agree. But the Canadian diplomats under Mr Green's direction are determined to exploit every last chance remaining to the western world to prevent this from happening.

Mr Green could not have held out so long against the combined pressure of the Canadian military and the American diplomats unless he had been able to convince his colleagues that there was still a lingering hope for disarmament talks and for UN efforts to keep the peace. In both spheres he claims fresh hopes for 1962. As a result of the recent efforts at the UN, eight so-called "neutrals" will be present when the disarmament talks resume in mid-March. The delegates from the old committee of ten, split into representatives of Nato on the one hand and the Warsaw pact on the other, will for the first time feel the influence of outsiders who may challenge their intractability. However the eight newcomers appear in London, Paris, Washington, Moscow or Warsaw, they are regarded here as "a good bunch." (They are Mexico, Brazil, India, Burma, Egypt, Sweden, Nigeria and Ethiopia.) This revealing judgment helps to explain why Canada does not share the British fear about "the United Nations being swamped by inexperienced and irresponsible men from Asia and Africa." Canadian foreign policy experts are impressed by the calibre of the Afro-Asian representatives. They believe the shift of power towards these new states will make the UN not less but more workable, and they are diligently cultivating contacts with them.

MR GREEN'S tenacious hopes are threatened at home less by the military opposition than by Mr Diefenbaker's inclination towards ringing denunciations of Soviet wickedness. He has had favourable reactions to several speeches which Senator Goldwater might have been proud to make. The applause came primarily but not exclusively from ethnic groups with roots in eastern Europe. Mr Diefenbaker is very sensitive to the ethnic vote. But he is also acute enough to recognise the widespread public support for Mr Green's opposition to nuclear arms and persistent efforts to keep open channels of negotiation between East and West.

Adding up these conflicting forces with the probability of a general election within a year, it does not seem unduly rash to predict the Canadian answer to U Thant's questions about nuclear arms. Canada will readily agree not to manufacture or acquire nuclear arms. It will promise not to "receive" them from the United States unless a marked deterioration in international relations brings the chance of nuclear war much nearer. Such a declaration will enable Mr Diefenbaker to go on enjoying the best of both worlds until after his election.

This Desirable Residence...



FROM OUR ATHENS CORRESPONDENT

ATHENIAN wits have termed Albania "a country to let." "The last tenants," they say, "left, banging the door and cursing the landlord as an old-fashioned fossil." An option is still open to the Far East. But the rental of this European *pied-à-terre* might be too costly for this exotic client whose finances are known to be precarious. So some discreet bidding has begun among the neighbours.

Albania's ostracism from Europe's communist camp has indeed set off some curious reactions. Greece, which for years has been goaded in vain by the Russians to drop its grudges against Albania, today finds itself hoping for the survival of the Hoxha regime, as a guarantee of the Balkan *status quo* and an aid to keeping alive the long-standing Greek claim to Southern Albania. The Greek government has decided to revise its thoroughly negative attitude towards its north-western neighbour, and has informed both Jugoslavia and Italy—who also share a traditional interest in this minuscule ex-satellite—of Greece's direct concern in Albania's fate; it has given a clear implicit warning that any unilateral action against the isolated stalinists of the Adriatic coast would be actively opposed by Greece.

The new Greek attitude was prompted by the belief that any internal or external change of regime in Albania might prejudice Greek interests. Besides ensuring national security the Greek government is trying, first, to preserve Greece's rights over the fate of the sizeable Greek community in Albania and the hope of eventual annexation of some 5,000 square kilometres of southern Albania known as Northern Epirus, where before the days of fascism and communism the majority of the population was Greek. Second, it wants to preclude the return of Italy's prewar influence over Albania, a prospect which both Athens and Belgrade find thoroughly unpalatable. The Greeks fear that in seeking a way out of their present isolation the Albanians might take initiatives that would disrupt the *status quo* in the Balkans. The Italians have already increased their financial contacts with Tirana, while the Jugoslavs are strongly suspected here of scheming to bring about the dissolution of the present regime and the re-establishment of the old ideological relationship between Belgrade and Tirana.

These suspicious trains of thought have induced the Greek government to pursue a course that might encourage a direct Albanian approach to resume diplomatic relations, which were broken off in 1940 when Albania served Mussolini as a springboard for his attack on Greece. The new Greek attitude involves the tacit abandonment of the Greek demand that what is now a theoretical state of war with Albania should be terminated by means of a peace treaty. Athens has realised that its aloofness has deprived it of a diplomatic mission in Tirana which, if it did nothing else, would counterbalance the diplomatic presence there of the Italians, the Jugoslavs and, to a lesser degree, the Turks.



Return of the hostages

Greece's territorial claim is, of course, the chief obstacle to a resumption of neighbourly contacts between Greece and Albania. Feeling their isolation from Moscow's solar system, the Albanians have been using the Northern Epirus question *ad nauseam* to whip up local nationalism. The Greek government is aware of this and has spread the word that it would be willing to "set the issue aside" for the sake of a rapprochement. This would not be so hard, Greece having repeatedly affirmed that it would await an international settlement of this issue. The Northern Epirus question has in fact been pending for seventeen years on the agenda of the big four foreign ministers, next on the list after a German peace treaty.

The new climate in the Balkans was briefly brightened by an unexpected display of Albanian goodwill at the recent repatriation of some Greek hostages. The Greeks have welcomed the Albanian offer to repatriate all the Greek hostages taken to Albania by the fleeing Greek communist guerrillas. Preliminary negotiations to put the agreement into practice are being carried on by the Greek and Albanian delegations at the United Nations. The Greek government also used this channel to inform Tirana that the repatriation gesture was welcomed as a sign of goodwill. But any further step will have to be made by the Albanians. The Greeks are still equally shy of any initiative that might carry with it the risk of a snub, and of any that might give umbrage to the Soviet Union or to Jugoslavia.

Germany's Radio War



FROM OUR BONN CORRESPONDENT

WEST GERMANY'S first "all-German" broadcasting station, the Deutschlandfunk, has been in action since the beginning of the year. A pity that the subject is served so readily by a predicate suggestive of combat—"And how superficially," they would promptly add in Cologne. Yet for all that Dr Starke, the director of the new station, may avow to the contrary, west Germany's Deutschlandfunk has come on the air primarily to do battle with east Germany's Deutschlandsender. The wishful thinking of its identification signal—a bar from the old German song *Du Land voll Lieb und Leben* ("Thou land full of love and life")—is none the less engaging.

The Allied Control Council ruling in 1945 that broadcasting should be organised regionally was disregarded in the Soviet zone from scratch. The Communists' tentative arrangements for central inspiration have since developed into thorough control by the state broadcasting committee. Its thirteen members, all Communists, direct with characteristic singleness of mind the output of the German Democratic Radio's 3,000 or so workers, of whom some 300 are political advisers and commentators. The committee's offices are in the east Berlin suburb of Oberschöneweide; and the editorial staffs of all the east German radio stations, including the Deutschlandsender, work in the same building. Since it is the Deutschlandsender's special mission to speak to the Germans in the west, its broadcasts are vigilantly supervised by the press and agitation section of the western department of the Communist party's central committee. With obvious results. Transmitting on long, medium, short and ultra-short waves, the Deutschlandsender can be heard pretty well everywhere in west

Germany—and often in Scandinavia, Poland and Czechoslovakia—drubbing the "fascists" of Bonn and canvassing sympathy for the Communist party's blueprint for Germany's salvation.

The Deutschlandsender's malevolent chronicling of goings-on in the federal republic and its call to west Germans, particularly industrial workers, to hamstring and eventually depose their government, have provoked Bonn to retaliate—in its leisurely way. After months of dispute about competence, the Bundestag approved a law on November 29, 1960, setting up the Deutschlandfunk as a public corporation charged with organising broadcasts for Germany—"the whole of Germany"—and Europe. These broadcasts, it is laid down in the preamble, "should communicate a thoroughly comprehensive picture of Germany."

It has taken more than a year to get the Deutschlandfunk sparking; and, for technical reasons, the all-German beacon fire must burn low for the time being. Since January 1st, transmissions have been running daily from 4 p.m. till 1 a.m. The long-wave transmitter (1,986 metres) is situated at Hamburg, the medium wave (195 metres) at Mainflingen. It is hoped that by mid-year transmissions will begin at 5 a.m. daily and that by the year's end—the 50-kilowatt medium-wave transmitter having been strengthened by then to 400 kilowatts—the Deutschlandfunk will be audible not only throughout Germany but also in parts of Scandinavia, Poland and the former Habsburg territories where German is still widely understood and where the east German station at present harangues uncontested.

It was intended originally that the Deutschlandfunk should operate from west Berlin. But in deference to communist objections to the purposes to which Berlin is sometimes put by their opponents, Deutschlandfunk's administrative and editorial offices, as well as its studios, have been set up on the southern outskirts of Cologne—in a curious white elephant of a house built to the wishes of a local tobacco magnate with a liking for ostentation. Here the eloquent director-general, Dr H. F. G. Starke, is to be found these days from early until late, absorbed in planning a more ambitious future. As far as programmes are concerned, he is responsible to a broadcasting council composed of 22 persons representing the parliamentary parties, the employers, the trade unions and the confessions (Catholic, Protestant and Jewish). The council, which is statutorily obliged to assemble at least once a quarter, is meeting monthly during this initial phase, usually, by way of gesture, in Berlin.

DR STARKE says he is being given a very free hand—even when it comes to spending. He estimates that, once in full swing, the Deutschlandfunk will require an annual income of DM 24 million, just over twenty per cent of which will go to pay its 300 employees (at present only 90). Negotiations for raising the cash are now afoot between the federal and the *Land* authorities. No serious hitch is expected. For the cause is considered good; and the broadcasting companies of the *Länder* between them rake in DM 228 million annually from sound radio licences alone.

Dr Starke was born 46 years ago in what he and the Deutschlandfunk punctiliously call "central Germany," though most foreigners call it "east Germany," and the Deutschlandsender calls it the "German Democratic Republic." He went to school at Zittau, and to university at Leipzig. Before the war he was a member of the *Deutsche Allgemeine Zeitung* in Berlin. So he has come from thirteen years' work with the North German Radio (Hamburg) to his new job at Cologne with useful first-hand knowledge of the part of Germany that is his principal target. His broad plan is to give listeners plenty of music along with brief news bulletins every hour concerning activities of all kinds in both parts of Germany and, two or three times a day, some comment. There is, he says, to be no abusive tit-for-tat in reply to the Deutschlandsender's provocations.

Nobly conceived. Yet one wonders how long everybody will be able to stand the strain when even Dr Starke himself, in his inaugural address on January 1st, slipped into speaking of "the hideous Medusa mask of the Ulbricht regime." But this was not one of Dr Starke's most tactful days. At the end of his address he remarked, throwing syntax to the waves: "You will certainly be able to hear us in central Germany and one day also beyond the Oder and Neisse, where still more than a million Germans are waiting to hear a message addressed to them from the free part of Germany; just as the Deutschlandfunk will not forget the three million refugees in the Soviet zone of occupation who are not allowed even to think about their old homeland in the German east." The German east. What a gift to the Deutschlandsender—and some others!

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Australian Subtlety

FROM OUR CORRESPONDENT IN AUSTRALIA

IT is hard luck on Mr Menzies's precarious government that an electorate which normally thinks of nothing but its own standard of living should suddenly have become concerned about West New Guinea. The great difficulty here is that the policy is too subtle for the average man to understand. Even if there had been a sustained effort to expound it over the last three years, it would still be difficult to grasp. To explain it now that the crisis seems to be upon us is impossible.

Public attitudes tend to be black or white, for or against, good or bad. But Australia's interest in West New Guinea does not lend itself to this treatment, since it is not clear-cut. On the Dutch side is the fact that the Netherlands has never surrendered sovereignty, which Australia, as a supporter of international law, must therefore respect. The Netherlands moreover, like Australia, is dedicated to leading the Papuans towards self-government, and it is agreeable to have a peaceful, stable and co-operative neighbour as opposed to one who is politically unpredictable. On the side of placating Indonesia is the fact that it is Australia's neighbour in perpetuity, whereas the Dutch could hardly be there more than another decade even if they were left to take their own time. Australia, moreover, is trying to get on well not only with Indonesia but also with Asia generally, and to support the old colonial powers is not the way to be loved. Another, newer consideration is that although it would be sad for the Papuans to be deprived of rapid advancement under Dutch tutelage, there would at least be no more embarrassing comparisons with the more solid but slower progress towards self-determination in the eastern half of the island. From the balancing of these pros and cons there has emerged an Australian policy that is, perhaps, best summed up by the brilliant cartoonist of the *Sydney Morning Herald*, Mr Molnar; he showed Mr Menzies deep in a club chair telling his new minister for external affairs, Sir Garfield Barwick, "Our policy is to wait and see, but firmly, I repeat, firmly."

To be a little more specific, the policy extending back over the last four years or so has been to extract from the Indonesians repeated public assurances that they would not use force to gain West New Guinea; to support self-determination for native peoples in both halves of the island; to recognise any transfer of sovereignty agreed "without duress" between Holland and Indonesia—without fussing too much about the aforesaid self-determination; and just lately to urge negotiation on the parties—without fussing too much about the aforesaid freedom from duress. Even now the Australian government is not apparently convinced that an attack is imminent or that Dr Sukarno is not still attempting to get the place by threats rather than force.

The delicate position adopted by the government is a gift to the opposition. Several charges have been made: cynical dis-



FAY BATEMAN SAYS:

Now the hand that rocks the cradle holds a can!



Even the baby takes cans for granted

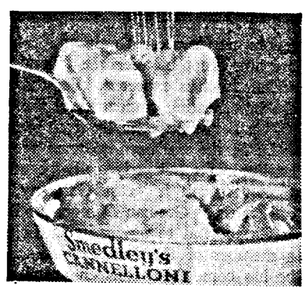
Time was when a dutiful mother would take out the mincer, the grater and the sieve. Sterilise them all – at length. And spend an hour or more preparing a single tasty spoonful for the baby's dinner. But these days, somehow, there just doesn't seem to be time for such finesse. So what does your up-to-date mother do?

Straight from the can

Well, she opens a can. Knowing that the contents are beautifully, hygienically and tastily nutritional. She heats the food in the can, feeds the baby straight from the can – and the baby flourishes.

All kinds of cans

The mothers flourish, too. Your modern mother uses cans for this and cans for that. Cans to help her reputation as a cook (the most exotic foods come ready prepared in cans). Cans to help out at parties. And aerosols to make light of her housework – these days they'll even clean the wallpaper for her. Cans save her time – and time is the most valuable thing she has. (If you don't count the baby.)



WHAT NEXT? Cannelloni, that superb and spicy Italian dish — made with pasta, mince, cheese and tomatoes—is now on sale in most grocers. In cans. If you haven't already discovered the joys of Continental food, Cannelloni is as good an introduction as any. It's just plain wonderful!

regard for the Papuans' right to self-determination—especially since Sir Garfield Barwick remarked too blandly that he saw no threat to Australia's territorial interests ; indifference to Australia's need for defence in depth through a friendly New Guinea ; weakness in diplomacy and weakness in defence, in spite of an expenditure of £A200 million a year. More will be heard about this question of defence. The prime minister's remark that no responsible Australian would suggest that his country should go to war without its major allies has shocked the *Sydney Morning Herald,* not only because of the inaction that it seemed to promise, but also because of the underlying assumption that Australia could not take military action on its own or defend itself against a substantial attack. Yet there is nothing new about the basis of Australian defence policy. It has been openly declared in ministerial statements that the most probable threat to Australia is that of a limited war in which it would act with its allies in fulfilment of its treaty obligations, and that in the ultimate, and at present unforeseeable, eventuality of invasion it would be saved by automatic American protection under the Anzus treaty. It is assumed that Australia is justified in spending a lower proportion of the national income on defence than its major allies because it is engaged in other tasks that have a defence significance—such as building up its population and industry. The southward creep of communism in spite of Seato, as well as the New Guinea issue, will make many people feel that some revision of these assumptions is now due.

Russia's Green Pastures

EAST-WEST tension and inner communist controversy alike tend to find Mr Khrushchev stumping the vast distances of the Soviet Union, from Siberia to the Ukraine and now, on his latest trip, to Byelorussia, lecturing the peasants on the qualities of maize, peas and fodder beans. It is not really surprising that the Soviet leader, who in any case has a liking for talk (and earthy talk at that), should find so much to say about Russia's land problems. The lag of agriculture behind industry has been the major distortion of the Soviet economy, and Mr Khrushchev has repeatedly promised to eliminate it. It is no secret that members of the "anti-party group" have criticised as not worth the investment his devotion to the opening up of the virgin lands of the east. He can certainly claim some achievements. Despite the irregularity of crops in the drought-affected areas of Kazakhstan and Siberia, grain production in the newly reclaimed lands has risen, on an average, by about 30 million tons, and deliveries to the state by about 20 million tons. The new eastern regions have displaced the Ukraine as Russia's granary. The creation of state farms on the reclaimed land has helped to increase the share of the state in agricultural production. State farms now supply more than a quarter of the meat and eggs, a third of the milk and more than two-fifths of the grain purchased by the state. Mr Khrushchev can argue that he has strengthened his hand when he has to deal with the collective farmers. But the question remains whether the same investment would not have brought better yields if it had been applied in the traditional agricultural areas. The question is the more awkward since it coincides with a shift in policy towards more intensive farming.

Thousands of agricultural experts—from collective farm chairmen to such high dignitaries as Comrades Byelayev and Kirichenko —have paid with their jobs for the vagaries of Soviet farming. The latest victim is a posthumous one, Vassily Robertovich Vilyams (or Williams), a Russian of Welsh extraction, whose theories on grass crop rotation made him the greatest authority on Soviet farming before the war. Now his followers, branded as "priests of the ley system," are held responsible for the wastage of land resources. Speaking at the Moscow agricultural conference on December 14th, Mr Khrushchev claimed that out of a total ploughed area of 220 million hectares, 36 million hectares were under grass, perennial and annual, and 17 million were fallow. Adding to this 11 million hectares under oats, Mr Khrushchev reached a total figure of 64 million hectares, or as much as the area under wheat, that were being "wastefully" used. Since then the Soviet leader has been preaching, with his passion for detail, that lucerne and clover should be replaced by maize and sugar beet, where possible, or by peas and fodder beans.

As usual in these controversies, only one side gets a hearing. The "ley priests" have been branded as unworthy of the name of scientist. They have been told to mend their ways or leave their jobs. Their counter-arguments can only be deduced from Mr Khrushchev's accusations. Some Ukrainian chairmen of collective farms appear to have replied that they had merely been carrying out orders, thus implying that the man to blame was the one responsible for policy. The scientists seem to have taken another line of defence. To switch from grass crop rotation to a more productive system, they argued, without ruining the land, it is necessary to devote more resources to agriculture and, particularly, to step up the supply of fertilisers. In other words, if Mr Khrushchev's aim is more intensive farming, they have challenged him to provide the means. The Soviet leader's passionate rejection of criticism may well be due to the fact that similar arguments were used during the controversy over the virgin lands.

The structure of Soviet agriculture has altered greatly since the war. The first revolutionary change took place in 1950-51, when some 250,000 collective farms were amalgamated into less than 100,000 larger units. The process has gone on. In January, 1961, there were only 45,000 *kolkhozy ;* by now there must be fewer still. This concentration has several purposes. It is hoped to obtain a better control of the countryside as well as to achieve a fuller use of the available managers and equipment. It is also hoped that in the process the least efficient farms will be eliminated. To bring the average farms up to the level of the model ones—the so-called "beacons"—is now the dominant slogan. But while the collective farms become fewer, the state farms become more numerous ; there were 7,400 at the beginning of 1961. Some Soviet economists have advocated a rapid change-over to the state farm system throughout the countryside. But Mr Khrushchev, conscious of peasant resistance, wants the process to be gradual and to be a result of rising production. The immediate objective is "to catch up with the United States"—quite an ambitious goal, to judge even by the Soviet statistics in the accompanying table.

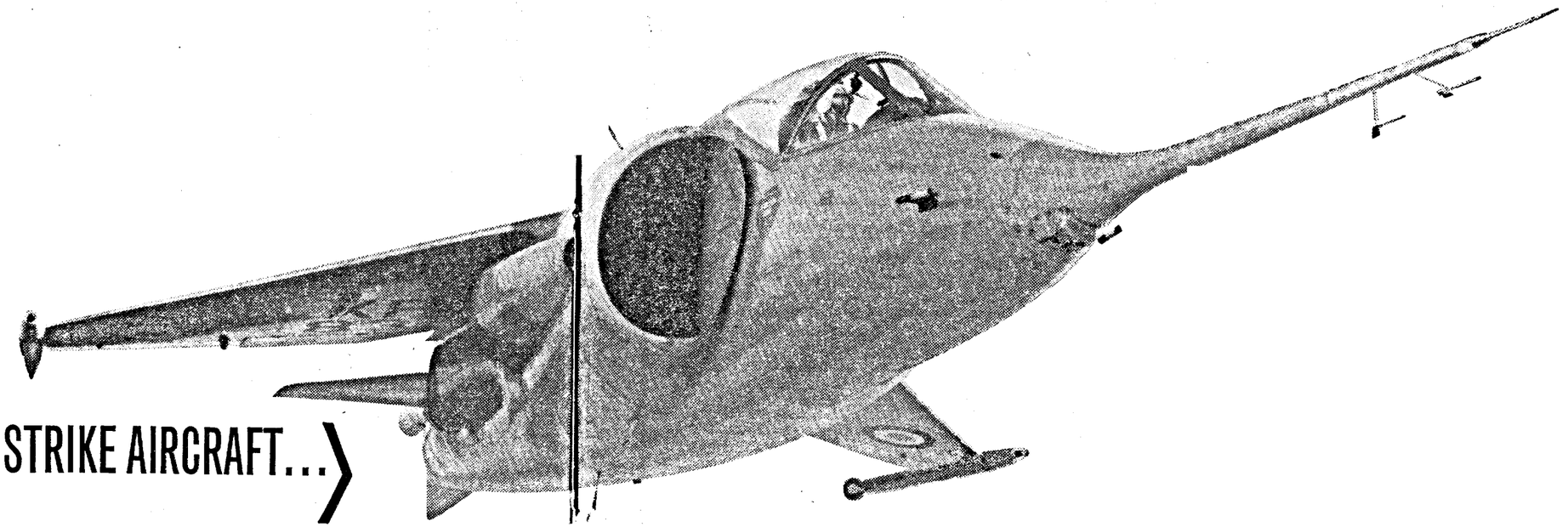
AGRICULTURAL PRODUCTION, 1960

	Total (Mn. tons)		Per head (Kilos)	
	USSR	USA	USSR	USA
Grain	133	194	622	1,080
Meat*	8·7	17·9	41	99
Milk	61·5	56·9	287	317
Butter	0·848	0·665	4	3·7
Eggs	26·4†	62·4†	124‡	347‡

* Including poultry and offal, slaughter weight. † billion units. ‡ Units.

But the real gap is seen only when this table is set against the manpower figures. Employment in agriculture in the United States is put at 5.7 million, or less than 8 per cent of the total labour force. The 1959 Soviet census revealed that 31.7 million people, or nearly a third of the Soviet labour force, were still working in collective farms. To this had to be added 6.6 million people employed in state farms and other agricultural institutions. The comparison of productivity may be somewhat unfair. The younger and better educated people in the Soviet countryside have been migrating rapidly to the towns. There are also historical and other reasons for the lag. The fact, however, remains that the Soviet Union has not yet solved its peasant problem. This may explain Mr Khrushchev's concern for the general state of Soviet farming.

BS



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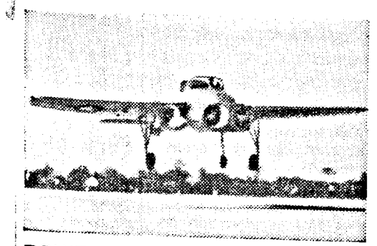
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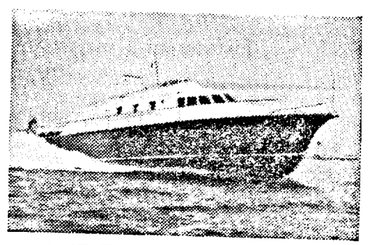
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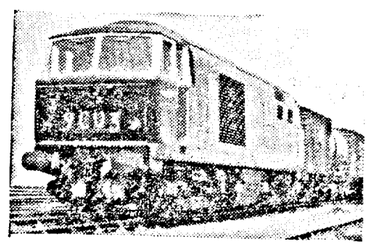
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THE BUSINESS WORLD

Battle for Courtaulds

TEN days of truce talks between ICI and Courtaulds have ended with the expected bang. Courtaulds still strenuously resists the proposal of a complete merger ; ICI rejects any of the compromise solutions Courtaulds put up, and has raised its offer to four ICI for every five Courtaulds, instead of three for four, improving the offer to preference shareholders as well. ICI's decision to raise the bid was taken after Courtaulds had rejected the first bid but before Courtaulds proposed the short truce. It was taken on the argument that the original offer was based on an estimate of profits substantially lower than Courtaulds, it has now become apparent, will earn in 1961-62, making possible the maintenance of the dividend at 2s. a share—a possibility that ICI does not appear to have thought likely in view of the cut in the interim payment, even though forward estimates were exchanged in the original negotiations. But, no matter how dubious the case for this higher price, it is the terms that matter. They will appeal more to Courtaulds' shareholders than to ICI's, and be difficult to resist, whatever support the Courtaulds directors bring for their contention that the revised offer "seriously undervalues the earning capacity of Courtaulds relative to that of ICI."

Money values will decide in the end ; and the ICI directors impute a value of about 44s. 9d. to Courtaulds, taking ICI after a fall of 1s. 6d. at 56s.; even on the fairest reckoning of the prospect, it is difficult to believe that Courtaulds could hope to sustain such a value as a separate entity. Both companies issued long statements on Wednesday to justify their own stand. But they speak from two different heights of Olympus. ICI's view of the friendly negotiations conducted with Courtaulds over some months—after occasional discussions, it suggests, over some years—was that they were "directed towards a complete merger of interest" and, Mr Chambers has said, the reconstruction of the board that would follow a merger. But Courtaulds, while saying that both companies aimed at eliminating duplication, shows that different methods were considered for achieving this aim:

> ICI felt that it was logical for all fibres to be under one general direction, while Courtaulds thought that it would be more practical and effective to tackle that part of the industry where there was overlapping of effort, namely the melt-spun fibre field. In consequence, amongst the many possibilities considered were : (a) merging the melt-spun fibres nylon and "Terylene" into one joint company; (b) merging the whole business. Courtaulds' representatives urged further examination of (a). ICI's representatives showed an increasing interest in examining (b).

Throughout the discussions, the outsider must feel, there seems to have been a lack of common ground between two sides set in their own ways and intent on their own ideas. After Mr Paul Chambers had announced his "final, final terms" of the three for four offer, it was only to be expected that ICI should reject a suggestion by Courtaulds that a study group should be set up to consider "all possible ways of strengthening the man-made fibres industry," and to report no earlier than the end of June this year. It was too late for further extended discussions about problems that had already been long discussed. But ICI did agree to consider two specific proposals put up by Courtaulds for discussion during the ten days' truce. These are defined in ICI's statement as either the "formation of a joint company to deal with all melt-spun fibres, ICI having the majority interest" or the "formation of a joint company to deal with all fibres, Courtaulds having the majority interest." The Courtaulds statement gives the proposals a less precise air, speaking of "the formation of a joint company or companies merging some or all of the two companies' fibre interests, the control of which would rest with Courtaulds or with ICI depending upon the range of products covered." A further proposal related to the sale of ICI of Courtaulds' half share in British Nylon Spinners—which ICI's statement did not mention. Both sides record that the discussions failed to produce any proposal acceptable to both parties—which seems a bland way of saying that ICI refused to accept any that Courtaulds put up.

WHAT years of discussion had failed to sort out, ten days of talk could not conceivably arrange. ICI and Courtaulds look at the man-made fibre industry from two fundamentally different standpoints. ICI is a producer of chemicals and is anxious to move forward into fibres to secure outlets for the materials that it produces from plants constructed at high capital cost. Courtaulds, by contrast, is a fibre manufacturer wanting to buy its basic raw materials in the cheapest market, though prepared, under "suitable contractual arrangements," to recognise the big capital investment that their production involves. This difference in approach colours the arguments on both sides, even in such specific matters as profits and prospects (though on these neither side is prepared to make precise forecasts until the formal documents are sent to shareholders). Courtaulds begins a long argument by admitting that "there are structural weaknesses in the industry which must be eliminated in one way or another" and ends by claiming that action taken to rationalise the production of acetate and viscose fibres and to introduce new fibres such as "Courtelle" and "Tricel" enable its directors to "foresee with confidence an increase in the profits of their fibre and textile business." The implication here, presumably, is that the structural weaknesses are mainly in melt-spun fibres, where ICI has the major interest—particularly in the

overlapping between nylon and "Terylene." Indeed, Courtaulds' directors refer specifically to the increasing degree of duplication of research and development effort and of expenditure on marketing in these fibres; by contrast they characterise their own "Courtelle" as "the most rapidly growing synthetic fibre in the world" and are almost as bullish about "Tricel." ICI, on the other hand, claims that its interests in the newer man-made fibres ("Terylene," half of British Nylon Spinners, plus capacity for producing the base materials for both and for some other fibres) already "far outweigh" those of Courtaulds; it puts its investment in man-made fibres and their base materials together at £100 million, which it says approaches Courtaulds' interests in all fibres, synthetic and rayon. It claims, perhaps surprisingly, that it is "better equipped than Courtaulds to discover and develop newer synthetic fibres"; and says that its total profits from the production of fibres and of the polymers from which the fibres are spun are already greater than Courtaulds' profits from all fibres, including rayon. These are large claims. But asset values depend on the date of the investments and on the figures at which they are carried in the books. Claims about the ability to develop products are easy to make but impossible to prove: ICI, as Courtaulds is not slow to point out, bought other peoples' research on nylon 66, "Terylene," "Orlon," and nylon 6; "Ardil" is not the happiest of memories. And if ICI's profits from polymers and fibres are so big, does this mean that fibre-spinners have done worse out of the bargain than the raw material producer?

These, the outsider can say, are *ex parte* statements made in the heat of struggle, where temperament and personalities can crowd the facts. But ICI's directors have been convinced that they should reject any proposal for a pooling of interests in which Courtaulds would hold the majority stake or for the compromise solution of a joint company limited to melt-spun fibres. Was this identical with the purchase of Courtaulds' half of BNS, giving ICI full responsibility for nylon and "Terylene" but no claim on the other newer fibres? Courtaulds object to a complete merger on the grounds that "over-centralised management could be a real danger"; that "the raw material supply would tend to dominate policies, the fibre making being regarded primarily as a tied market"; and that its own "commercial policies are more suited to the textile industry." Their argument seems to hint that the "structural weaknesses" lie primarily with nylon, "Terylene," and the surplus capacity for producing base materials for other synthetics. Clear of the melt-spun fibres, and able as a buyer to benefit from cheap base materials for acrylic fibres, with "the major difficulties overcome," Courtaulds argues that they could go it alone and earn higher profits.

Behind these statements there is a clash of industrial ideologies between Mr Chambers and ICI and Sir John Hanbury-Williams and Courtaulds. The ICI directors state their view quite bluntly:

> . . . Not only should there be horizontal integration so that research and development on one fibre can be used to benefit the whole range but also there should be vertical integration between the manufacture of the polymer and the spinning of polymer into fibre because technical problems flow from one to the other. The Courtaulds point of view on the other hand is that in general the company spinning the fibre need not also be the producer of the polymer and may be in a better position if it buys polymer or other materials in the cheapest market and has not itself a major interest in polymer manufacture. This may be valid where the materials used are mainly natural in origin, as in the case of the older cellulosic fibres such as rayon. It is wholly unrealistic in relation to the new man-made fibres which are spun from complex chemical substances. In ICI's experience, its most efficient form of organisation for synthetic fibres, in particular for newly discovered fibres, and the one which produces the cheapest chemical materials and ultimately the cheapest fibre is one in which chemical production and spinning operations are in one ownership. The practice in the United States and in Continental Europe accords, in general, with the ICI point of view.

While agreeing with ICI that in a highly capitalised industry over-capacity cannot be of advantage to anyone (except possibly, some bystanding imp might query, to the consumer?), Courtaulds has its rejoinder ready, starched and pressed:

> To remain competitive constant regard has to be given to raw material prices. Courtaulds have always kept an open position, making their own raw materials only when market prices made it essential and then normally only making a part of their requirements sufficient to ensure competitive prices. ICI thinking has clearly been influenced by the trend towards integration of fibre making with the supply of the important chemical raw materials which has been apparent in the USA and Europe. This trend may prove to have been characteristic of a period in which chemical production was so profitable that the acquisition of captive outlets, even on expensive terms, might have been justified; but conditions are changing. As new and cheaper processes become more widely known, alternative sources of supply are becoming available. As one example, Courtaulds have lately obtained acrylonitrile, the chief raw material for "Courtelle," from alternative sources of supply at little more than half the price which they were paying to ICI.

Mr Chambers' view is that "in nine cases out of ten" the independent spinner would have had to pay "starvation prices" and would not be able to buy the base materials as cheaply as it could if it were linked with a polymer producer. The recent exercise of Courtaulds' freedom to buy base materials more cheaply from the United States for its new and faster growing fibres, in contrast to the captive market that nylon and "Terylene" present for ICI, may indeed have accelerated the merger negotiations.

For those more inclined than Mr Chambers to distrust monopoly and to lean towards decentralised arm's length bargaining even in complex markets, Courtaulds at this point may seem to have the better of the argument. But it will not be liberal economists (even those who write weekly articles) who will decide the struggle; it will be Courtaulds' shareholders. Can they really believe that the Courtaulds directors, whose record of management in the past has been short of inspiring, will not merely do better than they have done in the past but better than ICI could do? Do they really believe that standing alone against the commercial opposition of ICI, to say nothing of that of the American and Continental giants in synthetic fibres, the Courtaulds directors can produce policies and profits that will hold the shares above their current market price of 42s. 4½d.? But what, at the same time, are ICI shareholders to think? Many of them were not happy about the manner in which this affair was first brought into the limelight. They cannot be happy with the prospect that ICI is bidding not simply for man-made fibres but also for a grab-bag of other interests as well, of which some appear to have been purchased at inflated prices. And they may fear the short-term consequences of a merger, in which the process of assimilation alone must for a time act as a drag on even the managerial talents ICI possesses and a brake on a rate of growth that certainly showed distinct signs of slowing down last year. ICI expects to earn higher profits this year than last and a steady increase in profits in the next two years; Courtaulds may say much the same thing. This, after all, will be battle; and after the seven or eight weeks are over, the combatants will not just shake hands and make it up. In an agreed merger the managers of ICI and Courtaulds could have worked together to sort out the problems; a merger won in battle may have to be built up from bitterness. If as seems likely, ICI wins, will ICI's shares be worth as much as they were before Mr Chambers threw the gauntlet down?

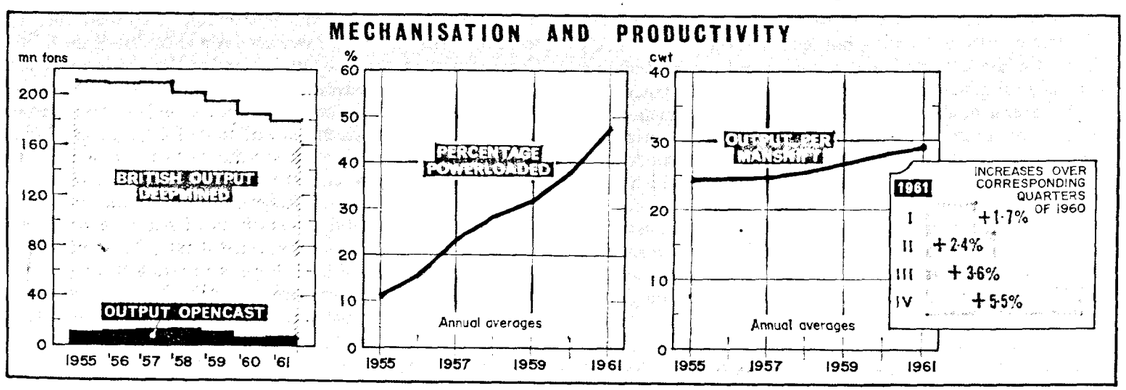
Rose Coloured Coal

An industry in which output comes from more than two thousand workplaces within several hundred production units, varying widely in efficiency, should obviously be able to increase its average productivity during any period when it is reducing production. But the increases in output per manshift that have now enabled Lord Robens to proclaim that British coalmining is now a high-productivity industry have not all come about simply by retreating from the most unrewarding corners of it. This strategic retreat is continuing to a greater extent than is now obvious: the process of concentrating output into faces that fulfil at least certain minimal criteria in terms of capacity is not as visible from outside the industry as was the closing of 163 mines between 1957 and 1961, but it could be of much greater, continuing importance. It is now beginning to have visible results in quickening the advance of labour productivity, which is the index to which the board is now anxious to draw—and pay—greater attention.

Concentration into the less inefficient pits and coalfaces is a matter of reorganisation that is accepted more easily at a time when output is being run down. The introduction of more and more mechanised equipment into the mines, which is one measurable positive development that the board can cite, might not necessarily be accepted as easily, particularly since powerloading equipment tends to upset the whole work cycle of mining, requiring reorganisation of jobs underground and some re-training of the miners to do them. But Lord Robens said this week that the board had never had less than full co-operation in the introduction of powerloading equipment; and whether or not this is also true of getting reasonable utilisation of all the equipment put in, he was able to record quite an impressive increase in the machines now working double-shift.

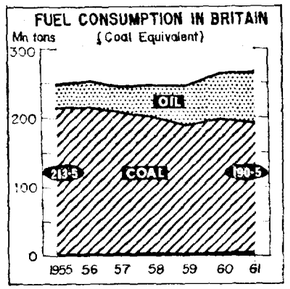
These machines, and the reorganisation of mining to make use of them, are now beginning to reap quite impressive rewards in terms of productivity. Last year deepmined output reached, at its peak, 30-31 hundredweight per manshift, which is the level that the board's last long-term investment plan reckoned might be reached by 1965. (It is only fair to note that it then expected to be mining 200-215 million tons a year at that level of productivity, not 190 million tons.) The advance mounted steadily throughout the year: in the first quarter productivity was up by 1.7 per cent compared with a year earlier, and in the last it was up by 5.5 per cent. Roughly speaking, labour productivity on the faces using powerloading is about twice as high as on those where coal is loaded (and in some cases cut) by hand. At the beginning of last year, the proportion of output powerloaded was about 40 per cent; by the end of the year it had reached 55 per cent. Once the "rich" ingredient in a mixture begins to predominate, its effect upon the average quality of the mixture builds up. This now seems to be happening with powerloading, backed up by the first results of concentration at the more productive coalfaces—and presumably, some results at least from the extensive reorganisation and major re-equipment of many mines on which several hundred million pounds have been spent in the last decade.

Some of Lord Robens's friends in Fleet Street have this week committed him rather more firmly to the hope of breaking even by the end of this year—which was his hope when he became chairman—than he might like. He wreathed this hope with a chain of provisos; the board might break even, he said, "if everything goes right for us." In 1961 it appears that the industry reduced its annual deficit to about £15 million—its operating profits, that is to say, fell that much short of covering its fixed interest on capital.



Reckoning upon some increase in pay for the miners—"the machines that have given us this extra productivity have to be remunerated, but there ought to be some reward for the people concerned too"—he is still confident of reducing the industry's current deficit pretty substantially.

Lord Robens said that the board has not finally agreed with the Ministry of Power and the Treasury on the "target" rate of return it ought to be able to earn over the present five-year term of trial for nationalised industries. His own aims for the industry, in non-quantitative terms, were to make coal "commercially viable"; to maintain the industry at its present size; to provide fair rewards for the manpower it needed; and to maintain "relative price stability" (which, sensibly enough, does not rule out selective increases for coal on which losses are made, like that mined in Scotland or sold to consumers). One economic aim of which he has spoken in recent years is that by the end of 1964 the board should be self-financing in capital investment. He said this week that this was not part of the task set him by the ministries; and indeed it ought not to be a very exacting requirement. The coal industry's period of peak investment in real terms must already be past. By the mid-sixties, with a capacity of 200 million tons a year (which ought to be qualitatively somewhat better than the capacity of 240 million tons a year for which it first designed its long-term reconstruction plan) the Coal Board might well expect to be able to keep its capacity stable out of proper provisions for depreciation.



Within the framework of his own argument, therefore, Lord Robens can call 1961 "a vintage year for coal"; he can record genuine progress towards the goals that he has proclaimed. The trouble is that this framework leaves out too many uncomfortable facts.

THE most important thing that happened to the coal industry in 1961 was that Mr Selwyn Lloyd put a sizeable excise duty on fuel oil. Other facts of note were that Mr Richard Wood continued to refuse private consumers licences to import coal from America, but approved the Gas Council's scheme for the importation of methane and for the building of a diagonal pipeline across England that could potentially supply several of the country's gas boards with much larger volumes of petroleum hydrocarbons than are originally planned. This may not denote ministerial single-mindedness in fuel policy; but it did emphasise the extent to which Lord Robens's marketing hopes depend on factors beyond his control. Another external factor, plus or minus, was the Government's decision to seek entry to the common market. That may or may not be to British coal's political advantage; liberalism and protectionism are at least as oddly mingled in Brussels as in Whitehall, when it comes to energy policy. But in spite of protective policies in most of the Six, coastal steelworks around Europe are getting sizeable imports of American coking coal on long-term contracts that the Coal Board would frequently be unable to match: Newport and Ravenscraig will have to reckon with the raw material costs of Klöckner at Bremen and Finsider at Taranto.

On detailed arguments with the steelmasters, Lord Robens declares that he will have a tale to unfold—early in February. He insists that assumptions that the British steel companies could generally import coking coal at significantly lower prices than they get it from British mines are grossly exaggerated. It is not easy to see how he will be able to demonstrate this, at least for most of the country's coastal steelworks.

This detailed argument may, when it comes, accord with the competitive image that coal is trying to present to the market; maintaining what it has decided is "the right" capacity, and within that capacity producing as much as it can sell. The board's idea of "the right" capacity has been set largely by the weight of its mounting overheads. Once deepmined output falls much below, say, 190 million tons, capital charges per ton would start pressing on the prices that the board needs broadly to maintain to have a chance of competing. Postulate that sales can be kept up to a level roughly in the region of that capacity, and all the arguments and efforts of the board make sense. Remove that assumption, and one would need completely to reshuffle the pack.

To the outsider, the only circumstances in which the Coal Board could be really confident of maintaining such a level of sales are either a much higher rate of general economic growth within Britain, and hence of total fuel consumption, or the continuance of as high a degree of protection of the British fuel market as exists now—perhaps both. Neither, cold-bloodedly, seems very likely. Since this year's duty was put on oil, sales of the black oils have no longer been growing at their earlier rate; they went up perhaps 10 per cent in 1961, against more than 25 per cent the year before, and the Coal Board reckons that oil simply captured the growth in the general fuel market, without encroaching further upon the board's own sales. It could be that the Chancellor last spring chose precisely the right level of excise duty to choke off the competitive advance of oil; but with newcomers edging their way into the oil market here, one would expect yet deeper discounting in black oil prices, and further inroads on coal's market, to ensue. Nor is it easy to believe that in two to three years' time, in the common market, coal can maintain quite as protected a position as it has here today.

The radical alternative to the Coal Board's present policies might have been retreat to a smaller core of its most efficient capacity, assisted by some writing down of capital, if the fixed-interest pattern has to be maintained, or by the introduction of some equity element so that the industry would not need to pay the same on its capital in good as in bad years. Fuel imports could have been allowed more freely, perhaps with a time-limited levy directed specifically to the retirement of uneconomic capacity and the retraining and re-location of redundant miners. Lord Robens has almost certainly considered those possibilities—which could not have depended on his initiative alone—and rejected them. They might not easily have fitted in with his hope of restoring this industry's morale; but they might have suited the British economy—and the developing pressures on the coal industry—better. As it is, one can only watch his and this industry's efforts with sympathy, but also with uneasiness.

BUSINESS NOTES

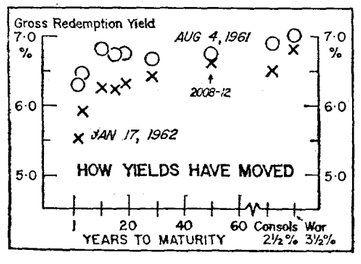
IN THE MARKETS

Sell Out for 21st Century

BEFORE the guns began to fire from Courtaulds and ICI on Wednesday afternoon the big event in the stock market was the ending of the government broker's "tap" of 5½ per cent Treasury 2008-12, the stock through which the authorities have guided—and for the most part held down—the gilt-edged market for fifteen months. The stock was issued at 95 in October, 1960, and the heavy sales of recent months have been at prices fully ten points lower. The disposal of £500 million (nominal) of so long dated a gilt-edged stock is itself a notable commentary on the new mood of the stock markets. The present tendency is almost for bad news to help gilt-edged, in so far as it increases the uncertainty over equity dividends and increases correspondingly the attraction of a fixed income. This is the weightiest factor, especially for institutional investors, and the stated inclinations of the new Governor of the Bank of England, as well as hopes of investment interest from Europe, provide more positive reasons for confidence, even though these are not necessarily conclusive in themselves.

Exhaustion of the tap in Treasury 2008-12s had to some extent been anticipated, and the price rise on Wednesday was relatively modest—⅝ to 85¾. At this price the gross redemption yield at £6 12s. 4d. is still markedly high in relation to other long dated stocks—nearly 4s. above the yield on both 3½ per cent Funding 1999-2004 and 5 per cent Treasury 1986-89, and nearly 6s. above that on 5½ per cent Funding 1982-84, which through the new tranche issued in the recent conversion operation is now once again the key long-dated stock in the authorities' hands. But, twenty-five years shorter than the 2008-12s, its damping influence on the undated stocks will be less close, so that these may be expected to respond more sharply to any real bull movement in gilt-edged.

For the moment investors are still moving circumspectly. Thursday's news that the economic committee of the TUC had at last decided conditionally to join the planning council was said to be responsible for the improvement in ordinary share prices; but more relevant for anyone taking a long position in gilt-edged may be the implications of this week's apparent softening in the wages front. Nor do the professionals of the gilt-edged market share some journalists' expectations of an early cut in Bank rate—as can be seen from their lack of speculative interest in short bonds or Treasury bills.



Last week's new issues have had a good start in the market. The heavily stagged issue by Samuel Properties has settled down at 25s., a premium of 5s., and the three corporation stocks that were issued together have moved from an opening discount of about ⅛ to a premium of the same amount. This week Bowater Corporation has announced an issue on the Swiss market—where a loan of 100 million Swiss francs for the World Bank at a coupon of 4 per cent has just been undersubscribed by the public. The Bowater issue is of 60 million francs (about £5 million) for a term of fifteen years, with a coupon of 4½ per cent and an option to convert one half of the loan into ordinary shares, at 10-15 per cent above the present price. The purpose of the issue is to fund bank loans raised in Europe for the group's Continental subsidiaries. Sir Eric Bowater confirms that while the group's sales rose in 1961 its trading profits fell; the directors expect to be able to maintain the dividend.

Wall Street Takes It Stoically

A correspondent cables:

WEAKNESS in equities is still evident on Wall Street where the Dow Jones average of industrials closed on Wednesday below 697, off almost 8 points for the day and at its lowest since October. Investors, while not turning to fixed income obligations, are showing no disposition to bid for common stocks even though business news continues favourable. The expectation is that available funds will eventually be placed in equities, which institutions now believe are much more reasonably priced than they have been for some time—but are apparently hoping to obtain at even lower levels. They point out that while margin requirements are at 70 per cent many speculators have been using foreign banks and other sources of finance which do not have to observe margin rules for purchasing stock, and that a substantial portion of the selling over the past two weeks has been touched off by these sources.

Some brokers also site the more attractive yields being offered on savings accounts. But it is absence of buying rather than heavy selling that has hurt the market. Practically every group from the blue chips down has been affected, although rails have managed to put on a good performance partly because of hopes of a change in Washington's attitude and partly on the basis of the obvious upturn in earnings. New York Central and Pennsylvania shares, however, actually turned down on the merger announcement although they had been rising in anticipation and other rails have been spurred by the news. But while the industrial market as a whole has behaved poorly since the year end, analysts feel that the drop is only an intermediate reaction and still continue to look forward to higher prices.

BANK SPEECHES

Common Market Views

SIR OLIVER FRANKS, in his last address as chairman of Lloyds Bank before he returns to Oxford, points to the "unmistakable change in the climate of economic opinion in this country" that has occurred in conjunction with the recurrence of familiar difficulties on the one hand and the prospect of entry into the common market on the other. This change is indeed reflected in Sir Oliver's own reminder of the dangers of an excessive preoccupation with fair play. "Distributive justice is a vital part of social morality. But to ensure the life of the community it is equally important to recognise that world trade is not a handicap event." Sir Oliver is a strong advocate of the common market, on the widest political grounds, which he believes need not involve separation from the Commonwealth. "If we have any genius in political affairs it lies in conjunction, not disjunction; in the ability to avoid the 'either-or' and find the way to 'both-and'." On the practical plane, the chairman of the District Bank, Colonel Marshall Brooks, notes from Manchester that the cotton industry is looking to "some gain from the possible equalisation of tariff protection" in Britain and Europe against Commonwealth producers—and he bravely goes on to plead, as does Sir Oliver, for liberal trading arrangements with the outside world.

Sir Oliver counters the suggestion that Britain will have to devalue sterling before it enters the common market, and stresses

that its exports can be fully competitive if only it takes the right measures domestically. This is certainly true, though Sir Oliver still puts prime emphasis on reducing the pressure of home demand; oddly, he barely mentions wages. But one can agree that the very defects in Britain's economic attitudes could, if recognised and acted upon, provide a springboard for a notable advance. "It is high time that the hidden reserves were drawn upon," Sir Oliver declaims, referring of course to those of the country, not of Lloyds Bank.

COMPETITION

More or Less?

At times such as this, when the "religion of competition" is being debunked and the virtues of amalgamation and co-operation in "highly capitalised industry" are being loudly proclaimed, the Registrar of Restrictive Practices may perhaps wonder whether the line of thinking that his activities epitomise—the pure milk of the competitive doctrine which Mr Paul Chambers thinks about adequate to rationalise eighteenth-century exchanges of apples and oranges—aren't just simply out of tune with today. His annual report to the President of the Board of Trade, somewhat philosophically, draws attention to the fact that restrictive trade practices agreements, outlawed by the Restrictive Trade Practices Court or simply abandoned "at the blast of the trumpet" are very often replaced by what are called "price information agreements" or "open price agreements."

These agreements, which may become registrable if they should happen to come into being as amendments of agreements formerly on the register, but are framed so as not to be liable to be brought before the court, are simply agreements to tell one's competitors what prices one charges. There may be many motives for and results of this altruistic practice. Obviously it could follow in a trade that buyers would begin to get identical tenders; and then, if the Registrar could convince himself beyond reasonable doubt that *post hoc, ergo propter hoc*, perhaps he could make a justiciable issue out of it. It is fair to say that the climate of public opinion and statute law in the United States is somewhat more sensitive to possibilities of trade restriction; but anti-trust prosecutors there have not done too well with the somewhat analogous doctrine of "conscious parallelism" in pricing.

It would be too pessimistic to imagine from this new development that the result of actions before the Restrictive Practices Court is simply to move the whole exercise of price fixing in most industries one step farther into the background. Agreements abandoned or held to be against the public interest are not invariably replaced by less formally restrictive understandings; nor are all understandings necessarily restrictive. It would be exaggerating to suggest that the tide of business thinking in Britain today—or in Europe—is towards accepting competition as a virtue in itself. But it may still be that in the next year or so true believers and sceptics alike are going to have this virtue thrust upon them. Some already have.

OVERSEAS TRADE

Exports in a Rut

British exports have still shown no signs of rising. It is still early, admittedly, for any stimulus given by the July measures to have worked through to export shipments; but pressures on demand and price margins in the home market should have begun to increase the attractiveness of exports a good deal earlier. In 1961 as a whole, exports rose by 3½ per cent, but the sad fact is that after a useful increase in the last part of 1960, the trend throughout 1961 was almost dead level—309, 305, 309, 305 run the seasonally adjusted averages in each quarter, in millions of pounds. December's figure, at £297 million seasonally adjusted, was in fact the second lowest of the year. But the apparent trade gap, at £39 million with exports valued fob and imports cif, was actually a shade lower than in November, as imports also fell sharply, to £350 million, the year's lowest. This is the one encouraging feature in the December returns. The rise in imports from August to October has not after all established itself as the beginning of a new upward trend, though the fourth quarter average is still a shade above that of the third quarter. Imports for 1961 as a whole

OUTPUT

On a New Measure

According to the new official index of industrial production that was published for the first time this week, output recovered a little in November, coming back to the September level. This was the first monthly increase since June but hardly a surprising one; strikes at Rootes and the Steel Company of Wales had helped to drag down the index in October. Without these labour troubles, the index might well have stayed on an even keel from September to November.

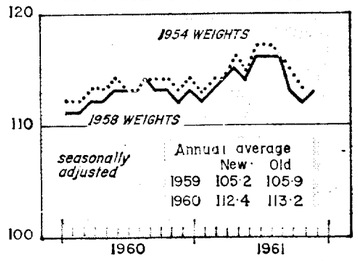
Indeed, the Central Statistical office takes no notice of the apparent dip of one point in October, reckoning that its November estimate is "about the same as in the two previous months." Maybe this comment is fair enough even on the published material; but maybe it seems more appropriate when accuracy is not lost through rounding off the index to a whole number. A rise of as little as 0.2 (say from 112.4 to 112.6) lifts the published figure a whole point, whereas one of as much as 0.8 (say from 111.6 to 112.4) is registered as no change. The argument against publishing to a decimal point is that it infers a spurious degree of accuracy. But the dangers of mistaken interpretation through not so doing would seem greater. For instance, because the published index of manufacturing output did not change in November, can it be inferred that any buoyancy in output was outside manufacturing? Now that the index has been given a new lease of life, surely the time has come to let users, outside Whitehall, get the most out of it.

Revision of the index of production is inevitable and essential from time to time: the previous overhaul was done just over three years ago. The new index stems from the detailed results of the full census of production taken in 1958, the separate production series in it being weighted according to the value of net output in that year, instead of in 1954 as before. At the same time, some new and improved output series have been introduced. These changes have slightly reduced the rise shown for total industrial output since 1958. The general picture, however, has not been much altered: the detailed picture has. The new measure shows a smaller expansion for the chemicals and vehicles industries than the old, but a bigger expansion for textiles, clothing, timber and furniture trades.

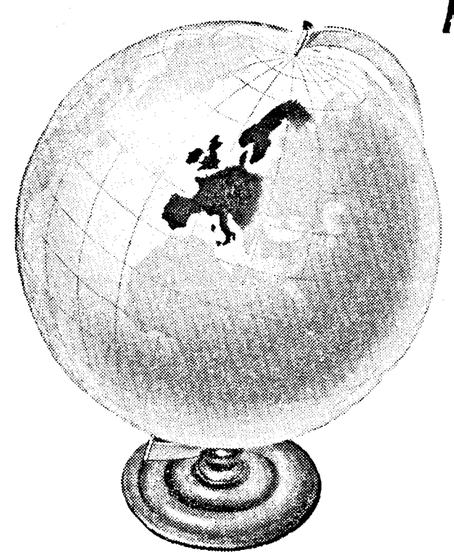
PRODUCTION INDICES—OLD AND NEW
(First half 1961; 1958=100)

Industry	Old index	New index
Mining and quarrying	95	95
Manufacturing industries	118	117
Food, drink and tobacco	110	110
Chemicals and allied industries	132	127
Metal manufacture	121	121
Engineering and electrical goods	120	121
Shipbuilding and marine engineering	85	86
Vehicles	119	116
Metal goods not elsewhere specified	117	111
Textiles	107	108
Leather, leather goods and fur	105	105
Clothing and footwear	122	124
Bricks, pottery, glass, etc.	119	120
Timber, furniture, etc.	108	113
Paper, printing and publishing	124	124
Other manufacturing industries	121	120
Construction	118	118
Gas, electricity and water	119	117

Index of Industrial Production: 1958=100



A MERCHANT BANK AT WORK

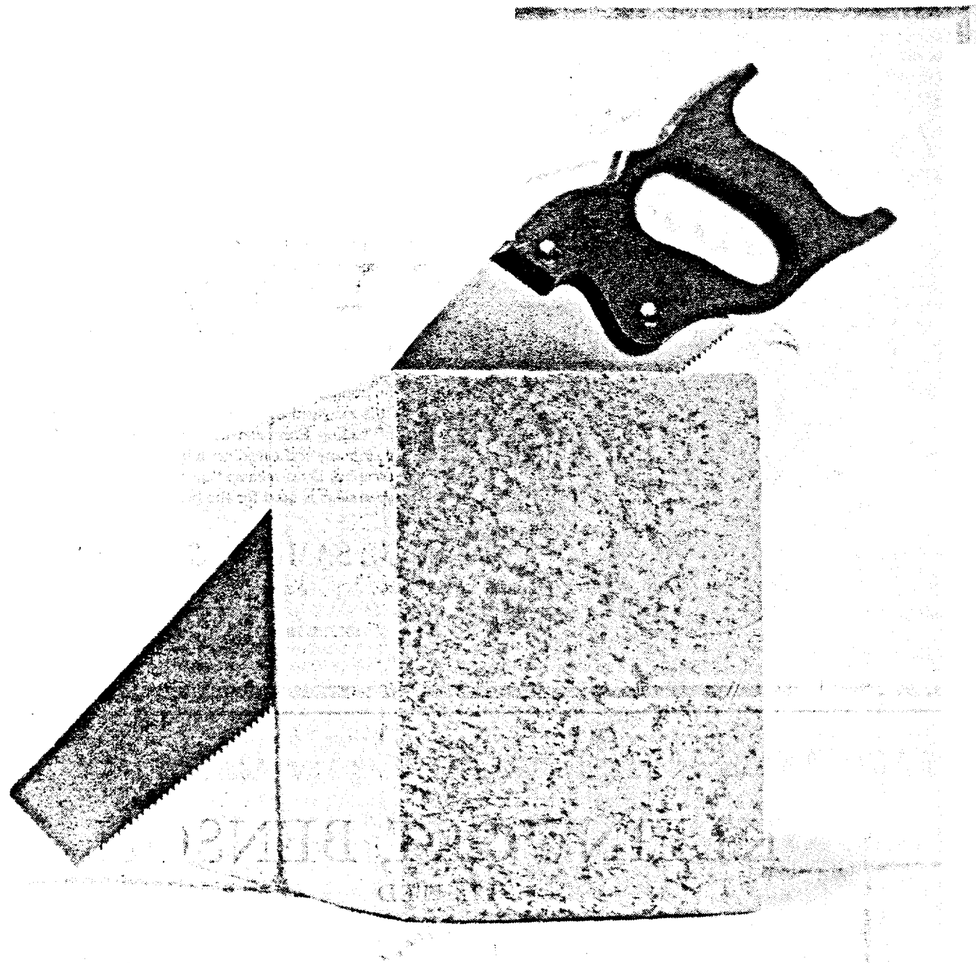


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DUROX

were 3¼ per cent down on the previous year. The improvement here occurred in the early months of 1961, a little later than in exports.

As a result, the average monthly trade deficit for 1961 comes out at £47 million, which on an even valuation of imports and

UNITED KINGDOM TRADE

	Imports	Exports	Re-exports	Balance of Trade basis	Balance of Payments basis
1958.....	312	265	12	−35	+ 4
1959.....	332	278	11	−43	− 8
1960.....	380	296	12	−72	−33
1961.....	367	307	13	−47	...
	Seasonally adjusted				
1961 1st qtr.	385	309	12	−64	
2nd ,,	363	305	13	−45	
3rd ,,	357	309	15	−33	
4th ,,	363	305	13	−45	

exports may indicate a deficit of around £10 million a month, or something over £100 million for the year. The actual estimate of the current balance of payments as a whole will depend largely on the authorities' success in recording invisible transactions.

THE EXCHANGES

A Doubtful Augury

DEMAND for sterling has again been curbed this week by selling in anticipation of a cut in Bank rate which the authorities are supposed to be considering because sterling is so strong. Such is the circle into which the foreign exchange market has talked itself. Sterling was strongly bid for either side of the weekend, but precautionary selling began on Tuesday, a day earlier than last week, and it seems unlikely that the authorities have taken in much foreign exchange this week, as they did in the first fortnight of January. They had the opportunity to do so on Monday, but the control declined to take it, and let the rate rise temporarily to $2.81\frac{3}{16}$. It fell back in midweek, but recovered immediately after Thursday's Bank rate decision.

The ebb and flow of international funds around the year-end is strongly reflected in figures of Germany's reserves. The repatriation of commercial bank reserves in December had made good about half of the earlier outflow of reserves from the Bundesbank: by end-December these were nearly 2 billion marks above their November low-point, following the July-November loss of around 4 billion marks. In the first week in January however the Bundesbank showed a loss of over 1½ billion marks, and a further substantial return of short term investments to the commercial banks is known to have taken place in the following week. The other notable movement has been in the Canadian dollar; the cross rate on New York fell to 95.60 on Tuesday but later recovered to 95.80. In his statement to shareholders at the end of last week Mr W. Earle McLaughin, president of the Royal Bank of Canada, castigated the "manipulated" rate as the worst choice of all. He regards a "true" floating rate as the best, but prefers a fixed rate to the present system.

Business in the gold market has been steady rather than active, with the London price remaining around $35.16 an ounce. In Paris the increasing threats from the OAS have now led to some precautionary buying of gold coins.

TIN

Revalued in Theory

THE first meeting of the second International Tin Council originally convened in July was dissolved in October last year when the producers' unanimous support of a £800 to £1,000 range for tin was defeated by an overwhelming majority of consumers' votes. The second and third meetings of the council were held on Wednesday and Thursday last week. Consumers met producers' demands more than half-way and the tin agreement now has a good chance of getting on its feet before the count reaches ten. At the second official meeting, called because insufficient ratifications of the agreement had been received by December 31st to bring it properly into force, members decided to allow the agreement to continue provisionally until the end of June. On the following day, they agreed to a floor price of £790 and a ceiling of £965 a ton for tin—said, with unwitting irony, to have become "immediately effective" last week.

BUFFER STOCK RANGE

	Floor price (£ a ton)	Middle range* (£ a ton)	Ceiling price (£ a ton)
New	790	850–910	965
Old	730	780–830	880

*Buffer manager can neither buy nor sell.

The buffer stock owns no tin. It sold the remnants of its reserve at £880 a ton before the current agreement began its precarious existence last July. It has no means, therefore, of enforcing its new ceiling. Not the least curious feature of the new scheme is its unequal price ranges. The price range was formerly subdivided into three £50 sectors. There is now an upper range of £55 and two lower ranges of £60. Also intriguing is the nearly exact correspondence of £965 a ton with the current price of 121 cents a lb in the United States, where £300 million worth of stockpiled tin is burning taxpayers' pockets. Congress has before it a request to release 50,000 tons.

By comparison, the cash resources of the £15 million international buffer stock are puny. At the higher support price, the buffer stock can absorb a correspondingly smaller quantity of tin. A larger buffer pool therefore seems necessary. Many people rashly assume that support at £790 a ton will never be needed. That makes the jump of £13 to £953 a ton in cash tin since the announcement of the new price range the more surprising. The buffer manager would presumably buy tin if the price declined to £850. But a consideration carrying more weight with speculators who were active this week was the possibility that the United States will not now authorise sales of stockpile tin below £965 a ton.

BANK MECHANISATION

Arguing about Electronics

THERE is no longer any doubt about whether the banks will introduce automation; the only point still at issue is "when" and "how." Some banks have been conspicuously quicker off the mark than others, and there was sufficient experience, here and in America, to justify the decision of the Institution of Electrical Engineers to organise a two-day exchange of views between bankers and electronics engineers to clear up some points of detail. The discussions started on Wednesday and the 200 delegates were still hard at it when this issue of *The Economist* went to press.

"Discussions," in fact, is perhaps a rather mild word for sessions that began sedately enough but became a good deal more animated. The bankers had agreed among themselves about the broad lines for automation—computers for handling accounts, robots for sorting cheques and magnetic ink as the common "language" which the whole system would use—and they came seeking the clearance of many points of detail. They were complaining about the peripheral equipment that the manufacturers supply with the key units—small gadgets that are neither fast enough nor precise enough to work with computers.

The banks, however, met criticism from the manufacturers. Why had they not financed research into automation? Why had they chosen a system described by many engineers, including two from the Post Office, as wilfully elaborate, extravagant and far from fraud-proof? The bankers grumbled privately that this was going over old battles; their choice had been made, for better or worse, and it had the virtue of being identical with that used in the United States, where the disasters predicted for it have not so far occurred. Underlying this snapping lay the main dispute between banks and manufacturers which neither seemed anxious to bring into the open, namely the price of all this equipment. The banks feel that they are asked to pay too much for some of it and are holding back their orders. They see no reason, to quote one specific example, why they should be asked to pay for American-designed equipment manufactured in this country twice what it costs bankers in the United States.

STOCK DEALINGS

No Bark from the Manger

WISELY, the council of the London stock exchange has decided not to go ahead with an amendment to its rules which would have prevented London brokers from deal-

ing directly with the British agencies of foreign firms of brokers. As amended, the rule would have had the twin vices of being harmful and ineffective. It would have given the impression that the London stock exchange was concerned to keep business in the hands of the jobbers and it would have encouraged some investors to deal directly with the agencies, without regard to their London brokers. Some of the brokers and agencies concerned made strenuous protests, and the customary waiting period that precedes the posting of a new rule allowed these representations full weight.

Last week's debate had the virtue of drawing attention to the original rule, that brokers should execute an order with the British agency of a foreign firm of dealers only after the business has been offered to jobbers in the London market. This rule remains in force. In the past it has not been strictly observed. Its object is to challenge jobbers to compete effectively with the foreign agencies and if it is widely disregarded, the council of the stock exchange must either police it effectively or withdraw it. The council is anxious to maintain the strength of the jobbing system and to demonstrate that London provides one of the most flexible stock markets in the world. The two aims may not always run parallel, as in this instance. But fortunately the council has in the end kept the broader interests of investors fully in mind.

SHIPPING

Bigger Cargoes—Lower Freights

THE New Year has started with tramp freight rates at a level well below the average for the whole of 1961. The Chamber of Shipping voyage charter index (1960 = 100) shows a fall of 8.1 points to 101.2, the average for the year being 106.8. The time charter index shows an even bigger fall of 11.8 to 99.4, the average for the year being 111.6. In December, too, the tonnage of dry-cargo vessels laid up increased by some 15 vessels and 90,000 tons gross, bringing the world total to 115 ships of 680,484 tons—about 1 per cent of the world fleet.

This recession is occurring at a time when seasonal influences are usually favourable; many shipowners are beginning to suspect that the large bulk carriers, which are coming on to the market in growing numbers, may be making their influence felt. A recent fixture of a 20,000-tonner with grain from the US Gulf to Japan was made at $9.25, following a previous fixture of a 12,000-tonner at $10.15. This is good business for the charterer, who gets quick and efficient transport at a saving of 90 cents per ton, while the bulk carrier owner does not do too badly, despite his higher operating and depreciation costs, because of the size of the cargo. Last week another 20,000-tonner accepted $9.20 for the same voyage, and several smaller vessels had to accept $9.50, which can scarcely be a profitable rate, particularly in view of the prospect of having to ballast away from Far Eastern waters.

Another major influence affecting the grain trades in particular is the continued invasion of tankers, of which there is still a large surplus unable to find employment in the trade for which they were built. These also can operate as large-capacity grain carriers able to undercut the conventional tramp and still show a profit to their owners. It now seems that it is going to take a sustained and pronounced increase in demand for tanker transport to attract many of these vessels back to the oil trade.

CHEMICALS AND PLASTICS

Growth in Slow Motion

IN physical if not in financial behaviour, the chemical industry is passing through an unfamiliar period of constraint. Activity fell during the summer and early autumn in both the more modern end of the industry, as measured by the deliveries of feedstock for petrochemical plants, and the traditional section for which sulphuric acid production provides the pointer. The annual survey of sales trends in the industry, published by *Chemical Age*, puts the average increase in sales last year at 3.4 per cent—compared with an estimate of 13.7 per cent. for 1960. This check to growth has made the industry more cautious about its prospects for 1962; where the survey reported last year that it hoped for an increase of 9.2 per cent in sales during 1961, it is now prepared only to forecast a rise of 6.5 per cent for 1962. The biggest increases are expected from plastics, fertilisers, and heavy organic chemicals.

The forecast of a 12 per cent increase in the value of plastics sales seems possible; this industry goes in two-year cycles, and it was at the bottom of its last recession a year ago. Any increase in production has been delayed by the high stocks that had been built up in 1960, which fell slightly last year; but there should be little need to run them down further, so that higher sales can be followed by rising production. *Plastics* estimates that the total sales of 600,000 tons in 1961 were seven per cent higher than in 1960 by volume, but that in value they were about three per cent lower—the result of lower prices. In the last quarter of 1961, however, *Plastics* estimates that sales were already 10 per cent above the level of the previous year. With higher production likely in the motor industry during 1962 and new uses for plastics encouraged by their lower price, physical demand at least seems likely to go ahead, and if prices level out this would mean an increase in value too.

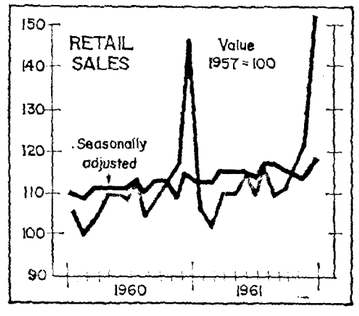
Forecasts of an increase in the sales of heavy organic chemicals may be no more than the consequence of these hopes for plastics; but it may also represent the industry's hope that the many new petrochemicals plants that were finished last year, or are due to come into use this year, will find a use for their capabilities. An increase in the sales of fertilisers is more a matter of confidence in the continued subsidisation of the farmer and the fertilisers than a judgment of business conditions. But even in this section of the industry, the fall in margins is thought more likely to continue than to be reversed.

RETAIL TRADE

Good and Not So Good

CONTRARY to suggestions from shopkeepers, they seem to have had a best ever Christmas. The decline in retail sales was apparently reversed in December with turnover rising more than usual. What is normal in December, however, is particularly hard to judge; it is not surprising that the Board of Trade is somewhat uneasy about its provisional estimate of 118 for seasonally adjusted sales (1957 = 100), compared with 114 in November and 115 in October. If this estimate is not subsequently revised it will probably be reckoned that the volume of business was back in December to its July level though it did not lift the fourth quarter above the previous quarter.

For the year as a whole retail sales appear to have risen by about 4 per cent. This is in line with the increase in pre-tax profits from £31,304,000 to £32,586,000 recorded by F. W. Woolworth for 1961. But a higher tax charge has left earnings unchanged to cover 1.4 times an ordinary payment rounded up from the equivalent of 1s. 9 3/7d. to 1s. 9½d. (or 35.8 per cent). These results disappointed the market and the shares showed a net loss of 1s. to 52s. to yield 3½ per cent. It seems clear that any increase in turnover secured by Woolworth has been barely sufficient to offset higher costs and it remains to be seen whether the two other big chain store groups, Marks and Spencer and British Home Stores, have made a better showing.



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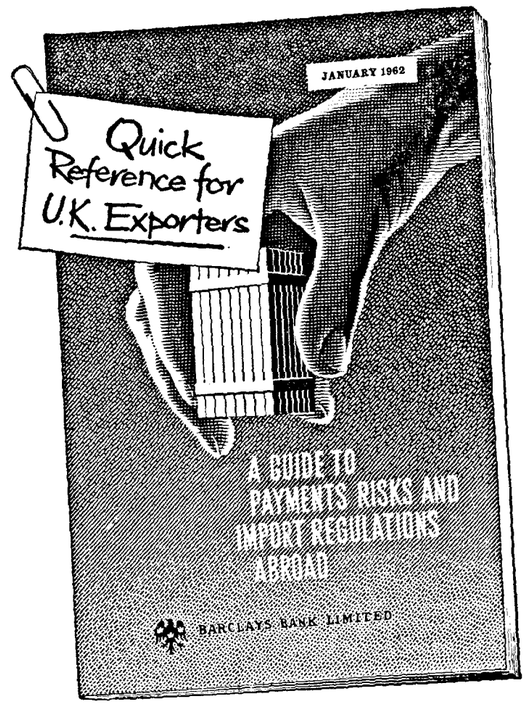
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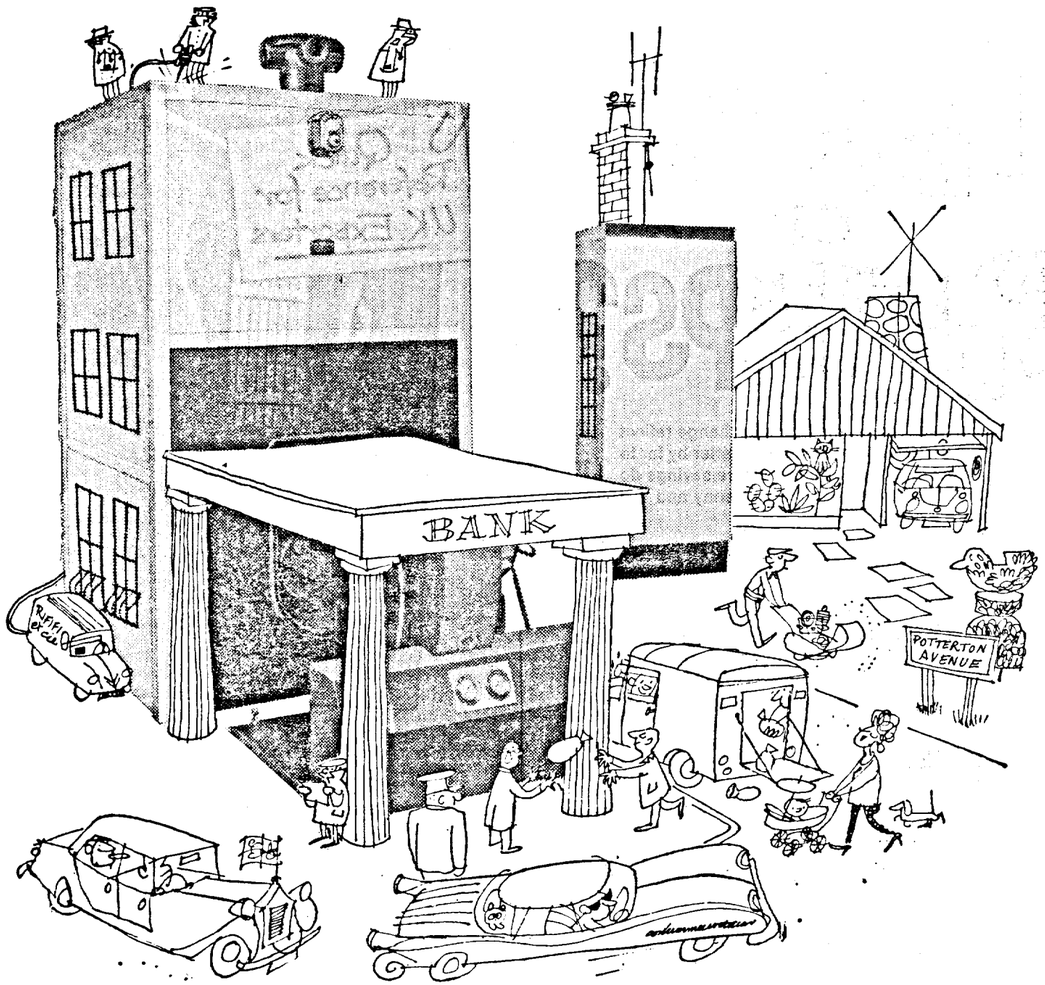


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BIDS AND DEALS

Glass and Groceries

WHILE the biggest merger of all remained in the balance, two other important deals were announced. The offer by **United Glass** of seven 5s. shares plus 10s. in cash for every two 10s. shares in Key Glassworks was comfortably above the pre-bid price of 58s. With United Glass at 17s. the bid is worth in all about £6¼ million and values each Key share at 64s. 6d. The terms involve a slightly lower dividend income for Key shareholders but this should be offset by the cash element in the bid while earnings attributable to Key shareholders would be about 20 per cent higher. On 1960 earnings, Key would contribute about one quarter of combined earnings but receive about a third of the total equity. Both companies have big plants in South East London while Key has another plant at Harlow and United one at St Helens. Their interests are complementary rather than competitive, with United mainly concerned with bottles for milk and stronger beverages and Key with food containers. The merged group will account for over a third of the output of glass containers in this country.

Moores Stores, the northern based grocery group, has been looking southwards and the acquisition in June, 1960, of the United Kingdom Tea Company considerably widened its stake in retail stores in the greater London area. Now this is to be doubled by the acquisition of 102 Mence Smith hardware shops owned by Timothy Whites and Taylors. These will be run by United Kingdom Tea which is also acquiring the Mence Smith warehouse. The Mence Smith stores will be turned over completely to groceries, though not necessarily to self service; at the last reckoning the number of Moores' branches switched to self service was 76 out of a total of 713. The sale by Timothy Whites has an interesting parallel in the sale by the Beecham Group two years ago of the retail grocery interests of its subsidiary, Thomas and Evans, to Wrights Biscuits, another rapidly expanding grocery business which has a 40 per cent stake in Moores Stores. Together these two companies, which both have Mr W. P. Webster as their chairman, now control over 1,600 branches. The shares of both have benefited from the Mence Smith deal, with Moores gaining 2s. 3d. to 39s. 3d. and Wrights Biscuits 3s. to 26s. The purchase price has not been disclosed; but the proceeds will be used by Timothy Whites to extend and modernise the 56 remaining Mence Smith stores which will in future concentrate entirely on hardware. The deal is clearly in line with Timothy Whites' policy of rationalisation, under which 47 uneconomic shops were closed in 1960, when the Mence Smith subsidiaries contributed only three per cent of the gross profits of the Timothy White group.

DECIMAL CURRENCY

A Compact Committee

THE committee which is to study the best and cheapest way of putting Britain's money on a decimal basis is a compact one—which it has to be if it is to fulfil the Chancellor's hope of reporting before the end of the year. Lord Halsbury, whose appointment as chairman was announced before Christmas, will be assisted by Mr R. G. D. Allen, professor of statistics in the University of London; Mr Vernon Ely, director of a department store in Wimbledon; Miss Anne Goodwin, chairman of the TUC; Mr J. M. A. Smith, part-time member of the Coal Board and until recently assistant managing director of Ford Motor; and Mr R. G. Thornton, who recently retired as senior general manager of Barclays Bank and is now a director there. This combines some notable expertise under the strong chairman. The one apparent omission perhaps is a wise layman with a feeling for style. But this should be an efficient, workmanlike committee, and it will no doubt have the benefit of spirited advice from Mr J. H. James, comptroller of the Royal Mint, whose plea for better coinage more than two years ago helped to rouse public interest.

COTTON TEXTILES

South Island Saga

NEW ZEALANDERS' eyes were opened by disclosure of the terms on which their government had in 1960 invited the British textile group, Smith and Nephew, to build a £5 million cotton mill at Nelson. The new subsidiary was promised up to 80 per cent of the home market for certain products. In return, it undertook to aim at "fair average prices" consistent with external prices, and some provision was made for examining the company's charges. New Zealand's government then changed, but Mr Marshall, the new Minister for Industries and Commerce, seemed reluctant to bow to mounting opposition to the arrangement. But it has prevailed and the compensation for terminating the contract has been put at £1 million, and might be higher. The abandonment of a half-completed mill will discourage manufacturers of other products, whom New Zealand might possibly wish to attract by similar inducements.

Opposition of retailers and farming groups, joined by Japan, whose claim to consideration is not negligible, forced the issue. Smith and Nephew could not accept a modification of the original agreement and a settlement has been reached after six weeks of discussion. The Nelson factory was to begin production of denim, winceyette, cotton wool and surgical dressings in May, and by 1969 its range would have extended to many other cotton goods. About 1,000 workers would have been employed; 35 British families had already been enlisted for the new venture.

Setting up abroad is a useful outlet for cotton groups that can find the capital. Many countries are establishing cotton mills and raising tariffs to protect them. South Africa, for instance, seems bent on replacing imports of most cotton manufactures. Such policies irk the British cotton industry, threatened by increasing competition in its home market, but if they cannot be avoided, manufacturing abroad appears a logical step. Last month, English Sewing Thread was associated with a cotton manufacturing project in Northern Nigeria and Calico Printers agreed to participate in a £5 million mill in Eastern Nigeria.

SHARE TRANSFERS

Waiting on the Government

THE final report has been published of the committee set up in 1959 under the chairmanship of Lord Ritchie of Dundee to see how the present system of share transfers could be improved. In December, 1960, it put forward recommendations for a new system of "transfer by stock transfer form" and since then an advisory committee has been examining the practical applications of this new system with the help of many of the bodies closely connected with share dealings and has satisfied itself that the new system is acceptable. The views of the Law Society and counsel's opinion have also been obtained and in the committee's words there seem to be no serious obstacles to the introduction of the necessary legislation. There are many in the City and elsewhere who will hope that this will not be delayed; at the Tory party conference last October Mr Anthony Barber, Economic Secretary to the Treasury, said that the Government was considering what legislation might be involved in simplifying the transfer of securities. One of the main advantages of the new proposals would be that the seller would have to sign only one document even if his holding has to be split between a number of buyers. His signature would not have to be witnessed although the seller's agent would have to fix his stamp to the form; the buyer would not have to sign the transfer form at all.

TRANSPORT

How to Choose Investments

THE criteria that should be used in deciding how much to invest in transport systems have managed to generate a good deal of dispute between the Ministry of Transport and the British Transport

Continued on page 257



What, No Creditors?

THE international balance of payments, it is taught in the textbooks, always balances; one country's deficit is another's surplus. Nowadays one wonders whether there are any surpluses left. Everyone is familiar with Britain's need to achieve a massive increase in its trade balance. The United States authorities point to the same need in their country: exports exceed imports by one-third, but the balance of payments is shown to be in chronic deficit. In Germany the actual export surplus is still very high, but export orders are reportedly falling away. The Dutch, too, complain of the handicap imposed by revaluation, and in France the big rise in exports of 1960 was not, to the authorities' concern, carried further in 1961. Japan is deep in the red; and even from the gold magnet of the world a respected financial journalist has drawn attention to "Switzerland's Dip into Deficit." The missing reports are of the counterpart surplus countries. Italy, Spain —one's list gets little beyond the Mediterranean. And because so many countries now feel that they are over-extended in their external finances, they are trying the impossible task of improving their relative positions at once. In this way, an artificial damper is being put on the pace of economic expansion in the non-communist world.

How has this ridiculous unsquaring of the circle come about? There are two main explanations. First, before one country's payments become another's receipts, some of them are clearly getting lost. Secondly, different countries nowadays fix their eyes on different things in their balance of payments—and each tends to make the most conservative and least favourable selection. This caution itself is seen by some people as a manifestation of inadequate international liquidity—if more countries felt their reserves were adequate they would be less obsessed with a possible deterioration in their external balance.

Balance of Which Payments? The balance of payments account is an exercise in double-entry book-keeping: the grand total of all payments is tautologically in balance, and it is the balance of selected items that is significant. The most common selection until recently was the balance of transactions on current account only; a surplus or deficit here indicates a strengthening or weakening of a country's external capital position, as measured by the balance of its external assets to liabilities.

By this measure, the United States is still by far the largest surplus country. Because, both for the United States and Britain, many of their long-term capital outflows are of a continuing nature and may, indeed, be closely linked with current exports themselves, attention has been increasingly drawn to a new entity which takes in long-term investment flows as well as current transactions, producing what is coming to be called the "basic balance"—the balance of all items except short-term capital transactions and the financing flows of gold and credit. Still more comprehensively, the United States has traditionally kept its eyes on the "net balance," which includes short-term capital as well and shows simply the net movement of gold reserves and foreign dollar balances.

Basic Here But Not There. Now clearly if one country looks at its current balance, another at its basic balance and a third at its net monetary balance, all from the most conservative standpoint, the chances are that all may show a deficit. Thus in 1960 the United States was deeply concerned about its large "net" deficit, which was swollen by the outflow of up to $2 billion of short-term funds; but Britain, to which much of this went, did not feel its balance of payments to be correspondingly strengthened. It worried rather about the yawning gap in its "basic balance," which includes the flow of long-term capital, which is a net outflow, but excludes the flow of short-term capital, which is a net inflow. The recipients of this long-term capital in turn were much less convinced of its permanent nature. The external reserves of overseas sterling countries together—their own "net" balance—rose during 1961, but their central banks and treasuries drew little comfort from the improvement, pointing out that it was derived not from current earnings, which they feel can be relied on, but from capital flows, which against a good deal of evidence are still felt to be more chancy.

This difference of view between contributing country and receiving country also tends, moreover, to distort the coverage of the "basic balance" itself. Thus when Germany made its big advance repayments of debt to the United States and Britain last year it naturally debited them as outflows of long-term capital; in the United States, however, these receipts were regarded as a windfall. This is one of the reasons why in the first three quarters of 1961 the three largest trading countries—the United States, Britain and Germany—could all point to a basic, true, adjusted-for-temporary-items deficit.

SWITCH IN OFFICIAL RESERVES
(January 1 to Sept. 30 1961; $ million)

	Gold and Foreign Exchange	Gold only
France	+746	+483
Australia	+441	+ 5
Switzerland	+426	+287
Britain	+320	−600
Italy	+289	+ 23
Germany	−300	+673
United States	−284	−346
Japan	−213	+ 25
Latin America	−255	+ 55
Netherlands	− 19	+130

Another unusual phenomenon in recent years has been a diverse movement in countries' foreign exchange reserves and in their gold reserves alone. This largely reflects an increasing preference for gold. Thus Germany has taken care to make all its special payments in dollars, leaving its gold reserves intact during times of strain and raising the portion of gold in its total reserves from 44 per cent. at end-1960 to nearly 60 per cent in late 1961—still the lowest among leading countries. An opposite movement has taken place in Britain, which lost gold heavily before July last, and received its IMF injection in foreign exchange.

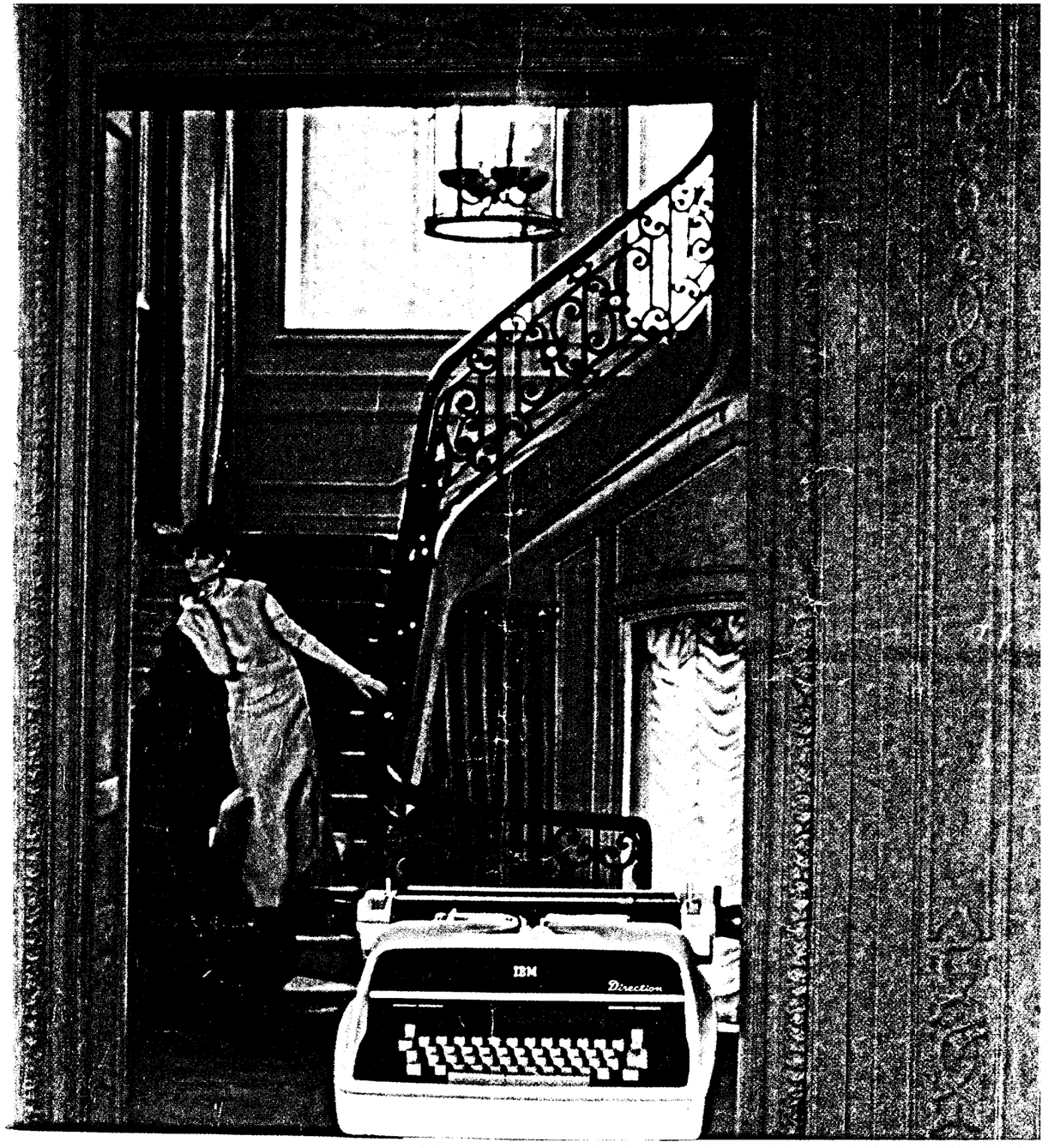
NET INVISIBLE RECEIPTS OR PAYMENTS, 1960
($ million)

Britain	+ 165
Other Europe	+ 3,236
United States	− 2,086
Canada	− 970
Other countries	− 3,403
Missing receipts	3,058

Source: *International Financial Statistics and Bank of England Bulletin.*

Invisible Disappearing Trick. One has suspected for some time that part of the recent loss in Britain's recorded receipts from "invisibles" (international payments other than for physical transactions in goods) represents simply a loss of records, rather than receipts, following the fading away of exchange control. The Treasury and Bank of England are at last realising the urgency of clearing up a technical question which carries such big policy implications, and are now making new efforts to identify the constituents of the consistently positive "balancing item." This is likely to show up hitherto hidden inward portfolio investment as well as receipts from current transactions. Both would strengthen the "basic balance."

The existing statistical omissions have a distinct bearing on the "all countries in deficit" distortion. The clue was given in the analysis in the recent Bank of England bulletin of net invisible receipts of the main industrial countries. If one adds these up they are found to result in only a small net surplus—yet these countries are the great providers of "services" internationally. Countries outside Europe and North America have huge deficits on invisibles. On the statistics of the countries reporting in *International Financial Statistics* this deficit was $3,400 million in 1960. Thus, as the table above shows, recorded world payments for invisible transactions exceeded receipts by over $3 billion. This is only a rough figure, but it clearly shows that the missing billions are significant in relation to the supposed surpluses and deficits in world payments. Plainly, balance of payments statisticians in all countries are better equipped to measure payments than receipts. They should be urged strongly to get into better balance themselves; and the International Monetary Fund might do more in the way of reconciling balances of payments that do not add up.



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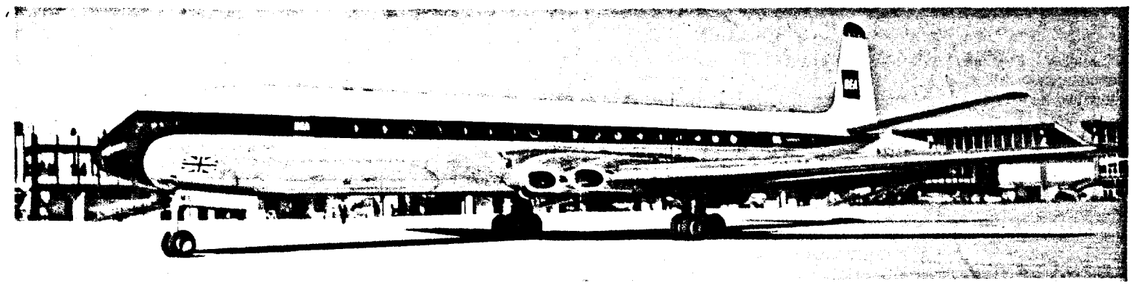
The dress—Christian Dior: the typewriter—IBM

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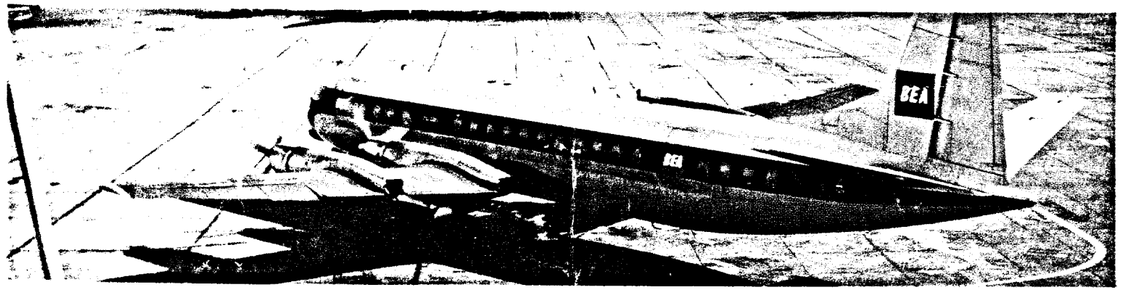
Many people will find it equally easy to recognize the IBM "Executive" Electric (*la Direction* in France) modestly posed in the foreground. Right at home in the House of Christian Dior, it is the typewriter used for correspondence of Dior executives.

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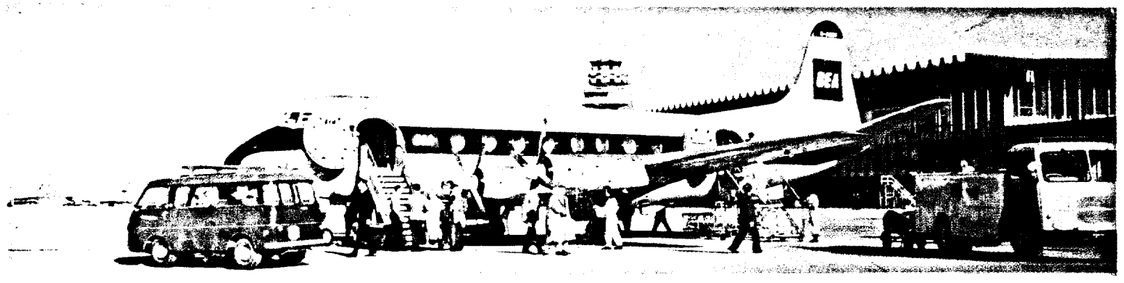
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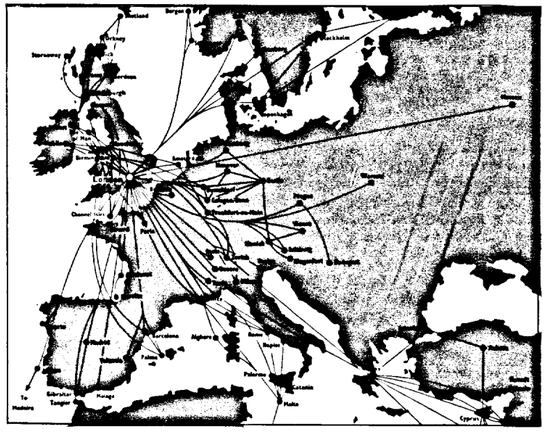
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EUROPE'S FOREMOST AIRLINE

Continued from page 253

Commission. The latest contribution on this subject comes from Mr D. L. Munby, reader in the economics and organisation of transport at Oxford, in a recent paper read to the Institute of Transport. He criticises the Government for seeking a criterion that would show whether the investment would be profitable—a yearning that seems to have been produced by the shock of discovering that the railway modernisation plan was unlikely to pay. He prefers the criterion used by the BTC, which starts from the assumption that the service is going to be continued, and then compares the expenditure and revenue that can be expected to result from keeping the service going on the existing footing or, say, changing to electric or diesel traction.

What Mr Munby helps to show here is that the troubles of the BTC over its modernisation plan were not the result of using the wrong criterion for planning its investments, but of putting the wrong figures into its sums—the increase in the estimated cost of the midland electrification scheme from £75 million to over £161 million is the most notorious example of this, but the neglect of American experience on the operating costs of diesel-electric locomotives may well prove more serious. Estimating the future is a hazardous enough exercise at the best of times ; it can be based only on experience of the past, and if this is not employed—as it was not—the estimate is no better than a guess.

Mr Munby ended with a look at the possibility of calculating the relative return from investment in roads or railways. The best method he can find for calculating the return from investing in roads is that used by the Road Research Laboratory for its study of the London-Birmingham motorway. He has his doubts about some aspects of this ; to an outsider, its calculations of the value to be put on the saving of businessmen's time from faster car travel seems odd enough. What if they choose to take it in the form of sleep ? When one has to deal with such intangibles, attempts to measure the return on investments in transport with precision—and then to base decisions on the advantage of one per cent in the yield—hardly make much sense. If one cannot see a big saving, the apparent advantage is only too likely to fall within the natural margin of error inherent in the whole "guestimation."

TELEVISION

Switching to BBC

BOTH the BBC and ITV take a statistically optimistic view of their own viewers ; the discrepancy usually, however, remains fairly constant, with the BBC over the past year claiming about 39 per cent of the viewers able to receive both channels and the commercial companies about 67 per cent. Now, with the total television audience estimated at 41 million people, of which 38.5 million can choose between the networks, the BBC's latest figures (for the last quarter) claim that 45 per cent of those able to choose viewed BBC. The corporation points out that this cannot be due entirely to the actors' dispute with ITV, because in October, before the strike began, its statistics already showed a 5 per cent gain over October, 1960.

The Television Audience Measurement figures, on which the commercial television contractors rely, agree that there was a swing towards the BBC during October and November, as indeed there had been to a less marked extent in the same quarter of 1960. TAM as usual apportions a higher share of the total to ITV : 64 and 61 per cent in October and November respectively, compared with the 57 and 54 per cent of multi-channel viewing attributed to ITV by their rival. Two different methods of audience measurement—meter versus interview with "aided recall"—are involved. But whatever the absolute percentages the real test of the BBC's increased powers of attraction will be whether they consolidate their gains when the star performers return to commercial television.

GERMAN SHARES

Quotation for Commerzbank

COMPLETING the first quintet of German shares to receive a postwar London quotation is Commerzbank, the smallest of the "Big Three" German banks. As with most of the other shares, dealings will be not only in the DM100 and DM1,000 shares but also in deposit certificates of DM10 nominal value. The latter will be made available through S. G. Warburg. On the basis of the German price of DM610 for the DM100 shares, the certificates should be dealt in at about £5 11s., to yield 2½ per cent on the forecast of a maintained dividend of 16 per cent. Commerzbank, like other German banks, has many more strings to its bow than its British counterparts, for besides its normal banking business it plays a leading part in dealing in securities, acts as an issuing house, is a sponsor of unit trusts and engages in hire purchase finance and mortgage lending. In addition, it holds a substantial stake in many leading German companies, including a 25 per cent interest in the two leading multiple retail stores, Rudolph Karstadt and Kaufhof.

QUOTED IN LONDON*

	Date of intro-duction	Price on intro-duction	Current price	Yield, per cent
Thyssen-Huette	July, '60	63/–	42/6	5·0
Bayer.....	Feb., '61	£73½	£59	2·7
Kundenkredit..	Nov., '61	96/–	96/3	3·0
Hoechst.....	Nov., '61	53/6	48/3	3·3

* All prices are for DM. 10 Deposit Certificates except Bayer which is quoted in DM. 100 shares.

As with most German companies its record of growth in both assets and profits over the past decade is impressive—as is the increase in the dividend rate from 6 per cent in 1952 to 16 per cent. But last year's profits may not have been as buoyant as those for 1960, partly as a result of the increases in the reserve requirements of the central bank, though over the year as a whole the volume of advances increased substantially. The shares offer a useful spread of investment in the German economy but as the table shows the prices of German shares have fallen sharply in the past six months, and investors must weigh the low yields not only against the political uncertainties but also against the evidence of a slackening in the rate of expansion in the common market countries.

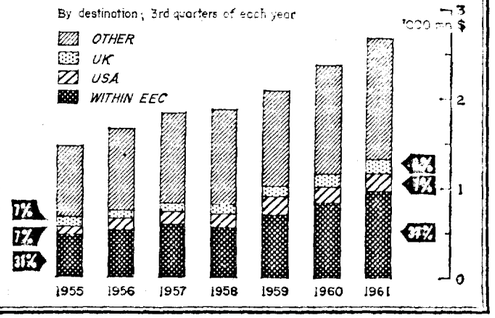
BREAD

Bakers' Dozen

WHEN the bread subsidy was removed, some bakers believed that they would not get tenpence for a large loaf. Since last summer they have charged a shilling, but

Common Market Exports

The total value of exports from the Common Market has gone up by 82 per cent since 1955. Trade between member countries has increased even more : by 113 per cent. Although 7 per cent of the total is still going to the United States, the value of their exports to Britain has increased by less than a half and its share has dropped to under 6 per cent of the total.



the contraction in demand for bread appears to have got no worse. This week, Ranks' British Bakeries decided to put a further halfpenny on the price of a loaf in February; the small 14-ounce loaf will then cost about the same as a loaf twice its size before the removal of subsidies in 1956. Other bakers are expected to follow suit, if only from sheer force of habit. There will then have been four general increases of a halfpenny in two years.

Master bakers began to hint at a penny rise in the cost of a large loaf when wheat prices started to recover and the price of flour was raised towards the end of last year. Canadian wheat, of which over two million tons is taken by British millers, is still cheaper than in 1956, though at £29 a ton it is £2 dearer than a year ago. English wheat flopped to £18½ a ton last year and millers took advantage of the opportunity to build up their stocks. They normally absorb about 1¼ million tons. In the period July-September when the wheat trade was at its height, the price of English wheat was just over 10s. a ton dearer than a year earlier. It now costs about £4½ a ton more which has presumably given rise to the exaggerated talk about loaves costing 1s. 6d. British Bakeries is at pains to mention wages, national insurance and pension contributions and fuel bills in its recital of the factors that have influenced its decision. There is, however, a fair chance of greater consumer resistance to any rise in price above a shilling for a standard mass-produced loaf whatever the cause.

CONSUMER TESTING

BBC's "Which?"

THE idea of a television programme based on comparative tests of a whole range of products is one that has been tossed around the BBC for several years. Now the corporation has settled all but the final details of an agreement with the Consumers' Association by which it will produce a monthly television programme and a shorter sound radio version based on tests reported in the latest issues of CA's redoubtable magazine "Which?". This will give the BBC the opportunity to film the tests while they are actually in progress: will viewers have the joyous experience of actually seeing heavily advertised products collapse under test, like the gear lever that came away in the driver's hand during "Which?"s recent report on cars? This could explain the consternation with which the BBC's announcement was generally received among shops and manufacturers, although it may imply a certain lack of confidence in the ability of all products to stand up to public investigation. The importance of this venture, basically, is that it will transmit the results of "comparison shopping" to a really big audience, which it has never enjoyed, for example, in the United States. The BBC may have some fun, too, in offering viewers a chance to check some of the claims in ITV commercials.

Two points emerge from the long series of tests that Consumers' Association has now carried out on a variety of goods from toy trains to cars. The first is that while few of the products of big manufacturers (and so big advertisers) are wholly bad, many are marred by careless detail and others are unnecessarily expensive making them a poor bargain for the shopper who innocently believes that higher price means a better product. The second point is that the best product has often been one made by an obscure manufacturer. If the BBC's new programme carries this information to a mass audience that would never dream of subscribing to "Which?", then it may bring about a tightening in quality control inside British factories—which will in any case be necessary if they are to compete in the common market—and go some way to redress the balance between the big and the small advertiser. Is this what the programme's critics fear?

HOLLAND

Off the Boil?

A correspondent writes:

ALTHOUGH the Dutch authorities are already being urged in some circles to impose official curbs on spending this year, they have no present intention of doing so. The economy is still overheated, but it is becoming less so, and there are marked contrasts with the two previous postwar occasions on which Holland experienced an official curtailment of spending. The first was after the Korean war when Dutch external finances were dangerously weak; the second was in 1956-57, when a serious "liquidity leakage" occurred as a result of a sharp expansion in short-term municipal debt.

Today, Holland's external finances are strong—they were so strong last March that the guilder had to be revalued together with the mark. In addition to the official reserves of $1,730 million at end-November, the commercial banks still hold considerable funds abroad, though as a result of losses after revaluation these were run down from $507 million at the end of March to $333 million at end-October. The Dutch position in the International Monetary Fund is strong, and any amounts contributed under the new lending scheme will continue to figure fully in the Dutch foreign exchange reserves. Finally, the municipal floating debt has now been reduced to normal and there is no longer any significant increase in liquidity from this source.

For these reasons, although the Dutch authorities expect the current account balance to deteriorate, they hope to take it in their stride. If it wishes, the government can always drain the capital market by means of consolidation loans, and the Netherlands Bank has the power to apply quantitative restrictions on bank loans. Moreover, there are already signs of some slowing down in industrial investment, largely because productive capacity in several instances has outgrown the supply of labour and here and there even appears to be outgrowing demand. A spectacular example is Verolme's United Shipyards, which after a period of feverish expansion, has now officially embarked on a period of consolidation. It is therefore to be expected that Holland's boiling economy will soon enter into a natural cooling-off period.

FISHING

Who Owns "Fairtry"

A NOTE in our issue of December 16th under the heading "Hands Across the Humber" discussed recent moves between the two rival groups, the Ross Group and Associated Fisheries, for strengthening their operations. We are asked to point out that the "Fairtry" ships are owned by Messrs. Chr. Salvesen & Co. Ltd. and not by the Ross Group and that "Fairtry" fish is caught and processed by Fresh Frozen Foods Limited, a subsidiary of Messrs. Chr. Salvesen & Co. Ltd. under their registered trade mark "Fairtry," while the Ross Group is concerned solely in the selling of the fish.

SHORTER NOTES

Further changes have been announced in the disposal of surplus rubber from the British and American stockpiles. After discussions with producers who objected to the changes made at the end of October, no sales will be made when the average price of grade one rubber is below 23½d. a lb in the preceding month, unless there is a danger of serious deterioration. Spot rubber has recovered from a low point of 22½d. to 24½d. a lb.

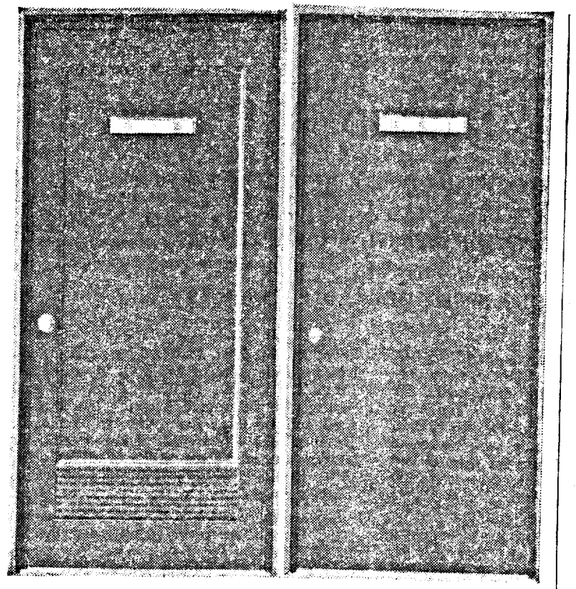
★

Trading profits of BTR Industries fell by 37 per cent from £1,416,000 to £880,000 in the year to September 30th and the ordinary dividend has been cut from 15 to 13 per cent. The fall in profits is due to the substantial losses made by the Microcell subsidiary.

COMPANY AFFAIRS
Comments on pages 275 and 278 on
Bass, Mitchells & Butlers — Granada
United Breweries — Colvilles
Gwent and the West of England — Liebig's
Richard Thomas and Baldwins

STOCK PRICES AND YIELDS
Stock prices, yields and security indices on pages 276 and 277

MONEY AND EXCHANGES
Money market report, exchange rates and public finance on page 279



Which door to profits?

These doors look alike; only the lettering makes them different. But behind one is a company president, behind the other a broom closet.

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COMPANY MEETINGS

LLOYDS BANK LIMITED

SIR OLIVER FRANKS ON BANK'S CONTINUED GROWTH DESPITE RESTRICTIVE FACTORS

COUNTRY'S ABILITY TO MEET CHALLENGE OF OVERSEAS COMPETITION

ENTRY INTO COMMON MARKET WOULD SPEED DESIRABLE CHANGES

The Annual General Meeting of Lloyds Bank Limited will be held on February 9th at the Head Office, 71 Lombard Street, London, EC3.

The following is the Statement by the Chairman, **The Right Honourable Sir Oliver Franks, GCMG, KCB, CBE,** which has been circulated to Stockholders with the Report and Accounts for the year ended December 31, 1961:

This is the last time that, as Chairman, I shall be able to address the shareholders of the bank. It is with real regret that I lay down the office. As you know, I am retiring from the Chair because I decided that I should return to Oxford University.

It is a source of happiness to me that my colleagues have invited me to remain on the board and continue to serve the bank in this way. My years of office have been an enjoyable and most satisfying experience, for throughout I have received the support and confidence of the board, the general management and the staff of the bank. Your bank is a great business and anyone who is asked to assume the office of Chairman must always feel it to be a very great privilege.

You will know from public announcements that the board have invited Mr Harald Peake to succeed me at the conclusion of the forthcoming Annual General Meeting on February 9th. I wish him all good fortune and believe that under his direction the bank will continue to prosper and grow year by year. He has a wide experience of industry, particularly through his period of service as chairman of the Steel Company of Wales. He has been a member of the board since 1941 and was appointed a Vice-Chairman in 1947, a Deputy Chairman last April.

When these changes were in contemplation Sir Jeremy Raisman, GCMG, GCIE, KCSI, for many years Deputy Chairman of your bank, let it be known that he did not wish to be considered for the Chairmanship. It is good to know that Mr Peake will continue to receive from him the strong support which I have enjoyed.

The board appointed the Right Honourable Viscount Runciman of Doxford, OBE, AFC, DCL, DL, a Vice-Chairman last September. He has been a valued member of the board since 1932.

We have sustained a great loss during the year by the death of Mr L. B. Robinson, who was chairman of the Consolidated Zinc Corporation Limited. Death came to him in his prime and we greatly miss his wise counsel. He had endeared himself to all his colleagues.

During the year two members resigned from the board to fill public offices of high distinction. The Right Honourable Viscount De L'Isle, VC, GCMG, DL, left us to become Governor-General of the Commonwealth of Australia. He took with him all our good wishes. The Right Honourable Viscount Amory, PC, GCMG, a Vice-Chairman, resigned last September when he became High Commissioner for the United Kingdom in Canada. We are very sorry that public duty has taken him from us again so soon.

We welcome Field-Marshal Sir Gerald Templer, GCB, GCMG, KBE, DSO, and Mr Ian W. Macdonald as directors. Field-Marshal Sir Gerald Templer is chairman of the British Metal Corporation and before that had had a most distinguished career in the Army both in war and peace. Mr Ian Macdonald is chairman of the National Commercial Bank of Scotland, a bank in which we have a substantial interest and with which we enjoy close and friendly relations.

LOCAL COMMITTEES

During the year we have set up new Local Committees at Aylesbury, Guildford and Nottingham in pursuance of our policy, now nearly achieved, of establishing a country-wide network of these committees. Aylesbury has Lord Luke as chairman, with Lord Lloyd and Mr S. Broughton as members; Guildford, Mr H. L. Roy Matthews, chairman, Mr P. T. D. Guyer, member; Nottingham, Lord Netherthorpe, chairman, Sir Geoffrey Barnett and Mr R. L. Wessel, members.

We have lost by death Lieut.-General Sir Henry R. Pownall, KCB, KBE, DSO, MC, from our Pall Mall committee.

In the North-West Mr R. G. Smerdon, MC, and in Yorkshire Mr F. O. Faull, have retired from their membership of the respective committees after years of good service.

Field-Marshal Sir Gerald Templer was appointed a member of the Pall Mall committee in July of last year and became chairman at the beginning of January. Lieut.-General Sir Ian Jacob, GBE, CB, was appointed to the same committee in October 1961. In South Wales Sir Julian Pode, who has been a member of the committee since January 1959, was appointed chairman in February 1961.

I should like to say once again how much the bank is indebted to its Local Committees for the close and continuous interest they take in the work of the bank in their areas.

Mr M. T. Wilson, MBE, formerly Assistant to the Chief General Managers, has been appointed Assistant Chief General Manager.

Two Joint General Managers, Mr P. T. D. Guyer and Mr L. F. Andrews, have retired, and have been succeeded by Mr W. J. Ingamells and Mr A. T. J. Double. Mr D. H. Turner, General Manager (Executor and Trustee), has also retired and has been succeeded by Mr R. C. Battams. Mr Guyer, Mr Andrews and Mr Turner have each given service of a high order to the bank and we give them our good wishes on their retirement.

During the year, Mr E. J. N. Warburton, Chief General Manager, accompanied by Mr E. G. Woolgar, General Manager (Overseas), paid a long visit to the United States and Canada, this in addition to normal visits overseas by managers of the Overseas Department. Mr Andrews visited Scandinavia and Mr C. B. Howland, General Manager (Organisation), also went to the United States and Western Europe to keep in touch with progress in electronics.

I take this opportunity of congratulating Mr H. B. Lawson, MC, a Deputy Chief General Manager, on the added distinction of being elected the Vice-President of The Law Society.

CAPITALISATION PROPOSALS

Subject to the approval of the shareholders we intend, as has been announced, to increase the capital of the Bank by the issue of one fully paid share for every six shares held on January 5th. The sum of £6,961,901 from the General Reserve will be applied in payment of the additional shares, the Reserve then being brought to £26 million by the transfer of £5,961,901 from inner reserves.

We are thus able to carry yet a stage further the process of improving the relationship between our published capital resources and the total of our deposit liabilities. As shareholders will see from the special circular dealing with the capital operation, the intention will be, in the absence, of course, of unforeseen circumstances, to pay in August next an interim dividend of 4½ per cent actual on the share capital as increased. When the results for the year 1962 are known consideration will be given to the final dividend in the light of those results and of the circumstances then existing.

PROFIT AND LOSS ACCOUNT AND BALANCE SHEET

The profit for the year at £4,935,069 is £329,075 higher than last year and the dividends paid and proposed total 11 per cent which, on the capital as increased by the scrip issue in February, 1961, is the nearest practicable equivalent to the charge for dividend in the accounts for 1960.

Credit restrictions have been with us during the whole of the year under review. We were called upon in July and August to lodge additional funds on Special Deposit with the Bank of England equivalent to a further 1 per cent of our deposit liabilities. Variations in Bank Rate during the year have resulted in a small percentage increase in the average earning rates for overdrafts and loans. Considerations of national policy have continued to affect our ability to lend and the upward trend in our advances was reversed during the second half of the year. This fact, together with an increase in lodgments, has eased the strain on our liquidity and we have been able to end the year without any significant change on balance in our portfolio of gilt-edged investments.

The transfer of the business of our Eastern branches to National and Grindlays Bank Limited was effected on January 1, 1961, and therefore figures relating to these branches do not appear in this year's accounts.

Despite the restrictive factors under which we have laboured, the business of the bank continued to grow during the year. We have continued our policy of increasing our branch representation, which is essential if we are to be ready to meet the needs of developing and expanding areas. During the year we opened 39 new offices. This progress has led to the need for a considerable increase in numbers of staff, and both staff and other administrative costs have continued to rise.

It is with full appreciation of the responsibilities carried by all our staff that I express on behalf of myself and our board our real gratitude for all that has been achieved during the year.

LLOYDS BANK (FOREIGN) LIMITED

Our Foreign Bank and its subsidiaries, Lloyds Bank (Belgium) SA and Lloyds Bank (Cannes) SA, have again had a good year, with increased deposits and advances in all the countries in which they operate. The consolidated profits, after substantial transfers to inner reserves, have made possible the repetition of last year's dividend at the rate of 8 per cent.

Our continental business continues steadily to expand and these results have been obtained despite rising staff costs and another year's difficult trading conditions in France. It is satisfactory to be able to report that the consolidated published reserves and unappropriated profits of the Foreign Bank and its subsidiaries now exceed £1,200,000, the amount of its paid-up capital.

HIRE PURCHASE INTERESTS

In the year to September 30th last the Lloyds & Scottish group, in which we and the National Commercial Bank of Scotland Limited each have a 50 per cent interest, earned a profit of £739,000 against a profit of just over £3 million for the previous year, the dividend paid being 4 per cent compared with last year's 13 per cent. Unearned charges of £9.6 million were carried forward, a slightly larger amount than the year before.

This is disappointing, but in common with many of their competitors in the field of hire purchase finance, the group experienced very difficult trading conditions. The combination of circumstances giving rise to this situation, including the collapse in second-hand vehicle prices and the higher cost of money, are well known. The members of the Finance Houses Association have, however, now recognised the need for more realistic terms. Olds Discount Company Limited and Scottish Midland Guarantee Trust Limited, the main operating companies of the group in this country, have as from October 1st last been merged into one operating company under the title Lloyds & Scottish Finance Limited as was always intended. This and other steps taken by Lloyds & Scottish Limited, the holding company, should strengthen the administration and result in increased efficiency.

In addition to our participation in the Lloyds & Scottish group, we have an investment of approximately 25 per cent of the share capital of Bowmaker Limited. Their accounts for the year will not be available for a few weeks, but it will be remembered that in passing an interim dividend last June the chairman of the company referred to provisions that would have to be made that might absorb the amounts available for ordinary dividends in their financial year which ended on October 31st last.

LAST YEAR IN PERSPECTIVE

I see little purpose in reviewing in detail the economic events of the past twelve months. In broad outline they repeat the same dreary pattern we have seen several times before: another run on sterling; a series of measures to meet the crisis; the reduction of the economy to stagnation. For the moment it is all very important. Yet on a longer perspective these are only passing incidents, another skirmish in the apparently endless campaign to put this country's economy on a sound and stable footing. What matters is whether the campaign makes progress. If we simply pick ourselves up, dust ourselves off, and go on as before, nothing of lasting value is achieved. The really important things are those which are likely to shape our future in a more enduring way.

The year has in fact seen two developments which suggest that in years to come we shall be living in a very different world from that of the fifties. First there is our application to join the European Common Market. Whether in the end this is accepted or rejected, the decision to apply is clearly one of the turning points of our history. Most people in Britain, whether they support or oppose that decision, believe that things will be very different if we enter the Common Market; but I am sure that things will also be very different if in the end we do not enter it. In that event, our fortunes in the sixties and seventies will not be at all like our experience in the fifties. Our struggle to exist, our efforts to find an adequate market for our industrial exports, will become progressively harder and we should be likely to find ourselves driven closer and closer to barter, with British agriculture in the end as the chief sufferer.

From any point of view our decision to apply for membership in the Common Market is of the first order of magnitude. Then there has been a second development of more than transitory significance. I refer to the unmistakable change in the climate of economic opinion in this country. There is a new willingness to admit that the methods by which we have been conducting our economic life have not served us well. There is a general revulsion against stop and go as a way of life: the country has had enough of living on a switchback, with the general direction of movement felt to be, as on all switchbacks, downhill.

BRITISH APPROACH TO ECONOMIC AFFAIRS

It is easy from this changed point of view to criticise the government and point to mistakes for which the government must bear the responsibility, such as the weak budgets of 1959 and 1960 which helped to bring on the crisis and made it necessary once again to make drastic use of monetary measures. But it is more important to recognise that in many of its policies and attitudes the government has merely reflected the prevailing opinion, and given expression to deeply ingrained ideas about the proper way to run an economic system which have been common to all classes and are not to be found, or are not to be found in anything like the same degree, in any other country.

This distinctively British approach to economic affairs has been characterised by a readiness to think separately about ethical and economic considerations and sometimes to remember the former and forget the latter. So often the first question asked about any proposal is not "will it mean greater output?" nor "will it help us to meet foreign competition?" but "is it fair?" I am all for fair play. Distributive justice is a vital part of social morality. But to assure the life of the community it is equally important to recognise that world trade is not a handicap event: in export markets, payment is strictly by results.

When we separate ethics from economics and desire to do the decent thing without at the same time thinking what is the efficient thing, this produces static policies designed to impede change when only by change and adaptation can we hope to live. There has been too general an acceptance of the idea that the economic system exists to produce jobs rather than goods. It is this, as much as the normal political pressures common to all countries, which explains the readiness to bolster up high-cost industries by subsidies, even when the long-term interests of the people concerned would be better served by a carefully thought out scheme of re-training and a planned shift to some activity where productivity is higher and the market expanding. Of course, under the surface a great deal of adaptation has gone on. Ever since the war there has been a steady shift in the distribution of the labour force; away from textiles, mining and agriculture; towards the chemical and metal-using industries which now provide more than half our exports, and to services. But that process of redeployment has on the whole gone on without the encouragement of official policies.

IMPLICATIONS OF THE COMMON MARKET

It is sometimes claimed that the chief advantage of our entry into the Common Market, if it comes about, would lie in the alteration it would bring to our basic attitudes and problems. This is a delusion: by itself entry would not alter the problems. It would only prevent further procrastination in dealing with them and speed up changes which are in any case desirable and have to be made. But the decision to apply for membership is not primarily economic but political, just as the initial decision to create the European Economic Community was the expression of a political purpose.

I have always supposed that the group of men who worked out the Treaty of Rome were animated by a few very simple political ideas. They knew that Western Europe had been torn apart twice in their lifetimes by what they judged to be civil wars and they were resolved to forge so close a unity between their nations that they could never again tear themselves apart and fight. They believed that Western Europe still had a great part to play in the affairs of the world but could not make an

effective contribution if their nations always spoke with divided counsels and separate voices. They were sure that national barriers must be broken down so that men, ideas and goods could move freely in Western Europe, and they worked for growing mutual interdependence of commerce and industry in a common market. Of course the Treaty had an infrastructure or bargain basement. Deals had to be made to secure the consent of the peoples. West Germany had to see the large market for her industrial production and France a market for her agricultural surpluses. Deals like these were very important but they do not express the ultimate significance and purport of the European Economic Community.

In much the same way the negotiations consequent upon our application for membership confront us with political issues. They involve the view that the world is tending to large regional divisions, that the great nations are on a continental scale and that we can no longer go it alone effectively If we are to exert our full power and leadership we need to do it in a wider community, and by history and geography we are part of Western Europe.

Nor do I believe that these political considerations involve separation from the Commonwealth. If we have any genius in political affairs it lies in conjunction, not disjunction; in the ability to avoid the "either—or" and find the way to "both—and." The purpose of the negotiations, given the acceptance we have stated of the political implications of the Treaty of Rome, is precisely to find such an acceptable basis which will bring benefit to all. No doubt again there will be visits to the bargain basement during the negotiations and important matters will be discussed there—perhaps butter, or meat, or wheat. Finding reasonable answers on these or similar subjects is highly relevant to general acceptability but these issues are not in the end what the negotiations are about, even though they may take the most time and appear the most controversial.

EUROPE AND THE DEVELOPING COUNTRIES

Last September I had the good fortune to be invited to attend a conference at Bari at which some two hundred representatives of government, industry, commerce and the trade unions from the Six met to formulate policies on the relation of the Community to the developing peoples for submission to the European Council of Ministers. I listened to a most lively and interesting debate. There were those who thought that the primary concern of the Six should be with the newly independent peoples in what had been French Africa or territory under Italian trusteeship. They expressed a regional point of view on the relationship of the peoples on the two sides of the Mediterranean. But there were others, and these were more numerous, who insisted that the Six had a regional perspective on the whole world and that all the developing peoples in the several continents should be brought within the policy of the Community. And they went on to express the hope that, if present negotiations were successful and Britain joined the Common Market, the enlargement of their interests in the world which would follow would tend in time to still wider membership, even across the Atlantic, so that in the end the European Economic Community might be found to be a basis for the structure of the free world. In such an environment our interests in finding the way to "both—and" would be understood

POLICY FOR PRIMARY PRODUCTS

In this general context of the relationship of the industrialised nations of the Atlantic world to the developing peoples one or two points stand out as important for the Economic Community and for Britain. One is that, while a generous flow of aid and capital assistance is indispensable if the governments of the developing peoples are to provide the rapid material advance on which the aspirations of their citizens insist, in the long run of history trade is even more important than aid, and trade by its nature must be two-way. It is vital that the economic policies of the Common Market should provide for the progressive extension of the same liberal trading policies to food and raw materials as have been applied to industrial products. This issue is already to the forefront in discussions between the founder members. But it also goes to the roots of our economic relationships with Commonwealth countries.

By the repeal of the Corn Laws, Britain became the great free market for primary products. The economies of a number of countries, especially in the Commonwealth, have been shaped by the existence of this market. It is a policy which has served us well. In the nineteenth century we also practised free trade in manufactured goods but have since drifted into a position of high protection among the industrial nations. It is by the removal of this protective wadding that entry into the Common Market is most likely to stimulate our economy. On the Continent, history has taken a different course. The European nations have been traditionally protectionist but have now moved far towards free trade in manufactures, but as yet in manufactures only. If we enter the Common Market, this is bound to mean initially, subject to such exceptions as may be agreed in negotiation, that tariffs are imposed here on foods and raw materials which have always entered freely. From all points of view it is essential that the common external tariff on primary products should start as low, and be reduced as rapidly, as possible.

IS BRITAIN COMPETITIVE?

If in a year's time we were to become members of the European Economic Community, what are the implications for our own economy? In the outside world there are people who believe that Britain in its present state is no longer able to hold it own with other leading industrial nations. This view is perhaps held most widely in Western Europe, where it is often assumed that opening our frontiers to the products of the Common Market would lead to a flood of imports far exceeding any likely increase in our exports to those countries. Hence the suggestion we meet with so often, that a devaluation of sterling against the Western European currencies may prove to be a necessary condition of our joining the Common Market, in much the same way as the franc had to be devalued before France could withstand the competition of her neighbours and make an effective contribution.

As people overseas read the record, they observe that we have been losing our earlier share of the world export market in manufactured goods, even in sterling area markets where we have had the benefit of preferences. They contrast our slow growth in productivity with the rapid advance in most of the Common Market countries. They see too that we have been devoting a smaller proportion of our resources to productive investment. Incessant strikes, usually unofficial and often about trivial matters, and frequent stories of export orders lost through managerial indifference or ineptitude combine to create the impression that as a nation we do not bother to try. And the recurrent crises in the balance of payments, even though our imports are relatively cheap, reinforce the apprehension abroad that we are in a decline.

SOME INTERNATIONAL COMPARISONS

It would be silly simply to brush aside this pessimistic diagnosis. A case can be made and it can only be disproved by a really successful performance in exports. But I do not accept this diagnosis: I believe it ignores relevant facts and rests on a misreading of recent events. There is plenty of room for an alternative view and, without wishing in any way to under-estimate the job to be done, I think it worth while to set out some of the considerations to which I attach importance.

At the least it can be said that, if our rate of growth has lagged behind that of Western Europe, it bears comparison with those of the United States and Canada. And it is a fact that a "stagnant" Britain has up to now provided better living standards for its people than a "dynamic" Common Market. General comparisons of this kind are always difficult but a clear pattern emerges if we look simply at the diffusion of certain amenities and services which nowadays are accepted as material accessories to living. For example, we possess per head of population many more television sets and radios than the Common Market nations, more telephones, and more cars, with the exception of France.

We could say, then, that the striking recent progress in Western Europe is really to be regarded as an overdue making up of leeway. But to say this may only lead to the suspicion abroad that as a nation we are too much concerned with an easy and comfortable way of life, too little with other things. It is more important to point out that our economy has been getting along with only one-third more imports than before the war, and that we have been carrying a higher level of defence expenditure: we have also been contributing more in aid and loans to the developing countries.

BALANCE OF PAYMENTS PROBLEMS

Yet these are in the end only extenuating circumstances: none of them helps directly to rebut the pessimistic view of our ability to earn a living in open competition in the markets of the world. I therefore turn to factors which have a direct bearing on our balance of payments. The first point is that the deficit in 1960, which had its aftermath in the sterling crisis of 1961, was not in itself evidence of any cumulative deterioration. The import surplus of 1960 was of much the same size as that of 1955 and occurred in much the same circumstances. If one examines the various crises in the balance of payments since the war, it becomes evident that imports tend to outstrip exports when the economy is being run almost at capacity, with resulting strains on the labour force, an over-buoyant home market, and a general atmosphere of boom which encourages lavish additions to stocks.

All these factors were present both in 1960 and in 1955. The new element was the virtual disappearance between these years of a favourable balance on our invisible earnings and outgoings. It is difficult to generalise about this heterogeneous subject, but two points stand out as of special importance. The first is the rising trend of overseas expenditure by the government, which the government has now taken steps to arrest. The second is the increased burden of interest on our overseas liabilities which results from the high level of short-term interest rates. If we can reduce the pressure of home demand, and are thereafter prepared not to overstrain the economy, short-term rates can safely be reduced; and this alone will help substantially in strengthening the balance of payments.

A lowering of the pressure of home demand would both help to restrain imports and make an expansion of exports possible by lessening the pull of the home market on resources. The all-important question, to which only time can provide the answer, is whether our poor export performance in recent years can be sufficiently explained by excessive demand at home, with such concomitants as relative indifference to export markets, deferred and unreliable delivery dates and mounting costs of production. If so, the remedy is obvious and is in our own hands. My own belief is that this is broadly the case and that we can succeed if our will is firm and our purpose clear.

BRITISH AND GERMAN EXPORT PRICES

At the same time it must be admitted that there are those who think that the state of affairs in which we have been living, with money incomes steadily running ahead of productivity, has now gone on so long that we have priced ourselves out of world markets. This view surely ignores a great deal of evidence pointing in the opposite direction. No one would seek to deny that in the last few years there has been a weakening of our competitive position *vis-a-vis* the leading nations of Western Europe. But then history did not begin in the middle fifties. It is an instructive exercise to examine the information collected and published by the International Monetary Fund about export prices, expressed in terms of dollars to allow for changes in the exchange rates, and to look at the trends shown for various countries, not since 1955, not since 1949, but since 1938.

The impression one gets is that, whatever the source of our difficulties may have been, it has not been prices. What one finds is that on balance our export prices have moved in step with those of Germany, an important comparison since the external trade of Germany most closely resembles our own.

From 1954 to 1957 the indices for the two countries were almost identical at rather less than double the prewar figure. Since then, in spite of the rise in retail prices at home, our export prices have remained broadly unchanged. In the same period German export prices fell a little more than ours between 1957 and 1959 but have since been moving up again. And in early 1961 exact parity was again restored, at about double the 1938 level, by the revaluation of the Deutsche Mark. Both Germany and Britain, on this showing, have appreciably improved their competitive position in relation to manufactured exports from the United States, where prices have considerably more than doubled since 1938. These two countries have also noticeably improved their competitive position in relation to most of the other countries of Western Europe: with the latter, export prices have risen in much the same proportions as those of American goods.

It may be argued that such trends do not prove a great deal. Prices of the goods any country sells must necessarily be competitive or the goods would cease to be sold: that is a truism. A more significant question is whether, given the price of its exports, a country is retaining its share of the market; and, as we all know, we have not been doing this in recent years. This is not altogether new. Before the war, too, our *prices* seem to have been fully competitive, especially after devaluation in 1931, and yet our share of world markets dwindled. Indeed it has been suggested, as Professor Devons has reminded us, that British exporters might have done better to put up their prices and use the proceeds to improve their marketing methods and organisation.

The level of costs, not of prices, is the fundamental issue. Provided we do what is needed, whether it is to run our economy differently or improve our drive and salesmanship, can we hope to sell more at prevailing export prices? Or has our level of costs become so high that we are now hopelessly handicapped?

BRITAIN STILL A LOW COST PRODUCER

Surprising though it may be to many, one of the few recent attempts at international comparison of costs leaves little doubt that Britain still ranks among the world's low-cost producers. This conclusion was reached by a scientific enquiry conducted in 1960 by the well-known American business research organisation, the National Industrial Conference Board. United States companies among its membership with subsidiaries in Europe and elsewhere were asked to compare the production costs of their home operation with those of the overseas subsidiaries. The study therefore relates only to those industries where there is participation abroad by United States companies. In Britain, for example, the chemical and engineering industries were rather heavily represented; but these are also industries on which we rely for a large proportion of our exports, and it is stated that this bias does not seem to distort the picture.

What is the picture? It is that "on the average United Kingdom total costs were 85 per cent of comparable United States outlays"—a result, it should be stressed, due largely to cheapness of materials offsetting rather high labour costs. For Germany the corresponding figure before revaluation was 82 per cent, and after revaluation it was almost exactly the same as the British. For the countries of the Common Market as a whole the figure was 96 per cent; and since Germany accounts for nearly half the industrial production of the whole area, this implies for the other members of the Common Market taken together a level of costs higher not only than the German and the British but also higher than the American.

On this showing, it would seem that, so far as the general level of costs and prices is concerned, there is nothing to prevent us from meeting the challenge of overseas competition and regaining our former share of world markets. That will not happen unless we are prepared to put right the things we all know to be wrong with our economy; given that resolve, on the other hand, those very defects may be regarded as the hidden reserves that could enable us to mount a real export drive. But it is high time that the hidden reserves were drawn upon. The conclusion must be that the British have not as yet too much to fear from their overseas competitors; all they really have to fear is themselves.

FIRST RE-INVESTMENT TRUST LIMITED

SATISFACTORY PROGRESS

SIR DENYS LOWSON ON THE COMMON MARKET

The twenty-fourth Annual General Meeting of First Re-Investment Trust Limited was held on January 8th at Estates House, 66 Gresham Street, London, E.C.

Sir Denys Lowson, Bart (Chairman), who presided, said:

During the last twelve months the Company has continued to make satisfactory progress. The gross revenue has increased by some £30,000 to £183,812. This would have enabled us to pay an increased dividend, but for the Chancellor's request for dividends to be restricted. In the circumstances your directors are maintaining the total distribution for the year at 14 per cent on the capital as increased during the year by a one-for-eight Rights Issue at 30s. The Ordinary dividend distribution as proposed requires a total of 17.1—76.9 per cent of the total revenue earned by the Company; the Debenture Stocks requiring the first 6.3 per cent of the revenue, and our Preference Stock the next 10.8 per cent of our revenue. The new shares rank for the full final dividend of 9 per cent actual; and the surplus revenue for the year of £23,530 will be added to the carry forward which will thus become £140,904.

As will be seen from the Directors' Report the market value of our investments shows an appreciation of 85.3 per cent over the present book value. Our portfolio is well spread over some 400 different securities; the geographical distribution being: Great Britain 69.58 per cent, Commonwealth 9.23 per cent, United States of America and Canada 17.96 per cent, South Africa 1.44 per cent, Central and South America 1.66 per cent, and elsewhere .13 per cent. Whilst as regards categories: 3.8 per cent are in Bonds, Debentures and Notes, 3.24 per cent in Preference and Preferred Ordinary Stocks and Shares, and the balance of 92.96 per cent in Ordinary and Deferred Stocks and Shares.

THE COMMON MARKET

One of the most outstanding events of the past year must surely be this country's application to join the Common Market. The combined populations of the Common Market total nearly 170 million people, and if other countries from the European Free Trade Area also join, the numbers will increase to approximately 250 million, making a very powerful force which should have a great influence over world affairs both economically and politically.

In the past the volume of our exports to the primary producing countries, such as Australia, India, South Africa and the Argentine, has been affected to a great extent by the volatility of commodity prices. Furthermore, as these countries set up their own secondary industries, so they are able to satisfy their own requirements from their local production; rather than rely on exports from this country. In view of this, it is essential we should try to increase our exports in other directions; and Western Europe with its rapidly expanding market for consumer goods would seem to offer the best opportunity.

It is extremely difficult to forecast the effect on British industry of this country's entry into the Common Market as this will differ according to each particular industry. But obviously those industries protected at present by high tariffs will have to pay greater attention to efficiency to be able to compete. Provided, however, we can keep the cost of our exports competitive—and this can only be achieved by the co-operation of both sides of industry—I think the advantages of joining the Common Market should outweigh the disadvantages; though the period of transition may be somewhat disconcerting.

THE CURRENT YEAR

As regards this Company, I feel that our investments are well spread, and that we can look forward to the future with confidence. I am happy to tell you that from a careful estimate of revenue which we have prepared we shall be disappointed if when we meet you in twelve months' time there is any material variation in our revenue; in fact, some increase is even still possible.

The Resolution for the adoption of the Directors' Report and Statement of Accounts for the year ended October 15, 1961, was seconded by Mr N. C. Selway and carried unanimously; and the proceedings terminated with a warm vote of thanks to the Chairman, Directors and Staff.

United Breweries

LIMITED

YEAR OF CONSIDERABLE ACHIEVEMENT

MR H. L. BRADFER-LAWRENCE ON PROGRAMME OF INTEGRATION

The Second Annual General Meeting of United Breweries Limited was held on January 15th in London, **Mr H. L. Bradfer-Lawrence** (the Chairman) presiding.

The following is an extract from his circulated statement:

The first Accounts of the Group covered only the six months to September 30, 1960. The Accounts now presented cover a full year for all the companies which had joined the Group up to September 30, 1961. Therefore, the comparative figures shown in the Accounts, which are those required by Statute, have little significance. A comparison of the profits before taxation of all our companies for the two years shows an increase of approximately 12 per cent from £2,485,000 for the year to September 30, 1960, to £2,781,155 for the year to September 30, 1961; these figures are arrived at after allowing for the estimated annual cost of financing the cash consideration of companies acquired other than by an exchange of shares. After deducting, from the latter figure, taxation, the interest of existing minority shareholders and a full year's dividends (less tax) on the existing Preference capital, the estimated balance, amounting to £1,310,321, would cover dividends totalling 12½ per cent (less tax) on the existing Ordinary capital approximately one and three quarter times.

1961 has been a year of dynamic change in our industry and for your Company. The trend towards larger Groups by merger and acquisition has, of course, been going on for very many years, but recently the tempo has quickened. This year we have seen established very substantial Groups, which command for the first time really significant shares of the total beer market in the United Kingdom. We, ourselves, have considerably expanded our holdings in the North. We have also acquired substantial new wine and spirit interests, including shipping and agency businesses, as well as wholesale and retail companies.

SALES

The sales of our own beers exceeded those of the previous year by 8 per cent; which is well above the national figure for the whole industry. Increases were recorded by each of the principal trading companies. The sales pattern was somewhat uneven during the year being affected by a number of factors, including—as always—our unpredictable British climate. An unusually mild winter, especially in Scotland, enabled us to get away to a good start during the first six months; subsequently a typical summer somewhat retarded our rate of increase. The price increases, introduced last July in England and Wales to meet ever rising costs, followed by the 10 per cent increase in beer duty applied by the Chancellor over the whole of the country in August, created a temporary check; but their effect appears to have been absorbed. Current sales since October are above those of a year ago. We face 1961/62 with some confidence, provided, naturally, that there is no deterioration in the national economy, or reduction in personal spending power, upon which our business is so dependent.

One of the obvious economic benefits of forming a large Group is the ability to establish wider public demand for leading brands, and a substantial part of our sales increase derived from this source.

The expansion of our wine and spirit interests during the year has already been referred to. We now have a direct interest as shippers, blenders, bottlers, wholesalers and retailers in all the stages of this expanding business. Our various companies handle a number of nationally known brands and agencies, and export to over fifty countries.

Our soft drink investment is quite substantial and has increased with certain brewery acquisitions during the year. Sales, on a comparative basis, have again improved and some progress has been achieved in centralising production. The net return is disproportionate to the specialised work involved, and the position of this activity is being studied by your Board.

LICENSED PREMISES

We have increased our holding of licensed houses and wine and spirit shops during the year, apart from accretions arising from the various mergers which have taken place since October, 1960. Licensed premises, of all types, now number over 2,400. Considerable sums have been spent on improvements and new construction: 9 new public houses were opened during the year and a further 11 are currently under construction. The greater part of our additional purchases have been in Scotland and relate to premises with which our various Scottish companies have traded for a long time.

Our acquisitions have involved substantial cash considerations financed by temporary bank borrowing. An additional £2,000,000 6½ per cent Debenture Stock 1978-80 was therefore placed in December.

Based on last year's results, and bearing in mind our plans for the current year, your Directors decided to recommend a final Ordinary dividend of 7½ per cent, making a total distribution of 12½ per cent (less tax) for our first full year of operations.

HEWITT BROTHERS LIMITED

You will have seen the recent announcement that agreement has been reached with a view to Hewitt Brothers Limited joining our Group. Hewitt, its principal subsidiary, Moors' & Robson's Breweries Limited, and another subsidiary own some 485 licensed premises in those parts of South East Yorkshire, Lincolnshire and Nottinghamshire, with significant concentrations in Hull, Grimsby, Scarborough and Cleethorpes, where we are at present only sparsely represented. This acquisition would thus form an important extension of our principal trading area besides providing a firm base for extensive rationalisation of major business activities.

During the preliminary negotiations which led to the establishment of our Company in its present form, I agreed to be your Chairman for two years only. The Company is now firmly founded as a major unit of the brewing industry and I have, therefore, notified my colleagues of my intention to retire after the Annual General Meeting to make way for a younger man. Your Directors have invited me to remain on your Board, and to become the Company's first President.

The year which I have just reviewed has been one of considerable achievement for our Company. Your Directors wish, therefore, to express to everyone in our Group their gratitude for the fine performances which have contributed to such satisfactory results.

Addressing the meeting, the Chairman said:

Your Board have nominated as my successor Mr E. P. Taylor, our Deputy Chairman. Mr Taylor is a man of whom all of you will have heard, but not many of you may have met. His international record in the fields of brewing, finance and commerce generally is well known. He has been a main driving force in your Company's development since its inception in March, 1960, and I and my colleagues are confident that, under his guidance, we shall continue to prosper and develop as a truly national entity.

The report and accounts were adopted.

BASS, MITCHELLS & BUTLERS

LIMITED

The following are extracts from the circulated Statement by the Chairman, The Rt. Hon. Sir James Grigg, K.C.B., K.C.S.I., to be presented at the First Annual General Meeting to be held at the Grosvenor Hotel, Buckingham Palace Road, London, S.W.1, on Monday, 12th February, 1962.

In the past few years there have been numerous mergers and absorptions in the Brewing Industry, and control has in consequence been, to an appreciable extent, concentrated into fewer hands. A number of the smaller Brewery Companies, foreseeing threats to their independence from some of the more aggressive giants in the Industry and elsewhere, have sought and found more acceptable allies. In other instances old established family concerns, faced with the burden of Estate Duty, have been obliged to sell their interests outright. And finally there are cases of major companies coming together naturally in order to reap the fullest harvest from the combination of traditional excellence and dynamic management which between them they can provide.

The merging of the interests of Bass, Ratcliff & Gretton Limited, and Mitchells and Butlers, Limited comes under the last heading. That two companies bearing such honoured names in the brewing world should thus amalgamate is a major event. It has obviously been wholeheartedly accepted by the Shareholders of both concerns and I have every reason to believe that it has been welcomed by Customers, Licensees, Staffs and Workpeople.

It is of course fortunate that the interests of the two main subsidiary groups are complementary so that there can be no real areas of conflict. We must give the best possible value and service for money. In the long run the public will know exactly where to go to get these.

For my part, I have no doubt that between them the two major subsidiaries and their constituents are supplying products which are unsurpassed, either in range or in quality, anywhere in the country. What is more, each of them is spending large sums on developments which should ensure that there is no falling off in either respect. Perhaps it is permissible to remind ourselves here that the Excise Duty chargeable on Beer is a very large element in production costs, that it is graded in accordance with strength and, in consequence, falls with particular weight on the products of our Group. In spite of this our Beers have to sell at competitive prices against Beers carrying a less burdensome load of duty.

PRODUCTION

A comprehensive survey by outside experts into the production methods, capacities and efficiency ratings of all Breweries within the Group is at present in progress. This will focus attention upon, among other things, the possibility of operational economies and the objects to which money available for new capital investment may most profitably be directed.

At Mitchells and Butlers' Cape Hill installation the new Block Brewery is working well. Already it has achieved a high degree of industrial efficiency. The new Conditioning Tanks are well on their way to completion and these should guarantee a welcome improvement in storage facilities.

At Bass the main capital undertakings during the past year have been to instal more of the plant necessitated by the switch in public taste from the naturally conditioned bottled Beers—Red Triangle and White Shield—to Blue Triangle and Green Shield and, dovetailing with this, to develop increased capacity for canister Beer. The newly constructed Maltings compare favourably with any others in the country, and the economies already in sight are such that it may well prove to be worth while embarking on the installation of additional plant to meet the requirements of the Group.

MARKETING

A considerably enlarged distribution of Bass Blue Triangle and Worthington Green Shield has been achieved and, although we are continuing to supply Red Triangle and White Shield, they are steadily giving way to Blue and Green. There has moreover been a noteworthy acceleration of the sales of canister Beer, so much so indeed that we have some difficulty in present circumstances in meeting the demand.

Mitchells and Butlers' prestige is founded largely on its Mild Ale. This is a high-gravity product and its popularity continues to grow. Then, we are hoping that a wider distribution of Mitchells and Butlers' Export Pale Ale, which is already the most popular bottled Beer in the Midlands, will be possible.

To meet the expanding off sales of Wines and Spirits, we are extending our Stores at Burton, Wolverhampton and Coventry, and we have strengthened our sales organization in this sphere accordingly.

Over the whole field we are studying the possible benefits of more closely integrating our marketing efforts and improving the quality of our representation.

Close attention is being given to the problems of our Houses. Those not trading to good advantage are being sold or alternatively redeveloped, sometimes on our own, occasionally in partnership with others. The object of endeavour is of course to make the best possible use of all the properties within the Group.

ADMINISTRATION AND ACCOUNTS

The increase of £1,245,211 in Group Profit before taxation and before crediting the exceptional duty profit is 16.8% over the previous year, but most of this was earned before the Merger and before the benefits arising from this could be reflected. The two main constituent groups contributed to the increase in roughly similar proportions.

In spite of this increase your Directors have decided to recommend that the final dividend should not be increased beyond the 7% forecast at the time of the Merger. This is in accordance with the wishes expressed by the Chancellor of the Exchequer. It implies that the total dividends paid for the year are covered 2.3 times and that sums amounting to £2,371,320 have been placed to reserve from current profits.

The Group had at the 30th September last readily realizable resources of nearly £9 million. Part of these are earmarked for developments in progress or immediately foreseeable, but even taking this into account, it is a comfort to know that the Group is in such a strong financial position.

PROSPECTS

It is dangerous to prophesy, particularly at a time when so many uncertainties exist. To begin with, the new accounting year showed an upward trend in profits. But in the last few weeks there has been some slowing-up in our trade which is not surprising having regard to the duty surcharge, with its consequent increase of price and the tendency for earnings in industry generally to halt or even decline somewhat. Our prosperity is, of course, closely dependent on the level of the general industrial barometer, and this has undoubtedly been falling in recent weeks. We can only hope that the measures being taken to stop inflation will be successful and that the country may resume its march to full prosperity under healthier and more durable auspices.

Comparative Figures from the Accounts for the year ended 30th September, 1961

	1961	1960
	£	£
Group profit for year before Taxation	8,670,418	7,425,207
Profit on Stocks arising from Duty Surcharge	293,144	—
Taxation	4,546,634	3,699,123
Group Profit for year after Taxation	4,416,928	3,726,084
Interests of Outside Shareholders	45,154	85,270
Preference Dividends	202,617	150,477
Ordinary Dividends	1,797,837	1,656,949
Retained Profits	2,371,320	1,833,388

Copies of the full statement can be obtained from The Secretary, Cape Hill Brewery, Birmingham.

DISTRICT BANK LIMITED

FURTHER EXPANSION OF BUSINESS

FINANCING PROMOTION OF EXPORTS

LT-COL T. MARSHALL BROOKS REVIEWS THE ECONOMIC SCENE

The Chairman, **Lieutenant-Colonel T. Marshall Brooks, DL,** has circulated, with the report and accounts, his statement to the shareholders of District Bank Limited, prior to the 132nd annual general meeting to be held on Tuesday, February 13th, at the Head Office, Spring Gardens, Manchester. In the course of his statement the Chairman said:

You will see from the balance sheet that Current, Deposit and other Accounts show very little change from last year's figure.

Cash, Money at call and short notice, Treasury Bills, Bills of Exchange and Refinanceable Credits—our liquid assets—are £5,892,694 up in total on the year and the item Special Deposit with the Bank of England has risen from £5.2 million to £7.7 million consequent on a further call of one per cent of our total deposits.

Following the fall of £23 million in 1960, to meet the demand for advances, Investments show a further decrease of £4 million this year. All our holdings of British Government Securities are repayable at fixed dates and appear in the balance sheet at less than their market value.

Advances have shown considerable fluctuations during the year, with a strong upward trend in the first half and a corresponding fall in the second half as credit restriction became more effective. Although the year ended with the balance sheet figure virtually unchanged, the average amount lent over the year was £10 million higher than in 1960. The shift of emphasis which I mentioned in my last Statement continued in 1961 with a higher proportion of our lendings going to industry and trade, particularly to production concerned with exports.

PROFIT AND DIVIDENDS

After making the usual provisions net profit for the year at £1,192,456 shows an increase of £110,658 over the figure for last year. The further expansion of our business, the higher average level of advances over the year and higher interest rates have resulted in increased earnings, partially offset by increased expenses. With the amount brought forward there is a sum of £1,769,849 for disposal. Of this total £500,000 has been transferred to Reserve for Contingencies.

We recommend that a final dividend of 8 per cent should be paid, making a total distribution of 16 per cent for the year, the same as for the year 1960. After the appropriation to Contingencies and providing for the dividend payments there remains a sum of £681,849 to be carried forward to the next account.

DEVELOPMENTS IN BANKING

The year 1961 has seen the introduction of a campaign to encourage the use of the banks for the settlement of accounts—household, gas and electricity bills for instance—by people who do not have a banking account.

This scheme is the final stage of the Credit Transfer system which the Clearing Banks have been developing over the past few years, as a convenient alternative to payments by postal remittance, money order or other means. The advantages of this service are considerable, both for those who supply the goods and services and for those who pay for them, and already there are welcome signs that Credit Transfers are meeting a public need. Credit Transfers are complementary to the well proven cheque system and together they provide a comprehensive payments system which is probably without equal in any other country.

As a further step forward to encourage the fuller use of the banks for the everyday settlement of debts, I should like to add a plea for the abolition of the stamp duty on cheques. This was originally fixed at 1d. in 1853, and increased to 2d. during the first world war. The revenue produced is relatively small. This duty of two pence per cheque, although in itself perhaps only a trivial amount, is a deterrent to the extension of the banking habit among wage-earners which it was hoped would follow the passing of the Payment of Wages Act, 1960, an extension which would offer many advantages, including the encouragement of thrift and the avoidance of unnecessary handling of cash.

The Government has already simplified the duty on bills of exchange, and if they were now to remove entirely stamp duty on all forms used for the transfer of money I am sure it would be regarded as a wise and far-seeing measure.

BALANCE OF PAYMENTS CRISIS

The economic scene during the past year has been dominated by a balance of payments crisis which, it seems to me, has failed to arouse a corresponding sense of crisis in the nation. Possibly the frequency with which we have run into balance of payments difficulties since the war has inured us to the alarm call for more exports and less spending at home. Possibly the Government's measures of July were less stern than the nation was braced to accept and the sense of urgent purpose, which we need to make our continuing prosperity safe, was dissipated before it could become the prevailing mood.

We have seen the familiar remedies applied to hold back the demand for goods on the home market. Special Deposits were increased from 2 per cent to 3 per cent; the banks were asked to discourage certain classes of borrower so that advances concerned with exports might be kept up without any marked increase in the total of advances outstanding. Supplemented by the high bank rate of 7 per cent fixed in July, these measures were a repetition of the type of restriction used on a number of previous occasions.

It was, however, something new to see fiscal measures employed in what is intended to be a flexible manner. The surcharge of 10 per cent on indirect taxes was aimed at a reduction of consumer spending power and a corresponding increase in the budget surplus. Whilst past experience raises doubts about flexibility when it comes to reduction of any impost, events may prove this surcharge to be a useful instrument of economic control. Although it has tended to push up prices, it is not so discouraging to capital investment as measures of general credit restraint. Its withdrawal in due course could provide the stimulus for a move forward in national production without over-stimulating demand as happened after the measures of relaxation in late 1958 and early 1959.

In the longer view our situation improved, as the year neared its close, rather on the score of intended action than on action taken. The two long-term problems to be solved, which are interrelated, are the achievement of a permanent increase in the proportion of goods exported and the limitation of the growth of money income to an equivalent growth in total production.

PROMOTION OF EXPORTS

Even under conditions of credit restriction, bank advances for exports have been recognised as one of the categories especially to be favoured so that exports should not be hampered by lack of credit facilities. In the case of exports of capital goods it is often necessary to provide for payment extending over several years after the actual shipment of the goods. Such terms are beyond the unaided resources of most manufacturers, but with the support of guarantees by the Export Credits Guarantee Department it has been possible for finance of this type to be provided by the Clearing Banks, sometimes in co-operation with other City institutions, thus enabling the manufacturer to obtain prompt payment for his goods.

We, in common with the other Clearing Banks, have already undertaken a considerable volume of this medium-term export financing—i.e., lendings with repayment spread over three to five years—but there are limits to what may reasonably be done in this respect, bearing in mind the long-term nature and non-marketable form of the advances. A further problem is that in so many of these cases the banks are asked to commit themselves at an early stage in the negotiations, when a tender is being submitted to the foreign purchaser. Some time may elapse before it is known whether the tender is successful and, even if it is, the advance may not be required until many months ahead. Once the commitment has been accepted by the bank, however, it must be taken into account when other applications for finance are considered. Although we had seen no evidence of export contracts being lost because of a lack of finance, we welcomed the new system inaugurated by the Bank of England in February last under which the banks, subject to certain provisos, are permitted to treat as liquid assets any instalments of such loans falling due for repayment within the following eighteen months. This procedure will enable the banks to provide more medium-term finance for exports than they would otherwise have felt able to contemplate.

It must be remembered that exporting now on terms of payment deferred over several years does little to help towards the current balance of payments, although obviously these deferred payments will accrue in later years. Nevertheless there must be a limit beyond which the accumulation of extended credit would be undesirable on the grounds of national interest.

Even within such a limit, however, there is every possibility of a growth beyond the present figures to an extent which could be embarrassing to the banks if they had to carry the burden largely alone. There is also the question of certain important and valuable contracts where payment terms in excess of five years are required. Finance for such periods is really outside the province of the banks, but a valuable contribution to the solution of this whole problem of export finance, both long and medium term, could be made if the close interest in the matter now being taken by the insurance companies bore fruit.

One of the most encouraging features on the export front is the keen interest in the possibilities of greatly expanded exports to Europe shown by people already selling their products overseas. The recent National Convention of the Export Council for Europe held at Eastbourne was notable for the optimism with which these possibilities were viewed. Well aware of the importance of ensuring that the complex business of selling abroad should be carried through with the greatest efficiency, the Bank itself has been holding courses for branch managers to give them opportunity to discuss the various ways in which we can assist the exporter.

There is little doubt that the decision to negotiate for membership of the Common Market has already awakened a great interest in the new opportunities which membership would bring—as was apparent at the highly successful conference on the Common Market held in Manchester in October under the auspices of a leading firm of stockbrokers. Whilst the result of the negotiations must still be regarded as an open issue, the trading position of this country, if it should *not* become part of the Common Market, could be very difficult. British exports to the Commonwealth have grown but slowly for some time; competition in the sale of manufactured goods to the Commonwealth is already keen and our share of that trade is diminishing. The European Free Trade Area is geographically at a disadvantage compared with the Common Market: its total production shows a slower rate of growth and its disparate economies make the benefits of mass marketing difficult to achieve. Nor can we depend on the establishment of a permanent surplus of trade with the United States of America, since external trade is of much less significance to them than to us and fluctuations in their domestic market tend to produce disproportionate reactions in regard to the purchase of imports.

It appears, therefore, that our application for membership of the Common Market was a necessary move if we are to put ourselves in the best position for expanding exports. Such an expansion is essential not only to pay for the rise in imports, which must accompany a rise in total production, and to make good the reduction in net income from the various services which make up the "invisibles," but also to enable us to play some part in providing the capital needed by less developed countries. Even so, it is too easily assumed that the greater competition which membership would bring into our home market would automatically solve the other long-term problem of inflation.

CURBING INFLATION

There are already signs that the process of inflation may have begun to work in the Common Market as it now constituted. The rise in earnings has overtaken the increase in production in some countries and pressure on price levels is becoming apparent. Although we have from time to time taken faint comfort from the fact that other people's inflation was worse than our own, it is the cure for the ailment itself that we most need. Loss of protection for our home market may in due course keep down prices and improve efficiency through increased competition, but we shall fare better if we take preventive action now rather than wait until we are forced to accept a drastic cure. It is for this reason that the establishment of a National Economic Development Council is so welcome. The idea of a rational co-operative effort to expand production whilst maintaining a steady price level seems simple and desirable enough. Even though the timing and manner of presentation may have been criticised, the idea itself should appeal to all sections of the community if long-term advantage is to carry any weight as against immediate gain.

There are, after all, precedents at home and abroad which have shown that co-ordination of industry's plans can be effected without the rigidity of detailed controls and without losing the efficiency that is fostered by keen competition. It seems to me, therefore, worth putting to the test the idea of co-ordinating investment plans on a national scale, Government by itself cannot make the countless decisions as to investment, and lack of co-ordination within industry in the past has led at times both to a surplus of capacity and to critical shortages.

More important even than better planning of investment is the possibility that a sense of national purpose might evolve from this placing of the common interest in the forefront of industrial endeavour. If both labour and management do co-operate in some long-term thinking about industrial expansion, it is conceivable that a more rational approach to the long-term problem of cost inflation might be found. The urgent need for a new approach to this and other problems leads me to express the hope that the National Economic Development Council will become influential enough to play a major part in economic affairs.

Should the new approach to our problems, which the Council embodies, fail to work, there is still a chance that the policy of restraint may have some success. Smaller profit margins will in themselves encourage the search for greater efficiency in methods of production and in the use of labour. If the official forecast that expansionary forces will promote total demand in the early part of 1962 proves well founded—as we must hope—our export prices might then become more competitive since there is much new capital equipment which has yet to be put into full production. Whether the Common Market becomes our "home market" or not, greater stability of prices is fundamental to our economic progress.

THE IMMEDIATE PROSPECT

There are, then, grounds for taking a moderately optimistic view of the prospect for the next twelve months. The growth of the money supply seems to have been brought under control; the squeeze on profit margins should increase the resistance to a rise in the money costs of production and export markets seem likely to benefit from a rising volume of world trade. Whilst lack of positive incentives to export may be regretted, the pressure of competition may well be submitting the industry of this country to the discipline which could rescue us from the perils of a domestic market made unduly attractive by inflationary trends. The essential improvement in export figures is more likely of achievement through greater competitiveness in prices than from any other cause. Given stability of prices, our exports stand to benefit from any recovery in the U.S.A. and from the impetus given to European trade by prospect of Britain's membership of the European Economic Community. From both quarters a high level of demand should help the Commonwealth at least to maintain its overseas income.

Some of Britain's own industries, as for example the cotton industry, are of course looking for some gain from the possible equalisation of tariff protection as between Britain and Continental competitors. Commonwealth countries have not been slow to express their concern at this possibility. Whilst it would be over-optimistic to expect our competitors to view the problems of developing Commonwealth countries with the generosity displayed in the past by our own Government, there is, nevertheless, a growing recognition abroad that liberal encouragement of industrial exports from developing countries is a sounder basis for world trade and political harmony than perpetual grants in aid. It will take time to negotiate adequate provisions for Commonwealth exports in the newly prosperous Europe. But the Rome Treaty can be made to operate liberally; its preamble does "confirm the solidarity which binds Europe and overseas countries" and expresses the desire "to ensure the development of their prosperity."

THE ROYAL BANK OF CANADA

RETURN TO TRUE FLOATING EXCHANGE RATE ADVOCATED TO ENSURE MONETARY AND FISCAL INDEPENDENCE

MR. W. EARLE McLAUGHLIN, PRESIDENT, RECOMMENDS TAX REBATES TO EXPORTERS TO MEET CHALLENGE OF EUROPEAN COMMON MARKET AND POSSIBLE LOSS OF COMMONWEALTH PREFERENCES

The ninety-second Annual General Meeting of Shareholders of THE ROYAL BANK OF CANADA was held on Thursday, January 11th at the Head Office in Montreal. In his address **Mr W. Earle McLaughlin,** President, stressed the need for a re-examination of Canada's foreign exchange policy and urged a return to a true floating exchange rate, the adoption of which, he maintained, would not in any way mean commitment to a so-called "premium dollar." "Canada's experience is worthy of special attention in any discussion of exchange rates," said Mr McLaughlin, "if only because since the end of the Second World War she has experimented with all possible varieties of policy in this field. In this range of policy possibilities the most enlightening are the varieties of floating rate experienced since September 30, 1950. From that date until December 1960, Canada had a true floating exchange rate. From the 'Baby Budget' of December 20, 1960 to June 20, 1961, this true floating rate was abandoned in favour of what we might call a nudged floating rate. With the final Budget on June 20, 1961, a third variety of floating rate appeared with the announcement that in the Government's view, the rate should move to a 'significant discount' but there was no definition of the term 'significant' and no clear indication of the amount of discount that would be regarded as satisfactory. However, since that time, the Government has actively intervened in the market and the nudged floating rate has clearly given way to a manipulated floating rate."

MANIPULATED RATE UNDESIRABLE

"I do not believe that anyone really accepts the present system as a permanent exchange rate policy for Canada. Surely the alternatives to be weighed are either a true floating rate or a fixed rate which we are prepared to defend against pressures upward or downward. It is probably more important for exporters and importers to know their costs in advance than to have a so-called 'favourable' rate of exchange. However, because a true floating rate encourages breadth in the exchange market, it is not only more stable than a manipulated rate but exporters and importers can protect themselves against any rate movements by low-cost hedging operations in an efficient futures market. In contrast, the system of manipulation gives us the worst of both worlds. To the extent that the authorities are successful in forcing movements in the rate, general uncertainty thins out the market and may make it especially difficult and costly for exporters and importers to hedge against future movements. To the extent that a manipulated rate appears, at least temporarily, to have come to rest at some level, we are subjected to the speculative pressures that beset countries with fixed rates. On the one hand, we may find that as soon as the Government appears to acquiesce in some given rate of discount, postponed transactions are completed, timid capital comes out of hiding and we experience a massive inflow of foreign funds. On the other hand, we may find that the effect of some future announcement may be greater than expected, or other factors may intervene to force the rate down further and faster than the authorities would like. In this case, the flow of funds will be outward and any attempt to arrest the downward movement of the Canadian Dollar will require the release of gold and U.S. Dollars from our exchange reserves in embarrassingly large amounts." Examining a "fixed" rate as a possible alternative, Mr McLaughlin pointed out that the adoption of such a policy would inevitably lead to an exchange control age which would mean the end of economic freedom in a large and critical section of the Canadian economy.

"FIXED" RATES NOT NECESSARILY STABLE

"In fixing an exchange rate, no-one knows what the appropriate rate is until it is tested in the free market: and even a rate chosen wisely will remain the appropriate rate only so long as our merchandise trade, other current items, foreign investment and other capital flows, are unchanged. Changing the rate, when conditions change, can only cause more confusion. Instead of the smooth day-to-day adjustment of a true floating rate we may find that we have a so-called 'fixed' rate of exchange which is subject from time to time to shifts in value. Such a rate invites instability, uncertainty, and speculative excesses, and the movements of the rate may nevertheless fail to have the desired effect. If Canada were to return to a fixed rate, she would be faced with swings in her exchange reserves and consequent pressure on her exchange rate, similar to those now faced by the United Kingdom, Germany, Switzerland, and the United States. Canada simply does not have the economic depth to withstand such a buffeting. The only exchange rate policy suitable to the special conditions that exist in Canada is to return to a true floating rate. However, committing ourselves to a floating rate free of all direct Government interference does not in any way mean committing ourselves to a so-called 'premium dollar.' A return to a true floating rate would greatly ease the present and future difficulties of Canada's monetary authorities."

EUROPEAN COMMON MARKET

Discussing the European Common Market, Mr McLaughlin remarked that Canada would have to take steps now to meet the new competition and the possible loss of Commonwealth preferences. He noted that Canada's was a high cost economy, but that despite a high wage level, a key to future success was higher productivity and efficiency at all levels of business. "One of the greatest handicaps faced by Canadian exporters," he said, "was the Canadian tax structure," which he felt robbed exporters of incentive. He recommended a Royal Commission be set up to examine the whole range of Canadian taxation. At the same time he urged that attention be given to the possibility of tax rebates as incentives to Canadian exporters.

LIEBIG'S EXTRACT OF MEAT COMPANY LIMITED

GROWING DEMAND FOR BRANDED PRODUCTS

The ninety-seventh annual general meeting of Liebig's Extract of Meat Company, Limited will be held on February 8th in London.

The following is an extract from the circulated statement of the chairman, **Mr K. R. M. Carlisle:**

Last year I expressed the hope that profits would show some expansion, provided no shocks were forthcoming from primary activities overseas. In fact, as the year progressed further, it became apparent that, with the exception of excellent results in the United Kingdom, profits were not going to come up to expectations.

Substantial losses were incurred on production of canned meats and meat extract in Argentina and, to a lesser extent, in Paraguay, while profits from these activities in Southern Rhodesia and Tanganyika did not fulfil expectations. Returns from farming in Argentina, Paraguay, Uruguay and Southern Rhodesia were, however, slightly better in total than those brought into the previous year's Accounts.

Profits from the Continent of Europe were much lower than in the previous year.

The Group Profit before taxation was £2,059,031 being £129,000 less than for the previous year. Your Directors recommend the payment of a Final Ordinary Dividend of 11 per cent, less income tax.

OXO LIMITED

Trading in the United Kingdom, on every side of the Company's activities, was highly successful.

Sales of the OXO Cube were again greater than ever before and sales of products under the FRAY BENTOS label continued to expand. FRAY BENTOS Corned Beef has now reached the stage where it is the clear brand leader, commanding a greater share of the consumer market than all other brands together. Sales of Stewed Steak have progressed satisfactorily. New FRAY BENTOS products, particularly Steak & Kidney pie, the quality of which has been widely acclaimed, were successfully introduced during the year.

As regards marketing, we have been able to consolidate a leading place for ourselves, especially in the application of new merchandising techniques. Co-operation with all sections of the trade has reached a very high level, and the resultant organisation of sales promotion campaigns has enabled us to feature prominently in the all-important battle for product display.

The new methods of distribution to which I have referred on a previous occasion are now fully operative, and the service which we are able to give to our customers is widely recognised as second to none.

OXOID Culture Media continue to enhance their reputation throughout the world, and the manufacturing unit was re-organised during the year to meet the demands of increasing sales. Products under the OXOID name now serve humanity in no fewer than sixty-eight countries.

CONTINENT OF EUROPE

I referred in my opening paragraphs to the lower profits earned on the Continent, this despite higher sales. The reasons for this fall in earnings include higher administration costs resulting from substantial reorganisation, also heavy development and promotional expenditure in certain areas coupled with increased marketing and selling costs generally in the face of stiff competition.

Our products have been on sale in the Common Market countries for the greater part of a century and with the passing years their variety has increased. We now have a network of sales and manufacturing companies covering all the countries in question. We have thus been active on the Continent for some considerable time and it is unlikely that the Treaty of Rome will lead directly to any dramatic changes in our affairs. The scope for rationalisation and standardisation is however considerable and these aspects are being closely watched.

The Accounts for the current financial year are expected to include better results from the United Kingdom and Africa, but how we shall fare in South America, with its background of increasing costs, and on the Continent of Europe is as yet uncertain.

WILLIAMS DEACON'S BANK LIMITED

THE ECONOMIC SCENE: NEED FOR CLEAR THINKING AND LEADERSHIP

FINANCE FOR EXPORTS A MAJOR ISSUE

SIR ERIC A. CARPENTER'S STATEMENT

The Annual General Meeting of Williams Deacon's Bank Limited will be held on February 8th in Manchester.

The following is the statement by the Chairman, **Sir Eric A. Carpenter, OBE,** which has been circulated with the Report and Accounts for the year ended December 31, 1961:

From the Report in your hands you will see that during the year the Board suffered a very great loss through the death of Sir William Crawford Currie. Sir William had been a Director of the Bank for twenty-two years, for ten of which he held the appointment of Deputy Chairman. He was a man of unfailing good humour, and had a profound knowledge of the shipping industry. We shall miss his wise counsel and experience. In addition, Mr Leonard A. Elgood, who for more than fifteen years had rendered conspicuous service to the Bank, decided to relinquish his seat on the Board. I would like to record our deep appreciation of the services of both these Directors, whose experience and sound judgment have been invaluable.

During the year we have welcomed to the Board Mr A. H. Allman, Mr J. O. Blair-Cunynghame, Mr C. E. H. Charlton and Mr C. E. Harrison. The very wide business experience of these new Directors will add great strength to the Bank and in your name I offer them a very cordial welcome.

In February Mr Harold S. Kershaw intimated his desire to relinquish his duties as Deputy Chairman, a position which he had held for eleven years, and I would like to express my thanks for his loyal support and to acknowledge the satisfaction which it gives us to know that we shall still have the benefit of his experience as a member of the Board. Mr Kenneth G. Holden was elected Deputy Chairman of the Bank.

In November we heard with regret of the death of Mr Harold Bradburn, a former General Manager and Director, who retained his interest in the Bank's affairs to the end of his long life.

In July Mr Allman retired from the post of General Manager, a position which for the previous four years he had held with distinction, and I would like to place on record our appreciation of the very great ability with which he conducted the affairs of the Bank.

In succession to Mr Allman as General Manager we appointed Mr R. B. Mallory and Mr R. G. Upton, previously Assistant General Managers, and to them I offer my very good wishes for success in this office. I assure them of our wholehearted confidence and support.

In furtherance of our policy of expansion we have opened branches at Alvaston (Derby) and Wolverhampton, and new premises have been constructed at Moorside (Swinton). We have also acquired premises at Brighton, Winchester, Swindon, Gloucester, St. Helier (Jersey), Handforth (Cheshire), Allestree (Derby), Mapperley (Nottingham), and Sheffield (University Branch), where branches will be opened in the near future.

DEVELOPMENT OF CREDIT TRANSFER SYSTEM

During the year further progress has been made in the development of the Credit Transfer system. This service has now been made available to the public generally who can settle their accounts by payment over the counter of any bank provided that the name and the bank of the creditor are known. Some of the nationalised industries are already incorporating a Credit Transfer form in their quarterly accounts and this has proved of immense help. The system is spreading into industry and very soon the facilities afforded will be in widespread use for the settlement of industrial and commercial accounts as well as the ordinary bills of tradespeople and private individuals. The effect of all this is, of course, somewhat revolutionary and consequently may take a little time to become fully established, but what the banks are offering to the public is a low cost method of debt settlement, only made possible in expectation of the application of electronic accounting, now in its development stage. When added to the normal banking facilities available to account holders, the new system means that the banks are now providing the public with a money transfer service far removed from its former exclusiveness and one that will bear comparison with that of any other banking system in the world. We shall yet see many changes as we move to full electronic accounting in which the use of code numbers will play an increasingly important part, but given the full co-operation of the public we hope to effect the transition with a minimum of disruption for the ultimate benefit of all.

THE ECONOMIC SCENE

There can have been few occasions on which the outlook for the economy in general, but for bankers in particular, has been so fraught with difficulty and so obscure as to its outcome. Seldom has there been a time when clear thinking was more needed, and a decisive lead from those in authority more essential if we are to make realities of the wraith-like opportunities which surround us. There are many phases of our economic life to which attention could be directed. I propose, however, to concentrate on those items most closely related to banking and to focus attention on the issues with which we are faced at the present time.

It is perhaps symptomatic of the economy that nowadays we do not ask if there will be an economic crisis but when there will be one. This may well be the inevitable consequence of a system of government based on universal suffrage which politically apparently involves the maintenance of over-full employment. For those of us who realised the implications of the continuing deficit in the balance of payments with its adverse effect on the reserves masked as it was by an inflow of funds on capital account, there was only one answer even though there were several remedies. Of the measures adopted those which most affected the banks were the raising of Bank Rate to 7 per cent, a further call for Special Deposits of 1 per cent, and a directive from the Chancellor that advances should be restricted. The main factor in restoring the country's depleted reserves, however, was undoubtedly the granting of a loan of £535 million by the International Monetary Fund. From the reduction in bank advances, which in our case amounted to 10 per cent, it would appear that the measures as they relate to the banks have been successful. I think it should be realised, however, that advances had already reached a point where at least a pause was indicated, and at which, with a down-turn in the level of business activity, some reduction could be looked for, and it can be said with a certain amount of confidence that the present fall is as much due to natural processes as to any pressure which has been exerted in compliance with the Chancellor's admonition. But there are wider implications. If when bank lending has been restrained and advances have, in fact, been reduced to a level lower than expected, and when in spite of Special Deposits the banks have increased their Government investments and still remain comfortably liquid, there remains the need for a wages pause, and the balance of payments position stays unsatisfactory, then it would seem that of the action taken by the authorities, that applied through the Clearing and Scottish banks was to a large extent irrelevant. I feel that in these circumstances certain lending restrictions could be relaxed, and there is a good case for the return to the banks of a substantial proportion of the Special Deposits. I particularly urge this as I fear that if Special Deposits are retained when

they are not required, the value of the device will be much impaired when it is appropriate that restraints should be applied in the future.

PROBLEMS AGGRAVATED BY HIGH BANK RATE

The raising of the Bank Rate to the crisis level of 7 per cent has again focused attention on its efficacy as an instrument of monetary control capable of dealing with the recurrent balance of payments problems that have arisen over the past few years. The fact that it now has to be used so savagely is perhaps the best indication that most of its cutting edge has been blunted, while to regard its value merely as the administering of a shock to the economy is to underestimate the delicacy of the money mechanism which, like other finely adjusted instruments, is far more likely to be dislocated than corrected by a jolt. If our difficulties were merely those of the movement of money, something could be said for its use, which would be directed towards curing temporary imbalance instead of attempting to cure permanent maladjustment. The country's problems are concerned with our earnings and, far from being solved, are aggravated by a high Bank Rate, as interest payments on foreign holdings of sterling have in no small way contributed to the diminution of our once large favourable balance of invisible earnings.

On the domestic side it has been argued that those who wish to borrow capital at a fixed rate of interest should be made to pay a high rate for the privilege. In a period of inflation such as we have experienced in the past few years, however, even a very high rate of interest is insufficient to compensate for the loss of real worth of capital; it is a frustration to our exporters and seldom deters those engaged in making capital profit. In addition, if we are to enter the Common Market it will be of prime importance that we do not go in hampered by higher interest rates than those paid by our competitors.

PAY PAUSE OF NATIONAL BENEFIT

Although in any time of strain the axe falls first upon bank lending, this form of finance is in general for objects most essential to the national economy and for our part we do our utmost to ensure that direct or indirect exports are the least affected. But industry is run for profit and if the earning capacity is in any way restricted by however remote a control it is the least profitable side of business which is the first to be sacrificed. It is, I think, generally accepted that it is very much harder and less profitable to sell in foreign markets and consequently that exports are almost bound to suffer in a credit squeeze no matter how selective the banks may be. While wages remain high and the country is committed to a policy of full employment the home market is sure to have attractions for all except those dedicated people who seek the good of the nation above their personal gain. Restriction which retards production should give place to more positive action directed towards making it at least as attractive to sell abroad as at home, and not solely on the grounds of mere profitability, for exporting can be time consuming and frustrating and the maximum amount of help must be given to those who apply themselves to this end. To give exports priority over home demand is not a natural economic process and therefore extraordinary measures are required to accomplish it. It is in such conditions that our Continental competitors operate and we should become more alive to the possibilities which could be opened up. To attempt to maintain the wages pause until an increase in production and exports has been attained, is a very difficult policy for any Government to carry through, but I wonder if sufficient effort is made to explain to the wage and salary earners that in the long run they, as well as the rest of the nation, will benefit by a pay pause, if by this means we can maintain and increase the real value of wages and salaries. The solution to labour problems as well as balance of payment difficulties lies not in restriction but in expansion, particularly through additional investment, as this would increase the purchasing power of wages. No doubt the National Economic Development Council will give consideration to this aspect of the situation when evolving its wages policy.

DEPOSITS—A FUND OF GOODWILL

It is always a temptation in seeking prosperity to want the best of all worlds. It is also well known that those who do so often get the best of none. In the realm of finance the ideal would be to obtain the benefit of high interest rates when money is held, and to have a ready source of cheap borrowing when finance is required. As far as we bankers are concerned, however, it is obvious that the two are tightly interwoven as our power to lend is determined in normal circumstances by the amount of money that is left with us by depositors. It is, therefore, evident that if those who have money available insist on placing it elsewhere, there must be less available for borrowers. This applies particularly to industrial customers who very rightly turn to their bankers for short term working capital whenever the need arises but who are sometimes reluctant to leave with them credit balances on ordinary deposit account terms and succumb to the temptation to place them elsewhere at higher rates of interest. By doing so they are depriving other industries of the power to borrow and it would seem to me only commonsense that they should look to their real interest and realise that by leaving their money with the bank they are setting up a pool of resources and a fund of goodwill from which, in the day of their need, they may themselves benefit.

FINANCE FOR EXPORTS

At the present time the availability and cost of finance, over an increasing period of years, is a crucial factor in deciding whether or not we are going to be competitive in selling capital goods abroad and much emphasis is being placed on medium and long term credits. As equipment becomes more technically involved capital projects are increasingly expensive and the days have gone when exports of capital goods and civil engineering projects were contracts between companies financed from their own resources or by means of loans on the world's money markets. Invariably in these days they are either directly or indirectly Government sponsored and long term finance is, in effect, a loan to a foreign Government rather than the provision of working capital to our own customers. In ship-building and other capital goods industries I find we are able to compete in all respects including quality, price and delivery, but with the exception so far of credit facilities. Finance for exports is therefore a major issue, for although the Export Credits Guarantee Department has improved its cover for exporters, the provision of the actual finance is the real problem. The arrangements which have so far been made to provide finance for periods in excess of five years have touched only the fringe of the problem, and considerably more money will still have to be found if our exports of these goods are not to be hampered.

LONG TERM CREDIT

There is another aspect of the problem to which I would like to draw attention. The provision of long term credit is, of course, an inflationary element in the economy of this country and if undertaken on a large scale could have a serious effect on prices unless there were a corresponding increase in production, and it could be a means by which a foreign country exported its inflation. If the climate of our economy were such as to cause us to save sufficient to finance these exports, or to work sufficiently hard to meet the inflationary element with increased production of goods, nothing but good could be the outcome. We should increase our foreign exchange earnings, both visible and invisible. Experience has taught us, however, that this is not a likely development. On the other hand no country has a bottomless purse. Even the United States is worried about the outflow of gold and dollars, and Germany, since the re-valuation, is faced with falling reserves, and I would think that in the near future most countries will have to view with a little more circumspection the granting of long term credits if, at the same time, they expect the standard of living in their own countries to rise at the present rate. We are all anxious, of course, that development, in the new countries particularly, should continue at a fast rate and that we, in this country, should obtain our share of the relative export business, but we must be careful to see that the ambitions of the importing countries are kept within bounds and that, in particular, in the matter of credit one country is not played off against another. In the meantime this bank will do its utmost to meet demands of this nature which are made upon it.

THE COMMON MARKET

The Common Market overshadows all our scheming and planning and is probably the determining factor in our future prosperity. Federation with Europe, with all its implications of history in reverse, can hardly be other than disturbing to the structure of the Commonwealth, which might lead to the economic drift of some Commonwealth countries towards the United States. Nevertheless our future would appear to be bound up in Europe. Facilitated perhaps by their union, the Common Market countries have, in recent years, enjoyed a high degree of prosperity such as could be expected from a vigorous hard-working people recovering from the devastation of war and equipped, of necessity, with new machinery in modern buildings. That prosperity is now levelling off and my concern is that, having missed participating in the golden age, we shall now open our own markets to the Common Market countries while they are at the height of their enterprise. We cannot, however, undo the past and I feel that we must not jeopardise the long term position by taking a short term view.

I am not pessimistic about the future. Our national character should see us through the many difficulties which face us, the cure for which is the observance of the age-old economic law that we should not spend more than we earn.

The Bank continues to grow and to prosper and for this I would like to express on behalf of myself and of all my colleagues on the Board to Mr Mallory and Mr Upton, the General Managers, to their colleagues on the executive, and to all members of the Bank Staff throughout the Service, our best thanks for their devoted service.

CLYDESDALE AND NORTH OF SCOTLAND BANK

A HIGHLY SATISFACTORY ACHIEVEMENT IN A DIFFICULT YEAR

SIR HAROLD E. YARROW REVIEWS THE ECONOMIC SCENE

The 124th Annual General Meeting of Shareholders of Clydesdale & North of Scotland Bank Limited will be held on February 7th at the Head Office, St Vincent Place, Glasgow.

The following are extracts from the circulated statement of the Chairman, **Sir Harold E. Yarrow, Bt, GBE, LLD:**

Balance Sheet: Our deposits show a decrease of £1,882,551 compared with the position twelve months ago. At that time we had the benefit of substantial temporary balances on accounts which rotate on an annual basis amongst the Scottish banks. I am glad to be able to say, however, that, apart from that special feature and notwithstanding the factors operating against higher bank Deposits, the trend of our Deposits has been steadily upwards.

Our Advances to customers at £68,689,787 have increased by £4,954,199. The steady growth which I reported last year continued in the first half of 1961 and the level of Advances has been higher in the course of the year than it was at the balance date. It will be recognised that Advances fluctuate substantially from day to day but it must be said that since July the level has been affected overall by our endeavours to implement the policy laid down by the Authorities.

Our Net Profit this year shows an increase of £31,972. The Dividend of 20 per cent remains unchanged.

I am sure you will agree that these figures are highly satisfactory, reflecting as they do continued expansion in every department of the Bank's business despite the difficult conditions under which our operations had to be conducted throughout the year. Particularly heartening is a steady increase in the number of our Current Account customers which I am able to report. This is a matter of prime importance because it is to a spread of the "banking habit" that we must look under present conditions for growth in our deposits, and deposits are, of course, the life-blood of our business. It cannot be emphasised too strongly that in Scotland today as elsewhere there is no easier, safer or cheaper method of remitting money than through the banking system.

THE NATIONAL ECONOMY

After commenting on the intensified restrictions on bank lending which the Government imposed last July, Sir Harold said:

Of course the "credit squeeze" applied through the banking system was, as you know, only one of a number of monetary, fiscal and other measures adopted by the Government last July for the purposes which I have already indicated. These measures were successful in their first and immediate objective—the halting and reversing of a formidable flow of funds abroad which stemmed primarily from a lack of confidence in sterling—and the nation's gold and currency reserves have been rebuilt to more reasonable proportions. The increase owes too much for comfort, however, to the attraction of short-term funds through a high interest rate, itself a burden on the economy. These funds are notoriously volatile, and the level of the nation's reserves, on which all else hinges, will continue to be at the mercy of every rumour in the market-place until it rests on the much firmer foundation of a satisfactory balance of payments position. And the substantial and regular surpluses in international trade which that implies can be achieved in one way only, by a large and sustained increase in the volume of exports. Formidable though the task may seem in the present intensely competitive conditions of world trade, it is not, I am convinced, one beyond the ability of the nation to perform. One thing is certain, however; the required increase in overseas shipments will not be realised so long as an inflationary atmosphere, with its constant threat of rising costs and prices, persists. On this score, the Government cannot be criticised for taking steps to limit demand at home. Particularly welcome is its expressed determination henceforth to contain its own expenditure within the resources which seem likely to be available, for excesses in Government expenditure have undoubtedly contributed in no small way to inflation in postwar years. Limitation of domestic consumption, however, will not of itself ensure that the manufacturing capacity and resources thus set free will be diverted to the export effort. There is an ever-present danger that output will at best stagnate and may even fall. This tendency, I feel, could best be countered by a thorough review of the taxation system with a view to the adoption of firm but flexible—possibly even novel—fiscal measures which will encourage the most effective use of all the agents of production and perhaps offer some form of incentive to those who venture into export markets.

In the meantime, the matter is so important and of such urgency that it behoves everyone engaged in industry and commerce to take stock of his position to see whether there is not some contribution or additional effort which he could make. Too many manufacturers have been content for too long to rely on the rewards of an easy, often protected, home market, and too many workers have taken advantage of the blessings of full employment to exact increases in wages not compensated by an increase in output. What is now required is an expansion of production: not at any cost, but at prices as competitive as those of other countries; not of anything, but of the goods in demand in overseas markets.

If I have dwelt at length on the national economy it is not that I am unmindful of Scotland, with which as a bank we are intimately concerned, but rather that I sincerely believe the well-being of the country to be inextricably linked with that of the United Kingdom as a whole. Without minimising them, Scotland's peculiar problems—so ably investigated and reported upon recently by the Toothill Committee—are more likely to be solved and prosperity assured through the re-establishment of a healthy and expanding national economy than in any other way.

THE FUTURE

For the future, there are so many influences at work which could affect the climate of international trade in coming months, some favourably and some adversely, that it is difficult to predict its course even a short way ahead. However, I should like to end on an optimistic note, I do not think it can be overstressed that the country's position is inherently strong and that with resolute action on the part of all concerned it is well placed to surmount whatever difficulties may arise and to take advantage of every opportunity which presents itself.

THE LONDON SCOTTISH AMERICAN TRUST

The 73rd annual general meeting of The London Scottish American Trust Ltd., was held on January 17th in London, **Mr Ion H. T. Garnett-Orme** (the Chairman) presiding.

The following is an extract from the Directors' Report:

During the year, gross interest and dividends from our investments amounted to £365,099 against £343,979 for 1960, which represents an increase of 6 per cent. The proposed final deferred dividend of 11½ per cent would make a total of 18½ per cent against 17½ per cent for last year, the interim having been increased from 6 per cent to 7 per cent, before the Chancellor of the Exchequer made his request for restriction of dividends.

We consider the capital performance of our investments over the year to have been satisfactory. Our dollar holdings have increased in value very considerably, whereas our sterling investments have marginally declined—it is this and not a transfer of funds which accounts for the fact that, based on market value, the proportion of our funds held in North America has increased from 35 per cent to 42 per cent.

In the last Accounts, we reported that our net income had risen by 13 per cent which compares with an increase of 6 per cent for the year under review. In general, the continuing trend is for industrial companies in the United Kingdom to report declining profits and, in some cases, to reduce dividends. In our own case, increases in dividends from dollar holdings should balance any likely decrease in sterling.

The report was adopted.

Copy for the insertion of Company Meeting reports must reach this office not later than Wednesday of each week and should be addressed to:

The Company Meetings Department,
The Economist,
22, Ryder Street, S.W.1.

R. A. LISTER & CO., LIMITED

DISTRIBUTORS IN OVER 100 COUNTRIES

INCREASE IN PROFITS

The Annual General Meeting of R. A. Lister & Co. Limited was held on January 15th at Dursley. **Sir Percy Lister,** the Chairman, who presided, said: I am pleased to say that despite the difficult trading conditions our turnover was again a record. Our profit margins are lower but we have accomplished a slight increase in net profit. This has enabled us to plough back into the business approximately £250,000 by way of retained profits.

Turning to the Consolidated Balance Sheet you will see that there have been no great changes in the overall position since last year. There has, however, been a substantial increase in stocks from £4,800,000 to £5,600,000. This is due to the increased production flow and turnover.

IMPROVED RESULTS

For these improved results our thanks are to no small extent due to our well established Distributors in over one hundred countries including your own Subsidiary and Associated Companies as outlined on page two of the Report before you covering as they do some of the most important markets.

NEW PRODUCTS

During the year under review new additions have been made to the range of your well-known Diesel Engines whose application and usage for the supply of economic and reliable power continues to expand.

LISTER PORTABLE MOISTURE EXTRACTION UNIT

The demand for "Lister Portable Moisture Extraction Units" has exceeded expectations. Farmers have now been able to prove for themselves that hay can be made possessing the highest nutritional value more economically, and all their cereal and seed crops can be dried on the farm whatever the weather.

During 1961 there have been substantial extensions to your factories and production facilities at your four main Plants in Gloucestershire, Wiltshire and Lincolnshire.

LISTER-BLACKSTONE MARINE ENGINES

Despite the recession in world shipbuilding, your Marine Company has enjoyed another record year and have supplied their engines to the Admiralty and Foreign Navies, Ocean-going Liners and cargo vessels and a wide range of fishing craft. Lister Diesel Engines are being increasingly specified for pleasure craft because of reduced fire risks and their reliability.

The keen price competition emanating from Europe and Japan coupled with the growing tendency for protected production in many overseas markets will necessitate the continual study of production and selling costs if Britain's share of the world trade is to be maintained or increased.

The results to which I have referred reflect the efforts of all those in your employ both at home and overseas and on your behalf I would like to convey our thanks and appreciation for their loyal and invaluable co-operation. The report and accounts were adopted.

ALEXANDERS DISCOUNT COMPANY LIMITED

PROFITABILITY SUBSTANTIALLY MAINTAINED

The ninety-fourth Annual General Meeting of Alexanders Discount Company Limited will be held on February 8th in London.

The following is the circulated statement of the Chairman, **Mr John P. R. Glyn:**

During the year Sir Eric Gore Browne decided to relinquish the Chairmanship after 11 years. I know you will wish me to thank him for his devoted attention to the Company's affairs during this period. I am glad to say Sir Eric will continue to serve as a Director. Your Board appointed me Chairman and Mr Daniel Meinertzhagen Deputy Chairman.

For the first seven months of the year under review Bank Rate remained at 5 per cent. It was raised to 7 per cent on July 26th. On October 5th and again on November 2nd reductions of ½ per cent were made. With these events therefore I am glad to report that we have been able substantially to maintain the Company's profitability notwithstanding the net increase in Bank Rate of from 5 per cent to 6 per cent as between January 1, 1961, and the end of the year.

A final dividend of 7½ per cent is proposed for your approval, which together with an interim dividend of 2½ per cent will repeat last year's distribution of 10 per cent on the Company's ordinary capital.

You will see from the accompanying figures that the total holdings of Bonds and Bills have both been increased. Our Commercial Bill turnover has again shown a satisfactory rise.

An important factor in the justification for the London Discount Market is its ability to provide the maximum amount of flexibility in the handling of some of the varied financial transactions which take place in London. As a Market we must take all steps possible to provide this flexibility, the need for which will grow in the event of Britain's entry into the Common Market.

During the year I had an opportunity of seeing how the Money Market was developing in Australia. Despite a measure of control by the Authorities which we in London would find irksome, all the interested parties were unanimous in agreeing that the Market's development was facilitating short term money transactions in Sydney and Melbourne. It is satisfactory that some of the advantages which the Discount Market provides in London have been found worth while in Australia.

Much of the business of your Company is based on close personal contacts with our friends and customers, and the thanks of the Board and shareholders are due to Mr Dawkins and his staff for their unfailing and successful efforts in this respect. Our thanks, as always, are also due to all the Banks for their help throughout the year.

ALEXANDERS DISCOUNT COMPANY LIMITED

Statement of Accounts, December 31, 1961

LIABILITIES

	£	£
Authorised Capital:—		
100,000 Preference Shares of £2 each and 2,400,000 Ordinary Shares of £1 each		2,600,000
Issued Capital:—		
100,000 £2 6% Cumulative Preference Shares, fully paid		200,000
2,400,000 £1 Ordinary Shares, fully paid		2,400,000
		2,600,000
Share Premium Account	533,750	
General Reserve	1,366,250	
Profit and Loss Account	282,966	
		2,282,966
		4,882,966
Loans, Deposits, Sundry Creditors and Contingency Account (including liabilities of £137,248,514 secured on certain assets per contra)		138,103,687
Final Dividends (*less* Tax) recommended		113,925
		£143,100,578

Notes:—
1. Securities are included at cost or market value, whichever is the lower.
2. There is a contingent liability in respect of Bills Rediscounted, excluding Treasury Bills, of £11,627,450 (1960 £7,161,925).
3. Taxation recoverable to date has been included in these accounts.

ASSETS

	£
Balances at Bankers and Cash in Hand	770,568
Bills Discounted (*less* Provision for Rebate)	91,969,860
British Government Securities (Quoted)	48,526,713
Corporation and Dominion Government Securities (Quoted)	320,186
Loans on Security and Amounts Receivable	1,513,251
	£143,100,578

24, LOMBARD STREET, LONDON, E.C.3.

LANCASHIRE COTTON CORPORATION LIMITED

TRADING CONDITIONS HAMPERED BY LARGE IMPORTS

The thirty-third Annual General Meeting of the Lancashire Cotton Corporation Limited will be held in Manchester on February 15th. The following are extracts from the statement of **Mr R. M. Lee,** the Chairman, as circulated with the Report and Accounts for the year ended October 31, 1961:

The Group Trading Profit for the year is £3,353,531 compared with £3,761,879 last year The reduction in the level of profits is due to the unfavourable trading conditions which prevailed in the cotton textile industry during the second half of our financial year, to which reference is made below.

The Board has decided to allocate £200,000 to General Reserve and recommends a final dividend of 17½ per cent, *less* tax, on the Ordinary Stock, which is the same as last year, and with the interim dividend of 7½ per cent, *less* tax, paid in July gives a total of 25 per cent, *less* tax, for the year. The amount carried forward is £1,420,285 of which £525,647 is retained in the accounts of the subsidiaries.

Capital Expenditure of the Corporation (excluding subsidiaries) amounted to £1,560,000 and commitments outstanding at October 31st totalled £1,252,000. The major part of this expenditure will rank for a grant under the Cotton Industry Act 1959. No credit has been taken for these grants which we hope to receive, and any sums received will in due course be credited to our asset accounts. This expenditure is in accord with the policy which we have consistently followed of spending substantial sums in modernising our plant and equipment.

TRADING CONDITIONS

When I made my statement to you last year, I expressed concern about the volume of imports from countries with low wage standards and from others who, having disposed of their normal production in a stable home market, were willing to sell for export at lower prices the products of a second or third shift. Unfortunately these imports continued in increasing quantities.

Undoubtedly buyers over-emphasised their fears of shortages of goods following the closures which took place under the Redundancy Scheme. Orders were placed for very lengthy delivery and supplies were sought overseas.

Naturally the industry has continued to make representations to H.M. Government on the subject of these imports. Although the authorities have given help during the year I must state clearly that the help which has been received has always been too little and too late to be effective in promoting a healthy industry. In consequence capacity has continued to shrink even after the vast elimination accomplished by the Redundancy Scheme, and orderly planned production has been disrupted with unfortunate results on the regularity of employment and the efficient lowering of costs.

It is no doubt necessary and desirable for the Western World to assist Asiatic countries and others emerging as industrial nations, by importing some of their manufactured goods, but undue concentration on particular products is not in the interests of the countries exporting or of those receiving these goods. Moreover, the burden of helping those countries to develop should certainly be spread not only over a wide range of goods, but also it should be shared by all the countries of the Western World.

If the United Kingdom enters the Common Market, this industry will encounter very keen competition from European sources. So long as this is fair competition, we welcome it and do not fear it. But we cannot prevail if at the same time a large part of our home market is to be reserved for Asiatic cotton textiles produced under low living standards. We hope and expect that our Government will in the negotiations see that a fair share of these imports is taken by other nations in the Western World. If arrangements can be made for this to be done, then we have no doubt that the British Cotton Industry will meet the challenge and continue to play an important and vigorous part in the British economy, producing with high standards of efficiency and providing employment under good working conditions for a large number of people.

SUBSIDIARY COMPANIES

During the year under review we acquired all the capital of three new groups, namely Wm. Hutchinson (Yarns) Ltd., H. Rhodes & Bros. Ltd. and William Pearson & Company (Leeds) Ltd.

Wm. Hutchinson (Yarns) Ltd. has itself three subsidiary companies, namely Holybrook Dyeing Company Ltd., Sidgwick Silks Ltd. and Charlotte Fabrics Ltd., and is engaged in the production of fancy worsted and doubled yarns for the worsted, woollen and furnishing industries, and also specialises in producing exclusive high-fashion hand knitting yarns. Sidgwick Silks Ltd. produces brocade and ladies' evening wear materials, and are renowned for their design and production of wedding dress materials.

H. Rhodes & Bros. Ltd. has one subsidiary, Yorkshire Broadcloth Ltd., and these companies and William Pearson & Company (Leeds) Ltd. are engaged in the woollen industry, spinning, weaving and finishing fine cloths for the ladies' woollen apparel trade. The results of all these companies since acquisition are gratifying.

Flowers Breweries Limited



The Consolidated Accounts of the Group for the year ended 30th September, 1961 showed:

	1961	1960
	£	£
GROUP PROFIT PRIOR TO TAXATION	1,410,925	1,336,942
TOTAL DIVIDENDS	347,536	323,036
DIVIDEND OUT OF PROFIT ON SALE OF TRADE INVESTMENTS	—	40,000
ISSUED ORDINARY CAPITAL	4,000,000	4,000,000
CAPITAL RESERVES	4,751,412	4,767,647
REVENUE RESERVES	2,320,461	1,997,527

The Sixty-fourth Annual General Meeting of Flowers Breweries Limited *was held on January 15 in London, Sir Fordham Flower, the Chairman, presiding.*

The following are points from his statement:—

Rising costs have tended to narrow our margin of profit but against this can be reported further increases in the sales of Flowers Keg Bitter and a substantial rise in the sales of our premier bottled beer, Brewmaster.

Group profit before tax shows an increase of £74,000 at £1,411,000. Profits after tax are £660,000 compared with £721,000. The Board recommends a final dividend of 8 per cent. making a total of 12 per cent. for the year.

A reciprocal trade agreement has been entered into with Tennant Brothers Limited of Sheffield under which Tennant's "Gold Label" Barley Wine will be made available to our customers when supplies permit, and Tennants will stock Flowers Keg Bitter in a substantial number of their tied houses and supply it to their free trade customers.

Considerable redevelopment of the Luton Brewery is in progress and plans for further major improvements are being considered.

Very substantial sums have been expended on our properties during the year, and, with the opening of three new public houses, the group now owns 1,125 licensed premises.

Our Off-Licence company, Thresher & Company Limited, continues to expand its trade and shows a steady increase in profitability.

The report and accounts were adopted.

BROOM & WADE LTD.

CONFIDENCE JUSTIFIED

The Twenty-seventh Annual General Meeting of Broom & Wade Limited was held on January 17th at High Wycombe, **Mr H. S. "Dick" Broom, MBE, BSc, MIMechE,** chairman and joint managing director, presiding.

The following are extracts from his circulated statement:

Last year I said that we looked forward with confidence, and while our consolidated profits for this year at £971,637 are lower than those for last year, they still show that our confidence was justified. Your Board consider the results adequate to justify their recommending a final dividend of 17½ per cent which, with the interim of 5 per cent, makes 22½ per cent for the year on the old capital: the same as for last year and as forecast when the Rights Issue was made. The overall financial position of the Company is one of considerable strength.

Whereas last year we achieved a record profit, this year we have a record turnover and it is a matter of regret that it has not resulted in a higher profit. Here I must emphasise that we are feeling the pressure of increased costs and consequent smaller margins. During the year we have had the full effect of the reduced working week, the wage award granted in January, and though small as yet, the cost of the National Graduated Pension Scheme. All have to be paid for, particularly in the price of purchased materials, and despite our unceasing efforts for greater efficiency to counteract the effects of these higher costs, there is a point when they must break through. We shall, however, continue our efforts to nullify increased basic costs by still further improving production efficiency, and by increasing the volume of sales at home and abroad maintain the over-all profitability of the Company.

EXPORTS

Turning to exports and our Commonwealth companies in particular, I do not think it is sufficiently well understood that trading is not made any easier by, first, the credit restrictions imposed by Commonwealth governments, and second, the Customs difficulties placed in the path of U.K. exporters. However, this Company has always had to face up to market changes—for instance, India, which at one time was our greatest export market, is now manufacturing under licence—but by adjustment and change of direction we have been able to make up for falls in one market by increased exports to another. Consequently, we look forward to this country's entry into the Common Market; without the advantage of membership, the results of our Belgian company's activities give us reason to believe that when this Market is open to us we shall be able to improve on our export performance of the past years.

We start the year with an order book which is less than that of a year ago, but it is still very satisfactory and we feel sure that by improvement of product, competitive prices, and by our being in a financial position to meet credit competition, we shall more than maintain it. Another move to improve our sales penetration into all areas of the world is the placing of larger and better service stocks from which we shall be able to give prompter delivery of spare parts.

The report was adopted.

This announcement appears as a matter of record only.

NEW ISSUE

$12,000,000

Republic of Austria

Notes Due December 1, 1964-1969

The undersigned acted as agents for the Republic of Austria in arranging the placement of these Notes with certain banks and institutional investors.

Kuhn, Loeb & Co.
Incorporated

Ladenburg, Thalmann & Co.

New York, N. Y., January 17, 1962

THE SOUTH BRITISH INSURANCE COMPANY LIMITED

(Incorporated in New Zealand)

REPORT OF THE CHAIRMAN, MR KENNETH B. MYERS, MBE

The annual general meeting of The South British Insurance Company Limited was held on November 30th at the Head Office of the Company, Auckland, New Zealand.

Mr Kenneth B. Myers, MBE, the chairman, in the course of his address, said:

REVENUE ACCOUNTS

All the companies in the Group continued to expand and total premium income was in excess of £13 million.

The overall loss ratio of 56 per cent is an increase of less than one per cent and can still be considered satisfactory.

Expenses were at a much higher level than we are accustomed to see. Measures taken during the year to expand into territories where formerly we had little or no business are partly responsible and there are already encouraging indications that some of these ventures will prove well worth while. With the Group provision for unexpired risks £1,400,000 higher, there was an overall underwriting profit of £728,943 which is more than £100,000 better than the previous year.

PROFIT AND LOSS ACCOUNT

The net Group income from investments at £799,660 exceeded the previous year's figure by over £125,000.

After deducting interests of outside shareholders the net profit for the Group increased by £183,000 to £1,381,740.

DIVIDEND

An interim dividend of 9d. per share was paid last April and the Directors recommend a final dividend of 9d. making 1s. 6d. per share for the year.

THE UNITED INSURANCE COMPANY LIMITED

The Company now holds 100 per cent of the issued capital of The United Insurance Company Limited. A great deal has already been achieved in arriving at a degree of integration in Australia, New Zealand and the United Kingdom. By this means a better service will be available to the policyholders of both Companies as well as providing increased opportunities for further growth.

NEW ZEALAND AND AUSTRALIA

You will be aware that the Company acts as Managers in New Zealand for the Fire and General Insurance subsidiary of the AMP Society and that the United acts in the same capacity in Australia. Both these subsidiaries of the AMP had a successful year and we continue to enjoy a very happy relationship with the AMP Society.

UNITED KINGDOM

The vigorous expansion programme inaugurated some three years ago in the United Kingdom is beginning to show results in a rapidly increasing premium income.

The report and accounts were adopted.

COMPANY AFFAIRS

Equities in the London stock market have shown no decided trend, but there have been sufficient buyers about to push The Economist *indicator up by 2.6 points to 364.4 in the week to Wednesday. The main feature in the gilt-edged market has been the ending of the government "tap" in the 5½ per cent Treasury 2008-12 stock. In equities, interest in Courtaulds and ICI reached a climax on Thursday when gains were recorded over a wide range of shares. Property shares have been weakened by rumours of building controls although Samuel Properties got off to a good start on Monday. There are signs that shares in the capital goods sectors are coming back into favour, with both Vickers and John Brown showing useful gains.*

Bass, Mitchells and Butlers

On an indicated dividend of 11 per cent, the 5s. shares of Bass, Mitchells and Butlers at 15s. 1½d. yield 3.6 per cent, covered 2.3 times. As the final dividend was kept down in deference to the Chancellor, the prospective return is certainly higher. The stock market puts BM & B among the leaders of the brewing industry, as is justified, first by the latest results and secondly by the indications that the chairman, Sir James Grigg, gives of the way in which the group intends to extract the fullest benefits from the merger. Essentially, this is an alliance between a regional brewer, Mitchells and Butlers, based on the Midlands and South Wales, and a national brewer, Bass, which has big sales in the free trade and other brewers' outlets and which can run its own scattered chain of public houses economically by making deliveries to them at the same time as to free trade outlets. Both sides of the alliance did well in the year to September 30th, contributing in "roughly similar proportions" to the 16.8 per cent increase in gross profits from £7.4 million to £8.7 million.

This was a bigger increase than many other brewers secured and it forms a good base for reaping the benefits of rationalisation—supported, too, by the holding of quick assets of nearly £9 million, against outstanding capital commitments of about £2½ million. The new financial year began well, with BM & B earning higher profits, but more recently the increase in beer prices and the wages pause have had an effect on sales. The real prospect for higher profits depends on securing quick economies from the merger. A comprehensive survey of production by outside experts is now in progress; the two companies' new capital installations are working well; and Bass is shifting the emphasis away from naturally conditioned bottled beers towards "all bright," pasteurised bottled beers and container draught, the demand for which appears to be outstripping capacity. The group is keeping abreast of the developments in continuous brewing. In distribution, closer integration is possible on the basis of regional depots and in some areas there is a possibility of selling or redeveloping public houses. Finally since the merger ties up more retail outlets, it enhances the group's bargaining strength with other brewers. BM & B will be one of the big seven or eight in brewing, a place that Bass or Mitchells and Butlers alone would have found it difficult to hold.

United Breweries

Following two years of rapid expansion, many shareholders in United Breweries must be wondering where the group is heading. It is trying to promote the sales of such brands as Carling lager, Jubilee Stout and Piper export ale on a national level; but so far it has not secured a national chain of retail outlets for these beers. At this week's annual meeting the retiring chairman, Mr H. L. Bradfer-Lawrence, told shareholders that "the strategy of our further development in the future is under continuous review" and there can be little doubt that the company is looking southwards to gain more outlets. Mr E. P. Taylor, the Canadian brewer, who has been the propelling force behind United Breweries' rapid growth, is succeeding Mr Bradfer-Lawrence as chairman and clearly he is hoping to extend the UB empire through further trading agreements and acquisitions. With the other brewers tightening their hold on trading areas, this can be a costly process, not least in financing; this is reflected in the low yields offered by most stocks with take-over prospects in the brewing industry.

In the first quarter of the current year United Breweries' trade showed a "satisfactory increase," but there are now signs that the price increases in the summer have begun to affect the sale of higher priced beers, though Piper ale is doing particularly well. The current year should produce further benefits from the internal reorganisation of the group. Its latest acquisition is Hewitt Brothers of Grimsby, where acceptances of UB's offer now amount to over 90 per cent of the ordinary shares. Part of the offer price was in a 6½ per cent convertible loan stock and in early dealings this week the price of this stock rose sharply to 112, which is 13 points above the minimum cash price guaranteed to Hewitt shareholders by Philip Hill, Higginson, Erlangers. It is to be hoped that shareholders waited until dealings began before disposing of their stock. At this level the initial conversion price in 1964 and 1965 is 16s. 3d., against a current price of 14s. at which the 5s. shares yield 4½ per cent. On this basis there are obvious attractions in the convertible stock, which is standing only 11 points above United Breweries' recently issued debenture, which had the same coupon but a slightly longer life.

Granada

Mr Sidney Bernstein, the chairman of the Granada Group, makes no forecast about profits in the current year, but the tone of his statement is generally optimistic. The group may do as well as in the year to September 30th last, when a trading surplus of £6.9 million (against £2.7 million) and a net profit of £2.9 million (against £1 million) were earned. It might, indeed, do better. Nine months of 1960-61 fell after the expiry of the networking agreement with Associated-Rediffusion; 1961-62 will be entirely free of this drain on profits. So far, the Equity strike has added to Granada's profits, as fees and costs of producing television programmes have been reduced; but if the strike drags on it could have an effect on advertising revenue. Television provides the major (but unspecified) part of Granada's profits; the 49 cinemas, the cafés and the shops owned by the group had a better year—the decline in attendances at Granada's cinemas was again less than the national average and Mr Bernstein feels that a stabilisation point may be in sight. But for the Chancellor's request, the directors would have paid more than 90 per cent for 1960-61, covered nearly 2½ times, and there must be a good chance that the 1961-62 dividend will be higher.

The return that Granada earns on its employed capital is remarkably high, at 88 per cent gross, but the yield on the non-voting "A" shares, at 55s., is still as much as 8.2 per cent. This return reflects the fear that profits from commercial television will not be so fat after the licensing agreements expire in 1964. Granada, like the other contractors, has to prepare for this possibility. It has interests in relay services and in one system of pay-television; it hopes to expand its activities in electronics; and recently it acquired a ten per cent holding in J. A. and P. Holland, the confectionery manufacturers. There is a clear indication that Granada may cast its net beyond entertainment, for Mr Bernstein declares that the group is willing to participate in suitable property developments and sees no reason why development should be limited in future to the entertainment business. The directors are clearly thinking ahead. They are also proposing that options on up to 100,000 "A" shares should be made available to executives of the company, but not to themselves.

Company Affairs continued on page 278

STOCK PRICES

Prices, 1961/62 High	Low	BRITISH FUNDS AND GUARANTEED STOCKS	Price, Jan. 10, 1962	Price, Jan. 17, 1962	Net Red. Yield, Jan. 17, 1962§	Gross Red. Yield, Jan. 17, 1962
					£ s. d.	£ s. d.
92½	88⅞	Savings Bonds 3% 1955–65	90 9/16	91 3/16	4 11 5	5 15 6
100 5/32	99	Convers. 4½% 1962	99-18-9	99-19-0	5 3 11	5 6 11
99⅛	97¼	Convers. 4½% ..... Ass'd. (m)	97¼ᵉ	97¼ᵉ	3 19 7	6 6 4
96⅞	93¾	Exchequer 3% 1962–63	96 1/32	96⅝	4 5 2	5 10 8
101 5/16	98⅛	Treasury 5½%	100 1/32	100 1/32	2 7 8	4 19 5
93 25/32	90¼	Exchequer 2½% 1963–64	93 7/16	93 21/32	4 7 3	5 9 1
99 19/32	96⅜	Conversion 4½% 1963	98 23/32	98⅞	3 12 2	5 11 10
98 9/32	94½	Conversion 4½% 1964	97 3/16	97⅛	3 15 1	5 13 4
101 5/16	96	Exchequer 5½% 1966	98 7/32	98 13/32	3 11 11	5 18 10
83⅛	78 3/16	Funding 3% 1959–69	82¾	82 13/16	4 14 7	6 1 8
89¾	84⅛	Funding 4% 1960–90	89	89 3/16	4 13 3	5 5 4
80½	74⅝	Savings Bonds 3½% 1960–70	80	80¼	4 15 3	6 3 3
85¼	80¾	Savings Bonds 2½% 1964–67	85 1/16	85¼	4 16 0	5 18 3
72 11/16	66¼	Savings Bonds 3% 1965–75	70 9/16ᵉ	70 5/8ᵉ	4 15 11	6 4 3
84 11/16	78⅞	Funding 3% 1966–68	83⅜ᵉ	83 5/8ᵉ	4 15 6	6 1 1
86¼	80¼	Conversion 3½% 1969	86 1/16	86 3/16	4 11 7	6 3 4
97½	92½	Victory 4% 1920–76	93 15/16	93 15/16	3 10 4	5 5 0‡
93 9/16	87	Conversion 5% 1921	96 1/16ᵉ	96 7/8ᵉ	4 4 11	6 6 0
95 15/16	88½	Conversion 5½% 1974	92 3/16	92¼	4 1 0	6 4 3
73⅛	66	Treasury 3½% 1977–80	69¾	69¾	4 12 4	6 6 9
72¼	65	Treasury 3½% 1979–81	68⅝ᵉ	68¾ᵉ	4 12 3	6 6 8
97 9/16	88½	Funding 5½% 1982–84	90¼ᵉ	90¼ᵉ	4 0 11	6 6 8
59½	51½	Redemption 3% 1986–96	54½	54⅝	4 8 11	6 6 0
88⅛	79¼	Treasury 5% 1986–89	82¾	84	4 3 0	6 8 5
63 1/16	55	Funding 3½% 1999–2004	57 7/16ᵉ	57 9/16	4 6 10	6 8 8
94⅝	81⅝	Treasury 5½% 2008–12	85⅛	85¾	4 1 11	6 12 4
65⅜	56½	Consols 4% ..... after Feb. 1957	59⅜ᵉ	59¼ᵉ	4 2 7	6 14 8
59¼	50½	War Loan 3½% ..... after 1952	53⅛	53	4 1 4	6 13 3
59	50½	Conv. 3½% ..... after Apr. 1961	53⅛	53⅛	4 1 7	6 14 3
50⅞	43¼	Treasury 3% ..... after Apr. 1966	45⅞	45¾	4 1 3	6 13 8
44	36½	Consols 2½%	38 9/16	38⅝	3 19 6	6 10 9
43½	36½	Treasury 2½% ..... after Apr. 1975	38⅛	38⅛	4 0 6	6 12 6
91⅞	85¾	British Electric 4½% 1967–69	90⅜ᵉ	90⅜ᵉ	4 5 11	6 2 7
75 11/16	70⅛	British Electric 3% 1968–73	74⅞	74⅞	4 16 8	6 5 5
70⅝	64½	British Electric 3% 1974–77	69⅛	69 9/16	4 14 8	6 4 10
81⅞	74⅞	British Electric 4¼% 1974–79	79 5/16	80 1/16	4 5 10	6 5 2
73½	67	British Electric 3½% 1976–79	70¾	70 13/16	4 11 10	6 6 2
84⅞	78¾	British Gas 4% 1969–72	82¾ᵉ	82 13/16ᵉ	4 10 0	6 6 4
82	76	British Gas 3½% 1969–71	81 1/16	81¾	4 12 3	6 6 5
59⅜	51¾	British Gas 3% 1990–95	54⅜	54¾	4 9 11	6 6 5
75 7/16	70⅛	British Transport 3% 1968–73	74⅞	74⅞	4 16 8	6 5 5
80⅞	74	British Transport 4% 1972–77	77⅝	77 11/16	4 8 9	6 5 4
61 7/16	53¾	British Transport 3% 1978–88	57 1/16	57½	4 13 1	6 7 0

Prices, 1961/62 High	Low	DOMINION AND CORPORATION STOCKS	Price, Jan. 10, 1962	Price, Jan. 17, 1962	Red. Yield, Jan. 17, 1962
					£ s. d.
82¼	76½	Australia 3½% 1965–69	79¾ᵉ	79⅞	6 12 0
101	93¾	Australia 6% 1974–76	97½	97½	6 7 0
72½	64½	Ceylon 4% 1973–75	66	65½	8 10 0
101¼	92¾	New Zealand 6% 1976–80	95⅞	96	6 11 0
80½	70½	Rhodesia and Nyasaland 6% 1978–81	75	75	8 12 0
82¼	73	South Africa 3½% 1965–67	82¼	82¼	7 15 0
59	53½	Southern Rhodesia 4½% 1987–92	56¼ᵉ	56½	6 9 0
84⅝	76½	Agricultural Mortgage 5% 1959–89	78	78½	6 12 0
89	82¼	Birmingham 4½% 1967–70	86	86	6 6 0
92¾	86½	Bristol 5% 1971–73	89¼	89¼	6 6 0
93	86½	Corporation of London 5½% 1976–79	88	88½	6 8 0
48¾	41	L.C.C. 3% ..... after 1920	44	44⅛	6 16 0
89⅛	80¾	L.C.C. 5% 1980–83	84¼	84⅜	6 9 0
93	84¼	Middlesex 5½% 1980	88½	88¾	6 9 0

NEW YORK PRICES AND INDICES

	Jan. 10 $	Jan. 17 $		Jan. 10 $	Jan. 17 $		Jan. 10 $	Jan. 17 $
Atch. Topeka	27	27⅜	Boeing	49¾	50⅜	Int. Harvester	51½	52½
Can. Pacific	25¾	25⅛	Celanese	35⅜	35¾	Inter. Nickel	83½	79
Pennsylvania	18⅛	17⅛	Chrysler	51½	51⅜	Inter. Paper	34⅞	33¾
Union Pacific	33½	33⅜	Col. Palmolive	51½	49½	Kennecott	84¾	84¼
Amer. Electric	66	65⅞	Crown Zeller	56⅞	56⅜	Monsanto	49	47⅜
Am. Tel. & Tel.	131⅞	130	Distillers Seag.	43	44⅞	Nat. Distillers	27⅞	28⅛
Cons. Edison	79	79	Douglas	33	34	Pan-American	21⅛	22⅜
Int. Tel. & Tel.	54⅞	54¾	Dow Chemical	70¾	68⅜	Procter Gamble	86⅛	83
South'n. Nat. Gas	46	46⅛	Du Pont	228⅛	230½	Radio Corpn.	53¼	51⅞
United Corpn.	8⅛	8½	East. Kodak	107¾	103½	Sears Roebuck	77	77⅛
Western Union	39½	38⅜	Ford Motor	110¾	104⅞	Shell Oil	38½	37
Alcoa	63⅞	60	Gen. Electric	71⅞	70¾	Socony-Mobil	50⅛	52
Aluminium	27⅛	26⅞	General Foods	91	89⅞	Stand. Oil Ind.	54½	53⅜
Amer. Can	43½	44⅛	General Motors	54⅞	53½	Stand. Oil N.J.	49¾	50⅛
Am. Smelting	59⅜	59½	Goodyear	43	43⅛	Union Carbide	117½	117½
Am. Viscose	53⅛	54½	Gulf Oil	38⅞	38⅝	U.S. Steel	76½	74⅞
Anaconda	51	51	Heinz	60	63¼	West. Electric	36⅝	36½
Beth. Steel	42	40⅞	Int. Bus. Mach.	557	551½	Woolworth	88	89¾

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

1961/62	425 Industrials	Yield %	25 Rails	Yield %	50 Utilities	Yield %	Govt. Bonds	Yield %
Dec. 20	75·22	2·81	32·39	4·98	64·85	3·08	87·57	4·12
„ 27	75·93	2·78	33·09	4·88	64·21	3·11	87·67	4·11
Jan. 3	75·22	2·81	34·10	4·73	64·40	3·10	87·67	4·11
„ 10	72·88	2·90	33·84	4·77	62·54	3·19	87·87	4·09
„ 17	72·16	2·93	33·78	4·78	62·13	3·21	87·57	4·12

425 Industrials :—High, 76·69 (Dec. 12, 1961). Low, 60·87 (Jan. 3, 1961).

Prices, 1961/62 High	Low		Last Two Dividends (a) (b) (c)		ORDINARY STOCKS	Price, Jan. 10, 1962	Price, Jan. 17, 1962	Yield, Jan. 17, 1962	Cover
			%	%					
90/6	64/–		6⅓ a	6⅓ b	**BANKS, DISCOUNT & HP**				
100/3	74/3		8 a	8 b	Barclays £1	87/9	89/6ᵉ	2·91	...
80/–	58/7½		5 a	6 b	District £1	97/9	96/–ᵉ	3·33	...
26/4½	18/7½		7 a	8 b	Lloyds £1	74/3	72/6ᵉ	3·03	...
94/6	67/3		7⅛ a	7½ b	Martins £1	87/9	88/6ᵉ	3·39ᵉᵉ	...
97/3	73/–		7 a	7 b	Midland £1	87/9	88/6ᵉ	3·39ᵉᵉ	...
95/6	58/9		6⅔ a	7 11/12 b	Nat. Provincial £1	91/9	92/6ᵉ	3·03	...
44/9	35/3		4 a	8 b	Westminster 'B' £1	87/6	87/–ᵉ	3·36	...
52/–	41/–		6 b	4 a	Australia & N.Z. ..... £1 p.p.	42/6	44/–	5·45	...
£25 15/16	£23 13/16		$2·05c	$2·05c	Bk. Lond. & S. Amer. ..£1	46/9	45/–	4·44	...
303	251/4		8 c	9 c	Bank of Montreal $10	£25 1/16	£24 11/16	2·83	...
44/9	31/9		10 c	5 a	Bank of New S. Wales £20	273/4	271/8ᵉ	5·24g	...
60/71/2	46/71/2		7½ b	7½	Barclays D.C.O. £1	36/9	36/3	5·52	...
£21	£14 5/8		5/– a	10/– b	Chartered £1	53/6	53/3	5·63	...
70/3	49/9		7½ a	9 b	Hongk'g. & Shang. $25	£18½	£19¾	3·80	...
29 11/16	£25 15/16	$2·37½c	$2·37½c	$2·37½c	Nat. Com. Bk. Scot. ..10/–	57/3	56/6	2·92	...
£29 3/16	£25 15/16	$2·37½c	$2·37½c	$2·37½c	Royal Bk. Canada $10	£28 3/16	£28 1/16	2·87	...
41/6	32/–		10 b	5 a	Stand. Bk. S. Africa ..£1	38/9ᵉ	39/3	7·64	...
165/–	95/–		22½ c	22½ c	Hambros ..... £1 f.p.	157/6	162/6	2·77	...
91/6	59/6		5 b	2½ a	Schroders £1	89/–	91/6	1·64	...
60/6	45/6		6¼ a	6¼ b	Union Discount £1	53/3	53/6ᵉ	4·67	...
29/4½	12/3		18 c	Nil a	Bowmaker 5/–	13/7½	13/6	...	1·4
23/6	11/9		19 c	5 a	Lombard Banking 5/–	14/3	13/9	...	1
21/9	12/9		5 a	2½ b	Mercantile Credit 5/–	14/10½ᵉ	15/11½	2·48	...
52/6	33/–		22½ b	4 a	United Domins. Tst. ..5/–	39/–	41/4½	3·20	3·4
					BREWERIES, Etc.				
15/4½	11/–		...	...	Bass, M. & B. 5/–	15/–ᵉ	15/–	3·67ᵉᵉ	2·4
41/11½	31/–		8½ b	6 a	Distillers 10/–	37/4½	37/10½	3·83	2
26/9	13/–		4 a	8 b	Flowers 5/–	18/6	19/3	3·12	2
60/6	48/3		8 a	14 b	Guinness 10/–	49/–	48/6	4·54	13·4
15/4½	12/–		...	...	Ind Coope T.A. 5/–	14/10½	15/3	3·93ᵉᵉ	...
108/9	76/9		6 a	12 b	Watney Mann £1	105/9ᵉ	106/3	3·39	2
37/9	26/–		27 c	9 a	Whitbread 'A' 5/–	35/6	34/9	3·88	13·4
					BUILDING, PAINT, Etc.				
64/–	44 10½		5½ b	3 a	Associated Portland ..£1	56/–	55/–	3·03	2·2
28/11½	19 10½		7¼ b	4 a	British Plaster Bd. ..10/–	22/7½	22/7½	5·52	2·4
26/10½	15/6		10 b	6 a	Richard Costain 5/–	17/7½	16/10½	4·74	2·8
18/6	10/–		6 a	14 b	International Paints ..4/–	12/–	11/6	6·96	1·3
66/9	40/6		21⅞ c	25 c	Roughy Portland 5/–	57/6	57/9	2·16	3·1
167/11½	118/6		7½ a	17½ b	Wall Paper Defd. £1	133/3	132/9	3·77	2·4
					CHEMICAL				
29/3	20/3		14 b	6 a	Albright & Wilson ..5/–	22/9	22/7½	4·42	2·2
22/–	14 10½		11½ c	4 a	Borax Defd. 5/–	16/7½	17/3	3·33	3
58/9	30/7½		7 b	4 a	Fisons £1	36/3	34/6	6·38	1½
81/6	54/6		7½ b	6¼ a	I C I £1	57/6	57 10½	4·75	2
26/10½	14/6		10 b	5 a	Monsanto 5/–	16/6	16/6	4·55	2·2
					DRAPERY & STORES				
36/–	24/–		8 b	4 a	Boots Pure Drug 5/–	29/6	29/6	2·03	2·4
107/–	58/6		7½ a	20 b	Montague Burton 10/–	100 7½ᵉ	98/9	2·78	2·4
75/03¾	47/7½		5¾ a	13½ b	Debenhams 10/–	58/4½	57/9	3·32	1·2
59/4½	45/–		25 b	12½ a	G.U.S. 'A' 5/–	55/4½ᵉ	55/11½	3·40	2
46/9¾	33/4½		16½ b	13½ a	House of Fraser 5/–	39/9	39/6	3·80	11·4
21/11½	14/3		7½ b	5 a	Lewis's Invest. Tst. 4/–	15/5¼	15/4½	3·21	2·4
106/9	85/11½		32½ b	15 a	Marks & Spencer 'A' .5/–	99/–	96/6	2·46	11·4
53/10½	34/10½		20 b	10 a	United Drapery 5/–	49/10½	48/9	3·08	13·4
62/11½	49/9		10¾ a	25 b	Woolworth 5/–	51/9	51/6	3·48	11·2
					OIL				
51/3	32/–		16 94b	12 78a	British Petroleum £1	32/6	33/6	9·48	2·4
49/6	31/–		16 7½ b	12 1½ a	Burmah Oil £1	31/3	31/6	9·72	1·4
52/–	36/–		13½ b	6¼ a	Castrol 10/–	42/–	43/–	4·65	2·2
£15 1/16	£10 5/8		23·87c	11⅞ a	Royal Dutch ..... 20 fl.	£12 3/8	£12 5/16	3·75	2·3
34 10½	27·3		12 0·8c	10 a	Shell Transport £1	28/6	28/6	5·96	3
41/3	23·9		...	...	Ultramar 10/–	28/–	26/9	... d	...

FOREIGN AND OVERSEAS STOCKS

	Jan. 10	Jan. 17		Jan. 10	Jan. 17		Jan. 10	Jan. 17
FRANCE	Frcs.	Frcs.	**GERMANY**	%	%	**HOLLAND**	%	%
Air Liquide	1,085	1,089	A.E.G.	478	485	A.K.U.	385	383¾
Banque de Paris	522	521	Bad'che. Anilin	497	500½	Bijenkorf	1,204¾	1,228¼
Citroen	167·5	172	Bayer	636	648	Heinekens	620	620
C. F. Petrole.	281	275	Commerzbank.	600	610	Interunie (Fl.50) ...	Fl.224·5	Fl.225·5
Cie. G. d'Elect.	1,172	1,180	Deutsche Bank.	648	648	K. N. Hoogoven	746	753
Machines Bull.	733	721	Hoechst Farb.	518	529	Kon. Zout-Ket.	1,046	1,035
Pechiney	280	276·5	Kondenskredit	522	526	Philips	96 9¾	98 0½
Printemps	665	651	Lowenbrau.	1,130	1,244	Robeco (Fl.50).	Fl.248	Fl.249
Rhone-Poulenc	502	491	Mannesmann ...	237	263	Rotterdam Bk.	394¾	386
S.I.M.	394	391·5	Siemens	718	727	Thomassen & D.	688	694
Saint-Gobain	453	456	Thyssen-Huette	226	23 4¼	Vleuror	Fl. 78·7	Fl. 79·1
Usinor	233	216·1	Volkswagen	746	763	Zwanenberg ...	1,020	1,005
Index		98·6	Index	115·20	117·27	Index		363·34 365·12
Base : Dec. 30, 1960=100.		98·8	*Base : Dec. 31, 1959=100.*			*Base :*		1933=100.
CANADA	$	$	**AUSTRALIA**	£A	£A	**JAPAN**	Yen	Yen
Abitibi Pr. & P.	39¾	40¾	Ampol Pet.	11/3	11/6	Ajinomoto	536	554
Aluminium	28⅜	28	Ass. Pulp & P. ...	31/3	31/6	Fuji Iron	53	53
Bell Tel.	56⅞	56¾	Aust. Con. Inds.	70/6	70/6	Hitachi	98	97
Can. Brewer's.	59	58½	Aust. Oil & Gas ...	59/6	63/3	Honda Motor.	242	270
Can. Imp. Bank	71⅛	70⅞	Brit. Tobacco. ...	25/6	25/6	Kir'n Brewery.	642	650
Can. Pac. Rly.	27	26⅞	Broken Hill Pty. ...	69/–	69/6	Mitsub. Chem.	90	97
Hiram Walker	57½	56½	G. J. Coles	14/–	13/11	Mitsub. Elect.	88	88
Imperial Oil	50¾	49⅞	Felt & Textiles .	7/6	7/8	Mitsub. Heavy.	100	93
Noranda Mines	59¾	61¾	I.C.I. A.N.Z.	38/6	38/6	Nippon Elect.	385	400
Shawinigan Wat.	26	24½	Myer Emporium ...	29/10	30/–	Sony	790	830
Steel of Canada	79	81	Ready Mix Con. ...	17/–	17/–	Toyo Rayon	154	160
Trans. Can. Pipe.	27⅛	27¾	Woolworth ...	15/9	15/9	Yawata Iron	58	57
Toronto Ind.			Sydney Indust.					
Index	616·94	612·31	Index	303·17	303·28	Dow Jones		
Base : 1933=100.			*Base : 1937/39=100.*			Average	1434·76	1467·31

ᵉ Ex dividend. † Tax free. ‡ Assumed average life 7¾ years. § The net redemption yields allow for tax at 7s. 9d. in £. ‖ Ex capitalisation. ¶ Ex rights. (a) Interim dividend. (b) Final dividend. (c) Year's dividend. (d) Capital distribution of 1s. 0d. per share. (f) Flat yield. (g) Equivalent to 7·2 sterling. (h) After Rhodesian tax. (l) To latest date. (m) Assented into Conversion 6% 1972.

AND YIELDS

LONDON: NEW YORK:
FRANCE: GERMANY: HOLLAND:
CANADA: AUSTRALIA: JAPAN

Prices, 1961/62 High	Low		Last Two Dividends (a) (b) (c)		ORDINARY STOCKS	Price, Jan. 10, 1962	Price, Jan. 17, 1962	Yield, Jan. 17, 1962	Cover
			%	%					
48/6	28/3		10 b	5 a	**ELECTRICAL & RADIO**				
15/5¼	9/7½		...	15 c	A.E.I. £1	32/3	31/3	9·60	1
62/3	49/–		9½ b	4 a	Brit. Electronic Inds. .5/–	12/3	12/3	6·12	1¼
14/7½	11/3		5 a	7½ b	B.I.C.C. £1	58/–	59/6	4·54	2
89/6	54/–		7½ a	15⅝ b	Crompton Parkinson .5/–	14/11½	14/6 3/4	4·29	2½
52/–	35/–		5 a	12½ b	Decca Record 10/–	78/–	81/6	2·86	13·2
45/6	25/9		8 b	5 a	E.M.I. 5/–	43/–	42/6	4·12	2
40/6	22/6		3 a	7 b	Elliott-Automation 5/–	43/–	41/9	1·56	2
39/6	23/3		3 a	7 b	English Electric £1	24/9	25/3	7·92	1½
72/9	47/–		8 1/8 b	4 8a	General Electric £1	30/3	28/6	7·02	3¼
52/3	37/6		6½ b	3 1/4 a	C. A. Parsons £1	51/6	51/6	4·85	4
70/–	45/3		25 c	25 c	A. Reyrolle £1	56/6	56/6	4·19	2·3
					Thorn Electrical 5/–	67/6	68/–	1·84	3
					ENGINEERING				
26/9	18/9		9 c	Nil a	Babcock & Wilcox £1	22/9	23/6	...	1
48/9	30/4½		4 a	7 b	John Brown £1	36/9	37/6	5·87	23·4
8/6	4/2¼		9 b	3 a	Cammell Laird 5/–	4/6	4/6	13·33	1
33/9	22/4½		20 b	10 a	Internat. Combust. ..5/–	25/4½	25/7½	5·85	1½
9/11½	3/4½		...	...	Rich'ds'ns. Westg'th. 10/–	4/–	4/7½	...	...
40/–	28/–		9½ b	2½ a	Swan Hunter £1	37/11½	37/7½	6·38	2·4
17/4½	10/6		5 c	5 a	John Thompson 5/–	14/10½ᵉ	15/11½	2·48	...
34/4½	21/8¼		12½ a	16¼ b	Coventry Gauge. 10/–	30 7½ᵉ	32/4½	4·41	2·3
79/9	51/6		16 b	12½ a	Alfred Herbert £1	68/4½	70/–	3·97	1·4
78/–	41/–		12½ b	5 a	Allied Ironfounders ..£1	41/–	43/9	8·00	1½
110/–	81 10½		10 b	5 a	Averys £1	94/6	94/3	3·18	2½
36 10½	17/–		7½ b	4 a	B.S.A. 10/–	17/9	19/6	5·98	2·4
14/9	9/–		8½ b	4½ a	George Cohen 5/–	10/–	10/–	6·50	1·4
44 4½	29/–		17½ b	10 a	Davy-Ashmore 5/–	32/6	31/6	4·37	2·4
108/7½	70/–		11 b	5 a	Guest Keen £1	77/7½	79 10½	4·01	3½
31/–	18/3		4 a	12 b	Head Wrightson 5/–	19/9	21/–	3·81	2½
100/9	68/3		5 a	7 b	Metal Box £1	84/–	85/–	2·82	2·4
22/6	14/–		4 a	10 b	Ransome & Marles ..5/–	17/–	16/9	4·18	3
30/6	24/6		7 b	3 a	Renold Chains £1	44/6ᵉ	44/9	4·47	2
85/6	54/–		7 a	7 b	Tube Investments £1	62/4½	64/4½	4·35	3
38/4½	25/6		7½ b	2½ a	Vickers £1	27/6	30/3	6·61	1·4
84/6	58/–		31¼ a	10 b	Ward (Thos. W.) £1	60/6	61/–	4·51	3
30/–	18/–		22½ b	5 a	Woodall-Duckham ...5/–	18/–	18/6	5·68 2·4	2·4
					FOOD & TOBACCO				
34/–	17/4½		10 c	10 c	Allied Suppliers 10/–	22/9	23/6	4·26	2·4
15/–	7/9¾		12½ b	10 a	Assoc. British Foods. .1/–	11/–	10/4½	2·17	2
74/–	54/3		8 b	4 a	Bovril £1	59/4½	59/4½	4·04	2½
12/11¼	9/9¾		1·7a	3·9b	Brooke Bond 'B' 5/–	11/7½	11/7½	3·93	3½
19/3	12/6		10 b	2½ a	International Tea 5/–	15/7½ᵉ	15/6	4·03	1½
107/9	65/–		10 b	5 a	J. Lyons 'A' £1	73/9	75/9	4·18	1·4
35/6	25/9		5 a	9 b	Ranks 10/–	30/9ᵉ	30/–	4·67	2
14/09¾	10/4½		7½ b	2½ a	Spillers 5/–	12/7½	11/3	4·44	2
50/–	38/7½		10·9c	10·7a	Tate & Lyle £1	47/10½ᵉ	47/10½	5·01 2·4	2
20/10½	14/10½		9 b	5 a	Unigate 5/–	17/–ᵉ	16/10½	4·15	2
73/4	55/9		12½ c	6 a	Brit. Amer. Tobac. ..10/–	17/–	16/–	3·34	2·4
51/6	34/7½		15 b	5 a	Gallaher 10/–	40/–	39/4½	5·08	2
71/9	61/3		14 b	8½ a	Imperial Tobacco £1	62/–	62/–	7·26	1·4
					INSURANCE				
15½	11 5/16		55 b	50 a	Britannic 5/–	14 15/16	14 13/16	2·89	...
86/3	60/6		25 b	20 a	Commercial Union ..5/–	64/6	61/9	3·64	...
35¼	17/8		41·17c	41·17c	Equity & Law Life ...8/6	34 3½ᵉ	34/4	0·83	...
38 4½	51 10½		20 b	10 a	General Accident 5/–	86/–	87/3	1·72	...
60/6	42/7½		40 b	35 a	Guardian 5/–	51/–	49/9	2·68	...
40¼	21⅞		110 b	80 a	Legal & General 5/–	39	38 9/16	1·23	...
146/–	100/–		11½ b	8½ a	Northern & Empl. £1	145/9	144/9	2·76	...
172/6	156/3		170 b	120 a	Pearl 5/–	215/–	216/3	3·40	...
29	18		183½ c	208½ c	Prudential 'A' 4/–	25 5/16	25 5/16	2·69	...
49/3	38 10½		...	...	Royal 5/–	47/7½	47 4½	3·17	...
29/3	100/3		11½ b	7½ a	Royal Exchange £1	110/3	110/3	3·40	...
					MOTORS & AIRCRAFT				
18 10½	12 10½		7½ a	12½ b	British Motor 5/–	15/6 3/4	16/3	6·15	3/4
86/6	66/11½		20 c	20 c	Jaguar Cars 'A' 5/–	83/3	84/6	1·18	7·5
48/6	35/6		11 c	5 a	Rolls-Royce £1	39/–	40/–	5·50	2·4
10/–	5/6		12 c	4 c	Rootes Motors 'A' ...4/–	6/03¾

Gwent and West of England

If the Welsh were as confident about the result of Saturday's match at Twickenham as Mr Julian Hodge is of the continued growth of his companies, the England XV would be worried men indeed. The latest in a steady flow of documents from Cardiff contains the preliminary results of Gwent and West of England Enterprises. They accord closely with the minimum forecast given at the time of the placing last April, with trading profits amounting to £1,120.000 and profits before tax of £326.000. But a substantially lower tax charge of £110.000, against an estimate of £170.000. means that net profits at £216.000 are £70.000 more than forecast. The ordinary dividend has been doubled. 40 per cent against the forecast 20 per cent; at the time of the placing no mention was made of the dividend waivers to be made by Mr Hodge and his family through Hodge and Co. (Insurance). This company holds all the deferred capital in Gwent, on which an annual dividend of only 3 per cent is payable before 1965, and 54 per cent of Gwent's ordinary capital. The importance of the waiver, which covers all the deferred and most of its holding of ordinary shares, can be seen from the fact that on the dividends now declared the dividend cover is three times but it would come down to 1½ times if the capital ranked in full. Moreover, the latest tax charge, absorbing only 33 per cent of gross profits, is unusually low.

The Gwent results owe much to the performance of the subsidiary, Anglo Auto Finance which has done as well over the past two years as other hire purchase finance houses have done badly. This has been attributed partly to Anglo Auto's system of vetting new business ; this has kept its bad debts down to less than one third of one per cent of balances outstanding—a record which is the envy of the bigger finance houses. Talks appear to be going on with one of these houses to consider the possibility of a merger. The 1s. shares in Anglo-Auto at 10s. 9d. yield only 3.1 per cent ; but the low return has not deterred the intrepid and the shares enjoy an active market.

The 1s. shares of Gwent yield only 1.8 per cent even though they fell, for no clear reason, by 3s. 9d. to 22s. 1½d. after the results were published. The disparity in yields presumably owes something to the preferential treatment given to Gwent shareholders in new issues sponsored by the company. A steady flow of these is expected in 1962. The first is of the 1s. shares of Thomas S. Whitney and follows the usual pattern with a small amount of stock only being put on the market. Whitney is a garage business and a main Ford dealer ; at the placing price of 2s. the shares offer a prospective yield of 7½ per cent, but the dividend cover is slender. It remains to be seen if the shares will go as well as the two earlier placings ; these were L. Ryan Holdings, which at 17s. 9d. are almost double the August placing price of 9s. 6d., and Empire Rib which have gained 7½d. on the price of 3s. at which they were placed last month.

Colvilles

In the first half of the year to September 30, 1961, the high level of demand from the engineering industry helped to offset the decline in Colvilles' orders from one of its traditional customers, the Scottish shipbuilding industry. In the second half, however, both margins and output were squeezed, the greatest pressure on costs being exerted by higher fuel, transport and wage charges. Investment allowances of £3.1 million helped to limit the fall in net profits to 7½ per cent, from £4,980,000 to £4,607,000.

The directors of Colvilles say that "the current level of output is being maintained and is still profitable." If this means that output is running at the same level as in the second half of 1960-61 steel ingot production could drop by about 13 per cent to 1¾ million tons in 1961-62, and trading profits could run at about £11 million, against £13¼ million in 1960-61. The decline in profits has come at a time when much of the Ravenscraig development still needs to be financed. At the end of September, 1960, capital commitments amounted to £89 million. A year later £33 million had been spent and £61 million remained outstanding in capital commitments. The group had about £8¾ million in cash at the end of last September and so has to find at least another £52 million to complete the development programme. Of this the Government, having already lent £15 million, is committed to advance another £30 million. A decline in the cash flow (which amounted to £5.1 million in 1960-61) might therefore force the group to look to the banks for temporary accommodation. The £1 ordinary shares gained 3s. 10½d. to 47s. 9d. after the full accounts were published and yield 6.7 per cent on the maintained dividend of 16 per cent.

Richard Thomas and Baldwins

The only big steel producer still nationalised, Richard Thomas and Baldwins, suffered a sharp setback in profits in the year to September 30, 1961. Gross profits before tax fell from £11.2 million to £4.1 million and net profits were more than halved from £8.667.000 to £3,978,000 even though the tax charge was reduced from £2,311,000 to a mere £57,000. This reduction no doubt reflected investment allowances on the Spencer works. The directors cite three causes for the decline in profits : "considerable increases" in fuel and other costs ; a reduction in the volume of sales by 7 per cent as a result of competition which was so intense in export markets that RTB was selling its products there at "unremunerative prices"; and transitional difficulties arising from the development programme. The dividend on the ordinary capital held by ISHRA has been halved to 6¾ per cent. An unusual feature of the accounts is that the payments of £2,185,000 in interest on borrowings for the Spencer works and of £563,000 for training and planning for production at the Spencer works have been met by a transfer of reserves.

Liebig's

The results from Liebig's Extract of Meat failed to live up to the expectations entertained a year ago, for the rise in trading profits in the year to August 31, 1961, was only two per cent, from £2,951,000 to £2,987,000, and after higher depreciation and interest charges net profits fell by 16 per cent from £1,038,000 to £871,000. The biggest disappointment came from South America, where the canning and meat extract factories have to face rising wage and cattle costs ; in Argentina in particular trading has been hit by heavy taxes and unfavourable exchange rates. In Southern Rhodesia and Tanganyika returns were below expectations and an unprofitable fruit and vegetable factory has been closed. In Europe, too, profits have fallen ; higher sales were made, but only at narrower margins and the group had to spend more on reorganisation and promotion. The only break in the clouds was in Britain, where turnover in "Oxo" rose to a new record level and where Fray Bentos holds over half the market for corned beef.

Prospects for the current year are uncertain and the chairman, Mr K. R. M. Carlisle, says that it is too early to make any forecast of profits. Costs continue to rise in South America and though the Argentine government is reducing some export taxes the outlook there remains uncertain. Better results are expected, however, in Africa and Britain. The cover on the maintained dividend of 15 per cent has fallen to a little under twice and the 5s. shares at 16s. 3d. yield 4.6 per cent, as they did a year ago.

The Economist Indicator (1953=100)

1961/62	Indicator	Yield %	1961/62 High	1961/62 Low
Dec. 13	355·5	5·41		
,, 20	356·7	5·38		
,, 27	359·2	5·35		
Jan. 3	363·6	5·01	427·2 (May 10) 1961	342·7 (Oct. 18) 1961
,, 10	361·8	5·01		
,, 17	364·4	4·97		

Financial Times Indices

1962	Index†	Ord. Yield	2½% Consols Yield	Bargains Marked
Jan. 11	305·3	5·17	6·48	12,438
,, 12	305·0	5·17	6·48	12,317
,, 15	305·8	5·16	6·48	17,100
,, 16	306·4	5·15	6·49	13,735
,, 17	306·7	5·14	6·48	12,850

High. 365·7 (May 15, 1961). Low. 284·7 (Oct. 16, 1961).
† July 1, 1935=100.

Money and Exchanges

EXCHEQUER RETURNS

For the week ended January 13, 1962, there was an "above-line" surplus (after allowing for sinking funds) of £121,335,000 compared with a surplus of £41,004,000 in the previous 6 days and a surplus of £131,200,000 in the corresponding period of last year. There was a net receipt "below-line" of £3,317,000 leaving a total cumulative deficit to date of £1,004,545,000 compared with £978,080,000 in 1960–61.

£'000	Estimate 1961–62	April 1, 1960, to Jan. 14, 1961	April 1, 1961, to Jan. 13, 1962	Week ended Jan. 14, 1961	Week ended Jan. 13, 1962
Ordinary Revenue					
Income Tax	2,728,500	1,213,397	1,321,370	153,089	131,751
Surtax	210,000	85,200	91,900	14,500	14,300
Death Duties	240,000	176,700	198,300	4,500	4,000
Stamps	94,000	70,000	75,200	1,300	1,400
Profits tax, EPT and EPL	325,500	218,500	276,300	4,600	5,900
Other Inland Rev. Duties	...	100	...	...	...
Total Inland Rev.	3,598,000	1,763,897	1,963,070	177,989	157,351
Customs	1,550,000	1,164,136	1,281,275	25,613	28,597
Excise	960,000	728,955	755,135	3,855	3,035
Total Customs and Excise	2,510,000	1,893,091	2,036,410	29,468	31,632
Motor Duties	155,000	82,873	72,288	27,517	16,413
PO (Net Recpts)	...	...	...	...	...
Broadcast Lic's.	40,000	26,500	27,800	...	...
Sundry Loans	205,000	40,673	198,639	240	4,292
Miscellaneous		96,405		943	
Total	**6,508,000**	**3,903,439**	**4,298,207**	**236,157**	**209,688**
Ordinary Expenditure					
Debt Interest	660,000	532,889	558,710	11,557	493
Payments to N. Ireland Exch.	92,000	64,684	70,889	...	...
PO Fund — Initial settlement	15,000	...	7,282	...	...
Other Consolidated Funds	8,000	6,887	7,097	30	10
Supply Services	5,186,902	3,749,221	4,019,500	91,800	87,200
Total	**5,961,902**	**4,353,681**	**4,663,478**	**103,387**	**87,703**
Sinking Funds	40,000	29,167	29,242	1,570	650
"Above-line" Surplus or Deficit		479,409	394,513	131,200	121,335
"Below-line" Net Expenditure[2]		498,671	610,032	7,294	Cr 3,317
Total Surplus or Deficit		**978,080**	**1,004,545**	**123,906**	**124,652**
Net receipts from :					
Tax Reserve Certificates		189,662	207,234	–31,142	–18,075
Savings Certificates		49,900	–18,100	2,300	2,300
Defence Bonds		83,474	19,350	2,450	192
Premium Savings Bonds		44,150	32,000	1,000	100
Total		**367,186**	**240,484**	**–25,392**	**–15,483**

[2] Net issues of £10 million to the Civil Contingencies Fund in 1961–62 compared with a net receipt of £3 million in 1960–61.

FLOATING DEBT

(£ million)

	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Dept.	Ways and Means Advances: Bank of England	Total Floating Debt
1961					
Jan. 14	3,430·0	2,040·2	276·0	...	5,746·2
Oct. 7	3,240·0	1,998·1	207·2	...	5,445·3
,, 14	3,260·0	2,003·4	208·7	...	5,472·2
,, 21	3,270·0	1,997·8	183·1	...	5,450·9
,, 28	3,280·0	2,003·2	211·5	...	5,494·8
Nov. 4	3,280·0	2,063·7	201·1	0·8	5,545·5
,, 11	3,290·0	1,990·7	216·9	...	5,497·6
,, 18	3,310·0	1,976·2	250·6	...	5,536·8
,, 25	3,330·0	2,016·1	205·3	...	5,551·4
Dec. 2	3,350·0	2,078·9	228·5	...	5,657·4
,, 9	3,370·0	2,083·8	222·2	...	5,676·0
,, 16	3,370·0	2,148·9	235·2	0·8	5,754·9
,, 31	3,400·0	2,205·3	205·1	...	5,810·4
1962					
Jan. 6	3,380·0	2,163·3	339·7	...	5,882·9
,, 13	3,300·0	2,151·6	334·8	2·5	5,788·9

THE MONEY MARKET

After lowering its bid (raising the rate) for three successive weeks the syndicate of discount houses submitted an unchanged bid of £98 12s. 10d. for the 91 day bills at last week's Treasury bill tender ; the average rate of discount was 1.78d. lower at £5 8s. 6.03d. The market received about 25 per cent of its application but it received a full allotment on its bid of £98 13s. 2d. for 90-day Friday bills (to cover Good Friday in three months' time) and this brought its average allotment to over 30 per cent, compared with 38 per cent in the previous week. Evidently some outside applicants had raised their bids in anticipation of a Bank rate cut.

Business in Lombard Street has continued to be influenced by the postal delays ; except for a short period at the end of last week credit has continued to be tight. On Friday some bills were sold back to the market but on Saturday the authorities provided a moderate amount of assistance. Special help has also been given again this week, but on Tuesday three or four houses and on Wednesday four or five houses were still forced to borrow a small amount at Bank rate. April bills have been sold at 5⅛ per cent.

MONEY RATES

LONDON

	%		%
Bank rate (from 6½%, 2/11/61)	6	Discount rates (Wednesday):	
Deposit rates (7 days' notice):		Bank bills:	
Banks	4	60 days	5 11/16–5 3/4
Discount houses	4–4¼	4 months	5 11/16–5 3/4
Local Authorities	6¼	6 months	5 11/16–5 13/16
Call money:		Fine trade bills:	
Clearing banks' minimum	4 3/8	3 months	6 3/4–7 1/2
Day-to-day	4 3/8–5 1/2	4 months	6 3/4–7 1/2
		6 months	7 –8

NEW YORK

	%		%
Official Discount rate (from 31/5/60, 11/8 60)	3	**Treasury bills:** January 8	2·823
		,, 15	2·770

BANK OF ENGLAND RETURNS

(£ million)	Jan. 18, 1961	Jan. 10, 1962	Jan. 17, 1962
*Issue Department**:			
Notes in circulation	2,216·0	2,361·3	2,321·3
Notes in banking dept.	34·4	64·1	54·1
Govt. debt and securities*	2,248·0	2,424·0	2,374·0
Other securities	0·7	0·7	0·7
Gold coin and bullion	0·4	0·4	0·4
Coin other than gold coin	1·3	0·3	0·3
Banking Department:			
Deposits:			
Public accounts	16·1	16·1	16·6
Special deposits	155·9	336·5	236·5
Bankers	248·3	228·3	242·9
Others	64·1	67·4	69·0
Total	484·3	548·4	564·9
Securities:			
Government	412·2	42·5	458·9
Discounts and advances	36·1	19·3	50·1
Other	19·1	501·7	19·2
Total	467·4		528·2
Banking department reserve	35·1	64·9	54·9
	%	%	%
"Proportion"	7·2	11·8	9·7

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue reduced by £50 million to £2,375 million on January 17th.

TREASURY BILL TENDERS

Date of Tender	Amount (£ million) Offered		Amount (£ million) Applied for	Three Months' Bills: Average Rate of Allotment	Three Months' Bills: Allotted at Max. Rate*
	91 day			s. d.	%
1961 Jan. 13	240·0		383·6	83 1·51	63
Oct. 13	260·0‡		419·0	120 2·28	59
,, 20	250·0		416·1	118 5·35	51
,, 27	250·0		431·2	114 6·57	66
	91 day	63 day			
Nov. 3	200·0	60·0	412·7	108 6·10	63
,, 10	230·0	40·0	458·9	108 5·49	44
,, 17	220·0	50·0	430·2	107 9·71	56
,, 24	220·0‡	60·0	471·8	107 9·40	42
Dec. 1	220·0	50·0	461·3	107 1·08	44
,, 8	230·0	30·0	455·3	106 5·34	46
,, 15	210·0	50·0	371·6	106 4·83	37
,, 22	210·0	50·0	379·0	107 3·18	52
,, 29	250·0		396·0	108 0·72	51
1962 Jan. 5	240·0		406·9	108 7·81	38
,, 12	240·0		409·4	108 6·03	30

* On January 12th tenders for 91 day bills at £98 12s. 10d. secured 25 per cent, higher tenders being allotted in full. The offer for this week was for £240 million 91 day bills.
‡ Allotment cut by £10 million.

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Effective Limits January 17	Market Rates: Spot January 11	January 12	January 13	January 15	January 16	January 17
United States $	2·78–2·82[3]	2·81–81 1/8	2·81 1/16–3/16	2·81 1/16–3/16	2·81 1/16–3/16	2·81–81 1/8	2·81–81 1/8
Canadian $	...	2·93 11/16–13/16	2·93 15/16–94 1/16	2·93 15/16–94 1/16	2·94–94 1/8	2·93 13/16–15/16	2·93 1/4–3/8
French Fr.	13·622–14·027	13·77–77 1/4	13·77 1/2–3/4	13·77 3/8–5/8	13·77 3/4–78	13·77 1/8–5/8	13·76 7/8–77 1/8
Swiss Fr.	11·94–12·547/8	12·13 3/8–5/8	12·13 1/2–3/4	12·13 1/2–3/4	12·13 5/8–7/8	12·13 1/4–1/2	12·13–13 1/4
Belgian Fr.	137·96–142·05	139·85–90	139·90–95	139·90–95	139·92 1/2–97 1/2	139·90–95	139·87 1/2–92 1/2
Dutch Gld.	9·983 1/2–10·28 1/2	10·12 1/4–1/2	10·12 1/4–3/4	10·12 1/4–3/4	10·13 1/4–3/4	10·13 3/8–5/8	10·13 3/8–7/8
W. Ger. D-Mk.	11·037–11·365	11·22 1/4–1/2	11·22 1/8–3/8	11·22 1/4–1/2	11·22 5/8–7/8	11·22 3/8–5/8	11·22 1/2–3/4
Portug. Esc.	...	80·18–28	80·18–28	80·18–28	80·18–28	80·18–28	80·18–28
Italian Lire	1725–1775	1744 1/4–3/4	1744 1/4–3/4	1744 1/4–3/4	1744 1/4–45	1744 1/4–3/4	1744–44 1/4
Swedish Kr.	14·27 1/2–14·70	14·52 3/4–5/8	14·52 3/4–5/8	14·52 1/2–3/4	14·53 1/8–3/4	14·53–53 1/4	14·53–53 1/4
Danish Kr.	19·06 1/2–19·62	19·33 7/8–34 1/8	19·33 7/8–34 1/8	19·34–34 1/4	19·34 7/8–35 1/8	19·34 3/4–35	19·34 3/4–35
Norwegian Kr.	19·71–20·30 1/2	20·03 3/8–5/8	20·03 3/8–5/8	20·03 3/8–5/8	20·03 3/8–7/8	20·03 7/8–04 1/8	20·03 7/8–04 1/8
[4] Official Limits		**One Month Forward Rates**					
United States $		1 3/16–11/16c. pm	3/4–5/8c. pm	3/4–5/8c. pm	3/4–5/8c. pm	3/4–5/8c. pm	1 3/16–9/16c. pm
Canadian $		11/16–9/16c. pm	5/8–1/2c. pm	5/8–1/2c. pm	11/16–9/16c. pm	5/8–1/2c. pm	9/16–7/16c. pm
French Fr.		2 1/4–1 3/4c. pm	2 1/4–1 3/4c. pm	2 1/4–1 3/4c. pm	2 1/4–1 3/4c. pm	2 1/4–1 3/4c. pm	2 1/4–1 3/4c. pm
Swiss Fr.		4 1/8–3 5/8c. pm	4 1/4–3 3/4c. pm	4 1/4–3 3/4c. pm	4 1/4–3 3/4c. pm	4–3 1/2c. pm	4–3 1/2c. pm
Belgian Fr.		45–35c. pm	45–35c. pm	45–35c. pm	45–35c. pm	45–35c. pm	40–30c. pm
Dutch Gld.		3 1/4–2 3/4c. pm	3 1/4–2 3/4c. pm	3 1/4–2 3/4c. pm	3 1/2–3c. pm	3 1/4–2 3/4c. pm	3 1/4–2 3/4c. pm
W. German D-Mk.		3 3/4–3 1/4pf. pm	3 7/8–3 3/8pf. pm	3 7/8–3 3/8pf. pm	3 7/8–3 3/8pf. pm	3 7/8–3 3/8pf. pm	3 7/8–3 3/8pf. pm
		Three Months Forward Rates					
United States $		1 15/16–1 13/16c. pm	1 15/16–1 13/16c. pm	1 15/16–1 13/16c. pm	1 7/8–1 3/4c. pm	1 13/16–1 11/16c. pm	1 13/16–1 11/16c. pm
Canadian $		1 15/16–1 13/16c. pm	1 7/8–1 3/4c. pm	1 13/16–1 11/16c. pm	1 13/16–1 11/16c. pm	1 11/16–1 9/16c. pm	1 9/16–1 7/16c. pm
Swiss Fr.		1 0 7/8–1 0 5/8c. pm	1 1 1/8–1 0 7/8c. pm	1 1 1/8–1 0 7/8c. pm	1 1–1 0 1/2c. pm	1 0 3/4–1 0 1/4c. pm	1 0 3/4–1 0 1/4c. pm
W. German D-Mk.		10 1/2–10pf. pm	10 3/4–10 1/4pf. pm	10 3/4–10 1/4pf. pm	10 1/2–10pf. pm	10–9 1/2pf. pm	10–9 1/2pf. pm
		Gold Price at Fixing					
Price (s. d. per fine oz.)		250/33 4	250/2 1/2	...	250/2	250/13 4	250/3
,, ($,, ,,)		35·16	35·16	...	35·16	35·16	35·16

APPOINTMENTS

Central Electricity Generating Board

Headquarters S.E.1.

THE DEVELOPMENT SECTION (POLICY) OF THE PLANNING DEPARTMENT

advises on some of the technical and economic problems in planning the generation system to meet future demands.

Vacancies exist to study problems in the following fields:—

(1) *long-term utilisation of national energy resources and supply and transport of fuel.*

(2) *economics and technology of coal, oil and nuclear generation developments.*

(3) *use of water resources, liquid effluent disposal and clean air.*

ENGINEERS ECONOMISTS FUEL TECHNOLOGISTS

with a degree or other appropriate professional qualification are invited to apply to the Appointments Officer, 24/30, Holborn, London, E.C.1, by 31st January, 1962. Quote Ref. ECO 6.

Successful applicants will work in close collaboration with specialists and research workers in these fields.

● *Salary £1,205 — £1,670.*

Pig Industry Development Authority

SUMMER VACATION RESEARCH SCHOLARSHIPS

The Authority invite applications from suitable students in Agriculture, Veterinary Medicine, Economics, Statistics or other appropriate subjects who are prepared to devote themselves to, or assist in, research into some aspect of the Pig Industry during eight weeks of their summer vacation.

The Scholarships will have a value of £65.

Further information and application forms may be obtained from:

The Pig Industry Development Authority, PIDA House, Ridgmount Street, London, W.C.1

JESUS COLLEGE proposes, in conjunction with Bracenose College, to appoint to a Lectureship in Economics, for three years in the first instance, commencing not later than October, 1962. The person appointed will be expected to undertake a total of not more than 15 hours teaching per week and the salary will be not less than £850 per annum, subject to the normal F.S.S.U. superannuation contributions. Rooms will be provided in Jesus College and the Lecturer will be given Common Room and dining rights at both Colleges. Further particulars may be obtained from the Principal, Jesus College, Oxford, to whom applications in duplicate should be sent together with the names and addresses of two referees not later than March 1 1962.

THE UNIVERSITY OF MANCHESTER

Applications are invited for one or more temporary posts at the grade of LECTURER in ECONOMIC DEVELOPMENT in the Faculty of Economic and Social Studies. The tenure of the appointment will be for a period of not more than four years. Applicants should have field experience, preferably in South America, South East Asia or Africa, or knowledge of China. Salary Scale £1,050 to £1,850 per annum; membership of F.S.S.U., and Children's Allowance Scheme. Applications should be sent not later than March 31, 1962, to the Registrar, the University, Manchester, 13, from whom further particulars and forms of application may be obtained.

INDUS BASIN SCHEME

MANGLA DAM CONTRACT

Applications are invited from Chartered Accountants with considerable experience since qualifying in the Civil Engineering Industry, aged 35/50, able to control staff with tact and firmness. The successful applicant will be required to take charge of Accounting in connection with the supervision of a very large contract.

The nett consolidated salary, after deduction of Pakistani Income Tax, will be £3,000, with nett annual increments of £150.

Appointments will be for a period of two years with the option, subject to the approval of the Project Consulting Engineers, of extending them to four years after one year's service.

Free basic furnished accommodation with air conditioning facilities, free passages for applicant and family, medical and other concessions, also home leave with full pay approximately every 16 months for those whose contracts are extended.

Successful applicants will be in the employ of the Project Consultants, Messrs. Binnie, Deacon & Gourley, and will be required to take up appointments during the second quarter of 1962.

Written applications (superscribed "Chief Accountant Mangla"), with age and full particulars including salary of last or current appointment, and names of two referees, to be sent to:—

R. E. B. WILLCOX & CO.,
CROSBY HOUSE,
35-37 GREAT ST. HELENS,
LONDON, E.C.3,

not later than January 31, 1962. Interviews will be held in London in the week commencing February 5, 1962. If required to attend the applicant will be paid out of pocket travel expenses.

UNIVERSITY OF HONG KONG

FELLOWSHIP IN ECONOMIC STATISTICS

Applications are invited for a two-year Fellowship to be held at the University of Hong Kong, commencing in April or at latest May, 1962. The Fellowship has been established to enable a National Income Study of Hong Kong to be undertaken. Applicants should have experience of national accounts in other areas, preferably other British colonies. In addition, the Fellow will be required to assist in the teaching of mathematical statistics and for this purpose previous university teaching experience is essential.

The salary will be £2,150 per annum.

Existing superannuation rights will be maintained, if the applicant's own superannuation fund regulations permit, providing the total cost does not exceed a University contribution of 10 per cent plus the Fellow's contribution of 5 per cent of salary, furnished accommodation will be provided at a reasonable rental as for permanent university staff. Tourist air passages (or first class sea passages of no greater cost) will be provided for the appointee, his wife and family.

Further particulars and information as to the method of application may be obtained from the Secretary, Association of Universities of the British Commonwealth (Branch Office), Marlborough House, Pall Mall, London, S.W.1.

Applications close in Hong Kong and London on *February 12, 1962.*

BRITISH COUNCIL

INDIA

EDUCATIONAL CO-OPERATION IN THE COMMONWEALTH

Applications are invited for the posts of (1) Visiting Professor of Economics and (2) Visiting Professor of Political Science at OSMANIA UNIVERSITY HYDERABAD.

Candidates must be British Graduates with appropriate qualifications and experience. Appointments to be taken up in 1962. Salary on a scale of £2,700 to £3,700. Overseas allowance. Children's and home education allowances. Free furnished accommodation. Installation grant. Medical Scheme. Outward car freight paid. Fares paid, and for family (including mid-tour passages for children in U.K.). Employers portion U.K. Superannuation paid. Contract with University and British Council for two years. Secondments from home employment may be arranged.

Write, quoting L.3/M/62) to Director, Recruitment Department, British Council, 65 Davies Street, London, W.1, for further particulars and application form to be returned, completed, within two weeks of receipt. A self-addressed, preferably adhesive, label would be helpful.

PHILIPS

PHILIPS

PENSION FUND

Two senior appointments are to be made in the Department responsible for the investment and administration of this recently formed privately administered Fund, which has an annual income exceeding £1,000,000.

Initially the successful candidates will gain a general experience in pension fund work, but it is intended that ultimately ONE WILL SPECIALISE IN INVESTMENTS and THE OTHER IN ADMINISTRATION.

Applications are invited from men aged between 25 and 35, with either a degree or an actuarial or similar qualification, who have had some years' experience of institutional investment work or pensions administration or both.

Letters giving details of age, qualifications and experience should be sent to:—

Personnel Officer,
(D.892/4),
Philips Electrical Industries Ltd.,
Century House,
Shaftesbury Avenue, London, W.C.2.

COLLEGE OF ADVANCED TECHNOLOGY, BIRMINGHAM

Appointment of

SECRETARY

Following the recent proposals of the Minister of Education, the College is in process of being transferred to an independent Board of Governors, and arising from this change, a Secretary for the College is to be appointed as soon as possible. The College is expanding rapidly, and is being planned to have 3,500 student places in full-time and sandwich courses, and a considerable development in post-graduate courses and research.

The Secretary will be responsible to the Principal for the organisation and control of the College administrative sections and those functions which are administered centrally including work for the Board of Governors, the Academic Board and Committees; and will provide an advisory service and help to the academic departments. An appropriate structure for handling the personnel, financial, building and general clerical services is to be created. The person appointed should have had the experience and training to enable him/her to devise and maintain such a system, and the personal qualities to ensure that it harmoniously serves the academic work of the College.

Candidates should preferably have had responsible experience with industrial, technical, scientific or academic organisations, e.g. on the administrative side of technical industries, in managerial posts in connection with research and development, design and contracting or industrial production, or in administrative work with higher academic institutions.

The post is comparable in status with that of an Academic Head of Department and the starting salary will be not less than £2,600 p.a., and will depend on experience and qualifications.

Forms of application and further details from the Principal, College of Advanced Technology, Gosta Green, Birmingham, 4. Forms should be returned within 18 days of this advertisement.

QUALIFIED ACCOUNTANTS

Qualified Accountants are required by the Colonial Development Corporation for its associated Companies overseas. Men of 28-35 with some management accounting experience who wish to be interviewed should send curriculum vitae to the Personnel Officer, Colonial Development Corporation, 33 Hill Street, London, W.1, quoting Serial No. 664.

ROYAL INSTITUTE OF BRITISH ARCHITECTS

Appointment of

MANAGEMENT ADVISORY OFFICER

The Institute is to make a new appointment for an officer to initiate management courses for practising architects throughout the United Kingdom. When these courses are under way the officer would then form the nucleus of a management advisory service.

The appointment is for either a man or a woman; the salary range is £1,250-£2,500, and the successful candidate may be started at any position on this range according to age and experience. Applications are required by March 1, 1962.

Application forms and further particulars are available from Mr Anthony Williams, Assistant Secretary, RIBA, 66 Portland Place, London, W.1.

RESEARCH OFFICER. For British Travel and Holidays Association. Applicant should be graduate in Economics, age 25-30, with at least two-three years' experience in market research. Salary according to experience.—Apply in confidence to The Financial Controller and Secretary, British Travel and Holidays Association, Queen's House, 64-65 St. James's Street, London, S.W.1.

THE INSTITUTE OF HOUSING

Applications are invited for the post of Secretary at a salary within Local Government Scale E (£1,860-£2,120). Commencing salary will be fixed according to qualifications and experience. The person appointed will be required to take up duties on or near July 16, 1962.

The post will be superannuable on conditions similar to those applying to local government officers.

Further particulars should be obtained from the Secretary, Institute of Housing, 50 Tufton Street, Westminster, London, S.W.1.

PEP invites applications for a post of Senior Research Officer for its study of the European Common Market. Applicants should have an Economics Degree and, preferably, specialised knowledge of agricultural economics and marketing and of international trade in agricultural products. Importance is attached to ability to handle and interpret economic statistics of agriculture and especially to facility in writing readable reports. Salary according to experience.—Applications, in writing, to The Director, P.E.P. 16 Queen Anne's Gate, London, S.W.1.

BRADFORD INSTITUTE OF TECHNOLOGY

DEPARTMENT OF INDUSTRIAL ADMINISTRATION

Applications are invited from well-qualified SOCIOLOGISTS or SOCIAL HISTORIANS for the post of LECTURER in GENERAL STUDIES.

Candidates should have a good honours degree, suitable teaching experience and a keen interest in the social implications of science and technology.

Salary £1,600 to £1,800 per annum. Previous industrial or research experience, at a suitable level, will be taken into account in fixing the commencing salary.

Further particulars and forms of application may be obtained from the Registrar, Bradford Institute of Technology, Bradford, 7.

HENRY PATTEN,
Clerk to the Governors

DEPUTY DIRECTOR

IMPORTANT EMPLOYERS ASSOCIATION based on London requires a **DEPUTY DIRECTOR** with view to succession. University graduate preferred, age 35/45 years. Industrial experience desirable but not essential. Commencing salary to be discussed but not less than £3,000 per annum.

A superannuation scheme is in operation for all staff.

Applications should be addressed to the Association's President, Box 1580.

BRITISH IRON AND STEEL FEDERATION

The British Iron and Steel Federation, one of Britain's leading Trade Associations, which is concerned with a wide range of functions on behalf of the companies within the iron and steel industry, invites applications for the following posts:

International Relations Department:
This department, which is now particularly concerned with work on the European Communities, has two vacancies, one for a senior post and one for a more junior post. Knowledge of international (particularly European) organisations and an industrial or commercial background would be important qualifications. Applicants should possess a good knowledge of French; have other languages also if possible; be graduates, and be under 35.

Economics/Public Relations Department:
Two vacancies exist. The first is a senior post in connection with writing for the Federation's publications, the scope of which may shortly be extended, and other journals; the person sought is an economic journalist with a wide range of experience. The second is for a more junior post as an economist; the person sought is a recent graduate interested in a whole range on economic matters impinging on the life of a major basic industry.

Translation Section:
Three vacancies occur for senior work in this section. Applicants should have a full working knowledge of one or more of the following languages—French, German, Italian, Dutch and Spanish—and some knowledge of industrial and commercial terms.

Salaries, which would be according to qualifications and experience, would be fully comparable with those in similar employments elsewhere. Applications for these vacancies should be addressed, in the first instances, to the Finance and Establishment Department, Steel House, Tothill Street, London, S.W.1.

MANAGER wanted for University Bookshop (Nigeria) Ltd., leading educational and mail order book business in Nigeria. Managerial experience (preferably in textbook and cultural field and office management), drive, initiative and above all hard work essential to deal with large, rapidly expanding turnover. Salary £2,000. Generous allowances, including overseas leave. Applications, in triplicate, as soon as possible to C. B. Allport, University College, Ibadan, Nigeria. Further particulars may be obtained from London Representative, 40 Gordon Square, W.C.1. (Tel. Euston 8948.)

For further appointments and other classified advertisements see pages 280 and 282

LIBRARIAN and library staff with parts of the Registration Examinations are required by the Trades Union Congress. Further details and application forms from the General Secretary, T.U.C., 23/28 Great Russell Street, W.C.1.

P. D. LEAKE RESEARCH FELLOWSHIP

Applications are invited from QUALIFIED MEMBERS OF THE ACCOUNTANCY PROFESSION for appointment to a P. D. LEAKE RESEARCH FELLOWSHIP financed by the P. D. Leake Trust.

The object of the Fellowship is to provide university facilities for an experienced accountant to carry out research in subjects with which the accountancy profession is directly concerned and within the charitable object of the P. D Leake Trust, namely "to benefit and advance the sciences of accounting and of political economy, including the subject of public finance and taxation." Only accountants who are members of United Kingdom accountancy bodies which are recognised for the purpose of United Kingdom company law are eligible.

The term of the Fellowship will be for the year commencing October 1, 1962, and it may be held in the University of Birmingham, the University of London, or the University of Oxford, the location of the appointment being determined by the three universities concerned, in consultation, after consideration of candidates' preference and research interests.

The emoluments of the Fellowship will be £2,000, out of which the Fellow will be required to meet any consequential expenses of his appointment.

Further particulars may be obtained from the Assistant Registrar (Commerce and Social Science), The University, Birmingham, 15, to whom application must be made by April 30, 1962.

ASSOCIATED DEPARTMENT STORES, a voluntary group of 25 independent stores, require a Director to take charge of their new London Office.

The principal function will be to co-ordinate joint purchases made by the Group, and the Director should therefore be fully conversant with department store merchandising techniques.

Applicant should be experienced in dealing at director level with suppliers and capable of interpreting requirements.

Commencing salary £2,000 per annum.

Applications in confidence to:

The Chairman,
Associated Department Stores Ltd.,
James Selby Ltd.,
386/402 Holloway Road,
London, N.7.

STATISTICIAN

THE G.E.C. APPLIED ELECTRONICS LABORATORIES

Stanmore, Middlesex

have a vacancy in the Statistical Services Group. The group provides a consulting service for the organisation and many of the problems encountered require the development of original methods for their solution. The services of an advanced digital computer are available if required.

Candidates should have a degree in mathematics, or its equivalent, with interest in modern techniques of statistics or operational research.

Applications should be made to the Staff Manager, quoting Ref. CFS/E.

GKN

G.K.N. GROUP RESEARCH LABORATORY

The Liaison and Information Division invites applications for the following:

ECONOMIC ASSISTANT

in Commercial Information Unit.

Must be a University graduate with good qualifications in Economics or Commerce.

This vacancy will appeal to the Applied Economist who is interested in surveying and reporting on a very wide range of economic, commercial and industrial information. Some experience in this field is necessary and an ability to survey and analyse information in depth will be needed.

Age range 28-30 years.

The Laboratory is situated on the outskirts of Wolverhampton at the western fringe of the Midland industrial area and adjacent to pleasant countryside. The Laboratory operates a 35½ hour week, a pension and life assurance scheme, and working conditions are good.

Please telephone or write to the:

Personnel Officer,
G.K.N. Group Research Laboratory,
Birmingham New Road,
Lanesfield, Wolverhampton.

For further appointments and other classified advertisements see pages 280 and 281

BUSINESS AND PERSONAL

ELECTRICAL CONDUIT FITTINGS

American Corporation wants to buy control of a small to medium British firm cabable of expansion in this or allied fields. Write first in confidence to JAMES BOUSFIELD & COMPANY, Licensing Consultants, 2 Hyberry Lane, Amersham, Bucks.

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The private intelligence service, now in its 10th year of publication, bringing you every week accurate "inside information" (not speculative) on political, international and City affairs.

Subscriptions £6 6s. per year. Overseas rates on application.

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1, Wardrobe Place, Carter Lane, London, E.C.4.

CONSUMER AFFAIRS BULLETIN

The first number of a new international bimonthly publication covering the whole field of consumers economy, interests and their protection appears today. The contents list includes news and comment on Consumer Economics, Education, Legislation, Expenditure, Research, Protection and Representation. CAB is available from: The National Co-operative Alliance, 11 Upper Grosvenor Street, London, W.1. Subscription 15s. yearly.

THE BRITISH ASSOCIATION OF ACCOUNTANTS AND AUDITORS LIMITED (Incorporated 1928). The next examinations will be held from the 22nd to 24th May, 1962. Membership can only be obtained by those who have passed the prescribed examinations. Copies of the Syllabus are obtainable from the Secretary, Stamford House, 2-4, Chiswick High Road, London, W.4.

STAFFORDSHIRE COUNTY COUNCIL

COUNTY PLANNING AND DEVELOPMENT DEPARTMENT

Applications are invited for the appointment in the County Planning and Development Department of Assistants in the Research section:

(a) *Planning Assistant* on either A.P.T. Grade II (£815-£960 per annum) or A.P.T. Grade III (£960-£1,140 per annum).

(b) *Junior Planning Assistant* on either A.P.T. Grade I (£645-£815 per annum) or A.P.T. Grade II (£815-£960 per annum).

The commencing salary and grading will depend upon *qualifications and experience*. Applicants should have an Honours Degree in Geography or Economics and should preferably have had research experience.

Facilities will be provided, including financial assistance to enable the persons appointed to undertake further studies in accordance with the Council's post-entry training scheme.

The Council are prepared to grant lodging allowance at 35s. per week for a period of six months and second class railway travel home every two months during the initial six months to married applicants maintaining a home outside the *geographical county*. Consideration will also be given to the granting of financial assistance in appropriate cases towards removal expenses.

Applications, giving details of age, education, qualifications, present and previous appointments, experience, and the names of two persons to whom reference may be made, should be sent to D. W. Riley, County Planning and Development Officer, 41a Lancaster Street, Stafford, not later than January 29, 1962.

Relationship to any member or senior officer of the County Council must be disclosed. Canvassing will disqualify.

T. H. EVANS,
Clerk of the County Council.

EUROPEAN COMMUNITY INFORMATION SERVICE

Publications Division requires British journalist, preferably with experience of writing on economic and industrial matters, to prepare articles, brochures, &c., in English. Good French essential. World resume in Luxembourg. Initial contract for one year; salary 25,000 Belgian francs per month. Applications to London Office: 23 Chesham Street, S.W.1.

TWO-DAY Conference on Finance and Investment in the Common Market, February 7 and 8. Community Rooms, London, W.C.2. To be opened by Lord Ritchie of Dundee. Particulars from: LIBERAL IDEAS, 70 Wood Street, Piccadilly, London, W.1. Tel: PADdington 6676.

THE ROYAL BANK OF CANADA

DIVIDEND NO. 298

NOTICE IS HEREBY GIVEN that a DIVIDEND of 55 cents per share upon the paid-up Capital Stock of this Bank has been DECLARED for the current quarter and will be payable at the Bank and its Branches on and after March 1, 1962, to Shareholders of record at the close of business on January 31, 1962.

By Order of the Board,
C. F. SUTHERLAND,
General Manager.

January 17, 1962.

EDUCATION

B.Sc. (ECON.)

LONDON UNIVERSITY

E.C.C., founded in 1887, successfully prepares students for this Degree (obtainable without residence), which is a valuable qualification for those seeking executive appointments in commerce or industry, government or municipal posts.—Prospectus, giving details of courses for other London Degrees, G.C.E., Law, Exams., etc., from Registrar, Careers, Correspondence College, 60 Burlington House, Cambridge.

TUITION FOR B.Sc. ECONOMICS

Wolsey Hall (Est. 1894) provides Postal Courses for a wide range of subjects for the two examinations for London Univ., B.Sc.(Econ.) (three if entrance is included) at moderate fees. Last Wolsey Hall students passed London Univ. B.Sc. Economics Entry 1958 and 1959 for G.C.E., Law, Statistical, other exams. Prospectus (mention examination) from L. W. Shaw Fletcher, C.B.E., LL.B., Director of Studies, Dept. P.17.

WOLSEY HALL, OXFORD

SCHEDARIAL TRAINING, especially for University graduates and older students, personally and intensive 14-week correspondence. Organising Secretaries, Darcess, 158 Holland Park Avenue, W.11. PARK 3654.

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for Examinations—B.Sc.(Econ.), Law, Accountancy, Costing, Secretarial, Civil Service, Management, Export, Commercial, General Certificate of Education, &c. Most study practical. Guaranteed coaching in business subjects.—Write today for free prospectus and/or advice, mentioning examination or subjects in which interested, to the Secretary (G.O.2),

METROPOLITAN COLLEGE, ST. ALBANS

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

THE LONDON SCHOOL OF ECONOMICS AND POLITICAL SCIENCE

Applications are invited for the positions of RESEARCH FELLOW and RESEARCH OFFICER in the Research Techniques Division.

The RESEARCH FELLOW will conduct criminological research primarily on the *methods* on which studies of crime are based. Research issues involve: the accuracy of research information; techniques for eliciting information; the potential of survey methods for the development of control samples; the adequacy of existing methods of analysis for studying the causes of crime.

The position will involve responsibility for the development and the progressing of research projects and will entail liaison with public bodies and with those working in crime research.

Applicants must have a university honours degree (not less than second class), advanced training in psychology or in sociology, and a working grasp of statistics. *Practical experience in social research is essential*, preferably including survey work with members of the public and the use of intensive interviewing techniques. A realistic concern with scientific method is essential.

The salary will be upwards of £1,700 a year, plus a London allowance of £60 a year and F.S.S.U. benefits. There will be full opportunity to publish findings.

The RESEARCH OFFICER will work on the same series of projects but will, in the first instance, be responsible to senior research staff. Applicants should hold a university honours degree, should have advanced training in psychology or sociology and a good grasp of elementary statistics. Practical experience in social research is essential.

Salary is in the range £750-£1,000 (plus London Allowance of £60) per year. This position offers opportunity to publish results, and experience in an area of basic importance to research (i.e., methods). There would be opportunity to work towards a higher degree.

Applications, which should be received by February 14, 1962, should be sent to: The Secretary, The London School of Economics and Political Science, Houghton Street, London, W.C.2. The following information should be included in the application:—academic and other qualifications with special reference to psychology, sociology and statistics; practical experience in research, with a statement of the level of responsibility involved; research interests; reference to any publications; age and other relevant biographical details.

APPLICATIONS invited from Women History MA and English Graduates (25-40) with personality and interest in World Affairs to teach girls over 18. Stimulative work, international connections. Scope for initiative, good salary and delightful conditions.—Apply MISS SEVILLE-ROUFE, HOUSE OF CITIZENSHIP, Aylesbury.

SUBSCRIPTIONS TO THE ECONOMIST

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Quebec & Ontario			Jordan	£7 15s.	—
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Pig Industry Development Authority

POST GRADUATE RESEARCH SCHOLARSHIPS

The Authority are offering post graduate scholarships to suitable graduates in Agriculture, Veterinary Medicine, Economics and Statistics or other appropriate branches of Science, who are prepared to devote themselves to research into some aspect of the pig, or who wish to receive a research training in this field of inquiry.

The scholarships will be available for two or three years so that study for a higher degree is possible. They are subject to annual review, and will have a value of not less than £500 per annum for graduates in Agriculture, Economics and Science and £750 per annum for graduates in Veterinary Medicine. There is provision for increments to these awards in appropriate cases.

A number of Fellowships of the value £900-£1,250 are also available.

Applications should normally be received by the Authority on or before March 15, 1962.

Further details are available from:
PIDA House, Ridgmount Street, London, W.C.1.

PEP is about to extend its work in the general fields of industrial adaptation and of training and education for developing areas. Applications are invited from graduates with suitable qualifications in economics, sociology or other social sciences. Both senior and junior posts are to be filled. For senior posts previous research experience is required. —Applications in writing to: The Director, P.E.P., 16 Queen Anne's Gate, London, S.W.1.

ESTD. 1829

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Authorised Capital	£ 10,560,428
Issued Capital	£ 6,000,000
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31st DECEMBER, 1961

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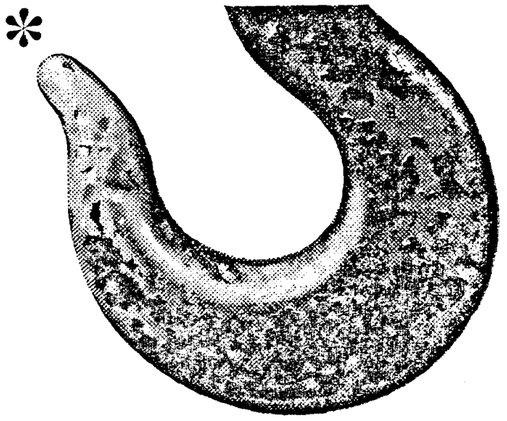
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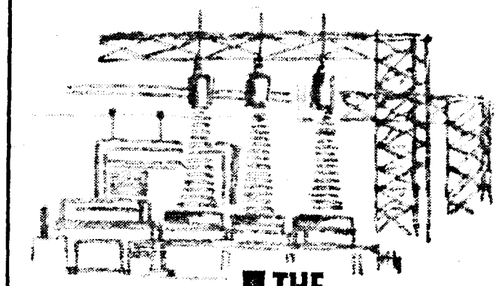
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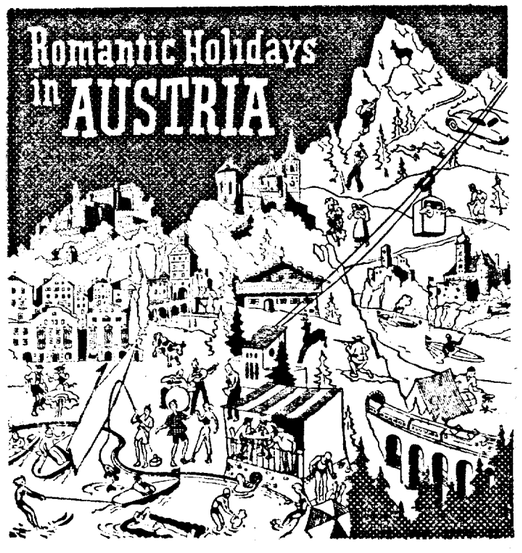




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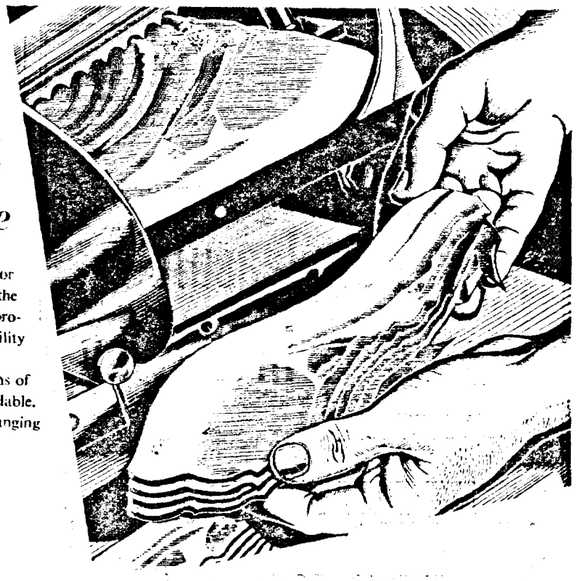
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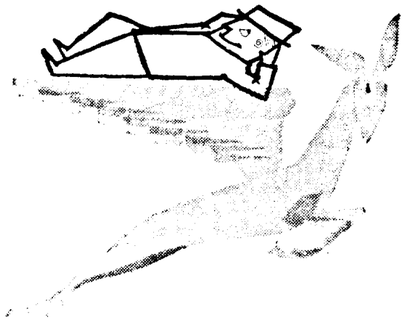
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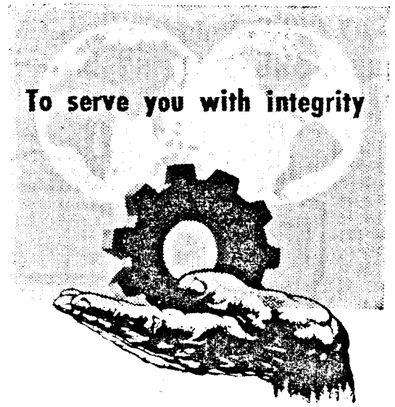
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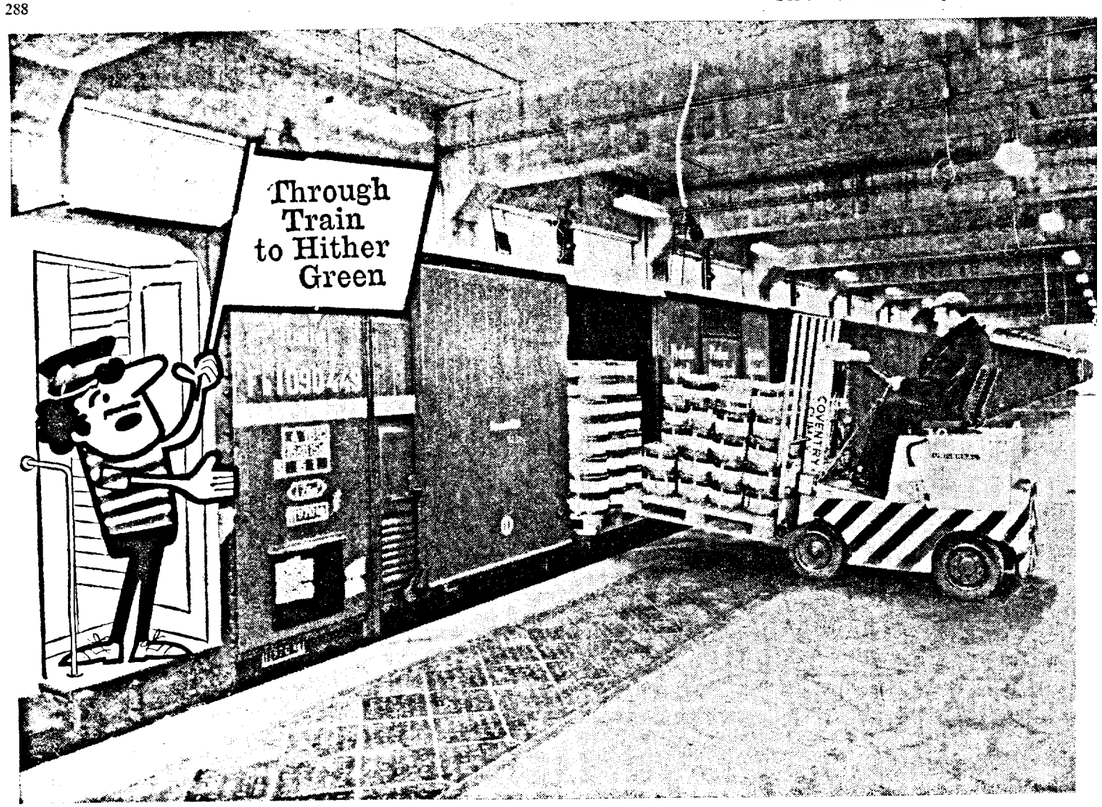
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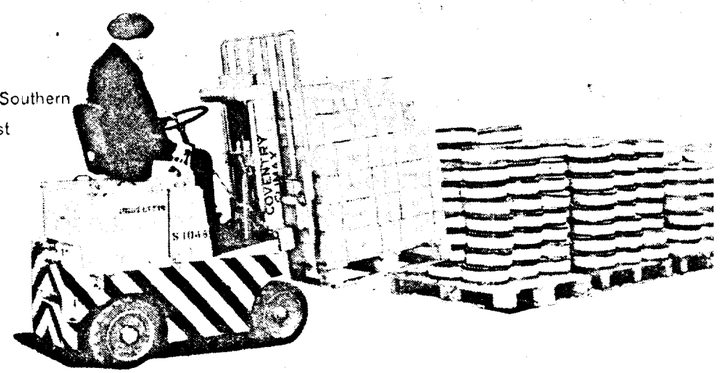
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Where should Mr Brooke make his economies in Government expenditure?

WAGES, STRIKES AND PLANS

MOSCOW'S GERMAN AIMS

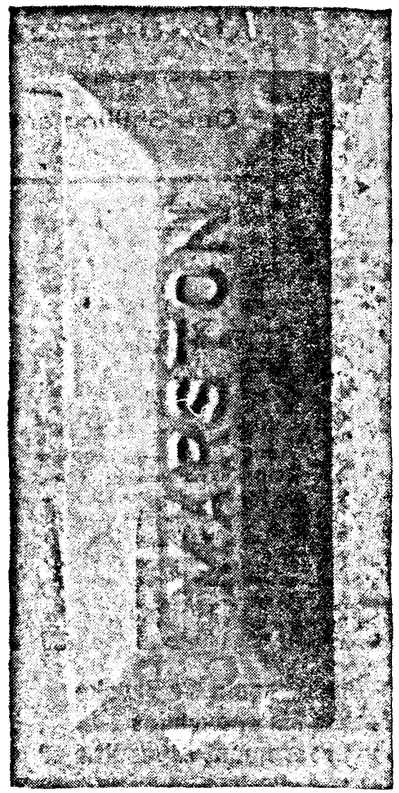
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HOME

AXES TO THE GRINDSTONE

Mr Brooke has whetted his axe and is sizing up the forest of Government spending on which he is to use it. The rationalisation of unemployment and sickness benefit, a reappraisal of the comparability principle in public service pay and a stern look at long-term defence commitments all merit his particular attention. No bad thing would be a band of under-foresters to thin the undergrowth of public extravagance (p. 297).

Courtauld's counterblast to ICI's improved offer presents some attractive figuring: but shareholders must weigh this against the past record (p. 340).

Mr Powell's "fewer beds in newer hospitals" reflects a welcome revolution in Britain's hospital services (p. 302).

APPEALING TO THE INSTINCTS

The Government's latest hopes of improving export financing rest on the City's charity: they take the profit out of export financing and leave the structure shaky (p. 337).

Need the licensing justices continue to refuse drink licences to chain stores on the ground of "need"? (p. 309).

SPRINGES TO CATCH WOODCOCKS

The Trades Union Congress has agreed to go into the Chancellor's economic development council just so long as it can ignore Ned's purpose—to equate incomes with productivity (p. 304).

The profits of Britain's steelmakers have been squeezed by surplus capacity: they still want to increase prices, and hope for freedom to do so when Britain enters Europe (p. 338).

Trapped by a recession, with heavy stocks on its hands, the motor industry has had a thin year of it (p. 342).

Mr Marples, taking a hand in the railway wage negotiations, has put his foot in it (p. 303).

CANNON TO LEFT OF THEM

After opening with a rattle of musketry, the two sides in parliament are sighting in for the big barrages ahead: some of them will be between regiments in the same army (p. 305).

The monarchy is getting a whiff of sour grapeshot from the cannoneers of Fleet Street (p. 306).

SPRATS TO CATCH A MACKEREL

Mr Butler's recruiting drive for more policemen will be worth every penny of £60,000—if it succeeds (p. 314).

Tesco's attempt at ground-baiting the customer by price-cutting has been defeated by the sportsmen who supply their goods (p. 346).

Standard-Triumph, swallowed whole, is lying heavy on Leyland's stomach (p. 365).

The Church of England broken down—statistically (p. 314).

INTERNATIONAL

THE MOSCOW ROAD

The enigmatic noises coming from the Soviet block echo an unfinished political tussle (p. 333), but they do not mean that Moscow has been diverted from its foreign policy aims. It is still the West's interest to talk, and not to wait till the next diplomatic freeze sets in (p. 299).

Bonn could play a useful part in such exchanges, but the west **German** Free Democrats, who would like this, are failing to use what influence they have in the present coalition (p. 310).

Should America resume **nuclear tests** in the atmosphere? If it does, Mr Macmillan and President Kennedy, when they meet in April, may discuss where. The alternative, a test ban, could be discussed in the talks on general disarmament due to start in March (p. 304).

DISAPPOINTED AFRICANS

Tanganyikans have found the gingerbread of independence unpalatable, once the gilt has been licked off (p. 329). In Tanganyika as in Kenya there is danger that extremists will gradually gain power (p. 300).

The absence of the Casablanca group, and even of some moderates, from the Lagos conference of African states, is a blow to **Nigeria's** efforts for African unity (p. 306).

A Bow Group pamphlet rightly warns Britain and the West to dissociate themselves from white domination in southern Africa (p. 306).

PRINCES AND PAPUANS

Dutch and Indonesian views on **Papua** are now close enough for agreement to be possible (p. 301).

Another meeting between the three **Laotian princes** has yielded no conclusive result (p. 310).

TIME AND TERROR

By the time the French government and the Moslem rebels reach an agreement on **Algeria**, it may be too late to enforce it (p. 305).

The Brussels talks on agriculture have delayed Britain's negotiations with the **common market** (p. 305).

AMERICA'S NEIGHBOURS

The patchy programme Mr Diefenbaker has submitted to the new **Canadian** parliament has not restored his popularity, but he will not necessarily lose the next election (p. 330).

Dominica has natural advantages and American support. But progress will have to be swift (p. 330).

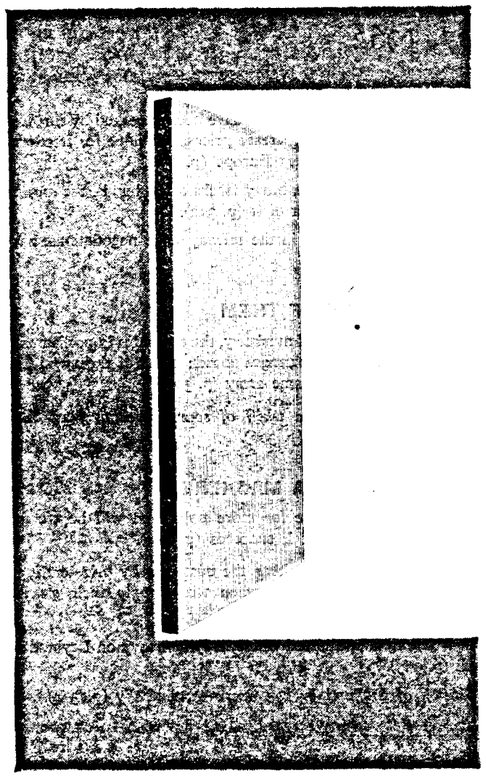
TRANSATLANTIC PLANS

President Kennedy's **economic plans** may be prudent but they are not overcautious (p. 321).

Much of the talk in Washington of an **Atlantic Community** is designed to make the President's tariff proposals more palatable (p. 324).

The current congressional hearings on what to tell the troops will not be the McCarthyist revival that they might have been (p. 324).

Detailed contents on page 297



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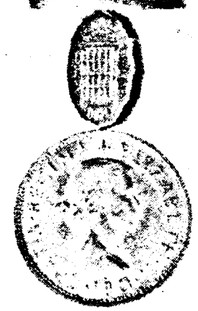
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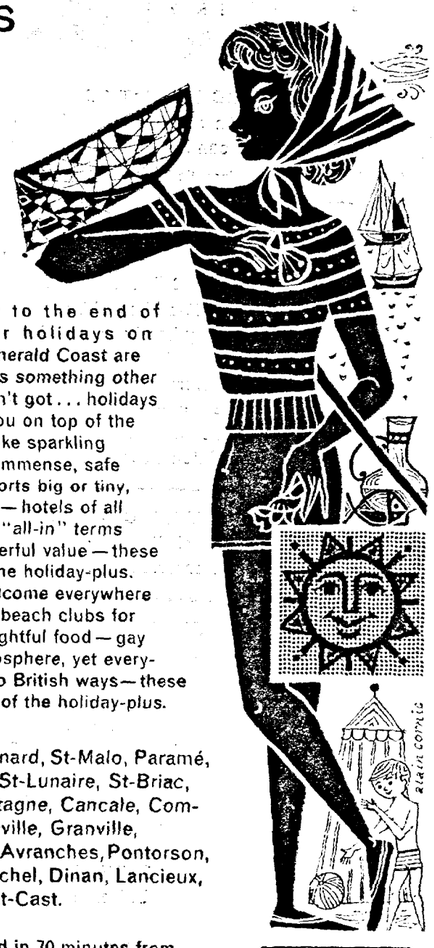
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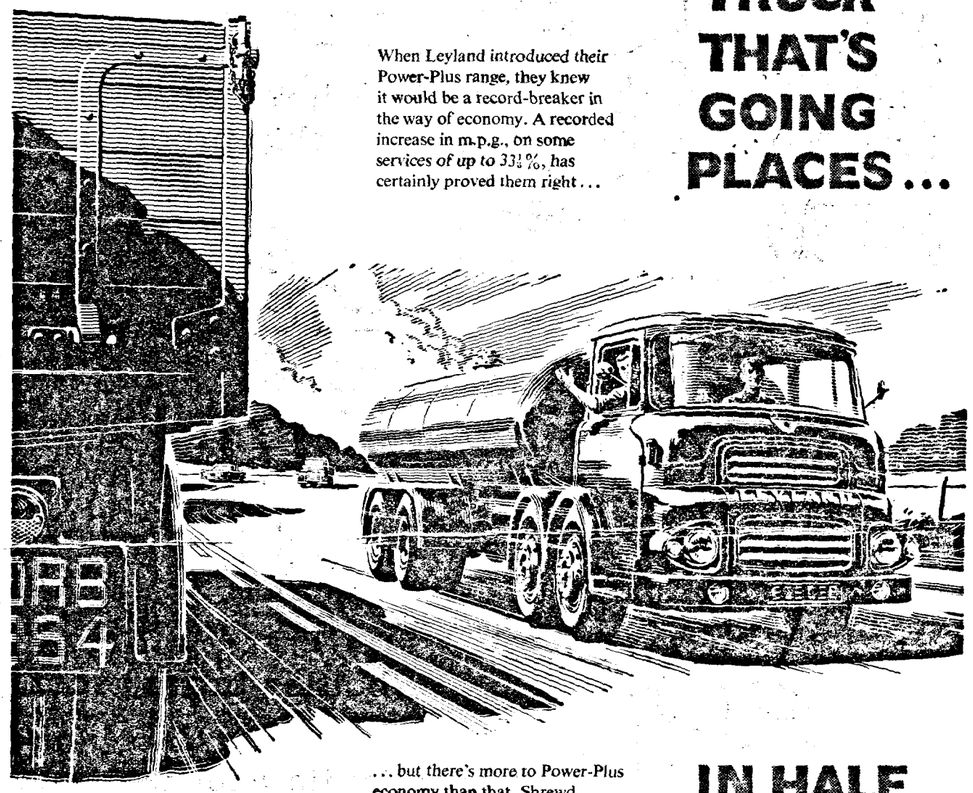
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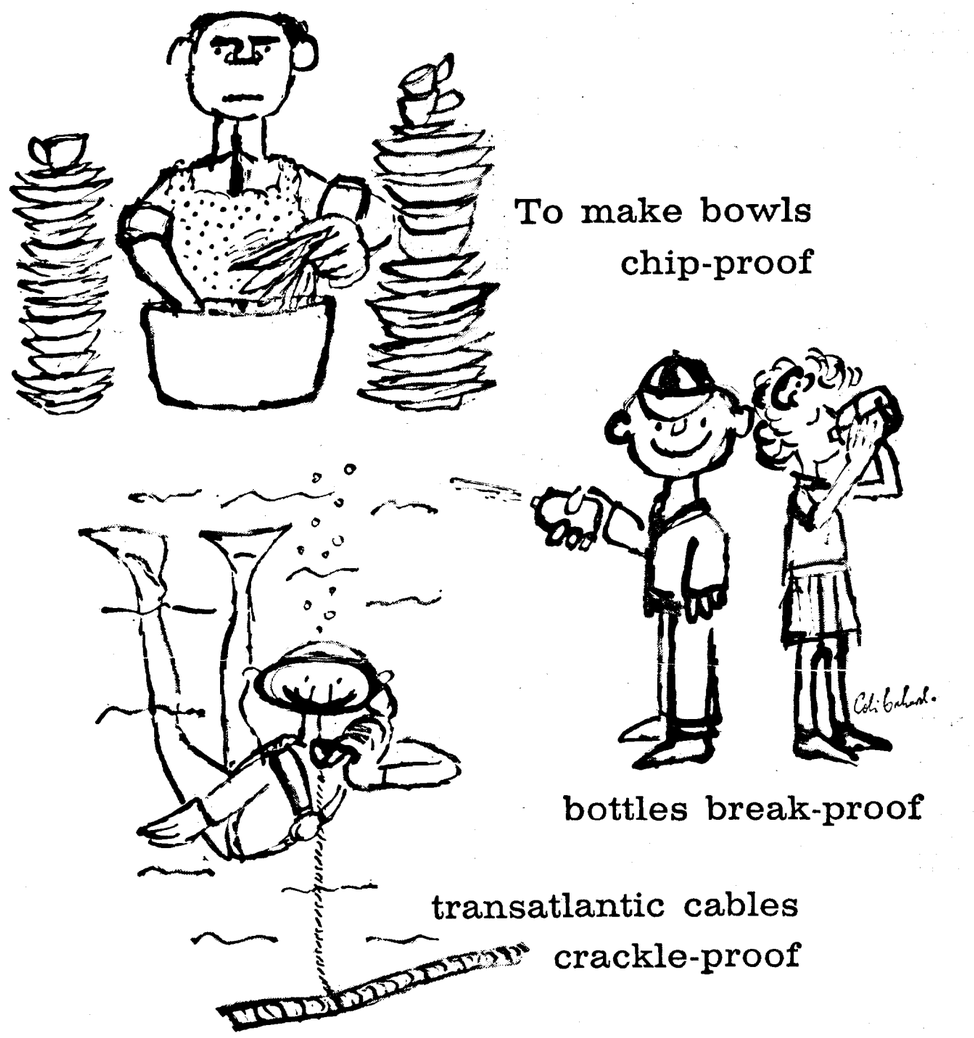
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The Impending Axe

WEDNESDAY'S debate in the Commons did not cast much light on how and where Mr Brooke is going to ply his axe on government spending for 1962-63. But at least his speech did indicate that he has some of the right ideas about the principles on which he should act.

It is pretty clear that the Government is locked in controversy as a result of Mr Lloyd's promise last July that its current expenditure in 1962-63 will be cut back by "£170 million below what it would have been otherwise." Nobody likes to contemplate the political row that will break loose if the vote on account next month shows that Mr Brooke has been axing more of the welfare state in order to achieve this. This week Mr Brooke rightly said that those who call for economies should have the courage to say where they would make them. Here, then, are *The Economist's* suggestions.

First—and most controversially—about the social services. The best and easiest social service in which to make economies might be sickness benefit, which is now costing the country—or, technically, the national insurance fund—about £155 million a year, much of it for the short-term sick. More than half of all British workers now get their wages or salaries paid in full or part by their employers while they are temporarily sick, and in such circumstances it is often left to the employee to decide whether to apply for sickness benefit from the national insurance fund as well ; if he does, the amount of it will generally be deducted from his pay, but the advantage he gets is that sickness benefit is not taxable and that he does not pay any national insurance contributions in any week that he is drawing it. The benefit should be made taxable straightaway, and when a sick worker gets his full wages made up by his employer he should pay full insurance contributions for that week. Claims for the benefit might then drop significantly. Simultaneously the Government should announce a longer-term scheme whereby employers would eventually be obliged to pay wages to all sick workers during, say, their first two weeks off work, and to cover the cost of this through private sick-pay insurance. Once this was done, there would really be no sane argument against imposing some board-and-lodging charge for the first two weeks or so which insured workers spent in hospital ; obviously, their absence from home would make a cut in household costs.

It would also be sensible to lay more of the cost of financing unemployment benefit on to employers, in a radical change designed to tie up short-term unemployment benefits and severance pay under one heading. When the Government moved to a graduated pensions scheme, the first effect was to increase the surplus of the national insurance fund. The same mechanism could be used for unemployment : the Government should tell employers that they can either contract out into private and approved severance pay schemes, or else they must pay a higher graduated contribution for a new state scheme. Any such arrangements, like those for graduated pensions, would probably require at least two years before they could become effective ; but there is one other unemployment fund change that should be made straightaway—although it would be very unpopular. The Government should say that unemployment benefit will no longer be paid to men on a short-time (say, three-day or four-day) working week for their day or days off work in that week, at any rate not after short-time working has continued for more than a month. There is no economic justification for the

present system whereby firms are encouraged to keep on the whole of their labour force for a two- or three-day week during a recession (drawing wages from Monday to Wednesday, unemployment benefit Thursday and Friday), instead of sacking some of them so that they can seek more productive full-time employment.

These changes could effect quite considerable economies for the national insurance fund, thus doing something to bridge the actuarial deficit it suffers through constant rises in old age pensions (and enabling it to pay more towards the health service). No cuts can possibly be made in the fund's outpayments for pensions themselves, but something could be done now to contain their future growth. The Government should set up a social survey to examine the average economic circumstances of those who retired (a) before 1955, (b) between 1955 and now, and (c) the prospective circumstances of most of those due to retire from 1963 onwards (many more of whom will be retiring under private superannuation schemes). This research would help to create the climate of opinion necessary to see that the next increase in pensions, when it comes, should go to the older groups who really need it rather than being spread right across the board.

The danger is that, failing such steps, the Government will decide that the easiest social services for politicians to cut this year are the family allowances, on the ground that only about 22 per cent of households (those with more than one child in full-time education or younger) get them. That is precisely why this discriminate service should not be axed ; it would be slightly less reactionary (though obviously also pretty undesirable) to cut the income tax allowances for children, which aid slightly better-off (i.e. income-tax-paying) larger families only. There may be a better case for charging more than the present 1s. (about half the real cost) for each school dinner, a service which now costs the Government about £49 million a year and which just over half of all school children choose to use ; this latter proportion is rising rapidly (by 2 or 3 per cent a year) because school meals are becoming a better and better subsidised bargain. Any rise in school meal prices could be sheltered for poorer families by the present rebate system which is already working fairly smoothly (7 per cent of children got the meals free in 1960). And it is right to voice the suspicion that the school milk service (which will cost the Government £12 million this year) is partly a prop to dairy farmers rather than to children's health.

But if the Government does make any economies in some of these social services for children—which, on balance, it should do—there are other services for large families which should actually be extended. For example, we would like to see more generous local-authority maintenance allowances for poorer children who remain at school after 15 ; and, in the easy task of thinking up new social services which one would like to start, one of the most attractive is the idea of grants towards reduced rail and road fares for once-a-year holiday travel for families earning below a certain (very low) net income per head.

Mr Brooke's second main head concerns administrative costs. The only way to secure long-term economies in these is gradually to abandon the Priestley Royal Commission's formula of so-called "scientific" comparability for public servants' pay. At present when there is a shortage of recruits to a particular grade in the public service, pay in that grade is rightly increased (although sometimes too laggardly—e.g., the police); but the system of "comparability" also requires the Government to raise salaries for grades where recruitment is ample. Let us take an immediate and controversial example. Teachers in Colleges of Advanced Technology have recently got a 17½ per cent pay increase, because more teachers need to be attracted to the CATs; university lecturers are expecting the same increase, but they should not get it. Instead any increase in Government payments for university lecturers' salaries this year should take the form of handing out different sums to different universities, with more money going to the less popular places with difficulties of recruitment (e.g., more, probably, to Leeds than to Oxford or Cambridge), and telling them to use this money to bid up whichever faculties' salaries they please (e.g., more, probably, for physics professors than arts ones).

THIRDLY, defence. Last year the defence estimates rose by some £40 million to £1,655 million, and the Government will do very well if the increase is not even larger this year. Service pay takes up one half of all defence spending ; and pay per soldier is certain to have to go up in future—to compensate for missing what, one hopes, will be the increasing attractions of ordinary British civilian life. The recurring struggle to persuade the Germans to pay more for the British Army of the Rhine has not made much progress this week. When the V-bomber force is recognised to be antiquated, some money should be saved on what is called "Britain's contribution to the nuclear deterrent." But Skybolt is not going to be abandoned by the Government at this stage, because it looks as if it may actually work.

In the event, therefore, there is probably only one major long-term economy which can sensibly be started this year, and it would be an emotive one: Britain should start to give up three or four bases overseas. The Government should stop building new married quarters in areas that are going to have to be handed over to Mr Kenyatta and others, and recognise that future policing can be done better from ships with marines. But meanwhile the ships or trooping aircraft have to be built or (like the commando carriers) converted. This is a field for long-term economies, rather than short-term only.

The fourth and final thing we would like Mr Brooke to do is to set up a group of what might be called whole-time "Treasury liquidators." This group of hatchet-men should spend the whole year moving from department to department, recommending which particular government services or forms of expenditure should be completely discontinued. Naturally this group should not decide major questions of government policy: such as the very real question whether, if we do not get into the common market, whole segments of Britain's system of agricultural support should be scrapped. But there must be many minor services, costing several million pounds a year, which were started under very different circumstances in the past and continue now because the department concerned has simply got used to providing them. The point about such services is that the recommendation whether to continue or discontinue them should be made by some outside body ; the decision is one in which the ministry concerned—which will often mean people working in the service under review—should often have virtually no say at all.

Moscow's German Aims

If anyone is letting go of the Berlin rope, it is not the Russians

ENIGMATIC Russia has been more mysterious than usual this winter. Admittedly, the mere thought of anything "going on" in Moscow—even when the Kremlin lies quiet under the snow, its great men away shelling peas in Minsk or sipping mint tea in Rabat—arouses mystification. Few things can cause more perplexity than Moscow exhibiting, if only for a week or two, the signs of a normal western condition of faction, cross-purposes, and dispersal of effort.

The vicissitudes of Mr Molotov's Vienna job have been only one of a string of intriguing portents, suggesting clashes of ideas, the labour of giving birth to policies on sensitive domestic subjects, strenuous and not wholly successful exertions to assert spiritual authority over communists in China, Albania, and elsewhere. Some of these signs are further discussed on page 333. The Western political leaders and their advisers are right to pore over them. They are wrong to hope that the communists' contradictions, however rich, will excuse the West from disentangling its own ; for this is most unlikely.

Just now the western countries are in some danger of thinking that because Berlin is quiet, because Soviet threats of imminent action in Germany have died down, and because Mr Khrushchev has been busy in other directions, the necessity for discussing Berlin with the Russians has disappeared. The Berlin crisis is assumed to have subsided; Mr Khrushchev, it is said, has lost interest in his threatened separate German peace treaty, and has told Herr Ulbricht that he need not expect its signature this year ; Moscow's relations with the east German regime are not cordial. Mr Dean Rusk, the American Secretary of State, at his press conference on January 18th declined to accept this view. Berlin remained dangerous, he said; for all that the Russian tanks had been withdrawn from the city, there was no sign of a change in the Soviet attitude ; he expected the "probing" talks in Moscow to continue.

All the same, the contrary idea has continued to gain ground. Based on a mixture of fact and fancy, it is in effect the old "do-nothing" view in a new dress. When the Russians are menacing, it would be wrong to negotiate under threats ; when they are quiet, there is nothing to worry about. Western discussion of the Berlin question went through the same cycle from the moment in November, 1958, when Mr Khrushchev threw down the gauntlet about Berlin, through the Eisenhower-Khrushchev exchanges to the day in May, 1960, when the summit conference in Paris crashed in ruins. Such a collapse is always, from one point of view, convenient. It restores unity. It lulls the suspicions that are always wakeful when great powers contemplate a bargain touching the interests of others (Germany, say) besides themselves. Leaders of middle-sized countries (like France), who fear to lose influence or importance if greater powers cease to be at odds, are reassured.

The trouble is that if this kind of harmony is put first, the alliance must deny itself any chance of resolving its disputes with its opponent, and is driven to the expedient, in the long run hopeless, of keeping everything as it is by the threat of war. Fortunately President Kennedy, though in his first year of office he has used rearmament and the threat of warlike retaliation to effect, has refused to allow himself to be denied the use of diplomacy—the right to explore and, if occasion arises, to negotiate. Evidently his ambassador, Mr Thompson, has not got very far in the two talks he has had with Mr Gromyko this month. At the second, on January 12th, he found an opponent little disposed to give away points, and asserting Russian wishes in their full rigour. This may be normal at such an early stage in a negotiation. Oddly, it has been called in aid as evidence of the supposed Russian "loss of interest" in an agreement.

WHAT it presumably does mean is that the Russians have not changed their ideas, and want to get as much of their own way as they can. At the same time, they want to talk. Mr Khrushchev, busy with maize and pulses, has let a (for him) unusual length of time go by without making any foreign policy speeches (his last was on December 9th). But the Russians have made a renewed effort to get Mr Robert Kennedy, the President's brother, to include Moscow in the world tour he starts next week. This has failed, but Mr Khrushchev's son-in-law, Mr Adzhubei, is to lunch with the President on Tuesday.

The burst of Russian explanatory zeal towards the Germans themselves, the objects of all this push-and-pull, is also worth attention. It opened with the memorandum handed by Mr Gromyko to Dr Kroll, the west German ambassador in Moscow, on December 27th. Because of some unkind remarks it contained about the inner motives of the policies of some western countries towards Germany, this document was dismissed by Dr Adenauer as *komisch* and by the Bonn Christian Democrats as a naïve Russian attempt to drive a wedge between Bonn and its western friends. Some optimists have even connected it with the supposed coolness (as if there had ever been warmth in that quarter) between Moscow and east Berlin.

But the document may equally have been a seriously-meant attempt to explain Moscow's German policy. West Germans who do not in the least dream of Tauroggen or Rapallo have suggested with some reason that Bonn is not in fact doing the alliance an unqualified service by rejecting out of hand the implied invitation to exchange views. The west Germans could exchange views with Moscow, on a matter that concerns them both, informing and consulting their allies; and why not?

Two long articles in the Moscow press last week (one by Mr Kudryavtsev in *Izvestia*, January 18th ; and one by Mr Nekrasov and Mr Mikhaylov in *Pravda*, January 19th) have continued the work of explaining what Moscow wants in Germany. The second and more earnest of the two reproduces much of the substance of the memorandum which Mr Gromyko handed to Dr Kroll. A new, though not novel, element in this article is the earnestness of its insistence that a regulation of German relations with Russia would be in the interest of west Germany itself.

But such a regulation would include a peace treaty, to which

the east German state would have to be a party. The Russians, like the other eastern Europeans, fear German expansionist forces and are desperately anxious to put a stop to German rearmament. What the Russians are after is plainly unchanged, and they have said it countless times: recognition, acceptance and security for the existing order in central and eastern Europe. It is to this end that they want their German peace treaty and their new status for west Berlin. How the West could meet these demands looks no easier than ever it did. For the moment—perhaps for a few months, perhaps not—the Russians have put aside the thunder and lightning in order to negotiate and argue. But they have not ceased to mean what they say, and it is still necessary to take them seriously.

Emergency Nations

Mr Nyerere may be fighting for east Africa's life; independence has given rise to popular demands that cannot easily be satisfied

ABOUT a month before Tanganyika became independent, an article by the prime minister, Julius K. Nyerere, appeared in a Dar es Salaam magazine, *Spearhead*. "The governments of these new countries," Mr Nyerere wrote, "must treat the situation as one of national emergency, comparable almost to that of a country at war." On Monday, a little more than a month after independence, Mr Nyerere stepped down from being prime minister. His new task, he said, was to build up the party, the Tanganyika African National Union, so that it would be active in every village and could act like a "two-way all-weather road" along which the government's plans and purposes could travel to the people, and the people's ideas, desires and misunderstandings could travel direct to the government. And on Tuesday the new prime minister, Mr Rashidi Kawawa, said, "Nyerere is the commander-in-chief and we are his troops. He is the father of the nation to whom we will continue to go for advice."

The suddenness of Mr Nyerere's decision suggests, however, that he has felt the pressure of too much advice from parts of his nation. As our correspondent explains on page 329, the sickness in Tanganyika is disappointment. For most people, independence has meant little more than a new flag, a lovely anthem, and the sight of their leaders doing rather well in big cars. The scapegoats, it seems, are the 100,000 Asians and the 20,000 Europeans who live the kind of life black Tanganyikans now aspire to. Sadly, a country of which so much has been expected does damage even when it goes slightly off the rails. Its racialism amounts so far to no more than a collection of harsh editorials, the expulsion of five Europeans for "disrespect," and a change of title for Sir Ernest Vasey (from finance minister to government adviser on economic affairs). Yet Dr Verwoerd was able to gloat over it in the Cape Parliament on Tuesday.

There are other pressures. Most of Tanganyika's 9 million people still live in the subsistence economy, worth about £8 a year for each citizen. The monetary economy brings in another £11 a year a head. But tribal Africans moving into modern life find themselves connected with the powerful Tanganyika Federation of Labour, of which Mr Kawawa was once president. This has borne heavily upon the new government: the first weeks of the first year of *uhuru* have been marred by an unofficial go-slow strike on the docks at Dar es Salaam, and political threats from some union leaders.

These hungry demands cannot quickly be satisfied. Sir Ernest has worked out a £24 million three-year development plan, ambitious by World Bank standards, conservative to the Tanganyikans. The politicians have no money to spend and little to do but talk politics. Talking, they have found Mr Nyerere too moderate: it is hard to bear the praise of the West and be a leading pan-Africanist at the same time. Unfairly, perhaps, he has been thought to be too sympathetic with Nigeria's conservative leadership under Sir Abubakar (discussed in a note on page 310); in fact his ideas are nearer to those of Dr Nkrumah, or Mr Sekou Touré of Guinea. The critics of Sir Abubakar, and of Mr Nyerere, say that their neutralism is too West-inclined; non-alignment has to mean a certain coolness towards the former colonial powers. As in Nigeria, the politicians want a republic; the hope must be that Tanganyika's first president is a Nyerere more firmly in charge.

Much of this was hinted at in Mr Nyerere's article in *Spearhead* in November. Older countries, he said, were able to spread their industrial growing pains over long periods; in any event, when there were no mass communications, people could not see the riches their neighbours had. Modern African expectations, aroused by nationalist parties, must be satisfied fast—and by governments that lack the men and the money to provide what is wanted. Further, African countries were not real nations, but collections of tribes, arbitrarily put together. It was a time of emergency, a time of war against Africa's three devils, Poverty, Ignorance, Disease.

Mr Nyerere's answer is the party. "There can be no room for difference or division," he wrote in November. Now, it seems, the national unity he used in winning, peacefully, independence from Britain needs to be welded once again for the new battle. Democracy, the new commander-in-chief says, is talking until you agree: he is going to start talking. If these ideas are put into practice, Tanganyika may very well become a state like Guinea, in which the party is the "soul" of the developing nation. The Tanganyikans will probably try to persuade themselves into schemes of voluntary labour, unpaid, like Mr Sekou Touré's *investissement humain*; in the villages the party leader will be the man to know. Tanganyikans will probably continue to seek—and honour—overseas investment, but it is also likely that a more socialist-looking economic plan will be thought up by Mr Kawawa's new government.

There are disquieting possibilities in all this if things go badly, but, all the same, Mr Nyerere's may be the only path. It is not necessarily the path to a communist state, but dangers there certainly are. Tanganyika cannot afford to alienate its

Europeans and Asians: as it is, the lack of technical skills and the costs of independence are likely to mean an actual decline in the general standard of living this year. And, as Mr Nyerere probably discovered last week-end, a one-party government contains built-in hazards for its leader, however idolised he may be.

ALL these dangers apply doubly to Kenya, a country whose politics gravely affect Tanganyika. (It is sometimes forgotten that Tanganyika is not an island: it has borders with Mozambique, Nyasaland, Northern Rhodesia, Katanga, Ruanda-Urundi, Uganda and Kenya.) Kenya's standard of life is highly unlikely to rise in the years immediately following independence; it is hard, in these circumstances, to give cheer to the white Kenyans, even those who agree to stay behind and call Africans "Mr" or Bwana. If they are caught in a trap—a trap that would be only partly of their own making—Britain should face up to the responsibility of compensating them.

Things may not go badly, however. A lot depends on who wins the present struggle for power in Kenya (just as a lot depends on how far Mr Nyerere succeeds in talking his party into agreement with his own high principles). The Kenyan battle will be fought at the constitutional conference which opens in London on February 14th. The argument will be between those who favour a strong government for an independent Kenya (men who probably read their *Spearhead*), and those who prefer dividing the country into half a dozen or so confederated states.

The Kenya African Democratic Union plan for a tribal confederation sets itself up as a panacea: the Somalis could have their autonomy; the coastal strip, bought from the Sultan of Zanzibar, could be fitted in; the Masai and the Abuluhya could be reunited across the frontiers of Tanganyika and Uganda; Zanzibar could be accommodated. But Mr Nyerere, who wants a federation of strong unitary states (Kenya, Tanganyika, Uganda, Zanzibar), believes that this kind of division would lead to strife as it has in the Congo: only a strong central government (based, as he would now say, on a strong unitary party?) can replace the pax Britannica.

His sympathies in Kenyan affairs lie with the Kenya African National Union. The trouble is that Kanu is split into at least three factions and that the faction leaders are, disastrously, engaged in a bitter struggle that looks like a shameless scrabble for office. It may be the kiss of death to say so, but it seems as if Mr Mboya's wing of Kanu is associated with Mr Nyerere's "moderates" in Tanu: east African federation would be quicker, and present a not unpleasant face, if everything were up to these two men. But Mr Kenyatta's "old guard" and Mr Odinga's own faction (supported, as are some of Mr Nyerere's opponents, by communist money) seem at present to be driving Mr Mboya out: if they succeed, and link up with more impatient men at Dar es Salaam, the future for east Africa, and its whites becomes bleaker. This does not mean that everyone in Kanu except Mr Mboya and his supporters must be rejected as evil: Kanu is not short of brains, organising ability, or popular following.

But there are many irresponsible men in it, and they have postponed the day of unity by putting fear into the hearts of minority tribes (including Europeans and Asians). These men, voracious seekers after power, make the disturbing voices being heard in peaceful, sunny Dar es Salaam sound like pale shadows of their Kenyan selves. The emergency in east Africa is on.

Towards Papuan Peace



Volunteers in Jakarta.

New Guinea no longer looks the insoluble problem it did

162 639

DESPITE much shouting (and even a burst of shooting, when Dutch and Indonesian vessels met in New Guinea waters on January 15th) the Dutch and the Indonesians have, in fact, moved a deal closer to each other during the past few weeks. Both have now responded—the Indonesians with some reservations—to the appeal for a peaceful settlement made at the turn of the year by U Thant, the acting secretary-general of the United Nations. There does not now seem to be any good reason why both sides should not take the last steps that would bring them together in negotiations about west New Guinea.

It is indeed hard to see what considerations, other than those of face and wounded *amour propre*, have been keeping them apart all this time. In terms of political survival, such considerations often seem of crucial importance. But far more is at stake than the survival of Dr de Quay's coalition or President Sukarno's guided democracy; the issue is one of peace and war. Moreover the military difficulties of attempting to invade New Guinea are such that the operation could not be as painless for the Indonesians as Goa was for the Indians. It would be easier for President Sukarno to launch a war than to predict its political and economic consequences with any confidence.

Even at this very late hour, the point of no return has probably not been passed. Negotiations are not merely desirable, they ought even to be politically possible for both parties, given some grains of common sense and good will.

Only two obstacles are, in the last analysis, left. One is Indonesia's insistence that any talks with the Dutch must deal primarily with the transfer of authority in west New Guinea from Holland to Indonesia; the Indonesians do not regard the principle of their sovereignty over the territory as negotiable. The other obstacle is Holland's commitment to self-determination for the Papuans. As they stand, these positions are irreconcilable. The Dutch, however, have tacitly (though not explicitly) retreated from self-determina-

tion by offering to negotiate without prior conditions. This might seem enough to satisfy the Indonesians, but with their long memories of abortive negotiations with the Dutch, it is not. The Indonesians will talk only if they have some guarantee that the Dutch will not stay on in New Guinea.

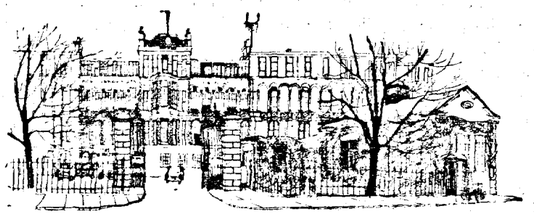
If the publicly stated positions are still divergent, the private ones are potentially much closer. The Dutch seem prepared to abandon their self-imposed mission in New Guinea so long as they can secure some guarantee of autonomy for the 700,000 Papuans. The Indonesians, for their part, are letting it be known that they would even admit in principle some kind of Papuan right to choose—so long as its application was preceded by a period of Indonesian rule ; it should be added that what they say is not free from ambiguities and qualifications.

The argument behind the main Indonesian proviso shows it to be less cynical than it appears. The Indonesians point out, quite rightly, that self-determination under existing conditions would merely play into the hands of a Dutch-trained Papuan elite, conditioned in advance to reject the Indonesian connection. The same argument could, of course, be used in reverse: a period of Indonesian rule would guarantee an "Indonesian" vote in any referendum. The truth is that the conditions for a fair and free referendum simply do not exist, and are unlikely to exist for a very long time, in a country as primitive as Papua. The interests of the Papuans should not, however, be lost sight of in the rush to get the Dutch out.

Here the United Nations has a part to play. Hitherto, the Indonesians have been willing to let the UN in only as a device to facilitate the transfer of power from the Dutch. It could be argued, however, that a period of UN supervision, which could perfectly well be combined with an Indonesian presence, would be the best way of finding out what the needs of the Papuans—and perhaps their aspirations—really are, and of facing the Indonesians with the responsibilities implicit in their claims. Because the Papuans have nothing in common with the great majority of Indonesia's existing population, these responsibilities will be of a special kind ; the Indonesian leaders have yet to show much awareness of this fact.

In any event, it seems clear enough that the Dutch are seeking an honourable and graceful way out and that the Indonesians are not at all anxious to fight if they can avoid it. Since UN good offices are, in fact, being used, the protagonists have at last gained a chance to shake hands on the neutral ground of the secretary-general's office. The elements of a solution are surely there for the taking.

Green Light for Hospitals



FOR once, for almost the first time in thirteen years, an official statement of policy on the health service looks forward to spending money on part of it instead of making economies. And the part of the service which is to be renovated is the part most overdue for renovation.

A year ago, the hospital boards were asked to produce long-term plans for hospital building, the first time that they had been encouraged to take a long look ahead. The plan published this week (Cmnd. 1604) represents the sum of their hopes and proposals in so far as they could be contained within the £500 million which is envisaged for capital spending in England and Wales within the present decade. In the same period the Scottish hospital authorities will be spending £70 million. The total of £570 million compares with £188 million actually spent on British hospitals since 1948. Nor will the rebuilding and modernisation of hospitals stop when it has been spent. By 1970-71 it is estimated that in England and Wales schemes costing £707,500,000 will have been started.

If the rebuilding goes forward as planned, and the Minister of Health seems confident that over the ten-year period as a whole it will, about 200 to 230 entirely new hospitals will be built by 1975, and about half of the 2,800 existing hospitals of England and Wales will eventually be replaced. Many of these are small and pleasant but inefficient to staff and to run ; others are large, grim relics of Victorian infirmary building. The new hospitals will usually have 600-800 beds, and they will be virtually all-purpose hospitals.

Will they also be more expensive ? Mr Powell is equally confident that the running costs of the hospitals will be kept well within the 2½ per cent a year increase in real terms that is envisaged for the health service as a whole. This confidence is partly based on the belief that more modern hospitals will not be so costly to run, but much more on the fact that, instead of expanding as a result of the building programme, the hospital service will actually provide fewer beds.

This is not an all-round contraction. As the accompanying table shows, over England and Wales as a whole the plan allows for more maternity beds, more beds for the old and more for the mentally subnormal (who used to be called defectives). But expansion in these fields has been far more than offset by a drop of at least 45 per cent in the number of beds planned for mental illness, as a result of the new methods of treating those who suffer from it. It is the running down of the mental hospitals, which at present contain about a third of all hospital beds, that is to enable Mr Powell to balance his books.

An important, indeed an essential, corollary of the new methods of treating the mentally ill is that care in the community will be provided for those who need support short

of full hospital treatment. It is a main virtue of Mr Powell's hospital plan that he is following it up with a request to the local health and welfare authorities to produce this year their own ten-year plans for expanding their services: for the mentally disordered, the old and mothers and babies. It is emphasised that the two sets of plans have to interlock closely with each other, and with the family doctor service—the first time, again, that a serious effort has been made to close the administrative divisions built into the structure of the health service.

Another virtue of the plan is that it is not static. Fifteen years ago, when the tuberculous might wait months before being admitted to a sanatorium, and the mental hospital population was increasing inexorably, few would have foreseen the transformation in these two special services today. Fifteen years hence, another breakthrough, in another specialty, may have outmoded some of the provision now outlined. Since, however, the hospital plan is to be reviewed every year, so that the service is always looking ten years ahead, changing needs can be taken into account.

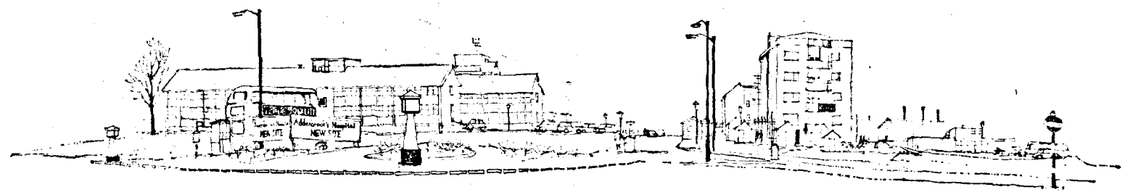
HOSPITAL BEDS IN ENGLAND AND WALES

	Acute	Geriatric	Maternity	Mental illness	Mental sub-normality	Other	Total
1960	179,456	59,069	20,531	151,899	59,840	4,614	475,409
1975	168,550	65,860	27,020	92,090*	64,320	3,380	421,220

* Includes about 12,000 in general hospitals.

But what about changes in tastes among the patients, and possible changes in public willingness to pay for satisfying some of them ? Next month the Minister is holding a conference to enable voluntary effort to be brought in from the beginning in the replanning of the hospital and local authority services. But the conference will be concerned with fringe services only ; an aspect of voluntary effort that will not be discussed is the potential readiness of some people to pay part of the cost of hospital treatment in return for higher standards of comfort. Mr Powell has gone a long way with his slogan of "fewer beds in newer hospitals." But one of the blights for patients in public hospitals since the health service started has been that no extra comforts, apart from the uncertain chance of an amenity bed, could be purchased by anybody until the country could afford to provide them free for everybody (unless, that is, the patient could afford to go right over to being a private patient who pays for his whole expensive treatment in full). It is this that has held up the improvement in the hotel side of hospitals more than almost anything else.

If Mr Brooke's economy measures (discussed on page 297) did start to introduce the principle of getting hospital in-patients to pay some boarding charges in rare instances, they could provide an important addendum to the hospital revolution ; Mr Powell's "newer hospitals" would then be able to throw off altogether the institution-like and comfortless atmosphere which persists far too often today.



NOTES OF THE WEEK

WAGES

Off the Rails

WHO is trying to fool whom ? Mr Marples explained on Tuesday in the Commons why he had short-circuited the last stage of negotiations on railway wages by "asking" (which means "instructing") Dr Beeching to go to arbitration. In full bureaucratese, he proclaimed:

> The main purpose of this communication was to ensure that, without departing from the machinery established under the Agreement on the Machinery of Negotiation for Railway Staff, full regard should be paid to the financial and economic difficulties with which the nation, and the railways themselves, are faced at the present time.

This, however, is neither true nor useful. Arbitration at this stage *was* a departure from the machinery—and a good job too. As the railways made a loss of over £140 million last year, and expect to make an even bigger loss this year, any increase in railway wages will fall upon the Treasury—which really cannot be expected to sit aside until somebody presents it with the bill. But the departure was not towards the right destination. What the Government should have done about the railways was what Sir David Eccles did do about the teachers: say what total increase in the bill it will finance, and suggest how it would prefer the money to be distributed. In present circumstances the money should be used to provide extra inducements in areas where more railway staff need to be recruited (such as the Midlands and London), not spread evenly among all railwaymen across the country.

What the Government has done instead is to ask that the claim should be referred to an "unfettered" arbitration tribunal, before which the Treasury does not, apparently, even intend to present its case. Its hope, of course, is that the tribunal will set a pattern by saying that the increase in railway wages should fall within the Chancellor's suggested figure of a 2½ per cent increase in real national production in 1962. What the Government will do if the arbitration tribunal decides to recommend more than its maximum, heaven knows. But what it has probably done already is to make its overall maximum of 2½ per cent a minimum from which the arbitration tribunal will start. Now that the Government has stirred up a row by some sort of an "intervention," but has not made the intervention specific, this is likely to seem to the arbitration tribunal to be the easiest way out. And, as expected, the nationalised Gas Council has done the same. On Wednesday it offered an increase of 2½ per cent to its workers, but the unions are still going to come back and ask for twice as much.

Back to Guillebaud?

THE method of half-intervention and half-infirmity of purpose that the Government has chosen over the railways has made it practically inevitable that the National Union of Railwaymen should resort to its favourite tactic. On past experience, it has every incentive to say that the next stage of the bargaining should take place under the shadow of an impending threat of strike. When the NUR meets the other two railway unions on Monday—at a time when some of London Transport's underground railwaymen, and possibly busmen too, may be out on an unofficial one-day stoppage—a call may be made to set a date for a national railway strike. As the strike date approaches there will then be pressure on the Government to agree to give at once what, it will be said, "everybody expects it to give eventually anyway." Perhaps to say that railwaymen should have 2½ per cent on April 1st, and then to set an arbitration court to work to give them quite a lot more later. . . . The country would then be back to the atmosphere in which the Guillebaud award debacle took place two years ago.

Has the country really forgotten the lessons of that debacle? It was from that moment in February, 1960, that measures had to be taken to stop British production from rising, because this was the only way the Government could find of half-shutting the flood gates to inflation thus opened. In the intervening two years the Guillebaud settlement must have cost the country at least £1,000 million in production forgone. And the same thing will happen this time if again every wage negotiator in the country, and every speculator against sterling outside it, is shown that the Government will always run into wage inflation rather than risk running into a strike. Quite apart from the internal inconsistencies in the Guillebaud approach to wages on the railways (in particular, its assumption that the mass of rural railwaymen should be paid wages equal to those of workers in big towns, and thus above rates for other rural workers), obeisance to this approach is a signal to the world that Britain is not interested in any realistic economic management of its affairs: if one is to make any use of the price mechanism to get resources into the right places, one really cannot say that wages in unprofitable industries should be pitched at the same level as those in profitable ones, and then put the bill for this on to an ever-growing tax-financed loss.

PLANNING

Into Ned

NOW that the Trades Union Congress has agreed to nominate six members to the Chancellor's National Economic Development Council, attention had better be turned again to what this body is likely to find itself doing—and to whether it should be welcomed. If the top council of Ned works at all effectively, which *The Economist* still doubts, it will presumably find itself faced with three tasks. The first task will be to set targets: probably the pressures upon it will be to set a target for increases in national production higher than that which the Treasury by itself would approve, and in present circumstances many people will be rightly inclined to welcome that.

The second task will be to utter a truism: to say that if national production increases by only 3 or 4 per cent a year, total earnings can increase by only 3 or 4 per cent a year too, so that basic wage rates (which always rise more slowly than actual earnings) must go up by rather less. The TUC has said that it will join Ned only on condition that it need not utter this truism, or at least on condition that it can issue minority reports denying it; but if it goes on issuing minority reports saying that two plus two equals five, it is likely to be increasingly laughed at. The Chancellor's calculation is presumably that, as a result, the TUC will eventually come round to accept the majority's truism; just conceivably they may do so, especially if they do not succeed in the meanwhile in their efforts to secure inflationary wage increases (which means that the country has to be willing to stand up to strike threats). But alternative guesses are that, in such circumstances, either the TUC will walk off Ned in a huff, or else that—much more dangerously—the majority on Ned might agree to compromise by not rubbing home the truism either.

Danger in Disuetude?

NED'S third task will be to recommend the policies needed to bring about the increase in production for which it calls. Most of these policies will be unpopular; they will involve such things as agreeing to cut back the life of declining industries so that expanding ones can have enough resources to grow; and the employers, as well as the trade unionists, on Ned will not like recommending them. The real danger is that they then may not recommend them, and that this top council of Ned could become a pressure group saying plaintively that this or that unpleasant thing really need not be done. If it becomes an effective pressure group of this sort, the top council of Ned could be, not just a superfluity, but a major national disaster.

Half way between those who fear that it may be such a disaster, and those who think that it may lead a great national co-operative effort of revival, are those who think that this top council of Ned will simply fall into disuetude. That is what the equivalent council of employers and trade unionists in France—the *conseil supérieur*—has done. It has held only one or two real meetings in the whole fifteen years' history of French planning; and power has passed from it into the hands of the full-time economic technocrats on the *commissariat du plan*, who are to find their equivalent here in Sir Robert Shone's small staff just off Whitehall. To judge from the French analogy, an unfettered body of technocrats of this kind could do some very useful things for Britain's economy. But this does seem to be an odd way to be greeting the birth of poor little Ned: to say that the best service which its top council could render to the nation might be gently and quickly to drop dead.

NUCLEAR TESTS

Atmospherics?

QUESTIONS about the resumption of nuclear tests were rained on the Prime Minister's head as soon as Parliament reassembled on Tuesday. Mr Macmillan would add nothing to what had already been said in the communiqué issued, just before Christmas, after his Bermuda meeting with President Kennedy. Although he undertook to make a statement as soon as possible, it can hardly be expected that the Government will say anything more about making Christmas Island, in the central Pacific, available for American tests until the Americans have finally decided whether they want it. The final decision may not even be made before Mr Macmillan meets Mr Kennedy again late in April.

The American series of underground tests, initiated after Mr Khrushchev had launched his alarmingly big blasts last September, has been proceeding in relative quiet—in every sense of the word. And lately there have been only faint rumblings from the rolling debate in Washington about a resumption of atmospheric (above ground) tests. The technical part of the debate, based on an assessment of what Russia may have achieved by violating its pledge not to resume testing, and of what the United States could learn from explosions above ground that cannot be learnt below, has run its course. It is a political choice that now confronts Mr Kennedy.

He has to weigh up the likely impact of an American resumption of atmospheric tests on domestic and world opinion; the chances of impressing the Soviet leadership, and bringing nearer some progress on Berlin and other outstanding issues, by either resumption or non-resumption; and, of course, the now shadowy prospects of reaching agreement on a test ban. As to this last, on January 16th the Soviet delegate at the Geneva talks, Mr Tsarapkin, once again stressed Russia's refusal to negotiate a controlled ban separate from a general agreement on disarmament. But Mr Tsarapkin has been slow to find an answer to the Anglo-American suggestion that top priority should be given to the question when the whole field of disarmament comes up again at the eighteen-power conference that is expected to open on March 14th. Russia may not be as sure of the support

of the eight "uncommitted" nations that have been invited to this conference—Brazil, Burma, Ethiopia, India, Mexico, Nigeria, Sweden and the United Arab Republic—as Lord Home, for instance, might think.

NORTH AFRICA

Timetables



Circulating in Algiers

AT this stage it almost looks as though the Franco - Algerian negotiations will succeed in theory and fail in fact. The main obstacle to an agreement and a cease-fire is now that the nationalists know very well that it is probably beyond General de Gaulle's power to guarantee a peaceful transfer of authority, and certainly beyond his power to guarantee that the French army would work with a provisional government in suppressing the apparently inevitable European rising against a settlement. Success or failure should become apparent within a few weeks. But the question remains open whether the European extremists will try to forestall General de Gaulle and Mr ben Khedda, or whether they will use the outcome of the talks as a signal for a rising. In the meantime they continue their programme of murder and bomb outrages.

The hold of the OAS (Organisation de l'Armée Secrète) is very much stronger in Algeria than it is in France. General de Gaulle has overridden the protests of his subordinates against his decision to return two divisions to the mainland, and as a result security measures in Algiers and Oran may be somewhat hampered, though the real difficulty is the passive resistance of the bulk of the European population, whether it is motivated by fear or conviction. In France OAS actions are more dramatic than effective, and incidents like the kidnapping of a deputy for a few hours on Monday, and the destruction of the home of the editor of *Le Monde* on Wednesday, merely exasperate public opinion. The government has forbidden the press, on pain of confiscation of its editions, to reproduce any of the OAS announcements.

Nor is the general outlook improved by the collapse of the renewed Franco-Tunisian talks about Bizerta, which failed because the French would not set a date for the evacuation of the base. President Bourguiba's position is, indeed, sadly isolated; hence, perhaps, his strenuous activity in the African differences about the Lagos conference. The Algerian leaders are still in Morocco, waiting for the outcome of their negotiations with the French. With the Moroccans, they have set up a joint ministerial commission this week, to begin the work of creating a "United Arab Maghreb." This decision, presumably the result of the long talks between Mr ben Khedda and King Hassan that were held early this month, is the one bright patch on the North African horizon.

PARLIAMENT

Back to Work

PARLIAMENT got off to a quick and lively start this week when its members returned from the holidays. The Lords got straight down to business, and even inflicted two minor defeats on the Government—saying that Scotsmen ought to be allowed to drink until 10 p.m. on Sundays, and that physiotherapists probably ought to be paid more money. The Commons had a stimulating question hour—about wage claims, Kensington Palace, ICI-Courtaulds and all. The Prime Minister, grilled over his meeting with Mr Kennedy and Lord Home's manifesto at Berwick, succeeded in giving his foreign secretary some sprightly and loyal support—and even proved well-informed enough to floor Mr Callaghan by telling him Japan had a balance-of-payments crisis. With these accumulated pleasantries disposed of, the way was clear for the real parliamentary battle to begin.

Although Labour is to shuffle out its usual deal of censure motions—one has already appeared against Lord Home—the most advertised of its coming battles, that over the introduction of the guillotine and other procedural matters, seems likely to be sharp rather than prolonged. The Opposition, fearing adverse reaction in the country to a sustained display of parliamentary antics, appears to have had wiser, second thoughts about obstructing the Government at every turn. In this sphere much will depend on how skilfully Mr Macleod can combine zeal for government business with due regard for the rights of the opposition. The Government has escaped from the nemesis of its muddled Immigration Bill by the accident of the smallpox outbreak, but in the next three months of the session it will be subject to some severe strains.

Principal dangers are Africa and the common market. Everybody is waiting to see whether Mr Maudling will press on with the original plans of his predecessor for the Rhodesian federation; if he does—and it seems likely that he will—this will clearly be the focus of a right wing revolt of some proportions. The crunch over the common market, in the form of the terms for British entry, is also likely to come before the end of the session, but this will be a crunch for the Opposition too.

No open split in cabinet or party is likely over economic policy, but Tory backbenchers are uncomfortably aware that their electoral prospects are more dependent on success here than anywhere else. Once again, however, it looks as if strike threats are hurting Labour. The unexpected Tory gain reported in the latest *Daily Telegraph* Gallup poll—it suggests that the Tories are equal with Labour again—has given some Conservatives fresh heart. But if this recovery is to be kept up, most Tories assume that the Prime Minister will have to show more skill and acumen in the second half of the session than he did in the first—or than he appeared to show in his rather waffly television appearance on Wednesday night.

EUROPE

Time Lost

HOWEVER sound the reasons for postponing the next meeting between Mr Heath and his six colleagues from the common market until February 22nd, there is no doubt that the negotiations are getting under way more slowly than many people hoped a few weeks ago. The meeting between the seven ministers due on January 18th was held as planned. But it was brief and consisted merely of an explanation by the Six of their new farm policy, and an account by Mr Heath of his recent trip to North America. Time has obviously been lost through the long agricultural struggle within the community. The officials who have been studying the Commonwealth problem still have work to do.

What is inevitably disturbing as the weeks slip by is the worrying doubt whether serious negotiations will really get going once the studying has been done. There is a feeling in London that the moment for hard horse-trading may not come until analysis of the problems is complete and all the elements of the bargain are ready on the table. The approach seems reasonable. But once the studying is over, one side or other, or both, will obviously have to take the initiative to proffer solutions and set the bargaining process going. Circling round in the present friendly way is not enough.

If Mr Heath's hope of getting into the common market by the end of the year is to be fulfilled, the heart of the negotiations will have to be reached soon, and the quicker it comes, the sooner the inevitable bout of domestic criticism and excitement will be over too. A sample of such criticism came from Mr Harold Woolley on Monday in his presidential address to the National Farmers' Union. This attack on the whole idea of a common agricultural policy for Europe is extreme rather than representative; fortunately so, since it flatly contradicts both the view of Brussels about what Britain's obligations will be, and British policy. The Government's problem is to accommodate special interests within the framework of the European agricultural policy, not to buy peace and quiet by throwing the framework away.

ROYAL FAMILY

The New Image

THIS has become more or less open season for telling the royal family what it ought—and, even more, ought not—to do. Since the decision to send Prince Charles to Gordonstoun school, not Eton, is manifestly a father's choice for his son, it is, by that very criterion, quite certainly the right one. That is all that needs to be said about it. But now that "royal participation" has been promised to one commercial establishment, we are apparently required to expect a dreadful fuss from every other limited company competing in the same field. There have already been egalitarian moans that Prince Charles's parents should have sent him to a secondary modern school, because the majority of his age group will be going there. (Should he also leave with them to take a job at the age of 15?). This is the sort of argument that can be twisted to deny the royal family any rights or human interests that any particular newspaper leader-writer happens to oppose. The essence of having a successful monarchy and royal family—of having a "brilliant edition of a universal fact"—is that it should exercise its own choice and develop its own personality within the clear limits of constitutional practice. To order things differently is to have, and deserve, a meaningless charade.

Meanwhile, the Snowdons—this time at home instead of at the office. The real point to be made about the public cost of their future home is that a reputable Ministry of Works would not have let a building of Kensington Palace's merit degenerate into a condition where twenty years' disrepair in one part of it has to be made good to the tune of £85,000. Republics are apt to manage these things better. The facts of the case have not, however, saved the Snowdons from becoming prime game for Beaverbrook cartoonists. This breach with newspaper convention is calculated to set off a new competition over who and what can and cannot be safely lampooned: safely, that is, in terms of a reading public that wants to feel mildly scandalised but has a genteel aversion to Going Too Far. Cartoons of the royal family are not wrong; they are not even new. The Victorians indulged in them fiercely—especially in the middle part of Victoria's reign, when the first thrill of having a fresh young rose on the throne had worn off and before the years of veneration began for a doughty old lady. This looks like being an irksome phase in public manners, but nobody should get neurotic about it; it could even be a healthy phase if the new stir starts sensible people thinking again of what they reasonably and really expect of the modern monarchy.

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LAGOS CONFERENCE

Afrique Française

AFRICANS, in their desperate but ineffectual search for some kind of unity, are beginning to see an obstacle in their path in the dependence on France of the twelve former French colonies of the "Brazzaville Group." Just how much say President de Gaulle has in the affairs of these twelve countries is difficult to show, but it is being plausibly said by other Africans that their determined opposition to inviting the Algerian government-in-exile to the conference of African heads of state at Lagos this week was inspired by the knowledge that most of their bills are paid by France. The result has been the refusal of the radical "Casablanca" group of governments to attend the conference—although, of the five, Morocco had an additional reason for not attending in that Mauretania was invited; and Mali may have been shy about Senegal.

But Tunisia, Libya, and the Sudan were also estranged. Tanganyika, preoccupied with its own troubles and anyway more radically-minded than those who did come to Lagos, stayed away. Nigeria, hoping to assume leadership of Africa's conservative governments, was left with an emasculated conference. Even the announcement, on Monday, that Nigeria's defence pact with Britain was to be abrogated was not enough to give Nigeria the anti-colonialist stature many Africans would like it to acquire. For Britain, loss of the pact, over flying rights, air staging facilities, and all, is a small price to pay for the political gain. This is another reminder of the evanescence of arrangements tied to the grant of independence.

Until now, Nigeria's tactic has been to coax the ex-French African states into a greater show of independence; it remains to be seen whether the Nigerians (whose decisions will affect European, as well as African, unity) decide to give up their patient attempts to bridge the gap between French and English and succumb, instead, to the temptations of fiery politics of the Accra kind.

CENTRAL AFRICA

Bullseye

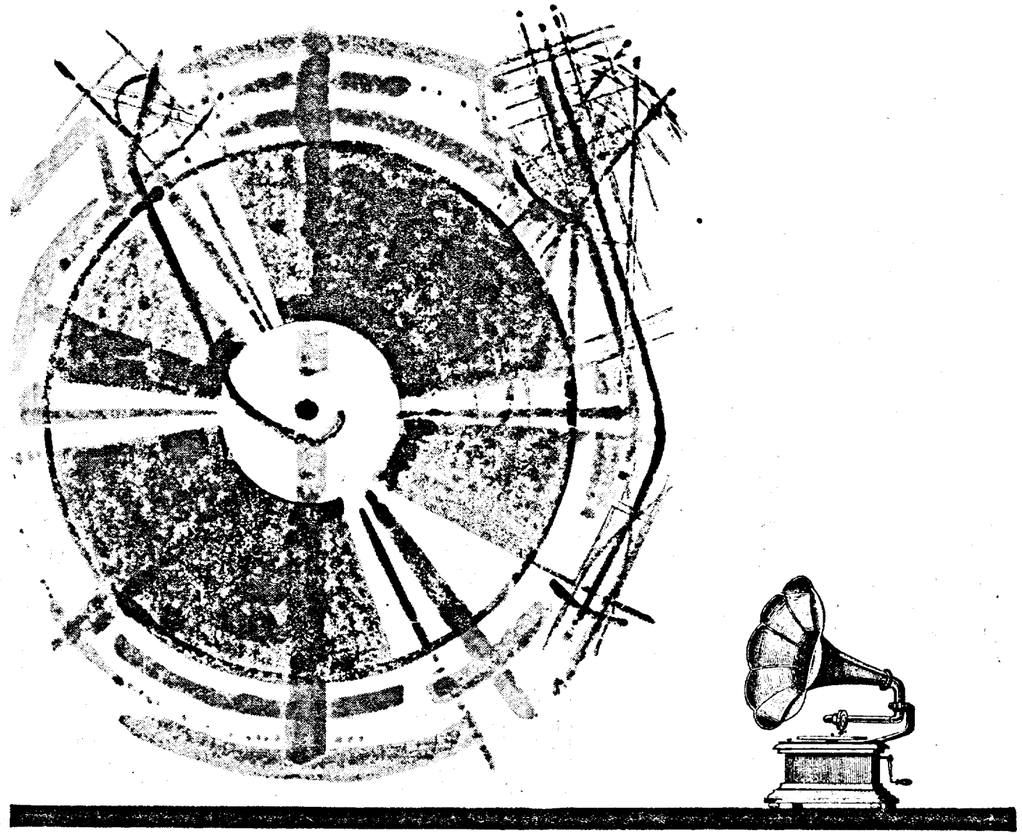
NOT all Conservatives bow to Sir Roy Welensky; neither, however, are all back-benchers likely to heed the Bow Group's sensible warnings in its latest pamphlet* on British policy in Africa. The group sees clearly the menace to British relations with most of the rest of the world that lies in deference to the leaders of Africa's white South—Dr Verwoerd, Dr Salazar, and (in a different category) Sir Roy Welensky. Northern Rhodesia, the group says, "is too important to be in the hands of unfriendly Africans" (as it will be if the inevitable transfer of power is too long postponed). The British Government should brave the inevitable storm and give Northern Rhodesia a clear African majority in the legislature, a step recommended by the Monckton Commission in 1960 but since shied away from.

What is more, Britain should "recover the initiative" in discussions with the Rhodesian federal government, whose public relations campaign in London has reduced constitutional talks to "a vicious dog fight." If Northern Rhodesia does get its African majority; if Southern Rhodesia dissolves race discrimination; and if three new, representative, governments sit down to review the federal constitution—then, the Bow Group says, "the three territories may be kept together for business and political purposes." The crucial decision, on Northern Rhodesia, may be announced next week; Britain's entire African policy may turn sour if Sir Roy Welensky's determination to keep the white minority in power is acceded to.

The Bow Group also says that Britain should support any schemes to restore the unity of the Congo. (It is fair to ask whether the meeting in Salisbury on January 18th between Sir Roy Welensky and Mr Tshombe of Katanga was held with or without the approval of the British Government, which will have the responsibility for its outcome.) Further, the pamphlet implies, moving much deeper into controversy, that the United Nations, warts and all, should be introduced into Angola, South-West Africa and eventually South Africa; and the West should actively dissociate itself from white domination in these territories. No member of Parliament is likely to agree with everything in this pamphlet; none, however, should talk about African policies (many more than those mentioned here are discussed) before he has read it.

* "The New Africa." Bow Publications. 5s.

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DRINK SALES

Beer for the Workers

LAST year two faint cheers went up from the drinking classes; that great liberal measure, the new Licensing Act, gave them, among other things, the just and sensible right to buy liquor from off-licence stores at any time of day. A first result was to make it more profitable for grocers and non-specialist shops to decide to sell drink. But chain stores and supermarkets that had been making plans to do so received a set-back last week when the licensing justices in Nottingham refused to allow Woolworths to sell liquor in their modern food hall.

The ground for the refusal was that there was no "need" for a new off-licence in the area: and it turns out that the new act still leaves complete discretion to local justices to decide what need means. The common man's view that "need" might mean "demand," as shown in a competent store's judgment of its market, is too simple for the lawyers, who have in the past made hilarious searches for witnesses prepared to swear that they have a positive need, not just for drink but for drink from a particular shop. So strict has been this criterion in some cases that even a Co-operative store with some sixty per cent of potential shoppers among its membership, was refused a licence last autumn. (In another area a co-op was granted a licence, which was rightly upheld after an appeal by rival vintners despite complaints that all the licensing justices were co-operators).

The two main classes of objectors to the granting of licences to chain stores and supermarkets are those cynics who believe that housewives cannot resist a bottle of gin when they see one, and those realists who fear the effects on the traditional—and sometimes very inefficient—corner off-licence. On their side is the system whereby applications for licences are heard by a panel of respectable bourgeois whose friends and neighbours are more than likely to be the ironmongers, drapers and grocers whose prosperity is menaced by cheap, efficient stores like the supermarkets. The absurd criterion of need should now surely be done away with, and replaced merely by a test of whether the applicant for a licence seems reasonably respectable. Secondly, the granting of licences should be removed from local justices and given to some remoter voice—perhaps to county court judges?

GYPSIES

Parish Pumpery

LAST Saturday the parish council of Darenth and the Dartford Rural District Council, both in the county of Kent, deprived 300 people of their settlement and livelihoods, damaged their property and even, in one case, insisted on the burning of a dwelling because it could not immediately be moved. The 300 were then

cast on the mercies of the county of Kent, and when last seen were living exposed to the worst of the weather, and obviously causing rather more inconvenience to the general public, on the verge of a main road. They were gypsies, and therefore (if the philosophy of some parish councils is to be believed) hardly human beings at all.

Darenth Wood, in which these people had lived for the past four years—unmolested by its late owners, the Church Commissioners—was last year bought by the Darenth parish council with the express purpose of evicting the gypsies. That they were a nuisance is probably true; that some newcomers moved into the site when a public row was raised about it (in the hope that the row might cause the site to be protected) is no doubt true also. But it is equally true that the two councils have behaved with a deliberate hard-heartedness which justifies the Vicar of Darenth's worst epithets ("damnable, callous and inhuman"). And they have achieved nothing except the partial satisfaction of their electors (1,000 of whom, sadly enough, were so far committed to this brazen racialism as to sign a petition for the travellers' removal). They have merely passed on the problem to a higher local authority—in this case (and this may have been a sop to the councils' consciences) an authority which has acknowledged some responsibility for the gypsies who seasonally pass through it.



Whose responsibility?

But there is very little the Kent County Council can do except direct the gypsies to the nearest National Assistance office while it thinks of the next move. What that next move should be is anybody's guess: what it might be is an approach to the Ministry of Housing and Local Government to reverse a decision made some years ago to deprive the owner of the nearby Lone Barn Farm at Charing of the right to let out his site to gypsies. It is high time that some governmental concern was shown for these people; perhaps this latest demonstration that Britain's treatment of gypsies is worse than that of most totalitarian countries will swing the balance in favour of Mr Norman Dodds's recent private motion asking for a national plan to ease their plight.

The Economist

JANUARY 25, 1862

LONDON'S SEWAGE WASTED

Numerous suggestions have been made and various plans have been adopted in particular localities for rendering available the vast masses of fertilising matter which are conveyed in the sewage water of our large towns. The great difficulty of utilising sewage consists in the large and somewhat unmanageable volumes of fluid which contain the fertilising elements. At one time it was proposed by persons whose opinions were entitled to consideration to evaporate this fluid, and so to reduce the bulk of the sewage to portable, or at all events to manageable quantities. No such plan has stood the test of practice. Again, it has been proposed to convey the sewage as delivered from the drainage into districts of market gardens or other highly cultivated lands, and there to dispose of it to the cultivators. . . . We are now executing a main drainage of the metropolis lying to the North of the Thames, and it has often been regretted that such a mass of sewage as will be collected by this operation should be discharged, to say the least uselessly into the Thames. Indeed, the plan by which the drainage of North London is to be discharged into the river between Barking and Woolwich has been seriously condemned as likely to cause a most injurious pollution of the river in that populous neighbourhood. It may not be the business or the duty of the Metropolitan Board of Works to do more than drain London and carry away the sewage water from her precincts. It would probably be unwise and improper in that body to embark in any scheme for the disposal of the sewage involving anything in the nature of speculation. It is the province of that Board to drain London, not to apply the money of the ratepayers in a work of irrigation, however well devised, or whatever may be the prospect of remunerative returns. But is it, therefore, the duty of the Board to act on the dog in the manger principle, by preventing private individuals, or a company of adventurers, from turning to profitable account the sewage which the Board simply throws away? Certainly not. On the contrary, every facility which the Board can give, consistently with its primary duties, to those who would take up the sewage where the Board leaves it, and turn it or endeavour to turn it to a useful purpose, ought to be given in a frank and cordial spirit. Yet what is the fact? It appears . . . that after the Board of Works had given every encouragement to the projectors of a scheme for applying the sewage of London to fertilising 20,000 acres of land below the Essex Marshes proposed to be reclaimed from the sea, and after having so induced them to spend large sums of money and much valuable time in surveys and preparations for an application to Parliament, a sudden resolution is passed to postpone the consideration of the project . . . so as to throw it over the next session of Parliament. Really such caprices may well furnish a handle to those who would discredit all approaches to local self-government.

PERSIA

Unhappy Alliance

EMERGING scarred, but seemingly victorious, from its wrestle to produce a new and more effective land reform act, the Persian government has been battered this week by a threatening wave of student demonstrations. Earlier this month, the cabinet approved a law that might—if it were to be honestly applied—transform the country's agricultural structure. This is not the first time a Persian government has tried to introduce land reform ; always in the past the laws have been gutted by parliament and their skeletons left to rot on the statute books. But now the Shah and his prime minister, Dr Amini, have done away with parliament ; the minister of finance, who opposed the law, has lost his job. If all goes to plan (and this week's riots add yet another element of doubt) the first distribution of land should start in about a month.

Under the new law, large landowners are to be limited to one village each. Those who now own several villages will be allowed 40 days in which to choose the one they want to keep ; the rest of their land will be sold to the government in ten annual instalments. Then, over a 15-year period, the government will resell this land to peasants working in the district. There are plans for setting up co-operatives to which the new farmers, if they are to benefit from the law, will have to belong. Several co-operatives have already been established in an area near the Russian frontier where, for reasons of obvious counter-propaganda, the distribution is planned to begin.

The government is accusing the landowners of having instigated the student riots that began in Teheran over the weekend and later spread southwards to Shiraz. Such an alliance is improbable ; but, in fact, both groups, for quite different reasons, are intent on ending Dr Amini's strong-man rule. Most of the students at Teheran university support the radical National Front. There was a time, early on, when the front backed Dr Amini ; but it is now pressing hard for elections and a return to parliamentary government. Dr Amini insists that the country is not ready for democracy ; and certainly the two governments immediately before his collapsed speedily because of the evident dishonesty of the elections that brought them to power. In neither election was the National Front allowed to compete. The bitterness, and the weakness, of Dr Amini's position is that he has lost public support at the time when he needs it most.

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Out this week:

WESTERN GERMANY

Trade in 1961 resulted in a record export surplus despite revaluation and persistent reports of weakening exports during the year. The Review analyses the reasons for this and assesses in some detail the prospects, both for the internal economy and for foreign trade, in 1962. Industrial developments are reported, and the direction and scope of Germany's rising development aid described.

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LAOS

Wayside Halt

LAST week's meeting of princes in Geneva was intended to be journey's end in the Laotian crisis ; this week's statements make it look like just another wayside halt. The three princes—Souvanna Phouma (neutralist), Boun Oum (right-wing) and Souphannouvong (pro-Communist) went to Geneva at the urgent invitation of the British and Russian co-chairmen of the Geneva conference on Laos. The idea was that they should at last form a coalition government prepared to endorse the work of the conference. The delegates to the conference are understandably anxious to go home, having agreed on most clauses of a declaration on Laotian neutrality and of a protocal defining the functions of the three-power commission that is to ensure respect for the neutrality of Laos. Prince Boun Oum and his "strong man," General Phoumi, were generally unco-operative, and on January 19th they flew home again with little accomplished, after an indecisive wrangle with the other princes over the allocation of seats in the proposed government of unity.

Since then, Prince Souvanna Phouma has twice declared himself pleased with the outcome of the talks ; but Prince Boun Oum, back in Vientiane, has said there was no agreement. This week the frustrated Geneva conference seems to be returning to the bad early days of angry polemics, the chief Chinese delegate accusing the United States on Tuesday of having encouraged Prince Boun Oum's intransigence. There is, however, potential consolation in the thought that the three princes are to meet, yet again, in Luang Prabang next week. After so many slips one would not make a wager ; but if Souvanna Phouma's optimism is not misplaced, this could yet be journey's end.

GERMANY

Camp Followers

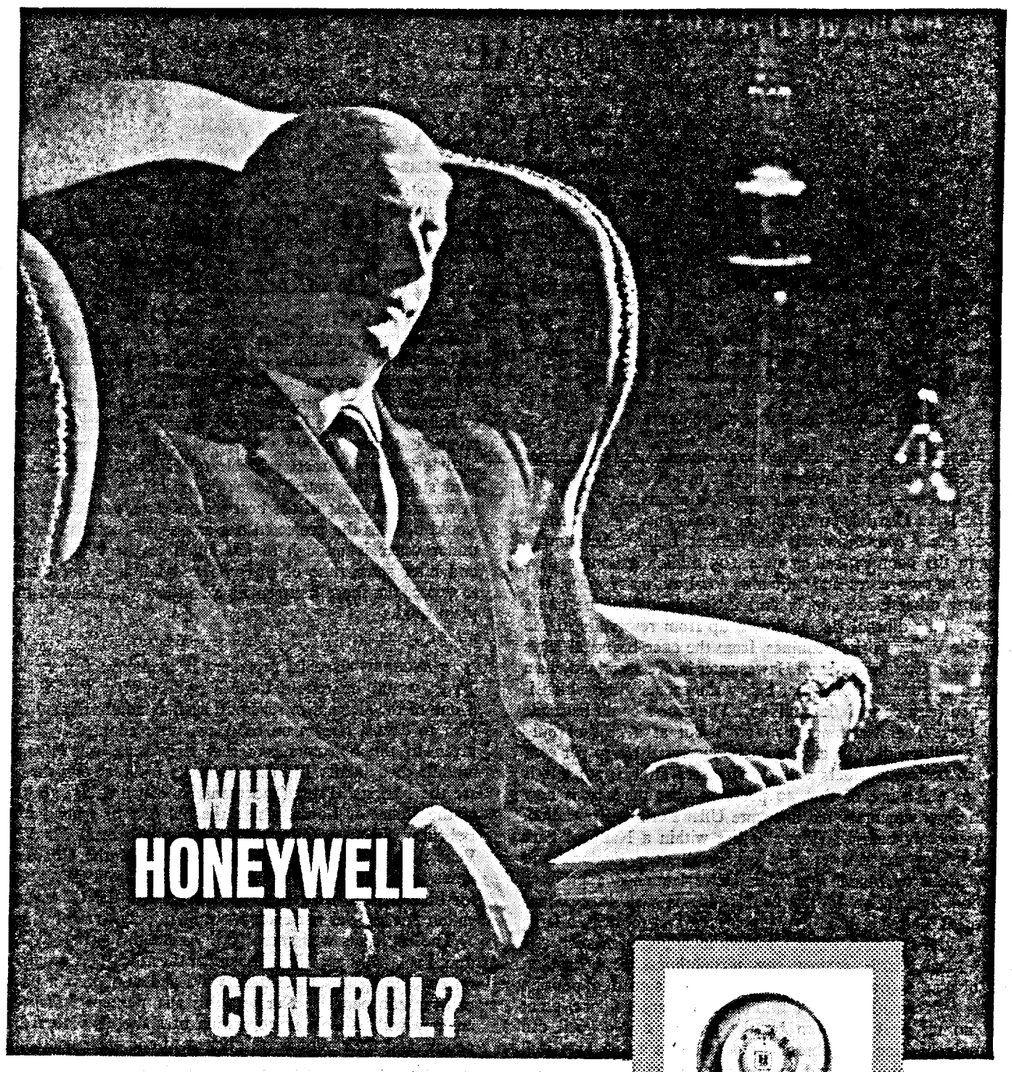
OUTMANŒUVRED after the polls by Dr Adenauer, the west German Free Democrats now seem to have suffered another reverse. When the present coalition between them and the Christian Democrats was formed in November, after seven weeks of bickering, it was understood that the Free Democrats would be given certain posts in addition to their four cabinet seats. A number of state secretaryships—top departmental posts of a semi-political nature—were to go to them as well, and Herr Mende, the party leader, who had refused a place in the cabinet, was to be given the chairmanship of the Bundestag foreign affairs committee.

Things have not gone according to plan. The Free Democrats have not got quite all the state secretaryships they wanted. And Herr Mende's appointment has been blocked by the Social Democrats, on the grounds that this is not the kind of post to be traded for a mess of coalition pottage. The difficulties will no doubt be patched over by the offer of alternative posts. But they do rub home the fact that the Free Democrats in office are not getting their way any more than they did in the bargaining before.

In foreign policy in particular, their impact seems to have been negligible. When the party chose to swallow its pride and join a coalition under Dr Adenauer it did so partly on the advice of the venerable ex-President, Dr Heuss, who felt that at a crucial time in east-west relations an influence for flexibility was needed inside the Bonn government. And the Free Democrats did succeed in inserting such praiseworthy provisions as the need for better relations with Poland, and for east-west negotiations, into the coalition agreement. But in practice Dr Adenauer and Herr Schröder have called the foreign policy tune ; and the Free Democrats have kept mum.

That is, perhaps, a pity. Any party in Germany which advocates a more flexible eastern policy is bound to attract people who want their country to be reunited ; and among these there are bound to be some wild men of the Right, who can be relied on to get more than their share of attention. In that sense the link between liberalism and nationalism, present in Germany since Napoleon's time, still has meaning. But on the whole the men now at the head of the Free Democrat party are not dangerous people who would throw up all Germany's western ties for the sake of a rash eastern gamble, but an amiable, if ineffective, group whose main argument against the Bonn establishment is that Europe does not end at the Elbe.

Appointments, Business and Personal notices and other Classified Advertisements pages 373 & 374



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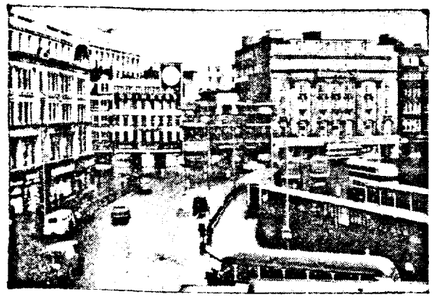
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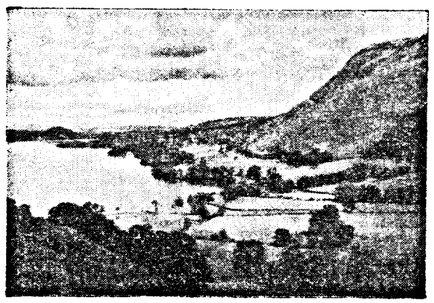
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HOME REPORT

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



Mancunian Lakes

FROM OUR SPECIAL CORRESPONDENT

THAT Manchester, of all unlikely towns, should need water may seem preposterous to anyone brought up on the myth of its ceaseless raininess—just as preposterous as it seems to the inhabitants of the Lake District, on which the city is once again turning a covetous eye. Manchester is the largest bulk water supply authority in the country, selling over 105 million gallons a day, not only to its own users and adjoining local authority areas, but also to many other water supply authorities along the line of its aqueducts. This diurnal tide is drawn up from reservoirs in the Longdendale Valley in the Pennines, from the once-beautiful lakes of Thirlmere in Cumberland and Haweswater in Westmorland, via a giant aqueduct running somewhat below the capacity for which it was designed (at a cost of £22 million). The excess could be made up from current undertakings by 1965: but at a cost of only another £3 million, the capacity could be increased by 40 per cent (which Manchester considers will be necessary after 1970). It is primarily to make use of that 40 per cent that the city is now engaged in a parliamentary bid to secure Ullswater's expropriation.

It is not merely because Ullswater lies within a National Park that residents of the district, and others all over England and Wales and even in Manchester itself, have launched a protest: the creeping desecration of the countryside is well in evidence at the two lakes already used by Manchester, and tourism, a large part of the Lake District's income, suffers accordingly. Manchester has offered safeguards against any unsightliness at Ullswater, but the objectors (over 500,000 people have signed a petition against the expropriation, and 1 million is the target figure) point out that no undertaking given by the present city council can be absolutely binding on subsequent ones. One thing may well lead to another, they say, and in not many years Ullswater may be as little pleasant to be near as are Thirlmere and Haweswater.

The one thing is a pumping station to transfer up to 80 million gallons daily from Ullswater to the waterworks at Haweswater, some miles to the south. Haweswater is surrounded by fencing, open to visitors only by permit, edged by that muddy rim to which reservoirs are prone, and planted, in cabbage-like rows, with conifers. And that dire fate is the other thing to which the Lake District takes exception should Manchester decide to keep Ullswater clear of the pollution caused by motor boats, swimmers and natural vegetation (which, to be fair, the city has promised not to do). But some loss of amenity is unavoidable: Manchester's plan is to vary the level of the lake according to its technical needs. The overall average level is 476½ ft above Ordnance Datum, rising, in times of flood, to as much as 480 ft, but quickly subsiding. The city would like to hold the level, by means of a movable weir, at 478 ft for some of the time, but undertakes not to do so for more than a period of days together and never for more than 15 days beyond its occurrence in nature—about 30 days a year.

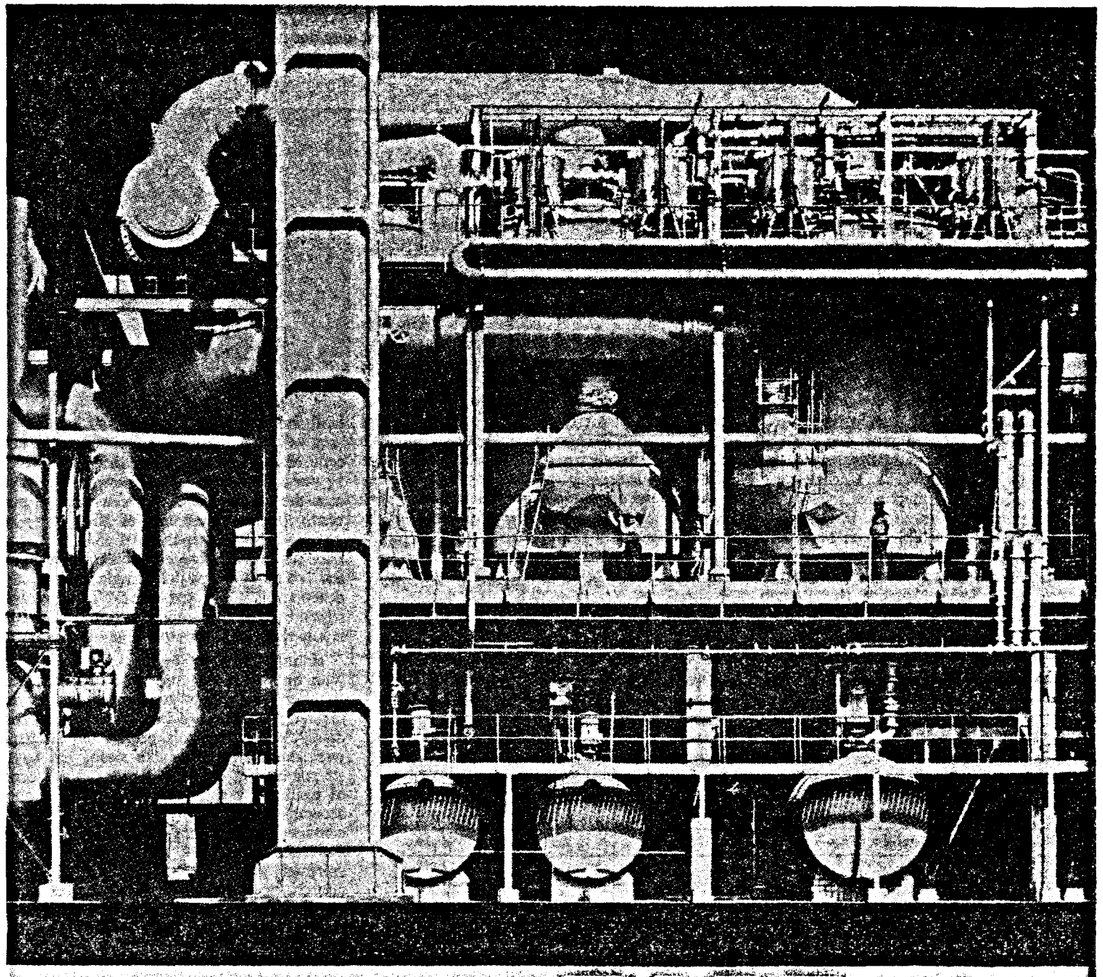
Last week there were floods in the Lake District, and Ullswater was three feet above its normal level. Three feet does not sound much, but on a gently sloping shore it consumes a good deal of that very space most valuable to visitors, the twenty or thirty-yard strip at the water's edge: many of the trees were standing in water, and most of the best picnic spots were covered, as they would be with the projected one-and-a-half-foot rise. A few days under water is enough to kill much of the lakeside vegetation, and after some time of this rise and fall it is not unreasonable to expect the shore between high and low water marks to become plain mud.

MANCHESTER'S chief argument is economy: few capital works would be required (nothing like what would be needed if one of the alternative schemes, such as an abandoned Cumbrian plan to dam a stream on Skiddaw, were adopted). The answer given to the objectors was that they were woolly-headed and muddle-thoughted. But that is hardly true: among their number are the National Trust (120 members of which are also members of the House of Lords, where the bill gets its second reading on February 8th); a Conservative junior minister, Mr W. M. F. Vane; Lord Lonsdale; several members of the House of Commons; and an Oxford professor whose feelings were strong enough for him to write that if the £10 he sent to the Ullswater Preservation Society was not enough they had only to ask for more.

The district is well stirred up. At Penrith (whose finest attraction, Pooley Bridge, will suffer under the scheme), a protest meeting on an evening miserable with wind and rain drew a packed hall of over 400 people. Nor was this all: perhaps inflamed by the analogy with Ahab's expropriation of Naboth's vineyard, Penrith people and their supporters queued to add their contributions to the fund from which three QCs are to be feed.

The objectors' indignation is strengthened by Manchester's unwillingness to reveal what alternatives it has examined; and it is not weakened by the memory that London, for all its sins, curbed its covetousness of Ullswater a hundred years ago and turned to the Lee and Thames for its water. Manchester has published a defence of its plans, and has even promised to reopen Haweswater. But the lakes people believe there are principles involved. Is a large town justified in expropriating countryside 80 miles away in order to meet its own commercial obligations? Is it appropriate for any authority to dictate the movements and actions of people in another part of the country, and to impair their sources of livelihood? Are National Parks available to any distant local authority which sees in them an economic source? (And not only Ullswater is affected: the present bill also envisages large works at Bannisdale in south Westmorland.)

The answers are not as easy as they seem to be. There is a clear



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case for the best use in the best place of scarce resources like water. It is desirable, and likely, that in a few years this country should develop a "grid" system for water comparable to that at present used for electricity; but Manchester's aggrandisement, whatever its motives, may not necessarily fit in with such a national supply system. There are issues here that do need airing.

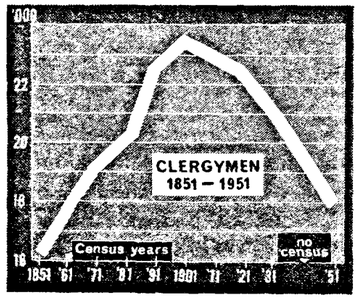
Numbers or Exodus?

A FULLER statistical picture of the Church of England than has ever before been available emerges from the Church Information Office's latest glossy and expensive edition of *Facts and Figures about the Church of England*.* No new figures of church membership are given, those cited having been available since 1959; but these may be up, to judge by the 190,713 confirmations for 1960, the highest since 1935. Effective Anglican strength—the number of Easter communicants—is probably still around 2,248,000. Apparently the holiest parts of England, those with the highest percentage of communicants, are the dioceses of Bath and Wells, Carlisle, and Hereford. Half of all marriages solemnized take place in the Church of England.

The accompanying table from *Facts and Figures* gives the number of "receptions" into the church. In 1958, apparently, 3,771 converts were received from the Roman Catholic Church, and 6,959 from other churches. The actual form sent out to incumbents in 1957 contained this request: "Please give the best estimate you can of the number of persons known to you in the parish, including clergymen, who have joined the Church of England during the years 1954-5-6." Since the Church of England requires no permission from the bishop before a validly baptised person is "received," a more accurate table could possibly not have been compiled. It might, however, have been more satisfactory if these figures had been presented as an "estimate" and not as a statistic "subject to an error of 5 per cent." No figures are available for receptions into the Roman Catholic Church from Anglicanism, but the *Catholic Directory* reports 15,794 adult conversions for 1960 from all sources.

The decline in the numbers of the Anglican clergy appears to have been temporarily halted, but there is still a serious shortage. An alarming figure is the 760 candidates for ordination in 1960, the lowest since 1954. The peak was reached in 1901 with a clerical strength of 23,670, but today it is only 18,969, roughly the same as a century ago when the population of England and Wales was less than half its present size. Celibacy is a minority taste: 83 per cent of incumbents are married and only 14 per cent single. Among assistant clergymen the figures are 60 per cent and 38 per cent. The average age of the clergy is 52.8 and it is higher in rural areas. Bishops have an average age of 60, and suffragans 62. The Church of England has 65 deaconesses and 1,501 nuns. The average stipend for an incumbent is £790 and this is supplemented by stole and other fees.

Hannah More's Sunday schools survive with an attendance of 1,161,226, but the numbers are going rapidly downward, in inverse proportion to the number of motor cars. Anglican schools, pupils, and teachers were down numerically in 1960. In 1951 17 per cent of all pupils and 16.8 per cent of teachers were in Anglican primary and secondary schools. By 1960 these percentages had fallen to 12.8 and 12.7. Statistics cannot, of course, measure the spiritual strength (or weakness) of the church, but they do provide a useful basis for planning for the future. Action can now be based on facts rather than on hunches.



Years	Provinces	Numbers of persons received from: Roman Catholic Church	Other Religious Persuasions	Totals
1954-5-6	Province of Canterbury	5,813	20,508	26,321
	Province of York	4,627	13,376	18,003
Totals	Provinces of Canterbury and York	10,440	33,884	44,324
	Yearly averages 1954-5-6	3,480	11,295	14,775
1958	Province of Canterbury	2,339	4,114	6,453
	Province of York	1,432	2,845	4,277
Totals	Provinces of Canterbury and York	3,771	6,959	10,730

* Church House. 21s.

Ten Thousand More

MR BUTLER'S recruiting drive for 10,000 policemen is to last six weeks and cost £60,000 in publicity (probably the watch committees would not stand for more). It is a modest investment beside the free service, or disservice, provided weekly by television serials like Dixon of Dock Green and Z Cars. The Home Secretary is sensibly, if belatedly, emphasising the sizeable financial inducement that has existed since the average constable's pay was increased to £1,000 a year in November, 1960. He needs the extra men for three reasons. First, there are still big-city forces which are dangerously below strength despite last year's net gain of nearly 3,000 policemen in England and Wales. Metropolitan London needs 2,500 and Liverpool, one of the provincial forces where the shortage is most evident, 250. The worst areas are invariably those where industrial wages are still high compared with police rates, and where the prospect of employing more civilian staff is limited by local shortages of suitable clerical workers.

Secondly, there are too many forces where the 44-hour week (nominally introduced in 1955) has never been implemented, and recently some forces which granted the extra fortnightly rest day have had to revert to the old system. The overtime pay may be welcomed by some constables, but in the long run police hours are a serious drag on recruiting. Thirdly, existing establishments need to be increased both to counter new criminal methods and to police suburban areas where population has risen markedly in the last decade. Mr Butler wants to get more men on the beat; equally important is the need to give men the chance to know a regular beat.

Britain has never had as many police as it possesses now: the strength of county and borough forces rose by over 10,000 in the 1950s. But establishments are steadily going up (by 1,500 in the metropolitan police area last year) and will continue to do so. The expansion of the police cadet training system is one solution: London has been taking 40 per cent of its recruits from this source. But there are dangers in relying too heavily on one segregated section of the community. In the present difficulties might not more use be made of special constables on light duties (with suitable payment) other than for lining the streets for visiting heads of state?

BOOKS

Eternally Deluded?

Socialism in the New Society
By Douglas Jay.
Longmans. 414 pages. 35s.

ALMOST always in the past thirty years, declares Mr Douglas Jay, the British public have wanted a left-centre government: that is, a government committed to the brand of Labour politics which he himself supports. They have usually failed to get what they want, either because they have been led astray by the Tory-dominated press or because they have been deluded about the true nature of socialism by the Labour party's loud-mouthed extremists.

On his reckoning, the only "fair" general elections in recent British history were those which Labour actually won—that of 1929 ("when the Beaverbrook and Rothermere interests were quarrelling with Mr Baldwin, and the Tory Press and Party nullified one another") and that of 1945 ("when Party propaganda in the Press had been muted for six years"). As for the elections of the fifties, they were lost because "an enthusiastic but naïve minority in the Labour Party" allowed themselves the luxury of appearing in public to be "doctrinaire, Marxist or divided."

In propounding this thesis, Mr Jay is obviously less concerned to weigh evidence than to pillory villains. It is a pity that his pillorying of the press sounds quite so exaggeratedly crude and, what is more to the point, not particularly constructive.

He describes the collapse of the *News Chronicle* and the *Star* and the take-over of the *Daily Herald* as having "brought the realities of Parliamentary democracy in the UK very near to the precipice," even as having given some plausibility to the communist criticism that the British electorate has no free choice. Yet, after this damning indictment, he can offer no other remedy than that we should support the few papers "which still hold the line" and resist any attempt by TV programme companies to be relieved of the obligations of political neutrality. He would not absolutely rule out "some sort of subsidised trust to defend freedom and variety in the Press," but thinks this should be avoided except as an ultimate resort.

Mr Jay's attack on the Marxists is equally unsubtle but much more sustained. Saint-Simon in France and Owen in England, he points out, were recognised as great socialists years before Marx evolved his theories, but neither believed in the wholesale state ownership of industrial property. What they did believe was that "social purpose" and "social justice," rather than "the blind forces of the market," should take a hand in controlling the production and distribution of wealth. It is high time, says Mr Jay, that modern socialists jettisoned Marx's "far-reaching and long-enduring errors" and returned to the simple belief in social justice—which he defines as meaning, in economic terms, the minimum of inequality that is workable if human beings are actively to use their talents.

How is this minimum of inequality to be achieved? Nationalisation cannot be the answer, we are told, since public acquisition of property must involve compensation and hence the immediate income claims of the individual owners are not necessarily affected. Far better, thinks Mr Jay, to use the instrument of public finance as an economic equaliser and to develop a steeply progressive income tax, rigorously heavy death duties, an effective levy on capital gains, and a massive expansion of centrally financed social services. The case for such policies is earnestly argued, but the book as a whole is disappointing. It lacks the sociological depth of Mr Crosland's "The Future of Socialism." Its economic analysis proceeds in stubborn isolation from the European common market (which Mr Jay never mentions save in parentheses). As for its political appeal, one cannot help reflecting how easily a "minimum of inequality" may be identified with a ceiling on legitimate opportunity.

No Rebel

Let My People Go
By Albert Luthuli
Collins. 256 pages. 25s.

MR LUTHULI'S autobiography, pedestrian, provincial and honest, is more than an indictment of white South Africans; it tells us where Africans have gone wrong, and are likely to go wrong—and it points to the share of the blame that the outside world, Britain especially, must carry on its shoulders.

The author is no born rebel. In a sane South Africa he would be a pillar of the multi-racial establishment. As a chief he excelled ("one of our best chiefs," the government man said). He is a genuinely devout Christian. He does not seem to have known grinding poverty: he works his small sugar farm, and his first successful campaign was aimed at getting a better deal for other African sugar growers in Natal. By comparison with many Africans in South Africa, he had it good; he did not see the inside of a jail until, in 1956, he was arrested with 155 others on a charge of treason. He is well educated, moderate, objective in his judgment, and deeply respectful of tribal tradition. "I do not think I am a 'Black Englishman.'"

He is very unlike the black nationalists in other parts of Africa. His belief in non-violence has been strong enough to persuade him to end a successful campaign for fear that it might turn bloody; he is courageous enough to condemn, in print, the burning of churches—even though he understands that this is a reaction against all white authority. His belief in non-racialism is the fabric of his book: the "my people" in the title covers all South Africans, black, white, Asian, and in between. He and his followers have until now been South African nationalists, not African nationalists; they have wanted a share in the country, not black ownership of it. It is a "might have been" that may never return.

But it is not only the present Afrikaner Nationalist government that has been unwilling to take the outstretched black hand Mr Luthuli describes. By the act of Union in 1909, Britain gave South Africa over to white ownership, with the non-white population as "the livestock which went with the estate." This is strong language for Mr Luthuli—and, to be fair, the architects of the Act of Union were not out of step with the thinking of their times. But Britain supported white South Africa for a long time. As Mr Luthuli shows, Smuts, a hero abroad, was in reality responsible for a "native policy" that is best described as an untidy preparation for apartheid.

For a long time, the Africans themselves have been neither ready nor able to oppose apartheid. Most of their leaders have rejected what Mr Luthuli calls the "easy" way—black racialism and violence; the mass of the people have only sporadically shown themselves capable of disciplined non-violent action (as with the bus boycott in Johannesburg, which Mr Luthuli admits was not organised by his African National Congress; it was a spontaneous act.) But why have there been so many failures? The book does not shirk the answers. Poor organisation, personal quarrels, let-downs by trusted men, divisions between radicals and moderates—all these have been responsible for an African National Congress ill-equipped to meet the might of the South African government. Worse, Mr Luthuli speaks of the resignation of some of his people, the acquisition by some of "a sort of slave-mentality, a sense that their lot was incurable and was best accepted." He speaks of ignorance and of a "widespread misapplication of Christian trust," a belief that God will bring freedom when He is ready.

True to the spirit of his Nobel Prize, however, the author is optimistic. He sees strength for non-violent resistance in the emergence as a political force of African women; in the many undoubted successes

of the African National Congress. Is this optimism justifiable? Can Dr Verwoerd's government be brought down by non-violent action on the part of an opposition that refuses the "easy" way? The aim, says Mr Luthuli, "is to bring the white man to his senses, not slaughter him." But bringing the white man to his senses without using violence will take longer if there is no help from the outside world—that is the conclusion the book draws. So Mr Luthuli calls for help, for the ostracism of the Nationalist Government, for boycott. He agrees that it would mean hardship for his people but says they are willing to pay the price. And, "It would be some small comfort to us if the 'civilised' world refrained from supplying the arms and ammunition" for the rule by force in operation in South Africa.

Ghana's Constitution

The Constitution and Government of Ghana. *Law in Africa No. 1*

By L. Rubin and P. Murray.

Sweet & Maxwell. 326 pages. £2 10s. 0d.

"THE Republican Constitution of Ghana," write the authors of this admirable work, "is, as far as we are aware, the only constitution in existence (or which has ever existed) which accords special recognition to the first President of the Republic, and confers special powers upon him. The reason is to be found in the history of Ghana's independence, and reflects the tendency of the people to endow with charismatic qualities their own Moses who led them out of the land of bondage." All students of public law and African affairs will be grateful for this clear and authoritative account of a constitutional experiment that is being observed with anxious attention everywhere.

Among the distinctive features of the constitution of Ghana (which is, incidentally, drafted with a clarity unusual in such documents) are (1) emphasis on the will of the people as its ultimate source of authority; (2) the concept of African unity, which entitles the Parliament in certain circumstances to surrender the national sovereignty; (3) the reservation to the people of the power to repeal or alter certain provisions of the constitution; and (4) the conferment of special powers on the Osagfeyo. Some provisions of the constitution are traceable to British influence—for instance, the emphasis on ministerial responsibility and the security of judicial tenure (except for the Chief Justice, who may be dismissed by the President). The Table of Precedence, which is included among the many interesting documents in the appendix, provides incidentally that although the Chief Justice ranks after the President, the Attorney-General takes precedence over all the judges of the Supreme Court. American influence is traceable in the recognition of the principle of judicial review and the indirect election of the President through an electoral college.

Although there is no formal Bill of Rights on the American model, Article 13 provides a Declaration of Fundamental Principles which the President is required to make before the people upon assumption of office. It is a difficult question whether this imposes a legal obligation. The authors produce a careful argument that it does, saying that "Any other conclusion would only mean that the people were misled when they approved the Constitution on the strength of the White Paper and Dr Nkrumah's broadcast" of March 1960; in this the Prime Minister of Ghana, as he was then, stated that

> The Constitution is firmly based on the Rule of Law and leaves no scope for arbitrary action or for discrimination against any individual or community.

Talent Without Ballast

The Life of Henry Brougham to 1830

By Chester W. New.

Oxford University Press. 469 pages. 50s.

MOST of Brougham's contemporaries regarded him as more than a little mad. Immensely clever, unfailingly articulate and quite indefatigable, he was often silly, usually undisciplined and always intolerable. The "march of mind" personified, he was not a human being. Even Peel made friends, but Brougham kept none of his; nobody ever loved him, and he loved only himself. Thick-skinned, excitable, brash and aloof, he alternated between the vapours of a hypochondriac and the violent high spirits of an unstable adolescent. In Greville's view, he combined "the most splendid talents" with a profound lack of "ballast." As a man, therefore, Brougham might seem a subject more suitable for the psycho-analyst than a staid and conventional Canadian historian like the late Professor New.

As a politician, he was an unrepentant intellectual, a careerist lawyer and an agitator of great power. Though loyal at least to the name of Whig, Brougham stood out even in the unreformed parliament as erratic and unpredictable, an oddity typical of nothing. The son of a petty Westmorland squire and a daughter of one of Edinburgh's academic dynasties, he had to make his way by sheer, thrusting ability. Thus, like Canning on the other side, he was envied, feared, courted and distrusted as a performer whose services the magnates of his party found indispensable. But in their eyes much of what Brougham did was almost unendurable. However effective it may have been politically, was it really desirable to exploit the affair of the adulterous Queen Caroline in 1820, or to stump Yorkshire ten years later, preaching reform?

Unlike some of his colleagues, Brougham took the Whig cry of "civil and religious liberty" seriously, partly because he could make something out of it but also because he believed in it. Indeed, for "the old drum-major of the army of liberty," any recruits would do, whatever their party affiliations. The slave trade and slavery itself must be fought, even with the help of Tory evangelicals. Collaboration with every sort of crank was worthwhile if this produced education for the masses, for the mechanics in their institutes, or for the Dissenters at London University, the "godless institution in Gower Street." Anyone who was against the system and its wickedness, who wanted parliamentary, legal or fiscal reform, who valued freedom of the press, the individual and his conscience, was Brougham's man.

Even in appearance, he was something of a pinchbeck Voltaire, with more than a touch of the Benthamite he never admitted to being. Morley said that Brougham launched "a thousand projects, all taking for granted that ignorance is the disease and useful knowledge the universal healer, all dealing with man from the outside, none touching imagination or the heart." But this strange, cold creature got results, and his successors owed a great deal to the pounding of "the steam intellect." When Brougham died in 1868, Mr Gladstone, one of his more surprising admirers, was about to take office as prime minister. The educational, judicial and other major reforms of his first government, the greatest of Liberal ministries, were all erected on foundations laid by Brougham, who could then conveniently be forgotten.

In trying to resurrect the whole man, Professor New had to contend with an opaque and elusive personality, a highly idiosyncratic political career in a difficult period, and an extraordinary diversity of activities. He struggled for thirty years, but he can hardly be said to have overcome all the obvious difficulties. Prosaic, careful, disjointed yet packed with information, this volume carries the story from Brougham's days on the *Edinburgh Review*, with its fulminations against the forces of darkness everywhere, to his reluctant acceptance of the Lord Chancellorship from Grey in 1830. Some of its failings can be remedied by Professor Aspinall's "Brougham and the Whig Party"; others may be mitigated in the promised sequel, by "another scholar." Meanwhile, this is the best early life of Brougham that we have.

The Man in the Desert

Lawrence of Arabia: *The Man and the Motive*

By Anthony Nutting.

Hollis and Carter. 256 pages. 21s.

TWO films dealing with the Arab revolt are in the making, and this seems to be the book of one of them, for Mr Nutting is principal adviser to its producer. He has consulted many of Lawrence's surviving friends (though not the most dispassionate of them, who is Colonel Meinertzhagen) and has produced an interesting assessment of the workings of an impish but tortured mind. But where the facts of the revolt are concerned, he has relied far too exclusively on the "Seven Pillars of Wisdom" and the Lawrence letters to be trustworthy.

The descriptions of British colleagues bear the marks of Lawrence's likes and dislikes, and the book perpetuates an account of the first year of the revolt that is based on his premonitions and hindsight, and misses the main drama of its start. This was the hideous though calculated risk, taken by London and Cairo in the teeth of the Government of India, and lasting for a whole year, that trained Turkish troops would be sent against ragged beduin at a point where Christian reinforcements were unthinkable, and that the Allies would lose Mecca, with disastrous consequences in India and Mesopotamia. A little more research into contemporary reports, including Lawrence's own, would have enabled Mr Nutting to add to a story that has too often been told from the highly personal angle that he reproduces.

His book is beautifully written as to style, but as to content often bears the marks of a rush job. Thus in Chapter I the Emir Feisul is forced to witness a public execution in Damascus on June 1, 1916, and thereafter spends "the next few weeks in solitary confinement," whereas on page 185 he attacks Medina on June 5th; the latter is right. And General Wingate is introduced as the man who "headed the British Military liaison staff with Sherif Hussein," whereas in fact he was Governor-General of the Sudan and Sirdar of the Egyptian army from 1899 to 1916, was fully employed in Khartoum, and was placed in charge, from there, of military operations in the Hejaz largely because the revolt was nourished, in its early stages, chiefly via Port Sudan.

The bibliography does not include the only dispassionate life of T. E. Lawrence hitherto published, which is Miss Flora Armitage's "The Desert and the Stars." This is a good book and it has the virtue of accuracy; Mr Nutting has little or nothing to add to it.

Russian Socialist

Alexander Herzen and the Birth of Russian Socialism, 1812-1855

By Martin Malia.

Harvard University Press. London: *Oxford University Press.* 495 pages. 55s.

HERZEN was born in 1812, but in the present context the date which counts is 1825, when the Emperor Nicholas I came to the throne after suppressing the "Decembrist" plot against him. He reigned for thirty years—a reign which one of Herzen's contemporaries called a thirty years' war against civilisation and good sense—and the book ends with his death. It is not precisely a life of Herzen, but his intellectual biography up to that date, eight years after he had left his native country for ever, and on the eve of his most active and influential years as the founder of the first uncensored Russian press in Russian history. From the time of his first arrest on the most ludicrous of charges in 1834 to his departure for Europe in 1847 he was in exile or under police surveillance—"the whole of his adult life in Russia passed at the mercy of an absurd tyranny."

Professor Malia analyses the ideas Herzen abandoned no less than those he retained. It was the age of romanticism in literature and idealism in philosophy, and the influence of Schiller and Schelling fused with the cult of the Decembrists to produce Herzen's vision of the liberated individual in a free society. There could have been no greater contrast between these aspirations and the reality around him. Nicholas's Russia bred Oblomovs, superfluous men; the active, the ardent, found their way to Siberia or to prison; co-operation with the autocracy was impossible; its power was arbitrary, its crimes monstrous; it stood for everything that was stupid, absurd, cruel. "There was no law or justice in Russia; there was only the arbitrary exercise of brute force, tempered solely by bribery."

Alienated from the society around them, the young idealists found consolation in identification with the Absolute, a heady and elastic concept in which self, humanity and the universe formed a single harmonious whole. This could not for long satisfy one whose objections to the regime were more than theoretical, and what was lacking—the formulation of a political goal—Herzen found first in the works of Saint-Simon; it is here that Professor Malia's second theme merges with his first.

The socialism to which Herzen looked has little in common with what the word stands for today, in whatever sense it is used; nor could it have had such a meaning in the context of Russia in the first half of the nineteenth century. The enemies of Herzen's socialism were not an exploiting capitalist class, but lawlessness and ignorance; its immediate goals were the overthrow of the autocracy and the end of serfdom. His democratic ideals arose not from observation of the plight of the masses, but from the frustrations of the privileged; they were a logical extension of the liberty, equality and fraternity of 1789. How disappointing the sequel in France had been Herzen himself did not realise until he reached Paris. There his profound patriotism was reinforced, his earlier faith in the youth and freshness of Russia revived. Russia was "free from the past, because our past is empty, poor, and narrow."

No brief review can do anything like justice to the depth and density of Professor Malia's book, and to the discrimination of his judgments. The material he has mastered, direct and collateral, is vast—one is almost tempted to say he has read too much, for the writing is at times overweighted and the going heavy; his digressions, for example, on the relation between empiricism and the diffusion of political power, or on messianism as a psychological compensation for self-conscious but thwarted nationalism, are stimulating. What one misses, perhaps, is the reflection of Herzen's uniqueness. Romanticism and idealism, hatred and contempt for the autocracy, were common to the critical intelligentsia of his day; what makes Herzen such a fascinating character is the mixture of passion and detachment, of ironic clear-sightedness and optimism, of generosity and venom. These features were more marked in his later life; will Professor Malia place us still further in his debt by carrying the story to the end?

Marginal Thinking

A Report on Marginal Costing

The Institute of Cost and Works Accountants.

Gee & Co. (Publishers). 77 pages. 10s.

ONE of the few things which economists know is that rational decision-making frequently requires consideration of the incremental or marginal cost of doing or not doing something. Ever since Alfred Marshall introduced "marginal cost" into the English language, first-year students of economics have learned about the concept and they now draw marginal cost curves in answer to practically every examination question, whether or not they are relevant. University teachers of accounting have long been teaching their students about marginal

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costs too, and some of them spent a great deal of effort in the thirties in trying to demonstrate the usefulness of a marginal cost approach to their brethren in business.

All this may perhaps explain why it is surprising that this book was published as late as 1961. It solemnly expounds "the technique of marginal costing" as an aid to achieving "maximum profit" without betraying any recognition of the ideas of economists. Thus the economist can only pat himself on the back and pray that the new gospel will now spread rapidly.

The book tempts one to speculate whether the majority of accountants may not hitherto have sturdily resisted all attempts on the part of their business employers to think in marginal terms. If this has in fact been the case, a serious impediment to rational business behaviour must have persisted ever since the development of income tax fostered the development of the accounting profession. Perhaps this helps to explain the poor growth performance of the British economy, in which case the publication of this book might justify some optimism about the economy's future prospects.

OTHER BOOKS

DIVIDED BERLIN. By Hans Speier. *Thames and Hudson.* 201 pages. 25s.

With a postscript dated August 21, 1961—seven days after the erection of The Wall—Dr Speier's narrative of the communists' unrelenting bid for the whole of Berlin is satisfyingly up-to-date. It is also scholarly, well marshalled and lucid. Dr Speier subtitles his chronicle and conclusions "The Anatomy of Soviet Political Blackmail"; and they make sombre and uncomfortable reading. He is convinced that in the long run the artificially-contrived Berlin crisis is "a global issue," and that "success in the cold war against communism depends on the ability to exploit the political value of arms."

THE ECONOMIC DEVELOPMENT OF COMMUNIST CHINA, 1949-1960. By T. J. Hughes and D. E. T. Luard. *Oxford University Press* for *Royal Institute of International Affairs.* 235 pages. 25s.

This is the second edition of a concise and admirably balanced survey, which seems bound increasingly to become an indispensable bookshelf companion to all students of contemporary China, and in other fields besides economics. The authors start with useful chapters on China's traditional economy and the Chinese Communist party's economic objectives, and follow with a history of the first five-year plan, the "great leap forward," land reform and the communes, concluding with an assessment of future prospects in the light of China's population problem. The period covered now extends to the end of 1960.

MONEY INCOME AND EMPLOYMENT. By Erich Schneider. Translated by Kurt Klappholz. *Allen & Unwin.* 290 pages. 32s.

This is the second textbook by Professor Schneider, now Rector of the University of Kiel, to appear in an English version. Like its companion "Pricing and Equilibrium," it is a clear and rigorous exposition of current theory at a level suited to second or third year university students. There are many diagrams, some algebra and copious footnote references to articles in the learned journals. Scores a Beta Plus.

LETTERS

A Message for Sir Roy

SIR—It was not our intention to congratulate you on your editorial of January 13th, concerning the way Sir Roy Welensky bullied Mr Iain Macleod over the Northern Rhodesia Constitution. In our view your editorial revealed what has long been generally known and widely circulated. It was really no news here. However, because of the cheap protests from the United Federal Party, we feel we must express the feelings of the people who hate Welensky's Federation and the evils it has brought here.

In public, Roy Welensky has bullied both Britain and the United Nations as if he was as powerful as Kennedy or Khrushchev. The irresponsible and intemperate vituperations Welensky—the champion of federalism—has been making in support of the secessionist Katanga province of the Congo, are all too familiar with the world public. How could such a public bully not have bullied humble Macleod in private?

Please treat the United Federal Party's protests with the contempt they deserve. None of us here have taken UFP protests to you as serious or sincere, and no one believes their false denials. That Welensky is primarily responsible for Britain's failure to pull out the right type of constitution for Northern Rhodesia from the Colonial Office pigeon hole is an undeniable fact.

But Welensky and his UFP have in the past relied for their existence in politics on the qualified franchise—so that European voters have always overwhelmed the African voters. They will cease to exist politically when all Africans, or a substantial number of them, are enfranchised.—Yours faithfully,

M. MAINZA CHONA
National Secretary,
United National Independence Party
Lusaka, N. Rhodesia

★

SIR—Your message to Sir Roy Welensky is typical of the interfering theorist telling the practical man on the spot how best to do his job. These time and motion studies, designed to goad Africans on much faster towards Africanisation of all Africa have been responsible for much misery and loss of life on that vast continent.

Sir Roy wants to avoid Mau Mau as happened in Kenya. He wishes to avoid war as raged in the Congo, Algeria and Angola, and above all he wants to avoid the growth of a black dictatorship suppressing the freedom of all races as now in Ghana.

He is ploughing a difficult furrow between the nationalist Africans on the one side and members of the white Dominion Party, who have a Fascist outlook, on the other. His aim is a genuine partnership of black and white Rhodesians, eventually bowing to black rule as more gain experience and as leaders emerge.

If, as you say, "... there is still an appalling danger that the whole thing might blow up this year, ..." it is well to remember that articles condemning the white administration and praising African nationalism, tendering advice which is shortsighted and playing on emotions instead of presenting a balanced appraisal will have played their part in fostering the chaos that will follow.—Yours faithfully,

House of Commons, SW1 ROY MASON

★

SIR—Your five columns of letters last week were long on emotion and short on facts. What is the argument about? Ultimately about people, immediately about democracy. Democracy means rule by the people. The trouble in Africa is that the people, the vast majority of them, are black, uneducated and relatively primitive. It would of course be better if they were white, educated and sophisticated, and then we could have a nice little democracy like they have, say, in Portugal or France. But democracy says nothing about colour, knowledge, sophistication or property. It says that only the wearer knows where the shoe pinches.

The Africans of course are not ready for democracy. Who ever was? It is quite true that the transition to African rule would be smoother and the resulting government more efficient if there were more time to train more African politicians, administrators and civil servants. There was time. There isn't now. The time we had has been spent not in preparing Africans for government, but in keeping them out; and in destroying their faith in the white man's honesty and good intentions.

To offer an African a fancy franchise like that of the June constitution in Northern Rhodesia is immoral and fatuous. Africans are not fools. They look south at Luthuli and see that for 30 years he has knocked patiently and peacefully at the doors of constitutional progress. His reward was the shooting at Sharpeville. But in Cyprus, Nyasaland and Kenya violence has brought results.

If Africans were driven to use violence to get a square deal it would be a terrible thing. All the suffering apart, British troops would be called in and we should find ourselves fighting a colonial war alongside white Rhodesians, white South Africans, and perhaps a few Portuguese from Angola and mercenaries left over from Katanga.

Africans must be given power in Central Africa very quickly. Not because of what the UN think or what the Afro-Asian block think, not because of the possibility of violence, but simply because it is the right and proper thing to do. We are fortunate in that what is politically the most realistic course is also what is morally right. The first and minimum steps are a constitution for Northern Rhodesia which will allow the Africans a majority; and the abolition of the Central African Federation as it now is. Northern Rhodesia, copper mines and all, and Nyasaland, both of which are colonial territories, must be led quickly to full independence under predominantly African governments, free of any federal ties whatsoever.

What of the risk of a "Congo situation" developing? Why should it? The Congo situation was a unique result of a unique action, namely the creation of a political power and administrative vacuum. Provided power is handed over in an orderly fashion there is no reason why it should recur.

What of the risk to investment? There is a risk, but then investment is a risky business. Isn't that what investors get paid for? But probably very little will be lost anyway, for, as I have said, Africans are not fools and they have heard about economic growth and the need for foreign capital, and they know they have to go on living in the world. There may be some cases of genuine hardship among the non-Africans (don't forget the Asians), and it is shedding no crocodile tears to say that these people should be helped by the British exchequer.

I recently spent some years in Kenya and I know a bit about sitting in the evening with a gun under the cushion, I know a bus-load of Africans smells, I know about racial tension, about how white men in Africa talk and write and act and think and feel, and I know that the majority of them won't like living under an African government. But they will get used to it. It is the end of an epoch, not the end of the world. Life in Africa will still go on in its own delightful way.

Perhaps I may end in the words of the High Commissioner for Rhodesia and Nyasaland with the belief "that the British people would wish their Government's policy at the United Nations and elsewhere to be based on what is morally right, however unpopular it may be in some quarters." Amen to that.—Yours faithfully,

EX-COLONIAL

[We have received many readers' comments on our leading article (on January 13th) about Central Africa. Our correspondents have been almost equally divided between those approving and those profoundly disapproving our standpoint. Having printed a large selection of our critics in our last issue, we regret that space is not available for more letters than these this week.]

London Buses

SIR—In a footnote to my letter of January 13th you ask why London Transport does not transfer bus crews from unprofitable services to the profitable routes if the main impact of staff shortage is on the latter. Here is the answer.

Staff shortage in London has no uniform geographical pattern, as all London employers know; it varies considerably from district to district, although it is particularly bad on the western side generally. Drivers and conductors have to be based at garages as near as possible to their homes, and to transfer some of them to fill staff shortage gaps at a distant garage is neither practicable nor economic except within a limited range. Where there is a choice, as many buses as possible are based on garages with a good staff position.

Under statute, London Transport is required to provide adequate services throughout its area. With this obligation, there are bound to be some routes which, although meeting a real public need, will never carry sufficient traffic to make them a paying proposition taken by themselves; and many of them being wide-interval services are least able to bear a cut if any semblance of adequacy is to be maintained. Their continued operation, however, is made possible by the profitable services. That is one of the reasons why London Transport was formed in 1933; and the bus services as a whole pay their way, including full interest charges.—Yours faithfully,

R. M. ROBBINS
Chief Public Relations Officer
London Transport Executive
London, SW1

Brollies Into Europe

SIR—While I would not quarrel with your reviewer's very fair assessment (in your issue of January 20th) of my book, "New Dimensions in Foreign Policy," he does make one point of criticism which shows a misapprehension of the conditions under which the study of recent administrative history can be pursued, and which is of some general interest. He says that I might have "got farther" and "brought more life" to my study if I had "touched on personalities." Of course I agree with him and agree also that the future historian may gain more "from studying men than machinery."

But the future historian will have open to him all kinds of sources, British and foreign, which are closed to contemporaries. As I made plain in my preface, a study of this kind cannot be written so close to events without the assistance of persons in the public service. The price of such assistance must inevitably be acceptance of the principles of civil service anonymity and cabinet responsibility. Of course these are limitations, as I have pointed out myself more than once with reference to the official "civil" histories of the war. But these are limitations that are the price one pays for doing work of this kind at all.

It would be possible, of course, to do something quite different—to tell the dramatic story of Britain's relations with the European unity movement in the last fifteen years as it appears in the public record, embellished by what a competent journalist can no doubt find out in the clubs of Pall Mall and the pubs of Fleet Street. I would like to see it done. But it would hardly be a suitable venture for a professor of government and public administration.—Yours faithfully,

All Souls College, Oxford MAX BELOFF

Doubting Thomas

SIR—In a note of the week on January 13th you write as follows concerning the provision of markets for the under-developed countries: "the right way is *to make British membership the starting-point of a new effort* by both Europe and America to pull the barriers down. This, *as Professor Meade has pointed out,* is the new opportunity opened up by America's awakening interest in free trade." (All italics mine.)

The passage quoted is an interesting exercise in the art of distorting without actually telling lies—a practice now rapidly becoming known as "Marketmanship." The first of the above sentences tells the truth as you see it, and the second is strictly true, but the two together give a totally false impression. May I point out, unless Professor Meade himself gets in first, that, far from suggesting British entry as a starting-point, what he actually wrote was: "I for one doubt whether in the absence of such action our entry into the common market will, in the end, prove possible."

With distortion went suppression. If you had wanted your readers to assess fairly the possibility of success in the "new effort" you would have added that any change of policy in the direction of "pulling down the barriers" would require (under Articles 111 and 114 of the Rome Treaty) the unanimous agreement of the Council representatives of each of the countries of the European Economic Community, of which, if we go in first and negotiate after, as you suggest, there will probably be ten in all!—Yours faithfully,

London, WC2 WILLIAM PICKLES

Which Guide for Shoppers?

SIR—On January 20th you reported that the BBC is planning television programmes based on the findings of *Which?* This is the truth—but far from the whole truth, for the BBC has also entered into an agreement with the British Standards Institution to publish the findings of *Shopper's Guide.* It is intended that every programme in the series will give results from tests carried out by both the periodicals.—Yours faithfully,

D. R. VICKERS
Assistant Secretary
London, W1 British Standards Institution

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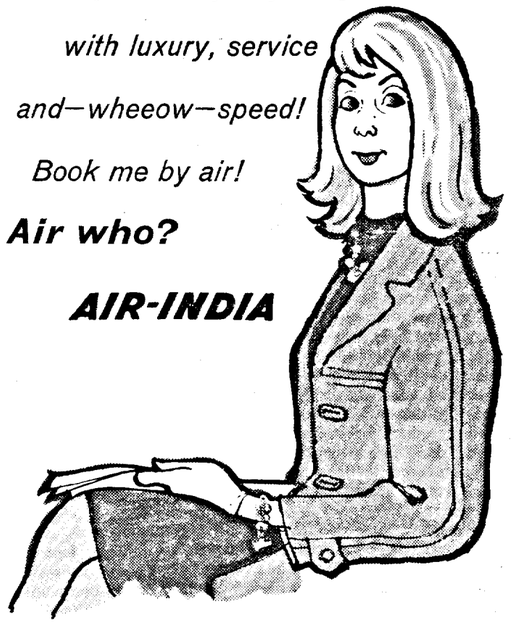
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AMERICAN SURVEY

AMERICAN SURVEY is prepared partly in the United States, partly in London. Those items which are written in the United States carry an indication to that effect; all others are the work of the editorial staff in London.

Closing the Gaps

WASHINGTON, DC

THE economic policy makers of the New Frontier are pinning their hopes for 1962 on an old-fashioned business upturn. Indeed, President Kennedy's Budget, his Economic Message and the Annual Report of his Council of Economic Advisers are much more optimistic in their assumptions about the outlook than are the majority of businessmen and private economists, who have a good many reservations about the continued pace of the present expansion. The Administration, while concerned about its international balance of payments, appears convinced that the private sector of the economy will generate most of the drive needed to maintain domestic growth. It is counting on consumers and corporations to step up their demand for goods and thus to reduce unemployment, raise incomes and profits and furnish the added revenues required to balance the Budget.

It is not unusual for the Administration in power to take an optimistic view and the Kennedy forecast, while bright, is not without foundation. Despite the scepticism of the business community, the Administration's predictions for 1962, of a 9.5 per cent rise in gross national product, a jump of 23 per cent in corporate profits and a fall in unemployment from 6 to 5 per cent of the labour force, are in line with the gains achieved in previous expansions since the war. In recent months, moreover, the Administration's economic projections have been decidedly higher, and also decidedly closer to actual results, than those prevalent in private circles. If it is to be faulted, it is in the belief that business will not only be strong but that businessmen will also show unusual restraint in holding down prices.

The Administration's show of confidence contrasts with its mood a year ago, when Mr Kennedy was proclaiming that "the American economy is in trouble" and when some of his advisers were considerably gloomier than he was about the recession and the sluggishness that they feared was a permanent economic affliction. Businessmen were then less pessimistic and began rebuilding stocks just as the Administration was ready with its plans for countering the decline. As it turned out, the diagnosis was more severe than were the remedies (Dr Paul Samuelson, Mr Kennedy's chief unofficial adviser, termed them "placebos"), mainly because to include large-scale government spending or a tax cut might have aggravated the weakness of the dollar abroad. In retrospect, this moderation was all that was needed. The series of concerted anti-recession measures devised by the Administration, and costing a comparatively modest $2.9 billion, helped to speed the recovery that was already underway. The major stimulant, which turned the recovery into expansion, came from the increase of $4.7 billion in military outlays which had not been envisaged originally as part of the anti-recession programme.

Not unnaturally, Mr Kennedy takes credit for the advance made last year, although just how much was due to the Administration's deliberate efforts is debatable. He continues to insist that the Administration must do all that it can to close the gap between actual and potential production and by so doing to attain maximum employment and a high rate of growth. He is not disposed to leave everything to chance but clearly he is seeking to give business every possible encouragement to continue the rise that is now taking place. Thus in outlining his plans for 1962, Mr Kennedy is both more confident and more moderate than he was last year and maintains the emphasis on military spending. Out of a total increase of $3.4 billion in the Budget for the 1963 fiscal year starting next July, the Administration plans a rise of $2.7 billion in expenditures on defence, space and foreign aid. Mr Kennedy is at pains to point out that this does not mean that domestic programmes are being slighted, since there is also to be a considerable shift of outlays in favour of education, medical care, housing and urban redevelopment.

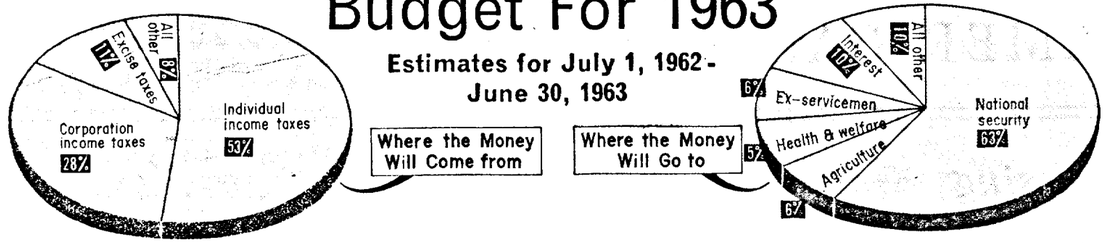
These shifts, however, fall short of the basic reallocations of the nation's resources that many of the Administration's supporters consider essential to ensure growth; they tend to say that the New Frontier's plans for 1963 are progress at no more than a snail's pace. But the Administration's freedom of action is limited. It feels impelled to continue the military build-up; it is constrained by the persistent deficit in America's international payments which worsened materially in the second half of 1961; and it has to deal with a Congress meeting in an election year. In these conditions, it would be unrealistic to expect a major reorientation of the economy. Nor does the Administration think such a reorientation wise at present. Its main effort is directed towards ensuring that the momentum is maintained without encouraging the resumption of inflationary pressures.

THIS may be no more than a prudent man's progress but it is not a retreat to caution. For Mr Kennedy is advocating an increase in government spending to help to narrow the gap in production. To be sure, in a growing economy the stimulus provided by this increase may not be an important factor; if prosperity is maintained the surplus of the government's income over its outlays may even exert a mildly restraining influence. But in budgeting for an increase in spending the Administration is making it clear that, though it is relying on the private sector at the moment, it is not relinquishing its own responsibility for growth. This approach differs from that of the previous Republican Administration, which sought to hold down government spending and build up surpluses, without much success, during periods of prosperity. It is Mr Kennedy's belief that such a policy impedes growth and he is willing to spend more to accelerate the advance, arguing that if the economy does not respond, then the increased spending will act as a prop.

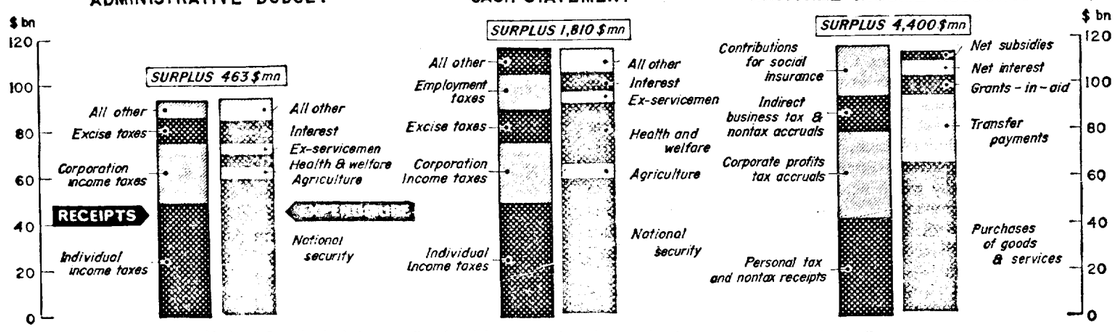
It is conceivable that the kind of expansion which the Administration envisages will create inflationary pressures. But Mr Kennedy and his team of advisers contend that even at the best this year the gap between actual and potential production will not be closed, so that excess capacity and unemployment will still be making themselves felt. As a result, wages and prices should not be exerting inflationary pressures except in those industries where "companies and unions possess substantial market power"; in these cases Mr Kennedy suggests that both sides should show restraint, while his economic council adds some general yardsticks indicating that wages should not rise above the increase in productivity. In this respect Mr Kennedy is repeating the exhortations expected from every President, and it remains to be seen if they are heeded. But his plans are geared to promote a higher

Budget For 1963

Estimates for July 1, 1962 - June 30, 1963



THREE WAYS OF LOOKING AT IT

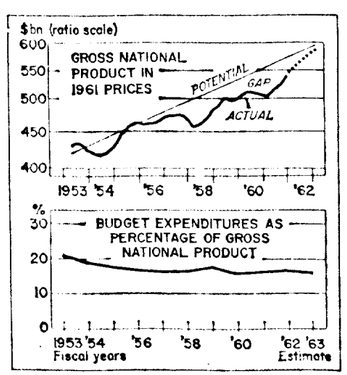


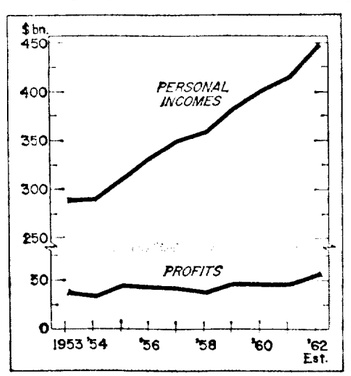
National Security includes spending for defence, atomic and space developments and international affairs.

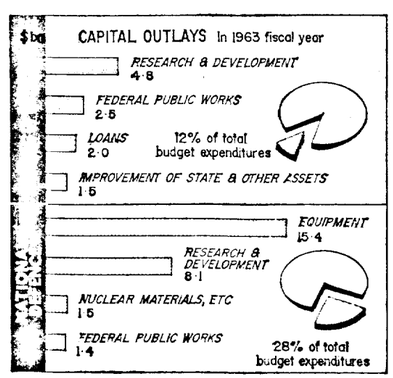
The **administrative,** or conventional, **Budget** covers primarily those activities of the government which are dealt with regularly by Congress; it excludes the trust funds which finance highway, social security and other programmes, and which have their own sources of revenue. These trust funds are included in the **cash statement** showing the government's total receipts from and payments to the public. The **national income accounts** record the government's purchases and its receipts from taxes at the time when the liabilities are incurred, which is when such transactions have their chief impact on the economy, rather than at the time when the money is paid over. Under all three calculations a **surplus** is forecast for the 1963 fiscal year, compared with deficits in the year which ended last June of $3.9 billion on the administrative basis, $2.3 billion on the cash basis and $2.2 billion in the national income accounts; for the current year all three are also expected to show deficits, of $7 billion, $8.5 billion and $500 million respectively.

The 1963 surpluses depend on Congress doing certain things; most important are that it should raise postal charges (which it may do at last this year) and modify the farm price support system. But even more these surpluses depend on the **gross national product** growing during 1962 at nearly as fast a rate as during 1961. For this will bring with it increased tax receipts from corporate profits and individual incomes during the 1963 fiscal year, in which total revenues are expected to go up by $10.9 billion. The increase in GNP will also mean that even though government spending will be higher in 1963 than ever before in peacetime, it will be falling as a proportion of GNP. Nevertheless, as the chart on the left below shows, GNP is not reaching the full potential that would be possible if the country's resources were being completely used; this potential output was last achieved in 1955 and its growth since then is calculated at an annual rate of 3½ per cent.

The American Budget does not distinguish between spending for **capital investment** and for current operations. This year, however, the President has picked out the items which will provide durable assets and other benefits for the future; these are shown in the chart on the right below.







rate of productivity throughout the economy; his new foreign trade programme and his proposed changes in taxes on industry are outstanding examples. In the Administration's view, this is the key to stable prices and wages.

In essence, the Kennedy stabilisation programme presupposes that the course of the economy is set for growth and aims at moderating any deviations from this rising trend. The President's report and the accompanying study by his council go far beyond the prospects of the current year to provide what amounts to a long-range blue print of actions to strengthen the economy and to meet specified targets. These are ambitious but attainable, in the opinion of his experts, and include lowering the rate of unemployment to 4 per cent of the labour force by mid-1963, achieving an annual increase in productivity of 4.5 per cent at some unspecified time in the nineteen-sixties and reaching equilibrium in the balance of payments within two years.

The targets are much more precise than the means of achieving them, but Mr Kennedy has seized the opportunity provided by a brightening business picture to introduce a series of proposals that will help to attain his goals. The first is the request for standby authority so that the President would have power to lower personal income tax rates should there be a recession; the second is for similar discretionary power to spend up to $2 billion for public works. In addition, Mr Kennedy suggests that the unemployment insurance system be strengthened as an additional buffer against an economic decline. There is no expectation that Congress, which is understandably jealous of its powers over taxation and the public purse, will act on these proposals during the current session. But in inviting an initial skirmish, the Administration is not merely throwing a sop to its liberal supporters; it is also, in fact, endeavouring to win public backing for more sensitive and flexible tools that would give it the choice of countering a recession by increased spending or lower taxes or by a combination of the two.

The breathing spell provided by an ebullient economy is welcome because it gives some clues to the Administration's long-range programme. But at this stage Mr Kennedy and his advisers cannot do more than provide a bare outline of the plans that are in store. For the troublesome deficit in the balance of payments is far from being erased and could take on an even more threatening aspect if economic activity falls short of the Administration's anticipations during 1962. Its forecast, after all, is predicated on a number of favourable actions being taken by Congress and does not allow for the possibility of either a prolonged steel strike or an inflationary wage settlement in that basic industry. These are variables that the Administration cannot control but by and large it is convinced that the forces of expansion are strong and widespread. Its immediate problem is not to cope with the next recession but to extend the present prosperity. On this score, it is anxious to provide a helping hand, with Congress's approval, to the private sector of the economy and to trust it to do the job.

Mills of Congress

THE President sent his trade expansion Bill to Congress this week with the statement that it represented a rare opportunity "to fashion out of the confusion of current events a clear and bold action to show the world what it is we stand for" and a claim that the measure, "designed as the expression of a nation," has bipartisan backing. It seems, moreover, to have a green light of sorts from Mr Wilbur Mills, the chairman of the House Ways and Means Committee. This committee must originate all revenue Bills and therefore holds the key this year to the legislation to which the President attaches the greatest importance: trade expansion, tax credits to encourage business investment and the placing of medical care for the aged under the social security system. It is not surprising that Mr Mills was the first congressional leader whom Mr Kennedy called to the White House on his return to Washington or that the White House has been particularly concerned to see that two vacancies on the Ways and Means Committee went to the more liberal-minded of the various possibilities.

As far as can be seen the committee, which supported the Reciprocal Trade Agreements Act in the past, seems likely to take a favourable view of the Trade Expansion Act and it is already at work on a somewhat altered version of the Administration's scheme to give tax relief for business investment. But unless Mr Mills has suffered a change of heart the medical care Bill, which has foundered in the committee before now, may never reach the floor. This would be the worst of all worlds for an Administration which regards this "bread and butter" issue as a vital factor in this autumn's congressional election; it would prefer to have the Bill defeated by the Republicans in an open vote on the floor. On the proposal to create a Department of Urban Affairs and Housing, which the Republicans and conservative Southerners on the House Rules Committee voted this week to bottle up, the President has a means of forcing the opposition into the open: he will submit the scheme as a reorganisation plan, which goes into effect within 60 days unless it is voted down in either House.

But even where Mr Mills is favourably disposed, he is likely to try the President's patience severely. Mr Mills is hard-working himself but reluctant to drive his committee and fearful of controversy, even though one pressure upon him—the risk that he might be challenged in his constituency by a notorious racial segregationist—has evaporated. The programme which he has laid down is leisurely—the medical care issue will not be reached until the summer—and there is always the risk that to obtain a probably unnecessary degree of agreement Mr Mills will make extravagant concessions of substance. Meanwhile the Senate will be kept kicking its heels for both Senator Byrd, the chairman of the Finance Committee, and Mr Mills have turned down with indignation the idea that the two groups might hold joint hearings or that the Senate Committee might get to work before the House group completes its part in this leisurely legislative process.

Kind to du Pont

WITH unusual speed the new session of Congress has already sent the President a Bill which he is expected to sign. But it is one which would have been passed last September had it not been that the longed-for adjournment might then have been held up by an explosive debate in the Senate, the only body which had not acted on this measure. It is intended to facilitate a final settlement of the anti-trust decree which requires the huge IE du Pont de Nemours Company to divest itself within ten years of its holding in the also huge General Motors Corporation—63 million shares, 23 per cent of the total outstanding; this, the Supreme Court held in 1957, tended to lessen competition. Last week the Bill, although it has now been passed without difficulty, set off the predicted chain reaction among liberal Democrats.

In the first place, they objected to acting on the Bill at all at this time, since a vote might look like a congressional directive to the Federal District Court in Chicago, which is still trying to decide how the divestiture should be accomplished; it is suggested that the judge may have been waiting to see what Congress would do. Under the law as it stood, if du Pont had distributed its GM shares, among its own stockholders, which is the most favoured method of settling the matter, the distribution would have been taxed as ordinary income at an average rate of 50 per cent. Not only would

this have been hard on the recipents but also many of them would have been forced to sell part of their holding to raise the money, which would have depressed the market value of both du Pont and GM. Under the new Bill any distribution to individual shareholders will be taxed as capital gains, at 25 per cent of an amount which will depend on the price originally paid for the shares.

Distributions to corporate shareholders will be taxed as intercorporate dividends at about 16 cents a share, except for the special case of the Christiana Securities Corporation which owns over a quarter of du Pont's common stock; it will pay about $4.30 a share since its tax will be based on GM's current value of around $55 a share. But this penalty was not enough to satisfy the liberals whose real objection to the Bill was that under it Christiana may divide its new GM holdings among its own shareholders. This, it is contended, should be forbidden because two-thirds of the Christiana shares are owned by members of the du Pont family and to permit them to take over the GM shares would merely perpetuate that control of the corporation by du Pont which has been declared illegal. In the Chicago Court the Department of Justice is arguing that Christiana, like du Pont, should be required to divest itself of all its GM holdings. But Christiana's lawyers maintain that the court has no power to order this since this company has not itself been convicted on anti-trust charges.

What to Give the Troops

IT was a right-wing Democrat—Senator Thurmond of South Carolina—who pressed for the hearings, which began in the Senate this week, on whether military men are being "muzzled" in their efforts to alert both their troops and American civilians to the dangers of communism. The star witness was to be General Walker, who resigned after he had been reprimanded and deprived of his command for filling up his troops with extremist nonsense; the aim was to display the Department of Defence (and the Administration) as being soft on communism and hard on true patriots. Should Mr Thurmond look like succeeding some Republicans might be tempted—as they were in the McCarthy era—to jump on the band-wagon.

But since then both the Department of Defence and the Senate have learned a good deal. The chairman of the subcommittee is Senator Stennis, a fair-minded Mississippian who wisely postponed the hearings until Congress reassembled so that they should not monopolise the headlines. And he has so broadened the inquiry that General Walker will not be called until its later stages, when much of the interest may have drained away. Answers are being sought to three questions of importance. One is whether the speeches of military men should be censored and whether the power to do this has been abused under the present Administration. The second is concerned with what is the best kind of instruction and education for the troops and the third with whether it is proper for men in the services to try to teach civilians about the issues of the cold war.

The proceedings got off to a dignified start with written testimony from two distinguished Republicans—General Eisenhower and Mr Lovett, a former Secretary of Defence—and the personal appearance of Admiral Burke, until recently Chief of Naval Operations and the good-humoured victim of sharp censorship early in the Kennedy Administration. All stressed that the civilian authority is paramount but, somewhat surprisingly, Mr Eisenhower argued that military leaders should be allowed to speak out, subject to general supervision; the former President admits that his views have changed now that he is no longer in the White House. Like the Admiral, General Eisenhower hinted that the present censorship is petty and over-zealous. But the advance clearance of speeches was strongly endorsed by General Lemnitzer, the chairman of the Joint Chiefs of Staff, and other eminent military men.

Where General Walker will come in is over the political education of those in uniform—a matter of great concern ever since the Korean war, when American servicemen showed so little resistance to communist brain-washing. Individual commanders have had considerable freedom to instil a love of democracy into their men; some, imbued by the fanatical ideas of the extreme right-wing, have gone about it oddly. The matter is being considered by a distinguished committee, but this will not report until the summer. Meanwhile General Walker will have his day in court. But if his recent impact on the country is any guide, the subcommittee is not likely to be bowled over.

Supra-Nationalism for Export

The first year of the Kennedy Administration has been, among many other things, the year in which large numbers of Americans have awakened for the first time to what has in fact been their European policy for the last twelve years. The awakening has been an uneasy one and some of its implications are described by a correspondent who returned recently from Washington.

EVER since the establishment of the Economic Co-operation Administration as the instrument for handling the Marshall Plan there has been in the American foreign aid agencies and more recently the State Department, as well as in Congress, an important and dedicated group of men who believed that Western Europe's only chance of economic progress and of resisting communism lay in the adoption of policies which would lead sooner or later to a definite and permanent economic and political union between all the major countries of at least non-Soviet Europe. Today this group is more powerfully represented in the commanding heights of Washington than ever before. At the head of the Treasury, the most sceptical of the major departments, now stands Mr Dillon, one of the most devoted members of the group. In the State Department, Mr George Ball, the Under Secretary, who used to be M. Jean Monnet's direct mouthpiece in Washington, and Mr Walt Rostow, the head of the policy planning staff, have both gone up in status recently as a result of the first shake-up in the Kennedy Administration. High up in the Central Intelligence Agency is Mr Richard Bissell, the key figure in the moves to push Europe into integration in the Marshall Plan period.

In the decisive position in Congress, the chairman of the Senate Foreign Relations Committee, Senator Fulbright, was busy advocating European federation even before the Marshall Plan was mooted. If he has recently become more notable as an "Atlantic Union" man, he sees no discrepancy between the two. It is perhaps even more important that in the lower levels of the Administration, where cables are drafted and committees manned, there are enthusiasts for the pure milk of M. Monnet's doctrine who make even Mr Ball—and perhaps M. Monnet himself—appear as moderating influences. Here they are certainly "*plus royalistes que le roi.*"

Thus it was inevitable that Britain's decision to apply for membership of the European Economic Community should be welcomed both publicly and privately in Washington. But this does not mean that there is any real understanding of, or sympathy for, the predicament which lies at the heart of the current negotiations. For these are men who have always been highly impatient of Britain's "dragging its feet" on the road to supra-nationalism. In their view, Britain is now doing what it should have been prepared to do a decade ago and, if the terms are not as good now as they could have been then, this is no more than Britain deserves.

In a sense, of course, the original American sponsorship of European integration was a departure from the deeply-felt commitment to economic non-discrimination at the time of the Bretton



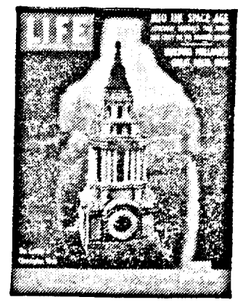
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Woods agreements. Therefore the partisans of integration have felt obliged to treat with additional suspicion all other breaches with economic universalism—such as the Commonwealth and the European Free Trade Association. The Commonwealth in its economic aspects is their particular *bête noir* and it would be ironic, were it not also distressing, to hear Americans, who are obviously quite unsusceptible to the "magic of monarchy," arguing that the Crown and the ties of sentiment should be enough to keep the Commonwealth together without sordid tariff preferences.

But if the Commonwealth must be left outside the door, so must Britain's partners in EFTA unless they too are prepared for the Treaty of Rome, the whole Treaty and nothing but the Treaty. For some of them suffer from another stigma: they are "neutrals"—the death of Mr John Foster Dulles has not rehabilitated this word—and as such they would be getting economic advantages for which they would not be paying the price of military and political co-operation. It is true that there are Americans—especially among those close to strategic and political realities—who doubt very much the advisability of still further identifying advances on the economic front with solutions for the military problems of the Atlantic Alliance. It is the economic men who tend to be so bellicose and the reason is in a sense an economic one.

When integration was first urged upon Europe, it was believed that nothing less would get Europe on its feet and that getting it on its feet (and off the Americans') was the best that could be hoped for. The recent growth in the economy of Western Europe—"the miracle of the common market" as it is viewed in some rather unsophisticated circles—was not expected. For the first time it has become possible that this growth might parallel or even outstrip that of a relatively stagnant United States. Thus, while the original moves towards integration were regarded as both an economic and a political gain for the United States, the territorial expansion of the common market is now felt to involve an economic cost to the United States for which it has the right to demand political offsets.

Britain can bring in an element of political stability lacking in the Europe of the Six and can add to the anchors designed to prevent any veering of the west German ship of state should the Russian breezes blow more softly again. For this after all is the object of the exercise. American policy in Europe derives from American policy towards Germany and has done ever since the war; to overlook this fact is to misunderstand what the argument is all about.

Since the Americans are doctrinally inhibited from advocating that concessions should be made to Britain's Commonwealth and EFTA partners within the framework of the common market, they talk of their new proposals for tariff reductions as though they could be a full substitute for the markets which these countries may lose. No doubt if the Administration were to get its way in full, the opening of American markets would provide important compensations; but whether it will is highly speculative. It is characteristic of the American political system that one has to ask for much more than one expects to get in order to get anything at all and that today anything, even tariff cuts, can be sold more easily if an anti-communist label can be attached to it.

Most, though not all, of the current talk of Atlantic Union or the Atlantic Community can thus best be seen as an attempt to give an ideological dressing to the programme for getting increased powers to cut tariffs. No doubt there are those who genuinely thrill to this idea; President Kennedy should not be counted among them. Indeed he has been rather careful to dissociate himself from the campaign in its favour, realising how disinclined Americans are to apply to their own affairs the supra-national principles they have urged so freely upon others.

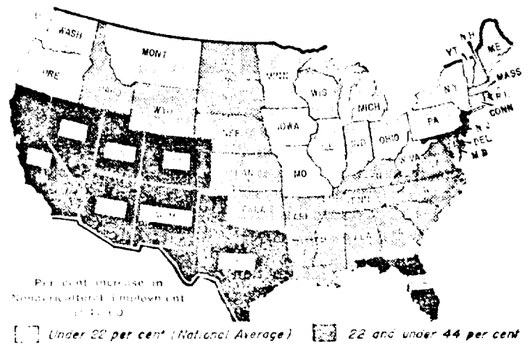
War on the Range?

FROM A CORRESPONDENT IN DENVER

As a rule range wars are waged only on the television screen today but a clash between ancient custom and modern law has come so close to provoking a real-life one in southern Colorado that Governor McNichols made a special trip there to plead for peace. The area is part of that vast territory ceded by Mexico to the United States in 1848 after the Mexican war. One provision of the treaty was that the existing ownership of land, most of which originated in grants by Mexico, should be respected.

Industry Evens Out

Between 1947 and 1960 the number of non-farm jobs in America increased from just over 43 million to 53 million but, as the map shows, the growth was not uniform all over the country. Three states, California, Texas and Florida, which now provide between them one-sixth of all non-agricultural employment, had long been expanding industrially but in the other five states which grew at double the national rate such expansion is a recent development, mainly since the war; although still relatively small in the amount of employment they offer, these five states now have about 1½ million non-farm workers. The other states which exceeded the national rate of increase were not the ones where industrial growth had been found in the past; in the period under review the predominantly industrial states fell below the national average. In particular the Great Lakes region, which had become first in the number of manufacturing jobs in the prewar period, surpassing even the region which includes New York, New Jersey and Pennsylvania, actually lost factory workers between 1947 and 1960. This shows the impact of automation and technological change on the metal-working industries. According to Mr Seymour Wolfbein, the Deputy Assistant Secretary of Labour, these geographical changes in industrial employment bear out the thesis that an "evening out" of non-agricultural growth is gradually reducing the economic differentials between states. They also suggest that the classic pattern of internal migration may be altering, that to move from a farm job to a city one people may no longer have to leave their home states, to go from the South to Detroit or Los Angeles, for example.



One of these was the 1,038,000-acre Sangre De Christo grant made in 1844 to Narcisco Beaubien and Stephen Louis Lee, which is said to have stipulated that the original Mexican settlers and their descendants should always have the right to graze their animals, gather wood, fish and shoot game on the land. Since then the area has been split up into several ranches but there was no trouble until Mr John Taylor, a lumberman from North Carolina, paid $500,000 for 77,000 acres in 1960, sought to fence his property and ordered everybody off, as is usual elsewhere in the United States. He also sued the county commissioners for removing a fence which he built across a road that traditionally had been public and sought to enforce his rights of ownership in the federal courts.

Last Thanksgiving day Mr Taylor and two cowboys brought three battered and bruised Spanish-Americans to San Luis, the county seat, and accused them of setting fire to a house trailer and "shooting up" farm machinery. But the accused, in their turn, promptly charged the Taylor group with attacking them while they were on a harmless errand in search of a missing cow and Mr Taylor and his men were arrested and put in gaol. A crowd gathered and broke in the door of the prison and shots were fired. The sheriff prevailed on the rioters to go away without further violence but new trouble may break out at any moment as the controversy makes its slow way through the federal and state courts.

Traffic Doctor

FROM A CORRESPONDENT IN BALTIMORE

Last week a blunt-spoken former policeman, Mr Henry Barnes, became Commissioner of Traffic for New York City, with a salary of $27,500 a year and a free hand to sort out the world's worst traffic tangle. To Baltimore motorists whom he has ruled with a grip of iron for nearly nine years, his first day had a familiar pattern. Mr Barnes gave press interviews galore, told his staff that they would have to work three times as hard as they had before and decreed that the department should henceforth operate seven days a week, 24 hours a day, because traffic does not stop between 5 pm and 9 am. He asked who controlled permits for the street excavations which are New York's most evident hazard to traffic, and, when told that it was the Borough President's office, said "That will change." Judging by past experience, it will. In Baltimore Mr Barnes's forceful ways have convinced politicians, bureaucrats, motorists, policemen and contractors that it is usually better and easier to give him his head. Only once has he suffered a major defeat; this was at the hands of a women's civic group which still holds a spring fair athwart the town's main north-south street one day a year, but even they open one traffic lane in the rush hour.

Mr Barnes is entitled to be called the world's leading practitioner of a new science. He is traffic consultant to a congressional committee, to the government of Venezuela, to flocks of foreign and domestic experts who visited him in Baltimore and in the past he has advised on London's traffic ills. He has changed the faces of Denver and Baltimore and is likely to do the same to New York. Mr Barnes is not an engineer and indeed is not even a college graduate. He calls himself a "traffic doctor" and his prescriptions are not cheap. His budget in Baltimore has been as much as $2 million a year and his staff, about 200 strong, was equipped with some 80 vehicles. Every year his men used 15,000 gallons of paint (Mr Barnes is a great believer in lane-painting to increase the capacity of streets) and installed some 14,000 signs, about 2,000 of them new ones. Under his regime Baltimore has acquired 26,000 parking meters and no one knows how many blocks of one-way streets and alleys, as well as a reputation for fierce enforcement of no-parking regulations.

The crown of the Barnes era is the world's first electronic traffic control system which is to be completed in two years at a total cost of $7 million. More than 800 radar detectors hanging over the streets analyse the flow of traffic and report their findings back to a gigantic electronic brain at headquarters; this decides what combination of signals will keep things moving the fastest. Traffic signals costing from $4,500 to $25,000 for a single crossroads carry out the brain's commands. Almost 700 are now hooked into the master control system. Some of the signals are set to cut off all traffic for a few seconds at a time to give pedestrians a busy crossing to themselves—the now-famous "Barnes Dance" which is to be applied in New York.

Mr Barnes eats, sleeps and breathes traffic (the Traffic Department intercom is always on in his car, office or living room) and is impatient with civic aesthetics. Trees, statues, cobbled streets, picturesque trams or grass verges which slow up traffic are apt to be swept out of the way. Fires, football games and snowstorms, on the other hand, are challenges which he accepts with enthusiasm, appearing as if by magic to take charge of events, sometimes from a helicopter. Since Mr Barnes was brought to Baltimore, traffic on the city streets has increased, by his reckoning, 57 per cent. But the time needed in the rush hour to get from the city's centre to its southernmost boundary has been reduced from 45 minutes to 17. Outside rush hours it is possible to enter the city by a main road and travel to its heart without being interrupted by more than one or two red lights. In the process Baltimore has become a city of one-way streets, "buses only" lanes, meters, signs, poles, wires, lights and regulations. To those who complain Mr Barnes says, in effect, "You hired me to move traffic, and it's moving."

SHORTER NOTES

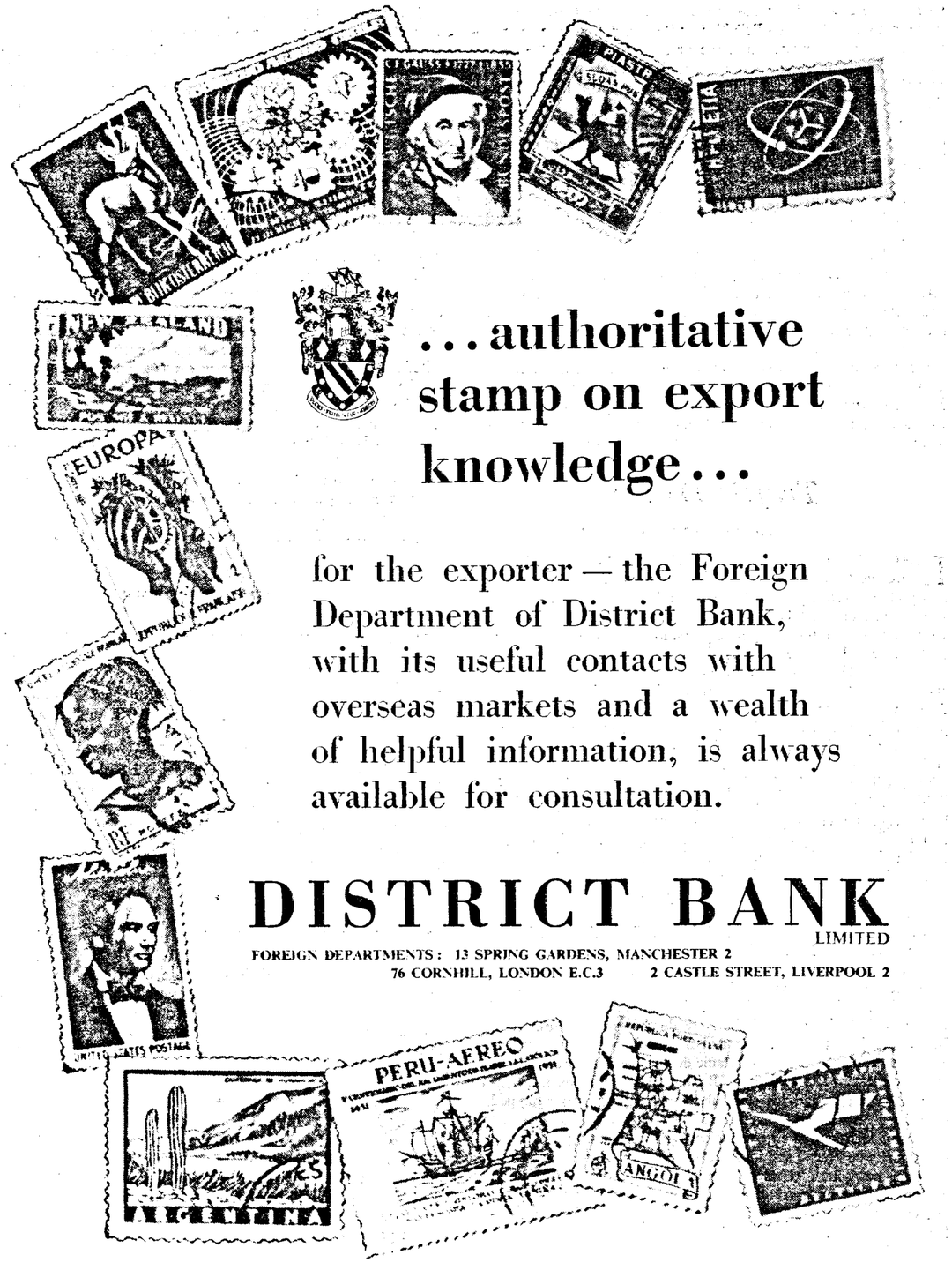
Mr Brown, the Democratic Governor of California, who has surprised no one by announcing that he means to stand for re-election this year, now seems certain to have Mr Nixon as his Republican opponent. Giving ill-health as his excuse, Mr Goodwin Knight has withdrawn from the race for the Republican nomination. A former Governor, he had been the best-known of Mr Nixon's rivals for the Republican nomination and was prepared to wage a vigorous fight. A few months ago Mr Knight charged that the Nixon forces were trying to buy him off with the promise of a high state job. There are still two other Republicans in the running, including one who speaks for the right-wing extremists who are so noisy in California, but neither is as dangerous to Mr Nixon as was ex-Governor Knight.

* * *

Electricians in New York City have now won a wage increase and a 25-hour basic work week, the briefest ever granted in a labour contract. Before their strike the electricians' basic work week was 30 hours. As they are guaranteed 5 hours of overtime a week (at time and a half) their earnings will fall only from $165 a week to $161. Indeed, as there is a severe shortage of electricians, they may well work even more overtime although the trade union has promised to speed up the flow of apprentices.

* * *

Last week saw the postscript to the great scandal over television quiz-shows, which attracted so much attention over two years ago. In a court in Manhattan ten winners of big prizes—including Mr Charles Van Doren—pleaded guilty to having cheated. All received suspended sentences. Mr Van Doren might have had to spend a year in prison.



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THE WORLD OVERSEAS

Mr Nyerere's Decision

FROM OUR SPECIAL CORRESPONDENT

DAR ES SALAAM

IF anyone had been asked to prescribe a nightmare formula that would do most harm to the reputation of Tanganyika throughout the world, he could hardly have improved on the concoction brewed in Dar es Salaam this week. The simultaneous resignation of Mr Julius Nyerere, the prime minister, and Sir Ernest Vasey, the finance minister, removes the two men who by making known this poor country's example of national tolerance and peace had given it "the fairest name in Africa." But Mr Nyerere sees this formula quite differently: to him it is the strong medicine needed to restore his country's health.

The sickness in Tanganyika is one of disappointment. Despite frequent warnings from him and other leaders that independence last month would bring only the need for greater efforts, many of the country's nine million people are disappointed that no ripe fruits fell around their feet. The reverse in fact happened. Independence came at the end of a year which for the first time showed no increase in the national income, when a fall in sisal and other exports and in imports of consumer goods had cut government revenue, and when heavy rains and a drop in world prices had depressed farmers. The government was powerless to add sweetness to *Uhuru* and its calls for harder work

Inevitably this disappointment found an outlet in a burst of racialism. Europeans had seemed to dominate the independence celebrations and appeared to maintain a colonial arrogance. Asians had made no concessions to help African traders become established. With *Uhuru* past there was no landmark ahead. Ambitions to double the national income in ten years and complete a £24 million development plan in three years meant hardly anything in the villages. Any national purpose seemed lost and people turned selfish. Labour troubles began. Mr Nyerere bowed a little to this storm and signed expulsion orders against one Swiss and four British subjects accused of racial discrimination. For once he showed an inept touch and did not ensure that justice was seen to be done. He also summoned the national executive of Tanu for an airing of grievances and for the first session of policy making since self-government. It soon appeared that the grievances were widespread and diverse. For instance, why had the prime minister compromised with Mr Macleod and not insisted that the trust territory should become a republic at independence? There was a possibility that Mr Nyerere might have to face a direct clash with a section of the executive's 120 members (a section with no acknowledged leader as yet) and a fear that his cabinet would have to choose sides.

Mr Nyerere, always a better tactician than strategist, switched to another plan which he insists he had "nursed" for a long time. His party's vice-president, Mr Rashidi Kawawa, on his way to Lagos for the all-African conference, was called back. Mr Nyerere's decision to resign the premiership and devote himself to organising and "recharging" the party shocked the executive as much as it later worried civil servants and businessmen. It took him three days to get the party's approval. He then personally picked his successor, Mr Kawawa, and the new cabinet. At the press conference on Monday announcing his resignation, for all



Mr J. Nyerere | Mr R. Kawawa | Sir E. Vasey

his modesty and humour, he left the impression he was still very much the national leader. Next day a common reaction among Tanganyikans was pleasure that he had now "come closer to his people."

By removing the steam of complaint from the executive conference Mr Nyerere proved himself a shrewd tactician and by putting the emphasis on party reorganisation he gained a new initiative. At the same time, though discreetly, cabinet changes have prepared the way for a period of more ambitious planning. Sir Ernest Vasey, the odd man out in a government dedicated to "Pan-African Socialism," resigned on the grounds that he had not the qualifications for Tanganyikan citizenship. His retention as economic adviser will not hinder proposals to set up a development committee with a high-powered planning secretariat directly under the prime minister. In his tours to put new spirit into his people Mr Nyerere needs to replace negative racial envy with positive ambition (these are after all two sides of the same coin in an underdeveloped land). Additional development plans are, it is hoped, to be hurried through. These will be projects suggested by the districts and approved by the provincial or central government which will have to find overseas money to match the funds raised locally. Many in Tanganyika hope Mr Nyerere will spend his campaigning time watering the roots of these specific projects rather than making oratorial lunges at poverty, ignorance and disease. Although the UN Food and Agriculture Organisation has been praised for its five-year survey of the huge Rufiji river basin, published in seven volumes this month, a low priority is given to this £140 million plan. Tanganyika needs quick returns from small outlays and so far people have shown a distaste for farming under irrigation.

Mr Nyerere has of course taken a great gamble by resigning. He perhaps need not fear that his return to high office will be opposed by rivals. Mr Kawawa, who came to politics through trade unionism, is a capable and respected man, but he has never challenged the ex-premier's pre-eminence. If it is thought wrong to demote him after Mr Nyerere has finished his job of reorganisation, a republic can be swiftly declared and the two can sort out a division of powers as president and premier. But in two other ways the resignation has meant a setback: first to early hopes, already receding, of an east African federation of which Mr Nyerere has been the most active advocate. And, secondly, to overseas invest-

ment in Tanganyika. For all the reassurances of journalists, investors will now be wary.

A belief that a well-founded party is all important to stable government has prompted Mr Nyerere. As he explained:

> We do not believe it is necessary for us to copy the institutions of other countries. We do believe we must work out our own pattern of democracy.

He argues steadfastly that genuine democracy is possible in a one-party state with trade unions incorporated as an arm of the party. He is convinced this is the best pattern for a poor country. In measured understatement Mr Macleod once said of Julius Nyerere "This is no ordinary man." Mr Nyerere is now resting his hopes for his country's future on his people's, and the world's, confidence in the far from ordinary course he has chosen.

Dief's Uncertain Trumpet

FROM OUR OTTAWA CORRESPONDENT

THE new session of the Canadian parliament, which opened on January 18th, is still being called a pre-election session because the Diefenbaker ministry's five-year term runs out in March, 1963, and unless Mr Diefenbaker clings to office to the bitter end it is scarcely conceivable that there can be yet another (sixth) session of this 24th parliament. But the sense of immediacy which Mr Diefenbaker himself gave to the word "pre-election" in the later months of 1961 has strangely disappeared along with the stories of a big cabinet reshuffle and a new finance minister. "There is and has been no foundation at any time," said the prime minister in his three-hour speech on the Address, "for rumours of disagreement between the minister of finance and myself." Nor, evidently, for the heated atmosphere suggesting dissolution at least in April and possibly (without a budget) within a few weeks.

The government's programme is neither heavy nor impressive. The Speech from the Throne blandly said "comprehensive measures to put into effect the government's economic policies were enacted in preceding sessions." Both the tone of the speech and the bits and pieces of additional legislation proposed indicate that there is nothing much more to be done except to add a bit of paint here and an extra touch of chromium plating there. Some of the bits and pieces, notably a small subsidy (only $1 million a year to start with) for direct support of private industrial research on a continuing basis, are useful and well conceived. The bill which was introduced and subsequently withdrawn last year, requiring foreign-controlled companies and unions to disclose their financial affairs, has come back in a much more innocuous and undiscriminatory form; this now compels all substantial corporations and unions to compile a return revealing their financial secrets only to the government, but identifying their controlling interests by name and by residence in a form available to the public.

Mr Lester Pearson, who has demonstrated his extraordinary adaptability in his four years as leader of the opposition, took just over two hours to deliver a lively and scathing denunciation which suggested that he has learned much more from Mr Diefenbaker than Mr Diefenbaker has learned from him. He quoted the president of the Toronto stock exchange, who reported a few days ago that Europeans had come to feel that Canadians "must be an immature and juvenile people," only to contradict him. Canadians are not immature, he said. Given a sound and steady government they could tackle their problems and would do so after the next election. Mr Pearson added, "May it come soon."

Some of Mr Pearson's critics still think he is too mild as a Canadian opposition leader. Others think he has debased himself. But Mr Diefenbaker unblushingly goes on debating as though he were still leading the opposition or prosecuting a felon before a prairie jury. The anti-government *Ottawa Citizen* said his arguments in reply to Mr Pearson were such as "no good college debater would dare to use." The sober *Montreal Gazette*, a regular Conservative organ, attacks the one *bonne bouche* which obviously marks the Speech from the Throne as a pre-election programme. (This is an increase of $10 a month in old age pensions unaccompanied by any suggestion about how it is to be paid for.) It says, "for a government that is deep in debt and deficits to promise new commitments, large and lasting, is scarcely to accept responsibility. Yet this is the pattern outlined in the Speech from the Throne." The comment of the *Toronto Globe and Mail*, a traditionally Conservative paper which is becoming more and more critical of the Diefenbaker government, is headed "An Uncertain Trumpet."

Press criticism has already helped to produce a marked change of tone in government comments about Britain and the common market. Both Mr Diefenbaker and Mr Fleming are now denying that the Canadian government ever showed any hostility to Britain's entry. They only sought, they say, to do their duty by pointing out Canadian and Commonwealth interests and insisting on full consultation. But the government continues to get a bad press for its indecision about nuclear arms, and most public comment indicates a feeling that its programme for restoring economic growth is inadequate. For once the general tenor of press comment is reflected in the public opinion polls which show the Liberals ahead of the government and—more significantly—a downward trend for the government.

The crucial question of when the election will take place has to be answered by Mr Diefenbaker, whose greatest pride is in his judgment of public opinion. He is now wearing an air of greater assurance than at any time in the last eighteen months. If he believes that an increase in pensions and more payments to prairie farmers and various sops to local interests are enough to secure re-election, however critical the economists and bankers and eggheads may be, then he might still plunge for an early election. If he is not as confident as he appears, then his natural tendency to procrastination and his optimistic belief that something is bound to turn up may postpone the election at least until the autumn or even till 1963. Whatever date he chooses nobody can be sure that he won't be right.

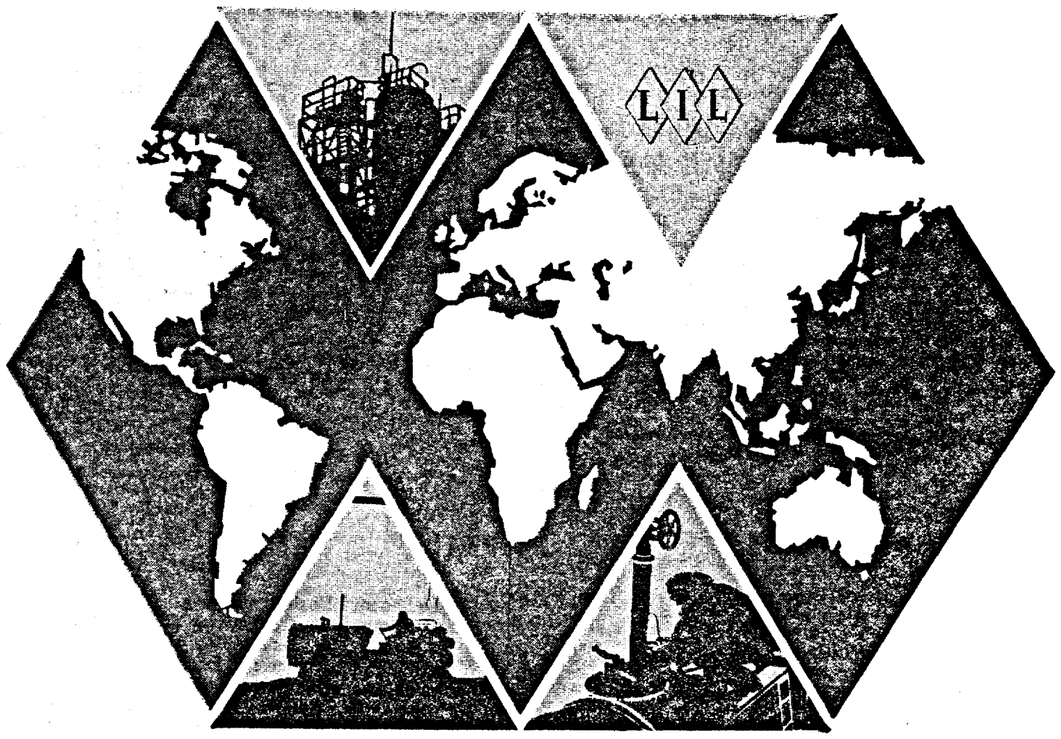
Dominica's Slow Awakening

FROM A CORRESPONDENT LATELY IN SANTO DOMINGO

"THERE can be no land to compare with it in richness and beauty," said Christopher Columbus of Hispaniola, the island that is now divided between the Dominican Republic and Haiti. And indeed, the island has the qualities of a paradise. The fertile black earth steams under the Caribbean sun and rain. It produces without effort any tropical crop; and the highland belts will accommodate temperate agriculture. Well endowed with minerals, surrounded by rich fishing grounds, the islanders should be the richest and happiest people on earth. But their lot has been otherwise—neglect and poverty, ignorance and strife—since the island was discovered in 1492. The French-speaking republic of Haiti, the western third of the island, has the lowest income a head in Latin America; while in the east, the Dominican Republic is painfully emerging from one of the harshest of Latin American tyrannies.

General Trujillo's assassination last May has awakened hope. The timing was opportune. The United States has shown that it is determined to do what it can to make the Dominican Republic a show-piece of prosperity and democracy for other Latin Americans to compare with troublesome Cuba next door. (Even anti-

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LIVELY MINDS WRITE THE GUARDIAN...

BIG GAME HUNTER



To Leonard Beaton, war is what happens when diplomacy fails. To his way of thinking, there is no such thing as a military operation pure of political undertones: it is all part of a bigger game, the world's game. Which explains why, when he joined The Guardian as Defence Correspondent, he insisted on doubling the role with that of understudying the diplomatic field.

Leonard Beaton's knowledge is immense – he has been known to set the Defence Minister gently right on questions of fact – but he looks beyond the immediate moves in the game to take the larger view. He is creative because he is far-sighted, and through his telescopic sights Guardian readers share a glimpse of the ultimate issues behind the day-to-day bluff and counter-bluff, note and counter-note

And at the same time his is a balanced view. The consequence of which is that Leonard Beaton's readers are neither startled into false panic nor lulled into the complacent belief that ours is the safest of all possible worlds.

LIVELY MINDS LIKE

THE GUARDIAN

communist Dominicans privately hope that Fidel Castro will stay in power for years.) The threat posed by the United States fleet lying off-shore in November was probably decisive in preventing the Trujillo brothers from staging a comeback. Last week, when General Rodriguez Echavarria seized power for a couple of days, the Americans showed that they were prepared to ostracise any new dictatorial regime, and to withhold the aid that they were just about to pour into the empty Dominican coffers. More important, they made it clear that they would not restore the Dominican sugar quota, nor let it share in the windfall of the former Cuban quota, until the country was seen to be taking definite steps towards constitutional democracy.

No Dominican regime could last long under such American pressure—unless, like Cuba, it turned elsewhere. Officials of the Dominican central bank expect American sugar purchases to reach $92 million this year. This would be more than enough to pay for all present imports, and sales to other parts of the world could yield another $15 million to $20 million. The money is needed desperately. A month ago the country had a total foreign debt of about $35 million with gross reserves of only $10.7 million.

Potentially, the prospects should be bright for rapid economic development. The fall of General Rodriguez Echavarria last week, after two days in charge, seems to have removed one of the major obstacles to political stability. The armed forces have shown, as the political opposition predicted, that they would not allow themselves to be used as the instrument of a new military dictatorship. There has even been fraternisation between the soldiers, armed to the teeth, and Dominican civilians, an unprecedented happening and a clear demonstration of the psychological need felt by the services to be on "the people's" side. This does not mean that other obstacles will not arise. The legacy of moral, social and political corruption left by the Trujillo era will not easily be overcome—and certainly not without sweeping social reforms. Dr Fidel Castro can also be counted on to make life as awkward as possible for any new regime; it is as important to him that a solution backed by the United States should fail as it is to Washington that it should succeed.

After nearly 32 years of Trujillo rule nobody in the republic has much political experience. The political groups are amorphous and fluid coalitions. The National Civic Union, which is generally regarded as the most influential political force, is led by Dr Viriato Fiallo, a respected and idealistic politician who has survived many years of imprisonment. (One of the party's founders is Dr Rafael Bonnelly, the new president of the republic.) The party is composed of middle class and professional men, most of them untainted by the Trujillo regime, together with some wealthy ex-trujillistas who have hastily jumped on the band-wagon and contributed generously to the union's funds. But it also contains a number of left-wing intellectuals, among whom the most prominent is Dr Jimenez-Grullon. In time, this able Marxist politician may form his own party, or look elsewhere.

Were it not for personal antagonism, he might have looked to the Dominican Revolutionary party which is led by an exile of 26 years standing, Sr Juan Bosch. Sr Bosch, who is closely linked with Haya de la Torre's Aprista movement in Peru, is one of the outstanding political figures in the republic. But his years in exile meant that he never lived under the worst years of Trujillo; and his call to "forget the past" is not appreciated by those who suffered. The position of the 14th of June Movement, the most left-wing of the major political groups, named after the date of the abortive anti-Trujillo invasion from Cuba in 1959, is difficult to define. Its leader, Dr Tavarez Justo, is like many of his followers, reserved, suspicious and politically emotional. He and his colleagues are widely accused of a desire for vengeance; he himself was tortured and imprisoned, and his wife was tortured and then murdered. The movement has often been described as pro-Castro, and certainly many of its younger members are much attracted by Cuba. But privately some of its leaders express concern over *fidelista* infiltration.

The Dominican Republic, a small country two-thirds the size of Scotland, has many potential advantages. With three million inhabitants it is not badly underpopulated. The present grim unemployment situation—nearly half-a-million totally unemployed and probably many more working only part time—offers the necessary labour pool for a sudden resurgence in the stagnant economy. Antagonism between classes is not strong, and racial prejudice is almost unknown. Except in the north-west, where a subsidiary of the United Fruit Company grows bananas, there is surprisingly little anti-American feeling—though, as recent isolated incidents show, attempts are being made to whip it up. The Roman Catholic Church is not, as in some other parts of Latin America, a powerful obstacle to reform. And, above all, there is no *latifundista* class to prevent effective land reform, since three-quarters of all the usable land belonged to the Trujillo family. Democracy is still a curious concept in a country where some of the peasants still refuse to believe that the old Trujillo is dead. The country has only just begun to think in these terms. But there is no doubt that the revolution of rising expectations has arrived and it would be unwise to mistake the prevailing left-wing mood of the country.

Beyond the Molotov Affair

Mr Molotov, it now appears, is not to return to his post in Vienna. With Mr Khrushchev back from Byelorussia (where some reports suggest that he went off his official route for a secret meeting with Mr Gomulka) and Mr Mikoyan returning from his African journey, the internal politics of the Kremlin can recommence at the top. Already there have been several important party gatherings since the party congress in October. At Christmas, party propagandists were summoned to a conference on ideology. On January 17th, high regional party officials gathered for a two-day conference on organisational work. The problem facing both meetings was similar: how to give the party rank and file, and the people at large, a version of the indictment of Stalinism which would not threaten the structure of present-day rule.

Mr Khrushchev uses the accelerator and the brakes in turn. The October congress undoubtedly gave Soviet society a jolt. Efforts are now being made to control the disturbance, but Mr Khrushchev's manœuvring is made difficult by the fact that Russia is no longer driven by a single pair of hands. The anti-party group itself, defeated but not eliminated in 1957, was a coalition. Mr Malenkov, only lately branded by Herr Ulbricht as an appeaser, cannot be equated with Mr Molotov, the proverbial Mr Niet. The victors of 1957, too, were an alliance; this is one reason why they have not yet agreed what to do with the vanquished. Thus Mr Khrushchev has to keep an eye on several fronts at once. He must reckon with the opposition of conservatives disturbed by his domestic reforms, and of party officials who share Mr Molotov's critical assessment of his foreign policy. But he must also beware of other critics who find his reformist zeal much too lukewarm.

It is the pressure of the younger Soviet generation that is, potentially, most important. Russia's educated young men, gradually awakening from political innocence, must now be asking very awkward questions: what were the men who sit in judgment today (Mr Shvernik, presiding over the commission investigating the crimes committed under Stalin, or Mr Khrushchev himself) doing when Mr Molotov and his companions were participating in Stalin's crimes? And what was it, precisely, that

was wrong with a system in which such crimes could be perpetrated? Questions asked by, say, Italian communists are bound to find an echo among Russia's younger generation. The appetite for personal liberty, too, grows with eating and, having whetted it, Mr Khrushchev does not want to be devoured in the feast.

To complicate matters further, the internal struggle has far-reaching foreign links. Mr Molotov's "Chinese" connection is well known. Chinese opposition has exceeded Soviet expectations. Mr Khrushchev's Albanian gambit at the October congress has failed: the Chinese have refused to toe the line and the conflict has gone on building up. The one rule still observed by the two chief opponents is that they do not insult each other by name, but use Albanians and Jugoslavs as substitutes. Moscow claims that the controversy is about the crucial issue of war and peace. Peking replies that communist strategy is at stake. Two recent extracts from the Chinese press point to the heart of the matter.

Warning, this week, the Americans not to rejoice prematurely because "dark clouds gather from time to time over the socialist camp," the *People's Daily* of Peking asserts that no force can arrest "the expansion of communism and of national democratic revolution in Asia, Africa and Latin America." Simultaneously, the Peking *Red Flag* denounces Mr Kennedy's desire that "socialist countries should live in isolation, devoting themselves entirely to their own construction and ceasing to help revolutions in oppressed countries." The Chinese paper adds that his hope is vain, because all "authentic Marxists" have always known that the two tasks are inseparable. The American president is clearly not the only target. If the Chinese are opposed to a Berlin settlement—they describe the American proposals as terms of capitulation—it is not because of Germany, but because the Chinese have always suspected that a European settlement would weaken Russia's revolutionary zeal on other fronts. Peking accuses Mr Khrushchev of national egotism, if not on a purely Russian scale, then on the scale of the European communist block. Moscow accuses Mao Tse-tung of adventurism, of hankering after "permanent revolution." Stalinism is obviously not the only bone of contention.

No Soviet leader can lightly contemplate an open breach with the Chinese party. Mr Khrushchev may well be preparing yet another international confrontation of communists. (A meeting with Mr Gomulka, if he has had one, would fit into such plans.) Would this explain the lack of haste that some claim to have noticed in the Russian negotiations with Washington? It could be argued that, on the eve of an important internal decision, Mr Khrushchev would not want to commit himself with outsiders; or equally, that an international deal would strengthen his hand among communists. The only safe conclusion is that the growth of a communist opposition to his co-existence policy has turned Mr Khrushchev into a more exacting bargainer.

The Languedoc Post

FROM OUR CORRESPONDENT IN SOUTH-WEST FRANCE

DEPRESSED by the weakness and flabbiness of the bulk of the Paris press—*cette presse*, General de Gaulle has said, *qui ne s'occupe pas des grands problèmes, mais seulement des petites histoires*—one can, happily, revive one's morale a little in the provinces. While only four Paris dailies sell more than 250,000 copies, nine "provincials" top this figure; and although most provincial papers are conservative, their conservatism is traditional and temperamental, a distillation of local sentiment, and not of the same *cru* as the opportunistic conformism and sycophancy that are the journalistic norm in Paris.

To study an example of French journalism at its most vigorous, one might go to Toulouse, home of the *Dépêche du Midi*. Not long ago the *Dépêche* gave its readers three educative free supplements—each of twelve full-size pages, illustrated in six colours—on political, industrial and agricultural aspects of European integration. How many other dailies—provincial or national, French or British—have made a comparable effort to impress upon their readers the significance of this watershed in world affairs?

Founded in 1870, a month after the Third Republic, the *Dépêche* (which added the *du Midi* to its name in 1947) is a pillar of that parliamentary republicanism which, for all its compromises and *combines*, made France a beacon of humanism and *savoir-vivre*. The radicalism of the *Dépêche* might once have tempted one to call it the *Guardian* of France, though its readers would find the *Guardian* too intellectual and insufficiently garnished with *faits divers*. Now that the *Guardian* has established itself as a national daily, a better comparison would be with the *Yorkshire Post*.



Like the *Post*, the *Dépêche* is a big-city daily with a substantial rural readership; each has a circulation area of some three million inhabitants. Both have companion evening papers; both are read by thousands of families that have taken the same paper for three generations; each is as fundamental a constituent of the life of its region as Yorkshire pudding or the *cassoulet toulousain*. Both papers have traditional political links, the *Post* with the Conservative party, the *Dépêche* (less formally) with the Radicals. Yet both have swum against the tide of party and mass opinion; the *Post's* opposition to Mr Chamberlain's policy in 1938 is matched by the *Dépêche's* opposition to the Fifth Republic in 1958.

The differences between the two papers reflect differing journalistic techniques which, although convergent in Paris and London, have retained their characteristics in the provinces. For example, more importance is generally attached to layout and typographical harmony in Britain than in France. The *Post*, although not blessed with a notably distinguished type-face, generally achieves a neat, harmonious front page. The *Dépêche* could be quite handsome typographically, if it tried, but it rarely does; and its front page is essentially a bill of fare with every story continued inside. In the British tradition, the *Post* rigorously separates news and comment, and considers that correspondents should be seen but not heard; in the French tradition, the *Dépêche* publishes an editorial, and sometimes the opening paragraphs of a feature article, on its front page, and hands the big news of the day to a star *rédacteur* who comments on the story as he tells it.

The editor of the *Post*, as of most British papers, acquires on his appointment considerable autonomy and something of the authority of a ship's captain: he stamps his personality on the entire paper and closely oversees the writing of the leaders. The editor of the *Dépêche* is primarily a brilliant technician, the captain of a team rather than a ship. The editorial writer on the *Dépêche* works in spacious independence in Paris, delivering his copy by teleprinter.

British journalists studying the accompanying table, in which the vital statistics of the two papers and their evening stablemates are compared, will be surprised by the low sales of the evening *Dépêche* (although, unlike the *Evening Post*, it has no local competitor); by the lower percentage of advertising in the *Dépêche* (it is limited by editorial policy); and by the relative unimportance of "Letters to the Editor" (French schools—and French grammar—are notoriously more successful than their British equivalents in inhibiting epistolary self-expression). They will be impressed by the Toulouse paper's high percentage of postal subscribers (a tribute not only to the *Dépêche* but to the French post office which delivers newspapers for less than a farthing a copy), and by its 21 editions (each of which contains a different four-page section of local news).*

Control of the *Dépêche* is concentrated in very few hands: 80 per cent of its shares are owned by Mme. Evelyne Baylet, who succeeded her husband as managing director two years ago. "We are fortunate," executives of the paper say, "not to have a pack of shareholders yapping at our heels every year for dividends. During the nineteen-fifties all profits were ploughed back and we were able to invest 1,500 million old francs (£1.25 million sterling at the pre-1959 exchange rate) in new equipment, all but 100 million self-financed." In consequence, on technical points such as the quality of its colour printing (used chiefly to illustrate documentary features and fiction in its Sunday magazine) and its facilities for the reception of *bélino* pictures from every world capital, the *Dépêche* outclasses not only the *Yorkshire Post* but two-thirds of the Paris press.

	Morning DEPECHE	Evening DEPECHE	Sunday DEPECHE	Yorkshire POST	Evening POST
Population of—circulation area	3,000,000			3,000,000	
"home town"	280,000 (Toulouse)			510,000 (Leeds)	
Circulation 1960	260,000	12,000	215,000	112,000	236,000
1961	270,000	13,000	221,000	118,000	240,000
—of which postal subscrs.	50,000	nil	negl.	4,200	negl.
No. of editions per issue	21	2	18	4 (3 slip editions)	5
Average number of pages per issue	14–16	12–14	16	16 (Sats. 18)	14–16 (Thursdays, Fridays 24)
Regional news as % of all news (excluding sport)	50%	35–40%	30–35%	30–35%	35–40%
No. of letters from readers daily: received	10 (for all papers)			30	40
published	nil			12–14	20
Advertising as—% of total space	33%	33%	15–18%	45–48%	50–55%
% of revenue	45% (average for all papers)			66%	65%
PROFIT 1960	(251 million old francs all papers)			£292,834 (both papers)	

A more heterogeneous ownership might also have cramped the paper's style politically when, in the summer of 1958, it set out alone into the perilous wilderness of opposition to the alliance of the naive, the sinister and the apathetic that was then subverting French democracy. The *Dépêche* was the only non-communist daily to advocate rejection of the constitution of the Fifth Republic; and no one familiar with the temper and methods of French right-wing activists three years ago will underestimate the degree of moral and physical courage needed to sustain the paper in its course. A vicious smear-campaign accused its staff of FLN (Algerian rebel) and communist sympathies, and its circulation fell by ten per cent. Three bombs were exploded outside its offices; the life of its director, M. Jean Baylet, was threatened a dozen times. When, in the first year of the Fifth Republic, M. Baylet was killed in a car crash it was at first suspected that the Right had taken its revenge, but the suspicion was never substantiated.

For a few terrible days the outlook for the paper seemed obscure. Vultures appeared in Toulouse, eager to buy control and convert it to conformist respectability. Then Mme. Baylet, although not a journalist, took over her husband's chair and pledged that the traditions of the *Dépêche* would be upheld. "The *Dépêche*," she said, "is not an article of merchandise."

In the last two years the *Dépêche* has denounced more vigorously than ever the Algerian *ultras* and their mutinous military friends; it has campaigned for peace in Algeria and has urged Frenchmen to shake off the apathy that led them, in 1958, to acquiesce in the erection of a whole regime on one elderly man. Its mistrust of General de Gaulle's 1958 allies has been justified by the general's own subsequent disillusionment with them; and it has had the satisfaction of seeing nominally liberal and socialist papers which underwent a shotgun conversion to gaullism in 1958 scurrying recently in its wake. Its circulation has risen by just over ten per cent.

Today, the *Dépêche* is said to be one of the few French papers that are taken seriously at the Elysée. General de Gaulle is believed to appreciate firmness, and, as a military man, he would probably agree with Napoleon that *on ne s'appuie que sur ce qui résiste*. When he last toured the south-west a minor bureaucrat excluded a *Dépêche* reporter from the official motorcade. The *Dépêche* informed the president, via the local *préfet*, that it intended to ignore his tour and would tell its readers why. A little later an official limousine with motorcycle outriders arrived at the paper's office to collect the reporter and convey him closely behind the president's own car for the rest of the tour.

"The basic formula of the *Dépêche*," one of its editorial staff said, "is mutual trust. This may sound pretentious and false in France today, where the commonest verbs in popular use are probably *se ficher* and *se méfier*. But I am convinced that our readers do trust us far more than they trust most papers. Within the paper, personnel relations are good for the same reason. During the housing shortage the *Dépêche* put money into building ninety flats for employees; we have one of the oldest welfare and pensions funds in France; and if a chap goes over the road for a quick beer the management don't yell—they know all human beings get thirsty and they trust him to pick a slack moment. During recent crises, when there was a danger that parachutists or civilian fascists might attack the building, we all took turns guarding it with shotguns. The initiative came from the workers, not from the top. We wouldn't take risks like that for any old sheet; and that, you see, is the point—the *Dépêche* isn't just any old sheet."



* Thus the publication of a single 16-page issue of the morning *Dépêche* involves the printing of 96 different pages.

Trading with EUROPE



Now that negotiations have begun for Britain's entry into the Common Market, the Midland Bank announces further improvements in its extensive service for traders at home and abroad.

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THE BUSINESS WORLD

Export Financing Is Fun?

THE Government has succeeded in egging the City into providing bigger and cheaper facilities for export finance on its own resources, with no new official guarantees or official money. This no doubt is seen in Whitehall as the special virtue of the scheme, given the sharp distinction now back in vogue between commitments that happen to fall on the Exchequer accounts and elsewhere in the economy. This inhibiting pre-Keynesian guideline helps to explain why even after this fourth bite at improving the structure of export financing within fifteen months, this structure is still far from tidy and rests at points on unsatisfactory foundations. It helps to explain, too, why all the emphasis has been directed to those exports which Britain is supplying on medium and long periods of credit. Any worthwhile scheme for encouraging the more urgent exports for which Britain is paid on normal terms involves putting a burden on the budget, and that is nowadays cited, even before the international embarrassments, as a sufficient reason for rejecting it. This one-sided approach has had some odd results. Interest-conscious foreign buyers now have an incentive at some points to spread their payments over longer periods.

Within the limitations that are set by the authorities still remaining on the sidelines, the scheme is probably as good as could be expected. Indeed, one's main reservation is that the banks and insurance companies may have been persuaded into something that not all of them will regard as in their own commercial interest. In essence, the scheme provides greater assurance of export finance from these sources, and offers, for the first time, a fixed rate—at a level that at present distinctly favours the borrower.

For the banks, this is a new development in a field that has until recently been almost entirely their own. They have long given special priority to export finance, and maintain that they have never refused such finance for periods up to five years. This traditional limit for export credits, however, has been increasingly breached, and in October, 1960, in the first of the current round of relaxations, the Export Credits Guarantee Department agreed to waive its own limitation for insurance cover when this was needed to match terms granted by one of its counterparts abroad. In early 1961, the Bank of England put in its contribution by allowing the banks to count as liquid, rediscountable assets any such portion of their medium-term export credits that was due to be paid in the next eighteen months. This helped to ease the weight of the banks' export credits as a whole, but did not make them much keener on going longer than five years. Last April, therefore, ECGD introduced new facilities aimed directly to bring the insurance companies into financing the longer credits for major projects, normally of £1 million and over. It offered direct guarantees to the buyer for periods effectively up to fifteen years, with the financing to be spread between the banks, who would take the first five years' maturities, and the insurance companies, who would deal with the rest; these consortiums were to be arranged on an *ad hoc* basis.

THE new arrangements build on these innovations in three ways. First, the insurance companies have streamlined and formalised their participation. Offices representing 95 per cent of insurance funds have agreed to put up their part of the money through a separate company. Secondly, they have promised up to £100 million over the next five years, in addition to the sums committed already. Thirdly, exporters are offered a fixed rate. This is to be 6½ per cent from the insurance companies, compared with 7½ per cent at present; and 5½ per cent from the clearing banks and Scottish banks—a major innovation this, as the banks have hitherto linked all their rates to Bank rate, and will still link the rate they pay on deposit accounts to it.

Now they are offering a rate fixed not only for the duration of the particular credit but for all such credits granted in the next five years. And the level of the rate is relatively low. Since even those large companies that have been charged only ½ per cent over Bank rate for their ordinary overdrafts have been paying one per cent over Bank rate for medium-term export credits, the new rate is 1½ per cent cheaper than the current rate and would become dearer only if Bank rate fell to 4 per cent. These arrangements apply to all credits of three years and more that have ECGD's guarantee direct to the buyer or the lender—which is available for credits of more than three years' term and more than £100,000. Smaller and shorter credits will be dealt with as hitherto.

The banks, unlike the insurance companies, are not setting any direct limit to the finance they put up. So far, the insurance companies have put up £20-£25 million for the longer credits and the banks £45-£50 million—which suggests that the average length of these credits is seven to eight years. The insurance companies have also participated in a refinancing of £9½ million of credits to Argentina announced by Baring Bros. this week. Since the new scheme takes in all credits of over three years, the average term can be expected to be shorter than for the longer guarantees alone, and the

total credit available on the basis of the insurance companies' £100 million should be a multiple of three or four—which allowing for down payments would be sufficient to finance contracts of a total of £500 million, or £100 million a year. This is not extravagant—total medium-term credits insured by ECGD may have exceeded £100 million in 1961, and certainly did so in 1960. Thus the new facilities, substantial as they are, could still prove insufficient. The money provided by the banks, it has to be remembered, will not for the most part be additional, but will replace, on more generous terms, existing facilities.

It could not have been easy for bank directors to commit themselves to providing finance at a rate which, if Bank rate returned to 7 per cent, would be 2½ per cent below what they would otherwise charge. Nor could insurance companies really justify, on strict commercial considerations, locking up their money at 6½ per cent for an awkward term when they could get as much or more from marketable bonds, of the British Government downward. The Government has successfully appealed to the patriotism of the institutions—and in the process it has taken the profit out of export financing. Is this really what it wants? Is this a sound way of maintaining the institutions' interest through the years? Is it a likely way of bringing in the pension funds?

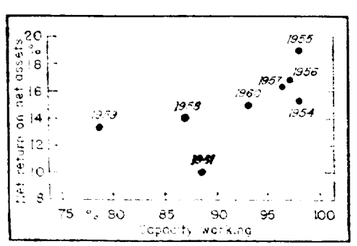
There is a further point here. The virtue of establishing a specially favourable rate for exporters is to hive off this sector from the domestic structure of rates, so that these can be raised when necessary without an unwanted incidental effect on export costs. The present scheme, because it puts the burden of the fixed rate on ordinary commercial institutions rather than on the broad back of the Old Lady, could in practice have the perverse effect of adding new rigidities to domestic interest rates. Thus if Bank rate is raised above its present level in the next five years, export financing will become still more unprofitable compared with financing the home trade—and conceivably the authorities might see this as another reason for not "burdening" the City with high interest rates.

The right way of establishing a fixed rate for exporters would have been through official facilities. Other countries have a special Bank rate for exporters and there is much to be said for it. At the least, the authorities should give all export paper an element of marketability by being prepared to refinance it themselves, as the Bank of England does in a limited way for the banks and as ECGD could do for insurance companies. Nor should the authorities be afraid of extending finance at the outset where necessary, which they could do comfortably at the rate that for insurance companies is a patriotic concession. All these improvements are still possible, but they require greater confidence in the use of official institutions—and abandonment of the old delusion that official pounds are inflationary pounds. For the time being the Government has talked the City into it. But even the Germans have no such word as *Exportfinanzfreudigkeit*.

Setting Prices In Steel

One nonsense in a formula for steel prices set to provide a given return on capital at an assumed rate of capacity working is that formally, when demand goes down, it should put prices up. In 1958, when the British steel industry met its first period of recession under the regime of the present Iron and Steel Board, this was pointed out in these columns: the board accepted the fact that its formula could logically be stretched to this conclusion, but simply refused to do anything so silly. The second period of steel recession came last year. Before steel demand started falling sharply, the board had budged a little, raising prices to cover part of the higher prime costs that had come from increases in the prices of coal, oil and labour. But it did not, and still has not, put up the price because the industry is working well below the capacity assumed in setting its standard margins.

None of the steel companies that have been complaining about prices and profits last year has gone so far as to argue that when their rate of working dropped below 90 per cent of capital, at which the Steel Board's formula is set to give a 9 per cent return from home prices on the capital that would be employed in a thoroughly modern mill, their prices should have gone up (Though Mr Chetwynd Talbot seemed half to imply this). They have complained that prices were not put up in July sufficiently to cover in full the increases that had occurred in their prime costs. They have gone on—individually—to argue that the rate of capacity working at which companies are expected to earn the standard margins ought for the future to be adjusted downwards, because the total capacity that they are now engaged in installing will by 1965 leave a larger margin of spare capacity over and above estimated demand than is reflected in the pricing arrangements.



These are, on the face of it, separate contentions. It is true that the Steel Board did not increase prices last summer enough to pass on the full rise in steel's prime costs to steel consumers. The board assumed that part of these cost increases would have been offset by increases in steelmaking productivity. Unfortunately productivity did not increase; it fell, by about 5 per cent between 1959-60 and 1960-61. Thus the increases in prime costs were not partly offset, but actually exacerbated, by this and by the increase in unit overheads because plants worked still more below capacity. The two, in fact, very largely reflect the same thing.

American experience* suggests over recent years a fairly direct relationship between the percentage of capacity worked in the iron and steel industry and its rate of profit: for every ten percentage points less in average capacity worked, profits in the United States are estimated to have gone down by four percentage points on capital employed. It was queried then whether any similarly clear relationship seemed to apply in this country. The answer seems to be that one cannot, at any rate, rely on any such ratio from year to year. At least, 1960-61 was right out of line with the ratio that may roughly have held good from 1955-56 to 1959-60.

As the diagram shows, a comparison of the average percentages of capacity worked in the United Kingdom with the rates of profit on capital employed seems to suggest that in this latest steel recession, during a shorter and not quite as deep fall in the rate of capacity working, the resulting fall in profits has been much sharper than it was in 1957-59. A fall, from the financial year 1956-57 to 1957-58, of 9.3 points in the percentage of capacity worked was accompanied by a decline of little over 2 points in profits, reckoned as a percentage of capital employed; from 1957-58 to 1959-60 a further fall of 8.2 points in capacity saw a fall of only another percentage point in profits. Between 1959-60 and 1960-61, however, a fall of about 4½ percentage points in capacity brought the percentage profit on capital employed down by no less than 5 points. The figures on which this diagram is based, to 1958-59, are for the whole steel industry, while those for the past two years are for only the nine largest steel companies; but these companies make up by far the bulk of the industry, and the other companies' experience would probably not alter the average profit much either way. The fall of 5 points in profits last year, it must be emphasised, was from a rate of 15 per cent to one of 10 per cent; from 1959-60 to 1960-61 total profits (after depreciation, before tax) for these nine companies fell by more than a quarter, while capital employed rose by about a sixth.

Even including the two "off-line" years of 1955 and 1961, the correlation here is not too bad; for what it is worth, it suggests that a decline of ten percentage points in capacity, in British steel, over the period 1954-62, meant a reduction of two and a half percentage points in the rate of return. But 1961, according to that relationship, should have had a rate of return somewhere in the region of 13-14 per cent; so the actual 10.3 per cent attained is far out of line. Was there some sharp change in circumstances at the end of the sixties? Export premiums, of course, have gone. But the chairmen of the steel companies argue that 1960-61 was a year in which the practice of the board of covering in prices the increases in their prime costs—as modified by the assumed increases in productivity that did in those earlier years take place—changed, so that prices were in effect being set according to a different formula.

The steel companies and their shareholders, however, are vastly less interested in fitting statistical curves to their profits than in trying to get them up again. There is a fairly wide spread between the fortunes of individual companies, as one would expect. Richard Thomas and Baldwins, with a large part of the huge Newport investment paid for on their books but with no production yet coming from the plant, show the worst return on capital employed (4.6 per cent) and the biggest fall from the year before; Colvilles, similarly placed as regards the Ravenscraig strip mill, but with the steelworks that will serve it already established, still perhaps surprisingly shows the best return (15.5 per cent), though this, too, represents a whacking fall from the year before. South Durham, Dorman Long and Steel of Wales were well below the nine-company average, according to this reckoning, of 10.3 per cent; John Summers, Lancashire Steel and United Steel above it; Stewarts and Lloyds very close to the average.

It is generally agreed that market prospects for this industry this year are not encouraging. Any better confidence for 1961-62 must still be pinned to the hope that the Steel Board can be persuaded to cover more of their increased costs by raising prices now; the board has indeed said that it is examining its figuring on capacity, among other things. In large parts of the industry's business, demand cannot be very elastic to price; British customers have always displayed real if odd inhibitions about buying abroad, even if they could get foreign steel cheaper. So the industry may still be persuaded that it could improve its total return in the short run by increasing prices on a falling market—and could be right.

The run might turn out, however, to be a short one. True, most steelmakers are hoping for demand to turn up again late this year when stocks cease to be run down and when possibly the Government may think the economy can afford a little more activity. But from 1963 onwards the industry will probably have to face a steady dismantling of protection; and some European industries have been modernising their processes and plant perhaps rather faster, and accepting the logic of industrial location rather more, than Britain has.

The industry might answer this with Mr Geoffrey Eley's words in the RTB report this week, that joining the European Coal and Steel Community "will involve many changes, including a new method of fixing prices." This is, indeed, one prospect that warms some steel chairmen's hearts towards the entry into Europe—escaping that benevolent but stern governess, the board. This escape does, in fact, seem likely; whatever the terms of a merger with Luxemburg, it seems unlikely that the board, as it is, can survive, or its complex formula for trying to decide what a competitive price level ought to be in an industry where utterly free competition is not practicable.

It has to be said, however, that British steelmakers have never themselves showed any great desire for very vigorous competition in prices; and that the ECSC rules for "multiple basing-point" pricing lean somewhat more in that direction than the board's price policy in Britain ever has. Some steelmakers, again, have been assuming that, if what they want to do in future can be approved by ECSC, this ought to be sufficient to answer any criticisms about their behaviour when their conference rules come to be justified before the Restrictive Practices Court. Do they assume that their own pricing practices now, and what they might like to do later if freed of the board, will altogether suit the requirements of the community?

What does seem clear is that other countries, as well as Britain, are likely to have problems of surplus capacity by the mid-sixties, particularly for flat steel products. This might in any case, even if the board survives, make it impossible for British companies to maintain the understandings which make sure that maximum prices are minimum prices as well. Some British steel companies may rejoice in this new prospect of greater freedom in Europe to fix their own prices. But in the wider market, the simple idea of putting prices up when demand is going down may not do.

* "Capacity and Steel Profits," *The Economist*, December 16, 1961.



Different Fibre?

While the Government decides whether to step in as referee or not, fighting in the public arena is getting uglier.



COURTAULDS this week produced new estimates of future profits to support its resistance to the ICI increased four for five bid ; these, it admitted, differed radically from its chairman's prognosis when the interim dividend was cut in November, and also from the forward estimates it gave ICI in mid-December. It also made guesses, openly, at ICI's profits during 1961 (which ICI has not yet disclosed), and the future profitability of the other company. This has inevitably become the most vehement take-over struggle to ruffle British business since the British Aluminium affair. What began in "friendly negotiations" is now coming perilously close to a brawling match that makes last year's struggle for Odhams look like a gentlemanly three rounds of fisticuffs. Mr Chambers is unruffled: his immediate reaction to Courtaulds' estimates was as predictable as the Courtaulds' directors had hoped their figures would be telling:

> It is much better for everyone concerned to compare what is now said with what was said by the chairman of Courtaulds in July, 1961, and in November, 1961, when apart from the gloomy prognostications leading to the cut in the dividend, the impossibility of making reliable forecasts was stressed. Secondly, the revelations by Courtaulds that information regarding past and future earnings was exchanged in confidence with ICI is an indication of the advanced stage reached in the negotiations for a full merger. The figures given by Courtaulds then bear no relation either to the statement the previous month when the dividend was cut or to the "estimates" now given.

In the stock market the Courtaulds' estimates, reproduced in the accompanying table, misfired. The company's shares fell by 7½d. to 41s., still leaving them below the value of 44s. 6d. imputed to them by the offer with ICI at 55s. 9d. If, on these figures alone, the Courtaulds' directors hoped to demonstrate that their shares were worth as much as ICI's they must now be sadly disappointed men ; indeed, one still wonders, if Mr Chambers dared to raise the "final, final bid" to one for one, whether they would dare advise their shareholders to reject it. But in fairness to the Courtaulds' directors it must be emphasised that the stock jobbers this week had only half the story ; they do not yet know how badly ICI's profits in fact fared in the last half of 1961 and what estimate it will make about future earnings when its formal offer is sent out—and that is still probably a fortnight away.

Courtaulds' new estimates about its future were prepared by the directors in consultation with the merchant bankers, Baring Brothers, and the chartered accountants, Binder Hamlyn, and have been produced as evidence to substantiate the claim that the ICI bid seriously undervalues the earning capacity of Courtaulds. The directors are reserving their comments on ICI's offer until the formal documents have been despatched to shareholders. Oddly, the estimates miss out 1963-64 while the 1964-65 figure is qualified by the statement that if Britain joined the common market profits would be "unlikely to be reduced by even 10 per cent" ; ten per cent of £28½ million is still over £2¾ million in hard cash. The forecast of £23 million for 1962-63 is presumably on stronger grounds ; but it compares strangely with the "routine forecast of £18½ million which was disclosed to ICI on December 12th," even though ICI was then also informed that there would be a rapid increase from 1963 onwards. Sir Alan Wilson, the chairman designate, put a gloss on this alteration. He said that the estimate handed to ICI in December "solely as a general indication of profit trends" had been completed in September. He went on to say that "the same report forecast a profit of £22½ million for the twelve months to September 30, 1963, so that the latest estimate "merely advances the original forecast by six months," the acceleration having been made possible by the acquisition of British Enka last November.

How much weight will shareholders give to the statements made by the directors to back up these financial forecasts ? The strong increase in profits predicted in man-made fibres is attributed to: evidence of recovery already apparent from the short-term recession in the first part of 1961 ; continued expansion in profits from British Celanese and from "Courtelle" ; and, most importantly, the "vigorous and effective action taken to arrest and reverse the decline in profits from viscose yarns and fibres." This week's quarterly statistics for man-fibres confirm that there has been an upturn in rayon output. On the second point, the Courtaulds' directors say with complete assurance that British Celanese's profits will be about £4½ million in 1961-62, compared with £3¾ million in 1960-61. They add that as the capital and working costs of producing "Courtelle" are low in comparison with other synthetic fibres this side of the business is making profits of £700,000 a year even at this early stage of its development ; ICI has never denied that with this acrylic fibre Courtaulds has hit upon a winner, though its actual volume of output, so far, is still small. On the third point, the drastic reorganisation and rationalisation of the rayon industry must certainly have cut out unprofitable capacity

COURTAULDS' PROFITS BEFORE TAX
(£ million)

Years to March 31st	1956	1961	1962*	1963†	1965†
Viscose yarns and fibres, etc.	12·0	5·6	5·1	8·5	9·1
Other fibres and investments	5·3	13·1	12·4	14·5	19·4
Total group profits	17·3	18·7	17·5	23·0	28·5
Minority interests	0·6	1·3	1·3	1·5	2·0
Courtaulds' interest	16·7	17·4	16·2	21·5	26·5

* Estimate. † Forecast.

and hence a growth in profits is not improbable. Technically, the development of high-tenacity rayon for tyre cords may now have achieved a successful defence against nylon in this major section of the industrial fibres market. But the size of rayon profits must also depend in part on wood pulp prices. Even though Courtaulds, through its own production of a sizeable proportion of its needs, has managed to bring pulp prices down significantly, the advantage of freedom to buy in the cheapest market carries with it some dependence on factors beyond one's control. Increases in profits are also forecast for British Cellophane, Pinchin Johnson (where a "major re-organisation is well advanced"), and Gossard ; some decline in the profits of British Nylon Spinners (through lower margins on higher output) is expected but its dividends, payable in equal parts to ICI and Courtaulds, are not likely to be reduced as there may be less need to retain such a high proportion of its earnings as in the past. These estimates are backed by a further statement that, outside fibres, the current value of Courtaulds' investments is equivalent to 30s. per share and capable of producing a distributable income of 1s. 5d. per share ; the directors are confident that the cash flow will provide all the additional fixed and working capital required and at the same time "allow for a policy of consistent and steadily increasing dividend distributions."

In their rejection of the bid the Courtaulds directors are now openly declaring that their company is now well past its worst difficulties, while those of ICI are still—indeed just about—to come. Sir Alan Wilson put it succinctly: "ICI shares are a depreciating currency." Certainly when ICI's profits for the last half of 1961 are published they are unlikely to make happy reading. Courtaulds, unusually even for this kind of public argument, offered two guesses at its rival's 1961 results, of which the most charitable was that the full year's figures might be down by 25 per cent on 1960. Mr Chambers had said the week before that despite further price cutting the corner is being turned in profits. He would probably agree that over-capacity in the world's chemical industry, and presumably freer competition in the common market, will bring prices down and make it much harder to earn profits in the sixties than it was in the fifties. He feels, however, that ICI can compete in prices in third markets with its European and American rivals.

ESTIMATED PRODUCTION
(Million lbs. of yarn)

	1958	1959	1960	1961
Cellulosic Fibres :—				
Viscose staple	202	238	255	220
Acetate staple	10	13	15	16
Viscose textile filament	46	57	63	55
Viscose industrial filament	62	71	78	65
Acetate filament	35	49	45	52
Total	*355*	*428*	*456*	*408*
Synthetic Fibres :—				
Nylon	47	60	70–75	75–80
Terylene sales	17	30	44	50
Others (incl. "Courtelle", "Acrilan")	1	6	19	22
Total production	*65*	*88*	*134*	*143*

Terylene sale figures were provided by ICI; all the other figures are for production, provided as estimates by Courtaulds.

Within the more precise problem of the synthetic fibres industry, there may be more common ground between the two sides than has appeared—at least in diagnosis of the problems, though not as regards their cure. Existing patents are running out and new producers of nylon and polyester fibres are coming in. The biggest margins on nylon are past, though its output curve has not flattened yet. Terylene's most rapid growth may be passing, though its development and growth possibilities are not yet nearly exhausted. In "Tricel" and "Courtelle' Courtaulds believes it has two sturdy competitors.

From ICI's point of view, it makes sense to seek to protect and develop its investment in nylon polymer and terylene polymer and fibre. ICI's investment in nylon polymer is massive: through its agreement with British Nylon Spinners it receives whatever the rate of off-take of polymer a guaranteed return of 15 per cent gross on the fixed and working capital it has invested in polymer for nylon 66, plus a depreciation allowance of 7 per cent. This protects much of ICI's total investment in nylon from fluctuations, or the squeeze now perhaps coming in profit margins: Courtaulds is unprotected. Some Continental observers have seen the key to the struggle in the threat posed to the growth of nylon 66 by the development of nylon 6. Courtaulds' associate, Snia Viscosa, has developed a process for caprolactum, the raw material for nylon 6, which Courtaulds and several American and Continental big fibre producers as well believe is superior to any other. But there is some doubt now whether either ICI or Courtaulds are really prepared to put up a caprolactum plant in this country.

Both groups recognised weaknesses in the synthetic fibre industry, though Courtaulds' directors in offering to hive off nylon and terylene under ICI's control argued that rayon's troubles have been dealt with and that the current and future problems are concentrated in the melt-spun end of the industry. They said this week that ICI wanted the acrylic fibres such as "Courtelle" as well before giving any countenance to such a proposal. Both groups have plans to meet the industry's problems, but they have opposing industrial philosophies in the way with which they would sort the problems out. ICI, to protect its investments, wants to move forward closer to the consumer, gaining the technical advantages it believes are inherent in vertical integration of such science-based products. Courtaulds, on the other hand, would prefer to produce only part of its basic chemical materials itself, and to buy a large proportion at arms' length in the cheapest market. In a period when sharp price competition in petrochemicals seems likely to last for some time, this view may have obvious advantages: the groups probably differ about how long this period will last.

In coming to their decision, however, shareholders will not be swayed by nuances in an economic and technical argument about the best method of tackling the problems of the synthetic fibre industry. Their course of action will be determined, first, by the prices that ICI and Courtaulds can command in the stock market and, secondly, by the impression they have gained in the past and during the present struggle of the quality of the top management of the two concerns. What will happen to the price of ICI shares when its latest profits are published remains to be seen. But Courtaulds' directors are, in effect, asking the shareholders to reject completely the comparative images of ICI and Courtaulds managements in the past as any guide to the future. They are also asking shareholders to forget and forgive the cut in the interim dividend, which they now openly admit was an absurd mistake. At this late stage in the day, can the Courtaulds directors, able and fierce as some of them have proved themselves in the latest bout of in-fighting, create a brand new image, and will the Courtaulds shareholders perform the *volte-face* ?

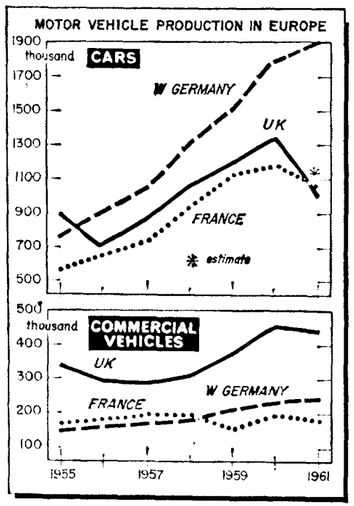
BUSINESS NOTES

MOTORS

From Recession to Recovery?

LAST year was the worst that the motor industry has experienced since 1957. Production only just exceeded the million, at 1,003,967. And, partly because Rootes lost some 25,000 cars as the result of the long strike at its Acton body factory, the two bigger manufacturers accounted for a record share of output—72 per cent. The British Motor Corporation made 394,000 cars, compared with 508,000 in 1960, while Ford's output fell from 407,000 in 1960 to 327,000 in 1961. Vauxhall is the only one of the smaller manufacturers to admit to its production; it made 90,500 cars, 56,000 fewer than in 1960. One can guess that Rootes made about 100,000, Standard-Triumph a pretty ruinous 45,000, and the smaller makers 50,000 between them. All of which paints a sorry picture of an industry in recession: but it was made worse than sales would have justified by the stocks that the makers had accumulated in the last months of 1960, which meant that output was depressed until the spring —and one company, S-TI, nearly bankrupted itself.

The narrowing of the gap in output between BMC and Ford reflects the latter's avoidance of such a big increase in stocks as BMC seems to have suffered last winter, rather than any improvement in Ford's share of sales. So far as the home market is concerned, BMC held around 40 per cent of sales all year, while Ford's share has dropped rather below the 30 per cent it held last winter and summer. The gainers have been those of the smaller makers who have introduced new models. Vauxhall, which had seen its share fall from 6½ per cent in last January to 3½ per cent in August, seems to have picked up to around 10 per cent during the autumn with the new Victor to sell—and no Rootes cars to sell it against. The only indication of Rootes' competitive strength is still the 12 per cent share of the market that it held in August, before the Super Minx was introduced but after the price cuts on its old models. S-TI had shared the experience of seeing new models boost sales after it introduced the Herald 1200 last spring. Its share of the market doubled to about eight per cent by July, but this was a short-lived recovery; sales fell again in the autumn, with a sign of an increase in November.



Back to 66 per cent?

THIS year promises to give a 20 per cent increase in car production compared with 1961. The home market should prove rather better, perhaps allowing sales of around 800,000 cars—of which about 30,000 might be imported—compared with some 740,000 in 1961. All indications point to a desire on the public's part to buy more cars, rather than more domestic equipment or other durables; and any relaxation of restrictions on credit should release purchasing power. Stocks are low now, most makers and dealers having felt perhaps too strong a desire to avoid a repetition of last winter, and there should be scope to increase them by 30-40,000 during the year. Sales this month seem to fit into the expectations that the first quarter would be rather less good than it was in 1961, as buyers would tend to wait in the hope that the budget might remove the 10 per cent surcharge on purchase tax.

Export markets will provide the bigger part of the increase in sales. A rise of 100,000 from the shipments of 371,000 last year is a conservative estimate; by December they were already close to this rate. Stocks have been reduced so much in the past year that such an increase could be obtained with little improvement in sales; to sell as many cars in the United States as last year would involve shipping 50,000 more. And the new models that have been introduced and will be introduced later in the year will raise sales as well as making dealers raise their stocks. But for all this recovery, the industry is likely to average two-thirds of capacity working; and the expansion plans will be bearing fruit by next autumn. Unless the industry is right in hoping that 1963 will really see it back on growth from the 1960 level, profits will have a rather pinched look.

Commercial Vehicles on the Flat

THE only section of the commercial vehicle industry to show much sign of growth last year was that engaged in making vans for sale as cars. This helps to account for the increase in BMC's share of output from 34 per cent in 1960 to 44 per cent in 1961; while the total rose from only 439,000 to 443,000, its output went up from 150,000 to 194,000. Among the other big manufacturers, Ford's production fell from 95,000 to 88,000, and Vauxhall's from 106,000 to 95,000. In both cases BMC seems to have won sales by the greater appeal of its small vans; Vauxhall made 25,000 vans compared with 38,000 in 1960. It did well in trucks, however, building 70,000 instead of 68,000—which kept it well ahead of other truck manufacturers.

Exports have been a more expansive market for commercials than has that at home; exports rose about 15 per cent to 160,000, while home sales increased gently from 226,000 to about 230,000. But there seems to be less scope for a further increase in commercial vehicle exports this year than there is with cars; demand seems to have settled down on a plateau in the second half of last year, and shows little sign of shifting from it. But in the longer-run prospects the truck makers, who account for the larger part of the industry's exports—Vauxhall shipped more than 50,000 Bedford trucks last year, 71 per cent of its output—are in a strong position to compete in Europe once they get the chance. Bedford trucks are already selling in France at prices that worry the local makers, and British firms could certainly under-cut the European makers substantially if there was no duty barrier. For trucks—and tractors—are products that are made on a much bigger scale in Britain than anywhere else except the United States.

THE EXCHANGES

Sterling, Gold and the Franc

STERLING has been almost consistently firm this week. The spot rate has remained within the range of $2.8105-



Economic development in Asia is bringing higher living standards to these young people and to the vast population of that continent. Demand for an ever increasing range of merchandise is steadily rising. If you are interested in trade with these expanding markets, you are invited to avail yourself of the banking and information services of The Chartered Bank and its subsidiary, The Eastern Bank Limited. The combined organisation of the two banks comprises one hundred branches in twenty-seven territories extending from the Eastern Mediterranean to the Pacific Ocean.

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$2.8115, and the Exchange Account has almost certainly been taking in dollars on a fair scale. In notable contrast to the two preceding weeks, there was virtually no mid-week dip as operators speculated on a cut in Bank rate on the coming Thursday. A small movement of this kind was perceptible on Tuesday morning, but shortly afterwards expectations of a Bank rate cut were sharply reduced by the prospect of a rail strike. The Bank rate bears had moreover found their earlier operations expensive, having to buy back the sterling they had sold short at higher rates after the "no change" announcement.

The firmness of sterling continues to reflect the return of balances withdrawn in December, as well as the more favourable seasonal influences on commercial account. The German commercial banks appear to have been putting funds back into foreign assets on a major scale—Euro-dollars rather than sterling for the most part. The Bundesbank now shows a decline in its own reserves in the first fortnight of 1962 of very nearly 2½ billion marks, or $600 million, which more than offsets the rise in the closing weeks of 1961 and brings its total reserves, at DM 26 billion, more than 4 billion below their level last July.

The London gold market livened up suddenly at the end of last week as it received the biggest private demand since the excitements of late 1960. Guesses at turnover range around $10 million. Wisely, the Bank of England met the demand immediately at the prevailing price of around $35.16. This week activity has been much smaller, though still moderate. The source of the big order remains something of a mystery. It was routed through a Swiss bank, as are many transactions which are intended to remain anonymous.

One guess in the London bullion market is that the bulk of the buying originated in France, where the activities of the secret army organisation have stimulated a keen demand for gold coins—the napoléon, at 43 new francs, stands about one-third higher than its gold value. However, neither the activities of the OAS nor the long-expected resignation of M. Baumgartner as finance minister has made any mark on the strength of the franc in the foreign exchanges. M. Baumgartner's successor, 39-year-old M. Valery Giscard d'Estaing, has hitherto been his deputy, and seems to be well trusted in French banking circles. The French financial authorities are now beginning to apply a curb to credit expansion: last week they raised the minimum liquidity ratio which the banks have to maintain from 30 to 32 per cent. Total bank credit granted to the economy has risen from 48 to 70 billion new francs in the past three years, recently at an accelerating pace, and in the light of "certain tensions" that are now making themselves felt, particularly in prices and wages, the French authorities have felt obliged to apply the brakes.

IN THE MARKETS

Another Brew

With attention focused on ICI and Courtaulds and on brewing shares, little interest has been shown in other sectors of the stock market. Gilt-edged stocks have quietened down but remain reasonably firm. Industrial equities, on the other hand, have been unsettled by the possibility of labour disputes and the gains made before the weekend were lost afterwards and *The Economist* indicator lost 3.8 points to 360.6. Brewing shares were stirred into activity by reports that Charrington might be involved in a merger and its shares gained 16s. 6d. to 127s. 6d. in the three days' trading to Wednesday's close. When it was confirmed that Charrington was indeed engaged in merger discussions with United Breweries the shares moved wildly, touching 142s. 6d. before profit taking brought them back to 130s.

Up to now United Breweries, propelled forward by the Canadian brewer Mr E. P. Taylor, has extended its empire by taking over comparatively small breweries. This gave it a chain of retail outlets in the north and Wales; but to realise his ambition of being a national brewer Mr Taylor had to secure outlets in London and the south. Last year when he used the take-over tactic in offering to purchase Bristol Brewery Georges he was beaten out of the field by Courage Barclay and Simonds. Hence, he must have realised that his plans could only be furthered by an agreed merger with a big brewery in the south. This ambition now seems to be on the point of being realised, for the negotiations with Charrington have reached such a stage that the directors of both companies are speaking of a merger through a new holding company, to be called Charrington United Breweries, in which Mr John Charrington would be chairman and Mr Taylor deputy chairman. This amalgamation would result in a group controlling about 5,350 licensed premises, adding Charrington's spread in London, the south coast and the west of England to United's outlets in the north. The new group would rank among the big seven or eight in the industry though it would not be particularly endowed with cash resources. With Charrington standing at the present price it would be very costly for another brewer to try to stand in the way of the merger.

INVESTMENT

Decline Continues

New orders received by the engineering industries continued to fall in November. But the contrast between stable orders from export markets and falling orders at home became more pronounced than it had been in the previous two months. New orders from export markets were the same in November as they had been a year before, while home orders were nearly 15 per cent down. In September and October home orders had been only two to four points down; these latest figures suggest that the decline in the home investment boom that they rather hesitantly foretold is now upon us.

Production has stopped rising as the new orders fall. In the second and third quarters it had been about ten per cent higher than in 1960, but in October and November it fell slightly from the September level—though it was still higher than it had been in the summer—and seemed to settle down five per cent about the 1961 level. High production combined with lower orders has meant that the industry's orders on hand have continued to fall, and by November they were eight per cent below the peak reached in April 1961. But there are still more orders than there were a year ago, and the industry has a long way to go before it need fear any slump.

Industrial development certificates for new factory building are another indicator of investment showing a decline. But, after falling for nearly two years, they steadied out in the last quarter of 1961 at the same level as in the third quarter—though they were still a third lower than a year before.

INDEPENDENT AIRLINES

Together We Stand . . .

The two independent aviation groups that announced a merger this week, British United Airways and British Aviation Services, conceal between them the identity of what were once nineteen separate companies. The creation of Air Holdings Ltd. to take over their entire share capital is a measure of how much consolidation has taken place among privately owned airlines in a relatively few years, and perhaps also of how much still remains to be done. With the exception of Cunard, which owns Eagle Aviation, the new group now represents the whole of the shipping industry's investment in aviation. The roster of shareholders includes Blue Star, British and Commonwealth Shipping, Furness Withy and P. and O. Its total assets will amount to about £20 million.

Of the two groups, British United Airways is the nearer to what is understood by an established international airline. The term must be used with some qualification because although BUA has recently been awarded a substantial route network across Europe and Africa by the Air Transport Licensing Board, those awards may yet be reversed during appeals that have still to be heard. The main prop of British Aviation Services is the Silver City car ferry to Europe, together with two or three other small airlines and transport companies. Silver City, which has been backed for many years by P & O, was the inventor of car air ferries and has developed the business

CROSBY INCOME TRUST

RESOLVES A TRUSTEE DILEMMA

GOOD INCOME: MODERATE CAPITAL GROWTH

A dilemma that faces many Trustees is to keep a balance between the needs of present beneficiaries and the claims of remaindermen. The former often need a good, assured level of income. The latter may be best served by growth in the capital value of the trust fund.

Crosby Income Trust could provide a way out for the Trustee. It offers a high immediate income (consistent with prudent investing) and prospects of moderate capital growth. To meet these aims about two-thirds of the Trust funds are at present invested in good class ordinary shares and one-third in higher yielding preference shares—all of companies registered in the United Kingdom.

ABOUT CROSBY INCOME TRUST

The Trust is authorised by the Board of Trade and is therefore a "wider-range" investment under the Trustee Investments Act 1961. The spread of its investments can fulfil the need for diversification required by the Act. Continuing supervision of the investments is provided by the investment managers, Robert Fleming & Co. Limited. The Trustee is Barclays Bank Limited.

Formed in October 1960 the Trust was designed with the needs of Trustees very much in mind. All income for distribution is carefully assessed as such by the Auditors to the Trust, while bonus issues and other receipts of a capital nature are added to the Trust fund. The present net U.K. rate of tax paid by Crosby Income Trust is higher than that for many investment or other unit trusts. At present it is approximately 7/- in the £. It is the aim of the Managers to maintain this rate. Income is distributed on 31st March and 30th September after deduction of tax at the standard rate.

The market value of the Trust fund is already over £4 million and at 1st January 1962 the investments were:—

	% of Fund
ORDINARY STOCKS—64.53%	
Finance—2.60%	
Cater Ryder £1	1.18
Gilbert Bros. Discount £1	.68
National Discount "B" £1	.74
Capital Industries—16.66%	
Aberdare Holdings 5/-	.56
Ambrose Shardlow Shipbrokers 5/-	.93
Associated Commercial Vehicles £1	.93
Associated Electrical Industries £1	.96
Boulton and Paul "A" 5/-	.76
Bristol Aeroplane 10/-	.67
British Electronic Industries 5/-	.61
Clarke Chapman £1	.71
Coast Lines £1	.80
Dorman Long £1	.43
Davey Group 10/-	.97
English Electric £1	.85
General Electric £1	.92
Hawker Siddeley Group £1	.99
I.C.I. £1	.93
James Howden 5/-	.89
P & O Steam Navigation Deferred £1	.59
Peabody Property 2/-	.74
Permanite 5/-	.74
Staveley Industries £1	.66
Steel Company of Wales £1	.53
Stewarts and Lloyds £1	.64
Stone-Platt £1	.64
Sturtevant Engineering 5/-	.56
Tay & Dee 5/-	.70
United Scientific 10/-	.56
United Steel £1	.86
Consumer Industries—34.55%	
Achille Serre 5/-	.56
Ariston £1	.93
Associated British Pictures 5/-	.93
Associated Television "A" 5/-	.93
Cinema, Bde. 5/-	.56
Bluebird Investments 4/-	.74
British Motor Corporation 5/-	.74
British Plaster Board 10/-	.86
British Sugar £1	1.08
Cairn Asbestos £1	.91
Carpet Manufacturing Co. £1	.70
Clifford Motor Components 2/-	.79
Coats, Patons & Baldwins £1	.83
Cope Wm. £1	.64
Cosby Crowley-Carpets Trades 10/-	.79
Daily Mirror 5/-	1.00
Dunlop £1	.93
Dunlop Rubber 10/-	1.06
English Card Clothing 5/-	.66
F.M.V. Investments 5/-	.96
Francis F. 5/-	.70
Grosvenor House Park Lane 5/-	.66
Heelys 5/-	.56
A. & S. Henry £1	.76
Rowes of Fraser 5/-	.57
Imperial Tobacco (G.B. & I.) £1	1.71
International Paints 4/-	.66
Inveresk Paper 10/-	.72
Kayser Bondor 5/-	.61
Lyle and Bonar 10/-	.56
William Mallinson £1	.74
Manchester Garages 4/-	.74
Martin Walter 4/-	.76
Metal Industries £1	.93
Pegrum & Spencer 5/-	.59
Pressed Steel 5/-	.70
Radio 10/-	.82
Rootes 5/-	1.17
Albert E. Reed £1	.56
Albert E. Reed "A" £1	.19
Sir Swaine Glass 5/-	.74
Shoesmiths 4/-	.93
Spencer-Gregor Engineering 5/-	.76
Spenhill & Brop Forge 5/-	.82
Solar Industries 5/-	.99
Sunday Pictorial Newspapers 5/-	.57
T.W.W. Newspaper 5/-	.72
Thomson Organisation 5/-	.81
Tube 5/-	.88
Trust on Securities Ordinary £1	.93
United Breweries 5/-	.80
Walsall Conduits 4/-	.66
West Riding Worsted £1	.74
White John Footwear 5/-	.68
Wiggins Teape £1	.93
Wolverhampton Metal 5/-	.44
Commodities and Services—6.72%	
Amalgamated Anthracite 5/-	.56
Amalgamated Metal £1	.53
Anglo Portuguese Telephone £1	.53
British Petroleum £1	1.33
Charrington Gardner, Locket 5/-	.74
Selection Trust 10/-	.74
Shell Transport and Trading 5/-	2.20
PREFERENCE AND THE LIKE—33.42%	
Allied Bristol Trade 5/- £1	.29
Allied Suppliers 10/- £1	.34
Amalgamated Tinplate 5%, 2nd £1	.38
Associated British Ind. Gas 4½ (Pre.) £1	.43
Associated British Pictures 8% £1	.28
Associated Commercial Vehicles 8½% £1	.62
Associated Fisheries 4½% £1	.26
Associated Paper Mills 5½% £1	.28
Bamberger 5% £1	.56
Barratt W.J. 6% £1	.58
Beaverbrook Newspapers 7% £1	.47
Berkeley Property & Investment 6% £1	.61
Blackburn Association 7% £1	.54
Boyril 5% £1	.28
Bristol Aeroplane 8% £1	.91
British Electric Traction 6% £1	.53
British Electric Traction 6% £1	.53
British Electronic Industries 6% £1	.42
British Glues and Chemicals 8% £1	.25
Brown (John) 4½% £1	.30
Bryan (Matthew) 7% "A" £1	.34
Caledonia Investment 5% "A" £1	.26
Central & District Properties 6% £1	.26
Coast Lines 6% £1	.24
Colne Valley Water Ordinary Stock 5%	.55
Consolidated Tin Smelt. 7% £1	.61
Conversion Stock 5% 1961	.87
Coventry Climax Engines 5% £1	.31
Critchli Manufacturing 7% 2nd £1	.24
Debenham 7% Stg. £1	.36
Dessez Land 5% £1	.28
Drake & Scull 5% £1	.69
Elliott-Automation 7% £1	.19
Gestetner British 5% £1	.24
Gestetner Ltd. 5% "A" £1	.93
Gibbons (J.) Limited 6% £1	.12
Goodhart Wall & Lead 7% 10/-	.63
Greenplate Holdings 7% £1	.48
Greenall Whitley 5% £1	.24
Gunn, Keen & Nettlefolds 3% 2nd £1	.46
Hall Thermotank 7% £1	.40
Harland & Wolff 4½% £1	.24
Harrods 4% £1	.42
Hay's Wharf 6% £1	.34
Hunt Edmunds 5% £1	.37
Ideal Building 6% £1	.54
Illingworth Morris 6% £1	.47
Illingworth Morris 6% 2nd £1	.18
Ind Coope Tetley Ansell 7% £1	.52
Investors Property 5% £1	.34
James Robertson 5% £1	.32
Jute Industries 6% 10/-	.44
Kenwell Property 5% £1	.49
Land Securities Invs. Trust 5% £1	.64
Lewis's 5% £1	.28
Lindustries £1	.47
London & Scottish Properties 6% £1	.28
New Day Holdings 6% £1	.49
Norcros 6% £1	.63
Metropolitan Estates & Property 6% £1	.61
M. K. North 6% £1	.32
Olympia 5% £1	.19
Pacific Coast 7% £1	.16
Peter Williams 5% 2nd £1	.29
Precision Rubber 7% £1	.29
Provincial Cinematograph 10% £1	.63
Rhode Estates Land Mortgage & Inv 5% £1	.48
Selfridges 7% £1	.45
Stroud A. E. Anders 6% £1	.34
Stewarts & Lloyds 5% £1	.37
Stone-Platt 5% £1	.70
Strand Hotel 6% £1	.24
Thomson Organisation 8% £1	.24
Thomson Organisation 8% 2nd £1	.61
Town Investment 6% £1	.12
United Dominions 7½% & £1 7% £1	.48
United Steel 4½% £1	.36
Vander Bergh & Jurgens 15% 5/-	.31
Vickers 6% £1	.34
Walker Globe 6% £1	.30
West Country Breweries 6% £1	.21
Uninvested Cash	2.05
TOTAL	100%

Gross commencing yield £5.17.6d.% (Based on a price per unit of 5/1d. at 18th January, 1962)

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with remarkable success, but its plans for widening operations received a set-back this winter when the Licensing Board refused applications for some new routes on the grounds that Silver City had no visible plans for new, modern aircraft to fly the proposed services. The biggest handicap of such a seasonal business as the car ferry which caters mainly for holiday makers is the difficulty of finding winter traffic. Silver City has never published its accounts; but British United Airways, which does, also runs a car ferry, Channel Air Bridge, and finds considerable difficulty in making this pay.

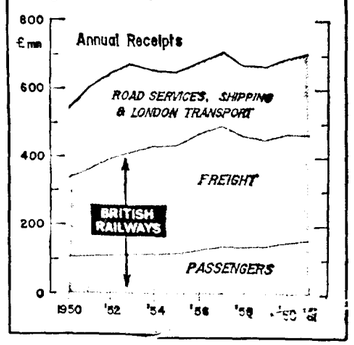
Brighter Prospects

SURPRISINGLY, in view of the poor results of many airlines, BUA expects to show a profit on its operations during 1961, rather bigger than the £400,000 recorded in 1960 when the group was still digesting its mergers, and even among the smaller independent airlines the prospects look brighter. The BKS company which asked for receivers to be appointed a few weeks ago, has had its licences confirmed by the Licensing Board; this means it will stay in business, while Tradair, which had to stop flying and seemed in danger of folding up this winter, has also been given enough new licences to start flying again in the spring. The significance of both moves is that the licensing board does not give or confirm licences unless it has some assurance that the airline is viable.

The new air licensing board has been decidedly tough this winter in demanding financial assurances from small independent airlines to avoid any risk of a repetition of last summer's debacle when holiday-makers were stranded because two heavily-booked independent airlines abruptly went out of business in high season. It has also ruled that travel agents must in future give both the name of the airline they are using for their holiday tours and the type of aircraft flown. This is to protect passengers from the kind of unpleasant surprise some of them have received when the modern aircraft they expected turns out to be an unpressurised veteran, airworthy perhaps, but decidedly uncomfortable for a long, hot flight in mid-summer. The bigger travel agents already give this information, but there are hundreds of smaller ones who believe that the less said about the way they intend to fly their clients the better. The licensing board's writ extends, however, only to British airlines, and a growing amount of holiday business is going to foreign operators, if only to avoid the tedium of applying to the board for a licence for each flight. But travel agents' brochures will look a bit odd if, from next year onwards, they name the airline and aircraft to be used for some tours but not for others.

TRANSPORT FINANCES

Thanks to a 6 per cent rise over 1960 in the receipts of London Transport (£88 mn.), Provincial and Scottish buses (£66 mn.), ships (£8 mn.) and "others" — mainly British Road Services — (£63 mn.) BTC's total receipt for 1961 was up on 1960. British Railways' annual receipts were, however, slightly lower (£464 mn.) and with rising costs and current wage claims this year's deficit for the commission is likely to be larger than last year's £101 million.



PRICE CUTTING

A Case of Militancy

FIRST blood went to Kayser Bondor this week in their action against Tesco for cutting fixed retail prices on some branded stockings and underclothes. They have been granted an interim injunction restraining Tesco from price-cutting; they are seeking to make this permanent and to obtain damages. The case was described as one between "militant price-fixers" and "militant price-cutters." Price maintenance has now become a rallying point for enthusiasts on both sides and seems to inspire appropriate vocabulary. Mr John Cohen, chairman of Tesco, said "We will continue to fight, with every weapon we can legally command, to reduce inflated profit margins in the trade." For him, and others of his way of thinking, the matter is a simple one: why should efficient retailers be obliged to sell at the same margins as less efficient ones when by reducing their own profit on individual items they can sell more of them, and at the same time benefit the consumer through lower prices?

The arguments put forward by Kayser Bondor are those generally advanced in favour of price-maintenance—that branded goods sold at fixed published prices are a guarantee of consistent quality; that the introduction of a free-for-all in retail pricing would lead to pressure on the manufacturer to reduce wholesale prices, which would in turn lead to a lowering of quality standards; that variable prices upset the consumer and in the end cause a reduction of total trade; that there are circumstances in which rpm actually prevents prices rising. And with the law as amended by the Restrictive Practices Act of 1956, the advocates of price maintenance have at present a weapon considerably stronger than their arguments.

BANK CREDIT

Six Points in Hand

SIX months ago the banks were wondering how they would be able to withstand the drain on their liquidity arising from the new year tax payments into the Exchequer. Today they are better cushioned than they have been since 1958. Their average liquidity ratio rose further in the five weeks to mid-January, from 35.3 to 36.1 per cent, leaving a margin above the minimum of no less than six percentage points. This further strengthening was achieved despite an upturn in advances, the first since the dramatic fall began in August, and despite a further small addition, of £3 million, to gilt-edged portfolios. The net increase in advances over the turn of the year was £15 million, and it would have been £30 million but for an adventitious repayment by State Boards; this compares with a decrease, on a true basis, of around £300 million in the five preceding months. One important element in the latest rise is the debiting of interest charges at end-December. The banks have made no formal relaxation in their lending policies, though the big improvement in their liquidity is presumably having some effect on marginal head office decisions.

LONDON CLEARING BANKS

January 17, 1962

	£ mn.	%	Change on Month £ mn.	Change on Year £ mn.
Gross deposits	7,716		+162	+292
Net deposits*	7,150		+133	+240
Liquid assets	2,790	36·1	+124	+333
Cash	621	8·0	− 5	+ 20
Call money	702	9·1	− 4	+127
Treasury bills	1,201	15·6	+120	+ 85
Other bills and "liquid" credits	266	3·4	+ 13	+101
Special deposits	224	3·0	+ 3	+ 76
Risk assets:—				
Gilt-edged	1,010	13·0	+ 3	−132
Other market investments	112	1·4	—	− 2
Advances*	3,224	43·8	+ 15	− 36
(To State Boards)	53		− 15	− 11

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

It was an exceptionally big rise in liquid assets themselves, of £124 million, that produced the further increase in the liquidity ratio in January. The seasonal swing in the Exchequer accounts from deficit to surplus appears to have occurred a little later in January this year—possibly on account of postal delays. These delays are also evident in the banks' own figures of cheques in the course of clearing, which have not shown their usual sharp fall from the swollen pre-Christmas level.

BERYLLIUM

A Story with a Moral

THE sad tale of the rise and fall of beryllium holds a lesson for everyone concerned with the proper management of science and the relations between science and industry. The Atomic Energy Authority has been experimenting with the use of beryllium metal to contain nuclear fuels for fifteen years or more. Beryllium has powerful theoretical attractions which suggest that a reactor incorporating it ought to have lower fuel costs than by using the only available alternative—stainless steel. But beryllium has equally powerful practical drawbacks; it is lethal to handle, it is as expensive as precious metals, it is difficult to engineer and tends to crack and corrode when inside the reactor. All these it was hoped to overcome with time and research; but as work progressed, scientists could be seen dividing inside the AEA into pro- and anti-beryllium camps.

For a long time the latter were a tiny minority carrying out research in stainless steel almost on sufferance. The original plans for the new generation of advanced gas-cooled reactors laid down that the prototype starting at Windscale this autumn would have 80 per cent of its fuel canned in beryllium and a mere 20 per cent canned in steel to keep the opposition quiet. Then the balance of technical opinion began to shift against beryllium; but not in time, it appears, to prevent the Atomic Energy Authority from signing (though not making public) a five-year contract with Imperial Chemical Industries in January, 1960, to supply beryllium metal in quantity for the atomic power programme.

The following month, *The Economist* wrote on the basis of substantial scientific evidence available inside and outside the Atomic Energy Authority that beryllium was unlikely to be used. It took a further twenty-three months to prove that prediction correct; last week the AEA cancelled its contract and ICI announced that the £1.5 million Witton beryllium works will close. The Authority will have to compensate ICI, to whom it is said to have guaranteed a return of 7½ per cent, and Armstrong Whitworth which fabricated the metal. Other contractors have already completed their orders.

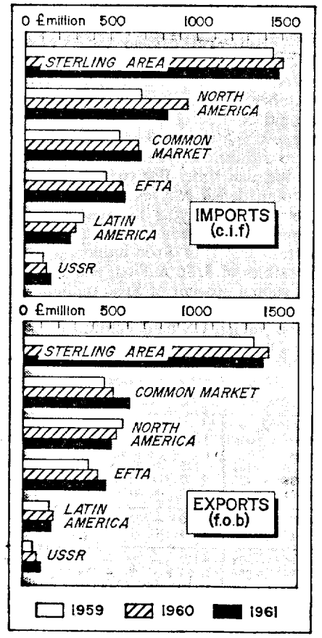
In one sense, the writing-off of beryllium is a fillip for nuclear engineering; no one would choose to use a material as awkward and dangerous as this if the same technical results can be achieved with less trouble, and the Authority claims that its research on stainless steel has produced a breakthrough in costs, which removes or at least reduces the original argument against the use of steel. But the story also illustrates the difficulty which exercised the Zuckerman committee on research that reported before Christmas—namely how to persuade those in charge of research projects to cut their losses in time. Dedicated research teams will never willingly admit defeat; the art in managing a big research institution like the AEA lies in sensing when research effort begins to yield diminishing returns and finding alternative outlets for the energies of the scientists concerned, before the survival of the project develops into a matter of honour rather than commonsense. The AEA has shown promptness and courage in calling a halt, for example, to some work on thermonuclear fusion that was beginning to turn sour. But in this instance it acted too slowly and too late, and must rightly bear the financial consequences.

WOMEN'S FASHIONS

Exports at the Top

TO write about London ready-to-wear clothes in the week of the Paris collections is to risk severe bathos. Nevertheless, the members of the Fashion Group of London recently achieved a minor climax of their own with the discovery that their export orders in 1961 exceeded those of the previous year by 25 per cent, with a

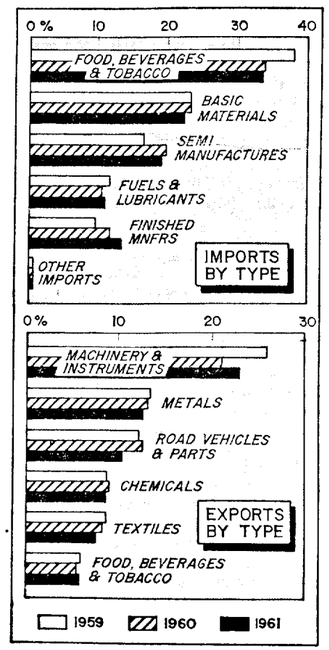
Britain's Trade in 1961



BRITAIN'S exports increased last year by £128 million or 3½ per cent to £3,682 million (valued fob), compared with rises of £225 million in 1960 and £154 million in 1959. Imports declined by the same proportion, by £143 million to £4,398 million (valued cif), compared with rises of £558 million in 1960 and £135 million in 1959. Re-exports increased by £17 million to £158 million.

The rise in exports and the fall in imports occurred in the first half quarter half of 1961; there was little further change in the latter part of the year. The main increases in exports were to Western Europe (+16 per cent), the communist block (+36 per cent) and Japan (+51 per cent); these gains were partially offset by a fall of 2 per cent in exports to primary producers, including those in the overseas sterling area and Latin America, and a fall of 14 per cent in exports to the United States—which however began to pick up in the summer. The fall in imports was the result of declines of 3½ per cent in foodstuffs and tobacco and of 7 per cent in industrial materials, partially offset by a continued rise of 8 per cent in finished manufactures.

Among finished manufactures, imports of consumer goods declined in value, because of a steep fall in imports of cars and motor cycles



total of £1,250,000. These 26 firms exist as a group only for export purposes, and have done so only for the past three years. In that time their twice-yearly promotional weeks, held in April and November (by which time fashion-conscious manufacturers have come to terms with couturier trends) have grown in attraction for overseas buyers. The word "fashion" should be emphasised — we have plenty of successful competitors abroad making cheap run-of-the-mill garments and in fact our exports of women's clothes are heavily weighted at the sophisticated, and costly, end of the trade. Expensive clothes, with the right glamour ticket, are often easier to sell than cheap ones; and ours are not as expensive as some.



This is a reciprocal business to quite a large extent. As we buy more American fashions for instance, they are still buying more of ours. The Fashion House Group of London have done particularly good business in Europe lately, with orders from there as the result of the last London Fashion Week totalling £360,000, compared with £100,000 from North America and £15,000 from the Commonwealth. The Scandinavians, it seems, are keenest on British fashions, followed by the Dutch and the Germans, with the Americans only fourth.

BANK SPEECHES

Personal Loans Run-Down

In his speech to shareholders of the Midland Bank Lord Monckton again gives rather more information about actual banking operations than do his fellow chairmen—though he is regrettably reticent about the bank's 100 per cent hire purchase subsidiary, Forward Trust, whose "difficult year" necessitated a subvention payment of £1.3 million from the Midland. Lord Monckton confirms that the bank has had to curb its special schemes for term loans for business men and farmers, and states that the amount outstanding through personal loans has been reduced to barely one half the highest figure reached. Since its introduction the scheme has covered nearly 350,000 accounts, on which an average of £150 has been lent—giving a grand total of £52½ million. For the past year the banks have been switching the distribution of their advances to industry, and Lord Monckton states that recent repayments have been absorbed by meeting the needs of borrowers in the priority groups, so that lending to other customers have still had to be restricted.

The Midland lent a record amount in export credits, and Lord Monckton is clearly in favour of the new facilities announced this week. But Mr D. A. Stirling, the new chairman of the Westminster, finds talk of a shortage of export finance "surprising" and feels that new efforts by the banks should be financed by releases of special deposits. He, presumably, finds the new scheme less to his liking. He complains that special deposits are unfair to the commercial banks, and asks when the Treasury is going to follow up its recognition that other lending institutions should bear their part of the burden. The bankers are wholly justified in their complaints of unfair treatment, but the right answer is certainly not to extend the labyrinth of control throughout the whole field. Mr Stirling, like Lord Monckton, reports a rise in foreign business; but the restrictions now in force on domestic trade "are likely to press more heavily on our 1962 profits unless some unforeseen improvement appears."

JAPAN'S DEFICIT

Turn of the Tide?

Now that Japan has at last secured its expected large credit from the International Monetary Fund, it seems possible that the worst of its balance of payments crisis is over. No actual drawing is being made on the Fund's limited resources: Japan has simply taken a stand-by credit of $305 million for one year. In a drawing of $28.3 million on the Fund by the Philippines announced this week, $11.2 million is to be in sterling, $11 million in D-marks, and $6.1 million in United States dollars.

Japan's underlying balance of payments, as the table shows, has improved steadily since August, and the adjusted falls in reserves of $67 million in November and $53 million in December, after allowing for drawings of $50 million in each month on a United States bank credit, were still a good deal smaller than the falls recorded in earlier months. In the past few months Japan has reinforced its reserves through a number of international credits, apart from the IMF facility. Last November three United States commercial banks granted a credit of $200 million, of which $100 million is still undrawn, and negotiations with other American banks for new loans totalling $120 million are in their final stages. Agreement has been reached in Frankfurt for the issue in west Germany of DM 100 million of Osaka City 15-year bonds; leading Swiss banks agreed last week to make credits totalling 30 million Swiss francs to the Bank of Tokyo for periods of two to five years; and a number of international oil companies have been extending dollar credits to Japanese importers and refiners.

Now that Japan's current account deficit is narrowing, the main danger to the balance of payments comes from the very large short-term liabilities which it has recently incurred. Both the US bank loan and the IMF stand-by credit are for only one year, so that the rather longer credits from west Germany and Switzerland are a welcome relief. In the first half of 1961 the inflow of short-term capital amounted to $592 million. This was more than sufficient to finance the current account deficit, so that the reserves actually rose on balance by $88 million. After the mid-year, however, this inflow of United States commercial credits and Euro-dollars dried up and the reserves took the full force of the current account deficit. In the final six months of the year the reserves fell by $427 million to $1,486 million—despite the improvement in the underlying balance.

The measures taken in the summer to restrain the domestic investment boom and to stimulate flagging exports have met with marked success: the trade deficit in December is expected to be no more than $30 million. If this improvement continues, the credits so far mobilised should prove more than adequate, and it is possible that the IMF stand-by will not be drawn on. However, under this weight of short-term foreign money in the economy the government planners are understandably cautious. Imports are expected to fall slightly in the coming fiscal year, despite the government's announced intention of sticking to the speeded-up plan for trade liberalisation: by October, 90 per cent of Japanese imports should be free of control. This seems to suggest that the measures taken in 1961 to curb domestic demand are likely to be kept on for some time. For 1961, Japan's current account deficit may exceed $1,000 million. For the fiscal year to March, 1963, the planners have made preliminary forecasts of a trade deficit of $100 million, a deficit on invisibles of $180 million, and a net inflow on capital account of $180 million, without making provision for the repayment of the $200 million US bank credit.

JAPAN'S BALANCE OF PAYMENTS

($ million)

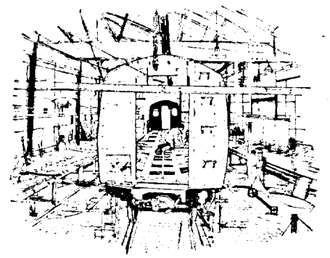
	1959	1960	1961 Jan.–March	1961 April–June	1961 July	1961 Aug.	1961 Sept.	1961 Oct.	1961 Nov.
			Quarterly rates		Monthly totals				
Trade	+ 68	+ 37	−158	−203	−108	− 90	− 71	− 64	− 48
Services	− 71	−107	−185	−220	− 40	− 40	− 38	− 12	− 7
US Forces	+ 88	+ 98	+ 91	+100	+ 28	+ 30	+ 25	n.a.	n.a.
Current Account	+ 85	+ 28	−252	−323	−120	−100	− 84	− 76	− 55
Long-term capital	− 7	+ 1	− 13	+ 14	+ 1	+ 1	+ 26	+ 29	+ 13
"Basic" Balance	+ 78	+ 29	−265	−309	−119	− 99	− 58	− 47	− 42
Short-term capital	+ 45	+102	+386	+206	+ 51	− 4	− 54	− 59	+ 51*
Net balance	+123	+131	+121	−103	− 68	−103	−112	−106	+ 9
Errors and omissions	− 8	− 5	+ 52	+ 18	− 8	− 12	+ 1	− 9	− 26
Change in reserves	+115	+126	+173	− 85	− 76	−115	−111	−115	− 17

* Includes first drawing of $50 million on US bank loan.

RAILWAY WORKSHOPS

Trimming Manufacture

The manufacturing activities of the railway workshops have always been something of an anachronism; now that the railway system is shrinking, they are having to shrink too. But the measures that the British Transport Commission announced last week will only reduce the present labour force of 110,000 by about 1,600; they involve stopping the production of coaching stock at Swindon and Eastleigh, and that of locomotives at Horwich, when present orders are finished. Some manufacturing will continue at Crewe, Darlington, Derby, Doncaster and Swindon. Most of the men in the workshops are in fact maintaining locomotives and rolling stock; though they will have fewer to look after, the switch to diesels may well mean that they find that they have more work to do. But the modernisation scheme—or, to be more accurate, the replacement of worn-out stock—has gone far enough for the end to be in sight, and this means a big fall in the rate of new construction. The present measures are likely to prove only the first; the BTC says it cannot forecast the position after the middle of 1963, when the 1,600 men being sacked will have gone.



Over-capacity is endemic in the locomotive and rolling stock industry. The private firms used to rely on exports for their livelihood, getting whatever home orders the railways felt inclined to give them—or that they were technically unable to do. Now exports are disappearing, and the home market beginning to shrink. Having to meet international competition, the private firms were rather more up to date in their methods and designs than the workshops. But the railways insisted that they were able to build locomotives more cheaply—which the companies maintained was the result of a costing system that put none of the overheads onto new construction. Some of this argument persists today in the complaints from the railway unions that the new regime at the BTC is favouring private industry in its new orders. But when the total amount of business available is shrinking, the workshops cannot expect to be immune—especially if the suspicion that their costs are really higher than those of private industry should be correct.

Return on New Capital

Industrial profits as a whole are falling, but there are still a number of companies, particularly in trades providing for consumers' needs, that are earning more. Only the exceptional company, however, in an exceptional industry—in retail trade, for example—is managing to earn a higher rate on the capital it employs. Such companies tend to be found not among the giants but among medium-sized concerns serving more specialised markets. Most companies, however, have shown a falling rate of return in the last two years or so and some, in heavy electrical manufacturing for example, have shown a prolonged decline which stretches out over five years or more.

The accompanying tables (based on 454 companies whose reports appearing in the last quarter of 1961 are analysed in detail on pages 370 and 371) compare the trend of returns on the net assets of ten selected industrial groups and those of all companies. A sharp reduction in output, as in the motor industry, has produced a steep fall in gross and net returns. But apart from the cyclical pattern in such industries as motors, domestic appliances and steel, it is apparent that a combination of high capital costs and competitive pressures on profit margins has put a brake on the rate of return that can be expected on new funds, especially in the capital goods sector of the economy. The market for such products has not expanded as quickly as companies expected when they planned their investment programmes. Competition has kept prices in check and profits and percentage returns have not been artificially boosted by inflation, as they were in the early fifties.

Expanding trade will help profit returns again but the rate of acceleration will not be rapid if competition, either national or international, remains fierce. New machinery may be more efficient than old, but it is becoming painful to pay for new investment first when falling profits are reducing the cash flow. The latest quarter showed no alarming decline in retentions. But the increase in net fixed assets, from £863 million to £1,015 million, and in stocks and debtors, from £1,202 million to £1,349 million, still needed much more than net new capital issues which, at the most, amounted to £93 million, taking the difference in capital and in capital reserves and subtracting scrip issues; in fact bank overdrafts rose by nearly £66 million and net liquid assets were run down from £134 million to £43 million. It may be that some companies will be able to reduce accumulated stocks this year and so ease the pressure on liquidity; but those with investment programmes still to complete face an awkward financing problem. At the moment there is a lull in capital issues but further ahead pressures are likely to build up again.

PROFITS AND RETURNS

	Trading Profits Prev. year £ mill.	Trading Profits Latest year £ mill.	Percentage change %	Gross Return on net assets Prev. year %	Gross Return on net assets Latest year %	Net Return on net assets Prev. year %	Net Return on net assets Latest year %
Motors, etc.	73·0	48·4	−33·8	27·6	14·2	13·0	6·6
Engineering	43·7	41·6	− 4·6	20·1	16·4	9·8	7·4
Miscell. Manuf.	35·4	35·2	− 0·4	18·9	15·0	9·7	6·9
Iron and Steel*	31·2	35·0	+12·2	17·3	18·0	8·0	8·3
Breweries, etc.	19·8	21·3	+ 7·8	22·5	21·6	11·6	10·7
Elect. Manuf.	19·1	20·3	+ 6·2	24·4	20·2	11·5	9·3
Chemicals, etc.	15·5	14·9	− 3·8	24·2	20·4	11·0	9·3
Building	15·3	14·2	− 7·2	20·9	18·0	8·4	7·2
Food	16·1	13·5	−16·3	17·1	12·1	9·8	6·8
Shops and stores	10·4	12·7	+21·6	14·8	18·4	6·5	8·3
All groups	333·5	312·5	− 6·3	19·6	15·8	9·4	7·4

CAPITAL AND CASH FLOW

(£ million)

	Net Liquid Assets Prev. year	Net Liquid Assets Latest year	Net New Capital	Increase in Overdrafts	Net Cash Flow Prev. year	Net Cash Flow Latest year
Motors, etc.	47·8	28·0	11·0	7·1	17·1	5·4
Engineering	37·2	30·0	15·8	6·6	9·3	7·2
Miscell. Manuf.	Dr. 5·0	Dr. 19·1	6·9	11·5	9·5	7·2
Iron and Steel*	22·0	26·6	12·2	2·2	6·9	9·0
Breweries, etc.	16·7	13·0	1·6	1·0	4·2	4·2
Elect. Manuf.	6·3	Nil	11·3	7·0	3·7	3·4
Chemicals, etc.	17·9	13·1	1·8	Nil	3·7	3·3
Building	Dr. 1·8	Dr. 10·0	4·4	8·8	2·7	2·6
Food	Dr. 5·5	Dr. 17·8	1·5	10·0	5·5	4·2
Shops and stores	7·1	5·9	Nil	−3·0	1·4	2·2
All groups	133·8	42·6	93·1	65·7	132·9	121·6

* Predominantly heavy engineering companies.

ALUMINIUM

Rolling Readjustment

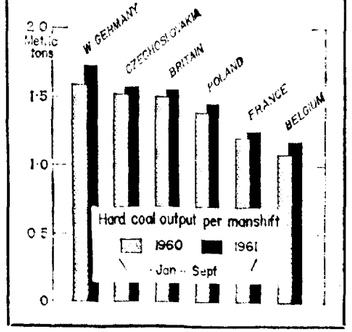
THE aluminium industry in this country is growing out of the phase where each and every prospective customer for a few bits and pieces can go to the top for service. In America, where businessmen are less afraid of appearing blunt, a big aluminium fabricator recently told customers intending to place fairly large orders which it considered uneconomic to go elsewhere; orders below given quantities are simply not entertained. British Aluminium has moved more discreetly by lowering prices of rolled products to bulk buyers or those willing to accept standard lots. More will be charged for small parcels or non-standard shapes. The maximum reduction appears to be in the region of £18 a ton, or 5 per cent on the former price, and is therefore no flea bite. British Aluminium, whose parents are Reynolds of America and Tube Investments, holds well over a third of the market for semi-fabricated aluminium in this country. Alcan, a subsidiary of Aluminium Limited of Canada, is not far behind. But Alcan has quickly brought its price schedule into line.

The big potential outlet for aluminium and one that offers the greatest chance of quickly absorbing the prospective surplus of raw aluminium is in structural applications where aluminium is competing with other materials, such as asbestos and, more particularly, steel. At present the industry has a rigidly fixed price for aluminium ingot of £186 a ton. British Aluminium buys some of its material at this price from Reynolds, and Alcan pays a similar price to its parent. So far, the price cuts in America that followed devaluation of the Canadian dollar have not spread.

A drive to capture a wider market by an all-round reduction in prices will presumably be heralded by a cut in the ingot price. The current price changes are therefore revisions of existing schedules rather than a definite expansionary move. Fabricators can now expect to sell most of their output at lower prices, but the changes have probably been carefully tailored to realise offsetting savings in costs. Since aluminium is challenging steel it has seen fit to copy its policy of distribution through a wide network of steel stockists. British Aluminium was selling only 10 per cent of its output of rolled products through the 120 or so recognised aluminium stockists. It is believed that one side of the new pricing policy for aluminium is to offer greater incentives through discounts to the stockist. It is evidently hoped that stockists will co-ordinate small orders and hold larger stocks of aluminium.

How Mines Compare

Output per manshift in British mining has been rising impressively in the last few years. But so has productivity among other major European producers—and Britain does not top this league.



MAN-MADE FIBRES

Woollier Synthetics

FOR a dyed-in-the-wool Yorkshireman whose firm is one of the older members of the Bradford Wool Exchange to claim to have discovered something as good as the natural fibre is enough to dent a woolgrower's ingrained scepticism. In those circles, familiarity with an interminable string of man-made fibres claiming wool-like properties has so far bred mild contempt. But in November, John Earnshaw claimed he could put more crimp into a synthetic fibre than is possessed by the average sliver of wool, and Du Pont, the American chemical and fibre group to whose size and sagacity Mr Paul Chambers of ICI recently gave an unsolicited testimonial, has backed this claim with cash. Du Pont acquired the world rights to the process with effect from January 1st. A file containing the names of thirty or so manufacturers throughout the world who would like to make use of the invention has consequently been passed over to the Americans.

Crimp is crinkle: it is the main factor in making wool the warm, soft and attractive draper's delight that it is. Newhill and Earnshaw say that they can now give a staple synthetic fibre the "bulk" and elasticity of wool without its weight. Little is known about the "Airvel" process, though it has been admitted that the use of heat—long one of Bradford's special skills in wool manufacture—is at the heart of the process.

In the past, plenty of "bulk" has been imparted by other processes to continuous filament yarns, and some staple acrylic fibres apparently respond quite well. But nylon and polyester staple which is spun into yarn like a natural fibre had not been so successfully treated, though slivers of fibre have been crammed into a "stuffing box" and heated to set the resulting crinkles. This crimp, however, has an undeniable tendency to impermanence, and partially disappeares during the spinning process. The crimp in wool, on the other hand, appears to come from two components inside every strand of wool which are wound around each other like cables in an electric flex. When a strand of wool is straightened the crimp eventually returns.

Newhill and Earnshaw is now considering raising capital to develop its process more quickly under a non-exclusive manufacturing licence in this country. Nothing is known of the terms on which Du Pont acquired the rights to the invention, though it is hoped that royalties from the process will rival those of Terylene. Though "Airvel" should be a particular boon to the manufacturers of nylon and Terylene, the first fibre processed in this way will now be Du Pont's "Orlon." Test sales of processed "Orlon" hand knitting yarn will be made next month. This therefore appears to be something of a setback to ICI, which claims that it was not offered the new process. One other potentially strengthened addition to ICI's European competitors may have come with the eruption of the energetic Signor Mattei into the Italian textile industry. His state-controlled ENI corporation has acquired a controlling interest in one of Italy's leading manufacturers of wool and man-made fibres with the avowed aim of securing outlets for the group's petrochemical plants and the synthetic fibres derived from them.

SHORTER NOTE

There has never been a shortage of ideas of how best to reform Britain's money and Lord Halsbury's committee on the method and cost of a decimal system is now bravely inviting them. Write to Mr N. E. A. Moore, at Treasury Chambers, Great George Street, SW1 before the end of February and at State House, High Holborn, in March or April. But anti-decimalisers, duodecimalisers and *avant-garde* octalisers should presumably note the terms of reference.

COMPANY AFFAIRS
Comments on pages 365, 366 and 367 on:
Leyland Motor — Ind Coope, Tetley Ansell
Bowmaker — Lancashire Cotton
Jute Industries — Amalgamated Cotton
Lancashire Steel — Saxone–British Shoe
Ilford — News of the World
Richard Thomas and Baldwins

STOCK PRICES AND YIELDS
Stock prices, yields and security indices on pages 368 and 369

MONEY AND EXCHANGES
Money market report, exchange rates and public finance on page 372

INDUSTRIAL PROFITS AND ASSETS
Full tables of analysis appear on pages 370 and 371

COMPANY MEETINGS

WESTMINSTER BANK LIMITED

STRONG FINANCIAL POSITION DISCLOSED

FOREIGN BUSINESS MAKES NOTABLE INCREASE TO PROFITS

IMPACT OF RESTRICTIONS ON DEPOSITS AND ADVANCES

THE COMMON MARKET AND BRITISH TRADE

MR DUNCAN STIRLING ON NEED TO PROMOTE EXPORTS

The Annual General Meeting of Westminster Bank Limited will be held on February 14th at 41, Lothbury, London, E.C.2.

The following is the Statement by the Chairman, **Mr Duncan Stirling,** circulated with the report and accounts:

It has already been announced that Lord Aldenham relinquished the Chairmanship of the Bank at December 31st last, having held this office since 1950. Gratitude and admiration alike will prompt the applause of our shareholders for his distinguished leadership in these years. They were years of great progress for the Bank in spite of the alternating forces of inflation and restriction, with wide movements in Bank Rate. We are fortunate in still having the benefit of Lord Aldenham's wisdom and experience on the Board and I acknowledge the honour of following him as Chairman. Mr John Francis Prideaux has been elected a Joint Deputy Chairman.

Our Annual Meeting will mark the end of Sir Charles Lidbury's life-long career devoted to the bank. He joined the staff of Parr's Banking Company sixty-eight years ago, and the legendary episodes of his early years, like his later crowning achievements, attest the dynamic force of his executive ability. His outstanding service as Chief General Manager for seventeen years until 1947 was recorded by the late Mr Rupert Beckett, our then Chairman, and now after twenty-six years as a Director, and at the close of a career which is likely to remain unequalled in our annals, he takes with him the good wishes and regard of all his colleagues.

Lord Leathers decided to retire from the Board at December 31st after fourteen years in which we had the benefit of his experience gained in business and in public life, and to him too we offer our good wishes in his retirement.

The appointment of two new Directors will come before our Meeting for confirmation: Mr P. T. Menzies is a Director of Imperial Chemical Industries, and Sir Edward Playfair recently left a distinguished Civil Service career to become Chairman of International Computers & Tabulators. Both have much to contribute to the strength of the Board by their knowledge and experience of public and industrial finance.

It is a great pleasure to congratulate our colleague Mr Malcolm McDougall on the honour of Knighthood just conferred upon him.

We are also delighted to congratulate our Chief General Manager, Mr A. D. Chesterfield, upon his appointment at the New Year as a Commander of the Order of the British Empire.

In the General Management, Mr H. W. Norris and Mr F. W. Hardstone who for many years have worked as senior executives under Mr Chesterfield, have been appointed Deputy Chief General Managers. Since the end of the year we have lost by retirement the good services of our Joint General Manager Mr F. G. Horwill after 48 years in the Bank. He had done admirable work in the administration of our Overseas business and in the organising of our staff training, and has earned our best thanks and good wishes. Mr W. W. Harris has been appointed a Joint General Manager.

Our Chairman a year ago referred to the danger to life and property from criminal raids on our premises. It is tragic now to record the death of the guard at one of our sub-branches in discharging his duty. Shareholders will share our grief and shock at this atrocious crime, and our sympathy with the bereaved.

BALANCE SHEET CHANGES

The comparative figures show the chief changes in the balance sheet, and the increase in the Reserve by £2 million is the amount transferred out of the 1961 profits. However, the two chief indicators of the Bank's business are the figures of Deposits and Advances and both reflect the impact of the restrictions imposed last July, but for which we would have expected greater rises. Special Deposits at the Bank of England (which it will be recalled are not allowed to be counted as a liquid asset) show an increase consequent on the levy being raised from 2 per cent to 3 per cent of deposits. Despite this the ratio of liquid assets to deposits was over 36 per cent, a strong position which we have deliberately built up against expected withdrawals in the early months of the year.

The satisfactory results for 1961 belie the difficulties of the year and we regard ourselves as fortunate to have done so well. Our foreign business has contributed notably to profits and has a special importance for us, and indeed for the country, but the restrictions now in force on domestic trade are likely to press more heavily on our 1962 profits unless some unforeseen improvement appears.

CONTINUED DEMAND FOR FACILITIES

During the year thirty-three new branches were opened, in pursuit of the policy of widening our representation. The demand for banking facilities is still growing and our continued branch extension has been proved worthwhile by the increasing number of accounts on our books; we look for a steady progress in this. The acquisition, erection and equipment of new branches is an exacting business and, when added to the regular work of maintaining and improving old ones, it has meant a hard task for our Premises Department, which has been handled with great credit. Installation of up-to-date mechanical and electronic equipment has been on an increased scale, and much of it calls for expert operating skill; we must expect still greater developments in this interesting field, whereby we hope to relieve the staff of much routine work and to get through it more quickly. Indeed, the general increase in our whole business in branches and in departments has brought a hard year's work to our staff, and they have coped with it admirably. Much credit for their success must go to the cumulative gains from our staff training system and to the enthusiasm of those who teach as well as of those who are taught. Great care is given to attaining the best value in the concentrated courses which are run, and those who have seen our Staff Training College in operation can have no doubt of the valuable work done there.

Once again the Board can congratulate our Management, under Mr Chesterfield's continued good leadership, for the enterprise and success with which they have tackled a very busy year in our Bank.

FOREIGN AND ULSTER BANKS

In Westminster Foreign Bank we have been at pains to enlarge the scope of operations particularly with an eye to meeting our customers' awareness of the possibilities of enlarged Continental trade. In terms of Deposits the Bank is bound to remain far behind the great national French and Belgian banks; our aim is rather to develop and improve the services we can render and in this we believe there is a useful part to play.

There have been important constitutional changes in Ulster Bank, whereby the Senior Director, Mr Hugh Clark, has been appointed Chairman and the Board has been strengthened by the election of Mr C. A. Brett, Rt. Hon. Terence M. O'Neill, Mr F. J. O'Reilly, and Mr D. McC. Watson, with two appointments from Westminster Bank—Lord Aldenham and Mr Chesterfield. Mr Clark and his colleagues are to be congratulated on a splendid year's work which has expanded the business of the Bank and produced good results. Last December the paid-up capital of Ulster Bank was increased by £1,250,000, of which £1 million was a capitalisa-

tion of reserves, and 250.000 shares were subscribed for in cash by Westminster Bank, at £2 per £1 share. The issued capital is now £2,250,000 fully paid up ; there is £250,000 in Share Premium account; and £1,950,000 in published Reserve. The total of these is £4,450,000, being £1,600,000 more than a year ago. In the same operation the whole reserve liability of £2 million was cancelled by Court sanction.

BALANCE-OF-PAYMENTS CRISIS

The two outstanding events of the year were the balance-of-payments crisis of July and the decision to negotiate for the United Kingdom's entry to the European Common Market. The issues involved in each case have been fully described in official statements and public comment and they are widely known, it being notable that British exports have an underlying *importance in each case.*

The July crisis was precipitated by the loss in that month of £114 million in gold and convertible currency reserves—the largest monthly loss for ten years ; and this came on top of regular losses in the five previous months. The culmination was deferred by the Basle Agreement of March whereby central banks of leading countries agreed to hold each other's currencies in substantial amounts for short periods ; but, when it came, the crisis was the more severe and provoked a flight from sterling. The Government's measures to cope with the situation were loudly heralded in advance for their originality, but in the event those which immediately affected the banks had little novelty: an increase in Bank Rate from 5 per cent to 7 per cent : an increase in the proportion of deposits of London Clearing Banks to be frozen as Special Deposits at the Bank of England from 2 per cent to 3 per cent ; and a revival of the credit squeeze except to exporting customers, with a request to maintain a minimum of 30 per cent ratio of liquid assets to deposits—which means a much higher average ratio than 30 per cent.

BANKS FACE COMPETITION

When the financial restrictions were put before the banks they undertook to comply on the assumption that corresponding restraints would be respected by other deposit-takers and credit-givers. In recent years we have had to face competition from a number of sources for cash balances. An important one is the attraction of Treasury Bills themselves, and when the spare cash of industry is diverted to these it is effectively withdrawn from circulation in the banking system; the same applies to deposits with Trustee Savings Banks. Where the borrowers are commercial companies these balances do at least remain in circulation, but such non-banking concerns—some holding very large deposits—are neither required nor even expected to observe the same limitations as the banks in employing those deposits. It would seem reasonable that they should bear some share of the onerous part played by the banks as victims of first resort in these too familiar financial crises.

That this is recognised by the authorities, as well as by the Radcliffe Committee, is shown by the Treasury evidence to that Committee in 1957, which referred to proposals for meeting the point. We still await the revelation of these proposals with natural interest. For many years all business undertakings of important size have forgone part of "the glorious privilege of being independent" and as one of the London Clearing Banks we can hardly be accused of doing less than our share in this. It is in contrast with this curtailment that there is still practically no restriction on the general freedom to invite deposits from the public, and that there is no definition of a "bank." We may compare the law of the United States which prevents anyone setting up as a banker without a national or State charter, nor may hire purchase companies in that country take deposits from the public. We cannot fail to be concerned at the erosion of our main source of business by privileged competitors, and at the encroachment on our freedom by the Special Deposit device. This was introduced in 1960 as a temporary expedient, but no part of these Deposits has yet been released—quite the contrary.

A DISTASTEFUL TASK

The application of the July measures to our business may seem appropriate to the need to stimulate exports and check home consumption, but it is by no means always easy to classify industries as exporting or non-exporting, and a ruthless discrimination is bound to err. Moreover, in imposing these restrictions the Bank has the distasteful task of checking its own and its customers' progress. We greatly appreciate the way our customers have accepted this

SUMMARISED BALANCE SHEET

£ million

Liabilities	31 December 1960	31 December 1961	Assets	31 December 1960	31 December 1961
Issued Capital	£23·5	£23·5	Cash and other "Liquid" items	£342·5	£371·7
Reserve, etc.	16·6	18·6	Balances with other Banks, etc.	77·7	59·4
Current, Deposit & other accounts, etc.	1,007·7	1,027·1	Special Deposit	19·4	29·5
Acceptances, etc. (contra)	54·6	73·2	Investments :		
			Gilt-edged	143·2	134·0
			Others	7·8	8·3
			Advances, etc.	447·6	455·3
			Premises	9·6	11·0
			Acceptances, etc. (contra)	54·6	73·2
	£1,102·4	£1,142·4		£1,102·4	£1,142·4

situation by adapting their needs to this renewed squeeze. We are, however, puzzled by hearing from more than one customer that they had permission to borrow abroad at short term for financing that very home trade which we are asked to discourage in order to create balances of foreign currency. Such borrowing would be a direct frustration of the efforts so laboriously made.

These admittedly short-term remedies, with the important pay pause, heavily supported by a large loan from the International Monetary Fund (£535 million) and a credit (of £179 million which was not in fact drawn upon) from the same source, did indeed quickly succeed in achieving a recovery in the sterling exchange—from a quotation of $2.78½ in July the rate rose to $2.81 11/16 by October. It is to be noted however that this strength of sterling was flattered by the weakness of the dollar ; and that much of the balances attracted to London by high interest rates was fugitive or "hot" money.

However, it is of much more importance than the incidence of these remedial steps that the weakness they were designed to cure is so acute and so chronic. Prevention has yet to be found, and though the problem is so old its solution has so far eluded all attempts. Certainly it is far too complex to be solved by any one sovereign remedy, but much more is required than the trumpet calls of exhortation. The difficulty is made greater by reason of sterling being a reserve currency in which so much of the world does its trade or reckons its values; only the dollar has a comparative importance. Sterling is therefore exposed to set-backs in many countries besides our own. But it is part of the function of a reserve currency to be bought and sold in a big way and the risks as well as the benefits—and there are benefits—have to be faced.

The United Kingdom's balance of trade is, however, by far the biggest factor affecting sterling, because both the multitude of transactions and their total volume are so vast. By their size and complexity these movements can create those sudden strains which make the balance so precarious. Our total trade exceeds that of any of the six Common Market countries; and per head of population it exceeds that of either Western Germany, France, Italy or the U.S.A. Yet our gold and foreign exchange reserves in proportion to imports are the least of any of these countries. Such an enormous volume of trade could not be carried on such slender resources without the elaborate commercial structure which has been evolved through centuries, and drawn so much international trade to British markets. The banks have an essential and irreplaceable part to play in this commerce and we may claim to carry our share of it. It is natural therefore that we should be sensitive to the restrictions imposed as a result of strains that are not of our making.

IMPORTANCE OF EXPORTS

The urgent need to promote exports in order to redress the unfavourable trade balance has provoked discussion of the availability and cost of finance for this purpose. A comparatively new feature is that exporters now require long-term credits to match the delayed payment for goods by overseas buyers who lack the sterling exchange to remit against delivery. In former days this would have been unnecessary because credit-worthy foreign governments would raise loans in the London market and so furnish a supply of sterling for their nationals. Thus the finance was provided by British holders of Foreign Bonds who also shouldered the ultimate exchange risk for payment of principal and interest on those Bonds. This form of international finance has been in eclipse for many years because of inflation, political instability abroad, and the weakness of our own payments position; the resulting gap has in fact been partially filled by the banks providing the funds, and the Export Credits Guarantee Department carrying a great part of the risk. Manufacturing companies have of course themselves borne the first slice, but the large sums involved have far exceeded their resources and they look to the banks for the main part.

We have granted substantial accommodation by way of these long-term advances; it is therefore surprising to hear it now said that there is a shortage of this kind of export finance. If there was it could surely be made good by some release of the Special Deposits mentioned above. It would be simple for us to employ sums so released in financing long-term exports without disturbing our liquidity ratio. It is true that the interest charge varies with Bank Rate so that the cost is liable to fluctuation, but this can only be a trivial part of total production costs. In fact, however, this question is under active consideration at the present time. It remains to be said that exports made on deferred payment terms can bring only a deferred benefit to the balance of payments: what is wanted is an immediate benefit.

COMMON MARKET

The Common Market negotiations have naturally aroused widespread interest because, if they are concluded with the entry of the United Kingdom, it will bring about a revolutionary, if gradual, change in British trade.

The negotiations rightly require a proper regard for this country's stake in our domestic agriculture, our Commonwealth trade and our relations with the European Free Trade Association. Outside these three provisos the whole range of business—importing, exporting and home trade—would be open to the opportunities or hazards of the Continental trade system. For some this would mean a much better market; for others, at the opposite end of the scale, the removal of protection against the harsh winds of competition would bring a severe test. The years of adaptation would involve a thorough reappraisal of our markets and production, and in this phase we believe the Bank can serve its customers with advice on trading facilities on the Continent and elsewhere, as well as in providing finance. We have made a point of keeping ourselves abreast of these considerations and they are under constant study by our Economic Intelligence Department and through the connections of our Overseas Branch and the branches of Westminster Foreign Bank in France and Belgium. Our information resources are readily at the disposal of any customer.

The preliminary moves of this Common Market prospect are already engaging the attention of the business community, but the Common Market is not to be seen as a commercial paradise even for those most qualified to trade there. All those Continental countries have enjoyed boom conditions fairly recently and it has yet to be seen whether these will be lasting or transient. It is specially noteworthy that there is for them, as for us, a difficult problem in agriculture—the most fundamental of all industries. And so the chances of success, if the United Kingdom does enter the Common Market, must be regarded with caution as well as hope. Incidentally the mood of expectation in British industry has given added stimulus to the prevalent trend towards the merging of trading companies; the services of Issuing Houses have been heavily engaged in this and in the raising of fresh capital, which has brought brisk activity to the stock markets.

In the meantime, however, nothing is more important than the pressing need to revive our vital export trade within existing market conditions. The severity of last year's experience was a sharp reminder that we cannot look for the prosperity that all desire except from our own exertions. The easy days of the seller's market seem far away and long ago; many important industries have in the last few months reported declining profit margins in the face of competition, and the struggle to keep costs down and to keep wages in step with production has an overwhelming importance. It is this which gives such urgency to the Government's suggestions for co-operation between both sides of industry in forming a realistic estimate of permissible increases in incomes. If the required co-operation is not achieved the chances of overcoming the economic difficulties that threaten us will be greatly reduced. By grappling successfully with the related problems of exports and costs we could transform our prospects; on the other hand another balance-of-payments crisis could make us look back on the troubled year 1961 as a halcyon time.

Æ ASSOCIATED ENGINEERING LTD

Manufacturers and Distributors of Pistons, Piston Rings, Cylinder Liners, Aluminium and Ferrous Castings, Turbine Blades, Machine Tools, Commercial Vehicle Radiators, Heat Exchangers and Presswork of all kinds.

The following are extracts from the circulated statement of the Chairman, Mr H. R. Moore : –

The year under review has been a very difficult one for the U.K. Motor Car Industry, which accounts for about one quarter of our total turnover.

In spite of a reduction of some 30 per cent in motor car production the total value of our supplies to the motor car manufacturers was only some 10 per cent less in 1961 than in 1960. Other main sections of our business were buoyant throughout the year, however, with the result that our total U.K. Group turnover showed only a small decline of 2½ per cent compared with 1960.

Financial Position at 30th September, 1961

	£	Financed by	£
Fixed Assets less Depreciation	13,401,882	5½% Preference Capital	3,000,000
		Ordinary Capital	7,947,007
		Reserves	4,822,629
Net Current Assets	9,002,522	6½% Debenture Stock	6,000,000
		Loans	623,924
		Minority Interest	10,844
	£22,404,404		£22,404,404

Profits for three years to 30th September

	1961	1960	1959
Trading Profit	3,933,508	4,517,215	3,711,261
Depreciation	1,081,396	847,152	755,671
Net Profit before Taxation	2,852,112	3,670,063	2,955,590
Taxation	1,355,923	1,787,227	1,432,084
	1,496,189	1,882,836	1,523,506
Net Dividends Paid	752,141	746,392	652,986
Profits retained	£744,048	£1,136,444	£870,520
Rate of Ordinary Stock Dividends paid	13⅓%	13⅓%	11⅔%

(1959 *and* 1960 *adjusted in respect of Capitalisation of Reserves in* 1961.)

Capital Expenditure. A total of £10,200,000 has been sanctioned on our programme of modernisation and expansion which will have to be financed over the next two to three years. It will not be possible to provide this sum fully from our own resources. It is accordingly your Board's intention, as soon as practicable, to make a further issue of Debenture Stock and also to increase the facilities available from the Group's Bankers.

Europe. As our entry into the European Common Market now seems likely to take place we have been giving a lot of thought recently to its effect on our Group. We feel that we are strong enough in this country to meet the competition that may well come from Continental producers and also to give them an extremely good run for their money on their home ground. We are convinced that we have adopted the right policy in acquiring our French and Italian interests and it is our intention to expand them to meet the growing European demand.

Current Outlook. Your Board feels that the difficult trading conditions of the past year will certainly continue during the current year, and probably into the succeeding year, before there is another real surge forward.

My colleagues and I are as confident as ever in the long-term prospects of your Group, and we are determined to see that it is equipped throughout the world with the best that we can provide in the way of brains and machinery.

Lord Monckton reviews the year for the MIDLAND



The one hundred and twenty-sixth Annual General Meeting of Midland Bank Limited will be held on 16th February, 1962, at the Head Office, Poultry, London, E.C.2. The following are extracts from the Statement to the Shareholders by the Chairman, The Right Honourable The Viscount Monckton of Brenchley, P.C., K.C.M.G., K.C.V.O., M.C., Q.C.:

Last summer Britain's economy was under strain and sterling was suffering severe pressure: the situation afforded another example of the disturbing "rhythmic alternation" in our country's affairs which I mentioned a year ago. Once more a serious balance of payments position gave its warning light. This time, in addition to measures aiming at the restriction of credit, the Government's remedies included fiscal action comprising surcharges over practically the whole range of customs and excise duties and purchase tax. The effect of the credit restrictions was exceptionally severe. Bank rate, raised to seven per cent in July, was still as high as six per cent when the year ended. Further Special Deposits were called for from the banking system, increasing these to three per cent of gross deposits for the clearing banks. At the same time the banks were required, individually as well as collectively, to observe closely the minimum ratio to gross deposits of thirty per cent of liquid assets, from which Special Deposits are excluded. And the banks were asked to curtail the rise in advances, particularly for personal consumption and speculative building and property development.

Other financial institutions were invited to exercise restraint on similar lines, but it was towards bank lending that the sternest measures were addressed. It is worth recalling, as we look back over the post-war years, that only for a brief period from the middle of 1958 have the banks enjoyed freedom from official restrictions on their lending operations. It is still more significant that the 1961 measures brought bank credit under restrictions even more drastic and far reaching than in previous post-war years.

There is no doubt that the situation as it developed by mid-1961 called for action that would immediately restore external confidence in the currency. This was in fact achieved by the steps already mentioned, combined with the arrangements made between central banks at Basle and by the large-scale borrowing and stand-by facilities from the International Monetary Fund.

These measures were successful in their immediate purpose of averting the threatened crisis. But temporary relief of this nature can be dearly bought. High interest rates put an added burden on the public finances and on the cost of capital investment, besides further diminishing any small net revenue from invisible items in this country's balance of payments. Again, the monetary restrictions can hardly fail to inhibit the steady growth of the economy on which ultimate success in the way of maintaining or increasing living standards depends. And as the Radcliffe Committee on the Working of the Monetary System concluded: "Monetary measures cannot alone be relied upon to keep in nice balance an economy subject to major strains from both without and within." These strains include the relationship between the rise in incomes and that in production and so it was necessary to appeal for restraint in increases in personal incomes which could have undermined further our competitive position overseas.

Even with the full armoury of monetary instruments in action, it cannot be claimed that we have yet found a means of containing inflation without arresting economic growth.

The insistent need to find an effective policy to overcome these difficulties calls for close and continuing study by some such body as the proposed National Economic Development Council. There are, however, it seems to me—two prerequisites for success in this task. The first is to establish such confidence as will command the co-operation and understanding of all sections of the community. The second is an assurance that its work can be performed against the background of a national policy which recognises that commitments of all kinds should not exceed available resources, and that these last can only be increased by effort, skill and initiative.

CHANGES IN ECONOMIC AND FINANCIAL CONDITIONS

Some of the difficulties of applying remedial measures result from the interdependence of domestic and external conditions. They are also made the more acute by fundamental changes in the environment in which the authorities have to operate. The heavy pressures on sterling, and periodic strain on the dollar, reflect these changes in international and domestic economic circumstances.

Industrial countries in Europe and elsewhere, which barely a decade ago were struggling to emerge from war-time disorders, have, with generous aid from the United States, now recovered to display new-found strength. With the extension of convertibility, other currencies besides sterling and the dollar have been in demand. Moreover, what were once dependent territories have emerged as new self-governing nations, with currency systems of their own. These and other countries with economies largely dependent on production of primary products, have also shown a determination to accelerate the development of secondary industry.

Within individual countries, too, financial systems have developed in new directions, sometimes affecting international monetary conditions. Other changes may be near at hand if Britain's entry into the Common Market is successfully negotiated, since this may be expected to involve adjustments of many kinds in business arrangements and important shifts in the pattern of trade.

Sterling plays a major part as a medium in world trade and the British banking system has for generations been accustomed to provide an international service in that field. I am confident that with the wealth of experience and the highly developed organisation at its command that system will readily adapt itself to any further changes in pattern.

In international, as in domestic monetary conditions, there are new circumstances calling for new methods of combating economic disturbances. Co-operation among central banks is by no means novel, though it was employed on a massive scale and with remarkable speed to assist sterling last year. The support for Britain provided by the International Monetary Fund was unprecedented in size in the history of the Fund. An extension of the resources and scope of the fund to enable it to provide greater assistance to members confronted with currency disturbances would seem to me one of the most constructive steps that might be taken in the field of international monetary policy. It is therefore regrettable that the most recent proposals for improvements in the Fund's facilities seem to be less suited to the needs of our times than might have been hoped. It would perhaps have been more realistic to have reviewed and adjusted the International Monetary Fund quotas which were fixed in the first place for a smaller number of member countries under very different conditions from those prevailing today.

DOMESTIC BANKING

Although the banks' lending activities were curtailed, they were able to move forward in improving services in other directions, notably by the extension of the credit transfer system so as to make it more widely available. In December last clearings of credit transfers amounted to £484 m.; this was little more than 2½ per cent of all cheque clearings, but represented about thirteen per cent of the total for the general cheque clearing. Despite this promising start, it would be unwise to assume a sustained high rate of growth in the new service over the years to come. It has to be borne in mind that in Britain, as in the United States, the use of cheques based on highly organised and smooth-working clearing arrangements has become well established in business and personal transactions.

Indeed, it can safely be said that the use of cheques would have become even more extensive but for the fact that the cost of the cheque to the user is loaded with a twopenny stamp duty. Quite apart from the deterrent to the prospective user, in order to collect a relatively small revenue—the tax provides about £5 m. a year—a heavy nuisance cost has to be borne; 600 m. cheques must be franked, and the sums debited, in amounts generally of a few shillings at a time, to the accounts of millions of bank customers each year. Nowadays an increased reliance on cheques could well be encouraged, not only on grounds of ease and simplicity in remittance, but also to lessen the risks inherent in transmitting currency which recent events have made all too familiar.

MIDLAND BANK AFFAIRS

During the year the paid-up capital of the Bank was increased from £24.2 m. to £40.3 m., in part by the capitalisation of £8.1 m. of reserves, and in part by the issue of eight million £1 shares at a price of £3 a share. Notwithstanding the decline in advances since July last, our volume of lending for 1961 as a whole was larger than in the previous year, and the level of interest rates was higher. This, with the general growth in our business, contributed to an expansion in earnings. Although salaries and other costs were also higher, our net profit is larger by £542,000 at £5,043,000. A final dividend is proposed of 7½ per cent less income tax, on the enlarged capital, following the interim dividend of 9½ per cent, less tax, on the capital as it was before the increase. This is in accordance with the expectations held out to shareholders at the time of the increase in capital last spring.

Our affiliated banks, the Clydesdale & North of Scotland Bank Limited and the Belfast Banking Company Limited, both show increased profits for the past year. The business of the Midland Bank Executor and Trustee Company Limited has expanded satisfactorily. The Forward Trust Limited experienced a difficult year and provision had to be made for bad debts arising from certain block discounting commitments. This was met by a subvention payment of £1,300,000 from the Bank.

The effect of the economic situation and the Government's policy in regard thereto was evident in the trend of our own figures. At the end of the first six months of 1961, the total for our deposits had risen, after fluctuations following a seasonal pattern but in the second half year the upward movement was checked. July as a turning point was still more evident in our advances figures. On June 30th they had reached £822 m., the highest level for the year and in the history of the Bank. During the following two-and-a-half months they fell by £70 m., and thereafter the downward trend continued slowly.

In pursuance of the Government's policy to restrict lending, we have, as on previous occasions in post-war years, met with co-operation and understanding from our customers, and I take this opportunity of thanking them for their forbearance. Many requests for support for sound development, which ordinarily we should have been pleased to grant, have had to be refused. It has been particularly disturbing for us to have had to curb the growth of our distinctive term-loan scheme for small businesses, long-term loans for farmers, and lending through our personal loans scheme. Indeed, during the past year we have seen the aggregate advanced under this last scheme falling steadily, until the amount outstanding has diminished to barely one-half the highest figure reached. Since its introduction the scheme has provided assistance through nearly 350,000 accounts.

The range and volume of assistance provided by the joint stock banks for exporters and the successive steps taken to improve facilities are not always appreciated. A large proportion of our ordinary lending goes to assist in the manufacture and preparation of goods for export, while in financing the international movement of goods our services are widely used. Where our customers have had to extend credit to overseas buyers, in the short- or medium-term, we have financed this to a record extent during the past year.

Over the whole field the volume of our foreign business again increased last year, by about six per cent, while the number of overseas payments made on behalf of customers rose by ten per cent. With the liberalisation of the currency allowance for journeys abroad and the increase in foreign travel for business and pleasure, this Bank's Travellers Cheques have been in great demand. Last year we issued nearly three millions of them, as compared with 2½ millions in 1960 and 1½ millions ten years previously.

In my Statement four years ago I referred to the special arrangements which had been made within the Bank for supplying information and general assistance for businessmen seeking to enter or extend trade with European countries. During 1961, our arrangements were carried further, particularly through the setting up of a Panel for European Trade. The Panel will ensure that all inquiries from customers and the public, but more especially those from commercial undertakings unable to maintain specialist departments of their own, will receive speedy and full attention. Senior officials serving on the Panel will devote much of their time to visiting the Continent in order to keep abreast of developments there.

OFFICE WORK AND ELECTRONICS

The numbers of current and deposit accounts opened again rose substantially, and I am pleased to report a further increase in the number of Personal Cheque Accounts, under our special scheme which provides "basic" cheque facilities at a low, pre-determined cost. We have continued our policy of establishing new branches and modernizing existing premises. During the year 60 new offices were opened.

With the growing volume of office work, we have intensified our efforts to make improvements in method and through further mechanisation. We are arranging to install two sorting machines and an electronic computer. The sorting machines will each be capable of sorting vouchers at a rate of up to 900 a minute. Our first computer centre will be established in the West End of London, where it will undertake the ledger-posting operations of sixty neighbouring branches.

MIDLAND BANK LIMITED

THE LANCASHIRE STEEL CORPORATION

INCREASED COSTS—FALL IN DEMAND—DIVIDEND MAINTAINED

Mr Philip E. Holloway reviews Corporation's activities and prospects for the future

The 32nd Annual General Meeting of The Lancashire Steel Corporation Limited will be held on February 14th at the Masonic Hall, Winmarleigh Street, Warrington.

The following is the review of the Chairman, **Mr Philip E. Holloway,** *circulated with the report and accounts for the year ended September* 30, 1961:

Before reviewing the results for the year ended September 30, 1961, I must first pay a tribute to Sir John James, who retired at the end of September after 30 years as Chairman of the Corporation and its Subsidiary Companies.

Sir John came to the Lancashire Steel Corporation as Chairman and Managing Director in 1931, shortly after the formation of the Corporation at a time when its affairs were at a very low ebb and the outlook for the steel industry generally was indeed dark. It is no exaggeration to say that, had it not been for his far-sighted and skilful handling of the situation, the company might well not have survived those early years. Since that time, under his wise guidance and leadership, the company has progressed and expanded to reach its present high state of efficiency.

As an expression of appreciation and gratitude for Sir John's outstanding services to the Corporation, your Directors feel it appropriate that he should be appointed President. A change in the Articles of Association is necessary, and a Resolution to enable this appointment to be made will be submitted to the Annual Meeting.

Sir John will be remembered not only for his outstanding business ability, but also for his unfailing kindness and interest in the well-being of all the employees and the close personal touch he kept with everyone connected with the group. We wish him a happy retirement and a well-earned rest after his many years in the industry. His interest in the affairs of the group is, however, as great as ever, and I am glad to say that his unrivalled knowledge of the steel industry is still at our disposal.

On Sir John's retirement, your Board did me the great honour of appointing me as Chairman of the Corporation and its Subsidiary Companies. It will indeed be hard to follow a man of Sir John's outstanding ability, but in facing the difficulties which lie ahead I am encouraged by the assured support of my colleagues with whom I have worked for so many years.

On taking up these appointments I relinquished the position of Managing Director of Lancashire Steel Manufacturing Company. Mr G. B. Thomas has been appointed to this position, and has also joined the Board of the Corporation. It will be my pleasure to propose his re-election at the Annual General Meeting.

I must also refer to Mr G. K. Rylands' retirement at the end of September, 1961. Mr Rylands joined Rylands Brothers in May, 1919, where he worked under Sir Peter Rylands until the latter's death in 1948. He was then appointed Managing Director of that company and Whitecross Company Limited, and continued in that capacity until his retirement. Our thanks are due to him for his services to Rylands Brothers for more than 40 years, for the great part he played in the re-organisation and development of that company and Whitecross, and for his valuable work as a member of the Board of the Corporation. Mr Rylands also played a leading part in the affairs of the wire industry for many years as Chairman or member of numerous Committees, and from December, 1948, as Chairman of the British Steel Wire Industries Association, later the Institute of Iron & Steel Wire Manufacturers. We wish him also a long and happy retirement.

Mr R. S. Bleckly has been appointed Managing Director of Rylands Brothers Limited and Whitecross Company Limited.

REVIEW OF PROFITS

I regret to report a fall of nearly £700,000 in the Manufacturing and Trading Profit for the year compared with 1960. Despite this disappointing result—the first reduction in profit since 1957, a year which was seriously affected by price awards determined by the Iron and Steel Board, and the lightning strike of the company's skilled maintenance men—the Manufacturing and Trading Profit for the year under review is still the third highest in the company's history. It is, in fact, only some £150,000 below the profit for 1959, which, until surpassed by 1960, was itself a record by a considerable margin.

The reasons for the reduction in profit this year are largely common to the steel industry as a whole. They are explained in greater detail later in this Statement.

"Other Income," i.e., Income from Trade and Other Investments, Interest on Loans, Tax Reserve Certificates, etc., is almost exactly the same as last year. It has now, however, been necessary to make overdraft arrangements with our bankers in order to finance the completion of our development programme. This will obviously have the effect of reducing considerably "Other Income" in the current year.

Partly as a result of the fall in Manufacturing Profit, the taxation liability shows a reduction of some £560,000 compared with the previous year. Another factor in this reduction, however, is the large taxation relief of approximately £475,000 (1960—£205,000) as a result of Investment Allowances on Capital Expenditure, which amounted to the exceptionally large figure, in our case, of £4,653,000. The Directors have thought it desirable to transfer an amount of £475,000, equivalent to the taxation relief, to Reserves for Replacement of Fixed Assets.

Although the Available Income shows a considerable fall for the year it still amounts to £1,532,000, and the Directors feel justified in maintaining the dividend on the Ordinary Shares at 11 per cent, the same rate as last year.

After providing for this dividend, the balance of £767,000 has been transferred to Revenue Reserves.

CONSOLIDATED BALANCE SHEET

As a result of the heavy capital expenditure during the year, the surplus of Current Assets over Liabilities, which was approximately £9 million at October 1, 1960, has fallen to just under £6,700,000, a decrease of some £2,300,000. This was, of course, to be expected—it was for the purpose of defraying the capital expenditure programme now in hand that the large surplus was built up.

The completion of our development programme in the next two years together with additional necessary capital expenditure will result in a further drain on our liquid resources, but I am glad to report that early in 1961 we arranged financial accommodation with our bankers which it is expected will enable this expenditure to be met without the necessity of raising permanent capital.

THE YEAR'S TRADING

Productions of the main sections of the steel works compared as follows with those of the year 1960:

	1961 Tons	1960 Tons	%	Plus/ Minus
Coke	423,000	355,000	+	19
Pig Iron	364,000	332,000	+	10
Ingots	598,000	599,000		—
Rods	354,000	385,000	—	8
Re-Rolled Products	62,000	66,000	—	6

The production of coke and pig iron for the year, in each case, constituted a record to date.

Unfortunately, the production figures are by no means reflected in the Manufacturing and Trading Profit, due to two main causes:

(a) **Increased Costs.** The increased charges for coal, electricity and freight which came into effect during the latter part of 1960, materially increased the cost of production throughout the year.

In addition, in April, 1961, the Government imposed a tax of 2d. per gallon on heavy hydrocarbon fuel oil, and later increased this in the Chancellor's "little budget" in July by a further 10 per cent. In common with other steel producers our furnaces were converted to fuel oil burning some years ago in view of the lower cost and advantages of oil and in conformity with the Government's policy to increase the use of liquid against solid fuels. The new taxes have resulted in an increase in our fuel cost equivalent to some 8s. per ton of steel.

Since September, 1960, therefore, cost increases, all of which are completely outside the control of the industry, have seriously affected our margins. Even taking earlier cost savings into account, the net cost increases over the past year are estimated to be well over 30s. a ton of finished steel. Against this the Iron and Steel Board has so far only awarded an increase in steel prices of 1 per cent—averaging, in our case, some 8s. 6d. per ton. And this only took effect from June 19, 1961.

In addition, during the last 18 months the industry has had to absorb the additional cost arising from an extension of the 42-hour week without loss of wages to workers not engaged in continuous processes.

We hear a great deal today to the effect that increases in costs can be offset by increased productivity. The steel industry has, since the war, spent vast sums on modernisation and extension to their plants, and this has undoubtedly enabled cost increases to be absorbed to some extent. Nevertheless, there must come a time when, short of large technological developments, continually increased charges on the scale of recent years cannot be absorbed, and it was certainly not possible to absorb them during the year under review.

(b) **Fall in demand.** A second factor which materially affected the year's profits was that, although demand for our products was maintained at a reasonably high level until the spring of 1961, in the summer a slackening of demand became apparent, due in large part to "destocking" as the financial pressure of the Government's credit squeeze made itself felt on users of steel and wire.

In a steel works the effect of a cut-back in the rate of production has a particularly marked and serious effect on costs. For a short time, therefore, in the hope that the fall in demand would be only temporary, production of billets at a normal rate was maintained, but the reduced demand continued and, with the consequent rise in stock and work-in-progress, production had to be curtailed and shift working reduced in some departments.

The fall in sales of finished products was naturally reflected in a fall in profits.

EXPORT

During the year, efforts were made to expand the sale of our products in export markets, but so far with only limited success due to the extraordinarily low prices which at present rule therein. It is almost impossible to match these prices without a reduction to a level approaching the bare cost of production.

I fully appreciate the need for increased exports so often stressed by Government spokesmen, but certain aspects of official policy do not help to achieve this end. With low profit margins at home it is clearly impossible to accept orders from abroad at unprofitable levels, and in my view it will be extremely difficult to meet the intense competition in the export market until home margins are restored.

DEVELOPMENT

Substantial progress was made during the year in our development programme, the position reached in the case of the larger projects being:

Iron and Steel

Ore Handling Scheme. The ore handling scheme at the wharf on the Manchester Ship Canal is now complete and in operation.

Coal Stocking and Blending Plant. It is expected that the first stage of this plant will come into operation in March, and the second stage in June, 1962.

Ore Drying Plant. This plant came into operation late in the year. It is already proving of great benefit in simplifying the handling of wet ores for direct use in the blast furnaces and will be invaluable for use with the new sinter plant.

Sinter Plant. Unfortunately, progress on the sinter plant has suffered due to late delivery of steelwork by some of the contracting firms; it is now scheduled to come into production in the autumn of 1962.

Steel Furnaces. It is expected that the third 250-ton furnace will come into production in the spring of 1962, and should have a marked effect on costs.

Conversion of the steel furnaces to "all basic" design continued, and, with the exception of two furnaces, is now complete. This has materially increased the furnace lives and consequently reduced the cost of rebuilding which is always a heavy item in a steel plant.

New Rod & Bar Mill. Unfortunately, the new rod and bar mill at Irlam has been somewhat delayed, but is expected to commence production in the summer of 1962. This mill will produce wire rod of the highest quality, and the extra capacity will permit us to modernise and improve the existing Irlam rod mill which was installed in 1933.

WIRE AND WIRE PRODUCTS

During the year Rylands and Whitecross spent £299,000 on capital and development projects, including the installation of further wire-drawing and other machines of the latest type and capable of the highest speeds; a new factory for the production of hinged joint fence ("Rylock"); the installation in the galvanising department of new and better methods of winding in order to produce heavier coils; and other improvements designed to widen the range of our products and increase our efficiency.

OVERSEAS DEVELOPMENT

Unfortunately, the installation of the wire rod mill which it was anticipated would be in operation early in 1961 at the works of our subsidiary company at Que Que, Southern Rhodesia, has been delayed by late delivery of equipment. In addition, due no doubt to the political conditions, there has been a severe falling off in trade generally throughout the Federation, and the two factors have seriously affected the company's operation. The rod mill is now expected to commence rolling in the early months of 1962, and will, I hope, improve matters considerably.

During the year, additional galvanising and other equipment has been installed, and the company is now in a position to supply a wide range of galvanised and bright drawn wire, and well placed to take advantage of a revival in trade.

The adverse trading conditions in the Federation have also affected the Rhodesian Iron and Steel Company, in which the Corporation are shareholders. The first development scheme of that company is now complete, and further developments are being explored.

I am confident that, given a satisfactory solution of the present political difficulties, there will be a prosperous future both for the country and the two companies in which we are interested.

PROSPECTS

In Sir John's review at the Annual General Meeting last year he said that "the prospects for the immediate future are somewhat obscure." This is even more true today.

Amongst the many factors which make it difficult to forecast the immediate future, I may mention that the steel industry at the present time has large surplus capacity which, due to the fall in demand, is far from being utilised, and that new plant now in course of construction or planned will considerably increase that capacity within the next few years—that "de-stocking" by steel users is by no means complete and that it is unlikely that they will again carry stocks to the same extent as in the past—that the Industry is labouring under increased costs which have not so far been offset by commensurate increases in selling prices—that further increases in costs, e.g. in transport charges and in certain coals are coming into effect in the new year—that strong opposition which may well result in industrial disputes or further increases in wages is developing to the "pay pause," and that the Restrictive Trade Practices Act will shortly affect to an unknown extent conditions in the wire industry.

The possibility that this country may enter the Common Market renders the longer term future uncertain, as the conditions under which steel is sold in that market are entirely new to the industry in this country, and, until they have been experienced, it is difficult to estimate to what extent they will affect the British steel industry.

There are, however, hopeful aspects so far as this company is concerned. At the end of August the demand for our rods showed some improvements, which I am glad to say has been maintained, and normal working is in operation in the two rod mills. We expect very shortly to be in a position to supply bars of all types for reinforcing work, and anticipate that this market will materially improve the load on the steel works. Furthermore, the development schemes to which I have referred, and which will come into operation during the year, will undoubtedly strengthen our competitive position.

I am confident, therefore, that given an opportunity to conduct our business on normal commercial principles, this company can face the future with reasoned confidence.

I must, however, warn Shareholders that the profits of the current year to date are appreciably below those for the corresponding period of 1960-61, and, unless there is a marked upsurge in demand in the immediate future, and an alleviation of some of the burdens under which we are labouring, the profits for the current year are unlikely to equal those of last year.

STAFF

During a difficult year, we have been well served by the loyal and devoted efforts of all our employees, on whom the company so greatly depends, and, on behalf of myself and the Board, I take this opportunity of extending our sincere thanks to them.

RICHARD THOMAS & BALDWINS LIMITED

Changed Market Conditions: Reduction in Profits

Europe's most advanced steelworks takes shape

Chairman reviews year of transition

The following are extracts from Statement circulated with the Accounts by the Chairman, Mr. G. C. R. ELEY, CBE.

In my Statement last year when discussing prospects for 1960/61, I remarked that the first months of the New Year had witnessed a general easing in demand for Steel Sheet and Tinplate and lower prices in export markets; that wages had risen; and that the price of coal, one of our main raw materials, had been abruptly increased, and that this was likely to lead to consequential increases in the cost of electricity and other services. Profit margins were being pared from both above and below, while turnover was being checked. I continued:—

"None of our present main development schemes will contribute materially to our profits during the current financial year so that, unless there is a recovery in demand, it would be unwise to expect our trading profits to be as high as they were last year. Indeed, they are likely to be lower. Out of these profits we shall have to meet higher interest and other charges on our large development expenditures at Llanwern and elsewhere."

In the event, the situation revealed during those first months worsened appreciably as the year advanced. In July the credit squeeze was tightened sharply with a resultant restriction on hire purchase finance for consumer goods. At the same time, bank rate was raised to 7%, which provided an immediate inducement for industry to begin running down its considerable stocks. The demand for steel fell rapidly, and export prices dropped until they carried little and often no element of profit. The drastic character of the change in the Steel Industry's prosperity is illustrated by the fact that the utilisation of British steel-making capacity is estimated as a whole to have fallen from 92% in the first quarter of 1961 to 78% in the third quarter.

TURNOVER AND TRADING PROFITS

In our own case, turnover during the year fell from £103,500,000 to £96,000,000, and Manufacturing and Trading Profits from £11,757,725 to £9,106,246. The principal causes of this severe drop were:—

1. During 1960/61, R.T.B. suffered exceptionally from being in a transitional period. For example:—
   (a) In changed market conditions we have still had to use unprepared blast furnace burdens at Ebbw Vale and Redbourn, with consequent high coke consumption. This will be corrected when our new ore preparation and sinter plants become operative during the latter half of our current financial year.
   (b) We were still operating a number of old-type steelworks and sheet mills in West Wales, Monmouthshire and the Midlands. In a time of high demand, profitable export prices, and reasonable margins in the home trade—such as ruled in 1959/60—these old-type plants were able to make a fair contribution to our profits. However, in a time of poor demand, low export prices, and weak margins in the home trade, most of these Works became a liability. As I report later in my Statement, we closed certain of these Works during the year.
   (c) Electrolytic tinning capacity at Ebbw Vale was insufficient to meet the changing demand for electrolytically coated plate in substitution for tinplate manufactured by the hot-dipped process. This is being remedied by the construction of our second electrolytic tinning line, which has just been brought into effective production and is amongst the most modern in the world.
2. The considerable increases in the price of coal and other materials, in wages and in many other costs—including the tax on heavy oils and coal tar fuels introduced in the Budget—which have occurred since September, 1960. These were only fractionally offset by the Iron and Steel Board's small increase in home trade maximum prices in June, 1961.
3. The reduction in our total volume of sales by over 7% and the intense competition in export markets, which resulted, as the period advanced, in quite unremunerative prices overseas. We have always been substantial exporters and our direct exports in 1960/61 amounted to nearly £19,000,000.
4. Keen competition in the home market, which forced down prices for secondary and subprime materials—inevitable by-products in our section of the industry—to abnormally low levels.

NET PROFITS AND DIVIDEND

Net Profit before taxation, after providing for interest and other expenses on all our normal development schemes, and for redundancy payments and stock losses on the closure of certain old-type Works, amounted to £4,054,020, by comparison with £11,188,733 in the previous year. The exceptional and gigantic scale of Spencer Works—involving more than doubling the Company's assets—has led us to decide that until it is completed and brought into production, charges associated with it—£2,748,339 in the current year—should not properly be borne out of trading profits. They could be capitalised, but we have preferred to provide for them out of our General Revenue Reserve.

The Net Profit applicable to the Group, after taxation—which was negligible owing to the relief provided by investment allowances—amounted to £4,113,496 as against £8,796,700 in 1959/60.

Our capital expenditure during the year amounted to over £80,000,000 (including £65,500,000 for Spencer Works) as against some £37,000,000 in 1959/60. The great bulk of this expenditure had to be found by borrowing and on this borrowing we have had to pay interest, owing to bank rate increases, at unexpectedly high rates. Excluding Spencer Works, our outgoings for interest amounted to £812,545, by comparison with £133,170 in the previous year. The interest charges in respect of Spencer Works amounted to £2,185,000. In the circumstances described, your Directors have recommended the payment of a final dividend of 2½% (9% last year), making a total of 6½% for the full year (13½% last year), and are allocating £1,950,000 to Fixed Assets Replacement Reserve and £2,200,000 to General Revenue Reserve. The surplus carried forward will be £8,540,605. Next year it is intended to discontinue the payment of an interim dividend and to decide on the year's dividend when the full results are known.

THE ACCOUNTS

Turning to the Consolidated Balance Sheet, I would call your attention to the fact that Capital Reserves stand at £23,367,473. General Revenue Reserve stands at £20,449,760, after charging the expenditure associated with Spencer Works and the provisions for past service pension contributions referred to below. Loans for all purposes increased from £9,571,476 to £81,800,000 and creditors for Development Schemes rose from £12,026,705 to £20,237,972. Bank overdrafts at £8,631,681 were lower than last year by £1,598,385.

At the beginning of the year, we transferred £1,900,000 from General Revenue Reserve to a provision for pension contributions in respect of past service. It is estimated that this will take care of the payments that we shall have to make during the next seven years in connection with the past service element of our pension schemes. The provision now stands in our Balance Sheet at £1,650,000 after having been debited with £250,000 for contributions paid out during the current year. The main feature on the Assets side of the Balance Sheet is the increase in Land, Buildings, Plant, etc., from £75,196,202 to £151,277,712. This is the broad measure of the year's Capital Expenditure after deducting depreciation.

The reduction of £50,000 in Trade Investments is accounted for by the repayment of a loan of £100,000 made to William Robertson Ltd. and calls of £50,000 on our shares in British Ore Investment Corporation Ltd. Further calls will become due on this investment, and these, together with a sum of £400,000 which we have guaranteed, may ultimately amount to £1,055,000.

THE FUTURE

As I have explained earlier, the steel industry is currently involved in a recession. This came on suddenly, was intensified by the various credit restriction measures, upset all previous calculations, and has outlasted expectations. Although it seems possible that the bottom has been reached, and that we may anticipate a return to more normal conditions towards the end of 1962, it must be remembered that substantial additional capacity will be brought into operation in Britain during the course of the year. Moreover, the rate of increase in productive capacity, both here and overseas, has for the time being outstripped demand.

In these circumstances, competition is certain to remain keen, and remunerative prices in export markets may be even more difficult to secure. Such factors make it unusually difficult to forecast the level of our trading profits in the coming financial year. It is clear, however, that there will have to be a considerable improvement in demand—and an increase in prices—if trading profits are to equal or to be better than those in the period under review. Our development schemes should come into production during 1962, but are unlikely to make any significant contribution to our trading profits before 1963. Out of the current year's trading profits we shall have to bear very large additional amounts for interest, depreciation and other charges.

The difficult conditions I have outlined present a challenge which we are taking up energetically—a challenge to reduce costs, to improve qualities still further, and to intensify our selling efforts throughout the world. As I have already indicated, it is now estimated that demand, at any rate in the immediate future, will be lower while productive capacity will be higher than was expected when we embarked upon our development schemes and subsequently enlarged them to meet the request of the Iron and Steel Board to increase output. Nevertheless, when our new capacity is in production and demand is once again expanding, we should reap an appropriate harvest. We have every confidence in the Company's long-term future, and in its substantial growth potential.

SPENCER WORKS

Construction of our new integrated steel works at Llanwern, Nr. Newport, proceeded steadily during 1961. The blast furnaces, cooling towers, gas-holders, coke ovens and huge hot-rolling and cold-rolling buildings have assumed their final shapes, and the plant and equipment is in the finishing stages of installation; 35 miles of railway track have been laid, and 20 miles of roads completed. The new Waltwood Reservoir has been finished and the imported ore conveying system has been completed and is in use. If work continues to go forward according to plan, production should commence during the first half of 1962 and the full productive capacity be available by the end of the year. Stocking of raw materials preparatory to the commencement of operations has already begun. Automatic control of the hot strip and cold reduction mills is being installed and improved efficiency should result.

OTHER DEVELOPMENTS

At Redbourn, the development scheme has taken longer to complete than was envisaged, but the ore preparation plant and the continuous billet mill should be in operation by the end of April, 1962. The Rotor furnace has been completed and experimental work is in progress. At Panteg the new Sendzimir mill for the cold reduction of stainless steel coils is in operation and progress is being made with the erection of the experimental continuous casting plant.

CLOSURE OF OLD-TYPE WORKS

I have already referred to the disadvantages of old-type works in current circumstances. During 1961 it became necessary for us to close the Dyffryn steelworks and billet mill, the Abercarn tinning plant, and the foundries at the Machynys Foundry & Engineering Works. Subsequently we have had to announce the closure of the Pontnewynydd Sheet Works and the Pontymister Steel Works and Foundries of our subsidiary company, Partridge, Jones and John Paton, Ltd.

TRIBUTE TO THE STAFF

The year under review has been exacting for employees at all levels. There has been sufficient battle on the normal business front fully to engage any organisation. When you remember that this unexpectedly strenuous fight has been against the background of our huge new expansion programmes, which have called for ceaseless flexibility and ingenuity in dealing with the flow of problems that inevitably accompany such changes, you will appreciate the sincerity with which I extend my thanks to your Managing Director, Mr. Spencer—a fighter if ever there was one—his executive colleagues, and to every other member of our organisation, both staff and operatives. Although, in common with the rest of the steel industry, we are moving through difficult times, I know that all employees will share my confidence in the future.

RTB

LLOYD'S PACKING WAREHOUSES (HOLDINGS) LIMITED

Statement by the Chairman

SIR ERIC A. CARPENTER O.B.E.

Reorganisation for future benefit

In his speech at the sixty-sixth annual general meeting of Lloyd's Packing Warehouses (Holdings) Limited on February 7, 1962, the Chairman, **Sir Eric A. Carpenter, O.B.E.**, will report with regret a Group Trading Loss of £527,912 reducing, after adjustments in respect of Taxation, outside shareholders' interests and pre-acquisition profits, to a Nett Loss of £468,886.

After transferring £100,000 from Stock and Contingencies Reserve and £50,000 from General Reserve, and adding £452,777, the balance brought forward from the previous year, there is an available balance in the Group of £133,891.

An Interim Dividend of 2½ per cent (less Income Tax) was paid on the Ordinary Stock in July, 1961, and your Directors recommend the payment of a Final Dividend of 2½ per cent (less Income Tax) on that Stock, making a total of 5 per cent (less Income Tax) for the year.

The Dividends on the Preference and Ordinary Stock already paid, together with the recommended Dividend absorb £59,400, leaving a balance to carry forward in the Group of £74,491.

Current Assets exceed Current Liabilities by £1,578,423, whilst combined Capital and Revenue Reserves total £1,629,919.

Directorial Changes.—On February 1, 1961, Mr J. Stone succeeded Mr Frank L. Chaplin as Managing Director and Mr H Dickinson was appointed Deputy Chairman. Mr J. H. Williams and Mr J. E. Dallas have resigned; Mr A. S. Blackwell and Mr E. K. Long (of Long & Crawford Ltd.) have been appointed to the Board.

Radio & Television Division.—A heavy loss of £582,038 was incurred in Regentone Products and led to the decision to stem further heavy losses by the disposal of the factory and plant at Romford, yielding a Capital profit of £83,619, and to arrange for manufacture to our specification on a contractual basis. Deteriorating conditions in the industry led to wholesale slaughter of prices and an exceptional incidence of bad debts, resulting in a greater loss than the interim statement anticipated. By strengthening management and diversification of merchandise, the Board anticipates ultimately good results.

Engineering Division.—Long & Crawford Limited have maintained a satisfactory turnover and profit. Much work has been carried out in the year under review providing for increased capacity and new developments from which it is confidently anticipated benefits will accrue in the current year.

Food Division.—N. Kilvert & Sons Limited have increased turnover at a satisfactory margin of profit. Their products, particularly Kilverts Pure Lard, enjoy a high reputation and the Board proposes to extend both the area of marketing and the range of products. Substantial initial advertising and sales organisation has been undertaken and considerable benefits should accrue.

Packing Division.—The further fall in textile exports has meant that capacity has not been fully employed, with consequent reduction in profits. Political conditions in Africa, the main market, give no promise of immediate recovery.

In machinery and other fields of packing, the general decline in exports has led to less demand for packing services. The Division has borne expenditure on the development of new techniques which will show profitable results.

Paper & Packaging Division.—Grove Mill Paper Company Limited, despite generally falling demand in the industry, has maintained turnover but at progressively declining margins. Major modernisation of plant has been carried out which, coupled with specialisation of production, will enable the unit to combat increasing competition.

The advantage derived from Packaging Products (Holdings) Ltd. has been maintained but taxation has diminished the immediate return.

Increased costs with no compensating increase in price has meant that F. T. Pillivant Limited, while maintaining turnover, have suffered reduction of profit. The concentration of T. A. Lever & Sons Limited and Alfred Eva & Son Limited has involved exceptional costs in removal and disruption of production but the new unit, Eva-Lever Limited, is well housed and equipped and improved results are anticipated.

Timber Division.—The year has been difficult and results disappointing. Profit margins have declined and substantial provision has been made for write-down of stocks. Management has now been strengthened and stricter control exercised over funds.

Transportation, Storage and Travel Division.—Transport and warehousing have satisfactorily maintained their level of profit.

The Travel section, closely associated with the transatlantic air and steamship carriers, has in common with them suffered severely from the decline in American travel. These circumstances coupled with weaknesses which experience of the Arthur Robson Group has revealed have resulted in a heavy loss. Steps have been taken to strengthen management, to exercise a greater control over finance and to reduce overheads substantially.

Summary.—The financial year, particularly in the second half, has been most disappointing. All Divisions have been adversely affected by trading and financial conditions, with consequent reductions in profit margins and the necessary provision of approximately £100,000 for Bad Debts. In addition the year under review has borne the considerable expenditure entailed by a policy of development to replace declining industries, the benefits from which will accrue in the future.

The Chairman was happy to state that Mr Stone had faced with courage and vigour his very difficult first period of office and under his leadership the Group as a whole has been trading at a profit since the turn of the financial year; he had no doubt that this improvement would continue.

The Chairman and his co-Directors extended to all employees in the Group sincere thanks for their loyal service throughout the year.

Registered Office: 20 Princess Street, Manchester 1

AGRICULTURE 1962

Extracts from the Annual Address by Mr Harold Woolley, C.B.E., The President of the National Farmers Union, delivered on January 22, 1962, at the Central Hall, Westminster.



Mr Harold Woolley, C.B.E.

Economic planning is very much in the national news. The Chancellor of the Exchequer has put forward a scheme for a National Economic Development Council, with the aim of so balancing the main elements in the national economy as to provide the greatest opportunity for steady economic growth, without the dangers and disruptions of recurring bouts of inflation.

We have been operating economic planning for a good many years in our industry and the Annual Review, which is much more than a price fixing operation, is the main instrument for this purpose. I should like to say a few words about the situation at the last Review, which was the first to take place after the full investigation which occupied the latter half of 1960 and the declaration of Government view which followed it.

The calculation of the Net Income of the industry was forecast at £359 million for the year 1960/61: on the basis of normal weather conditions it was estimated that the figure would have been £373 million. When this is related to output we see that net output compared with the immediate post-war years had increased by about 40 per cent and real income had increased by only 5 per cent. The corresponding figures for the nation as a whole were rather less than a 40 per cent increase in production and about a 45 per cent increase in real income.

The explanation for this disparity in the rate of progress between agricultural incomes and average national incomes is largely due to the fact that over that period of time we had absorbed costs on the review commodities to the tune of £200 million when most other industries were passing their costs on to their customers. It is also important to keep in mind that agriculture's increased output over the pre-war level is evaluated as being worth about £300 million a year, a factor of considerable significance to our strained national balance of payments. These facts seldom seem to be given due weight and are often not recognised at all by those who assume to themselves the right to lecture our industry. Neither do these people seem to realise that the saving of essential imports and the creation of trade at home is as great a service to the country as the earning of exports.

The final outcome of the 1961 Price Review was an increase of £14 million in the total value of the Guarantees against increased costs of £19 million on the review commodities. This was a more reasonable recognition by Government of the economic situation of the industry than has been the case for some time and I am sure, though some people thought differently, that the industry generally regarded this as a basis on which we were right in agreeing to the settlement.

BEST FOOD VALUE

Our method of support came under attack when the Supplementary Estimates were published and revealed an increase of £78 million in the estimate of the amount of Government support payment.

If we view the situation in perspective and try to consider where the joint balance of interest lies, we find that, taking our food as a whole, the element of food cost paid by tax-payers additional to the counter price has been running at about £260 million over the past eight years, which is slightly less than 2s. per head of the population per week.

Is this really a high premium to ensure plentiful supplies at low prices as well as to enable the country's largest industry to play its full part in invigorating and strengthening the whole national economy? There is no questioning the fact that, taking into account quality, quantity, opportunity of choice and value for money, the British public have the most advantageous food position of any country in Europe.

COMMERCIAL PROGRESS

When I spoke at last year's Annual General Meeting I said that we anticipated that the main emphasis in our work at Headquarters in 1961 would be in the field of commercial development. We already possess many of the component parts for the purpose of commercial co-ordination: our national producer marketing organisations, statutory and otherwise; our agricultural trading societies; the buying groups, and the groups which have been developed for selling some of our commodities, such as the County Quality Bacon Federation. I feel that great praise is due to the men who have shown so much enterprise and have thrown themselves with unsparing vigour into these efforts. I believe there is tremendous potential in these developments provided that they can be so geared together that the engine power is transmitted into maximum rate of progress of the whole industry. After a thorough examination of the matter by a Joint Committee of the NFU and ACCA we have recently launched a national commercial company, Agricultural Central Trading Ltd., under the Chairmanship of Sir Miles Thomas. Whilst the initial task of this Company is to make available to organised bodies of farmers and growers a wholesale purchasing business, there are potentialities for such a Company, in some commodities at any rate, to work in harmony with national producer marketing organisations in helping to organise and service commercial groups of producers to develop the pattern of their production to meet definite marketing objectives.

COMMON MARKET

Finally, let me turn to perhaps the biggest question mark hanging over 1962—the European Common Market. Our Government has taken the decision to try and negotiate terms which it could accept as satisfactory for this country. Government spokesmen have made it clear that such terms must meet several main considerations. The Prime Minister himself has said "I want to make it quite clear that the interests of agriculture, the Commonwealth and our partners in EFTA must be a precondition for any negotiations to be satisfactory." Specifically with respect to agriculture, he has said: "Our objective is to have a prosperous, stable and efficient agricultural industry, organised to provide a good life for those who live and work in the countryside. This represents the fixed decision of the nation."

We have made it quite clear that, in our view, the Government's pledges to the industry can be effectively implemented only through the continuation of the system of annual reviews. These reviews must entail, as now, an examination of the level of net income, changes in production costs, the trend of production and consumption and other relevant factors. They must be held on a national basis as a prelude to any review at Community level.

Secondly, we have emphasised that a common agricultural policy must provide that these annual reviews are the basis for determining firm price guarantees for the main agricultural products. Thirdly, the non-review commodities, especially horticultural products, which have received support through the tariff rather than by direct means, must continue to be effectively and adequately supported. Fourthly, that our producer marketing organisations should be enabled to play their full part in any new scheme of things.

We go forward into another year with our organisation in good heart and a special word of appreciation to all those who have worked so hard to revise subscriptions, particularly our County and Group Secretaries, and to our members for responding so well.

We must maintain our work on the political front and greatly increase our efforts on the commercial front while keeping clearly in our sights the real task of our industry and of the NFU, to make the maximum contribution to the wellbeing of our country and to obtain a fair reward for those whose livelihood is derived from agriculture and horticulture. It is as true today as it has ever been that "Agriculture serves the Nation."

ARTHUR LEE & SONS LIMITED

SATISFACTORY OUTCOME OF A DIFFICULT YEAR

The annual general meeting of Arthur Lee & Sons Limited was held on January 26th at Sheffield.

The following is an extract from the circulated Statement of the Chairman and Managing Director, **Mr G. Wilton Lee, TD, JP.**

It is my pleasure to place before you the Accounts for the financial year ended September 30, 1961. As I predicted last January, conditions changed completely as the year progressed and our profits declined accordingly. In the circumstances the trading profit for the year of over £1,300,000 must be considered good.

ACCOUNTS

After charging £430,618 for Depreciation and Additional Depreciation, the Group trading profit is £1,316,990, a reduction of 20 per cent on the previous record year. At first sight this may seem disappointing, but it is the second best year in the Company's history and was achieved under much more difficult conditions than those obtaining in the previous year. Taxation is again a heavy burden, taking 54½ per cent of our profits, i.e., 2 per cent more than last year, mainly due to the increase in the rate of Profits Tax.

We have paid particular attention to the question of Pensions, and this year have decided to set aside a sum of £100,000 towards the provision of Past Service Pensions.

The interest of shareholders in the Group has again increased substantially and now stands at £6,137,914. The excess of Current Assets over Current Liabilities is still over £4 million and liquidity has improved.

DIVIDENDS

You will recollect that in my Statement last year I said that in view of the exceptional results we would, in addition to the total dividend of 11 per cent, pay a bonus of 2½ per cent. The results in that year were outstanding in that they were an increase of 79 per cent over the previous year and we felt justified in paying this bonus, having in mind the fact that it was unlikely we should achieve similar results for some time in view of the prospects ahead of us. This year due to the fall in profits we decided to pay a Final of 7 per cent making, with the Interim dividend of 4 per cent, a total of 11 per cent, but to reduce the bonus to 1 per cent. Our reason for this is largely due to the reduction in profit, but also to the fact that we are passing through a very difficult trading period with uncertain prospects. Furthermore, we wish to conserve our resources as we are contemplating considerable capital expenditure in the near future and we do not wish to raise more permanent capital at a time when interest rates are so high.

FUTURE PROSPECTS

It is impossible on this occasion to be very optimistic about the immediate prospects as it would appear that the recession through which we are now passing will continue at least until the Spring. At the present time we are suffering from depleted order books and living in the hope that the Government will be in a position to relax the credit squeeze, which might result in a return of confidence and increased purchasing in the motor and consumer goods industries.

We feel that the only cure for our present troubles is a period of stability both in wages and prices. The present Government's policy of stop-and-go, coupled with increases in Profits Tax and Fuel Tax such as we suffered last year, are most discouraging to employers and damaging to trade generally. We hope that the National Economic Development Council will be sufficiently inspired to give that fillip to industry which it so badly needs.

Whilst therefore the immediate prospects appear only fair, nevertheless we face the long term challenge of changing conditions with confidence.

THE AVON INDIA RUBBER COMPANY

GROUP SALES AGAIN A RECORD

The seventy-second ordinary general meeting of The Avon India Rubber Company Limited was held on January 22nd at Melksham, Wilts. **Mr C. M. Floyd, OBE** (the Chairman), presiding.

The following is an extract from his circulated statement:

Group Profit for the year before taxation amounted to £482,086 (£476,171 last year); taxation takes £194,633 (after a credit of £28,836 in respect of previous years) compared with £236,922 last year, and the Group profit after taxation amounts to £287,453 (£239,249 last year). Of this total £2,558 is attributable to minority shareholders in our subsidiaries, leaving £284,895 attributable to the Company compared with £233,252 last year.

As Shareholders will know, the winter of 1960-61 saw a sharp recession in the Motor Industry, which affected your Parent Company's motor tyre sales. Further, the reduction in the sale of motor cars reduced our sales of other component parts and finally the Industry Wage Award of September, 1960, increased our costs.

Despite these adverse factors Group Sales were again a record and profits before taxation have been maintained. This has been made possible by our development and sale of other products.

In October we introduced the new Avon H.M. Safety car tyre. We believe this tyre makes a real contribution to safer motoring, and the reception given to it has been most encouraging.

Your Directors see no reason to qualify the expression of confidence made last year in the future demands for the high quality products of the Group.

The report was adopted and the final dividend of 7½ per cent making 12½ per cent for the year (same) was approved.

TEACHER (DISTILLERS) LIMITED

A GRATIFYING TRADING ACHIEVEMENT

The Thirteenth Annual General Meeting of Teacher (Distillers) Limited was held on January 23rd in Glasgow, **Mr R. M. Teacher** (the chairman) presiding.

In the course of his speech, the chairman said it would be remembered that their profit last year was considerably influenced by shipments abroad made in the previous financial year to ensure supplies for the Christmas period of that year, and which would normally have been reflected in that year's results. The Gross Profit earned by the Group at £913,785 compared very favourably with that somewhat inflated year, and on last year's figure of £737,003 an increase of £176,782. The net Profit attributable to the Group was £389,538 as against £334,497, an increase of £55,041.

The Chairman continued: In spite of the increase in the retail price of Scotch Whisky by the Industry in July, and the further imposition of the 10 per cent Surcharge Duty at the end of July, it is gratifying that the sales of Scotch Whisky continue their upward trend in the Home Market, and while costs continue to rise and competition becomes keener, your Board are pleased to report that again our sales of HIGHLAND CREAM show a substantial percentage increase over that of the Industry as a whole and for the past financial year to September 30th are more than 50 per cent better than for that period last year. Your Board feel, therefore, that the policy of maintaining the high quality of HIGHLAND CREAM until supplies were available to meet the demand, has been fully justified. While we are faced with possible further impositions, our new Plant at Craigpark here in Glasgow, and due to be in production shortly, should be of great benefit in offsetting rising costs.

EXPORT MARKETS

The Exports of Scotch Whisky abroad continue to show the growing acceptance and popularity of the product of this great Industry of Scotland still one of the leading dollar earners in the principal market of the United States, but more and more Markets are being affected by the economy of the countries. The United States has a tax discrimination on the import of Scotch Whisky in bottle, Canada the basis of assessment of duty, New Zealand has just recently pegged imports, and currency difficulties and duties tend to increase in South and Central America. We are, however, fully maintaining our share of the Markets, and in Australia our sales have further improved over those of last year following upon the removal of import restrictions in February, 1960. South Africa has also shown improved results and steady progress is being made in the European Market.

Results at the Distilleries have been most satisfactory and co-operation between them has been of material benefit. Production in the Industry continues to rise both in Malt and Grain Whiskies and this provides the forecast that the Industry is still confident that the growth in the demand for Scotch Whisky distilled and bottled in Scotland will continue if present conditions prevail.

The report was adopted and a final dividend of 9 per cent making 14 per cent for the year was approved.

COURTAULDS, LIMITED

Financial Statement

This financial review of your Company's present position and future growth prospects has been prepared by the Directors in consultation with their financial advisers, Baring Brothers & Co., Limited, and Messrs Binder, Hamlyn & Co., Chartered Accountants, in order to provide Stockholders with up-to-date information regarding the Group, its assets and its earnings. As Stockholders will be aware, the Directors have already announced that they must advise Stockholders not to accept an Imperial Chemical Industries Limited offer on the terms disclosed on 17th January, 1962, on the grounds that it would seriously undervalue the earning capacity of Courtaulds in relation to that of I.C.I. They have based this advice on information regarding past and future earnings of I.C.I. disclosed to them in confidence, which has not yet been made available to the public. This review does not contain the Directors' comments on the I.C.I. offer, which will be sent to Stockholders when the offer document is available.

Courtaulds tend to be regarded by investors as primarily a textile company, even though by far the greater part of their capital is employed not in textiles but in man-made fibre production, packaging, pulp, chemicals and paint. In these circumstances, this financial review of your Company's present position and future growth prospects has been divided into two parts, the first dealing with Courtaulds' own fibre and associated activities (including textiles) and the second with their other investments.

The major factors regarding Courtaulds' financial position, as disclosed by this review, are summarised below:

(a) **Total Group profits for 1960/61 and those forecast for future years are as follows:**

1960/61 actual	**£18.7 mn.**
1961/62 (final three months estimated)	**£17.5 mn.**
1962/63 estimated	**£23.0 mn.**
1964/65 estimated	**£28.5 mn.**

(b) The substantial increase in profits from Courtaulds' own fibre and associated activities is expected for the following reasons:

(i) The vigorous and effective action taken to arrest and reverse the decline in profits from viscose yarns and fibres.

(ii) The continued expansion in profits from British Celanese Limited and from Courtelle.

(iii) The recovery already apparent from the short-term market recession in the first part of 1961.

Profits before tax from this section of the business in 1962/63 are expected to be some 40-50 per cent higher than the £9.7 mn. earned in 1960/61.

(c) The current value of Courtaulds' investments outside their own fibre and associated activities is assessed at £120 *mn.*, equivalent to more than 30s. per £1 Ordinary stock in issue. On the basis of 1960/61 results, the distributable income from these other investments, even after allowing for substantial retentions of profit by the constituent companies, is equivalent to £5.62mn., representing 7 per cent (or 1s. 5d. per £1 unit) on Courtaulds' issued Ordinary stock.

(d) Total profits before tax for the year to March 31, 1963, are now forecast at £23 mn. This compares with an earlier routine forecast of £18.5 mn., completed in September 1961, which was disclosed to I.C.I. on December 12, 1961, together with a forecast dividend of 11 per cent for that year. At the same time I.C.I. were told that a rapid increase in profits from 1963 onwards was expected. The increased forecast now given is largely due to the acquisition of British Enka Limited in November, 1961, and the recent arrangements to take over the Lustrafil viscose yarn production which have made it possible to accelerate the rationalisation of the UK viscose industry.

(e) The value to be attributed to Courtaulds' issued capital should take into account both:

(i) The value of their own fibre and associated activities referred to in (b) and

(ii) The value of their other investments referred to in (c).

Dividends

Courtaulds are confident that the cash flow from the increased profits which are foreseen will be adequate both to provide the additional fixed and working capital called for by their future plans, and at the same time to allow for a policy of consistent and steadily increasing dividend distributions.

It is Courtaulds' practice to prepare long-term estimates of future results, and these have been carefully reviewed during the past few weeks in the light of all the information at present available. The figures of future profits used in this statement have been extracted from these forecasts, and are intended to indicate the trends which are expected by the Board to be applicable in the future.

1. FIBRES AND ASSOCIATED ACTIVITIES INCLUDING TEXTILES

Courtaulds' interest in Net Assets at Balance Sheet Values at March 31, 1961—£122 mn.

These can be divided into three main groups:

(a) Viscose Yarns and Fibres and Related Activities (including pulp, viscose chemicals and Courtaulds' weaving subsidiary).

Courtaulds' profits from viscose and related activities have suffered heavily in recent years from structural weaknesses within the viscose industry; in the year ending March 31, 1962, profits are estimated at only £5.1 million, compared with £12.0 million in 1955/56. Courtaulds have, over the past few years, taken vigorous and effective steps to deal with this situation. They have shut two of their older factories, absorbed and closed down Harbens Limited, taken over Lustrafil's production, and have acquired British Enka in order to achieve further rationalisation. This radical re-organisation of the industry, which caused large non-recurrent expenses, has eliminated idle capacity and duplication of overheads.

Products have been improved and lower raw material prices have been established. In pulp the Group's activities have been very successful. In the five years since Courtaulds' pulp producing subsidiary in South Africa was established, to provide part of the Group's requirements, earnings on the equity capital of £6 million have improved every year, amounting to over 25 per cent. for the year ended December 31, 1961. At the same time the price of pulp has been reduced by 15 per cent. The economy programme carried out by Courtaulds (Alabama) Inc. has put that company in a strong position to benefit from the better market situation now prevailing in the USA.

These measures have stopped the downward trend in profits from viscose and related operations and the Board are confident that already in the year ending March 31, 1963, a substantial increase in profits to more than £8 million will be obtained. This improvement in the viscose situation when taken together with the upward trend in other group activities will result in a major increase in overall group profits as shown in the table given later.

(b) **British Celanese Group** (including acetate yarns and fibres, related chemicals and other activities).

During the years prior to their acquisition in 1957, the profits of British Celanese had been falling sharply. Courtaulds have carried out vigorous rationalisation (including shutting down unprofitable activities), and

expansion has been financed from British Celanese's own resources. The profits of British Celanese reached their low point of £680,000 in 1957/58, the year of acquisition; at the end of 1957/58 the small Acetate Division of Courtaulds which earned some £300,000 in that year was purchased by British Celanese. In the year ended March 31, 1961, profits from the combined operation reached £3,788,000. Profits for the year to March, 1962, will be approximately £4,500,000 and as a result of steps already taken or planned, these should increase substantially in succeeding years.

(c) Courtelle and other synthetic fibres

Courtelle, the first British acrylic fibre, has had a remarkable success since commercial production started in 1959. Courtaulds' unique process, which was developed in their own laboratories, is believed to be the lowest cost process in the world both as regards capital investment and running costs, and Courtelle is expected to become one of the world's major man-made fibres. United Kingdom production is already proving profitable despite heavy initial promotion and development costs, and profits for the years to March 31, 1961 and 1962 have been running at the rate of about £700,000 per annum. For a new fibre to be making profits at such an early stage of its development is unprecedented. Continuing heavy promotion and development expenses will limit the increase in profits in the year to March 31, 1963, but thereafter as production expands both in the UK and abroad, the increase in profits should be rapid.

2. OTHER INVESTMENTS

Courtaulds' interest in Net Assets at Balance Sheet values at March 31, 1961—£70 million.

The table below shows Courtaulds' share of the profits of their subsidiaries outside the fibre and textile fields and the income from their trade and other investments for 1960/61 (except where otherwise stated).

	Current Market Value where quoted £ mn.	Income before tax attributable to Courtaulds' stockholders £ mn.
I. Subsidiaries:		
(Companies in which Courtaulds have a majority interest)		
British Cellophane Limited		2·64
Pinchin, Johnson & Associates Ltd., and Cellon Ltd.		·98
Gossard (Holdings) Ltd.		·22
Engineering Contracts, including receipts for know-how (1960/61—£1·85 mn.) annual average, say...		1·00
Others		·07
		4·91
II. Trade Investments:		
British Nylon Spinners Ltd.		2·40
Snia Viscosa	18·9	·31
Excess Insurance Company Ltd. ...	1·3	·02
Other—Quoted	2·3	·10
Unquoted		·21
		3·04
Usutu Pulp Company Ltd. (£2 mn. invested to 31.3.61).		Not operating on March 31, 1961
III. Government Securities and cash assets available for investment on an assumed average yield basis of 5½% per annum	*	1·10
Total		9·05
Deduct: Allocation of Courtaulds' administration expenses to cover management		·20
Net Income before tax attributable to Courtaulds' stockholders		8·85

* Note: The current market value of the Government Securities and cash assets available for investment at March 31, 1961, would be approximately £20 million. About £5 million has, however, been used since that date to purchase further investments the income from which is not included above.

If the above interests are considered as a separate entity, and on the basis of:

(i) a maintainable annual profit of £8.85 million as shown above;

(ii) present rates of taxation, including profits tax at 15 per cent;

(iii) subsidiaries distributing only half their profits;

the sum available would be equivalent to a gross distribution of £5.62 million representing 7 per cent (or 1s. 5d. per £1 unit) on the present issued Ordinary Stock of Courtaulds.

It is emphasised that the above distribution of £5.62 million is arrived at after allowing for retention of earnings by subsidiaries of 50 per cent and by British Nylon Spinners of 54 per cent.

In addition there are the normal retentions of the other trade investments.

The Directors, in consultation with their financial advisers, have made an assessment of the present value of the above interests and they believe that, in total, they represent about £120 million or 30s. per £1 of Ordinary Stock compared with their book value of £70 million. At this valuation, the distribution referred to above would give a dividend yield of 4.68 per cent.

Comments regarding the future prospects of the principal investments are given below.

(a) British Cellophane Limited

Profits of this company rose from £2.42 million in 1955 to a record £3.53 million in the year ended March 31, 1961. In spite of a temporary recession a profit of £2.9 million is expected for the year to March 31, 1962, increasing to over £3 million in 1962/63, and further expansion of sales and profits are forecast for future years.

(b) Pinchin, Johnson and Associates Limited, and Cellon Limited

At the time of acquisition, the Pinchin Johnson Group consisted of many semi-autonomous units, some of which were in serious difficulties. Major re-organisation is well advanced, including the merging of Cellon (following the acquisition of the minority interests in this company last year) with Pinchin Johnson. Profits in 1961/62, despite a recession in the automobile and consumer appliance industries, the company's main customers, have been running at the same level as those of 1960/61, namely just over £1 million per annum, and an increase to over £1.5 million is forecast for 1962/63.

(c) Gossard (Holdings) Limited

This Group was acquired in 1959 for £2,362,000. Appreciable re-organisation was found to be necessary to meet the more competitive conditions of the 1960s. Profits, which in the year of acquisition (1959) were £181,000, increased to £245,000 in 1960, and to just over £400,000 in 1961.

(d) Engineering Contracts

In 1958 Courtaulds decided to exploit their extensive engineering facilities and technical know-how by supplying complete factories to overseas countries. Contracts totalling £23 million have already been obtained and further contracts are being negotiated. Total profits from this source amounted to £1.85 million in the year to March, 1961. Although such business is by its nature spasmodic, an average profit, taking one year with another, of at least £1 million a year is forecast.

(e) British Nylon Spinners Limited

Dividends received from British Nylon Spinners have increased from £1.2 million five years ago to £2.4 million in the year to March, 1961. Although the British Nylon Spinners' management is expecting an increasing sales volume, some decline in profits over the coming years is forecast because of lower selling margins; nevertheless, it is their present intention to continue to pay the same dividend since they consider that it will no longer be necessary to retain such a high proportion of the Company's earnings.

(f) Snia Viscosa

This company, in which Courtaulds have a substantial minority holding, has a history of continuous expansion since the war and further major growth planned. Snia Viscosa is well placed to benefit from the resurgence of the Italian economy and to take advantage of new opportunities presented by the European Economic Community. Like so many important companies in the European Economic Community, its present market value is high in relation to the dividend income actually received.

OVERALL GROUP PROSPECTS

Group profit prospects are strongly influenced by the substantial recovery in viscose profitability which is now taking place earlier than previously expected, as a result of the additional steps taken by Courtaulds. The upward trend in profits from British Celanese, Courtelle and other activities is expected to continue. These factors, together with the recovery from the short-term market recession in the first part of 1961, are expected to result in an increase in Group profits

before tax to the record figure of around £23 million in the year ending March 31, 1963.

The profit trend can be illustrated as follows:

Group Profits before Tax and before Preference Dividends
Year to 31st March

	1955/6	1960/1	1961/2 (est.)	1962/3 (f'cast)	1964/5 (f'cast)
	(in £ million)				
Viscose yarns and fibres and related activities	12·0	5·6	5·1	8·5	9·1
Other fibres and investments (including subsidiaries) ...	5·3	13·1	12·4	14·5	19·4
TOTAL GROUP PROFITS	**17·3**	**18·7***	**17·5**	**23·0**	**28·5**
Minority Interests	·6	1·3	1·3	1·5	2·0
Courtaulds' interest in Total Group Profits before tax and before Preference Dividends	16·7	17·4	16·2	21·5	26·5

The 1964/65 forecast of profits results in an increase in the return on capital employed as shown in the Balance Sheet from 9 per cent for the year ended March 31, 1961, to 12¼ per cent for the year ending March 31, 1965.

* **Reconciliation:**	£ mn.
Total group profits as above	18·7
Additional profits credited direct to capital reserve ...	·9
	19·6
made up as follows:	
Viscose yarns and fibres and related activities	5·6
British Celanese	3·8
Courtelle	·7
Other investments—Courtaulds' interest	8·9
	19·0
Add: Minority interests' share of profits, less consolidating adjustments and minor items	·6
	19·6

European Economic Community

Courtaulds and their principal products are in a strong position to face the increased competition in the home market which will result if the U.K. joins the European Economic Community, and a detailed appraisal suggests that the profits of £28.5 million forecast for the year to March 31, 1965, are unlikely to be reduced by even 10 per cent on this account. In contrast, the chemical industry is more vulnerable to European competition.

Courtaulds are particularly well placed to take advantage of the opportunities which would arise from closer European economic integration. They have important manufacturing subsidiaries and associated companies in the principal European markets. They have already set up special marketing offices in France, Germany and Scandinavia. British Celanese are already exporting to Europe where the development of acetate fibres has been slower than in the UK and North America; increased expansion of these exports, particularly Tricel, is foreseen. A Courtelle factory has been established in France and the expected rapid growth in demand for this fibre in Europe will require substantial expansion of the present capacity. British Cellophane, with the largest and lowest cost production operations in Europe, are also well placed to compete there. In the long term, Courtaulds look forward with confidence to closer economic ties with Europe.

By Order of the Board,

H. L. LIGHT, Secretary.

January 24, 1962.

Copies of the full financial statement will be mailed to each of the 180,000 Stockholders as soon as printing and postal arrangements can be completed.

BRUNNER INVESTMENT TRUST LIMITED

FURTHER INCREASE IN REVENUE

SIR FELIX BRUNNER'S STATEMENT

The Annual General Meeting of The Brunner Investment Trust Limited will be held on February 16th at Aldermanbury House, London, EC.

The following is the Statement of the Chairman, **Sir Felix J. M. Brunner, Bt,** Chairman of the Company, circulated with the report and accounts for the year ended November 30, 1961:

I am glad to be able to report a further rise in our Gross revenue for the past year from £347,298 to £371,752. A year ago I stated that we hoped for a somewhat increased income. In July last we paid an interim dividend of 4 per cent. on the doubled Ordinary Capital against the equivalent of 3½ per cent. Your Directors have decided to comply with the Chancellor's request for restraint in respect of dividends and are therefore recommending a final dividend of 8½ per cent, the equivalent of that paid last year. This will involve a distribution of 74 per cent of our revenue as compared with 76 per cent last year.

NET ASSET VALUE

The valuation of investments as at November 30, 1961, is reflected in a net asset value of the Company's 5s. units of 17s. 3½d. as compared with an adjusted figure of 15s. 7d. the year before, after allowing for the bonus issue made during the year.

The short term economic outlook in this country at the time of writing this Report does not give cause for much encouragement. Many companies are experiencing a reduced turnover and lower profit margins owing to the credit squeeze and the recession in the steel, motor and other industries. It is therefore probable that our sterling income will be somewhat less during the current year, and although we may reasonably expect some increase in our dollar income, overall our total income is likely to show some small reduction.

SUBSCRIPTIONS TO THE ECONOMIST *Annual Postal Subscription by ordinary mail UK and Canada £4 . 10 ; elsewhere overseas £5*
By air see below

	Airmail	Air Freight		Airmail	Air Freight		Airmail	Air Freight		Airmail	Air Freight
Australia	£10 6s.	—	Egypt	£7 15s.	—	Israel	£7 15s.	—	Philippines	£10 6s.	—
Canada :—			Europe	£6 0s	—	Japan	£10 6s.	—	Rhodesia	£9 0s.	—
Quebec and Ontario			Ghana	£9 0s.	£6 10s.	Jordan	£7 15s.	—	South Africa	£9 0s.	£7 10s.
Provinces	—	£8 5s.	Gibraltar, Malta..	£5 0s.	—	Lebanon	£7 15s.	—	South and Central		
Other Provinces	—	£9 0s.	Hongkong	—	£8 15s.	Malaya	£9 0s.	—	America	£9 0s.	—
Ceylon	£9 0s.	£7 5s	India	£9 0s.	£7 10s.	New Zealand	£10 6s	—	Sudan	£7 15s.	£6 15s.
China	£10 6s.	—	Indonesia	£9 0s.	—	Nigeria	£9 0s.	£6 10s	U S A	—	$25 or £9
East Africa	£9 0s.	£7 10s.	Iran and Iraq	£7 15s.	—	Pakistan	£9 0	—	West Indies	£9 0s.	—

NOTES: Air Freight is normally 24-48 hours slower than airmail. **Proportionate Rates** are acceptable for subscriptions for less than a year (minimum four weeks). H.M. Forces at official service addresses can enter Airmail Subscriptions in Europe at £5, elsewhere overseas at £7 15s. a year: surface mail rates and airmail rates for Gibraltar and Malta are as shown above.

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COMPANY AFFAIRS

Overshadowed by the Courtaulds-ICI struggle and yet another brewery merger equities in the London stock market have not held the gains made before the week-end and The Economist *indicator has fallen by 3.8 points to 360.6. With less talk of an immediate cut in Bank rate dealers in gilt-edged have had a quiet week, but the growing prospect of industrial disputes has kept buyers away from both gilt-edged and industrial stocks. Tobacco shares have fallen sharply on further lung cancer fears. The full report from Leyland Motors led to a sharp reaction in its shares.*

Leyland's Burden

BECAUSE of Leyland's skill in producing commercial vehicles and in exporting a high proportion of them, its £1 shares have enjoyed the double distinction of having the labels "growth" and "common market" pinned on to them. But, having read the statement by the chairman, Sir Henry Spurrier, investors should now temper their enthusiasm. There are signs that they have already done so, for the shares lost 7s. this week to stand at 79s. 3d. and to yield 5 per cent, covered just under twice, on the maintained dividend of 20 per cent. The principal reason for the change in view is the effect that the acquisition of Standard Triumph International will have upon earnings and finances in the next two or three years.

Sir Henry's summing up of the STI acquisition is:

> We have acquired an organisation of considerable asset, which is a potential for making good profits within the next two or three years. In taking this concern under our wing we have almost certainly saved it from bankruptcy. I am optimistic as to its future, and finally in any circumstances it will not be allowed to affect adversely the parent organisation

With the exception of one director, the STI board has been reconstituted, involving Leyland in the payment of £66,000 in compensation to the directors, and 300 senior executives of STI have been replaced. At the time of the acquisition STI was making heavy losses (so that Leyland had to shoulder a post-acquisition loss of £1,471,000 for five months' trading) and its bank overdraft amounted to a quarter of its net assets. Sir Henry says that the economies effected have "changed the picture considerably"; that the application of sound and sensible engineering design on Leyland lines to STI's products "are beginning to yield the desired results"; and that as a result of measures designed to slash and to control "non-productive expenditure and extravagance, the situation now appears to be under control." STI's exports have improved but the home market remains depressed "with little sign of any early improvement." Sir Henry does not say whether STI is still operating at a loss; but the inference is that it still is. Leyland is not planning to replace STI's main lines of production; but it is introducing a new range of light commercial vehicles and trucks.

It will take time to get STI back on its feet and in the meanwhile Leyland has to carry a bank overdraft of £12¼ million, which arose out of the STI losses, the completion of the Hispano Suiza contract and the high cost of export finance. The Government's measures on export credits may help Leyland. But the interest burden will be high in the current financial year and though Sir Henry says nothing about the possibility of coming to the market for permanent capital it is difficult to see how Leyland will be able to avoid taking this action before long.

Another matter of concern for investors is that though Leyland continues to enjoy full order books and a record level of production, profit margins are falling. Costs have risen but Leyland has not raised its prices and, indeed, in some cases it has lowered them. Sir Henry makes no forecast about the future trend in these profits. If Britain joins the common market, they should ultimately grow; but immediately Leyland is carrying the burden of STI.

Ind Coope Tetley Ansell

COMPARED with the 1960-61 profits of the other big brewery groups, the results of Ind Coope Tetley Ansell for the year to September 30th are disappointing and after they were published the 5s. shares lost 7½d. to 14s. 7½d., to yield 4.1 per cent, covered just over 1½ times, on the indicated dividend of 12 per cent. The new ICTA combine actually earned £16¼ million but when the profits are adjusted to a uniform basis of 52 weeks it becomes apparent that the increase in trading profits before depreciation was about 5 per cent. Moreover, while the profits of both Tetley Walker and Ansells rose by ten per cent those of Ind Coope rose by only one per cent. The Ind Coope directors give two reasons for this poor showing in a year when beer consumption was higher and beer prices were raised. First, Ind Coope incurred unanticipated difficulties in obtaining certain planning consents, which largely deprived it of benefits of rationalisation planned for 1961 following on the merger with Taylor Walker and which also resulted in "substantial non-recurring expense." Secondly, after the little budget there was a "noticeable swing" from bottled to draught beer which particularly affected Ind Coope.

Ind Coope has devoted much of its attention to the national promotion of such bottled beers as "Double Diamond" and "Skol" and it appears to have been more ready to assume than many other brewers that the swing towards bottled beer and lager apparent in the 1950s would be maintained. It has not, for example, put as much emphasis as others on container draught, preferring to stock other brewers' brands in return for outlets for its bottled beers. It has also tended to centralise production and distribution of its bottled beers and the effect of this policy on its costs may be becoming more apparent now that other big breweries have built up their own trading empires on the basis of regional plants and bottling stores. The half-yearly results of one of these competitors, Scottish and Newcastle, contrast strongly with Ind Coope's recent experience: Scottish and Newcastle earned a trading profit of £4,013,000 in the six months to October 31st, about 23 per cent more than in the same period in 1960, and it has effectively raised its interim dividend from 3 to 4 per cent. Ind Coope is the biggest of the three partners in the ICTA combine; but this "commonwealth concept" in brewing, as Mr Edward Thompson has decribed it, may not merely provide the outlets for Ind Coope's bottled beers but establish a more regional pattern of production and distribution upon its activities.

Bowmaker

THE list of hire purchase finance houses that have followed one dose of bad news with a second is now growing depressingly long. Bowmaker, in which Lloyds Bank has a 25 per cent interest, is the latest addition to the list. Last June it passed its interim and explained that the provision for bad and doubtful debts made by its wholly-owned subsidiary Midland Counties Finance, was "substantially inadequate." Although the directors of Bowmaker expected the setback to absorb the amounts available for the ordinary dividend, the impression was given that a thorough investigation and a strengthening of the Midland Counties' board had put matters right. Indeed the board forecast "a small net surplus, or at worst, a break even position" for the year to October 31st. The group has in fact made a loss of £1,358,000 before taxation (against a gross profit of £1,677,000 in 1960) and has, "with regret," passed its final dividend. Its ordinary shares have thus lost trustee status.

The main cause once again appears to be Midland Counties, and the reason is the same—bad and doubtful debt provisions that "have proved insufficient." This company must have cost Bowmaker something

approaching £2 million by now. The loss has been met by a tax write-back of £510,000, a transfer from general reserve of £644,000 and a reduction in the balance carried forward of £245,000. Higher interest rates and tighter credit after July also pushed up operating costs in the final three months of the financial year. The hire purchase debt outstanding is now some £6 million below the 1960 level of £69¼ million, and unearned finance charges are down from £6.4 million to £5.5 million. After the news of the loss the shares fell 1s. 6d. to 12s. 3d. but have since recovered to 12s. 4½d. At the moment the group is integrating its main operating subsidiaries in the hope that this will reduce costs.

Lancashire Cotton

AN important factor in the results of Lancashire Cotton for the current financial year could be the success or otherwise of discussions with Commonwealth producers on the question of curbing exports of yarn to this country. Commonwealth quotas do not restrict trade in yarns, though provision was made when the Commonwealth pact was renewed last year for restrictions on yarn if they are made necessary by the state of the Lancashire industry. Spinners were the first to suffer when trade faltered last year. By October, yarn production was about 13 per cent lower than a year earlier, though the output of cloth had fallen only 7 per cent. While

Years to Sept. 30	1957 £ mil.	1958 £ mil.	1959 £ mil.	1960 £ mil.	1961 £ mil.
Trading profit.....	4·0	2·7	1·8	3·8	3·4
Gross profit	2·2	1·6	1·3	1·9	1·7
Net equity earnings .	2·1	1·6	1·2	1·8	1·6
Retained cash flow..	1·3	0·8	0·4	1·2	1·0
Net fixed assets	8·3	9·0	9·4	9·1	10·7
Net current assets...	17·6	17·0	16·5	18·0	16·3
Net liquid assets	12·2	12·3	10·7	11·0	10·8
Net equity assets....	22·7	23·4	24·1	23·7	24·2
	%	%	%	%	%
Ord. earnings.....	46	34·9	25	38	33·1
Ord. dividend.....	17½	17½	17½	25	25
Gross profit: net equity assets	8·2	6·9	5·0	7·6	6·6

Price (£1 shares) : 44s. Earnings yield : 15·0%,
Dividend yield : 11·4%. equal to 6⅔ years' earnings.

imports of cloth had declined, imports of yarn showed only a slight decrease after the first quarter of 1961. In the first ten months of the year they were a sixth higher than in 1960. Mr R. M. Lee does not mention the delegation that has now left for India to discuss yarn exports in his review of Lancashire Cotton's trading in the year to October 31st. The visit might not have been finally arranged when he wrote about prospects for the current year, but he left no doubt that, in general, he considers control of imports essential.

The group was a fairly heavy spender of capital account in the year to October. More than £1½ million was spent on re-equipment, and commitments of £1¼ million were outstanding at the end of the financial year. The 25 per cent grant towards the cost of re-equipment under the government scheme will be payable on "the major part" of this expenditure. The group is evidently not spending heavily outside the cotton industry, though it held £9½ million in liquid assets at the end of October. Its trading profits fell from £3,762,000 to £3,354,000, over the full year, though profits were substantially higher in the first half of the financial year than in the corresponding period of 1959-60. Results for the current half-year expected in June will undoubtedly be gloomy. But by then international agreement on cotton exports or direct negotiations with Asian producers might offer some relief. Sales of finished clothing have so far been well maintained so that before the end of April the destocking phase could be passing and the decline in production arrested. Lancashire Cotton's £1 shares at 45s. 4½d. yield 11 per cent on the maintained dividend of 25 per cent.

Amalgamated Cotton

AMALGAMATED COTTON MILLS TRUST has declared a second interim dividend of 12½ per cent and a final payment will not be made, so that for the year to September 30, 1961, a total dividend of 22½ per cent is being paid on the capital as increased by the one-for-five scrip issue last January. This compares with the equivalent of 20⅝ per cent paid in 1959-60. The group has spread its interests in recent years to include animal feeding stuffs and merchant banking; but in 1959-60 its extensive cotton interests, which include "Van Heusen" and "Aertex," were working to capacity and may have continued to do so in 1960-61 when gross profits rose by 7 per cent, from £1,356,000 to £1,448,000. Net profits rose by 5 per cent from £696,000 to £730,000, covering the dividend over 1½ times.

The dividend arrangements have been made to facilitate Amalgamated's bid for the cotton and rayon group of J. F. and H. Roberts. Shareholders in this company are offered seven 5s. Amalgamated ordinary shares for every two £1 ordinary they hold. The Amalgamated ordinary shares now stand at 12s. 6d.; the bigger dividend has raised the yield to 9 per cent.

Saxone-British Shoe

WITH the full details of the bid by British Shoe Corporation for Saxone Lilley and Skinner comes a clear indication that the 5s. shares of Saxone could scarcely have stayed at the present level of 30s. but for the proposed bid. At the time of the revaluation last October the directors had forecast that profits for 1961 would be lower than for the previous year due to pressure on margins and the need to make price reductions to reduce stocks. In fact profits before tax are estimated to have fallen by about 25 per cent to £1.17 million. Profits of British Shoe Corporation did not forge ahead in 1961 as in earlier years and at a level of about £5.7 million before tax they are about 5 per cent down on 1960. On these results the disparity between the rates

of return on capital employed by the two companies is still as wide as ever with British Shoe earning 24 per cent and Saxone 6½ per cent, taking assets on an up-to-date revaluation.

When news of the merger negotiations was first announced the market value of the bid was put at "about 30s.," thus the terms of one 5s. share and 7s. 3d. of a 7 per cent debenture in British Shoe for each 10s. ordinary share in Saxone puts a price of about 22s. 9d. on the British Shoe ordinary shares, which now for the first time are to have a Stock Exchange quotation. On the forecasts of net attributable profits equivalent to 27½ per cent and a dividend of 15 per cent on the increased capital this puts the shares on an earnings yield of 6 per cent and a dividend yield of 3.3 per cent —a high rating which is, however, justified both by the company's past record and its prospects. These are enhanced by the considerable economies which it should be able to effect by the rationalisation of the businesses.

The offer by British Shoe covers 14 million of the 18½ million Saxone shares, the remainder being already held by British Shoe, and if it is accepted in full Saxone shareholders will own about 20 per cent of the increased capital and Sears Holdings will be left with about 80 per cent. Assuming that the 7 per cent debenture is retained (it can be sold at par to Philip Hill Higginson) shareholders will come near to doubling their income which on the basis of 100 shares will rise from £3 7s. 6d. to £6 5s. 9d. gross.

Lancashire Steel

THOUGH the results of Lancashire Steel were less disappointing than those of most other steel companies the statement of the new chairman, Mr P. E. Holloway, is as depressing as any which have come from the spokesmen of the steel industry in recent weeks. He tells shareholders that profits so far in the current year are "appreciably below" those for the corresponding period in 1960-61 and that he does not expect total profits to reach the 1960-61 level when profits before tax fell from £5,926,000 to £5,237,000, unless there is a marked upsurge of demand in the next few months and "an alleviation of some of the burdens under which we are labouring." But Mr Holloway does not hold out much hope on either score, for he says that the destocking by consumers is not completed yet and that it is unlikely that they will carry stocks to the same extent in the future. Costs of both transport and certain coals are expected to rise further in the current year while he anticipates either industrial disputes or wage increases as opposition develops to the wage pause. Meanwhile increases in costs estimated at over 30s. a ton of finished steel have been offset only by price increases of about 8s. 6d. a ton.

The picture is not entirely one of gloom for Mr Holloway reports that the improvement in the demand for rods which became apparent in August has been maintained and that the rod mills are working normally. The company will soon be able to supply bars for all types of reinforcing work and this should "materially improve the load on the steel works." A good deal of new plant, including the new Irlam rod and bar mill, will come into operation in the current year and thus make possible a fall in unit costs. The completion of the capital programme will involve no further call for funds. Capital commitments at the end of September amounted to £3.1 million. As Lancashire Steel spent £4.7 million on capital account in 1960-61 net liquid assets fell from £4.5 million to £1.8 million, but the chairman says the remaining expenditure can be financed by overdraft facilities. The market's reaction to the full report was to mark the shares down by 2s. 10½d. to 31s. 1½d. so that on the maintained dividend of 11 per cent the shares yield just over 7 per cent.

Richard Thomas & Baldwins

IN his statement with the full accounts the chairman of Richard Thomas and Baldwins, Mr G. C. R. Eley, says that "a considerable improvement in demand" is needed if profits in the current year are to match those for the year to September 30, 1961, when net profits were more than halved from £8.9 million to £4 million; but he expects competition to remain keen with export markets becoming even more difficult. Interest and depreciation charges will rise in the current year although the development schemes will not bring any significant addition to profits until 1963.

In 1960-61, the fixed assets of RTB doubled to £155 million. This expansion was financed by an additional loan of £36½ million from the Minister of Power, another of £36 million from ISHRA, and a rise in creditors from £20¼ million to £28 million. Mr Eley says that the directors have had talks during the year with ISHRA but the changed circumstances of the past year have not increased the likelihood of any early denationalisation.

Jute Industries

GOOD luck and good judgment both played a part in the unexpectedly high profit achieved by Jute Industries last year. At its peak, the cost of jute accounted for about two-thirds of the price of most jute textiles. The exceptionally severe fluctuations in the price of raw jute in the past two years therefore exposed the group to the possibility of heavy losses on stocks. But stocks had been built up at the beginning of the financial year to an unusually high level and much of the jute appears to

have been acquired before the rise in prices had gone far. Consequently the group has been able to realise stock profits when a loss on its stocks seemed likely. But the group could not pass on to its customers the full cost of replacing the jute it was selling. The industry was depressed, and high prices further restricted business.

Even so, the group earned profits after depreciation of £824,000 in the year to September 30th, against £998,000 in 1959-60, which was an exceptionally favourable year. Had raw jute prices not recovered in the last month of the financial year, it would however have been necessary to write stocks down by about £125,000. The stock losses that were then avoided seem almost inevitable in the current year. But the group had reduced its stocks from £4.4 million to £3.2 million by September 30th. A bank overdraft of £890,000 had been turned into a substantial holding of liquid assets and a sharp fall in bills payable for jute had cut amounts owing to creditors by about £400,000 to £981,000. Though the maintained dividend of 13 per cent was covered 2.3 times by earnings, Jute Industries 10s. ordinary units at 9s. 7½d. yield 13½ per cent. Apart from the threat of stock losses labour troubles have afflicted the industry this year. On the horizon are potential difficulties for this protected industry if Britain joins the common market, and the industry's pricing policy is currently being reviewed by the Restrictive Trade Practices Court.

News of the World

UNLIKE most other companies the News of the World publishes its results before it declares a final dividend and shareholders now have to wait until early April to know what that final payment will be. The results suggest that they may well receive something more than last year's final of 15 per cent; two interims totalling 12 per cent, against 10 per cent, have already been paid. Trading profits before depreciation rose from £1,770,000 to about £2,500,000 in 1961, and as no material change is expected in the proportion of profits that will be set aside for tax, equity earnings should be well above the 39 per cent level of 1960. Thus a final dividend of 18 per cent, raising the total payment from 25 to 30 per cent, would easily be possible. On this basis the 5s. non voting shares, which have gained 9d. to 25s. 3d. since the results were published, yield 5.9 per cent and the 5s. shares at 26s. 1½d., 5¼ per cent.

The confidence expressed by Sir William Carr, the chairman, both at the last annual meeting and in the interim report, has certainly been borne out by the sharp improvement in profits. This must stem largely from a recovery in profits of the *News of the World* itself as a result of further increase of 176,000 in its average weekly circulation and the increase in its selling price. But the numerous outside interests now play an increasingly important part in the group's business and it will be surprising if their share of total trading profits has fallen much below the 62 per cent which they contributed in 1960. The 1961 accounts will have included a full year's profits from the road haulage and newsprint warehousing business and World Distributor (Holdings) which publishes children's books, magazines and paper backs and also an initial contribution from Vactric (Control Equipment) and Vactric (Precision Tools). The group's investment income will have been boosted by the increase in the dividend of TWW, the commercial television contractors.

Ilford

THE directors of Ilford, the makers of photographic materials, say that sales rose again in the year to October 31, 1961. But gross profits failed to keep pace, falling by 15 per cent from £1,540,000 to £1,304,000. Over half of this fall resulted from bigger depreciation provisions. A bigger provision for research had also to be made and higher manufacturing and overhead expenses added to the pressure on margins. The tax charge is still low and presumably reflects investment allowances on the new Basildon plant; even so, net profits have fallen by 17 per cent, from £896,000 to £743,000.

The ordinary dividend has been maintained at 17½ per cent and is covered 1½ times by earnings of 24 per cent on the capital as increased by the final call on the shares held by ICI which now has a 32 per cent stake in the Ilford equity. Over the past ten years the growth of Ilford's earnings has lagged behind the growth of assets. The 5s. ordinary shares lost 2s. to 19s. on the news of the setback but the yield is still no higher than 4.6 per cent. On past performance and the failure of turnover to rise enough to offset higher costs this yield appears to discount fairly fully any immediate improvement in earnings and any benefits that may flow from the link with ICI in colour photography.

The Economist Indicator (1953=100)

1961/62	Indicator	Yield %	1961/62 High	1961/62 Low
Dec. 20	356·7	5·38		
,, 27	359·2	5·35		
Jan. 3	363·6	5·01		
,, 10	361·8	5·01	427·2	342·7
,, 17	364·4	4·97	(May 10)	(Oct. 18)
,, 24	360·6	5·01	1961	1961

Financial Times Indices

1962	Indext	Ord. Yield	2½% Consols Yield	Bargains Marked
Jan. 18	309·4	5·10	6·47	13,149
,, 19	310·2	5·09	6·48	12,809
,, 22	308·2	5·12	6·49	16,149
,, 23	306·6	5·15	6·49	13,914
,, 24	305·3	5·17	6·50	12,288

High, 365·7 (May 15, 1961). Low, 284·7 Oct. 16, 1961).
† July 1, 1935=100

STOCK PRICES

Prices, High	Prices, Low	BRITISH FUNDS AND GUARANTEED STOCKS	Price, Jan. 17 1962	Price, Jan. 24, 1962	Net Red. Yield, Jan. 24, 1962 §	Gross Red. Yield, Jan. 24, 1962
					£ s. d.	£ s. d.
92½	88⅞	Savings Bonds 3%.....1955-65	91¾16	91⅛	4 12 0	5 16 2
100⅓2	99	Convers. 4½%.....1962	99-19-0	99-19-3	5 4 0	5 4 0
99⅛	97¼	Convers. 4½%.....Asst'd. (m)	97¼	97⅝16	3 19 7	6 6 6
96⅞	93⅛	Exchequer 3½%.....1962-63	96⅝	96⅛16	4 6 6	5 12 4
101⅝16	98⅜	Treasury 5½%.....1962	100⅓32	100⅝16	2 8 6	5 1 6
93⅓32	90¼	Exchequer 2½%.....1963-64	93⅛32	93⅛32	4 8 1	5 10 2
99⅛32	96⅜	Conversion 4¾%.....1963	98⅞	98⅛16	3 12 9	5 13 0
98⅛32	94½	Conversion 4½%.....1964	97⅛	97⅛16	3 13 6	5 14 2
101⅝16	96	Exchequer 5½%.....1966	98⅛32	98⅜32	3 12 4	5 19 7
83⅜	78⅛16	Funding 3%.....1959-69	82⅝16	83⅛16	4 14 5	6 1 7
89¾	84¾	Funding 4%.....1960-90	89⅜16	89⅜16	3 11 5	5 5 7
80⅛	74⅜	Savings Bonds 3½%.....1960-70	80¼	79⅝	4 16 6	6 2 9
85⅞16	80⅜	Savings Bonds 2½%.....1964-67	85¼	85⅜	4 15 9	5 18 2
72⅞16	66¼	Savings Bonds 3%.....1965-75	70⅝	70⅝	4 16 1	6 4 6
84⅛16	78⅞	Funding 3%.....1966-68	83⅜	83⅜	4 15 4	6 1 0
86⅛	80⅛	Conversion 3½%.....1969	86¼	86⅛	4 12 9	6 2 0
97⅛	92¼	Victory 4%.....1920-76	93⅝16	92⅛	3 12 1	5 4 5
93⅝	87	Conversion 5%.....1971	90⅞	90⅜16	4 5 0	6 6 2
95⅛16	88½	Conversion 5¼%.....1974	92¼	92¼	4 1 2	6 4 7
73⅛	66	Treasury 3½%.....1977-80	69¾	69¾	4 12 6	6 7 0
72¼	65	Treasury 3½%.....1979-81	68⅜16	68⅛16	4 12 6	6 6 9
97⅛16	88½	Funding 5½%.....1982-84	90¼	90¼	4 1 0	6 6 11
59½	51⅛	Redemption 3½%.....1986-96	54⅝	54½	4 9 3	6 6 5
88¼	79¼	Treasury 5%.....1986-39	83	83⅜16	4 2 10	6 6 8
63⅛16	55	Funding 3½%.....1999-2004	57⅜16	57⅜	4 6 10	6 6 8
94⅜	85⅛	Treasury 5½%.....2008-12	85¾	86⅛16	4 1 8	6 6 12
65⅜	56½	Consols 4%.....after Feb. 1957	59¼	59⅛16	4 2 11	6 6 5
59¼	50½	War Loan 3½%.....after 1952	53	52¾	4 1 9	6 6 1
59	50½	Conv. 3½%.....after Apr. 1961	53⅛16	52⅛16	4 1 7	6 6 1
50⅞	43¼	Treasury 3%.....after Apr. 1966	45¾	45⅝	4 1 7	6 6 3
44	36½	Consols 2½%.....after Apr. 1975	38⅜16	38½	3 19 9	6 6 10
43½	36½	Treasury 2½%.....after Apr. 1975	38½	38½	4 0 7	6 6 12
91⅞	85¾	British Electric 4½%.....1967-69	90⅝	90⅛16	4 5 9	6 6 2
75⅛16	70⅛	British Electric 3%.....1968-73	74⅞	74⅞	4 16 10	6 5 8
70⅜	64½	British Electric 3%.....1974-77	69⅛16	69⅜	4 14 8	6 4 11
81⅞	74⅞	British Electric 4½%.....1974-79	80⅛16	80⅛	4 5 10	6 5 2
73½	67	British Electric 3½%.....1976-79	70⅜16	70⅜16	4 12 0	6 6 5
84⅛	78¾	British Gas 4%.....1969-72	82⅜16	82⅜16	4 10 2	6 6 4
82	76	British Gas 3½%.....1969-71	81¾	81⅜16	4 12 3	6 6 4
59⅜	51¾	British Gas 3%.....1990-95	54¾	54¾	4 10 0	6 6 6
75⅛16	70⅛	British Transport 3%.....1968-73	74⅞	74⅞	4 16 10	6 5 5
80⅞	74	British Transport 4%.....1972-77	77⅛16	77¾	4 8 9	6 5 5
61⅛16	53¾	British Transport 3%.....1978-88	57½	57⅛16	4 13 4	6 7 4

Prices, High	Prices, Low	DOMINION AND CORPORATION STOCKS	Price, Jan. 17, 1962	Price, Jan. 24, 1962	Red. Yield, Jan. 24, 1962
					£ s. d.
82¼	76½	Australia 3½%.....1965-69	79⅞	80	6 11 0
101	92¾	Australia 6%.....1974-76	97½	97½	6 7 0
72½	64½	Ceylon 4%.....1973-75	65½	65½	8 10 0
101¼	92¾	New Zealand 6%.....1976-80	96	96⅜	6 11 0
80½	70½	Rhodesia and Nyassaland 6%.....1978-81	75	75	8 13 0
82½	73	South Africa 3½%.....1965-67	83¼	82½	7 15 0
59	53½	Southern Rhodesia 4½%.....1987-92	56½	56½	6 9 0
84⅝	76½	Agricultural Mortgage 5%.....1959-89	78¼	78⅜	6 12 0
89	82¼	Birmingham 4½%.....1967-70	86	86⅛	6 7 0
92¾	86½	Bristol 5%.....1971-73	89¼	89¼	6 6 0
93	86½	Corporation of London 5¼%.....1976-79	88¼	88¼	6 8 0
48¾	41	L.C.C. 3%.....after 1920	44⅛	43⅞	6 17 0
89⅛	80¾	L.C.C. 5½%.....1980-83	84⅜	84½	6 9 0
93	84¼	Middlesex 5½%.....1980	88¾	88¾	6 9 0

Prices, High	Prices, Low	ORDINARY STOCKS	Price, Jan. 17, 1962	Price, Jan. 24, 1962	Yield, Jan. 24, 1962 §	Cover
91/-	64/-	**BANKS, DISCOUNT & HP**				
100/3	74/3	Barclays.....£1	89/6*	90/6*	5·52	3·32
80/-	58/7½	Lloyds.....£1	72/6*	74/-*	5·40	2·97
26/4½	18/7½	Martins.....5/-	22/-*	21/6*	5·58	3·49
94/6	67/3	Midland.....£1	88/6*	90/9*	5·52	3·31**
97/3	73/-	Nat. Provincial.....£1	92/6*	94/3*	5·31	2·97
95/6	58/9	Westminster 'B'.....£1	87/-*	85/9*	5·58	3·41
44/9	35/3	Australia & N.Z.....£1 p.p.	44/-	44/3	5·42	3·45
6 *b*	4 *a*	Bk. Lond. & S. Amer..£1	45/-	45/-	4·44	3·95
$2·05*c*	£2 3/16	Bank of Montreal.....$10	£2 1/16	£2 1/16	5·52	2·90*g*
8 *c*	9 *c*	Bank of New S. Wales £20	27½*	27¼*	5·28	...
10 *c*	5 *a*	Barclays D.C.O.....£1	36/3	35/3	5·67	...
60/7½	46/7½	Chartered.....£1	53/3	54/6	5·50	...
£21	£14⅝	Hongk'g. & Shang....$25	£19¼	£18¾	4·00	...
70/3	49/9	Nat. Com. Bk. Scot..10/-	56/6	57/3	3·88	...
£29 5/16	£25 15/16	Royal Bk. Canada....$10	£2 32½*c*	$2·37½*c*	2·97	...
41/6	32/-	Stand. Bk. S. Africa..£1	39/3	38/6	7·79	...
170/-	95/-	Hambros.....£1 f.p.	162/6	170/-	2·65	...
92½	59/6	Schroders.....£1	91/6	91/3	1·64	...
60/6	45/6	Union Discount.....£1	53/6*	55/-*	4·55	...
27/4½	11/7½	Bowmaker.....5/-	13/6	12/9	...	1¼
23/6	11/9	Lombard Banking ...5/-	13/9	13/6	...	...
21/9	12/9	Mercantile Credit ...5/-	15/11½	16/4½	2·29	...
52/6	33/-	United Dominions. Tst...5/-	41/4½	42/11½	3·15	¾
...	...	**BREWERIES, Etc.**				
15/4½	11/-	Bass, M. & B.....5/-	15/-	15/3	3·61**	2
41/11½	31/-	Distillers.....10/-	37/10½	37/10½	3·83	2
26/9	13/-	Flowers.....5/-	19/3	20/6	2·93	2
60/5	47/9	Guinness.....10/-	48/6	48/-	4·58	1¾
15/6	12/-	Ind Coope T.A. 5/-	15/3	14/9	4·70**	...
108/9	76/9	Watney Mann.....£1	106/3	107/9	3·34	2
37/9	26/-	Whitbread 'A'.....5/-	34/9	34/9	3·88	1¾
...	...	**BUILDING, PAINT, Etc.**				
54/-	44 10½	Associated Portland....£1	55/-	53/-	3·15	2½
28/11½	19 10½	Bardsley Plaster Bd. ...£1	22/7½	23/11½	5·41	2½
26 10½	15/6	Richard Costain 5/-	16 10½	16/4½	4·89	2¾
18/6	10/-	International Paints ..4/-	11/6	11/3	7·11	1½
66/9	40/6	Rugby Portland 5/-	57/9	59/3	2·11	3¼
157/11½	118/6	Wall Paper Defd.....£1	132/9	135/3	3·70	2¼
...	...	**CHEMICAL**				
29/3	20/3	Albright & Wilson ...5/-	22/7½	23/3	4·30	2½
22/-	14 10½	Borax Defd. 5/-	17/3	16/7½	3·46	3
58/9	30/7½	Fisons.....£1	34/6	35/3	6·24	1½
81/6	54/6	I.C.I.....£1	57 10½	57/7½	4·77	2
26 10½	14/6	Monsanto.....5/-	16/6	17/-	4·41	2½
...	...	**DRAPERY & STORES**				
36/-	24/-	Boots Pure Drug 5/-	29/6	28/6	2·11	2¼
107/-	58/6	Montague Burton.....10/-	98/9	98/9	2·78	2¼
75 03	47/7½	Debenhams.....10/-	57/9	57/9	3·32	2
59 41½	45/-	G.U.S. 'A'.....5/-	55 11½	55/11½	3·40	2
46 93¼	33 41½	House of Fraser 5/-	39/6	39/3	3·82	1¼
106/9	85/11½	Lewis's Invest. Tst. ...4/-	15 4½	15/3	3·23	2¼
32 11½	15 *a*	Marks & Spencer 'A'.5/-	96/6	94/3	2·52	1½
53 10½	34 10½	United Drapery 5/-	48/9	47 4½	3·17	1¾
49/9	10 5*6 *a*	Woolworth.....5/-	51/6	49/9	3·60	1½
...	...	**OIL**				
32/-	16 9*4*b	British Petroleum £1	33/6	33/9	9·41	2¼
31/-	16 7*8*b	Burmah Oil £1	31/6	31/-	9·88	1¼
36/-	13 3*4*b	Castrol.....10/-	43/-	43/3	4·62	2½
23 87*c*	11 8*a*	Royal Dutch.....20 fl.	£12 16	£12 1/2	3·77	2¾
27/9	20 8*c*	Shell Transport 5/-	28/6	27/9	6·12	3
...	...	Ultramar.....10/-	26/9	24/9	...	*d*

NEW YORK PRICES AND INDICES

	Jan. 17 $	Jan. 24 $		Jan. 17 $	Jan. 24 $		Jan. 17 $	Jan. 24 $
Atch. Topeka	27⅜	26⅝	Boeing.....	50⅜	53¼	Int. Harvester..	52½	53¼
Can. Pacific	25⅛	24¾	Celanese	35¾	39¼	Inter. Nickel ..	79	77⅛
Pennsylvania	17⅛	17¼	Chrysler	61½	66	Inter. Paper	33½	33½
Union Pacific	33⅜	33½	Col. Palmolive ...	49½	49¼	Kennecott.....	84½	83½
Amer. Electric	65⅞	65¾	Crown Zeller.....	56⅜	50½	Monsanto	47⅞	47⅛
Am. Tel. & Tel...	130	129¾	Distillers Seag...	44⅞	44	Nat. Distillers...	28⅛	28
Cons. Edison	79	77½	Douglas.....	34	34⅞	Pan-American ..	22⅜	21½
Int. Tel. & Tel....	54¼	53¾	Dow Chemical..	68⅜	67⅞	Procter Gamble	83	82⅜
South'n. Nat. Gas.	46⅜	45½	Du Pont	230¼	230	Radio Corpn....	51⅞	53⅜
United Corpn....	8¼	8	East. Kodak	102½	105½	Sears Roebuck..	77⅞	77⅛
Western Union ...	38⅜	37	Ford Motor	104⅞	104	Shell Oil.....	37	37¼
Alcoa.....	60	59¾	Gen. Electric	70¾	72⅜	Socony-Mobil ..	52	51½
Aluminium	26⅞	26⅝	General Foods..	89⅞	83½	Stand. Oil Ind..	53⅜	53⅜
Amer. Can	44⅞	44	General Motors .	53½	55⅝	Stand. Oil N.J..	50⅜	50⅜
Am. Smelting	59½	60¼	Goodyear	42⅜	42¾	Union Carbide ..	117½	117⅜
Am. Viscose	54½	54½	Gulf Oil	38⅜	40¼	U.S. Steel.....	74⅞	74⅜
Anaconda	51	50⅞	Heinz.....	63¾	62	West. Electric..	36½	36⅛
Beth. Steel	40⅞	40⅞	Int. Bus. Mach...	551½	550	Woolworth.....	89¾	88¼

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

1961/62	425 Industrials	Yield %	25 Rails	Yield %	50 Utilities	Yield %	Govt. Bonds	Yield %
Dec. 27	75·93	2·78	33·09	4·88	64·21	3·11	87·67	4·11
Jan. 3	75·22	2·81	34·10	4·73	64·40	3·10	87·67	4·11
,, 10	72·88	2·90	33·84	4·77	62·54	3·19	87·87	4·09
,, 17	72·16	2·93	33·78	4·78	62·13	3·21	87·57	4·12
,, 24	72·27	2·92	33·60	4·80	62·13	3·22	87·77	4·10

425 *Industrials*:—High, 76·69 (Dec. 12, 1961). Low, 60·87 (Jan. 3, 1961).

FOREIGN AND OVERSEAS STOCKS

	Jan. 17	Jan. 24		Jan. 17	Jan. 24		Jan. 17	Jan. 24
FRANCE	Frcs.	Frcs.	**GERMANY**	%	%	**HOLLAND**	%	%
Air Liquide.....	1·080	1·035	A.E.G.....	485	481	A.K.U.	383¾	393¼
Banque de Paris	521	500	Bad'che. Anilin.	500½	491	Bijenkorf	1,228¼	1,202
Citroen.....	172	173	Hoechst.....	618	608½	Heinekens	610	620
C.F. Feirole....	275	269·5	Commerzbank..	610	603	Interunie (Fl.50)	Fl.522·5	Fl.524·5
Cie. G. d'Electr.	1,180	1,105	Deutsche Bank.	648	536	K. N. Hoogoven	753	750½
Machines Bull..	721	635	Hoechst Farb. .	529	515	Kon. Zout-Ket.	1,035	1,043
Pechiney	276·5	260	Kundenkredit .	526	524	Philips.....	980½	956
Printemps.....	651	617	Lowenbrau....	1,244	1,225	Robeco (Fl.50).	Fl.249	Fl.246·5
Rhone-Poulenc	491	444	Mannesmann ..	263	258	Rotterdam Bk..	386	368
S.I.M.	391·5	372	Siemens.....	727	721	Thomassen & D.	694	689½
Saint-Gobain..	456	421	Thyssen-Huette	2343	2331½	Valeurop.....	Fl. 79·1	Fl. 79·5
Usinor	216·1	218	Volkswagen	763	759	Zwanenberg	1,005	1,007
Index	98·8	95·1	Index.....	117·27	115·19	Index.....	365·12	368·40
Base: Dec. 30, 1960 = 100.			*Herstatt Index*			*Base: 1953 = 100.*		
			Base: Dec. 31 1959 = 100.					
ITALY	Lire	Lire	**BELGIUM**	Frcs.	Frcs.	**SWEDEN**	Kr.	Kr.
Ass. Generali.	149,500	151,600	Arbed.....	30,900	30,200	Asea.....	199	198
Breda.....	7,790	7,749	Bque. Nat. de Bel.	11,000	10,925	Elektrolux	126	125
Edison	5,635	5,485	Bque. Soc. Gen.	3,295	3,225	Ericsson B. Kr.35	133	132
Fiat.....	2,993	2,976	Cockerill-Oug..	3,250	3,100	Separator 'B'....	204	305
Finsider	1,586	1,560	Esperance Long.	7,000	6,700	Skand. Banken..	212	206
La Centrale...	19,120	18,200	Hoboken	16,850	16,000	Sv. Cellulosa...	217	211
Montecatini...	3,918	3,818	Innovation	7,250	7,110	Sv. Handelsbank	212	208
Motta.....	38,501	38,150	Phoenix Gevaert.	3,510	3,192	Tandstk. B Kr.50	154	158
Olivetti	11,260	11,050	Sidro.....	1,120	1,056	Index.....	178·22	176·31
Pirelli S.p.A...	10,130	10,800	Soc. Generale ..	14,550	13,850	*Base: Dec. 29, 1956 = 100.*		
Rinascente.....	905	902	Sofina	8,250	8,000			
Snia Viscosa....	7,450	7,352	Un. Miniere ‖10	1,530	1,424	**NORWAY**	%	%
Index.....	743·32	737·06	Index.....	410·8	402·6	Bergens Priv'bk.	250	255
Base: 1950 = 100.			*Base: May 9, 1940 = 100.*			Borregaard.....	2783	280
						Norsk Hydro....	326¼	322½

* Ex dividend. † Tax free. ‡ Assumed average life 7¼ years. § The net redemption yields allow for tax at 7s. 9d. in £. ‖ Ex capitalisation. ¶ Ex rights. (*a*) Interim dividend. (*b*) Final dividend. (*c*) Year's dividend. (*d*) Capital distribution of 1s. 0d. per share. (*f*) Flat yield. (*g*) Equivalent to 7·2 sterling. (*h*) After Rhodesian tax. (*l*) To latest date. (*m*) Assented into Conversion 6% 1972.

AND YIELDS

LONDON: NEW YORK: FRANCE: GERMANY: HOLLAND: ITALY: BELGIUM: SWEDEN: NORWAY

Prices, High	Prices, Low	ORDINARY STOCKS	Price, Jan. 17 1962	Price, Jan. 24, 1962	Yield, Jan. 24, 1962*	Cover
		ELECTRICAL & RADIO				
48/6	28/3	A.E.I. £1	31/3	31/9	9·45	1
15/5¼	9/7½	Brit. Electronic Inds..5/-	12/3	12/3	6·12	¼
62/3	49/-	B.I.C.C. £1	59/6	61/3	4·41	2
14/8¼	11/3	Crompton Parkinson..5/-	14/6 3/4	14/8¼	4·26	2½
89/6	54/-	Decca Record 10/-	81/6	80/-	2·92	1¾
52/-	35/-	E.M.I. 10/-	42/6	43/-	4·07	2
45/6	25/9	Elliott-Automation...5/-	41/9	42/2¼	1·54	2
40/6	22/6	English Electric £1	25/3	25/-	8·00	1½
39/6	23/3	General Electric.....£1	28/6	29/-	6·90	3¼
72/9	47/-	C. A. Parsons £1	51/6	53/6	4·67	4
52/3	37/6	A. Reyrolle.....£1	46/6	46/6	4·19	2¾
70/-	45/3	Thorn Electrical.....5/-	68/-	68/-	1·84	3
		ENGINEERING				
35/9	18/9	Babcock & Wilcox....£1	23/6	23/-	...	1
48/9	30/4½	John Brown £1	37/6	36 10½	5·97	2¾
8/6	4/2½	Cammell Laird.....5/-	4/6	5/6	10·91	1
33/9	22/4½	Int. Combust. Consol..5/-	25/7½	26/3	5·71	1½
9/1½	3/4½	Rich'ds'ns. Westg'th. 10/-	...	4/7½	4/9	...
40/-	28/-	Simon Hunter £1	37/7½	37/7½	6·38	2¼
17/4½	10/6	John Thompson 5/-	12/9	13/-	1·92	...
34/4½	21/8¼	Coventry Gauge.....10/-	26½	32/4½	4·41	2¾
79/9	51/6	Alfred Herbert £1	70/-	72/6	3·83	1¾
78/-	41/-	Allied Ironfounders....£1	43/9	46/-	7·61	1½
110/-	81/10½	Averys.....£1	94/3	93/9	3·20	2½
36 10½	17/-	B.S.A. 10/-	19/6	18 4½	6·35	2¼
14/9	9/-	Bentalls.....5/-	10/-	10/3	6·34	1¾
44 4½	29/-	Davy-Ashmore 5/-	31/6	34/-	4·37	2¼
108 7½	70/-	Guest Keen.....£1	79 10½	77 7½	4·12	3½
31/-	18/3	Head Wrightson.....5/-	21/-	21/-	3·81	2½
100/9	68/3	Metal Box.....£1	85/-	82/6	2·91	2¼
22/6	14/-	Ransome & Marles...5/-	16/9	16/9	4·18	3
50/6	34/6	Renold Chains £1	44/-	45/-	4·35	2
85/6	54/-	Tube Investments.....£1	64 4½	62 7½	4·47	3
38 4½	25/6	Vickers £1	30/3	30/3	6·61	1¾
84/6	58/-	Ward (Thos. W.).....£1	61/-	65/6	4·20	3
30/-	18/-	Woodall-Duckham..5/-	18/6	20/6	5·12**	2¾
		FOOD & TOBACCO				
34/-	17 4½	Allied Suppliers.....10/-	23/6	22 10½	4·37	2¼
15/-	7 9½	Assoc. British Foods..1/-	10 4½	10 7½	2·12	2
74/-	57/3	Bovril £1	59 4½	59/-	4·07	2½
12 11¼	9/9¾	Brooke Bond 'B'.....5/-	11/7½	11/9	3·89	3½
19/3	12/6	International Tea.....5/-	15/6	14/6	4·31	1½
107/9	65/-	J. Lyons 'A'.....£1	75/9	77/9	4·07	1¼
35/6	25/9	Ranks.....10/-	30/-	31/-	4·52	2¼
14 10¾	10 4½	Spillers.....5/-	11/9	10 10½	4·60	2
50/-	38/7½	Tate & Lyle.....£1	47 10½	47 4½	5·07**	2
20 10½	14 10½	Unigate 5/-	16 10½	16/9	4·18	2
73/-	55/6	Brit. Amer. Tobac. .10/-	57/-	55/6	6·37	2¾
51/6	34 7½	Gallaher 10/-	39 4½	39/3	5·10	2
71/9	61/3	Imperial Tobacco.....£1	62/-	61/6	7·32	1¾
		INSURANCE				
15½	11 5/16	Britannic 5/-	14 13/16	14 7/16	2·92	...
86/3	60/6	Commercial Union ...5/-	61/9	61/6	3·66	...
35¼	17⅜	Equity & Law Life ...8/6	34¼	34⅜	0·83	...
90/6	51 10½	General Accident.....5/-	87/3	90/6	1·66	...
60/6	42 7½	Guardian.....5/-	49/9	48/-	2·78**	...
40 5/16	12/6	Legal & General.....5/-	38/9	40 9½	1·18	...
146/-	100/-	Northern & Empl.....£1	144/9	144/9	2·76	...
272/6	156/3	Pearl 5/-	216/3	217/6	3·38	...
29	18	Prudential 'A'.....4/-	25 5/16	25 5/16	2·69	...
49/3	38 10½	Royal 5/-	47 4½	45 7½	3·29**	...
129/3	100/3	Royal Exchange £1	110/3	109/9	3·42	...
		MOTORS & AIRCRAFT				
18 10½	12 10½	British Motor 5/-	16/3	16/-	6·25	3
86/6	66 1½	Jaguar Cars 'A'.....5/-	84/6	84/3	1·19	7½
48/6	35/6	Rolls-Royce.....£1	40/-	40 10½	5·38	2¼
10/-	5/6	Rootes Motors 'A'....4/-	6/1½	6/1½	2·61	...
88/9	52/2½	Rover £1	75/3	74/9	4·28	2
101/4	77 7½	Standard Motor.....£1	86 7½*	79 9*	5·02	2
18/6	14/-	Bristol Aeroplane ...10/-	15 5½	14/6	8·62	2¼
33/3	20/6	Hawker Siddeley.....£1	24/3	22 7½	9·37**	1¼
41/3	28 10½	Dowty Group.....10/-	36 10½	35 4½	4·38	2¼
29/3	21/6	Dunlop Rubber 10/-	28/9	28/6	5·55	2
12/-	9/-	Joseph Lucas.....£1	66/3	66 4½	4·14	2½
33/-	15/9	Pressed Steel.....5/-	21/9	21/-	...	1½
46/3	29/3	Triplex Holdings ...10/-	37/6	36/6	3·42	2¼
		MINES				
168/9	110/-	Anglo-American....10/-	145/-	142/6	6·32	1½
66/9	41/9	Consolid. Gold Fields..£1	59/-¶	59/-¶	8·47	2½
108/9	72/6	General Mining £1	96/3	96/3	7·27	2
68/6	40/-	Union Corporation ..2/6	59/9	56/9	7·05	3
25/3	15/3	Daggafontein 5/-	17/-	17/-	23·53	1½
125/-	73/9	Free State Geduld ...5/-	87/6	86/3	9·86	1½
54/3	37/6	Hartebeestfontein ...10/-	46/-	42/3	11·83	1½
64/6	41 10½	President Brand 5/-	53/3	51/6	10·68	1½
57/6	101/3	Western Holdings ...5/-	122/6	120/-	8·75	1½
28/6	15/9	Winkelhaak.....10/-	18/6	17/6	...	8½
75/3	53/3	Chartered 15/-	54/-	53/3	14·08	2
63/6	51/3	Rhod. Anglo-Amer. 10/-	55/9	56/3	14·22h	1¾
11 7½	7 10½	Rhod. Selection Tst...5/-	10/6	10/6	6·52h	2
30/9	15/3	Tanganyika Cons....10/-	19/-	17/11	19/-	1½
81/6	46/-	Consolidated Zinc....£1	50/6	49/6	7·07	1¾
59 4½	40/-	De Beers Defd. Reg. .5/-	140/-	137/6	9·09	1¾
$159½	$104	Internat. Nickel ...n.p.v.	$143	$137½	1·94	...
18/9	10/9	London Tin.....4/-	18/6	18/3	7·67	1¼
45/-	30/-	Rio Tinto.....10/-	41/3	41/3	6·67	1½
44/3	17/9	Tronoh 5/-	30/6	29/9	8·82	1
		PAPER & NEWSPAPERS				
14/7½	9 10½	Daily Mirror.....5/-	12/6	12/9	5·88	1¼
9/-	5/6	W. H. Smith & Son 'A'..£1	68/-	66/-	3·64	2
24/9	17/9	Thomson Org'n. 5/-	24/9	22/9	5·27**	2
66/3	43/6	Bowater Paper.....£1	47/3	45/9	6·01	1½
56/6	40/-	Albert E. Reed.....£1	44/6	43/-	7·44	1½
54/3	37/-	Spicers.....£1	40/6	40/9	6·13	1¾
68/9	46/6	Wiggins Teape £1	53/-	52/3	5·36	2

Prices, High	Prices, Low	ORDINARY STOCKS	Price, Jan. 17, 1962	Price, Jan. 24, 1962	Yield, Jan. 24, 1962	Cover
31/-	21/6	**MISCELLANEOUS**				
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Industrial Profits and Assets

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

Comparative analysis of 454 profit and loss accounts published October - December, 1961 (£'000)

Industry	Breweries and Distilleries		Clothing and Footwear		Food and Confectionery		Shops and Stores		Tobacco		Building		Engineering		Iron and Steel	
No. of Companies	(18)		(11)		(16)		(12)		(1)		(24)		(68)		(13)	
Year	Previous	Latest	Previous	Latest	Previous	Latest	Previous	Latest	Previous	Latest	Previous	Latest	Previous	Latest	Previous	Latest
Gross trading profit	19,811	21,349	3,676	4,014	16,133	13,510	10,415	12,665	92	95	15,329	14,226	43,657	41,632	31,182	34,993
Income from investments	678	776	78	70	254	307	54	51	...	...	201	231	978	1,713	1,220	1,432
Other current income	...	...	...	...	...	...	...	2	...	...	...	...	27	...	...	3
Non-recurring credits	162	144	54	133	313	716	481	377	...	...	379	1,196	790	1,067	225	1,256
Total Income	**20,651**	**22,269**	**3,808**	**4,217**	**16,700**	**14,533**	**10,952**	**13,096**	**92**	**95**	**15,909**	**15,653**	**45,452**	**44,412**	**32,627**	**37,684**
Depreciation	2,288	2,435	366	429	3,268	3,564	1,148	1,270	4	4	3,352	3,759	7,769	8,876	5,927	7,321
Income tax	6,590	7,096	1,225	1,253	3,929	2,810	3,171	3,886	15	24	4,661	3,897	13,677	12,725	9,960	10,565
Profits tax	1,419	1,941	315	412	1,077	1,029	782	1,183	7	...	1,076	1,106	3,412	4,022	2,557	3,277
Directors' emoluments	577	664	239	269	437	449	367	387	14	15	608	606	2,096	2,227	599	631
Administrative charges	72	71	18	13	95	121	476	429	6	1	292	403	274	324	18	21
Contingencies, provisions, etc.	161	106	54	20	130	201	64	9	...	2	932	633	509	592	157	12
Pensions	19	57	39	49	35	21	215	234	...	...	237	261	155	111	2	2
Minority interests	45	29	9	6	108	71	294	286	...	...	118	50	71	44	1,580	1,460
Loan interest	390	503	116	112	88	91	480	475	6	...	199	225	175	172	576	1,002
Preference dividends	357	352	120	119	537	546	367	405	...	...	162	196	288	313	232	231
Profits retained by subsidiaries	2,567	2,219	280	93	3,712	1,331	912	1,019	Dr. 4	37	689	486	3,290	2,220	2,065	1,595
Ordinary dividends	4,497	4,861	537	617	1,514	1,475	2,212	2,365	11	12	1,621	1,939	6,776	7,330	4,087	4,197
Reserves (parent company)	1,569	1,774	549	638	1,598	2,277	3,105	846	...	...	2,245	2,597	6,106	5,176	4,694	6,256
Brought in (parent company)	2,322	2,422	738	679	2,734	2,906	4,699	2,058	50	83	2,444	2,161	11,007	11,861	4,202	4,375
Carried forward (Parent company)	2,422	2,583	679	866	2,906	3,453	2,058	2,360	83	83	2,161	1,656	11,861	12,141	4,375	5,489

Industry	Shipbuilding		Chemicals and Paint		Electrical Manufacturing		Motors, Cycles and Aircraft		Newspapers, Paper & Printing		Miscellaneous Manufacturing		Shipping		Cotton	
No. of Companies	(4)		(6)		(18)		(28)		(13)		(83)		(4)		(6)	
Year	Previous	Latest	Previous	Latest	Previous	Latest	Previous	Latest	Previous	Latest	Previous	Latest	Previous	Latest	Previous	Latest
Gross trading profit	4,179	3,580	15,482	14,897	19,100	20,288	73,023	48,351	6,551	7,140	35,361	35,220	984	670	3,111	3,278
Income from investments	297	376	1,032	1,191	333	374	1,079	1,130	211	230	1,262	1,311	234	270	148	224
Other current income	...	...	...	...	...	...	102	105	...	...	1	1	...	...	...	...
Non-recurring credits	30	230	381	432	238	103	530	958	409	163	2,201	2,472	268	259	83	269
Total Income	**4,506**	**4,186**	**16,895**	**16,520**	**19,671**	**20,765**	**74,735**	**50,544**	**7,171**	**7,533**	**38,825**	**39,004**	**1,486**	**1,199**	**3,342**	**3,771**
Depreciation	649	498	3,060	3,125	3,510	4,204	13,458	14,339	1,046	1,092	8,682	9,509	915	897	686	794
Income tax	1,419	1,186	5,534	5,108	6,035	6,075	22,204	11,981	2,022	2,206	9,914	9,173	175	62	654	619
Profits tax	367	372	942	1,033	1,276	1,661	6,058	4,045	513	716	2,065	2,412	2	...	158	214
Directors' emoluments	176	168	360	367	708	795	1,211	1,180	357	349	1,855	1,900	11	10	202	213
Administrative charges	7	5	65	131	225	107	224	332	58	90	371	747	25	22	48	90
Contingencies, provisions, etc.	...	...	45	21	254	193	330	52	162	84	548	330	40	14	104	114
Pensions	...	...	290	347	51	53	2,005	2,160	124	137	295	220	12	12	41	47
Minority interests	...	...	101	77	239	182	305	182	17	23	86	132	...	...	4	13
Loan interest	...	...	508	522	345	518	432	774	56	54	1,314	1,617	15	6	131	124
Preference dividends	34	44	222	226	233	240	736	738	147	147	735	654	...	...	44	43
Profits retained by subsidiaries	188	147	675	802	2,100	2,082	5,000	2,546	142	67	Dr. 362	2,097	...	Dr. 6	639	402
Ordinary dividends	457	457	2,078	2,218	3,159	3,291	9,701	9,394	1,060	1,206	5,280	5,141	222	237	586	600
Reserves (parent company)	1,179	1,181	2,918	2,693	916	401	3,341	2,670	743	597	5,723	2,505	15	...	178	415
Brought in (parent company)	1,214	1,244	1,559	1,656	5,953	6,573	8,008	16,738	4,147	4,871	10,118	12,237	501	555	1,820	1,687
Carried forward (Parent company)	1,244	1,372	1,656	1,506	6,573	7,536	16,738	16,889	4,871	5,636	12,237	14,804	555	500	1,687	1,770

Industry	Silk and Rayon		Wool		Other Textiles		Oil		Rubber		Tea		Other Companies*		TOTALS ALL GROUPS	
No. of Companies	(6)		(5)		(9)		(1)		(25)		(27)		(56)		454 Companies	
Year	Previous	Latest	Previous	Latest	Previous	Latest	Previous	Latest	Previous	Latest	Previous	Latest	Previous	Latest	Previous	Latest
Gross trading profit	562	587	1,608	1,408	7,049	7,116	84	109	3,071	2,500	3,201	4,378	19,813	20,499	333,474	312,505
Income from investments	2	9	24	29	161	248	...	1	234	322	231	243	1,011	1,270	9,722	11,808
Other current income	...	...	5	...	...	...	...	...	18	16	10	8	227	181	393	317
Non-recurring credits	...	10	39	40	235	40	12	1	124	216	293	193	724	728	7,974	11,003
Total Income	**564**	**606**	**1,676**	**1,477**	**7,448**	**7,404**	**96**	**111**	**3,447**	**3,054**	**3,735**	**4,822**	**21,775**	**22,678**	**351,563**	**335,633**
Depreciation	129	123	246	262	1,687	1,768	16	24	183	202	244	401	1,311	1,591	59,944	66,487
Income tax	123	133	473	381	1,946	2,000	11	16	1,151	883	1,642	2,234	6,101	5,580	103,255	89,893
Profits tax	19	43	95	109	464	605	5	5	18	33	12	20	1,210	1,171	23,849	25,735
Directors' emoluments	63	74	119	119	269	294	19	22	80	79	93	105	509	561	10,969	11,482
Administrative charges	9	11	5	9	21	27	11	14	65	70	62	67	530	1,124	3,197	4,249
Contingencies, provisions, etc.	17	6	19	11	59	14	9	4	393	397	77	59	281	556	4,345	3,430
Pensions	...	1	6	7	3	3	...	...	1	...	7	6	94	102	3,631	3,838
Minority interests	...	...	10	23	16	15	...	...	16	6	...	...	147	143	3,174	2,742
Loan interest	22	41	49	33	148	148	...	...	16	11	8	10	3,872	4,364	8,946	10,782
Preference dividends	6	10	27	30	130	134	...	...	...	...	24	24	531	541	4,932	4,993
Profits retained by subsidiaries	5	30	138	42	555	444	...	...	48	Dr. 10	31	25	997	498	23,467	18,166
Ordinary dividends	67	51	287	243	747	719	14	18	1,150	1,119	1,001	1,055	4,952	5,309	52,016	53,854
Reserves (parent company)	15	185	192	190	1,371	1,245	4	...	310	274	595	763	740	733	38,006	33,376
Brought in (parent company)	25	114	336	338	545	877	7	14	685	681	520	459	3,565	4,065	67,199	78,654
Carried forward (Parent company)	114	72	338	356	677	865	14	22	681	651	459	514	4,065	4,144	78,654	85,268

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

Comparative analysis of 454 balance sheets published October - December, 1961 (£'000)

Industry	Breweries and Distilleries		Clothing and Footwear		Food and Confectionery		Shops and Stores		Tobacco		Building		Engineering		Iron and Steel	
No. of Companies	(18)		(11)		(16)		(12)		(1)		(24)		(68)		(13)	
Year	Previous	Latest	Previous	Latest	Previous	Latest	Previous	Latest	Previous	Latest	Previous	Latest	Previous	Latest	Previous	Latest
Fixed assets	88,337	99,612	12,110	12,974	80,469	87,393	59,580	65,445	276	180	56,765	67,735	137,397	153,841	110,659	136,630
Trade investments	2,681	3,234	173	155	1,915	2,540	1,520	243	...	...	4,190	550	2,900	3,505	39,633	18,952
Stocks	18,417	21,884	8,532	9,272	59,303	68,215	22,313	21,467	240	330	27,629	32,608	75,395	89,075	57,228	66,933
Debtors	10,981	13,206	3,561	3,958	22,854	25,766	22,474	22,392	188	161	25,241	28,563	57,779	67,291	45,610	59,947
Net balances due to parent company	...	...	...	...	1,245	283	...	...	...	...	...	...	17	7	71	108
Gilt-edged	6,865	6,595	199	196	275	69	...	...	...	...	115	177	6,674	9,986	506	513
Cash	10,357	7,855	2,520	2,482	13,298	11,154	4,752	2,754	4	3	4,523	4,980	34,488	29,307	24,045	30,778
Other marketable investments	602	765	94	64	858	1,006	465	721	...	...	1,106	1,257	1,229	2,487	483	528
Intangible assets	824	3,416	1,166	1,361	1,087	1,186	4,846	4,623	...	...	611	705	2,898	2,867	4,335	10,027
Total Assets	**139,064**	**156,567**	**28,355**	**30,462**	**181,304**	**197,612**	**115,950**	**117,645**	**708**	**674**	**120,180**	**136,575**	**318,777**	**358,366**	**282,570**	**324,416**
Bank overdrafts and loans	1,162	2,169	1,149	1,737	19,969	30,001	12,353	9,377	248	166	7,560	16,388	5,174	11,822	3,028	5,239
Reserve for future income tax	5,781	6,326	1,605	1,699	3,254	2,204	3,297	4,142	17	25	5,251	4,691	16,246	17,279	9,669	9,538
Depreciation	17,193	18,542	2,534	2,887	33,658	36,028	7,432	8,432	12	15	23,544	25,425	58,521	57,023	47,874	57,951
Capital reserves	13,050	11,794	3,410	3,368	10,403	11,302	12,224	11,178	15	7	3,735	6,903	22,854	32,915	33,003	33,721
Other provisions	493	502	67	63	1,422	1,854	1,079	970	...	...	569	804	1,265	1,106	127	118
Creditors	13,538	12,567	2,606	2,856	26,015	27,217	12,821	11,508	57	57	18,419	19,821	35,894	41,952	28,125	33,344
Other current liabilities	8,510	13,198	1,931	2,094	9,333	7,802	5,897	7,873	39	41	6,281	7,812	21,376	26,136	16,107	17,741
Revenue reserves and carried forward	28,595	32,220	5,433	5,964	40,711	43,501	14,963	16,492	214	162	23,519	19,911	76,199	76,779	57,380	65,251
Net balances due to subsidiaries	...	...	...	...	295	679	...	...	...	...	70	...	90	40	17	17
Minority interests	1,207	1,578	156	153	2,215	2,095	5,918	5,898	1	1	1,336	3,269	2,319	2,393	22,256	24,934
Loan capital	8,349	9,979	1,073	953	1,920	2,424	9,241	8,791	5	...	5,920	6,655	3,477	3,674	13,630	24,853
Preference capital	9,215	8,845	2,857	2,790	14,785	14,785	10,333	10,333	...	...	5,440	5,415	8,614	9,451	7,344	7,292
Ordinary capital	31,971	38,847	5,534	5,898	17,324	17,720	20,392	22,651	100	200	18,836	19,481	66,748	77,796	44,010	44,417
Total Liabilities	**139,064**	**156,567**	**28,355**	**30,462**	**181,304**	**197,612**	**115,950**	**117,645**	**708**	**674**	**120,180**	**136,575**	**318,777**	**358,366**	**282,570**	**324,416**
Year's Free Scrip Issues	**2,805**	**5,238**	**1,627**	**350**	**452**	**306**	**3,204**	**2,007**	**—**	**100**	**217**	**150**	**5,302**	**6,380**	**3,153**	**130**

Industry	Shipbuilding		Chemicals and Paint		Electrical Manufacturing		Motors, Cycles and Aircraft		Newspapers, Paper & Printing		Miscellaneous Manufacturing		Shipping		Cotton	
No. of Companies	(4)		(6)		(18)		(28)		(13)		(83)		(4)		(6)	
Year	Previous	Latest	Previous	Latest	Previous	Latest	Previous	Latest	Previous	Latest	Previous	Latest	Previous	Latest	Previous	Latest
Fixed assets	15,922	16,462	45,830	53,164	49,825	58,382	205,677	246,203	22,547	23,842	129,343	152,575	16,045	16,359	21,010	23,505
Trade investments	413	784	3,217	5,071	4,561	3,772	3,552	4,307	651	674	6,770	6,012	579	907	543	602
Stocks	12,231	12,750	22,404	26,489	41,847	47,986	154,014	156,838	8,267	9,441	72,849	78,952	...	14	9,886	12,489
Debtors	1,737	1,986	14,352	19,360	34,055	41,021	82,396	85,166	9,609	10,746	99,703	112,644	1,207	1,109	4,393	4,430
Net balances due to parent company	...	...	...	...	...	...	...	...	...	21	8	189	179	...	...	...
Gilt-edged	...	...	46	72	351	310	857	2,573	24	24	4,468	3,949	4,144	2,603	102	95
Cash	6,943	5,378	17,985	13,429	9,104	9,901	52,300	37,917	3,732	4,733	18,272	16,274	2,371	3,864	5,220	2,165
Other marketable investments	5,885	6,835	2	2	92	90	1,990	1,906	816	814	1,275	1,213	1	...	47	223
Intangible assets	...	...	655	863	2,888	13,736	257	1,083	4,827	5,334	4,351	4,227	...	...	226	300
Total Assets	**43,131**	**44,195**	**104,491**	**118,450**	**142,723**	**175,198**	**501,043**	**535,993**	**50,494**	**55,616**	**337,220**	**376,025**	**24,347**	**24,856**	**41,427**	**43,809**
Bank overdrafts and loans	...	1,000	91	390	3,261	10,272	7,315	14,374	1,958	2,454	29,033	40,525	252	210	534	918
Reserve for future income tax	1,629	1,385	5,760	5,400	3,929	4,006	22,398	12,742	2,105	2,238	10,683	10,401	736	730	527	631
Depreciation	7,962	8,443	10,394	13,696	18,857	23,417	94,773	108,073	8,739	9,383	47,349	54,471	4,560	5,061	7,980	8,282
Capital reserves	1,235	1,292	6,563	6,520	7,569	16,730	16,450	16,771	2,835	3,121	24,881	28,103	358	358	2,013	2,245
Other provisions	493	366	1,244	1,462	1,760	2,076	643	764	161	186	6,181	6,425	706	630	201	184
Creditors	3,147	4,039	12,858	15,090	29,862	33,306	93,650	98,095	7,058	8,448	56,733	61,354	648	1,251	2,576	3,458
Other current liabilities	11,703	9,204	7,452	8,951	10,849	13,965	41,592	43,625	2,905	3,351	16,772	18,087	565	295	1,205	1,562
Revenue reserves and carried forward	11,007	12,511	16,907	19,759	21,357	23,933	97,180	101,195	12,145	13,078	53,424	56,153	9,440	9,239	12,113	12,378
Net balances due to subsidiaries	...	...	...	...	75	...	20	19	39	338	104	97	...	...	...	9
Minority interests	...	...	888	944	1,479	1,456	5,480	5,262	322	297	2,011	1,611	...	...	47	68
Loan capital	...	...	9,575	9,871	9,598	9,284	13,540	22,303	1,213	1,147	21,586	22,780	79	79	3,751	3,477
Preference capital	1,327	1,327	7,213	7,454	6,222	6,307	20,449	20,529	3,855	3,852	17,094	17,608	...	...	1,404	1,404
Ordinary capital	4,628	4,628	25,546	28,913	27,905	30,446	87,553	92,241	7,159	7,723	51,369	58,410	7,003	7,003	9,076	9,193
Total Liabilities	**43,131**	**44,195**	**104,491**	**118,450**	**142,723**	**175,198**	**501,043**	**535,993**	**50,494**	**55,616**	**337,220**	**376,025**	**24,347**	**24,856**	**41,427**	**43,809**
Year's Free Scrip Issues	**250**	**—**	**3,870**	**2,067**	**5,312**	**131**	**3,348**	**2,839**	**965**	**500**	**2,844**	**5,037**	**—**	**—**	**—**	**49**

Industry	Silk and Rayon		Wool		Other Textiles		Oil		Rubber		Tea		Other Companies*		TOTALS ALL GROUPS	
No. of Companies	(6)		(5)		(9)		(1)		(25)		(27)		(56)		454 Companies	
Year	Previous	Latest	Previous	Latest	Previous	Latest	Previous	Latest	Previous	Latest	Previous	Latest	Previous	Latest	Previous	Latest
Fixed assets	2,962	2,960	5,889	6,341	24,848	24,194	415	442	11,877	13,622	18,190	18,892	161,948	195,814	1,277,921	1,476,567
Trade investments	48	53	360	360	1,636	1,755	2	17	863	989	1,594	1,142	5,599	8,677	83,400	64,301
Stocks	1,969	2,144	8,469	7,852	12,685	15,037	95	109	1,090	886	6,321	7,749	9,752	11,421	630,936	699,941
Debtors	835	925	3,488	3,529	7,008	7,190	195	243	562	605	1,651	1,956	121,396	137,284	571,275	649,478
Net balances due to parent company	...	...	...	...	496	426	...	...	...	...	...	...	141	230	2,180	1,241
Gilt-edged	11	11	96	...	230	310	...	...	1,035	995	858	1,212	646	1,234	27,502	30,924
Cash	129	406	223	231	3,450	2,468	3	3	2,489	2,309	4,202	3,895	17,424	13,760	237,834	206,046
Other marketable investments	...	...	...	...	1,222	1,165	...	...	344	380	320	238	6,098	6,163	22,929	25,857
Intangible assets	183	150	10	10	135	108	...	...	...	...	103	99	8,830	9,955	38,232	60,050
Total Assets	**6,137**	**6,649**	**18,535**	**18,323**	**51,710**	**52,653**	**710**	**814**	**18,260**	**19,786**	**33,239**	**35,183**	**331,834**	**384,538**	**2,892,209**	**3,214,405**
Bank overdrafts and loans	356	443	2,237	2,020	1,215	1,420	177	22	8	...	507	772	56,932	68,486	154,519	220,205
Reserve for future income tax	131	152	804	753	1,482	1,899	10	15	303	221	171	183	4,168	2,910	99,956	89,570
Depreciation	1,463	1,524	2,822	3,042	6,452	5,770	165	167	1,561	1,793	1,978	2,450	8,720	9,927	414,543	461,802
Capital reserves	582	884	585	586	8,677	8,840	8	102	3,302	3,210	7,024	5,582	34,415	50,827	215,191	256,359
Other provisions	30	26	33	...	203	203	...	...	568	675	978	982	1,136	1,097	19,059	20,493
Creditors	787	908	1,788	2,119	5,499	4,581	175	264	1,239	1,147	3,117	3,355	21,534	21,990	378,146	408,727
Other current liabilities	124	227	526	482	2,411	2,819	26	21	1,646	1,528	5,155	5,564	51,040	61,014	223,445	253,392
Revenue reserves and carried forward	742	597	3,355	3,631	12,646	11,994	16	23	2,585	2,666	4,937	5,774	23,667	24,060	528,535	557,271
Net balances due to subsidiaries	...	...	...	...	...	...	...	...	...	...	...	...	...	103	710	1,302
Minority interests	...	...	188	204	425	217	...	...	124	85	40	38	2,559	3,336	48,971	53,839
Loan capital	451	417	989	278	3,612	3,612	...	...	138	60	160	149	60,322	66,397	168,629	197,183
Preference capital	325	325	800	800	4,586	4,586	...	...	7	7	674	674	15,851	16,071	138,395	139,855
Ordinary capital	1,146	1,146	4,408	4,408	4,502	6,712	133	200	6,779	8,394	8,498	9,660	51,490	58,320	502,110	554,407
Total Liabilities	**6,137**	**6,649**	**18,535**	**18,323**	**51,710**	**52,653**	**710**	**814**	**18,260**	**19,786**	**33,239**	**35,183**	**331,834**	**384,538**	**2,892,209**	**3,214,405**
Year's Free Scrip Issues	**—**	**—**	**388**	**—**	**389**	**2,211**	**—**	**—**	**70**	**168**	**—**	**1,139**	**2,112**	**1,574**	**36,308**	**30,376**

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

Money and Exchanges

EXCHEQUER RETURNS

For the week ended January 20, 1962 there was an "above-line" surplus (after allowing for sinking funds) of £105,885,000 compared with a surplus of £121,335,000 in the previous week and a surplus of £105,856,000 in the corresponding period of last year. There was a net receipt "below-line" of £9,575,000 leaving a total cumulative deficit to date of £889,085,000 compared with £854,827,000 in 1960–61.

£'000	Estimate 1961–62	April 1, 1960, to Jan. 21, 1961	April 1, 1961, to Jan. 20, 1962	Week ended Jan. 21, 1961	Week ended Jan. 20, 1962
Ordinary Revenue					
Income Tax	2,728,500	1,349,580	1,446,320	136,183	124,950
Surtax	210,000	96,700	108,100	11,500	16,200
Death Duties	240,000	181,400	202,100	4,700	3,800
Stamps	94,000	71,500	77,400	1,500	2,200
Profits tax, EPT and EPL	325,500	221,700	281,400	3,200	5,100
Other Inland Rev. Duties	...	100	...	...	...
Total Inland Rev.	3,598,000	1,920,980	2,115,320	157,083	152,250
Customs	1,550,000	1,191,284	1,310,503	27,148	29,228
Excise	960,000	732,990	761,875	4,035	6,740
Total Customs and Excise	2,510,000	1,924,274	2,072,378	31,183	35,968
Motor Duties	155,000	97,507	86,016	14,634	13,728
PO (Net Receipts)	...	...	...	...	...
Broadcast Lic's.	40,000	26,500	33,300	...	5,500
Sundry Loans	205,000	40,673	199,757	...	1,118
Miscellaneous		96,968		563	
Total	6,508,000	4,106,902	4,506,771	203,463	208,564
Ordinary Expenditure					
Debt Interest	660,000	544,927	579,097	12,038	20,387
Payments to N. Ireland Exch.	92,000	64,684	70,889	...	...
PO Fund — Initial settlement	15,000	...	7,282	...	...
Other Consolidated Funds	8,000	6,896	7,229	9	132
Supply Services	5,186,902	3,834,631	4,100,900	85,410	81,400
Total	5,961,902	4,451,138	4,765,397	97,457	101,919
Sinking Funds	40,000	29,317	30,002	150	760
"Above-line" Surplus or Deficit		– 373,553	288,628	+ 105,856 Cr.	+ 105,685 Cr.
"Below-line" Net Expenditure*		481,274	600,457	17,397	9,575
		–	–	+	+
Total Surplus or Deficit		854,827	889,085	123,253	115,460
Net receipts from:					
Tax Reserve Certificates		143,523	165,223	–46,139	–42,011
Savings Certificates		52,000	17,400	2,100	700
Defence Bonds		86,835	19,862	3,361	512
Premium Savings Bonds		45,650	32,500	1,500	500
Total		320,008	200,185	–39,178	–40,299

* Net issues of £20 million to the Civil Contingencies Fund in 1961–62 compared with a net receipt of £3 million in 1960–61.

FLOATING DEBT

(£ million)

	Treasury Bills		Ways and Means Advances		Total Floating Debt
	Tender	Tap	Public Dept.	Bank of England	
1961					
Jan. 21	3,360·0	2,018·5	284·5	...	5,662·9
Oct. 14	3,360·0	2,003·4	208·7	...	5,472·2
,, 21	3,270·0	1,997·8	183·1	...	5,450·9
,, 28	3,280·0	2,003·2	211·5	...	5,494·8
Nov. 4	3,280·0	2,063·7	201·1	0·8	5,545·5
,, 11	3,290·0	1,990·7	216·9	...	5,497·6
,, 18	3,310·0	1,976·2	250·6	...	5,536·8
,, 25	3,330·0	2,016·1	205·3	...	5,551·4
Dec. 2	3,350·0	2,078·9	228·5	...	5,657·4
,, 9	3,370·0	2,083·8	222·2	...	5,676·0
,, 16	3,370·0	2,148·9	235·2	0·8	5,754·9
,, 31	3,400·0	2,205·3	205·1	...	5,810·4
1962					
Jan. 6	3,380·0	2,163·3	339·7	...	5,882·9
,, 13	3,300·0	2,151·6	334·8	2·5	5,788·9
,, 20	3,250·0	2,147·4	326·4	...	5,723·8

THE MONEY MARKET

After five weeks of tactical withdrawal, involving the progressive lowering of its Treasury bill bid (raising the rate) in order to improve its margins, the syndicate of discount houses once again took the offensive last Friday and raised its bid by 8d. to £98 13s. 6d., and the average rate of discount fell by nearly ¼ per cent to £5 6s. 2.35d. per cent. The previous week's allotment was only 32 per cent and the possibility of a Bank rate cut was an argument for increasing bill portfolios. The market's allotment on the higher bid was 68 per cent.

After the tender on Friday one or two houses were forced to borrow from the Bank of England at Bank rate, but the amount was very small. Credit has been fairly short throughout this week, although the market now seems fairly well adjusted to the difficulties of the postal delay. The authorities provided a large amount of help on Saturday and Tuesday, when four or five houses were still forced to borrow a moderate amount from the Bank.

In New York this week the rate for 91-day bills fell from 2.770 to 2.688 per cent; in London the rate for Euro-dollar deposits is 3½ per cent.

MONEY RATES

LONDON	%		
Bank rate (from 6½%, 2/11/61)	6	**Discount rates** (Wednesday):	%
Deposit rates (7 days' notice):		Bank bills:	
Banks	4	60 days	$5^{9}/_{16}$–$5^{5}/_{8}$
Discount houses	4–4¼	3 months	$5^{9}/_{16}$–$5^{5}/_{8}$
Local Authorities	6¼	4 months	$5^{9}/_{16}$–$5^{5}/_{8}$
Call money:		6 months	$5^{9}/_{16}$–$5^{11}/_{16}$
Clearing banks' minimum	$4^{3}/_{8}$	Fine trade bills:	
Day-to-day	$4^{3}/_{8}$–$5^{1}/_{2}$	3 months	$6^{3}/_{4}$–$7^{1}/_{2}$
		4 months	$6^{3}/_{4}$–$7^{1}/_{2}$
		6 months	7–8

NEW YORK	%		%
Official Discount rate: (from $3^{1}/_{2}$%, 11/8/60)	3	**Treasury bills:** January 15	2·770
		,, 22	2·688

BANK OF ENGLAND RETURNS

(£ million)	Jan. 25, 1961	Jan. 17, 1962	Jan. 24, 1962
Issue Department:			
Notes in circulation	2,196·0	2,321·3	2,295·3
Notes in banking dept.	54·4	54·1	30·1
Govt. debt and securities	2,248·0	2,374·0	2,324·0
Other securities	0·8	0·7	0·7
Gold coin and bullion	0·4	0·4	0·4
Coin other than gold coin	1·3	0·3	0·3
Banking Department:			
Deposits:			
Public accounts	15·2	16·6	15·0
Special deposits	155·9	236·5	236·5
Bankers	260·0	242·9	244·3
Others	66·2	69·0	69·0
Total	497·3	564·9	564·7
Securities:			
Government	401·3	458·9	463·6
Discounts and advances	40·0	50·1	69·5
Other	19·1	19·2	19·0
Total	460·4	528·2	552·1
Banking department reserve	55·1	54·9	30·9
"Proportion"	11·0	9·7	5·4

* Government debt is £11,015,100, capital £14,553,000 Fiduciary issue reduced by £50 million to £2,325 million on January 24th.

TREASURY BILL TENDERS

Date of Tender	Amount (£ million) Offered	Applied for	Three Months' Bills Average Rate of Allotment	Allotted at Max Rate*
1961	*91 day*		s. d.	%
Jan. 20	280·0	432·4	83 8·22	60
Oct. 20	250·0	416·1	118 5·35	51
,, 27	250·0	431·2	114 6·57	66
	91 day *63 day*			
Nov. 3	200·0 60·0	412·7	108 6·10	63
,, 10	230·0 40·0	458·9	108 5·49	44
,, 17	220·0 50·0	430·2	107 9·71	56
,, 24	220·0½ 60·0	471·8	107 9·40	42
Dec. 1	220·0 50·0	461·3	107 1·08	44
,, 8	230·0 30·0	455·3	106 5·34	46
,, 15	210·0 50·0	371·6	106 4·83	37
,, 22	210·0 50·0	379·0	107 3·18	52
,, 29	250·0	396·0	108 0·72	51
1962				
Jan. 5	240·0	406·9	108 7·81	38
,, 12	240·0	409·4	108 6·03	32
,, 19	240·0	388·1	106 2·35	68

* On January 19th tenders for 91 day bills at £98 13s. 6d secured 63 per cent, higher tenders being allotted in full The offer for this week was for £240 million 91 day bills ‡ Allotment cut by £10 million.

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Effective Limits	Market Rates: Spot					
	January 24	January 18	January 19	January 20	January 22	January 23	January 25
United States $	2·78–2·82*	$2·81^{1}/_{16}$–$3^{1}/_{16}$	$2·81^{1}/_{16}$–$3^{1}/_{16}$	$2·81^{1}/_{16}$–$3^{1}/_{16}$	$2·81^{1}/_{16}$–$3^{1}/_{16}$	$2·81^{1}/_{16}$–$3^{1}/_{16}$	$2·81^{1}/_{16}$–$3^{1}/_{16}$
Canadian $	...	$2·93^{9}/_{16}$–$^{11}/_{16}$	$2·93^{13}/_{16}$–$^{15}/_{16}$	$2·93^{9}/_{16}$–$^{11}/_{16}$	$2·93^{9}/_{16}$–$^{11}/_{16}$	$2·93^{9}/_{16}$–$^{11}/_{16}$	$2·93^{11}/_{16}$–$^{13}/_{16}$
French Fr.	13·622–14·027	$13·77^{3}/_{8}$–$^{7}/_{8}$	$13·77^{3}/_{8}$–$^{5}/_{8}$	$13·77^{3}/_{8}$–$^{5}/_{8}$	$13·77^{3}/_{8}$–$^{5}/_{8}$	$13·77^{3}/_{8}$–$^{5}/_{8}$	$13·77^{1}/_{2}$–$^{3}/_{4}$
Swiss Fr.	11·94–12·54⅞	$12·13^{1}/_{4}$–$^{1}/_{2}$	$12·13^{1}/_{2}$–$^{3}/_{4}$	$12·13^{1}/_{2}$–$^{3}/_{4}$	$12·13^{3}/_{8}$–$^{5}/_{8}$	$12·13^{3}/_{8}$–$^{5}/_{8}$	$12·13^{3}/_{8}$–$^{5}/_{8}$
Belgian Fr.	137·96–142·05	$139·92^{1}/_{2}$–$^{97}/_{2}$	$139·92^{1}/_{2}$–$^{97}/_{2}$	$139·92^{1}/_{2}$–$^{97}/_{2}$	$139·90$–95	$139·87^{1}/_{2}$–$^{92}/_{2}$	$139·90$–95
Dutch Gld.	$9·98^{3}/_{4}$–$10·28^{1}/_{4}$	$10·14^{1}/_{2}$–$^{3}/_{4}$	$10·14^{1}/_{2}$–$^{3}/_{4}$	$10·14^{3}/_{8}$–$^{5}/_{8}$	$10·13^{7}/_{8}$–$14^{1}/_{8}$	$10·13^{3}/_{8}$–$^{5}/_{8}$	$10·13^{3}/_{4}$–$^{7}/_{8}$
W. Ger. D-Mk.	11·037–11·365	$11·23^{1}/_{8}$–$^{3}/_{8}$	$11·23^{1}/_{8}$–$^{3}/_{8}$	$11·23^{1}/_{8}$–$^{3}/_{8}$	$11·23^{1}/_{8}$–$^{5}/_{8}$	$11·22^{7}/_{8}$–$23^{1}/_{8}$	$11·23$–$23^{1}/_{4}$
Portug. Esc.	...	80·18–28	80·18–28	80·18–28	80·18–28	80·18–28	80·18–28
Italian Lire	1725–1775	$1744^{1}/_{2}$–45	$1744^{1}/_{2}$–45	$1744^{1}/_{2}$–45	$1744^{1}/_{2}$–45	$1744^{1}/_{2}$–45	$1744^{1}/_{2}$–45
Swedish Kr.	14·27½–14·70	$14·53^{1}/_{4}$–$^{3}/_{4}$	$14·53^{1}/_{4}$–$^{3}/_{4}$	$14·53^{3}/_{8}$–$^{5}/_{8}$	$14·52^{1}/_{2}$–$^{3}/_{4}$	$14·52^{3}/_{8}$–$^{5}/_{8}$	$14·51^{7}/_{8}$–$^{5}/_{8}$
Danish Kr.	19·06½–19·62	$19·35^{3}/_{8}$–$^{5}/_{8}$	$19·35^{3}/_{8}$–$^{5}/_{8}$	$19·35^{3}/_{8}$–$^{5}/_{8}$	$19·34^{7}/_{8}$–$35^{1}/_{8}$	$19·34^{7}/_{8}$–$35^{1}/_{8}$	$19·35^{1}/_{4}$–$^{1}/_{2}$
Norwegian Kr.	19·71–20·30½	$20·03^{7}/_{8}$–$04^{1}/_{8}$	$20·03^{7}/_{8}$–$04^{1}/_{8}$	$20·03^{7}/_{8}$–$04^{1}/_{8}$	$20·03^{7}/_{8}$–04	$20·03^{1}/_{4}$–04	$20·03^{7}/_{8}$–04
	* Official Limits	**One Month Forward Rates**					
United States $		$^{3}/_{4}$–$^{5}/_{8}$c. pm	$^{3}/_{4}$–$^{5}/_{8}$c. pm	$^{3}/_{4}$–$^{5}/_{8}$c. pm	$^{3}/_{4}$–$^{5}/_{8}$c. pm	$^{3}/_{4}$–$^{5}/_{8}$c. pm	$^{3}/_{4}$–$^{5}/_{8}$c. pm
Canadian $		$^{11}/_{16}$–$^{5}/_{8}$c. pm	$^{3}/_{4}$–$^{5}/_{8}$c. pm	$^{3}/_{4}$–$^{5}/_{8}$c. pm	$^{3}/_{4}$–$^{5}/_{8}$c. pm	$^{3}/_{4}$–$^{5}/_{8}$c. pm	$^{5}/_{8}$–$^{1}/_{2}$c. pm
French Fr.		$2^{1}/_{4}$–$1^{3}/_{4}$c. pm	$2^{1}/_{4}$–$1^{3}/_{4}$c. pm	$2^{1}/_{4}$–$1^{3}/_{4}$c. pm	$2^{1}/_{4}$–$1^{3}/_{4}$c. pm	$2^{1}/_{4}$–$1^{3}/_{4}$c. pm	$2^{1}/_{8}$–$1^{3}/_{8}$c. pm
Swiss Fr.		4–$3^{1}/_{2}$c. pm	4–$3^{1}/_{2}$c. pm	4–$3^{1}/_{2}$c. pm	4–$3^{1}/_{2}$c. pm	4–$3^{1}/_{2}$c. pm	4–$3^{1}/_{2}$c. pm
Belgian Fr.		40–30c. pm	38–28c. pm	38–28c. pm	38–28c. pm	35–25c. pm	35–25c. pm
Dutch Gld.		$3^{1}/_{4}$–$2^{3}/_{4}$c. pm	$3^{1}/_{2}$–3c. pm	$3^{1}/_{2}$–3c. pm	$3^{1}/_{4}$–$2^{3}/_{4}$c. pm	$3^{1}/_{4}$–$2^{3}/_{4}$c. pm	$3^{3}/_{8}$–$2^{7}/_{8}$c. pm
W. German D-Mk.		$4^{1}/_{8}$–$3^{3}/_{8}$pf. pm	$3^{3}/_{4}$–$3^{1}/_{4}$pf. pm	$3^{3}/_{4}$–$3^{1}/_{4}$pf. pm	$3^{3}/_{4}$–$3^{1}/_{4}$pf. pm	$3^{1}/_{2}$–3pf. pm	$3^{3}/_{8}$–$3^{1}/_{8}$pf. pm
		Three Months Forward Rates					
United States $		$^{17}/_{8}$–$1^{3}/_{4}$c. pm	$1^{13}/_{16}$–$1^{11}/_{16}$c. pm	$1^{13}/_{16}$–$1^{11}/_{16}$c.pm	$1^{3}/_{4}$–$1^{5}/_{8}$c. pm	$1^{3}/_{4}$–$1^{5}/_{8}$c. pm	$1^{3}/_{4}$–$1^{5}/_{8}$c. pm
Canadian $		$1^{3}/_{4}$–$1^{5}/_{8}$c. pm	$1^{11}/_{16}$–$1^{9}/_{16}$c. pm	$1^{11}/_{16}$–$1^{9}/_{16}$c. pm	$1^{5}/_{8}$–$1^{1}/_{2}$c. pm	$1^{5}/_{8}$–$1^{1}/_{2}$c. pm	$1^{5}/_{8}$–$1^{1}/_{2}$c. pm
Swiss Fr.		$103^{1}/_{4}$–$101^{1}/_{4}$c. pm	$103^{1}/_{4}$–$101^{1}/_{4}$c. pm	$103^{1}/_{4}$–$101^{1}/_{4}$c. pm	$101^{1}/_{4}$–$99^{1}/_{4}$c. pm	$101^{1}/_{4}$–$99^{1}/_{4}$c. pm	$101^{1}/_{4}$–$97^{1}/_{4}$c. pm
W. German D-Mk.		10–$9^{1}/_{2}$pf. pm	$9^{3}/_{4}$–$9^{1}/_{4}$pf. pm	$9^{3}/_{4}$–$9^{1}/_{4}$pf. pm	$9^{3}/_{4}$–$9^{1}/_{4}$pf. pm	$9^{1}/_{2}$–9pf. pm	$9^{1}/_{2}$–9pf. pm
		Gold Price at Fixing					
Price (s. d. per fine oz.)		250/3	250/2	...	250/1¼	250/2¼	250/2
,, ($,, ,, ,,)		35·16	$35·16^{1}/_{2}$	...	35·16	35·16	$35·16^{1}/_{2}$

APPOINTMENTS

FORMICA LIMITED
A Member of the De La Rue Group
require a

MARKET RESEARCH ASSISTANT

We require a recent graduate, aged 22 to 24, for our Market Research department at our head office in Regent Street. The successful applicant must have a genuine aptitude for fact-finding and may have had some market research or industrial experience.

The department is concerned with marketing research, business forecasting and economic intelligence, and is closely integrated with the marketing function.

The work is intensive but not desk-bound. There are good opportunities for learning the techniques of industrial market research and the processes involved in policy making at company level.

Apply (quoting ref. K.8678), giving details of age, education, experience and present salary to

The Chief Personnel Officer,
FORMICA LIMITED,
De La Rue House, 84/86, Regent Street,
London, W.1.

ECONOMIC AND SOCIAL STATISTICS

The Department of Technical Co-operation would like to be in touch with WELL QUALIFIED MEN AND WOMEN with experience in fields such as Economic Statistics, including National Income Estimates and Family Expenditure Surveys, who would welcome an assignment in under-developed countries. The Department receives a number of requests for Technical Assistance in this form from the U.K. Details of specific appointments will be discussed with suitably qualified applicants, and, should a definite offer be in prospect, the Department would be prepared to approach the present employer of the applicant on the question of leave of absence.

A letter, giving brief details of experience and main interests should be sent in the first place to the Director-General, Department of Technical Co-operation, Sanctuary Buildings, Great Smith Street, London, S.W.1, quoting reference RC 343/01.

POSTGRADUATE STUDENTSHIPS IN USSR 1962–63

Applications are invited for TWENTY SCHOLARSHIPS FOR STUDY AT SOVIET UNIVERSITIES FOR THE ACADEMIC YEAR 1962–63. These awards are open to post-graduate students, with at least 2nd Class Honours Degree, currently engaged in study or research at universities or equivalent institutions. Undergraduates in their final year may apply. Applicants must be of British nationality and have a working knowledge of the Russian language.—Particulars and application forms, for which a stamped (3d.), self-addressed foolscap envelope should be sent, are obtainable from Universities Department, British Council, State House, High Holborn, London, W.C.1. Completed application forms should reach the British Council as soon as possible, and, in any case, not later than February 10th.

RESEARCH APPOINTMENTS in the Civil Service. About eight posts of ASSISTANT RESEARCH OFFICER in Commonwealth Relations Office, Ministry of Defence, Home Office and Board of Trade, for men and women at least 21 and normally under 28 on 1.4.62. Duties involve collection and analysis of information bearing on sociological and criminological problems, on defence or economic policy, or on Commonwealth matters, and the preparation of reports. Qualifications: normally 1st or 2nd class honours degree, preferably in Economics, Geography, Statistics or a kindred subject, or with law, sociology, psychology or statistics as a main subject. Final year students may apply. For the Commonwealth Relations Office post, previous experience in the field of Commonwealth affairs will be an advantage. National salary scale £728–£1,222.

There are also two higher posts in the Home Office: SENIOR RESEARCH OFFICER (national salary scale £1,716–£2,340) and RESEARCH OFFICER (national salary scale £1,342–£1,654) for which practical experience of social or psychological research, or of research involving similar methods, is essential. Age normally at least 30 on 1.4.62, but exceptionally well qualified candidates aged 28–30 may be considered.

All posts are pensionable. Starting salary may be above minimum for all three grades. Promotion prospects.—Write Civil Service Commission, Burlington Gardens, London, W.1, for application form quoting 317/62. Closing date, February 27, 1962.

UNIVERSITY OF GLASGOW
ASSISTANTSHIPS IN MATHEMATICS

Applications are invited for TWO ASSISTANTSHIPS IN MATHEMATICS. Salary scale £600–£950 per annum. Initial salary according to experience and qualifications. F.S.S.U. and family allowance benefits.

Applications (three copies) should be lodged, not later than February 28, 1962, with the undersigned, from whom further particulars may be obtained.

ROBT. T. HUTCHESON,
Secretary of University Court.

CAMBRIDGE UNIVERSITY
RESEARCH STUDENTSHIPS IN LAND STUDIES

A Harold Samuel Studentship, tenable from October 1, 1962, is offered for research in economic, legal or social matters relating to the use, tenure or development of land. Applications must reach the Registrary, The Old Schools, Cambridge, not later than March 15, 1962.—Value of the studentship and other particulars may be obtained from the Secretary, Board of Estate Management, 18A Silver Street, Cambridge.

EMGAS
worth working for

AN ASSISTANT STATISTICIAN

is required in the Commercial Manager's department of the East Midlands Gas Board at their Headquarters in Leicester.

The post is open to persons with qualifications in economics and or in statistics. Preference will be given to those who have knowledge and experience in market research.

Salary will be within a range rising to £930

Applications, stating age, experience, qualifications, present appointment and salary, should be sent by February 5, 1962, to the

Secretary IR 1,
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Beverley House, University Road, Leicester.

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is required by a large and old-established international company for its European Headquarters in Brussels.

Fluent command of English and at least one principal European language (French, Spanish or German) required.

In addition to superior educational qualifications, candidates should have considerable experience and a successful record on the appropriate levels of banking, accountancy or law or as a company secretary. Preferred age 35 to 42.

An extensive training and indoctrination in the Company's operations and policies will be provided. Starting salary will be in the range of £3,000 to £4,000, with retirement plan and other benefits.

Replies with detailed curriculum vitae should be addressed to BOX 1582 and will be treated in strict confidence.

CAMBRIDGE UNIVERSITY

Applications are invited for the position of ASSISTANT IN RESEARCH in the Department of Land Management. Applicants should be qualified to undertake research in economic, legal or social problems related to the use, tenure, or development of land. Salary scale: £750–£1,000. Further information may be obtained from the Secretary of the Board of Estate Management, 18a Silver Street, Cambridge. Closing date for applications, March 1, 1962.

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Salary in ranges between £640 at age 21 to £1,055 per annum and £790 to £1,270 per annum according to qualifications and experience.

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Send POSTCARD for application form to Personnel Manager (W.450 2/1), U.K.A.E.A., A.E.E. Winfrith, Dorchester, Dorset.

Closing date:—

MARCH 21, 1962.

UNIVERSITY COLLEGE OF NORTH STAFFORDSHIRE

Applications are invited for the post of LECTURER OR ASSISTANT LECTURER IN ECONOMICS. Salary in scale £1,050 x £50—£1,400 x £75—£1,850 p.a. (Lecturers); £800 x £50—£950 p.a. (Assistant Lecturers), with F.S.S.U. and Children's Allowances. Applications should reach the Registrar, The College, Keele, Staffs., from whom further particulars and application forms may be obtained, not later than March 3, 1962.

THE UNIVERSITY OF ALBERTA CALGARY

invites applications for a position in the Department of Political Economy as follows:

An Assistant or Associate Professorship of Economics, at a salary between $7,500 and $10,000, depending upon experience and qualifications. The applicant should be prepared to instruct in money and banking and public finance, or international trade.

Appointments will be effective September 1, 1962. Applications for the position above should include a recent photograph, or snapshot, a curriculum vitae, transcripts of record from universities where degrees were obtained, and the names of three references, and should reach the Department before March 15, 1962.

For further appointments and other classified advertisements see page 374

UNIVERSITY OF MALAYA IN KUALA LUMPUR

LECTURER/ASSISTANT LECTURER IN DEPARTMENT OF ECONOMICS

Applications are invited for the above-mentioned post. Candidates should have a good first degree. A higher degree in the field of Rural Economics with emphasis in Anthropology or Sociology is desirable as the successful candidate would be required to teach and carry out research work in Rural Economics, Rural Development and Community Development. Experience of field work in the Asian rural environment would be an added advantage.

Salary:

Lecturers: $820 x $35—$1,030/$1,100 x $40—$1,300 p.m. (£1,148 x £49—£1,442/£1,540 x £56—£1,820 p.a.).

Assistant Lecturers: $715 x $35—$785 p.m. (£1,001 x £49—£1,099 p.a.).

In addition, a variable allowance is at present paid at 35 per cent. of basic salary, subject to certain maxima, together with expatriation allowance at specified rates. An allowance is made towards travelling expenses and housing assistance is available.

Application forms and further particulars are available from the Secretary, Association of Universities of the British Commonwealth (Branch Office), Marlborough House, Pall Mall, London, S.W.1.

Applications close in Kuala Lumpur and London on *February 28, 1962.*

MARKET RESEARCH ASSISTANT

required for Package Foods Division to work on both existing and new product development with responsibility later for commissioning research with outside agencies.

Applications from men or women age 24–30 who should have a degree and must have at least two years' Market Research experience are invited. Although salary and substantial Profit Sharing Scheme give good remuneration here, an indication of present or expected gross earnings would be helpful. Other benefits include Pensions and Life Assurance Schemes. Based in London now, a move to Esher is contemplated within two years.

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Qualifications in engineering are not essential but it is necessary to have good commercial experience at senior executive level in associated fields.

The present appointment, which will extend for a period of about three years, is of considerable responsibility and a substantial salary will be paid with generous overseas allowances. If successful in this engagement he should establish himself with excellent future prospects in this leading electronics company.

Applications in strict confidence should be addressed to Mr. J. H. P. Summers, Decca Radar Limited, 9, Albert Embankment, London, S.E.1.

UNIVERSITY OF EDINBURGH

DEPARTMENT OF ORGANISATION OF INDUSTRY AND COMMERCE: LECTURESHIP

Applications are invited for the post of LECTURER in the above Department. In addition to undergraduate and post-graduate work in Industrial Organisation, the department conducts advanced courses and research in Management Studies.

Candidates should hold good qualifications in Psychology, Economics, Commerce, Industrial Sociology or an allied field; a basic training in psychology is desirable and industrial experience would be an advantage.

Salary Scale £1,050 x £50 to £1,250; Bar; £1,300 x £50 to £1,400 x £75 to £1,850 per annum, with placement according to qualifications and experience, and with superannuation benefit and family allowance where applicable. The successful candidate will be expected to take up duty as soon as possible after April 1, 1962, and not later than October 1st.

Further particulars may be obtained from the undersigned, with whom applications (six copies), giving the names of three referees, should be lodged not later than February 10, 1962.

CHARLES H. STEWART,
Secretary to the University.

January, 1962.

MARKET RESEARCH

A GRADUATE EXECUTIVE used to interpreting and presenting consumer research results is offered opportunity to extend his scope in this field.

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Enquiries to Box 1584

CITY OF OXFORD EDUCATION COMMITTEE

COLLEGE OF TECHNOLOGY

LECTURER IN MANAGEMENT STUDIES

Applications are invited for the post of LECTURER IN MANAGEMENT STUDIES. Candidates should have good academic qualifications, preferably in Economics, with Statistics, with suitable industrial experience. The College is recognised for the new Diploma in Management Studies and holds a variety of short courses.

Salary will be in accordance with the Burnham Technical Scale for Lecturers, i.e., £1,000 x £50 to £1,300.

Further particulars and a form of application may be obtained from the Principal, College of Technology, Oxford (s.a.e. please), and should be returned not later than February 5, 1962.

For other appointments see page 373

THE UNIVERSITY OF LIVERPOOL

Applications are invited for TWO LECTURE-HUME POST-GRADUATE FELLOWSHIPS, one in the School of Architecture or the Department of Civic Design, and one in any Department of the Faculty of Arts. The Fellowships will be tenable for one year at a value of £600, but may be renewed for a second year.

Applications, three copies, quoting Reference CV 59 E, and stating age, qualifications and experience, proposed field of research, the names of two referees and, in the case of the Fellowship in Architecture or Civic Design, enclosing copies or photographs of work, should be received not later than March 1, 1962, by the Registrar, from whom further particulars may be obtained.

UNIVERSITY OF GLASGOW

LECTURESHIP IN STATISTICS

Applications are invited for a LECTURESHIP IN STATISTICS from persons qualified in Mathematical Statistics. Salary scale: £1,050-£1,850 per annum. Initial salary according to experience and qualifications. F.S.S.U. and family allowance benefits.

Applications (eight copies) should be lodged, not later than February 26, 1962, with the undersigned, from whom further particulars may be obtained.

ROBT. T. HUTCHESON,
Secretary of University Court.

APPOINTMENTS REQUIRED

INDUSTRIAL RELATIONS EXPERT

—early fifties, at present occupying responsible position in this sphere, but willing to consider change which would provide equal responsibility with greater freedom of action and decision. Minimum salary required £2,000.—Box 1583.

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DIRECTORS needing able office staff (m. and f.).—Consult Stella Fisher Bureau, 436 Strand, W.C.2. TEMple Bar 6644.

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Conference on January 30th and 31st, at the Park Lane Hotel, Piccadilly, W.1.

Details from: The Principal, College of Production Technology, Ashford, Kent. Ashford (Kent) 2101.

THE HONGKONG AND SHANGHAI BANKING CORPORATION

Notice is hereby given that the SHARE TRANSFER BOOKS of this Corporation will be CLOSED from March 2nd to March 16th, 1962, both days inclusive, for the purpose of preparing for payment of dividend for 1961.

THE BRITISH ASSOCIATION OF ACCOUNTANTS AND AUDITORS LIMITED (Incorporated 1923). The next examinations will be held from the 22nd to 25th May, 1962. Membership can only be obtained by those who have passed the prescribed examinations. Copies of the Syllabus are obtainable from the Secretary, Stamford House, 2/4, Chiswick High Road, London, W.4.

TUITION FOR B.Sc. ECONOMICS

Wolsey Hall (Est. 1894) provides Postal Courses in a wide range of subjects for the two examinations for London Univ., B.Sc.Econ. (three if entrance is included) at moderate fees. 1,431 Wolsey Hall students passed London Univ. B.Sc. Economics Exams, 1950-60. Tuition also for G.C.E., Law, Statistical, other exams. —Prospectus (mention examination) from E. W. Shaw Fletcher, C.B.E., LL.B., Director of Studies, Dept. P.17.

WOLSEY HALL, OXFORD

SURVEY OF OPERATIONAL RESEARCH FOR MANAGEMENT

The London School of Economics and Political Science will hold a ONE-WEEK SURVEY COURSE IN OPERATIONAL RESEARCH from April 9 to 13, 1962. Its purpose is to provide Senior Managers with an appreciation of the function of Operational Research in the context of business or industrial undertakings. The fee, which does not include residence, is £50. Particulars and application forms can be obtained from the Registrar, The London School of Economics and Political Science, Houghton Street, Aldwych, London, W.C.2.

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

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

UNIVERSITY OF EDINBURGH

Residential Course for Business Managers

The eighth RESIDENTIAL COURSE FOR BUSINESS MANAGERS will be held in the university from July 2 to 29, 1962. The aim is to encourage the development of a broader understanding of business problems and of the environment in which business operates and thus to assist in the transition from specialised to general management.

In addition to syndicate work and case-studies, seminars will be led by practising business and professional men as well as university teachers drawn from several departments, including commerce, political economy, accounting and psychology.

To encourage the exchange of knowledge and experience among members of the course, the number admitted will be strictly limited. There are no formal educational requirements. The fee for the course, including residence, is 90 guineas. Early application should be made: the closing date is March 9, 1962.

Post-Graduate Course in Management Studies

The full-time course of study leading to the award of the university's post-graduate Diploma in Management Studies commences on October 9, 1962. It is intended for young business managers who are likely to be promoted to more senior posts, and it is particularly suitable for those with a scientific or technological training who are taking on managerial responsibilities. The course extends over the three terms from October to June, but members may return to their companies during the two vacations.

The Department of Scientific and Industrial Research has accepted this course as suitable for the tenure of its advanced course studentships. Interested candidates are recommended to read the booklet "D.S.I.R. Studentships and Fellowships," January, 1960, obtainable from H.M.S.O., price 1s. 6d.

Candidates for admission should normally be university graduates, but suitably qualified non-graduates may also apply. Entrance standards are high, and only a limited number of places is available. Application for admission should be made as early as possible.

Further particulars and nomination forms for both these courses may be obtained from Professor Norman Hunt, 29 George Square, Edinburgh, 8.

Bachelor of Commerce Degree

The attention of those intending to enter upon a career in business is drawn to the Bachelor of Commerce (B.Com.) Degree course in this University. This is a three-year curriculum designed for those who intend to take up administrative posts in industry, commerce and government, and for those preparing to teach business subjects. It includes the following subjects: Political Economy, Economic History, Accounting, Organisation of Industry and Commerce, Mercantile Law; optional subjects include Languages, Banking, Industrial Law, Psychology, Statistics, etc. Further particulars may be obtained from the Director of Studies in Commerce, University of Edinburgh, 29 George Square, Edinburgh 8, and forms of application for admission from the Matriculation Office, University of Edinburgh, Old College, South Bridge, Edinburgh 8. These should be returned not later than May 1, 1962.

CHARLES H. STEWART,
Secretary to the University.

January, 1962.

WEST RIDING WORSTED AND WOOLLEN MILLS LIMITED

The Annual General Meeting of the Company will be held on 14th February, 1962, to receive the report and accounts for the year ended 31st August, 1961, and to declare a dividend.

The Directors have recommended the payment on 15th February of a final dividend of 13 per cent. (less tax) on the Ordinary Shares, making 21 per cent. (less tax) for the year.

The following summaries are extracted from the accounts:

PROFIT OF GROUP BEFORE TAXATION		£1,474,098
Dealt with as follows:		
Taxation	£743,828	
Retained	418,517	
Dividends (net)—		
6 per cent. Preference	22,969	
Ordinary...	288,784	
		£1,474,098
NET ASSETS:		
Current Assets less Current Liabilities		£5,076,908
Fixed Assets less Depreciation		2,429,681
		£7,506,589
Represented by:—		
Preference Share Capital	£625,000	
Ordinary Share Capital	2,245,166	
Capital Reserves	40,254	
Revenue Reserves...	4,037,169	
		6,947,589
Amount set aside for Future Income Tax		559,000
		£7,506,589

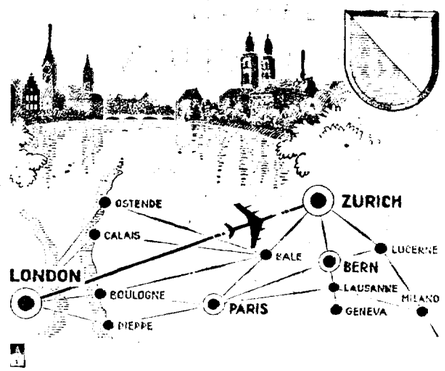


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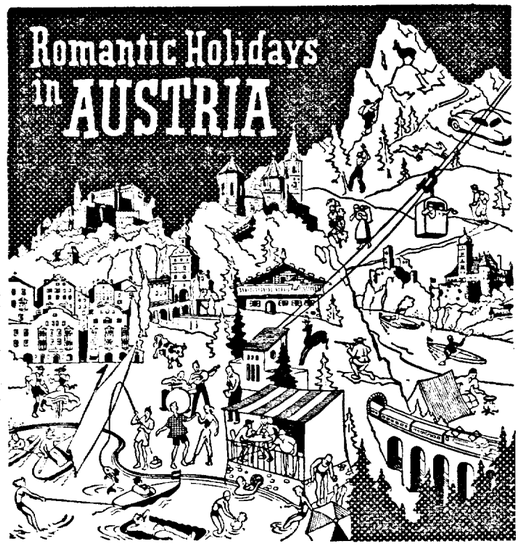
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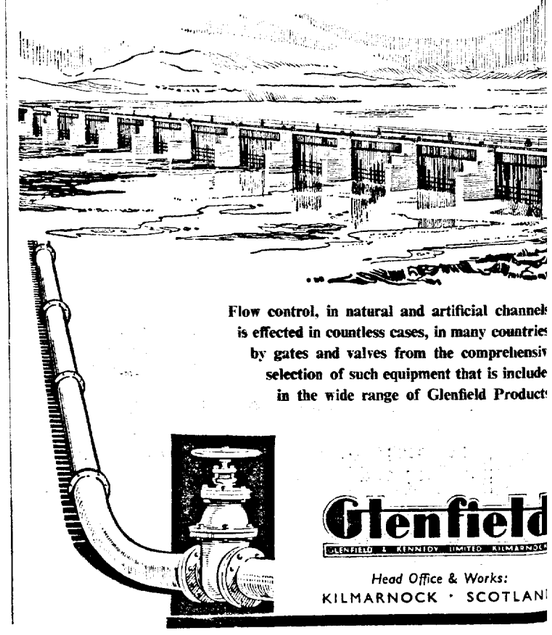


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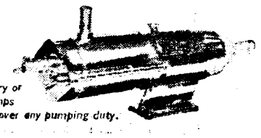
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This is the small Ormond Mono Pump specially produced in one size only for use on Heart Lung Apparatus. Where meticulous hygiene is necessary and an output of up to 5,000 m.l. per minute is required, the pump has useful application to Laboratory or Pilot Plant. There are other various types of Mono Pumps ranging in capacity up to 16,000 gallons per hour to cover any pumping duty.



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MP 307



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JAPAN'S ECONOMIC OUTLOOK

a cautiously optimistic analysis

Like any national economy operating on the free-enterprise system, Japan's has shown the need for occasional periods of readjustment. It is currently undergoing just such a readjustment.

Japan is a country poorly endowed with natural resources but rich in technological capability. The logical outcome of this is that Japan's continued prosperity depends on an expanding export trade. With the announcement last year of the Ikeda Cabinet's 10-year plan for doubling the national income, private industry entered into the spirit of expansion so enthusiastically that new investment in plant and equipment far exceeded the rate of growth envisioned by the government. This capital investment entailed excessive imports, throwing Japan's international payments out of balance. That briefly is the background for the present dull tone of Japan's securities market, accompanied by a tight money situation and a necessary retrenchment mood throughout large sectors of the economy.

The bright side of the picture is that huge plant and equipment investments result in increased production capacity and large-scale technological renovation, making Japan's position in the competitive world market better than ever before. So with some curtailment in domestic consumption and active promotion of exports, Japan's international payments position will improve, and another era of prosperity will be ushered in. That is why the present period of readjustment does not discourage us; on the contrary this seems to us an ideal time to seriously consider the investment opportunities in the Japanese market.

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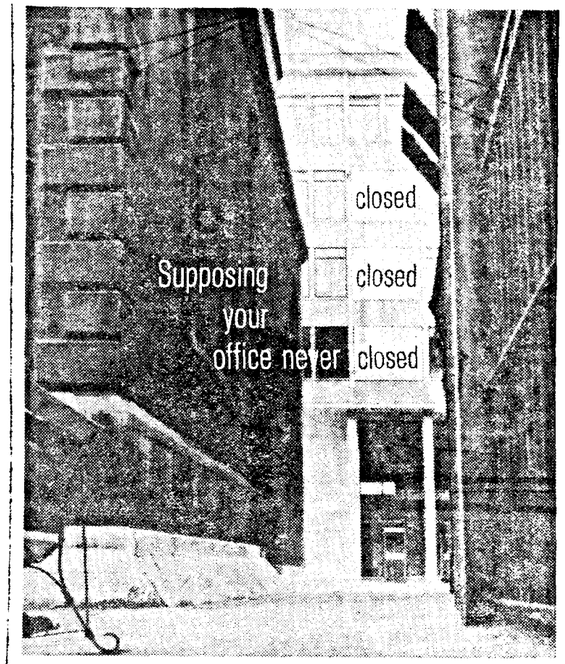
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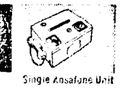
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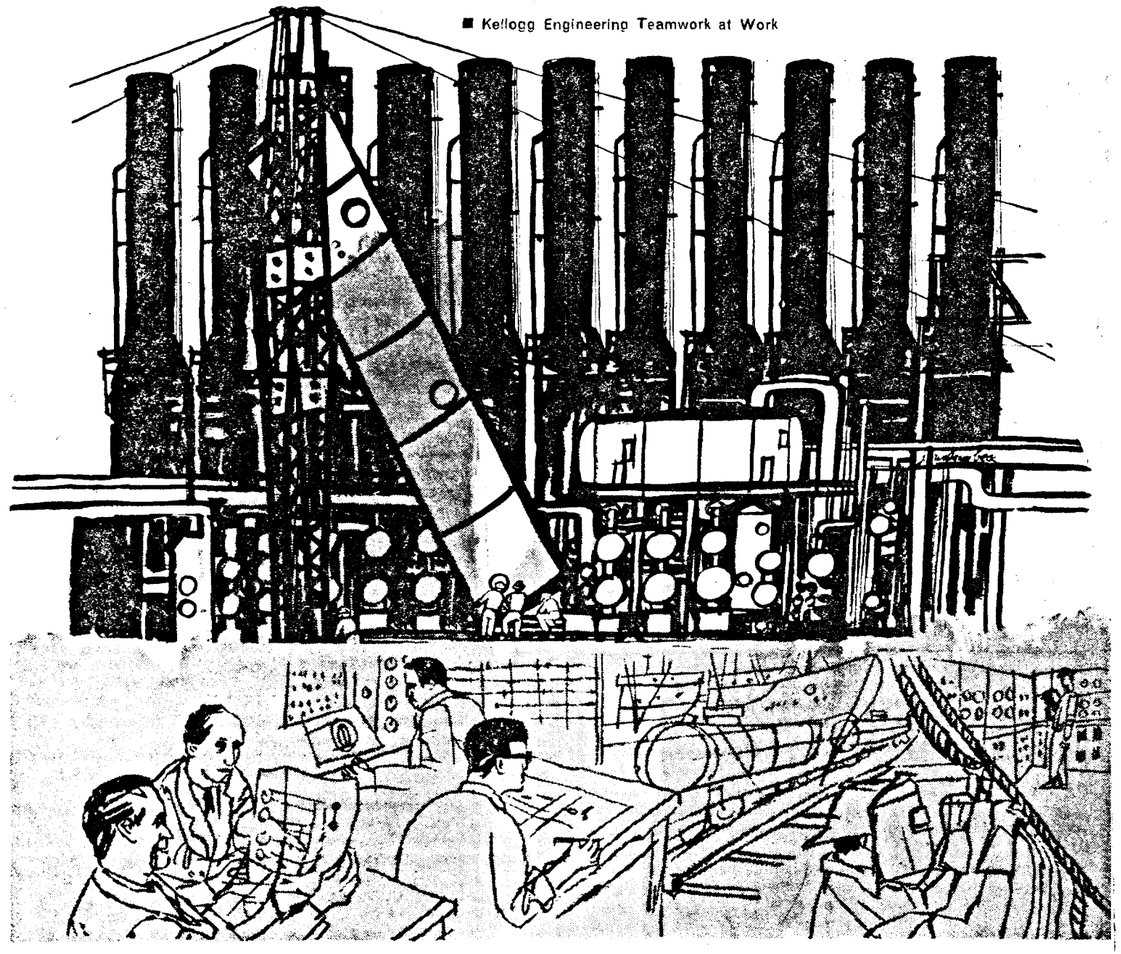
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AIR EDITION

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In The Economist this Week — February 3, 1962

HOME

HAPPY FAMILIES

There is no clear economic or technical case for anybody to object to the ICI-Courtaulds merger in advance: but it is not only on those grounds, but on moral and social ones too, that monopolistic tendencies have to be judged, if there is such a thing as the public interest. A pragmatic Tory Government is short on these criteria (p. 393).

Mr Gaitskell's torpedoing of Mr Wyatt's frail Lib-Lab bark may not have scuttled the vessel: voters in hopeless Labour but hopeful Liberal constituences may take the helm themselves (p. 401).

The anomalous *ménage à trois* of Probate, Admiralty and Divorce in the High Court does not look like being soon dissolved (p. 401).

SCRABBLE

Events have overtaken the speed at which official economic thought functions in Britain. The response of the economy to measures that served their turn in the past is unpredictable and may be the reverse of what is needed now; the first of two articles (p. 394).

Private engineering employers are paying more service to the pay pause than are most nationalised ones (p. 399).

London has a valuable lesson in transport and traffic planning to learn from its bogged-down tubeless Mondays (p. 412)—and from Glasgow's steady plod towards dry ground from a similar morass (p. 413).

SNAKES AND LADDERS

Further expansion of the banks depends on their coaxing depositors more sweetly (p. 435).

The House of Lords has ruled hire-purchase contract penalties unenforceable: finance companies are re-reading their small print (p. 440).

Mr Thorneycroft's apparent appeasement of noise-haters means more, not less, night jet flights from London (p. 441).

Parliamentary questions are today an important (if not exclusive) means of bringing ministers to account—as they were a century ago (p. 407).

BEGGAR MY NEIGHBOUR

An agricultural monopoly which might come into being despite the cries of wounded British farmers is a world wheat cartel proposed by French common marketeers (p. 405).

Agricultural marketing boards often tend to monopoly: so far, with humiliation, one of them has failed to achieve it (p. 405).

Lack of competition has been brought to its logical conclusion in Ulster's high-priced coal trade (p. 414).

INTERNATIONAL

ODD MEN OUT

The passing of a watery resolution condemning Dr Castro ought not to mislead the members of the Organisation of American States into thinking that they have dealt with the Cuban problem adequately (p. 396).

President Sukarno has always insisted on setting a higher priority on the solution of the New Guinea problem than on the mitigation of Indonesia's economic difficulties. The local communists are happily waiting for collapse to result (p. 429).

As a result of the Naples conference of the Christian Democrat party, **Signor Nenni** and his followers are no longer to be regarded as political untouchables (p. 425).

King Hussein, rejoicing in the birth of a son, has put in new and inexperienced men to face the problems of reform at home and of isolation abroad (p. 405).

There is no uniform correlation between the "responsibility" of members of the **United Nations** and their willingness, or ability, to pay for the organisation (p. 406).

HOW TO MARRY A MILLIONAIRE

Britain may gather some useful hints from **west German economic expansion** since the war, especially now that it seems to be slowing down. Further expansion may depend on the speed with which the labour force is reinforced from the farms (p. 397).

Meanwhile, President Kennedy is arguing that his **Trade Expansion Act** is essential if the United States is to retain its leadership in a changing world economy (p. 418).

The United States has decided to have the best of both military worlds, with the result that the cost of **America's defence** is rocketing (p. 417). It is good sense to publicise its efforts in space even if they fail (p. 420).

Mr Kennedy may be drinking milk for economic reasons, but he is no milksop politically (p. 419).

ORPHEE

The **Russian Jove** has sent his Mercury to meet his western counterparts in Paris (p. 399); a further shake-up of the Olympian hierarchy may occur in March (p. 401), but the suggestion that he is going to dethrone Herr Ulbricht, king of the east German Hades, is not yet supported by the evidence (p. 400).

Orpheus has been playing an unofficial lute in Bonn more harmoniously than usual (p. 400).

THE BLACKBIRD JUNGLE

Paramount: Nobody really believes that Dr Verwoerd intends more than a publicity move by his proposals to set up an "independent" Negro "homeland" in **the Transkei;** and there is a drift towards extending the apparatus of authoritarianism still further in order to muzzle the unconformist press (p. 426).

Twentieth Century Fox: Sir Edgar Whitehead is to be commended for his latest anti-colour bar declarations; the local African nationalists should agree to some sort of co-operation with him lest they provoke the white Rhodesians into abandoning him in favour of less wily and realistic leaders (p. 402).

Rank Organisation: Portuguese offences smelled high enough to ensure overwhelming repugnance (though not with Soviet noses) by the United Nations in the debate on Angola. Everyone was unhappy about Ruanda-Urundi (p. 432).

Bwana Brothers: The Lagos conference of African states displayed some of the faults, as well as the virtues, of the British tradition of compromise and pragmatism (p. 431).

Detailed contents on page 393

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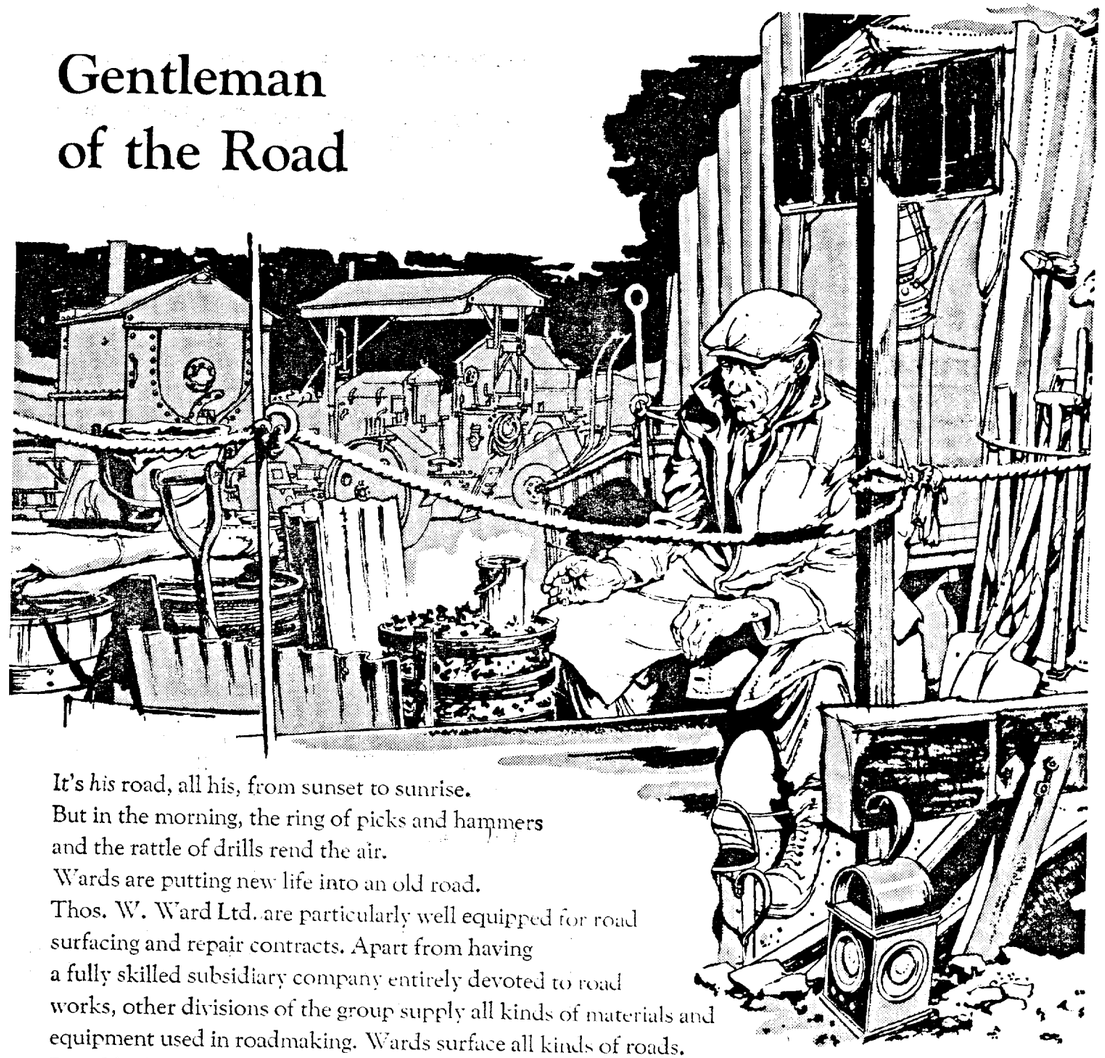
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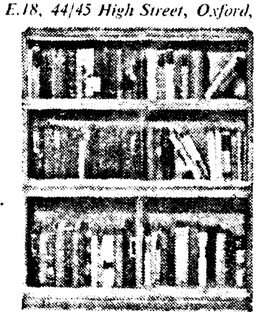
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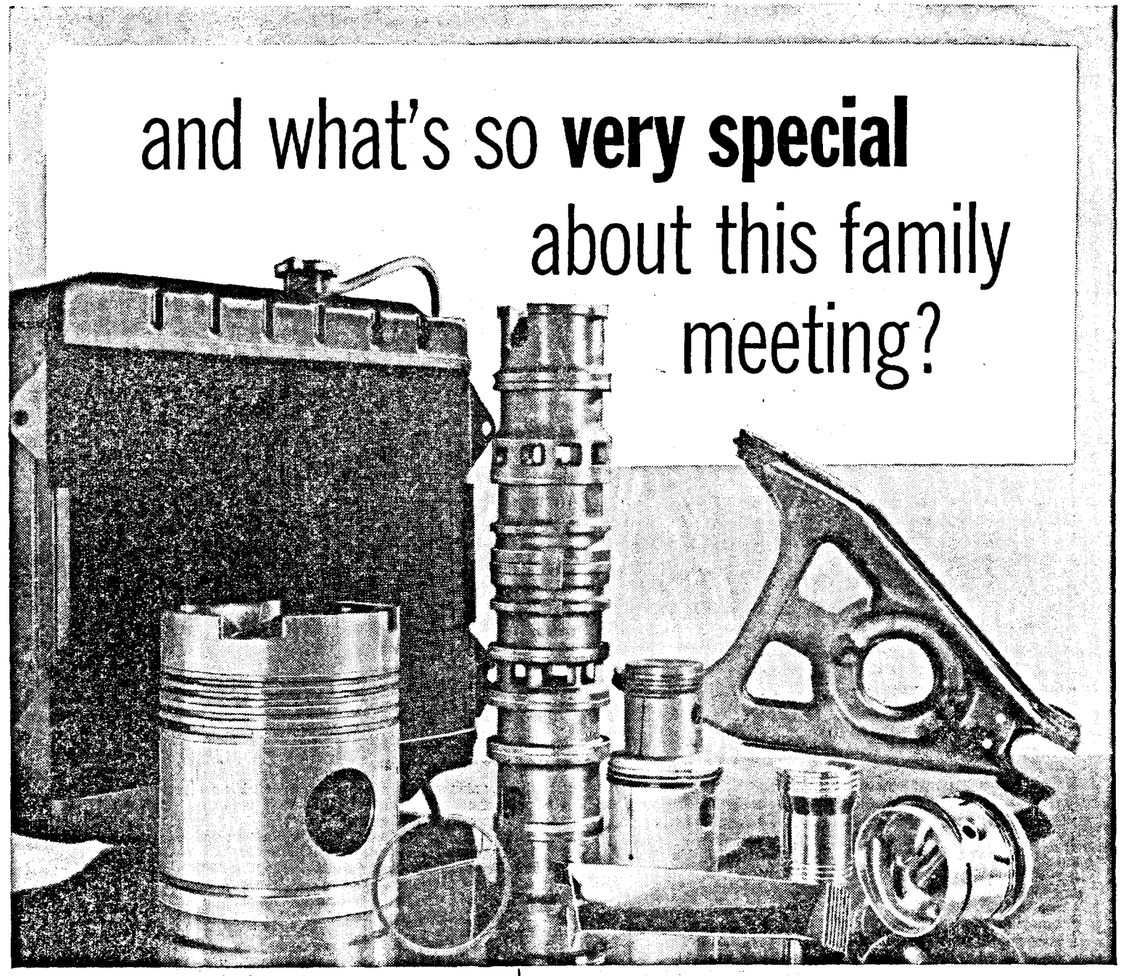
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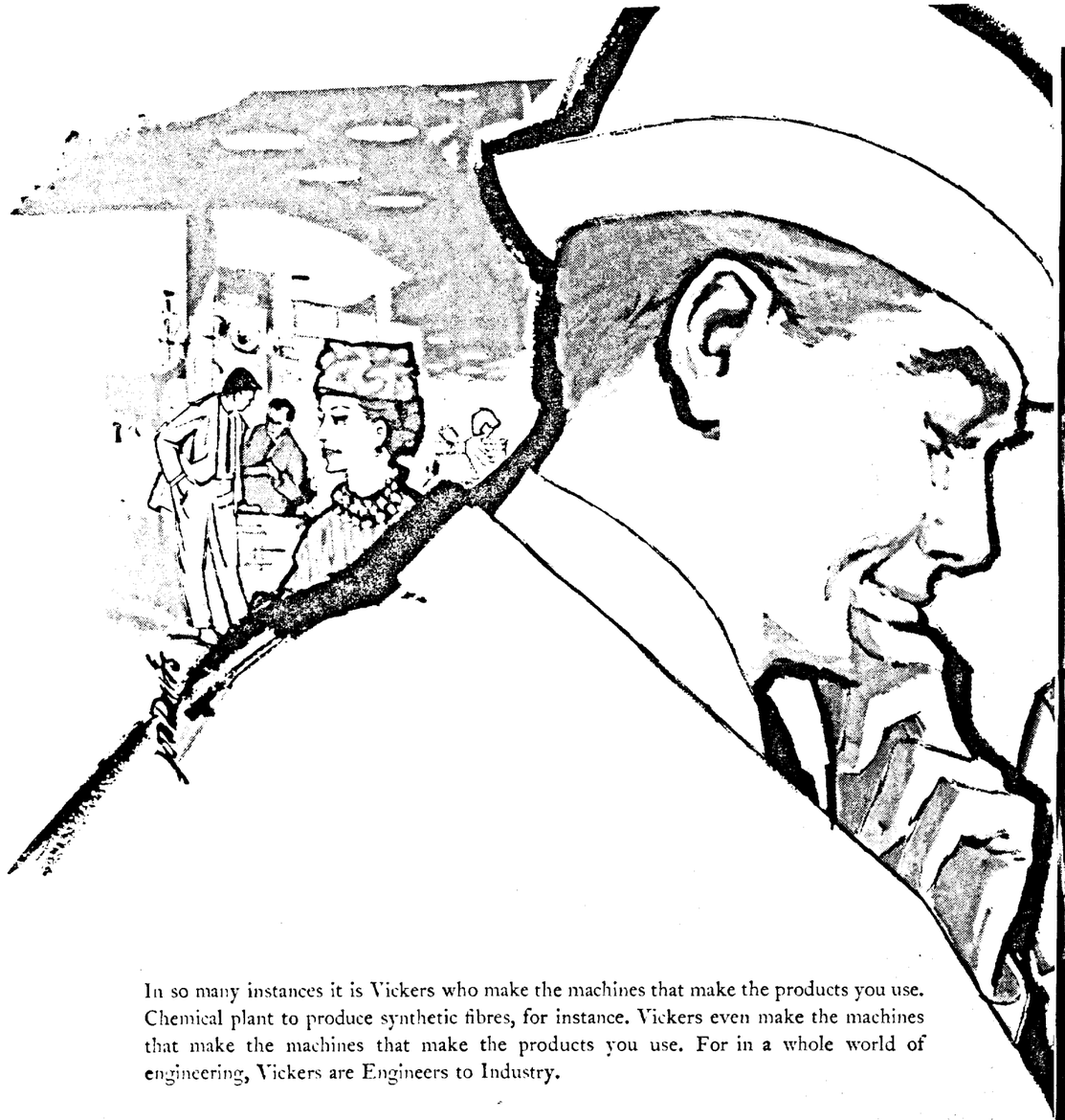
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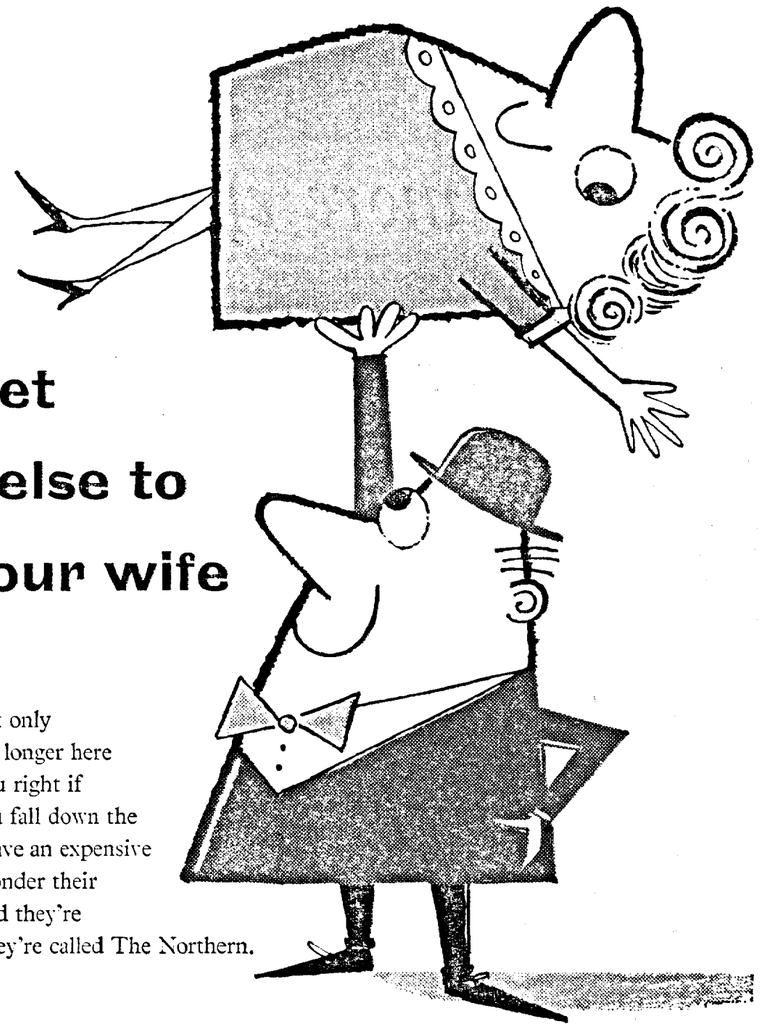
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No Policy for Mergers

NO economist could pretend that there are any conclusive economic arguments, in the current state of this art-cum-science, against a merger between Imperial Chemical Industries and Courtaulds. The "technological considerations" into which Mr Erroll sought to delve last week afford no oracular guiding light. Nobody—ICI and Courtaulds not excluded—knows enough about the effects of bigness and vertical integration in a modern science-based industry to say with any real certainty that they would conduce to promote greater business efficiency in the production of man-made fibres in Britain than would freedom to buy the intermediate materials for any or all of these fibres in a market that is for the present in surplus.

The Government's commitment to empiricism in examining monopoly and restrictive practices would in any case have given it excuses for deciding (as Mr Erroll announced on Tuesday) not to decide whether this merger would or would not be in the national interest. Such empiricism—monopoly's not good or bad, but thinking (by the Monopolies Commission afterwards) makes it so—is built into British political attitudes towards the restraint of competition. Not into Conservative attitudes alone, either: Labour made it the core of the Monopolies and Restrictive Trade Practices Act of 1948, defends big trade unions against any scrutiny at all, and has had kind words for cartels arraigned before the Restrictive Practices Court. The Government's entranced indecision before the prospect of ICI's gobbling up Courtaulds is only the latest demonstration of the basic inadequacy of this whole political attitude, which sounds so sensible and constantly turns out to be so ineffectual.

It arises perhaps from the mistaken assumption—which economists are guilty of encouraging—that political objections to monopoly can be altogether based on evidential grounds, economic or technical. The United States—which is often accused in Europe of having an exaggerated animus against monopoly, because it has a policy that quite often works—seldom falls into this trap. Its legal prejudice, *per se*, against anything calculated to restrain competition, is avowedly based, in the last resort, on social and even moral grounds; the economic efficiency that it believes competition generally promotes is the secondary justification, not the first. Primarily, American attitudes towards monopoly (public as well as private) are based upon a distrust of concentrations of economic power, irresponsible in that they are not finally accountable to the public. This does not make American anti-trust legislation emotional and ineffective; it makes it at times even embarrassingly effective. It is no accident that the only British procedure in this field to have achieved even formal success, that of the Restrictive Practices Court, does lean towards the *per se* outlawry of restrictive agreements, holding them wrong unless, under specified heads, they can be proved to be right. But a similar proposition towards single firm monopoly is not one that can ordinarily be demonstrated in logic: either you feel it or you do not.

The present British Government, elected to represent a country where political democracy is still suffused with respect for established hierarchies of one kind or another, does not feel it. Starting from the assumption that bigness will only become bad when it can be proved to have been bad, it can form no opinions about the future results of the engrossing behaviour of business men. No doubt it was embarrassed by the project for an ICI-Courtaulds

merger, the more so when it found that the eminent business men in whose wisdom it at first counselled Parliament to trust were calling each other fools or liars (a spectacle that may yet have more effect on the end of the affair than most of us have yet reckoned on—as perhaps the Tory backbench disquiet may indicate). But it did not feel competent to decide, on the evidence, whether this merger was in fact in the public interest or not, and did not feel that any clear principle was involved.

This, rather than the mechanics of any possible intervention, lies behind the Government's refusal to intervene. Both companies could, as it is, be said to fall within the purview of the Monopolies Commission, which is indeed ordinarily asked to say whether conditions existing in an industry "operate or may be expected to operate" against the public interest. And any hint of Government uneasiness or disapproval, on grounds of the national interest, would certainly have had some considerable effect upon the attitudes of the directors and shareholders concerned. The idea of a quick inquiry—to find out the "facts of the case," or to take Parliament off the boil?—was never a good one. But had the Government been prepared to form an opinion, it would have had no difficulty in making that opinion prevail. It was not ready to do this; and one suspects that it will go on finding reason for not making up its mind about mergers. Tory ministers still do not stand for *laisser faire* in the sense of securing the largest practicable limits of effective competitive enterprise and choice; they tend to believe instead, as perhaps they always have done, in *laisser faire* for the biggest and best business men to pursue their expert objectives as they think most appropriate. What is good for the private barons may be good for the country; Mr Erroll washes his hands. Sometimes indeed this may be right; but the Tories have no public test, political or moral as well as economic, to judge by. It is almost symbolic that, in this property-owning democracy, the last people formally to be consulted about this transaction will be the shareholders of ICI.

THE PULL OF DEMAND

ECONOMIC POLICY RE-EXAMINED — 1

At both the beginning and the end of his "General Theory" Maynard Keynes reverted to his favourite theme that the world was ruled by little else than the "gradual encroachment" of economic ideas. The danger arose when "practical men, who believe themselves to be quite exempt from any intellectual influence" were in fact the slaves of the ideas of a few years back, which changing circumstances had rendered defunct. The object of these articles is to suggest that just such a thought-block may have arisen today about what the Treasury habitually calls (it uses the words again in its official *Bulletin* this week) the "excessive pressure of domestic demand upon resources"; that, for the second time since Keynes wrote, practical men and civil servants and politicians in power today may be being ruled by ideas that were rightly conceived for circumstances fifteen years back.

The coincidence of a fifteen-year gestation period is revealing. It took almost exactly fifteen years after 1931 before Keynes's own ideas on how to beat a slump percolated through to become the official policy of a British government; unfortunately, when they were applied in 1946-47 it was in conditions when the slump they were designed to fight had been replaced by a roaring boom. Many of the ideas that influence top civil servants and Tory politicians today were born during the period of reaction against the disasters and absurdities that then followed; and, as it happens, the fifteenth anniversary of the most spectacular of those absurdities now lies immediately before us. Fifteen years ago next week, at the end of a long and polemical parliamentary debate, Mr Shinwell suddenly announced that, because the country's stocks of coal had run out, large parts of British industry would have to close down until the weather improved.

Everybody knew what was wrong with Britain's economic policy at that time: the Labour government had allowed demand to rise in excess of the maximum possible level of production. Writers of the time—including *The Economist*—also had a clear definition of what excess demand then meant; it meant that demand was so voracious that the economy was constantly bumping along with an insufficient margin of stocks. This produced three main evil effects. First, its short-term effect on production: all over the country, cold weather or not, factories were liable to find themselves underemployed because the day's supply of steel or components or raw materials had not yet arrived. Secondly, the longer-term effect on production: because raw materials were scarce they had to be rationed, and it was impossible for efficient firms to increase their output by more than inefficient ones, since they could not get any extra raw materials. Thirdly, the effect on the country's precautionary defences against intermittent break-down: with stocks so desperately low, any minor additional interruption to supply, such as a wildcat strike or a spell of cold weather, was elevated from being a small-scale inconvenience into being a major national disaster.

At this stage, therefore, the last few hundred million pounds worth of domestic demand were actually serving to reduce real national income and production, not to increase it. Excess demand in this strictest sense began to fade out soon after the start of the 1950s. Something of a watershed was reached in 1954 when a month-long strike at London docks, which everybody (including the Government and the strikers) had expected might bring the country to its knees, in fact left industrial production broadly unaffected. Unfortunately in the next year, two of the other problems which economists had previously associated with "excess demand" reappeared: in 1955 a deficit re-emerged in the balance of payments and there was a quickening of the upward thrust of prices. The Government therefore assumed, and in the particular circumstances of 1955 possibly rightly, that the right thing to do was to restrict demand. It has gone on restricting demand whenever a balance of payments difficulty or an inflation in costs and prices has reappeared.

But under the new conditions—where any reduction in demand is now likely to push production down, not up—a whole new series of calculations has to be made before deciding whether the right course is, in fact, to restrict demand. These calculations are not easy to make. But it is a pity that in recent years there has sometimes appeared to be a complete official thought-barrier against any attempts to make them. This article will suggest the calculations that ought to be made about the relation of internal demand to the balance of payments. The even more complicated question about the relation of internal demand to price inflation will be discussed in a subsequent issue.

One should begin by stating basic principles, for it is these that are most easily disregarded—and, indeed, often cause the biggest shock as soon as anybody points them out. The first thing for a country to get clear in any year is what size of balance of payments surplus or deficit it wishes to aim at. This is not a simple matter of saying "big surplus good, any deficit bad." Logically, the question whether a country would be wise to run a balance of payments surplus (and thus lend abroad) or a balance of payments deficit (and thus borrow abroad) should depend on whether the profitability secured by investing the last pound of investible funds —or what economists call the marginal productivity of capital —looks like being higher abroad or at home.

If a calculation on these lines suggests that a country should allow its balance of payments deficit to be increased or its balance of payments surplus to be reduced in any year, it must take steps to increase its net borrowing or reduce its net lending abroad. The obvious way to do this is by increasing its internal interest rates relative to those in foreign countries. Quite often, this is the right thing to do, at least in the short term. But—here the present official view of economic objectives is right—there are two possible short-term limitations, and one very obvious long-term caveat, to this policy. The short-term barriers are, first, if interest rates then have to rise so high that they have undesirable effects upon the internal economy (effects so undesirable that they cannot be countered by appropriate tax changes); or, secondly, if foreigners have become so worried about one's balance of payments deficit that they will not lend to one even at higher interest rates. Both these barriers can sometimes exist, even though they tend to be exaggerated.

The long-term caveat, however, is much more important. If a country goes on borrowing more and more abroad at higher and higher interest rates, then it is going to have to finance a higher and higher current deficit in future as those interest payments fall due. A country which is borrowing in this way will have to export a higher proportion of its national product (or import a smaller proportion of it) in future if its current balance of payments problem is even to stand still. Nobody denies that Britain is in at least this position today; probably, indeed, it is in a position where the long-term balance of payments needs to be strengthened by a bit more even than this. And, because Britain is bound to import more raw materials as production goes up, it is also common ground that the strengthening of the balance of payments must be effected by securing a permanent increase in exports. The argument is how that permanent increase within an expanding economy can be obtained.

It is here that the thought-block appears. Logically, the only circumstance (save, again, 1947-like circumstances) when cutting internal demand can be an effective recipe for *permanently* increasing exports within an expanding economy is a rather special one; when there are a mass of British-produced goods which are at present sold at home but which could more profitably be sold abroad once manufacturers had gone out and looked for export markets and set up sales organisations in them. This circumstance may sometimes obtain; but all too often it is confused with the situation where a cut in demand, by making it less easy to sell some goods at home, can cause manufacturers temporarily to sell their goods on rather unprofitable terms in export markets.

The medium-term mess in which such a policy lands a country has become increasingly apparent. First, it means that Britain is deliberately running its economy on a basis where export sales become the marginal sales for each manufacturer—where exports are the sales that he wants to cut out when home demand improves again (as it is bound to improve again sometime, unless the standard of living is to stand still). Secondly, when the Government is successful in deliberately directing the cut in demand to industries which "could export a bit more of their produce," it is deliberately imposing a disincentive to invest (and to hire labour) discriminatorily upon them; then it wonders why, when foreign or home demand revives, these are precisely the industries which have insufficient capacity to meet the new demand. These two errors have bedevilled the whole of British balance of payments policy for the past six or seven years.

In the long term, the only way to secure a permanent increase in British exports, far from squeezing potential export industries and making it unprofitable to invest in them, must be to make it actively profitable to sell abroad a new slice of our national production. This could presumably be done in one of two ways; either by devaluing the currency (thus increasing the sterling profits to be earned by exporting), or by reducing British costs per unit of output relatively to the costs per unit of output of our main competitors in export markets (and relatively, too, to foreign demand). If relative British costs per unit of output could be cut only by actually reducing wage rates, as might be true if foreign demand and foreign costs were going down during a slump, then there might be a case for saying that the second course would cause even greater social strains than the first. But, in fact, the signs suggest that foreign demand and foreign costs are going up. Probably, therefore, all that Britain needs to do to secure a new relative advantage is to see that its wage and salary costs do not go up by more than its output does (thus keeping its costs per unit stable); of course, if wage and salary costs went up by even less than booming output (thus actually reducing costs per unit of output) that would, from the point of view of the export drive, be better still.

This provides the present case for the wages pause. But it does not provide a case for a tough budget; indeed, except under certain quite specifiable conditions, it can provide the reverse. The devices of a tough budget—whether they be increases in indirect taxation, or in direct taxation, or cuts in social services—serve in the first place to hold down output; unless they somehow manage to hold costs down by even more, they thus make exporting rather less profitable (in actual

cash terms, even if not relatively to home sales) than before. Most of those who believe in still restricting demand implicitly assume that a tough budget, by moderating the pull of demand, would in fact reduce costs by more than output. But this will, in fact, be true only in certain very special and definable circumstances: a subsequent article will examine them, and discuss whether they seem likely to be the circumstances to be expected in 1962-63.

Pan-American Eggs

The search for a formula to isolate Cuba has distracted Latin Americans from their own problems

REFLECTED in the distorting mirrors of the Punta del Este conference, the Latin American republics presented strangely flattened images of themselves. For ten hard-working days, from January 22nd, the foreign ministers of the Organisation of American States met at this pleasant Uruguayan seaside resort to talk about Cuba. The turbulence of separate and effervescent societies has been obscured by the one-dimensional purpose of the meeting; the only aspect of themselves that nineteen Latin American countries, of immense variety and jealous individuality, were called upon to reveal was the extent of their willingness to make a tough gesture of disapproval towards Dr Fidel Castro.

For the purpose of the conference, the Latin republics were roughly graded into hard and soft eggs—in other words, those who urged a complete break with Cuba and those who saw little sense or utility in such a step. On Tuesday night, after a prolonged and intense argument over its precise wording and implication, the conference passed, by exactly the two-thirds majority required, a compromise formula that, being hard and soft in parts, pleased nobody very much. It secured the ministers' release from the hall of mirrors, but left the impression that they might have done better never to venture in.

The formula (one among several, less controversial, resolutions) states that since marxism-leninism is incompatible with the inter-American system, Cuba is thereby excluded from participation. To plumb what this means in practice is to enter new depths of obscurity. Already Cuba is excluded from the defence discussions, and has no share in the economic aid programmes or the infant common trade policies. Eleven Latin American countries have already broken off diplomatic relations with Cuba; the rest are still under no compulsion to do so. Cuba has very little trade with any of its Latin neighbours; presumably its residual trade with the United States will still, for the time being, continue. The Latin members of the OAS are chained together by their hunger for American dollars, their suspicion of American dominance, and not much else. They are countries that tend to dislike their immediate neighbours, and to view more distant nations with indifference.

The practical loss to Cuba from being excluded from inter-American discussions seems minimal—quite apart from the doubt whether such exclusion is, in fact, legal under the organisation's present rules. On the other hand, the psychological impact of the snub will be effectively cancelled out by the fact that the "big three"—Brazil, Argentina and Mexico, who together account for two-thirds of Latin America's area and three-fifths of its population—refused with Chile, Bolivia and Ecuador to support even the milk-and-water resolution that finally collected the mandatory fourteen votes.

Ineffectual as it looks, this pot-shot at a joint inter-American attitude to Cuba carries on the policy that was started at San José in August, 1960—and which was interrupted in April, 1961, by the United States' tragi-comic attempt to deal with the Castro problem in a different way on its own. From Washington's point of view there has been some progress. At San José, in spite of United States' pressure, the OAS condemned Cuba only by implication. This time, the most vocal and implacable advocate of tough diplomatic action (including total economic and political sanctions) was not the United States itself but a group of Central American republics, backed lustily by Colombia and Peru. The leaders of the smaller Central American republics are liable to feel more alarmed about Dr Castro because their own countries are not only geographically closer to the Caribbean upheaval, but also have much more in common with pre-Castro Cuba than have most of the southern republics. Moreover, several of them may have felt the more vulnerable because they have so little to offer as an alternative to fidelismo.

BRAZIL and Mexico led the group most resolute against the irreparable step of blackballing Cuba. Argentina and Chile urgently sought a compromise. Uruguay wavered this way and that. Haiti added a touch of farce by switching, temporarily, from the hard group to the soft because it felt it was not getting enough money out of the Alliance for Progress. None of the delegates expressed any approval of the course of events in Cuba, but several of them agreed with the Brazilian foreign minister that it was unwise to shut the door on all chance of mediation.

Their reluctance to break off relations with Cuba has been generally interpreted as their fear of hostile domestic reaction. This, like so much else at Punta del Este, is an over-simplification. Certainly, those republics not under so tight a feudal grip as, say, Nicaragua or Paraguay had to take into account the effect of anything they did on aggressive left-wing groups at home. As a background to the conference there have been pro-Castro demonstrations in Bolivia, Brazil, Peru, Chile and Mexico; while in Argentina there have been angry mutterings from right-wing elements in the armed services. But by far the most serious reaction was in Venezuela, which broke with Cuba in November; last week, in several days of street fighting in Caracas, more than 30 people were killed and many hundreds injured.

But it is not only politically embarrassing for many of the Latin American leaders to stand up and be counted as anti-Cuban; when this is linked to a promise of economic aid it is also distasteful, and brings back sour memories. Latin Americans, who have had a longer period of unbroken independence than any African country, or most Asian countries, can accept political arm-twisting with considerable cynicism. It is not that they have less pride than others, but that they are more mature and more sure of themselves. They have, in the past, shruggingly respected Washington's susceptibilities in the cold war, only regretting that they themselves made so little profit out of the clash of interests. But in the last year or two there has been encouraging evidence of a change in American tactics towards the less committed world, and particularly towards Latin America. The suggestion of a reversion to older and cruder pressures may have sent cold trickles down the spine.

Probably the most regrettable feature of the Punta del Este meeting has been the loaded hinting, by the congressional members of the United States delegation, that the Alliance for Progress might be in jeopardy. In his budget message, President Kennedy estimated that the United States would hand out more than $1 billion in loans and grants to Latin America in the year beginning next July. But during the OAS conference, the point was made that the American Congress might think twice about appropriating this money if the Latin Americans failed to take a strong line over Cuba. This may have been mere tactics, and congressional rather than Administration tactics. But one feature of the alliance was to be that aid would be continuous and assured over a period. Another was to be that the conditions of aid would be related to the purpose of social and economic betterment.

Mr Kennedy did insist from the start that the countries to benefit from the economic alliance should only be those whose ruling classes had shown themselves ready to give up some of their wealth and privileges. The legislation authorising the programme specified a series of self-help criteria, including basic social and economic reforms. Since this is the sort of arm-twisting that fulfils a purpose germane to the programme itself, it is a pity that it should be relaxed by the suggestion that political conformity over the Cuban quarrel offers an alternative qualification for aid, or that lack of conformity is a bar to it.

Several of Latin America's leaders have shown little sign of having understood or accepted the social implications of the aid programme. When the chairman of the Uruguayan National Council welcomed Mr Rusk, the Secretary of State, to the conference he joked bitterly about the delays in getting any American money; in fact, the fault lay with the procrastination of Uruguay's parliament in approving their own master plan, a precondition for this American aid. And last week Mr Teodoro Moscoso, the American official in charge of the programme at the Washington end, spoke out against the failure of the Latin American governing class to play its part in the bargain:

> The people of Latin America are determined to . . . obtain social and economic justice and if they can't get it under their present governments they will turn to Castroism. . . . Unfortunately the leader class has not yet recognised this.

Mr Moscoso was making the one point that is fundamentally relevant to the present complex of inter-American relations. The labyrinthine course of the Punte del Este discussion was a diversion, and not a rewarding one.

Boom, Ruhr Style

France sets the fashion in economic policies. But the west German economy, now entering a new phase, is also worth study

FOR some eight years there has been talk of the German "miracle" coming to an end. As the *Bundesbürger* have restored their shattered homes and attained affluence, there have been many signs of the feverish drive to work giving way to a greater wish for leisure and a measure of *Gemütlichkeit*. German industrialists have been complaining loudly that their costs are rising and profits falling as the troubles of full employment close in. Again and again the gloomy prophecies have been confounded by new and remarkable statistics of expansion. But in 1961 the Cassandras have been supported by two new hard facts. The wall across Berlin cut off, in one swoop, the westward flow of managers, workers and students who have been feeding the west German boom and draining the meagre strength of east Germany; and last spring the Bundesbank plucked up sufficient courage to respond to persistent pressure from abroad and revalue, though slightly, the mark. Imports were modestly encouraged, exports discouraged and the boom gently checked. For some nine months now industrial production has all but stood still. It seems a good moment to glance back at the forces behind the long German expansion. What set them going? How strong are they still?

Though Paris has lately set the fashion for the British in their search for dashing models of economic growth, the German economy remains a useful yardstick for comparison with ours. War and migration have left the west German economy strikingly similar to ours. Its population of some 53 million is almost exactly the same size and as thick upon the ground as in crowded Britain. Last year the west German national product about reached the British level. In 1959 exports plus imports in each country were equivalent to some 30 per cent of gross national product. With a far stronger industrial base than France, and a bigger export trade, west Germany is at the same time Britain's first competitor, and most inviting market, among European countries. The one striking difference in the past decade has been that the west German economy, which started much poorer than our own, has been expanding more than three times as fast.

At first sight the cut of German policy looks massively different from the current Paris-London line. Planning is a distinctly improper word in Bonn. Wages have been rising by an average of 8 per cent a year for the last three years; hours worked have been on average shorter than in Britain for some years. These rising wages and improved working conditions have been the reward of rising productivity. Shorter hours worked (meaning not so much costly overtime) reflect the fact that the labour force has grown faster and been more mobile. There has never been any question of a dividend freeze (indeed, the tax on distributed profits is lower than that on undistributed ones). Market interest rates have

been consistently higher than in Britain, because the gap between bank rate and bank lending rates is much larger in Germany than here. All this can be made to look like a remarkable tribute to the sorts of policy *The Economist* has continually urged upon British chancellors.

If the parallel is perhaps a little specious, it is because, while there has been no formal dividend freeze in west Germany, there were also hardly any dividends in the first few years of recovery. Owners, like workers, were content to take little out of their undertakings; nearly everything they earned was put into re-equipment. This habit of modest withdrawals and dogged ploughing-back is much older than Germany's postwar problem and has persisted after it. When tax incentives for investment (such as depreciation allowances) were cut down in 1957, it was because they had become superfluous aids. Planning has not been needed in west Germany because the central aim of planning—rapid growth—has been achieved without it.

WHAT is true, however, is that the German miracle was originally based on a very large-scale squeeze indeed, the currency reform of 1948. As a result, Germany, much earlier than some other European countries, saw its liquidity brought into reasonable relationship with the national output. In the currency reform the occupying powers amputated Germany's bulging limb of wartime money in one blow. Wages were slashed. The result was that German industrial profit margins widened rapidly as reconstruction got under way. Liquid supplies of cash were small, but the incentives to invest and save were very great. Exports were intensely competitive because export industries were the profitable things to build up; in the years after 1948 German consumers had not enough money to buy many German-made luxuries, while export markets had. For a while large-scale dollar aid was given to German reserves of foreign exchange to get the economy under way. As productivity and exports rose the payments position righted itself, and wages began a steady rise which still continues.

Two classic policies were then applied to harness the individual energies of Germans. Dr Erhard's programme of unilateral tariff-cutting swung Germany, highly protected since 1879, into the ranks of the low-tariff nations, and exposed German industry to a new fierce breath of competition. At the same time direct taxes were cut in budget after budget. Almost every year in the early nineteen-fifties depreciation allowances for industry were increased and direct taxation in some way cut. Even when the time came to spread the cream more widely, welfare payments tended to take incentive forms. New pensions and sick pay are partly tied to earnings. Wives are encouraged to work by being taxed separately from their husbands.

The German boom derived its initial thrust from forces that had no counterpart in Britain—the 12 million refugees and the abnormally high yields obtainable on investment in a phase of reconstruction. But it retained its impetus long after the first effort of reconstruction was over. Why?

One reason seems to have been the sheer habit of growth. Expansion and high investment took firm root as habits. The psychology of expansion which the French instilled into their business men by a deliberate planning effort caught on in west Germany in the boom years of the early nineteen-fifties and has not seriously faltered since. Much of Britain's problem today is, like Germany's in 1948, the problem of shifting into a new high gear of expansion. Once the initial acceleration can be achieved, the momentum of expansion may be easier to maintain.

The structure of German industry also helps to explain Germany's continuous expansion. Because the German industrial revolution took place—late in the last century—in the age of electricity and chemicals, German industry has been better placed to take the opportunities of this century than British industry, with its roots in the earlier age of steam and cotton. The division of Germany enhanced the predominance of the capital goods industries in the German economy. The strength of machine tools, parts of heavy engineering, and steel, has stood west Germany in good stead in the developing postwar world. It lies behind the fact that almost every wave of west German expansion has been led, not by consumption, as in Britain, but by exports and orders for capital equipment. Above all, the facts that industrial rebuilding took place at a time when the export market was stronger than the domestic one, and that virtually all German industry was forced by its war losses to make a fresh start, for which it had to find new money in a rigorously competitive capital market, have made its growth industries export-orientated ones.

The strengthening of the key investment industries, which also look like the best export bets, and the creation of a habit of growth among industrialists are two tasks for Mr Lloyd's planners in this country. But it will be ironic if the British manage at last to jack their economy out of its lethargy just when the German boom is slowing down. For Germany the spectacular achievements of the nineteen-fifties—with industrial production growing by some 8 to 12 per cent several years in succession—are things of the past. All the indications are that the present pause will be followed by a more gradual expansion.

How fast this is may well turn on the skill with which German industrialists manage to find new sources of labour to replace the flow from the east. With trade union support they are already recruiting heavily in Italy, Greece and Spain, and are even going as far afield as the Dutch Antilles, the common market's Caribbean associate. But it is German agriculture, with its antiquated methods, that offers much the biggest reserve of men. In the past ten years more than a million men have left west German farms to work in industry. But more than three million remain, far more than an efficient agriculture should need. In Britain industry grew up within the structure of the crafts, leaving a legacy of restrictive practices and rivalries; the main untapped reserve of labour appears to be underemployed labour in industry itself. In Germany the invisible reserve is tied up in a protected agriculture, operating often in tiny units and with medieval methods.

Bold action to bring Germany's farm protection down could thus be the key to the next phase, not only of European integration, but of Germany's own industrial growth. West German industry has already benefited from the stimulus of tariff-cutting both in and outside the common market. In the next phase, while Britain is responding to the industrial challenge of the common market, Germany has the chance to raise its national wealth rapidly by an overdue revolution on the farm.

NOTES OF THE WEEK

WAGES

Nationalised Inflation?

THE events of the week have revived memories of a familiar adage: this country contains a large number of privately owned industries which are subject to strong government control, and a small number of publicly owned industries which are subject to no government control whatsoever. The four vital wage claims at present under way involve the engineering industry, British Railways, the Coal Board and London Transport. The engineering employers are to face a one-day token strike on Monday in protest against the rejection of a wage claim for £1 a week and a 2-hour reduction in hours. The 3 million engineering workers—or those of them who obey the call to strike—will probably be joined by their colleagues in government industrial establishments: in London, anyway, this might mitigate the effects of an unofficial Tube strike that day. But the employers are standing firm by their refusal of the claim: they concede that some prosperous firms in prosperous areas could afford to pay more, but refuse to countenance an across-the-board increase for all workers.

The nationalised employers, however, seem to be teetering on the brink of giving all-round increases, in their unprofitable services as well as their profitable ones, in their labour-surplus areas as well as their labour shortage areas—and above-the-pause increases at that. On Wednesday Dr Beeching sent the rail union leaders away to think about some new ideas: the impression has been given that the basis of these is that negotiations should be about how much more than 2½ per cent the men will get. As *The Economist* went to press it looked as if the Coal Board was preparing to give the Government an even more specific jolt. Lord Robens had already offered the miners almost half of what they had asked for; and the presumption immediately after his further meeting with them on Thursday morning (if only because by lunch time the unions were not yet squalling with protests) was that he might now step his offer up further.

The public has not yet been told what London Transport intended to offer to its busmen on Wednesday, because Mr Cousins was away from work with 'flu. But this trend towards creeping sabotage of the wages pause must now raise the question whether right wing Conservatives, whose gloomy cries about the "country having been ruined by nationalisation" have in the past seemed so exaggerated and so boring, may not have had a point after all. All round the country the nationalised industries are still operating many uneconomic services which, on grounds of sheer unprofitability, private enterprise would have closed down (or at least put on to an entirely different system of pricing and operations) long ago. The nationalised boards are thereby tying up many scarce labour and other resources in many of the wrong places and jobs. If, on top of this burden on the national economy, they are now to break all prospect of stopping national cost inflation—out of a good-hearted impulse to buy the friendship of the unions with money which they themselves have not earned—this raises very big new issues indeed. The Government has a plain duty to step in and see that bodies which consider themselves free from control by the market are subject to some other form of direct control instead. And, in wages policy, the time to do that is now.

Fingers Off Triggers

ONE of the most interesting features of this year's wages struggle has been that both union and Labour party leaders have plainly realised how unpopular strikes can make them. Mr Gaitskell went out of his way last weekend to deplore the first of London's series of Monday transport strikes. Mr Smith of the postal workers, in at last calling off the pointless post office go-slow on Wednesday, quite plainly had his members' public image mainly in mind. Mr Cousins, who three months ago was breathing fire and brimstone about the need for solidarity at the Labour party's annual conference, wisely persuaded his London busmen not to join the unofficial Monday transport strikes. And in Monday's debate on arbitration, held while the one-day strikes were on, the burden of Labour speeches was not a clarion call for support of striking workers, but a plaintive and never-ending accusation that the trouble was all the Government's fault.

The debate took the usual disordered form for parliamentary wrangles nowadays (52 Labour interruptions in the course of seven Conservative speeches), but only one Labour argument seems to have really annoyed Tory MPs when they read about it later in Hansard. This was when one Labour member accused the Government of deliberately stirring up strikes in the knowledge that they would be to its electoral advantage; Tories have got used to Mr Lloyd being called every name under the sun, except that of electoral asset. Moreover they still do not really expect him to be one; and although they will stand by the Cabinet if it decides to act firmly, there is still gloomily little sign that they will really revolt if it slides away from strikes into some Beeching-like settlement.

EAST-WEST

Mercuries

MORE than mere coincidence can be assumed to lie behind the three meetings this week at which Russians and Americans have discussed the "flow of communications" between their countries. On Monday President Kennedy's press secretary, Mr Salinger, talked to his Russian opposite number, Mr Kharlamov, in Paris; on Tuesday Mr Kennedy himself gave lunch to Mr Alexei Adzhubei, the editor of *Izvestia* (not to say the son-in-law of Mr Khrushchev), who interviewed Mr Kennedy at length as recently as November; on Wednesday Russian and American officials met to discuss an extension of the four-year-old treaty that governs the exchange of exhibitions, official magazines, visiting firemen and so on.

So far the only result of these meetings is an arrangement that Mr Salinger will visit Moscow in the spring, and a suggestion, apparently still to be approved by the great men, that Mr Kennedy and Mr Khrushchev might make a series of television appearances on each other's screens. Perhaps to show that Barkis is willing, one small American radio network will broadcast Radio Moscow's news in English, without comment, next week. It looks as if Mr Kennedy and Mr Khrushchev are moving towards a tentative agreement to do two things. One is to exchange views at regular intervals, more intimately than is possible through ambassadors, but not so intimately as to cause political difficulties at home; Mr Robert Kennedy, for instance, is apparently too exalted to play Mercury just yet. The second is to continue, and perhaps extend, the arrangements that have recently given public opinion in each country a glimpse of the other side's point of view.

If Mr Khrushchev wants to promote a civilised dialogue between Russia and the United States, the question remains what his motives are. One theory being studied with respect in Washington is that 1962 may bring a prolonged period of armed truce in the Berlin crisis, in which there will be no international agreement about the city's future, but neither side will do anything to make matters worse. (This means, in particular, that Russia would not sign a peace treaty with east Germany while the truce continued.) During such a pause, the improved traffic in ideas and information that Mr Kennedy and Mr Khrushchev are now seeking to cultivate would be distinctly useful. It would help to calm the nerves, and mollify the temper, of people in both America and Russia who might otherwise push their leaders into precipitate action. By letting Mr Kennedy and Mr Khrushchev

that, regularly though indirectly, it would also enable them to avoid misunderstandings about what the other was up to—and thus help to preserve the present delicate equilibrium.

Pluto

A MORE dramatic interpretation of what lies behind the recent lull in the cold war was offered by Mr Isaac Deutscher in last Sunday's *Observer*. Mr Deutscher suggests that Mr Khrushchev may be about to abandon Herr Ulbricht, the ruler of east Germany and the chief surviving deity of the Stalinist underworld in eastern Europe. By disinteresting himself and withdrawing the Russian divisions from east Germany, the argument runs, Mr Khrushchev might hope to achieve a lasting relaxation of tension in Europe, and thus divert substantial resources from his army to industry and agriculture.

How gratifying, indeed, if the Russians left Herr Ulbricht to his fate ; though the almost certainly unpleasant nature of that fate. and the upheaval that would follow in the rest of eastern Europe, make it difficult to see how this would encourage the relaxation of tension Mr Khrushchev is said to want. But the real difficulty is to find evidence that Mr Khrushchev plans so improbable a move. There is some ground for thinking that the Russian leadership, or a faction in it, toyed with the idea of pulling out of Germany immediately after Stalin's death in 1953. Mr Deutscher argues that nothing less than an intention to return to the ideas of 1953 could explain the attack Mr Khrushchev launched last October on the "anti-party" group in Russia and their allies abroad. But it is equally possible that Mr Khrushchev thought this attack necessary, not because of something he intends to do, but because of the "anti-party" group's opposition to what he has done already—at home in agriculture, and abroad in hinting at compromise over Berlin.

Billet Doux to Bonn

Diplomatic notes between Russia and the West rarely arouse such contradictory reports or provoke so much discussion as the document handed to the west German ambassador in Moscow on December 27th, and since published in Bonn. This is more moderate, more urbane and more shrewd than the usual run of Russian notes. The following summary may show why it has been possible to describe it both as a repetition of familiar themes and as the beginning of a new Russian policy on Germany ; as an attempt to divide Germany from its allies, and as a sensible gesture to the West.

THE Soviet memorandum (it was unsigned and has been described in Moscow as unofficial) begins by declaring that Russia and west Germany are the greatest states of Europe, so their relations must be important to anyone who wants a peaceful future. The two countries have different views on many important international questions, but they share a common interest in preserving peace. Both have suffered from the two terrible wars which Germany started, but the past must not be allowed to stand in the way of better relations in future.

The peace settlement (the memorandum continues) has not been completed. Europe is divided. "A few neutral states in Europe form oases" between the two military blocks. This situation is not our fault, argue the Russians. The Warsaw pact was formed long after Nato, in response to it. And it is the western powers that block disarmament, a German peace treaty and a solution for west Berlin, "on which, in the matter of its constitution as a free city, a decision must soon be made."

Then follow the arguments that have led the memorandum to be branded as an attempt to divide the West. "Some politicians, in countries allied with the Federal Republic, argue that to make concessions means to loosen the bonds that tie Germany to Nato." And certainly, "without the German pillar, the whole Nato structure would totter. A neutral west Germany—let alone a neutral reunited Germany with a small military expenditure and a powerful economy—is not what is wanted in the capitals of the western powers. Thus tension is kept up, not in the interests of Germany, but to maintain their (the allies') interests and keep the Federal Republic on their side."

What, continues the document, are the real interests of west Germany ? It joined Nato in the hope of "driving back socialism." But in fact, because of the Nato alliance, "the division of the country is deeper and the reunification of Germany incomparably more difficult and pushed into the far distance." Anyone who still hopes "to swallow the Democratic Republic, and thus strengthen the capitalist west German state" is living in a dream. The Nato policy has "strengthened Germany's position in relation to the western powers, but decisively weakened its political position in relation to the eastern powers." Which weighs heaviest, the gain or the loss ? German politicians must decide whether they care most about "solving the German national problem or fulfilling the 'collective tasks' of Nato, i.e. the policy of anti-communism."

Then follow two home runs. "Anyone who thinks the stubbornness with which France tries to tie west Germany to Nato is only due to a specially warm affection for west Germany is making a mistake." Leading French politicians, and especially General de Gaulle, want to control Germany and keep it tied to them. Nor, the argument goes on, is Britain enthusiastic to arm Germany for war against Russia, or to revive a strong Reich. It wants to arm west Germany "to weaken its west German competitor." Even President Eisenhower explained to Mr Khrushchev that if the Americans had not rearmed west Germany it would have "improved its position in world markets at the expense of the Nato allies." Nato was formed in the hope of rolling back socialism. But the policy of strength has obviously failed. There is a balance of forces in the world. And this makes war (and military alliances) obsolete.

This is the long introduction to some familiar themes of Russian policy. If war is in no one's interest, the time has come to get rid of the "leftovers from the last war." The "delayed signature of a German peace treaty and the tensions created by the unsolved west Berlin question" trouble the life of the west German people.

"Russian-west German relations are still very much imprisoned in the past," the memorandum continues. Both sides would do better to put them on a peaceful footing. Russia, of course, is not going to become friendly with west Germany at the expense of others (meaning the Democratic Republic). Indeed, if the west German government is interested in German unity it must "negotiate with the DDR."

But if Russia is not going to jettison its allies, neither need west Germany. "We do not want west Germany to exchange Nato for the Warsaw pact." Membership of Nato or neutrality "is up to the west German government." But friendship with other states should not compel Russia and west Germany to be enemies. They could still develop friendly relations on matters which do not hurt others—like trade, where Russia, needing machinery and offering raw materials, is complementary to the west German economy, not competitive like the common market countries.

The theme of burying the leftovers of the last war is then taken up in detail. Nobody wants to hurt the interest of the people of west Berlin. They can keep communications with anyone they please, and have close political, economic and cultural ties with the Federal Republic. But the occupation regime must end ; Berlin must cease to be a source of trouble ; the sovereign rights of the DDR must be respected. As things are the people are leaving, and "nobody—no single clever capitalist—will take steps towards an increase of production, so long as Berlin remains a frontline town. The wall has reduced the tension in Berlin," but it has not wholly solved the problem. "Because of the attitude of the western powers and the Federal Republic, we do not exclude the possibility of being forced in the end to sign a peace treaty with east Germany alone. But at the same time as, or even before, the signature of such a treaty, an agreement on west Berlin acceptable to both sides could be worked out."

Peaceful coexistence must be the aim. "If it is not possible to improve relations between our countries suddenly, let us do it step by step."

There remains a third, and far more depressing, possibility: that the coming months will bring neither the abandonment of Herr Ulbricht by the Russians, nor a prolonged truce over Berlin, but a sudden revival, after a pause, of Mr Khrushchev's threat to sign a separate peace treaty with east Germany. The interesting Soviet memorandum described on the opposite page, and an article by Mr Polyanov in *Izvestia* on January 25th, both specifically reserved this possibility. Just a year ago, it should be remembered, there were similar hopes of a period of calm discussion between Moscow and the new Administration in Washington ; but it all ended with the wall built and tanks facing each other across it. Given the right opportunity (perhaps a right-wing revolt against General de Gaulle's government, which would throw the West into temporary disarray) Mr Khrushchev might well be on the move again.

SOVIET UNION

Beware the Ides

BY mid-March the veils surrounding recent Soviet moves may be partly lifted. The session of the central committee, which is to open on March 5th, may provide answers to some of the questions that are being asked about what is happening in the Kremlin. Officially, the meeting will be concerned with agriculture. But in recent years party gatherings ostensibly devoted to agriculture—a serious and sensitive subject, after all—have not uncommonly turned out to be concerned with other things as well. A central committee meeting is, in fact, two conferences. At one, the members of the committee are joined by various regional notabilities and all sorts of agricultural experts ; its proceedings get wide publicity. The other, for committee members only, discusses all the important issues of the moment ; the fact that it has taken place is revealed only after the event, through the publication of resolutions—sometimes, startling ones.

At present there is no lack of subjects for discussion. All the issues left unresolved, or half resolved, by the party congress last October have to be tackled. It has to be decided how the campaign against the "vestiges of the cult of personality," which was heralded at the congress, is to be carried on in practice. The treatment meted out to the "anti-party group" and its figurehead, Mr Molotov (now reported to be ill) will depend on this decision. The party congress apparently ended in a compromise. It would not be surprising if the Soviet leadership, elected only last October, were to be reshuffled again in March.

Foreign policy comes next. The Russian leaders have their minds to make up about the not unconnected issues of its relations with the capitalised West and the communist East. The Moscow meeting coincides with a party congress in Peking. Both sides will have to decide whether to let the present breach between them become recognised in an open schism, or whether yet another attempt should be made to heal it at an international meeting. March may prove a momentous month for the world communist movement.

LIB-LAB

Orpington Rebuffs?

MR WOODROW WYATT'S proposal for a Lib-Lab pact, first put forward last November, has now made more headlines than ever before after his article in last week's *New Statesman*. But it seems unlikely at the moment to get any further. Mr Gaitskell's prompt repudiation of the plan rested on two principal and convincing arguments. First it would cause massive dissension inside the Labour party. Second, there is no guarantee that Liberal voters, in seats where they were deprived of a candidate, would vote Labour just because Mr Grimond told them to. The only sure beneficiaries of a pact would be certain Liberal candidates, who no doubt would pick up Labour votes in seats where a Labour candidate withdrew. Mr Wyatt's argument that there is nothing so very shocking about his suggestion, since it was through a Lib-Lab pact that the Labour party first got its chance in 1906 and won 29 seats, only underlines one of the dangers for Labour in his scheme. What the Liberals need more than anything else is a breakthrough on the parliamentary front, and the pact could present them with just this. Labour might well be hastening on its own funeral.

ORPINGTON — VOTE AND POLL

(Percentage of poll)

	(1) Actual vote, 1959	(2) Daily Mail Poll	(3) Column 2 without "Don't Knows"*
Conservative ...	56·6	35·9	44·0
Labour	22·2	10·7	13·1
Liberal	21·2	34·8	42·6
Independent....	...	0·2	0·3
"Don't Know"	...	18·4	...

*i.e., after redistributing "don't knows" in the same proportion as those who say they have made up their minds.

Nevertheless, if Labour loses the next election, one suspects that some sort of a pact may emerge—although probably only in an informal way. Labour might then gradually stand aside in some seats where it is now very much the "third party" candidate, and where its candidature merely serves to keep the Tory in. The Kent constituency of Orpington, where a by-election is impending, is a case in point. As our table shows, the Conservatives had a majority there equal to 34.4 per cent of the poll over Labour at the last general election. Now a *Daily Mail* public opinion poll (see column 3 of our table) suggests that the Tories might at present have only a very marginal majority of 1.3 per cent over the Liberals. Compared with 1959 the *Daily Mail* poll therefore suggests that there has been a swing from Conservative to Liberal of 12-13 per cent and from Labour to Liberal of 9 per cent.

When the Liberals temporarily won Torrington in a mid-term by-election during the last Parliament, they picked up a swing of about 13½ per cent from the Tories (compared with their last appearance there in 1950) but no swing at all from Labour (whose share of the poll actually went up). If Orpington therefore threatens the Tories with "another Torrington" it will not be because disgruntled Tories are flocking to the Liberals in even greater hordes than in 1958 ; the desertion from their banner this time seems in fact to be slightly less. It will be because more Labour supporters are now deciding that, in constituencies like Orpington, a vote for Labour is a wasted vote. This is likely to be a growing political factor, which both the major parties will have to face.

LAW COURTS

Odd Trinity



THERE has long been a good case for saying that the Probate, Divorce and Admiralty Division of the High Court—A. P. Herbert's unholy trinity of "the wrecks of wills, marriages and ships"—should be broken up. But expectations that the recent death of Lord Merriman—president of the combined court since 1933—would be chosen as the occasion for this are now fading. It seems that, apart from an interchange of judges between the Queen's Bench and Divorce Divisions, the system will continue as before.

Why ? The only common factor between these three disparate jurisdictions is a foundation of Canon or Roman law, and the shifts required seem fairly obvious. The principal purpose of the Probate Division is to give valid title to the property of the dead. On average 200,000 grants are made every year, but only one hundred or so are disputed. The proper place to deal with such cases is the Chancery Division, which already functions as the interpreter of wills and administrator of the assets. In the Admiralty Division—which is confined to cases where maritime law applies, but covers aircraft as well as ships—only about 300 writs are issued each year ; and of these less than half get to trial. There is no backlog of work, cases have to be disposed of promptly as ships are held up pending a decision, and costs in proportion to the sums involved are low. The Admiralty Division is therefore rarely criticised, yet its present marriage with Probate and Divorce is anomalous. It belongs naturally in the Queen's Bench Division, which deals

with other commercial causes. Specialisation — which certainly is needed in Admiralty cases, partly because they may have a strong international flavour (foreign ships are often involved) and because nautical assessors from Trinity House may need to be used to help with technicalities —could still continue there.

Divorce jurisdiction was taken away from the ecclesiastical courts in 1854 and joined to Probate and Admiralty in 1873. The court deals with nullity, separation decrees, restitution of conjugal rights, and declarations of legitimacy, as well as divorce. It used to be claimed that this work was of such social importance that it should be confined to high court judges, but less of this argument has been heard recently. Indeed the majority of divorce work is now done by special commissioners who are normally, but not always, county court judges. In 1958 8,176 divorce cases were taken in London, and 16,268 outside, most of the cases being heard by the commissioners. The Divorce Division of the High Court should be abolished altogether, and the work given to special commissioners. Despite the strong arguments for reform, the Lord Chancellor seems unlikely to give heed to them. The Evershed Committee in 1953 also favoured doing nothing on the ground that the degree of disturbance to the judges and system would not be justified by the benefits gained. Reformers have heard this argument before.

SOUTHERN RHODESIA

Whitehead's Burden

UNLIKE all the African states guided to independence so far, Southern Rhodesia is completely controlled by its own white community. In the rest of British) east and central Africa, African nationalists seeking the political kingdom have rightly seen that their strongest weapon has been the British Government's willingness to leave. But no mother country far away has had anything effective to do with Southern Rhodesia for nearly forty years. Now, for the first time in Africa, black men, relying entirely upon their own resources, are campaigning to wrest power from a governing white minority.

Wrongly, the Zimbabwe African People's Union (Zapu) is acting as if, by using the same methods of strike and boycott that have been so effective elsewhere, it can force the British Government to step in and suspend the Southern Rhodesian constitution. It is impossible to imagine circumstances in which this might happen. For this reason, Zapu should abandon its policy of total non-co-operation and at least agree to fight for the fifteen seats (in a house of 65) granted to Africans under the new constitution piloted through by Sir Edgar Whitehead; alternatively, Zapu should allow a centre party to do this job—and not dissuade voters from registering. Such a policy would not debar Zapu from continuing the extra-parliamentary opposition which, in the absence of universal suffrage, it has every right to put up; but it might prevent bloody exchanges before the transfer of power by channelling the forces of revolution into a fiery (but non-violent) political battle.

When that battle is over, the new government (Zapu-controlled or not) will need Southern Rhodesia's 220,000 whites; the more so because Southern Rhodesian Africans will demand a maintenance of the modern economy which the presence of those whites has engendered. So as not unduly to embitter them in advance, Zapu has a responsibility to at least play the constitutional game opened up by Sir Edgar—who, as prime minister, has most courageously and commendably declared an intention of sweeping away every colour bar in Southern Rhodesia (except the electoral one); true, African intransigence has pushed him part of the way.

More sophisticated tactics on Zapu's part might appeal to the African intellectuals who have joined it (Southern Rhodesia's first two African doctors are among its leaders). Such tactics would also help Sir Edgar against his own right wing—and, if Sir Edgar is the man who banned the National Democratic Party, Zapu's predecessor, he is also the man who promised on Tuesday, to end the racial division of land. A government to the right of Sir Edgar would make violence in Southern Rhodesia almost unavoidable; a genuine extension of land to Africans, an improvement in urban African living standards, and an opposition to the right of Zapu might help to avoid it.

EUROPE

Parry and Thrust

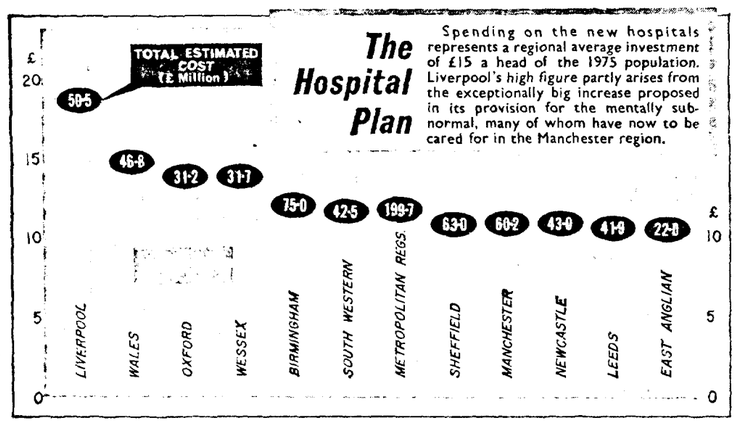
THE Government made two moves this week, one offensive, the other defensive, in response to the worrying delay in the negotiations with the common market. The defensive move has been in the lobbies at Westminster. Don't count on Britain joining by the end of the year, the lobby correspondents have been told; the common market issue may still be with us by the time the next election comes round. Anxious to avoid a damaging disappointment later on, and to keep the Tory troops in good trim, the Government is taking precautions against over-optimism in case the pace in Brussels continues to be slow.

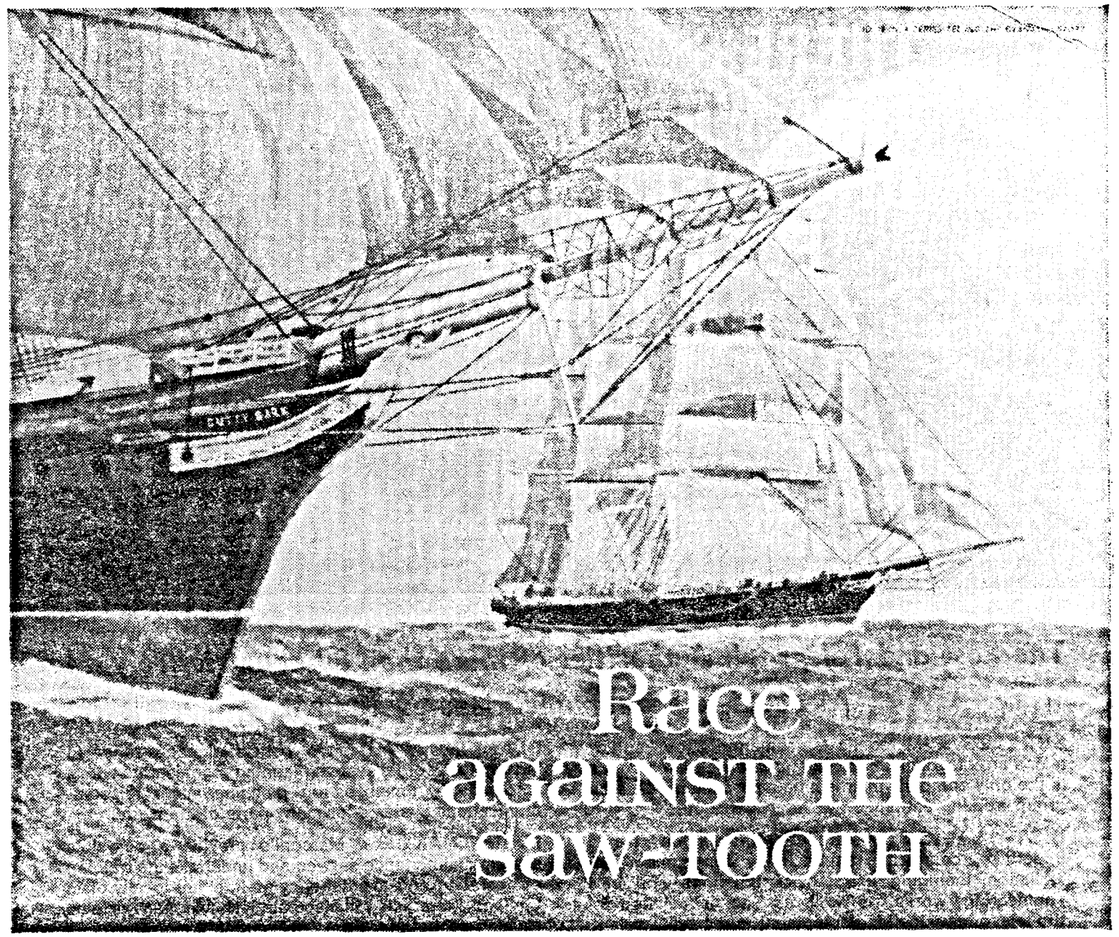
The offensive move has been made in Brussels; on Wednesday Mr Heath paid a flying visit to hustle the negotiations along. On Tuesday the British delegation had produced more definite proposals for the association of certain Commonwealth countries, and a more definite admission that certain others may have to be treated differently, than have hitherto been made. Next day, at Mr Heath's suggestion, the senior officials went into restricted session —expelling the customary clutter of interpreters and junior diplomats—in the hope that discussion would become more intimate and get closer to the point. Some kind of effort to make better use of the time spent talking in Brussels was certainly necessary. Each side seems to have been waiting for the other to broach the critical topics, and on each side there has been a mounting, if politely concealed, impatience with the other. The British, with the Commonwealth watching every visible move, are naturally reluctant to stick their necks out. But, with domestic critics yapping at its heels, it is the British Government that has the biggest political interest in all speed.

NUCLEAR TESTS

End of Line

AFTER three years and three months, the three-power Geneva talks on banning nuclear tests have reached what really seems to be the end of the line. The Russian record since these talks began on October 31, 1958 (against a background of heavy Soviet testing) has provided melancholy support for those who are sceptical about the value of negotiating with Russia at all.





THE "CUTTY SARK" BY COURTESY OF WHITBREAD AND COMPANY

Full sails. A spanking pace, homeward bound. Fliers like these would make the markets early. Beetles and weevils would have less chance to gnaw their way through the grain cargo. Steam has replaced sail, but the race against the saw tooth goes on. The saw-toothed grain beetle (Oryzaephilus surinamensis) and other insects still infest stored grain: for every ten bags of cereals harvested, one is lost through insect damage.

Transport today is faster, but the beetles and weevils are still there. That is, they were there until a few weeks ago, when the 'Jedmoor' docked in London. Her cargo of Australian wheat had been treated with Malathion, a safe insecticide made by Cyanamid. The Grain Elevators Board of New South Wales had earlier tested Malathion-treated wheat; after three months of storage — no pests. (Untreated wheat showed heavy infestation.) After six months, still no damage. In Britain, Malathion is recommended by the Ministry of Agriculture, Fisheries and Food for the control of saw-toothed grain beetle and other pests. Applied in such low concentrations as one pound to fifty tons of grain, Malathion effectively prevents infestation.

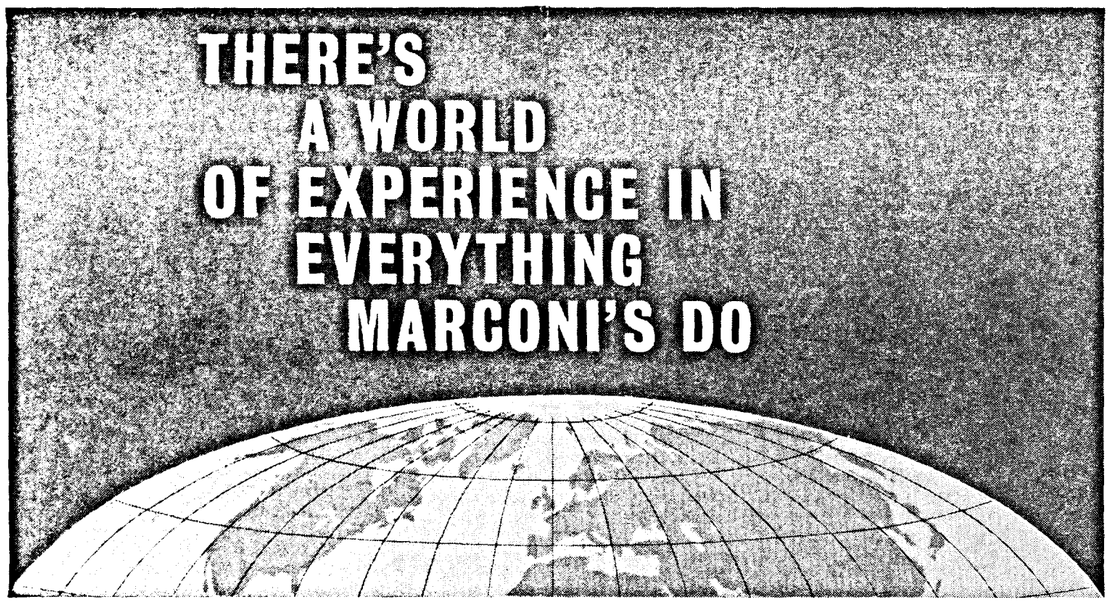
Cyanamid's Malathion is just one example of modern research helping to feed the world's growing population. Cyanamid's research expenditure runs at £10,000,000 a year. It is the kind of research that perfects new chemicals for industry, finds new drugs in the battle against disease, helps the farmer to market grain that is clean and wholesome, helps to save that precious extra 10 per cent of grain to feed the world.

In this and in a thousand other ways

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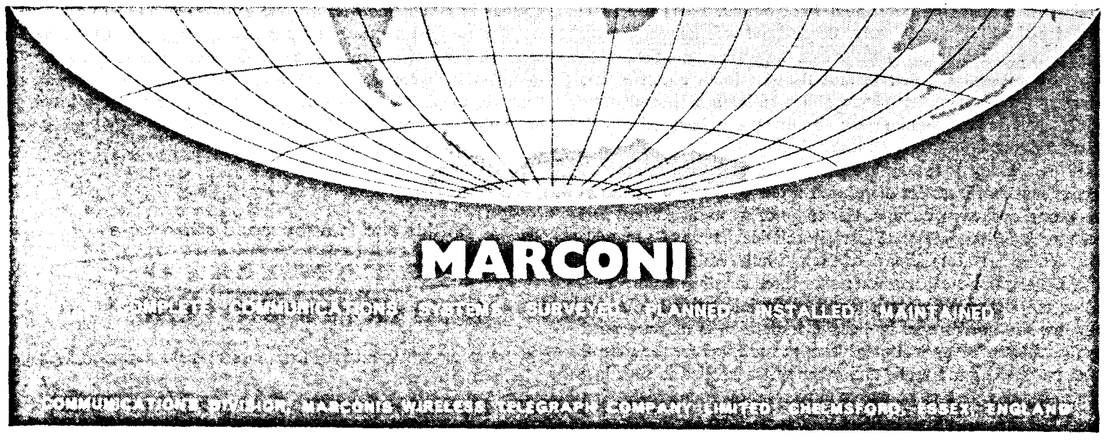
The Post and Telegraph Authorities of more than 80 countries rely on
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INSTALLATION ★ Marconi's installation teams undertake complete responsibility for system installation, including erection of buildings and civil engineering works as well as the installation of the telecommunications equipment and auxiliary plant.

PLANNING ★ Marconi's vast experience is reflected in the quality of its system planning organisation which is constantly employed on planning major telecommunications systems for many parts of the world.

MAINTENANCE ★ Marconi's provide a complete system maintenance service and undertake the training of operating and maintenance staff, either locally or in England. Marconi's will also establish and manage local training schools for Post & Telegraph Authorities.



COMMUNICATIONS DIVISION, MARCONI'S WIRELESS TELEGRAPH COMPANY LIMITED, CHELMSFORD, ESSEX, ENGLAND

Although the Russians began by demanding a test ban without international inspection, they soon accepted inspection in principle. Throughout 1959 and 1960 the Americans and British pressed them to turn principle into practice. Slowly Mr Tsarapkin was brought to accept successive elements in a system of inspection that came close to meeting the western requirements. In December, 1960, Russia was still going along with a unanimous vote in the United Nations Assembly that demanded effective international inspection of a test ban. But last year the Russians turned about and demanded "troika" control of the inspectorate. Next, while launching their new series of giant explosions, they turned against any international inspection, and against any test agreement in advance of a general disarmament agreement. When the 1961 UN Assembly called for an internationally inspected ban, the Soviet block and Cuba stood out.

On Monday Mr Tsarapkin insisted that the only basis for further discussion at Geneva was the Soviet proposal of November 28th, which rejected international inspection altogether. He denounced the western suggestion that a test ban should get high priority in the general disarmament talks due to open on March 14th. Equally he denounced the idea of continuing to discuss tests through informal contacts at Geneva or through normal diplomatic channels, and accused the Americans and British of "wrecking" the conference, which he declared to be "finished." It is still the western intention to press the test ban question in the coming disarmament talks; but there can be few illusions about the chances. The clock, or rather calendar, has been put back three years.

JORDAN

Young Entry

With a son from his British born wife, promptly dubbed crown prince of Jordan, and a brand new government of young, inexperienced men, King Hussein has flown in the face of all conventions this week. The infant boy, Prince Abdullah (born January 30th), is the first in Hashemite history to be placed in the line of succession without Hashemite blood from both parents. But pride in the firstborn son, much more intense among Arabs than in our own sex-equalised society, would dictate that no honour be denied to him. Today he is the well-omened offspring of a manifestly happy marriage. The future is too uncertain, and present problems too great, for theories about succession to have real urgency.

Of more immediate concern is King Hussein's change of government on January 27th. This was a clean sweep. Out went all the old politicians; and in came a junior eleven of rather young under-secretaries. Only the new prime minister, 48-year-old Mr Wasfi Tell, had held any high post previously. This bringing of youth to the fore is the King's reply to his countrymen's growing contempt for the waffling of office-dulled ministers. Although the retiring prime minister, Mr Bahjat Talhuni, was a man of some courage and stature, his colleagues had grown timorous of taking responsibility. This led to abuses and laxity in the whole field of government. There had also been general dismay at Syria's utter disdain for the king's too overt piping of the Fertile Crescent theme. Doubts may well have arisen whether Mr Talhuni, an old school Jordanian reared in a pro-British climate, was the best man to go, as projected, on a goodwill visit to Syria.

Mr Tell is of different vintage. It is true that, as Cairo has been at pains to point out, he served in the British army during the second world war. Subsequently, however, he identified himself more closely with the cause of the Palestinians than did many of his fellow Transjordanians, and held no important post until brought into office in 1959 as the protégé of the late ill-fated prime minister, Mr Hazza Majali. Since then he has been solidly a king's man and, as such, a staunch "Fertile Crescenter" when lately ambassador to Iraq. There may be a touch of excessive self-confidence in him. With his team of eleven novices he will have his work cut out to promote both reform at home and better relations abroad.

AGRICULTURE

World Food Cartels?

Some French officials have recently been proffering for "discussion" a suggestion that the common market's agricultural policy might eventually be merged into a common world agricultural policy, beginning with a common policy for wheat. The horrified British, who would lose by this scheme, are at the moment unwilling to believe that anybody else would ever accept this plan. But mightn't they? The idea is that the present mess of national support schemes for wheat might eventually be shunted into a conglomeration whereby all governments and a central international cartel should agree to buy wheat at, say, the present American support price. This is at present broadly equal to the French support price, but below most other countries' off-farm prices for soft wheat (except Australia's). Farmers in these other countries would thus get lower prices than now for wheat sold on their home markets (to their finance ministers' relief); but they would get more for wheat sold for export, because the central international cartel would sell wheat only at this support price —especially, of course, to the one big free market importer of wheat left in the world, namely Britain. Such a scheme could theoretically put up Britain's import bill for wheat by something like £50 million a year. If the scheme eventually spread to all other agricultural commodities, on the basis of present French or American support prices, it could put up Britain's total import bill by up to £400 million a year.

Moreover one other pressure might work in favour of introducing such schemes. Almost certainly any new "world support prices" would be pitched high enough to produce a surplus of food above what could be sold at the cartel's prices. But it would then be much easier to introduce give-away schemes to poor countries. At present if America gives away wheat to India, Canada and Australia may object that this deprives other exporters like them of a commercial market. But if Canada and Australia sold their wheat to an international cartel first, this difficulty disappears: of course, the cartel would have to finance the losses it made on its Asian give-aways—but it would no doubt do this partly by screwing up its commercial selling price (i.e. mainly its selling price to Britain) and partly by funds voted to it out of the budgets of countries participating in the cartel (the countries concerned would call these "aid" payments, and feel very generous in voting them). So underdeveloped countries, as well as exporting ones, might come to like the idea very much.

One last awful vision appears. Suppose Britain does not go into the common market because it feels that it has a duty to sustain Commonwealth farmers by buying their cheaper wheat and other foodstuffs. Suppose, then, that Commonwealth producers join some such worldwide cartel schemes, so that it does not matter to them to whom they sell; indeed so that Britain's complaints that it ought to be allowed to buy Commonwealth foodstuffs cheaply as before would come to seem a disruptive nuisance. One can imagine Mr Diefenbaker in a few years' time rampaging across the prairies saying that Britain should learn the habit of international co-operation. He had always believed, he might say, that Britain should have followed the enlightened policy of going into the common market....

MARKETING BOARDS

Tomato Sauce

A month ago, 60 of the 5,500 registered producers of tomatoes and cucumbers turned up at their annual general meeting and voted to deprive the members of their marketing board of all but 1d. each of their annual salaries. The result of this *coup d'état* may not be precisely what we liberals had hoped. Until now, the Tomato and Cucumber Board has been, from the consumer's point of view, one of the least obnoxious of all marketing boards: it is concerned only with advice, publicity, market intelligence and research and does not, therefore, interfere with ordinary market forces (except as a chorus to the thin wailings of the National Farmers' Union against the "insufficiency" of tariffs on imports of Dutch and Canary fruit). To this state of grace, however, the board has never been altogether amenable. It has always wanted to exercise the monopolistic powers enjoyed

by other marketing boards, but was defeated in a poll in 1960 on this issue by the producers themselves. Last month's revolt against it sprang partly from producers who resented that defeat (and who blame it for the welcome reduction in the number of British tomato producers from 8,000 to 5,500 in six years, in which many small and inefficient growers have been squeezed out); and partly from the opponents of all marketing boards, among whom a new (and much publicised) source of irritation was the recent handing over of £6,000 in compensation to a resigning chairman.

Last week, the board met to decide whether to carry on at a salary of 1d. each a year. It decided not to, but also decided that a new board should try to replace King Log by King Stork. Lacking any machinery for resigning *en bloc*, each member has now tendered his resignation to his sponsoring body (a branch of the NFU in most cases); an interim executive committee has been set up; and new elections to the board are to be held soon, at which the NFU will advise its members to vote only for those candidates pledged to seek powers that will "protect the producers"—which means monopolistic marketing powers.

The Government should not allow such powers to be confirmed. Indeed, the best thing for the country now might be for the whole board to be dismantled. If Britain goes into the European common market, a new situation will face the tomato industry; further sections of it will have to be closed down if they cannot stand up to Dutch competition. Probably the Government might then, rightly, agree to set up a compensation fund to help redundant growers to move into other and more economic fields; some body would be needed to manage any such compensation scheme, but it should not have the same sort of constitution as a marketing board.

The UN's Financial Laggards

LORD HOME said at Berwick on December 28th that 82 governments were "in serious arrears" with their payments to the United Nations. Oddly, his rather stringent definition of "serious arrears" seems to put Britain among the 82. And the published accounts do not uphold his general contention that the "irresponsible" newly independent countries are the worst defaulters.

Arrears on the regular UN budget are hardly alarming. By the New Year 86 per cent of the 1961 dues had already been paid in, a better showing than the corresponding figure a year ago. But the UN has been receiving less than three-quarters of the special dues assessed for UNEF (its international force on the Egypt-Israel border), and less than two-thirds of the much larger dues for its Congo operation. The Soviet block and most Arab states regard both these categories of special dues as illegal; in the case of the Congo, Belgium, France, Italy, Portugal, Spain and South Africa have also been among those withholding contributions. It is the accumulated deficit of more than $80 million on the Congo and UNEF accounts that has produced the crisis from which the UN now hopes to escape by selling its new bond issue.

At the New Year sixteen nations were fully paid up on all their obligations: Australia, Burma, Canada, Ceylon, Denmark, Ireland, Ivory Coast, Japan, Luxemburg, Netherlands, New Zealand, Norway, Sweden, Thailand, Turkey and the United States (which had also made large voluntary contributions).

In descending order, there followed:

(a) Members accepting Congo and UNEF dues, but late with various payments for 1961: Britain owing a quarter of its Congo dues for January-October, 1961, and India a tenth of its 1961 regular dues (India's account showed UNEF arrears too, but these and Britain's Congo arrears have yet to be offset against these countries' claims for repayment by the UN of their expenditures incurred in assisting its two military operations); Central African Republic, Finland, Gabon, Iran, Malaya, Mali, Somalia, Tunisia, owing Congo dues; Liberia, owing UNEF dues; Dahomey, owing its regular dues; Cameroun, Iceland, Israel, Malagasy, Nigeria, Pakistan and Senegal, each behind with two or all three of the accounts for 1961.

(b) Members that had paid no Congo dues: Austria, Belgium, Brazil, Ecuador, France, Indonesia, Italy, Jugoslavia, Philippines, Portugal, Salvador, South Africa.

(c) Members paying neither Congo nor UNEF dues, but up to date with regular dues: Czechoslovakia, Dominican Republic, Iraq, Mexico, Peru, Saudi Arabia, Spain, Sudan, Togo, Venezuela, Volta.

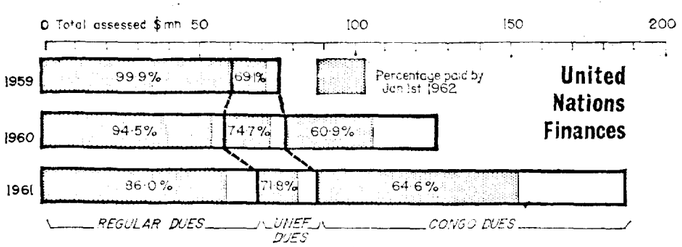
(d) Members paying for neither Congo nor UNEF, and late with all or part of their 1961 regular dues: the Soviet block (except Czechoslovakia and Hungary), Afghanistan, Argentina, Cambodia, Chad, Chile, Colombia, both Congos, Costa Rica, Cyprus, Egypt, Ethiopia, Ghana, Greece, Guinea, Jordan, Lebanon, Libya, Nepal, Nicaragua, Niger, Panama, Syria.

(e) Members that had paid neither Congo nor UNEF dues, nor regular dues for 1961 or 1960: Bolivia, China, Cuba, Guatemala, Haiti, Honduras, Hungary, Morocco, Paraguay, Uruguay and Yemen.

In this last group Haiti had the distinction of having paid nothing toward its 1959 regular dues.

Political attitudes thus join with lax or cumbrous procedures in national public finance to make some strange bedfellows, especially among the worst defaulters; and, although the English-speaking and Scandinavian countries show up particularly well and the smaller Latin American states particularly badly, no clear general pattern emerges. Western and Afro-Asian members can be found either high or low in the scale of punctiliousness, according to taste.

As President Kennedy reminded Congress in a message last Tuesday, the new $200 million UN bond issue, being repayable from the regular budget, provides a means of getting members to pay a fairer share of UN costs on pain of eventually losing their right to vote in the Assembly. It seemed curious that Mr Heath did not make the same point during the lively exchanges that followed his announcement in the Commons on Monday that the Government intends to buy some of the bonds. The British purchase, Mr Heath said, would not exceed $12 million; he did not mention a minimum figure. As Britain is assessed to contribute 7.6 per cent of the regular UN budget, a firm undertaking to buy not less than $15 million of bonds would have been in proportion; the guardedness of the British response has made a poor impression in Washington, where Mr Kennedy has asked Congress to approve the purchase of $100 million worth of the bonds. Denmark, Norway and Sweden, whose combined national incomes are less than a third of Britain's, have promised to buy more than $10 million.



BOOKS

John Citizen and the Minister

Questions in Parliament.
By D. N. Chester and Nona Bowring.
Oxford University Press. 335 pages. 35s.

QUESTION time is one of Parliament's best-known institutions. It is the opportunity for any backbencher to interrogate the highest minister in the land, and to the man in the street, therefore, question time is closely associated with the rights of the humblest of Her Majesty's subjects to seek redress through Parliament.

One would expect this theme to be amply documented, and parliamentary literature certainly abounds in relevant material. But now for the first time knowledge in this field has been systematised, and our debt to Mr Chester and Mrs Bowring is great. The absence hitherto of any formal treatise is perhaps the less surprising in that question time in its present form is largely a product of the twentieth century. It is of note that the first edition of Erskine May treated questions to ministers not as procedure in its own right, but as an exception to the rules of debate.

To what do we owe the modern significance of question time? As the opportunities of private members in the late nineteenth century became more and more restricted by the increasing claims of the executive on parliamentary time, so greater reliance came to be placed on procedural devices, of which the parliamentary question was foremost. Indeed, at the start of the twentieth century, questions had come to take such a share of parliamentary time that the Leader of the House, A. J. Balfour, brought in a drastic scheme to curtail them. This was eventually modified; but it had been touch and go. The authors describe Mr Balfour as "a not unqualified admirer of Question time," and it is an interesting example of his ministerial prescience that he wanted to move question time to 7.15 p.m.—too late for many first editions of newspapers to carry. Nevertheless, it is to Mr Balfour that question time today owes its form. The procedures now current were established in 1902 and have persisted with modification to this day, supplemented, of course, by what is best described as a formidable corpus of parliamentary "case-law."

Unqualified praise is due to the authors for the skill with which they have drawn the constitutional and historical threads of their subject together; yet the true excellence of their work lies in a somewhat different direction. For they have succeeded in giving us a quantitative and qualitative survey of question time over the years from which the inquiring reader will learn a great deal that is surprising, novel or of political significance. For instance, with the ever-growing scope of governmental legislation one would expect the volume of parliamentary questions asked to rise considerably. This has not happened. Why? If one ignores the claims on time of the supplementary question, three facts seem to stand out. As fast as governmental responsibilities have grown, there has been an extension of statutory machinery to deal with individual grievances. Again, while nationalisation might have extended the scope of parliamentary questions, many administrative details are in fact not admissible functions of ministerial responsibility. Furthermore, overriding all is the enormous increase in the flow of letters between constituents and their members, and between members and ministers. Indeed, the parliamentary question, like the iceberg, rests on an unseen mass—in this case, correspondence.

Parliament, as we know, is not an assembly of exceptional people, though it has always contained many exceptional persons. Similarly, Parliament is not an assembly of pertinacious questioners. True, some are or have been very pertinacious: for example, the celebrated Colonel Harry Day of Southwark, who sought to emulate the Irish members of old, and who evoked from his colleagues whenever he rose the parliamentary cry of "Another Day!" But most members ask very few questions, and some none at all. Indeed, assiduity at question time is far from being necessary for parliamentary success. A popular preconception demolished here is the belief that the Left is more inquisitive than the Right. MPs are MPs: they ask more questions in opposition than in government. Such differences as there are between parties are statistically negligible.

While questions are treated seriously and expeditiously by departments, the student of politics knows that they are not generally regarded as a major challenge to policy or administration. It is a poor minister who cannot ride out question time. Not every supplementary is deadly. If a minister knows his facts, shows some sense of humour and remembers that it sometimes pays to answer the questioner rather than the question, he will usually satisfy the House. And yet it is the fact that questions are asked, and can be asked, that matters. Now and again there comes the exception: some questions change policies, even shake governments. There are, it is true, infelicitous questions and tedious supplementaries; but if question time disappeared, an important instrument for ensuring the accountability of policy and administration would go.

The Man Who Filled Vacuums

Dag Hammarskjöld
By Joseph P. Lash.
Cassell. 304 pages. 21s.

THE mystery of Dag Hammarskjöld's death in Rhodesia last September is now being investigated. Was he a mystery in life too? Some of his admirers wrapped

The Economist

FEBRUARY 1, 1862

THE VOICE OF PARLIAMENT

A combination of circumstances, principally historical, have greatly changed the ideas of the present generation from those entertained by our forefathers as to the functions and purposes of Parliament,—as to the work to be imposed upon it and the benefits to be expected from it. And the change is scarcely, we apprehend, in a sound or a serviceable direction. . . . Passing new laws, unless new laws are imperatively wanted, is a mischievous and not a meritorious employment of the time of Senators. Parliament has duties to perform,—more ancient, more necessary, and usually more beneficial, than legislative ones. Nay, we may go further, and venture on what some may deem a paradox:—it is doubtful whether the *talk* of Parliament be not often far more useful than its *action*. The House of Commons is the arena where the voice of the nation can be authoritatively heard; where the wishes and opinions of the people are, through their representatives, made known to their rulers; where—through the process of debate, often through the process of tedious and clumsy conversation—the public sentiment is expressed, ventilated, enlightened, and to a certain extent formed. . . . It tells the nation whom it ought to trust. It tells the Ministers whom they ought to listen to. It tells the Government what the people think of *them*, and what they desire for themselves. Talk, which has results such as these, may well be more valuable than any action. But Parliament has other work to do. It has to *question* Ministers; to ask an explanation of *this* dubious-looking transaction; to denounce that scandalous appointment; to drag to light one Galway job, or another Dover intrigue; to require justice, or at least a hearing, for such or such a case of *prima facie* administrative oppression;—it has to let the Government feel that it is vigilantly *watched*, and will be called to a severe account. . . . If Parliament does this work conscientiously—with sternness and with equity as well—it may be effecting more good and preventing more evil than if it passed twenty laws.

im in a fog of unsought reverence. Some his opponents accused him of megalo-ania and Machiavellianism. Yet one of his book's merits is that it brings out the an's essential consistency and—the word ay seem surprising—straightforwardness.

His reputation for intellectual subtlety, or being personally withdrawn, for a earching concern with fundamental beliefs, as well enough earned. But his bent was nalytical, not mystical. First in economics nd later in diplomacy, he would dissect ach problem minutely, spurning intuitive hort cuts. He always drove his remark-ble brain hard, drawing on an equally emarkable physical endurance, and could ake account of an unusual number of in-lividual trees without losing sight of the whole wood. In the Swedish finance ministry, in the OEEC, and in the United Nations, his talent for computing helped rather than hindered him in judging what would be politically possible. If he was a genius, it was in Carlyle's sense.

Mr. Lash, a New York journalist who has watched the United Nations for over ten years, naturally concentrates on Hammarsk-jöld's role as Secretary-General; but no reader should pass over his long and reveal-ing chapter on the earlier career of a man strongly marked by national and family in-fluences. He shows how, in a family with three hundred years' record of public ser-vice, no real contradiction arose when Dag and his brother Bo, sons of a father with a formidable reputation as an arch-conserva-tive, plunged into the work of building a welfare state in the 1930s. Later, he notes the personal rapport between Hammarsk-jöld and Chou En-lai—two patricians, both serving dramatically new causes—when they met in 1955.

Ironically, it was the Chinese communists who opened the door to the habit-forming process of "leaving it to Dag." The Assembly had given him the first of the vague mandates that were later showered upon him, asking him to try to free the American airmen then imprisoned in China by "the means most appropriate in his judgment." His decision to go to Peking in person was much criticised, and if it had proved fruitless his later role would have been sharply circumscribed. Instead, from then on it was progressively enlarged.

If he had been less willing to fill vacuums, would fewer of them have been left to him to fill? The evidence is to the contrary. Long before his appointment in 1953, his predecessor, Mr Trygve Lie (to whom Mr Lash is less than generous) had rejected the idea that the Secretary-General ought to remain politically inactive even when the Assembly and Council were visibly failing to ward off a threatening danger. Each of Mr Lie's interventions displeased one or other of the great powers; and ultimately, like Hammarskjöld, he suffered total ostra-cism and foul abuse by the Russians, although in 1946 Mr Gromyko, of all people, had been the first to champion his right to a political role. But the vacuums continued to appear, and Mr Lie could not interpret his duty in a way that would have allowed him to remain comfortably passive.

Hammarskjöld took office with—indeed, was acceptable because of—a reputation for prudent skill in avoiding controversy. But the persistent vacuums sucked him, too, into battle (as they are now sucking in his even more deceptively mild-mannered successor, U Thant). His analytical approach helped him to concentrate his efforts on the sectors where progress was practicable; unlike Mr Lie, he wasted none of the limited authority of his office on direct assaults on broad issues over which the powers could not be budged. His legalistic ingenuity helped him to cover his flanks each time he advanced; at times, his baffled critics felt that there was nothing unprecedented for which he could not conjure up a precedent. From 1957 on, he not only steadily elaborated the United Nations' executive functions but also codified their enlarge-ment in a series of closely reasoned state-ments of principle. He did not seek personal power; indeed, he often urged Assembly and Council to lessen his responsibilities by giving the Secretariat clearer instructions. But, as the number of smaller member nations grew, so grew the idea that the Secretary-General, and the United Nations as an organisation, are in a particular sense their instrument and shield in a world in which the great powers can appeal to sheer strength. Hammarskjöld evoked this idea when Mr Khrushchev was raging against him, and won what amounted to impressive votes of confidence.

Mr Lash's highly readable, sometimes moving, but not unduly coloured, account of these processes carries the main story up to last summer, and includes a short epilogue written after Hammarskjöld's death. Wisely, he has made little attempt to prophesy. Today, it is not only from Moscow that attacks are being launched against the whole concept of UN initiatives that displease one of the powers. But Mr Lash has already been justified in his under-lying belief that what Hammarskjöld built was too solid to be shattered merely by the death of the master builder.

The Jungle Wasn't Neutral

The War Against Japan. *Vol. III.*

By S. Woodburn Kirby.

Her Majesty's Stationery Office. 578 pages. 63s.

JAPAN'S "Ha-Go" offensive in Arakan, which opened its so-called attempted invasion of India in 1944, started when Sakurai's main striking force of 5,000 Japs marched in close formation, sixteen abreast, through the middle of the British front line in a valley stretching about 400 yards across—and without anybody particularly noticing them. One famous British county regiment, among others that night, did report with interest "a large number of men, talking in a strange language, with mules, moving north"; but it presumed that they must "be an Indian artillery ammu-nition party which had lost its way." Quite a lot of the beastly wet, muddled war in Burma was like that; it is a pity that this official history of the 1943-44 campaign is not sufficiently hard-faced to recognise it. As is usual with British accounts, it gets very cross with Stilwell for trying to cuss the British troops under his command be-yond the point of endurance; but Stilwell knew well (none better after his experience with the American Marauders and with his sometimes impossible Chinese) that disaster overtook any army in the east whenever it passed a strange and possibly movable psychological breaking point, a point where hard-pressed allied troops suddenly sat down and fell sick, and hard-pressed Japs sat down and actually died.

The genius of Slim was that he mobi-lised this psychological breaking point against the enemy. He at last hammered home the fact that when a body of Japs, carrying three weeks' supply of ammunition and rice, appeared behind the British lines, this did not mean that the British were cut off; it meant that in three weeks' time the Japs would be, and that they would be likely to break just as quickly as the British would have done without proper supplies. And so it proved, first in the Battle of the Admin Box at Sinzweya in the Arakan (which this official history mysteriously and unpronounceably renames the Battle of the Ngakyedauk Pass); and later in the much bigger battle of the Imphal plain.

Unhappily, but almost inevitably, Win-gate is finally devalued in this history—if only by the device of publishing in full the insulting, self-ambitious, and often wildly false-forecasting memoranda he wrote to Slim. Wingate had the great gift of making men feel proud to serve in his company, but by 1944 his main driving purpose was too often to get as many resources as possible wastefully diverted to be under his own control. Moreover the "penetra-tion group" tactics he wished to impose upon the British army were those that had won the Japanese victories until Sinzweya, but which were to lose the Japanese the Burma war as soon as the "stand-fast" les-son of Sinzweya had been learned.

Paradoxically, however, although nobody seems to have realised this, the one really new implication of this official history is that perhaps, by accident, it was Wingate who won the Burma war after all. Previously, everybody had supposed that his first Chin-dit operation was a complete military failure. Now it appears that it was the ease with which his tiny group slipped through the Chindwin defences that persuaded a reluc-tant Imperial Headquarters at Tokyo that it must shorten its defence line by going for-ward to Imphal; thus it was that it took the crass decision to throw its armies (carry-ing the usual three weeks' supply of rice and ammunition) over the mountains to die. As the Japanese 33rd Division came leap-frogging along the Tiddin Road, its General Yanagida suddenly realised that the cut off British and Indian detachments had learned

the lesson to stand fast, and he sent back to his Army Headquarters, even in that first week, the brilliant and obviously correct advice that the Imphal offensive had better be called off. His Army HQ responded by sacking him.

To the north of the Imphal plain, things were following a more usual Burmese pat-tern. Both sides managed to deliver their battle plans to the other side by mistake (the British through a misplaced aeroplane drop and the Japs by an errant messenger on a pedal cycle); moreover the British, through a series of transport and communi-cations muddles, had not got their defences organised properly in the most important place. The great tactical mystery here—which this official history does little to ex-plain—has always been why the Japanese 31st Division kept on butting its head against Kohima, after General Sato had discovered that the British and Indians were standing so bravely there; he could and should have skirted round it and driven straight to the much more important base of Dimapur—and to probable victory. In the intervals of maligning the memories of Stilwell and Wingate, it is right to remem-ber that there are many thousand British and Indian soldiers, alive today, who can thank their stars that there were much greater mistakes made in high places on the other side of the hill. In some ways the photographs of the Japanese leaders con-cerned—some of them incredibly Victorian-looking, some others coltish and bullet-headed—are the most revealing part of this book.

Act Three

Greek Civilisation: *From Euripides to Alexandria.*

By André Bonnard.

Allen & Unwin. 288 pages. 35s.

THIS is the last volume of three (though, misleadingly, it does not say so on the cover or the title-page: all three volumes are published with the same title on the back). It is a series of studies of particular men, mostly writers; but the choice and the treatment of the subjects reflect the late Professor Bonnard's personal tastes and en-thusiasms. His left-wing sympathies hardly emerge, except in a passionate hatred of slavery and some exaggeration (but not much) of its deleterious effects. He was no friend to religion in any form. Above all, he loved poetry, and could forgive anyone for his ideas, however unsympathetic, if he wrote well: he has little good to say about Plato's philosophy, but no one has praised his style more enthusiastically. He was interested in science and technology, where the Greeks showed up only moderately, but avowed a complete ignorance of mathe-matics, where they were brilliant.

The purpose of the book is to show the decay of classical Greece and the emergence of completely different attitudes and in-terests in the Alexandrian period. Hence some curious choices of subject, if one con-siders their absolute importance; but they all serve the author's theme. Aristotle appears only as a biologist; Xenophon and (most oddly) the new comedy are not mentioned at all; pages are spent on the revolting but tedious crimes of the early Ptolemies. Professor Bonnard is always at his best when he is inspired by good writing, with the curious exception of his chapters on Euripides, which are high-flown rather than illuminating. But on Plato as a writer, on Theocritus and on the mixture of good and bad in some of the minor writers, Bonnard is excellent: it must be some time since anyone has taken the trouble, in a book for general readers, to illustrate the move-ment of taste and ideas by expounding at leng:h the merits and defects of Apollonius Rhodius and Longus. The book ends with a noble passage in praise of Epicurus.

These three books are very well worth reading. Bonnard was a man by himself, and his enthusiasm for Greek writing is de-lightful; but, apart from that, it is useful for English readers, who tend to regard the ancient Greeks as senior members of the Commonwealth, to see them through differ-ently-focused French-Swiss eyes. The translation by R. C. Knight is first class; the book is well produced and has a number of pleasant illustrations, though some of them seem curiously irrelevant. Why, for example, the picture of a depressed-looking Marabou stork?

Neglected Dramatist

The John Fletcher Plays.

By Clifford Leech.

Chatto & Windus. 189 pages. 18s.

THE fifty-two plays in the 1679 Beaumont and Fletcher Folio are possibly the most neglected of once popular plays in the history of English drama. Not that there has been an absence of criticism, or of essential biblio-graphical and linguistic work distinguishing the respective parts played in the collabora-tion by Fletcher, Beaumont, Messinger and others. It is merely that in the Restoration period, according to Dryden, "their plays are now the most pleasant and frequent entertainments of the stage; two of theirs being acted throughout the year for one of Shakespeare's or Jonson's," and now we may look in vain for productions even of *Philaster, A King and No King, Thierry and Theodoret* or *The Maid's Tragedy*, apart from the enterprise of amateur societies.

In this admirable study Professor Leech has firmly decided to treat Fletcher as the controlling presence in the Folio, and has limited his approach to a consideration of only a handful of the plays in an effort to define the characteristics of his dramatic style. Shaw called Fletcher 'Tussaud Laureate.' The impression is shared by many critics. T. S. Eliot (not even giving Beaumont and Fletcher an essay to them-selves) writes that the blossoms of their imagination draw "no sustenance from the soil, but are cut and slightly withered flowers stuck into sand." L. C. Knights has stressed the false and superficial elements in the plays: they are decadent, he claims, because they exploit rather than explore emotion. Professor Leech's book should be taken as a serious rejoinder to such atti-tudes, though he does not waste time in describing the critical situation in order to press his disagreement. This is a calm and thorough work, exercising sympathy and arousing interest without displaying that un-warranted enthusiasm that one so often finds when a critic attempts some sort of rehabili-tation. Thus, although there have been some weighty American studies recently on these plays, and there is also a lively little book by William Appleton, it is Professor Leech's work that will send the reader (and one hopes the producer) to the plays themselves.

Fletcher, we come to feel, had an acute theatrical imagination. His sensationalism appears rather as an inability to construct a whole in depth in the Shakespearean manner. He therefore employs his inven-tion in each situation as it occurs to him, and moves from moment to moment in the play extracting shrewd insight from what on the surface looks merely bizarre. Professor Leech illustrates his intellectual curiosity, his grotesqueness, the frequent excellence of language, and places him in the drama of the period with firm tact and skill. We are made to feel that there is more here than

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James L. Clifford, illus. 12/6d.

THE HOUSE OF INTELLECT
Jacques Barzun, 12/6d.

THE PURSUIT OF THE MILLENNIUM
Norman Cohn, illus. 18 -

MERCURY BOOKS

private entertainment for the Jacobean gentry, more than mere fodder for the dull romances of the Restoration stage: it is the work of a poet lightly exploring the fantastic possibilities in human relationships. "He angled in a dark lake," writes Professor Leech, "but the fish he brought up were live."

Essays in White and Red

Civil War in Russia.

By David Footman.

Faber (1961). 328 pages. 35s.

For three years after October, 1917, the fate of the revolution was in the balance. Time and again it seemed that the bolsheviks would not be able to resist the advance of successive White armies. How and why did they triumph in the end, thus changing the course of world history? Much has been written on this. Communists, at first, provided a great deal of original material that was later moulded into stereotyped stalinist shape. Russian emigres gave their own version, or rather versions, of the reasons for their defeat. Mr Footman's purpose was to provide an objective picture on the basis of the conflicting evidence.

Having carefully sifted the wealth of available material, he has selected the crucial episodes of the conflict. After a brief introduction, tracing the course of the war and giving the grounds for his selection, he takes the reader along the shifting fronts of the civil war from the Don, through the Urals to Siberia and then back to the south. His method was partly imposed by his subject. In a single volume it was impossible to write a detailed, comprehensive history of such a complicated, and not exclusively military, conflict. But Mr Footman's method has its drawbacks. By sketching successive parts of a vast canvas, he does not always enable the ordinary reader to follow the whole picture. And lastly, he does not quite answer the key question about the reasons for the bolsheviks' victory.

To attribute it to bolshevik "ruthlessness," or to the skill and determination of Lenin and Trotsky, is certainly not adequate. In a brief conclusion, Mr Footman quotes Trotsky's saying—that "in the unstable poise of a scale only a small weight is enough to decide"—and suggests that the party may well have been that weight. In that case, it may have been worth while to place more emphasis on the part played by the bolshevik party in defence of its revolution. The interesting chapter on the Red Army has too little weight in the general balance of the book. Probably reacting against stalinist propaganda, Mr Footman has viewed most of the war from the loser's angle, not the winner's.

Some of the reasons for the defeat of the Whites appear in the carefully documented descriptive passages. The vagaries of some Socialist Revolutionaries and Mensheviks show that there was no middle road in this conflict. The opponents of bolshevism were, willy nilly, thrown into the arms of the defenders of the Tsarist order. The author is at his best when describing individual episodes, such as the abortive British expedition to Archangel or the strange vagaries of the Czech Legion. Best of all is the final saga of Makhno, the anarchist peasant guerilla leader, who fought with the bolsheviks and then against them. Mr Footman may not have written the history promised in the title, but he has written vivid and interesting essays in white and red.

Outside Advice

The Organisation from Within

By Cyril Sofer.

Tavistock Publications. 191 pages. 25s.

One of the troubles facing social scientists is where to find their opportunities for research in a world not yet convinced of the value of social science, at least outside the United States. In this country the Tavistock Institute of Human Relations has tried to find a way of solving this by seeking to combine therapy with research. Dr Cyril Sofer's book is an example of this double process. He provides three case histories of his work as a social consultant. He was asked by an industrial firm to assist in the selection of a senior manager, by a medical research unit to advise on the problems of working within the normal framework of a hospital, and by a technical college to lead a research project into the function of a department of management and production engineering.

What emerges from his story is that as an objective outsider Dr Sofer was in each case able to give valuable assistance to the people concerned—by getting down to a precise definition of the problem they were up against, and suggesting how it could best be tackled within the context of each particular organisation. For example, he was able to show the industrial firm how the selection of a senior manager was dominated by the conflict between the needs of the firm for high grade personnel, and the desire of the board to keep all top posts among the original founding family. So far so good. What Dr Sofer does not show is that his particular therapeutic approach (rather than common sense) enables him to be of such help. Indeed the case histories revealed that his method of working brought its own complications. In each case, after some initial hostility, his temporary employers became very dependent on him, as in individual psychotherapy, and were reluctant to let him go.

While Dr Sofer's work undoubtedly provided him with excellent opportunities for studying organisations from the inside, it raises the following question. Do we, in fact, want a state of affairs to develop in which people are made to feel: here is a human problem, let us call in the expert on human relations? In the United States, large organisations, particularly in industry, have gone a long way towards basing their administration on the latest developments in social psychology. The disadvantages of such an approach have been clearly illustrated by William H. Whyte. Dr Sofer is in danger of creating for us his version of the Organisation Man.

No Day-Dream

Castle in Italy

By Lina Waterfield.

Murray. 277 pages. 28s.

The title is romantic, calling up the echo "Castle in Spain," the very essence of day-dream. The *fortezza* at Aylla certainly was romantic, and so was Poggio Gherardo, the other Italian home of Lina Waterfield; so, too, was Fyvie Castle, in Aberdeenshire, where some of her childhood was spent. Many of the ingredients of her autobiography are undeniably romantic, for she was an exceptionally beautiful girl, high-spirited, unusually intelligent, connected with a number of interesting people. She made a romantic and idyllically happy marriage. She also became a power to reckon with in Mussolini's Italy, for she was very well informed, a woman of complete integrity, and quite intrepid as a journalist. But, remarkable as her chronicle is, the tone is not in the least romantic nor, although she looks back over nearly ninety years, is it at all nostalgic.

Reminiscences of childhood, amusing stories about famous people, accounts of undertakings that demanded great courage and resource, they are all set down with the minimum of fuss. The autobiography does, indeed, suffer a little from the lack of high-lighting. Another woman might have made the same material sound far more dramatic. Mrs Waterfield does permit herself occasionally to regret her stoic disinclination to react demonstratively in emotional moments. This reserve governs the whole ordering of her story; and though her reticence makes for a certain monotony, no attentive reader could fail to recognise, through the very simplicity of the style and the complete lack of affectation, the author's fineness as a person.

OTHER BOOKS

The American Degree. By Bernard Mellor. 2nd edition. *Hong Kong University Press*. London: *Oxford University Press*. 65 pages. 7s. 6d.

This is a most useful evaluation, helpful not only to the intending student but also to anyone who wants factual information about America's multitudinous universities, about the courses they offer, the quality of their degrees and the cost of attending at least some of these establishments.

Social Security in Britain: *A History*. By Harold E. Raynes. 2nd edition. *Pitman*. 272 pages. 30s.

The Correspondence between Richard Strauss and Hugo von Hoffmannsthal. *Collins*.

This correspondence, which was reviewed in our issue of December 23, 1961, was translated by Ewald Osers and Hanns Hammelmann.

LETTERS

Mental Hospitals

Sir—The hospital plan for England and Wales emphasises that short-stay patients suffering from mental illness should be treated in psychiatric units attached to general hospitals, and a footnote to your table showing the proposed number of hospital beds in 1975 states that there will be 12,000 of these psychiatric beds. Yet in that year there will still be no fewer than 108 mental hospitals, of which 25 will have 1,000 to 2,200 staffed beds, and will treat medium-stay and long-stay patients.

The division of patients into short-stay, medium-stay and long-stay categories is misleading and is not one that can be accurately forecast in respect of patients seen for the first time. Presumably, therefore, all patients mentally ill for the first time will be treated in the general hospital psychiatric unit. What then will be the future function of the mental hospital? There is a grave danger that once again it will be mainly custodial.

The Mental Treatment Act of 1930 enabled patients to submit voluntarily to treatment, without being certified: the presence of these short-stay, less severely ill patients led to an improvement in standards both of accommodation and of staffing, and to the starting of open door admission units.

All these improvements have become even more marked with the procedure for informal admission under the recent legislation. The presence of patients suffering from minor mental illness and of patients whose illness has a good prognosis, together with new methods of treatment and the bigger turnover of patients—all this provided a stimulus to the whole hospital and benefited particularly the long-stay wards.

Now it seems to be proposed that this group of patients, usually so rewarding to treat, will no longer come direct into the mental hospital. One fears that in consequence the chronically ill and the demented old people will form the bulk of the admissions. The removal of the early case will withdraw the interest and stimulus from those who care for the long-stay cases, and the danger arises that the work will be insufficiently interesting to attract staff in the numbers and quality that these cases nevertheless require.—Yours faithfully,

Bexley Hospital M. Radzan

Broiler Fowls

Sir—Your statement in the issue of December 30th that the broiler industry in this country has developed without protection does not withstand close scrutiny.

First, there is a tariff of 3d. per lb. on all imported poultry of non-Commonwealth origin. Although this is a low rate compared with duties on many other foods, it nevertheless does provide some protection.

Secondly—and far more important—the importation of frozen chickens from countries with large outputs—chiefly the United States, Poland and Hungary—is prohibited, under the Poultry (Carcases) Landing Order. These regulations have no relation to the balance of payments and their ostensible purpose is to exclude poultry from countries afflicted by fowl pest. Despite this restriction, outbreaks of this disease still occur quite frequently and, on a pro rata basis, the experience and incidence in this country do not compare favourably with the United States. In recent years, it has become increasingly obvious that the official landing restrictions have become, basically and mainly, a protective mantle against the possibility of large-scale importations from the United States and other cheap sources of supply.

If American frozen broilers could be sold in this country, a price reduction of between 10-15 per cent could be achieved at the retail level, notwithstanding the 3d. per lb import duty. Production costs in the United States are still well below the levels achieved here. This is hardly surprising, in view of the fact that the British industry is based, almost entirely, on imported and therefore more expensive feeding stuffs.

The advent of the British broiler industry, with its considerable capital investment in processing and distribution facilities, has created a number of vested interests, including the suppliers of feeding stuffs. In the absence of protection, the British industry would not have reached its present size but, on the other hand, the consumer would have benefited by way of lower prices—Yours faithfully,

Caterham, Surrey Peter Kaufman

Moving the Cash

Sir—In connection with the important problem of the safe transfer of money between banks and business organisations, recently underlined by the publicity given to bank robberies, Mr Millard (January 13th) makes an interesting comment on the position of the insurance companies as the people who really "carry the bag" in this matter of carrying the cash. His suggestion that the insurance companies should organise their own safe conduct service is one possible approach. But even simpler and safer would be a change by which the need for these large transfers of cash could be largely eliminated. A system of meeting payrolls by bank cheque, as in America, or by more extensive use of post office cheques, as on the Continent, could achieve this. Admittedly, a change in British law would be required. But surely, at a time when even a decimal currency is being considered, it would not be asking too much to abolish restrictions on payroll cheques dating from mid-19th century truck payment abuses.

Curiously enough, this is one of the rare areas where international payment mechanisms seem to be ahead of domestic ones. Gold, if it has to be moved from country to country, normally does so by a short trip from one part to another of the vaults of the Federal Reserve Bank of New York. Eyebrows were raised recently when the Government of Thailand decided that it wanted to have the satisfaction of physically holding the gold and therefore went to the expense and risk of having it shipped to Thailand—thus returning to the outmoded practices of payment so widely adopted for domestic transactions.—Yours faithfully,

New Vernon, NJ Edward Symonds

London Airports

Sir—The current failure of Gatwick Airport is due to poor approaches to a much greater extent than so far reported. Intending air travellers mostly use public services because it is expensive to garage private cars for a long period. London Airport provides bus services to the centre exclusive to air travellers; Gatwick, further in mileage, is represented as equal in time, but this calculation depends on use of the Brighton railway, overcrowded throughout the holiday period, and on the uncertain chance that extra carriages, often insufficient in number, may be attached at Gatwick. Coaches from London Airport cover a wide area of the west country; those passing Gatwick a comparatively narrow belt as far as the south coast. Most seriously, London Airport has good bus connections in the two remaining directions, north and south; Gatwick has no direct connections at all east and west, and the greatest need is for adequate bus/coach services in one direction to Tunbridge Wells, Tonbridge, and Maidstone, in the other to Dorking, Guildford, and Reading.

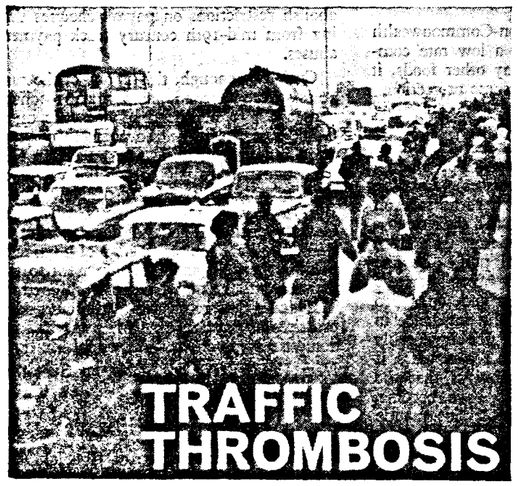
The limiting factor is that Gatwick lies just within the London Transport area, which, owing to a historical accident, bulges in the south to an artificial line far outside "London" as defined for any other purpose. Lack of adequate road communications across this line is a nuisance to several places, of which Gatwick is only one.

The rigidity of one nationalised organisation now hinders another. If the London Transport area were cut back at least as far as the A25 road, commercial companies would be free to compete for licences for the potentially valuable Gatwick airport business, and the airport would then have a much better chance of prosperity.—Yours faithfully,

Sevenoaks Douglas W. Franklin

HOME REPORT

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



FROM OUR SPECIAL CORRESPONDENT

LONDON was allowed to make an unmitigated fool of itself last Monday, and for the sake of town and traffic planning in the next decade this was a splendid idea. The Ministry of Transport and Scotland Yard will not have the same chance to conduct so massive and uninhibited an experiment again. Henceforward they will be obliged to do something on strike Mondays, and the effect of even the timidest measures will help to conceal, once more, some of the realities that Londoners this week were digesting for themselves.

In the short run (which probably means the next batch of Mondays) there are four major lessons to be learned. First, in a transport strike and particularly a tube strike (for which also read local congestion as traffic increases) the most important single factor is public information: about the transport facilities that actually are available, the routes that have become totally congested, and any special measures that the police may be organising at particular points. These change constantly from hour to hour and the radio is the only way to make them known. On Monday morning the BBC broadcast two announcements, both very early, which did little to ensure that the tubes and electric trains in service were properly used (e.g., 20 trains continued to run on the Central tube line and 19 on the Northern). This is precisely the job that local radio could do very well. Possibly the police themselves had little useful information about routes to give over the air; if so, the sooner they put helicopters to work in sorting out traffic the better.

Secondly, parking. The one bit of news that was known in advance was that there would be free parking in the central area throughout the day. This was an open invitation to every one of the 300,000-400,000 car owners who normally use public transport to try their luck, irrespective of whether their own trains were running or not. This swelled the incoming tide (at about 1.5 persons per vehicle) and parked, and double-parked, cars restricted movement throughout central London. Some zoning ought to be reimposed: it should not be thought a great hardship for a motorist to walk his last quarter of a mile, particularly if this reduces traffic over the Thames bridges.

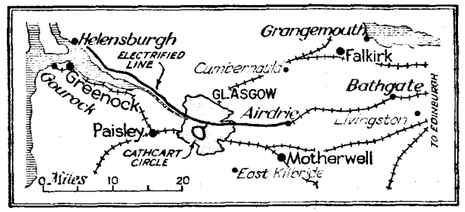
The third point appears to have been grasped by the authorities in their plans for next week. The flow system (using two or three lanes of the road for the preponderant traffic stream) is sensible, provided parking and delivery rounds are banned along these clearways. More one-way traffic may eventually be feasible, but it demands a far greater knowledge of London's street system than the suburban motorist plainly possesses. This ignorance had at least one good effect on Monday: it left the side streets free for ambulances and taxis.

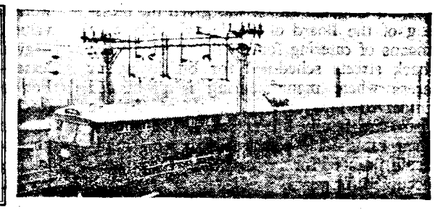
Fourthly, the value of the bus in congested, slow-moving traffic is highly questionable. Many central buses were running half-empty (except from rail terminals) simply because they were caught in jams; and their size and inability to diverge from the set route helped to add to congestion at the big intersections. It is conceivable that London would actually have done better with fewer buses (i.e., if some garages had gone on strike) on certain routes: those that did run would then have been fuller and the road space left free by the others would have helped the private cars to manœuvre more freely. Buses normally cope with no more than 17 per cent of London's commuter traffic: one doubts if they really did appreciably better last Monday.

The longer-term answers should be even clearer now. They are none of them new; the only problem has been to get public opinion to look at them at all. The police are calling for more staggered hours and for up to 20 per cent of office staffs to work at home next Monday. Staggered hours are not as impossible as many employers like to make out: between 1957 and 1960 50,000 workers had their hours changed from the maximum peak periods. It is a beginning. The chief permanent improvement here would be to get the bulk of routine goods deliveries in the office areas over by 9 a.m.—some trades already do this. Why not more? The point about working at home is that a proportion of London office staffs (20 per cent is a nice round figure to aim at) ought to be working at home all the year round: that is to say, in office buildings in their own suburbs and in new and developing towns throughout the south-eastern area. A payroll tax in central London, or a special rate on offices levied by the Greater London Council, is the most discriminating way to weed out the inessential operations.

WITH parking the emphasis has to be on providing more off-street parking in the central area (with tough requirements for new office blocks) and on making the motorist pay stiffly for occupying kerbside space (meters) and adding to London's traffic at all. Mr Marples was saying the right things on these points last month. But the motorist must also have an incentive to behave rationally. If he stops on the periphery of the inner ring and takes public transport into the centre, he must be sure of good parking facilities first. Cannot something be done in places like Hammersmith and Battersea? The local councils do not seem to think so, but possibly the borough mergers and a touch of the whip from the GLC will shake them up. And on the outer ring it is still far from certain that public transport is quick enough or capacious enough to encourage the motorist to entrust himself to it. When it comes to apportioning space (e.g., should disused railway lines be reactivated with modern equipment or turned into motorways?) one's preference would be to encourage the railway at distances of over five miles. Or do we wait a decade for the hovercraft? These are all London's peculiar headaches, but, as the following article shows, there are other cities that are beginning to realise they have serious troubles of their own.

After the Blue Trains





FROM A CORRESPONDENT IN GLASGOW

IN the narrow, tightly-packed Clyde valley through which Glasgow impels its incessant, turgid and frustrated traffic, the idea of an integrated public transport system has seemed both sane and inevitable, except when the local transport authorities have bent their imperial minds to working out the details. Much of the Inglis report of October, 1951, has remained, with one major and signal exception, a neglected blueprint. Its traffic calculations were made before the family car decisively emerged in central Scotland in the mid-1950s (although car-ownership in Glasgow itself is still below the national average), but its recommendations for the commuter have a continuing ring of sense about them. Now the regional concept, dusted off and smartened up, may get its second chance.

The breakthrough that has started the first faint stirrings inside Glasgow's city administration has been the delayed but now hopefully remunerative arrival of the Blue Trains, the electrified suburban service between Helensburgh and Airdrie which the Inglis report primarily called for. British Railways has spent £16 million on this line; and at last, after a series of explosions and an embarrassed reversion to steam working, the trains are using their speed, passenger capacity and reduced fares to cream off commuters from Glasgow's own buses and Scottish Omnibuses.

Passengers on the line have risen to 250,000 a week, compared with 90,000 in 1960, and receipts to over £17,000 a week from £7,000; at one station, it is claimed, the rise is over 6,000 per cent. A second electrification south of the river on the short Cathcart circle line is imminent, and if the customers keep coming BR is likely to pluck up courage and electrify a further line from Gourock to Motherwell.

This development, if it is persisted in, must eventually be a powerful argument to the bus operators to think seriously of running services to railhead stations around Glasgow's periphery and cutting down certain services into the centre of the city. This would help, in turn, to relieve some traffic congestion in one of the slowest-moving town centres in the country; and on some of the reduced bus routes a more rational operation should be worked out between Glasgow Transport and Scottish Omnibuses. At present Scottish Omnibuses can only pick up passengers on outward routes and set them down on inward routes within Glasgow's arbitrary city limits: this makes sense for genuine long-distant traffic, but not on short-distance suburban services.

In the hey-day of its tramcars (the last of which are soon to disappear for good) Glasgow ruled the transport world far beyond its borders. Now it is hemmed in upon itself, and the reverberations of thwarted ambition and warring imperialisms have taken a long time to die down. Last month, with the Blue Trains upon her, Glasgow's independently-minded Lord Provost, Mrs Jean Roberts, persuaded her corporation to set up a special committee to improve public transport inside the city. Only the dimmest councillors have failed to conclude that little real purpose will be served unless the committee aims at creating some sort of central Scotland passenger transport board.

THE truth is that regional planning now involves the large unit of central Scotland, in place of the purely Clyde valley concept of recent tradition. Glasgow has been acutely aware of its own central problems since a beginning was made to the twenty-year plan to redevelop 29 districts of the city at a cost so enormous that no one has ever dared to add it up. This plan is designed both to oust the slums and relieve much traffic congestion by providing a modern street system, based on inner and outer ring roads and on the improved Clyde crossings at the Whiteinch tunnel and the still-distant Carnoustie Street bridge.

But now the city itself is being dispersed into new and satellite towns throughout the Forth-Clyde region. There are prospects of new light industry once the Motherwell strip-mill starts producing later this year. East Kilbride has been built since the war; a further 200,000 Glaswegians are to go to Cumbernauld and Livingston new towns and to other, older burghs. The British Motor Corporation's plant is going up at Bathgate. Falkirk and Grangemouth could finally merge into a big city complex.

It happens that the Scottish Office (which took over the Ministry of Transport's responsibilities in 1956) has begun to lay down the road network for this new development. In the past five years almost £50 million has been spent on major road-works (including £17.5 million on trunk roads) and this expenditure should double over the next five years under a new system of priorities worked out at St. Andrew's House. The trunk roads system linking Edinburgh and Glasgow with the Borders, with Stirling, and with each other is showing signs of modernisation: the Clyde tunnel and the Forth and Tay road bridges are becoming established fact. Transport outside the cities is at last being given the opportunity to move smartly now that the roads are being tackled on a regional basis.

Mrs Roberts's special committee is to review Glasgow's own transport under three heads: (1) the best use of all forms, (2) to provide better linking facilities between the railways and the short (14-station), narrow-tunnel Glasgow underground, and (3) to consider what extra transport is required. The municipal departments will produce their briefs, but the real sting is in the intention to hold talks with the British Transport Commission and Scottish Omnibuses.

The sort of report that is needed should look at the short-haul suburban services as an integrated rail and road system. This means insisting on such things as joint timetables, properly designed suburban and peripheral terminals (with parking capacity), and above all transfer tickets for through-booking by bus and train. It should look at long-distance rail and bus traffic in the light of cheap air travel to London, Europe (and other parts of Scotland) from Turnhouse and Abbotsinch (replacing Renfrew) airports. Glasgow will not need the four main-line termini it now has, and perhaps not even the three that Inglis suggested: the extra capacity could be used to improve suburban services and diesel services through central Scotland where necessary.

As for the middle-distance buses (running from three separate centres) Glasgow's highways committee has just revived an old plan to deck over the Clyde from bank to bank above the navigable limit at the Broomielaw for one large bus terminal and car park. This will cost £5½ million, but it is probably the cheapest and certainly the easiest way of getting space in the heart of the town. Sooner or later someone in Glasgow will have to start moving heaven and earth, let alone the Clyde, to set its normal traffic to rights.

Factories in Flats

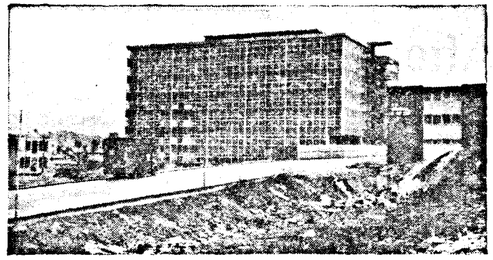
FROM A CORRESPONDENT IN BRIGHTON

BRIGHTON'S first communal factory looks like something out of a town planner's dream. But for many of the small manufacturers whom it is intended to rehouse it presents a nightmare challenge: a hazardous jump from the past into the present. Some of them feel it is a challenge they cannot take up.

New England House was given the blessing of the Board of Trade primarily as a means of catering for small concerns from back streets scheduled for bulldozing or areas where manufacturing is prohibited under the new town plan. Most of these firms are family businesses, either owning their ramshackle premises or paying miniscule rents for workshops they have occupied for years.

The communal factory, housing two dozen enterprises under a single roof, has distinct planning advantages. It is a "tidy" answer to the problem of small, scattered firms. In a town like Brighton, with growing traffic congestion, it is a step towards removing delivery vehicles from narrow side-streets. Instead, it makes it possible to provide a single, easily controlled route to the main communications. (Both the railway goods yard and the main road to London are only a few yards from New England House.) Moreover, for the local authority with the responsibility of compensating disturbed businesses, it vastly reduces the initial expense and promises handsome profits in the future. When New England House is fully occupied it will bring in £30,000 a year.

It has cost £377,000 to provide its 143,000 sq ft of factory floor space. The keynote of the whole project is flexibility, with space allocated in units measuring 30 ft by 45 ft. Main services are available at the top of the eight-storey building, and tenants will have to pay to run them to their workshops. By today's values, the standard rents —available on 21-year leases—are not excessive. For the first three storeys (each of which, because of the factory's hillside position, offers road-level loading bays) the rate will be 7s. per sq ft. The fourth to eighth floors, served by lifts, will be let at 6s. per sq ft. There will also be a small service charge for communal facilities, such as window cleaning and the upkeep of staircases and lifts.



Small man's nightmare?

THERE is no shortage of would-be tenants from outside the Brighton redevelopment area, but before outsiders can be let in the displaced local firms must be given first refusal. As an added concession, these are being offered special low rents of 5s. 3d. and 4s. 3d. per sq ft—but only on seven-year leases.

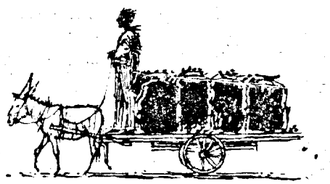
Independence means a great deal to many old-established little firms. Some are opposed to the very idea of becoming corporation tenants; others feel they cannot afford even the reduced rents. Many of those prepared to take a chance fear that at the end of a short lease they may have to renew at rents even higher than the outsiders are paying.

Only about three-quarters of the factory space has so far been let to local firms. Of those that are going in, only a small number have claimed priority rents on a short lease: the others have chosen to sign for 21 years. Among those that do think it worth while are a clothes manufacturer, who will occupy an entire floor with 200 workers, a window-blind maker and a shoe manufacturer.

Brighton corporation says encouragingly that savings can be made both in space and staff. But one small printer, who has owned and occupied his premises for three decades, reckoned it would cost him £30 a week in rent and rates if he moved to New England House. And what sort of economies was he expected to make with a staff of a dozen? Like a number of others, he has plumped for full compensation and is seeking new premises for himself. For the corporation it is one subsidised tenant the fewer.

Coals to Ulster

FROM A CORRESPONDENT IN BELFAST



NORTHERN IRELAND is perpetually irritated over coal. But some Ulster people have more reason to nag about prices than others. Industry, for example, gets a fuel subsidy of nearly £1 million a year to help manufacturers meet the higher costs of coal and other fuel. Housewives are less fortunate: yet they do at least have a champion in Mr Edmund Warnock, a former attorney-general and now the most rebellious member of the parliamentary Unionist party.

Now Mr Warnock has ridden forth again. He told the Minister of Commerce that he should "immediately and forcefully" protest to the Minister of Power in London and to the National Coal Board about the proposed increase in the price of domestic coal in Ulster to "ensure that the already overburdened householders in Northern Ireland should not be required to bear this additional burden." If satisfaction could not be got, Mr Warnock declared, domestic coal should be subsidised out of the money that Mr Selwyn Lloyd promised to pay back to Northern Ireland from last July's increase in purchase tax.

Ulster householders do indeed feel they are unfairly treated over coal prices. The cheapest grade of coal costs £10 a ton, which is nearly £2 more than in, say, Liverpool. Moreover, Ulster does not get the benefit of the coal board's summer prices designed to encourage stockpiling for the winter. The chief reason for Ulster's difficulty was explained by the Robson committee on coal distribution costs in 1958. "There is little or no competition in the Northern Ireland coal trade," the Robson report said, ". . . . it would be to the consumers' advantage if the more efficient firms were to enter into vigorous competition with others . . . thereby helping to keep down the costs." There is, of course, more than one form of fair competition.

Thus Nationalist MPs at Stormont have been demanding that Ulster should break through the United Kingdom restrictions on importing cheap foreign coal: recently they suggested that coal should be bought from South Africa at £6 10s. a ton. In particular, they cite Dublin's recourse to the United States and Poland two years ago, which forced the National Coal Board to lower its prices in the Irish Republic. As a result southern Irish consumers got British coal at £2 a ton less than Ulster consumers.

Manfully, the coal merchants in the Republic agreed that this blessing should be widely dispersed, irrespective of politics: they found, in fact, that there was no law to prevent them sending NCB coal into Northern Ireland. Housewives across the border in Derry, Fermanagh, Tyrone and South Down were happy to take advantage of the NCB's cheap export prices; their only complaint was of unneighbourly profiteering by the cross-border carriers. Some supplies went as far inland as Ballymena in Antrim.

This trade seems to have kept up ever since last summer, when the NCB, after complaints by Unionist MPs at Westminster, increased the price of coal in the Irish Republic by 35s. a ton. All the same it was judged a hard blow by those who believe enterprise to be a fine thing.

Chemicals from Oldbury

...and Susan Yeoman's nightie

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19/61



Nyhavn Canal, Copenhagen—just 20 minutes from a Bank of America office. Photo by Philip Lustig.

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AMERICAN SURVEY

AMERICAN SURVEY is prepared partly in the United States, partly in London. Those items which are written in the United States carry an indication to that effect; all others are the work of the editorial staff in London.

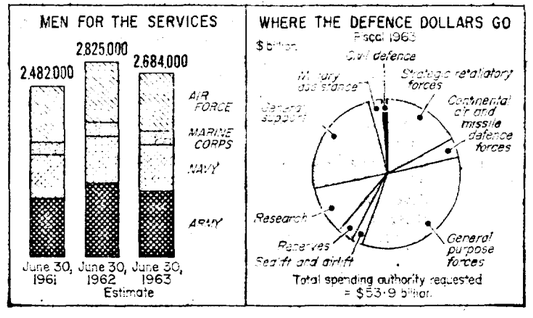
Defence in Glass Houses

WASHINGTON, DC

In the President's Budget for the coming year a new peak of armaments is being added to a range already Himalayan. America's nuclear strength is much greater than Russia's and America also has more bombers and warships. But the Secretary of the Army, Mr Stahr, has said that both nuclear and conventional strength must be increased further because such military power coupled with iron will is the only language that communists understand. Last week, however, the Under Secretary of Defence, Mr Gilpatric, expressed the fear that the Russians might feel so overwhelmed as to be provoked into some dangerous sortie. The enemy, he seemed to think, ought to be made to feel inferior, but not too inferior. This apparent ambivalence makes American policy towards the communist world hard to expound and helps to explain why speeches by generals and admirals that are ghost-written by professional speech-writers in the Department of Defence are censored by professional speech-readers mainly in the Department of State.

The chief reason for the rising cost of defence is that the government has settled the debate about whether to rely on massive retaliation or to prepare to win limited wars by coming out in favour of both. This is what Americans had been told previously that they could not afford. But when nuclear weapons will be used and when they will not cannot be known in advance. There is, it appears, in the experts' minds a spectrum of possible communist onslaughts that ranges from subversion to large-scale military attack. The United States cannot counter subversion with atomic weapons, but beyond that it will use whichever weapons suit its purpose best.

Military forecasting is the most difficult of all forms of prediction. The Secretary of Defence, Mr McNamara, has issued a warning that the sum proposed for defence for the fiscal year 1963, which begins next July, may not be enough if the situation in Berlin has got worse instead of better by the end of June. Much also depends on what the United States thinks that Russia will do next. For instance, Mr McNamara said in a long statement on his budget that the existing system of air defence, which costs $2 billion a year to maintain, was designed primarily for defence against mass attack by a large force of manned bombers which unaccountably the Russians did not build in the end. In spite of this Russian failure to live up to the expectations of the western planners, he is now assuming "as in fact we must," that the Soviet Union will eventually build a large force of intercontinental ballistic missiles and that the air defence system must be altered accordingly. Peering further into the uneasy future, Mr McNamara said that the time will also inevitably come when the United States will have to try to be on guard against unfriendly satellites as well as against hostile missiles.



The grand design now is that the strategic retaliatory forces will be reserved for Armageddon and the general purpose forces will be used for any war short of it. The Secretary of Defence said that hitherto the American Air Force had concentrated too much on the problems of a short nuclear war and that the Army had thought in terms of a longer, large-scale conventional war but was not equipped to fight it, having over-supplies of some kinds of equipment and grave shortages of others. The hope, it may be assumed, is that more balanced as well as more massive military strength will make the United States more confident, and therefore more flexible, in its diplomatic dealings with Russia, since it will henceforth possess military alternatives. Apparently it is just such flexibility that the American right wing indignantly rejects, calling it a "no-win" policy.

Armageddon, should it ever come, will be fought with nuclear missiles and bombs, each capable of destroying a modern city or a missile base, according to which target is chosen. The missiles would be fired from underground vaults and from submarines at sea and the bombs would be carried to their targets in some twelve hundred aircraft, half of which will continue, as they are now, to be on a fifteen-minute alert around the clock. Congress pressed $515 million on Mr McNamara last year, urging him to buy B-52 bombers. But he felt that the sum would not buy enough of them to be significant, and for it he could have more missiles or Polaris-equipped submarines, with a better chance than bombers have of surviving long enough to strike back after a Russian attack. But in the next few years he will spend a billion dollars or so on experiments with the high and fast B-70, an aircraft which he thinks might be useful for assessing damage done to the enemy and for supplying the American missilemen with information about fresh enemy targets. He is evidently not prepared to gamble on Armageddon lasting only a few hours.

The general purpose forces will be armed with more of the conventional weapons, as well as with tactical nuclear weapons, and supported by 824 ships, including an eighteenth aircraft-carrier, as well as aircraft. There is a modification of the earlier notion of "pentomic divisions," away from unlimited war. The pentomic units were visualised as highly mobile and self-sufficient and so able to sustain themselves and to continue fighting in an environment that had become a nuclear desert. This nightmarish concept has evidently ceased to be fashionable and Mr Khrushchev's brandishing of megaton bombs is regarded almost indulgently, as evidence of a Russian cultural lag in military matters. But the Berlin crisis last year did uncover the fact that eleven American divisions were ready for combat instead of the sixteen regarded as the minimum essential for the conditions of the cold

war (and then only if the other partners in the North Atlantic Treaty Organisation pulled their full weights). Sixteen regular divisions are to be provided by slightly increasing the size of the standing Army and cutting fat from logistic support.

The Army and tactical Air Force come under a new strike command. All the military spies are put under one management, called the Defence Intelligence Agency, and the so-called "special forces," the guerillas and the counter-guerillas, the psychological warfare experts and the regional and language experts, under another. The task of the special forces is to cope, in Latin America, south-east Asia, central Africa and the Middle East, with what Mr McNamara calls "political assassinations, robbery, arson, subversion and bribery," and what Mr Khrushchev calls "popular revolts and wars of national liberation."

Hitherto the Army, Navy and Air Force have managed to preserve their sovereignties and have fought one another fiercely for supremacy while civilian Secretaries of Defence looked on almost helplessly. But the services are apparently resigning themselves, though grudgingly, to Mr McNamara's new order because he seems to be letting them have, if not all they could possibly want in the way of new weapons and money, at any rate considerably more than they got when the President of the United States was a general. In return, Mr McNamara looks like exercising his powers more fully than his predecessors did and over a much more centralised as well as a larger military machine. The Joint Chiefs of Staff were intimately involved as never before in the preparation of the defence budget and had scores of meetings with Mr McNamara, together and individually. But his urgent call for unified planning by the services suggests that the United States may be moving in the direction of a single Chief of Staff, in spite of deep-rooted and traditional opposition to such centralisation.

Mr McNamara says that the United States intends to continue the struggle of the cold war in all its forms until the communist leaders "both Russian and Chinese" become convinced that they are endangering themselves as well as their opponents by their aggressive policies. He evidently does not believe that the communist leaders will be convinced soon, for he spoke about replacing "soft" missiles with "hard" missiles, protected under concrete, as the next phase and looked beyond those "next few years" to the coming need for "new strategic retaliatory systems."

Shelters against radioactive fall-out and the new fifteen-minute warning system based on radar stations in Britain, Alaska and Greenland only emphasise that it is impossible in this day and age to provide an absolute defence for the continental United States and that missiles will always get through. After the era of the missile comes that of the attacking satellite. This is indeed terror on a Himalayan scale. No wonder that Mr Gilpatric said that there was a great need to get away from "the conception of a race, a competition, a struggle always to be ahead." Unfortunately, trying to catch up with and then surpass the United States is a constant preoccupation of the Russians, who in the matter of arms control have shown little genuine inclination to follow the advice of Bernard Shaw and to discuss the subject "quietly and cautiously, as becomes people who all dwell in the same glass house."

Bargaining for Expansion

IN his request to Congress for a new **Trade Expansion Act** to enable America "to meet the challenge and opportunities of a rapidly changing world economy" President Kennedy lists four fundamentally **new developments** which have made obsolete the 28-year-old Reciprocal Trade Agreements Act since it was last renewed in 1958.

1. **The growth of the European Economic Community** has produced a common market nearly as large as America's own but one with which, for internal reasons, it is impossible to negotiate reciprocal tariff reductions on the old, slow, item-by-item basis. Today America's best customers are in western Europe but the United States may lose its share of that market if it cannot bargain for reductions in EEC's external tariff. The main reason why Mr Kennedy wants the new trade legislation this year is because he hopes through it to bring pressure on EEC before its policies have crystallised. Many Congressmen, however, would prefer to wait and see if the community develops in a way which makes the new legislation necessary.

2. **The recent deficits in the international balance of payments** of the United States make it essential that Americans export more in order to offset the dollar drain of their military spending abroad and of other foreign aid.

3. **The need to accelerate America's own economic growth,** and in particular to provide more jobs for Americans, can be met in part by selling more in Europe's rapidly growing market where the demand is largely for the type of goods produced by America's most efficient and expanding industries. If these industries are prevented by tariff barriers from increasing their share of the European market they will be tempted to export capital and employment by setting up more plants in Europe. More foreign trade will also help to prevent inflation at home.

4. **The Communists' economic offensive** in the less-developed areas of the world must be contained by giving these countries new outlets for their raw materials and manufactured goods.

THUS Mr Kennedy argues that America's efforts to maintain the leadership of the free world depend on the Trade Expansion Act which he begs Congress to treat as a national not a partisan measure. Certainly the divisions on it will be on regional and industrial rather than on political lines; but equally certainly the divisions will be sharp.

The President wants power for the next five years:—

1. to reduce existing tariffs by 50 per cent in bargaining with any country.

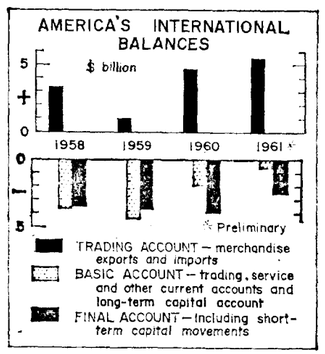
2. to reduce or eliminate entirely tariffs in bargains with the common market countries on those groups of products in which 80 per cent of world trade is in the hands of the EEC and the United States together. These are mainly industrial goods and accounted for nearly $2 billion worth of American exports to present and prospective EEC countries in 1960 and for about $1.4 billion of imports from those countries.

In both cases the reductions would take place gradually over a period of five years and would be negotiated on broad categories of goods, not on individual items—on organic chemicals as a group, for example; reductions would only be granted in return for equivalent concessions on the same or different groups of products by the other party to the bargain.

3. to reduce or eliminate all restrictions on imports of tropical agricultural products, provided the EEC does the same. These are the staple exports of many less developed countries; increased sales of these products would enable them to finance more of their needs themselves. Trade with Latin America, Japan and other countries outside the common market would also be expanded by the American negotiations with EEC because concessions obtained in this way would be extended to others under the most-favoured-nation principle. The President is determined that America's trading partnership with the EEC shall be non-discriminatory.

4. to assist companies, farmers and workers who suffer from increased imports as a result of the tariff reductions; in fact imports compete directly with only 1½ per cent of America's industrial output. In the past such assistance has been provided by a complicated system of peril points and escape clauses; these would be continued but on a broader basis and with more discretion for the President. Mr Kennedy also wants to provide unemployment and relocation allowances and retraining for workers who are jobless as a result of imports, and technical advice, tax benefits and loans for businessmen or farmers who are adversely affected by imports.

He emphasises that this help would be temporary, to enable the people concerned to readjust their activities to new conditions. The proposal will help to reconcile trade unionists to the tariff legislation but the businessmen who object to foreign competition are usually those who are inefficient and inadaptable and who cannot face economic life without protection.



President as Politician

IN spite of Democratic promises during the election campaign, no new civil rights legislation was submitted to Congress last year and it has been very widely assumed that the President would continue to avoid giving offence to the Southerners, whose votes he needs for his trade programme and for other legislation with high priority. The Republicans have been making the most of this embarrassing chink in Mr Kennedy's armour. But last week Mr Mansfield, the Democratic leader in the Senate who a few days earlier had declared that he could see no civil rights legislation on the horizon, found himself introducing a Bill, drafted in the Department of Justice, to prevent southern Negroes from being disfranchised by arbitrary tests of literacy. It provides that six years of education at a tax-supported or private accredited school shall be adequate proof of literacy for a vote in federal elections—those in which the President and members of Congress are chosen.

There is also a sting in the Bill's tail for Governor Rockefeller. One section provides that Americans who can read Spanish, but not English, may not be disfranchised. The biggest number of Spanish-speaking Puerto Ricans is found in New York City, where it is believed that about 200,000 of them were unable to vote last year because of a state law which requires voters to be literate in English. Should the Bill pass, these Puerto Ricans may show their gratitude by voting for a Democratic Governor this autumn and against Mr Rockefeller's re-election. The Administration has also let it be known that it will support the outlawing of the poll tax on voters which lingers on in five southern states.

Unless the Administration puts its full strength behind these measures, southern intransigence may hold them up. But Mr Kennedy has carefully chosen to stress voting rights, which are far less controversial in the South than schools or housing or jobs. Conservative Republicans who normally co-operate with conservative Southerners will have to part company with them on this issue. They would have been wise to do so last week in the vote in the House Rules Committee on the creation of a new cabinet-level Department of Urban Affairs and Housing. Instead they played into the hands of the President, who was able to express surprise at their lack of interest in the plight of the cities. By confirming that he means to appoint a Negro as the first Secretary of the new department he put additional pressure on Republicans from the big cities with large Negro populations to support the scheme, which he is resubmitting as a reorganisation plan; it goes into effect within sixty days unless it is voted down in either House. However the vote goes, Mr Kennedy stands to gain in the big cities where he won—and the Republicans lost—the last election. He will either have his department and his first Negro member of the Cabinet or an election issue this autumn.

Sacred Cow

IN the farm message which he sent to Congress this week the President asked for tight controls over the agricultural surpluses which are proof of a misuse of resources and which are such a burden on the Budget. The primary causes are the terrifying productivity of American farmers and the political sacredness of the farm vote, but the changing diet of Americans plays its part. Even milk is not immune. Last week Mr Kennedy, sipping a glass, tried to reverse the drift away from milk on the part of the greatest milk-drinkers in the world. He praised it as delicious and nutritious, promised that it would be served with all meals at the White House, guaranteed that it did not contain dangerous amounts of radioactive fall-out and even ventured to cross swords with the doctors who advise adults to avoid milk as a possible contributory cause of heart trouble. But even Mr Kennedy did not tackle the 2 million or more Americans who have given up milk in the past two years because they think it is fattening.

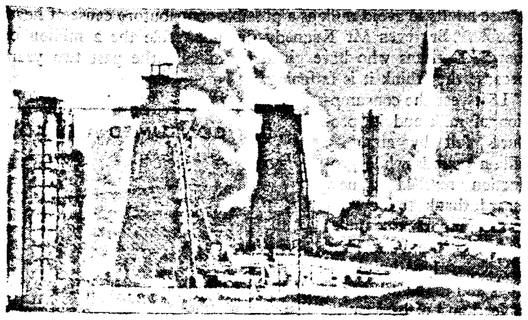
Last year the consumption of milk and its products fell by about 3 billion pounds while production reached a new record, thanks to increases in the support price under both the Eisenhower and the Kennedy Administrations and to the low prices of feed and of beef cattle. Much of the surplus was turned into cheese, butter and dried milk, whose prices are all supported; this cost the government $300 million in 1961, compared with half that in 1960, and will cost around $500 million this year. Dried milk is a mainstay of the food-for-peace programme and in a perfect world the surplus of milk would be used to feed its 650 million hungry children instead of being pressed on reluctant American adults. But the United States is already giving away food worth $2 billion a year and Mr Kennedy cannot ignore the effect of any increase in this upon his future Budgets and upon the taxpayers.

In his message the President proposed to Congress that dairy-farmers should be given a choice between continued high price supports, accompanied by restrictions on their sales, and continued freedom to sell, but with a sharp reduction in support prices. These would be fixed at levels that would hold the costs of the dairy-products programme to no more than $300 million a year. But the dairy-farmers will continue to be cushioned until the end of what is, after all, an election year. Mr Kennedy is asking Congress to extend the present support price from April 1st (when, under the present law, it is scheduled to fall) until December 31st. On this he can count on the co-operation of Congress.

No Go

PERHAPS the assemblies of stars cast their shadows ahead. The conjunction this weekend, to the dismay of Hindus and Buddhists, of eight astrologers' planets is as good an explanation as any other of the Americans' extraordinary bad luck with the conjunction of the artificial craft which they had planned to send into space last week. On January 24th, a collection of five satellites carried on a single rocket, known as Composite I, went wrong about 50 miles up, the rocket's second stage proving too feeble, and fell into the Caribbean. On January 26th, a space vehicle designed to take television pictures of the moon and land instruments on its surface, called Ranger III, went astray by 20,000-odd miles because its rocket pushed it too fast. It subsequently failed to take even long-range pictures of the moon because an antenna was pointing in the wrong direction.

On Saturday, January 27th, this star-crossed series of disappointments culminated in the last-minute cancellation of the attempt to send Colonel Glenn along the earth-circling path already pioneered by two Russians. The sky suddenly clouded over. The photograph of Colonel Glenn's face after he had been encapsulated for five hours, strapped back to earth and face to the skies, showed what the private agonies of the mind can do even to a man as toughened as he is. The attempt to put an American into orbit, already postponed six times, will be renewed on February 13th.



One reaction outside the United States has been to criticise the Americans for giving so much publicity to experiments in which there was inevitably a risk of failure. The answer is that they have undoubtedly earned more respect by handling matters in this way than if they had kept the whole thing secret until they had a success to boast of. The crowds who followed the events of January 24th-27th caught a glimpse, in the maze of gantries and launching pads, of the effort and money the United States is putting into its space programme. The willingness to let the public know about failures as well as successes is what marks off the open society from the cloak-encircled activities of authoritarian governments. And it will do earth-bound people no harm to see what happens to an astronaut before the camera captures him, wrapped in smiles, on his triumphant return.

Wall Street's Far-flung Journal

FROM A SPECIAL CORRESPONDENT

THIS weekend the Dow Jones Company's new Sunday newspaper, the *National Observer*, makes its first appearance. The decision of the publishers of the *Wall Street Journal* to establish their new publication in Washington rather than in New York may have been influenced by the widely-felt need for a strong conservative voice in the nation's capital. But the location—like the project itself—can also be seen simply as a further example of the realistic attitude toward the business of journalism that has made the *Journal* itself an extraordinary success—both professionally and financially—in an era of fading newspapers. One reason for the *Journal's* success was, in fact, its early recognition of the importance of Washington as a news centre and of the need for competent reporting of the proliferating activities of the federal government. Today it often devotes more news space to material from Washington than to that from the country's financial capital, New York, and a far greater proportion than any other periodical, including the *New York Times*.

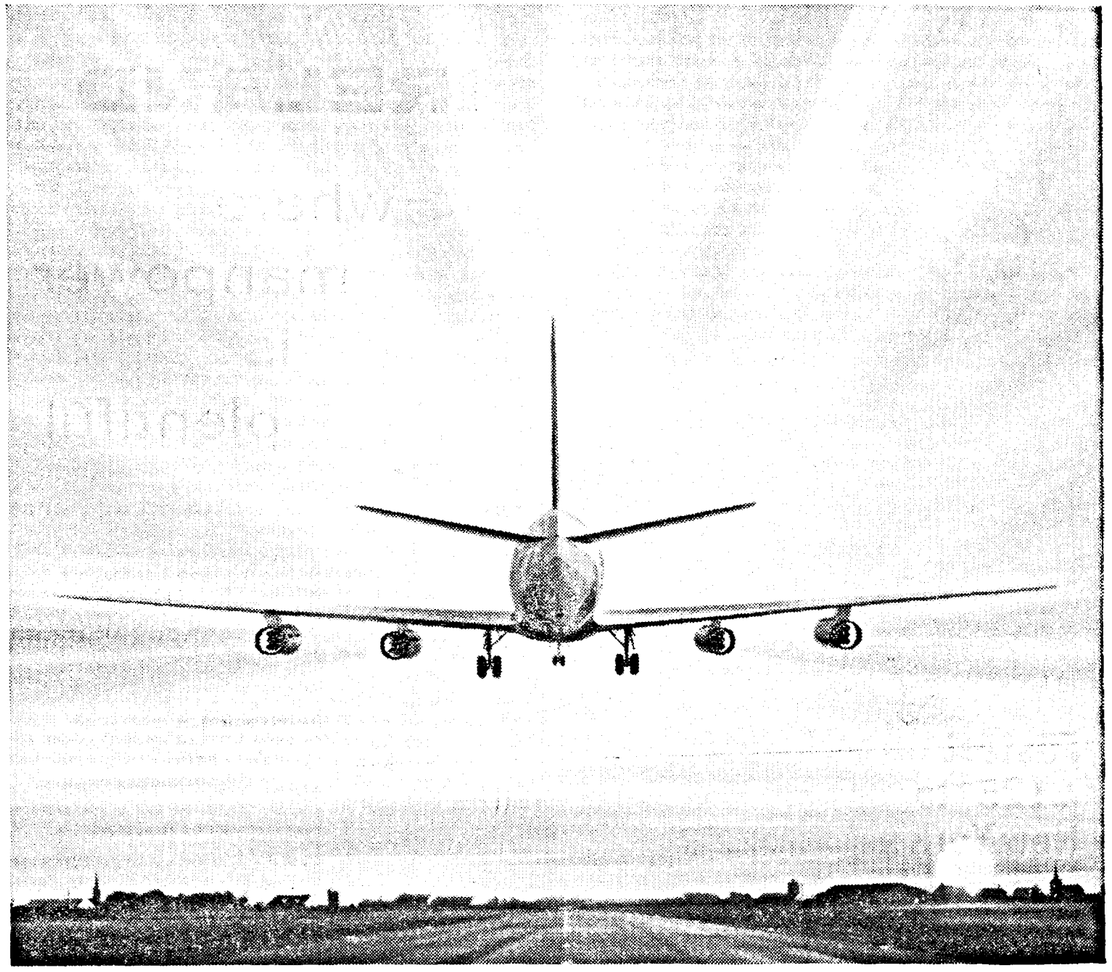
Its thorough coverage of Washington is only one facet, however, of the *Journal's* excellent reporting of business and finance, to which its attention is mainly directed. Its original, detailed and independent coverage contrasts sharply with most metropolitan newspapers, whose financial pages tend to be superficial, uniform and subservient to the interests of corporate advertisers. Together with the *New York Times* and a very few other newspapers, the *Journal* offers some positive evidence against the attitude, which is alarmingly prevalent in the American press, that "good journalism is not good business." And only the *Journal* has been able to turn to its advantage that central fact of economic life which has decimated the press: the arrival of mass marketing and the revolution it has caused in advertising.

Collectively, newspapers constitute the largest mass medium even though their share of all expenditures on advertising has declined somewhat since the advent of television. But individually the newspapers found that, when the large-scale advertising expenditures on which they depended began to be apportioned almost solely on the basis of the size of audience commanded, the mass marketing bonanza had its disadvantages. Newspapers competing within the same geographical areas found that substantial increases in circulation were very expensive to achieve ; costs rose and even the mergers of competing newspapers did not avoid the tendency to cheapen the product in order to gain an even larger audience at less expense.

Certain newspapers, most notably the *New York Times*, have been able to attain "mass" status while maintaining their quality appeal to a specialised "class" audience. And some "mass" papers have either never wholly abandoned their "class" appeal or are returning to it after having tested (unprofitably) the limits of their mass appeal. The significance of the *Wall Street Journal* is that it has been enormously successful while other newspapers have been having hard times. Its total circulation has risen to 820,000 from 707,000 at the beginning of last year. It therefore rivals the *Chicago Tribune* and the *New York Mirror*, both of which have daily circulations of between 800,000 and 900,000. Both, however, have lost circulation rather than gained it in recent years. Since the *Journal's* distribution does not rely on news-stand sales but is 98 per cent by subscription (on which the renewal rate is 68 per cent with 86 per cent on established annual subscriptions), there is little doubt that in the near future it will become the country's second-largest daily newspaper, surpassed only by the 2 million-copies-a-day *New York News*.

The key to its rapid rise, in a period when other newspapers have been lucky to keep pace with the increase of population in their own areas, is that the *Journal* is published and distributed from seven printing plants scattered throughout the country. Material from fourteen domestic bureaux and from correspondents in the United States and abroad is edited centrally in New York and the entire content of the paper is transmitted to the printing plants each day. Since advertising can be purchased separately in each edition, there is some variation in number of pages and fullness of detail, but the front page, the editorial page and most news stories are identical in all editions—even sometimes to typographical

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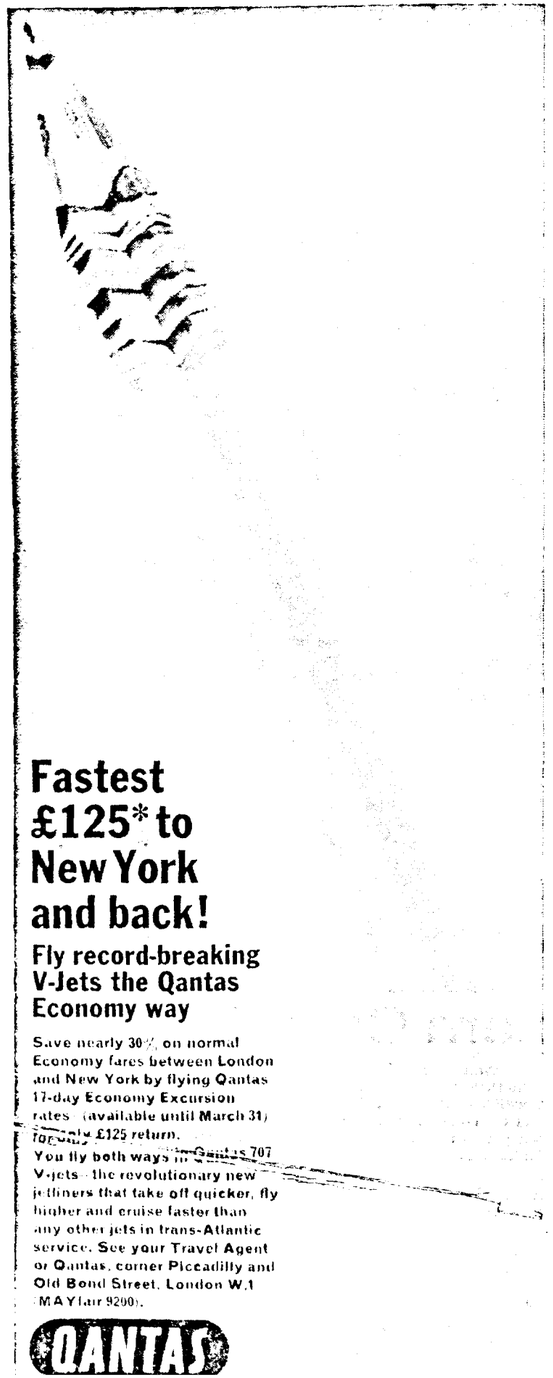
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errors. The paper will soon open its eighth printing plant, in Riverside, California, and there will use a new technique: facsimile transmission, by means of a television-type cable, of whole pages of the paper from its present West Coast plant in San Francisco.

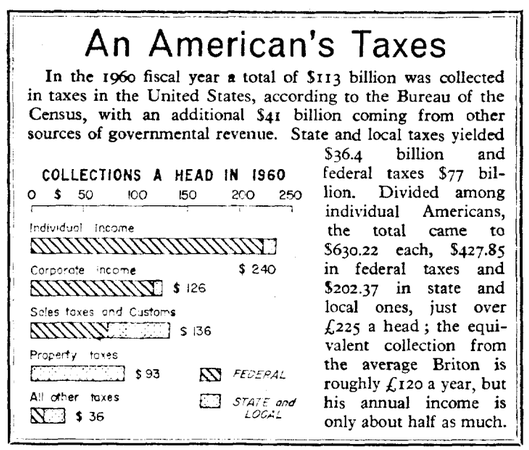
The *Journal's* system of telegraphic transmission, which made possible its national distribution, unique in America except for the *Christian Science Monitor*, evolved gradually over a period of years. The newspaper itself originated many years ago as an offshoot of the Dow Jones News Service which is still widely in use and shares the staff and facilities of the *Journal*. Both were founded in the eighteen-nineties and for many years confined themselves entirely to the stock market. The circulation of the *Journal* grew to 50,000 in the bull market of the nineteen-twenties and an almost entirely autonomous "Pacific Coast Edition" was created in San Francisco. But after the stock market crash of 1929 the combined circulation of the two editions dropped below 30,000 and stayed there until 1941. No doubt the resurgence of the stock market during the nineteen-fifties, which has tripled the number of shareholders in the United States, helped the *Wall Street Journal* to its present success. But the newspaper has so broadened its coverage to include business in general, government, politics, labour, and even occasionally the arts and literature, that its name, with its narrow connotations, has been more of a hindrance than a help.

The *Journal's* horizons began to broaden in the nineteen-thirties when a succession of competent reporters made its Washington coverage so excellent that Franklin Roosevelt once stunned a news conference by admitting that he not only read, but respected the *Wall Street Journal* for its lucid reporting of the New Deal. One of its reporters, Mr Bernard Kilgore, became managing editor of the paper in 1941 (at the age of 32) and president of Dow Jones in 1945. Under his leadership, circulation of the paper multiplied tenfold in less than a decade and has doubled again to its present level. The concept of a truly national newspaper emerged: the Pacific Coast edition was made nearly identical with the New York one, editions in Chicago and Dallas were added in the nineteen-fifties, and printing plants were built in Massachusetts, Washington, DC, and Cleveland, Ohio. Through this system of national distribution the *Journal* has now acquired a mass circulation while preserving its "class" appeal by means of a content that is truly national in scope and impressively high in quality. In the advertising industry it is a highly prized and highly priced medium both for corporate advertising and increasingly for consumer-oriented appeals.

It is conservative and "pro-business" in its editorial policies and coverage, but it has kept its news columns relatively—and surprisingly—independent, compared with most financial reporting. One of its editors won a Pulitzer prize last year for his articles concerning the personal transactions of the president of the Prudential Life Insurance Company. These dealings were questionable enough to cause his subsequent resignation. Editorially, the *Journal* espouses a simon-pure (sometimes simple simon pure) doctrine of *laisser faire* that leads it to depart from the orthodox conservative line by advocating, for instance, absolutely free trade between nations and the abandonment of all "fair trade" laws (for the maintenance of minimum prices). It tends to be suspicious of all politicians, regardless of whether they are Republican or Democratic, and was noticeably cool to both Mr Eisenhower and Mr Nixon during their campaigns for the Presidency. One little known fact which may help to explain how a paper called the *Wall Street Journal* can be so independent is that its controlling editorial group is largely composed of Midwesterners—most of them, in fact, graduates of a very small college, De Pauw University, in Greencastle, Indiana.

An American's Taxes

In the 1960 fiscal year a total of $113 billion was collected in taxes in the United States, according to the Bureau of the Census, with an additional $41 billion coming from other sources of governmental revenue. State and local taxes yielded $36.4 billion and federal taxes $77 billion. Divided among individual Americans, the total came to $630.22 each, $427.85 in federal taxes and $202.37 in state and local ones, just over £225 a head; the equivalent collection from the average Briton is roughly £120 a year, but his annual income is only about half as much.



GE's Trials

THE big manufacturers of electrical equipment hardly have time nowadays to bother with turbines and switch-gear; they are too busy defending themselves. Most of the trouble stems from the conviction of 29 of the companies last February on criminal charges of conspiring to fix prices. Then they were fined, in all, just under $2 million and a number of their officials were sent to prison. But this was not the end of the story; the Department of Justice can bring civil suits to ensure that the wrong-doing is not repeated. Most of the firms involved are considering signing so-called consent decrees, in which they would make promises of good behaviour in future. But GE has refused. The response of the Department of Justice has been to ask the courts to order the firm to refrain from fixing prices not only on its heavy electrical equipment but also on the whole range of its products.

The department argues that this probably unique step is necessary because of GE's "proclivity" for breaking the anti-trust laws; it notes that the company has been involved in more anti-trust cases than any other—36 of them since 1941 (19 are those in which the firm was found guilty last February). In all GE has been convicted 29 times and entered into 7 consent settlements in the past twenty years. The significance of a broad court order is that, if one is issued, the punishment for any violation could be very much heavier than the $50,000 fine which is the maximum under the anti-trust laws. A single infraction might cost the firm $1 million. GE maintains that the department wants to order it not to do things which it has no intention of doing and insists that it will fight the order.

But on another front GE and the Westinghouse Electric Corporation, another big firm, have had to knuckle under. Early last month they reluctantly gave Senator Kefauver's antitrust subcommittee detailed figures on their profits and losses, by manufacturing divisions, between 1955 and 1960. The alternative might have been citations for contempt for the presidents of both companies. The committee's aim is to discover if there is truth in the allegation that "conglomerate mergers"—large diversified firms—keep profits and prices high on products whose sales are closely controlled (such as electric light bulbs) in order to be able to cut prices on other goods (such as appliances) that are manufactured by a number of small competitors. In addition to these worries, the convicted manufacturers of heavy electrical equipment are bracing themselves for the claims for triple damages being brought by past purchasers of such goods. These claims now number about 200 and total hundreds of millions of dollars.

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THE WORLD OVERSEAS

Miracle at Naples

FROM OUR SPECIAL CORRESPONDENT

A YEAR ago it would have seemed impossible that Italy's great Catholic party, with its dual personality facing simultaneously right and left, could make a decisive move in either direction without causing a violent convulsion. In July, 1960, it moved to the right and a convulsion followed, but each time its leaders have tried to push it to the left an intangible inhibiting force has paralysed them before they could achieve their end. This week in Naples the miracle occurred.

Quietly and almost painlessly, under the admirably skilful management of the party secretary, Signor Aldo Moro, the Christian Democrats have given themselves a new, unequivocal left-of-centre platform. In so doing they have found a new leader and a new style. Four-fifths of the party, with varying degrees of conviction, have consented to the elaboration of a new party line—a social and economic programme resting upon a fully-fledged development plan, specifically designed to attract the support of the Socialists, whom, until very recently, the Christian Democrats claimed to consider beyond the democratic pale. Some twenty per cent of the Christian Democrat party openly objects to the new line on the ground that it could favour the advent of communism by democratic means. Should the Socialists, they argue, become strong enough to form a majority either with the Communists or with the Christian Democrats themselves, who can doubt that they would revert to their old alliance? But these critics, who found a brilliant spokesman in the outgoing defence minister, Signor Giulio Andreotti, had no concrete alternative to the new line to offer.

The centre position, which has been the party's traditional stand since 1947, was abandoned by this congress, not because of the refusal of the Social Democrats and Republicans to work any longer with the Liberals (which in any case makes the present centre coalition unworkable), but because Signor Moro convinced the congress that the outlook and policy of the (right-wing) Liberal party were incompatible with the aims of Christian Democracy. The party secretary paid a tribute to the Liberals as allies whose past help had been precious in the defence of freedom, but declared that the Christian Democrats could no longer go side by side with them. It is Signor Moro's merit, and a measure of his capacity for leadership, that he has persuaded his party to accept the new line, not as a tactical measure rendered necessary by the situation in parliament, but as a fundamental choice arising out of the nature and inspiration of Christian Democracy. Since Signor Dossetti, who before his retirement from national politics in 1951 was closely associated with Signor Fanfani on the left wing of the Christian Democrats, no Christian Democrat politician has dared to theorise on the affinity between Christian Democracy and socialism. Signor Moro asks his party to seek the help of the Socialists not, as yet, in the form of an organic alliance, but as a necessary element in the parliamentary basis of a government capable of coping with the tremendous social problems arising from the pace of economic change in Italy.

Signor Moro gave three reasons why the party should make this change. First, because the Liberals are reverting to conservative principles which will not wash in a modern industrial society. Secondly, because the Socialists are coming round to democratic forms of government and should be helped in this direction. Thirdly, because industrial expansion aggravates the unbalanced distribution of wealth in Italy, creating problems which call for the immediate intervention of the state. A fourth reason, not mentioned in Naples, was none the less felt there. The church hierarchy has ceased to interfere in the detail of Christian Democrat affairs. The policy initiated more than thirty years ago by Pius XI appears to have been silently dropped. The Christian Democrats are on the way to recovering their original autonomy with one fundamental difference. The old Popular party, their predecessor, had a predominantly rural backing; the present generation of Christian Democrats is making a tremendous effort to adapt the party to a changed condition in which industry has replaced agriculture as the chief source of the nation's wealth.


Persuader: Aldo Moro

The delegates at Naples had expected to hear details of the party's economic plan and to compare these with the outline of a scheme recently published by the Socialists. But Signor Moro gave only a few general hints. Evidently he did not wish the congress to shelter behind the party's plan, offering it to the Socialists with an ultimatum to take it or leave it. His aim was to make the congress approve the policy behind the plan—a policy of approach to the Socialists—and to elect a party council and executive with a composition designed to convince the Socialists that the Catholics are in good faith in proposing a new left-centre line.

The proceedings at Naples were overshadowed by the fear that the outcome might resemble the famous Socialist congress at Venice in 1956, when the delegates voted for Signor Nenni's policy of getting closer to the Catholics but elected a council hostile to this line. There was something alarming at Naples about the very number of supporters of the new line. Apart from a few unexpected and confessedly reluctant converts, like Signor Pella, it is alleged that a number of people have joined the majority with the intention of disrupting it from inside. Of the four-fifths who support Signor Moro, one in three, it is thought, should be classed as doubtful.

If there are wreckers among the majority, this will very soon be apparent, for within a week the party has the ordeal of a government crisis to face. The resignation of Signor Fanfani's government has, in fact, been held back only to allow the congress to express its view. [*The congress ended on Thursday with the expectation, though not the certainty, that Signor Fanfani would form the next government.*]

SOUTH AFRICA IN EXILE

FROM OUR CORRESPONDENT IN SOUTH AFRICA

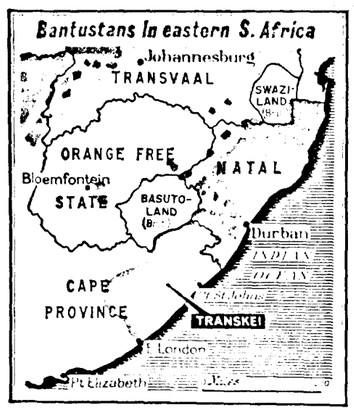
Devise and Rule

World opinion, it seems, has Dr Verwoerd's government (though not Lord Montgomery) on the hop; "self-government" for the Transkei is one result

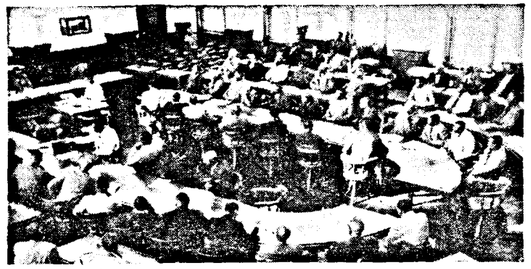
IF white South Africans really believed that four million Africans in the "Bantu homelands" were to be given independence in the foreseeable future, Dr Verwoerd's announcement on January 23rd, that the Transkei was to be granted "self-government," would have caused some alarm. But few people think that much more than a system of rudimentary self-rule is envisaged. The Transkei, 16,500 underdeveloped square miles in the eastern Cape, supports about a million and a half people; another million or so have left to work in the towns and cities of the Republic. It is one of eight separate African tribal areas (together, 13 per cent of the area of the country), that the government says will be self-governing one day. But two-thirds of South Africa's eleven million Africans live in the "white" 87 per cent of the country; they are officially expected to look to the "Bantustans" as their political homes where they can "develop along their own lines."

In spite of an unusually heavy propaganda barrage—Dr Verwoerd spoke of a "new South Africa"—few see any "Bantu homeland" getting authority over foreign affairs, defence, and justice, which are reserved for the South African government in the Transkei plan. But, with all the sham, the plan is an active response to the pressure of world opinion. Last week the prime minister appealed to the West to give his proposals a fair look. Favourable overseas opinion has been avidly sought. One government newspaper hoped that critics in the United Nations might now be silenced; another speculated that if as much were to be given to non-whites in South West Africa, that issue might assume a "totally different" character.

It is important to appreciate how far Afrikaner Nationalism has felt compelled to move since 1948, when talk of political rights for Africans was laughed to scorn as sentimental humanitarianism.



Today Dr Verwoerd and his colleagues concede that it is impossible to withhold political rights from non-whites indefinitely; they speak of self-determination for black men in much the way they have always done for whites. The prime minister says his policy is differentiation, not discrimination. Window-dressing or not, it is significant that pressure of world and local opinion has


Transkei authority sitting at Umtata

pushed the Nationalists so far as even to pretend that they will treat black and white alike as long as they live in separate areas.

The political rights and status of the millions of Africans who do not now, and probably never will, live in their "own areas," but are part of the South African community, remain, of course, unchanged: according to apartheid, these people are not entitled to any rights because they live in "white areas." So the Progressive party has, along with other critics, dismissed the whole undertaking as bluff—an attempt to provide the government with some moral background to white domination. The United party, by contrast, says it will support the government, short of an actual grant of independence, which would fragment the country and perhaps lead to war between the new black states and white South Africa.

Nationalist newspapers and the national radio are full of self-congratulation upon a "bold and daring" advance; and of self-satisfaction at proof of the government's good intentions. But, privately, Nationalist backwoodsmen say that the government is nearly as bad as the liberals in promising "the kaffirs" all these things. This is the traditional Nationalist school of thought: the Verwoerd government is likely to come under increasing criticism from some of its own supporters for undue "liberalism."

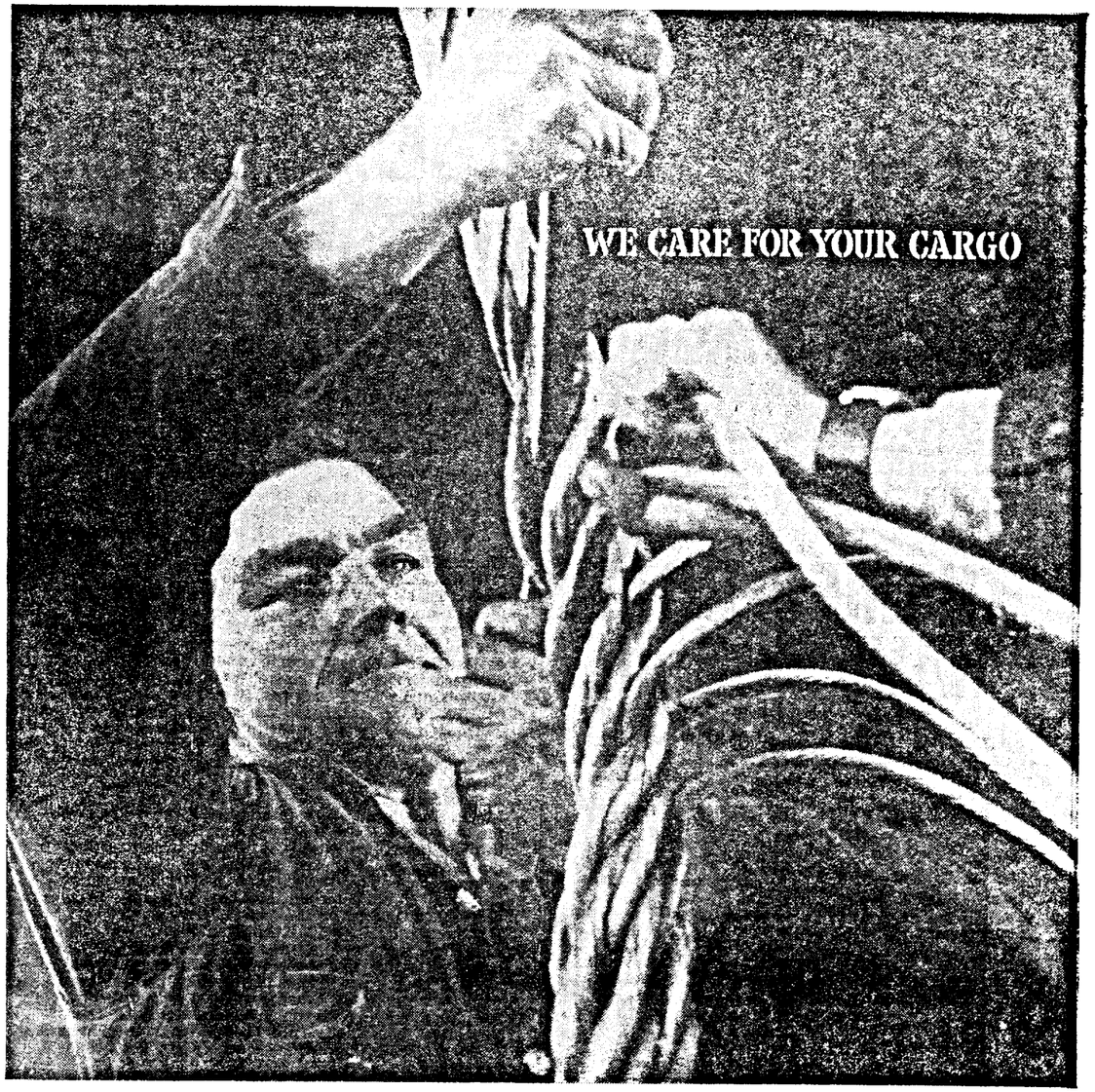
The African reaction to the Transkei plan has been mixed. There has been warm commendation from most of the chiefs, but rejection of a "phoney" scheme by individuals. The Paramount Chief of Tembuland says he favours separate development and self-government, but not in the way Dr Verwoerd proposes. Urbanised Africans reject the whole principle of "Bantustan." Dr Nkomo of Pretoria says that power will remain in the hands of stooges and government appointed chiefs. Other African politicians, however, feel that the government may have started a process over which it could lose control.

Nearly all South Africans agree that money must be spent on the economic development of the territory. The government says it has a five-year plan to spend more than £57 million. But white capital and entrepreneurs are to be kept out, or channelled through a Bantu development corporation. What is really needed is an imaginative programme of industrialisation to dovetail with the South African economy. Industries on the borders will, it is felt, leave the Transkei economically unviable and therefore politically dependent. The assumption is that some day the Bantu homelands are going to be so attractive that most black men will want to work and live there.

A Rude Device

The South African press may be forced to adopt "self-control" to avoid state control

THREE principal reasons are being given for the South African government's supposed intention of restricting the English-language press. First, the Nationalists have convinced themselves that the world's condemnation of their racial policy is based on reports and assessments in the English-language newspapers; for



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A Quatermassian cloud



Mr. P. sells liquid detergents in bulk. And containers for transport were his problem. Traditional containers were safe—but not exactly cheap. Other, more economical forms? At the very thought, less courageous spirits might have had nightmares of gallons of liquid detergent breaking loose on a rainy day amid a Quatermassian cloud of foam.
But not Mr. P. He went to the Thames Board experts. Together they developed a way of packing the detergents in polythene cubes inside "Fiberite" cases. The cases (perforated for easy pouring) are made of "Aquapruf" board developed during the war for dumping supplies on invasion beaches. These "Fiberite" cases are so liquid-proof that they have even survived being tethered in the River Thames for several weeks.

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fourteen years these newspapers have been accused of fouling their own nest and stabbing their country in the back. Second, the English-language press is still a bulwark against total Nationalist domination of South Africa, and it has thus far been moderately successful in pointing out to a section of the English-speaking people and a minority of Afrikaners the worst excesses, perils and frauds of apartheid. The third, and in some ways the most important, reason is the influence that English-language newspapers exercise directly, albeit involuntarily, on the thinking and sometimes the actions of the non-whites—most of whom are wholly dependent on English papers for their news and political comment.

Unwilling for tactical reasons (both international and domestic) to institute blatant press control, successive Nationalist administrations have tried to intimidate English-language newspapers without taking any direct steps to restrict their freedom of comment. In fact, of course, newspapers are already liable to restrictions by the ordinary laws of the land, like the Criminal Law Amendment Act with its severe penalties for incitement, and the Public Safety Act with its sweeping powers of censorship in times of emergency. All the same, the feeling persists in Nationalist quarters that more should be done.

It was this feeling which, more than 11 years ago, led to the appointment of a press commission to inquire into the functioning of newspapers. The initial instalment of its long-awaited report is at last in the government's hands, and it is thought that the commission might advocate the setting up of a body to exercise some long-range, albeit "benevolent," control over newspapers. This would be in line with the thinking of some journalists. Six or seven years ago the idea of a voluntary press council was canvassed; the council would be set up by newspapers on their own terms and largely to forestall government action. But the idea was dropped primarily because of opposition from Afrikaans newspapers and lack of enthusiasm among a section of the English-language press.

Recently, however, after a deputation from the newspaper industry had discussed with the prime minister his statement in parliament that newspapers should exercise self-control if they wished to avoid state control, the idea of a voluntary press council was raised again. Alarmed by the threats to press freedom implicit in the government's statements, the industry has drawn up a code of conduct for newspapers and suggested that a board of reference should be established to watch over the press and deal with complaints. (The text of the draft code and of the board's constitution and functions was published on January 21st.)

The board would, among other things, be empowered to reprimand proprietors, editors and journalists for infringing the code, and to compel editors to publish corrections. One clause in the draft code reads:

> Comment should take due cognisance of the complex racial problems of South Africa and should take into account the general good and safety of the country and its peoples.

This wording, it is pointed out, is open to widely differing and dangerous interpretations. But it has been suggested that acceptance of the code and of the jurisdiction of the board should be voluntary, although it is uncertain whether this would satisfy the government.

In fact, no certainty exists that any part of the proposals will satisfy the government in its present mood. Although the new minister of information, Mr Waring, is on record as favouring a "code of conduct" and "some form of discipline in the profession," the report of the press commission is to be handled not by him, as was generally anticipated, but by Senator Jan de Klerk, the minister of the interior. Senator de Klerk belongs to the extreme right wing of the party and shares the view of many extremists that the unfavourable image of South Africa in the outside world and among English-speaking South Africans has been largely produced by the "irresponsible" English press.

Opinion among practising newspapermen against the whole idea of a voluntary press council and a code of conduct has hardened since the prime minister's own mouthpiece, *Die Transvaler*, recently conducted a vicious campaign against the English-language press. Unless there was a change in the spirit of English newspapers, said *Die Transvaler*, the public demand for government action would become "irresistible."

"The opportunity which the prime minister gave the press to discipline itself is becoming dangerously restricted because of the pressure of public opinion and nothing else," it added. The reason for this "upsurge of opinion" is given as

> the fact that a white nation with two languages feels its security threatened and neither can nor will tolerate that such safety be exposed to any danger which can be avoided. In the actions of the English press such a danger is seen.

The more moderate wing of the Nationalist party, as represented by *Die Burger* in Cape Town, has never associated itself with this demand for press control. But *Die Transvaler's* demand that the English press should "change its spirit and become truly South African," combined with its charge that the English press is imperilling the safety of the state, constitute the most sinister evidence yet that the government is in fact contemplating possibly drastic action.

The lunatic fringe of the Nationalist party has from time to time demanded rigorous press censorship and even the closing down of the English newspapers. Like the government itself, it has come to equate South Africa's welfare with the wellbeing of the party. From there it is only a short step to equate criticism with treason, and this, many newspapermen feel, is the stage the Verwoerd government has just about reached.

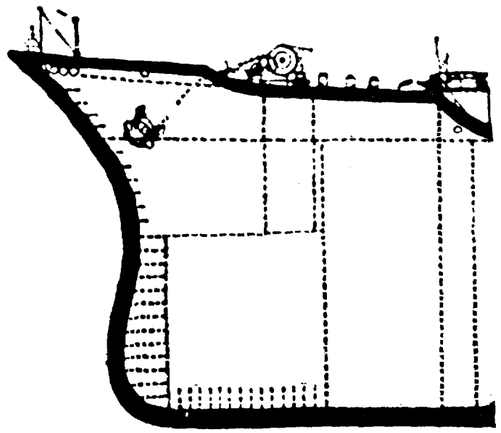
Dr Sukarno's Economic Worries

FROM OUR SPECIAL CORRESPONDENT IN JAKARTA

The mood of President Sukarno of Indonesia, which of course sets the mood for the country, is prickly, headstrong, taut, anxious and contradictory. He has driven the Dutch into concessions and compromise over West New Guinea—an issue that always exhilarates him. But he is also being nagged by the harsh facts of economics—a matter that always bores him.

His justifiably high hopes over West New Guinea have in fact been secured at a price that imperils his creaking national economy. The clumsy attempt to assassinate him when he was on tour on January 8th, in retrospect, helped to inflate the great Sukarno legend, but it has also left him shaken and alarmed. So when the informers brought him lists of political "suspects," he played safe and threw them into prison. However, Dr Sukarno has never been a cruel man and he later transferred them to comfortable quarters in the cool forests of Tjipajung, where their wives visit them and where, like a former occupant, the American mercenary airman, Mr Pope, they can admire the mountain scenery and play tennis. For good measure, and in all objectivity, President Sukarno also arrested two of the Titus Oates informers.

These curious shifting reactions have naturally unsettled the moderate advisers surrounding him, who brood over the possibility that their own names may appear on the next list of suspects. Each list, in turn, tends to weaken Dr Sukarno's confidence in his security organisation. To inflame this corrosive mood of anxiety and mis-

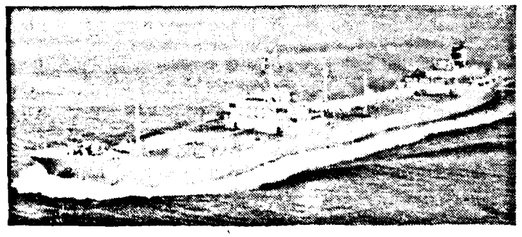


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trust at the top is clearly a major communist aim at the moment. The prime planner, it is said, is modest Comrade Sudisman, not party chairman D. N. Aidit.

In the more prosaic field of economic survival, the price of rice continues to soar. The fixed official price is four rupiahs a litre for government servants and others who draw a portion of their salary in rice, contrasted with fifty rupiahs or more on the open market, where the majority must buy if they can. (A normal ration of rice is about 15 litres per stomach per month.) This means that large families must subsist chiefly on tapioca, coconut and bananas—exotic but, as regular fare, unsatisfying. Diplomatists and other foreign residents must import their own flour. Bread was as scarce last week as rubies, and the huzza-ed arrival of magical bags of flour and tins of kerosene, during capricious black-out rehearsals in the city, was evocative of the lifting of the siege of Ladysmith.

Inflation is cantering, if not galloping; the estimated currency supply last month was 70,000 million rupiahs, against 60,000 million in mid-1961 and 45,000 million in December, 1960. All consumer goods are in short demand. Falling exports are drained off to meet orders for Soviet arms. British war material supplies are so small that the decision to suspend them did not embarrass Indonesian army plans and served only to weaken such goodwill and influence as Britain enjoys in Jakarta.

The Soviet MIG-17s are a formidable striking force; and only the type of western mind which believed in 1940 that the Japanese could not fly would doubt the ability of Indonesian pilots. But the quality of much of the communist war material is indifferent. Small arms are of late second world war vintage, and mostly too bulky and heavy for the tough, blooded, but physically small Indonesian infantry to use efficiently in jungle conditions. Of the two ancient submarines already supplied by Moscow from Polish mothballs, one suffered a mysterious explosion while engaged in surface manoeuvres and was hauled off ignominiously to the naval repair shops at Sourabaya.

THE redoubtable General Nasution remains firmly in control of the defence forces. He had one putative rival, Air Marshal Suryadarma, who has many communist party friends and contacts and whose wife has strong communist party sympathies. General Nasution, with the advice and support of army officers, prudently intervened to displace Air Marshal Suryadarma personally as head of the army purchasing mission that visited Moscow last year. Now that the air marshal has been relieved of his post as chief of the air force, following the naval brush off West New Guinea, his latent threat to General Nasution has presumably been removed. This command change in no way reflected presidential dissatisfaction with the air marshal's susceptibility to communist views, but undoubtedly the consequences of his abrupt removal will be borne with more fortitude by General Nasution than by the communist party.

In summary, there is cautious but general agreement in Jakarta that an all-out, large-scale invasion of West New Guinea is improbable—if only because it is becoming palpably unnecessary. There are formidable difficulties of logistics as well, but it should not be forgotten that these could be emotionally disregarded in a moment of impulse. Every year Dr Sukarno has insisted solemnly that West Irian must be liberated. Every year foreign experts have given solemn warning that Indonesia's national economy can scarcely escape collapse and explosion. West Irian "liberation" is now in sight. But the prospects of an improvement in the state's grave economic plight continue to recede. The two problems were always separate and distinct. The picture of Dr Sukarno as a dictator seeking to distract attention from impending bankruptcy at home by plotting adventures abroad has never been accurate. The truth is simply that he has always insisted on giving the territorial problem priority over the economic problem. Success in one direction, as the local party comrades are happily aware, will not help in the other. At best, it will be a damned close-run thing.

Monrovians Muddle Through

FROM A SPECIAL CORRESPONDENT

LAGOS

MOST conferences owe something of their flavour to the host country. The meeting of twenty heads of independent African states which ended in Lagos on Tuesday was marked by the spirit of compromise, pragmatism, and a Fabian pace of advance usually associated with Nigeria. From these solid virtues the conference derived its successes. But there is another side to a coin minted in the British tradition: Nigeria is a fine exponent of the noble art of muddling through. A vague complacency and a lack of purposeful preparation explain the failure of the conference to entrench the initiative established at the Monrovia conference in May, 1961. Two countries absent from the Monrovia conference —Congo (Leopoldville) and Sudan—agreed to come to Lagos. But the five Casablanca states—Ghana, Guinea, Mali, United Arab Republic, Morocco—who, together with the Algerian provisional government, have their own charter for African unity, established in Casablanca in January, 1961, did not send representatives.

It had been hoped that tactful diplomacy might encourage the dissolution of the Casablanca group into a wider pan-African framework. These high hopes were dashed on the rock of Algeria, although Morocco, Mali and Ghana each had private reasons as well for avoiding Lagos. The handling of this issue was a tactical blunder on the part of the Nigerian government. Even assuming that the Casablanca group used the Algerian issue as an excuse not to attend a conference they could not dominate—a doubtful assumption almost universally accepted in Lagos—intelligent diplomacy would have ensured that no such excuse would be afforded them. Tunisia, Sudan and Libya withdrew after they had failed to get the Algerians invited. The decision not to invite the Algerians was taken under pressure from the twelve conservative French-speaking states who make up the "Brazzaville group." A more skilful Nigerian government might have settled the matter through diplomatic channels in advance.

Ethiopia and Somalia were deeply and vocally disappointed; there were some irritated anti-Arab outbursts from Nigerians, and, said a French-speaking head of state, "we will not be dictated to by white Africans." None of these varied reactions goes very deep; and it is now almost universally (and optimistically) assumed that everyone will join when the positive results of this conference begin to bear fruit.

Indeed, if implemented, these are impressive. An organisation of African states (another OAS?) is envisaged as a permanent framework for functional co-operation. It would have a consultative assembly of heads of state meeting every three years and a permanent council of ministers to supervise the work of a secretariat. Disputes between African states would be settled by a permanent tribunal. Special attention was paid to the possibility of an African common market, on which agreement has been reached in principle. This was regarded as an essential part of Africa's response to the European common market. The finance ministers are to study the effects of the EEC on the economies of African states. The institutions envisaged are based on a Liberian scheme. If they are taken seriously—much will depend upon the eight absentees—there are some interesting possibilities.

The Commission for Technical Co-operation south of the

Sahara (CCTA) could be a nucleus for pan-African economic co-operation. South Africa has already privately indicated its intention to withdraw from CCTA at the annual meeting which opens in Abidjan on February 5th ; Britain and France are expected to follow suit. They may be invited, possibly along with the United States, to attend future meetings as observers. Thus reformed, CCTA could be the ideal instrument for co-operation between the independent African states who will direct it. The United Nations Economic Commission for Africa, under the direction of newly-appointed Robert Gardiner (a Ghanaian) is likely to command African confidence.

On the anti-colonial front the general mood of the Lagos conference was that the struggle against imperialism is best conducted by solid advances towards African unity rather than by Casablanca-type resolutions of militant intention. The main Lagos resolution calls upon Britain, France and the United States to exert pressure on South Africa and Portugal. Significantly, the resolution on Algeria was mild. Undramatic pragmatism was the chief feature of the debates. Emphasising respect for one another's sovereignty, the participants drew many analogies from the UN and the Commonwealth. By implication the conference condemned the activities of the Casablanca group, which has been accused of inciting subversion in other African states. But on the whole acrimony was avoided.

Mr Adoula, the prime minister of the Congo—confident and clear thinking—achieved a personal success at the conference and the policies of his government were whole-heartedly endorsed. Nigerian-Congolese *rapport* was marked at all levels, differences of language apparently presenting but a small obstacle to animated conversation. The success of the conference may be ascribed to its scrupulous avoidance of those political issues which might prove contentious. It is impossible to say whether these could have been avoided if all 28 states had attended. Would the Casablanca states have been prepared to sit in conference with the French advisers brought along by the Brazzaville states ? Would they, like the Brazzaville states, have acted as an exclusive caucus within the conference ? The next conference of independent African states meets at Tunis in April. Lagos and Casablanca will presumably try again—at Addis Ababa if not at Tunis.

Two African Debates

FROM A CORRESPONDENT IN NEW YORK

DISCUSSION of Angola, deferred without protest from the first to the second part of the 16th United Nations Assembly, has been going on since January 15th at a snail's pace in an almost empty house. Portugal's delegate, unmoved and apparently immovable, restated its lofty indignation at the whole "illegal" discussion on the first day of debate, and left the hall. The black-out on news from Angola being apparently complete, speeches have largely been reduced to reminders of last year's violent events, and to quotations from the UN investigating committee's report or from the eye-witness accounts, lately released, of missionaries who left the territory last July.

On the very first day of the debate, Poland and Bulgaria introduced a resolution which went about as far as it could go in championing Angolan independence, condemning Portugal, and urging the imposition of sanctions designed to penalise the culprit and to embarrass its Nato allies. This attempt to seduce the Asians and Africans overshot the mark. In their view African problems are the business of Africans, and others should wait for them to take the lead. After considerable caucusing, a second and more restrained resolution was put forward by 42 Afro-Asian delegations.

While the communist states' draft "resolutely condemns the mass extermination of the native population of Angola," the Afro-Asian text "deeply deprecates the repressive measures and armed action." The Polish-Bulgarian resolution "recommends to all states to deny to the government of Portugal any support and assistance, including assistance in the form of arms and war material, as well as to put an end to any export to Portugal of arms or any kind of war material." The Afro-Asian resolution simply "requests member states to use their influence to secure compliance of Portugal with the present resolution" and to "deny to Portugal any support and assistance which may be used by it for the suppression of the people of Angola." Finally, where Poland and Bulgaria "suggest to the Security Council to consider in urgent manner and under Articles 41 and 42 of the Charter the application of sanctions against Portugal," the Afro-Asians only ask the council "to keep the matter under constant review."

Among the sponsors of the more moderate proposal was Mongolia. This newly admitted Soviet protégé is now, it seems, a recognised member of the Afro-Asian group in the Assembly. Nobody, however, has suggested that Mongolia is "uncommitted." The appearance of its name on one resolution while Poland and Bulgaria championed the other led to interesting speculation about the disposition of these two proposals when the time comes for a vote. The Soviet Union would presumably have to vote for both resolutions, unless it manœuvred the withdrawal of the Polish-Bulgarian draft. Of the two, the Afro-Asian proposal—which has been endorsed by Canada, and spoken of quite kindly by the British delegate—would roll up a much more impressive total. In any case, the Russians will just have to put the best face possible on a situation created by again having over-played their hand with the newly independent states. Those hot heads have turned out to be cooler than was supposed.

[*The Afro-Asian resolution was carried by 99 votes to 2 (Spain and South Africa), France abstaining and Portugal and Iceland absent, on January 30th. The communist draft was defeated, only 26 voting for, 43 against.*]

IN the simultaneous debate on the future of Ruanda-Urundi, the Afro-Asians have found themselves painfully divided. The UN has expressed itself rather strongly in the past on the need for this Belgian trust territory, formerly attached to the Congo, to emerge as a "single, but composite, independent state." Neither Ruanda, nor Urundi, as separate entities, can possibly be viable in the opinion of the Assembly's fourth (trusteeship) committee.

Elections held in Ruanda and in Urundi, and a plebiscite in Ruanda, all under UN supervision, have had anything but the desired result of promoting unity. By large majorities Ruanda has chosen to be a republic and Urundi to remain a monarchy. The elected representatives of each have told the current Assembly that their respective peoples cannot and will not accept political union. The UN commission for Ruanda-Urundi (made up of a Haitian, an Iranian and a Togolese) and the Belgian government both agree that unification is impossible in present circumstances.

With the end of the trusteeship due within six months, the Assembly is faced with nothing but uncomfortable alternatives. It can bless the separate independence of two feeble states and chance the possibility of an early need for a UN rescue operation. It can postpone independence until such indefinite time as political unity is acceptable to both parties. It can seek to impose political unity against the expressed will of the Ruanda-Urundi peoples. The first possibility is a very poor risk, and the other two fly straight in the face of basic United Nations principles.

The spectre of the Congo haunts the whole uneasy discussion, and some delegations see a family likeness between Katanga and Ruanda.

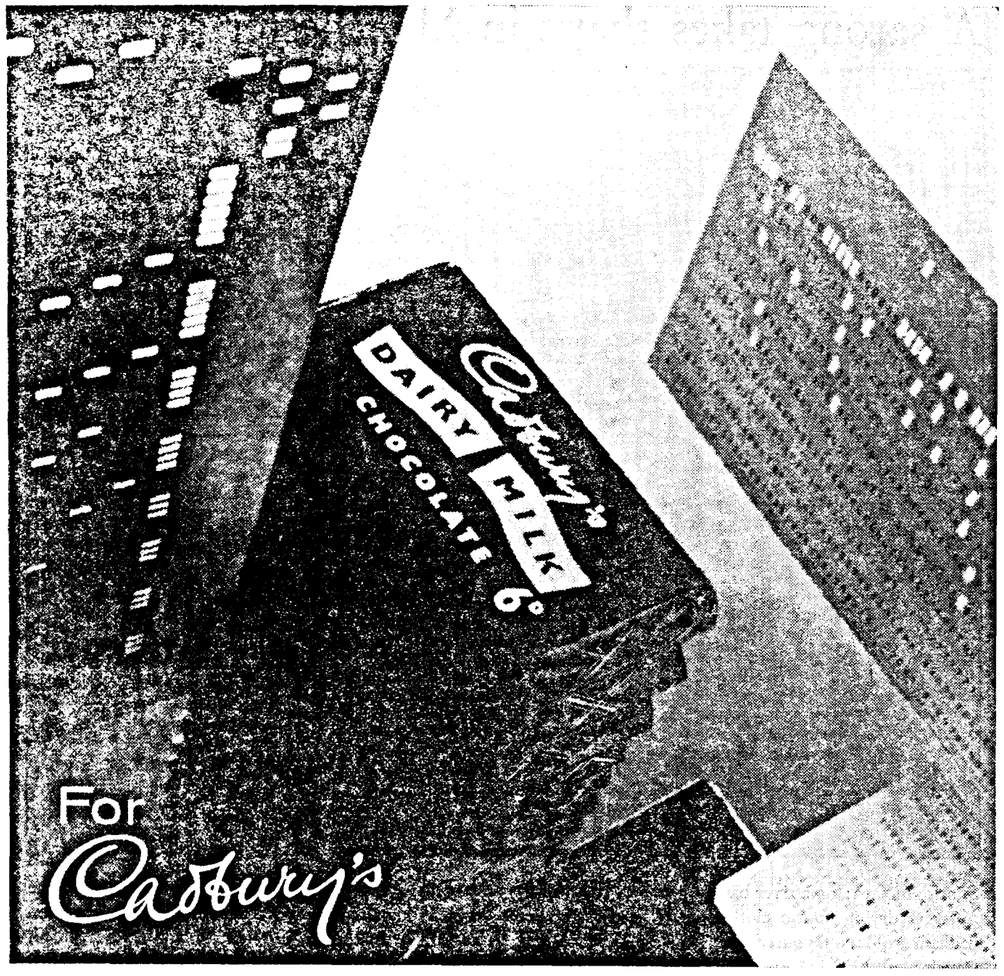
A sarong takes shape in Manchester



Sunrise in Java: on a river bank a group of chattering girls are drying cotton cloth, freshly printed in the brilliant colours favoured for sarongs. As the sun travels west, bringing a new day, printers and dyers of textiles in countless countries go to work: the bazaar craftsmen of Bombay, Bokhara and Cairo, the men who mind the intricate machinery of textile factories in Pekin, Vienna and Lyons. And in an I.C.I. laboratory in Manchester, the day begins for the group of scientists who have provided the colour for sarongs and French couture fabrics alike — the inventors of 'Procion' dyestuffs. Brilliant yet fast, economical and easy to use, the 'Procion' dyes were the first in the world to combine chemically with the fibres of cotton and linen. In the six years since they were invented, technical service specialists from I.C.I. have travelled millions of miles to explain their use and to give technical demonstrations lasting anything from three hours to three months. In every country in Europe, and in more than 30 others, they have established the 'Procion' dyes as leaders in their field. With the 'Procinyl' fibre-reactive dyes for nylon, they represent yet another triumph for I.C.I. research and a landmark in the history of colour chemistry.

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THE BUSINESS WORLD

Banking Revolution: Stage Two

COINCIDENTALLY, several big English deposit banks are now coming under new management—four of the seven will soon have a new chairman, and three a new chief general manager. They and the older hands face a task that is less obvious but fundamentally more demanding than the exciting challenge to which the banks rose three and a half years ago. They then used their new freedom with unexpected zest. They re-established themselves in the lending business; they regained self-confidence; and they made their mark on a new public. These were vital achievements. But they did not, of themselves, provide a basis for a follow through: freer lending provided a big initial thrust rather than continuing motive power, which in the long run can come only from an increase in the banks' deposits.

In the three years from mid-1958 the banks did manage to defy this law: they raised their advances by more than 75 per cent on the basis of an increase in deposits of less than 10 per cent. They could do this by unloading more than half of the huge investments in gilt-edged securities which had been forced upon them during all the years when their primary lending function was kept under official constraint. By mid-1961 this massive switch in the banks' main assets had reduced the ratio of investments to below 14 per cent and brought the ratio of advances near to 50 per cent—the point at which bank managements would begin to apply the brakes even with no jogging from the authorities. In the last six months this double pressure has had a marked effect, achieving a reduction in advances of nearly £300 million, and bringing the ratio down five points to just under 44 per cent. The banks have made a good contribution to the Chancellor's deflationary package; and if national production is indeed to resume its upward course this year, the tight hold on bank lending should presumably be relaxed. But how are the banks themselves to finance this?

The Bank of England, admittedly, holds 3 per cent of their resources in special deposits; but much as the bankers may wish for an early release, not many of them really expect it—for this control seems to be as stuck to the up escalator as the misnamed regulator imposing a surcharge on indirect taxes. Nor can the banks expect any other large increases in liquid assets: *pace* Lord Cromer, the impact of the Government's activities on the capital market is now deflationary rather than inflationary: although the budget estimates of an overall surplus are most unlikely to be reached, the actual deficit will almost certainly be more than covered by the substantial inflow from both National Savings and from sales of gilt-edged. So the banks at last come square up against their enduring problem, which the special cushion of investments enabled them to duck in 1958: how to get sufficient new resources for expansion. It is in fact becoming clear that to hold their own in the competitive lending business they must hold their own too in the equally competitive business of borrowing.

This need to compete for deposits is still disputed by many bankers, who have been taught by the theorists that however it may seem to one particular bank, the amount of deposits available to the banks as a whole is determined in the last resort by the base of cash and liquid assets made available by the central bank and the Government; and that competition for deposits will simply mean that the banks pay more for the same amount. But this "fixed pool" theory is inadequate. It ignores the leaks direct into the Exchequer, through investment in Treasury bills, tax reserve certificates, gilt-edged securities or deposits in Trustee savings banks—all of which reduce the Government's need to finance itself from the banking system and thereby chip away the credit base of the clearing banks. It ignores the growing activities of the merchant banks. It ignores, finally, the existence of foreign money, which can increase or decrease the pool of clearing bank deposits. Thus in the past few years the clearing banks would have gained both in liquidity and deposits if the inflows of foreign funds had gone directly to them rather than into other, more attractive outlets.

BY what means then can the banks broaden their resources? There is little disagreement about the desirability of broadening the banking habit, and there have been some signs recently that the bankers are getting less complacent about the pace at which this is to be brought about. A major effort is being made to publicise the scheme for direct credit transfers, and it is now up to traders to do their part by including details of their bank accounts on their invoices, without which the public cannot make any sensible use of the facility. Together with Britain's highly used cheque system this does provide a fuller service than is in practice available in most other countries. But in their efforts to draw in new customers the banks have so far made disappointing progress with the wage earner—the recent amendment of the Truck Acts to permit payment of wages by transfer direct into a bank account has yielded little fruit.

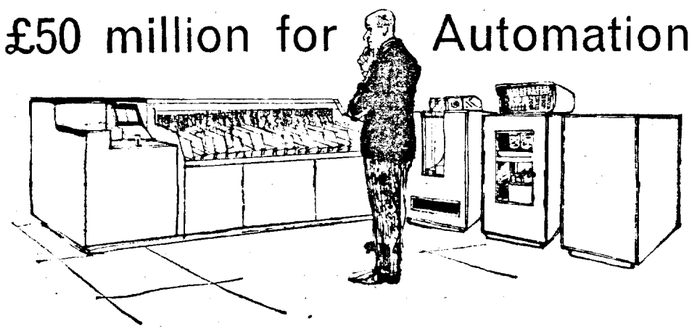
Two obstacles here are location of premises and banking hours. Banks are sometimes few and far between in growing areas. The omission is being made good—the Midland alone opened sixty new offices in 1961. But a still more radical effort is needed, and this could easily be financed by an

equally radical effort to make the most economic use of their highly valuable—and grossly undervalued—existing sites. So far the bankers have only nibbled at this great opportunity. They tell themselves that they are not property developers ; but this is just why they should call in those who are.

But, wherever the banks are situated, they will not do business while they are closed. The banks cannot hope to reach their new class of customers in their old Victorian hours. It is perhaps at this point that they suffer most from the competition of the Post Office and of the Trustee Savings Banks. These banks pay their depositors 2½ per cent on their ordinary accounts and soon hope to offer them a limited cheque service, though important details have still to be agreed by the clearing banks—which would have to clear the cheques. The only recent move on clearing bank hours has been to shift forward the Saturday opening by half-an-hour to 9-11.30—which has been predictably unpopular with the public. There now seem to be moves afoot to implement the long discussed proposal of opening on one evening a week—but bankers fear that pressure from the staff might force them to trade this for a five-day week, with no Saturday opening at all. In that case they would surely have to consider special arrangements for cashing cheques at agencies in large stores, and other expedients of this kind. The Post Office, of course, is open all day on Saturday. The banks must decide how much they are willing to spend to meet competition for the small man's money.

They have one unique attraction—the possibility of overdrawing. It is this, together with their general financial service, that has long persuaded the middle class to tolerate

£50 million for Automation?



AUTOMATION came to British banking last July when Barclays started to process the accounts of twelve London branches on an electronic computer. By the time similar methods have been adopted right through the banking system, perhaps 200 computers will be at work, together with 100 electronic cheque sorting machines, and innumerable television and teleprinter links together costing perhaps £50 million and running to £12 million for each of the biggest banks. And this, the biggest refit in the banks' history, will have to be accomplished in relatively few years if the banking system is not to be choked by the rising flood of paper which at the present rate, according to Lord Monckton, will double within fifteen years.

There is a marked difference in the speed with which the banks have grasped the possibilities of automation. Barclays' lead in electronic book-keeping was quickly followed by Martins and the Bank of Scotland. Lloyds, on the other hand, has probably led with the electronic sorting of cheques. The other big banks, National Provincial, Midland and Westminster give the impression of heartily wishing the naughty word "automation" had never been heard. They each have computers on order, along with Coutts and National Commercial Bank of Scotland who, being smaller, can be forgiven for hesitating before taking the plunge, but some of these orders were not placed until the Barclays computer was already operating.

It takes a bold management to face not only the cost, but also the wholesale reorganisation of working methods involved in bank automation. Computers are not built in sample sizes where they can be quietly tested in the corner of a large branch bank. The average price is around £100,000, and such a machine is capable of carrying out the entire account posting operation for far more customers than the average branch possesses. To employ it economically involves linking together several branches by telegraph and teleprinter links at a cost of another £150,000 to a centralised book-keeping centre where the computer is installed. This in itself involves a break with tradition that several banks have taken only with reluctance. At the recent symposium organised by the Institution of Electrical Engineers, some of the banks' misgivings came to light and they were not all based on sentimental attachment to tradition. They were worried about the reliability of the relay systems which would automatically transfer data from branch to book-keeping computer centre and back to branch again. They were concerned about the accuracy with which the machines' "language" could be printed in magnetic ink on cheques and documents. The entire system revolves around the accuracy of this printing, which appears to fall some way short of ideal.

These misgivings over small but crucial details arise because no experimental work has been done in this country on the kind of automation the banks require, for this is different from any other form of automation in volume, content, accuracy and speed. Whose fault is this ? The banks have had least trouble with their computers because they are buying established types already proved by other users. But nobody outside a bank wants an electronic document sorter and the banks complain, not quite reasonably, that no British company has shown any interest in building one. All the cheque sorters and several of the computers on order by the banks are American designed and their price has been inflated to double what it is in the United States by the need to re-engineer them to work in sterling and for banks with a greater number of branches than the average American bank.

Such troubles might have been avoided if the banks had followed the procedure normal in the electronics industry and placed development contracts for experimental machines. The banks argue they have never done this before, but neither have they been customers for pieces of capital equipment which industry does not normally manufacture for sale off the shelf. Experimental running of such a prototype—possibly on behalf of all the banks—would have shown up difficulties about quality of cheque paper, about magnetic ink, automatic printers and the like, which are now causing several expensive American-imported cheque sorters to deteriorate doing dummy runs in separate banks, while their owners try to correct snags that ought properly to have been foreseen five years ago when the decision to standardise on magnetic ink "language" was first taken. The banks, who are so free with their advice to the rest of the economy, do not come out too well—with one or two exceptions—from their own first brush with this new technology.

the other disadvantages of a clearing bank account such as inconvenient hours and a charge for running a current account rather than interest on the balance. How much the banks have to do about these disadvantages to attract new customers therefore depends in part on what kind of lending service they can offer them. It was on this side that the banks made the biggest innovations in 1958, with formalised personal loan schemes and, indirectly, through participations in hire purchase. It is important that the real lesson of these experiments is not misread. The hire purchase companies in which the banks invested have proved notably less expert in their business than some bankers who chose the arm's-length approach in 1958 expected ; this shows the need for bringing more banking principles, not fewer, into hire purchase.

Experience with personal loans has been incomparably better. There have been some difficulties over repayments, mostly concentrated in branches with an incautious manager, but for the most part these difficulties have meant delay and trouble in collection rather than outright loss. Those bankers who were basically lukewarm about undertaking this kind of operation anyway now conclude that their initial misgivings have been proved right. But if the banks mean to make their mark in retail lending, which they may have to do if they are to get the retail deposits, they must adapt themselves to it ; and since they already have major interests in hire purchase they should obviously bring the two sides of the business closer together—as some banks are tentatively beginning to do.

Important scope exists therefore for the banks to improve their general service. But to be sure of attracting sufficient deposits they cannot avoid the central question of the deposit rate. On current accounts, they can probably still rely on the advantages of their general banking service to the customer to avoid paying him any interest—though the banks have already shown themselves prepared in many cases to shade their charges here. For deposit accounts, however, the banks, paying 2 per cent below Bank rate, are nowadays quite uncompetitive except when Bank rate is as high as 7 per cent. At present, deposits at seven days' notice can earn over 6 per cent in the local mortgage market, a full two points above the banks. The small man can get 3¾ per cent tax paid from leading building societies. At 4 per cent gross, the banks' deposit rate is exactly the same as that now paid by banks in the United States on deposits secured for twelve months or more—as much below the local Treasury bill rate as the American rate is above it. Indirectly, the English banks may admittedly keep an interest in money that is withdrawn into one of their own hire purchase subsidiaries which pay Bank rate or more for three months' money ; but this is no adequate recompense to the banks. They should follow banks in other countries by taking deposits for varying terms at varying, competitive rates. There need be no question of raising the basic rate for seven-day money.

There seems little doubt that the banks could increase their resources in this way. But would they be allowed to use them ? Obviously there is nothing to be said for paying more for deposits that are immediately sequestered into special accounts at the Bank of England. This consideration is very prominent in bankers' minds, and it is an example of how special deposits, although quite small in proportion, have a stultifying effect on bold and independent action among the banks. Some drastic rethinking, therefore, must also still be done by the financial authorities. The old arguments against the "squeeze by request" apply in much the same way to the "squeeze by special deposits." To discriminate against one particular set of lenders, namely the clearing banks and the Scottish banks, is both unfair and inefficient—one cannot expect commercially run institutions to maintain their drive if a ceiling on their business is placed on them from outside, and such discrimination must itself narrow the part that the controlled sector plays.

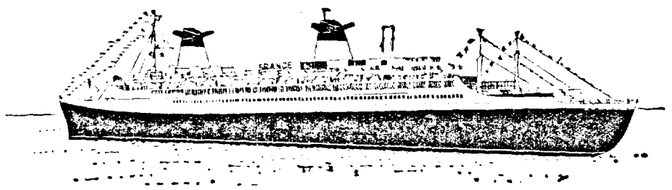
	DEPOSIT GROWTH COMPARED			INVESTMENTS ADVANCES	
	Gross deposits	Percentage change on		Ratios to gross deposits	
	Mid-Jan., 1962	Jan., 1958	Jan., 1961	Mid-Jan., 1962	
	£ million			Per cent	
Barclays	1,782	20·8	7·1	15·5	42·9
Midland	1,630	12·5	0·9	13·9	45·2
Lloyds	1,358	11·8	5·4	16·8	44·2
Westminster	1,015	17·4	4·0	13·7	42·1
Nat. Provincial	923	14·3	1·7	11·9	45·4
Martins	367	15·5	3·8	13·0	43·1
District	269	9·0	3·0	13·1	45·5
Eleven Clearing Banks	7,716	15·0	3·9	14·4	43·8

IF the authorities really believe that the banks can never be left to the play of market forces, even as influenced by the official hand, then there will in the end be little point in leaving the commercial banks as private institutions. In France, where the big banks and also the big insurance companies are publicly owned, their activities are closely linked with the *Commissariat du Plan*, and the existence of a channel of finance amenable to detailed central control is plainly a great help (some Frenchmen say an indispensable need) in making planning successful. This detailed control has its own logic in one scheme of things, though it might not commend itself to either the Tory Government or the Bank of England.

Nor is the special deposits scheme anything other than a bad compromise between control and free enterprise. Its one positive achievement, to cut into bank liquidity, has not had the immediate results that were expected of it: not until fifteen months after the first imposition of special deposits in April, 1960, did bank advances fall, and in the meantime the authorities actually helped the banks out of their liquidity difficulties to save them from precipitate action. Now that the big cushion of the banks' bond holdings is gone, it can be held that the banks are as responsive to normal methods of official control as they are to special deposits ; and certainly these normal methods, operating on the gilt-edged market and the long-term interest rate, must themselves be more efficacious in the new investment climate, in which fixed interest securities again have a definite attraction.

The constant contingent threat that is implicit in the special deposits scheme fortifies every instinct for conservatism and cartel-mindedness among the commercial bankers. With their new possible opportunities in Europe, the big English banks could stand on the verge of a major new expansion. It will not come to them automatically. On the contrary, one wonders whether without major changes the pace of present expansion can even be maintained. Deposit banks the world over have felt the pinch of competition from newer lenders. Are the English banks alone to refuse to meet that competition through handicaps of their own, and their official masters', making ?

Paquebot



France

BY OUR SPECIAL CORRESPONDENT

"WHAT a joy" someone said as we cruised round the Canaries ten days ago "to rediscover a ship." It could have been a reaction from one who resented too long being an airborne package and had lost himself once again in the dreamlike existence of a large luxury liner. *France* may well be the last of its kind—even the sunshine of the tropic of Cancer was not so strong as to put all thoughts of economics out of one's mind. How would four five-day ships make out on the Europe-New York run, when three were already finding difficulty enough? How would one aged and another ageing "Queen" withstand new competition from such a soignée and seemingly economic ship? Was not the maiden voyage of *France* with a full complement of passengers to New York this very Saturday itself a vindication of Cunard's decision not to proceed with the Q3? The *United States* and *France*, working on agreed alternate schedules, could carry two thousand passengers in each direction in a week; two Boeings could do the same work in the same time, but they would cost £6 million, whereas *France* alone is costing the Compagnie Générale Transatlantique 320 million new francs (about £23 million), quite apart from government aid to the builders, which cost another 20 per cent.

It seems that the motto of *France* is to be *cordon bleu*, not *ruban bleu*. The French Line is not going to waste money on empty prestigious efforts to set up new transatlantic records. It is concentrating rather on selling French style and much of this will knock the customer's eye out. Furnishings, materials, lighting, tapestries and murals provide continued diversion with rarely an opportunity for serious æsthetic dispute. Among all this richness, one has to search for the Picasso plates that would make a dramatic mark of their own in less exciting surroundings. The best of French interior decoration has been lavished on *France*. Every chair is a joy to look at and not one threatens danger to a slipped disc. Each nylon carpet has its own beauty of style (non-static, too, for every metre has been sprayed with an anti-static material). Some of these light pastels are going to need refurbishing long before the dun furnishings of older style liners have lost the remnants of their faithful clientèle. But customers looking for a concentration of modern, workable beauty will find it gloriously displayed in this ship. It is here, not in worthless extra speed, that prestige lies.

One could argue long about the ranking of the public rooms. The first-class dining room is finely conceived, but perhaps just a shade obvious since it has to cater also for showing off the women's dresses. The Atlantic bar, ingeniously constructed on split levels, is more refinedly French in decoration and will afford a splendid spectacle as *France* sails down the Hudson River. In your correspondent's view, the most remarkable architecture and decoration is to be found in the theatre, the work of M. Georges Peynet. The French Line describes this as the most splendid theatre afloat; but there are few theatres ashore that could excel its elegant yet economic design. It holds 650, with the stalls reserved for tourist class and the circle for first class. The underprivileged, therefore, are not forced into the cinema at times when the lordly ones are engaged at shuffleboard. They share with them—indeed, they have the better of the seats.

THIS principle of sharing, in fact, runs through the ship, in a way that is impossible in a three-class ship. Tourist passengers have a whole promenade deck to themselves, little different from the veranda deck that the first class passengers enjoy. They share the shop, which ingeniously joins the two decks by staircase, and a cabaret. Their public rooms may be short of *grande luxe*, but they are certainly *luxe*. They have a better swimming pool. Their cabins are admirably arranged, with air conditioning, thermostatic control of temperature, indirect lighting, and excellent plumbing, including a simple but most effective shower the mixing valve of which works with absolute precision so that scalding or freezing is one's own stupidity, not some inescapable mechanical malevolence. For the very grand in their suites, the discovery of such joys on board ship may not have meant much; for the modest traveller on the Atlantic, they are going to mean a great deal.

Does this sound too lyrical? New decoration in a hundred materials is not the whole way of French life. There is, one is assured, French cuisine. Here it must be truthfully, if sadly, reported that this shaking-down cruise revealed a number of things that needed to be shaken down—not indeed in the five-star regions of the first-class salon, but in the humbler *prix fixe* character of the tourist eating arrangements. French Line officials were as quick to spot these deficiencies as the clientèle, but it was odd to notice that the French tourists took what they were given, often cold and late, whereas the English expected something much better. British cruising addicts could not recall being served factory-made ice cream four nights running or being refused scrambled eggs for breakfast. Bravo for P and O, one thought, and down with snobbism about French food.

HOW the economics of *France* will work out is still to be discovered. To the lay eye, this seems an economical ship—certainly by comparison with *Normandie*. But any new ship would have benefited from the march of naval architecture and marine engineering since 1936. Certainly *France* suffers from none of the vibration that plagued *Normandie* before she went into service. It can carry more passengers, but also carries nearly a quarter less dead weight; its service speed is the same, at 30 knots or better, but it consumes nearly 50 per cent less fuel to produce the same 160,000 horsepower. Some of this economy is common to any modern ship—for example, water distillation to avoid the carrying of dead weight fresh water. But it still looks impressive in action on this scale. And the new style smoke stacks are a complete success, in cleanliness and appearance.

To the inevitable question: "Would you build *France* now?", M. Anduze-Faris, president of CGT, returned the expected answer. Any new ship, liner or carrier, is an act of faith. The risks were there to be run, and he would run them, unfrightened by the changes in economics and transport that have occurred in the five years since the decision was taken to build *France*. There was no doubt in France then about the wisdom of a single large ship. In this country the doubts have recently become decisive. History may well record that it was left to the French and the Americans to serve out the working life of that peculiar combination of transport and refuge from life which constitutes a luxury liner, and that this was one business in which the British feeling for tradition did not get the better of economics. Cold thoughts, engendered by the return to English winter; the bananas and poinsettias of Tenerife already seem a million leagues away.

BUSINESS NOTES

IN THE MARKETS

Courtaulds Closes the Gap

HAVING weakened on the prospect of last Monday's railway strikes around London, the equity market was in better heart after they occurred; it began looking forward, along with the government statisticians, towards a recovery in trade and seemed prepared to shrug off the threat of labour disputes to come. As a result, the *Financial Times* index, which had fallen just below 300 before the weekend, recovered to 304.1. But as measured by *The Economist* indicator, which fell 3.6 points to 357.0, leading equities did not fully recover their earlier losses; the indicator, however, does not now include Courtaulds. Doubts were still being expressed in the market whether this recovery will have any more impetus than its predecessors and whether, indeed, any firm view can be taken about equities before the Chancellor's budget proposals. The stock market fears that any weakening by the government on wages will mean a toughening in fiscal policy.

The spotlight in the market has remained focused on ICI and Courtaulds. The cheer that the Courtaulds' directors promised for Courtaulds' profits and the gloom they predicted for ICI's profits did not make their full impact on prices until after the weekend. ICI fell and on Thursday stood at 54s. 6d., imputing a bid value of 43s. 7½d. to Courtaulds, which stood at 42s. 6d. A number of cross-currents underlaid these movements. Some investors were selling ICI on the view that its growth in the sixties cannot possibly match its performance in the fifties and some were buying Courtaulds in the hope that, if ICI's bid failed, its shares could sustain their present value. The first action, though probably right in essence, may have been a little premature as ICI has still to reveal what sort of future it thinks it has and the second gives perhaps overdue weight to profit estimates that, however reasonably framed, are more than a little conjectural.

The closing of the gap made its own impact in giving fresh currency to the idea that to succeed ICI might have to raise its bid again—to, say, one for one. On this assumption, however improbable it looks in the light of Mr Paul Chambers's earlier words, a gamble in Courtaulds was not unattractive. Some certainly took it. Everything has run Courtaulds' way in the last few days; but no one can be confident of the outcome; even if the government's back remains turned on the battle, which is beginning to look less certain, the outcome still depends on Courtaulds' shareholders. ICI's shares have already taken their knock; can they move up again after the directors have produced their own forecasts? Courtaulds' directors may have some reserve ammunition in the shape of dividend forecasts to fire off; but have they boosted the shares as high as their own merits justify?

The City in the City

ALTHOUGH the discount market was forced on a large scale into the Bank this week, talk was still widespread about an early reduction in Bank rate. This helped sentiment in the gilt-edged market where in fairly active trading conditions prices advanced slowly at first and then went ahead quite sharply on some institutional buying on Wednesday. This formed a favourable background for the first issue by the City and Corporation of London since 1956 and its £12 million offer of a 6¼ per cent stock, 1971-72, at 97 was oversubscribed on Thursday. The Corporation of London is naturally a prime name in the market for local authority stocks and hence it was a sensible issue to bring forward to test the market's reaction to a reduction in the coupon on new local authority issues from 6½ to 6¼ per cent. The reduction was inevitable, for the three recent local issues of 6½ per cent stocks were at 99½ and they now command a small premium. With the 6½ per cent stocks so close to par, the only room for manœuvre was in a lower-couponed stock. At a gross redemption yield of £6 13s. 1d. per cent, the new London stock actually offers about 2s. more than the trio of stocks did, but its running yield of £6 8s. 10d. per cent is about 2s. less. As only £10 is payable on application and as the next call is not until March 6th, the issue offers a speculation on a reduction in Bank rate. A coupon of 6¼ per cent gives the authorities some room for refinement in the terms of the local authority issues that may follow.

THE EXCHANGES

From Bank Rate to OAS

STERLING has again been in continuous demand in the exchange markets, and was firm even on Thursday morning immediately before the Bank rate announcement. Expectations of a Bank rate reduction are still widely held, but exchange operators no longer see sufficient advantage in holding off the market in anticipation. Sterling is now being bought strongly from both New York and the Continent. In the United States some operators may have been influenced by Mr Dillon's revelation that the net payments deficit in the last quarter of 1961 was "well over $1 billion"—though for the year as a whole the basic deficit, excluding movements of short term capital, shrank further to $600 million. Speaking to the joint economic committee of Congress, Mr William Martin is reported to have said that the Federal Reserve is planning a "big move" in the international money market to counter speculation against the dollar.

Funds continue to stream out of Germany, and some of these are being seen in London, though despite a fall in the forward swap rate against the dollar to the annual equivalent of 2⅛ per cent, a transfer on a covered basis is still barely worth while. The Bundesbank lost the equivalent of a further DM 475 million in foreign exchange in the week to January 23rd, bringing the outflow in the first three weeks of the year to nearly DM 3 billion or $750 million—well above any loss that has ever been experienced by Britain. At DM 25½ billion (just under $6½ billion) total reserves are now some DM 5 billion below mid-1961, the whole of the fall being in the foreign exchange element: gold stocks are actually up a little on balance. To a substantial extent these massive movements in Germany's official reserves represent simply a switch of ownership of assets in foreign money markets from the Bundesbank to the commercial banks.

The Bundesbank has now felt able to remove one of the special controls through which it attempted to drive the banks into becoming net exporters of money. It has abolished the discriminatory reserve requirements on deposits taken from non-residents. Apparently the central bank feels that the outflow of funds has now gone so far as to strain the German capital market and interfere with its aim of lowering domestic interest rates. But the authorities still maintain their other curbs on an inflow, forbidding the banks to sell Treasury paper to non-residents or to pay interest on their deposits.

The gold market has been rather quieter this week, following the sudden revival of interest which may have owed much to the activities of the French secret army—at one stage General Salan is reported to have appealed to his supporters in France to go out and buy gold. On Tuesday this week the franc suddenly came under pressure, but this was entirely the result of technical end-month influences, and the rate recovered sharply in mid-week. Thus the franc retains its remarkable immunity from the political troubles—right wing bombs, it seems, are different.

THE ECONOMY

Opportunity Knocking

AFTER looking at the changes in the national economy since July, the Treasury is able to report in its *Bulletin for Industry* that domestic demand has slackened a little and "more resources are therefore now available for an expansion of exports." This is no more than a message of hope. The gross domestic product, if it changed at all, fell slightly in the third quarter of last year and the only elements of demand that continued upwards were public consumption and fixed investment. There was quite a sharp decline in the rate of stockbuilding and personal consumption was cut back a little. But exports of goods and services also edged downwards and it was moderation in the import bill that brought about a small improvement in the current balance. The Treasury, moreover, has to report that "the trade figures suggest the improvement has not continued into the fourth quarter."

On the income side in the third quarter, company profits fell for the second time running after allowing for seasonal factors, to a level 7½ per cent below a year before. On the other hand, wages and salaries were still rising, although only gently, having gone up 0.5 per cent above the second quarter. Personal disposable income, however, was much the same or even a little less in money terms and since consumer expenditure rose in value, although not in volume, there was apparently some fall in personal saving. This is particularly striking because hire purchase debt and bank overdrafts were reduced in these months: but the rate of saving had been exceptionally high in the preceding three months and it was still over 10 per cent of disposable income in the third quarter.

Since last summer, industrial output has fallen back, there has been some rise in wage rates, retail spending revived at the end of the year and retail prices were 4½ per cent higher than a year earlier. Costs, however, have been "about held" in recent months, according to the Treasury, and it is on the continued stability of costs that officials pin their hopes. No new medicine is prescribed and two questions are still wide open. Can British manufacturers take advantage of their stronger export competitiveness? Can output be stepped up without incomes rising more rapidly?

EXCHEQUER ACCOUNTS

Surplus into Mirage?

THE tax influx in the first weeks of the revenue season has been smaller, not larger, than a year ago; and the earlier shortfall in the Exchequer accounts compared with budget estimates has been carried further. It now seems certain that the Chancellor will not get the exceptional overall budget surplus which his July surcharge was calculated to bring; this is partly the result of the heavy supplementary estimates for agriculture and other departments, but the shortfall on the revenue side stems directly from the deflationary impact of the April and July budgets themselves. It is in inflationary years, one should remember, that impressive "improvements" in the Exchequer accounts are chalked up.

The inflow of income tax in the four weeks to January 27th was £506 million, compared with an inflow of £537 million in the first four weeks of 1961. Receipts of all inland revenue have totalled £611 million, £15 million less than in 1961. This shortfall could be simply the result of postal delays. But at a time when, on past experience, around two thirds of the year's inland revenue is in, receipts are now only £199 million up on the year against an expected increase for the fiscal year of £386 million.

While revenue is lagging, Exchequer spending is now well ahead of the budgeted increase for the full year; it has so far increased by £340 million compared with the expected full-year increase of only £215 million. In these circumstances there seems virtually no chance of the above-line balance improving by the expected £359 million (without allowing for the revenue surcharge) beyond the 1960-61 surplus of £147 million. The improvement on the year at present is £57 million. Nor is there any indication of the below-line deficit contracting by more than the expected £34 million. By January 27th it had in fact risen by £84 million.

STOCK EXCHANGE

Should Brokers Advertise?

THIS question has been well aired again this week following the news that the London office of Merrill, Lynch, Pierce, Fenner & Smith, the New York stockbrokers, has obtained a Board of Trade licence to deal in securities. Formerly it had been a member of the Association of the New York Stock Exchange Member Firms having representation in the United Kingdom; now it has resigned and is no longer bound by the rules and customs of the London Stock Exchange which have always been rigidly observed by the association. This means that Merrill, Lynch will be free to advertise in this country and it intends to launch an initial campaign soon, offering investors in this country "services and information similar to those already available to all Merrill, Lynch customers in the United States." For the time being at least this will be directed towards offering facilities in dealing in American securities for British investors. But Continental stocks are also likely to be included; Merrill, Lynch already has ten offices on the Continent. At the moment there is no intention of dealing in British stocks for British investors, although a dealer's licence would leave Merrill, Lynch free to do so.

The reaction of the London Stock Exchange has been cautiously non-committal but schemes for corporate advertising by the London Stock Exchange for attracting business and for prestige are still under active consideration. It remains to be seen whether such schemes could possibly have the same impact as advertising appeals by individual firms of brokers. Such advertisements, the Council has consistently argued, might be detrimental to small firms though they would undoubtedly benefit big ones. Behind such arguments the feeling lingers that stockbroking is a profession and cannot therefore be linked with anything so commercial as advertising. But no professional qualifications are required for becoming a stockbroker and this view of stockbroking is falling steadily behind the times. So, perhaps, is the view that advertising is totally inadmissible for the professions as a whole.

HIRE PURCHASE LAW

Unenforceable Penalties

MANY unkind things are said about the legal aid scheme and it is worth noting that the appellant in *Bridge* v *Campbell Discount Co. Ltd.* was legally aided in the Court of Appeal and in the House of Lords. The Lords' judgment in this case has given the quietus to one of the most criticised features of hire purchase agreements—the clause intended to secure for the hire purchase company, on the premature ending of the agreement, a fixed proportion of the hire purchase price (in Bridge's case, two thirds) in addition to the return of the article hired, and regardless of its second-hand value.

The issue was confused here by doubt whether the hirer, in saying he could pay no more and voluntarily surrendering the Dormobile (instead of, less straightforwardly, waiting for the company to take action), had exercised his right of termination. The House of Lords differed from the Court of Appeal and decided that he had not exercised any right; he had merely broken the contract. The legal purist might question this premise, but since it enabled their Lordships to hold unanimously that the two-thirds clause was a penalty, and therefore unenforceable, rather than an (enforceable) genuine pre-estimate of damage, the layman will respectfully approve if, in fact, this has involved any stretching of the point.

There has already been a movement by the hire purchase companies away from what is now unquestionably a penalty clause, towards a more rational measure of damages—the hire purchase price less both the instalments paid and the realised second-hand price. After the Bridge decision it is difficult to imagine any circumstances in which the old-type clause could be enforced to the benefit of a company relying on it.

AIRCRAFT NOISE

Sound and Fury

THE airlines have managed to present Mr Thorneycroft as the defender of peaceful nights for those who live near London Airport; in fact he is nothing of the sort. Far from cutting jet flying at night, he is about to permit a substantial increase, perhaps as much as 40 per cent. During the four years that jet aircraft have been operating, none has been allowed to land or leave from Heathrow between 11 pm and 7 am unless it made a great deal less noise than the average jet. This amounts to a ban on big jets at night; small ones like BEA's Comets and more recently the Caravelles have managed to conform to the noise regulations by climbing lightly laden and exceptionally steeply out of the airport. Other big airports like New York have much the same rules; neither there nor at London is there any restriction on night flights of propeller aircraft.

By allowing more jet flights this summer up to a limit of 1,500 landings and departures—subject to observance of the prescribed noise limits—the Ministry of Aviation is pushing the wedge farther but not as far as the airlines would like. Their summer schedules provide for a 77 per cent increase in jet night flights, more than the Ministry considers that local residents will stand and it has suggested that the rest be switched to Gatwick. The airlines have reacted to this as to a red rag; they suspect that they are being manœuvred to Gatwick to reduce its vast deficit—as a diversionary airport it has to maintain top international standards on virtually no traffic. Only British United Airways is regularly based at Gatwick; other international airlines like BEA or Air France would have to duplicate staff at Gatwick and at Heathrow. The rearrangement of the Ministry's departure buildings at Heathrow so that, inexplicably, they are said to be capable of handling far fewer people than in the past is simply regarded, like the suggestions about night flights, as another move in the Heathrow-Gatwick tug of war. But it may also mean that the Ministry is prepared to look more favourably on suggestions from airlines, notably BEA, to build their own terminal buildings for their own passengers.

BIDS AND DEALS

Fairey Rejects New Offer

FAIREY shareholders have just cause to be thankful to Bristol Aeroplane and Westland Aircraft as their bids have effectively trebled the price of Fairey shares from the 1961 low of 10s. 7½d. This week, after a month's deliberation, Bristol and Westland, as expected, raised their bid; but there was again a swift rejection from the Fairey directors, advised by S. G. Warburg. The revised offer of one Bristol 10s. share and one Westland 5s. share for one Fairey 10s. share compares with the original offer of two Bristol and two Westland for three Fairey and with Bristol at 14s. 6d. and Westland at 15s. 6d. raises the imputed value on Fairey from 20s. to 30s. The offer will be underwritten for cash, which is expected to provide about 28s. a share. An important element in the revised offer is the promise that Fairey shareholders will also receive any compensation moneys arising from the expropriation of the Great West Aerodrome; if the claim is fully successful Fairey has estimated that the compensation would amount to 7s. 10d. a share. The new offer is also attractive in terms of income, effectively offering 20 per cent against the forecast of 15 per cent by Fairey for 1961-62; though it has to be noted that on the basis of estimated earnings a dividend of 20 per cent could well be matched by Fairey in 1962-63.

Once again the main argument of the Fairey directors for rejecting the bid is concerned with asset values; these, excluding the compensation claim, amount to 47s. 4d. per share, which is well above the value of the latest offer. The Fairey directors repeat their earlier undertaking that if the forecast of gross profits of not less than £800,000 is not realised in 1962-63 they will "invite the views of shareholders on a distribution of assets." The directors add that in the event of such a distribution they could by a process of realisation of and quotation for the separate units in the group establish a value for Fairey well in excess of the imputed bid price. Moreover, they emphasise again that the acceptance of the offer will bring shareholders right back into the aircraft industry, though this argument does not carry so much weight now as shareholders are offered a cash alternative. Clearly shareholders will be best advised to sit tight and await both the formal offer and the detailed comments of the Fairey directors, which will include an estimate of the current year's profits which, it is claimed, shareholders will find "satisfactory."

WHEAT

Thrashing Out a New Agreement

A CONFERENCE began this week and will continue to sit throughout February to find a successor to the fourth international wheat agreement which expires at the end of July. As hors d'œuvre, governments have now had several weeks to digest the unpalatable facts contained in the international wheat council's latest review before its publication. The price of Canadian wheat has virtually touched the "ceiling" under the agreement of $1.90 a bushel and Canada reported to the conference that by July its stocks of wheat would be reduced to the lowest desirable level. Canada is therefore thought likely to press for higher maximum prices. But the authors of the IWC report did not believe that the setback in production last year was more than a temporary halt in a long-term trend. Unless "important changes in prospect" are realised, the council forecast that the advanced countries of the world would not be able to absorb as food or feeding-stuffs their increased wheat production. Less developed countries, who cannot always pay cash for their imports offer the only outlet for this surplus. The council expected world trade to rise beyond 42 million tons in the current season, but half of it will be under bilateral trading arrangements. However, President Kennedy's new farm programme in the form announced last week would certainly rank as an important change in national wheat policies.

Evidently, a solution to the problem of grain surpluses will eventually be found outside the wheat agreement. But by plugging away in its annual report at well-known distortions of trade, the council is bringing that day forward. The new international wheat agreement has to regulate the commercial half of the wheat trade. The first defect of the existing agreement is that it is based on a grade of Canadian wheat which, until the drought of last year, Canada had not produced in commercial quantities for several years. The heart of the current agreement is that importing members shall buy from exporters a stated percentage of their commercial purchases of wheat when prices are between $1.50 and $1.90 a bushel. It has been suggested that these percentages be raised. But if sufficient producers now outside the agreement chose to join, the provision would become meaningless, and an international agreement, after all, should aim to be as international as possible.

CAR EXPORTS

Italy Toes the Line

THE long-heralded ending of Italian import quotas for British cars is one sign that Italy is becoming reluctantly reconciled to life in a freer-trading world. Its own car manufacturers, headed by Fiat, have not exactly welcomed the flow of imported cars into what was virtually their own preserve, and they are not without political influence. Even now that the quotas have gone, the home industry is pretty well protected: import duties on cars from common market countries range from 27 per cent on those with engines of less than 1½ litres to 21 per cent for those of over four litres, while for cars from other countries the rates range from 38.4 per cent to 31.4 per cent. On top of this duty, importers have to pay a "compensation tax" to offset the turnover tax that Italian firms pay. Last year the compensation tax rose from four per cent to eight per cent; in the face of protests from all importers, who point out that this is more than Italian makers are likely to pay

in turnover tax, the government promised to reduce it to 6½ per cent last September —but it is still eight per cent. Italian makers receive a repayment of turnover tax on their exports at the rate that importers pay.

British cars have been selling well in Italy for the last year ; in 1961 registrations may reach 22,000, five times as many as in 1960. About two-thirds of these, however, are the Austin A40s assembled by Innocenti ; as these are imported in the form of parts, they were not affected by the quota restrictions. Ford with the Anglia is the other British maker to sell in substantial numbers ; its price having been cut substantially, as in France, it has become the most popular of the cars that are imported whole. Stocks of British cars seem to have risen substantially last year ; shipments of 12,400 complete cars—nearly three times the 1960 total —compare with sales of 7,000-8,000. But this is natural enough when a market is being opened up, and some of these cars appear to have got no farther than the bonded stores of Italian ports. Now that they have won their freedom, British makers can show whether the appeal of their cars has been more than that of a novelty. Given the monopoly of the low-priced car market that Fiat has possessed, they should find a niche for their cars. But until they get in under the common market tariff, their business can scarcely be very extensive or profitable.

RIO TINTO-CON. ZINC

Marriage of Equals

In principle, the soundness of the proposed merger between Rio Tinto and Consolidated Zinc cannot be questioned and should certainly appeal to the majority of their shareholders. Rio Tinto has a problem of continuity caused by the prospective decline in the uranium industry—at least temporarily —after 1966 or such time as other contracts now being negotiated run out. Because of the collapse in lead and zinc prices, Consolidated Zinc is over-extended by its commitments in aluminium. Negotiation of the merger was expeditious, despite the complexities normally encountered in the affairs of mining groups. It appears that after careful investigation by the boards of directors the two groups emerged "just about equal." Near equality is evidently conducive to swift agreement.

A new holding company will be formed with the title (surely to be slimmed later ?) of Rio Tinto-Zinc Corporation. Stockholders in Rio Tinto will receive 41 10s. shares in the new company for every 20 10s. shares held ; Consolidated Zinc's shareholders will receive 58 of the new units for every 20 £1 shares held. Rio Tinto's shareholders will therefore receive a fraction over 50 per cent of the holding company's equity. On current market values the terms favoured Consolidated Zinc, whose shares stood only 10 per cent higher than Rio Tinto's units, though the 41 : 58 valuation puts them 40 per cent higher. The market response was therefore predictable ; Rio Tinto fell 3s. 1½d. to 40s. 7½d., while Consolidated Zinc rose 6s. to 54s., leaving the latter still slightly undervalued in relation to Rio Tinto. However, in deference to the improved investment status the combined group will undoubtedly enjoy, the net effect of the price adjustments was a slight rise in their joint market valuation.

ASSETS AND EARNINGS

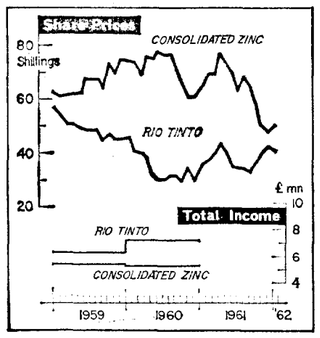
Years to Dec. 31	Consolidated Zinc		Rio Tinto	
	1959	1960	1959	1960
	£ mn.	£ mn.	£ mn.	£ mn.
Net fixed assets ...	16·6	21·8	7·5	8·2
Investments*	8·1	9·6	20·8	19·0
Liquid assets	8·1	1·7	4·7	4·1
Net assets	34·9	35·8	30·2	29·8
Reserves	17·2	18·0	20·3	19·8
Preference capital .	7·6	7·6	2·7	2·7
Ordinary capital ..	10·2	10·2	7·3	7·3
Gross income.....	5·4	5·3	6·3	7·2
Depreciation	1·3	1·5	1·9	2·3
Tax	1·2	1·1	1·2	1·6
Equity earnings ...	2·5	2·1	2·0	2·2
Ordinary dividends	1·2	1·2	1·1	1·2
Cash flow (including divs.).	4·0	3·8	3·7	4·3

* At cost, less amounts written off.

The widespread interests of the two groups dovetail together to an extraordinary degree. There is little overlapping, though there are points of contact. Both groups are active in the exploration of further mineral deposits in Australia and Canada. The motivation is not rationalisation so much as the clear-cut advantage of greater size, spread and stability. The four main supports of the new group will be Rio Tinto's uranium and African copper and Consolidated Zinc's aluminium and lead-zinc-silver production.

It will be a unique group by any standard and shareholders will not overlook the added security of investment mainly in the older dominions. The group will also be fairly well integrated. Consolidated Zinc is already a substantial industrial company in its own right, producing zinc pigments, sulphuric acid, chemicals and fertilisers. It holds 30 per cent of the equity of British Titan Products. Aluminium is notably an integrated industry, and Rio Tinto has made significant progress towards participating in commercial development of uranium. Between them, the two groups will also bring into the new company a whole range of subsidiary mining interests and projects which are now being evaluated. Though in 1960 54 per cent of its group profit came from copper and 37 per cent from uranium, Rio Tinto has a useful stake in gold, emeralds, pyrites, thorium and building materials. Consolidated Zinc has a side-stake in rutile, zirconium and beryllium. Both have an interest in oil. Rio Tinto exchanged Kern Oil for 3 million ordinary shares in British Petroleum last March.

This merger seems to have averted the



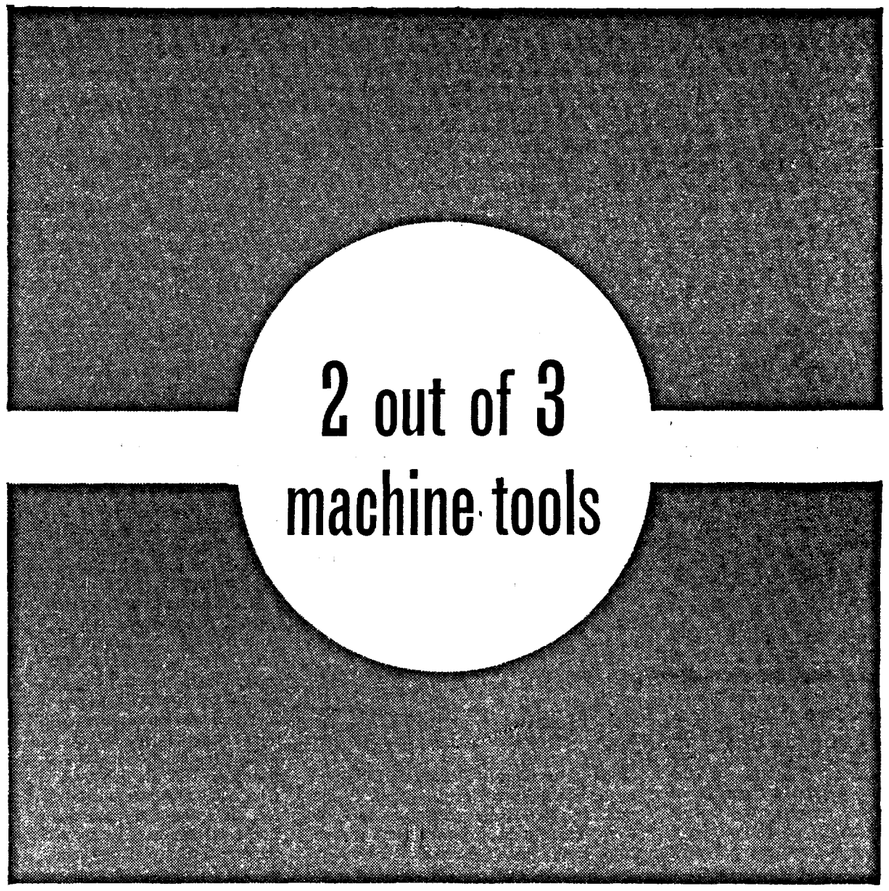
prospect of skimpy dividends or capital issues on a weakened market for shareholders in Consolidated Zinc. Although the group raised £10 million in 1960 by an issue of loan stock with a conversion option mainly to the British South Africa Company, its cash flow last year could not possibly have been as high as the £3.8 million available in 1960, of which £1.2 million was distributed in ordinary dividends. It has to finance with Kaiser a half share of the £A130 million aluminium development scheme in Australia and New Zealand scheduled for completion in 1966. On the other hand, Rio Tinto is just beginning to receive a trickle of dividends from its uranium investment in Canada. But by 1966 it is said that Rio Algom, in which Rio Tinto holds 53 per cent of the equity, will have amassed about $150 million.

Unless British tax rules are made more lenient with regard to special tax concessions granted overseas, suitable investments would have to be found for most of the earnings from this source. Because of the unexpectedly early end of the uranium contracts and the uncertainties of exploration, doubts must have existed that Rio Tinto could bring enough projects to the profit-earning stage by 1966 to maintain earnings in the event of a sharp fall in uranium dividends when the major contracts expire. The merger can therefore remove the cause of the recent undervaluation of Consolidated Zinc's shares in relation to its potential and a potential cause of undervaluation of Rio Tinto that might have induced bids from other quarters.

SUPERSONIC ENGINES

Look to Your Laurels

The competition in aero-engines from a relative newcomer, Bristol Siddeley, means that Rolls-Royce will have to look to its laurels. Having had its system of vertical take-off adopted by the RAF in preference to that of Rolls-Royce (though the



in use in the U.K. are over-age

The quickening pace of technical progress, the growing menace of international competition, are making nonsense of yesterday's industrial economics. Today's standards of efficiency are so demanding that even if a 10-year-old machine is still running as well as its maker intended, it may yet be running at a loss.
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latter may yet make a come-back) Bristol Siddeley is now much fancied to provide engines for the French-designed supersonic Caravelle and for several other high-speed aircraft under discussion in Europe. The engine that the company would provide is, however, that designed for the RAF's controversial TSR2 bomber and foreign customers are aware that the TSR2 stands in some danger of being cancelled. It is difficult for Bristol Siddeley to persuade them that even if the aircraft goes, the engine will survive. This is an instance where the Government needs to know clearly how it will act if it is in fact decided to scrap the TSR2. Assurances given to Bristol Siddeley and indirectly to its potential foreign buyers are based on promises that the aircraft will be built but it would obviously be of much more use to the company to be given an assurance that the engine would be built whatever happened to the aircraft. The British aero-engine industry, as represented by Rolls-Royce and Bristol Siddeley, is in much better shape than the aircraft manufacturers and its products find a readier market abroad. Government policy may, therefore, have to allow for the building of engines for which there is no British aircraft available. And this, in turn, demands much closer integration between the British and European aircraft industries and their respective governments.

LLOYDS PERMANENT

Future Indefinite

THE final report of Mr Dennis Leigh, appointed by the Chief Registrar of Friendly Societies a year ago to examine the affairs of Lloyds Permanent Building Society, shows that the reconstituted board

FURNITURE

Keener Buyers with Better Taste



STOCKBROKER - traditional, shoddy - contemporary and Tottenham Court Road Scandinavian once more vie for attention at the Earls Court Furniture Show, with much more prominence given, this time, to the latter style. The fact that all three are sometimes seen on the same stand presents the main difficulty of the industry : unless people buy enough of one type or style of furniture to keep the manufacturer in steady production, he is obliged to offer a wider variety, thereby forfeiting the advantages of concentration on a standard product. Not indeed that most manufacturers think that way round ; even those that pioneered mass production have got into the way of increasing rather than cutting down their number of lines, so that even the biggest factory in the country, that of Harris Lebus at Tottenham, may produce only a few hundreds of any particular piece of furniture.

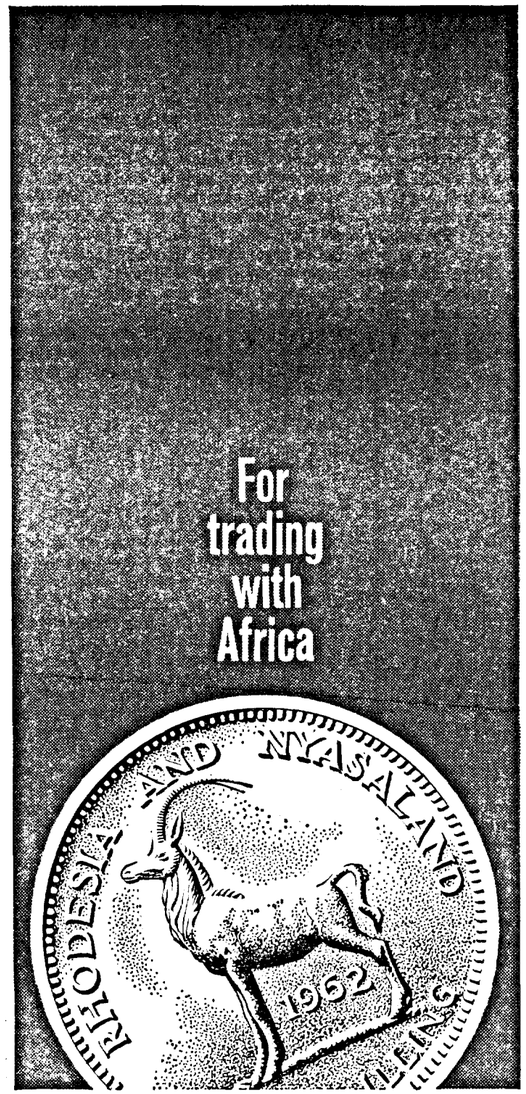
Standardisation is, nevertheless, the byword of the more enterprising manufacturers, particularly the greater standardisation of components, planned so as to give the greatest possible variety of end-product with a limited number of parts. Fortunately well-designed furniture in the best modern idiom lends itself to this treatment, as firms like Stag have shown. It is cheering when good design makes good economics ; even without direct proof it seems true to say that the most profitable kind of firm is one of medium or medium-large size—50 to 100 workers makes this category in what is still partly a backyard industry—making a limited range of furniture. The severe shrinkage which the industry has undergone in the past ten years—from 3,000 firms to 1,800—has resulted in a greater emphasis on firms of this size, at the expense of smaller ones, rather than a concentration into really large units.

Further steps towards improved efficiency and greater exploitation of new cheap materials, such as plastics, are hampered by the industry's continued uncertainty as to whether or not it is on the verge of a big breakthrough into the consumer market of the kind experienced by electrical durables during the fifties. Though furniture manufacturers' total turnover increased from about £100 million in 1950 to £129 million in 1960, their volume of production grew during that period by only 7 per cent. The difference is largely made up by the increase in prices which, though steadier in the past eighteen months, are currently about 14 per cent higher than they were in 1954.

In 1959, before the reintroduction of credit restriction, it looked to some as though the hoped for breakthrough had arrived. Furniture benefited temporarily from three-year hire purchase agreements ; now, retailers and manufacturers alike are looking forward not only to the freeing of credit again as soon as possible but also to the time, in the near future, when people will have finished paying for the furniture they bought in 1959.

Clogged by the uncertainties of credit buying, certain manufacturers decided they must introduce a stronger stimulus into the market than the retailers' powers of persuasion. In the past few years they have tended more and more to do their own selling in the form of advertising and publicity of branded products—the use of brand names being itself an innovation for most of them, adopted after the initial success of firms like Gomme (G-Plan) and Parker-Knoll. Indirect publicity, through the medium, for instance, of women's magazines, has also had tangible effects—retailers report that their customers are much more conscious now than they were even two years ago of exactly what they are buying and more demanding about materials and finish—more so, indeed, than some manufacturers had bargained for. In spite of an appreciable reduction in the proportion of business done on HP there is evidence that people, when they do buy furniture, are more likely now to choose better quality and more expensive pieces. Instead of getting down to the mass market, the better manufacturers are, to a limited extent, drawing it up to their level. No one in the trade is getting very worked up about this but it does help to explain why the Board of Trade's figures of orders on hand at the end of November last year, a time when no one was particularly conscious of better business, stood at £11.7 million, compared with £9.1 million a year before—not far off the level of the record year, 1959.

Manufacturers have perhaps been over-concerned with the problem of fluctuating demand to the extent that few of them seem able or ready to adjust their delivery dates to the state of the market. This is bound to be a problem in what is still, in a modified way, a "made to order" business ; but some exhibitors at Earls Court should be asking themselves why is it they are quoting delivery times of up to twelve weeks for some furniture. Quick delivery would certainly play its part in encouraging customers.



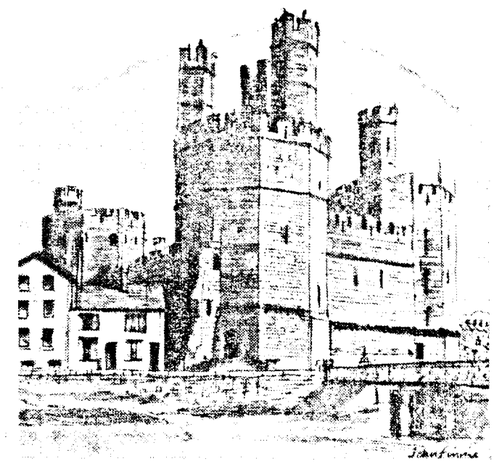
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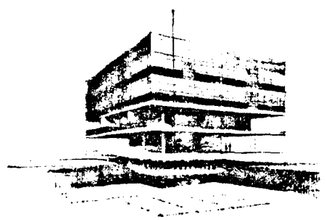
BARTHOLOMEW LANE, LONDON EC2

of directors under the chairmanship of Mr Eric Partridge, MP, has gone some way towards putting the finances of the society back on a sound footing. The report is accompanied by accounts for the year 1960 with approximate figures for June 30, 1961; by this time total mortgages had fallen to £3,088,000, compared with £3,994,000 at the end of 1959. A recent sample showed that almost one-fifth of mortgages were in arrears but there have been comparatively few serious defaults among owner-occupier borrowers and their number is now being reduced. The society has issued writs for £90,445 against Mr Robert Jones, the former chairman of the society, in respect of sums lent to Freehold Land Finance Company which were later credited to his own mortgage account, and for £39,700 against Freehold Land Finance Company for moneys expended in discharging Freehold Land's liabilities and in the use of the society's property.

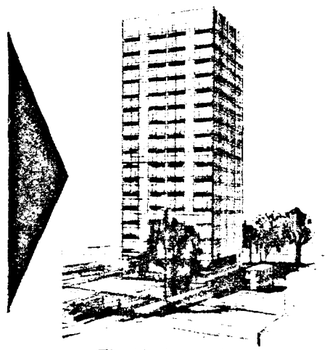
Mr Leigh sees no reason why the society should not be administered as economically as other societies: the bulk of the society's mortgages are earning 8 per cent, which is 1½ per cent above the current normal rate while the directors have cut the rate of share interest so that there is a margin for building up reserves. The snag is that any sizeable reinforcement of reserves will take time; the total available for general reserve is only £31,000—a long way short of the minimum of £100,000 required before the society's shares could qualify as trustee investments. Mr Leigh does not believe that Mr Partridge's hopes, voiced in November, that the Registrar would lift his ban on advertising for, or accepting, new deposits, are likely to be met "for some time to come." The repayment of money lent by shareholders and depositors might well, moreover, require ten years to complete. Not surprisingly, Mr Leigh therefore appears to lean towards another solution—the transfer of Lloyds Permanent's engagements to another society. The security on most of Lloyds Permanent's mortgages is not as strong as leading societies would insist on in their own lending, but it is not so weak as to rule out the possibility that one of them might consider taking over Lloyds Permanent's engagements.

BUILDING

Roof First



Four up, and the top floor is finished



The block completed

INNOVATIONS in building come but once a year. The "Jackblock" method of building tall blocks that Richard Costain (Construction) announced last week shows that the British industry is not entirely moribund. Essentially this is an elaboration of the by now established "lift slab" technique, where the concrete floors of a building are cast on the ground and then raised into place by hydraulic jacks. But with the Jackblock system the complete building will gradually rise from the ground: the first step is to cast the concrete roof on the ground, then to start lifting the roof and building the walls that support underneath. The main structure of the building consists of a core formed from concrete blocks, and it is this part that is raised by the hydraulic jacks as it is completed. Starting with the roof, supported on the jacks, the first stage in building the core is to raise all but one of the jacks and then insert a concrete block above this one jack. Then every other jack is lowered in turn, and a block inserted above it, until the building is one block high; the jacks are then raised—except one—and the process repeated, until the roof has been lifted one storey high. Then the top floor will be cast on the ground—all floors are cantilevered out from the core—and the side walls of this storey erected. Now the process can be repeated, and another floor built, while the internal work on the top floor goes on as it rises. When it is four floors up, after about four weeks, the top floor will be finished.

The first building to use this technique will be a 17-storey block of flats in Coventry that Costain is building for Coventry corporation. Work will start this month on the foundations, and jacking should begin in three months. The attraction of this system is that all building work can be done under the cover of the block's own roof; and though the jacks represent an investment of £17,000, they save the use of a crane and hoists. Until a building has been erected, no positive idea about the cost of the method can be had. But the chances of economies from being able to have men working on each stage of a floor all the time, instead of having to bring the different trades into a building in relays, should reduce cost. So should the ability to work under cover, free from the usual weather delays. But innovations need development, and with building methods this means putting up a building. So one cannot expect the first attempt to show all the advantages of the method: its value may be as much in sorting out any drawbacks.

BUTTER

In the Melting Pot

THE battle for the butter market has begun again with the Government assuming the role of a referee afraid to make an unpopular decision. Any decision will be unpopular in one quarter or another. New Zealand refuses to agree to any ceiling on its exports of butter to this country. The polite fiction of limitation of imports from traditional suppliers to this country and curbs on the more flagrant dumpers has strengthened the price of New Zealand butter by £35 to £285 a ton. But the interim agreement that came into effect retrospectively from the beginning of September will expire in March. However, last minute compromises are the rule, not the exception, in discussions of trade in agricultural produce, so it came as no surprise that exporters failed to agree to its extension at their recent meeting in Geneva.

The allegiance of exporters to the short-term agreement was tenuous in the extreme. One country apparently failed to sign it, but diplomatically reduced its exports to the required figure. Eire, however, stuck its neck out and promptly had it chopped off through the imposition of an anti-dumping duty that priced Irish butter out of this market. At the end of last year, the British Government was able to adopt a scheme conveniently suggested by GATT officials to enforce the short-term solution of the problem. It possibly hoped that the latest meeting would produce a similar opportunity to shirk full responsibility for regulating imports but on this occasion the secretary of GATT has not obliged.

The point that exporters can agree upon is that without limitation of exports, prices will melt after March. Stocks have remained high throughout the winter in this country and there is every prospect of a further large surplus available for export in many producing countries this year.

DISCOUNT HOUSES

Lombard Street Reports

THE chairmen of the discount houses are no more forthcoming about their own business operations than are the clearing bankers, and the three end-year statements to shareholders of the Union Discount, the National and Alexanders add little of general interest to what outside observers had been able to deduce. They refer to the losses suffered after the 2 per cent rise in Bank rate in July, to the subsequent partial recovery, and to the general rise in commercial bill holdings. This is in fact believed to include a substantial element of trade bills, which command a premium of ¼-⅛ per cent over bank acceptances, and can, with the right drawer, be highly attractive to a discount house.

The statement that will inevitably receive the closest scrutiny is that by Commander Lovel W. Coke of the National. He confirms that the National's particular difficulties were due to a continuation of the switch into higher yielding stocks, which had been pursued at "considerable cost" in 1960.

In the first half of 1961 we continued this procedure. The effect of this, although beneficial, was largely offset by the further all-round rise in interest rates.

But Commander Coke looks to ultimate benefit on redemption of the securities, and says that the average life of the company's bonds is "well under three years." No provision for depreciation is therefore considered necessary; the National indeed has its own practice of writing up the book value of securities bought at a discount to take credit for their approach to redemption at par.

Property Owning Democrats

INDIVIDUALS in Britain in 1960 had accumulated wealth to the value of £55½ billion gross, or £51½ billion after deducting debts, according to new figuring by the Inland Revenue department. The chart shows that about one-fifth of this estimated wealth represented land and buildings, another one-fifth stocks and shares in public and private companies; and, of the total, women owned two-fifths and men three-fifths.

These estimates of capital holdings have been made from estate duty returns for a single year, extended to include small estates below the exemption limit of £3,000. On the rather large assumption that these estates formed a representative sample, they were grouped according to age and sex of the deceased and rated up by mortality rates to measure total personal wealth. This method has been used before by academic and official research workers—by Mrs Kathleen Langley, for instance, who estimated that private capital in 1950 amounted to some £32 billion, leaving aside estates of under £100. But this is the first time that such calculations have borne the stamp of a government department. Unfortunately, this still gives no more than a cloak of accuracy; nevertheless, the board, with its access to fuller information, is far better equipped than any outsider to have a shot at such estimation, and earns commendation for its efforts.

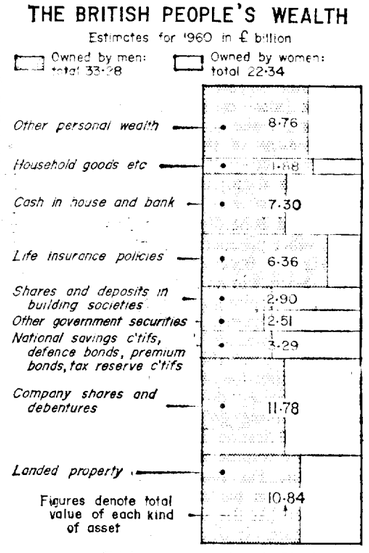
The errors in using death as a means of sampling the population may be quite considerable. Certain assets, such as cash and household goods, are sure to be underestimated; others escape the net entirely. On the other hand, a life insurance policy is entered as the sum assured, above the surrender value which it is worth in the hands of the living. Yet the value put on life insurance by this method falls far short of the total sum assured by life and industrial companies, mainly because certain life policies under £3,000, like other items of such amount, may not appear at all in these statistics because of exemptions through the Married Women's Property Act. The figures for life insurance are particularly suspect; the board itself points out that an estimate based on the value of the life funds would have been more realistic.

It would be wrong, therefore, to accept these figures with any full precision. But if they are not too blurred, it would seem that women have more money than men in small savings, in building societies, in the Post Office and Trustee Savings banks and perhaps a little more in quoted stocks and shares. But they own only about 40 per cent of landed property, little more than a third of money invested in private companies and less than a third of household goods. One of the most interesting estimates that comes out of this exercise, and probably among the more reliable, is that there are around 600,000 men and 600,000 women who invest in ordinary shares quoted on the stock exchange.

The table gives some idea of the average size of different kinds of property. In the first two columns the estimated value has been divided by the number of individuals believed to hold such assets; in the last two columns the value is spread over the adult population, including non-holders, to show the relative importance of different kinds of savings. Thus the average holding of ordinary shareholders appears to be around £6,000; but since only one in thirty people invests, this form of saving is equivalent to only about £200 per adult, about three times as important as a form of savings as national savings and premium bonds taken together.

THE BRITISH PEOPLE'S WEALTH

Estimates for 1960 in £ billion



AVERAGE SIZE OF CERTAIN ASSETS

(£)

	Average Holding Men	Average Holding Women	Average per Head Men	Average per Head Women
National savings and premium bonds	338	362	69	75
Defence bonds and tax reserve certificates	896	822	19	24
Ordinary shares—unquoted	4,366	2,489	98	56
quoted	6,029	6,178	229	205
Money on mortgage of real estate	2,325	1,800	16	11
Shares and deposits in building societies	1,428	1,232	78	87
Money on bonds and other securities	457	288	38	23
Household goods, etc.	149	101	80	30
Insurance policies	782	249	319	59
Cash—in the house	36	21	8	3
in PO and Trustee Savings banks	277	340	64	78
on deposit	614	722	65	50
on drawing account	515	366	98	54

TOYS

No Child's Play

For parents, uncles and godmothers the most serious annual aspect of the toy trade is over for another ten months, but for the manufacturers and trade buyers now is the time of grim-faced activity. Geared to the fact that in such a faddy business manufacturers like to have a good idea of the year's demands before they launch into production, the British Toy Manufacturers Association's annual fair has opened at Brighton. The Harrogate toy fair, mainly for wholesalers, was held a fortnight ago. Already a number of American firms have shown their interest in the British market by participating in the toy exhibition at the US Trade Center. Another, the Lionel Corporation, has announced with Lines Brothers—the biggest British manufacturers, who also own Hamleys — their arrangement for the manufacture under a royalty agreement in this country and at Lines's Calais factory of a "science series" of constructional toys under the name Triang-Lionel.

Toys, indeed, is hardly the word for these and many other products of what shows increasing signs of becoming a science-based industry. Science in its more fictional form provides the inspiration for space travel equipment and ingeniously animated robots, while the technologists of the future, with their feet firmly on the ground, are propelled in the direction of applied science by means of elaborate "do-it-yourself" kits.

Perhaps working on the principle that extreme sophistication is the best answer to the growing volume of cheaply produced toys from the Far East, some American manufacturers, in particular, are going to new lengths. (At the same time, business becomes a patriotic duty by stimulating a science-bias in the young.) The best of these products, though not cheap, have far more to them than the old-fashioned science sets containing a few shillings-worth of chemicals. The components for what used to be called a crystal radio are being offered in package form; one exhibitor at the Trade Center sells an "electronics lab," retailing in the States for nearly $30 in its most elaborate form, supplied with the separate items for making, among other things, a television silencer and "six different transistor radios." Sensing devices are the basis of the considerably less elaborate "electronics engineering" equipment now introduced by Triang-Lionel. This combine also offers a series of "plastics engineering" sets selling at prices from 39s. 6d. to 6 guineas, with which a child can actually carry out the different moulding processes. If the ideas—and the prices—catch on quite a lot of children will be several pegs up, technologically speaking, on their parents.

EUROPEAN CHEMICALS

A New Look

Entry into Europe poses new problems not only for British industry but for the magazines that serve it. Temple Press, now part of Mr Cecil King's magazine empire, has reacted to these new demands with *European Chemical News*, a lively technical and economic weekly focused on developments throughout the chemical and allied industries in Europe. Its first issue, published a fortnight ago, displayed an impressive coverage, presented in short news and background items rather than the long and detailed technical analyses that are more frequent in trade magazines.

One of its more impressive features is a table of comparative "local delivered prices" for chemical products across Western Europe. These are not as complete as it would like—for example, it is proving hard to collect representative prices for chemicals in the German market, which is at once secretive and chaotic—but the array is already more comprehensive than anything published anywhere else. And unfortunately, the only implication that can be drawn from these first, incomplete comparisons is that Britain still has to pay relatively high prices for its chemicals. The first ECN price table lists a range of 92 chemical products, with prices for most of them in Britain, France and Italy, for some in Belgium, and for a few in Germany. Of the 92 the British price was highest in 39 cases, often by quite a wide margin. Last week's issue gave prices for 102 products of which the British price was highest in 32 cases.

This new chemical trade paper has come into being at a time of turbulence in the chemicals industry (its own reaction to the ICI-Courtaulds struggle is to emphasise the value of Courtaulds' marketing strength in textiles, and the present difficulties of producers of chemical intermediates that cannot command outlets for their materials). Its own price comparisons suggest that with the entry of the British chemical industry into the common market it will have a good deal more turbulent changes to record.

CAR PARKING

Simplicity Pays

American realism and know-how are the ingredients that Meyers Bros. Parking System will bring to the new company it has formed with City Centre Properties and Hambros Bank to build multi-storey garages in Britain. Meyers is the controlling shareholder in the new company, Meyers Bros. Parking System, which starts operations with the existing garage in Aldersgate built by Mr Alexander Kaye—who becomes a joint managing director of the company. It is already negotiating for 22 sites in Britain and Ireland and has plans to build more in France and Belgium. Meyers claims that it can offer parking at rates much below those now commonly charged in Britain; certainly at Aldersgate, which was designed without its help but where it has advised on detail layout and operating methods, the charge of £60 a year for long-term contract parking is substantially below that of other garages in central London.

The secret of Meyers' low charges does not lie in any unique method of building garages, but in designing each garage to suit the needs of the site and the type of users it will attract, and in operating them with a small staff. The structure of the garages is kept simple and flexible—the minimum of pillars to restrict the parking layouts that can be employed, for example. Ramps for getting the cars upstairs are used wherever land is available; cars go up in lifts on only the most restricted or expensive sites. Gadgets like intercom systems and even closed-circuit television allow the manager to keep a close control over the activities of the staff and the state of the stock, as well as saving men's time. So do the firemen's poles Meyers uses sometimes: men can descend one floor three seconds faster by pole than by lift, it finds.

AID

More for Pakistan

The meetings in Washington of the "Aid India" and "Aid Pakistan" clubs—both have the same members—appear to have gone smoothly. India has come away with a pat on the back for progress so far achieved, and a promise of a further meeting in May to discuss its needs for aid for the second year of its third five-year plan. Members have, however, agreed that these are likely to be a good deal more than the $930 million offered last June; and they asked the World Bank to try and enrol new members for the club—there are some conspicuous omissions from Europe.

TWO YEARS' AID FOR PAKISTAN
($ million)

	Commitments June, 1961	Additional commitment January, 1962	Total
Canada	18·0	20·0	38·0
France	10·0	15·0	25·0
Germany	25·0	55·0	80·0
Japan	20·0	25·0	45·0
United Kingdom	19·6	28·0	47·6
United States	150·0	350·0	500·0
World Bank and IDA	77·4	132·0	209·4
	320·0	625·0	945·0

The Pakistan consortium, somewhat unexpectedly, produced more tangible results—the World Bank has been impressed with Pakistan's management of its affairs. Last June Pakistan asked for aid totalling $945 million to fill the hole its planners had left in the foreign exchange needs for the second and third years of its (second) five-year plan; year 2 ends this July. Pakistan was then offered $320 million; now the consortium has agreed to enter into additional commitments to provide the extra $625 million to bring the total for the two years to the requested $945 million. Of this total, Britain had offered $42 million last June for the first two years of the plan and promised an additional $28 million last week. It asked that drawings on this aid should be spread over the remaining years of the current plan. To avoid embarrassment at future meetings of the consortium Britain has warned Pakistan that, because of its own balance of payments difficulties, it will not be able to increase its aid for the whole of the five-year plan beyond the $70 million already offered. Britain's aid offers to India for the first two years of its current plan so far amount to $250 million, out of a total offered by the consortium of $2,225 million.

MARKETING RESEARCH

Business Compendium

One way of inducing order is to lump everything into broader and broader categories. This is rather what the British Institute of Management has done in its "Survey of Marketing Research in Great Britain." Marketing research—of which the familiar "market research" is only a part—appears to cover by definition the whole commercial bag of tricks, from "purchase of companies" to packaging. Faced with such profusion, 179 of the 265 companies asked funked replying to the questionnaire. Nevertheless, the analysis of the 86 answers received does give a broad indication of how research minded, outside the production field, British business is. It also suggests in what directions interest is concentrated.

The consumer goods manufacturers surveyed spent on average over three times as much on marketing research as the makers of industrial products—£66,000 a year each compared with £20,600. Nearly all the consumer goods firms ran some sort of research department of their own, while only 29 out of the 38 industrial manufacturers did so. This follows logically from the types of research that seem most popular—such as product testing, and the almost universal interest in "acceptability of new products" shown by the makers of consumer goods. For all firms, the heaviest concentration is on the various aspects of market research, though when it comes to export markets the consumer goods manufacturers again seem the keenest. Yet only 26 per cent of the industrial and 42 per cent of the consumer goods firms said they were researching into the suitability of their products for the export market, while at home such important subjects of study as distribution costs and future personnel requirements appear comparatively neglected. It seems that firms shirk particulars when looking into the future, for in contrast the vaguer kind of crystal-gazing, under the heading "long-range forecasting" is fairly popular, being indulged in by 74 per cent of the industrial and 65 per cent of the consumer firms. But at least this is probably a harmless indulgence: something like half the manufacturers do not act upon the recommendations contained in marketing research reports.

SHORTER NOTES

A Cotton Board delegation that has been visiting India and Pakistan to persuade manufacturers to limit their exports of yarn to Britain has not been successful. No restrictions were placed on yarns under the pact limiting exports of other cotton manufacturers from Commonwealth countries. But when the pact was recently renewed provision was made for restriction of yarn imports if they increased substantially. When the original agreement was made in 1958, imports of yarn were less than 15 million lb a year. In 1961, imports rose to 44 million lb.

★

Philip Hill Investment Trust is raising £5 million by a one-for-eight rights issue at 20s. a share. With the existing 5s. shares standing at 27s. the rights are worth about 9d. a share and the prospective ex rights yield is 2.4 per cent on the ordinary dividend, which for the year to March 31st is being maintained at 12½ per cent to comply with the Chancellor's wishes. In view of the "opportunities for profitable investment which continue to arise" the directors feel that new capital should be raised since existing resources are fully invested.

★

Under pressure of its estimated trade deficit of US $450 million for 1961, Argentina has imposed stiff deterrents to imports. The customs surcharge on luxury and non-essential goods has been increased from 150 per cent to 250 per cent, and a surcharge of 40 per cent has been placed on all types of machinery, previously free of import duty.

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Comments on pages 467 and 470 on:
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Dorman Long · British Oxygen
South Durham · Aveling-Barford
Cable and Wireless

STOCK PRICES AND YIELDS
Stock prices, yields and security indices on pages 468 and 469

MONEY AND EXCHANGES
Money market report, exchange rates and public finance on page 471

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COMPANY MEETINGS

NATIONAL PROVINCIAL BANK LIMITED

HIGHLY SATISFACTORY RESULTS

1961—A YEAR OF IMPORTANT ECONOMIC DEVELOPMENTS

MR D. J. ROBARTS ON GOVERNMENT'S ANTI-INFLATIONARY MEASURES

The 129th Annual General Meeting of National Provincial Bank Limited will be held on February 22nd at the Head Office, 15 Bishopsgate, London, E.C.2.

The following is the statement by the Chairman (**David John Robarts, Esq.**) which has been circulated with the Report and Accounts for the year ended December 31st, 1961:

Statement of Accounts. The Balance Sheet and Accounts of the Bank together with the Directors' Report are before you.

It will be seen that the liabilities of the Bank to its Current, Deposit and other Account holders at £946,557,603 exceed last year's figures by £15,686,910.

The total of our liquid assets—Cash, Money lent at Call and Short Notice, Bills and Re-financeable Credits—represents 36.6 per cent of our deposit liabilities. This compares with 33.6 per cent twelve months ago.

As a result of the further call made during the year, our Special Deposit with the Bank of England, £26,300,000, represents 2.8 per cent of our deposit liabilities as at December 31, 1961.

Investments in securities of, or guaranteed by, the British Government continue to be shown at a figure which is below their market value. The Balance Sheet value of £104,387,360 gives a ratio of 11.0 per cent to Deposits as against 14.5 per cent last year. We hold no undated Government securities and the majority of our holdings mature within ten years.

Our Advances stand at £441,902,278, which represents 46.7 per cent of our Deposits. The corresponding figures at December 31, 1960, were £415,568,727 and 44.6 per cent.

Profit and Loss Account. The account shows a net profit for the year of £4,256,388 compared with £3,565,996 for 1960.

Together with the amount brought in of £1,214,667 there is a balance for disposal of £5,471,055. An interim dividend of 7 per cent has been paid on the capital as increased by the issue of 3,003,760 £1 shares distributed and credited as fully paid to Shareholders in the ratio of one additional £1 share for every seven held at January 30, 1961. This took £1,030,290, leaving available £4,440,765.

It is now proposed to deal with this balance as follows:

To pay a final dividend of 7 per cent	£1,030,290
To appropriate to Reserve Fund	£2,000,000
This will leave to be carried forward	£1,410,475

The proposed final dividend of 7 per cent makes, with the interim dividend of 7 per cent paid in July last, a total dividend of 14 per cent in respect of the year 1961.

Subsidiary Companies. The Balance Sheet of Coutts and Company as at December 31st last and the Profit and Loss Account for the year ended December 31, 1961, accompany our own Report and Accounts together with a Consolidated Statement of Assets and Liabilities of North Central Finance Limited and its subsidiary companies as at September 30, 1961. Following the Bank's successful offer for the issued capital of the Isle of Man Bank Limited, the Balance Sheet as at December 31, 1961, and the Profit and Loss Account for the year ended December 31, 1961, of that bank are also included.

Head Office Premises. After most careful consideration, your Directors have decided that the time has come to rebuild the Head Office of the Bank. The main portion of this building is nearly 100 years old and, although it has been substantially modified over the years, it cannot now be regarded as making full and economic use of the large and most valuable site which it occupies. Shareholders will remember that we purchased the freehold of Gresham House in 1959, and the tenancies are arranged in such a way that we shall be able to obtain vacant possession of most of the building in the Autumn of 1964.

Building operations will start on the Gresham House site before the rebuilding of 15 Bishopsgate and 20/22 Old Broad Street commences, and the work will be phased in such a way as to enable the majority of the Head Office Departments to continue to function from the present address. The rebuilding project, when completed, will provide one large building covering the whole area of the Gresham House and Bishopsgate and Old Broad Street sites. This will house the Head and City Offices of the Bank, provide for future expansion and permit certain departments, which are at present expensively housed in other parts of the City, to be accommodated in the main building. In addition, there will be a substantial amount of space available for letting.

Taking into account both the rents which we anticipate receiving and saving, and the greater efficiency of operating in a modern building, your Directors are satisfied that the scheme is sound and well justified.

Some inconvenience will inevitably be caused to our present tenants in Gresham House, and this we much regret. We hope, however, to be able to offer to them much superior accommodation in modern offices when our new building is completed.

Management and Staff. At the end of 1961 Mr F. Keighley retired from the position of Chief General Manager of the Bank, after a most distinguished career. Mr Keighley entered banking at Leeds in 1915 as an apprentice with the Union of London and Smiths Bank, which was subsequently amalgamated with the National Provincial Bank of England.

In 1926 he came to the Advance Department in London, where he quickly established a high reputation with his work on many important and difficult problems which beset banking in the late 'twenties and early 'thirties. He was appointed successively an Assistant Controller, Inspector of Branches, Controller, Joint Chief Controller and General Managers' Assistant. Early in 1951 Mr Keighley became an Assistant General Manager and later that year a Joint General Manager.

He became Chief General Manager of the Bank in 1956 and was elected Chairman of the Chief Executive Officers' Committee of the London Clearing Banks in January, 1960.

We owe Mr Keighley a great debt of gratitude for his splendid work for the Bank which has extended over nearly 47 years.

I am glad to say that we are not to lose Mr Keighley's wise counsel as he has been elected a Director of the Bank and I will be asking you to confirm this appointment at the Annual General Meeting. Mr Keighley will also continue to represent the Bank on the boards of North Central Finance Limited and the Isle of Man Bank Limited.

Mr W. Lynn has been appointed to succeed Mr Keighley as Chief General Manager. During the course of his career Mr Lynn has held many important appointments and he has been a Joint General Manager since 1953. We are confident that in Mr Lynn we have a Chief Executive Officer who is admirably equipped to carry the heavy responsibilities involved.

At the end of June Mr H. C. Pearson, a Joint General Manager, retired after more than 44 years of distinguished service with the Bank. He was elected a Director of the Isle of Man Bank Limited and has subsequently been appointed Chairman on the retirement of Mr J. R. Quayle.

Mr R. F. Smith and Mr W. B. Davidson have been appointed Joint General Managers.

The very satisfactory results which have again been achieved would not have been possible without the great efforts of our loyal and efficient staff. Once again, on behalf of the Shareholders and Directors of the Bank, I would like to express our gratitude to them for their excellent work during the past year.

On the 7th June there occurred a tragic event which I record with profound sorrow. Mr H. Hartley, Manager of our Newcastle upon Tyne Branch, was shot dead in his room by an assailant who had sought an interview with him. Mr Hartley was a most loyal and efficient officer of the Bank and we were deeply shocked that he should be brutally murdered while carrying out his duties for the Bank. Our sincere sympathy goes out to his widow and sons.

The question of the security of our staff is one that is constantly before us and we are always seeking to improve our arrangements. I am satisfied that we have taken all possible precautions for the safety of the members of our staff and we shall continue to give very high priority to this important matter.

North Central Finance Limited. Our thanks and congratulations are due to the Chairman and Directors of our subsidiary, North Central Finance Limited. In a most difficult year they have achieved an increase in net profit of approximately £200,000 to £661,374. In view of the troubled times through which the whole of the hire purchase business of the country has been passing, this is a most praiseworthy performance and reflects highly efficient management.

A YEAR OF NOTABLE DEVELOPMENTS

The past year has been filled with events of great importance to the economy and so to the banking system of the United Kingdom. For the first time for ten years the Chancellor of the Exchequer produced a Budget which was, for practical purposes, in overall balance and the indications point to a reasonable realisation of his estimates. This is a most important matter because it goes to the root of inflation—the disease which has beset the country ever since the end of the Second World War.

Over the previous decade deficits in the national accounts had accumulated to the amount of £2,524 million and the National Debt rose by £2,330 million. To the extent that such huge deficits are not matched by genuine savings and higher productivity, the effect can only be inflationary. It would seem that a large part—more than £1,000 million—of these deficits has, in fact, been financed by increases in the note issue. One cause of the deficits has been the need to finance the nationalised industries. The British Transport Commission alone has made losses totalling some £475 million and in addition it now appears that £650 or £700 million of the debt of that body will have to be written off.

So the decade was clearly a period of serious inflation, the symptoms of which were recurring crises in our balance of payments position. The country's reserves are so small in relation to its liabilities and to the value of trade transacted in sterling that any adverse movement in trade or any weakening of world confidence in the stability of sterling has an overwhelming effect.

Such crises are also most damaging to business in the United Kingdom, necessitating, as they do, the imposition of restrictions on bank credit and, indeed, making all forms of credit harder and more expensive to obtain. In these circumstances planning ahead by businesses, particularly by those of small or medium size, becomes extremely difficult.

The 1961 Budget came too late to prevent the balance of payments crisis which came upon us last summer and which necessitated the "little budget" of July.

The measures then taken were more severe than appears to have been generally recognised. Bank rate was increased from 5 per cent to 7 per cent and the clearing banks had to deposit a further 1 per cent (making 3 per cent) of their deposits from the public with the Bank of England, thus depriving them of the power to lend that proportion of their funds to their customers. At the same time the banks were asked to restrict advances connected with personal consumption in the private sector of the economy. Such measures were by no means new. They had been used on several previous occasions in the past decade when a balance of payments crisis occurred. But this time there is a fundamental difference in that they have been accompanied by vigorous fiscal action in raising purchase tax and certain customs and excise duties. At the same time Government expenditure at home and overseas has been drastically reviewed. Such action is far more valuable than the exhortations to industry which have accompanied Government measures in the past unsupported by fiscal action.

The past year has been an eventful year also in regard to the foreign exchanges and foreign financial relations generally. The inflow of short-term funds attracted to London by the high money rates prevailing here, which was still continuing at the beginning of the year, was sharply reversed in March after the revaluation of the German and Dutch currencies. There followed a heavy drain on sterling due to the removal of hot money for speculation in other currencies on top of the current losses caused by the serious deficit in our balance of payments. The immediate impact was masked by the so-called Basle Agreement under which the principal European central banks agreed, in the interest of currency stability, to hold the sterling funds transferred to them without calling for repayment. This arrangement helped to meet the strain of the massive withdrawal of funds from London but it was, by its very nature, a temporary accommodation by the other central banks. Accordingly, in August the Government arranged to draw £536 million from the International Monetary Fund, which enabled the funds taken in by the European central banks under the Basle Agreement to be repaid. Meanwhile, the measures announced by the Chancellor of the Exchequer to strengthen sterling proved effective in stopping the outflow from London and £150 million of the drawing from the IMF has since been repaid. This was highly desirable as the drawing of £536 million had left the IMF with an insufficient margin of resources—particularly in European currencies—to meet all eventualities. A number of plans had been proposed to strengthen the powers and resources of the Fund and the one that emerged from the annual meeting of the members at Vienna in September proposed that the Fund should be empowered to borrow from countries with surplus reserves in order to give temporary assistance to other countries. This proposal was approved in principle and the detailed arrangements necessary are now being formulated.

GOVERNMENT'S ECONOMIC POLICIES

The decision of Her Majesty's Government to apply for entry, under suitable conditions, to the European Economic Community gives hope of closer integration with Europe in economic matters and, if President Kennedy can carry through his far-reaching proposal for more liberal tariff policies and perhaps some closer association between the United States of America and the countries of Europe, the vista is opened of a vast increase of international trade which should immensely increase the strength of the whole free world.

The year has therefore been marked by a number of developments aimed at securing closer financial and economic co-operation between the United Kingdom and Western Europe and eventually also the United States. These developments are all much to be welcomed as there is no future for any country in isolationism.

It is therefore all the more important that the Government should pay particular attention to the presentation of its economic policies. Those whose business regularly takes them abroad are continually finding that foreign financial authorities take a more pessimistic view of the future of sterling than we do ourselves. Needless to say we have ourselves been largely to blame for this, for we have, in the past, shown little sign of solving our balance of payments problem—possibly, and even probably, because governments have been too slow to take anti-inflationary measures and too quick to abandon them. But the present Government has decided to apply remedies which seem to be more appropriate to the disease and, moreover, has on the whole shown a clear determination to persevere with them. This being so, it should take more care about the presentation of its case and particularly in foreign countries. It can never, of course, prevent its political opponents from criticising its measures nor can it silence those correspondents who like to exaggerate this country's internal difficulties. But it should not be beyond the competence of the Government to counter this adverse comment. One of the most effective ways of doing this would be to avoid at all costs giving the impression of vacillation and of willingness to abandon a treatment just when it is showing signs of being effective.

Our balance of payments position and so our reserve position are both slightly improved, but, bearing in mind the outstanding credit from the International Monetary Fund, this process has a long way to go before we can afford to relax. Nevertheless, if the present sound money policy is continued, inflation and recurring crises in our balance of payments will become no longer the serious menace to all our activities which they have been in the years since the last war and, most important of all, the deficits on our trade balance can be held. Moreover, the halting of inflation will not prevent industrial expansion—indeed, to judge from the records of countries which have dealt with this problem, it is a necessary prerequisite of such expansion.

ALLIED RETAIL TRADES (LONDON)

THE CHAIRMAN'S STATEMENT

INCREASED TURNOVER AND PROFITS

The Fourteenth Ordinary Annual General Meeting of Allied Retail Trades (London) Limited was held in London on January 26th, **Mr W. Harold Martin,** chairman, presiding.

The following is an extract from his circulated statement for the year to October 1, 1961:

The group retail turnover was £3,810,528, an increase of £544,939 and more than a quarter of a million in excess of last year. We continue to expand and I have little doubt that the turnover next year will be in advance of £4 million.

I am pleased to report an increased profit at £181,032 as against £162,602 last year, an increase of £18,430, or some 11.4 per cent over last year.

During the year under review we purchased eight established branches and secured tenancies and opened nine new branches.

We have decided to recommend a final dividend of 15 per cent on the increased capital making a total of 21 per cent.

Our turnover during last year gradually increased throughout the year and shows every sign of continuing to do so. Therefore, provided nothing in the political world adversely affects our general position, we can look forward to a prosperous year with considerable confidence.

The report and accounts were adopted.

JOHN SUMMERS & SONS LIMITED

NEVER IN BETTER SHAPE

HIGHER PRODUCTION AND SALES BUT UPWARD TREND IN PROFITS CHECKED

INCREASE OF CAPITAL APPROVED

MR RICHARD F. SUMMERS ON THE OUTLOOK

The annual general meeting of John Summers & Sons Ltd., was held on February 1st at the Iron and Steel Institute, 4, Grosvenor Gardens, London, SW, **Mr Richard F. Summers,** chairman, presiding.

The following is the chairman's statement circulated with the report and accounts:

The year ended September last produced some marked changes in the economic outlook of the country and of the steel industry. In my last statement I indicated that there were signs of these changes on the horizon, and it was not long before we began to feel their effects.

It is unfortunate that the upward trend in profits which has been a feature for a considerable number of years has been checked, and that this year's figure shows a reduction of just over £1,000,000, but in view of all the circumstances I feel that the results should not be looked upon as unsatisfactory, for it must be remembered that in common with other steel makers we were adversely affected by an increase in the price of coal which became operative in September, 1960, an increase in wages which took effect from November, 1960, and finally the imposition of a duty of £2 a ton on fuel oil in the Budget in April.

The combined effect of these and one or two other items was to add something like £2,000,000 to our production costs. It is true that the Steel Board did agree to an increase of 1 per cent in the selling price in June last, but this only resulted in augmenting our receipts for the last financial year by some £130,000. Fortunately, however, despite a number of complications in the changeover from old to new methods of production, and one or two other difficulties which we encountered during the year, we did in fact increase our deliveries of finished steel by 27,000 tons.

A SATISFACTORY ACHIEVEMENT

In the circumstances I think we may consider this as a satisfactory achievement, for it must be remembered that we were passing through a year of intense competition both at home and abroad. There had been a very large increase in stocks of finished steel, and 123,000 tons of sheets were imported. These imports implemented commitments which had been entered into by some of our larger customers at a time when trade was booming and the motor and other sheet consuming industries were operating at a very high level. Unfortunately these imports and the withdrawal from stocks reduced the demand on home suppliers just at a time when their capacity was on the increase.

In trying to assess how in spite of these adverse factors we were able to produce and sell more of our sheets than in the previous year I can only assume that the majority of our customers, who have been dealing with us for very many years, were reasonably satisfied with the quality of our product and with our service. Undoubtedly we also benefited from the fact that we were able to offer a wide range of sheet and coil, covering not only the traditional qualities, but also our special sheets with various coatings—galvatite, zintec and stelvetite.

Modern trends in building construction are tending to require the use of more and more sheet steel, not only for external cladding and internal partitioning, but also for ducting for air conditioning, central heating and other services. This is encouraging; our coated sheets are particularly suitable to fulfil these needs, and I feel sure that we may look forward to a growing demand for them in the future.

FINANCE—INCREASE OF CAPITAL

I do not think I need comment on any of the items in the Balance Sheet or Profit and Loss Account as I feel that all the important points are clearly explained in the Report and notes on the Accounts. I would however wish to say something with regard to cash requirements and the capital structure of the Company. The developments at Shotton are now virtually completed, and there are at the moment no further large scale plans envisaged for those Works, but, as I mentioned last year, we are replacing a large part of the Shelton Works at a cost of approximately £18,500,000, a step which we considered essential if they were to remain competitive.

In the past we have financed a very large proportion of our capital expenditure out of our own resources, and it would be our intention as far as possible to continue this same policy in the future, but of course the extent to which we can do so must depend on the level of earnings over the next two or three years, for we are not unmindful of the interests of our shareholders, who quite naturally would expect us to pursue a reasonable dividend policy. Whilst we have arrangements for overdraft facilities with our Bankers and there is no immediate urgency, the Directors consider that in view of the overall commitments of the Company it may well be advisable at some appropriate time to raise some further capital. It is therefore proposed to hold an Extraordinary General Meeting after the close of the Annual General Meeting to seek authority to increase the Nominal Capital of the Company from £24,250,000 to £30,000,000.

On a major issue such as this we are naturally keeping in close touch with our Financial Advisers who have recommended the proposed increase in the Authorised Capital to which I have just referred, and they will advise us in the light of prevailing economic conditions when they think it appropriate for us actually to raise the new money, and the form the issue should take. I can assure you however that the Directors will not without further reference to Shareholders use any of this Authorised, but Unissued, Capital in a manner likely to affect the general nature of the business or the control of the Company.

I should like to point out, that even with this proposed increase in the Authorised Capital, the total will be comparatively small compared with the real value of the assets now employed in the business as a result of the way in which the Company has expanded since the end of the war. Capacity has been increased from 650,000 tons to approximately 2 million tons of ingots a year, and some £70 million has been expended on capital projects. If we had to start today from scratch to build a Works to make this amount of steel and convert it into the various products which we now manufacture it would undoubtedly cost two or three times as much.

FUTURE PROSPECTS. COMPETITION

Whilst the large capital expenditure at Shotton is virtually completed, we shall naturally be continually on the look out for any modern developments or additions which will increase our efficiency or help us to produce more economically. The introduction of oxygen in iron and steel making is just one of the matters which is being kept closely under review. We are undoubtedly in a highly competitive era, and the new strip mills coming into production in this country and

elsewhere make it essential for us to do everything we can to maintain and improve our competitive power.

We have always striven to operate our Company economically, and we believe that for its size the overhead charges are low, but this does not mean that we are necessarily satisfied; we shall go on looking to see where further economies can be made without impairing the efficiency of our organisation. Owing to the magnitude and complexity of some of the work that has been carried out, particularly during the last two or three years, it has been impossible entirely to prevent some temporary dislocations, with resultant increases in production costs. Now however that this work is finished and most of the initial difficulties have been overcome, even if the future order position may not for the time being allow us to take full advantage of the increased capacity, we are hopeful that provided we are not subjected to any financial impositions beyond our control our production costs will continue to show further improvement.

PRODUCTION RECORDS BROKEN

I am encouraged in making this statement by the fact that in November, 1961, production records were broken at Shotton in our blast furnaces, melting shop and rolling mills, which enabled us to achieve record deliveries. These record outputs and deliveries had a favourable effect on production costs, and have given a good start to the current financial year. It is disappointing that for the time being at any rate it looks as though market conditions may not allow us to continue operating at this level.

It seems clear now that the forecasts that the country would require an ingot output of 28 million tons by 1962 have turned out to be far too optimistic, and I think it may be some little time before this level of steel production will be required, with the result that we should not be justified in expecting our Company or the industry as a whole to be able to work to full capacity in the immediate future. If I am correct in this assumption then it is going to be the most economically operated Company that is likely to show the best results, and I am confident that now that the Works at Shotton have been completely modernised the Company's prospects should compare most favourably with any similar undertaking. The rate of our operations must of course depend on the requirements of our customers and their ability to increase the export of their products, and also on Government action with regard to hire purchase restrictions and Purchase Tax, which have such a big influence on the level of sales of consumer goods in the home market.

SELLING CONDITIONS

We realise that as far as selling is concerned the conditions that have prevailed virtually since the war have gone and are unlikely to return; therefore a much more intensified campaign is required in all markets. In view of this we have strengthened our selling organisation so that we may be in a position not only to look after our regular customers, but to go out and find new ones both at home and abroad. So far as export business is concerned it must be remembered that until quite recently there have been restrictions on the export of sheet steel, with the result that we have not been able to give our foreign buyers all that they would have liked.

Now we are faced with strong competition from foreign steelworks in practically all our traditional overseas markets. To meet this competition and to regain our proper share of the business the most intensive effort will be required. We feel sure that regular visits to our overseas customers by our selling and technical representatives will prove the most effective approach, and we intend to see that this policy is actively carried out.

COMMON MARKET

It now seems more or less taken for granted that Great Britain will at some time in the not too distant future join the Common Market, and there has been much discussion and speculation as to how this will affect the steel industry and its customers. I think it is true to say that the general view held by the industry is that it would be in the interests of the nation that we should join, and that if we did the steel industry would be able to compete successfully with the continental producers.

Discussions have been going on for some time as to what changes would be necessary if and when we join. It is clear that fairly drastic alterations would be required in a number of respects, especially with regard to pricing arrangements. Also consideration will have to be given as to how the Iron and Steel Board, the Restrictive Trade Practices Act and the central buying of certain raw materials by the British Iron and Steel Federation would be affected. These matters are at the moment being carefully considered by the Federation, and we are of course giving attention to our own position and trying to assess what alterations we shall require to make in our arrangements and organisation.

SUBSIDIARY COMPANIES

Shelton Iron & Steel Limited.—I explained last year why we felt it necessary to rebuild a large part of the Shelton Works, and events since have confirmed the wisdom of this decision, for it is even clearer now that in a few years' time the demand for many of the traditional products which Shelton are rolling today will have virtually disappeared. Good progress has been made on the preparation of the site, and a large part of the machinery is in the course of manufacture. Advantage has been taken of all the latest developments both of construction and design, and we are very hopeful that when the Works is completed it will represent the last word in what a modern small steelworks ought to be, with low production costs and capable of expansion if circumstances in the future should warrant it. The decision to modernise these Works has been very well received in the locality, and it is most gratifying to see the enthusiasm with which the officials there are tackling this development, which is of course vastly greater in its scope than anything with which they have had to deal in the past.

The financial results at Shelton, as at Shotton, were adversely affected by the increased costs of fuel and wages, and in common with other section rollers their order load fell away in the latter part of the year. In view of the difficulties the management need not be dissatisfied with the ultimate results.

Castle Fire Brick Company Limited.—I am glad to be able to report that all our Brick Works, both those making refractory materials and those supplying building and facing bricks, have been operating at full capacity throughout the year, and were successful in achieving a record profit. Last year we decided that wherever possible we would concentrate our production in fewer Works and install new machinery and labour saving devices; during the year satisfactory progress has been made along these lines. We are pressing on with this policy and look forward to further improvements in the future. We must congratulate the management of the Brick Works on their record year.

BOARD OF DIRECTORS

As stated in the Directors' Report Mr J. H. Pearce indicated his wish to retire in December last. He became a member of the Group when we took over the Wolverhampton Corrugated Iron Company in 1917, and was appointed a Director of the parent Company in 1931. All through these years his great knowledge of the industry was of inestimable value to the Company, and his charm of manner and scrupulous integrity made him a very popular figure with all those with whom he came in contact. We are very grateful to him for his friendship and his contribution to the Company's progress. We wish him well in his years of retirement.

CONCLUSION. TRIBUTE TO STAFF

In retrospect, last year was not an easy one for the reasons I have already mentioned, but a great deal of hard work was put in, and I wish to congratulate the Engineers and technicians who were responsible for the final stages of the developments at Shotton, and who succeeded in keeping interference with output down to a minimum. Praise must also go to the production people who did a fine job, at times under very difficult conditions.

The year however was not without its brighter side because we did in fact ship more finished steel than in the previous one, and the reduction in our trading profit of some 8 per cent, whilst to be regretted, is considerably less than some forecasters seem to have feared would be the case. As far as the future is concerned it is not easy to make any accurate prediction as to what the position over the next few months is likely to be.

It is difficult to see any spectacular improvement in demand in the immediate future, and we know that during the year the capacity for the production of flat rolled products will be increased, but earlier I referred to the fact that contrary to the general trend we had increased our deliveries last year and I suggested two or three reasons which I felt might have contributed towards this achievement. I see no reason why these factors should not continue to have an influence on the position during the current year, in which case I would expect that we should get at least our fair share of whatever business is available.

NEVER IN BETTER SHAPE

It is very easy when everything is going smoothly and well to believe that such circumstances will continue indefinitely. Conversely it is not easy during times of slack demand to realise that better times must surely lie ahead. Anyway, the Company has never been in better shape to cope with whatever problems it may have to face. Last year clearly demonstrated that we possess certain valuable advantages. We have first class equipment and loyal and efficient employees who have given the Company excellent service in the past, and on whom I know we can rely to do the same in the future.

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

COLVILLES LIMITED

STEEL PRODUCTION REACHES LOWER LEVELS

EFFECTS OF GOVERNMENT MEASURES

UNCHANGED PRICES IN FACE OF INCREASED COSTS CUT PROFITS

SIR ANDREW McCANCE'S REVIEW

The Thirty-first Annual General Meeting of Colvilles Limited was held on February 2nd at Glasgow.

The following is the circulated statement by **Sir Andrew McCance, DSc, LLD, FRS, DL,** chairman and managing director, for the year to September 30, 1961:

The strong demand for steel at the commencement of 1961 showed signs of weakening as the year progressed. Production by the end of the financial year in September had fallen to markedly lower levels. What might have continued as a relatively slow rate of decline was accelerated into a more rapid change by the measures the Government found it necessary to introduce to curb the increasing inflation which had become more and more serious as the year proceeded. These measures have had a marked effect on demand and at the present time production is only about 70 per cent of that at the beginning of the year. It is to be hoped that during the early part of 1962 indications of a recovery in the state of trade will be observable.

THE DIRECTORATE

I have received an intimation from Sir Frederick Rebbeck that he does not wish to offer himself for re-election at the end of his present term as a director. Sir Frederick has been a member of the Board for nearly 25 years and we are very sorry to lose his services as we have received from him always the most helpful advice and guidance.

Mr James Gibson has found it necessary for health reasons to relinquish his position as a special director. He has been associated with the company for 55 years and we greatly regret losing the benefit of his wide experience in steel manufacture.

I have pleasure in stating that the Board have appointed as special directors of the company Mr W. Banks, General Manager of Ravenscraig Works, and Mr. A. Young, General Manager of Clydebridge and Clyde Iron Works. They will both bring a wide experience of works management to bear on the operational control of our new developments.

With the large-scale developments now nearing completion much additional work has been thrown on the staff and employees in the Colville organisation. The Board are very appreciative of the excellent response which they have made to these new commitments and of the attention which they have given to the business of the company during a difficult time.

ACCOUNTS

The expenditure on capital account this year of £33,095,000 brings the total assets above £100,000,000 for the first time in the history of the company. This expenditure has been met by drawing on the Government loan to the extent of £15,000,000 and by raising approximately £15,000,000 from the market by means of a rights issue. This explains the large increase in the cash in hand which stands in the consolidated balance sheet at £8,762,000. The group however has still £61,000,000 to spend, of which £27,000,000 is committed in respect of contracts, so further drawings from the Government loan will be required.

I hope that the publication of the rate of interest (6⅛ per cent) and the amount of interest paid (£516,010) will make it clear that the Government's contribution to the financing of the strip mill project was in no sense a subsidy and not on the charitable basis alleged in certain quarters.

On the profit side, the striking feature is that in spite of an ingot production of 2,041,947 tons, only slightly different from the production of 2,056,467 tons last year, the trading profit has fallen to £10,892,508—a drop of £2,654,332 from the record figure of last year. This drop is in spite of the benefit of economies arising this year from improved plant and methods. The charge for taxation has been significantly reduced through the operation of investment allowances.

GROWTH OF COSTS

Without question, the reduction in profit was caused by continued increases in the costs of production during the year and by the reluctance of the Iron and Steel Board to pay adequate regard to those increases and to the responsibility which they carry when determining the selling prices of steel products. Against increases justifying a 3 per cent addition to prices, an increase of only 1 per cent was granted in July and this has caused a marked reduction in our trading surplus. Smaller margins reduce our ability to finance developments and in the long term will reduce our capacity to provide more employment.

The considerable expenditure on development has made it necessary to transfer £3,000,000 to the general capital reserve and it was thought advisable to add £2,000,000 to the general reserve.

The Board recommend that a final dividend of 10 per cent should be paid, making a total of 16 per cent for the year.

STRIP MILL DEVELOPMENT

The various sections of our 68" strip mill scheme have kept reasonably in step with the scheduled construction programme. Delivery of the main mill components has been in accordance with planned arrangements, but delays have taken place with some secondary electrical equipment, and a rearrangement of construction programmes has been necessary.

Some of these delays have been also due to labour disputes and so-called unofficial strikes. Most of the demands put forward in justification of these strikes are unrealistic—like the demand that Saturday should be a free day and Sunday work at double time rates should take its place. The impression remains that such demands are put forward knowing they will be refused: they serve the purpose of making difficulties and of impeding progress and Britain has suffered heavily in recent years from such tactics.

The Ravenscraig slabbing mill, which should have gone into operation in December 1961, is now expected to start in February 1962.

The strip mill should be in a position to start during the second half of 1962. The training of personnel is in active progress at the present time and this will ensure that the mill starts up with adequate and well-trained crews. It is a pleasure to acknowledge the assistance in personnel training which we have received from the Republic Steel Corporation in America and from our strip mill colleagues in the United Kingdom and abroad. All have been most generous with their help.

COLD REDUCTION MILL

Excellent progress has been made with the cold reduction mill at Gartcosh, which commenced production in December. We were offered and accepted an order to cold-roll hot strip from Russia for re-export to that country and this will help to improve the production load on our mill for the time being.

A team of technical managers has returned from a study tour of the plant and methods used for continuous galvanizing and their recommendations regarding the plant to be installed at Gartcosh will come up for consideration at an early date.

During the construction of the L-D plant at Ravenscraig, a patch of unexpected unsoundness was discovered in the site necessitating much additional piling. This difficulty has now been satisfactorily surmounted and progress is proceeding normally.

Negotiations for the installation of a second liquid oxygen plant of 200 tons per day capacity are under way with the British Oxygen Co. Ltd., who will operate the plant, and construction will be so timed that the additional output will be available when required. It will bring the total oxygen capacity at Ravenscraig to 400 tons per day.

DEVELOPMENT—OTHER SCHEMES

The 4-high plate mill at Clydebridge Works has proceeded according to the construction plan in spite of interruptions due to sporadic strikes which our sub-contractors have experienced. When completed, the capacity of this mill will enable a concentration of our plate rolling facilities to be carried out and bring about definite economies in production costs.

The new sinter plant at Clyde Iron Works is operating and the increase in the proportion of conditioned sinter added to the blast furnace burden has brought about a welcome reduction in the coke consumption.

After preliminary trials, orders were placed for the plant to apply oil injection to a blast furnace at Clyde Iron Works and it is now operating. If successful its use will be extended. This should achieve a reduction in our requirements of coking coal which has become increasingly expensive in Scotland in comparison with the price in other districts and in other countries.

In 1947 when the pits were taken over Scottish coal was competitive in cost and price with coal from other districts. In spite of the huge sums of money spent on mechanisation during the intervening years, the output per man employed was no better in 1960 than it was in 1947. This failure to improve productivity lies at the root of the economic troubles in the Scottish coalfields.

The universal beam mill at the works of the Lanarkshire Steel Co. Ltd. commenced operations in July this year. This mill has proved completely successful and the universal beams we are now able to roll have met with a ready welcome from all our customers. In this mill the rolling operation is fully automatic and investigation is under way to convert the cutting and assembly of the universal beams for customers' orders to a similar degree of automation. Meantime the state of trade for heavy sections has followed the pattern of other heavy steel products and the absence of major construction schemes in the Scottish area is also having its effect on the demand.

The hot blast cupolas at the works of the Fullwood Foundry Co. Ltd. are now in production although the completion of this scheme took longer than anticipated owing to delays in the delivery of components. It is too early yet to indicate the extent of the economies which will result from this plant, but the Board of the company have no doubt that when in full operation it will prove a real acquisition. I am glad to report further progress in the export business of this company.

DEMAND FOR SPECIAL STEELS

The demand for special steels which are mainly consumed by the motor industry, came under the same influences as heavy steel products and the output of The Clyde Alloy Steel Co. Ltd. during the past year has suffered some diminution. The company however had the advantage this year of operating the Hallside Works where new methods to facilitate production have been introduced.

New methods however take time to achieve their full advantage as operators have to acquire skill in their use and initial troubles with machines affected the first half of this year. These have now been overcome and there is every indication that the Hallside Works will amply succeed in the purpose for which it was reconstructed.

The remaining development in progress is the construction of the 80-ton electric furnace which should be in production towards the end of 1962. A substantial extension to the light casting department at Craigneuk Works was undertaken some years ago and a steady increase in production has followed its completion. In spite of the uncertain level of general trade, the production of light steel castings during the past year has achieved new records and this department has operated at almost its capacity during most of the past year. In the heavy foundry section, while the pressure of demand has not been so great and margins have suffered, a satisfactory level of production has been maintained.

BLANCHLAND FLUOR MINES

At our smaller subsidiary, Blanchland Fluor Mines Ltd., steady underground exploration has been proceeding for some years, and it is gratifying to record that large additional reserves have been located. There is every indication that the fluor is of excellent quality and a flotation plant for the production of high purity fluor is under consideration as there is an increasing demand for this grade at home and abroad.

As reported in 1959, the development of a limestone quarry at Shapfell was undertaken and the scheme is now well advanced in construction. The plant will be of the most modern type and in the layout attention has been paid to everything that would facilitate the efficient mechanised production and transport of limestone. This quarry will start operations during the early summer months. The Board have agreed to form a subsidiary company called Shapfell Limestone Ltd. to supervise and operate this extension. As finance for the scheme will come from the parent company as a development loan, it has been decided that Shapfell Limestone Ltd. will have a nominal capital of £100, all shares being allocated to Colvilles Ltd.

THE FUTURE

The efforts of the Board for some time have been directed towards modernising plant and methods for the purpose of bringing down production costs. As the older plant is reduced and a larger share of production comes from plant of recent design, opportunities for reducing costs become fewer and the possible savings are not so great.

When that stage is reached further increases in production costs whether due to fuel, wages, taxation charges, or other causes, cannot be balanced by production economies and must be reflected in increased selling prices or reduced margins. Policies which do not recognise this state of affairs stand condemned.

COMMON MARKET PROBLEMS

Unfortunately a reorientation away from the simpler association of costs and prices to less practical if more erudite economic theories seems to be fashionable at the moment and dangers to our trading results are already threatening. This is all the more to be regretted at a time when application by Britain to join the Common Market has been made.

On this matter some observations are necessary. There seems to be an idea, for instance, that the lower average rate of expansion during the past ten years in Britain's industrial production of 2.9 per cent per annum—the lowest of all European countries—will receive an immediate fillip when we come within the Common Market whose average increase during the same period was 6.4 per cent per annum, with Germany heading the list at 12.5 per cent. Such a conclusion is unwarranted. We can never move any faster no matter with whom we are associated until the basis of our own economy has been improved and until the mistake of placing heavy burdens on industrial costs has been recognised and put right.

The recent tax on fuel oil of 45s. per ton hits the steel industry particularly hard, coupled as it was with a refusal to give an opportunity to reduce costs by the use of imported coal. The chances of export orders for steel are further impaired when British coal has been sold to continental countries at prices substantially less than those charged to steel works at home.

BURDEN OF LOCAL RATES

Following the revaluation of our works, local rates paid by the Colville group have been increased by approximately £600,000 this year and when derating ceases, the aggregate increase will be £1,600,000 per annum, or more than 20s. per ton of steel despatched. Bearing in mind that in a works like Ravenscraig covering a large area we produce at our own cost all the electricity to light our roads which we maintain in repair at our own expense, that we are responsible for the supply of all the industrial water we use, and that we maintain a security force to guard the plant, it seems very unfair that the full extent of local rates should be charged to us.

Over the years the export record of the steel industry has been good. Such accumulating burdens however must gravely impede the progress of the export drive and weaken the efforts now being made throughout the country to correct the lack of balance in our external trade.

PROSPECTS

Regarding future prospects, when the large development schemes are completed and come into production they will bring about in time a considerable increase in the annual turnover. Given normal conditions of trade, with reasonable selling prices, the company can expect to derive substantial benefit from these extensions to its business activities.

A YEAR OF SIGNIFICANT NEW DEVELOPMENTS

Mr R. G. Soothill, Chairman of Turner & Newall Limited

The forty-second annual general meeting of Turner & Newall Ltd. will be held on February 22, 1962, at the Chartered Accountants' Hall, Manchester, when it is expected that **Mr R. G. Soothill,** the Chairman of the Company, will preside. The consolidated trading profit for the year ended September 30, 1961, was £14,778,690 (including £1,074,343 in respect of British Industrial Plastics Ltd. and Stillite Products Ltd. acquired during the year), compared with £13,636,555 for the year ended September 30, 1960. Mr Soothill's Statement to the Shareholders has been circulated to them with the Report and Accounts. The following is a condensed version of the Statement:

I wish to refer, with deep regret, to the death of Mr C. H. Glassey which occurred on July 3, 1961. He had been appointed to be a Director of Turner & Newall Ltd. on the acceptance of the offer made to the shareholders of British Industrial Plastics Ltd., when the latter company became a subsidiary. His death was a very sad blow to us all and represents a severe loss to British Industrial Plastics Ltd. and to the plastics industry as a whole.

REVIEW OF OPERATIONS

The financial year under review opened with activity in general trading fully equal to that experienced in the preceding year. This satisfactory trading level continued until the summer of 1961, when the effects of recent Government policy began to make themselves felt. As a result, the last quarter of the financial year was characterised by greater difficulty in maintaining the previous figures of turnover in the home companies and by continued pressure on profit margins. Overseas, the experience of our manufacturing companies as a whole was not unsatisfactory, while our mining operations yielded improved results. The net result of a varied experience shows a slight increase in the profit level achieved by Turner & Newall Ltd. without its recent acquisition of British Industrial Plastics Ltd. and Stillite Products Ltd., while the latter two companies have made an added contribution very much in line with what was anticipated.

The year has been unusually interesting in that it has seen the successful development of a number of significant schemes to the stage at which concrete results have been achieved. The following summary will illustrate the wide extent to which the financial resources of Turner & Newall Ltd. are being further deployed.

In the early part of 1961 we made an offer for the ordinary shares of British Industrial Plastics Ltd., which was supported by the Board of that company. The offer was accepted by the required majority of those to whom it was made, and British Industrial Plastics Ltd. subsequently became a wholly owned subsidiary of Turner & Newall Ltd. In addition, during the past financial year, we purchased Stillite Products Ltd., which manufactures mineral wool in various forms.

Looking overseas, a company has been formed in Australia to be known as Hardie-Ferodo Pty. Ltd., in which our good friends, James Hardie Asbestos Ltd., will be majority shareholders, but in which we shall have a substantial minority interest. The new company will manufacture and market in Australia friction materials for the automotive industry and for general engineering purposes.

After friendly and cordial discussions with the Premier of Eastern Nigeria and members of his Government, we reached agreement with them leading to the formation of Turners Asbestos Cement (Nigeria) Ltd., which is now erecting near Enugu a new factory for the manufacture of asbestos-cement products.

We believe that the problems now facing the Republic of South Africa will be overcome and have not allowed the present situation there to turn us from our policy of deliberate and steady expansion. We have recently announced our decision to expand our asbestos-cement manufacturing activities by transferring our operations to a new and larger factory in Durban. This development will be carried out by Turners Asbestos Products (Pty.) Ltd., a subsidiary of your company in which there is now a minority South African shareholding

In conjunction with Cement Ltd. of Dublin a plant to make asbestos-cement pipes is to be established in Eire. Turner & Newall Ltd. will hold one-third of the capital of this newly-formed company—Asbestos Cement Pipes Ltd.

I am sure that when you take into consideration all our new projects both at home and overseas you will agree that during the past year your Company has achieved much forward movement.

The establishment of new interests outside the United Kingdom in no significant way diminishes the capacity or the firm intention of Turner & Newall Ltd. to play its proper part in increasing the export of British-made goods. All our home manufacturing companies are continuing to pay the greatest attention to this task and in spite of unabated competition their combined export turnover this year has again shewn an increase. The task is not an easy one, but we are confident that our technical position and marketing experience will enable us to continue this progress and, in particular, we look on the possible entry of this country into the European Economic Community as an extension of the trading opportunities available to us.

MINING COMPANIES

Southern Africa

The combined results of our mining companies in Southern Rhodesia, the Republic of South Africa and Swaziland, were very satisfactory during the year ended March 31, 1961, both turnover and profit showing increases. It is impossible to forecast the nature and extent of problems which may lie in the future, but at the present time there is no reason to expect any substantial change in our mining situation. Price competition has increased, but we are in a position to face this with reasonable equanimity.

Canada

The impact of price competition is also very apparent in the Canadian asbestos mining scene and Bell Asbestos Mines Ltd. cannot escape its consequences, but operations continue on the enlarged scale referred to in my last Statement and, unless the competitive picture grows worse, there is no reason to suppose that the long-continued prosperity of this company will suffer any serious setback.

MANUFACTURING COMPANIES LOCATED IN THE UNITED KINGDOM

Turner Brothers Asbestos Co. Ltd. and associated companies

Total production and sales of Turner Brothers Asbestos Co. Ltd. again achieved new records. A slight decline in demand for some asbestos products for the motor trade was more than offset by an increase in the company's export trade to a new record level, despite keenly competitive trading conditions in European markets, where the largest increase in export turnover was nevertheless achieved.

In the fields in which its specialised insulation materials are employed, J. W. Roberts Ltd. achieved improved results, to which increased sales of its asbestos and glass reinforced technical plastics made a substantial contribution. Nearly half of this company's turnover was earned in export markets.

At Glass Fabrics Ltd., progress continued to be made in the technical problems relating to glass textile manufacture. In spite of a temporary check in the national demand for glass reinforced plastics, sales of glass textile products expanded during the year and demand was buoyant at the close.

Ferodo Ltd.

A small increase in turnover has been achieved in the past year in spite of the reduced level of activity in the motor industry. This results from successful trading in the home automotive replacement market, the cushioning effect of the company's diverse activities outside the automotive field, and another record year for overseas business.

Attention has been concentrated on the technical development of the brake pads used in disc brakes and on the expansion of the necessary production facilities. The winning car, whether British or Continental, in every major international event but one throughout the season, was fitted with our brake linings, an achievement which helps to sustain "Ferodo" as the best known brake lining in the world. Construction of the new factory for Ferodo Ltd. at Caernarvon (at a cost of approximately £2,500,000) is approaching completion.

Turners Asbestos Cement Co. Ltd.

During the year, demand for industrial, domestic and agricultural building materials has been well maintained and Turners Asbestos Cement Co. Ltd. has secured its full share of the market. This company supplies, under its trade marks "Everite" and "Turnall," not only the well known asbestos-cement roofing sheets but also many other asbestos-cement materials for building work, and pipes for carrying water, for sewage and for drainage. It offers a wide range of materials which provide the fire protection and thermal insulation which the architect requires.

Capital development continues; extensions are currently in hand at three of the company's factories and work is well advanced on the construction of the company's seventh factory, which is a new £1 million plant at Ditton in Lancashire.

The Washington Chemical Co. Ltd.

Newalls Insulation Co. Ltd. and Stillite Products Ltd.

Turnover in the chemical products of The Washington Chemical Co. Ltd. did not quite reach the level of last year's record figures. Extensions to the factory at Washington, Co. Durham, were well advanced by the end of the year, while additions to the research block will be completed in the current year.

In spite of the keenest competition, the contract turnover of Newalls Insulation Co. Ltd., differed little from last year's peak level. Profit margins in the insulation industry have been heavily cut, but Newalls Insulation Co. Ltd. receives the continued support of its customers, both at home and abroad. The company's range of manufactures of insulation products now includes "Newtherm" calcium silicate and glass fibre which supplement the magnesia and amosite asbestos range.

The acquisition of Stillite Products Ltd. will be of considerable assistance in the utilisation and marketing of fibrous types of insulation.

British Industrial Plastics Ltd.

This group of companies, which covers the broad field of the plastics industry, experienced a satisfactory year in which, despite more difficult trading conditions at home and overseas, turnover was maintained although profits were somewhat lower than the record level of the previous year. The moulding powders and specialised resins made by B.I.P. Chemicals Ltd. and sold under the trade marks "Beetle" and "Melmex" continue to be leaders in their markets; the plants which produce them are now being rebuilt and modernised to enable us to meet the steady growth in demand which we anticipate.

The engineering companies, B.I.P. Engineering Ltd. and B.I.P. Tools Ltd., both continue to be extremely active and both increased their turnover The capacity of both companies is being increased.

The production and sale of polyester resin glass fibre reinforced sheets have expanded rapidly. These sheets, which are marketed under the "Filon" trade mark, are available in a fully comprehensive range of profiles and have established an excellent reputation throughout the building industry. An increase in production capacity is at the planning stage.

The plastics moulding side of the B.I.P. Group, which includes "Gaydon" tableware, has been reorganised during the past year so as to concentrate trade moulding at Streetly and consumer goods moulding at Maryport.

MANUFACTURING COMPANIES LOCATED ABROAD

United States of America

Keasbey & Mattison Co., which now operates plants in six locations in the United States of America, had a rather more difficult year because of the less buoyant trading conditions and considerable pressure on selling prices throughout the American economy. Turnover was maintained but there was some reduction in profit figures because of lower margins and of the starting-up costs connected with the new pipe plant in Texas, which commenced operations in July. Trading conditions for the future promise to be rather better than those recently experienced.

Canada

The turnover of Atlas Asbestos Co. Ltd. increased significantly during the year under review. This increase was almost entirely due to the rapid expansion in the sales of asbestos-cement pipes, which are being produced in steadily increasing volume.

In recent months arrangements have been made, by the formation of a new trading company, Ferodo (Canada) Ltd., to relieve Atlas Asbestos Co. Ltd. of the specialised problems involved in the marketing of brake linings.

India

The prosperity of Asbestos Cement Ltd., which manufactures asbestos-cement building materials, is largely dependent on availability of asbestos fibre, its principal raw material, and this, in turn, depends upon the amount of foreign currency which the Government of India releases for the purpose.

In spite of mounting difficulty in this respect, and of the problems of distribution arising out of an over-burdened railway system, both turnover and net profit have increased.

There has also been a gratifying increase in both turnover and profits of Asbestos, Magnesia & Friction Materials, Ltd., whose operations at Ghatkopar continue to grow. Plans for a substantial enlargement of capacity, particularly for brake linings, are now coming to fruition.

The Republic of South Africa

I have referred earlier in this Statement to our plans for the expansion of Turners Asbestos Products (Pty) Ltd. Inevitably the current political uncertainty has held back the general economic development of the Republic of South Africa and consequently demand has been lower, competition greater, and the company's turnover and profit adversely affected—though only to a quite modest extent.

Federation of Rhodesia and Nyasaland

Political uncertainty has also reduced the turnover and profits of Turners Asbestos Products (Pvt.) Ltd., but the company is in an excellent position to improve its results just as soon as the political problems are overcome.

GENERAL

Dividend on Ordinary Stock

Your Board has pleasure in recommending a final dividend of 8 per cent on the Issued Ordinary Stock of the Company, making, with the interim dividend already paid, a total distribution of 12 per cent for the year. This is the same rate of dividend as for the previous year, but it is, of course, now payable on capital as increased by the issue of shares in part payment for the ordinary capital of British Industrial Plastics Ltd.

General Outlook

Stockholders will readily understand that, at the time of writing this Statement, uncertainty as to the short term economic outlook, in the United Kingdom and elsewhere, makes it impossible safely to estimate what our own experience will be in the financial year ending September 30, 1962. With its widespread interests, Turner & Newall Ltd. cannot detach itself from the fortunes of markets overseas or from the experiences of a wide variety of industries at home. Nevertheless, in both mining and manufacturing, our operating companies are, I believe, in a condition to meet all competition with confidence and, if the economic climate develops favourably during the course of the present financial year, we can hope for further satisfactory results even though the immediate picture may be somewhat less favourable. We shall, of course, continue our firm endeavour to increase our share in the total trade available, both at home and overseas.

THE TURNER & NEWALL GROUP

THE BRITISH OXYGEN COMPANY LIMITED

REVENUE WELL MAINTAINED

CHAIRMAN'S REVIEW OF PROGRESS

Extract from statement by **Mr J. S. Hutchison,** Chairman, to the seventy-sixth Annual General Meeting of members to be held on February 20, 1962.

BOARD

I am glad to be able to announce that Lt.-General Sir John G. Cowley, KBE CB AM, who retires as Master-General of the Ordnance on February 6th will join our Board thereafter and his appointment will come before you for approval at the annual meeting. His wide experience should enable him to take an important part in our councils.

PROFITS

The general picture of home trading was one of moderate sales expansion, and of further growth in costs particularly in the second half-year. Home profits were £7,033,598 against £7,385,743, before charging depreciation of £3,093,005 (£2,842,768).

Sales by our overseas companies were adversely affected by political and economic influences in some countries, and there was a general increase in costs. Profits were £6,802,339 against £6,877,221, before charging depreciation of £2,133,277 (£1,904,255).

FINANCE

Our programme of future capital expenditure may exceed the £40m. quoted a year ago. It covers, in roughly equal amounts, the expansion requirements of our general home business, the replacement of some of our older assets, the provision of special plants for the supply of industrial gases in tonnage quantities to the steel and chemical industries, and our needs for overseas development. Some additional finance will be required for this during the current year and we have arranged with our bankers for the amount we expect to need.

Additional permanent finance is likely to become necessary at a later stage, and this depends not only on completion of plans but on their timing. I expect to be able to state the position more definitely a year hence.

UNITED KINGDOM TRADING

Gases.—Sales advanced all round, with nitrogen and hydrogen making a better showing than expected, and argon and propane well ahead, helped by new arrangements for bulk supply in liquid form.

Tonnage oxygen.—We are now supplying the steel industry with tonnage oxygen from plants having a total capacity of 1,830 tons per day. These plants were built in our own workshops, with the exception of one made by a competitor which we agreed to take over from a customer and use along with our own plant to provide supplies on a more comprehensive basis. During 1961/2 we expect to bring into service further tonnage plants raising our capacity to 3,500 tons per day, and by the end of 1963 it will reach 4,300 tons per day.

User equipment.—Sales were fully maintained despite lessened activity in some branches of engineering, and included the first two of our very large Eagle computer-controlled flame cutting machines now installed in British shipyards and operating in every way up to expectation. At the other end of the scale, our newly introduced small Pug cutting machine has been an immediate success, with sales in the first few weeks running substantially above estimates.

Electric welding.—The market for electric welding products is fiercely competitive, with production capacity substantially in excess of demand. Techniques are changing rapidly and much technical skill has to be employed to keep in the van of progress.

Manual electrode and equipment sales were, however, practically maintained. Lower sales of automatic equipment were offset by improved semi-automatic sales where we gained a lead by using our versatile Lynx equipment in the new dip transfer process for welding 16/22 gauge sheet with thin wire, using CO_2. But there is little sign of expansion in the market, and our growth will depend on maintenance of technical leadership.

CHEMICALS DIVISION

Sales increased and profits were better than expected, although lower than last year. Melamine sales declined a little owing to competition from new capacity in all producing countries. We expect this situation to continue for a time but we look for improved demand in due course. Sales of Vandike vinyl acetate emulsions, on the other hand, improved substantially. In this most competitive business we have to be quick to develop new brands and to find new outlets.

The carbide and acetylene factory at Londonderry has completed a first full year's operation but the off-take of acetylene by our principal customer was less than had been expected, and, although there was steady improvement during the year, we finished up with a loss instead of the profit expected from fuller working. Sales have continued to rise, but we have now to face the unlooked-for burden of the 2d. per gallon tax on oil imposed in the last budget.

OVERSEAS

It gave us the greatest pleasure to welcome here for a conference in June, on the occasion of our 75th anniversary, the chairmen and chief executives of all our overseas companies. This was a unique occasion and proved to be of great interest and value to everyone who took part, strengthening greatly the ties and family spirit throughout the group.

Last year, Commonwealth Industrial Gases Limited was adversely affected in sales and profits by the economic measures enforced by the Australian Government. Prompt action was taken to meet the new situation, and the year ended with better results than at one time had been expected. The improvement continues and results may be fully restored this year.

In India, sales were helped again by the increasing rate of industrialisation, but profitability was modified by higher costs. We plan to extend our industrial gas capacity and to enlarge electric welding and equipment manufacture and, although there is growing competition, we expect to find full employment for our many units.

African Oxygen Limited had another good year. Extensions of industrial gas and electric welding capacity are in progress and we shall start manufacture of some lines of user equipment.

In East Africa and the Rhodesias sales and profits were good and would almost certainly have been better but for the political unsettlement.

Our other overseas companies, working in fluctuating markets and political conditions, progressed steadily.

RESEARCH

Research continues, guiding and improving our present activity, and pointing the way for the future. Our programmes cover many subjects and are under constant and critical review to ensure that we keep in the forefront of scientific development. Recent work on super-insulants is now being applied in the handling and storage at extremely low temperatures of hydrogen, helium and other gases in liquid form, with marked reductions in the evaporation losses hitherto experienced with these expensive products. Our recent purchase of Dupree Swift and Company Limited, manufacturers of special vessels for handling and storing cryogenic liquids, adds to our development in a field of growing importance.

TECHNICAL DEVELOPMENT

Our technical development staffs are now grouped together in new premises and are responsible for the applied work that links basic discovery and marketable products. An example is the introduction of the Eagle computer-controlled flame cutting machine which is far ahead of corresponding American, Russian and Continental work of this kind, and is arousing widespread interest. Again, in electric welding, the new Subare machine for automatic vertical welding of thick plates has been introduced with marked technical and economic success. Our position in automatic welding is increasingly recognised on the Continent, and leading manufacturers in Germany and France are now licensed to produce our patented electrodes. Our technical development work is wide in scope and plays a most important part in our service to customers. It will, I hope, be a means of extending our influence under Common Market conditions.

PROSPECTS

There have been great changes in the British industrial scene in a short time. Reductions in tariffs, the abolition of price agreements, technological progress and the transfer of production overseas, have sharpened competition, narrowed profit margins, and made it necessary to rationalise in many directions. One trade after another has sought to face the new situation by amalgamations and diversification, and many of our fundamental industries, already operating on bare profit margins, see little prospect of improvement under present conditions.

Is this then to be the state of preparedness for the Common Market with all the upset, as well as opportunity, it will hold? Are we as a nation confidently placed for entry to it if the negotiations succeed? The plain answer is that we are not, and that urgent steps are necessary to correct our recurring economic crises and to give constructive encouragement where it is most needed. We cannot afford to continue any longer with supposedly corrective measures that restrict essential and non-essential industry alike, or impose measures and taxes that increase the cost of living and generate further wage and salary demands. These in their turn push up costs and reinforce the inflationary spiral.

There is need to establish priorities. As I see it, apart from the obvious need for Government to contain its expenditure within budget income, this means stabilising the cost of living, encouraging essential industry, discouraging non-essential activities.

In our own affairs it is particularly difficult this year to assess the factors that will determine our results. Industrial gases will benefit from the price increase announced last May, and mainly introduced in October, and sales should advance again this year. Improved production and distribution arrangements should help to control increasing costs. The large increase in our tonnage oxygen capacity will bring its costs and, with steelmaking less active, revenue may be slower to grow than was expected. Chemicals, equipment of all kinds, new processes and applications, should do better.

There is an improving trend overseas but new economic or political features can be upsetting.

I believe that our profits are likely to be maintained in the current year, but that the figures would respond to any betterment in home trading conditions, or any easing of political or economic tensions overseas.

Copy for the insertion of Company Meeting reports must reach this office not later than Wednesday of each week and should be addressed to:

The Company Meetings Department,
The Economist,
22, Ryder Street, S.W.1.

PEACHEY PROPERTY CORPORATION LIMITED

The Annual General Meeting of the Peachey Property Corporation Ltd. was held on January 30th in London. The following are extracts from the statement by **Mr G. F. Farrow,** Chairman and Managing Director.

PROFIT GROWTH

★ Only three years have elapsed since the merger of the two main companies into the Group as now constituted and the increases in profits from slightly over £200,000 for 1959 to nearly £690,000 in 1960 and now to over £1,000,000 for 1961 fully indicate the investment and trading growth within the Group. Gross rents and services for the same period have increased from £1,081,000 in 1959 to £1,541,000 in 1960 and now to £1,888,000 in 1961. I believe that it is particularly important for shareholders to appreciate that the bulk of the increase in profit over last year arises from investment income. The Group profit for 1961 increased by no less than £325,000 over that for 1960.

PROPERTY PURCHASES

★ Due to competition and extremely high prices, your Board decided to bide its time on purchases, with the result that only a small amount of property was acquired during the financial year under review. However, despite sales, the Group has been able to maintain the total property figure in the Balance Sheet. I am pleased now to be able to report that since the close of the financial year the Group has purchased or contracted to purchase property for both trading and investment purposes for nearly £2,000,000.

CAPITALISATION OF RESERVES

★ The capital reserves of the Company now stand at a substantial figure in relation to the issued share capital. The true position of the shareholder should be better reflected by the nominal value of his holding than it is at present and the nominal value of each share held increased from 2s. to 5s. each, involving the utilisation of £3,150,000 of capital reserves to increase the issued capital from £2,100,000 to £5,250,000, and to consolidate and divide such capital into 21,000,000 Ordinary shares of 5s. each instead of the existing 21,000,000 Ordinary shares of 2s. each. Each shareholder's holding will remain numerically the same but will consist of shares of a nominal value of 5s. instead of 2s. each.

DIVIDEND FORECAST

★ With the further 15 per cent payment now proposed, dividends aggregating 38½ per cent will have been paid for this year. It would appear that the profits for 1961/62 should exceed those for the present year under review. I am therefore confident in forecasting, subject to unforeseen circumstances, a minimum dividend of 40 per cent (16 per cent on the proposed new capital) out of those profits. It is therefore proposed to pay an interim dividend of 15 per cent, less tax (6 per cent on the proposed new capital) on March 31st next.

FUTURE PROSPECTS

★ Your Board intends within the foreseeable future to hold and maintain a more balanced and diversified portfolio of property and with this end in view will take advantage of any suitable opportunities to develop and increase the Group's holdings of commercial property in association with The London Assurance. Preliminary negotiations for commercial sites have already commenced and it is hoped that some of these will mature in the near future.

The report and accounts were adopted and the Board's new capital structure proposals approved.

DIRECTORS

George Francis Farrow (*Chairman and Managing Director*)
Eric Merton Miller (*Deputy Managing Director*)
Norman Knight Hutchinson
Ronald Leslie Foy Farrow
Roger Arthur Pinsent Johnson
John Charles Jordan
Sidney Spears, F.C.A. (*Secretary*)

ISSUED CAPITAL

658,989 5 per cent Cumulative Preference Shares of £1 each	658,989
21,000,000 Ordinary Shares of 5s. each	5,250,000
	£5,908,989

TANGANYIKA CONCESSIONS LIMITED

CAPTAIN CHARLES WATERHOUSE'S REVIEW

The Annual General Meeting of Tanganyika Concessions Limited was held on January 25, 1962, at the Head Office of the Company, Tanganyika House, Salisbury, Southern Rhodesia, **Captain The Right Honourable Charles Waterhouse, MC, DL,** The Chairman, presiding.

The Chairman addressed the Meeting as follows:

Your Company's financial year which ended on July 31, 1961, yielded a consolidated profit after taxation of £3,296,325. This figure may be compared with that of £4,451,766 for the year to July 31, 1960, the decrease being due to the smaller dividend paid by the Union Minière for the year to December 31, 1960.

Last year the Board recommended a final dividend of 2s. 3d. and I shall ask you to confirm their recommendation that the final dividend should be reduced to 1s. 9d. for the year under review. With the interim dividend of 1s. 6d. paid last June we arrive at a total dividend of 3s. 3d. for the year as against 3s. 9d. for the preceding year. In making this recommendation the Board, having regard to current events, are maintaining the conservative dividend policy which they have pursued in recent years.

When I addressed you at the Annual Meeting twelve months ago I stressed the overriding importance to our Company of the maintenance of law and order in the Katanga and expressed the belief that given a fair chance by the absence of hostile intervention from outside the Congo, the Katanga would continue its economic course.

The belief I then expressed has, I think, been borne out by the event. In spite of troubles early in 1961 in other parts of the Congo, the southern areas of the Province of Katanga, in which your interests lie, remained virtually undisturbed and production in the Union Minière mines and works continued according to schedule. Even the military operations by United Nations troops of August 28th and September 13th did not materially disturb mining routine, a clear proof, if proof were needed, that the local inhabitants are law-abiding citizens and that President Tshombe's government was working efficiently. It was at this juncture, September, 1961, that Mr Hammarskjold, unhappy at the course of events, decided to see for himself. He sacrificed his life while carrying out his duties. Had he survived and had an opportunity of personal contact with President Tshombe there is every reason to think that subsequent events would have been very different.

INTERVENTION OF UNO

This is not an occasion on which to attempt an assessment of the value of the intervention of the United Nations Organisation in the Congo as a whole. It may be fairly argued that large areas of the northern and western districts have reaped material benefits and that the presence of United Nations representatives prevented the establishment in them of a communist regime under Russian influence in 1960. It is, however, a fact that Katanga was at peace when the United Nations contingent were moved to that area. That those forces conducted themselves very much as units of an occupying army and thereby earned the resentment and even hatred of the civilian population, both African and European, is unhappily beyond dispute. This lack of understanding and accord was the root origin of the difficulties which led to the major offensive launched by the United Nations in December.

The contest then joined was of a completely new order. Not only was the fighting severe and casualties comparatively heavy, but sections of the foreign troops at times threw aside discipline and many innocent non-combatants lost their lives, including several senior members of the staff of the Union Minière. I should like, on your behalf, to offer sincere sympathy to the relatives of those who died in our service.

The fighting was specially fierce round the Lubumbashi smelter and some damage was done to that installation, which has been occupied by Ethiopian troops and consequently operations have been stopped since then. The mine at Kipushi was out of action for some days and the central block of Union Minière offices was also damaged.

All this took place in and around Elisabethville and once battle had been joined such events can be understood but it is difficult to find any reason or justification for the aerial bombardment of the railway sidings at Jadotville, 80 miles away. Much less can one understand the air attack on the Luilu works and the destruction of the oil tanks at Kolwezi, some 200 miles to the west and completely outside the trouble area. Compensation should be paid for this wanton damage inflicted by those whose duty it was to preserve order and to confine rather than to spread destruction.

POLITICS AND INDUSTRY

Our role is industrial and not political but politics nowadays are so vital a factor in industry that they may become the controlling influence. Such appears to be the case in the Congo today. Insofar as our advice has been sought our representatives have consistently advocated discussion and conciliation as a preliminary to the formation of a State embracing all Provinces of the Congo, including the Katanga. We welcome the friendly personal atmosphere in which the recent negotiations between Mr Adoula and President Tshombe at Kitona are reported to have been conducted and hope a mutually satisfactory conclusion may be reached. Unfortunately outside influences appear to have been at work and it is difficult to escape the conclusion that there are elements in the world today which are bent on the destruction of the Katanga under its present leadership and which would like to see it and its mines put out of action as a step towards the ejection of Europeans and especially of western influences from Africa as a whole.

Neither your Company nor the Union Minière have any reason to be ashamed of their record in Central Africa. Since the first decade of the century we have invested vast sums and have a right to expect a fair return on the investment. Africa as a whole is crying out for fresh capital and all those truly interested in the continent must agree that such capital is less likely to be forthcoming if existing enterprises are to be put in jeopardy and pioneers of the past pilloried today as exploiters of a "vested interest."

What of the future? The possibilities should be clearly envisaged, for the issue concerns not only the Katanga and the Congo but the world at large. It is reasonable to expect that the bitterness and dissension of recent months may be allowed to cool and the political structure to adjust itself, that the Union Minière will continue its work, producing raw materials for world markets, providing new capital for development, furnishing the exchequer with a considerable proportion of the money necessary to run the country, and offering citizens of the Congo State opportunities to earn in healthy surroundings. This surely is a prospect for which all men of good will should work and some events since Christmas give grounds for increasing confidence.

UNION MINIÈRE

Last October the Board of the Union Minière du Haut-Katanga decided that the results of operations during 1961 justified the payment of an interim dividend of 600 francs per *part sociale* during January, 1962, but indicated that it was not possible then to name a date for payment. The foreign exchange required has not yet been made available. Moreover, the dislocation and damage arising from the December fighting have added fresh problems. The Board of the Union Minière have therefore annulled the earlier resolution to pay the interim dividend, so that the position may be further examined. The dividend to be paid by Tanganyika Concessions Limited to which I shall ask you to agree today is based on the Company's results for the year ended July 31, 1961, and is therefore unaffected by this change.

As I have already said, copper production for the year has been satisfactory. The preliminary figure of output to December 31, 1961, was 293,500 metric tons, as compared with an actual production of 300,675 metric tons for the year to December 31, 1960. Copper prices on the London Metal Market varied between £248 17s. 6d. per long ton on May 24th and £216 12s. 6d. on January 12, 1961, which again compare with a high of £279 10s. and a low of £218 during the year 1960.

THE BENGUELA RAILWAY COMPANY

Let me now turn to the affairs of the Benguela Railway. During 1961 Angola had its major trials. Civil disturbances fostered by outside influences broke out in March but the timely action of the Angolan Government confined the troubles to a comparatively small area in the north of the country. Throughout 1961 the operation of the Railway was uninterrupted and the satisfactory results for the first nine months of the year tabulated in my review are a fair reflection of the workings for the whole year.

Gross receipts are likely to be fully up to the 1960 level but working expenses will be somewhat heavier. The actual profit earned during 1961 will, therefore, be less than that of 1960, but there is every reason to expect that the dividend of 12½ per cent paid last year will be maintained.

The Chairman of the Benguela Railway Company, Dr. Alexandre Pinto Basto, visited the line last autumn and the Managing Director, Dr. Manuel Fernandes, returned from a tour of inspection just before Christmas. Both were impressed by the work and spirit of the staff, were satisfied with general conditions and noted that rolling stock, permanent way and workshops are being maintained in the high state of efficiency which is normal on the line.

COMMONWEALTH TIMBER INDUSTRIES LIMITED

The Box factory and saw mills in the Port Elizabeth area of the Republic of South Africa owned by your subsidiary company, Commonwealth Timber Industries Limited, continue to be well employed, though profit margins remain small. An increase in the price of citrus boxes over the current season will be of assistance, as will the larger output of structural timber obtained as a result of the supply of a greater volume of larger diameter logs under the Company's timber contract with the Forestry Department of the Republic Government.

Work in connection with the erection of the new particle board plant by Novobord (UK) Limited at Thetford, in Norfolk, is progressing satisfactorily

I should like, on your behalf and on that of the Board, to express thanks for the loyal and admirable work carried out by the staffs of Tanganyika Concessions Limited and of its associated Companies. I think you would wish me to send a special message of appreciation to the staffs, European and African, of the Benguela Railway Company and of the Union Minière du Haut-Katanga, many of whom during the year have passed through periods of severe strain and of great anxiety in connection with their duties to their respective companies.

The Report and Accounts were adopted and the payment of the final dividend was approved. Dr. Alexandre Pinto Basto, Mr. Thomas Patrick Murray Cochran, Sir Mark Turner and Mr. Harry Frederick Oppenheimer were re-elected to the Board. It was decided that the place of Mr. Robert Clarke Hutchinson, who also retired by rotation, should remain vacant for the time being.

THE NATIONAL BANK OF KUWAIT LIMITED

Established 1952

Under Charter granted by H.H. Shaikh Abdulla Al Salim Al Subah, Amir of the State of Kuwait

STATEMENT OF CONDITION at 31st DECEMBER, 1961

LIABILITIES		Kuwaiti Dinars
Capital, Authorised, Issued and Paid Up		1,965,000
Statutory Reserve	111,000	
General Reserve	3,289,000	
		3,400,000
Profit and Loss Account		101,601
		5,466,601
Current, Deposit and Other Accounts (including Inner Reserves and Provisions)		76,266,285
Proposed Dividend		393,000
Confirmed Credits, Acceptances and Guarantees on behalf of Customers, as *per contra*		8,406,272
		K.D. 90,532,158

ASSETS	Kuwaiti Dinars
Cash and Current Accounts with Banks	3,092,075
British Government Treasury Bills	5,250,000
British and Other Government Securities (at under market value at 31st December, 1961)	9,009,625
Deposit Accounts with Bankers	47,100,000
Advances to Customers, Bills Discounted and Other Accounts	16,924,186
Sundry Unquoted Investments, at or under cost	575,000
Land and Buildings, *less* amounts written off	175,000
Liability of Customers for Confirmed Credits, Acceptances and Guarantees, as *per contra*	8,406,272
	K.D. 90,532,158

PROFIT AND LOSS ACCOUNT for the year ended 31st DECEMBER, 1961

	Kuwaiti Dinars		Kuwaiti Dinars
Transferred to Statutory Reserve	111,000	Profit after charging all expenses, making provisions for contingencies and writing down assets	1,109,945
Transferred to General Reserve	589,000		
Proposed Dividend of 20 per cent.	393,000		
Balance carried forward	101,601	Balance brought forward from previous year	84,656
	K.D. 1,194,601		K.D. 1,194,601

1 Kuwaiti Dinar=£1 Sterling

London Correspondents:
Midland Bank Limited
Barclays Bank Limited
Lloyds Bank Limited
National Provincial Bank Limited
Westminster Bank Limited
Chartered Bank
Eastern Bank Limited
Chase Manhattan Bank

New York Correspondents:
Irving Trust Company
Chase Manhattan Bank
Bank of America (International)
Morgan Guaranty Trust Company
Manufacturers Hanover Trust Company
First National City Bank of New York

Correspondents in all principal countries

A COMPLETE BANKING SERVICE FOR TRANSACTIONS WITH KUWAIT

The Union Discount Company of London, Ltd.

ERIC O. FAULKNER, M.B.E. (Chairman)
MARK R. NORMAN, O.B.E. (Deputy Chairman)
The Hon. Sir GEOFFREY C. GIBBS, K.C.M.G. DAVID JOHN ROBARTS The Hon. DAVID J. SMITH J. IVAN SPENS, O.B.E. JOHN THOMSON

BALANCE SHEET AS AT 31st DECEMBER, 1961

LIABILITIES

1960 £		£	1961 £
7,500,000	CAPITAL (in £1 Units of Stock): AUTHORISED		7,500,000
6,652,800	ISSUED		6,652,800
3,347,200	RESERVE		3,347,200
10,000,000			10,000,000
543,877	PROFIT AND LOSS: Balance carried forward		600,784
10,543,877			10,600,784
278,671,881	LOANS secured on Assets of the Company	276,792,367	
18,152,994	DEPOSITS, OTHER LIABILITIES AND RESERVE FOR CONTINGENCIES	17,833,987	
100,107	DEPOSITS BY SUBSIDIARIES	100,107	
254,678	PROPOSED FINAL DIVIDEND, *less* Income Tax	254,678	
297,179,660			294,981,139
£307,723,537			£305,581,923

NOTES: (1) There is a contingent liability in respect of Bills Re-discounted (excluding Treasury Bills) of £25,383,885 (1960—£27,754,355).
(2) The amount now recoverable in respect of income tax suffered in excess of taxation upon profits to date has been included in Loans and Amounts Receivable.

CURRENT ASSETS

1960 £		£	1961 £
6,214,325	CASH AT BANKERS AND IN HAND		6,151,845
	BILLS DISCOUNTED, *less* rebate and reserve:		
149,747,700	British Government Treasury Bills	141,177,000	
29,397,120	Commercial and Other Bills	37,317,043	
179,144,820			178,494,043
	SECURITIES at less than Market Value:		
111,174,131	British Government, British Corporation, Public Board, Dominion Government and Corporation Unquoted:	108,740,060	
4,480,252	British Corporation and Public Board Mortgages	4,551,682	
115,654,383			113,291,742
6,509,902	LOANS AND AMOUNTS RECEIVABLE		7,444,186
307,523,430			305,381,816

FIXED ASSETS

100,107	SHARES IN SUBSIDIARIES at cost (The net assets of Subsidiaries at 31st December, 1961, are represented by Deposits with the Company *(per contra)*).	100,107
100,000	FREEHOLD PREMISES, including Furniture and Fittings, at cost, *less* amounts written off	100,000
£307,723,537		£305,581,923

E. O. FAULKNER, *Chairman.*
M. R. NORMAN, J. IVAN SPENS } *Directors.*
C. G. SEVASTOPULO, *Secretary.*

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

1960 £		£	1961 £
575,924	PROFIT FOR THE YEAR, after providing for amortisation of premiums on securities, rebate and taxation, and after making a transfer to Reserve for Contingencies		566,262
	Notes: (1) The Accounts of Subsidiaries show neither profit nor loss for the year 1961 (1960 same). (2) The Directors' emoluments for the year were Directors' Fees £11,300 (1960—£10,811) including Chairman's Remuneration £2,500 (1960—£2,500).		
	Deduct Dividends paid and proposed per £1 Unit of Stock, *less* Income Tax:		
	Interim of 1s. 3d. paid 5th August, 1961	254,677	
	Final of 1s. 3d.	254,678	
509,355			509,355
66,569			56,907
477,308	*Add* Balance brought forward from previous year		543,877
£543,877	Balance carried forward 31st December, 1961		£600,784

39, CORNHILL, LONDON, E.C.3

THE UNION DISCOUNT COMPANY OF LONDON

SATISFACTORY RESULTS IN DIFFICULT YEAR

MR ERIC O. FAULKNER ON SUCCESS OF BOARD'S POLICY

The annual general meeting of The Union Discount Company of London Limited will be held on February 28th in London. The following is the circulated statement of the Chairman, **Mr Eric O. Faulkner, MBE:** It has been a difficult year for your Company because for the second time in 4 years we have had to contend with an unusually high Bank Rate.

When the rates at which Discount Houses borrow money from the banks veer sharply upwards as a consequence of an increase in Bank Rate, such as was experienced in July when it rose by 2 per cent to 7 per cent, they inevitably suffer substantial losses on the bills they are holding. In addition the market value of their bonds falls heavily and suddenly.

It is at such moments that the state of their reserves must tell, and it is satisfactory to be able to report that, thanks to steps taken in past years, your Company was able comfortably to meet the "crisis" conditions of the summer. It has also of course received some relief from the reduction of Bank Rate to 6 per cent. before the end of the year.

The turnover in Treasury bills was a little less than last year, due mainly to smaller amounts of such bills being on offer and our year-end holding was therefore a little lower. This reduction was however partly offset by a rise in the total of Commercial bills discounted. There was only a slight reduction in our portfolio of bonds which is as usual shown at less than market value.

POSITION OF STRENGTH

The maintenance of our business in so difficult a year at the level which these figures reflect indicates the confidence which your Board and Management feel in our strength. There is, however, no room for complacency; it is much in our mind that in the present unstable state of the economy and with the Pound still vulnerable, we must continue to be prepared for sharp fluctuations in money rates from time to time.

While, therefore, we hope for an easier year in 1962, it will continue to be the essential basis of our policy that the volume of our business in general and the size of our bond portfolio in particular must be regulated by the adequacy of our reserves to meet the most arduous conditions which might be imposed upon us.

Your Board hopes that Shareholders will feel that the profits shown, though a little lower than last year, and well below those of our record year of 1959, are satisfactory considering the circumstances of the second half of the period in which they were earned.

I am sad indeed to have to report the death of Mr M. C. D. King, one of our Assistant Managers. He is greatly missed by all of us here and by his many friends in the Money Market.

Our Manager, Mr F. W. Arnold, had the honour of being elected Chairman of the London Discount Market Association during the year.

Once again I am delighted to have the opportunity of expressing our deep gratitude to our Management and Staff for their successful work in a trying year, and to our many friends for their continuing confidence in us.

WATNEY MANN
Limited

The Annual General Meeting of Watney Mann Limited was held on January 26th in London, Mr. S. H. Combe, M.C., Chairman, presiding.

The following are extracts from his statement circulated with the Accounts for the year to September 30, 1961:—

FINANCE

A scheme of arrangement to substitute for twenty-eight issues of Preference Stock, Loan Stock and Debentures of Subsidiary Companies, an issue of Debenture and of Loan Stock of the Parent Company has received the sanction of the Court. All the Stockholders of the subsidiaries will receive an increase in their income and hold more marketable securities of higher quality.

Group profit before taxation at £7,871,802 shows an increase of £887,492. The profit attributable to the members amounts to £3,910,996—an increase of £329,038. In view of the present financial climate, however, your Directors feel bound to recommend a final dividend the same as that for last year, namely, 12 per cent.

Under the Profit Sharing Bonus Scheme the Staff and Employees of the Group will each have received 32 days' pay. Governed as it is by the rate of dividend declared on the Company's Ordinary Stock, this remains unaltered.

With outstanding commitments for capital expenditure of £3m., it is no longer possible to finance our expansion from our own resources. Your Board are therefore making arrangements to raise sufficient cash to meet present requirements by an issue of Debentures.

TRADE

The year has been one of consolidation. The structure of our Free Trade Sales organisation has been recast into five zones, each under a Sales Manager, and centred on London, Manchester, Northampton, Norwich, and Trowbridge. This has been made necessary, not only by the heavy demand for Draught Red Barrel and for our four national bottled beers, but also because of the importance we attach to promoting the sales of local beers.

The provision of adequate production capacity, particularly for Draught Red Barrel, has involved considerable capital expenditure on the breweries of Phipps at Northampton, Ushers at Trowbridge, and Wilsons at Manchester. Some of the benefits of this reorganisation are reflected in the Accounts for the year; further expenditure in the near future is expected to bring a further increase in profits.

WATNEY MANN (NORWICH) LTD.

Since the end of the year we have completed negotiations to purchase a brewery in Norwich from Morgans Brewery Company Limited. Brewing in Norwich will enable us to offer even better service than before to our bottlers and to our other outlets in this area. Arrangements have also been made for Draught Red Barrel, Watneys Brown Ale, and Red Barrel Ale in bottle to be sold where demanded in Steward & Patteson's and Bullard's houses. The creation of Watney Mann (Norwich), the company formed to carry on this trade, and the acquisition of Coca-Cola Eastern Bottlers at the same time is a logical continuation of our policy of relieving the pressure on our production capacity by decentralisation, and these companies should prove a valuable addition to the Group.

PUBLIC HOUSES

The efforts we have made in the last few years to improve the amenities of our houses seem to be earning their reward. In our opinion "the local" has never before been so widely accepted as a pleasant place in which to meet friends and to drink, eat, and relax in leisure time.

During the year we opened 17 new houses of which nine were on entirely new sites and eight were houses rebuilt on old sites. In addition extensive alterations were completed at 27 houses.

MOTELS, GARAGES AND FILLING STATIONS

The Group's policy of widening its service to the public has been implemented by the formation of two new companies—Watney-Lyon Motels Limited to consolidate our interests in motels and Swift Garages Limited to centralise the management of all the existing and potential garages and filling stations within the Group.

WINES AND SPIRITS

Once again I can report an increase in the turnover and profits of our Wine and Spirit subsidiaries. The rise in turnover was at the same rate as in previous years—a most noticeable feature was the considerable increase in the sales of Continental table wines.

We have made further successful efforts during the year to promote the sales of our own brands; amongst other things we inaugurated a series of wine tastings for the public in our houses.

Our sales of Squires Gin, both of the original and of the new straw-coloured brand recently introduced and appropriately called "Cornhill," have been very satisfactory.

COCA-COLA SOUTHERN BOTTLERS LTD.

Coca-Cola Southern Bottlers Limited, our subsidiary company formed to acquire the franchise for bottling and distributing Coca-Cola in the southern counties of England, is now making a satisfactory contribution to Group profits. Sales are rising rapidly and have so far overtaken the productive capacity that the need for a fifth factory is now urgent. New premises are being sought so that this can be brought into operation in the spring of 1963.

The report was adopted and the conversion of the £1 Ordinary Stock units of the Company into four shares of 5s. each was approved.

RANKS LIMITED

EMPHASIS ON QUALITY AND SERVICE

MERGER WITH HOVIS-McDOUGALL

Extracts from the Review of the Chairman, The Lord Rank, J.P., presented at the 29th Annual General Meeting held on 31st January in London

"As always we have continued to place great stress on the standard of quality and service," comments Lord Rank in reviewing the Group's activities in the year to September 2, 1961.

I am happy to have an opportunity to welcome new shareholders to an enterprise whose products now include virtually every foodstuff made wholly or partially from wheat. Companies in our group manufacture flour both for the baker and for the housewife: many varieties of bread, confectionery, biscuits, health foods, rusks and animal feeding stuffs. Through our mills, bakeries and factories, we are now represented in every town of any size all over the British Isles.

CAPITAL EXPENDITURE

There has been further progress in the concentration of flour milling into a smaller number of fully modernised units working nearer to full capacity than was practicable with the larger number of smaller mills in operation. This has involved capital expenditure on reconstruction and re-modelling of well-situated older mills and it has involved some sacrifice of capital value on the closing of mills before they were worn out. Other aspects of capital expenditure have been the expansion by the acquisition of further companies engaged in the food trade; during the year 63 businesses engaged in activities similar, or ancillary to those of the group have been acquired at a cost of £1,181,997.

At the date of the balance sheet there were commitments for capital expenditure amounting to approximately £3,900,000.

SATISFACTORY MILLING RESULTS

With so many flour millers holding such strong opinions, I should like to repeat what I said last year, that it is indeed a tribute to the goodwill and common sense which have prevailed under the changed conditions of the industry that the trade as a whole has operated in a satisfactory manner. In the nature of things, with varying prices of wheat, there are fluctuating results throughout the year, but in general terms I can say that the milling results have been satisfactory. Your Group has continued to reap the benefit of concentration and reorganisation referred to.

PROGRESS IN BAKERY MODERNISATION

We have continued our policy of modernising existing bakeries in very much the same way as with the flour mills; this policy has enabled us to close out-dated bakeries.

Acquisitions during the year have been made after the most careful thought and planning, having regard to the location of our own mills and sources of supply and to distribution of population now and prospectively.

BLUE CROSS ANIMAL FEEDING STUFFS

This year, as well as other recent years, has been a period of expansion and development in the application of science to the feeding of livestock. We have made further progress in feeding stuffs sales, and it is creditable that this has been achieved in the face of keen competition. Our close scientific control and expert advice to the farmer has been a strong factor in this.

RANKS (IRELAND) LIMITED

The conduct of milling in the Republic of Ireland presents a difficult problem. The native wheat crop creates a field of variation almost unknown throughout the world and with the uncertain factor as to how much will be suitable for manufacturing into saleable flour the directors of Ranks (Ireland) Limited, in conjunction with the other millers in the Republic, have always endeavoured to co-operate with the Government in finding a way of meeting these difficulties.

The results of the trading have, however, shown a considerable recovery after the poor results of the previous year.

MANAGEMENT AND STAFF

Mr D. W. Nutting, appointed Secretary of Ranks Limited last year, has this year become a Director of Joseph Rank, Limited, and his place as Secretary of that company has been taken by Mr B. B. Mill, DFC. Mr Charles Norman, CBE, has retired from the active management of the Animal Feeding Stuffs Division, but I am happy to say he is continuing as a full time director of Joseph Rank, Limited. Mr W. H. Denning has succeeded to the management of the Animal Feeding Stuffs Division.

To all employees I and my colleagues desire to record our thanks for the spirit of progress and co-operation which has existed throughout this year, as heretofore, and which we are sure will continue in the future.

The schemes for the recruiting and training of future managers have already shown good results.

CONCLUSION

Throughout the Group we have a continuing development programme, and as always we have continued to place great stress on the standards of quality and service. Wherever we have control over costs we are continually making efforts to reduce these by the introduction of new methods.

We have therefore made, and are making, considerable investment in modernisation and we face the years ahead confident that this will keep the Group in the forefront in the various fields in which we operate. The current year has started well and we look forward to another satisfactory year.

THE FINANCIAL YEAR
(Ended September 2, 1961)

Trading profit (subject to Depreciation, Interest and Taxation)	**£12,044,951**
Depreciation	**£3,404,537**
Interest	**£625,259**
Taxation	**£4,020,354**
Group Taxed profits (£69,173 more than a year ago)	**£3,994,801**

The final dividend is 9 per cent making 14 per cent for the year.

Merger with Hovis-McDougall Limited and change of name to RANKS HOVIS McDOUGALL LIMITED

Lord Rank referred to the announcement that the offers to acquire all the issued capital of Hovis-McDougall Limited had been accepted by the holders of over 90% of both the Ordinary and the Preference capital of that Company.

Lord Rank explained that the offers had, therefore, become unconditional subject only to The Stock Exchange granting permission to deal in and quotation for the shares of Ranks Hovis McDougall Limited to be issued pursuant to the offers and to the requisite resolutions to give effect to the merger arrangements, including the change of name of the Company to RANKS HOVIS McDOUGALL LIMITED, being passed at meetings following the Annual General Meeting.

At subsequent class and extraordinary Meetings of Ranks Limited the above-mentioned resolutions were duly passed.

Members of Hovis-McDougall Limited who have not already accepted the offers may do so until further notice.

BIRD & CO. (AFRICA) LIMITED

The forty-fourth Annual General Meeting of Bird & Company (Africa) Limited will be held on February 24th at Tanga, Tanganyika.

The following are extracts from the circulated statement of the chairman, **Sir Charles Ponsonby, Bart, TD, DL**:

The Net Profit before taxation is £210,486 compared with a Profit of £393,879 for the previous year.

Dividends totalling 10 per cent have been declared for 1960/61, compared with 17½ per cent plus a bonus of 2½ per cent for the previous year. There may be disappointment at the result for 1960/61, but it will be recalled that I sounded a note of warning with my last Statement. Drought conditions in late 1960 and early 1961 were serious, and crops fell short of estimates. In addition, since January, 1961, prices have declined seriously and on average the Company is receiving, at the time of writing, about £16 per ton less for sisal than at that time. Tea prices have also tended to fall.

Furthermore, in reducing the dividend, the Directors considered it advisable to conserve cash resources as far as possible to cover normal rotational costs, replacement of machinery, and contingencies. This is especially necessary when there has so far been no sign of recovery in the price of sisal.

SISAL

At the beginning of 1961 the price of 3L sisal, now regarded as the standard grade, was quoted at £99 per ton, c.i.f. UK. Unfortunately it has declined steadily until the price at the time of writing is £78.

This has come at a time when growers' costs of production have been steadily rising, and the sisal grower is not in the fortunate position of being able to pass on increased costs to buyers.

A consistent rainfall makes all the difference to production. As a result of the serious drought during the year 18,105 tons were produced against an original estimate of 20,000 tons. A drought such as that recently experienced affects production for a year or two, and it would be optimistic to say that recovery will fully take place in 1962.

Whilst this statement was in preparation, the news arrived of torrential rainfall throughout Tanga Province with a serious hold-up in production. It is hoped that the ultimate benefit of the rain will be to enable production to be stepped up to a more reasonable level in 1962.

TEA

The crop of made tea for the year was 482,956 lbs. against an estimate of 500,000 lbs. It is reasonable to estimate a production of about 450,000 lbs. for 1961/62, rising to over 600,000 lbs. in 1962/63, and about 1 million lbs. in 1963/64.

There is no reason to doubt the completion of our first objective of 2,000 acres of planted tea by 1964/65. This will require additional factory accommodation, but given stable prices and stable labour conditions, we can look forward to Kwamkoro Estate being the valuable proposition that was originally envisaged.

Some reorganisation of manufacturing methods has resulted in improved quality and consequently satisfactory sales prices in recent months; indeed they compare favourably with those of similar good types of Legg Cut Teas in South India

RADIO RENTALS LIMITED

EXPANSION OF BUSINESS CONTINUES

MR P. PERRING-THOMS ON GROUP'S STRONG COMPETITIVE POSITION

The twenty-fifth Annual General Meeting of Radio Rentals Limited was held on January 31st in London, **Mr P. Perring-Thoms** (Chairman and Managing Director) presiding.

The following is an extract from his circulated statement:

The year 1961 is one to be remembered by the Television industry in that it marked the Twenty-fifth anniversary of the inauguration of Television in this country by The British Broadcasting Corporation. It is also twenty-five years since your Company, Radio Rentals Limited, was formed.

TRIBUTE TO STAFF

Surveying the developments and progress that have been made since 1930, I know that these would not have been possible without the able assistance of all staff employed within the Group. Twenty-five years ago they numbered under 300; we now employ over 5,300 and it will, I am sure, interest you to know that in spite of loss of staff during the war, to date presentations of gold watches have been made to 63 men and women, who have served the Company for twenty-five or twenty years respectively. It is our constant endeavour to encourage good employee relationship throughout the Organisation and in this connection we have recently improved the Company's Pension Scheme and have contracted out most of our employees from the State Graduated Scheme introduced in April, 1961.

I, and my colleagues on the Board, desire to pay tribute to all our employees and I feel sure that it will be the unanimous wish of the Shareholders that I, on your behalf, extend to them our very best thanks for their faithful service throughout the years and particularly during the year under review which has been a difficult one not only for our Group but for the industry as a whole.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

The Group Trading Profit for the year ended August 31, 1961, amounted to £6,612,458, an increase of £776,490 over the previous year.

After charging all expenses and the sum of £805,652 for Taxation compared with £728,124 for the previous year, the net profit of the Group is £1,570,401, which is very similar to that of last year. After deducting pre-acquisition profits and outside shareholders' interests the amount available for appropriation is £1,647,128 (£1,673,880).

The Directors have transferred the sum of £300,000 to General Reserve so bringing it up to a total of £3,500,000 in the Consolidated Balance Sheet. This Reserve has been built up out of profits to be available for any emergency in an industry which, as we all know so well, is subject to rapid and sometimes spectacular change.

Whilst your Directors do not foresee undue difficulties in providing for any change in the existing 405-line standard in Television that may be recommended by the Pilkington Committee and accepted by the Government, they consider it right and proper to make provision for any unforeseen development which may take place. Therefore, in addition to the transfer to General Reserve, the Directors have transferred the sum of £700,000 to Contingencies Reserve to meet the possibility that in the future certain television sets may have to be scrapped before their full cost has been depreciated, or the possibility that the rate of depreciation may have to be accelerated.

The Dividends on the Preference Shares have been paid. As regards the Ordinary Shares, your Directors recommend the payment of a final dividend of 10½d. per share, making with the interim dividend of 3d. a share paid in June, 1961, a total distribution for the year of 1s. 1½d. per share. This compares with a total distribution of 1s. per Ordinary Share for the previous year.

AUSTRALIA

In the Accounts under review the results of fourteen months' trading of the Australian subsidiary, Radio Rentals Pty. Limited, have been included. As a result of development costs having been written off during that period, this company has not materially contributed to the profits of the Group, but I am pleased to be able to report that it continues to develop satisfactorily and I reiterate my Statement of last year that it is an important part of the expansion of our Group.

REFRIGERATORS

In my Statement last year I mentioned the pilot scheme for the rental of Refrigerators. We have made reasonable progress in this connection and look forward with confidence to further expansion of this side of our business. It is the policy of the Board continually to investigate other fields where renting and servicing could be carried out profitably.

FUTURE PROSPECTS

Since the close of our financial year on August 31st last, the number of new subscribers obtained to date is comparable with the number for the same period last year. I regard this as satisfactory, especially in view of the increased competition, and the fact that many of our competitors have been able to purchase surplus stock at bargain prices for renting. Because the Group manufactures all its Television and Radio Sets through Baird Television Limited we have temporarily lost the advantage that normally accrues to us by making our own products for rental. However, I am pleased to say that the heavy stocks held by manufacturers and retailers have now been considerably reduced. We are continuing to expand by opening new branches, so providing more outlets for the products of the Group.

In conclusion I would say that we are well placed to take full advantage of any improvement in general trading conditions in that we have the organisation, experience and resources available. Therefore, although costs are continuing to rise and competition is keen, which inevitably brings about a drop in the profit per subscriber, with the continued growth of subscriberage, I look forward to the future with confidence.

The Report and Accounts were adopted.

MONTAGUE BURTON LIMITED

RECORD TRADING PROFIT IN 60th YEAR
COMMON MARKET OPPORTUNITIES WELCOMED
MR LIONEL JACOBSON'S STATEMENT

The Thirty-second Ordinary General Meeting of Montague Burton Limited was held on January 30th at the Registered Office of the Company.

Mr R. M. Burton (the Deputy Chairman) presided.

The Secretary (Mr H. V. Evans, FCA, FCCS) read the notice convening the meeting and the report of the auditors.

The following is the statement by the chairman circulated with the report and accounts:

This year is a landmark in the history of the Company in that it is my privilege to report on the results for the 60th year of trading.

I have pleasure in stating that the Group has again improved on the figures for the previous year and returned a record trading profit of £4,438,950 which compares favourably with £3,914,492 for last year. Providing that you approve the dividend now recommended there will be left an amount of £1,146,869 to add to Group reserves.

In previous years I have emphasised how rapidly this Group reacts to the pattern of the National economy. This year was no exception; turnover in the first six months showed a marked increase but tended to level out towards the close of the year. A moderate increase in distribution costs was accompanied by the adoption of the 42-hour week throughout the fourteen Works of the Group. The combined efforts of management team and labour force failed to avoid a minor decline in works output and there was an attendant rise in costs. Despite these adverse factors increased turnover enabled your Group to absorb them and maintain the upward trend of profitability.

We have the support of a very loyal public which we believe to be the outcome of offering the best possible value in a garment which is a combination of the customer's individual requirements and the style conception of a team of designers who travel the world to keep ahead of current style trends. This emphasis on style, coupled to the customer's individual need, places a heavy burden on the manufacturing side of the organisation. Every suit made to measure has, over the entire 60 years of this organisation, been individually hand-cut by a cutter apprenticed and experienced in the trade.

Trade to date has been maintained and your directors adopt a cautious but confident view with regard to the immediate future.

CURRENT EFFORTS

Currently, our efforts are concentrated on maintaining the outstanding position that the Burton Company commands, whilst simultaneously we are endeavouring to expand the capacity of the Associated Companies. The problem of the Common Market has not escaped our attention, and in fact has occupied much of our time. Should the national decision be taken to join, personal enquiry into trading conditions and terms in Europe leave us confident of our ability to compete in that area. It will undoubtedly be some time yet before the position is clear cut but in the meantime I feel that you might like to know that my colleagues have paid several visits to the Continent and we look forward to the opportunity that such a challenge would present.

On June 12, 1961, I announced that instructions had been given for a complete revaluation of freehold and leasehold properties now appearing in the Group accounts at £14,320,267, after depreciation. Messrs Healey & Baker valued these properties on September 1, 1961, at £47,073,450 excluding the value of leasehold properties where the lease expires within 75 years. There is, therefore, a surplus of assets over book values of £32,753,183, to be added to capital reserve already standing in the accounts now presented at £4,928,025.

It is, therefore, now proposed to issue as fully paid from these reserves three Ordinary non-voting class "A" shares for each Ordinary and "A" Ordinary share now held. The result will be to increase the issued Ordinary Capital of the Group to £17,833,304. This should not, of itself, be taken as an indication of larger future dividends.

NEW CAPITAL

The expansion of this Group since 1946 has been financed from its own internal resources. New capital introduced even then was negligible. Expansion of the last few years has been rapid as evidenced by the increase in trading profits and dividends.

Acquisition of properties; trading interests and manufacturing units; rebuilding and credit operations have since 1953 cost approximately £16,000,000. The entire chain has been modernised and works maintained in a high state of efficiency. The market value of Group shares improved approximately 15 times over the same period.

We have over this period of expansion enjoyed the full and understanding co-operation of the Group Bankers, but, having regard to the opportunities which we believe the future will present and to our current financial position it is clear that we must bear in mind the introduction of new capital. We have not as yet decided which form this is to take, and your directors feel they would prefer the economic situation to clarify before reaching a final decision.

THANKS TO DIRECTORS AND STAFF

My warm thanks are again due to my colleagues and the personnel of the entire Group for their willing support in what has again been a successful year. It is perhaps opportune for me, at the conclusion of this sixtieth year of our history, to express a particular word of appreciation for the spirit of co-operation which exists throughout the factories and shops of the Group. This co-operation has made it possible during recent years to improve the benefits and welfare activities for which we have long had an excellent reputation. It is felt that the annual cost of Bonus Schemes, Pension Benefits, Christmas and Long Service Awards amounting this year to £761,000 is both deserved and appreciated.

The Report and Accounts were unanimously adopted. The Directors retiring in accordance with the Articles of Association were re-elected to the Board. The Auditors, Messrs Price Waterhouse & Co. and Messrs Volans, Leach & Schofield continue in office.

The Meeting concluded with a vote of thanks to the Chairman.

APPOINTMENTS

UNIVERSITY COLLEGE OF NORTH STAFFORDSHIRE

Applications are invited for the post of LECTURER OR ASSISTANT LECTURER IN ECONOMICS. Salary in scale £1,050 x £50—£1,400 x £75—£1,850 p.a. (Lecturer); £800 x £50–£950 p.a. (Assistant Lecturer), with F.S.S.U. and Children's Allowances. Applications should reach the Registrar, The College, Keele, Staffs., from whom further particulars and application forms may be obtained, not later than March 3, 1962.

THE UNIVERSITY OF SUSSEX

Applications are invited for the CHAIRS OF ECONOMICS, GEOGRAPHY AND FRENCH from 1962.

The salary will be not less than £2,600 p.a. plus family allowance and F.S.S.U. benefits.

Further particulars may be obtained from the Registrar, University of Sussex, Stanmer House, Stanmer, Brighton, to whom applications should be sent by February 28, 1962.

UNIVERSITY OF ABERDEEN

DEPARTMENT OF AGRICULTURE

Applications are invited for appointment as JUNIOR OR SENIOR RESEARCH FELLOW for two years at an annual salary of £950 to £1,700, depending on qualifications and experience. The Fellow appointed will be expected to review, from an economic standpoint, scientific literature on Pig Production Problems.—Further particulars are available from the Secretary, Marischal College, Aberdeen, with whom applications (two copies) should be lodged before February 5, 1962.

UNIVERSITY OF EDINBURGH

DEPARTMENT OF ORGANISATION OF INDUSTRY AND COMMERCE: LECTURESHIP

Applications are invited for the post of LECTURER in the above Department. In addition to undergraduate and post-graduate work in Industrial Organisation, the department conducts advanced courses and research in Management Studies.

Candidates should hold good qualifications in Psychology, Economics, Commerce, Industrial Sociology or an allied field; a basic training in psychology is desirable and industrial experience would be an advantage.

Salary Scale £1,050 x £50 to £1,250; Bar: £1,300 x £50 to £1,400 x £75 to £1,850 per annum, with placement according to qualifications and experience, and with superannuation benefit and family allowance where applicable. The successful candidate will be expected to take up duty as soon as possible after April 1, 1962, and not later than October 1st.

Further particulars may be obtained from the undersigned, with whom applications (six copies), giving the names of three referees, should be lodged not later than February 10, 1962.

CHARLES H. STEWART,
Secretary to the University.

January, 1962.

CAMBRIDGE UNIVERSITY

Applications are invited for the position of ASSISTANT IN RESEARCH in the Department of Estate Management. Applicants should be qualified to undertake research in economic, legal or social problems related to the use, tenure, or development of land. Salary scale £750–£1,000.—Further information may be obtained from the Secretary of the Board of Estate Management, 18a Silver Street, Cambridge. Closing date for applications, March 1, 1962.

CITY OF LIVERPOOL EDUCATION COMMITTEE

COLLEGE OF TECHNOLOGY

BYROM STREET, LIVERPOOL, 3

Principal: S. A. J. Parsons, B.Sc.(Econ.), M.I.Mech.E., M.I.Prod.E., M.B.I.M.

Applications are invited for the following appointments:

(A) HEAD OF THE DEPARTMENT OF NAVIGATION, GRADE IV.

Duties to commence on September 1, 1962. Salary: £2,230 x £60 to £2,410 per annum.

(B) HEAD OF THE DEPARTMENT OF INDUSTRIAL ADMINISTRATION AND LIBERAL STUDIES, GRADE III.

The successful applicant will be required to lecture on "Management Principles and Practice."

Duties to commence on April 1, 1962, or as soon as possible thereafter.

Salary: £2,050 x £60 to £2,230 per annum.

Application forms (returnable by February 12, 1962) and further particulars from the Director of Education, 14 Sir Thomas Street, Liverpool, 1.

THOMAS ALKER,
Town Clerk.

UNIVERSITY OF GLASGOW

RESEARCH FELLOWSHIP IN MATHEMATICS

Applications are invited for a RESEARCH FELLOWSHIP IN MATHEMATICS. Salary scale: £800–£950 per annum. Initial salary according to experience and qualifications. F.S.S.U. and family allowance benefits.

Applications (three copies) should be lodged, not later than February 28, 1962, with the undersigned, from whom further particulars may be obtained.

ROBT. T. HUTCHESON,
Secretary of University Court.

WOOLWICH POLYTECHNIC

LONDON, S.E.18

Principal:
Harold Heywood, D.Sc., Ph.D., A.C.G.I., Wh.Sch., M.I.Mech.E., M.I.Chem.E.

Applications invited for a Senior Lecturer in Economics. Applicants should have high academic qualifications in Economics; and/or teaching will be an added advantage. The duties of the post will involve teaching Economics (Principles and Applied) to Final B.Sc.(Econ.) and post-graduate management students. The successful applicant will be encouraged to undertake research into various aspects Business Economics.

Salary £1,800 — £2,000, plus London Allowance £45 — £60.

Particulars and application form from Clerk to Governors, to be returned by February 16, 1962.

For further appointments and other classified advertisements see pages 473 and 474

UNIVERSITY COLLEGE OF SWANSEA

DEPARTMENT OF ECONOMICS

Applications are invited for the post of RESEARCH ASSISTANT in connection with studies in the History and Organisation of British Overseas Trade. Applicants must be graduates in Economics or Economic History. Salary in the range £500 — £700 per annum together with F.S.S.U. Benefits. Duties to commence April 1, 1962, or as soon as possible thereafter.

Further particulars can be obtained from the Registrar, University College, Singleton Park, Swansea, by whom applications (six copies) must be received by *Saturday February 24, 1962.*

COMPANY AFFAIRS

After last week's shake out in the London stock market equities have been in much better form this week but gains have not been sufficient to offset earlier losses and over the week The Economist *indicator lost 3.6 points to 357.0. Gilt-edged stocks too have been brighter on hopes of an early cut in Bank rate and the "shorts" have attracted bank buying. In equities brewery shares were particularly weak at the end of last week on reports of a fall in beer consumption but they steadied later and tobacco shares have recovered some of their earlier sharp falls. Steel shares have moved erratically but fell back on Wednesday following the annual meetings of South Durham and Dorman Long.*

Dour Prospects for Steel

THE impact of under-capacity working on the current profits of the steel industry and the possibility of some revival in demand has elicited further comments from the spokesmen of the industry in the supplementary remarks they made to shareholders at this week's annual general meetings. There was little of cheer in Sir Walter Benton Jones' last statement as chairman of United Steel for he warned shareholders that there was likely to be a surplus of capacity for "some time to come." But he expected some recovery in the level of production before the end of the financial year. Uncertain prospects form the background to the directors' decision to defer part of the company's development programme. Expenditure which under the original scheme would have reached a peak in the current year is now expected to total about £20 million, as it did in 1960-61, and it will fall below this level in 1962-63. Thus for "the time being" Sir Walter expects that the reduced rate of expenditure can be financed by the company's own resources and bank facilities. Yielding 6 per cent at the current price of 40s. 6d. the £1 shares may hold out the prospect of some recovery in the months ahead.

The demand for steel is not likely to improve until the current financial year, ending on September 30th, is well advanced and the chairman of South Durham, Mr B. Chetwynd Talbot, is content to say that "the view is widely held that it may well be the second half of the year before substantial increase in demand manifests itself" without indicating whether he agrees with this view or not. But he added that he thought decisions about steel prices, as a result of the current negotiations with the Iron and Steel Board, will be made before very long. If it is thought that this review will lead to higher steel prices then anticipation of the increase could be the first influence in checking the current de-stocking. But, as Mr Chetwynd Talbot said, the existing price structures will rule for much of the current financial year when production will be at a reduced level. South Durham's results will depend not only on an early increase in steel prices but on a return to fuller capacity working. These uncertain prospects are reflected in the yield of 10.8 per cent offered by the £1 shares at 18s. 6d.

The chairman of Dorman Long, Mr E. T. Judge, was equally cautious, for his supplementary remarks at the annual general meeting refrained from specific comments about the prospects for recovery later in the year. Instead, he confined himself to the immediate and depressing facts. In the last few weeks, Dorman Long has been forced to close some plants and to lay off some labour, and while the structural fabricating shops have remained fairly busy the "present low order books" in structural engineering generally, Mr Judge says, look "ominous." Like other steel producers, Dorman Long has had to rephase its development programme, spreading expenditure over a longer period than was originally intended. Temporary borrowing facilities will take care of finance "for the time being," but Mr Judge recognises that eventually recourse will have to be made to long term finance. At 24s. the £1 shares yield 8¼ per cent.

Richard Thomas and Baldwins' decision to dismiss 1,500 men at its Ebbw Vale strip plant and to close one of the three blast furnaces there has been followed by news that its small Stourvale sheet-coating plant will be shut down. These moves show that the industry is trying to cut costs to match the fall in demand. RTB insists that the changes at Ebbw Vale are not intended to reduce output further, despite the approaching completion of the Spencer strip works nearby; by using sintered ore in the two blast furnaces remaining, as much iron can be made as the three blast furnaces produce today.

Turner and Newall

EXACTLY a year ago Turner and Newall announced its intention of drawing on its huge cash resources by its combined share and cash bid for British Industrial Plastics. Nevertheless at September 30th last the group still held about £25 million in liquid form and capital commitments of £4 million are handsomely covered by the current cash flow of £8 million a year. The bulk of this sum is committed to the completion of the new Ferodo factory at Caernarvon and the construction of a £1 million factory for asbestos cement. Overseas there are reports of new ventures in Australia, Nigeria and Dublin and the expansion of asbestos cement manufacturing activities in South Africa but there is nothing in Mr

Years to Sept. 30	1957	1958	1959	1960	1961
	£ mil.	£ mil.	£ mil.	£ mil.	£ mil.
Trading profit	12·9	11·9	11·9	13·6	14·8
Gross profit	13·4	13·2	12·9	14·8	16·1
Net equity earnings	6·0	6·0	7·1	7·6	7·7
Retained cash flow	7·6	7·4	8·3	7·8	8·2
Net fixed assets	30·2	32·0	34·3	35·4	44·9
Net current assets	41·0	42·9	45·2	48·9	43·4
Net liquid assets	30·1	29·6	30·0	33·8	24·6
Net equity assets	64·2	68·8	74·0	78·3	82·2
	%	%	%	%	%
Ord. earnings	23·0	21·8	23·9	27·9	25·5
Ord. dividends	7·5	7·5	10·0	12·0	12·0
Gross profit/net equity assets	20·9	19·2	17·4	18·9	19·6

Price (£1 shares): 54s. 4½d. Earnings yield: 9·40%,
Dividend yield: 4·4%. equal to 10·6 years' earnings.

R. G. Soothill's statement to suggest to shareholders that the liquid resources (equivalent to about 10s. 3d. a share) are to be invested to boost the group's earning capacity.

The inclusion of profits of £1,074,000 from British Industrial Plastics and Stillite (makers of mineral wool) raised consolidated trading profits from £13,637,000 to £14,779,000 in the year to September 30th. The group's traditional manufacturing and mining operations added only £68,000 extra to profits. It is a familiar story: fiercer competition and continued pressure on profit margins. But with the recession in the motor industry covering much of the financial year even the small increase in profits is not to be despised. In fact a fall in demand for some asbestos products at home was more than offset by an increase in exports. Ferodo, manufacturing brake and clutch linings, also achieved record sales abroad while a healthy replacement demand cushioned the effects of the turndown in the motor industry at home. As expected, the demand for asbestos cement from the building industry was well maintained and its uses and applications continue to grow. Sales of chemical products were hit by keen competition in the export markets and profit margins were cut. BIP's first trading year in the new group was not an easy one but the chairman is confident that collaboration between this and the older sections of the group's business will "undoubtedly strengthen our activities in fresh as well as existing fields of manufacture."

For the current year Mr Soothill is reticent about the group's prospects in view of the "uncertainty as to the short term economic outlook" but he says that "the immediate picture may be somewhat less favourable." Not surprisingly the £1 shares are close to their 1961-62 low and at 54s. 4½d. yield 4.4 per cent. This is below the average yield on leading industrials of just over 5 per cent and reflects expectations of normal growth to match Turner and Newall's past record.

Continued on page 470

STOCK PRICES

Prices, 1961/62 High	Low	BRITISH FUNDS AND GUARANTEED STOCKS	Price, Jan. 24, 1962	Price, Jan. 31, 1962	Net Red. Yield, Jan. 31, 1962 §	Gross Red. Yield, Jan. 31, 1962
					£ s. d.	£ s. d.
92½	88⅞	Savings Bonds 3% 1955–65	91⅛	91 17/32	4 11 6	5 15 10†
99⅛	97¼	Convers. 4½% ..... Ass'd. (m)	97 3/16	97 3/16	4 6 6	5 12 7†
96⅞	93¼	Exchequer 3% 1962–63	96 9/16	96 19/32	4 6 4	5 12 7†
101⅝	98⅝	Treasury 5½% 1962	100 3/16	100 3/16	2 7 0	5 5 1
93 29/32	90¼	Exchequer 2½% 1963–64	93 19/32	93 19/32	4 8 5	5 10 8†
99 15/32	96⅝	Conversion 4½% 1963	98 13/16	98 29/32	3 11 0	5 11 9
98 9/32	94½	Conversion 4½% 1964	97 7/16	97 15/32	3 15 0	5 14 1
101 5/16	96	Exchequer 5½% 1966	98 3/32	98⅜	3 11 8	5 19 1
83⅛	78 3/16	Funding 3% 1959–69	83 1/16	83⅛	4 14 5	6 1 9†
89¾	84⅜	Funding 4% 1960–90	89 1/16	89 3/16	3 11 6	5 5 9†
80 1/2	74⅜	Savings Bonds 3% 1960–70	79	79 1/16	4 16 7	6 2 10†
85 7/16	80¾	Savings Bonds 2½% 1964–67	85⅜	85 7/16	4 15 10	5 18 3†
72 11/16	66¼	Savings Bonds 3% 1965–75	70⅝	70⅝	4 16 3	6 4 9†
84 11/16	78⅛	Funding 3½% 1966–68	83⅜	83⅜	4 15 1	6 0 10†
86⅝	80¼	Conversion 3½% 1969	84⅞	84 13/16	4 12 9	6 2 2
97½	92¼	Victory 4% 1920–76	92⅛	92⅛	3 11 11	5 4 3‡
93 5/16	87	Conversion 5% 1971	90 13/16	91⅛	4 4 8	5 5 11
95 11/16	88½	Conversion 5½% 1974	92¼	92 3/16	4 1 2	5 4 8
73⅛	66	Treasury 3½% 1977–80	69¾	69 15/16	4 12 3	6 6 9†
72¼	65	Treasury 3½% 1979–81	68 11/16	68⅝	4 12 3	6 6 6†
97 1/16	88½	Funding 5½% 1982–84	90¼	90⅛	4 0 11	6 0 10†
59½	51½	Redemption 3% 1986–96	54½	55⅛	4 8 3	6 5 1†
88 1/4	79¼	Treasury 5% 1986–89	83 3/16	83 11/16	4 2 3	6 7 7†
63 1/16	55	Funding 3½% 1999–2004	57⅝	58⅛	4 6 2	6 7 9†
94⅝	81⅝	Treasury 5½% 2008–12	86 1/16	84 1/16	4 2 1	6 11 0†
65⅞	56½	Consols 4% ..... after Feb. 1957	59 1/16	59 1/16	4 2 3	6 14 4†
59 1/4	50½	War Loan 3½% ..... after 1952	52⅜	53 1/16	4 1 0	6 12 10†
59	50½	Conv. 3½% ..... after Apr. 1961	52 15/16	53⅛	4 1 5	6 14 2†
50⅞	43¼	Treasury 3% ..... after Apr. 1966	46⅜	46⅜	4 0 9	6 12 11†
44	36½	Consols 2½%	38 1/2	39	3 18 9	6 8 10†
43½	36⅛	Treasury 2½% ..... after Apr. 1975	38½	39	3 19 7	6 13 1†
91⅞	85¾	British Electric 4½% 1967–69	90⅜	90 1/4	4 5 7	6 2 5†
75 11/16	70⅛	British Electric 3% 1968–73	74⅜	74⅞	4 17 1	6 5 11†
70⅝	64½	British Electric 3% 1974–77	69⅝	69 11/16	4 14 8	6 4 11†
81⅞	74⅞	British Electric 4½% 1974–79	80⅛	80¼	4 5 8	6 5 2†
73½	67	British Electric 3½% 1976–79	70 13/16	71	4 11 9	6 6 2†
84⅜	78¾	British Gas 4% 1969–72	82 13/16	82⅞	4 10 2	6 4 9†
82	76	British Gas 3% 1969–71	81 13/16	80 1/16	4 13 0	6 3 3†
59⅜	51¾	British Gas 3% 1990–95	54⅝	55¼	4 9 2	6 6 5†
75 11/16	70⅛	British Transport 3% 1968–73	74⅜	74⅞	4 17 1	6 5 11†
80⅜	74	British Transport 4% 1972–77	77 1/4	77 3/16	4 8 6	6 5 2†
61 7/16	53⅜	British Transport 3% 1978–88	57 1/16	57⅞	4 12 7	6 6 5†

Prices, 1961/62 High	Low	DOMINION AND CORPORATION STOCKS	Price, Jan. 24, 1962	Price, Jan. 31, 1962	Red. Yield, Jan. 31, 1962
					£ s. d.
82¼	76½	Australia 3½% 1965–69	80	80	6 12 0†
101	92¾	Australia 6% 1974–76	97½	97½	6 7 0†
72½	64	Ceylon 4% 1973–75	65½	64	8 15 0†
101¼	92¾	New Zealand 6% 1976–80	96⅜	94¼	6 9 0†
80½	70½	Rhodesia and Nyasaland 6% 1978–81	75	74	8 16 0†
82 2	73	South Africa 3½% 1965–67	82½	83¾	7 14 0†
59	53½	Southern Rhodesia 4½% 1987–92	56½	56¾	8 8 0†
84⅝	76½	Agricultural Mortgage 5% 1959–89	78⅜	78½	6 11 0†
89	82¼	Birmingham 4½% 1967–70	86⅛	86¼	6 7 0†
92¾	86½	Bristol 5% 1971–73	89¼	89⅜	6 5 0†
93	86½	Corporation of London 5¼% 1976–79	88¼	88¼	6 8 0†
48¾	41	L.C.C. 3% ..... after 1920	43⅞	44½	6 16 0†
89 a	80¾	L.C.C. 5% 1980–83	84½	84⅞	6 8 0†
93	84¼	Middlesex 5½% 1980	88¾	88¾	6 9 0†

NEW YORK PRICES AND INDICES

	Jan. 24 $	Jan. 31 $		Jan. 24 $	Jan. 31 $		Jan. 24 $	Jan. 31 $
Atch. Topeka	26⅞	26⅞	Boeing	53¼	56⅛	Int. Harvester	53¼	53⅜
Can. Pacific	24¾	24¾	Colanese	39¼	39⅛	Inter. Nickel	77¼	80
Pennsylvania	17⅛	18	Chrysler	55	56	Inter. Paper	33½	33⅞
Union Pacific	33¼	33¾	Col. Palmolive	49¼	48½	Kennecott	83½	82¼
Amer. Electric	25⅞	25	Crown Zeller	50½	51½	Monsanto	47⅛	48¼
Am. Tel. & Tel.	129½	128	Distillers Seag.	44	44⅝	Nat. Distillers	28	28½
Cons. Edison	77½	76¼	Douglas	34⅞	36	Pan-American	21½	21¾
Int. Tel. & Tel.	53½	55	Dow Chemical	67⅞	67¾	Procter Gamble	82⅜	82½
South'n. Nat. Gas.	45½	45⅞	Du Pont	230	229¼	Radio Corpn.	53¼	56¼
United Corpn.	8	8	East. Kodak	105½	104⅝	Sears Roebuck	77⅛	75⅝
Western Union	37	38⅛	Ford Motor	104	106⅝	Shell Oil	37⅛	39⅜
Alcoa	59¾	59⅝	Gen. Electric	72⅜	75	Socony-Mobil	51½	52¾
Aluminium	26⅝	27¼	General Foods	83½	87¼	Stand. Oil Ind.	53⅜	53½
Amer. Can	44	45½	General Motors	55⅝	57⅛	Stand. Oil N.J.	50⅝	53
Am. Smelting	60½	64	Goodyear	42¾	43⅞	Union Carbide	117⅞	114⅝
Am. Viscose	54½	54⅝	Gulf Oil	40¾	41	U.S. Steel	74⅛	72½
Anaconda	50⅞	50	Heinz	62	63¼	West. Electric	36⅛	37⅝
Beth. Steel	40⅜	41 7/8	Int. Bus. Mach.	550	542	Woolworth	88¼	84¼

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

1962	425 Industrials	Yield %	25 Rails	Yield %	50 Utilities	Yield %	Govt. Bonds	Yield %
Jan. 3	75·22	2·81	34·10	4·73	64·40	3·10	97·47	4·11
,, 10	72·88	2·90	33·84	4·77	62·54	3·10	97·87	4·09
,, 17	72·16	2·93	33·70	4·78	62·13	3·21	97·57	4·12
,, 24	72·27	2·92	33·60	4·80	62·13	3·22	97·77	4·10
,, 31	72·77	2·91	33·90	4·76	62·29	3·23	97·46	4·13

425 Industrials :—High, 76·69 (Dec. 12, 1961). Low, 60·87 (Jan. 3, 1961).

Prices, 1961/62 High	Low		Last Two Dividends (a) (b) (c)		ORDINARY STOCKS	Price, Jan. 24, 1962	Price, Jan. 31, 1962	Yield, Jan. 31, 1962	Cover
			%	%					
91/–	64/–		6½ a	6½ b	**BANKS, DISCOUNT & HP** Barclays £1	90/6*	87/9	2·96	...
100/3	74/3		8 a	8 b	District £1	96/3*	94/9	3·38	...
80/–	58 7½		5 a	6 b	Lloyds £1	74/–*	72/6	3·03	...
26/4½	18/7½		7 a	8 b	Martins 5/–	21/6*	21/3	3·53	...
94/6	67/3		7½ a	7½ b	Midland £1	90/9*	89/9	3·34**	...
97/3	73/–		7 a	7 b	Nat. Provincial £1	94/3*	92/6	3·03	...
95·6	58/9		6¾ a	7 11/12 b	Westminster 'B' £1	85/9*	85/–	3·44	...
44·9	35/3		4 a	8 b	Ausgralia & N.Z. ..£1 p.p.	44/3	44/–	5·45	...
52/–	41/–		6 b	4 a	Bk. Lond. & S. Amer. ..£1	45/–	45/–	4·44	...
£25 15/16	£21 3/16		$2·05c	$2·05c	Bank of Montreal $10	£24 1/16	£23 7/16	2·97	...
30⅜	25¼		8 c	9 c	Bank of New S. Wales £20	27 1/4*	27⅜	5·26g	...
44·9	31/9		10 c	5 a	Barclays D.C.O. £1	35/3	35/–	5·71	...
60/7½	46/7½		7½ b	7½	Chartered £1	54/6	56/6	5·31	...
£21	£14 3/8		5/– a	10/– b	Hongk'g. & Shang. ...$25	£18¼	£19 1/4	3·90	...
70/3	49/9		7½ a	9 b	Nat. Com. Bk. Scot. .10/–	57/3	55/6	2·97	...
£29 5/16	£25 15/16	$2·32½c		$2·37½c	Royal Bk. Canada....$10	£27 3/16	£27 3/16	2·97	...
41/6	32/–		10 b	5 a	Stand. Bk. S. Africa ..£1	38/6	38/–	7·89	...
170/–	95/–		22½ c	22½c	Hambros ..... £1 f.p.	170/–	163/9	2·75	...
92/–	59/6		5 b	2½ a	Schroders £1	91/3	89/9	1·67	...
60/6	45/6		6¼ a	6¼ b	Union Discount £1	55/–*	54/6	4·59	...
27 4½	11 7½		18 c	Nil c	Bowmaker 5/–	12/9	13/3	...	11·4
23/6	11/9		19 c	5 a	Lombard Banking 5/–	13/6	13/6	...	1
21/9	12/9		5 a	2½ b	Mercantile Credit 5/–	16/4½	16/4½	2·29	...
52/6	33/–		22½ b	4 a	United Domins. Tst. ..5/–	42/11½	40/4½	3·28	9·4
					BREWERIES, Etc.				
15/4½	11/–		...	...	Bass, M. & B. 5/–	15/3	15/–	3·67**	2
41/11½	31/–		8½ b	6 a	Distillers 10/–	37/10½	37/7½	3·85	2
26/9	13/–		4 a	8 b	Flowers 5/–	20/6	19/9	3·04	2
60/6	47/–		8 a	14 b	Guinness 10/–	48/–	48/6	4·54	13·4
15/6	12/–		...	8 b	Ind Coope T.A. 5/–	14/9	13 7½	4·40**	...
15/6	10/–		5 a	7½ b	Manifold Breweries ..5/–	14/10½	14/10½	4·20	...
108 9	76/9		6 a	12 b	Watney Mann £1	107/9	104/3	3·45	2
37·9	26·–		27 c	9 a	Whitbread 'A' 5/–	34/9	33/3	4·06	13·4
					BUILDING, PAINT, Etc.				
54/–	44/10½		5½ b	3 a	Associated Portland ...£1	53/–	54/–	3·09	2·1
23/11½	19·10½		7½ b	4 a	British Plaster Bd. ...10/–	23/11½	23/11½	5·41	2·1
26/10½	15·6		10 b	6 a	Richard Costain 5/–	16/4½	16/11½	4·96	2·3
13/–	9/4½		10 a	5 b	Crittall Mfg. 5/–	10/11½	10·6¾	7·10	2
18·6	10·–		6 a	14 b	International Paints ..4/–	11/3	10·9¾	7·40	1½
66/9	40·6		21½ c	25 c	Rugby Portland 5/–	59/3	61/3	3·04	3·1
157 11½	118·6		7½ a	17½ b	Wall Paper Defd. £1	135/3	134/3	3·72	2·1
					CHEMICAL				
29/3	20·3		14 b	6 a	Albright & Wilson 5/–	23/3	21/9	4·60	2·1
22/–	14 10½		4 a	7½ b	Borax Defd. 5/–	16 7½	16 10½	3·41	3
58·9	30·7½		7 b	4 a	Fisons £1	38/3	34/6	6·38	1½
81/6	54·4½		7½ b	6¼ a	I.C.I. £1	57 7½	55/–	5·00	2
26 10½	14/6		10 b	5 a	Monsanto 5/–	17/–	16/6	4·55	2·1
					DRAPERY & STORES				
16/–	24/–		8 b	4 a	Boots Pure Drug 5/–	28/6	27/9	2·16	2·1
107/–	58·6		7½ a	20 b	Montague Burton....10/–	98/9	100/–	2·75	2·1
75 03/4	47 7½		5½ a	13½ b	Debenhams 10/–	57/9	58/6	3·28	1·1
59 4½	45 7½		25 b	2½ a	G.U.S. 'A' 5/–	55 11½	55/7½	3·37	2
46/9½	33/4½		16½ b	13½ a	House of Fraser 5/–	39/3	39/–	3·85	1·1
21 1/2	14/3		7½ b	5 a	Lewis's Invest. Tst. ..4/–	15/3	15/–	3·29	1·1
106·9	85/11½		32½ b	15 a	Marks & Spencer 'A' ..5/–	94/3	95/6	2·49	1·1
53 10½	34 10½		20 b	10 a	United Drapery 5/–	47 4½	47 11½	3·18	1·3
52 1/2	48·9		10½ a	25 b	Woolworth 5/–	49/9	49 7½	3·61	1·1
					OIL				
51/3	32/–		16·94b	12·78a	British Petroleum £1	33/9	33/3	9·55	2·1
49·6	30·6		16·7½ b	12½ a	Burmah Oil £1	31/–	30/9	9·96	1·1
£15 1/16	£10 9/8		23·87c	11 1/8 a	Royal Dutch ..... 20 fl.	£12 1/2	£12 11/16	3·71	2·3
34 10½	27/–		17·20 8c	10 a	Shell Transport 5/–	27/9	28/–	6·06	3
41/3	23·9		...	...	Ultramar 10/–	24/9	25/–	... d	...

FOREIGN AND OVERSEAS STOCKS

	Jan. 24	Jan. 31		Jan. 24	Jan. 31		Jan. 24	Jan. 31
FRANCE	Frcs.	Frcs.	**GERMANY**	%	%	**HOLLAND**	$	$
Air Liquide ...	1,035	1,125	A.E.G.	481	483	A.K.U.	39 3/4	39 5/8
Banque de Paris	500	523	Bad'sche. Anilin	491	485	Bijenkorf	1,202	1,180
Citroen	171	187·5	Bayer	629½	620	Heinekens	630	635
C. F. Petrole ..	269·5	299·9	Commerzbank ..	603	593	Internunie (Fl.50)	Fl.224·5	Fl.223·5
Cie. G. d'Electr.	1,105	1,161	Deutsche Bank.	536	651	K. N. Hoogoven	750½	762½
Machines Bull.	635	725	Hoechst Farb...	515	512	Kon. Zout-Ket.	1,043	1,160
Pechiney	260	275	Kundenkredit ..	524	520½	Philips	956	960·5
Printemps	617	690	Lowenbrau	1,225	1,220	Robeco (Fl.50)	Fl.246·5	Fl.245·5
Rhone-Poulenc	444	490	Mannesmann ...	258	254½	Rotterdam Bk..	368	370½
S.I.M.	372	374·5	Siemens	721	741	Thomassen & D.	689½	690
Saint-Gobain ..	421	460·1	Thyssen-Huette	233½	233	Valeurop	Fl. 79·5	Fl. 79·5
Usinor	218	222·5	Volkswagen	759	750	Zwanenberg ...	1,007	1,010
Index	95·1	99·7	Index					
Dec. 30th, 1960 = 100.			Herstatt Index	115·19	114·60	Index	368·40	376·25
			Dec. 31, 1959 = 100.			1953 = 100.		
CANADA	$	$	**AUSTRALIA**	£A	£A	**JAPAN**	Yen	Yen
Abitibi Pr. & P.	39¾	39¾	Ampol Pet.	12/1	11/10	Ajinomoto	586	554
Aluminium	27⅞	28¼	Ass. Pulp & P...	35/3	34·9	Fuji Iron	53	53
Bell Tel.	56¼	56⅜	Aust. Con. Inds.	71/–	70/6	Hitachi	109	115
Can. Brewer's.	57⅜	57¾	Aust. Oil & Gas	62/6	67/3	Honda Motor ..	274	318
Can. Imp. Bank	67¾	67	Brit. Tobacco..	25/7	25·7	Kirin Brewery.	687	683
Can. Pac. Rly..	25⅞	26	Broken Hill Pty.	66/2	66/6	Mitsub. Chem..	104	87
Hiram Walker	54⅜	56¼	C. J. Coles	14/2	14/2	Mitsub. Elect...	99	103
Imperial Oil ..	49¾	49¾	Felt & Textiles .	8/8	9/–	Mitsub. Heavy..	98	105
Noranda Mines	58⅜	59	I.C.I. A.N.Z. ..	42/3	40/9	Nippon Elect...	398	395
Shawinigan Wtr	23⅝	24⅜	Myer Emporium	31/–	32/6	Sony	926	890
Steel of Canada	79¾	79½	Ready Mix Con.	17/4	17/–	Toyo Rayon	166	178
Trans. Can. Pipe	26½	26¾	Woolworth	16/9	16/7	Yawata Iron ...	57	61
Toronto Ind. Index	599·79	607·15	Sydney Indust. Index	308·56	305·44	Dow Jones Average	1504·01	1511·14
	1933 = 100.			1937/39 = 100.				

† Ex dividend. ‡ Tax free. § Assumed average life 7½ years. ¶ The net redemption yields allow for tax at 7s 9d. in £. || Ex capitalisation. ¶ Ex rights. (a) Interim dividend. (b) Final dividend (c) Year's dividend. (d) Capital distribution of 1s 0d. per share. (f) Flat yield. (g) Equivalent to 7·2 sterling. (h) After Rhodesian tax. (l) To latest date. (m) Assumed into Conversion 6% 1972.

AND YIELDS

LONDON; NEW YORK; FRANCE; GERMANY; HOLLAND; CANADA; AUSTRALIA; JAPAN

Prices, 1961/62 High	Low		Last Two Dividends (a) (b) (c)		ORDINARY STOCKS	Price, Jan. 24, 1962	Price, Jan. 31, 1962	Yield, Jan. 31, 1962	Cover
			%	%					
48/6	28/3	10	b	5 a	**ELECTRICAL & RADIO** A.E.I. £1	31/9	30/9	9·76	1
15 5/4	9/7½	...		15 c	Brit. Electronic Inds. 5/–	12/3	11/10½	6·32	1/4
62·3	49/–	9½	b	4 a	B.I.C.C. £1	61/3	62/–	4·35	2
14 8/4	11/3	5	a	7½ b	Crompton Parkinson .5/–	14/8/4	14/3	4·39	2½
89·6	54/–	7½	a	15½ b	Decca Record 10/–	80/–	81/6	2·86	1¾
52/–	35/–	5	a	12½ b	E.M.I. 10/–	43/–	42/6	4·12	2
45·6	25·9	8	b	5 a	Elliott-Automation 5/–	42/2/4	42 11/4	1·51	2
40·6	22·6	3	a	7 b	English Electric £1	25/–	23/9	8·42	1½
39·6	23/3	3	a	7 b	General Electric £1	29/–	28/6	7·02	3/4
72·9	47/–	8	a	8 a	C. A. Parsons £1	53/6	53/3	4·69	4
52·3	37·6	6½	b	3¼ a	A. Reyrolle £1	46/6	45/6	4·29	2¾
70/–	45/3	25	c	25 c	Thorn Electrical 5/–	68/–	68/–	1·84	3
					ENGINEERING				
36·9	18/9	9	c	Nil a	Babcock & Wilcox £1	23/–	21/9	...	1
48·9	30/4½	4	a	7 b	John Brown £1	36/10½	34/3	6·42	2¾
8·6	4/2/4	9	b	3 a	Cammell Laird 5/–	5/6	5/–	12·00	1
33·9	22/4½	20	b	10 a	Internat. Combust. ..5/–	26/3	25/10½	5·80	1½
9/11½	3/4½	...		...	Rich'ds'ns. Westg'th. 10/–	4/9	4/7½	...	...
40/–	28/–	9½	b	2½ a	Swan Hunter £1	37/7½	37/4½	6·42	2/4
17 4½	10/6	5	c	5 a	John Thompson 5/–	13/–	12/7½	1·98	...
34 4½	21 8/4	†3·9	a	†6¼ b	Coventry Gauge 10/–	32/4½	31/7½	4·52	2¾
79·9	51/6	†6	b	†2½ a	Alfred Herbert £1	72/6	70/–	3·97	1¾
78/–	41/–	12½	b	5 a	Allied Ironfounders.... £1	46/–	45/3	7·73	1½
110/–	81 10½	10	b	5 a	Averys £1	93/9	93/6	3·21	2½
36 10½	17/–	7½	b	4 a	B.S.A. 10/–	18/4½	18/3	6·39	2/4
14·9	9/–	8½	b	4½ a	George Cohen 5/–	10/3	9·9	6·67	1¾
44 4½	29/–	17½	b	10 a	Davy-Ashmore 5/–	31/6	31/6*	4·37	2½
108 7½	70/–	11	b	5 a	Guest Keen £1	77/7½	77 10½	4·11	3½
31/–	18/3	12	b	4 a	Head Wrightson 5/–	21/–	19/9*	4·05	2½
100·9	68/3	5	a	7 b	Metal Box £1	82/6	82/6	2·91	2½
22·6	14/–	4	a	10 b	Ransome & Marles ..5/–	16/9	16/6	4·24	3
50·6	34/6	7	a	9 b	Rowold Chains 5/–	46/–	45/–	4·35	2
85·6	54/–	7	a	7 b	Tube Investments £1	62 7½	61 1½	4·58	3
38 4½	25·6	7½	b	2½ a	Vickers £1	30/3	29/9	6·72	1¾
84·6	58/–	3¾	a	10 b	Ward (Thos. W.) £1	65/6	65/6	4·20	3
30/–	18/–	22½	b	5 a	Woodall-Duckham ..5/–	20/6	20/6	5·12**	2½
					FOOD & TOBACCO				
34/–	17 4½	10	c	10 c	Allied Suppliers 10/–	22 10½	21 10½	4·57	2½
15/–	7/9¾	12½	b	10 a	Assoc. British Foods..1/–	10/7½	11/1½	2·02	2
74/–	54/3	8	b	4 a	Bovril £1	59/–	59/6	4·03	2½
12 11/4	9/9¾	†1·7	a	†3·9	Brooke Bond 'B' 5/–	11/9	11 10½	3·77	3½
19·3	12/6	10	b	2½ a	International Tea 5/–	14/6	14/–	4·46	1½
107/9	65/–	10	9 b	5 a	J. Lyons 'A' £1	77/9	77/9	4·07	1¼
35/6	25/9	5	a	9 b	Ranks 10/–	31/–	32/6	4·31	2¼
14 03/4	10/–	7½	b	2½ a	Spillers 5/–	11 3/4	10 10½	4·30	2
50/–	38 7½	10·9	c	10·7 a	Tate & Lyle £1	47/4½	49/9	4·82**	2
20 10½	14 10½	9	b	5 a	Unigate 5/–	16/9	16/7½	4·21	2
73/–	52/9	†21½	c	†11½ a	Brit. Amer. Tobac. ..10/–	55/6	55/–	6·43	2¾
51/6	34 7½	15	b	5 a	Gallaher 10/–	39/3	38/9	5·16	2
71/9	58/–	14	b	8½ a	Imperial Tobacco £1	61/6	59/–	7·63	1¾
					INSURANCE				
15½	11 5/16	†55	b	†50 a	Britannic 5/–	14 7/16	14 7/16	2·92	...
86·3	60/6	25	b	20 a	Commercial Union ..5/–	61/6	64/–	3·52	...
35 1/4	17 7/8	†41·17	c	†41·17 c	Equity & Law Life ...8/6	34 3/8	33 13/16	0·84	...
90/6	51 10½	20	b	10 a	General Accident.....5/–	90/6	90/3	1·66	...
60/6	42 7½	40	b	35 a	Guardian 5/–	48/–	49/3	2·71**	...
40 3/16	21 7/8	110	b	80 a	Legal & General..... 5/–	40 5/16	40 5/16	1·18	...
146/–	100/–	11½	b	8½ a	Northern & Empl. ..£1	144/9	145/3	2·75	...
272/6	156/3	†70	b	†20 a	Pearl 5/–	217/6	216/3	3·40	...
29	18	†183 1/3	c	†208 1/3 c	Prudential 'A' 4/–	25 5/16	25 5/16	2·69	...
49·3	38 10½	...		...	Royal 5/–	45 7½	46 1½	3·25**	...
129/3	100/3	11 4	b	7½ a	Royal Exchange £1	109/9	107/9	3·48	...
					MOTORS & AIRCRAFT				
18 10½	12 10½	7½	a	12½ b	British Motor 5/–	16/–	15/9¾	6·32	3/4
86·6	66 11½	20	c	20 c	Jaguar Cars 'A' 5/–	84/3	83 10½	1·19	7¾
48·6	35/6	11	c	5 a	Rolls-Royce £1	40 10½	40 10½	5·38	2¼
10/–	5/6	12	c	4 c	Rootes Motors 'A' ..4/–	6 11½	6/–	2·67	...
88/9	52 2/4	5	a	11 b	A.C.V. £1	74/9	74/11½	4·32	2
101/–	77/3	20	c	20 c	Leyland Motors £1	79/9*	78/6	5·10	2
18/6	14/–	12½	c	8 a	Bristol Aeroplane ...10/–	14/6	14 4½	8·70	2¼
33/3	20/6	15	c	5 a	Hawker Siddeley £1	22 7½	23 4½	9·07**	1¼
41/3	28 10½	14	a	†5½ b	Dowty Group 10/–	35 4½	35/

British Oxygen

THE full report from British Oxygen suggests that the pressure on margins, which was growing in 1961, will become even more severe this year. Shareholders might have been looking for some improvement in the year to September 30th next, if only because of higher prices for industrial gases introduced in October and of the marked rise in fixed and working assets employed by the group, which more than absorbed the £12¼ million rights issue in October, 1960. But all that the chairman, Mr J. S. Hutchison, says is that profits are likely to be maintained in the current year, though he adds that they would respond to "any betterment in home trading conditions or any easing of political or economic tensions overseas."

The group's capital expenditure may, however, eventually amount to more than the £40 million envisaged a year ago. The growth in capital expenditure comes at an awkward time, for under-capacity working in the steel industry will put a brake on the increase in revenue from BOC's heavy investment in tonnage plant. The cash flow may therefore be inadequate to meet BOC's financial needs. Immediately, the banks will help, but Mr Hutchison says that additional permanent finance may become necessary at a later stage. Presumably any new issue by BOC will have to wait for clear signs of recovery in the

Years to Sept. 30	1957	1958	1959	1960	1961
	£ mil.	£ mil.	£ mil.	£ mil.	£ mil.
Sales	42·5	49·0	54·8	59·8	67·5
Trading profit	9·2	11·3	12·9	14·3	13·8
Gross profit	6·0	7·2	8·6	9·5	8·6
Net equity earnings	2·4	2·8	3·9	4·4	4·6
Retained cash flow	4·6	5·9	6·5	7·4	7·9
Net fixed assets	37·4	40·7	42·5	44·9	55·5
Net current assets	12·3	12·8	15·0	15·9	19·4
Net liquid assets	2·1	2·0	6·2	4·7	4·8
Net equity assets	29·8	31·7	34·6	37·3	52·2
	%	%	%	%	%
Ord. earnings	16·2†	19·1†	24·8†	27·8†	18·1
Ord. dividend	6⅔†	7⅛†	9⅛†	10⅝†	10⅞
Gross profit/sales	14·0	14·6	15·7	15·5	13·8
Gross profit/net equity assets	20·1	22·7	24·8	26·2	16·4
Net earnings/net equity assets	8·1	8·8	11·2	12·4	8·9

†Adjusted for scrip issue

Price (5s. shares): 14s. 6d. Earnings yield: 6.2%,
Dividend yield: 3·7%. equal to 16 years' earnings.

demand for steel. By then, however, the demand for tonnage oxygen may have abated; Mr Hutchison says:

> Much of the immediate potential for oxygen in steel-making in the UK is now provided for, and there may be levelling off in new business of this kind over the next two or three years. Other tonnage uses are slow to develop, although they may become important later, and there is intense competition for available plant business which is at present predominantly for export.

The ordinary dividend of 10⅜ per cent is equivalent to the 16 per cent paid in 1959-60 before the rights and scrip issues and is covered 1¾ times. The shares now stand at 14s. 6d., barely above their lowest point for 1961-62, and yield 3.7 per cent. This is in accord with the past facts of expansion by the British steel industry and BOC. But does it not assume too readily that the future will be equally as bright? It seems possible that BOC will be earning a lower rate on the capital it employs not merely in the current year but in some of the years to follow. BOC must, moreover, raise new money—if not this year, then next. The stock market, certainly, has changed its view about BOC's growth prospects. The question is: has it changed this view radically enough?

Cable and Wireless (Holding)

THE preliminary results of Cable and Wireless (Holding) contained no surprises. The ordinary dividend has been maintained at 10 per cent on the increased capital. The growth in C & W's income, one of the biggest investment trusts in this country, was not so rapid in 1961 as in 1960; net earnings after tax rose by 14 per cent from £1,022,000 to £1,161,000 compared with an increase of 21 per cent in 1960. As in the past C & W has retained a bigger proportion of its earnings than is usual for an investment trust and the dividend is covered 1¼ times; this in fact understates the cover as earnings on C & W's 50 per cent stake in the unquoted Cables Investment Trust, whose book value was written up in 1960 by £4,665,000 to £6 million, are not consolidated.

Investments at book value rose last year from £22.9 million to £25.4 million, reflecting the investment of the proceeds of the rights issue, while at market values they rose from £42.3 million to £49.1 million. At the end of 1960 only 2¼ per cent of C & W's portfolio was in fixed interest securities, but when the 1961 accounts are published next week they may well show a slightly higher proportion. Investment trust managers are showing signs of some disenchantment with low yielding equities—none more so than the Scottish American Investment which in the last two years has cut the percentage of its funds in equities from 88½ to 73 per cent. Its chairman, Mr Arthur Blair, says that industry is finding it difficult to earn profits in Britain and in the United States and this provides an unfavourable background for equity investment. If this is so, the 5s. shares of Cable and Wireless at 16s. 6d. yielding only 3 per cent may not be wildly attractive, particularly if there is to be no scrip issue this year. The yield on C & W is in line with the returns offered by other leading investment trusts, but this trust is more deeply committed to equities than most others and its gearing is lower.

Aveling-Barford

AFTER seven lean years of falling profits Aveling-Barford, manufacturers of road and building equipment, enjoyed a rise of 52 per cent in gross profits in 1959-60; the year to September 30, 1961, was much less spectacular as the burden of bank overdrafts, reflecting higher stocks, raised the interest charge from £36,000 to £102,000 and left gross profits almost unchanged at £700,000, against £696,000, even though trading profits before all charges had risen by 13 per cent. However, the chairman, Mr Edward Barford, seems confident about the future and his statement should do much to allay any concern about a balance sheet which reveals an increase in bank overdrafts from £948,000 to £1,910,000 in spite of the rights issue that raised over £1.1 million in May. Much of the money has been absorbed by stocks, which rose from £4,247,000 to £6,029,000, but net fixed assets are also higher at £2,174,000, against £1,565,000.

Mr Barford says that the immediate prospects for the two principal manufacturing subsidiaries are hopeful and though sales of light constructional equipment were hit by the little budget the outlook is now brighter. Overseas subsidiaries are penetrating new markets and apparently making good progress, and the shortage of components which hindered domestic production in 1959-60 now appears to be less critical. Mr Barford says that the accumulation of stocks reflected this earlier shortage as well as the higher level of activity and the near-completion of contracts at the end of the financial year. He expects stocks and bank overdrafts to be considerably reduced and capital commitments at end-September amounted to only £125,000. For the first three months of the current year sales were slightly higher and profits for the full year are expected to be at least up to the level of those in 1960-61.

Last May ordinary shareholders received a one-for-fifteen scrip issue as compensation for the enfranchisement of the "A" shareholders and there was a one-for-one rights issue of 5s. shares at par. The interim payment of 7½ per cent on the smaller capital and the final of 10½ per cent make the total equivalent to 14 per cent on the bigger capital, compared with 9.8 per cent in 1959-60. The cover has fallen from 2.2 to 1.6 times; the 5s. shares at 12s. 6d. yield 5⅓ per cent, compared with 6½ per cent a year ago.

The Economist Indicator (1953 = 100)

1961/62	Indicator	Yield %	1961/62 High	1961/62 Low
Dec. 27	359·2	5·35		
Jan. 3	363·6	5·01		
,, 10	361·8	5·01		
,, 17	364·4	4·97	427·2 (May 10)	342·7 (Oct. 18)
,, 24	360·6	5·01	1961	1961
,, 31	357·0	5·07		

Financial Times Indices

1962	Index †	Ord. Yield	2½% Consols Yield	Bargains Marked
Jan. 11	302·8	5·21	6·50	12,694
,, 26	299·9	5·26	6·50	13,181
,, 29	300·6	5·25	6·50	14,687
,, 30	302·8	5·21	6·46	12,039
,, 31	304·1	5·19	6·41	11,755

High, 365·7 (May 15, 1961). Low, 284·7 (Oct. 16, 1961).
† July 1, 1935 = 100

Money and Exchanges

EXCHEQUER RETURNS

For the week ended January 27, 1962, there was an "above-line" surplus (after allowing for sinking funds) of £118,641,000 compared with a surplus of £105,085,000 in the previous week and a surplus of £146,047,000 in the corresponding period of last year. There was a net receipt "below-line" of £84,093,000 leaving a total cumulative deficit to date of £686,351,000 compared with £659,133,000 in 1960-61.

£'000	Estimate 1961-62	April 1, 1960, to Jan. 28, 1961	April 1, 1961, to Jan. 27, 1962	Week ended Jan. 28, 1961	Week ended Jan. 27, 1962
Ordinary Revenue					
Income Tax	2,728,500	1,533,633	1,631,707	184,053	185,387
Surtax	210,000	107,500	120,500	10,800	12,400
Death Duties	240,000	185,500	206,500	4,100	4,400
Stamps	94,000	72,600	78,700	1,100	1,300
Profits tax, EPT and EPL	325,500	226,000	286,600	4,300	5,200
Other Inland Rev. Duties	...	150	...	50	...
Total Inland Rev.	3,598,000	2,125,383	2,324,007	204,403	208,687
Customs	1,550,000	1,219,626	1,340,782	28,342	30,279
Excise	960,000	748,160	774,700	15,170	12,825
Total Customs and Excise	2,510,000	1,967,786	2,115,482	43,512	43,104
Motor Duties	155,000	107,093	89,217	9,586	3,201
PO (Net Recpts.)	...	...	...	...	...
Broadcast Lic's.	40,000	31,600	33,300	5,100	...
Sundry Loans	205,000	40,673	206,226	1,415	6,469
Miscellaneous		98,383			
Total	6,508,000	4,370,918	4,768,232	264,016	261,461
Ordinary Expenditure					
Debt Interest	660,000	544,927	579,097	...	...
Payments to N. Ireland Exch.	92,000	69,751	76,417	5,067	5,528
PO Fund — Initial settlement	15,000	...	7,282	...	...
Other Consolidated Funds	8,000	6,904	7,240	8	11
Supply Services	5,186,902	3,947,165	4,237,981	112,534	137,081
Total	5,961,902	4,568,747	4,908,017	117,609	142,620
Sinking Funds	40,000	29,677	30,202	360	200
"Above-line" Surplus or Deficit		–	–	+	+
		227,506	169,987	146,047	118,641
"Below-line" Net Expenditure*		–	–	Cr.	Cr.
		431,627	516,364	49,647	84,093
Total Surplus or Deficit		659,133	686,351	+ 195,694	+ 202,734
Net receipts from:					
Tax Reserve Certificates		106,711	122,545	–36,812	–42,678
Savings Certificates		52,300	– 16,800	300	600
Defence Bonds		89,226	20,073	2,391	211
Premium Savings Bonds		47,350	33,700	1,700	1,200
Total		295,587	159,518	–32,421	–40,667

* Net issues of £25 million to the Civil Contingencies Fund in 1961-62 compared with net issues of £5 million in 1960-61.

FLOATING DEBT

(£ million)

	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Dept.	Ways and Means Advances: Bank of England	Total Floating Debt
1961					
Jan. 28	3,330·0	2,000·6	178·7	...	5,509·3
Oct. 21	3,270·0	1,997·8	183·1	...	5,450·9
,, 28	3,280·0	2,003·2	211·5	...	4,594·8
Nov. 4	3,280·0	2,063·7	201·1	0·8	5,545·5
,, 11	3,290·0	1,990·7	216·9	...	5,497·6
,, 18	3,310·0	1,976·2	250·6	...	5,536·8
,, 25	3,330·0	2,016·1	205·3	...	5,551·4
Dec. 2	3,350·0	2,078·9	228·5	...	5,657·4
,, 9	3,370·0	2,083·8	222·2	...	5,676·0
,, 16	3,370·0	2,148·9	235·2	0·8	5,754·9
,, 31	3,400·0	2,205·3	205·1	...	5,810·4
1962					
Jan. 6	3,380·0	2,163·3	339·7	...	5,882·9
,, 13	3,300·0	2,151·6	334·8	2·5	5,788·9
,, 20	3,250·0	2,147·4	326·4	...	5,723·8
,, 27	3,190·0	2,163·1	217·9	1·8	5,572·8

THE MONEY MARKET

THE discount houses raised their agreed bid by a further 4d. to £98 13s. 10d. at last Friday's Treasury bill tender, following an increase of 8d. in the previous week. The average rate of discount fell by 1s. 4.29d. to £5 4s. 10.06d. per cent, bringing the fall over the two weeks to 3s. 7.97d. per cent. The market received 61 per cent of its application last Friday compared with an average allotment of 68 per cent a week earlier.

This sharp fall in the bill rate encouraged the feeling in the City that a fall in Bank rate was close. This week, however, the Bank of England's open market policy has become markedly more vigorous. On Monday one or two houses were forced to borrow a small amount at Bank rate, and on Tuesday a large amount had to be taken by seven or eight houses out of the twelve.

In New York this week the US Treasury increased the number of Treasury bills on offer by $100 million in an attempt to push up rates and narrow the covered margin, then around ¼ per cent, between British and United States Treasury bills. The rate for three months bills in fact rose from 2.688 to 2.705 per cent.

MONEY RATES

LONDON

	%		%
Bank rate (from 6½%, 2/11/61)	6	**Discount rates:**	
Deposit rates (7 days' notice):		Bank bills:	
Banks	4	60 days	5 1/2–5 9/16
Discount houses	4–4¼	3 months	5 9/16–5 5/8
Local Authorities	6¼	4 months	5 1/2–5 9/16
Call money:		6 months	5 1/2–5 5/8
Clearing banks' minimum	4⅜	Fine trade bills:	
Day-to-day	4⅜–5⅜	3 months	6 3/4–7 1/2
		4 months	6 3/4–7 1/2
		6 months	7–8

NEW YORK

	%		%
Official Discount rate: (from 3½%, 11/8/60)	3	**Treasury bills:** January 22	2·688
		,, 29	2·705

BANK OF ENGLAND RETURNS

(£ million)	Feb. 1, 1961	Jan. 24, 1962	Jan. 31, 1962
Issue Department:			
Notes in circulation	2,196·2	2,295·3	2,292·6
Notes in banking dept.	54·2	30·1	32·8
Govt. debt and securities*	2,248·0	2,324·0	2,340·0
Other securities	0·8	0·7	0·7
Gold coin and bullion	0·4	0·4	0·4
Coin other than gold coin	1·3	0·3	0·3
Banking Department:			
Deposits:			
Public accounts	13·6	15·0	14·5
Special deposits	155·9	236·5	236·5
Bankers	247·6	244·3	256·8
Others	66·4	69·0	70·4
Total	483·5	564·7	578·2
Securities:			
Government	378·6	463·6	446·8
Discounts and advances	49·5	69·5	97·2
Other	18·8	19·0	18·9
Total	446·9	552·1	562·8
Banking department reserve	54·9	30·9	33·7
	%	%	%
"Proportion"	11·3	5·4	5·8

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue reduced by £50 million to £2,325 million on January 24th.

TREASURY BILL TENDERS

Date of Tender	Amount (£ million) Offered	Amount (£ million) Applied for	91 Day Bills: Average Rate of Allotment	91 Day Bills: Allotted at Max. Rate *
1961	*91 day*		s. d.	%
Jan. 27	220·0	428·5	83 3·70	26
Oct. 27	250·0	431·2	114 6·57	66
	91 day *63 day*			
Nov. 3	200·0 60·0	412·7	108 6·10	63
,, 10	220·0 40·0	458·9	108 5·49	44
,, 17	220·0 50·0	430·2	107 9·71	56
,, 24	220·0‡ 60·0	471·8	107 9·40	42
Dec. 1	220·0 50·0	461·3	107 1·08	44
,, 8	230·0 30·0	455·3	106 5·34	46
,, 15	210·0 50·0	371·6	106 4·83	37
,, 22	210·0 50·0	379·0	107 3·18	52
,, 29	250·0	396·0	108 0·72	51
1962				
Jan. 5	240·0	406·9	108 7·81	38
,, 12	240·0	409·4	108 6·03	25
,, 19	240·0	388·1	106 2·35	63
,, 26	240·0	399·8	104 10·06	61

* On January 26th tenders for 91 day bills at £98 13s. 10d. secured 61 per cent, higher tenders being allotted in full. The offer for this week was for £200 million 91 day bills.
‡ Allotment cut by £10 million.

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Effective Limits January 31	Market Rates: Spot January 25	January 26	January 27	January 29	January 30	January 31
United States $	2·78–2·82*	2·81 11/16–3/16	2·81 11/16–3/16	2·81 11/16–3/16	2·81 11/16–3/16	2·81 1/8–1/4	2·81 1/8–1/4
Canadian $	...	2·93 3/4–7/8	2·93 13/16–15/16	2·93 13/16–15/16	2·93 13/16–15/16	2·94 1/8–1/4	2·94 1/4–3/8
French Fr.	13·622–14·027	13·77–78	13·77 1/2–3/4	13·77 1/2–3/4	13·77 1/2–78 1/8	13·79 3/8–5/8	13·78–78 1/4
Swiss Fr.	11·94–12·547/8	12·13 3/4–14	12·13 5/8–7/8	12·13 5/8–7/8	12·13 5/8–14	12·14–14 1/4	12·13 7/8–14 1/8
Belgian Fr.	137·96–142·05	139·92 1/2–97 1/2	139·90–95	139·92 1/2–97 1/2	139·92 1/2–97 1/2	140·00–05	139·92 1/2–97 1/2
Dutch Gld.	9·98 3/4–10·28 1/2	10·14 1/4–1/2	10·14 1/4–1/2	10·14 1/4–1/2	10·15–15 1/4	10·15 1/2–3/4	10·15 7/8–16 1/8
W. Ger. D-Mk.	11·037–11·365	11·23 5/8–7/8	11·23 1/4–1/2	11·23 1/4–1/2	11·23 5/8–7/8	11·23 5/8–7/8	11·23 5/8–7/8
Portug. Esc.	...	80·18–28	80·18–28	80·18–28	80·18–28	80·18–28	80·18–28
Italian Lire	1725–1775	1745 1/4–3/4	1745 1/4–3/4	1745–45 1/2	1745 1/2–46	1746 1/4–3/4	1746–46 1/2
Swedish Kr.	14·27 1/2–14·70	14·52–52 1/4	14·51 3/8–5/8	14·51 1/4–1/2	14·51 3/8–5/8	14·51 3/8–5/8	14·50 7/8–51 1/8
Danish Kr.	19·06 1/2–19·62	19·35 1/4–3/8	19·35 1/4–3/8	19·35 1/4–1/2	19·35 1/4–1/2	19·35 1/4–1/2	19·35 7/8–36 1/8
Norwegian Kr.	19·71–20·30 1/2	20·03 7/8–04 1/8	20·03 7/8–04 1/8	20·03 7/8–04 1/8	20·03 7/8–04 1/8	20·04–04 1/2	20·03 7/8–04 1/8
* Official Limits							
One Month Forward Rates							
United States $		13/16–11/16c. pm	13/16–11/16c. pm	13/16–11/16c. pm	13/16–11/16c. pm	13/16–11/16c. pm	3/4–5/8c. pm
Canadian $		11/16–9/16c. pm	11/16–9/16c. pm	11/16–9/16c. pm	11/16–9/16c. pm	3/4–5/8c. pm	3/4–5/8c. pm
French Fr.		2 1/8–1 5/8c. pm	2 1/8–1 5/8c. pm	2 1/8–1 5/8c. pm	1 3/4–1 1/4c. pm	2–1 1/2c. pm	1 3/4–1 1/4c. pm
Swiss Fr.		4–3 1/2c. pm	4–3 1/2c. pm	4–3 1/2c. pm	4–3 1/2c. pm	4–3 1/2c. pm	4–3 1/2c. pm
Belgian Fr.		38–28c. pm	40–30c. pm	40–30c. pm	40–30c. pm	40–30c. pm	40–30c. pm
Dutch Gld.		3 3/8–2 7/8c. pm	3 3/8–2 7/8c. pm	3 3/8–2 7/8c. pm	3 1/4–2 3/4c. pm	3 1/4–2 3/4c. pm	3 1/2–3c. pm
W. German D-Mk.		3 5/8–3 1/8pf. pm	3 5/8–3 1/8pf. pm	3 5/8–3 1/8pf. pm	3 1/2–3pf. pm	3 1/2–3pf. pm	3 1/2–3pf. pm
Three Months Forward Rates							
United States $		13/16–11/16c. pm	13/16–11/16c. pm	13/16–11/16c. pm	13/16–11/16c. pm	13/16–11/16c. pm	13/16–11/16c. pm
Canadian $		11/16–9/16c. pm	11/16–9/16c. pm	11/16–9/16c. pm	11/16–9/16c. pm	13/16–11/16c. pm	13/16–11/16c. pm
Swiss Fr.		10 3/8–9 7/8c. pm	10 3/8–9 7/8c. pm	10 1/2–10c. pm	10 3/4–10 1/4c. pm	10 3/4–10 1/4c. pm	10 1/2–10c. pm
W. German D-Mk.		9 5/8–9 1/8pf. pm	9 5/8–9 1/8pf. pm	9 5/8–9 1/8pf. pm	9 1/2–9pf. pm	9 1/2–9pf. pm	9 3/8–8 7/8pf. pm
Gold Price at Fixing							
Price (s. d. per fine oz.)		250/3	250/2 1/4	...	250/2	250/11	250/11 1/4
,, ($,, ,, ,,)		35 16 1/2	35 16 1/2		35 16 1/2	35 16 1/2	35 16 1/2

UK External Trade

Imports are valued cif: exports fob.
Total trade unless otherwise stated.

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

BRITISH

Prices and Wages.....	This week	External Trade	This week
Manpower and Output....	Jan. 13th	Industrial Profits.....	Jan. 27th

OVERSEAS

Western Europe.....	Dec. 23rd	United States.....	Jan. 6th

	Unit	Monthly averages			1960			1961				
		1959	1960	1961	Oct.	Nov.	Dec.	Aug.	Sept.	Oct.	Nov.	Dec.
VALUE												
Imports:												
Total	£ million	331·9	378·4	366·5	378·7	419·8	383·3	358·8	343·1	378·0	373·0	338·3
Food, drink and tobacco	,,	126·5	128·8	123·6	139·9	149·5	132·2	113·9	123·1	136·2	128·8	119·9
Basic materials	,,	77·6	88·6	88·4	81·9	94·7	91·5	87·0	71·9	79·8	74·6	73·8
Fuels	,,	38·9	40·2	40·3	38·4	45·5	39·6	38·7	35·3	40·0	40·3	37·3
Manufactures	,,	87·6	120·7	118·9	117·0	128·4	117·8	117·8	111·3	120·6	127·9	104·9
Exports of UK produce:												
Total	,,	277·5	296·2	305·9	258·9	344·0	306·0	305·2	260·5	319·4	319·4	298·5
Manufactures—Total	,,	234·5	250·0	259·8	213·3	287·9	252·2	259·6	215·7	265·8	266·1	244·7
,, Metals	,,	37·8	39·3	39·5	36·3	46·5	37·7	35·9	30·7	41·2	41·1	38·0
,, Engineering products	,,	122·4	131·0	139·5	104·6	147·0	132·7	148·3	112·0	139·9	140·8	128·5
,, Textiles	,,	20·7	21·7	20·8	20·1	24·1	21·3	19·1	18·1	20·8	21·5	19·4
Re-exports	,,	10·9	11·8	13·2	12·1	11·8	12·1	13·4	12·5	13·0	12·9	12·9
Balance of trade (exports less imports)	,,	−43·5	−70·4	−46·4	−107·7	−64·0	−65·2	−40·2	−70·1	−45·6	−40·7	−26·9
VOLUME(1)												
Imports:												
Total	1954=100	122	138	135	...	141[3]	...	128[4]	...	137	135	125
Food, drink and tobacco	,,	118	121	...	...	129[3]	...	115[4]	...	...	...	...
Basic materials	,,	101	110	...	...	110[3]	...	94[4]	...	...	...	...
Fuels	,,	143	157	...	...	162[3]	...	155[4]	...	...	...	...
Manufactures	,,	150	201	...	...	199[3]	...	187[4]	...	...	...	...
Exports:												
Total	,,	116	122	126	...	125[3]	...	119[4]	...	131	131	121
Manufactures	,,	117	124	...	...	124[3]	...	121[4]	...	...	...	...
BY AREA												
Imports:												
U.S.A.	£ million	30·9	47·1	40·2	57·4	60·5	49·7	36·2	40·9	53·6	42·8	38·9
Canada	,,	26·0	31·2	29·1	32·8	34·8	31·6	31·5	27·5	29·7	33·2	31·0
Latin America	,,	26·8	26·0	23·2	25·6	21·5	22·7	21·8	18·4	18·9	17·4	20·0
West'n. Europe—Common Market	,,	46·6	55·2	56·5	53·5	58·9	52·0	56·3	53·7	58·3	64·4	48·6
,, ,, Free Trade Association (3)	,,	39·0	46·7	46·2	47·1	50·2	49·0	47·2	46·2	45·3	46·5	40·4
Soviet Eastern Europe	,,	9·7	11·6	13·0	15·3	13·5	14·8	16·7	14·9	17·6	14·5	11·4
Other Non-Sterling	,,	32·7	34·3	35·1	31·1	43·1	41·4	28·5	27·8	33·6	34·6	33·6
Sterling area	,,	120·2	126·3	123·2	115·9	137·3	122·1	120·6	113·6	121·0	119·6	114·4
Exports of UK produce:												
U.S.A.	,,	30·3	27·1	23·4	23·2	27·4	23·9	25·2	23·7	27·3	27·5	27·0
Canada	,,	17·3	17·9	18·5	13·4	25·5	16·8	18·7	12·3	17·2	20·8	14·8
Latin America	,,	12·9	14·3	13·9	13·4	15·8	15·1	12·7	12·2	15·5	15·9	13·6
West'n. Europe—Common Market	,,	38·8	43·3	51·1	44·3	45·7	43·7	46·4	44·7	58·6	52·4	55·6
,, ,, Free Trade Association (3)	,,	32·0	35·8	40·1	37·1	42·0	37·4	34·2	36·8	47·0	41·7	41·3
Soviet Eastern Europe	,,	5·1	6·4	8·8	3·9	7·5	5·4	9·7	7·7	9·6	9·3	8·7
Other Non-Sterling	,,	29·4	32·5	34·3	25·6	36·2	35·4	33·9	28·6	31·1	34·6	32·4
Sterling area	,,	111·7	119·0	116·8	98·0	143·9	128·3	124·4	94·5	113·1	117·2	105·1
TRADE IN SELECTED COMMODITIES												
Imports:												
Wheat	'000 tons	356·3	342·0	327·5	397·4	360·7	274·7	350·6	269·1	332·0	318·3	357·7
Meat	,,	67·6	69·3	61·1	71·6	74·7	56·0	51·4	53·6	52·9	39·8	50·1
Sugar, unrefined	,,	201·8	183·3	172·4	180·0	143·3	165·0	172·1	148·2	204·0	161·5	188·7
Raw cotton (2)	,,	22·5	22·5	18·4	11·7	19·6	27·2	16·0	10·9	15·5	13·7	20·2
Raw wool, sheep's and lambs' (2)	mn. lb.	58·6	49·8	49·4	30·2	48·7	56·1	32·0	18·9	32·1	35·7	48·9
Rubber, natural and synthetic (2)	'000 tons	17·0	16·2	16·2	15·5	19·6	21·0	18·9	12·2	13·5	15·0	12·3
Softwood	'000 stds.	121·7	150·0	134·2	179·3	173·9	154·5	202·3	171·1	158·1	143·9	112·8
Woodpulp	'000 tons	185·4	225·4	215·1	215·1	268·7	237·3	193·0	196·3	202·8	214·0	201·3
Crude petroleum	mn. galls.	847	963	1,059	1,035	1,126	942	1,065	895	1,093	1,072	967
Exports of UK produce:												
Coal, including bunkers	'000 tons	343	455	476	474	507	392	382	469	620	429	498
Woven piece-goods—cotton	mn. sq. yds.	29	27	24	25	29	28	21	22	24	22	20
,, ,, ,, wool	'000 sq. yds.	8,536	8,089	7,528	6,767	9,243	7,521	7,964	6,211	7,361	7,176	6,636
Passenger cars and chassis	number	47,414	47,491	30,897	24,937	35,993	29,224	27,988	28,180	33,791	32,226	38,203
Commercial vehicles and chassis	,,	10,619	12,127	13,913	9,490	14,311	14,207	11,428	10,914	12,188	12,586	11,595
Agricultural tractors	,,	9,474	11,951	11,790	10,354	11,771	10,549	11,470	10,163	11,464	9,720	10,190
Machinery—electrical	£'000	5,706	5,257	5,506	4,332	6,016	5,857	4,758	4,199	5,105	5,001	5,511
,, other	,,	47,264	52,948	61,374	45,828	61,244	57,059	56,925	53,605	61,318	64,990	59,604
Chemicals, elements and compounds	,,	5,862	6,442	6,422	6,246	7,030	6,594	5,620	5,885	6,634	6,634	6,740

(1) Trade with the Channel Islands is included in the total import and export indices only. (2) Retained imports. (3) Including Finland. (4) Average for third quarter. (5) Average for fourth quarter.

APPOINTMENTS

ECONOMICS

WITH STATIST.CS SOC OLOGY PSYCHOLOGY

A degree in one of these disciplines and, if possible, some related experience in analytical work, together with an ability to work hard, will qualify you for an interesting post in

THE RANK ORGANISATION

Write, with a full note of your qualifications and experience so far, to The Personnel Adviser (E102), The Rank Organisation, 11 Belgrave Road, London, S.W.1.

THE IRISH MANAGEMENT INSTITUTE

invites applications

for a new position

Deputy Head of its Management Development Unit

The person appointed will engage in the organisational and instructional activities of the Management Development Unit (MDU) which is the educational arm of the Institute.

Salary of the order of £2,000 per annum will be paid.

Candidates should preferably be in the age-group 28-35, have had business experience and, with training, be capable of instructing in and developing the principles of marketing at *management level, to line with the needs of* Irish business. The post will carry opportunities for further study in marketing at home and abroad.

A university degree is desirable.

The Institute also offers an appointment for *a period of from* one to two years as

Research Assistant

The person appointed will be responsible, under the *Head of the MDU, for carrying out* a research survey in depth of Irish managerial resources, which is being undertaken by the Institute.

The salary will be not less than £750 per annum.

Candidates should have a university degree and preferably be in the age-group 24-30. Experience in research is desirable.

Applications, giving full details, should be submitted not later than February 9th to The Director, Irish *Management Institute*, 32 Leeson Park, Dublin 6.

THE UNIVERSITY OF ALBERTA, CALGARY

invites applications for a position in the Department of Political Economy as follows:

An Assistant or Associate Professor of Economics, at a salary between $7,800 and $10,000, depending upon experience and qualifications. The applicant should be prepared to instruct in money and banking and public *finance, or international trade.*

Appointments will be effective September 1, 1962. Applications for the position above should include a recent photograph or snapshot, a curriculum vitae, transcripts of record from universities where degrees were obtained, and the names of three references, and should reach the Department before March 15, 1962.

EXPORT MARKETING TO EUROPE

Company interested in expanding its export sales with special emphasis on the new Europe, require a young man who could work out a sensible marketing approach to this problem.

This position is not for a man to work with many in a large company, but for someone who is interested in an individual approach, working in a smaller company.

Graduate in either economics or commerce, or with equivalent qualifications. Preferably with some experience in industry or commerce. Age group 25-30 years.

Starting salary around £1,200 p.a.

Applications giving details of qualifications and experience to Box No. 1587.

SECRETARY required, Knightsbridge district, for Managing Director of British agency of major German industrial concern. Must be of British origin but fluent German speaker. Good salary for suitable applicant for this permanent position.—BOX NO. 1586.

SKELMERSDALE DEVELOPMENT CORPORATION

Skelmersdale, Lancashire, has been designated as a new town to take overspill population from Liverpool and Merseyside. The development corporation will require these officers:

CHIEF FINANCE OFFICER, who should be a Chartered Municipal Treasurer, Chartered or Incorporated Accountant or Certified Accountant, or have equivalent qualifications. Wide and varied experience in commerce or *in public service is required.*

Salary £2,700-£3,400. Contributory pension scheme.

CHIEF ENGINEER, who should be a corporate member of the Institution of Civil Engineers and/or the Institution of Municipal Engineers. Applicants should have wide experience of *large-scale engineering works especially* in the fields of sewerage and road construction.

Salary £2,700-£3,400. Contributory pension scheme.

Applications, giving date of birth, education, qualifications and experience, and the names of two referees, should be made by March 9, 1962, to the Chairman, Skelmersdale Development Corporation, c/o The Secretary, Ministry of Housing and Local Government, Whitehall, London, S.W.1.

AREA POLITICAL EDUCATION OFFICER required for political organisation. Applicants should preferably be University graduates between 25 and 45. Commencing salary according to experience and qualifications, not less than £750.—Write to Conservative Political Centre, 32 Smith Square, London, S.W.1.

NORTHAMPTON COLLEGE OF ADVANCED TECHNOLOGY

ST. JOHN STREET, E.C.1

DEPARTMENT OF MANAGEMENT AND SOCIAL SCIENCES

To be appointed as soon as possible after April 30, 1962:

Reader in Industrial Sociology. Outside consultancy is encouraged subject to College commitments.

Salary scale: £2,145 by £60 to £2,520.

Further particulars and forms of application obtainable from the Secretary, St. John Street, E.C.1.

J. S. TAIT, B.Sc., Ph.D., M.I.E.E., M.I.Mech.E., Principal.

Australian High Commissioner's Office, London

Applications are invited for the position in the Trade Office of:—

INVESTMENT OFFICER

SALARY: £1,927-£2,083.

DUTIES: To direct the publicity programme aimed to encourage capital investment in Australia.

QUALIFICATIONS: University degree in Commerce or Economics. Knowledge of Australian economic conditions and development potential desirable.

CONDITIONS: The successful applicant will be based in London and appointed to the permanent staff, subject to six months' probation. A superannuation scheme applies.

APPLICATIONS: Application forms can be obtained from and should be returned to the Recruitment Officer, Australia House, Strand, W.C.2, by 24th February, 1962.

RESEARCH INFORMATION WRITER

CENTRAL OFFICE OF INFORMATION requires a Senior Information Officer (unestablished) to act as head of a small unit writing reference information papers for overseas use on British home affairs, mainly on governmental and social topics. Candidates should have a university degree, a wide knowledge of current affairs, research experience and some administrative capacity; they should be able to present factual information concisely and accurately, and be prepared to submit examples of written work. Salary £1,573-£1,937.—Write, giving age, full details of experience and qualifications, to Manager (PE.3977/PC), Ministry of Labour, Professional & Executive Register, Atlantic House, Farringdon Street, London, E.C.4.

UNIVERSITY OF NIGERIA, NSUKKA

Applications are invited for the following posts in the COLLEGE OF FINANCE commencing September, 1962:

1 Senior Lecturer
1 Lecturer

Qualifications: A good Honours Degree and or Professional qualifications; for Senior Lecturers at least five years' experience in teaching in an Institution of University status and for Lecturers some teaching experience, preferably at a University, in Accountancy, Banking and in Commercial subjects.

Salary Scale:
Senior Lecturer, £2,275 x £75 — £2,575; Lecturer, £1,200 x £75 — £1,650 (bar) — £1,725 x £75 — £2,175.

Point of entry according to qualifications and experience.

Superannuation arrangements similar to F.S.S.U. will be made. Passages on appointment, leave after each tour of approximately 21 months and on normal termination of contract for appointee, wife and up to five children under the age of 11. A normal contract is for three years in the first instance. Children's, car, outfit and baggage allowances. Part-furnished accommodation at rent not exceeding 7½ per cent of salary. Applications (six copies), naming three referees, to be received by February 15, 1962, by London Representative, University of Nigeria, 33 Craven Terrace, London, W.2.

For further appointments and other classified advertisements see pages 466 & 474

THE UNIVERSITY OF MANCHESTER

Applications are invited for two posts at the grade of ASSISTANT LECTURER IN ECONOMICS in the Faculty of Economic and Social Studies. Salary scale £950 x £50 to £950 per annum; membership of F.S.S.U. and Children's Allowance Scheme. Applications should be sent, not later than February 17, 1962, to the Registrar, the University, Manchester 13, from whom further particulars and forms of application may be obtained.

PROFESSIONAL ACCOUNTANTS MINISTRY OF AVIATION

A number of vacancies have arisen for Chartered Accountants, or Certified Accountants who have had suitable professional experience, and are willing to travel within the United Kingdom. Starting salary (London) £996 to £1,585 according to age and experience, rising to a range maximum of £1,812.

Application to Ministry of Aviation, EST. (TD2), Room S 34, Shell Mex House, Strand, W.C.2.

CONSTRUCTORS JOHN BROWN LIMITED

require a

MATHEMATICIAN, AGE 25-35

with a good degree in Mathematics and suitable industrial experience.

He will work in association with process plant design teams, and duties will include formulating engineering problems mathematically, the application of statistical and numerical techniques, and channelling work to the appropriate computing centre.

This is a permanent senior post carrying a good salary, and there is a Pension Scheme with Life Assurance benefits.

Please apply, giving brief details, to:
The Personnel Manager,
Constructors John Brown Limited,
CJB House, Eastbourne Terrace,
Paddington, LONDON, W.2

quote reference No. N9522

BBC requires Thai Programme Organiser (British subject). Duties include planning and production of broadcast programmes and supervision and co-ordination of duties of programme staff concerned with translation and broadcasting of news bulletins, talks, commentaries and feature programmes in Thai. Essential qualifications include definite interest in and knowledge of international affairs with special reference to South-East Asia, organising ability, sense of news values and wide cultural background. Experience of journalism, production and planning of broadcast programmes, ability to write for broadcasting, *recent knowledge of Thailand are considerable* advantages. Knowledge of Thai desirable but successful candidate must, in any case, be willing to study the language in order to become reasonably fluent. Salary £1,555 (possible), higher if qualifications exceptional rising by five annual increments to £2,000 p.a. max. Requests for application forms (enclosing addressed envelope and quoting reference 62/G.43 E.C.) should reach Appointments Officer, Broadcasting House, London, W.1, within five days.

QUALIFIED ACCOUNTANT

A vacancy exists for a Chartered or Certified Accountant to be responsible to the Chief Accountant of a Company operating a large haulage fleet and shipping and forwarding services.

The post offers considerable opportunities for initiative and there will be scope for assuming greater responsibilities in the future.

The Company has progressive policies and good conditions of employment.

Applicants should be between 26 and 32 years of age. Some years of commercial experience is essential and some knowledge of mechanised accounting methods is desirable.

Applications in writing, marked 2K2, should be addressed to:—

The Personnel Officer,
London Carriers Ltd.,
Surrey House, Scarbrook Road,
Croydon, Surrey.

IRELAND AND THE COMMON MARKET

A large and progressive Irish Company manufacturing industrial products used extensively by consumer goods industries, is planning to build up a substantial export trade to Continental Europe.

The company requires a YOUNG, EXCEPTIONALLY ABLE AND ENERGETIC MAN to open up the European market for its products. Fluency in the French language is essential and at least some German. Experience is desirable, but not absolutely essential. The applicant must have the ability to obtain during his training period a complete grasp of production techniques and costings so that he can exercise full initiative in marketing the company's products. The right man will have no difficulty in commanding a generous salary. Applications for this important position, with full details of age, qualifications and experience (if any) should be sent in confidence to:

THE ECONOMIST INTELLIGENCE UNIT OF IRELAND LTD.,
37 Fitzwilliam Square, Dublin, 2,
who are acting in this matter for the company in question.

BIRMINGHAM REGIONAL HOSPITAL BOARD

REGIONAL TRAINING OFFICER

This appointment is required for the organisation of the training of administrative and clerical staffs of the hospital service in the region and in particular for oversight of trainees selected under the centrally organised training scheme. Later the duties of the post may be extended to cover training of other staff. Candidates (both from within and outside the hospital service) should show that they have suitable educational and other qualifications to enable the duties of the post to be adequately discharged. Salary at the assistant Secretary grade (£1,560 x £52·10 to £1,820—£1,872). Applications, naming three referees, to Secretary, RHB, 10 Augustus Road, Birmingham, 15, by February 28th.

For other appointments see pages 466 & 473

UNIVERSITY OF GHANA

DEPARTMENT OF ECONOMICS

Applications are invited for the posts of (a) SENIOR LECTURER (considerable teaching or research experience essential) and (b) LECTURER or ASSISTANT LECTURER (special interest in Economic Theory required).

Salaries: Senior Lecturer, £G1,750 x £G75—£G2,200; Lecturer, £G1,050 x £G60—£G1,400 x £G75—£G1,850; £G1,900; Assistant Lecturer, £G600 £G850. 20 per cent addition for non-Ghanaians. Entry at appropriate point. Appointment normally five years in first instance.

Outfit allowance £G60. Car allowance £G150 p.a. Family allowance for non-Ghanaians for each child in West Africa £G50 p.a. or, if under age of 21 and being educated outside West Africa, £G100 p.a. (maximum five children). Part furnished accommodation at charge not exceeding 7·5 per cent of salary. F.S.S.U. policies maintained if already held, or superannuation on similar basis.

Passages for appointee and family on appointment and normal termination. Annual leave with three overseas return passages in every four years for non-Ghanaians and one every three years for Ghanaians.

Applications (four copies) with full details of qualifications, experience, etc., and naming three referees, to be sent before March 1, 1962 to the Registrar, University of Ghana, P.O. Box 25, Legon, Ghana, or to the Assistant Registrar (London), University of Ghana, 15 Gordon Square, London, W.C.1, from either of whom further information may be obtained.

UNIVERSITY OF NIGERIA, NSUKKA

Applications are invited for the following vacancies in the FACULTY OF ARTS, commencing September, 1962

ENGLISH
2 Lecturers.

ECONOMICS
1 Senior Lecturer or Lecturer in Economic Statistics.

GEOGRAPHY
2 Lecturers with special qualifications in Cartography or Taxonomic Geography or Urban Geography or Political Geography.

LANGUAGES
1 Professor } each with specialised know-
1 Lecturer } ledge of French and German.

HISTORY
1 Lecturer Modern.
1 Lecturer Medieval.

SOCIOLOGY
1 Professor.
1 Senior Lecturer.
1 Lecturer.

SOCIAL STUDIES
1 Lecturer in Educational Philosophy.

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SALVAGE OF THE ABU SIMBEL TEMPLES

GOVERNMENT OF THE UNITED ARAB REPUBLIC
MINISTRY OF CULTURE AND NATIONAL GUIDANCE

In compliance with UNESCO'S campaign, the Government of the United Arab Republic hereby announces that Tenders will be invited for the Project of Saving the two Temples of Abu Simbel from being inundated at the filling of the Reservoir of the High Dam now under construction near Aswan.

The Temples have elaborately decorated facades and contain several large halls and rooms, all excavated out of sandstone rock *in situ*. The Project will comprise the separation from the rock of two large sandstone blocks, each containing one of the Temples, and their subsequent elevation by means of hydraulic jacks to a level above the future Reservoir water level.

The works to be carried out under the Contract will comprise:

1. Construction of and dewatering inside a cofferdam of about 400 m. length and about 34 m. height.
2. Excavation, without the use of explosives, of about 350,000 cu. m. of rock situated above, around and underneath the Temple blocks.
3. Strengthening of the rock by anchor bars and prestressed steel cables in drill holes of about 30,000 m. length.
4. Emplacement of the Temple blocks by about 50,000 cu. m. of reinforced concrete structures, partly prestressed.
5. Vertical lifting, about 65 m., of the Temple blocks by the use of hydraulic jacks with a total capacity of about 450,000 tons.
6. Construction, simultaneously with the lifting, of about 250,000 cu. m. of supporting concrete structures.
7. Re-establishment around the Temples in their elevated position of a sandstone hill, similar to the existing hill and containing about 6 million cu. m. of rock fill, covered with about 30,000 cu. m. of concrete or masonry.

Construction work is scheduled to start in March, 1963. Preparations for the lifting shall be completed in March, 1965, and the lifting to the final level shall be completed by the end of 1967.

Contractors who are interested in tendering are requested to present their names and credentials with information regarding competence and experience to the Consulting Engineers of the Ministry.

Messrs. Vattenbyggnadsbyran (VBB),
29, Humlegardsgatan, *Stockholm*,
Sweden,

not later than February 10, 1962.

In March, 1962, these Contractors, or groups of Contractors, will receive additional information enabling them to study the Project and visit the Site. Of those who in April, 1962 are still interested a selected number will be invited to submit their Tenders before August 1, 1962. Final Tender Documents will be available from May 1, 1962.

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Employers requiring the services of Chartered Secretaries to fill secretarial and similar executive posts are invited to communicate with the Secretary of the Institute (Dept. E), 14 New Bridge Street, London, E.C.4.

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THE BRITISH ASSOCIATION OF ACCOUNTANTS AND AUDITORS LIMITED (Incorporated 1928). The next examinations will be held from the 22nd to 28th May, 1962. Membership can only be obtained by those who have passed the prescribed examinations. Copies of the Syllabus are obtainable from the Secretary, Stamford House, 2-4 Chiswick High Road, London, W.4.

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Wolsey Hall (Est. 1894) provides Postal Courses in a wide range of subjects for the two examinations for London Univ., B.Sc.Econ. (three if entrance is included) at moderate fees. 1,431 Wolsey Hall students passed London Univ.B.Sc. Economics Exams., 1950-60. Tuition also for G.C.E., Law, Statistical, other exams. —Prospectus (mention examination) from E. W. Shaw Fletcher, C.B.E., LL.B., Director of Studies, Dept. P.17.

WOLSEY HALL, OXFORD

UNIVERSITY OF EDINBURGH

Residential Course for Business Managers

The eighth RESIDENTIAL COURSE FOR BUSINESS MANAGERS will be held in the university from July 2 to 20, 1962. The aim is to encourage the development of a broader understanding of business problems and of the environment in which business operates and thus to assist in the transition from specialised to general management.

In addition to syndicate work and case-studies, seminars will be led by practising business and professional men as well as university teachers drawn from several departments, including commerce, political economy, accounting and psychology.

To encourage the exchange of knowledge and experience among members of the course, the number admitted will be strictly limited. There are no formal educational requirements. The fee for the course, including residence, is 90 guineas. Early application should be made: the closing date is March 9, 1962.

Post-Graduate Course in Management Studies

The full-time course of study leading to the award of the university's post-graduate Diploma in Management Studies commences on October 9, 1962. It is intended for young business managers who are likely to be promoted to more senior posts, and it is particularly suitable for those with a scientific or technological training who are taking on managerial responsibilities. The course extends over the three terms from October to June, but members may return to their companies during the two vacations.

The Department of Scientific and Industrial Research has accepted this course as suitable for the tenure of its advanced course studentships. Interested candidates are recommended to read the booklet "D.S.I.R. Studentships and Fellowships," January, 1960, obtainable from H.M.S.O., price 1s. 6d.

Candidates for admission should normally be university graduates, but suitably qualified non-graduates may also apply. Entrance standards are high, and only a limited number of places is available. Application for admission should be made as early as possible.

Further particulars and nomination forms for both these courses may be obtained from Professor Norman Hunt, 29 George Square, Edinburgh, 8.

Bachelor of Commerce Degree

The attention of those intending to enter upon a career in business is drawn to the Bachelor of Commerce (B.Com.) Degree course in this University. This is a three-year curriculum designed for those who intend to take up administrative posts in industry, commerce and government, and for those preparing to teach business subjects. It includes the following subjects: Political Economy, Economic History, Accounting, Organisation of Industry and Commerce, Mercantile Law; optional subjects include Languages, Banking, Industrial Law, Psychology, Statistics, etc. Further particulars may be obtained from the Director of Studies in Commerce, University of Edinburgh, 29 George Square, Edinburgh 8, and forms of application for admission from the Matriculation Office, University of Edinburgh, Old College, South Bridge, Edinburgh 8. These should be returned not later than May 1, 1962.

CHARLES H. STEWART,
Secretary to the University

January, 1962.

FINANCIAL NOTICE

BENGUELA RAILWAY COMPANY

The following preliminary traffic results for the year 1961 compared with the year 1960 have been issued.

	1961		1960	
Kilometres run		8,060,922		2,912,960
	Tons	*Escudos*	*Tons*	*Escudos*
Passenger Traffic:				
Journeys	—	12,867,000	—	15,639,000
Luggage	1,334	1,395,000	1,644	2,072,000
Local Traffic:				
Minerals	381,964 —	42,932,000	440,147 —	48,102,000
Other	661,350 —	84,951,000	627,704 —	79,751,000
Transit Traffic:				
Minerals	620,411 —	314,784,000	643,887 —	328,579,000
Other	142,500 —	103,960,000	109,173 —	86,514,000
Miscellaneous:				
Receipts	— —	15,888,000	— —	17,765,000
Total	1,827,559 —	598,777,000	1,922,555 —	578,422,000
Working Expenses in Africa		340,153,000		304,894,000
Net Operating Receipts ..		258,624,000		273,528,000

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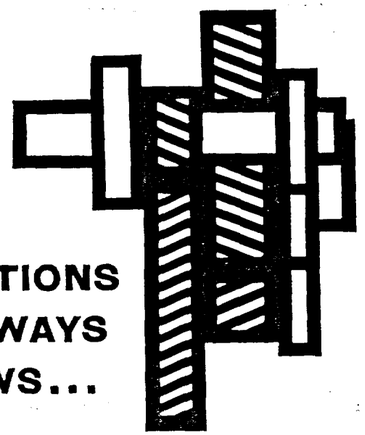
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REVOLUTIONS ARE ALWAYS NEWS...

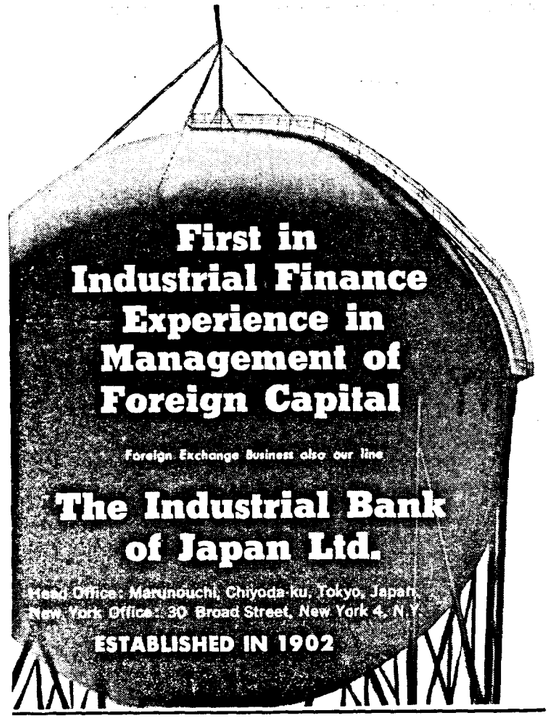
and very much in the industrial news is Torque-Arm, the shaft-mounted gearbox by Fenner. Torque-Arm has overthrown base-plates, couplings and alignment problems wherever revolutions are reduced. Make Torque-Arm the talking point in your next transmission *coup d'état* . . .

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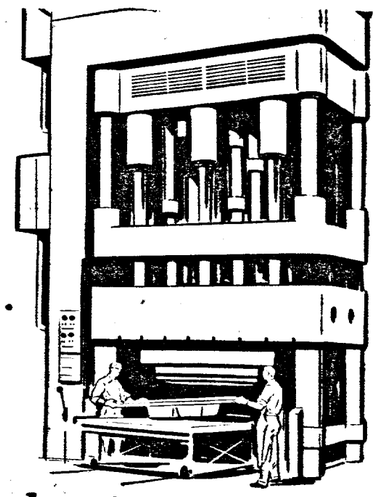
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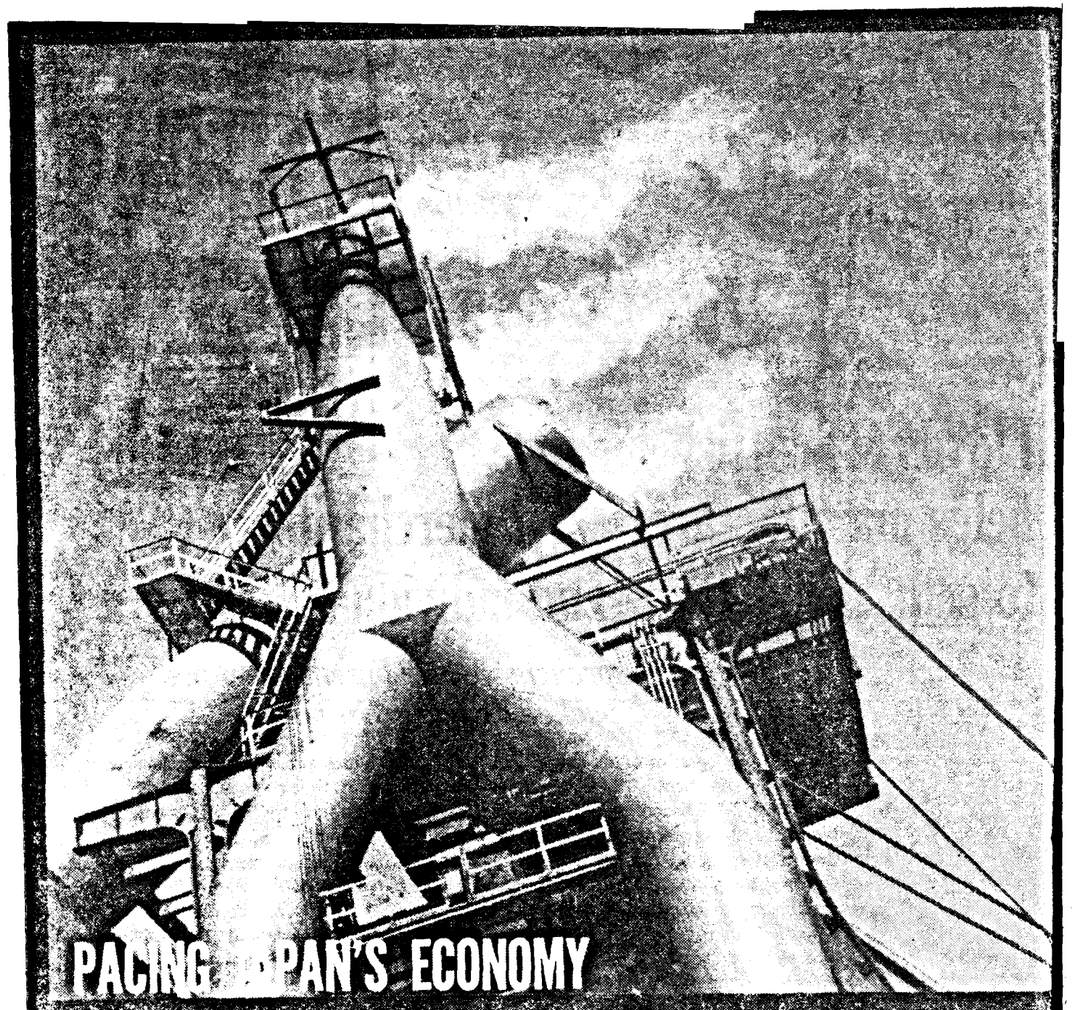
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INTERNATIONAL

MUSCOVY DOVES

Though the Russian-American exchanges on Berlin are moving at a ponderous gait and yielding few results, Russia's diplomatic campaign to get on better terms with Western governments is arousing interest—and Western preparations to resume nuclear testing strike a sourly urgent note (p. 494).

Bonn is in several minds about how to respond to the Russian overtures (p.533).

Congo Moneybags

The Union Minière holds the key to the **Congo's** future. Can a scheme be devised to channel a fair share of its profits to the Leopoldville government? (p. 498).

Mark Antony in Africa

Mr Sandys has either to bury the **Central African Federation** or induce Sir Roy Welensky to loosen it up (p. 500).

A pamphlet from a conservative MP paints a gloomy outlook for **Kenya** (p. 500).

Communism's Southern Neighbours

India's critics feel it gets the best of too many worlds. The citizens of the world's largest democracy have their own worries about their country's place in world affairs (p. 495).

Tibetans are again resisting the Chinese communists (p. 505).

In **Persia** Dr Amini's government has survived the eruption and repression of student discontent, but has less popular support than ever (p. 538).

TO UNITE?

A **Malaysian** federation may have to be constructed in two stages (p. 534).

A **Pan-African** conference in Addis Ababa has thrown up the idea of regional confederation for east Africa—which may not fit in with Ghana's grand ideas for a United States of Africa (p. 537).

The collapse of the **West Indies Federation** leaves a dangerous vacuum (p. 500).

The **European** Six have still to agree how to unite politically (p. 508).

The British Government shares **Mr Khrushchev's** restrictive view of the **United Nations** (p. 506).

TO GOVERN?

Signor Fanfani now has the tricky task of choosing a cabinet and drafting a programme that will satisfy both right-wing Christian Democrats and Signor Nenni (p. 503).

Finland has managed a swing to the right in a way that pleases Russia (p. 506).

President **de Gaulle's** television broadcast was designed to reassure both the **French** people and the **Moslem** rebels of his determination to reach a settlement (p. 503). But as the government confronts the *plastiqueurs*, French loyalties are under grave strain (p. 528).

DEFENDING THE DOLLAR

To counter the short-term capital movements that are the main current source of strain on the dollar, the American Administration is planning new operations in the foreign exchange market. The new approach is venturesome, though it may bring risks (p. 541).

President **Kennedy's** remedies for **agricultural** over-production are drastic, but **Congress** may accept some of them (p. 515).

By imposing sanctions on **Cuba** the **Administration** hopes to induce Congress to be generous to other Latin-American countries (p. 516).

President Kennedy thinks the public has a right to know what is in the **strategic stockpile** (p. 517).

HOME

GUIDING LIGHTS

The Government's badly-written white paper on wages, salaries and profits is a much better beacon than most commentators have made out (p. 493).

Target figures for cuts in Government expenditure may be very well in their way: but that may not be the way to put the budget on to a better long-term footing (p. 503).

Dr Beeching and Lord Robens have obeyed the Government's latest tug at the reins; and the prospect of lengthy strikes is still uncertain (p. 500).

REIGN OF CHAOS

Cargo-handling at British docks is grossly inefficient—a legacy from the industrial revolution which the multiplicity of employers has not helped: the main trouble is the generally casual nature of dock employment (p. 496).

Before Dr Charles Hill can tackle the slum problems of Britain (as he wants to, and should) he will have to have up-to-date, and probably depressing, information (p. 504).

The Ministry of Aviation is adept at botching its costing (p. 551).

CASH NEXUS

ICI, with profits down, bid still at four for five, but offer an attractive alternative (p. 546).

Continuous brewing offers economies to brewers, without narrowing the choice to drinkers (p. 542).

TRIBAL FRICTIONS

It is all very well—or very ill, if you happen to be a Tory—to shoot down the Prime Minister; he is not the man he was, and he has unpopular policies to father on his party: but who is to take his place? (p. 499).

Britain's joining Euratom may be a boon to the Atomic Energy Authority: but a boomerang for atomic engineers (p. 544).

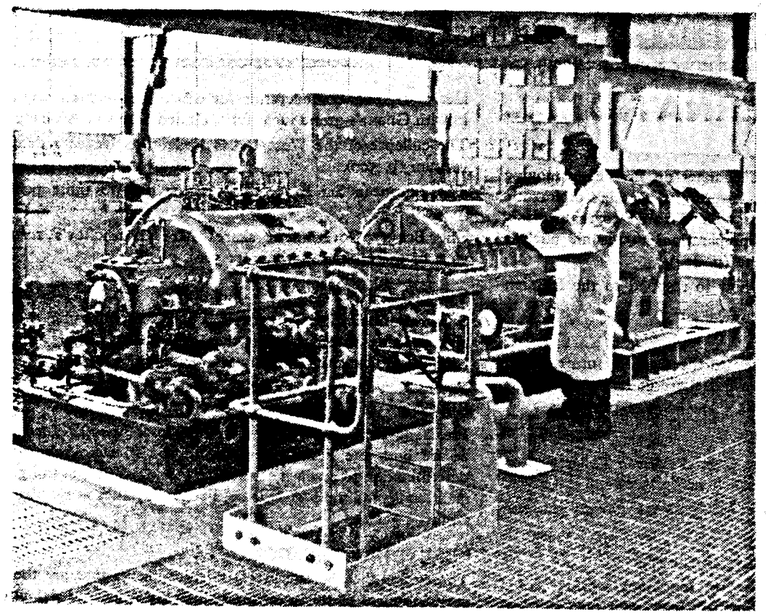
The heavy Sundays of the newspaper industry—on both sides of the Atlantic—are on the move (p. 504).

MIXED BAG

The Royal Academy's current exhibition highlights the shortcomings of provincial art galleries (p. 523).

Even St Augustine might have approved of prostitute's advertisements (p. 506).

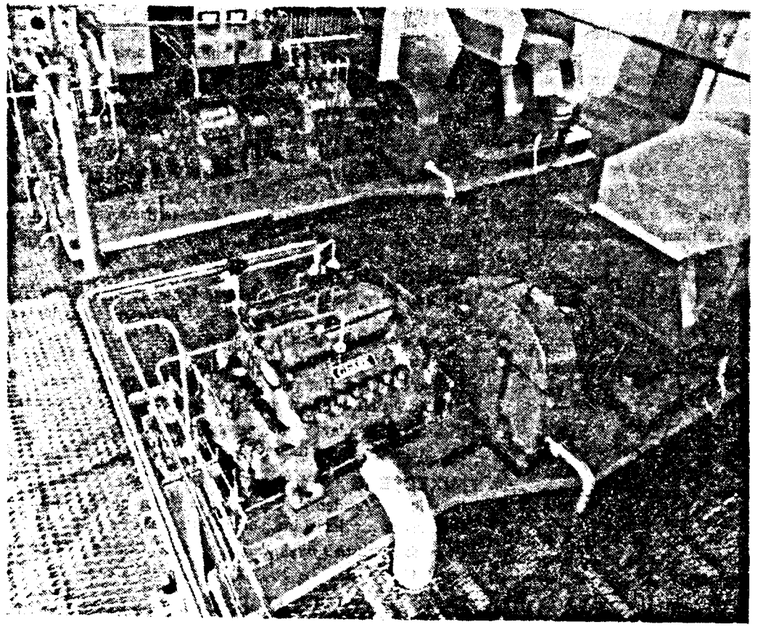
Detailed contents on page 493



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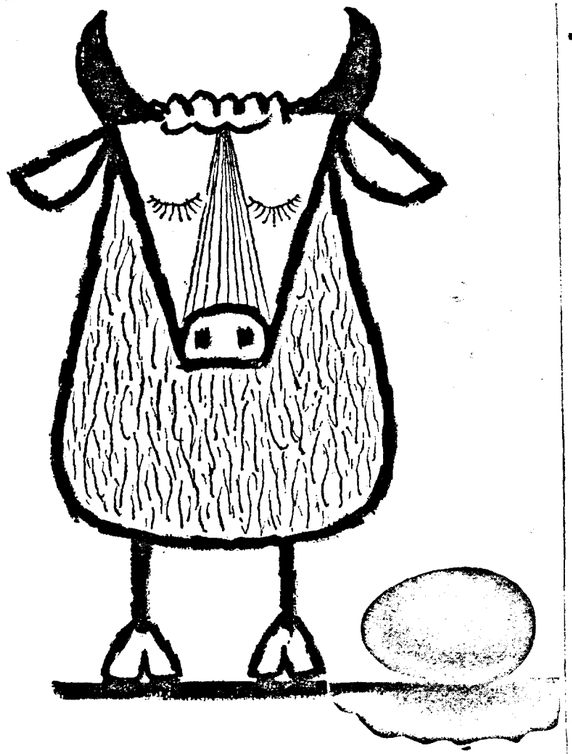
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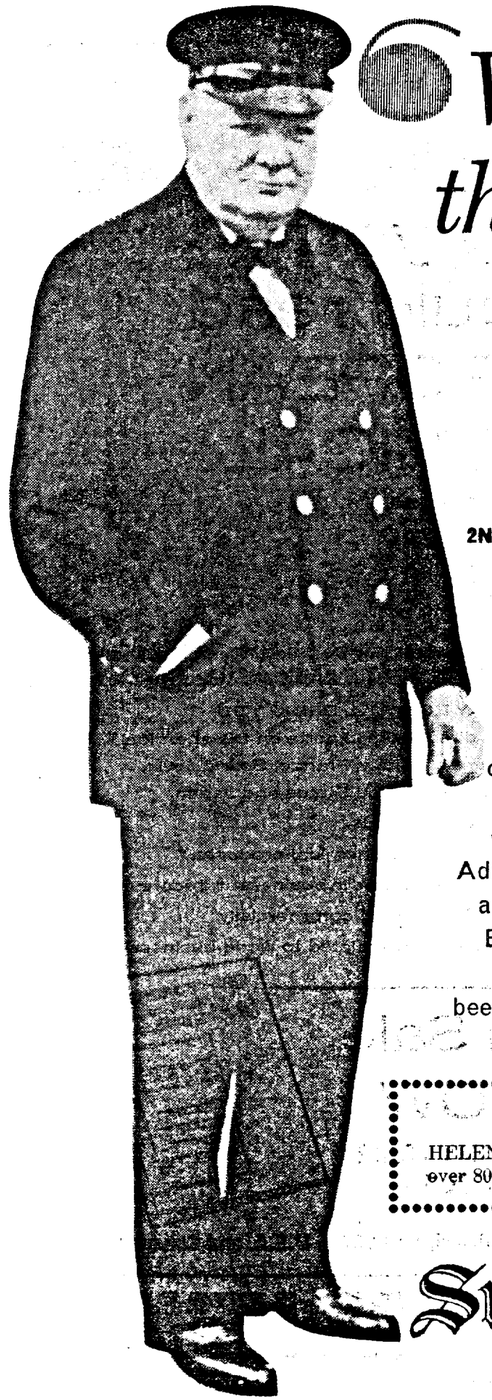
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Who's playing these sorts of games with the Navy?

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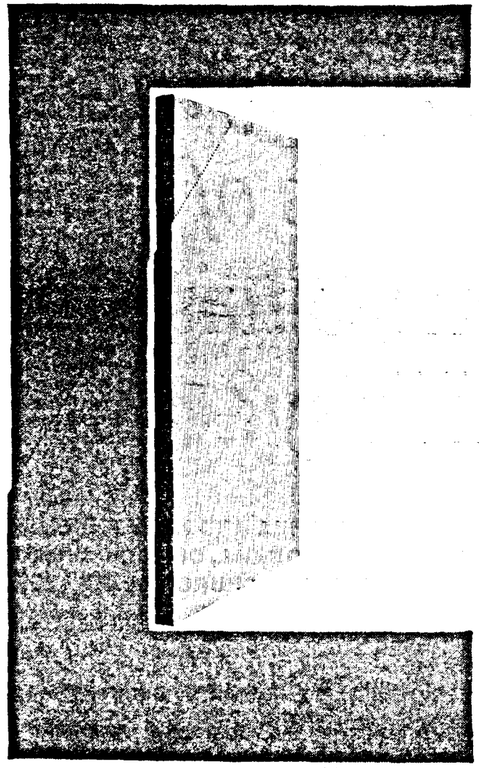
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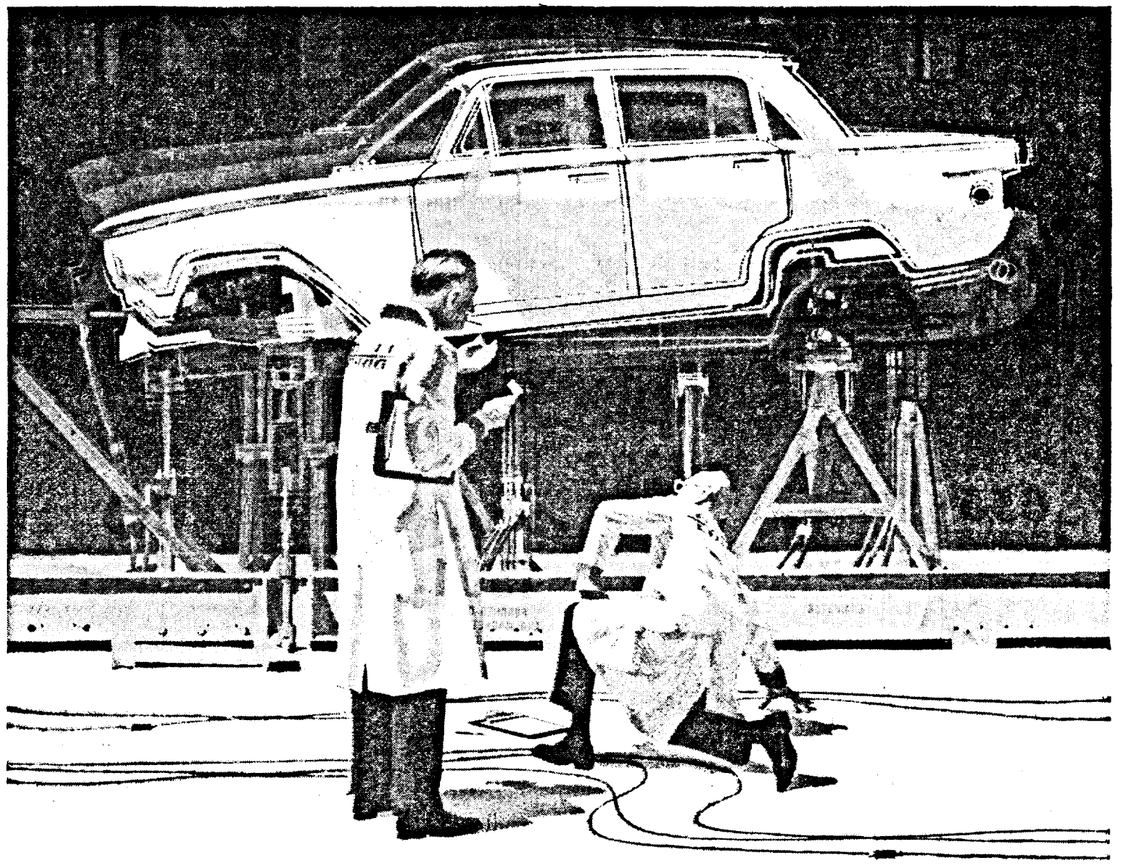
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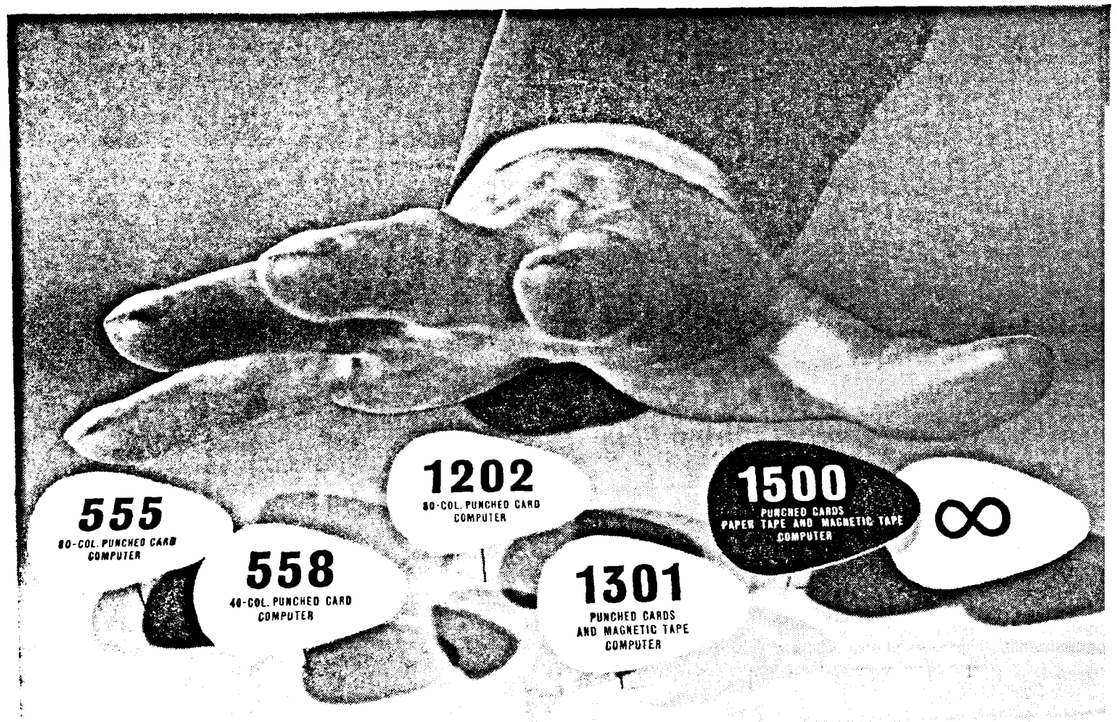
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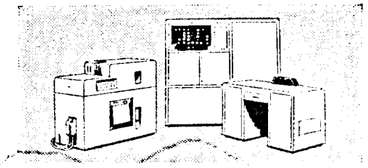
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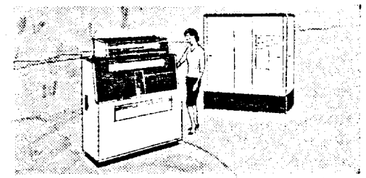
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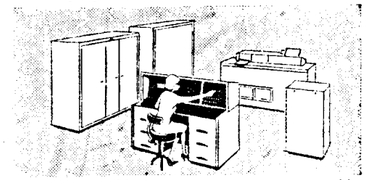
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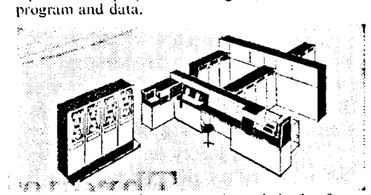
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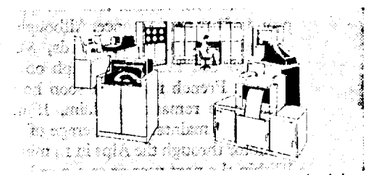
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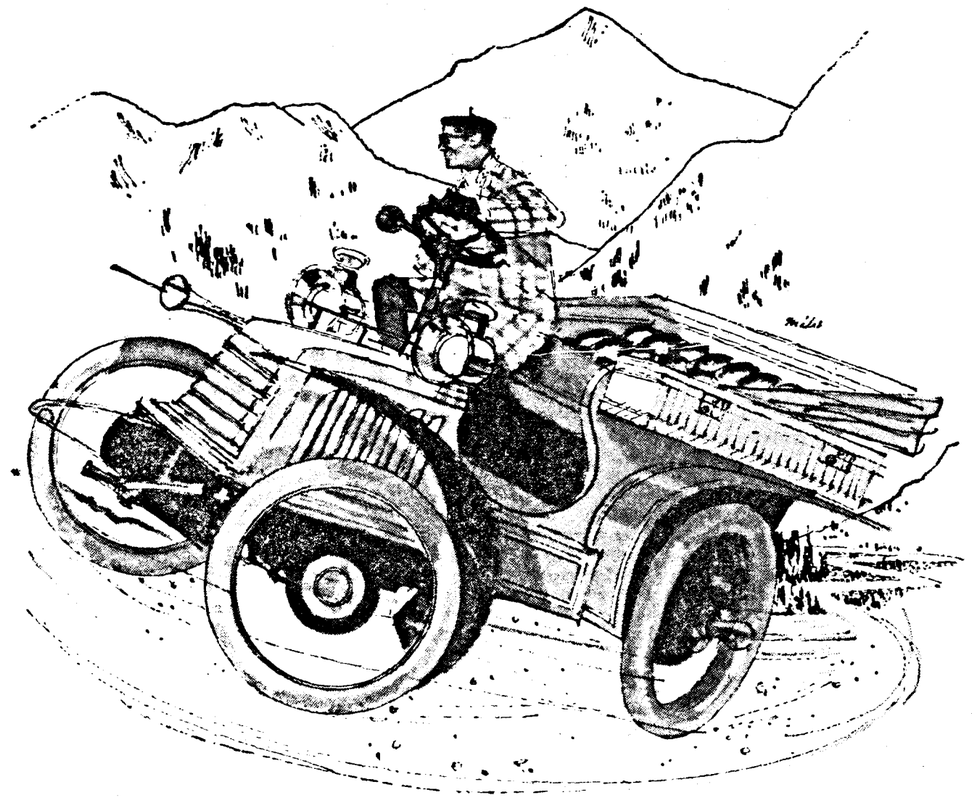
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M. Lecoq is the owner of a Panhard-Levassor (1903). Like all motorists with veteran and vintage cars, he is tremendously proud of her performance. Although she is not much of a hill-climber by modern standards, M. Lecoq claims that his Panhard can average 30 mph on a level stretch of good, straight French road. Yet soon he may be able to make an even more remarkable claim. If he could disregard speed limits and maintain his average of 30 mph he would be able to motor through the Alps in 14 minutes!
Within the next year or so a 7-mile tunnel will be completed through Mont Blanc, from Chamonix in France to the Val d'Aosta in Italy. This will shorten the motorist's journey from Paris to Milan by 194 miles, and cut the distance from Paris to Turin by 137. For the first time it will be possible to drive from France to Italy via the Western Alps at any time of the year.
Atlas Copco compressed air equipment and Sandvik Coromant drill steels are being used to drill the Alpine granite from the Italian side. And this is only one of the many major engineering projects in which Atlas Copco and Sandvik Coromant equipment has played a part. Group Headquarters: Atlas Copco AB, Stockholm 1, Sweden.

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The Economist

FEBRUARY 10, 1962

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VOLUME CCII - NUMBER 6181

A Much Whiter Paper

THE Government's white paper on "Incomes Policy: The Next Step" (Cmnd 1626, published on Friday of last week) is much the best statement of basic economic common sense that it has yet produced. It is a pity that Dr Beeching and Lord Robens, both to be founding members of Mr Lloyd's National Economic Development Council, do not seem to have read it ; that several publicists and reporters—especially the BBC television news bulletins last week—so badly misrepresented it ; and that its impact upon opinion has so far been determined more by its literary style (which is obfuscating and turgid) than by its underlying economic merits (which are considerable).

For here, at long last, the Government intimates that it intends to set a target for increases in national production each year ; and that it proposes to collect together and publish at regular intervals factual information for arbitrators and wage bargainers about how far it is being attained. If the new publication of "factual information" is organised at all efficiently, it should make quite clear to the public, as each wage dispute approaches, what size of wage increase will be plain sabotage to the nation's future standard of life. Nobody should underestimate the possible long-term importance of this ; a regular publication of this sort could at last provide the continuing tool, so long needed, to mobilise public opinion against cost inflation. The Government's best course—although Mr Lloyd does not appear to have thought of this—might be to employ some professional journalist or even advertising copywriter, rather than a civil servant, to summarise bluntly the main lessons explicit in each dollop of "factual information" as it appears. Let the new official guiding light be made to blaze forth fiercely, instead of being politely edited away each time under a bushel of bare (and misunderstood) statistical tables and of circumlocutory bureaucratese.

Behind, unhappily, just such a screen of bureaucratese the rationale for the proposed guiding light, set out in Cmnd 1626, seems at last to be on almost wholly the right lines. The white paper proclaims that the main factor which arbitrators should take into account is that the "amount actually paid" in wages and salaries must not rise by more than output per head ; this means that basic wage and salary rates must rise by even less, because (here comes some of the bureaucratese) it is "necessary to have regard to the likelihood, judged from past experience, that basic rates will in practice be supplemented in certain employments by local or special payments." Some workers will have a case for above-average increases, particularly "where the building up of manpower in one industry relatively to others, or the prevention of a threatened decline, is plainly necessary" (although such increases should sometimes be "related to particular areas or grades" rather than spread across the board). But other "arguments which have in the past been widely used to justify higher wages and salaries" now need to go out of the window.

The trade unions are told bluntly that it is no good basing each year's bout of wage bargaining on the rise in the cost of living since the last bargaining bout ; this rise in the cost of living, in itself, will have been mainly due to the above-output rises in wages secured during the previous bout, and there is no case at all for making this rise self-perpetuating. The same argument applies to claims based on "comparisons with levels or trends of income in other employments." If electricity workers have succeeded in getting an inflationary increase, this does not make it "only fair" that gas or other workers should get inflationary increases

too; it makes it much more dangerous that they should. Perhaps most courageously of all, the white paper proclaims that arguments arising "from the trends of profits of productivity in a particular industry cannot in present circumstances be regarded as providing of themselves a sound basis for an increase."

It is a pity that the words "in present circumstances" have been inserted here. The principles on which arbitrators should judge claims in expanding industries are continuing and consistent. Some rises in productivity in a particular industry may be due to workers "accepting more exacting work, or more onerous conditions, or a renunciation of restrictive practices"; the white paper rightly agrees that there can be a case for above-average wage increases when new agreements genuinely ensure that one of these "direct contributions" will be made. But sometimes a rise in productivity will be due to the employment of more machines; if all the money earned by these machines (and needed for the amortisation of them) is promptly sucked away into higher wages for the workers concerned, a special barrier will be put in the way of increased mechanisation in British industry.

Other above-average increases in profits in particular industries may occur when the business concerned happens to have discovered a newly booming market. In these cases, the need is that new resources of capital and labour should be sucked into producing for this market. Normal bidding up for resources will then ensure that wages in this boom industry will rise by the natural force of the market (and this, together with the downward thrust on prices exerted by increasing supply and competition, will soon bring large profit margins down); the white paper does not oppose (and rightly cannot oppose) orthodox free market rises in wages and falls in prices of this sort. But if, as soon as an industry of high profitability appears, wages are immediately raised by national agreement above the free market level, so that profit margins in new boom industries are not allowed, even temporarily, to be any higher than in average or declining industries, all incentive for firms to expand their production in the new boom industries disappears. That would thwart the movement from low productivity industries to high productivity industries, which is one of the main movements through which Britain can and must hope to increase its standard of life.

In his heart everybody—every MP or publicist or chairman of a nationalised board or reasonably intelligent trade union leader—must know that these principles in Cmnd 1626 are right. There really is no excuse now for those who, for catchpenny political reasons, try to shuffle away from them. The general defensive reaction on the left has been to complain that the principles of Cmnd 1626 could serve to increase profits at the expense of wages. In one circumstance, that could be true: if the Government underestimates the amount by which total national production will manage to rise, and if total national wage increases have therefore been tied to a guiding light which fortunately proves to have been too pessimistic, then aggregate profits will rise excessively. But in that case, reiterates the Chancellor, in one of the most specific sentences of Cmnd 1626, "appropriate corrective action" will be taken. What this means is that profits will be prevented from taking a rising proportion of national income by the device of changes in profits tax. Everybody knows that this is no empty threat; profits tax has been increased five times in the last eleven Conservative budgets, and almost always in circumstances providing far less economic justification for a rise than these hypothetical circumstances would do.

There is no similar tax which can be applied discriminately to money wages: so the Chancellor delivers a longer and more involved homily to wage and salary earners. Imagine a judge, faced by two defendants. To Defendant A he says: "If you transgress, I can and will hang you." To Defendant B, he says: "I have no appropriate mechanism for hanging you if you transgress, but I intend to try to mobilise public opinion against you if you do so. Let me therefore explain in detail what forms such transgressions could take." Defendant B's counsel, Mr Woodcock and Mr Gaitskell, then emerge from the courtroom saying that the judge has been quite unfair to spend so long in ticking off Defendant B, when he devoted only one sentence to telling Defendant A where he got off. This is an exact analogy with a lot of the twaddle which has been talked, in far too many places, about Cmnd 1626 this week. If any substantial proportion of any nation really believes that the sort of incomes doctrine expressed in Cmnd 1626 is unfair to trade unionists, then that nation has lost its head. The next few weeks will show whether the British people have done so: the test will be whether the country will at last stand firm, offering no further concessions, in the face of any threat of major industrial strikes.

Tick, Tock

East-West exchanges seem to be taking on an intriguing new rhythm

Like a pendulum, Russian policy on Berlin just now seems to be fixed at one end, and swinging free at the other; like a pendulum, it is also a reminder that time is passing, and no agreement is yet in sight. The fixed end can be seen in the formal (one might nearly say ritual) discussions between Mr Gromyko and Mr Llewellyn Thompson, the American ambassador in Moscow, who held their third meeting on February 1st. Mr Gromyko is sticking like a limpet to the Russian claim that west Berlin must become a demilitarised city-state or, alternatively, that Russian troops must join the western garrisons. Mr Thompson, for his part, continues to insist that the proper subject for conversation is the means by which the western position in the city can be guaranteed. This is, for the moment at any rate, a dialogue between hi-fi records. To judge by Thursday's announcements in London and Washington about possible nuclear tests at Christmas Island, harsher voices may soon break in.

The other end of the pendulum, by contrast, is swinging free and far, and is penetrating some interestingly cobwebbed corners. Directly or indirectly, Mr Khrushchev has made separate approaches in the last few weeks to Dr Adenauer, through the now dog-eared memorandum of December 27th; to Mr Macmillan, in a letter he is reported to have sent to the Prime Minister; and, through his son-in-law, Mr Adzhubei, to President Kennedy. The ferment set working in west German political life by the December 27th memorandum is described by our Bonn correspondent on page 533. It may well have been increased by a broadcast on February 2nd by Mr Galkin, a Russian historian, who, praising the "spirit of Rapallo," recalled that in 1922 Germany had to choose between a far-reaching settlement with the Soviet Union and "final enslavement" by the western powers; any similarity with 1962 (or 1939), Mr Galkin did not say, was strictly coincidental. The day after this broadcast, an article in *Izvestia* said that Moscow should talk directly to Bonn about Berlin, since the Germans were the most directly concerned.

Mr Khrushchev may have two motives in pursuing this campaign. One would be to persuade the principal western leaders that, even though the present negotiations on Berlin seem to have got stuck in a cul-de-sac, this is no reason why east-west relations should not remain civilised—and even, in other matters (say trade), productive. The other may be a hope that, through this series of bilateral approaches, he may gradually succeed in widening the scope of the Berlin discussions to include the other matters that urgently interest him in central Europe: the recognition of existing frontiers, the limitation of armaments (most of all in Germany), and so on. In either case, the objective would be an agreement, whether tacit or explicit, that accepted the *status quo* in the middle of the Continent. If Mr Khrushchev cannot get this by talking to the Americans, he may think (not entirely wildly, maybe) that he can get it by talking to others. He may not; but it may still do more good than harm that he should try.

Off-White Elephant

India, about to elect a new parliament, is the largest nation ever to practise political democracy

On the epic battlefield of Kurukshetra, around five thousand years ago, the god Krishna turned up in the guise of a charioteer. He found one of the warring princes, Arjuna, in hesitant mood. Although the epic of the Mahabharata is often called India's Iliad (its great war involves a captive princess and a good deal of divine intervention), Arjuna was not just sulking like an Achilles; he was beset by philosophical doubts liker to Hamlet's. Krishna therefore employed much spiritual eloquence in urging him to go out and fight. Non-violence is not the only strand in Indian tradition.

Many westerners, and some Indians, were shocked by the military occupation of Goa in December because they saw it as a fateful turning away from the Gandhian path of *ahimsa*. In fact India has never been fully committed to that path. When Gandhi originally introduced his concept of non-violence into the struggle for Indian independence in 1922, the other leaders of the Congress, including Mr Nehru, made it clear that they accepted it as a political strategy suited to their then needs, not as an absolute dogma. Their personal respect for Gandhi was increased by his total personal commitment to *ahimsa*; but they reserved the right to differ.

In the exaltation of independence, however, Mr Nehru and some of his colleagues tended for some years to address the world in terms that suggested a superior Indian morality—and earned the "holier than thou" jibe. The postwar West was particularly pained by their strictures on the new alliances which it was anxiously building up in fear of the communist powers. Mr. Dulles's dictum that "neutralism is immoral" was one reaction; another was the counter-charge that India, while championing self-determination for European colonies, was unmoved by the plight of Hungarians or Tibetans, and was itself engaged in military repression in Kashmir and Nagaland.

Historical perspective suggests that India, in this phase, fell heir to a role in the world that derives at least as much from the West as from the East. A succession may be traced from Mr Gladstone through Woodrow Wilson to Pandit Nehru, each in turn feeling an urge to address homilies to a sinful world, each open to the riposte that he did not always practise what he preached. One may speculate about whom this mantle will next fall upon. Long before the occupation of Goa, Mr Nehru for his part had seemed to be tiring of the role.

If, after Goa, the Indian elephant looks less immaculately white, are its relations with the other creatures, great or small, in the international zoo likely to be more comfortable, or less? Some will doubtless feel relief that the beast's reputed sanctity has gone for good. Others seem to fear that it will throw off all inhibitions and turn rogue—if not now, then later, when Mr Nehru has been succeeded by some less prudent and less masterful mahout.

In some resentful eyes, India is regarded as having it all too good. Its people enjoy the liberties of a democratic system without contributing to the democracies' common defence against totalitarianism. Playing both sides of the street, it secures massive economic aid from both western and communist sources without paying any political price to either. In the case of Goa, in this respect unique among the vestigial colonial cases, India was overwhelmingly stronger than the colonial power; yet it could appeal to the general fund of sympathy for the oppressed underdog, and was sure of the support of Afro-Asian votes in the United Nations Assembly and of the veto-wielding Russians in the Security Council.

Similarly, India can count on a Soviet veto to shield it from any adverse Council ruling on Kashmir. While thus immune from any UN inhibition on its own actions, India is prominently involved in UN interventions elsewhere. In its quarrel with China, it can count on benevolent neutrality from Russia, and doubtless, if the Chinese threat became really dramatic, on a full-scale western rescue operation. Meanwhile the gospel of non-alignment, of which India is far the most important practitioner, has conquered most of the Afro-Asian world, won footholds in other continents, and had a marked impact on the policies of the great powers.

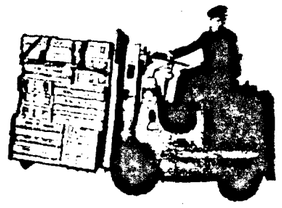
Few Indians would agree, however, that their position at present is so enviable. While appreciative of foreign aid (and less disposed than before to hail the Soviet fraction of

it more gladly than the preponderant western contribution), they point out that all the aid and all their own impressive efforts to break out of poverty and achieve self-sustaining economic growth are still barely enough to enable them to beat the rising flood of population. They are forgivably proud of their operation of the largest democratic system in human history, of the fact that an electorate of over 200 million is about to go freely to the polls for the third time ; but they see little reason for complacency about it.

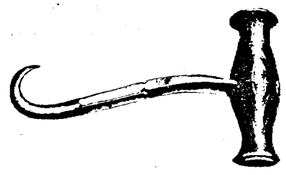
Most of the other new nations of Asia and Africa have failed to establish democracy. India's vast size and extreme diversity add to the strains that bear on such a political experiment in any under-developed country. Even though the Congress party, in the coming elections, may again win half the votes, three-quarters of the seats in the national parliament, and control of all the state legislatures, the juggernaut is cracking as well as creaking, riven by countless local and factional differences as well as by those between its left and right wings.

Beyond their own frontiers, Indians are certainly glad to find their non-alignment now widely accepted or at least deferred to ; but they are troubled to see alignments multiplying among the non-aligned. India was at first reluctant even to attend last September's Belgrade conference. It has opposed Chinese and Indonesian calls for a second Afro-Asian "summit" conference on the lines of the one held at Bandung in 1955 (in which China played a starring role). It put its weight firmly behind Mr Hammarskjöld in the Congo, despite the criticisms of the Casablanca group of African states and other partisans of Mr Gizenga. The Indian quarrel with Pakistan affects its relations with other Moslem countries ; the quarrel with China has reached a stage at which Mr Nehru is now a target for personal abuse in the Peking press. Even its relations with Nepal are now openly strained.

India's extensive involvement in the world arena has, in fact, as the experience of other nations would suggest, earned it as many reproaches and cares as bouquets and easy victories. From time to time isolationist voices are raised in India itself, demanding less far-flung activity. (India still contributes troops to the UN force on the Egypt-Israel border, as well as to that in the Congo ; and it provides chairmen for the international commissions in Laos and Vietnam, as well as an increasing number of key personnel for UN operations.) A leader other than Mr Nehru, who has often frankly confessed his personal liking for the international arena, might have somewhat scaled down India's external involvement. But the involvement would still have been—and will long continue to be—extensive, as long as India's sheer mass gives it an outstanding position among the nations. The elephant may no longer look quite so white to some of its former devotees. All the signs indicate that it is a deeply worried creature, in no mood to play the carefree rogue. But it is still an elephant.



Dock Dilemmas



The Rochdale inquiry into the inefficiency of Britain's port facilities faces a mammoth task

Britain is totally dependent on sea transport, but the process of transferring objects into and out of ships here is carried out with almost ludicrous inefficiency. In March of last year a committee under the chairmanship of Lord Rochdale started examining the state of affairs in sixteen of the nation's most vital ports. What are the main problems that confront it, and what should some of its recommendations be ?

The docks industry is far from being homogeneous. The techniques of handling bulk raw materials—sugar, flour or rubber—are totally different from those of handling cargoes consisting of small pieces of machinery, boxes of tomatoes, or bus chassis ; while there are criticisms enough of the inadequacies of (for example) grain silos in certain ports, the problem here is comparatively a minor one. Oil or iron ore, delivered straight to a seaside refinery or steelworks, seems to be handled as efficiently in Britain as anywhere. Where it is possible to foresee a steady flow of goods of one type, efficient handling is merely a question of paying for and installing a specialised terminal—the British Railways depot at Hither Green, handling whole wagon-loads of vegetables and perishable goods straight from the Continent, is an example of a progressive and efficient new installation for a year-long flow of one kind of goods. Whole ports are specially equipped to handle fish ; whole wharves in London are designed to unload cargoes of meat or of bananas. There is no reason to believe that these are inefficient.

The real trouble is that certain British ports must handle vast quantities of miscellaneous cargo, travelling to the least predictable destinations: their sprawling inefficiency, built into the nature of the cargo they handle, is increased by the historical development of the towns in which they stand. Road access to the many ports built before the internal combustion engine is totally inadequate. Constructed in the early days of industrial expansion, manned from communities whose whole fate is tied up with the docks, and now squeezed into riverside strips whose expansion is prevented—and whose site-values are raised—by the pressure of the surrounding city, these areas are the ingrowing toenails of the economy.

The tempting solution is for the docks to uproot themselves from their traditional settings, and start up again elsewhere. There has, indeed, recently been a trend in this direction (although the promised new docks of the Port of London Authority at Tilbury are perhaps not as far away from the built-up areas as they should be). Shoreham in Sussex and Lowestoft on the east coast are small harbours whose traffic has increased, and which might well give good service with a little expansion. But the existing ports do represent vast

investments; far better use could be made of the facilities that already exist—including the questionable facility of the highly conservative dock labour force. The men's obstinate devotion to tradition leads at its most dramatic to protracted strikes, and at its most destructive to a refusal to use modern handling machinery without imposing ludicrous manning scales. But they in turn can point with a sure finger to other bottlenecks that only increase their frustration and conservatism.

Far more, for example, could be done to ease congestion on the inadequate roads into the dock areas. The port authorities themselves cannot build access roads, and one of their complaints is that it is difficult to persuade exporters to make better use of the railways. (One of British Railways' brightest new ventures has been the export expresses that run straight from manufacturing areas into the docks.) Much more cargo could be moved into the docks before the final day for loading: in London recently 47 per cent of cargo was reaching the docks in the last two days of the receiving period, and 13 per cent was arriving on the day after the closing date.

The Port of London Authority has attempted to persuade shippers to send their goods—in advance if need be—to central collecting depots ; but one depot was closed because it was not used, and the one remaining is under-used and runs at a loss. Central collection could, however, take place outside the immediate dock areas, where road access is easier and site values are lower ; and at the centres goods could be loaded on to pallets or containers, thus making it possible to standardise loading equipment. The potential advantages (including a quicker turn-round for lorries) seem enormous ; they need far wider publicity.

Before such a central arrangement could be made effective, however, it would be necessary to rationalise the structure of the competing firms that handle cargo. In London, where the physical control of the port is in the hands of the port authority, and where the control of the labour force is vested in the dock labour board, more than 200 firms are registered as employers of labour ; the spark that set off the last major unofficial strike of dockers in London was an absurd dispute over a tiny firm whose tiny wharf received no more than one lighter full of strawboards a month. Such people—it is no fault of their own—are casual employers, just as those who work for them are casual employees: small wonder that the docks are constantly beset with squabbles about pay, working conditions, manning scales and a host of technical issues involving labour-management relations. A recent and most welcome statement from the national joint council for the port transport industry, signed by both the chairman of the port employers and by Mr Cousins for the Transport and General Workers' Union, spoke of the need to "decasualise" labour relations in the docks: casual employers can be as inefficient as casual workers, and that can be very inefficient indeed.

But it is on the workers' resistance to improvements in work techniques that the main spotlight, and odium, necessarily fall. At present fewer than a quarter of the country's 70,000 dock workers are employed on a weekly basis: in London there are 10,000 weekly workers out of a total of 27,800-odd employees. It is among the casual workers that the basic discontents arise—and the outsider cannot wonder at it. The dock labour scheme, which ensures a minimum income of £7 8s. 6d a week, can permit men to earn up to £30 in good times. It is certainly better than the old days, when a man might get nothing at all some weeks. But the very principle of casual employment might be designed to encourage work-spreading and resistance to labour-saving techniques ; and the men's basic conservatism is immensely strengthened by the system of recruitment, which in practice often means that new recruits to the dock labour board's register are relatives of men already in this job.

The men's first fear is that, if many more of them were employed regularly by one employer on a weekly basis, the burden of uncertain employment and earnings would fall more heavily on the few remaining casuals. But the advantages to the employers of having a larger permanent labour force, which could then be properly trained in the use of mechanical handling equipment, should certainly make it worth their while to pay large sums for the right to introduce this fundamental improvement: on the west coast of the United States the longshoremen have wrung $5 million a year out of the employers in exchange for the virtual abandonment of all the restrictive rules whereby the union has hampered the modernisation of the ports, which gives some idea of how much the American employers reckon they may be able to gain by improving work methods.

But it will never be possible to have an even flow of cargo, and an even demand for labour, in the ports throughout the year. If the workpeople are to accept that the occasional burden of unemployment falls only on a few, those few must be guaranteed a far higher level of fall-back pay than they at present receive. What is more, steps will have to be taken to see that the risk of not working is evenly spread among them. The employers, shippers and shipping companies could help to make this possible by forecasting the traffic for a given week, and thus predicting the weekly labour requirement (there seems no special reason why men should turn up at all during a week when they are not going to be needed).

Such an advance would, of course, entail far closer cooperation between employers than has hitherto existed (or, ideally, a sharp reduction in, and increase in the size of, the firms registered as employers). A plan for decasualisation along these lines would go far to remove the workpeople's fear and distrust of efficient machinery for handling cargo: they should also be better inclined to cooperate in modernisation—and even, eventually, to agree to shift working—if they were no longer subjected to the indignity and inefficiency of the twice-daily "call" at the dock gates. The principle of decasualisation has at last received the backing of the chiefs of both sides in the industry, and the formal blessing of the Minister of Labour. The dockers' current pay claim is being somewhat gingerly handled by both sides in view of hoped-for changes in the pattern of employment. The virtue of the comprehensive Rochdale approach is that it can make recommendations not only in this field, but also right along the line of port working

RE-EXAMINATION DEFERRED

The second article on "Economic Policy Re-examined", following last week's piece on "The Pull of Demand", has been held over—probably until next week.

methods. Customs procedures and the insane complexities of the bill-of-lading are examples of inefficiencies in need of reform; the shipping people could do worse than to take some modest tips in some of these fields from their rivals in the airlines.

The airports, of course, have the inestimable advantage of having started recently, from scratch—and from having been helped to do so by the Government. Even the Federation of British Industries, in its report to the Rochdale committee, toyed with and only mildly rejected the idea that Government money should be spent on a once-for-all improvement of the country's ports, while the Dock and Harbour Authorities' Association has now as good as asked for a modernisation subsidy. New training schemes and new compensation payments for dockers would be necessary if re-equipment is to be carried out relatively painlessly. Lord Rochdale was the begetter, and has been a spectator, of the reorganisation of the Lancashire textile industry; perhaps a dose of the same medicine (improved in the light of experience) would serve for this other legacy from the world's first industrial revolution.

Congo Bingo

The key to the Congo problem is Katanga's wealth. An agreed and guaranteed division of revenues through a trustee outside the Congo might be the answer

WHAT to do about the Congo? is not a question that invites useful answers, but here is one for a try: Let the British, American and Belgian governments, through their business contacts, persuade the Union Minière company to sign an agreement with Mr Adoula and Mr Tshombe whereby the mineral revenue due to each party is shared out in agreed proportions. To make sure such an agreement, once made, was observed, Union Minière could make payments to an international trustee—the World Bank, say—which would then pay to each his due. Talks between Mr Adoula's central government and the company have already begun in Leopoldville, but, on Tuesday, a director of Union Minière said in Elisabethville that taxes had been paid to the Katanga government since independence, "and we shall continue to do so as long as it is the constituted authority."

But a lot of the "constituted authority" of the Katanga government derives from the use it has been able to make of Union Minière's wealth and administrative ability. The apparatus by which the Katangans support their claim to be an independent state; their weapons and foreign soldiers: not least the international lobbying that goes on on their behalf—all would have been impossible without money. There is evidence that the lobbying activity around the world is mounting. Through industrial connections in Europe and America, efforts have been made to influence the Swedish and Irish governments towards withdrawing their countries' contingents from the United Nations force in the Congo. Pressure against United States support for the UN operation in the Congo is building up through America's own well-financed Katanga lobby.

The picture within Katanga can be drawn more clearly. There is a famous phrase about the earth around Elisabethville—that it is "scandalously wealthy." It produces 8 per cent of the world's copper, 60 per cent of its cobalt and 4 per cent of its zinc—leaving uranium and other minerals aside. In 1959 Union Minière paid £21 million in taxes, duties and dividends to the Congo government (then Belgian). This kind of money has since been paid to the Katanga government, and it amounts to 80 per cent of Mr Tshombe's entire budget. This is not the whole measure of the company's value to the Katanga economy; Union Minière is a generator of local spending, a builder of houses, schools and hospitals, administrator of a virtual company state. Yet the Katangan infrastructure that supports it was built up, in the decades before independence, by contributions from the whole Congo economy. Now Southern Katanga, with less than a million people, has captured the copper goose that used to lay for the whole country (population 14 million).

This, of course, is what the argument has been about all along. Even before independence Mr Tshombe argued for provincial autonomy on the ground that provinces should control their own mines. And since independence the copper coin has had two sides: heads, Mr Tshombe takes over the mines and Leopoldville loses; tails, the mines take over Mr Tshombe—and Leopoldville loses. When local directors of Union Minière argued, as they did in the time of Mr Lumumba, that they could not allow the chaos to spread to Elisabethville, their arguments could be understood. And when, as they still do, they argued that they had to do Mr Tshombe's bidding to save the company, they could be at least half believed. (This is especially true of export duties, which, they say, Mr Tshombe insists must be paid before anything is allowed out.)

FOR these reasons, legality has had little to do with where the money has gone. According to a prior agreement with Belgium, the government of the Congo was to inherit a sixth of the shares in Union Minière after independence; in fact, because of the post-independence disorder, the agreement was never ratified and the shares are still being held in Brussels pending new general Congo-Belgium financial negotiations. Such negotiations might begin quite soon. But dividends have been paid to Elisabethville, and to outside shareholders (including Tanganyika Concessions, which holds about a seventh of the shares). Previously, about a half of Katanga's produce was transported along the "Royal Route" across the Congo to the port of Matadi. Now, more economically, it takes the Benguela railway, which is 90 per cent owned by Tanganyika Concessions, to Lobito; or through Rhodesia to Beira in Mozambique. (Discussions about diverting some traffic—and therefore some export duties—back to the "Royal Route" have begun.) Previously taxes and excise duties went to Leopoldville and, according to the *Loi Fondamentale* they still should. But now Mr Tshombe collects.

There is no need, however, to insist on former legalities, or the settlement of old scores, in new arrangements. The Leopoldville government put in a bill just before Christmas for all the money paid to Elisabethville so far. If Union Minière could be made more malleable by not being forced to pay twice, then it may be wise for Mr Adoula to settle for, say, only half the amount legally due to him. Equally, Mr Tshombe still has physical control over the mines; and in new arrangements Leopoldville may not be able to insist on getting all—though Mr Adoula, doubtless, would prefer to leave Mr Tshombe just enough to run a province without running a private army as well.

This is the kind of negotiation that the Belgian prime minister, Mr Spaak, together with the Americans, is believed to be urging on Union Minière—but the company itself shows signs of being divided between those in Brussels who see the sense of coming to terms with Mr Adoula and a few apparent *ultras* in Elisabethville, whose interests are emotional as well as economic. Here is where Britain, with its Tanganyika Concessions interest, could soberly throw in its weight and, perhaps, make a positive contribution to a peaceful settlement in the Congo.

FOR the British Government's touch in the Congo has not been sure. American policy, on the other hands, seems to be coming off. Some time ago, the State Department saw the need for resisting Mr Tshombe's separatist ambitions if the country was ever to be made stable, and if the communist-supported Mr Gizenga was to be kept under control. Now Mr Gizenga and his erstwhile Stanleyville regime seem to be in eclipse. On January 30th, the Russian move for a Security Council debate on the Congo, which might have revived passions calculated to destroy the delicately constructed political balance in the country, was rebuffed. In the voting, even Ghana and the United Arab Republic (once vocal supporters of Mr Gizenga as Mr Lumumba's heir) abstained. Since then Mr Adoula has visited the General Assembly; established good relations with U Thant and, sensibly, with Mr Spaak; and, on Tuesday, received assurances of support during a lunch with Mr Kennedy at the White House.

There have also been encouraging reports of co-operation between United Nations officials and the Katangese, and of a supposed willingness on the part of Mr Tshombe to reintegrate the province under the agreement signed (with American encouragement) at Kitona just before Christmas. But Mr Tshombe has gone on stalling about the things he then agreed to do to dismantle his separatist apparatus. Is Katanga playing 'possum? As in a game of Bingo, a properly negotiated agreement about the future disposal of its mineral revenues, including the use of an outside trustee to guarantee it, could fill in the last square on the card and, for the West and the Congolese (not to mention the UN), be the chance to complete the game.

NOTES OF THE WEEK

CONSERVATIVES

The Grumbles Grow

SIR HARRY LEGGE-BOURKE'S attack on the Prime Minister, despite its excitable puffing up by many newspapers, has petered out, as it was always clear it would. Not a single other member of the Conservative parliamentary party has come out in public support of Sir Harry, and the condemnation of his tactics (if not of the substance of some of his remarks) is as unanimous in private. Instead there are signs of the forming of one of those public squares that have served the Tories so well in postwar crises. What might have been the beginning of a sustained and damaging campaign of denigration of the Prime Minister has been reduced to the level of a petulant protest.



Symptomatic Sir Harry

Yet Sir Harry's outburst should not be dismissed as merely the isolated growlings of an eccentric blimp. It is symptomatic of the usual mid-term frustrations of a governing party at this stage of a Parliament; and those frustrations are taking the usual forms. Witness the familiar cry that what the Conservative party really needs is a super public-relations officer (a cry that was also heard in 1956-58); the impending drift of some brighter sparks out of political life (the Solicitor-General's elevation to the judicial bench will rob the Government of one of the best behind-the-scenes liberalising influences on legislative matters it had); as well as these mutterings that the Prime Minister is losing his touch (mutterings which in early 1956 played at least some part in driving Sir Anthony Eden over a famous brink). Mr Macmillan is a very long way from Sir Anthony's state of approaching breakdown in 1956, but his once effortless sense of political control and vivacity is not quite what it was. This became rather soberly evident in Parliament this week.

No Crown Prince

MONDAY'S parliamentary debate on Lord Home presented the Prime Minister with an admirable opportunity for rallying the party and raising its drooping spirits. The old Mr Macmillan would certainly have taken it: the new one tried to do so but manifestly failed. The content of what he said was better than its delivery, and he fortunately refrained from giving any hostages to fortune by rounding on the United Nations to get the plaudits of some of his backbenchers; but this was not the rumbustious speech of a man set on restoring his ascendancy over the party. Much has been written about Mr Macmillan's remarkable powers of recovery; on this occasion they were not seen.

At the moment the Prime Minister's great strength—the result largely of his own engineering—is the absence of any obvious successor. With no crown prince, there can be no palace revolution; it therefore looks more than likely that he will still lead the party at the next election. This is not to say that his troubles are over. The two most searching tests of his leadership are rapidly approaching. He will have to sell the Cabinet's liberal proposals on Rhodesia to a reluctant party, and carry his supporters with him into Europe. Both policies will involve a recognition of Britain's diminished position in the world, which Conservatives find highly unpalatable. In pursuing them Mr Macmillan will have to appeal to the head rather than the heart of the party, always a dangerous operation where the Tories are concerned. But it is on his success here, not on the ups and downs of day to day parliamentary life, that history—as opposed to contemporary political columnists—will judge him.

RHODESIA

The Undertaker?

DR BANDA, of Nyasaland, is fond of saying, "The federation is dead. All it needs is the undertaker and the burial certificate." The man who may turn out to be the undertaker is Mr Duncan Sandys, the Commonwealth Relations Secretary, who flew to Salisbury on Tuesday for what may be a long session of heart-to-heart talks with Sir Roy Welensky, the federal prime minister. Mr Sandys's job is no less than to decide whether or not the federation has a future: to report back quickly if he decides it has not; or to stay and win Sir Roy's agreement to any formula that may be invented for keeping it going.

Without much doubt he is taking with him a new constitutional plan that would give Africans a majority in the legislature of Northern Rhodesia. One of his problems is how to convince Sir Roy that such a plan is in the federation's interests. The British Government, despairing a little, seems to be taking hope from Sir Edgar Whitehead's new turn of speed in leading white Rhodesians towards the elimination of race discrimination (except electorally) in Southern Rhodesia. Thus it will be possible for Mr Sandys to argue that Sir Edgar's work, plus electoral arrangements for Northern Rhodesia acceptable to the Africans, plus a dramatically de-whitened federal government (shorn of many of its powers), just might win over Dr Banda and Mr Kaunda to an attempt to keep the federation going. This is remarkably like the Monckton formula. If Sir Roy will not have anything so liberal, Mr Sandys will have to report failure; and the crisis about the future of the federation will be on.

Perhaps there is only a faint hope indeed that this formula would save the federation; but the only other way, to maintain it by force, would be in the end hopeless. In the past, when Sir Roy and his party have talked of a last-ditch struggle (it happened between last February and last June), it has been London, not Salisbury, that has wilted. If history were to repeat itself this year and Mr Sandys were to be talked round to the wrong conclusions by Sir Roy, then "undertaker" would indeed be the word.

KENYA

Vultures

PROPHETS of African disaster have it easy when it comes to Kenya. The conference to decide on a new constitution and a date for independence opens in London on Wednesday. And after independence? Mr Philip Goodhart, a Conservative MP back from a tour of Kenya, has produced a pamphlet* in which he says that, at best, the British and Asian communities will be subject to increasing harassment, the tribes will pursue traditional ways in increasing isolation, and there will be some downturn in economic activity. At worst, Mr Goodhart fears, the British and the Indians will be attacked, killed, or driven out; there will be major tribal warfare; the economy will crash to subsistence levels; and government in the Western sense will largely disappear.

On top of this kind of foreboding, the Colonial Secretary, Mr Maudling, will have to cope next week with the clutchers after bits of an independent Kenya—the Somalis, the Masai, the Arabs in the coastal strip, and the vultures among Kenya's own politicians. With Tanganyika independent and Uganda due for independence in October, Mr Maudling can hardly hold Kenya back for long—perhaps not beyond this year. With the British Treasury in its present mood he can only with difficulty make the promises he certainly ought to make of massive compensation for white Kenyans if they get into trouble.

Is it going to be quite as bad as this? Mr Goodhart says he may be proved wrong by the unpredictability and "a certain unexpected niceness" to be found among the inhabitants of Kenya. Equally necessary will be a strong central government (however unpalatable this may sound to some people) in the new Kenya. The pessimists may yet be confounded.

* In the Shadow of the Spear. Hampton Hall Press. 2s.

WEST INDIES

Caribbean Breakage

THREE months before it was due to become independent, the Federation of the West Indies has fallen apart. Announcing this to the Commons on Tuesday, the Colonial Secretary explained that since Jamaica and Trinidad are now determined to get out, the British Government, with the approval of the other island colonies, had no sensible alternative but to dissolve the rump of the federation, and start again. This was his conclusion from his visit there last month. Jamaica and Trinidad are both seeking independence on their own, and expect to get it this year. Mr Manley, the Jamaican prime minister, is now in London and has got his date, August 6th. Dr Eric Williams, Trinidad's prime minister, is unlikely to be far behind. What happens to the eight remaining clumps of islands is very hard to say. Various permutations are being suggested. To sweep the crumbs together would make the Caribbean tidier. But none of these suggestions answers the overwhelming problem of how such tiny, backward units can manage on their own, together or singly.



Busta: fiery voice

The ten island colonies decided to join up in 1958. But in Jamaica there were always misgivings, which later found a fiery voice in Sir Alexander Bustamante. Jamaicans, poor themselves, were horrified at the thought of having to pay the bills of the other islanders, and Mr Manley, despite his fight for a looser form of federation, was unable to convince them differently. They decided by a referendum in September to secede. Trinidad took the same decision in December, suggesting that any island of the eastern Caribbean could, if it so wanted, latch itself on to the future unitary state of Trinidad and Tobago. The invitation was not phrased tactfully; all the same, some of the islands may accept it. Dr Williams also looked forward, in general terms, to some kind of general Caribbean economic link.

Preoccupied with African affairs, the Colonial Office pursued a policy of hoping for the best. But even if London had been more alert and more generous, it was only Mr Manley's powers of persuasion that could have saved the floundering federation. If the Jamaicans had suspected that Britain was trying to push them into an association, their rebelliousness would only have increased. There are now the seeds of an anarchical, or Castro-like, situation in several of the islands. But it is still probably in Jamaica, with its overcrowding, its unemployment, and its economy dominated by outside interests, that the ground is the most fertile.

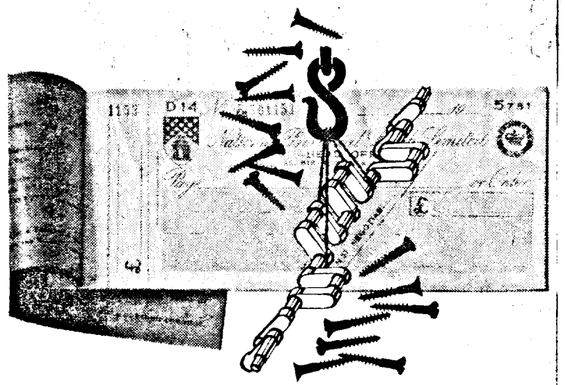
STRIKE THREATS

End of the Rein

THE Government has plainly decided that it had better not start an open fight with Dr Beeching and Lord Robens, but that it should hold them at the end of the present length of rein which these two gentlemen have already unhappily managed to gather in to themselves. When the railway unions returned to the Transport Commission this week, Dr Beeching duly raised his offer above 2½ per cent, as he had already virtually promised to do. But, plainly acting under a warning from the Government, he went up only as far as 3 per cent; and he intimated that any further increases after April—about which he had previously been issuing other winks and nods—might take the form only of "productivity agreement" increases and increases to special grades of railwaymen in areas where more recruitment is needed.

It is, of course, on these latter that his offer should have been solely concentrated in the first place. Rumbling with anger, the railway unions rejected his new proposal and have asked for a meeting with the Prime Minister; the interesting thing is that they have not immediately called a strike. But the leaders of all three railway unions know that a strike would be hideously expensive to their funds and wildly unpopular with the public; they suspect therefore that it would very probably fail. Two of the three unions, if left to themselves, would almost certainly accept the present offer, without a strike, in

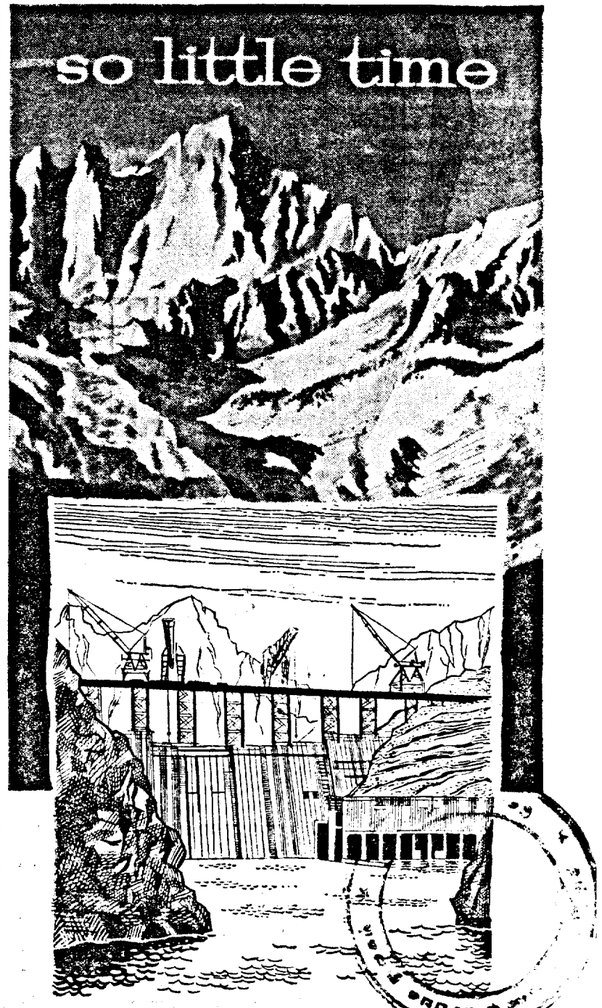
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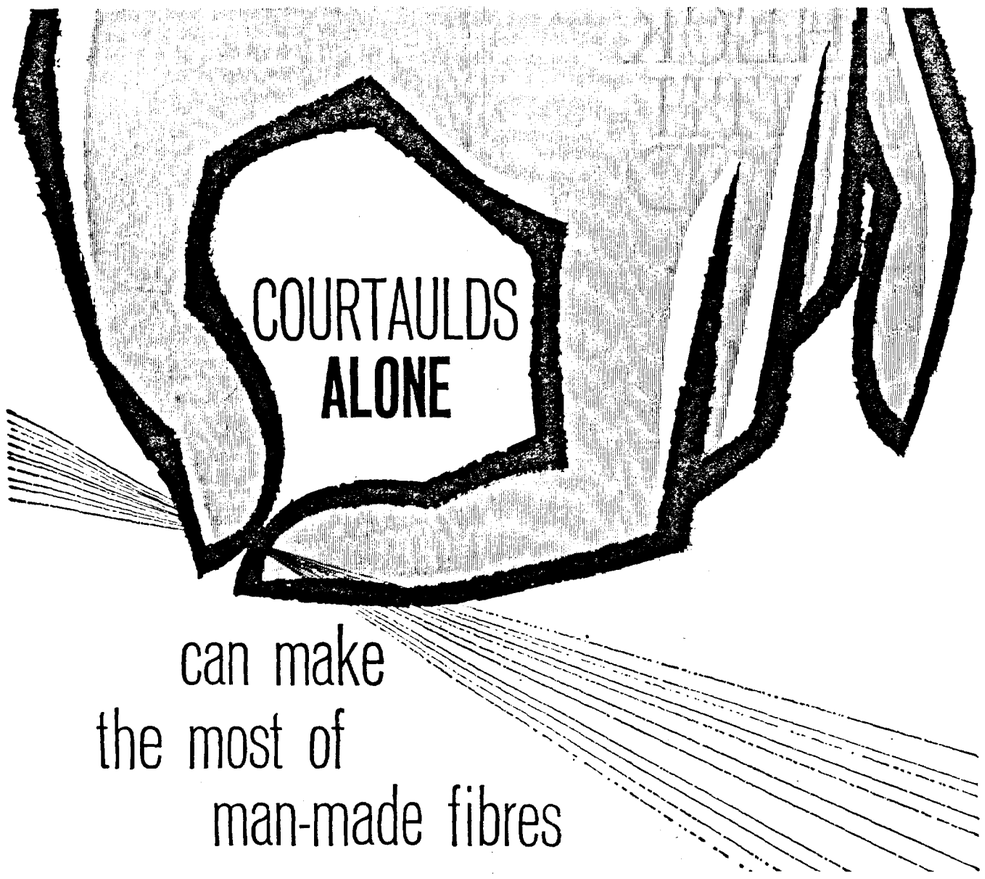


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can make the most of man-made fibres

WHOSE HAND *shall guide the affairs of Courtaulds is vitally important. Not only for* 180,000 *Courtaulds stockholders and* 60,000 *Courtaulds employees. It deeply concerns hundreds of British companies —specially in the fashion and textile industries–whose businesses have grown with the help of Courtaulds. And it concerns you, the customer.*

The issue is a simple one. To explain what is at stake, this advertisement (one of a series) has been prepared.

Courtaulds are the supreme specialists in the manufacture of man-made fibres ... and that includes the world, not just Great Britain. Last year Courtaulds alone produced over three-quarters of all man-made fibres in this country. *Three-quarters!*

Courtaulds make man-made fibres pay. Tricel pays. Courtelle pays. Rayon and acetate pay. And the demand grows heavier every year.

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Courtaulds have a highly profitable future—*alone.* Their resources should not be used to bolster the more problematical interests of the chemical industry.

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the end ; but the big National Union of Railwaymen is under extreme pressure from militants on its executive to show what the militants call " its full industrial strength." If the Prime Minister stands firm—as surely he must—there is likely to be a bitter internal struggle about whether the NUR should strike, and if so whether it will be with its two partners or alone.

Meanwhile both the Minister of Fuel and the Chancellor of the Exchequer have pretended to the Commons that Lord Robens's offer of 4 per cent to his day-wage miners is " not inconsistent " with the pause, although it quite plainly is. On Tuesday Lord Robens told the miners flatly that they could not have any more, and they departed with their next step uncertain.

The third leg of what some had expected to be a triple alliance of strikers this winter lies in the engineering industry, where the unions' one-day strike call on Monday had a resounding response: except in the naval dockyards, where there is a strong tradition of staying at work, about nine out of every ten engineering workers appear to have taken the day off. But there is all the difference in the world between taking a day off to go fishing and coming out on a lasting strike: on Thursday the Confederation of Engineering and Shipbuilding Unions decided that they would hold a ballot before calling a lengthier stoppage, although meanwhile they will take another Monday off in three weeks' time.

GOVERNMENT EXPENDITURE

A Target to Forget?

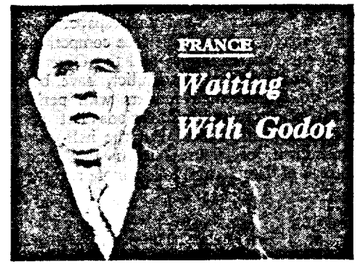
THE vote on account for government spending in the new financial year ought normally to be laid before Parliament in the next two weeks, and surely cannot decently be delayed by more than about three. If Mr Lloyd is to fulfil his promise of last July—that he would "do his utmost" to keep the rise in supply expenditure in 1962-63 down to 2½ per cent in real terms—he will have to make sizeable immediate cuts in the social services. *The Times* has now joined the chorus which thunders that he should. Otherwise, it said this week:

> his new economic policy, on which the future of the Government rests, will be riddled. ... The Government have insisted that large sections of the nation must take the medicine ; they cannot make an exception for themselves.

It would be nice to get back to the language of reasoning, instead of incantation, about this. The question is not whether Mr Lloyd should swallow his own medicine; it is, more probably, whether he should again this year make the British people pay more for theirs.

There were three reasons why Mr Lloyd's "pledge" about government expenditure last July was peculiarly gawky. First, as the British people's annual income goes up by 2½ per cent or whatever there are some things for which its demand should expand more than proportionately, others less than proportionately. Nobody can pretend that Mr Lloyd's pledge last July stemmed from a careful calculation about which category the particular goods and services that are provided through government expenditure should belong in 1962-63. He just uttered the mystical average figure for national income growth that he first thought of. Secondly, the worst way to control government expenditure is to concentrate on hitting a certain target figure by transient short-term cuts instead of ploughing forward relentlessly to secure lasting long-term economies.

Thirdly, when Mr Lloyd made his statement last July he could not possibly know whether by April of 1962 his general budget policy would need to counter any excess degree of demand inflation within the economy. Our own judgment at present—admittedly a controversial one—is that it need not. In these circumstances it is legitimate to question whether emotive immediate cuts in the social services would really make Mr Lloyd's main task this year, which is containing cost inflation through the pay pause, any easier. In budgetary policy, three decades after Keynes, one really cannot support this strange new itch to replace the economics of intelligent current planning by the economics of following some sort of ju-ju man's slogan thought up nine months before the event.



GENERAL DE GAULLE did not announce the conclusion of peace with the Algerian nationalists in his television address on Monday. To that extent he may have disappointed those Frenchmen who, like Mr Samuel Beckett's tramps, expected Godot to arrive with a message of salvation. But others may have realised that it was not in their president's character to spring surprises in this fashion, and that he is, in fact, waiting as anxiously as any of them for the outcome of the secret negotiations with the Algerian leaders.

His speech took the usual form of an appeal to Frenchmen and Frenchwomen to look past ephemeral difficulties to the glorious morrow. In turn France's history, France's present achievements, France's international importance, France's atomic armament, France's eternal greatness, were evoked, and the march past of these familiar banners took up half his time. But, as usual, the last parts of the oration were the most important: this was when General de Gaulle threw down his challenge to the OAS (the right-wing underground) and expressed his hope of achieving " the best " solution of the Algerian problem.

What this solution is thought to be, should soon be known. The French government is preparing to publish its proposals, so that the French themselves, the Algerians, and the rest of the world can see how " generous, realistic and constructive " they are, and what assurance they offer of a " fruitful and friendly relationship " with an " Algerian Algeria." What General de Gaulle has made clear is that he takes Algerian self-determination, and independence, for granted. He added that " the greater part " of the French armed forces was to be withdrawn to Europe before the end of the year, and he dismissed the OAS as a gang of criminals whom the police could cope with. The Algerians were warned, in the gentlest fashion, that without solid guarantees for the European population and French interests in the Sahara, peace could not come. But essentially the speech was an attempt to assure both the Algerians and the French that a settlement will not be jeopardised by any weakness towards the Right or insistence on untenable conditions. Whether the rebel leadership will be satisfied remains to be seen.

ITALY

Signor Fanfani's Task

AT LAST Signor Fanfani has got his mandate for an " opening to the left." The Christian Democrats' new national council, elected on the last day of their party congress in Naples last week, contains a large majority of those in favour of forming a centre-left coalition with the support of the Socialists. Exhilerated, no doubt, by his success, Signor Fanfani handed in his resignation on February 2nd, without waiting to submit to a debate in the Chamber which was due to reassemble four days later. President Gronchi's ritual round of consultations was interrupted last weekend by an attack of influenza. When *The Economist* went to press, Signor Fanfani was still being confidently tipped as successor to himself, but President Gronchi had not yet officially relieved him of his suspense.

Assuming, however, that he is nominated as Italy's next prime minister, Signor Fanfani will not then by any means be out of the wood. He will still have to form a cabinet composed of the kind of men whom the Socialists feel able to support if not positively, at least negatively (by abstention). Above all, he will have to draw up a government programme that is broadly acceptable to the Socialists. Signor Nenni, himself, and his fellow " autonomists " within the Socialist party, have already welcomed the decisions of the Naples congress ; if and when Signor Fanfani presents his new cabinet to the Chamber, most of

them would favour supporting him with a positive vote, instead of a mere abstention. But Signor Nenni, mindful of his left wing, has felt obliged to announce that if his party is to support Signor Fanfani, it must be upon the "basis of a concrete programme." Signor Fanfani, for his part, is also anxious to produce a definite programme. But it would have to be a programme designed to overcome the doubts and misgivings not only of his own right wing, but also of all those Christian Democrats who, although not actively hostile to the opening to the left, are still very much in two minds about it. Clearly Signor Fanfani will have his work cut out.

GERMANY

Swabian Pause?

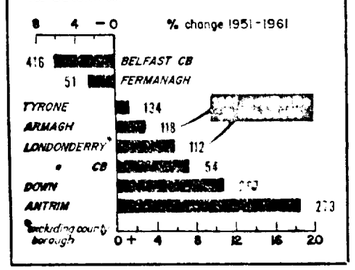
Do British industrialists feel a touch of *Schadenfreude* at the threats of strike and lockout in engineering industries in south-west Germany? What a relief, they may be tempted to think, if competitors in Württemberg and Baden are plagued by the German equivalent of Mr Carron. It would be a mistake to let the feeling go too far. West Germany's astonishing labour peace is an ingredient in German (and, therefore, western) political health. British exporters are getting their share of the high purchasing power of the German market. But while it would be churlish to wish industrial strife on Germany, the British can legitimately take comfort when German wages rise, giving a further impetus to consumer demand, and easing Mr Lloyd's battle to make British costs competitive.

In recent years the rise has been fast and persistent. But this year German employers, whose profit margins have been shrinking as wage increases have outpaced productivity, are in a mood to call a halt. When the engineering union in Baden-Württemberg put in for the usual 10 per cent rise plus six days of additional paid holiday, the employers countered with an offer of a mere three per cent increase plus only three days' extra holiday; anyway, the employers point out, existing agreements to cut working hours from January 1st already mean an effective wage increase of a further 3.5 per cent.

Threats of strike action from the union, backed by 86 per cent of its members, and of lockouts from the employers' side, have followed. But it is by no means certain that either will resort to such extremes. On Monday Herr Kiesinger, the chief minister of Baden-Württemberg, persuaded the two sides to meet again; both apparently have second offers up their sleeves. The Bonn government, for its part, is not obliged, like Mr Selwyn Lloyd, to hold the wages line even at the price of industrial strife. Dr Adenauer, now back in the saddle after a bout of illness, would probably prefer to keep the west German industrial image bright and clean

ULSTERMEN

In Northern Ireland, unlike the Irish Republic, the natural increase of the population this century has outweighed the loss from migration, and according to the 1961 census the population is now 1,425,000, as numerous as it was in 1861. The redistribution since the 1951 census has been towards the north-east and away from rural areas such as Fermanagh; the apparent exception is Belfast, where in fact people have moved to new housing estates on its outskirts.



SUNDAY PAPERS

Which Avant-Garde?

The "quality" Sunday newspapers have entered a period of fierce competition. Both the *Sunday Times* and the *Observer*, their horns locked in conflict, have been able to inform their readers with perfect truth of increased circulations last year compared with 1960. But the half-yearly breakdown of figures from the Audit Bureau of Circulations tells a more revealing story.

	('000s) July–Dec., 1960	Jan.–June, 1961	July–Dec., 1961
Observer ...	738·1	728·0	715·2
Sunday Times	1,001·1	1,022·9	967·1

As the table shows, the *Sunday Times* sale fell by 55,000 copies in the second half of last year (compared with the *Observer's* fall of 12,000) and both papers have appreciably lost ground since the comparable months of 1960. The reverse in the *Observer's* sale coincided with the emergence of the *Sunday Telegraph* last February; but the *Sunday Times*, despite the fact that its right-of-centre, predominantly Tory, middle-class readership now had two papers to choose from, rather surprisingly did not feel the draught until later in the year. It may be that it is only since about midsummer that family selectivity has really begun, and among a type of readership with which the *Observer* is not so closely identified. The *Sunday Telegraph's* "certified" circulation for the first twelve months of its existence was (rather vaguely) "in excess of 700,000." For the first five months (February to June) the paper claimed 716,000; its downward turn looks rather less marked than its chief rival's.

Thomson House's counterstroke, the free colour section to make the *Sunday Times* "the complete Sunday newspaper," was launched last weekend. Mr Thomson, in a bland television interview that evening, confessed himself disappointed with its content, but its potentialities (assuming the advertising revenue comes in) are already apparent. Curiously enough, just as Mr Thomson was taking up American Sunday newspaper technique, the *Wall Street Journal* began to march American Sunday newspapers in the opposite direction. In both size (32 pages) and appearance, its new Sunday venture, the *National Observer*, turns out to be a take-off of the old-fashioned British "quality." It relies, however, exclusively on comment: in this sense, it is cast more in the mould of the *Christian Science Monitor* than any other American paper. The progress of avant-gardism on both sides of the Atlantic promises to be intriguing.

As expected, all the British Sunday sales fell off in the second half of last year (the *News of the World*, despite its time-dishonoured formula, by as much as 90,000), with two exceptions. These were the *People* (up by 8,000) and the *Sunday Express* (up by 800,000). The *Express* has plainly succeeded in retaining the bulk of the unduplicated readership of the late *Sunday Dispatch*. But mergers of this kind, as the *Daily Mail* is discovering and as the *News Chronicle* discovered earlier, sometimes look less successful after a year or two.

SLUM CLEARANCE

Bulldozer Hill?

Dr Hill wears all sorts of hats. There is the Ministry of Housing and Local Government; there is Welsh affairs; and this week it emerged that he is still responsible for the co-ordination of Government information services, a task in which he has just been allocated the spare-time assistance of Mr Barber, the Economic Secretary to the Treasury. Now he is after another: it can best be described as Minister for the Reconstruction of the North, and it is not at all a bad idea. On Tuesday he proclaimed himself the champion (before the Multiple Shoe Retailers' Association) of tearing down and rebuilding "on a pretty big scale" all decaying town centres. And in last Friday's housing debate he promised a special drive to clear the worst slums, in and around Manchester, Liverpool and Birmingham, rather quicker than the existing programme would do. These are the right noises to make. The reconstruction of Britain's seedier city centres and the replacement of the Dewsburys (all towns with too many outside lavatories) should be one of the real social priorities of our time, a priority from which

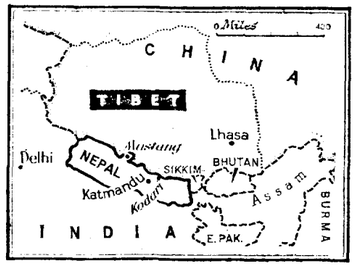
only the absurd muddle of rent control and housing finance policy has held Britain back.

The first task for Dr Hill is to define the precise range of the slum clearance problem itself. The figures cited in the debate were based on the 1955 estimate of 850,000 unfit houses in England and Wales (then 6½ per cent of the total stock), plus 150,000 in Scotland (10 per cent). Slum clearance in England and Wales has been running at 60,000 a year, but half a million of the houses condemned in 1955 are still inhabited. As fast as official slums are removed, the total of unfit houses is replenished from among the most decayed and ill-used of the four million homes which were built before 1875 but which are still occupied today. The hard core of the problem is essentially a localised one in big and medium-sized towns. The case for drastic action can only be strengthened by a more exact reassessment of what needs to be done. Those local authorities that blanch at the idea of any extra contribution from their own housing accounts should take another look at their rent levels. Last year, 51 out of 83 county boroughs were charging less than 25s. a week for a three-bedroom postwar house. In Scotland, the latest increases in Glasgow (which will bring in an extra £1 million a year) still leave the average council rent at 12s. 3d. a week.

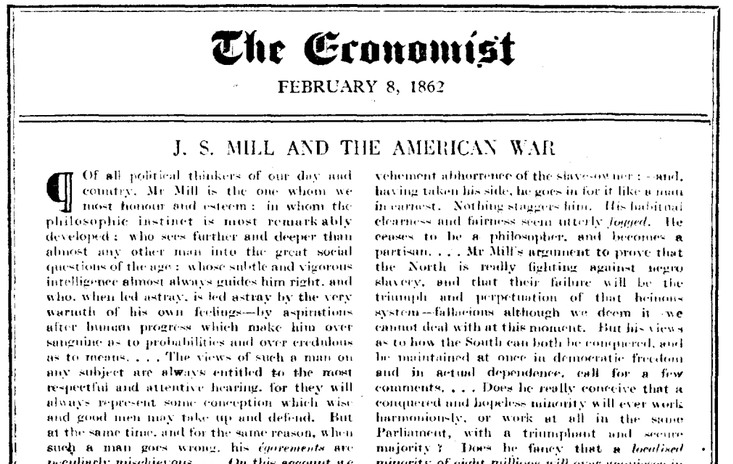
TIBET

The Resisters

Whatever the precise truth about Tibetan refugees in Nepal, it is clear that the rebellion in Tibet against the Chinese communists (both as Chinese and as communists) is far from over. The Nepalese end is admittedly obscure. Officials in Katmandu first said on February 1st, then denied on February 4th, that unidentified aircraft had been dropping supplies to the refugees, who belong to the martial Khamba people. There are more than 10,000 Khambas in the Mustang area, where, at an average altitude of 15,000 feet, they evade the tiny Nepalese army. The air drop report suggested that the Nepalese were afraid the Chinese might assume a right of pursuit into the Mustang area. In view of the delicate state of Nepal's relations with India, such anxiety would be understandable.



There is no evidence that the Khambas now in Nepal are slipping into Tibet to resume the fight. If they did, however, they would find themselves in company. According to Tibetan refugees lately arrived in India, guerrilla warfare is still going on in the north-east, the west and the south-east of the country. In the north-east, Tibetan resistance interrupted the construction of the Lhasa-Lanchow railway late last year until the Chinese attacked from the air. As for the Khambas, some 2,000 of them are still said to be fighting in western Tibet. There is no reason to doubt such reports. Stories of the Khamba uprising similarly came from refugee sources in 1956, and were confirmed when the Dalai Lama fled Tibet in 1959.



The Economist

FEBRUARY 8, 1862

J. S. MILL AND THE AMERICAN WAR

Of all political thinkers of our day and country, Mr Mill is the one whom we most honour and esteem: in whom the philosophic instinct is most remarkably developed; who sees further and deeper than almost any other man into the great social questions of the age; whose subtle and vigorous intelligence almost always guides him right, and who, when led astray, is led astray by the very warmth of his own feelings—by aspirations after human progress which make him over sanguine as to probabilities and over credulous as to means. . . . The views of such a man on any subject are always entitled to the most respectful and attentive hearing, for they will always represent some conception which wise and good men may take up and defend. But at the same time, and for the same reason, when such a man goes wrong, his *opinements* are peculiarly mischievous. . . . On this account we have perused with care an article which Mr Mill has just published in "Fraser's Magazine"; and we confess it has filled us with the deepest amazement and regret. The side he takes has been determined by his strong anti-slavery feelings—his sincere pity for the slave, his more vehement abhorrence of the slave-owner;—and, having taken his side, he goes in for it like a man in earnest. Nothing staggers him. His habitual clearness and fairness seem utterly *fogged*. He ceases to be a philosopher, and becomes a partisan. . . . Mr Mill's argument to prove that the North is really fighting against negro slavery, and that their failure will be the triumph and perpetuation of that heinous system—fallacious although we deem it—we cannot deal with at this moment. But his views as to how the South can both be conquered, and be maintained at once in democratic freedom and in actual dependence, call for a few comments. . . . Does he really conceive that a conquered and hopeless minority will ever work harmoniously, or work at all in the same Parliament, with a triumphant and secure majority? Does he fancy that a *localised* minority of eight millions will ever acquiesce in such a despairing inferiority in all the aims and purposes of a common citizenship? . . . And . . . can he, a philanthropist, a philosopher, a lover of progress and of civilisation, look with the least complacency on the spectacle of a nation, constituted on so false and so unfair a basis?

COMMUNIST BLOCK

Peaceful Co-existence Again

While Mr Khrushchev remains silent, and Moscow finds it necessary to reassure the world about his whereabouts and his health, his colleagues show no sign of wearying in their ideological conflict with Peking's Albanian proxies. So far the Russians have still not directly implicated the Chinese; but when an article in *Izvestia* last week said that the Albanians "only parrot the ideas of others" about peaceful co-existence, it was getting near the knuckle. Throwing inhibition aside, this same article robustly attacked the Albanians as "lack-lustre theoreticians" and "dyed-in-the-wool dogmatists" who have slid into "the bog of opportunism" and adopted a most tendentious attitude towards Moscow's attempts to ease international tension.

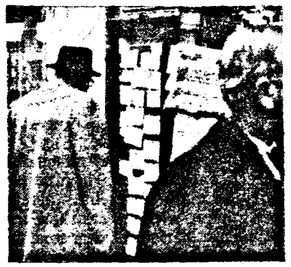
Alarmed, perhaps, by Peking's increasingly venomous attacks on President Kennedy and every aspect of American policy, the Russians have been harping with unusual vehemence on the futility and impossibility of war. They have also been at pains to deny Albanian charges that their German policy is inconsistent and pusillanimous. But in a speech at a conference on Marxist theory and the social sciences (summarised in *Pravda* on February 4th) Mr Suslov, that enigmatic intellectual and party theorist, emphasised that although "reasonable compromises" are possible in political relationships between states, any peaceful co-existence or compromise in the ideological sphere is impossible. Conceivably, this harking back to the compromise formula on peaceful co-existence that the Chinese accepted at the Moscow conference in 1960 is an attempt to throw a line across the widening gulf between Moscow and Peking.

Mr Suslov also emphasised that revisionism, as propagated by the Jugoslavs, remained the main danger to the socialist camp. He argued, rather obscurely, that dogmatism of the Albanian variety created a favourable breeding-ground for revisionism. Mr Suslov's remarks might not have been entirely unconnected with the increasing friendliness lately shown by Mr Khrushchev towards Belgrade. In the present state of the quarrel inside the com-

munist block, Mr Khrushchev, a practical man, may well have his reasons for a few friendly gestures to the Jugoslavs; while Mr Suslov, as a keeper of orthodoxy, may be concerned to see that these are not misunderstood.

PROSTITUTION

Not Importunate



THE recent decision of the Court of Criminal Appeal (*Weisz v. Monahan*, January 31, 1962) that it is not illegal for a prostitute to advertise her services by a notice in a shop window is, while hardly an occasion for wild rejoicing, logical enough. The defendants had set up a notice board in their shop window, where one of the notices bore the legend: "Model Susan: 40-28-40. Full personal service. Corrective Treatment" and followed by a Ladbroke telephone number. The Street Offences Act (1959) forbids a common prostitute to loiter or solicit in a street (s. 1) and it was alleged that the shopkeeper was aiding and abetting her. She clearly could not be said to be "loitering," and the court held that "soliciting" involved the physical presence of the prostitute and conduct by her amounting to importuning or pressure on prospective customers. On the same day a similar appeal concerning the advertising of the services of a male prostitute was also allowed. (*Burge v. D.P.P.*) These cases are clearly distinguishable from *Smith v Hughes* [1960] 1 W.L.R. 830, where a prostitute was convicted of soliciting, although she was doing so from a balcony in Curzon Street.

Even the Attorney-General concurred in the decision in the Weisz case, but hinted ominously that such advertising might constitute an offence under some other legal provision. What might this be? A prosecution might be brought for knowingly living on the earnings of prostitution under s. 30 of the Sexual Offences Act (1960). This offence is committed if a man (the Act specifies "a man") is paid by a prostitute for services supplied to her for the purposes of prostitution, which he would not supply but for the fact that she was a prostitute. Alternatively a charge might be brought under the Obscene Publications Act for publishing an obscene article, but on the face of it there is nothing obscene about a notice in a shop window. (*The Ladies Directory*, which was condemned in the Shaw case, was illustrated.) It could, however, be argued that informatory postcards have a tendency to "deprave and corrupt." Finally, a prosecution might be brought for a conspiracy to corrupt public morals, the new offence which was created by the House of Lords in the Shaw case, and is capable of almost indefinite extension.

Such prosecutions are not desirable. The purpose of the Street Offences Act was to make the streets pleasanter places for the vast majority of Britons who are not prostitutes' customers, by sweeping prostitutes underground. It has achieved that purpose. Once the element of nuisance to ordinary people has been removed, it would be logical to go further only if one wants to make prostitution itself illegal, only if one wants to make the police the public's spiritual directors instead of merely guardians of the peace. Rightly or wrongly, but probably rightly, the overwhelming weight of western tradition is against such a course. It was St Augustine, who was not exactly a Benthamite liberal, who in the *City of God* counselled against the Roman state's suppression of harlots "lest the whole world be convulsed with lust."

FINLAND

Houdini

MANACLED, bound, and dropped into the river in a sack, Finland regularly manages to climb out again, red at the wrists but otherwise unharmed. The parliamentary election held last Sunday and Monday —earlier than usual, as a result of the Russo-Finnish crisis in November—has brought a distinct shift to the right. Yet, such are the oddities of the Finnish scene, the outcome may well be acceptable to the Soviet Union: which is the essential condition of Finland's freedom. The communists have lost their position as the biggest party in the 200-seat parliament, and the left-wing faction of the divided Social Democrats has been virtually wiped out. The chief gainers are the parties just right of centre—the Agrarians (from whose ranks President Kekkonen comes) and the liberal Finnish People's party. In all, the four non-socialist parties will now command a comfortable majority.

This suggests the possible shape of Helsinki's next cabinet. In theory, the most stable government for Finland would be a coalition of the Agrarians and the surviving, more moderate group of Social Democrats. Between them, they represent an alliance of town and country and straddle the middle of the political spectrum. But the leaders of these moderate Social Democrats are the most outspokenly anti-communist politicians in Finland, and are therefore anathema to Mr Khrushchev. Since the last such coalition broke up in 1958, having run into the reef of Russian opposition, the country has been ruled by minority cabinets of Agrarians. To broaden this foundation, President Kekkonen may now call in members of the other non-socialist parties, together, perhaps, with one or two Social Democrats not on Mr Khrushchev's proscribed list. The President himself has gained enormously in popularity since he succeeded in persuading the Russians to drop their demand for military consultations in November, and is now assured of another six-year term of office. This week's election may enable him, in addition, to construct the first government based on a solid parliamentary majority in over three years. If so, the picture of Finland as a nation tied hand and foot to Russian whims—a picture common among some myopic westerners—will once more have proved an illusion.

UNITED NATIONS

Accentuate the Negative

WHAT emerged with painful clarity from Monday's debate in the Commons was that the Government has no positive United Nations policy. Everybody in the wide world has an undoubted right to criticise the UN; but the Foreign Secretary, whose Berwick speech was the target for the Opposition motion of censure, has a clear duty to see that his criticism of an organisation which he is pledged to support is constructive. Mr Gaitskell accurately commented on Monday that Lord Home's speech had contained "no practical suggestions whatever" for strengthening the UN. Mr Harold Wilson, echoing Mr Hammarskjöld, pointed to the two basic attitudes toward the organisation—the static and restrictive, and the dynamic concepts—and bracketed Lord Home with the Russians as favouring the restrictive approach. If confirmation of this diagnosis were needed, the Prime Minister's speech provided it.

Mr Macmillan dubbed the Security Council "impotent," but deplored the development of the Assembly and declared that "the UN can never be made to work" until the Council was able to operate "as a team." He spelt out, in fact, more plainly than Lord Home had done what was the underlying logic of the Berwick speech: that the whole UN effort should be shelved until such time as a concert of great powers could be brought into being as a "cabinet of the world."

It is this dream of a return to a world run by a snug little club of top people—a club which apparently has an armchair all ready for Mr Khrushchev as soon as he can be taught to lower his voice to the appropriate murmur—that seems to be leading the Government even further away from reality, and away from the mass of nations that nowadays demand a voice in world affairs. As Mr Prentice remarked in a thoughtful speech from the Labour benches, to attack former colonies for their views on colonialism and to attack the UN, on which the new nations base their hopes, constitute together an infallible recipe for losing the cold war.

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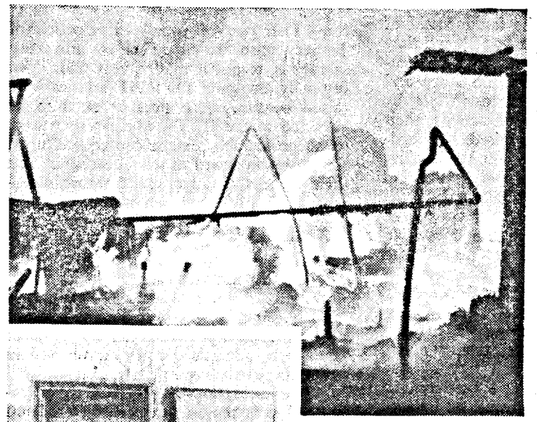


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EUROPE

Parisian Strip

IN his television broadcast, General de Gaulle appeared as keen as ever for some kind of political co-operation between European states. But it is still uncertain whether the Six can agree on the form a union should take. Doubts were raised by a new outburst of disagreement at a meeting of the Six on January 18th. For some eighteen months the "Europeans" on the Continent have been struggling to adapt President de Gaulle's highly personal concept of *l'Europe des patries* to make it serve, rather than sabotage, European unity. The Bonn declaration last July, which proposed a Union of European Peoples, and the work since then of a committee of experts under the French diplomat, M. Fouchet, have provided evidence of progress. But at the meeting in January, as a Dutch leak informed the world, a revised French draft was rejected indignantly by the other five countries. The plan, according to the Dutch, virtually went back on all the patient compromises of the past six months.

The dispute has not led to a total breach. At subsequent meetings, which apparently went well, counter drafts have been produced by France's partners. The two versions will be discussed at a meeting on February 20th. But though much common ground has been found, the French plan has revived old suspicions and old differences. For a long time the Dutch, and at times other members of the common market, have feared that the French want to make the new political machinery a further obstacle to the British. Fears that new defence arrangements in Europe might weaken Nato have still to be appeased.

The "Europeans" are worried, too, lest the proposed new forms of political co-operation weaken the existing communities in Brussels. Should a strong secretary-general give a "community" flavour to their proposed coalition of sovereign states? It may be that French concessions and persuasions will once again succeed in damping down the doubts. But so far the wine the Europeans have zealously poured into the Gaullist water has hardly coloured the mixture at all.

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LETTERS

Export Profits

SIR—I think you omit a notable factor from those aiding "the German miracle" (February 3rd), as also from those that might contribute to a significant rise in British exports. From the outset of the re-establishement of sound currency in Germany in 1948, and in France more recently, exporters were officially permitted to do what they liked with a substantial proportion (or all) of their proceeds in foreign exchange. Since 1939 British exporters have never been given the faintest sniff of such an incentive to export; at home they have been subjected, as individuals or companies, to increasingly discriminatory and penal taxation on such proceeds; while, by both official and trade union actions, their costs have steadily been raised. Accordingly the expectancy of export profitability in UK industry today is poor beside that of French, German and others among the Six. I think it crazy that our authorities continue to advertise to the outside world their distrust of their own citizens' and companies' judgment about the worthwhileness of holding sterling rather than dollars, marks, francs, gulden, etc.

I admit to much misgiving about the present and future conduct of our economic affairs. But I have as much, if not more, misgiving about that of other systems and currencies. And I am sure that on balance we would gain much from a decision to permit UK exporters to do what they liked with most, or a big part, of their proceeds in foreign exchange. I cannot imagine why we have for so long ignored this obvious incentive to export. I think the Americans are being driven to employ it. Why not we, forthwith?—Yours faithfully,

London, W2 GRAHAM HUTTON

No Policy for Mergers?

SIR—He who laughs last, laughs proverbially longest! While you were right to point out in your article (February 3rd) that ICI shareholders would be the "last people formally to be consulted," you omitted that such last consultation will determine the issue—and in both senses of the word "issue." Unless they agree to the issue of fresh capital, Mr Paul Chambers and the ICI board will have failed in the main issue.

Surely you were wrong, incidentally, to have omitted the word "yet" (or "as yet") from many sentences where its rightful inclusion would have spoiled the strength of the argument. You pillory the Government in reality only [in] that it has made up its mind, e.g. ". . . not yet to decide whether this merger would or would not be in the national interest." Again, "It did not feel competent on the evidence *as yet* to decide whether this merger was in fact in the public interest."—etc.

You omitted also to point out that while Mr Erroll refused to give judgment on a hypothetical case, with not yet established facts, he made it very clear that he was watching the situation and would not hesitate to require ICI later to divest themselves of Courtaulds' shares were the event to happen and were the facts to justify such a judgment.—Yours faithfully,

House of Commons, SW1 JAMES PITMAN

University Teachers

SIR—That part of your leading article of January 27th which refers to university salaries is, to put it mildly, very odd. You begin by assuming that CAT salaries were raised because more teachers need to be attracted to the CATs, whereas they were to a considerable extent consequent upon the Burnham award to schoolteachers. You then proceed to advocate cutthroat differentials by subject, when nearly everyone in the universities objects to differential scales, even those teachers who benefit by them. You further assume that more teachers do not need to be attracted to university teaching, when every university is finding it difficult to get the right sort of person: it is not uncommon for posts to have to be advertised and re-advertised in order to get the sort of man needed, and in some cases the job has had to be re-tailored to fit the only candidate considered to be of the proper calibre. You also assume that recruitment is easy in some subjects, when, in fact, most subjects face recruitment problems: in both arts and science there is the occasional subject which finds little or no difficulty, but this does not occur on the scale you seem to imagine.

The only part of your remarks with which I heartily agree is that which states that university lecturers should not get a 17½ per cent increase: you are right—it should be about 30 per cent.—Yours faithfully,

KENNETH UNWIN
Association of
London, W2 University Teachers

Licensing Laws

SIR—Your suggestion (on January 27th) that the "absurd criterion of need should be done away with" in granting new off-licences and that supermarkets should be able to get them on demand is not, I hope, meant to be taken seriously. If supermarkets could have off-licences for the asking, then any other tradesman, whether grocer, tobacconist, barber, bootmaker or baker, must also be able to get them. In fact, why have a licensing system at all?

The answer is that we have a licensing system—we need certain practical and common-sense safeguards in selling and serving alcoholic liquor—as a protection against insobriety and alcoholism. France, with greater and often-lauded freedom, has an alarming record of alcoholism. The United Kingdom has a moderate degree of freedom and an exceptionally low rate of alcoholism. On the whole, we have struck about the best balance in the world in this matter of maximum freedom compatible with a fair and, in the long term, improving sobriety record.

"Proof of need" is essential to our system of licensing. Without it, every "reasonably respectable" tradesman would have to stock a few bottles on the chance that he might be asked for them, with the result that the sale and service of liquor would be without any effective control. The harm caused by such a breakdown would be as serious for this country again as it was in like circumstances in the past.

The suggestion that county court judges should take over from licensing benches is particularly preposterous. Licensing benches have a far better knowledge of the relevant conditions in the district. Unless the county court judges were to be laden down with detailed instructions and their numbers increased several times over, to investigate applications as thoroughly as they are gone into now, the licences might just as well be doled out over the counter at the post office or police station.—Yours faithfully, L. R. N. PERCEY

The Licensed Victuallers' Defence League, London, EC4

A Gulf Between

SIR—I was rather surprised to notice in your issue of December 30, 1961, on page 1304, under the heading "Kuwait's Holdings Abroad," the wrong words "Arabian Gulf" instead of the correct name Persian Gulf. I was totally at a loss to understand how this misnomer had appeared in your highly-valued and deeply informed paper, which I am sure has also aroused the astonishment of every literate compatriot of mine.

Of course, I must mention this point here that we are religious brethren of the Arabs with whom we are eager to have the most cordial relations, but we can never by any stretch of imagination accept the name of Persian Gulf to be wrongly called Arabian Gulf. Place-names which have been in existence from prehistoric times and have been shown on maps and recorded in geographical books the world over, for centuries past, have gained a sanctity and eternal entity which the whims and caprices nor the ambitions of certain emergent elements beyond our borders can slightly alter.

It is, therefore, neither fair nor right that a world-renowned paper with an exalted standing of knowledge and cultural accomplishments as *The Economist* should allow proper names to be wrongfully altered, apparently for showing regard towards the susceptibilities of inventors of this historically baseless nomenclature.—Yours faithfully, ALI HEMAMI

Teheran

BOOKS

Eupeptic Chancellor

High Tide and After: *Memoirs* 1945-60. By Hugh Dalton. *Muller.* 467 pages. 40s.

AUTOBIOGRAPHY, Lord Dalton rightly emphasises, in his preface to this third volume of his memoirs, is an exercise in egoism and he is not to be blamed for indulging it. His own doings and feelings in politics since 1945 and in government until 1951 are too tangled with his ripe personality to make acceptable history, but they provide plenty of highlights on the course of Labour governments and policies—accompanied by the inevitable artificial glosses that one has learned to expect from this perplexing baritone of a character. *The Economist* had its fights with Hugh Dalton in the two years when he was Chancellor. It would go back on none of these criticisms now, least of all in the case it argued from the first against ultra-cheap money, and repeated on the appearance of his revised "Principles of Public Finance" late in 1954.

To go over the ground again in detail, however, would surely be unnecessary. Lord Dalton puts all the familiar arguments. He claims that he had full official support for his attack on "the great phalanx of the 3 per cents" (including Keynes's support). He recalls the cheers for his "proud day for patriots", when "Daltons" were issued. His denunciations of the baleful financial Bourbons, conspiring with persons of "unrepresentative quality" to defeat his cheap money policies, have, even at this distance, some echo of their first vibrant ring.

Many people will find this book almost nauseatingly self-regarding. In Lord Dalton, the narcissus streak has always been prominent; he can stand off at considerable distance and admire the effect that he has produced. The things that go right are always splendid; the things that go wrong too often perversities of fate or of colleagues; never, even in 1947, of the policies that he himself had pursued. The warnings are faithfully on the record; the sleepless nights worrying about getting the dollar loan and then worrying about its disappearance are described; his arguments with Attlee and his cabinet about defence, manpower and exports show a direct concern over crucial questions, free from rodomontade, that does him credit. In the same way, contrasting vividly with bombastic budgeting in November 1947, the essential rightness of his decision to resign on his foolish indiscretion elevates his reputation far above the cheap level which too often seemed to satisfy him.

There is plenty of ripe gossip to savour here. No excess of sympathy for colleagues burdens his pages. Of Morrison, he repeats a remark: "Ernie can't pronounce the names either. But he does know where the places are." Of Chuter Ede: "I had not thought that this old boy had so much bile in him." Of Bevan: "He never seemed to have much judgment when his own egoism was involved." Of Shinwell: "He is an awkward colleague always thinking about himself, tensely self-centred but unco-operative with colleagues, and terribly long-winded in Cabinet and in Committee, with a big chip on his shoulder always visible." Of Cripps: "At least he had courage and clarity. But I still had doubts about his judgment and his ability to measure consequences." Of Gaitskell: "Towards this most exceptional young man I decided that I would do my best to deflect the leadership." Of Attlee and other colleagues in 1947: "Several times I came near to resigning over the import programme. Cripps was my only firm ally. None of the others, Attlee, Morrison or even Bevin, would always face the plain facts of arithmetic. And, over food, Strachey wasn't always a reliable colleague."

It was, as Dalton said, "a pig of a year." That, one recalls, was what it felt like in the country, too; and the doubts that people had about the government's performance, from the winter fuel crisis through the suspension of convertibility in August up to the budget imbroglio in November, seem well justified by the accounts of this chief participant. They leave a good deal of mystery too. Why was the impact of this clever and in some ways cultivated man so limited? His inherent streak of vulgar vanity made him plenty of enemies; but his own work of construction, in retrospect, was not important enough to earn him lasting respect. Technically competent in his budgeting, he had found no time for real innovation. His own big venture, cheap money, he depreciated to the level of a circus. His reform for the Bank of England was botched because he mesmerised himself with the legal forms and concerned himself hardly at all with the part that a central bank should play in a modern society.

He remains a singular first person, loving trees and the youngsters in the Labour Party—and stepping down in good time to give them room—disclaiming pomposity yet capable of writing: "That afternoon I had announced in the House the calling of the Three per cents, and the day before a number of German war criminals had been executed at Nuremberg. So history was on the move." His gifts and energies have made their mark on the

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"of all my views"). Sir Harry brings them all into topical factual focus; he is just as apt in describing flora and fauna or the anatomy of pidgin English as in weaving the dramatic narrative of European discovery and Christian proselytising into a general survey of modern social conditions and island legislatures.

The islanders' most striking characteristic seems to be their adaptability. "In once darkest Melanesia," so Sir Harry observes, "the descendants of people who were still eating one another up to the middle of the nineteenth century are now interested in vitamin capsules." One must hope that they are not suffering from a genuine deficiency in diet. The naturally refined Polynesians of the eastern region—Samoa, Tonga, Cook and Line islands, etc.—embraced with comparative ease the best of what the white man taught them without departing too much from custom. Tonga, under Queen Salote, seems a place of real sweetness and light. But the Fijians (Melanesians) have also been remarkably clever in giving their ancient system—a blend of the feudal and the communal—a sensible modern twist. Indeed, island life, except where corrupted by tourism, provides many happy examples of how to advance politically without scrapping too many traditions.

The book contains fascinating maps, but the photographs are too small to show the marked physical contrasts between the three great seafaring races that are native to the islands: Polynesian (a pale skinned Caucasian type of person), Melanesian (black African) and Micronesian (brown Asian).

To Inherit the Earth?

Man and Dolphin

By Dr J. C. Lilly.

Gollancz. 240 pages. 30s.

THIS book should not be dismissed out of hand; Dr Lilly's theory that dolphins with their man-sized brains might have man-sized intellects has caught the imagination of scientists in the United States in such a way that the dolphin has come to symbolise the good and compassionate and it has been seriously suggested that when man has exterminated his species with nuclear war, the gentle, playful dolphins will inherit the earth. Dr Lilly, a neurophysicist of repute, is interested in discovering whether this is scientifically possible. Studies with small mammals, including monkeys, have convinced him that these can learn so much and no more, and their learning capacity is linked to the size of their brain. The 1,500 gramme brain of man appears to be the minimum size required for rational reasoning, which Dr Lilly defines for convenient shorthand as the ability to talk. A few creatures besides man have brains of this size or even bigger—the whale family and the elephants—and the object of Dr Lilly's research is to discover whether the possession of big brains means that these animals have the same intellectual capacity as man, or an even greater. If, he argues, it is possible to establish communication with these animals, to teach them to speak as a human baby learns to talk, the case is as good as proved.

Whales and elephants being a bit large to have about the house, Dr Lilly has concentrated his researches on the dolphins, which come in fairly handy sizes and have the advantages of brains only slightly larger than a man's—the experiment would become unnecessarily difficult if man found that he was trying to establish communication with a mammalian genius. His laboratory in the Virgin Islands, built with his own money, is now supported by the US Office of Naval Research and the National Science Foundation. In this book Dr Lilly merely outlines his thesis and some of the rudimentary experiments that convinced him that the dolphin merited intensive study. He is prepared for the possibility that his researches may prove to be in fact unique in creation and the dolphin nothing more than a remarkably clever animal with a gift for mimicking human sounds—which the bird-brained budgie can do better. But the immensely sophisticated structure of the dolphin's brain suggests, on present evidence, that it should be capable of doing better than this.

The Great Inquest

The Making of Domesday Book

By V. H. Galbraith.

Oxford University Press. 242 pages. 35s.

DOMESDAY BOOK studies are a yardstick by which the development and progress of English scholarship in medieval history can be measured. Professor Galbraith's work reverses the views and conclusions made famous nearly seventy years ago by the polemical acid of J. H. Round and the *allegro con brio* of F. W. Maitland. He has related the surviving sources to one another and, with extraordinary skill and ingenuity, traced the processes by which the results of the great inquest were collected and drawn up into their final form: Domesday Book and Little Domesday which covers Norfolk, Suffolk and Essex. The past generation of scholars believed that the survey was intended above all to establish liabilities for geld, the great tax on land characteristic of later Saxon England, and that the returns which reached Winchester from the shires were made on a geographical basis, hundred by hundred, vill by vill and only later converted into the descriptions of fiefs which we find in Domesday Book. Professor Galbraith's case is that the survey was from the start, and was meant to be, an inquest of feudal tenures scarcely concerned with geld at all. "The Normans were never so 'feudal' as when they arrived in England."

Few will quarrel with the author's account of the surviving records, but doubts begin to gnaw as soon as he draws historical conclusions from them. If the Normans, to quote Professor Galbraith again, "thought less of the ancient counties and hundreds than of honours or baronies or fiefs held directly of the crown," why did the survey group all its materials under the shires? To find out the total holding of any single magnate the king's clerks would have had to search Domesday Book county by county and start adding up. For the sake of his argument Professor Galbraith has ignored what every student in Anglo-Norman history knows: that all the more important tenants-in-chief had lands in more than one shire. Domesday Book enabled the king's agents to see at one glance who the greater and lesser men in each county were and how the old obligations, particularly the geld, fell upon the new masters of England who had to shoulder them. Professor Galbraith's book thus does not settle old controversies but on the contrary breathes new fire and life into them, and that is perhaps its chief merit.

U-Boats in the South

War in the Southern Oceans, 1939-45

By L. C. F. Turner, H. R. Gordon-Cumming and J. E. Betzler.

Oxford University Press. 304 pages. 60s.

THE first fact to be remembered about South Africa's share in the last war is incontrovertible: it is that, when the Mediterranean was closed to Britain in 1940, it could not have carried on the Middle East campaigns without the Union's co-operation. The scale of the help afforded cannot be better demonstrated than by quoting the statement in this book that in 1942 no fewer than 3,858 merchant ships (excluding coastal traffic) entered Union ports. Nor were the Germans slow to realise the importance to world strategy of the great concentration of shipping that passed through the focal area off the Cape of Good Hope. For about the first two years their attacks were made by warships and disguised raiders; and the authors have here brought together a fuller account of the depredations in the south Atlantic and Indian Ocean than can be found anywhere else. After the surface raiders had been defeated, largely by the strategy of striking at their supply ships, the naval commands had to cope with a heavy onslaught by German and Japanese submarines, which were not overcome until Britain (with South African help) was able to introduce an almost universal convoy system. This book, excellently mapped and illustrated, gives the full details of a campaign which, because it was so remote from our shores, has attracted far less attention than the Atlantic battle. In fact, during the first six months of 1943 a greater tonnage was lost in the Indian Ocean than in the north Atlantic. Incidentally the authors give a very fair and balanced account of the notorious *Laconia* incident in September 1942; and it interesting to note that they place the responsibility for the bombing of the U-boats during their rescue work squarely on the American air base on Ascension Island.

In the main the story here told is of two British naval commands: that of the south Atlantic, which moved from Freetown to Capetown in March 1942, and that of the East Indies at Colombo, which worked in close association with the Eastern Fleet after it had been formed. Although the ocean-going warships controlled by those commands were predominantly British, the South African Defence Forces provided many of the local defence vessels (such as minesweepers), and also some sea and air escorts when the convoy strategy came to be applied in the theatre. They also generously lent anti-submarine vessels to the Mediterranean command at a time when they were desperately needed.

The authors end with a pertinent reminder that "the rapid regrouping of world power in the years since 1945 has changed the whole superficial appearance of high-level strategy, but the importance of the Cape of Good Hope in world politics is no less than ever it was." Today the future of the naval base at Simonstown appears to be uncertain, and with South Africa outside the Commonwealth the security of Britain's sea communications may have been struck a heavy blow.

Moroccan Dossier

Political Change in Morocco

By Douglas E. Ashford.

Princeton University Press. London: *Oxford University Press.* 443 pages. 68s.

THIS survey of Morocco in its first years of independence (1955-1959) is offered as a "case study" for the student of comparative politics. This is perhaps fair warning that its formidably clinical language is only for the hardiest reader. With the honourable exception of its opening historical chapters, which are agreeably concise and straightforward, the work is more of a dossier than a clearly articulated book. Accepted as such, it provides in unstinting detail abundant facts and figures about Morocco's political parties, civil service, trades unions, tribes and various social movements. Such minutiae on Morocco are not available elsewhere. Even so, it is not quite exhaustive. In a chapter on Moroccan citizenship and its attendant rights and privileges the Jewish minority gets no mention. And foreign policy is only casually discussed.

Dr Ashford is mainly concerned with the development of political organs and general political consciousness in the newly independent country. Some of his most interesting comments apply to such social experiments as literacy drives, the training of administrators, attempts to form rural communes overriding mere tribal parishes and to channel student enthusiasm into a patriotic road building project. (The country students responded, but the haughty town boys did not.) In the central problem of governing and making their country tick over, the Moroccans, he finds, suffered singular disabilities but enjoyed one considerable asset. The disabilities were those of profound inexperience—a result of the Istiqlal's (nationalists') refusal to hold executive office under the protectorate. The asset, of course, was their king. In those first fumbling years when novice Moroccan governments merely carried on in the French way (because they knew no other; it was also rather convenient) only appeals from the king could quell popular discontent. There was no real national unity. The country and town were at loggerheads. The town zones—ex-French and ex-Spanish—were out of step. An inevitable right-left cleavage eventually split the Istiqlal and, with it, the labour movement. Although the late King Mohammed V took more and more power on himself in order to cover these breaches and in doing so aroused new controversy, this controversy was muted. For the country at large was not ready for attacks on the monarchy.

The student of comparative politics may consider that the presence of a king who regularly rushes in as a kind of political life-saver tends to stunt political development and prevent political leaders from attaining their full stature. This is arguable. On the other hand, when a country is in transition and has not yet achieved real cohesion, there is much to be said for having a big national figure who remains above party politics—as King Mohammed scrupulously did.

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AMERICAN SURVEY

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Strong Medicine for Farmers

WASHINGTON, DC

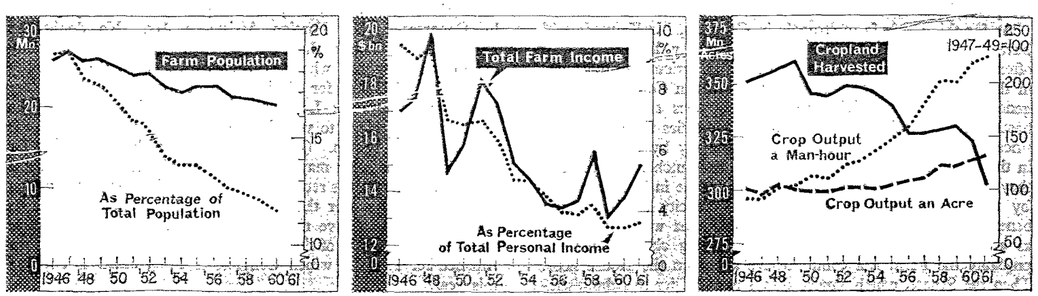
PRESIDENT KENNEDY has delivered a bitter pill to Congress, sweetened by just a little sugar coating, to try to cure American farmers of the ailments which stem from embarrassing over-abundance. His latest agricultural message calls on Congress to enact production controls of unprecedented rigidity in an effort to whittle down the ever-mounting surplus of farm commodities. The sugar coating consists of a recommendation that government subsidies should go up a bit so that farm income will not fall as production does. This might seem to be a course far more sensible than the pattern which has prevailed throughout the postwar era: rising agricultural output helped along by constant technological advances that increase the amount grown on each acre of farm land, steadily climbing government expenditures to support the prices of these crops, declining farm income as production keeps well ahead of demand. In fact, Mr Kennedy's prescription for tighter controls seems obvious in view of Congress's refusal to take the alternative route of gradually ending all subsidies and all controls and of establishing a "free market" in which only the most efficient farmers would survive. This latter course was implicit in the agricultural proposals put forward by President Eisenhower and rejected by Congress with monotonous regularity. Yet Congress is by no means certain to force farmers to swallow Mr Kennedy's medicine in whole or in part.

The very idea of governmental regimentation for the farmer runs counter to the still persistent Jeffersonian myth of the independent yeoman farmer as the self-reliant backbone of the Republic, even though in fact he has long been more dependent upon government aid than has any other segment of the economy. More important, the President's programme appeals to neither the left wing nor the right wing of the farm movement. The left-wing National Farmers' Union applauds high subsidies to support prices but, along with most farmers, it abhors the production controls that Mr Kennedy insists must accompany them. The right-wing American Farm Bureau Federation, biggest and most vocal of all the country's agricultural organisations, will use its mighty lobbying muscles to fight any plan that does not envision an end to all government controls and subsidies and a return to a "free market" economy. Although the Farm Bureau departs from its usual conservatism to support freer world trade, its officials have warned the President that they will have little time to back his bid for greater powers to cut tariffs if they use up all their efforts fighting his farm programme. And in an election year Republican help in Congress for the Administration's farm Bill will be a very scarce commodity.

Yet, even though the President's new proposals face formidable obstacles on Capitol Hill, the situation is not nearly so sombre for the Administration as it was last year when Mr Kennedy's farm programme never so much as advanced to the stage of being debated on the floor. Actually, there is no great philosophical difference between the 1961 and 1962 Bills. Both were based on the argument that the government must adjust the imbalance between the supply of and demand for farm commodities by imposing fool-proof controls on production. The great difference between the two plans is in the technique to be followed.

Last year's programme would have transferred the real responsibility for devising plans for supporting the prices and controlling the production of each commodity from Congress to Mr Orville Freeman, the Secretary of Agriculture, with Congress merely exercising veto power over his plans. When, as almost anyone might have predicted, Congress refused to go along with this quixotic attempt to overhaul farm policy over night, the Administration hastily gave ground and had to be satisfied with temporary new programmes for wheat and maize that only slightly altered the *status quo* by tightening production controls moderately. Blessed with the experience of a none too happy year in Washington, Mr Freeman and his advisers have now adopted a more realistic and less revolutionary approach. No longer challenging Congress's basic responsibility for writing farm legislation, the Administration is asking it to approve long-range plans for controlling—effectively, it is hoped—the production of maize and other feed grains, dairy products and wheat.

The essence of the new programme can be found in these words of Mr Kennedy's farm message: "our two goals—improving (farm) income and reducing (government) costs—can both be achieved only if farm output can be reduced below needs for several years and then allowed to increase at a rate equal to the growth in demand." In other words, production would be controlled enough not only to stop the government-held surplus from increasing, but also to reduce it substantially from its current $5.5



British economy; under better control and personal judgment they might have made a decisive mark. Friends and critics alike join in wishing this remarkable character well in his struggle for life at this moment.

Ariadne and the Arabs

The Changing Patterns of the Middle East, 1919-1958

By Pierre Rondot.

Chatto & Windus. 221 pages. 25s.

In the winter of 1956-57, while Britain and France were licking the wounds of their Suez misadventure, the United States set out to fill what it believed was a "power vacuum" created by the elimination of British and French influence in the Middle East. This was a strangely misguided assessment of the situation. The Arabs, intent on their long search, first for independence and then for unity, were in no way looking for a new political overlord. The Middle Eastern stage was already crowded by the converging and conflicting passions of its players, while the Soviet Union stood by as prompter. Since the collapse, forty years before, of the Ottoman Empire, the swirling streams of Arab nationalism had added new depth and new complexities to a pattern already disordered. A gulf of misunderstanding had driven its way between the Arab and the western world.

Colonel Pierre Rondot, in his bold outline of the forces that have shaped the Middle East today, brings order to disorder. He picks up the story from the end of the Turkish empire and carries it along until 1958, when the Iraqi revolution lost Britain its staunchest supporter and stung the United States, at last, into action of a sort. His intimate knowledge and his remarkable understanding of the sources of pressure enable him to guide the reader through all the complexities with rare simplicity. His clarity of thought and language is well served by his translator, Mrs Mary Dilke. Avoiding the wiggling lines of his chronicle, he sweeps along with broad, impressionist strokes, stopping from time to time to draw conclusions or to gather his design together.

Since he sticks rigidly to the essentials of his narrative, Colonel Rondot does not take time off to explore British or French motives in the Middle East. But he does show how, in the beginning, the British were more alert than the French to the pace and direction of the nationalist fervour. The French interpreted their mandate in Syria and Lebanon as a long-term exercise in education; they applauded the ideas of the intellectual precursors of Arab nationalism, but soon found themselves overtaken by events. The British went farther, seeking out the traditional and tribal leaders and trying to identify their own interests with more aggressive nationalist aspirations. But they, too, eventually found themselves overtaken and hopelessly on the wrong side in the clash between tradition and progress. The end of the line was the fatal inspiration of the Baghdad Pact.

From the mid-1930s, the Arabs were judging all external events by three criteria: the dislodging of foreign forces, the rejection of foreign influence and the fight against Zionism. Anglo-Saxon concern, first with the war against Germany and, later, with the struggle against communism, seemed, and still seems, to most Arabs irrelevant side-issues. They remain convinced that the fight for independence and the search for unity are the major movement of this era. The west, unhappily torn in conscience over Israel, and unwilling for a long time to accept the full consequences of the Egyptian revolution, could not compete with the Soviet Union, which could smugly profit from repeated western errors. Now, two years later than the end of Colonel Rondot's chronicle, things are no longer so easy for the Russians—but they still have made no serious false move in the Middle East.

Everything is clear in Colonel Rondot's account, except, possibly, the way he has arranged his material. His starting point is also his finishing point: the bloody inauguration, in July 1958, of a republic in Baghdad. He sketches what was going on all over the Arab world at this time; then, at greater length, shows what led up to it all. Flashbacks are nearly always irritating, and, by the time the book was published in England, the plunge straight into 1958 had become a bit arbitrary. For the same reason, the epilogue, which carries the story along to the end of 1958, has the perverse effect of making the finished work seem more out-of-date than it otherwise would. In a changing world, no substantial political guide can be quite up-to-the-minute.

Colonel Rondot provides an outline. It is possible to feel that he should have filled in certain episodes more fully than he has, or that some of his lines of thought are open to argument. In particular, he seems to have been inclined to make light of the bitter antagonism and fear that Israel feels for Egypt. But, carping apart, this is still the best introduction yet to current Middle East politics. In his own words, Colonel Rondot has provided an Ariadne's thread to a disconcerting and perilous maze.

What Can Ail Thee?

Claude Barrès: *A Hero in Revolt.*

By Pierre Lyautey, translated by Humphrey Hare.

Macmillan. 222 pages. 25s.

When he was fifteen, Claude Barrès went to visit his father at the front in the phoney war of 1939: "he drove the family Chrysler about the lines, driving well, but dangerously fast." Later, as the German troops advanced, he drove the same car towards the south, accompanied by his mother and the Duchess de Lévis-Mirepoix. Victor Hugo, Fenimore Cooper and Defoe were the books of his youth; all his life culture, aristocracy and bloody war remained his romantic three elements. In the enforced aimlessness of training in Britain for the invasion of Europe, he fell automatically into fighting, drunkenness and casual lovemaking. After the war he tried journalism, but could find no satisfaction there; returning to the paratroops, and on a troopship bound for Indochina, he wrote: "This is where my freedom lies." On his first visit to Algeria he despised the local bourgeois Europeans, and had an aristocratic disdain for their "ruthless determination to preserve their social status." Visiting British troops in Malaya during his service in Indochina, he was fascinated by the methodical attention they gave to the construction of field lavatories.

Barrès died in Algeria, under a burst of rebel bullets near the Tunisian frontier in 1959. His life, well translated, is written by the nephew and executor of the great Marshal Lyautey, who occupies a position in French colonial history similar to that of Lord Lugard in the story of Britain in Africa. The author, himself once an officer of *goums*, is a Commander of the Legion of Honour and was six times mentioned in dispatches; six of his works have received awards from the Académie Française. Barrès was the grandson of Maurice Barrès, philosopher of French nationalism, and was literate in a way inconceivable in a British officer; he too was mentioned in dispatches (twelve times), and received the Legion of Honour and the Médaille Militaire. There is more than a casual affinity between the author and his hero; the tone sometimes hovers too near to worship for the non-French reader's comfort of mind.

This short book consists very largely of letters from and to its hero, brief and graphic accounts of his battles, and frequent citations for his gallantry. The quality it reveals is that of a picaresque honesty, a brilliant hopefulness that life will continue tomorrow, that somehow a place will appear between battles that is as graceful as the beach at Cavalière and as rich in sun-tanned Parisiennes. But this doom-laden hedonism does not last out Barrès's life: towards the inevitable end he found himself impelled to work out a cause to be doomed for, and the sour touch of reality curdles his dreams. In Algeria, he convinced himself: "The enemy was not an enemy at all, it was a population which had become hostile under threat of extortion and assassination"—the carefully preserved "social status" of the Europeans of Algeria now forgotten or put aside. The rising of May 13, 1958, and the return to power of that fellow aristocrat of literature and of arms, General de Gaulle, stirred the loyalties of Barrès. The Algerian peasants are regrouped under the "protection" of the army, their misery prompting the romantic thought that: "In the Middle Ages, peasants all over Europe had taken similar refuge in the shadow of the castle." Barrès had seen the defeat of 1940, the defeat of Indochina, the aimless slaughter of Korea. Perhaps it was merciful that this knight of lost causes did not see the coming end of his last and equally hopeless crusade.

The Phenomenal Rabbit

Mussolini

By Laura Fermi.

Chicago University Press. 488 pages. 42s.

Benito Mussolini

By Christopher Hibbert.

Longmans. 382 pages. 25s.

Reviewers seldom bless the all-too-frequent coincidences that bring two books on the same subject to their desks at the same time. But in the present case they, and their readers, may well be grateful. For, although he misleadingly subtitles his work "a biography," Mr Hibbert has in fact written an excellent account of the last days of Mussolini; and Mrs Fermi has painted a no less excellent picture of the Duce's rise and days of glory, devoting little more than a quarter of her space to the course and origins of the second world war, which caused his fall. The two books are complementary.

Mr Hibbert writes very gracefully; he is a master of anecdote and broad narrative; the characters are so well described that they fill his pages with life and movement. But by professing to write a biography the author has laid himself open to the charge of not being master of his subject. It is ridiculous, for example, to allude to the Concordat only once, in a half-sentence, or, for that matter, to compress twenty years' rule into nineteen pages. It is no more than a slip of the pen to write Pietro Gobbi for Pietro Gobbetti, but it is a pity that Mr Hibbert believed Mussolini's tale of having attended Pareto's lectures at Lausanne—Mrs Fermi shows that he almost certainly did not. Indeed, Mr Hibbert leans too heavily on fascist sources throughout. For most of the time he is content to portray his subject without much comment and with no analysis, in the hope, presumably, that the facts will speak for themselves. It is a misguided hope. Mr Hibbert's Mussolini remains a vividly painted, jerkily animated, wholly two-dimensional cardboard character. And at times the author clearly exceeds his warrant. Mussolini is called brave, compassionate and a good conversationalist. There is no reliable evidence that he was any of these things.

Mrs Fermi's book has most of the merits and some of the demerits that Mr Hibbert's lacks. She writes in English, so that her language has that curious deadness which afflicts all but the most gifted of those who employ, however correctly, a tongue not native to them. She does not tell a story with Mr Hibbert's verve, and her photographs are not nearly so revealing.

But Mrs Fermi knows her country, and has obviously taken great pains. She takes the reader patiently through Mussolini's life, stopping from time to time either for a set piece, like the description of the signing of the Lateran pacts, or to bring out the significance of what she is narrating. As a result we come very close to answering, at least provisionally, the question that Mussolini himself propounded: "When I am gone I am confident that the historians and the psychologists will ask how a man had the power to lead such a people for so long." He was, it seems, before anything else a poseur; not a dynamic actor like D'Annunzio, from whom he learned so much (Mrs Fermi calls the poet the "choreographer of Fascism"), but a performer with an extraordinary ability to sense the next part in which the public would be happy to see him when his current engagement ended. Thus, between 1911 and 1936, he was in turn socialist, patriot, anti-bolshevik crusader, catholic, promoter of agriculture, empire-builder. He had the true journalist's instinct for profitable, vulgar, eloquent words; his excellent memory, wide reading, striking appearance and remarkable vitality did the rest; he was able to pose successfully for years as an all-wise, hard-working superman. But Hitler showed him up: the stronger will, the real political genius dominated Mussolini, and drew him down into disaster. In the war it was no longer possible to solve problems by satisfying the Italians' taste for flamboyance. In 1919 one of his socialist enemies had said of him "he is a rabbit; a phenomenal rabbit: he roars. People who see him and do not know him mistake him for a lion." By 1945 the people knew him.

Neither Mr Hibbert nor Mrs Fermi seems to be sure about the Duce's violin-playing. So it may be worth mentioning that Fritz Kreisler is on record as finding it merely funny.

South Pacific

Islands of the South Pacific

By Harry Luke.

Harrap. 274 pages. 25s.

Scattered as they are across millions of square miles of ocean, the islands of the South Pacific do not lend themselves easily to a single purview. There are so many thousands of them, each group with its separate history, racial make-up and international tie-up (only two groups are independent, Samoa but recently and Tonga British protected; the rest are the wards or property of a number of different powers). It would need a life time to know them. But this, more or less, is what Sir Harry Luke has had. Since 1903 he has voyaged, on and off, between the most and the least of these territories and in the thirties was Governor of Fiji and High Commissioner for the Western Pacific. To an eye for vivid detail and an ear for a good story is added a down to earth knowledge. The outcome is a usefully informative and delightfully anecdotal book.

Nearly everyone has his fancy for this or that South Seas island, whether Gauguin's Tahiti or R.L.S.'s Samoa, or Robinson Crusoe's Juan Fernandez or Darwin's Galapagos Islands ("the origin," he recorded,

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billion level by making it necessary to draw on the surplus to meet current demand. Full enactment of the new programme, the Administration estimates, would cut more than $430 million next year from the $2.5 billion that would otherwise be spent for price supports and storage of agricultural commodities.

Specifically, the existing voluntary controls over production of maize and other feed grains, which involve compensating farmers who agree to retire land from production, would be replaced by a mandatory system under which growers of feed grains would be allocated maximum acreages for planting for the first time since 1958. The total acreage permitted to be planted to wheat would be reduced and a limit would be placed for the first time on the amount of wheat which could be sold for export and for human consumption at home. The production and sale of dairy products, now completely free of restrictions, would be reduced forcibly; if milk farmers sold more than a specific quota assigned them they would be subject to a heavy penalty. In addition, Mr Freeman would institute pilot projects that would lead ultimately to the conversion of 68 million acres of land now used for crops into grazing areas, forests and recreational lands. At the same time, the rates at which prices of wheat, dairy products and feed grains were supported would climb for the second time in as many years.

THE severity of the controls proposed by the President shows that the Administration's farm planners have given up whatever hope they ever had of disposing of any substantial portion of the American surplus through exports to Europe. Certainly, the apparent reluctance of the common market to lower its tariff walls to allow the entrance of American farm produce has had its impact on domestic policy in Washington. Officials now believe, moreover, that in the near future increased farm production in Europe, stimulated by heavy government subsidies coupled with the prospect of continued tariff protection, may actually reduce the volume of $1.1 billion worth of agricultural products sold by the United States to countries in the common market last year.

Furthermore, little is heard today of the argument, so popular among liberal Democrats before their party regained control of the White House a year ago, that the farm surplus could be reduced significantly by expanding the flow of food and fibre to under-developed countries in return for non-convertible currency as part of the "food for peace" programme. There has been in recent weeks one of those public disputes within the Administration that Washingtonians so adore, involving Mr George McGovern, the administrator of this programme, who called for expansion of overseas shipments, and Mr Freeman, who contradicted this view. But this was no more than a sham battle; the White House and the Budget Bureau had decreed that total spending for farm programmes must decline rather than increase, and that ended any prospect of a dramatic stepping-up of "food for peace."

As for this year's farm struggle in Congress, Mr Kennedy will have to rely heavily on the votes of big city Democrats who often prove to hold the balance of power on agricultural questions in the House of Representatives. These urban Congressmen are generally allergic to high farm price supports and particularly hostile to the President's call for higher subsidies for feed grains, since these would almost surely be felt finally by the consumer in the form of higher prices for meat in the butcher's shop. But they may be won over by the promised decline in farm spending by the government, since theoretically the city dweller would benefit from this as a taxpayer even though he would pay more as a consumer. If the members for the big cities support it, probably the Farm Bill could survive a test on the House floor. Then the Senate, which almost always is friendlier to Administration programmes than the House, would be likely to concur.

The big problem for Mr Kennedy is therefore how to get the programme out of the Agriculture Committees and on to the floors of the House and Senate. Last week the initial reaction to the new plan from the coalition of Republicans and conservative southern Democrats who control both committees was less choleric than might have been expected. But the Farm Bureau Federation and the other agricultural pressure groups have not really launched their campaign against the Administration as yet. The task of forcing the farm medicine down Congress's throat will fall to the amiable Mr Freeman, who is gaining a reputation as one of the most skilful legislative lobbyists in the Cabinet. As of now, nobody is prepared to bet either way as to whether the fund of good will which Mr Freeman has built up on Capitol Hill will be enough to get even a sizeable portion of the new Kennedy farm plan through Congress.

Screen of Cigar Smoke

THE United States, which failed to persuade the Latin American countries last week that they should impose economic sanctions on Cuba, has gone ahead on its own. On Wednesday an embargo was placed upon the import of all goods of Cuban origin, although an outward trickle of medicines and certain foodstuffs will be permitted to continue. The amount of trade is pathetically small compared with imports from Cuba of $528 million in 1958, the year before Dr Castro seized power, and exports to Cuba of slightly more. Last year the United States bought about $35 million worth of goods from Cuba, almost entirely tobacco for high-grade cigars, with a little industrial molasses and a few vegetables. Recently Cuba has been spending about $100,000 a month in the United States on medical supplies and food. Small as Cuba's exports to the United States have become, last year they provided almost a third of its dollar exchange; the rest came from other non-communist countries, from the Soviet Union and from wages and fees, about $10 million in all, paid by the United States at the Guantanamo naval base.

Dr Castro demanded indignantly how Cuba could pay for American medicines when it cannot sell its tobacco to the United States, but the Administration insists that such dollar earnings have been used to finance subversive activities in other Latin American countries. It hopes that Cuba's other non-communist customers can be induced to follow America's example, but it has already had a cold shoulder from the Canadians. They do not care for such strong hints and they point out that in any case they sell much more to Cuba than they buy from it—about three times as much last year.

The Administration took action, not under the Trading with the Enemy Act, which would have involved cutting off telephone and air communications with Cuba and the freezing of individual Cubans' bank accounts, but, ironically, under authority granted by Congress in the Foreign Assistance Act. No doubt the Administration hopes that this punitive gesture will mollify members of Congress who have been frustrated by their inability to punish Dr Castro for his impertinent Marxism and who are indignant because six Latin American countries, including the three largest, refused to vote for the expulsion of Cuba from the inter-American system. (Under pressure from his right wing Dr Frondizi of Argentina may have to change his stand.) Ever since the Secretary of State's return the Administration has been working overtime to gloss over this rebuff which it would perhaps have done better not to have risked, both for the sake of hemispheric unity and for the sake of the appropriations for the Latin American Alliance for Progress which Congress is being asked to approve this year.

Republicans Hang Together

BY bombarding Congress with requests for legislation President Kennedy is not only appeasing those Democrats who accuse him of lacking enterprise and drive but is also hitting the Republicans where it hurts them most. If he forces them to vote, especially on his welfare proposals—on the new Department of Urban Affairs, aid for education, improvements in public assistance, medical benefits for old people—he will also force the Republicans to demonstrate publicly their inability to agree on such matters. Already this inability has frustrated a suggestion that the party should produce its own legislative programme as a constructive alternative to President Kennedy's. In spite of warnings from the more progressive Republicans that the party must approach today's problems positively, that it is "again' everything" was the main impression given last week by its leading spokesmen, even by the supposedly liberal Governor Rockefeller of New York. They were addressing a series of dinners all across the country, linked by closed circuit television, to raise funds and open the campaign which will end on November 6th with the election of 435 members of the House of Representatives, 37 Senators and 35 State Governors.

Success in these elections, as a starting point for victory in the 1964 presidential contest, depends, according to Republican officials, on improved organisation, on more Republican salesmen, regardless of what they sell, particularly in the big cities. These were where Mr Kennedy found his majority in 1960 and a recent report showed that in these cities Republican workers, especially paid full-time ones, are almost unbelievably thin on the ground. The Republicans have little prospect of actually winning in these urban centres but they hope to reduce the huge Democratic majorities which offset Republican votes in suburban and rural areas and thus enable the Democrats to carry statewide contests.

Since congressional and state elections are fought largely on local and personal issues, organisation may indeed be more important than policy for the Republicans next November, even though it is in the cities that the party suffers most from the refusal of its reactionaries to support social welfare programmes. And if, as may well be the case, it is the liberal Republicans who achieve the victories, if Mr Nixon becomes Governor of California and Mr George Romney Governor of Michigan, then by 1964 they may be able to check the trend to the right which has so much to do with the present ineffectiveness of their party.

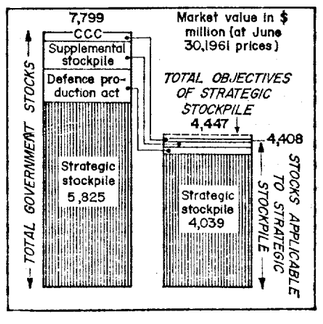
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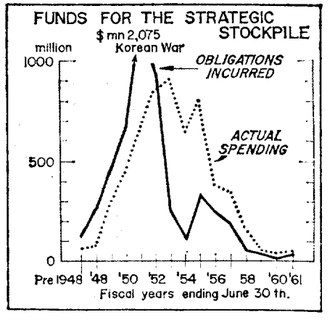
IT is surprising that President Kennedy was surprised at the size of America's stockpile of strategic materials, for reports on this emergency reserve are published every six months; these give the total value of the commodities in hand and an account of the progress being made towards the final objectives, although details of the actual amounts of the various commodities appear only in a secret supplement. Much of this secrecy has become unnecessary and most, if not all, of the information will come out as part of the complete exploration of the subject which Mr Kennedy has asked Senator Symington to undertake, beginning next month, so that the public may know the truth about this huge investment. Other congressional committees are trying to cash in on any political advantage which the investigation may have. But so far there is little expectation that any serious scandals will be revealed even though the President did talk of the stockpile as "a potential source of excessive and unconscionable profit."

Begun in 1939, resumed in 1946 and greatly expanded in 1950, the stockpile was designed to provide a five-year reserve of essential materials, particularly those from overseas, which were likely to be in short supply in wartime. In 1958, when it became accepted that the next war would be nuclear, the position was reviewed; the period to be provided for was cut to three years and more consideration was given to supplying the necessities for recovery after an attack—machine tools, processed materials, etc. Many experts feel that more emphasis should now be placed on this aspect of the stockpile and that to plan for a three-year war is totally unrealistic—a three-week one is thought more likely. President Kennedy has now ordered yet another reassessment.

This reduction in the period covered and changes in technological requirements are the main reasons why the amounts of many of the 76 items in the stockpile today are far more than is consistent with current objectives. The surplus will go on growing, for the government is still committed to making purchases through contracts under the Defence Production Act of 1950, intended to encourage increased output of critical materials—aluminium, for example, of which there is already much too much in the stockpile; strategic materials are also still coming into the supplemental stockpile and the Commodity Credit Corporation's store under the arrangements for getting rid of surplus farm products by bartering them abroad. But buying for the strategic stockpile itself, very small in any case in recent years, has now been stopped except for three items which are still in short supply; these are understood to be diamond dies, jewel bearings and chrysoltile asbestos.

Much as the President would like to liquidate some of this excessive investment, he must recognise that there is little he can do in this respect without disrupting world prices or adding to the difficulties of domestic producers and of those countries which rely economically on one or more of these strategic materials. He has promised to take account of both these factors, to the relief of the commodity markets which as a result have received his move comparatively calmly. Moreover, Congress has to approve all sales from the strategic stockpile and has practically never given the necessary permission; possibly, however, the coming hearings may make it more amenable in this respect.





Hats in the Ring

FROM A CORRESPONDENT IN TEXAS

THREE recent congressional by-elections in Texas have all sent Democrats to Washington, and ones who seem likely to support the Administration on most issues, though the two who were elected last month—Mr Purcell from Wichita Falls and Mr Roberts from Mr Rayburn's old Fourth District—are neither of them as dedicated to the New Frontier as Mr Gonzalez, the liberal who stood successfully in San Antonio in November. But the growing Republican party in this traditionally Democratic state has no cause to hang its head; its candidate against Mr Gonzalez polled 45 per cent of the total vote, a remarkable achievement in liberal San Antonio, with its substantial Negro and Mexican minorities, and another Republican won 38 per cent of the vote in Wichita Falls, which is strong Democratic territory. The Republicans, who hold only one of the state's seats in the House of Representatives, plan to enter candidates in at least 15 of the 23 congressional races next November. But there will be a clue to how fast their numbers are growing in May when, under the law, the party has to hold a primary election to determine its candidates for all the offices at stake next autumn. This is because the Republicans polled so many votes—over 200,000—in 1960.

There is only one Republican candidate for Governor, Mr Cox, but five major candidates will dispute the Democratic nomination. Until last week it seemed fairly certain that this preliminary round would be won by Mr John Connally, who was rewarded with the post of Secretary of the Navy when his old Texan associate, Senator Johnson, became Vice President of the United States last year. But two last-minute hats have been thrown into the ring—that of Mr Daniel, the present Governor, a formidable vote-getter who has decided that he would like an unprecedented fourth term even at the cost of offending the Vice President, and that of former General Walker, whose inarticulate crusade against communism will appeal to the discontented on the extreme right. It is rumoured that the General is being supported financially by Mr H. L. Hunt, one of the state's richest and most reactionary oilmen. The two other Democrats are Mr Wilson, the conservative state attorney general, who is fighting against the Vice President's remote control of Texan politics and for his own political life, and Mr Yarborough, a young liberal whose hopes depend on whether he can win the support of other liberals and that of organised labour. If no candidate secures an absolute majority there will be a run-off between the top two in June; the three most likely to reach this stage seem to be Mr Daniel and Mr Connally, both of whom will be appealing to voters right across the political spectrum, and Mr Yarborough.

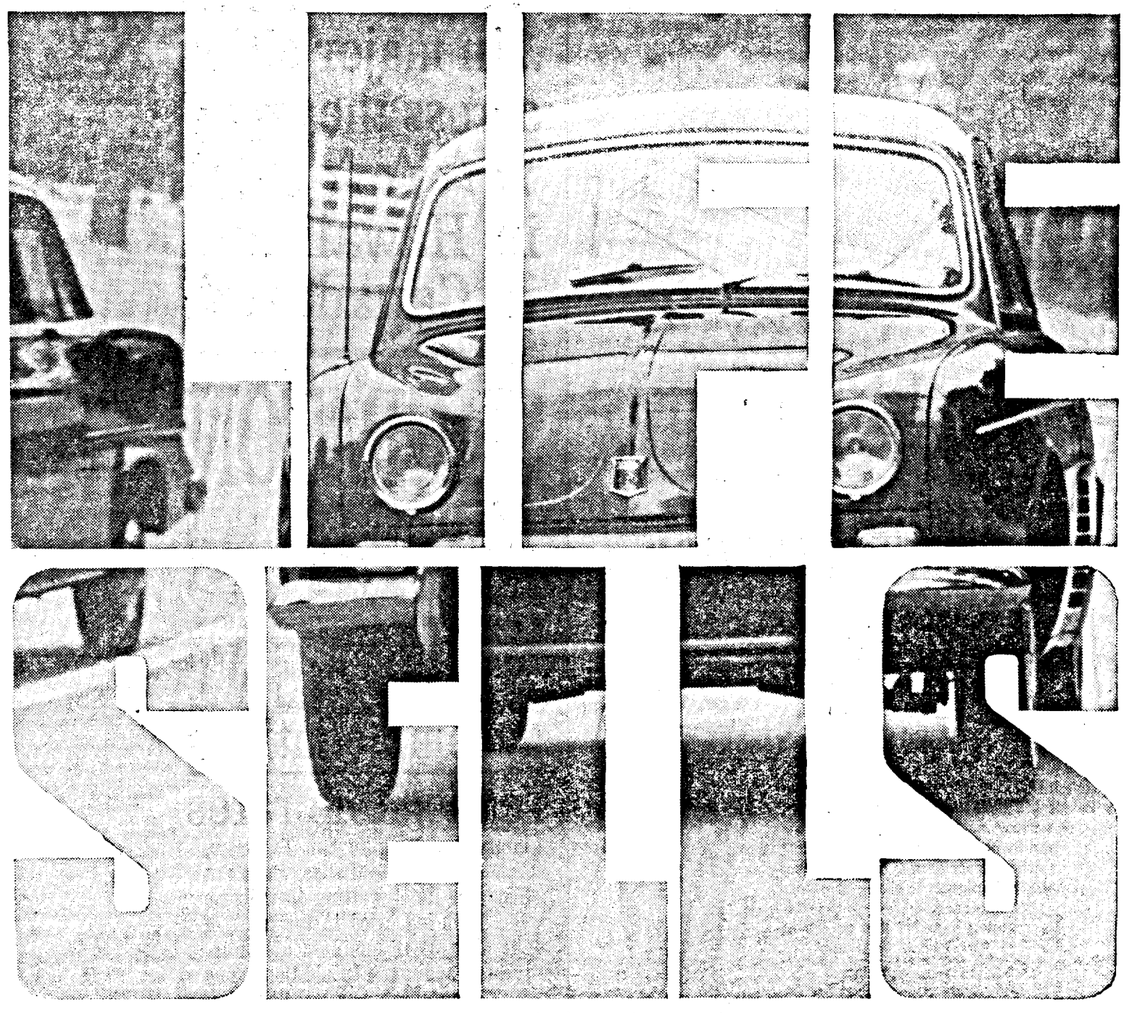
As in the other one-party states of the South, political battles in Texas have been fought within the Democratic party; nomination has been tantamount to election. These political battles have been waged less on issues than on personalities; in the main, political rewards have been based on longevity rather than ability; and the one-party State Legislature has been an incoherent mass of diverse and disorganised Democrats. Many of the party's leaders voted for Mr Eisenhower for President in 1952 and 1956 rather than for the comparatively liberal Democrat, Mr Stevenson. Now, however, the growing attraction of the Republican party in the state for extreme conservatives is having repercussions in Democratic circles. One reason—apart from gratitude—that the Vice President is supporting Mr Connally's bid for office is the desire to prevent a wholesale exodus of conservatives from the Democratic party, which would leave the state organisation in the hands of the liberals. Mr Connally, a smooth political manipulator like his patron, has close connections with the big financial and industrial interests in the state and his highly geared organisation is said to be the most comprehensive ever put together for a state election. (The other reason for Mr Johnson's support of Mr Connally is that the Vice President still cherishes presidential ambitions for 1968 and wants to have the Governorship in friendly hands.)

The nominal head of the Democratic liberals is Senator Yarborough, who is not related to the young aspirant for the Governorship. For a time the Senator encouraged rumours that he might enter this race himself, partly because he fears that Mr Connally's election might disorganise the liberals, partly because he has long been at odds with the Vice President, particularly over the plums of patronage which are the cement that holds a political organisation together. Senator Yarborough did not take himself out of the race until he received assurances from the Administration that he would receive more consideration in Washington in this respect. If Senator Yarborough had entered the primary and won the nomination there would have been a rush of Democratic conservatives into the Republicans' arms.

AGAINST this confused Democratic background the Republican party in Texas has been growing in confidence and vitality. In many ways it resembles a kind of Foreign Legion. It is full of rebellious souls who were easy to recruit because of their discontent; even its candidate for Governor this time is a convert from the Democrats. Moreover, the party literally gains much of its strength from "foreigners"—recently arrived white-collar immigrants from the upper Middle West and the Northeast. Until recently the party seemed to exist mainly to dispense patronage when the Republicans captured the White House. But now it is attracting large numbers of the young executives and technicians who man the middle and upper echelons of the state's growing industry and who have no loyalty to the Democratic party; to them that party has meant only increased taxes and expanding welfare programmes.

The big break-through for the Republicans came early last year when Mr John Tower, a young professor, captured the Senate seat which had been Vice President Lyndon Johnson's. Strangely this victory was due to the co-operation of Republican conservatives and Democratic liberals. Many of the latter voted for Mr Tower (or abstained) because they thought him less objectionable than the equally reactionary, inarticulate multi-millionaire who was the Democratic candidate. Mr Tower is a follower of Senator Goldwater and shares his fervid opposition to practically every aspect of the welfare state as well as his advocacy of a "stronger" American position on international affairs.

Senator Tower expresses the raging conservative mood among the well-to-do in Texas and he has given the Republican party the prestige and the confidence to conduct a spirited movement at state and local levels. Young Republicans have been travelling all over the state appealing to conservative Democrats to join the party where their conservatism can be truly effective; the Republicans argue that Texan conservatives cannot hope to influence the Democratic party as a whole, since it is essentially "left-wing." The greatest publicity has been given to a series of "resignation rallies" at which repentant Democrats renounce the party of their ancestors. Two Republicans have also been sent to the lower House of the State Legislature—the greatest number since the



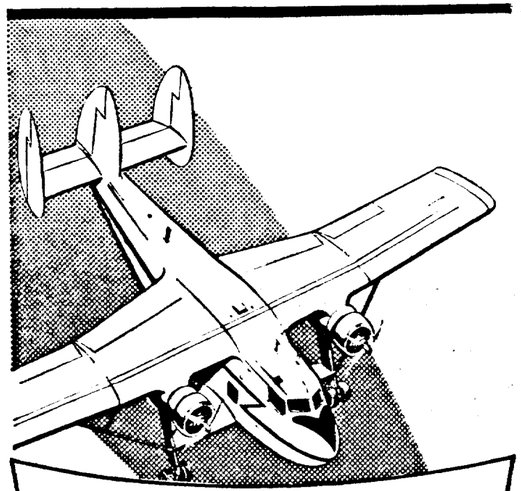
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days of Reconstruction after the Civil War. The party is strong and growing in the larger cities and towns ; it is wealthy and energetic ; above all, it is convincing many conservatives that it is now respectable to be a Republican in Texas. But the professional organisers will admit privately, if not publicly, that a genuine two-party state will take years of hard work to achieve. Mr Cox is not given much of a chance in November, whoever the Democratic candidate is.

Slimming by the Book

FROM A SPECIAL CORRESPONDENT

RECENTLY the Food and Drug Administration, as the watchdog of the public's health and nutritional well-being, seized 1,600 copies of a book called "Calories Don't Count" from a Brooklyn warehouse of the United Whelan Drug Store chain—along with 58,000 capsules of safflower oil. "Calories Don't Count," which has been something of a best seller in America, propounds the theory that "You need to eat fat if you are to be slim." The author, Dr Taller, a gynaecologist, argues that the more fat is consumed, the more is burned up. However, not any old fat will do, and animal fat is taboo, as with most diets. Unsaturated vegetable fats do the trick, the book claims, and particularly the oil of safflower, a large thistle-like plant grown in the western part of the United States.

Weary of meticulous calorie-counting and the rigours of semi-starvation, American women have fallen eagerly upon a menu that stresses the weight-reducing efficacy of fried chicken and shrimp, egg mayonnaise, stuffed peppers and cheesecake ; that warns dieters not to leave the table hungry ; and that bans entirely the kind of foods that the average slimmer gets weary of: apples, vegetables, jellies and skim milk. Unfortunately, at least one careful follower of the diet, which includes the downing of the daily quota of safflower oil, put on four pounds in a week ; others may have had the same experience and may have complained to the Food and Drug Administration.

At all events, the FDA alleges, first that "Calories Don't Count" has been offered to the public as a promotional tie-in to encourage the purchase of safflower oil ; and, second, that the latter is not an effective means of controlling weight. The book is involved only because it has been used as the basis of allegedly false and misleading claims for the capsules. This is not the first time that the FDA has seized a book ; some time ago it proceeded against another best-seller, "Folk Medicine," which prescribed honey and vinegar as a cure for most ills and which was being sold in combination with these specifics. The degree of Dr Taller's complicity, if any, in a deception, if any, that has been perpetrated on the public is a matter which the courts will have to decide. But there are at least grounds for suspecting that he may have been engaging in a gigantic leg-pull. He lists fourteen points of a programme for systematic weight reduction. One is: "Walk at least one hour a day." Bearing in mind the normal habits of Americans, which do not include walking if this can be avoided, Dr Taller might have started and ended right there.

Poverty Amid Plenty

IN the most affluent society in the world about 7.4 million people are receiving public assistance. The federal government pays over half the bill, which will amount to about $4.7 billion in the coming fiscal year, through grants which must be matched, in varying degrees, by the state welfare programmes. This system goes back to the Social Security Act passed in the middle of the nineteen-thirties and has been little changed although the shape of the problem has altered profoundly: much less poverty is caused by unemployment and much more by personal inadequacy or social misfortune. The whole system is now under fire, partly from people on the right who, like the citizens of Newburgh, New York, think that the assistance rolls should be cut ruthlessly and partly from those on the left who feel that much more should be done to aid the unfortunate. By encouraging the states to spend more on helping people to become independent, the Administration hopes to satisfy both groups though, as the President warned Congress, the cost is bound to rise in the short run ; another $193 million in federal money will be needed in the coming fiscal year. Even the conservatives in Congress seem sympathetic. The real question is whether the State Legislatures are prepared to do their share.

Given that the problems of the destitute are often personal and complex, rather than simply economic, the key need is for many more social workers and diagnostic and remedial services. The Administration would like to pay three-quarters of such costs (rather than half) and to contribute more money to the training of personnel, in order to speed up the work of rehabilitation ; in time this should lighten the assistance rolls. Liberals will also be glad that the President is asking Congress to make permanent the present programme of temporary federal aid to dependent children whose fathers are unemployed. Until last year men who were out of work had to desert their families to make them eligible for help and, where local authorities have not taken advantage of the new programme, families are still being stricken off the rolls because the father has been found in the home. Such families are to be encouraged to strive for independence by providing money for day-care centres for children so that the mother can take a job. Another reform long pressed by social workers is that the residence requirements of the states should be fixed at no more than a year and preferably abolished altogether. The trouble here is that some states are more generous than others to the needy.

Apart from the hope that fraud will be reduced by employing more social workers, right-wing critics will be pleased by the blessing for state schemes of work-relief. Many taxpayers feel that able-bodied men who receive assistance should make a return to the community. Mr Kennedy insisted, however, that if the federal government is to help to foot the bill work relief must be regarded not as a penalty, but as an opportunity for men to keep their working skills in trim or to learn new ones.

SHORTER NOTES

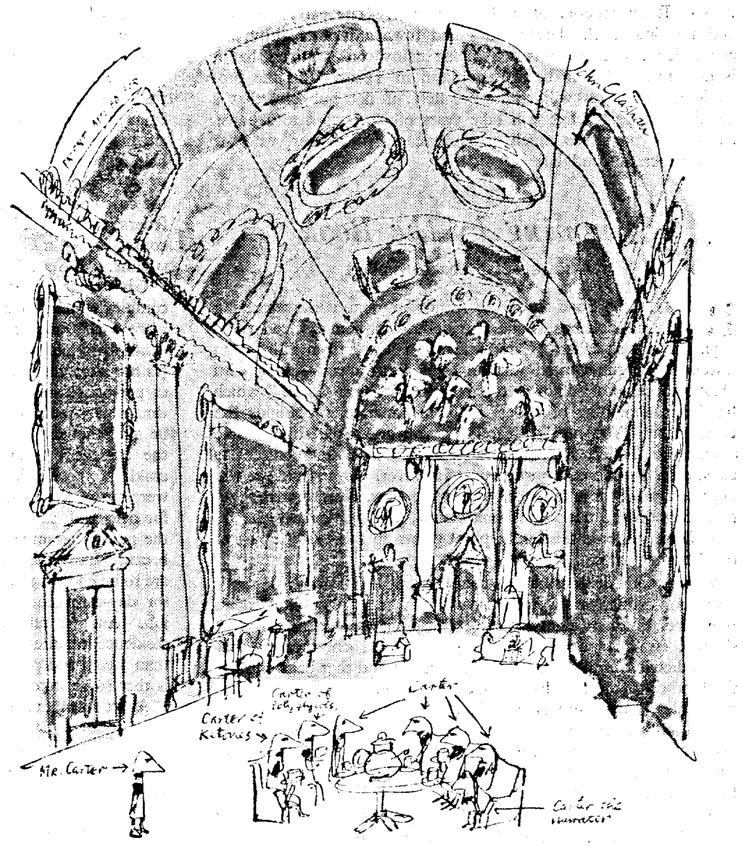
Mergers—even in the hard-pressed airline industry—are easier to announce than to carry out. A fortnight ago American Airlines and Eastern Airlines, the second and third largest of the domestic operators, revealed that a merger had been arranged ; if it goes through the result will be the biggest airline in the world, with routes from Mexico City to Montreal and from San Francisco to Puerto Rico. But a week later there was a cautionary tale from two other would-be partners, Continental and National Airlines, who have decided that they cannot make a go of it. The belief is that the heads of the two companies could not agree on which of them would run the new concern.

* * *

The activities connected with water and its supply in the United States are immense—$230 billion are likely to be spent on them in the next 22 years—yet until now no university has offered a degree in hydrology, the science of water. Water specialists have had to learn their trade by experience or after graduation in allied disciplines such as engineering, geology and meteorology. But now the University of Arizona has announced the country's first curriculum in hydrology, leading to the bachelors', masters' and doctors' degrees, and Columbia University in New York City started a graduate programme in hydro-geology last autumn.

PROJECT 304

The story of the great
Shell Chemicals
Sculpture Competition
by A. N. Other-Carter



Chapter One:
Mr. Carter's Inspiration

I well remember the day the whole thing began. A few of us were sitting over our coffee in the Emulsions Lounge at Shell Chemicals when the talk turned to the public image of us.

'I wonder what the public image of us is,' said Carter, one of our scientists.

'Oh, what does it matter as long as we do our jobs?' grunted another scientist, a chemist called Carter (in fact all the Shell Chemicals people in this story will be called Carter, to avoid heartburnings). 'Well, I must get back to my Hilger Standard Polarimeter and continue my investigations into the structure of the products obtained by condensing sugars with ethanolamines.'

'You're right, you know,' said Carter, a Polyglycols man, to Carter, when Carter had left us.

'I don't believe the public has a clear picture of us. I expect they think we're in some little shed behind a refinery.'

'Oh, I don't know,' chimed in Carter from Ketones, 'I met a chap in a pub last night, it slipped out that I was in Shell Chemicals, he said 'Oh yes, you're the people that make TEEPOL 514, an anionic wetting agent, and NONIDET, a nonionic wetting agent, both very useful in textile scouring. I've always wondered what's the difference between anionic and nonionic.'

'By jove!' said Carter, from Advertising, 'that's interesting. What was this chap?'

'He was a textile scourer,' said Carter.

One of our directors, called Mr. Carter, had been listening silently to all this. 'I think what we need is a great competition for a sculpture depicting *The Spirit of Shell Chemicals*,' he said.

I was electrified. Immediately I thought of *Isobel* . . .



Do not miss Chapter Two:
'The Great Conference'

For any information about chemicals contact the Information Officer, Shell Chemical Company Limited, 170 Piccadilly, London W.1.

HOME REPORT

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

Provincial Primitives?



FROM OUR SPECIAL CORRESPONDENT

ACCORDING to how they set their sights, visitors may come away from the winter exhibition at the Royal Academy disappointed that some of the greatest masters are seen only at second best, or impressed and delighted with the selection of primitive paintings as well as many of the examples of British minor painters such as a choice Stubbs and two excellent Wilson Steers. Whichever view is taken, however, sympathy must go out to the foreign visitor who, lured into this exhibition of over four hundred works from sixty-five provincial galleries by its catchy title "Primitives to Picasso," darted from an Alan Davie to a Patrick Heron, ejaculating to his companion: "Picasso?" In fact, there is only one smallish, very early and quite uncharacteristic painting by Picasso, belonging to Glasgow. To the best of one's knowledge, only two other examples, and these of a similar kind, could have been produced from the provinces.

Poor representation of twentieth-century foreign art is only one of the deficiencies of these museums' collections. Certain important artists of other schools are virtually unrepresented in public collections outside London, and it would be hard to find many signs that the museums are keeping pace with the most recent developments in British art. Yet on several scores, these galleries are better able to enter the art market than ever before. In many towns ratepayers have put up the annual purchase grant, small though it may still seem in art-starved eyes; the taxpayers' grant to the Victoria and Albert Museum for special purchases by provincial museums has been sharply increased, from £2,000 in 1958 to £25,000; and valuable help is given by the Gulbenkian Foundation.

Indeed, the exhibition at the Royal Academy has a prosperous air in that two-thirds of the paintings and sculpture on view have been acquired in the last twenty years. But of the 128 works obtained since 1950 only about fifty have been bought by the galleries unaided. Getting on for twenty have been presented or bequeathed by individual people or firms, another eight by corporate benefactors such as the Contemporary Arts Society or Friends of the Gallery, nearly forty have been acquired through the National Art-Collections Fund and the remainder with the assistance of the Gulbenkian Foundation, Treasury, Victoria and Albert Museum, Ministry of Education or Arts Council.

	Annual attendance	Purchase grant from rates (£s)	Capital fund
Birmingham ...	700,000	12,000	Yes. Annual contribution (max. ¼d. in £) from rates
Bristol	250,000	3,000–4,000	Private bequest yields £1,000 p.a.
Glasgow	350,000	5,000	Some private bequests
Leeds	160,000	3,000	None
Liverpool	150,000	4,000	Private fund yielding minimum of £7,000 p.a. up to 1967–68
Manchester	100,000*	5,000	None
Newcastle	145,000	1,250	Private bequest yields £1,367 p.a.
Plymouth	100,000	1,850	None
Southampton...	40,000	500†	Private bequests yield £4,850 p.a.
York	40,000	1,000	None

* Permanent collection only † For ceramics only

This untidy profusion of purchasing props is no bad thing in itself, but it does raise once again the question of whether the provinces are looking after themselves as well as they should. Support given to art varies considerably from one town to another, as even the few and variously qualified figures in the table show. The apparent stinginess shown by ratepayers in certain cities may seem surprising; why does Birmingham stand out as a shining example compared with Manchester?

Equally puzzling as local differences is the seemingly general apathy towards contemporary art in the provinces. Why has the buying of modern pictures and sculpture, for private as well as public collections, not become a status symbol among well-to-do industrialists in the north and midlands? They have not always been behind the times in art: a hundred years ago the provinces welcomed the Pre-Raphaelites and were delighted to buy their works. (And the evidence of some even more judicious buying—the Impressionists—is there, too.) The hard-headed Bradford woollen manufacturer of today may well feel that he is keeping his feet on the ground in resisting abstract art; but why should it have caught on in the United States and not here?

IF the answer is that the interest of the local collection is not sufficient to spark off enthusiasm, what is to be done? In a world in which art prices have gone slightly mad and in which even the purchase grant of the more art-conscious citizens of Birmingham cannot buy much by established artists, it is obviously impossible to provide collections all over the country of an equally good standard. Some kind of regional network, repeatedly advised by Lord Bridges, is the obvious solution. The art student, or art lover, may not be able to make frequent visits to the national collections; but he must be prepared to travel a little. Either galleries within a particular region should specialise in particular schools of art or, better still, the best of the collections should be concentrated together in one centre. A get-together on art is surely not impossible, even if it means swallowing a little civic pride. Galleries should be encouraged, and given any necessary legal powers, to sell when they have too many examples of one artist or school. Above all, ratepayers need to be more generous in their budget and in unshackling their local art director from the artistic approval of a committee of civic worthies whose knowledge may be very questionable.

A special report on the provincial collections can be expected this year from the Standing Commission on Museums and Art Galleries. The current exhibition at Burlington House should stimulate plenty of interest in the commission's recommendations.

Outcasts of the Island

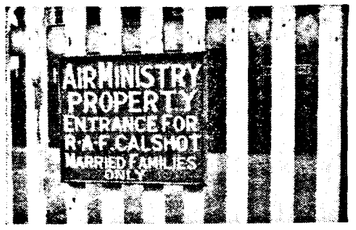
FROM OUR SPECIAL CORRESPONDENT

THE 60-odd families dispossessed of their volcanic island, Tristan da Cunha, have moved from their overcrowded and unsuitable temporary refuge at Pendell, in Kent, to permanent tenancy of part of Calshot RAF camp on Southampton Water. This has been greatly to the indignation of those who would rather have seen them set down on one of the Hebrides, Shetlands or Orkneys. The opinion has been pretty freely aired that the Colonial Office, in whose care the Tristanians have been since the disaster, has done worse than any volcano in depriving these hardy people of their communal isolation. It is an opinion in keeping with a newspaper attitude which the Tristanians have come to resent: that they are freaks to be housed in an artificial environment simulating as closely as possible their old conditions.

In fact the Colonial Office has behaved with reasonable humanity (some would say too much: on its own admission, its care that everything possible should be done for the islanders has resulted in a loss of personal initiative). Its aim has been to bring about the integration of these particular British subjects into the larger body of their compatriots. Most of the exotic suggestions have not been concrete (for instance, no land has been offered officially in the Outer Isles, and nobody in the Colonial Office has seen more than newspaper reports of the rumoured gift of an island in the Bahamas).

The younger Tristanians are an adaptable bunch, and many of them have a larger experience of the world outside Tristan than has the average young British habitué of caff and coffee-bar. Their difficulties in fitting into an industrial society will be few; indeed, most of them are already working and earning. But the old people are naturally less willing to cast off their way of life: they have few skills beyond boat-building and the ability to launch a skiff in a hard sea, and they do not easily learn new ones.

It is mainly for their sakes that the Colonial Office has gone along with sentimentality as far as it has in keeping the Tristanians together as a single community, and it is this which has been the greatest problem in their resettlement. Many places could offer sixty houses; but none of them had sufficient opportunities for relatively unskilled employment. Many more could offer jobs, but found it impossible, even by jumping housing queues, to put all the families together.



WHAT was hoped for was generous action from some local authority, in need of such benefits as the islanders could bring it, in building houses specially for them. Calshot camp was therefore seen initially as another temporary refuge until something better could be arranged. In the event, however, the Tristanians who went to look over the camp decided that they liked it enough to stay there, and the others did not disagree.

Calshot is not the sort of place that would appeal to everybody. It is bleak, both bare and cluttered as only a military camp knows how to be, and its atmosphere, like that of all such places, is one of indefinable impermanency. But from the islanders' point of view it has many advantages. The sea, or at least wide water with fish and ships, is a step away; the surrounding country is pleasant and underpopulated; and there is sufficient work nearby (though not at Fawley refinery two miles away, where the requisite skills are far from simple). About half the men are now in employment.

The bungalows are like all military bungalows; but much has been done to make them comfortably habitable. Between £200 and £300 has been spent on the furnishing of each, and they are well-carpeted and curtained, warmed on free coal, and an enormous improvement on the conditions at Pendell where, according to one of the islanders, they were housed ten to a bungalow in some cases. For this, the Tristanians' gratitude is touching.

The Colonial Office has not added up all its sums yet, but the cost of the whole rescue and rehabilitation operation will, at the end, be somewhere in the region of £60,000, apart from the furnishing of the houses. More money has come from relief funds, and many of the services which would otherwise have had to be paid for have been done by volunteers. The salaries of the administrator and the other colonial officers connected with the operation have been met from the original Tristan administration fund.

Smethwick Shivers

FROM A CORRESPONDENT IN BIRMINGHAM



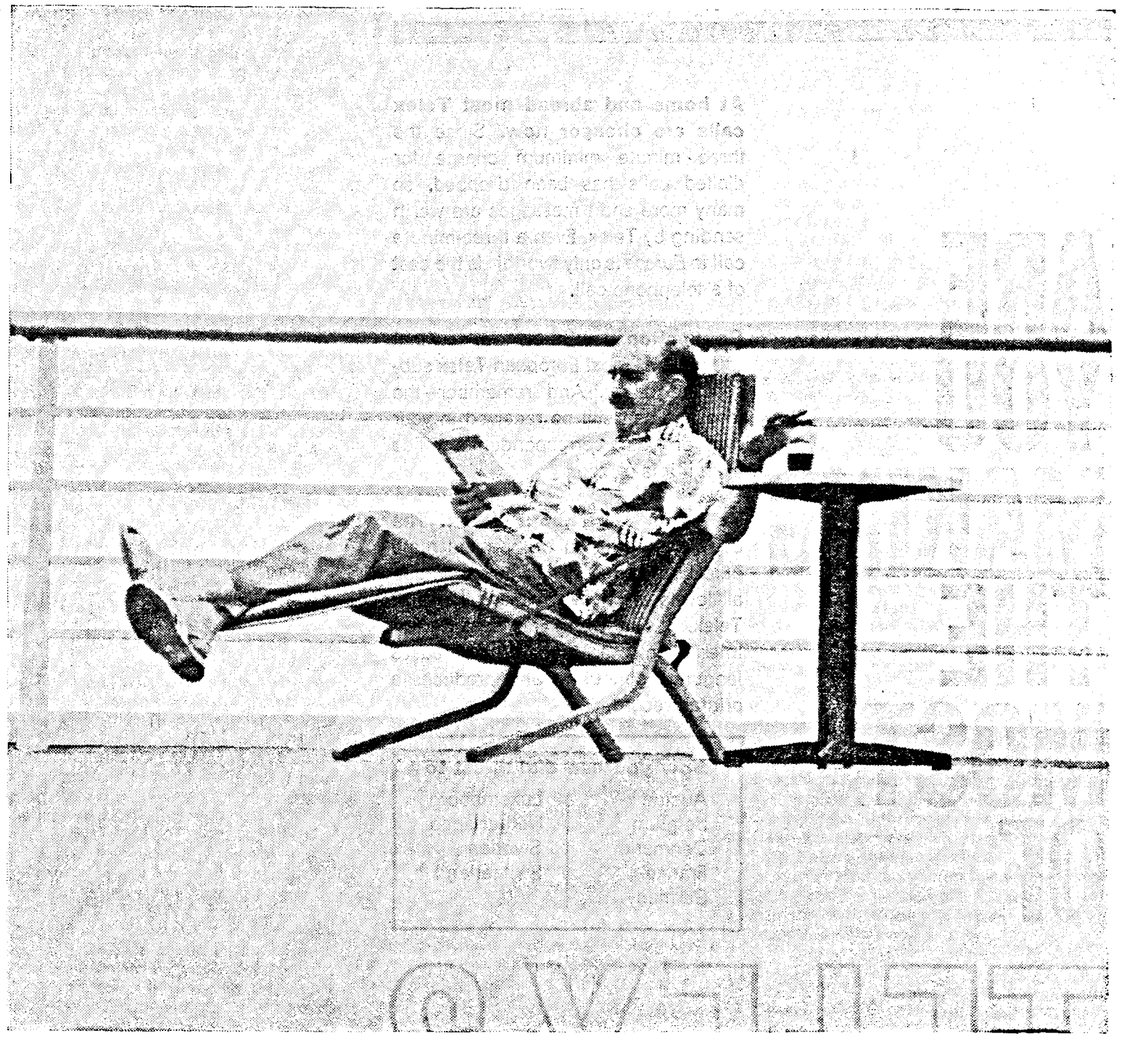
SMETHWICK, a name on the map to most people outside the Black Country, clings to the western boundary of Birmingham like a Midland Salford of 73,000 people; even its postal numbers are Birmingham 40 and 41. But for all that it has its local pride, securely based in Domesday Book and the industrial revolution. Boulton and Watt's Soho Foundry in Smethwick made engines for the *Great Eastern* and now produces weighing machines; Smethwick provided ironwork and glass for the Crystal Palace.

Last summer it reached the national headlines with its threatened rent strike by council flat tenants who objected to a Pakistani neighbour; the colour controversy, assiduously fanned by local spokesmen, now notorious, has flickered feebly again with the smallpox scare in the letter columns of the intriguingly-named *Smethwick Telephone*. But Smethwick now faces a more urgent problem. By next July about 2,600 workers may have been dismissed from two of the town's traditional factories. Cycles and railway rolling stock tempt few investors these days.

From its 1955 peak output of over 3,500,000, the cycle industry has declined rapidly, and production last year was probably little more than half that figure. Exports have fallen roughly proportionately, for all the striking success in the United States market last year.

Smethwick has two cycle factories, both part of the British Cycle Corporation, which is part of Raleigh Industries, which is part of Tube Investments. Last April TI announced a major reorganisation within Raleigh, concentrating cycle production at Nottingham, and leaving scooter and moped production at the Downing Street works in Smethwick. At the end of November, to the shocked surprise of the unions, the closing of Downing Street by March 31st this year was announced, making 1,500 workers redundant, with a streamlining of the labour force at the British Cycle Corporation's Phillips works in Bridge Street, which makes components. Keeping Downing Street open would be "economic suicide," Raleigh said, especially since demand for "motorised products" had not materialised in Britain; at the same time, 9,000 cycles and 600 mopeds a week would be turned out until the factory closed.

Similiar decline has brought increasing redundancy at the Birmingham Railway Carriage and Wagon Works, which last year found itself in the unenviable position of having to hand back to London Transport an order worth £2,500,000 because it could



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not carry it out economically. Shop stewards at the factory have been saying for several weeks that it will close completely by the end of July or early August, when the current order for the British Transport Commission is completed.

Although the management has said it is "doing its utmost" to obtain more orders, none has yet been announced. In small numbers of 50 or 100, employees have been made progressively redundant over the last few months. The present labour force is about 1,100, many of whom have known no other employer; it is the "man-and-boy-these-last-50-years" kind of factory.

THERE has been plenty of activity on Smethwick's behalf. The local trades council has painted lurid pictures of a "ghost town"; it has harried the local MP, Mr Patrick Gordon Walker, who for his part has seen both the Minister of Labour and the President of the Board of Trade, London Transport and the BTC. The district committee of the Confederation of Shipbuilding and Engineering Unions has campaigned up to national executive level.

There has been little more than sympathy for the Smethwick men at national level. Mr Hare told Mr Gordon Walker that the displaced cycle workers should have no difficulty in finding other work locally, though admitting it might take longer than it would have done some time ago. The executive of the confederation told the Birmingham district committee, who requested a national conference of affected unions, that it could not be expected to resist every closure, that (in the words of Mr Harold Poole, the president) they could not be expected to rob Peter to pay Paul, and the Midlands was not an area where there was no alternative work available.

Meanwhile local Ministry of Labour figures show 509 unemployed in Smethwick (396 men, 113 women), and local officials are quoted as saying that probably no more than 100 of the redundant men will be able to find jobs in Smethwick. In fact, for a neatly-parcelled, small-scale example of the cutting-back of declining industries and the problems of redeployment of labour which must follow, the student economist or sociologist could scarcely improve on Smethwick in the next few months.

Expanding Oxford

FROM A CORRESPONDENT IN OXFORD

TO translate current discussion about university expansion into bricks and mortar is hard work full of snags and risks. This is most obviously so with the new universities at York, Norwich and Brighton. It is less obviously but equally true of the two older universities, both of which are founding new men's undergraduate colleges for the first time since the nineteenth century: Churchill College at Cambridge and St. Catherine's College at Oxford.

The starting point for both colleges was the general recognition during the 1950s of an urgent need for increased output of science graduates. The composition of this output, and its final allocation between teaching, research, industry and administration, are not, as Professor Jewkes has pointed out, questions capable of automatic solution. But the need itself was already clear in 1952 when Mr Alan Bullock, then a Fellow of New College, Oxford, was appointed to the vacant Censorship of St Catherine's Society, a non-collegiate body of about 300 students which traces its modest origins back to 1868.

WITHIN four years the Censor produced his plan for a new men's undergraduate college, using the existing society as its nucleus, which would devote about half its places to science and mathematics. An influential group of dons gave the plan academic backing; Merton College promised a site in Holywell Meadow; and an initial appeal for financial support made in 1958 led to the subscription of over £600,000, largely from British industrial firms. This was obtained despite other current appeals, including one by Churchill College for £3 million. The University Grants Committee promised a further £250,000, and the university's Hebdomadal Council appointed a subcommittee, on which the outside sponsors of the college were represented, to watch over its development. This marked the end of phase one.

In phase two, through which the college is still passing, there seem to have been three main problems: raising more money, choosing an architect and putting his building up, and expanding the body of fellows. More than £2 million has now been obtained, including the donation of over £170,000 by the American millionaire Dr Rudolph Light, a former St Catherine's student, and of $250,000 for research fellowships by the Ford Foundation. However, the college could clearly do with still more funds as plans develop and costs creep up. Its members talk of another half million, but it is probable they will need a million. Their Danish architect, Arne Jacobsen, whose choice raised patriotic murmurs in Britain, regards the college as a "prestige job" and such jobs are not the cheapest.

The policy is right, but parts of the structure may be uncompleted at first from lack of funds, unless the college's financial barometer unexpectedly rises. Difficulty in meeting Jacobsen's exacting standards and delay caused by bad weather also make it uncertain how much will be ready for occupation by opening day in October.

St Catherine's other main current task has been to expand its body of fellows from the nucleus provided by the existing tutors of St Catherine's Society. Three things are clear about this process. The college is retaining Oxford's traditional stress on teaching, and hence on tutorial fellowships. Second, it is keeping the balance of fellows and undergraduates fairly even between arts and science. Third, though laying stress on the need for research fellows, and for the association of distinguished outsiders with the college through supernumerary and visiting fellowships, it has made no provision for a class of research studentships such as exists, for instance, at Nuffield and St Antony's colleges (which have no undergraduates). The traditional Oxford gap between the senior and junior common room thus remains.

These decisions are deliberate; on each Churchill has taken a contrary view. It will be interesting to see how St Catherine's policy works out as it moves after October into phase three of its development, as a working institution.

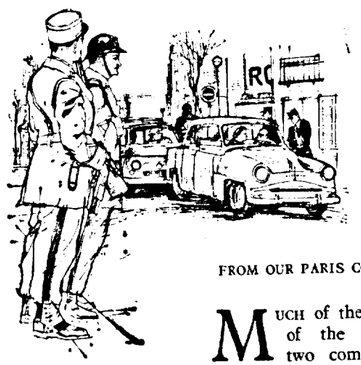
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THE WORLD OVERSEAS



FACES OF FRANCE



FROM OUR PARIS CORRESPONDENT

MUCH of the image is in the eye of the beholder, who has two completely contradictory pictures of France to choose from. One picture shows a prosperous nation of holidaymakers with no greater cares than the twist-versus-jive struggle or the height of the waistline in the spring collections. Sun-tanned thousands stream back from winter sports. Production is booming, business is good. At the ministry of finance, M. Baumgartner has bequeathed well-filled coffers to his youthful successor. All this seems to justify General de Gaulle's message that everything is for the best

If the spotlight is switched to other scenes—to policemen directing traffic in Paris with sub-machine-guns in their hands, to the armoured units of gendarmes that wait on the alert in the suburbs—it picks out a quite different picture. Both are true, within their limits; each is incomplete. The following notes try to illustrate some of the symptoms and causes of the disquiet that certainly exists despite the absence of any major social discontent.

Hoax or Hydra? Last week the police forces in Paris were strengthened to 25,000 men and the government was able to claim the capture of some important henchmen of the OAS (*Organisation de l'Armée Secrète*). It is too early to say what will be the effect of this new police offensive. On previous occasions, notably after the abortive attempt on General de Gaulle's life, the claims that the OAS in France had been beheaded proved premature. Indeed, one of the psychologically most disturbing factors was the contrast between official assertions and reality. Last month, each government declaration of confidence and resolution was echoed by the daily explosion of *plastique* in provincial towns and in various parts of Paris, including the Quai d'Orsay. Communists were no longer the main targets; the flats of liberal and even conservative editors were attacked as well.

This is psychological warfare. Casualties are few, the damage mainly material, but an impression is created that the underground is omnipresent and the authorities impotent. Officials found two excuses for the government's initial lack of results: these handy bombs are easily hidden; and specialists, coming from Algeria, are able to enlist recruits among the disgruntled poujadists or fascist youth. The ease of this recruiting raises the question of the deterrent.

All, all, honourable. The French courts have shown remarkable indulgence towards offenders who justify their crimes through their attachment to *Algérie Française*. Many men who vanished while under suspended sentence are now on the general staff of the Secret Army. This caution on the part of the judiciary, combined with the government's appearance of indecision, had its inevitable consequence. On January 26th, three men who had been threatened by the Secret Army refused jury service at Nîmes, and the trial had to be put off. The government reacted swiftly. Several cases were transferred to a special military tribunal and, last week, a *plastiqueur* was actually sentenced to six years in jail.

It should not be concluded that military justice is always swift and severe. On January 16th, another Parisian military tribunal gave its verdict in the case of three officers accused of torturing a Moslem woman to death. The gruesome indictment was public; the trial was heard *in camera*; the three men were acquitted. It is enough to add that these three officers could not even plead superior orders or invoke the complicity of higher ranking officers. Such complicity has prevented all other cases of torture from being brought to trial.

Policeman's Lot. It used to be fashionable to say that the army was suffering from a bad conscience. Now the fashionable malaise concerns the conscience of the police. For years the police have been fighting against the Arabs; now they have to turn against the Secret Army as well. For an even longer time they have been told that the chief enemy was on the left; since 1947, anti-communism has been a main qualification for recruits. Now the police are told that the opponent is on the right. To complicate matters still further, they are ordered not to forget that the struggle is on two fronts. Communism is the permanent danger; the Secret Army is a transient one. To the ordinary policeman it must all seem rather confusing.

There are, however, deeper reasons for the uneasiness and hesitation among magistrates, officers and policemen. Occupation, resistance and liberation undermined the simple rules of discipline. For years afterwards efforts were made to explain that wartime conditions were the exception. Then came the change of regime in 1958 and many may have concluded that it is most comfortable to sit on the fence. With many of its former fellow plotters now on the other side. the regime provides a precedent against itself.

Suspicions about the government's ability, or willingness, to cope with the situation, increasing terrorism and rumours of a *Putsch* to come have led political and union leaders to meet and talk about filling the void, about self-defence, even about the succession.

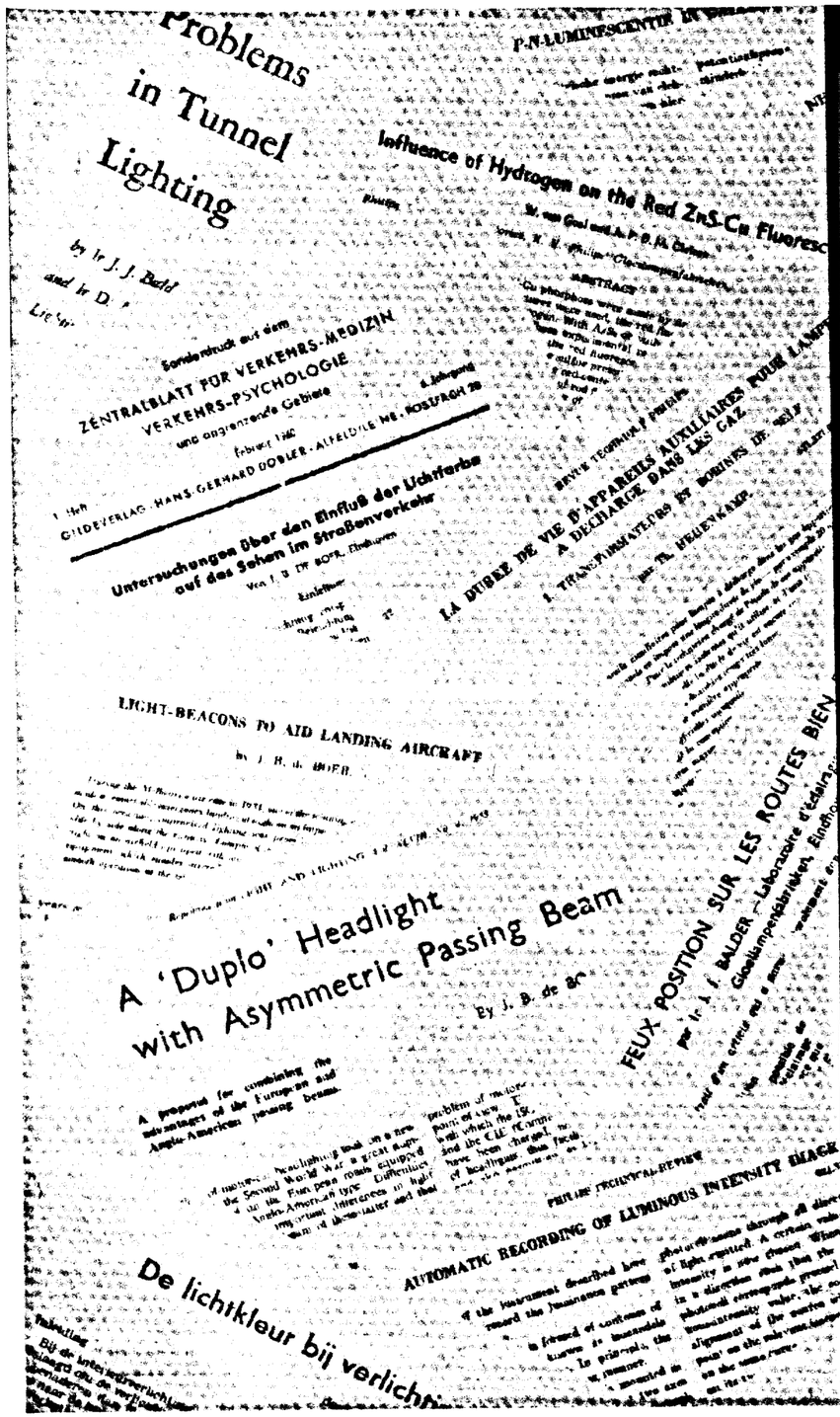
Old Dilemma: "Without the communists, the Left is nothing; with the communists . . . the army will never tolerate it." This sentence, attributed to General de Gaulle, sums up a great deal in the French situation. It explains the ambiguous relationship between General de Gaulle and his armed forces. It reveals one of the reasons for the impotence of the French Left. M. Mollet, the socialist, who shares the view that the threat of a popular front could provoke the army into action, has recently been busy

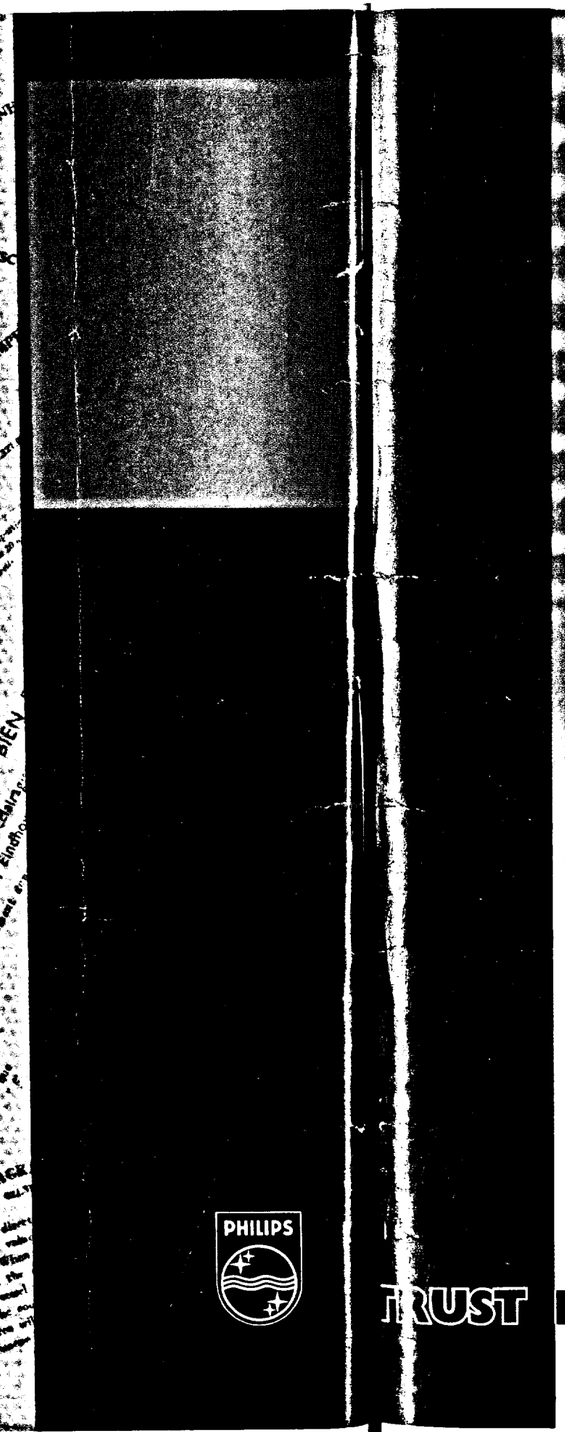


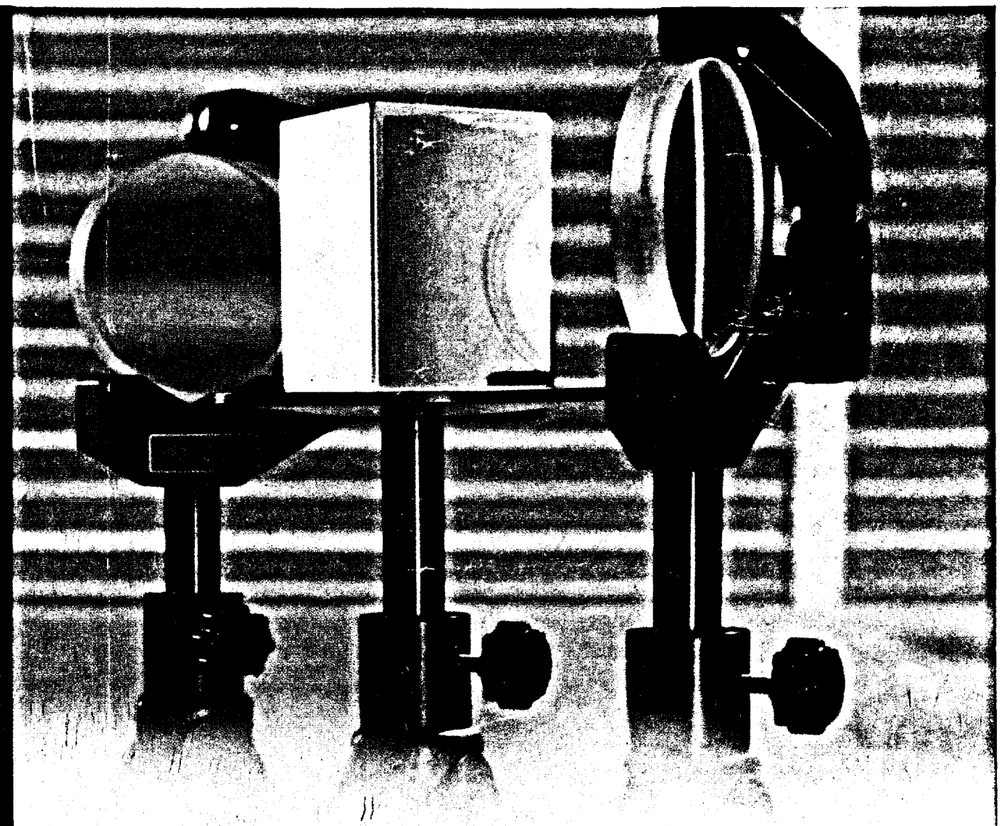
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regrouping. He has met M. Pinay, the conservative, as well as Radical, Catholic and trade union leaders, to see whether, if a vacuum arose, a coalition could be formed to fill it. At the same time, he has been trying to form a more active alliance of the non-communist Left against the Secret Army; without, so far, much success.

M. Pinay, whom many tip for the succession, has no special reason to broadcast his views on Algeria from his retirement. General de Gaulle's illustrious precedent demonstrated the political efficacy of ambiguous silence.

Recent demonstrations against the Secret Army have confirmed two things: that the communists can no longer bring as many people into the streets as they used to be able to do; and that no mass demonstration can be staged without them. The combination of these two lessons with the activity of the OAS has somewhat decreased the reluctance to work with communists. The Left still stands divided, but whether the communists will continue to be kept in isolation may now depend on events.

Waiting for What? Stories of an impending peace or an impending revolt are plentiful. The Secret Army, which dominates the life of the European population in Algeria, has no real roots in France. The fight against the Secret Army, for what it is worth, is waged by the police forces, mainly the cloak and dagger men. Meanwhile the French army carries on the Algerian war, and each fortnight brings reports of, say, 600 Algerian casualties. The wiser among the Secret Army strategists want to delay major action until the exiled Algerian leaders return to Algiers to take over; they would then try to get the armed forces to join them in the struggle against the "common enemy."

In prosperous France there is no scope for a massive fascist movement. All the question marks, however, lead one back to the problem of the army. The questions are not new. The government's present display of precautions suggests that the next few weeks may provide the answers. It is then that the true face of modern France may be seen.

Germans Think About Moscow

FROM OUR BONN CORRESPONDENT

LOCKED and unattended, a train composed of eight azure coaches, each inscribed "Germany's Way" in letters of gold, stands on a weed-grown siding near the Rhine, a couple of miles from Bonn central station. A fading sticker on the last carriage tells what lies behind the boarded window. It is an itinerant show:

> An exciting report on the rise of our nation. A mirror of the world in which we live. The first comprehensive exhibition giving a unique survey of the past, the present and the now forming future. Visitors do not require a platform ticket. Admission free.

Newer stickers on the carriage doors announce that the exhibition is *geschlossen*. For good? Or just having a breather? From time to time some riverside walker turns aside to ponder the vivid derelict. Is this, he may well be asking himself, a symptom of national apathy? Of impotence? Or just of despair of correctly divining the auguries? Perhaps the sponsors (the federal press and information office) feel that those intriguing exhibits concerning the shape of the future should be kept shunted out of sight while the two global giants continue to make friendlier faces at each other, and while Dr Adenauer and his uneasy coalition government are making up their minds how to react collectively to the latest Soviet overtures.

After a fortnight's hibernation ordered by the doctor, the old Chancellor reimposed his authority on the restive Bonn scene at the beginning of the week. First, there was his deputy, Herr Erhard, to congratulate upon his birthday (at 65, Herr Erhard is the Chancellor's junior by 21 years). It must have been a faintly awkward encounter for both, considering past vexations and current reports of moves to obstruct Herr Erhard from the succession to Dr Adenauer (might it be next year?) in favour of Herr Krone, the former parliamentary leader of the Christian Democrats and now minister without portfolio. But, having deposited his ambiguous present, a clock, on Herr Erhard's desk, Dr Adenauer was soon on his way from the ministry of economics to the Palais Schaumburg and his overriding love, the conduct of foreign policy. The first cabinet minister he called in was Herr Schröder, who succeeded Herr von Brentano at the foreign ministry in October in deference to the Free Democrats, advocates of a less crustacean approach to the Soviet-ordered world.

HERR SCHRÖDER had not been paralysed into inactivity by the Chancellor's absence. He had already summoned the German ambassadors to the Soviet Union, the United States, Britain, France, Italy, the United Nations and the North Atlantic Treaty Organisation to attend a conference in Bonn this weekend, at which foreign policy is being reviewed in the light of the new Soviet approaches. Herr Schröder had also had a long talk with the four leading Free Democrats who have been exhorting the government to seize the opportunity provided by the Soviet memorandum handed to Dr Kroll in Moscow on December 27th for an attempt to ease the tension between Bonn and Moscow. They are Herr Mende (the party chairman, who refused to take cabinet office under Dr Adenauer), Herr Scheel (minister for co-ordinating development aid), Herr Dehler (a former chairman of the party, noted for independent thinking and a plain tongue) and Herr Achenbach (a strongly nationalist member of the Bundestag foreign affairs committee, who was too closely associated with the Nazi occupation of France for many people's liking). It was rumoured at the beginning of the week that these four, along with other Free Democrat deputies, had accepted an invitation for an evening's talk with Mr Smirnov at the Soviet embassy. This, it now seems, is not true; and if it ever was, it was because the Free Democrats had assumed that some Christian Democrat and Social Democrat deputies would be doing the same thing. The two latter parties, however, have flatly declared that the time is not opportune to discuss the new Soviet proposals at that level.

In the course of a long talk with Dr Adenauer on Tuesday, Herr Mende restated the arguments that he and his colleagues had presented earlier to Herr Schröder for responding civilly and constructively to the Soviet memorandum. They are not as unqualified as Herr Mende's much-quoted remark—"I don't subscribe to the theory that ambassadors should be deaf and dumb"—had first led the public to suppose. Herr Mende advocates direct talks between west Bonn and Moscow—but only with the full connivance of the western allies, and only if the United States government's present soundings get nowhere. Should the highly dangerous deadlock continue, it would be irresponsible, Herr Mende contends, not at least to try to ease it by taking advantage of the good relationship which the west German ambassador in Moscow, Herr Kroll, has established with Mr Khrushchev.

Dr Adenauer, himself as mistrustful as ever of Soviet intentions, is planning to hear the views of a number of officials and politicians during the next few weeks. There are indications that he will find the bulk of opinion in approximate agreement with Herr Mende. The foreign ministry is divided several ways; at any rate, Herr Kroll has admirers there as well as detractors. As for the Christian Democrats, both Dr Krone, who was quick to point out suspicious discrepancies in Soviet propaganda about west Germany, and Herr von Brentano, who uttered the warning that it would be "dangerous and wrong" for Bonn to engage in bilateral talks with Moscow, are beginning to sound a little less

outraged at the idea. The Berlin Christian Democrat, Herr Gradl, has expressed the belief that there is more behind the memorandum than tactics and propaganda, and that the Russians genuinely want to improve relations with west Germany.

Professor Meyer, who was west German ambassador in Delhi from 1952 to 1957, has spoken for the majority of Social Democrats in counselling direct talks so long as Germany's partners agree and are kept fully informed. And it need scarcely be added that that militant pacifist convert, Dr Niemöller, president of the Evangelical Church in Hesse, has been exhorting a world seemingly bent on suicide to give up "the superstition that the differences between East and West are irreconcilable." But up to now his is the only voice that has been heard in public proposing that the aim of talks with Russia should be to establish a neutral, reunited Germany, romantically "bridging East and West." Dr Niemöller apart, none of the advocates of direct exploratory talks has so much as even hinted that the time may have come for Bonn to loosen any of its military, economic and political ties with the West. There is, indeed, nothing in the memorandum, or in the various Soviet elaborations that have followed it, to suggest that the Russians are ready to change their east German and Berlin policies for the sake of amicable relations with west Germany. Nor, as Herr Erhard has pointed out, are west German industrialists much impressed—at any rate for the time being—by the memorandum's reference to the "ocean of new possibilities" in trade with the eastern block. Only 4.7 per cent of west Germany's total foreign trade is conducted with the eastern block, and most firms could give up their eastern orders without inconvenience.

But it is the condition of the 17 million Germans living beyond the Elbe-Werra line, and the quality of their rulers, that is the chief hindrance to any increase of west German confidence or of readiness to make sacrifices for the sake of the general peace. Nothing could persuade the Germans more thoroughly that the division of their country is shamefully wrong than the character and conduct of the Ulbricht regime. Happily there are some signs, tenuous as they are, that this is being recognised in Moscow. Mr Khrushchev has been showing so little concern lately for Herr Ulbricht's feelings that the east German information services have been having to censor Soviet pronouncements. Thus the pace-setting east German daily *Neues Deutschland* omitted from its summary of the Soviet memorandum to Bonn the significant passage (so different from the paper's strident line):

> All conditions exist for the development of good neighbourly relations between the Soviet Union and west Germany. The necessity for establishing such relations accords with the fundamental interests of our peoples.

Once again those political pundits in Bonn who have long maintained that when Dr Adenauer goes Herr Ulbricht will go too are nodding their heads sagely. But perhaps that is looking too far into the future. At the moment of writing it seems that Dr Adenauer is being talked into agreeing that the Soviet memorandum shall be answered; and the reply would set forth once again the German thesis that self-determination for all Germans is the pre-requisite of satisfactory German-Soviet relations. The Soviet proposal for direct talks is likely to be ignored, but not explicitly rejected.

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Malaysia in Two Bites?

FROM OUR SPECIAL CORRESPONDENT IN SINGAPORE

DEMOCRACY was getting in the way of progress in Borneo last week. The Greater Malaysia Show, which was put on the road with a brassy flourish of trumpets a couple of months ago, looked like stalling in a Borneo bazaar or a head-hunters' long-house.

There was a brave and articulate assembly of delegates from Sarawak, Brunei and North Borneo, with Malayan and Singapore allies, in the bunting-hung Victory Theatre here for the fourth and final meeting of the Malaysia Solidarity Consultation Committee. But hearty adjectives masked cautious sentiments and, for all the exultant shouts, the anxious theme was: "Don't rush it!" The prospects, at curtain-call, were that Greater Malaysia would require two bites instead of one.

The Sarawak leader, Mr Yeo Cheng Hoe, appealed for "more time," because "our people are now divided and confused," and gave a blunt warning that, if Malaysia were "rushed through, there could be a repetition of that unhappy episode in Sarawak's history when the Rajah ceded the country to the British government." Mr Donald Stephens of North Borneo admitted that racial feeling against Malaysia was rising, and counter-propaganda was needed to allay "Chinese fears of becoming second-class citizens." Dato Ali of Brunei, stressing his territory's independence from Britain, was piously hopeful, and tactfully abstained from any reference to the unfortunate impression which some arrogant and inefficient "advisers" from Malaya have already left in the Borneo sultanate.

The plain fact is that Malaya and Singapore can hardly afford to wait for the innocent natives of the Borneo territories to shed their doubts and fears, accept the strange doctrine that their lot, whatever their present naive delusions, is not a happy one, and that fatter pigs, whiter rice and better fortune generally await their democratic decision to join the new state of Greater Malaysia. The noble Dyaks, crocodile-hunters and former head-shrinkers themselves, may brain-wash easily enough, but the local Chinese, inherently and innately suspicious of a change to greater Malayan control, are united in a solid block of sophisticated opposition to the project. They are, indeed, adopting the last desperate stratagem of democracy: spending money to resist the change. (For example, in North Borneo they have started a newspaper, the *Borneo Times*, solely to put a case against Malaysia.)

This embarrassing opposition confronts Tunku Abdul Rahman of Malaya and the prime minister of Singapore, Mr Lee Kuan Yew, with a hard decision. Should they abandon all pretence of democratic processes and go ahead with virtual annexation of the Borneo territories? Or should they build Greater Malaysia in two stages—Singapore and Malaya today, the Borneo territories tomorrow?

Mr Lee can probably command a safe referendum victory on merger in Singapore, despite the opposition—and doubtless bloody violence—of the Barisan Socialis breakaway extremists. (The Barisan Socialis boycotted last week's meeting of the Solidarity Committee.) Even if Mr Lee should lose a hard-fought vote, the Tunku, moving in to "protect" the lives and interests of the Malayan minority in Singapore, could suspend the present Singapore constitution by withdrawing his representative on the Singapore Security Council and, with the tacit agreement of Mr Lee, in effect absorb the restless, explosive, unpredictable island.

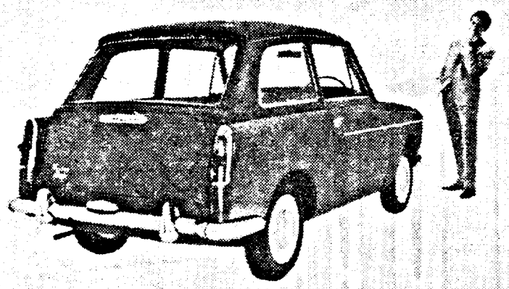
The Tunku has already accepted the lesser of two evils by consenting to embrace Singapore along with the Malayan makeweights in Borneo. After that hard but graceful swallow of old prejudices, he can probably bring himself, in expedience and realism, to yet another choice of the lesser of two evils. Merger deferred



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will not just make Mr Lee's heart sick ; it will also kick him out of office. Then the fears that induced the Tunku's first change of heart will become ugly facts indeed.

Suggestions—perhaps unworthy—are heard that Britain would not be desolated by a delay in the transfer of Sarawak and North Borneo from their existing Crown colonial status to partnership in the brave new South-East Asian state. This breathing-space, so the tongues wag, might be useful at a time when the future of the Singapore and Hongkong bases and the possible substitution of carrier-borne marine commandos are question-marks on the Far Eastern horizon.

Inche Yusof bin Ishak, Malayan delegate at the Solidarity Committee rally in Singapore, probably made the most prudent, realistic and truly Oriental reference to the difficulties and delays ahead. "Realisation of the State of Malaysia is only a matter of time," he observed equivocally. In the East, time is, of course, always a relative matter. Malaysia's hour, it now seems, will strike more surely and enduringly if it strikes twice—first, for Singapore and Malaya ; secondly, for the uneasy and reluctant Borneo territories.

Africa: Southward March

FROM OUR SPECIAL CORRESPONDENT IN ADDIS ABABA

ONE of the more curious of African paradoxes is a Pan-African conference in Addis Ababa. "The "freedom fighters" graciously thank His Imperial Majesty for welcoming them to the imperial capital ; then they switch over to their best nationalistic oratory to condemn the "bloodsucking parasitic imperialists." A land whose men have adopted the topee and jodhpurs as a national costume, and which provides as conference receptionist an ambassador's daughter educated at Cheltenham Ladies' College, may not seem the likeliest place for a conference planning "the total emancipation of Africa."

But all the delegates to the Pan-African Freedom Movement for East Central and South Africa conference this week took these slight incongruities without blinking. Indeed, the series of conferences held here since the United Nations economic commission for Africa made Addis Ababa its headquarters, and since the magnificent new African Hall was built here, has had an important effect on Ethiopia—one of which the emperor seems to approve. The Unesco conference on education, for instance, inspired some self-criticism of the limited Ethiopian school programme.

The point of this week's conference was not, however, to educate Ethiopia. It was to make as practical plans as possible for the liberation from white supremacy of all southern Africa by a date much earlier than 1970—the one suggested recently by the "Monrovia" heads of state. With independence for all east Africa within eighteen months almost assured, the emphasis has shifted south. The old Pafmeca founded by Mr Julius Nyerere four years ago has been enlarged into Pafmecsa, covering all southern Africa. At the same time, but for different reasons, it has spread north to embrace Somalia, Ethiopia and the Sudan.

The atmosphere has been one of confident militancy. The days of universal professions of "non-violent action" seem to be past. The Pan-Africanist congress delegate from South Africa, Mr Peter Molotsi, said that for leaders "lunging into the last phase of the liberatory struggle" it was unrealistic to champion non-violence as laid down in the Pafmeca constitution. The Uganda chief minister, Mr Benedicto Kiwanuka, remembering his years as a sergeant-major, gave Portugal a year's notice to start preparing Angola and Mozambique for freedom. "It does not matter what means we use, but they must be liberated," he said. As for white Rhodesians, they must yield or quit—"there is plenty of land in Australia." Mr Nelson Mandela, a bearded lawyer and an heroic figure from the South African political underworld, said that his African National Congress would continue non-violent strikes but would fully understand if the people turned towards the sort of sabotage that began in the main towns in December.

It is not clear what detailed plans the eighteen Pafmecsa countries are making to destroy the "Verwoerd-Salazar-Welensky axis," and the attempts of the champions of white supremacy to maintain an industrial empire "from Katanga to Capetown." Their main points of strategy will not be revealed. But it is known that the South Africans want equipment rather than conspicuous volunteers ; Mr Kenneth Kaunda wants money either to organise an election campaign or a general strike (depending on whether the new Northern Rhodesian constitution proves acceptable or not) and the Southern Rhodesians want scholarships for exile students. In response to these requests a freedom fund and a refugee fund are being set up, and the permanent secretariat in Dar es Salaam is being strengthened.

More important in the long term, of course, is what these nationalist leaders intend to construct when they have destroyed the old colonialist fabric. There has been a good deal of talk about political union. The emperor began it by speaking of "a regional federation of east and central Africa." The Ethiopian chief delegate strengthened the point by saying that political union was necessary if the countries of east Africa hoped to diversify their economies, integrate their development programmes and exploit their mineral resources and the potential of their rivers.

The difficulty of achieving union has not blunted the general optimism. The accommodation of a sultan, a kabaka and an emperor inside one state is not regarded as a great problem. When the Zanzibaris point out that a customs union with mainland east Africa would deprive the islands of a third of their revenue, they are assured of compensation. But none of this will happen overnight. The early steps seem to be agreement to avoid setting up competitive industries, to establish a customs union and to pool defence forces. Ethiopia, which spends about 40 per cent of its budget on defence and internal security, could benefit greatly.

THESE conferences have established a convention that it is bad taste to air brotherly quarrels which detract from the image of African unity. Any protests the Somalis may have had about Ethiopian or Kenyan attitudes towards Somalis were politely hushed in the Ethiopian capital—especially with a Kenyan, Mr Peter Koinange, as secretary-general. Even when an angry word flew—as when the Afro-Shirazi delegation called the Arab administrators in Zanzibar "foreign insignificant minority elements" and Mr Oginga Odinga attacked the Kenya African Democratic Union as "a misguided tribalist organisation, a complete negation of African nationalism"—the other side did not answer back. This may not be the best way of resolving internal differences, but it stops controversy from confounding the attempts at broader planning.

The most worried men at the conference were observers from Ghana and Guinea. They see the growth of a regional federation in eastern Africa as a threat to Pan-African unity (and perhaps to their pre-eminence in promoting it ?). Mr John Tettegah, Ghanaian ambassador-at-large, declared, "So long as we remain balkanised regionally or territorially we shall be at the mercy of colonialism and imperialism." He proposed an American-type constitution for the united states of Africa that would provide for common economic planning, a joint military command and a common foreign policy ; he added that this union need not impinge on any country's sovereignty.

The idea of many Pafmecsa delegates is to build from the ground upwards, rather than from the roof down. Several would privately suggest that the Ghanaian plan is up in the air, whereas

regional federation is well founded. Publicly they assure Accra that Pafmecsa is conceived "within the framework of the All-African People's Conference." But this divergence of view over whether regionalism or Pan-Africanism comes first may prove a more important division than any that sets the Monrovia group apart from the Casablanca powers.

Persia's Gamble Against the Clock

FROM OUR MIDDLE EAST CORRESPONDENT

TEHERAN

Although Dr Ali Amini, the Persian prime minister, weathered last month's storm of student violence—and its ruthless suppression by a paratroop battalion—the disturbances have left the government with less public support than ever. It is generally accepted that Dr Amini was right in insisting that influences outside the university helped to stir up the students, and that paid gangs of hooligans, who notoriously play a squalid but important part in Teheran politics, took part in the street fighting. But it is equally clear that the paratroops got out of hand in putting down the riot; the government has tacitly admitted this by replacing the battalion commander. The prime minister has denied that he knew beforehand of the orders given to the troops, and there is good reason to believe him. Who, then, pressed the button? If that responsibility could be established, an important piece of the Persian jig-saw would fall into place.

At the height of the excitement, some 300 people were arrested; of these, more than two-thirds have by now been released. Dr Amini, supported by Dr Arzanjani, the minister of agriculture, lashed out in all directions—at the feudalists, the National Front, the Communists and the "Al Capones." This last reference was presumably to General Teymour Bakhtiar, who, when he was chief of security, reinforced his police by gangs of thugs and managed to amass a fortune for himself. After the riots General Bakhtiar was sent out of the country by the Shah; he is at present in Europe.

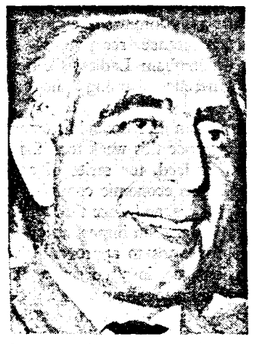
After an exchange of correspondence with the rector of Teheran university, Dr Amini seems to have made his peace with the scholars. The rector and his deans have withdrawn the resignations that they tendered in protest against the behaviour of the paratroops, and it is hoped to reopen the university before the end of the month. A lot of repair work has still to be done, and much equipment has still to be replaced. The government is also insisting that the university authorities set up a student guard to keep order in future. But who will the guards be? The method of selecting them seems likely to provoke heated debate among the students.

Teheran has regained its calm, but an end to Persia's troubles is remote. Dr Amini's government is pledged to a programme of radical reform by evolutionary methods. This includes the break-up of the big estates in favour of peasant ownership, and an extensive programme of industrial development. These changes imply a political and social transformation of the country. In time they would break the power of the traditional landowning class and produce thousands of articulate administrators and technicians in town and country. The experience of other countries suggests that at least a generation will have to pass before the programme is completed.

Except for the Shah himself (and his courtiers inspire little confidence) and the followers of Dr Amini, few Persians are prepared to wait this long. The breach between the prime minister and the National Front (the main opposition force) now seems irreparable. A policy of economic austerity and the dragging of government feet in bringing the corrupt to justice (most of the senior officials arrested on charges of corruption still await their trial) sharpen the quarrel; but the real issue is over elections. The National Front wants them now, Dr Amini refuses to hold them until the electoral law has been changed. This issue has not only widened the gulf between the government and the front. It has also given the front, formerly a loose and shapeless alliance of nationalist groups, a cohesion which it has never had since Dr Mossadegh went into pyjamaed retirement.

The National Front wants elections as a means to power. But what it would do if it got power is still anybody's guess. It holds together on the election issue; but, if elections were no longer an issue, it would probably fall apart. Uncommitted Persians differ about the desirability of parliamentary government at the present stage. Some argue that free and honest elections would result in the return of the more responsible representatives of the landowners and of the National Front, with perhaps a sprinkling of communists giving a strong majority for radical but gradual reform along lines laid down by Dr Amini. Others fear that the extremists of all parties would get in, with a small but determined communist group holding the balance and making the practice of government impossible. The past performance of the Teheran *majlis* suggests that the pessimists have good grounds for their apprehension; even if "responsible elements" were returned, how many would remain responsible and for how long?

There are those who are urging accelerated reform—or revolution—; there are others who do not want any reform at all. These are mainly the big landowners, whose strongholds are the court and the army. They do not represent the whole landowning class, perhaps not even a majority; but they are there, in high positions.



Survivor: Dr Amini

Dr Amini claims that the land reform will save the landowning class (for which he is promptly attacked from the left). But there are many landowners who have no use for this form of salvation.

Land reform is starting in the district of Maragheh, in Azerbaijan. In repeated statements designed to placate the landowners, and, perhaps, to impress outsiders by the prudence with which reform is being put into effect, the minister of agriculture has declared that the Maragheh "pilot project" is experimental. Any mistakes made will be rectified by changes in the law, and taken into account when the reform is applied elsewhere. For this very reason, some of the Maragheh landowners are already up in arms. "If you want to experiment," they ask, "why start on our lands? Why not make your mistakes on crown or government land instead?"

Although their motives are not unselfish, the Maragheh malcontents have a point. In the Qazvin area, for instance, where the Shah has already distributed large tracts of crown property, the lot of the peasantry has improved little, if at all. Farming is wretchedly inefficient. Since bread is a staple, wheat has to be grown however small the holding. The situation is getting worse as time passes and the sons of the family grow up and there is no land for them. On most such farms a time is reached when the younger sons drift off to the nearest town, which has little but casual labour to offer them. The government's answer to such problems is to form co-operatives. If enough officials, competent, honest, imaginative and patient, can be found to run the co-operatives the reform may succeed, given time. But Persia may have neither the men nor, more urgently, the time.

Financially speakin', Alfred, what's new?

A highly interestin' report, Edgar, by the chairman of John Summers.

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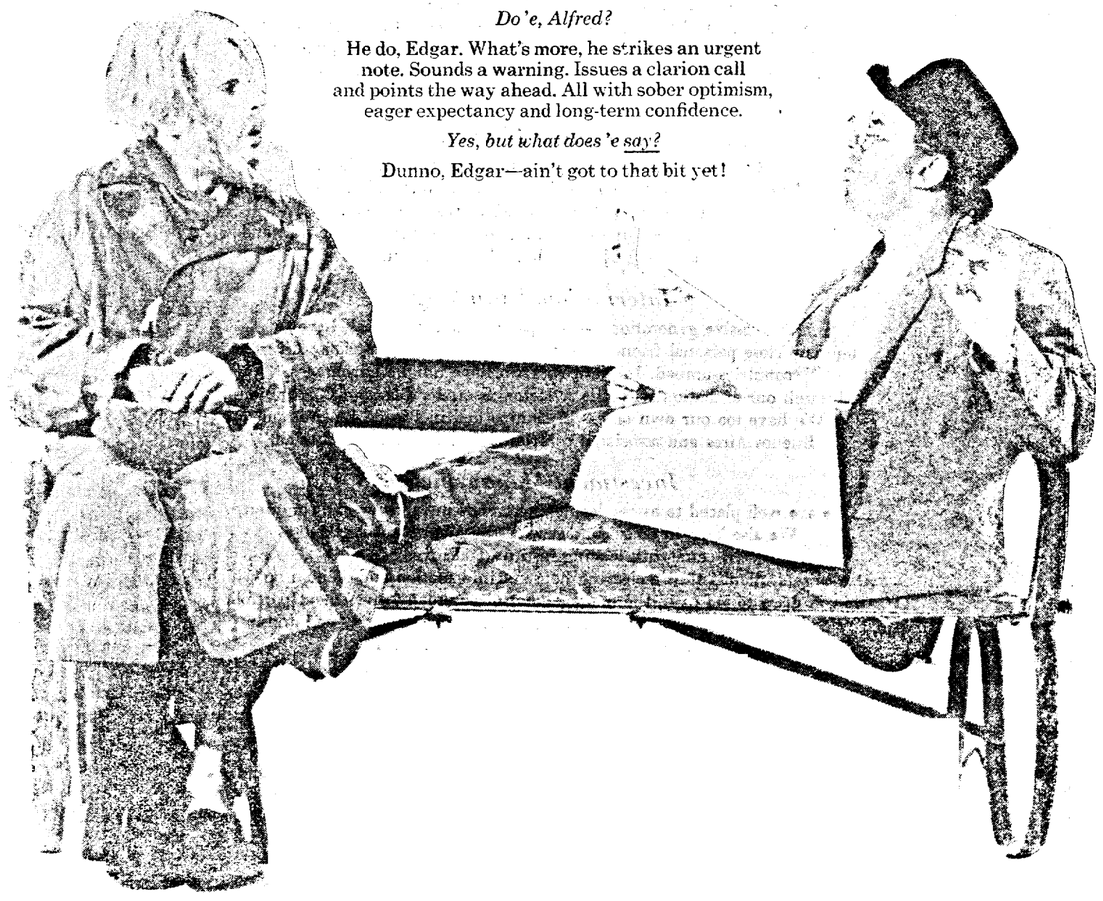
Usual stuff, Edgar. He reviews the position. Sets the scene. Issues a disclaimer. Makes a forecast or two and drops more than one scarcely veiled hint. In short, he establishes a platform.

Do 'e, Alfred?

He do, Edgar. What's more, he strikes an urgent note. Sounds a warning. Issues a clarion call and points the way ahead. All with sober optimism, eager expectancy and long-term confidence.

Yes, but what does 'e say?

Dunno, Edgar—ain't got to that bit yet!



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THE BUSINESS WORLD

New Defences for the Dollar

SPURRED by a big increase in its payments deficit as officially—and exaggeratedly—recorded, the United States is planning two further defensive moves to rotect the dollar in 1962. One of them is highly intriguing. fr Dillon last week declared that the Administration would ot oppose "an increase in the discount rate to achieve a igher level of short-term rates"; secondly, the impact of ese higher rates internationally is to be reinforced by new oves in official intervention in the foreign exchange markets, otably in the forward exchange markets. The tentative steps this direction that have been taken in the past few months y the United States Treasury itself are now to be supple- ented by the Federal Reserve Board acting on its own ccount.

The possibility of manipulating forward exchange rates in rder to guide the flow of international funds has exercised ie minds of monetary theorists from Keynes onwards. litherto monetary authorities have been distinctly cautious putting these ideas into practice. In Britain the Exchange qualisation Account does operate in forward markets, but s intervention is limited, spasmodic and discreet: it is aditionally wary of operating too far "against" the market end and would consider it positively dangerous to let its ims—and thus its position in the market—become known.)n the Continent, official intervention in the open market r forward exchange has also been rare, but in both Germany nd Italy the central bank has recently provided special rward swap facilities for one important sector of the domestic arket, the commercial banks. The new moves now being eveloped by the United States are novel in the sense that ey aim at a systematic—and openly proclaimed—interven- on in the forward exchange markets. And since it is the ssence of American policy to act in these markets in close o-operation with the local monetary authorities (i.e., they ould not sell sterling forward at a time when this would mbarrass the Bank of England) their initiative could con- ivably lead to wider and more concerted official intervention enerally, with the monetary authorities acting in concert to ounter unwanted flows of short-term funds.

These steps make sense for the United States just now, cause the main element in its deficit is the outflow of short- rm capital. In 1961, the basic deficit on all other transac- ons was reduced to $600 million, from $2 billion in 1960 nd double that in 1959. But the "net" deficit, which the nited States records as the outflow of gold plus the increase foreign-owned dollar balances, was still $2.5 billion; and the fourth quarter, although the combined trade, govern- ment and long-term capital accounts were better than in the third quarter—when this basic deficit had temporarily widened —a steep increase in the recorded outflow of short-term capital widened the so-called net deficit to "an annual rate of $5 billion." Nor did this outflow reflect a concomitant flight from the dollar. It appears, for example, that some $150 million was attracted by Canadian banks and agencies in New York and promptly reinvested in that market: yet this $150 million which never left New York swells the net deficit —multiplied by four, of course, to get the annual rate. The great increase in international financing through the Euro-dollar market and in other ways has indeed made nonsense of conventional ways of measuring the movement of funds—it has, for example, added greatly to short-term US claims on foreigners. It is good to see that Mr Dillon is now making an "intensive study" of this important question of presentation.

At the same time, the American authorities are seeking to check the true outflow of funds. In recent months both the Federal Reserve Board and the Treasury have been working on "operation nudge" for the short-term rate, with some success. Officials now acknowledge that "crash action" in the form of a new rise may be necessary to fortify the external account. But they insist that this will not mean a commensurate rise in longer-term rates, which could stifle economic growth. And it is in order to minimise the domestic impact that the American authorities are putting their new emphasis on foreign exchange tactics. Most transfers of funds internationally are secured against the exchange risk by a forward exchange swap; and by working on the cost of that swap, as well as on American short-term interest rates themselves, the American authorities are bringing influence to bear on covered interest arbitrage from both sides.

LAST spring the United States authorities began operating in foreign exchange markets for the first time in a generation. Their initial move was in German marks; the Treasury put part of the proceeds of a German debt repayment into its reactivated stabilisation fund. This was used partly in the spot market, to help get the dollar off the floor. But the main emphasis of the operations has throughout been on the forward swap rate, in an attempt to bring down exceptionally high forward discounts on the dollar (premiums on the mark), which made it too expensive for Germans to secure cover for a transfer of marks to New York unless they enjoyed the Bundesbank's official facilities), and which actually made it worth while for Americans to leave their marks in Germany

at no interest and buy their dollars forward at a discount. Mr Alfred Hayes of the New York Federal Reserve (which acts as the Treasury's agent) last week revealed that by the end of June last it had "provided" forward marks (i.e. contracted to supply marks against dollars) to a total of more than one billion marks. As it happened, these forward commitments were unwound without difficulty in the wake of the Berlin crisis—which pushed funds out of Germany into Switzerland.

At this stage the US Treasury duly turned its attention to the high premium on the Swiss franc, and it broke new ground by borrowing from an overseas government to build up an operating fund. In October it borrowed 200 million Swiss francs ($46 million) in a three months' credit granted through the Swiss National Bank. About half this credit was repaid in January, and the remainder was renewed for a further three months. In its latest venture, the Treasury has this week announced a three months' credit of $25 million in lire granted through the Bank of Italy: the Treasury has already been operating in lire in co-operation with the Italian authorities, helping to lift the dollar off the floor in Milan.

But the resources of the United States Treasury are limited not only in foreign exchange but also in dollars. Less than half of the $350 million in the exchange stabilisation fund has been available for transactions in Europe, the remainder being committed in stabilisation agreements with Latin American countries and the Philippines. The Treasury's Swiss and Italian borrowings, in turn, come under the debt ceiling. The decision to bring in the Federal Reserve appears to have been taken to provide greater resources, rather than greater freedom of action. Officials claim they have no set figure of how much will be available through the Federal Reserve. They point out that it could range well above $1 billion if conditions dictate, though they plan a modest start, believing that a little can go a long way (as the Treasury has to some extent shown) and also contemplating foreign borrowing in appropriate circumstances. It is still unresolved whether the Federal Reserve Board's activities will completely replace the Treasury fund; probably both will continue to be used, as the stabilisation fund offers the opportunity of masking transactions for periods longer than can be managed by the board—which expects to disclose transactions monthly, though it will probably still hide the details of currency transactions.

The success of this open experiment in one of the more neglected applications of Keynesian theory may be important for future currency management in the world. The forward exchange market, like any market in expectations, is particularly sensitive and not always rational. If dealers know that an official fund has major open commitments, this fact itself will influence them—and it may obsess them. To operate "with" the market is easy, as the Americans found in the German market after the Berlin turn-round. In Switzerland their success has been only partial—after an initial fall in the cost of the dollar swap this has now returned to its interest parity. In this case determined tactics by a larger official fund should make their impact. But at a time of real distrust, official operations designed to lift the dollar to a smaller forward discount might have to be very large indeed—and their very size might then frighten the market. Such possibilities have hitherto kept forward operations by the less venturesome European stabilisation funds within fairly small limits. The Americans, who are after bigger game, will have to exercise boldness and prudence in a fine blend.

On the Brew

A YEAR ago a number of head brewers still saw little commercial prospect for continuous brewing. Today, partially continuous brewing is already in practice and the industry recognises that fully continuous brewing on a commercial scale is technically possible. The system best known and most fully tested in this country is based on experimental work carried out by the British Brewing Industry Research Foundation and further developed by a consortium made up of the federation, the APV company of Crawley, Guinness and Courage Barclay and Simonds. The first development plant installed at Guinness's Park Royal brewery, for stout, and the second at Courage's Park Street brewery, for lager, have been used for research into production-scale problems. More recently similar plants have been installed by Watney Mann and by Peter Walker (a member of the Ind Coope Tetley Ansells group); these are working as production plants and the wort that they produce for fermentation is being used in beer sold to the public. The system used by these four breweries is continuous only up to the point where boiled and hopped wort is produced. But there would be no great technical difficulty in linking this stage with a continuous fermentation plant, and at least one of the four has successfully developed continuous fermentation equipment.

Brewers are aiming at the fully continuous process, from mashing through boiling to fermentation, for only at this last stage do the economies become most obvious. In the conventional batch process of brewing beer, the mash tuns, coppers and hopbacks used in mashing and boiling can normally be used several times in 24 hours; but the fermenting vessels are occupied by one batch of beer for four or five days, and beer may have to be left in maturing tanks for up to several weeks. One factor impeding the development of a fully continuous process is the brewer's traditional caution, though the industry is not grudging on research and development, on which it spends around £1 million a year. Another is that the Excise has not yet accepted any method of automatically gauging the gravity and metering the flow of the unfermented wort; some method will be needed before fully continuous brewing can start, but some promising equipment is now being tested. The other important impediment is legal rather than technical. At least eleven patents, some dating back to before the turn of the century, are registered for continuous fermentation. Last July the Dominion Breweries of New Zealand, which has been making use of the Morton Coutts process for continuous fermenation for some time, registered a series of patents in this country, which apparently sought to tie up continuous fermentation so comprehensively as to cover anything that any other brewer can do. Whether the patents are precise enough to stand up to legal argument remains to be seen. Before long, some British brewer is likely to take the plunge, at the risk of litigation, with his own patented system.

Once the patents problem is overcome it will not be long before a fully continuous plant is in operation. This does not mean that brewers will scrap existing batch plants, on which they have spent a great deal of money since the end of the war. But continuous brewing offers tangible advantages in the construction of new breweries, in flexibility in production and in decentralisation. The capital cost of a conventional ale brewery, capable of producing 200,000 barrels a year, is put at £5 a barrel, £4 for plant and £1 for building; it is hoped, perhaps optimistically, that the capital cost of a fully continuous brewery of the same size would be £2 a barrel. The saving in such plant, built in stainless steel and instrumented throughout, would be impressive. The economies arise mainly because such a brewery would take up little space. A fully continuous brewhouse, capable of producing 50,000 barrels of ale a year, could be constructed in a building of two storeys on an area no bigger than a tennis court. Moreover, while a conventional brewhouse has to carry great weights (a single big fermenting vessel when full may weigh, for example, over 600 tons) and absorbs a great deal of space in storage between successive processes, a continuous brewhouse requires a comparatively lightly framed building with storage simply for raw materials and finished products. Indeed, beer might not have to be stored at the brewery at all, being taken off immediately to stores and bottling depots.

For lager, savings in capital costs would be even more dramatic, if it could be firmly established, as one patent claims, that a continuous fermentation process can eliminate the "lagering" time, which by Continental standards is not less than six weeks. Such a saving would be particularly important for British brewers; excise duty, which forms a substantial part of the price of beer, is charged on the unfermented wort and brewers are out of pocket for the cost of the duty all the time the beer is maturing. A fully continuous brewhouse capable of producing an acceptable lager without the need for prolonged maturing time, might cost as little as £2 a barrel, if it could be developed; the cost of a conventional 200,000-barrel plant, allowing for storage, is something like £12-£13 a barrel (£10 a barrel of it on plant).

Capital charges do not, however, loom large in the total costs of an ale brewery, amounting roughly to 5 per cent excluding duty and to 10 per cent including duty; a lager brewery involves a higher cost of servicing. To be acceptable to the brewers, the fully continuous process will have to offer something more than a saving in capital costs. It may save a little labour, calling for a smaller but more highly qualified staff. It does offer extraordinary savings in time; a continuous brewhouse can convert raw materials into finished beer in a quarter of the time taken in a conventional brewery. All the materials can be mechanically handled and fed continuously into the process, thus saving costs—particularly for hops. The process also offers the brewer very close control over the quality of his product, an important point for national brewers who have to produce a broadly identical beer at a number of local breweries. In parallel with the development of continuous brewing, much effort has been devoted recently to the specialised instrumentation needed, and brewing engineering companies will soon be able to offer fully-instrumented "package" breweries, either for batch or continuous brewing. The latter carry automatic safety devices at each stage; vital feeds are duplicated; and two or more identical plants are likely to be installed in parallel, not only for greater security but also for greater flexibility in production.

WITH such advantages, continuous brewing opens up new possibilities for the export brewer. Instead of engaging in the costly exercise of shifting masses of water halfway across the world, he could, in the market areas of his own choice, erect new breweries requiring little space or labour but capable of producing a beer of export strength and staple quality. At home, too, continuous brewing offers possibilities of greater decentralisation and savings in transport costs. Concentration of the brewing industry into big and less vulnerable groups has led to the closing of some breweries, but it has

No Heel Taps

THE first stage in brewing is to infuse roughly ground malt in hot water ("mashing") so as to break down the starch and to extract all the sugar; in the "mash-tun" the porridge of malt and hot water is soaked and sprayed with further water ("sparging"). The resulting solution ("wort") is boiled in a copper (or "kettle") with hops, from which preservative resins and bittering substances are extracted. After the spent hops have been trapped in a "hopback," the wort is then cooled, usually in a "paraflow." Yeast is then added and the wort is left to ferment in a vat. In this country, excise duty is charged at the point where the wort is transferred into the fermenting vessel. Lager brewing is a more complicated process, requiring several boilings and a longer period of maturity for the fermented beer than is usual for British-type ales.

Continuous brewing gives the same basic treatment to the raw materials automatically and non-stop, the aim being to deliver a continuous flow of fully fermented beer ready for consumption. The apparatus used may bear a superficial resemblance to conventional "batch" vessels, but it does in fact involve a break with the traditional equipment and techniques which are essentially the same as they were four hundred years ago.

Continuous brewing requires a precise automatic control of weights, flow and temperature; the automatic measurement and control of specific gravity; and, in this country, automatic gauging and sampling for excise purposes. In the continuous process, malt is fed at a controlled rate into a miniature mill and the resulting grist is passed by a weigh feeder to a small vessel in which it is automatically mixed with water entering at a controlled flow and temperature. There is no need for a mash-tun. The conversion and extraction of the malt can take place in passage through a system of heated pipes in which the optimum temperature can be established and maintained exactly. From there the water and grist can be passed to an automatic filtering and sparging vessel in which the residual extract is washed from the spent grain. The wort can then be run off continuously through a gravity controller to a heat exchange boiler and then on to a hop extraction vessel. The hop extraction may either involve passing the liquid successively through batches of hops or spraying the liquid through hops which are continuously fed on to a moving belt. The hopped wort is then passed out to a paraflow cooler and through a metering and sampling device into a continuous fermentation vessel, from which the beer can be run off either into casks or tankers or piped to the bottling store.

not brought about a general concentration of production into a few large-scale plants. It is likely, indeed, that production will remain dispersed. The cost of moving beer over any appreciable distance operates against excessive centralisation ; another factor is the supply of water. Brewers may use up to ten gallons of water for every gallon of beer that they produce, and in certain areas they would not be allowed to increase their consumption much above its present level. Transport and water may thus force the brewers to think in terms of dispersed production ; it follows that possibilities of brewing in twenty or thirty automatic, fully continuous breweries instead of three or four conventional ones cannot be ignored. Bottling is already widely dispersed ; looking a long way ahead, some brewers cannot see why continuous plants should not be erected next door to the bottling depots. Through mergers and take-overs, this industry is buying a measure of decentralisation and at the same time tightening its grip on the tied trade. But the greatest technical economies may come through decentralising production in fully continuous plants.

Behind centralisation and decentralisation lies another question, important alike to the consumer and the brewer: will continuous brewing affect the strength, quality and flavour of British beers and produce a greater uniformity between brands ? Brewing is an art. To perfect and maintain the individuality of a particular beer, the industry will argue passionately, calls for experience and judgment far more subtle than any number of scientific facts and formulae. Science offers the brewer methods by which he can either improve and better protect the quality of his beer, or economise at some expense of quality if he should want to. The scientist provides the means ; how they are used depends on the brewer. Clearly, continuous brewing might tempt brewers to adopt a policy of greater uniformity. On the other hand, it could be used as a method of improving quality and extending the production of national brands, and at the same time producing the regional and local beers that are at the heart of the British brewing tradition. At the moment, most big brewers are sensitive to the consumer's idiosyncratic attitude towards the beer he drinks. It may seem odd that a brewery should spend time and money producing ten or fifteen types of beer instead of trimming production down to one or two brands ; but brewers know they have to hold the goodwill of a large group of consumers which might be lost if they ignored or tried to strait-jacket the ordinary drinker's preferences. Hence, though continuous brewing offers the temptation of greater standardisation, the brewers may resist it. Continuous brewing, in fact, offers them a means of production as flexible as their traditional processes and holds out prospects of important economies. It will not revolutionise the industry overnight ; but revolution was never a mark of the British brewer.

Britain into Euratom?

Some difficulties for nuclear engineering companies will arise if we do

SOME time in the summer, if negotiations for Britain's entry into the common market continue to go according to plan, the question will be raised of this country's joining Euratom. This time, the Atomic Energy Authority will not be able to tip the scales against membership as it was five years ago—there is no intention of joining some institutions of the Six and not others. Euratom, however, is an atomic energy organisation that actually owns plants and lets contracts, and can profoundly influence the course of nuclear research by giving or withholding funds. The effects on Britain of joining Euratom will not be quite the same as those of joining other parts of the common market. Very briefly, membership might prove a boon for the Atomic Energy Authority and a boomerang for companies involved in atomic engineering.

Euratom in real life is a different beast from the Euratom that appeared on paper in the original Treaty of Rome ; its features are softer and its tone less autocratic. The Euratom of the treaty was to be a supra-national body with considerable powers to prevent the production of nuclear weapons in western Europe by rationing and controlling their source material—uranium—and also to control the development of nuclear power through its grip on uranium supplies and its ownership of key production plants. That conception was never realised ; the Euratom that is emerging with shape and stature in Brussels is an international, largely non-political, research organisation filling the gaps in Europe's nuclear research between the programmes of individual countries and generally working for sensible commercial development of nuclear power. The roles of politicians and scientists in the organisation have been reversed ; the scientists run Euratom today and the last figure of political stature in the organisation, its president, M. Etienne Hirsch, has recently been removed to make room for a man said to be more interested in atomic fission than European fusion.

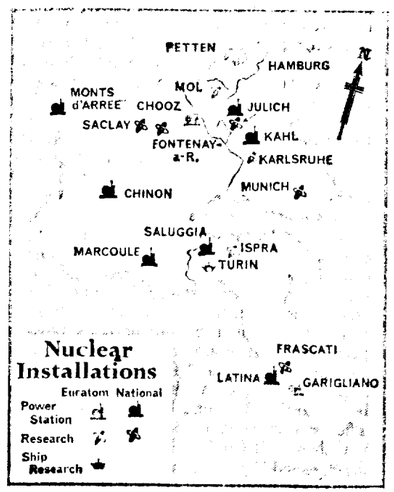
There are two reasons for the change. One is the attitude of France ; the other is plentiful uranium. France has persisted throughout in going its own way, conforming with Euratom regulations when they suited French policy and amiably shouldering them aside when they did not. When France made plain its government's determination to make nuclear weapons, a quick scissors-and-paste job had to be done on the Euratom treaty to accommodate this. Today, France refuses to allow Euratom inspectors into plants like the Marcoule nuclear power station and its ancillary plutonium extraction plant (the French equivalent of Windscale and Calder Hall) because the French argue—though Euratom disagrees—that these are military installations. The fear of a widespread shortage of all fuels, including uranium, was one of the driving motives that brought Euratom into being. It was assumed that western Europe would need a large nuclear power programme and might have difficulty in buying enough uranium to fuel it. The idea was that Euratom would negotiate uranium supplies for its six members and ration these out. But these shortages soon gave way to surpluses of coal, oil and uranium with falling prices all round ; so the need for a large-scale nuclear power programme disappeared too, and

with it the joint services that Euratom might have provided.

For all their practical effect, large parts of the Euratom treaty could be regarded as having lapsed quietly—although it might be argued otherwise in Brussels. What remains is the rump of the original scheme—co-operative research—and on this the Euratom administration in Brussels is feeling its way towards the best method of getting things done. Superficially, it may seem to have achieved notably little ; in fact since Euratom came into existence in 1958, it has been laying the foundations for a research structure upon which a European nuclear energy industry can be built. None of this has been missed by the Atomic Energy Authority, cannily playing possum in London, but it is unlikely that the British atomic contractors fully realise what may happen to them when this country joins Euratom.

The consequences stem from the kind of research that Euratom supports and the way this support is given. Each member country (with the exception of Luxemburg) has its own independent national programme of atomic research ; in addition, it contributes to the upkeep of Euratom, whose five-year research budget expiring at the end of this year amounts to $215 million. (It is asking for $480 million for the next quinquennium.) Euratom is spending this money by sponsoring projects that member countries are not prepared to undertake and by supporting particular pieces of research that are of interest to all six members. Its object is to see that, somewhere in the Community, work is being done on all important aspects of nuclear physics, which can then be drawn on by industry as or if required. Wherever possible, Euratom prefers to place research contracts with existing laboratories in the member countries (occasionally outside them) rather than to set up laboratories of its own, so that each member can expect to get back some of its contribution to the upkeep of Euratom in contracts to do work for Euratom.

This aspect of Euratom's work must have considerable appeal for the UK Atomic Energy Authority at this time. The AEA's work in the future will be at lower tempo than in the past—indeed, magnificent research facilities are in danger of being under-employed if not literally idle. Its reactor research station at Winfrith Heath is one such case. And it so happens that the AEA's first taste of working to a Euratom research contract is on the same site, where Euratom has a sizeable stake in the research project known as Dragon (a high-temperature gas-cooled reactor for the 1970s, a sort of Mark III Calder Hall). The Dragon contract was part of Euratom's plan to fill obvious gaps in Europe's research programme. For much the same reason, it has taken over the Italian centre at Ispra and converted it into an institution doing research on power reactors cooled with organic liquids instead of gas or heavy water, on which plenty of work is already being done elsewhere ; a limited amount of work is sponsored on even more esoteric types of reactors in Holland. There are several new reactor types on foot in Britain that might interest Euratom ; if they do, Euratom would not find the AEA too proud to share work with it.



IF this were to happen, where would British atomic construction stand ? It has been conditioned to take basic scientific data passed down from the Atomic Energy Authority and to translate this, with appropriate flourishes, into engineering drawings of nuclear power stations to be sold to the Central Electricity Generating Board. It is an industry that has not been encouraged to think for itself, and on occasion when it has tried, has been slapped down on the ground that the AEA knows best—as indeed it should since it controls all the major facilities for finding out. Atomic construction on the Continent is more precocious. It may not have Britain's experience of building large nuclear power stations, and some odd goings-on in at least one French nuclear power station suggest that the British consortiums could teach their Continental colleagues a great deal about work on site. But it has been accustomed to working closely with scientists on development ; even the French Atomic Energy Commission, which has some resemblance to the AEA, leans more heavily on industry than the British authority has ever done.

Consequently, many Euratom research contracts are placed direct with industry, which is extending all the time its knowledge of advanced atomic technology. Contracts for research into thermonuclear fusion are, indeed, generally placed with national laboratories, and industry is not concerned with the kind of salvage operation that Euratom performs periodically when the smaller member countries find that in their enthusiasm to build a national nuclear research centre they have forgotten how much these expensive status symbols subsequently cost to run. One aspect of the immense stimulus that Euratom can give to the nuclear engineering industry is its ship research programme. Euratom is financing two design studies by industry, one in Germany, one in Italy, into small, protoype nuclear powered ships and if the designs look promising, it might order both ships to be built for experiment. British companies will remember that they bore the full cost of what proved to be abortive tenders for an atomic ship without a " thank-you " for their pains.

When Britain joins Euratom, the consortiums may find themselves at a competitive disadvantage. When Euratom places research contracts in Britain it will wish to place them with whoever is best situated to carry them through ; and that is likely to be the Atomic Energy Authority. Under present arrangements, British atomic companies would stand no chance of getting contracts from Euratom, and this must qualify their ability to compete with those industries on the Continent that do. This is not an argument against going into Euratom ; but it does suggest that some re-organisation of Britain's domestic atomic industry will be necessary if we do.

BUSINESS NOTES

ICI—COURTAULDS

A Telling Counterblow

EFFECTIVELY, ICI has raised its bid for Courtaulds without actually doing so. The paradox is explained by the fact that while the ICI directors have stood pat on their offer of four for five in ordinary shares they have now offered Courtaulds' shareholders the alternative of a convertible loan stock. For every £10 of Courtaulds' ordinary shares the offer is either £8 of ICI's ordinary shares or £25 of a 6½ per cent convertible unsecured loan stock 1972-77. The stock is convertible into 32 units of ICI ordinary stock in 1963, 31 units in 1964 and 30 units in 1965, representing prices equivalent to 62s. 6d., 64s. 6d. and 66s. 8d. respectively; conversion on the first date would thus produce the same amount of ICI stock as would be obtained from accepting the straightforward share exchange. ICI is to call an extraordinary general meeting to authorise the additional capital necessary to implement the offer. It is able to contemplate the issue of about £200 million in the new convertible stock because its capital gearing is low; the new stock would be covered about four times by the combined net assets and over six times by the combined current earnings of ICI and Courtaulds. The butt of the pistol peeps out of ICI's pocket in the announcement that while the formal documents will be posted on February 14th the closing date is March 8th and ICI reserves the right not to extend the loan stock offer beyond that date.

From ICI's point of view, the offer of a convertible saves Mr Chambers the embarrassment of having to announce a late extra final final bid. For Courtaulds' stockholders, it imputes a value of 50s. to their shares, on the fair assumption that the loan stock will command par in the market. The rise in the market price of Courtaulds on Thursday to 44s. 1½d., when ICI fell to 55s. 3d., was well timed. A full year's income on the convertible loan stock would be equivalent to £16 5s. per £100 of Courtaulds' ordinary stock; this compares with £10 of ordinary dividends for the year to March 31st. More than this, it provides an effective counter to any forecast of higher dividends by Courtaulds for 1962-63 or perhaps even 1963-64. The alternative, moreover, lessens the fear that the ICI stock issued in exchange for Courtaulds would hang over the stock market in a depressing mass. Although convertible loan stocks have lost some of their enchantment, this will please the institutions that were fully alive to the possibility of having too much ICI stock. Nor will they be displeased to have an income of 6½ per cent up to 1972 at least and possibly up to 1977 if the conversion offers failed to prove attractive. The stock provides a bridge over which Courtaulds' stockholders can walk without much danger. Unless Courtaulds now promises the distribution of some of its cash assets, it will have difficulty in keeping its shareholders to the path of independence. After hours on Thursday the jobbers seemed to be assuming that Courtaulds' stockholders would take the loan stock, for they marked Courtaulds up to 48s. and left ICI unchanged.

In a Glass Darkly

THE loan stock offer is backed by a long statement which refurbishes many of the old arguments but admits that ICI's profits fell sharply in 1961; this it tries to explain away and it promises, not too specifically, better profits to come. Having seen ICI's estimates for 1961, Mr Frank Kearton of Courtaulds was on safe ground in staking his reputation that ICI's profits must have fallen by "not less than 25 per cent" last year; in fact, gross profits fell by 30 per cent from £88 million to £62 million, and this despite the achievement of a record volume of business (physical, presumably, and not in cash terms ?). The cover on the maintained dividend of 13¾ per cent, paid on the capital as increased by last year's rights issue, appears to have fallen from 1.9 to approximately 1.4 times. The directors attribute the sharp drop in profits to big falls in chemical prices, to the deliberate adjustment of prices to competitive levels in anticipation of Britain's entry into the common market and to difficult and competitive conditions in domestic and overseas markets.

Answering the ostensible precision of the Courtaulds profit forecasts, the ICI directors fairly say they would consider it "quite irresponsible to influence stockholders by detailed forecasts of profits two or three years ahead"; profits, they point out, can be affected by factors outside a company's control such as political events, labour conditions and by the success or failure of plans to raise living standards. But after taking this point, they do not abstain from painting a brighter picture of ICI's prospects than last year's results would lead anyone to expect—and far brighter, naturally, than the picture that Courtaulds has been busily sketching in black crayon. They expect 1962 to be a better trading year than 1961 (could it be worse ?); given the expected improvement in the second half of the year, profits, they say, will be "appreciably higher than those of 1961." They expect, too, that the record profit of £88 million will be exceeded "within the next two or three years," giving point to the conversion rights in the loan stock. Looking further ahead, "any surplus capacity for individual products will be of brief duration" and ICI's sales should rise by at least 80 per cent within the next decade. They see no reason, indeed, why ICI should "not maintain the same rate of growth, with a substantial increase in profits, during the present decade as it did during the last." The directors do not attempt to spell this out in terms of returns on capital employed.

So far as estimates can be made, the ICI directors believe that the profits of Courtaulds in a merged group would be sufficient to cover the dividends payable on any ordinary shares to be issued, even without taking any account of additional profits they expect from the merger, which they put at not less than £2½ million per annum "soon" and £10 million "within a decade." The loan stock would cost more than a comparable issue of ordinary shares, at the current dividend, but interest on the loan stock is allowable for profits tax so the net additional payment for the company would be "comparatively small."

Industrially Speaking

IN giving their views about the man-made fibres industry fresh currency, Mr Paul Chambers and ICI cover a great deal of old ground which has been examined and commented on—almost to the point of exasperated exhaustion—by the two combatants and outside observers. Some new points of emphasis, as opposed to a brand new set of facts, have emerged. The basic ICI view is that the British man-made fibres industry can only be competitive if the maximum of integration, both vertical and horizontal, is secured so as to avoid duplication in research and development; to meet the demands of the market by combining changes both in the nature of the polymer and in the fibre-making process; to plan correctly the large capital investments needed; and to put the maximum push behind the commercial development of a new fibre. ICI admits that Courtaulds is right to buy its raw materials in the cheapest market; but it still argues that without a link with a polymer producer Courtaulds could not get all the supplies it wants at the right time and at the right price. ICI claims, for example, that it sells nylon polymer to BNS at a cheaper price than its competitors can land the polymer for sale in this country. In answer to the suggestion that the purpose of the merger is to protect its own investment in nylon and Terylene polymer plants it points out that these plants are at present working profitably and at full capacity. Nor is Mr Chambers impressed by arguments based on the fact that some of the patents are running out, replying, in effect, that what will be important in the competitive struggle ahead is not so much the possession of a particular patent as the accumulation of technical know-how from past developments.

What ICI tries hard to do is to refute the implication underlying many of Courtaulds' statements—that it has been a dummy in the development and exploitation of man-made fibres. Hence it makes great play of its success with Terylene, claiming that its sales and profits are still rising, and saying that its failure with "Ardil" should be compared with Courtaulds' lack of success with "Fibrolane" rather than its achievement with "Courtelle." To the arguments about being "better" are added some about being "bigger." By weight, Courtaulds produces about 80 per cent of the British man-made fibres (including rayon) and ICI about 16 per cent; by sales value the proportions are 65 : 35; excluding rayon, ICI claims, the proportion is reversed in its favour to 80 : 40. As the bidding company, ICI dare not knock Courtaulds' achievements and forecasts too hard; but it could score a point by asking how, in view of world overcapacity for rayon and the possibility of tariff reductions, the forecast increase in Courtaulds' rayon profits will be achieved.

THE ECONOMY

On the Upswing?

FROM the end of last year to the end of this the National Institute of Economic and Social Research expects home output to rise by about 3¼ per cent—that is to make good the slight dip in late 1961 and to rise by 1½-2 per cent beyond the higher level reached last spring. This is a shade more optimistic than most forecasters were at the turn of the year, perhaps mainly because the institute's optimism about exports in 1962, which had lagged a little though not disappeared three months ago, is now quite as strong as it was last summer. It does not, on the other hand, expect imports to rise much faster than home output: so its forecast of a 6 per cent rise in exports during 1962 offers the expectation of a current balance of payments surplus of £50-75 million. The institute, too, notes the consistent credit in the balancing item, and believes that the genuine deficit in the basic balance this year (i.e. debiting long-term capital) may be relatively small.

Some salient figures from the institute's forecasting are set out in the table (these simply translate its ideas about percentage changes into money figures for consolidation, and should not be taken as any firmer than the percentages). It does not expect the turn in stockbuilding to come until the second half of the year (so that some reduction may now be occurring in stocks of imported materials); and it reckons that the fixed investment boom is now clearly over (though a high level of capital expenditure is likely to be maintained). Its forecasts are based on the postulates that credit restrictions will not be relaxed even if Britain's short-term economic climate improves: that 10-12 million workers may get increases of 4-5 per cent in wage rates in 1962, moving the wage index up about 3½ per cent by the end of the year, and disposable incomes up by 4-4½ per cent;

THE INSTITUTE'S FORECASTS FOR 1962

£ million at 1954 prices, seasonally adjusted, quarterly average

	1961 II	1961 IV Provisional	1962 IV Forecast	% changes forecast: 1961 II to 1962 IV	% changes forecast: 1961 IV to 1962 IV
Expenditure at market prices:					
Consumption	3,694	3,630	3,695	0	+ 1¾
Durables	*336*	*250*	*275*	*−18*	*+10*
Non-durables	*3,358*	*3,380*	*3,420*	*+ 1¾*	*+ 1¼*
Public authorities	793	815	835	+ 5¼	+ 2½
Fixed investment	931	965	975	+ 4¾	+ 1
Private	*435*	*465*	*455*	*+ 4½*	*− 2¼*
Public	*318*	*325*	*340*	*+ 7*	*+ 4½*
Dwellings	*178*	*175*	*180*	*+ 1*	*+ 3*
Exports	1,195	1,175	1,245	+ 4¼	+ 6
Stockbuilding	+71	−10	+40	..	..
Total	6,684	6,575	6,790	+ 1½	+ 3¼
Factor cost adjustment	*685*	*650*	*660*	*+ 3½*	*− 1½*
Total expenditure at factor costs	5,999	5,925	6,130	+ 2¼	+3½
Supplied by:					
Imports	1,385	1,380	1,435	+ 3½	+ 4
Home output	4,614	4,545	4,695	+ 1¾	+ 3¼

and that with manufacturers unable to raise prices much, consumer expenditure may rise about 1½-2 per cent (no more than recovering to the level before the Chancellor's measures in July).

It expects spending on durables to rise more than this, by about 10 per cent during 1962; but discounts the expectations of a 9 per cent increase in home sales that the car manufacturers gave it in November. In fact, by the turn of the year the motor forecasters were themselves more cautious, with guesses ranging from a nil to an 8 per cent increase: but the institute's own guess that sales may actually be lower in 1962 than 1961 implies much less eagerness now to spend on cars than on other durables, which runs rather counter to the latest samplings of consumers' spending intentions.

NED, So Far

APART from the Chancellor, the Minister of Labour and the President of the Board of Trade, the National Economic Development Council is to have 17 members, counting Sir Robert Shone *ex-officio* as director of the planning office. This week the names of all but the TUC members were announced. Lord Robens and Dr Beeching represent the nationalised industries; Mr F. A. Cockfield, Mr. A. R. M. Geddes, Mr C. E. Harrison, Mr E. J. Hunter, Mr J. M. Laing and Mr J. N. Toothill, private industry. The six private employers, who have been asked individually to serve by the Chancellor and not formally nominated by trade associations, will be balanced by six trade unionists nominated by the TUC. Sir Oliver Franks and Professor H. Phelps Brown (who is one of the dying Council on Prices, Productivity and Incomes) have been appointed as independents. At the second level, in the "office," Sir Donald MacDougall has been appointed as economic director and Mr Frank Pickford to head its administration.

IN THE MARKETS

Scramble for Gilt-edged

THE dominant feature of the London stock markets this week has been a surge of demand for gilt-edged. Equities have remained quiet and still show no decided trend—despite a marked upturn on Wall Street, where the Dow Jones industrial average rose from 700 to over 715 in the week to Wednesday. Over the same period *The Economist* indicator of London equities rose by only two points to 359.0.

Just why gilt-edged should seem so much more desirable this week than they did last is not clear. The underlying mood of the market has been favourable to gilt-edged for some months, and the ending of the official tap in 5¼ per cent Treasury 2008-12 in mid-January gave clear scope for a rise. For no apparent reason the market suddenly became quiet—decisions by institutional investors may still take weeks to reach—and a block of this stock that had been laid in by a large firm of jobbers was available to meet the demand. But this was soon exhausted, and when a large order reached the market on Monday the jobbers raised their prices sharply. This set off further buying, and brought little selling until Wednesday, when prices at first eased

	Jan. 3, 1961	Aug. 4, 1961	Jan. 2, 1962	Feb. 1, 1962	Feb. 8, 1962
Treasury 5½%, 1962	100$^{17}/_{32}$	99$^{31}/_{32}$	100$^{11}/_{32}$	100$^{5}/_{16}$	100$^{11}/_{32}$
Exchequ. 5½% 1966	98$^{7}/_{8}$	96$^{31}/_{32}$	98$^{3}/_{16}$	98$^{11}/_{32}$	98$^{1}/_{2}$
Savings 2½% 1964/67	82$^{7}/_{16}$	80$^{3}/_{16}$	84$^{7}/_{16}$	84$^{25}/_{32}$	85$^{1}/_{2}$
Conversion 5% 1971	90$^{1}/_{2}$	86$^{21}/_{32}$	90$^{23}/_{32}$	90$^{31}/_{32}$	91
Fund. 5½% 1982/84	95$^{1}/_{32}$	87$^{7}/_{8}$	90$^{9}/_{32}$	90$^{1}/_{16}$	90$^{5}/_{32}$
Fund. 3½% '99/2004	63$^{1}/_{32}$	55	57$^{1}/_{32}$	57$^{29}/_{32}$	59$^{19}/_{32}$
Treas. 5½% 2008/12	93$^{1}/_{4}$	82$^{1}/_{4}$	83$^{3}/_{16}$	84$^{3}/_{4}$	87$^{21}/_{32}$
War Loan 3½%	58$^{29}/_{32}$	49$^{27}/_{32}$	51$^{3}/_{4}$	52$^{13}/_{16}$	54$^{11}/_{16}$

All prices are shown net of accrued interest.

—but then went ahead again on the strength of new buying at the close, some of it on foreign account. On Thursday the market rose further, taking the unchanged Bank rate in its stride. The driving force behind the current upward movement is based essentially on long-term considerations, about equities and the uncertain industrial outlook. Bank rate considerations are secondary, which is shown by the emphasis on the long rather than the short end of the market.

This unusual phenomenon of a dearth of gilt-edged sellers has produced some sharp price movements. By Thursday's close net prices of long-dated and undated stocks were up by around two points on the week, and

the newly free Treasury 2008-12s by nearly three full points, bringing the gross redemption down to £6 6s. This is now very near the yield on the new and shorter tap stock, the 5½ per cent Funding 1982-84, whereas when Treasury 2008-12s came off tap three weeks ago they offered a margin of 6s. The result is that the 1982-84s, which the government broker has kept broadly steady through the rise, are already looking cheap and attracting the first "reverse switches" from the 2008-12s.

Much earlier than seemed likely, it is already exerting a check on the long-term market. The authorities now have to decide whether to keep it distinctly cheap, and hold the market down, or raise the tap price in the market's wake and thus give scope for a bigger rise. The present mood at the Bank may favour the second course: it is not necessarily the right one for a year when the pound needs every support it can get.

THE EXCHANGES

Investment Funds for London

While the gold market has quietened down considerably, demand for sterling has persisted and even strengthened further in the past week. The spot rate on New York has risen further to $2.81⅞, and if the Exchange Account had not taken dollars off the market the rate might have gone through the ceiling of $2.82. Sterling has also registered gains against the leading Continental currencies. In January, the net intake of gold and convertible currencies was shown at £33 million—and the authorities have been known to put something by at such times, in particular against forward commitments. The disclosed increase more than covers the net outflow of £18 million shown in December, when funds were being withdrawn for window dressing.

The inflow of investment funds appears to have quickened in the past week, and has helped to stoke up the gilt-edged market. Interestingly, foreign operators are showing no strong liquidity preference in their sterling investment. Thus in the local authority mortgage market they have shown little interest in seven-day deposits—so that the rate here has actually risen a little to 6¾ per cent—but have concentrated on maturities of at least three months. This is logical enough on the view that Bank rate may come down and that sterling is safe for the time being.

The huge outflow of $750 million from the Bundesbank in the first three weeks of January was checked in the last week of the month. In December and January together, the Bundesbank's reserves still fell by DM 1½ billion ($375 million). Only a small portion of this is believed to have come to London, and it is not clear where the rest has gone (into Euro-dollars, yes—but who are the borrowers?). Part of the answer is that this is essentially a paper switch: dollar assets lost by the Bundesbank have been taken up by German commercial banks, under cover of a forward swap provided by the Bundesbank at the cost of ¼ per cent premium. Thus even though the Bundesbank has nominally reduced the portion of dollars in its external reserves, its "dollar risk" has not been reduced in the same degree, because of the exchange guarantee it is providing on money no longer in its own name.

AUSTRALIA

The Opposition's Clothes

The Australian government this week swung its economic policy into reverse. The December elections reduced its working majority in the lower house to two votes, and new elections are expected later this year. So Mr Menzies has scooped the opposition. The new measures are designed to stimulate the economy, now flagging under the impact of last year's credit restrictions. In all, *says our correspondent in Sydney*, they will pump about £A75 million into the economy in the remaining four months of the financial year. But included among the stimulants is the announced intention to re-impose import controls "where necessary"; a "competent economic adviser" attached to the Tariff Board will advise the government when quantitative restrictions are necessary. Possible examples mentioned by Mr Menzies are "certain motor vehicle components, certain chemicals, textiles, and paper products, and categories of timber." Import duties are already high, and quotas have not been removed from wool textiles and man-made fibres.

Internationally, these restrictions must appear particularly objectionable, and openly protectionist, because Australia's trading account has rarely been healthier.

UK EXPORTS TO AUSTRALIA

	1959 £ m.	1960 £ m.	1961 £ m.
Chemicals	24·1	24·8	20·8
Motor components	16·5	22·5	10·0†
Paper manufactures	7·2	7·2	5·0
Textiles*:			
Cotton	9·6	9·7	7·0
Man-made fibres	3·9	4·4	3·1
Wool	1·5	2·0	1·7
Total	223·4	259·9	201·7

* Excluding made-up goods. † January-September only.

It moved into surplus last May, and in the first seven months of the financial year from mid-1961 the surplus has reached £A131 million, compared with a deficit of £A169 million in the same period of the previous financial year. Admittedly, the net inflow on capital account has fallen sharply, partly because of repayments of foreign credits by importers and the granting of credit for wheat sales to China. Even so, the reserves stand at just over £A600 million—equal to six months' supply of imports—compared with £A376 million at the end of December, 1960. So, with his big trade surplus, Mr Menzies had plenty of room for manoeuvre before he need have worried that a revived import boom might endanger his balance of payments. Indeed, the one certain way to stimulate imports into Australia is to talk about controls. Mr Menzies is well aware of this; he has promised "special temporary measures" if importers try to jump the gun. January's high import bill of £A82 million suggests that they might have already started.

The fiscal stimulants are:

1. A rebate of 5 per cent on this year's income tax, which will cost the Treasury some £A30 million.
2. Further grants of £A25 million to the state governments for public works and housing.
3. An investment allowance of 20 per cent on new plant and equipment.
4. An increase in the basic unemployment benefit.
5. A reduction in the sales tax on cars from 30 to 22½ per cent.

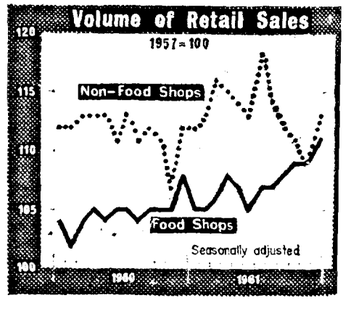
The regular budget is due in August—and the election could be before or after.

CONSUMER SPENDING

Picking Up?

The Board of Trade has confirmed that shopkeepers had yet once more, a "best ever" Christmas; its figure for seasonally adjusted sales (1957 = 100) is finally put at 118, unchanged from the original estimate. Still a little uneasy, however, about seasonal adjustment for that month, the Board points out that it would be unwise "to assume that the high December level will necessarily be maintained in the coming months."

According to these calculations, the value of sales by both food and non-food shops increased by about the same amount (3 per cent) in December, but the volume of business went up more in non-food shops. For the first time since July, there was some improvement in sales by durable goods shops, but the rise of 3 per cent, after taking seasonal factors into account, still left them 20 per cent below their peak. Credit sales of household goods shops went up rather more than might be expected, in line with



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PASSPORTS TO EASTERN TRADE



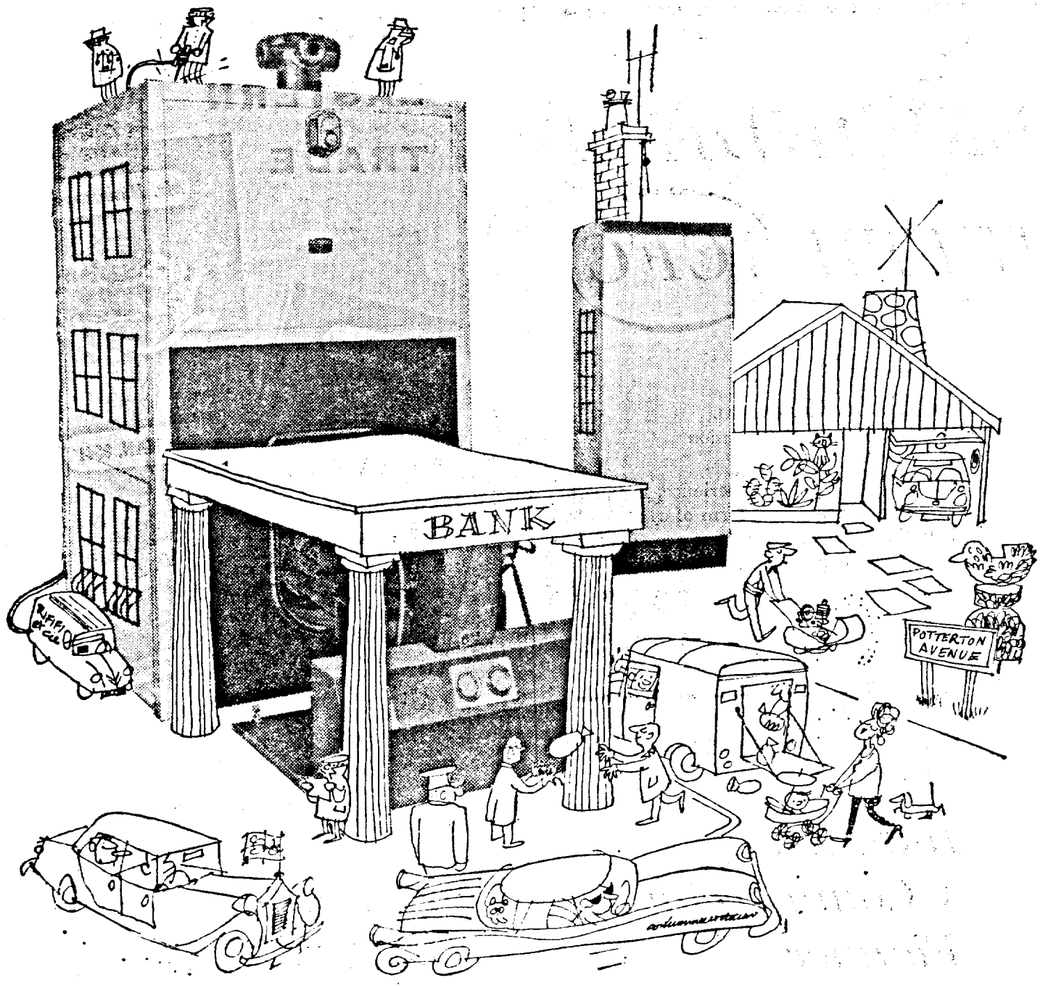
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he total business of these shops. But outside ordinary retail trade, new credit business fell by nearly one-quarter between November and December, more sharply than is usual ; as a result, total instalment debt was reduced again, although by only £4 million over the month.

Figures collected by Hire Purchase Information show that hire purchase sales of new cars rose in January by just over 3,000 to 10,257. This was a larger number of contracts than were made last year ; but credit sales of used cars were some 16,000 short of the January, 1961, figure. New and used car contracts together were 9 per cent below a year before and 18 per cent below January 1960.

UILDING

The Trials of a Boom

THE tiresome problems of an industry that is working to capacity and is a subject of the government's attempts to regulate the economy form the theme of this ear's report from the National Federation f Building Trade Employers. For the econd year running, it complains of the difficulty of quoting a firm price for a ender when the price of materials or wages may rise before it is finished. Its efforts have by now been rewarded by getting some makers of building materials to agree to sell at fixed prices, too ; but it has been unable to persuade the Ministry of Works to agree to a shortening, from the present two years, of the period over which the price in a tender has to be guaranteed as firm. The Ministry has rightly argued that to do so would undermine the whole system which it laboured so hard to establish.

Despite the builders' complaints, their costs seem to have risen rather less than their prices over the past two years. The Ministry of Works index of building costs rose from 113 at the end of 1959 to 120 at the end of 1961, after the October wage increase ; but the index of building prices that Professor C. F. Carter publishes in *The Builder* rose from 112 to 125 over the same period. The Federation does complain that the Ministry's cost index—which, until the wage increase, had risen only three points since 1959 or one point since 1958 —was "not in accordance with the experience of practical builders." No doubt a practical builder who looked only at the prices of materials and labour would feel this way ; but much of the explanation of the stability of costs is the great improvement in productivity that the industry has achieved over this period. The Ministry of Works calculates that net output per man-month has risen nearly 13 per cent since 1959, and that materials input per man-month has gone up by ten per cent. So rapid an increase shows that the industry has something to be proud of—and illustrates the advantages of a high level of activity.

AIRCRAFT CONTRACTS

Blue Steel Blues

THE years have hardened Sir Edmund Compton, Comptroller and Auditor General, against the shock of learning that aircraft projects have exceeded original estimates five-fold in five years. The latest case is Hawker Siddeley's Blue Steel, a baby rocket carrying an H-bomb, a junior Skybolt to be taken by V-bomber to within a couple of hundred miles of its target and then released to complete the journey under its own power. When first ordered in 1955, its cost was tentatively put at £12½ million ; towards the end of 1960, this had risen to £60 million ; Sir Edmund gives no inkling of what has happened since. But the figures he gives suggest that the cost of developing this tiny weapon is not much less than the amount spent on the huge Blue Streak to date, with all its test facilities and rocket ranges.

This is not an isolated case ; all the missiles that have undergone inquisition by Sir Edmund have exceeded estimates, some by more and some by less than Blue Steel. Indeed the Ministry of Aviation (and the Ministry of Supply before it) have argued publicly and privately that guesses about the likely cost of a radically new project are not worth making. It is not humanly possible, so it is said, to estimate in advance the cost of an original missile that may take ten years to develop. If this is so, why attempt to do it ? If senior civil servants lend authority to calculations which they admit to be without meaning, the whole process of Government accounting is brought into disrepute—which is precisely what has happened in those cases over which the Ministry of Aviation has control.

All missile projects have involved considerable basic research which, as every scientist knows, is difficult to cost for more than a short period ahead ; exploring the unknown is not easily brought within normal accountancy.

A Note of Realism

THE Ministry of Aviation seems to make a bigger mess of its cost estimates than most Government departments faced with similar long-term projections. The Department of Scientific and Industrial Research discovered several years ago that accurate budgets could not be drawn up for research beyond twelve months and the DSIR now works on a moving 5-year plan in which it accurately costs the first year and drafts estimates of progressive uncertainty for the remaining four. Could not the Ministry of Aviation adopt a similar procedure ? Is it strictly true that the Treasury would never sanction new projects without some preliminary estimate of the probable size of the total bill ? Experience must have taught the Treasury that any figures given at the start of such work have little meaning. Moreover the present system is invidious because it implies that excess cost may be due to contractors' inefficiency, whereas often it is caused by quite other factors. Hawker Siddeley has been indicted for mismanaging Blue Steel at certain stages, but the company would deny that this is the only, or even the main, reason for the rise in cost. The development cost of Blue Steel in fact compares favourably with similar projects in the United States that had to be cancelled long before completion—it is likely to compare well with its successor, Skybolt, which is turning out to be a pale shadow of the weapon originally promised in everything but its astronomical cost.

This system of picking costs with a pin makes mockery of the work of Government watch-dogs like Sir Edmund Compton ; when the Ministry of Aviation blandly describes its estimates of cost as "necessarily conjectural," how is he to sense whether the excess over estimates is due to muddle, inefficiency and wrong design or whether it genuinely arises from circumstances that cannot be controlled ? A committee recommended to the Government before Christmas that future development contracts should be placed piecemeal as work progresses, so that a project could be stopped at any stage when costs looked like exceeding the military value of a finished weapon. This advice is being followed with varying enthusiasm, although it is said to be unpopular with the aircraft industry. The value of the system depends, however, on making a fresh assessment of the project at each stage of its development. This, in retrospect, seems to be the great strength of the French government in relation to its aircraft industry. The British aircraft industry is currently holding up the French example as the epitome of sensible and consistent government support for aircraft development. It might remember that successive French governments have cancelled many more aircraft than they have ordered.

FORD

Detroit Style

THE reorganisation of Ford's British company into five "profit centres" seems one of the first-fruits of the purchase of the minority shareholdings by Ford America last year. The new form of organisation is that which has been used for some years past in the American parent ; its introduction to Britain is, Ford says, a recognition of the growth of the company to a size where it cannot be run as one unit, and the need to improve quality and reduce costs to compete effectively in the common market. The essence of the scheme is that each "profit centre" is responsible for one part of the manufacturing process—the hot metal division covers the blast furnace and foundry ; then there are the chassis, transmission and engine division, the metal stamping and body division and the assembly division. Finally comes the sales

division. Each of these divisions will be a self-contained accounting unit, buying and selling from the other divisions. This elaboration of cost-accounting methods is liked by Ford for the extra incentive it gives each division to improve its "profitability." To the outsider, its economic effect may appear to depend pretty much on how the transfer prices from "centre" to "centre" are set, and on how real any assumed freedom for each to buy from outside rather than from one another or established suppliers turns out to be.

Though any firm like Ford must have a good idea of how its costs compare with those of bought-out parts, this sort of decentralisation helps to make the contrast clearer to the staff—and perhaps get consideration of it carried further down the line. It does not, however, mean that central direction disappears; the independence of the divisions is limited to the functions that each can perform separately, and policy on all such basic matters as models and prices will be set at the top. But the divisional organisation should shorten the chain of command, and reduce the number of people who have to be consulted about a decision.

One expected effect of Ford America's full ownership that has not yet become outwardly apparent is co-ordination with Ford Germany (though there are rumours, denied by Ford, that the whole European sales policy is now set in Cologne). For the moment the two subsidiaries produce competing ranges of cars, even though they are sold—as they have been for some time past—through the same dealer network in Europe. If there are two factories of the same company, supplying the same market, one might assume that they would make cars that complemented one another. When model planning is so long-term a process, it would take a long time to work this out; but unless it had such thoughts in its mind, one wonders why Ford America wanted the minority shareholdings.

BIDS AND DEALS

Fairey Bountiful

THE latest circular from Fairey suggests that there is now little chance that the revised Bristol-Westland offer, now worth 30s. on the basis of share prices or alternatively 28s. in cash, will be acceptable to shareholders. Having been advised by their directors, who in turn have sought advice from S. G. Warburg, to reject this offer they now have the prospect of a distribution of part of the company's assets, amounting to at least 12s. 6d. a share, dangled in front of them. Of this at least 6s. 6d. will be in cash; in addition the shares in Siebe Gorman (which was acquired in 1960 for £1,350,000) will be distributed one-for-one and will have a stock market quotation again. The directors once more emphasise the inadequacy of the bid in relation to asset values. If 12s. 6d. is subtracted both from the cash bid of 28s. and the current net asset value of 47s. 4d. per Fairey share the value of the Bristol-Westland offer is 15s. 6d. for assets worth about 34s. 10d. a share. Fairey moreover will match the offer of Bristol-Westland to pass on to shareholders any compensation received in respect of the expropriation of the Great West Aerodrome; this has been estimated at 7s. 10d. if the claim is fully met.

Fairey directors stand pat on their forecast of a 15 per cent dividend for the current year and again for 1962-63, so shareholders would also do better in income, assuming a 5 per cent return on the cash and share distribution. The proposed distributions involve a scaling down from £800,000 to £650,000 in the forecast of gross profits for 1962-63 but the directors will consider a further distribution of assets if this estimate is not reached. The main question for shareholders is what the shares will be worth after the distribution: a price of around 22s. does not seem unreasonable, at which they would yield 7 per cent. Adding back the 12s. 6d. this puts a value of around 34s. 6d. on the shares, without taking any account of the aerodrome claim. The shares in fact remained practically unchanged at 32s. after the circular was published, for many recent buyers were taking useful profits. The manner in which Fairey has fought back will not be lost on Courtaulds' shareholders.

WHAT MIGHT HAVE BEEN

Among many revelations by Lord Dalton in his last volume of memoirs, reviewed on page 509, are some official intentions about appointment of the Governor of the Bank of England in 1949—the first new appointment after nationalisation. When Lord Dalton resigned in 1947 he left a note to Sir Stafford Cripps:

> It was made quite clear to Mr Cobbold—by Lord Catto on my instructions—when he was reappointed Deputy Governor at the time of the nationalisation of the Bank, that he must not regard this as giving him any expectation to succeed to the Governorship.
>
> Of the present Court of the Bank, only Lord Piercy, in my opinion, is worthy of serious consideration. . . . Among the bankers the best man would be Sir Clarence Sadd [vice-chairman of the Midland Bank], who combines practical experience with a broadminded political approach.

Lord Dalton goes on to point out that when Lord Catto resigned in 1949 Mr Cobbold succeeded him—"but only after Cripps had unsuccessfully invited a leading industrialist, Sir John Hanbury Williams, who had by then become a member of the Court."

FOOTBALL POOLS

Pools and the Post

A MONTH'S working to rule in the Post Office had little effect, it seems, on the steady delivery of football coupons to and from Liverpool. The pools play an important part in the Post Office's finances for in the 1960-61 financial year they accounted for about 8½ per cent of all inland mail. On the assumption that half the 848 million pools letters posted were completed pools coupons enclosing postal orders with an average poundage of 3d. each, over £5 million came into the Post Office from the postal order poundage alone. Clearly this is a business which the Post Office can ill afford to lose.

Not all pools coupons go through the post, but it was not until the Post Office employees worked to rule that many punters became aware of the existence of pools collectors. They are not employed directly by the pools firm but by a concessionaire appointed by the firm for a certain area. The size of the concession depends upon population densities; in some instances the concession will cover two or three counties and in others only part of a big city. The concessionaires, who usually work full time, receive 6d. in the pound on all money staked and employ area managers, generally on a salary basis; these in turn enroll collectors, very often pensioners, who receive in the case of Littlewoods 3s. in the £1 on the money they collect. All the leading firms have used collectors for years but so far only on a relatively small scale, partly perhaps because the pools have no wish to antagonise the Post Office and partly because punters often are reluctant to let it be known how much they stake each week or that they even "do the pools."

Even after paying a total commission of 3s. 6d. in the pound Littlewoods still believes that the collecting system cuts down its costs, for not only are its coupons delivered by hand but since punters can pay cash to the collector this avoids one of the major problems, the sorting of postal orders. For the punter there is the saving of poundage and postage and in many cases a weekly queue at the post office. The weekly collections keep the concessionaires, managers and collectors closely in touch and this reduces the chances of default, for which in the case of collected coupons the liability rests with the concessionaire.

The possibilities of an extension of this scheme would appear to be attractive at least in thickly populated areas, especially as the new Betting Act allows collectors to call and collect at factories and offices. It seems clear that the pools firms would look favourably upon any increase in business done in this way. But they would be reluctant to bypass the Post Office altogether, for fear that if the Government's postal revenue from the pools went down the direct pools tax, currently 33 per cent of gross stakes, might go up.

PROBLEM NO. 4.



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EXPORT WITH AN EASY MIND

E.C.G.D

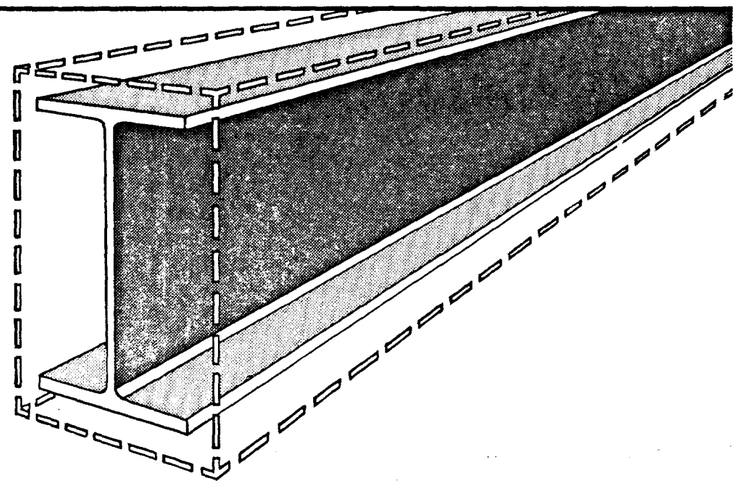
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CRC 47

STEELWORK



Other trades help to cut the cost

Light-weight encasement, now available, lessens the dead weight to be carried.

B·C·S·A

Previous 'cuts' mentioned in this series:

Steel is saved by the more efficient beams and columns, now available.

Steel columns encased in concrete can now be of lighter section.

Beams with normal connections to columns can now be lighter.

STEEL STRENGTH SECURITY

BRITISH CONSTRUCTIONAL STEELWORK ASSOCIATION, ARTILLERY HOUSE, ARTILLERY ROW, WESTMINSTER, S.W.1

INDUSTRIAL PROFITS

Steel Profits Down: Other Profits Up

A TOTAL of 103 company reports for January is well below the average monthly figure—partly the result of certain changes in the industrial groupings in our analysis. Rubber and tea plantation companies and finance companies engaged solely in hire purchase are now excluded. "Property" and "entertainment" companies now form two new groups; the printing and newspaper companies are being separated from the paper making companies; and the "miscellaneous" group has been split broadly between manufacturing and distributive companies.

Steel companies have always dominated the analysis for the first quarter of the year, and their influence on the January figures is even more striking. Total trading profits of

PROFITS AND RETURNS
(£ million)

Companies reporting in January,	TOTAL Prev. Year	TOTAL Latest Year	EXCLUDING IRON & STEEL Prev. Year	EXCLUDING IRON & STEEL Latest Year
Trading profit	290·4	274·9	125·5	138·6
Gross profit*	203·4	177·8	86·4	93·8
Net earnings*	109·9	95·5	41·6	44·1
Net dividends	36·4	38·8	19·2	21·6
Times covered	3·0	2·5	2·2	2·0
Net assets	980·0	1101·7	450·7	508·1
	%	%	%	%
Gross profit/net assets	20·8	16·1	19·2	18·5
Net earnings/net assets	11·2	8·7	9·2	8·7

* After deducting non-recurring credits.

the 103 companies fell by 5½ per cent; but the profits of the iron and steel group fell by 17 per cent, and if these are excluded the profits of the other groups rose by 10½ per cent. A single month's figures cannot be representative for industrial profits which reflect largely a trading year to September both last. Increases came mainly from companies closely in touch with the consumer, such as Watney Mann and Montague Burton; profits of the Granada Group rose by as much as 150 per cent. Other companies to report satisfactory increases were ICT and ACV. Apart from the steel companies, smaller profits were earned by Lancashire Cotton, Jute Industries and British Oxygen. Even with the steel companies excluded, the rise in trading profits produced a comparatively small increase in net equity earnings and an even more modest increase in dividend payments. The table also shows that returns on capital employed continued to fall. The indications are that with profit margins still under pressure this decline will persist for some time. Prospects of further increases in ordinary dividends would be remote even without the Chancellor's call for restraint. It is not therefore surprising that investors are turning their attention increasingly to the gilt edged market, and those who are still buying equities are looking for a strong management record, of which one sign is a rising, or at least a stable, rate of return on capital employed.

PRICE-CUTTING

Best of Both Worlds

IN the complex love-hate relationship between manufacturers and price-cutters two elements stand out. The first is that in order to make the most of the public's bargain hunting instincts the discounter needs the authenticity of well-publicised brand names at obviously (though sometimes only slightly) reduced prices. The second is that well-known manufacturers are often only too glad to use the cut-price stores as anonymous bulk outlets instead of lowering official prices for their acknowledged products. These goods are then sold under special brand names side by side with the often identical well-known brand, only with a rather larger mark-down.

This type of merchandising is a familiar technique in food supermarkets and has begun to be used by Tesco in their Leicester "discount-supermarket" on quick-selling clothing items such as stockings. But it is doubtful how far it can be extended to bigger purchases, such as household appliances, where the guarantee of a familiar name is far more important. Nor can the discounters hope to go very far with sales of the larger appliances as long as their margin-cutting policy is too drastic to allow credit sales, though they do excellent business with irons, electric fires, toasters and even vacuum cleaners, now for many people below the hire purchase line.

It will therefore be especially interesting to watch the progress of Rolls Razor's prospective chain of cut-price electric shops, the first of which opens at East Ham at the end of this week. It looks as if this company may be in the fortunate position of having it both ways. The already familiar Rolls Colston dishwashers and Rolls Razor radiators and washing machines will be sold at their usual prices—the first time that they will be available through a retail outlet. At the same time other small appliances—irons, toasters and heaters—will be introduced under the Rolls trade-mark, but these will in fact be manufactured by other firms. And side by side with these, though as a less important aspect of the business, Rolls is retailing other manufacturers' appliances at cut prices—and managing to offer HP terms on the big items even with their reduced margins. What Rolls is in fact doing is to drive home the point that its regular prices are still competitive with cut prices for a number of other brands. How far other firms are really going to be willing to abet Rolls in this, even when it provides an outlet for excess capacity, is an intriguing speculation.

PETROL

Competition Wholesale

PRICE-CUTTING at the retail level in post-war years, has come as a comparative novelty to the petrol trade, but it has never stopped so far as the users of commercial vehicles, who buy in bulk, are concerned. The virtual breakdown of the rules that used to limit this trade has, however, by now aroused the ire of the garage trade, which feels that it is losing business. The definition that a commercial user had to meet to get his petrol direct from the oil company at a discount from the normal retail price used to be owning five or more vehicles, of five cwt or over and licensed for commercial use. But competition for sales has now reached the point where almost anyone who installs his own petrol tank and carries on some sort of business can expect to get his petrol cheap. And the amount of the discount he can expect has risen. Although it varies with the size of the delivery he can accept—and the strength of the competition in that part of the country—many commercial buyers are paying less for their petrol than the retailer does. This does nothing to improve the latter's opinion of the oil companies—and feeds his suspicions that he will be the last person in the trade to benefit from any lowering of selling prices, though he stands in the front line of competition.

This sort of resentment has been fed by the realisation that some of the major oil companies are supplying petrol to the distributors retailing cut-price petrol. Esso has mentioned publicly that it supplies one or two such firms, and Shell does not maintain the prices that independents charge on resale. Octane, one of the main price cutters, states that it obtains petrol from one of the majors—which insists on strict anonymity. The commercial argument for supplying the distributor of cut-price petrol more cheaply than a garage is the same as those for competing over fleet user discounts: the sales are largely additional ones and so are profitable at a smaller margin. The cut-price distributor may have an extra appeal: he often takes the petrol away in his own tankers, and buys in bigger quantities than any retailer can do. But unless he is able to distribute petrol more cheaply than the oil company, he still needs more than a quantity discount in price compared with a retailer if his dealers are to sell for 3d. a gallon below the normal price without cutting their margins—as is true of Octane retailers at least.

COPPER

Bolder Tactics

RHODESIAN copper shares are mainly a political counter; copper markets are currently something of a tactical battleground. In October, when cash copper fell to £220 a ton, it was stoutly defended by Rhodesian Selection Trust which bought several thousand tons of metal. This hazardous exercise was crowned with success. The price was bounced back again to about £230 a ton, its average level for a large part of last year, and needed only the occasional nudge from RST to keep it

there. Not everyone expected that this price could be sustained if strikes threatened in Chile and the United States could be averted. Recent agreements have brought this possibility much closer to achievement, and some speculators had sold copper forward in the expectation of lower prices. But RST has now had the confidence to counter attack by buying copper at well over £230 a ton.

Helped by reports of labour disputes in Rhodesia, cash copper rose to £237 a ton last week, and the less stout-hearted "bears" were forced to run for cover. The temporary squeeze on spot supplies of copper produced an unusually large discount of 50s. a ton on forward copper. A large part of the metal traded outside the United States is priced by London Metal Exchange quotations. Therefore, according to the American brokers, Merrill Lynch, by investing in "as little as 10,000 tons" of copper (worth £2¼ million) prices for about 200,000 tons of output have been set at "rather favourable levels."

It is not known how much bought-in copper RST has already resold. Presumably, it did find buyers for a significant portion. One side of the operation has been the reduction of stocks held in LME warehouses, which had been depressing the market. These, mainly consisting of fine refined copper, have been reduced from 22,600 tons in October to 13,900 tons. Some of the metal has apparently been taken to be electrolytically refined. The premium on electrolytic copper would only defray part of the cost of the operation. Despite the expansion in the United States, where consumption of copper last year practically regained its 1956 peak, consumption outside America has apparently failed to increase further in 1961 and stocks of copper therefore remain high despite the producers' output restrictions.

Producers got slightly less for their copper in the last quarter of 1961 than in the preceding three months. But the quarterly figures of the RST group of mines show an improvement in earnings because of a reduction in operating costs and provisions. A setback in Chibuluma's production in the six months to December 31st is expected to be made good by the end of the financial year. Roan Antelope's output in this period dropped by 2,300 to 39,400 tons and its profits before tax declined from £2,668,000 to £1,960,000. Average costs per ton increased by £7½ to £169½ a ton though Mufulira's costs declined by £2½ a ton. A fall of 30 per cent in Roan's net profit for the year was forecast in the statement on the share exchange offer from RST.

JUTE

Hangover in Hessian

JUTE has many uses—and just as many competitors. If it disappeared, it would probably be fairly soon forgotten by consumers. Jute goods would simply be replaced by paper sacks, foam underlays, felt-based linoleum and rayon backed carpets. The jute trade has recently been strangled by successive crop failures which closed mills and drove up prices. Time will obviously be needed for recuperation, but some people who earn their living from jute do not appear too anxious to ensure its recovery. Pakistan, the only large exporter of raw jute, has plenty of fibre to sell this year. But perhaps because it is beguiled by the high prices received in earlier seasons, it now wishes to sell at prices that manufacturers think unreasonable. A tug-of-war is therefore in progress with little trade passing.

Some shippers appear to have been exporting at prices below the controlled minimum under pain of having further supplies cut off. But prices are still about £15 to £30 a ton higher than three years ago. Good quality jute is still scarce. London Jute Association firsts at £120 a ton would be reckoned expensive in a normal season. Spinners are not buying because they believe that the controlled minimum price for current transactions will be lowered and that the basic minimum export price set by Pakistan for the season (£100 a ton for firsts) might have to be abandoned. For Pakistan to make such a concession in mid-season would be unique.

Machinery used in the manufacture of jute goods is fairly flexible and can handle jute of differing qualities. But despite the steeper fall in the price of lower grades of jute, manufacturers are only slightly less perturbed about the price of these grades that are in plentiful supply, though after last year's protracted decline in the manufacture of jute goods, orders have recovered. It is claimed, however, that in some goods demand is not what could have been expected had there not been the fireworks that have occurred in jute in the past two years.

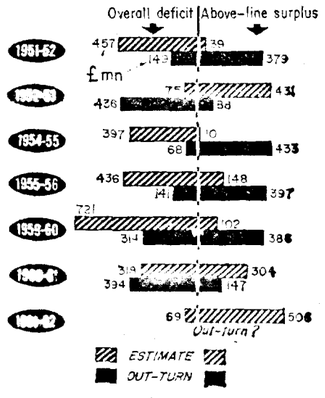
Workers in the Dundee jute industry have chosen this critical time to deny jute its convalescence. Strikes and go-slows were used at the end of last year in support of a pay claim. The unrest solidified into a ban on overtime which persisted until the beginning of this week. It might be succeeded next week by the popular one-day strike. Overtime working is not necessarily a sign of high prosperity in the jute industry. Machines are serviced by their operators after working hours. The cleaning has recently been done during normal working hours, inflating the backlog of orders for jute manufactures and, it is said, losing some business to foreign competitors.

Deflationary Shortfall

BRITAIN will not, after all, this year mark up the first overall budget surplus since the days of Sir Stafford Cripps. This is now virtually certain, and is bringing adverse comment from Westminster, the City and financial observers overseas. How significant is it? The higher bills for agricultural subsidies and other supplementary estimates—this week's batch brings the total to £221 million, and the Treasury hints that underspending on other services is likely to be less than in previous years—do reflect unplanned additional burdens on the economy. But more than half the apparent shortfall so far in the budget accounts proper (i.e. above the line) reflects a shortfall in revenue—which results essentially from a less buoyant economy.

It should by now be a truism that if a budget is truly disinflationary in damping down the economy, it will thereby erode the foundation of its own accounting success. There is in this sense an almost inverse correlation between performance in the Exchequer accounts and in the whole economy. Thus the years in which a spectacular improvement has been registered in these accounts have usually been years of at least incipient inflation, when the resulting paper surplus did nothing to obviate the need for stern corrective measures. The budget of 1961-62 has had, without a doubt, a fundamentally deflationary impact. It is naively old fashioned to focus attention on the accounting deterioration alone.

Budget Improvements—



CHEMICALS

An Example to the Industry

AT a time when the chemical industry is afflicted by overcapacity and falling profits the news that Lankro Chemicals, one of its liveliest and most efficient units, was slipping under the wing of Shell Chemicals could be expected only to elicit a tired sigh. Instead, the arrangement could serve as a model of how to get the best of several worlds. Shell is to buy 20 per cent of the issued capital of Lankro. No strings attached; no Shellman on the board. Few large firms could have resisted the temptation to meddle with the running of even so well-managed a firm as Lankro; it is a pleasant surprise to find Shell capable of such lightness of touch.

Lankro was started by Dr F. H. Kroch, a German refugee, in 1937 to make pigment finishes and auxiliary chemicals for leather dressing. Now Lankro's assets are worth perhaps £5 million and it makes a wide variety of specialised chemicals; its turnover has increased tenfold in the last decade to £6 million in 1961, of which leather chemicals now account for only 5 per cent. The expansion has been generated entirely from Lankro's own resources (of which perhaps the most resourceful is Dr Kroch himself).

Lankro's success attracted the attentions of several big chemical producers. But Shell and Lankro have long been among each others' biggest customers, and Shell's was the approach that Dr Kroch favoured. The resulting arrangement was his idea and it argues well of Shell that it agreed immediately. Shell gains an investment in an efficient and flexible unit while Lankro is protected against the attentions of other giants, and acquires capital for further expansion and a backing that will be useful in the hurly-burly of the common market. The alliance provides one answer to the problems of being too big for efficiency or too small to survive. When Lankro seeks a stock exchange quotation later, as it plans to do, it will be possible to see how much investors like the solution.

COLOUR FILM

Ilford Tries Again

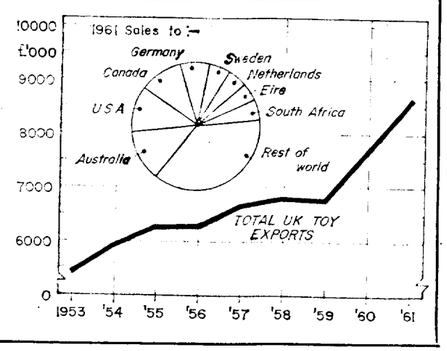
IT has taken four years for the marriage between Ilford and ICI to bear fruit—which is surprising, as anyone would have sworn that they were both heavy with child when it was first announced. ICI had all but produced a colour negative system from its Dyestuffs Division; samples had gone out for testing, but the problems of manufacturing the film and selling it still remained. Ilford led the market for black and white photography and had a colour reversal film out since 1948; but this had never done well. (Reversal film is used to make transparencies; negative film to make prints.) It seemed that each could supply the other's deficiencies, and in 1958 ICI bought a one-third share in Ilford for £4.8 million. In return for royalties on sales of colour products ICI handed over its work on the colour negative system and agreed to help with further research. There is good precedent for this. The two biggest firms in the colour film market, Kodak and Agfa, benefit from association with chemical groups that make dyestuffs.

In 1958 Ilford's net profit before tax was £1.7 million, earned on £9.8 million of capital employed. In 1961 the figures were £1.3 million on £15.1 million. This drop in profitability reflects the amount that Ilford have had to spend on research and new plant. The market for colour films is very competitive, and at present dominated by Kodak; Ilford has learned from bitter experience that it is not possible to enter this without considerable preparation.

In 1958 the company modified its colour reversal film and reissued it as Ilfachrome. Sales of this film never approached those of the market leaders. A colour negative film was issued as Ilfacolor in 1960, but it was hardly in the shops before it was withdrawn at the end of the year. Now three new colour films are to be issued in April: the colour reversal and negative films, modified to make them faster, and a ciné film. These stops and starts have made dealers chary, although Ilford commands considerable goodwill as the only wholly English firm in this market. Perhaps its latest businesslike idea of putting the film on the market at prices that are as much as 25 per cent below those of other manufacturers will provide the spark of success that has so far been lacking.

The Toy Trade

OVERSEAS interest in British toys is increasing: exports have risen sharply in the last two years, even to countries with prosperous toy industries of their own such as the United States and Germany. The British Toy Fair in Brighton which ended this week included for the second time, some foreign exhibitors and a record number of overseas buyers attended, including groups from Africa and Russia.



SHORTER NOTES

New orders for machine tools in November followed much the same trend as in the preceding months: there was some increase in orders at home compared with the earlier months of the year though the level remained 10 per cent below November 1960. Export orders, which have fluctuated more widely, were 12 per cent higher than a year before, in line with the average increase for the rest of the year.

★

Bailey (Malta) has awarded the contract for the development of its ship repair yard jointly to G. Wimpey and Co. and Royal Netherlands Harbour Works Co. The contract is worth nearly £2 million and covers the enlargement of docks four and five and the boiler wharf, construction of a plate shop and erection of a tank cleaning farm. It will take about two years to complete.

★

Despite a slight fall in the volume of crude steel and rolled steel produced in the year to September 30, 1961, the net earnings of August Thyssen-Huette, the West German steel group, rose from DM 46.5 million to DM 54 million. The dividend has been maintained at 12 per cent on the ordinary capital as increased from DM 444 million to DM 450 million.

★

Last July Lindustries, the textile and industrial holding company, forecast a final dividend of 8 per cent but in the event only 6 is being paid, to make a total of 10 per cent for the year to September 30, 1961, compared with 12 per cent in 1959-60. The directors say that all sections of the business suffered more severe falls in profits in the second half of the year than had been anticipated and as a result trading profits fell by 29 per cent from £1,381,000 to £983,000 over the year as a whole.

★

Despite a fall in royalty income the consolidated profits of "Chartered," the British South Africa Company rose from £13,549,000 to £13,570,000 in the year to September 30, 1961. A bigger tax charge made slight inroads on net profits but the ordinary dividend was maintained at 7s. 6d. per share.

COMPANY AFFAIRS
Comments on pages 566, 567 and 570 on:
Imperial Tobacco — Ind Coope, Tetley Ansells
F. W. Woolworth — General Electric
John Brown — Heineken
Bowmaker — Wagon Finance
Steel Prospects — Polycell
STOCK PRICES AND YIELDS
Stock prices, yields and security indices on pages 568 and 569
MONEY AND EXCHANGES
Money market report, exchange rates and public finance on page 571

COMPANY MEETINGS

THE ROYAL BANK OF SCOTLAND

CONTINUED EXPANSION OF BUSINESS

GOVERNMENT'S EFFORTS TO WITHSTAND INFLATIONARY PRESSURES

PROPOSED NATIONAL ECONOMIC COUNCIL WELCOMED

NEED FOR SPEEDIER GROWTH OF SCOTTISH ECONOMY

THE DUKE OF BUCCLEUCH ON THE COMMON MARKET

The Annual General Court of Proprietors of The Royal Bank of Scotland will be held on February 27th in Edinburgh.

The following is the circulated statement of the Governor of the Bank, **His Grace The Duke of Buccleuch and Queensberry, KT, PC, GCVO, LLD.**

I regret that I have once again to commence my review of our affairs and the events of the past year on a note of sadness for I have to record, with deep sorrow, the death in July last of Sir William Crawford Currie, who had been one of our Extraordinary Directors since 1950. He was Deputy Chairman of Williams Deacon's Bank Ltd., a post which he had held for ten of the twenty-two years he had served on the Board of that Bank. He was a man of great charm, with wide business experience and an unrivalled knowledge of the shipping industry, to which he rendered outstanding service during his life. He will be deeply missed by all his colleagues in the Group.

The net profit for the year was £1,094,816, a rise of some £61,000 (5.8 per cent) on the previous year's figure. This, I feel, can be regarded as a satisfactory result, especially as it was achieved in face of rising costs and after providing for additional profits tax imposed in 1961. We brought forward a balance of £161,347 which gives a total of £1,256,163 available for distribution.

DIVIDENDS

In July, before the Chancellor introduced his "Little Budget," we declared an interim dividend of 9 per cent. This was ½ per cent more than the rate of interim dividend for 1960. In considering the final dividend we had to have regard to the Chancellor's statement at the end of July in which he said that a further general increase in dividends in the coming year would not be justified. We are, therefore, recommending a final dividend of 10 per cent, the same rate as the final dividend for 1960. We are also recommending the transfer of £200,000 to our Published Reserve Fund which will leave a balance of £171,713 to be carried forward.

The main figures in our Balance Sheet do not differ much from those of the previous year.

Our Advances at £62,781,000 were approximately £260,000 less than at the end of December 1960. Among the influences making their impact in this particular field of our operations were the measures of restraint introduced by the authorities at the end of July—an additional call for Special Deposits, the raising of Bank Rate once more to the crisis level of 7 per cent and a Bank of England "directive," a form of control which, in July, 1958, we thought was being discarded. I welcome the steps that are now being taken to devise a long-term economic plan with the objective of removing the strains which have caused us to be plagued with crises as frequently as we have in recent times. It is imperative that something be done to make it possible for a sound and steady growth in our economy to be maintained. I must also say that, while admitting the necessity, in the difficult situations which have arisen, for the imposition of restraints on credit, I regard it as unfair that the Joint Stock Banks should have been singled out and asked to bear the whole burden of these restraints without imposing similar restraints on other lending institutions. It may also be pertinent to ask whether it is necessary, now that a return has been made to controlling the level of Bank advances by the technique of the "directive," to retain the Special Deposits Scheme.

LEVEL OF DEPOSITS

Our Deposits of £135,151,000 are marginally down on the previous year's figure. I am happy to state that, in respect both of turnover and the number of accounts, the Bank has continued to progress, but we are just a little concerned that there should be such a static look about our deposits. The level of a Bank's deposits is affected by seasonal and other influences, which can cause them to move at times against the general trend in the Banking system as a whole. We have, however, to probe deeper to find an explanation for the poorer performance, in recent years, of Bank Deposits in Scotland as compared with England. A comparison of the trends in the two countries brings out the disturbing fact that, over the past decade, Bank Deposits in England have expanded at a faster rate than in Scotland. A contributory cause is felt to be the relatively greater strength of the Trustee Savings Banks in Scotland and another—more marginally perhaps—the loss of banking deposits through the absorption of Scottish businesses by English concerns, but I am sure, as I have said before, that it is fundamentally a reflection of the slower growth of the economy in Scotland as compared with England. We know that the basic cause of this lies in the structure of the Scottish economy, which has been engaging the attention of the Scottish Council (Development and Industry) and other bodies for some time. Last year I commented upon the Symposium held in 1960 by the Committee of the Scottish Council (Development and Industry) set up under the Chairmanship of Mr L. A. Elgood, to enquire into the natural resources of Scotland and their potentialities for development. The papers submitted at the Symposium, which have now been published, brought out evidence that Scotland is not lacking in resources available for development. The Committee, I understand, is to issue its full report, with recommendations in April.

POTENTIAL GROWTH

In November last, another Committee, set up by the same Council with Mr J. N. Toothill, CBE, as its Chairman, reported optimistically on the potentialities for growth which exist in the Scottish economy, provided the right climate can be created and sufficient encouragement given for the adoption of economic policies that will promote and generate growth. At the root of the problem, as the Report of the Committee bears out, is the fact that Scotland has more than its proportionate share of the older and declining industries and not enough of the newer and growing industries. If Scotland is to be capable of maintaining a viable economy in the future, this is certainly something which must be remedied, but it is easier to state the problem than to suggest a cure. The Scottish Council (Development and Industry) has achieved a considerable measure of success in attracting new industries to Scotland but, such are the dimensions of the problem, that the impression this has made upon it has been relatively small. "The need," as Mr Toothill's Committee says, "is for a plan which will tackle the problem quickly and resolutely." The Committee has suggested a plan which is now under consideration by the Scottish Office, the Scottish Council and other bodies, and it is to be hoped that when action is taken—and some action should be taken without undue delay—it will receive the fullest co-operation of everyone who is in a

position to make a contribution to the solution of the problem.

BALANCE SHEET FEATURES

Returning to our Balance Sheet, it will be noted that there was during the year an expansion of just over £500,000 in our note circulation, bringing the total of notes outstanding at December 31st up to nearly £18,636,000.

Our holdings of British Government Securities at the end of the year amounted to £22,717,000 valued, in conformity with our customary practice, at or under market value. This is an increase of just over £2,000,000 as compared with the 1960 figure.

Our liquidity remains satisfactory. The ratio of the liquid items to Deposits and Notes in Circulation was 38.87 per cent.

Our Published Reserve Fund has been increased by £350,000 by the accretion in the value of our holdings in our Associated Banks representing the amounts which they have added to their Published Reserves as follows:

Williams Deacon's Bank Ltd.....	£250,000
Glyn, Mills & Co.	100,000
	£350.000

If, therefore, the proposal to allocate a further £200,000 from our own profits for the year is approved, this will raise the Fund to £9,150,000.

Williams Deacon's Bank Ltd. and Glyn, Mills & Co. have both reported higher profits, records in each case. The consolidated profit of the Group at £1,633,641 is up by approximately £96,500 as compared with the 1960 profit.

The Deposits of the Group at the end of the year were £340,500.000, a decrease of slighrly over £8,000,000 from the total of the previous year.

The aggregate Advances of the Group at approximately £147,500.000 showed a drop of over £7,000,000 on the December 1960 figure.

NEW BRANCHES

Williams Deacon's Bank have continued their policy of extending their Branch system to areas where they were not previously represented and during the year new Branches were opened at Alvaston (Derby) and Wolverhampton. Additional Branches are to be opened this year at Brighton, Winchester, Swindon, Gloucester, St. Helier (Jersey), Handforth (Cheshire), Allestree (Derby), Mapperley (Nottingham) and Sheffield University.

We ourselves have intensified our drive to modernise our Offices in order to provide more comfortable working conditions for our Staff and improve the facilities for our customers. A great deal has been accomplished in recent years. The accommodation at Head Office in Edinburgh, at our Chief Office in London and at our Drummonds Branch has been enlarged and many other Offices completely renovated.

The large-scale redevelopments being undertaken in our towns and the developments projected for the future are under constant vigilance in case they should make it necessary or desirable for us to alter the location of Branches. Furthermore, the establishment of new towns is not being allowed to pass unnoticed and we have opened, and will continue to open, new Branches where we feel this policy is justified. At the beginning of September we opened a new Branch in London close to Victoria Station, in a district where considerable rebuilding is taking place. We also opened a second Branch in Perth and a Sub-Branch to Alloa at the Police College, Tulliallan.

I would also like to refer to the Drive-in facilities at our Drummonds Branch in London, which are now in operation. I do not consider that the provision of drive-in facilities is to be recommended as a general policy but, in built-up areas, where there are no, or inadequate, parking facilities as is the case in parts of the West End of London, drive-in facilities can, as has been proved at Drummonds, be a great convenience to customers.

Another matter under constant examination is "electronics." The expanding use of banking services, including the credit transfer scheme inaugurated last year, emphasises the need to adopt the most efficient techniques for handling the growing volume of transactions. In conjunction with our Associated Banks we are at present conducting a comprehensive study with a view to selecting the most suitable installation to serve our special requirements.

ECONOMIC SCENE

In looking back over 1961, the most important developments were the measures introduced by the Government in July. The urgency for action to restrain inflationary pressures and strengthen the balance of payments was clearly revealed in the early months of the year when currency developments abroad contributed to a reversal of the flow of short-term capital which, in the latter part of 1960, had been protecting Britain's reserves from the full impact of the deficit on current and long-term capital account.

The steps taken to meet the crisis which had developed by July were designed to provide a breathing space for the formulation of longer term policies to promote balanced economic growth.

These temporary measures included arrangements to borrow a substantial sum from the International Monetary Fund, a sharp increase in Bank Rate, new fiscal powers to increase duties and purchase tax, the restraints upon Bank credit and the controversial policy for a pause in increases in wages, salaries and dividends.

At the same time, steps were taken to review critically every aspect of public expenditure in order to ensure that future rises do not exceed the growth of national resources and to concentrate expenditure on strengthening national efficiency. These proposals must command wide support, as must the powers granted to the Government last year to vary some taxes between Budgets and thus reduce its dependence upon monetary measures for making shorter term adjustments in the economy.

The Government's demand for a pause in increases in wages, salaries and dividends has undoubtedly helped to slow down the upward pressure on costs in recent months. This, however, is no more than a "stop-gap" measure. There still remains the objective of devising a long-term policy which will limit future increases in money incomes to increases in production. The crux of the problem may well prove to be the division amongst industries and occupations of such increases in income as may be justified. I therefore welcome the setting up of the National Economic Development Council and of the recently announced intention of the Trades Union Congress to join it.

FINANCING EXPORTS

The urgent need for the generation of a higher volume of exports has stimulated close examination of the financial services available to our exporters, with a view to ensuring that in this respect they are not at a disadvantage compared with their competitors abroad. This examination has led to some important developments. Early in the year the insurance cover available through the Export Credits Guarantee Department was extended and the Bank of England introduced a scheme to provide the Banks with re-finance facilities if required in order to ensure the availability of Bank finance for medium-term export credits. Exporters of capital goods complained, however, that they also suffered because of the higher rates of interest charged in this country under existing conditions and the difficulty they had of quoting fixed rates of interest as a result of the practice in this country of aligning rates for credit to Bank Rate. In an endeavour to overcome these disadvantages, the Banks and Insurance Companies agreed last month upon a scheme under which the Banks will provide finance for export contracts at a fixed rate of interest of 5½ per cent for terms between three and five years and the Insurance Companies for longer periods at a fixed rate of 6½ per cent, and while the reception accorded to this scheme has been a trifle disappointing, it should be of considerable help.

In a year in which our export performance has given such cause for concern it is gratifying to note that there has been no falling off in the demand for Scotch Whisky and in 1961 exports were again higher by approximately £9 million in value, of which over £4.8 million was attributable to an increase in exports to the United States of America.

On the other hand, the Scottish Woollen industry had a difficult year in the export field, largely by reason of the high tariff rate imposed upon imports of woollen goods into the United States of America from the beginning of the year when the previous quota arrangements were abolished.

Last year I referred to the gloomy outlook for the shipbuilding industry and it is reckoned that more than one-third of the capacity of Scottish yards was not used in the past twelve months. Orders for merchant ships, increased towards the end of the year but returns for 1961, as a whole, show that while some yards have about two years' work on hand, others have much less. Those which have done best in the way of modernising and re-equipping their yards are said to have received the greater part of the new orders. With the increase in new orders in the last quarter, the total for the year for British shipyards was rather higher than in 1960 but returns show that gross tonnage under construction was at its lowest level since the war. In the keenly competitive position which seems likely to continue, advantages will lie with those yards which have done most in improving their production techniques.

The steel industry has also had rather a poor year and is still operating well below full capacity.

COMMON MARKET

No account of the past year would be complete without reference to the Government's negotiations for joining the European Economic Community and the fundamental implications that membership would have for this country in the years ahead.

Major adjustments in our overseas trade and in our economic life in general will be inevitable as a consequence of the Common Market, whether we join or not, and many of our producers, particularly those in agriculture, will face difficult problems. Already the growing

unity of Western Europe is imposing a new pattern of international relationships which will progressively affect our own.

It may be that the adjustments we would need to make, as members of the Community, could provide the stimulus and impose the disciplines which would help to overcome our basic economic problems—our restrained rate of increase in production and our recurrent balance of payments difficulties. But it is also important to us that measures for encouraging and developing strength and unity in Europe should at the same time be directed towards the wider horizon of liberal trade policies. Our particular interest in this is, of course, our trade with the Commonwealth—to say nothing of the wider political and social Commonwealth aspects—for although the Commonwealth's share of our total trade has lessened in recent years it still accounts for more than two-fifths of our exports and the Commonwealth's ability to import remains in large measure dependent upon its European markets.

We cannot foresee at this stage what the outcome of the negotiations will be. The present members of the Community have been facing great difficulties in harmonising their own economic systems in conformity with the terms of the Treaty of Rome, and provision for our essential interests—in agriculture for instance—will not be easy for them.

SCOTLAND'S POSITION

It is, nevertheless, only prudent that we should be doing what we can to prepare ourselves to meet the challenges and take advantage of the opportunities that membership of the Common Market would bring. If we do this there seem to be good reasons to hope that Scotland would be able to face the consequences at least as well as other parts of the United Kingdom. The economic circumstances of recent years, which have conditioned Scottish industry and agriculture to cater for the needs of changing circumstances, our emphasis upon high quality products and skilled workmanship and, perhaps, even our location in relation to the wider European market, are factors which encourage confidence in this.

EXECUTIVE APPOINTMENTS

The load of work on the Senior Executives of any large organisation is bound these days to be an increasingly heavy one. Banks, with their wider responsibilities as one of the principal instruments of Government economic policy, in addition to their constant search for greater efficiency in a highly competitive world, are no exception.

I am sure you will be pleased, therefore, to learn of the creation of additional Assistant General Manager posts; one at Head Office has been filled by the appointment of Mr James Thomson, lately the Secretary of the Bank, and one in Glasgow, by the appointment of Mr A. P. Robertson.

This will help to develop further the capacity of the top Executive to tackle the problems that lie ahead. In particular, the creation of an Assistant General Manager post in Glasgow shows the great importance which the Bank attaches to the West of Scotland.

I should like in conclusion to express our warm appreciation of the contribution by the General Manager, Mr W. R. Ballantyne, the Assistant General Managers and all our Staff to the satisfactory results in another difficult year.

F. W. WOOLWORTH AND CO., LIMITED

The following are extracts from the statement by Mr. F. L. Chaplin (Chairman) circulated to Stockholders:

CONSOLIDATED PROFIT AND LOSS

The consolidated net profit before taxation amounted to £32,586,783, as compared with £31,303,554 for 1960, an increase of £1,283,229 or 4.1%. The increase in taxation of £1,296,745 is greater than the increase in profits before tax, mainly as a result of the further rise of 2½% in the rate of Profits Tax over the full year.

The profit after taxation at £14,984,734 shows a slight reduction of £13,516, but the net surplus for the year at £15,184,181 is £519,412 more than in 1960.

The Directors have transferred £2,500,000 (as against £2,000,000 in 1960) to General Reserve and the balance carried forward has been increased by £2,130,041 to £7,609,548. The proposed final dividend at 1s. 3d. per unit is the same as for 1960.

CONSOLIDATED BALANCE SHEET

The value of fixed assets before Provision for Depreciation has increased over 1960 by £8,566,938 and the net increase after Depreciation amounted to £6,907,093.

Net current assets at £14,765,904 show a reduction of £1,167,934.

SALES

During the early part of 1961 sales were disappointing as compared with 1960 but they gradually improved, and with a satisfactory Christmas trade, having regard to the weather conditions in certain parts of the country, turnover for the year proved to be a new record in the history of the Company, despite the fact that there were two less shopping days in 1961 as compared with 1960.

ADVERTISING

During the year we continued advertising in the Press and on Television. We believe that this service has been of benefit to our customers and we are promoting a similar campaign during the current year.

FOOD BUYING FACILITIES

It is our belief that as far as possible the housewife likes to do all her shopping under one roof and with this in mind we have in recent years extended facilities for buying food in our stores. We now have twenty-four stores equipped with the latest refrigeration machinery for handling and retailing fresh meat under the most hygienic conditions. From its inception this service has been well received and ever-increasing sales testify to the appreciation shown by our customers. Delicatessen also is an important factor of our food service and in the grocery sections of our stores we have increased and are increasing the range to cater adequately for the public's requirements.

DEVELOPMENT PROGRAMME

During the year your Directors approved development projects the total cost of which, together with projects previously approved and not yet completed, will amount to approximately £28,000,000 which will be spread over the next few years.

STAFF

I should like to take this opportunity of expressing to all employees of the Company our sincere appreciation of their loyal and devoted service throughout the year.

THE FUTURE

We know that we are going to be faced with a material increase in overhead expenses and that the constant squeeze on profit margins is likely to persist. We also know that we shall have to meet more and more intensive competition. Our future profits depend on the extent to which we can continue to increase our turnover.

Our ambitious programme for future store development when completed will enable us to give better service to more customers and I have every confidence in the ability of our team of buyers to continue to put on our counters first-class merchandise at competitive prices. We are keeping abreast of the constant changes in consumer demand brought about by social changes and higher average incomes and we are continually striving to upgrade as well as improve the quality and presentation of the items in our vast range.

BOWMAKER LIMITED

FACTORS AFFECTING THE YEAR'S RESULTS

PROBLEMS CREATED BY GOVERNMENT'S POLICY

The thirty-fourth annual general meeting of Bowmaker Limited will be held on February 26th in London.

In the course of his circulated statement, the Chairman, **Sir Arthur Morse, KBE,** said he regretted that the trading of the group for the year ended October 31, 1961, had resulted in a loss of £1,358,189 after making full provision for bad and doubtful debts; in consequence no dividend could be paid on the ordinary share capital.

He added: I warned shareholders in my letter of June 30, 1961, that normal provisions, together with the exceptional provisions required in the accounts of one of the subsidiary companies, might absorb the amounts available for ordinary dividends. In the light of the circumstances ruling at that time, we felt justified in thinking that the group results for the whole year might disclose a small net surplus, or at worst a break even position.

There are various reasons why our calculations have, in the event, proved incorrect, at least two of which could not have been anticipated at the time The measures adopted by the Chancellor of the Exchequer in his "Little Budget" added—because of the increase in bank rate—some £300,000 to the cost of our borrowing. Bank rate has since been reduced to 6 per cent, a level which although unduly high, does permit of a reasonable margin of profit with the increased hiring charges now in force.

Further, severe measures of credit restraint were introduced, as well as additional taxation. All were necessary to meet the alarming deterioration in the economic position of the country. How far the "credit squeeze" was responsible for the fall in retail sales of motor vehicles is open to argument; the fact remains that from August, 1961, onwards there was a sharp fall in the demand for cars, and in consequence less demand for hire purchase facilities.

At the same time, the fall in the value of second-hand vehicles and domestic equipment which had been going on for some time was aggravated, thus increasing the loss on repossessions. Similar considerations, of course, apply to various items of domestic equipment. As a result our provisions for bad and doubtful debts, conservative as we believed them to be at the time, have since proved insufficient.

UNDERLYING CAUSES FOR PRESENT SITUATION

In view of the regrettable outturn of the past year, I think it appropriate to give my views on what the future may hold for the company. At the same time, I will explain what, in my opinion, are the underlying causes responsible for the present situation.

It is necessary to go back to the end of October, 1958, when all Governmental restrictions on hire purchase were abolished; this led to a tremendous enlargement in hire purchase debt from £450 million to a peak figure of £800 million by 1960, a rapid and unhealthy growth with which was I fear encouraged by the offer in many cases of terms which carried a greater than normal element of risk.

Competition became intense and much substandard business was accepted by most companies; even so, losses might have been less but for the sudden reimposition of Government controls in 1960. This reduced retail sales and resulted in a heavy fall in value of second-hand vehicles, further aggravated by the greater availability of new motor cars as a result of a reduction in exports. Even greater falls occurred in the second-hand value of other consumer durables which are normally the subject of hire purchase contracts. Strikes, short time working and some unemployment also contributed to the inability of some hirers to honour their obligations.

Many agreements were broken; the vehicles and other merchandise thrown back on our hands could only be realised at a loss. The work involved in dealing with this heavy volume of bad debts and defaults greatly increased operating costs.

THE FUTURE OUTLOOK

Now, as to the future, the hiring rates now in operation are profitable and the terms as to deposits and rental period should minimise losses because additionally we are being as selective as possible in the acceptance of new business.

Sir Arthur then referred to the steps being taken to integrate the three principal hire purchase companies of the group in this country, with a view to improving efficiency and achieving substantial economies by the merging of branches and departments.

Sir Arthur added:

But the future of hire purchase in this country must depend, like every other activity, upon the extent to which we can increase productivity and exports, avoid recurrent balance of payments crises and the alternate policies of "stop" and "go" which have so bedevilled our business of recent years.

We appear as yet to have found no solution for the difficulties which arise when unhealthy expansion of the economy is permitted, leading to inflation and overfull employment and overfull pay packets encouraging the public to undertake commitments which they can only meet if those conditions continue; then, when we run into balance of payment difficulties, restraints are imposed, causing some unemployment, short time working and loss of overtime; thus commitments which appeared reasonable when entered into, cannot be honoured in the changed conditions.

One cannot be very optimistic in the short run, but hire purchase has still a vital role to play in the economy and given reasonable conditions, your company will again give a good account of itself after the disasters of the past year.

It would be rash of me to make any prophecy about the results for the current year, but we have dealt drastically with bad debts and defaults; some, but not all of the benefits of integration will be realised in the period; we look for an upturn in business in the spring and I hope that when we meet again in a year's time, we shall have a much better report to make to you.

The Chairman then reviewed the balance sheet and accounts, the results and prospects of the operating subsidiary and associated companies and various domestic matters.

BLACK-CLAWSON INTERNATIONAL LIMITED

SUBSTANTIAL ORDER BOOK

MR K. F. LANDEGGER REVIEWS A MAJOR PROBLEM

The thirteenth annual general meeting of Black-Clawson International Limited will be held on March 2nd in London.

The following is the circulated statement of the chairman, **Mr K. F. Landegger:**

The Accounts for the year ended September 30, 1961, show an improvement over those for the year to September, 1960. The profit, before taxation, for the year ended September 30 last is £314,158 (1960—£258,527) after charging depreciation of £97,090 (£88,537) and Debenture stock interest of £36,000 (£36,000). We have provided out of these profits £173,728 (£147,989) for taxation.

An interim dividend of 4 per cent (less income tax) which absorbed £26,950 was declared and paid in May 1961, and your Board recommend a final dividend of 6 per cent (less income tax) making a total of 10 per cent for the year.

HIGHER TURNOVER

As you are aware, our business consists to a large extent of the manufacture to specification of substantial pieces of machinery. The engineering and manufacturing of a complete paper machine may extend over a period of 12 to 15 months, and delivery can only take place after the machine is substantially completed. Accordingly, the company has to finance Work in Progress to a considerable extent. The turnover of the year under review was approximately 25 per cent higher than in the preceding year. These factors are reflected in the value in the balance sheet at September 30, 1961, of "Finished products, work in progress and supplies" at £2,323,615 compared with £1,177,561 at September 30, 1960.

I also report that there has been an increase of approximately £127,000 in the excess of Current Assets over Current Liabilities and at September 30, 1961, the excess was £1,197,507.

EXPORT TRADE

We have continued our wide export business with 75 per cent of our deliveries going to overseas markets. Since my last statement we have obtained orders for new paper machines from West Germany and Austria as well as from the United Kingdom and we have obtained orders for other installations from many countries in Western Europe and the Commonwealth. The volume of orders on hand continues at a high level despite increasing competition and at present stands at approximately £11,750,000. On the sale of complete machines and other larger installations the credit facilities which the exporter is able to offer has become of increasing importance. In this respect the major problem which we have encountered has been the unwillingness of customers to bear the onerous and incalculable interest charges, related to British Bank rate, in respect of the credit facilities which we were able to offer. With the value of an order being of such magnitude it is obviously to a large extent necessary for the exporter, with the help of the Export Credits Guarantee Department, to obtain finance from its bankers.

The cost of this finance has to be included in the price payable by the foreign customer and, with the Bank rate at a relatively high figure, we have in effect been discriminated against to the extent of about 10 per cent of the sales price compared with our foreign competitors. We hope that the proposals recently announced by the Chancellor of the Exchequer will go some way to alleviate this position.

EXPANSION OF MANUFACTURING FACILITIES

In order to improve our deliveries and to expand our manufacturing facilities we acquired, for cash, in January, 1962, the share capital of Reed Brothers (Woolwich) Limited together with a leasehold site, works and certain other trading assets. The site which is held on a 75 year lease is on the Woolwich Trading Estate and includes a large machine shop and a first class assembly shop. There is also a modern drawing office and administrative block.

Our Converting and Extruder machinery manufacture, including the relevant sales and engineering services, are being transferred to Woolwich. We will concentrate this department in that area and relieve some of the pressure on our main plant in Newport, Monmouthshire. Additionally, there will be some capacity for machining and assembly for certain other Black-Clawson products.

We are continuing the manufacture of the rubber mill machinery previously sold for home and export by Reeds.

Our subsidiary company, W. A. Baker & Company Limited, which sells steel castings, has had a good year, both sales and profit being much higher than formerly. A considerable number of steel castings have been shipped by Bakers to the North American continent.

The employees of your Companies have maintained their high standards of workmanship during the past year.

The British Division of The Black-Clawson Group is therefore continuing to expand and I am confident that after the initial development period necessary in our Woolwich plant we shall be able substantially to increase our production in the United Kingdom.

The Black-Clawson Company of Hamilton, Ohio, has recently acquired The William Kennedy & Sons Limited plant in Owen Sound, Ontario. As a result of this purchase and the acquisition of Reeds the Group now owns nine plants in various parts of the world. Great benefit is available to our customers from these worldwide facilities and we can and do exchange technical and commercial knowledge. We also have the ability to manufacture similar equipment in these various plants thus assisting in an enhanced service to the industries which we serve.

BAY HALL TRUST LIMITED

Summary of Directors' Report for the year ended 31st December, 1961, and of the accompanying Statement by the Chairman, Sir Charles J. Hambro, K.B.E., M.C.

In 1961, gross revenue rose from £388,148 to £455,532. The income from the second, and final, instalment of £455,000 on the 5½ per cent Debenture Stock received in November, 1960, contributed to the increase, but even after making allowance for this there was still a healthy growth of income from the Company's other investments. The net profit for the year, after paying a full year's interest on the Debenture Stock, rose by over 10 per cent to £242,202. In deference to the Chancellor of the Exchequer's request for dividend restraint, the Directors have recommended an unchanged final dividend of 6 per cent, less tax—thus maintaining the total payment for the year at 9 per cent, less tax, absorbing £184,669. But for this request they would have recommended a higher final dividend out of the increased net profit for the year. The sum transferred to General Reserve has been increased from £30,000 to £50,000, leaving a balance to be carried forward of £64,792.

DISTRIBUTION OF INVESTMENTS (based on valuations at 31st December)

EQUITIES:	1961	1960
	%	%
COMMERCIAL & INDUSTRIAL—		
United Kingdom:		
Banks, Insurance, etc.	1·3	1·1
Breweries and Tobacco	1·8	2·0
Building	1·3	1·2
Chemical	1·3	1·9
Electrical	1·3	1·5
Engineering	8·4	8·6
Foods, Stores	2·3	1·9
Iron and Steel	4·2	6·4
Motors and Accessories	1·3	2·1
Paper and Printing	1·2	1·3
Property	27·2	17·8
Miscellaneous	2·2	2·3
	53·8	48·1
Australia	0·6	0·1
Republic of South Africa	5·6	6·2
United States of America	4·5	2·3
MINING FINANCE—		
Republic of South Africa	26·7	32·4
Elsewhere Overseas	2·1	2·2
MINES AND PLANTATIONS—		
Overseas:		
Base Metals	1·5	2·0
Diamonds	1·2	1·3
Gold	0·9	1·6
Oil, Tea and Rubber	1·7	2·1
Total Equities	98·6	98·3
FIXED INTEREST	1·4	1·7
TOTAL	100·0	100·0

At market prices ruling on 31st December, 1961 (or where no market prices existed, at valuations by the Directors at that date amounting to £524,179) the Company's investments had an aggregate value of £8,132,029, compared with the balance sheet value of £5,125,512. After allowing for the final dividend on the ordinary shares, the net assets of the Company totalled £7,166,000, which is equivalent to 21s. 4½d. per share and compares with 19s. 6d. per share a year earlier.

The principal change in the Distribution of Investments is the increase in the proportion invested in property shares. This is due partly to the general rise in Stock Exchange values which has taken place in this section of the market and partly to increased investments, including a rights issue by St Martin's le Grand Property Co. in which the Company has a substantial interest.

The Chairman states that in view of the conditions which British industry is at present experiencing, income during 1962 cannot be expected to continue the growth that has taken place in recent years. He is, however, hopeful that this year income will be maintained at about last year's level.

Copies of the full Report and Accounts are obtainable on application to the Company at Princes House, 95 Gresham Street, London, E.C.2.

IND COOPE TETLEY ANSELL LIMITED

"A COMMONWEALTH OF BREWERS"

In his annual statement circulated to shareholders, **Mr Edward Thompson, M.B.E., T.D.**, the Chairman, says that Ind Coope Tetley Ansell came into effective being in May, 1961. When the merger of Ind Coope, Tetley Walker and Ansells was recommended by the Chairmen of those three companies, the conception was that of a Commonwealth of Brewers. That conception is well on the way to realisation.

Sales of the Group's three National beers, Double Diamond, SKOL and Long Life now available in both bottle and can, were all substantially in advance of those in the previous year.

Tetley had another record year with some 89 per cent of their production in draught beer: Walker also achieved an increase in barrelage usefully in advance of the national average. As co-ordination progresses, Tetley Walker's popular beers will become more widely available in the Group's Northern properties. Ansells' sales were again up and their draught Mild will be made available more widely in Ind Coope houses in the Greater Birmingham area.

Group production of beers excluding lager now approximates 68 per cent draught and 32 per cent bottled.

All wines and spirit companies within the Group had another record year of trading. Ships' stores and export trade expanded again during the current year.

Mr Thompson points out that the Group owns a total of 95 hotels. The profits from that part of the business are attractive notwithstanding the costly modernising and restyling necessary in the more old-fashioned hotels.

In the course of his views on the future, Mr Thompson reminds shareholders that the Company has been in effective operation only for a period of months, but he says it has enabled him, even more, to appreciate the great potential of the new Group and the capacity and enthusiasm of its management to make the best use of its combined resources. He adds: The Group is soundly based financially and well placed to take advantage of trading opportunities as they arise.

ILFORD LIMITED

(Manufacturers of Photographic Materials)

INTRODUCTION OF NEW COLOUR PRODUCTS

The sixty-fifth annual general meeting of Ilford Limited will be held on March 2nd in London. The following is an extract from the circulated statement of the Chairman, **The Hon James P. Philipps:**

Turnover once again reached a new all-time record in value, although the rise was not as great as anticipated owing to unforeseen delays in getting into production with our new range of colour products. Nor was it sufficient to offset both the increase in manufacturing and overhead expenses, including substantially increased expenditure on research, and higher depreciation on our plant. In fact, more than half of the reduction of £235,000 in Group Profits before taxation was due to the increase of £131,000 in depreciation.

Very large sums are necessarily being spent on research and development. It is only in this way that we can possibly increase, or even maintain our share of the steadily expanding world market for photographic goods.

Meanwhile, considerable improvements have been made in our colour products and we shall also be able to offer the amateur an increased range of fully competitive products this spring. One of the new products we shall be marketing for the first time will be a high quality fast 8 mm. colour cine film to compete in this rapidly expanding amateur market. We are confident that we shall be able to secure a fair share of the rapidly expanding market in colour and also in the long run to earn therefrom a satisfactory rate of profit on a greatly increased turnover. However, for the next year or two the cost of promoting these sales is bound to be heavy.

We are now able to offer a very comprehensive range of Ilford cameras at prices ranging from approximately £2 10s. 0d. to £45 including tax. Of these, the roll-film types—Sporti 4, Sporti and Super Sporti—are good looking but robust pieces of equipment, having optical eye-level viewfinders and flash synchronisation.

Cameras using 35 mm. film range from the simple Sportsman Vario with direct manual controls to the Sportsmaster Manumatic with which the lens aperture may be automatically or manually set.

We have also in production a slide projector of modern design with magazine loading and a particularly efficient illumination system.

With Sportsman cameras, Ilfochrome film and the Sportsview projector we are now able to supply all the requirements of those who find colour transparencies especially satisfying.

In the past year our subsidiary companies in the USA and Australia have both increased their turnover appreciably. Our various subsidiaries in Europe should be of great assistance to us if Britain enters the Common Market, and should help our Export drive in the "Six" which reciprocal reduction of duties would facilitate, although naturally it would also make competition fiercer in our Home Market.

Your Board are confident that with the introduction of our new colour products, the second half of our current financial year will see an increase in sales. Unless our costs are going to continue to be forced up by circumstances outside our control, such increase in sales should lead to a corresponding increase in profits.

THE STEEL COMPANY OF WALES LIMITED

DEVELOPMENT PLANS NEAR COMPLETION

SHAREHOLDERS' PATIENCE SHOULD BE REWARDED

MR HARALD PEAKE REVIEWS TRADING PROSPECTS

The fifteenth Annual General Meeting of The Steel Company of Wales Limited was held on February 5th in London.

Mr Harald Peake, *Chairman,* who presided, said:

Before proposing the adoption of the accounts, shareholders may wish me to bring them up to date regarding the progress of the Company.

The aftermath of the bricklayers' strike, which ended on October 29, 1961, continued to have an adverse effect on trading well into December. It is inevitable, therefore, that the profits for the half year to the end of March, 1962, will compare very unfavourably with those for the similar period a year ago.

At present we are continuing to work below the rate of three million ingot tons per annum which was provided for by the Third Development Plan. This is due partly to lack of orders and partly to the change-over from 230-ton to 400-ton furnaces at the Abbey Works melting shop.

IMPROVED VOLUME OF ORDERS

There is now some improvement in the volume of orders and two out of the four 400-ton steel furnaces have been commissioned. Furthermore, the Iron and Steel Board has announced that it is reviewing the maximum prices which may be charged for iron and steel in the light of the additional costs which the industry has had to meet in recent months. It seems reasonable, therefore, to expect that trading results will improve from now onwards.

Whilst prospects, in the short term, are uncertain, I think that shareholders should not take a gloomy view of the future. Last year our Company achieved a larger surplus on trading than any other British maker of iron and steel. Towards a capital expenditure of 18½ million pounds during last year, no less than 14 million pounds was provided out of the trading surplus of the year.

The Fourth Development Plan is approaching completion and, if no further major developments are undertaken for a few years, a very strong financial position should be built up.

I believe that if we shareholders have a little patience it will be well rewarded.

The Chairman concluded by moving the adoption of the report and accounts.

Sir Julian Pode, JP, FCA, FCIS (Deputy Chairman and Managing Director), seconded the Resolution which was carried unanimously.

The dividend recommendation was approved; the retiring directors, The Rt Hon Lord Cobbold, Sir Robert Barlow, Mr R. W. Evans, MMet, FIM and the Hon Hugo Kindersley, were re-elected and the remuneration of the auditors, Messrs Peat, Marwick, Mitchell & Company, was agreed.

CHAIRMAN'S RETIREMENT

Concluding the formal proceedings, Mr Harald Peake said it was with very great regret that he was laying down the Chairmanship of the great Company which he had served for the last 6½ years, but he was very pleased indeed to be handing over the chairmanship to Sir Julian Pode, the deputy chairman, who, as managing director, had done such very great work for the Shareholders of the Company ever since its formation. Mr Peake added: My regret at leaving is mitigated by the fact that I can see that the Company will go forward from strength to strength.

The Chairman then expressed his thanks to his co-directors, to the executives, staff and workpeople, and to the shareholders and customers, for the support he had received from them during his term of office.

SIR WILLIAM MCFADZEAN'S TRIBUTE

Proposing a hearty vote of thanks to the Chairman, his colleagues on the Board, the management, staff and workpeople, Sir William McFadzean said he deliberately included everyone because while the effort or contribution made by individuals must obviously vary, what really mattered was the collective effort as a whole. That had never been more important than today when as a country every effort must be made to increase productivity and the share of world trade.

Sir William said he was sure all shareholders greatly regretted the Chairman's decision to relinquish his office in order to leave the hectic life of industry for the quieter pastures of the City. He added: We wish you every success in your Chairmanship of Lloyds Bank and, being thoroughly selfish, we are delighted you are remaining one of our Directors.

He continued: To our new Chairman, Sir Julian Pode, we extend a very warm welcome. We have every confidence in him and wish him well. We are also delighted to see Mr W. F. Cartwright appointed as Managing Director and Mr David Young as his assistant—two men who have won their spurs in the service of the Company.

Sir William concluded: Mr Chairman, you ended your Statement as follows: "In the Steel Company of Wales we have a skilled staff, good workpeople and first class equipment. I have confidence in its future." May I add that we have also got a first class Board. In moving this warm vote of thanks on behalf of all Stockholders, I assure you we share your confidence in the future of the Steel Company of Wales.

MR T. MERVYN JONES' REMARKS

In seconding the resolution, Mr T. Mervyn Jones said that the accounts gave a clear picture in the attractive modern style. He added: The picture in parts—we look at dividends and sales—is cogent and sober. Dividend pause follows sales pause—in the long term how wise a

decision. There is, however, much comfort: export tonnage held, total sales second highest in the Company's history, progress with the Fourth Development Plan, a past ten years that has seen both assets and ingot production increase three-fold.

Mr Mervyn Jones joined in the tribute to Mr Harald Peake and in the welcome extended to Sir Julian Pode as the new chairman. He concluded: The Company's crest is the Red Dragon. Our hope, as our confidence is that it will continue to achieve the motto customarily attached to it—"The Red Dragon leads the way." or translated into Europe's oldest language, "Y ddraig goch ddyry cychwyn."

The motion was carried by acclamation.

After a brief response by the Chairman and by Sir Julian Pode the proceedings terminated.

HENLYS LIMITED

The thirty-third annual general meeting of Henlys Limited was held on February 1st in London, **Mr H. G. Henly** (the chairman) presiding.

The following are extracts from the Directors' Report:

Your Board has much pleasure in reporting another successful year's trading by the whole of the Group.

The Hire Purchase Subsidiary has grown during the year and has financed almost exclusively transactions of the Group's own customers and has thus escaped the setbacks reported by other finance houses.

The Net Profit of the Group before taxation amounted to £925,062, which represents 2.5 per cent on the value of the Group's turnover for the year. The decrease of 0.1 per cent compared with the previous year can be attributed to more competitive trading conditions. The turnover of the Group was a record.

The Interim Dividend paid and the Final Dividend recommended on the Ordinary Shares represent a distribution of 34 per cent gross.

Since the Chancellor's restrictions in July, trading has been difficult and, if these conditions continue, the Board is of the opinion that the results for the year ending August 31, 1962, cannot be expected to equal those for the past year. Needless to say, if the economic conditions of the country take a turn for the better, your Organisation is in a position to take full advantage of any such improvement.

The report was adopted.

cannot succeed without a considerable level of profits and just as certainly without a great deal of co-ordination or planning, whether of investment, production or incomes, which only a Government can undertake. If any simple slogan is permitted let it be "Planning for Profit."

NORTHERN IRELAND

In Northern Ireland, notwithstanding a deterioration in the unemployment figures, a brighter note was possible in that orders for four ships were on hand and new industrial projects in the pipeline.

THE REPUBLIC AND THE COMMON MARKET

The Republic of Ireland had applied for full membership of the Common Market and Lord Longford was wholeheartedly in support of this. There would be a difficult transitional period but an expansion in production and exports sufficient to end emigration was a glittering prize for the present generation of Irishmen which he urged the whole community to co-operate in seeking.

A FEW COMPARISONS

In Ireland the Resources had increased somewhat faster than the average of the other Banks. In England in the last ten years the Resources of the London Clearing Banks as a whole had increased by 19 per cent, whilst those of the National Bank had increased by approximately 47 per cent or more than twice as fast. The Bank's rate of growth had been about the same in England and Ireland. Too much should not be read into these figures, but they did show clearly that there was a strong demand for the services of the Bank.

FINSIDER

SOCIETÀ FINANZIARIA SIDERURGICA PER AZIONI

REGISTERED OFFICE, ROME

CAPITAL LIRE 94,248,000,000

The annual general meeting of Finsider was held in Rome on July 14, 1961, under the Chairmanship of **Cavaliere del Lavoro Prof. Dr. Ernesto Manuelli,** with the participation of 60 shareholders, representing 140,456,008 shares; 188,496,000 shares being the entire registered capital.

The report by the Board of Directors shows favourable results for 1960, a year in which Italian steel production amounting to 8,229,000 tons reached a new record, showing an increase on the previous year higher than that of all member countries of CECA (+21.7 per cent).

Particularly noteworthy was the level reached by consumption, which being over 9 million tons (corresponding to 183 Kg. pro-capite) showed an increase of 24.6 per cent in respect of 1959.

Within the framework of this excellent position, the Finsider Group also showed maximum production results: 2.3 million tons of pig iron (+ 28.8 per cent in respect of 1959); 4.4 million tons of steel (+24 per cent); 3.6 million tons of hot rolled products (+32 per cent).

Turnover therefore increased to 434.3 billion lire, of which 390 is in the steel sector.

In 1960 also the development plan for the Group was given a start, with a view to increasing the full cycle production of steel, which by 1965 should be double the present output.

As for the organisational field, the report states that a radical modification has been made within the structure of the Group, by merging the Ilva and Cornigliano companies and forming Italsider, which is among the first European companies both for size and efficiency. It is in fact within the new grouping that the vast works were initiated for the construction of the new integrated steel plant at Taranto (whose Pipe mill is already in operation), also the erection of the Novi Ligure cold-rolling mill, as well as improvements to the three existing centres at Cornigliano, Piombino and Bagnoli.

The profit and loss account of the entire Finsider Group shows that the net profits have nearly reached 14.5 billion lire, with a remarkable increase in respect of 1959, in spite of the fact that the allocation for depreciation was 10 billion lire in excess of the previous year.

As for the balance sheet it is to be emphasised that the gross value of installations is in the region of 700 billion lire of which 36.4 per cent (250 billion lire) is covered by mortgages. Net investments amounted to 51.5 billion lire.

The total financial liabilities as at December 31, 1960, were 327 billion lire against 304 at the end of 1959: of these 207.8 billion lire were formed by consolidated debts (equal to 63.6 per cent), 93.5 billion lire by debts to Banks and Financial Agencies (equal to 28.5 per cent) and 25.9 billion lire by debts to I.R.I. (equal to 7.9 per cent).

The Finsider S.p.A. balance sheet shows an increase of 37 billion lire (of which 26 billion lire are due to an increase in the share-holding in other companies. Profits for the year amounted to 9,913,120,480 lire, an increase of 2.6 billion lire in respect of the previous year.

In connection with the Directors' report, a thorough discussion took place in which various shareholders participated: the Chairman answered everybody exhaustively; thereafter the balance sheet was approved as well as the distribution of profits. After allocating 5 per cent of profits to the ordinary reserves (495,656,024 lire), a dividend of 10 per cent was declared on the capital, equal to 50 lire per share fully paid up (45 lire in the previous year); and 26.65 lire on the shares issued following last year's capital increase of which 15 lire for the 30 per cent of the capital paid on May 7, 1960 and 11.65 lire for the balance of 70 per cent paid on January 1, 1961. The dividend was made payable as from July 24, 1961.

THE NATIONAL BANK LIMITED

ANOTHER RECORD YEAR

LORD LONGFORD'S ADDRESS TO SHAREHOLDERS

The Chairman, in his address at the 127th Annual General Meeting at 13 Old Broad Street, London, E.C.2, was able to report another year of expansion, with Resources at December 31st last standing at the record figure of £112,600,000, an increase during the year of over £7m., whilst Advances had increased by approximately £1m. to £50,393,000.

Lord Longford explained that in accordance with modern practice the Profit and Loss Account this year showed the dividend figure less Income Tax, on which basis the profit for the year at £261,948 had increased by £15,614. The figure would have been much higher but for the substantially larger sum of approximately £359,000 allocated to the Staff Pensions and other Funds. The Dividend was left unchanged at 18 per cent.

ECONOMIC BACKGROUND—IRELAND AND ENGLAND COMPARED

Lord Longford said that both employment and productivity in Ireland has continued to increase. The real National Income is again expected to increase by 4 per cent., or twice as much as envisaged in the Whitaker Plan.

In Britain, there have been many disappointments but 1961 may still prove to have been a turning point in British economic history. He strongly supported the decision to apply for membership of the Common Market.

Last year, said Lord Longford, I called for a five-year British Plan and pointed out the success of the so-called Whitaker Plan in Ireland. For some months the British Government has been trying to secure the co-operation of the Trades Union Congress in a National Economic Development Council. I very much hope that agreement has now been reached. The brutal truth is that a large proportion of the British public is allergic to a National Plan and another large portion as allergic to high profits, and yet in their calmer moments, the vast majority of people in this country believe that business

APPOINTMENTS

MARKET RESEARCH

Economics Graduate (with statistics) required to initiate and maintain a market research unit working on Telecommunications Transmission Systems. This is a most interesting and challenging opportunity in a new field presenting ample scope. Some general knowledge of radio or electronics would be an advantage. Excellent salary and benefits.

Apply to—The Personnel Manager, Standard Telephones and Cables Limited, North Woolwich, LONDON, E.16.

For other appointments see page 573

THE UNIVERSITY OF MANCHESTER

RESEARCH STUDENTSHIPS AND GRANTS IN ECONOMIC AND SOCIAL STUDIES

Applications are invited for the above studentships and grants for Research in Economics, Economic Statistics, Government and Social Administration, Social Anthropology, Sociology or the Economics and Organisation of Business, tenable for one year in the first instance, and renewable for a further period not exceeding two years. The Studentships are usually of the value of £450 or £480. They are offered to candidates who have obtained a degree of Bachelor or Master in this or another approved University.—Applications should be sent not later than February 24, 1962, to the Registrar, the University, Manchester 13, from whom further particulars and forms of application may be obtained.

EDUCATION: BUSINESS AND PERSONAL

THE Purchasing Officers Association maintains an Appointments Register, and invites requiring the services of purchasing staff are invited to communicate with the Association at Wardrobe Court, 13/15 Queen Victoria Street, London, E.C.4. (CITy 3881.)

COLLEGE OF ADVANCED TECHNOLOGY, BIRMINGHAM

DEPARTMENT OF INDUSTRIAL ADMINISTRATION

The following courses will be offered in the Autumn Session:

DIPLOMA COURSE IN MANAGEMENT STUDIES. A 24-week full-time residential course for graduates with industrial experience. A five-year course will also be provided on a day-release basis.

DIPLOMA COURSE IN INDUSTRIAL ADMINISTRATION. A full-time "sandwich" course for graduates newly entering industry. Students will attend College for three periods, followed by nine months in industry, and a further three months in College. A three year course will also be provided on a day-release basis.

FULL-TIME COURSES IN WORK STUDY. A course lasting 10 weeks.

FULL-TIME COURSES IN ORGANISATION AND CONTROL OF PRODUCTION. A course lasting six weeks.

FULL-TIME COURSES FOR WORKERS' REPRESENTATIVES. (Each course lasting two weeks.)

PART-TIME COURSE IN EMPLOYMENT STUDIES. (One week.)

Further details and application forms may be obtained from the Head of Department of Industrial Administration, College of Advanced Technology, Gosta Green, Birmingham 4.

UNIVERSITY OF EXETER

RESEARCH FELLOWSHIP (AGRICULTURAL ECONOMICS)

Applications are now invited for the post of Research Fellow in the Department of Economics (Exeter Province — Provincial Agricultural Economics Service, Newton Abbot).

The Fellow will be required to undertake a study on the place of pig production in the general farm economy with special reference to the long-term effects of specialisation and size of unit. The appointment is for a period of two years and the salary range is £800-£1,200 per annum according to qualifications and experience. Further particulars from the Secretary of the University, Exeter.

Closing date for applications, the 28th February, 1962.

THE UNIVERSITY OF MANCHESTER

Applications are invited for one or more temporary posts at the grade of LECTURER in ECONOMIC DEVELOPMENT in the Faculty of Economic and Social Studies. The tenure of the appointment will be for a period of not more than four years. Applicants should have field experience, preferably in South America, South East Asia or Africa, or knowledge of China. Salary scale £1,050 to £1,850 per annum; membership of F.S.S.U. and Children's Allowance Scheme. Applications should be sent not later than March 31, 1962, to the Registrar, the University, Manchester 13, from whom further particulars and forms of application may be obtained.

CENTRAL OFFICE OF INFORMATION requires a SENIOR INFORMATION OFFICER (unestablished) for production work on Radio-tapes for overseas. Duties include liaison with other Government Departments and briefing of free-lance contributors. Qualifications required are a thorough knowledge of radio production and of tape-editing. Some familiarity with the work of the official Information Services overseas will be an advantage. Salary £1,573-£1,937.—Write, giving age, full details of experience and qualifications, to Manager (P), 50 PUO, Ministry of Labour, Professional & Executive Register, Atlantic House, Farringdon Street, London, E.C.4.

THE UNIVERSITY OF BIRMINGHAM

FACULTY OF COMMERCE AND SOCIAL SCIENCE

The University will offer a number of Research Scholarships, value £270-£330, to graduates and to those expected to graduate this summer who wish to read for higher degrees in the Faculty of Commerce and Social Science. There will be opportunities for advanced study and training in research in all the main departments of the Faculty and also in subjects common to more than one department.

Further particulars may be obtained from the Assistant Registrar (Commerce and Social Science), The University, Birmingham, 15, to whom applications should be sent before 16th June, 1962.

DIRECTORS needing able office staff on. and £—Consult Stella Fisher Bureau, 436 Strand, W.C.2. TEMple Bar 0942.

EXPERT POSTAL TUITION

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

METROPOLITAN COLLEGE, ST. ALBANS

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

SECRETARIAL TRAINING, especially for university graduates and older students. Shorthand and audio-typing courses.—Write, Organising Secretary, Division 5, 158 Holland Park Avenue, W.11. PARk 2654.

TUITION FOR B.Sc. ECONOMICS

Wolsey Hall (Est. 1894) provides Postal Courses in a wide range of subjects for the London examinations for London Univ. B.Sc.(Econ.) (Part I) and B.Sc.(Econ.) (Part II). Tuition also for G.C.E., Law, Statistical, other exams.—Prospectus (mention examination) from T. W. Shaw Thatcher, C.B.E., LL.B., Director of Studies, Dept. P.17.

WOLSEY HALL, OXFORD

UNITED NATIONS

ENGLISH TRANSLATORS

The United Nations will hold an examination to select English translators and trainee translators in April 1962 in New York, London and Geneva.

Candidates must be nationals of States Members of the United Nations, of English mother tongue, have an excellent knowledge of French and of Russian or Spanish, and have a university degree or equivalent qualifications.

Successful candidates may be offered probationary appointments in New York as trainee translators at a salary of $7,500 ($6,130 net after deductions in lieu of taxation), leading to a permanent appointment after two years of satisfactory service at a higher level carrying a salary ranging from $9,300 ($7,460 net) to $12,800 ($9,870 net). A cost-of-living adjustment and allowances for dependants are also payable. Other benefits include pension scheme, children's education allowances and home leave.

Successful candidates with considerable experience as translators in this field may be offered initial appointments at the higher level.

Opportunities exist for further promotion to the level of Senior Translator, which carries a salary ranging from $11,400 ($8,930 net) to $15,200 ($11,420 net).

Further information and application forms may be obtained by writing to one of the following addresses, sending an unstamped self-addressed business size envelope:

Personnel Division
English Translators
(Room 266)
United Nations
Palais des Nations
Geneva, Switzerland

or

United Nations Information Centre
14/15 Stratford Place
London W.1, England

The closing date for the receipt of completed application forms is 12 March 1962.

GKN

G.K.N. GROUP OPERATIONAL RESEARCH SERVICE (Midlands Unit)

GROUP LEADER

Applications are invited for the position of Group Leader in the Midlands Unit.

This is a senior vacancy and the successful candidate will be required to supervise small teams working on management problems in the Engineering Companies of the G.K.N. Group.

Applicants should be graduates, preferably between 30 and 35 years of age. They should have had experience in Operational Research or in similar work, and experience in management itself would be an advantage.

The Unit is based on the Group Research Laboratory at Wolverhampton, and there is pleasant country within easy reach. The work is in the Group Companies, most of them being within daily travelling distance of here, though occasional periods away from home must be expected.

Please write or telephone:

The Personnel Officer, G.K.N. Group Research Laboratory, Birmingham New Road, Tanefield, Wolverhampton, Wolverhampton 37361.

THE UNIVERSITY OF MANCHESTER

Applications are invited for two posts at the grade of ASSISTANT LECTURER in ECONOMICS in the Faculty of Economic and Social Studies. Salary scale £905 x £50 to £905 per annum; membership of F.S.S.U. and Children's Allowance Scheme. Applications should be sent, not later than February 17, 1962, to the Registrar, the University, Manchester 13, from whom further particulars and forms of application may be obtained.

THE UNIVERSITY OF HULL

Applications are invited for an Assistant Lectureship or Lectureship in Social Administration, tenable from 1st October, 1962. Preference to candidates with a particular interest in the industrial aspects of social policy or in housing and planning. Salary scale £905 x £50 to £905 per annum; Lecturer £1,050-£1,350 p.a., with F.S.S.U. and children's allowances. Further particulars may be obtained from the undersigned to whom applications (six copies) should be sent not later than 10th March, 1962.

W. D. CRAIG, Registrar.

COMPANY AFFAIRS

Gilt-edged stocks have captured most of the limelight in the London stock market this week and insurance companies and pension funds have been big buyers particularly of long-dated stocks. In a buoyant market the new City of London 6¼ per cent stock has had a good reception and it has touched a premium of one point. By contrast equities have been quiet but have remained reasonably firm and The Economist *indicator gained 2 points to 359.0. Interest centred on the take-over front—ICI and Courtaulds inevitably and Fairey, Charrington and Waterlow as well. A higher dividend estimate gave a strong boost to John Brown and tobacco shares attracted buying again after Imperial Tobacco's results were published.*

Imps Fights Back

In a written reply Mr Niall Macpherson, Parliamentary Secretary to the Board of Trade, set out again on Tuesday the reasons why the President of the Board of Trade is not enforcing the Monopolies Commission's recommendation that Imperial Tobacco should sell its holding in Gallaher. Mr Macpherson recalled that the Monopolies Commission had acknowledged that the competition experienced by Imperial Tobacco was intense and he said that it had become even more intense since the report was published. He added: "There is no evidence that Imperial is not combating it as strongly as they can; indeed all the evidence goes the other way."

So it proved the same afternoon when Imperial Tobacco's preliminary results for the year to October 31st last revealed that the recent decline in trading profits had been halted. Profits have no doubt been helped by the June increase in cigarette and tobacco prices. This was followed in July by the 10 per cent surcharge on tobacco duties; this produced an exceptional stock profit of £1½ million which, as on other occasions when the duty was increased, has been transferred directly to reserves. The increases in prices have not damped down tobacco consumption very much, though they have accelerated the switch into tipped cigarettes. Investment income, which in the past has more than offset the decline in trading profits, also received another boost as BAT's dividend was raised though Gallaher's payment was simply maintained on the capital as increased by a rights issue. But the earnings of the printing, paper and other subsidiaries appear to have fallen by about £530,000 and this has limited the increase in consolidated trading profits with the result that, after a higher tax charge, equity earnings are fractionally lower at 39.2 per cent (against 39.5 per cent), leaving the cover on the maintained 22½ per cent dividend unchanged at 1.7 times.

Years to October 31	1960 £'000s	1961 £'000s
Parent Company :—		
Trading profit	17,400	18,554
Other income	8,093	8,679
Gross income	25,494	27,233
Net profit	13,694	14,133
The Group :—		
Trading profit	20,924	21,543
Other income	7,109	7,537
Gross income	28,033	29,080
Net profit	15,049	14,945

The results pleased the market especially as the chairman, Mr R. S. W. Clarke, told shareholders last March that sales for the first four months were slightly down and costs were rising and the £1 shares gained 5s. 10½d. to 61s. 3d. to yield 7.4 per cent. This is two points more than the return on Gallaher—a disparity which can be justified on the record of growth over the past ten years. But the latest results suggest that Imperial Tobacco, whose share of the trade is around 60 per cent is now staving off the competitive challenge of Gallaher and other cigarette manufacturers more successfully. One small indication of Imperial Tobacco's endeavours to fight back is the decision to replace the traditional and old-fashioned design on the flat packets of "Players" with the modern design already used on the flip-top packets. The shares have for long held attractions as an income stock but those investors who are impressed by the latest results should await the publication of the forthcoming cancer report before going into the market to buy.

Ind Coope, Tetley Ansells

The brewing commonwealth created by the merger of Ind Coope, Tetley and Ansells has imposed a more regional pattern of trade and production on the policies of Ind Coope and from the shareholders' point of view this is probably all to the good. The benefits of rationalisation in production and distribution are still to come from this merger and as there has been some delay in securing the necessary planning consents so, too, are some of those arising from Ind Coope's earlier merger with Taylor Walker. The sale of some of the group's properties will release money for capital developments; the cash flow from such realisations amounted to £2½ million in 1960-61 and it will not be less than £1½ million this year so that by the end of next September about £10 million in all will have been released from property sales. But the capital developments, including the building of two lager breweries and the improvement of licensed premises, have been big and stocks, reflecting the extra duty, have risen; as a result the group's liquid assets have been halved to £3 million and the chairman, Mr Edward Thompson, says that eventually the cost of permanent new investments (including Tetley Walker's earlier acquisition of a brewery in Leeds for over £3 million in cash) will have to be funded. This, presumably, will involve the issue of a prior charge stock.

The concentration of ownership in the brewing industry is not, however, all sugar and no pill. Mr Thompson, for instance, says that trade can be disturbed and profits affected by "the change of beers consequent upon the closing of a brewery." The ordinary drinker, in other words, may prefer his local brew to a national one. There has been a swing back from bottled beer to draught, which is cheaper and earns a smaller margin for the brewer. Mr Thompson appears to blame the extra duty largely for this change; but some other brewers believe that more permanent factors are at work and point to the growth of container draught as a portent for the future.

Whatever the reason, the swing away from bottled beers has important consequences for Ind Coope. Its sales of "Double Diamond," "Skol" and "Long Life" were higher in 1960-61 but its profits rose by only one per cent, compared with a rise of ten per cent achieved by the two other partners in the group, Tetley and Ansells. Obviously, it cost Ind Coope more to promote the growth in sales of its bottled beers last year and though the summer's increase in prices should take care of the rise in costs a further fall in sales could have a serious effect on Ind Coope's own earnings, especially as it did not pass the increase in duty on to its bottled beer drinkers. It is perhaps as well for the Ind Coope shareholders that they now have a stake in a larger group, in which about two thirds of the sales are draught. But if the profits on Ind Coope's bottled beers fail to rise, this will act as a drag on the group's earnings as a whole. The 5s. shares are not now so popular as they were and at 13s. 3d. they yield 4.4 per cent on the indicated dividend of 12 per cent, covered 1½ times.

F. W. Woolworth

In his first statement as chairman of F. W. Woolworth, Mr F. L. Chaplin says that sales were disappointing in the early part of 1961 but picked up as the year went on, and with a satisfactory Christmas trade they reached a new record level. The turnover figure is not given, but as Mr Chaplin refers to a "constant squeeze on profit margins" and the rise in trading profits of 4 per cent was a little more than that of retail sales over the nation as a whole, the inference is that Woolworth has at least held on to its share of the retail market. Gross profits rose by 4 per cent, from £31,303,000 to £32,587,000 but higher profits tax skimmed off the gain and left net profits £13,000 lower at £14,985,000.

The ordinary dividend was fractionally higher as a result of an adjustment for the scrip issue in November, 1960, and the cover remains unchanged at 1.4 times. Mr Chaplin says that the future growth of profits depends on the growth of turnover, but margins are being squeezed by the rise in costs. In the next few years Woolworth intends to build 27 new stores, modernise another 45, and relocate 17 in bigger premises; in all this will cost about £28 million, but with liquid assets of about that amount, and with the cash flow running at over £6 million, the financing of this programme should present no problem. The real problem for the future may be to meet the competition of discount stores, which might force Woolworth to extend the range of its merchandise, but for the moment geographical expansion is probably the best way of adding to sales. Sales appear to have been stimulated by press and television advertising—a recent innovation for Woolworth—and like Marks and Spencer it is extending the food sections in many of its stores. But for the moment at least it is not proceeding with its plan to apply for a licence to sell beer, wines and spirits at some of its large stores, having had its application turned down at Nottingham. At 48s. 3d., the low point for 1961-62, the 5s. shares yield 3.7 per cent and with signs that the Woolworth management is now more in tune with changes in consumer demand this may not look too far ahead.

Years to Dec. 31	1957 £ mil.	1958 £ mil.	1959 £ mil.	1960 £ mil.	1961 £ mil.
Trading profit	21·9	23·6	26·6	29·6	30·8
Gross profit	24·1	25·6	28·3	31·3	32·6
Net equity earnings	11·1	11·9	13·8	14·7	14·8
Retained cash flow	4·6	5·5	6·1	6·2	6·3
Net fixed assets	48·1	53·9	60·8	65·8	72·7
Net current assets	18·1	16·7	15·0	15·9	14·8
Net liquid assets	30·0	28·7	27·3	26·8	27·8
Net equity assets	54·2	58·5	62·7	66·8	71·4
	%	%	%	%	%
Ord. earnings†	40·7	43·5	47·5	50·3	50·8
Ord. dividend†	28·6	28·6	32·1	35·7	35·8
Gross profit/net equity assets	44·5	43·8	45·1	46·9	45·7
Net earnings/net equity assets	20·5	20·3	22·0	22·2	20·7

Price (5s. shares): 48s. 3d. Earnings yield: 5·2%;
Dividend yield: 3·7%. equal to 19·2 years' earnings.
† Adjusted for Scrip Issues

John Brown

Recent sellers of John Brown £1 stock units, who had brought the price down in the previous two weeks from 38s. 6d. to 33s. 9d. by last weekend, received a rude shock when the directors announced a one-for-four scrip issue and held out hopes that the present dividend would be maintained on the bigger capital. Thus on Monday morning the shares jumped by 6s. 3d. to 40s. to offer a prospective yield of 6¼ per cent. For 1960-61 the ordinary dividend was held at 11 per cent when the John Brown directors were among the first to comply with the Chancellor's appeal for dividend restraint. Now in announcing a maintained interim of 4 per cent they say that "subject to the national interest" they hope to keep the final dividend at 7 per cent on the capital after the scrip issue. Shareholders will assume that next year's interim will also be left unchanged, so that the total payment will effectively be increased to the equivalent of 13¼ per cent on the present capital. While no indication of the trend of profits in the current year is given with the statement it seems clear from the forecast of a bigger dividend that once again higher profits from the two machine tool subsidiaries will more than offset a probable decline in earnings from John Brown's shipbuilding and boiler-making interests.

General Electric

As expected the interim dividend from General Electric has been maintained at 3 per cent and shareholders will now have to wait until July to see whether the final dividend, which has been kept at 7 per cent for the past four years, will be cut. If they read between the lines of the interim statement they may feel that the odds are slightly in favour of an unchanged final for 1961-62. They are told that the dividend will be determined not only in the light of the results for the year to March 31st but also of the estimated results for 1962-63. For the current year the chairman's forecast of a recovery in profits has been revised; profits before tax and reorganisation expenses are now expected to be about the same as the combined profits of GEC and Radio and Allied (acquired in April) for 1960-61.

This points to pre-tax profits of about £4 million but reorganisation expenses will take about £1 million so that earnings, assuming a normal tax charge, are not likely to exceed 7 per cent. The 10 per cent dividend was not covered by earnings in 1960-61 and GEC can hardly afford in its present financial plight to continue paying dividends which are short earned. But the reorganisation of the group is now almost completed while the greater part of its cost will have been borne in the current year; if the outlook for 1962-63 looks favourable the directors may be willing to pay a short-earned dividend once again. GEC still has a major financial problem on its hands. Bank overdrafts and acceptance credits are still close to the September total of £16½ million; but the directors say that the benefits arising from realisations have still to appear. These include the reduction of GEC's holding in Pirelli-General Cable from 50 to 5 per cent (which is expected to bring in about £2 million) and in due course the sale of Magnet House. The negotiations about the Hunterston nuclear power station, which was responsible for £8½ million in overdrafts in September, may also have an important influence on GEC's financial resources.

On trading the directors' statement suggests that GEC may now be over the worst for there are signs of a recovery in domestic appliance sales and the telecommunications and electronics business is expanding. In heavy engineering, however, margins remain "meagre." Moreover in 1962-63 the sweeping changes made in management, trading and distribution should really begin to make their mark. The £1 shares standing at 28s. 3d. yield over 7 per cent on the assumption of an unchanged dividend and they are not likely to move much higher ahead of the full year's results. But even if the signs of a recovery are then more apparent than they are now any rise in the price of the shares would almost certainly be limited by the prospect of an early call on shareholders for new capital.

Heineken's Umbrella

The four biggest exporters of beer in the world are Guinness, Carlsberg, Tuborg and Heineken. Of the four Heineken is probably the most international, for, in addition to direct exports from Holland, it has a number of minority interests in overseas breweries. Among the countries in which it has a stake in local brewing are Malaya, Egypt, Nigeria, the Congo, Belgium, Italy and Venezuela. Most of the investments, including those in the Congo, continued to do well in the year to September 30th, with the result that the revenue Heineken received from them went up from Fl. 2.3 million to Fl. 2.7 million. Heineken's international participations are much like Whitbread's "umbrella" in this country and it is not surprising that the two companies have come together in a trading agreement. This provides Heineken with outlets for its lager in the British market; but, more important, it provides a base from which Heineken and Whitbread can extend internationally, both in exports and overseas investments. The first fruit of this partnership will be a lager brewery in Nigeria.

As the biggest brewer in Holland Heineken operates from a strong home base: in 1960-61 its domestic sales of beer went up from about 900,000 hectolitres to just over 1 million hectolitres (about 600,000 barrels) while exports rose from 525,000 hectolitres to nearly 550,000 hectolitres (about 340,000 barrels) with the result that its trading surplus advanced from Fl. 20.3 million to Fl. 23.5 million. Because of the high level of sales, it can plan its big capital extension schemes, as for example at the brewery at 's-Hertogenbosch, to secure economies of scale in production. The extensions and a revaluation of assets have pushed up the depreciation charge, limiting the rise in net profits (from Fl. 6.8 million to Fl. 8.3 million) and in the rate of return on capital employed. Having raised its dividend from 11 to 12 per cent it is to make a one-for-five rights issue at Fl. 250 a share, which compares with the current market price of Fl. 655.

In the export markets, Heineken usually works through independent agencies, to

(Continued on page 570)

STOCK PRICES

Prices 1961/62 High	Prices 1961/62 Low	BRITISH FUNDS AND GUARANTEED STOCKS	Price Jan. 31. 1962	Price, Feb. 7, 1962	Net Red. Yield, Feb. 7, 1962 §	Gross Red. Yield, Feb. 7, 1962
			£ s. d.	£ s. d.		
92½	88⅜	Savings Bonds 3%.....1955-65	91 25/32	91 11/16	4 8 7	5 12 11
99½	97⅛	Conversn. 4½%..... Ass'd. (m)	97 1/16	97 1/16	3 19 8	6 6 10
96 15/16	93¾	Exchequer 3%.....1962-63	96 19/32	96 3/16	4 3 2	5 9 9
101 5/16	98⅝	Treasury 5½%.....1962	100 1/32	100 1/16	2 4 7	5 0 3
93 29/32	90¼	Exchequer 2½%.....1963-64	93 5/32	93⅞	4 6 0	5 8 4
99 19/32	96⅝	Conversion 4½%.....1963	98 29/32	98 15/16	3 10 2	5 11 6
98 3/32	94½	Conversion 4½%.....1964	97 15/32	97 19/32	3 13 8	5 13 0
101 5/16	96	Exchequer 5½%.....1966	98⅜	98 17/32	3 16 2	5 18 2
83 7/16	78 13/16	Funding 3%.....1959-69	83⅛	83 7/16	4 13 7	6 0 10
89½	84⅜	Funding 4%.....1960-90	89 1/16	89 1/16	4 11 0	5 5 3
80½	74⅝	Savings Bonds 3%.....1960-70	79 16/*	79 1/4*	4 16 2	6 2 6
86⅛	80¾	Savings Bonds 2½%.....1964-67	85 7/16	86 1/16	4 13 2	5 15 8
72 11/16	66¼	Savings Bonds 3%.....1965-75	70⅝*	71 1/16*	4 15 3	6 3 9
84 11/16	78⅞	Funding 3%.....1966-68	83⅞	84	4 14 11	6 0 9
86⅜	80¼	Conversion 3½%.....1969	84 5/16*	85 1/16*	4 12 7	6 2 0
97½	92¼	Victory 4%.....1920-76	92⅜*	92⅜*	3 12 1	5 4 7
93 5/16	87	Conversion 5%.....1971	91⅛	91 5/16	4 14 4	6 5 9
95 11/16	88½	Conversion 5¼%.....1974	93 5/16	93 7/16	4 1 1	6 4 11
73⅛	66	Treasury 3½%.....1977-80	69 15/16	71	4 10 3	6 4 5
72¼	65	Treasury 3½%.....1979-81	68 1/4*	69 7/8*	4 10 5	6 4 5
97 1/16	88½	Funding 5½%.....1982-84	90⅜	90½	4 0 10	6 6 10
59½	51½	Redemption 3%.....1986-96	55⅛	56⅝	4 5 10	6 1 11
88¼	79¼	Treasury 5%.....1986-89	83 11/16	84⅛	4 0 8	6 5 8
63 1/16	55	Funding 3½%.....1999-2004	58⅛	59 11/16	4 3 11	6 4 7
94⅝	81⅜	Treasury 5½%.....2008-12	84 16/*	86½*	3 19 7	6 7 4
65⅞	56½	Consols 4%.....after Feb. 1957	59 9/16	61½	3 19 9	6 10 3
59¼	50½	War Loan 3½%.....after 1952	53 1/16	55⅛	3 18 4	6 8 7
59	50½	Conv. 3½%.....after Apr. 1961	53⅜	55¼	3 18 8	6 9 8
50⅞	43¼	Treasury 3%.....after Apr. 1966	46⅛	47⅝	3 18 3	6 8 10
44	36½	Consols 2½%	39	40¼	3 16 4	6 5 0
43½	36½	Treasury 2½%.....after Apr. 1975	39	40¼	3 17 2	6 7 1
91⅞	85¾	British Electric 4½%.....1967-69	90¼*	90⅜*	4 5 4	6 2 4
75 11/16	70⅛	British Electric 3%.....1968-73	74⅞	75⅝	4 15 2	6 3 11
70⅞	64½	British Electric 3%.....1974-77	69 11/16	69⅛*	4 14 0	6 2 9
81⅞	74⅛	British Electric 4½%.....1974-79	80¾	80¾	4 4 11	6 4 3
73½	67	British Electric 3½%.....1976-79	71	72	4 9 10	6 4 0
84⅞	78¾	British Gas 4%.....1969-72	82¼*	83	4 10 1	6 4 2
82	76	British Gas 3½%.....1969-71	80 1/4*	81*	4 11 2	6 2 2
59⅞	51¾	British Gas 3%.....1990-95	55¼	56⅞	4 6 6	6 2 1
75 11/16	70⅛	British Transport 3%.....1968-73	74⅞	75⅝	4 15 2	6 3 11
80⅞	74	British Transport 4%.....1972-77	77 15/16	78¾	4 7 0	6 3 6
61 7/16	53¾	British Transport 3%.....1978-88	57⅞	59¼	4 10 1	6 3 6

Prices 1961/62 High	Prices 1961/62 Low	DOMINION AND CORPORATION STOCKS	Price Jan. 31. 1962	Price, Feb. 7, 1962	Red. Yield, Feb. 7, 1962
					£ s. d.
82¼	76½	Australia 3¼%.....1965-69	80	80½*	6 10 01
101	92¾	Australia 6%.....1974-76	97½	98	6 7 01
72½	63½	Ceylon 4%.....1973-75	64	63½	8 17 01
101¼	92¼	New Zealand 6%.....1976-80	94¼*	94¾*	6 8 01
80½	70½	Rhodesia and Nyasaland 6%.....1978-81	74	73¼	8 17 01
83	72	South Africa 3½%.....1965-67	82⅞	83	7 14 01
59	53½	Southern Rhodesia 4½%.....1987-92	56¼	57	8 8 01
84⅝	76½	Agricultural Mortgage 5%.....1959-89	78½	79	6 11 01
89	82¼	Birmingham 4¼%.....1967-70	86¼	86½	6 7 01
92¾	86½	Bristol 5%.....1971-73	89¾	89¾	6 5 01
93	86½	Corporation of London 5¼%.....1976-79	88¼	88½	6 8 01
48¾	41	L.C.C. 3%.....after 1920	44¼	45½*	6 9 01
89⅛	80¾	L.C.C. 5%.....1980-83	84⅞	85⅞	6 6 01
93	84¼	Middlesex 5¼%.....1980	88¾	89	6 9 01

NEW YORK PRICES AND INDEXES

	Jan. 31 $	Feb. 7 $		Jan. 31 $	Feb. 7 $		Jan. 31 $	Feb. 7 $
Atch. Topeka	26⅞	27½	Boeing	56⅛	54⅜	Int. Harvester	53⅛	54⅞
Can. Pacific	24¾	25¼	Celanese	39⅜	40⅜	Inter. Nickel	80	78⅝
Pennsylvania	18	18⅛	Chrysler	56	55¼	Inter. Paper	33⅞	35⅛
Union Pacific	33⅓	34	Col. Palmolive	48¼	50½	Kennecott	82½	82
Amer. Electric	65	67¼	Crown Zeller	51½	53½	Monsanto	48⅞	50⅜
Am. Tel. & Tel.	128	132	Distillers Seag.	44⅜	46⅝	Nat. Distillers	28¼	28⅞
Cons. Edison	76¾	77¼	Douglas	36	34¾	Pan-American	23¼	23¼
Int. Tel. & Tel.	55	56	Dow Chemical	67¾	70⅜	Procter Gamble	82¼	82⅝
South'n. Nat. Gas	45⅞	49¼	Du Pont	229½	242¼	Radio Corpn.	56¼	54⅞
United Corpn.	8	8⅛	East. Kodak	104⅜	107⅞	Sears Roebuck	75⅝	81⅞
Western Union	38⅞	37⅜	Ford Motor	106½	109¾	Shell Oil	39⅛	39⅝
Alcoa	59⅛	59⅜	Gen. Electric	75	75	Socony-Mobil	52¾	55⅛
Aluminium	27¼	27¼	General Foods	87¼	87¾	Stand. Oil Ind.	53½	57¼
Amer. Can	45½	45½	General Motors	57⅛	56¾	Stand. Oil N.J.	53	54⅛
Am. Smelting	64	63¾	Goodyear	43⅜	44⅜	Union Carbide	114⅜	119½
Am. Viscose	54⅜	55½	Gulf Oil	41	42⅜	U.S. Steel	72½	74
Anaconda	50	50¼	Heintz	63¼	62½	West. Electric	37⅜	37¼
Beth. Steel	41⅜	42¼	Int. Bus. Mach.	542	552	Woolworth	84¼	85¼

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

1962	425 Industrials	Yield %	25 Rails	Yield %	50 Utilities	Yield %	Govt. Bonds	Yield %
Jan. 10	72·88	2·90	33·84	4·77	62·54	3·19	87·87	4·09
,, 17	72·16	2·93	33·78	4·78	62·13	3·21	87·57	4·12
,, 24	72·27	2·92	33·60	4·80	62·13	3·22	87·77	4·10
,, 31	72·77	2·91	33·90	4·76	62·29	3·22	87·46	4·12
Feb. 7	74·50	2·84	34·48	4·68	63·38	3·18	87·67	4·11

425 Industrials—High 76·69 (Dec. 12, 1961) Low. 60·87 (Jan. 3 1961)

* Ex dividend. † Tax free. ‡ Assumed average life 7¾ years. § The net redemption yields allow for tax at 7s. 9d. in £. ‖ Ex capitalisation. ¶ Ex rights. (a) Interim dividend. (b) Final dividend. (c) Year's dividend. (d) Capital distribution of 1s. 0d per share. (f) Flat yield. (g) Equivalent to 7·2 sterling. (h) After Rhodesian tax. (l) To latest date. (m) Assented into Conversion 6% 1972.

AND YIELDS

LONDON: NEW YORK: FRANCE: GERMANY: HOLLAND: ITALY: BELGIUM: SWEDEN: NORWAY

Prices 1961/62 High	Prices 1961/62 Low	Last Two Dividends (a) (b) (c)		ORDINARY STOCKS	Price, Jan. 31, 1962	Price, Feb. 7, 1962	Yield, Feb. 7, 1962	Cover
		%	%					
48/6	28/3	10 b	5 a	**ELECTRICAL & RADIO** A.E.I.....£1	30/9	30/9	9·76	1
15/9d.	9/7½	...	15 c	Brit. Electronic Inds..5/–	11 10½	11 8¼	6·42	1¼
63/6	49/–	9½ b	4 a	B.I.C.C.....£1	62/–	63/3	4·27	2
14 8¼	11/3	5 a	7½ b	Crompton Parkinson..5/–	14/3	14/3	4·39	2½
89/6	54/–	7½ a	15⅝ b	Decca Record.....10/–	81/6	80/–	2·19	1¾
52/–	35/–	5 a	12½ b	E.M.I.....10/–	42/6	44/3	3·95	2
45/6	25/9	8 b	5 a	Elliott-Automation...5/–	42 11¼	45/–	1·44	2
40/6	22/6	3 a	7 b	English Electric.....£1	23/9	25/–	8·00	1½
39/6	23/3	7 b	3 a	General Electric.....£1	28/6	28/6	7·02	¾
72/9	47/–	8 1/8 b	4⅜ a	C. A. Parsons.....£1	53/3	55/6	4·50	4
52/3	37/6	6½ b	3¼ a	A. Reyrolle.....£1	46/3	46/3	4·22	2¾
70/–	45/3	25 c	25 c	Thorn Electrical...5/–	68/–	68/–	1·84	3
				ENGINEERING				
36/9	18/9	9 c	Nil a	Babcock & Wilcox.....£1	21/9	21/6	...	1
48 9	30/4½	7 b	4 a	John Brown.....£1	34/3	40/1½	6·85[b][c]	2¾
8/6	4/2¼	9 p	3 a	Cammell Laird.....5/–	5/–	5/6	10·91	1
33/9	22/4½	20 b	10 a	Internat. Combust. ..5/–	25 10½	25/3	5·94	1½
9/11½	3/4½	...	...	Rich'ds'ns. Westg'th. 10/–	4/7½	4 10½	...	...
40/–	28/–	9½ b	2½ a	Swan Hunter.....£1	37 6½	37 4½	6·42	2¼
17 4½	7/6	5 c	5 a	John Thompson.....5/–	12/7½	12/6	2·00	...
34 4½	21/8¼	†21½ a	†6½ b	Coventry Gauge.....10/–	31/7½	30 10½	4·63	2¾
79/9	51/6	†6 b	†2½ a	Alfred Herbert.....£1	70/–	69/–	4·02	1¾
78/–	41/–	12½ b	5 a	Allied Ironfounders...£1	45/2	47/–	7·45	1½
110/–	81 10½	10 b	5 a	Averys.....£1	93/6	93/3	3·22	2½
36 10½	17/–	7½ b	4 a	B.S.A.....10/–	18/3	18/6	6·31	2¼
14/9	9/–	8½ a	4½ a	George Cohen.....5/–	9/9	10/6	6·19	1¾
44 4½	29/–	17½ b	10 a	Davy-Ashmore.....5/–	31/6*	31/–*	4·44	2¼
108/7½	70/–	11 b	5 a	Guest Keen.....£1	77 10½	78 4½	4·08	3½
31/–	18/3	12 b	4 a	Head Wrightson.....5/–	19/9*	19/6*	4·10	2½
100/9	68/3	5 a	7 b	Metal Box.....£1	82/6	83/3	2·88	2¼
22/6	14/–	4 a	10 b	Ransome & Marles...5/–	16/6	17/–	4·12	3
50/6	34/6	7 b	3 a	Renold Chains.....£1	46/–	46/–	4·35	2
85/6	54/–	7 a	7 b	Tube Investments.....£1	61 11½	60 11½	4·66	3
38 4½	25/6	7½ b	2½ a	Vickers.....£1	29/9	28/9	6·96	1¾
84/6	58/–	33¼ a	10 b	Ward (Thos. W.).....£1	65/6	66/–	4·17	3
30/–	18/–	22½ b	5 a	Woodall-Duckham...5/–	20/6	20/6	5·12[b][c]	2¾
				FOOD & TOBACCO				
34/–	17 4½	10 c	10 c	Allied Suppliers.....10/–	21 10½	21/9	4·60	2¼
15/–	7/9¾	12½ b	10 a	Assoc. British Foods..1/–	11 1½	12/–	1·88	2
74/–	54/3	8 b	4 a	Bovril.....£1	59/6	60/–	4·00	2½
12 11¼	9/9¾	†1·7d	†3·9b	Brooke Bond 'B'.....5/–	11 10½	12/1½	3·77	3½
19/3	12/6	10 b	2½ a	International Tea.....5/–	14/–	14/5¼	4·33	1½
107/9	65/–	10⅝ b	5 a	Lyon 'A'.....£1	77/9	76/9	4·13	1¼
35/6	25/9	5 a	5 b	Ranks Hovis.....10/–	32/6	32/6	4·31	2¼
14 0¾	10/4½	7½ b	2½ a	Spillers.....5/–	11/7½	12/6	4·00	2
50/3	38/7½	10·9c	10·7a	Tate & Lyle.....£1	49/9	49/6	4·85[b][c]	2
20 10½	14 10½	9 b	5 a	Unigate.....5/–	16/7½	16/7½	4·21	2
73/–	52/9	†21 2½ c	†11 2½ a	Brit. Amer. Tobac. 10/–	55/–	59/–	6·00	2¾
51/6	34/7½	15 b	5 a	Gallaher.....10/–	38/9	37 6	5·33	2
71/9	57/3	81/2 a	14 b	Imperial Tobacco.....£1	59/–	60/3	7·47	1¾
				INSURANCE				
15½	11 5/16	†55 b	†50 a	Britannic.....5/–	14 7½	14 11/16	2·92	...
86 3	60/6	25 b	20 a	Commercial Union ..5/–	64/–	62/–	3·63	...
35 1/4	17 8/8	†41·17c	†41·17c	Equity & Law Life ...8/6	33 3/16	33 3/16	0·84	...
95 6	51 10½	20 b	10 a	General Accident.....5/–	90/3	95/3	5·25	...
60/6	42/7½	40 b	35 a	Guardian.....5/–	49/3	49/6	2·69[a][b]	...
42 3/4	21 7/8	110 b	80 a	Legal & General.....5/–	40 3/4	42 7/8	1·12	...
146/–	100/–	11 5/8 b	8½ a	Northern & Empl....£1	145/3	145 9/16	2·74	...
272/6	156/3	†70 b	†20 a	Pearl.....5/–	216/3	221/3	3·32	...
29	18	†18 3/16 c	†20 8 1/16 c	Prudential 'A'.....4/–	25 5/16	25 7/8	2·63	...
49/3	38 10½	...	...	Royal.....5/–	46 11½	46 4½	3·23[a][b]	...
129/3	100/3	11 7/16 b	7½ a	Royal Exchange.....£1	107/9	108/9	3·45	...
				MOTORS & AIRCRAFT				
18 10½	12 10½	7½ a	12½ b	British Motor.....5/–	15/9¾	16/0¾	6·23	3¼
86 6	66/11½	20 c	20 c	Jaguar Cars 'A'.....5/–	83 10½	83 10½	1·19	7½
48 6	35/6	11 c	5 a	Rolls-Royce.....£1	40 10½	40 7½	5·42	2¼
10/–	5/6	12 c	4 c	Rootes Motors 'A'...4/–	6/–	6/–	2·67	...
38 9	52/2¼	5 a	11 b	A.C.V.....£1	74 11½	72 7½	4·41	2
101/–	76/9	20 c	20 c	Leyland Motors.....£1	78/6	76/9	5·21	2
18 6	14/–	12½ c	8 a	Bristol Aerop.....10/–	14 4½	15 1½	8·26	2¼
33/3	20/6	15 c	5 a	Hawker Siddeley.....£1	23/4½	23/10½	8·88[b][c]	1¼
41/3	28 10½	†4 a	†5½ b	Dowty Group.....10/–	35/–	36/–	4·31	2¼
29 10½	21/6	15⅝ c	5 a	Dunlop Rubber.....10/–	28 11½	29/3	5·41	2
72/–	49/9	2½ a	11¼ b	Joseph Lucas.....£1	66/6	66 9	4·12	2¼
33/–	15/9	30 c	Nil a	Pressed Steel.....5/–	20/6	19 9	...	1¼
46/3	29/3	15 c	12½ c	Triplex Holdings....10/–	36/3	37 1½	3·37	2½
				MINES				
68/9	110/–	50 b	40 a	Anglo-American.....10/–	141/3	141/3	6·37	1½
66 9	41/9	6¼ b	18¾ b	Consolid. Gold Fields..£1	57/3	57/–	8·77	2½
08 9	72/6	15 a	20 b	General Mining.....£1	92/6	90/–	7·78	2
68 6	40/–	120 b	40 a	Union Corporation ..2/6	55/–	54/–	7·41	3
25 3	15/3	40 a	40 b	Daggafontein.....5/–	17/3	17/3	23·19	1½
25 –	73/9	70 a	100 b	Free State Geduld...5/–	87/6	86 10½	9·78	1½
54 3	37/6	25 a	25 b	Hartebeestfontein ..10/–	41/6	41·9	11·98	1½
64 6	41 10½	50 a	60 b	President Brand.....5/–	51/3	50·6	10·89	1½
57/6	101/3	90 a	120 b	Western Holdings ...5/–	120/–	118/9	8·84	1¼
28/6	15/9	...	8½ a	Winkelhaak.....10/–	17/3	17/3	...	8½
75 3	52/3	36⅔ b	13½ a	Chartered.....15/–	53/9	54/6	13·76	2
63 6	51/3	20 a	60 b	Rhod. Anglo-Amer..10/–	55/6	54/6	14·68[h]	1¾
10 7½	7/10½	41 1/6 a	9 b	Rhod. Selection Tst...5/–	10/–	10·3	6·68[h]	2
30 9	15/3	15 a	17½ b	Tanganyika Cons....10/–	18/6	18·9	17·33	1¼
81 6	46/–	133 b	33 a	Consolidated Zinc....£1	53/–	55 9	6·38	1¾
59 4½	110/–	150 b	100 a	De Beers Defd. Reg..5/–	137/6	140/–	8·93	1¾
$159½	$104	$1·50c	$1·50c	Internat. Nickel ...n.p.v.	$140½	$138	1·93	...
8/9	10/9	27½ b	7½ a	London Tin.....4/–	17 10½	18 4½	7·62	1¼
45/–	30/–	20 c	27½ c	Rio Tinto.....10/–	40/–	41/3	6·67	1½
44 3	17/9	52½ c	45 a	Tronoh.....5/–	27/6*	28/–	9·38	1
				PAPER & NEWSPAPERS				
14 7½	9 10½	10 b	5 a	Daily Mirror.....5/–	12/11½	12/3	6·12	1¼
91 –	57/6	8 b	4 a	W. H. Smith & Son 'A'..£1	65/–	65 –	3·69	2
24 9	17/9	...	10 a	Thomson Org'n. 5/–	22/6	22/6	5·33[a]*	2
66 3	43/6	8½ b	5 a	Bowater Paper.....£1	46/–	46/3	5·95	1½
56 6	40/–	16 c	5 a	Albert E. Reed.....£1	42/3	42 3	7·57	1½
54 3	37/–	8½ b	4 a	Spicers.....£1	40/9	42/6	5·88	1¾
58 9	46/6	10 b	4 a	Wiggins Teape.....£1	51/9	49 4½	5·67	2

Prices 1961/62 High	Prices 1961/62 Low	Last Two Dividends (a) (b)		ORDINARY STOCKS	Price, Jan. 31, 1962	Price, Feb. 7, 1962	Yield, Feb. 7, 1962	Cover
		%	%					
31/–	21/6	20 b	10 a	**MISCELLANEOUS** Assoc. British Picture..5/–	23/3	24/–	6·25	2¾
34/6	26/9	40 b	20 a	Assoc. Television 'A'..5/–	32/–	32/3	9·30	1¾
52/9	41/4½	14 b	16 a	Beecham Group.....5/–	49/3	49/6	3·03	1¾
54/3	31/11½	6½ b	3½ a	British Match.....£1	33/4½	35 10½	5·57	2
28/4½	14/–	4 a	6½ b	British Oxygen.....5/–	14/6	14/3	3·74	1¾
13/–	7/10½	7 b	3 a	British Ropes.....5/–	9/–	9/4½	5·33	2¼
70/–	44/9	15 b	7½ a	De La Rue.....10/–	56/–	55/6	4·05	2
50/–	31/9	20 c	7½ a	Gestetner 'A'.....5/–	40/6	40/6	2·47	3¼
73/9	51/3	6 a	9 b	Glaxo.....10/–	54/6	52/9	2·84	3¼
57/6	42/–	3 a	12 b	Harrisons & Cr. Defd..£1	46/3	46/3	6·43	2½
55/6	34/–	40 b	5 a	Hoover 'A'.....5/–	35/–	35/6	6·34	2¼
25/–	17/6	5 a	12½ b	Ilford.....5/–	18/3*	18/6*	4·73	1¼
114/6	56/3	4 a	7½ b	I.C.T.....5/–	109/3	106/9	2·06	2½
78/9	37/6	12½ c	12½ c	National Canning.....£1	43/7½	44/11½	5·67	1
39 10½	29/6	10 b	6 a	Powell Duffryn.....10/–	38/6	37/9	4·24	2¼
36/6	24/7½	5 a	17½ b	Radio Rentals.....5/–	34/–	34/–	3·31	2¾
38/–	18/9	7½ a	15 b	Rank Organisation...5/–	35/–	33/6	3·36	2½
41 10½	28/10½	7½ a	2½ a	Schweppes.....5/–	36/6	36/6	3·29	1¾
40/3	27/6	20½ a	25 c	Sears 'A'.....5/–	38/6	38/6	3·23	2¼
28/4½	21/3⅝	11½ b	8½ a	Thomas Tilling.....4/–	24/–	24/9¾	3·22	2
78/–	53/–	4 a	8 b	Turner & Newall.....£1	54/7½	53/–	4·53	2
55/–	34/6	15½ b	9·47a	Unilever.....£1	43/6	44/4½	2·76	3¼
13⅜	8¾	13 b	8 a	Unilever N.V.....12 fl.	11 7/16	11 3/8	2·18	3¼
22/6	13/9	10 b	5 a	United Glass.....5/–	17/6	17/6	4·41	2½
42/11½	29/–	†10 5/6 b	†4 1/6 a	United Molasses....10/–	31/9	32/3	7·59	1
				SHIPPING				
46/3	27/3	13½ b	6½ a	Brit. & Com'wealth. 10/–	31/9	32/–	6·25	2
20/–	13/3	8 c	6 c	Cunard.....£1	17/9	16 10½	...	...
24/9	16/3	17 c	7 c	France Fenwick.....£1	17 7½	17 7½	7·94	1½
50/6	27 10½	10 c	10 c	Furness Withy.....£1	30/–	29/6	6·77	1
15/–	7/6	17½ c	Nil a	London & Overseas..5/–	8/6	8/3	...	...
48/6	27/–	8 b	3 a	P & O Defd.....£1	27/9	27/3	8·07	1
17/9	10 10½	2½ c	2½ c	Reardon Smith.....10/–	11/6	11/6	2·17	...
25/–	10 10½	8 c	5 c	Royal Mail.....£1	12/3	11/6	8·69	...
				STEEL				
81/3	42/–	10 b	6 a	Colvilles.....£1	45/7½	45/11½	7·09	2½
43 7½	23 11½	3½ a	6½ b	Dorman Long.....£1	24/–	24/–	8·33	2¼
49 10½	29 10½	3½ a	7½ b	Lancashire Steel.....£1	30 7½	30 10½	7·13	3
42/–	17/7½	4 a	6 b	South Durham.....£1	18/11½	18/6	10·81	1¼
47/8¼	26/9	5 a	5 b	Steel Co. of Wales.....£1	28/4½	27/7½	7·24	2
59/–	34/9	5 a	10 b	Stewarts & Lloyds.....£1	35/7½	35/4½	8·48	2
68/7½	41/6	6 a	9 b	John Summers.....£1	45/7½	47/11½	6·37	2
55/7½	36/9	4·8 a	7½ b	United Steel.....£1	40/4½	40/11½	6·13	1½
63/6	38/–	6¼ a	8¾ b	Whitehead.....£1	38/6	38/–	7·89	2
				TEXTILES				
42/7½	23 10½	7½ b	5 a	English Sewing Cotton £1	27/–	27/4½	9·13	1½
31 10½	19/4½	10 b	5 a	Fine Spinners.....£1	23/6	26/11½	11·48	2
42/–	17/7½	5 a	17½ b	Lancashire Cotton....£1	45/3	46/6	10·75	1¼
26/3	15/–	4 a	9½ b	Illingworth Morris...4/–	6/4½	6/3	8·37	1¾
59/–	34/9	5 a	10 b	West Riding Worsted .£1	75/6	76/–	5·53	2½
26/3	17/3	5 a	21½ a	Woolcombers.....£1	30/–	30/3	6·61	2
20 7½	12 11½	3 c	6 c	Bradford Dyers.....£1	14/11½	14/11½	8·50	1¼
133 4½	80	5 a	10 b	Calico Printers.....5/–	11/9	12/7½	7·92[a][b]	3¼
55 10½	38/6	...	33 4 a	Coats, Patons & B....£1	40/9	39 10½	6·27[a][b]	2
13 7½	9/3	3 a	10 b	Jute Industries.....10/–	9/7½	10/7½	12·24	2¼
35/3	22/6	10 c	10 c	Tootal.....£1	25/9	24/10½	8·04	1¼
				TRUSTS, LAND & PROPERTY				
70/–	52/6	12½ a	25 b	Alliance Trust.....5/–	67/3	67/9	2·77	1¼
57 10½	42/6	37½ b	12½ a	B.E.T. 'A' Defd.....5/–	53/3	52/6	4·76	1½
20/–	12/7½	10 c	10 c	Cable & Wireless.....5/–	16/6	16/9	2·99	1¾
47/–	20 c	23½ a	City Centre Props. ..5/–	55/6	57/–	2·22[a][b]	2	
79/6	64/3	7½ b	3½ a	City Lond. Real Prop..£1	77/6	79/3	2·78	1
80/–	72/6	7·04a	9·04b	Hudson's Bay.....£1	80/–	83/9	3·84	1¾
36/3	22/3	4 b	2 a	Land Securities.....10/–	29/9	30/–	2·00	1
38/3	26/6	12½ c	6½ a	Lond. Cnty. Freehld. 10/–	33/3*	34/9*	3·48	1
				TEA & RUBBER				
47/6	39/6	†25 b	†12½ a	Cons. Tea & Lands ...£1	40/–	39/6	22·74	1
28/9	†11 b	†3 a	Jokai (Assam) £1	31/6	31/9	14·40	2½	
11/–	7/6	...	...	Nuwara Eliya £1	7/6	7/6	...	...
6 10½	3/10½	29½ b	12½ a	High

(*concluded from page 567*)

whom it gives help in promotion, and it does not worry unduly that its beer sells at higher prices than locally-brewed brands because of high transport costs. Satisfied that it is producing a high quality beer, it can trade on the "snob appeal" of a high-priced product and has done so with success in the United States. But its trade is at the mercy of swingeing increases in import duties, as occurred in Ghana last year, and it is by no means clear that a high price policy can be pursued successfully in Europe. The directors speak of keen competition in the common market and say that it will become even keener if Britain, Denmark and Ireland enter it. Another danger to Heineken's exports, particularly to third countries, is that the common market's agricultural policies may push up the price of barley. It may therefore be that Heineken's future international growth will be more through participations in local breweries than through a sharp rise in direct exports.

Hire Purchase Contrasts

THE reasons for **Bowmaker's** £1.3 million loss in the year to October 31st were fairly fully covered in the preliminary statement. The full report confirms that higher borrowing costs and insufficient bad and doubtful debt provisions were mainly to blame. The interest of investors is now concentrated on the future. After last year's debacle Sir Arthur Morse, chairman of Bowmaker, is suitably cautious. He is not optimistic in the short run, and says that it "would be rash of me to make any prophecy about results for the current year." He does however add two riders: he hopes to make a much better report to shareholders next year, and is sure that the company will again in the future be able to "give a good account of itself." Bowmaker is now "being as selective as possible in the acceptance of new business." The managerial reorganisation of Midland Counties Motor Finance, the main culprit in producing the latest losses, is now complete and the three operating subsidiaries are being integrated. The 5s. shares now stand at 13s. 9d.

The results of **Wagon Finance** have this week relieved the gloom in the hire purchase market that followed the publication of the Bowmaker accounts. Wagon Finance has managed to increase its net profits slightly in the year to December 31st, by £8,000 to £223,000, despite a higher tax charge. On these results the shares closed 3s. 9d. higher at 97s. 6d. Wagon Finance has made caution pay-off. Last year's precautionary increase in the bad debt provision, raised to £256,000 or 2.9 per cent of balances outstanding, seems to have been adequate, and the increase in profits is on balances outstanding down from £9.51 million to £8.48 million. The dividend is kept at 21¼ per cent and the shares now yield nearly 4½ per cent.

Steel Prospects

THERE has been little to cheer shareholders at the annual meetings of the steel companies and the remarks of Mr R. F. Summers, the chairman of **John Summers,** must have been as welcome to many as the first swallow in spring. He was able to tell shareholders that since he wrote his annual statement there had been "a considerable improvement in the outlook" and that orders for flat rolled products were stronger than expected. The company is still operating at about the November level and Mr Summers expects that the present rate of output will be maintained at least until the end of March. Clearly this is a reflection of the improved outlook for the motor industry and taking into account both the seasonal upturn in the motor industry and the possibility of some relaxation of credit restrictions Mr Summers expects the group to "continue operating at a satisfactory level." For shareholders one shadow on the horizon which the prospect of improved profits brings nearer is the possibility of a rights issue but Mr Summers added nothing to his original statement that "the matter has been actively under review." Mr Summers's only note of gloom was on the heavy steel side where he said that demand had not improved, but this forms only a small part of Summers' total production.

Heavy steels are much more important for **Colvilles** whose output, Sir Andrew McCance, the chairman, reports, is only about 70 per cent of the level of October, 1960. The demand for special steels, widely used in the motor industry, has also fallen away but the new Hallside works should mean more efficient production when demand improves. Sir Andrew hopes that signs of a recovery in steel demand will appear in the early months of 1962. During the second half of 1962 production should start at the Ravenscraig strip mill but it is unlikely that this will have much influence on the current year's results.

Not surprisingly in his last speech to shareholders as chairman of **the Steel Company of Wales,** Mr Harald Peake took a long term look at the company's prospects and from this viewpoint said that shareholders should not take too gloomy a view. They can do little else immediately, for they were told that profits in the six months to March 31st would compare "very unfavourably" with past results. Although the bricklayers' strike ended on October 29th it had an effect on trading well into December. The group is currently working below the capacity of 3 million tons envisaged in the third development programme though Mr Peake says that orders are now improving.

From Glasgow Mr A. G. Stewart, the chairman of **Stewarts and Lloyds,** also painted a gloomy picture of the immediate prospects with earnings so far in the current year "considerably lower" than those of the corresponding period in 1960–61. Moreover Mr Stewart did not hold out much hope of an early recovery for the demand for pipes from the oil and natural gas industries remains low. At home the demand for steel tubes has been well maintained, thanks largely to the high level of building activity, but now there are signs that it may decline.

Polycell Holdings

THE "do-it-yourself" cult has transformed Polycell in the last four years into a flourishing producer of a growing range of paints, paint removers and brushes. Trading profits for the year to September 30, 1961, amounted to £597,000, compared with the forecast of £600,000 at the time of the one for five rights issue in September. But the ceramics division made a loss of £140,000 as a result of problems encountered in extending the range of tiles. The directors say the loss is non-recurring, but it cut gross profits before tax to £457,000, against £529,000 in 1959–60. Investment allowances have kept the tax charge low so that net profits were virtually unchanged at £274,000, against £275,000. The cover on the maintained dividend of 25 per cent paid on the increased capital has fallen from 2.7 to 2.2 times.

The statement by the chairman, Mr F. S. Smith, confirms the stock market's impression that the prospects for the current year more than outweigh the recent setback in profits. The directors said that in October they expected to have eleven products on the market compared with six a year earlier, adding that the rise in sales depended in the main on a wider range of products. Mr Smith now says that there will be further additions this spring. The cost of developing the new products must have been largely borne in 1960–61 and they should begin to yield profits this year. Sales in the first three months of the financial year were substantially higher than in the same period of last year, and the acquisition of a factory in Welwyn Garden City should produce economies in production and administration. But a further growth in Polycell's sales and profits is fully discounted in the dividend yield of 2.6 per cent offered by the 1s. shares at 9s. 7½d.

The Economist Indicator (1953 = 100)

1962	Indicator	Yield %	1961/62	
			High	Low
Jan. 3	363·6	5·01		
,, 10	361·8	5·01		
,, 17	364·4	4·97		
,, 24	360·6	5·01	427·2 (May 10)	342·7 (Oct. 18)
,, 31	357·0	5·07		
Feb. 7	359·0	5·04	1961	1961

Financial Times Indices

1962	Index†	Ord. Yield	2½% Consols Yield	Bargains Marked
Feb. 1	304·9	5·18	6·40	12,511
,, 2	304·7	5·18	6·35	12,448
,, 5	304·9	5·18	6·25	16,878
,, 6	303·7	5·20	6·20	13,914
,, 7	304·4	5·18	6·18	13,505

High, 365·7 (May 15, 1961). Low, 284·7 (Oct. 16, 1961).
† July 1, 1935 = 100

Money and Exchanges

EXCHEQUER RETURNS

For the week ended February 3, 1962, there was an "above-line" surplus (after allowing for sinking funds) of £152,005,000 compared with a surplus of £118,641,000 in the previous week and a surplus of £132,049,000 in the corresponding period of last year. There was a net expenditure "below-line" of £51,090,000 leaving a total cumulative deficit to date of £585,436,000 compared with £573,457,000 in 1960–61.

£'000	Estimate 1961–62	April 1, 1960, to Feb. 4, 1961	April 1, 1961, to Feb. 3, 1962	Week ended Feb. 4 1961	Week ended Feb. 3 1962
Ordinary Revenue					
Income Tax	2,728,500	1,671,058	1,804,989	137,425	173,282
Surtax	210,000	118,500	131,800	11,000	11,300
Death Duties	240,000	191,400	211,100	5,900	4,600
Stamps	94,000	74,600	80,900	2,000	2,200
Profits tax, EPT and EPL	325,500	230,600	291,900	4,600	5,300
Other Inland Rev. Duties	...	150	...	...	...
Total Inland Rev.	3,598,000	2,286,308	2,520,689	160,925	196,682
Customs	1,550,000	1,236,534	1,364,652	16,908	23,870
Excise	960,000	801,170	814,372	53,010	39,672
Total Customs and Excise	2,510,000	2,037,704	2,179,024	69,918	63,542
Motor Duties	155,000	112,480	94,451	5,387	2,234
PO (Net Receipts)	...	...	...	...	...
Broadcast Lic's.	40,000	31,600	33,300	...	...
Sundry Loans	205,000	40,673	208,478	...	2,252
Miscellaneous		99,232		849	
Total	6,508,000	4,607,997	5,032,942	237,079	264,710
Ordinary Expenditure					
Debt Interest	660,000	544,927	579,097	...	...
Payments to N. Ireland Exch.	92,000	69,751	76,417	...	...
PO Fund — Initial settlement	15,000	...	7,282	...	...
Other Consolidated Funds	8,000	7,514	7,744	610	504
Supply Services	5,186,902	4,050,865	4,349,412	103,700	111,431
Total	5,961,902	4,673,057	5,019,952	104,310	111,935
Sinking Funds	40,000	30,397	30,972	720	770
"Above-line" Surplus or Deficit	—	95,457	17,982	+ 132,049	+ 152,005
"Below-line" Net Expenditure*	478,000	567,454	46,373	+ 51,090	
Total Surplus or Deficit	573,457	585,436	+ 85,676	+ 100,915	
Net receipts from:					
Tax Reserve Certificates	97,864	112,572	−8,847	−9,973	
Savings Certificates	52,900	−17,400	600	−600	
Defence Bonds	91,417	20,284	2,191	211	
Premium Savings Bonds	49,250	34,900	1,900	1,200	
Total	291,431	150,356	−4,156	−9,162	

* Net issues of £30 million to the Civil Contingencies Fund 1961–62 compared with net issues of £5 million in 1960–61.

FLOATING DEBT

(£ million)

Treasury Bills		Ways and Means Advances		Total Floating Debt
Tender	Tap	Public Dept.	Bank of England	
3,280·0	1,648·4	203·8	...	5,132·2
3,280·0	2,003·2	211·5	...	5,494·8
3,280·0	2,063·7	201·1	0·8	5,545·5
3,290·0	1,990·7	216·9	...	5,497·6
3,310·0	1,976·2	250·6	...	5,536·8
3,330·0	2,016·1	205·3	...	5,551·4
3,350·0	2,078·9	228·5	...	5,657·4
3,370·0	2,083·8	222·2	...	5,676·0
3,370·0	2,148·9	235·2	0·8	5,754·9
3,400·0	2,205·3	205·1	...	5,810·4
3,380·0	2,163·3	339·7	...	5,883·9
3,300·0	2,151·6	334·8	2·5	5,788·9
3,250·0	2,147·4	326·4	...	5,723·8
3,190·0	2,163·1	217·9	1·8	5,572·8
3,120·0	2,115·6	242·6	7·8	5,486·0

THE MONEY MARKET

AT last Friday's Treasury bill tender the syndicate of discount houses again raised its bid—by 1d. to £98 13s. 11d. The average rate of discount fell by 5.13d. to £5 4s. 4.93d. per cent. Over the past three weeks the bill rate has fallen by 4s. 1.10d. per cent. The number of bills on offer was cut by £40 million to the unusually low level of £200 million, while total applications fell by only £20 million; the market's allotment therefore fell to 33 per cent from 61 per cent in the previous week.

Credit has been tight in Lombard Street throughout the week. The authorities assisted the market by the special purchase of bills on each of the six working days to Wednesday and on two days the market was forced to supplement this help by borrowing at Bank rate from the Bank of England. On Tuesday four or five houses had to borrow a fairly large amount, and on Wednesday two or three houses took a small amount. Rates for day-to-day loans have rarely fallen below 5¾ per cent.

In New York this week the rate for three months bills fell slightly from 2.705 per cent to 2.695 per cent.

MONEY RATES

LONDON

	%		
Bank rate (from 6½%, 2/11/61)	6	**Discount rates:**	%
Deposit rates (7 days' notice):		Bank bills:	
Banks	4	60 days	$5\frac{1}{2}$–$5\frac{9}{16}$
Discount houses	4–$4\frac{1}{4}$	3 months	$5\frac{1}{2}$–$5\frac{9}{16}$
Local Authorities	$6\frac{3}{8}$	4 months	$5\frac{1}{2}$–$5\frac{9}{16}$
Call money:		6 months	$5\frac{1}{2}$–$5\frac{5}{8}$
Clearing banks' minimum	$4\frac{3}{8}$	Fine trade bills:	
Day-to-day	$4\frac{3}{8}$–$5\frac{3}{8}$	3 months	$6\frac{3}{4}$–$7\frac{1}{2}$
		4 months	$6\frac{3}{4}$–$7\frac{1}{2}$
		6 months	7–8

NEW YORK

	%		%
Official Discount rate: (from 31/2%, 11.8.60)	3	**Treasury bills:** January 29	2·705
		February 5	2·695

BANK OF ENGLAND RETURNS

£ million	Feb. 8, 1961	Jan. 31, 1962	Feb. 7, 1962
*Issue Department**:			
Notes in circulation	2,203·5	2,292·6	2,298·6
Notes in banking dept.	76·8	32·8	26·8
Govt. debt and securities*	2,248·0	2,340·0	2,324·0
Other securities	0·7	0·7	0·8
Gold coin and bullion	0·4	0·4	0·4
Coin other than gold coin	1·3	0·3	0·3
Banking Department:			
Deposits:			
Public accounts	11·5	14·5	10·9
Special deposits	155·1	236·5	241·4
Bankers	257·4	256·8	241·6
Others	65·5	70·4	68·1
Total	489·5	578·2	562·0
Securities:			
Government	396·6	446·8	455·6
Discounts and advances	44·7	97·2	78·1
Other	19·0	18·9	19·0
Total	460·3	562·8	552·7
Banking department reserve	47·6	33·7	27·7
"Proportion"	% 9·7	% 5·8	% 4·9

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue reduced by £50 million to £2,325 million on January 24th.

TREASURY BILL TENDERS

Date of Tender	Amount (£ million) Offered	Applied for	91 Day Bills: Average Rate of Allotment	Allotted at Max. Rate *
1961	*91 day*		s. d.	%
Feb. 3	210·0	384·5	83 4·46	45
	91 day / *63 day*			
Nov. 3	200·0 / 60·0	412·7	108 6·10	63
,, 10	230·0 / 40·0	458·9	108 5·49	44
,, 17	220·0 / 50·0	430·2	107 9·71	56
,, 24	220·0‡ / 60·0	471·8	107 9·40	42
Dec. 1	220·0 / 50·0	461·3	107 1·08	44
,, 8	230·0 / 30·0	455·3	106 5·34	46
,, 15	210·0 / 50·0	371·6	106 4·83	37
,, 22	210·0 / 50·0	379·0	107 3·18	52
,, 29	250·0	396·0	108 0·72	51
1962				
Jan. 5	240·0	406·9	108 7·81	38
,, 12	240·0	409·4	108 6·03	25
,, 19	240·0	388·1	106 2·35	63
,, 26	240·0	399·8	104 10·06	61
Feb. 2	200·0	379·4	104 4·93	33

* On February 2nd tenders for 91 day bills at £98 13s. 11d. secured 33 per cent, higher tenders being allotted in full. The offer for this week was for £230 million 91 day bills.
‡ Allotment cut by £10 million.

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Effective Limits February 7	Market Rates: Spot February 1	February 2	February 3	February 5	February 6	February 7
United States $	2·78–2·82*	$2·81\frac{1}{8}$–$\frac{1}{4}$	$2·81\frac{3}{16}$–$\frac{5}{16}$	$2·81\frac{3}{16}$–$\frac{5}{16}$	$2·81\frac{3}{8}$–$\frac{3}{8}$	$2·81\frac{3}{8}$–$\frac{1}{2}$	$2·81\frac{3}{8}$–$\frac{1}{2}$
Canadian $	...	$2·94\frac{3}{8}$–$\frac{3}{4}$	$2·94\frac{9}{16}$–$\frac{11}{16}$	$2·94\frac{9}{16}$–$\frac{11}{16}$	$2·94\frac{3}{8}$–$\frac{7}{8}$	$2·94\frac{13}{16}$–$\frac{15}{16}$	$2·94\frac{7}{8}$–95
French Fr.	13·622–14·027	$13·78\frac{3}{8}$–$\frac{7}{8}$	$13·78\frac{1}{2}$–$\frac{3}{4}$	$13·78\frac{1}{4}$–1	$13·78\frac{3}{8}$–$\frac{5}{8}$	$13·78\frac{7}{8}$–79⅛	$13·79\frac{1}{4}$–$\frac{3}{8}$
Swiss Fr.	11·94–12·54⅞	$12·14$–$14\frac{1}{4}$	$12·14\frac{3}{4}$–15	$12·15\frac{1}{2}$–$\frac{3}{4}$	$12·16\frac{1}{4}$–2	$12·17\frac{1}{8}$–$\frac{3}{8}$	$12·16\frac{7}{8}$–$17\frac{1}{8}$
Belgian Fr.	137·96–142·05	$139·92\frac{1}{2}$–$97\frac{1}{2}$	139·95–140·0	140·00–05	$140·02\frac{1}{2}$–$07\frac{1}{2}$		$140·07\frac{1}{2}$–$12\frac{1}{2}$
Dutch Gld.	9·98⅜–10·28½	$10·16\frac{7}{8}$–$17\frac{1}{8}$	$10·17\frac{1}{4}$–18	$10·17\frac{1}{8}$–$18\frac{1}{8}$	$10·17\frac{7}{8}$–$18\frac{1}{8}$	$10·18\frac{1}{4}$–$\frac{1}{2}$	$10·18\frac{1}{4}$–$\frac{1}{2}$
W. Ger. D-Mk.	11·037–11·365	$11·23\frac{1}{8}$–$\frac{7}{8}$	$11·23\frac{1}{2}$–$\frac{3}{4}$	$11·23\frac{1}{2}$–$\frac{3}{4}$	$11·23\frac{7}{8}$–$24\frac{1}{8}$	$11·24\frac{1}{2}$–$\frac{3}{4}$	$11·24\frac{1}{2}$–$\frac{3}{4}$
Portug. Esc.	...	80·18–28	80·18–28	80·18–28	80·18–28	80·18–28	80·18–28
Italian Lire	1725–1775	$1746–46\frac{1}{2}$	1746–46½	1746–46½	$1746\frac{3}{4}$–$47\frac{1}{4}$	1747–47½	1747–48
Swedish Kr.	14·27½–14·70	$14·50\frac{7}{8}$–$51\frac{1}{8}$	$14·51$–$51\frac{1}{4}$	$14·51$–$51\frac{1}{4}$	$14·51\frac{3}{8}$–$\frac{3}{8}$	$14·51\frac{7}{8}$–$\frac{7}{8}$	$14·51\frac{1}{2}$–$\frac{3}{4}$
Danish Kr.	19·06½–19·62	$19·35\frac{7}{8}$–$36\frac{1}{8}$	$19·36\frac{1}{4}$–$\frac{1}{2}$	$19·36\frac{3}{8}$–$\frac{5}{8}$	$19·37\frac{1}{8}$–$\frac{3}{8}$	$19·37\frac{1}{2}$–$\frac{3}{4}$	$19·37\frac{1}{2}$–$\frac{3}{4}$
Norwegian Kr.	19·71–20·30½	$20·03\frac{7}{8}$–$04\frac{1}{8}$	$20·04\frac{1}{4}$–$\frac{1}{2}$	$20·04\frac{1}{4}$–$\frac{1}{2}$	$20·04\frac{3}{8}$–$\frac{5}{8}$	$20·04\frac{7}{8}$–$\frac{7}{8}$	$20·04\frac{7}{8}$–$\frac{7}{8}$
	* Official Limits	**One Month Forward Rates**					
United States $		¾–⅝c. pm	¾–⅝c. pm	¾–⅝c. pm	¾–⅝c. pm	¾–⅝c. pm	¾–⅝c. pm
Canadian $		⅜–½c. pm	$1\frac{1}{16}$–$\frac{15}{16}$c. pm	$1\frac{1}{16}$–$\frac{15}{16}$c. pm	$1\frac{1}{16}$–$\frac{15}{16}$c. pm	$1\frac{1}{16}$–$\frac{15}{16}$c. pm	$1\frac{1}{16}$–$\frac{15}{16}$c. pm
French Fr.		$2\frac{1}{8}$–$1\frac{5}{8}$c. pm	$2\frac{1}{8}$–$1\frac{5}{8}$c. pm	$2\frac{1}{8}$–$1\frac{5}{8}$c. pm	$1\frac{7}{8}$–$1\frac{1}{8}$c. pm	$2\frac{1}{8}$–$1\frac{5}{8}$c. pm	$2\frac{1}{8}$–$1\frac{5}{8}$c. pm
Swiss Fr.		4–$3\frac{1}{2}$c. pm	$3\frac{3}{4}$–$3\frac{1}{2}$c. pm	$3\frac{3}{4}$–$3\frac{1}{2}$c. pm	$3\frac{3}{4}$–$3\frac{1}{2}$c. pm	$3\frac{3}{4}$–$3\frac{1}{2}$c. pm	$3\frac{3}{4}$–$3\frac{1}{2}$c. pm
Belgian Fr.		40–30c. pm	40–30c. pm	40–30c. pm	40–30c. pm	40–30c. pm	40–30c. pm
Dutch Gld.		4–$3\frac{1}{2}$c. pm	$3\frac{3}{4}$–$3\frac{1}{2}$c. pm	$3\frac{3}{4}$–$3\frac{1}{2}$c. pm	$3\frac{3}{4}$–$3\frac{1}{4}$c. pm	$3\frac{3}{4}$–$3\frac{1}{2}$c. pm	$3\frac{3}{4}$–$3\frac{1}{2}$c. pm
W. German D-Mk.		$3\frac{1}{2}$–3pf. pm	$3\frac{1}{2}$–3pf. pm	$3\frac{1}{2}$–3pf. pm	$3\frac{1}{4}$–$2\frac{3}{4}$pf. pm	$3\frac{1}{4}$–$2\frac{3}{4}$pf. pm	$3\frac{1}{2}$–3pf. pm
		Three Months Forward Rates					
United States $		$1\frac{7}{8}$–$1\frac{3}{4}$c. pm	$1\frac{13}{16}$–$1\frac{11}{16}$c. pm	$1\frac{13}{16}$–$1\frac{11}{16}$c. pm	$1\frac{13}{16}$–$1\frac{11}{16}$c. pm	$1\frac{7}{8}$–$1\frac{3}{4}$c. pm	$1\frac{7}{8}$–$1\frac{3}{4}$c. pm
Canadian $		$1\frac{3}{4}$–$1\frac{5}{8}$c. pm	$1\frac{3}{4}$–$1\frac{5}{8}$c. pm	$1\frac{3}{4}$–$1\frac{5}{8}$c. pm	$1\frac{11}{16}$–$1\frac{9}{16}$c. pm	$1\frac{11}{16}$–$1\frac{9}{16}$c. pm	$1\frac{11}{16}$–$1\frac{9}{16}$c. pm
Swiss Fr.		$10\frac{1}{2}$–10c. pm	$10\frac{1}{2}$–10c. pm	$10\frac{1}{2}$–10c. pm	$10\frac{1}{2}$–9⅞c. pm	$10\frac{1}{4}$–9¾c. pm	$10\frac{1}{4}$–9¾c. pm
W. German D-Mk.		$9\frac{3}{8}$–$8\frac{7}{8}$pf. pm	$9\frac{3}{8}$–$8\frac{7}{8}$pf. pm	$9\frac{3}{8}$–$8\frac{7}{8}$pf. pm	9–$8\frac{1}{2}$pf. pm	9–$8\frac{1}{2}$pf. pm	$9\frac{1}{2}$–9pf. pm
		Gold Price at Fixing					
Price (s. d. per fine oz.)		250/$11\frac{1}{4}$	250/1	...	250/$01\frac{1}{4}$	249/$11\frac{1}{2}$	249/$10\frac{1}{2}$
,, ($)		$35·16\frac{1}{2}$	35·16	...	35·16	35·16	35·16

Prices and Wages

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

BRITISH

Prices and Wages.....	This week	External Trade	Feb. 3
Manpower and Output....	Jan. 13th	Industrial Profits	Jan. 27

OVERSEAS

Western Europe.....	Dec. 23rd	United States.....	Jan. 6

	Unit	1959	1960	1961	1961			1962				
		mid-June			Jan. 24	Jan. 31	Feb. 7	Jan. 9	Jan. 16	Jan. 23	Jan. 30	Feb. 6
WORLD PRICES												
Commodity Price Indicator												
All items	1958=100	96·8	98·3	95·3	93·3	93·7	93·8	92·5	92·3	92·3	92·3	92·8
Food	,,	95·8	93·0	93·0	91·8	92·2	92·1	89·9	89·6	89·2	88·7	89·7
Fibres	,,	95·3	98·7	104·4	99·4	101·0	101·9	99·9	99·3	100·4	100·5	100·3
Metals	,,	113·0	122·4	115·0	108·4	108·3	109·0	112·8	112·3	112·4	113·7	114·1
		Monthly averages			1960			1961				
BRITISH WHOLESALE PRICES		1959	1960	1961	Oct.	Nov.	Dec.	Aug.	Sept.	Oct.	Nov.	Dec.
Materials used in :												
All manufacturing industries	1954=100	101·7	101·8	100·6	100·6	101·0	101·0	100·7	100·2	99·4	100·0	100·5
Mechanical engineering	,,	124·5	126·2	128·1	126·1	126·0	126·0	128·7	128·6	128·4	128·4	128·7
Electrical machinery	,,	115·6	116·9	118·3	116·4	116·4	116·7	118·9	118·9	118·8	118·9	119·0
Building and civil engineering	,,	113·4	115·1	118·2	115·6	115·8	116·2	118·9	118·9	119·1	119·2	119·3
House building	,,	111·0	114·0	118·0	114·9	115·3	115·8	118·6	118·6	118·9	119·1	119·1
Products of :												
All manufacturing industries	,,	111·5	113·0	116·0	113·6	113·8	114·1	116·9	117·1	117·1	117·3	117·5
Chemicals and allied trades	,,	106·6	106·0	105·1	105·1	105·1	104·8	105·2	105·0	104·9	105·1	105·1
Iron and Steel	,,	129·0	128·5	129·7	128·6	128·6	128·6	130·2	130·2	130·2	130·3	130·7
Textile industry	,,	96·0	100·8	104·0	102·2	102·6	102·9	103·9	104·0	103·9	103·5	103·7
Food manufacturing	,,	106·9	106·9	107·2	106·8	107·2	107·4	107·2	107·1	107·2	107·9	108·6
New construction	,,	113	114	117	...	114[9]	...	...	116[10]	...	...	120
Commodities :												
Cotton, raw	,,	68·6	75·0	74·8	75·1	75·7	75·9	73·7	73·9	74·0	74·2	74·5
Wool, raw	,,	76·6	76·3	76·2	70·2	72·3	71·9	78·6	77·2	74·2	74·6	73·8
Rubber, No. 1 RSS, one month future	,,	148·1	158·0	122·8	140·8	131·0	126·1	125·0	126·7	121·2	112·3	114·8
Softwood, imported	,,	95·4	104·9	107·3	106·8	107·0	107·1	107·6	107·3	106·6	106·6	106·8
Copper, ex-warehouse	,,	95·6	99·0	92·3	89·4	91·0	92·9	92·9	92·2	92·0	92·2	92·5
Coal	,,	135·4	137·4	144·8	142·1	146·8	146·8	142·4	142·3	142·3	147·1	147·2
General chemicals	,,	106·7	105·0	103·8	104·8	105·1	104·8	103·7	103·7	103·7	103·7	103·4
UK RETAIL PRICES												
All items (1)	Jan. 17, 1956=100	109·6	110·7	114·5	111·4	111·9	112·2	115·7	115·5	115·7	116·9	117·1
Food	,,	108·2	107·4	109·1	107·4	107·6	108·1	109·9	108·5	108·0	109·8	110·2
All items	1938=100[2]	273	276	285	277	279	279	288	288	288	291	292
Food	,,	285	282	287	282	283	284	289	285	284	289	290
Housing	,,	180	186	194	187	188	188	195	196	197	198	198
Clothing	,,	268	271	276	272	273	273	276	277	277	278	278
Fuel and light	,,	284	291	309	292	309	311	303	304	305	323	323
Household durable goods	,,	300	300	306	303	303	303	307	308	309	309	309
Drink	,,	261	256	274	257	257	257	277	279	282	282	282
Tobacco	,,	428	444	467	449	449	499	491	491	491	491	491
Purchasing power of £ (based on all consumer spending)	1938=100	35·8	35·4	34·3	35·2	35·1	35·0	33·9	34·0	33·9	33·6	33·5
UK TERMS OF TRADE												
Import prices :												
All items	1954=100	98	99	97	99	99	98	95	95	96	96	96
Food, drink and tobacco	,,	98	97	94	99	99	98	91	91	91	93	93
Basic materials	,,	93	96	95	95	95	93	96	95	95	93	94
Fuels	,,	104	98	96	96	96	96	93	95	96	97	96
Manufactured goods	,,	104	107	107	107	107	107	106	106	106	106	106
Export prices :												
All items	,,	109	111	112	112	111	111	112	112	112	112	113
All manufactures	,,	111	114	115	115	114	114	115	115	115	115	116
Metals	,,	115	118	118	117	119	118	119	117	118	118	118
Engineering products	,,	117	120	122	122	119	120	122	123	122	122	123
Textiles (excluding clothing)	,,	98	102	106	105	103	104	107	106	106	104	106
Terms of trade :												
Ratio of import to export prices	,,	90	89	86	88	89	88	85	85	85	85	85
SHIPPING FREIGHTS												
Tramp shipping freights	1960=100	96·9	100·0	106·8	94·7	99·8	105·3	107·2	110·6	108·0	109·3	101·2
UK WAGES												
Normal weekly hours :	Jan. 31,											
All workers	1956=100	99·6	98·0	95·9	97·3	97·2	97·1	95·8	95·8	95·4	95·4	95·4
Weekly wage rates (3):												
All workers (4)	,,	117·0	120·0	125·0	120·7	121·0	122·2	125·2	125·4	126·2	126·2	126·4
Men	,,	116·8	119·7	124·6	120·3	120·6	121·9	124·7	124·9	125·8	125·8	126·0
Women	,,	117·0	120·8	125·3	121·5	121·8	122·7	126·1	126·4	126·4	126·4	126·5
Juveniles (5)	,,	119·0	123·2	130·3	124·8	125·4	126·3	130·8	131·1	131·7	131·7	131·9
All workers	Sept., 1939=100	304	312	324	314	314	318	325	326	328	328	329
Changes in weekly wage rates :												
Workers affected by increases	'000	392[6]	927	648	712[7]	517	2,812	377	639	1,625	140	245
Net increase in weekly wage bill (8)	£'000	104	359	339	216	242	1,053	119	246	835	67	110

(1) For a rough conversion to basis of June, 1947, multiply throughout by 1·534. (2) The interim index of retail prices has been linked back to 1938 with the aid of calculations made by Professor R. G. D. Allen for the London and Cambridge Economic Service. (3) For a rough conversion to basis of June, 1947, multiply throughout by 1·561. (4) In general, males under 21 and females under 18 years of age. (5) Weekly earnings are surveyed in April and October. October figures are : Men, 1959 : 271s. 1d.; 1960 : 290s. 8d.; 1961 : 307s. 1d. Women (full time), 1959 : 140s. 11d.; 1960 : 148s. 4d.; 1961 : 154s. 6d. Youths (under 21), 1959 : 117s. 6d.; 1960 : 130s. 0d.; 1961 : 137s. 10d. Girls (under 18), 1959 : 90s. 10d.; 1960 : 96s. 10d.; 1961 : 102s. 0d. (6) 18,000 workers had a net decrease in wages over the year. (7) 633,000 workers had wage cuts (but over the whole of 1960 no worker had a net decrease). (8) Over the corresponding week in the previous year. (9) Average for fourth quarter. (10) Average for third quarter.

APPOINTMENTS

AEI

ACCOUNTANTS

AEI have the following openings in the Treasurer's department of their head office near Victoria Station:—

(1) A senior man whose duties will include investment records, investment analysis, financial forecasts, and analysis of cash flow. Candidates need experience in the problems of consolidation and an aptitude for financial management rather than historical accounting.

(2) A younger man (about 20–25) studying or about to study for an accountancy qualification. His duties will include reconciliation of current accounts with branches and companies, preparation of statistical analyses, and records of investments and assets.

The Company operates a generous contributory pension scheme.

Applications, giving full details of experience, qualifications, salary, etc., should be sent to the

Personnel Officer, Reference EC,
Associated Electrical Industries Limited,
33 Grosvenor Place, S.W.1.

NORTHUMBERLAND

ORGANISATION AND METHODS OFFICER

Applications are invited for the appointment of Organisation and Methods Officer to be in charge of the O. & M. Section in the Clerk of the County Department, which provides a service for all departments of the Council. Appropriate professional or other qualifications, and current experience of O. & M. work, are necessary. Salary scale £1,560–£1,825.

Further particulars and application forms from the undersigned, to whom applications should be returned not later than the 26th February, 1962.

E. P. HARVEY,
Clerk of the County Council.

County Hall, Newcastle upon Tyne, 1.

UNIVERSITY COLLEGE OF SWANSEA

DEPARTMENT OF ECONOMICS

Applications are invited for the post of RESEARCH ASSISTANT in connection with studies in the History and Organisation of British Overseas Trade. Applicants must be graduates in Economics or Economic History, salary in the range £500—£700 per annum according to qualifications and experience. Duties to commence April 1, 1962, or as soon as possible thereafter.

Further particulars can be obtained from the Registrar, University College, Singleton Park, Swansea, by whom applications (six copies) must be received by *Saturday, February 24, 1962.*

UNIVERSITY OF BIRMINGHAM

DEPARTMENT OF ECONOMETRICS AND SOCIAL STATISTICS

Applications are invited for two LECTURERSHIPS in the fields of Econometrics or Statistics in the DEPARTMENT OF ECONOMETRICS AND SOCIAL STATISTICS.

Salary according to qualifications and experience within the scale : £1,050 x £50—£1,400 x £75—£1,550 : £1,550 x £75—£1,850. Together with F.S.S.U. and family allowance benefits.

Further particulars can be obtained from the Assistant Registrar (Commerce and Social Science), the University, Edgbaston, Birmingham 15, to whom applications should be sent by 2 March, 1962.

MEDICAL RESEARCH COUNCIL requires Technician for new Unit at the London School of Economics to work with Hollerith machines and take part in the general research work of the Unit. Previous training in Hollerith machines not essential. Salary according to age and experience within range £600–£950, plus London Allowance, National Health Service superannuation.—Apply to Dr. J. W. B. Douglas, c/o Medical Research Council, 20 Park Crescent, London, W.1.

WILMOT BREEDEN FELLOWSHIP

Applications are invited for a Fellowship, to be held in association with the College of Advanced Technology, Birmingham. The value of the Fellowship, which is for a two-year term, is £1,000 per annum.

A candidate for the Fellowship should normally have had two or three years' research or industrial experience. He should have an Honours Degree or equivalent qualification and be acceptable to the College as a research fellow.

The Wilmot Breeden Fellow would engage in an enterprise of such a character as to require the facilities both of the College and the Company, his time being spent at both. His enterprise may have the character of Scientific Research, Design, Development, a combination of some or all of these, or in some other way to be appropriate to the activities of Wilmot Breeden. The Company is especially concerned with Mechanisms, Electro-Chemistry, Metal Finishing, Metallurgy, Metal Formation, Hydraulics, Electronics.

Full details may be obtained on application to the Education and Training Officer, Wilmot Breeden, Ltd., Amington Road, Birmingham 35.

Final applications must be received before 1st May, 1962.

ECONOMICS RESEARCH OFFICER. Young man or woman, age 27–35, required for a new team in a major industry. Good economics degree essential. The successful applicant must have an alert and imaginative mind, and be able to work as one of a team of first-class people. Excellent salary. Pension scheme.—Apply, with full curriculum vitae, Box 1589.

THE COLLEGE OF MARKETING

The Education and Training Division of the Institute of Marketing and Sales Management

You could build an exciting future as a member of the College of Marketing staff. You would have total responsibility for organising and operating a range of residential and non-residential programmes.

You would have an opportunity of examining closely and critically the operation of the best marketing organisations and interpreting this for other marketing managers.

This is rewarding work in a new field of marketing practice.

We require :

1. Experience of sales or marketing management.
2. A willingness to spend a reasonable period in residence in the College.
3. Ability and enthusiasm to teach modern marketing methods to middle and senior managers.

The following qualifications are desirable but not essential :

1. Age 28–35.
2. A degree of a British University.
3. The Institute's Diploma in Sales Management Studies.
4. A car owner.

The commencing salary whilst training is £1,750 p.a.

Full expenses and car allowance will be paid together with a luncheon allowance. A contributory pension, life insurance and accident scheme is in operation.

Please send brief details in full confidence to D. W. Smallbone, Director of Studies, College of Marketing, 127 Victoria Street, London, S.W.1.

SOCIETE FINANCIERE

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rémunération en rapport
(résidence Paris, logement assuré)
envoyer curriculum vitae détaillé

à Box No. 1591, *The Economist,*
22 Ryder Street, London, S.W.1.

ECONOMICS GRADUATE with some investment experience required to take charge of investment research for medium-sized stockbroking firm. Good prospects of partnership in few years' time.—Write, with full details of education, experience and present salary, to Box 1588.

UNIVERSITY OF EDINBURGH

DEPARTMENT OF HISTORY

Applications are invited for the post of Assistant Lecturer or Lecturer in the above Department. While preference may be given to a candidate with special qualifications in West African History, it is hoped candidates whose primary interest is in other fields of African history would also apply. The person appointed would be expected to take part in the normal work of the Department. It is also hoped that he would assist in the development of a Centre of African Studies. Salary scales—Assistant Lecturer: £800 x £50 to £950 per annum. Lecturer : £1,050 x £50 to £1,250 per annum. Placement on the scales will be according to qualifications and experience. The posts are subject to superannuation, and family allowance is payable where applicable. The successful candidate will not be expected to take up duty before the 1st October, 1962.

Further particulars may be obtained from the undersigned, with whom applications (six copies), giving the names of two referees, should be lodged not later than 10th March, 1962.

CHARLES H. STEWART,
Secretary to the University.

2nd February, 1962.

UNIVERSITY OF EDINBURGH

DEPARTMENT OF POLITICAL ECONOMY

Applications are invited for the post of Assistant Lecturer or Lecturer in Economic Development in the above Department. Preference will be given to applicants with experience in applied economics in Africa. The person appointed will be required to lecture and to assist in the development of a Centre of African Studies. Salary scales—Assistant Lecturer : £800 x £50 to £950 per annum ; Lecturer : £1,050 x £50 to £1,250 ; Bar: £1,300 x £50 to £1,400 x £75 to £1,850 per annum. Placement on the scales will be according to qualifications and experience. The posts are subject to superannuation, and family allowance is payable where applicable. The successful candidate will not be expected to take up duty before the 1st October, 1962.

Further particulars may be obtained from the undersigned, with whom applications (six copies), giving the names of two referees, should be lodged not later than 10th March, 1962.

CHARLES H. STEWART,
Secretary to the University.

2nd February, 1962.

EDITOR required for Trade Union Journal (published monthly). Applicants should be experienced in this type of journalism and have a broad general knowledge of the British Trade Union and Labour Movements.

A high standard of English is essential. Selected applicants will be interviewed in London in due course.

Write, in first instance, giving details of experience, age and salary expected, to Box 1590.

For further appointments and other classified advertisements see page 565

UNIVERSITY OF EDINBURGH

DEPARTMENT OF HISTORY

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Further particulars may be obtained from the undersigned, with whom applications (six copies), giving the names of two referees, should be lodged not later than 10th March, 1962.

CHARLES H. STEWART,
Secretary to the University.

2nd February, 1962.

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Applications are invited for a position, effective September 1, 1962, in the Department of Economics. The appointee will be required to lecture in French on elementary economics and economic theory. Lecturers : $5,500-7,000 ; Assistant Professors : $7,000-8,500.—Applications, including full curriculum and names of three referees, should reach the Acting Chairman by March 2, 1962.

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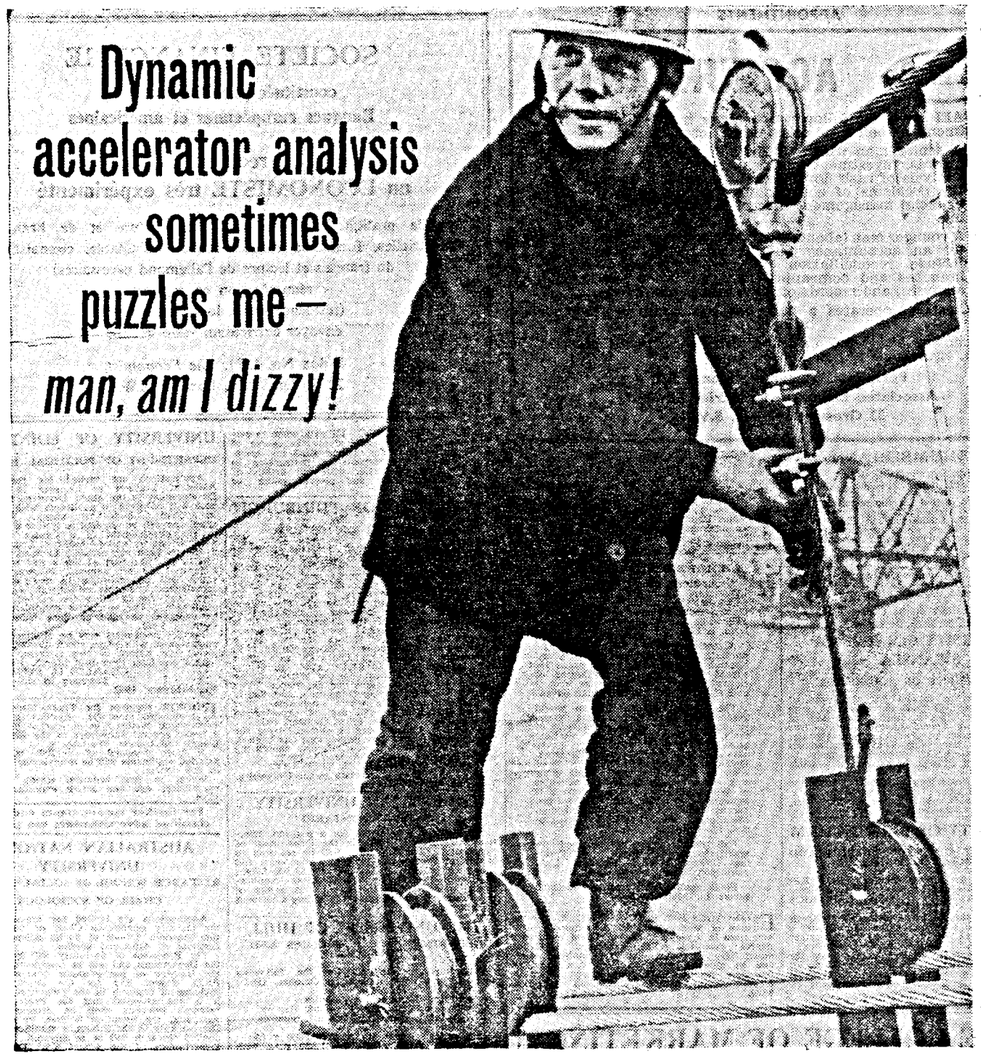
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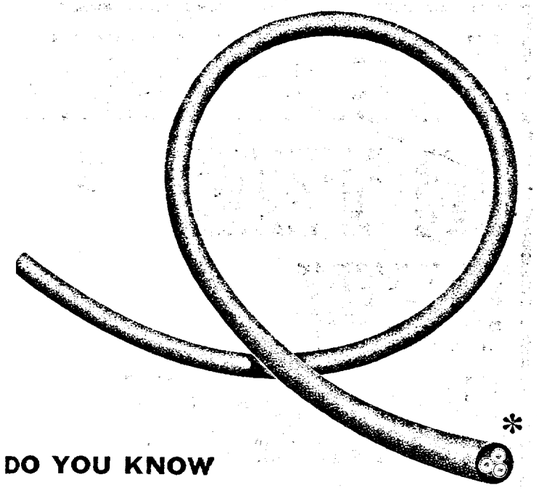
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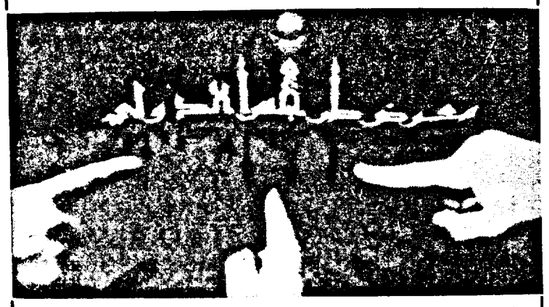
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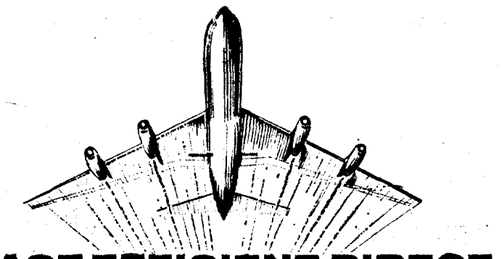
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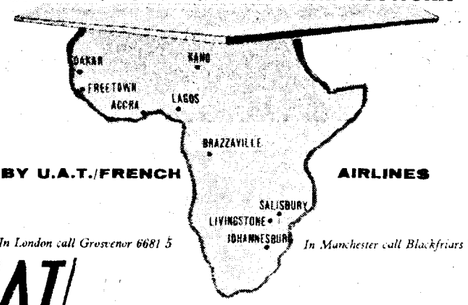
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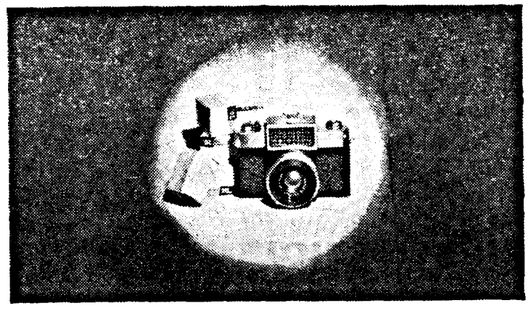
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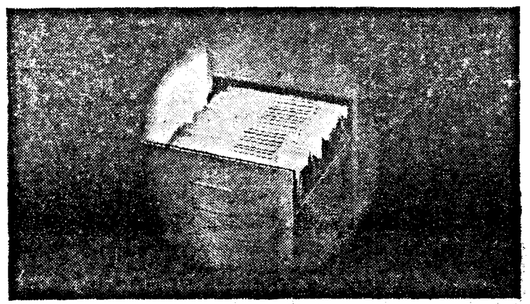
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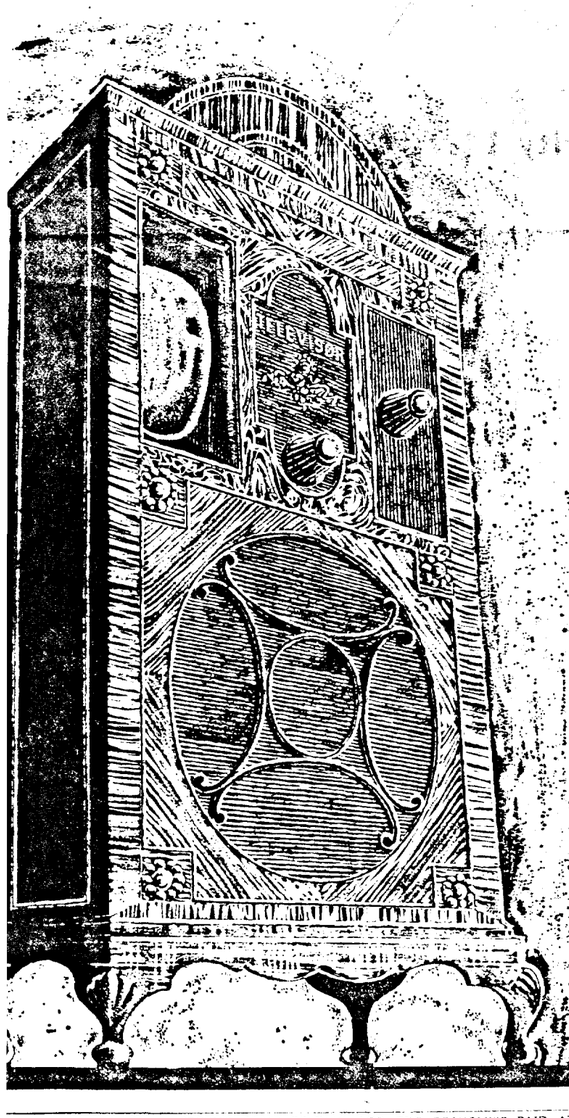
Ireland Europe's other island Pages 993 to 1011

Courtaulds: living with 37·4 per cent

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HOME

High-Engendered Battles

The Liberals' triumph at Orpington (like their advances elsewhere) does not mean that the next Government will be headed by Mr Grimond; nor does it mean that the Tories are yet being put to flight; what it does mean, handled rightly, is a golden (Lib-Lab) chance for Mr Gaitskell (p. 975).

While the echo of the **ICI-Courtaulds** clash is still in the ear, some assessment of the damage is possible: ICI's image as a benevolent giant has been tarnished; and Courtaulds carries round its neck the campaign promises it will have to honour (p. 1037).

Having once won Letchworth in a takeover, the Garden City's controllers may soon be defeated at Parliament's hands (p. 992).

Knockdown Arguments

The clatter of falling tenpins is music in the ears of Britain's entertainment moguls: **bowling** has bingo beaten (p. 980).

The Royal Academy's need to sell their **Leonardo** to keep themselves in the black might not have arisen if more people had known they had it (p. 982).

Two blows at **advertising's** breadbasket: tobacco and detergents (p. 1050).

An economist's case for control (p. 1034).

Forms of Party Strife

In north-west London, a bus-building firm has **sacked ten workers** who, at the firm's invitation, defied their trade union and worked during a one-day strike (p. 991).

Supporters of the **Immigrants Bill** should not expect to draw comfort from a forthcoming report in which immigrants are associated with a rise in violence: most of the hurt taken is domestic and unserious (p. 988).

Some Distressful Strokes

The Government's refusal of the University Grants Committee's recommendation and its blanket 3 per cent salary increase to university teachers have jeopardised **the universities' expansion plans** and may hurt their present performance (p. 983).

New jobs for Cambridge dons (p. 987).

British Railways, pursuing the chimera of solvency, has slashed a service which should by rights never have been started (p. 991).

The Minister of Agriculture has been gentler than he might have been with his pruning knife on **farm price guarantees**—but the farmers will not think so (p. 982).

The case for a large all-round increase in **nurses' pay** is not good; but more should be done for those climbing to the top of their calling (p. 984).

Ireland **Europe's other island** pages 993-1011.

INTERNATIONAL

Banning the Bomb

Britain's ageing nuclear deterrent may well be more valuable as a diplomatic weapon than as a military one. It might be dropped with pacific results into any scheme for regional nuclear disarmament in Europe (p. 977).

Ways of checking the spread of nuclear weapons have figured in the confused manoeuvres of the Geneva **disarmament conference;** but there are no signs yet that the conference will avert American nuclear tests this spring (p. 1013).

Russian interference in the **Berlin** airlanes is a reminder that the West cannot preserve its position in Germany merely by sitting tight; but **Dr Kroll's** recall from Moscow is a success for those who want it to (p. 981).

Bombs and Butter

The controversy over the B-70 does not mean that **American industry** is dependent on **armaments** (p. 1021).

Soviet agriculture needs more capital, but armaments and industry soak this up (p. 1019).

The Pull of Europe

Neutrals, like Sweden, have a case for association with the common market, but not all would-be associates need get the same terms (p. 978).

A **Swedish** manufacturer of **rock drills** has achieved world stature, but success in Mont Blanc has evaded it (p. 1039).

American firms are setting up branches **in Europe,** not to get behind the tariff wall but to be near a growing market (p. 1023).

The drive for a new **Trade Expansion Bill** has begun in Washington (p. 1023).

War and Peace

The last days before the expected ceasefire in **Algeria** are overshadowed by continuing violence (p. 983).

American mediation may avert a clash in **New Guinea** (p. 984).

Latin Laments

The **Alliance for Progress** is not making as much progress as was hoped (p. 1022).

Its main beneficiary, **Brazil,** presents a sorry economic picture as Senhor Quadros returns from exile (p. 987); so does **Cuba,** where Dr Castro's policy of fair shares has made rationing necessary (p. 983).

Ins and Outs

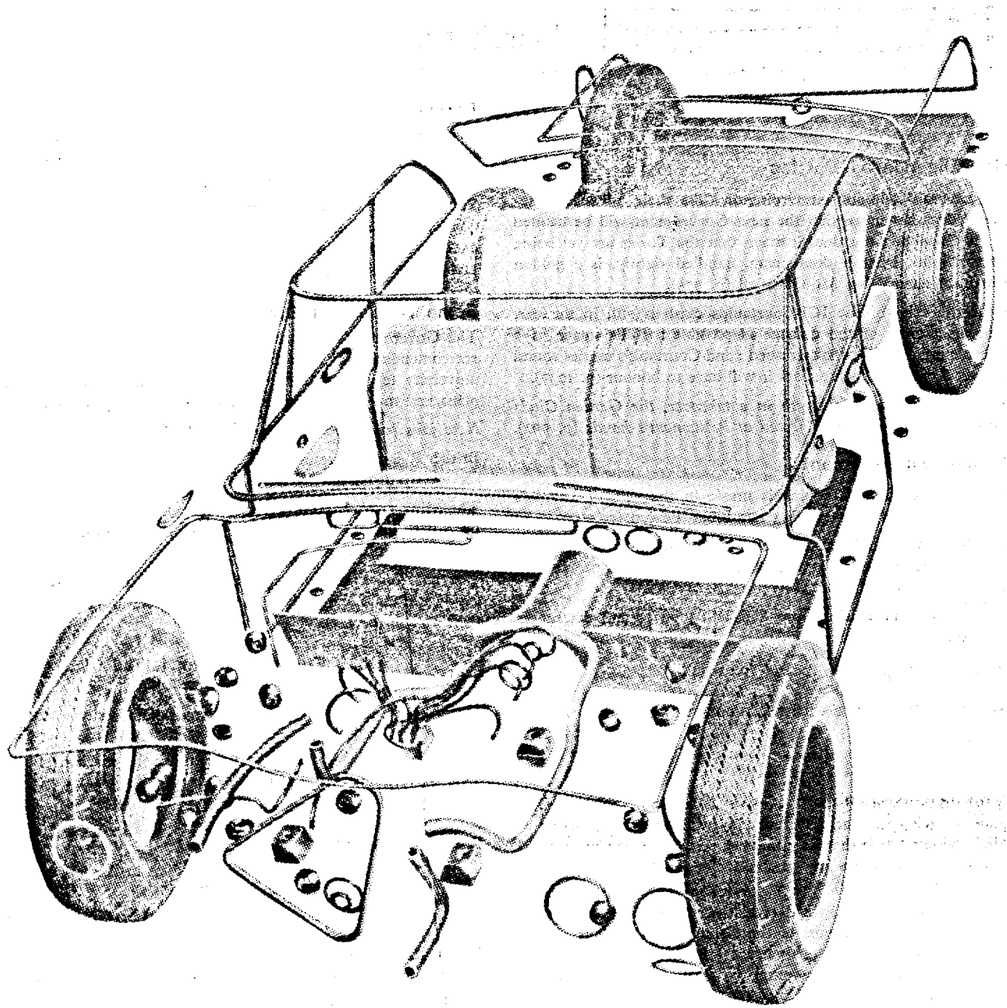
The **Indian elections** have once again produced no serious opposition to Mr Nehru's Congress party (p. 1017).

Business recovery in **Canada** has restored Mr Fleming's tarnished political reputation (p. 1014).

Sir Roy Welensky's decision to hold an election in the **Central African Federation** is unpopular even with his own supporters (p. 1014).

The anti-communist crusaders are making things difficult for **Mr Nixon** in California (p. 1027).

Detailed contents on page 975



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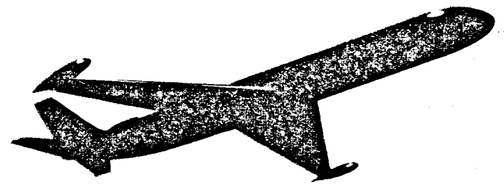
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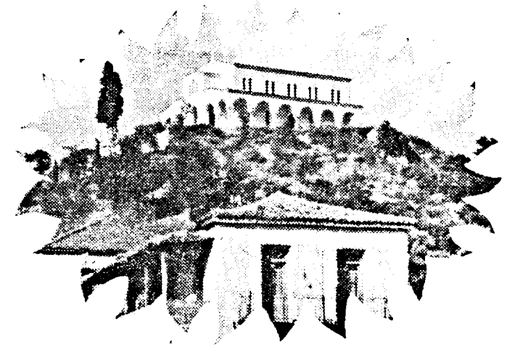
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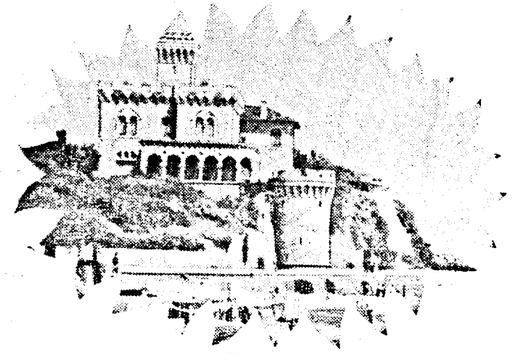
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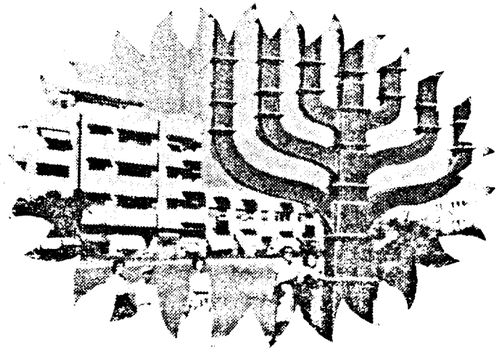
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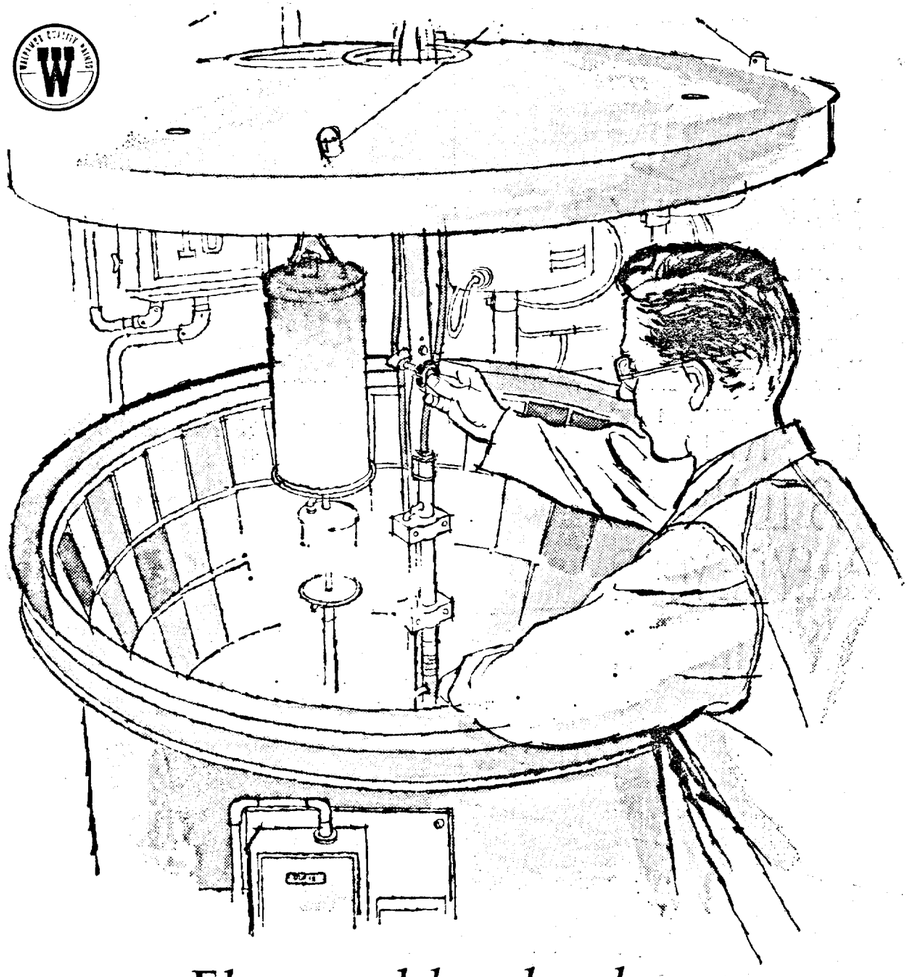
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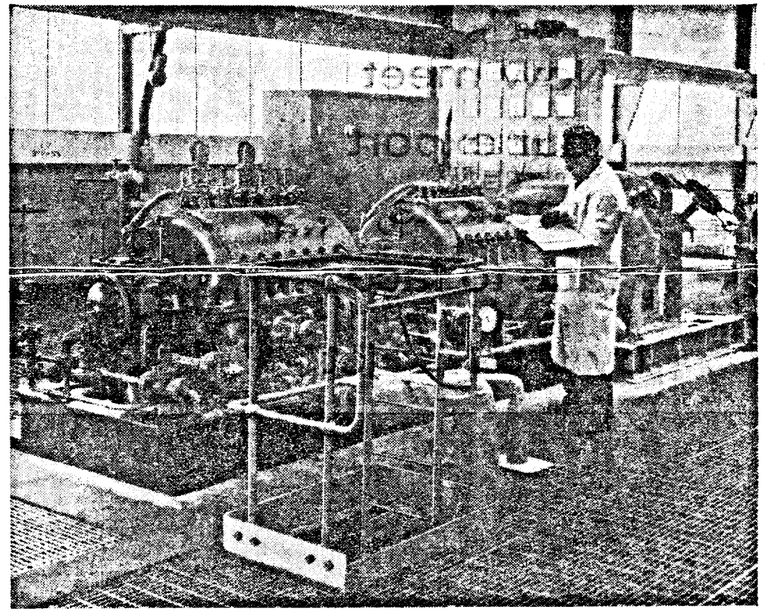
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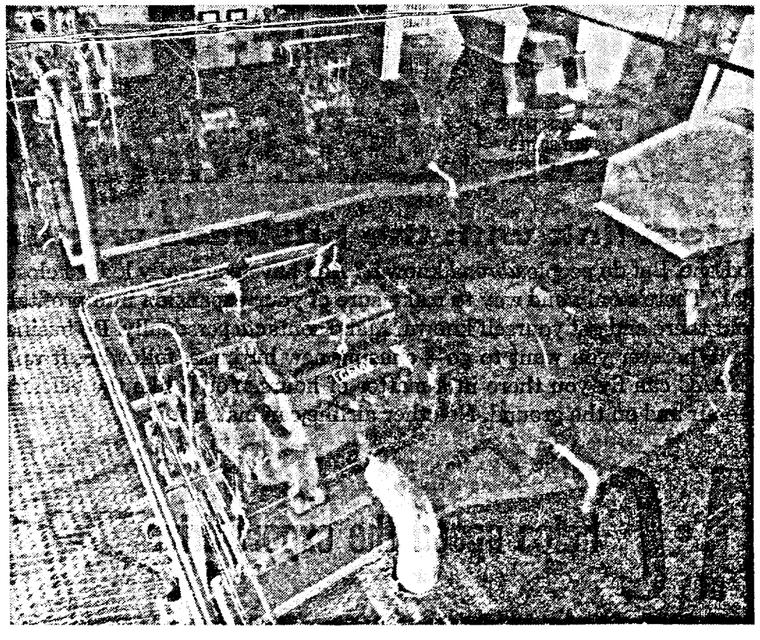
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The Economist

MARCH 17, 1962

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After Orpington

LET us get the Conservative débâcles in this week's by-elections into perspective. In three out of the four of them the Conservatives have done between 2 and 7 per cent worse than they were doing in the nearest equivalent by-elections last November; in the fourth (the much-advertised Labour triumph at Lincoln) they actually did considerably less badly than they were doing then. (The figures are shown in a table overleaf.) Contrary to what some newspapers are saying, therefore, it has not suddenly become very much less probable this week that the Tories will win the next general election. At a pure but reasonable guess, the Conservatives probably still have, say, about a two out of three chance of winning it; and the odds in their favour have not, in fact, been significantly higher than this for most of the past year.

It is true that if there were a general election tomorrow, and if everybody voted at general elections as he does at by-elections, Mr Grimond's present mass capture of so many of Mr Macmillan's former supporters would probably enable Mr Gaitskell to become Prime Minister. The net swing from Tory to Labour in this week's by-elections—in the purely statistical sense of half the difference between the drop in the Tory share of the vote and the drop in Labour's share—was respectively 5 and 6 per cent in the two supposedly marginal constituencies which had heavy turn-outs, and 11 and 12 per cent in the two supposedly safe seats which had heavy abstentions; and a net swing to Labour of as little as 3½ per cent in a general election would serve to scrape Mr Gaitskell into office, provided it occurred in the right marginal places. But, in the first place, these large Liberal raids on the Tory vote would not necessarily repeat themselves in the right marginal places from Labour's point of view (i.e., in Tory seats that might conceivably go Labour); and, in the second place, there is not going to be a general election tomorrow. Nor, *pace* Sir Roy Welensky, is there likely to be a general election at any time this year. Mr Macmillan can be expected to go to the country at whatever date in 1963 or 1964 suits his party's interests best.

Nevertheless, the past week has probably been a very important one for British politics, and its main effect might prove to be very beneficial indeed. One need not give great credence to the conventional argument that massive defeats like Orpington will somehow "serve to keep the Tories on their toes," and thus have a marvellously revivalist effect on them. One is not normally marvellously revived by a kick in the groin. But we do believe and hope that these results might have an important reforming and revivalist effect on the whole future nature of the Labour opposition. There seems real ground to hope that the result at Orpington may speed up the happy march of events which is making it increasingly likely that Britain's alternative government—the one that will be fighting on the hustings in 1963 or 1964 with at least a strong minority chance—will be of what might be called the Lab-Lib variety: Lab-Lib, that is, in complexion, although almost certainly still Labour in name. For, at a time when exaggerated news of Tory disasters are filling every newspaper headline, it has been borne in upon Labour that, in order to win office, its main future task must be to see that it does not lose as many votes to the Liberals as the Tories lose. It would be wrong to say that, from now on, both major parties' main concern will be to fight desperately to steal the Liberal's clothes (the common market is, in fact, their most identifiable dress). But they will certainly have to fight all the time to prevent Mr Grimond from running off with their own

marginal trousers, and in terms of the general image that each will know that it must try to project, that may amount to nearly the same thing.

Consider the strange electoral situation that now subsists. In anything up to a hundred of the Conservatives' 365 parliamentary seats—in the plush suburbs of London and the home counties, in many rural constituencies and seaside towns, as well as in the older battlegrounds of the west country and the Scottish highlands—it is now plainly the Liberal party that presents the main challenge to Tory incumbents. One may reasonably doubt whether the challenge at general election time could really hope to be successful in more than a score of these (if, indeed in as many); but, especially if the idea gains ground that in these areas a Labour vote is a wasted one, there will increasingly be this challenge. It is a challenge, moreover, that is aimed at the root of what the Tories have hitherto regarded as some of their safest seats.

Another 65 Conservative MPs hold seats that would be won by Labour as a result of gaining a net 4 per cent swing. Theoretically, on the basis of this week's by-election results, Labour could expect to gain all these seats—and more—if there were an early general election. But, in practice, one very much doubts whether Labour would win all of them, and Mr George Brown and his cohorts at Transport House would be very wise to doubt it too. At present there are many Tory voters who are ready to swing to the Liberals even at the expense of letting a Liberal in, but the number of Tories who are willing to swing to the Liberals at the expense of letting Labour in is almost certainly much smaller. Paradoxically, therefore, the safest seats for sitting Tory MPs at the moment may be those which until recently were regarded as being in their upper marginal range: seats where a net swing of between 4 and 10 per cent from Tory to Labour (or of between 8 and 20 per cent from Tory to Liberal) would saddle a former Tory area with the un-status symbol of electing a Labour MP. After this, almost by definition, one enters the range of seats where a similar Tory desertion to the Liberals would put a Liberal MP in instead; and where Tory dissidents may therefore feel freer to abstain or vote Liberal to their hearts' discontent.

THIS WEEK'S SWINGS

Two of the past week's by-elections were four-cornered fights in constituencies where there had been no Liberal candidate in 1959. At Middlesbrough East the fourth candidate was a Mosleyite, and the result can fairly be compared with last November's by-election at Manchester Moss Side, which had a similar pattern of candidacies. Lincoln (where the fourth candidate was a pro-conscriptionist who got derisory support) can perhaps best be compared with last November's by-election at East Fife. Neither comparison is exact, because both this week's seats were Labour-held and both last November's were Tory-held; but as a broad indication of trend each will serve:

CHANGES IN % OF POLL COMPARED WITH 1959.

	Cons.	Labour	Liberal	Other
Lincoln	**−14·7**	**− 4·6**	**+18·2**	**+ 1·1**
(East Fife)	(−22·4)	(− 3·7)	(+26·1)	—
Middlesbrough East	**−23 7**	**− 0·9**	**+22·9**	**+ 1·7**
(Moss Side)	(−21·2)	(−11·9)	(+27·9)	(+ 5·2)

In the other two by-elections, including the seat gained by the Liberals from the Tories at Orpington, there had already been Liberal candidates in 1959. The nearest comparison lies with last November's by-election at Oswestry:

CHANGES IN % OF POLL COMPARED WITH 1959.

	Cons.	Labour	Liberal	Independ.
Blackpool North	**−19·5**	**+ 4·8**	**+ 14·7**	**—**
Orpington	**−21·9**	**− 9·8**	**+31·7**	**—**
(Oswestry)	(−15·1)	(Nil)	(+12·3)	(+ 2·8)

WHAT, in these circumstances, could Mr Gaitskell and Mr Brown best do in order to "get this tired Tory government out"? Theoretically, one way in which they could achieve this would be by disbanding their party tomorrow. In that event, if one believes the apparent message of these by-election figures, Mr Grimond would be likely to be swept into the Prime Ministership at the next general election with people like Mr Lubbock of Orpington as his main cabinet ministers. To others beside the Labour leaders this will appear a sobering, rather than a thrilling, thought. But now that Labour has started to lose deposits in areas where the Liberals plainly provide the main challenge to the Tories, it would not be surprising to see official Labour candidates gradually withdrawn from fighting some of these seats—at least by the time of the general election after next.

This does not mean that Labour would gain from a full-scale Lab-Lib pact *à la* Wyatt. While the withdrawal of Labour candidates from Liberal "possible" seats like Blackpool North this week would have served to put the Conservative out, the withdrawal of Liberal candidates from some Labour "possible" (or even "actual") seats elsewhere in the country would help to keep, or even put, the Conservative in. Mr Taverne would not have so markedly increased his Labour majority at Lincoln last week had not a Liberal intervened to draw so many votes away from the Tories. There remains then the third possibility. When you can't join them or beat them, look like them. That is what Mr Gaitskell has sensibly wanted to do to the Liberals ever since he took over the Labour leadership in 1955, and especially since the traumatic experience of Labour's 1959 defeat. Now the powerful force of his party's reviving hopes and ambitions should surely help him on his way. For the truth is that the floating vote in this country is now of the sort that prefers to regard itself as Liberal-more-or-less; and it is for the floating vote that every sensibly ambitious political party has to fight.

That is why the most interesting long-term speculation about the results of this week's by-elections concerns their possible effect on the party whose performance in them has in a sense been least dramatic: the one that has not gained or lost a seat, although it has managed to lose a deposit. It is easy to overestimate the baleful consequences of this week for the Conservative party, who may now merely have temporarily mislaid their floating adherents in response to the usual mid-term anti-Government swing. It is tempting to overplay the week's hopeful auguries for the Liberal party, although it may justly light its torchlights this weekend because its parliamentary strength has been increased from six to seven. But it is impossible to exaggerate the lesson now laid before the party that will still serve as alternative to the Tories in at least five constituencies out of every six. Mr Gaitskell's clear recent aim has been to get into a position where he can persuade his party to shake off its old remaining trappings of atavism and class prejudice and unlovely shibboleth, where he can persuade it to try to start to look instead almost more Kennedyite than Mr Kennedy himself. Dare one hope that he may now have been powerfully helped to get into this position by a mixture of his own competence and a rival party's success?

Dropping the Bomb



When and how Britain might usefully give up its nuclear arm

IF the Government is superstitious, it will keep its fingers crossed about paragraph 13 of this year's defence White Paper. Paragraph 13 is the one which says that Britain's contribution to the western deterrent—the V-bombers, that is—will be kept effective "throughout the 1960s." Last Monday's debate on the air estimates in the House of Commons featured the Secretary of State for Air, Mr Julian Amery, in the part of Horatio, keeping this bridge as stoutly as the Minister of Defence, Mr Harold Watkinson, had defended it in the general defence debate a week earlier. But there are signs that support for the Government's stand is weakening, even among those nearest and dearest to it; a substantial number of people are wondering whether (and in what circumstances) the military usefulness of keeping the V-bombers might soon be outweighed by the diplomatic benefits of giving them up.

President Kennedy's attitude towards the British deterrent is doubtless more complex than Mr Harold Wilson suggested on March 6th, when he said that nobody in Washington thought it added "one iota to the strength and credibility of the western deterrent." The Americans look on the 180 or so aircraft that Bomber Command could put in the air as a useful supplement to their own striking force of 1,600-odd bombers and assorted missiles, on the ground that a larger margin of safety is always better than a smaller one. But they plainly feel confident that they possess a sufficient margin of safety to do the deterrent job alone, if need be, once the targets now given to Bomber Command had been reallocated. If Britain were to retire from the field, the Americans would no doubt accept its decision cheerfully enough—provided the resources thus set free were diverted to other needs they consider more urgent. And one's guess is that they would positively welcome it, if a British renunciation had the effect of stopping the further spread of nuclear weapons in Europe.

These feelings are shared by a growing body of opinion nearer home. Quite apart from the Labour and Liberal parties, which are now committed to the proposition that Britain ought to bow out of the attempt to keep up a strategic nuclear arm, an interesting number of the Government's supporters seem to have doubts about its policy. Four of the eleven Tory back-benchers who spoke in the defence debate on March 5th and 6th said either that there was a case for giving up British nuclear weapons entirely—provided that Britain was not the only country giving something up—or that, at least, some of the money now being spent on nuclear arms should be transferred to conventional forces. There is no reason to think that this is an unfair cross-section of the party's state of mind.

The case for dropping the bomb (in the constructive sense of the phrase) is not chiefly a military one; that is to say, it does not depend on believing that the British deterrent is no longer able to do the job for which it is getting upwards of £170 million a year. The available evidence about Russian anti-aircraft defences does make it clear that Bomber Command—even with Blue Steel or Skybolt—would be liable to suffer heavy losses if ever it had to be launched against the Soviet Union. But even in the worst (and very unlikely) case of Bomber Command having to act alone, he would be a remarkably confident Russian who based his choice of peace or war on the assumption that his protection would be 97 per cent effective—a level at which five bombers would still get through to their targets.

Even this degree of deterrent power is something worth having. The doubts arise when three other facts are taken into account. The first is the Americans' apparent ability to do the same job without British help. The second is the alternative use the money spent on the deterrent could be put to. (It could, to take an over-simple illustration, provide every man-jack in Britain's regular army with an extra £1,000 a year; think of the effect that would have on recruiting figures.) The third, and most important of all, is the possibility—it cannot be put higher at the moment—that abandoning the deterrent might do more to preserve the peace of Europe than clinging on to it would.

WHETHER a renunciation of nuclear weapons by Britain would in fact make for greater stability in Europe depends entirely on how the renunciation was made. A great many people sincerely believe that a simple declaration by the Prime Minister in the House of Commons next week, followed by a televised jettisoning of warheads into the North Sea the week after, would somehow decisively wrench the world into a general about-turn on nuclear policies. The idea is flattering to British visions of moral leadership, but it is surely inaccurate. Such a unilateral gesture would be applauded by public opinion—wildly in the uncommitted world, much more dubiously in western Europe and the United States, probably for the wrong reasons in the communist countries. The real test, though, is what effect it would have on the three governments whose preoccupations with nuclear weapons are of urgent interest: the governments of France, west Germany and China. There is no reason to think that it would deflect any one of them from its immediate ambitions.

For a British renunciation to have any serious effect, it would have to be linked to similar sacrifices—not necessarily of the same kind, but involving the same degree of military self-denial—by some other major powers; and this exchange of sacrifices would have to be embodied in a formal, and probably written, agreement. However, this is not the same as saying that Britain must wait for a world-wide disarmament agreement before it can discard its own nuclear weapons, which is what the Government says at the moment. The dim prospects of the current 17-power conference at Geneva, and the extreme unlikelihood that China would join in anything the

Geneva conference happened to agree on, suggest that the wait for a universal treaty will involve a long vigil indeed. There is thus a strong case for arguing that Britain's trump card in disarmament policy—the offer to give up its strategic nuclear armoury—ought to be played with the aim of achieving a more limited agreement to reduce the military tension in Europe. The stability of Europe, after all, is Britain's chief concern ; and even a localised agreement of this sort would be a very fair price to get in return for a non-essential weapon of slowly declining value.

Is there any chance of such a regional agreement? As it happens, there may just be. One of the modest hopes Lord Home has taken to Geneva with him is the hope of getting the powers to act upon the Irish proposal, adopted among other proposals by the last General Assembly, that the present possessors of nuclear weapons should agree not to transfer them to the control of others. Mr Gromyko matched this on Monday with a proposal for a zone free of nuclear weapons in (among other places) Europe. It is a fair guess that, out of the interplay of suggestions like these, the powers are sooner or later going to find themselves turning over the old idea of a regional experiment with arms conirol in central Europe. The experiment might range from restrictions on the deployment of tactical atomic weapons, to an inspected limit on the size of conventional forces.

The difficulty is that any such proposal runs headlong into the opposition of the west German government, because it is liable both to restrict the further growth of the west German forces, and to prevent them being equipped with the atomic weapons which Dr Adenauer and his minister of defence, Herr Strauss, say they must have. So long as any British observations on the subject continue to be delivered from on top of a pile of nuclear arms adorned with the Union Jack, Dr Adenauer is going to have grounds for complaining of discrimination. But suppose that British advocacy of a regional arms control scheme in central Europe were coupled with a British offer to get off the atomic high horse. One of Dr Adenauer's standard objections would be removed; and the United States, which under Mr Kennedy's Administration has steadily sought to oppose the spread of nuclear arms in Europe, would be able to exercise its powers of persuasion with a far easier mind.

In present circumstances, it need hardly be said, a scheme for limiting arms in Europe cannot extend to the removal, or even the serious weakening, of the American presence. But there is plenty of scope, short of that, for arrangements that might reduce tension along the Elbe without reducing the western powers' ability to guard their part of Europe. Such arrangements will involve various governments in various degrees of self-denial in respect of their military establishments. Self-denial may in any case force itself on them as they come to realise that they, like Britain, almost certainly cannot afford the costly weapons systems of the nineteen-seventies. Still, many people suspect—and they are probably right—that the process will never be set in motion at all unless one government makes a first gesture. Is this a target at which Britain's nuclear arms, never used in war, might now peaceably be aimed?

Welcome, Wild North-Easters

Common marketeers, wondering what to do about the Nordic neutrals, could imitate Charles Kingsley

SOONER or later the common market is going to make some kind of arrangement with the small countries on the periphery of western Europe to save them from the hardships of economic isolation. The common market's planners are perfectly willing to offer the nations concerned this vaguely comforting generalisation. But, preoccupied with more urgent matters like the entry of Britain, they may not realise that it is too vague. Countries as different as, say, Sweden and Spain present quite different problems that may call for different solutions. Not to make any bones about it, some of these fringe nations may require—and deserve—closer links with the common market, short of full membership, than others do. The common market's task is to pick out the right countries to favour with a special attachment ; and, in particular, not to discriminate against those that are neutral just because of their neutrality.

One test of the common market's attitude will be its treatment of the neutrals in northern Europe. Of the four Nordic countries, Denmark has already applied for full membership of the European Economic Community, and on March 2nd the Norwegian government asked its parliament for permission to do the same (which the parliament will almost certainly grant). Since both countries belong to Nato, their decision was predictable. The Swedes, on the other hand, have applied for the less intimate status of associate membership. Their application was made after a long public debate in which it became clear that there was virtually no support for any closer relationship that might endanger Sweden's neutrality. The Finns are waiting to see what happens to Sweden's application ; if it succeeds, they will try to negotiate a similar arrangement for themselves.

In effect, Sweden is asking the common market to disentangle the economic strand of the Treaty of Rome from the political strand, and to let Sweden attach itself to one but not the other. This is a large demand ; and the Swedes are anxious to show that they are not simply trying to get inside the community's tariff wall without accepting the economic obligations that go with this privilege.

If their application reaches the point of detailed negotiation, they seem likely to swallow without much argument a number of pills that still cause some British throats to tighten convulsively: the common market's farm policy, for instance, the free movement of labour—and even some co-ordination of national economic policies. They would presumably draw the line at submitting their budgets and their monetary policies to control by a supranational agency. But the prime minister, Mr Erlander, has pointed out that the chief purpose of the common market is to encourage economic expansion. The implication is that Sweden would be prepared to take a seat on some planning body run on a basis of persuasion.

The Swedes may even be ready to dip a toe in the water of political co-operation—the operative word once again being "co-operation." This depends on the kind of political machinery eventually set up by the common market. If General de Gaulle were to get his way, and the machinery were to consist simply of arrangements for (say) regular consultation between heads of government, Sweden might quite possibly agree to take part.

But this is the furthest limit of the Swedes' willingness to stretch their neutrality. They will join no body in which the vote of a majority of the members could dictate foreign or defence policy. And even in economic matters they demand certain guarantees of independence: the right to end their association with the common market if they want to (full membership is theoretically indissoluble); and freedom to make trade treaties with other countries—Russia is clearly the one they have in mind—without having to seek permission in Brussels. A substantial body of Swedish opinion also wants to limit the freedom of foreign capital to move into the country, for fear that key industries will fall under alien (particularly German) control.

ALL this is a test of how the common market sees its future. The Swedish application for associate membership looks like a genuine offer to go most of the way towards economic unity, stopping short only at those things that affect the political independence of a neutral. If it is accepted, a special arrangement will almost certainly have to be offered to Finland, *deo et Khrushchev volentibus*. Finnish exports, three-quarters of which are forest products that compete with similar products from Sweden, would suffer disastrously if Sweden were within the common market's tariff wall and Finland were outside.

This would not necessarily mean opening the door to every other neutral in Europe on the same terms. Switzerland, for instance, has special problems—its uncompetitive farmers, and its semi-autonomous cantons—which would make it difficult for the Swiss to move as far towards economic unity as the Swedes. But to accept Sweden would mean that the common market embraced within its economic boundaries a country whose domestic politics, and ideas about east-west relationships, were interestingly different from those of the dominant group within the existing community. It would be a splendid gesture of broadmindedness.

Just now, the chances of such a gesture look dim. Some leading figures in the common market have recently questioned whether it is possible to grant the kind of association Sweden wants, except as a half-way stage to full membership. The argument is that, were Sweden to be granted associate membership, half a dozen other small countries ranging from Portugal and Spain to Turkey and Israel would promptly demand the same right. So many holes in the tariff wall of the inner group, it is said, would destroy the sense of economic togetherness which is the essential prerequisite of the group's search for political unity. Instead, the little countries on the fringe must hope for relief in the general reduction in tariffs that President Kennedy proposed last December ; in addition, the common market might make specific trade agreements to let in particular products—paper from Sweden, raisins from Turkey, and so on.

BUT is this argument good enough ? If it were a matter of admitting all the possible applicants for associate membership, the case would be unanswerable. But there is a case for picking and choosing between those to be given the rank of associates (the non-commissioned officers, as it were) and the rank and file who would have to be content—at least for the time being—with commercial agreements covering the commodities they were specially interested in. It is best to be blunt about this process of selection. The favoured applicants to be admitted within the tariff wall should be those who, in addition to bringing some significant economic strength to the community, would also help to give it added social stability and a properly distributed political balance. It would do no harm for the predominantly conservative flavour of the existing community to be diversified by the addition of a few countries with a nonconformist taste—not least in their approach to east-west relations. If Iberia one day comes in as well, the presence of good Scandinavian democrats would provide an essential counter-balance.

The Nordic world offers just the right ingredients for mixing. The best case for bringing countries like Sweden within the community's walls is not that, if left outside, they will inevitably be thrust into the communists' arms by economic necessity. Most Swedish economists think that Sweden will survive even if its present application is rejected. One of them, Mr Bengt Reuterskiöld, writing in the current issue of the Skandinaviska Bank review, reckons that the consequences of isolation would amount to no more than about 18 months' delay in reaching the level of national income that would otherwise be reached in 1972. The real case for accepting Sweden is less dramatic, but just as persuasive.

Inside the community's tariff walls, Sweden can make a useful contribution to the economic strengthening of western Europe. Outside, it will most probably suffer a slowing of its economic development. The trade agreements for specific exports offered by the common market might keep its existing industries alive, but the development of new industries could well be inhibited. The result might be a gradual drifting out of the main stream of European development.

If the European Economic Community means the first word in its name to be taken seriously, then this would be wrong. The danger of the common market has always been that its original members, in seeking to draw closer to one another, would unconsciously widen the gap between themselves and other parts of Europe. It will require an act of imagination for the existing members of the community to let in a brisk wind from the north-east ; they should remember that the north-east, too, is part of the same continent.

Appointments, Business and Personal notices, and other Classified Advertisements: pages 1067, 1074 and 1075

The Demon Bowlers



Skittles, at least when taken with beer, are once more in England an idea of heaven

NEITHER work nor worry can mar the pleasure of the long-drawn rumble as the ball goes down the alley and of the cathartic, percussive music of the falling pins. The game is immemorial: Sir Flanders Petrie found that the Egyptians played it, and it has been recorded from time to time since the beginning of the Christian era. Edward III thought it spoiled his archers, and frowned on it; some bishops in the middle ages, by calling the pins heathens, were able to provide an outlet for the righteous zeal of their flocks; and it has been a frivolous diversion (so necessary from serious drinking) in English pubs, particularly in the west country, for centuries. No doubt it was one of the less rigid of the west country pilgrims who, finding constant rectitude a bore, set about whiling away his new American leisure by whittling out nine skittles and a ball. He thus took to the New World one of the milder vices of the old, to which, in the past two years, it has been returned, much altered, polished and purified —but still recognisably skittles.

The original nine pins became ten in the last century, when right-minded Americans outlawed "ninepins" as a breeding-place for gambling and some grosser sins. They were promptly outwitted by the gamblers, who set up ten pins instead. The game has not looked back since then; but until the end of the second world war it was confined still to sweaty men replete with such off-putting ancillaries as beer, spittoons and loud swearing. Then an unknown benefactor introduced his wife: more women followed and, by the nineteen-fifties, bowling (which is as distinct from skittles as baseball is from rounders) was booming. In 1952 it was revolutionised by the invention of an electronically controlled machine to replace the boy who gathered the fallen pins and set them up again, and big business moved in. Today 26.5 million Americans play; and they are worth a billion dollars a year to the game's promoters.

By 1960, the bowling boom in America was levelling off, and the two main manufacturers of the automatic pin-setting machinery, American Machine and Foundry Company and Brunswick Bowling, were looking about for new fields in which to set their great galleries. Their eyes fell, among other places, on Britain. AMF approached ABC Television, who cautiously leased the first centre, at Stamford Hill in London, and watched the results with interest. Soon ABC was in business itself and, predictably, the Rank Organisation followed almost immediately, with a great many other smaller operators at their heels. In these last two years, no fewer than seventy centres have been opened, or are shortly to be opened, in England and Scotland.

Most of the centres are large, with 20 or more lanes ("alleys" went out when the women moved in). In each lane some 30 people a day pay three shillings a head to play. In general the rinks are housed in the shells of cinemas which died of the dreaded TV plague of the fifties; but that source of convenient buildings is running out in the really profitable areas (the north-west, Birmingham and London). New centres will mostly be what has come to be known as "purpose-built" —at a cost which might blanch the cheek of an investor less intrepid than Rank or the commercial television industry. Each lane costs £2,000—without its equipment, which costs £3,000 if bought outright from Brunswick but allegedly somewhat less if taken on lease from AMF; some of the cost is accounted for by the extreme fussiness of the governing body of the game in Britain, the Tenpin Bowling Association, who have adopted American standards of accuracy, in which a tolerance of forty-thousandths of an inch is allowed on important dimensions.

AT Southampton, to take one example, Rank's will pay £5,000 apiece for 24 lanes and £100,000 for the building which houses them, in addition to the £35,000 already spent on the vast site needed. Rank has now invested over £2 million in bowling; ABC are near enough £1 million committed; other operators have not been able to raise that sort of money, but at least four other television companies are involved and they, together with single-centre owners and one or two specialist firms, could probably show another £4 million or £5 million of investment between them.

The return expected from this vast stake in bowling is not, by the operators' accounts, very impressive: ABC thought that 10 per cent was about right; ATV and Rank were less sure, but admitted they would be disappointed if it were not more; and one investor went as far as to admit that he would not be happy with less than 12 per cent. It is difficult not to feel that someone is leaving something out; about 150,000 people play regularly in Britain, and none of the centres has yet experienced the sort of black depression which comes to cinema managers when seats are empty. Present plans are for expansion as fast as centres can be built, in the expectation that every city in the country with a population of 50,000 or more will be able to support at least one centre of 12 lanes. The Americans find that planning at one lane to every 2,000 of population is safely profitable, but Britain is more cautious: even so, the amount of capital, enthusiasm and organisation going into bowling indicates a return a good deal better than 12 per cent.

Overheads and recurrent expenditure are high. Apart from the £3,000 to £5,000 required to set up each lane, the pins themselves attract an import duty alone of £2 10s. each (and each lane needs ninety of them a year); balls cost between £8 and £10, and refinements such as hand-dryers must constantly be put in as they are developed; wages are not low, and the requirement for staff is large.

On the other hand, every centre has highly profitable catering facilities (indeed most of them are licensed clubs, the club being separate from the lanes), as well as selling a nice line in special shoes, clothes, balls and bags to carry them, and enjoying one or two other side-lines which help to keep the wolf from the foul-line. One six-lane operator's actual takings are £650 a week. If his takings can be taken as a guide, at £105 a lane every week, a company such as ABC with 118 lanes might be earning about £12,000 a week.

The centres themselves are of clinical perfection and extreme uniformity. It is only by slight differences in furniture and decoration that one can tell whether AMF or Brunswick has been responsible for fitting out any particular centre; but it is sure to be one of them. Together with the bowling lanes, there are often such attractions to the house-bound as crêches, laundrettes, restaurants. Nevertheless, more men than women play in Britain, and it will be a long time before women become as important to promoters here as they are in America, where they supply no less than 40 per cent of the custom. Young people are more in evidence than adults, and a year ago accounted for nearly half of all the games played in Britain. But the operators insist that the main attraction of the game is that it appeals to whole families.

The real pull of the game seems to be the deceptive ease with which good bowlers practise it and the opportunity it offers for knocking something down in competition with other people. Already hundreds of small leagues (industrial, office, household clubs) are playing long series, encouraged by operators who would rather see block bookings for league play than wait for casual bowlers to drop in now and again. It is also offered as a good means of slimming and as one way in which a predominantly spectator-minded nation can actually do something. Abroad, too, the game is catching on; so fast, indeed, that ten-pin bowling is only just short of the minimum requirement for Olympic recognition, which is that a game should be played competitively in 26 countries.

So far nothing has stood in the way of the bowlers except the planning authorities. But there are rumours that several local authorities who see as their main duty the suppression of unrestricted money-making may decide to dictate what hours the centres should keep. That would be ruinous, so the bowlers claim, in cutting down the number of people they cater for during the 14 or 15 hours a day they now keep open and would reduce their businesses to unprofitability. It is freely forecast that general restrictions on bowling hours would kill the game altogether. While so many people are enjoying themselves, and so many others making money (that most innocent of employments) this would be a pity; but no doubt the skittle alleys of the west would continue unmoved.

NOTES OF THE WEEK

GERMANY

In Retreat from Moscow

So Dr Kroll, the west German ambassador in Moscow, has not succeeded in thwarting his enemies again. The compromise devised last weekend by Herr Schroeder, the foreign minister, after Dr Kroll had been recalled to Bonn for inquiries about his alleged loose talk and defeatism, was by no means a total victory for those in the foreign ministry and elsewhere who sought to displace him from his Moscow perch. After a long spell of leave, Dr Kroll is to return to his Moscow post in early May and will remain there until the autumn, when there is to be a major ambassadorial reshuffle. He is then to return to Bonn to take up a post as an eastern specialist in the foreign ministry.

Herr Hartlieb, number three in the Moscow embassy, who uninhibitedly told German journalists that his "deluded" chief would certainly precipitate "another crisis in April" if he returned to his post, has been recalled to Bonn as a visible scapegoat. But, for all the sugar on the pill, the fact remains that Dr Kroll is to go. Dr Adenauer, who in January protected his ambassador from his detractors in the foreign ministry, this time did not even see him. This most colourful and unorthodox of German diplomats is almost certain to be replaced in Moscow by a greyer figure from the Bonn establishment.

Dr Kroll's fall had personal as well as political causes. He has a way of alienating both subordinates and superiors. But there is no doubt that his fall was engineered by the powerful school in the Bonn foreign ministry which took exception to his ideas for a more flexible policy towards the East. Dr Kroll gets on well with Mr Khrushchev. He is just the man to start the friendlier relationship with Bonn which Mr Khrushchev seems to want. And he has forthrightly told the Chancellor what he believes.

West Germany's re-examination of its eastern policy will no doubt go on. The irrepressible Herr Dehler, the Free Democrats' former leader, has endorsed on television a remark by Mr Smirnov, the Soviet ambassador to Bonn, to the effect that Germany has been at war with Russia since 1932—a war cold, hot and now cold again. Outraged, the Christian Democrats are now seeking to remove Herr Dehler from the vice-presidency of the Bundestag. But in an unexpected switch of roles *Die Welt*, ashamed perhaps of its shabby part in the Kroll affair, has stuck up for Herr Dehler in the name of free speech. The whole great debate on Germany's future needs to be fought out in open public debate, not with the weapons of the smear and the backstairs intrigue.

BERLIN

The Hound of Spring

FOR five months, to the day, the Berlin crisis has been in hibernation. It was on October 17th that Mr Khrushchev withdrew his deadline for a separate peace treaty with east Germany, in the apparent belief that serious negotiations would follow. The only thing remotely resembling negotiations since then has been the series of five totally abortive meetings between Mr Gromyko and the American ambassador in Moscow, Mr Thompson, the last of them on March 7th. Dissatisfied, the Russians have now decided to bring the crisis out of hibernation.

Mr Gromyko, in Geneva for the foreign ministers' disarmament talks, has once again raised the possibility of a separate peace treaty, a threat already made in *Pravda* on March 9th and *Izvestia* on March 11th. The Russians have also increased their efforts to frighten people out of using the air corridors to Berlin. On Tuesday, for the second time in a week, they sprinkled "chaff" in the corridors, small metal strips designed to confuse the radars that guide allied planes. On Wednesday night they threatened to send four of their own aircraft into the corridors at times and heights used by western commercial airliners, thus extending into the hours of darkness a dangerous habit they have developed in daylight over

the past month ; but they shied off at the last moment.

The animal emerging from its winter's sleep could be of three kinds. It could be the beginning of a really major crisis, involving a serious attempt to block the air corridors, and a Russian decision to hand over the responsibility for Berlin to the east Germans in a separate peace treaty soon. This is possible, but not very likely. The references to a peace treaty in the Soviet press have been conspicuously without a time-limit ; and the Russians can hardly relish the idea of a series of mid-air crashes, which is (at the very least) what a really determined attempt to close the air corridors would involve. The second possibility is that this is all a diplomatic gambit aimed at the Geneva conference. The Russians may be doing and saying unpleasant things with the idea that they can subsequently withdraw them at Geneva in return for, they hope, western concessions.

More likely than either of these possibilities, however, is the third explanation. This is that the Russians have now embarked on a campaign to remind the West of the consequences of not granting some kind of recognition to east Germany—the basic communist aim in the Berlin crisis. One consequence, they are in effect saying, is that your rights in the air corridors are not absolute, so that your airlines may have to change their flight plans from time to time, or risk having their passengers scared away. Another consequence is that the threat of a separate peace treaty can be revived at any time. The point is valid ; Dr Adenauer and General de Gaulle, please note.

FARM PRICES

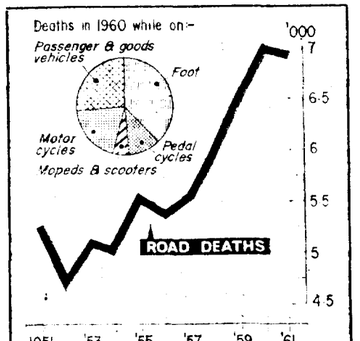
Small Trimmings

The Minister of Agriculture is likely to have metaphorical turnips thrown at him by farmers for this year's price review, but he has not in fact hardened his heart towards them by quite as much as he could have done. After allowing £19½ million for increased costs, the maximum permitted reduction of guarantees under the Agriculture Act was some £14 million this time ; the effect of the price review is to reduce the figure by just under £11 million (compared with £5 million last year). Since farm income has been fairly buoyant, rising by over £25 million in 1961-62, the farmers cannot be said to have done badly. The estimated cost of agricultural support has risen to £339 million for 1962-63, but there is no guarantee that the estimate will not again be hugely exceeded.

Instead of setting himself a target for this year's guarantees, Mr Soames has settled for the actual reductions produced by the necessary changes in individual commodities. Beef is still regarded as a likely long-term winner (possibly with Europe in mind) although it is clear that competition in the shops from poultry is not going to diminish, and there are broiler turkeys coming along, too. It can be argued that housewives continued to buy beef last year, despite the failure of market prices to fall. What caused most trouble was the flood of poor quality beef ; the Minister has therefore decided to raise the standard at which cattle are accepted for the existing guaranteed price.

The reduction of 0.4d. per gallon in the guaranteed price for milk (a cut of 1d. per gallon in the pool price to farmers) is bound to cause a loud outcry among high-cost producers. But last year's idea that it would be possible to check excess production by some sort of restrictive arrangement, while actually putting prices to the farmer up, has visibly failed ; and the Government has sensibly decided to move nearer to management by market prices instead. It is intended to let the retail price of liquid milk cover the full cost of the guarantee in future. (Recently the shortfall in it has cost the Exchequer £8-£9 million annually.) The retail price of milk is now expected to rise by ½d. a pint for six months of the year. This is a step back in the right direction.

The Government is still pushing the National Farmers' Union towards better marketing arrangements. It has promised £1½ million over the next three years to assist in marketing research and development. The English and Scottish unions will now set up an executive committee, under an independent chairman, to vet and pass on to the Ministry the better schemes that come forward. This price review has been unhappily governed by promises made last year, to the pig industry in particular ; one consequence is that it fails again to take into account the over-riding need for readjustment in commodity guarantees on the eve of joining Europe.



MORE DRIVE WITH MORE CARE

In spite of an estimated eight per cent increase last year in motor traffic in Britain there was a reduction in the number of road deaths for the first time since the fuel rationing of 1956. A complete analysis of the accidents in 1961 is not yet available. However, one notable exception in the general decline in deaths was among child pedestrians : there were 534 deaths compared with 522 in 1960.

ART SALE

Let's See It

The uproar over the Royal Academy's proposal to sell the Leonardo da Vinci cartoon contrasts wryly with the apathy shown about it hitherto. Very few people ever asked permision to go into the council room at Burlington House to see it. The Royal Academy can be blamed for this: too few people knew of its existence. The current feverish excitement suggests that the Academy lost its chance in not advertising it and charging for a peep at it. But would people have then flocked in or is it simply that possesions are never so valuable as when they are in danger of being lost ?

The Royal Academy has every ethical right to make the sale if it wishes. It is a professional body whose main function is to run its schools of painting, sculpture and architecture which give free tuition between them to about a hundred students: this costs about £9,000 a year in overhead expenses, salaries and wages. In addition, it administers forty-five charitable trusts—annuities to distressed artists, prizes, student grants and the like—and runs its annual exhibition of works by members and non-members, without charging sales commission. The entrance fees to this and the loan exhibitions are its main source of income. But the Royal Academy no longer enjoys the big attendances of up to 450,000 that it had in the late 19th century, and its income is insufficient to meet mounting costs, which include a rate liability of £8,500. Fairly understandably, its council decided, by 28 votes in favour to one against, to realise its most valuable asset.

What is to be done about it ? There are only very few works on the scale of this cartoon by Leonardo da Vinci in the world and the mysterious quality of his draughtsmanship is unrivalled. It is one of the most important works of Italian art left in British possession. But it is not a question of saving something that has been of great benefit to the nation up to now, but of whether the nation can afford to add it to the national collections. The idea that the money for this great cartoon can be raised by half-crown subscriptions is pretty half-baked: there is no reason why the Royal Academy should budge much from the valuation price, which is probably around £750,000. If the work goes to a foreign buyer at Sotheby's, an export licence is likely to be withheld for a limited time to see if a buyer in this country can be found at the knock-down price. A better course would be to see beforehand if there are any rich benefactors who would come forward, and between them raise enough to meet a large part of the cost ; it might then become

reasonable to tempt the Treasury to make some contribution on the understanding that there should be a return for its investment in terms of it being readily viewable by students and art-lovers. The logical place for this cartoon, if it did pass into the national collections, would be in the print room of the British Museum alongside the drawings there by Michelangelo and Raphael. But it might be more popular to house it in the National Gallery. This particular issue apart, however, is it not time that the best of the art treasures in this country were given a little more publicity—and a charge made to see them ?

CUBA

Sharing

Social and economic upheaval in Cuba has meant that fewer goods are being shared out between more people. Rationing of a sort has been in force for some months, in that many consumer goods are hard or impossible to get hold of ; now Dr Castro has announced that from next Monday rationing is to be organised and official. Rice, beans and lard will be rationed everywhere ; certain other foods in the Havana area only, and soap and toothpaste in all towns.

Dr Castro blames these measures on the American economic blockade ; more decisive reasons would seem to be the dislocation of trade, the flight of people who know how to run an economy, and the new regime's own crashing errors of judgment. But it would be a fallacy to interpret the rationing as an augury of the revolution's failure. If Dr Castro's government has been successful in redistributing income between Cuba's rich and its poor, the number of people in the market for consumer goods is bound to have increased. In several Latin American countries, the larger part of the population is described as being "outside the economy." Such people do not contribute to the statistics of production, and they do not buy enough to be called consumers. There is little to be proud of in having shops that are well stocked, if most people are too poor to buy anything in them.

ALGERIA

10 . . . 9 . . . 8 . . . 7 . .

By the time this issue of *The Economist* is in readers' hands, they may know whether the peace talks at Evian between the French and the Algerians have come to an end ; or if they may not. The negotiators were, at noon on Thursday, still struggling with difficulties that, though small, are magnified by the suspicions and distrust bred by seven years of war. But there is no reason to suppose that hope will be cheated by a last-minute collapse of the talks ; no major obstacle is visible to the expected announcement that the composition of the interim government has at last been agreed on, that the Moslem *force locale* which is to help the French army keep order is about to be set up, that Mr ben Bella has been freed and that General de Gaulle is to address the nation. In short, the cease-fire.

What remains in question is the effect of these announcements in Algeria. The Secret Army Organisation continues to be very much in evidence—blowing up a wireless transmitter in Oran, killing 17 people on Thursday morning in Algiers, shooting the defendant (a Moslem nationalist) during his trial before a military tribunal at Bône. The SAO is planning to launch a general strike the moment peace is declared, and will certainly do everything it can to sabotage the settlement. The longer the Evian negotiations last, the greater the likelihood of Moslem demonstrations against the European terrorists—and such demonstrations are exactly what the SAO wants, in order to force the French army to choose between firing on the Secret Army or throwing in its lot with it. Already, it is said, many officers have assured the SAO of their support.

Meanwhile France was in a state of emergency this week. Troops have been confined to barracks. Anti-aircraft guns have been put on the roofs of public buildings. With the exception of the regular lines, no private planes have been authorised to fly over French territory. M. Soustelle's latest anti-Gaullist group has been dissolved by the government. And everyone, including, one suspects, the president, has remained totally uncertain what "D-Day" will bring, when the war without victor or vanquished (as it is supposed to be, for the sake of military pride on both sides) is ended.

The Economist

MARCH 15, 1862

RULES OF WAR

The rule that a neutral ship which carries enemies' goods must not be touched is effectual, because a belligerent who breaks it incurs a penalty. He thereby offends the neutral; he angers a *new enemy*. But a belligerent who covenanted twenty years ago and during peace not to touch the other belligerent's ships will incur no further penalty if he break that covenant. If we promise France not to capture her ships in a future war, and we do capture them in a future war, what is France to do? The remedy for international bad faith—the sole and ultimate remedy—is war; but France is already at war with us. What more, then, can she effect or attempt? . . . Precisely the same difficulty applies to the abolition of privateering. We promised France in 1856 that if we again went to war with her, we would not use privateers. But suppose in the next war we use that "Punic faith" which French orators so often impute to "perfidious Albion," and *do* issue letters of marque, what is the remedy of France? She has none. England would have incurred shameful dishonour in the face of all the civilised world, but France would have no effectual resource. Our bad faith might embitter hostilities, but during a French war it could not cause a French war. If the same nations who agreed to the first clause of the Declaration of Paris were to agree to an additional article declaratory of the security of floating property, the remedy and the effect would be as complete for the new covenant as for the first. War suspends or annihilates all treaties; but when the special object of a treaty is the regulation of warfare, no great nation could infringe it without perpetual dishonour. Even if, which is unlikely, any civilised Power could venture on so gross a breach of international morality, the other parties to the authoritative declaration of the rules of war might well choose to enforce those regulations by arms. France would have no remedy if we captured her ships or licensed privateers : but Russia or Italy might, and perhaps would, intervene to give her aid and punish our falsehood.

UNIVERSITY FINANCE

Off Target

In turning down the recommendations of the University Grants Committee on recurrent expenditure in the next five years the Government has made it virtually impossible for university expansion to meet its immediate targets. These were for 150,000 places by 1966-67 and 170,000 places by "the early 1970s" (now categorised for the first time as 1973-74). No doubt the Robbins committee will have *something to say about this in due course*. The Government hopes that the universities will still try "as far as possible" to reach 150,000 places on time, but it appears that there is a wide discrepancy between its estimate of the necessary resources and that of the UGC—which, in turn, is below the universities' own ideas of what they need. The restrictionists in the senates will now be digging their heels in even more stubbornly, and saying happily that they cannot afford to take so many more students now.

It is true that the Government is expanding the colleges of advanced technology and the teacher-training colleges (which now have standard three-year courses), and to a very limited extent the diversion to these institutions of the better kind of candidate for higher education is an advantage to them. But while the Government claims it has made provision for the 18-plus "bulge" (judged on the recent rate of university entrance) it surely has not sufficiently allowed for the consequences of the present expansion of the sixth forms, let alone for the further expansion in them that is sure

to come as more working-class children stay on longer at school. Unless the universities are unexpectedly ingenious (i.e. in applying some form of shift system) Britain's provision for higher education is going to remain even more ridiculously below the standard set by the north American, Australasian and many western European countries.

The 3 per cent across-the-board salary increase proposed for university teachers this year will not satisfy the dons who see themselves falling behind lecturers in the colleges of technology and the scientific civil service. In itself, this may not massively matter. But what does matter is that nothing discriminate is being done to staunch the outward flow of university teachers from those posts and universities where they are now most needed. The case for making discriminating awards in favour of the less popular universities and most understaffed faculties was argued in *The Economist* of January 27th. Although the idea of discrimination is hugely unpopular with most professional spokesmen, the fact remains that (particularly with new universities like Brighton making attractive bids for the more enterprising university teachers) the academic performance of some of the drearier civic universities is liable to become increasingly shaky.

NURSES' PAY

Underpaid or Overworked?

In accordance with the pay pause, hospital nurses are being offered an increase this year of only 2½ per cent all round. Is there, as they claim, a case for giving them much more? At the bottom of the nursing scale the student nurses in general hospitals are given a training allowance of £299 a year to begin with, rising to £336 in their third year, from which they have to pay £128 a year for board and lodging if they live in. This is certainly not princely; a shorthand-typist of 18-21, who has paid for her own training, can expect £10 a week. But a student nurse is being paid as she learns; whether she is satisfied with what she gets will tend to depend on whether she thinks she works harder than her student status justifies and whether the salary paid at the end of her training is worth waiting for.

Between 1949 and 1960 the total number of nurses had increased from 126,000 whole-time in England and Wales to 162,000; and the number of student nurses from 46,000 to 54,000. This is the justification for Mr Powell's statement on Monday that the "nursing situation is not disastrous" and that the nursing force is at its highest ever. In 1960, however, the number of student nurses declined for the first time for some years. For general hospitals the fall was insignificant (though the effect of the minimum educational standards to be introduced this summer has still to be seen); but in mental hospitals and hospitals for the subnormal the number of women student nurses, who are paid £53 a year more than those in general hospitals, dropped by over 6 per cent.

Like the teachers the nursing profession suffers from wastage among its young recruits, often (though not always) through marriage. Like the teachers, again, there is therefore less of an economic case for giving a big pay boost in these early years of service—although there certainly is a case for further improving their working conditions, since nursing still involves far too many unnecessary tasks and unnecessary discipline. But, among those who do stay on, a trained staff nurse receives only £525 a year, rising to £656; and a ward sister, for her extremely responsible post, £656 to begin with and £840 at the maximum. In other words, she receives the same as a three-year trained non-graduate teacher to begin with but £300-£400 a year less when she is in her thirties. (In mental hospitals, the scale is from £709 to £893.) What is really needed now is a series of discriminatory increases for trained nurses who stay on in the hospital service and in places where the shortage of staff is most felt. It should also be recognised that the London teaching hospitals, which have no staffing problem, have tended to be the dominating influence in nurses' pay and training for far too long.

BILLS IN COMMITTEE

MacFabian Tactics

The Scottish Grand Committee is supposed to spare English members (except those sentenced to make up the Government majority there) some of the homespun wit and wisdom of Scottish Labour members like Messrs Ross, Emrys Hughes, Manuel, Rankin, Willis and Dr Mabon. Last week, when the Government imposed the guillotine on the committee's pondering of the Housing (Scotland) Bill, the Commons learned how devolution really works. After 13 sittings the committee had still not disposed of the second of the bill's 37 clauses; Labour members opposed to any rise in the rents of Scottish council houses had, in fact, threatened to stop the bill's passage throughout this session. In putting his case to the whole House the Secretary of State for Scotland met five early attempts at a point of order (one from Mr Nabarro seeking equal time for England) and 16 recorded interruptions in an otherwise short statement. He must have felt at home.

In its present demoralised state, the Scottish Grand does not even pretend to air a balance of Scottish opinions. Of the first 33 hours of discussion on the housing bill, 29 were taken up by Labour speeches and almost all the brief remaining time by ministers. Tory backbenchers realised long ago that if they open their mouths it merely delays any bill's passage still further. At one stage recently four hours were spent in discussion (one Tory seems to have spoken) on whether to sit on Tuesday evenings or Wednesday mornings. A committee room on the Thursday night train north could be one solution.

Mr Marples's Transport Bill has also been seriously delayed in committee, and it, too, has now had the guillotine imposed. At the rate of progress in the first 23 meetings (60 hours' discussion, 18 of them from the Tory side) the bill would have been maturely considered by 1964, but the Government has decided it wants it back by April 6th.

NEW GUINEA

At Talking Point

Both the Dutch and the Indonesians have now accepted an American proposal for preliminary talks on New Guinea. Progress towards talks has clearly been painful on both sides. The Dutch cabinet sat round the clock on Monday, debating whether to send reinforcements to the island or to accept the American proposal, which Mr Robert Kennedy, the United States attorney-general, took with him to Jakarta and The Hague last month. After the meeting the Dutch prime minister, Professor de Quay, announced that no reinforcements would be sent and that the American offer would be accepted. As a further gesture of conciliation, the Dutch government on Sunday started repatriating the 52 Indonesian prisoners captured in a naval clash off West New Guinea on January 15th.

On the Indonesian side, the foreign minister, Dr Subandrio, announced on Wednesday after a flying visit to Bali, where

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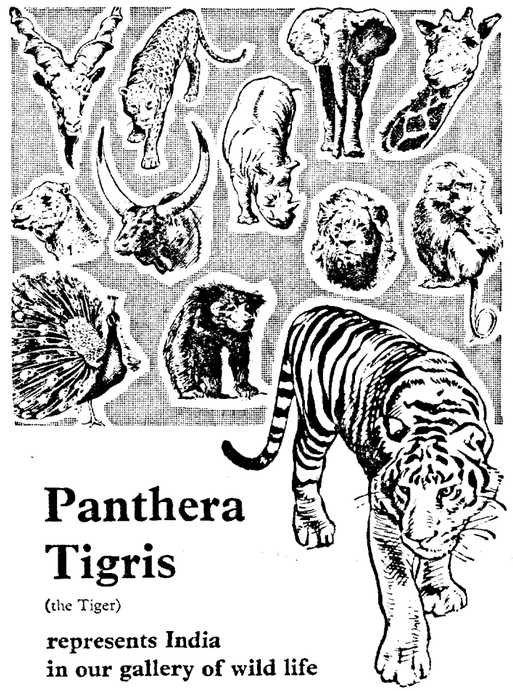
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President Sukarno is relaxing, that the American proposal was acceptable. There remains, however, some reluctance in Indonesia to unsay some of the bellicose things that have been said in the past three months. True, the latest Indonesian speeches are less intransigent than earlier ones, but Dr Subandrio said on Monday that military preparations would continue.

The Americans are in an optimistic mood. In part, this feeling reflects official approval in Washington of the sweeping Indonesian cabinet reorganisation announced on March 6th. Rightly or wrongly the change of structure and the changes of names are considered a blow to the Indonesian communists ; it is felt in Washington that had the Indonesians really been planning to take West New Guinea by force, they would have tried to please the Russians —who are supplying them with heavy arms —by including members of the Indonesian Communist party, as distinct from just fellow-travellers, in the cabinet. Officials in The Hague now seem confident that preliminary talks, aimed at determining the agenda for the main negotiations, will start soon, in the presence of some prominent American yet to be named.

BRAZIL

Return of the Exile

Woe unto those, said Senhor Jânio Quadros when he returned to Brazil last week, who would like to know why he had resigned so abruptly six months ago. Attack is a useful method of defence, but even without his strangely unenlightening curse, the situation in Brazil is sufficiently woeful. By suddenly walking out of the presidency in August after seven active months in office, Senhor Quadros succeeded in creating the political and economic shambles that was, presumably, his intention. Indisputably, Brazil is worse off without Quadros than it was with him ; on the other hand, many Brazilians are deeply reluctant to put their trust in so unpredictable and whimsical a national leader again.

The substitution of a parliamentary for a presidential form of government saved Brazil from the civil war that threatened when Senhor Quadros resigned. But with the president, the prime minister and congress all pulling in different directions, the impetus of Brazil's development programme spilled over into anarchy. Party systems began to collapse ; so did the tenuous relationship between the states and the federal government. With remarkable disregard for the country's interest, congressmen voted for laws that would line their own pockets. The cost of living last year went up by 42 per cent. The yawning budget deficit makes nonsense of the fact that about a third of all the money so far allotted under the American "alliance for progress" programme has gone to strengthen Brazil's finances. The reluctance of the United States Congress to hand over yet more money is discussed on page 1022.

Recently, there have been some signs of improvement. The government is trying to enforce an anti-inflationary policy, and congress has at long last agreed to do something about the parched and impoverished regions of Brazil's north-east. But in October there are to be congressional elections at which, it is easy to guess, Senhor Quadros will play a significant part. Although some of his former supporters are more wary of him, several of his former opponents, such as the formidable right-wing governor of Guanabara, Senhor Lacerda, have now apparently come round to the view that he is the best leader they have. The reception he got at Santos on his arrival suggests that his popular support is as large as ever. He has two constitutional alternatives: to work his way up to the premiership through a seat in congress, or to the presidency through the governorship of a state. But Brazil is a land of surprises, and Senhor Quadros has already shown himself an impatient man.

CAMBRIDGE DONS

The Quota Men

Cambridge has 430 university teachers —nearly half its total of all lecturers— who are not fellows of any college. Some of them rather resent this and would like to take on college duties and extra comforts if only they could find somebody to elect them. Others don't and wouldn't, although they are grateful for the chance to increase their earnings by doing tutoring and supervisory jobs for the colleges on top of their sometimes undemanding (minimum: 30 hours a year) lecturing responsibilities. For their part some of the colleges, particularly the poorer ones, could do with more fellows, if only they could afford to take on the chaps they like. This is the essential problem to which the Bridges syndicate has been addressing itself since 1960 and, voicing the customary approval of the college system with some cautiously liberal asides on the reform of teaching methods, the syndicate has now come up with the kind of solution that treads on as few toes as possible.

It suggests that the languishing lecturers can put themselves down on a sort of free transfer list, and the colleges will then have to pick the ones they want in order to bring their high tables up to the quota of one fellow to 16½ undergraduates (e.g., King's would elect none and Pembroke 15). This would absorb just under 200 extra-collegiate candidates in the next six years. The remainder, together with the university's 1,100 research students, would help to populate a new university centre-cum-club which the syndicate expects, rather against probability, to become the hub of the higher university life.

The bait for the majority of the colleges is the remission of the £144,000 a year that they contribute to the university coffers (or 7d. in the £1 of university income). This cash would pay the additional salaries of the new fellows. It would also sustain 60 new faculty lecturerships for fellows of colleges who do not now share in university teaching. It is doubtful whether these lecturerships will add significantly in calibre to university teaching resources, but they would certainly help the women's colleges, among others, to offer more attractive remuneration to some of their fellows. Since over half of the colleges' £144,000 is put up by three affluent ones—Trinity, King's and St. John's—the net effect of the remission would be that they will subsidise the poorer Selwyns and Magdalenes, which is probably quite right. One of the committee's most overdue proposals—for an extension of the seminar system, and greater inter-collegiate co-operation in supervisions —could certainly help to strike a better average standard of teaching.

CONSERVATIVE PARTY

Placid Pulse?

A rallying call by Mr Macmillan was, not surprisingly, the first business before the Central Council of the Conservative party, which began its two-day annual conference at Church House on the morrow of the Orpington débâcle. This council is a relatively little known political body, but not a wholly unimportant one. It is the governing body of the National Union of Conservative Associations and is made up partly of elected party faithfuls from the constituencies and partly of *ex officio* members. The *ex officio* members include the leader and chairman of the party : the general director and other officials of Central Office: all Tory MPs and those peers receiving the party whip who express a desire for membership. The council appoints the officers of the National Union, amends its rules when necessary and provides a forum for discussion and debate. In the past the council has had its recal-

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citrant moments—as Mr Baldwin once almost knew to his cost in 1934—and in any major party crisis it could become the Tories' grand council and exercise a real influence on events.

The council meeting is generally regarded as a useful opportunity to allow the leaders to feel the pulse of dedicated party workers at the half-way point between the party's big yearly conferences; but this year the pulse does not yet seem to be beating as fiercely about such matters as Rhodesia or the common market as might once have been feared. Motions have been tabled criticising Government policy on the cost of living, transport, the distribution of industry (especially its continued concentration in the south-east and London areas), and its failure to communicate its policies to the electorate. This last is an especially widespread complaint at all levels of the party at the moment, as it usually is when by-election results are going wrong. For the rest, the motions suggest mainly that the local party office-holders are sticking closely to their grindstones, like the devoted workers for Conservatism they are. There is a demand from several associations that the limitations on election expenses imposed by the Representation of the People Act should be revised upwards. A controversial motion, unlikely to be passed, is that representation at the annual conference should be reduced. A somewhat quixotic motion calls for an increase in individual subscriptions by party members, but rules out any specification of a minimum sum. For the first time for some years there is no motion calling for flogging or birching: the Brighton conference has evidently done its work.

KENYA

Unnatural Disasters

LAST year Kenya was ravaged by flood, drought, pestilence and politicians; the result is likely to be a deficit on this year's budget of £2½ million, plus a bill for £1 million for flood and famine relief. At best, the deficits for the coming two financial years will be £5 million for 1962-63 and £7 million for 1963-64. There is also a £5½ million deficit on the 1960-63 development budget. What happens to the economy now depends upon the politicians who have been talking about a constitution, without much visible effect, at Lancaster House in London since February 14th. What happens to the politicians themselves next year may also depend upon their own efforts now. Life in Government House in a bankrupt country would be hard, independence or no.

At Lancaster House the Kenya African Democratic Union (Kadu) has presented a plan for a federal constitution involving six regions, each with its own armed forces and control over finance; an upper house in the central government would represent the regions, and it would have equal powers with the lower house. This plan is the result of fear of what the majority party, the Kenya African National Union (Kanu) might do after independence. Kanu started the negotiations with a search for a mildly decentralised Kenya government, with strong powers at the centre. In the bargaining so far, it is Kanu that has made the concessions, though its strength in the country is greater.

Kadu may now find that its turn for concessions has come. Kanu, against expectations, has conceded a second chamber (though as part of a unitary, not a federal, government); it has also agreed to entrenched constitutional clauses, and a clear division of powers between the central government and strong regional or provincial authorities. But, reasonably enough, these authorities would not be quasi-states, as Kadu seems to insist they should be. Mr Ngala is to be congratulated on extracting as much as he has from Mr Kenyatta and Mr Mboya of Kanu; now some means must be found of generating the kind of mutual trust without which no constitution of any kind can be made to work. The Kenya politicians should be able to agree, if all are reasonable, on a constitution that neither completely stultifies government (as Kadu's original plan would), nor lacks effective safeguards for local authorities and minorities (as Kanu's original plan did).

VIOLENCE

Blame the Immigrants?

FROM the two-day conference organised by the National Association for Mental Health last week on "Violence and the Mental Health Services," one fact is likely to be very widely bandied about, especially by supporters of the Immigrants Bill (which has now passed through the Commons into the Lords). This is the remark of Dr West of the Institute of Criminology in Cambridge that the rise in crimes of violence in London is largely associated with immigrants.

Dr West was in fact giving a preview of a forthcoming Institute report which will certainly show that immigrants accounted for a larger share of violent offenders in 1960 than ten years previously. Offenders from the Irish Republic accounted for 12 per cent, compared with just under 10 per cent in 1950; and those from the Commonwealth and colonies for 13 per cent, compared with 6 per cent. The share of offenders born in the United Kingdom fell from 82 per cent to 71.5 per cent. The total number of violent offenders doubled over the ten years, but the Irish ones rose by 153 per cent and the Commonwealth ones by as much as 321 per cent.

But before all these percentages enter into general folklore, note should be taken of what the immigrants' main crimes of violence seem to be. It appears that they accounted for nearly half of the convictions of violence arising from domestic brawls. These domestic brawls—many of them obviously relatively trivial—are still the commonest form of an offence of violence, and they serve rather misleadingly to inflate the total figure for violent offences. Even so, and including them, Dr West confirmed in his address that 95 per cent of all indictable offences in this country are offences against property and only 2 per cent concerned with physical violence against the person. Of this 2 per cent, only 3 per cent are associated with serious harm to the victims.

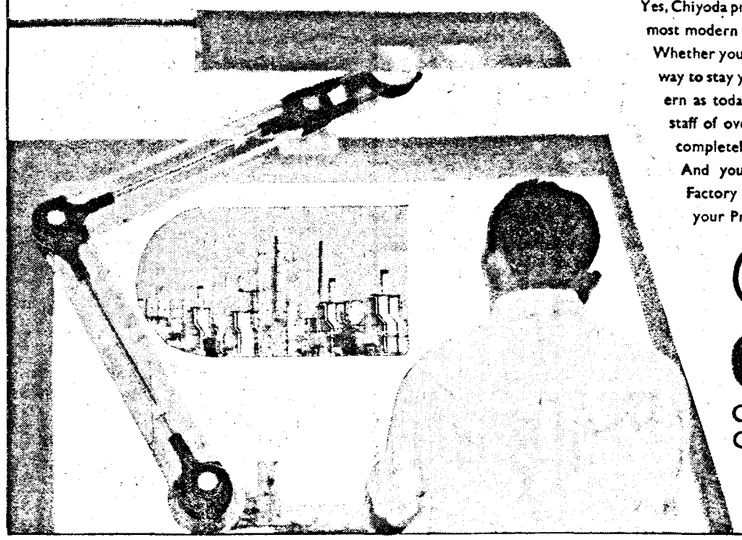
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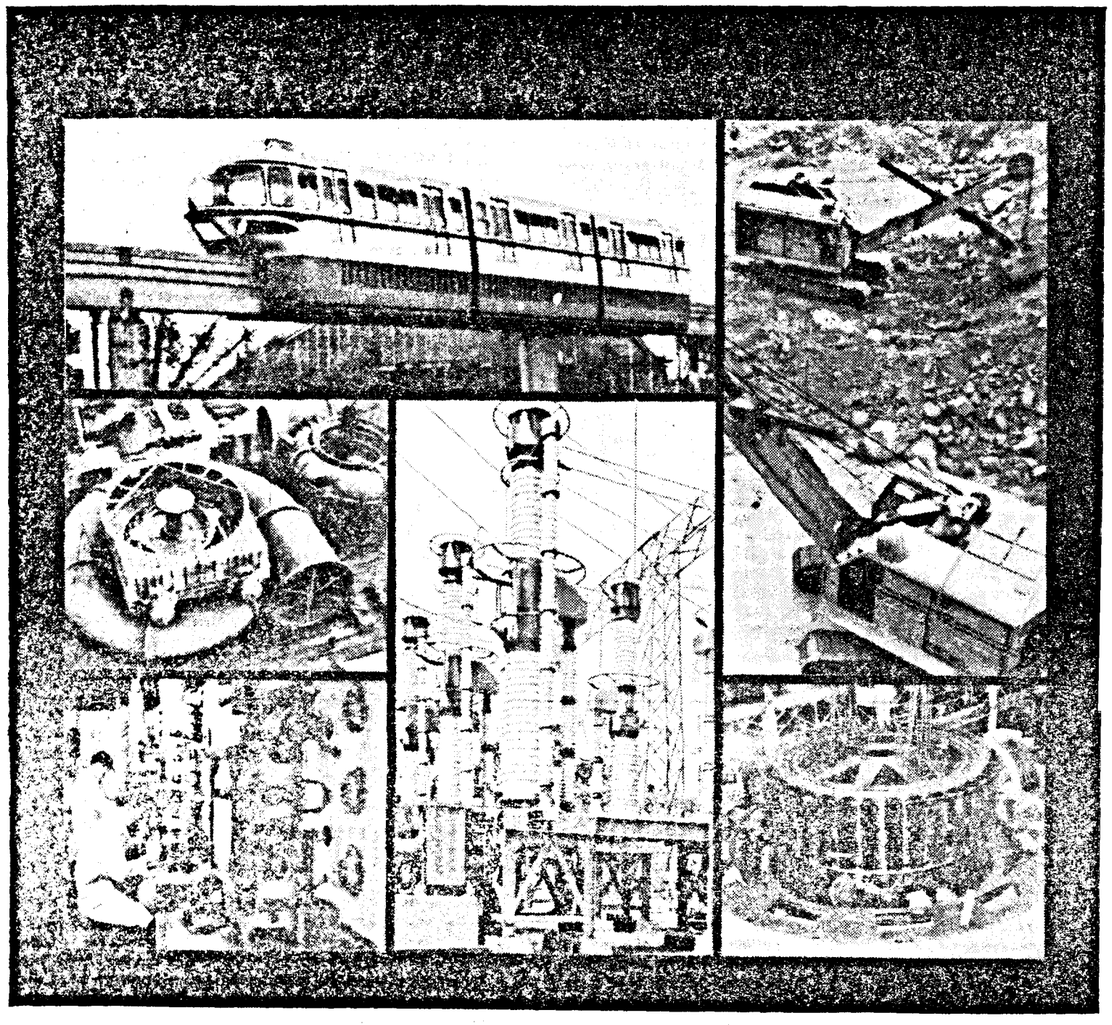
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HOME REPORT

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Reprisals at Southall

FROM OUR SPECIAL CORRESPONDENT

LONDON sprawls off to the north-west in a straggle of factories, cemeteries, railway lines and transport terminals that flow away from the high site-values of the city centre. The local economy is solidly based on the most expansionary industries in Britain: there is no unemployment, wages are high, the newspapers are packed with advertisements for skilled craftsmen. With other forms of light engineering, the motor industry thrives here. As always, it has brought along the troubles of prosperity. Labour relations in north London are proverbially appalling.

Unofficial strikes at a Rootes Group subsidiary at Acton last autumn and at Smiths Motor Accessories at Cricklewood showed just how tough and enduring the workers' resistance could be, as much to the advice of their own union officials as to the blandishments of employers. Communist activists are busy in senior union jobs in the area, and their presence is often suspected among shop stewards; they may have played some part in this resistance, but it would be absurdly complimentary to credit them with all the disruption. North London workpeople are used to good times, and are often buttressed against bad fortune both by savings and by the employment opportunities for women as well as for men. They are not people an employer can afford to get across, however good his record of labour relations.

AEC, besides making London's buses, are probably Britain's second producer of chassis, engines and parts for heavy commercial vehicles. The company (whose initials no longer stand for anything) employ some 3,500 hourly paid workers and 1,000 staff at Southall in the heart of the north London industrial area. They have not had a strike since 1936; they do not pay wages above the (admittedly high) odds for the area; they employ a high proportion of skilled men, since everything they make is custom-built and production runs are short by the standards of the vehicle industry. Labour-management bargaining, both sides claim with some pride, is hard but not unrealistic. Yet the company has now come in for a round of savage public denunciation. In the bluntest terms AEC, under pressure from the unions, sacked the only ten of its employees who refused to obey the one-day strike call sent out by the engineering unions on March 5th.

The first of these one-day strikes was on February 5th. All AEC's employees came out, save one. This unfortunate man stayed on at work for ten days before his life was made intolerable, and he left of his own accord. In some other firms, notably at the Jaguar works, open disputes broke out between managements and unions over the continued employment of men who refused to strike; in each case some agreement was reached whereby the employers climbed down and dismissed or suspended the non-strikers. Before the first strike the engineering employers' federation recommended its members to post a notice saying that the works would remain open as usual for those who chose to turn up. It withdrew this recommendation for the second strike, but AEC decided to post such a notice just the same.

On March 5th nobody turned up for the day-shift at AEC, but the ten semi-skilled and unskilled workers arrived to work the night-shift. Some of them, it is darkly murmured, were "put up to it" by an unidentified agency; the others may genuinely not have realised they would be so few, since there was some resentment among the night-shift men that the day-shift workers had been able to make up the earnings they had lost on the previous Monday strike by working overtime on the following Saturday morning. It is even possible that some of them were motivated by loyalty to the firm. It is far more likely that, despite the unpleasant fate of the solitary blackleg after the previous strike, none of them wanted to lose a night's pay in a nebulous cause.

THE reaction of the day-shift men on the Tuesday was immediate. Restrained by their shop stewards, they did not walk out of the factory; but they did agree unanimously (as far as can be ascertained) to ban overtime and to refuse to operate the plant's bonus system—which meant in effect that they were to go slow. It was plain that production would be disrupted: in view of what had happened on the previous occasion, it was also unlikely that the rest of the night-shift men would agree, in any circumstances, to work alongside those whom they thought to be blacklegs. For the management the solution seemed to be to cut their losses: local rumour reports that some kind of compensation was offered to the ten non-strikers, and that the possibility of returning to work at AEC at a later date was held out to some of them. In any case, out they went.

To start preaching to a firm in AEC's position is not immediately helpful, however much it might be justified. Certainly the result of their action was to penalise those who had followed the firm's invitation rather than that of the union. The hard truth is that AEC recognised the facts of industrial power in an area of full employment; and that power, in the well-run plant with its excellent record of labour relations, was exercised by the employees in pursuit of their wage-claim with no reference to official union opinion at all.

Retreat of the Diesels

FROM A CORRESPONDENT IN BRISTOL

THE intensive diesel train service in the Bristol area, for which so much was hoped by British Railways, has ended in failure less than three years after its introduction to the sound of public relations men's silver trumpets. In one of the most drastic reorganisations the region has known, seven hundred trains a week have disappeared from the new timetable—issued on March 5th. It is hoped to save £250,000 a year on these cuts.

Diesel trains arrived in the Western Region with a considerable success story behind them, mainly in heavy industrial regions in the north, where they had filled the need for fast, cheap and clean transport to and from the larger population centres. In the Bristol area they replaced most of

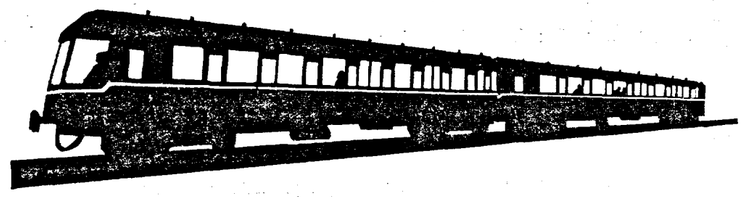
the old steam trains, and formed the basis of an intensive railway network which increased train mileage by 42 per cent, and radiated from Bristol to Taunton, Weymouth, Westbury and Swindon. New services outside the peak morning and evening hours, and on Sundays, were heavily advertised in the hope of forming new travelling habits among Bristolians.

But the experiment failed. Only 44 out of 2,292 trains a week carried the economic load of 60 passengers; three-quarters of them had less than 20 people on board, and on some there were more railway workers than paying passengers. Most of these empty trains will fall under the reorganisers' axe; in addition, more than 30 small stations will close after 7.30 on weekday evenings, and only the principal stations will be served on Sundays.

Two reasons are given for the failure of the experiment and both of them are well-worn. Too much use is being made of private transport and, where it is not being over-used, people are merely staying at home with the telly. There is no reason, however, to believe that the proportional increase in car and television owners has been any greater in Bristol than in the West Riding of Yorkshire, for example, where the diesel train services have met with success. But there is, on the other hand, good reason to look more closely at the social, monetary and employment habits of northerners as compared with Bristolians—and to ponder on the differences between the dense triangle Leeds-Bradford-Wakefield and the green-belted, languorous city of Bristol. Rightly, British Railways have decided that "they [the public] have demonstrated they do not require frequent rail service during the middle of the day and in the evenings. . . .". They might easily have discovered that before they offered the unwanted and presumably expensive service.

RAIL services outside the peak travel hours ignore the small demand for travel at those times. Ten trains are of no more use to a Somerset villager than one if there is nothing to attract him at the other end of the line—as there generally is not in Bristol. Even if there were, the main-line station is a bus ride from the business, shopping and social centres of Bristol; but most buses that serve the country areas go through them on their way to other points in the city.

Even now the future of diesel train services in the Western Region is still in doubt. "It is by no means certain that the modified service will pay its way," British Railways declared. "We can only run a service which the public patronise in sufficient numbers." A great deal plainly depends on Bristol's future as a social and shopping centre; the chances of attracting people there during their leisure hours were hardly improved earlier this month when the city's planning committee rejected a £2 million scheme for an entertainments centre which, with its ice rink, bowling alley, cinema, ballroom and banqueting suite, would have provided recreation for nearly 5,000 people at a time.



The Letchworth Story

FROM A CORRESPONDENT

ON Tuesday what may well be the last act in the drama of Letchworth Garden City will be played out in the House of Commons. The private bill promoted by Letchworth Urban District Council will then get its second reading and, if it is accepted, will provide for the transfer of the freehold ownership of this town of 25,000 people from its founding but not unaltered company, First Garden City Ltd., to an independent public corporation. This transfer is intended to put a stop, once and for all, to the erosion of the principles on which Ebenezer Howard and his associates founded the town and the company in 1903.

The company pursued an undisturbed administration of the Howardian ideas for over 50 years, owning all freehold in the 4,700 acres of Letchworth, paying out 5 per cent per annum on the stockholders' investment of £400,000, and charging ground rent at site value only (that is, unmodified by whatever improvements the lessee chose to make). It promised to wind itself up and transfer itself to a public body when the time came (in about 1970, when the population would be 32,000 and the development would be finished) and to return to its stockholders not only their original £400,000 but 10 per cent on top of it.

But things did not work out quite in that way after 1954, when Conservative town planning acts replaced the Labour nationalisation of development value, and the original memoranda of association of the company were not reinstated. The early restrictions went by the board and the company produced a double dividend to ease the hardships of investors bewildered by the falling pound. Thus some of the profit which ought to have gone back into civic improvement went to stockholders; and other less mildly acquisitive eyes began to be turned on First Garden City, which was ripe for a takeover.

The first bid failed; but the second, by York Hotels Ltd. and Mrs Amy Rose, managed to capture more than half of the voting rights in First Garden City (largely, according to Howardian ex-stockholders, because they promised to play the game with the founder's ideas), and set about altering the town's concept. Freeholds were offered for sale, rents on renewed leases were quoted rather higher than site value alone would justify, and some troublesome members of the board more interested in ideas than money (one of them was the Minister of Housing's nominee) had to resign.

The urban district council and the lessees saw the beginning of the disintegration of the ideas which had started the town, and acted almost immediately. The UDC posted a notice of its intention to promote the present bill (and foiled any further profit-making from freehold sale by blandly assuring those concerned that everything at the date of posting—June, 1961—would be counted as belonging to the company).

THE price of buying First Garden City might be, if the UDC and the lessees could depend on the inviolability of company articles of association, as little as £440,000—the original investment and a bonus of 10 per cent. On the other hand, it could be as high as £3.7 million, which is Mrs Rose's valuer's estimate of the value of the estate to Mrs Rose. An independent valuation, which envisages the continuing unity of the town rather than its exploitation as development land, puts it at £2.4 million, and this is likely to be the final price.

The corporation would have to borrow this money, and the servicing of such a loan would be beyond the resources of its income from business (about £100,000 a year); at least a 1s. 3d. rate would have to be levied by the UDC to make it up. However unfair this may have seemed to leaseholders, they have accepted the burden by a vote of seven to two in a recent town poll; and parliament's reaction may well be much the same, in the hope of preserving intact this monument to town planning on which much of Britain's new-town building, with all its prestige, has been based.



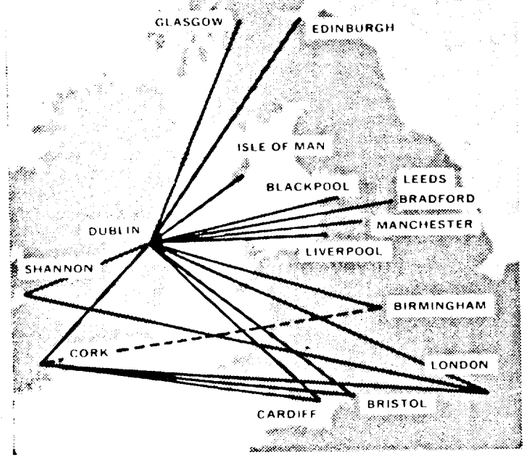
Europe's other island

A survey by The Economist

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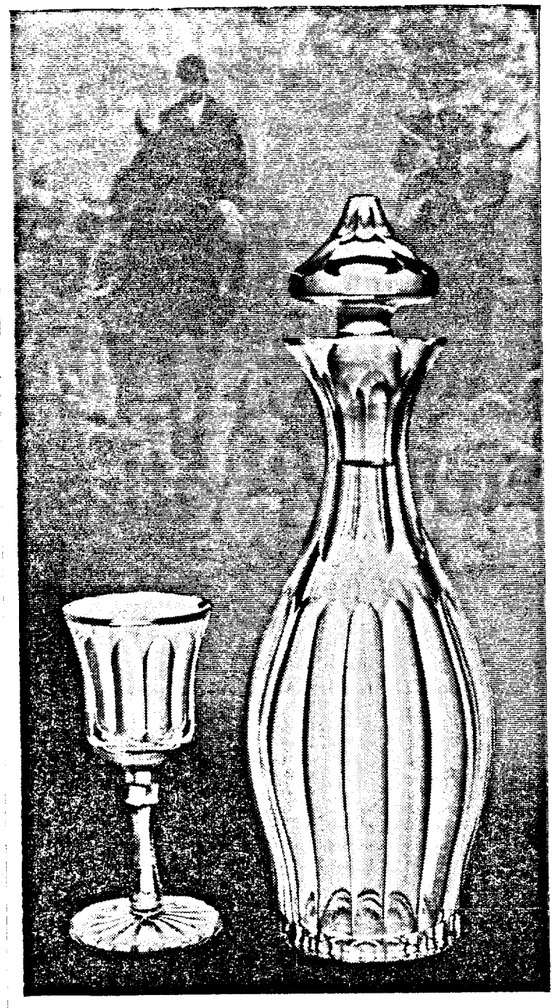
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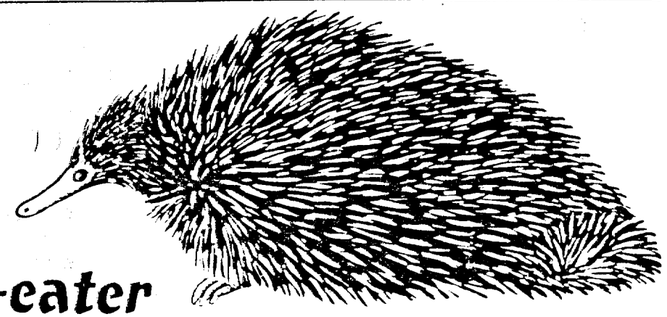
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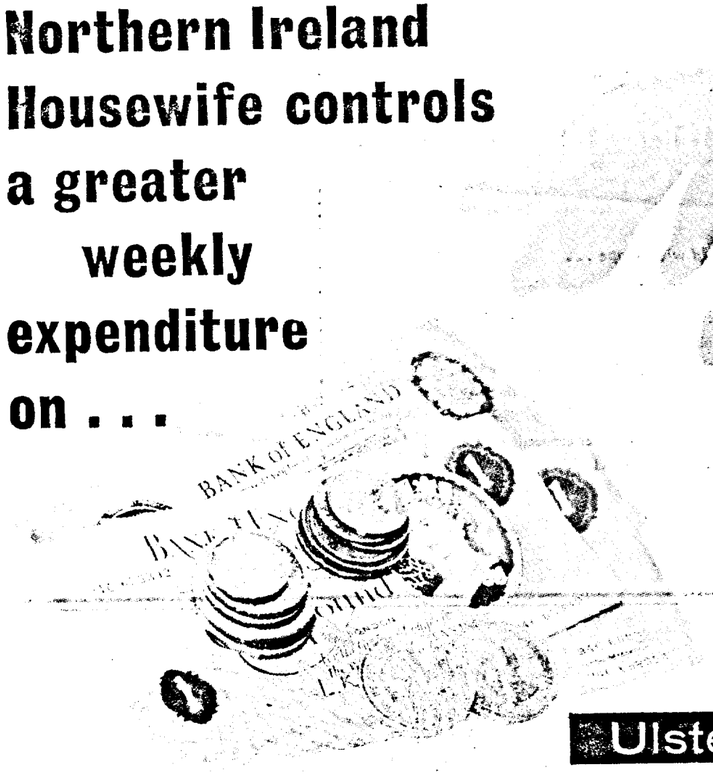
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Going Into Orbit?

The junction with Europe may help to alleviate Irish decisions, but it will require even greater efforts to move with the times

IRELAND, in the last few years, has risen above the horizon of its past. Irish diplomats in New York, Irish soldiers in the Congo have thrust themselves upon the world's attention. Economically, too, both the Irelands, north and south, are headed for new orbits in a European and, quite possibly, an Atlantic context. Neither of them is likely to prove a wholly complaisant satellite, and neither of them is likely to rush trustingly into the other's arms at the behest of a wider political community. But Ireland as a whole is changing, and these changes are of immediate importance to the peculiar relationship that exists between the two off-shore islands of north-west Europe.

Since the southern counties of Ireland broke out of Britain in 1922, the realities of that relationship have often been hard to perceive. It has been tempting for Englishmen to dismiss the Free State and the Republic as a mere provider of builders' labourers and rumbustious playwrights. In southern Ireland the very breach had the effect of discouraging any articulate contact with the outside world; previously the outside world had very largely been Britain, and that was something to forget. By contrast, the Ulsterman's reaction was to reaffirm that he, at any rate, was British—and he still does so, sustained by an historical conviction as positive and as prejudiced as anything in the south.

Today, almost through the interstices of prejudice, an Irish personality is asserting itself once more. It is a curious and an attractive mixture. Some of its attitudes badly need sorting out. Irishmen were Europe's first anti-colonialists, and now some of them are the last passionate loyalists. On the fringe of Europe, Ireland looks in many ways to America. Speaking the language of the Anglo-Saxon powers, the Irish by temperament seem to have much more in common with the Latins. The Celtic world, dour in Belfast, volatile in Dublin, retains the defensive instinct of centuries. But if the periphery of Europe is to remain viable it knows that it must brace itself to meet the outside world once more.

Now the important thing in Ireland is the rise of a generation that does not remember the past of violence and passion. It has not won the day yet, by any means, but it will do so, given half a chance. In the Republic there are still people who insist on ordering their Guinness (to the bewilderment of the barman) in the Irish language. In Belfast the Orange lodges still parade with fife and drum to celebrate the victory of King Billy over the Papishes. Most damaging of all, the threat of burnings and shootings along the border is not over even now that the diehards of the Irish Republican Army have formally called off their latest six-year offensive. But in the glens of Antrim young girls are setting off to the factory each morning, not caring about the religion of the girl on the next bench. In County Mayo country lads spend their evenings at the vocational school, learning with sturdy application the art of tractor maintenance.

The poet Yeats had a prophetic vision of the dull days that would follow the terrible beauty of the fight for independence: "What need you, being come to sense, but fumble in a greasy till . . .? " This, precisely, is what the Irish are now learning to do: they have realised that, if they do not, their sons will simply leave home altogether. North and south have different problems: for Ulster the need is to rebuild an industrial economy whose two main props—linen and shipbuilding—have weakened under the strain of technological progress and foreign competition. The Republic must start from scratch, having never had an industrial tradition at all. Their methods are basically the same, involving much direct government initiative and support. It might even be called a kind of socialism, were not the northern government staunchly Conservative, and the southern one devoutly Catholic.

Both economies, if all goes according to plan, will shortly have to face the biggest test of their forty years' experience: open competition from and with the whole of Europe. They will also be opened to each other—and this is, perhaps, the best hope that reunification of the country will one day come about. In the south this is something that politicians shout about; in the north, which has lived with the constant menace of bombs along the border, there is a greater reticence. It is obvious that sensible accommodations on trade will alleviate the real inconveniences of partition. But at present the northern Protestants feel themselves threatened by their large and poor Catholic minority in a way that southern Catholics do not by their tiny (but rich and powerful) Protestant minority. Eire admired its Protestant first president and boasts of its Jewish lord mayor of Dublin: until Ulster can feel a similar pride in a comprehensive Irishness, southern harping on the prospect of reunification within Europe is likely to damage a cause better served by silence.

There is probably far more Irish agreement on joining Europe than appears on the surface. Ulster Unionist members of parliament (at Stormont or at Westminster) are often identifiable, outside Belfast, as rather right-wing Tories, and are unlikely to be more favourable to any apparent abandonment of the Commonwealth than their English fellow-Conservatives on the same wing of the party. Their doubts are probably not shared by most northern businessmen, who have a rough confidence in their ability to sweep the board in fair competition with the protected industries of the Republic. Some businessmen in the Republic feel that this is indeed a threat, but do



not want to admit their incompetence by saying so.

The free passage of goods may be achieved earlier than the free passage of labour. It is a little difficult to believe that southern labour will flock to the north when and if Ulster's Safeguarding of Employment Act is repealed. Rightly or wrongly, people in the south and west do not regard present-day Belfast as the best place to go to for work. But if potential workers and voters from Donegal were to flow into their natural centre at Londonderry, the effects on the politics of that bastion of partition could be decisive. Presumably also, the Treaty of Rome will at least equalise farm prices between the two Irelands, thus ending the enviable position the Ulster farmer occupies at present in southern eyes. The gradual equalisation of social services will remove another instance of disparity. These prospects, a nationalist might claim, surely add up to the eventual ending of partition.

Perhaps they will. But the continuance of racial and religious feelings forms a barrier which no one, especially in the south, should forget. It affects both sides. Partly by good luck, partly by deliberate policy, the Republic has been spared from any problem of religious division. There are those in the south who have no great wish now to see the battlefields of Aughrim and the Boyne brought into the Dail. In the last resort, however, the biggest weight in the scales is likely to be the economic future of Belfast. It is there that the divisions of northern life are most bitter and most equally balanced. It is there also that Catholics and Protestants alike have most difficulty in getting work.

Within Europe, however, the Irish farmer sees one hopeful prospect: the market for the beef that he produces so successfully should get progressively larger and more prosperous. Given the will to develop a rational farming structure, Ireland —south or north—has more positive incentives to join the common market than the necessity of following willy-nilly behind its chief trading partner. But both Belfast and Dublin have to think now about the problems that will face not only Ireland but all the fringe areas of Europe: about the kind of industry (beyond that serving any small local market) that can exist successfully outside the dynamic triangle between Birmingham, Paris and the Ruhr. Ireland can offer labour, but it needs to train it. It has had some bright ideas (like the Shannon industrial estate and the man-made fibres complex around Carrickfergus), but it needs a more general sense of enterprise. It can hope to make itself a tourist centre (as well as a funk-hole for German capital), but it needs to develop an external communications network that will really link it to the European heartland. Forgotten for so long by Britain, Ireland cannot now afford to let itself be forgotten by anyone.

Dublin's Quandary

After the crowded year of Ireland's visible demonstration of influence at the United Nations, at once an exhilarating and (in Katanga, at least) an occasionally painful experience, the foreign relations of the Republic are at something of a crossroads. The Republic does not have to choose today between active neutralism and equally active political participation in Europe, and it hopes, in its heart of hearts, that it will never actually have to. Outsiders (*in* New York or Brussels) would be unwise to ignore the Irish past altogether and insist, merely for the sake of logic and tidiness, that the Republic should fit itself irrevocably into either framework. A state that can effectively help to bridge the gap between the West and the underdeveloped world is worth a little cosseting by both. But last summer's application to join the European Economic Community has meant that a choice of emphasis for tomorrow has had to be thought about in Dublin ; and in some quarters it may already have been made.

The Irish difficulties over joining Europe are not always, even in Dublin, fully defined. It is not solely a matter of economic readjustment, though no one believes that the removal of tariffs will be a simple matter. Nor is it solely a problem of entering an alliance although that, also, sets up strong resistances. It is rather that going into the EEC, even as an associate member, represents a reversal of policies that have been taken as traditional. Although Irish delegates have been enthusiastic participants in the Council of Europe, it is a much more settled orbit that the common market demands.

In practice, Irish self-government has meant isolation. It need not necessarily have been so: the nationalists of the nineteenth century never stopped talking about Ireland taking its place among the free nations of the world. The reality was different. The Free State did join the League of Nations without delay but the organisation with which it had most to do in practice was still the British Commonwealth, fashioned by the Statute of Westminster. The Imperial Conference of 1926, at which Kevin O'Higgins played so active a part in the formulation of the principle of equality between



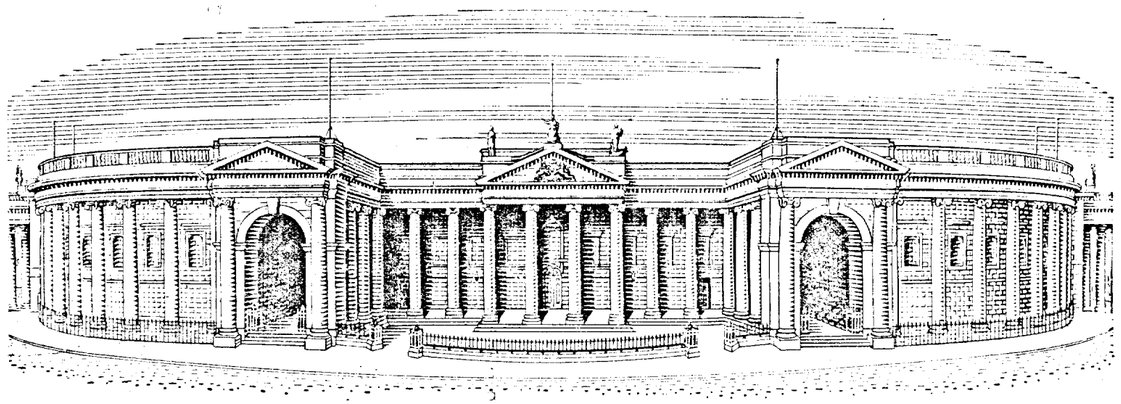
The neutralist's burden : Irish prisoners in Katanga

the nations of the Commonwealth, was the high-water mark of that association. The tide turned sharply when Mr de Valera came to power in 1932. During the 1930s Ireland was at loggerheads with Britain and found little to attract it in Europe. Neutrality during the war was almost an instinctive continuation of that policy ; and the successful maintenance of neutrality meant that the principles on which it was based were never questioned. The process was taken a stage further still when Ireland left the Commonwealth in 1949.

For a generation, therefore, the Republic has had no formal association with any group. Admission to the United Nations in 1955 filled a void ; and the eagerness with which the activities of the Irish delegates was followed suggests that the existence of the void had been felt. But there has been no unanimity over the implications of taking part in the Congo operation. For the most part, there has been a strong instinct that Irish troops should be maintained in the Congo, once they had been sent: there have, after all, for long been Irish priests there. There is also a highly vocal opposition to Irish participation in votes against the colonial powers. A variant of this attitude is the claim that the United

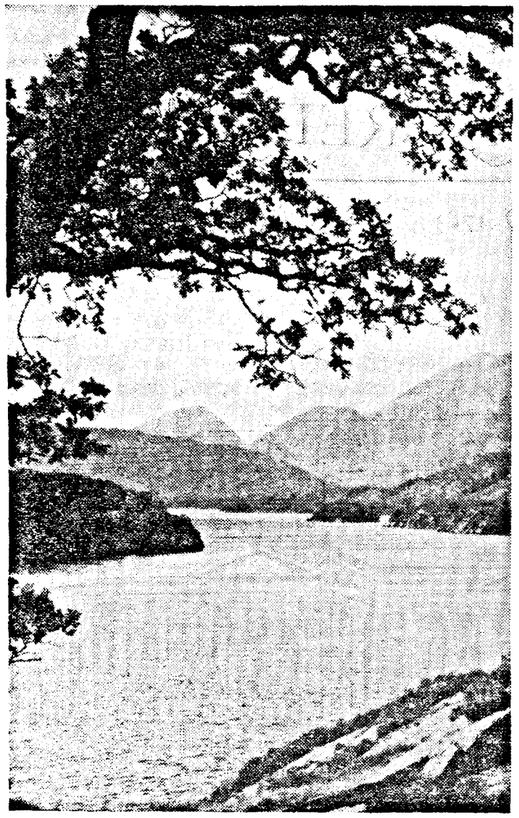
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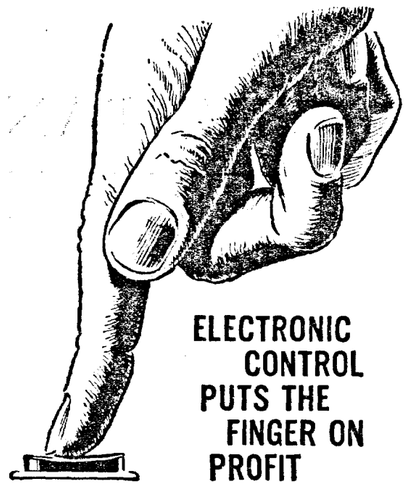
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Nations is an instrument of communism against Roman Catholic France and Belgium. This approach is, fortunately, not widely shared. But it does cut across what ought to be the lines of division over entering (if asked and allowed) the EEC and Nato. It may be suspected that many of those who support sending troops to the Congo (and after all, it is nothing new for Irish troops to go abroad, except that in the old days they were Royal Dublin Fusiliers and Connaught Rangers) are not anxious to involve Ireland in any commitments nearer home. On the other hand, in spite of the Irish equivalent of Auld Alliances, there is a notable lack of enthusiasm for France and Germany. How much better it has been, the rueful reflection runs, to deal with the British who disregarded logic.

Eating's one's cake and having it seems an unlikely achievement. The prime minister, Mr Lemass, plainly wants to go in (again, if and when asked) to the EEC as a full member. If that involves joining Nato as well, the further step will have to be taken. But it will not be all that easy. Mr Lemass does not have a clear majority in the Dail. He will be propounding a line of conduct which is bound to be uncomfortable, and it is not a convincing argument to reply that the alternatives might be even more uncomfortable. After all, prophecies that the country would be ruined by the political and economic dispute with Britain in the 1930s, and by neutrality and leaving the Commonwealth in the 1940s, were proved false by events. Ireland has a great deal less to renounce, for Europe's sake, than Britain: though a surrender of sovereignty for a relatively new nation state is always a bitter decision. But, unlike the British, the Irish have to persuade themselves (and against all the evidence of experience) that no country can be an island to itself.

Towards the Take-Off



Face-lift for the old exports—and some new ideas too

WHEN the southern counties of Ireland set to work to assert their political independence of Britain, geography sternly ruled out the formation of any new economic alliance to replace Britain as the market for agricultural produce and the chief supplier of manufactured goods. But new-found national self-respect made it necessary for the Irish to minimise the outward signs of their continued dependence. Throughout the 1930s and well into the last decade, the policy of successive governments was to encourage home production for the home market. Companies established in Ireland had to have at least a nominal majority of Irish shareholders: tariffs and quota restrictions were smacked on to protect these domestic (and usually very high-cost) industries. The Republic has never even become a member of the General Agreement on Tariffs and Trade. The policy-makers' plight was that of all tributary economies which have the political will, but not the bargaining power, to find a viable alternative to continued payment of tribute.

Nowadays, such countries turn to socialism. But Ireland is not simply buttressed against the left by Roman Catholicism: it is a country of small landholders, and the potential time-bomb of agrarian discontent had been disarmed even before independence by large-scale land-distribution schemes. Apart from a few firms —the Guinness brewery, Jacobs biscuit factory, the specialist manufacturers of chocolate crumb—the capitalists were not big enough to have new ideas nor competitive enough to sell abroad. The export of live cattle kept the foreign exchange accounts vaguely balanced. Emigration and stagnation were the true economic indices.

In the past few years successive acts of parliament have completely transformed the ingrown pattern of 40 years of independence. Fortunately, the continued prosperity of most traditional sectors of the economy has muffled the cries of those who might otherwise have protested. Foreign investment is no longer regarded as a threat of foreign domination: it is canvassed for by eager salesmen, coaxed and subsidised. Tourists are no longer considered eccentrics of retired Irish-Americans: hotels are built for them, roads improved and amusements provided. The good years of the past were largely based on accidents, on a good harvest, a period of high prices for cattle or wool. Now the Irish feel that they are making their own successes.

In each of the last two years, the national product has increased by 5 per cent. National income rose from £484 million in 1958 to £542 million in 1960. Inflation and strain on the balance of payments have so far been avoided. Exports have risen from £131 million in 1959 to £152 million in 1960 and £181 million in 1961. Imports, certainly, have risen even more. On the other hand, invisible earnings, especially from tourism, continue to increase. It seems plain that there is a substantial inflow of external capital. Although there was a payments deficit in 1961, the net external assets held by the Central Bank and official agencies rose to £112 million while those of the commercial banks (which are the true first line of defence) rose to £111 million. In the three years 1958-60 the average annual payments deficit was £3 million: it is not expected to be more than double for 1961.

The brightest part in this stabilisation was played by industrial production for export. Exports of manufactures have trebled in recent years and are now, at about £47 million a year, pushing up towards the traditional export of livestock. It is notable that this increase (which, it should be said, includes an element of raw materials) was over a wide front, extending from electrical accessories to clothing. This suggests that a fair part of the boom in 1960-61 was caused by conditions of demand in the United Kingdom.

State policy is the moving force behind the increase in industrial production for export. Substantial grants are offered to new concerns; hire-purchase facilities are available through the state-owned Industrial Credit Company; and the government is willing to take up equity interests in companies needing capital

for expansion or development. In one form or another these inducements have been available for some years past; they are now being sold hard and successfully abroad by the Industrial Development Authority.

Since 1955, 90 factories have been built with foreign participation in the Republic, and 15 others are building now: as a sample of the extent of state aid, during the year to March 1961 grants were given to 37 projects to a total value of £3.2 million. The average proportion of the cost of the fixed assets represented by grants was 40 per cent for the country as a whole. Of these 90 projects, 37 originated in Britain, west Germany being in second place with 22. Of course some of the factories are tiny, and none of them has had a decent run to prove its worth. But developments such as the Verolme shipyard near Cork, employing nearly a thousand people on the site of a former Royal Navy dry-dock where work in recent years has been spasmodic and uncertain, can do nothing but good to an economy in which industrial skills are all too rare.

But the cost of providing new jobs is very high, and there are occasional signs of undue rashness. The Verolme yard is very probably a sound investment, although the amount spent on it by the Irish state cannot be ascertained; at least it can offer some advantages over shipyards elsewhere, such as the elimination (after a long strike) of craft demarcation problems. The latest development on this scale is the project to establish an aircraft factory in County Dublin. The Irish government will provide half the capital of £3 million for the new company: it will clear the land and build the factory, and pay half the cost of the equipment and materials. The French firm of Potez, which already has a factory making heaters in Galway, will provide the other half of the capital, and the plans and know-how. It will pay no taxes for ten years. The Irish authorities presumably realise the extent of the risk they are taking.

The Republic may be going ahead as fast as it can with such ventures in the fear that membership of the common market will limit its freedom to act in this way. It is often argued that the economic community will be kind to its underdeveloped areas,

REPUBLIC: PRODUCTION FOR EXPORT

£ million

	1952	1959	1960	1961
Live animals	32	39	45	55
Food, drink, tobacco	51	44	51	63
Manufactures and raw materials	13	35	44	47
Other	4	8	8	10

and that the community's social fund should spend its money on bringing work to the people rather than people to the work. Certain industries will, however, be hard hit. Vehicle manufacturers assemble their cars in Ireland in order to get under present restrictions (and to qualify the cars for the lower rate of taxation on Irish-assembled cars); there seems no reason why this should continue after the common market has caused tariffs and quotas to fade away. Irish workmanship has been notoriously bad in the car-assembling plants: a British-built Ford, despite the higher rate of road tax, usually has a considerably higher resale value than its Irish-assembled twin. This, indeed, is a principal justification for projects such as the Potez aircraft plant. Without the really top-skilled industries, say its supporters, how can standards be raised elsewhere?

The latest big worry is wage inflation. Highly skilled men have always been expensive, since firms in the Republic have to compete directly in wages with British employers. Now the current round of general wage increases, set off by last autumn's 17 per cent increase in the nationalised electricity supply industry, may well end up with all-round wages rises of well over 10 per cent. Certainly the low present level of production gives more leeway for wage rises than in more heavily industrialised countries. But the employers' organisation and the Congress of Trade Unions are busily discussing whether they can keep wage and production rises in line. Mr Lemass wants to set up some kind of national planning board. The government, industry and the unions are also co-operating on the new Committee on Industrial Organisation, which aims to put industry on its feet to meet foreign competition. While the unions and the native firms are taking it very seriously, it is unlikely that foreign firms with subsidiaries in Ireland (and there are a great many of these) would agree to being "rationalised" purely for their Irish operations.

The Republic is still primarily an agricultural country; and amid the excitement of industrialisation, it is sometimes forgotten that agriculture needs pushing as well. Cattle are prosperous enough: live beasts accounted for £55 million worth of exports in 1961. Starting from the west, more and more counties are being declared free of bovine tuberculosis; and, increasingly, cattle are exported as fat beasts, instead of as stores that need fattening in Britain. But much of Ireland's cattle production is still exported for fattening in the United Kingdom; since three months on British (often Northern Irish) soil qualifies the cattle for a British subsidy, Irish producers benefit indirectly from British agricultural policy.

But the traditional exports of butter, bacon and poultry have suffered. In particular, the banning by Britain of imports of Irish butter, to make room for imports from traditional suppliers like New Zealand, Holland and Denmark, caused resentment in Ireland; but export prices are kept unnaturally below prices at home, and it seems that Irish producers have for too long failed to pay attention either to quality or price. Foreigners with reason to know can tell some scarifying stories about (for instance) the state in which milk leaves the farm. But there are signs, particularly in the large, state-aided co-operative creameries of the southern counties, that propaganda on hygiene and quality control is having its effects.

The best news is that organisations like the bacon producers are at last trying to improve both the quality and the image of their products in Britain. The initiative of the state-owned Irish Sugar Company, which is setting up a plant for the accelerated freeze-drying of vegetables in Mallow, County Limerick, shows that a serious effort is being made to exploit Ireland's one geographical asset: its mild winters and lavish, even rainfall. Agricultural incomes have not risen in Ireland since 1953, while costs have been pushing steadily up, and the farmers have already staged some impressive, almost French-style, demonstrations against this trend. Politically it would be harmful for both the Republic and Britain if, for whatever reason, Irish farm produce ceased to sell in the British market. And no doubt there are ways in which the British could encourage the Irish to make the improvements that, slowly, they are beginning to realise are needed.

The Republic of Ireland is now in process of surmounting the first, and most formidable, of economic humps—the transition from a peasant economy to a modern, mixed economy, in which farming becomes an industry like any other. It is not yet admitted that some of the most desolate areas should be left to tourism (and perhaps forestry), but the old aim, to preserve them as a kind of zoo whose inmates were remarkable only for their poverty and their faithful adherence to an almost dead language, is passing away with the philosophy of isolationism. There are high hopes of Europe, especially among those impressed by the figures that show how beef-eating spreads among the new rich.

But, once over this hump, Ireland will have another to face. Is Ireland to be to Europe what Wales and Scotland (and *a fortiori* Northern Ireland) are now to England—fringe areas, dragged to prosperity well behind the metropolitan complex? Republican Irishmen will glory in the reply that an independent nation has resources of will that subject peoples (like the Scots) have not. Within Europe, Ireland—including that other Ireland to the north—will have to assert a spirit that can buy and sell, not fight and die.

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New industries exporting from Ireland are eligible for substantial non-repayable grants. These can, in some cases, amount to full cost of site, premises and training of workers, and half the cost of equipment. This is just one of the overwhelming advantages that are attracting more and more new industries to Ireland. Others include:

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Mr. Gerard MacCarthy, representative of the Industrial Development Authority, will be glad to provide further information on what Ireland can offer your industry. Contact him at the Irish Embassy, 17 Grosvenor Place, London, S.W.1 (BELgravia 2171).

Or write for two informative booklets to:

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tories were offered at rents as low as £7 a week, but the response has been disappointing.

Native enterprise may be rare in Northern Ireland; or perhaps the enterprise is there but the capital is lacking. Money tends to flow out to more profitable investment elsewhere, and the secretary of the Belfast Stock Exchange believes the government should sponsor a local investment trust that would attract small savings. Even more serious may be the emigration of the native élite. One-third of the native-born graduates of Queen's University emigrate, mainly because they are offered higher salaries and better opportunities outside the province. On the other hand, since Ulster enjoys social services on the British standard, the relatively higher level of unemployment benefit and national assistance in a land where living is cheap may positively discourage the emigration of the unskilled. A further reason for the lack of enterprise (which other peripheral areas of Britain share) is the high preponderance of family control in the older industries. But these industries' expansion is hampered, in any event, by the small size of the home market and by what is assumed to be the crippling cost of transport overseas. Nearly three-quarters of Northern Ireland's products are exported; more than half the imports consist of raw materials.

UNEMPLOYMENT ('000s)

	1953	1958	1959	1960	1961
Northern Ireland	38·0	43·5	36·9	32·4	36·1
Per cent of labour force	8·1	9·3	7·8	6·8	7·5
Republic of Ireland	70·0	64·8	60·5	52·7	46·8
Per cent of labour force	9·1	8·6	8·0	6·7	5·7

Emigration from the Republic runs at some 30,000 a year; in 1961, for the first time, unemployment and emigration declined together.

Even Ulster's great surplus of labour is not the attraction it should be to modern industry. Nearly three-quarters of the unemployed are either unskilled or have very little skill. The government does its best to overcome this handicap by grants to employers who train workers on their own premises and by its own training centres. At these training centres, courses concentrate on new industrial processes—electronics, fine engineering techniques, advanced methods of welding and so on: they are available both to the unskilled and to craftsmen who need retraining for new industries. But key men like toolmakers and highly skilled machinists are still scarce.

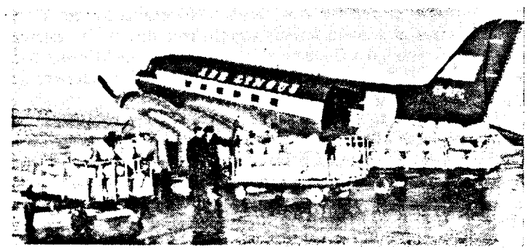
Northern Ireland has not exactly greeted the prospect of joining the common market with general acclamation. There are fears that membership could end the government's power to subsidise industrial development, and force the repeal of the Safeguarding of Employment Act by which the entry of alien labour is controlled. A similar uncertainty hangs over the farmers. Highly mechanised and, on most counts, reasonably efficient, the farmers do not fear competition from high-cost agriculture in western Europe but they would hate to lose the £25 million a year that they enjoy under British agricultural guarantee schemes.

Ulster's average farm holding is a little below 40 acres; as in the Republic, more than three-quarters of the farms are less than 50 acres. Thus, while the average farm in Ireland (both north and south) is smaller than in Britain it is 60 per cent larger than the average holding in western Europe. The Northern Ireland government is trying to encourage the amalgamation of small farms and the formation of farming partnerships. With a sharp eye to any potential threats from Europe, the Ulster Farmers' Union has formed a joint committee with the National Farmers' Association in the Republic of Ireland to study the effects of the European Economic Community on Irish agriculture as a whole; it is also, with the British National Farmers' Union, pressing the British Government to negotiate lasting guarantees for agriculture in the United Kingdom.

But there is another side to joining Europe. Already the prospect of economic integration has tipped the scale in Northern Ireland's favour in the eyes of several American firms looking for a stake in Europe. Northern Ireland, after all, is near the Continent, has natives who are friendly and English-speaking—and boasts golf courses that are unrivalled anywhere. For a firm with long-term plans the certainty of a supply of labour is far more important than its immediate degree of skill.

Finally, of course, the consequences for North Ireland, both industrially and politically, of common membership with the Republic in a free trade area could be immense. It would naturally remove the complaint commonly heard among the smaller Ulster industrialists that Ulster products often have to pay heavy tariffs, or face stern quota restrictions, on entering the Republic, while southern Irish products have the right of duty-free entry into the United Kingdom. A home market of 4.2 million people would be something worth competing for.

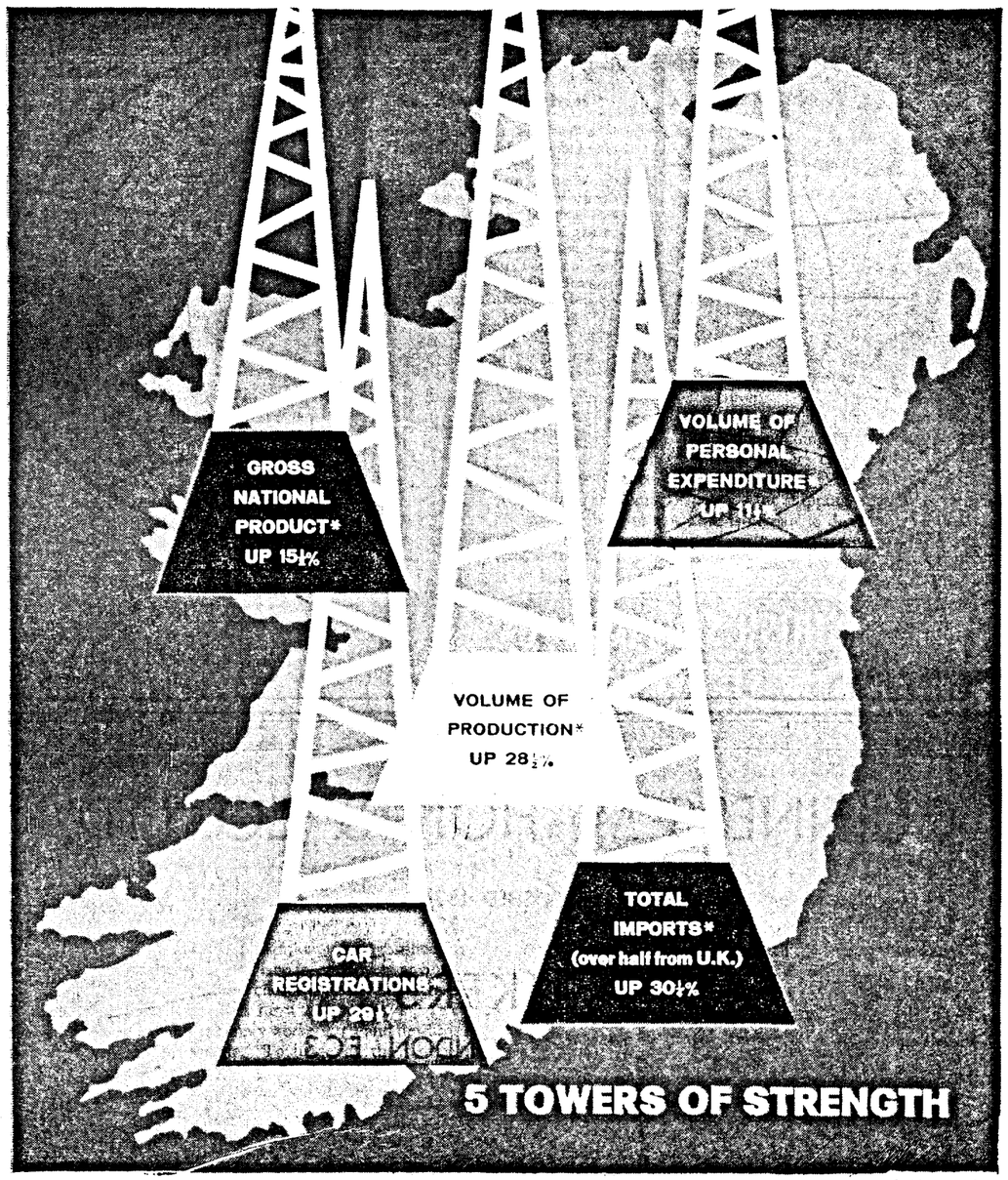
Western Approaches



For fifteen years, Shannon airport enjoyed a monopoly. The big airliners, setting off on the long transatlantic journey, needed fuel for their engines and meals for their passengers, and they needed these services as far to the west as possible. But just across the Shannon estuary stands a dreadful portent—the Foynes flying-boat terminal, rendered abruptly obsolete at the end of the war by the land-based descendants of the giant bombers. The Irish have made a hospital and a hotel out of the débris, but Foynes is a ghost town.

Now the boom of jet engines, crossing from London, Paris and Frankfurt to New York on the northern circle, could presage a similar fate for Shannon—and the coming of the supersonic airliner could put the seal on fate. Already some of the North Atlantic carriers want to use Dublin as their Irish stop-off, and have been angrily rebuffed by the government. The problem for Shannon now is to engender traffic to attract the planes: this need became apparent just when Ireland was turning decisively away from the ingrown economic policies that had been followed for twenty-five years. Shannon, it was decided, could not only survive as an airport: it could also provide jobs for the forlorn west of the country, attract foreign investors and bring in the tourists to the delights of Killarney southwards and Connemara to the north. In doing all this, the airport could act as a pacemaker to the whole economy of the Republic, away from the comparatively well-advanced centres of Dublin and Cork.

Airports customarily contain a duty-free shop attached to the transit passengers' accommodation: the logical extension of this at Shannon was to declare the whole airport a vast bonded area, with freedom from tariffs and quotas for all goods coming in and out by air, and freedom for factories within the area to do all the manufacturing they want. In 1958 the Irish government set up a company to undertake the industrial development of the airport area, which has been endowed with £3 million for capital invest-



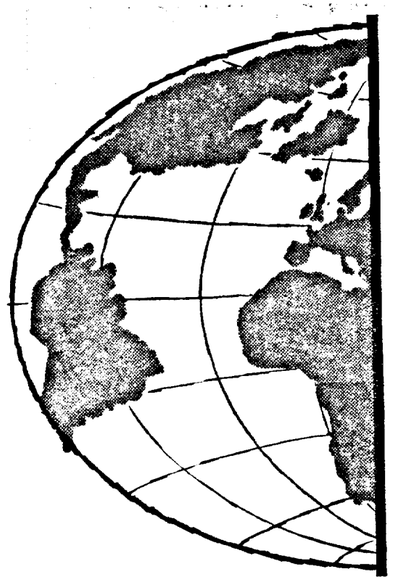
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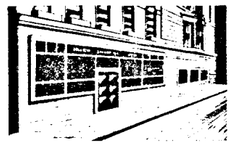
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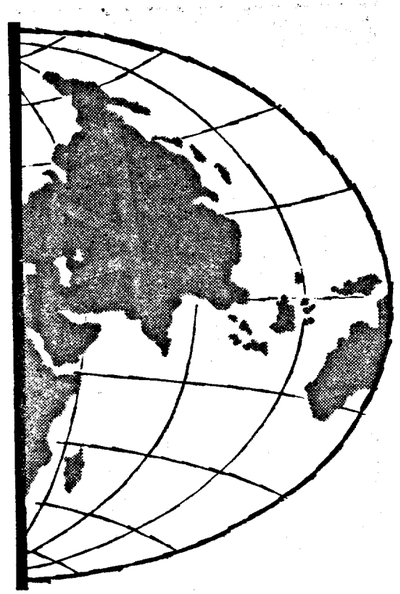
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ment and £1¾ million for grants to incoming companies. Factories, mostly built to an all-purpose specification in units of 16,500 square feet, are available, with the figure of £2,500 quoted as an average rent. Buildings can be custom-built on request: power, heating, and ample water are laid on. Subject to negotiations with individual firms, the development company may make cash grants covering half the cost of new machinery and the full cost of training workpeople. Incoming companies are exempt from all tax on export operations up to 1983, and pay only nominal rates: they are totally free to repatriate profits. As Irish products, most goods made at Shannon enjoy duty-free entry to Britain and the Commonwealth. Some established Irish businessmen have wondered what will come of this "bribing" of foreign investors but, since all production is for export, there is no need for complaints about the home market.

Twelve firms, four of them from Britain and two from Germany, are now established in Shannon: a Dutch company makes pianos, some neat Japanese make transistor radios: there has been only one failure. Expensive machine tools in some factories show that the new investors are taking the future seriously. One thousand people are employed on the industrial estate, and another 1,700 depend directly on the airport for a livelihood. Many of them would otherwise have emigrated to Britain or the United States, or gone to swell the rapid growth of Dublin.

By British standards this is a minor development, but for the Republic it is a revolution. Agricultural prices and subsidies have traditionally been adjusted to ensure a marginal livelihood for the peasants of rocky Donegal, Connemara or Kerry. In the green lowlands of the counties Limerick and Clare, where without human intervention the rain feeds the grass, the grass feeds the cow, and the cow transmutes itself into milk or beef, there has been no incentive to energy. The spur of real poverty, present elsewhere along the western seaboard, was never known here even in the darkest depression of the 1930s.

Unfortunately for nostalgic admirers of this apparent rustic contentment, its main social consequence was massive emigration. The young men—above all, the ambitious young men—went off to join the ranks of wage-earners in Detroit, Coventry or Sydney: those left behind slowly stagnated. The chief justification of the Shannon experiment, and the reason why the Irish government is prepared to back it so massively with capital and charm, is that it makes it possible both to be a wage-earner and to stay in the west of Ireland.

In the absence of an industrial tradition, of established trade unions, or of rival bargainers for labour, employers at Shannon find that labour is both plentiful and cheap. The development company quotes some basic wage rates for a 44-hour week: £11 7s. for tradesmen, £9 to £11 for assembly workers, £3 and upwards for male trainees and less for female. To judge by the number of trainees in evidence in the industrial estate, Shannon employers' wage-bills must be low enough for a British industrialist's rose-coloured dreams.

But the supply of skilled workers is a problem. Already many locals have been overseas to train with the parent companies and the Irish vocational schools will organise courses specifically tailored to employers' needs. Although they are apt to treat the topic extremely gingerly, employers also congratulate themselves that trade unionism has not yet affected the wages issue here; the unions, for their part, are doing their best to enrol these workers with no industrial tradition at all, and have organised a few strikes.

Even so, many supervisory jobs are still done by expatriate staff. These people are well paid for their trouble; their main problem is housing. Already, 187 apartments and ten small houses have been built on the airport estate, but the rent of a two-bedroom flat is nearly £4 a week. The nearest towns, large shops and cinemas are at Limerick (population 51,000) and Ennis (population 8,000), both of which are fifteen miles off: here, too, a decent flat is hard to find and costs around £3 a week, and there is nothing comparable to the English council house at a subsidised rent. The Shannon authorities often speak of the reserve of Irish labour, longing to return home, that is available in England. A large-scale housing programme will certainly be needed if these people are to reappear, and local resources can certainly not supply enough skilled labour for the target of 4,000 industrial employees by 1965.

Last year, as compared with 1960, slightly fewer passengers passed through Shannon in transit—although the drop was cushioned by the large number of charter flights, using piston aircraft at reduced rates, that stopped there; but there was a 23 per cent increase in passengers ending their journeys there and setting off on tours of Ireland from this convenient centre. Freight using the airport increased from 19,100 to 24,100 tons. Since so much transatlantic air freight is carried in the holds of passenger liners, both these increases make it more tempting for scheduled flights to stop off at Shannon.

With recent reductions in air freight rates, the latest idea that is being pushed by the development company is that of using Shannon as a bonded entrepôt where cargoes can be stored, broken down into small parcels for distribution to European markets, or made up into economic planeloads for shipping elsewhere. Any further development of this kind is certain to demand increased spending by the Irish government on housing, transport facilities and the provision of amenities for Shannon workers. But the will to surmount the troubles of the future certainly exists, both at Shannon and in the political parties in Dublin. Nobody dares to contemplate failure.

Foreigners' Ireland



Face of the west: but whiskey for tourists

FOREIGN investments and tourism are the white hopes of north and south alike—which is fortunate, for the first thing that Irishmen have to learn about foreigners is that, to them, Ireland is one island. Culturally, it has made a distinctive mark on the world: talking and drinking are widely recognised as activities in which the Irish excel, and which may fascinate the tourist while scaring the industrial investor out of his wits. But this image is very largely based on exiles' blissful, but unhelpful, dreams. The truth is that the Irish are very little different from other Europeans, except that they are poorer than most.

There are no known mineral resources, save for a chance coal-mine, a little copper, and the elusive (and now nationalised) Eldorado of silver on the farm of a Mr O'Reilly in County Galway.

There are two triumphant crops, grass and potatoes; there is a reserve of unemployed; and there is the precious asset of splendid scenery and a deserted coastline near to the industrial centres of Europe. In the north there is a great industrial tradition, which adds to the first impression of English or Scottish provincialism; in both north and south there is a precious smattering of new industry. But Ireland must now make the best of itself with what it has, and both its governments are determined to do so in a spirit (and this is important) of not unfriendly rivalry.

For Irishmen, unemployment is the country's bane: for foreigners it is a bait. Sites are available for building—and in many cases they are practically given away free, complete with ready-made factories. The language of both Irelands (in the face of successive Republican governments) remains the language of the sterling area and world trade.

To balance the industrial infrastructure of the north, the south offers a special bonus for employers in the absence (outside the Dublin and Cork docks) of a tradition of trade unionism. In the new Dutch shipyard at Cork, and in the Irish television service that opened in January this year, British-based unions were pushed into the background not so much by the employers as by the Irish unions themselves. For other, longer-term objectives the Irish unions—partly through canniness, partly through their lack of bargaining power—are prepared to bide their time.

For the foreign executive who accompanies a new firm to Ireland the balance is delicate. In Dublin a citified person might feel constricted, but could not feel unstimulated. Staunch residents of other Irish cities can make no boast save that they are easy to get out of. Ireland's attractions for the incomers are the country pleasures: the salmon falls, the mackerel-crowded seas, wildfowl, woodcock, golf, and the world's most petrifying fox-hunting. Field sports are ludicrously cheap and uniquely friendly.

The sporting prospects have always been a prime attraction to the retired Englishmen who choose Ireland for their home (although these have rather faded away since the days when the old Indian army and civil service disgorged their grizzled veterans by the dozen, and a flow of external funds, into the Irish countryside). But houses, vast and ramshackle or small and cramped, are still cheap by English standards. The past year has been described as a boom year for property, but it is possible to buy a new semi-detached three-bedroom house a few miles from the centre of Dublin for £2,500. Building sites in remote beauty-spots can be bought for a couple of hundred pounds: with local labour, another £1,000 should be enough for a comfortable home. Rough shooting or salmon fishing rights can be bought or rented at prices way below those asked in Scotland for comparable estates.

A GOOD farm in Ireland will fetch perhaps one-third of the price of something similar in England, and barely one-tenth of what people are paying in (for example) west Germany; and this fact has at last been discovered on the continent. All over Ireland, to the wild amusement of the locals, families from Hamburg or Munich are buying land and houses, investing in tractors and hiring managers and labour. These newcomers will usually explain that the Germans have a thirst for land that is easily slaked at Irish prices, but their motives are probably less high-flown. Many of the properties they are buying are being sold by English people who arrived in Ireland in 1947 to escape the dangers of a socialist government, and have now given up the unequal struggle with the natives. No doubt a good many German land purchases are motivated by the desire to put a few hundred miles between a young family and the Berlin wall.

Both governments, north and south, run tourist boards that try to attract the more conventional kind of summer visitor, and both have to contend with the high rainfall. They may have to contend with the industrial development people, too, one of these days. When the southern Industrial Development Authority advertises the beauty-spot of Clifden, Connemara, as a site for factory building it is hardly acting in tourism's best interests. To some extent, also, the promotion of mass tourism may discourage the free-spending, hunting, shooting and fishing kind of visitor who has contributed so much in the past. But the opening up of Cork airport this summer will put the warmest part of Ireland within easy reach even of weekend visitors from England, and ultimately from Europe. New car ferries and BEA's three-guinea off-peak flights to Belfast should also do much to increase the flow of visitors. The building of new hotels and motels is going on rapidly in both north and south; roads are clear and good; and, for those without their own cars, motor-coaches are replacing the uneconomic branch railway lines.



The edge of Europe: how much of an asset?

Even a casual visit to Ireland will do something to dispel the tradition that the people are feckless good-for-nothings. But if the Irish are really to convince the outside world that their country is a worthwhile industrial prospect a first need will be to improve their own outmoded standards of selling and design. Linen is the one Irish product of whose quality outsiders are easily convinced. Even Irish whiskey—different from but certainly not inferior to Scotch, and left for longer to mature—is often regarded as second best. The producers have now started to sell hard, and to advertise expensively, in the United States.

The Irish are at last conscious that, if they want to sell, and to give an impression of efficiency abroad, they must tighten up the quality of workmanship with which they have got by in the past. It is not easy for a country that has little modern tradition of good design, and whose home market has largely (in the north) accepted wholesale the taste of English manufacturers, or (in the south) suffered from a lack of overseas competition in consumer goods. The tradition of poor craftsmanship goes back farther than many Gaelic enthusiasts would admit: for example, this great dairy country has never invented or consumed cheese, and much of that now produced is only fit for processing into spreads. The Republican government lately showed its determination to overcome this disadvantage in the eyes of overseas consumers by inviting a team of Scandinavian design experts to have a look at Irish produce—and the publication of the scathing if sometimes ill-directed report that resulted must have needed a good deal of courage.

This, and more, is what the Irish really need to compete in consumer goods. For too long excessive loyalty has stifled criticism. In the north to this day criticism of the government is all too often regarded as a blow at the Imperial connection. In the Republic any questioning of (for instance) the government's policy of teaching Irish compulsorily in schools, or of handing the control of state schools over to Catholic teaching orders, may be smeared as a stirring-up of old rivalries. Inside or outside Europe, Ireland's leaders—politicians as well as businessmen—must prepare to face criticism as much as competition. By beginning to open the frontiers, the Irish have let in a scouring, and ultimately brightening, gale.

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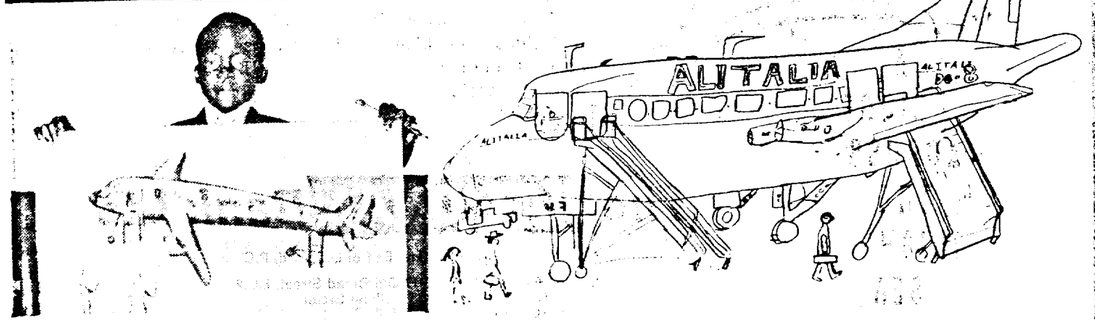
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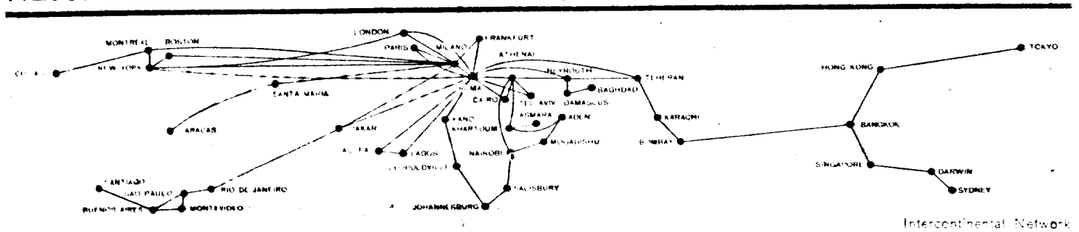
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THE WORLD OVERSEAS

Swiss Misses

FROM OUR SPECIAL CORRESPONDENT IN GENEVA

MAN proposes; but at least in Calvin's Geneva this week it has been clear that he does not dispose of his fate. The 18-nation disarmament conference is not going according to anybody's plan. It counts only 17 nations—unless one includes the hovering Germans—and its real subject matter is both less and more than disarmament. Mr Khrushchev failed to kick it off to a start at summit level; President Kennedy and Mr Macmillan did not get a separate three-power conference on halting nuclear tests, and the placatory substitution of a few days of three-power foreign ministers' contacts before the full cast came on stage on Wednesday cannot as yet have yielded them much satisfaction.

Although the three ministers ate together on Sunday and subsequently talked *à deux* over and after a series of meals, their only collective non-gastronomic session was on Wednesday morning when it seems that very little was said about tests anyway. Little indeed could be said. Mr Gromyko was scarcely likely at this stage to prove forthcoming to the degree necessary to avert the prospect of American testing above ground after mid-April.

Mr Rusk and Lord Home for their part were inhibited by the emergence of the divergence, as it has been called. Some versions of this have been exaggerated. Mr Kennedy's call for inspection not only of tests but also of preparations for tests has plunged the experts into the depths of technicality, and the real dimensions of the problem will not be known till they climb out again. Distinctive nuances also seem to divide the State Department from the more unmovable logicians in Mr William Foster's new United States disarmament agency on this particular issue. Finally, German questions loomed above those of nuclear testing in the lurid light of this week's Soviet aluminium offensive against Berlin's air lifelines.

It is pretty widely assumed here that the scattering of chaff in the air corridors and other harassments served as side dishes at Mr Rusk's and Lord Home's meals with Mr Gromyko were nicely calculated to put on the heat without actually setting anything afire. Mr Gromyko's bland assurances that he knew nothing of such naughty pranks seemed an unclever echo of the cruder diplomatic tricks of Stalin's time; but Mr Gromyko had no other counter to Mr Rusk's cogent reminder that the joint Soviet-American declaration of principles for disarmament last September had stressed the need to refrain from aggravating actions. The Soviet minister doubtless regarded his scarcely visible blushes as amply compensated for by the achievement of a set of conversations that began to look interestingly like the opening rounds of a foreign ministers' conference on Germany—minus the French.

Nothing was said even about the limited issue of Berlin during the three ministers' only formal talk on Wednesday. But in their twosomes they touched upon German questions more generally if gingerly. Seemingly no word passed that need arouse qualms in Bonn, but that of course was no guarantee against qualms. Herr Schroeder, having tiptoed as near as Lausanne to get a word with Mr Rusk, ventured to Geneva's very edge to dine with Lord Home and—although he retired to bed in Lausanne—the causal chain drew him right into town next morning for a tightlipped but far from button lipped "courtesy call" on Mr Gromyko, whose untwinkling eye betrayed no recollection of the fate of Dr Kroll. The air inevitably thickened with speculation about what form an east German counter-distraction might take; but not with any lively theorising about what might have passed unrevealed between the Soviet and west German ministers.



Three men in a boat

Theorists in Geneva are naturally devoting much word power to the familiar logic of the inseparability of the problems of Germany and of disarmament. Chicken and egg are both doing well—as conversational gambits among delegates and others. The Russians and their friends are of course second to none in stressing this logic. But Moscow has not been too obsessed with its central European marchlands to lift its eyes to wider horizons. The publication on Monday of the Soviet reply to the United Nations secretary-general's letters arising from the recent Assembly resolutions was not only beautifully timed to catch western diplomats, their briefcases just filled with new papers, in a rush to hunt up the relevant ones stashed away after the disarmament debates at the United Nations last November. It was also well phrased to catch the ears of Asians and Africans converging on Geneva as new members of the expanding but still selective "disarmament club."

Basically U Thant's circular was about the so-called Swedish resolution (which although Swedish-inspired had actually been sponsored by eight governments in the UN Assembly). It was an inquiry about the terms on which non-nuclear states would undertake to bar from their territory all nuclear arms, including those controlled by other states. It was this last provision that, obviously bearing on the disposition of allied arms in west Germany, had evoked opposition (unsuccessful) from most Nato governments in the Assembly in November; whereas Ireland's resolution, without such a clause and with reference to inspection, had been carried unanimously, thus expressing all parties' wish to limit the spread of nuclear arms *en principe*. Russia's best friends would hardly claim it to be a non-nuclear power; it was not therefore really being called upon for a substantive reply to the United Nations, but it would have been unnatural for it to miss the opportunity to say a few well chosen words. They were well enough chosen for the purpose of both castigating the West and tempting all other comers with visions of a global chain of Rapacki plans and other schemes for nuclear-free zones.

It is too early, with Mr Krishna Menon barely arrived and Mr Unden of Sweden among the ministers due to reach Geneva after the conference's opening, to measure accurately the collective pulse that is now flickering in response to these stimulants. On paper Russia ought to be sure of solid Afro-Asian support for the schemes envisaged in Mr Gromyko's reply to the United Nations which, together with the Rapacki plan, must now be headed straight for the

conference table. But nothing is that sure. Mr Menon has arrived apparently thinking primarily about quite a different system of zones—Sohn zones, the areas into which the American professor, Louis Sohn, and others have suggested each power should divide up its territory, after which a disarmament inspectorate could pick one in each country (and then two in each, and so on), to toothcomb through. (This was one of the encouragingly, fresh ideas envisaged in Mr Rusk's initial speech on Thursday—a speech in marked contrast to the lengthy restatement of familiar Soviet themes which it followed.) Several of the club's newest members have been doing some serious homework on the intricacies of disarmament in practice in the past few months. The fact that some new members have come to Geneva in a mood of healthy impatience with the oldsters' hieratical postures does not necessarily mean that they can be easily rushed into siding with Russia—or anybody else.

Rhodesian Pyrrhus

FROM A CORRESPONDENT IN SALISBURY

SIR ROY WELENSKY has always been regarded as an astute political tactician on his home ground. But in deciding to hold a snap election next month he appears to have seriously miscalculated not only the mood of the electorate as a whole but that of his own party supporters as well. There is widespread misgiving among a broad section of white opinion about the wisdom of going to the country at this stage, especially when the precise issues at stake have still to be made comprehensible to the man in the street. No doubt Sir Roy's own prestige was involved after the patent failure of his London visit ; so he turned to parliament for "support and sustenance." The response was half-hearted.

The prime minister told members that he would seek a mandate to preserve the federation and to negotiate on a range of federal problems. But any new scheme must be acceptable to the government. If it was not, then the federation would continue unchanged and it was up to them to see that it did. That, too, was part of the mandate. Thus the flexibility of one statement is cancelled out by the implied threat of the other.

It seemed to most people that Sir Roy already had his mandate and that a new appeal to the country was therefore unnecessary. But the main criticism is based on two arguments: that an election now is bound to heighten racial tension in a crucial year and that it is being held under an old franchise so heavily loaded in favour of the white voter that it will fail to convince those who most need convincing. The figures speak for themselves. The federation has a population of 8,630,000, of whom 8,290,000 are black Africans. Out of a total white population of 304,000, some 104,000 will be entitled to vote next month, compared with some 11,000 Africans. In the territorial election in Nyasaland last August all 21 candidates put up by the ruling United Federal party on the lower roll lost their deposits in the face of Dr Banda's massive victory. They will be in no such danger this time. Nyasaland has three million Africans, but the federal franchise permits only 36 of them to vote and these may well decide to follow the advice of the African leaders and stay at home.

There are already signs of alarm in UFP circles at the withdrawal of the opposition and the prospect of silent hustings in every constituency. A nationalist boycott had been foreseen and it was no great surprise when the Liberal groupings in Northern and Southern Rhodesia decided likewise ; but the boycott now announced by the right-wing European parties, which have closed ranks behind Mr Winston Field, is a more serious matter. No thoughtful white Rhodesian wants to see a grave national issue become a purely party affair which would leave a triumphant Sir Roy Welensky in much the same position as King Pyrrhus at Asculum. Meanwhile, Sir Roy is playing cards with a circumspection matched only by that of Sir Edgar Whitehead—at the cost of keeping the electorate in suspense.

Both prime ministers are travelling the same path. Both are agreed on the need for speed in reaching a federal settlement to galvanise a public whose confidence has been badly shaken. But there is no sign yet of a concerted plan to keep the federation together. Sir Edgar has been content to think aloud in the most general terms, fortified by the reflection that in Southern Rhodesia he has a firmer base than Sir Roy from which to parley. His recent skilful intervention in federal affairs, however much it may have surprised constitutional purists, has done Sir Edgar no harm at home and probably not in London either. It is unlikely that in his talks with British ministers he had any solution for the federal dilemma which no one had thought of before.

With African acquiesence most things would be possible, but their hostility remains and has even grown with territorial advancement. Any scheme for maintaining a truncated federation which links Southern Rhodesia with selected parts of Northern Rhodesia —and the line of rail with Sir Roy Welensky and the Paramount Chief of Barotseland presumably sharing the same footplate always creeps in here somewhere—is likely to end in tears. There are still very good economic reasons for keeping the federation together—reasons which Dr Banda and Mr Kaunda even now do not fully appreciate. But to proud Africans who have lived marginally for so long they hardly seem to matter.

Canadian Pyramus

FROM OUR OTTAWA CORRESPONDENT

IMPOLITE critics of Mr Donald Fleming, the Canadian finance minister, have been heard to say that he looks like a balloon. They have been less pleased to find that he certainly bounces like one. Last summer, when Mr Fleming took responsibility for the bungled, and basically dishonest, attempt to get rid of Mr Coyne as governor of the Bank of Canada, many observers believed that Mr Diefenbaker had manoeuvred him into accepting a stigma from which he could never recover. Inspired press reports in October confirmed the idea that he had become a liability and would be translated to a post of less prominence.

Three months ago Mr Diefenbaker unquestionably came very near demoting him, but drew back at the last minute for reasons which are still unexplained. Two months ago the political gossips were doubtful whether Mr Fleming, having kept his post, would be allowed to present another budget before the next election. Today, just as in a midwinter night's dream, all is transformed. Mr Fleming is no Bottom, but Pyramus again and the pride of the Conservative party. His budget will be presented in the normal course, probably in the early part of April, and government supporters confidently believe that it will give them a merry start to the election campaign. Indeed, the current betting is that parliament will be dissolved a few days after the budget in time for a general election on June 11th, Whit Monday (not a holiday here).

The finance minister's bounce is due primarily to the strength of the business recovery in the last six months. Month by month the key indices show a larger improvement over the same month of last year. Manufacturing industries especially show steady production gains. Unemployment, which by this time last year amounted to more than 11 per cent of the labour force, was only 8.5 per cent in January and is probably increasing less rapidly than it did last winter. The most important reason for lower unemployment is that the Canadian labour force has almost stopped growing. The recent difficulty in finding jobs has had the welcome result of keeping youngsters in school. Net migration has fallen

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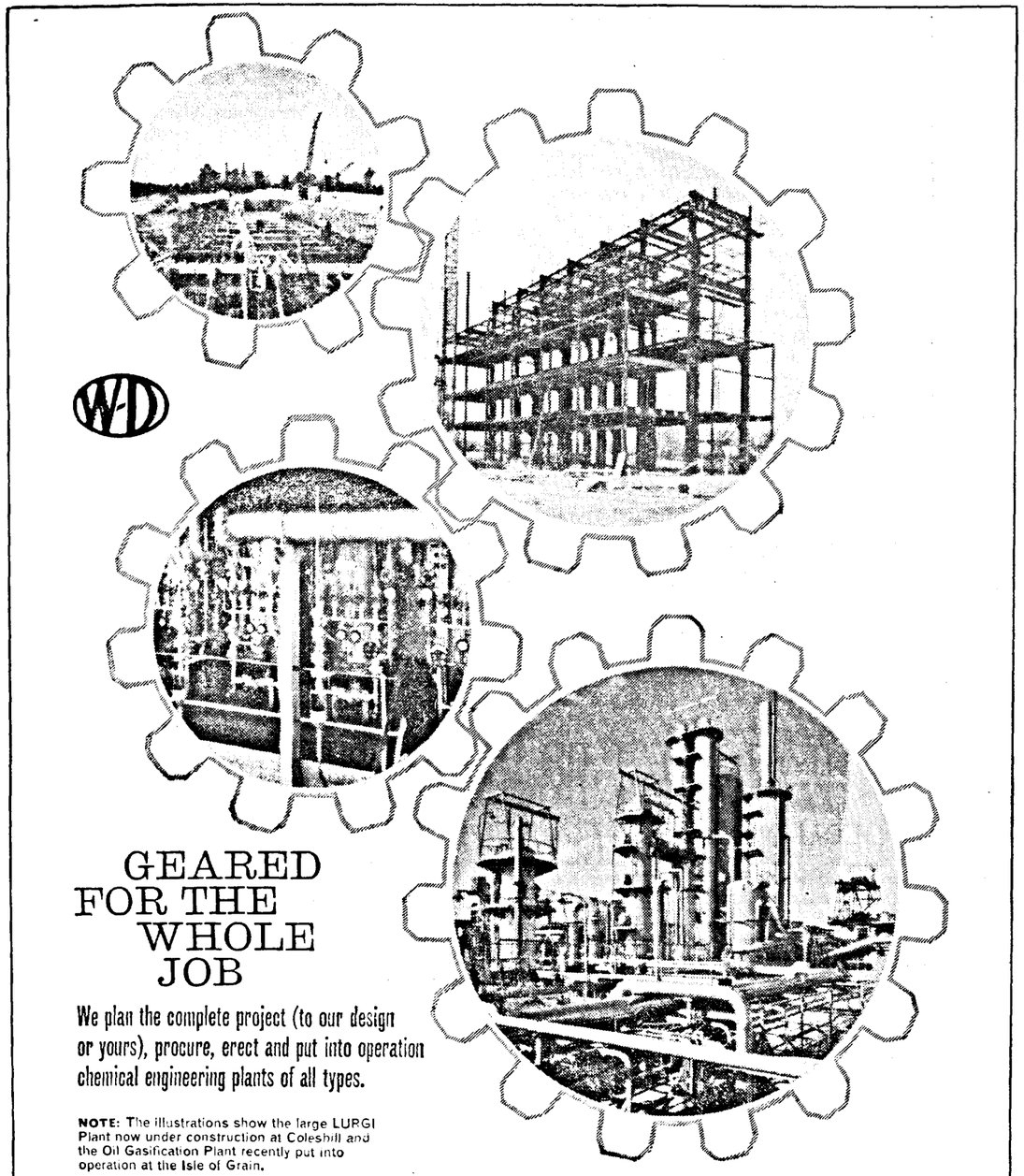
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to a negligible figure. With the labour force very little larger than it was a year ago, every extra job resulting from the business pick-up has helped to reduce the pool of unemployed.

Politically it probably does not matter to Mr Fleming and his colleagues that this relief is essentially temporary and that its underlying implication is consolidation rather than growth. In relation to the budget it means lower payments from the almost bankrupt unemployment insurance fund, improved yields from personal income tax and consumer taxes, and an upsurge in corporation profits which will make more impact in the first part of the new fiscal year than before March 31st. New spending commitments for the coming year are already formidable, the biggest being the increase in old age pensions by $10 a month. But Mr Fleming has been canny both about the many estimates, and about future commitments which would have to be shown in his budget calculations. He will not have to show in an April budget the extra expenditures which may confront a new session of parliament next autumn. He need not allow for assistance payments to prairie farmers, which have cost him more than $40 million in both the last two years, or for the reconstruction of unemployment insurance ; this must be made before next winter, and should have been undertaken last year. He may even postpone, in the guise of a loan, the extra $50 million or $60 million for old age pensions not covered by increasing receipts of the old age security fund.

On the revenue side, he can rely on rising yields from present taxes to match an increase in gross national product which some sober economists already put as high as eight per cent over 1961. On such terms the new budget can paint a rosy picture of revenues catching up with expenditures, though still very far from balancing them. The present year's deficit is expected to turn out at about $750 million in budgetary terms and about $1,100 million in total cash requirements. Next year's deficits can almost certainly be kept below these limits, while still leaving Mr Fleming some room for tax concessions. Already assured is some form of production incentive for business, and some improvement may be made in personal allowances short of a change in income tax rates. All thought of bringing the budget anywhere near balance has long been abandoned. The property of bouncing balloons is not balance but buoyancy.

Bogeymen's Blackmail

FROM A CORRESPONDENT LATELY IN HAITI

THE departure of the British ambassador from Haiti last week-end, and the corresponding withdrawal of the Haitian ambassador from London, are stages in a long quarrel. By common consent Dr François Duvalier's regime in Port au Prince is one of the most unpleasant that even Haiti has ever known. When Dr Duvalier, a former country doctor, was elected president by a sweeping majority in 1957, Haitians and foreigners alike hoped for a period of recuperation and reasonably honest government. But habits of violence and duplicity once begun are difficult to abandon, and before long Dr Duvalier showed that he was more interested in staying undisputed cock of an unruly roost than in trying to accomplish anything for his impoverished country.

Beset with rivals, and several times the intended victim of abortive coups or assassination attempts, Dr Duvalier came to rely increasingly upon organised gangs of thugs for his support. Administration languished and the economy decayed. Today there is only one passable road in Haiti outside Port au Prince, electricity in the capital is rationed because of power failures and the government's inability to pay its fuel bills, and the telephone system is so far run down that embassies and commercial firms are having to use walkie-talkie sets for communication within the city. While the United States and the United Nations both maintain technical aid missions in the country, many of Haiti's own skilled technicians, desperately needed at home, have fled to the relative sanity and security of international operations in the Congo and elsewhere.

In the past year Dr Duvalier has set his thugs—known in Haiti's Creole dialect as Tontons Macoutes or bogeymen—to collecting money for his regime. Announcing that he was going to build a new city called Duvalierville, the president sent out the gangs last autumn to collect arbitrary levies from Haitians and foreign residents alike. The bogeymen's brutality brought sharp collective protest from the diplomatic representatives of Britain, France, the United States, Italy and Canada on behalf of their citizens. As the senior member of this group, the British ambassador, Mr Corley Smith, was the spokesman. It has taken five months and several incidents to bring Dr Duvalier to the point of demanding Mr Corley Smith's withdrawal for his temerity.

How much longer this extraordinary rule of blackmail and harshness will last depends largely on the Americans. So far, with more at stake than the British, they have been vastly more susceptible to blackmail. They have supplied the president with money and military aid, all in the hope, presumably, of deterring him from turning, like Dr Castro, to the Russians—as he has threatened to do more than once. Most Haitians regard this threat as empty and are increasingly impatient of American faint-heartedness in helping to keep in power one of Latin America's nastiest regimes.

Delhi's Grip Loosened

FROM A CORRESPONDENT IN INDIA

INDIA has still not found an opposition. That is the main, unsurprising, lesson of last month's general elections. Though the opposition parties have slightly increased their parliamentary strength, Congress still holds seven out of ten of the seats in the Lok Sabha (lower house), and more than ten times as many seats as the Communists, the largest opposition group. The ruling party lost more heavily in the state assemblies, but nowhere so much as to lose power.

In North Bombay, where the opposition put on its star turn, the great "Marx or Gandhi" fight soon turned into "Nehru or big business." Mr Nehru won hands down. And all the signs are that the right-wing and communal gains in several states will only push him into switching the party and the country a little faster to the left. That need not mean any change in Congress ideology: merely that Congress will put its ideology into practice. Even that need mean nothing too drastic (nothing, one suspects, to alarm the foreign investor).

But it could have important political effects. As ideology acquires some practical meaning, the right side of the notoriously wide Congress umbrella may well shrink. On the left, the Communists, whose own gains in the elections were slight, are eager to slip in under the edge, openly aiming for a "national democratic front in co-operation with progressive elements." This would further alarm the right. The new Swatantra party, which at state level at least proved itself a going concern, now offers the rightists somewhere to go. That leaves the Praja Socialists, who were cut down, though not quite as bloodily as some had expected. They are already being advised to pack it in and join Congress. They are indeed in much the position of pre-Grimond Liberals, and will be more so if Congress moves left. Are they to leave the interpretation of "left" to the Congress leftists and the Communists, and still oppose from outside? So far they show no sign of surrendering.

Continued on page 1019



Dead Secret Scrolls

FROM OUR SPECIAL CORRESPONDENT JERUSALEM (JORDAN SIDE)

MOST secret, the big Dead Sea scroll that was opened at the end of last year in the Palestine Archaeological Museum in Jerusalem is now under lock and key in a room of its own. The American Schools of Oriental Research, which have acquired the rights to study and publish its contents, are taking no chances on pirate scholars perusing it and issuing snap translations. Loitering with such intent is not an unknown practice among peeping Toms visiting Jordan. And the cash stakes are high: in the spiral of scroll finance, publishing rights alone are now worth thousands of pounds.

This particular scroll—from the 1st century AD—is unusually exciting and valuable. For handsome appearance combined with considerable length there is no scroll to touch it in Jordan. It is surpassed only by some of those first discoveries, including the great Isaiah scroll, that were smuggled to the United States in 1949 and subsequently bought by Israel (for £125,000). Four metres long and written in Hebrew on parchment it contains Old Testament psalms in a version and order more ancient than any previously known. It includes psalm 151, which has hitherto been known only in the Septuagint (Greek translation) and in Syriac and Latin renderings, two more known only in Syriac, and five quite unknown compositions. This opens up fascinating prospects for textual criticism.

Coming as it does from the area of the Essenes' settlement at Qumran, the scroll must be part of the version of the book of psalms that was used by that pre-Christian Jewish community. This would seem to confirm that our canonical order was being put together not earlier than AD 50. The Hebrew texts of psalms known previously only in Syriac may also have a tale to tell. Scholars working in other countries have already discerned in certain Syriac writings an affinity with Qumran modes of thought. These texts may reveal the link. But these are mere shadowy ideas of the textual datings and ratings that should emerge from more prolonged study. All lies in the lap of the authorised American scholar, Dr J. A. Sanders, who, although he has now completed some tentative translations and spoken to journalists about them, will need much more time to reach his final conclusions. Meanwhile the scroll's not for viewing, for the simple if remarkable reason that the rights to examine it and publish a translation have cost over £20,000. This sum was privately subscribed by two Americans, Mr and Mrs Bechtel, who are letting the American schools enjoy the privileges so acquired. Such a payment purely for privilege opened a new chapter in the story of scroll finance.

THAT story is best told backwards since it came to its climax last month, when the museum in Jerusalem reached an agreement with the Jordan government by which all scrolls found in Jordan became government property. This was the culmination of a seven year controversy as to whether the scrolls should be nationally or internationally owned.

The museum, which is under international trusteeship, has provided both the experts and amenities as well as most of the money for acquiring, restoring, studying and displaying the scrolls. It had formerly been assumed to have some title to them and had been prepared, in return for financial help, to allow foreign institutions to possess appropriate fragments. These assumptions are now reversed. The Jordan government, however, in claiming sole proprietorship, is going no further than most other Middle East governments. Nearly every one of them owns all archaeological finds in its territory and forbids their export. This, now, is what Jordan has also claimed and done. Its action, not startling in itself, disappoints those foreign institutions—including Manchester, Heidelberg and McGill universities and the Vatican library—which together had raised £21,000 to help the museum to buy scrolls from the nimble beduin who find them. The scroll fragments promised in return they will not now have. Instead, it seems, they will be reimbursed for their payments and will have to be content with loan exhibitions. At the same time the museum has agreed with the Jordan government that while the government is owner, the museum shall be the keeper—and possession is, after all, nine points of the law.

Over the past twelve years £102,000 has been paid out to beduin scroll-finders. For the first finds retained in Jordan the museum paid £1,000. Later the Jordan government handsomely contributed £15,000. Finally in 1956 the museum gave £65,000 from its own endowment fund. (To these sums must be added the money raised by institutions abroad.) It was really to replenish its endowment fund that the museum first thought of scroll trading. But now that this is prohibited it has found other assets to sell. These are the kind of publishing rights that were assigned in the Bechtel transaction. The idea, happily, seems to be catching on. Similar rights in an Aramaic targum (free translation) of Job have been acquired by the Amsterdam Academy. And there are other good bits for the bidding: part of the book of Leviticus in ancient Hebrew script, and an unknown book in Aramaic whose subject is the heavenly Jerusalem. The rights in these and other lesser pieces will of course come much cheaper than those in the great psalter. But gradually, through their sale, the museum should refund itself.

The question remains whether the beduin treasure seekers have any more scrolls up their sleeves. Though they go no more a-hunting in the desolate caves of Qumran, they may well be witholding some prizes from earlier sorties. No scrolls have been purchased from them since the 1956 haul. This interregnum has been caused not only by lack of money but also by the meddling of so many people who are strangers to the beduin—government officials, impetuous cave-crashing excavators, and even freelance Jordanians—and who have exploited the protracted controversy about government ownership to by-pass the museum and get in on their own. Accustomed to dealing solely with the tactful museum authorities, the beduin have grown more wary and more calculating. It is not that government ownership stops the buying of scrolls. Jordanian law lays down that just payment shall be given for declared archaeological finds. But beduin do not like governments and prefer to have no truck with them, whereas they will trust the museum people. In time this confusion may pass and the way be cleared again for the museum, the keeper of scrolls, to resume negotiations. This is to be desired. For only so are the beduin likely to divulge their secrets.

Continued from page 1017

In the state assemblies, Congress is much less secure. It gained ground only in Assam and, sensationally, in Maharashtra where the popular and able chief minister, Mr Y. B. Chavan, undoubtedly strengthened the claim sometimes made for him as a likely successor of Mr Nehru. In two of the ten states that elected new assemblies Congress now holds barely half the seats. In Kerala, which did not, the voting for the national parliament suggests that, if there had been state elections too, the Congress-Praja Socialist coalition would have been defeated outright by the Communists aided by the Moslem League. The Congress could only win six out of Kerala's eighteen Lok Sabha seats, the Praja Socialists none. The Communists increased their strength in both their other strongholds: substantially in Andhra, slightly in West Bengal (partly because they fought more seats) though the local party there is notoriously pro-Chinese. Congress's only consolation is that the Communist gains in West Bengal were far less than it had feared.

The most remarkable results were the success of the more or less communal parties and of the conservative Swatantra party. The Akali Sikhs gained heavily in Punjab, the Jan Sangh in Madhya and Uttar Pradesh; the separatist Dravida Munnetra Kazhagam won a quarter of the seats in Madras State, though some of its gains were due more to working-class appeal than to separatism. The Swatantra party did astonishingly well in its first elections, thanks, in part, to princely support. It emerged as the chief opposition group in four states, including Orissa, where it has merged with a local feudal party.

The weakening of Congress governments in the states is likely, paradoxically, to strengthen their hands against New Delhi. They will be under increased pressure to secure concessions, and the Congress high command will be correspondingly less ready to refuse them. The intra-party struggle for power is already under way in several states, most interestingly in Gujarat, home of the finance minister, Mr Morarji Desai, who threw Congress into a turmoil there last year by his determination to replace the present local leadership. His favourites were roundly defeated at the polls.

Looking ahead, then, the elections promise, at government level, little change: none in foreign policy, at home some swing left in reaction against a slight popular swing right. This could produce, at party level, open ideological splits within or (if the spoils of power are not still too alluring) breakaways from Congress. On the constitutional plane one would predict a shift away from strong central control toward a federalist balance of power.

Not by Maize Alone

DOWN to earth, Mr Khrushchev feels in his element. Last week he had two opportunities to give a lecture on agriculture in front of his party's central committee and he eagerly seized both. His discourses ranged from general principles to maize yields on individual farms, and from among the mass of detail two important trends emerged. Mr Khrushchev announced a reform in the management of agriculture, and confirmed the Soviet intention to switch to more intensive methods of farming. Logically, such a switch should be coupled with a shift in investment resources. But as if to deny such expectations, Mr Khrushchev in his second speech, on March 9th, asserted that investment in agriculture would not be carried out "at the expense of industrial development or of the strengthening of the country's defences."

On the same occasion, in reply to western critics, he proclaimed that there is no agricultural crisis in the Soviet Union. By drawing comparisons with the very low level of 1953, he could indeed claim that Soviet farm output has grown considerably; had he chosen 1958 as his base year the index for 1961 would not have shown any progress. Nor did his other argument, about American food surpluses in a hungry world, alter the fact that the Soviet Union, with an incomparably larger agricultural labour force, does not have surpluses but shortages. In more candid passages, Mr Khrushchev did not hide the fact that Soviet farm output is lagging far behind industrial growth, behind its own planned targets, and behind a demand swollen by wage and population increases.

One of Mr Khrushchev's remedies could be easily forecast. For some time now he has been putting the blame for the poor state of Soviet farming on the so-called Vilyams school of grass crop rotation (see *The Economist* of January 20th, page 237). Last week he reiterated his thesis that nearly a third of the 220 million hectares of arable land is being used in a wasteful manner. By switching land under grass, oats or fallow to maize, sugar beet, peas and fodder beans Soviet farmers will greatly increase their fodder base and thus pave the way for a rapid growth in meat and dairy production. This is Mr Khrushchev's new version of "land reclamation," and in the current year he hopes to turn 20 million hectares over to more productive use.

Stalin backed the Vilyams school because he was, in Mr Khrushchev's words, "captivated by Vilyams's arguments that less capital investment was needed for agriculture under the ley system. . . ." The problem of capital investment for agriculture certainly cannot be bypassed. In the first few years after Stalin's death the supply of agricultural machinery rose rapidly, though a high proportion of the new equipment was sent to the virgin lands. The drop in output since then is strikingly revealed by some of the figures now quoted by Mr Khrushchev. For instance, 208,800 tractor cultivators were supplied in 1957; in 1960 the figure dropped to 79,000. Results are scarcely better for mineral fertilisers; in the last three years the commissioning of new capacity has not even reached half of its planned target. But Mr Khrushchev is now promising a rapid increase in the supply of both machinery and fertilisers. On March 5th, the opening day of the meeting, he even seemed to suggest that this agricultural progress should be achieved through "a redistribution of capital investment and material funds." But a few days later he added that it should not be done at the expense of industry or defence. The Soviet leaders have not apparently made up their minds whether they are willing, or able, to pay the necessary price for a policy of more intensive farming.

Some progress, however, can be made by improving methods of management. Here Mr Khrushchev seems to be retreating. In 1958 he presided over the dismantling of the machine and tractor stations and the sale of their equipment to collective farms. But the MTS, in addition to their ordinary work, were party outposts in the countryside. The Soviet planners must have concluded that they need some other body to keep the farms under control and they have now decided to introduce a more complex system. Local agricultural boards are to be set up. Their membership will include heads of state farms and collectives in the area, as well as local officials and specialists under the chairmanship of the party secretary. Similar bodies will be set up in larger administrative areas, in oblasts, krays and republics. At the top of the pyramid, in Moscow, there is to be a committee for the management of agriculture, including the key farming experts in the party, government and planning institutions. The new system will be responsible for planning and supervising production on every farm. The agricultural boards will control both the 8,000 state farms and the more than 40,000 collective farms. The similarity in treatment for collective and state farms suggests that Mr Khrushchev still intends to eliminate the differences between them. But the urgent problem is to raise production.

Last week's session of the central committee finished by setting specific targets for each of the coming years for the output of grain, meat, milk and eggs as well as for various yields per hectare. But these targets will certainly meet the sad fate of their predecessors unless higher priority is given to agricultural investment.



Photographed on Münster Bridge, Zurich—10 minutes from a Bank of America office.

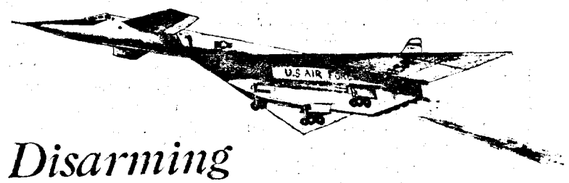
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AMERICAN SURVEY

AMERICAN SURVEY is prepared partly in the United States, partly in London. Those items which are written in the United States carry an indication to that effect; all others are the work of the editorial staff in London.

Arming and



Disarming

WASHINGTON, DC

FRANCE has BB but the United States has not yet got the B-70, a supersonic bombing aircraft that is almost as photogenic as Miss Bardot and that arouses almost as much emotion. It will not go into production even after the first flight of a prototype in December. The Secretary of Defence, Mr McNamara, has called for the Pelion of resuscitated conventional weapons to be piled on top of the Ossa of nuclear power—but he draws the line at the mass manufacture of an aircraft which, he suspects, is already obsolete unless it can be fitted with weapons so advanced that they have not yet been invented and may never be.

The B-70 was first conceived in 1953 and for years it has beckoned seductively to bedazzled Air Force generals. It has been a mouth-watering proposal for military contractors and subcontractors, who would not have been human if they had not regarded it as a particularly luscious plum in the enormous and lucrative pie of defence orders. If Mr McNamara's heart were to melt there would be varying degrees of jubilation in California and Ohio, Kansas and Maryland, Illinois and Arizona, all places which have factories that would benefit from the production of this most complex and costliest of aircraft.

The Secretary, however, shows no sign of giving in to the pressures now being brought to bear upon him. In vain are hundreds of millions of dollars he did not ask for spread in front of him. Angered by this obduracy, the Armed Services Committee of the House of Representatives stated grandiloquently that defence officials were "directed, ordered, mandated and required to utilise the full amount" of those unwanted dollars for the B-70. It added that, if this language constituted a test as to whether Congress has the power to so mandate, the test ought to be made and the B-70 ought to be the field of trial. But Mr McNamara seemed as unmoved by this as by the Air Force's rather pathetic tactic of renaming the unwanted B (for bomber) -70 the RS (for "reconnaissance strike") -70.

The Air Force claims that in nuclear wartime the B-70 (or RS-70) might operate effectively in conjunction with a force of missiles. It is envisaged as roaming over the battlefields of Armageddon like a day-of-doom U-2, looking out for enemy installations that have somehow escaped total destruction and putting right the omission. While remaining polite towards this picture, Mr McNamara has felt constrained to point out that the B-70 suffers from certain disadvantages. It will lumber along at 2,200 miles an hour, compared with the 15,000 miles an hour re-entry speed of an intercontinental ballistic missile, but it is too fast to make low-altitude attacks. There seems little doubt that in espousing the cause of the B-70 the airmen are desperately striving to avert their own likely fate of becoming mere push-button missileers.

This can hardly be admitted; therefore, in addition to the other claims for the B-70, it is argued that it is highly necessary to the security of the United States to have a manned bomber force that is the most up to date in the world, as well as more missiles than anyone else. General LeMay, the Chief of Staff of the Air Force, has said that, with missiles only, there is no flexibility—"Your finger is either on the button and you are at war, or it is off the button and you are at peace"—whereas manned systems can be used as a threat to prevent a war from starting (why missiles could not similarly be used seems obscure) and can be recalled even after they have been launched.

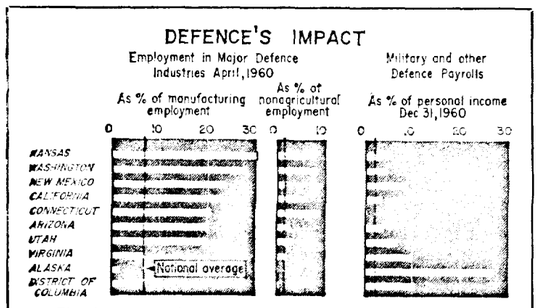
Another Air Force argument is that the Russians may only seem to have given up mass-producing bombers in favour of missiles. What, American Air Force men ask, about the very advanced looking types of aircraft that appear from time to time at Russian air shows, to the consternation of foreign air attachés? Mr McNamara responds that, by continuing the work on prototypes of the B-70, he is preserving the option that a manned bomber of this most advanced kind can be developed fully if it should be determined later that such a system is required. The fact is, however, that the Department of Defence does not seriously think that this option is going to be taken up and it does not believe that the Russians are going beyond prototypes of advanced bombers.

SINCE 1953 about $800 million has been allocated to the B-70. The sum would be much larger had Congress had its way. If the airmen think of the B-70 as their possible salvation from a future of pushing buttons in an underground silo, the politicians probably think of it at least partly in terms of popularity and votes. President Truman firmly turned away unwanted money for unwanted additional military aircraft. So did President Eisenhower—but, towards the end of the 1960 election campaign, he announced that over $250 million would be spent on the B-70, and not the mere $75 million in the Budget. This may have helped Mr Nixon to garner some of the 30,000 votes by which he carried the State of California for the Republicans. President Kennedy was cheered in Florida last weekend when he said that the National Aeronautics and Space Administration intends to increase its spending in Florida fivefold, and that employment at Cape Canaveral will be quadrupled. He has also said that government spending on space and defence activities is now higher in California than it was under the Eisenhower Administration, to the indignation of Mr Nixon who is now running for Governor there. This week the President denied blandly that he was playing politics by making such statements and expressed hope that the good sense of the appropriations committees of Congress would enable the B-70 controversy to be adjusted amicably. But he conceded that the distribution of military contracts is a matter of continued concern.

The Armed Services Committee of the House of Representatives, which laid down the Constitution to the too thrifty Mr McNamara, is concerned with building contracts for defence facilities worth around $800 million a year. The chairman of the com-

mittee, Mr Carl Vinson, comes from Georgia, which has so many military installations that a general once joked that one more would sink the state. The problem of the military pork-barrel is anything but new and the fringe benefits of armaments worry a number of Americans. They worried General Eisenhower ; just before he handed over the burden of office to Mr Kennedy, he uttered his dire warning against the influence of what he called the military-industrial complex.

Almost everyone pays lip service to the notion that armaments are a burden and a brake on economic development. Senator Hubert Humphrey, the chairman of the disarmament subcommittee of the Senate Committee on Foreign Relations, says that disarmament has a "broad constituency" in the United States. As evidence, he points to Congress having set up an autonomous agency whose sole function is to prepare workable schemes of disarmament. Its panel of economists, headed by Professor Emile Benoit of Columbia University, has concluded that, given sensible adjustment policies and vigorous leadership from the government, there is no economic reason why disarmament in itself should bring an immediate depression or be a drag on prosperity over the longer term ; indeed, by releasing human and material resources it should make it easier to achieve the national goals of full employment and an ever-rising standard of living. Idealists talk enthusiastically about the federal government financing schools and hospitals at home and abroad on a scale great enough to take the place of armaments in the economy, although the public might prefer a cut in taxes and in the public debt.



The chart shows the states where the economic impact of defence on employment and or income is heaviest. Industrially the impact is most direct on companies making aircraft, ordnance, ships, radio communications, electrical equipment and machinery.

Source : Economic Impacts of Disarmament, US Arms Control and Disarmament Agency, January, 1962.

Arms do provide a lot of Americans with jobs. Some states lean fairly heavily both on defence industries and on military pay-rolls for their incomes. The projected earnings of defence industries are now a big factor on the Stock Exchange. Defence spending finances about half of all industrial research, as well as a quarter of the research that it may already be a misnomer to call "pure." But there is another side to the picture. As well as taking a firm stand so far in the matter of the B-70, Mr McNamara has also gone ahead with the closing down of 52 military installations, in spite of the unhappiness caused to Congressmen who represent the affected districts, and there has been far less grumbling in those districts than might have been expected. Most, though not all, manufacturers made the switch from aircraft to the very different and difficult field of missiles with a suppleness suggesting that, when the time comes, they will adapt themselves just as swiftly to civilian production. As even Mr Khrushchev has admitted, American enterprise is not so dependent on armaments that it could not survive disarmament.

Unprogressive Alliance?

SINCE President Kennedy's fresh approach to foreign aid did not get moving until last November, it would have been surprising if he had asked Congress for any important changes this year. Even though his request for appropriations—for $4.9 billion in all, including $2.8 billion for development loans and $1.5 billion for military assistance—was for nearly $1 billion more than Congress gave him last year, this increase is largely a matter of book-keeping and the congressional prospect is not unduly unfavourable at the moment. Trouble is blowing up, however, for Latin America's co-operative Alliance for Progress, for which President Kennedy has requested a special authorisation of $3 billion to cover the next four years, with $600 million to be appropriated, mainly for development loans, for the coming year. This is the only innovation in this year's foreign aid programme and it is to fulfil a pledge already given to the Latin American countries. Last year's pledge, that $1 billion would be committed to the Alliance by March 1st, has been fulfilled. But there are grave doubts whether this money is doing what it is supposed to do, encourage the Latin American recipients to help themselves, especially by reforming their economic systems.

This supicion has crystallised around Brazil, regarded as the key to Latin America, to which 35 per cent of the first $1 billion has gone, most of it for balancing Brazil's international accounts instead of for development projects. The Brazilian government is asking for another substantial contribution to get it out of difficulties which are due largely to its own incompetence. At the same time the left-wing and politically ambitious governor of the state of Rio Grande do Sul has expropriated an American-owned telephone company ; this is hardly designed to stimulate the generosity of the American Congress. There the latest suggestion is that the United States should "let a few of these countries go to the communists" rather than hand out money to prevent this without first insisting on economic reforms.

Evidently the President's advisers believe that the need to stop the spread of communist influence in Latin America by showing quick results is so urgent that there is no time to insist in every case on the constructive long-term aspects of the Alliance, especially when such insistence generates resentment among Latin Americans. Chile, for example, has just been granted $120 million and promised *more*, even though it has not yet changed its methods of land tenure and taxation. But the President himself, while expressing sympathy for the pressures which are generated by reforming efforts in many of these countries, has made it clear that the United States is not prepared to wait for ever.

Three's a Crowd

BOTH Mr Edward Kennedy, the President's youngest brother, who has just announced that he is a candidate for the Senate from Massachusetts, and the President himself must sometimes wish that they were not members of so large, so ubiquitous and so zestful a family. The air and the headlines always seem to be full of Kennedys. The First Lady is at last on a semi-official trip to India and Pakistan, which has been delayed several times by illness—some of it said to be diplomatic in origin. Mr Robert Kennedy, the Attorney General, who is thought to have justifiable political ambitions of his own, has returned from a flight round the world which infused new blood into the languid vision of America held by many Asians ; it may also infuse new blood into America's representatives abroad. Mr Shriver, the head of the Peace Corps and the President's brother-in-law, is the most travelled of all.

It is no wonder if some of the President's advisers feel that Mr Edward Kennedy's decision to stand (for the very Senate seat which his eldest brother resigned to become President) is too much of a good thing. The hint of a royal family—the Massachusetts Dynasty—wealthy, personable, well-connected, is inescapable. At his press conference this week the President insisted that he would remain rigidly neutral. But the Attorney General indiscreetly suggested that this neutrality might evaporate if Mr Edward Kennedy wins the primary election in September, when Democrats choose their candidates. It would be unfair for young Mr Kennedy (he is only 30) to have to forgo a political career simply because of his family. But if he wins the unfriendly will ascribe it to family influence ; if he loses, the President's enemies will crow.

Additional embarrassment is provided by the fact that the other aspiring Democrat is Mr Edward McCormack, the Attorney General of Massachusetts, the favourite nephew of the new Speaker of the House. The elder McCormack is a power in the state and the Kennedys and McCormacks have long been at odds in Massachusetts. If Mr McCormack is defeated by a sprig of the Kennedys relations between the Speaker and the White House, which are none too good, may deteriorate further. One final ingredient in this rich New England boiled dinner is the fact that the Republican candidate may well be Mr George Cabot Lodge, scion of a family whose roots go deep into Massachusetts history. But no Republican is given much of a chance to win the seat this year ; that is why the Democratic nomination is so prized.

Zero Hour for Trade

THE Administration laid down a tremendous barrage for its Trade Expansion Bill this week when the House Ways and Means Committee opened its hearings on the measure which the President feels is by far the most important to come before Congress this year. Every member of the Cabinet who could conceivably help has been mobilised to testify—from the Secretary of Commerce down to the Secretary of the Interior—and the elaborate report from the White House on the just-concluded tariff negotiations at Geneva underlined the dazzling possibilities for American exports to the booming European market and the need for wider and more flexible powers for the President if full advantage is to be taken of these opportunities. Mr Kennedy pointed out with pride that the United States got more than it gave away. But he noted that this round of bargaining exhausts his tariff-cutting powers under the Reciprocal Trade Agreements Act, which expires in June ; indeed the negotiations might have collapsed if the President had not boldly disregarded a number of the "peril points" below which, according to the Tariff Commission, duties cannot fall without harming American industries.

In the new Bill the President seeks not only the power to reduce all tariffs by up to 50 per cent in broad "across-the-board" bargains, but also the power to eliminate tariffs completely on goods for which the United States and members of the expanded European Economic Community will be the dominant suppliers—that is, provide 80 per cent of the exports of these commodities, chiefly industrial hard goods like aircraft and machinery. A tentative "zero list" includes 26 groups of products ; trade in these goods between the United States and the EEC in 1960 amounted to over $3 billion, two-thirds of which were American exports to Europe. World-wide, they cover trade worth $19 billion.

The Administration is understandably as shy about this potentially explosive list as Congress is curious. The Administration's witnesses were much more anxious to emphasise the 4 million jobs which are already dependent on exports and imports (with chapter and verse about the states and congressional districts involved) and the 150,000 new jobs which, it is estimated, every additional billion dollars worth of exports will create. The Secretary of Labour put the number of jobs likely to be lost by increasing imports at no more than 90,000 over the coming five years. Some 260 witnesses will be heard before the committee retires into executive session. The best judgment at present is that the Administration will carry the day, but that the real battle will take place over safeguards, such as the present escape clause and peril point procedure, over exemptions, over the five years of bargaining authority which Mr Kennedy seeks, over the zero list and over assistance to firms and workers injured by imports.

Why Businessmen Leave Home

FROM AN AMERICAN CORRESPONDENT IN EUROPE

A SERIES of surprisingly tenacious myths continues to dominate much of the discussion, both inside and outside the United States, of American direct investment in Europe. Like most legends, the four main myths have a tiny element of truth in them, which sustains the myth-makers. But there is some evidence that the facts are gradually beginning to be recognised in the United States, though the Administration—perhaps to avoid that worst of government embarrassments, admission that it has been wrong—continues to repeat the old slogans.

For example, President Kennedy, in an understandable effort to promote his new trade Bill, has given fresh currency to the myth that firms establish branches or subsidiaries in Europe to "get inside" the tariff wall around the European Economic Community. In fact, they do nothing of the kind. They establish

Is It Cheaper Overseas?

IT is widely believed that American manufacturers build plants overseas to take advantage of costs of production which are lower than they are in the United States. The National Industrial Conference Board, which sponsored a study of comparative costs in manufacturing in 1956, has followed this with a second study* covering 147 firms with plants overseas in 1960. Inevitably most of these firms are very large ones and their operations are concentrated in the industrially mature countries. The questionnaire did not ask for actual figures of costs, which the firms might have been reluctant to give, but for relative figures.

The table below shows the percentage by which various components of unit costs in each geographical area exceeded or fell below those in the United States. Average figures for total costs have been obtained by weighting.

	Plant			Sub-Total	Sales	Other	Total Unit Cost
	Materials	Labour	Overhead				
Canada	11	−1	0	10	0	0	10
United Kingdom ..	3	−5	−4	−6	−7	−3	−16
Common Market..	11	−6	−4	1	−3	−1	−3
Latin America	19	−1	5	23	−3	5	25
Australia	14	3	−2	15	−1	2	16
All other	13	−6	3	10	−5	4	9
Total, all products.	12	−2	0	10	−3	1	8

From this table it appears that only in the United Kingdom do lower costs of labour offset to a significant degree the generally higher costs of materials. That these are lower in the United States is due to a "hidden productivity factor": a vast network of specialised suppliers to satisfy the precise needs of manufacturers. Since 1956 there seems to have been a slight narrowing in the differences between the cost of manufacturing abroad and in the United States.

* Costs and Competition. By Theodore R. Gates and Fabian Linden. 226 pages. $20. The National Industrial Conference Board, New York.

subsidiaries in Europe because the market is large and growing. Finding an American company whose main incentive for setting up an operation in Europe was the new tariff is like trying to find a needle in a haystack.

The EEC has, of course, been an inducement to foreign investors for another reason: it holds out prospects of a much larger European market for any given concern in any one of the six countries. But even this can be exaggerated. In spite of the prospect of complete free trade, German firms are investing sizeable amounts in other countries belonging to the common market. Many American firms are setting up shop in more than one European country. In numerous cases—in Italy, for example—a large and growing domestic market provides foreigners with sufficient inducement to invest.

Myth number two involves the balance of international payments. Here Europeans, including even such august figures as central bankers, have been as much victims of the myth as have Americans. Without allowing for any of the many offsets on the receipts side, the total cost to the American balance of payments of the "invasion" of the common market in the peak year of 1960 was only $280,000,000. This compares with total payments by the United States of $31,000,000,000, a payments deficit of $3,900,000,000 and an outflow on direct investment account of $1,700,000,000. Moreover, the figures usually cited give the total value of the new investment, not the impact on the American balance of payments. A great deal of the money comes from reinvestment of earnings by firms already established overseas or is raised locally. A firm moving into Belgium, for example, would be mad to use dollars when it can cover as much as two-thirds of the investment with loans raised locally at subsidised rates of interest.

Needless to say, American investment in Europe also generates income—not only in dividends and royalties, but also in the form of exports of both equipment and components. One recent study of 19 large American firms showed that they alone sold more than $150,000,000 of exports to their overseas affiliates in each of the past four years, or enough from these companies alone to close the "gap" in the balance of payments between dollar outflow for new direct investment in economically advanced areas and the present return from dividends.

The third myth relates to taxation. The idea prevails that the present law, which permits payment of American taxes on corporate income earned abroad to be deferred until it is repatriated, was adopted in the postwar period as an "incentive" for private investment. In fact the provision has been in the law for several decades. What is more, it "induced" very little investment in Europe until it became plain to all that Europe was booming. Now that investment in Europe has proved profitable and become fashionable,

ABC of Investment

FROM A SPECIAL CORRESPONDENT

ANY American father who is alert to teenage trends shows little surprise these days when his 14-year-old son scans the financial page instead of the comics in the morning paper, and he is ready with all the answers when his daughter, who is only 12, quizzes him on the Dow Jones industrial averages at the supper table. The children have picked up their interest in the financial world at school; lessons in the ABC of investing are being given increasingly all over the country.

The instruction takes different forms. In some cases students buy one share in a well-known company and follow its fortunes on the blackboard throughout the school year. Schools in a number of states, including New York, New Jersey, Ohio, Indiana and Texas, have formed small investment clubs with each pupil contributing perhaps twenty-five cents to the pool. In Western Springs, Illinois, youngsters are reported to be studying mathematics by watching the fluctuations of the market. They are probably picking up a few tips about stocks and shares at the same time. The New York Stock Exchange, which is by far the largest in the country, is playing a leading part in this educational and promotional work. Films, charts and instruction kits on the subject of investment have been issued and one of the exchange's vice-presidents estimates that more than a million children used these teaching aids in 1959.

The NYSE also took the lead several years ago in simplifying the maze of regulations which then surrounded the purchase of shares in the name of minors. Until recently this red tape made the pleasant task of giving a child a few shares such a nerve wracking procedure that most parents dropped the whole idea; they opened a savings account or bought a government bond instead.

Today legislation has been passed in all fifty states and in the District of Columbia making it comparatively simple for parents, close relatives or guardians to buy shares in the name of any person under 21. As a result of these changes there are now nearly 200,000 American investors under 21 and their number is growing. Even if these young people own only one share, as many of them do, they experience the excitement that comes with owning stock for the first time. They receive through the post annual reports of the company in which they have an interest; they also receive, just like an adult, their dividend cheque even if it is for only a few cents.



Investment classes are supposed to teach children the fundamentals of how a company's finances work, and something of the American business system besides. They learn what a dividend is and what makes the value of shares go down as well as up; they learn how to read the lists of share prices in the local newspaper. The teachers, if they are wise, also lay a groundwork of caution in the minds of the younger generation, stressing that making a quick killing is not the major function of investment.

There are now 15 million individual shareholders in America, more than double the number in 1952. Interestingly enough, nearly one-half of the new shareholders in the country since 1956 have been between 21 and 34 years of age, a time of life when the family budget is generally under the greatest strain. The New York Stock Exchange takes great pains to stress to would-be investors that they should provide in advance for family emergencies before purchasing shares. But classroom instruction in stocks and shares will probably encourage the present trend towards investment early in life.

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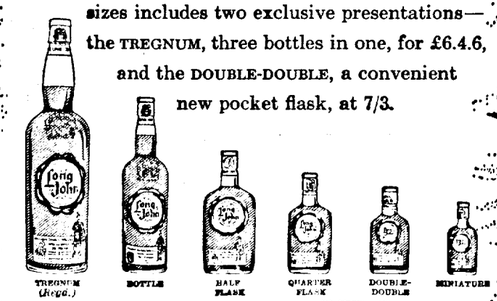
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The ICI-COURTAULDS battle

The inside story by Roy Jenkins M.P.

Many people saw the affair of the ICI-Courtaulds take-over bid as a battle, and moreover a battle between David and Goliath, which Goliath lost. But does this in the least reflect the truth of the matter?

Roy Jenkins M.P. has been getting at the truth, and a lot of it is very surprising. This Sunday in The Observer appears the first of a series of articles in which he unravels the tangled negotiations—evidently conducted in a fog of mutual incomprehension—which led up to the open breach of last December.

He gives some deft character studies of the personalities involved; sketches the nature and history of the two firms (Courtaulds are no slouches themselves when it comes to take-overs); describes how Courtaulds came to cut their dividend. It is above all an *inside* story that he tells. And intensely readable. It begins in The Observer this Sunday.

Begins this Sunday in the

OBSERVER

there is little reason to believe that a change in the tax law would curb it significantly. Businessmen in the United States continue to fight against a change, for the good reason that the present law gives them much more flexibility in their operations abroad. But tax considerations are by no means paramount in the basic calculations that go into the typical decision to plunge into a new market. An American who had just set up a subsidiary in Belgium remarked recently, "We took all their tax subsidies with pleasure. What they didn't know was that we would have come anyway without them."

The final myth is the most difficult to combat factually, though this does not mean that it contains more truth. The myth is that investment in Europe means less investment (and fewer jobs) in the United States. The unanimous response of businessmen to this allegation is that establishing plants in Europe has been imperative to preserve or create markets that would otherwise have been lost to European competitors; for reasons which differ according to industries, there was no prospect of supplying these markets with goods made in the United States. Labour costs, transport costs, the need for close knowledge of local conditions (and once in a great while tariffs) are the sorts of reason given.

This argument cannot be shrugged off. One significant evidence of its truth is that, in spite of a few widely publicised examples, exports back to the United States from manufacturing subsidiaries established abroad have been trifling. To supply the home market businessmen invest at home; domestic investment is still ten times as large as that overseas, even allowing for the portion of foreign investment financed by means other than dollars from the United States. To supply the foreign market, businessmen sometimes have to invest abroad. For better or worse, the flow of American firms to Europe will continue until saturation point has been reached, almost regardless of tariff changes and tax changes. And, of course, this will strengthen the position of American business in the world—as many Europeans are well aware.

Beheading the Far Right

RECENTLY President Kennedy refused, even in an election year, to succumb to the temptation of linking the Republicans with the fanatics of the far right; he declared that the totalitarian anti-communism of the John Birch Society was alien to both the great political parties. But Democrats closely engaged on the political battlefield, like Governor Brown, the Democratic candidate for re-election this year in California, are less restrained. Mr Brown has been making much of the fact that many Republicans, particularly in the southern part of the state, are John Birchers; their real political hero is not Mr Nixon, but his only remaining rival for the Republican nomination for Governor, Mr Shell. What worries Mr Nixon is that to win any Republican must attract the votes of some of the Democratic majority and this is not going to be easy for anyone who accepts support from the Birchers.

When the California Republican Assembly, which represents about 12,000 voluntary Republican workers and leaders, met early this month to endorse its candidates, Mr Nixon asked that membership in the John Birch Society should be declared incompatible with the principles of the Republican party. The Assembly, which endorsed Mr Nixon as its candidate by 263 votes to 176 for Mr Shell, went so far as to describe the society as "dictatorial and totalitarian" and declared that Mr Welch, its founder and head, has done "immeasurable harm to the cause of liberty." But it refused to urge its members to retire from the John Birchers on the ground that the Republicans could not afford to alienate the extreme right.

In California Mr Nixon is in the very thick of the organised anti-communist crusaders. But in the country as a whole he has plenty of allies. Since the President spoke out against the far right virtually all the great religious groups—Jews, Roman Catholics, Presbyterians and Episcopalians—have denounced the danger from the extremists, some of whom have been harassing and victimising liberal churchmen, even to the extent of bombing their houses. Mr J. Edgar Hoover and other officials of the Federal Bureau of Investigation, who for a time had the field to themselves, have condemned the self-appointed scourges of communism. In California itself San Francisco has proved far less hospitable to Dr Schwarz's travelling anti-communist school than Los Angeles. And the Department of Justice has done its part by asking Mr Welch (so far without result) to produce his evidence after he made a speech about thousands of communists in government departments. Mr Welch, who made the fatal error of calling General Eisenhower an agent of communism, seems to be on the way out. Conservatives feel that he is making them ridiculous and he was not even on the guest list of the Young Americans for Freedom, a right-wing group which held an 18,000-strong rally in New York last week. If he had been they might have had even more trouble than they did in assembling enough distinguished guests to support Senator Goldwater, their idol.

"Sorry, Old Boy, But Your Wife And I Feel You're Becoming An Embarrassment"



Maryland's Black Eye

FROM A CORRESPONDENT IN ANNAPOLIS

FOR the second year in succession, the political scene in Maryland is being dominated by the savings-and-loan associations which in Britain would be called building societies. This time last year Governor Tawes was running into heavy political weather because of his backing of Bills to regulate a business which, after decades of respectable prosperity, had begun to attract fly-by-night firms as a result of the lack of controls in the state. Many of the Governor's fellow-Democrats were involved in various aspects of the business, some of them dubious, and passage of a Bill was a test of his political strength. Now Mr Tawes is being attacked by his Democratic rivals for the Governorship because he did not deal with the scandal earlier and the savings-and-loan issue promises to figure largely in the primary elections on May 15th, when members of each party will choose their candidates. The deadline for entering these contests was March 4th.

To set the scene, it is necessary to go back to the improbable events of last spring and summer. The Governor signed the control Bills on March 28th but they were not to go into effect until June 1st. Petitions began to circulate calling for a state-wide

referendum on the control laws. These were traced to Baltimore's last specimen of the classic city boss, Mr "Jack" Pollack, who rather ostentatiously conveyed the first 10,000 signatures to Annapolis in an armoured lorry. On June 1st the constitutionality of the original laws was still in question and Mr Tawes called a one-day emergency session of the Legislature and had them re-enacted by a triumphant majority. Mr Pollack filed suit to have them declared unconstitutional, but some wind was taken out of his sails when one of the collectors of signatures was sent to prison for six months for perjury, declaring as he went that Mr Pollack had offered him 7 cents for every name. The legality of the laws is still in some doubt.

In the meantime state and federal law officers were delving into the savings-and-loan business. They found, as was expected, that the majority of the active firms were perfectly sound but five of the new-comers are in receiverships, two are under state-appointed conservators, two are in federal bankruptcy and two have been ordered to dissolve. About ten more firms have to be dealt with. The charters of more than 250 inactive associations have been revoked. Further revelations are expected, but will be less political. The Legislature voted last week to establish deposit insurance for state-chartered associations which do not have federal insurance and so provide an alternative to the only private insurance firm, which is controlled by financial interests that prefer to remain anonymous. The Legislature has rejected a move to conduct a grand inquest into the whole savings-and-loan imbroglio.

Now the issue has passed (the line is fine but perceptible) out of the realm of legislation and wholly into that of politics. This happened just before Christmas, when an anti-Tawes Democrat who is running for the United States Senate said that for the Governor to assume credit for the clean-up was "political fraud." In 1960 Mr Tawes vetoed a stop-gap savings-and-loan Bill as giving only an illusion of reform and as being too weak to be effective. He then appointed a commission which drafted the present legislation. His rivals contend that his veto gave shady promoters another year of grace in which to swindle Marylanders of their hard-won savings. This cry has been taken up by several other leading Democrats, one of whom is demanding tax relief for the victims of the Governor's procrastination. How much political advantage Mr Tawes's Democratic opponents can get out of these charges remains to be seen. But the Republicans, who have kept their skirts clean, have thrown away their chance of profiting from the upheaval in the Democratic camp; their candidates for Governor and Senator are admittedly only stop-gaps. At the moment the best bet is that Governor Tawes can have the second term which he used to say he did not want.

SHORTER NOTE

Membership of the House of Representatives is to remain at 435. A carefully laid scheme to increase the number to 438, primarily to relieve a political impasse over redrawing constituency boundaries in Massachusetts—the home state of the Speaker of the House, Mr McCormack—blew up in his face last week just when it was on the point of being accepted. Pennsylvania would have received one of the extra seats but at the eleventh hour its Congressmen discovered that their state would have to scrap its own painfully-achieved redistricting law; they were not prepared to accept this. The Speaker's prestige has not been enhanced either by his attempt to favour his own state or by his failure to bring off the manoeuvre.

BOOKS

Diplomats Take Second Place

British Foreign Policy in the Second World War: *History of the Second World War*

By Llewellyn Woodward.

Her Majesty's Stationery Office. 647 pages. 37s. 6d.

WARS are bad times for Foreign Offices. The continuation of policy by other means necessarily involves the demotion of the diplomat. He has to take second place to the soldier and to accept as partners the practitioners of many improper trades: the organiser of underground movements, the economic warrior, the propagandist. And in a total war his role is reduced even where allies and neutrals are concerned. He has to share the conduct of foreign relations with emissaries from other departments, each claiming an absolute priority for his own mission, dealing direct with their own opposite numbers, reporting back to other and possibly superior sources of authority at home. In such a revolution it is something to be able to say "J'ai vécu," and if this latest volume in the official war history needs an epigraph that is surely it.

Certainly such downgrading of the senior department of state sets its own problems for the historian. How is he to isolate the story of a country's foreign relations in wartime when the nation's whole life is permeated by its awareness of the outside world? How is he to disentangle from the whole complex those parts of it for which the Foreign Office is responsible? The planners of the official history have ready to hand an easy solution—let him write it out of the departmental files. And this is what Sir Llewellyn Woodward has, no doubt very properly, done. The result, however, is not what it calls itself, a history of "British Foreign Policy in the Second World War." It is a narrative of those parts of the policy which principally concerned the Foreign Office, with a certain number of references to published accounts of what was happening elsewhere. Of these other accounts one is pre-eminent; the net effect of Sir Llewellyn's 600 pages is to provide a series of footnotes to Sir Winston Churchill's "Second World War."

No doubt this faithfully reflects the reality of a war that was dominated by great national plenipotentiaries, in Britain not least of all. We should be rightly suspicious of a diplomatic history that tried to emulate the effects of some of those who have written up soldierly diaries and conveyed the impression that the Prime Minister was hardly to be trusted out of sight of a khaki nursemaid. The instances given here of disagreements across Downing Street are fairly presented and realistically assessed: the debt to Churchill handsomely acknowledged.

But was it necessary to make Sir Winston quite such a present of style as well as of content? If anything was needed to convince one of his mastery of the historian's craft it is, alas, supplied by this product of a professional historian's pen. Pemmican for *filet mignon* is what we are offered here. In place of the ample quotations from contemporary documents that give Sir Winston's book its vividness and immediacy, we have an almost continuous precis of despatches and minutes interspersed with a minimum of quotation. The façade of departmental unity is preserved, but at the price of grave injustice to its members. No one will get from this volume any idea of the liveliness and independence of mind of the public servants at work in these years in the Foreign Office or overseas.

How much of this is the result of rules imposed by his official masters and how much to decisions of Sir Llewellyn's own making we are not told. But the author himself must surely be responsible for another, very regrettable, feature of his treatment. He nowhere gives his reader any adequate account of the organisation of the Office at home or of its relations with the other agencies of government involved in foreign affairs, or of the way in which the structure of British representation abroad was, or was not, adapted to take account of the vastly different working problems of wartime. The creation in Washington, for example, of a miniature Whitehall around the ambassadorial core was a crucial feature of the Anglo-American partnership on which much else depended. In neglecting to expound such themes Sir Llewellyn has robbed his story of much of its significance.

This apart, what kind of a Foreign Office emerges from these pages? Very properly—in retrospect—it is a body that regards the winning of the war as only an incidental element in its permanent struggle to safeguard British interests. Again and again it points out to Sir Winston and his enthusiastic colleagues the distinction between the short run and the long run. Unfortunately, if perhaps inevitably, it tends to see the long run almost entirely in prewar terms, with Europe predominating in its thinking. For all the traditionalism, even imperialism, of Sir Winston's world view it was a *world* view and as such often wiser and ultimately more realistic than the near-sighted calculations of the FO. Yet on many issues the FO was right; it produced the better blueprint for the United Nations (a story told for the first time from the British point of view in these pages; it might usefully have been told in greater detail), was consistently sensible about France and Germany, and though rather governessy about liberated Italy was certainly more willing than Sir Winston to be tough with Franco. But it was slower than he to recognise the primacy of the Anglo-American alliance in Britain's diplomatic strategy and, in 1945, more disposed to attribute merely limited objectives to Russia. Taken all-in-all, however, not many departments came through the war with as few major mistakes to their credit.

One name of high repute in Britain comes poorly out of this record. The British files yield further evidence that the statecraft of Franklin Roosevelt was inadequate to the exacting demands of his time. It is not his doctrinaire anti-imperialism that is at issue; these pages reveal all too frequently a pettiness of mind, an overconfident vanity, and a readiness to make overdrafts on his friends in order to placate his foes. That the State Department under Mr Hull frequently emerges as the wiser counsellor is the measure of the slump which Mr Roosevelt's reputation sustains. But the Hyde Park archives have still to be heard from. This book should stimulate the demand for a Rooseveltian version of many of these events.

For its disclosures on this and other topics Sir Llewellyn's book is rightly to be rated indispensable. It is indeed the only comprehensive account of foreign affairs in wartime that we have. Yet the dominant sentiment must be one of disappointment. To have dug so deep and so long in these jealously guarded quarries and to have come up with so little. To have watched, through the medium that historians have, the written sources, the unfolding of events and the shaping of policy and to have caught so little of the sense of movement, of the drama of decisions. If this is official history, the sooner we have some unofficial history the better.

First Archbishop

Thomas Cranmer

By Jasper Ridley.

Oxford University Press. 450 pages. 35s.

THIS life is of the first Protestant Archbishop of Canterbury; a man controversial in his own time, and still difficult to bring into focus. He was consecrated by the Pope, repudiated the papal power, married the king five times, drew up the first two liturgies of the Church of England, married secretly and was forced to hide his wife, chose imprisonment under Mary, recanted during his imprisonment and was burnt at the stake, finally reaffirming his essential belief in the Protestant position.

All the sources of Cranmer's life are biased, and even Mr Ridley, who conscientiously tries to hold a middle position, shows himself hostile to both Cranmer and Henry VIII. One is left with the feeling that he has failed to make up his own mind about Cranmer, and his conclusions add little to what is known already. It is not enough to picture Cranmer as the servant of Tudor despotism; Tudor despotism is itself a controversial subject, and Cranmer in any case was more than this. The great interest of his character lies in its manifest contradictions; he was a gentle, even a timid, man, yet he had the notable courage to write to Henry on behalf of Anne Boleyn, Mary Tudor and Cromwell, when to do this might in each case have meant his own destruction. His career is marked by doubts and hesitations both in his theological thought and his political actions; it is typical of Cranmer that he went to the stake carrying two versions of his final speech, one Catholic and one Protestant. It is therefore fatally easy to accuse Cranmer of betraying his principles, as Mr Ridley does over his acceptance of the Six Articles, or to condemn him for insincerity in his expressions of sympathy for Katharine of Aragon or in his "double think" over the "Real Presence." His secretary, Morice, was more just when he wrote, "men ought to consider with whom he had to do, specially with such a Prince as would not be bridled nor gainsaid in his requests."

Mr Ridley is in fact inclined to simplify the whole period. Tudor politics, and the nature of Tudor government, can only be understood against a background of violence. In English history the period stands between two civil wars. In France and Germany, the sixteenth century was a time of terror and atrocities: the sack of Magdeburg and the massacre of St Bartholomew were not repeated in England because of the political decisions of men like Henry and Cromwell, and the adaptability of Cranmer.

As Archbishop, Cranmer made two great contributions to posterity: he avoided extremes, and as a result helped to create the Anglican "Via Media"; and he compiled the Book of Common Prayer, which is one of the great literary achievements of the period. Mr Ridley pays insufficient attention to both these aspects of Cranmer's life; thus, in spite of being informative and up-to-date, his book remains inadequate to the greatness of his subject.

Canada Looks Abroad

The Art of the Possible: *Government and Foreign Policy in Canada*

By James Eayrs. *Toronto University Press.* London: *Oxford University Press.* 240 pages. 56s.

THIS diligent and perceptive study is not concerned with the substance of Canadian foreign policy. It is part of a project of the School of International Service of American University, Washington, to investigate the influences and the mechanisms that govern the making of foreign policy in various countries. Mr Eayrs has lightly and entertainingly sketched the development of the Canadian attitude to the outside world from the frustrations of early twentieth century negotiations with Washington through the British Ambassador, to the creation of a worldwide diplomatic service within the last twenty years.

In this, as in earlier works, he displays much skill, backed by formidable but unobtrusive research, in selecting the significant incidents and anecdotes to carry his theme. He has been greatly assisted by the recently revealed extracts from the diaries of W. L. Mackenzie King, who was of course the dominant figure throughout the period when Canada was developing both a foreign policy and a department of External Affairs.

Professor Eayrs, who teaches at the University of Toronto, is one of a new generation of Canadian dons who are beginning to introduce a new element into the formulation of government policies. Until about ten years ago the intellectual contribution to Canadian policy-making was largely limited to the select and brilliant group of senior civil servants, whom he describes as the "under-Cabinet" and the "bureaucratic elite." The gulf between the academic world and the few scholarly practitioners of the art of the government was too wide for the good of either. The increasing amount of critical study which many of the younger university teachers are giving to current affairs, both international and domestic, is bound to improve Canadian public life in the long run, though its first results can be clumsy, as they were in last

year's intervention of economic professors in the Coyne controversy.

Mr Eayrs's lack of direct experience in government leads him astray at one or two points. He rightly reports that the Governors-General from 1926 to 1952 had no influence on policy but became ceremonial cyphers. Since 1952 when Mr Massey was appointed Governor, followed by General Vanier, he asserts that the office has been "rehabilitated." This may be true in terms of public prestige and popularity; but the "rehabilitation" has not, as Mr Eayrs implies, restored the prerogative of being consulted, and of encouraging and warning their ministers. The Governors' influence on policy remains a dead letter.

Again, in a valuable chapter on "The Military Establishment," reliance on public criticisms such as those of General Guy Simonds and on the mere forms of various committees leads him to miss the point of the Canadian problem. It is not, as he implies, that civilian influence stifles the military advice. It is that civilian ministers have been reluctant to take their proper responsibility, and the military brass have been permitted to make far-reaching private agreements with the Pentagon long before the Government has had any idea of what they were up to. Similarly, one questions whether the charge that Canadian diplomats are completely hamstrung in their negotiations abroad deserves all the prominence Mr Eayrs gives it.

But these are argumentative criticisms. The book is a very welcome contribution to public understanding of public affairs and an even more welcome sign of the Canadian universities' new involvement in them.

Crisis of Socialism

The Economics of Socialism Reconsidered

By Henry Smith.

Oxford University Press. 235 pages. 30s.

To most people, socialism means the public ownership of the means of production. The trouble is, from the point of view of many socialists, that much of what it was expected to secure has been achieved without it: full employment, for instance. Furthermore, even if all industry were publicly owned, this of itself would do little to improve matters further.

This is what Mr Smith calls "the contemporary crisis of socialism." His aim is to see what ends lie behind the demand for public ownership and to discover what economic conditions must be fulfilled for those ends to be realised. His answer is to redefine socialism as the demand for the minimisation of conflict arising from economic relationships. He then argues that this demand can only be met when no one works any more than they would choose to work if unpaid and when capital is so plentiful that the rate of interest is zero.

Such a state of affairs requires public ownership of capital, for private ownership of what yields no revenue would be absurd. It also requires simple tastes and the absence of want-creating activities. So socialism is unlikely to be achieved and unlikely to be wanted in most of the developed countries. It is, that is to say, utopian.

This over-simple summary explains what constitutes the main theme of the book. But no summary could describe its interest and erudition; Mr Smith ranges too widely for that. Thus he discusses Marxist economics in some detail, examines the future of planning in India and discusses the possibility that future adverse movements in the terms of trade may cause economic retrogression in the advanced countries. He has, in fact, written a scholarly study informed with humanity about one of the central questions of the modern era.

History in the Open

Reconstuction of American History

Edited by John Higham.

Hutchinson. 244 pages. 35s.

In the marketplace of ideas, no less than in the department stores that peddle more matter-of-fact merchandise, the Americans believe in explicitness. They do not go in for the cult of the hidden preciosity, to be revealed only to the most persistent or favoured customers; their wares are on the counter and the information booth stands just inside the front entrance. This admirable openness is well exemplified in Mr Higham's book. It is, in effect, an information booth for contemporary American historiography. He has expanded five broadcast talks originally given for the *Voice of America* into a collection of eleven essays on major themes in American history. Each essay comes from the hand of an expert in the period or topic, and preference has clearly and beneficially been given not to the maestri of settled name and renown so much as to the coming men whose ears are alert to history's future as well as her past. Mr Higham himself contributes an illuminating résumé of the broad trends in past American historical writing and suggests that its present condition is ambiguous; there is a neo-conservatism that dwells on the happy elements of consensus in the American past, but there is also a persisting disposition to explore and emphasise the elements of conflict.

The individual essays are frankly and most usefully written around the works of the leading scholars of each theme. They do not fight shy of citing, where necessary, the significant article as well as the full-length book, and they follow up their analysis of the principal writers by succinct bibliographies, which list monographs or peripheral studies. The result is a highly suggestive as well as a very practical set of signposts for scholar and layman alike. It would be an excellent idea if British historical scholarship were similarly ordered and signposted in terms not merely of the stock periods but also of the live issues that generate controversy and inquiry.

Two things emerge very clearly from these essays. The first is the impressive unity of the world of American historical scholarship. Vast in point of numbers, scattered in countless institutions across the continent, exposed to the tireless marauding depredations of the social sciences, the anti-social sciences and even the natural sciences, American historians maintain a community of discourse, a persistent exchange and friction of ideas, which guarantee that no hypothesis will go unexamined and no thesis escape its antithesis. They may be a little insular, rather too seldom relating American experience to that of other times and places, but in cultivating their own garden they have explored its potentialities to the full. Perhaps this is due, more conspicuously than their British opposite numbers may care to admit, to their other very evident characteristic—their industriousness. Without intending it, Mr Higham's book is, among other things, a tribute to the sheer assiduity with which American historians have gone at their country's past. No doubt sheer volume of output is not everything. But it is something that British historians could do with a little more of.

Missionaries and Others

Livingstone's Missionary Correspondence, 1841-1856

Edited by I. Schapera.

Chatto & Windus. 368 pages. 42s.

East Africa: *Through Contemporary Records.*

Selected by Zoe Marsh.

Cambridge University Press. 236 pages. 25s.

Writers about Livingstone, like Blaikie, have mostly drawn a standard Victorian portrait of a Christian gentleman full of conventional virtues and missionary zeal. In fact he was a difficult, irascible, intolerant and thoroughly unsociable man, who was by profession and instinct an explorer and by religion and temperament a sort of eclectic gipsy. He was only a missionary for a short time and he was not a great success. The qualities that made him perhaps the most brilliant explorer of his age did not always go down very well with the London Missionary Society.

In this book Professor Schapera has collected together a valuable and entertaining selection of letters, many of which have never been published before. They cover the period between Livingstone's first arrival in South Africa as a missionary in 1841 to the time when he finally broke his connection with the London Missionary Society in 1856. Professor Schapera has summarised them in a most illuminating and thoughful preface of his own.

The letters fall into three groups: those

"... far better written, far livelier, and expressing genuine opinions."

You wrote in an American magazine recently, Sir Charles, about Great Delusions; the ones that blind many Americans to their country's weaknesses. Do you think that the British are similarly deluded in believing, as many do, that their Press is the best in the world?

Now, that's difficult. I think the British Press is probably the most highly professional of any I know, and in many ways the most interesting and lively. But I must say I don't think it is as deeply serious as, for instance, the best of the American Press.

But surely newspapers, especially popular ones, should be entertaining as well as serious?

Oh, of course! It's just that I would like to see more news in our papers. I can't say I'm very happy about the tendency of British newspapers to become more and more like daily magazines. Perhaps this is inevitable. But I would like it not to be so.

What about the political weight distribution of our Press?

Well, of course, it's heavily tipped towards the Conservative side at present.

So you would probably agree that there ought, at any rate, to be a place in the set-up for a popular radical paper? Do you think that, in fact, such a paper can achieve the sort of circulation that it would need to compete with its popular rivals?

I very much hope so. The great danger seems to me to be that we're going to have too few newspapers, and, consequently, relatively few opinions and those more or less homogeneous. That would be a bad thing by any standards.

Then do you think the Daily Herald will be doing both what is right and what is expedient if it sticks to its guns as "an independent newspaper of the Left"?

I'm sure it will. Though I feel the words "Right" and "Left" are unsatisfactory here. One great change in this country is that you now have a belt of affluence which covers a large part of the prosperous working-class and has made them into, in sociological terms, a lower middle-class. It's extremely important that these people should be represented, and, above all, **helped to form opinions.**

And do you think the Daily Herald, in its new form, can do this?

Well, I'm not sure if it has found the right approach yet. Don't misunderstand me. I am full of admiration for what has been done to the Daily Herald of late. It's an immense improvement; everyone agrees on that. It's a far more interesting paper; far better written, far livelier, and expressing genuine opinions. Whether they are opinions tuned to the people who are going to form its readership, I have some slight doubt.

Have you an image of this readership? ... this new market? Who are they?

I have no doubt that they are the very large number of intelligent and educated Labour voters in the country.

Do you think it's mainly a young market?

I'm always a little suspicious about age distributions in connection with things like books, plays, newspapers ... I think it's a mistake to be hypnotized by that. Statistically, there must be great numbers of Labour voters of all ages who don't yet read the Herald, and it seems to me that if you get even half of them you've got your mass circulation!

Then what do you think is still needed? There they are, the natural readers of the Daily Herald; what must be done to win them all over?

The Herald has still got to stamp its personality, and that is the hardest thing of all for a newspaper to do. It's got to acquire a particular cachet; something that distinguishes it from all the rest.

Would you say there are signs that a personality is emerging in the Herald now?

Oh yes. It can't happen quickly, because, you see, it's a two-way traffic. You need the right audience to help create the paper's personality. The two things must interact. It's like the current that flows to and fro between actors and audience in the theatre. And journalism is just the same.



C.P.SNOW HAS SOMETHING TO SAY ABOUT THE NEW DAILY HERALD

Men of many parts are rarer than they were, but Sir Charles Snow is one. As C. P. Snow he is famous as one of Britain's most gifted novelists. His books are widely read in the United States and all over Europe, East as well as West. Scientist, Lecturer at Cambridge and leading American universities, Civil Service Commissioner, director of a great business firm, member of the American Academy-Institute—he is or has been all of these. Here he talks frankly and freely about the Daily Herald.

You've just said, Sir Charles, that the Herald is greatly improved. What do you find especially good?

I very much like this précis of what's in the paper: "The World This Morning." I find that excellent. And "The Daily Herald Explains"; I'd like to see that developed even further. The series on the Common Market was particularly good.

What about "As I See It"—this column on page 2 which is opened to a wide political range of contributors? Do you approve of this kind of personal journalism?

Now, that I'm not so sure of. Or rather, I feel you can dissipate your effects rather easily that way. Of course Michael Foot is a brilliant journalist; so is Walter Lippmann. **But readers are largely got by legend and habit,** and I think you form the legend and give people the habit through something they expect to read regularly and often. I would prefer the Herald to have one political columnist as good as these, in line with the policy of the paper and writing regularly.

Like Malcolm Muggeridge, who writes regularly on "Life and Books"?

As good as Malcolm Muggeridge, but seriously political.

What do you think of that side of the paper which deals with the arts?

Well, one thing occurs to me at once. I'm very strongly for "A Book a Day." All the reviews I've seen have been extremely well done, and I've been most impressed by the care that has been taken to get the right people to review the books. I like Paul Dehn, too, on films; and the theatre criticism is on the right lines.

Some people feel more space should be given to that part of the paper. Do you agree?

Yes, I think that is probably so. Music, for instance. There you really **do** have an audience that the paper ought to be able to use, and the same is true of the visual arts as it never was before; and this is something that is world-wide. But I'm a great disbeliever in culture as a decoration added afterwards. It must fit the paper. For instance, I'd hate the Herald to go in, like certain of its competitors, for dramatic criticism which has absolutely no bearing on anything the paper could possibly represent. That, ultimately, is death!

In that connection, do you think that, on political and other matters, too, it's important that things should fit the paper? For instance, what sort of things do you feel the Daily Herald, more than other papers, should be campaigning for, or against?

Well—there are two major local issues, for a start, which will concern this country more and more in the next ten years or so: one, how we're going to earn a living; and, two, education. They're connected, of course, because education means both educating ourselves for a decent society, and educating ourselves for the practical tasks we have to tackle in it. The Daily Herald should be very much concerned with both.

You said local issues. What about bigger ones?

Yes, indeed, and the biggest one of all, which we can't escape, is that **somehow the world has got to live together.** People have got to try to understand what's happening not only to our own relatively static society, but also to societies which are changing extremely fast. People haven't realised just how fast. Intellectually, perhaps, but not emotionally; and until they do, the task of trying to live together in peace is hopeless. Russia, for instance, is a vastly different country from the one it was eight years ago; and it's the same in many other countries. The actual rate of change is fantastic. Now, **that is the sort of thing that a paper like the Daily Herald can bring home to people....**

from Livingstone to the headquarters of the society in London, the replies sent to these letters, and a particularly revealing series of informal letters to a friend of his called William Thompson. They show how bit by bit Livingstone changed from being a conventional missionary, first into a restless gospeller with a zest for travel and hearty dislike of his fellow missionaries, and finally into the solitary explorer which he remained for the rest of his life. Although other missionaries complained about him in very uncomplimentary terms, and he himself bombarded London with obstinate, disobedient and sometimes scurrilous letters, the directors of the London Missionary Society were, it seems, remarkably understanding and generous, and gave him a lot of rope. In the end, however, there was a limit to their forbearance, and to their ability to justify spending missionary money for exploration pure and simple, and he had to go.

The conclusion that emerges is that David Livingstone, though impossible to live with, work with or control, was a character, and a most courageous and gifted explorer. One is grateful to Professor Schapera for transforming a legend into a man.

Miss Marsh's extracts from contemporary records range from Herodotus to the Carter Report. They outline the nature and the effect of the various outside influences that have shaped the development of the East African territories. Although its main value is, of course, as a source book, some of the extracts are lively and appetite-whetting enough in themselves. There is a splendid account of an argument between Stanley and Mr Gladstone whether a peak of Ruwenzori should be called Crophi or Gordon Bennett, and an extract from a debate on the Uganda Railway which ought to be read as a warning by all MPs who speak about overseas territories they have never been to. The drawings by Ruth Yudelowitz are enchanting.

Fresh Approach to Competition

Competition as a Dynamic Process

By J. M. Clark.

Faber for the Brookings Institution. 518 pages. 54s.

In the early thirties, Mrs Robinson in this country and E. H. Chamberlin in the United States revolutionised the theory of the firm and of price determination by providing a rigorous analysis of cases midway between free competition and monopoly. At the time, this seemed to be a great advance towards realism and relevance, and dozens of articles appeared in the learned journals, elaborating and extending the theory.

Unfortunately, the main legacy of all this has been the readiness of undergraduates to believe that they understand the workings of the economy once they have learned to draw marginal revenue and marginal cost curves, or to expound the kinky oligopoly demand curve. The sad fact is that all of this ingenuity has contributed very little towards useful knowledge. This became gradually apparent when economists, armed with the new tools of analysis, sought to use them in studying the behaviour of particular industries. Despite manful attempts to expound their conclusions in terms of the theory, one author after another found himself unable to do more than pay it lip service. The first high hopes were thus disappointed, though even today some of those economists who find facts an unpleasant subject for contemplation continue to manufacture intellectually satisfying theoretical constructs for the delight of their fellows.

The reaction against the new theories started before the war. Some economists got on with the job of studying the price and output policy of a particular firm or industry, while others attempted to formulate inductive generalisations (for instance, the full cost principle) on the basis of surveys by interview and questionnaire. As a result, a large but disorganised body of knowledge now exists, particularly in America (where each anti-trust action provided thousands of pages of source material). Economists are therefore in a position to contribute something as is shown, for instance, by their appearance as witnesses before the Restrictive Practices Court in this country.

One of the big differences between the pure theory and the down to earth approach is that from the former competition is regarded as a state of affairs, while from the latter it is regarded as a process. Professor Clark takes this second view and has here attempted to set out a fresh approach to the study of competition, which is dynamic and which fully reflects the complexity of industrial life, but which contains new theoretical generalisations rather than mere description.

The results of his labours defy summary. Four hundred and fifty pages exhaust the reader if not the subject. There are no clear and crisp hypotheses, no elegant chains of Euclidian argument: there is only page after page of reflective platitude and wisdom. Does competition improve or worsen quality? "It depends" is the answer. But then we are told what it depends upon in a thoroughly sensible discussion of the many relevant factors. They are too many to be embalmed in any concluding precise formulation, however, and the same is true of all the other fields through which the author steadily ploughs: such as, what do we want competition to do?, cost behaviour, competition over distance, and so on. It is a worthy and impressive performance which few other economists could have matched. No one should set out on the study of competition in a particular industry without having read it, and if the generalisations are not general enough to suit most theorists, perhaps it is the fault of the subject rather than of the author.

A Gallop Through History

Great Britain to 1688: *A Modern History*

By Maurice Ashley.

Michigan University Press. London: *Cresset Press.* 477 pages. 50s.

The University of Michigan has embarked on an immense task; no less than the history of the world in fifteen volumes. This series will include volumes on Africa, the Southern Pacific and India, and when completed may well be one of the most up-to-date surveys of its kind in print. Mr Ashley's volume is the first of two on Great Britain (the only other country so honoured is the United States). It is described as a "modern" history, presumably in the sense that it is contemporary in its approach.

It is difficult to feel completely convinced of the value of these gallops through the ages. There are doubtless a few avid searchers after general culture who genuinely want a bird's-eye view of Great Britain from the Beaker people to the Whig grandees in four hundred and fifty pages, and who can read through a brisk recital of facts without mental indigestion; and there is, of course, the ever-increasing stream of exam-conscious young, who want a comprehensive survey. To these, especially in America, Mr Ashley's book will be a godsend, for it is clear, competent and, above all, readable.

It is perhaps ungenerous to carp at Mr Ashley for making history read like the unrolling of a pre-inscribed scroll. The terms of the problem set him make simplification essential. This means that much has to be sacrificed—the complexity of human motives, for example, and doubtful or controversial interpretations. Without these, history is apt to seem a little thin. Mr Ashley does break his narrative periodically to discuss the general social-economic state of society, and to describe the development of the arts and of science and technology. These sections are well done and do much to fill in the background. His bibliography is good, and his summaries of Welsh, Scottish and Irish affairs in the earlier sections are most useful in disentangling the complexities of their politics. It seems a pity that this method was not continued for Scotland and Ireland whose later development always tends to be obscured by that of England. There are maps, but no genealogical tables. The latter omission is surprising, since the ramifications of the English royal line are unfamiliar to most people, and a clear understanding of the fourteenth and fifteenth centuries is impossible without some knowledge of the rights of the various claimants to the English throne.

Mr Ashley's book must be judged as part of a series: a series, moreover, that spans the whole history of the human race. As part of such a vast scheme it is what it sets out to be, a brief lively account of the surface of British history to 1688. It is not more than this. However efficiently the facts are presented (and Mr Ashley is extremely efficient), the result cannot be more than a summary.

Why does one want to read history in this form at all? One answer is that one wants to get a knowledge of the past, even in a general and simplified form, in order to understand the present. This is true of Britain as elsewhere. Political ideas such as manhood suffrage, which flourished in the struggles between king and parliament, bore fruit centuries later here and in America. Mr Ashley is keenly aware of this—one feels he writes of the past with an eye to the present. If what is wanted is an introductory account of British history, this is adequate and stimulating.

Reassessment

The Growth of Southern Civilisation, 1790-1860

By Clement Eaton.

The New American Nation Series.

Hamish Hamilton. 374 pages. 35s.

The assiduity of American historians, mostly Southerners themselves, has resulted in the last thirty years or so in a radical overhauling of the nineteenth century views of Southern society and the slave economy on which it rested. Hard digging in the archives and serious analysis of the statistics have uncovered a South that has less charm but more diversity, fewer magnolias and more soil erosion, less poetry and a lot more economics than the one which dominated the history books for two generations after it had lost the war. It is fair to say that no American region has been so realistically re-examined as the ante-bellum South.

Equally, however, the new findings still awaited an adequate synthesis. In this book, one of the best volumes in the New American Nation Series, they receive one. Comprehensive but not congested, incorporating the results of other scholars but also using much new material of Professor Eaton's own, sympathetic but critical, very learned but easily digested, this is the long-awaited treatment that only a devoted historian who is also a loyal Southerner could provide.

OTHER BOOKS

The Law of Restrictive Trade Agreements. By Jeremy Lever. *Sweet and Maxwell.* 88 pages. 10s. 6d.

This monograph provides a straightforward account of the Restrictive Trade Practices Act and the way in which it has been enforced by the Restrictive Practices Court. As a guide to the relatively lay reader through the case law that has now accumulated it has especial value, and it will no doubt be studied carefully by those trying to produce schemes that evade the provisions of the act.

The Economy Through Boom and Slump. By J. Delaire, G. de Vernisy, and R. P. Schwarz. Librairie de l'Université. Geneva. 114 pages. 8 Swiss francs.

This, despite the deceptive title, is simply a French-English dictionary of economic terms, of a highly selective and useful kind. It covers not technical expressions but the catchwords of economic jargon, which as the authors rightly say often cause more difficulty to readers—and translators—than the straight technicalities. This is an invaluable handbook to anyone who has to follow contemporary economic discussion in the French tongue. Stagnation, floating exchange rates, countries in strong surplus positions, inflationary pressures subsiding—here they all are in French.

History of the Society of Incorporated Accountants, 1885-1957. By A. A. Garrett. *Institute of Chartered Accountants.* 378 pages. 24s.

The seventy odd years of independent existence of the Society of Incorporated Accountants witnessed vast changes in government; in the finance of industry; and in taxation. Most of these changes altered the functions that accountancy was called upon to perform and greatly enlarged its scope. The story of the evolution of the society, until it merged with the three Institutes of Chartered Accountants, could have been entrusted in no better hands than those of Alexander Garrett, for it made certain that the story would be told from the inside. He was secretary of the society for 30 years up to 1949 and knew intimately his predecessor whose term covered an even longer period. His history is not a mere account of the growth of the society. It covers in turn the activities of other accounting bodies and builds a pattern of major events in a period exceptionally rich in change for the accountant. The various bodies were not always in agreement, but it is, perhaps, inevitable, in view of the recent integration of the society with the chartered accountants, that he has somewhat played down past differences. He gives, however, an interesting account of the discussions and conflict of views that attended the event and makes a good case for the more liberal policy of entry into the society, particularly as against the institute. There are accounts of efforts, largely abortive in early days and not very fruitful more recently, to secure co-operation with the universities for further education of accountants. It may seem strange to those outside the profession that there is so little on the subject of education, as distinct from office training, for the articled clerk or the by-law candidate. This question is only now becoming a matter of active interest within the profession.

Signals of Recession and Recovery: *An Experiment with Monthly Reporting.* By Julius Shiskin. *National Bureau of Economic Research,* New York. 203 pages. $3.00.

The rapid recent development in the United States of methods of assessing and forecasting the state of business is the fruit of the co-operation between the policy men in the Council of Economic Advisers, the official statisticians in the Department of Commerce and the researchers in the National Bureau of Economic Research. Mr Shishkin has taken an important part in this work. He provides in this book an essential guide to the new monthly statistical series—"Business Cycle Developments"—published by the Commerce Department, and arranged in accordance with the National Bureau's analytical system (noticed under "Economists' Weather Map" in *The Economist* of November 4, 1961, page 466). The book describes the uses—and the traps—of the "leading indicators" and the other barometers of business conditions, and reviews their performance during recent cycles. Mr Shishkin confines himself in this short monograph to the highlights. For a more exhaustive discussion of the National Bureau's system, the student will need the two volumes of "Business Cycle Indicators," edited by Geoffrey Moore (discussed in *The Economist* of September 9, 1961, page 991).

Parliamentary Reform, 1933-1960. Hansard Society. *Cassell.* 202 pages. 25s.

Building Societies Yearbook 1961. *Francis & Co.* 744 pages. 45s.



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This important work, published in record time in the Proceedings Series of the INTERNATIONAL ATOMIC ENERGY AGENCY, includes 35 papers and a complete record of the discussions of the Symposium on POWER REACTOR EXPERIMENTS, organised by the IAEA and held in Vienna from 23 to 27 October 1961. It contains information on the latest projects, developments and results in the field of power reactors. It deals with high-temperature gas-cooled reactors such as DRAGON, EBOR, pebble-bed reactors, etc.; aqueous homogeneous suspension and molten-salt reactors; fast breeder reactors like the Dounreay reactor, the USSR BR-5, RAPSODIE, etc.; nuclear superheat in general and, in particular, its application in the BORAX-5 reactor, the reactor of the USSR First Atomic Power Station and the ESADA Vallecitos Experimental Reactor; and such other reactor types as SRE, ESSOR, PRTR, Saxton and VULCAIN.

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LETTERS

Smoking and Health

SIR—I wonder whether you can be induced either to explain more clearly your reasons for not supporting the suggestion made by the Royal College of Physicians that restrictions should be imposed on advertisements for cigarettes, or to give it the support which it seems to me to deserve.

One can make various guesses about the effects of such advertising. I would not myself agree with your view that the advertisements constitute "harmless" attempts to attract to a particular brand a bigger proportion of a fixed total consumption: I suspect that most of the advertising experts involved would also consider that their skilful wooing of young people increases total sales. But be that as it may: even if you felt certain that you were right, I would still urge you to support the physicians, on two grounds:—

First—and less important—your hypothesis means that the advertising is simply a beggar-my-neighbour process of wasting resources: its compulsory abolition would be a measure of legislative relief to an industry whose profits will (we must hope) be suffering from the public's better realisation of the dangers involved in cigarette smoking.

Secondly, a government which prohibited the advertising of cigarettes would, by that very act, do a great deal to convince the public that the danger to health is serious. The counter-publicity which you recommend will gain greatly: "There must be something in it—otherwise the government would not have faced a row with the advertising interests as well as the cigarette-makers." If, on the other hand, cigarette advertising is allowed to continue unchecked, the expenditure on truthful counter-publicity of (perhaps) 10 per cent of manufacturers' expenditure on advertising will appear as little more than hypocrisy.

Perhaps one type of advertisement should be permitted, if it can be suitably defined—the type which says: "The physicians are convinced that smoking is dangerous, but if you want to run the risk, smoke Whiffers."—Yours faithfully,

W. B. REDDAWAY

Department of Applied Economics, Cambridge

[We are not over-confident on the correctness of our line about this. We accept that Mr Reddaway's second point is a fairly strong one. But we are much more chary than he of banning any form of free speech, even the lowest. There are a lot of things and activities and even organisations which we think are, like smoking, a bad thing for the British people; we maintain our right to attack them, but we are nervous of anybody who says glibly that they should be banned by law from answering back. And we are confirmed in this nervousness because we think that Mr Reddaway's first and general point—about advertising as between different brands of anything being "simply a beggar-my-neighbour process of wasting resources"—is extraordinary nonsense; basically that is a doctrine for the compulsory abolition of large areas of competition in the British economy, especially of competition by new varieties of a product entering the field to challenge established ones.]

Central Africa

SIR—Mr F. H. Keenlyside (March 10th) implies that nationalism in Central Africa (he seems to be restricting himself to the non-white types in his strictures) is fundamentally racialist.

How does he explain the presence of some two hundred Europeans in the United National Independence Party? Has he read any of the speeches made by Mr Kenneth Kaunda or Mr Joshua Nkomo or Mr Dunduzu Chisiza in recent months? Why is Mr Colin Cameron, a Scottish Presbyterian elder, holding a portfolio with Malawi support in Zomba? Does he know anything of the recent political associations of men like Sir Stewart Gore-Browne and the Rev. Merfyn Temple?

More seriously misleading is his claim, often repeated by the United Federal Party, that the Federation is "the only attempt in Africa to build up a non-racial society." What nonsense! I spent some years in Central Africa both before and after August, 1953, and I can testify that the governments of Northern Rhodesia and Nyasaland were seeking different ways to develop non-racial institutions. Indeed it was the imposition of the Federation against the known opposition of the majority of the inhabitants irrespective of race which arrested such processes. An examination of the division of subjects between the Federation and the territorial governments, whether done for liberal reasons or not, reveals how this big new constitutional change divided the races. For example, white education up to and including secondary became federal and black education of the same brand remained territorial. The same new chasms appeared in subjects like agriculture.

Mr Keenlyside also states that "last year, the then governing class, by a majority of some 2-1 in a referendum, voted away their existing privileged position. This was an act of political liberalism for which it would be hard to find a match in ancient or modern history." I suppose he is referring to the referendum in Southern Rhodesia on the new Constitution of July 26th last year. The development was in the contrary direction to the one Mr Keenlyside indicates. There will be only 15 African members in a House of 65. The African block will not be big enough to prevent the two-thirds majority which can by-pass the constitutional council's opposition to a discriminatory bill. The European-dominated Assembly can override any recommendation or report from the constitutional council by a simple majority after six months.

In return for such nibbling concessions as Sir Edgar Whitehead made, Mr Duncan Sandys bartered away the reserve powers held by the metropolitan government for over two generations. The governing class of Southern Rhodesia, to quote your correspondent's terminology, did not "vote away" their privileged position; they consolidated it.—Yours faithfully,

KENNETH MACKENZIE

Edinburgh

Tory Hopefuls

SIR—Your article of March 3rd gives the reader the impression that we do not worry about the 11 to 15-year-olds. Unfortunately incorrect information was given to your special correspondent over the telephone from Conservative Central Office. The Young Briton age limit is 9 to 15, not 6 to 11 as stated in the second paragraph of the article in question. There is therefore no gap between the leaving age of Young Britons and entry age into the Young Conservatives.—Yours faithfully,

JOAN DAVIDSON

Chairman, Young Britons Organisation

London, SW1

Treaty of Rome

SIR—One aspect of this country's proposed entry into the common market does not appear to have been touched upon by any of your correspondents. I refer to the spiritual implications whereby this country, for many years a bulwark of Protestantism, will be involved both politically and commercially with peoples 80 per cent of whom are Roman Catholic. The very name of Protestant is derived from the "protest" which we have maintained against papal rule and practices. Did RIDLEY and LATIMER die in vain that four hundred years later we should be considering proposals for a new link with that from which we severed ourselves at the Reformation?

With the question of the common market is inextricably linked the question of reunion with Rome. Let us face the fact here and now, before any reunion is seriously considered, that Rome's idea of reunion is not what we understand by that word. Her idea of reunion is unconditional surrender to the papacy with all that that would involve. Only one year ago we commemorated the tercentenary of the Authorised Version of the Bible by the publication of the New English Bible (New Testament) in the language of the people, the reading of which would certainly not be permitted were we ever to come under the yoke of papal rule.—Yours faithfully,

H. V. ELDRED

London, NW7



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Cans even make cats behave like dogs

If you want your cat to grow up to love you dearly, welcome you home, hate your enemies and love your friends (just as a dog will), then you must talk to her from earliest kittenhood, feed her by hand, flatter her, show her every sympathy and pay her unceasing compliments. And then you will have proof indeed that devotion does not belong to dogs alone.

Easier with cans

These days, of course, both cats and dogs are easy enough to feed. There are at least thirty different kinds of canned cat and dog food in the shops. All inexpensive, hygienic, and brimming over with vitamins, essential minerals and the rest . . . .

Quicker with cans

More difficult than feeding your pet, perhaps, is finding enough time to give them the attention they crave. But cans will help you here too, making housework lighter and cooking quicker. A little imagination (and a few cans) will earn you the leisure to sit peacefully by the fire with your dog or cat — a pretty and domestic scene much loved by husbands.



WHERE NEXT? On top of all these Swiss mountains. The skiing season's here again, and out comes the suntan lotion all along the snowline. And now that your lotion turns up in aerosols, a deep brown skin can be acquired for practically no trouble at all. A touch of the button, a touch of the sun—and there you are!

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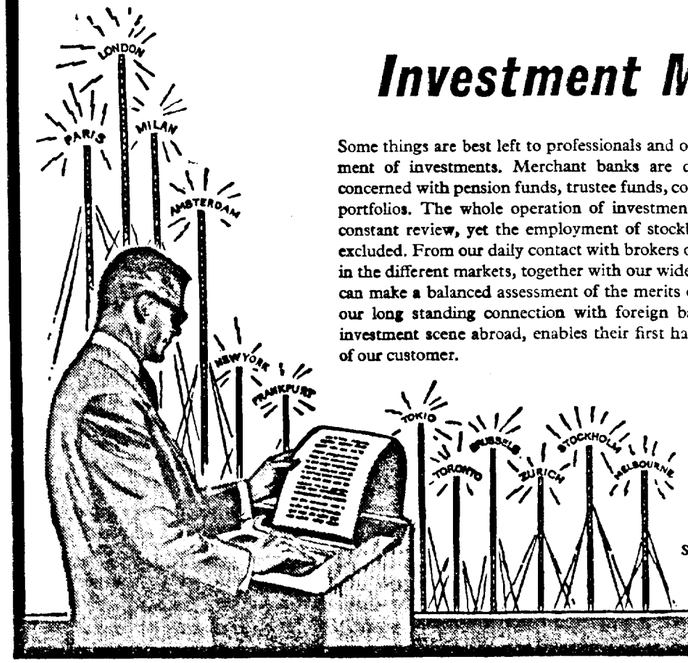
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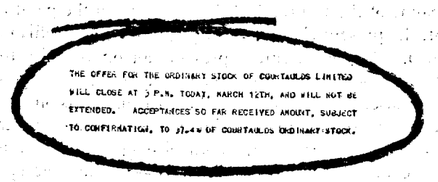
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THE BUSINESS WORLD



Living with 37.4 per cent

EIGHTY-EIGHT days after its final, final bid and two higher offers later, Imperial Chemical Industries conceded defeat at midday on Monday, March 12th. By then it had acquired 37.4 per cent of Courtaulds' ordinary stock, only 0.7 per cent more than it had secured by March 8th, the first closing date; and the decision not to extend its offer further spared ICI more humiliation. It also decided to let its offers for Courtaulds' preference shares lapse, having received insulting acceptances of 45.3 per cent of the 5 per cent stock and 60.4 per cent of the 6 per cent stock.

If ICI, halfway through the struggle, had not made its alternative offer of convertible loan stock, it would have commanded no more than a handful of supporters. The assents it received have come largely from the institutions who have taken the loan stock primarily for its good running yield, and only secondarily as an escape from the present uncertainties of the equity market with the option of getting back in if conditions next year or later are more favourable. Some private holders of Courtaulds sold out, but the vast majority decided to stand by their directors.

The complex of reason and emotion that swayed the individual stockholder led many observers astray; but, in the broadest terms, three factors appear to have been especially important. First, many investors resented the aggressive, dogmatic manner in which Mr Paul Chambers and ICI saw the only possible answer to the problems of the man-made fibre industry in submitting Courtaulds to a total merger. Secondly, in the course of the battle, Courtaulds' directors convinced many stockholders that the stuffy, conservative past was dead and that the new men with their new policies, embodied in a number of far-reaching forecasts and promises, would henceforth keep their interests in the forefront. Thirdly, a week before the closing date, when ICI declared its offer virtually unconditional, it admitted that it was prepared, if need be, to hold a minority interest in Courtaulds and could justify paying about 50s. a share. This tactical error has created a situation that is surely without parallel in British industrial history. What an unsuccessful bidder normally arranges is to slip out; but ICI made this impossible for itself and so remains as holder of a substantial minority interest.

What has been said and done in the last three months by the two sides must profoundly influence their future—how, no one can foretell, for the main personalities must first set themselves on constructive courses. It could be argued that although it now has over a third of the Courtaulds equity ICI really has no mandate except to hold the shares as a trade investment. But could ICI be expected to "neutralise" its holding in Courtaulds as Imperial Tobacco has done with its 37 per cent in Gallaher? A holding of this sort is more likely to form the base from which either mischief or some form of reconciliation could be attempted. Some of the moves in the closing stages of the struggle suggested hope of conciliation; but there is an equal possibility that unless both sides practise a little accommodation, war could continue with ICI as a militant minority interest.

This week ICI has refused to give any hint about its future course and certainly a breathing space in which emotions and tempers can cool is welcome. Nor has Courtaulds any ready-made solution to offer; it, too, wants time to reflect. One can, presumably, disregard the possibility that ICI might be tempted to buy more Courtaulds' shares to gain control (which would cost about £27½ million) or would try to dispose quickly of the investment it has already made. Courtaulds would certainly consider possible forms of co-operation, but while it is not in the nature of Mr Chambers to come to Canossa, it is he who has argued for a complete merger. If a hint came that ICI was now prepared to discuss answers to the problems of the man-made fibres industry other than its own decisively rejected solution of an outright merger, a way might be opened.

In the past the two companies have sought remedies in opposed directions: ICI in vertical integration and Courtaulds in greater independence from the suppliers of basic raw materials. After last year's abortive negotiations and the hard words about basic differences in industrial philosophies, is any workable scheme of technical co-operation possible? Negotiations to this end could easily fail, but they would have served some purpose if they created an improved atmosphere and diminished the prospect of perpetual war between two companies that are tied together as suppliers and customers, as partners in British Nylon Spinners, and as stockholders.

But before they can seriously talk to each other about their future, both ICI and Courtaulds have to take an objective look at their own organisations. ICI has come out of the struggle far weaker than it went in. The weaknesses were there already; they have now been exposed to public scrutiny

and criticism. ICI's chairman, Mr Paul Chambers, has suffered a personal rebuff, not merely for the policies he has advocated, but even more for the manner in which he has tried to impose them. It may be that some other ICI directors followed his lead with increasing misgivings; but they did follow him and they must feel bound by the doctrine of collective responsibility in the boardroom to offer no support to suggestions that Mr Chambers, having so signally failed, should now resign. Yet, for all his outstanding gifts, Mr Chambers will hardly be able to lead ICI with the same ebullient self confidence in his own ideas and in the "big brother" philosophy of ICI as he did in the past.

The difficulties currently confronting ICI and the chemical industry have been sharply exposed. ICI has also lost goodwill among the investing public and it will go into a conference—with Courtaulds or anyone lese—with less prestige and fewer friends than it possessed less than a hundred days ago. One way of regaining favour is to be reasonable and circumspect in its future dealings with Courtaulds. In its turn, Courtaulds would like to get back to "square one"—back to a situation and atmosphere where its representatives and ICI's could examine fresh solutions to their mutual problems. The Courtaulds' directors have not had time to formulate what solutions they would find acceptable. Nor has ICI; though on the day of defeat Mr Chambers continued to extol the virtues of vertical integration. The proposals put up by Courtaulds at the "truce" conference in January envisaged either the formation of a joint company to deal with all melt-spun (i.e. non-rayon) fibres, in which ICI would have a majority interest, or of a joint company to deal with all fibres, in which Courtaulds would have a majority interest. If these were the absolute limits of conciliation that Courtaulds was prepared to stomach at that time, it must be seriously questioned whether it would be prepared to go so far now. But the possibility of some joint venture with ICI in melt-spun fibres over and above that already established in British Nylon Spinners cannot be ruled out, though any idea that ICI might transfer its interests in polymers and fibres to Courtaulds seems to be a non-starter. The two companies may in the end decide that some rigid scheme for a further joint venture in man-made fibres is impossible; in that case, let them be opposed in competition, but partners against mutual destruction.

Courtaulds has its own real problems to settle. In one sense, it can never get back to "square one" as it existed last September; the new voices have been lavish with promises and they have shifted decisively the balance of power within St Martin's-le-Grand. The shift is not finished yet, nor has its effectiveness yet been proved. In the rayon division, for instance, senior executives whose experience stems from the palmier days for viscose might create a barrier of change to policies keyed to leaner, more competitive days. At the top level—in the boardroom itself—a real drama is being played. Some of the Courtaulds' directors are on the point of retirement, the present chairman, Sir John Hanbury-Williams, among them. Their retirement presents an opportunity for demonstrating conclusively that mediæval traditions, epitomised in the discussions that led to the arrogant decision (and gigantic error) to reduce the interim dividend in November, are truly dead and buried. It could also open the way to the most conciliatory gesture—that Courtaulds accepts representation of its biggest stockholder, ICI, on the board.

Sir Alan Wilson has already been designated as Sir John's successor. He figured prominently in last year's discussions with ICI but took no great part in the battle from December onwards; his somewhat aloof, intellectual personality appeared to be smothered by the fire and smoke. Whether he was more attracted to the idea of a merger with ICI than some of his colleagues would be impertinent for an outsider to guess. Should he decide to accept the chairmanship of Courtaulds, he will have the full support of his colleagues. If he does not, an obvious candidate may at first sight appear to be at hand in the person of Mr Frank Kearton, whose fire, courage and ability, supported by Mr H. R. Mathys and Mr A. W. Knight and other Courtaulds directors, have made a decisive mark. But although there can be no doubt of his ultimate role in the future conduct of Courtaulds' affairs, it may still be true that the task of building bridges may be better undertaken for a few years by someone from outside who can bring independence as well as experience to bear upon Courtaulds' problems. The crucial question of Sir John's successor will have to be settled before Courtaulds can explore any area of agreement between itself and ICI.

Courtaulds has emerged from the struggle both stronger and weaker—stronger because the majority of stockholders have been persuaded to overlook the past (though many of them cannot have forgiven it) and to pin their faith on new men with new policies and promises, and weaker because ICI's minority holding breaches the St Martin's-le-Grand citadel and could easily bring it down if the directors fail to justify the faith that investors are now putting in them. Their promises about future profits and dividends are halters that they have knotted round their own necks. If the knot tightens, it will be their own fault. Courtaulds shares, currently standing at 50s., will not have to fall much below that level before the growls are heard. The only mandate the Courtaulds board has been given is to do as well as they promise and this prospect could be jeopardised if they failed to reach some sort of concordat with ICI.

Homilies and admonishments are thick in the air. The role that the Government can play in regulating monopolies and the engrossment of a market needs to be re-examined. So, too, does the ill-defined nexus of relations between a company and its directors, and the stockholders and general public. This goes far beyond a public relations image. Courtaulds' decision about the interim dividend has, in the end, provided another demonstration that the interests of stockholders can be ignored only at the directors' peril. The remedy does not lie in creating impressions of remote boardroom benevolence, but in the readiness of directors to treat stockholders responsibly and to justify candidly and publicly the courses they pursue. Equally, what has happened to ICI demonstrates that lasting goodwill is not built on an image of what a company thinks it would like to be, but on what it actually is. A man greater in his faults and virtues than any at Millbank or St Martin's-le-Grand once asked to be painted, warts and all. ICI, Courtaulds and other companies should have learnt some such humility from this bitter and at times shoddy episode.

CROSS STOCKHOLDINGS

ICI owns 37·4 per cent, or £29·6 million, of Courtaulds Ordinary stock. On the assumption that all the acceptances have been for ICI's 6½ per cent convertible loan stock ICI will have to issue £74 million of loan stock. The cost of servicing this stock will initially be £4·8 million gross.

On its holding of Courtaulds' Ordinary shares ICI should receive for 1962–63 at least :—

	Gross £ mn.	Net £ mn.
An Ordinary dividend of 13 per cent	3·9	2·4
A tax-free capital distribution of 2½ per cent	1·2	0·7
Interest payments at 7 per cent on a holding of £13·4 million in Courtaulds' Loan stock	1·0	0·6
Total	6·1	3·7

Thus ICI will receive £3·7 million (net at 7s. 9d. in the £) in investment income from Courtaulds while it will have to find from its own income £4·8 million to service the loan stock.

PRO FORMA BALANCE SHEET FOR ICI

LIABILITIES	£ m.	ASSETS	£ m.
Before the battle			
Preference capital	35	Net fixed assets	520
Ordinary capital	266	Trade investments	51
Reserves	304	Net current assets	172
Future tax	42		
Minority interests	36		
Debenture capital	60		
Total	743	*Total*	743
After the battle			
Preference capital	35	Net fixed assets	520
Ordinary capital	266	Trade investments	125‡
Reserves	304	Net current assets	172
Future tax	42		
Minority interests	36		
Debenture capital	134†		
Total	817	*Total*	817

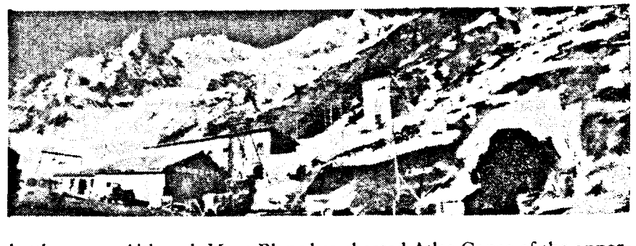
* Based on balance sheet on December 31, 1960, but adjusted for the subsequent rights and other issues. ‡ The holding in Courtaulds has been entered under "trade investments" at the nominal amount of the convertible loan stock issued in exchange for it.

PRO FORMA BALANCE SHEET FOR COURTAULDS

LIABILITIES	£ m.	ASSETS	£ m.
Before the battle			
Preference capital	17	Net fixed assets	126
Ordinary capital	79	Trade investments	16
Reserves	71	Net current assets	66
Future tax	25		
Minority interests	9		
Debenture capital	7		
Total	208	*Total*	208
After the battle			
Preference capital	17	Net fixed assets	126
Ordinary capital	79	Trade investments	5‡
Reserves	31†	Trust investments	23‡
Future tax	25	Net current assets	54‡
Minority interests	9		
Debenture capital	47†		
Total	208	Total	208

* Based on balance sheet on March 31, 1961. † Reserves and debenture capital adjusted for issue of loan stock from capitalisation. ‡ Approximate division at book values based on the switching of gilt-edged securities and some trade investments into the new investment trust, whose assets are estimated to have a market value of £40 million. Courtaulds' 50 per cent share in BNS remains as a "trade investment".

Building a Business on Air



He putteth forth his hand upon the rock;
He overturneth the mountains by the roots.
Job 28, 9

TWO and a half years ago, the stage was set for a battle royal under Mont Blanc. On the northern slope a French contractor had assembled an armoury of heavy American machines, supplied by Ingersoll-Rand, veteran manufacturer of pneumatic mining equipment, and since 1871 largely uncontested champion in the specialised field of rock drilling. On the southern side an Italian contractor had mustered a drill team equipped with light "jackleg" drills, supplied by the Swedish firm Atlas Copco, which holds altogether different views on how to break rock economically and efficiently. During the past ten years Atlas Copco has been arguing with considerable success to miners and contractors the world over that there is no point in paying £4,000 for a machine when with the application of science the work can be done equally well with a £140 drill unit. Now the champion and challenger have come to grips with each other under the Alps.

Yet the excitement in this battle of the mid-century sputtered out soon after it got under way. There is not much fun watching an Italian contractor fighting water, rock falls, crush zones, rock bursts, and the rest of the ugly obstacles that meet tunnellers advancing from a southern portal. The Italian engineers have had to dust off last-century textbooks on tunnelling, and to apply methods that are slow and cumbersome but save lives. On the French side the heavy American machines, working in relatively good rock, have advanced reasonably to plan and by the end of February had reached 4,800 metres. In February the Italians ran into good rock for a change and set a record for both sides with an advance of 250 metres, which brought them to 4,100 metres. There remain 2,500 metres of tunnelling before the teams meet, and Mont Blanc may indeed be holed through some time this year.

Although Mont Blanc has cheated Atlas Copco of the opportunity of showing its mettle on a classical battleground, the new principles of underground rock excavation evolved in Sweden under the impact of war, past and future, and marketed by the company have proved sound under exceptionally difficult conditions. Were it not for the flexibility in methods offered by this type of equipment the Italian team would have lost its tunnel heading long ago. Atlas Copco, as an industrial name in compressed air, has only existed about six years, but the group behind the label is no newcomer to the European engineering industry. The first half of the name is an inheritance from 1873 when the parent company set out to make locomotives and railway rolling stock, with discouraging economic results. A merger in 1917 with a diesel manufacturer turned it into AB Atlas Diesel which with a share capital of Kr 20 million became the best-heeled engineering company in Scandinavia. As one of Rudolph Diesel's early licence holders, the new partner helped to make a prime mover out of a cumbersome invention. By making it reversible, lighter, faster and direct-injected, the company turned the diesel into a marine engine.

Both the parents and the offspring of that union were strong on engineering. Unfortunately they were weak on everything else, apart from producing clever and at times revolutionary designs. By 1940, Atlas Diesel, too, was in bad shape. Diesel manufacturers elsewhere had grown into giants as Atlas Diesel licence holders; but the company itself urgently needed new management to make something of its wasteful, obsolescent motor manufacture, plus some odds and ends of pneumatic tools that had been added haphazardly since 1888. In 1940 its opportunity came. In the deepest secrecy, the Swedish military authorities were preparing underground fortifications,

command posts, stores, even armament factories in caverns blasted out of solid granite. Swedish engineers soon lost their respect for hard rock. Huge areas were taken out by full face methods, with the aid of light, fast-hitting rock drilling machines with "airleg feed" developed by Atlas Diesel.

The Germans, pioneers in tungsten carbides, had tried with some success to apply this hard man-made metal in rock drilling. Used in the Scandinavian rock, the bits shattered, and seven years of development work were put in by Atlas Diesel before the two leading Swedish manufacturers of drill steel and carbide bits succeeded in modifying this erratic material into a durable rock-cutting bit. In this work practically the entire Swedish contracting industry as well as numerous mines took part, trying out innumerable generations of carbides and high-alloy rods with Atlas Diesel's high performance rock drill. By 1945, the metallurgical problems were licked.

UNDER a non-technical managing director, trained in retailing, who saw no particular difference between a tunnel and a hole in the ground but knew a good selling line when he saw one, Atlas Diesel went to market with a share capital of Kr. 10 million (£700,000). Still hampered by a diesel engine operation that consumed labour, space, and time, turnover rose slowly until 1948 when the management got rid of its cumbersome engines to devote all resources to the manufacture and sale of pneumatic equipment. More than half of the turnover was still domestic.

From there on, Atlas Diesel never looked back. Nearly everywhere it went new sales and service companies sprouted; most of them flourished beyond expectation. Two years later, in 1950, the turnover was Kr. 78 million (£5.4 million), of which 60 per cent was sold abroad. The rapidly expanding subsidiaries threatened to turn into an untidy mess, so in 1956 the corporate name was changed to Atlas Copco—the latter half derived from the name of the Belgian subsidiary Compagnie Pneumatique Commerciale. At last count there were 32 Atlas Copco companies, plus a number of other sales and manufacturing companies under other names.

Although always profitable, this rapid growth has at times strained the company's finances to the limit. In 1959, for example, with a group turnover of Kr. 380 million (£26.2 million) the home company ended the business year with Kr. 277,646 (£19,200) in cash. In 1960 the share capital was raised to Kr. 76.65 million (£5.3 million) and the turnover grew to Kr. 480 million (£33 million) providing a net profit for the home company of Kr. 11.7 million (£810,000). The assets of the group grew from Kr. 331 million (£23 million) to Kr. 451 million (£31 million) in 1960, while profits doubled from Kr. 13.7 million (£950,000) to Kr. 26.7 million (£1.85 million). The new Kr. 25 per share issue was snapped up at Kr. 80 per share. In 1961 the turnover rose by nine per cent.

Atlas Diesel set out on its global peregrinations at a time when backward construction industries were at long last beginning to mechanise. The hardware offered by the company was beyond doubt excellent in design and quality, but Atlas Diesel and its corporate ancestors are ample proof that the solid virtues of Swedish engineering do not in themselves hold the key to economic success.

Apart from providing spares for machines that pound themselves to pieces in a year, the service policy of Atlas Copco goes well beyond the provision of high-alloy hardware. A contractor who, say, in 1950 purchased a few rock drills became *ipso facto* the beneficiary of the new scientific codex of rock blasting. Atlas Copco would plan his work cycle, introduce new methods, put its own experts, from civil engineers to drill masters, on the job and by taking over a section of the tunnel train the contractor's people in the new methods. Thousands of contractors and engineers were brought over to have a look at underground powerhouses being built in Scandinavia. The new methods slashed costs all along the line, in labour, power and explosives; and the ability to drill a round in half the time or less that was previously required, stepped up the whole working cycle and enabled record advances and good profits to be made.

This experience shaped Atlas Copco's service policy. Ten years ago the engineers were cocky characters who knew it all. Since then they have discovered that there exist local tricks of overcoming difficulties that they never dreamed of in their geology. So the company's project department has become a world clearing house in rock blasting technology. Somewhere in the Andes, for example, a team of power engineers is tapping a lake by a supply tunnel leading to vertical penstocks conducting water to a powerhouse 3,000 feet below. The machines are already installed; all that remains is to blast the rock partition at the upstream end. The big question is how to blast it without the risk that the pressure wave and rocky debris, carried by the rush of water, might destroy the turbines below. It has to be done with 100 per cent precision, with no such thing as a near-miss. A handful of men, most of them Norwegians, are capable of preparing and firing this final round under such exacting conditions. They represent one aspect of the skills that Atlas Copco brings together. Any project anywhere that involves rock excavation on some scale is analysed and costed by the planning department. Each contractor bidding for the work is supplied with an outline plan estimating the equipment, manpower and transport he will need. The one ultimately awarded the contract will be supplied with detailed working plans and schedules. If he buys its equipment, Atlas Copco helps him to start the job.

Some of the ideas developed by Atlas Copco may seem rather far-fetched to old-time contractors accustomed to filling the sites with labour. In benching out large tunnels where under similar conditions a contractor, admittedly prodded by the unions, would use 36 men for drilling and charging a round, Atlas Copco obtains the same output with five men. In advancing the tunnel two men per machine are still common—at best, only one man—whereas Atlas Copco is now trying to convince sceptical engineers that with proper equipment and training one man is capable of running two or even three machines—in Scandinavia this is standard practice, using operators who four months earlier had never heard of rock drilling machines.

Atlas Copco's road to world-wide prominence in its field can be followed by some other mile posts. The wholesale price index in Sweden has risen by 340 per cent since 1935 and the wages of tunnel miners by something like 550 per cent; the cost of tunnelling has been reduced by about 40 per cent, in terms of 1935 prices and before the advent of the labour-saving "ladder drilling" referred to above. Atlas Copco cannot claim sole credit for this amazing development in underground construction, but without its equipment, it might never have happened.

BUSINESS NOTES

OVERSEAS TRADE

Forget about January

OFFICIAL policy and investors' prospects depend crucially on the trend of Britain's trade, but the monthly figures obstinately refuse to show one. Late in 1960 the two-year deterioration in the balance of trade was checked, and until the spring of 1961 there was a clear improvement. Over the past year however the balance has swayed to and fro, and exports have remained dead level.

In the fourth quarter of 1961, the Bank of England states in its latest bulletin, there was "probably" a small surplus of visible trade, on a true payments basis, though the whole improvement and more was attributable to seasonal influences. In January imports rose sharply, as they had done in October; but February's trade figures published this week suggest that this was a second false hare. Imports last month fell back to £363 million seasonally adjusted, close to the low point of the last summer. In December-February together imports on this basis were in fact slightly below their level in the previous three months. Exports notched up another small increase, by £7 million to £307 million—a move in the right direction but of disappointing size: it merely restores exports to their average for 1961 as a whole. But if they are a little tantalising the February trade figures at least offer the consolation that January's sharp deterioration was exceptional.

UNITED KINGDOM TRADE
£ million a month or averages of months

	Imports	Exports	Re-exports	Balance Trade basis	Balance Payments basis
1958...	312	265	12	−35	+ 4
1959...	332	278	11	−43	− 8
1960...	380	296	12	−72	−33
1961...	367	307	13	−47	n.a.
Seasonally adjusted					
1961 :—					
1st qtr.	385	309	12	−64	−23
2nd ,,	363	305	13	−45	−13
3rd ,,	357	309	15	−33	−12
4th ,,	362	304	13	−45	n.a.
1962 :—					
Jan...	380	300	12	−68	n.a.
Feb...	363	307	11	−45	n.a.

The detailed, and revised, official figures of the balance of payments in 1961 are expected in the last week of this month and a special article in the Bank of England bulletin on the all important errors and omissions hints that at least a few of them may then be laid.

Slowly, official mystique about this preposterous item is being lifted. "The balancing item is not entirely a collection of unknowns . . . the compiler [of the payments figures] may be able to infer with some confidence that certain kinds of movement have taken place without . . . being able to measure them and enter them separately." This statement from the Bank bulletin should be duly noted by Treasury officials who in the past have fended off questions about the balancing item with the crisp avowal that if they knew what was in it they wouldn't have put it there.

IN THE MARKETS

Delayed Boost for Gilts

AFTER responding only slightly to the ½ per cent fall in Bank rate at the end of last week, the gilt-edged market has this week moved significantly ahead. The buying has been concentrated mainly at the extreme ends of the market. A rise in War Loan on Tuesday later encouraged some switches into Treasury 2008-12, and at the very short end, the official tap in Exchequer 5½ per cent 1966 came to an end last Friday, and the stock subsequently rose by almost a full point. The medium dated tap stock, Conversion 6 per cent 1972, attracted a fair demand, but this was not reflected in the price. There has been little interest in the "long" tap, the 1982-84s; investors in their present mood prefer to get the same or slightly better yield on still longer or undated stocks. The authorities must be notching up a good total of net funding sales in the current quarter; in the three months to mid-December, the Bank bulletin shows, net official sales of stock totalled £183 million, of which two thirds were short bonds.

The market has not yet been checked by the spate of new fixed interest issues. Investors took in their stride the £20 million issue by Middlesex County Council, with a coupon of 6¼ per cent, dated 1975-77 at 97¼. The stock offers a flat yield of nearly £6 8s. and a gross redemption yield of £6 9s. 6d.—virtually the same as that currently available on the last gilt-edged issue, by the City of London. The Middlesex issue, which was being subscribed on Friday, brings total corporation loans since January 1st to £69 million, of which just under half has been paid up.

GILT-EDGED NET PRICES

	Aug. 4, 1961	Dec. 29, 1961	Mar. 7, 1962	Mar. 15, 1962
Exchequer 3% 1962–63 ...	94 5/16	96 3/16	97 1/16	97 1/32
Exchequer 5½% 1966	96 5/32	98 3/16	98 25/32	99 11/16
Savings Bonds 3% 1960–70	74 15/16	78 9/32	79 1/16	79 7/32
Savings Bonds 3% 1965–75	66 5/16	70 1/32	70 1/8	70 5/16
Treasury 3½% 1977–80 ...	65 15/32	69 1/8	70 1/8	70 13/32
Funding 5½% 1982–84 ...	87 1/8	90 5/16	90 7/16	90 7/16
Treasury 5% 1986–89	78 29/32	81 9/32	83 1/4	84 1/16
Funding 3½% 1999–2004 .	55	56 7/32	60 1/8	60 5/8
Treasury 5½% 2008–12...	82 1/4	83 5/32	87 3/8	88 1/8
War Loan 3½%	49 27/32	51 11/16	54 5/16	55 1/32

All prices are shown net of accrued interest.

Industrial Issues

ALTHOUGH it admits that its prediction could be upset by large scale funding of bank overdrafts by companies, the Bank of England goes on record in its latest bulletin as saying that there is "the possibility that this year there may be a markedly smaller volume of industrial new issues than there was last year." What leads the Bank to this view is the possibility that retained earnings will be higher, capital expenditure lower and stocks little changed. By an odd chance of timing this prediction has come in a week when two big industrial issues have been announced and several introductions arranged. But if the Bank is right, the effect of the reduction in the demand for investible funds could be significant for stock market prices.

Although it took note of the Bank's hint of a possible recovery in profits this year, the market has been primarily concerned with the immediate facts about industrial profits and dividends—marking, for example, brewing shares up on Charrington's results and engineering shares down on those of Newton Chambers—and with more optimistic hopes about the shape of the budget. Last week's cut in Bank rate appears to have encouraged the market to believe that the Chancellor's hand will not fall too heavily upon the economy, whatever he does to the stock market through a short-term capital gains tax. On balance, therefore, equities—with the notable exception of tobacco issues—moved up, and *The Economist* indicator gained 4.5 points to 356.7.

This week's issues make a notable impact on the market in fixed interest securities. John Summers, which came out of the "steel year" to end-September with a better immediate performance and rather more encouraging prospects than other steelmakers, is raising just under £7½ million by issuing a 6½ per cent debenture 1976-78 at 99, convertible into ordinary shares at prices equivalent to 53s. 6d. in 1964, 56s. 6d. in 1965 and 60s. in 1966. The current price of John Summers' ordinary shares is 49s. 9d. and obviously the conversion rights, which extend beyond the last date of the next general election, by which time the issue of steel renationalisation will be settled, are potentially valuable. In the meantime, the debenture provides a fair running yield and a hedge against the possibility of a Labour victory at the polls; and it carries investors over a period of economic uncertainty in the steel industry. The new money,

together with retained profits and bank overdrafts, will cover the cost of development at Shelton, amounting to over £19 million, in the next two or three years. On Thursday dealings started in the debenture at a premium of 5¼.

On its second debenture, Dunlop Rubber has had to pitch the yield higher. The issue of £12 million 6½ per cent second debenture stock 1985-50 at 98½, is covered, with the existing debenture, about 3½ times by assets and nearly 6 times by earnings. Dunlop last raised money from the British market in 1955 and it has since spent about £60 million on capital account; bank overdrafts are fairly heavy and with commitments amounting to £7 million at the end of last year capital spending is expected to remain at a high level. The debenture raises the gearing on the ordinary shares whose holders will be pleased to note that Dunlop's net income in 1961 will not be less than the £6.7 million earned in 1960.

Rally on Wall Street

A correspondent cables:

After a month in the doldrums, equity prices on Wall Street have begun to move up again and the volume of trading has expanded. The Dow Jones industrial average has risen above 720 for the first time since early January. Brokers attribute the rise to hopes of a renewed upsurge in the economy later in the year and to the belief that the resumption of steel wage negotiations lessens the chances of a prolonged and harmful stoppage in the steel industry. Wall Street is not confident about the immediate economic outlook but it is pinning its hopes on a good improvement in the second half of the year. This immediate uncertainty is reflected in the bull market in fixed interest bonds. Many institutional and private investors have been content to sit on the sidelines, but the commercial banks which need additional income to cover higher payments on deposits have been big buyers of tax-exempt municipal and government bonds. This has forced prices up and yields down on all but the shortest term securities. But once economic activity starts picking up again, the demand for bonds may moderate and equities should benefit, particularly those in companies whose earnings are improving.

For the first time for several months steel issues, led by US Steel, have moved higher and there has been some buying of construction, chemical and other basic industrial issues. Investors have continued to be very selective and they are now able to obtain comparatively good yields on better quality equities. The fashion in investment appears to have swung to what analysts are calling "tired blue chips"—shares in major industrial companies whose earnings and market prices have been fairly static in the past few years. Whether these shares can attain a new lease of life is by no means certain but, because they offer more stable yields than the growth stocks which are vulnerable when earnings fail to come up to expectations, they do offer a measure of safety.

ASSOCIATED ELECTRICAL

Dividend Down

AEI

Following the reduction in English Electric's dividend from 10 to 8 per cent, Associated Electrical Industries has cut its total dividend from 15 to 10 per cent. The stock market was prepared for some reduction, following the director's warning in the interim statement, but it had hoped that the 1961 dividend would be 12½ per cent. Thus AEI's dividend, backed by unimpressive results, is disappointing. Turnover rose last year from £208 million to £212 million and at £185 million orders in hand at the end of the year were £4 million higher than at the end of 1960. But trading profits fell from £10.8 million to £9.8 million and as debenture and other interest went up from £1.8 million to £2.7 million net profits, after a proportionately higher tax charge, fell from £4.7 million to £3.5 million.

The directors say that although many of the divisions of trading companies earned higher profits, the results were adversely affected by difficult trading conditions for some products and particularly by "a serious slump in the market for radio and television components and by lower profits on domestic appliances." The rise in debenture and other interest suggests that while AEI has been earning lower margins on sales it has had to employ more capital to earn its profits. Like the other electrical engineering giants, it has again earned less on the capital it employs.

ROYAL DUTCH SHELL

Dividend Up

As expected, "Shell" Transport and Trading has maintained its total tax free dividend at 1s. 3d. per 5s. share, or 25 per cent on the capital as increased by the one-for-five scrip issue. Effectively, therefore, the dividend has been raised from 20⅝ to 25 per cent. Last year the volume of sales of crude oil and oil products by the Royal Dutch/Shell group rose by 6 per cent but, owing to the pressure of competition on prices, this was not fully reflected in the rise in income from sales, net of taxes and duties, by £49 million to £2,007 million. Operating expenses rose from £1,463 million to £1,521 million and the increase in the group's net income from £177½ million to £187 million is more than accounted for by the rise in investment income from £31 million to £39½ million, and the fall in income taxes, from £133⅜ million to £127 million. As the table shows, the rise in net income was especially sharp in the last quarter of the year, when an improvement in margins occurred.

ROYAL DUTCH/SHELL
SALES AND INCOME

(£ million)

	1960 Quarter (iv)	(i)	1961 Quarter (ii)	(iii)	(iv)
Sales:—					
Including duties	671 0	663 1	687 5	717 9	720 1
Excluding duties	495 0	494 8	491 0	500 0	519 9
Gross income	82 0	78 7	82 5	82 5	89 3
Net income	48 4	42 1	44 7	43 9	56 4
Gross income/sales*	16 5	15 9	16 8	16 5	17 2
Net income/sales*	9 3	8 5	9 1	8 8	10 9

* After deducting sales taxes, excise duties, etc., from turnover

STEEL

Not Much Better

The rise in steel production to 415,000 tons a week in February—perhaps five per cent more than in January when allowance is made for seasonal variations—is not enough to make the steel industry feel it is recovering from its slump. The improvement was concentrated onto the lighter end of its products, where rising car output means relative prosperity for the strip mills; but demand for steel from the motor industry and its suppliers has yet to rise as much as output, suggesting that stocks of components had been built up through the winter and are now being run down. The fall in stocks of sheet had slowed down by the last quarter of 1961, and by now the stock level should be reasonably stable.

For the industry as a whole, however, the fall in stocks seems to be continuing with unabated speed. The drop of 300,000 tons in the last quarter of 1961 may well be approached in the present quarter, though expectations om last month's price increase gave users an incentive at least to keep their stocks stable. At the end of December stocks still amounted to 15½ weeks consumption, and with the continued squeeze on short-term credit and signs of a possible fall in construction hopes that stocks would be stabilised by the middle of this year are beginning to wane: 1963 is more the millenium by now. Constructional engineers are big stockholders, and any fall in demand upon them would add another factor to those already encouraging industry to reduce its stocks. The prospects of the heavy side of the steel industry thus look depressing for the foreseeable future—but this is, after all, only a matter of months.

MONEY AND EXCHANGES

Bears in a Bull Market

Last week's reduction in Bank rate from 5½ to 5 per cent has not had its intended effect of warding off foreign funds from London, and by encouraging the view



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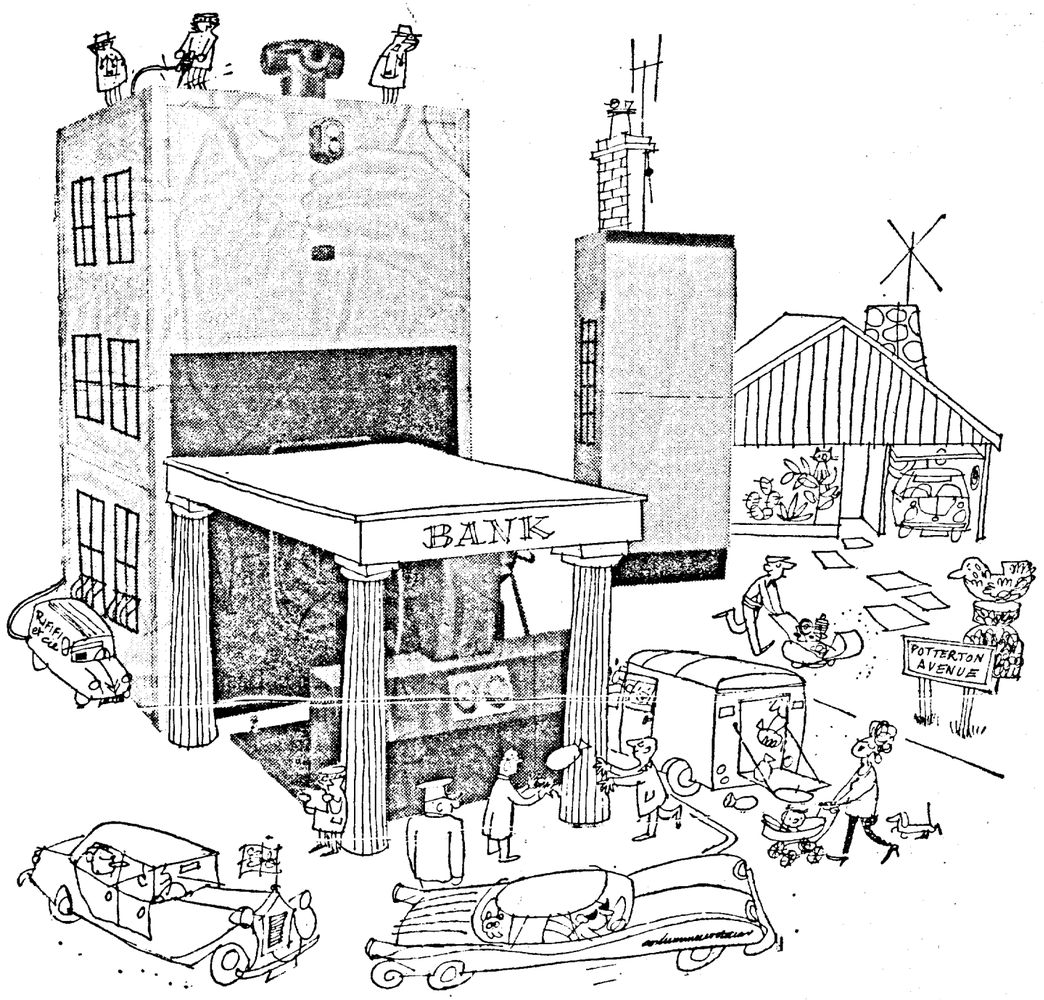
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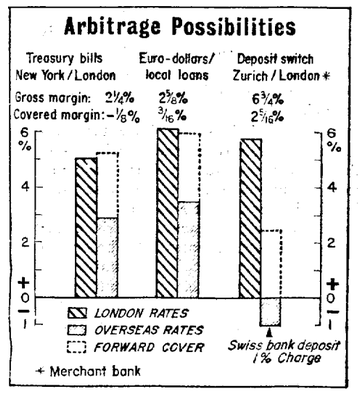
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that a further reduction is in the offing it may have had the opposite result. This certainly happened after the first cut in Bank rate last October, and the risk has been endemic in this whole Bank rate exercise. Since London money rates last summer were four clear points above those in overseas centres it should have been clear that the only certain way of stopping the inflow was to reduce Bank rate dramatically—to levels that would have left interest rates outside the short term money market a good deal lower in Britain than elsewhere. Official policy on interest rates still lacks any real rationale.

While the inflow of funds has continued, and spot sterling has actually risen to a new



peak for the year, approaching $2.81\frac{1}{4}$, the mood of the market has not been uniformly buoyant. It is notable that the discount on forward sterling fell by only about half as much on an annual basis as the $\frac{1}{2}$ per cent fall in the interest differential, so that on the Treasury bill comparison there is now actually a slight margin on covered arbitrage in favour of New York. In 1960, by contrast, London enjoyed a covered margin of well over one per cent. One element now keeping the forward margin relatively high is the existence and use of other, more profitable arbitrage circuits. But there is a more important element, which has had little attention. The forward discount is being kept up by some significant short selling of sterling from New York.

Professional operators there are making outright forward sales of sterling in the expectation not of a devaluation but of a straight weakening of the spot exchange rate within the existing margins—which is always a possibility when the spot rate is near its peak. Since the forward discount is now $1\frac{3}{4}$-$\frac{5}{8}$ cents for three months, operators are banking on the spot rate dipping below parity when seasonal and psychological pressures turn against sterling in June. This interesting phenomenon of the building up of a short position in an outwardly bull market is also evident in the high rates being paid for sterling deposits in Paris ("Eurosterling"); three months' deposits command $6\frac{1}{4}$ per cent. These dents in sterling's bull position suit the authorities quite well, since, by keeping up the cost of forward exchange cover, they act directly on the covered interest margin —more effectively than minor changes in Bank rate. And at a time when professionals are contemplating a significant fall in the spot rate it would be surprising to see any big increase in the volume of foreign funds coming to London uncovered.

Some clues to last autumn's inflow are contained in the excellent latest issue of the Bank of England bulletin. The commentary on the financial markets is further improved: it is more up to date and more informative. Indications are given of movements in sterling balances and gilt-edged transactions in individual months (it is to be hoped that the next step will be to publish the figures) and the concentration of buying of both sterling and gilt-edged into October is confirmed. The Bank also ventures the estimate that the inflow of foreign funds in the three months to mid-December was £150 million—but as this includes leads and lags it does not add greatly to existing knowledge: indeed, the total inflow of funds in this period appears to have been considerably larger. More interesting, perhaps, are the figures for overseas and foreign banks in the last quarter of 1961, which show a rise of £40 million in loans to local authorities and of £13 million in their holdings of gilt-edged.

Rates After the Cut

THE Treasury bill rate fell by the full $\frac{1}{2}$ per cent to a fraction over 5 per cent at the tender immediately following the Bank rate cut. In the four weeks before, the market had actually pushed the bill rate up, from under $5\frac{1}{4}$ per cent to over $5\frac{1}{2}$ per cent. The authorities have forced the market to borrow from the Bank of England at Bank rate on only one occasion since the rate changed; this restraint may not last, however, if the market starts to push the bill rate down too quickly. In its quarterly bulletin the Bank of England gives, for the first time, monthly totals of its loans to the discount market. The new information gives some quantitative guide to those carefully chosen adjectives that the Bank's discount office uses when describing market borrowing. Thus, borrowing on June 30th of last year, now shown to be £33 million, was described at the time as "very large"; the £6 million borrowed on March 8th was described as "small." In October-November, when the Bank was putting strong pressure on the market to check the fall in the bill rate, the gross amount advanced was £91 million.

Rates in the local authority loan market eased considerably after last week's Bank rate cut; the rate on seven-day money has fallen from $6\frac{1}{8}$ per cent to a fairly shaky 6 per cent. Money for periods of one to six months is finding few takers at $6\frac{1}{8}$ per cent and one dealer has placed three months' money at 6 per cent. The cause of this sudden ease, at a time of year when local treasurers are usually actively bidding up rates to meet their heavy payments of interest and principal to the Public Works Loan Board, is generally traced to the acceleration, since last Thursday, in the inflow of foreign funds, which come to the market mainly through the merchant banks and overseas banks. At the same time, demand from local treasurers is not so strong this year because many of them, having had to pay heavily in previous years for funds to take them over the end of the financial year, this year took the precaution of securing substantial amounts of three-months' money in February. It is also reported that the clearing banks are being more liberal in letting treasurers increase their overdrafts, which, at 6 per cent, are as cheap as seven-days' deposit money.

CANADIAN DOLLAR

Must Canada Stabilise?

CANADA'S exchange authorities are no longer smoothing out minor fluctuations in the value of their currency, still less are they holding its value down. Since the beginning of the year they have been engaged in major support operations of the opposite kind, to hold it up. These operations depleted the official reserves by $133 million in January; the February fall is now shown to be a further $175 million, a still sharper drop than market observers had expected. In the two months together Canada's reserves have fallen by some 15 per cent, and at $1,747 million are equivalent to little more than 20 per cent of a year's imports. Admittedly a freely floating exchange rate should partly dispense with the need for reserves. But at present, Canada's exchange is not being allowed to float in any real sense. The exchange authorities are defending the rate at its present level of just under five cents discount on New York with the same determination as if they had a formal obligation to defend a fixed parity. On Tuesday this week, Mr Fleming described this policy as "very beneficial."

The new tactics adopted by Mr Fleming last summer, of using the exchange fund to push down the value of the Canadian dollar to a "significant discount," have, after all, set off forces beyond the authorities' control. In the early stages, while the business community was still slow to realise what was happening, it seemed difficult to get the Canadian dollar down as far as the authorities wished. Despite substantial official purchases of United States dollars, the discount seemed stuck at 3 cents. Then it began to widen, to five cents; and the Canadian authorities evidently decided that this was about right.

By now however the confidence of the market had been sapped. The steady fall in the rate—two years ago Canadian funds were at a premium, not a discount, of 5 per cent on New York—has given the Canadian dollar the fatal connotation of a depreciating currency. A rise in customs receipts in

the past few months suggests that a new rise in imports may have contributed to recent exchange pressures. But the major factor has clearly been speculative selling —and by no means all by professionals. They sold last summer. Now that a "significant" fall in the rate has taken place it is the ordinary American investor, lamenting the depreciation in his Canadian assets, who is covering his exchange risk against further depreciation. If the Canadian authorities have really decided that a 5 per cent discount on New York is an appropriate level for their currency, they may find that the only practical way of holding it is to stabilise *de jure* as well as *de facto*. A floating rate that fluctuates sufficiently to bring in stabilising purchases by speculators themselves has clear technical virtues. A nominally floating rate that is held rigid by an exchange authority that has previously engineered a slow depreciation has none.

STOCK EXCHANGE

Changing the Rules

THIS week 300 members of the London Stock Exchange have been issued with small pocket radio receivers and instead of "watching the lights" to see if their offices wish to get in touch with them they can be

RESTRICTION AND MONOPOLY

Common Market Hoops

IF Britain goes into the common market (and even if it does not) our industrialists will have to learn something of the new regulations of the European Economic Community on restrictive practices and monopolies, which may touch on their own trade agreements with companies inside the Six. Presuming that Britain goes in, these regulations will supplement the disciplines imposed by the Restrictive Trade Practices Act and the Monopolies Act (even if these may have to be amended somewhat to accord with European practice). Basically, the regulations accepted in Brussels at the beginning of this year, and recently spelt out by the common market commission, govern inter-state commerce; that is, they supplement rather than supplant the restraints upon cartels and monopolies that each member state imposes within its borders. But they may, eventually or incidentally, reach down inside individual economies.

Businessmen who consider an attachment to "atomistic" free competition out of date and liberal economists who retain, in varying degrees, such an attachment have both been curious to discover whether these EEC regulations look hard or soft towards monopolistic business behaviour. The published regulations, and the views of the Brussels officials who will have to work them, leave the inquirer still curious: all depends on how they are worked. These regulations involve judgments whether the effects of trade agreements or market concentration are harmful in particular cases; in this they resemble the rules of most countries in the six and also of Britain, and they are in contrast to the *per se* condemnation of anything that restrains competition which forms the backbone of the American anti-trust code. However, as against the reservation of powers to Britain's Restrictive Practices Court—and the powerlessness of the Monopolies Commission unless it is supported by a President of the Board of Trade with positive views against monopoly—the EEC regulations put this judgment into the discretion of an administrative department of the Brussels Commission, subject to review by EEC's Court of Justice.

The regulations have been made to put into practice Articles 85 and 86 of the Treaty of Rome. Article 85 concerns

> agreements, decisions and concerted practices that are likely to affect trade between member states and to limit competition within the common market (unless they improve distribution or promote technical progress "for the ultimate benefit of consumers.")

Article 86 deals with

> any abuse of a dominant position within the common market affecting trade within the member states.

Both forms of restraint on competition, when shown to fit the definitions, are prohibited.

The regulations, as finally agreed, exempt agreements where only nationals of one state take part and neither imports nor exports between member states are affected (assuming the individual governments should take care of these); exclusive dealing contracts, or licensing agreements for patents or knowhow, between two parties only; and agreements covering simply standardisation or joint research. They put the responsibility of reporting agreements, or of seeking authorisation of exemption, upon the parties to the agreement, the businessmen concerned. But the commission itself gains considerable powers to demand information from companies and from trade associations. And it can also initiate inquiries where it suspects that competition is being restrained in whole sectors of common market trade, either by trade agreements or by the abuse of a single firm's dominant position. Investigation, on its behalf, will be carried out by the "anti-trust" departments of each member state; but the commission, as well as the state concerned, may decide that these departments need its own help.

This "anti-trust" department of the commission in Brussels, therefore, will combine most of the powers of Britain's Registrar of Restrictive Practices, Restrictive Practices Court, and Monopolies Commission, with considerably more initiative in inquiry than the last of these authorities possesses. It can fine enterprises or trade associations up to $5,000 for supplying false or incomplete information; up to $1,000,000, or 10 per cent of annual turnover, for infringement, wilfully or through negligence, of Articles 85 or 86 of the Treaty; and up to $1,000 a day for failing to bring prohibited agreements to an end.

These regulations thus leave the onus on business companies and associations to decide whether to submit their agreements to the commission, but can penalise them heavily if they do not and it later decides that undisclosed practices infringe the treaty. It could, potentially, become a powerful administrative "anti-trust" department with powers of administrative decision comparable to those of, say, the Federal Trade Commission in the United States, as well as the investigating responsibilities of the Department of Justice. There is however no guarantee that it will. Departments within the Brussels Commission have to develop beneath the vigilant and often jealous eye of the Council of Ministers. In the field of single-firm monopoly, moreover, its regulations remain vague. The commission has yet to decide what proportion of any market should constitute "a dominant position" for an existing enterprise; and it has no powers—as British authorities at present have none—to act against the establishment of such a position by mergers.

The inclination in Brussels at the moment seems to be to feel that the proportion of common market trade in a particular line that should call for scrutiny of a single firm's behaviour might be a fairly low one (perhaps even smaller than Britain's one-third?). In spite of the presumption that the common market will bring about more competition among big units than any single country now enjoys, a company commanding say a quarter of Europe's trade in any field might soon develop into a very big company indeed, with considerable market power not only locally but across national frontiers. But the definition of dominance that it finally chooses, and some other aspects of EEC's "anti-trust" procedure, may still require much more argument to dovetail with the varying codes of EEC's six, seven, or more members.

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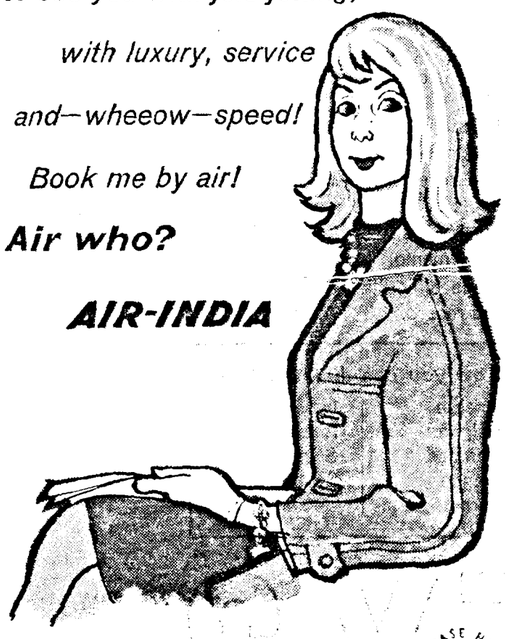
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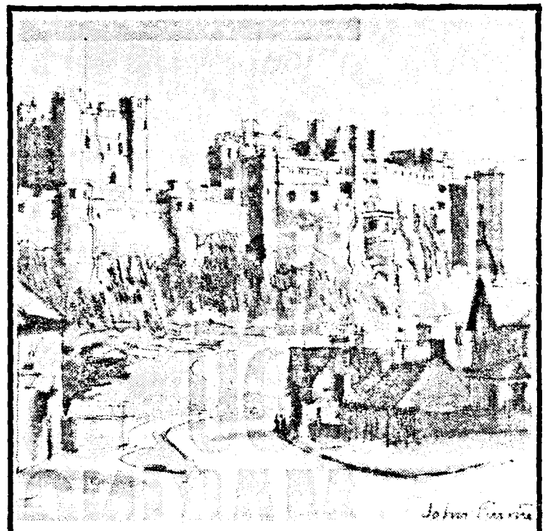
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notified individually by a "bleep-bleep" in their pockets. This is a simple instance of the stock exchange keeping up with the times. The proposed changes to the rules relating both to members and firms are a much more important example, governing largely the qualifications and requirements of membership and the accounts to be kept by member firms.

It is proposed that a candidate for membership must have had at least two years' training with a member firm. Surities will not be required in future but instead a candidate will have to obtain a proposer and seconder (though they will be under no financial obligation in the case of a default). The surities, usually £500, have now been effectively superseded by the compensation fund and the council clearly feels experience gained in the two-year qualifying period and a testimony from the proposer and seconder (and if needs be from a partner in the firm in which a candidate underwent his training as well) will provide better evidence of his ability and his eligibility for membership. The framing of this rule suggests that the time may not be far distant when a candidate will have to pass an entrance examination before becoming a member.

In future the council will require advance information before a new firm is formed, or, a member is taken into partnership or a partnership is dissolved. The present rules require this information only when the formation, dissolution or alteration has taken place. Among the firms that will be affected by the new ruling will be 17 one-man firms (nine brokers and eight jobbers) who have until March, 1963, to conform with another new rule that every firm must have at least two partners.

Among the most important of the proposed changes are those relating to the accounts of broking and jobbing firms. In future the accountants' report on them will have to be submitted to the council within six months of the balance sheet date. If the council is not satisfied with the report it will have the power to call for further information, including a report from independent accountants, and if necessary to suspend the firm or any of the partners from trading.

One of the major requirements will be that the firms will have to maintain on capital account a balance sufficient to ensure a "minimum margin of solvency." This excess of assets over liabilities cannot be less than £10,000 for a broking firm and £15,000 for a jobbing firm and in any case it must not be less than the sum obtained from multiplying £5,000 by the number of partners in the firm. The new rules have been designed to improve the standard of membership and the capacity of firms to carry on their business. They clearly provide additional safeguards to the investor and they should go a long way to offset any anxieties that may have crept into their minds as a result of one or two much publicised "hammerings."

NATIONALISED INDUSTRIES

Public Accountability

THE report of the Select Committee on Nationalised Industries published this week is important for its omissions rather than its content. The directors of nationalised industries may feel they get more than their fair share of public criticism but the Select Committee, first set up six years ago, is in fact the only forum where they can be called personally to account. But since it seems likely to take the best part of eight years to work its way round the nationalised industries—it has not yet reached electricity and may soon have to add airports to an already long list—the present members thought that a good way to keep the boards on their toes might be to check what they had done about putting its recommendations into effect. On this week's evidence, it is a good idea that failed to come off.

The committee must bear a measure of blame for this failure. The industries chosen for the first follow-up were the National Coal Board, the two air corporations and the North of Scotland Hydro-Electric Board. The issues raised with the two power industries were of minor consequence. The Scottish hydro-electricity authorities said that efforts to get fixed price contracts, as the committee had recommended, were baulked by the refusal of manufacturers to quote fixed prices. The Coal Board said that it now co-operated more closely with the Ministry of Power on major investment projects but most of its evidence was devoted to explaining why, after seven years and the expenditure of £8 million, it is still no nearer the large-scale production of smokeless fuel. Rumours of successful methods devised on the continent made the committee politely sceptical and while it "emphatically" reaffirmed its "disappointment at the slowness of progress in this field," which was stressed in its original report on the NCB of five years ago, there was nothing here to set the Thames on fire.

Questions in the Air

THE Select Committee, which gave half its report to a study of the air corporations, re-affirmed that both had "the primary duty . . . to operate as successful commercial organisations." But having re-stated this admirable though sometimes disputed principle, the committee inexplicably passed up the opportunity to ask the British Overseas Airways Corporation why it was not doing so. The earlier report of the Select Committee into BOAC's affairs six years ago spotlighted alarming discrepancies between the corporation's costs and those of other airlines at a time when its fortunes were just beginning to turn down. Since then, the corporation has lost more than £11 million in four years and its loss for the present financial year is admitted by BOAC at about £10 million. BOAC can, indeed, show striking reductions in operating costs, in maintenance costs and improvements in output per head, yet its fortunes continue to deteriorate in a distressing manner. How, with the results of the past years before it, can the committee seriously say that "the latest available statistics seem to your committee to reveal an improvement in BOAC's performance"? Or did the committee perhaps omit to look at the financial results? Yet even if it did, how could it close its eyes to the evidence of tables produced by BOAC itself showing that its staff get through three-fifths the work of Pan American, and barely half the work of TWA? This sliding over of painful issues makes the Select Committee a Basenji among watchdogs.

So does the easy way that the committee appeared to accept the corporation arguments that the Government and the aircraft industry should stop trying to recoup the development costs of civil aircraft out of sales. Aircraft manufacturers the world over expect to spread development costs over sales and it is no use being beastly to Dr Bronowski about his briquettes on one page and then saying "your committee welcome . . . this trend of increased expenditure by the Government on development costs (of aircraft)" but is "unable to judge whether the Government's contribution to development costs is large enough to put the corporations on a basis comparable to that of their competitors; but they take note that the two corporations do not appear satisfied with it," as if the industry must be subsidised for the airlines' convenience.

EXPORT FINANCE

£14 Million for Peru

HELPED by the new long-term financial guarantees provided by the Export Credits Guarantee Department, the City has recently committed itself to put up some substantial amounts for medium-term export finance. Heads of agreement were signed this week for a loan of £14 million repayable over fifteen years to cover British participation in a hydro-electric project at Mantaro in Peru, which is to be constructed by English Electric, George Wimpey and Siemens-Schuckertwerke AG. The total cost of the project is around £30 million, and rest of the finance is being provided by Germany's Kreditanstalt für Wiederaufbau and by the Peruvian government.

The City's £14 million is being channelled through the consortium of commercial banks, insurance companies and pension funds that Lazard Brothers formed for this purpose last year. The original commit-

ments to this consortium were almost wholly taken up by one single project, a steel mill for Jugoslavia, costing £28 million and requiring credit of £21½ million; it is hoped to get final signatures on this contract in the next month or so. For the Peruvian project the insurance companies provided additional resources for the Lazard's consortium and they have not set these off against their promise of £100 million over the next five years for the new centralised insurance finance company. This is being formed to supply credit at fixed rates of 6½ per cent, in association with credit for the first five years provided by the clearing banks at 5½ per cent. Because the money in the Lazard's consortium was committed well before this new scheme was launched, it does not fall exactly under the new terms. But Peru will still get its money at a fixed rate, which is understood to be on broadly the same basis as under the new scheme.

In another financing arrangement made before completion of the new scheme, a consortium arranged by Hambros Bank will put up £2.6 million for ten years for a second 80,000 ton tanker being built at Belfast for Norwegian owners. In this case the interest rate will apparently be on the old variable basis. In the past twelve months Hambros has arranged the financing in London of merchant ship contracts of a total value of some £15 million. The total cost of the latest order will be £3½-4 million; it is a fixed price contract for a tanker that so far has no fixed charter.

BUILDING SOCIETIES

Halifax Marks Time

THE biggest building society in this country, the Halifax, had much the same experience as other leading societies last year. The net inflow of investment funds fell in the middle of the year but revived in the last quarter following the rise in building society interest rates. Over the whole year to January 31st its net inflow of savings was practically unchanged, but the Halifax did not repeat its 1960-61 policy of deliberately reducing its liquid funds, choosing instead to reduce the amount advanced on new mortgages. Indeed, the Halifax has reinforced its liquidity ratio from 15.2 to 16.5 per cent and its reserve ratio from 3.51 to 3.56 per cent. In a difficult year it has, in fact, been orthodox and conservative and it must be wondered whether it will pursue the same independent line, both on interest rates and in its relations with other societies and their association, as it did under Mr Algernon Denham's sway.

Years to January 31	1961 £'000s	1962 £'000s
Receipts from investors	112,292	121,825
Withdrawals by investors	79,424	89,453
Net receipts	32,868	32,372
Mortgage advances	102,536	87,899
Mortgage repayments	68,024	76,815
Liquid assets	74,557	89,589
Total assets	490,544	543,513
Reserves	17,237	19,335
	%	%
Liquidity ratio	15·2	16·5
Reserve ratio	3·5	3·56

ADVERTISING

Anti-campaigning

CHILL blasts have blown on the advertising industry this week, from two contrary directions. On the one side it has been urged, with increasing fervour, that the advertising of cigarettes should be forbidden or severely curbed so that sales are cut, particularly to the young. On the other, Unilever has introduced an experiment with one of their detergents whereby severe cutting down of advertising and publicity gimmicks will make it possible to sell more of the product at a time. Hitherto cigarettes and washing powders, by reason of the extravagant battles between often indistinguishable brands, has been top money spinners for most branches of the advertising trade, particularly television companies. The Unilever step is to sell its well-known brand, Surf, in the London area in packets containing 18 per cent more detergent, for the same price as before. The extra value comes almost entirely from reduced advertising.

Responding, none too promptly, to widespread criticisms of the absurdities of much soap-selling, Lever has chosen to emphasise fair play. The packet, labelled "Square Deal Surf" is in sober and seemly contrast to the standard garish style. The biggest innovation is a prominent guarantee that if it is found to contain less than the stated weight money will be refunded. The other Unilever detergent, Omo, already carries an accurate but minutely printed statement of net contents; Hedley products, in the same size packets, do not—a random packet of Daz, now the top-selling detergent, contained one ounce less than a 16 oz. Omo.

It must be admitted that Unilever had other good reasons for wanting to cut down its publicity for this particular product. Last year advertising on Surf was 75 per cent of that on Omo but Surf, nearly identical but always the weaker product, still sells in only half the quantity. Unilever admit they could not have risked the experiment with a bigger seller; this reason, and the uncertainty of public response to common sense rather than publicity, is some comfort to the advertising men.

On the cigarette side, another crumb of comfort may come from the launching of government counter-propaganda, to be set against the £10 million cake of manufacturers' advertising. But there is a snag here too. Unless cigarette advertising is forbidden entirely, virtually all the main agencies will still have a cigarette account. On the principle of not running rival campaigns under the same roof, who will take on anti-smoking? Sir David Eccles tried his hand at copywriting the other day—he may have to take it up seriously.



MONOPOLIES

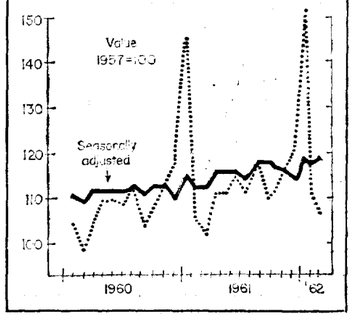
A Bill for Divestment

SIR JAMES PITMAN'S little Bill to give the Board of Trade the power, which it now lacks, to require a company to divest itself of shares in any wholly or partly owned subsidiary or associated company, where the Monopolies Commission has ruled that the ownership of such shares is monopolistic in character and harmful to the public interest, must be welcomed as an attempt to put even a little stiffening into the Government's flabby attitudes. It would at least prevent the President of the Board of Trade from being able to plead in such a case as Imperial Tobacco and its holding in Gallaher that he had no power to compel divestment—though in this case it was clear that he would not have been minded to use it even if he had it. The same would be true of the ICI-Courtaulds holding if at some future time the Monopolies Commission found that this was monopolistic in character and harmful to the public interest.

Although this Bill has highly respected support, its legislative chances cannot be put very high. Seeking leave to introduce his Bill on Tuesday, Sir James made some pointed comment on the 37 per cent holding that ICI now has in Courtaulds; this, he claimed, gave ICI effective control in the sense that Courtaulds' directors must continually be looking over their shoulder at the possibility that this 37 per cent holding might be cast in one solid vote against them and thus represent in effect the single controlling force against an array of widely disseminated small holdings. He went on to make the additional point that the distribution of the shares of the taken-over company to the owners of the taking-over company will enable the latter to cast their votes directly rather than indirectly. "The essence of the 37 per cent control," Sir James said, "is that a block vote can be cast solid; if an undertaking is given to the Board of Trade that such votes will not be so exercised, one will have made absolute nonsense of the Companies Act and the control of shareholders over their boards' directors."

RETAIL SALES

Retail business continued at a high level in February. The Board of Trade provisionally estimates that the seasonally adjusted index of retail sales (1957 = 100) was 118, slightly above the January figure and back to the record level of December.



AIRCRAFT ORDERS

TWA's Troubles

WHEN the world's biggest international airline, Trans World Airlines, runs into financing difficulties, the shock is registered in the board rooms of all the aircraft factories of the West. An airline of this size cannot endure without aircraft, but TWA's modernisation has been held up while the board has tried to disentangle itself from Mr Howard Hughes—with the success that a ball of wool might expect to escape from a kitten. Re-equipment that other airlines have spread over several years—and with wiser purchases—has to be compressed by TWA into a short period: the airline finds itself attempting to raise sums that borrowers are reluctant to lend, particularly since its financial results last year showed a crushing $17 million loss.

TWA appears to need roughly another $400 million worth of new jets for its long, medium and short routes. For the short routes it ordered 20 French-built Caravelles last autumn, to cost about $100 million; the French have repeatedly postponed their deadline to give TWA time to raise the money and chances of finding it before last date in May grow daily slimmer. Equally, it seems to be in trouble with the 26 big Boeing jets on order to supplement the 31 in service. Certainly Boeing has taken steps to meet TWA in a manner that must strike a chill in the hearts of manufacturers. The order for 26 (the first due to be delivered

TANKERS

Whose Guesses About Demand?

BETWEEN 1938 and 1955 world consumption of petroleum products rose by about 180 per cent. Seaborne movement of oil, however, rose by 200 per cent. The world tanker fleet was 167 per cent larger in deadweight tonnage, with a further increase of perhaps 20 per cent in carrying capacity arising from the fact that its average speed had risen from 11 to 14 knots. Oil company forecasts—and the tanker building programmes based upon these by both the companies and the independent tanker operators who serve them—were in that era of the mid-fifties based upon the firm assumption that the ton-mileage of seaborne movement of oil would rise faster than world demand for petroleum products.

It was upon that basis—and upon the shorter-term signs of higher demand at the time of Suez—that the tanker building programmes now being completed, after pruning meanwhile, were planned. They have resulted in an addition of 15½ million tons dw of new tankers during the last four years, with perhaps 2½ million tons to be launched this year; though some vessels have been scrapped, the world fleet is now of the order of 67 million tons deadweight, with about 1½ million tons idle and perhaps one million tons of tankers having temporarily switched to the carriage of grain.

Nevertheless, some of the world's independent tanker owners, notably the Norwegians, are beginning to chance their arms and order new ships—not on the firm time charters that they had in the fifties (which have served them well even through the subsequent slump in voyage rates), but truly speculatively, without any employment fixed at all. Some of the new buildings recently financed by Hambros for British yards—where, as elsewhere, shipowners can get extremely attractive terms with builders' margins pared down to a level where the work does not fully cover overheads—have been of this kind. One result is that building contracts rose for the first time since 1957; orders for 3 million tons were announced in the second half of 1961.

IT is the business of these independents to assess the medium run of the market better than their clients, the oil companies: that is how they make their money. Nevertheless, the major companies are now warning their suppliers of marginal tonnage that the current slump is more than a temporary fluctuation following a bout of over-ordering—and that for a time, at least, the seaborne movement of oil seems likely to grow more slowly than world oil consumption.

In Oslo last month John Kirby, managing director of Shell Tankers, spelt this out in an address to Norwegian tanker owners. First, he said, oil consumption itself seemed likely to be increasing more slowly than in the fifties, though healthily enough (6 per cent annually against 10 per cent in the fifties). Secondly, various new factors were interrupting the continued switch to Middle Eastern sources upon which in the mid-fifties it had been assumed that the average distance that oil moves to market would become longer.

The biggest element here is an urge to self-sufficiency, in one way or another. The United States, which is self-sufficient but which on grounds of costs would steadily have become less so by shifting to lower cost foreign oil, is for the present committed to restrict imports. Quite a number of countries have developed their "own oil" inside their own frontiers (e.g. Argentina), within dependent territories (now, possibly, Portugal), or within territories associated in one way or another (Algeria, with France). Some of these newly developed territories may become significant world exporters, such as Algeria and Libya; and they are closer to major importing areas such as Europe than the Middle East producers are. Russia has returned to the world oil market as an exporter, as forecasters ought probably have expected it to; but the size of its future exports, still a matter for debate based on guesswork, could probably not have been reasonably guessed then.

Finally, there is one technological shift within transport: pipelines from the Mediterranean coast to Central and North-West Europe will for a time depress the ton-mileage required to supply a given tonnage of oil to European consumers, though by opening up these markets to oil they may eventually boost demand for tankers. Technical developments within tankers themselves have no necessary influence upon the ton-mileage required. If demand for tankers grows more slowly than the world fleet, however, the companies chartering tonnage will be able to become even more discriminating in their choice of size and speed. Moreover, though the movement of petroleum products is likely to continue becoming proportionately less important as against crude oil movement, its requirements are becoming more specialised (for example with vessels to carry liquid gas). Mr Kirby, in his Oslo lecture, guessed that the ordinary products tanker would be replaced by a "white products tanker" or "black products tanker."

in a week or so) has been cut back to 18, and Boeing has arranged to lease five aircraft to TWA. The engine manufacturers, Pratt and Whitney, have agreed to "lease purchase" the engines for all 23 aircraft. The manufacturers are thus carrying a fair amount of the financing and in return TWA has ordered ten of Boeing's new medium-range jets.

WHEAT

Ranging Higher

THOUGH overshadowed by—or possibly partly because of—the emergence of the common market and discussion of cereals under the General Agreement on Tariffs and Trade, the International Wheat Agreement continues to draw in more adherents. The expected admission of Russia to a virtually renewed agreement for the three years from the end of July will bring in exporters of virtually all commercial supplies of wheat. It will also mean recasting the schedule of percentages that each importing country agrees to purchase from members. France is an important seller of wheat and West Germany a large importer. Because of common market commitments provision has therefore had to be made for the possible sale of wheat to Germany by France at higher prices than those contained in the international agreement.

As always, a new price range was the trickiest problem. Allegedly for the sake of five cents a bushel, Britain dropped out of the IWA in 1953 and was only induced to return in 1959 when the maximum price was lowered to $1.90 a bushel. The new maximum was fixed 2½ cents below the 1953 level, but the lower limit has been raised 7½ cents above the 1953 minimum by lifting the whole range by 12½ cents a bushel. The new range of $1.62½ to $2.02½ a bushel has a spread of 40 cents compared with 50 cents in 1953. Because of smaller crops and a bigger appetite for imported wheat, principally in China, Canadian prices for wheat are already near the maximum under the expiring agreement. If the Wheat Council made a "maximum price declaration" in respect of an exporting country, it would be required to make available to importers at the maximum price its commitment of wheat under the agreement.

With minor exceptions, the wheat trade normally manages to operate comfortably within the limits set by the IWA and there is every prospect that it will continue to do so for the next three years. The decision on prices has no immediate market significance. Traders who bought early are still selling Canadian wheat several cents a bushel cheaper than the Canadian Wheat Board's published price and showing a profit. So it is a little too early to speak of a further rise in the price of bread, though there has been talk of it. Bakers always seem to be itching to find a solid reason for adding a halfpenny to the price of a loaf partly to help defray less specific rises in the cost of production. But since the last round of increases in January, the cost of Canadian wheat has fallen.

IWA PRICE RANGES*

	Minimum $ a bushel	Maximum $ a bushel
1949–1953....	1·50‡	1·80
1953–1956....	1·55	2·05
1956–1959....	1·50	2·00
1959–1962....	1·50	1·90
1962–1965†...	1·62½	2·02½

* For No. 1 Northern Manitoba Wheat in store Fort William or Port Arthur. † Proposed range. ‡ First year only.

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BUILDING

Less Work, More Pay

THE building industry is having to absorb the effects of last autumn's sharp wage increase (of about 10 per cent) and prepare for the possibility of having to meet further "substantial" claims at a time when it can no longer rely on the very high level of demand to which it had become accustomed. Allowing for the increase in prices as a result of the wage rise, output declined by 2 per cent in the last quarter of 1961 compared with the previous three months, and new orders fell by as much as 8 per cent; compared with the same period of 1960 they were 5 per cent, or £26 million smaller. Not so long ago there were shortages of bricks: but manufacturers had 307 million piled up in their yards at the end of January, 55 per cent more than a year earlier, and are offering immediate delivery. Bad weather at the turn of the year is certainly not the only reason for this swollen stockpile.

Though both work done and orders received were higher than ever for the year 1961 as a whole, they may well be lower in 1962. The drop in industrial building orders is sharper than had been expected—they fell to £60 million in the last quarter, the lowest since the summer of 1959. Dear land and money continue to hamper private housebuilding. Other types of private building, such as shops and offices, are still increasing; so, to a lesser extent, is public authority housing. But a number of local councils are complaining bitterly at steeply increased tenders. The index of building costs of three bedroomed council houses (excluding land and services) has gone up 50 per cent in 10 years, and 15 per cent of the increase occurred last year. If the fall in demand becomes sharp and lasting, prices are going to look out of proportion.

AIRCRAFT FUEL

Burning Issue

THE Ministry of Aviation's cautious, judicious report on the relative proneness of two types of aircraft fuel to burst into flames is going to be widely misinterpreted. Fifteen months ago, Lord Brabazon raised a bogey that many people thought had died. It was simply this: gas turbine engines will burn paraffin; cold (but not hot) paraffin is known to catch fire with reluctance compared with petrol; airlines that persist in burning a crude form of petrol in their jets are therefore careless of safety. QED. The fact that refineries have a good deal more of this crude petrol (a wide-cut fuel consisting of a mixture of low-grade petrol and paraffin very different from high octane spirit) than paraffin, and no visible market for it other than the airlines' jets, lent sinister undertones to the dispute and the Ministry set up a working party to resolve the issue.

Its findings deal solely with the relative fire risk of the two fuels and conclude, cautiously but unequivocally, that while there are many kinds of aircraft accidents in which one fuel will burn as readily as the other, there are also some where paraffin might be expected to catch fire less readily than the wide-cut petrol and to burn more slowly. But there is not enough statistical evidence to prove the issue either way. This finding may cause worry and distress, not only to aircraft passengers but also to those airlines (they include Pan American and Trans Canada) that use the wide-cut petrol in preference to paraffin because their engineers believe that paraffin too has its drawbacks. For the peace of mind of the passengers, it is regrettable that the Ministry concentrated narrowly on flammability which, according to arguments on the other side, may be only one aspect of the relative safety of the two fuels.

COTTON TEXTILES

Unkind Cut?

RELIEF — mainly psychological — was afforded western manufacturers by the negotiation of a five-year agreement regulating international trade in cotton textiles in Geneva a month ago. The strong posse of American lobbyists at the conference were cock-a-hoop at its conclusion. But with the ink scarcely dry on the scheme which will control exports after the end of September, the United States asked for cuts in Hongkong's exports to America under the existing temporary agreement. Eight categories of exports were affected by the request, including gingham, sheeting, knit shirts and articles classified by American authorities as sweaters, cardigans and coats.

"To retain American goodwill" the issue of licences to export these goods from Hongkong was immediately stopped, though the ban was later lifted to permit shipments up to and including March 10th. Except in desperate circumstances, the Geneva procedure specifies a 30-day period of consultation in which restrictions can be negotiated. Hongkong has exceeded its minimum quota for exports of the items affected by the ban. But as far as is known, the United States has not demonstrated that its trade has been disrupted within the meaning of the agreement. It was announced this week, after much heartburning, that exports of these goods would not be resumed by Hongkong for the time being. Manufacturers were warned against entering into new commitments while further negotiations were conducted with the United States. The Hongkong government promised relief in proved cases of hardship resulting from the ban.

The ban will depress the whole industry as well as causing severe distress in some parts of it. Spinners and weavers have decided to reduce output by a third. One worker in three will lose his job. An obvious flaw in the international scheme is that it appears to have little sense of proportion. Sectors of the American industry whose condition appears to have improved in recent months have been saved from "disruption" at the cost of far more serious dislocation in Hongkong. Under the new long-term agreement, Britain will not be expected to make bigger concessions to Asian producers. Imports of grey cloth are falling spontaneously as stocks are reduced following the boom of 1960 and early 1961. In January, imports of grey cloth were little more than half the level of a year earlier, though imports of yarns and made-up garments were still high. It seems only a matter of time before manufacturers in Lancashire begin to see a little more business.

The British cotton industry has been so riddled by imports from Asia that a sharp reduction in imports would possibly cause some disruption now. At each level of manufacture, producers rely on substantial imports of materials. Continental manufacturers see this as a bar to Britain joining the common market and claim that Britain will have to choose between its present arrangements with Commonwealth manufacturers and Europe. But though free competition between Lancashire and the French industry, which has so far been exposed to only negligible imports of Asian textiles, will cause difficulties, it appears that negotiations in Brussels on this point have made fair progress.

OVERSEAS BANKS

Profitable Year

PROVIDING banking facilities in the world's underdeveloped areas can still be profitable. Published profits of three of the biggest overseas banks with their head offices in London, the Bank of London and South America, the Chartered Bank, and National and Grindlays Bank, have increased fairly steadily over the past ten years with Bolsa leading the advance. In the latest year to December 31st the published profits of each of the three banks, after the usual undisclosed transfers to inner reserves, increased by around 30 per cent.

The disclosed profits of the Bank of London and South America rose from £756,000 to £973,000 and would have been considerably higher but for the heavy setback, from £238,000 to £85,000, in the net profits of the recently acquired subsidiary Balfour, Williamson, and the loss of £45,000 on the first eight months' operation of the new Buenos Aires subsidiary Compañia Financiera de Londres. Sir George Bolton, chairman of Bolsa, complains that the Treasury's stiffer scrutiny of investment in the non-sterling area that followed last July's little budget, prevented the bank from transmitting to Balfour, Williamson in South America that part of the proceeds of last year's rights issue earmarked for Balfour, Williamson's working capital needs. Deposits rose by £19 million to £253 million in the year and expansion was spread fairly evenly among the bank's branches; in the two previous years, growth had been concentrated in the London branch. Unlike the chairmen of the other two banks, Sir George Bolton does not survey the territories in which the bank operates; this job is now done with great competence in the bank's fortnightly and quarterly reviews. Sir George concentrates on the world's problems. Europe is charged with "self-centred indifference to the state of the two major international currencies." Washington and Whitehall are presented with the possibility of having to choose between "the relative importance of their foreign and military policies and monetary stability." Sir George extends his sympathy to "the common man" who, he says, "is increasingly showing a healthy distrust of economic expedients accompanied by showers of paper money of ever-declining value."

The Chartered's disclosed profits in 1961 increased by 30 per cent, from £762,000 to £990,000, after an increase of £150,000 to £400,000 in the transfer to published reserves. Published profits of National and Grindlays rose by 34 per cent from £479,000 to £644,000. In order to maintain the relationship between capital funds and deposits after the acquisition of the Lloyds Bank's eastern branches National and Grindlays also transferred £850,000 from inner reserves to published reserves, and a one-for-four rights issue will increase the issued capital by some £1,140,000. During 1961 the bank joined the Hongkong and Shanghai Banking Corporation and S. Japhet the merchant bankers in forming the Exporters' Refinance Corporation to provide export credit up to five years.

SHORTER NOTES

British United Airways hopes to operate the first hovercraft service next summer between Hoylake, on the Cheshire coast, and Rhyl on that of North Wales. It would use the Vickers VA 3 hovercraft (which has yet to fly). BUA has applied informally to the Ministry of Aviation for permission to operate the service; whether the Air Transport Licensing Board has authority to give licences for hovercraft as well as aeroplane services is something that remains to be settled, despite the number of applications it has already received.

★

Net profits of British Wagon, the hire purchase company in which the Bank of Scotland has a 40 per cent interest, fell by 28 per cent in 1961 from £227,000 to £161,000, and the dividend is reduced by 2½ per cent to 10 per cent with a final of 5 per cent. Bearing in mind the recent results of other companies in this field these figures should not produce too big a frown.

★

Despite forecasts of a smaller cocoa crop earlier in the season, it now appears that production will reach a new peak. Gill and Duffus estimate that world production will be 1,209,000 tons this season—56,000 tons higher than the previous record in 1960-61. An increase in consumption of 10 per cent to 1,094,000 tons is expected in 1962, roughly the same rate of increase as in 1961. Lower prices helped to stimulate the rise in consumption. In Britain, total expenditure on chocolate and sugar confectionery rose by £7 million to £272 million last year. Expenditure on chocolate confectionery rose by £10 million but sales of sugar confectionery decreased. Since 1953, the first year of derationing, expenditure on confectionery per head of population has increased by 11 per cent. to 103s. 1d. a year. Prices have risen by 4 per cent.

COMPANY AFFAIRS
Comments on pages 1068 and 1069 on:
Hoover, Charrington, Arusha, Calico, Newton Chambers, Woolcombers, Canadian Pacific, Amalgamated Roadstone

STOCK PRICES AND YIELDS
Stock prices, yields and security indices on pages 1070 and 1071

MONEY AND EXCHANGES
Money market report, exchange rates and public finance on page 1072

COMPANY MEETINGS

LORAINE GOLD MINES, LIMITED

(Incorporated in the Republic of South Africa)

CHAIRMAN'S SPEECH

At the Annual General Meeting of Loraine Gold Mines, Limited, held in Johannesburg on March 8th, **Mr B. L. Bernstein,** the Chairman, said:

My Review in the Annual Report gave shareholders a comprehensive survey of the Company's operations up to the end of December, 1961. Now, as in previous years, I propose to bring you up to date in regard to development results at your Mine up to the end of February, and to elaborate on certain aspects arising from statements made in my Review.

DEVELOPMENT PROGRESS

During January and February a total of 15,340 feet of development was accomplished of which 14,653 feet were on Elsburg Reefs. Of 2,915 feet sampled on the Elsburg Reefs, 1,715 feet, equivalent to 58.8 per cent, were payable at an average value of 26.78 dwt per ton over a channel width of 28.4 inches, equivalent to 760 inch-dwts.

This development includes the first reef footage so far obtained South of No. 3 Shaft, all of which has been in the EA zone. Of 320 feet sampled in this area 46.9 per cent has proved payable at an average value of 738 inch-dwts.

In addition to these results, recent development North of No. 3 Shaft in the EA zone has disclosed a wide band of reef immediately above the lowest EA reef band. This reef, which is considered to be a composite of several bands which occur separately elsewhere, has so far been exposed over a distance of 150 feet in raises and winzes advancing North and South from the 48th level at No. 80 crosscut. 205 feet have been sampled and 73.2 per cent has proved payable at an average value of 12.82 dwts per ton over a channel width of 81 inches. The extent of this wide reef is not yet known, but is almost certainly confined to a relatively small block of ground about 100 feet from East to West and 400 feet from North to South. Sampling results from this reef are excluded from the total development figures and will be given separately in Quarterly Reports so as not to obscure the picture obtained from sampling results of normal reef development.

I mentioned last year that the main concentration of development would be in the No. 3 Shaft area where stoping tonnage can most readily be made available and this policy is still being vigorously applied in advancing haulages northwards. Reef development from these haulages has necessarily been concentrated in the EA zone, because, in most cases, an upper reef has to be mined ahead of underlying reef for reasons of safety, but reef rises between levels are being advanced on other horizons where intersections have shown payability.

The 48th level haulage has been completed: the 50th level haulage is now 6,300 feet North of No. 3 Shaft; the 54th and 56th level haulages 3,300 feet and 1,600 feet, respectively.

South of No. 3 Shaft good progress is now being made with the 46th and 48th level haulages, which form the spearhead of the exploratory development to the South. At the end of February the 46th level haulage had advanced 2,130 feet and the 48th level haulage 3,240 feet. Faulting has been intersected and diamond drilling is being carried out to obtain further structural information. Where a reef is in reasonable proximity to these haulages, limited reef development is being undertaken for valuation purposes. Where a reef zone is remote from haulages, prospect diamond drilling for valuation as well as for structural information will be done and the results obtained from such specialised drilling will be published in Quarterly Reports. When the main development North of No. 3 Shaft has been completed haulages to the South will be commenced on the lower levels suitably sited in accordance with structural information obtained by drilling from the upper levels.

In my Review, development results were analysed on a roughly regional basis by giving separate values for the Elsburg Reefs in the No. 2 Shaft Area and in the No. 3 Shaft Area. Although limited areas have so far been entered by development, it may help to clarify the picture if I give you an analysis of the progressive footage on Elsburg Reefs divided into stratigraphic zones.

The results up to the end of February, 1962, are as follows:

Zone	Footage Sampled	Payable Footage	Percentage Payable	Channel Width Inches	Inch dwt.
EA.....	26,145	16,555	63·3	35·3	716
EB.....	1,400	1,095	78·2	35·9	958
EC.....	410	190	46·3	37·5	530
ED.....	2,585	1,490	57·6	28·1	569
Total.....	30,540	19,330	63·3	34·8	716

An interesting feature of recent development in the EB zone has been found in the 81 crosscut on the 50th level and in a cross-rise from the 52nd level where a succession of reef bands occur in close proximity. The widths of individual reef bands vary from 14 to 76 inches and the waste partings separating them from 12 to 132 inches, resulting in a composite value of 7.0 dwts per ton over an overall channel width of some 840 inches. Intersections of reef in adjoining crosscuts, situated 500 feet to North and South show normal widths of EB reef at about 600 inch dwts and therefore this feature can only be regarded as an isolated occurrence of limited extent. Included in the total of 1,400 feet sampled in the EB zone which was referred to in the tabulation I have just given you is 200 feet of raise sampling on one of the lower bands of this succession of reefs, all of which is payable at an average value of 2,393 inch dwts. If the values from this raise had been excluded, the values of the EB zone quoted above would have been reduced from 958 inch dwts to 637 inch dwts.

Considered in conjunction with the wide reef in the EA zone to which I have already referred, it serves to emphasise the difficulty of assessing from work so far accomplished, the pay tonnage that will ultimately become available for mining.

Tonnage mined on Elsburg Reefs in the No. 2 Shaft Area, where payability has been confined to reefs in the EA zone, reached a maximum during the past year. Ventilation facilities at No. 2 Shaft have imposed a limit to expansion of mining operations in this area which is now being gradually replaced by stoping operations North of No. 3 Shaft where no ventilation restrictions exist and where progressive development values compare favourably with those in the No. 2 Shaft Area. At present stopes adjacent to No. 3 Shaft provide about 14,000 tons per month to the mill and new stopes are being opened up as fast as reef development permits.

During the latter half of this year sufficient stoping face should be available to give scope for stoping North of No. 3 Shaft at a higher grade. At that time it is expected that tonnage drawn from "B" reef stoping will have been reduced from the present figure of 34 per cent of tonnage milled to about 25 per cent.

Meanwhile, experimental work is in progress to determine whether the rate of surface sorting which was 14.8 per cent last year can be increased either by improving on the manual waste sorting currently in use or by introducing mechanical sorting. A radiometric sorting unit is still under test at a pilot plant on the Harte-beestfontein Mine.

Development footage in excess of that considered necessary to replace the depletion in ore reserves created by current stoping operations continues to be a charge against capital and at the present rate of development and stoping this is equivalent to approximately R1.4 per ton milled. This footage will be reduced during the course of the next two or three years while adequate ore reserves are being built up without affecting the cost per ton milled of development charged as a working cost. It is considered that it will be necessary to maintain an average total development rate of the order of 7,000 feet per month for the next two years.

As a result of the view that tonnages from the Elsburg Reefs may not be sufficient to support a long life it has become necessary to obtain an early indication as to what supplementary tonnage can be expected from other reefs, so that long term planning of mining operations can be undertaken.

EXPLORATION OF BASAL REEF

In the general vicinity of No. 3 Shaft it has been found that the Basal Reef conforms generally to the same trough formation as the Elsburg Reefs, with a steeply dipping western limb which brings the upturned reef to an elevation above the 54th level in the vicinity of No. 3 Shaft before it is cut off against the boulder beds on a line parallel with the cut-off of the Elsburg Reefs. It has also been found that whereas the thickness of strata separating the bottom of the ED zone of the Elsburg Reefs from the Basal Reef is about 1,100 feet at No. 3 Shaft, which is on the eastern side of the trough, this thickness is reduced to some 400 feet near the top of the western side. It is thus possible to intersect Basal Reef by advancing a crosscut about 300 feet to the West from the 54th haulage North. It is probable that the Basal Reef subcrop falls entirely within the western boundary of the original Riebeeck Lease Area. You will remember that payable values occurred in the Basal Reef intersected from several surface boreholes in the general area of No. 3 Shaft, namely, Boreholes SB3, VDH1 and VDH4A.

It is now proposed to initiate exploration of Basal Reef in terms of the Riebeeck flotation agreement, by means of limited development by two crosscuts from the 54th level haulage and by underground boreholes drilled from the 54th and 56th levels with the object of determining whether payability extends up the western limb to elevations which could ultimately be exploited from the existing Loraine shaft system. It is also hoped to determine whether khaki shale is still present at the higher elevations, and, if so, to what extent stoping operations would be affected in steeply dipping areas. It has been agreed with General Mining and Finance Corporation Limited and General Exploration (OFS) Limited that the limited development rock estimated at some 2,000 tons arising from this reef development will be treated in your company's mill and the gold recovered will be for your company's account.

As far as current operations are concerned they continue to be satisfactory. The mill is operating efficiently and to capacity, and as the grade increases profits should gradually increase, as no steep rise in the cost structure is anticipated. When sufficient information is available about the southern area it will be necessary to locate a shaft to serve that area. The siting of this shaft must await development work to the South of No. 3 Shaft, but it would appear from present indications that preparatory work could commence towards the end of 1963, and full scale sinking in 1964. It is anticipated that the capital expenditure for the new shaft system will be financed from profits.

Certain criticisms have been made arising out of the publication of my statement in January. On the one hand, there has been the criticism that the warning note contained in the statement should have been issued earlier. On the other hand, I have had letters from shareholders criticising me for referring to the future before more information was available.

PAYABLE TONNAGE STILL UNKNOWN

From the start of the Mine the predominant question mark has been how much tonnage would be found in the Elsburg Reefs. Promising boreholes indicated, and development results have since proved, that payable ore is available, but the question as to the probable payable tonnage in the Elsburg Reefs still remains unanswered. Every shareholder and every share analyst who had studied this position must have been aware of this. The surface boreholes indicated a narrow zone of enrichment and that there were difficulties in correlating the various reefs intersected. The Riebeeck flotation agreement itself posed this question by providing that if the tonnage on the upper reefs alone were adequate to establish a satisfactory mine, only then would another company have the right to explore the reefs lying below the upper shale marker with a view to establishing a second mine to exploit those reefs.

Indeed, at every annual meeting this point has been raised by shareholders. At the 1959 meeting, in reply to a question I said, "It is too early to assess the significance of the limited development in relation to payable tonnage contained in the lease area as a whole." At the 1960 meeting I said, "At the moment we only have information on strike, and on strike we have established continuity, but there is no information available yet as to the extent of that continuity on dip, so there is no possibility of being able to estimate tonnages at this stage." At last year's meeting I said, "There has been much speculation regarding the total tonnage of payable Elsburg Reefs contained in the Mine. Work done to date has proved that the upper and lower Elsburg zones are continuous from the northern boundary of the old Riebeeck lease area to No. 3 Shaft, but until the number of reefs and the extent of their payability at depth is known it is impossible to make any assessment." This clearly indicated that this vital question mark has always overhung this mine, and indeed it still does today.

EMERGENCE OF GRADE AND COSTS PATTERN

We have come to the conclusion, however, as a result of a further twelve months work on the Elsburg Reefs that a pattern has emerged, which, if it continues, will be a limiting factor as regards tonnage from those reefs. There was no dramatic moment when this became apparent. There was no dramatic change which could immediately have been brought to the attention of shareholders. There has been a gradual accumulation of evidence. I felt it my duty to bring this matter to the attention of shareholders because the evidence over the past twelve months points to the probability that we are unlikely to have sufficient tonnage for a long life based solely on the Elsburg Reefs. By long life I mean the life of thirty years as envisaged in the Riebeeck flotation agreement. The life from these Elsburg Reefs, if the present pattern continues may be of the order of fifteen to twenty years at our present milling rate. But, even if this opinion does prove to be correct, that does not mean that the life of the mine is limited to that period. Exploration work on Basal Reef and on "A" and "B" Reefs will be carried out to ascertain to what extent these reefs can be economically exploited by your company. Furthermore in due course exploration will be carried out to determine whether the Elsburg Reefs persist and contain payable ore along the western boundary of the former Loraine Lease Area—that is, to the North of the present limit of the No. 2 Shaft Elsburg Reef workings.

The pattern of grade and costs obviously must have an important bearing on the profitability of the mine. You will bear in mind that this time last year the percentage of reef drawn from the Elsburg Reefs amounted to only 40 per cent whereas even today that figure has risen to only 66 per cent. Although we have been stoping in the No. 3 Shaft Area for eleven months, even now only 17 per cent of our tonnage comes from the Elsburg Reefs drawn from No. 3 Shaft areas. It is apparent that it is only over the last year that we have been developing and stoping sufficient Elsburg Reefs to form any opinion as to factors that might influence grade and costs. The pattern of faulting, unconformities and distribution of values, which has emerged over the past twelve months has naturally inhibited grade and had an adverse effect on costs. It required time before one could draw conclusions. However, on the basis of the information revealed by the last twelve months' work, it was my duty to point out the inhibiting factors which were influencing grade and costs. These are a challenge to our mining methods and technique, and naturally everything is being done so as to obtain the optimum grade at the lowest cost.

Our technical people at Head Office and on the Mine are naturally exerting every effort to evolve methods and techniques to offset these factors, and thus improve the grade and reduce costs. Obviously I can make no forecast as to whether this will or will not be possible. What is apparent on present information is that the grade should continue to rise over the next two years as adequate stope faces on Elsburg Reefs become available and less "B" Reef is mined. From then on grade will depend on development ahead of the mill and the success we have in offsetting the mining conditions to which I referred in my statement.

Because in all matters the future is most uncertain, and nowhere is it more uncertain than in the mining of a deposit having unique geological features, the Board decided that warnings should be given, and that my statement should be issued as soon as possible ahead of the Annual Report and Accounts. These warnings could not have been given until all concerned had had an opportunity to evaluate all the evidence which was of a highly technical nature, and they were given as soon as this evaluation had been completed, and were subject to all the qualifications we considered essential.

The simplified model showing the geological structure between No. 2 and No. 3 Shafts is again available, and those shareholders who are interested are invited to inspect the model after the Meeting. The Company's technical staff will be available to explain the model and also to assist those shareholders who wish to study the plan of the underground workings.

REPLIES TO QUESTIONS

Before putting the motion for the adoption of the Report and Accounts to you I shall deal with certain questions which shareholders unable to be present have asked me to answer at this Meeting:

Question: Will you keep shareholders advised in the Quarterly Reports of your interpretation of current development and trends, particularly in relation to the assessment of Elsburg Reef tonnages?

Answer: The Quarterly Reports deal with factual information. Any attempt to interpret such information or project it into the future would be dangerous and could be very misleading, because the period of three months is far too short in mining operations to make such interpretations. The only proper place for any predictions or comments, based on work accomplished, is in the Chairman's Annual Review and at the Annual Meeting. However if there were any very significant facts which emerged and which, in the opinion of your technical advisers, were so conclusive as to materially affect our assessment of the future, naturally such information will be published timeously. Shareholders will be given all relevant factual

information, and in future the results of development on each of the four Elsburg zones will be published separately in the Quarterly Reports, and the results of any development and borehole results on the Basal Reef and in the area South of No. 3 Shaft will likewise be published separately.

Q. Are operations at the Mine proceeding satisfactorily, and, if so, will profits increase, and when do you expect to pay your first dividend?

A. Operations at the Mine are proceeding satisfactorily. We are milling to capacity and making reasonable profits. We expect the grade to increase and we expect costs to more or less stabilise, so that profits should increase. It is too early to make any forecast as to when we will pay our first dividend. This will depend upon the accumulation of profits available after providing for capital expenditure, redemption of the note issue, and payments of interest. You will also bear in mind that, in terms of our agreement with the Anglo American Corporation, whenever dividends are paid an equivalent amount must be paid out by way of redemption of the Anglo American loan.

Q. How will the R2,000,000 for capital expenditure be spent?

A. The rough breakdown of this is as follows:

Excess Development	R1,000,000
Pumping Equipment	90,000
Ventilation Plant	210,000
Bantu Quarters	200,000
Electric Power Supply	250,000
Buildings and Miscellaneous Services	250,000
	R2,000,000

Q. Have any negotiations been carried out with Freddies Consolidated Mines in connection with the Elsburg Reefs they have discovered on that property?

A. There have been no negotiations with Freddies Consolidated Mines in respect of the continuation of the Elsburg Reefs southwards into the Freddies property. It is common knowledge that these reefs are likely to extend into that property, and the question as to whether such reefs should be exploited by Freddies, or kept for future exploitation by that company, or might ultimately become available for exploitation by your company, cannot be determined at this stage when information is incomplete. It must, however, be clear that this area will in all probability be exploited in due course by either Freddies Consolidated or your company because it does not appear that any other mine could exploit it economically.

Q. Is it the faulting or sporadic values which are mainly responsible for the possibility of "dilution" being an important factor?

A. Although faulting results in the mining of additional waste the adverse effect on recovery grade is reduced by surface sorting. Sporadic value, however, results in the unavoidable mining of unpayable ground. This, therefore, is the more important aspect of the dilution problem.

Q. In the Technical Advisers Report payable development for the year on Elsburg Reefs is given as 838 inch-dwts. This indicates 14.5 dwt per ton over the ore reserve stoping width of 57.8 inches. The value of the Elsburg ore reserve is given as 10.0 dwt per ton and recovery grade is now about 7.0 dwt per ton.

(a) Is the recovery grade likely to increase?

(b) What relationship can be expected between:

(i) Payable Development and Ore Reserve grade?

(ii) Ore Reserve grade and Recovery grade?

A. I have already indicated in my statement that the recovery grade can be expected to improve as the stoping tonnage drawn from the Elsburg Reefs in the No. 3 Shaft Area increases and becomes fully representative of average development grade in the area.

(b) (i) The Pay Development for the year cannot be compared directly with the Ore Reserve value because the ore reserve also contains blocks developed in the previous financial year and carrying lower values than obtained from the development during the past year. Ore reserve value has so far proved to be about 80 per cent of the value of payable development. The extent of the difference between the payable development value and the ore reserve value depends on the proportion of unpay development which has to be included when computing the ore reserve, because of the necessity of mining some unpay ore along with the pay ore.

(ii) The ratio of recovery grade to ore reserve grade is also expected to be about 80 per cent. This ratio depends mainly on the percentage of tonnage milled drawn from the ore reserve, the percentage of development rock sent to the mill, and on the percentage of waste sorting by means of which recovery grade can be enhanced.

Q. Under certain conditions, Geoffries is entitled to exploit the lower (Basal and Leader) Reefs. Will you please give details of this arrangement?

A. After the Company has completed 40,000 feet of development along the Upper Reefs which include the Elsburg, the "A" and the "B" Reefs, Geoffries may require an assessment to be made by the consulting engineers as to whether a satisfactory mine (as defined) exists in the Upper Reefs. If after four years no such assessment has been called for by Geoffries, then your company has the right to do so, and if at any time during this period the Government Mining Engineer calls upon your company to explore the Lower Reefs an assessment with regard to a satisfactory mine must be made. If a satisfactory mine does not exist, your company will be entitled to exploit the lower Reefs for its own benefit. If it is decided that a satisfactory mine on the Upper Reefs does exist, Geoffries may apply to the Government Mining Engineer to exploit the Lower Reefs as a second mine to be established by Geoffries. If such permission is refused, or if the Government require your company to work the Lower Reefs, or if Geoffries wishes to include the Lower Reefs in a company not formed by themselves, your company may exploit the Lower Reefs for its own account on payment of R200,000 to Middle Wits and R400,000 to Geoffries.

Q. What is considered a satisfactory mine under the arrangements with Geoffries?

A. A satisfactory mine shall be a mine which is estimated to yield from the Upper Reefs sufficient gold-bearing ore to support profitable mining operations for at least 30 years commencing on the date of initial production from those reefs for which purpose:

(a) The estimated average grade over the period of at least 30 years shall not be less than 7 dwts. per ton;

(b) The estimated quantity of gold-bearing ore to be milled shall not be less than 30 million tons; and

(c) The estimated profits will be at least equal to the amount of capital required by the company (both factors being present values at 10 per cent per annum).

Q. Has there been any difficulty in coping with the water intersected in the water-bearing fissures south of No. 3 shaft?

A. Although development south of No. 3 shaft has been retarded to some extent by the intersection of water-bearing fissures requiring cementation, no serious water problem exists at your mine. The pumping rate during the past five months has been of the order of 1.6 million gallons per day, which is well within the mine's pumping capacity of about 10 million gallons per day and substantially less than that of most of the mines of the Orange Free State goldfield. A programme of draining under control the known water fissures in the No. 3 shaft area has been put into effect.

Q. To what extent have the results of surface boreholes been confirmed or otherwise by development sampling in the underground workings in the vicinity of the boreholes?

A. By and large, the results given by the surface boreholes have been satisfactorily confirmed by underground development. This is especially so in view of the rapid variations in reef widths and values over short distances which development has shown to occur on many of the Elsburg Reefs. Variations in values over a stope face, even in successive sample sections, ranging from the order of a hundred or so inch dwts, to well over a thousand, are by no means rare.

It would, therefore, be somewhat surprising if a close correspondence in detail were found between development results in the more or less close vicinity of a borehole and the results obtained in the borehole itself.

Until a surface borehole is actually intersected in the workings it is often not possible to be certain of its exact position underground. In all cases, except that of borehole K1 on Kromdraai, which was exposed in the workings, comparison between borehole and development results can be made only in a general way. In the case of K1 also, no direct comparison can be made since stope sampling approached, at its nearest point, to 30 feet from the borehole reef intersection. The borehole sampling reflected 478 inch dwts. and the stope sampling about 30 feet away averaged 659 inch dwts.

The occurrence of a number of reef bands over a total potentially payable thickness of about 70 feet in the EB zone and of a massive payable reef body some 14 feet thick in the EA zone to which I have referred, illustrates the difficulty of attempting to make detailed comparisons between underground development and borehole results. In both these cases the information so far available indicates that they are probably of strictly limited lateral extent.

Q. Are you aware that rumours circulated long before your Statement, and what do you intend to do about it?

A. From time to time, and particularly where a speculative counter such as Loraine is involved, a large number of rumours do circulate in the market and elsewhere which, in nine cases out of ten, are entirely without foundation. It is not practical politics to deny or confirm every rumour which is sometimes inspired by persons for their own advantage. Both the Board and the Management are fully alive to the necessity of ensuring, so far as it is humanly possible, to do so, that confidential information does not leak out until shareholders as a body can be given the full picture, and any misuse of confidential information which came to the notice of the Board or the Management would be drastically dealt with.

Q. and A. The question has been ventilated in a letter to the Press as to whether production and development values were "run of mine." I don't know whether the writer intended this question to be offensive, but it certainly read that way. However, the answer is that these values are computed in accordance with normal mining practice and are naturally "run of mine" and correctly reflect the position at the mine.

In reply to further questions asked at the Meeting, the Chairman stated:

1. That any shareholder is welcome to visit the Mine at times convenient to the Company.

2. The period of four years during which Geoffries is entitled to call for an assessment as to whether a satisfactory mine (as defined in the Riebeeck flotation agreement) exists on the "Upper Reefs" commenced from August 9, 1961.

3. For reasons already given in his Review and his speech at the Meeting it was obviously not possible to say what recovery grade could be expected from the Mine in the future.

4. As regards the importance of the values to date on the various zones in the Elsburg series, insufficient had been done to determine their potential. The EA zone has proved to be the most promising.

5. In assessing the value of the Mine, inch dwt. values appear to have obscured the other important factors at the Mine, such as percentage payability and dilution.

Quarterly Reports have indicated that the percentage payability has been dropping and this should have been regarded as a warning.

6. The purpose of his Review was to sound a warning note to shareholders with regard to tonnages available on Elsburg Reefs but Members should bear in mind that, in addition to these Reefs, there was the "A" Reef, the "B" Reef and possibly the Basal Reef which could affect the life of the Mine.

7. As regards criticism that there had been leakage of information and "knowledgeable selling" of Loraine shares as a result thereof, every effort which is humanly possible is made to ensure that important information is not divulged until it is released to all shareholders simultaneously. Many rumours have been circulating but in most cases they were grossly exaggerated and this was a matter over which the Board had no control.

8. That with regard to a number of questions asked by shareholders directed to "knowledgeable selling" and dealings in the Company's shares by directors and others associated with the Company, the Register of Directors shareholdings was before the Meeting. He was satisfied that no abuse of information was made by those connected with the Company but an inquiry into share-dealings could only be made by The Stock Exchange or some other competent authority which he and his colleagues would welcome. A resolution of the Meeting was not required to institute such an enquiry.

The motion for adoption of the Directors' Report and Accounts was seconded by Sir George Albu, put to the Meeting and carried.

The retiring directors were re-elected, the remuneration of the Auditors was fixed, and payment of their expenses was confirmed.

The Resolution for the adoption of new Articles of Association was passed as a Special Resolution.

BANCA NAZIONALE DEL LAVORO—ROME

AND ITS SPECIAL SECTIONS

CONDENSED STATEMENT OF CONDITION AS AT 31st DECEMBER 1961

LIABILITIES	Bank Lire	Special Sections Lire	Totals 31 Dec. 1961 Lire	Totals 31 Dec. 1961 Sterling Equivalent	*Totals 31 Dec. 1960 Sterling Equivalent*
Capital and endowment funds	20,000,000,000	10,387,429,318	30,387,429,318	17,440,986	*16,293,077*
Reserves and special funds	13,780,000,000	12,285,185,357	26,065,185,357	14,960,217	*12,927,597*
	33,780,000,000	22,672,614,675	56,452,614,675	32,401,203	*29,220,674*
Guarantee Fund (Law No. 481 of 29.7.1949)	—	1,489,045,313	1,489,045,313	854,642	*808,698*
	33,780,000,000	24,161,659,988	57,941,659,988	33,255,845	*30,029,372*
Staff Retirement Fund (Bank and Sections)	28,716,195,797	—	28,716,195,797	16,481,774	*14,598,455*
Deposits, current accounts and correspondents	1,361,167,390,629	65,244,365,551	1,426,411,756,180	818,694,688	*672,299,373*
Bonds in circulation	—	158,932,490,709	158,932,490,709	91,219,934	*63,450,425*
Miscellaneous Accounts	99,835,092,319	14,809,564,686	114,644,657,005	65,800,756	*56,033,195*
Cashier's cheques in circulation	39,683,441,486	—	39,683,441,486	22,776,469	*18,318,941*
Current accounts between Bank and Sections	3,584,999,369	37,560,512,442	41,145,511,811	23,615,630	*19,702,602*
Rediscounts	—	31,918,109,600	31,918,109,600	18,319,526	*5,357,115*
Bills for collection	73,810,915,901	—	73,810,915,901	42,364,069	*31,335,169*
Guarantees, acceptances, letters of credit, etc.	170,248,095,531	561,265,188	170,809,360,719	98,036,710	*78,251,726*
Unearned interest, discount, etc.	8,373,032,848	3,114,263,401	11,487,296,249	6,593,179	*5,399,569*
Net profit	2,851,830,824	1,848,184,720	4,700,015,544	2,697,593	*2,187,526*
	1,822,050,994,704	338,150,416,285	2,160,201,410,989	1,239,856,173	*996,963,498*
Depositors of securities	678,085,216,320	11,471,534,323	689,556,750,643	395,773,834	*319,079,208*
Staff retirement fund: Bank's securities deposited as guarantee	29,734,258,900	—	29,734,258,900	17,066,096	*15,240,060*
	2,529,870,469,924	349,621,950,608	2,879,492,420,532	1,652,696,103	*1,331,282,766*
After approval of the balance sheet and allocations to reserves, the totals of capital, reserves and special funds will be	35,000,000,000	24,079,746,501	59,079,746,501	33,909,054	*30,563,217*
ASSETS					
Cash and money at call	200,576,986,222	—	200,576,986,222	115,121,957	*104,890,829*
Current accounts with banks and correspondents	116,936,255,650	20,302,697	116,956,558,347	67,127,680	*45,902,406*
Treasury Bills and Government Securities	348,888,069,882	204,105,950	349,092,175,832	200,362,840	*187,897,717*
Government guaranteed and other securities	55,080,966,241	6,148,765,170	61,229,731,411	35,143,047	*21,344,840*
Loans and Advances	537,655,674,432	10,094,444,582	547,750,119,014	314,383,355	*240,468,329*
Bills discounted	308,875,952,206	23,130,146,571	332,006,098,777	190,556,218	*172,103,225*
Rediscounts	—	31,918,109,600	31,918,109,600	18,319,526	*5,357,115*
Mortgage loans	—	254,972,059,722	254,972,059,722	146,342,226	*93,991,969*
Bills for Collection	36,986,734,146	—	36,986,734,146	21,228,683	*18,069,270*
Current Accounts between Bank and Sections	36,880,278,753	4,265,233,058	41,145,511,811	23,615,630	*19,702,602*
Customers' liabilities for guarantees, acceptances, letters of credit, etc.	170,248,095,531	561,265,188	170,809,360,719	98,036,710	*78,251,726*
Miscellaneous accounts	6,921,981,638	1,878,856,818	8,800,838,456	5,051,276	*3,687,390*
Due from Subscribers to share capital	3,000,000,000	4,257,126,925	7,257,126,925	4,165,257	*4,395,112*
Participations in Sections and others	2	700,000,002	700,000,004	401,768	*430,496*
Bank premises and other real estate	1	2	3	—	—
	1,822,050,994,704	338,150,416,285	2,160,201,410,989	1,239,856,173	*996,963,498*
Securities deposited by third parties	678,085,216,320	11,471,534,323	689,556,750,643	395,773,834	*319,079,208*
Securities deposited by the Bank as guarantee for staff retirement fund	29,734,258,900	—	29,734,258,900	17,066,096	*15,240,060*
	2,529,870,469,924	349,621,950,608	2,879,492,420,532	1,652,696,103	*1,331,282,766*

THE CHARTERED BANK

The One Hundred and Eighth Annual General Meeting of The Chartered Bank will be held on April 4th at 38, Bishopsgate, London, E.C.2.

The following is an extract from the statement by the Chairman, **Mr V. A. Grantham**, which has been circulated with the report and accounts for the year 1961:

THE BANK'S BALANCE SHEET

An extraordinary General Meeting was held on October 4, 1961, to sanction an increase in the capital of the Bank. At that meeting the authorised capital was raised to £10,000,000 and of that sum £6,600,000 has now been issued and paid up.

In 1960 our balance sheet total reached a record figure and I indicated in the opening remarks of my overseas survey that there was at least a possibility of some recession in world trade which might affect us but, in fact, there has been a further substantial increase in our own figures of £36,938,878, which has brought the balance sheet total to £353,142,076.

The Consolidated Balance Sheet total of £408,097,902 shows an increase of £45,338,266 over that of last year.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

The profit we show in the current year of £990,238 exceeds that of last year by £228,322, a substantial increase for the second year running. We have been able to match increased costs with increased income.

In September last we paid an interim dividend of 7½ per cent, less income tax, absorbing £252,656 and it is now proposed that out of the balance available a final dividend of 7½ per cent, less income tax, on a capital which has been increased during the year to £6,600,000 be now paid at a net cost of £303,188.

The premium of £1,100,000 arising from the Rights Issue has been transferred to Reserve Funds to which we have transferred a further £400,000 from our profits, bringing the total of those funds up to £7,250,000. There remains to be carried forward a balance on Profit and Loss account of £540,648, an increase of £34,394 over that of last year.

THE IRANO BRITISH BANK

Our associate in Iran completed its second full year in March, at the end of the Iranian year 1339. After examination of the balance sheet and profit and loss account it was agreed that the recommendation from Tehran that a small dividend should be declared, was justified. The accounts at the end of the last Iranian half-year indicate that trading profits have been maintained at about the level of the previous year and plans are at an advanced stage for the opening of another branch in Tehran.

Business during the year 1961 was difficult owing to continued tightness of credit and a general lack of confidence among the merchants in the bazaar. A report on Iran is included in the overseas survey.

OVERSEAS SURVEY

In Asia today the main concern of governments is the raising of the living standards of their people and most of the countries in which the Chartered Bank Group has branches are carrying out economic development plans to this end. At first sight some of these plans appear over-ambitious in that too much is being attempted in too short a time, but the rise in population is so rapid that most Asian governments are having to accelerate the process of development merely to maintain existing living standards, let alone improve them. On the whole progress in recent years has been satisfactory but the main difficulty has been, and will continue to be, shortage of foreign exchange. The industrialised countries of the world have recognised their responsibility in the matter and have given considerable assistance by such means as commodity aid under United States Public Law 480 and grants and loans on a country-to-country or consortium basis. So great, however, are the total requirements, that external aid, save in exceptional cases, can only be marginal and the main source of foreign exchange for economic development in Asia must necessarily be export earnings. Hence there is understandable anxiety over the tendency of the industrialised countries to apply restrictions against imports of low-cost Asian manufactures. Asian countries must be able to export if they are to survive and to deny them this is to negative the benefits of aid.

Now, too, there is bound to be additional anxiety amongst the Commonwealth countries in Asia until the result of the United Kingdom's negotiations to join the European Economic Community is known. At the moment Commonwealth countries are far from convinced that equal trade in a wider market will be a satisfactory substitute for special privileges in a reduced market, particularly for a developing industrial country. It should, however, not be assumed that the interests of the Commonwealth and the interests of Europe necessarily conflict with one another and the British government has been at pains to make it clear that there is no question of entering the Common Market unless Commonwealth interests can be adequately secured and it is encouraging at this stage of the negotiations that the representatives of the Community appear to be increasingly amenable to this important stipulation. Another important point to remember is that although the Treaty of Rome is basically an economic agreement it has important underlying political objectives and there is no doubt that Britain's influence in the Community will be greater than if it were to stand aloof, which should be to the ultimate advantage of the Commonwealth.

CYPRUS

The immediate problem is to achieve a more satisfactory balance in the country's overseas trade, for imports are increasing rapidly and were last year, double the export earnings. The trade deficit was £21 millions and was, for the greater part, covered by expenditure in connection with the British bases on the island, but the annual contributions from this source may not continue on the same scale and obviously Cyprus has to encourage the development of those local industries which will lessen the need for imported goods.

The prudent budgetary policy of the government should induce confidence and, provided sufficient foreign aid is forthcoming, the development programme will assist the country towards building up a more self-supporting economy.

IRAQ

Iraq is dependent upon its oil production not only for the continued satisfactory state of its economy but also for the country's development, and it is to be hoped that happier relations between the government and the oil companies will soon be established to ensure that the new five-year economic development plan be successful. Given oil production and oil revenue not less than 1961's increased figures there is every hope that the plan, which includes industrial, agricultural and public works projects, should reach its targets and raise the general standard of living, for Iraq is basically a rich country.

THE GULF

Bahrain. Trade was satisfactory but the development of other ports in the region tends to slow down the rate of expansion of Bahrain's entrepôt trade.

The local production of oil at Bahrain remained steady during 1961 and there were no new drillings worth noting. The refinery throughput, which includes crude from the mainland, reached the record figure of 10.5 million tons.

Abu Dhabi. It is now generally recognised that Abu Dhabi will, within the next few years, begin to receive a very substantial revenue from resources of oil both offshore and on the mainland and it is commendable that energetic action is already being taken by the government to ensure that the town is developed in an orderly way.

The Eastern Bank opened its branch in Abu Dhabi on October 1, 1961.

ADEN

In the government of Aden Colony the development of representative institutions has continued satisfactorily. Although the entrepôt trade continues at a satisfactory level, it is tending to diminish as the efficiency of neighbouring ports improves. For some time to come this reduction will be offset by expenditure arising from the presence in Aden of the armed forces, but there is a danger that the economy will become over-dependent on this source of income, particularly as there is little sign of new industries being developed in the Colony either by foreign investors or by local enterprise.

IRAN

Immediately after his appointment early in May the new Prime Minister, Dr Amini, announced his intention of introducing a programme for strengthening the economic position of the country both internally and externally, and the efforts of the financial authorities throughout the second-half of the year have met with some measure of success. The mounting inflation of recent years has been arrested and the steady rise in the cost of living has been slowed down.

It has been stated by responsible authorities that this year Iran's earnings of foreign exchange from the oil industry, including sterling sold to the government by the consortium of operating companies for their local expenditure, will amount to around £130 millions, an increase of some £10 millions over last year.

INDIA

India has reason to be proud of the progress made in the development of the national economy. Indebted as it is to foreign aid and investment for the success of its first and second five-year plans (1951/61) it has still, by its own efforts, achieved remarkable results in what it terms its industrial revolution.

The visible results of this revolution are the new industrial enterprises appearing in all parts of the country, but less apparent are the tremendous strides in agriculture which have raised the output of food grains by 50 per cent to 79 million tons in the last ten years and have helped to turn chronic food shortage and malnutrition to something approaching self-sufficiency. This achievement is all the more commendable when viewed against the background of a population showing an increase of 21.5 per cent during the same period and now reaching a figure of 438 millions.

The cost of the plans, or the revolution, whichever it be called, is not clear: India no longer has a surplus of foreign exchange and the present level of reserves is barely sufficient for current needs. Now, too, the country goes into its third five-year plan faced with the additional burden of servicing the substantial debt already incurred and knowing too that only the further vast sums promised by the consortium of countries in the form of aid can make it successful. Fortunately private foreign investment continues at a high level and government's interest in attracting overseas investment, preferably in conjunction with Indian interests and for industries with export earning potential, was shown in tax concessions in the last budget. Taxation is, however, still very high by world standards.

PAKISTAN

Pakistan has continued to enjoy the benefits of firm but benevolent leadership and the President's already high prestige was further enhanced both at home and abroad as a result of his visit to the United States last July.

Last year I mentioned the improvement in the level of exchange reserves which had made it possible for the government to permit increased imports of raw materials and consumer goods. The liberalisation of imports succeeded in the twin objectives of sustaining a further increase in industrial production, which benefited by the increased availability of raw materials and spare parts, and of reducing price levels. On the other hand, the higher import bill is causing a deficit in the balance of payments. With the growth of population, which the 1961 census revealed was rising by 2.4 per cent per year, a rate higher than was estimated by the planners, there is increased domestic absorption of most commodities, and reduced exportable surpluses.

It is heartening to find that throughout Pakistan there is confidence in the ability of the country to overcome present problems and to make a success of the five-year plan.

FEDERATION OF MALAYA

The outstanding political event last year was the crystallisation of the previously vague concept of a confederation of Commonwealth territories in South East Asia and its acceptance by all the governments concerned as the next logical constitutional development.

Industrial development in the Federation is now well under way and the number of foreign trade missions visiting the country, particularly in the early part of the year, is an indication of the country's increasing importance as a market for capital equipment and manufactured goods and as a field for investment from abroad.

The increasing tempo of trade and industry in the Federation demands an expansion in banking facilities and we have therefore felt it necessary to enlarge our own organisation in the country. New branches of the bank have recently been opened at Kuala Trengganu, Kota Bahru and Port Dickson, and our branches in Petaling Jaya and Port Swettenham have been accommodated in new office buildings during the course of the year. We commence the building of a new main office in Kuala Lumpur this year.

With prospects for both rubber and tin reasonably good, the favourable development of the Federation's economy under the second five-year plan, which covers the period 1961/65, should continue. By adhering firmly to sound fiscal and economic policies the government has successfully created conditions favourable to trade and industry and it is to be hoped that the imaginative initiative which has been taken in connection with the proposed merger with Singapore and the Borneo territories will be attended with success.

SINGAPORE

The government of Singapore has consistently advocated closer association with the Federation of Malaya and therefore welcomed the Federation's proposals for a merger to include the Commonwealth territories in Borneo as well as Singapore and the Federation. Such a merger would obviously benefit Singapore by giving increased scope for the entrepôt and other specialised commercial and financial services available in the port, and by providing wider markets for the new industries which are to be established in terms of the four-year development plan (1961/64).

It is greatly to the credit of the business community that in what has been in many respects, a difficult year, overseas trade has been maintained at a satisfactory level. In value the aggregate was lower than in 1960, but only because of the reduction in the price of rubber a commodity which accounts for a third of Singapore's imports and nearly half the exports.

Provided that relations with Indonesia continue to improve and the negotiations for the merger of the Commonwealth territories in the area proceed favourably, the outlook for Singapore in the coming year could be reasonably bright.

In August we extended our own organisation in Singapore by opening a new branch at Queenstown.

THAILAND

Under the firm guidance of Field Marshal Sarit's administration Thailand has enjoyed a quietly prosperous year. Thailand, agriculturally a land of small-holdings, is in the fortunate position of producing enough food and other commodities to support the population simply but adequately and still have a surplus available for export sufficient in value to meet normal requirements of imported goods. This gives a fundamental stability to the national economy which has enabled Thailand to be one of the few countries in Asia able to sustain over a period of years a free economy with an absence of import restrictions.

The way in which foreign enterprises are able to conduct their business without interference or discrimination, providing they respect the laws of the country, is a clear indication of the liberal policy of the authorities towards investments from abroad.

HONG KONG

The economy of Hong Kong may be finely balanced but there is no indication of this in the buoyancy of government's budgetary revenue or in the characteristic manner in which the business community continues industrial expansion in the face of difficulties. It is those difficulties which must bring caution into my remarks after what must be considered another prosperous year although profits generally were lower. They are, in the main, the difficulties of finding and keeping overseas markets for the Colony's expanding industry.

There has been a large increase in the banking system in Kowloon and the New Territories and we ourselves opened new offices in Kowloon, Shamshuipo, Hung Hom and Wong Tai Sin. New banks, too seem to be opening up all the time on the island and on the mainland and we are relieved to hear that the government is bringing in legislation to ensure that normal banking standards are observed. For too long now it has been possible for any concern with a small capital to open up in Hong Kong and include "bank" or "banking" in its name, and it is to be hoped that the new legislation will set minimum standards for such privilege that will give adequate protection to depositors, local and overseas.

CHINA

A year ago I suggested that the grain imports which China had been obliged to make, following successive bad harvests, would impose a severe strain on the country's exchange reserves and thus cause a contraction in trade with countries outside the Soviet block. This has proved to be the case. Nevertheless, the Chinese have lately been showing increasing interest in developing trade with countries outside the Soviet block, this trend being evidenced by the recent contract for the supply of British aircraft.

Our Shanghai office continues to do useful business in connection with the financing of China's overseas trade.

JAPAN

In Japan in 1961 it was the economic rather than the political issues that dominated the scene. This is not surprising as the post-war industrial boom was obviously getting out of hand and the mounting bill for the tremendous industrial development in the preceding years had to be met. That bill, that is the external cost of the

vast investments in new plant and machinery, was primarily responsible for forcing Japan into a balance of payments crisis. The reserves finally fell only U.S.$338 millions during the year, but at one time the downward trend was so alarming, and as usual in such circumstances internal inflationary pressure was such, that the government had to take the usual remedial steps of a credit squeeze, high interest rates and more liberal financing for exports. Even with these measures it may be well into 1963 before the Japanese economy is on an even keel, for the country's balance of payments is even less satisfactory than might appear from published figures, which show neither the recent loans by American banks nor the large overseas borrowings of the Japanese banks.

CONCLUSION

The unsatisfactory state of the United Kingdom's balance of payments has caused the government to call for a renewed export drive and, as a large part of the business of the Chartered Bank Group is the financing of international trade and as our branch system extends from the eastern Mediterranean to the Pacific Ocean, we have obviously a part to play. We have a first hand and intimate knowledge of the markets of Asia and wonder at times if their promise and potential are too little known to the exporters in this country. It would be unwise for them to take for granted what may be termed the traditional markets for British goods, such as India and Hong Kong, or to view the East as one unit forgetting that each individual market has its own features. Foreign exchange is always scarce and must be spent to the best advantage, which makes exporting to the East a highly competitive business. It is obviously worth studying in view of the fact that the greater part of the world's population lives in the area and rising living standards will stimulate demand for a widening range of products. Certainly, during my tour in the East last year I had brought home to me over and over again the aggressive efforts in salesmanship made by other countries.

Information about particular markets can be readily obtained from the exchange banks and other organisations but this is only a start. Our manufacturers must not expect to be able to sell only what they are already making. They must find out what each market wants and put themselves in a position to meet those wants. After that the all-important factor is for the manufacturer to be able to meet price and delivery dates in a competitive market, and to arrange finance on terms acceptable to the buyers and equal to those of rival exporters abroad. At the moment much of the export trade is handled by a relatively few large organisations, and for them the government and banks have progressively made suitable export finance terms available, but more could be done to assist medium-sized and small manufacturing concerns to develop profitable export business. I feel sure that the Export Credits Guarantee Department, which is always helpful and forward-looking, will, with the banks in this country, evolve a scheme to meet the problems of these smaller manufacturers and encourage them to sell abroad.

Copies of the full text of the statement will be sent on application to the Secretary of the Bank at 38, Bishopsgate, London E.C.2.

ROBECO

EXTRACTS FROM THE MANAGING DIRECTORS' REPORT FOR 1961

When it became evident in the early part of the year under review that the recession in industrial activity in the United States was reaching its lowest point, we shifted the emphasis of our investments to that country. Thus during the year our interest in this section rose from slightly more than 29 per cent to nearly 41 per cent of our assets, in value even more noticeably from fls 199 million to fls 391 million. Our purchases were mainly in food, pharmaceuticals, public utilities, financial institutions, office machinery and oil. At the present time our investments in the United States are largely within those groups which generally speaking are least affected by adverse economic conditions.

The percentage of our Canadian holdings remained practically unchanged and our total interest in the American continent at the end of the year amounted to 44 per cent, as against slightly more than 33 per cent at the beginning of the year.

We also extended our European interests. Although in terms of market values they went up from fls 360 million to fls 478 million, the percentage dropped from nearly 53 per cent to approximately 50 per cent. Long term economic prospects in this part of the world are encouraging.

The value of our holdings in Dutch international concerns rose from fls 165 million to fls 187 million. We further extended our interest in Royal Dutch and we also added to Unilever, Philips and Hoogovens.

Our German interests were maintained at approximately 8 per cent. Our British holdings increased from fls 20 million to fls 41 million, insurance companies representing our main purchase. On balance our interest in France and Belgium also registered an increase. The balance of our African portfolio was disposed of during the year and our Australian holdings remained very small. At the end of the year our liquid resources totalled nearly 6 per cent of our assets.

DEVELOPMENT OF THE COMPANY

The dynamic development of your Company continued in 1961. As a result of the international interest shown in ROBECO shares, the issued capital rose from fls 150,200,000 to fls 200,100,000.

Turnover figures of the Amsterdam Stock Exchange confirm the marketability of your shares. In terms of par value, sales of ROBECO shares in 1961 ranked second to Royal Dutch, while in terms of actual value, at fls 222 million, they ranked fourth among all shares quoted in Amsterdam. It is estimated that approximately one quarter of the outstanding shares are held by investors outside the Netherlands. The shares are also officially quoted on the Stock Exchanges of Paris, Brussels and Antwerp.

As most of our shares are in the form of certificates to bearer, we do not know the names of the holders of these shares. It is apparent, however, that in addition to numerous private individuals, ROBECO shares are bought by many institutional investors, in order easily to secure both a wide spread of risk and an active management of their capital. The number of pension funds which are building up a portfolio of ROBECO shares by periodic payments of fixed amounts continued to increase.

RECORD INCOME: LOWEST COSTS

During 1961 the income of your Company, amounting to over fls 43 million, was again satisfactory.

The cost of administration decreased to an unprecedentedly low level. These expenses, which amounted to 0.20 per cent, 0.16 per cent and 0.14 per cent for the years 1958, 1959 and 1960 respectively, dropped to 0.12 per cent of net assets in 1961.

The available profit balance, inclusive of that brought forward from the previous year, amounts to fls 45,582,370.21. We recommend to you a final cash payment of fls 5.25 per share of fls 50 nominal value, making fls 9.25 for the year. The interim dividend of fls 4 per share, which was paid in October, 1961, involved an amount of fls 15,170,252, leaving an available balance of fls 30,412,118.21. The final payment of fls 5.25 per share will involve fls 21,010,500.

We propose that in addition to the final payment in cash, a payment of 2½ per cent be made in shares; this payment, being a bonus from the share premium reserve, is free of income tax.

Application is being made to the Council of The Stock Exchange, London, for quotation for ROBECO shares of fls 50 and sub-shares of fls 5. Full particulars will be published in the Press on 21st March, 1962, and it is expected that dealings (ex the final dividend and stock bonus, mentioned above) will begin on 27th March, 1962. Copies of the full Report and Accounts in English may be obtained from:

ROBECO, P.O. Box 973, Rotterdam.

BRITANNIC ASSURANCE COMPANY LIMITED

OVER £4,700,000 FOR POLICYHOLDERS' BONUSES

MR FREDERICK A. POWELL'S STATEMENT

The ninety-sixth annual general meeting of the Britannic Assurance Company Ltd. will be held on April 5, 1962. The following statement by the chairman, **Mr Fredk. A. Powell, FCA,** has been circulated with the accounts.

At our meeting last year I told you what a wonderful recovery Mr Kenneth J. Britt had made from a serious illness, but that he was then relinquishing his executive position as joint actuary. In retrospect I am sure that was a wise decision, for the easing of his burdens has undoubtedly enabled him to maintain his recovery throughout the year. Mr Britt now feels that it would be in his best interests to retire completely, and in paying tribute to the valuable services he has rendered to the company over a period of fifty-four years, during the last fourteen of which he has been a director, we all wish him every happiness in the future and maintenance of his recovery. To fill the vacancies on the board, you will be asked to elect Mr P. J. Duffy and Mr D. Hamilton Shaw who, since February 5th last, have held the positions, respectively, of secretary and deputy general manager.

GENERAL PROGRESS

I am pleased to report continued progress in all branches during 1961 with record new business figures in both life branches. The company's total income increased by £1,518,000 to £24,052,000 and the premium income in the life branches by £756,000 to £16,102,000. Gross interest income rose by £712,000 to £7,846,000. Total sums assured, including bonuses, under policies in force in the life branches amounted to £290,209,000, while the funds held as security for the policyholders increased during the year by £7,348,000 to £136,889,000. The amounts allocated to policyholders totalled £4,708,000—an increase of £553,000 over 1960. Increased bonus rates have been declared in the life branches.

ORDINARY BRANCH

Our new sums assured in the Ordinary Branch were £14,233,000 compared with £13,478,000 a year ago. Total premium income rose by £256,000 to £5,277,000 and the gross rate of interest earned was £6 8s. 7d. per cent—an increase of 3s. 7d. over the previous year. The corresponding net rate was 2s. 7d. up at £4 13s. 6d. per cent.

Death and maturity claims were higher than a year ago, the former at £539,000 being £77,000 higher and the latter at £2,219,000 being £286,000 higher. The expense rate was 13.86 per cent, being .47 higher than the year before. The policyholders' funds increased by £3,215,000 to £48,473,000.

During the year we improved our immediate annuity rates and hope that the satisfactory income which these annuities offer will enable us to sell more of this class of business.

INDUSTRIAL BRANCH

New sums assured in the Industrial Branch increased by £1,374,000 to £18,427,000 and the premium income by £500,000 to £10,825,000. The gross rate of interest earned was £6 11s. 3d. per cent or 3s. 6d. more than a year ago, while the net rate rose by 3s. 10d. to £6 6s. 2d. per cent.

The outstanding feature of the revenue account is the increase of £2,100,000 in the maturity claims, which amounted to £4,962,000. In this we are seeing the effect of the big increase in new business which took place in 1946, the year when so many men and women were returning to civilian life and taking out assurances which, but for the war, they would have taken out some years earlier. An insurance company exists to pay claims, and it is good to see policyholders benefiting from their thrift and foresight. Death claims at £1,994,000 were up by £175,000. After being held steady for three years, the expense rate rose by .84 to 28.86 per cent, the increase being due largely to improved terms for our field staff which operated from the beginning of the year. Policyholders' funds increased by £4,039,000 to £77,691,000.

POLICYHOLDERS' BONUSES

In the Ordinary Branch the surplus was £2,482,697. Out of this £1,683,652 has been allocated to with-profit policyholders, and has enabled record bonuses to be declared. With-profit life policies receive a reversionary bonus of 52s. per £100 sum assured, against 50s. a year ago, and with-profit approved retirement annuities a bonus of 44s. per cent on the amount of the annuity payable at retirement date, compared with 42s. a year ago.

In the Industrial Branch the surplus was £5,841,756. Out of this £3,000,000 has been allocated to Britannic policyholders. A reversionary bonus has been declared at the rate of 42s. per £100 sum assured on premium-paying policies on which premiums have been paid for at least one year. This compares with 40s. a year ago. In addition, the special declaration made last year has been repeated, further reversionary bonuses having been declared on policies issued earlier than 1957, ranging from 5s. to 60s. per £100 sum assured according to the duration at the policy anniversary in 1957. These two special declarations have added bonuses of £6 per £100 sum assured to all policies issued before 1946 in addition to the ordinary bonuses.

INVESTMENTS

During 1961 the national economy was disturbed by continuing difficulties arising chiefly from the unsatisfactory state of the external balance of trade. The corrective measures which had been taken by the Government in the previous year proved to be inadequate, and stronger action became necessary to avert a rapidly developing sterling crisis and to lay the foundations of a significant expansion in the volume of our export trade on which our living standards ultimately depend. The discipline of an intensified credit squeeze, operating through such devices as high interest rates, increased purchase tax, and restraint on wages, profits, and dividends, has been effective in improving the value of the pound sterling, but there is little evidence up to the present time that any pronounced stimulus has been administered to our export trade.

Against this background, the management of the company's investments during 1961 presented us with many problems. Our faith in the long-term merits of equity stocks as a suitable channel for the investment of a substantial proportion of our funds remains unshaken, however. Our ordinary share holdings increased from £31,619,000 to £36,588,000. The increase of £4,969,000 results mainly from taking up new shares issued on rights terms by companies in which we already had holdings and the effects of mergers, mainly in the brewery industry, which took place during the year. We also took advantage of the higher interest rates offering on fixed-interest securities to increase our holdings of debenture stocks by £1,882,000 to £12,674,000.

Our holdings of British Government and British Government guaranteed stocks were reduced from £33,487,000 to £31,212,000, the reduction of £2,275,000 arising from sales and portfolio rearrangements. Many of these transactions involved the transfer of funds out of relatively short-dated investments into long-dated redeemable stocks in order to secure what we considered to be an attractive increase in yield.

The valuation of our investments at December 31, 1961, showed a most satisfactory overall position, more favourable indeed than at the end of 1960, and we have not considered it necessary to augment our investment reserve funds of £9,125,000.

HOUSE PURCHASE SCHEME

The demand for House Purchase loans has continued at a very high rate throughout the year, although since July 1st the rate of interest charged on such loans has been 6½ per cent, the highest rate in the company's history. In common with other lenders we also found it necessary during the year to suspend our mortgage guarantee scheme, under which House Purchase advances up to 90 per cent of the purchase price were being made.

In spite of these restrictive measures House Purchase advances made during the year amounted to 2,526 with an aggregate sum advanced of £4,596,000, against 1,985 and £3,359,000 respectively in 1960. After taking repayments into account, the net sum outstanding under this scheme has risen by £2,824,000 to over £27 millions. The total amount advanced to policyholders since the introduction of the scheme in 1907 is now over £50 millions.

FIRE AND ACCIDENT BRANCH

The premium income in this branch rose by £39,000 to £1,249,000 while the profit increased by £39,585 to £60,599. Although this is a most satisfactory result, we should bear in mind that the profits in this branch are liable to quite wide fluctuations as the results of the past few years have clearly shown.

DECIMAL CURRENCY

The Government's approval in principle of a change to decimal currency poses particular problems for a "Home Service" assurance office where we have millions of long-term contracts in force for small weekly premiums. The Industrial Assurance Commissioner's report for 1960 showed there were 95,000,000 premium-paying Industrial Branch policies in force, and the administrative problems of converting these contracts would be a colossal and costly operation. Any system of decimalisation which abandons our present penny as the basic minor unit would require considerable statutory legislation to enable offices like ourselves to vary premiums and sums assured in our contracts. A system

which used one hundred of our present pennies as a unit of currency—call it a "Royal" or what you will—would be the most simple and least costly one for us. I feel that such a system would have great merits in many other spheres of our daily life.

INCREASE IN CAPITAL

The Trustee Investments Act, 1961, empowers trustees, in certain circumstances and subject to certain conditions, to invest in ordinary and other stocks or shares of United Kingdom companies. One of the conditions is that the companies concerned must have an issued and paid-up capital of £1 million or more. At the present time, therefore, our company's capital amounting in the aggregate to £500,000, does not qualify as an authorised investment for trustees. In the opinion of the directors this is a disability which, detracting as it does from the investment status of the company's capital, ought to be removed. Accordingly we are proposing a capitalisation of reserves under which new fully paid-up ordinary shares of 5s. each will be allotted to existing ordinary stockholders on the basis of six new shares for five old units of 5s. each, thereby bringing the company's total issued and paid-up capital to £1,023,800. This capitalisation of reserves is a book-keeping procedure which, of itself, does nothing to increase the profit-earning capacity of the company.

STAFF

Our thanks are due to the staff for all their good work and it is my privilege once again to express those thanks on your behalf. During the year we completed negotiations for improvements in our terms of staff remuneration. One effect of the improvements was to increase future pensions, and it is for this reason that we are recommending an increase in the amount transferred to the staff pension fund from £330,000 to £365,000, which I am sure will have your approval.

KLEINWORT, BENSON, LONSDALE LIMITED

GROUP'S ACTIVE FIRST YEAR

The Annual General Meeting of Kleinwort, Benson, Lonsdale Limited will be held on April 19th in London.

The following is the statement by the chairman, **Mr Ernest G. Kleinwort**, which has been circulated with the report and accounts for the year ended December 31, 1961:

The accounts now submitted are the first statutory accounts of the Kleinwort, Benson, Lonsdale group. I must remind shareholders that these accounts are not comparable with the *pro forma* accounts submitted last June, for reasons that I shall give in my remarks concerning the principal subsidiary companies.

GROUP RESULTS

Your group has had a satisfactory year and profits have improved. A final dividend of 12 per cent is recommended which, with the interim of 5 per cent paid last December, will make a total distribution for the year of 17 per cent. This is similar to the total distribution received by shareholders last year.

During the year all the investment trust interests of the group were consolidated into Lonsdale Investment Trust Limited, whose accounts are enclosed with the report and accounts. It will be seen that these accounts cover the whole twelve months' period, as against the ten months covered by the last accounts submitted.

Growth of income of Lonsdale Investment Trust Limited has continued, but at a slower rate: had it not been for the Chancellor's request in July for dividend restraint, the revenue from the Trust's investments in Great Britain would undoubtedly have been greater during the latter part of the year. Since then credit restriction and increased competition are having their effect on profit margins in several industries, so that there may be reduced dividends from some of our investments during the current year. On the other hand, industrial activity in the United States has increased since mid-1961 with the result that larger dividends may be expected from many of our North American investments. The Trust's interest in Europe is still relatively small, but it is being increased now that prices of Continental shares are less inflated.

The accounts of Kleinwort, Benson Limited, in which are concentrated all the banking activities of the group, are now presented in the manner authorised for banking companies, which basis did not apply to the ten months' accounts of the former Robert Benson, Lonsdale & Co. Limited presented last year. The present profit figures are accordingly not comparable with the published profits of the two former banking companies, but it can be stated that the general level of profit has been well maintained.

GREATER ACTIVITY IN BANKING BUSINESS

There has been greater activity in all sections of the banking business. In particular it is encouraging to see the increase in the figure of acceptances—the traditional business of a merchant bank. The continued growth of foreign deposits, both in sterling and in dollars, is also noteworthy.

In new issues our activity has been maintained at a high level. During the year we successfully contributed to the City's techniques and ability to meet special requirements by sponsoring an equity issue involving applications by tender instead of at a fixed price.

Our investment management and advisory services, seasoned for many years in the management of large investment trusts, have been employed by more pension funds and we have made particular arrangements to meet the growing demand both in this country and the United States for advice on Continental securities. The Transatlantic Fund Limited, a Canadian investment trust specialising in European securities, which we sponsored some years ago to meet the requirements of the American investor, has prospered and has a portfolio worth nearly £8 million; last March, in order to provide the British institutional investor with similar opportunities, we launched privately in London the European Market Investment Trust Limited, whose funds now extend to some £3½ million.

It is now almost exactly one year since we began the gradual process by which the varied activities of our banking and investment business will eventually become fully integrated. Shareholders will recall mention at the time of the merger of the benefits anticipated from the complementary nature of the two businesses now merged into Kleinwort, Benson Limited. I am pleased to say that there continues to be tangible proof of such benefits. The process of integration and the achievement of smoother and more efficient working continues, but cannot be complete until we are all housed under one roof. As a first step, to be accomplished within the next two months, we have arranged to bring our investment departments together in Aldermanbury House, and by the summer of 1963 the rest of the business now carried on at Fenchurch Street will move to temporary premises closer to Aldermanbury House. Our intention is for the whole business of the group eventually to be housed in a new building to be erected on our Fenchurch Street site. The temporary move will enable the Fenchurch Street office (which, incidentally, we have occupied for very nearly 100 years) to be demolished and rebuilt. Arrangements for this development project are well advanced, but we do not anticipate that the building will be ready for occupation until about 1965.

COMMON MARKET PROSPECTS

Looking to the future, I would like to make some remarks with regard to the Common Market.

In assessing the prospects for the merchant banks, commentators have pointed out the opportunities they will have as a result of the United Kingdom joining the E.E.C. This is true, for, like ourselves, many merchant banks have extensive and well-established connections on the Continent that will equip them to assist United Kingdom and Continental customers who are seeking new outlets and manufacturing facilities or working agreements and will require an intimate knowledge of the new territories before they can wisely undertake fresh enterprises. I do, however, suggest that whilst substantial new business and earnings may ultimately be looked for, it would be a mistake to expect quick or easy results from this activity.

Your Company has undertaken much exploratory work on the Continent with a view to assisting its customers in this field. The task is a large one calling for consistent effort, but I believe that, if the United Kingdom becomes a member of the Common Market, our rewards, if not immediate, will be well worth while.

In general, there would seem to be good grounds for confidence in the prospects for the City in connection with the Common Market. There is no doubt but that London has a much larger capital and money market, backed by a more highly-developed and more efficient financial machine than exists in any of the other countries of the E.E.C. It is therefore natural to expect that, if the United Kingdom were to become an integral part of this Community, there would be a growing tendency to turn to London in financial matters. I would add a plea that every official encouragement should be given to the City to take advantage of this great opportunity; as, for example, by removing those irritating imposts that, whilst yielding relatively little revenue, are even now driving Stock Exchange and investment business to other centres.

The first operating year of Kleinwort, Benson Limited as a single unit has just been completed, and I would not let the occasion pass without expressing my appreciation of the spirit in which the task of co-ordination has been tackled by all concerned. I am sure that shareholders will wish me to express on their behalf our thanks to all executives and staff for their co-operation in this matter, and for their excellent work during the past year.

A NEED FOR WIDER VISION

Says Sir George Bolton

long-term investment vital in under-developed countries

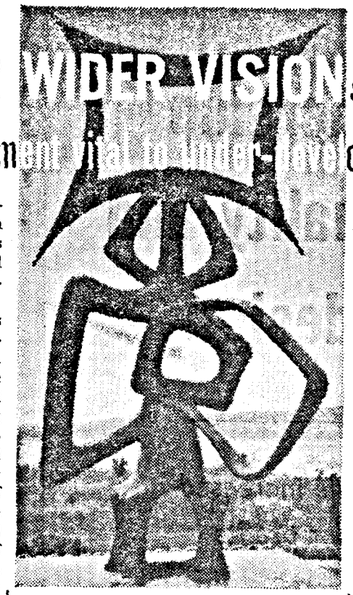
The trading and financial world is experiencing many discomforts derived from anxieties over international politics, doubts regarding the world's major currencies and their related problems, and confused thinking about overseas trade.

Among the readily identifiable factors is the end of the apparently automatic expansion of world trade that began in 1945. Attention is belatedly being given to the effects on world trade of the continuous fall in commodity prices over the last decade; this has brought about exchange and payments disturbances and internal financial and monetary problems in virtually every country that is dependent on the export of primary products. These difficulties have affected the whole of South and Central America and Africa, with the exception of the Republic of South Africa, which enjoys a steady income from the export of gold and diamonds; and in one way or another their consequences have been felt throughout the Commonwealth.

INHERENT DISTRUST

Besides these trading problems, and partly as a consequence of them, there is now a deeply-rooted lack of confidence in the structure of foreign exchanges. Not only trading difficulties, but also the continuing heavy military and foreign aid expenditure by the U.S.A., and, to an equivalent but lesser extent by the United Kingdom, are affecting the stability of both the dollar and sterling. These currencies are under remorseless pressure, as is revealed from time to time by events in the exchange markets. It is an inherent distrust of these and other paper currencies that is the underlying factor in the gold price controversy.

United Kingdom economic policy cannot be independent of the world situation, nor can the sterling system remain unaffected by any decision on the dollar made by the U.S.A. Nevertheless the British Government's reactions to current economic problems seem to have small relevance to international needs, except in its decision to apply for membership of the European Economic Community.



Brasilia: Modern Sculpture in front of the President's Palace of the Dawn.

PROBLEM OF WORLD LIQUIDITY

The problem of world liquidity is rendered the more intractable by recurrent weakness in the two principal international currencies. The outstanding problem today is not whether the price of gold should be raised, nor whether sterling or the dollar should be devalued, nor whether the Deutsche Mark or the Italian lira should be revalued, nor whether exchange rates should float or have wider official quotations. It is to be found in the fact that the tremors, large and small, that pass across the exchanges are no longer a reflection only of the weaknesses or follies of any particular government: they are the consequences of many years' abuse of the paper money system.

North America and Europe have for many years regarded the countries of Latin America and Africa as being of great potential importance. Industry and commerce have looked forward to the economic progress of these vast areas and to a large increase in world trade that would follow as a result. To disregard these countries because earlier hopes have not been fulfilled, and in consequence to concentrate on Europe, is a retrograde step, since there is a limit to the extent to which greater prosperity can be achieved within the comparatively narrow confines of the Old World.

Despite vast potentials in physical wealth and human resources, the struggles of the Latin Americans to place themselves on a viable competitive footing with the world's more advanced economies have been constantly hindered by domestic monetary troubles and recurrent inflation. It must be admitted that many of these difficulties have been the products of political instability and lack of internal discipline; but it is not hard to see that there is a fundamental cause of all these disruptions, namely an almost complete lack of domestic long-term investment capital.

NEED FOR OUTSIDE HELP

It is therefore obvious that all the under-developed countries must look beyond their own frontiers for help. For significant progress to be made in assisting the real emergence of the under-developed countries, as distinct from their rescue in individual payments crises or the granting of aid for public works and social improvements, wide agreements would be needed on matters of key economic importance. It would be necessary to ensure stability in monetary reserves and exchange rates, and to co-ordinate monetary policies, with the object of maintaining confidence in domestic currencies.

If the western democracies are to maintain a thriving international trade through free markets and freely-moving prices, conducted by the initiative of countless individuals making their own free choice, a major problem is to ensure that the monetary system works efficiently.

Because of the tensions in our price and monetary system in both the developed and the emergent sectors of the western world, we face the prospect of a prolonged crisis in the international financial structure; this is a situation urgently demanding attention and all responsible governments should give it equal priority with international politics.

1862 1962

THE CHAIRMAN'S CENTENARY YEAR STATEMENT

BANK OF LONDON & SOUTH AMERICA LIMITED

The full text of the Chairman's Review and a copy of the Directors' Report and Statement of Accounts for the year ended 31st December 1961 may be obtained from The Secretary, Bank of London & South America Limited, 40 Queen Victoria Street, London, E.C.4.

Hoover leadership assured by quality and advanced design

Annual Review reveals increased turnover but smaller profits



The Hoover Keymatic—unique in the field of home-washing. Full automation, simplicity in handling and excellence of design result in the finest washing machine available.

In the Annual Review for 1961 Hoover Limited revealed increased turnover but smaller profits. Other points from the Review are as follows:

The Keymatic, generally considered the best machine available anywhere, a redesigned Hoovermatic, a new low priced Cleaner—the "Hooverette" and a redesigned Polisher at a substantially reduced price, were introduced during the year. These products have been well received both by our dealers and the public, and are the chief factors responsible for increased turnover. But economic conditions, and the fight to keep in the forefront technologically and in share of the market—which we believe essential to our long term progress—has required small profit margins and heavy advertising and sales expenses.

There are indications of a significant change in the Government's approach to the country's economic problems. We hope ways will be found to avoid using the consumer durable industry as the anvil on which the blows of counter-cyclical fiscal policy have, in recent years, invariably first been visited.

The Export Market

Hoover Limited is always engaged in an "Export Drive" and 1961 was no exception. We are now strengthening our Export Division in personnel and organisation.

Our share of the export shipments of vacuum cleaners and washing machines continues to make us the overwhelming leaders in this trade.

The underlying trends for export appear favourable, although, as in the home market, profit margins are likely to tighten even further.

Planning for the Future

Many observers believe that Britain will join the Common Market within the next year or two. This development would naturally be of great interest to Hoover Limited and we established in 1959, in collaboration with our parent company, The Hoover Company of the United States, a new company in Switzerland, Hoover S.A., having the objective of developing to the full the opportunities afforded by the European Common Market. Hoover S.A. has been most helpful in the areas of market research and management reorganisation and has been conducting forward planning studies in regard to the requirements of productive capacity to serve the Common Market.

With the objective of increasing efficiency and simplifying the lines of authority and responsibility, as well as building greater flexibility in the management structure, your Board has been taking several actions in regard to corporate ownership and is considering further moves.

We are making special efforts to reduce to the maximum possible extent our costs of production and overhead expenses so as to improve our badly reduced profit margins.

Appreciation must be expressed for the support and loyalty of our employees and of our dealers and distributors in difficult trading conditions



The Hoover Shampoo-Polisher, latest addition to the Hoover range, will efficiently shampoo carpets in position, polish floors and furniture and serve all types of surfaces.

The British Bank of the Middle East

ANOTHER SATISFACTORY YEAR

The Seventy-Third Annual General Meeting of The British Bank of the Middle East was held on March 13th at the Bank's Head Office, 7 King William Street, London, E.C.4, Sir Dallas Bernard, Bt., Chairman, presiding.

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

Since my last Statement, a year ago, there has been one change in the Board of Directors. Mr. S. W. P. Perry-Aldworth notified us that he wished to resign at the end of the year. He played a prominent part in the discussions, two years ago, that led to the offer being made to our shareholders by The Hongkong and Shanghai Banking Corporation to acquire all our Bank's shares. Since the merger, Mr. Perry-Aldworth has been one of our Directors and the harmony that has been such a happy feature of our common endeavours can be ascribed to a great extent to his understanding of our problems. We shall miss him.

TRIBUTE TO MR. MUSKER

Mr. G. O. W. Stewart, who has taken Mr. Perry-Aldworth's place as Manager of The Hongkong and Shanghai Banking Corporation's London Office, has been elected to our Board.

Mr. H. Musker, General Manager since 1948, retires on 10th March and will be succeeded by Mr. C. F. Warr. I am glad to say, however, that Mr. Musker will remain a Director and so we shall have the benefit of his experience and advice on the Board. Mr. Musker was a most successful General Manager and we shall be very sorry to lose his services in that capacity. During his tenure of office the Bank has grown considerably. At the time he was appointed General Manager the Capital and Published Reserves were £2,165,000. Today, assuming the resolution to be put before the shareholders at the Annual General Meeting is adopted, the figure will have been increased to £5,330,000. The number of branches has increased from 22 to 30 and we have a subsidiary in Casablanca and an Associated Company in Iran of which we own 49 per cent. of the capital.

BALANCE SHEET FIGURES

The Accounts that we are presenting to shareholders at the Annual General Meeting show that the Bank has had another satisfactory year.

Generally speaking, our Balance Sheet shows very little change from a year ago. The total is lower than last year by £2.6 million and this is caused by a small reduction of about £3 million in the total of our Deposits. This is the result mainly of normal day to day transactions and it so happened that, at the end of the year, there were some balances smaller than usual.

On the assets side, an increase in Cash and Cash at Bankers of £700 000 compared with a year ago is matched by a decrease of about the same amount in Money at Call and Short Notice and is of no significance. Treasury Bills held at 31st December, 1961, were £4,769,000 as against £8,837,000 last year.

Discounts and Advances to the Public total £46 million and have increased by £1½ million compared with a year ago.

Other figures that have changed are the amount due by our Associate Bank in Iran, which has increased from £108,000 to £518,000, and our investment in Morocco which appears for the first time amounts to £164,000.

This year our Profit and Loss Account represents the result of a full year's work. Last year, you will recall, we changed our accounting year so that it ended on 31st December instead of 31st March, which had been our annual closing day previously.

SLIGHTLY HIGHER PROFIT

The nett profit at 31st December, 1961, was £402,709 which is proportionately slightly higher than the result for the previous period.

The Directors recommend a final dividend for the year of 8 per cent. which, with the interim dividend of 8 per cent. paid in July, makes a total of 16 per cent. for the year. Last year's single dividend of 12 per cent. for the nine months' period, was at the same annual rate. The cost of this year's dividends, less tax, is £196,000.

The Directors have allocated £100,000 to Reserve Account, increasing it thereby from £2,500,000 to £2,600,000, and written £50,000 off Bank Premises which now stand at £411,000 in the Balance Sheet, a slightly lower figure than last year.

PROPOSED SCRIP ISSUE

Here I would like to refer to the capitalisation of £500,000 (£100,000 from the Bank's Share Premium Account and £400,000 from the Bank's Reserve Account) to be applied in the payment up in full of 500,000 shares of £1 each to be allotted to shareholders. To maintain the Published Reserve Account at its present level, £400,000 will be transferred from the Bank's inner reserves to Reserve Account, if the capitalisation is approved by the shareholders.

The proposed capitalisation is recommended by your Directors with a view to bringing the issued capital of the Bank more into line with the capital actually employed in its business and to increasing it to a figure more appropriate to the standing of the Bank in the countries in which it operates.

OIL PRODUCTION

In recent years I have formed the habit of quoting in my statement the annual figures for oil production in the Middle East. During 1961 total production at 282 million tons was 6½ per cent. higher than the 265 million tons produced during 1960 and 22 per cent. higher than the 230 million tons for 1959. The most significant increases during 1961 were those of Saudi Arabia and Iran which both showed over 12 per cent. increase; in fact in other countries production showed little change over 1960.

I must mention that Libya appears in the list of oil-producing countries for the first time in 1961. The figure of half a million tons must give a feeling of intense satisfaction to His Majesty King Idris of Libya and to his Government and people.

I would like to say once again that the success achieved during 1961 is in no small measure due to the high standard of work and loyalty that we have again received from our Staff. Their efforts have built our reputation and they may well be satisfied, as we here in London are, with the progress the Bank has made. I and my colleagues thank them all.

LOCAL CONDITIONS

Market conditions in Iraq throughout the year were rather dull although the demand for money continued to be strong. Import licences appeared to be issued a little more freely but no figures were published. The commodities licensed for import were mainly those necessary for the overall development and basic needs of the country.

In Libya new houses for the Managers of our two branches have been completed and work will start on new office premises for both Tripoli and Benghazi Branches early in 1962. I am pleased to say that our branches are well placed to contribute towards the economic growth of Libya which undoubtedly lies ahead.

The State of Kuwait has encountered peculiar difficulties and problems during 1961 and has surmounted them satisfactorily. Our branches—we now have five—have had a satisfactory year and the new branch in Fahad As-Salem Street, which we opened in July, has made good progress. A new office for our Ahmadi Branch is under construction and we hope to occupy it in the spring of 1962. A contract for the construction of our new Main Office in Kuwait, in Commercial Area No. 3, was awarded at the end of the year and work has now started.

Conditions in Bahrain have remained stable, and the volume of trade has been maintained. The value of imports during the first six months of the year was £10.8 million, the same as in the corresponding period of 1960. Re-exports totalled £3.7 compared with £3.9 million.

I mentioned last year our entry into Morocco and I am pleased to report that our subsidiary, The British Bank of the Middle East (Morocco) now has two branches in Casablanca and is making encouraging progress.

On 20th March 1961, our associate, The Bank of Iran and the Middle East, completed its second year of operations. Despite the curtailment of credit during the latter half of the year, it continues to make good progress.

On the whole, 1961 was an economically difficult year for Morocco. The failure of the grain harvest has caused considerable hardship to the population and the cost of living over the year increased by 6 per cent.

The Report and Accounts were adopted.

Branches

ADEN · INDIA · IRAQ · JORDAN · LEBANON
LIBYA · MOROCCO · SAUDI ARABIA
TUNISIA · ABU DHABI · BAHRAIN
DUBAI · KUWAIT · QATAR · MUSCAT
SHARJAH

Associated Bank in Iran—

THE BANK OF IRAN AND THE MIDDLE EAST

The Bank is a member of the Hongkong Bank Group whose total assets exceed £445 million.

SOCIÉTÉ GÉNÉRALE DE BELGIQUE

The Annual General Meeting of Shareholders of the Société Générale de Belgique was held in Brussels on February 27, 1962. The Governor, **Mr Max Nokin,** presided.

The Company's chief asset is its holding shares in financial, industrial and mining companies in Belgium, the Congo, Canada and other countries. The portfolio is shown in the Balance sheet at the conservative valuation of £30.7 million sterling. Its market value is estimated at about £105.7 million sterling.

Profits for 1961 were £3.7 million compared with £3.3 million in 1960. Total profits in 1961, including balance brought forward from the preceding year, were £4.4 million compared with £3.7 million in 1960. The increase has been made possible, mainly, by the fact that the reduced dividend receipts from a number of African companies, was more than offset by a recovery in the income received from other shares in the portfolio, combined with income accruing from recent investments.

During the past year, activity continued on a satisfactory scale in most branches of Belgian industry. The rate of investment, already at a high level in 1960 showed considerable expansion. This is confirmed by the sections of the Report dealing with the various companies in which Société Générale de Belgique is a shareholder. These companies spared no effort in their response to the incentive provided by the progressive opening of the internal frontiers of the Common Market.

BANKING

Deposits of the *Banque de la Société Générale de Belgique* increased substantially during the year. The Bank was increasingly active in the international monetary market, particularly in the field of short-term notes. The Bank also undertook, alone or in concert with other establishments, the financing of sizeable exports of Belgian industrial equipment.

STEEL

At *Cockerill-Ougrée*, work was completed on a new high-capacity blast furnace, and a continuous cold rolling mill for the Ferblatil section. It was decided, also, to double the capacity of the production unit for orientated grain magnetic plates. *Forges de la Providence*, also, continued the execution of its big investment programme, affecting each of the company's three works. The Report also records the fact that, subject to the final authorisation of the High Authority of E.C.S.C., it has been decided to erect a new integrated steel unit north of Ghent. The chief end-product of this enterprise will be cold-rolled plates.

NON-FERROUS METALS

Société Générale Métallurgique de Hoboken has again expanded its capacity for germanium production. It has reinforced its research department to deal with its growing business in basic materials for the electronics industry, and in the metallurgy of special metals—notably tantalum and niobium. Société Générale de Belgique, and other companies in the Group, have joined forces with subsidiaries of the Reynolds Metals Company in forming *Société Aluminium-Europe (Alenrope)*, which is to enter the aluminium product manufacturing industry.

ELECTRICAL AND MECHANICAL INDUSTRIES

Steps had already been taken to expand the electrical and mechanical engineering section, and these are now beginning to bear fruit. *Ateliers de Constructions Electriques de Charleroi (A.C.E.C.)* and *La Brugeoise et Nivelles* were both successful in bringing new products into the market. Both companies have strengthened their position in the Common Market by forming associations with producers in other countries, thus ensuring their participation in new techniques claimed to have a substantial future and a considerable prospective influence on employment.

NUCLEAR ENERGY

The Group's nuclear undertakings were marked by the growing proportion of concrete projects undertaken in relation to the theoretical and design studies. The high flux BR-2 reactor of the Centre d'Etude de l'Energie Nucléaire de Mol started operation at reduced power. The start of a BR-3 reactor will be delayed, since the law dealing with protection against nuclear risks has not yet been passed. Preliminary work was begun on the construction of a plant to treat radioactive combustibles of the Eurochemic company.

MERGERS

Early in 1961, a new plate glass manufacturing company, called *Glaverbel*, was created through the merger of *Union des Verreries Mécaniques Belges (Univerbel)* and *Glaces et Verres (Glaver) S.A.* The merger was essentially one of expansion, designed to create a stronger enterprise which would be better able to respond to opportunities offered by the economic unification of Europe. By bringing together under a single management the industrial resources of the two merged companies, Glaverbel became one of the world's most important manufacturers of plate glass.

In the shipping industry, the assets of *L'Union Financière et Maritime (Ufimar)* were merged with those of *Compagnie Maritime Belge* in a move to reinforce their position in international shipping, to strengthen the merchant fleet, and to permit the simultaneous development of subsidiary companies whose shares previously had been held in separate portfolios.

CANADA

In Canada, sales by the *Inland Cement Company* set an all-time record. *Iroquois Glass Limited* increased production capacity by about 20 per cent. Principal construction work and installations of *Brockville Chemicals Limited* were completed and the plant began operations at reduced capacity in July 1961.

CONGO COMPANIES

The loyalty of the personnel of private companies in the Congo was largely responsible for effectively maintaining the country's economic potential. In fact, despite adverse conditions, certain companies expanded production capacity and introduced new technical processes.

In Kasai, diamond production by *Société Minière du Bécéka* set an all-time record. The fighting in Katanga in December 1961 interrupted operations at *Union Minière*, and total production of copper was 7,000 tons below the 1961 goal of 300,000 metric tons. In the Leopoldville and Equator provinces, agricultural enterprises maintained, and in some cases increased production levels of such major agricultural exports as palm oil and palm kernel. However, in other regions, particularly Orientale and Kivu provinces, the insecurity of persons and property resulting from administrative disorganisation and political tensions seriously reduced economic activity.

THE CARDINAL INVESTMENT TRUST LIMITED

VALUE OF PORTFOLIO WELL MAINTAINED

The fifty-fifth Annual General Meeting of The Cardinal Investment Trust Limited was held on March 8th in London, **Mr R. G. Mills** (the chairman) presiding.

The following is his Review which was circulated with the Report and Accounts for the year ended December 31, 1961:

The Directors' Report refers to the death of Mr Eric Davenport who had been the Managing Director of your Company for a long period. Although his death took place in May last this is the first opportunity that has fallen to me to pay a tribute to the great contribution which he made in building up the Company to its present status. His death in the prime of life is a great loss.

The Board have appointed as Manager and Director Mr K. G. Drummond, FCIS, to succeed Mr Davenport, with whom he had worked closely since 1946. We have also appointed Mr J. M. Davenport, ACA, another Senior Executive, as Assistant Manager and an additional Director.

Turning to the accounts, I would draw your attention to the increase in the issued capital to over £1,000,000 by means of a capitalisation issue of Deferred Shares in November, thereby qualifying all the capital of the Company as Trustee investments in accordance with the provisions of the new Trustee Act. The opportunity was taken at the same time to increase the authorised capital to £1,500,000.

Having regard to the trend for Company dividends to be reduced, which became more evident in the second half of the year, the increase in our net revenue of some 9 per cent is not unsatisfactory.

The proposed final dividend of 8½ per cent, making 14½ per cent on the Deferred Capital, is a slight increase on the 17 per cent distributed for last year, when account is taken of the rights issue in 1960 and the recent capitalisation issue. As mentioned in the November circular to shareholders it is proposed to pay an interim dividend in July of 4½ per cent which is the equivalent of 6 per cent paid last year on the smaller capital.

The value of our portfolio has been well maintained despite irregular conditions on the London Stock market during the year.

The investment outlook for the coming year is, to say the least, obscure, and it is possible that we may experience some reduction in our income. However, subject to some major disaster affecting investments generally, we should be able to maintain the present rate of dividend of 13 per cent.

The report and accounts were adopted.

SCOTTISH WIDOWS' FUND & LIFE ASSURANCE SOCIETY

OUTSTANDING NEW BUSINESS RECORDS
LARGE MARGIN OVER BALANCE SHEET VALUES
FUNDS NOW EXCEED £163,000,000

The one hundred and forty-eighth Stated Annual Meeting of the Society was held in the North British Station Hotel, Princes Street, Edinburgh, on Tuesday, March 13, 1962, **Mr Alastair C. Blair** (Chairman of the Ordinary Court of Directors), presiding.

The Secretary read the notice convening the meeting and the minutes of the Special General Meeting held on June 20th, 1961, which were approved; and the aduitor's report was also read.

In moving the adoption of the report and accounts, which were taken as read, the Chairman said:

It has become a common-place in recent years, both for the Society and for other insurance offices, to report record amounts of new business, but the Society's records which were attained in 1961 were outstanding. New annual premium income, at £2,800,000, showed an increase of 22 per cent over the 1960 figure, and new single premiums including considerations for annuities, at £3,700,000, an increase of 34 per cent. The benefits secured by these premiums, i.e. sums assured of £63M and annuities of more than £8M were respectively 29 per cent and 35 per cent ahead of the figures for the previous year. I must, however, mention one special consideration—the amounts of new insurances and annuities under existing group and other pension schemes, which are included in these figures, were exceptionally high due to factors which are unlikely to recur, and we do not expect to obtain as much business from these sources in 1962.

HIGH QUALITY OF SERVICE

The growth in our new business in 1961 compares favourably with the experience of the life offices as a whole and indicates that the Society's popularity shows no sign of diminishing. We believe that this is due not only to the good returns obtained under the Society's contracts, but also to the high quality of the service given by our staff to agents, members and prospective members—a feature which has become increasingly important in view of present-day complexities of life assurance. It is our aim to make our service still better in the years to come and we shall continue to welcome suggestions from our connexions as to any ways in which we can help them.

Our premium rates for whole life and endowment assurances without participation in profits were materially reduced last year and are now among the lowest rates quoted for these classes of business. While our faith in the Society's with-profit contracts is as strong as ever, there are certain purposes for which a policy on fixed terms is more suitable and we look forward to writing an increasing amount of full-premium non-profit business, as well as low premium business such as Family Income which provides life assurance at the least possible cost.

INVESTMENT POLICY

The outstanding feature of the investment world in 1961 was the high level of interest rates which continued to exceed the dividend yields generally obtainable on ordinary shares, notwithstanding the slowing down in the growth of industrial profits. In these conditions, our new money has been mainly invested in long-dated and irredeemable fixed interest securities; I do not need to emphasise the suitability of such stocks for a life office whose business it is to enter into long-term commitments.

I need hardly remind you that the Society was one of the first offices to enter the equity market in a big way. In particular, a considerable proportion of our new money was invested in this category during the years from the end of the war up to 1957. These investments, made at a time when dividend yields were appreciably higher than the yields then obtainable on British Government Securities and when dividends were very well covered by earnings, have amply justified the policy which was followed. They are largely responsible for the high yield on the funds and furthermore have enabled the Society to pay substantial special bonuses out of capital profits. Now that the period of post-war rehabilitation and expansion is over, the attractions of ordinary shares as a class are less obvious, and the advantages of high yielding fixed interest stocks more readily apparent. But in the long run we still believe there is merit in equity investments, and so we are watching developments carefully and hope in time to find good opportunities for adding to our portfolio of them.

SOCIETY'S STRENGTH

In the meantime, I would only add that the margin between the market values and the balance sheet values of our stock exchange securities increased still further during the year. In fact this margin at December 31st last was higher than it had been at any year-end with the exception of 1959—and this notwithstanding the transfer to the assurance and annuity funds out of realised profits of £5M in 1955 and £5½M in 1959 to meet the cost of special bonuses. Our members can therefore face the uncertainties of the future with every confidence in the Society's strength.

Our new Head Office building is approaching completion and it will be a happy day when our Head Office staff can be brought together in one building. This in itself will make a valuable contribution to efficiency.

TRIBUTE TO STAFF

In conclusion, I should like to pay a tribute on behalf of my colleagues on the Board to the Society's staff throughout the country. They have had many problems to face and a growing volume of work to contend with. One and all both at Head Office and the branches, both in the field and inside the office, they have responded well. There is a real desire throughout the staff to serve the members and I am confident that this spirit is a major factor in maintaining the Society's reputation as a progressive office.

The Directors' report and the accounts as audited were adopted.

APPOINTMENTS

LONDON COUNTY COUNCIL

ARCHITECT'S DEPARTMENT

Applications invited from university graduates or equal class of award, including town planning students who will be taking their final examinations this year, to work in Town Planning division. Applicants should intend to make a career in planning and to qualify as Associate Members of the Town Planning Institute by evening study in their own time.

Forms and particulars from Hubert Bennett, D.S.O., M.C., Architect to the Council (EK.1) 58(a), County Hall, S.E.1, closing date 2.30 p.m.

We are looking for a Secretary between 25-30 who is interested in commerce and/or Economics to be Personal Assistant to our Norwegian Branch Manager. The position will provide scope for initiative and carries a fringe benefit study and three weeks' annual holiday. Write, with full C.V. Box H.3485, c/o Hannay Press, 13 Fleet Place, E.C.4.

THE UNIVERSITY OF MANCHESTER

Applications are invited for one or more posts at the grade of LECTURER in ECONOMIC DEVELOPMENT in the Faculty of Economic and Social Studies. The choice of the appointment will be for a period of not more than four years. Applicants should have field experience, preferably in South Pacific, South East Asia or Africa, or Economics of China. Salary scale £1,050 to £1,850 per annum; membership of F.S.S.U.; and Children's Allowance Scheme. Applications should be sent not later than March 31, 1962 to the Registrar, the University, Manchester, 13, from whom further particulars and forms of application may be obtained.

UNIVERSITY COLLEGE OF SWANSEA

Applications are invited for the post of ASSISTANT LECTURER IN GOVERNMENT. Salary scale: £800-£950 per annum, F.S.S.U. benefits and family allowances. Duties to commence October 1, 1962.

Further particulars may be obtained from the Registrar, University College, Singleton Park, Swansea, by whom applications (six copies) must be received by Saturday, April 7, 1962.

WORCESTER COLLEGE, OXFORD

OFFICIAL FELLOWSHIP AND LECTURESHIP IN ECONOMICS

The College proposes to elect an Official Fellow and Lecturer in Economics from October 1, 1962, if possible. Further details may be obtained from the Senior Tutor, to whom applications should be sent by April 15, 1962.

UNIVERSITY OF MANCHESTER

CENTRE FOR BUSINESS RESEARCH

Applications are invited for a post of Senior Research Officer or Research Officer to work on projects in Applied Decision Theory. Applicants should have a good background in mathematics, mathematical statistics and economics, together with some industrial experience and an interest in the practical application of mathematical and statistical models to the solution of decision problems. Salary will be in the range £1,250 to £2,000, inclusive of any provision for pension. Applications should be sent by April 9, 1962, to Professor J. Johnston, Department of Economics, University of Manchester, from whom further particulars may be obtained.

THE UNIVERSITY OF MANCHESTER

Applications are invited for an ASSISTANT LECTURER IN SOCIAL ADMINISTRATION. Salary on a scale £800 to £950 per annum with membership of F.S.S.U. and Children's Allowance Scheme. Applications should be sent, not later than March 26, 1962, to the Registrar, the University, Manchester, 13, from whom further particulars and forms of application may be obtained.

For further appointments and other classified advertisements see pages 1074 and 1075

THE UNIVERSITY OF MANCHESTER

As the result of a grant from the Department of Scientific and Industrial Research, the Department of Social Anthropology and Sociology plans to carry out a study of selected industries in Salford, and applications are invited for the following posts:—

(a) SENIOR RESEARCH WORKER, initial salary within the range £1,000–£1,500 per annum;

(b) Two RESEARCH ASSISTANTS, initial salary within the range £700–£950 per annum.

The appointments will be for three years commencing October 1, 1962, and two of the successful candidates will be required to carry out participant observation studies in factories, the other to work on some aspect of community life in Salford. Applicants should have training in Sociology or Social Anthropology. The appointments carry membership of the F.S.S.U. and Children's Allowance Scheme. Application forms and further particulars may be obtained from the Registrar, the University, Manchester, 13, to whom applications should be returned by not later than March 24, 1962.

UNIVERSITY COLLEGE OF SWANSEA

Applications are invited for the posts of ASSISTANT LECTURER IN ECONOMICS (Two posts). Salary scales: Assistant Lecturer £700-£950 per annum; Lecturer £1,050-£1,450 per annum. F.S.S.U. benefits and family allowances. Commencing salaries will be according to the age and qualifications and experience of the successful candidates. Duties to commence October 1, 1962.

Further particulars may be obtained from the Registrar, University College, Singleton Park, Swansea, by whom applications (six copies) must be received by Saturday, April 7, 1962.

CITY MERCHANTS require ASSISTANT, preferably with general knowledge grain and shipping trades; also some arbitration and legal experience dealing with other parties, State age, salary required, etc.—Write, Box Z0122, Deacon's Advertising, 36, Leadenhall Street, London, E.C.3.

THE UNIVERSITY OF HULL

LECTURESHIP FELLOWSHIPS IN COMMONWEALTH STUDIES

Applications are invited for two Lectureship Fellowships for teaching and research in Commonwealth Studies, with special reference to Economics, Geography, Political Studies, Sociology or Social Anthropology. Tenure may be one to three years. Salary within the range £1,650 to £1,850 per annum with F.S.S.U. and children's allowances. Some provision for travel. Applications (six copies of one from overseas candidates) together with the names of three persons to whom reference may be made, should be sent to the undersigned not later than 1st May, 1962.

W. D. CRAIG,
Registrar.

COMPANY AFFAIRS

Both gilt-edged and equities rallied in the London Stock Market following last Thursday's cut in Bank rate. With sterling remaining strong gilt-edged have taken the limelight and 3½ per cent War Loan has been prominent. With fewer sellers in evidence equities have made small gains and The Economist *indicator gained 4½ points to 356.7. Following the good results from Charrington brewery shares made useful gains while stores were firmer. By contrast tobacco shares fell sharply following a television programme on the report of the Royal College of Physicians, but with buyers appearing at the lower prices most tobacco shares closed above the worst.*

Hoover and the Common Market

It is now almost two years since the boom in the domestic appliance market was finally pricked by the re-introduction of hire purchase restrictions. In this period Hoover's profits before tax have fallen from £11.1 million through £6.4 million in 1960 to £3.9 million in 1961 and the ordinary dividend, set at 45 per cent for both 1959 and 1960, has been cut to 25 per cent. This has represented a sharp reversal of fortune for the company and its shareholders, but in his review with the full report the chairman, Mr H. W. Hoover, says nothing to suggest that better times are near at hand.

Once again it is a story of increasing pressure on profit margins as a result of severe competition in an industry now working well below capacity. Nevertheless Hoover says that the "fight to keep in the overseas markets last year even though its sales fell in the last quarter of the year. At home the higher sales appear to spring from the introduction of new models, notably the new Keymatic washing machine, but Mr Hoover says that the "fight to keep in the forefront technologically and in share of the market . . . has required small profit margins and heavy advertising."

In the export market too profit margins are falling and while Hoover held on to its proportion of about 75 per cent of all exports of washing machines and vacuum cleaners from this country it is finding the going increasingly hard. Mr Hoover says that as far as Europe is concerned "nearly every large company in the world is taking steps, as we have, to capture a share of the growth of this market." Hoover's sales in Europe should be helped this year by the introduction of the Keymatic. For the long term a great deal of importance can be attached to the decision to build a factory in France near Dijon. Shareholders may wonder what implication this may have for the factories in this country, particularly as the review suggests that Hoover Limited may be relinquishing its direct interests in the common market. In 1960 it was announced that a Swiss company, Hoover S.A., had been set up jointly with the American parent company to co-ordinate the group's activities in the common market and now the directors are studying the possibilities of selling British Hoover's sales companies in the common market countries to Hoover S.A. for a "suitable consideration." In this way the American parent would get a direct interest of 50 per cent in these common market outlets. These moves may explain why there have been recurrent rumours that, like Ford, Hoover of America would make a bid for the shares it does not already hold in Hoover Limited. Minority holders of these shares may have to face the prospect of losing 50 per cent of a direct interest in the possible growth of profits from the common market countries.

In view of the tone of the review and the possible implications of the plans for common market integration it was not surprising that the "A" shares fell back sharply by 3s. 3d. to 35s. at the opening of the new account. But helped by bear covering they have recovered to 38s. 9d. to yield 3¼ per cent.

Charrington

Recent buying of Charrington shares has largely been prompted by anticipation of the terms of the merger with United Breweries. Buyers will be well content meanwhile with the 1961 results of this London based brewery group. Unlike many of its competitors its financial year runs to December and its results therefore reflect a longer trading period after the July surcharge on duties than those of breweries which drew up their accounts at the end of September. Even so Charrington's profits before tax rose by 31 per cent, from £2,324,000 to £3,051,000, and its net profits went up from £1,149,000 to £1,463,000. The ordinary dividend set at 20 per cent for the past two years has been raised to 25 per cent and is covered 2.3 times by earnings. This is not the end of the good tidings: a revaluation of the group's freehold and leasehold properties, carried in the balance sheet at £21.2 million, has thrown up a surplus of £8½ million and this raises the net asset value per ordinary share to about 120s.

These results suggest that the rise in the price of Charrington shares, now standing at a new peak of 146s. 6d. to yield 3½ per cent, has not been overdone. With United Breweries 5s. shares standing at 15s. 3d. Charrington shares are valued at about 9½ times United Breweries' shares. But Charrington's earnings would appear to be about 11 times those of United Breweries and its assets value about 12 times as much. On these considerations, it would appear that the share prices are still out of line; but they are far from being the only factors in assessing the terms of any merger. In this case, however, since the initiative for the merger seems likely to have come from United Breweries, Charrington perhaps stands to gain the most.

Arusha Industries

Market hopes that the shares of Arusha Industries offered good prospects of recovery have received a sharp setback. Following the ending of board room wrangles and the injection of both funds and new blood by Mr Harold Drayton's Securities Agency the 4s. shares had risen since December from about 9s. to 14s. 6d. But they fell sharply to 11s. following the none too encouraging statement from the new chairman, Mr M. E. Rich, who is also a director of Securities Agency. He tells shareholders that the improvement in trading profits from £841,000 to £1,060,000 in the year to September 30th last is not likely to be maintained and that profits for the current year are likely to show a "fairly sharp fall." The bulk of the profits of this holding company, which is to change its name to the more appropriate one of General and Engineering Industries, come from Sheffield Steel Products, Barrow Haematite Steel and R. H. Windsor. Since these companies are closely connected with the steel and engineering industries, Mr Rich expects the cover for a maintained 20 per cent dividend to be considerably reduced from 3¼ times; the dividend will be payable on the capital as increased by £375,000 in ordinary shares issued to Securities Agency.

These shares were issued at 8s. a share to bring in £750,000 and a similar sum was raised by the issue of a 6½ per cent loan stock to Securities Agency; the loan stock is repayable by quarterly instalments of £58,000 beginning in June, 1963. But the new funds have not completely solved Arusha's financial problems, for while their injection initially reduced the group's overdrafts from £1,765,000 to £315,000, overdrafts are now back to £546,000. Taking into account the probable capital expenditure in the next year or so and an early start to the repayment of the £750,000 loan stock, Mr Rich makes it clear that additional permanent capital will be required once the present reorganisation of the group is completed. In this week's rally the shares have recovered to 12s. 1½d. and yield 6.6 per cent.

Calico Printers

Shareholders in Calico Printers' Association may be relieved to find that the interim dividend has been maintained at 7½ per cent, but apart from this there is very little to comfort them in the interim statement for the six months to December 31, 1961. The interim dividend is attributable to royalty income, which was £102,000 higher at £1,294,000 in the first half of 1961-62 than in the same period in 1960-61. Overseas sales of the group's patented polyester fibres manufactured under licence were higher and royalties from them accounted for over 70 per cent of CPA's revenue in the last half of 1961. By contrast CPA's trading activities fared badly; the recession in the textile trade resulted in an even smaller demand for commission, printing and finishing services than in 1960-61, when demand fell by 8 per cent, and output at the printing and finishing works fell by a fifth in the six months to December 31, 1961. CPA's subsidiaries, with the exception of the Australian one, have done well, and business usually picks up in the last three or four months of the financial year. Even so the directors say that the absence of any revival of demand "makes it improbable that the increase in royalty income and profits from subsidiaries will be sufficient to maintain total profits at last year's figure.

This prospect puts a question mark over the size of the final dividend, for the total of 21¼ per cent in 1960-61 was covered only 1½ times by earnings from trading. Obviously the best that shareholders can hope for is that the final will be unchanged. For the longer term they cannot be happy about the trend in profits earned in CPA's traditional business, as CPA's royalty income will tail off after 1966 and run out altogether in 1969. And not surprisingly after the interim results were published the 5s. ordinary shares lost 1s. 7½d. to 10s. 10½d., to yield 9¾ per cent on the assumption of an unchanged dividend.

Newton Chambers

Since its colliery interests were taken over by the National Coal Board fifteen years ago, Newton Chambers has diversified its activities and ploughed back a large proportion of its profits. Today the range of the group's products covers the manufacture of plant for the steel and gas industries, excavators, germicides and insecticides. But in 1961 the steady growth of its profits met a sharp reverse. The preliminary statement reveals that increased competition and higher costs cut into its margins and its principal subsidiary—the excavator manufacturers, Ransomes and Rapier—actually suffered a loss. Although record sales were achieved, the trading profits of the group fell by just over 10 per cent from £1,551,000 to £1,394,000. After a lower tax charge but a bigger provision for depreciation, net profits fell by over 21 per cent from £618,000 to £483,000, and, most disturbing, the final dividend has been cut from 12 to 10 per cent, reducing the total payment from 20 to 18 per cent.

This reduction suggests that the directors are worried about the immediate future, for a 20 per cent payment would have been covered 1.3 times by the latest earnings compared with 1.7 times in 1960. It may have been prompted at least in part by financial difficulties. At the end of 1960 Newton Chambers's net overdrafts amounted to £955,000 and its capital commitments to £636,000 but last year's cash flow was less than £600,000 and presumably Newton Chambers has had to borrow more from the banks. The stock market was surprised by the results and the 5s. ordinary shares immediately lost 4s. to 16s., the low point for the year. They have since recovered to 17s. 6d. to yield 5.1 per cent on an 18 per cent dividend, covered 1½ times.

Woolcombers

The lower level of activity in woolcombing, the severe pressure on the woolcombers' margins and the halving of Isaac Holden's dividend prepared the stock market for disappointing results from Woolcombers for 1961. In the event Woolcombers' profits fell sharply from £807,000 to £580,000; but a rise in investment income and a lower tax charge cushioned the fall in net profits. They fell from £443,000 to £322,000 reducing the cover on the maintained dividend of 10 per cent from 1¾ to 1¼ times. The £1 shares have held their price at 29s. and yield almost 7 per cent.

The chairman of Isaac Holden, Mr J. R. Stanley Raper, does nothing to raise shareholders' spirits about future prospects when in his statement he says that the first two months of the current year show no improvement although the amount of work is now more plentiful. The spectre which haunts the woolcombing industry is the growth of local competition in export markets, which threatens to leave the British industry with excess capacity on its hands.

Canadian Pacific

Earnings per share of Canadian Pacific Railways rose in 1961 from $1.81 to $2.04, the rise in profits being almost entirely attributable to higher net railway earnings. Despite the wage increases granted last May, railway operating expenses did not rise as quickly as receipts; new operating techniques have clearly begun to pay off and some uneconomic branch lines have been closed and the number of unremunerative passenger services reduced. The ordinary dividend has been maintained at $1.50 per $25 stock, or 6 per cent.

Among the other interests of the group, the loss on steamships has more than doubled, reflecting higher wages, port charges and depreciation, but the company has denied reports that it intends to sell any of its "Empress" liners. Though no specific figures are quoted, the airlines too must have incurred further heavy losses.

Income Account	1960 $000	1961 $000
Railway revenue	457,105	465,490
Railway expenses	423,431	427,839
Net railway earnings	33,674	37,651
Fixed charges	17,106	16,907
Net income	*28,971*	*32,461*
Ordinary dividends	21,499	21,499
Retained profits	4,376	7,759
Other Income		
Steamship earnings	Dr. 807	Dr. 1,683
Hotels, communications and properties, etc.	4,413	3,743
Dividends	9,583	11,133
Rents and royalties	3,835	3,599
Miscellaneous interest	1,449	440

The only really bright spot is the rise in dividend income from Consolidated Mining and Smelting, in which "Canpac" has a controlling interest. The $25 shares at $44 London yield 5¼ per cent.

Amalgamated Roadstone

Last November, the directors of Amalgamated Roadstone reported a "substantial improvement in both turnover and profits" and said that they were enough in themselves to merit a higher interim dividend. But in deference to the Chancellor's request the interim was left unchanged at 5 per cent. The preliminary figures for 1961 suggest that the second half of the year was as good as the first, for though the total dividend is unchanged at 12½ per cent, gross profits have risen by 19½ per cent, from £788,000 to £942,000. Net profits advanced by 22½ per cent from £465,000 to £568,000, to cover the ordinary dividend nearly 2¼ times.

Some reservations about the results have however to be made. They include earnings from two acquisitions made in April and August, but even so they are not quite as good as the directors had expected a year earlier, when they said that the rise in profits in 1961 should cap the rise of 23 per cent in gross profits in 1960. Even so the shares gained 1s. 1½d. after the preliminary results were published and now stand at 37s. xd to yield 3.4 per cent.

The Economist Indicator (1953 = 100)

1962	Indicator	Yield %	1961/62 High	1961/62 Low
Feb. 7	359·0	5·04		
,, 14	357·0	5·07		
,, 21	356·4	4·99		
,, 28	356·6	4·97	427·2 (May 10) 1961	342·7 (Oct. 18) 1961
Mar. 7	352·2	5·03		
Mar. 14	356·7	4·97		

Financial Times Indices

1962	Index †	Ord. Yield	2½% Consols Yield	Bargains Marked
Mar. 8	294·7	5·26	6·27	12,721
,, 9	294·3	5·27	6·26	13,310
,, 12	296·0	5·24	6·26	16,063
,, 13	297·3	5·21	6·19	13,642
,, 14	298·4	5·19	6·17	12,783

High, 365·7 (May 15, 1961). Low, 284·7 (Oct. 16, 1961).
† July 1, 1935 = 100.

STOCK PRICES

Prices, 1961/62 High	Low	BRITISH FUNDS AND GUARANTEED STOCKS	Price, Mar. 7, 1962	Price, March 14, 1962	Net Red. Yield, March 14, 1962§	Gross Red. Yield, March 14, 1962
					£ s. d.	£ s. d.
92 15/16	88 3/8	Savings Bonds 3% 1955–65	92 3/32	92 3/32	4 1 1	5 6 0
97 15/32	93 3/4	Exchequer 3% 1962–63	97 3/16	97 15/32	3 12 9	5 2 4
101 3/16	98 5/8	Treasury 5½% 1962	100 1/32	100 7/16	1 12 5	4 19 1
95	90 1/4	Exchequer 2½% 1963–64	94 1/8	95	3 16 7	4 19 4
99 17/32	96 5/8	Conversion 4¾% 1963	99 3/32	99 15/32	2 19 4	5 3 9
98 13/32	94 1/2	Conversion 4½% 1964	97 31/32	98 3/32	3 4 11	5 5 10
101 5/16	96	Exchequer 5½% 1966	98 5/16	99 3/32	3 9 1	5 11 10
83 1/4	67	Funding 3½% 1959–69	83 1/4	82 11/16	4 14 4	5 19 10
93 3/4	78 3/16	Funding 3½% 1960–90	89 1/4	89 13/16	3 11 0	5 5 7
89 1/4	84 3/4	Funding 4% 1960–90	89 1/4	89 1/4	4 15 8	6 2 9
80 1/2	74 5/8	Savings Bonds 3% 1960–70	79 3/8	79 3/4	4 15 8	6 2 9
87 3/16	80 1/4	Savings Bonds 2½% 1964–67	86 15/16	87 1/8	4 9 11	5 12 9
72 11/16	66 1/4	Savings Bonds 3% 1965–75	71 1/16	71 3/16	4 15 9	6 4 6
85	78 7/8	Funding 3% 1966–68	84 1/4	85	4 12 5	5 19 8
86 5/16	80 1/4	Conversion 3½% 1969	85 1/4	85 5/8	4 12 4	6 4 2
97 1/2	92 1/4	Victory 4% 1920–76	94 1/4	95 1/8	3 4 3	4 16 7
93 1/16	87	Conversion 5% 1971	91 1/2	91 11/16	4 4 4	6 0 3
99 1/8	97 1/4	Conversion 6% 1972	97 13/32	98	5 19 2	6 6 10
95 11/16	88 1/2	Conversion 5½% 1974	92 1/32	92 1/2	4 7 8	6 5 10
73 1/8	66	Treasury 3½% 1977–80	71 5/16	71 3/8	4 10 1	6 4 6
72 1/4	65	Treasury 3½% 1979–81	69 15/16	70 1/8	4 10 6	6 4 9
97 5/16	88 1/2	Funding 5½% 1982–84	91 5/8	91 3/4	3 19 6	6 5 6
59 1/2	51 1/2	Redemption 3% 1986–96	56 9/16	56 5/8	4 4 11	5 19 8
88 1/4	79 1/4	Treasury 5% 1986–89	85 1/2	83 11/16	4 0 8	6 4 3
63 1/16	55	Funding 3½% 1999–2004	60 3/8	61 1/4	4 1 11	6 2 2
94 1/8	81 5/8	Treasury 5½% 2008–12	87 3/8	88 1/16	3 18 4	6 5 10
65 3/8	56 1/2	Consols 4% after Feb. 1957	61 11/16	63 1/8	3 18 0	6 6 7
59 1/4	50 1/2	War Loan 3½% after 1952	55 1/4	56 1/2	3 16 9	6 6 4
59 1/4	50 1/2	Conv. 3½% after Apr. 1961	53 15/16	55 1/4	3 17 6	6 6 4
50 3/4	43 1/4	Treasury 3% after Apr. 1966	46 3/8	47 1/2	3 17 2	6 5 10
44	36 1/2	Consols 2½%	39 3/4	40 1/2	3 15 6	6 3 0
43 1/2	36 1/2	Treasury 2½% after Apr. 1975	39 1/4	40 1/8	3 16 2	6 4 3
91 1/8	85 3/4	British Electric 4½% 1967–69	90 3/8	91 1/16	4 6 1	6 3 9
75 3/4	70 1/8	British Electric 3% 1963–73	74 1/2	74 5/8	4 16 4	6 3 9
70 5/8	64 1/2	British Electric 3% 1974–77	69 1/4	69 5/16	4 14 3	6 3 3
81 3/8	74 1/8	British Electric 4½% 1974–79	79 1/16	79 3/16	4 5 9	6 3 9
73 1/2	67	British Electric 3½% 1976–79	72 5/16	72 5/16	4 9 10	6 4 3
84 7/8	78 3/4	British Gas 4% 1969–72	83	83 1/8	4 10 8	6 5 9
82	76	British Gas 3½% 1969–71	81 3/16	81 1/4	4 12 8	6 2 10
59 3/8	51 3/4	British Gas 3% 1990–95	57 3/8	57 5/8	4 5 8	6 1 2
75 11/16	70 1/8	British Transport 3% 1968–73	74 1/2	74 5/8	4 16 4	6 3 9
80 3/8	74	British Transport 4% 1972–77	78 11/16	78 13/16	4 7 6	6 4 5
61 7/16	53 3/4	British Transport 3½% 1978–88	59 1/8	59 11/16	4 9 9	6 3 3

Prices 1961/62 High	Low	DOMINION AND CORPORATION STOCKS	Price, Mar. 7, 1962	Price, Mar. 14, 1962	Red. Yield, Mar. 14, 1962
					£ s. d.
82 1/4	76 1/2	Australia 3½% 1965–69	80 1/4	81	6 10 0
101	92 3/4	Australia 6% 1974–76	98 1/4	96	6 6 0
72 1/2	61	Ceylon 4½% 1973–75	61	61	9 1 0
101 1/2	92 3/4	New Zealand 6% 1976–80	95	95	6 8 0
80 1/2	67	Rhodesia and Nyasaland 6% 1978–81	70	67	9 14 0
83 1/4	73	South Africa 3½% 1965–67	83 1/2	83 1/4	7 13 0
59	52	Southern Rhodesia 4½% 1959–89	55	53	7 9 0
81 5/8	76 1/2	Agricultural Mortgage 5% 1967–70	87	87 1/2	6 5 0
89	82 1/4	Birmingham 4¼% 1971–73	89 1/4	90 1/4	6 6 0
93 3/4	86 1/2	Bristol 5% 1976–79	89 1/4	89 1/2	6 7 0
93	86 1/2	Corporation of London 3¼% after 1920	89 1/4	89 1/2	6 9 0
48 1/4	41	L.C.C. 3% 1920–49	45 1/2	46	6 9 0
89 1/8	80 3/4	L.C.C. 5% 1980–83	84 1/4	85	6 4 0
93	84 1/4	Middlesex 5¼% 1980	87	87 1/2	6 8 0

NEW YORK PRICES AND INDICES

	Mar. 7 $	Mar. 14 $		Mar. 7 $	Mar. 14 $		Mar. 7 $	Mar. 14 $
Atch. Topeka	27	26 7/8	Boeing	50 1/2	51 1/2	Int. Harvester	55 1/2	55 1/8
Can. Pacific	24 1/2	24 1/4	Celanese	42 1/8	43 1/2	Inter. Nickel	78	81
Pennsylvania	16 1/8	17 1/8	Chrysler	56 1/4	57 3/8	Inter. Paper	36 3/8	38
Union Pacific	33 3/8	33 3/8	Col. Palmolive	49 1/8	50 1/8	Kennecott	31 1/4	31 1/2
Amer. Electric	68 1/8	71 3/8	Crown Zeller	55	56 1/8	Monsanto	48 3/8	48 5/8
Am. Tel. & Tel.	131 1/2	132 1/8	Distillers Seag.	47 3/8	45 1/8	Nat. Distillers	27 3/8	28 1/2
Cons. Edison	77 1/8	80 1/4	Douglas	32	31	Pan-American	23 1/4	23 5/8
Int. Tel. & Tel.	53 1/8	54 1/4	Dow Chemical	63	66 5/8	Procter Gamble	80	83 7/8
South'n. Nat. Gas	48 1/2	54 1/4	Du Pont	244 1/2	252	Radio Corpn.	59 1/4	63 1/2
United Corpn.	8 3/8	8 1/2	East. Kodak	111	114 1/2	Sears Roebuck	79 1/8	82 1/2
Western Union	36	39 1/2	Ford Motor	98 1/8	103 3/8	Shell Oil	39 1/8	40 3/8
Alcoa	64 1/8	66 1/8	Gen. Electric	76	77 1/8	Socony-Mobil	54 1/4	54 1/2
Aluminium	27 1/8	27 3/8	General Foods	83 1/2	83 1/2	Stand. Oil Ind.	54 1/8	55 1/4
Amer. Can	45 1/4	45 3/4	General Motors	55 1/2	56 1/8	Stand. Oil N.J.	54 1/8	54 1/4
Am. Smelting	59 1/4	59 3/8	Goodyear	42 1/8	43 3/8	Union Carbide	113 1/4	118 1/4
Am. Viscose	57 1/8	59	Gulf Oil	43 3/8	44	U.S. Steel	70	74 1/8
Anaconda	49	49 3/8	Heinz	58 1/4	58 1/4	West. Electric	35 1/2	37 1/8
Bath. Steel	41 1/8	42 1/8	Int. Bus. Mach.	548 1/4	551	Woolworth	82 3/8	83 1/8

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

1962	425 Industrials	Yield %	25 Rails	Yield %	50 Utilities	Yield %	Govt. Bonds	Yield %
Feb. 14	74 42	2 86	34 42	4 69	63 96	3 15	88 08	4 07
.. 21	74 29	2 87	34 02	4 75	64 08	3 15	87 16	4 16
.. 28	73 89	2 90	33 70	4 79	63 99	3 15	87 67	4 11
Mar. 7	73 57	2 91	33 50	4 82	63 93	3 16	87 87	4 09
.. 14	74 93	2 86	33 43	4 82	64 79	3 12	88 70	4 01

425 Industrials—High 76 69 (Dec. 12, 1961); Low 60 87 (Jan. 3, 1961).

Prices, 1961/62 High	Low	FOREIGN AND OVERSEAS STOCKS	Mar. 7	Mar. 14		Mar. 7	Mar. 14		Mar. 7	Mar. 14
		FRANCE	Frcs.	Frcs.	GERMANY	%	%	HOLLAND	%	%
1,196	1,237	Air Liquide	1,196	1,237	A.E.G.	301 1/4	$193 1/4	A.K.U.	403 3/4	406 1/2
598	598	Banque de Paris	598	598	Badische Anilin	493 1/2	499	Bijenkorf	1,150	1,113
188·2	192	Citroen	188·2	192	Bayer	635 1/2	635 1/2	Heinekens	565	562 1/2
732	742	C. F. Petrole	732	742	Commerzbank	594	589	Interunie (Fl.50)	Fl.232·5	Fl.233·5
1,550	1,555	Cie. G. d'Elec.	1,550	1,555	Deutsche Bank	684	684	K.N. Hoogoven	819	833 1/2
708	716	Machines Bull	708	716	Hoechst Farb.	522	522	Kon. Zout-Ket.	1,111	1,097
727	727 1/2	Pechiney	727	727 1/2	Kundenkredit	520	521	Philips	1,056	1,024
716	719	Printemps	716	719	Lowenbrau	1,295	1,280	Robeco (Fl.50)	Fl.255·5	Fl.256·5
516	511	Rhone-Poulenc	516	511	Mannesmann	248	244	Rotterdam Bk.	385 1/2	394 1/2
388	392	S.I.M.	388	392	Siemens	751	775 1/2	Thomassen & D.	710	728
417	433·5	Saint-Gobain	417	433·5	Thyssen-Huette	225	223 3/4	Valserop	Fl. 83·5	Fl. 82
235	225	Usinor	235	225	Volkswagen	204 1/4	203	Zwanenberg	1,075	1,090
Index 107·3	108·3		Hersatt Index	114·46	114·12	Index 392·09	387·68			
Dec. 30 1960 = 100			Dec. 31, 1959 = 100.			1953 = 100.				
		CANADA	$	$	AUSTRALIA	£A	£A	JAPAN	Yen	Yen
44 1/2	44 7/8	Abitibi Pr. & P.	44 1/2	44 7/8	Ampol Pet.	12/–	11/9	Ajinomoto	980	573
28 1/2	28 3/8	Aluminium	28 1/2	28 3/8	Ass. Pulp & P.	36/3	33/6	Fuji Iron	51	52
58	58	Bell Tel.	58	58	Aust. Con. Inds.	73/9	74/6	Hitachi	96	90
12 1/4	12 1/4	Can. Brower's	12 1/4	12 1/4	Aust. Oil & Gas	114/6	124/–	Honda Motor	282	283
67 1/2	68 1/8	Can. Imp. Bank	67 1/2	68 1/8	Brit. Tobacco	26/2	25/–	Kirin Brewery	700	691
26	26	Can. Pac. Rly.	26	26	Broken Hill Pty.	65/3	63/6	Mitsub. Chem.	80	73
58 1/2	58 3/4	Hiram Walker	58 1/2	58 3/4	G. J. Coles	14/9	14/–	Mitsub. Elect.	97	95
49 1/8	49 3/8	Imperial Oil	49 1/8	49 3/8	Felt & Textiles	8/2	7/9	Mitsub. Heavy	99	95
58 1/2	60	Noranda Mines	58 1/2	60	I.C.A. A.N.Z.	44/3	44/–	Nippon Elect.	405	384
23 1/4	23 1/8	Shawinigan Wtr	23 1/4	23 1/8	Myer Emporium	34/–	35/3	Sony	814	775
84 1/2	85 1/2	Steel of Canada	84 1/2	85 1/2	Ready Mix Con.	18/6	18/2	Toyo Rayon	156	147
26 1/2	25 7/8	Trans. Can. Pipe	26 1/2	25 7/8	Woolworth	17/3	16/10	Yawata Iron	59	56
		Toronto Ind.			Sydney Indust.					
Index 624·65	627·66		Index	317·12	310·88	Dow Jones				
1933 = 100.			1937/39 = 100.			Average 1505·12	1454·60			

* Ex dividend. † Tax free. ‡ Assumed average life 7½ years. § The net redemption yields allow for tax at 7s. 9d. in £. ‖ Ex capitalisation. ¶ Ex rights. (a) Interim dividend (to Final dividend. (c) Year's dividend. (d) Capital distribution of 1s. 0d. per share. (f) Flat yield. (g) Equivalent to 7·2 sterling. (h) After Rhodesian tax. (i) To latest date Japanese prices supplied by Ciamex Securities, Tokyo.

AND YIELDS

LONDON : NEW YORK : FRANCE : GERMANY : HOLLAND : CANADA : AUSTRALIA : JAPAN

Prices, 1961/62 High	Low	Last Two Dividends (a) (b) (c)		ORDINARY STOCKS	Price, Mar. 7, 1962	Price, Mar. 14, 1962	Yield, Mar. 14, 1962	Cover
		%	%	ELECTRICAL & RADIO				
48/6	28/3	10 b	5 a	A.E.I. £1	30/3	32/6	9 23	1
15 5/4	9/7½	...	15 c	Brit. Electronic Inds. 5/–	11/–	11/11½	6 74	1¼
63/6	49/–	9½ b	4 a	B.I.C.C. £1	61/3	60/9	4 44	2
14 8¼	11/3	5 a	7½ b	Crompton Parkinson 5/–	13/11½	13/–	4 81	2½
89/6	54/–	7½ a	15% b	Decca Record 10/–	80/6	80/–	3 24	1¾
52/–	35/–	12½ b	5 a	E.M.I. 10/–	42 4½*	43/3	4 05	2
48/9	25/9	8 b	5 a	Elliott-Automation 5/–	46/9	48/9	1 33	2
40/6	22/6	3 a	5 b	English Electric £1	25/–	25/3	6 33	1½
39/6	23/3	3 a	5 b	General Electric £1	26/3	28/–	7 14	¾
72/9	47/–	81 g b	43 g a	C. A. Parsons £1	58/–	58/9	4 26	4
52/3	37/6	6½ b	3¼ a	A. Reyrolle £1	45/9	47/6	4 11	2¾
70/–	45/3	25 c	25 c	Thorn Electrical 5/–	66/–	69/–	1 81	3
				ENGINEERING				
36 9	18/9	9 c	Nil a	Babcock & Wilcox £1	21/6	21/3	...	1
48/9	30/41/2	7 b	4 a	John Brown £1	39 10½	40/–	6 88	2¾
8 6	4/2¼	9 b	3 a	Cammell Laird 5/–	4/7½	4/4½	13 71	1
33/9	22/4½	10 a	20 b	Internat. Combust. 5/–	23/9*	23/9	6 32	1¼
9 11/2	...	...	...	Richards. Westgth. 10/–	3/9	3 10½	...	...
40/–	28/–	9½ b	21¾ a	Swan Hunter £1	32/6	33/–	7 27	2¼
17 4½	10/6	5 c	5 a	John Thompson 5/–	10/9	10/6	2 38	...
34 4½	21/8¼	†2½ a	†6½ b	Coventry Gauge 10/–	31/4½	31/7½	4 52	2¾
79 9	51/6	†2½ a	†6 b	Alfred Herbert £1	61/3*	64/–	4 34	2
78/–	41/–	12½ b	5 a	Allied Ironfounders £1	42/6	42/6	8 24	1½
18/6	10/–	10 b	5 a	Avers £1	90/9	90/9	3 31	2½
36 10½	17/–	7½ b	4 a	B.S.A. 10/–	18/5¼	18/–	6 48	2¼
14 9	9/–	8½ b	4½ a	George Cohen 5/–	11/–	11/–	5 91	1¾
44 4½	29/–	17½ b	10 a	Davy-Ashmore 5/–	30/3	29/3	4 70	2¼
38 7½	70/–	11 b	5 a	Guest Keen £1	77 4½	79 6	4 03	3½
31	18 3	12 b	4 a	Head Wrightson 5/–	20 10½	20 10½	3 83	2½
90 9	68 3	5 a	7 b	Metal Box £1	83 6	83 6	2 87	2 4
22 6	14/–	10 b	4 a	Ransome & Marles 5/–	16/–	15 3*	4 59	2
56 6	34/6	7 b	3 a	Renold Chains £1	45/9	46/–	4 35	2
85 6	54/–	7 a	7 b	Tube Investments £1	58 4½	60 3	4 65	3
38 4½	25 6	7½ b	21¾ a	Vickers £1	27/9	28 1½	7 11	1¾
64 6	58/–	10 b	3½ a	Wood, Hall, (W.) £1	66/–	68/–	4 01	3
30/–	18/–	22½ b	5 a	Woodall-Duckham 5/–	19/3	18/9	5 60	2¾
				FOOD & TOBACCO				
24 7/–	17 4½	10 c	10 c	Allied Suppliers 10/–	20/9	21/11½	4 73	2¼
14 11/2	7 6¾	12½ b	10 a	Assoc. British Foods 1/–	10 8½	10/6	2 14	2
74 –	54 3	8 b	4 a	Bovril £1	57/–	57/6	4 17	2½
12 11¼	9 9¾	†1·7a	†3 9b	Brooke Bond 'B' 5/–	11 5¼	11 6¾	3 95	3½
18 3	12 6	10 b	2 a	International Tea 5/–	13 9	13 6	4 63	1½
67 9	65/–	10 b	5 a	J. Lyons 'A' £1	74 3	74 3	4 27	1¼
55 6	25 9	5 a	9 a	Ranks Hovis 10/–	31/–	31 3	4 48	...
4 03/8	10 4½	7½ b	2½ a	Spillers 5/–	11/6	12 3	4 08	2
50 3	38 7½	11 a	1 b	Tate & Lyle £1	47 6	49 3	4 87	2¼
20 10½	14 10½	9 b	5 a	Unigate 5/–	15 3	16 3½	4 34	2
23 –	52 9	†22½ c	†5% a	Brit. Amer. Tobac. 10/–	62 9	59 3	6 20	3
51 6	32 9	15 b	5 a	Gallaher 10/–	36 7½	33 9	5 93	2
71 9	52 6	8½ a	14 b	Imperial Tobacco £1	56/–	53 3	8 45	13%
				INSURANCE				
165/8	115/6	†50 a	†55 b	Britannic 5/–	16½*	16½*	2 60	...
86 3	58 3	25 b	20 a	Commercial Union 5/–	60/6	58/3	3 86	...
35 5/6	17/8	†41·17c	†41·17c	Equity & Law Life 8/6	35 1/6	35 1/6	0 81	...
55 6	51 10½	20 b	10 a	General Accident 5/–	89/9	87/9	1 71	...
60 6	42 7½	40 b	35 a	Guardian 5/–	51/9	53/–	2 52	...
45 5/8	21/8	110 b	80 a	Legal & General 5/–	40 13/16	40 5/16	1 18	...
149 3/4	100/–	11½ b	8½ a	Northern & Empl. £1	147/3	144 –	2 78	...
13 5/8	7 13/16	†70 b	†20 a	Pearl 5/–	10 7/8	10 29/32	5 37	...
29	18	†183½ c	†208½ c	Prudential 'A' 4/–	24 1/16	24 1/16	3 74	...
49 3	38 10½	...	...	Royal 5/–	44 7½	43 7½	3 44	...
129 3	100 3	11¼ b	7½ a	Royal Exchange £1	106/3	103/9	3 61	...
				MOTORS & AIRCRAFT				
18 10½	12 10½	7½ a	12½ b	British Motor 5/–	16/11½	16/33/4	6 13	3¼
86 6	66 1½	20 c	20 c	Jaguar Cars 'A' 5/–	81/9*	82 7½	1 21	8
48 6	35 6	11 c	5 a	Rolls-Royce £1	38 10½	37 9	5 83	2¼
10/–	5 6	12 c	4 c	Rootes Motors 'A' 4/–	6/11½	6/13	2 61	...
88 9	52 2¼	5 a	11 b	A.C.V. £1	71/3	72/9	4 40	2
80/–	76 9	20 c	20 c	Leyland Motors 5/–	86/–	89/6	4 47	2
18 6	14/–	12½ c	8 a	Bristol Aeroplane 10/–	15 2¼	15/3	8 20	2¼
33 3	20 6	15 c	5 a	Hawker Siddeley £1	21 7½	22 5¼	9 45	2¼
41 3	28 10½	15½ b	14 a	Dowty Group 10/–	30/–*	29/6	5 26	2¼
30 4½	21 6	15% c	5 a	Dunlop Rubber 10/–	30/–	30/–	5 28	2
72 –	49 9	2½ a	11¼ b	Joseph Lucas 5/–	69/3	71 4½	3 85	2¼
33 –	15 9	30 c	Nil a	Pressed Steel 5/–	18/6	19/–	...	1¼
46 3	29 3	12½ c	5 a	Triplex Holdings 10/–	36 10½	36 4½	3 44	2¼
				MINES				
68 9	110/–	50 b	40 a	Anglo-American 10/–	137/6	136 3/4	6 61	1½
66 9	41 9	6¼ b	18¾ b	Consolid. Gold Fields £1	55/6	53 9	9 30	2½
108 9	72 6	15 a	20 b	General Mining £1	82/6	81 10½	8 55	2
68 6	40/–	120 b	40 a	Union Corporation 2/6	50/3	49/6	8 08	3
25 3	15 3	40 a	40 b	Daggafontein 5/–	17/3	17 3	23 19	1½
125/–	73 9	70 a	100 b	Free State Geduld 5/–	85/7½	85/–	10 00	1½
54 3	37 6	25 a	25 b	Hartebeestfontein 10/–	40/6	40/–	12 50	1½
64 6	41 10½	50 a	60 b	President Brand 5/–	52/9	52/–	10 58	1½
157 6	101 3	90 a	120 b	Western Holdings 5/–	122/6	122/–	8 61	1¼
28 6	15 9	6 a	5 b	Winkelhaak 10/–	17 4½	17/–	6 47	8½
75 3	46/–	36½ b	13½ a	Chartered 15/–	47/6	46/–	16 30	1½
63 6	47/–	60 b	20 a	Rhod. Anglo-Amer. 10/–	50/3	47 –*	17 02	1¾
37 4½	28 6	...	...	Rhod. Selection Tst. £1	31/6	28/6	12 63	...
30 9	15 3	15 a	17½ b	Tanganyika Cons. 10/–	18/9	18/3	17 81	...
81 6	56 –	133½ b	32 a	Consolidated Zinc £1	50 6	51 3	6 83	1¾
159 4½	110/–	150 b	100 a	De Beers Defd. Reg. 5/–	135/7½	140/–	8 93	1¾
$159½	$104	$1·50c	$1·50c	Internat. Nickel n.p.v.	$138*	$144	1 85	...
18 9	10 9	7½ a	30 b	London Tin 4/–	16 7½*	17 1½	8 76	1½
45/–	30 –	20 c	27½ c	Rio Tinto 10/–	37/–	37 3	7 38	1½
44 3	17 9	52½ c	45 a	Tronoh 5/–	26/9	30 3	8 68	1
				PAPER & NEWSPAPERS				
14 7*	9 10½	10 b	5 a	Daily Mirror 5/–	12/–	12 3	6 12	1¼
9/–	5 7 6	8 b	4 a	W. H. Smith & Son 'A' £1	64 6	63/–	3 81	2
24 9	17 9	...	10 a	Thomson Org'n. 5/–	21 6	21 6	5 58	2
56 3	42 9	8½ b	5 a	Bowater Paper £1	43 3	45 9	6 01	1½
36 6	38 3	16 c	5 a	Albert E. Reed £1	38 9	38 9	8 26	1½
54 3	37 –	8½ b	4 a	Spicers £1	43 9	43 9	5 71	1¾
68 9	46 6	10 b	4 a	Wiggins Teape £1	48/–	51 6	5 44	2
				MISCELLANEOUS				
31/–	21/6	20 b	10 a	Assoc. British Picture 5/–	22/6	23/6	6 38	2¾
34/6	26/9	40 b	20 a	Assoc. Television 'A' 5/–	30/4½	31/11½	9 64	1¾
52 9	41/4½	14 b	16 a	Beecham Group 5/–	47/6	47/2¼	3 18	1¾
54/3	31/11½	6½ b	3½ a	British Match 5/–	37 10½	39 1½	5 11	2
28/4½	13/6	4 a	6½ b	British Oxygen 5/–	14/6	15/3	3 50	1¾
13/–	7 10½	7 b	3 a	British Ropes 5/–	9/11½	9/–	5 56	2¼
70/–	44/9	15 b	7½ a	De La Rue 10/–	57/6	56/6	3 98	2
50/–	31/9	20 c	7½ a	Gestetner 'A' 5/–	40/–	40/–	2 50	3¼
73/9	51/–	6 a	9 b	Glaxo 10/–	53/–	53/–	2 88	3¼
57/6	42/–	3 a	12 b	Harrisons & Cr. Defd. £1	46/–	46/–	6 52	2½
55/6	32 4½	5 a	20 b	Hoover 'A' 5/–	38/–*	37/9	3 31	1¾
28/–	17/6	5 a	12½ b	Ilford 5/–	19/–*	17/6	5 00	1¼
114/6	56/3	4 a	7½ b	I.C.T. £1	107/6	109/–	2 06	2½
78/9	37/6	12½ c	8½ c	National Canning 5/–	42/6	42/9	5 85	1
39 10½	29/6	10 b	6 a	Rowell Duffryn 10/–	37/–	38/–	4 21	2¼
37/3	24/7½	5 a	17½ b	Radio Rentals 5/–	35/6	37/3	3 02	2¾
38/–	18/9	7½ a	15 b	Rank Organisation 5/–	33/3	32/3	3 49	...
41 10½	30/11½	16½ b	7½ a	Schweppes 5/–	35/–	33 10½	3 54	1¾
40 3	27 6	20½ a	25 c	Sears 'A' 5/–	37/33/4	37 3	3 36	2¼
28 4½	21/3¾	11½ b	8½ a	Thomas Tilling 4/–	25 10½	25 10½	3 09	2
7 4½	4 7½	35 b	7½ a	Turner & Newall £1	54 10½	56 3	4 27	2
55/–	32/6	9 47c	15 32b	Unilever 5/–	41/6	42/3	2 93	3
126 8	83 4	8 a	13 b	Unilever N.V. 12 fl.	115 1/2	115 3/2	2 21	3
22 6	13/9	5 a	10 b	United Glass 5/–	16/6	16/3*	4 62	...
42 1½	29/–	†10% b	†14½ a	United Molasses 10/–	30/–	30/–	8 16	1
				SHIPPING				
44 1/2	29/–	6½ a	6½ a	Brit. & Com'wealth. 10/–	29/–	27/3	7 34	2
20/–	13/3	8 c	6 c	Cunard £1	15/7½	16/1½	...	...
24 9	16/3	17 c	7 c	France Fenwick 1/–	17/–	17/3	8 12	½
50/6	26/6	10 c	10 c	Furness Withy £1	28/1½	26/6	7 55	1
15/–	7/3	12½ c	Nil a	London & Overseas 5/–	7/7½	7 7/4½	...	...
48/6	27/6	3 a	3 b	P & O Defd £1

Money and Exchanges

EXCHEQUER RETURNS

For the week ended March 10, 1962, there was an "above-line" surplus (after allowing for sinking funds) of £44,442,000 compared with a surplus of £533,000 in the previous week and a surplus of £22,375,000 in the corresponding period of last year. There was a net expenditure "below-line" of £5,467,000 leaving a total cumulative deficit to date of £230,823,000 compared with £352,850,000 in 1960–61.

£'000	Estimate 1961–62	April 1, 1960, to Mar. 11, 1961	April 1, 1961, to Mar. 10, 1962	Week ended March 11, 1961	Week ended March 10, 1962
Ordinary Revenue					
Income Tax	2,728,500	2,185,281	2,401,717	76,839	95,993
Surtax	210,000	171,900	198,100	9,600	11,200
Death Duties	240,000	221,000	243,000	5,100	6,000
Stamps	94,000	85,300	90,700	2,200	1,500
Profits tax, EPT and EPL	325,500	248,800	316,900	4,400	4,300
Other Inland Rev. Duties	...	250	100	100	...
Total Inland Rev.	3,598,000	2,912,331	3,250,517	98,239	118,982
Customs	1,550,000	1,378,820	1,523,784	26,415	32,320
Excise	960,000	909,025	948,315	4,365	4,940
Total Customs and Excise	2,510,000	2,287,845	2,472,099	30,780	37,260
Motor Duties	155,000	125,146	140,044	1,313	7,393
PO (Net Receipts)	...	...	...	...	...
Broadcast Lic's.	40,000	35,200	36,300	...	...
Sundry Loans	205,000	41,288	217,668	17	217
Miscellaneous		114,462		141	
Total	6,508,000	5,516,272	6,116,628	130,499	163,852
Ordinary Expenditure					
Debt: Interest	660,000	655,832	705,984	18,124	20,393
Payments to N. Ireland Exch.	92,000	83,901	91,917	4,541	4,997
PO Fund — Initial settlement	15,000	...	7,282	...	...
Other Consolidated Funds	8,000	7,587	8,052	10	24
Supply Services	5,186,902	4,555,923	4,899,742	85,200	93,000
Total	5,961,902	5,303,243	5,712,977	107,875	118,404
Sinking Funds	40,000	38,955	39,555	240	1,006
"Above-line" Surplus or Deficit	+ 174,074	+ 344,096	+ 22,375	+ 44,442	
"Below-line" Net Expenditure*	526,924	594,930	36,535	5,467	
Total Surplus or Deficit	352,850	230,834	14,160	38,975	
Net receipts from:					
Tax Reserve Certificates	28,906	9,268	− 6,007	− 4,390	
Savings Certificates	55,900	− 20,500	− 600	− 200	
Defence Bonds	100,546	16,988	1,749	− 468	
Premium Savings Bonds	53,660	39,000	800	500	
Total	239,012	44,756	− 4,058	− 4,558	

* Net issues of £25 million to the Civil Contingencies Fund in 1961–62 compared with net issues of £10 million in 1960–61.

FLOATING DEBT

(£ million)

	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Dept.	Ways and Means Advances: Bank of England	Total Floating Debt
1961					
Mar. 11	3,060·0	1,603·5	312·3	...	4,975·8
Dec. 2	3,350·0	2,078·9	228·5	...	5,657·4
,, 9	3,370·0	2,083·8	222·2	...	5,676·0
,, 16	3,370·0	2,148·9	235·2	0·8	5,754·9
,, 31	3,400·0	2,205·3	205·1	...	5,810·4
1962					
Jan. 6	3,380·0	2,163·3	339·7	...	5,882·9
,, 13	3,300·0	2,151·6	334·8	2·5	5,798·9
,, 20	3,250·0	2,147·4	326·4	...	5,723·8
,, 27	3,190·0	2,163·1	217·9	1·8	5,572·8
Feb. 3	3,120·0	2,115·6	242·6	7·8	5,486·0
,, 10	3,070·0	1,989·0	246·8	...	5,305·8
,, 17	3,040·0	2,302·6	275·4	5·0	5,623·0
,, 24	2,990·0	2,382·5	207·4	...	5,579·9
Mar. 3	2,950·0	2,481·4	236·7	5·0	5,673·1
,, 10	2,960·0	2,435·5	248·2	0·8	5,644·4

THE MONEY MARKET

At the Treasury bill tender that followed the ½ per cent cut in Bank rate, the average rate of discount fell the full ½ per cent—by 10s. 5.37d. to £5 0s. 5.89d. per cent. The syndicate of discount houses raised its main bid by 2s. 8d. (a cut of 10s. 8d. in the annual rate) to £98 14s. 11d. for bills dated Tuesday to Saturday and received 53 per cent of its application. Its application for 92-day bills, avoiding the Whitsun holiday, was met in full and raised the market's average allotment to 57 per cent compared with the previous week's 37 per cent. Total applications for an unchanged offer of £230 million bills rose by £14 million to £396 million.

Credit has been fairly tight throughout the week since the Bank rate change and the authorities stepped-in to relieve the pressure by the special purchase of bills on each day except last Friday. Moderate purchases on Tuesday, however, were still not sufficient to prevent two or three houses borrowing a very small amount from the Bank of England at Bank rate. The rate for overnight money has now settled at about 4⅛ per cent and the market is paying, on average, slightly under 4¼ per cent for its funds.

MONEY RATES

LONDON

	%		%
Bank rate (from 6% 8/3/62)	5½	Discount rates:	
Deposit rates (7 days' notice):		Bank bills:	
Banks	3½	60 days	5 3/16–5 1/4
Discount houses	3 1/2–3 3/4	3 months	5 3/16–5 1/4
Local Authorities	6	4 months	5 3/16–5 1/4
Call money:		6 months	5 2/16–5 5/16
Clearing banks' minimum	3 7/8	Fine trade bills:	
Day-to-day	3 3/8–5	3 months	6 1/4 –7
		4 months	6 1/4 –7
		6 months	6 1/2 –7 1/2

NEW YORK

	%		%
Official Discount rate: (from 3½%, 11/8 60)	3	Treasury bills: March 5	2·721
		,, 12	2·804

BANK OF ENGLAND RETURNS

(£ million)	Mar. 15, 1961	Mar. 7, 1962	Mar. 14, 1962
Issue Department:			
Notes in circulation	2,233·2	2,311·7	2,306·9
Notes in banking dept.	17·2	63·7	68·4
Govt. debt and securities*	2,248·3	2,374·0	2,374·0
Other securities	0·7	0·7	0·8
Gold coin and bullion	0·4	0·4	0·4
Coin other than gold coin	1·0	0·3	0·3
Banking Department:			
Deposits:			
Public accounts	11·9	11·3	13·7
Special deposits	151·2	241·4	232·2
Bankers	271·7	247·7	256·4
Others	66·0	70·3	71·8
Total	500·8	570·7	574·2
Securities:			
Government	463·6	464·4	460·2
Discounts and advances	17·7	39·7	42·6
Other	20·0	20·6	20·5
Total	501·2	524·6	523·4
Banking department reserve	18·1	64·5	69·3
"Proportion"	3·6	11·3	12·0

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue increased by £50 million to £2,375 million on March 7th.

TREASURY BILL TENDERS

Date of Tender	Amount (£ million) Offered	Applied for	91 Day Bills: Average Rate of Allotment	Allotted at Max. Rate*
1961	91 day		s. d.	%
Mar. 10	250·0	395·1	89 9·54	63
	91 day / 63 day			
Dec. 8	230·0 / 30·0	455·3	106 5·34	46
,, 15	210·0 / 50·0	371·6	106 4·83	37
,, 22	210·0 / 50·0	379·0	107 3·18	52
,, 29	250·0	396·0	108 0·72	51
1962				
Jan. 5	240·0	406·9	108 7·81	38
,, 12	240·0	409·4	108 6·03	25
,, 19	240·0	388·1	106 2·35	63
,, 26	240·0	399·8	104 10·06	61
Feb. 2	200·0	379·4	104 4·93	33
,, 9	230·0	412·8	108 0·74	22
,, 16	220·0	389·8	109 10·81	28
,, 23	220·0	405·6	110 7·47	21
Mar. 2	230·0	382·6	110 11·26	37
,, 9	230·0	396·2	100 5·89	53

* On March 9th tenders for 91 day bills at £98 14s. 11d. secured 53 per cent, higher tenders being allotted in full. The offer for this week was for £230 million 91 day bills

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Effective Limits March 14	Market Rates: Spot March 8	March 9	March 10	March 12	March 13	March 14
United States $	2·78–2·82*	2·81 1/2–5/8	2·81 1/2–5/8	2·81 9/16–11/16	2·81 5/8–3/4	2·81 5/8–3/4	2·81 5/8–3/4
Canadian $	...	2·95 3/8–7/16	2·95 3/8–7/16	2·95 1/8–3/16	2·95 11/16–13/16	2·95 11/16–11/16	2·95 7/16–9/16
French Fr.	13·672–14·027	13·79 1/8–3/8	13·79 1/8–3/8	13·79 1/2–80 1/8	13·79 1/2–80 1/8	13·80 1/8–3/8	13·80 1/4–1/2
Swiss Fr.	11·94–12·54 7/8	12·20 3/8–1/2	12·21–21 1/4	12·21–21 1/4	12·21 3/8–5/8	12·22–22 1/4	12·22 1/8–3/8
Belgian Fr.	137·96–142·05	140·12 1/2–17 1/2	140·10–15	140·12 1/2–17 1/2	140·17 1/2–22 1/2	140·20–25	140·20–25
Dutch Gld.	9·98 3/4–10·28 1/2	10·18–18 1/4	10·18–18 1/4	10·18 1/4–3/8	10·17 3/8–7/8	10·17 1/8–3/8	10·17–17 1/4
W. Ger. D-Mk.	11·037–11·365	11·25 7/8–26 1/4	11·25 7/8–26 1/4	11·26–26 1/4	11·26 3/8–5/8	11·26 1/2–3/4	11·26 3/8–5/8
Portug. Esc.	...	80·18–28	80·18–28	80·18–28	80·18–28	80·18–28	80·18–28
Italian Lire	1725–1775	1747 1/2–48	1747 1/4–48	1747 1/4–3/4	1748 1/8–3/4	1748 1/2–491/4	1749–49 1/2
Swedish Kr.	14·27 1/2–14·70	14·51 7/8–52 1/8	14·51 3/8–5/8	14·51 1/2–3/4	14·51 1/4–1/2	14·50 3/4–51	14·50 3/4–7/8
Danish Kr.	19·06 1/2–19·62	19·36 1/4–1/2	19·36 3/8–5/8	19·36 1/4–1/2	19·36 3/8–5/8	19·36 1/4–1/2	19·36 3/8–5/8
Norwegian Kr.	19·71–20·30 1/2	20·05–05 1/4	20·05–05 1/4	20·05–05 1/2	20·05 1/4–1/2	20·05 1/4–1/2	20·05 3/8–5/8
	* Official Limits						
One Month Forward Rates							
United States $		11/16–9/16c. pm	11/16–9/16c. pm	11/16–9/16c. pm	3/4–5/8c. pm	3/4–5/8c. pm	3/4–5/8c. pm
Canadian $		5/8–1/4c. pm	11/16–1/8c. pm	11/16–1/8c. pm	3/4–5/8c. pm	3/4–5/8c. pm	3/4–5/8c. pm
French Fr.		2 1/4–1 3/4c. pm	2 3/8–1 7/8c. pm	2 3/8–1 7/8c. pm	2 1/4–2c. pm	2 1/4–2c. pm	2 5/8–2 3/8c. pm
Swiss Fr.		4–3 1/4c. pm	4–3 1/4c. pm	4–3 1/2c. pm	4 1/8–3 3/4c. pm	4 1/4–3 3/4c. pm	4 1/2–4 1/4c. pm
Belgian Fr.		35–25c. pm	35–25c. pm	35–25c. pm	37–27c. pm	37–27c. pm	40–30c. pm
Dutch Gld.		2 1/2–2c. pm	2 1/2–2c. pm	2 1/2–2c. pm	2 1/4–1 3/4c. pm	1 7/8–1 3/8c. pm	2–1 1/2c. pm
W. German D-Mk.		3–2 1/2pf. pm	3–2 1/2pf. pm	3–2 1/2pf. pm	3 1/4–2 3/4pf. pm	3 1/4–2 3/4pf. pm	3 3/8–2 7/8pf. pm
Three Months Forward Rates							
United States $		1 3/4–1 5/8c. pm	1 3/4–1 5/8c. pm	1 3/4–1 5/8c. pm	1 3/4–1 5/8c. pm	1 3/4–1 5/8c. pm	1 13/16–1 11/16c. pm
Canadian $		1 11/16–1 9/16c. pm	1 3/4–1 5/8c. pm	1 3/4–1 5/8c. pm	1 3/4–1 5/8c. pm	1 3/4–1 5/8c. pm	1 13/16–1 11/16c. pm
Swiss Fr.		10 3/8–10 1/8c. pm	10 1/2–10c. pm	10 1/2–10c. pm	10 1/2–10c. pm	10 3/8–9 7/8c. pm	10 1/2–10c. pm
W. German D-Mk.		8 1/2–8pf. pm	8 1/2–8pf. pm	8 1/2–8pf. pm	8 1/2–8pf. pm	8 1/2–8pf. pm	8 5/8–8 1/4pf. pm
Gold Price at Fixing							
Price (s. d. per fine oz.)		249/11 1/2	249/12 1/2	...	249/2	249/11 1/4	249/11 1/2
,, ($,, ,, ,,)		35·08	35·08	...	35·08 1/2	35·08 1/2	35·09

Prices and Wages

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

BRITISH

Prices and Wages	This week	External Trade	Mar. 3rd
Manpower and Output	Feb. 24th	Industrial Profits	Jan. 27th

OVERSEAS

Western Europe	Feb. 17th	United States	Mar. 10th

	Unit	1959	1960	1961	1961 Feb. 28	1961 Mar. 7	1961 Mar. 14	1962 Feb. 13	1962 Feb. 20	1962 Feb. 27	1962 Mar. 6	1962 Mar. 13
		mid-June										
WORLD PRICES												
Commodity Price Indicator:	1958=100	96·8	98·3	95·3	95·6	96·3	96·5	92·7	92·0	92·4	93·0	92·6
All items	,,	95·8	93·0	93·0	94·2	95·1	95·0	89·0	88·2	88·9	89·9	89·3
Food	,,	95·3	98·7	104·4	103·3	103·9	103·9	102·3	101·9	101·3	102·0	101·5
Fibres	,,	113·0	122·4	115·0	111·9	111·9	111·9	114·2	114·3	115·2	114·9	114·7
Metals												
		Monthly averages			1960		1961	1961				1962
		1959	1960	1961	Nov.	Dec.	Jan.	Sept.	Oct.	Nov.	Dec.	Jan.
BRITISH WHOLESALE PRICES												
Materials used in:	1954=100	101·7	101·8	100·6	101·0	101·0	100·6	100·2	99·4	100·1	100·4	101·4[12]
All manufacturing industries	,,	124·5	126·2	128·1	126·0	126·0	126·6	128·7	128·4	128·4	128·9	129·0
Mechanical engineering	,,	115·6	116·9	118·3	116·4	116·7	116·7	118·9	118·8	118·8	119·0	119·0
Electrical machinery	,,	113·4	115·1	118·2	115·8	116·2	116·4	118·8	119·1	119·3	119·4	119·6
Building and civil engineering	,,	111·0	114·0	118·0	115·3	115·8	116·3	118·6	118·9	119·1	119·1	119·5
House building												
Products of:	,,	111·5	113·0	116·0	113·8	114·1	114·3	117·1	117·1	117·3	117·5	117·8[13]
All manufacturing industries	,,	106·6	106·0	105·1	105·1	104·8	104·8	105·0	104·7	105·0	105·0	105·2
Chemicals and allied trades	,,	129·0	128·5	129·7	128·6	128·6	128·9	130·2	130·2	130·3	130·7	130·7
Iron and steel	,,	96·0	100·8	104·0	102·6	102·9	103·4	104·0	103·9	103·5	103·7	103·6
Textile industry	,,	106·9	106·9	107·2	107·2	107·4	106·7	107·1	107·2	107·9	108·3	109·5
Food manufacturing	,,	113	114	117	114[9]	...	116[11]	116[8]	...	120[9]	...	...
New construction[14]												
Commodities:	,,	68·6	75·0	74·8	75·7	75·9	75·8	73·9	74·0	74·2	74·5	74·7
Cotton, raw	,,	76·6	76·3	76·2	72·3	71·9	71·6	77·2	74·2	74·6	73·7	73·5
Wool, raw	,,	148·1	158·0	122·8	131·0	126·1	123·9	126·7	121·2	112·3	114·8	118·2
Rubber, No. 1 RSS, one month future	,,	95·4	104·9	107·3	107·0	107·1	107·3	107·3	106·6	106·7	106·8	105·5
Softwood, imported	,,	95·6	99·0	92·3	91·0	92·9	88·5	92·2	92·0	92·2	92·5	92·7
Copper, ex-warehouse	,,	135·4	137·4	144·8	146·8	146·8	147·1	142·3	142·5	147·2	147·5	151·1
Coal	,,	106·7	105·0	103·8	105·1	104·8	103·9	103·7	104·0	104·0	103·8	102·9
General chemicals												
UK RETAIL PRICES	Jan. 17, 1956=100	109·6	110·7	114·5	111·9	112·2	112·3	115·5	115·7	116·9	117·1	117·5
All items (1)	,,	108·2	107·4	109·1	107·6	108·1	107·7	108·5	108·0	109·8	110·2	110·7
Food												
All items	1938=100[2]	273	276	285	279	279	280	288	288	291	292	293
Food	,,	285	282	287	283	284	283	285	284	289	290	291
Housing	,,	180	186	194	188	188	189	196	197	198	198	198
Clothing	,,	268	271	276	273	273	274	277	277	278	278	278
Fuel and light	,,	284	291	309	309	311	312	304	305	323	323	324
Household durable goods	,,	300	300	305	303	303	303	308	309	309	309	311
Drink	,,	261	256	274	257	257	257	279	282	282	282	282
Tobacco	,,	428	444	467	449	499	449	491	491	491	491	491
Purchasing power of £ (based on all consumer spending)	1938=100	35·8	35·4	34·3	35·1	35·0	34·9	34·0	33·9	33·6	33·5	33·4
UK TERMS OF TRADE												
Import prices:	1954=100	98	99	97	99	98	98	95	96	96	96	96
All items	,,	98	97	94	99	98	97	91	91	93	93	93
Food, drink and tobacco	,,	93	96	95	95	93	94	95	95	93	94	93
Basic materials	,,	104	98	96	96	96	95	95	96	97	96	96
Fuels	,,	104	107	107	107	107	107	106	106	106	106	106
Manufactured goods												
Export prices:	,,	109	111	112	111	111	112	112	112	112	113	113
All items	,,	111	114	115	114	114	114	115	115	115	116	116
All manufactures	,,	115	118	118	119	118	118	117	118	118	118	119
Metals	,,	117	120	122	119	120	121	123	122	122	123	123
Engineering products	,,	98	102	106	103	104	105	106	106	104	106	106
Textiles (excluding clothing)												
Terms of trade:	,,	90	89	86	89	88	88	85	85	85	85	85
Ratio of import to export prices												
SHIPPING FREIGHTS												
Tramp shipping freights	1960=100	96·9	100·0	106·8	99·8	105·3	103·7	110·6	108·0	109·3	101·2	96·9[10]
UK WAGES												
Normal weekly hours:	Jan. 31											
All workers	1956=100	99·6	98·0	95·9	97·2	97·1	96·4	95·8	95·4	95·4	95·4	95·2
Weekly wage rates (5):												
All workers (3)	,,	117·0	120·0	125·0	121·0	122·3	123·5	125·4	126·2	126·2	126·4	126·8
Men	,,	116·8	119·7	124·6	120·7	121·9	123·2	124·9	125·8	125·8	126·0	126·4
Women	,,	117·0	120·8	125·3	121·8	122·7	123·5	126·4	126·4	126·4	126·5	127·2
Juveniles (4)	,,	119·0	123·2	130·3	125·4	126·3	128·4	131·1	131·7	131·7	131·9	132·2
All workers	Sept., 1939=100	304	312	325	314	318	321	326	328	328	329	330
Changes in weekly wage rates:												
Workers affected by increases	'000	392[6]	927	648	517	2,812	2,050	639	1,626	1417	245	1,403
Net increase in weekly wage bill	£'000	104	359	339	242	1,053	845	246	836	67	110	518

(1) For a rough conversion to basis of June, 1947, multiply throughout by 1·534. (2) The interim index of retail prices has been linked back to 1938 with the aid of calculations made by Professor R. G. D. Allen for the London and Cambridge Economic Service. (3) For a rough conversion to basis of June, 1947, multiply throughout by 1·561. (4) In general, males under 21 and females under 18 years of age. (5) Weekly earnings are surveyed in April and October. October figures are: Men, 1959: 271s. 1d.; 1960: 290s. 8d.; 1961: 306s. 10d. Women (full time), 1959: 140s. 11d.; 1960: 148s. 4d.; 1961: 154s. 6d. Youths (under 21), 1959: 117s. 6d.; 1960: 130s. 0d.; 1961: 137s. 10d. Girls (under 18), 1959: 90s. 10d.; 1960: 96s. 10d.; 1961: 102s. 0d. (6) 18,000 workers had a net decrease in wages over the year. (7) 25,000 workers had wage cuts (but over the whole of 1961 no worker had a net decrease). (8) Average for third quarter. (9) Average for fourth quarter. (10) February, 95·2. (11) Average for first quarter. (12) February, 101·7. (13) February, 118·0. (14) Index of building costs.

APPOINTMENTS

THE ELECTRICITY COUNCIL

Administrative Officer

Secretary's Department

Applications are invited for the superannuable post of ADMINISTRATIVE OFFICER in the Secretary's Department, Headquarters, London, S.W.1. The successful applicant, who will be responsible for organising the work of one Section of the Administration Branch, will supervise staff engaged in the drafting of correspondence, papers and minutes of meetings, and will be required to attend meetings. The work involves co-operation with other Departments of the Electricity Council on the presentation of policy issues with which the Council is concerned, for example, financial, commercial, technical and industrial relations matters. The post demands considerable administrative ability and experience.

Knowledge of the electricity supply industry and its problems within one or more of the fields mentioned, experience of work at a national headquarters involving co-operation with Government Departments and representative national bodies, possession of a degree or equivalent educational qualifications, and an appropriate professional qualification, would all be considered advantages.

● *Salary within range £2,025-£2,440 p.a. inclusive. Applications, stating age, present position, salary, qualifications and experience, to the Establishments Officer, The Electricity Council, Winsley Street, W.1, by 31st March, 1962. Quote ref. ECO 152.*

FORD OF BRITAIN

ACCOUNTANTS AND INTERNAL AUDITORS

Ford of Britain offers an attractive career to qualified accountants in a modern integrated accounting system which is directed towards the supply of management information as well as statutory requirements. The Company is of such a scale that all aspects of cost and financial accounting are covered and extensive machine and computer installations are used. In this system the internal audit function is responsible for the examination of management controls rather than the verification of detailed figures.

Present vacancies are at three different levels and are suitable for men up to the age of 35. Prospects are exceptional as salary and promotion depend entirely on ability and the Company's expansion plans will provide many opportunities in the next few years.

Applications, giving age and brief details of experience and qualifications, should be addressed (with envelope marked "Ref. A1A") to

MR. H. G. PEARMAN,
TRAINING AND RECRUITMENT OFFICE,
FORD MOTOR COMPANY, LIMITED,
DAGENHAM, ESSEX.

BOURNEMOUTH EDUCATION COMMITTEE

BOURNEMOUTH MUNICIPAL COLLEGE OF TECHNOLOGY AND COMMERCE
Department of Commerce and Languages.

Applications are invited for the following appointments, duties to commence on 1st September, 1962:—

SENIOR LECTURER for advanced work including Higher and Ordinary National Certificates and Diplomas in Business Studies. Experience in teaching Law and Economics is desirable.

LECTURER for advanced work, including Higher and Ordinary National Certificates and Diplomas in Business Studies. Experience in teaching Business Administration and Government is required.

Technical Scale: 1961, viz.:—Senior Lecturer: £1,850 to £2,000 per annum. Lecturer: £1,600 to £1,800 per annum.

Forms of application and further particulars may be obtained from the Principal, Bournemouth Municipal College of Technology and Commerce, Christchurch Road, Bournemouth, to whom completed applications should be returned by 31st March, 1962.

Scottish Woollen Technical College, Galashiels.

SENIOR LECTURER in MANAGEMENT STUDIES

Applications are invited for the post of Senior Lecturer in Management Studies. This is a new appointment and the person appointed will be responsible for the development of teaching in management studies in the College Associateship and Diploma courses.

The successful applicant will also be expected to organise and develop courses and conferences for managements in the Scottish Woollen Industry with which the College is closely associated.

Applicants should have suitable academic qualifications and experience in industrial fields. Previous textile experience not required. An academic background of economics or engineering would be most attractive.

Salary: £1,845 x £80—£2,175.

Applications to be addressed to the Principal.

For other appointments see page 1067

ROYAL COLLEGE OF ADVANCED TECHNOLOGY

SALFORD
DEPARTMENT OF MATHEMATICS

Applications are invited for the following posts:—

PRINCIPAL LECTURER IN MATHEMATICS
Salary range: £2,000 rising to £2,150 per annum.

SENIOR LECTURER IN MATHEMATICS
Salary range: £1,800 rising to £2,000 per annum.

LECTURER IN MATHEMATICS
Salary range: £1,600 rising to £1,800 per annum.

Applicants should possess a good honours degree, together with good research and/or industrial experience. Good research facilities are now available and the Department is to be equipped with an English Electric KDF.9 digital computer in mid-1963. Interest in mathematical aspects of electricity, aerodynamics, computing, statistics in operational research would be an added qualification.

For one of these posts a detailed knowledge of programming languages is required.

Further particulars and forms of application may be obtained from the Registrar, Royal College of Advanced Technology, Salford 5, Lancs, quoting reference MA/D, to whom completed applications should be returned by 2nd April, 1962.

ECONOMICS graduate (about 27 years of age) required by public company in the Midlands with extensive manufacturing, wholesale and retail interests for market research and inventory control duties. Commencing salary £1,000 p.a.—Box 1602.

LOUGHBOROUGH COLLEGE OF TECHNOLOGY
LOUGHBOROUGH, LEICESTERSHIRE

RESEARCH IN MARKETING AND ECONOMIC PLANNING

Research Fellow, Scholar or Assistant required to work with existing staff on an economic survey and methods of market research in Department of Industrial Engineering and Management. This will be followed by wider studies to examine methods of business forecasting.

Remuneration within range £350-£1,400 depending on qualifications, age and experience.

Application forms and particulars from Academic Registrar, quoting Ref. S.RD.

ASSISTANT - FINANCE (BUDGETS DIVISION)

BRITISH TRANSPORT COMMISSION invite applications for a post in the Economics Section, Finance Department, at their Headquarters. Candidates should have several years' experience in the provision of economic information to management. Familiarity with statistical methods and a good knowledge of sources of economic statistics required. Fluent knowledge of French or German an advantage, but the lack of this should not deter applicants.

Starting salary, according to qualifications and experience, not less than £1,300 a year.

Superannuation scheme; certain travel facilities; medical examination.

Applications, stating age and qualifications and experience, to the Director of Establishment, British Transport Commission, (Dept. D) 222, Marylebone Road, London N.W.1, within 14 days.

SOUTH AMERICA

A CONTINENT OF OPPORTUNITIES

If you are a qualified accountant, there is probably an opening for you in a firm of international public accountants who are increasing their permanent staff in Argentina, Brazil, Chile, Peru and Uruguay. Vacancies exist for men at all levels of experience from those newly qualified to those capable of undertaking managerial posts, including men with experience in the field of management consultancy. Contracts are for an initial period of three years, renewable by agreement. The terms include an allowance to cover the expenses of moving to South America, salaries (payable partly in hard currency) which allow a comfortable standard of living together with a margin for savings, return passages for staff members and their dependants, and three months' paid leave at the end of each contract in addition to local leave. Salaries are subject to merit increases and are automatically reviewed periodically in the light of changes in the cost of living. Annual bonuses are payable and other benefits, which differ somewhat from country to country, are provided by advanced social legislation. A partner of the firm will shortly be in London to interview applicants.

If this advertisement interests you, please send particulars of your experience and qualifications, together with a passport type photograph, to Box 1597.

DUNLOP

ACCOUNTANTS

There are vacancies at various establishments in the U.K. for qualified accountants, and for graduates who are interested in accounting as a career.

The posts provide an excellent introduction to industrial and management accounting, and the opportunity to acquire a wide knowledge of financial systems.

After two to three years, successful applicants will be eligible for financial executive appointments at home or abroad. Initial salaries will be dependent on age and experience.

Apply in strict confidence to:

Finance Personnel Manager,
DUNLOP RUBBER COMPANY LIMITED,
Dunlop House, 25 Ryder Street, London, S.W.1.

CITY OF BIRMINGHAM

ASSISTANT TO STATISTICIAN

Applications are invited for the Appointment of an Assistant (male or female) in the Central Statistical Office of the Town Clerk's Department.

Candidates should have a university degree in science, mathematics or economics, formal course or research involving the analysis and interpretation of mass data will be an advantage. Salary A.P.T. III £695-£1,040.

Applications, giving age, where educated, details of degrees, diplomas, etc., particulars of any previous occupations, including details of statistical training and experience, with names of three referees, to the Town Clerk, Room No. 7, Council House, Birmingham, 1, not later than 9th April, 1962.

T. H. PARKINSON,
Town Clerk.

Council House,
Birmingham, 1.
March, 1962.

ORGANISATION & METHODS

CO-OPERATIVE INSURANCE SOCIETY LIMITED

requires Assistants for its Organisation and Methods Section in the Head Office in Manchester. Applicants (ages 25-35) should have a degree or professional qualification. Experience in O.&M. would be an advantage but is not essential, since training will be given where necessary. At an early stage members of the section are expected to work on their own initiative, with a minimum of supervision.

Starting salaries range up to £1,350 per annum, including a payment of £150 per annum for certain professional qualifications. For those who show a particular aptitude for the work there are good prospects of promotion to the next higher scale, which rises to £1,500 per annum, including the qualification payment.

Applications, stating age, qualifications and present salary, and giving details of experience, should be sent to: The Assistant Secretary, Co-operative Insurance Society Limited, 109, Corporation Street, Manchester, 4.

Mark the envelope "O.&M."

MARKET RESEARCH ASSISTANT

required for Package Foods Division to work on both existing and new product development with responsibility later for commissioning research with outside agencies.

Applications from men or women age 24-30, who should have at least two years' Market Research experience, are invited. Salary and substantial Profit Sharing Scheme give good remuneration. Other benefits include Pension and Life Assurance Schemes.

Applications to
Group Personnel Manager,
Brown & Polson Ltd.,
125, Strand, London, W.C.2.

MEDICAL RESEARCH COUNCIL

SOCIAL MEDICINE RESEARCH UNIT.—Applications are invited for the following: (1) SENIOR STATISTICIAN, with experience in medical, biological or social statistics; medical qualification an asset. Salary starting in range £1,555-£2,355. (2) STATISTICIAN, with good degree. Salary starting in range £960-£1,665. Five Fifth Engagements in a wide variety of social medical investigations. Some teaching. FSSU. Family allowances.—Please send detailed application to The Director, SMRU, London Hospital Research Laboratories, Ashfield Street, London, E.1.

THE LONDON SCHOOL OF ECONOMICS AND POLITICAL SCIENCE hopes to appoint an Assistant Lecturer in Law from October, 1962. Salary scale £800 x £50—£950 a year, plus £100 a year London Allowance; with superannuation benefits and family allowances. In exceptional circumstances a short-term appointment will be given for one year. Applications, with the names of three referees, should be received not later than 30th April, 1962, by the Secretary, The London School of Economics and Political Science, Houghton Street, Aldwych, W.C.2, from whom further particulars may be obtained.

The Institute of Taxation

THESIS COMPETITION

The Council of the Institute announces a thesis competition, the conditions of which are set out hereunder:

(i) The competition will be open to all, with the exception of members of the Council, the Board of Examiners of the Institute and Institute employees.

(ii) The subject for the thesis will be "New Alternative Methods of Taxation."

(iii) Theses will be judged by content rather than length, and in any event no thesis submitted should contain more than 25,000 words.

(iv) There will be one prize only, viz., one hundred guineas.

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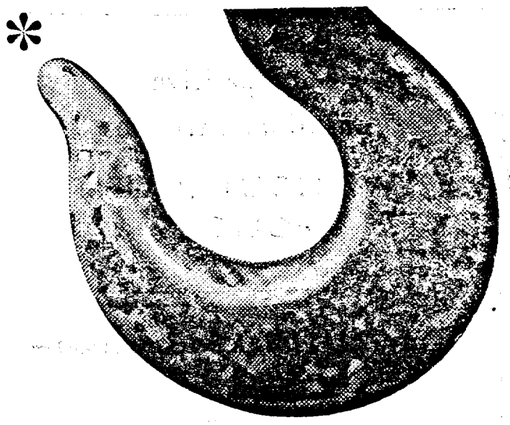
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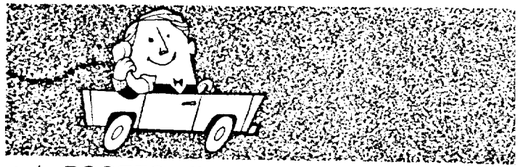
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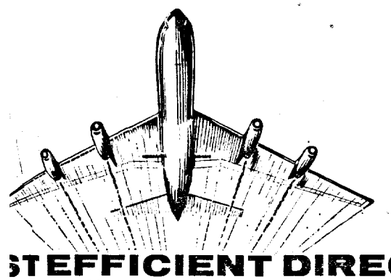
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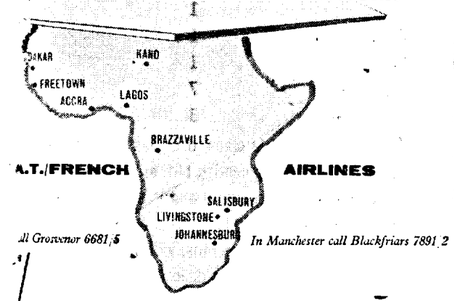
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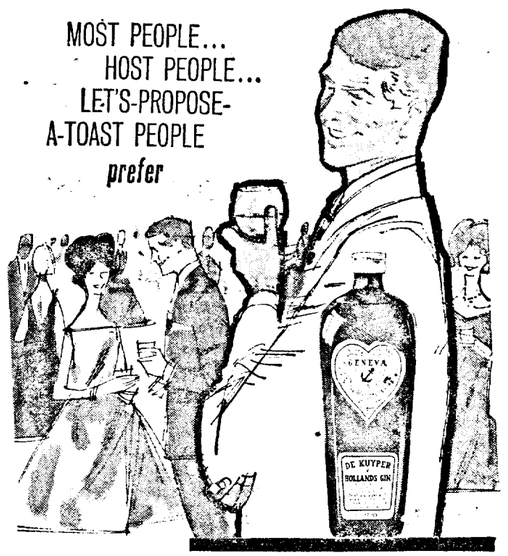
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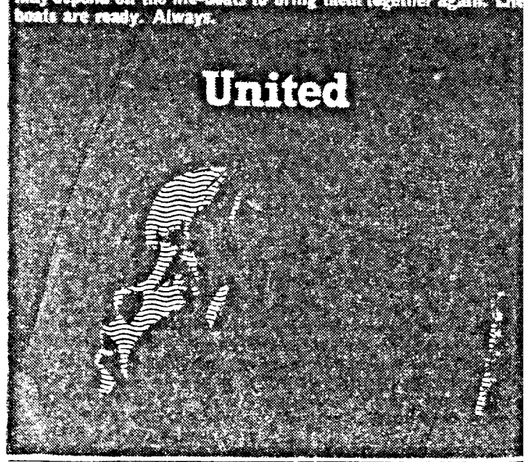


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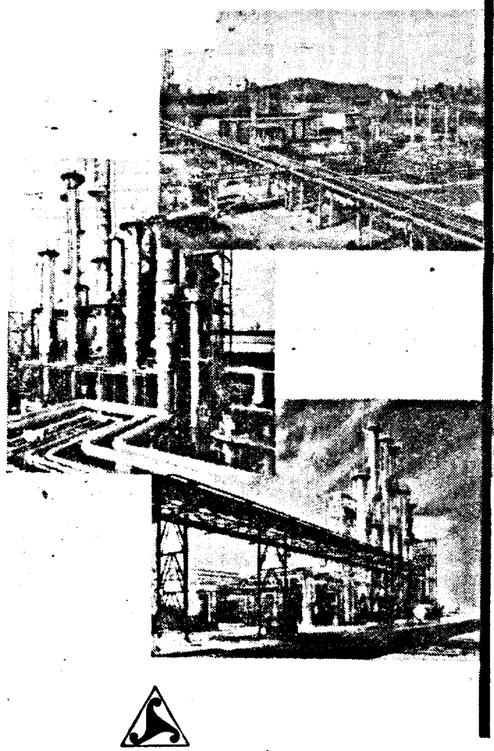
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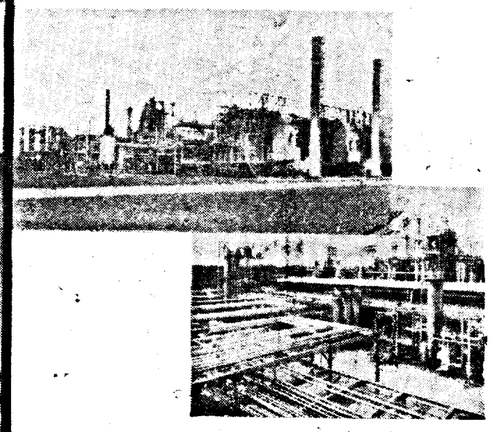
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INTERNATIONAL

WEST CLIMBING DOWN



The last hours of empire:

Frenchmen have greeted with caution the end of the seven-year struggle in Algeria. One reason is that the activities of the Secret Army threaten to rob the word "ceasefire" of meaning.

But, beyond that, Frenchmen are still the people best able to help the Algerians (p. 1089).

Consequences of **the peace treaty**—p. 1119.

How it was negotiated—p. 1118.

The people best able to help **Kenya's** politicians settle their quarrels are still the British (p. 1096).

Zanzibar, too (p. 1123).

Members of the UN have their own ideas of helping Africans in **Southern Rhodesia** (p. 1124).

Mr Hammarskjold's fatal crash in Northern Rhodesia was definitely an accident (p. 1146).

West Climbing Up

Trade: The high tariffs on both sides of the Atlantic are a relic of the economic isolationism of the 1930s. As President Kennedy's Administration seems to recognise, they are becoming out of date (p. 1093).

US Business: President Kennedy is making some progress in his wooing of the American business community (p. 1105).

Only if **businessmen** play their part will the economy expand as it is supposed to do this year (p. 1108).

The new manpower retraining act is intended to enable American **workers** to adapt their skills to a changing economy (p. 1109).

Gold: The central bankers in the Basle club are hatching a new plan for gold. If it is bold and flexible it could be a great step forward; if narrow and constrictive it could do positive harm (p. 1138).

West in the East

Japan: With an economy nearly as fully developed and technically advanced as some in the West, Japan retains some kinds of industrial organisation that would look odd elsewhere (p. 1140).

Formosa: Circumstances are tempting for large-scale commando and paratroop raids into communist China (p. 1097).

Indo-China: Surprisingly little notice is being taken in the United States of the extent to which it is becoming involved in the hostilities in Vietnam (p. 1106).

Okinawa is moving towards self-government (p. 1109).

Israel: the West in the Middle East is playing with fire (p. 1101).

West in the Balance

In Geneva, confusion of words is one bar to progress towards a treaty on **disarmament** (p. 1120).

Things are more cheerful in space (p. 1106).

In Nato, it is time to put into practice the idea of sharing the burden of expenditure on **defence** (p. 1097).

HOME

Signs and Portents

Wishful forecasts of sweeping Liberal gains in the next general election—or even, more modestly, in some forthcoming by-elections—cannot be supported by the electoral arithmetic; but the probable, and powerful, displacement of some loyalties may have desirable side effects on Opposition policies (p. 1090)—and a salutary fillip to more forward-looking Government ones (p. 1096).

A considered and embracing **capital gains** tax is one thing: but the arbitrary animal Mr Lloyd seems to have in mind can have neither of these qualities (p. 1137).

Last week's **economic debate** uncovered a vein of liberalism in the shadow chancellor and a rich, but eroding, deposit of puritanism in the President of the Board of Trade: if the latter's nods and winks mean anything, **the budget** will be neutral (p. 1098).

Nuclear disarmers have all the best tunes—at least in Scotland, where they figure largely in a folksong revival (p. 1113).

Errors and Omissions

Sir David Eccles has postponed—perhaps abandoned—his bill to reform the **teachers'** salary negotiation committee: some teachers think this is a triumph for their side, but it could be the beginning of bigger troubles in the profession (p. 1094).

The **probation service** is understaffed, undertrained and underpaid: theirs is a good case for breach of the pay pause (p. 1102).

The imposition of quota restrictions on **butter imports** may please British farmers, but will irritate European dairymen as well as housewives at home (p. 1098).

At £600,000, the prime ministerial inconveniences of a refurbished No 10 Downing Street begin to look expensive (p. 1102).

Mend and Make-do

Mr Butler's appointment to the **Central Africa Office** is less hilarious than some Labour members think: his chances of bringing some order out of the federal chaos are better than either Mr Sandys's or Mr Maudling's; and he could do himself some political good, too (p. 1096).

Licking their wounds after the great takeover battle **ICI and Courtaulds** are using the right conciliatory words towards each other (p. 1142).

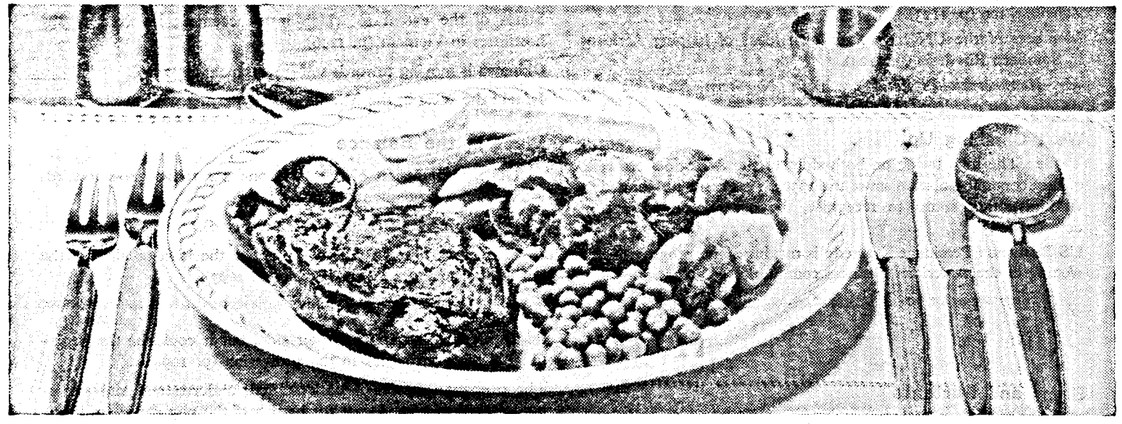
The **civil estimates** in their new form are half as long and twice as clear (p. 1150).

Two enterprising landlubbers with broadcasting ambitions hope to evade their frustrations by taking to the boats (p. 1117).

Detailed contents on page 1089



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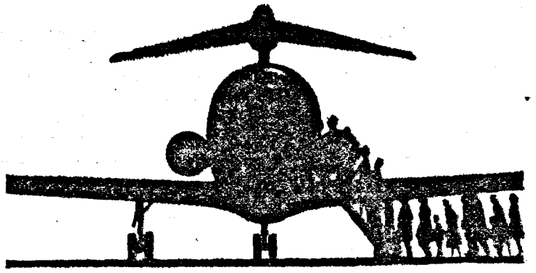
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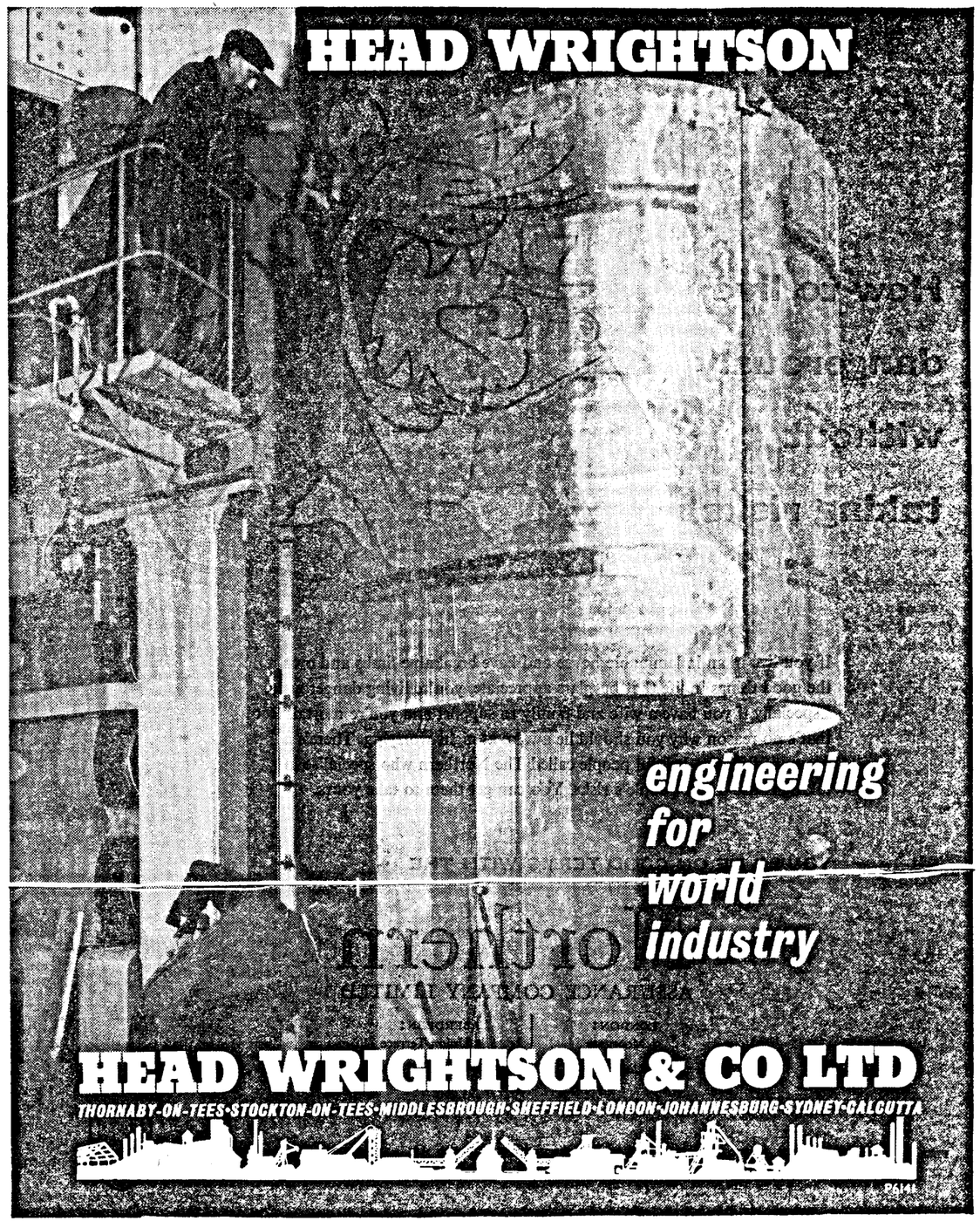


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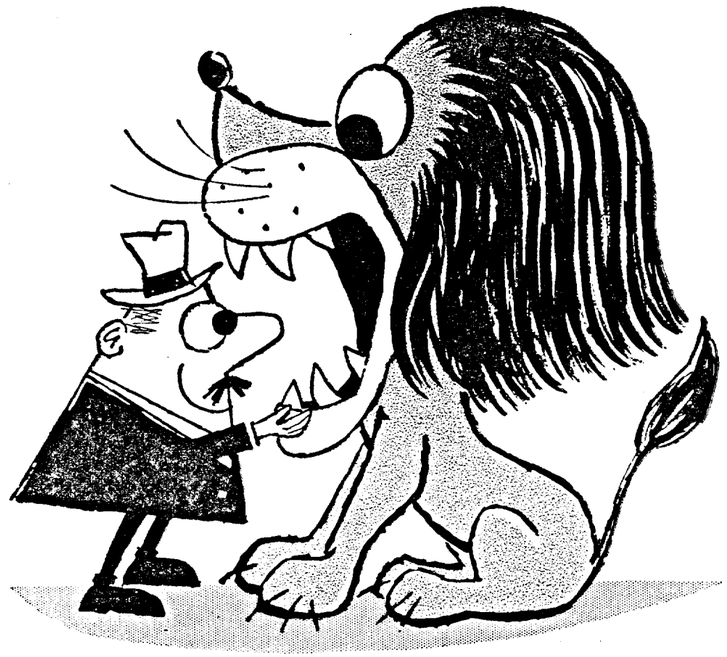
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Temple Press Limited, Bowling Green Lane, London EC1

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The Economist

MARCH 24, 1962

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End of a Chapter

ONCE, it could have been the end of a volume. Who would have thought, even a year ago, that the official ending of the Algerian war would be greeted so cautiously? The struggle lasted for seven years and five months. According to the official French figures, which are undoubtedly conservative, 150,000 Algerian and 17,000 French soldiers were killed. Tens of thousands of non-combatants died. A sixth of the Moslem population was displaced. Algeria, not a rich country, suffered enormous material damage. France, not an undemocratic country, saw one regime founder and another come perilously close to the brink of collapse under the strain of war.

This seven-year struggle has been the cause of much misunderstanding and bitterness between France and the rest of the world; it was the root of France's actions in the twin disasters of Suez and Bizerta. In the age of the cold war, it diverted French military efforts to what was, in spite of right-wing polemic, scarcely even a subordinate theatre of the east-west contest. In an age of rapid economic growth, and correspondingly voracious social demands, France devoted perhaps as much as £3½ billion to this war effort. In the age of decolonisation, Algeria was the most conspicuous example of a settler minority clinging to its position by a policy of suppression—an example that prevented the otherwise liberal policies of France and Britain in Africa from having their full effect. It was high time that such a multicellular nuisance was abated. Yet now that it has been, the cheers are muted. Why?

The short answer is that the activities of the Secret Army threaten to rob the word "ceasefire" of meaning. General Salan and his followers look like doing all they can to sabotage the settlement. The first day of "peace" in Algeria on Monday was marked by a sprinkling of the familiar atrocities, and by the long-planned general strike. The second and third days saw a marked increase in the atrocity level. The aim is to provoke the Moslems into reprisals. It is too soon to say how far these, or other, tactics will succeed; ominously, Tuesday also saw demonstrations by up-country Moslems that ended in bloodshed. On Wednesday, however, the gendarmerie justified their reputation for loyalty by opening fire on a Secret Army "commando."

Probably the French army is not as loyal, especially in the middle commissioned ranks, as General de Gaulle chose to say in his broadcast to the nation on Sunday. But unless the French troops allow the Secret Army to embark unimpeded on a major programme of provocation, it is hard to see how the procession of events now set in motion by the Evian agreement can be stopped. The provisional executive, with its *force locale*, will be set up. The Front de Libération Nationale will consolidate its grip on the Moslem population, making of it a unified weapon to resist the Secret Army. Even the European population, as it slowly realises that the end of *l'Algérie Française* has not meant the end of the world, may abandon its preoccupation with violence and make a reasonable choice between exile and reconciliation (and there can be small doubt which is the more sensible).

It will be touch and go; it is common sense for both the French and the Algerians to refrain from premature celebrations. But it is pertinent to remark that common sense is General de Gaulle's acknowledged angel. Aided by him, it has safely guided the French people from the intoxication of May 13th four years ago to the peace treaty of March 18th. He is right to hope that it will

now rescue even the settlers and "errant leaders" of the army from themselves and their delusions.

It is, however, fair to remark that common sense might have had a less uphill task to accomplish if General de Gaulle himself had been more swiftly responsive to its biddings last summer. No one but he could possibly have led France to a liberal settlement; but one suspects that he might have led it there sooner. The Secret Army, which is now in a position to threaten the consolidation of the Evian accord, has been given time to grow strong. After the crushing of the generals' putsch in April last year the French president was probably in a position to impose what settlement he liked. The Secret Army was barely hatched, and much weakened by the failure of the rebellion; the bulk of the army had just demonstrated its loyalty in the most conclusive fashion; metropolitan France was, as ever, at his command.

Perhaps General de Gaulle could have struck then the bargain with the Algerians that has now been reached. But his insistence on the retention of French sovereignty in the Sahara, or at best on the creation of a second Mauretania there, wrecked the first Evian talks. Maybe M. Louis Joxe deserves even more credit for persuading his aloof sovereign to abandon his Saharan fantasy (proceeding from his concern for the French nuclear deterrent and the oil wells of Hassi Messaoud) than he does for his skilful conduct of the peace talks.

ONCE he had seen where necessity was leading, General de Gaulle followed with the resolution that is uniquely his. More than that, he has helped both sides in the war to realise their need for one another. He was too modest, in his broadcast last Sunday, in attributing solely to "the sacrifice of the fallen on both sides" the possibility that the two peoples will understand that they "are made, not to fight each other, but to march in brotherhood together upon the highway of civilisation." His own actions have much nurtured this understanding. Inadequate though the provisions of the 1958 Constantine plan for social and economic development were in some respects, they did mark a new and generous departure from the old Algerian pattern of colonial exploitation. Now the general has promised to carry forward his work in this field, and so has secured the "guarantee of guarantees" for his peace treaty, since it will be in the Algerians' interests to abide by it. (For details, see pp. 1118-9.) General de Gaulle is not alone, to be sure, in deserving praise for this. M. Joxe and his colleagues, again, have served their country well; and the Algerian leaders have shown a wise moderation and spirit of conciliation. This is one happy augury at least for Algeria's future.

The next chapter of the Algerian story is still unpredictable. If a large part of the settler population stays unreconciled, and supports the Secret Army in a steady campaign of provocation, the self-discipline of the Moslems may well crack. The agreement signed on Sunday, not to mention the longer-term problem of fitting an independent Algeria into its new relationship with France, would then be in serious hazard. Above all, General de Gaulle—whose great personal achievement this is—will have to see that the French army and administration do their duty in enforcing France's part of the bargain. It will be harder to make sure that the settlers do theirs; the general may have to lean heavily on the control of the FLN over its followers—a control now openly exercised, with the blessing of the French authorities, in Algiers.

But the sober reaction in France to the ceasefire may spring from another cause besides anxiety about the Secret Army and weariness with the long negotiations. Perhaps Frenchmen realise that they have not done with Algeria yet, and that it would be ignoble as well as unwise to shrug off their remaining responsibilities to the wards of 132 years of French tutelage. There is a long, rough road ahead for the new state; no one is in as good a position to give it a helping hand as France. France will not be a loser by the bargain; its reward will be a half-share in the profits of Saharan oil. But the profit will not just be material. It has been one of the most encouraging aspects of General de Gaulle's pronouncements on his country's greatness that he has proclaimed the obligation of France to assist less fortunate countries. Free Algeria is still its opportunity.

How Many Orpingtons?

A new look at electoral arithmetic after the Liberal triumph

"IF the Liberal party were again to be a major one, coming first or second in 100 or more seats (instead of less than 40) the problems of electoral arithmetic would become much more complicated." Thus Messrs David Butler and Richard Rose in their Nuffield College case-study of "The British General Election of 1959," an election in which the Liberals in fact won only 6 seats and came second in 27. The result at Orpington raises the question whether that much greater complication for British electoral arithmetic has now arrived. How many Tory MPs now really have reason to fear that Liberals might conceivably capture their seats at the next general election? This article will attempt to be realistic rather than purely statistical—which means that it is based on some sweeping (but, we think, tenable) assumptions, and will therefore probably annoy all three parties in turn.

The Liberals' Mr Lubbock at Orpington last week turned a previous Tory majority of 14,760 into a Liberal majority of 7,855 for two main reasons. First, over 9,000 of the people who had voted Tory in 1959 voted Liberal this time; the Tories can reasonably claim that many of these "deserters" are likely to return to the Conservative fold at a general election. Between the Torrington by-election of 1958 and the Torrington vote at the 1959 general election, about four-sevenths of the previous Tory deserters returned, and a return on that scale at Orpington would serve to recapture the seat.

Secondly, however, Mr Lubbock piled up his majority because over 4,000 of the Orpingtonians who had voted Labour in 1959 (equalling 9.8 per cent of the polling electorate and nearly 45 per cent of previous Labour voters) also voted Liberal last week. It is unlikely that these Labour "deserters" swung to Liberalism mainly because of their great dissatisfaction with Mr Gaitskell; much more probably most of them

voted Liberal because they thought that this was the best opportunity of getting the Tory out. In a general election this Labour urge to "keep the Tories out" is unlikely to be weakened; it is more likely to be stronger, as was seen in 1959 in those (mostly west country) constituencies in which the Liberals had already emerged as the main opposition party. For example, the Tories recaptured Torrington in 1959 because about 4,000 of their 7,000 previous supporters who had abstained or voted Liberal in the 1958 general election returned to their fold, but Mr Bonham Carter's bacon was very nearly saved by a simultaneous switch to the Liberals by 3,000 (or a full 35 per cent) of the people who had voted Labour even in 1958; the Labour share of the poll at Torrington in 1959 went down to 14.8 per cent, compared with 24.6 per cent in the by-election fight.

IN relating "post Orpington psephology" to the current political scene, we are not going to assume that the percentage swings shown at Orpington (Tory −21.9 per cent, Labour −9.8 per cent, Liberal +31.7 per cent) can sensibly be even hypothetically applied to every constituency in the land. If one did that the Liberals would actually become favourites to win practically every one of the 150 odd Conservative seats that they contested last time, as well as an actual majority of any other Tory seats they chose to fight—and that is plainly absurd. But we are going to assume in our tables below (purely as a first cockshy; we will discuss each area in turn later) that it is possible that in what we will call "Orpington-like seats"—i.e. seats which the local voters will assume that Labour has no hope of winning—up to half the people who voted Labour in 1959 may switch to Liberal in 1963 or 1964 in an effort to keep the Tories out. The next problem is therefore to define "Orpington-like seats."

The definition we will use in the tables below is any Tory seat in which Labour got less than 30 per cent of the vote in 1959 in a three-cornered fight; in which the Liberals got over 17½ per cent (thus showing that they are serious contenders); and in which the Liberals could gain the seat if less than 13 per cent of the electorate switched from Tory to Liberal even after half Labour's former voters had switched to Liberal too. All three cut-off points are to some extent arbitrary—as is the decision to count as "Liberal possibles" next time only those seats that they fought last time—but there seems to have been some justification for the first two both at the time of the last general election and in some by-elections in this Parliament (witness the lower swinges from Labour to Liberal in by-elections like Oswestry and Colchester and High Peak). When Labour got more than 30 per cent of the vote in a three-cornered fight last time, traditional supporters of both major parties can reasonably tend to assume that Labour might just possibly win; and then Labour voters (at all times) and Conservative voters (certainly at general elections) generally become much less willing to switch to Liberal. No doubt it is also true that "industrial" Labour voters are less willing to switch to Liberal than "suburban" Labour voters. But in fact these two explanations often amount to much the same thing; when Labour's vote goes below 30 per cent, this is generally because the seat is in no real sense industrial.

And so to our tables. On our definition, there appeared to be 40 Orpington-like seats in the country at the time of the last general election, and they fell into four fairly distinct categories, split into Tables I to IV below: 12 west country seats; 6 Scottish seats; 8 seaside resorts; and 14 other constituencies. The first three columns in each table show the percentage shares of the poll won by each party at the 1959 general election; the last column shows what proportion of Tories would need to swing to the Liberals in order to win the Liberals each seat—on the assumption (a pretty optimistic one for the Liberals) that half of those who voted Labour in these hopeless seats for Labour in 1959 switched to the Liberals next time. The seats have been numbered in order of "Liberal hopefulness" purely on the basis of this pretty artificial arithmetical assumption.

Table I shows the 12 west country seats among our 40; it will be seen that, theoretically, six of the Liberals' first best eight hopes still lie there. But the table shows that at least the top three (Torrington, North Cornwall, Bodmin) have reached their present position largely and precisely because the Liberals have already squeezed quite a lot of the Labour

TABLE I.—WEST COUNTRY
PERCENTAGES OF POLL IN 1959

	Conservative	Labour	Liberal	Presumptive swing from Tory needed (see text)
1. Torrington	45·6	14·8	39·6	Nil
2. North Cornwall	46·6	9·5	43·9	Nil
3. Bodmin	46·0	15·7	38·3	Nil
5. Denbigh	41·7	20·1	31·0	0·3
7. St. Ives	47·9	26·9	25·2	4·6
8. Hereford	49·3	22·4	28·3	4·9
12. N. Dorset	52·8	17·0	30·2	7·2
6. Tavistock	53·7	21·8	24·5	9·2
19. Totnes	53·1	25·8	21·1	9·6
23. Honiton	56·7	15·1	28·2	10·5
25. Leominster	55·4	21·6	23·0	10·8
28. Tiverton	55·6	25·2	19·2	11·9

orange in these three places. And in the seats in the table where Labour in 1959 still had over 20 per cent of the vote, we suspect that it may be more reasonable to suppose that Labour's proportion next time may fall to somewhere like Torrington's and Bodmin's 14 or 15 per cent, or perhaps a little higher, rather than actually be halved. Tiverton, the last name on the list, had a by-election in November, 1960. The percentages there changed from the 1959 figures in Table I to Conservative 45.7, Liberal 36.7 and Labour 17.6; and the Tories therefore held on to the seat.

If there were a by-election in any of these twelve constituencies in Table I tomorrow, immediately after Orpington, we suspect that the Liberals would probably capture every one of them. But at the next general election, unless it takes place at a time of even bigger revulsion against the Tories than now, we would be surprised to see the Liberals capture more than two or three; and it has also to be frankly recognised that the Liberals' two existing seats in the area—North Devon (Liberal majority over Tory 362) and to some extent Mr Clement Davies's Montgomery (Liberal majority 2,794)—are the reverse of safe.

Table II (overleaf) shows the 6 Scottish seats among our 40 Liberal possibles. It will be noted that in all except South Angus Labour's percentage in 1959 was still over 20; it might be supposed that here, at least, the Liberals could hope that there was still a lot of juice in Labour's orange for them to squeeze. But in the past the Labour vote in rural Scotland has proved remarkably unsqueezable; at Inverness in 1959

Labour's share of the vote actually rose slightly, even although Mr Bannerman had plainly emerged as the Tories' main challenger. It is, therefore, by no means certain that

TABLE II.—SCOTLAND
PERCENTAGES OF POLL IN 1959

	Conservative	Labour	Liberal	Presumptive swing from Tory needed (see text)
4. Inverness	44·7	22·7	32·9	0·2
6. Ross and Cromarty	47·2	29·1	23·7	4·5
10. Roxburgh	50·2	21·1	28·7	5·5
15. Moray & Nairn	52·6	25·0	22·4	8·9
27. Galloway	56·3	20·4	23·3	11·4
29. Angus S.	57·1	19·0	23·9	11·9

the Liberals would gain many of these Scottish seats even if there were by-elections in them tomorrow.

The new electoral situation in the 8 Liberal possibles among English seaside resorts (Table III) is potentially more interesting. The pattern of votes in these eight constituencies in 1959 was astonishingly similar. It will be seen that Blackpool North, which is fifth of the eight in the list, is the seat which

TABLE III.—SEASIDE RESORT
PERCENTAGES OF POLL IN 1959

	Conservative	Labour	Liberal	Presumptive swing from Tory needed (see text)
21. Scarborough	54·3	22·5	23·2	9·9
26. Southport	56·0	20·4	23·6	11·1
31. Torquay	56·8	22·7	20·5	12·5
33. Folkestone	56·5	24·3	19·2	12·6
34. Southend W	58·2	19·5	22·3	13·0
36. Blackpool N.	57·8	21·6	20·6	13·2
37. Weston-super-Mare	57·5	22·7	19·8	13·2
39. Eastbourne	57·3	24·3	18·4	13·4

the Conservatives held by only 973 votes against the Liberal in a by-election last week; if Blackpool had polled after Orpington, it is probable that the Liberals would have won it, because some Labour voters might then have switched to the Liberal to put the Tory out. If any of these eight resorts should hold a by-election in the near future, the Liberals should probably be favourites to win them; even at a general election they might well run the Tories close.

The remaining fourteen "Orpington-like" seats on our definition—including Orpington itself—are shown in Table IV. It will be seen that even on this list Orpington comes tenth out of fourteen; theoretically on our definitions, there are nine Table IV constituencies—and 29 constituencies in Tables I to IV as a whole—which the Liberals might have found easier to win than Orpington itself. But in five out of the first nine constituencies in Table IV—including Mr Henry Brooke's

TABLE IV.—COMMUTERS AND OTHERS
PERCENTAGES OF POLL IN 1959

	Conservative	Labour	Liberal	Presumptive swing from Tory needed (see text)
9. Skipton	48·3	26·6	25·1	5·0
11. Nantwich	48·3	29·8	21·9	5·8
13. Harborough	51·0	29·2	19·8	8·3
14. Cheltenham	51·0	29·5	19·5	8·4
17. Finchley	53·2	24·1	22·7	9·2
18. Basingstoke	52·2	29·0	18·8	9·5
20. Cheadle	55·0	19·1	25·9	9·7
22. Hampstead	53·4	28·3	18·3	10·4
24. Westmorland	55·9	19·8	24·3	10·8
30. Orpington	56·6	22·2	21·2	12·2
32. Altrincham	56·0	26·4	17·6	12·6
35. Howden	57·7	21·8	20·5	13·2
38. Ruislip	57·0	25·3	17·7	13·3
40. Penrith	58·1	23·1	18·8	13·9

constituency of Hampstead—the Labour percentage in 1959 was over 28; when it has been as high as that, the assumption that half of the Labour supporters might vote Liberal next time becomes even more likely to be an overestimate. (Incidentally, the only other Cabinet Minister's seat in our tables, the President of the Board of Trade's at Altrincham, creeps into our qualifying limits only by 0.1 per cent in the Liberal vote.) If there were by-elections in any of these seats now, our guess is that only about three or four of them would really be as likely to fall as Orpington; and in a general election (as already explained) the experience of Torrington suggests that Orpington itself might well return to Tory hands. Moreover, a great hidden weakness in the Liberals' position is that two of their seven present parliamentary seats—Mr Holt's at Bolton and Mr Wade's at Huddersfield—were won in 1959 because they were allowed a straight fight against Labour; next time the Tories will intervene in those two seats, and Mr Holt and Mr Wade could well be squeezed out.

There may be some surprise that the general tone of this comment so far has not been more optimistic for the Liberals. But the comment so far has ignored an important fact: namely, the number of new Liberal "possibles" that are tending to be added to our lists in Tables I to IV with each new by-election that comes along. *The most important political development of this Parliament has been that all eight of the by-elections that have been held in constituencies of a largely non-industrial type have duly added new names to the Liberals' "possibles" list.* The eight constituencies concerned are shown in Table V. It would be wrong in this table to show a last column of "presumptive swing from Tory needed," because in each

TABLE V.—BY-ELECTION ADDITIONS
PERCENTAGES OF POLLS IN EIGHT BY-ELECTIONS, 1960–1962

	Conservative	Labour	Liberal
Harrow W.	55·8	18·1	21·4
Ludlow	46·4	26·3	27·3
Carshalton	51·7	20·7	27·6
Petersfield	54·4	16·6	28·9
Worcester	39·7	30·2	30·1
Oswestry	40·8	28·0	28·4
East Fife	47·5	26·4	26·1
Manchester, Moss Side	41·1	25·8	27·9

case—as the figures emerge from by-elections—the swing from Tory can be presumed to have already occurred. Probably in a general election, some of the Tories who voted Liberal in these by-elections will return to the Tory fold; but it will not be at all surprising if some of those who voted Labour in these by-elections decide to plump for the Liberal.

It is now time to chance our arm at some forecasts, or rather guesses. Unless the next general election takes place at a time of great dissatisfaction with the Tories, our analysis does not suggest that the Liberals are actually likely to capture a great number of Tory seats; indeed, because most of the Liberals' existing seven seats are themselves marginal, one cannot altogether dismiss the paradoxical possibility that the Liberals might emerge after it with fewer MPs than they have now. But what does seem likely to happen is that in nearly all the 48 seats mentioned in Tables I to V, and quite probably in about 50 other Tory seats as well, the Liberals will emerge as the undisputed main challengers to the Tories; after the next election, it may gradually come to be accepted that in about one hundred non-industrial constituencies a Labour vote is a wasted vote, even though Labour will still plainly be the main alternative government. What effect this would have on British politics is difficult to judge; but our guess is that it will lie in the logic of history for Labour then to try to look more like the Liberals, although probably not to act in a close-knit pact with them.

One final question remains. Even if the Liberals do not gain many seats from the Tories, might their interventions cause many seats to swing from Tory to Labour? This was freely prophesied last time, but in fact study of the 1959 general election results revealed only about nine cases in which it could conceivably be argued that Liberal "interventions" had enabled Labour to hold on to a seat it otherwise would have lost. All experience suggests that in general elections both major parties' supporters are especially loth in marginal constituencies to drift off to vote Liberal, for fear of letting their sworn enemies in the other major party in. But Conservative voters, at least, are generally more volatile in by-elections than general elections; witness Rochdale which was won by Labour in a famous by-election in the last Parliament as a result of a massively successful Liberal intervention—and has remained Labour since. As it happens there are two by-elections now approaching which could conceivably have Rochdale-like results. In Middlesbrough West and Derbyshire West two Tory seats could fall to Labour if the Liberals pick up, respectively, an extra 15½ per cent and an extra 22½ per cent net from the previous Tory vote. In each of them the Conservatives have reason to show some by-election nerves.

Atlantis without Walls

Tariffs on industrial trade between the richer countries are growing obsolete

PRESIDENT KENNEDY'S battle with Congress for new powers to cut American tariffs has now begun in earnest in Washington. It is a struggle of significance far beyond the United States. On March 7th, in the most successful bout of bargaining since the war, the United States, Britain and the common market agreed to cut many of their tariffs by a fifth. Yet a glance down the customs tariffs of these three major industrial powers shows that—even after this effort, and all the previous efforts of the postwar years—their economies are still sheltered by towering tariff walls.

Of the three (the United States, Britain, and the European Economic Community), Britain has the highest barriers of all against imports of manufactures from outside the Commonwealth. Even where cuts were negotiated last week, there are still some formidably high tariffs protecting British industry—25 per cent or more on many chemicals, between 12 and 20 per cent on much machinery, and between 20 and 33 per cent on some textiles. The artificially stimulated camera and instrument industries, built up between the wars for strategic reasons, still shelter snugly behind tariffs of 20 to 40 per cent, and vehicles behind one of 22 per cent. All this works out at an average of some 16 per cent on manufactures. In the latest bout of bargaining in the General Agreement on Tariffs and Trade (Gatt), Britain has so far given smaller concessions (on some £71 million of trade a year) than the other two powers. Slowest to adopt protection in the first half of this century, Britain has been slowest to reverse it.

The future common market tariff on manufactures—an average of just over 11 per cent—will on present form be lower than the British. Common market tariffs on most engineering products are in the teens, and are very similar to those of Britain, but the range of tariffs on textiles is rather lower, between 10 and 16 per cent. The Six have not felt able to apply the latest cut of a fifth to chemicals, because the United States would not reply in kind, but even so most of the common market's chemical tariffs fall between 15 and 20 per cent—well below the British level. Only on one or two raw materials and semi-manufactures—aluminium, down from 10 per cent to 8.5 in the latest negotiations, and pulp—is the common market tariff significantly higher than our own.

On average the United States tariff on industrial products is the lowest of the three—a mere 10 per cent or so after this month's deal. But the American tariff on manufactures is not a fairly uniform wall, like that of the common market; it is, rather, a serrated battlement. Since President Roosevelt's first Reciprocal Trade Act in 1934, successive Administrations have worked to get the barriers down, and they have succeeded in exposing large sectors of the American economy to the fresh breath of European or Japanese competition; there is a tariff of only 6.5 per cent on cars, and low ones on many other consumer durables. Yet certain sectors of the economy are still guarded by impressive fortifications, like the tariffs of over 30 per cent on many chemicals and textiles.

ON every recent occasion when there has been some serious dismantling of these walls, the resulting damage has been far less than anyone expected, and the benefits far greater. Seven years ago restrictions on imports from the dollar area were regarded as essential to Europe's economic survival; they have since been swept away, and the only effect on the British economy has been a mild but salutary widening of consumer choice and a useful downward pressure on prices. In the common market, the main effect of lowering the barriers of the two most highly protected members, France and Italy—for whom a grim fate was prophesied—has been an invigorating acceleration of economic growth. The truth is that the high tariffs that still survive on both sides of the Atlantic are a relic of the attempt made between the wars to shut out, by a policy of economic isolation, the infection of slump from each national economy. Such a policy has become quite out of place today, when all western governments seek to give priority to expansion. New vested interests have of course grown up behind the old barriers. In the chemical industry, monopolistic corporations or oligopolies on both sides of the Atlantic are deeply attached to the *status quo*. But this is a field, like engineering and vehicles, where a large and beneficent growth of trade could come if the barriers fell.

President Kennedy's new proposals were thus much needed. The bargaining powers of the United States have been almost totally exhausted in the latest round of talks in Gatt. Even this month's agreement was reached only because the rest of the world was willing to give greater concessions to the Americans (on $1.6 billion of trade) than it got in return ($1.2 billion). On its side the Kennedy Administration was able to reach agreement only by breaching the "peril points" protecting vulnerable industries, and thus risking political trouble later

on. With the European nations advancing towards still freer trade by means of a series of 10 per cent cuts in the members' entire tariffs, there is an obvious case for applying the same kind of technique more widely. Hence the President's request for powers to cut the American tariff by up to 50 per cent in across-the-board cuts—if Europe does its share too.

Despite (indeed, because of) the height of Britain's present tariff, no other country has so great an interest in reducing the barriers to transatlantic trade. For a start, a bold slashing of the common market tariff looks like being the only way in which manufactures from the developed Commonwealth countries, like Canada, can be given new opportunities in the European market. In the longer run, those Britons who fear that the common market will prove a prison, severing Britain's ties across the seas, must find new hope in President Kennedy's initiative, however Congress may curb it.

It is encouraging that key men in the European community have also welcomed the President's request for power to halve American tariffs. The group round M. Monnet has always seen the common tariff of the community as an instrument for massive tariff bargaining with the United States. Now Europe, flush with exchange reserves, is under additional pressure to help the American balance of payments ; as the strains of full employment close in on the European economy, imports from beyond the community's borders are becoming an invaluable weapon against inflation. In Brussels as in Washington, the future is seen, ideally, in terms of a "tandem" economic partnership between two continental common markets, each with low external tariffs about half as high as they are now.

A fluttering in the European dovecot could be heard, however, when a second proposal was put forward by the United States Administration in January. This was the request for powers to remove tariffs altogether on products where "80 per cent of free world exports" come from the United States and the enlarged common market (that is, including Britain and the other new applicants for membership). What did the formula mean ? Was the President proposing a new free trade area which could weaken the cohesion of the European community ? The Administration has now produced some tentative figures to show what the formula meant. Put into effect, it could mean the total removal of tariffs on about $1.2 billion of American imports from the enlarged European community out of a total of $3.5 billion, and $2.1 billion of American exports to the community out of a total of $5.1 billion. When the agricultural exports of the United States are excluded from the last figure, the new formula covers a sizeable portion of the manufactures the United States sells to Europe. The formula has been devised, frankly, to cover those capital-intensive industries—chemicals, vehicles, parts of engineering—where the removal of tariffs by America and Europe would not lead to a massive influx of goods from low-wage Asia.

Many continental Europeans may remain doubtful about this final stage—the complete removal of tariffs—until the United States is prepared for full economic union and until Europe has found a substitute for the unifying bond of its outer tariff in closer political ties. And the whole prospect of freer Atlantic trade still depends on one major premise: British membership of the common market. The "80 per cent" formula will cover virtually no trade at all if the community is not enlarged. The President's trade programme is founded on the argument that a common market including Britain and linked with parts of the Commonwealth will present a challenge America cannot ignore. Thus the new hope of a wider open door in the European community turns on Britain's will and ability to get into it.

Burnham Benumbed?



Sir David Eccles



NUT secretary Gould



NAS' secretary Rushworth

The next tussle over teachers' salaries may show the present negotiating machinery in an even more unfavourable light

Almost unnoticed outside the teachers' common rooms, the Minister of Education has quietly dropped his second Education Bill: the bill that was to have reformed the constitution of the Burnham committee which negotiates teachers' salaries in England and Wales. Sir David Eccles has called this a postponement, but it looks like being a lengthy one. New salary talks are due to begin in the Burnham committee in July, leading towards an eventual award by April next year. After that, as the teachers' unions have been reminding everyone, the Government may not have much time to spare for new legislation before the election season begins in earnest.

Naturally enough, the National Union of Teachers, which emblazoned defence of the Burnham system on its foremost banners in last summer's tussle with the Minister, is wearing a look of triumphant vindication now. Unfortunately, the new struggle may show this continuing old system in an even more unfavourable light than last year. And the Minister's continued inability to resolve any deadlock in the Burnham machinery may not be to the teachers' advantage this time.

For the effect of the chief change that has been brought about inside Burnham since last summer—the addition of the anti-feminist National Association of Schoolmasters to the teachers' panel—could mean one of two misfortunes for the bulk of the profession remaining under the NUT's maternal wing. Either the NAS may stick out under pressure for its own salary policy (which includes preference for those teachers, usually men, with dependent children) and thereby bring the teachers' side into deadlock from the outset. Or the NUT may feel obliged to start outbidding the NAS on the basic scale, thereby presenting the local authorities' panel with an impossible bill which it (and its ratepayers) simply will not wear. If the teachers then go on to argue that all, or at least a still more preponderant share, of the cost of education

should be borne directly by the Treasury, they will have unlocked the door for Sir David to take his seat on the committee as the teachers' visible and real employer. Since the NUT is girding its loins to put in for a 25 per cent rise (amounting to just under £100 million a year) and the NAS for one of 40 per cent (over £150 million) it is increasingly unlikely that, even after considerable watering down in negotiation, any joint claim can be anywhere near the extra 3 per cent a year that the Chancellor, judged by his answer to the university lecturers this month, is ready to put up. The point is that if Burnham broke down at that stage, the teachers would not even get 3 per cent—they would get nothing at all.

Why has the chance to improve the Burnham machinery been let slip ? The resolution of last summer's battle has a good deal to do with it. Last July, when the Minister offered the teachers £42 million instead of the £47½ million which was hastily agreed on in Burnham, he had no legal power under section 89 of the Education Act of 1944 to impose his own salary scales. All that he could do was to reject the £47½ million—just as outright acceptance or rejection of any recommendation is all that he is empowered to do now. He said then that he meant to go to Parliament for authority to hand out his £42 million and, for the future, to alter Burnham in three sensible ways. These were to bring his Ministry into the salary negotiations from the outset ; to declare (if necessary) the global sum acceptable for any award, with some indication of the kind of allocation he wanted ; and to get reserve powers both to break any deadlock between the two sides in the committee and to give effect to any award (irrespective of the committee's disagreement) that the Treasury considered to be in line with general wages policy.

The teachers reacted vociferously against this intervention in what they considered to be their free bargaining machinery (free, that is, except for the Minister's power of rejection under section 89). The local authorities, although patently less outraged by Sir David's proposals, joined ranks with the NUT ; but at the same time urged the union to climb down and settle for the £42 million inside Burnham. There was no formal understanding that the Minister would withdraw his Burnham reforms if the NUT did this, but the idea of a bargain was certainly bruited about and played some part in resolving the union's internal struggles. In the event, the bargain has been observed, Sir David's explanation being that the Burnham panels need more experience of how the Government's new policy of setting a general guiding light for incomes (through Ned or elsewhere) works out in the long term. Since Sir David was himself the one Minister to visualise a major overhaul of the negotiating machinery within his jurisdiction it could be that he wants to see how things work out (in Ned or elsewhere) too.

But Sir David has already had his way on two reforms that do not need legislation. The first is the admission to Burnham of the NAS and of the small but influential National Association of Head Teachers. By taking the NAS within the body of the kirk the Minister and the NUT moderates have plainly hoped to alleviate the internecine war within the profession and, in the long run, to stop the extremists in the NUT and the NAS leapfrogging each other's salary demands in a ruinous competition for added membership. So far, however, the NAS has remained as intractable as ever on the major aspects of professional solidarity, and its willingness, when it comes to the bit, to form a common front on salaries inside Burnham still looks remote. The NAS is particularly cocky over its access of 10,000 members in the past year. While the much larger NUT has also gained in strength, and retains a thumping majority even of men teachers (as well as virtually all the women teachers), the NAS is convinced that its rough tactics will still pay off.

The second change which the Minister has made is that he is now to provide the Burnham committee with regular information from his research department, on the precise teacher-supply situation and the differing needs for particular sorts of teachers. The Burnham members have always had their own welter of statistics, and the NUT is in fact undertaking a massive survey of its own at the moment ; but it is useful that a back door to the Ministry's problems should be available in this way. There is no intention in the Ministry to impose official opinions at the very beginning (e.g., on the global sum for any award) ; no doubt Sir David hopes that the Government's general guiding light for incomes policy will perform this function. But there are cases within the teaching profession (witness the special shortage of science graduates) where selective awards, on the scale of the last increase to the police, are obviously justified ; there are other cases (witness, the superfluity of young women teachers, many of whom leave so quickly to get married) for whom no special new inducements are needed at all. One of the chief difficulties within the existing machinery has been to give different sorts of cases the degree of priority they deserve.

For the moment the NUT is still licking its wounds. It is not prepared to surrender any part of its negotiating power to the Minister's good intentions, although the fact that he did steer the profession to a 14 per cent rise last year has not been lost on those members of the executive who have lifted their heads to see how other people have fared. The immediate problem is that these moderates are at present engaged in a bitter electoral fight to retain control of the executive against the extremists, some of whom have very left-wing political connections and all of whom are pressing for a real trial of strength with the Government (i.e. strikes). The elections for the new NUT executive take place next month, and the results could be of crucial importance. It is natural for the hard-pressed moderates to claim now that they saved Burnham last summer, however imperfect they privately admit its machinery may be.

But in this fight, as in the wider issue of the teachers' future as a profession, it depends on the ordinary union members, many of whom have never chosen to get involved in union politics before, to decide what kind of people they really want to be. Hitherto they have been ranked with, say, the executive class of the civil service ; if they choose to run their affairs as the extremists want, they are liable to find their employers regarding them and their remuneration in quite another light —and inevitably the public would then eventually come to regard the teaching profession in that same new light too. By withdrawing his Burnham proposals at this moment Sir David Eccles has left the teachers to come to terms first of all with themselves.

NOTES OF THE WEEK

POLITICS

Backs to Which Walls?

History repeats itself. Once again, as in early 1958, the upper classes—in 1958 they used to be called the Abstaining Majors and Colonels—are writing to the papers saying that Orpington voted Liberal because the Conservative Government is too liberal and unconservative itself. Fortunately, the Government does not quite believe this; nor, despite the chairman of the Stock Exchange, does it really suspect that the electorate rose in massive revolt against the proposed tax on capital gains. But probably, as in 1958, the new mood will have at least some marginal influence on policy. A little more willingness to take risks in pushing economic expansion perhaps, although one suspects that it was the Governor of the Bank of England (not the electors of Orpington) who again edged down Bank rate on Thursday. Possibly, and wrongly, some relief on householders' Schedule A tax in the budget. Meanwhile, one very evident effect has been that ministers now regularly launch an attack on the Liberal party as well as the Labour party in all their speeches. The main line being chosen is that the Liberals are not liberals at all, but opportunists who rush round offering smooth verbal commitments to every pressure group which happens to come along. The criticism is the right one to adopt: both because this is a tendency against which the Liberals too often have failed to guard, and because while ministers utter it there is rather less danger of the Government trying wrongly to buy off particular pressure groups itself.

The Westminster equivalent of the Abstaining Colonels are the backbench knights. The anti-common market group on the Conservative backbenches, led as usual by Sir Derek Walker Smith, have considered this to be the right moment to put down one of their expected motions designed to cramp Mr Heath's negotiations at Brussels. Significantly, however, the motion is of what might be called the "recent Northern Rhodesian type": eager to wound, and to hint, and to warn, but still politically too polite actually to strike. On the first evening that it was tabled it attracted the signatures of just under half of the (at a guess) 65 or so Tory MPs who are at this stage by no means instinctively inclined to tell Sir Derek to go jump in a lake. These mumblings are the reverse of helpful to the Commonwealth interest, which some of the dimmer Tory rumblers think they are trying to protect. At some stage at Brussels Mr Heath will presumably want to strike tough bargaining attitudes with the Six; the thought that some Tory knights will stand gesticulating behind these bargaining gestures (and wildly exaggerating them) may not frighten the Six, but it can very reasonably hinder Mr Heath in the bargaining tactics he will wish to employ. But these impediments to negotiation had to be expected anyway. In the longer term the large Liberal vote at Orpington cannot reasonably have made it more difficult for the Government to strive to enter Europe—and thus take over for itself the most distinctive and attractive piece of clothes that the Liberals have.

CENTRAL AFRICA

The Third Man

Reactions to Mr Butler's appointment as secretary of state for Central Africa (for that is what it amounts to) have ranged from mild astonishment from Conservatives, through a certain uneasiness from some uncommitted Liberals (who feared that it might mean that the whole question was to be reopened), to some unseemly and ribald mirth from Labour backbenchers. In fact, however, the Prime Minister's choice is reasonable enough. Nearly every intelligent politician and administrator in London, no doubt including Mr Butler and his very able new chief civil servant Mr Tennant, recognises the main imperatives for British policy in central Africa now; although Britain can no longer stand as Sir Roy Welensky's shield against the wind of change, it would be very desirable to negotiate at least some form of economic association or free trade area even if the old form of central African federation is now to fade away. If the secondary industries of Southern Rhodesia were ever cut off by a tariff barrier from the markets of Northern Rhodesia and Nyasaland, many of them would go bust.

The wobbling diarchy of the Commonwealth Relations Office and the Colonial Office over Central Africa would not be a good mechanism to which to entrust the new and ticklish stage of negotiations; indeed it proved a pretty unwieldy mechanism even for the old stage. And it would have been poor politics to entrust the whole job now to either the Commonwealth Relations Secretary or the Colonial Secretary. To have chosen Mr Sandys would have antagonised Mr Kaunda: to have promoted Mr Maudling would have alienated Sir Roy: neither of these two Rhodesians, to judge from his preliminary reactions, seems to be quite sure what to make of Mr Butler, but neither has rejected him. Mr Butler has many of the qualities most needed for the hot job. In the past his capacity for seeming to be all things to all men has sometimes been a handicap, but in Central Africa (and even more at Westminster) it could turn out to be a valuable asset. He is thought to be in agreement with the basic premises of the Monckton report, but he is also known to be an experienced and cagey politician. He is in addition a very senior minister, and a senior minister was needed for this task.

What effect will this extra appointment have upon the bewildering see-saw of Mr Butler's personal career? When he left the Leadership of the House and the chairmanship of the party in last October's Cabinet reshuffle, there was a natural tendency to write his future importance down. But with the defeat of critics of his penal policy at Brighton his prestige revived. This was followed by the somewhat nebulous appointment as chairman of the Cabinet committee on negotiations with the common market, and now by the very tangible responsibility for Central Africa. Of course if Mr Butler fails to prevent the emergence of an Algerian situation in Central Africa he really will be out, but then so will the Conservative party. There are also more subtle risks in success, but the Tory party normally manages to accept the inevitable. Whatever the outcome of the appointment Mr Butler is certainly right back in the centre (or torrid zone) of the political map. His old admirers should welcome this.

KENYA

Butler for Governor?

Bickering like Congolese, the African politicians of Kenya have not so far lived up to the responsibility that is theirs. For a long while now the future of Kenya has been in the hands, not of Britain, but of its own leaders. Britain has been able to withhold independence while Messrs Kenyatta, Mboya, Odinga, Ngala, Muliro, Blundell and all have gone through their Congolese phase; the pause cannot last much longer, and the risk will grow of Congolese bloodshed when power passes.

While Kenya does remain a colony, however, the skill of the Colonial Office is there for its politicians to draw on. Just how useful this can be was shown on Wednesday, when the Colonial Secretary presented constitutional proposals to the delegates at Lancaster House. Mr Maudling's suggestions are only the sketch of a possible regime, and leave some crucial problems (such as the police) still to be settled. But, as far as they go, they are excellent: they offer Mr Kenyatta's party the strong central government it demands, while granting the asked-for regions to Mr Ngala's party. The regions, and the local authorities, would have a real say in matters affecting land, education, and housing—and the powers of the regions would spring from the constitution, not the central legislature. An upper house representing the local authorities would be able to veto changes in the constitution.

Such a scheme offers genuine constitutional protection for tribes and local authorities; at the same time it would not hamper the work of the central government. If both parties were reasonable they might accept it as a basis for discussion. To help bring them together, Mr Maudling has tried to persuade them to form a national government, return to Kenya, and carry on the negotiations as a government-to-government affair. This is an admirable mechanism if it can be brought into use over the polemics of both the African parties. But it would be the better for continued access to the British kind of skill in constitution-making. For this reason Mr Maudling might now consider replacing the present governor of Kenya (who has not always shown complete understanding of the problems with which he has to deal) with a man more suited to this tangled situation. What a pity Mr Butler has so much on his plate.

CHINA

Chiang is Go

General Chiang Kai-shek and his government have so often spoken of "returning to the mainland" that the phrase is understandably greeted with bored scepticism. For once, however, scepticism may be out of place. Circumstances are not ripe for a full-scale invasion (and they may never be), but they are temptingly favourable for the large-scale testing attacks—by paratroop landings and commando raids—which the Generalissimo is reported to have advocated in his talks in Formosa with Mr Averell Harriman, the American assistant Secretary of State for the Far East.

The combination of the Sino-Soviet dispute and hunger in continental China is a new factor. It seems unlikely that the National People's Congress (communist China's parliament), which was due to open



HARRIMAN and CHIANG: hands across the water?

its postponed session this week, will be able to offer its members much beyond tale of woe. No overall economic plan for 1961 was ever published; neither has a plan for 1962 yet been exposed to public gaze. In a number of areas the daily ration, where it is honoured, is lower than it was in the days of the Kuomintang (though these cannot, in other respects, be remembered with great enthusiasm). In contrast, and on an admittedly far smaller scale, the economy of Formosa is booming. The production of agriculture, fisheries and forestry rose by 7.6 per cent last year, and that of industry 14 per cent.

One inhibition on a large-scale attack by the Nationalists is the treaty of December, 1954, with the United States, in the notes accompanying which the Nationalists agreed not to attack the Chinese mainland without "prior agreement" by the United States. Another, and more unpredictable, factor is the Sino-Soviet treaty of 1950. The Russians did not commit themselves to defending the Chinese communists against a Nationalist attack; but they would intervene if another power were involved. General Chiang is apparently arguing that his forces must be allowed to attack before the Chinese communists build their first atomic bomb, and that all the Americans need do is to sit back. Will "prior agreement" be forthcoming?

EUROPE

Charley's Aunt

However hot his new seat, M. Christian Fouchet, President de Gaulle's high commissioner for Algeria, might still find the job more rewarding than the last one. For over six months a committee of the Six of which he was chairman has been exchanging plans and counter-plans on European political union. When the six foreign ministers met at Luxembourg on Tuesday to consider the work of M. Fouchet's committee there was no sign whatever that agreement was in sight.

Only on one small point was the gap bridged between the French conception of *l'Europe des patries* and the more "European" views of the other five countries. The five had proposed that the new union should have an authoritative secretary general. In deference to the French they withdrew the idea; instead, a joint political commission is to give the new union a sense of community, and try to prepare the basis for common foreign policies. Nothing has been done to satisfy the fears of the five that the existing European communities will lose importance if the new union covers economic matters. Nor have the French provided guarantees that any new defence scheme will be set firmly in the context of Nato.

This failure is causing heartsearching in Bonn. Dr Adenauer sets great store on achieving some kind of European political union before he leaves the political scene. Yet his talk with President de Gaulle in February has produced no results.

This is the background to Dr Adenauer's gloomy comments on British membership of the common market in *Le Monde* of March 10th. Observers on the Continent believe that they were a deliberate attempt to placate President de Gaulle. Certainly the Chancellor's comments on Britain had a novel, almost gaullist, pessimism. Britain was part of Europe, but was it part of the Continent? "The maintenance of the Commonwealth in its present form will certainly not be possible," the Chancellor reportedly remarked. Vigorous protests from the British Government have now led Bonn to rewrite the comment on the Commonwealth. All the same, the Chancellor's anxious efforts to please Paris are one more reminder that both the geographical extent and the political shape of the new Europe depend, in the end, on France.

NATO

Orphan on the Rhine

Ever since Sir Anthony Eden promised in 1954 to keep four British divisions on the Continent for fifty years, this necessary commitment has been a source of friction in the western alliance. Over the years the British have cut down the manpower of the Army of the Rhine to under three divisions, while the clause in the Paris agreement which gives Britain the right to withdraw troops if it has payments difficulties has hung like a sword of Damocles over the Rhine army. More than once Britain has had to seek help in carrying the £70 million burden on its balance of payments.

This time, it seems, Mr Henry Brooke, the Government's financial watchdog, has done rather well, though the burden itself is of course unaltered. As he told the House of Commons on Monday, west Germany has offered to ease the strain on the balance of payments by spending an extra £54 million in Britain in each of the next two years. But, as in the past, the test will come when the vague promise has to be put into practice.

The difficulty is that a large part of the promised German help may have to take the form of the purchase of arms in Britain; and the range of arms in the British shop is limited. Committed as they are to buying large quantities of arms in the United States, the Germans may find either that they cannot reach the target for purchases here, or that they have to buy British weapons they do not want. Bonn may help by paying the wages of Germans employed by the British forces. The German railways may buy some British railway equipment. But the long-term problem of financing Britain's contribution to the defence of western Europe has still to be solved.

Both sides would do well to face the problem with greater frankness than hitherto. If the defence white paper is any guide, the British have still to recognise that the defence of Europe is the first condition of their national security, and that the necessary financial sacrifices will have to be made not just this year but for many years to come. On the German side assistance to the British balance of payments ought to be seen as a natural and lasting part of west Germany's contribution to Nato.

Just as, within individual countries, local governments that run a deficit are helped out by the others, so in Nato it is time for burden-sharing to be put into practice.

ECONOMIC DEBATE

Mr Erroll's Optimism

WITH the Chancellor in purdah until Budget Day on April 9th, the main interest in last Monday's economic debate lay in the performance of Mr Callaghan and in the pre-budget hints thrown out by the President of the Board of Trade. Mr Callaghan's main and welcome brief nowadays is to persuade floating voters that the economic policies of the next Labour government would be in no way horrific or disastrous; provided Britain can get into the European common market before there is a Labour government (an entry that could provide a Labour Chancellor with just the right incentives and disciplines), he might be right. It is true that Mr Callaghan's recent economic researches have left him just a bit wobbly in his interpretation of the difference between, say, the monthly trade returns and the balance of payments ("the trade basis is fob and the balance of payments is cif—or the other way round, though I think I am right"), and that at one stage on Monday he seemed to be advocating import controls; but, significantly, he shied away from favouring these latter when Mr Erroll began to make political capital out of what he seemed to have said. All parties are trying to be liberals now, which is an excellent thing.

Mr Erroll, although generally a liberal in trade matters, has had the reputation of being one of the sternest advocates of demand deflation in the Cabinet this year; but, like other ministerial spokesmen recently, he now seems to be converted to favouring a neutral budget rather than an actively deflationary one. He told the House that "the domestic economy, as a result of the policies we have been pursuing, is no longer subject to the strains and pressures of excess demand." True, he feared that "the expansion of the economy, which we foresee this year" would go badly wrong "if demand were allowed to grow in advance of the rise in exports." But he has happily convinced himself that exports are likely to rise rapidly in 1962. This, he opined, should be the best year for exports since Britain achieved a 12 per cent increase in exports in 1959 (after a year in which, although Mr Erroll did not point this out, Mr Amory happened to have given the biggest tax reliefs and the sharpest deliberate dose of budgetary reflation in British history). Mr Erroll, however, remains strongly opposed to special tax incentives for exports, because he believes that every progressive firm should find it profitable to develop an export trade without them:

> Why should the public, through the Government, have to pay these people to do what is in their own best interests? To introduce financial inducements would reveal lack of confidence in our competitive power and selling ability.

There is still a strongly puritanical streak in Mr Erroll, which sometimes seems to make him more interested in evincing what he assumes to be "sound views" than in achieving the results he no doubt seeks.

BUTTER

On Buying Dear

To loud applause from the National Farmers' Union and some applause from the New Zealanders, the British Government has decided to impose licensing restrictions on butter imports for the year beginning on April 1st. Nobody else is at all pleased. The Danes (91,500 tons) have already asked to discuss the size of their quota, and it seems that the Board of Trade is prepared to do so. The Irish, while thankful that their quota (12,000 tons) is larger than the tiny allowance they got under last autumn's anti-dumping restrictions, are still thoroughly dissatisfied. The French (2,400 tons) are livid, and can be expected to make the most of Britain's attitude at future negotiations in Brussels. The Dutch, while fairly satisfied with their 14,000 tons, point out that a quota system is bound to look pretty funny while talks are in progress to do away with quotas inside Europe for good. Last but not least, British consumers should not show a glimmer of gratitude for a decision that may put up the price of butter by an unnecessary 4d. per pound.

It is practically impossible to be "fair" to everybody over a commodity which, for cowardly political reasons, is as vastly overproduced and over-subsidised as butter is at the moment. To allow the British housewife to get her supplies from the cheapest source—that is, to admit unlimited quantities of dumped butter from such high-cost producers as France, Ireland and Poland, who habitually subsidise their butter exports—is pretty hard on those, like the New Zealanders and the Danes, who produce butter cheaply and efficiently and do not significantly subsidise what they send to us. But it is equally hard to see what the high-cost countries should do with the butter produced as a result of last year's favourable weather. It is not very sensible to ask them either to throw it away, or else please only sell to us if they put their prices up. If Britain gets into Europe, it should become a loud pressure group urging that target prices for off-farm dairy products in Europe are pitched at a much lower level; even while Britain is still outside Europe, Mr Soames should obviously have reduced British farmers' high milk prices by more than he did at last week's price review. By keeping Britain's domestic milk surplus up—and butter production is one of the least profitable uses to which surplus milk can be put—he has now reached a stage where his next step has illogically had to be to impose quotas that will put import prices up too.

RETAIL PRICES

On a Chain

ALTHOUGH the official index of retai prices for February is expressed, a before, with January, 1956, as 100, it is o a new measure: the link with the old refer ence date, which will continue until the en of this year, allows time for revision o sliding-scale wage agreements. Some ne items appearing in the index for the firs time include refrigerators, electric cooker jeans and thick-knit sweaters. But the mos important change is that not only is there a new weighting pattern but this is to be revised annually each January. Thus whereas the old index was weighted alik throughout its six years' life according t "1953 spending habits revalued at January 1956, prices," the index for this year wil be weighted according to "average family expenditure in the three years ended June 1961, revalued at January, 1962, prices. Next year, however, the weighting system will be moved forward a year, using "three years' expenditure ended June, 1962, re valued at January, 1963, prices." The cal culations from one year to the next will be chained together to retain the base date of January, 1962, as 100 for, the Minister of Labour's cost of living advisory committee hopes, at least ten years.

This new chain type of price index ensures that the weighting pattern will not become out of date. In this respect, the new British index can claim to be about the most reliable in the world: the Swedish index is the only other one known to adopt a similar method. Will the new index "cheat" wage bargains by showing prices rising slightly more slowly in future or "help" them by showing prices rising more quickly? The answer is that the new measure will show a smaller movement than the old one would have done in a period when the goods of which consumption is rising most are those of which prices are rising least but will show a larger movement if consumption and prices rise together. Generally speaking people buy more things in which prices rise less so the most usual effect may be to make prices rise rather more slowly. But there is no hard and fast rule.

SPENDING PATTERNS
(Percentages)

	1953 survey Jan., 1956 prices*	1953 survey Jan., 1961 prices	1958-9 survey Jan., 1961 prices
Food	35·0	33·6	32·6
Housing	8·7	10·4	10·2
Fuel and light	5·5	6·2	6·2
Clothing	8·7	7·9	7·9
Footwear	1·9	1·9	2·0
Drink	7·1	6·2	6·1
Tobacco	8·0	8·1	7·7
Durable household goods	6·6	5·8	6·5
Miscellaneous goods	5·9	6·2	6·2
Transport and vehicles	6·8	7·3	8·8
Services	5·8	6·4	5·8
	100·0	100·0	100·0

* Weights of the old index.

In the table, which reproduces calcula tions made by the advisory committee, th

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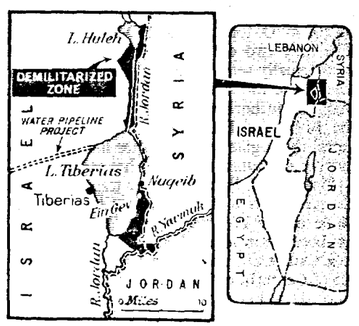
differences between the first two columns reflect relative changes in prices over the five years to January, 1961: prices of food, clothing and durables went up less than most so their proportions of the total budget fell, whereas prices of housing, fuel, transport and services went up more than most so that (before allowance was made for changes in consumption habits) these items became more important. The differences between the last two columns reflect the changes in consumption since 1953; in particular they reflect the big increase in the purchases of consumer durables, an instance where consumption has risen fast and prices comparatively slowly.

ARABS AND ISRAEL

Sea of Fire

HEAVY and calculated retaliation is the tenet of Israeli defence policy that sympathetic outsiders find hardest to stomach. On the principle that one sharp blow buys a period of calm, Israeli forces last Saturday attacked a Syrian outpost near Nuqeib, a village on the eastern shore of Lake Tiberias. These Syrians, claim the Israelis, had been harassing Israeli fishermen on the lake. The lake belongs to Israel, but the sight of Israeli boats lamp-fishing by night off the eastern shore (the best fishing grounds are believed to be where the Jordan flows into the lake) is a mighty provocation for Syrian snipers. A similar reprisal by Israel in January, 1960, achieved its planned results: there have been few incidents in the past two years. This time the raid has already led to another clash, both sides have appealed to the United Nations, and tempers are running high.

One of the most unfortunate aspects of the affair, from Israel's point of view, is that it has confused two issues, both involving Lake Tiberias but one infinitely more explosive than the other. In a couple of years,



or perhaps less, Israel will have completed its plan for diverting 350 million cubic metres of Jordan water a year to the deserts in the south. When the Syrians broke away from the United Arab Republic, President Nasser charged them with facilitating these plans. This is the standard stuff of inter-Arab exchanges, but it brought an agitated remonstrance from the Syrians. Alarmist reports followed that Israel had brought its plans forward; that it was going to take even more water than the amount allotted under the defunct Johnston plan; and, with greater precision, that the Israeli diversion (together with the Jordanian plan for the River Yarmuk) would leave the lower Jordan unusably salty. In any case, the militants argue, a concerted Arab policy should do something now to prevent Israel from steadily continuing with its plans. Although the dog-fights on the eastern shore of the lake possibly have nothing to do with the division of waters, the Israelis may seem foolhardy to strike matches near so incendiary an area.

ARGENTINA

Miscalculated Risk

WHAT is remarkable about the current crisis in Argentina is that a tactician as astute as President Frondizi should have so badly miscalculated the continuing strength of the Peronist movement. On Sunday, when elections were held for the provincial governorships and half the chamber of deputies, the Peronistas were, for the first time, allowed to take part under their own name. The decline in the blank vote (an expression of Peronist dissent) at recent by-elections has been interpreted as a sign of the movement's disintegration; it evidently misled President Frondizi into believing that he had nothing to fear from allowing the party a political voice. As things turned out, the Peronist candidates romped home, winning in several provinces, including Buenos Aires, and snatching half the congressional seats at stake. The president surely knew better than anybody that a victory on this scale would inevitably provoke his armed services.

Since they drove General Perón out of the country in 1955, factions in Argentina's army, navy and air force have been convinced of the need for military rather than civilian government. Because they quarrelled among themselves, and because President Frondizi managed to outwit the most militant, they have had to keep to the sidelines. But now that signs of Peronist resurgence are irrefutable the officers, acting in concert, have forced the president to dissolve his government, appoint military governors in the provinces won by the Peronistas, annul the elections and outlaw the Peronist party. Whether the president himself stays on depends, unhappily, on which groups in the armed services end by having the decisive say. The present commanders-in-chief (whose resignation the president has refused to accept) would prefer to keep him on; a faction of naval and army commanders are set on a straightforward military junta.

Peronist popularity is simply explained. The brunt of President Frondizi's austerity programme has fallen on the poorer classes in Argentina, who look back with faithful and unadulterated nostalgia to the fat years when the general handed out his largesse. It has been easy for their leaders, communist as well as Peronist, to trade on these day-dreams. The elections, and their aftermath, show conclusively how difficult in

The Economist

MARCH 22, 1862

OUR FINANCIAL POSITION

¶ The late Sir Robert Peel often used to ridicule amateur Chancellors of the Exchequer, and it cannot be denied that there is something which is not business-like in their occupation. The calculation of the ways and means of the year involves knowing what those ways and means are. . . . But without presuming to make a Budget, or to hint at one, there are some indisputable facts as to the Budgets of past years, and at least one general principle as to the future, which we may venture to explain and prove. We are at present unusually well able to review the past. A Parliamentary return of last Session gives in a most concise and intelligible form all the most remarkable particulars respecting the Budgets of the last thirty years, and, with these figures before us, we can with ease give our readers some particulars which they could not otherwise learn without much pains and labour. . . . There is another fact which the return before us brings out even more conspicuously and fully than any other fact—the wonderfully augmented scale of our national operations. In the year ending 5th April, 1852, our expenditure was £50,291,323. In the year ending 5th April, 1861, it was £72,842,059. . . . We are not now concerned either to justify or to condemn this increase. Rightly or wrongly, the nation wished it; the nation embarked in a policy which made it necessary, which continues to make it necessary. If England is to rule a vast empire in the East—is to retain scattered colonies in the East and the West, in the North and the South—is to aid liberty with an effective naval support in Europe—is to maintain the balance of power in the civilised world;—if, in so many words, the England we see is to continue the England we see, some such outlay is required. . . . We must cease to be what we are, if we would cease to pay what we do. And if such is our situation, it has a financial consequence—it imposes a condition on our Budgets which in old times we could disregard. We must now calculate on a large surplus. . . . We would propose, as an ordinary financial rule, that *every Budget should show a reliable, credible, business-like surplus of £1,000,000 at least.* This will be enough to ensure us against those small untoward accidents which are the bane of our present position.

practice is the formula that President Kennedy has made a pre-condition for his Alliance for Progress—social and economic development in a democratic framework.

DOWNING STREET

Mac's Folly?

THE news from Downing Street is not good. The reconstruction work at Nos. 10, 11 and 12 is now likely to cost £600,000 instead of the £400,000 that the Crawford committee thought would be sufficient in its report in 1958. The whole cost of the scheme, including repairs to the Treasury building in Whitehall, has now risen to £1.600,000, or £300,000 more than the official estimate at the end of 1959. The reasons are the usual ones: partly labour troubles, but chiefly dry rot. As at Kensington Palace, the deterioration of the structure of No. 10 had gone further than anyone had realised, except those already aware of the careful engineering calculations that had to be done before the Prime Minister could safely throw a medium-sized party. This is the price of inadequate upkeep in the past, for which the Ministry of Works is not primarily to blame. Only the expenditure on paint (umpteen layers of which have been found to cover quite decent woodwork) was really lavish.

Three years ago when the Crawford report appeared, *The Economist*, with some reservations, accepted the view that "the echo of ancestral voices" counted for much at No. 10. Possibly the echo is even worth the extra £200.000 that the preservation of the façade of Sir George Downing's specbuilt row will now cost the taxpayer. Certainly there will be some addition to Downing Street's cubic capacity and improvements to its interior design. But the Prime Minister, after his experience of working conditions at Admiralty House, has made no secret of his liking for its more spacious (and frankly better looking) premises. It is far too late for second thoughts about No. 10 now, but when similar options between preservation and starting from scratch come up again the present lesson of the extra £300,000 will be well worth remembering. In general, it may seem better in future to rehouse ministries in brand new office blocks—with proper provision for entertainment and family life for ministers who have to live on the spot—rather than entombing them in quaint and expensively patched-up museums.

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PROBATION OFFICERS

Underpaid

THE importance of the probation service in Britain is out of all proportion to its tiny size. At the end of 1950, its strength in England and Wales was just over 1,000 whole-time men and women. By October, 1961, it had expanded to 1,749, with men outnumbering women by rather more than three to one. Now the Morison committee has recommended a further expansion to 2,000 whole-time officers in the near future and to 2,750 in the next few years.

The need for this increase is clear; it follows automatically from the increase in the number of offenders if the case load on the officers, already too high, is not to become intolerable. This, the supervision of offenders placed on probation by the courts, remains the service's biggest duty. It is not likely to become smaller unless it can be shown that with certain offenders probation has no value over a fine or absolute or conditional discharge (the committee's report refers to research on this point being undertaken by the Home Office). But, in addition to the supervision of probationers, probation officers have a wide and increasing variety of other tasks. They have to supervise children in need of "care or protection" and the welfare of children whose parents are involved in matrimonial proceedings. They are increasingly concerned with the after-care of offenders discharged from approved schools, borstals or prisons. They have to make many inquiries for the courts in cases not involving crime: adoption, for instance, or minors wanting to marry. And their advice is sought, on a voluntary basis, by married couples or parents on problems that do not come before the courts at all.

Yet of the officers doing all this responsible work, which requires maturity as well as training, 30 per cent in October, 1961, had had no university qualification or training on their appointment, but have had to be trained while in the service. Thus the Morison committee's recommendations are designed to produce an adequately manned and adequately trained service—which means an adequately paid one. At present, a probation officer aged 22 begins at £625 a year and eventually, in his middle thirties, reaches a maximum of £1.025 (there are additions for the London area). The committee recommends a scale beginning at £750—for a trained officer—and rising to £1.350. Senior probation officers, if the committee's proposals are accepted, would be paid £1.450 to £1.650 (compared with £1.075 to £1.195 at present), and principal probation officers—the top posts—whose maximum at present is £2,100 in London and £1,895 elsewhere, a minimum of £1,750 in any area and a maximum of £2,600 outside London and £3,000 for the London post. These are large rises; but the committee has in mind the need to attract graduates to the service as well as to increase its total strength. There should be no pay pause here.

BISHOPS

Doctors No Longer?

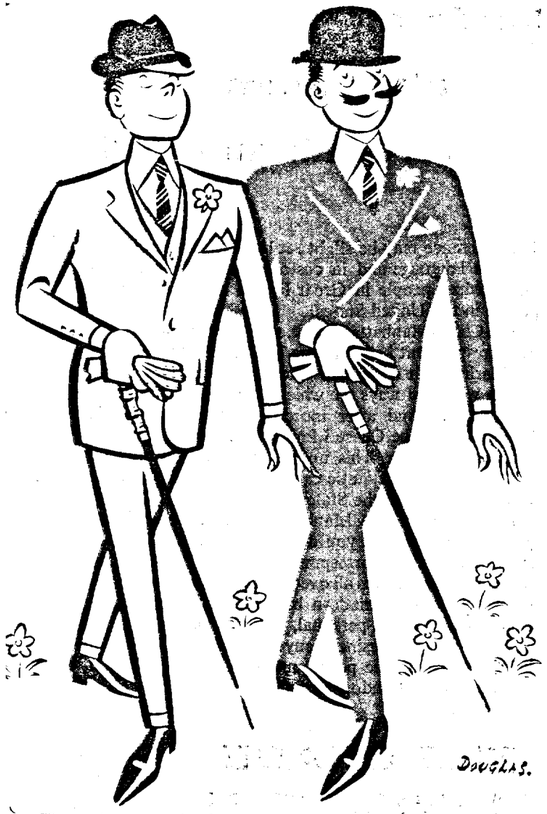
IN future it looks as if an increasing number of Anglican bishops will have to be known as Bishop Jones, or even Mr Jones, instead of Dr Jones. That is the main consequence of a change in the practice of conferring Lambeth degrees which has just been announced by the Archbishop of Canterbury. In future,

> degrees will be given in virtue of contributing to scholarship, and care will be taken to avoid disparity with academic standards. They will not normally be given in virtue of nomination to ecclesiastical office. Degrees will also be given occasionally in the manner of ordinary degrees.

Many people will be surprised to learn that the Archbishop had any degree-conferring power in the first place, but this has long been so. The power was first enjoyed as legate of the Pope and since 1534 by Act of Parliament. The chief beneficiaries in the recent past have been the diocesan bishops. Until the first world war the English universities conferred the degree of Doctor of Divinity as a matter of course on a graduate who became a bishop. When this practice was discontinued the gap was filled by the Archbishop of Canterbury with his Lambeth degrees. By tradition the hood and gown of these degrees are the same as the equivalent in the Archbishop's own university. Until Dr Ramsey succeeded Lord Fisher at Canterbury anyone who got a see could count on a DD. One of the present bishops, who (like Lord Home) took only a fourth at Oxford, got a DD like the rest. The only two of today's Anglican bishops who actually seem to have earned their doctorates are the Bishop of Ripon (Dr Moorman, an authority on the Franciscans) and the Bishop of Exeter, the bench's leading moral theologian. Lord Fisher has fourteen doctorates, but they are all honorary.

Since Dr Ramsey was translated to Canterbury this divine shower has ceased. None of the bishops appointed since then has been given so much as a BA. Dr Ramsey is a Cambridge man—the first to hold the see of Canterbury since Archbishop Benson, who died in 1896—and naturally takes degree giving seriously. He is also bringing Anglican practice into line with that of the Roman Catholic Church in England. Roman Catholic bishops normally have to earn their doctorates; Cardinal Godfrey, Archbishop of Westminster, has two, both from Rome. In Ireland all bishops indiscriminately are known as Dr, but this is just Irish politeness and has no academic significance whatever.

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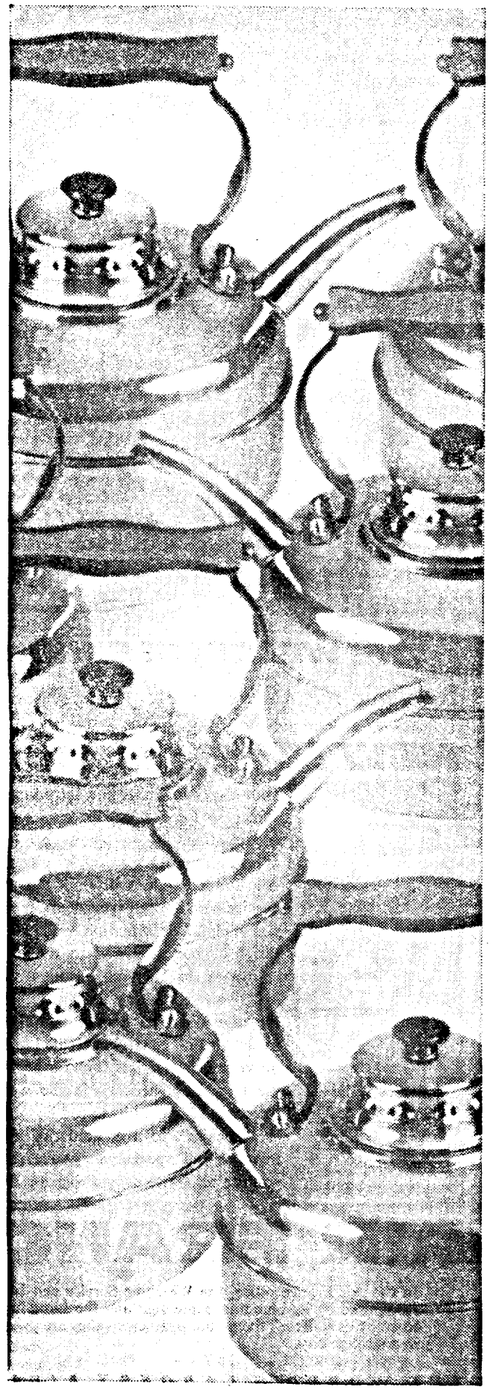
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AMERICAN SURVEY

AMERICAN SURVEY, is prepared partly in the United States, partly in London. Those items which are written in the United States carry an indication to that effect; all others are the work of the editorial staff in London.

Mr Kennedy Goes a-Wooing

NEW YORK

FOR some months now President Kennedy has been taking special pains to win the confidence, even if he cannot win the votes, of the business community—a difficult task in spite of the American businessman's reputation of being an easy-going, back-slapping extrovert. For when he approaches Washington another side of his character emerges and he becomes suspicious and distrustful, with all the signs of a deep-seated persecution complex. Many businessmen, and the two major organisations that speak for them, the National Association of Manufacturers and the United States Chamber of Commerce, are convinced that the federal government possesses a basic anti-business bias; this conviction leads them to adopt a cantankerous and sceptical attitude towards almost any move made by Washington. Mr Kennedy, however, has persisted in his efforts to mitigate their grievances, real and imaginary, because he regards their co-operation as vital to the attainment of a proper atmosphere for a new upsurge of economic growth.

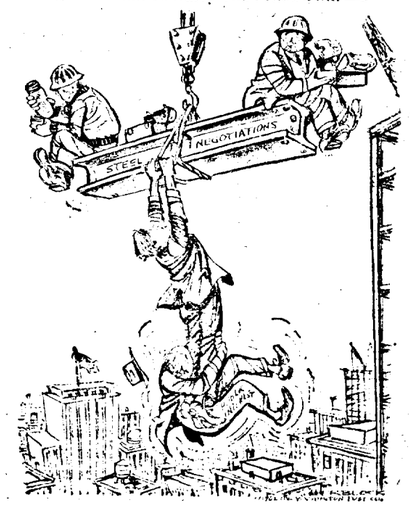
The current negotiations over wages and working conditions in the steel industry are a crucial test for the President's strategy of wooing business. In his view, either a prolonged strike or an inflationary settlement would be harmful to the economy and at the very least would bring a threat of a new crisis for the dollar. So Mr Kennedy is pressing for a reasonable settlement—with any wage increase limited by the rise in productivity and no change in the price level—well in advance of June 30th, the date on which the present contract expires. Mr Kennedy is not intervening directly in the negotiations but, since industry usually regards any government intervention, however indirect it may be, as an unwarranted and hostile act; the success of the renewed negotiations is in doubt unless the President has succeeded in allaying the fears of businessmen.

Certainly they are not now as critical of the Administration as they were last year. Relations between the then new Democratic Administration and the business community had an inauspicious beginning. But precisely for this reason the President's cautious courtship seems to be bearing fruit. Businessmen have been gratified to discover that Mr Kennedy, far from being a profligate spender, has promised to balance the Budget. They are impressed by his unexpected determination to protect the dollar. They respect both the way in which he resists such attacks from labour as the charge that his economic policy is "overly timid" and his refusal to bow to demands for more aggressive action to counter unemployment. There is no guile in Mr Kennedy's stand. He is not abandoning his belief that the government has a major responsibility for guiding the economy; in fact, his limited intervention in the steel negotiations is concrete evidence of this. By the same token, he is not about to cut back on government spending as most business leaders would like; on the contrary, he has sought to increase spending in order to assure an expansion in economic activity. But he has made concessions in the interests of harmony and has demonstrated a willingness to calm the ruffled feathers of his business opponents.

Some government economists have expressed the view that the pause in the economic upswing since the start of the year is due in part to lack of confidence among businessmen, who have been hesitant about committing corporate funds for the rebuilding of stocks or the installation of additional capacity. It is doubtful whether this subdued and somewhat uncertain mood arises out of misgivings about Washington but the Administration's hopes for a banner year, and a balanced Budget, depend on a bolstering of business confidence. And when a business spokesman like Mr Leslie Worthington, president of the United States Steel Corporation, criticises the government for discouraging corporate outlays by keeping profits "squeezed down," the climate for investment is not improved.

But the Administration's desire to gain co-operation from businessmen goes beyond the immediate question of confidence. It needs industry's help in strengthening the economy and its programmes for stimulating growth and improving the competitive position of American manufacturers cannot be enacted without the help of the business community. Of course this does not speak with one voice and on almost every issue the Administration is bound to face a certain amount of corporate opposition but, if it can convince some of the more responsible business leaders that its policies are not designed to favour the trade unions or to restrict the freedom of management, then it will be in a stronger position *vis-á-vis* Congress, always sensitive to business lobbying.

"I Don't Want To Hurry You Fellows, But —"



But as yet the Administration has not won any substantial backing from businessmen. It is finding it difficult to persuade them that what is good for the country is good for them and its officials confess to being frustrated and puzzled by the cool and often frigid reception that has greeted many parts of the Kennedy programme in business circles. Last year industry refused to embrace the Administration's plan for tax incentives to stimulate investment and increase productive efficiency. Spurred by labour criticism of the plan as a "giveaway," industrialists have had a partial change of heart since then, so the Bill stands a fair chance of passage during the present session of Congress. But the Administration is unhappy about the failure of those businessmen who would benefit from the new trade programme to give it vocal

backing in answer to the already clamorous opposition of those who fear that it will be harmful.

The Administration has some serious handicaps to overcome if it is to placate business. A vast majority of the business community opposes the Democratic party; since the New Deal era of Franklin Roosevelt they have associated it with an ever bigger government that is the forerunner of socialism. Their normal antipathy to government was reinforced by their disillusionment under President Eisenhower, when a Republican regime widely hailed as a "businessman's Administration" showed the same proclivity for increasing the activities of government. Even among those businessmen who recognise that the federal government cannot—and should not—wither away, the distrust of Washington is strong. They are prepared to exonerate Mr Kennedy and his brother, the Attorney General, from any bias but they suspect that neither of them can control the permanent bureaucrats who are alleged to run the government.

In fact, businessmen complain that President Kennedy's attempts to achieve a better atmosphere are generally offset by the announcement of a new anti-trust action or some other form of government intervention. There is no doubt that the Administration's law enforcement agencies have been active, but most of the material for the anti-trust suits and price discrimination cases now being aired was gathered during the Eisenhower years and does not represent a planned acceleration in Washington's harassment of industry. In the early days of the Kennedy Administration, some new officials were guilty of remarks that were construed as being unfriendly to business; the most ominous incident, to many executives, was the attempt by the Secretary of Commerce to down-grade the position of the Business Advisory Council, a group of high ranking corporate officials who consulted with government spokesmen at regular intervals.

The President himself stepped in to reconstitute the BAC (now called the Business Council) and organised the Labour-Management Advisory Committee, made up of representatives of both sides plus "public" members, to promote understanding on economic issues. And except for an occasional lapse, officials of the Administration have been extremely circumspect in their pronouncements, as if they were under orders to avoid provoking the business community.

MR KENNEDY does not seek the total support of the business community, particularly if this would alienate his other backers. He is determined to improve the conditions under which collective bargaining with the trade unions is conducted and is insisting that the only fair settlement is one that takes the public interest into account. Neither labour nor management, however, is completely happy with his view that this interest should be represented in their negotiations, since they feel that this may lead to direct intervention by the government. This is not the first time that an occupant of the White House has injected himself into wage disputes and past experience tends to confirm the businessman's natural scepticism; even when the government tries to be objective, usually it ends up by giving way to the side having the most votes and this puts business at a disadvantage.

But Mr Kennedy, a shrewd politician who is especially astute at gauging public opinion, realises that all his wooing of businessmen will be wasted if he favours one side over the other in the steel negotiations. His delicate job is to persuade both labour and management that the public interest is paramount and that, by exercising restraint, they will also benefit themselves. Businessmen seem to be willing, however reluctantly, to accept his thesis. If it provides a successful outcome for the steel negotiations, Mr Kennedy may be able to usher in a new wave of good feeling between business and government.

Space for Co-operation

PRESIDENT KENNEDY, refusing to give up at Geneva, even though all three groups of talks there—on atomic testing, on general disarmament and on Berlin—seem to have reached dead ends already, received some quite substantial encouragement from Mr Khrushchev this week. The Soviet Premier replied both promptly and favourably to Mr Kennedy's letter of March 7th, released only last week, containing concrete proposals for immediate common action in the exploration of space. This letter was in answer to the Russian congratulations on Colonel Glenn's orbital flight, in which Mr Khrushchev had asked that his country and the United States should co-operate in space research. That he should at last take up an idea which the Americans first put forward over five years ago suggests that he now feels that American progress in space has been such that the Russians have as much to gain as to give in an exchange of information; it is also thought that he is not averse to sharing the mounting costs of space experiments.

Mr Khrushchev is not prepared to go the whole way with Mr Kennedy. He points out that, since military missiles and peaceful space ships have the same scientific and technical basis, co-operation and a pooling of resources for such things as joint trips to Venus or Mars must depend to some extent on the reaching of an agreement on disarmament. And his reply did not pick up Mr Kennedy's proposal that each country should provide tracking services for the other's space programmes; this would mean an exchange of equipment and scientists. But Mr Khrushchev does want a joint effort for observing space probes towards the moon and the solar system. He welcomes co-operation in the putting up of satellites for communications purposes and for observing the weather, and collaboration in studying the earth's magnetic field and the medical problems of space. To these suggestions of Mr Kennedy's Mr Khrushchev adds two of his own: that countries should assist each other in rescuing space ships and "cosmonauts" if they come down accidentally; and that there should be discussion before any country undertakes a space experiment which might make difficulties for others. This refers perhaps to the abortive American attempt, soon to be renewed, to scatter metal filaments in space for communications purposes.

Mr Khrushchev also thinks that the time has come for the Soviet Union and the United States, the most advanced countries in space exploration, to find a common approach to the legal problems involved. A start has already been made in the United Nations and it is here too that the new discussions of co-operation in the peaceful uses of outer space are to be held, although they will be in private between American and Russian representatives only, at least to start with. They are to begin next week and the outlook in New York is much brighter than in Geneva.

Training in Vietnam

IT is not only the south Vietnamese who are being trained to fight guerrilla campaigns. The American people who, if they must fight, prefer their wars to be short, clear-cut and above-board, are gradually being taught that long-drawn-out subterranean struggles in far off countries are part of the responsibilities of power and that patience and self-control are required. Last week for the first time a top official, Mr McNamara, the Secretary of Defence, conceded what news reports had already made clear; that some of the 4,000 or so Americans now training the Vietnamese to deal with the Viet Cong communists were doing so under combat conditions; a few have been fired on and have fired back and there have been a handful of casualties. President Kennedy insists that no combat

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troops " as the term is commonly understood " have been sent to Vietnam, but the educational doctrine of these instructors seems to be " teach by doing."

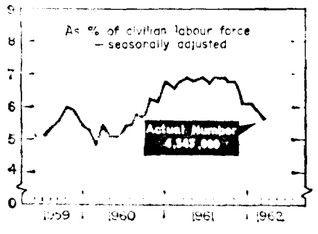
The whole operation fits very neatly into Mr McNamara's description of the various layers of conflict, beside nuclear war, for which the United States must be prepared. One is the localised non-nuclear outbreak ; with the increase in the number of divisions allotted to the Strategic Army Corps the United States should be ready, later this year, to meet two non-nuclear crises at once without having to resort immediately to partial mobilisation. The other challenge is from what Mr Khrushchev calls " wars of liberation " and what Mr McNamara prefers to describe as " covert aggression " ; to meet this threat all four services are training men who can in turn teach others to resist. To help the Vietnamese the Administration last month set up a military assistance command —something only used before in Greece in the nineteen-forties— under the very able General Harkins. The Secretary of Defence has himself been flying each month to Honolulu with General Rosson, the new specialist in guerrilla warfare, to discuss the situation with Admiral Felt, the Pacific commander, and the American Ambassador to Vietnam ; on his return from his last trip Mr McNamara warned Americans that the struggle would be a long one.

The most remarkable event of this past week, however, has been the dogs which did not bark at the news of how deeply the United States is now involved in Vietnam. Last month the Republican National Committee said that Mr Kennedy should "drop the pretence that the United States is acting only as a military adviser " and asked if the country were moving toward another Korea. But the committee has been brought sharply to heel, partly because Mr Kennedy consulted in advance the leaders of both parties in Congress, partly because Mr Nixon, still the titular Republican leader, strongly supports American policy in Vietnam. On such an issue bipartisan support is essential. This may be why the Administration has treated with such surprising mildness Mr Nixon's charges that during the election campaign Mr Kennedy endangered the expedition to Cuba which was then being planned.

Boom—To Be or Not To Be?

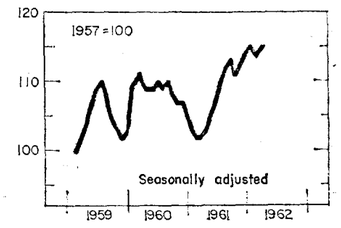
THE cheerfulness of February's economic statistics does not stand up to close examination, except perhaps in the case of the employment figures, until recently the only series which lagged behind the general recovery. In February the number of people out of work normally shows little change but last month it went down, to the lowest point since July, 1960, and the number of people in jobs went up more than usual, to a total of 65,789,000, partly but not entirely as a result of the bad weather which reduced employment in January. There was also a contra-seasonal rise in the average number of hours worked in factories in February. Together these two increases brought a gain of $2.75 billion at annual rates in total personal income during the month ; this more than cancelled out January's loss but did not equal the rate of expansion in the latter months of 1961. Similarly industrial output made up for its January drop but was not yet expanding as fast as in October and November.

UNEMPLOYMENT



The number of new houses started in February actually fell by 11 per cent and there was also a decline in the value of new orders received by manufacturers of durable goods, explained partly by a slackening in plans for stockpiling steel as a strike became less likely. Finally the official forecast for capital spending by businessmen is for an increase of 8 per cent over 1961 for this year as a whole. But this was not as much as had been hoped for and the figures also showed that this spending had not been going up recently as much as was expected. But it has been rising steadily since the middle of last year and businessmen are behaving as they are supposed to do in times of recovery—increasing their expenditures—which is more than ordinary consumers are doing.

INDUSTRIAL PRODUCTION



Both these groups will become more important to the general economic picture in the second half of the year, when government outlays will slacken off, according to current plans, and the responsibility for keeping up the expansion will belong to private citizens. Both must then spend more than they look like doing at present if the official prediction is to be fulfilled, for a gross national product of better than $570 billion for the year as a whole. Already it has been admitted that the figure for the first quarter will not come up to expectations. But although the pace of the advance has slowed since last year, the February figures seem to show that the actual decline in January was probably only temporary. The economy may have more vitality than the latest statistics suggest—President Kennedy and Mr Heller, the chairman of his Council of Economic Advisers, say that it has—and it is possible that it is on the point of accelerating into a boom. Certainly reserve supplies are modest in practically all sections and it will be surprising if businessmen do not start adding to their stocks soon. This in turn would mean industrial output at the near-to-capacity rates which bring additional capital investment. And if consumers too begin to spend more freely, this should ensure that the gross national product will be running at the annual rate of $585 billion which Mr Heller still expects in the last quarter of the year.

"Something Old, Something New...

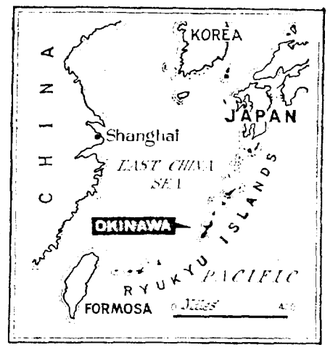
SOMETHING borrowed, something blue . . . " might describe the President's message to Congress on protection for the consumer, the first time that his interests have achieved the distinction of a President's undivided attention. The something blue is provided by the likelihood that few of these measures stand much chance of being adopted this year, even though their worthiness is now attested by the White House. Nevertheless, consumers will be gratified to find that they have a friend in the President. So will the progressive Democrats (who have had many doubts about Mr Kennedy's liberalism). Most of the raft of Bills defending a variety of consumer interests which are already before Congress owe their existence to the valiant efforts of Democrats like Senator Douglas, Senator Proxmire, Senator Kefauver, Mr Multer and Mr Dingell. Government agencies which have the consumer's good at heart will also be encouraged. Moreover, though the harvest of consumers' Bills may be slight this year, there may be a useful harvest of votes for the Democrats at the polls in November.

In his message the President announced that he had already directed his Council of Economic Advisers to set up a Consumers Advisory Council ; he has thus fulfilled, though in a rather watered-down form, his campaign promise to appoint a consumers' counsel. The new body will have no powers of its own. At present the Administration is planning to submit only two new Bills, both minor ; but the White House may have to draw up a third if Senator Kefauver's Bill to end abuses in the production of medicines cannot be retrieved from the shelf to which the Senate Judiciary Committee has just consigned it. It would enable the Food and Drug Administration to require proof that medicines are effective, as well as safe, before they are put on the market. What the manufacturers jib at—because, they say, it would hamper medical research—is another provision, aimed at reducing prices, which would cut the life of patents in this field from 17 to 3 years. If it has to draw up its own Bill the Administration will leave out this controversial proposal in the hope of being able to get power to pass the safety of new cosmetics, such as lipsticks, as well as access to the records and formulæ of drug manufacturers and authority to publish a list of the everyday names for drugs which are also sold—at higher prices—under brand names.

Other measures which the President backed include Senator Douglas's Bill for " truth-in-lending," which would make people realise how much they are paying for credit. Another is the proposal that Congress should require all television sets to be capable of receiving not only the 12 very-high-frequency channels now in use but also the 70 ultra-high-frequency ones which would make possible a much wider range of programmes. The President is also asking for new powers for the Federal Trade Commission and will submit later recommendations to make the packaging and labelling of goods a source of guidance, not misguidance, to the careful shopper.

Far Eastern Colony

THE Ryukyu Islands, the easternmost outpost of the United States, now serve two somewhat conflciting purposes: the State Department would like to hold them up as an example of the advantages of American democracy to both the independent countries of the Far East and to the remaining colonial powers ; the Department of Defence regards them as a base which is essential if the United States is to be able to deter aggression in the Far East and to help its allies there. The Department of Defence's view prevails although its application has been much modified over the years. Okinawa, the largest of the islands, was captured from the Japanese in 1945 after the bloodiest battle of the Pacific war and since then the islands have remained under military rule. The main concern of the commanding general has been the safety of the huge base, greatly expanded as a result of the Korean war, and the welfare of the American forces stationed there.



The islanders were given a modicum of self-government in 1957 and now President Kennedy has advanced them a stage further. Legislators are to have three-year terms and may add to the present 29 constituencies if they wish. The Legislature is to nominate

Taking Skills to the Workless

PRESIDENT KENNEDY'S first big legislative success this year is the Manpower Retraining Bill. He signed it on March 15th with the comment that it might well be the most significant legislation in this field since the historic Employment Act adopted in 1946. The aim of the new Act is to provide workers—primarily the long-term unemployed, but also young people, farmers and those in jobs who need to improve their qualifications—with the skills required in a rapidly changing economy which is turning more and more to automatic equipment. The length of the programme—three years—and the money authorised (but not yet appropriated) to be spent by the federal government—$435 million—fall almost exactly half-way between the generous provisions voted by the Senate last year and the much more limited ones approved by the House of Representatives in February.

Who Benefits?

It is estimated that just under a million workers will learn new skills or polish up old ones. This figure includes about 350,000 actually in work who will be helped to prepare themselves for better jobs as well as about 600,000 of those out of work. The trade unions complain that this is only a drop in the bucket of 4.5 million unemployed, but the number who have been out of work over 6 months, and whom the Act is particularly designed to help, add up to only about 700,000. Many of these people have exhausted their unemployment benefits and will be, it is thought, receptive to retraining. About 1.7 million workers have been idle for 15 weeks or more.

Priority is to be given to heads of households who are out of a job but have spent at least three years in work ; they will be tested to determine their aptitudes and their suitability for retraining. Allowances, equal to unemployment benefits in the trainee's state (varying, that is, from about $22 to $45 a week), will be provided for up to a year ; if training involves living away from home supplemental allowances of up to $35 a week will be paid. Young people aged from 19 to 21 may receive allowances of not more than $20 a week. Retraining, but without benefit of any allowances, will be available to youths between the ages of 16 and 19 and to the unemployed who do not qualify for priority.

What Skills?

The federal government will pay the total cost during the first two years, but in the third the states will have to pay half. Vocational training will be provided by the states under the direction of the Department of Health, Education and Welfare, which is also empowered to enter into direct agreements with training institutions if the states are unco-operative. The kind of jobs for which workers will be prepared include nurse's aide, laundry worker, calculating machine operator, television repairman, motor car mechanic and, for those with an academic background, elementary teacher, accountant, social worker and physical therapist.

Those taking part must have a reasonable chance of becoming employed and placing them in jobs after they are trained is the responsibility of the Secretary of Labour ; so is the choice of the skills to be taught. To help him discharge this responsibility he is directed to determine the country's needs for labour and how these are likely to change—in effect, to establish a national policy for manpower.

the Ryukyuan Chief Executive although the American High Commissioner, a general, may refuse to accept the nomination. The High Commissioner now has power to veto only Bills affecting military security or foreign affairs (this has in fact been his practice for some time) and his chief assistant, the civil administrator, will now be a civilian instead of a military man. This is all in the usual pattern of a gradual loosening of colonial ties, except that in this case it is not a question of preparing the islands for independence but of lessening the pressure for a return to Japanese sovereignty. Mr Kennedy recognises this sovereignty but holds out no hope that it can be restored soon.

Much of the pressure comes from a belief among the Ryukyuans that they would do better economically if they could share in the financial and social benefits which Japan offers to its people. To meet this complaint, which most American observers feel is justified, Mr Kennedy is asking Congress to increase its aid to the islands—this is now running at about $6 million a year—and is negotiating with Japan on a plan for co-operative assistance. It remains to be seen whether all this will be enough to save the United States from having to face the now classic colonial problem of maintaining a military base amongst a hostile population.

Hold-up in New York

It's an ill Weinberg that blows nobody good. Mr Weinberg precipitated a three-week strike that has led to New York City taking over his bus lines. The strike diverted some passengers to the city-run underground ; the absence of the buses also gladdened the hearts of the taxi-drivers and of Mr Barnes, the new traffic commissioner. In the end, there may be a handsome windfall for the shareholders in the Fifth Avenue Coach Lines, Inc. (including Mr Weinberg's associate, Mr Roy Cohn, once Senator McCarthy's juvenile Torquemada) if the courts award compensation in amounts even approaching the brazen figures mentioned by Mr Weinberg. But the 6,500 men who run the buses are out of pocket and the people who use them—about 1.5 million a day—are cross and foot-sore. Moreover it begins to look as though fares—always a political sacred cow in New York—will soon rise. This is not good news for the Mayor, Mr Wagner, who promised last year in his election campaign that they would stay at 15 cents. He may be in the political arena again this year if he decides to challenge Mr Rockefeller, the Republican Governor of the state, who is seeking re-election.

Mr Weinberg may be right that New Yorkers are not paying a fair price for their bus rides, but no one accuses him of being in public transport primarily to teach people lessons in economics. He has made a fortune in this unlikely field by buying up faltering companies—in Scranton, Honolulu and Dallas—and firing employees, cutting services and raising fares. His enemies say he milks his companies and is more interested in their assets than their duties. As soon as he had seized control of the Fifth Avenue lines in February he asked for an increase in fares ; when this was refused he provoked a strike by sacking 29 long-service employees. For once the Transport Workers Union had some public sympathy. Then, according to Mr Weinberg, the Mayor approached him with an offer of an increase in fares if only the invaders would lie low and cause no trouble until after the election in November.

Mr Wagner hotly denied this tale, which was not only embarrassing in itself, but also offered an opportunity to the Republican majority in the State Legislature to hold up Bills which were needed to enable the city to seize the franchises and property of the company. But Mr Rockefeller, who is also a candidate and according to some observers one whose popularity is waning, could not afford to make political capital out of the Mayor's troubles. The Bills went through speedily and this week the city seized the buses, the garages and most of the franchises involved. But the Bills were carefully amended to make it clear that the responsibility for any increase in fares must be shouldered by the city, not by the state.

Fifty Miles to School

FROM A CORRESPONDENT IN COLORADO

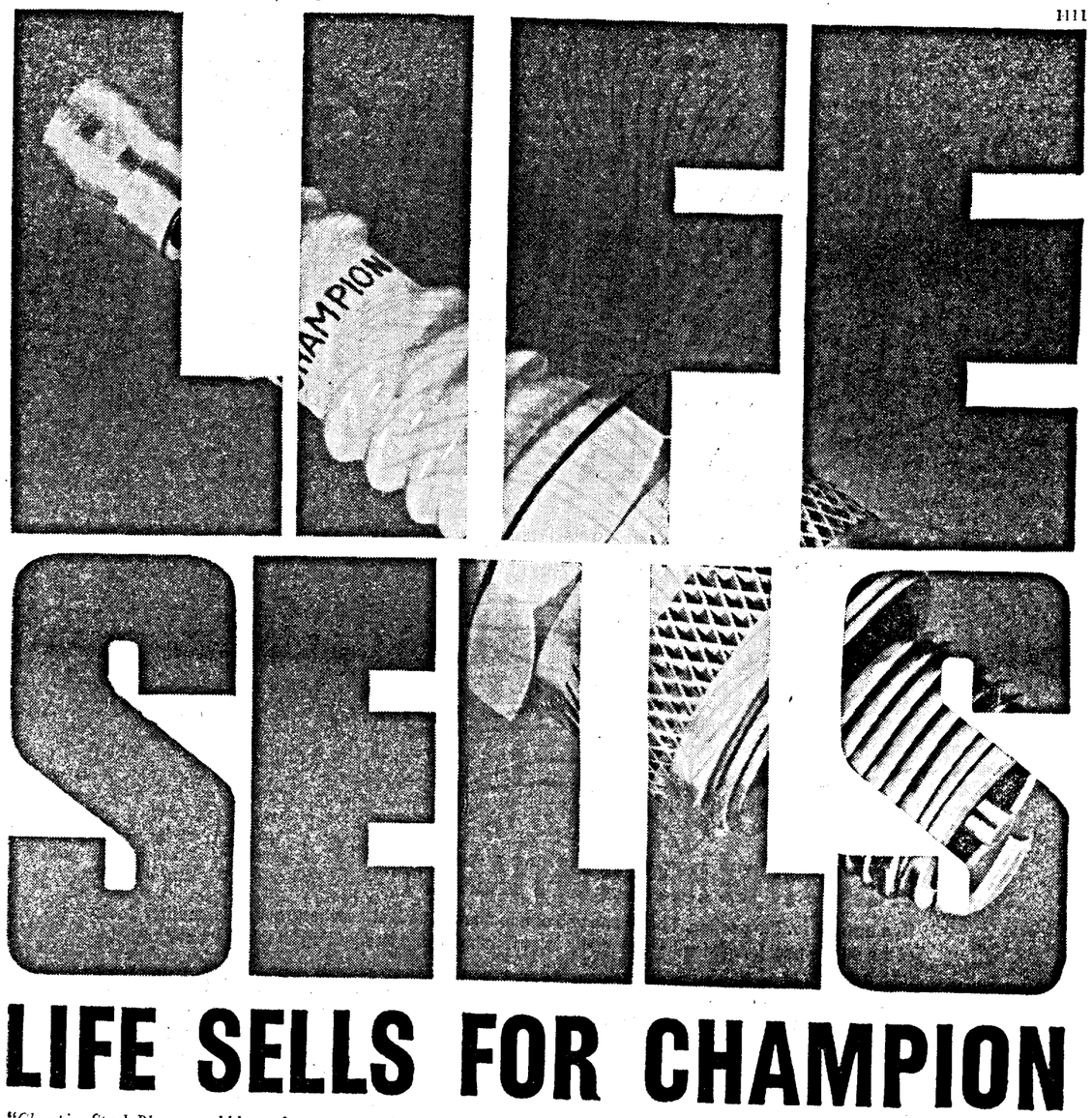
The Ford Foundation has given $742,000 to five western states —Arizona, Utah, New Mexico, Nevada and Colorado—for a three-year project to improve instruction in their small elementary schools. About a fifth of all American children attend schools with fewer than 200 pupils each and they will continue to do so for the foreseeable future. The orange-coloured school bus is an ubiquitous feature of western roads and some children travel as far as 50 miles to school each day ; but the process of consolidating schools has gone about as far as it can, since rural areas are losing rather than gaining population.

The new project is an extension of a similar programme for small high schools, also financed by the Ford Foundation, which is now in its fifth year and has attracted the attention of teachers all over the country. This is because virtually every state has small rural schools, some of them still of the one-room or two-room variety. In the five states involved there are approximately 1,150 rural schools with 93,000 pupils and 5,600 teachers. For these children to be given as good an education as they would receive elsewhere would cost, according to one calculation, from 25 to 60 per cent more a head than the national average. Unfortunately income a head in these states lags behind income in the country as a whole.

The new project will canvass all means of increasing efficiency, including aids such as television, where it is available, tape-recordings and film ; the instruction of two or more small classes at the same time by one teacher in a single room—a hang-over from the old days of the one-room school that some professional educators feel still has possibilities, even in big schools ; and the employment of farm wives as teachers' aids, to perform most of the routine duties. In Colorado there will be less emphasis on the rigid classification of children according to their age and more on allowing them to advance at their own pace. The high schools have also found it profitable to share teachers of special subjects (who may "ride the circuit" and teach a day in each of five schools during a week) and to share classroom and laboratory facilities. The Ford Foundation says that about a third of all high school pupils will continue to be taught in small schools and that therefore the standards of these schools must be improved continuously. Some serve areas almost as large as the whole state of Connecticut.

SHORTER NOTE

Pennsylvania is now all set for what is expected to be an exceptionally close gubernatorial contest next November between two able liberals, the Democratic ex-Mayor of Philadelphia, Mr Richardson Dilworth, and a comparatively young Republican Representative, Mr William Scranton. Both may be hampered in their inter-party fight by the intra-party feuds which preceded their selection as candidates. Mr William Green, the boss of Philadelphia, opposed Mr Dilworth's nomination, ostensibly on the ground that he could not win, actually because Mr Green's control over state patronage in the Philadelphia area might be interfered with should a reformer like Mr Dilworth become Governor. The choice of Mr Scranton was the result of a compromise between the old guard Republicans and the progressives ; it represented a victory for the latter, who were encouraged by General Eisenhower.



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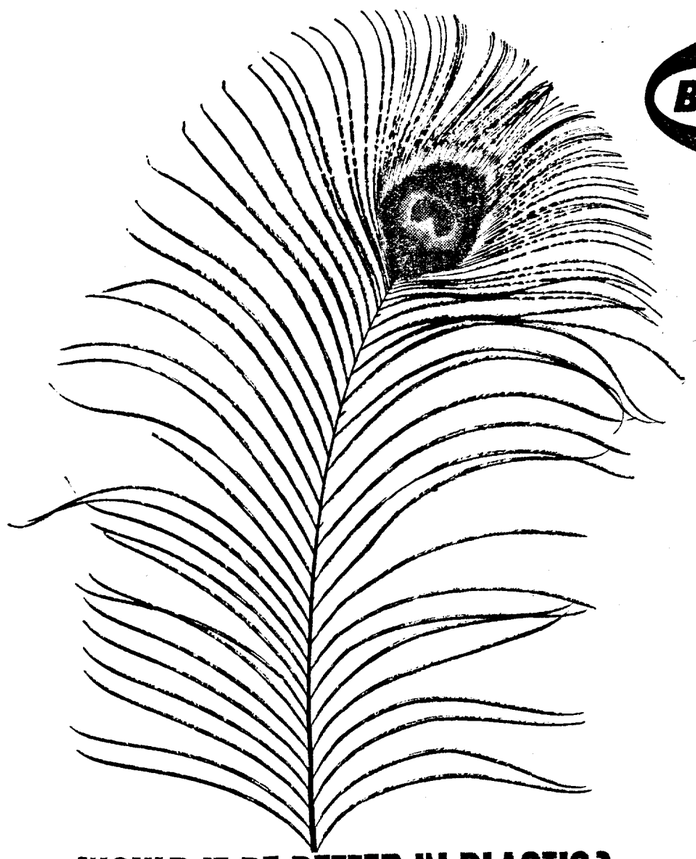
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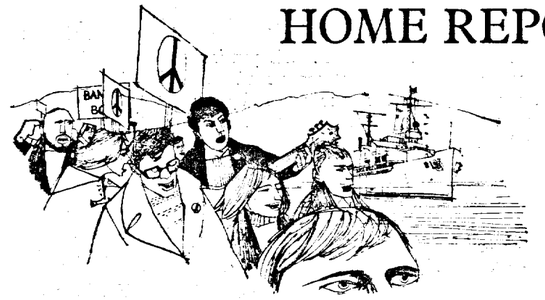
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HOME REPORT

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



Scots Bards, Yankee Tunes

FROM A CORRESPONDENT IN GLASGOW

THE Polaris missile base has weathered many demonstrations by the Campaign for Nuclear Disarmament since the American depot ship, *Proteus*, sailed past Dunoon to drop anchor at Holy Loch in the Clyde just over a year ago. The CND remains a minority movement on Clydeside, but it certainly has all the best songs—which now even threaten to merge in the Scottish folk song tradition. Many of the anti-Polaris ballads are sung semi-professionally by a young art teacher, Josh MacCrae—"a fine lad from Glasgow," according to the great Jeannie Robertson, whose approval in these matters is worth having, based as it is on a reputation that began in Buchan and has spread round the world. The songs are not classics: they are not likely to survive as the best of the Jacobite ones, the last occasion on which there was quite such an outpouring of the muse. But they do have the first essentials of virility and emotion, they are mostly satirical, and they have much in common with the industrial-coalfield work songs that evolved naturally from the Gaelic and Lowland cultures.

Within two months of the *Proteus*'s arrival the first anti-Polaris songbook was published in Glasgow (five editions in the past eight months). This was directly in the Scottish tradition of ballad circulation by way of cheap chapbooks sold at country fairs. The current edition (15 songs for 6d.) includes "The Glesca' Eskimos" (which celebrates the canoe attempts to board the *Proteus* and a contemptuous American reference to the Eskimo navy). This speaks feelingly of the demonstrators' trials in reaching the Holy Loch at all:

It's in and oot and up and doon and on and aff the piers,
There's cooncillors, collaborators, pimps and profiteers;
The hairies[1] jouk the polis[2] and the polis jouk the queers,
We are the Glesca' Eskimos.

Others are "Ding Dong Dollar" (to the tune Marching Through Georgia) and "Ban Polaris—Hallelujah," which is sung to John Brown's Body and concludes:

When Dunoon folks breath atomic dust
And drink the strontium waste,
They'll hae clever deils for bairnies
Dooble-heidit, dooble faced,
Like the fish that soom in the Holy Loch
The first three-leggit race.
Send the Yankees hame.

Certain of the ballads are in good Scots but most get by on a deft Glaswegian patois. There are two prolific authors. One is a Glasgow modern languages teacher, Maurice Blythman (who is also the poet, Thurso Berwick), and the other is Jim McLean, aged 24 and recently departed from Glasgow to see the world, meeting his expenses by playing the bagpipes.

The anti-Polaris repertoire is too new to excite real attention from academic folk song collectors. In the past, experts like the American, F. J. Child and Scotland's Marjorie Kennedy Fraser tended to assume that folk music was exclusively rural because they knew little themselves of industrial society or working class activity. It was the later Americans, John and Alan Lomax, who first sought and found the railroad, hill-billy, and general pioneering ballads that the opening-up of the United States produced in profusion. In Britain it took even longer to realise that rural work song (in Gaelic, Scots, or English) could have its genuine industrial counterpart.

Scotland itself, despite being one of the great European repositories, was slow to appreciate its wealth of this kind of folk song. It was not until 1951 that the School of Scottish Studies (currently directed by a Manxman) was founded at Edinburgh university on the model of the Irish Folklore Commission. Among the school's traditional collectors is Hamish Henderson, a wartime intelligence officer with the 51st (Highland) Division, who is also knowledgeable on modern political-industrial songs (he has himself written a splendid ballad on John Maclean, the Clydeside political agitator who died in 1923). He has traced and recorded rare songs, some of them thought to be extinct, taking "The False Knight Upon The Road" from a 19-year-old tinker at a Blairgowrie berry-picking in the early 1950s. Tinkers, outside the Gaeltachd and often in it, usually know the best of the traditional ballads. The School of Scottish Studies has discovered several young ones, still only in their twenties, who can sing the great classical ballads as they were sung generations ago. Jeannie Robertson, in her middle fifties, has some that only she knows, and the hundreds in her repertoire were learned either at her mother's knee or in travelling through the north-east Scotland of her youth.

PAUL ROBESON'S fondness for Scotland may have an ideological content, but it derives partly from his insistence that primarily he is a folk singer. He enjoys the anti-Polaris stuff, hopes to go collecting in the Western Isles some day, and is adamant that "no intellectual can compose greater music than the people have done over 5,000 years." Backed up by the reputation of Jeannie Robertson, John Strachan (who farms at Fyvie—devotees know the name well) and Dr Alan Macdonald of Skye, there is now a corps of balladists, professional and amateur, who make their music at the drop of a hat. They write and sing about such events as the reiving of the Coronation Stone of Scottish nationalists, the troubles of Glasgow Rangers and the Celtic, the Polaris base, and the Auchengeich mining disaster in which 47 Lanarkshire colliers were killed in 1959. The first ballad about that disaster was being sung within weeks, the type that might have come from Ewan McColl (from Stirlingshire, where he was born Jimmy Miller) who is both playwright and prolific folk song author.

All this activity should not be confused with the bastardised skiffle groups who in the nineteen-fifties were born in city basements and cellars and strummed guitars to simple pop-ditties commercially commissioned. But even that outburst, although a pseudo-culture, is not to be despised. It helped to revive an awareness that music can be made without juke-boxes or orchestras and folk song has often subsequently emerged where skiffle began. In Glasgow in the past year three folk song clubs have been founded. Audiences of up to 200 throng their weekly sessions, and Pete

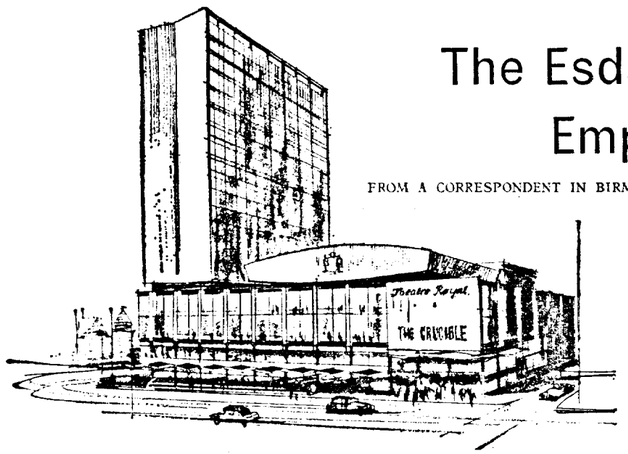
For English reviewers:
[1] Women of the town. [2] The constabulary.

Seeger, the American who avidly collects Scots songs, packed 2,400 people into St Andrew's Hall for a concert last winter.

Radio and television have actually jumped on to the bandwagon —in a decorous way. The BBC's *Tonight* programme leans heavily on Negro and Scottish singers, like the Glasgow pair, Robin Hall and Jimmy McGregor. The main danger, however, lies in the version chosen for broadcast becoming accepted as a sort of authorised version, although it may not be the best of many forms of the song extant. All in all, it looks like a healthy revival of what was thought to be a dying art. Glasgow is not, of course, the only place that fosters this spontaneous combustion. But with the anti-Polaris bards contributing so powerfully to the general movement it almost seems that some CND members thank their stars to have the Americans in Holy Loch.

The Esdaile Empire

FROM A CORRESPONDENT IN BIRMINGHAM



BIRMINGHAM'S reputation as a kind of cultural Sierra Leone, a theatrical players' graveyard, stems largely, one suspects, from being too near London. The Midlander has been able to rely on seeing established successes on Shaftesbury Avenue after a two-hour journey to Paddington.

Not that the city's reputation is altogether deserved. Until Moss Empires decided that to sell the Theatre Royal and let Mr Jack Cotton build a Woolworth superstore on its site was more profitable than keeping the theatre open, Birmingham boasted five theatres to give a cultural gloss to its "Second City" claim—one based all too often on mere numbers.

The Royal itself was the latest in a line which had stood on the same site in New Street, the principal shopping thoroughfare, since 1774, though as a building the last Royal was merely inconvenient-Edwardian. When Moss Empires announced the sale of the Royal its then managing director, Mr Val Parnell, promised a magnificent new theatre ready for the support of "our Birmingham friends" as soon as the Royal closed its doors.

Before the Royal closed in 1956 he was admitting he had no idea when the new theatre would be ready, and Moss's Birmingham friends have probably declined greatly in number as the weary series of negotiations with Birmingham corporation over the rebuilding dragged on. A site stood waiting on the fine new inner ring road. Developers were announced (though not named) ready to build a theatre for leasing. The delays spread their tedium over five years while the corporation made concession after rent concession and Moss repeated that none of these allowed it to operate economically.

Now the new theatre is to be begun next autumn—without Moss Empires' help. Cutting its losses, the city public works committee last year advertised for developers, and after rejecting the five original schemes, accepted one from Atlas Securities, Ltd., whose chairman, Mr Alfred Esdaile, is a former actor who played Birmingham theatres in his time.

HIS scheme spreads the theatre's costs over a comprehensive development, including tavern, restaurant and night club, with the rents from shops and offices (15 storeys towering above the theatre foyers, with more alongside) helping to subsidise the theatre. By a series of financial arrangements Atlas is paying ground rent for 99 years and rack rental which exactly meets the £55,500 which the corporation will pay annually for the rental of the theatre fully fitted and equipped. Birmingham is thus getting its theatre at simply the cost of the site (which many people rightly regard as not inconsiderable). Atlas undertakes to find a satisfactory operator.

Mr Esdaile has since announced his intention of building theatres in Lancashire and Yorkshire (speculation has fastened on Manchester and Sheffield), as well as the Prince Charles in Leicester Place and the new Ballet Rambert home in Notting Hill. He even told shareholders at the annual meeting the other day that prospects for investment in theatres are good.

His new Theatre Royal, seating 1,800 people, will stand almost cheek by jowl with the famous Birmingham Repertory Theatre, one of whose distinguished graduates, Dame Peggy Ashcroft, will lay the Royal's foundation stone. Dame Peggy serves with Mr Esdaile on the council of the English Stage Company, whose home, the Royal Court, is owned by the London Theatre Guild (chairman, Mr Alfred Esdaile).

Birmingham waits with interest to see what Mr Esdaile's operating company (not so far named) will offer it. With the loss of the old Royal and the closing a year or two ago of the Aston Hippodrome after a decline prolonged by an unvarying diet of striptease, the city now has three theatres.

By far the most famous is the smallest, the Repertory Theatre, founded in 1913 by the late Sir Barry Jackson "to serve an art instead of making that art serve a commercial purpose." Its tiny building, seating 464, will vanish under redevelopment; the new "Rep." will stand in the new civic centre area half a mile away despite the pleas of the public works committee who wanted to create a "theatreland" around the new Royal.

Both the other theatres stand within a long stone's throw of the site. The Alexandra, basically a repertory and pantomime theatre of high professional repute, but which has two touring seasons a year, is the creation of a distinguished father-and-son management; its enlightened chief, Mr Derek Salberg, deserves wider fame for the standards he sets and maintains in his 1,500-seat theatre.

Birmingham Hippodrome, built last century as an unashamed music hall, is Moss's remaining Birmingham theatre, seats more than the other two put together (2,070), and has had an uneasy time putting up pretensions recently as a general purpose theatre (Sadler's Wells "Orpheus," for example, played to 37 per cent capacity). Moss Empires now seems satisfied to offer its Birmingham friends an unbroken diet of pantomime, musicals (including "Student Prince" and "Desert Song") and packaged variety shows between December and the middle of June.

Whether Mr Esdaile, in the present state of touring shows, will be able to offer much more without descending to the antics of the latter days of the old Royal (three weeks of top-price ballet followed by a mediocre bedroom farce at bottom prices) is an alarming question. If he succeeds, will the Alexandra lose some of its touring shows? And even more pertinently, what will happen to the Hippodrome, which Mr Leslie A. Macdonnell, Moss's managing director, has said he will refurbish extensively?

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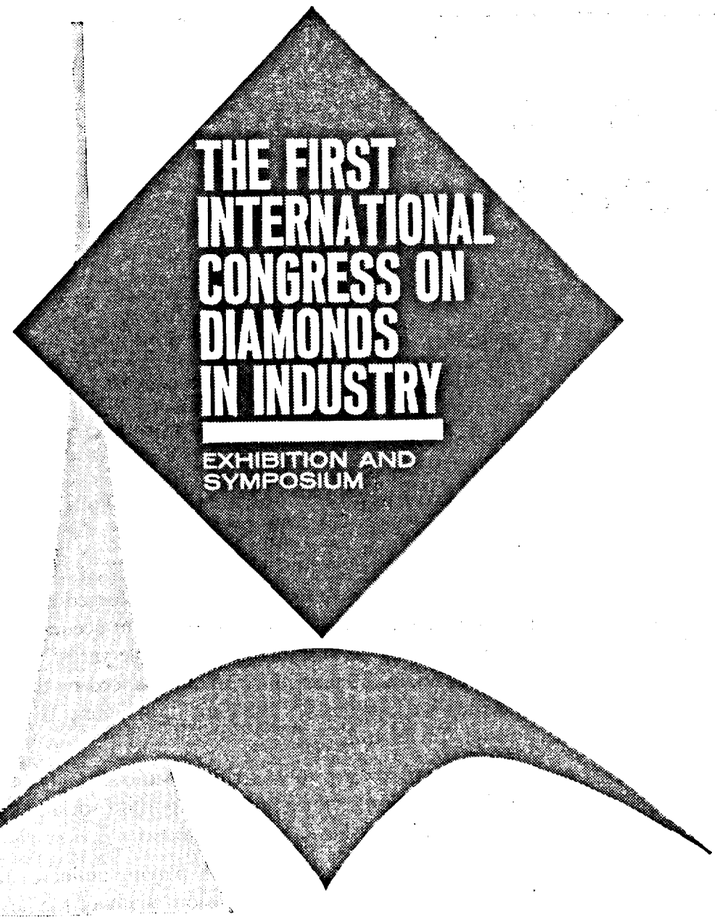
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The Nore Pirates

FROM OUR SPECIAL CORRESPONDENT



OFFICIALLY, British territory ends three miles to seaward of any British beach and, theoretically, one may do pretty well as one pleases beyond that limit: there is no law to prevent one exploding a do-it-yourself A-bomb, or starting a nudist colony on the retired *Queen Mary*, or drilling for oil, or erecting giant hoardings condemning the desecration of the countryside. At least four people have seen in this surprising freedom from interference the opportunity of starting up commercial broadcasting (whatever the Pilkington Commission may say) and two of them are in that state of preparedness in which daily bulletins are given to the press and sometimes published.

There is hoary precedent for such bureaucrat-baffling enterprises: gambling ships off the American coast, drinking ships off strictly licensed countries, other pirate broadcasting ships off the Low Countries. Ideally, one's cheaply bought but preferably seaworthy hull is packed with low-power diffusion equipment, steamed or towed three miles offshore and anchored ; and if one can find an estuary which thrusts into the heart of a thickly populated area and is at any point wider that six miles, so much the better. It is no wonder that the two pioneers have chosen the Nore which, if things go well, faces the prospect of a fleet of small ships jostling for air-space.

The two prime movers in the present ventures, Mr Arnold Swanson of Thame and Mr John Thompson of Slough, were at one time acting in consort ; somewhere along the tricky line they parted and are now, if not enemies, bitter rivals anxious to deprecate each other's state of readiness and possible achievement. Mr Swanson is the more ambitious of the two: under the callsign *GBOK*, he intends to use his converted lightship to preach the gospel of whiter-than-white and light-up-a-gasper (interspersed with snatches of popular music and hourly news bulletins) 24 hours a day. His equipment, he claims, will give him a transmitting strength of 5 to 8 Kw and a range of 150 miles. He has invested between £80,000 and £100,000 ; but at £35 a minute for a "one-time spot," his advertising income ought comfortably to allay any anxiety he may have felt about wasting his money. He says that he is already turning down £250,000 worth of advertising money.

Mr Thompson's horizons are less uninhibited. In his 70-ton motor fishing vessel he hopes to maintain a 1 Kw transmitter with a range of 50 miles, which will just allow him to use his callsign, *The Voice of Slough*, without actually stretching a point. Nevertheless, he is not despondent: spots in his programme will cost £5 a minute which, broadcasting 12 to 14 hours a day, should bring him in £20,000 a year. Perhaps not surprisingly, both men are Canadians, not conventional Britons.

NATURALLY, all is not done without opposition: the BBC, the Post Office, the Musicians' Union and the Performing Rights Society are in varying degrees enraged by these breaches of the Postmaster General's careful regulations. There is little any of them can do to stop this gap in the solid wall of broadcasting practice: an international wavelength convention exists to obviate interference between stations, but not all countries are signatories to it, and it is with the flag of one of the outsiders that the Nore ships will be graced, if they are registered at all (Mr Swanson will probably be a Monegasque for the occasion ; but Mr Thompson hopes to evade the regulation requiring registration of everything over 15 tons gross). The Post Office has decided to refuse radio-telephone facilities to the "pirates," perhaps in the hope of disturbing their news services ; but at three miles an Aldis lamp will do as well if an undersea cable proves to be too expensive.

Customs regulations are not of much help to the establishment: there is no bar on taking tapes, discs, gramophones or anything like that out of the country ; nor, if they can be proved to be of British origin, is there any hindrance to their coming in again. An attempt by an equipment manufacturer to stop the sale of a transmitter was too late, since one broadcaster already had two. The BBC is baffled, and talks of serious interference with ordinary broadcasting (Mr Swanson on 388 metres and Mr Thompson on 306 both overlap foreign stations) ; but short of setting up a jamming station, there seems nothing it can do to halt this march through its ancestral fields (it harbours the hope, however, that the foreign stations will interfere sufficiently with the pirates' programmes to drive them out).

The Performing Rights Society has given in with as good a grace as it can, and has accepted a voluntary but unenforceable offer from both men to abide by the usual copyright payments for recorded material (of which they will use much more than an ordinary station, limited to a certain "needle time" each week). The Musicians' Union and Phonographic Performances Limited both abet the PRS in its work of protecting artists' interests, but they are powerless to interfere with what they see to be the end of man's ethics.

There is some hope for them. Neither "pirate" has the resources to produce the type of programme which makes Radio Luxembourg so popular ; if the British public does not like the programmes, that in turn would drive the advertisers out. And there are other possibilities: the wireless ships might be designated dangers to navigation ; or they may be seized for purely maritime offences ; or they may sink in one of the storms for which the Nore is notorious. Or they may never even begin: at the moment, Mr Swanson languishes in a mud berth, settling lower and lower as he waits for a great spring tide to float him out of Britain ; and nothing has been heard of Mr Thompson for weeks.

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THE WORLD OVERSEAS

Battle for Peace

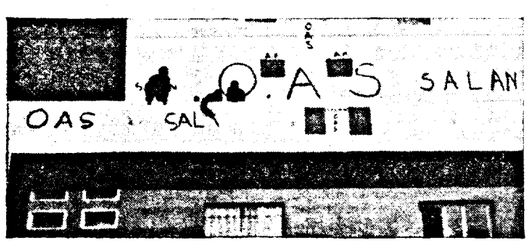
FROM OUR PARIS CORRESPONDENT



PEACE did not descend on Algeria with the ceasefire on Monday. The illusion was kept up for a day as Paris, half-astonished, rejoiced over the news of quiet from Algeria. Yet even that silence had a double meaning. In the Arab quarters, nationalist (FLN) stewards kept the crowds quiet and prevented mass demonstrations of joy. In the European districts, it was the silence of a deserted city, paralysed by strikes. By Tuesday afternoon, the OAS (Secret Army Organisation) had broken the silence and the illusions. Mortar shells fell on a crowded square at the entrance to the Casbah in Algiers, killing and wounding dozens of Moslems. All reports agree that, but for the discipline and authority of the nationalist cadres, this horrible provocation could have precipitated a race riot.

The dangers threatening the precarious peace were thus immediately demonstrated by this and similar, if less spectacular, provocations. It was obvious from the start that General Salan's Secret Army would use methods such as these to sabotage the agreements. What is not certain is whether the nationalist cadres will always be able to keep their people in check. Nor is it certain that the Algerian government-in-exile, now reinforced by Mr ben Bella and his companions, will be willing to accept responsibility for this state of things for long. Although its own guerrillas have not surrendered their arms, they are not at present using them. Its terrorists have stopped their activities in the towns. The French can no longer justify their weakness by the difficulties of a struggle "on two fronts." The battle for peace is now plainly the battle against the Secret Army.

Who is to carry on this struggle and how was not clearly defined in the Evian agreements (see the next article). It is hoped in Paris that Algeria's provisional institutions will be set up next week. The provisional government should have at its disposal an Algerian police force of 40,000 men. Their recruiting is not a major problem. There are many more Algerians who can be transferred from the French army and police forces, though there will certainly be a shortage of officers. But, although this is not specified in the agreements, French sources suggest that the new Algerian police force will be used only in the countryside and kept out of the towns. Yet it is in Algiers and Oran, where he has the backing of the European population, that General Salan can operate most effectively. Paris may be reluctant to use Moslem troops against the European population, but does this mean that French forces will now seriously tackle the task for which, in the past, they have shown so little enthusiasm?



There are many possibilities in this ambiguous situation. The Secret Army may not prove capable of provoking a major upheaval. The Algerian nationalists may urge their troops to be patient for a few more months, promising that they themselves will crush the Secret Army after independence. Alternatively, the Evian agreements may be drowned in blood. The unknown in all these equations is the French army. For nearly four years now General de Gaulle has been striving towards a solution in Algeria acceptable to the bulk of his officers. He is now convinced of his officers' loyalty and obedience. The test has come, and on its outcome much will depend, not only in Algeria.

In the meantime, Paris is scanning anxiously the reports from Algeria and wondering about the future. This week the National Assembly held a special session, probably the last of the present parliament, to discuss the Evian agreements. It was a poor debate and understandably so. The opponents of the agreements spoke with passion of dictatorship and treason but did not press for a vote because they did not wish to reveal how few are General Salan's open sympathisers in the chamber. The advocates of the agreement, particularly the neo-gaullist deputies, were half-hearted. They were not allowed to forget that they, too, had been elected on the platform of *Algérie Française*. And the prospect of dissolution added to the general sadness. Few people outside the Palais Bourbon will shed tears over this impotent and mediocre assembly.

The expectations of a general election spring from General de Gaulle's message to parliament on Tuesday. On April 8th Frenchmen will, once again, go to the polls to approve the Evian agreements and grant him full powers to carry them out. The general does not need this approval, and if he required exceptional powers he could assume them under Article 16 of the constitution. Article 16, however, does not allow the dissolution of parliament and the general's choice suggests that he wants to keep that possibility open. Some gaullist strategists are against an early election, arguing that no miracle will give them a chamber more obedient than the present one. Most of the general's advisers, however, consider that the undoubted triumph in the peace referendum must be used rapidly as political capital to give a new lease to the gaullist regime. The choice will, naturally, be affected by events in Algeria. The battle for peace will also determine the next chapter in the gaullist history.

Consequences of the Peace

FROM OUR PARIS CORRESPONDENT

THE Algerian war, which started on November 1, 1954, officially came to an end at noon on March 19th. The negotiators at Evian, who at last agreed on the terms of a compromise which would make possible a ceasefire, also agreed that between June and September of this year the Algerians should go to the polls to decide the future status of their country. The referendum, however, will be only a formality designed to conceal the fact that the French government is transferring power to the nationalist government returning from exile. In practice, it is with the Algerian nationalists that the French have agreed on the future relations between the two countries and on the guarantees for Algeria's European population. The Algerian electorate will be asked simply to endorse the formula of "independence with co-operation," advocated by the two contestants turned partners. The main points of the contract reached at Evian are analysed below.

Economic

Independent Algeria will have its own currency and other attributes of economic sovereignty. But it accepts, in advance, certain limitations. Algeria will remain within the franc area. It will allow free entry, or preferential treatment, for French goods and, subject to limitations, the free transfer of funds. The Algerian government binds itself not to discriminate against Frenchmen (whether they get naturalised or not) and to respect existing property rights. "A just and previously agreed compensation" will have to be paid in cases of expropriation. France, in turn, will allow Algerian workers to send money home and will maintain a privileged position for Algerian food exports. Above all, the French government promises to maintain its economic and technical aid at its present level for at least three years. It will be extended if all goes well.

> From the French viewpoint, this is the basis of the whole edifice. In its present structure, Algeria is dependent on foreign investment for its development. Its exports do not pay for its imports and they are tied to the French market. (Until 1960, when oil made its appearance, wine, fruit and vegetables accounted for over 80 per cent of Algeria's exports.) It is in this dependence that the French see "the guarantee of guarantees." The principle of non-discrimination would not be enough to protect the privileged European minority. What the French hope is that they will be able to slow down the process of transition in return for financial aid. Thus, for instance, the French will pay compensation to Europeans affected by land reform; they will also have a say in the terms and pace of that reform.

The problem of the Sahara did not block the second Evian conference as it had blocked the first. The French have admitted that the Sahara is a part of Algeria. In exchange they have obtained quite favourable conditions. All concessions and permits granted up to now remain valid. The French oil law (the *code pétrolier saharien*) remains operative. A mixed Franco-Algerian body (with both partners equally represented) will supervise the management of the Sahara's mineral wealth. For the next six years French companies will have priority over others when applying for exploration permits and other concessions. Finally, shipments of oil into France and the franc area will be paid for in French francs.

> Saharan oil production reached nearly 19 million tons last year. It is expected to top 24 million tons this year and to reach between 35 million and 50 million tons by 1965. It is hoped in Paris that oil links will strengthen still further the economic integration on which all the other guarantees depend.

Military

Within twelve months of the referendum (that is, of Algerian independence) French troops must be reduced to 80,000 men. These, in turn, must be evacuated within the next two years. The only French soldiers then remaining on Algerian soil will be confined to military bases. It is confirmed that France will be granted a 15-year lease for the naval base of Mers-el-Kébir and the use, for five years, of bases at In Ekker, Reggane and Colomb-Bechar.

> M. ben Khedda, the Algerian leader, claims that the lease of bases does not affect his government's neutralist position. A clause stipulates that the bases cannot be used "for offensive purposes." This could lead to differences in interpretation. Difficulties are even more likely to arise over nuclear tests. There is no specific provision authorising France to carry them out in the Sahara, and the words of the Algerian spokesman at Evian suggested that it might not be allowed to.

Political

After the referendum, sovereignty will be transferred to Algeria (a constituent assembly is to be elected within three weeks). One of the main tasks of the French negotiators was to obtain guarantees for Frenchmen in the Algeria of tomorrow, and the agreement is full of safeguards. Europeans (including Jews) will have three years to decide whether to opt for Algerian nationality. In the meantime they will enjoy the rights of full citizens. Precautions have been taken to protect the European minority both during that period and after. There are provisions for linguistic, cultural and religious freedoms, for property and other legal rights. The minority must also be assured of proportional representation in all the political institutions (the towns of Algiers and Oran will have a special statute for four years). Finally, those Europeans who choose to keep their French nationality will also be protected against discrimination by a special convention.

> All these safeguards are impressive on paper. How will they be applied in practice? The French insist that the agreement must be viewed as a whole and that the political guarantees rest on the economic foundations. Indeed, the question really is whether the attraction of French financial aid will induce the future government of Algeria to resist the pressure of Moslems thirsting, if not for revenge, at least for rapid change.

Dangerous Interlude

But the immediate concern is over the crucial period of three to six months preceding the referendum. The agreement has created a certain duality of power during this interim period. In principle, France still keeps full sovereignty; its high commissioner —M. Christian Fouchet—has control over the French forces and is responsible for defence, foreign affairs and, "in the last resort," law and order. At the same time, the predominantly Moslem provisional executive of twelve delegates has been given prerogatives over home rule. The two authorities coincide—or clash—in matters concerning the maintenance of order. The executive has been given the command of a *force de l'ordre* of 40,000 men, later to be increased to 60,000. Only if it cannot cope with the situation, and if it agrees, can the high commissioner bring French forces into play.

> The *force de l'ordre* was not ready at the time of the cease-fire. When will it come into being? What will be the relationship between this Algerian police force and the French army or between the Algerian executive and the French high commissioner? Time is important in this battle for peace. Some of the difficulties are reviewed in the previous article, but the answer to most of the awkward questions depends on one's estimate of how a seven years war ends: with the whimper of reluctant officers or with the bang of the Secret Army.



M. Louis Joxe



Bel Kacem Krim

Roget on the Lower Slopes

FROM OUR SPECIAL CORRESPONDENT IN GENEVA

BY April 1st the decision will have been taken. All the signs noted in the *Journal de Genève* point to a crushing defeat of the "anti-atomic initiative." Of course this refers to the impending national referendum on a proposal that Switzerland should irrevocably renounce nuclear arms. A less clear-cut prospect lies before the Geneva disarmament conference.

Geneva's most obscure field of activity lies outside the edge of the conference proper. It is the continuing series of informal talks on Berlin, mainly between Mr Gromyko and Mr Rusk (who has kept his Berlin advisers here with him after the departure of their British counterparts); and Lord Home has now arranged to come back here next week after another brief absence in London. No sign of "give" has been observed in the conversations on Berlin, and the famous piece of paper that the Soviet minister passed over to the Secretary of State on Monday is now understood to have been of no particular significance. But while the Americans appear resigned to the probability that no change will have been registered on Berlin when Mr Rusk and Mr Gromyko part company here, their ears remain cocked for any hint of a change in Soviet foreign policy that might emerge after the communist leadership's recent conclaves. So far they seem to have picked up no faintest echo. Probing, however, is not yet altogether at an end.

America, Russia and Britain are also back in business again as a threesome for discussion of the banning of nuclear tests. Wednesday saw the first meeting of the three as a subcommittee of the 17-nation conference—with a spare seat ready for France, as in the full conference itself. Before getting too heartened by Russia's acceptance at last of the Anglo-American proposal for three-power talks on this question within the conference framework, one must however note that when Mr Gromyko accepted, he already had plentiful evidence of promisingly exploitable divergences between the two western allies.

In context, these divergences may seem a bit academic. Mr Zorin spelt out on Monday Russia's refusal to put any test ban treaty into effect until France had signed it. The French government has made it equally clear that it will accept no test ban that is not accompanied by an agreement to halt production of nuclear weapons and to make a start on cutting down stocks of these weapons. Unless one of these two complementary obstacles is cleared away, there thus seems no present prospect that a test ban unaccompanied by substantial measures of disarmament could be achieved, even if the new subcommittee could solve the riddle now known as clarification of verification.

In a Lenten week, however, the meatiest dish for both press and delegates here has undoubtedly been the steadily denied but still presumptive, if not apparent, air of disunity between the Americans and the British—not to mention the penumbral spread among the eight non-aligned nations in the conference—in regard to the watch on the ban. Roget of the Thesaurus should be living in Geneva at this hour, as semantic disputation whirls round the nice nuances of such words as safeguards, controls, inspection, detection, verification, identification and information. Each delegation's choice of terms is being scanned through powerful lenses. Those who have chosen to say nothing on the subject are scrutinised most closely of all. The 700 pressmen congregated here are in themselves a sizeable international inspectorate; but of course all they can see here is verbiage.

Soviet spokesmen have repeated almost daily their unchanging and total rejection of the Anglo-American proposals for verification of a test ban treaty's fulfilment. These proposals, in their latest modified form, were formally presented to Mr Tsarapkin last Friday and were at once rejected. The Russians have stuck to their firm opposition to any kind of internationalised system of surveillance, arguing that they and the Americans are now well equipped to detect each other's nuclear bangs and for that matter anybody else's. While the Americans are thus partly victims of their own detective efficiency, the Russians rather oddly deny it the final accolade; Mr Zorin on Monday rather clumsily dodged a correspondent's inquiry whether he would give a precise total figure of Soviet tests to confirm whether the American monitors had got it right.

The non-aligned delegations' pressure for the scaling down of the western terms for verification emerged first when Brazil's foreign minister suggested that all except underground explosions could be adequately identified from outside the country concerned. On Tuesday Mr Krishna Menon proposed that the nuclear powers' own monitoring systems should be supplemented by additional stations in non-aligned and other non-nuclear countries, operated on either a national or an international basis, and serving to provide an objective and presumably trustworthy body of scientific evidence. He saw no need for stations on American or Russian soil under foreign control. After the flutter this caused, the silence on the same theme of Dr Fawzi, who spoke on Wednesday, seemed deafening.

Although Lord Home had spoken before Mr Menon, the foreign secretary's challenge to Mr Gromyko to say whether nationals of non-aligned countries were unacceptable as members of inspection teams was at once linked with the Indian thesis. Lord Home's omission to mention that Britain shared the American view that international posts on Soviet and American soil were essential caused lively comment, but a British spokesman filled the gap before Tuesday was out. Lord Home's insistence on inspection teams, however, caught fewer American eyes than his stress on British readiness to help work out the "absolute minimum" of essential verification. The United States delegation, caught in crossfire between a home public opinion and Congress that are wary of any new commitment that might help Russia to steal another lead like last September's, and obvious British and neutral anxiety for an early test ban, has been sticking to its position but developing a more persuasive kind of language. The Americans may be somewhat fortified in their apparent resolve to hold tests next month if no substantial Soviet concessions on verification come through—despite new appeals from Mr Nehru and others for no testing during the Geneva conference—by Mr Zorin's refusal to be drawn into any hint that Russia would walk out if American tests began. They also seem pretty sure that the Russians want to hold a further series of tests soon and are likely to do so whichever way things go.

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PROJECT 304

The story of the great
Shell Chemicals
Sculpture Competition
by A. N. Other – Carter

Chapter Four:
Mr. Carter's Invitation

The press party given by Cosmo Fanlight, TV panelist, publicist, articist ('I'm not a dilettante, boy, I'm a dilettoncle') to launch the competition for a sculpture *The Spirit of Shell Chemicals* was the biggest attempt since the opening of Keele College to bridge the gap between C. P. Snow's 'two cultures'. I saw men like Carter from Ketones, Carter from Xylenes, Carter from Low Pressure Waxes and Greases (an absolutely top chap on Vapour Phase Chromatography) chatting animatedly with sculptors ranging from dear old Henry Jollifant (famous Bohemian, one of the oldest Savage Club members, scores of Boer War memorials and provincial mayors to his credit) to the saturnine Max Grob, leader of the fashionable Destructionist school.

Carter from Ketones was with Professor Hugo O'Bapchild, the well-known professional Irishman, one of the three-man judging panel (the others were Fanlight and bearded, scholarly, waspish Benson Benson, critic and author of *Negative Form; Towards a Non-Sculpture*).

'The divil you say!' roared O'Bapchild. 'Twas a Cork man was telling me only yesterday how he used dieldrin against cabbage root fly, leatherjackets, cutworm, weevils' (he pronounced them *wivils*) 'and all the other little divils——'

'Yes, Professor, but to return to your point about Rodin's *Enfer* sequence' Carter from Ketones was saying, when there was a call for silence again for Mr. Carter, one of our directors.

'Dear sculptors and sculptresses' he said, 'as I moved around among you tonight, many of you seemed so interested in the way modern refinery processes of 'cracking' oil, producing large quantities of gases, the source of ethylene, propylene, butylene and other substances from which we get plastics, insecticides, synthetic rubber and I don't know what-all, that I have telephoned Transport, and a large fleet of luxurious limousines, many equipped with bars, now waits outside to speed us all through the night to Stanlow in Cheshire, Carrington near

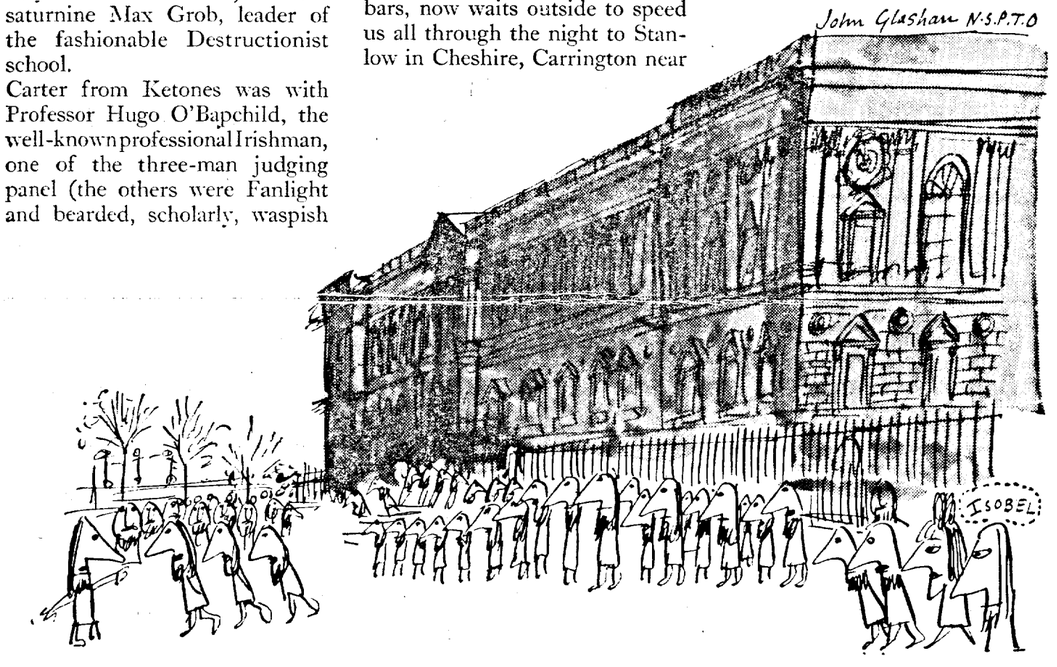


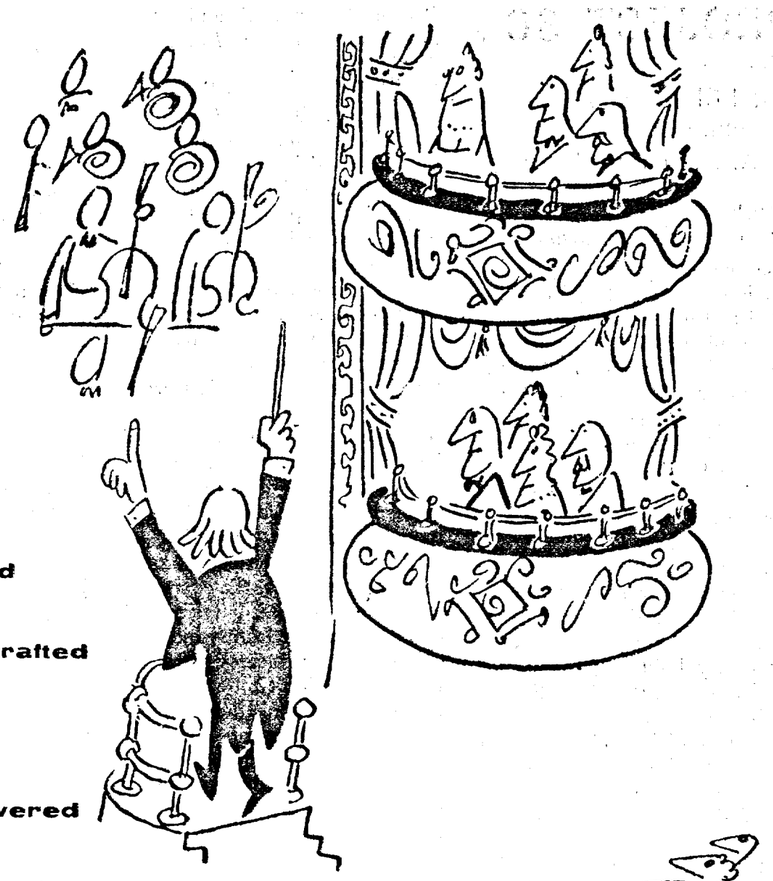
Manchester, or Shell Haven in Essex, where many marvels are accomplished on behalf of farmers, paintmakers, papermakers, bridge-builders, garage men, packaging men, in fact I might say the entire human race, as represented in these industrialised islands. Kindly arrange yourselves in parties of from four to six.'

From the corner of my eye I saw Isobel (ah, Paris! Those mad student days!) join the party led by Carter of Ketones . . .

Do not miss Chapter Five:
'Mr. Carter
and the Three Hard Men'

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The Americans have had a rather better first week on the general disarmament front. Soviet spokesmen have kept up a daily bombardment of thumping declarations that this conference ought to concentrate on their programme since it is the only plan yet tabled with full ceremony and elaborate detail. Mr Menon, Dr Fawzi and other non-aligned delegates have, however, consistently argued that the American programme of last September, as newly elaborated by Mr Rusk here, should also be taken as a main starting point for discussion. Non-aligned countries may have been more attracted by the American approach—inviting them to help reconcile the rival plans—than by Russia's way of brushing alternatives aside without real examination and of offering the conference something suggestive of a *fait accompli*.

Nuclear-free zones, although mentioned by most speechmakers, have been less prominent in the scheme of things than a week ago, for all Mr Rapacki's efforts on Wednesday. Dr Fawzi and Mr Menon both struck notes of caution on this subject, while Mr Unden's position was complicated by the rather unexpectedly restrictive conditions that his own government had just formulated in reporting to the United Nations on its attitude to the non-nuclear club idea sponsored by Sweden itself. However, the need to translate into practice the principle unanimously agreed on at the UN Assembly, on Irish initiative, that the spread of nuclear arms to further countries should be checked, was stressed by Mr Rusk, Lord Home and others, notably Mr Green, Canada's foreign minister, whose speech on Monday was a notably crisp analysis of the conference's task.

By Monday afternoon Mr Menon and Mr Green had got the conference launched on a series of informal meetings of all seventeen members in which a real dialogue, including—to Mr Gromyko's evident distress—direct questions and sometimes even answers, began to emerge. This withdrawal into down to earth privacy did not of course mean an end of all access to a public platform ; the Russians in particular merely multiplied their press conferences. But this early plunge into daily confrontations, in which many evasive slogans and hazy concepts may be at last either properly defined or exploded, was a heartening move.

Unfortunately, as soon as Mr Menon was safely on his way to India on Wednesday evening, the Russians declared their opposition to informal procedures more forcefully and brought into doubt the whole future of these promising free for alls. With the foreign ministers, their formal opening speeches completed, now withdrawing one by one, the conference seems headed for one of those familiar and discouraging procedural scuffles. No clear vision of a summit is visible from the shores of the Lake of Geneva ; although the visitor's eye is caught by several likely looking peaks, Mont Blanc itself has remained veiled this week. Even so, here on what Lord Home might call the lower slopes there is visibly a lot of enlightening instruction to be acquired by all concerned.

Zanzibargaining

FROM OUR CORRESPONDENT IN NAIROBI

It now seems clear that the Kenya lion, shackled with tribalism, will be the last across the line in East Africa's race for independence. Even Zanzibar, which came out of its clove-scented torpor only five years ago, has slipped past Kenya ; the constitutional conference that began in London this week could bring it independence in October, at the same time as Uganda, or at any rate soon afterwards.

Unlike the Kenya African parties, the rival leaders in Zanzibar have eased Mr Maudling's lot greatly by reaching wide agreement before flying to London. This is a considerable achievement since the parties are divided racially rather than tribally. The governing Zanzibar Nationalist party has the support of the island's 40,000 Arabs as well as of Africans attracted by the liveliness of its organisation in the early days of party building. The Afro-Shirazi party has aimed its appeal at the poorest of the 250,000 Africans, attacking the Arab plantation owners and reminding its supporters that two generations ago these families were mostly slave owners as well. The small Zanzibar and Pemba People's party, remembering the parts of its ancestry which were either Persian or African freemen, has been less anti-Arab and has held the balance precariously. Separate trade union organisations loyal to the Nationalists and the Afro-Shirazis are staging a battle at workers' level. And although the Foster-Sutton commission, which inquired into the election riots last June when 68 people were killed, declared the causes were not " overwhelmingly racial," most islanders suggest that this was the phrase of a peacemaker.

Nevertheless in talks under Sir George Mooring, the British resident, the three parties have agreed on several broad points. The sultanate is to be retained as a constitutional monarchy, a



Afro-Shirazi, Maudling, ZNP : before Kenya?

matter on which the ZNP is more enthusiastic than the rest. All moves towards an east African federation are supported and in this the Afro-Shirazis are the most eager. They have been loosely allied with the Tanganyika African National Union for some time, while relations between Tanganyika and Zanzibar have worsened since the ZNP formed the government last June ; the immigration of mainlanders has been more strictly controlled and in reprisal Arabs are required to carry passports and post a £50 bond before entering Tanganyika. Thirdly, the parties have agreed to remain in the Commonwealth.

The main point of difference is whether there should be another general election before independence, the third in two years. The ZNP leaders, with more suavity than democracy, say it would only harm race relations. They claim that the tension which was created by a hairsbreadth election in January, 1961, when the result turned on a single disputed vote, and which was increased by the June riots, is still strong. They point for proof to the continued state of emergency and the presence of a detachment of Gordon Highlanders. Their solution is to form a national government of all three parties and hold elections (if necessary) later.

The Afro-Shirazis see this as a trick. For months they have brooded over the election figures and are convinced that Britain has been in league to deceive them. Why, for instance, did the resident add another seat to the 21 proposed by the commissioner, Sir Hilary Blood, and one which was a gift to the Arabs? Why, after the January deadlock, was yet another added which swung the victory to a coalition of the other parties although the Afro-Shirazis had a majority over the others of 1,082 out of 90,000 voters ? The Afro-Shirazi leader, Sheikh Othman Sharif,

strengthens the argument for another election by saying it should be held on the basis of adult suffrage. The ZNP suggests this would only add another 5,000 voters to the rolls, but these enrolments, together with a delimitation strictly by population, would probably be enough to put the Afro-Shirazis firmly in power without the need of any coalition.

The present government has done little either to aggravate or alleviate racialism, and thereby alter the long chances of achieving a coalition which must now be the island's best hope. Another budget deficit has stopped any big plans for new secondary schools which the Nationalists promised at the hustings. But they have made school opportunities more equal, acting in favour of African children. They explain that continued Arab dominance in the administration is not their design but is due to the lack of qualified Africans. In any reform that might dissipate racial feeling the government is hampered by poverty. With a budget of less than £4 million, and an economy so dependent on cloves, the margin of expenditure is tiny. Holding a conference and possibly an election in one year, let alone the necessary raising of a mobile police unit, becomes a large consideration.

But the clouds may roll away. Oil is the magic word at present. BP Shell, having dug three miles deep without reward on Zanzibar Island, has returned after five years to drill on Pemba Island to the north. Hopes remain too that lengthy experiments with a new cocoa crop will bear rich fruit. If Britain accepts the Robertson report, Zanzibar will immediately have a windfall of nearly £1 million as the price of liquidating its claims to Kenya's coastal strip. The political parties and the Sultan have agreed in principle, although they hope to make an even better bargain.

Zanzibar has sometimes been described as "the Cuba of the Indian Ocean," on the strength of some students taking up Chinese bursaries and an official of each main party journeying eastwards. But the communist bogey will probably fade as Zanzibar becomes more closely linked with the mainland of east Africa (it is at present outside the customs union and takes part in the common services organisation only on an agency basis). The Americans, with a consulate and a tracking station, which checked Colonel Glenn overhead, are more in evidence. And the rivals for the title of first premier—the Nationalists' Sheikh Ali Muhsin, and the Afro-Shirazis' Othman Sharif—are graduates in agriculture and veterinary science. Mr Maudling can more reasonably hope that their approach to the many problems of independence will be earthy and sensible.

Focus on Southern Rhodesia

FROM A CORRESPONDENT AT THE UNITED NATIONS

WHATEVER the merits of the case, Britain may expect to find Southern Rhodesia in the United Nations limelight in the weeks ahead. During its post-Christmas session, the sixteenth General Assembly decided to inquire into the degree of self-government in Southern Rhodesia; it referred the matter to the Special Committee of Seventeen. This committee, whose members include Britain, the United States and the Soviet Union, was set up by the sixteenth Assembly to implement the resolution, adopted a year earlier, on the granting of independence to all non-self-governing territories and peoples. This resolution is regarded by many new nations as the greatest international action taken since the drafting of the UN Charter. Indeed, by most Asians and Africans it is felt to be an addition to the Charter itself.

When early this month the committee of seventeen met to organise its work, it found itself in a rather ironical position. Although charged with the task of promoting rapid independence, it was in fact a "Johnny-come-lately" among several other committees which were already working away at different parts of the same job. In addition to the Trusteeship Council and the Committee on Information from Non-Self-Governing Territories, there are the special committees on South-West Africa and Ruanda-Urundi; there is also one special committee on Angola and yet another charged with investigating all Portuguese overseas territories. In the circumstances it is hardly surprising that the committee of seventeen should have decided to begin work by taking up the one problem that had been specifically referred to it and not to anyone else—Southern Rhodesia.

The first round of the committee's discussion on Southern Rhodesia was pretty much a repetition of the earlier debate in the Assembly itself. The British delegate again stressed his country's inability to intervene in the domestic affairs of this autonomous state, and its consequent inability to report on the economic and educational progress towards full self-government there. The Indian delegate, on the other hand, again protested that Southern Rhodesia cannot be considered self-governing since the indigenous population has not really participated in the process of self-determination. Behind these two points of view is the question whether a United Nations investigation will strengthen the hand of the liberal forces in Southern Rhodesia or drive the matter further towards a South African situation. The United States, which believes that British influence counterbalances that of South Africa, fears that UN intervention may weaken British influence. But local nationalist leaders from Southern Rhodesia, who were present at the Assembly debates, discount this on the grounds that South Africa would not want to add to its present difficulties.

A number of petitioners from Southern Rhodesia have asked to testify before the committee, and the first of them, Mr Joshua Nkomo, president of the Zimbabwe People's African Union, was heard on March 16th. The chairman of the committee, Mr Jha of India, has been trying to set up a sub-committee to deal with the petitioners; but the Soviet member apparently fears that this would minimise the importance of direct testimony by local leaders. Sir Hugh Foot has made clear the British view that before petitioners can be properly heard, the committee should present proof that Southern Rhodesia is not self-governing.

All this skirmishing has slowed down the work of the committee. But whatever delays and manœuvres there may be, the committee of seventeen will be pressed to demonstrate its worth by energetically tackling the Southern Rhodesian problem; it will not lack controversial material.

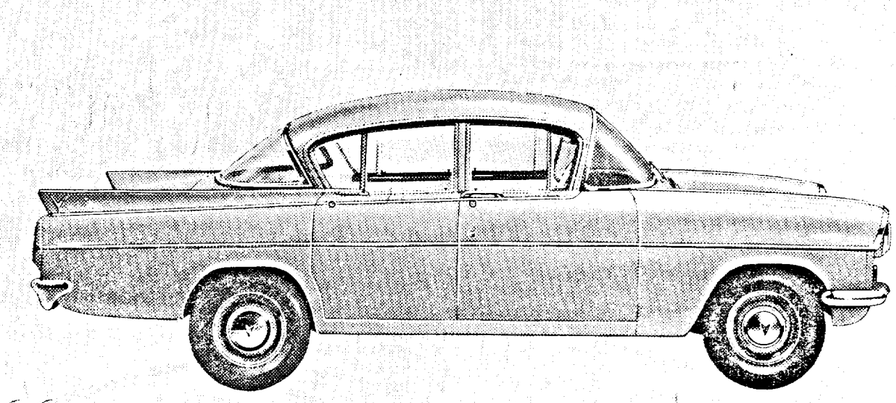
Syrian Patchwork

FROM OUR MIDDLE EAST CORRESPONDENT

THE Syrian government has high hopes for the country's economy in the coming year. These are based not so much on recent legislation designed to reverse trends started in the days of union with Egypt, but on the more elementary fact of good rainfall. The important mixed farming region of Jezira, which produces cotton and grain, has been well favoured, while in the Hama area, a stronghold of the land reform movement, rains have been three times as heavy as last year. Officials of the Syrian ministry of agriculture estimate that even if no more rain falls, the country will be self-sufficient in both wheat and barley. This is not quite so good as it may sound, since the deficit last year was covered by American surpluses, either given outright or sold on terms very favourable to the Syrians.

But, in their present optimistic mood, the Syrians are talking on the assumption that rain will persist on a comparable scale for several weeks more, which should make available a handsome export surplus of both wheat and barley. There is talk in Damascus of exporting these two commodities to a value of, perhaps, £25 million. This compares with a figure of about £20 million in the last good year, 1957. The chief difficulty may be to regain a footing in traditional markets after a three years' lapse. But

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A demn'd close-run thing, Edgar!

What race, Alfred?

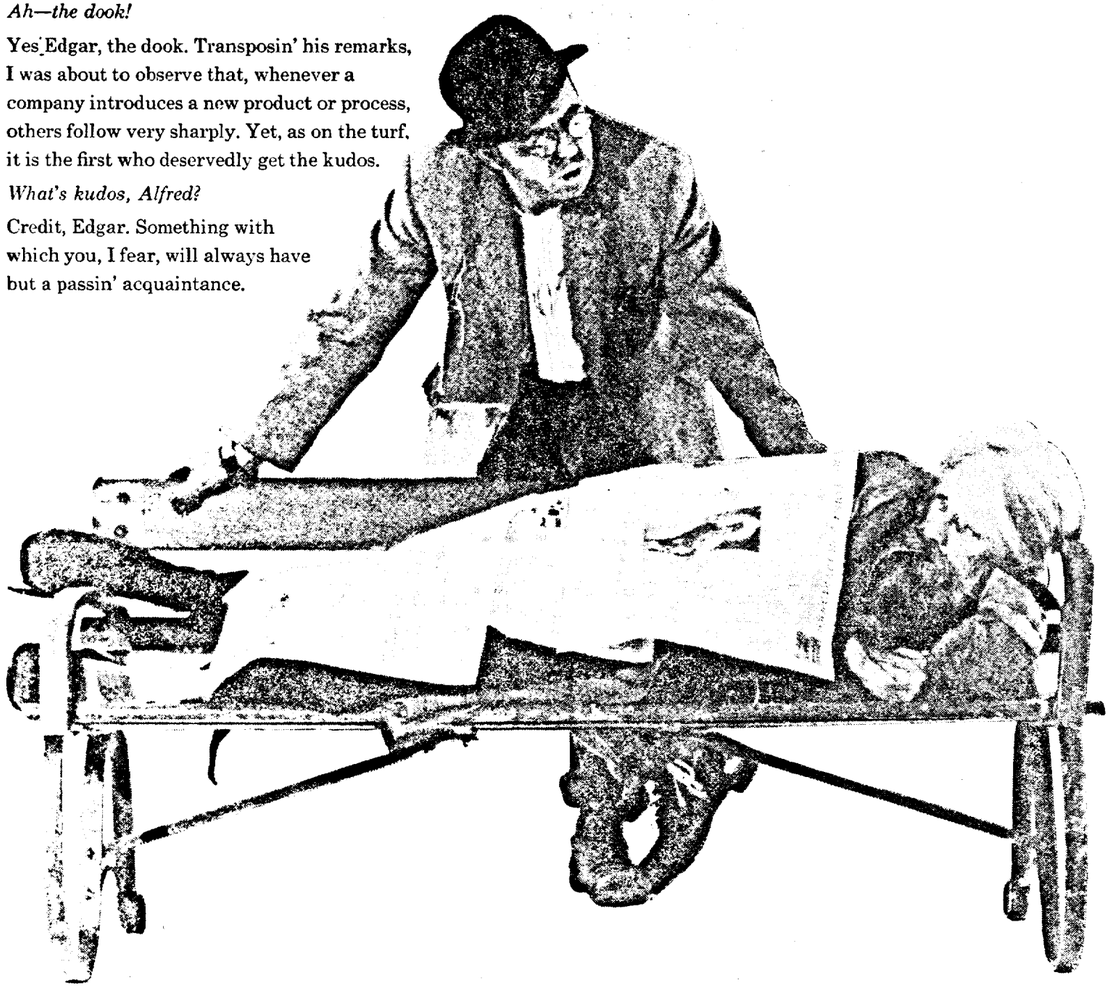
I was quotin', Edgar, the Duke of Wellington and was referring to the industrial race rather than to the sport of kings.

Ah—the dook!

Yes Edgar, the dook. Transposin' his remarks, I was about to observe that, whenever a company introduces a new product or process, others follow very sharply. Yet, as on the turf, it is the first who deservedly get the kudos.

What's kudos, Alfred?

Credit, Edgar. Something with which you, I fear, will always have but a passin' acquaintance.



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inquiries are reported to have come in, notably from Italy, already. Better relations with Iraq suggest that there may also be an improvement in the export of Syrian textiles, vegetables and fruit. An early result of these great expectations has been a more flexible policy towards the granting of import permits to relieve merchants hard-hit by the austerity programmes of the Cairo government before Syria's secession. These figures should be read against a total of less than £60 million for all Syrian exports last year, when no grain was exported at all. If the wheat and barley harvests come up to the levels hoped for, they alone should increase the value of Syrian exports by more than 40 per cent.

Against these high hopes, it is still much too early to forecast the impact on the economy of the industrial and agrarian legislation passed by the chamber of deputies last month in the face of vigorous opposition from Akram Haurani and his fellow-Socialists. The object of the new laws is to halt the progress of nationalisation decreed by the United Arab government last summer, and to mitigate the effects of land reform on the landowners. Government spokesmen promise a fair deal for capitalists and landowners without prejudice to the interests of the workers and peasants. The opposition argues that the proposed measures will curtail rights acquired by the workers in the past four years and involve the eviction of peasants from lands they have recently acquired. Until it is seen how the laws are applied, it is impossible to say which party is right.

There are, in fact, obscurities in both laws as they stand. In the larger industrial concerns, 25 per cent of the net profits are to be distributed among the employees, who are also to be given first refusal of part of the 60 per cent of the capital which, by the terms of the new law, must be offered for public subscription. Individual shareholdings are now limited to about £15,000, but there is apparently no provision to prevent capitalists maintaining large fortunes by acquiring the maximum permissible shareholding in each of several concerns. The government's effort is a patchwork, designed to please the business and landowning classes whose discontent brought it to power, without causing explosions of discontent among the workers.

The new agrarian law met with the hottest opposition in the chamber. It raises, in almost all cases, the maximum landholding permissible; and the gradations it establishes between the various types of land and irrigation systems, for the purpose of determining the maximum, are more sophisticated than those decreed from Cairo. But the real storm blew up over those landlords who were roughly treated under the old law, and whose cases now require reconsideration to bring them into line with the new system. The government offered them compensation either in the form of expropriated land equal in value to that which they lost (in terms of the new law, unjustly), or in the form of government bonds redeemable in three years from the date of expropriation.

Here, Akram Haurani seems to be on strong ground in arguing that compensation in the form of already expropriated land must entail the eviction of peasants. On the other hand, the government, by suggesting an alternative form of compensation, has left itself with an escape clause. One can only wait and see what actually happens on the ground. After the fiasco of the union with Egypt it looks improbable that any Syrian government will rush into new experiments of federation or union, whatever the social and economic pressures. There is a notable flirtation, political, economic and military, going on with Iraq; its high point being the mysterious frontier meeting last week between General Qasim and Syrian leaders. On the other side of the medal, the Syrian government, with obvious reference to President Nasser's lingering prestige, has introduced severe penalties for those convicted of publicly acclaiming the head of a foreign state. The Syrians are a notoriously volatile people; they are still capable of surprising their neighbours, and themselves.

BOOKS

Party Fare?

Party Politics. *Volume III: The Stuff of Politics*
By Sir Ivor Jennings.
Cambridge University Press. 503 pages. 45s.

The British Parliament
By Roland Young.
Faber. 259 pages. 30s.

Backbench Opinion in the House of Commons 1955-1959
By S. E. Finer, H. B. Berrington, D. J. Bartholomew.
Pergamon Press. 228 pages. 60s.

Parliament at Work
By A. H. Hanson and H. V. Wiseman.
Stevens. 369 pages. 35s.

ONE'S principal reflection after reading these four learned volumes on the British political system is of the greatness of Walter Bagehot's achievement in "The English Constitution." He succeeded in making constitutional law and history interesting and readable, and above all diverting. None of the present writers, worthy though they be, does that. The truth is that British politics do on the whole (the Suez crisis and unilateralist controversy excepted) conform to the dignified dullness which Walter Bagehot so sparklingly recommended. Sir Ivor Jennings, who in the present book brings his monumental survey of the political scene to its conclusion, evidently thinks that this is no bad thing. British politics, he concludes in "The Stuff of Politics"—which he defines as "the ideas and prejudices in the minds of politicians"—owe their stability to the degree of agreement and common ground that exists between the two major parties. He might have put it more astringently and explained that this is why (with the exception of enigmatic Liberal stirrings) they are stagnating. But Sir Ivor is not so censorious. With the experience of Ceylon behind him he sees virtue in quiescence.

In the course of his book he analyses amongst other concepts liberty, nationalism, Ireland, the welfare state and socialism, and his judgments are sound enough. They are not original and they are not stimulating. Perhaps the best chapter in the book is the one on liberty where he shows that the English have generally thought in terms of concrete "liberties" rather than been dominated by abstractions. The Bill of Rights and the very inglorious revolution mark the high point of English pragmatism. Few would be found to disagree with his analysis of British socialism. He shows that the Labour party is essentially a working-class and trade-union epiphenomenon and owes more to Christianity than to Marxism. But this was known before. Some of his historical judgments are a little breath-taking such as his statement that in the Elizabethan period "there was no difficulty about rooting out Roman Catholicism," and on the whole he is more at home and more illuminating in the legal and constitutional sections of his study. Certainly he has established himself in his publisher's words as "the standard twentieth-century authority on British Constitutional History, Law and Practice," and we, and he, must be content with that.

Mr Roland Young does not intend his modest book to vie with Sir Ivor's "Parliament" and indeed seeks to find an excuse for having written it at all. He gives the perfectly adequate reason that he finds parliament of compelling political interest. The

same cannot unfortunately be said of his book. His judgments, though they cannot be faulted, are not illuminating. To say of the political process that "The final prize is command, when a party has achieved the strength and the ability to organise the Government and make the effective decisions concerning public policy" is obviously true, but one hardly needs to be told so. He is sympathetic to the British parliament but errs on the side of partiality. Perhaps as an American he is too diffident to criticise a foreign institution. Reading his emollient encomiums one would never realise that the British parliament is subject to widespread criticism, that the prestige of members has never been so low, and that books with such titles as "The Passing of Parliament," "Can Parliament Survive?," and "Parliament in Danger" have come out with significant frequency.

In his discussion of the activities of individual MPs Mr Young has a brief discussion of private members' motions and their influence on events. These motions, which any backbencher can table, are exhaustively examined by a team of research workers from the University of North Staffordshire in their book "Backbench Opinion in the House of Commons 1955-59." The importance of these motions is undeniable. At a time when party discipline is rigidly enforced the division lists are no guide to the actual state of political opinion within the parties. It is a recurrent complaint that the important decisions are taken at secret party meetings and that voting in the House is purely mechanical. These "secret" meetings, especially if they happen to be on the left, are assiduously leaked to correspondents, but such leaks are not wholly reliable and cannot be subjected to academic research. Private members' motions on the other hand do provide a good guide to fluctuations of feeling within the parties. Backbench motions have played an important role throughout the Conservative crisis over Rhodesia and a motion on Katanga actually led to a reversal of Government policy. Professor Finer and his associates, however, are not so much concerned with the political influence of the motions as establishing whether their content, and particularly any differences of opinion revealed, are related to any recognisable characteristics of members or their constituencies. They reach certain conclusions, but whether these are of very great utility is a moot point.

One characteristic they isolate is a member's university. It appears from their researches that it is Cambridge rather than Oxford that is now the home of lost causes. Apparently Tory members who went to Oxford are more pro-European and more pro-penal reform than those who went to Cambridge. The Cambridge graduates, supported by those from Sandhurst, tend to be pro-Commonwealth and pro-flogging. This is certainly a curiosity but perhaps one may be pardoned if one asks what it proves? For the record, it should be stated, that on social welfare matters Cambridge has the progressive edge on Oxford. The authors "discover" what one has always supposed; that younger members tend to be more liberal than older ones and that the strongholds of imperial feeling in the Tory party are the urban rather than the agricultural constituencies.

Oddly enough the most interesting of the four books under review is "Parliament at Work." This is really a textbook, a successful attempt to apply the American case book method to the working of parliament. Happily it presumes some knowledge of the British parliamentary system and plunges straight into such matters as privilege, points of order, public bills and financial procedure. No attempt is made to systematise and it is a satisfactory magpie collection. It allows parliament to speak for itself. It rivets attention by being embedded in the real and the concrete. It avoids the original sin of so much political writing—an inordinate taste for abstraction.

Fiat Lux

All Those in Favour? *The ETU Trial*

Presented by C. H. Rolph.
Deutsch. 255 pages. 21s. (Paperback 6s.)

THE wearisome *cause célèbre* that this book sets out to describe was an incident in an historical drama extending far beyond the frontiers of Britain. Throughout the trial the judicial fiction was impeccably maintained that the charges of ballot-rigging brought against certain officials of the Electrical Trades Union could be considered apart from those officials' political convictions. But it was for political motives that this group of intelligent, capable, self-educated and wholly devoted men descended to a series of mean tricks. They fumbled their way along the tight-rope of power within the union sustained only by the apathy and ignorance of their fellow-members, and sheltered by a rule-book of such complexity that even the judge failed to understand it.

The story of their downfall began, perhaps, with the rape of Hungary and the departure from the British communist party of many of its less blind members. The gaff was eventually blown on the tricksters by people who had been working on the inside themselves; the non-communists within the union, and the journalists outside, would have had a hard job to make their charges stick without this help. But the trial was merely one incident in a struggle that is still going on. It did not end with the verdict, nor with the crushing indictment of fraud delivered by Mr George Woodcock at last year's Trades Union Congress, nor yet with the quiet readmission of the ETU to the respectable fold of the TUC. Mr Frank Foulkes is still president of the union—and he is still (as many employers will admit) one of the most formidable negotiators in the business. Perhaps the most alarming aspect of the whole sad story is that the communists not only had the convictions, they also had a large share of the talents needed to run the union.

Mr John Freeman—himself, with Mr Woodrow Wyatt, one of the principal architects of the eventual victory of democracy within the union—claims in a preface that the story told by Mr Rolph (himself a socialist) is that of a legal battle fought by socialists against those who had perverted the generous libertarian impulses of left-wing thought. But it is also sadly true that many socialists less brilliant than these three had bumbled along loyally from year to year, refusing to believe that fellow trade unionists could really be so wicked as was alleged. The story of the Electrical Trades Union was a tragedy of self-deception as much as of deception.

Mr Rolph has qualifications for his task other than his left-wing views: he recently told the tale of the trial of Lady Chatterley (this is how he would probably write it, not as "The Trial of *Lady Chatterley*"). But there the villains of the piece were his natural foes—the forces of orthodoxy, of legal tradition and of the Conservative party—and the story was far more thrilling, the conclusion of the trial as much in suspense until the last as that of any of Perry Mason's forensic struggles. This time there were few doubts about the outcome; and the machinations of the communists seem, in defeat, merely pathetic. Two of them, Mr Haxell and Mr Frazer, were described by the judge as "blunt, unsubtle and ruthless": the others, shifting and dodging in the witness-box, seem merely panic-stricken. Their friends now sometimes put up the defence that a plot only came into existence after a series of petty frauds by individuals that nobody dared to expose. Some such story is the only charitable explanation of why these men should have got themselves so irretrievably into a mess: but then charity may be displaced in connection with so sordid a tale.

Nor do the defenders of justice within the union emerge in Mr Rolph's account as a convincing breed of freedom fighters. Mr Byrne, declared by the judge to have been elected general secretary of the union in place of Mr Haxell, was a sick man at the trial. Mr Cannon and Mr Chapple, the two ex-communists whose departure from the party after Hungary really let the cat out of the bag, appeared too involved in personal feuds with their former colleagues to serve convincingly as heroes. Only occasionally, in the mass of evidence, does a branch secretary emerge as a real person.

But there is a hero in this book, in the unlikely and abstract person of Justice astringently disguised under the wig of Sir Rodger Winn. Most of the forty-two-day trial was quite monumentally dull, consisting as it did of hard and contradictory swearing on a mass of points of detail. As Mr Rolph wrestles lucidly with this miasma personalities fade away, truth seems a will-of-the-wisp, and only the judge preserves us from confusion. It is hard at times for the reader to preserve himself from smugness—can there really be much wrong with a society that speaks with such a voice? The equally incomplete answer to this question is another: can there really be much good in a society a quarter of a million of whose members can, by default, allow themselves to be represented by a tiny group of cheats and liars? Those—including the Minister of Labour—who believe that nothing need be done by law to safeguard the public and the members of trade unions against a repetition of this sorry tale should read this book and think again.

Moral Despair

The Decline of the West

By Oswald Spengler. Abridged edition by Helmut Werner. Translation by C. F. Atkinson, edited by Arthur Helps.
Allen & Unwin. 393 pages. 32s.

FEW teachers have been less fortunate than Spengler, who gave up a perfectly good job as a schoolmaster in 1911 in order to write a book of prophecy which, by the time he got it finished, was already written on the wall for all to see. Gentlemen of Hamburg today, who had the privilege (little appreciated at the time) of studying under Spengler at school, recall the uncommon penetration of his mind and the quite exceptional tedium of his lessons. But as for his vision of the future course of history, it is as dust: who wants to know, who cares?

It must be said that in a specific sense the Spengler of 1911 had not got it exactly right; he feared that a victorious Imperial Germany would, after the inevitable successful war, fall victim to the decay of morals and will that overtook Imperial Rome. Things did not work out quite like that, and his second volume, completed in 1922, was darkened by the realisation that they had gone downhill even faster and more brutally than he had supposed. Hitler himself was a disappointment, the Nazis bringing their own synthetic philosophy of history to power with them and refusing to grapple with a system like Spengler's that required actual thought. Spengler found himself in more marked disfavour than ever; he died (in 1936) before the final demonstration of how low the twentieth-century Caesarism could bring his Europe.

To most of us Spengler's interpretations are now far back in history, his ideals irrelevant, his abstractions little better than meaningless: even his method has been used with greater lucidity and balance (by Professor Toynbee) for a more contemporary purpose. His masters, Goethe and Nietzsche, have retained their freshness and their interest: his are lost. If he remains of interest, it is because he was a many-sided man who showed how a wide range of science and culture could be brought to the study of history. This gives him a general interest to students of the history of thought in Europe. To this must be added a particular interest, fairly lively at the present time, in the philosophers of moral despair who were formative in the evolution of Germany and therefore in the decline and (we can now add) the fall of central Europe.

To urge the reading of Spengler on a wider circle would not be sincere: he is hard, and to most of us pointless, to read. The editors have, however, done a resolute and scholarly job to bring his work within a visible, if not exactly a readable, compass, and it is useful that the work should be available in this form.

Spread of Technology

The Industrial Revolution on the Continent: *Germany, France, Russia, 1800-1914.*

By W. O. Henderson.
Cass (1961). 297 pages. 30s.

EVER since Marx continental historians have been fascinated by the English Industrial Revolution; indeed, the best study of the subject is by a Frenchman, Mantoux. But the English have not returned the compliment and our historians have shamefully neglected the industrial development of the continent in the century before 1914. Dr Henderson is one of the very few exceptions. The author of a number of monographs in this field, he has now attempted a more general survey of the course of industrial change in Germany, France and Russia between 1800 and 1914. These continental industrial revolutions are intrinsically less interesting than the English, for they consisted so largely of the adoption and adaptation of English technology, and they lack the intriguing air that still hangs over the first and classic case of industrialism. Until the German developments in the chemical and electrical industry, the story is primarily one of the diffusion rather than the creation of techniques. It is nevertheless an absorbing story, particularly at the present time. Dr Henderson's account of the Zollverein, for example, cannot be of merely academic interest in a country that may be about to venture into the common market.

Dr Henderson has written a sober, concise and well-packed book, in some respects an up-to-date counterpart of the well-known work on France and Germany which J. H. Clapham published some forty years ago. He lacks, however, the robust shrewdness that bound together even the grittiest of Clapham's facts, and he is far from being the English answer to Mantoux. The work has some minor faults: too many quotations with no reference to their source, and a bibliography limited to books written in or translated into English. But the main defect is that the arrangement and proportions of the book are predominantly political. The factual content is modern, but, apart from a preliminary nod in the direction of Rostow, Kuznets *et. al.*, the questions asked and the considerations deemed relevant have a distinctly old-fashioned look. The arrangement by countries is probably unavoidable, if only because most of the literature has been written on this basis; but it is surely unreasonable, in a book with this title, to devote fourteen pages to Bismark's economic policy and only three to the activities of the German books. No doubt it is a sign of independence that Dr Henderson makes so few concessions to current fashions and certainly a sign of grace that he entirely avoids current jargon: but one cannot help regretting that the massive literature which the author (and probably no other Englishman) has mastered should have left so small a deposit of luminous generalisation. It is not that the author does not have his own views, but they are merged in the narrative, rarely made explicit and never argued. It is a pity, too, that the enquiry is restricted to three countries. The experience of Switzerland and Sweden would not only have been interesting *per se* but would also have illuminated the industrialisation of the major powers. The book is thus something of a disappointment. It is, however, reliable, clear, and abreast of recent research, and, for these reasons as much as for lack of any competitor, it is likely to have a long and useful life.

Not Quite Enough

The Narrow Margin: *The Battle of Britain and the Rise of Air Power 1930-40.*

By Derek Wood and Derek Dempster.
Hutchinson (1961). 536 pages. 35s.

IN his foreword, Air Chief Marshal Sir Thomas Pike, Chief of the Air Staff, calls this book "a serious, comprehensive and yet most readable study of one of the most crucial battles of our time."

Indeed it is, serious, comprehensive, readable—and a study. The prewar political constellation, the resulting debates and decisions, become the fascinating backdrop to the rebirth of the Royal Air Force and the birth of radar. The prologue introduces the reader promptly to a lesser known event in the history of German technical espionage, when the airship "Graf Zeppelin" was used in an attempt to fathom the electronic essence of British radar. Three flights were made to no avail and, indeed, the first round of the air war against Britain was lost by Germany during the summer of 1939.

From this overture of British technical accomplishment and German failure, the authors take the reader back to 1919, when von Seeckt organised the core of the future Nazi war machine in Berlin. In spare and laconic language the story unfolds, a story of intrigue and secret preparations until the cloak could be thrown back and the world was once more confronted by aggressive German might in the mid-thirties.

In the same admirable muted style, leaving the events themselves to create their impact on the mind, the authors tell the story of the period between the wars. In those years, when factories were idle, men went hungry and the RAF was reduced to a mere shadow of former glory, the allocation of £10,000 ensured the development of radar, the device that was to enable Britain to become an island once more and thus fight

the enemy to a standstill. No detail in the wide and intricate organisation that was built up on the promise of radar is left out of the study. The Royal Observer Corps, the development of VHF radio, the organisation of operations rooms, the deployment of the RAF, all find a place. The reader is confronted with a grand panorama of mighty forces in readiness and can watch the battle begin. For the first time unseen mysterious electronic impulses were used to detect the enemy, to control and to direct defending fighters, and thus to wrest victory from what seemed to be certain defeat.

Here the study becomes a dusty dry recital of facts, at precisely the moment when we expect a climax, a grand finale to a mighty tale of human accomplishment and courage. Then, when we expect a broad and scholarly analysis, yet turning a technical study into perceptive history, we are served a mixed batch of heterogeneous "Conclusions." The authors stand insignificant and helpless in the shadow of their subject. They are not worthy of the subject when they note of some of Britain's pilots in their finest hour that they "were very young and over-confident and inexperienced with little idea what it was all about." Little idea indeed. The desperate resolve to attack against overwhelming odds, the guts-searing fear, the supreme decisions, the last sacrifice against a resourceful and tenacious enemy—they are not there. The angry debates on tactics under the inhuman pressure of relentless enemy attack, the exultant feelings when victory dawned—they are not there; and the tale of the "Narrow Margin" ends in a whimper of insignificant language.

This is a good study—certainly it is—but the history of the Battle of Britain remains to be written.

Surveyor of Poverty

A Study of the Work of Seebohm Rowntree, 1871-1954: *Social Thought and Social Action*

By Asa Briggs.
Longmans. 381 pages. 30s.

THE contrast between conspicuous consumption for a few and misery for the masses once made exiled anarchists of Russian princes and drove plutocrats from the Middle West into expatriate despair. In late Victorian England, however, some of the sensitive among the well-to-do were more practical: confident that "much was to be hoped from clearer knowledge and acuter consciences," they stayed at home and dug up the facts. Like Shaftesbury half a century before, they forced politicians as well as the public to pay attention to their revelations. In the end, since many of those who suffered most now had the vote, something was done.

Prominent among the founders of the welfare state were not only those comfortable rentiers, the Webbs, but also a pair of Nonconformist tycoons, end-products of religion and the rise of capitalism. The private, lavishly financed enquiries of Charles Booth, a Unitarian shipowner from Liverpool, and Seebohm Rowntree, a Quaker manufacturer of cocoa at York, provided much of the evidence upon which the controversies of Edwardian England were based. Both men regarded their first task as diagnosis rather than prescription; but, by illuminating the problems of the poor, they directly inspired most of the social legislation of the last days of Liberalism.

The appearance of this readable and informative "social biography" so soon after the study of Booth by Professor and Mrs Simey allows their achievements to be compared. In thought and action, Rowntree clearly emerges as the greater man. He followed Booth's lead as an investigator, but his values were more coherent and consistent, his methods more rigorous. The cold precision of "Poverty" was a frontal attack on loose thinking and smug assumptions, whereas "Life and Labour in London" was primarily a massive appeal to the emotions. If Booth supplied material for the moralising of the Charity Organisation Society, Rowntree demonstrated the inadequacy of its whole approach.

Once the inquests were over, Booth played a minor role on royal commissions and dabbled in that panacea, Tariff Reform; but Rowntree became a substantial figure in pre-1914 politics. As a successful business man who was also an expert on social policy, he soon acquired considerable influence with Lloyd George, and some of his ideas—on housing and agriculture, for example—were of permanent importance in shaping Radical thought, in both Liberal and Labour circles. For a time it looked as though "reconstruction" after 1918 would give Rowntree his chance to set new standards for an old society. But, like so many others, he was "betrayed" by Lloyd George.

Thereafter, Rowntree concentrated mainly on industrial relations. Unlike Booth, an enemy of trade unionism, he strove for closer collaboration as well as better conditions, and toyed with projects for "co-partnership." Between the wars the results of his decency, common sense and insistence upon the obligations of both sides formed the platitudes of progressive management everywhere. But such platitudes, if widely accepted, could work wonders, and Rowntree showed plainly that it was also good business to provide a tolerable environment for the worker and to treat him simply as a human being. Yet beyond a certain point diminishing returns set in, and there were signs that "co-partnership" might actually cost money.

In Rowntree's last years the old problems of poverty had shrunk to manageable proportions, thanks in part to his own efforts; but the difficulties of industrial relations often seemed to be growing. This may explain a new note of sharpness and even disillusion: more and more, the tough, puritan moralist broke through the benevolent smile and the kindly word. Had the limits of concession to human weakness been reached at last? In fact, Rowntree had always been a hard man, and it is here that Professor Briggs's otherwise admirable account is open to criticism. In the assessment of his subject's personality more than a little of the cloying sweetness of cocoa has crept in.

Counting Africans

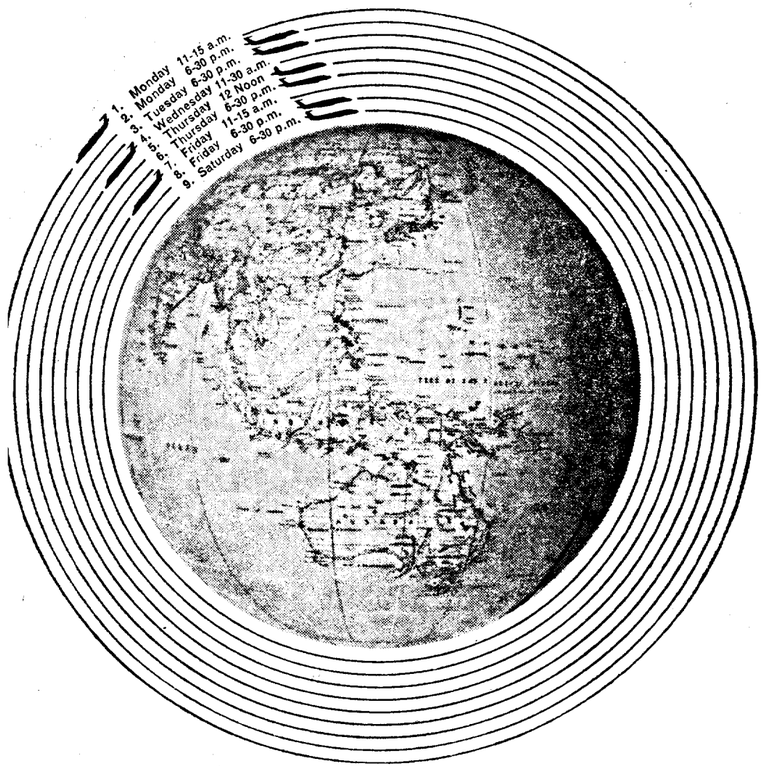
Essays on African Population

Edited by K. M. Barbour and R. M. Prothero.
Routledge. 406 pages. 35s.

"DIFFICULTIES of Demographers" might be a suitable sub-title for this somewhat specialised collection of essays. The importance of comprehensive population surveys in the rapidly emerging African states is enormous and widely realised, but only an expert will fully appreciate the discussion in this book on the finer points of the surveys so far conducted or on the relative merits of choropleth and dasymmetric maps for population mapping. Nevertheless the first eight essays, which deal mainly with these topics, bring home the inherent difficulties of census-taking in Africa. That the areas are vast and the people scattered is only the first obstacle; others are the scarcity of people sufficiently educated to act as enumerators and the lack of interest and even understanding of a census among many of the villagers. On the considerable inaccuracies of the age distribution in Zanzibar as recorded in the 1948 census, Mr Martin remarks: "In a relatively non-numerically minded society it was found that some people could not differentiate between 17 years of age and 70."

In the face of such problems the thoroughness of the study of four sample areas in Northern Nigeria by Mr Grove, and that of portions of Central Sudan by Mr Barbour, is amazing. Anyone expecting a highly statistical survey, including future projections, will be disappointed—the lack of a reliable series of results from past censuses makes this impossible—but from the geographer's point of view every aspect of the areas is covered. The only contributor able to substantiate his arguments with quite comprehensive statistics is Mr Mitchell, who presents a chapter on labour and population movements in Central Africa with particular reference to Southern Rhodesia.

The last essay, an analysis of boundaries in inter-tropical Africa, is a reminder that the interests of the border tribes were not completely disregarded in the dividing up of Africa; it ends with the rather depressing conclusion, for a book devoted to the painstaking work of demographers, that although the borders could be more realistically drawn as a result of the surveys, the rejection of narrow tribalism and the growing nationalist fervour means that "any attempt to redraw boundaries today would almost certainly provoke political troubles far more serious than those it was hoped to remedy."



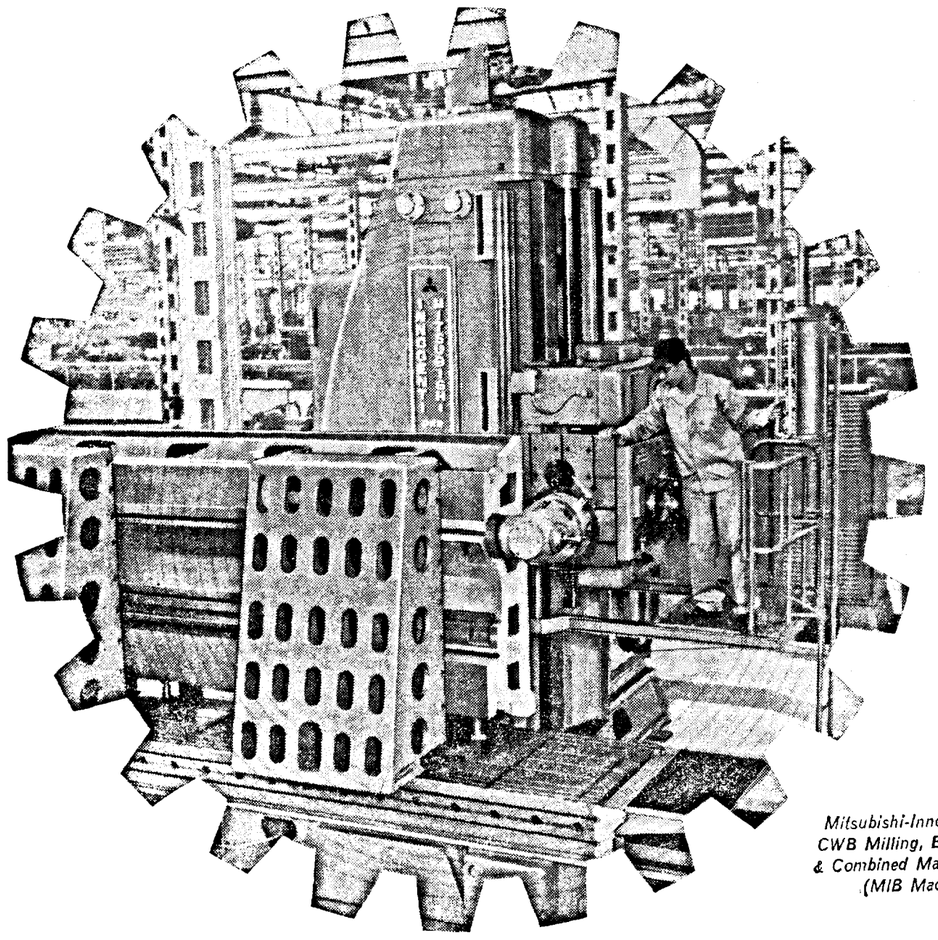
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LETTERS

University Grants

SIR—In your comment "Off Target" you rightly condemn the short-sighted nature of the Government's financial provisions for the universities, but persist in your view that the present level of university lecturers' salaries is generally adequate. May I make two points:—

(1) 1962 sees the first of "the bulge" applying for entrance to university. With all the money in the world, the universities of this country would have considerable difficulty in expanding their facilities at a rate equivalent to the increasing number of 18 and 19-year-olds—let alone cater for the "trend" of an increasing number of sixth-formers. One solution to this problem might have been to encourage university teachers to make every effort to cater for more students, even at the price of considerable personal inconvenience, until new and adequate facilities were ready. For such a policy to succeed, the goodwill of university staffs would be a first necessity. But this is not likely to be forthcoming with the Government's present attitude towards salaries.

(2) You fail to realise that the universities of this country are competing for men of ability not only with the other professions and industry, but also (and increasingly) with universities overseas, particularly in north America. In a time of expansion, more than any other, ability will be scarce. It would seem reasonable, and even essential, that we as a nation should do all in our power to ensure that an increasing proportion of our talent is not attracted to the higher-salaried universities across the Atlantic, and that the drain of university teachers does not reach the proportions of that of qualified doctors. A 3 per cent addition to already inadequate salaries is no way of doing this.—Yours faithfully,

GERALD MANNERS
University College of Swansea

West Indian Federation

SIR—Mr Albert Gomes in your issue of February 24th attacks Mr Macleod and Mr Maudling for permitting the Jamaica referendum and for capitulating to secessionist demands. He stresses that the West Indies constitution does not provide for secession. Unfortunately, again and again federations have collapsed because of the determination of one or more members to secede. The Central American Confederation broke into splinters. Not even the genius of Simón Bolivar could hold Gran Colombia together. Again and again political motives have swept aside juridical arguments.

If one were to criticise the Colonial Office, it would rather be for failing at an earlier date to recommend the holding of referenda on the issue, at least in the larger islands, before the federation was set up. The mistake of trying to hold together unwilling partners has been clearly demonstrated in the Central African Federation, while the attempt to compel a secession-minded Katanga to remain within the Congo has led to bitter fighting, and has almost bankrupted the United Nations.

The unpopularity or lack of interest in the West Indies Federation—call it what you will—caused too few politicians of major stature to seek election at the first and only federal general election. That more members of Mr Gomes's political experience and ability were not sent to Port of Spain was a tragedy. The blame must be shared by the different island political parties.

However, to say that "a majority of Jamaicans representing some seven per cent of the total population of the West Indies voted to secede" is stretching the credulity of your readers too far. The Jamaica referendum poll was not heavy. A majority voted again the federation. Mr Manley democratically at once accepted the verdict. My impression of the campaign as an observer in Jamaica is that the adverse vote might well have been higher but for Mr Manley's personal prestige.

Surely Mr Gomes would not envisage the West Indies Federal Government attempting to impose its will on a recalcitrant Jamaica. It is ludicrous to imagine the West India Regiment, led as it is largely by Jamaican officers and non-commissioned officers, setting out on a sort of modern "march through Georgia." Or would once again Great Britain have been expected to provide troops to pull the chestnuts out of the fire?—Yours faithfully, HAROLD P. MITCHELL
Stanford University, California

Healthy Advertising?

SIR—It is a pity that you chose last week to tell a scholar of Mr Reddaway's distinction that he was talking "extraordinary nonsense." In fact he is entirely right. Either cigarette advertising aims to make more people smoke, or it is beggar-my-neighbour waste. In the first case it is wicked, in the second uneconomic.

Your own argument that advertising helps "new varieties of product entering the field to challenge established ones" is incomprehensible. Try to apply it in any field where advertising is widespread—detergents, beer, daily newspapers or motor-cars. In all these cases, a few large firms have built up a public image of their product—not by improvement or price reduction, but by constant repetition of its name. The established firms have huge financial resources, established relations with newspapers and agencies (as well as televisers), established brand images and hence established buyers. So the new firm has little chance to oust the effect of years of repetition, even if it advertises on a comparable scale to the old.

Advertising is a safer way to protect one's product against competitors than either price reduction or quality competition. That is why—as any undergraduate-magazine "Vacancies" section will tell you—advertising jobs pay better than production jobs. The popular press may be reluctant to bite the hand that feeds it. Is *The Economist* no better?—Yours faithfully,

MICHAEL LIPTON
All Souls College, Oxford

Encouraging Exports

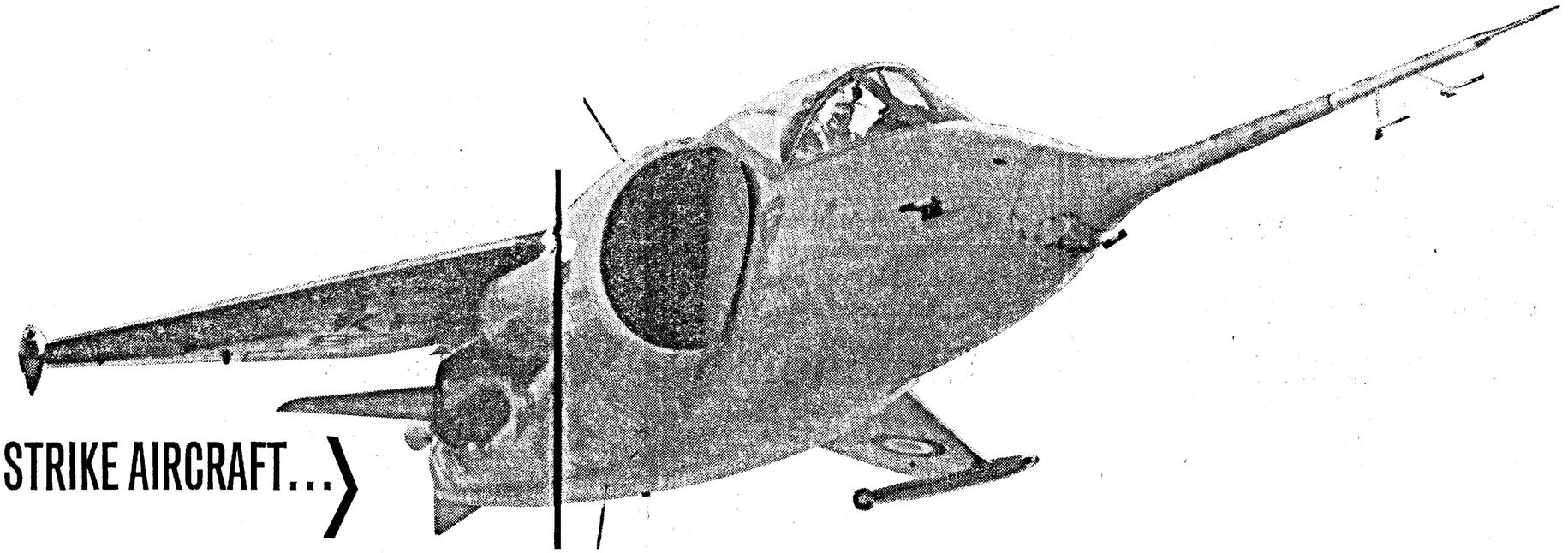
SIR—I am sure you are right to favour tax changes to stimulate exports. I doubt, however, if a turnover tax is the right answer. Britain's problem is to secure a marginal increase in exports. If the average firm could increase the percentage of its turnover which it exports from 20 per cent to 22 per cent our troubles would be over. Clearly therefore any tax incentive scheme must reward firms for *increasing* their exports, rather than for already exporting. The turnover tax only seems to have an incentive effect when the rather extreme case of a 100 per cent switch from home to export markets is considered. Few firms could do this in the real world. Many, however, could increase their exports by 10 per cent, but here the incentive afforded by the proposed scheme is slight. A firm which steps up its exports from 20 per cent to 22 per cent of turnover, gains a mere 0.1 per cent of turnover before and 0.06 per cent after corporation tax. This is equivalent to £60 a year added to net profits for a firm with a turnover of £100,000—hardly a strong encouragement.

I would suggest that a better plan would be to graduate the rate of profits tax according to the percentage of each firm's turnover exported. At 20 per cent exported the present level of tax would be paid; but as the percentage rose so the tax rate on the profits of the whole firm would fall. This really would give an incentive to go after marginal business rather than higher gross profit rates. It would also tend to make direct exports marginally more attractive than setting up overseas factories—with consequent further benefit to our balance of payments.

A device of this sort might indeed be contrary to GATT and the rest, but as you yourself have argued, the alternatives of sterling devaluation or severe import restrictions would be even less welcome abroad, so that as a temporary expedient we could probably get away with it.—Yours faithfully, EUAN COOPER-WILLIS
Penrhyndendraeth, North Wales

BS

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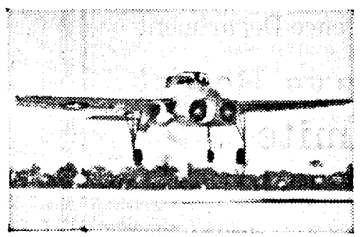
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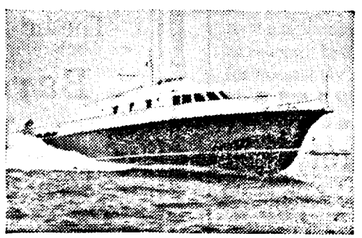
Tripartite evaluation. Britain, the United States and the Federal German Republic are collaborating on a P 1127 evaluation programme. A number of aircraft have been ordered for this purpose and the cost will be shared equally by the three Governments.

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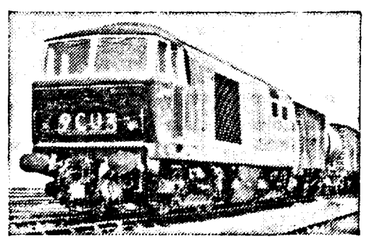
POWER FOR THIS

The Bristol Siddeley Viper turbojet powered the Bell X 14 research aircraft. The X 14 was one of the world's first jet-sustained VTOL aircraft to achieve transition from vertical to horizontal flight. The Viper engines range from 1,600 to 3,000-lb thrust and power many different aircraft.



...AND THIS

Bristol Siddeley Proteus gas turbines power Mr Stavros Niarchos's 100-ft yacht, "Mercury," which has accommodation for 5 passengers and a crew of 11. Delivering 11,400 bhp, the engines give "Mercury" a top speed of over 50 knots and a cruise range of 400 miles.



...AND THIS

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THE BUSINESS WORLD

More Trouble with Capital Gains

LORD RITCHIE'S attack on the Government at the Wider Share Ownership conference (where Mr Maurice Macmillan, MP, made another plea for the abolition of stamp duty and Mr Paul Chambers pressed for a review of a tax system that gives a "whole forest of special reliefs to almost every form of saving other than savings invested in the risks of private enterprise") had the shock of surprise. In the last two years Lord Ritchie has earned considerable praise for the temperate way he has steered the stock exchange along the path of reform. Not all is perfect and in many matters this conservative institution still has a lot to learn before it can fully serve the modern investor. But Lord Ritchie and the council are entitled to say that the government has done nothing to help towards sensible share transfers or to amend a penal 2 per cent stamp duty.

Lord Ritchie's strong words, seemingly out of tune with the man and the occasion, must surely owe a good deal to his forebodings about the Chancellor's capital gains tax. He has sought on earlier occasions to make clear to the Chancellor the dangers that would arise if this tax were to impede, as it so easily could, the efficient working of the capital market. If anyone is in a position to know the way in which the mind of the Inland Revenue is working on this, it is likely to be Lord Ritchie. Hence, when he declared on Tuesday that "the subject of investment, the subject of freedom of markets, the subject of the importance of the stock market to the country, to industry and to us all is constantly bedevilled by the government" it can hardly have been a momentary loss of control. His statement that "the City has very nearly reached the end of its tether and its loyalty and willingness to co-operate have almost reached breaking point" puts one man's exasperation in extreme form and though the rest of the City would certainly use more sedate words and probably concede that its own institutions could do with improvement, it has mingled a distant respect with its surprise.

There are said to be indications that Mr Selwyn Lloyd's tax on short-term capital gains from transactions in securities and other forms of property will be lengthy and complicated. The complications are certainly no fewer than were suggested in an article here on November 11th last year. It was then argued that there were no points of principle or fiscal morality that could be levelled against a capital gains tax; the governing questions are whether it is politically supported and fiscally worthwhile. But it was also argued that there was no distinction in political or fiscal merit for taxing short-term gains and letting long-term gains go free. A capital gains tax was going to be difficult, anyway; but it ought at least to be logically coherent.

Given the false distinction between short- and long-term gains that Mr Selwyn Lloyd has started from, he has lost all chance of making it so. And there are misgivings (which Lord Ritchie may have been reflecting this week) that the Inland Revenue is attempting some short-cuts in devising the tax in order to minimise the severe troubles it must expect when it comes to applying and policing it. It is always exposed to temptation in this way, and sometimes it succumbs—as in 1960 when its objectionable clauses in the Finance Bill had to be heavily amended. The apprehended shorts cuts are three: the exclusion of short-term losses from the computation of short-term gains; the possibility of retrospective assessment to last July, when Mr Lloyd first committed himself to the introduction of a short-term capital gains tax; and the threat of taxing these gains as an addition to the top slice of income as already assessed for income tax and surtax, with no option to tax at a specific rate such as the American system provides.

One can be quite short on each of these points. The exclusion of losses would make the Revenue's life much easier by denying what the ordinary taxpayer would regard as ordinary justice. If this is attempted, life will be made rough for the Chancellor by his own supporters, as it was for Mr Amory in 1960. On retrospective assessment, there are some ugly precedents, but they have almost always stemmed in the past from explicit warnings; they cannot be made to apply to the nebulous definition of a capital gains tax that Mr Lloyd attempted last July. Thirdly, the top rating of these gains for normal tax assessment would ensure that as few as possible of them would be realised and as many as possible carried over into that longer period in which (though he has yet to define it) the Chancellor will be quite happy for them to go entirely free. But it is all too likely that this process of postponement will not be available to plenty of economically useful and socially unobjectionable transactions, on which the full force of marginal tax rates will fall if top rating applies.

Let it be repeated here that what is at stake is no issue of fiscal morality, but solely a matter of efficient fiscal administration. If one is convinced that the Revenue can never be quick enough, despite the progress it has made, in fastening "badges of trade" securely on each new venture that contrives to dress up its gains as accretions to capital, one

can argue, as *The Economist* has already done, that the time has come for a considered and embracing capital gains tax. But there is another view on this which seemed to be in Mr Lloyd's own mind a year ago, when he rejected "what is called a capital gains tax" on the ground that the income tax commissioners could determine, under the existing law, whether a transaction fell on the side of "dealing" (and therefore taxable in its outturn) or on the side of "genuine investment" (and therefore not so taxable). This principle, specifically applied and backed by additional returns, could secure the essence of a capital gains tax. These are the two logical landmarks. Mr Lloyd chose last July to steer between and is in difficulties of his own making. He is committed; some parts of the City are angry; many investors are nervous; and conceivably some enterprise has already been frustrated. That is an unimpressive beginning for his new tax; he will only increase his self-created troubles if he proposes any arbitrary treatment for his new taxpayers.

A New Plan for Gold

THE central bankers in their Basle club are hatching a new agreement—and apparently a more formal one than the gentlemanly understanding by which they altered the course of events in the exchange markets a year ago. That operation was unwound by Britain's loan from the International Monetary Fund last summer, though the central banks remain ready to extend similar first aid in appropriate circumstances in the future. Their new plan covers a parallel field, the gold market, and like the exchange operation it is essentially designed to strengthen the hand of central banks collectively in combating a sudden upsurge of disruptive speculation. This gold plan, which was first reported in the *Journal de Genève,* provides in outline for the commitment by central banks of limited amounts of gold into a central pool (or rather a buffer stock) which would be used, in certain circumstances, for counter-speculative sales on the gold markets; it remains to be seen whether continental central banks will channel gold into London, rather than into their own, narrower markets. The gold syndicate would also take suitable opportunities to replenish its gold stock by buying in the market when the price was low.

This, broadly, is all that can positively be said about the plan at the moment. It is not yet in operation and had no part in the decline in the London gold price this winter, which has been attributable to selective selling by the Bank of England on a quiet market. Nor, it appears, will the pool operate automatically or continuously. This, too, is likely to be part of the strategic reserve for world currencies, to be called out in particular circumstances. The conditions of operation, and the amounts involved, have still to be decided, probably at the next weekend meeting of central bank governors in Basle in a fortnight's time. They are crucial: a bold, flexible scheme could be a great step forward, and a narrow constrictive one could do positive harm.

The new plan takes its place in the framework of financial co-operation that has been built up since the debacle of the London gold rush in October, 1960, which at last convinced financial officials on both sides of the Atlantic that monetary stability could be defended only through much more concerted action among themselves. The new men of the Kennedy administration have brought the United States, for the first time in a generation, into active intervention in the foreign exchange markets, and on a rather more ambitious scale than that practised by European stabilisation funds. They have co-operated closely with the Bank of England in regulating the London gold market. And they have put great emphasis on international discussion, co-operation, and confrontation through every available means—the International Monetary Fund, the Bank for International Settlements (which the Federal Reserve Bank of New York attends as an observer) and through the transformed Organisation for European Co-operation and Development in Paris.

Europe's response to this new burst of drive and initiative has not always been enthusiastic, and cautious attitudes on the Continent have slowed down the pace of advance. But definite progress has been made. The Basle operation of last spring, limited and conditional as it was, provided a four months' reprieve for sterling—which might, admittedly, have been put to better use. The guarded addition to the potential resources of the IMF is a vital—if not in all conceivable circumstances adequate—reinforcement to oppose new trouble for either sterling or the dollar. And the official United States intervention in exchange markets has had clear tactical successes in strengthening the dollar in Continental markets. But the one unqualified success among all these innovations has been the New York-London gold bridge; and it is critically important, in the context of Operation Basle Mark II, that this should be fully understood.

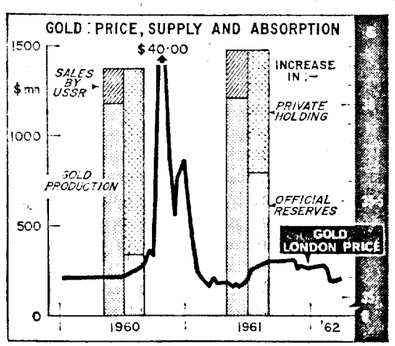
WHEN the price of gold in London began to mount beyond its normal limit in summer, 1960, the United States authorities were disinclined to feed gold through the London market "into the hands of private speculators." Only at the eleventh hour, after the London price had shot up to a premium of some 15 per cent, did the Bank of England view prevail. Ever since, the American authorities have agreed to replenish any supplies of gold that the Bank of England uses, on its own discretion, to keep the London market under control. At the same time, leading central banks have agreed on a self denying ordinance to hold off the London market, meeting their needs for gold either in New York or directly from the Bank of England. These twin influences have had their desired effect; the London price of gold was restored to its normal range by the spring of last year, and when demand rose again in the wake of the Berlin crisis in the summer the official dampers prevented it from getting out of hand.

Official intervention has been on a large scale. The trade accounts record that in 1961 Britain imported more gold from the United States than from South Africa—some 21.6 million ounces, worth around $750 million. The figures of customs shipments must undoubtedly be taken with considerable

qualification in this connection: figures published by the Federal Reserve itself show gold sales to Britain of only about $300 million. Even this lower figure, for a year in which Britain's own gold reserves probably fell by about $200 million, suggests London sales to third parties of some $500 million. It is impossible to tell what part of these was in direct sales from the Bank to other central banks and what part was sold by the Bank in the open market, mainly to private buyers. The crucial point is that, notwithstanding the large scale channelling of New York gold through London in 1961, the amount of gold going into private hands declined sharply—from $1 billion in 1960 to $680 million in 1961, according to an estimate in this week's annual bullion review of the well placed London house of Samuel Montagu. Thus the feeding of gold to private buyers has indeed reduced the appetite.

If the new Basle arrangements consolidate and extend this bridge between the New York official parity and the major market for gold in London they will be welcome, and they could then usefully incorporate other innovations designed to by-pass the gold market: but only then. The scheme is in any case likely to go further in dissuading central banks from buying gold on the London market. Thus central banks contributing to the gold pool or buffer stock may be relieved of the present one-quarter per cent commission charge when they buy or sell at the New York Federal Reserve. In itself this move is sensible enough. The world's monetary authorities, who alone give gold anything like its present value (and specifically the United States authorities who alone stand formally ready to pay $35 an ounce for it) are fully entitled to use their position as monopoly buyers. They are at last finding, as outside observers have been trying to tell them for years, that this enables them in the end to do what they like about gold. But—and this is the vital market factor which not all American officials have yet recognised despite the experience of the past eighteen months—the power of these authorities to check the general appetite for gold is paradoxically dependent on their open willingness to meet it.

THE attitude of the European central bankers to gold has undergone no overnight conversion. Worries about their dollar balances have not disappeared. Unless the new Basle arrangements were to incorporate a gold guarantee on the dollar balances, which seems unlikely, they cannot be expected of themselves to increase European willingness to hold dollars



—and any moral pressure against converting dollars could ultimately have a boomerang effect.

The other potential danger of the new scheme is that it may be a damp squib. To have any real impact it would have to be on a considerable scale. The figure of $250 million of total commitments which has been unofficially mentioned is less than one-quarter of the flow of gold into all private holdings in 1960—and only half the national re-sales of American gold by the Bank of England in 1961. Then there is the question of when the scheme would be activated. At present the intention seems to be not to intervene against a normal steady rise in the gold price, but only against a rise which is (a) nervous, and (b) "unjustified," "irrational," and "temporary." The danger of adding a new engine to a fire brigade that is let out of the gates only for unjustified fires was already apparent in the IMF scheme as it emerged after its Paris mauling. The danger is greater still for the highly delicate gold market. "Is the bankers' pool operating, and if not, why not?" could become an explosive new question in every incipient market rise. In short: unless this scheme is to be on a much grander scale than at present seems likely, it is difficult to see just how it will materially strengthen the present New York-London gold bridge; if, without being strong enough, it is in any way designed to replace that bridge, it could be positively dangerous.

In the long run, certainly, the London arrangement needs to be more securely underpinned; and it is entirely desirable for central banks to operate directly, and economically, between themselves. A highly convenient means has long existed in the earmarking facilities at the Federal Reserve Bank of New York, under which gold is transferred from one European country to another by trundling the bricks from one cage to another in a Manhattan basement—with no commission charge here. The men of Basle might also reflect on using their own institution in a form that was partly envisaged at the outset—as a Bank for International Settlements. The more quickly official gold holdings and dealings are centralised, whether at the BIS, the IMF or in the Federal Reserve, and central banks become accustomed to book transfers, the easier it will be, over time, to move away from 100 per cent gold cover for these deposits towards a true international banking operation. But this process will never be helped by making gold scarce or exhorting people to curtail their demand for it.

Immediately, this probably means that the United States authorities should not put too much reliance on foreign willingness to increase dollar holdings; and that they must make further efforts to get the net outflow of United States funds down to the annual level of $1 billion or so which is widely regarded in Europe as tolerable. The important innovations of the past eighteen months have done a fair amount to ease the immediate (but only the immediate) problem of reinforcing official monetary reserves. But these new facilities have not provided the basis for the wide swings in international credit that are probably necessary if more direct instruments of adjusting international payments are to be dispensed with. It is to this aspect of international balance that attention now needs to be directed more urgently. In particular, international officials should seriously reconsider whether, on the basis of recent trends, they can confidently hope to go on indefinitely steering clear of import restrictions, floating exchange rates or inconvertibility unless they are willing to consider two alternative regulators: more flexible use of interest rates to affect capital flows on the one hand, and direct subsidies for exports by deficit countries to improve their trade balances on the other.

HOW JAPAN DOES IT—I

The Dual Economy

Japan's phenomenal industrial growth in the last ten years—its real national product has risen at an average of 8.2 per cent throughout this period—still retains a large element of mystery in the West. Certain aspects are familiar enough, at least conceptually: the low level from which recovery started; a reverse gap between productivity and wages; an abundant labour supply; a traditionally high rate of personal saving; and an undervalued currency. Economic circumstances such as these would have encouraged growth in any country. They do not themselves explain the extraordinary growth of Japan. Of fundamental importance here is the peculiar organisation of Japanese economic life. In this article, a correspondent who recently visited Japan considers the great Japanese economic achievement in the light of the structure of industry and the quality of management. In a second article he will turn to the remarkable and efficient system of credit control.

JAPAN is fast attaining the status of a fully developed and technically advanced economy. But the Japanese themselves are modest about claiming this status and readily draw attention to industrial sectors which are still backward. The 1959-60 Economic Survey contains a list of industries which still lack sufficient international competitive strength—a compilation that few other countries care to risk. First among Japan's "uncompetitive" industries, for reasons of unfavourable natural resources and social conditions, are:

coal, non-ferrous metals, paper pulp, soda and most agricultural products;

secondly, because of the narrow market and also because of technological backwardness:

special steels, chemical machinery, machine tools, metal processing machinery, passenger cars, computing and gauging instruments;

thirdly, because the industries are newly developed:

petro-chemicals, synthetic textiles and industrial electronics.

And these, by contrast, are the products in which the Japanese believe they are strong enough to compete:

other textiles, clothing, plywood, chinaware, ordinary steel products, ships, TV sets, radios, cameras, sewing machines, textile machinery, agricultural implements, trucks, buses, constructional machinery, rolling stock, cement and plastics.

Since the war one sign of a mature economy has emerged in Japan: the rate of population growth has subsided to less than one per cent a year. Moreover, by intensive farming, the country is now self-sufficient in rice. The "uneconomic" cost of this is not yet high but will need watching. Japan's prosperity is still grounded on a relatively small sector of its industry.

Whereas technical skills seem to be reasonably well-spread, management ability and initiative are concentrated in very few firms. This is partly the reflection of a general tendency to avoid taking decisions or, if they are unavoidable, not to take them alone. The brilliant young executive who takes snap decisions on his own initiative is very far indeed from the national ideal. This dislike of taking decisions naturally favours the growth of the large firm or group where the really important decisions for a large number of subsidiary companies can be taken at the top. Some such national characteristic must account for the rapid resurgence of the Zaibatsu, or large groups of manufacturing companies each centred on their own trading company and their own bank.

The Zaibatsu were supposed to have been thoroughly unscrambled by the Americans after the war. They have not reconstituted themselves exactly on the pre-war pattern; the large family shareholdings and holding companies were effectively dissolved, and the groupings are now different and indeed are changing slightly all the time. For example, at the moment the trading or merchanting company in the Sumitomo group, Sumitomo Shoji, is no closer to some of the metal companies in the same group than is the trading company of another group, C. Itoh. Some groups are closely bound together; for example the biggest group, Mitsubishi Shoji (the trading company) was reported in the *Oriental Economist* as showing sales for the half year to last September of about £386 million, and handling about one-third of the total business of the group, whereas the next largest, Mitsui & Co., showed half yearly sales of very slightly more (about £387 million) but handled only about 16 per cent of the total business of the Mitsui group. The links with the banks also vary; the Mitsubishi link is again very close, while Mitsui & Co. deals with both the Mitsui Bank and the Fuji Bank. It seems that these links are determined to a considerable extent by the personalities of the people at the head of the various companies. Even, however, in the closely-knit groups the heads of the constituent companies only meet once a month informally, and as equals—with the bank chairman perhaps a little "more equal" than the others.

KEY ECONOMIC INDICATORS

	1955	1956	1957	1958	1959	1960	1961	1970 (per 10 yr. plan)
Population (Million)	89					94		102
Industrial Production (1955 = 100)	100	122	144	145	180	228	277	570
Exports (US $ billion)	2·0	2·5	2·9	2·9	3·5	4·1	4·2	8·5
Imports (US $ billion)	2·5	3·2	4·3	3·0	3·6	4·5	5·8	8·1
Department Store Sales (billion Yen)	212	259	310	338	388	468	582	
Consumer Price Index (1960 = 100)	92·7	93·0	95·9	95·5	96·5	100	105·3	
Real Wages, Manufacturing (1955 = 100)	100	108·9	109·3	112·3	119·5	124·5	132	
Tokyo Stock Exchange (Yields %)	7·96	6·68	7·14	6·66	4·54	3·93	3·24	

One must note here that not all the large manufacturing companies are associated with one of the Zaibatsu; important examples of independent concerns include Toshiba, the electrical engineering company, and Toyota Motor. But at present the three largest Zaibatsu control 14 per cent (by asset value) of the 200 largest companies. The quality of the management of these groups is extremely high. At the other end of the scale the management of numerous small firms is extremely bad; but when they do get into difficulties they are usually in debt to the banks who step in and either reorganise them or wind them up.

JAPANESE industry, as is often pointed out, has a dual structure, of highly developed modern factories situated side by side with small unmechanised and primitive workshops. Thus about 50 per cent of firms in Japan employ 50 workers or less, compared with about 15 per cent in the United States; and rates of pay in such firms in Japan are under 50 per cent of those in the larger firms employing more than 1,000, compared with about 80 per cent in both the United States and Britain. These small firms, however, are important to the economy owing to the very wide practice in industry of subcontracting; but the social problems of these low-paid workers are an embarrassment to the Government and one perhaps which will be solved only as the larger and more efficient firms draw labour away from this part of the economy, or as efficient methods and the necessary capital reach it.

Over the whole range of industry, trade unions are mostly very weak. Unions hardly exist in the Western sense. They are often organised on a company basis not a craft or industry basis. This scarcely makes for hard bargaining, and the unions are also weakened by widespread hidden underemployment and wasteful employment due to lack of mechanisation. But their strength is at last clearly growing, along with workers' living standards. Thus the index of real expenditure by certain workers' families in 28 cities rose by over 30 per cent between 1955 and 1960, and the percentage spent on food, according to another sample, has fallen in the last ten years from 54½ per cent to 41½ per cent.

Living standards are still below European levels but there is now little of the grinding poverty which is so common elsewhere in the East. Real wages in manufacturing industries rose by a quarter in the period 1955-60, equivalent to 4½ per cent a year. The average cash wage in 1960, including bonuses, was still only £22-23 a month. But fringe benefits are important: in many industries housing costs, retirement allowances, and welfare facilities are often paid for by the employer. The bonus is an important item which often amounts to as much as five months' wages or salary. This seems to be a traditional feature and has important consequences on personal savings, since people tend to adjust their expenditure to their regular income and to save much of their bonus. And personal savings have a particularly important role since the Japanese have more than their fair share of calamities such as typhoons, floods and earthquakes and no Welfare State in sight.

Why has the "dual structure" of industry persisted? One factor in the past was the long period of unemployment and underemployment. This is changing now, but another rigidifying influence is the lack of mobility of labour. In Japan the usual pattern, particularly with large groups, is employment more or less for life. Thus a young man will join one of the large companies as he might the Civil Service and his advancement in responsibility and salary will be largely a matter of age, far more so than is usual in western countries. Moreover (like employees of the English clearing banks), he would never leave one group for employment in another; nor on the other hand will he be dismissed except for reasons of his own conduct. Fluctuations in labour requirements of such firms are handled entirely by taking on and dismissing temporary workers who have none of these rights. These workers are usually drawn from farms, especially in the winter, or from small family businesses to which such people are bound by filial piety to return if required when the head of the business dies. But some newer firms take on and lay off labour in the western manner.

The force of Japanese competition in recent years is explained in large part in two short tables.

TRENDS OF PRODUCTIVITY, WAGES AND PRICE INDEX IN JAPAN (Manufacturing Industry)

	1955	1956	1957	1958	1959	1960
Productivity	100·0	113·7	120·3	116·8	130·7	147·0
Wages	100·0	109·3	113·1	115·7	124·4	134·3
Prices	100·0	105·3	103·5	100·1	101·3	102·8

Source: Economic Survey of Japan, 1960–61.

WAGE COSTS ROUND THE WORLD
1959 COMPARED WITH 1952

	Productivity Index %	Nominal Wage Index %	Wage Cost Index %
	(decreases minus; other figures show increase)		
United States	12·2	31·6	17·3
Britain	19·3	38·5	16·1
France	52·6	68·0	10·1
W. Germany	31·4	50·7	14·6
Italy	65·4	61·4	− 2·4
Japan	63·2	53·8	− 5·8

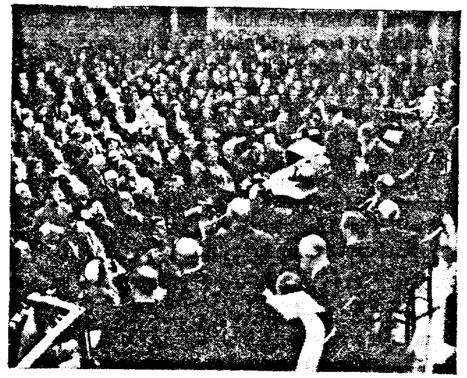
$$\text{Productivity Index} = \frac{\text{Productivity Index}}{\text{Employ. Index}} \qquad \text{Wage Cost Index} = \frac{\text{Nominal Wage Index}}{\text{Productivity Index}}$$

Source: Foreign Economic Statistical Annual.

Productivity up 47 per cent, wages up 34 per cent—this is a productivity gap in the right direction. The result has been that wage costs in Japan have been falling rather than rising. In 1961 it seems likely that the gap between productivity and wage increases in Japan closed a little, but it certainly did not disappear.

The margin between productivity and wages makes possible a high rate of capital accumulation by companies, and thus a high rate of capital investment. In addition, personal savings are surprisingly high and appear still to be rising; they are the basis of the whole credit structure of the country, as a second article will show. These are probably the most important determinants of economic growth in Japan. Will they persist? The habit of saving, in spite of the real inducements behind it, might be one of the casualties in a period of tremendous social changes; already hire purchase is beginning to grow, but it would be ironical if the fast rising standard of living should inhibit savings just when they have become easier for the average worker to sustain. Meanwhile labour productivity has continued to rise but there are clear signs since 1955 of a deterioration in the capital-income ratio in industry; more and more capital is needed for each unit increase in output, and last year's boom must have included some capital expenditure which will not justify itself very quickly. There is a vast field of government investment for which in recent years there have been insufficient resources, but investment of this kind is unlikely to lower costs through the whole range of industry.

Living with 38.5 per cent



THERE was cause for the directors and shareholders of Courtaulds to celebrate; but at last Thursday's meeting they did not. There was cause for the directors and shareholders of Imperial Chemical Industries to mourn; but at last Friday's meeting they did not. The flush of battle still reddened the cheeks of some shareholders; but, like men at a truce conference, both boards of directors were soberly pondering what would happen next. For them it was a time for fair speaking—an opportunity to get the tone right without making any precise commitments. Both, without damage to their *amour-propre*, found the right conciliatory words to say.

The meeting of a faithful five hundred of Courtaulds was not unlike a gathering of pen-pals after a lengthy correspondence. In this instance, the correspondence had been exceptionally one-sided—except for those postcards. Sedately, the correspondents were able to satisfy their curiosity. Mr Aubrey Jones, MP, was the only absentee director but, in introducing the other fifteen, Sir John Hanbury-Williams did not mention that Mr Jones was abroad. Mr Frank Kearton alone won a separate round of applause.

In a short speech Sir John said it was a matter of great encouragement to Courtaulds that the majorty of shareholders had rejected ICI's bid; he emphasised the "determination of the board and all who work for Courtaulds to justify this confidence." About future relations with Courtaulds' biggest shareholder, Sir John said:

> It now remains a matter of earnest hope that all concerned will be able to find a sound basis for the new relationship.

Then it was the turn of the shareholders. Criticisms of the cut in the interim dividend and such phrases as "got what you asked for" and "secretive and niggardly" were only to be expected and the directors had to take them on the chin. But Sir John refused to be drawn, amid shouts of "answer," about the reasons for the "unfortunate" cut in dividend. Many shareholders wanted to know whether any ICI directors were going to join the board. Sir John was diplomatic: "We have received no approach from ICI," immediately answered by a shout from one shareholder, "We don't want them." Another shareholder asked for a "few words from the man concerned with the future." There was a moment of hesitancy at the green-baized table and then Sir Alan Wilson stood up and said: "What we have promised we will carry out. Your remedy is to come and cross-question us at the annual general meeting." The resolutions approving the distributions of loan stock and capital profits were passed by overwhelming majorities. But the loudest applause of all greeted a suggestion from a woman shareholder that a woman should sit on the board.

ICI's meeting the following day drew fewer women than Courtaulds'—but, perhaps, slightly more shareholders. Half-way up the winding staircase into the Central Hall, Westminster, one of the more elderly ones remarked: "Mr Chambers certainly makes his shareholders climb." Shareholders, in their turn, made Mr Paul Chambers work, for the meeting lasted over two hours and though there must have been substantial proxy majorities in favour of the increase in authorised capital (amended at the last minute to £25 million) demands for a poll had to be recognised. One young lady could not remember how many shares she held. "How lucky you are," said Mr Chambers, who conducted the meeting with aplomb, as if he had won. Some criticised him; some praised him. One shareholder compared him to Napoleon, not in compliment. On the opposite side, Mr Randolph Churchill characteristically proclaimed. "A battle is not won at the first skirmish"; he advised Mr Chambers: "If at first you don't succeed try, try, try again." But a young executive in ICI was froward enough to tell Mr Chambers to look into some of the dark corners of ICI before "trying to run the affairs of other companies." A good deal of applause greeted the statement by a woman shareholder that:

> There is nothing worse than trying to be too clever. . . . ICI and Mr Chambers as well were too clever and I think they deserved defeat. They got defeat and now they are making out they are conciliatory. They were covetous about Courtaulds and they got a slap in the face.

Mr Chambers was in fact prepared to be as conciliatory as Sir John, and the ending of his speech that revealed that ICI now owns 38.5 per cent of Courtaulds' equity needs to be recorded:

> Your company's prospective holding of 38.5 per cent of the ordinary stock of Courtaulds will, of course, be by far the largest single holding in that stock and will clearly have to be taken into account in determining our future relationships with Courtaulds. We hope that these relationships will improve now that this offer to their stockholders has been concluded. In this matter I share fully the earnest hope expressed by Sir John Hanbury-Williams . . . that all concerned will be able to find a sound basis for a new relationship between our two companies.
>
> The next question which naturally arises is what we will do now that we have 38.5 per cent of the Courtaulds ordinary stock? Will we proceed to buy sufficient Courtaulds ordinary stock to bring our holding above 50 per cent? If we do not do this, will we use our voting strength to dominate the affairs of Courtaulds? As you know, a holding of this size when the balance of the ordinary share capital is spread among thousands of other stockholders can, in normal circumstances, give effective control.
>
> I can answer both of these questions. While I cannot, of course, say what might be done by your directors, whoever they may be, in years to come, when circumstances may be different, your directors have no intention in present circumstances of purchasing or selling any Courtaulds ordinary stock. Perhaps I should add that no Courtaulds stock has been purchased during the period of the offer and your company has no holding other than the 38.5 per cent already referred to. Similarly, while they cannot bind themselves or their successors for ever and while they would in no sense regard their holding as a holding of non-voting stock, they would only use their voting power in the spirit set by Sir John Hanbury-Williams in his statement yesterday in the cause of the effective and efficient operation of the Courtaulds business.
>
> Because of our close association with Courtaulds and our joint interests in British Nylon Spinners, this very large holding in Courtaulds ordinary stock could never be regarded simply as an investment.

Mr Chambers's last words can be taken as a model for both sides: "Your directors take the view that it will be better to allow for a period of quiet reflection on both sides before any further action is taken or any further statement made."

THE NEW STOCKS

Dealings will begin next Monday in both the new ICI convertible stock and the Courtaulds loan stock. Courtaulds shareholders, both those who assented to the ICI offer and who therefore will be receiving ICI's convertible stock and those who did not assent and who therefore will be receiving Courtaulds loan stock have been informed. Dealings in the 6½ per cent unsecured convertible loan stock 1972-77, of which £75 million is being issued against Courtaulds shares, will be for special settlement on April 18th. Holders of around 300,000 ordinary shares in Courtaulds have opted for ICI's ordinary shares. Dealings in the Courtaulds 7 per cent unsecured loan stock 1982-87, of which £40 million is being distributed to shareholders from a capitalisation of reserves, will be for special settlement on May 3rd. By these dates shareholders will have received renounceable stock certificates.

A prospect of progress

The developing countries of Latin America offer rewarding prospects especially to the exporter of capital goods. However, expert assistance is vital in dealing with the many formalities which abound. Consult our International Department Representatives. Their advice, based on detailed knowledge of local conditions, will prove invaluable.

Our branches and those of our associates – the Bank of London & Montreal and Balfour, Williamson & Co. – cover the whole of South and Central America. Through them, accurate market information reaches our International Department. The help and information which we are thus able to supply to business and industry includes the following:

Individual market reports
Tariffs and payments
Import and export regulations, including licensing and prior deposits
Names of agents
Transfer of funds
Financing



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BUSINESS NOTES

BANK RATE

Low Enough

BANK rate came down from 5½ to 5 per cent on Thursday—the movement that, by error rather than by premonition, last week's issue of *The Economist* recorded for the reduction from 6 per cent a fortnight ago. The gap between these two Bank rate changes is the smallest for thirty years. Greater flexibility in the use of Bank rate is certainly to be welcomed in principle; nor was there any real purpose this year in adhering to the usual disinclination to "anticipate the budget," since ministers themselves have been more than usually forthcoming about anticipating what the general balance of the budget is likely to be—neutral. The Bank of England attributed its previous Bank rate reduction to domestic as well as external influences; and the further slackening in industrial production this week must have confirmed its general view that the economy is no longer in need of active restraint. But the main influence in this second reduction this month has been the firmness with which sterling stood up to the first one.

The Bank of England, one can safely assume, set its aim on getting Bank rate back to 5 per cent almost as soon as it put it up to 7 per cent last summer. By early November, probably earlier than had been hoped, the rate was down to 6 per cent; but further instalments in the new year were checked by official determination to play safe on the exchange market and by fears of foreign bankers' reactions to the sharp rise in government spending. Since such reactions have had virtually no impact in the markets, the Bank has proceeded to bring Bank rate to the level of 5 per cent which, although still high by past standards, has in recent years come to be regarded as the "neutral" point between high and low.

In Britain's present circumstances it is quite low enough. Further reductions would, of course, be needed to bring money market rates in London to the New York and Continental levels, and one need not doubt that the press and the markets will immediately begin talking Bank rate down further on these grounds. But these comparisons are of strictly limited value, since they ignore the fact that interest rates over the vast range of commercial lending are much closer to money market rates in Britain than they are in other countries. Even now, with bank lending rates to prime borrowers at 5½ per cent, London banks are providing finance at an effective cost that is pretty close to the American level, and far below the German level. Differentials such as these have an increasingly important influence on the flow of international funds, through "indirect arbitrage" by large corporations; and interest differentials in the long term market are also increasingly important for the balance of payments. There is reason to believe that an unusually large portion of the recent inflow into London has by-passed the usual money market sources. The authorities are presumably still concerned to lessen the burden of Britain's net exports of capital—last July they sharply stiffened their control on British direct investment overseas to this end. It is this logic which points to the need for Britain remaining, relatively, a high interest rate country—which at 5 per cent Bank rate it is not, except in the limited field of the money market.

THE NEW MONEY RATES

	From per cent	To per cent
Bank rate	5½	5
Overdraft rates:		
England	6–7	5½–6½
Scotland (minimum)	6½–7½	6–7
Deposit rates:		
(7 days' notice)		
Clearing banks	3	3
Discount houses	3⅛–3	3–3⅛
Local authorities	6	5⅞

IN THE MARKETS

High Enough?

THE stock market had been looking forward to another reduction in Bank rate but it had not expected one before the budget. On Thursday morning, however, there was a flurry in short dated gilt-edged stocks, but the gains after the change was announced were not fully held. The fall in equity prices, however, was checked. Earlier, gilt-edged prices had not repeated their previous week's achievement of a strong advance; but they had not fallen back and in a few instances continued to make small gains. In the last few months the gilt-edged market, because it has expected interest rates to come down, has been in good shape; prices have risen strongly but a fair amount of stock has been purchased by institutional investors and as a result of earlier funding sales the tap on the 1982-84s is now believed to be running low.

One reason for the quieter tone in the gilt-edged market this week was the heavy weight of new issues. The offer by Middlesex of £20 million 6¼ per cent stock 1975-77 at 97¼ was allowed to coincide with a £12 million debenture from Dunlop, a £7½ million convertible loan stock from John Summers and a number of smaller issues and placings. The meal proved to be too heavy for the market to digest at once for, although the Dunlop issue was oversubscribed on Thursday morning, 67 per cent of the Middlesex issue had earlier been left with the underwriters. Dealings began at ½ discount but by Thursday's close the price had improved to discount. The failure of the Middlesex loan and of its immediate predecessor, the £10 million offer by the government of Northern Ireland, suggests that there is a close limit to what the institutions, in their double capacity of investors and underwriters, are now prepared to absorb. But this appears to have been more a case of heartburn than of heart failure and the further cut in Bank rate may give the market new encouragement.

Certainly it had at least the temporary effect of checking a sharp decline in equity prices; but the gains recorded on Thursday afternoon were slight compared with the earlier losses, which had brought *The Economist* indicator down by 8.8 points to 347.9 in the week to Wednesday. Before the Bank rate announcement the equity market had been in a state of tension about the capital gains tax and Lord Ritchie's outburst had added to fears that it might be repressive. The slackness in industrial production, as revealed by the January index, had done nothing to cheer the market.

THE EXCHANGES

Help for the Swiss Franc

IN the foreign exchange markets Thursday's further instalment from the Bank of England came as a distinct surprise, and was followed by active dealings in which sterling dropped by ⅛ to $2.80⅞, with corresponding movements against most Continental currencies. In the afternoon, selling from New York brought the rate below $2.80½. Earlier in the week sterling had held firm at $2.80⅛ in a rather quieter market, in which, however, the official control was observed as being a rather keener taker of dollars at this level. There has been no sign of further outright forward sales of sterling from New York, which had previously prevented the forward discount from narrowing in line with the cut in Bank rate of a fortnight ago. On Thursday the cost of forward swaps again fell by the full interest equivalent of ½ per cent.

The most notable movement in the exchange markets in the past week has been in the Swiss franc, which after having been so embarrassingly strong against sterling and the dollar over the past few years has now been in need of official support itself. The dollar has been showing a firmer trend in Zurich since the beginning of this year. Greater confidence in the immediate prospects of exchange stability and the absence of any large international political disturbance had reduced the inflow of flight money to Switzerland, and this in turn exposed the large deficit in Switzerland's other external transactions. Thus in 1961 its current deficit rose to 600 million Swiss francs and its own capital exports rose to 1,000 million francs; the effect on the reserves was swamped by the inflow of up to 4,000 million francs of foreign funds. In January the deficit in the Swiss balance of merchandise trade rose further, to the very high level of 450 million francs; and at the same time the rapid flow of foreign issues brought further pressure. Thus Denmark converted a recent issue of 60 million Swiss francs into sterling, which the Swiss banks normally obtain through the medium of dollars.

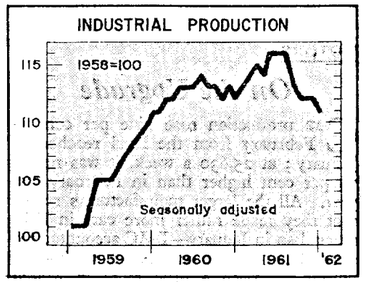
These market movements forces, which had been nudged on at an early stage by the new official intervention by the United States authorities, raised the dollar rate in Switzerland to 4.34 last week, the point at which the National Bank had been expected to intervene. A considerable flurry was caused when it failed to do so—the official limit is only 4.37¼. Last Thursday the central bank stepped in at 4.3430. The amount of support was not large—probably $10 million; and this week, in a quieter market, the Swiss franc has recovered to 4.3360. But this is attributed in part to the making up of balance sheets at the end of the March quarter, and Zurich dealers expect new pressure on the franc in April. Meanwhile last week's movement and discussion of the forces behind it caused a sharp fall in Swiss share prices, for which, even in Switzerland, the journalists were blamed.

THE ECONOMY

Depressing Weather

THE fall of one point in the index of industrial production between December and January was apparently no mere accident of rounding off—as was the reported fall of a point from November to December (which has now disappeared in the revision of the last quarter's figures, showing the index steady at 112). Indeed the index of production in the manufacturing industries fell by two points in January, enough to make one wonder whether the economy is falling back into a decline. But there does not seem to be any clear explanation for the fall; engineering, vehicles and steel were all pretty static, though textiles may have fallen a little. That traditional British topic of the weather seems to be more to blame than any strictly economic factors. The cold and snow hampered building, which had been keeping the index up before; and slippery roads upset transport arrangements—so did iced-up railway points—while the effect of the cold on the underheated British worker was to produce the usual increase in colds and influenza. More invalids mean less production, and this is all the economic message that the January production figures bring.

The March count of unemployment reversed the slight sign of improvement in the previous month. Usually the number of people wholly unemployed may be expected to fall by some 18,000 from February; this year, instead, it rose by a few hundred. Expressed as a percentage of the labour force, the total number out of work on March 12th was 2.0 per cent compared with 1.6 per cent a year before. Perhaps, once again, the weather can be called on as an explanation of the worsening labour situation; it may well have been holding back the usual growth of construction. But the number of situations vacant failed to rise as much as it normally does, suggesting a continued reduction in industry's demand for labour. The static output of the engineering industries after so long a period of growth has removed one pull on the demand side of the labour market.



Spring should be starting with a gentle rise in output—not only as the weather improves, but with increasing car production and the consequent improvement in business for the engineering and steel industries (and, one is assured, better times for chemicals). But this hardly looks enough to produce a stirring rise in industrial activity; the signs of incipient decline in the capital goods industries that have been shown by the new order figures for engineering and construction (though not for machine tools) may, unless checked, be offsetting this improvement by the end of the year. And now most industries have plenty of capacity to spare, a rise in demand does not make them rush into expansion schemes.

OVERSEAS TRADE

Running on the Flat

IN Mr Erroll's estimation all the ingredients for a powerful surge in Britain's exports this year are to hand. The mixture is just obstinately refusing to come to the boil. Unimpressed by the flicker of hesitancy in their economies, the President of the Board of Trade appears to be banking heavily on further growth in American and European markets. He claims that their expansion is already pulling primary producers out of the doldrums. Primary producers take half Britain's exports, so that lurking below a surface calm as a millpond and expansion in exports might be under way. Mr Erroll is prepared to suggest that the overdue expansion in exports might have already been booked. As orders placed in earlier months are completed the overdue expansion in exports will follow. That is an argument that cannot be refuted, but it also cannot be verified satisfactorily from the statistics that are available.

This optimistic view is shared by the Export Council for Europe, whose chairman, Sir William McFadzean, held a press conference on Wednesday to mark publication of a report on the council's National Convention at Eastbourne last November. The council, whose job is to study market opportunities and to urge exporters to take them, evidently senses an almost revolutionary change in the attitude of British exporters during the past year. Trade associations are now helping the council by egging on their members. Small firms are collaborating in joint export promotion. As happened earlier on the continent, the common market is affecting British business life long before any tariff reductions occur or are even agreed.

In the past three months there was little change in seasonally adjusted imports or exports. Exports to the overseas sterling area in December-February fell a further 4½ per cent and exports to western Europe barely increased, but exports to North America improved by 6½ per cent. Within the common market, the rise in exports to Germany, France and Italy was substantial, but was offset by a decline elsewhere in Europe.

Despite the irregularity of imports from month to month there does not appear to have been a decisive change in either direction. Seasonally adjusted imports in the last three months were a little lower than in the previous three, but were still 2 per cent higher than in the third quarter of 1961. A reduction in imports of industrial materials was offset by increased fuel imports. There was no change in imports of foods or finished manufactures.

SOUTH AFRICA

Boost for Kaffirs

GOLD shares provided one of the few bright spots in the markets on Wednesday and Thursday following the announcement by Dr Dönges, the South African Finance Minister, in his budget speech of some relaxation of the restrictions on transfers imposed last June. Since then arbitrage between London and Johannes-

burg has been almost impossible and as a result London prices have stood at a discount of about 25 per cent on prices in South Africa. Now this differential has been reduced to about 17½ per cent as a result of Dr Dönges' proposal that the South African Reserve Bank may buy South African shares in London for approved

KAFFIR PRICES

	Mar. 16, 1961	June 19, 1961	Mar. 20, 1962		Mar. 22, 1962	
	London	London	London	J'burg.	London	J'burg.
Anglo Amer..	146 3	118 9	142/6	179/–	147/6	177 6
Rand Select..	44/6	36/3	43/–	54/3	44/6	54/–
Blyvoor	27/–	23/9	25/–	32/–	26/6	31/6
F. S. Geduld.	105/–	81/3	85/–	106/–	86/3	106/6
St. Helena ...	66/3	54/–	66/3	84/6	68/3	83/–
W. Hold.	133/9	103/3	123/9	152/–	122/6	150/–
W. Deep.	38/9	29/10½	39/3	49/9	42/–	49/6

financial institutions and sell them to the institutions at the ruling Johannesburg price. The "fortuitous profits" resulting from these transactions will go to a "defence special equipment account." It appears that a limit of £10 million to £15 million will be set on these transactions but it seems unlikely that these limits will be reached; there will be little incentive to the institutions to make additional contributions to South Africa's defence expenditure except in cases where they cannot obtain the required stock in Johannesburg. Nevertheless the fact there is a potential big buyer was sufficient to raise prices in London and to lower them slightly in Johannesburg. But by Thursday afternoon gold shares in London had lost some of their earlier gains.

There is still no prospect of a non-South African resident taking immediate advantage of the Johannesburg prices, but at least the door has been opened slightly. Holders of blocked rands are now invited to subscribe for 5 per cent bonds repayable in five annual instalments and freely transferable in foreign currencies. For these bonds the limit in the current financial year is £10 million with an upper limit of £25 million for later years. These limits could well be tested, for the need to increase defence expenditure by £24 million to £60 million this year is hardly likely to restore the confidence of overseas investors in the Republic's future.

MOTORS

On the Upgrade

CAR production rose nine per cent in February from the level reached in January; at 25,630 a week, it was nearly 70 per cent higher than in February last year. All the larger manufacturers report that they made rather more cars in February than in January—BMC accounted for about half the rise of 2,000 a week—and output has risen a little more in March although home market sales are rather disappointing. Although February's sales of 58,500 were higher than one might have expected—only 1,000 fewer than in January, traditionally a better month for new car sales—there are signs that some potential buyers have held off in hopes, probably mistaken, that the 10 per cent surcharge on purchase tax will be removed in the budget. Makers assume, however, that sales lost this month will be made up in April, and are therefore going ahead with their plans to build up output to meet a home demand as high as last spring's together with higher exports.

Shipments of cars to export markets fell little in February; at 45,789 they were also 70 per cent above the level of last February. The United States continues to account for much of the rise, taking more than 7,000 cars instead of 800; the rest of the increase came mostly from Europe and South Africa. Makers report an encouraging demand for their new models in Europe; Vauxhall says it could export all its output of Victors, and Rootes is having to starve the home market of Super Minxes to try to meet export demand.

Commercial vehicles have not been doing so well as cars this year. Production has been running about 11 per cent below that of last year; exports are down by a third, and home sales by about a seventh. If the demand for vans to be

What Happened to Mr Hammarskjöld

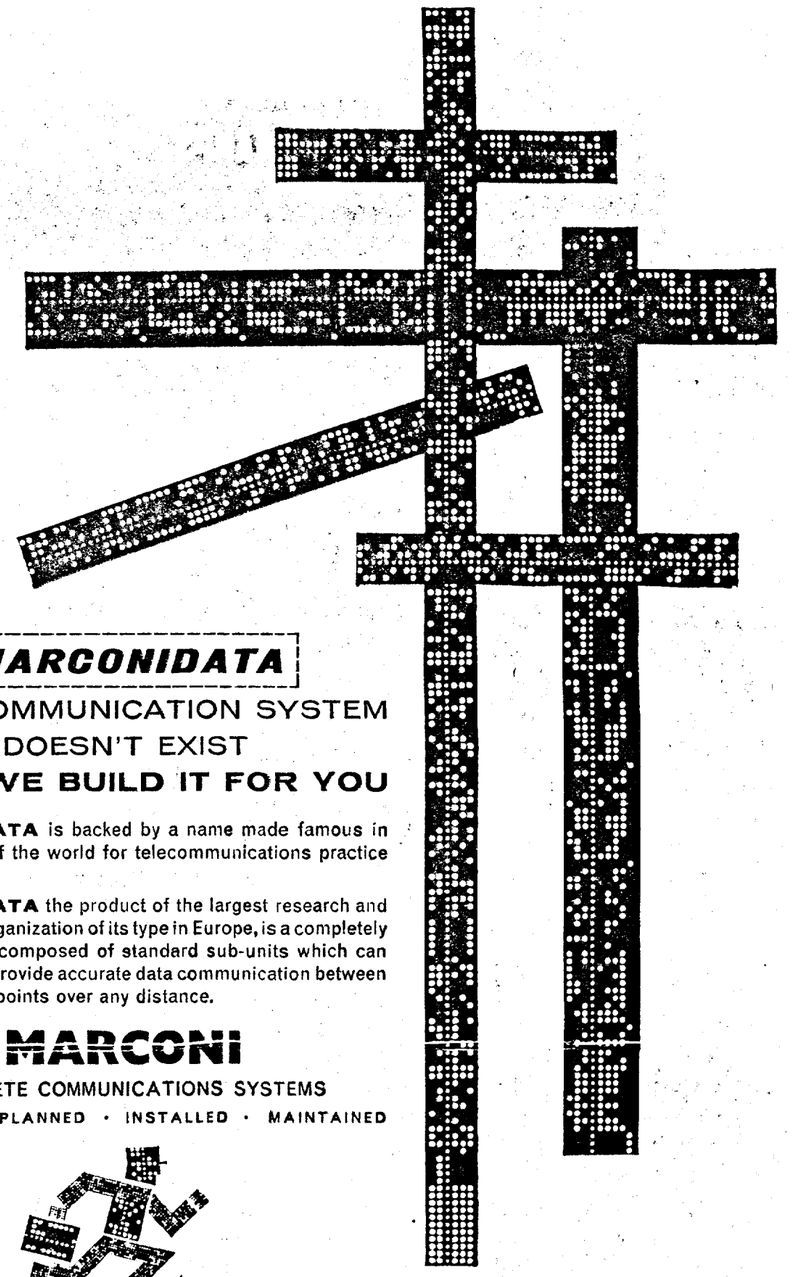
THE Rhodesian government's report on the air crash that killed Mr Hammarskjöld ought to settle all the mysteries, and worse, that were noised around the world at the time of the UN secretary-general's death. He took off in secrecy from Leopoldville on an afternoon in September last year in a Swedish-owned DC 6 chartered to the United Nations, three-quarters of an hour after a more conspicuous departure of a smaller aircraft carrying Lord Lansdowne and a party which was rumoured, deliberately, to include Mr Hammarskjöld himself. Both aircraft were bound for Ndola for a meeting with Mr Tshombe to mediate between him and the Congo government.

Lord Lansdowne, flying a direct route, landed about 8.30 p.m. Shortly after 10 p.m. Mr Hammarskjöld's DC 6 arrived over Ndola, where the runway and approach lights were switched on waiting for it. The pilot reported he could see the lights, checked his altimeter settings with the control tower and flew over the airport towards the radio beacon 2½ miles away to line up his aircraft with the runway. On this bright, clear night he intended to land visually, in preference to using instruments. But at some point during a normal landing procedure, confused perhaps by a small hill that could temporarily have hidden the Ndola approach lights, the pilot flew his aircraft into the ground; its undercarriage was down and its flaps set to give the correct 5 degree angle of descent, but it was many hundreds of feet too low for safety. It is clear from the dying words of Sergeant Julian, the only passenger to survive for a few hours, that he and Mr Hammarskjöld thought that the aircraft as it sheared through the tree-tops had landed on an obstructed runway, and Mr Hammarskjöld shouted for them to "go back."

This type of flying accident is not uncommon, but it is one that a layman finds difficult to accept. Hence the belief that something must have happened to damage, or blow up or shoot down the aircraft. The report of the court of inquiry effectively demonstrates that no such thing happened. Whatever enemies Mr Hammarskjöld may have feared when he insisted on secrecy for his flight, there was absolutely no evidence that any of them had tampered with the aircraft or shot it down. There was no evidence of gunfire, or of explosion other than that caused by bursting fuel tanks, or of any other aircraft in the neighbourhood. There was nothing in the suggestion that the pilot might have confused Ndola with Ndolo, many hundred miles away; he knew he was landing at Ndola and had all the facts about it firmly in his mind, including its height above sea level. He must have misjudged his height at a critical stage during landing in the dark.

The point that will be argued by pilots and ought to be argued by airlines is how a man of great flying experience can make such a fatal, elementary error. His altimeters were properly set after checking with Ndola control and they survived the crash. "We cannot say," reports the inquiry, "whether [the mistake] came about as a result of inattention to altimeters or misreading of altimeters." There are many pilots who will conclude that this accident adds to the long list caused by a pilot misreading that highly confusing instrument, the old-fashioned type of altimeter still used in far too many aircraft belonging to far too many airlines.

Ndola's airport manager is criticised for not searching earlier for the wreckage, although police reported that they saw an explosion during the night and even sent patrols to try and locate it. But his exalted visitors, who with the police and the military had virtually commandeered the airport, had evidently impressed him with Mr Hammarskjöld's idiosyncrasies and at that stage were themselves accepting the likelihood that the Secretary-General had changed his mind about the meeting and flown elsewhere. Had the search started earlier, said the court, Sergeant Julian would have lived, but the Secretary-General was beyond avail.



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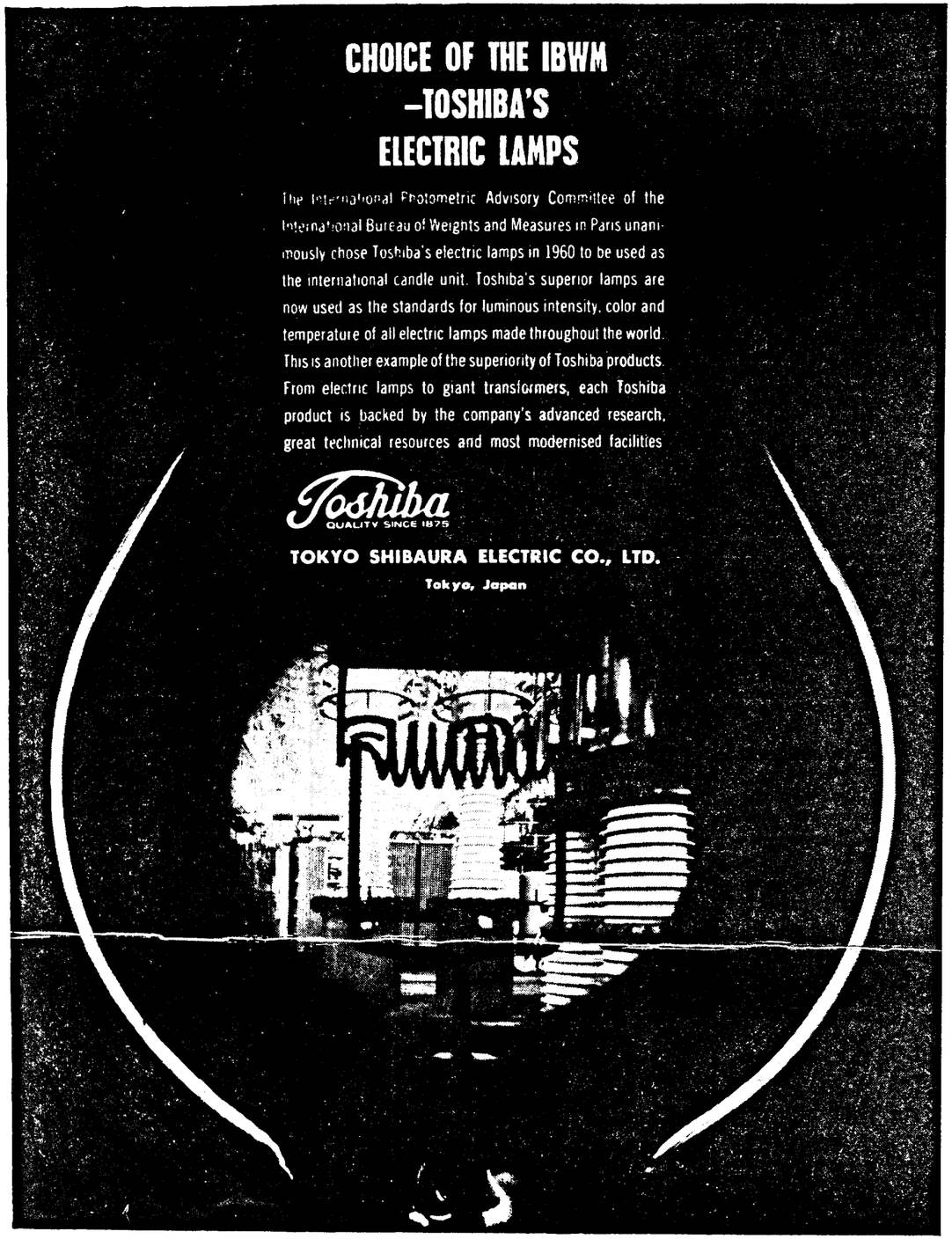
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turned into cars was not still buoyant, production would have fallen more than it has. A check to investment in commercial vehicles at home with the tighter industrial situation—and after years of boom following the removal of purchase tax—seems to explain the fall in demand on the home market; the drop in exports is more surprising and disturbing, suggesting a weakening of the British industry's competitive position.

STEEL

What Freedom?

THE steel industry has a leaning towards a double life. It wants to woo that solid dame, higher prices, at the same time as it flirts with the more adventurous female, competitive fuel supplies. The report of the British Iron and Steel Federation for 1961 reveals these conflicting emotions. Sir Julian Pode, the new president, says of the Iron and Steel Board's recent price increase that it "will do something to improve the year's out-turn: but I cannot find it in me to say more in its favour than that." He then goes on to repeat the industry's call to be free to import American coal. "If coal could be freely imported," he says, "then the landed price of imports would set an independent and realistic standard of costs which all British mines would have to strive to meet and beat in order to hold their market. If Lord Robens's plans for greater efficiency were really to bear fruit, then the presence of such an independent check would have no terrors for him." And Sir Julian assures the Coal Board that the steel industry will continue to look to it for the bulk of its fuel requirements—importing perhaps two million tons a year, enough to cut the average cost of a ton of steel by 3s. 6d. and to take £1 off the costs of one firm (could this be Colvilles?).

What Sir Julian does not say is whether the steel industry would be prepared to abandon its present right to obtain all the fuel it wants from the Coal Board in return for the right to compete with it. If the Coal Board were forced to cut its costs it would have to cut its output; and it might also feel that it could hardly then be expected to supply just whatever coal the steel industry could not import. It might want to be more choosy about what and where it was prepared to sell; the increase in the price of Scottish coal that helped to make the steel industry so bitter about its treatment by the Coal Board is only a foretaste of the sort of pricing that could be expected if the board had a freer commercial hand.

Entry into the European Coal and Steel Community is one possibility that Sir Julian considers strengthens the case for freedom to buy cheap fuel. He believes that the steel industry will be faced with more competition when the ECSC method of setting prices is adopted—which is a basing point system, not a delivered price system. A trial run of this new pricing system should be possible in Britain before the end of the year; the Federation agrees that steel users and producers should have a chance to get used to it before entering the community.

RETAIL BUSINESS
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WIDER SHAREOWNERSHIP

The Small Investor

IT is over two years since the Acton Society Trust characterised the small investor as a man earning about £17 a week with nearly £1,000 already invested and hoping to add about £100 a year to his investments. Now the Wider Shareownership Committee in a survey by Dr Mark Abrams on "Savings and Attitudes to Share Owning" has tried to establish more exactly who owns shares and why they own them. The survey, based on a sample of 568 men in the four highest of the six social grades, was designed to establish the differences between those who are shareowners and those who invest their money in other savings media but who do not own shares. The accompanying table has been extracted from the survey; it makes the distinction between "shareowners" and "non-owners" and it shows where people invest their money, where they invest most of their savings and where they would invest a windfall of £500. The survey estimates the number of shareowners at between 3.2 million and 3.6 million but it also suggests that approximately the same number (about 11 per cent of all "non-owners") have more than £500 in long term savings other than shares. Around £500, the survey believes, is the minimum accumulation of savings required before going into share investment. Hence a substantial untapped source of savings is available, given the right sort of inducements, for buying shares.

Against this, however, the survey establishes that younger men are more attracted towards buying shares than older ones; apparently as a person grows older he is increasingly reluctant to try a new method of saving. This exposes a dilemma, for while the "under-forties" are the most willing to invest in shares they are the ones, because of commitments on house mortgages, education and so on, who face the greatest demands on their incomes and therefore have little money left over for saving. The survey in fact found that very few of the men under 35 who were interviewed had large sums of money in long term savings.

As expected the survey found that most shareowners are in the highest social grades and that over half the "upper middle class" group own shares; only 2 per cent of the skilled manual workers group were shareowners, but this means that people in this group make up about 10 per cent of all the shareowners in this country. In absolute numbers there are as many shareowners in the lowest white collar grade as there are in the highest grade. Most shareowners found the principal attraction of shares to be not the yield but what they variously described as "capital gains," "tax-free profits," "making money" or "for the gamble."

Half the men who owned shares valued their holdings at less than £500; 10 per cent had their shares given them and a further 19 per cent had some given them. Only 45 per cent of shareowners and only 14 per cent of "non-owners"—and these were predominantly younger people—would invest a windfall of £500 in shares. But over half the "non-owners" reacted favourably to the idea of a regular share purchasing scheme and about two thirds when the suggestion of a special tax relief on such a scheme was put forward. The survey suggests that there are still strong resistances to investing in shares on grounds of risk and complexity: at least a quarter of "non-owners" had no idea where or how to seek advice about share investment.

	Where people invest their money			Where people invest most of their savings			Where a windfall of £500 would be invested		
	Share owners	Non-owners	Total	Share owners	Non-owners	Total	Share owners	Non-owners	Total
	%	%	%	%	%	%	%	%	%
Post Office Savings	33	39	38	8	25	23	...	8	7
National Savings Certificates	39	20	22	4	9	9	9	8	8
Defence Bonds	9	1	2	3	...	1	8	4	5
Premium Bonds	57	38	40	...	9	8	6	13	12
Building Societies	30	12	14	16	8	9	24	23	23
Savings Banks	19	22	22	3	17	16	...	11	10
Bank Deposits	45	23	26	9	17	16	3	15	14
Stocks and Shares	87	...	9	49	...	6	37	9	12
Investment Trusts	10	...	1	5	...	1	4	2	2
Unit Trusts	14	...	2	3	...	...	4	3	4
None of these	...	13	12	...	13	12	2	3	3

SHIPBUILDING

Close Look at Productivity

It is doubtful if any industry, particularly one engaged in a highly competitive international field, has ever subjected itself to such a highly introspective examination as the British shipbuilding industry has done. Two years ago it set up a committee, under the auspices of the Shipbuilding Conference, the Shipbuilding Employers' Federation, the National Association of Marine Engine-builders and the British Shipbuilding Research Association (now the British Ship Research Association, incorporating shipowners as well as shipbuilders and marine engineers) to "consider ways and means of improving productivity and developing research in the shipbuilding industry." The result has been a report which is quite remarkable in its scope and its implications.

One thing that the report brings out is that, contrary to common misconception, British shipbuilding facilities, on the technical side, are as good as, if not superior to, those of continental shipyards in most respects, even though the latter had the advantage of being rebuilt *de novo*, often on "green field" sites, after wartime destruction, and with "aid" in one form or another. But a capable or efficient shipyard depends on more than equipment. Two essential features are efficiency of labour and of management, and on these the report does not pull its punches. For example "Viewed as going concerns—that is to say as a combination of management, labour and facilities—a small number of the foreign yards visited are considered to be superior to the best of their British counterparts; the least progressive British yards likewise create a less favourable impression than any of the comparable foreign yards."

Behind the whole report is the incentive to discover what are the principal reasons for the generally greater effectiveness in recent years of the Dutch and Scandinavian yards in continuing to attract a high proportion of the orders placed. Eight principal conclusions are drawn:

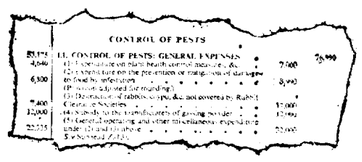
1. Most of the large firms are highly sales conscious. Too many British firms sit back and wait for inquiries.
2. A much higher annual throughput of steel is obtained.
3. The fast production times achieved abroad are facilitated by rather longer preparatory periods.
4. Efforts are made to ensure greater accuracy at all stages in prefabrication.
5. The flexibility of labour and interchangeability of labour reduce the labour cost of a ship built in a foreign yard.
6. Generally speaking, as much as 70 per cent of the cost of a ship comprises materials or work subcontracted to outside firms. This work and materials (including the cost of steel) can often be obtained more cheaply abroad than in Britain.
7. Much greater efforts are made abroad in the training of apprentices, supervision and management.
8. The identity of purpose which exists between management and labour in shipyards abroad helps productivity.

In its detailed sections of the report, the committee is to be commended on its criticism of managements. An immediate result of this investigation has been the formation of a permanent Production Research Section of the British Ship Research Association, which has been given several specific tasks by the authors of the report. But the future prosperity of a vital industry depends most directly on the chances of removing the blinkers and the earplugs of the overmany trade unions concerned.

CIVIL ESTIMATES

Half the Size, Twice as Clear

The civil estimates for 1962-63 appeared this week in a new form. This first major overhaul since the Exchequer and Audit Department Act of 1866 follows the recommendations of the Plowden committee, which felt that public expenditure would be brought under better effective control by dropping the traditional comprehensive—and in practice virtually incomprehensible—coverage in favour of a shorter, clearer set of estimates more sensibly aligned to the main forms of expenditure. The estimates now appear as one volume of 543 pages; the corresponding volumes for 1961-62 contained 1,216 pages. Previously the individual classes of votes were bound separately and appeared one after the other over the period of a fortnight. The new volume has had a typographical uplift complete with blacked-up subheads, and the two sets of estimates, for


CONTROL OF PESTS

the year ahead and the current year, are clearly compared. The Treasury has evidently picked up a few tips from company accounts. The cost of dipping into these estimates is now £1 16s. against a total of £4 os. 6d. for all of last year's volumes together.

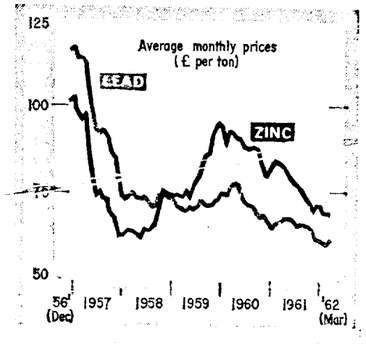
The new form involves no changes in the actual accounting technique: the Plowden Committee recommended against any change in the present system of voting money for a single budget year. The main substantive change in the new estimates is a pruning of the massive detail of establishments that hampered public understanding and in practice obscured the important items. Each important block of expenditure is now presented as one vote. A valuable addition is an explanation at the end of each estimate of the way in which the total vote is classified in the national income accounts. As a further aid, while the Civil Estimates have been drastically pruned, the summary statement in the Memorandum by the Financial Secretary to the Treasury has been usefully expanded. This provides in 80 pages a comprehensive analysis of the Estimates as a whole.

LEAD AND ZINC

Once Bitten

The meeting of producers in Geneva which ended on Wednesday produced a provisional agreement by "nations representing 70 per cent of the world trade in lead and zinc" to limit production, presumably of both lead and zinc. To instil a little firmness into the lead and zinc markets looks beguilingly simple, but in practice producers have found the task about as easy as attempting to eat an apple on a string with their hands clasped behind their backs. The absence of any sustained recovery in the price of lead since 1956 is a sad commentary on the effectiveness of production curbs and attempts to barter stocks out of existence. The difficulty has been that a loyal few have been left shouldering most of the burden when they could have raised their output and at least obtained the benefit of lower production costs.

But this time the majority's forbearance depends on the minority 30 per cent giving a satisfactory assurance that they will accept similar restrictions. Some producers evidently arrived at the meeting unprepared to make the sacrifice. Time has therefore been allowed for them to go home for consultations and obtain the necessary approval. They have been given until May 28th to make up their minds. A further meeting will be called on that date at which measures to eliminate surpluses and reduce stocks will be considered. Russia has agreed to limit exports of lead in 1962 to last year's level and is prepared to co-operate in strengthening the zinc market. On Thursday lead rose 12s. 6d. to £60⅛ a ton and zinc by 7s. 6d. to £69⅜ a ton.



OIL

A Look at British Demand

In the next eight years, Mr John Davies, managing director of Shell-Mex and BP, suggested in a paper to the Institute of Fuel this week, oil consumption in this country might rise 50 per cent—from 50.6 million to some 76 million tons. The biggest increases, he expected, would take place in the industrial use of fuel oil; excluding use for electricity generation and gas making, consumption should rise from 14¾ million tons to 23¾ million tons—25 per cent of industry's fuel requirements, compared with 21 per cent now. Heating should take twice as much oil—10 million tons—and demand for aircraft fuel should double also. Petrol and oil for cars and lorries will not, however, prove such a fast growing market, Mr Davies believes; though the number of vehicles on the roads should rise from 10 million to 17 million, the amount of fuel that they consume will rise only from 11 million to 16 million tons: the more vehicles there are, the lower their average use.

With this sort of growth in prospect, Mr Davies declared the major companies are not daunted by their present problems in a world where oil is in surplus and the pressure on prices is downwards—"a pressure accentuated from a more sinister source, namely the Soviet which pays no dues to landlords." The majors will not neglect their commitments to keep up exploration, refinery capacity, tanker fleets and research. And despite the incursion of newcomers to the British market taking advantage of the oil surplus to undercut the majors' retail prices, Mr Davies is confident that the existing companies will still dominate the British market scene in 1970. Has this young industry, then, already become completely set in its ways and impregnable against any newcomers?

JASPER GROUP

Sorting Things Out

A principal complaint at last month's meeting of shareholders of the Jasper Group of companies was that they were not given sufficient information about their directors' plans. This is largely remedied by the latest circular from the chairman, Sir Dingwall Bateson. He refutes the suggestion that the directors had sabotaged any overall scheme and points out that the scheme sponsored by Sir Isaac Wolfson fell through largely because there seemed to be little chance of any firm offer for the shares of the outside shareholders in the companies, apart from Rubens-Rembrandt, being made. Sir Dingwall is still hopeful that the present tangle will be unravelled within a year or eighteen months.

The directors' first objective is to pay off the liabilities to the State Building Society; the £2 million of mortgages not in dispute carry very high rates of interest. By further sales of property the directors hope to pay off this liability by the end of the year. Of the further £1 million which was borrowed to buy shares in the Jasper Group they hope to make a settlement at a discount, with the State agreeing to a "phased programme" of repayment.

After the property sales are completed a cash surplus should remain available for the minority shareholders; this surplus largely reflects the rise in property values since 1959. But the surplus on some recent sales has not been as high as expected because inflated "bridging profits" (amounting in all to about £400,000) were taken out before the properties were originally acquired by the various companies. But the directors believe that these "secret" profits and other monies taken from the companies are "still invested somewhere or other within the Jasper Group" and that the final result of "sorting things out" will be that the companies and shareholders will emerge just as well as if an overall scheme had gone through.

For shareholders of the State Building Society the prospect is for further repayments of 4s. in the £ in 1962; this will bring the total distribution up to 12s. in the £. This money arises from the repayment of mortgages. In addition the Society's claims, primarily for the recovery of its money used to buy Lintang shares, have to be settled. This is not likely to occur before the end of this year but once the claims are settled the chairman, Lord Reith, is hopeful that shareholders will "in due course receive at least their money back—20s. in the £—plus some interest."

ATOMIC ENERGY

Lower Spending

Slightly more is to be spent in the coming year on most forms of government research—the Department of Scientific and Industrial Research, for example, will be assisting in the research associations and universities to the extent of £18 million in 1962-63 against £15 million this year. Retrenchment at the Atomic Energy Authority, however, continues. Or does it? Estimates for its civil work in 1962-63 are £10 million down to £68 million compared with a peak figure of £100 million a few years ago. But most of this saving will result, it seems, from running down stocks rather than staff and it is not clear whether the lion's share of the economy amounting to £8 million has been brought about by moving the account for such materials as plutonium from the civil to the military (and secret) side of the AEA's balance sheet.

The Authority might have been able to show even bigger savings but for the need to advance £16½ million, twice as much as in the current year, to uranium producers for not delivering the tonnages of uranium that the AEA is committed under long-term contracts to buy. But it is beginning to earn a significant income from the sales of fuel to the Central Electricity Generating Board—most of the £30 million of sales expected in 1962-63 will represent manufactured fuel against £27 million in the current year. And however the savings are achieved, it must help the Minister for Science considerably in his negotiations with the Treasury to be able to point to some part of his empire where spending is visibly on the decline.

NYLON

New Ways for Old Partners?

A year and a half ago ICI and Courtaulds announced separate plans to make caprolactam. ICI was to build a 15,000 tons a year plant on the Severn and Courtaulds had in mind a plant of 10,000 tons capacity. Last week brought official confirmation of ICI's decision made, it appears, last summer, to postpone its plan "for the time being." Courtaulds has said nothing about their intentions. Caprolactam is the base material of nylon 6. There are many different nylons; nylon 66, made in Britain by ICI under licence from Du Pont, is spun by British Nylon Spinners in which ICI and Courtaulds are partners; in Europe nylon 6 is the leader and in developing this both partners were pursuing separate ways. Courtaulds has a licence to use the Snia Viscosa process which is said to show high yields, cheap raw material and low capital costs. Little is known publicly about the Inventa process which interests ICI; it is in full scale production in Switzerland whereas Viscosa's plant has yet to come on stream. The Italian process has some formidable backing; several million pounds have already been paid by such companies as Allied Chemicals of America and Rhone Poulenc of France for licences.

This rivalry touches on the point where ICI and Courtaulds are in closest contact. British Nylon Spinners is contracted to take its polymer from ICI and is by far its largest customer. Courtaulds could supply BNS with nylon only if ICI agreed and is precluded from spinning nylon itself by the terms under which BNS was set up. Nylon is an expensive plastic and while it is acceptable at a high price in its most important outlet in textiles, the expansion of nylon sales significantly into other markets—for instance moulding—would demand lower prices; these would be likely to result from increased competition between different nylons and different methods of making them. Some processes of making caprolactam give up to five tons of ammonium sulphate per ton of caprolactam as a by-product. Other processes that produce

less ammonium sulphate may become more attractive as lower prices affect fertilisers.

There are nylon troubles of a different sort in British Nylon Spinners' results for the year to December 31, 1961. The fall in demand for nylon goods, as for other textiles, persisted into the beginning of 1961 and combined with a continued fall in prices to reduce the trading profit of BNS to £9.4 million, compared with £11.5 million in 1960 and £10.5 million in 1959. The ratio of net profit after taxation to net assets fell from 14 per cent in 1960 to 11 per cent last year. The intriguing item "loans to members" has been reduced by £1.4 million to £3.2 million—all that remains of the £8 million that BNS lent free of interest to its joint owners in 1958.

TIN

Beyond Control

SINCE no-one knows precisely when, at what price, nor perhaps whether, the United States will unlock its tin chest and relieve the world's shortage of the metal, people in need of it have been forced into a game of economic brinkmanship in which stakes are fairly substantial. When disposal of part of America's superfluous tin stockpile was first mooted in September, tin dived £37½ to £935½ a ton. If prices now soar, manufacturers will hope to eke out their stocks of tin, bought at comparatively low prices, until the shortage is relieved, but though there is no immediate shortage they are afraid of getting caught in a squeeze that will intensify should releases of American tin be delayed. This week, the absence of public hearings on American stockpiles by the United States Senate and an announcement that President Kennedy might make a statement about them added to the uncertainties.

Release mechanisms usually prove sticky and are inclined to be treacherous. There is no chance of disposals before the summer, but also no guarantee that they will not give the market indigestion when they are made. Following a period in which consumption appears to have been unexpectedly low, spot tin stayed docilely in the region of £950 a ton from the beginning of December to the end of February. But since then, the seasonal rise in consumption seems to have unsteadied buyers' nerves. Three months' tin shot up to £973 and has remained defiantly above the international tin council's new price ceiling of £965 a ton.

Producers and consumers argued long and loud before setting the upper limit of the international price stabilisation range at £965 when £970 appeared a more logical choice. But the international agreement has now entered properly into force with Bolivia's tardy ratification and is designed to last until 1966. Consumers are naturally reluctant to commit themselves to prices which appear historically high, but a top limit of £965 a ton has no particular merit and, at present, no means of enforcement, although the prospect of stockpile releases makes buyers wary above this price.

At current prices it seems impossible for disposals of American tin to be made through the international tin council even if the United States fulfils its tentative promise to become a member. It might however observe a minimum reserve price of £965 at tenders, or more logically a minimum of £910 a ton at which the ITC's buffer stock manager is empowered to sell any tin he has available as and when he feels fit. However, producers see the £965 ceiling as a floor. They expect shortages to keep prices around that level and they hope that the United States will not sell tin below it. This year production of tin has got off to a good start with output in Malaya very much higher than a year earlier, and far above the average for the whole of the year. After declining persistently since the nationalisation of the mines in 1952, an increase is promised in Bolivia's output in the second half of the year.

HONGKONG-SHANGHAI BANK

Asian Survey

THE Hongkong and Shanghai Banking Corporation is still a power in the East; its influence runs from Japan to the Eastern Mediterranean. Sir Michael Turner's annual review, his last after nine years as chairman of the bank, again provides a valuable survey of Asian economies. Sir Michael finds that encouraging progress has been made, but he feels that development plans give insufficient attention to "closer co-operation on a regional basis." In practice, unfortunately, countries that need to keep their development engines at full steam merely to keep pace with increasing population tend to have little time for regional co-operation.

Hongkong itself is worried by the national and international agreements that are limiting its cotton textile exports. Last year the Colony's imports from Britain were over £47 million while its exports to Britain were only £38 million. Exports as a whole doubled in the four years to the end of 1960; but they rose only fractionally in 1961. To counter these trends Sir Michael says that Hongkong must diversify its industries and find new markets. A rapidly growing population of over three million, 40 per cent of which is under the age of 15, adds urgency to the problem. Unlike other Asian economies Hongkong has no shortage of investment capital; what is now needed, says Sir Michael, is new techniques and know how.

The bank has its ear close to China and Sir Michael describes the sequence of natural calamities of the past three years that have necessitated the purchase of grain and flour from Australia and Canada. These setbacks have resulted in a "reappraisal of past internal policies" and Sir Michael expects that in the future "sounder practices and planning" will produce "slower and more balanced growth" in China's economy.

SHORTER NOTES

Following the disagreement over export tonnages, the International Sugar Council has decided that articles in the international agreement regulating trade in sugar are inoperative for the time being. Consumers are therefore free to import from non-member producers without restriction. However, the council has raised its estimate of the free market's minimum net import requirements in 1962 by 530,000 to 11.8 million metric tons and believes that taking all factors into account, supplies offered on the market will be reasonably balanced by demand.

★

The bill empowering Britain to meet its contingent lending commitment to the International Monetary Fund under the new scheme was given an unopposed second reading in the House of Commons on Wednesday.

★

Stewarts and Lloyds has sold the unused tube-making machinery from its Shotton plant to Page Hersey Tubes of Toronto. The equipment will be installed at Camrose, Alberta. Stewarts and Lloyds decided to build this plant in 1957 and it was completed, at a cost of £3½ million, in 1960; but the demand for pipe has never justified starting production.

★

Town and City Properties has acquired three property investment groups in Central London, Birmingham and Manchester, each on a share exchange basis. The Central London group comprising City Properties (Cannon Street) and Archway Developments (Holborn) will be acquired in exchange for 240,000 2s. ordinary and 1,200,000 2s. deferred ordinary shares in Town and City, which has entered into building agreements with the British Transport Commission to develop sites at Cannon Street and Waterloo Stations.

COMPANY AFFAIRS
Comments on pages 1176 and 1177 on:

Philips NV	Imperial Tobacco
Lombard Banking	Robeco
Interunie	APV
Swan Hunter	City Centre Properties

STOCK PRICES AND YIELDS
Stock prices, yields and security indices on pages 1178 and 1179

MONEY AND EXCHANGES
Money market report, exchange rates and public finance on page 1180

COMPANY MEETINGS

THE HONGKONG AND SHANGHAI BANKING CORPORATION

REPORT OF THE PROCEEDINGS AT THE ORDINARY GENERAL MEETING HELD IN HONGKONG ON 16th MARCH, 1962

A SATISFACTORY YEAR BY ALL MEMBERS OF THE GROUP

SIR MICHAEL TURNER'S REVIEW OF WIDESPREAD INTERESTS

The Ordinary Yearly General Meeting of The Hongkong and Shanghai Banking Corporation was held on March 16, 1962 at the City Hall, Victoria, Hongkong, Sir Michael Turner, C.B.E., the Chairman, presided.

The Chairman read the notice convening the meeting and the representative of the Auditors read their Report.

The CHAIRMAN then said:

Ladies and Gentlemen,

It is thirty-one years since an Annual General Meeting of the Bank has been held in the City Hall and I am sure that those of you who remember the old City Hall will agree that the new one is a vast improvement.

As you will see from the Accounts before you, the profit for the year amounted to $43,315,459 (£2,700,000) an increase of $1,125,399 (£70,000) over the previous year. This figure includes the dividends paid by Mercantile Bank Limited and The British Bank of the Middle East and, in accordance with normal banking practice, the profit has been arrived at after making transfers to the credit of our inner reserves, out of which full provision has been made for the depreciation in the value of our investments and for all known doubtful debts and contingencies.

It is proposed that a sum of $5 million (£312,000) should be written off Bank Premises. After allowing for this provision and the interim dividend of 5s. per share your directors recommend the payment of a final dividend of 10s. per share which, on the shares outstanding at December 31, 1961, amounts to $25,400,596 (£1,581,000) leaving a balance of $2,340,534 (£146,000) to be carried forward.

CONSOLIDATED BALANCE SHEET

Turning to the Group Consolidated Balance Sheet, which shows the overall position of the Bank and all its Subsidiary Companies, you will note that the total now exceeds £478 million, an increase of £33 million over 1960. A list of the main Subsidiary Companies is shown in the booklet in your hands. At the Annual General Meeting of The British Bank of the Middle East held on March 13th, it was decided to increase the issued capital to £2,500,000 by the capitalisation of £500,000 from the Share Premium Account and the Reserves and to transfer £400,000 to Reserve Account from that Bank's Inner Reserves. This raises the issued Capital to a figure more appropriate to the standing of the Bank in the countries in which it operates.



Sir Michael Turner, CBE

Hong Kong currency notes in circulation increased by $32 million (£2 million) due to a rise in the excess note issue and this increase is reflected on the other side of the Balance Sheet by a similar increase in Hong Kong Government Certificates of Indebtedness. Current Deposit and Other Accounts have increased by $500 million (£31,250,000).

When we turn to the Assets side of the Balance Sheet we find that Cash in Hand has increased by $24 million (£1,500,000) while Money at Call and Short Notice and Investments have decreased by $15 million (£937,000) and $4 million (£250,000) respectively. British and Other Government Treasury Bills have fallen by $177 million (£11,062,000) but Trade Bills Discounted have increased by $196 million (£12,250,000) and Advances are $461 million (£28,812,000) higher, a satisfactory indication that we are playing our part in meeting the ever growing demand for finance by commerce and industry. This has naturally affected the Liquidity Ratio of the Group which now stands at 33.90 per cent. You will note that the Balance Sheet of Wayfoong Finance Limited appears among our Accounts for the first time. This company has had a satisfactory year and the profits earned have been retained to build up reserves.

On the whole, all members of the Group have had a satisfactory year and profits have been maintained. The dividend paid to shareholders in 1953, when I assumed office as Chief Manager, was £5 per share. Since then there have been two free scrip issues and this year's dividend of 15s. per new HK$25 share is equivalent to a dividend of £9 7s. 6d. on the old HK$125 shares. Also to be taken into consideration is the fact that shareholders have been relieved from the Reserve Liability, while the market value of our shares has increased by approximately 2½ times. I think you will agree that shareholders' interests have not been neglected.

The changes in the Board of Directors during the year are shown in the Report which is in your hands. Mr. S. W. P. Perry-Aldworth, Senior London Manager, retired at the end of last year and has been succeeded by Mr. G. O. W. Stewart, formerly Deputy Chief Manager here in Hong Kong, who was also appointed Deputy Chairman of the London Committee.

We, in partnership with S. Japhet & Co. Ltd., the well known London merchant bankers, and

National and Grindleys Bank Ltd., have formed a new company in London. Exporters' Refinance Corporation, Ltd., to provide longer term finance for exporters than can usually be obtained from commercial banks. The Authorised Capital of this company is £1 million and arrangements have been made to obtain additional finance from the joint stock banks in London.

NEW OFFICES

Last year we opened eight new offices here in the Colony and started a mobile bank, based on our Tsuen Wan Office, which operates in the New Territories. We have also opened new offices at Beaufort in North Borneo and at Petaling Jaya, near Kuala Lumpur, in the Federation of Malaya, where Mercantile Bank Limited have opened new offices in Bentong and Mentakab. The British Bank of the Middle East have opened their fifth office in Kuwait, but their two branches in Syria have been nationalised. Two branches of their subsidiary, The British Bank of the Middle East (Morocco) S.A., were opened in Casablanca.

Many of you are aware that I am leaving Hong Kong today on retirement and my wife and I are very sad at the prospect of leaving the Colony and all of our many friends, but we look forward to seeing them all again when we return for the centenary of the Bank in 1965. During my tenure of office as Chief Manager I have been most loyally and steadfastly supported by the Staff, from the senior managers down to the most junior local employee, to all of whom I am most deeply indebted. I am certain that there are few concerns today in which staff relations are as good as in ours and my thanks, and those of shareholders, are due to the Branch Managers of the Group and to the Staff of all nationalities for their continued loyalty and efficient service.

I have no hesitation in commending to you my successor as Chief Manager, Mr J. A. H. Saunders, who is well known to many of you. I have no doubt at all that he will serve the Bank well.

Ladies and Gentlemen,

The Report and Statement of Accounts having been in your hands for the required period I will now formally propose their adoption as presented.

After the proposal has been seconded I shall be pleased to answer to the best of my ability any questions on the motion before you which shareholders may wish to ask."

THE HON. DHUN RUTTONJEE'S REMARKS

The Hon. Dhun Ruttonjee, in seconding, said:

"Mr Chairman, Ladies and Gentlemen,

I am deeply conscious of the honour and privilege that is accorded to me in seconding the principal resolution from the Chair at the Annual General Meeting of this Bank. But it is with mixed feelings that I address you; pleasure that my family should again be associated with the Bank in this manner and sadness since it is the last time that Sir Michael will deliver the Chairman's Speech.

I feel that I may, with pardonable pride, refer to the part which my compatriots, the Parsee community, played in founding the Bank. At that time the Parsees formed a substantial proportion of the mercantile population of Hong Kong and the lists of the first shareholders and of the first depositors of the Bank include the names of most, if not all, of the Parsee merchants in the Colony. The Provisional Committee and the first Court of Directors included the names of two of the leading Parsees, thus illustrating the unity of the mercantile community in the founding of a bank of their own and the broad international character on which the Bank was so solidly based.

Twelve years ago, my late father also had the privilege of seconding the Chairman's Speech. At that time, the economic and political disorders throughout the world, and more particularly on our own doorstep, seemed to give little cause for optimism. The same can be said of conditions today, but I firmly believe that in ten years' time progress will be found to have been as marked as it has been during the last decade.

It is nine years since Sir Michael stepped into the august shoes of his predecessor and during the period he has been Chief Manager Hong Kong has undergone the most fundamental change in its history, having passed from an entrepôt to an industrial economy. Our textile industry was only in its infancy in 1953 but it is now regarded with concern by the industrial west. Other products are being made today which would have been considered beyond our capabilities at that time. An indication of the progress that has been made can be seen from the fact that in 1953 exports of Hong Kong made products at $636 millions represented about 22 per cent of our total exports, compared with $2,939 millions, or about 75 per cent of our total exports last year, a phenomenal increase and one which I do not consider would have been possible without an enlightened and farsighted banking policy, reciprocating that faith and trust which the individual places in the bank. How many international bankers a decade ago would have financed our industry in the manner that this Bank did, leading the way in Hong Kong and setting the pace for our other banks? Not many I think.

TRIBUTE TO SIR MICHAEL

The credit for the financial foundation of Hong Kong's industry and continued prosperity of its trade must go in great measure to Sir Michael, who seized opportunities that would have deterred lesser men. He has guided and directed our financial affairs with great skill, determination, foresight and boldness. At the same time he has expanded the interests of our Bank into new banking fields, particularly in the Middle East. In all he has achieved, he has acted in the tradition of his two most brilliant predecessors, Sir Thomas Jackson and Sir Arthur Morse. When the history of the Bank comes to be written, these three gentlemen will occupy a most prominent place, each for a different reason and each having written a legend of his own.

Sir Michael's interests are many and varied and he has played a leading part in so many of the Colony's charitable and social activities that it is always a source of astonishment to me how he has found the time to do all he has done. But this is not the time or the place to dwell upon those activities. His departure from the Colony will leave a void which nobody will ever be able to fill in quite the same manner. In commending to us as your successor, Mr J. A. H. Saunders, however, we are confident, Sir, if I may say so, that you could not have chosen a more promising or able gentleman, who is well known to us all for his keenness of mind, charm and understanding of Hong Kong's problems.

THE HONGKONG AND SHANGHAI BANKING CORPORATION

(Incorporated in Hongkong with Limited Liability)

SUMMARISED GROUP CONSOLIDATED BALANCE SHEET

Liabilities	1960 Sterling	1961 Equivalent
Issued Capital and Reserves	£ 20,100,000	£ 20,100,000
Hongkong Currency Notes in Circulation	52,400,000	54,400,000
Current Deposit and other accounts, etc.	370,400,000	401,700,000
Acceptances (Contra)	2,100,000	2,500,000
	£445,000,000	£478,700,000

Assets	1960 Sterling	1961 Equivalent
Cash	£ 24,900,000	£ 26,400,000
Money at Call	21,300,000	20,400,000
Treasury Bills	29,500,000	18,500,000
Trade Bills	59,000,000	71,200,000
Hongkong Government Certificates of Indebtedness	50,400,000	52,300,000
Investments	81,300,000	82,400,000
Advances, etc.	173,600,000	201,900,000
Acceptances (Contra)	2,100,000	2,500,000
Fixed Assets	2,900,000	3,100,000
	£445,000,000	£478,700,000

To him go our best wishes and support for the onerous and responsible task which lies ahead of him.

Finally, Sir, I would like to convey a measure of our appreciation of the part that Lady Turner has played by your side in the life of the bank and the Colony. I can think of no more fitting partner for you or one who has such a warm place in all our hearts. I am sure that shareholders will wish to join me in extending to you both our very best wishes for a long and happy retirement.

In conclusion, I know that shareholders would want me to endorse the Chairman's tribute to the Staff.

Mr Chairman, Ladies and Gentlemen,

I now formally second the adoption of the Report and Statement of Accounts as presented."

There being no questions, the motion that the Report and Accounts be adopted as presented was put to the meeting and was carried unanimously.

The retiring Directors, Mr G. T. Tagg, Mr L. Kadoorie and The Hon. W. C. G. Knowles were unanimously re-elected.

Messrs Lowe, Bingham & Matthews and Messrs Peat, Marwick, Mitchell & Co., were unanimously re-appointed Auditors at a fee of $60,000 each.

CHAIRMAN'S STATEMENT

The following is the Statement by the Chairman:

The course of relations between the western nations and the Soviet Union during the past year gives us little hope for anything more than a possible lessening of tension in the year ahead. If the resumption of nuclear tests on a large scale by the Soviet Union, in complete disregard of world opinion, was intended to intimidate the western powers and to overawe the uncommitted countries, it failed, because it has in fact strengthened the resolve amongst the nations not to give in to pressure of this nature over such outstanding problems as Berlin. In Africa some progress has been made in restoring order in the Congo, while there has been renewed tension in the Middle East where the threat to the independence of Kuwait has been averted for the time being. In Asia there is hope for a peaceful solution to the New Guinea question and although the civil war in Laos has been halted for considerable periods, during the protracted negotiations to establish a neutral coalition government, greatly increased communist activity in South Vietnam is a grave danger to the stability of that area. The acceptance by the governments of the United Kingdom and Malaya that the concept of Greater Malaysia was a desirable objective and the formal establishment of the Association of Southeast Asian States of Malaya, the Philippines and Thailand were two notable constructive advances, both of which should contribute considerably to the development of Southeast Asia.

In the economic sphere, one of the most important developments has been the decision of the United Kingdom to apply to join the European Economic Community. Negotiations, which may well be protracted, are being conducted regarding the conditions under which the United Kingdom will be admitted, with particular reference to the extent to which associate member status may be accorded to Commonwealth countries. Whatever may eventually be decided upon, it seems certain that if Britain does join, Commonwealth trade with Europe, particularly in manufactured goods, will be adversely affected unless some exemptions for traditional exports to the United Kingdom market can be arranged. The economies of western European countries have continued to expand, although at a slower pace than in 1960, and further impetus to this trend will be given by the decision of the members of the Organisation for European Co-operation and Development to set a target of a 50 per cent growth over the next ten years. In the United States there was a recovery in the economy during the second half of the year, but the deficit in the international balance of payments and the loss of gold persisted. The growing strength of the European Economic Community has led the American administration to propose that a change in trading policy will be necessary, if the United States is to participate effectively in this expanding market, and that the Reciprocal Trade Act, which expires this year, should be replaced by legislation which would give the government wider powers to negotiate on tariff changes. The United Kingdom, unfortunately, was beset by economic difficulties during the year which followed an all too familiar pattern; an increasing pressure of home demand on production, costs rising proportionately faster than productivity and a continuing decline in Britain's share of world exports, contributing to a deterioration in the balance of payments. The re-valuation of the German mark and of the Dutch guilder a year ago set in motion a wave of speculation which caused a flow of funds from the United Kingdom, and also from the United States, and although this was mitigated to some extent in the case of the United Kingdom by the action of the European central banks in extending assistance, it was not enough to reverse the trend. In July it became necessary to raise the bank rate to 7 per cent and to impose various measures to reduce consumption and government spending, while massive aid was received from the International Monetary Fund. These measures have had the desired short term effect but there is, as yet, little indication of any progress having been made in formulating plans for the more fundamental changes in Britain's economy which will be necessary if any lasting improvement is to be achieved. The agreement reached at the end of last year to increase the potential resources of the International Monetary Fund by some US$6,000 million, through a system of supplementary credits to be granted by the ten principal industrial countries, should, when ratified by the governments concerned, prove to be a deterrent in the future to large-scale speculative operations against the major currencies of the free world.

A further decline in the price levels of many primary products, coupled with the increased cost of many types of manufactured goods from the industrialised countries, has affected the terms of trade of a number of countries in Asia, while in Japan, a temporary balance of payments problem has arisen caused, to some extent, by the too rapid growth of industrial activity. Industrial production in Asia has, however, continued to rise. This situation has emphasised once again the desirability of devising some means of avoiding excessive variations in commodity prices and of providing markets for the less developed countries, in order to gain for the recipients the full benefits of the aid that has been given in various ways. It is, unfortunately, all too easy for these sentiments to be expressed at such gatherings as ministerial meetings of the Colombo Plan and the General Agreement on Tariffs and Trade held last year, but putting them into practice is an exceedingly difficult problem to which there is no easy solution.

HONG KONG

Last November Hong Kong had the honour of welcoming Her Royal Highness, Princess Alexandria, for an all too short stay during her far-eastern tour. Although her visit was mainly in connection with the golden jubilee celebrations of our University, she carried out a very crowded programme during which she saw many facets of the Colony's activities and met a large number of people. The warm welcome she received from the crowds which gathered wherever she went was a spontaneous testimony to the pleasure her visit gave to the people of Hong Kong.

Considerable progress was made last year in general development in the Colony, but after the rapid increase in our trade over the last few years it was disappointing, but not entirely unexpected, that the total value was only fractionally higher than in 1960. Since the value of locally made exports has more than doubled in the last four years a pause sooner or later was, I suppose, inevitable and while we may perhaps do as well again this year, there have been a number of developments which cause grave concern to our manufacturers and exporters. I refer, of course, to the application of the United Kingdom to join the European Economic Community; to the International Cotton Textile Agreements drawn up at Geneva; to the proposed United States levy on imports of cotton textiles and to the extension of the voluntary limitation of certain exports to Britain until the end of this year. It is not yet clear what the full effects of all these measures will be but I have every confidence that our industrialists will meet, and solve, the problems that lie ahead with the resourcefulness and resilience that they have shown in the past, provided that our exports are allowed to expand at an orderly but steady rate. We shall certainly extend what assistance we can.

The need to diversify our industries and to find new markets for our products has been stressed on many occasions and this has now become more pressing, both because of the developments to which I have already referred and also because of the implications of the results of the census which was held last year. This reveals that out of a population of more than three millions, 40 per cent are under the age of fifteen and that the natural rate of increase is over 3 per cent per year, without taking into account the unrecorded immigrants from China. Although there is a temporary shortage of workers in the seventeen to twenty year age group, this will soon vanish and the magnitude of the problem may best be illustrated by the estimate that in the next ten years 800,000 new workers will expect to find employment. To help in dealing with some of these urgent problems various steps have been taken with the aim of protecting the Colony's existing trade and of encouraging expansion in areas where this may be possible. A Cotton Advisory Board was established last year to advise the government on all matters relating to the cotton industry, upon which the major portion of our trade at present depends, while a trade mission visiting Australia and Hong Kong participated in the Sydney trade fair. This year the Colony will be represented at the trade fair in Lagos and consideration is being given to sending trade missions to other areas. The report of the Economist Intelligence Unit on Hong Kong's economy, which was sponsored by ourselves and some other interested parties, is expected soon and it will no doubt contain many valuable

recommendations to guide the future policies of our industrialists.

The competition among the many banks now operating in the Colony resulted in increasingly high rates of interest being offered for funds placed on deposit and this in turn forced up the rates charged for advances. I think that few would disagree with the view that the lower lending rates are the better for trade and industry, and it was a welcome achievement that an agreement was reached by a majority of banks on maximum rates of interest to be allowed on deposits, thus stabilising the rates charged to borrowers. Large sums of money were subscribed to new issues of shares in well known Hong Kong companies, the Jardine, Matheson & Co. Ltd. issue being over-subscribed 56 times, and this put a severe strain on the resources of some of the smaller banks, one of which we had to assist to a very considerable extent. It has been evident for some time that the very limited supervision that is now exercised over banks is inadequate under present conditions, and we welcome the appointment of a senior Bank of England official to advise on legislation for the control of banking operations in the Colony. It is encouraging to note that the banking habit is becoming more widespread in Hong Kong and we have found that greater use is being made of the facilities offered by our network of sixteen branches in the Colony.

The building boom, which has been such a feature of the Hong Kong scene for some years now, continued unabated and the demand for business premises and housing in the private sector seems to be insatiable. Although the estimated investment in new construction last year was less than in 1960, it was still considerable and a visible expression of confidence in the continued prosperity of Hong Kong. There has been a considerable and welcome increase in plans for the construction of flatted factories and I hope that this will lead to the stabilising of rents charged to small industries.

A relatively recent factor in the evolution of our economy has been the collaboration between Chinese industrialists and those of other countries in setting up new factories here. There is a need for new techniques and "know how" rather than the investment of capital, of which there is no shortage, and it is a matter for regret that British manufacturers have so far shown so little interest in taking advantage of what Hong Kong has to offer in this respect.

Hong Kong's trade last year increased by about 1 per cent compared with 1960, the total value amounting to HK$9,900 million with imports at HK$5,970 million and exports at HK$3,930 million. Imports from China, Japan and Pakistan declined but those from other main suppliers increased. Exports to the United States, which remains our largest market, were 13 per cent lower than in 1960 but those to other countries were higher and although Indonesian purchases of Hong Kong products were more than double those for the previous year, there is some concern as to our future prospects in this market. Those in Britain who criticise Hong Kong should take note of the fact that last year the value of the Colony's imports from the United Kingdom was over £47 million, while our exports to the United Kingdom were only about £38 million.

The number of tourists visiting Hong Kong last year increased by 35 per cent compared with 1960 and there is no doubt that the tourist industry is making an increasingly valuable contribution to the Colony's business and to our balance of payments. To encourage even more tourists to visit Hong Kong in the future, a number of new hotels are under construction which will add another 3,000 bedrooms to those already available. A fine new terminal building at the airport will be completed in the near future and plans for a new terminal for ocean shipping are well advanced.

The financial position of the Colony continues to be very satisfactory and the Financial Secretary estimates that there will be a surplus of at least $21 million, and possibly up to $50 million, in the financial year now ending instead of the original estimated deficit of $161 million. In the financial year 1962-63 estimates for revenue, at current rates of taxation and expenditure are $1,058 million and $1,226 million respectively, leaving an estimated deficit of $168 million. Minor changes in indirect taxation are expected to yield $5 million, while the government lottery, which is to be started this summer, is expected to yield $2 million to be spent on social welfare projects. A review of our present system of direct taxation is to be undertaken this year.

The Financial Secretary forecast that total capital expenditure over the next five financial years to 1967 would exceed present sources of revenue by about $550 million and that the general aim would be to cover half the estimated deficit by taxation and half by borrowing. Legislation is being prepared to enable a short to medium term loan of up to $100 million to be raised, while it is proposed that the current deficit in the Development Loan Fund should be covered by utilising the excess funds which have accumulated in the Exchange Fund. It is encouraging to learn that the economic commission from the World Bank which visited the Colony last year indicated that it would be willing to consider lending to Hong Kong for sound projects if public capital requirements should prove to be beyond the Colony's capacities for financing from revenue, domestic and other external borrowing and a reasonable use of other government resources.

CHINA

Accurate statistics are not available, but it seems unlikely that agricultural production last year, particularly of food grains, was very much higher than in 1960. Floods and drought in various areas have again done much damage to crops and although the total output of food grains, which is claimed to be about 160 million tons, is estimated to be adequate, despite the soaring increase in population, there would appear to be no margin available to replenish the reserve stocks which have become depleted as a result of the poor harvests of the last three years. The purchases of grain and flour from Canada, Australia and other sources last year, amounting to over five and a half million tons, represents only a small increment in per capita consumption for China's millions and it is probable that this supply was retained in the major cities thus easing the pressure upon the transport system. With no improvement in the food situation to report and the embarrassing cutback in industrial development and production to explain away, it is understandable why the usual public meeting of the National Peoples' Congress was not held last year. It has been customary on these occasions for production statistics for the previous year, and targets for the current year, to be announced and it will therefore be interesting to see what transpires at this year's meeting, which is due to be held in a few days time. Such information as is available, however, would seem to indicate that heavy industry at any rate has fulfilled many of the targets set for it and is undergoing a period of consolidation, the only expansion being in the tractor and chemical fertiliser sectors in implementation of the government's desire to aid agriculture.

In the longer view, the setbacks of the last three years have resulted in a reappraisal of past internal policies and a realisation that, in spite of all that was achieved in the "Great Leap Forward" in 1958, too much was attempted in too short a period and that financial and other rewards are necessary as well as ideologies, in order to produce results. These factors should lead to sounder practices and planning in the future resulting in a slower and more balanced growth in the development of China's economy. One aspect of this has been the open acceptance of the hitherto "reactionary" view that the acquisition of technical and scientific knowledge is as important as Marxist theory or political education. Greater reliance is now being placed on experts and on capable administrators, than on doctrinaire theorists as has been the practice in the past, and this has been commented on particularly by those who have had recent business dealings with representatives of the Chinese trading corporations.

The ideological dispute with Russia continued throughout the year with increasing bitterness and although the political consequences of this are still obscure, there is little doubt that economic pressure has been brought to bear on China, one aspect of which was the withdrawal of technical aid in 1960. Direct financial aid seems also to have been discontinued although Russia did agree that China's accumulated trade deficit of some US$320 million could be repaid in instalments over five years. In consequence, there are indications in last year's trade agreement that Russia's exports to, and her imports from, China would be roughly in balance and the volume of trade is likely to be appreciably lower than in 1960. It seems probable too that the major reduction in Russian exports will prove to have been in heavy capital equipment and machinery, but this should not affect China greatly at present provided, of course, that spare parts can be obtained, since there is an intentional slowdown in the rate of industrial expansion necessitated by her economic difficulties. While too much should not be made of this rift, the lessening of China's dependence on the Soviet Union could lead to the improvement of commercial relations with western countries and with Japan, but any marked expansion in trade is unlikely for the time being. There was in fact a sharp decline in imports from Western Europe last year and it is clear that China's reduced export potential and her need to conserve foreign exchange to pay for her food purchases, for which purpose appreciable quantities of silver and some gold were sold abroad, will be limiting factors for at least another two years.

The drive to initiate and improve diplomatic and trade relations with other countries has been continued, notwithstanding internal economic difficulties, but China's external relations with the non-communist world continue to be dominated by deep and persistent hostility towards the United States of America. Trade agreements have been concluded with Indonesia, Nepal, Ceylon, East Germany, Poland and a number of countries in Africa, while a trade mission was sent to South America. Towards the end of the year there was a further deterioration in the border dispute with India, making the possibility of a negotiated settlement of this issue even more remote.

JAPAN

A much calmer atmosphere prevailed in the political sphere last year than in 1960. The

government were, however, subjected to some strong criticism on account of their financial and economic policies which, it was feared, would lead to a degree of inflation and particularly over the budget for 1962, which is 24 per cent larger than that for the previous financial year. In July the Prime Minister re-formed his cabinet to include four leaders of factions within the Liberal-Democratic party and this move was generally welcomed. While there are hopes that settlement of the long standing differences with South Korea may be reached fairly soon, leading to the restoration of normal relations between the two countries, there is again no progress to report on any resumption of official relations with China although there has been an increase in the volume of trade.

The government's plan to double the national income in ten years, rising domestic consumption and the desire to meet foreign competition expected to result from the liberalisation of imports programme, stimulated an intensive investment in industrial expansion. Expenditure on imports, particularly of raw materials and machinery, increased by nearly 30 per cent compared with 1960, while the value of exports increased by under 5 per cent, resulting in an adverse visible trade balance of over US$900 million although the foreign exchange reserves declined by only about US$330 million due to other factors. The disappointing export performance has been partly due to a larger volume of consumer goods being directed to the more profitable home market, but there has also been a sharp fall in shipments to the United States and a reduction of American aid spending in Japan as part of the defence of the dollar programme initiated at the end of 1960. To strengthen the reserves arrangements were made to borrow US$325 million from American sources and the International Monetary Fund has authorised stand-by credit facilities of US$305 million for one year. There was considerable disappointment that the first meeting of the Joint Committee of Trade and Economic Affairs, attended by a high level American mission led by the Secretary of State, failed to agree to any measures which would enable Japan to balance her trade with the United States, or to reverse the policy on military and economic aid purchases. An increase of nearly 8 per cent in the quota of cotton textile exports to the United States has been agreed for this year, but the effect of this will be reduced if the proposed levy on the cotton content of textile imports is implemented. A satisfactory agreement was, however, reached regarding the repayment of Japan's postwar debt to the United States at a figure considerably lower than had at first been demanded.

The authorities were reluctant to resort to drastic deflationary measures to halt the decline in the balance of payments, which they regarded as temporary, and reliance was placed on administrative action to induce restraint in both industrial investment and consumption. This included requests to industry to postpone new capital investment and to the banks to reduce the rate of increase in new advances to industry. In addition the Bank of Japan enforced a tight money policy, raising the re-discount rate to 7.3 per cent and increasing the reserve requirements of the commercial banks. The deposit of cash margins of up to 35 per cent on the issue of certain import licences was also re-introduced and a number of additional incentives to promote exports were put into effect. The foreign exchange allocation authorised for imports for the past six months was, however, over 6 per cent higher than for the previous period, and the policy of liberalising imports was continued. In December the proportion liberalised was raised to 70 per cent and this is likely to reach 90 per cent by the end of September this year. It should be noted, however, that import licences still have to be obtained and that liberalisation does not mean that all internal restrictions or tariffs are removed.

It is expected that the "credit squeeze" measures will be felt to an increasing extent in the months ahead, and there has been a notable increase in the activities of industrial firms and institutions in raising funds overseas to supplement domestic resources, at rates of interest somewhat lower than those obtainable in Japan. The emergence of a labour shortage, which caused a 13 per cent increase in industrial wages last year, has been an incentive towards investment in new modern equipment and there is little doubt that despite temporary setbacks the economy will continue to expand, although at a slower rate than in the past two years.

PHILIPPINES

The success of the Liberal party candidates in the recent elections has been generally welcomed. President Macapagal is, however, likely to experience some difficulty in implementing his policies in the legislature as, although he may win sufficient support in the senate, the opposition Nacionalista party have a large majority in the lower house and are in a position to block the passage of legislation of which they do not approve. In the months preceding the elections there had been a steady deterioration in the economic position and the external reserves had fallen to a dangerously low level. One of the new President's first acts was to introduce measures designed to restore economic stability and to eliminate a number of controls which had led to irregularities in the past. These measures included the lifting of import and exchange controls, the lowering of tariffs on essential imports and increasing those on non-essentials and on items which could be produced locally. In addition, steps were taken to reduce the demand for imports, the Central Bank increased the re-discount rate to 6 per cent and raised the reserve requirements for commercial banks, while the margin fee was suspended, and although there was no official devaluation, exchange rates for the peso are being allowed to find their own level. To strengthen the external reserves the new administration was successful in obtaining from United States sources a stabilization loan of US$300 million, while further assistance was provided by the International Monetary Fund.

Trading conditions last year were hampered by rising prices, the tightness of money and speculation about the devaluation of the peso. Export earnings were lower than in 1960 and since there was an appreciable increase in the value of imports, including expenditure of over US$26 million on shipments of rice to meet the shortage which developed last October, there was a trade deficit instead of the modest surplus achieved in the previous year. The Philippines continued to benefit from the allocation of part of the Cuban sugar quota and a total of over one million tons was shipped to America last year, but reports that consideration was being given to changing the method of United States sugar purchases from the present basis to that of a global quota at world free market prices, has caused considerable concern.

The current year is likely to be a difficult one for business but it is hoped that the measures which have been introduced will prove effective in creating the sound conditions which will be necessary if the five-year programme of social and economic development, outlined by the President in his address to Congress in January this year, is to be achieved.

VIETNAM

Internal security deteriorated to such an extent during the year as to cause very serious concern and the government declared a state of emergency in October. Increased numbers of well-armed communist bands have been operating in many areas and the situation is comparable with conditions at the height of the emergency in Malaya. Considerable assistance to the Vietnamese army has been provided by the United States in the form of training facilities and increased supplies of weapons, transport and communications equipment, and this should enable government forces to deal more effectively with this threat to national security. There is no doubt, however, that the coming months will be very difficult. President Diem was returned to office by an overwhelming majority in the presidential elections held last April and although a number of administrative changes have been introduced since the elections, there does not appear to have been any noticeable decentralisation of control.

The security situation and the Mekong river floods have affected agricultural production, the latter causing considerable damage to the rice-growing areas. Exports of rice were reduced to about half the volume sold in 1960 and further exports are unlikely to be permitted until later this year. American economic aid is, however, expected to be substantially increased and an economic and social development plan has been announced, which is to be financed jointly by the United States and Vietnam. New fiscal measures introduced by the government include a defence and economic development tax of five-sevenths on the landed value of all imported goods, which has the effect of altering the official rates of exchange of the currency and has caused an increase in prices of imported goods. The internal situation has caused some slackening in trade and, as merchants already have difficulty in disposing of their stocks, the higher prices of newly arrived imported goods will not make their position any easier. Nevertheless, industrial production has risen and the development of new projects has continued, so that when success has been achieved in restoring order in the interior, there should be an appreciable improvement in the economic situation.

CAMBODIA

Events in Laos are of considerable concern to Cambodia and it was appropriate that Prince Sihanouk's initiative in suggesting the convening of the Fourteen Nation Conference in Geneva, and in getting the three Laotian Princes to agree in principle to the formation of a neutralist government, should have led to a ceasefire, albeit an uneasy one marred by sporadic outbreaks of fighting. Thai charges that Cambodia was facilitating communist activities directed against her and South Vietnam, which were subsequently disproved by the International Armistice Commission, caused the government to break off diplomatic relations with Thailand and the border between the two countries remains closed.

The damage to the rice harvest by the heavy Mekong river floods has been less than had at first been feared and although it will be delayed, it is expected that the crop will be only about 10 per cent below average. Progress has been made with irrigation schemes and an improvement in agricultural output may be expected in

the future. There has been a further improvement in the economy and, although rice exports were suspended at one period to conserve stocks during the floods, the visible trade deficit is likely to be somewhat less than in the previous year. There has been little industrial expansion in the private sector, but two more government operated plants built with Chinese credits, a paper mill and a plywood factory, started production during the year, and a number of other projects are under consideration, including a refrigeration plant with a view to establishing an export trade in frozen meat.

THAILAND

The Thai government is sceptical as to whether the neutralist government, which is expected to be established in Laos, will be able to avoid domination by communist influence and there will always be some uneasiness in Thailand as to their own future political and economic position as long as these doubts exist. The country has, however, continued to enjoy internal political stability under Field Marshal Sarit's government, but there have been reports of communist infiltration in the north-east provinces adiacent to the 1,500 mile border with Laos and these activities were promptly suppressed. One-third of the population lives in these provinces, many of whom are ethnically related to the Laos across the border and the region is less advanced than other parts of the country. The government is now implementing a development plan for this area as part of their overall six-year plan, the main aim being to build up an infrastructure of communications, irrigation and hydro-electric schemes for the purpose of improving agricultural output and exploiting mineral resources, thereby raising living standards. A somewhat similar plan has been drawn up for the southern provinces, which is no doubt connected with the government's interest in the building of a canal across the isthmus of Kra, a project which is once again under consideration.

The economy has continued to progress in a satisfactory manner. Agricultural crops are more diversified, thus reducing dependence upon rice as the main source of foreign exchange earnings. The value of exports was over 15 per cent higher than in 1960, while imports rose by only 8½ per cent, and in consequence the trade deficit has been reduced to the lowest level for some years, while foreign exchange reserves have steadily increased. Exports of over one and a half million tons of rice, greatly increased exports of jute and tapioca, and to a lesser extent of maize and tin, have compensated for the lower value of rubber shipments. Considerable interest has been shown in the cultivation of Thai jute by foreign buyers in the past year due to the poor crops in the 1960-61 season in both India and Pakistan and, provided export quality can be maintained, this commodity is likely to become of increasing importance in the future. For the second year in succession there has been a surplus of revenue over expenditure in the nine months period covered by the 1961 budget.

Modest progress has continued in the industrial sector and after protracted negotiations with the government, an oil refinery is to be built at Sriracha, a small port on the Gulf of Thailand which, incidentally, is the subject of an expert study as to its suitability for a possible alternative port to Bangkok. The state railway system has been granted a development loan of US$22 million by the World Bank in which we and Mercantile Bank Limited have participated.

FEDERATION OF MALAYA

The concept of greater Malaysia, involving the political merger of the Federation of Malaya, Singapore, North Borneo, Brunei and Sarawak put forward by the Malayan Prime Minister last year, has been generally accepted as a desirable objective which would give added stability to this whole area. The Singapore government has warmly welcomed these proposals, but there has been a more reserved response from the Borneo territories, which are not so politically or economically advanced. Misgivings have been expressed in Borneo as to the form and timing of the proposed merger and there is a feeling in some quarters there that closer integration should be achieved first before consideration is given to joining the larger federation. Delegations from the five territories have attended a number of meetings of the Malaysia Solidarity Consultative Committee at which discussions have taken place regarding the constitutional, political and economic aspects of Malaysia, with particular reference to the powers to be retained by the Borneo territories. A commission is touring North Borneo and Sarawak, but not Brunei, to find out what the views of the people are, but since there are few representative organisations which can truly reflect public opinion the commission's task will not be an easy one. While the full details have yet to be worked out, there is little doubt that the long term interests of the three territories would best be served by joining a confederation with Malaya and Singapore in which the three, either as separate states, or combined to form the State of Borneo, would have a large measure of autonomy over their own internal affairs. The Association of Southeast Asian States which, in its present form is an economic and cultural pact between Malaya, the Philippines and Thailand, was formally inaugurated last year and the scope of this association will be greatly enlarged by the accession thereto of Singapore and the Borneo territories, if these become part of Malaysia.

For the second year in succession revenue in the Federation has exceeded M$1,000 million despite the sharply reduced price of rubber, from which over 60 per cent of total export income is derived. In the budget for 1962 ordinary expenditure is estimated to exceed M$1,000 million for the first time, an increase of 8½ per cent over the revised estimate for last year, leaving a deficit of M$50 million, but the Minister of Finance evidently expects revenue to exceed his prudently conservative estimate as no new tax measures, other than minor tariff changes, have been proposed. There was a favourable balance of trade of about M$400 million, over 45 per cent less than the previous year due mainly to the lower rubber price, but the value of tin and iron ore exports increased by M$67 million. Total imports were some M$74 million higher than in 1960, a trend which seems likely to continue to meet the requirements of the development plan.

Progress has been made in rural development schemes, while the decision to construct deep water berths at Butterworth in Province Wellesley on the west coast, and to build a highway from there across northern Malaya to Kelantan on the east coast, should lead to more rapid development in this area. Further progress has been made in the industrial sector, including plans to build an iron and steel plant near Ipoh by a joint Malayan-Japanese concern, and the heavy over-subscription of a number of public share issues has been a welcome indication of the amount of local capital available for investment in sound enterprises.

The demand for tin during the year, some of it speculative, exceeded available supplies, resulting in higher prices and the disposal of the whole of the tin buffer stock during the month of June. It was not until January this year that the International Tin Council decided that the floor and ceiling prices were to be raised to £790 and £965 per ton respectively. Current supplies and surplus stocks met immediate demand during the year, but it is generally accepted that world consumption of tin is likely to rise in the future, while the scope for any appreciable increase in production to make good the deficit is limited, and only a higher guaranteed price will induce producers to work low-grade areas where extraction costs are high. The disposal of part of the large American tin stockpile, which is equivalent to about six years domestic consumption at present levels, has been under consideration, but from statements which have been made, it appears that this will only be permitted when normal supplies are clearly shown to be inadequate to meet consumers' requirements. Rubber production has continued to increase but prices are more than 20 per cent below the average for the previous year and although this undoubtedly affects the short term interests of producers, and the revenue, in the longer view only lower prices and better marketing can counter the threat from synthetic rubber. The initial announcements regarding sales of rubber from the United States and United Kingdom stockpiles caused some concern, but arrangements have since been made which will reduce the effect of these disposals upon producing countries. Each year new areas of high yielding trees come into production and it should be possible for natural rubber to be produced profitably at a cost well below current market levels and, as there are limits to which production costs of synthetic rubber can be reduced, the natural product should be able to remain competitive.

SINGAPORE

The ruling party has been seriously weakened during the year by the loss of two by-elections and by the defection of thirteen of its elected members to form a new aggressive left-wing opposition party, the Socialist Front. This has left the government with an overall majority of only one in the Legislative Assembly, but it has nevertheless shown considerable vigour both in denouncing the alleged pro-communist tendencies of its principal opponents, and in pursuing its maior objective of merger between Singapore and the Federation of Malaya. The agreement reached by the Prime Ministers of the Federation of Malaya and Singapore, on the terms under which Singapore could join the Federation as the twelfth state, has been ratified by both governments and accepted in principle by the United Kingdom, with whom a flexible agreement has been reached regarding the use of the bases after the merger has taken place. The main heads of agreement are that the Federation would be responsible for defence, external affairs and security, while Singapore would retain control over education and labour policies, with a large measure of financial autonomy. Provision would also be made for the continuance of the important entrepôt trade. Singapore would be entitled to send two members to the Federation Senate and to elect fifteen members to the House of Representatives in Kuala Lumpur, although this elected representation is somewhat less than proportionate to the population. The Singapore Prime Minister has undertaken that a referendum will be held, as these proposals are opposed by the Socialist Front, who want either complete

merger in which Singapore would be accepted on the same basis as other states in the Federation, including full proportional representation in the Federation Parliament, or a confederation in which Singapore would retain full autonomy over her internal affairs, including internal security, but ceding by treaty control over defence and external affairs to the Federation government. The Prime Ministers of the two territories have expressed the hope that the merger will take effect not later than June next year, when the Singapore constitution is due for revision in any event, but it appears likely that this merger will be contingent upon the Borneo territories joining the Federation of Malaysia, either at the same time, or within a very short period thereafter.

While the main interest in the merger proposals has been centred on the political implications, economic questions such as the basis upon which Singapore manufactures will have access to the larger Malayan market have yet to be fully explained. If a satisfactory solution to these problems can be found it should broaden the base of the island's economy and give further inducement to the investment of local and foreign capital in industrial enterprises. This has so far been well below the level necessary to provide the 70,000 new jobs which is the target in the government's four-year plan and industrial relations will have to be much improved if the labour unrest, which has been such a disturbing feature in recent months, is not to have a damaging effect on development. Progress has continued in the government's projects to provide basic facilities for industry, while notable success has been achieved in the building of living accommodation and there has been considerable expenditure on educational facilities. Banking legislation, somewhat similar to that in force in the Federation of Malaya, was introduced at short notice in January this year.

There has been a decline in the overall value of trade, imports being slightly higher and exports about 8 per cent lower than in 1960, due chiefly to the reduced price of rubber. An agreement was finally signed with Indonesia covering the basic terms upon which trade between the two countries should be conducted, and there has been a welcome increase in the value of exports to Indonesia during the year. The financial position of the State has continued to be satisfactory and last year ordinary revenue exceeded expenditure by about M$64 million, while about M$110 million was spent on development schemes. The Minister of Finance described his budget for 1962 as being intended to keep the public services going while the details of the merger with the Federation were being worked out and no new taxation was proposed. Revenue is, however, expected to increase by M$46 million over the 1961 estimate, while development expenditure is likely to be higher than last year. Merger with the Federation should provide the necessary stability which is indispensable if hopes of intensive industrialisation are to be realised.

NORTH BORNEO

The suggestion that North Borneo should join the greater Malaysia Federation has found both the government and the people of the Colony as yet unprepared to take the far reaching decisions about their future which acceptance of these proposals would entail, as the vast majority of the population are unable to appreciate fully what is involved. One of the many difficulties is the shortage of local men with administrative and technical experience and although there are a number in the lower ranks of the public service and over 300 students are training abroad, it will be many years before the expatriate officers at present employed can be replaced. It is hoped that by the end of this year some town boards and district councils will have elected members, while the legislative and executive councils have been enlarged by the appointment of additional unofficial members to enable more local men to gain experience in the working of the administration. A number of embryo political organisations, advocating divergent views on the Malaysia proposals, have been formed in the last few months and it is hoped that the leaders of these associations will not allow political issues to destroy the good relations which have hitherto prevailed between the various communities.

There has again been considerable progress in many directions, particularly in the development of communications, and three ocean shipping lines have started regular scheduled services from Jesselton to Europe. The value of the Colony's trade was over M$435 million, exceeding the record total of the previous year, but the visible trade surplus was considerably less than the M$27 million earned in 1960. Exports of timber have again increased and they now account for nearly 45 per cent of the total value of exports but, as in other producing countries, a lower price was received for a higher quantity of rubber shipments. Once again the revenue surplus is expected to exceed the estimates for last year by over M$7 million, enabling the contribution to the development fund to be raised to M$16 million. In the budget for this year expenditure of nearly M$68 million, an increase of more than 13 per cent over 1961, is expected to be covered by revenue and no new taxation has been imposed other than an increase in the maximum rates of personal income tax to bring this more into line with the rates levied in other countries in the area.

BRUNEI

The elections to district councils which were due to be held last September, had to be postponed until October this year due to the delay in passing the Brunei Nationality Enactment. This law was finally approved by the Legislative Council in December and when the electoral rolls have been prepared, there should be no further delay. His Highness, the Sultan, has expressed his personal opinion in favour of his State accepting the Malaysia proposals in principle, but leaders of political parties are demanding closer association with North Borneo and Sarawak first, followed by independence, before they wish to consider these proposals. The Sultan has, however, appointed a commission to find out the views of his subjects before reaching a decision on this important issue.

A United Nations expert has submitted a new development plan which is being studied by government departments, the main aims of which are to raise the level of employment and the standard of living by the development of agriculture, forestry, fishing, small-scale industries, and the more economic use of land. There was a further decline in oil output last year with a consequent reduction in revenue from this source, but income from investments has risen and there was again a substantial surplus of revenue over expenditure.

SARAWAK

The people of Sarawak, with wider educational facilities and a longer experience of local government, are in a little better position to assess the consequences of accepting the Malaysia proposals than the two other Borneo territories. Local authorities, which have been in operation since 1948, now cover nearly the whole of the country and there has been an elected majority in the legislative council since 1957. This year the franchise is to be extended to all persons over the age of twenty-one, subject to residential qualifications. Political parties are of comparatively recent origin and, as in North Borneo, they hold different views about the Malaysia proposals. There has, however, been evidence of considerable communist subversion and the government introduced the Restricted Residence Ordinance to help in dealing with this problem.

Revenue collections last year, although less than in 1960, are likely to be a little higher than the estimate and a small surplus over expenditure is expected. Lower commodity prices will affect the revenue this year and in the budget for 1962, estimated current expenditure of M$68½ million is expected to exceed reliable revenue by M$3 million, part of which is to be covered by increased excise taxes and motor vehicle licenses. The value of the Colony's trade, excluding Brunei oil, is expected to be about M$17 million less than in 1960 with an unfavourable balance of some M$30 million, due largely to a decline in both the volume and value of rubber shipments, offset to some extent by higher exports of pepper. There are promising developments in connection with coal deposits at Silantek, near the Indonesian border, and a number of new light industries have been started during the year. It is hoped that the inauguration of the Free Trade Area Agreement with North Borneo this year and the opening last June of the new port at Kuching, will lead to further expansion.

INDONESIA

The military preparations in Indonesia for direct action against the Dutch in West New Guinea appear to have reached a fairly advanced stage, but both countries have recently altered their attitudes to this problem and it is to be hoped that negotiations may still be possible to reach a peaceful solution. Due weight must, of course, be given to considerations of national prestige, but it should not be forgotten that the adverse economic consequences to Indonesia of armed conflict are likely to be considerable. Defence expenditure already absorbs over 50 per cent of the budget, although the virtual end of the four-year-old rebellion may enable some reduction to be made, while inter-island shipping capacity is barely adequate for present requirements and any dislocation thereof could have unfortunate repercussions.

The publication of statistics regarding the monetary supply and foreign exchange holdings was discontinued at the beginning of last year, but there is no doubt that there has been a marked increase in inflationary pressures, an appreciable rise in the note issue, and an aggravation of Indonesia's economic difficulties. The value of export earnings declined, while imports to meet the demand for consumer goods continued at a high level until the last quarter of the year, when many import licences were suspended. A loan of over US$41 million was obtained in August from the International Monetary Fund, to support the falling foreign exchange reserves and it is surprising that earlier action was not taken to halt the flow of imports and thus to reduce the adverse balance of trade, particularly as an appreciable proportion of the country's exports are committed under barter

deals for, among other things, the supply of military equipment. There has also been a reduction in the output of many agricultural products and although this is partly due to poor weather conditions, which have caused damage to rice and other crops in Djawa and Sumatra, the elimination of Chinese traders from the rural areas has been a contributory factor.

It is not easy to assess what progress has been made in the industrial sphere, but it is expected that a number of projects will be started soon with foreign assistance under the eight-year development plan. These include factories for the production of fertilisers, paper, cement and certain iron and steel manufactures, while a German concern is to construct a tin smelter on the island of Bangka. The government has introduced a " guided savings " campaign to raise funds to finance the development plan, which takes the form of a compulsory deduction from the incomes of all persons resident in Indonesia, except foreign nationals, as well as from the annual profits of all companies. It is also reported that measures are under consideration to reduce the large volume of currency notes in circulation by imposing a limit on cash transactions and thus to force all other payments to be made through the banking system. To what extent these measures would be successful, if implemented, remains to be seen but urgent action of some sort is certainly necessary to curb the continuing inflation and the rapid increase in the cost of living, particularly in the urban areas.

INDIA

At the end of the year there was renewed tension over the border dispute with China, which arose out of Indian complaints of further encroachments into her territory, and Chinese counter-charges that Indian troop movements in the north-east frontier area amounted to aggression against her. The border dispute continues to cause considerable indignation in India and has given opposition parties an opportunity of attacking the government for lack of firmness in dealing with this issue. Mounting criticism of inaction and the approach of the general elections may, perhaps, have been factors influencing the government's decision to seize the Portuguese enclaves. The Congress party won their expected victory in the general elections held last month for State Assemblies and to the National Parliament although a number of seats were lost to opposition parties.

The foreign exchange reserves fell to a very low level during the year and in July the government had to draw the equivalent of US$250 million, in a number of currencies, from the International Monetary Fund to tide them over until the first instalments of foreign aid, promised by the Aid-India Consortium and the World Bank for the first two years of the third plan, were received later in the year. Stringent import controls have been continued with the intention that the limited foreign exchange resources should only be used to ensure, in so far as possible, the most advantageous balance between maintenance imports, to make the best use of the country's industrial capacity, and imports of capital goods for development where these are not provided under foreign aid schemes. The value of exports, although higher than in the previous year, has not been increasing as rapidly as was hoped, and this is a cause for concern since the third five-year plan envisages as essential a greatly increased volume of exports, if the targets set therein are to be achieved. An encouraging feature during the year has been a notable increase in foreign collaboration with Indian concerns in setting up industrial enterprises.

Looking back on the results of the second five-year plan, which ended last year, it is clear that although the achievements fell short of what had been expected, there was a definite advance in industrial production, an improvement in agricultural output and a rise in national income which was, however, diminished by an 11 per cent increase in population during the five-year period. There has also been a small improvement in the standard of living in the vast rural population in the form of improved services and amenities, such as educational and health facilities, and the gradual spread of such things as electric light and piped water supplies. This, it is hoped, will stimulate some enthusiasm, particularly among the younger men and women, to adopt new methods and techniques leading to a further increase in agricultural production and thus help to lift rural India out of the poverty in which it has existed for so long.

India's population of 438 million, as revealed in the census held last year, is expected to rise to 490 million in the next five years and this has caused the planning commission to increase targets for food-grains, industrial production and employment in the third five-year plan, which has been finally approved. There are, however, indications that the shortage of power and transport capacity is likely to get worse and measures to mitigate this situation are being considered by the commission. The revised total expenditure amounts to the equivalent of £8,700 million, but the estimated foreign exchange deficit to be covered by foreign aid remains at £1,950 million, a sizeable proportion of which has been promised to cover the first two years of the plan.

There seems to be considerable doubt as to whether the resources of the banking system are growing fast enough to keep pace with the expanding economy and from the figures which are available, advances are increasing at a proportionately greater rate than deposits, resulting in growing pressure on the liquidity ratios of the banks. To counter this trend the Reserve Bank is considering measures designed to raise minimum requirements in regard to both cash reserves and liquid assets and has issued a directive to the effect that the ratio of capital plus published reserves to deposits should not be less than 6 per cent. A corporation was set up on the 1st January of this year to insure bank deposits up to a maximum of Rs.1,500 per account which will be financed by a levy paid by the banks on their total deposits. It is hoped that this measure will assist in creating greater confidence, which was shaken to some degree by the failures in 1960, and will encourage a flow of savings into the banking system.

PAKISTAN

The new constitution for Pakistan, announced by the President on March 1st this year, provides for a federal form of government under a president, with a central national assembly and provincial legislative assemblies for East and West Pakistan. Political parties will remain banned and election of the president and of members of the central and provincial assemblies will be by an electoral college comprising members of existing local councils, or Basic Democracies as these are called. The improvement in relations with India, which was expected to follow the signing of the Indus Waters Treaty in 1960, has not materialised and although some minor issues were resolved during the year, Pakistan's reference of the Kashmir problem once again to the United Nations has placed a strain on relations between the two countries. The dispute with Afghanistan culminated in the severance of diplomatic relations by that country in September.

A reappraisal of the second five-year plan has been necessary following the disclosure in the recent census that the population, at 94 million, was increasing at a rate higher than had been previously estimated and, in consequence, targets in the plan and the overall cost have been increased by one-fifth. In January this year the consortium of countries and international organisations interested in helping Pakistan agreed to provide a total of about £340 million for the second and third years of the second plan, thus meeting Pakistan's requests for foreign aid for this period in full.

Further progress has been made in the economic sphere during the year and the indications are that the country may be entering upon a phase of fairly rapid development if governmental foreign aid and the notable increase in private foreign investment, which occurred last year, continues. Industrial production is increasing and the tax concessions contained in the budget for the current financial year include additional incentives to new foreign investment, which should give further encouragement in this direction. One development has been the award of a contract to construct a steel mill near Karachi.

The more liberal import policy introduced in 1960 has been continued, but the reduced earnings from exports, due partly to a higher rate of local consumption of such items as raw cotton, have resulted in a trade deficit for the first nine months of the year. The increase in agricultural production has lagged behind that of industry and this is causing considerable concern. If jute and cotton manufactures are included, agricultural products provide over 90 per cent of export earnings, while an increase in food-grain production is essential in order to reduce dependence on imported supplies. One of the main problems to be surmounted is that of salinity and waterlogging of agricultural land, which is assuming alarming proportions in West Pakistan, particularly in newly irrigated areas where it is estimated that as much as 25 per cent has been affected in this way. Expert advice has been obtained to devise some means of checking, and if possible, solving this problem.

BURMA

The political situation remained outwardly unchanged during the year, but there were serious differences between the two main factions of the ruling Union party and only the intervention of the Prime Minister, who resigned his position as president of the party, preserved any semblance of unity. Two weeks ago the army, under General Ne Win, suspended the constitution and resumed control of the government which the General had voluntarily relinquished two years ago. Burma has continued to follow her avowed policy of non-alignment, but especially cordial relations have been developed with China following the settlement of the border issue and the economic and technical agreement to which I referred last year. There has been little improvement in the internal security situation, but one source of trouble has been much reduced by the repatriation to Formosa of the majority of the former Kuomintang troops, who were operating in the Thai border area.

The revised revenue surplus for the financial year 1960-61 was Kyats 58 million, but capital and development expenditure was less than expected and there was an overall surplus of Kyats 17 million instead of the anticipated deficit. The budget estimates for the current financial year show an estimated surplus of Kyats 35 million, including the yield from increased customs duties, excise and sales taxes, but if all capital receipts and expenditure are taken into account, it is estimated that there will be an overall deficit of Kyats 165 million. Exports of rice were one and a half million tons, a considerable reduction compared with 1960 and although the value of imports was about 17½ per cent lower, there has been a further decline in the balance of payments and in the foreign exchange reserves.

The draft of the second four-year plan, designed to be the first of a series of four such plans covering the period 1961-1977, has been published. The main aim is to raise living standards and to double the per capita real income by 1977, which is now still 13 per cent below the pre-war level and one of the lowest in the world. Comprehensive diversification of agriculture and increased production is planned to lessen the dependence upon rice, which at present accounts for two-thirds of foreign exchange earnings, but greatly improved internal security conditions will be necessary before this can be achieved. The government's part in the plan is largely confined to improving the transport system, the provision of electric power and the consolidation of existing basic industries. The establishment of new industries is to be left to the private sector, and to the Burma Economic Development Corporation which will operate a number of new factories to be set up with machinery and technical assistance supplied under the Chinese credit. The private sector is expected to provide nearly half of the investment envisaged by the plan, and an industrial Development Bank was set up last October to assist in meeting credit requirements. About half of the foreign exchange deficit is covered by Japanese reparations and other loans and credits already promised, and it is hoped that the balance of about £35 million will come from foreign investors. The inducements and safeguards for foreign capital contained in the Investment Act are somewhat vague and the government's announced intention to eliminate all private concerns from the import trade, which would then be entirely in the hands of state or semi-state owned organisations, may well have a discouraging effect.

CEYLON

For the second time in three years Ceylon has been governed under emergency powers, which are still in force, and these include press censorship and the other usual adjuncts. The present state of emergency was imposed last April in order to deal with the civil disobedience campaign, organised by the Tamils in the northern and eastern provinces as an expression of their dissatisfaction with government policy, particularly over the implementation of the law making Sinhala the only official language. Order was soon restored in the affected areas, but the Tamil Federal party was proscribed and its fifteen members of parliament were arrested. Normal conditions have prevailed for some time now and the arrested members of parliament have been released, but the government, with its overall majority in the legislature, has extended the emergency month by month and this, together with the deterioration in internal economic conditions, has caused some discontent. Since November there has been a wave of industrial unrest; bank clerks, transport, public utility, Colombo port and other workers have been on strike and, since strikes are illegal under the emergency regulations, this action has constituted a challenge to the government by the trade unions The government have made some concessions but troops were used to handle cargo in Colombo harbour and the essential services were maintained. An attempted para-military coup to overthrow the government was discovered at the end of January this year. Some of the officers concerned endeavoured to implicate the Governor General, who resigned in order to facilitate further investigations.

The severe import restrictions imposed at the end of 1960 and the beginning of 1961 have had a considerable effect, and there will be a favourable balance of visible trade compared with a deficit of Rs.120 million in 1960. There has, however, been a decrease in export earnings due to the lower world prices for the country's main exports of tea, rubber and coconut products and this has caused a sharp decline in the revenue from export duties. The budget for the current year shows a deficit of nearly Rs.570 million which is to be covered by further deficit financing, new taxes amounting to Rs.230 million and expected foreign aid. New taxation measures include the virtual expropriation of all personal incomes over a prescribed ceiling, the imposition of a 4 per cent national development tax on all incomes over Rs.300 per month and increased import and excise duties. The Finance Act 1961 also contained legislation nationalising the Bank of Ceylon and prohibiting Ceylonese nationals, and firms with Ceylonese partners or directors, from opening new accounts with banks other than the Bank of Ceylon or the People's Bank. This discriminatory legislation against the foreign banks, who have for so many years made a valuable contribution to the island's economy, has caused us the greatest concern as it must severely affect our business in the future. Authoritative speeches, published in the local Hansard, leave little ground for doubt that it is the intention of the present government to restrict the business of the foreign banks to such an extent as eventually to force them out of business altogether. This attitude, if continued, is unlikely to attract new foreign investment, which it is the official policy of the government to encourage.

MAURITIUS

The appointment in September of the leader of the Legislative Council as Chief Minister, marked the first stage in implementing the plan for the constitutional advance of Mauritius towards internal self-government, which received a large measure of agreement at the conference held in London earlier in the year. A further modest advance will take place after the general elections which are due to be held in 1964, if the Legislative Council then votes in favour of the proposals.

Severe drought conditions at the beginning of last year damaged the sugar crop and in consequence production was about 4 per cent lower than the original estimate of 575,000 tons. Under the Commonwealth Sugar Agreement, which has been extended until 1969, the negotiated price for 1962 has been fixed at £45 15s. 3d. for a guaranteed quantity of 350,075 tons, an increase of 13s. 3d. over last year's price, but a decrease of 1,675 tons on last year's quota.

The devastation caused by two cyclones at the beginning of 1960 was such that the government decided to cancel the five-year development plan which started in July, 1957, and to embark on a new five-year reconstruction and development programme as from June 30, 1960, involving expenditure of Rs.354 million. Two-thirds of this expenditure has, however, already been committed under the earlier plan, leaving only the remaining one-third for new projects. In the budget for 1961/62 estimated ordinary expenditure, at Rs.158 million, is expected to exceed revenue by Rs.13 million and this will be covered by the imposition of a 5 per cent export duty on sugar and by increased excise duties. Trading conditions last year were satisfactory, but prospects for this year are likely to be adversely affected by damage caused by a cyclone which struck the island at the end of last month.

CONCLUSION

Once again, and for the last time in so far as I am concerned, I have come to the end of my review of the eastern countries in which we and Mercantile Bank Limited operate and while developments in some territories give cause for concern, on the whole a satisfactory rate of progress has been maintained during the year.

As I look back over my thirty-two years services with the Bank in the East, what strikes me most forcibly is the tremendous change which has taken place in this part of the world. I refer in particular to China, where an appreciable part of our business used to be conducted, to the many territories, which were formerly dependencies of European countries, where political and economic developments have taken place and to Hong Kong, which has been transformed from a trading port to the important industrial centre it is to-day. While it is encouraging to see the progress that has been made in most of these countries, it is difficult to avoid reaching the conclusion that insufficient attention has been given to the advantages of closer co-operation on a regional basis. All the territories in which we operate have development plans, and nearly all of these schemes have been drawn up without prior consultation with, or consideration for, their effect on other countries. For the most part their aim has been self-sufficiency in the production of as many commodities as possible, including staple foodstuffs and, in the early stages, this development satisfies national aspirations and local requirements in regard to such things as the provision of employment and the conservation of foreign exchange. In the not too distant future, however, as the needs of domestic markets are met, even after allowing for rapidly growing populations and rising standards of living, it will be found that there will be competition for markets among these developing countries. Trade relations are assuming an increasingly multilateral character and while the actions of some Asian governments in granting exclusive privileges to their own nationals in trading, financial and other fields, to the detriment of foreign concerns, is understandable under the circumstances, I think that in the wider view it is misguided to dispense entirely with the services of old-established institutions which have a long and varied experience of trading conditions and markets not only in this region, but in many other parts of the world. There are indications that the success of the European Economic Community, which in many respects discriminates against imports from this area, has focused attention upon the need to study the possibility of forming new economic groups, and I am glad to see that the Economic Commission for Asia and the Far East and other organisations are devoting their attention to this problem, which will become increasingly important in the years ahead.

British Iron and Steel Federation



SIR JULIAN PODE'S PRESIDENTIAL ADDRESS

EVENTS in the industry last year are described at length in the Annual Report* before you and I shall not, therefore, discuss them in detail today. By and large 1961, despite record rates of output in the opening months, was a disappointing year, with a sharp worsening of trade in the closing months and heavy pressure on profit margins throughout the year.

For 1962, the prospects are unusually difficult to assess. On the one hand, for the bulk of the industry, and especially for the heavy steel trade, the opening months of the year have seen trade weakening and short-time working spreading; whereas on the other hand, the strip mills have experienced a sharp recovery to near capacity working. As far as we can see, something like the same pattern may persist throughout the middle part of 1962, with the heavy end of the industry depressed by a downturn in industrial investment and the lighter end favoured by whatever easing of the credit squeeze occurs. The major uncertainties, however, surround the closing months of the year: and whether trade picks up then must depend closely on what happens meanwhile to Britain's external payments position, which still requires to be considerably strengthened before internal expansion can be resumed with confidence.

In financial terms, the Iron and Steel Board's recent price increase will do something to improve this year's out-turn: but I cannot find it in me to say more in its favour than that.

Economic Growth

So much for the immediate situation. Let me now turn to the future, where prospects—though far from unclouded—give greater grounds for hope.

Here, the crucial issue is clearly how soon and how vigorously the general growth of the British economy is got under way again. The Industry, having invested on a massive scale in order to ensure that enough steel would be available in the mid-sixties to meet the anticipated needs of a buoyant economy, is committed to the cause of the Expanding Economy. We welcome, therefore, the new interest in growth policies being shown by the Government.

In particular, we shall follow with close interest the work of the National Economic Development Council. If, as seems likely, one of the first steps of the new Council is to convene Industry Groups, within which the implications of various growth rates can be studied in detail, the steel industry will be well-placed to contribute to the Council's labours, since we already have in being an organisation with an unrivalled body of experience in this task.

It is, of course, upon how soon and how vigorously general economic growth gets under way again that the validity of the Industry's demand forecasts for 1965 will, in the event, depend. Since industrial production in Britain has risen by only 3.2 per cent a year since 1957, as against our forecast rate of 3½ per cent, we now need an increase of 4.2 per cent a year in industrial production to reach the level underlying the steel demand forecasts for 1965. Bearing in mind that the European Community has recently grown more than twice as fast as Britain, and that British industry has still to harvest the full fruits of its vast capital investment since the mid-fifties, there is no reason to suppose that such faster growth need be unobtainable—if the country puts first things first.

Aggressive Selling

All this, however, must not be taken to imply that the Industry is simply sitting back and waiting for faster national growth to bring steel demand up into line with potential supply. In face of widening margins of spare capacity, greater competition from foreign steel and stronger competition from substitute materials, the Industry is going out to sell. Aggressive selling is recognised as the key to a prosperous industry.

The results are already becoming visible in encouraging profusion. In the home market, the companies, the product groups and the Federation are all putting very considerable efforts into market development in all its forms. Within the Federation, for example, organisational and staff changes have just been approved in principle with the object of intensifying market development and product development work; and in the public relations field, the main weight of the Federation's press advertising, as of its exhibition work overseas, is now being concentrated on commercial aims.

In the export field, we have been severely limited during most of the post-war period by a variety of formal and informal Government directives and restraints, the last of which—an informal limit on sheet exports—was not removed until the Autumn of last year. Even so, within these limitations, aggressive selling has been bringing results. Last year, despite weakening markets the world over, steel exports established yet another post-war record; and to quote one particular example, Britain is now the world's biggest exporter of tinplate, selling some 40 per cent of its total output in world markets. Abroad, as at home, aggressive selling is the key.

Development Policy

However, even with extensive sales efforts, the Industry faces a widening margin of spare capacity; and this has led to a careful review of development policy. As early as 1945, the Industry's first post-war development plan laid down two main objectives—the expansion of capacity; and its modernisation. In the event, the great post-war expansion of the British steel-using industries naturally focused public attention on the former aim; but the Industry has throughout sought to press forward with the latter one also. For example, despite the pressure of demand, some 6 million tons of old steel-making capacity and some 6½ million tons of old iron-making capacity have been retired altogether since the war—with helpful results for productivity and costs.

Now, with demand temporarily lagging behind capacity, and still more with new techniques becoming available which offer greatly increased outputs from existing plants, development thinking is naturally concentrating even more on investment designed primarily to reduce costs and improve quality and product range. The link between this reshaping of technical development policy and the reshaping of market development policy already described, is clearly direct and intimate.

Stocks

The fact that the Industry's development has now moved to a point where customers can be fully confident that all reasonable requirements will be met without delay, even at times of high demand, has one valuable by-product. This is that the vicious problem of stock fluctuations, which has affected the Industry so badly in recent years, now becomes more readily capable of solution. In the past, consumers who were worried lest they should run short of steel as trade boomed, undertook excessive stock building, which itself often created the shortages which they feared; and then when trade weakened and credit tightened they sought relief by running down those excessive stocks, thus aggravating the difficulties in the Industry caused by the slackening of the real use of steel. Now, as confidence in security of supply grows and spreads, these wasteful and disruptive fluctuations in stocks should come to an end. Instead, there should emerge much greater stability of consumers' stock holdings, even though the absolute level of consumers' stocks may tend to be rather less.

Europe

Let me now come to what may prove the most important of all the factors influencing the prosperity of the Industry in the sixties—the prospect of Britain's entry into the European Communities.

The Federation, after conducting a widespread review of this issue in which all sections of the Industry have joined, has sent to the Government two major statements of Industry policy. The first of these declared the Industry's readiness to support full membership of the European Coal and Steel Community in the event of Britain's joining the Economic Community; and the second reiterated the Industry's readiness to accept the E.C.S.C. Treaty and the main arrangements made thereunder in their existing form, without seeking any major amendments, provided that certain limited transitional arrangements could be secured to ease the unification of the markets. The Federation is keeping closely in touch with developments in connection with the coming negotiations on Britain's possible entry.

One major change which may occur if Britain enters E.C.S.C. will be the replacement of the existing pricing system by the E.C.S.C. pricing system. This is based on three main features. Firstly, the companies are free to fix their own selling prices and conditions of sale. Secondly, these prices have to be published as at particular basing points, and consumers are then charged this basing point price plus freight rather than some uniform delivered price. And thirdly, to promote competition, producers may align their selling price down onto any lower price available from any other Community or third country producer. All this will involve a tremendous change in existing practices, both for those selling steel and for those buying it. The Industry is, therefore, actively discussing the desirability and possibility of introducing a pricing system on E.C.S.C. lines into Britain sometime this year, that is before entry into the Community, in order to allow all concerned to gain practical experience in its operation. The Federation has made initial approaches to the Iron and Steel Board on this matter.

Fuel

One point which stands out clearly from any consideration of the consequences of joining the European Communities is that it will be essential in this wider market to keep costs as low as possible. In so far as costs arise within the Industry, we freely accept this responsibility. But in large measure, our costs are set for us by outside bodies: and here, it is less easy to be confident as to future trends.

Unfortunately, this is particularly so with regard to fuel costs. Although the Industry has made major advances in the more efficient use of fuel, such savings have been outweighed by the never-ending rise in fuel prices. For example, the prices charged for the Industry's coking coals have risen by 62 per cent since 1953 and United Kingdom steelmakers are paying more for their fuel oil than are their Community competitors. Britain is becoming an increasingly high energy-cost country in an increasingly low energy-cost world.

If the British steel industry and the steel-using industries are to compete effectively in the European market, this adverse trend must be checked. The National Coal Board, under the enterprising direction of their new Chairman, have plans in hand to achieve this: and we wish them every success. But one fundamental weakness of the present situation is that, since the discipline of competition has been removed from the coal industry, there has been no independent check on cost efficiency to reinforce the personal drive of those in authority. In the absence of such external discipline, the coal industry has in the past been more productive of promises than of performance in the field of price stability: and there is as yet no firm evidence to show that the tide has turned.

Coal Imports

It is against this background that one must view the steel industry's call for freedom to import coal. With regard to *direct* effects, the Federation has never claimed more than that import freedom might result in imports being made by certain well-placed coastal works, designed to replace certain marginal high cost tonnages from home pits, which might affect in all about 1 per cent of British coal output. That in itself would offer the steel industry no small cost advantage, which might reach 3s. 6d. a ton of finished steel averaged over the whole industry or more than £1 0s. 0d. a ton in one of the works directly concerned. But in general, it is clear that it would remain the British coal industry to which the steel industry would continue to look for the bulk of its fuel requirements.

It is, indeed, precisely because of that continuing dependence on home supplies of coal that the Industry is pressing the case for coal imports. Important though the direct savings from coal imports might be, the *indirect* effects might well be greater still. If coal could be freely imported, then the landed price of imports would set an independent and realistic standard of costs which all British mines would have to strive to meet and beat in order to hold their markets. If Lord Robens's plans for greater efficiency were really to bear fruit, then the presence of such an independent check would hold no terrors for him.

Let me put this clearly. The steel industry has every interest in the success of Lord Robens's efforts to shake the coal industry free from its past. But as entry into Europe approaches and competition whets its pruning knife, we cannot live on promises alone. If the Government decides to expose British steel producers to open competition in Europe, then equally it must ensure genuine competition in the field of fuel supplies.

**Copies of this report may be obtained from the British Iron and Steel Federation, 21 Tothill Street, London S.W.1.*

MONSANTO CHEMICAL COMPANY

SALES AT ALL-TIME HIGH: NET UP SLIGHTLY

The sixtieth annual meeting of Monsanto Chemical Company was held at St. Louis, Missouri, USA, on March 22nd. Following is a condensation of the circulated statement of **Charles Allen Thomas,** chairman, and **Charles H. Sommer,** president:

Monsanto achieved record sales of $932,916,000 in 1961, compared to sales of $890,114,000 in 1960. The increase, which amounted to $42.8 million or 4.8 per cent, was attained despite declining selling prices throughout the US chemical industry.

The year's net income was $68.7 million, compared to $67.8 million for the previous year, a gain of 1.3 per cent.

Due to an increase in shares outstanding, however, per-share earnings declined from $2.49 in 1960 to $2.45 in 1961. The share increase resulted mainly from the two per cent stock dividend paid in December, 1961.

Cash flow per share from earnings before depreciation, obsolescence and depletion was $5.47 in 1961 and $5.29 in 1960.

Monsanto's leadership in many basic product groups enabled us to maintain our profit level despite the lower prices, which we met to keep our commanding position in the market place. In most cases, industry-wide overcapacity was responsible for price decreases. Helping to offset their effect was Monsanto's strength in such major products as phosphates, nylon, plasticizers, alkyl benzene, ammonia, vinyl butyral film, pesticides and feed chemicals.

Helping also were new processing efficiencies and cost-control methods throughout the company.

The year's achievements went beyond the areas of marketing and production. The Chemstrand Corporation, the nation's second largest manufacturer of chemical fibers, became a wholly owned subsidiary and gave us new scope and new opportunities. We made good headway at Chocolate Bayou, near Alvin, Tex., in the on-schedule construction of a chemical refinery which will shortly provide us with our own hydrocarbon raw materials at a substantial cost saving. Also, we opened our Research Center in St. Louis County, creating an environment which should breed and encourage practical inventiveness. And, in the area of forward integration, we acquired Gering Plastics Company and thus moved closer to the consumer in certain areas where the present is profitable and where the future holds promise.

CAPITAL INVESTMENT

Our expenditures for new plants and equipment, including property of acquired companies, were at an all-time high in 1961. They totalled $153,818,000 compared to 1960 expenditures of $121,253,000.

In the 12-month period, a total of $9,810,000 was invested in or advanced to our 50 per cent owned associate companies and to affiliated companies in which our ownership is less than 50 per cent.

AGRICULTURAL CHEMICALS

Our sales of farm chemicals were up more than 20 per cent.

Sales of our plant food materials, which include ammonia, ammonium nitrate, urea and related products, rose to record levels. Sales of ammonia for field application were up about 40 per cent.

We began building an ammonia plant of 200-ton-per-day capacity at Muscatine, Iowa.

Sales of weed and insect killers rose more than 30 per cent. Sales of feed chemicals climbed sharply.

HYDROCARBONS

Formation of the Hydrocarbons Division in October was the result of planning which began in 1955 with the acquisition of Lion Oil Company, its facilities, its reserves and its personnel.

The new division's responsibilities include production of chemical raw materials from petroleum sources, as well as all of Lion's activities.

From the refinery it operates at El Dorado, Ark., come gasolines, fuel oils, asphalts and other *Lion* branded products. Principal products of the plant at Texas City, Tex., are styrene monomer, vinyl chloride monomer and acrylonitrile. The chemical refinery at Chocolate Bayou, near Alvin, Tex., will be on stream late in 1962.

At Texas City, completion of the final phase of a 200-million-pound styrene monomer expansion increased our capacity for that product to 560 million pounds a year. Capacity for vinyl chloride monomer was stepped up to 150 million pounds annually.

Also in 1961, we announced plans to build a 45-million-pounds-per-year unit to produce vinyl acetate monomer for our own needs. Construction is to start early in 1962.

Shareowners will recall the large and unique refinery we are building at Chocolate Bayou to convert petroleum into ethylene, propylene, naphthalene, benzene and other important hydrocarbon raw materials to feed Monsanto plants elsewhere.

Ground was broken in March, three months after our initial announcement. Since then, the work has progressed with remarkable speed and efficiency.

Production and exploration efforts in the Texas-Louisiana Gulf Coast area were intensified.

In 1961, we participated in the completion of 56 producing wells, representing a net interest to Monsanto of 32.77 wells.

Exploration expenditures were $11.5 million, slightly more than those of 1960.

Continued restrictions on allowable production of domestic crude oil, along with pipeline proration, resulted in a six per cent reduction in our production and sale of crude oil. Our total crude production for the year was 8,017,000 barrels, while our natural gas production of 22.6 billion cubic feet was three per cent below the 1960 level.

Record throughput of crude oil was achieved at the El Dorado refinery. Approximately 12.3 million barrels were run to stills, a daily average of 33,800 barrels. The 1960 average was 32,700 barrels a day.

Our gross refinery sales were higher by six per cent. Branded product sales were up five per cent.

INORGANIC CHEMICALS

Production and sales of phosphorus chemicals exceeded previous records.

To meet the demands of expanding and changing markets, many capital projects were initiated or completed.

Sodium, calcium and potassium phosphate, and phosphoric acid facilities in the St. Louis area were enlarged. Capacities of the sodium tripolyphosphate and phosphoric acid units at Long Beach, Calif., were doubled.

In the third quarter, we announced plans to build a plant at Augusta, Ga. Its initial products, phosphoric acid and sodium phosphates, will go into production late in 1962.

Sales of surface-active agents were higher. Demand for alkyl benzene reached a record high level.

Although sales of heavy chemicals turned up in the last quarter, they were off slightly for the year. The year's orders for sulfuric acid plants of Monsanto design set a record in terms of the total capacity they represented.

Monsanto's silicon project showed continuously lower cost of manufacture and continuously greater sales through the second half of the year.

Sales of III-V compounds, especially gallium arsenide, increased. Monsanto, the first supplier of epitaxial gallium arsenide, will begin pilot-plant production of the product in the first quarter of 1962.

ORGANIC CHEMICALS

Volume and dollar sales of organic chemicals were the same as those of 1960.

In December, our new Delaware River Plant, near Bridgeport, N.J., had an unusually smooth start-up. Its initial products are phthalic anhydride, benzyl chloride and *Santicizer* 160, a plasticizer derived from the first two products.

Total sales of functional fluids and petroleum additivies were up slightly, due primarily to gains by gear oil additives. Sales of dielectric fluids, however, were checked by slowness in the electrical industry.

Sales of intermediates were up slightly. Extensive modernisation at the Monsanto, Ill., plant resulted in a 10 per cent phenol capacity increase.

Sales of fortified rosin sizes were above those of 1960. Sales of industrial preservatives were down.

Bulk aspirin and our new food-grade adipic acid led pharmaceuticals, flavors and condiments to a higher sales level. Higher selling prices on saccharin and caffeine also helped.

Despite a short supply of phthalate esters during the year's first half and depressed prices later, 1961 sales of plasticizers exceeded those of 1960. We strengthened our position in "permanent-type" (polymeric) plasticizers with the successful introduction of two more which give long-lasting flexibility to vinyl plastics. At mid-year, we began making phthalate esters at Long Beach, Calif.

The continuing shortage of naphthalene (raw material for phthalic anhydride) and the increased competition for maleic anhydride markets combined to hold sales of resin materials below 1960 levels. New *Phosgard* flame retardants for such materials as wood, synthetic fibers and plastics underwent intensive market development.

Increased activity in the automotive and rubber industries helped us improve our sales of rubber chemicals.

Elastopar rubber modifier, which made possible the successful commercialization of the butyl rubber tire, was found to impart both added resilience and heat stability to natural and synthetic rubbers. Manufacturing capacity for the product was doubled at Monsanto, Ill.

PLASTICS

In plastics, sales volume was the same as that of 1960, while dollar sales declined.

In 1961, we achieved significant yield and quality improvements and substantial manufacturing economies. We also stepped up efforts to give customers better products and service.

Noteworthy new products include four *Opalon* vinyl chloride polymers—a plastisol resin and three resins for extrusion, molding and calendering; a patented, liquid-modified phenolic resin binder for producing heat-resistant thermal insulation; a high-gloss, high-impact polystyrene for refrigerator components; two polyethylenes for extrusion coating and laminating at high speeds and low temperatures; a general-purpose polystyrene with improved heat resistance; and a polyethylene from which films are made at a strength 40 per cent greater than that obtained with general-purpose resins.

Lustran styrene-based molding and extrusion compounds made progress in their first year. Interim production facilities at Springfield, Mass., were taxed to supply the tough, durable plastic for such uses as luggage, refrigerator components, appliance housings and a new chair for children. Early in 1962, at Addyston, Ohio, we will start making the product in a plant designed to produce 40 million pounds annually.

GERING PLASTICS COMPANY

In December, we purchased the Gering Plastics Division of Studebaker-Packard Corporation, renamed it the Gering Plastics Company and made it a department of Monsanto.

Gering, a 35-year-old company, now markets a broad line of plastics for industrial and consumer use. To the plastics industry it sells molding and extrusion compounds. Its consumer plastics products include garden hose, bags, floor mats, furniture coverings and closet accessories.

THE CHEMSTRAND CORPORATION

In its first year as a wholly owned subsidiary, Chemstrand bettered its sales. Its shipments of fiber and yarn increased 12 per cent.

The gains were made in the face of mounting competition from foreign and domestic producers.

In 1961, Chemstrand began a 200 per cent expansion of its nylon yarn capacity at Greenwood, S.C.

Strong demand again helped increase sales of nylon yarns. Tire cord volume expanded, with nylon cord tires winning a record 58 per cent of the automobile replacement-tire market.

Cumuloft continuous filament textured nylon carpet yarn continued to make good headway in the carpet market. *Cadon* multilobal continuous filament yarn continue to show promise in the upholstery field, as well as in outerwear and other apparel uses.

Acrilan acrylic fiber improved its position in a number of major uses. A new tufted blanket material was introduced. Solution-dyed *Acrilan* attracted interest in deep-pile fabrics for liners, outerwear and certain home furnishings. *Acrilan* and nylon gained prominent positions in the field of foam-laminated garments.

Overseas, Chemstrand fibers and yarns from the US were sold in more than 30 countries. Chemstrand Limited, the corporation's wholly owned British subsidiary, increased its *Acrilan* sales. A 50 per cent expansion of its plant at Coleraine, Northern Ireland, began in 1961 and is scheduled for early 1962 completion.

RESEARCH

In 1961, following an eight-year period in which 327 parent-company products were introduced, 230 of these products contributed 26.0 per cent of total sales for our four chemical divisions and 28.2 per cent of gross profits. Forty-nine new products survived screening tests in 1961 and were sold commercially.

Also in 1961, our parent company was granted 249 US patents and 383 foreign patents.

Expenditures for research, development, patent work and basic engineering amounted to $46.7 million in 1961. The comparable 1960 figure was $46.4 million.

Our new Research Center in St. Louis County was completed and staffed on schedule. The multimillion-dollar complex has about 13 acres of enclosed floor space.

Research projects handled under government contract are the responsibility of Monsanto Research Corporation, a wholly owned subsidiary. Monsanto Research Corporation's current investigations include the desalting of sea water, and the development of fuel cells, atomic power devices for generators in satellites, and high-energy fuels for supersonic aircraft.

FOREIGN OPERATIONS

Export sales were less than those of 1960's record year. The drop was expected in view of the increased capacity for many standard chemicals throughout the world, including the increased capacities of some of our overseas companies.

Monsanto Chemicals Limited, our subsidiary in the United Kingdom, had sales about equal to those of 1960. More pounds of material were sold. But increased competition, both domestic and foreign, pushed selling prices lower and caused a sharp drop in earnings.

Monsanto Canada Limited, wholly owned, showed slightly higher sales but lower profits. The profit drop was largely due to fixed charges on new plants still operating at less than capacity.

Monsanto Chemicals (Australia) Limited was caught in the downswing of the Australian economy. Purchases of consumer durables fell sharply. And MC(A)L's sales to manufacturers of such products dropped. The styrene monomer plant of Australian Petrochemicals Pty. Ltd. had a successful start-up. Monsanto has a 55 per cent equity in this company.

For 1960, we could merely note that our Argentine company, Monsanto Argentina S.A.I.C., had begun making vinyl compounds, phthalic anhydride and plasticizers. For 1961, we can report that its operations were eminently successful with respect to sales and profits.

Wholly owned Monsanto Mexicana S.A. had lower sales and profits. Sharply increased competition hurt sales of its two main products: polystyrene and sodium tripolysphosphate.

At Ghent, Belgium, our subsidiary, Monsanto Belgium, S.A., started production of *Saflex* polyvinyl butyral interlayer for laminated safety glass. Late in the year we increased our equity in this company from 75 to 100 per cent.

Mitsubishi Monsanto Chemical Company, our Japanese associate, showed a healthy increase in sales and profits.

Societe Monsanto Boussois, our French associate which produces polystyrene and styrene copolymer, did not match its 1960 sales or profits.

Sicedison S.p.A., our 40 per cent owned Italian affiliate, experienced a downward trend in prices of many plastics and chemical products during a large and costly expansion program. Final sales and earnings figures are not yet available.

50 PER CENT OWNED DOMESTIC ASSOCIATED COMPANIES

Mobay Chemical Company, owned with Farbenfabriken Bayer A.G. of West Germany continued its fast growth. Today Mobay is the nation's largest producer of urethane chemicals

Wider use of urethane foam cushioning in household furniture, commercial seating and mattresses was mainly responsible for the company's 70 per cent increase in sales of urethane raw materials.

Mobay expanded its tolylene diisocyanate (TDI) plant for the fifth time since 1956. And a sixth major expansion of TDI capacity was scheduled for 1963 completion.

Plax Corporation, owned with Emhart Manufacturing Company, increased its sales. But income was lowered by the high costs of plant start-ups and foreign operations.

Plax put three plants on stream and expanded another.

Shawinigan Resins Corporation, owned with Shawinigan Chemicals Limited of Canada, made sales advances in almost all established applications.

However, sales of Shawinigan's principal product, polyvinyl butyral for laminated safety glass interlayer, were down.

Fome-Cor Corporation had somewhat higher sales. But the young company, still in its developmental stage, did not turn a profit.

Fome-Cor is owned with St. Regis Paper Company.

* * *

Thus went 1961, the year of Monsanto's 60th anniversary. Our company has come a long way since it began in 1901 as the part-time venture of its founder. It has weathered many vicissitudes since it set out to make its first product —saccharin.

But despite the changes of the first 60 years, the objective has been constant. From the start, Monsanto's mission has been to extend man's mastery of the atom and the molecule and, in doing so, to develop, make and market at a profit products that contribute to human welfare. Our success in this mission is to the credit of our employees and to the benefit of our shareowners.

SUMMARY OF INCOME AND EXPENSES

(In Thousands of Dollars Except Per Share Figures)

	1961	1960
Income:		
From sale of products	$932,916	$890,114
From licenses, dividends, interest, etc.	11,755	10,411
	944,671	900,525
Deductions from Income:		
For raw materials, fuel, supplies, etc.	480,645	459,459
For wages and salaries to employees	223,790	209,683
For depreciation, obsolescence, depletion	84,527	76,088
For taxes	75,092	73,557
For interest, principally on long term debt	11,579	12,362
For minority interests in subsidiaries	382	1,569
	876,015	832,718
Which Left as Net Income	68,656	67,807
Distributed to Shareowners as Cash Dividends	27,316	25,659
Retained for Future Growth	$ 41,340	$ 42,148
Per Common Share Parent Company:		
Net income	$ 2·45	$ 2·49
Cash dividends paid	1·00	1·00
Book value	23·24	22·06
Common Shares Outstanding	28,023,440	27,195,189

The above summary includes the operating results of Monsanto Chemical Company and all of its subsidiary companies, including The Chemstrand Corporation and its subsidiaries.

PHILIPS' INCANDESCENT LAMP WORKS HOLDING COMPANY

EINDHOVEN

The Annual Report and Accounts of the above-named Company and of the Operating Company, Philips' Incandescent Lamp Works, will shortly be available in their English translation. The Holding Company owns fl.685,183,000 Ordinary shares of the Company out of a total of fl.685,432,000 and fl.143,660,000 Preference shares out of the fl.144,000,000 in issue. Below are given the Balance Sheet and Profit and Loss Account of the Operating Company as at 31st December, 1961.

BALANCE SHEET AS AT 31st DECEMBER, 1961

ASSETS			LIABILITIES		
Property, plant and equipment:			**Share capital and reserves:**		
Replacement value	1,025,725,000		Ordinary share capital	685,432,000	
Depreciation	469,234,000		6% cum. part. pref. share capital	144,000,000	
		556,491,000	Share premium account	87,635,000	
Intangible Assets		—	Retained profit	1,261,185,000	
Investments in and amounts due from subsidiary and associated companies		2,229,267,000	Revaluation	344,589,000	
Sundry non-current assets		15,519,000			2,522,841,000
Stocks:			**Sundry Provisions:**		
Factory stocks	345,028,000		Long-term provisions	133,845,000	
Commercial stocks	173,410,000		Short-term provisions	33,001,000	
		518,438,000			166,846,000
Debtors:			**Long-term Liabilities:**		
Trade and other debtors	119,725,000		3½% 25-year debentures (unsecured)	41,250,000	
Prepaid expenses	23,828,000		3½% 20-year dollar debentures (unsecured)	18,000,000	
		143,553,000	4% 25-year dollar debentures (unsecured)	72,000,000	
Liquid Assets:			4½% 18-year debentures in Swiss francs (unsecured)	41,695,000	
Marketable securities	40,723,000		Other long-term liabilities	446,095,000	
Cash at bank and in hand	276,533,000				619,040,000
		317,256,000	**Current Liabilities:**		
			Bank overdrafts	18,312,000	
			Creditors, including provision for taxation	256,878,000	
			Accrued expenses	50,309,000	
					325,499,000
			Profit for distribution		146,298,000
(All amounts in guilders)		3,780,524,000			3,780,524,000

PROFIT AND LOSS ACCOUNT FOR THE YEAR 1961

Profit, including profit of subsidiaries and associated companies, after foreign taxation	425,833,000
Netherlands tax on profits	119,000,000
Net profit	**306,833,000**
Distribution of profit:	
Shareholders, dividends at the rate of 8 per cent. per annum on the Cumulative Participating Preference Shares and 16 per cent. on the Ordinary Shares	121,189,120
Board of Directors and Board of Management	11,768,129
Personnel interests	13,341,417
	146,298,666

The development of the Philips Group as a whole over recent years is shown in a table published in the Annual Report, from which the following figures have been extracted:

	1961	1960	1959	1958	1957
	In millions of guilders				
Sales (excluding inter-company sales)	4,936	4,762	4,182	3,595	3,177
Increase on the preceding year	4%	14%	16%	13%	18%
Trading profit	731	862	740	557	442
As percentage of sales	14·8%	18·1%	17·7%	15·5%	13·9%
Net profit	326	397	351	244	187
Per Ordinary share of 8.50 (in guilders)*	21·43	27·72	25·54	20·18	16·27
Increase on the preceding year	−18%	13%	44%	30%	18%
Retained profit	180	257	217	142	92
As percentage of net profit	55%	65%	62%	58%	49%
Dividend on Ordinary shares	16%	16%	16%	14%	14%
Scrip issue	5%	5%	5%	—	—
Dividend on Preference shares	8%	8%	8%	7·6%	7·6%
Scrip issue in Ordinary shares	1%	1%	1%	—	—
Net worth	2,689	2,526	2,266	1,922	1,665
Long-term liabilities and provisions	1,482	1,153	933	951	896
Short-term liabilities and provisions	2,080	1,816	1,497	1,305	1,105
Current assets	3,972	3,545	3,107	2,748	2,354
Ratio of current assets to short-term liabilities and provisions	1·9	2	2·1	2·1	2·1
Additions to property, plant and equipment	472	425	279	239	275
Depreciation of property, plant and equipment	209	179	158	140	118
Number of employees	226,000	211,000	189,000	174,000	160,000

* Net profit after deducting distributions other than to Ordinary shareholders.

Copies of the above Accounts will be obtainable from the Company's British Fiscal Agents.

PHILIP HILL, HIGGINSON, ERLANGERS LIMITED
34, MOORGATE, LONDON, E.C.2.

TEXACO REPORTS FOR 1961

HIGHLIGHTS

FINANCIAL	1961	1960
Gross income	$3,216,874,475	$3,140,805,492
Net income	$ 430,116,577	$ 391,750,659
Per share*	$3.48	$3.17
Cash dividends	$ 191,510,329	$ 172,545,746
Per share*	$1.55	$1.43
Total assets	$3,902,071,960	$3,646,773,103
Equity in total assets of nonsubsidiary companies and subsidiaries not consolidated	871,000,000	861,000,000
Total	$4,773,071,960	$4,507,773,103
Capital and exploratory expenditures	$ 511,091,669	$ 521,102,902

*Adjusted for the two-for-one stock split in July, 1961.

OPERATING • Barrels a day (Including equity in affiliates)	1961	1960
Gross production of crude oil and natural gas liquids:		
Western Hemisphere	831,311	790,152
Eastern Hemisphere	620,605	562,203
Total worldwide	1,451,916	1,352,355
Refinery runs:		
Western Hemisphere	1,053,194	1,006,500
Eastern Hemisphere	345,611	320,864
Total worldwide	1,398,805	1,327,364
Petroleum product sales:		
Western Hemisphere	987,199	982,281
Eastern Hemisphere	450,124	385,280
Total worldwide	1,437,323	1,367,561

CONSOLIDATED BALANCE SHEET—DECEMBER 31

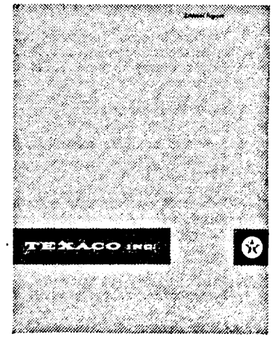
ASSETS	1961	1960
Current Assets:		
Cash and securities	$ 480,331,869	$ 421,039,497
Accounts and notes receivable	438,799,486	416,512,921
Inventories	341,501,485	335,671,292
Total	$1,263,632,840	$1,173,226,710
Investments and Advances	$ 186,434,187	$ 180,362,661
Properties, Plant, and Equipment:		
At cost	4,812,366,056	4,501,683,995
Less — Depreciation, depletion, and amortization	2,428,337,527	2,281,433,155
Net	$2,384,028,529	$2,220,250,840
Deferred Charges	$ 67,976,404	$ 72,932,892
	$3,902,071,960	$3,646,773,103

LIABILITIES AND STOCKHOLDERS' EQUITY	1961	1960
Current Liabilities	$ 506,727,620	$ 491,423,115
Long-Term Debt	$ 333,478,817	$ 335,923,099
Reserves for Employes' Plans	$ 40,599,278	$ 38,469,119
Minority Interest	$ 44,527,416	$ 44,242,742
Stockholders' Equity:		
Par value of capital stock issued—shares $12.50 each in 1961 and $25 in 1960	1,561,007,450	1,561,007,450
Paid-in capital	119,945,211	118,748,636
Retained earnings	1,316,640,061	1,078,033,813
	$2,997,592,722	$2,757,789,899
Less — Capital stock held in treasury	20,853,893	21,074,871
Total	$2,976,738,829	$2,736,715,028
	$3,902,071,960	$3,646,773,103

CONSOLIDATED INCOME STATEMENT

Copies of the Annual Report are available upon request to the Secretary, Texaco Inc., 135 East 42nd Street, New York 17, N.Y.

	1961	1960
Gross Income:		
Sales and services	$3,042,338,082	$2,980,308,514
Dividends, interest, and other income	174,536,393	160,496,978
	$3,216,874,475	$3,140,805,492
Deductions:		
Costs, operating, selling, and general expenses	$2,316,910,264	$2,293,475,010
Dry hole costs	38,517,224	34,600,005
Depreciation, depletion, and amortization	254,022,501	256,091,003
Interest charges	15,115,749	14,202,079
Taxes (other than income taxes)	91,548,233	87,193,179
Provision for income taxes	67,900,000	60,200,000
Minority interest	2,743,927	3,293,557
	$2,786,757,898	$2,749,054,833
Net income	$ 430,116,577	$ 391,750,659



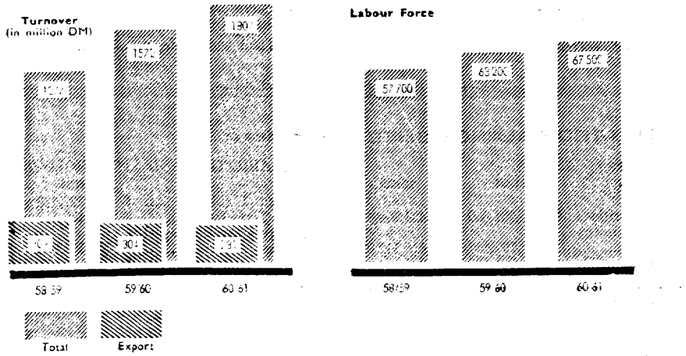
TEXACO INC.

AEG

ALLGEMEINE ELEKTRICITÄTS-GESELLSCHAFT

In the financial year 1960/61 the turnover of the AEG rose from 1,572 to 1,807 million DM. The turnover together with the major subsidiaries amounted to 2,817 million DM as against 2,497 million DM the previous year.
Substantial investments were again made to improve research and production facilities.

At the end of the financial year the AEG's labour force numbered 67,500. If the personnel of the major subsidiaries is added, the total amounts to 125,200.
The Annual General Meeting agreed to the distribution of a dividend of 15% for the year 1960/61. The year 1961/62 has so far progressed satisfactorily.



Summarised Balance Sheet at 30th September, 1961

(in million DM)

LIABILITIES		Previous year	ASSETS		Previous year
Share capital	310	310	Fixed assets	296	251
General reserves	100	85	Investments	314	274
Contingency reserves	277	247	Stocks on hand	415	332
Creditors	840	658	Debtors	358	310
Net profit	47	44	Liquid assets	191	177
	1,574	1,344		1,574	1,344

Profit and Loss Account for the year 1960/61

(in million DM)

		Previous year
Trading income (turnover)	1,807	1,572
Investment income	30	27
Extraordinary income	3	3
Total income	1,840	1,602
Raw and auxiliary materials, fuel and other costs	1,011	908
Personnel costs	589	489
Taxes and levies	87	74
Depreciation	79	70
Excess of interest paid over interest received	12	8
Reserve for property levy in accordance with the Equalisation of Burdens Law	—	9
Allocation special reserve	15	—
Total expenditure	1,793	1,558
Net profit	47	44

Berlin, March, 1962

ALLGEMEINE ELEKTRICITÄTS-GESELLSCHAFT

THE IMPERIAL TOBACCO COMPANY (OF GREAT BRITAIN AND IRELAND), LIMITED

EXTRACT FROM THE STATEMENT BY THE CHAIRMAN

MR R. S. W. CLARKE

The Annual Meeting of The Imperial Tobacco Company (of Great Britain and Ireland), Limited, was held in Bristol on March 20th. The following are extracts from the Chairman's Statement to Stockholders.

TRADING RESULTS

The Parent Company's Trading Profit at £18,554,107 was £1,154,037 higher than in the previous year or almost exactly back to the level of 1959. The principal reason for the recovery in profit is that in June last we increased the prices of our tobaccos and some of our cigarettes in the United Kingdom, and in July made similar increases in our prices in the Republic of Ireland. There had been no increase in our cigarette prices in the United Kingdom, other than those necessitated by increases in the Tobacco Duty, since September, 1957. Our leaf costs have increased each year, and there have been increases in wages and salaries and in selling expenses. We have been able to offset some part of these increased costs by greater efficiency, but by the middle of last year it was clear that some increase in selling prices was inevitable, and we increased the prices of our more expensive cigarettes by ½d. for 10. We left unchanged the prices of our cheaper brands, including the very popular Wills Woodbines and Player's Weights.

This small increase in prices had virtually no effect on the sales of cigarettes, but at the end of July the Chancellor of the Exchequer imposed a 10 per cent surcharge on all the main Customs & Excise revenue duties, and this made it necessary to increase the prices of cigarettes of the Player's Medium Navy Cut class by 2d. for 10, and of the Wills Woodbine class by 1½d. for 10. This sharp rise in prices had an immediate effect on consumption, and, although it has since recovered to some extent, there is no doubt that it is still well below what it would have been if the Duty surcharge had not been imposed.

MANUFACTURE, BRANDS AND PACKINGS

We continued during the year the programme of re-equipping our factories with Molins Mark VIII Cigarette Making Machines, and by October 31st last the whole output of Player's Medium Navy Cut and Wills Capstan cigarettes was manufactured on these new machines. Improvements in machinery and manufacturing techniques are constantly being introduced in our factories to ensure that the quality of our brands is the best than can be achieved.

In September last our John Player & Sons Branch introduced a new cigarette—Gold Leaf Virginia Tipped. This brand immediately achieved a remarkable success and it continues to sell extremely well. Of the five leading brands of tipped cigarettes this Company now has three —Player's Gold Leaf and Bachelor and Wills Bristol.

During the past year W. D. & H. O. Wills revised the design of the other packs of their Capstan cigarettes to match the 20s. hinged lid carton which they introduced in 1960. They also completed a series of improvements to the design of the Woodbine carton.

More recently, John Player & Sons have adopted for the 5s, 10s and 20s hull and slide packs of their Medium Navy Cut cigarettes the design of the 20s flip-top cartons introduced to mark the Diamond Jubilee of the brand in May, 1960.

These famous brands—Player's Medium Navy Cut, Wills Woodbine and Wills Capstan—owe their great popularity to the outstanding quality of the cigarettes themselves. In their newly re-designed packs they will continue to maintain the reputation for quality on which their success has been founded.

GIFT TO EMPLOYEES

For many years past, it has been our practice to make an annual Gift to our employees over and above their normal salaries and wages in recognition of continuing loyal and willing service. This year the Gift will be 11½ per cent of earnings in the year ended October 31, 1961. Throughout the Company employees at all levels are fully aware of the necessity for maintaining our products at the highest level of quality and of giving our customers the best possible service. Their co-operation in achieving these aims has been an essential factor in helping us to meet the competitive conditions which prevail in our industry.

SMOKING AND HEALTH

Much publicity has been given to the recent report of a Committee of the Royal College of Physicians concerning the effects of smoking on health. There has been a great deal of public comment, some of it well-informed, much of it singularly ill-informed. I propose to confine myself to two points.

First, I endorse entirely the statement issued to the press by the Tobacco Manufacturers' Standing Committee and the Tobacco Advisory Committee. The statement by TMSC seeks to present a fair appraisal of the scientific aspects of an extremely complex issue. The statement by the Tobacco Advisory Committee comments on the commercial aspects of the principal recommendations contained in the report.

Secondly, it has been said or implied in a number of quarters that the position taken up by the manufacturers is heavily biassed by the fact that our commercial interests are involved. I want to say quite categorically that any such imputation is completely unjustified and unfair. It is of course self-evident that the industry's commercial interests are involved ; but the tobacco manufacturers also fully recognise their responsibility to the public. Indeed it is for both these reasons that the industry has for years past devoted so much effort and money to research and has kept in close touch with all the research that is being undertaken in this field in many countries of the world. It is out of the knowledge acquired in this way that the industry has expressed, and continues to express, its genuinely held belief that in these grave problems of public health there are many questions yet to be answered; that a general condemnation of cigarette smoking is neither justified nor constructive : and that the real need is for a great intensification of the research effort. In that effort the industry will play its full part.

MONOPOLIES COMMISSION

The Report of the Monopolies Commission on the supply of Cigarettes and Tobacco was published last year. The general conclusion of the Commission was that this Company's dominant position in the industry does not operate, and may not be expected to operate, against the public interest. Moreover, the Commission commented upon the responsible attitude which the Company had taken in its relations with the Government, and upon the value of its research and its efforts to develop new sources of leaf within the Commonwealth. Stockholders will share the satisfaction of the Board that after the most exhaustive examination of the Company's activities over a long period the Commission's general conclusions were so favourable.

THE TOBACCO DUTY

Tobacco is the most heavily taxed commodity in this country, and it is taxed more heavily in this country than in any other. Even before the imposition of the 10 per cent Duty Surcharge, tax accounted for 72½ per cent of the retail prices of our leading brands of cigarettes; the proportion now is about 74 per cent. The extent of the tax-discrimination against the smoker can be seen in the fact that in 1960 14s. 6d. of every £1 spent on tobacco goods went to the Exchequer whereas for all other consumer goods and services the average was about 2s. 3d. in the £1.

The Surcharge has made the distribution of the tax burden even more inequitable. It raised the price of 20 cigarettes previously selling at 4s. 2d. by 4d.—an increase of 8 per cent. Some of the other goods covered by the Surcharge were much less affected ; the Purchase Tax on a 12 guinea suit rose by 1s., increasing the price by ½ per cent. and the increased tax on a £60 refrigerator represented a 1½ per cent increase in price. A very wide range of goods and services escaped the Surcharge altogether. As far as tobacco is concerned, the Surcharge represents an additional imposition on a basic rate of Duty which is already far too high. Nor can I believe that it is in the long-term interest of the revenue that the Tobacco Duty should be maintained at its present excessive level.

PROSPECTS FOR THE CURRENT YEAR

In the present situation, when we do not know what the Chancellor of the Exchequer's intentions may be with regard to the Duty Surcharge, it is particularly difficult to forecast how consumption will move in the next few months—and even more difficult to forecast what our sales for the whole year may be. Leaf costs will be higher this year than last, and there will be increases in some other costs, but we shall have the benefit for the full year of the improvement in our profit margins due to the small price increases in June last. At this stage, in spite of all the uncertainties, I am hopeful that we shall be able to maintain the rate of Ordinary Dividend after making adequate transfers to Reserves.

THE STERLING TRUST

The forty-fifth annual general meeting of The Sterling Trust, Limited, was held on March 13th in London, **Mr M. F. Berry** (the chairman) presiding.

The following is an extract from his circulated statement:

At the beginning of the year our issued debenture capital consisted of £1,443,760 3½ per cent Debenture Stock redeemable 1963/73 and £700,000 4 per cent Debenture Stock redeemable 1953/63. The feeling of your Board is that investment trust company ordinary stockholders attach considerable value to the gearing which arises from the prior charges in the capital structure of their companies. We accordingly decided to issue in June, 1961, £1,300,000 6½ per cent Debenture Stock 1976/86 at 97½ per cent.

The impact of the heavy interest charge as far as 1961 is concerned has to some extent been cushioned by the high rates obtainable for money on deposit.

It will be noted that of the money raised by the issue, some £500,000 is still in this form. The balance of approximately £800,000 has been invested, mostly in the U.S.A. and has increased the book value of our holdings to £7,940,794. This compares with a valuation of just over £15 million, reflecting an appreciation of 89½ per cent compared with 78 per cent for the previous year. The asset value of the ordinary stock is now 67s. 7d. per £1 unit against 58s. a year earlier.

The gross income for the year ended December 31, 1961, again shows a substantial increase, having risen from £621,091 to £692,248.

The report was adopted and a total distribution of 10 per cent approved.

RIO FLOUR (HOLDINGS) LIMITED

In his statement circulated before the first Annual General Meeting of Rio Flour (Holdings) Limited held at 20/24, Moorgate, on March 15th, the Chairman, **Mr. J. H. Hansard,** reported that the reorganisation of The Rio de Janeiro Flour Mills & Granaries Limited Group which had been taking place had reached the position that Rio Flour (Holdings) Limited owned the shares in The Rio de Janeiro Flour Mills & Granaries Limited which company would, if its application to the Brazilian authorities were successful, become a Brazilian company.

In the current year, assuming that the former Rio Flour Mills Company became, by the granting of the necessary Brazilian Government decree, a Brazilian entity, the position would be reached where all operating subsidiary companies were Brazilian registered and the next phase would involve the setting up of a single operating company in Brazil to be named Companhia Aymoré de Industrias Gerais (C.A.I.G.) which was intended to own, through shareholdings, all the existing Brazilian subsidiary companies and to provide a single operating and marketing organisation for all products of the Group under the AYMORE trade mark. When this had been done it would be possible to make shares in C.A.I.G. available to investors within Brazil, which seemed most desirable to the Board, and to take advantage through such facilities as might exist locally for the raising of additional funds for the future capital expenditure programme of the Group in Brazil.

The report was adopted.

DONALD MACPHERSON & CO., LIMITED

INCREASED TURNOVER AND PROFIT DESPITE CREDIT RESTRICTIONS

STRONG FINANCIAL POSITION

MR R. P. CHESTER ON THE OUTLOOK

The sixty-seventh annual general meeting of Donald Macpherson & Co. Limited, was held on March 22nd at Winchester House, Old Broad Street, London, E.C.

The following is the Statement by the Chairman and Managing Director, **Mr R. P. Chester, CBE, JP,** circulated with the report and accounts:

I have pleasure in presenting the Report of the Directors and the Accounts for the year ended October 31, 1961.

GENERAL

In each of my statements for the last three years I have felt it necessary to refer to the effect of measures taken by the Government either to reduce consumption or to increase demand in the country as a whole. This year is no exception. There were signs in January, 1961, of an easing of the credit restrictions then operating, but in July the Government found it necessary to introduce much more severe measures to reduce the level of demand at home. I am, therefore, pleased to be able to report on the satisfactory year's trading, a year in which both our Turnover and our Profits have increased.

Since 1954 we have acquired a number of Subsidiary Companies and in this last year we have been paying particular attention to the integration of these Companies to ensure that we make the maximum use of their resources.

The field of research is one in which concentration of effort pays substantial dividends. I referred last year to the new Industrial Development Laboratory at Bury. This year we have added a further department to this Laboratory and we have concentrated the efforts of our Cellulose and Woodfinishing Chemists at Barking. The results of each of these Laboratories are available to all members of the Group.

Another and more difficult field of integration is in the Selling force of the Group and considerable progress has been made in this direction.

CAPITAL COMMITMENTS

In this highly competitive trade not only must one pay continual attention to the needs of the customer but one must also have the best facilities for producing the material in the best possible manner. To this end our capital expenditure proposals in the current year are heavier than they have been for some time past and you will see from the Consolidated Balance Sheet that the capital commitments amount to £180,594. Part of this expenditure will be made on a new factory for our Subsidiary, R. Cruickshank (Cellulose) Ltd., which is in course of erection at the moment and it is hoped that it will be in production before the end of the current financial year. The remainder of the expenditure will take place at various other factories in the Group to ensure that our facilities remain equal to those of the leaders in the Industry.

You will recall that in July, 1960, we acquired the whole of the Issued Share Capital of L. G. Wilkinson Ltd. and its two smaller associated companies. During this year these three companies have been re-formed into a sub-group of L. G. Wilkinson Ltd. and this change is reflected under the heading of Subsidiary Companies in our Balance Sheet.

ACCOUNTS

The Net Profit of the Group before Taxation amounts to £494,802, an increase of £59,623 compared with last year. This increase can be attributed both to expanding Turnover and also to the inclusion this year of a full year's trading by the L. G. Wilkinson Ltd. Group.

The rate of Company Income Tax has remained the same for a few years now but there have been a number of increases in Profits Tax in recent years and it will be seen that Profits Tax this year has increased by £16,845 to £62,918. The total requirements for Taxation amounts to £230,083, after crediting £13,657 over-provided last year. We are thus left with a Net Profit after Tax of £264,719, an increase of £21,111. The balance brought forward from last year is £34,267, thus making available for appropriation £298,986.

APPROPRIATIONS

Your Directors again recommend the appropriation of £100,000 to General Reserve, £5,000 to the Pension Fund and £20,000 for Additional Depreciation of Plant and Machinery.

In March, 1961, a Bonus Issue of one new share for every one held was made, and it is recommended by your Directors that the costs of this operation, £6,695, be written off.

With the increase in Profit of the Group your Directors would normally have felt justified in recommending an increased Dividend, but in view of the Chancellor's appeal for restraint in this and other matters, they feel that it is right not to increase the Dividend. They, therefore, recommend that the Final Dividend be maintained at 10 per cent, equivalent to the 20 per cent last year on the Capital before the Bonus Issue.

FINANCIAL POSITION

Turning to the Consolidated Balance Sheet you will see that the Current Assets standing at £2,292,887 exceed Current Liabilities by £1,372,649. This is an improvement of £125,940 over the Net Current Assets last year and indicates a strong position.

The Consolidated Balance Sheet also shows the effect of the capitalisation of the Share Premium Account and part of the Revenue Reserves which took place in March last year. After this capitalisation and including the £100,000 recommended to be appropriated this year the General Reserve now stands at £541,840.

Fixed Assets stand at £756,664 after normal Depreciation and the £20,000 Additional Depreciation have been deducted.

PROSPECTS

Again I have to refer to the economic situation of the country; even the experts seem to be divided in their assessment of the next few months. I will, therefore, only say that I believe that the efforts which we have made in the past years will stand us in good stead in the future and enable us to maintain and improve our position in the Industry.

STAFF

Once again I am pleased to record our grateful thanks to all the people employed in the Group. They have played no small part in achieving the successful results which I am reporting to you today.

INTERUNIE

N.V. INTERNATIONALE BELEGGINGS UNIE

Summary of the Report for 1961 by the Managing Directors

PROGRESS RECORD

Year to 31st Dec.	Issued Capital Fls. '000	Reserves (a) Fls. '000	Net Assets Fls. '000	Asset Value per Share (d) Fls.	Adjusted Dividend Fls.
1957	26,753	23,284	64,662	120.00 (b)	7.14 (b)
1960	55,500	91,062	229,513	206.65 (b)	8.57 (b)
1961	**67,500**	**124,225**	**292,641**	**228.00**	**9.50 (c)**

(a) *Includes share premium account.* (b) *Adjusted to take account of Stock Dividends.*
(c) *Plus 5% Stock Dividend proposed.* (d) *Including costs.*

10% RISE IN SHARE VALUE

The increase in asset value per share during 1961 was over 10%. The continued growth of its issued capital proves the high regard in which 'Interunie' is held by investors both at home and abroad. 1961 was a good year for the economic integration of Europe. The British application for E.E.C. membership has opened the prospect of 1962 putting an end to the split of free Europe, and expectations of a further economic expansion of the E.E.C. are surely not unjustified.

GEOGRAPHICAL SPREAD

	31.12.1961	31.12.1960
NETHERLANDS		
International stocks	21.2%	28.4%
Local stocks	22.1%	22.9%
	43.3%	51.3%
U.S.A.	32.9%	27.7%
CANADA	3.9%	4.3%
GERMANY	3.7%	2.5%
UNITED KINGDOM	3.7%	2.9%
FRANCE	2.4%	—
BELGIUM	9.7%	—
ITALY	0.2%	—
SWEDEN	0.2%	0.1%
NET CASH	9.0%	11.2%
	100.0%	100.0%

DIVIDEND RAISED

Income from investments amounted to Fls. 14,035,594.12 (1960—Fls. 9,437,462.47). The total operating expenses amounted to Fls. 549,895.79 or 0.19% of net assets as at 31st December, 1961 (0.23% last year). We propose a dividend of Fls. 9.50 per share together with a Stock Dividend of 5% free of Netherlands Income Tax. The unappropriated amount carried forward would then stand at Fls. 3,158,020.13.

For full information and copies of the Annual Report please write to:

N.V. INTERNATIONALE BELEGGINGS UNIE 'INTERUNIE'
P.O. BOX 617, THE HAGUE, HOLLAND
or to
Philip Hill, Higginson, Erlangers Ltd., 34 Moorgate, London, E.C.2.

SCAFFOLDING GREAT BRITAIN (HOLDINGS) LIMITED

TURNOVER AND PROFITS SUBSTANTIALLY INCREASED

MR E. C. BECK VIEWS THE FUTURE WITH CONFIDENCE

The annual general meeting of Scaffolding Great Britain (Holdings) Limited will be held on April 16th at the Head Office, Mitcham, Surrey.

The following is the statement by the Chairman, **Mr E. C. Beck, MA,** which has been circulated with the report and accounts:

Trading Results.—The Results for the year ended September 30, 1961, again show an increase in both turnover and profits.

It will be seen from the Consolidated Profit and Loss Account that the profit before taxation has increased from £770,944 to £1,056,573.

This satisfactory result is accounted for by maintaining a reasonable profit margin on a considerably increased turnover.

Management and Staff. This year, I should like, in the early part of my Statement, to commend all our employees for the success of their efforts, as it is largely due to them that the Company continues to prosper.

Our thanks are especially due to our Managing Director, Mr Clifford-Jones, who by his leadership and enthusiasm continues to give inspiration to all those working with him in the Group.

Investment Allowance. You will see from the Accounts that, during this year, agreement has been reached with the Inland Revenue on Investment Allowances, which as I mentioned in my report last year were then under negotiation.

Taxation adjustments in respect of previous years going back as far as 1954 amount to £237,935 largely made up of Investment Allowances.

Current Assets. In the Consolidated Balance Sheet it will be seen that Materials and Equipment have increased by £547,000, without any appreciable increase in Current Liabilities.

These Materials and Equipment have been valued conservatively as in previous years, but it has, of course, been necessary to increase Stocks in order to obtain the increased turnover.

So long as the Building Industry continues to maintain its high level of activity, I am confident that these Stocks will be fully employed, but this is a matter, of course, which your Board will keep continually under review.

Share Capital and Reserves. The Directors have decided to put £625,000 to General Reserve, making the Total Reserves of the Group, including Carry Forward, £1,632,730.

From these Reserves the Directors are proposing a Bonus Issue of one share for every five now held, which will absorb £296,476, leaving £1,336,254 in the Reserves, while the increased issued capital will be £1,778,856.

Your Directors are also recommending that each £1 share be split into two shares of 10s. each.

Dividend. You will also see from the Directors' Report that it is proposed to recommend a Final Dividend of 12½ per cent, less tax, making 20 per cent for the year.

Your Directors considered increasing the dividend, but in view of the Chancellor's wish that restraint should be shown by public companies for the time being, they decided to recommend the same dividend as for the previous year.

Shareholding Scheme. Your Directors have under consideration a scheme for providing loans to assist executive directors and senior executives to acquire shares in the Company. If such a scheme proves feasible, it will of course, be submitted to Shareholders for their approval at a General Meeting.

Operating Companies. Scaffolding (Great Britain) Limited, the main operating company in this country, has had a most successful year.

G. C. Cook Limited, acquired in 1959, has shown an attractive return on the capital invested, and our companies in Eire and South Africa have both shown good results again, particularly pleasing in the case of South Africa in view of the economic and political difficulties which exist in that country.

During the year, Mr J. A. Bowker and Mr C. H. Vaughan were appointed Directors of Scaffolding (Great Britain) Limited. Both have given many years of valuable service to the Company, and I am sure that with their further responsibilities they will continue to increase the prosperity of this Company.

Capital Commitments. From the Notes on the Accounts it can be seen that there is an increase of approximately £172,000 in Capital Commitments this year.

This is due to further necessary Building work at our Head Office and Depots, and the order for a 1301 Computer, delivery of which is expected within the next 12 months.

This computer will be a welcome addition to our accounting facilities in many spheres of our activities.

Prospects. We have, during the year under review, opened a number of new depots and provided additional facilities at others, which puts us in an even stronger position to cater for all the requirements of the Building Industry.

From the Preliminary Statement given to the Stock Exchange you may have seen that it is hoped to be able to maintain the 20 per cent Dividend on the increased capital for the current year.

For the first five months of the current year, results compare satisfactorily with those of 1961.

In the foreseeable future, it does not appear that there will be any serious lessening of the amount of work carried out in the Building Industry, and I am therefore hopeful that we shall continue to maintain, and, if possible, increase our turnover and, providing profit margins can be maintained, I have every hope for the future.

Copy for the insertion of Company Meeting reports must reach this office not later than Wednesday of each week and should be addressed to:

The Company Meetings Department,
The Economist,
22, Ryder Street, S.W.1.

Management Consultants Association

CONTRIBUTION TO HIGHER PRODUCTIVITY

The Annual General Meeting of the Management Consultants Association was held on March 21st at the Savoy Hotel, London, W.C.2. **Mr. Ernest E. Butten,** the Chairman, presided. The following are extracts from his statement:—

Need for Growth: The 1960 Economic Survey of the United Nations shows the UK's annual rate of growth, in terms of real domestic product, over the ten years from 1950 to 1959 at only 2.5 per cent. She comes last of the 16 countries listed. The average growth over this period was 4.4 per cent and the individual maximum was 9.1% or nearly four times that of the UK.

This is an intolerable state of affairs—and an unnecessary one. We have within this country technical brains, managerial experience, and skilled craftsmen that are second to none. We have the power to double our rate of growth—and I believe that 4 per cent or 5 per cent, not our Chancellor's 2½ per cent, is the target at which we should aim.

Members of MCA know from experience what can be achieved in terms of increased output by the application of modern management methods—and they know it is measured in terms of 10% or 20%, not in terms of 1% or 2%.

To achieve this goal, however, three things are needed:—

First, a proper Government plan for efficiency and growth.

Next, a genuine determination by management to set its house in order.

Then, a readiness on the part of organised labour to eliminate all forms of restrictive practice—given reasonable safeguards.

The establishment of the National Economic Development Council, the co-operation of the TUC, and the potential stimulus of the British Productivity Council's excellent project of a National Productivity Year all show an awareness of the need. We urge that positive action should follow in the coming months.

The Export Position: In the last few years the sale of British management consulting services in countries overseas has increased considerably. In 1961 out of a revenue of £6,889,000, some £1,492,000 or over 20 per cent of the total, was earned by MCA members outside the UK.

While this sum may seem small in comparison with some export figures, it is a very real sign of enterprise and has a substantial indirect value to Britain's export effort. For the presence of British management consultants in foreign countries has helped to make their nationals aware of British services and equipment, and has frequently led to export orders for UK firms which would not otherwise have been secured.

Management Training: Management training lies at the root of many of our country's industrial problems. The old idea of training by experience is not remotely adequate to the needs and conditions of today. Although many firms, principally, of course, the largest, are alive to the existence of new management techniques and the need for specialist training at all levels, there is still a deplorable number which feel that what was good enough for their grandfathers is good enough for them too. This can be disastrous in modern competitive conditions.

What we need is a radical new approach both to initial training for new managers, and to "refresher" training for existing managements.

Though management consultants lead the field in management training today, this is still not enough to meet the country's real need.

However, the sort of training that is provided by MCA member firms might stand as the model for a positive national policy, because of the emphasis it places on having lecturers and instructors who are all men with practical, up-to-date, industrial and commercial experience.

The Role of Management Consultants: The member firms of Management Consultants Association have now served some 8,500 clients of whom about 7,000 are in the UK and 1,500 overseas. Whilst the majority of these clients are still in the industrial field, an ever increasing number comes from Commerce, Distribution, and the various municipal and national undertakings—as well as from professional firms such as Architects, Lawyers, and Stockbrokers.

As the demand for Management Consultants has increased, so the range of their services has broadened to keep pace. In Marketing, Production, Administration, Finance, or Personnel, there is an ever-growing body of management knowledge and practice to be mastered if the consultant is to provide his client with the first-class and up-to-date service he is entitled to expect.

The Association was formed in 1956 and now comprises eight of the principal firms of Management Consultants in the United Kingdom. Today members of the Management Consultants Association undertake approximately 85 per cent of all management consultant work now carried out in the country.

The total consultant strength of these firms, in the UK and overseas, is now over 1,400, an increase of 15% in the past year. Over 80% of their staff have university or the equivalent degrees. They all have at least five years' experience in industry or commerce before joining our various firms. Once joined they have rigorous training in up-to-date management practice—and this training continues throughout their consultant career. Each year they gain experience and see management problems over a wide range of concerns.

This background and experience are of incalculable value, and though the range of work consultants do today is wide, there are still many ways in which this country could—and I believe should—make more use of the management consultant's services. On industrial and commercial problems the management consultant has certain unique assets. He has worked with countless managements and unions—and knows their problems in detail. But how often do you find a management consultant on any major Government or trade committee, or any special negotiating body in the industrial field?

We have in the Members of the MCA a national asset of high value which could profitably be used to a far greater extent by the Government and by trade associations.

Finally, I would stress the relationship between the work carried out by management consultants and the country's general economic position. Consultants play a vital role in the national drive for higher productivity and greater industrial efficiency, and for this reason, I firmly believe that a more universal application of their work would help us to achieve a proper rate of economic expansion, accompanied by a significant reduction in costs.

INTERNATIONAL COMBUSTION (HOLDINGS) LIMITED

Annual Report and Accounts of the I.C.L. Group for 1960/1961

PRINCIPAL FEATURES

1959-60		1960-61
£		£
971,277	Net Profit for year after Taxation *(a)*	789,398
136,621	Adjustment of Provision for Taxation	247,559
1,027,898		1,036,957
5,512	Preference Dividend	5,512
528,783	Ordinary Dividend (30 per cent)	658,927
193,603	Net Profit retained in the Group for Development, Research and Contingencies	372,518
1,027,898		1,036,957
8,142,000	Net Current Assets before providing for advance taxation	$ 271,000
1,930,000	Fixed Assets (less depreciation)	3,430,000
564,000	Investments (less provision)	782,000
8,656,000		12,483,000

(a) Including the profit of The Superheater Co. Ltd. and its subsidiaries for three months.

EXTRACTS FROM THE REVIEW OF THE CHAIRMAN, SIR JAMES REID YOUNG

One of the most important actions taken by your Board during the year was the offer made to acquire the whole of the share capital of The Superheater Company Limited, and it is now a wholly owned subsidiary of your company.

The profit for the year before taxation was £1,741,651 which includes profit from Superheater for a three months period. After allowing for taxation the net consolidated group profit is £789,398, to which has to be added £247,559, provided for taxation in previous years and not now required.

A proportion of the Reserve for Research and Development has been utilised during the year, and an amount of £358,000 has been added.

Your Board is pleased to recommend payment of a final dividend of 20 per cent. This will absorb a sum of £439,285 and leave £14,518 to be added to the amount brought forward of £543,464.

The value of contracts received during the year was an all time record and brought the value of unexecuted work at the year end to a figure slightly in excess of £55 million.

I said last year that the distant prospect was brighter and this I can reaffirm but, looking at the immediate future, I must advise that we do not at present anticipate increased Group earnings in the next year or two. We will, however, have the benefit of the full earnings of The Superheater Company Limited.

This announcement appears as a matter of record only.

NEW ISSUE

$5,000,000

Jutland Telephone Company Ltd.

6¼% Dollar Notes due March 15, 1974

The private sale of these Notes to institutional investors in the United States was arranged through the undersigned.

Kuhn, Loeb & Co. Incorporated — **Harriman Ripley & Co.** Incorporated — **Lazard Frères & Co.** — **R. Heaniques Jr.**

New York, N. Y., March 20, 1962

LINDUSTRIES LIMITED

SIGNS OF IMPROVEMENT

The sixty-fifth annual general meeting of Lindustries Limited was held on March 22nd in Glasgow, **Mr William E. Luke** (the chairman) presiding.

The following is an extract from his circulated statement:

The results of the financial year which ended on September 30, 1961, have been a great disappointment.

The consolidated trading profit is down by £444,798 or 42 per cent, and represents a decline in profit in every major section of the Group. Approximately 75 per cent of the Group's funds is invested in the United Kingdom, about equally divided between our Textile and Engineering interests. Of the overseas investments rather more than half is invested in Textile interests and the balance is in the Canadian subsidiary.

In all Divisions our sales and profits were seriously affected by the credit squeeze. When people curtail their purchases of motor-cars, carpets, shoes, luggage, furnishings, clothing and many other commodities, most of our subsidiaries are affected directly or indirectly. We cannot expect to move against general trends.

TEXTILE DIVISION

As expected, activity in our yarn mills in Northern Ireland has been at a low level. Profits from the manufacture and sale of threads were fairly well maintained, but losses in the yarn mills were aggravated by reduced orders for thread-making, due to the continuing switch from natural to man-made fibres.

Our difficulties are formidable, but I am quite sure that within a year of two we shall obtain a much better return on the capital employed in this Division. Almost inevitably this will have to be accomplished by a phased programme of contraction rather than expansion.

In the face of stern competition from other British and European manufacturers of fish nets and netting twines and constantly growing competition from Japan, our management has done well to maintain sales, but it is becoming increasingly difficult to obtain remunerative prices.

An unexpected setback occurred in our Narrow Fabrics section where profits were substantially lower, mainly because our management maintained its skilled labour force in order that customers could be assured of supplies of zip-fastener tapes on an upswing in demand which has not so far occurred.

ENGINEERING DIVISION

During the period under review Elliot Equipment Ltd., was transferred to the Engineering Division and its heavy development expenses (which must continue for some months) were charged to revenue.

The results of Delaney Gallay Ltd. inevitably suffered from the recession in the motor trade and a decline in activity within the aircraft industry. Profits have been squeezed by higher costs on the one hand and lower prices on the other and have also been affected by the expense

associated with the establishment of a new factory at Barking, at which motor car heaters are now being manufactured for the Ford Motor Company Ltd.

Fractional H.P. Motors Ltd., showed an increased profit and Central Engineering Works (Hastings) Ltd. substantially maintained its profits.

In making reference to the Group's Overseas activities the Chairman indicated that trading conditions in Canada and Australia had been difficult; and that the Company had decided to close down the French factory.

Referring to the acquisition of Heating Elements Ltd., Joseph Rhodes & Sons Ltd., and a 60 per cent interest in Waddington & Duval (Holdings) Ltd., the chairman said:

The policy of diversification is not an easy one and we in Lindustries Limited have had our share of difficulties and disappointments. The Group is not yet making enough profit overall but your Board is quite sure that this will develop satisfactorily.

The new financial year opened with conditions no better than during the later months of the last financial year, but there are now signs of improvement.

Our recently acquired companies will benefit from the considerable expansion programme undertaken and completed since we purchased them and we shall have the profit from Joseph Rhodes and Sons Ltd., so I think we should do better this year and, given a fair wind, a good deal better on the middle and long term.

If Great Britain enters the European Community we should benefit from the general expansion that should take place in the European economy, and in most fields of our endeavour, but not all, we are equipped to compete on equal terms with European manufacturers.

Our ability to improve our position in European markets would seem to depend on the attitude of the Trade Unions. No industry can stand wage increases unless they are accompanied by an increase in productivity and, generally speaking, workers in this country receive, in the form of wages and other benefits, more than their counterparts in countries now associated with the European Community.

The report was adopted.

LINGGI PLANTATIONS, LIMITED

YEAR OF CONSIDERABLE ACHIEVEMENT

SIR JOHN HAY ON MALAYA'S NEED FOR DIVERSIFICATION

The Annual General Meeting of Linggi Plantations, Limited will be held in The Queen's Room, Baltic Exchange, London, E.C.3, on April 10, 1962. The Chairman, **Sir John Hay,** in his Statement to stockholders, writes:

Since our 1960 report there has been a change in the composition of the Board. Owing to continued ill-health Sir Charles Innes felt compelled to resign in September last. We much regret this resignation and the occasion for it. In the few years that Sir Charles had been associated with us he gave ample evidence of a robust sense and good judgment, and in the exercise of these qualities he made weighty and valuable contributions to the deliberations of the Board. To fill the vacancy we have elected Mr John Gullick, who knows Malaya well from residence there and has acquired a first hand knowledge of our properties on very recent visits.

ACCOUNTS

In my statement to you last year I indicated that the fall in the price of rubber must have a considerable adverse effect on prospects in the year under review. We have in fact done much better than I expected, and our profits as now disclosed approximate closely to those of the preceding year. To this satisfactory outcome we have been helped by a fortuitous increase in the item "Refund of Malayan Cesses" and the non-recurrence of some exceptional expenditure which fell against last year's revenue. But even so the results are in themselves a considerable achievement, reflecting credit both on production in terms of cost and on selling carried out with shrewd judgment. In deciding on the rate of dividend we have been mainly influenced by two considerations, that the increase in wages recently granted after prolonged negotiations must inevitably increase costs, and that the refund of cesses will fall below last year's accumulations. Also, of course, the consequent increase in the amount that can be placed to reserve, thus ensuring financially the continuance of our long-term improvement policy, is an important factor which we have not overlooked.

Our meeting is fixed for a rather later date than last year, and to avoid our dividend falling into another fiscal year and perhaps causing taxation difficulties for our stockholders, we are paying a dividend of 5d. per ordinary share in the form of an interim. The amount transferred to Reserve is £100,000.

ESTATE OPERATIONS

This statement is written on a journey back from the East. The impressions formed on my visit to the company's estates are therefore fresh in my mind. Production is mainly centred on our two older divisions, Siliau and what is now known as Kombok. Both these properties are well maintained and output is at the rate of over 1,000 lbs. per acre. Mantin has been completely replanted and the new trees are well established. In the course of a few years output at a high rate should be forthcoming. Sembrong estate which has served us so well in the post-war years now constitutes our biggest task in replacement and extension. Considerable progress has already been made and will be steadily carried on to completion and when that is achieved we shall own an estate of over 4,000 acres, all planted up with the most modern stock. It will be appreciated that some years must elapse before the benefit of these developments finds expression in enhanced outputs. Crop for the next few years will be stabilised at ten to eleven million lbs., but thereafter we expect continuing increases in output until all new plantings reach maturity.

OIL PALMS OF MALAYA

Our investment in Oil Palms of Malaya continues to prove increasingly valuable. Although, as will be noted from the summary of this company's accounts, the rate of dividend remains unaltered, we anticipate that the company will benefit from larger outputs in the following years.

MALAYA AND SMALLHOLDERS

The outstanding impression that I derive from my recent visit to Malaya, is the striking but welcome contrast between the stable and orderly government of the Federation and the conflicts and disorders that continue unhappily to afflict some of its neighbouring territories. The measures that are in force for improving and modernising the smallholders' rubber plots are well-conceived and should evoke the sympathy of all estate owners who are following the same course. Whether the outlook for natural rubber is such as to justify the planting up of additional areas is a matter of serious doubt and one which will presumably be re-examined before such developments are carried far. Malaya's heavy reliance on rubber is the weak plank in her economy. There is need for diversification. An enterprising and active agricultural department has an opportunity here of giving valuable guidance to the smallholder and contributing to the strengthening of Malaya's economy.

STAFF

Our Senior Manager, Mr R. A. White, retired at the end of our year after 36 years' service in Malaya, nearly the whole of which was spent with Linggi. We wish him well in his retirement and include him in our thanks to the staff and their workers who continue with us.

Den norske Creditbank

Established 1857

OSLO, NORWAY

STATEMENT OF CONDITION AT 31st DECEMBER, 1960 and 1961

LIABILITIES	1960 Kr.	1961 Kr.	ASSETS	1960 Kr.	1961 Kr.
Deposits	1,229,333,936	1,273,585,835	Cash	124,632,774	124,879,990
Norwegian Banks	128,786,605	158,665,313	Norwegian Banks	81,769,420	75,778,869
Banks Abroad ...	197,408,169	250,441,577	Banks Abroad ...	287,688,216	262,568,450
Sundry Liabilities	208,648,957	330,043,786	Securities	239,829,652	259,781,500
Share Capital and Reserves	89,367,334	94,836,892	Loans & Discounts	985,037,974	1,149,295,219
			Sundry Assets....	134,586,965	241,269,375
	1,853,545,001	2,113,573,403		1,853,545,001	2,113,573,403

L. RYAN HOLDINGS LIMITED

PROFIT AND DIVIDEND FORECAST EXCEEDED

The annual general meeting of L. Ryan Holdings Limited was held on March 16th in Cardiff, **Mr L. Ryan** (chairman and managing director) presiding.

The following is an extract from his circulated statement:

This is the first occasion on which I have had the pleasure of reporting to you since your Company's Ordinary Share Capital became quoted on the Cardiff Stock Exchange in August last year under the auspices of Gwent and West of England Enterprises Limited.

The Consolidated Trading Profit for the year ended November 30, 1961, was £303,034. This compares with £168,350 for the previous year. After dealing with the items enumerated in the Consolidated Profit & Loss Account, the Group Profit before taxation was £208,446 (1960 £103,414), which compares with the forecast of £175,000 made in August, 1961, when the Quotation was granted.

An Interim Dividend of 15 per cent less tax has been paid already, and your Directors propose recommending a Final Dividend of 25 per cent less tax. The Final Dividend compares with a forecast of 20 per cent less tax indicated at the time application was made for a Quotation in the Company's Ordinary Share Capital.

Commenting on the Balance Sheet, Mr Ryan said that the Total Assets of the Group were £879,515 at November last, which was an increase of almost £400,000 over the position at the end of 1960. He continued:

At November, 1960, the Group was operating only two complete Washing and Screening Plants, compared with four in production at November, 1961. As a result of the increased production from the additional Plants, the value of the average monthly output during the full year to November last was 75 per cent higher than that for the previous year, although the two additional Plants came into operation only towards the close of the Financial Year.

Your Directors are also well pleased with the continued development which has taken place on the Plant Hire side of the Group's business and which has been expanded aggressively.

THE FUTURE

On the coal side of the Group's business we plan to bring into production during 1962 three additional new Washing and Screening Plants. The first of these it is expected will be in production in March. Since the close of the year we have purchased an existing Plant already in production in one of our areas, and that together with the site and supporting equipment is already working for your Group.

Negotiations have been conducted with the Central Electricity Generating Board for some little while with a view to the Group entering into long-term contract for the supply of coal to a larger number of Power Stations in South Wales. Considerable demands are also being made upon us for our products by other large Industrial users both in the home and export markets.

All the while we shall be pushing ahead with the continued expansion of our Plant Hire.

Whilst it is too early in the new Financial Year for me to give any firm estimate of the Group Profit for the year to November, 1962, all the indications are from the vigorous progress being made right throughout the business, that the profit before Taxation will show a substantial increase over the position upon which it has been my pleasure to report for the year to November, 1961.

The report and accounts were adopted.

APPOINTMENTS

BRADFORD INSTITUTE OF TECHNOLOGY

DEPARTMENT OF INDUSTRIAL ADMINISTRATION

Applications are invited for the post of SENIOR LECTURER OR LECTURER IN THE HISTORY AND PHILOSOPHY OF SCIENCE.

Candidates should be well-qualified scientists who have made a specialist study in the History and Philosophy of Science and/or who have had experience in teaching in this field.

The person appointed will be required both to organise and to teach classes in the subject as part of the programme of General Studies for students in most departments of the Institute.

The grading of the appointment depends on the qualifications and previous experience of the candidate:

Salary scales:
Senior Lecturer, £1,800-£2,000 per annum.
Lecturer, £1,600-£1,850 per annum.

Previous industrial and research experience at a suitable level will be taken into account in fixing the commencing salary.

Further particulars and forms of application may be obtained from the Registrar, Bradford Institute of Technology, Bradford 7.

UNIVERSITY COLLEGE OF SWANSEA

CHAIR OF POLITICAL THEORY AND GOVERNMENT

Applications are invited for appointment to the Chair of Political Theory and Government which will become vacant on September 30 next.

Particulars may be obtained from the Registrar, University College, Singleton Park, Swansea, to whom applications must be sent by April 14, 1962.

MARKET RESEARCH ASSISTANT

required for Package Foods Division to work on both existing and new product development with responsibility later for commissioning research with outside agencies.

Applications from men or women, age 24-30, who should have at least two years' Market Research experience, are invited. Salary and substantial Profit Sharing Scheme give good remuneration. Other benefits include Pension and Life Assurance Schemes.

Applications to
Group Personnel Manager,
Brown & Polson Ltd.,
125, Strand, London, W.C.2.

ECONOMIST Required by Rhodesia National Farmers' Union, Salisbury. Must have good honours degree in economics and at least 2 years' experience. Aged 28/38. Minimum initial salary £2,500. Pension scheme. Passage of appointee paid with assistance for family.—Fuller details from S. J. Lee, c/o N.F.U., Agriculture House, Knightsbridge, S.W.1.

H.M. TREASURY (ECONOMIC SECTION)

Appointments as (a) ECONOMIC ADVISER and (b) ECONOMIC ASSISTANT (at least 2 posts at each level), for work in London on economic trends at home and overseas, are offered to men or women with 1st or 2nd class honours degrees in Economics or closely related subjects. Age on 1.4.62: (a) at least 30; (b) at least 23 and preferably under 30. Candidates for (a) should have experience in teaching economics, in research, or in an economic advisory capacity. Final year students may apply for (b). Salary scales: (a) £1,781-£2,483; (b) £934-£1,282; starting salary according to age and experience. Initial appointment for 5 years, or less by arrangement. F.S.S.U. Application forms, obtainable from Civil Service Commission, Burlington Gardens, London, W.1 (quote S860/62), should be returned by April 17, 1962, for Economic Adviser and May 18, 1962, for Economic Assistant.

NORTHAMPTON COUNTY BOROUGH EDUCATION COMMITTEE

NORTHAMPTON COLLEGE OF TECHNOLOGY

Applications are invited for the appointment of a full-time GRADE B ASSISTANT LECTURER to teach COMMERCE, ECONOMICS AND LAW to professional students; duties to commence September 1, 1962. Applicants should be Graduates or hold appropriate alternative qualifications.

Salary, Burnham Technical Scale—£770 to £1,350 per annum with appropriate additions for training, qualifications and experience.

Forms of application and further particulars may be obtained from the undersigned to whom applications should be returned within two weeks of the appearance of this advertisement.

H. A. SKERRETT,
Chief Education Officer.

Borough Education Office,
"Springfield," Cliftonville, Northampton.

THE ECONOMIST INTELLIGENCE UNIT LIMITED

is again expanding its RESEARCH DIVISIONS. Candidates for further posts should have at least an upper second class honours degree, preferably, but not necessarily, in Economics and/or statistics; they should also have had at least two years' experience of consumer market research, or of research into economic or marketing problems of industry, finance or commodities; a good working knowledge of at least one foreign language would be an advantage. Age preferably between 25 and 35. Salaries according to experience and qualifications.

Please send full particulars of qualifications, experience and present salary to "Research," The Economist Intelligence Unit Ltd., 5, Bury Street, S.W.1.

THE POLYTECHNIC

309 Regent Street, W.1.

SCHOOL OF COMMERCE AND SOCIAL STUDIES

Applications are invited for the following three full-time appointments to commence on 1st September next.

A SENIOR LECTURER to teach students preparing for B.Sc.(Econ.), special subject of Statistics, and Institute of Statisticians final examinations.

Candidates should possess an honours degree, with high qualifications in statistics. Research would be encouraged.

The salary scale commences at £1,800 and rises to £2,000 per annum, plus London Allowance of £45 or £60.

TWO GRADE B LECTURERS, one to teach Economics and one to teach Law, as main subject to students preparing for B.Sc.(Econ.), H.N.D. in Business Studies and commercial professional examinations.

Candidates should possess an appropriate honours degree or legal professional qualification and should state a subsidiary subject they could teach.

The Grade B salary scale for graduates commences at £870 and rises to £1,450 per annum, plus London Allowance of £45 or £60. Additional allowances are payable in respect of a good honours degree and approved training.

Application form, to be returned by April 9, may be obtained from the undersigned.

J. E. RICHARDSON,
Director of Education.

NATIONAL FARMERS' UNION have the following vacancies:

ECONOMISTS with good honours degree in Economics and possessing knowledge of agriculture and international trade problems.

ECONOMIST with qualifications stated above, and also fluent in modern languages including French and German.

Salaries according to age and experience.—Apply to General Secretary, N.F.U., Agriculture House, Knightsbridge, S.W.1.

EXPERIENCED ASSISTANT Required for the Investment Department of a leading firm of Manchester Stockbrokers. Responsibilities will include the analysis of clients' portfolios and the preparation of advice. The post offers scope and prospects in an expanding organisation.—Box 1605.

For further appointments and other classified advertisements see pages 1182 and 1183

A LEADING FIRM OF STOCKBROKERS have a vacancy in their Institutional/Research Department for an Assistant aged between 23/30 years.—Applicants should give age, details of previous experience and present salary, Box No. 1604.

UNIVERSITY OF KHARTOUM

Applications are invited for (a) a Senior Lectureship or Lectureship in Economics and (b) a Senior Lectureship or Lectureship in Social Anthropology.

Salary Scales:
Senior Lecturer — LS.2052-LS.2127 per annum.
Lecturer — LS.1077 x LS.75-LS.1977 per annum.

Entry point according to qualifications and experience. Cost of living allowance approximately LS.180 per annum. Output allowance LS.80. Family allowances: wife—LS.60 per annum, 1st child—LS.90 per annum, 2nd and 3rd child — LS.30 per annum each. Passages for appointee and family on appointment, termination and annual leave. Initial appointment 5 years, with possibility of renewal (second tour welcomed if possible). There is a superannuation scheme, and arrangements can be made to maintain F.S.S.U. policies. Unfurnished accommodation provided at rent (excluding rates) up to 7½% of salary.

Detailed applications including list of publications (10 copies) naming 4 referees by April 18, 1962, to Registrar, University of Khartoum, c/o Inter-University Council for Higher Education Overseas, 29, Woburn Square, London, W.C.1, from whom further particulars may be obtained.

CANADA

SOCIAL INSURANCE ECONOMIST

Up to $9,800 per annum

Unemployment Insurance Commission

OTTAWA, CANADA

A challenging position exists for an experienced Economist to carry out studies and advise on matters of policy affecting Unemployment Insurance Legislation in Canada.

For Information Circular 62-2002, with full details and application forms, write IMMEDIATELY to:

Dept. 2002
National Employment Service of Canada,
38 Grosvenor Street, London, W.1.

COMPANY AFFAIRS

Thursday's reduction in Bank Rate to 5 per cent brought the sharp decline in equity prices on the London Stock Market to a halt. But generally the rises that followed were small and did not wipe out earlier losses which, in the week to Wednesday, brought The Economist *indicator down sharply by 8.8 points to 347.9. An important influence in the market was apprehension about the effects of a capital gains tax which was not allayed by Lord Ritchie's speech on Tuesday. One of the few bright spots was the Kaffir market after the first relaxations in South African exchange controls were announced, but prices did not hold all their initial gains. After a quiet week, gilt-edged prices moved up a little after the Bank rate announcement.*

Philips NV Consolidates

A YEAR ago the directors of Philips NV predicted that sales in 1961 would reach Fl. 5,000 million and in view of the dramatic increases in both sales and profits in earlier years this estimate seemed conservative. But in fact this target was not hit last year: sales rose by only 4 per cent in value and by 8 per cent in volume, while trading profits fell by 15 per cent and net profits by 18 per cent. Two factors largely account for this setback, for which, admittedly, shareholders were well prepared by the flow of quarterly statements. First sales were hit by the revaluation of the guilder and secondly by the need to cut prices of some products, particularly of television sets and components. The decline in sales of television sets in Britain and Germany already evident in 1960 persisted throughout 1961. Costs, particularly of labour, continued to rise with the result that the gross profit margin fell from 18.1 to 14.8 per cent.

There are signs, however, that prospects for television sales are improving and the directors see no reason to alter their optimistic assumptions about the long-term prospects for the television market in Europe. The British market is saturated; but the rest of Europe is not and the directors estimate that demand in Europe is likely to rise from the current level of 6 million sets to about 9 million a year before many years are past. In domestic appliances, a relatively new market for Philips' sales are expected to more than double in the next decade; at present their contribution to profits is "not very impressive."

	1957	1958	1959	1960	1961
	— Guilders million —				
Sales	3,177	3,595	4,182	4,762	4,936
Increase on previous year (per cent)	18·0	13·0	16·0	14·0	4·0
Trading profit	442	557	740	862	731
Net profit	187	244	351	397	326
	%	%	%	%	%
Trading profit/sales	13·9	15·5	17·7	18·1	14·8
Net profit/sales	5·9	6·8	8·4	8·3	6·6
Trading profit/capital employed	13·3	14·5	17·0	17·4	12·8
Net profit/net worth	11·7	13·6	16·7	16·6	12·5

The directors emphasise the great strides that have been made in electronic equipment. Its contribution to profits is currently small but the group has concentrated a relatively large amount of its capital expenditure on telecommunications, electronic monitoring, measuring and control equipment. Expenditure on property plant and equipment amounted to Fl. 472 million last year, against Fl. 425 million, and is expected to rise further this year and again in 1963; after that the present level of new projects now being authorised suggests that expenditure is likely to show some fall from peak levels. Stocks too rose sharply in 1961 by Fl. 400 million to Fl. 1,880 million and at the end of December bank overdrafts of Fl. 612 million were higher than liquid assets of Fl. 544 million. It is not therefore surprising that the directors tell shareholders that "the financing of our operations will call for our special attention." This suggests that this year they will call on the shareholders for more funds either by a rights issue or, as in 1958, by a convertible debenture. These hybrids appear to attract investors in Holland as well as in this country, for only this week AKU has announced such an issue.

A convertible debenture may well prove to be the answer to Philips' problem, for if the directors' long-term forecasts are well-founded the current period of consolidation, in which sales are expected to rise but profits to show little change should be followed by a period of more rapid growth. The shares at £9[15/16] are well below their 1961 peak but still yield only 1.6 per cent on the dividend of 16 per cent paid on the capital as increased by the customary 5 per cent scrip issue.

Imperial Tobacco

IT is too early to judge the permanent effect of the report of the Royal College of Physicians on lung cancer upon tobacco consumption. On this subject, Mr Roger Clarke, the chairman of Imperial Tobacco, confines himself to general points, bluntly refuting as "completely unjustified and unfair" the imputation that the attitude of the tobacco manufacturers is heavily biased because of their commercial interest and making a plea for more research, in which he says the industry will play its full part.

Nor is it possible at this stage to anticipate what the Chancellor will do about the surcharge on tobacco duty, which has already checked the rise in consumption, or whether in view of the suggestions made in the lung cancer report, he might contemplate a more radical revision of taxes on tobacco. As Mr Clarke says, it is therefore difficult to forecast how consumption will move in the next few months or how much Imperial Tobacco will sell in the full financial year. Its sales in the first four months of the financial year were a little lower than they were a year ago. Costs, particularly of tobacco leaf, will be higher, but Imperial Tobacco will have a full year's benefit from the increase in selling prices last June. Despite the uncertainties Mr Clarke is hopeful that the directors will be able to maintain the ordinary dividend after making adequate transfers to reserves. Since the lung cancer report, tobacco shares have been weak and at 52s. 4½d. "Imps" now yield 8½ per cent on a 22½ per cent dividend, covered nearly 1¾ times.

Swan Hunter

THROUGHOUT the world shipbuilders are plagued by over-capacity, and British yards, confronted with the competition of lower cost producers overseas, have not gained many of the few new orders that have been placed. Depressed freight rates and passenger business show no sign of lifting; and for the first time since the war this country has no major passenger liner under construction. It is greatly to Swan Hunter's credit that its trading profits in 1961 were only £26,000 lower at £2,071,000; after a lower tax charge and bigger realised profits on investments net income actually rose by 12½ per cent from £1,419,000 to £1,598,000. Earnings have accordingly risen from 29 to 32 per cent and the total payment of 12 per cent (made up of a dividend of 10 per cent and a bonus of 2 per cent) has been left unchanged.

One reason for this relatively good showing must lie in the effectiveness of Swan Hunter's earlier development programme in adding to the efficiency of its shipbuilding yards and engineering works. Last April the chairman said that the order book was at least as good as any other in the country and clearly the most important question for the future is how quickly the orders are being worked off. On the preliminary results the £1 ordinary shares rose to 34s., 2s. above their low point for the year, to yield 7 per cent on the 12 per cent payment. Among shipbuilding equities there is only one stock yielding significantly less than this—John Brown, which earns a substantial income from its machine tool subsidiaries. Swan Hunter, shareholders will have noted, acquired a small civil engineering firm last December "to provide a measure of diversification"—a prudent move for any shipbuilder at this moment.

Lombard Banking

LOMBARD BANKING is predominantly a hire purchase finance house; the fall in its profits in 1961 should not therefore be too much of a surprise. The cut in the interim dividend last August was a warning. Gross profits are halved from £1,143,000 to £591,000; net profits, excluding tax write-backs, are down from £318,000 to £222,000 and the dividend is cut from 19 to 10 per cent. Two years ago this company's net profits were within striking distance of the £1 million mark and Mr E. G. Spater, the chairman of Lombard, was bolder than most spokesmen of HP finance houses when early in 1960 he said that the company was "stronger and better equipped than at any previous time." Profits were sharply down in 1960 but the unchanged dividend of 19 per cent was not, on a strict reckoning, fully covered; this year the smaller dividend is again short-earned.

The preliminary statement throws no light on the reason for the further setback. The cut in the interim was attributed to the uncertain conditions associated with the increase in Bank rate and the directive to financial institutions to reduce their lending. The full report will probably show that bad debts have also had a hand in cutting into profits. At 13s. 3d. the 5s. shares yield 3¾ per cent; investors are obviously still optimistic about the future.

Dutch Trusts

WARY of the low yields offered by most European stocks many British investors seeking a stake in the common market have sought a European unit trust. In particular the Dutch trusts **Robeco** and **Interunie** have attracted a good deal of interest; already 10 per cent of Robeco and 6 per cent of Interunie are held in this country. As forecast last September, the shares of Robeco are now to have an official London quotation not only in the full shares of Fl 50 each in bearer form but also in sub-shares of Fl 5 each, which are to be issued only in London. The sub-units are designed to overcome the British investor's dislike of heavily priced shares; the full shares will be dealt in around £25 and the sub-shares are expected to open around 25s. They will be registered in the name of the National Provincial Bank (Nominees) and dividends attributable to them will be paid without deduction of the Dutch withholding tax.

SPREAD OF INVESTMENTS

	ROBECO 1960 %	ROBECO 1961 %	INTERUNIE 1960 %	INTERUNIE 1961 %
Europe :—				
Dutch Internationals	24·3	19·4	28·4	21·2
Dutch local stocks	15·2	14·5	22·9	22·1
Germany	8·0	8·0	2·5	3·7
Great Britain	3·1	4·3	2·9	3·7
Belgium	0·9	1·6	...	0·7
France	0·3	1·1	...	2·4
Sweden	1·0	0·7	0·1	0·2
Switzerland	0·1	0·1	...	...
Italy	0·1	0·1	...	0·2
America :—				
United States	29·3	40·7	27·7	32·9
Canada	3·3	3·3	4·3	3·9
Australia	0·3	0·3	...	...
CASH	14·1	5·9	11·2	9·0
TOTAL	100·0	100·0	100·0	100·0

Both Robeco and Interunie are open-ended trusts. They are not bound, as unit trusts are under British law, to buy back their shares though they do so when selling is heavy. But market prices reflect underlying asset values. Interunie shares yield 4.1 per cent and Robeco 3.6 per cent, and these returns do not take account of stock dividends of 2½ per cent paid by Robeco and of 5 per cent paid by Interunie. The table shows that in 1961 both trusts were thinking along the same lines about investments; they reduced their holdings in Dutch internationals (such as Philips and Unilever) and added to their holdings of dollar stocks. Both also added to their holding of British securities and both found insurance shares particularly attractive.

APV

IN the last few years APV's growth has made a good impression, and an optimistic interim statement in September revealed still higher sales and profits. This specialist producer of plant and equipment in stainless steel, copper and nickel now reports an advance of 20 per cent in gross profits, from £750,000 to £900,000, in 1961.

The interim report warned shareholders not to expect any increase in the ordinary dividend for 1961 but in fact it is raised from 11¼ to 12½ per cent. The directors say that but for the Chancellor's request for restraint the higher profits would have justified a higher payment—they raise the earnings cover from just under three times to just under three and a-half times. Thus their decision to make a one-for five scrip issue has wider implications than a tidying up of the balance sheet.

The directors say that over the past few months there has been a drop in the value of orders received but there are indications that there will be an improvement over the rest of the year. In the long term the prospects look bright. About half of APV's products are exported and it has a foothold in the common market, not least through a manufacturing agreement with a Belgian company. At home APV enjoys the custom of the dairy and food processing industries and it is the leading manufacturer of brewing equipment, being one of the members of the original consortium formed to develop the technique of continuous brewing. Given the past record of rising returns on capital employed and the soundness of future prospects, it is hardly surprising that the 10s. shares at 35s. yield only 3½ per cent.

City Centre Properties

SHAREHOLDERS of City Centre Properties looking for some indication of the trend of future profits as its numerous property developments are completed will find little guidance in the statement of the chairman, Mr Jack Cotton. He has already forecast that dividends by 1964 should substantially exceed 40 per cent, compared with the current equivalent annual rate of 25½ per cent. This is the first report and accounts of the group since the merger with Mr Clore's City and Central Investments. The balance sheet reflects the impact of this and other mergers and of development projects. On June 24th last properties amounted to no less than £54 million; but this certainly underestimates their value, for £35 million is entered in the books at cost or at 1948 valuations. At the same date the ordinary capital amounted to £4¾ million, but as a result of the acquisition of Murrayfield Estate and a 50 per cent stake in Samuel Estates it now amounts to about £5¼ million. There has also been a substantial increase in loan capital since the end of the financial year, for £18.9 million resulting from the issue of convertible loan stock in July has been added to the £30¾ million already outstanding on June 24th when bank overdrafts amounted to £9¾ million.

Perhaps the most interesting part of the report is Mr Cotton's survey of City Centre's principal development projects in this country and overseas. The biggest of all these is the Pan-Am building in New York and already 80 per cent of this building, which will be completed by December, has been let. This is one of several joint investments in the United States made by City Centre with Mr Erwin Wolfson; Mr Cotton says that the group plans to add to these developments and that several of them will probably be financed completely in the United States.

At home Mr Cotton says that the group has undertaken only those developments which show an adequate return and that the demand for premises is still buoyant and that the rents are "adequate." He assures shareholders "that the cumulative results of our enterprise will become increasingly apparent." This assessment accords with that of the market, where the 5s. shares at 58s. yield 2¼ per cent on the current dividend and only 3¼ per cent on the minimum forecast payment of 40 per cent.

The Economist Indicator (1953=100)

1962	Indicator	Yield %	1962 High	1962 Low
Feb. 14	357·0	5·07		
,, 21	356·4	4·99		
,, 28	356·6	4·97		
Mar. 7	352·2	5·03	364·4 (Jan. 17)	347·9 (Mar. 21)
,, 14	356·7	4·97		
,, 21	347·9	5·08		

Financial Times Indices

1962	Index †	Ord. Yield	2½% Consol Yield	Bargains Marked
Mar. 15	298·8	5·19	6·17	12,814
,, 16	298·8	5·19	6·17	12,784
,, 19	297·3	5·21	6·18	17,098
,, 20	296·7	5·22	6·18	13,999
,, 21	293·6	5·28	6·18	12,888

High, 310·2 (Jan. 19, 1962). Low, 293·6 (Mar. 21, 1962).
† July 1, 1935 = 100.

STOCK PRICES

Prices, 1962 High	Prices, 1962 Low	BRITISH FUNDS AND GUARANTEED STOCKS	Price, March, 14, 1962	Price, Mar. 21, 1962	Net Red. Yield, March 21, 1962§	Gross Red. Yield, March 21, 1962
					£ s. d.	£ s. d.
93 32	90 11 32	Savings Bonds 3%.....1955-65	92 29 32	93 1/32	3 19 1	5 4 1
97 17 32	96 3/4	Exchequer 3%.....1962-63	97 13 32	97 15 32	3 12 11	5 1 10
100 7/16	100 3/32	Treasury 5½%.....1962	100 7/16	100 1/16	1 10 2	4 15 9
95	93 3/4	Exchequer 2½%.....1963-64	95	95	3 16 4	4 19 10
99 15 32	98 1/2	Conversion 4¾%.....1963	99 5 32	99 9 32	2 16 8	5 1 9
98 11 32	97 1/16	Conversion 4½%.....1964	98 3 32	98 9 32	3 2 10	5 4 1
99 7/8	98 1/32	Exchequer 5½%.....1966	99 21 32	99 1/8	3 7 9	5 10 7
83 3/4	82 3/8	Funding 3%.....1959-69	82 11 16	82 3/4	4 14 4	6 0 0
89 3 16	88 1/16	Funding 4½%.....1960-90	89 3 16	89 1/16	3 11 4	5 6 1
80 1/4	78 15 16	Savings Bonds 3½%.....1960-70	79 1/4	79 1/16	4 16 2	6 2 11
87 3/8	85	Savings Bonds 2½%.....1964-67	87 1/8	87 3/8	4 9 1	5 12 0
71 11 16	70 7/16	Savings Bonds 3%.....1965-75	71 3/16	71 1/16	4 16 3	6 5 11
85 1/8	83 5/16	Funding 3%.....1966-68	85	85 1/16	4 12 5	5 18 8
86 5/16	84 7/8	Conversion 3½%.....1969	85 1/2	85 5/16	4 12 4	6 2 4
95 1/8	92 1/4	Victory 4%.....1920-76	95 1/8	95 1/8	3 4 5	4 16 11‡
91 11 16	90 9/16	Conversion 5%.....1971	91 11 16	91 11 16	4 4 6	6 6 7
99 1/8	97 1/4	Conversion 6%.....1972	98	98	3 19 4	6 7 2
92 1 16	92 1/8	Conversion 5½%.....1974	92 1/2	92 1 16	4 1 5	6 5 7
71 3/8	69 3/8	Treasury 3½%.....1977-80	71 3/8	71 3/8	4 10 2	6 4 9
70 1/8	68 5/16	Treasury 3½%.....1979-81	70 1/8	70 1/8	4 10 7	6 4 11
91 13 16	90 3 16	Funding 5½%.....1982-84	91 3/4	91 3/4	3 19 8	6 5 9
56 1/8	54	Redemption 3%.....1986-96	56 1/2	56 1/2	4 5 0	5 19 10
85 1/8	82 3/8	Treasury 5%.....1986-89	83 11 16	83 3/4	4 0 8	6 4 4
61 5/16	56 5 16	Funding 3½%.....1999-2004	61 1/4	61 1/8	4 2 2	6 2 6
88 5/16	84 1/8	Treasury 5½%.....2008-12	88 1/16	88 3/16	3 18 3	6 5 9
63 1/8	58 1/4	Consols 4%.....after Feb. 1957	63 1/8	62 15 16	3 18 3	6 8 3
56 9/16	52 1/16	War Loan 3½%.....after 1952	56 1/8	56 1/8	3 16 11	6 6 7
55 1/4	52 5/16	Conv. 3½%.....after Apr. 1961	55 1/4	55 1/16	3 17 9	6 6 11
47 7/8	44 7/8	Treasury 3%.....after Apr. 1966	47 1/4	47 1/4	3 17 8	6 6 8
40 3/8	38 1/8	Consols 2½%	40 1/4	40 7/16	3 15 8	6 3 5
40 1/2	38 1/16	Treasury 2½%.....after Apr. 1975	40 1/8	40 1/16	3 16 4	6 4 7
91 3/8	89 15 16	British Electric 4½%.....1967-69	91 1/16	91 1/16	4 4 6	6 2 2
75 3/4	74 3/8	British Electric 3%.....1968-73	74 5/8	74 9/16	4 16 9	6 4 3
70 1/4	69	British Electric 3%.....1974-77	69 5/16	69 1/4	4 14 7	6 3 8
80 13 16	79 1/16	British Electric 4½%.....1974-79	79 9/16	79 1/16	4 5 10	6 4 0
72 3/8	70 3/8	British Electric 3½%.....1976-79	72 3/16	72 5/16	4 9 11	6 4 6
83 1/8	82 3/4	British Gas 4%.....1969-72	83 1/8	83 1/8	4 10 10	6 6 1
81 7/8	80 3/16	British Gas 3½%.....1969-71	81 1/4	81 1/4	4 12 5	6 3 2
57 11 16	53 13 16	British Gas 3%.....1990-95	57 5/8	57 11 16	4 5 7	6 1 2
75 3/4	74 3/8	British Transport 3%.....1968-73	75 5/8	74 9/16	4 16 9	6 4 3
78 13 16	77 3/8	British Transport 4%.....1972-77	78 13 16	78 3/4	4 7 9	6 4 10
59 3/4	56 1/2	British Transport 3%.....1978-88	59 11 16	59 5/8	4 10 0	6 3 7

Prices, 1962 High	Prices, 1962 Low	DOMINION AND CORPORATION STOCKS	Price, Mar. 14, 1962	Price, Mar. 21, 1962	Red. Yield, Mar. 21, 1962
					£ s. d.
81 1/4	79 1/2	Australia 3¼%.....1965-69	81	81 1/4	6 10 0
98 3/4	96	Australia 6%.....1974-76	96*	96*	6 7 0
66	60	Ceylon 4%.....1973-75	61	60	8 17 0
96 3/4	94 1/4	New Zealand 6%.....1976-80	95	95 1/4	6 9 0
75 1/4	64	Rhodesia and Nyasaland 6%.....1978-81	67	64	10 1 0
83 1/2	82	South Africa 3½%.....1965-87	83*	82 3/4*	7 10 0
58 1/8	50 1/2	Southern Rhodesia 4½%.....1987-92	52	50 1/2	9 3 0
79 3/4	77 3/4	Agricultural Mortgage 5%.....1939-89	79 3/4	79 3/4	6 11 0
87 7/8	86	Birmingham 4¼%.....1967-70	87 1/2	87 7/8	6 4 0
90 1/4	88 3/4	Bristol 5%.....1971-73	90 1/4	90 1/4	6 6 0
89 1/2	88	Corporation of London 5¼%.....1976-79	89 1/2	89 1/2	6 7 0
46	43	L.C.C. 3%.....after 1920	46	46	6 9 0
86 1/8	84	L.C.C. 5%.....1978-82	85*	85 1/8*	6 5 0
89 1/4	87	Middlesex 5¼%.....1980	87 1/2	87 1/2	6 8 0

NEW YORK PRICES AND INDICES

	Mar. 14 $	Mar. 21 $		Mar. 14 $	Mar. 21 $		Mar. 14 $	Mar. 21 $
Atch. Topeka	26 7/8	26 3/4	Boeing	51 1/2	49 5/8	Int. Harvester	55 1/8	55 1/4
Can. Pacific	24 3/4	24 1/2	Celanese	43 1/2	43 3/8	Inter. Nickel	81	79 3/8
Pennsylvania	17 1/8	17	Chrysler	57 5/8	55 3/4	Inter. Paper	38	37 3/8
Union Pacific	32 3/8	32 1/2	Col. Palmolive	50 1/8	48	Kennecott	81 1/2	80 7/8
Amer. Electric	71 5/8	72	Crown Zeller	56 1/8	56	Monsanto	48 5/8	47 1/2
Am. Tel. & Tel.	132 1/8	130 1/4	Distillers Seag.	45 1/8	47	Nat. Distillers	28 1/8	29 1/4
Cons. Edison	80 1/4	81 3/8	Douglas	31	29 1/2	Pan-American	23 3/8	23 1/8
Int. Tel. & Tel.	54 3/8	54 1/2	Dow Chemical	66 5/8	63 3/8	Procter Gamble	83 7/8	83 1/4
South'n. Nat. Gas.	54 1/4	49 3/4	Du Pont	252	249	Radio Corpn.	63 1/2	63 1/8
United Corpn.	8 1/2	8 1/8	East. Kodak	114 7/8	113 1/4	Sears Roebuck	82 5/8	84 1/8
Western Union	39 1/2	38 1/2	Ford Motor	103 1/8	98 1/8	Shell Oil	40 1/8	40 3/8
Alcoa	66 1/2	66 1/4	Gen. Electric	77 5/8	77 1/8	Socony-Mobil	54 1/4	55 1/8
Aluminium	27 3/8	27 5/8	General Foods	83 1/2	85 1/4	Stand. Oil Ind.	55 1/4	53 3/8
Amer. Can	45 1/2	45 3/8	General Motors	56 1/8	56 1/8	Stand. Oil N.J.	54 1/4	54 1/4
Am. Smelting	59 7/8	60 1/8	Goodyear	43 3/8	44 1/4	Union Carbide	118 1/4	115 3/4
Am. Viscose	59	58 1/2	Gulf Oil	44	42 1/8	U.S. Steel	74 1/8	71 1/2
Anaconda	49 1/8	47 1/2	Heinz	58 1/2	60 1/2	West. Electric	37 1/4	36 1/4
Beth. Steel	42 7/8	42 3/8	Int. Bus. Mach.	551	551	Woolworth	83 1/8	83 3/4

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

1962	425 Industrials	Yield %	25 Rails	Yield %	50 Utilities	Yield %	Govt. Bonds	Yield %
Feb. 21	74·29	2·87	34·02	4·75	64·08	3·15	87·16	4·16
.. 28	73·89	2·90	33·70	4·79	63·99	3·15	87·67	4·11
Mar. 7	73·57	2·91	33·50	4·82	63·92	3·16	87·87	4·09
.. 14	74·93	2·86	33·43	4·82	64·79	3·12	88·70	4·01
.. 21	74·42	2·88	33·35	4·83	64·95	3·11	88·80	4·00

425 Industrials :—High, 75·22 (Jan. 3). Low, 71·68 (Jan. 29).

FOREIGN AND OVERSEAS STOCKS

	Mar. 14	Mar. 21		Mar. 14	Mar. 21		Mar. 14	Mar. 21
FRANCE	Frcs.	Frcs.	**GERMANY**	%	%	**HOLLAND**	%	%
Air Liquide	1,237	1,212	A.E.G.	519 3/4	514 1/2	A.K.U.	406 1/4	396 3/8
Banque de Paris	598	585	Bad'che. Anilin.	489	483	Brienkorf	1,113	1,101 1/2
Citroen	192	183	Bayer	635 1/2	619	Heinekens	562 1/2	561
C. F. Petrole.	342	315	Commerzbank	589	588	Interunie (Fl.50)	Fl.233·5	Fl.233·5
Cie. G. d'Elect.	1,355	1,320	Deutsche Bank	684	681	K. N. Hoogoven	831 3/4	809
Machines Bull	716	715	Hoechst Farb.	522	519 1/2	Kon. Zout-Ket.	1,097	1,100
Pechiney	272	278	Kondenzwerdit	521	518	Philips	1,024	1,004 1/2
Printemps	719	709	Lowenbraeu	1,280	1,230	Robeco (Fl.50)	Fl.256·5	Fl.255
Rhone-Poulenc	511	503	Mannesmann	244	236 1/2	Rotterdam Bk.	394 1/2	400
S.I.M.	392	397	Siemens	775 1/2	757	Thomassen & D.	728 1/2	734 1/2
Saint-Gobain	433·5	424	Thyssen-Huette	222 3/4	215	Valeurop	Fl. 82·9	Fl. 82·5
Usinor	225	213	Volkswagen	703	686	Zwanenberg	1,070	1,095
Index	108·3	106·0	*Herstett Index*	114·12	112·36	Index	387·68	386·28
Dec. 30, 1960 = 100.				*Dec. 31, 1959 = 100.*			*1953 = 100.*	
ITALY	Lire	Lire	**BELGIUM**	Frcs.	Frcs.	**SWEDEN**	Kr.	Kr.
Ass. Generali	158,700	160,400	Arbed	31,550	31,100	Asea	225	226
Breda	6,340	6,290	Bque. Nat. de Bel.	10,300	10,925	Elektrolux	130	128
Edison	5,633	5,770	Bque. Soc. Gen.	3,515	3,520	Ericsson B. Kr. 35	135	135
Fiat	3,070	3,071	Cockerill-Ougr.	3,290	3,245	Separator B	305	303
Finsider	1,595	1,588	Esperance-Long	7,000	6,880	Skand. Banken	210	202
La Centrale	16,605	16,625	Hoboken	18,500	17,925	Sv. Cellulosa	206	206
Montecatini	4,082	4,100	Innovation	7,000	6,990	Sv. Handelsbank	201*	199
Motta	38,000	38,105	Photo Gevaert	3,550	3,600	Tandstk. B Kr. 50	178	178
Olivetti	11,500	11,400	Sidro	1,200	1,152	Index	174·62	175·04
Pirelli S.p.A.	11,930	12,130	Soc. Generale	14,600	14,475	*Dec. 29, 1956 = 100.*		
Rinascente	879	885	Sofina	9,025	8,610	**NORWAY**	%	%
Snia Viscosa	7,950	8,030	Un. Miniere	1,410	1,368	Bergens Priv'bk.	263 3/4	260
Index	759·40	756·50	Index	419·4	419·7	Borregaard	257 1/2	255
1950 = 100.			*May 9, 1940 = 100.*			Norsk Hydro	307 1/2	316 1/4

* Ex dividend. † Tax free. ‡ Assumed average life 7½ years. § The net redemption yields allow for tax at 7s. 9d. in £. ‖ Ex capitalisation. ¶ Ex rights. (a) Interim dividend. (b) Final dividend. (c) Year's dividend. (d) Capital distribution of 1s. 0d. per share. (f) Flat yield. (g) Equivalent to 7 2 sterling. (h) After Rhodesian tax. (i) To latest date. Japanese prices supplied by Daiwa Securities, Tokyo.

AND YIELDS

LONDON: NEW YORK: FRANCE: GERMANY: HOLLAND: ITALY: BELGIUM: SWEDEN: NORWAY

Prices, 1962 High	Prices, 1962 Low	Last Two Dividends: (a) (b) (c)		ORDINARY STOCKS	Price, Mar. 14, 1962	Price, Mar. 21, 1962	Yield, Mar. 21, 1962	Cover
		%	%					
32/6	28/9	5 a	5 b	**ELECTRICAL & RADIO**				
12/6	11/–	...	15 c	A.E.I. £1	32/6	28/9	6·96	11 4
63/9	56/41/2	5 a	4 a	Brit. Electronic Inds. 5/–	11/11/2	11/9	6·38	1/4
14/81/4	12/71/2	5 a	7 1/2 b	B.I.C.C. £1	60/9	61/3	4·41	2
85/–	78/–	23 1/2 c	31 1/2 a	Crompton Parkinson. 5/–	13/–	12/71/2	4·95	2 1/2
45/6	42/–	12 1/2 b	5 a	Decca Record 10/–	80/–	78/–	2·99	13
48/9	41/3	8 b	5 a	E.M.I. 10/–	43/3	42/9	4·09	2
27/9	23/3	3 a	5 b	Ellio't-Automation. 5/–	48/9	47/–	1·38	2
30/3	26/–	7 a	5 b	English Electric £1	25/3	23/3	6·88	1 1/2
59/3	50/6	81 3/4 b	43 3/4 a	C. A. Parsons £1	58/9	57/9	4·33	4
47/9	45/–	61 3/4 b	31 1/4 a	A. Reyrolle £1	47/6	45/9	4·26	2 3/4
72/–	63/6	25 c	25 c	Thorn Electrical 5/–	69/–	72/–	1·74	3
				ENGINEERING				
23/9	20/3	9 c	Nil a	Babcock & Wilcox £1	21/3	21/3	...	1
33/11 1/2	27/3	7 b	3·2 a	John Brown £1	32/–ll	31/–ll	6·58	2 3/4
6/–	4/41/2	9 b	3 a	Cammell Laird 5/–	4/41/2	4/41/2	13 7 1	1
26/6	22/9	10 a	20 b	Internat. Combust. 5/–	23/9	22/9	6·59	11 4
5/6	3/71/2	...	...	Rich'ds'ns. Westg'th. 10/–	3·10 1/2	3·10 1/2	...	1
39/41/2	32/–	21/2 a	9 1/2 b	Swan Hunter £1	33/–	34/–	7·06	2 1/2
13/–	10/6	5 c	5 a	John Thompson 5/–	10/6	11/–	2·27	...
32/71/2	30/41/2	‡21/2 a	‡6 1/4 b	Coventry Gauge 10/–	31/71/2	32/11 1/2	4·45	2 3/4
73/71/2	60/71/2	‡21/2 a	16 b	Alfred Herbert £1	64/–	62/6	4·44	2
47/6	41/–	12 1/2 b	5 a	Alfred ronfounders £1	42/6	41/6	8·43	11 1/2
96/3	90/9	10 b	5 a	Averys £1	90/9	91/3	3·29	2 1/2
20/3	17/41/2	4 a	7 3/4 b	B.S.A. 10/–	18/–	17/6	6·67	2 1/4
11/–	9/9	8 1/2 b	4 1/2 a	George Cohen 5/–	11/–	11/–	5·91	13 4
33/–	29/3	17 1/2 b	10 a	Davy-Ashmore 5/–	29/3	29/6	4·66	2 1/4
80/–	75/71/2	11 b	5 a	Guest Keen £1	79/6	75/71/2	4·23	3 1/2
21/–	19/6	12 b	4 a	Head Wrightson 5/–	20 10 1/2	20 10 1/2	3·83	2 1/2
85/6	80/6	7 b	5 a	Metal Box £1	83/6	82/–	2·93	2 1/4
17/3	15/–	10 b	4 a	Ransome & Marles 5/–	15/3*	15/–*	4·67	3
46/3	44/6	7 b	3 a	Renold Chains £1	46/–	45/6	4·40	2
64 10 1/2	58/–	7 b	5 a	Tube Investments £1	60/3	58/–	4·83	3
31/11 1/2	26 10 1/2	7 1/2 b	21/2 a	Vickers £1	28 11 1/2	27 4 1/2	2·31	13 4
69/–	60/–	10 b	33 1/3 a	Ward (Thos. W.) £1	68/6	68/6	4·01	3
20/6	18/–	22 1/2 b	5 a	Woodall-Duckham 5/–	18/9	18/–	5·83**	25 1/2
				FOOD & TOBACCO				
23/9	20/9	10 c	10 c	Allied Suppliers 10/–	21/11 1/2	20/9	4·82	2 1/4
12/41/2	10/21/4	12 1/2 b	10 a	Assoc. British Foods 1/–	10/6	10/9	2·09	2
61/3	56/9	8 b	7 a	Bovril £1	57/6	56/9	4·23	2 1/2
12/11 1/2	11/41/2	11·7 a	13 9/16 a	Brooke Bond 'B' 5/–	11/63/4	11/41/2	4·02	3 1/2
15/9	13/11/2	10 b	2 1/2 a	International Tea 5/–	13/6	13/11/2	4·76	1 1/2
78/3	72/9	10 5/6 b	5 a	J. Lyons 'A' £1	74/3	74/9	4·24	1 1/4
33/3	30/–	5 a	9 b	Ranks Hovis 10/–	31/3	31/6	4·44	...
12 10 1/2	10 10 1/2	7 1/2 b	2 1/2 a	Spillers 5/–	12/3	12/3	4·08	2
50/3	47/11 1/2	11 b	11 b	Tate & Lyle £1	49/3	49/–	4·90	2 1/4
17/–	15/3	9 b	5 a	Unigate 5/–	16/11 1/2	16/11 1/2	4·34	2
63/9	53/3	12 1/2 c	15 6/8 c	Brit. Amer. Tobac. 10/–	59/3	60/6	6·07	3
41/3	32/3	15 b	5 a	Gallaher 10/–	33/9	32/3	6·20	2
63/9	51/9	81/2 a	14 b	Imperial Tobacco £1	53/3	51/9	8·70	13 4
				INSURANCE				
165/8	147/16	50 a	55 b	Britannic 5/–	161 3/4*	165 1/16*	2·63	...
68/–	56/–	25 b	20 a	Commercial Union 5/–	58/3	56/6	3·98	...
35 15/16	33 11/16	41·17 c	41·17 c	Equity & Law Life 8/6	35 1/16	34 9/16	0·83	...
95/3	84/6	20 c	20 c	General Accident 5/–	87/9	90/3	1·66	...
53/6	46/9	40 b	35 a	Guardian 5/–	45/–	52/3	2 55 1/2**	...
44 5/16	38 1/3	80 a	110 b	Legal & General 5/–	40 5/16	40 11/16	1·17	...
149/3	142/9	111 2/3 b	81 1/2 a	Northern & Empl. £1	144/–	142/9	2·80	...
113 1/32	110 3/8	‡70 b	‡20 a	Pearl 5/–	107 3/32	113 1/32	3·09	...
257/8	249/16	‡183 1/3 c	‡208 1/3 c	Prudential 'A' 4/–	241 3/16	249/16	2·77	...
47 10 1/2	41 10 1/2	...	...	Royal 5/–	43 7 1/2	41 10 1/2	3·58	...
111/3	103/9	111/4 b	71/2 a	Royal Exchange £1	103/9	105/3	3·56	...
				MOTORS & AIRCRAFT				
16/9	15/6	7 1/2 a	12 1/2 b	British Motor 5/–	16/33/4	16/11 1/2	6·20	3/4
85/11 1/2	80/41/2	20 c	20 c	Jaguar Cars 'A' 5/–	82/71/2	81/71/2	1·23	8
41/6	35 10 1/2	11 c	5 a	Rolls-Royce £1	37/9	36/3	6·07	2 1/4
6/9	5/9	12 c	4 c	Rootes Motors 'A' 4/–	6/1 1/2	6/1 1/2	2·61	...
78/6	70/9	5 a	11 b	A.C.V. £1	72/9	71/6	4·48	2
92/3	76/9	20 c	20 c	Leyland Motors £1	89/6	88/6	4·53	2
15 11 1/4	14/3	12 1/2 c	8 a	Bristol Aeroplane 10/–	15/3	14/9	8·47	2 1/4
24/81/4	21/41/2	15 c	5 a	Hawker Siddeley £1	22/51/4	21/9	9·75**	11 4
36/9	27/6	‡5 1/2 b	14 a	Dowty Group 10/–	29/6	28/–	5·54	2 1/4
30/41/2	28/11 1/2	5 a	5 a	Dunlop Rubber 10/–	30/–	29 10 1/2	5·30	2
71/10 1/2	63/9	21/2 a	11 b	Joseph Lucas £1	71/41/2	69 7 1/2	3·95	2 1/4
22/–	16/9	30 c	Nil a	Pressed Steel 5/–	19/–	18/63/4	...	2 1/4
37/71/2	34/41/2	12 1/2 c	5 a	Triplex Holdings 10/–	36/41/2	35/71/2	3·51	2 1/4
				MINES				
148/9	136/3	50 b	40 a	Anglo-American 10/–	136/3	148/9	6·05	11 1/2
64/3	53/9	61/4 b	183/4 b	Consolid. Gold Fields £1	53/9	57/6	8·70	2 1/2
96/3	81 10 1/2	20 b	15 a	General Mining £1	81 10 1/2	83/3	8·41	2
60/6	49/6	120 b	40 a	Union Corporation 2/6	49/6	51/9	7·73	3
18/–	16/9	40 a	40 b	Daggafontein 5/–	17/3	18/–	22·22	11 1/2
94/41/2	85/–	70 a	100 b	Free State Geduld 5/–	85/–	86 10 1/2	9·78	11 1/2
47/6	39/9	25 b	25 a	Hartebeestfontein 10/–	40/–	40/6	12·35	11 1/2
54/41/2	50/6	50 a	60 b	Rand Mines 10/–	50/–	53/9	10·23	11 1/2
127/6	117/6	90 a	120 b	Western Holdings 5/–	122/–	127/6	8·24	11 1/2
19/–	16/9	6 a	5 b	Winkelhaak 10/–	17/–	17/3	6·38	8 1/2
56/9	45/9	131/2 a	362/3 b	Chartered 15/–	46/–	46/6	16·13	11 1/2
56/6	47/–	60 b	20 a	Rhod. Anglo-Amer. 10/–	47/–*	48/6	16·49h	11 1/2
37/41/2	28/6	...	...	Rhod. Selection Tst. £1	28/6	30/3	11·90**h	...
21/9	18/11 1/2	15 a	17 1/2 b	Tanganyika Cons. 10/–	18/3	18/6	17·57	11 1/4
57/–	48/–	13 3/4 b	33/4 a	Consolidated Zinc £1	51/3	51/–	6·86	13 1/4
152/6	135/–	100 a	180 b	De Beers Defd. Reg. 5/–	140/–	152/6	9·18	13 1/4
$151 1/2	$134	$1·50 c	$1·60 c	Internat. Nickel n.p.v.	$144	$142	2·00	...
18/9	16·41/2	71/2 a	30 b	London Tin 10/–	17/11/2	17/9	8·45	11 1/4
43/9	36/–	20 c	27 1/2 c	Rio Tinto 10/–	37/3	36/9	7·48	11 1/2
35/–	25/9	52 1/2 c	25 a	Tronoh 5/–	30/3	34/3	7·66	11
				PAPER & NEWSPAPERS				
12/10 1/2	11/10 1/2	10 b	5 a	Daily Mirror 5/–	12/3	11/10 1/2	6·32	11 4
70/–	62/6	8 b	4 a	W. H. Smith & Son 'A' £1	63/–	63/–	3·81	2
24/9	21/3	...	10 a	Thomson Org'n. 5/–	21/6	22/–	5·45**	2
47/3	42/9	83/4 b	5 a	Bowater Paper £1	45/9	43/3	5·36	11 1/2
45/–	38/–	16 c	5 a	Albert E. Reed £1	38/9	38/–	8·42	11 1/2
43/9	37/–	81/2 b	4 a	Spicers £1	43/9	43/6	5·75	13 1/4
55/–	48/–	10 b	4 a	Wiggins Teape £1	51/6	48/–	5·83	2

Prices, 1962 High	Prices, 1962 Low	Last Two Dividends: (a) (b) (c)		ORDINARY STOCKS	Price, Mar. 14, 1962	Price, Mar. 21, 1962	Yield, Mar. 21, 1962	Cover
		%	%					
27/9	21/9	20 b	10 a	**MISCELLANEOUS**				
33/3	30/11 1/2	4 a	10 a	Assoc. British Picture. 5/–	23/6	23/–	6·52	23 4
52/11 1/2	46/6	14 b	16 a	Assoc. Television 'A' 5/–	31/11 1/2	30/11 1/2	9·96	13 4
39/11 1/2	32/71/2	6 3/4 b	3 1/3 a	Beecham Group 5/–	47/21/4	46/6	3·23	13 4
71/2 a	61/3 b	5 a	5 a	British Match 10/–	38/10 1/2	38/10 1/2	5·14	2
15/3	14/–	4 a	6 3/4 b	British Oxygen 5/–	9/–	8/71/2	3·81	13 4
9/10 1/2	8/71/2	7 b	3 a	British Ropes 5/–	9/–	8/71/2	5·80	21 4
4 a	9 1/2 b	15 a	15 a	De La Rue 10/–	56/6	57/6	3·91	2
7 a	7 b	3 a	3 a	Gesterner 'A' 5/–	40/–	40/–	2·50	31 4
6 a	9 b	14 a	14 a	Glaxo 10/–	53/–	51/6	2·91	31 4
5 a	12 b	5 a	12 b	Harrisons & Cr. Defd. £1	46/–	45/–	6·67	25 1/2
5 a	20 b	5 a	20 b	Hoover 'A' 5/–	37/9	36/6	3·42	13 4
3 a	12 b	5 a	12 1/2 b	Ilford 5/–	17/6	18/–	4·86	11 4
5 a	7 1/2 b	5 a	7 1/2 b	C.T.C. £1	109/–	107/9	2·09	21 2
2 5/8	2 5/8	2 1/2 c	2 1/2 c	National Canning £1	42/9	42/–	5·95	1
10 a	6 a	5 a	17 1/2 b	Powell Duffryn 10/–	38/–	37/9	4·24	21 4
7 1/2 a	15 b	5 a	15 b	Radio Rentals 5/–	37/3	38/3	2·94	23 4
3 10 1/2	3 10 1/2	...	...	Rank Organisation 5/–	32/3	32/–	3·52	...
39 10 1/2	36/71/2	25 c	25 c	Schweppes 5/–	33/10 1/2	32 10 1/2	3·65	13 4
21/–	19/6	8 a	8 a	Sears 'A' 5/–	37/3	39/3	3·18	21 4
26/11 1/2	24/–	11 1/2 b	8 1/2 a	Thomas Tilling 4/–	25/10 1/2	25/10 1/2	3·06	2
5 3/4	4/9	5 a	3 1/2 a	Tunnel Defd. 5/–	6/–	5/9	3·06	2
76/9	69/6	37 1/2 b	10 a	Turner & Newall £1	66/3	54/71/2	4·39	2
				Unilever 5/–	42/3	40/9	3·04	3
				Unilever N.V. 12 fl.	117 3/32	115 1/16	2·19	3
				United Glass 5/–	16/3*	15/6*

Money and Exchanges

EXCHEQUER RETURNS

For the week ended March 17, 1962, there was an "above-line" surplus (after allowing for sinking funds) of £13,128,000 compared with a surplus of £44,442,000 in the previous week and a surplus of £18,445,000 in the corresponding period of last year. There was a net expenditure "below-line" of £2,885,000 leaving a total cumulative deficit to date of £220,591,000 compared with £351,819,000 in 1960–61.

£'000	Estimate 1961–62	April 1, 1960 to Mar. 18, 1961	April 1, 1961 to Mar. 17, 1962	Week ended March 18, 1961	Week ended March 17, 1962
Ordinary Revenue					
Income Tax	2,728,500	2,236,020	2,467,738	50,739	66,011
Surtax	210,000	178,500	208,000	6,800	9,900
Death Duties	240,000	226,000	249,200	5,000	6,200
Stamps	94,000	86,400	92,009	1,100	1,300
Profits tax, EPT and EPL	325,500	253,600	320,300	4,800	3,400
Other Inland Rev. Duties	...	250	250	...	150
Total Inland Rev.	3,598,000	2,980,770	3,337,478	68,439	86,961
Customs	1,530,000	1,408,491	1,554,710	29,671	30,926
Excise	960,000	913,255	951,970	4,230	3,655
Total Customs and Excise	2,510,000	2,321,746	2,506,680	33,901	34,581
Motor Duties	155,000	125,794	140,803	648	755
PO (Net Receipts)	...	700	...	700	...
Broadcast Lic's.	40,000	35,200	36,300	...	...
Sundry Loans } Miscellaneous }	205,000	41,288 / 124,760	217,95	10,298	289
Total	6,508,000	5,630,258	6,239,214	113,986	122,586
Ordinary Expenditure					
Debt Interest	660,000	670,253	735,880	14,421	29,896
Payments to N. Ireland Exch.	92,000	83,901	91,917	...	...
PO Fund — Initial settlement	15,000	...	7,282	...	...
Other Consolidated Funds	8,000	8,051	11,155	464	3,103
Supply Services	5,186,902	4,636,229	4,975,990	80,306	76,248
Total	5,961,902	5,398,434	5,822,224	95,191	109,247
Sinking Funds	40,000	39,305	39,766	350	211
"Above-line" Surplus or Deficit	+ 192,519	+ 377,224	+ 18,445	+ 13,128	
"Below-line" Net Expenditure	544,338	597,815	17,414	2,885	
Total Surplus or Deficit	− 351,819	− 220,591	+ 1,031	+ 10,243	
Net receipts from:					
Tax Reserve Certificates	22,091	9,438	−6,815	170	
Savings Certificates	65,800	21,400	− 100	−900	
Defence Bonds	16,165	102,474	−84,087	85,486	
Premium Savings Bonds	54,060	39,300	400	300	
Total	148,416	129,812	−90,596	85,056	

Net issues of £25 million to the Civil Contingencies Fund in 1961–62 compared with net issues of £15 million in 1960–61.

FLOATING DEBT

(£ million)

	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Depts.	Ways and Means Advances: Bank of England	Total Floating Debt
1961					
Mar. 18	3,080·0	1,593·9	307·9	...	4,983·7
Dec. 9	3,370·0	2,088·8	222·2	...	5,676·0
,, 16	3,370·0	2,148·9	235·2	0·8	5,751·9
,, 31	3,400·0	2,205·3	205·1	...	5,810·4
1962					
Jan. 6	3,380·0	2,163·3	339·7	...	5,882·9
,, 13	3,360·0	2,157·6	331·8	2·5	5,788·9
,, 20	3,250·0	2,147·4	376·4	...	5,733·8
,, 27	3,190·0	2,163·1	217·9	1·8	5,572·8
Feb. 3	3,120·0	2,115·6	242·6	7·8	5,486·0
,, 10	3,070·0	1,939·0	246·8	...	5,305·8
,, 17	3,040·0	2,330·6	272·4	5·0	5,623·9
,, 24	2,990·0	2,382·5	207·4	...	5,579·9
Mar. 3	2,990·0	2,431·4	236·7	5·0	5,673·1
,, 10	2,960·0	2,433·3	249·2	0·9	5,641·4
,, 17	2,960·0	2,423·9	251·1	...	5,635·0

THE MONEY MARKET

After the passing of only one Thursday since the last reduction, Bank rate was cut by a further ½ per cent this Thursday, and it now stands at 5 per cent. The reduction was followed as usual by a corresponding cut in fixed rates in the money market. At the Treasury bill tender before the latest reduction the bill rate fell by 2s. 10.32d. to £4 17s. 7.57d. per cent. The market was not, however, forced to borrow from the Bank of England in the following week. The discount houses raised their agreed bid by 8d. to £98 15s. 7d. (a rise in the annual rate of 2s. 8d.); total applications for the unchanged offer of £230 million bills rose by £16 million to £412 million, and the market's allotment fell to 41 per cent compared with the previous week's 57 per cent.

Credit was fairly tight in the week preceding the Bank rate cut, with the exception of last Friday when the authorities sold a small number of bills to absorb surplus credit. On Saturday, Monday and Wednesday, however, the authorities gave the market small amounts of assistance by special purchases of bills, and on Tuesday this help was very large.

In New York this week the three months' bill rate fell from 2.804 to 2.689 per cent.

MONEY RATES

LONDON

	%		%
Bank rate (from 5½%, 22/3/62)	5	**Discount rates** (Wednesday)	
Deposit rates (7 days' notice):		Bank bills:	
Banks	3	60 days	5 1/16–5 1/8
Discount houses	3–3 1/4	3 months	5 1/16–5 1/8
Local Authorities	5 1/8	4 months	5 1/16–5 1/8
Call money:		6 months	5 1/16–5 1/8
Clearing banks' minimum	3 1/8	Fine trade bills:	
Day-to-day	3 1/8–4 1/8	3 months	6 1/4–7
		4 months	6 1/4–7
		6 months	6 1/2–7 1/2

NEW YORK

	%		%
Official Discount rate: (from 31/5/57)	3	**Treasury bills:** March 12	2·804
		,, 19	2·689

BANK OF ENGLAND RETURNS

(£ million)	Mar. 22, 1961	Mar. 14, 1962	Mar. 21, 1962
Issue Department:			
Notes in circulation	2,239·7	2,306·9	2,297·4
Notes in banking dept.	60·7	68·4	78·0
Govt. debt and securities*	2,298·3	2,374·0	2,374·0
Other securities	0·7	0·8	0·7
Gold coin and bullion	0·4	0·4	0·4
Coin other than gold coin	1·0	0·3	0·3
Banking Department:			
Deposits:			
Public accounts	18·7	13·7	14·1
Special deposits	151·2	232·2	232·2
Bankers	233·2	256·4	262·6
Others	68·9	71·8	72·0
Total	472·0	574·2	580·9
Securities:			
Government	384·9	460·2	470·7
Discounts and advances	24·1	42·6	29·6
Other	20·1	20·5	20·3
Total	429·0	523·4	520·6
Banking department reserve	61·6	69·3	78·8
"Proportion"	% 13·0	% 12·0	% 13·5

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue increased by £50 million to £2,375 million on March 7th.

TREASURY BILL TENDERS

Date of Tender	Amount (£ million) Offered	Applied for	91 Day Bills: Average Rate of Allotment	Allotted at Max. Rate*
1961	*91 day* 260·0†	395·4	s. d. 89 8·57	% 47
	91 day / *63 day*			
Dec. 15	210·0 / 50·0	371·6	106 4·83	37
,, 22	210·0 / 50·0	379·0	107 3·18	52
,, 29	250·0	396·0	108 0·72	51
1962				
Jan. 5	240·0	406·9	108 7·81	38
,, 12	240·0	409·4	108 6·03	25
,, 19	240·0	388·1	106 2·35	63
,, 26	240·0	399·8	104 10·06	61
Feb. 2	200·0	379·4	104 4·93	33
,, 9	230·0	412·8	108 0·74	22
,, 16	220·0	387·8	109 10·81	28
,, 23	220·0	405·6	110 7·47	21
Mar. 2	230·0	382·6	110 11·26	37
,, 9	230·0	396·2	100 5·89	53
,, 16	230·0	411·8	97 7·57	41

* On March 16th tenders for 91 day bills at £98 15s. 7d secured 41 per cent; higher tenders being allotted in full. The offer for this week was for £230 million 91 day bills. †Allotment cut by £10 million.

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Effective Limits: March 21	Market Rates: Spot — March 15	March 16	March 17	March 19	March 20	March 21
United States $	2·78–2·82	2·81 7/8–2 1/16	2·81 5/8–3 1/16	2·81 5/8–3 1/16	2·81 5/8–3 1/16	2·81 5/8–3 1/16	2·81 5/8–3 1/16
Canadian $	...	2·95 15/16–3 1/16	2·95 15/16–3 1/16	2·95 15/16–3 1/16	2·95 15/16–3 1/16	2·95 15/16–3 1/16	2·95 15/16–3 1/16
French Fr.	13·622–14·077	13·80 1/4–1/2	13·79 7/8–80 1/2	13·79 7/8–80 1/2	13·80–80 1/4	13·80–80 1/4	13·80–80 1/4
Swiss Fr.	11·94–12·547	12·22 1/2–5/8	12·22 1/2–23/32	12·22 1/2–23/32	12·22 7/8–23 1/8	12·22 3/4–7/8	12·21 1/4–1/2
Belgian Fr.	137·96–142·05	140·20–25	140·17 1/2–22 1/2	140·17 1/2–22 1/2	140·17 1/2–22 1/2	140·17 1/2–22 1/2	140·17 1/2–22 1/2
Dutch Gld.	9·983–10·281	10 17/8–3/8	10·16 3/4–17	10·16 3/4–17	10·16 5/8–7/8	10·16 3/4–7/8	10·16 1/4–3/8
W. Ger. D-Mk.	11·037–11·365	11·26 1/4–3/4	11·26 1/4–3/4	11·26 1/8–5/8	11·26 1/4–3/4	11·25 3/4–26 1/4	11·25 3/4–26 1/4
Portug. Esc.	...	80·18–28	80·18–28	80·18–28	80·18–28	80·18–28	80·18–28
Italian Lire	1725–1775	1748 1/2–49 1/8	1748 1/2–49	1748 1/2–49	1748 3/4–49	1748 3/4–49 1/2	1748 3/4–49 1/2
Swedish Kr.	14·271–14·470	14·50–50 1/8	14·50–50 1/4	14·49 7/8–50 3/8	14·49 3/4–50	14·49 3/4–50	14·49 3/4–50
Danish Kr.	19·061–19·62	19 36 1/2–7/8	19·36 7/8–37 1/8	19·36 7/8–37 1/8	19·36 1/2–3/4	19·36 1/2–3/4	19·37 1/4–1/2
Norwegian Kr.	19·71–20·301	20·05 3/4–06	20·05 3/4–06 1/4	20·05 7/8–06 1/8	20·05 7/8–06 1/8	20·06–06 1/4	20·06–06 1/4
	Official Limits	**One Month Forward Rates**					
United States $		1/4–5/8pc. pm	13/16–11/16c. pm	13/16–11/16c. pm	13/16–11/16c. pm	3/4–5/8c. pm	3/4–5/8c. pm
Canadian $		1/8–3/8c. pm	5/8–3/4c. pm	5/8–3/4c. pm	5/8–3/4c. pm	11/16–3/4c. pm	11/16–11/16c. pm
French Fr.		2 1/4–2 1/2c. pm	2 3/4–2 7/8c. pm	2 3/4–2 7/8c. pm	3–3 1/4c. pm	2 7/8–3 1/8c. pm	2 3/4–2 1/4c. pm
Swiss Fr.		4 1/4–4 3/4c. pm	4 7/8–5 1/8c. pm	4 7/8–5 1/8c. pm	4 3/4–5c. pm	4 1/2–4 5/8c. pm	4 3/4–5c. pm
Belgian Fr.		40–30c. pm	43–33c. pm	43–33c. pm	38–28c. pm	40–30c. pm	40–30c. pm
Dutch Gld.		2–1 1/2c. pm	2–1 1/2c. pm	2–1 1/2c. pm	2–1 1/2c. pm	2 1/8–1 3/8c. pm	2 1/8–1 7/8c. pm
W. German D-Mk.		3 1/4–2 1/4pf. pm	3 1/2–3pf. pm	3 1/2–3pf. pm	3 3/8–2 5/8pf. pm	3 1/4–2 1/4pf. pm	3–2 1/2pf. pm
		Three Months Forward Rates					
United States $		1 3/16–1 1/16c. pm	1 3/16–1 1/16c. pm	1 3/16–1 1/16c. pm	1 3/16–1 1/16c. pm	1 1/8–1 3/8c. pm	1 1/8–1 5/8c. pm
Canadian $		1 5/8–1 1/2c. pm	1 5/8–1 1/2c. pm	1 7/8–1 3/4c. pm	1 7/8–1 3/4c. pm	1 7/8–1 3/4c. pm	1 7/8–1 3/4c. pm
Swiss Fr.		10 3/4–9 3/4c. pm	10 5/8–10 1/4c. pm	10 5/8–10 1/4c. pm	10 5/8–10 3/4c. pm	10 1/2–9 3/4c. pm	10 5/8–9 5/8c. pm
W. German D-Mk.		8 3/8–8 1/4pf. pm	8 1/2–8pf. pm	8 1/2–8pf. pm	8 3/8–7 7/8pf. pm	8 1/4–7 3/4pf. pm	7 3/4–7 1/4pf. pm
		Gold Price at Fixing					
Price (s. d. per fine oz.)		249 2 1/2	249 2 1/2	...	249 2 1/2	249 2 1/2	249 2 1/2
($)		35·09	35·09	...	35·09	35·09 1/2	35·09

Manpower and Output

Labour figures relate to Great Britain and production figures to United Kingdom unless otherwise stated.
M = Monthly averages or calendar months.
W = Weekly averages.

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

BRITISH

Prices and Wages	Mar. 17th	External Trade	Mar. 3rd
Manpower and Output	This week	Industrial Profits	Jan. 27th

OVERSEAS

Western Europe	Feb. 17th	United States	Mar. 10th

	Unit	Mid-year or averages 1959	1960	1961	1960 Dec.	1961 Jan.	1961 Feb.	1961 Oct.	1961 Nov.	1961 Dec.	1962 Jan.	1962 Feb.
TOTAL MANPOWER		**June figures**										
Working population:												
Total	'000s	24,145	24,436	24,650	24,585	24,563	24,521	24,873	24,903	24,769	24,758	...
Men	,,	16,137	16,239	16,325	16,315	16,315	16,288	16,424	16,432	16,401	16,407	...
Women	,,	8,008	8,197	8,325	8,270	8,248	8,233	8,449	8,471	8,368	8,351	...
Armed Forces	,,	565	518	474	503	500	494	461	457	454	452	...
Civil employment:												
Total	,,	23,197	23,628	23,925	23,739	23,713	23,695	24,076	24,094	23,923	23,890	...
Manufacturing industries	,,	8,477	8,811	8,928	8,897	8,911	8,903	9,001	9,008	8,938	8,952	...
Employees:												
in engineering (2)	,,	3,545	3,741	3,799	3,786	3,788	3,787	3,845	3,855	3,836	...	...
in consumer goods industries (3)	,,	3,101	3,153	3,170	3,173	3,176	3,170	3,207	3,206	3,171	...	...
UNEMPLOYMENT		**Monthly averages**										
By duration:												
All durations—total	,,	475·2	360·4	340·7	365·0	418·9	389·7	365·7	387·4	389·4	461·0	453·8
Temporary	,,	30·7	14·5	28·6	42·2	59·4	47·9	43·2	39·0	34·9	40·6	40·4
Wholly unemployed (5)—total	,,	432·8	337·2	304·8	321·9	351·4	338·6	318·3	345·6	352·9	406·7	407·9[18]
Seasonally adjusted	,,	...	...	...	309·6	299·4	285·5	322·7	334·1	341·3	355·2	353·9[17]
Over 8 weeks	,,	243·4	187·6	157·1	166·2	184·1	180·8	143·9	155·3	168·5	198·0	204·5
By regions (4):												
Great Britain	%	2·2	1·6	1·6	1·6	1·9	1·7	1·6	1·7	1·7	2·0	2·0[18]
London and South Eastern	,,	1·3	0·9	1·0	0·9	1·3	1·1	1·0	1·1	1·1	1·3	1·3
Eastern and Southern	,,	1·5	1·2	1·1	1·4	1·7	1·6	1·2	1·4	1·2	1·5	1·5
South Western	,,	2·2	1·7	1·4	1·7	1·8	1·7	1·5	1·7	1·7	2·0	1·9
Midland	,,	1·5	1·0	1·4	1·9	2·0	1·8	1·7	1·7	1·6	1·8	1·6
North Midland	,,	1·5	1·1	1·0	1·0	1·1	1·3	1·0	1·1	1·1	1·4	1·4
East and West Ridings	,,	1·9	1·2	1·0	1·0	1·1	1·0	1·1	1·2	1·2	1·5	1·5
North Western	,,	2·8	1·9	1·6	1·5	1·7	1·7	1·7	1·9	1·8	2·2	2·4
Northern	,,	3·3	2·8	2·5	2·6	2·8	2·6	2·5	2·9	3·0	3·5	3·6
Scotland	,,	4·4	3·6	3·1	3·3	3·7	3·5	3·0	3·2	3·5	3·9	4·0
Wales	,,	3·8	2·7	2·6	2·8	3·1	2·9	3·5	2·8	2·8	3·3	3·2
VACANCIES												
Unfilled vacancies: Total	'000s	224	314	320	294	281	290	289	263	249	223	213[19]
,, ,, *Seasonally adjusted.*	,,	...	...	...	*318*	*317*	*322*	296	282	*273*	*261*	*253*[20]
STOPPAGES OF WORK												
Working days lost: Total	M '000s	439	252	253	104	151	472	382	156	72	105	...
in engineering (2) (15) industries	M ,,	80[14]	121	122	45	52	171	249	49	33	50	...
INDUSTRIAL PRODUCTION												
Index:												
All industries	1958=100	105	112	114	112	112	117	118	119	111	111	...
,, ,,	,,	...	...	...	*113*	*112*	*113*	*112*	*112*	*112*	*111*	...
Mining and quarrying	,,	97	94	93	92	95	96	100	103	94	...	...
Construction	,,	106	111	118	114[13]	...	115[9]	...	118[13]	...	...	...
Gas, electricity and water	,,	103	110	116	133	139	130	116	134	145	...	...
Manufacturing, total	,,	106	115	115	112	112	118	119	119	110	109	...
,, ,, *seasonally adjusted*	,,	...	...	...	*114*	*113*	*115*	*112*	*112*	*112*	*110*	...
Engineering and electrical goods	,,	105	114	121	123	110	120	126	127	127	...	...
Shipbuilding	,,	94	85	86	86	85	87	86	88	88	...	...
Vehicles	,,	109	118	109	103	110	116	108	108	101	...	...
Chemical trades	,,	111	122	125	118	125	131	128	129	119	...	...
Textiles, leather and clothing	,,	107	113	111	104	107	118	118	117	101	...	...
Basic material production:		**M/W averages**										
Coal (7) (8)	W '000 tons	3,963	3,725	3,663	3,657	3,761	3,849	3,938	4,061	3,690	3,809	4,086
Pig iron	W ,,	242	303	284	306	308	302	248	270	250	252	269
Steel, ingots and castings	W ,,	388	467	425	451	478	485	382	420	357	382	415
Sulphuric acid	M ,,	202·3	225·1	221·8	238·8	229·7	210·2	225·4	226·5	230·0	...	...
Newsprint	W ,,	12·87	14·25	13·70	13·57	14·61	14·39	13·39	14·21	13·63	...	...
Electricity (7) (11)	M mn. kwh	8,764	9,904	10,631	12,654	13,266	11,033	11,022	12,856	14,113	14,446	...
Gas (12)	W mn. therms	53·5	55·7	55·7	65·7	70·0	65·4	53·9	63·2	69·1	71·2	69·6
Textile production:												
Cotton yarn, single	W mn. lb.	14·58	14·44	13·21	13·65	14·21	14·47	13·58	13·38	10·85	12·37	...
Worsted yarn (6)	M ,,	19·34	20·40	20·52	19·70	21·43	20·23	22·11	22·66	17·82	21·40	...
Rayon and synthetic fibres	M ,,	42·89	49·33	47·47	47·10	48·45	43·13	52·75	52·07	49·77	50·20	...
Cotton cloth, woven	M mn. yds.	25·7	24·9	23·8	24·3	25·1	25·2	25·0	24·4	20·3	22·0	...
Wool fabrics, woven (6)	M mn. sq. yds.	30·4	30·6	29·3	29·4	31·3	28·4	31·8	32·1	26·1	30·0	...
Engineering production:												
Passenger cars and chassis	W '000s	22·88	26·01	19·31	15·36	14·95	15·11	18·84	20·46	19·98	23·50	25·63
Commercial vehicles and chassis	W ,,	7·13	8·81	8·85	9·10	9·54	10·03	8·73	8·74	7·51	8·35	8·71
Merchant ships (7)	M '000 gr. tons	115	108	115	104	44	92	115	131	121	96	...
Internal combustion engines (6)	M '000 BHP	468	577	...	649	615	586	575	570	...	...	...
Metal-working machine tools (6)	M £'000	6,564	7,911	9,823	8,662	9,766	9,574	10,420	10,063	10,808	...	...
Television sets	M '000s	238·6	178·4	...	110·9	92·6	87·7	155·3	162·3	...	...	...
Permanent houses completed (16):												
Total	M '000s	20·78	22·44	22·40	24·07	18·72	20·42	25·44	22·79	23·79	18·60	...
For local housing authorities	M ,,	8·29	8·60	7·74	9·71	6·23	6·95	8·45	7·68	9·88	6·27	...

(1) Vessels of 100 gross tons and over completed. (2) Engineering and electrical goods, shipbuilding and marine engineering, vehicles, metal goods. (3) Textiles, leather goods, clothing, food, drink and tobacco, timber, furniture, paper, printing and publishing. (4) Number registered as unemployed expressed as a percentage of the estimated number of employees. (5) Excluding school-leavers. (6) Deliveries. (7) Great Britain. (8) Excluding all screening losses normally amounting to around 5,000 tons a week. (9) Average for first quarter. (10) England and Wales. (11) Generation for public supply. (12) Total available at gas works. (13) Average for four-week quarter. (14) On 1948 Standard Industrial Classification; later figures on 1958 classification. (15) Also including metal manufacture. (16) March 408·1 (17) March 371·7. (18) March 2·0. (19) March 218. (20) March 239.

APPOINTMENTS

COMMONWEALTH OF AUSTRALIA

CAREER OPPORTUNITIES
IN
ELECTRONIC DATA PROCESSING
SYSTEMS DESIGN, DEVELOPMENT AND APPLICATION

An Electronic Data Processing Centre is being established in the Bureau of Census and Statistics in *Canberra* to develop and institute data processing systems of advanced design using a large-scale digital computer.

Type of Work
- SYSTEMS ANALYSIS AND DESIGN
- PROGRAMMING AND PROGRAM DEVELOPMENT
- ADVANCED STATISTICAL ANALYSIS OF ECONOMIC AND SOCIAL DATA
- TRAINING OF EDP SYSTEMS ANALYSTS OR PROGRAMMERS
- SUPERVISION AND OPERATION OF DATA TRANSMISSION AND COLLECTION EQUIPMENT

Positions and Qualifications
- **Senior Programmer (£2556-£2751)** Considerable experience with EDP systems in one or more of the above types of work. Ability to supervise, direct and train Programmers and operators. An appropriate University Degree (including Mathematics as a major) is desirable.
- **Programmer (£2296-£2491)** . At least one year's suitable experience with EDP systems in one or more of the above types of work. Ability to direct staff as required. An appropriate University Degree is desirable.
- **Programmer (£1871-£2101), Assistant Programmer (£1651-£1871).** At least one year's experience of programming for large-scale digital computers involving familiarity with modern systems languages. Alternatively, experience in problem analysis and systems research for use with such systems, or relevant civil service or O and M type experience. An appropriate University Degree would be an advantage.
- **Programmer-in-Training (£1321-£1651).** Training will cover theoretical and practical work on EDP investigations and programs. On successful completion of training, trainees will be advanced as Assistant Programmer, £1651–£1871. An appropriate University Degree, or relevant experience with potential programming ability is necessary.

Selected applicants will be tested by appropriate written examinations.

Conditions of Appointment. First-class travel will be arranged for successful applicants and their families who will be assisted with accommodation in Canberra. Salary, determined according to qualifications and experience, will be paid from date of embarkation. A superannuation scheme applies.
All salaries quoted in Australian currency.

Applications should be made on forms obtained from the Recruitment Officer, Staff Branch, Office of the High Commissioner for Australia, Australia House, Strand, London, W.C.2, and returned by 16th April, 1962.

SOUTHERN RHODESIA GOVERNMENT

VACANCY: DIVISION OF LOCAL GOVERNMENT FINANCIAL ADVISER

Applications are invited for the post of Financial Adviser to the Division of Local Government in the Southern Rhodesia Government. The appointment will be for a period of three years with a fixed salary of £3,000 per annum.

Applicants should be qualified and have extensive experience of Local Government accounting and auditing. The successful applicant will be required to advise on any financial problems arising within the field of Local Government and will also be required to examine and advise Local Authorities in respect of their accounts procedure and progressively to train the staff of the Division in these fields. In addition, the successful applicant will be expected to assist in new financial legislative provisions for the various levels of Local Authorities which operate in Southern Rhodesia, e.g., Municipalities, Town Management Boards, Local Boards, etc. It is proposed to create a financial "cell" within the Department and this Cell would be the co-ordinating link between Government, the Local Authorities and the professional auditors employed by them.

The successful applicant will be employed in Salisbury but will be required to undertake a certain amount of travelling within Southern Rhodesia. Travelling and Subsistence Allowances applicable to Southern Rhodesia Civil Servants will be paid in this connection.

Family passages provided, low income tax, good schools, free tuition to University entrance), generous sick and occasional leave, medical aid, opportunities for sport and recreation in excellent climate.

Application forms and further details from:—

The Secretary (R), Rhodesia House, Strand, London, W.C.2.

Closing date: April 21, 1962.

FEDERATION OF RHODESIA AND NYASALAND

DEPARTMENT OF TAXES
TAX OFFICERS AND ASSESSORS

Applicants with qualifications of either B.Com. or Final C.I.S. or C. Dip. of C.A., or A.C.C.A., or A.C.C.A., for appointment as Tax Officers.

- GOOD STARTING SALARIES which depend on qualifications and experience, in the range of £795 10s. and £1,182 10s. p.a.
- GOOD PROMOTION PROSPECTS after serving at least one year on a salary of £995 10s. p.a. in the Tax Officer grade, automatic promotion to Assessor Grade II with commencing salary of £1,343 15s. p.a.
- *THREE-YEAR CONTRACT APPOINTMENTS* offered to Chartered, Incorporated or Certified Accountants with at least one year's post qualification experience, and applicants with B.Com. degrees or Final C.I.S. or C.A.S. with three or more years' post qualification accounting experience.
- LOW INCOME TAX
- ATTRACTIVE CLIMATE AND SPORTING FACILITIES.
- PASSAGES PAID TO FEDERATION FOR SELECTED APPLICANTS.
- Application forms and further details from:—The Secretary (R), Rhodesia House, 429 Strand, London, W.C.2.

Closing date:— April 16, 1962.

AN ASSISTANT SECRETARY required for the legal and taxation section of a national trade association. Post requires extensive study of Bills and Statutes affecting industry and commerce, also serving Finance and Taxation Patents, Company Law and other committees. Candidates should have legal qualifications, preferably knowledge of accounting and taxation principles or business experience, and have initiative for research. Salary according to qualifications and experience. Pension scheme. —Applications to Secretary, 68 Queen Street, London, E.C.4 marked confidential.

THE ECONOMIST MARCH 24, 1962

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Write, in confidence, to:—

The Personnel Manager,

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UNIVERSITY OF SYDNEY

CHAIR OF ECONOMICS

Applications are invited for a recently-established second Chair of Economics.

Salary will be at the rate of £A.4,250 per annum, plus cost of living adjustments (at present £A44 per annum). There is retirement provision under either the Sydney University Professorial Superannuation Scheme or the New South Wales State Superannuation Scheme.

Under the Staff Members' Housing Scheme, in cases approved by the University and its Bankers, married men may be assisted by loans to purchase a house.

The Senate reserves the right to fill the Chair by invitation.

A statement of conditions of appointment and information for candidates must be obtained from the Secretary, Association of Universities of the British Commonwealth (Branch Office), Marlborough House, Pall Mall, London, S.W.1.

Applications close in Australia and London on *May 15, 1962.*

EASTERN BASED British Industrial Association requires resident adviser of mature years but with prospect of further seven or ten years of good work under Asian conditions. Previous Eastern experience necessary, together with ability to understand and discuss business and economic problems with Senior Government Officials, prepare reports and advise principals, etc. Pay and other terms commensurate with qualifications.—Apply, Box 1001.

UNIVERSITY OF ABERDEEN

DEPARTMENT OF POLITICAL ECONOMY

Applications are invited for the post of ASSISTANT—(a) in POLITICAL ECONOMY and (b) in ECONOMIC HISTORY. Salary on scale £800-£950 with placing according to qualifications and experience. F.S.S.U., child allowance and removal allowance. Applications (2 copies) to be sent to the Secretary, The University, Aberdeen, from whom further particulars may be obtained, not later than April 7, 1962.

HWP MANAGEMENT CONSULTANTS

Principal Executive

On behalf of a larger undertaking, we are seeking a Principal Executive to take charge of the division of their business which operates food processing plants. The initial salary will be not less than £4,000 per annum, with full pension scheme. Age 40-55.

The appointee would report directly to the Chief Executive of the entire Organisation and would be wholly responsible to him for the efficient and profitable running of a group of factories, as well as the marketing of the produce. Applications, which will be treated in the strictest confidence by us until the applicant gives his consent to the disclosure of his name should be made in writing to:

Mr. J. Sandford Smith, Managing Director of Harold Whitehead & Partners Ltd., 65 New Cavendish St., London W.1.

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This Group is consulted by customers who have already ordered computing systems and advises on the final stages of their proposed systems and methods, on the programming of this work and on such matters as conversion procedures, parallel running and programme testing and development.
Those appointed will gain diverse experience in Commercial and Scientific applications of computers, and will be required to spend time with various customers during the period between the placing of the order and the successful commencement of the work after delivery of the computer.
Applicants should have at least three years' experience of computer programming and a degree in Mathematics, Science Engineering or appropriate commercial experience.
The posts carry the benefits of Staff Insurance, Dependants' Insurance and other Schemes and are tenable in London and Manchester.
Application forms may be obtained from: T. J. Lunt, Staff Manager, Ferranti Ltd., Hollinwood, Lancs.
Please quote Reference BS/12.

THE DISTILLERS COMPANY LIMITED

SALES REPRESENTATIVES

The Chemical Division of The Distillers Company Limited is expanding its sales representation in various parts of the U.K.
Candidates should be aged 25-35 and have a technical education up to degree standard. Preference will be given to candidates with selling experience in the chemical or allied field. Considerable emphasis will be placed upon the ability to develop and expand new business and the positions will offer career opportunities to the vigorous salesman.
Write: STAFF MANAGER, THE DISTILLERS COMPANY LIMITED, 21-22 BOLTON STREET, LONDON, W.1.
Quote Reference: 229E.C.

ASSISTANT IN ECONOMICS DEPARTMENT

One of Britain's largest manufacturing groups, Turner & Newall Ltd., offer a most interesting appointment at their head office in Manchester to a young lady with the ability to interpret figures and to comment lucidly on them.

A degree especially with economics and/or statistics is desirable but not essential. An intelligent approach to a wide variety of problems is one of the main requirements and it will be rewarded accordingly.

Applications giving the candidate's age, education and career to date should be addressed to the Management Appointments Adviser, Turner & Newall Ltd., Management Selection Officer, 34 Dover Street, London, W.1.

For other appointments see page 1175

BRITISH TRANSPORT COMMISSION

ECONOMIST

Applications are invited for a post in the Economics Section, Finance Department, at the Commission's Headquarters, Candidates should have several years' experience in the provision of economic information to management. Familiarity with statistical methods and a good knowledge of sources of economic statistics required. Fluent knowledge of French or German an advantage, but the lack of this should not deter applicants.

Starting salary, according to qualifications and experience, not less than £1,300 a year.

Superannuation scheme; certain travel facilities; medical examination.

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MARKET RESEARCH DEPARTMENT
for a
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POPULATION REVIEW

POPULATION REVIEW, editor Professor S. Chandrasekhar, contains Scholarly and Topical articles on demographic, sociological and economic questions. First issue January, 1957. Published in January and July by the Indian Institute for Population Studies, Tiruchirapalli, Madras 20 (India). Annual subscription U.K., Europe and Africa £1; U.S.A. and Canada $3.00; Asia Rs. 10.

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During 1961 the production branch of the Canadian petroleum industry operated in a more favourable climate than at any time in the past several years. This statement was made by G. T. Pearson, President of Hudson's Bay Oil & Gas Co. Ltd., in the Company's 1961 Annual Report to its shareholders. Reflecting the improved conditions prevailing in the industry, Hudson's Bay Oil & Gas reported a net income of $2,000,000 or 20 cents per share for 1961. These earnings, which did not include any special credits from sales of properties or investments, were higher than comparable earnings for any previous year. In 1960 net income exclusive of special credits was $1,000,000 or six cents per share. The improvement during 1961 was primarily attributable to an increased volume of sales, but small increases in selling prices and a reduction in expenses were also contributing factors. With a higher level of earnings the Company declared the first dividend on its outstanding Capital Stock in the amount of $3,549,000 or 20 cents per share. This dividend was paid on January 26, 1962, to shareholders of record at the close of business on December 29, 1961. The Company reported a new high output of crude oil and natural gas liquids in 1961, net production averaged 26,822 barrels per day, an increase of 4,133 barrels per day or 18.2 per cent over the prior year. Natural gas sales by the Company in 1961 were also higher than in any previous year. These sales averaged 60 million cubic feet per day, an increase of 16 million cubic feet per day or 35.8 per cent over 1960. In 1961 the Company participated in the drilling of 126 exploratory and development wells. After deducting the interests of others this was equivalent to 78.9 net wells, a decrease of 2.2 net wells from 1960. At December 31, 1961, the Company owned 486.6 net wells which were capable of production, 698.6 net oil wells and 88.0 net gas wells. At year end the Company's undeveloped land holdings in Western Canada totalled 11.6 million acres. This was a decrease of 1.8 million acres from the previous year end, primarily reflecting acreage relinquishments in the Yukon, North West Territories and other new exploratory regions. Hudson's Bay Oil & Gas expended $25.5 million, including both capital and expense items, for finding and developing reserves of hydrocarbons in 1961 an increase of $1.5 million over the previous year. Expenditures included $7.5 million for the Company's 4½ per cent share of expenditures made during the year on producing facilities and a plant designed to process raw gas from the Windfall Pine Creek and Beaver Creek natural Gas Fields. When this plant comes on stream later this month the Company's share of production after deducting royalties will be about 34 million cubic feet per day of saleable residue gas, 4,200 barrels per day of natural gas liquids and the hydrogen sulphide equivalent of 200 long tons per day of sulphur. The hydrogen sulphide will be converted into elemental sulphur at an adjoining plant owned by a major sulphur company. Mr. Pearson stated that the growth in demand for crude oil and natural gas had continued in 1962 with consequent additions to the Company's revenues.

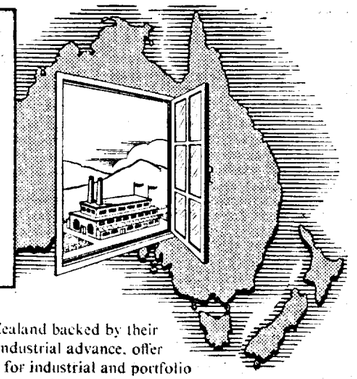
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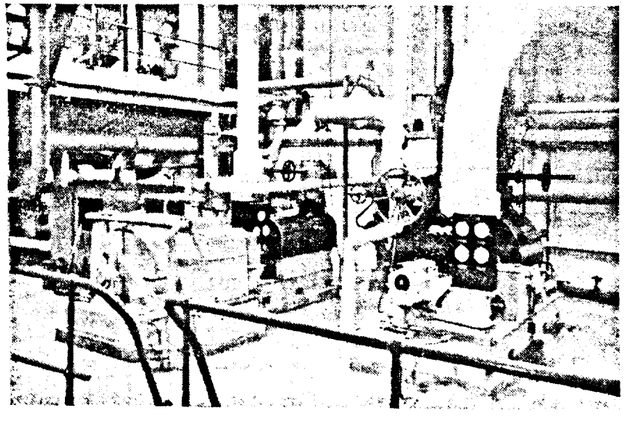
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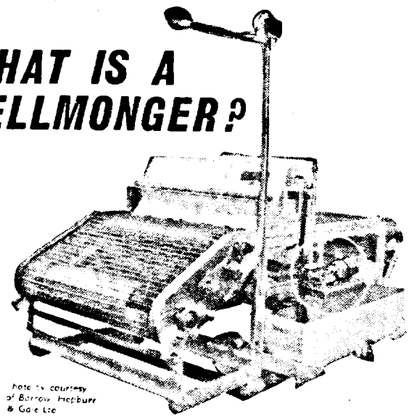
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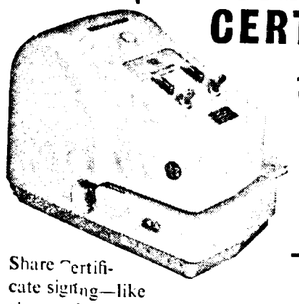
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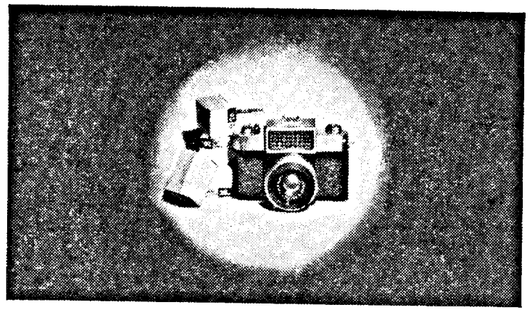


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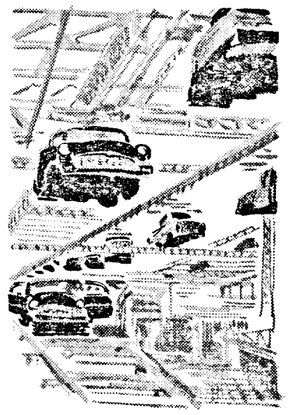




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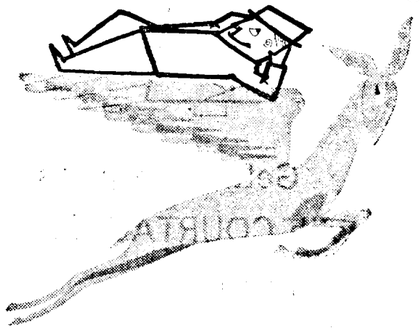
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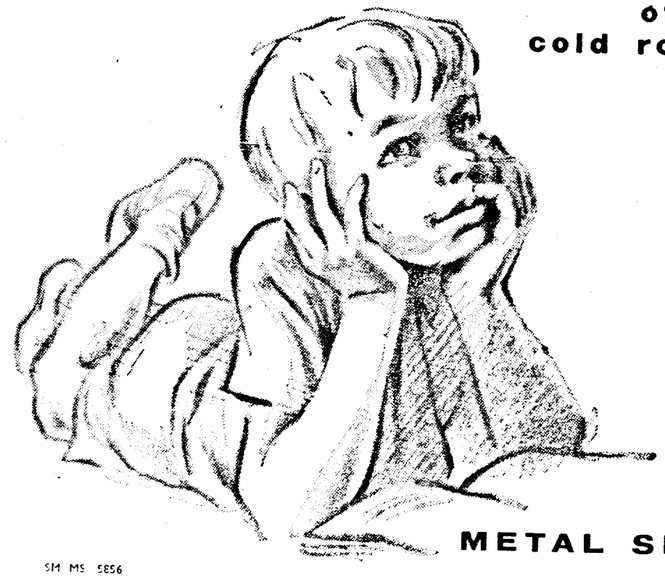
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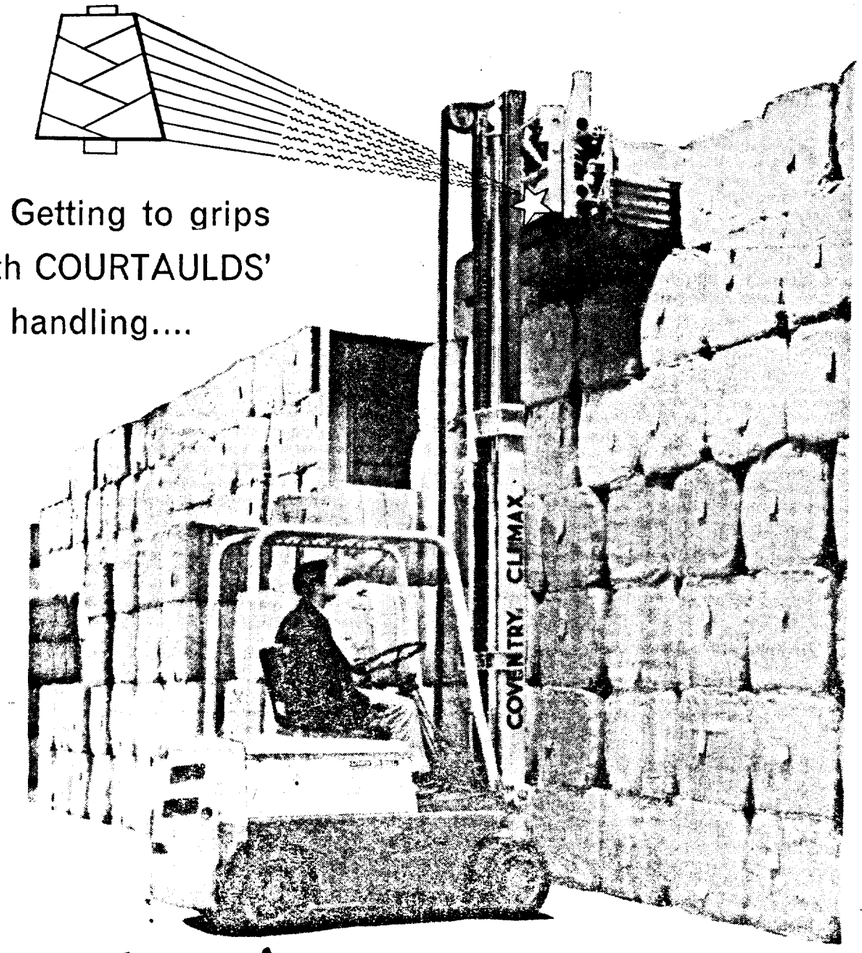
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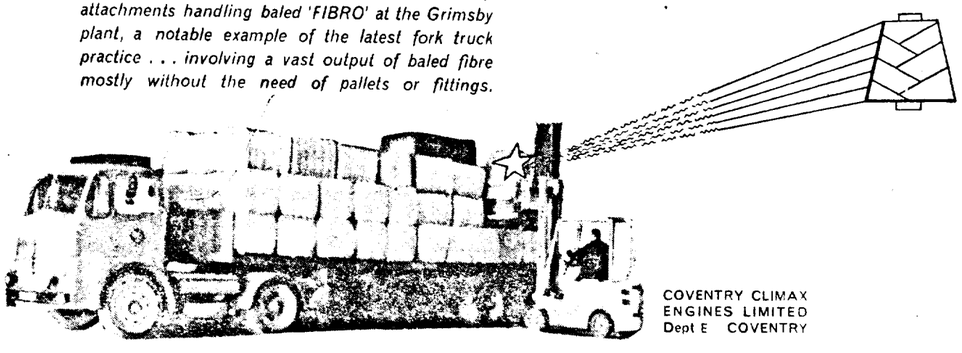
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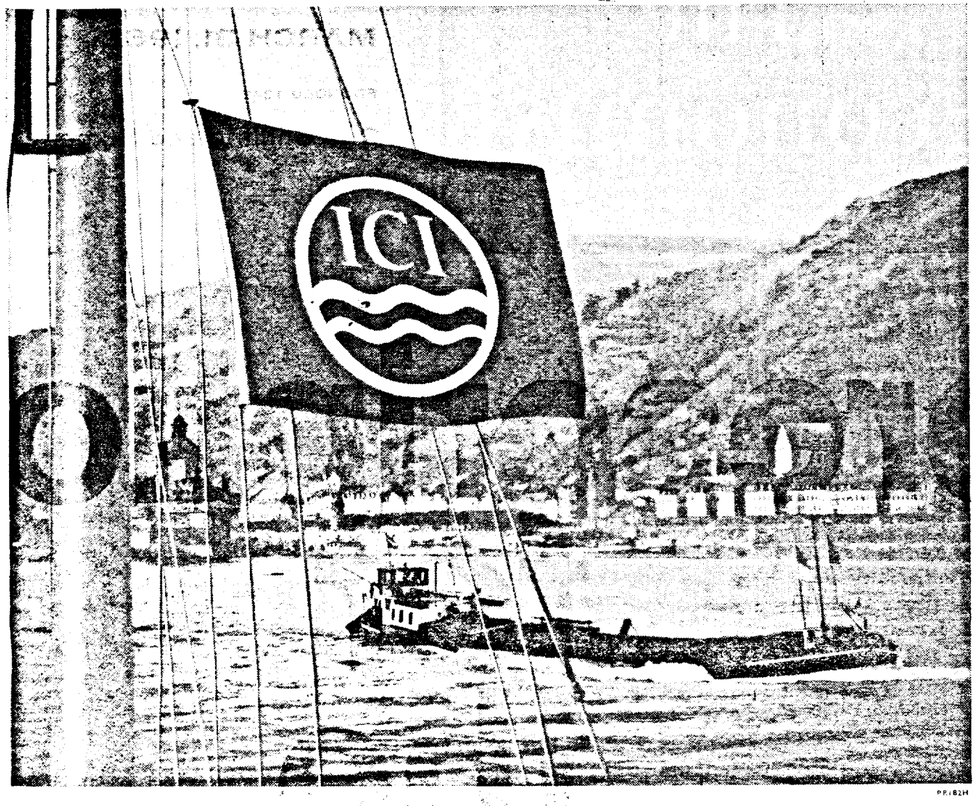
Two balances of payments | *Britain's and America's*

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he Economist . 22 Ryder Street . St. James's . London . SW1

GUIDE TO CONTENTS SEE OVER

English cargoes on the Rhine



Up and down the Rhine goes the inland shipping of half Europe, as it has, for centuries, fetching and carrying a hundred different kinds of cargo between Basle and the open sea. Swelling this familiar traffic is a growing new element — tankers carrying petrochemicals. These are the exciting new materials out of which ingenious chemical engineers will produce polyester fibres for glamorous clothes, hard-wearing synthetic rubbers for shoe-soles, supple plastics for car upholstery.

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HOME

Lions to Tame

The Chancellor's budget speech must make it plain that the national objective is to increase industrial production: he should offer some bold ideas on how to achieve it (p. 1201).

Equal boldness would be needed to forecast the result of next week's **Stockton by-election** but an eccentric candidate's gleanings at Pontefract may quieten too quick cries of victory for **Liberal** policies (p. 1207).

A spontaneous outbreak of labour troubles in **the docks** could damage the prospects for long-term reforms in this vital industry (p. 1204).

High Wire

In the year of **sterling's** greatest crisis, Britain actually had a balance-of-payments surplus—this is the strange conclusion to be drawn from the Treasury's latest wobbly calculations (p. 1259).

In the United States domestic economic problems are contending with those of the international balance of payments: Europe will need to co-operate in keeping **the dollar** on the level (p. 1249).

The row between a pair of film producers and the film technicians' union has cast a brief, menacing shadow across the boardroom (p. 1212).

Performing Fleas

The London **television companies** have been waxing fat on the advertisers (p. 1275).

Television violence needs watching by adults, if not by children or censors (p. 1214).

The **hire purchase** companies are squaring up to bite each other where it hurts (p. 1266).

Oxford is by no means totally opposed to the imposition of a road across **Christ Church meadow** (p. 1220).

Side Shows

Portsmouth is knocking down some dubiously attractive old buildings to make room for healthy redevelopment (p. 1218).

Railway fares explained (p. 1264), and Kentish commuters up in arms (p. 1219).

Au pair girls are coming in for comment: the rules governing their admission and employment need straightening out, but not stiffening up (p. 1212).

Fuel injection can increase the output of **blast furnaces,** but it is unlikely to be used while coke is over-abundant (p. 1273).

SPRING BOOKS 1962

INTERNATIONAL

THE WORLD'S WEATHERS

Silver Linings

The British, in mid-voyage towards Europe, have begun to take a gloomier view of the Brussels negotiations—with the conspicuous exception of Mr Heath. The Lord Privy Seal is right—there is no solid reason now for despondency about getting into the common market on fair terms (p. 1203).

A cheerful projection of a possible international agreement on **disarmament** in 1965 may lighten the cares of those following the present grinding talks at Geneva (p. 1205) where **Berlin** is causing the usual difficulties (p. 1208).

Winter Discontents

German stock markets have at last been hit by domestic inflationary pressures of the sort only too familiar in Britain (p. 1263).

So Professor Erhard has been issuing stern warnings against self-indulgence to the **west Germans** (p. 1240). The **east Germans** have been hearing their rulers' explanations of why the state of their economy still leaves so much to be desired (p. 1239).

Spring in the Balkans

In **Bulgaria** the communist government is making some sort of effort to prevent any re-emergence of the worst excesses of stalinism, though it hastens slowly at best (p. 1209).

In **Greece** the Liberals are embarked on a ruthless attempt to discredit the King (p. 1244).

Further Outlooks Unsettled

The military coup d'état in **Syria** has caused that country to revert to its traditional role as a factor of instability in the Middle East (p. 1244).

The military coup d'état in **Argentina** has toppled President Frondizi in circumstances that suggest that in his person democracy has been deposed (p. 1207).

In **Algeria,** the fate of the European settlers, the Franco-Algerian ceasefire—and even the date of the next general election in **France** —depend on the speed of General de Gaulle's defeat of General Salan (p. 1243).

The National People's Congress in Peking should throw some light on **China's** economic situation, relations with Russia, and internal politics (p. 1208).

Mr Adoula and Mr Tshombe may still be talking themselves towards a settlement of their differences in the **Congo** (p. 1212).

The methods **Japan** uses to control its financial affairs would raise eyebrows in the City; Japan has the fastest-expanding economy of any industrial country (p. 1261).

The American Climate

The Supreme Court has given **city voters** a great victory (p. 1250) and the Senate has put **Negro voters** on the road to achieving a much smaller one (p. 1253).

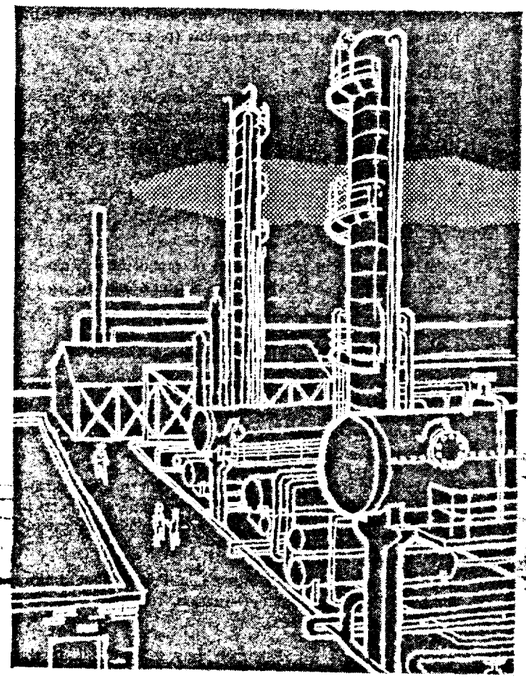
The settlement in the **steel industry** seems to be a triumph for the Administration's insistence that wage increases must be justified by increases in productivity (p. 1253).

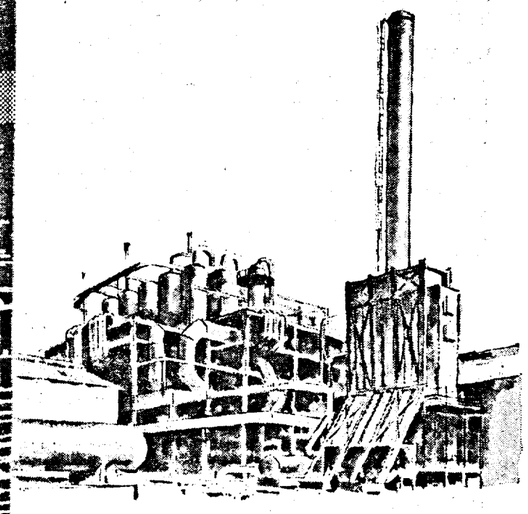
President Kennedy has improved the climate for his **trade Bill** at home but he may have made it less acceptable abroad (p. 1256).

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Detailed contents on page 1201

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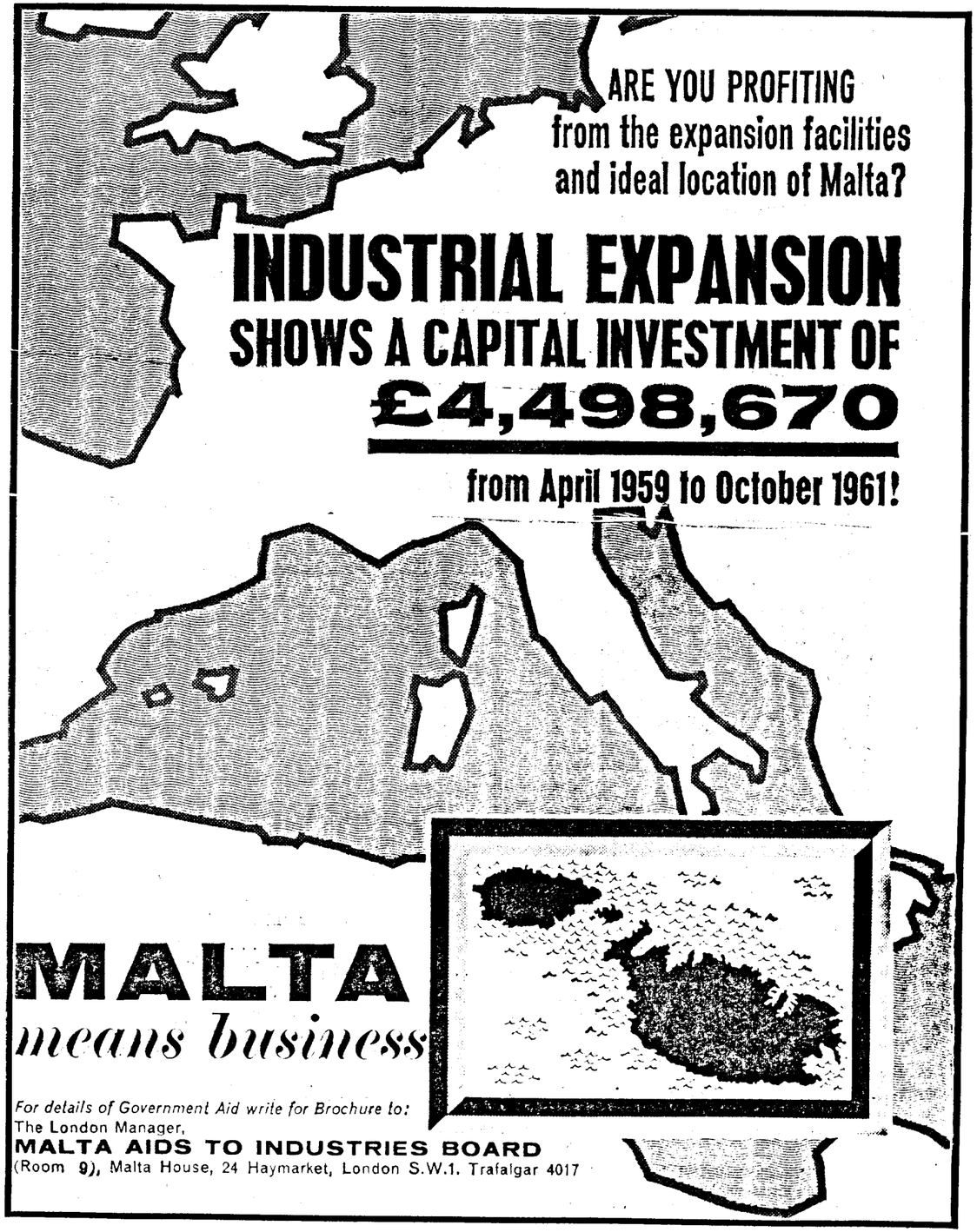
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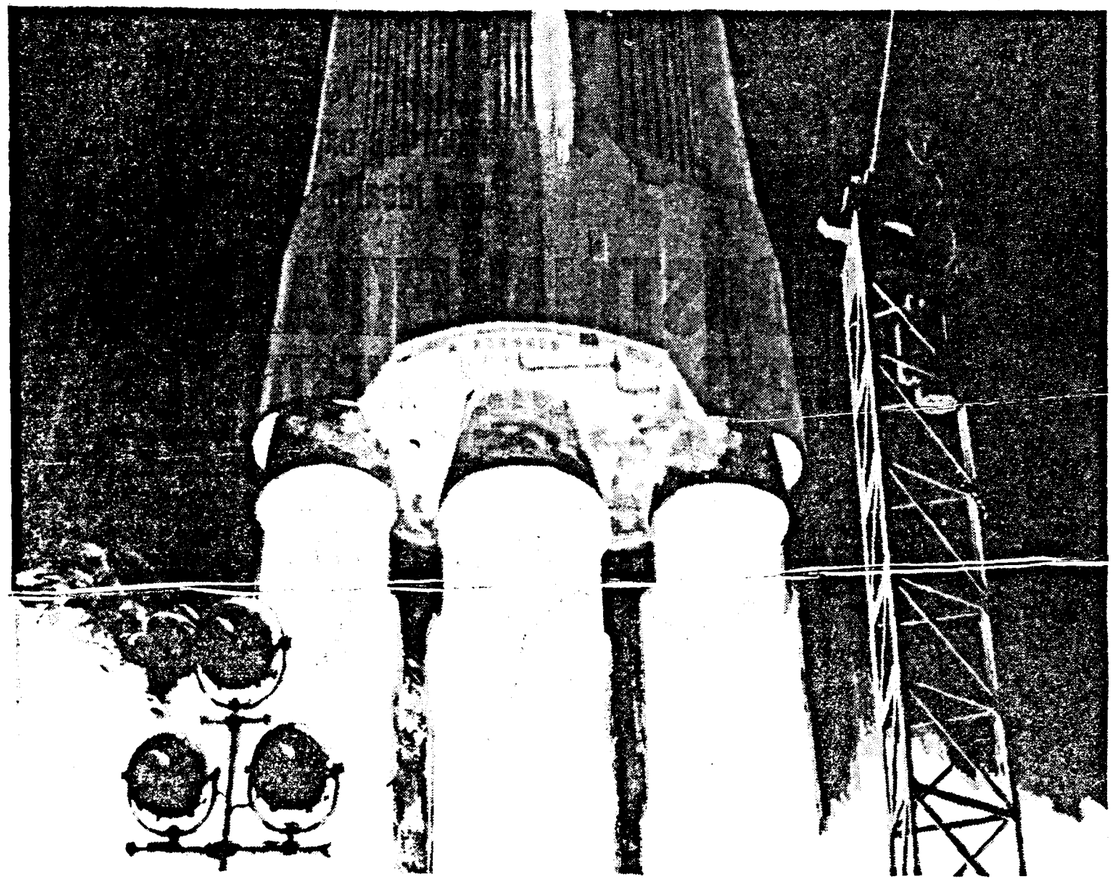
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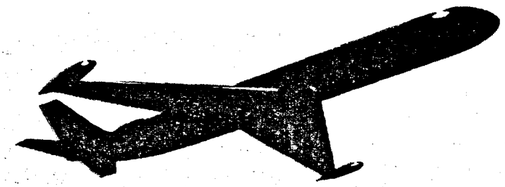


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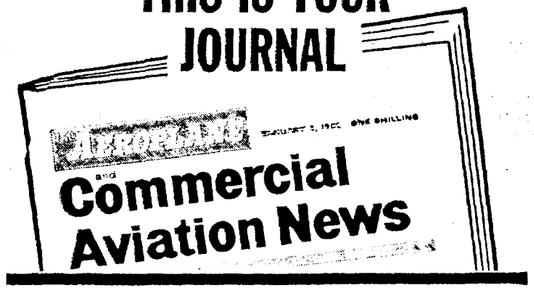
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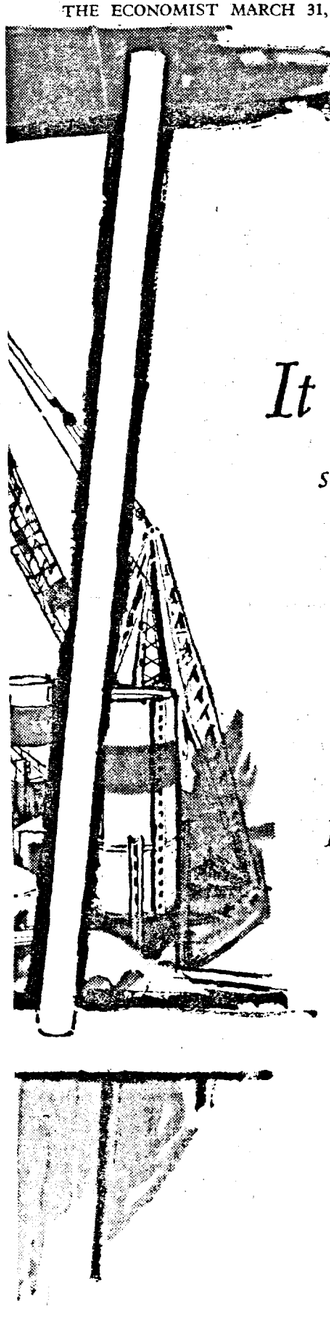
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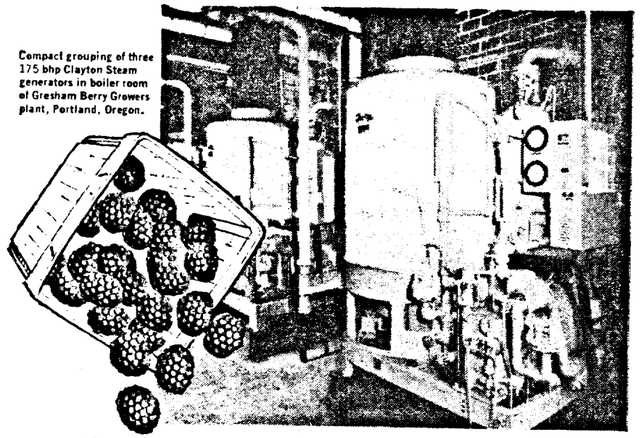
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Compact grouping of three 175 bhp Clayton Steam generators in boiler room of Gresham Berry Growers plant, Portland, Oregon.

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STEAM PRODUCTION COST COMPARISON

1960 SEASON

1 HRT Gas Boiler . . . . . 150 bhp
1 HRT Gas Boiler . . . . . 200 bhp

TOTAL CAPACITY 350 bhp

GAS FUEL (359,339 Therms)	$ 14,373.56
BOILER ATTENDANCE (Labor)	$ 6,864.00
MAINTENANCE (Season Average)	$ 1,500.00
1960 TOTAL SEASON COST	$ 22,737.56

1961 SEASON

3 Clayton 175 bhp Generators

TOTAL CAPACITY 525 bhp

GAS FUEL (246,573 Therms)	$ 9,862.92
BOILER ATTENDANCE (Labor)	$ 1,500.00
SEASONAL MAINTENANCE	$ 400.00
1961 TOTAL SEASON COST	$ 11,762.92

1961 SAVINGS with *Clayton* STEAM

48% or $10,974.64

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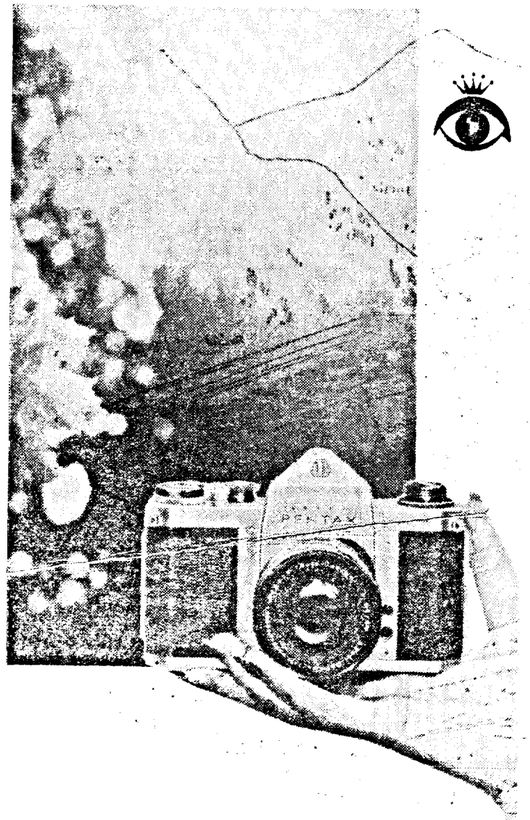
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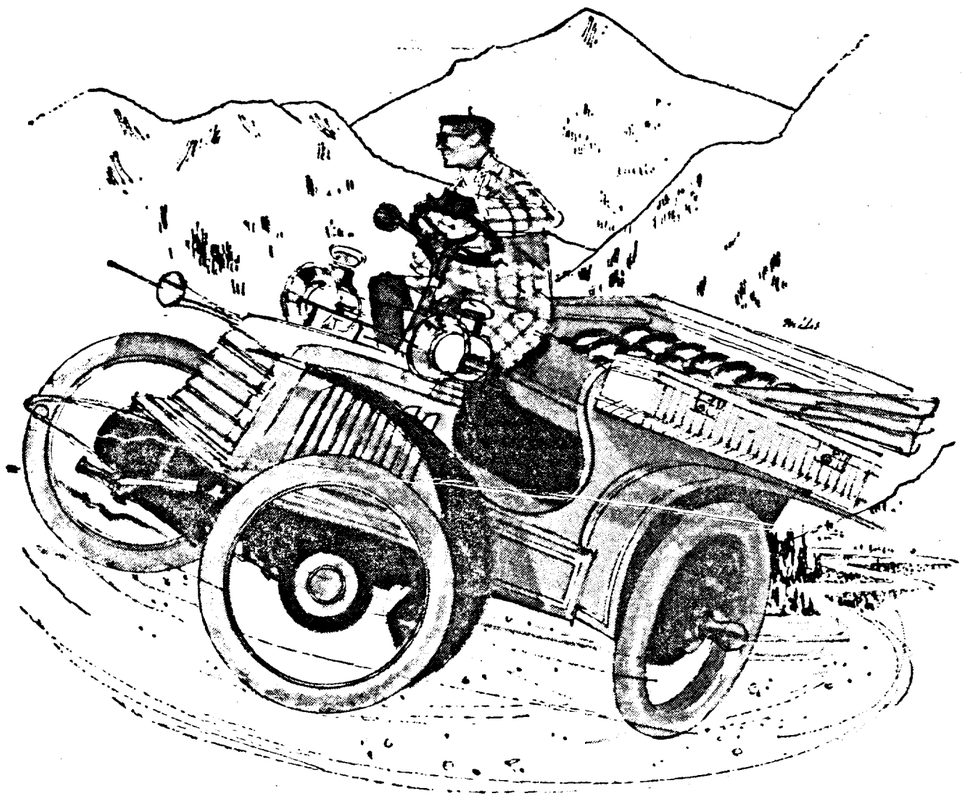
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The Economist

MARCH 31, 1962

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VOLUME CCII - NUMBER 6188

Prescription for the Budget

THE official Economic Survey for 1962 will not appear until after this weekend; it will be considered in our pre-budget issue next week. But this is the time to set down some general views about the broad economic strategy that Mr Lloyd should pursue on April 9th. The Government's main task this year should be to revive confidence in the idea of an expanding British economy, not least its own confidence and that of the business community.

To say this is to admit at once that it is not only economists who should sit in judgment on this year's budget, even if the Chancellor were able to make up his mind which group of economists to believe in. Judgment has also been passed by those who seek to assess that strange fourth dimensional factor in any modern economy: the degree of confidence or nervousness, of buoyancy or tendency to panic, which can upset any economic prescriptions based on mere figuring. But this article had better first make clear to which school of strictly arithmetical economists this newspaper finds itself belonging in 1962.

In terms of strict economic reasoning, of the sort that was regarded as orthodox until a few years ago, we believe that this is a year in which the Chancellor could have scope to give some emphatic tax reliefs. The latest index figure for industrial production (for January) was no higher than it was two years before; yet, in the intervening period of investment boom, productive capacity has clearly been expanded. Nor does it really seem sensible to say that capacity should remain under-utilised this year because of the special nature of the balance of payments problem in 1962—unless the argument is that a lot of capacity should be uneconomically under-used for ever. Some ministerial spokesmen have recently come dangerously close to saying that, because they consider that 1962 should be a year of exceptionally good prospects for exports, they believe that Britain had better delay the first surge of re-expansion to a year when prospects for exports may be slightly worse. The ordinary layman will justly say that, in its extreme form, this doctrine sounds to him like nonsense; he may be relieved to hear that to at least some economists it sounds like nonsense too.

Nevertheless, the fact remains that, ten days before the budget, the Government —despite a welcome turnround from sheer asceticism in the past three weeks— is still plainly feeling cautious; and, in these circumstances, it may actually—if paradoxically—be better for the sort of long-term policy that expansionists want if any bolder spirits in the Government do not push timider spirits forward too fast against their will. For it is here that the confidence or buoyancy factor enters into the reckoning—both among officialdom and in the business community. We would prefer this year to see Mr Lloyd start to move the motor ahead at a sedately gathering speed, foot poised over the accelerator and looking forward the while—rather than to dash ahead at full throttle straightaway, looking back nervously over his shoulder and feeling that, perhaps, he will have to be ready to jam the brakes on brutally whenever he next misreads the changing weather signs.

For expansionists, this should be a year for cautiously re-educating people. *The Economist* has long made clear its belief that the policy initiated last July was two-thirds broadly right and one-third broadly wrong. The two things that the Government got broadly right were, first, to raise Bank rate temporarily to 7 per cent (because the run upon sterling that had developed on the morrow of the German revaluation could be staunched only by making it immediately more

profitable for foreigners to hold money here); and, secondly, to try at last to initiate a wages pause and long-term incomes policy (and thus damp down the persistent cost-push inflation). The thing which we believe that the Government got broadly wrong was that it greatly overestimated the extent to which the troubles that had then arisen were due to what the Treasury called "an excessive pressure of domestic demand upon resources." Future historians will probably conclude that the controllers of the economy, which was sick enough of other diseases in all conscience, contracted a sort of hypochondria last July about the illness of demand-pull inflation when most of the usual symptoms of it were just not showing: witness, for example, the relationship last summer between the previous year's growth in production and growth in capacity (the former was lower); the statistics showing whether stocks of finished goods were being drawn down below danger level (they weren't); the trend in the current balance of payments (just before the Chancellor's measures it was already improving).

The measures that the Government took in July directly to restrain demand (such as the surcharge on indirect taxes) seem to have had two main depressing effects. One effect, which has been minor and short-term, is that the tight clamp on demand has caused a temporary tendency towards the under-utilisation of productive capacity, without apparently moving new resources into the export effort, or causing competitive price cutting, or doing any of the other things that should have followed action against a really excessive pressure of total demand (if such an excess had existed). The second effect is that industrialists, their confidence in future expansion shaken, have clearly begun to cut down their future investment programmes. Of these, the second or confidence effect is much the more important, and the one that most needs to be remedied. From this flows our own main broad prescription for Mr Lloyd's budget.

BEFORE he sits down on Monday week, the Chancellor should have made it plain that it will be his definite objective to secure a significant increase in industrial production in the new financial year; and should have persuaded his wider audience to feel that they can base their forward investment plans on the assumption that he means business about achieving this. This does not necessarily mean that a stated target figure for an expansion in national output (say, 4 per cent between the beginning and end of 1962-63) should be written into the budget speech or into the Economic Survey —although, on balance, it would be much better if it were. It does not necessarily mean that the Chancellor should immediately remove the whole of last July's surcharge on indirect taxes, although he should certainly cause the House to feel that he will be leaning forward ready to remove that surcharge if demand and production do not rise enough. But it does mean three other things.

First, the budget should contain sufficient immediate tax concessions to give it a small net reflationary content. The symbol of some such reliefs could be almost more important than their amount or directions, although a reduction (or removal) of last year's pretty ill conceived fuel oil tax, and some relief on income tax allowances (especially for the lower paid) would be useful priorities. Secondly, the Chancellor should pull himself up, even at this last moment, from making his proposed short-term capital gains tax into the fabulous piece of fiscal nonsense which rumour has suggested it may be going to be: if the tax really does exclude short-term losses from the computation of short-term gains, if it is made retrospective to last July, and if it really is applied to top tycoons at the rate of 17s. 9d. in the £, then it will have a much more damaging effect on business operations (let alone business confidence) than Mr Lloyd seems to understand. The obvious alternative is to introduce a genuine and non-discriminating capital gains tax on the American model and, with that having been done, to make this also a year for reforming taxation on company earnings. The two fields where incentives for companies are most needed are for investment (reform of the depreciation allowances?) and for exports. No better suggestion has been made for the latter than that of a correspondent in *The Economist* (March 3rd, page 826) for the replacement of existing company income tax and profits tax by a flat rate corporation profits tax and corporation turnover tax (on which latter tax, under the rules of Gatt, remissions to exporters may be made). If Mr Lloyd would only be bold enough to make an advance in this direction, many other defects in his budget could be forgiven him.

THE third requirement for getting Britain moving again this year is to abandon the now hallowed assumption that the first reaction to any sort of economic trouble must automatically be to make the biggest and most publicised possible cut in total planned demand. There has been an extraordinary lack of mature thinking in the use of the Bank rate weapon in recent years. Whenever hot money has been flowing into Britain and Bank rate has been brought down, discreet statements have been made to explain that this reduction must not be regarded as a green light. When hot money has been flowing out of Britain and Bank rate has had to be put up, Chancellors have hurried to beat their breasts before the Commons and explain that this increase must certainly be regarded as a red light. Very often the publicity effort ought to be pitched precisely the other way round. Some runs out of sterling, and most runs into sterling, in recent years have been due to interest rate differentials or (more commonly) to technical considerations affecting certain currencies abroad, rather than to any real rake's progress in Britain; indeed the Treasury statisticians have just in effect reported (see page 1259) that during most of last year's run Britain probably had a surplus in the current balance of payments. Britain has still to learn that it really is not sloppy husbandry to say that the proper way to meet such largely adventitious runs out of or into sterling is to move interest rates quickly up or down—sometimes, if necessary, with compensatory reflationary fiscal policies at home—instead of to thresh about with massive programmes for cutting internal demand.

The one thing that has gone really wrong with the British economy in recent years, apart from governments' tendencies to cut down demand too frequently and too early, has been income-push inflation. Once again, a real test of Government policy in 1962-63 will be whether it really resists this. It is worth putting forward one suggestion for the budget in this respect. It is generally assumed that the Chancellor will say in his budget speech that he will not hesitate to raise profits tax if profits increase their share in the national income under the new incomes policy, but it is also assumed that there is no equivalent instrument that could be used if increases in wages greatly exceed the Government's guiding light. In fact, however, such an instrument could be forged: the Chancellor could take power to raise employees' weekly national insurance contributions in the same way as last year he took (but did not use) power to raise employers' weekly contributions.

Theoretically, indeed, the whole effect of a cost-push inflation could be countered in this way; when the average rise in wages and salaries exceeded the Government's guiding light, the Chancellor could proceed to put employees' insurance contributions up and employers' contributions down at the same time. Politicians will blench with horror at the thought, and it would no doubt be political unrealism to call for an explicit statement threatening to impose quite this degree of economic realism this year. But there is no reason at all why the Chancellor should not take at least the contingent power to vary employees' contributions while extending for another year his present power to vary those of the employers.

Channel Doldrums

Despondency about Britain's negotiations with the common market is not justified by the facts

ON every long and difficult voyage, a time comes when nerves fray, spirits flag and an infectious pessimism begins to colour the judgment of the crew. Britain's negotiations with the common market seem just now to be passing through such a period. Sound Establishment men in London can be heard putting the odds on joining at a mere 60-40, and the anti-common marketeers (like Mr Peter Walker in the Commons on Monday) have been teasing the Government by asking what it will do if the negotiations fail. In Brussels and in Paris people regularly ask whether the British Government is serious after all. Some Americans, concerned for their own trade plans, have become so nervous that they are writing off the Brussels negotiations altogether; they are clutching, instead, at the old impractical idea that Britain should sign the Rome treaty as it is and negotiate changes afterwards.

Such doubts are no doubt natural so long as the negotiations have not produced results. But they have no foundation in reality. Because the Six needed time to settle their own agricultural problem, Britain's negotiations have moved more slowly than one would have hoped. It has been necessary to pick out each particular problem and bring it to simmering point where it can be mixed with the others and boiled up in a final bout of bargaining. On all the major trading issues, except that of the terms of sale and entry for the products of temperate agriculture, there has in fact been enough progress to make this serious bargaining possible within a few weeks.

Only if the talks on temperate agriculture fail to make comparable progress within the next six weeks will there be real cause for the present (premature) concern. That failure would indeed make it impossible to carry out the British Government's essential aim of sketching out the broad lines of an agreement before the summer. The consequences, at Westminster and in Brussels, would be grave. But there is no evidence yet that any such delay need occur. The six governments, and still more the European Commission, are now deeply committed to the success of these negotiations. The British Government, in Mr Thorneycroft's phrase, "is straining every nerve to get into Europe." Mr Heath is, in a matter-of-fact way, buoyant.

The pessimistic rumours now going around seem to feed more on themselves than on what is going on. Early this month the Parliamentary Labour Party agreed on a resolution about the common market which slightly favoured the views of the anti-Europeans. Dr Adenauer evidently read about it, and about the latest statements of interest from the National Farmers' Union, and liked neither of them. Perhaps, he suggested gloomily to *Le Monde* (which published an interview with him on March 10th), M. Monnet was too optimistic about the British and Europe. What Dr Adenauer said about the Commonwealth on this occasion has been confused by the habitual retrospective touching-up from Bonn. But even the original version in *Le Monde* ("the maintenance of the Commonwealth in its present form will certainly not be possible") hardly deserves the alarm it caused. There has never been any doubt that, even in the best of bargains, some parts of the Commonwealth preference system would have to be changed if Britain went into Europe. What the negotiators have to do is to safeguard, in the words of Dr Schröder, the west German foreign minister, the "vital interests of the Commonwealth."

IF the sluggishness of winter is indeed followed after Easter by a period of harder, and faster, negotiation, bearing fruit during the autumn in a detailed treaty, the protestants may well have something to sink their teeth in. Neither the British, nor the Commonwealth, nor the European Free Trade Association, nor indeed the six members of the European Economic Community, are going to get all they want from these complex negotiations. There are bound to be cries from all sides when the many conflicting interests have to be resolved. But there is no indication today in Brussels that the "Europeans" have stiffened their terms during the past nine months. Indeed, there is now a greater understanding there than ever before of the Commonwealth problem. Australia's demand to get into the talks may be inconvenient for Mr Heath. But it is at most a minor embarrassment, more than matched by the striking shift in Canada's attitude from obstruction to co-operation. While Mr McEwen, the Australian minister of trade, has been lobbying in Europe, Mr Heath has been having properly friendly talks with Mr Diefenbaker in Ottawa.

Halfway to Europe, with land ahead still out of sight; some Britons inevitably look back wistfully to the receding coastline. But thoughts of the changing world around them can

be a tonic for doubting voyagers. The mere fact that Britain is seeking membership of the European communities has already transformed, for good, this country's relations with its Continental neighbours and opened up new world-wide perspectives. The promise is there. The best lesson the Government can draw from its recent electoral losses—to common marketeering Liberals—is that votes are to be won by pursuing this promise, and the vital British interest in its fulfilment, with the pragmatic boldness and imagination that electors have lately failed to find in their long-set Tory rulers.

Dock Strike Ahead?

The dockers' section of the Transport and General Workers' Union is notoriously led by moderates and swayed by extremists. The country is now faced by the threat of serious trouble in the docks because the former feel that they can no longer maintain full control over the latter, and may therefore temporarily join them instead.



DISCONTENT has been building up on the waterfront for the last six months or so, while the slackness of foreign trade has kept the port workers' take-home pay down. During the same period the dockers' union leaders and employers have been engaged in lengthy, complex and constructive talks on ways of changing the system of casual employment in the docks, and have simultaneously been bargaining over a straight wage increase. To many disgruntled employees—and disgruntled dockers in London and Liverpool are not exactly rare birds—the militant left-wingers have seemed to be talking sense when they have said that the union's leaders (already identified with the employers through their shared membership of the national and local dock labour boards) have been going slow on the wage claim because of these other, longer-term discussions.

The employers have now firmly rejected the wage claim (i.e. the claim for increased piece rates and other earnings while actually on a job), while agreeing that some arrangements might be made to cushion the burden of underemployment by increasing fall-back pay and signing-on money for dockers who do not get a job on any particular day. A one-day unofficial strike started at Southampton in protest and Mr O'Leary, the moderate leader of the Transport and General Workers Union's docks section under Mr Cousins, has now been empowered to call an official strike after a month's delay. Mr O'Leary has said that, in the present national climate, he will not agree to refer the claim to arbitration and has rejected in advance any idea of intervention by the Ministry of Labour.

At the same time, dockers' unrest has broken out on a separate pretext at Liverpool. Here the TGWU has, since about 1925, been at odds with the rival National Amalgamated Stevedores and Dockers—known as the "blue union" from the colour of its membership cards. The quarrel reached its peak in 1955 when the NASD was expelled from the Trades Union Congress for failing to observe agreements on the division of membership between the two unions. The TGWU claims that the NASD has only 400 members in Liverpool, while the blue union claims 5,000 members there: more positively, it is known that 2,400 of Liverpool's 10,000 dockers do not belong to the TGWU. Some of these, for various reasons—sometimes, but not always, left wing reasons—have no doubt left the TGWU in protest at what they regard as its inefficiency; others, very probably, have simply opted out of the inter-union squabbles by failing to pay dues to either TGWU or NASD.

Work has been short in Liverpool for many months, with an average of 12 per cent of registered dockers failing to get a job each day. The paid-up members of the TGWU have now decided that they alone are to have the jobs available, and the union has called an official strike intended to compel the employers to refuse to hire "non-unionists." Alderman O'Hare, chief TGWU official in Liverpool, resembles Mr O'Leary in being a moderate man who has often shown his willingness to work with the employers when both sides are likely to benefit. But the forces of moderation are under specially strong pressure in Liverpool (where the National Union of Seamen, whose members are allied by kinship and proximity to the dockers, is also riven by a feud between left and right over the succession to the post of General Secretary): the poverty of the city, the traditional toughness of the employers, and (some would say) the Irish blood of the Liverpool waterfront folk make for extremism. The problem for reasonable men in this climate, particularly in the trade unions, is to be constructive without seeming to have sold out to the other side. The usually moderate Alderman O'Hare appears to have found the problem too hard for him this week.

THE first result of the strike, predictably and naturally, has been to arouse immoderate feelings among non-dockers in Liverpool. The local papers proclaim that famine prices for vegetables are on the way; the importers of perishable goods angrily bewail their losses; in a less serious key, all good Liverpudlians are indignant when horses for this Saturday's Grand National must travel in from Ireland by air. The threat of a national dock strike, too, lends steam to the anger of those port employers throughout the country who are not too keen on their federation's (fairly generous) plan to reduce the amount of casual employment in the docks, and to guarantee dockers against undue drops in their living standards at times of slack international trade. The opposition that the port employers' negotiators face from their old-fashioned tough members differs in degree, but not at all in kind, from that faced by union leaders like Messrs O'Leary and O'Hare.

The angry men on both sides are now in the ascendant. Meanwhile, the crucial principle of decasualisation, warmly supported by the official leaders both of the employers and of the union, is in danger. Only by ensuring that the men get work and full wages more regularly and more predictably, and are spared the twice-daily cattle-market of the "call" at the dock gates, can the bitter labour-management hostility of the docks be reduced, and more efficient working methods eventually be fostered. The Liverpool stoppage may yet be settled without too much delay, through the intervention of the Ministry of Labour's mediators and of the union's national officers. But it will leave a sour aftertaste in the docks which have, by their own peculiar standards, been pretty tranquil for over a year now—greatly to the assistance of the top-level negotiators so far in their talks on decasualisation. An even more sour aftertaste will be left with the public if so powerful a body as the TGWU shows again that it cannot put up with a small number of independent spirits in a trade that it effectively controls—even if some of the Liverpool non-unionists may seem to it to be tiresome as individuals.

The national disagreement is an altogether more dangerous affair. The employers, if the decasualisation talks come to a satisfactory conclusion, will face some pretty heavy payments to get a new system running. Understandably, they do not want to commit themselves to paying higher wages and larger piece rates just before entering into such an agreement: the more so since any new payments might be based on the average level of wages just before the new system comes into operation. On the other hand, the moderate union leaders may well feel that they would not have the power to persuade their thoroughly hide-bound members to accept any revolutionary new system unless they can appear as ruthless negotiators. There are four weeks clear until the union's notice to end the national agreement runs out, and the time can then be extended by two further weeks. If the talks on decasualisation can possibly be pushed through to a conclusion before the fatal date, the concessions it will necessitate from both sides could be presented to save the faces of each and lead to a happy end. That, at least, is the main hope now.

How Disarmament Happened

From The Economist of March 27, 1965

GREAT things come gradually. Seldom, in mankind's confused progress, is a clearly marked milestone passed at a single step. Some people will quarrel, indeed, with the title given to this article. They will quite correctly point out that the world has only just begun actually to execute the programme of comprehensive disarmament so painfully thrashed out at Geneva in recent years. The road to the completion of the programme is still a long one; and, quite apart from the bickering that resounds in many quarters (including our letter columns) at this very moment, there are still tense possibilities of a serious breakdown at some later stage—particularly at the end of stage two. Optimism must certainly still be tempered by caution. But it is, at least, enlightening at this time to look back at the record of what future historians may rate as the supreme—and most unexpected—achievement of modern diplomacy.

It has to be remembered that, when the great Geneva marathon began in March, 1962, very few people saw any hope of a successful outcome. On the contrary, all the immediate omens were gloomy. The eighteen-nation conference started one government short—although it was only five days after its opening that France achieved the Algerian cease-fire which set the French Republic on the road back from its self-imposed and doubtfully splendid isolation.

The first days at Geneva were overshadowed by menacing Soviet feints at the Berlin air lanes; and Mr Gromyko's absurd pretence that he knew nothing of these risky adventures was a depressing echo of old-school stalinist diplomacy (in 1962 the agile and witty Soviet foreign minister had not yet dropped his public mask of dourness). Within a week, deadlock had once again become apparent on the question of a nuclear test ban. Despite the ingenious Soviet ploy on nuclear verification that was, predictably, trotted out just as Mr Kennedy's time-limit expired, American and Soviet test explosions soon duly reverberated through Geneva's halls. In Moscow, Mr Khrushchev rattled his new "global rocket" and warned his subjects that guns must come before investment in production for consumers. But the talks lurched on.

How many people at that time took seriously Mr Kennedy's pledge that his negotiators were ready to sit down doggedly to a continuous series of thrashing-out sessions that would go on until disarmament had actually been reached? Even those who accepted this as a genuine American intention were sceptical about the Russians' readiness to do the same. They recalled the Soviet walkouts from disarmament conferences in 1957 and 1960, and assumed that after a time the Russians would stage another break. What they forgot was that to quit the eighteen-nation conference in 1962 meant walking out not only on the West but on the non-aligned countries too. There was scope (for the western allies as well as for Russia) for gouging a concession here and there by hinting at growing disinterest and impending withdrawal; but actual, final, withdrawal was another matter.

As the months passed, and the conference, despite some rather queasy adjournments, kept coming back for more—at various levels—speculation about a break-up gave place to talk of the whole thing being just a parallel to the long and fruitless test ban talks of 1958-1961. Preambles and principles, even some operative clauses in a draft programme, were one by one agreed; but did this mean anything at all? The world wondered; but while it wondered it also became dimly aware of certain gradual changes, changes that are easier to identify now than they were then.

MOST decisive of these changes, perhaps, was the progressive diminution of the unbalance of secrecy between Russia and the West. This unbalance had been the biggest single obstacle to disarmament. Russia's superiority in secrecy had long been a built-in part of its defence system. While this superiority lasted, Russia was bound to refuse the verification that other countries were bound to demand, whether for general disarmament or for a test ban. But by 1962 technological change was already fast redressing the unbalance. As more and more nuclear missiles vanished, submarine-borne, into the vastness of the oceans, or were dispersed in other

mobile forms that baffled conventional espionage, Russia lost most of the advantages in military intelligence that the relative openness of the western world had given it.

Paradoxically, Russia's own post-1962 switch from fixed missile launchers to mobile ones worked in the same direction. While Russia's spies in the West became less useful, the prevention of western espionage in Russia simultaneously became less important. Frenetic spy-phobia began to yield, in Moscow, to a resigned recognition that, in the new technical conditions, Russia now enjoyed only a very modest advantage in secrecy—and even that was largely offset by American superiority in photographic reconnaissance by orbiting satellites. Gradually it dawned on the Russians that they would need adequate verification of disarmament just as much as



Back in 1962: Mr Zorin, Mr Tsarapkin at Geneva

other countries did. They felt this need the more strongly because by now they were no better placed than any other foreigners to find out what was going on in China.

Meanwhile, there emerged quite starkly the sheer impossibility of attaining the Soviet economy's cherished national goals if the costs of the arms race soared into the dizzy spiral that the development of effective anti-missile systems implied. With the rural half of Russia relapsed into stagnation, the population's impatience for better living steadily mounting, and the last Soviet levers of influence in Peking snapping as China, virtually writing Russia off as a source of supply, turned again and again to western countries to meet its vital needs, the whole Soviet approach to disarmament changed. Disarmament was no longer a means of baiting the West while making sure that the terms offered were safely unacceptable. It became so real a need that the Soviet government was now ready to make real sacrifices of its aspirations to get it.

IN the United States, too, the climate was changing. A decisive defeat of the school of thought that identified disarmament with depression occurred in 1962, after the publication of the reports on the economic implications of disarmament compiled by the United Nations panel of experts, by the new United States Disarmament Agency, and by the Humphrey sub-committee. The Kennedy Administration found that it was going to be surprisingly easy to override the "military-industrial complex," partly by switching business from defence to space exploration, but more often by taking the kind of firm stand that Mr McNamara had already taken in blocking the B-70 bomber project. Once the first signs emerged of Soviet readiness to work on a truly balanced disarmament plan, the Americans at Geneva got down to brass tacks with a vigour that startled those of their allies and friends who, forgetting the United States' deeply anti-military tradition, had got into the habit of regarding Washington as incorrigibly "hard" in contrast to London's "softness." The enthusiasm of Mr Kennedy's representatives took away the breath not only of the Germans and French, still clinging to their military past in the name of Atlantic solidarity, but even of some of the non-aligned governments, which were still uneasily working out the full implications of general disarmament for their own countries.

Steady pressure from the under-developed nations, keenly aware of the massive benefits that world disarmament will bring them, has, however, been one of the steady factors that have made for progress at Geneva. Western fears that the non-aligned Asian and African countries' participation in the conference would work in Russia's favour have proved false. Not only has the final elimination of colonialism eased these countries' relations with the West; they have also shown, during these three years at Geneva, a developing understanding of the real problems that disarmament involves, and an ability to provide missing elements that could not come from either the Soviet or the western side. This applies, in particular, to the shaping of the now agreed formula about international peace-keeping in a disarmed world. We have not heard the last of the reservations that were formerly expressed so strongly in both western and communist capitals about "U Thant's Army," as the now nascent UN force has been nicknamed. But it is already hard to remember that only a few years ago the Asians and Africans were deeply suspicious that any such project was merely a "neo-imperialist" idea for curtailing their new-won independence.

When the third stage of the disarmament programme is reached, by 1970 if all goes well, cries of alarm at the imminent prospect of "world government" will almost certainly resound more shrilly than ever. By then, however, it is likely to be virtually impossible for any one party in any country to halt the massive processes of the Geneva programme. Already the more far-sighted are concentrating their thought on means of adapting diplomacy to conditions in which its tasks, indeed its very nature, will be wholly changed. Disarmament, whatever the idealists tell us, is bound to usher in new problems quite as complex as the old ones of which it disposes. But the mood of cautious optimism that is now, in March, 1965, so generally pervasive, is not merely due to the coming of spring. It arises from the simple fact that our new problems, for all the challenge of their complexity, are going to be much nicer to live with than the old ones.

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NOTES OF THE WEEK

LIBERALS

The First Party?

EXACTLY two years ago (March 26, 1960, page 1196) *The Economist* indulged in some of its customary psephological musings, directed on that occasion towards those who "scoff at the idea of a real Liberal revival." It opined that it was quite possible that during this Parliament, as during the last one, there might come a time when between 15 and 20 per cent of the electorate would again be swinging from Tory to Labour, and said that this time "quite a large swing to the Liberals could conceivably come from Labour as well"; we thought that most people had not recognised the "very odd" things that could then happen. For in the previous October's general election we pointed out:

> 49.4 per cent of the electorate voted Conservative, 43.8 per cent for Labour, and 5.9 per cent for the Liberals (although they fought only a third of the seats); subtract 15 per cent each from the Conservatives and Labour, add the whole 30 per cent to the Liberals and the latter would presumably and temporarily become the most popular party in the country.

On Wednesday of this week, National Opinion Polls Ltd. published in the *Daily Mail* its latest survey on how people said they would vote in a general election, and its findings — which were admittedly between 5 and 8 per cent more favourable to the Liberals than two subsequent polls in equally reputable newspapers—sent a thrill of flabbergastedness through the country. The percentages (excluding the Don't Knows) were: Liberal 33.7, Labour 33.5, Conservative 32.8. Compared with actual voting in the general election the reported Liberal pick-up was 16.6 per cent from the Conservatives, 10.3 per cent from Labour. By far the greater part of both swings was said to have occurred in the immediate wave of excitement after Orpington.

This reminiscence to 1960 has not been made in order to say "we told you so"—because as a matter of fact in terms of forecasting, we didn't tell you so. (The next two sentences after the above quotation unfortunately ran: "One doubts if anything on quite that apocalyptic scale is going to happen. But one can well envisage . . . quite spectacular advances could be made towards it, at any rate outside the heavy industrial areas.") But it is worth picking up—and now reiterating—the main conclusions we were drawing at the time.

The first conclusion was that there could be during this Parliament "some very odd by-election results indeed"; that conclusion now seems an understatement, and the Stockton by-election next week is going to be very interesting to watch. The second conclusion was that the Liberals should strive to utilise any such opportunity (if it arose) to proclaim a distinctive and controversial policy; we believed that they would hold on to a significant part of their mid-term swing only if much of it was a swing to genuine Liberalism, and not a mere grumbler's swing to a policy of nothingness. In our view (see below) this warning has been reinforced by the result of last week's by-election at Pontefract. Our third conclusion was that if the Liberals did hold on to any of this mid-term swing, if by the time of the next general election the idea of a genuine three-party system had been re-established in people's minds, this would be likely in the short term to threaten more Tory seats than Labour ones; but in the long term its main effect would be to necessitate a change in the whole nature of the Labour party into something with a much more liberal image. And we still think—despite Labour's new threat to discipline Mr Woodrow Wyatt—that this is what is most probably going to have to happen now.

PONTEFRACT

Swing to Eckley

IN the by-election in the safe Labour seat of Pontefract last week, on a quite decent (63 per cent) turnout, the Conservative share of the vote dropped by 4.2 per cent compared with 1959. But of this only 0.9 per cent went to Labour. The other 3.3 per cent went to the third candidate, a religious zealot who had come to Pontefract claiming to be supported by God and who proceeded to be supported also by 1,146 of its citizens. With respect to both the Deity and the zealous Mr Eckley (whose last-minute nomination papers had been signed, as an act of kindness, by the local lavatory attendant), one doubts if this result was a symptom of a great religious revival. But it inevitably throws an extra scintilla of doubt on the real nature of the recent great Liberal revival also. Tory cynics have often said that their by-election deserters who have temporarily turned Liberal would have deserted equally to a Flat Earther if one came along. Last week, at Pontefract, one virtually did. The small direct swing of under one per cent from Tory to Labour, if repeated at a general election, would serve to cut less than 30 off the present overall Conservative majority of 100 in the House.

ARGENTINA

Inheriting a Cauldron



Dr Frondizi: the indispensable vision

THE campaign in Argentina to jettiso President Frondizi was brought to head on Wednesday when, with soldier already in possession of key points in Buenc Aires, his resignation was demanded by a three service chiefs. Formerly divided, th military men, by uniting, plunged thei country into graver crisis. On Dr Frondizi' refusal to bow to their ultimatum, he wa placed under house arrest and more troop moved in. Thursday saw his depositio and imprisonment and a full scale militar takeover. Sr Guido was installed by th military chiefs in Dr Frondizi's place.

The hounding of President Frondizi ha been largely emotional and escapist. Fo whether or not he is in office, the probler remains the same. In the late, lamente elections, thirty per cent of the electorat was shown to be Peronist. And scrubbin the elections has not altered this fact. No does scrubbing President Frondizi. Wha is to be done with these blackshirts who ar estimated now to comprise more than three fifths of the working-class population Among the president's detractors there hav been two groups—utterly opposed. Th military feared he would be too kind to th Peronists. But the democratic parties, othe than Dr Frondizi's own Intransigent Radi cals, thought him not kind enough: the claimed that the elections should not hav been annulled. As for the Intransigen Radicals, they still form the country' largest single party. Thus a military regim must inherit a cauldron of discontent. I could also, as hinted in Washington, forfei United States aid under the Alliance fo Progress, thus inviting economic disaster a well as political frustration. It would seen that such a regime can command no confi dence anywhere unless it immediatel shows willing to establish a provisiona government in which civilians take part. D Frondizi in person may not be essential t Argentina. His vision of democracy, ever imperfect democracy, almost certainly is.

CHINA

Suspense in Peking

THE suspense was becoming unendurable. On, off, half on again, the National People's Congress did finally gather in Peking on Tuesday. Even though the tension has subsided, however, speculation is bound to continue, for, unlike previous meetings of China's "parliament," this one is not open to foreign reporters or diplomats.

Under the constitution, the NPC is supposed to meet at least once a year. It did not, however, meet at all last year, and this, together with the postponements of the past few weeks, suggests a reluctance on the part of the communist leadership to face even their hand-picked deputies with the hard



Mr Liu Shao-Chi

current realities. The present meeting was originally supposed to open on March 5th. It was first postponed for a fortnight, without explanation, but probably to give the Chinese time to read what Mr Khrushchev told the central committee of the Soviet Communist party, which met on that day. March 19th, however, passed without news; and three days later Peking announced that a preparatory meeting for the NPC had been held that day, still without mentioning when the actual session would begin. In the meantime, a meeting of the People's Political Consultative Conference—which had also been postponed from March 5th without explanation—has been held in Peking and the Chairman of the Republic, Mr Liu Shao-chi, has called a meeting of the Supreme State Conference. The hierarchy of these bodies is important. The Supreme State Conference is an emergency body which can only be summoned by the Chairman of the Republic. The Consultative Conference, as its name shows, is no more than a sounding board, and it includes some 800 nominated observers. By contrast the NPC, at least on paper, is the highest organ in the state and its only legislative authority. Since it meets so seldom, however, its real power is exercised by its powerful standing committee.

The Show Itself

AFTER such a curtain-raiser, the show itself ought to be good. Last year went by without a published economic plan, and no targets have yet been announced for 1962. In view of the critical food shortage, agriculture seems bound to be given top priority at the NPC; and this can happen only at the expense of capital construction. (The extent of China's plight emerged obliquely last week when the Administration in Washington rejected a Seattle company's request for permission to sell about $400 million worth of grains to communist China.) The NPC's session should also throw light on Sino-Soviet relations and on domestic politics. There have been no startling developments lately in Peking's quarrel with Moscow, but the twelfth annual celebration of the anniversary of the Sino-Soviet treaty was noticeably cool; no more than 1,500 people attended the rally in Peking on February 13th, compared with 10,000 last year. In domestic politics, the party has been rehabilitating intellectuals and experts who had been demoted or humiliated for supposedly right-wing views. The congress should show how right-wingers and advocates of better relations with Russia now stand, in the light of China's present isolation.

BERLIN

Bone in the Throat

NONPLUSSED, the diplomatists and journalists in Geneva watched the foreign ministers of the great powers go their ways at the mid-week with cordial talk of "clarification" about Berlin, but with no glimmer of an approach to an agreement. Mr Rusk and Mr Gromyko had had something like six meetings on the Berlin question. The American Secretary of State had suggested once more, on March 22nd, an international control authority for the access corridors. The Soviet foreign minister countered with a proposal that looked, in this one respect, not dissimilar; Mr Rusk turned it down.

This same proposal of Mr Gromyko's was elaborated more publicly at about the same time by Herr Ulbricht in east Berlin, at the plenary session of the central committee of the Socialist Unity party (further discussed on page 1239). Herr Ulbricht declared his readiness to consider conceding to "the guarantor powers" the right to function as "a kind of arbitration tribunal to assure peaceful traffic from and to west Berlin"; and apparently this could be a tribunal of four—the three western powers and Russia.

However, Herr Ulbricht made it plain that this would have to be part of a package deal that would include a peace treaty with the German states, and that the deal would involve acceptance of his government as the sovereign authority over the territory through which Berlin is approached. The occupation of west Berlin would have to end, and the three powers would have to withdraw their troops—though a "symbolic" contingent of neutral troops might be allowed. Other spokesmen of the east German government have been explaining, in the friendliest way, that the sector boundary in Berlin would also have to be accepted as an international frontier.

More will be heard of this idea of a control commission, or arbitration board, or whatever it should be called. But it will not be bought easily, as Mr Gromyko made clear when, at a dinner in Geneva, he toasted his guest, Dr Bolz, Herr Ulbricht's foreign minister. There would be no Berlin agreement and no German agreement, Mr Gromyko said, without recognition of the German Democratic Republic. Thus the familiar bone is left in the West's throat.

HEALTH SERVICE

Unattractive to Stay In?

AT one extreme there are people who assert that the national health service will shortly break down through a shortage of staff: that dissatisfied young British doctors are migrating in their hundreds each year, mainly to North America; that exploited young nurses fail to complete their training and that underpaid ward sisters are working themselves to death filling the gaps; that there are serious shortages in all the ancillary professions—almoners, occupational therapists, physiotherapists, dieticians and their like. At the other extreme is the view that the increase in the strength of nearly every profession working in the health service shows uncommon happiness in a job.

The Minister of Health came a bit too near this view in this week's all-night debate in the Commons when replying to Mr Robinson (who was far from the other extreme). Mr Powell scotched the idea of a mass migration of doctors, and of hospitals manned in the junior ranks almost entirely by Indians, Pakistanis, Ceylonese and other overseas graduates, by showing that the increase (of 4,000) in the medical staff of the hospitals over the last ten years was greater than the total number of overseas doctors serving in them. Similarly with nurses: Mr Powell declared that there has been an increase of 10 per cent in wholetime and 70 per cent part-time nurses over the past five years and that the recruitment of student nurses is beginning to go up again. The increase in part-time nurses he regarded as particularly encouraging; it means that the so-called wastage of student nurses is recovered later on by the employment of part-time married nurses.

Nevertheless, the work of the hospitals has expanded too. The number of in-patients treated rose during the nineteen fifties by 37 per cent and would presumably have risen even more were some 10,000 hospital beds not unused for lack of staff. Thus the increase in strengths is not the whole story. Mr Powell himself referred to the need to make effective use of staff, rather than merely increase its numbers. In physiotherapy, for instance, a profession which in Tuesday's debate was singled out as underpaid and undermanned, a committee of the Central Health Services Council has pointed out that, without any physical benefit, patients are given massage for months, even years, on end because their cases are not reviewed by anyone senior enough to stop it. Similar real "wastages" could be found throughout the hospital service. Here is another slogan for Mr Powell: "fewer staff with newer methods." He would then find it less costly to pay significantly higher salaries to those who give long service to the hospitals, even though he was quite right to resist some of the demands for much higher salaries for every transient novice.

LORDS

Noblesse n'obligera plus?

AN apathetic and half-empty House of Commons agreed this week (without a division) to a Government motion setting up a joint committee of both Houses to investigate what changes should be made in the rights of peers to sit in either House. The indefatigable Lord Stansgate (Mr Wedgwood Benn) was not in the gallery to witness this preliminary triumph but Lord Hailsham was there, clearly brooding on his future. Downstairs Sir Winston listened intently but Mr Butler had discreetly absented himself from the scene. Mr Macleod in proposing the motion was all sweetness and light, as was Mr Gaitskell. The leader of the Opposition indicated coyly that the new wording of the Government motion was acceptable to him, but refrained from any gloating.

On tactical grounds the Government has been right to have second thoughts on the scope of the proposed committee and to limit it to considering a small group of anomalies. A broader inquiry into the composition of the Lords, designed to make it look less ridiculous, would have forfeited any chance of co-operation from Labour (which is afraid that a less ridiculous Upper House would insensibly become a more powerful one). This tactical retreat by the Government has not pleased all Conservative backbenchers but their opposition was not pressed very far in the debate.

If the principle of renunciation is accepted two main points will have to be decided. What should be the period of renunciation and to whom should the unnobling measure apply? At one extreme, a peer could be left free to chop and change between the two Houses as the whim took him; as he could only get into the Commons if the electorate chose him, some people will say that this would not really do anybody else any harm, but Labour seems resolutely opposed to it. The other extreme (which Labour would like) would make a renunciation absolute both for the holder and his heirs. Such a rule would be too harsh. The most likely compromise solution may be to allow a peer who has not yet taken his seat in the Upper House to announce that he wishes to stand for the lower House instead and thereafter to disqualify himself from sitting in the Upper House for his lifetime (unless he happens later to be specifically made a life peer of Parliament, as a reward for his own services). If this is done for future peers, however, all existing peers (whether they have sat in the Upper House or not) should certainly be given the right of renunciation to be exercised within a limited period. These changes would also remedy the ridiculous situation in Scotland where the non-representative peers (i.e. those not elected to the 16 available seats) are debarred from sitting in either House. A final anomaly which should be removed is the ban on peeresses in their own right sitting in the Lords. Now that women may be members of the House as life peers their exclusion is more absurd than ever.

FRANCE

Have a Care, Sir

"AND mock not the boar in his lair," says the law of the jungle. Mr Khrushchev must brush up his Kipling. It is unlikely that he intended any offence when he recognised the Algerian nationalists as the *de jure* government of the country the moment the Evian settlement was announced on March 18th. He had been under pressure to give recognition for some time, China having done so in 1960, before Russia even recognised the provisional government *de facto*. He had no wish to let the Chinese appear more anti-colonialist than he, but equally he had no wish to offend General de Gaulle, for whom he shows an odd respect. Russian aid to the Algerians has consisted chiefly of medical supplies and support at the United Nations. No doubt Mr Khrushchev saw the Evian agreement as a heaven-sent opportunity to restore his credit with the Algerians without vexing the French unduly. But General de Gaulle swiftly disillusioned him. It was announced on Sunday that the French ambassador in Moscow had been recalled "for consultation," and Mr Vinogradov, the Russian ambassador in Paris, had been invited by the French to go to Moscow for consultation till further notice.

President de Gaulle's reasoning is fairly clear. French sovereignty in Algeria has been recognised, during the interim before independence, by the nationalists themselves; the Russian action is therefore seen as unwarrantable interference and an insult to France. Judging by the allusion, in the president's speech on Monday, to "a certain totalitarian empire, which muzzles fourteen nations" and yet lavishes insults on "so-called colonialist" France, General de Gaulle was particularly upset by the terms of Mr Khrushchev's telegram to the Algerians, which might be taken to mean that gaullist France stood in the way of self-determination. Russia has not mended matters by suggesting that the French government may not really want a speedy implementation of the Evian accords.

Mr Khrushchev has gained nothing by his manœuvre. Mr ben Khedda's reply to his message was warm but carefully vague. And General de Gaulle, whom all parties are so anxiously trying to tempt to the disarmament talks at Geneva, has dexterously placed himself once more in his favourite posture of injured but haughty virtue, from which he is not accustomed to emerge without some solid reparation.

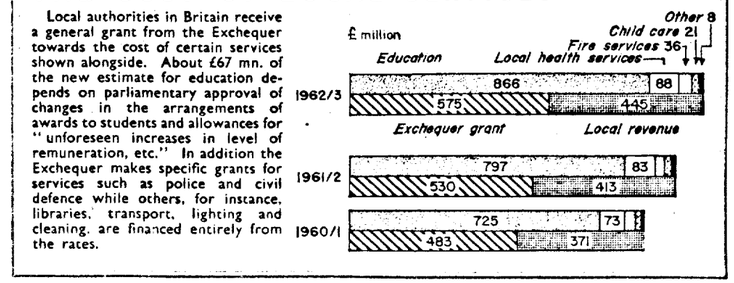
BULGARIA

Travail in Sofia

WHEN a prominent Bulgarian communist says he is in favour of having ministers hauled over the coals (or, as he put it, made to "sweat a bit") in the National Assembly for the shortcomings of their departments, it does not mean that Bulgaria is about to be transformed into a western democracy. In any case it remains to be seen how much use the newly-elected Bulgarian parliament makes of Mr Staykov's invitation to forsake its customary role of rubber stamp. But his remarks are an interesting sign of the complicated travail through which the regime is now going, in its efforts to comply with the current destalinising fashion without losing its hold on power.

THE COST OF LOCAL SERVICES

Local authorities in Britain receive a general grant from the Exchequer towards the cost of certain services shown alongside. About £67 mn. of the new estimate for education depends on parliamentary approval of changes in the arrangements of awards to students and allowances for "unforeseen increases in level of remuneration, etc." In addition the Exchequer makes specific grants for services such as police and civil defence while others, for instance, libraries, transport, lighting and cleaning, are financed entirely from the rates.



Until recently Bulgaria's contribution towards destalinisation appeared to be confined to finally getting rid of the former "little Stalin," Mr Chervenkov—he was sacked as deputy prime minister just before Christmas—and making him the scapegoat for all failures and mistakes. But the cabinet reshuffle approved by the new parliament suggests a further cautious and hesitant step towards a more liberal regime. In particular, Mr Georgi Tsankov has lost his post as minister of internal affairs, which he has held ever since Mr Chervenkov appointed him in 1951. But although he has lost the key ministry, Mr Tsankov has not lost all influence, since he has been made a deputy premier. Significantly, however, his successor at the ministry of internal affairs, Lieutenant-General Dikov, has just been in Moscow studying Russian experience in "strengthening socialist legality and legal order"—in other words, how to avoid stalinist abuses of power.

Other cabinet changes, in particular the sacking of the ministers of internal trade and of foreign trade, reflect the regime's concern with the serious shortages of foodstuffs and consumer goods which were freely admitted by party leaders during last month's election campaign. Shortages provoke grumbling and discontent, and until they are overcome Messrs Zhivkov (the party boss) and Yugov (the prime minister) will be reluctant to speed up their present hesitant crawl towards a more liberal regime.

Avoiding Boer War Two

BETWEEN Lord Montgomery, hand at his sword to fight by the side of white South Africans, and President Nkrumah, who has different ideas, lies Britain's policy on South Africa. This policy is the result of negotiations between the two governments that began in March, 1961, when Dr Verwoerd decided to leave the Commonwealth. Since then, the British Government has been accused of being in favour of Dr Verwoerd—both because it has refused to attack South Africa (by means of trade boycotts, economic sanctions or United Nations votes) and because it has not completely withdrawn the privileges of Commonwealth membership from the new republic. The reason is plain: Dr Verwoerd, Whitehall knows, has the power to hurt Britain.

Thus, sitting on a barbed-wire fence, the British Government has avoided doing battle with the Boers all over again, while in its own judgment avoiding support of apartheid. But there lies the barb: in the judgment of Africans and Asians Britain is in effect supporting a country that proudly proclaims white to be superior to black. A certain deference does indeed mark every aspect of Britain's relations with South Africa:

Money: The new South Africa Bill, due to come into force at the end of May, allows Commonwealth preferential treatment for South African exports even though the republic has now been out of the Commonwealth for nearly a year. The excuse is that British investment in South Africa is worth £900 million, and the republic is Britain's fifth best customer, taking British exports to the tune of £150 million a year. Golden South Africa, the argument runs, is a valuable member of the sterling area, and should be treated as such.

But, according to The Economist Intelligence Unit* the preferences given to British goods by South Africa are so small, and confined to so narrow a range of products, "that their entire abolition would have negligible effects, save perhaps in some branches of trade in electrical goods." It is not clear whether or not the British Government is seeking the same consideration for South African exports to the common market as for those of countries still in the Commonwealth.

South African sugar will in future be bought by Britain at a price roughly half way between the present world market price and the Commonwealth Sugar Agreement price—the excess over the world price costing the British taxpayer some £2.7 million a year. Here the explanation is that Swaziland sugar would suffer with that from Natal because Swaziland's economy is inextricably a part of South Africa's. But Swaziland production is, by arrangement with its big neighbour, restricted to 80,000 tons a year—while South Africa's sales to Britain at the special ex-Commonwealth price will be 150,000 tons a year. The £2.7 million might more profitably have been given to Swaziland direct.

Citizenship: The South Africa Bill is generous to South Africans who want to become British citizens; in effect it gives them three years to make up their minds. This is a kindness to individuals, and a recognition of the many personal and family connections between people in both countries.

Protectorates: Basutoland, Bechuanaland and Swaziland could probably be occupied by South African troops if Dr Verwoerd so desired, to the great embarrassment of the British Government. Long before he did it, however, Dr Verwoerd could use his economic power to squeeze the protectorates to death. Bechuanaland depends on the South African market for the sale of its beef; Swaziland exports its products to and through the republic; Basutoland exports Basutos to the gold mines.

The British Government is to spend £6 million on these three territories in the period between mid-1961 and March, 1963; they are to be "shop windows" of non-racial development. But Dr Verwoerd will spend £57 million in the Transkei (an area due to be granted limited tribal self-government) during the next three years; apartheid's window may, in economic terms, be the better dressed.

Politically, Britain has made timid steps forward in Bechuanaland and Basutoland (now nearly ripe for a new constitution), but Swaziland, economically the most advanced, still awaits a decision. The danger here is that the Colonial Office will take the easy way out and give an increased say in Swazi affairs to equal-but-separate groups of whites and the traditional Swazi aristocracy, sitting together. The few modern-minded Swazis are vociferously demanding a compromise between this and African control and votes for all. Mr Maudling has deference to the chiefs, which would also be deference to "separate development."

South African refugees pass through the protectorates and sometimes settle down in them. This must be allowed to continue; it probably will.

South West Africa: Within a very short time the International Court of Justice can be expected to pronounce on whether or not South Africa has a right to occupy South West Africa against the oft-expressed will of the United Nations. The British Government has yet to vote in favour of a strong UN resolution on this issue.

Defence: Arrangements between the two countries have not been altered by South Africa's departure from the Commonwealth; apparently this is thought a reasonable price to pay for the continued use of the Simonstown base. There is, apparently, to be no embargo upon sales of arms, ammunition, or even tear-gas to the South African government. Some of Dr Verwoerd's new £60 million defence budget (up by £24 million) will undoubtedly be spent in Britain. The Joint Under-Secretary for Foreign Affairs, Mr Peter Thomas, has explained that, in the British Government's view, "not all arms are used for repression." There is no serious indication of what other purpose the South African government might have in mind.

* The Commonwealth and Europe. September 1960.

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TRADE UNIONS

Boss over the Boss?

Most managing directors are employees of their company, in the sense that they hold a service contract with it; and some have felt an understandable alarm this week at the Boulting brothers case, which has seemed to imply that a trade union that enforces a closed shop policy can insist that they become union members and then tell them what to do. In the case concerned, the judge, though openly sympathetic to the Boultings, decided for the union on the technical point to which he felt he was restricted: namely the interpretation of the union's rules. The plaintiffs, the Boulting brothers, had been managing directors of Charter Film Productions Ltd. since 1937 and besides managerial functions also carried out technical functions as directors, editors and screen writers. In 1941 the plaintiffs were admitted to the Association of Cinematography, Television and Allied Technicians after a request from a union official that they should apply for membership. After 1947 various disputes occurred between the union and the plaintiffs as managers and in 1953 it was agreed that their membership should be held in suspense. In 1959 the union claimed a large sum in back subscriptions from the Boultings and insisted that in future they should be members of the union; otherwise it would bring its members out on strike.

The Boultings then brought an action against the union asking for a declaration that as employers they were ineligible for union membership under the union rules, and also for an injunction to restrain the union from taking any action to force them to become members. The judge held that the union's rules did make them eligible for membership. But the Boultings' second and wider point was that if the rules did do this, then they were to that extent *ultra vires* and void as being contrary to public policy. The judge conceded that if the dual capacity of the Boultings as managers and members would *necessarily* lead to a breach of trust or a breach of contract on the part of those observing it, then the rules would be void. But he went on to hold that any such breach would be only contingent, since the rules themselves did not oblige the plaintiffs to become members, and did not impose any obligation on them to adopt union policy in their capacity as managing directors. (It is the policy of the union as enforced by strike threats, not its rules, which might do that.) The judge, however, conceded that the union's attitude had placed the Boultings in an embarrassing and invidious position and deplored its action in seeking to force them to become members. This, surely, brings one straight back to the case for the legislative reform which has been urged *ad nauseam* by this newspaper. When a union enforces a closed shop policy, its rules should be subject to review by some such arbitrator as the Registrar of Friendly Societies—in order to protect its own (sometimes unwilling) members' personal rights.

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AU PAIR GIRLS

The Wandering Students

The army of foreign "home helps" who have become an indispensable adjunct of the middle-class British young-married household are of two types. First, there are those who come here specifically as servants, subject to Ministry of Labour permits and entitled to payment of a set minimum wage. Secondly, there are the *au pair* girls who come here nominally as visitors, albeit ready to help their "hostesses" with light duties about the house. Now and again the wildest rumours run about concerning the way they are treated by their "host families," or the way their "hosts" are treated by them, or what some of them have really come here to do. The latest pamphlet* from Political and Economic Planning seems to have been intended to answer some of these questions. Unfortunately it is one of their rare duds. This is perhaps not the single inquirer's fault: no record is kept by the immigration authorities or by the police of the numbers of these girls entering the country. Guesses have ranged from an official 15,000 to an unofficial 40,000.

The method chosen here was to take a random sample of 417 foreign candidates for the Cambridge Lower Certificate in English at schools in London, the Home Counties, Oxford and Cambridge, and ask them what they thought of life in Britain. 89 per cent of the sample were girls, almost 75 per cent of them were aged between 18 and 23, 41 per cent of them were German. This sample drawn from the schools is bound to be overweighted with *bona fide* students as against other girls (hence, just possibly, the preponderance of Germans and the mere 9 per cent of French?). In any case their answers were dreadfully stodgy: 86 per cent of them were satisfied with their classes; of their shatteringly predictable comments on Britain the highest proportion (18 per cent) of unfavourable remarks concerned the weather.

Perturbed by the lack of knowledge about



Perturbing—or just predictable?

these girls, and about the fairly high number (although low proportion) of them who get into serious trouble while in Britain, the National Council for Women has for some time been urging the Ministry of Labour and the Home Office to try to restore to the term *au pair* its original meaning of an exchange of visits, and to make the granting of labour permits to part-time students easier. Surely this is what needs to be done. Instead of making this rigid distinction between servants (subject to controls) and visitors (whose real experiences are concealed behind a lump of missing statistics) officialdom should recognise that there is a large group in between: girls who want to come here, to earn a few honest pounds a week while learning English, and to provide valuable domestic services in exchange. Any new legislation should make it easy for them to enter Britain to do this, and also give them a perfect right to move on to a different house if they do not like the first family with whom they live. The danger is that all those who are concerned about the untidiness of the present position may combine to be restrictive rather than welcoming to the new and hopeful young people's international.

* Young Europeans in England. PEP. 4s. 6d.

CONGO

Pulling Through

Mr Adoula's talks with Mr Tshombe, which began in Leopoldville on March 19th, have progressed so far that they seemed, this week, to have reached their first breakdown. The difficulty



Drama

TV schweppsicolor

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In our crime series, once again we break old ground, while making it more certain than ever before that no-body will recognise the real murderer. Titles and credits obscure the view of the face reflected in the top of the water butt. The blue wall-flower embroidered on the dirty washing bag of the schizophrenic hall porter is never explained, nor is it certain whether the slow "Ping" is a sound effect or symbolic music. The woman screaming when she looked into the washing machine was a clue, but we purposely left unexplained why, when the gangsters flung the two dead men in the doorway, the guests went on eating hot *hors d'oeuvres* as if nothing had happened.

It was our Idea to play the actual murder by flash-back in darkness and it was up to the audience to spot the criminal and not get him mixed up with the reconstructed corpse, even if both did bear a superficial resemblance to the chief detective, who had the lights full on him for the first time just when, because there was only five minutes to go before Fad Time, we had to start running the titles and credits for the end of the programme.



Written by Stephen Potter; designed by George Him

SCHWEPPERVESCENCE LASTS THE WHOLE DRINK THROUGH

seemed to be that Mr Adoula (prime minister of the Congo) was insisting on treating Mr Tshombe (provincial president of Katanga) as a provincial president ; Mr Tshombe preferred to conduct himself as head of an independent state. But it was about this issue—Katanga's secession—that the talks were begun, and the initial manoeuvres inevitably had to be concerned with matters of face. Even if there are further breakdowns to come, however, some hope for a genuine Adoula-Tshombe *rapprochement* lies in the balance of forces between the two men. Mr Tshombe now realises that he cannot maintain a separate Katanga against the disapproval of almost the entire world ; Mr Adoula must recognise that the Tshombe regime is, nevertheless, likely to retain physical control over the part of the Congo that contains most of the country's mineral wealth.

In the long run, they can only compromise. What then? The United Nations' technical assistance plan for 1962 will cost $16 million. It will provide a thousand imported experts and train 2,329 Congolese at home and abroad. But UN experts, necessarily on contract for only a year at a time, often have to leave soon after they begin to settle comfortably in their jobs—and the shortage of trained Congolese will be felt in central Africa for many years to come. The answer, unpalatable though it may sound to most African ears, is that only the Belgians can give the Congo the help it really needs—always provided, of course, that relations between individual Belgians and their Congolese employers are adjusted to the new atmosphere of independence. Mr Tshombe, Mr Adoula, and also the UN may gradually be discovering that this is unavoidable.

TV VIOLENCE

Milk and Water?

THE proposed inquiry into the effects of violence in television programmes on children in Britain will no doubt be welcomed as a step in the right direction—that is, towards a censorship of television programmes—by those Members of Parliament who complained so bitterly this week of the horror of Nancy's murder by Bill Sikes in the serial version of "Oliver Twist." (They include, as a borderline case, the Postmaster General, Mr Reginald Bevins, who, though he thought the episode "brutal and inexcusable," was yet not so far gone in indignation as to yield to a plea for the total banning of TV violence before 9 p.m., when children are officially presumed to be in bed.) Other people should greet the proposal with some reservations, although without being too violently opposed. It is always useful to know what effects certain people think television has on children or grown-ups ; and it is difficult to believe that a sane committee could be so silly as to recommend putting into the Government's hands some continuing instrument for censoring the content, artistic or otherwise, of television productions.

It is not at all clear what connection the advocates of censorship see between television violence and "teenage crime" ; cases have been quoted of children hanging themselves, but, tragic as these are, by no stretch of the imagination can television be said to have suggested to them that hanging themselves was a good thing to do. One might as well say that the repeated cases of accidental death through covering the head with a polythene bag are the result of displaying potatoes in those bags. Perhaps the best thing a committee can do is to recommend the taking up by both networks of a suggestion made by the last (or was it the last but one) inquiry into the effects of television violence on the young: that programmes which producers think likely to bruise the tenderer minds among their audience should be prominently labelled—perhaps "H" for horror or "V" for violence. Admittedly not many plays (least of all the classics or, say, Grimm's fairy tales) would escape the label ; and to most balanced people the BBC's current practice of broadcasting a warning of unpleasantness before the relevant programme if it is screened before 9 p.m. seems safeguard enough. But at least classification would give timorous parents (and Mr Bevins) the opportunity of taking the evasive action which has all along been open to them—namely, of switching off.

What Price Wheat?

IN Britain's negotiations with the common market, the price of grain plays a crucial part. Is western Europe to become a high-price, high-cost area, effectively self-sufficient in wheat, dumping soft wheat abroad while importing limited amounts of high quality Canadian wheat? Or is it to remain a deficit area, importing on a large scale from countries like the United States, Canada and Australia? The six present members of the community have not yet made up their minds. They have merely agreed to move towards a common price somewhere between the extremes of the present French and German levels.

GUARANTEED PRODUCER PRICES, 1961–62

	Price £ per ton
West Germany	37
Belgium	37
France	27
Britain	27
United States	27
Canada (hard wheat)	18
Australia	23–24
British Import Prices: Soft	24–25
Hard	26–28

Source: International Wheat Council.

As the table shows, the French price is a low one by European standards, but it is high by the standards of the rest of the world. The British import price—commonly known as the world market price—for, say, soft Australian wheat is below the French level. But it is also below the British home support price (maintained by subsidies) and, when transport costs are taken into account, below Australia's own support price (though in this case the difference is financed by a fund levied on producers in good years).

To solve the problems posed by Britain's entry, the French have proposed a world-wide system of price support at, say, their own price level. Outlets would be guaranteed to overseas producers at the new high price ; dumping, by Americans and Australians, would stop. It is easy to see why this is supported by the Australians and Americans ; their export price would rise. But the Canadians, the most competitive wheat producers, would not necessarily benefit if the increase in price encouraged other people to produce more. Canadian farmers are already earning higher prices on the market than their own guaranteed price. They oppose the new plan.

In Europe, fixing the price of wheat at the French level would helpfully discourage production in Germany, Belgium and Italy, where prices are higher. But outside Europe it might encourage Australia (where the price is lower) to produce more, unless quantitative restrictions were imposed on output. Higher prices would also increase Britain's import bill for food.

The level of feed grain prices will also decide the pattern of livestock prices in Europe. If feed grains are cheap the price of poultry, pigs and dairy products may be held down, too. In any world-wide agreement Britain would therefore favour a low coarse grain price (at, say, the Australian price of £24 per ton). But this will be fiercely opposed by farmers in most parts of the western world, apart from Canada.

Immigration

The second in the series of Studies on Immigration from the Commonwealth will be published on Monday next, price 2/6d:

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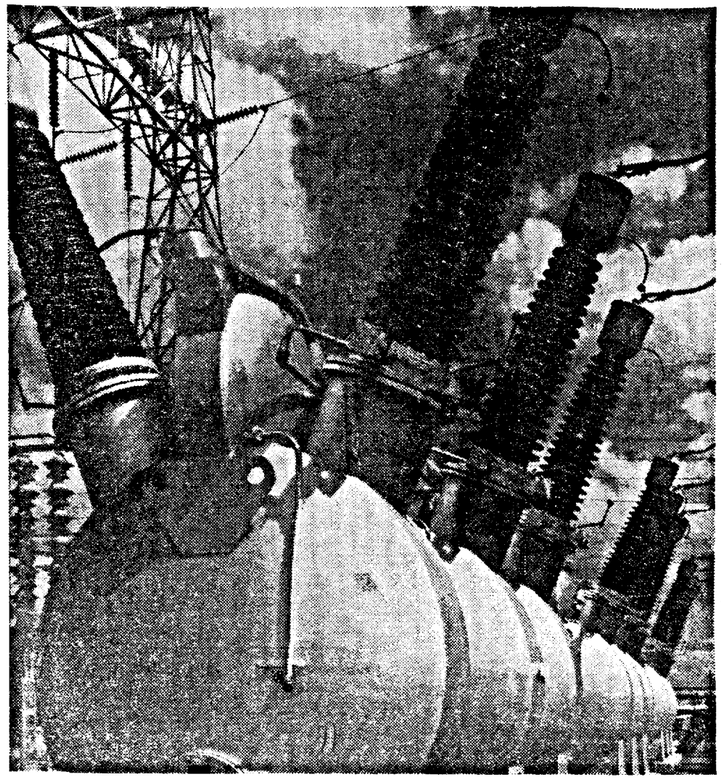
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This booklet also brings up to date the immigration figures published in Booklet No. 1. Basic Statistics.

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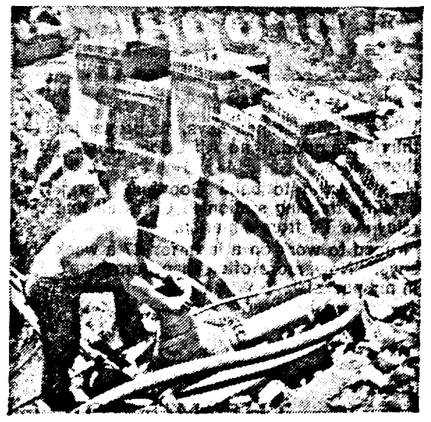
AUSTRALIA/country, continent . . . a world of opportunity



A skyline of circuit breakers symbolises the rapid growth in Australia's power supply.
Below: Construction work on one of the huge concrete dams in the £A400 million Snowy Mountains Hydro-Electric Scheme.

NEW POWER BEHIND AUSTRALIA

Diverting the flow of four rivers through 3,000 square miles of alpine country; building new power stations on black coal fields; turning a brown coal field of 22,000 million tons into one of the world's major fuel and power production centres—this is the scale on which Australia is developing her power resources. Australia's total capacity of stations generating for public supply, rose by over 23% in the two years to July 1961 to reach 6,388,000 kW. Of five hydro-power projects now in hand, one—the Snowy Scheme—is among the greatest engineering feats ever undertaken by man. With a capacity of some 2,555,000 kW, it will generate electricity in 11 power stations, while feeding irrigation water to open up new farmland. Much of the special equipment needed is being made in Australia. Not only is Australia abreast of the latest technical developments in the more conventional power generating fields, but is actively engaged in atomic power and solar research, at Lucas Heights (N.S.W.) and elsewhere. Those overseas companies already located in Australia are confident of the potential of this vigorous, developing nation. Australia welcomes them and welcomes their contribution to the continuing growth and stability of the Australian economy. *Information about trade, investment and immigration can be obtained from Australian representatives in Australia House, Strand W.C.2, and at the Offices of the Agents-General for the Australian States.*





When a Cornishman says, "a proper job!"—things are good. And Alf Coote says it often these days.

He's helping to build Goonhilly Down, the satellite tracking station in Cornwall that will relay live TV from America.

"I used to work on a farm for £7 a week" he says. "Now, more often than not, there's £30 in my packet."

Thirty pounds a week to spend—and to save.

To spend on his car, and his collection of classical records . . . to save for the house he'll be buying soon. Alf reads the Mirror.

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DAILY MIRROR

THE MIRROR GOES WHERE THE MONEY IS

The Economist

MARCH 29, 1862

BRUSSELS TALKS BREAK DOWN

¶ Our readers will have seen with very great regret the fulfilment of the unfavourable prognostications of our commercial men with respect to the intentions of Belgium towards this country. . . . In spite of the confident tone of the Government, both in July last, when Mr Forster gave in the House his very lucid statement of the whole question, and again in February, after the negotiation had been entered upon, few of the more discriminating of our commercial men ventured to hope that Belgium would for a moment offer to England the same terms which she has offered to France. Mr Forster intimated pretty clearly his conviction to this effect as far back as last July. And the truth appears to be that we are in a bad position for the negotiation, in consequence of having already done all and much more for Belgium than we had the slightest hope that Belgium would do for us. When, therefore, we hear that Belgium has made large demands on us in consideration of the concessions which she proposed to make, the motive must be obvious—to back out of the negotiation as easily as she can. In truth, we have no equivalent to give, simply because we have already given it for a long series of years. Our annual imports from Belgium are at least worth three millions and a half sterling, as against an export thither of British produce valued at less than two millions sterling. And while almost everything we send to Belgium is heavily taxed there, there is nothing which we receive from her in any quantity, except refined sugar and hops, which is subject to an English import duty at all. The measure, therefore, of the benefit which we have been freely bestowing upon Belgium for the last sixteen years, is the measure of our incapacity to make any present equivalent for her so-called sacrifices. . . . The hardship is greater, because of the extreme inequality in the dealing of Belgium with England and France. . . . Belgium should remember that though political treaties require us to support her political independence, there is all the difference in the world between the hearty support of a friendly nation indignant and eager for her defence, and the lukewarm support of a nation whose people and parliament she has alienated by a selfish and exclusive policy.

LETTERS

Competition in Europe

SIR—Your appraisal of the anti-cartel regulations recently passed by the Council of Ministers of the Six is in general very balanced—except for the unaccountable omission of any detailed reference to the way in which they are intended to hamstring the European Commission, should it try to make practical use of its ostensible powers.

The "vigilant and often jealous eye" with which the ministers regard the commission in general is in this case looking so intently in one direction that it is unmistakably squinting. Apart from the specific limitations mentioned by you there are two important provisos which you seem to have overlooked.

(1) The less important of these is clearly labelled as a temporary compromise and is, therefore, at least in theory only provisional. This is the recognition (for a maximum of three years) of the clean bills of health given by national authorities in the past to previously existing cartels which would otherwise have come under the jurisdiction of the commission (Article 23).

(2) Article 10 can only be described as a permanent brake on the "exclusive competence" given the commission in Article 9. Reasonably enough, it provides for "close and constant liaison" between the commission and the national authorities, but it also sets up a permanent consultative committee composed of official representatives of the member states at expert level. This must be consulted by the commission before it takes any steps on outlawing or permitting cartels, before it imposes fines and even before it sets up any inquiry into the competitive situation of suspect sectors of the economy.

Apart from its subjection to the High Court of the Communities, the commission is thus subject to a kind of preventive censorship. This is characteristic of the growing tendency to surround the commission with permanent watchdogs of the member governments in the execution of its functions; in addition, this arrangement should help the "still curious inquirer" to make up his mind about the fundamental attitude of Regulation 17 towards monopolistic business practices.—Yours faithfully,

E. STRAUSS

Thames Ditton, Surrey

Hire Purchase Maverick

SIR—There are two sorts of motor dealers: first class and bad. On the whole finance companies have now learned this simple lesson and competition for first class dealers is fiercer than it has ever been. I daresay United Dominions Trust is not above *Machtpolitik* but I believe the funds employed by this firm have yielded a poorer and poorer return for a surprising number of years; they would hardly aggravate this very serious problem merely to bankrupt countless tiny competitors (that will come as a bonus).

My impression is that the top finance companies have now cut out most of the dealers they do not consider first class; and the other dealers who, as you say, transact a high percentage of bad business will indeed receive no commission, since they will receive (from the big companies) no finance.

But although a reliable motor dealer is a pearl of great price, it happens that in many cases the management is weak. Thus, even as the clearing banks bought their way into hire purchase, now, in remarkably similar circumstances, hire purchase companies will probably start to buy themselves into the motor trade. Let us hope they are more selective than the banks.—Yours faithfully,

P. J. BISHOP

London, SW15

Pictures on Loan

SIR—Your article on the picture-lending scheme of Leeds City Art Gallery prompts me to offer information about a scheme launched two years ago by the Department of Extra-Mural Studies in the Newcastle division of the University of Durham, which we claim was the first such scheme ever to be started in non-commercial circles in this country.

We have collected original paintings and sculptures by local artists totalling about 130. These are lent by the artists and are hired out by us to anyone who is prepared to pay 5s. a month per work. Those not on loan are displayed in the department. Currently there are about fifty actually on loan, and the turnover is approximately twenty per month. It is admittedly a small scheme—indeed we would be embarrassed were it to grow much larger than it is—but it has been successful enough to encourage more local artists to offer their work to us, and to enable us to be strictly selective in what we are prepared to accept. We have been able to buy twenty-one paintings ranging from a MacTaggart through some lithographs by Graham Sutherland, Ceri Richards and Henry Cliffe (who are not local) to works by local people which seem to have permanent value. We have no reproductions. The only financial assistance the scheme has had was an allocation of departmental funds and the hiring charge to borrowers, one third of which is paid to the artists as a token that we have their work in our hands. The collection is fully insured and the borrowers, as at Leeds, are mainly professional people but include a few ordinary workers, a few students, businesses, schools, and an RAF station. Some borrowers take a liking to a picture, which they

cannot then bear to part with, so we put them in touch with the artists, from whom they are able to buy the work.—Yours faithfully, B. W. ABRAHART
University of Durham,
Newcastle upon Tyne

Advertising

SIR—Whatever the merits of prohibiting the advertising of cigarettes, Mr Michael Lipton's advocacy seems to strengthen the doubts you expressed about further inroads into free speech. His letter shows how quickly the specific arguments of Mr W. B. Reddaway on cigarette advertising might be extended to other fields where advertising (or display, salesmen, packaging, even branding ?) is assumed to be wasteful.

It is clear, as Mr Lipton says, that advertising can be used by established firms to strengthen their hold on the market and, intentionally or not, to impede the entry of new competition. The last report of the Monopolies Commission drew attention to this effect of the advertising of tobacco:

> it is becoming increasingly difficult for the smaller or medium-sized manufacturer to maintain a steady level of business without quite disproportionate expenditure on brand promotion.

But it would be unbalanced to fail to see the use of advertising you rightly emphasise by new firms entering the market, or, we would add, by existing firms expanding their share of it. In preparing a second edition of *Advertising in a Free Society,* we have recently assembled evidence on the use of advertising in marketing 70 widely differing commodities and services. We were left in no doubt that advertising (as part of an integrated marketing strategy) can provide the only or most efficient way in which a new or growing firm may challenge long-established giants.—Yours faithfully,

RALPH HARRIS
ARTHUR SELDON
Institute of Economic Affairs
London, SW1

Dr Adenauer and the Critics

SIR—It is only now that we have seen the article in your issue of March 3rd, in which your Bonn correspondent refers to the case of Dr Gerd Bucerius, publisher of the political weekly *Die Zeit* and the illustrated weekly *Der Stern,* who resigned his parliamentary seat. Your correspondent writes: "The other night, television watchers had the salutary shock of hearing the editor of *Der Stern,* Herr Nannen, point out that the fiercest denunciation of his paper's morals had come from a much-respected religious weekly whose editor had been employed by Himmler's Reich Security Service in 1938 to carry out research into the Jewish problem."

The "much-respected religious weekly" is *Christ und Welt* (as a matter of fact this weekly is mainly a political and cultural one). The Hamburg broadcasting station, *Die Zeit* and *Der Stern* meanwhile had to correct themselves and had to admit that Herr Nannen's above mentioned statement concerning the editor of *Christ und Welt* was totally untrue.—Yours faithfully,

H. G. VON STUDNITZ
Stuttgart-Sillenbuch *Christ und Welt*

Dropping the Bomb

SIR—It was a pleasant surprise to read at the top of your article of March 17th the words: "When and how Britain might usefully give up its nuclear arm."

But a reading of the article makes it clear that you are only referring to the strategic nuclear weapon. To a person who believes that the renunciation by Britain of the use of nuclear energy for military purposes is the path of wisdom in defence policy your proposal is better than nothing, but very little better. The trouble is that the so-called tactical nuclear weapon is, to use your own words, a very substantial "atomic high horse," both in yield and range. What is to happen in your scheme to the tactical air force, one plane of which can deliver a nuclear yield equal to all the explosives dropped on Germany in world war II ?

The longer I study this nuclear problem the more convinced I am that it is all or nothing so far as nuclear weapons are concerned. I am for nothing.—Yours faithfully,

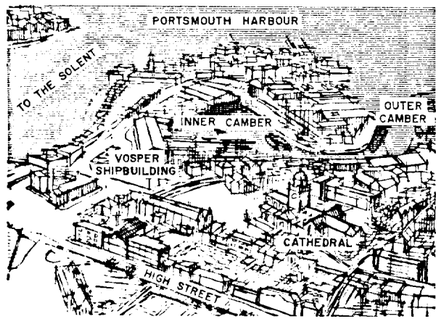
STEPHEN KING-HALL
London, SW1

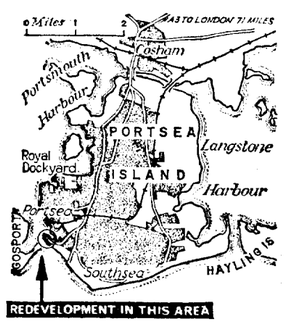
HOME REPORT

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

Victory in Portsmouth

FROM A CORRESPONDENT IN PORTSMOUTH





THIS year Portsmouth is celebrating the 150th anniversary of Dickens's birth. In a planning sense, the city has been grappling with Dickensian problems for a long time now. The corporation's piecemeal modernisation plans are largely governed by the lack of space on Portsea Island, where most of Portsmouth's 250,000 people live and work. Portsea contains Britain's chief naval station, a civil and a naval dockyard, a commercial port, a holiday resort and an increasing number of light industries—70 new factories have been built in the Portsmouth area since the war. But the loudest commotion has been coming from the protectors of the oldest part of the town, who see in the corporation's development programme an undisguised threat to their interests. Smarting from their late defeats at official hands, the Friends of Old Portsmouth could only declare darkly at their last meeting on Monday that the city's actions would be "watched carefully."

Old Portsmouth lies to the south of the island and consists of a small residential area near the cathedral and on the main road leading to the Camber, the small commercial port. The development plan, which has been approved in Whitehall, includes knocking down some old property near the cathedral, building new blocks of council flats, providing a more efficient routeway to the Camber, creating a lorry park for vehicles that load or unload at the port, and, finally, isolating the cathedral precinct from the gigantic power station whose chimneys tower over the neighbourhood.

The Friends of Old Portsmouth, a small but vocal group, say that the amenity of their properties will be destroyed. But this amenity seems largely illusory. Tourists staying in the city or going on to the Isle of Wight throng the area in summer, Vospers shipyard shatters the air daily, and the locality already carries a heavy lorry traffic to and from the port. If Britain enters the common market such commercial traffic is bound to increase.

Indeed, a slow increase is already visible. More ships were handled in the early weeks of this year than in any other previous comparable period. Usually 120 to 130 coasters dock each month. A quarter of the ships docking are colliers; the remainder are mainly small vessels bringing Channel Island vegetables over to be sent by road to London. Exports so far are only a fraction of imports, although between November and January 15,000 tons of barley were sent to Holland and Germany.

Portsmouth corporation seems to have realised that the common market is a distinct possibility. With France only a hundred nautical miles away a flourishing trade could develop (today Breton onion sellers are the only outward sign of the town's proximity to the continent), particularly if small exporters grow increasingly tired of restrictive practices and delays at London docks. The question is whether Portsmouth can expand its own facilities to catch the trend. The corporation's plan for the compulsory purchase of just over two acres in Old Portsmouth should certainly ease congestion in the existing port. The city is slowly buying land from the Admiralty—the War Department is another large landowner—but the navy is loth to sell any of its long waterfrontage, despite the decreasing numbers of the actual fleet.

The corporation scheme is also opposed on the ground that redevelopment would destroy Old Portsmouth's charm—specifically, that of three period cottages due to disappear. But, in fact, German bombs destroyed any charm that Old Portsmouth ever possessed; and well-designed council flats are eminently preferable to the numerous bomb-sites that still exist. Some Portmuthians go further and regret that more property was not destroyed in the war, for the backlog of poor nineteenth-century houses on Portsea Island is considerable. Add to this the fact that the Portsmouth-Southampton area ought to be made one of the counter-nuclei to London in alleviating the population problem of the crowded Deep South East and the importance of making real headway in redevelopment is increasingly evident.

WITH land prices soaring on the mainland outskirts of Portsmouth, and little land available on Portsea Island, blocks of flats have been the city's answer to providing reasonable accommodation for some of the 22,000 families that are now supported by the (modest) wages from the naval dockyard. Rehousing the dockyard workers near the docks is a necessary step in keeping down peak traffic on the only two main roads off the island.

In a city where sound planning has often been conspicuously absent, the Old Portsmouth clearance is a small step into the future. Development of this kind can give the city a real chance, first, to escape from its history—its squalid, nineteenth-century buildings are as much a part of Portsmouth's present existence as its attractive Sallyport and HMS Victory—and, secondly, to avoid overdependence on the naval dockyard and on the fluctuating holiday trade.

Kentish Revolt



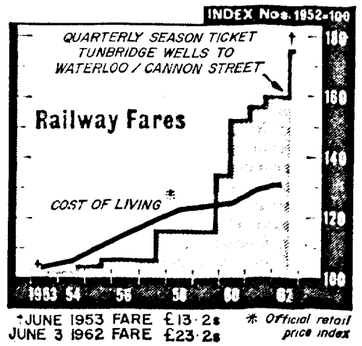
FROM OUR SPECIAL CORRESPONDENT

TUNBRIDGE WELLS, still a rather prim Kentish spa-cum-dormitory, lies in the heartland of the commuters' and mortgagers' sporadic anti-Tory revolt. It belongs to the Tonbridge constituency which jarred the Government in 1956. Orpington is just up the line—and it was not by coincidence that the first act of Orpington's Liberal champion, Mr Eric Lubbock, on reaching the House of Commons was to table two questions on behalf of his commuting constituents. For those railway season-ticket holders who could not let off steam at the polls there are the local Rail Travellers Associations which are sprouting rapidly in Kent. Growing in numbers and enthusiasm as the details of the revised timetables (due to start in June) seeped through, the associations now have the 10 per cent fares increase to raise recruiting still further, although whether they can perform the miracles that these recruits expect is another matter.

In Tunbridge Wells alone more than 500 commuters joined the local association in one week and about 400 showed how strongly they felt by turning up last Friday evening to confront a British Railways spokesman. This was one of several occasions recently when a railway official has submitted to pretty rough questioning. This time his answers did not satisfy the Tunbridge Wells commuters who see the new timetables representing more inconvenience, more standing (over 250 standing passengers have been counted on some rush hour trains) and more delays. But as long as the Borough Market bottleneck at London Bridge exists there is little prospect of more trains, and less crowded ones, for Kent passengers. And Borough Market's troubles are not likely to be tackled while the railways run a deficit of £150 million.

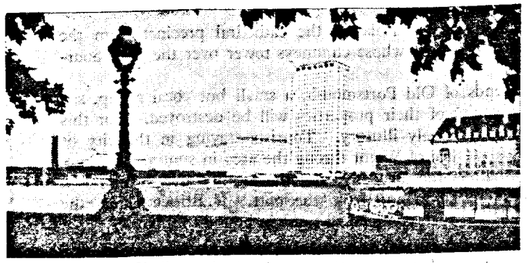
When the railways dare to talk of modernisation the protesters are apt to turn up ancient timetables to show that there were more rush hour trains to and from Tunbridge Wells in 1884 than there are now—and there were almost as many in 1866. The fastest train in 1884 took 51 minutes against the present fastest 53 minutes. In those days, of course, there was nothing like the traffic build-up in the south-eastern approaches to London.

It is not exactly surprising that the Conservative MP for Tonbridge has promised his support to the local travellers' associations. He may not prevail on Dr Beeching; but one sensible thing he could urge the Government to do is hasten the process of office dispersal outside London. The rise in season tickets will certainly reduce the net differential that still makes clerical work in central London attractive, despite the discomfort of getting there. So far there are not enough Kentish advertisements asking "Why Work in London ?"—although Tunbridge Wells itself has its pioneering offices, like those of Reliance Mutual Insurance and the Hospital Service Plan, which have led the diaspora. Until more follow, the collapsible seat concealed in brief case or shopping bag will remain as much the symbol of the unhappy commuter as that increasingly expensive season ticket.



South Bank Cliffs

FROM OUR SPECIAL CORRESPONDENT



Shell centre—as Shell sees it

THE new Shell office tower has reared itself stiffly and stonily 351 ft. above London's south bank. It is inescapable, and in its appearance and proportions it is a disappointing £33 million worth (this sum, vast in itself, looks a drop in the bucket of the group's resources). Visually, a chance has been muffed. Most Londoners, and almost all visitors, invariably look across the Thames from north to south. They thereby miss the better river frontages, like Somerset House, on the north bank, and what they do see—the dilapidated-looking Royal Festival Hall, the horrible inter-war Ministry of Works on the Albert Embankment and now the looming Shell cliffs—are poor substitutes. Thames-side seems doomed to remain one of London's most underdeveloped assets. Its photogenic vistas have to be carefully angled.

The merits of the Shell centre are engineering ones: the foundations sunk in the London clay, the straddling of the Bakerloo underground tunnels, the communication channels between the upstream and downstream blocks (the 7½ acre site is split in two by the decaying brickwork of the approach to Hungerford railway bridge). Inside, the centre, with its 1,200,000 sq. ft. of air-conditioned office space and ancillaries, is chiefly a masterpiece of the movable partitioners' repetitive art. Considerable expense (no official breakdown is available) has gone into the automatic delivery of tea and coffee to each floor—although the familiar trolleys still have to manœuvre down 6ft. and 4ft. corridors. The restaurant décor will not upset copy typists. At the LCC's urging, Shell has provided an international-size swimming pool, a rifle range and a multi-purpose internal sports area. These should do something to keep York Road alive after office hours.

FOR the group itself the value of centralisation is inestimable. Hitherto the headquarters operations have been scattered among 30 buildings in the City. The company has already cut its staff drastically (it is said by 1,800) but there may be further trimmings at headquarters if the number is to be kept down to the 6,000 or less that the new buildings are meant to house. Devolution of work among branch offices is one solution; even so, the impression is of a further rationalisation and consolidation after the shake-down period.

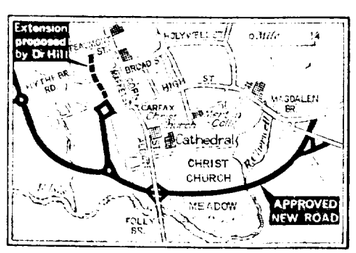
The move to the south bank (direct access will be provided to Waterloo station) might have contributed to easing the City's traffic problems, were it not that all the company's old offices will presumably be snapped up and occupied by other firms. (Development plans for the chief site are already well in the air.) In fact, Shell expects to recoup £11 million by the sale of its City premises and leases. For the one-fifth of the staff who travel by Waterloo anyway, the new centre is a blessing; fortunately very few employees use Paddington, Marylebone or Euston. The real difficulty has been over the East Anglians: their lengthened journey to work has meant postponing the start of the office day to just after 9 a.m.

Meadow-Go-Round

FROM OUR SPECIAL CORRESPONDENT

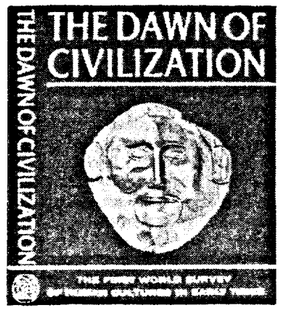
OXFORD'S establishment has swallowed the Ministerial verdict in favour of the Meadow road with something like aplomb. For this there are three reasons. First, the old guard sees years of public inquiries into all the consequential planning decisions; the guerrilla war will keep it happy until the time comes for it to retire—at least as far from the Meadow as North Oxford. Second, it is pinning its hopes on the probability that the wider by-pass ring will be completed before the Meadow road gets under construction: enough through traffic will then be diverted (it claims) to make the Meadow road pointless. Third, it hopes that the city will baulk at the cost—and particularly at the extension through to Gloucester Green and Beaumont Street which the Minister of Housing and Local Government, Dr Hill, wants to relieve congestion in Cornmarket Street. The end of Oxford's most contentious issue is not in sight by any means.

As far as it goes, Dr Hill's decision to take traffic out of the disintegrating High Street is unquestionably the right one, and he has plenty of support in the city for it. Not everyone in Oxford, by a long chalk, will mourn the dank Meadow, and even Christ Church and Merton should be relieved that the road is to take a broader sweep towards Folly Bridge than some other plans had proposed. In fact, there should be relatively little reason for tears from anyone except the most die-hard Malignants if the city takes Dr Hill's advice and sinks the road as much as possible below eye level; a local variation of some of the better American methods of concealment would not be at all intolerable.

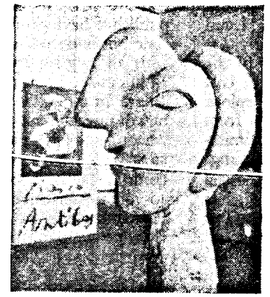


But even if this scheme is at last carried out—and, for Oxford's sake, let it be done—Dr Hill will then still have to follow through to give Oxford the positive benefit of a full diversion of traffic from the High. The gradual emergence of a pedestrian precinct (allowing goods deliveries within the area only at limited hours of the day) is worth developing both for its own sake and to stop local traffic being attracted back to the High once the through traffic takes to the Meadow. There is a good case for the eventual closing of Magdalen Bridge, but as a beginning the cut-off might be imposed further up to allow for filtering past Magdalen to Holywell Street. Alternate one-way working along this narrow passage could be regulated by traffic signals at each end. When the Meadow road is in operation (probably not before 1970 on present calculations, if that) the advantages of the idea of a central precinct free from motor traffic should be much more apparent to Oxford opinion than they have been in the permanent obfuscation of the past generation's debate.

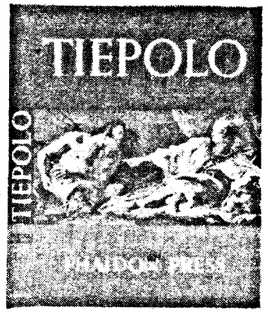
Spring Books

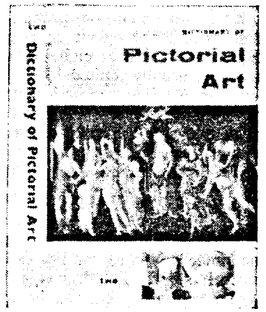












Everyman's Art

SIDE by side, on adjacent counters, a leading London bookseller displays the contrasting fashions in the book trade today. On one stand are the paperbacks, growing in variety week by week; on the other, the handsome art and other illustrated books, their shining dustjackets as easy an eye-catcher as any gramophone record sleeves. The publishing trade is developing fast at each end of the cost scale.

Art publishing in this country is certainly not new. Early this century George Bell produced Herbert Horne's "Botticelli," and Palgrave was writing on Italian art a hundred years ago. But before the last war, British publishers produced in a year only some 200 new titles and new editions which the *Bookseller* classified as "art and architecture." Today, they turn out three times as many. The figure includes technical books on architecture, which are in no sense picture books; nevertheless, a good deal of the growth has been in illustrated works on art. Furthermore the size of the editions is far bigger—thousands of copies instead of hundreds.

Britain's first art publisher, that is, the first to concentrate on art books instead of producing them as a sideline, was the Viennese firm of Phaidon, founded in 1923, which set up in London in the nineteen-thirties. Its first production was a book on Van Gogh; this was received unenthusiastically by the booksellers, who thought the large format would be unpopular and predicted a sale of no more than a few hundred. How wrong they were: in all a million copies have been sold, in various editions and various languages, and the book goes on selling.

Phaidon remains the doyen of modern British art publishers, but, in sheer size, the lead has been taken over by the firm of Thames and Hudson. Not all of that house's annual turnover of £1 million is derived from the sale of art books; but of its 87 new titles and new editions last year, about half were art books and another fifteen to twenty were illustrated books about archaeology. Of the total turnover, about 44 per cent comes from export sales, while of the home sales, about half are made in London and half in the provinces. Perhaps stimulated by the evident success of this firm, other publishers are now entering the art field. Will they burn their fingers?

A publisher contemplating spreading his business in this way must first review the various levels of art book publishing to see where he might enter. At the top are scholarly works like Phaidon's six-volume edition of Rembrandt's drawings. This, and the three volumes of his etchings and paintings, contain between them about 3,000 reproductions. Such a book is for specialists by specialists: this is not a branch line for general publishers. Next come those handsome gift volumes which, retailing at between three and eight guineas, look like the candy of the trade. The theme may be the world's great art galleries, modern art, twentieth century sculpture, Egypt, the first rumblings of civilisation, or the Tate Gallery. The factors common to all are largeness, lusciousness, profuse illustration and, almost without exception, colour. Needless to say the high season for them is Christmastime, but in an affluent society they are appropriate gifts at other times for aunts, nephews, hostesses and bridegrooms, and are displayed in homes as status symbols in specially designed bookcases. But some booksellers have reservations and think this market is saturated. Moreover, not all subjects are acceptable: a book of fifty modern colour prints, for instance, may in time seem a less attractive buy than a single lithograph of actual size to hang on the wall.

Somewhat cheaper, and smaller in format, are editions selling at between 35s. and 50s., more often than not devoted to a single painter or a single art gallery; these books vary considerably in the quality of the text and reproductions. Still cheaper are slim editions costing a pound or just under, designed mainly for the student. Below that, and going out of favour, are small paper-covered monographs. Most publishers produce at a range of prices. Last year the average price of new titles produced by Thames and Hudson was a little under £3, by Studio and Phaidon just short

of 50s., while the eight illustrated books coming out under the imprint of Lund Humphries cost, on an average, nearly £5.

It is the size, quality and number of the illustrations that largely determine the cost of an art book. To this cost any colour printing adds considerably, may be far from satisfactory and even at its best has limitations—it has been described as an attempt to convey the quality of a major orchestral work by whistling the themes. Nevertheless new processes for reproducing illustrations are still being tried and old methods improved. Of the more costly processes used for the colour plates in expensive books, collotype (in which the printing surface, for each of the colours, is a sheet of glass coated with a gelating emulsion) probably gives the most satisfactory colour reproduction but may require seven or eight printings to do so and is usually limited for book illustration to small editions of under two thousand, and often not over five hundred copies, after which the plate has to be renewed. Photogravure, also expensive, may be used when the print order is big enough to justify it.

For the most part, reproductions are now made by line or half-tone processes. The line process is cheapest but is suitable in art work only for line drawings. Letterpress half-tone process, on the other hand, is dependent, for reasonable results, on the use of glossy coated art paper, which is more expensive and heavy to handle. The illustrations, therefore, are often printed separately from the text and inserted in batches; another method is to "tip in" the pictures on the matt text paper. If glossy paper is used throughout, as in—to give but one example—Sir Kenneth Clark's "The Nude" (John Murray), there is the great advantage that the illustrations appear where they are wanted; but, apart from the higher cost of paper, there is the additional expense of setting the type round the small illustrations inset into the print. When colour is used in the half-tone process, separate blocks must be made, as a minimum, for the three primary colours yellow, blue and red; for better results, four or more blocks should be used, but this adds considerably to the problem of getting correct register of the colours and therefore to the cost. The blocks for a four-colour illustration measuring about 8 by 10 inches may cost about £100. Another method of reproduction, half-tone colour offset lithography, does not necessitate the use of art paper, although this is sometimes used.

There are blockmakers in Britain whose work is excellent. But they cannot always guarantee to produce the blocks in time, particularly for a publisher anxious not to miss the Christmas market. This is one reason why some publishers go abroad for their blockmaking. They also save money if they go to Holland, but not if they go to France or Switzerland where there are firms with a long tradition of high quality craftsmanship.

Many of the art books on sale in England have in fact emanated from other countries and are straight imports, with the English publisher having no say in their content or style but undertaking to buy a fixed number, with an English translation, and acting to all intents and purposes as a wholesale bookseller. In other cases, there may be a combined international operation, with simultaneous publishing in several countries, perhaps in several languages. Thames and Hudson, for instance, is participating in the 40-volume series entitled the Arts of Mankind, of which the first two volumes have already been published. This is being undertaken in co-operation with four other publishers, Librairie Gallimard in France, where the project originated, Feltrisselli in Italy, C. H. Beck in Germany and the Golden Press in the United States. The project, which will take eight to fifteen years to complete, is said to involve an investment of £2,500,000 to be shared by all five publishers; even at such a sum, the publishers are cutting their industrial costs since the illustrations for the various editions are simultaneously printed and the different translations trimmed carefully to the same length to fit. In this venture, the printing is being done in Paris.

As a rough and ready guide, a British publisher is said to price his art book, like any other, at three to four times the actual cost of its production, that is, the cost of paper, plates, printing and binding; an American publisher at about five times. If the actual cost of manufacturing, therefore, is £1 a copy and 2,000 copies are sold at £3, the publisher allows the retailers £2,000 and receives £4,000 himself. His manufacturing costs are £2,000, but in addition he has to pay the cost of the author, distribution, advertising and overheads. He may find it easier to make money on his more expensive scholarly art books than on his cheaper ones. For libraries have to purchase a scholarly work, and there are 500-600 such potential customers for one copy apiece, while an American college library may buy as many as ten copies of one book. But if a general public is being sought that wants, say, a hundred colour plates in a book, the locking-up of the necessary capital, which on the plates alone may be as much as £10,000, is only economically justifiable if a large edition is required, which in its turn can often be guaranteed only by international co-operation.

What sales do art books have? Of one retailing at thirty shillings, such as that on the Dutch museums published by Thames and Hudson, a sale of 7,000 to 8,000 in the first year is anticipated and a subsequent steady trickle of 1,000 a year. Of the same firm's "Dawn of Civilisation," published last autumn and priced at eight guineas, 11,000 were sold in the British market in the first six months and altogether about 178,000 in all editions up to now. When the text is as important as the pictures, sales over the years may amount to large figures. Thus, of Phaidon's "The Story of Art" by E. H. Gombrich, first published in 1950 at 21s. and now in its thirteenth edition, some 400,000 copies have been sold. Certain standard works are in constant demand; for instance, of the various editions and translations of Goldscheider's "Michelangelo" (Phaidon) a quarter of a million copies have been sold.

When the first volume in the Arts of Mankind series was launched a year ago, sales forecast over the first two years were 10,000 in the whole of the Commonwealth, including Britain, and a like number in Italy, 15,000 in Germany and also in the United States, and 30,000 in France. That the general editors of this series and the author of the first title in it were Frenchmen might be expected to boost up the French sales. But take another set of figures: of Thames and Hudson's six guinea book on London's National Gallery, which has been translated into different languages, recent sales figures were 10,000 in Britain, 8,000 in Spain and 12,000 in France. By previous standards art books are booming in Britain. But publishers thinking mainly in terms of a British market may have to work harder for sales than their colleagues on the continent.

Middleman

Reflections of a Jacobite

By Louis Auchincloss.
Gollancz. 228 pages. 16s.

One must cast aside any prejudice instilled by the title: "Jacobite" nowadays has taken the place of the no less repulsive "Janeite," which Kipling dealt with once and for all. But it has a more respectable meaning; one simply reads Jane Austen, whereas Henry James is there not only to be read but also to comment on other authors and to affect one's reading of them. This is Mr Auchincloss's sense of the word. It does not mean that the book is all about Henry James, or that Henry James's views are dragged visibly into other subjects; but he is Mr Auchincloss's constant guide and mentor.

This book contains a number of essays, mostly about novels and novelists. It is easy but not profound reading: there is no deep analysis here, but rather thoughts of one who has read a lot and enjoyed his reading. Mr Auchincloss serves as a middleman to middle-brow readers, tempting them to raise the height of their brows. There is not very much about Henry James himself, though one essay gives a very sensible reading list to those who want to try the master for the first time. He is used rather as a lead in to other authors: to the great Russian novelists, to Edith Wharton and (interestingly to a generation that has never read him) to James's friend Bourget. The author explains why he can enjoy only one of George Eliot's novels, and two of Meredith's. Of contemporaries, he deals only with Marquand and O'Hara. It is a book worth reading, as good reviews and still more retrospective articles are worth reading. There is nothing remarkably original in it, but there are fresh combinations of ideas, and it turns one back to the authors about whom he writes.

The Offensive Spirit

Trenchard: *Man of Vision*

By Andrew Boyle.
Collins. 768 pages. 45s.

"You of all men know," Lord Trenchard wrote to Winston Churchill on May 23, 1940, "that I am very bad at putting my case and you probably quite rightly resented the way I said it. . . . Believe me, I did not want to be a dictator." This over-long, too sprawling and inconclusive book does faithful and lively justice to the brusquely inarticulate (and polo-playing) infantryman who did not find his métier—and mission—in military aviation until he was nearly forty years old and left it for good only seventeen years later when he ceased to be Chief of Air Staff in 1929. Whether it does equal justice to the soldiers, sailors and politicians—and airmen too—with whom Hugh Trenchard wrestled without respite, and without tact, on the independent air service's behalf must indeed be doubted; but it has to be said that the snares and stratagems used by his foes to split up or slay the separate air force were often as cynical and irresponsible as he was stubborn and difficult.

This is Trenchard's single-tracked side of a frequently disturbing and distasteful story. And, essentially, Trenchard won, even though he did spend the last third of his long life, including the second world war, left out of his country's defence counsels. Whether the Trenchard way was right is still a crux of military argument. The men who led his independent air force in the second world war were the men he had brought up. But, as Mr Michael Howard has cuttingly said in the current issue of *Encounter*, the course of the war still did not bear out his doctrine of independent air power: victory through the "big strike" proved as illusory, to both sides, as the "big push" of the first war; there was still no short-cut from attrition; the enemy had still to be beaten in the air (the Battle of Britain itself ran counter to Trenchard's idea of hitting the enemy where he lived) as well as at sea, and grappled with on the ground before the bombers could prevail.

Trenchard was, of his time, a new man, one of the first air professionals. Yet, peculiarly British, he had the marks always of the pragmatic amateur: more unmechanical than any but an untechnical country would have allowed to shape an air force: as an organiser, insatiably curious, assiduous and persistent in the dogged detailed process of trial and error which produced the structure, machines, men, tradition and ethos of the new arm; not always by any means as right as he thought in his simple dogmatic decisions, but in his fashion a true builder. His weekend flyers were, in the end, an inspiration that served the country well; and when he went to be commissioner of London's police in the early thirties, though his prescriptions proved to be inappropriate, his diagnosis of a force run down in morale and morals as well as in efficiency was surely right. As a youngster he swore that "One day I'll build a Harrods of my own"; as a subaltern, he told the Royal Scots Fusiliers in India that "I hope one day I shall live to command it"; in the end he moulded the RAF.

Three men, each of them the maker of something in his own way, Reith of the BBC, Pick of London Transport and Trenchard of the RAF, never got a real second war job with Churchill. Of these Trenchard was the odd man out because, unlike the others, he had been alternately clashing or, more often, conniving with Churchill ever since they had their first hot words on an Indian polo field in 1896. The truth was that, from their dealings when Churchill was one of his ministers in and after the first war, Trenchard had concluded that the best way of countering what he called his political master's "tendency to wobble when attacked" by "the last devil's advocate" was to lay down the law to him as combatively as he could. So when in May, 1940, Churchill offered him the command of all forces at home against invasion he sparked off the last of their blazing rows by proclaiming with all the old half-strangled truculence his terms for accepting—and stayed outside.

Always a martinet—"just beast" they called him—but aloofly and unspeakably loyal to his men, he called for the offensive spirit—and showed it himself. Mr Boyle asks, without answering, whether Lord Trenchard was not "his own worst enemy" with his way of putting his case "always at the pitch of his voice." Yet, for all their squalid manœuvres when he was so dourly and devotedly bent on building and keeping intact first the RFC and then the RAF, Trenchard was not badly served by his political masters. One after another, when the decision had to be made, they came down on his side: Smuts in 1917—"aerial operations may become the principal operations of war" (which Trenchard agreed with but thought premature, as he did the setting up of the RAF in mid-battle on April Fools Day, 1918); Churchill after the war when Trenchard won him by a phrase when he swore that airmen should not be merely "chauffeurs" and made his case for substituting air squadrons to keep order in the Middle East; Balfour in 1921—"the air force must be autonomous."

At 83, he lived to see his independent air arm pass into the paraphernalia of the nuclear deterrent. The object and opportunity of the air arm were still, to him, "to defeat the enemy nation"; but this was now the warning principle of the Bomb. He insisted to the last, Mr Boyle says, that the thermonuclear bombs and ballistic missiles were "essentially airmen's tools," but he doubted whether mankind would "ever be mad enough to use them in anger."

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1903 and All That

Newnes Dictionary of Dates

Compiled by Robert Collison. *Newnes.* 428 pages. 35s.

How nice that Mr Collison's long trail should lead from "A.1, first British car registration, issued to the 2nd Earl Russell 1903" up and down the years to "Zymose, yeast-cell fermenting agent, discovered 1903." He has, of course, many other vintage years. His first page alone offers, for instance, "AE" (1867-1935), Abadan, Abdication, Abelard, Abhorrers (1680), About (Edmond, 1828-1885), and Absolute Zero ("idea introduced by Lord Kelvin"). And so on in a foaming torrent of people and events. All eighteen Louis of France. Over fifty Johns—23 popes, eight Byzantine emperors, ten assorted kings, and Johns of Austria, Beverley, Damascus, Gaunt, Leyden, Nepomuk, the Cross *et al.* Three Gordians, all emperors, not a single knot between them. Jerome *Klapka* Jerome. Those four highly charged men, Ampere, Ohm, Volta and Watt. McNaghten, of the Rules; Macpherson, of "Ossian"; McMahon, of the Line. Melba (Helen Porter Mitchell, 1861-1931); but no date for the historic peach.

Who now remembers the 1937 Nyon Conference on the suppression of Mediterranean submarine piracy? Who developed decimals or the dynamo, water-closets or the willow pattern? Every schoolboy knows that the first woman prime minister was (and is) Mrs Bandaranaike; but what about all those Parliaments—Addled, Cavalier, Long, Mad, Merciless and Rump? Mr Collison pinpoints them all. As well as an alphabetical dictionary, he provides anniversaries for each day of the year. February 3rd (St Blaze's Day), to take a ready example, may seem rather uneventful at first sight: on this day Greece became a kingdom, the Yalta conference opened, John of Gaunt died, Horace Greeley, Felix Mendelssohn and Lord Trenchard were born; but what is this? "1826: Walter Bagehot, 'the spare Chancellor,' born."

With Bagehot here, and *The Economist*, and James Wilson's dates thrown in, carping seems churlish. When Mr Collinson has given us the Treaty of the Malcontents, the Year of Confusion, and the XYZ Mission, his omission of the Defenestration of Prague may be forgiven. But Fashoda is not in Egypt; few would agree that South Africa "achieved independence 1961"; and, among the non-Christian festivals, the book gives us Huli (more usually Holi) but no Diwali, Dussehra or Id, and falls into an old trap by ascribing Ramadan to "Feb.-Mar."



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Right But Repulsive

Sainte-Beuve: *A Portrait of the Critic, 1804-1842*

By A. G. Lehmann. *Oxford University Press.* 446 pages. 63s.

To do Sainte-Beuve "some sort of justice"—such is Professor Lehmann's declared, modest and laudable aim: to do justice, that is, to the man who "rediscovered—what had been lost" literary criticism's "essential character as a discipline of tolerant and human understanding." The author deserves to succeed in this aim, since Sainte-Beuve's merits as a critic are now, surely, beyond cavil; and he has succeeded. He has set forth his hero's immense learning, formidable industry, almost overscrupulous honesty, exact perception and transcendent lucidity, in such a way that it ought to be impossible to close his book without the impulse to take up one of Sainte-Beuve's: for in the "Causeries de Lundi," or in "Port-Royal," or in any other of his many volumes, one is at length persuaded, will be found those qualities in which criticism may properly aspire to excel: coolness of judgment, comprehensiveness of outlook and instinct for what is centrally important about literature.

And Professor Lehmann achieves this very much *à la* Sainte-Beuve. He shows how various intellectual, emotional and accidental pressures combined to induce Sainte-Beuve to oppose the dominant literary tendencies of his early manhood; how the critic therefore found himself obliged to define his classical position with greater precision than might otherwise have been necessary; and how that precision, thanks to the effort involved in achieving it, was the foundation of his greatness.

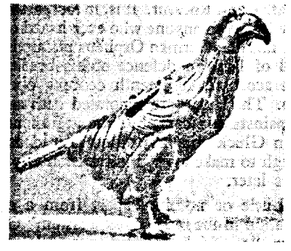
How, then, is it possible to have reservations about this "portrait of the critic"? The answer is suggested by this subtitle. Like Sainte-Beuve, Professor Lehmann has tried to illumine his author biographically, to explain intellectual characteristics in part by private quarrels and love affairs; and the result, unfortunately, is to diminish the impact of Sainte-Beuve's great critical virtues. For this method results in undue stress being laid on his private character. Professor Lehmann does his best, and no doubt Sainte-Beuve has been unfairly treated by his enemies; but, entertaining conversationalist or not, he was something of a sniveller. It does not matter that he fell in love with Hugo's wife, and she with him; but the manner in which they conducted their affair (no bed, but plenty of walks in the park and an ending in boredom) does suggest that their veins were filled with weak tea.

It is also unpleasant to read how the young Sainte-Beuve, minor poet and 'prentice critic, turned one by one against his friends and mentors as he outgrew them, so that after writing puffs he wrote ungenerous condemnations. Professor Lehmann, even as he apologises, draws attention, too, to the fact that Sainte-Beuve's resistance to the taste of his age led him to condemn, disinterestedly (perhaps) but still finally, or to miss, Stendhal, Hugo, Balzac, Lamennais, Lamartine, Chateaubriand, George Sand, Dumas *père*, Baudelaire and Gérard de Nerval—in short, one of the greatest, if not the very greatest, of French creative generations. Attempts to explain this away necessarily look like special pleading. In fact, taken in conjunction with all this, Sainte-Beuve's real perceptiveness merely tempts one to assert that some measure of bile (as in more recent literary squabbles) is necessary to achieve great criticism; but the memory of Samuel Johnson forbids one.

Marcel Proust, whose arguments (admittedly idiosyncratic) Professor Lehmann never examines, proffered, in "Contre Sainte-Beuve," two charges against the critic: first, that he had a despicable character, and, second, that he did not understand the creative act. One must still return a verdict of guilty on both counts; basing, however, a recommendation to mercy on the extent of Sainte-Beuve's perfect understanding of what readers may properly exact from writers—holding, even, that he is to that extent still entitled to his laurels, and that his detractors (to that extent), though romantic, are wrong.

Art in Roman Britain

By J. M. C. Toynbee. *Phaidon.* 219 pages, 260 illustrations. 70s.



The famous naturalistic six-inch high bronze eagle from Roman Silchester, now in the collection of the Duke of Wellington, might once, according to Miss Toynbee, have "perched on a globe held in the hand of a statue of Jupiter or of an Emperor." This bronze could have come from Rome; it was almost certainly imported into Britain in the second century. It is among two hundred or so objects remaining from the Roman occupation of Britain which are excellently reproduced in this book from new photographs taken by Mr Otto Fein. They show the varied craftsmanship of the first four centuries, some of the examples being of continental origin and others made in Britain; they include small bronzes, monumental carvings in stone and marble, mosaics, silver bowls and caskets, and decorated pots.

This book is based upon an exhibition held last year in the Goldsmith's Hall in London, which was organised by the Society for the Promotion of Roman Studies.

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By Percy M. Young.
Hutchinson. 371 pages. 45s.

OF these three books, "The Choral Tradition" is the most important, the best composed, and the most appealing to a British audience. We have our own operetta, now in full spate, and are still not so morally emancipated that all of us easily take Offenbach; and many serious opera students could not name more than three of Gluck's works. But it would be a mistake to write off the Gluck letters as being for musicologists only. It is a collection with a remarkable history, started by Dr von Asow and his wife as long ago as 1913, resumed in 1948 from the beginning after type and manuscript had been destroyed in the war and now published in Mr Stewart Thomson's excellent translation by the enterprise of Barrie and Rockliff. It is, in fact, astonishingly lively, to anyone who ever heard of the fight that the German Orpheus put up in the Trial of Paris in defence of his breakaway from accepted eighteenth century operatic form. The letters are annotated with almost too painstaking care, but the argument between Gluck and his traducers is dramatic enough to make a vivid impression two centuries later.

"Little or nothing, apart from a slight alteration in the mode of expression," Gluck wrote, "would be needed to turn my aria in *Orfeo*, 'Che faro senza Euridice' into a puppet-dance." Tommaso Traetta managed this in 1778. But Offenbach, that great lampooner, did it far more provocatively less than a century after. Mr Gervase Hughes, perhaps unconsciously echoing what was in Gluck's mind, observes: "One may now be permitted to question whether 'Che faro' is really such a magnificent tune as one has been brought up to believe . . .". But Offenbach put himself beyond the pale in Paris in the sixties by his travesties, pursuing another kind of fight than the one Gluck fought, against another kind of stuffiness. Today Sadler's Wells fills the house with *Orphée aux Enfers* and *La Vie Parisienne* and no one ever puts on Mehul. There are few sections in this original book quite so fascinating as the chapters on Offenbach, and there are indeed an immense number of bores in the long history of operetta from *Zar und Zimmermann* to *West Side Story*. This encyclopaedic first study of operetta has plenty of shrewd comments and musical illustration.

Dr Young's survey, too, is encyclopaedic, and it covers the more important achievement of five hundred years of choral music. It is an important work, with writing of a quality not always found among musicians. He can link Monteverdi to Walton and Stravinsky; he has a warm judgment on Schütz; and he finds the right words for Purcell: "above all, athletic; lithe and rhythmic, various in his colouring, unaware of binding convention, and quick to suit his forces to whatever engagement they were committed—whether in church, at court or in the theatre." But Bach and Handel inevitably provide the centrepiece. Dr Young puts them in their proper context—consummate masters but neither of universal reputation in their day, with contemporaries that looked of equal stature; above all,

> practical music-makers observing the accepted convention of the time that a composer was not a special sort of musician but that every musician was a special sort of composer, obeying the needs of time and place.

Dr Young laments the perversion of *Messiah*—a work, as he rightly says, which is in accord with modern thought in its economy of statement and apparatus and in no need of the trappings of nineteenth century romanticism. And of that he observes that there has rarely been a period when so much deplorable music by so many experienced composers was written as in the last half of the century. Then the "Motu Proprio" came in 1903, not merely as an instruction to Catholic composers but also as a statement of guiding principles for composers of any faith or no faith—"economy of means, aptness of music to words and philosophic integrity as necessary to a state of artistic grace." With Dr Young's scrupulous analysis and copious musical illustration, the course of choral music from Gabrielli to Messaien is always enlightening. His book is worth the money as programme notes, and it is far more than that.

Wessex Tale

The Life of Thomas Hardy

By Florence E. Hardy.
Macmillan. 483 pages. 30s.

IN 1928, the year of Hardy's death, there appeared an instalment of his biography "The Early Years," covering the period 1840-1891. Ten years later, his second wife, who had been responsible for the first volume, followed it with another, "The Later Years," 1892-1928. These have been out of print for some time, and it is good to have the two of them combined in a single volume, pleasant to handle, with several illustrations.

Hardy was already seventy-three when he married for the second time, and his wife wisely encouraged him to set down facts and recollections about his past, if only to forestall misrepresentations by ill-informed biographers. Working from his notes, from

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". . . It is consistently readable, often dramatic and exciting in its narrative, always lucid in its analysis and temperate in its judgment". *John Connell in the Yorkshire Post*

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From the Government Bookshops in London, Edinburgh, Manchester Birmingham, Cardiff, Bristol and Belfast, or through any bookseller

diaries, letters and conversations, she put together a life-history that is inevitably the source-book for anyone who wants to know about Hardy's career. Mrs Hardy practised the most scrupulous reticence in her handling of personal issues, and later writers have had much more to say about his psychological make-up and the tension of his first marriage. But here, without interpolations or interpretations, we have the basic material. The earlier years are far more fully documented, and more absorbing, than the period of Hardy's old age; but from an account written by Charles Morgan (at Mrs Hardy's request) of the old man's visit to Oxford to see an OUDS performance of *The Dynasts* comes the following impression—one that the biography as a whole is likely to convey to a sensitive reader:

> There was in him something timid as well as something fierce, as if the world had hurt him and he expected it to hurt him again. But what fascinated me above all was the contrast between the quiet rigidity of his behaviour, and the passionate boldness of his mind. . . .

Famous Men

William Pitt

By John W. Derry. 160 pages.

William Wilberforce

By Oliver Warner. 174 pages.

Samuel Johnson

By M. J. C. Hodgart. 128 pages.
Batsford. 16s. each

HISTORIANS tend to frown on writing history round famous men. But ordinary mortals tend incorrigibly to prefer absorbing their history in biographical chunks. Too often, however, they have to be satisfied with distinctly mediocre fare in which too much attention is paid to trivia and too little to anchoring the subject of the book firmly in his historical context.

To judge, however, by these first three volumes in their new "Makers of Britain" series, Messrs Batsford are determined on a more scholarly approach. These modest, but pleasantly produced, volumes are really introductory essays designed to lead on to the "further reading" conveniently set out in each volume. They are all well written, and all avoid the dullness which so often goes with any effort to cram a great deal into a little space; in particular, the life of William Pitt is a model of elegant and vivid compression. Between them they provide a rounded picture of the political, social and literary aspects of English life in the late eighteenth century. This may, however, be more by accident than design; the next three volumes promised are to be about Oliver Cromwell, Elizabeth Fry and Henry VIII, and the series as a whole does not seem to have been particularly coherently planned. But it should prove welcome to students picking their way down the long perspectives of a historical tripos; as well as to others who merely want to brush up their history.



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MACMILLAN

The Early Greeks

The Greeks: Till Alexander

By R. M. Cook.
Thames & Hudson. 264 pages. 30s.

The Origins of Greek Civilisation

By Chester G. Starr.
Cape. 408 pages. 50s.

Early Sparta

By G. L. Huxley.
Faber. 164 pages. 30s.

MR COOK'S book is one of the well-known series "Ancient Peoples and Places," under Dr Glyn Daniel's editorship. Like the rest of the series, it is concerned mainly with the material remains of the civilisation; it is the work of an archaeologist, not of an historian of politics or culture. It is more or less confined to mainland Greece and the islands, since further volumes are promised about the eastern and western Greeks; but Mr Cook cannot help spilling over a bit. It is admirably produced and illustrated, with 48 pages of plates and good line drawings.

Even with these limitations, Mr Cook has been set a superhuman task: the main text (excluding notes and so forth) is only about 150 pages, and he has not ignored history, politics, science, technology or literature. He wastes no words and has made an excellent job of it. His main concern is with art and architecture; here he is on his own ground, and it would be hard to find a better short account of the development of the material culture of Greece up to the middle of the fourth century. As is the fashion today, the earlier part of the story has the larger share; more space is given to the period before 500 BC than to the classical century and a half that follow.

If any one wants to pursue the earliest period in greater detail, he can turn to Professor Starr's stimulating book, which deals in great detail with the period from the collapse of the Mycenean culture about 1200 BC, to the sudden flowering of early Greek civilisation in the decades about 700 BC. It is a book of learning, with vast documentation; but it is written clearly and can be read by the non-specialist. Professor Starr's thesis is the one generally held by the ordinary man, almost by instinct, but which is hard to put to the proof: that the main stream of Greek culture is largely original, and that borrowings from the east, over the period which he discusses, are secondary. In the earlier part of his period he has little evidence to build on except pottery, which he treats as a measure of the growth and quality of Greek culture. The trouble about this approach is that a great deal depends on the author's personal aesthetic judgments, and one is inclined to discount some of his enthusiasm and imagination; but the main lines of his analysis are convincing.

Mr Huxley's book is a short but highly condensed and fully documented study of



Detail of inside of Attic cup

the history of Sparta up to 490 BC. In this period the Spartans had not developed the repulsive austerity and philistinism for which we know them. They were tough and cruel, as they had to be—they were always a small minority who rested their power on force, guile and skill of arms—but in those days they were prosperous and loved the arts. Unfortunately they left little behind them by way of material remains or history told from their point of view; Mr Huxley has had to work backwards from traditions, as often as not contradictory, dating from much later times. His book cannot be a clear-running story: it is an analysis of conflicting evidence, and therefore hardly meat for the beginner.

Novelists and Moralists

The Moral and the Story

By Ian Gregor and Brian Nicholas.
Faber. 275 pages. 30s.

ENGLISH critics of fiction, particularly those who are obliged to be critics because they are teachers, are apt to confound the functions of the novelist and the practical moralist. There is, after all, a profound difference between the attitude of a creator to the creatures of his imagination and that of a commentator on an actual human situation. The confusion is no doubt mainly due to the fact that our greatest native novelists have been so obviously concerned with ethics. Whether as critics of society or analysts of behaviour, they have, with a few exceptions, cared more about the moral issues implicit in their themes than about the technical problems that must be solved if a novel is to be a wholly integrated work of art. In France, novelists and their critics have given far greater weight to these aesthetic considerations.

This book, a study of moral judgment embodied in works of fiction, is particularly valuable because it is the fruit of a highly intelligent collaboration between two people, each qualified to supplement the critical assumptions of the other. Mr Gregor is a lecturer in English at the University of Edinburgh, Mr Nicholas a lecturer in French at Birmingham; and between them they examine, in some depth,

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A Writer's Craft

Raymond Chandler Speaking

Edited by Dorothy Gardiner and Kathrine Walker.

Hamish Hamilton. 271 pages. 21s.

"THE mystery writer's material is melodrama, which is an exaggeration of violence and fear beyond what one normally experiences in life. (I say normally: no writer ever approximated the life of the Nazi concentration camps.) The means he uses are realistic in the sense that such happen to people like these and in places like these; but this realism is superficial; the potential of emotion is overcharged, the compression of time and event is a violation of probability, and although such things happen, they do not happen so fast and in such a tight frame of logic to so closely knit a group of people."

The melodrama can nevertheless be art in the hands of a craftsman. This Chandler certainly was in taking the crude excitements of the pulp magazines and transmuting their world of private eyes, drug addicts, nymphomaniacs and phoneys into a moral comment on corruption and violence. If he had chosen to write something other than "mystery" stories, would there be any reluctance to call him by the title he deserves, a novelist? What emerges clearly from these letters and fragments—and Chandler, as those who care for his books must have long realised, was a brilliant letter writer—is how much he was concerned to raise the "mystery" above the dreary and mechanical platitudes of the "plotted" detective story and how much he cared for and with what labour he tried to achieve style in his writing. His writing is highly wrought and for all its realism and brutality—the hotel lobby that was "as restful as a split lip"—often ornate. It is colourful, gaudy even—and it races. Chandler, one suspected and these letters confirm the suspicion, was an intellectual who took pleasure in creating a written style from American colloquialisms. In his letters he is more unbuttoned but still as delightful to read; for the satire at the expense of the shoddy, the second rate and the pretentious is there. One's only regret is that for fear of libel the editors had to purge some of the letters; the thought of what we have missed is tantalising.

a number of English and French novels which share the theme of the woman exposed to the censure of society. At one end stands George Eliot, who could assume in her readers a settled scheme of moral values corresponding to her own; at the other, D. H. Lawrence, who had to create his own creed and seek out converts. Mauriac and Graham Greene are brought into telling conjunction when the treatment of morality and grace in fiction is being considered, and there are excellent chapters on "Madame Bovary" and "Tess of the D'Urbervilles." Altogether it is a thoroughly stimulating and original book.

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Waters in Oblivion

The Lost Rivers of London.

By Nicholas Barton.
Phoenix House in association with the *University of Leicester Press*. 148 pages. 21s.

THE motorist passes too swiftly, the pedestrian plods too slow, the horse is gone; few are left to feel the bones of London thrusting through the uniformity of brick, asphalt and pampered grasses. Only the progressive and growing minority who have learnt to evade the traffic jams astride a bicycle can savour the essential hilliness of Grosvenor Square, or the subtle declivities of the Bayswater Road; only they can truly appreciate the *raison d'être* of the Holborn Viaduct, and face with interest (if with aching thighs) the Roman gradients of the Old Kent Road. Mr Barton's scholarly and wholly delightful work is devoted to explaining and exploring the courses of the rivers that ran—and, transmuted, still run—over and beneath the tract of country that has become the London conurbation. Under his loving attention the Great Wen becomes once more a living territory whose hills and valleys fall into pattern along the mistress-piece, the Thames.

The Thames, of course, is an historic national scandal. Instead of giving life and unity to its two banks, and acting at once as a commercial highway and a massive breathing lung for the city, the riverside has been pinched up between warehouses or, worse, allowed to serve as a confused car park (this last, finally, is to be changed, and a motor-racing track substituted along the potentially noble Victoria Embankment). Mr Barton makes it plain that the loss of so many of its tributaries has been an equal disaster, both social and aesthetic. Those left above ground have been revoltingly polluted, their fish life killed and their banks covered with household and industrial filth —detergent foam, the latest and perhaps ugliest of polluting agents, has at least a less offensive smell than its predecessors of other centuries.

The chief fascination of Mr Barton's study is that so many old watercourses have quite literally been lost—nobody quite knows where they ran, and nobody quite knows what happens to their waters now. Particularly curious is the story of the sewers of Soho. When the speculative builders were at work on this far western extension of the London built-up area in the late seventeenth century, they had to get rid both of rainwater and of less celestial detritus. Richard Frith, in particular (who gave his name to Frith Street, where Italian is now the vernacular) was involved in a set of lawsuits resulting from his building of an illicit sewer. This was then replaced by a further artificial underground watercourse, whose path cannot be traced; but Mr Barton intriguingly speculates that the original and illegal sewer may in fact still be running, as the stream that can be seen in the basement of a club in Meard Street, and which



The Fleet River near St Pancras (1825)

once provided water for the aquatic spectacles that preceded Miss Eartha Kitt at the London Hippodrome. This part of the work, with its sordid details of commercial development, may be the most interesting of all for some modern readers. It is worth noting that, as in the best moral tales, Mr Frith died bankrupt, but he did leave some mark on history. When Karl Marx was living in Dean Street, the Frith waterworks were still inflicting cholera on the inhabitants: Mr Barton quotes a letter to Engels in which the author of *Das Kapital* confesses his resulting terror of Soho Square.

The squalor of the sewers was put to an end by the Metropolitan Board of Works—the body that preceded the London County Council as that worthy body will one day have preceded the Greater London Council. The squalor remains of some rivers left, polluted and attenuated, above ground, despite the pleas of (among others) Ruskin, William Morris and Sir Alan Herbert. But Mr Barton argues, supported by some very curious statistics, that the invisible streams have not only determined the growth—military, political, industrial and social—of the city. They may still from their underground lairs affect the health, the moral welfare and even the psychic balance of Londoners who live along their ancient courses. *Naturam expellas furca. . . .*

Makers of Modern Europe

Medieval Technology and Social Change

By Lynn White, Jr.
Oxford University Press. 216 pages. 30s.

THIS book consists of three essays, each of which examines the origin and diffusion of a technical invention, or group of inventions, and their effect on mediaeval society. The first deals with the stirrup. Few inventions have been so simple, yet few have had such a momentous influence on history. For the stirrup welded horse and rider into a single fighting unit of unprecedented power, and out of the exigencies of the new type of warfare there developed a society dominated by an aristocracy of mounted warriors. The consequences still live with us in our system of landownership. The second essay discusses a cluster of inventions in agriculture—the heavy plough, the nailed horse-shoe and a new type of harness—and their role in the evolution of the manorial system and the open fields. In this case too, the inventions were simple from a technical point of view but had profound repercussions in northern Europe; for the increase in agricultural productivity provided the surplus food that allowed urbanisation to gather pace from the tenth century on. In this environment developed the new sources of power, and the mechanical devices to use them, which form the subject of the third and most original essay.

Each of these topics is thickly encrusted with learned articles and monographs, but Professor White has systematised and consolidated previous work, and by relegating his more complicated disquisitions to a series of lengthy notes he has succeeded in keeping the main lines of his argument clear of the threatening sea of specialist disputes. The result is a vigorous and exciting survey, which in learning, style and verve does not suffer from comparison with the work of Marc Bloch, who preceded Professor White in this field and to whom the book is dedicated. It is brief—the text itself runs to no more than a hundred and thirty-three pages—but it is packed with ideas and information and has all the marks of a seminal book. It not only illuminates a problem of general importance—the relation between technology and social forms; it is also an exercise in method, for it shows how much archaeology, iconography and etymology can yield for the history of those social groups who did not speak for themselves. It also demonstrates how much mediaeval society owes to the East, and how much modern technology owes to technical developments made before 1500. The extent of mediaeval progress in mechanical devices is especially striking: the discovery of spring and treadle in the thirteenth century, the development of complex forms of gearing in the fourteenth, and the elaboration of crank, connecting-rod and governor in the fifteenth. By the end of the middle ages Europe had the technological resources adequate for an industrial revolution. One is left wondering why the world had to wait so long for Watt and Arkwright. Professor White's book is at once an advance in the study of mediaeval technology and also the best introduction to the subject for the serious general reader.



Sandwich Vindicated

Jemmy Twitcher: *A Life of John Montagu, 4th Earl of Sandwich, 1718-1792*

By George Martelli.
Cape. 292 pages. 30s.

THERE are few more derogatory articles in the sober volumes of the Dictionary of National Biography than the one on Sandwich. The only thing that can be pleaded in extenuation is that at the time it was written there was nothing to go on except material provided by Sandwich's detractors, notably Wilkes and Walpole. Yet it was Walpole himself who admitted that there was no one in North's unlucky ministry who "was so much a master of his business, so quick or so shrewd."

The rehabilitation of Sandwich began when four volumes of his papers during the American War were published by the Navy Records Society in 1932. More recently Mr Spencer has edited a volume of his diplomatic correspondence. And now that Namier's disciples have exorcised the horror that used to be felt at words like "jobbery" or "interest," it is possible to make a more rational assessment of the man who was a member of nearly every administration between 1744 and 1782. When, indeed, more is published about his notorious exercise of patronage, it will be found that it is the servility of his applicants that is really shocking.

Mr Martelli is right in claiming that there never was such a hard working statesman. Apparently the sandwich was invented, not because of the noble lord's reluctance to leave the gaming tables, but because of press of business. All the more pity that a silly nickname is commemorated in the title of this book, since it was Wilkes who really took the first step in breaking up their old companionship. Although the book can be recommended to the general reader, it does not pretend to be a standard biography: whole aspects of Sandwich's life are excluded; there is no bibliography; and there are only scattered and arbitrary references. This is all the more irritating because the author has had the privilege of using the mass of material still at Hinchingbrooke.

In his justifiable anxiety to clear Sandwich's name the author fails to explain the extraordinary unpopularity which his subject so frequently aroused. And even if it is agreed that Sandwich was more interested in racing and cricket than in orgies, that the Medmenham Abbey business was nonsense, and that his mistress was comparatively respectable (he had five children by her before she was murdered by a lovesick parson), there are plenty of sly hints in the letters printed here to show that he was a considerable rake.

All that is the gossip of history. What we have to thank Mr Martelli for is his convincing defence of Sandwich as a naval administrator. In the American War he was simply unlucky in his admirals, most of whom were foisted on him and nearly all of whom proved factious or plainly incompetent: "Though I acknowledge there are some very good officers among them, they have suffered politics to lead them so totally that the good of the service is a very secondary consideration with them." The irony is that the improvements for which he was responsible benefited a generation of naval officers which he did not live to see, and that the one great victory of the war by the man he had himself selected came after he had resigned. George III was right when he said of Sandwich: "whatever his private failings, I know no man so fit for his department."

Royal Refugee

The Memoirs of James II: *His Campaigns as Duke of York, 1652-1660*

Translated by A. Lytton Sells.
Chatto & Windus. 308 pages. 42s.

THIS book is based on a manuscript that was accidentally found in a chateau in France in 1954. The original memoirs, which James kept during his service as a soldier of fortune under Turenne, were deposited at the Scots College in Paris, and are known to have been burnt in panic during the French Revolution. Before they were destroyed, they had been used as the basis of various accounts, including a "Life" that was acquired by the Prince Regent and published in 1816 by the Reverend J. S. Clarke. The present manuscript turned out to be a translation of the original memoirs, made during the king's lifetime expressly for Cardinal Bouillon, a nephew of Maréchal Turenne, and corrected by James himself. It can therefore reasonably be assumed that the Bouillon manuscript is the nearest thing to the original memoirs that has survived.

The present book is in fact only partly based on the new manuscript. Many parts proved to be practically identical with extracts from the memoirs in Clarke's "Life," so that a new translation was unnecessary. The present edition therefore adds little to what was already known, but it does include one new and interesting detail in a brief note referring to James's first meeting with Anne Hyde, his future wife.

It cannot be said that James's memoirs are in themselves of major historical importance. They are interesting because they reveal from the inside details of the war, and of the campaigns of Turenne; and in the later sections throw some light on the intrigues of the exiled royalists immediately before the Restoration. But James is not a penetrating or amusing diarist and their real value lies in the light they throw on his character.

Professor Sells's translation is most readable, and the book can be recommended to anyone interested in James II, or in an eye-witness account of the campaigns of the Fronde, many of which were fought over twentieth century battlefields.

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A Scot on the Make

Robert Adam and his Circle in Edinburgh and Rome

By John Fleming.
Murray. 415 pages. 40s.

THIS long awaited biography of Robert Adam proves to be a seductive piece of writing crammed with new material. Research has yielded too much material for a single volume, and the author takes the story only as far as the year 1763, when the dilettante James returned from Italy to find the strenuous Robert, five years after his own return, in full possession of the architectural field in London. One hopes that the coming volume will continue to round out this new picture of Robert Adam, his family and his patrons by means of a wealth of letters, diaries and memoranda, as this volume has done. It is hardly fair to tax the author with making this kind of book out of the treasure found in the Clerk of Penicuik papers (now in the Register House), but it is a reflection on the role played by architectural history in this country that books on great architects seldom receive the serious scholarly treatment meted out to politicians, writers or philosophers. Certainly this book —perceptive, skilfully compiled, and produced with great care as well as richly illustrated—will appeal to a wider public than would a serious edition of the Adam papers. But let us hope, all the same, that we shall one day get just that. The excerpts here presented whet the appetite.

The early chapters deal with Adam senior, his patrons and the cultivated Edinburgh circles after the Union. We meet William Adam—a hitherto shadowy figure —guided by Sir John Clerk, and the Marquess of Annandale emerging from a commercial start in Fifeshire, to establish himself as "the universal architect of his country." For the first time the sequence of his houses can be identified and dated. His connection with the Board of Ordinance, which afterwards employed John and Robert, is documented and the work at Fort George after the Forty-Five is established. The Adam family were a warm hearted clan —four sons and six daughters ruled after William's death by a stern, but much loved, old mother. They developed ties of marriage and friendship with many important intellectuals in the Athens of the North.

The body of the book is concerned with the sequence of Grand Tours taken by the serious Robert and the flighty James. Scotland never produced a more purposeful and determined artistic ambition than that of Robert Adam. James was a trifler by comparison. Very early on his voyage Robert announces his intention to oust Chambers, "who has very considerable friends and real merit," also to cut out the young Brettingham, and see that the poor but industrious Scottish Mylnes will not get a look in. It is easy, from a contemporary egalitarian point of view, to poke fun at Robert for his determined pursuit of lordly patrons. These



William Adam's design for Newliston

Grand Tours cost a fortune in suitable lodgings, brilliant suits, and fine equipages, but reaped a harvest of good connections. Robert saw his artistic course as clearly as he saw the social. It was to attain as wide a grasp as possible of classical decorative motifs, and of new aspects of ancient buildings, which might be applied to a novel architectural fashion on his return. He harnessed himself to the French painter and classical enthusiast, Clérisseau, established a studio, and went hard to work. It was difficult to be a professional architect and retain social status. But what passionate amateur architects, what gullible collectors and what victims of classical one-upmanship these milords were.

Of the travellers that infest Rome, there are three ranks—great Lords, great Fools, and sensible Gentlemen. The first of these I mean to court on account of their greatness. The second I endeavour to shun for the same reason, and the last to be well with according to their sense and influence.

It was Robert Adam's acute perception of the contemporary scene and of its peculiar and British limitations—the lack of royal and state patronage, the antipathy to the current tide of continental rococo, the dependence on the taste of suspicious and capricious Whig squires—that moulded him. Singleminded in his determination to bear back—not to Edinburgh but to London—a new style, he set to work in Rome to build up a huge repertory of designs and to keep in with all the right people.

When he set up in Lower Grosvenor Street in the spring of 1758 he had not long to wait for the harvest of all his effort. He was soon "tickling up" John Carr's façade at Harewood to dazzle the eyes of Squire Lascelles. Commissions for Kedleston and Syon followed swiftly. Three years later an eminent patron stated that the Adam brothers were in the van and about to inaugurate "a reign of taste in Architecture." The Grand Tours had paid off.

The Basis of Radicalism

Wilkes and Liberty: *A Social Study of 1763 to 1774*

By George Rudé.
Oxford University Press. 256 pages. 30s.

AS a political leader, John Wilkes was a lightweight, a rake with a gift for demagogy, who ended his career as a pillar of the establishment; but he was also the founder of latter-day Radicalism. By his defiance of George III and his servants, Wilkes forced the judges to recognise the liberty of Englishmen to curse the government without fear of arbitrary arrest. He destroyed the pretensions of the House of Commons to control the choice of the electors, and he secured the freedom of the press to report parliamentary debates. In his wake, the people fought their way into the narrow circle of the eighteenth-century "political nation," and before long the road was open to the reform of "the old, rotten system." These were no mean achievements for an ardent member of the Hell-Fire Club.

Yet, if Wilkes made the world safe for Michael Foot, why he was able to do so remains a mystery. Shifts in the structure of English society on the eve of the American Revolution, and stresses within the structure of its politics, somehow gave him the opportunity to revive emotions and attitudes that had apparently been dead for a century and more. Just why that opportunity crystallised in the London of the 1760s has never been satisfactorily explained, and Mr Rudé only hints at an answer. But this modest, unpretentious book gives a clear picture of who Wilkes's supporters were, and for the first time an explanation has been brought within the bounds of possibility.

Mr Rudé's earlier work, "The Crowd in the French Revolution," was a brilliant demonstration of what could be revealed by determining the actual composition of "the mob" and the exact nature of "the people" at a crucial moment in history. His new survey is neither so well constructed nor so comprehensive, but its pioneering importance is even more notable. For Mr Rudé has moved from a field dominated by the great French historians of the Jacobin tradition, with their sensitivity to social forces, to the preserves of the Namier school, who tend to relegate the populace to an ill-defined but vaguely contemptible minor role. His methods have been successfully transplanted, and a fresh wind is blowing in the world of patron and placeman.

By assiduous research and painstaking analysis, Mr Rudé has established the class basis of Wilkes's party. First in London and then throughout much of the country, its foundation was provided by solid citizens of "the middling sort," and the most sustained enthusiasm came from the humbler men of property. In parliament, at the Middlesex elections, and in the City, the great were against Wilkes. At the other extreme, the riotous coal-heavers and silkworkers of the East End might cheer him, but their grievances were primarily economic and their support was fickle and incidental. Thus English Radicalism in revival was once more the product not of "the mob" but of the petty bourgeoisie. Now that we know where we stand, Mr Rudé must tell us why.

Elizabethan Diptych

Ralegh and the Throckmortons

By A. L. Rowse.
Macmillan. 352 pages. 35s.

IN this book (to be published on April 5th) Mr Rowse has not attempted to write yet another full-scale life of Ralegh, but to paint his portrait against the setting of his family and connections. The stimulus was provided by the discovery of the diary of Sir Arthur Throckmorton, Ralegh's brother-in-law; but since the lives of the two men crossed only occasionally, Mr Rowse has painted a diptych rather than a family group. Mr Rowse displays exuberant enthusiasm for the diary, but Throckmorton was painfully discreet and laconic, "for ever halting on the brink of what he might have told us." Indeed he supplies only one important new piece of information about Ralegh: that a child was born to him and Bess Throckmorton five months after their imprudent marriage, which cost them the Queen's favour. The diarist was a timorous, bookish man who noted his expenditure, social engagements and the state of his health. Unfortunately, no diary has survived for the period of Ralegh's trial; and it is especially sad for so patriotic an Elizabethan as Mr Rowse that the diary for 1588 ignores the Armada.

But it is a tribute to Mr Rowse's perception and artistry that he has put flesh on the bones, so that Throckmorton emerges "in the round, from a succession of minute, disparate strokes in one dimension." Mr Rowse traces the history of the Throckmortons under the early Tudors, using a delightful source, a doggerel family poem, which candidly emphasises the importance of court favour. The family divided into Catholic and Protestant branches, and Nicholas Throckmorton, who became ambassador to France under Elizabeth, climbed highest. Yet he was disappointed at the Queen's accession to receive only the Chief Butlership:

> Excepting that, all offices were gone:
> The fruits were pulled, and all the birds were flown

His son, the diarist, failed at court and knew affluence only when he retired to his books in his new house at Paulerspury in Northamptonshire. He drew steady profits from wool and should have been happy enough had he not submitted to the punishments inflicted by Elizabethan doctors upon which his diary and Mr Rowse dwell at length. His tours of southern England, calling on his Puritan and Catholic relatives alike, make his diary "a comprehensive *Who's Who* of Elizabethan society." Mr Rowse nostalgically accompanies him, hearing the "frost tinkle in the brook," and missing the bugle calling in the rides of Whittlewood Forest.

If Throckmorton does not help us to understand Ralegh better, Mr Rowse does. His analysis of this brilliant, heroic, unscrupulous and rapacious man, a diamond whose every facet catches the light, is sure and telling. Ralegh was a sceptic who did not suffer fools gladly, and he lacked "that element essential to a politician and the successful running of politics: humbug." Yet his History was the best seller of the century and an inspiration to Hampden, Milton and Cromwell. Mr Rowse writes with his accustomed verve and sparkle. For him France in the Wars of Religion is "the world of Dumas and Mérimée, of the Three Musketeers and the *Chronique du règne de Charles IX*": but his romanticism is controlled by his scholarship. Some will wish that the control had been firmer, while others will find the style merely endearing and characteristic.

Frank Lloyd Wright

By Finis Farr.
Cape. 224 pages. 25s.



THIS Unitarian Church, designed by Frank Lloyd Wright for Madison, Wisconsin, in 1949, is typical of the most influential and original of American architects. Built of local stone, arising naturally out of its surroundings, with the design based symbolically on the triangle, it is unpretentious yet inspiring, well suited to its function—except that anyone much over five feet tall bumps his head if he seeks to shelter under the eaves. To Frank Lloyd Wright architecture was an application of ethics and philosophy and far more than a mere means of providing living and working space—although he did provide the latter in an imaginative, interesting and, particularly in the last part of his ninety years of life, provocative way. These adjectives describe the man himself as well as his work and it is with the man more than his work that Mr Farr is concerned. His book is a readable but superficial introduction to a fascinating character.

Before Columbus

Land to the West

By Geoffrey Ashe.
Collins. 352 pages. 28s.

THIS book examines the possibilities of a European discovery of America, before Columbus and other than the Norse. The evidence, which is treated with care and intelligence, comes chiefly from three ancient myths: the legend of the voyage of St Brendan, the Irish saint-navigator of the

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FABER

sixth century ; the Greek legend of Atlantis ; and the early American legends of wise white men who came across the sea from the west. Mr Ashe suggests first that the story of Brendan indicates some genuine knowledge of the North American mainland and the West Indies. This may not, however, have all been firsthand knowledge ; early Irish geographers may have learnt something from classical sources which have not survived. He is thus led on to examine the Atlantis story, and other tales of western lands in classical authors. Their stories of Thule, of Atlantis, and of the Hyperboreans may, he believes, echo early knowledge of a north Atlantic route to America ; the Carthaginians, too, may have guarded secrets about Atlantic sailing, which were lost when their civilisation fell. These hints, in combination with those of Mexican myth and archaeology, permit the conjecture of a classical or pre-classical discovery of America. Signs of early Christian influences there are probably due to the arrival of some small band of Irish pilgrims in the dark ages.

As historical conjecture, Mr Ashe's case is sometimes farfetched, but by no means always. That wandering monks from Ireland did sail very far into the Atlantic is undoubted ; they could even have reached America. But the crust of myth has formed too thick about any substratum of fact that may underlie the classical stories, and the American evidence, though intriguing, is inconclusive. The author, however, never claims he is doing more than suggest workable hypotheses, and he shows admirable control in refusing to make his conclusions too definite. This is far from being the only admirable quality of his book. In themselves, the legends he examines are fascinating ; they lose nothing in his retelling, and are worked skilfully into a personal account of a personal inquiry. Grace of writing, the compelling interest of the problem, the intelligence with which the leading questions are phrased, all make this book wholly delightful reading.

Taken from Life

Colour Photography

By Eliot Elisofon.
Thames and Hudson. 156 pages. £3 3s.

"THE knowledge of photographs," Moholy-Nagy once wrote, "is just as important as that of the alphabet. The illiterate of the future will be the person ignorant of the use of the camera as well as of the pen." He overstated his case, of course, for though words are a necessary means of communication, only a minority can express themselves best in drawing, in painting, or in photography. Yet many people try to use the photograph as a record, to express feeling, or to convey ideas without taking pains to learn the alphabet and grammar of the art.

Now that reliable colour film is available, many an amateur who felt that he had mastered a limited part of the rich and complex technique of black-and-white photography has been at sea again, unable to control all the new variables, and desperately in need of guidance. To him, and indeed to anyone who wants to see what can be achieved nowadays in colour photography, this very handsome book will appeal. Mr Elisofon is a photographer for *Life* and will be remembered as the man chiefly responsible for the subtleties of colour in the film *Moulin Rouge*. His book consists of 68 large and varied colour photographs and 13 black and white ones together with much technical detail about how they were made. Between the groups of pictures there are chapters packed with information on equipment, lighting, composition, control of colour and the use of filters, the influence of weather and the time of day—"twilight is to me the most interesting time of day"—which anyone intending to try anything more ambitious than holiday snapshots will find most valuable.

Much of the equipment which the author uses, particularly in interior work, is beyond the reach of the amateur: there are references to fourteen different cameras used in taking the pictures in the book, and one particularly exciting photograph needed three days, five men, ten trucks and truck drivers, and two radio police cars. On the other hand many of these pictures were taken with ordinary 35 mm or twin-lens reflex cameras on ordinary colour film.

What will probably charm most readers is the lack of garish colour in many of the plates and the soft almost monochromatic effect which the author's expertise can produce. He can even turn to good use the liability of colour film to produce overblueness. If Mr Elisofon's advice is widely heeded, as it should be, there will be less "get the sun over your left shoulder, set the exposure for 1/50th at f 5.6, push the button and the lab. does the rest," and fewer disappointed amateurs looking ruefully at rather indifferent picture postcards.

Pioneers! O Pioneers!

The Discovery of the Great West

By Francis Parkman.

Ordeal by Hunger: *The Story of the Donner Party*

By George R. Stewart. (To be published on April 19th.)

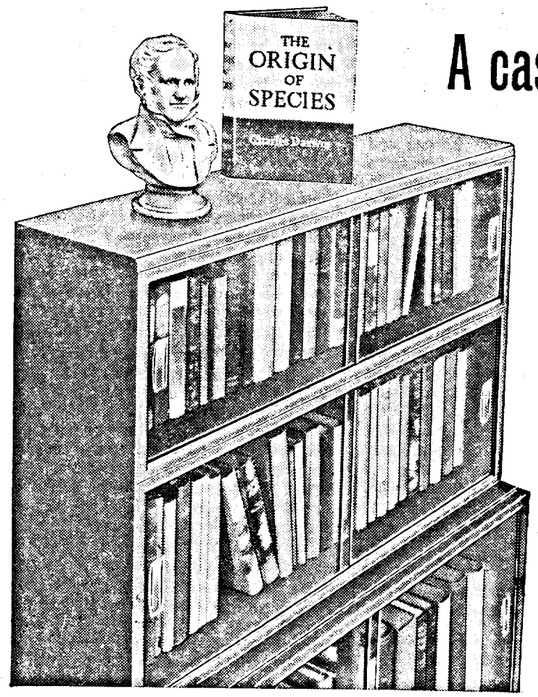
Eyre and Spottiswoode. 331 pages and 414 pages. 25s. each.

THESE new editions of classics owe much to British scholarship and enthusiasm. Professor Hawgood writes a perceptive foreword to Parkman's classic of the American West ; and Mr Cunliffe, who has made a reputation on both sides of the Atlantic as a critic of American literature, has written as good a preface to Stewart's terrible story of the Donner Party's snowbound crossing to California in the 1840s (one of the last occasions on which cannibalism broke out among white folk) and added to it notes, contemporary letters, and so on.

The great work by Parkman on the discovery of the West first appeared in 1869, and its Boston Brahmin author awoke to find himself famous. Parkman was devoted to the American Indian, but his work really focuses on the great *voyageur* La Salle. How many Chicagoans and others busy in their local "Wall Street," named after La Salle, stop on the Michigan Avenue bridge, where Fort Dearborn once stood, to read the green-encrusted plaque to those Frenchmen of the seventeenth century who carried their canoes over the *portage* from nearby Lake Michigan to the rivers a few miles inland flowing down to the Mississippi and the Gulf? Tonty, Joliet, Marquette, Nicollet, Hennepin, Frontenac, all the other great Frenchmen, traders or Jesuits, appear in the book, too. Most Americans probably only think of them now as the names of railroads, hotels, highways, prisons, cities, which now cover where they first trod or paddled "through forest and savannah." (Few have paid tribute to those other great discoverers, the Spaniards coming up from New Spain in the south, to spread names like Colorado, California, Florida, Arizona, Texas, across the map. De Soto discovered the Mississippi a century before the Frenchman Nicollet reached its northern tributaries.) The aristocratic La Salle, disinherited, joined and left the Jesuits on good terms, and departed on his travels to find a way to China and Japan. How often, in the story of European expansion, does this lure of the Orient play its part. Instead, La Salle found his death at the peak of his achievement: the mouth of the "Great Water," the Mississippi, after he had been the first white man to travel all down it. No one can read such classics today without wondering at the phyiscal and nervous stamina of these discoverers.

Stewart's story of the Donner Party's awful journey by ox-wagon across the Rockies towards California first appeared in 1936, but the new version is made more interesting by Professor Hawgood's additions to the original text: foreword, unpublished letters (especially the one from the 12-year-old schoolgirl who survived) and appreciation of more recent scholarship. The "Party" left Illinois, led by Donner who was already in his sixties, in July, 1846, rather late in the year, with plenty of money and goods, and many Germans, some Irish, many native-born Americans, and one





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Englishman. Eighty to ninety persons set out; forty-two died in the high snow of the Rockies; forty-seven reached the sun and the Pacific. The last survivor, saved as an infant, died in 1935. This "most spectacular" disaster of all the covered-wagon crossings of the Great West occurred for the same reasons as many motor-car and aeroplane disasters occur: the pioneers were late in starting; they cut corners; they were not equipped to run the risks they decided to run; they could not go back; they could not reach their goal.

Another topical feature of this trial of endurance was that women survived better than men, even among the group that attempted to walk their way out of the impasse. The letter of Virginia Reed, printed at the end of the book, is certainly, as the editor claims, "a 'natural' of literature" with its child's unemotional veracity of observation, and its blank avowal of cannibalism "that was 3 died and the rest eat them thay was 11 days without any thing to eat but the Dead."

These two books about pioneers, mindful of only such security as their own hands could command, make heartening reading today. They are a credit to editors, publishers and printers.

Serving and Saving

My Seventy Seven Years

By Norman Bentwich.
Routledge. 344 pages 30s.

THIS autobiography is a very moving book. Written simply and with great modesty, it records a lifetime of untiring service, of loyalty to ideals (which sometimes clashed) and (at the close) the satisfaction of having helped to redeem many thousands of lives from slavery and torture.

Norman Bentwich was born in a London family of orthodox Jews; educated at St Paul's and Trinity Cambridge; called to the bar, and adopted as Liberal candidate in a difficult constituency. But the strongest element in his blood was Zionism, and after six years at the bar, he accepted a legal post in Egypt because it looked like a good jumping off place for Palestine. The jump came in 1916 when the young lawyer mounted a camel, became a colonel, and at the head of a lot of other camels helped to drive the Turk out of the promised land, "revelling," as he says, "in the feeling that I was going up like our forefathers to the land of Israel." That ride on a camel settled his destiny.

In the mandate he was attorney-general in Palestine—in those days a ticklish post for a Jew. The Arabs resented him, and one of them shot him in the leg. The Labour Government at Westminster recalled him, and his connection with Palestine seemed to be ended. But the Hebrew University on Mount Scopus offered him a professorship; the tie was restored; and it looked then as though his working life would be spent in the green pastures of an academic life in Palestine.

That did not happen, and in fact the most active part of his life was just round the corner. At fifty he became Deputy of the League of Nations High Commission for German refugees, and for the last twenty-seven years his life has been devoted to helping persecuted Jews. From centres in Switzerland and England he worked and travelled, pleading the cause of Hitler's victims, providing them with shelter in England, raising money and sometimes challenging cut-throats like Eichmann face to face. With his eye on the one target he has gone almost all over the world—to Germany, Austria, France, Holland, Belgium, Italy, America, Spain, Greece, Abyssinia and the East Indies and as war came nearer he was running considerable risks. When Hitler's shadow was already over them he was still busy in Holland, Belgium and France, and he might easily have been one of the 130,000 Jews caught by Hitler in Holland, of whom fewer than 13,000 survived the war. He would not have been one of the 13,000.

Altogether Norman Bentwich must have helped directly in saving hundreds of thousands of Jewish lives, working easily with Jews and Christians—especially Quakers. He seems to have got on particularly well with Quakers. And that is not surprising. He would have made a splendid Quaker himself.

Thought in Transition

The Scientific Renaissance, 1450-1630

By Marie Boas.
Collins. 380 pages. 30s.

IF the remaining seven volumes of this series—"The Rise of Modern Science"—are as good as this one, it may well be the best general account of the history of scientific thought that has yet appeared in this country. When complete, the series, which is edited by Professor Rupert Hall, will range from ancient Greece to the present day.

Dr Boas's book is the second volume, and covers the crucial period of the Renaissance. She is therefore faced with the difficult task of describing scientific thought in an era of transition. The line between experimental science and magic was thin. Dr Dee dabbled in crystal gazing; Paracelsus was famous as an alchemist as well as being a doctor and chemist; even Kepler cast horoscopes.

Although by the end of her book the ancient conception of the universe had been shattered forever, the old teachings and superstitions died surprisingly hard. Yet the climate of Renaissance thought was such that, as Dr Boas shows, whenever a man of real vision rose the results were startling. Vesalius and the medical faculty at Padua had begun to free the study of anatomy from the teachings of Galen, and the valves in the human veins had been described by a number of sixteenth century observers, notably Fabricius of Aquapendente, but no one had understood their purpose until Harvey in the early seventeenth century applied the analogy of the pump to the heart and described the circulatory system of the blood. In the same way Copernicus, who saw correctly that the apparent motion of the sun was in fact due to the revolution of the earth, retained the Aristotelian conception of solid spheres; Tycho Brahe, the greatest observational astronomer of his age, rejected the spheres, but thought the sun revolved round the earth; it was only when Kepler working on Brahe's observations, and using Gilbert's idea of the earth as a giant magnet, calculated the elliptical orbits of the planets, that the old theories began to be discarded.

The final chapter on Galileo proves how difficult it was for tradition to absorb these new ideas. The Copernican system was rejected by Catholic and Protestant authority alike. Luther's remarks on Copernicus, "The fool will turn the world upside down. But as Holy Writ declares it was the sun and not the moon that Joshua commanded to stand still," were echoed by the Inquisition against Galileo. The "two cultures" may be a modern phenomenon, but it has its roots farther back than the dispute over evolution in the last century.

Dr Boas has succeeded brilliantly in getting across one of the most interesting periods of scientific thought. Her book is never dull, and never becomes a mere recital of facts and information. It is stimulating and even absorbing, and covers a wide field clearly and well.

Massif Central

Fastness of France

By Bryan Morgan.
Cleaver-Hume Press. 294 pages. 30s.

THIS is an irritating, at times almost illiterate, lively, well-informed and admirable illustrated guide to a neglected part of France. It is a find for the fireside traveller, as well as for the tourist thinking of plunging into the Massif Central.

What are the faults? First, there is the style. "This pip of an old village" is not only inelegant but baffling. Does Châtel-Guyon give him the pip or is it "the tops"? Since Mr Morgan dislikes all spas and totally disbelieves in their medicinal merits, one must assume the former. And why is he so coy about the "spécialité de la maison"? As Royat cures heart troubles, Châtel-Guyon cures constipation—or claims to. Then Mr Morgan sometimes lets his French slip in odd ways and has irritating typographical hobbies like putting "Roman" and "Norman" in lower case. Nor does he pursue his historical researches very far. There is no doubt about the site of Gergovia; recent excavations have uncovered, for the second time, Caesar's camp and far from the Clermontois hushing up rival theories, the campaign for the claims of the Côtes de Clermont was a local stunt. Sometimes one is baffled by Mr Morgan's brisk allusions. What had Catherine de Medici to do with the family of La Tour d'Auvergne? And we have not only the traditional English solecism of "the Auvergne" but also the new one of "Puy-de-Dôme" and "Creuse" without the definite article. Nor is Mr Morgan always adequately interested in the economic history of the region (of Roanne) and he sometimes makes slips in detailed description.

But how great are the book's merits. Mr Morgan has excellent judgment; that is, he almost always agrees with this reviewer, although he is too hard on Salers and, like Belloc, exaggerates the loneliness of La Chaise-Dieu. His information about roads, trains, hotels, food and drink is up-to-date and sensible. It is possible that he is too hard on Auvergnat cooking, but that famous product of the Massif Central, the *Guide Michelin*, is by implication equally severe. He remembers the needs of the innocent traveller who may be looking for the equivalent of Blackpool or of the cheaper Riviera resorts. He has in mind mainly the nomadic tourist, who does not want to stay long in one place and who is so innocent of French that he has to be told that the "g" in Guéret is hard. If these—and more sophisticated travellers—take Mr Morgan's advice and his book, they will have reason to bless him even though (among other sins) he writes "Sevigny" for "Sévigné." It is a good buy.

Noble Savages

Primitive Song

By C. M. Bowra.
Weidenfeld & Nicolson. 317 pages. 36s.

SIR MAURICE BOWRA, the Habakkuk of poetic criticism, has pushed the frontier back and writes about the origin of poetry. Its earliest forms are unrecorded; so he takes as his subject the songs of those people whose life is closest to that of palaeolithic man—the hunters and food-gatherers, in jungle and desert and on ice, who practise no agriculture and keep no domestic animals. Simple as their life is, their songs are often highly developed.

One's first doubt is whether the dozen or so cultures that provide the material form a sufficiently well-defined class, considered as singers rather than as food-gatherers. Sir Maurice proceeds by way of internal analysis and hardly ever makes comparisons with other cultures. For example, he quotes widely from the charming songs of some jungle pigmies; he tells us that they often speak the language of their Bantu neighbours; he does not tell us whether the songs of the two cultures are similar. Next, it is perfectly clear that each primitive culture has its own marked style of singing. Leaving aside the inevitable restriction of subject, one begins to doubt whether the various primitive singers are so much alike among themselves and so different from other folks. As one reads their songs familiar echoes cross one's mind from nursery rhymes, college cheers, memories of sing-songs and so forth; for example, no one could read the Australian charm against falling stars quoted on page 268 (or Sir Maurice's analysis of it) without thinking of "Rain, rain, go to Spain."

In short, one suspects this of being a study not of a significant sub-class but of a haphazard selection of unsophisticated singers—and some of them not so unsophisticated either, as is shown by the introspective and personal poems of the Eskimos. This may be unjust, but there is no proof to the contrary in the book. Hence a slight suspicion of Sir Maurice's anthropology. Of course he disclaims all knowledge of it, but his book is about little else. Some of it must be derived; but, as he only gives references to the texts of the songs, one cannot guess how much. His analyses of primitive thoughts and motives are not always convincing; they may be correct, but they smack too much of Wadham. Nor are his generalisations less suspect. He says that song "is derived from the dance and is historically posterior to it": so far as the evidence given in this book goes, this is pure surmise, and one can see no reason why it should be universally true. On the whole, it is better not to take Sir Maurice's anthropology too heavily, but to follow his admirable taste; it is sheer gain to have him as guide to a new world of delightful songs.

The price is a real deterrent, for a short book with a hideous binding, to which has been added in the middle a gathering of handsome but unnecessary plates. Roll on the unillustrated paperback.

OTHER SPRING BOOKS

EVERYMAN'S DICTIONARY OF PICTORIAL ART. Vols. 1 and 2. Compiled by William Gaunt. *Dent.* 412 and 396 pages. Both 25s.

These two volumes attempt to give, in short biographical notes, an introduction and reference to some 1,200 painters, as well as the main periods of art in all parts of the world. Some one thousand illustrations accompany the text, mostly in black and white.

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MOTORING HOLIDAYS IN SPAIN. 175 pages. 16s. By Alison Lascelles. *Arthur Barker.*

A new series of short chatty guides, giving a lot of information to motorists taking a car abroad for the first time. They include routes, aids to eating and shopping, currency equivalents, continental weights and measures and sizes. The foreign phrases are not always quite accurate.

SELECTIONS FROM SAMUEL JOHNSON, 1709-1784. Edited by R. W. Chapman. 461 pages. 8s. 6d.

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SIX CAROLINE PLAYS. Edited by A. S. Knowland. 569 pages. 9s. 6d.
Oxford University Press. (World's Classics.)

Algerian Quicksand

A Scattering of Dust

By Herb Greer.
Hutchinson. 224 pages. 21s.

AN Arab journalist remarked recently that British foreign policy had never been more civilised than since the day Whitehall decided to dispense with conscription. Palestine, Cyprus, Suez and Algeria exemplify the kind of quicksands governments with idle conscript armies and irons in too many fires are apt to get themselves into. It is so much easier to send in the army and teach the bastards a lesson than to sit down and think.

Britain was rescued from its quicksands by a fortunate combination of parliamentary vigilance and international pressure. France was left floundering because its democratic institutions were inadequate and its allies were anxious to avoid aggravating the complexes born of 1940 and Dienbienphu. As France floundered, the moral sense of most of its politicians, publicists and officers wilted. By 1958 Frenchmen were no longer surprised—or greatly concerned—to learn that certain of their élite units crucified prisoners after amputating their hands and feet; that newly arrived conscripts were required to "prove their manhood" by shooting prisoners at point-blank range; that villages suspected of supplying the rebels with food were systematically obliterated. The torture of prisoners and suspects, men and women, was a matter of routine, condoned and "covered" by socialist (SFIO), radical, Catholic-conservative (MRP) and right-wing ministers alike. One can understand the anxiety of the French government to obtain from the Algerian delegation at Evian a pledge that the "black book" of atrocities which the FLN was rumoured to be compiling would not be published.

"A Scattering of Dust" might be described as a freelance "black book." But it is much more than that. Mr Greer spent two winters in eastern and western Algeria touring villages and guerrilla units and filming them for an American TV network. On to his personal narrative he has threaded accounts of the experiences of a colleague in Algiers and of a score of Algerian *maquisards*. His style is crisp and sober, and he demonstrates quietly and with economy how, for example, the savagery of the French police and army won recruits for the FLN, and how American military assistance to France outraged the Algerians without lessening the obsessive anti-Americanism of the French.

Although he was moved by the sufferings of the Algerians, he never glamorises their cause; he portrays them as they are, fleas and all, and does not conceal the fact that they could be as barbarous as the French troops they fought. He realises that they were not the victims of the tragedy: the tragic figures were the French who squandered lives and resources on no better altars than those of political incompetence and intellectual torpor.

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THE WORLD OVERSEAS

Herr Ulbricht's Discontent

FROM OUR SPECIAL CORRESPONDENT

A STRENUOUS bout of economic stocktaking, most of it far from cheerful, has been going on in east Germany. The occasion was the 15th plenary session of the central committee of the ruling Socialist Unity party, held in Berlin from March 21st to 23rd to approve the reports and policy documents which are to serve as directives for the work of government in 1962. These include Herr Ulbricht's basic report (it was in this that he made his suggestion for guarantees of access to west Berlin, discussed on page 1208), an economic policy report by Herr Karl Mewis, the head of the state planning commission, and the draft economic plan for 1962.

Vainglory and bombast have so often marked Communist economic policy documents in the past that it has become difficult for outsiders properly to evaluate them. Western readers of such documents are accustomed to make a handsome allowance for exaggerated claims. When Communist economic authorities rub their people's noses in their failures and shortcomings the inference is drawn in the West that the real picture is worse than the picture officially painted. But this does not follow—still less that, if it did, this would in some way be a cause for western satisfaction.

Herr Ulbricht and Herr Mewis may have had just as strong reasons for making the hard facts of life plain to the east German people as Professor Erhard had for warning the west German wage-earner in his speech of March 21st, discussed in the following article. The Erhard speech has been even more over-dramatised in the east German press than the Ulbricht and Mewis speeches have been in western reports. In fact, both governments have reason to apply the damper to personal incomes. In east Germany the reasons are more urgent, and it looks as if the damper is being more energetically applied; but there is a considerable way to go before production and incomes are brought into line. This does not mean that the population is suffering grave material hardship. The economic reports and speeches read like plain speaking, not like attempts to cover up a crisis.

Nominally speaking, east Germany has entered the fourth year of its ambitious seven-year plan; but the statements made to the central committee make it plain that the plan has got so far out of gear as to be virtually in suspense, and the present effort is being directed to getting back into a position from which a fresh start can be made. Herr Ulbricht said that the increase in personal incomes planned for the first three years (9,000 million marks) had been exceeded by 1,600 million marks, while new investments, which should have been 6,500 million marks, had fallen 2,800 million marks short. Herr Mewis said that out of 262 selected items in the plan for last year, the targets were reached for no more than 106 items; he did not say how great the average shortfall was, but he did say that shortfalls in various branches of industry were having disruptive effects in other branches, and he held out for this year no more than the hope of a "beginning of a change" of the trend of recent years. He claimed an increase of 17 per cent in national income between 1958 and 1961, but said that nearly all of this increase had been going into consumption, and not nearly enough into investment. The disproportions between different branches of production, between purchasing power and supply of goods, and between the shares of consumption and investment in the national income, were too great to be removed this year; they could only take the first steps.

Herr Ulbricht went into the causes of what had gone wrong. They were still, he said, grappling with the economic consequences of the second world war and they "had originally assumed that this would be done with the frontiers open"; but west German hostility had forced them to take steps to assure their economic independence, and these measures took up money and time. Up to August 13th (when the east Germans sealed off the Berlin sector boundary) they had suffered a total economic loss of 30,000 million marks through the "enticement and organised flight" of the population—a sum corresponding to the unrealised investments which would, if made, have enabled them fully to modernise their economy. In addition, he said, security measures on the frontiers had cost them heavily.

He might have added, but did not, that a good deal of the galloping rise in money incomes, of which Herr Mewis complained, could be traced to the open frontier, which held over every employer's head the threat of losing his labour, or his managers or technicians, if he treated them with any firmness. The new toughness in the government's attitude to labour is doubtless connected with the fact that the frontiers are now tightly shut. When Herr Ulbricht said that even the existing scope for raising productivity had not been made use of "because of the ideological influence and the disruptive activity of the class enemy," he was touching delicately on another aspect of the same subject.

SOME of Herr Ulbricht's other explanations amounted to complaints of bad morale in industry and administration (and, as always, agriculture). He complained of money being wasted in the economic enterprises, in the industrial associations and in the foreign trade organisations. Public property was stolen, squandered or left unutilised. Up-to-date machines of high capacity were used for only a few hours a day and enterprises went in for "regular falsification" to get such machines for themselves, promising a high rate of utilisation that was not achieved.

What is called the "production drive" to correct these shortcomings, and get the economy back into a rhythm of expansion, is brought to the visitor's attention daily in the press, in the tedious slogans that still adorn factories and streets, and in conversation. By repute, this is simply a drive to force people to work harder. It is true that Herr Ulbricht spoke of hard work for everybody, and that the now general slogan, "more work for the same money in the same time," is not much calculated to appeal to trade union members in West or East. Much emphasis is, however, being put on rationalisation, technical improvement, higher utilisation of plant, automation and the adaptation of working methods and work standards to new equipment. The truth seems to be not only that managers have for many years been timid with labour that they feared to lose by flight to the West, but that the regime itself has been nervous of meddling with work stints (norms) ever since the 1953 rising was set off by an attempt to change the

building workers' stints on what was then the Stalinallee. (It is now the Karl Marx Allee at one end and the Frankfurter Allee, because it is the road to Frankfurt-on-Oder, at the other; Stalinstadt has become Eisenhüttenstadt, hardly an improvement.)

Now that flight has been cut off the ruling party is taking its courage in its hands, and stints are being revised. The working week is plainly going to be kept at 45 hours for some time yet; earlier talk of leading the world in shortening hours has proved unreal and has been stopped. But it is to technology that the regime is mainly looking for salvation; and its output of machine tools and industrial plant is impressive enough, both in quality and quantity, to make it likely that rationalisation and re-equipment will in the end have their effect.

The rewards, if the production drive succeeds, are offered not in higher money wages all round but in more regular supplies of goods and services in greater variety and better quality. There is need for improvement. Just now, potatoes are the most obvious shortage. House coal was the last. Butter supplies have been uneven. But it is necessary to keep these things in proportion. Rice and macaroni to take the place of potatoes seem to be abundant. It is true that Germans like potatoes, and that macaroni cooked by a Mecklenburg peasant is not the most appetising of dishes, but this is an inconvenience, not a hardship.

Butter is not now on the open shelves in the self-service stores, but it usually seems to be on hand (at the bakery counter) for regular customers. Butter consumption (13.6 kilogrammes a head a year) and meat consumption are high. Margarine and other fats are plentiful. Heating generally seems to be more than adequate. The men are well shod, the women well nyloned. The waiting period for a motor car is long, three years or more, but other durable consumer goods—television sets, refrigerators, furniture—are in better supply than they were. Housing has immensely improved. When there are shortages, people are most aware of what they lack. But a visitor returning to east Germany after four years' absence is struck by the improvement in a wide range of material things. Doubtless the east German shopper is harder to impress.

Cassandra in Bonn



FROM OUR BONN CORRESPONDENT

NOT only a belated dose of winter has been chilling this year's spring in the Federal Republic. The Berlin wall's harsh look of finality had prompted many west Germans at the turn of the year to question the propriety of observing the venerable rites of carnival. By February the colliery explosion at Völklingen and the North Sea floods had settled the matter: this was no time for fooling. Deadlock among the statesmen discussing disarmament and Berlin at Geneva has since aggravated the chastened mood.

At home public confidence in the national leadership has been shaken in quick succession by the Kroll affair, with its disclosure of nasty intrigue in high and middling places, and by the necessity for appointing a parliamentary committee to investigate charges that Herr Strauss, the defence minister, has been abusing his authority to further private interests. And now even that habitual optimist and symbol of success, Herr Erhard, has been seen on television deploring the way the world of west German economics is going—already quite some way, Herr Erhard reckoned, along the primrose path to the everlasting bonfire. His disturbing diagnosis and blunt allocation of blame have provoked a spirited public debate.

Although he has refused since to take back a single word, the minister of economics would probably concede in private that he did exaggerate a little on March 21st. For Herr Erhard wanted to focus attention, not only on a potentially serious situation, but also on himself as a statesman of vision and achievement. Only twenty-four hours earlier the 86-year-old Dr Adenauer had set off for a longish spell of leave in northern Italy, leaving Herr Erhard in charge at Bonn. His qualifications for taking over the chancellorship when Dr Adenauer retires next year having been recently much in dispute—partly in consequence of his reluctance, or inability, to assert himself—Herr Erhard has been looking for opportunities to prove his detractors wrong. This was a good one. Naturally preferring to show his paces on familiar territory—a field with which Dr Adenauer has a notoriously superficial acquaintance and which he is inclined to neglect—Herr Erhard discussed matters of bread and butter. To his radio and television audience he repeated rather more forcibly what he had already said in the Bundestag in the course of the budget debate on March 17th. It was an admonition to the west Germans to eschew the folly of behaving as though it were possible for them to consume individually and collectively more than they were producing. Extravagant wage claims, he protested, were inflating costs to an extent that was impairing west German industry's ability to compete effectively in international trade. And he went on to startle the complacent by reminding them that the Germans had earned the reputation of being a people tragically lacking in moderation. Should they now allow their remarkable postwar economic recovery to go to their heads, they could precipitate an economic crisis which might have such serious international repercussions that the Germans would be guilty once again of disturbing the general peace. Sounding a patriotic note rarely used by him, Herr Erhard appealed to his audience to remember that "the constant threat to Berlin throws a new light on the questions of our freedom and security."

Briefly stated, the developments on which Herr Erhard's show of consternation was based are these: in spite of the introduction of shorter working hours in many occupations (a forty-hour week for all is planned by 1965) west German income from wages and salaries increased last year by 10.1 per cent, while production went up by only 4 per cent. Prices rose during the same period from 2.5 to 3.5 per cent. Wages in west Germany are now higher than in any other European common market country. They have risen by 21 per cent in the course of the last two years, while those in the partner countries have gone up from 6 to 13 per cent.

Yet since the beginning of the year the metal workers of Baden-Württemberg, after threatening to strike, have been given another rise of 6 per cent, and the 185,000 workers of the north Rhineland chemical industry have got a rise of 11.5 per cent. Further substantial wage claims are being made. In the Ruhr 220,000 steel workers are demanding a rise of 10 per cent. Some 1.3 million building workers are asking for an increase of 5.2 per cent, and those who are organised are demanding a summer holiday bonus of 100 marks as well. (Building costs went up by 8 per cent last year.) More than a million workers in the public utilities and 486,000 railwaymen are claiming a 9 per cent increase.

The cost of German exports went up by 4.8 per cent with the revaluation of the D-Mark in 1961. The export surplus, which was running at an average of DM 500 million monthly last year, was only DM 32 million in January this year, and as low as DM 5 million in February. The labour pool is diminishing, for the flow of refugees from east Germany has ceased and fewer Italians are coming to Germany now that their prospects at home

AESOP-TO-DATE

The Early Bird and the Elephants

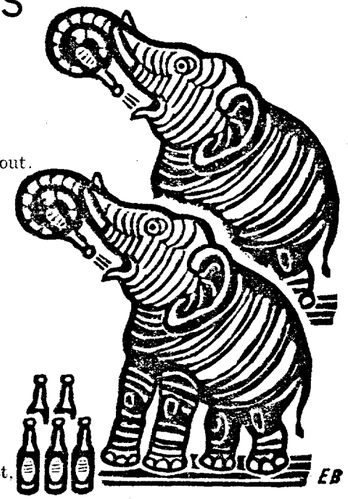


A singing Bird did so entrance
A pair of simple Elephants
That they implored the songstress tell
What was it made her sing so well.
It must at least be Guinness Stout
That brought such rapturous twitt'rings out.

Alas! the eager pachyderms
Found that her diet was of worms,
And though at first they were upset,
They said "We'll trill like Birdie yet,"
And started singing semitones
On Things they dug up under stones.

At length one day at crack of dawn
Their trumpetings announced the morn.
The neighbourhood so rudely stirred
Not only gave them both the bird,
But further concerts they implied
Might end in elephanticide.

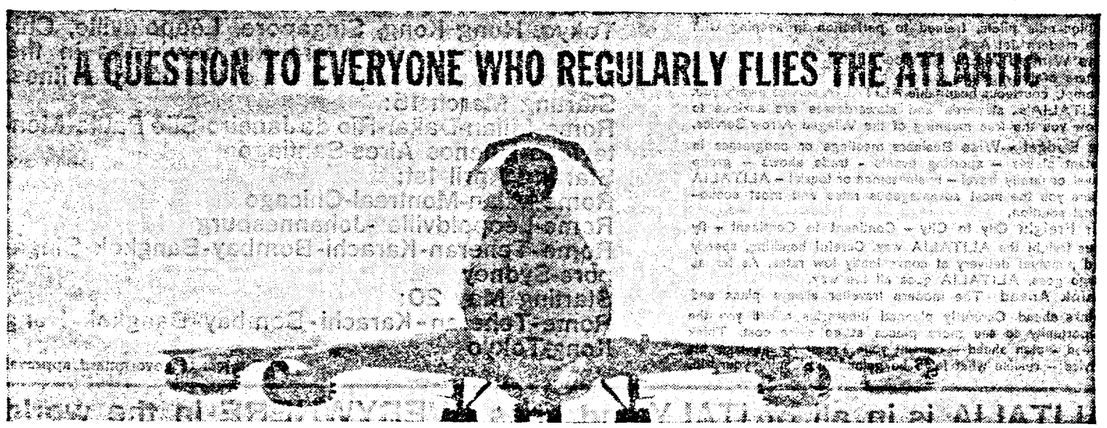
The Moral: Nature knows what's best.
And that's where Guinness stands the test.
For barley malt and yeast and hops
Make this a drink that's really tops.
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On several Guinness to the bar.



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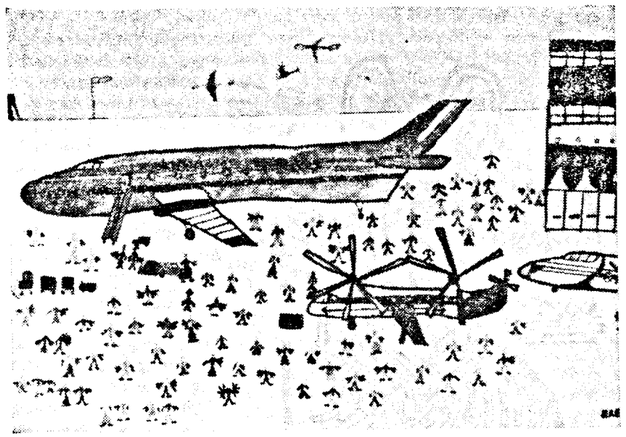
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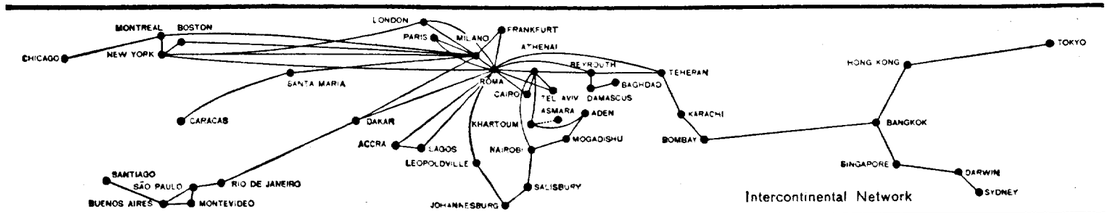


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48 countries, 76 cities, 18.000 approved agents all over the world

are improving. A shortage of labour is likely to be a major problem during the nineteen-sixties.

Such is the broad picture that moved Herr Erhard to appeal dramatically for moderation. The trade unions and the Social Democrats have objected that while he scolded the workers for over-reaching themselves, Herr Erhard did not rebuke the employers for grasping greedily at profits to the detriment of the consumer. (He has since elaborated his censure to include the state for extravagance, and some employers for virtually bribing workers into their service.) On behalf of the employers, the Institute of German Industry has retorted that the workers' share of the national income rose from 60.6 per cent in 1960 to 62.3 per cent in 1961, while income from private enterprise and property fell from 39.4 per cent of the national total in 1960 to 37.7 in 1961. And a large proportion of profits, the institute has pointed out, have been ploughed back into the businesses from which they derived.

So many statistics are being bandied about to prove that it is only the other fellow who is having a cushier time than is good either for him or the public interest that it has all become rather confusing. The foreign observer sees many signs of prosperity and extravagance in the Federal Republic, and also many of pinching and scraping. Some of the latter is enforced, particularly upon the salaried civil servants and the professional classes, by continually rising prices. But much of it is tribute to the bondage of hire purchase. The value of hire purchase credits rose in 1961 by 11 per cent to DM 4,556 million—an increase of as much as 22 per cent on the previous year. Most of the credits are being used to buy cars. According to the institute of industry, some 2,700,000 cars—roughly 56 per cent of all cars registered—were owned by workers and employees on July 1st last year. All in all, 611,000 more cars were then owned in west Germany than on July 1, 1960—an increase of 28.4 per cent. In January the issue of passenger car licences was 20 per cent greater than a year ago. Manufacturers of clothing, washing machines and portable radios report a continuing "striking increase" in sales this spring. Building has slowed down. Altogether 542,000 flats and houses were built in 1961—8,300 fewer than in 1960 and 22,900 fewer than in 1959. But the houses going up these days are on the whole rather larger than they used to be.

The ministry of economics' expectation is that the Federal Republic's gross production will increase this year by 4 per cent, or perhaps by only 3.5 per cent. If this prognosis is correct, Herr Erhard's alarm at the continuing demand for higher wages and shorter working hours is justified. He is being listened to with respect, and in the meantime he has proposed the setting up of a representative council—"more scientific and technical than administrative"—to advise industry and trade on the adjustment of wages to costs and prices.

After Salan's Blunder

FROM OUR PARIS CORRESPONDENT

SIX national servicemen were killed in Bab el Oued on March 23rd; the past week's events in Algeria flow from this cold-blooded murder which deprived the Europeans in Algeria of a great deal of sympathy in France. It also provided an answer to the key question that was being asked in Paris: will the army fire on Europeans? But after this the army was bound to reply and even wavering officers could hardly plead for restraint. The reaction to the killing of the national servicemen was swift and its results significant. Bab el Oued, the fortress of General Salan's Secret Army (OAS), was taken and occupied. General Jouhaud, General Salan's deputy, was seized in the heart of the hitherto lawless city of Oran. Such prompt and spectacular results provide confirmation that the power of the Secret Army had rested on the real army's tolerance (or complicity) and on the government's pusillanimity.

But while this tolerance lasted the Secret Army not only collected an armoury; it also gained complete control of the European population. It was, therefore, obvious that to make up for the miscalculation on March 23rd General Salan would throw the European crowds into the streets, in an attempt to drown the memory of the murdered national servicemen in the blood of European victims. Who pulled the trigger first when the Europeans demonstrated in the heart of Algiers on Monday afternoon nobody can swear. General Salan, however, got his martyrs (46 dead, according to the official list; 70 killed and scores of wounded, according to unofficial reports). A week earlier French newspapers would have been full of appeals to the government to stop the carnage. But in the meantime French soldiers had been killed, and few people in Paris now dared to deny that the real responsibility for the massacre lay with the Secret Army.

The Secret Army is now attempting to revert to its original tactics. Hidden amongst a still sympathetic European community, its killers concentrate their blows against the Moslems. Yet it is doubtful whether the Secret Army can recapture the sympathy, let alone the complicity, of the officers serving in Algeria, without whose help it is doomed to failure. Besides, any concessions to the Europeans would revive Algeria's second front. Although European victims hit the headlines, the Moslem casualty list grows monotonously longer every day. The Arab nationalists have nevertheless managed to keep their followers in check. If they got the impression that the authorities were monkeying with the Evian agreements the impressive quiet on the Arab front would be broken. The French authorities have little room for manœuvre.

FRENCHMEN were, this week, so absorbed by the bloody, complex and moving picture from across the Mediterranean that they hardly noticed the beginning of the campaign for their own referendum. General de Gaulle himself opened the campaign on Monday evening, but his broadcast, for once, fell flat. His listeners may well have been stunned by the impact of the day's terrible events in Algiers. The general did not stoop to such details. He spoke of future Franco-Algerian co-operation and held France up as an example to the world at large. In his final plea for massive support he made it plain that the next referendum would be a plebiscite. He asked Frenchmen to express their confidence in his personal rule and in his policies, past, present and future.

If the broadcast fell flat, however, this does not mean that the ballot boxes will be empty on April 8th. On the contrary, they will be filled with ayes. The majority will be so overwhelming that it will show nothing beyond the political isolation of the Secret Army in France. In a country fed up with war no major party has dared to advocate a negative vote, but each gives a different meaning to its approval. The Communists justify their course on the ground that General de Gaulle was "compelled" to adopt their position. They have launched the slogan: "*Oui* to peace, *non* to de Gaulle." The Socialists, Radicals and even the Christian Democrats limit their blessing to the government's Algerian policy. Only the neo-gaullist UNR maintains its unconditional approval.

The government and parties attach so much importance to the referendum poll because they are working on the assumption that there will be a general election in May. The UNR, basking in the general's glory, is now convinced that it will cut its losses and, possibly, repeat the miracle of 1958. The Communists, on the other hand, hope to recapture the votes, if not the seats, that they lost in that election. All the parties are studying the electoral map and pondering over alliances. Yet it is not at all certain that the election will in fact be held in May. The general's choice

hinges on the situation in Algeria, that is to say on General Salan's chance of recovering from his blunder last week. Both the fate and the date of the French elections will be determined in the streets of Oran and Algiers.

Syria Back to Barracks

FROM OUR MIDDLE EAST CORRESPONDENT

THE Syrian army has done it again. After less than four months of parliamentary life its patience was exhausted and in the early hours of Wednesday morning the high command dissolved the Chamber of Deputies on the grounds that it had failed in its mission. Damascus accepted the change calmly, a calm doubtless born of familiarity and resignation.

Just how parliament is judged to have failed the country is not clear. It was elected early in December by a popular vote that was generally admitted to have been free from improper pressure. Dr Maaruf Dawalibi formed his government just before Christmas and was confirmed by a substantial majority of the chamber. Since then it had passed comprehensive agrarian and industrial legislation, accomplished much in re-creating a diplomatic service and other government organs, and gone some way towards giving Syria a new foreign policy. Its measures went through with comfortable majorities. Some, it is true, were bitterly contested by the opposition, but that scarcely seems sufficient cause for outright condemnation of the parliamentary system.

The crisis began with the resignation of Dr Dawalibi and his government, which became effective on Sunday. The prime minister complained in parliament last week of "obstacles" being put in his way, and he was angered still more when certain unnamed "authorities" forbade publication of his complaints by the press or radio. At the time there was much speculation about the nature of the obstacles and the identity of the "authorities": the identity at least is made clear by the army's action. The government's resignation was followed by intensive lobbying in the chamber dominated by Dr Dawalibi's attempt to form a "government of national union." That has all been swept away now and with it new Syria's first experiment in democracy.

With the resignation on Wednesday of President Nazim Kudsi on judicious grounds of ill-health, the armed forces took control of the whole country. Army commanders have been given full powers and civilian officials made accountable to them. Vicious attacks from Damascus radio against the deposed politicians, who are accused of corruption and intrigue, suggest that action against them may go beyond mere dismissal. These former rulers, according to an army proclamation, failed to understand that "the army and country belong to the whole people, not just to a small group." (The accused are no doubt reflecting that for years past both country and people have in fact belonged to the army.) Other army pronouncements from Damascus suggest that the austerity measures, which the former government was trying to relax, will be re-introduced with rigour. The former government is accused of depriving the workers of "the fruits of their labour" and a new government is promised, pledged to "constructive socialism." There is also more than a hint that the psychological motive for the army's intervention was temporary intoxication as a result of the comparative success scored by the Syrian forces in the recent Galilee action.

For some time past the Dawalibi government was under pressure to restore "public liberties." Such liberties included freedom of assembly, speech and press. But, as the prime minister remarked shortly before his resignation:

> We inherited restrictions from the past regime. We cannot simply abolish them by a stroke of the pen until we have passed new laws organising public liberties. Anyway, we have been so preoccupied by foreign affairs that members of the government have found time neither to eat nor sleep.

It may well be that agitation in favour of public liberties was one of the causes of the army's intervention, although there was little to suggest that it had reached dangerous levels. It is too early to say whether the army's action presages a change in the direction of Syrian foreign policy, notably in halting the recent trend towards better relations with Iraq. It is known that there are many in Syria who think the Dawalibi government was sliding too fast and too far under the influence of Baghdad.

When the United Arab Republic broke up last September the optimists were loud in suggesting that Syrian politicians and soldiers would have learnt the value of moderation and continuity from their experience of union with Egypt. These hopes have been shattered and independent Syria has emerged again as a factor of instability in the Arab world.

Athenian War of Nerves

FROM OUR ATHENS CORRESPONDENT

EVER since Otho of Bavaria became king of Greece in 1833, the Greek monarchy has mixed actively in domestic politics. This was a form of self-defence since the Crown was forever at the mercy of the unpredictable temperament of its subjects. But times and concepts have changed. During the reign of King Paul I who celebrates tomorrow, April 1st, the 15th anniversary of his accession, the Greeks have begun to stop identifying themselves as royalists or anti-royalists.



Otho



Paul

The Greek Liberals have been in Opposition for at least two-thirds of King Paul's reign; they feel, rather unjustly, that he has been partial to the right wing. They have coined the word *eunoiokratia* ("favouritocracy") to describe the king's bold initiative in October, 1955, when after the death of Field Marshal Papagos, he appointed as prime minister the then junior minister of public works, Mr Karamanlis. It was a masterly solution which settled the crisis of the right wing (the leadership of which was taken over by Mr Karamanlis) and preserved political and economic stability. That the royal choice has since been confirmed three times by popular suffrage has not lessened the resentment felt by the Liberals who naturally expected to gain from the inevitable, even if partial, disintegration of the Right after Field-Marshal Papagos's death.

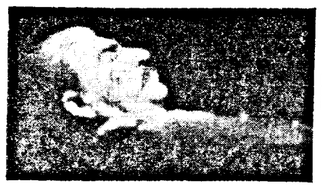
Palace and opposition have been at variance ever since. The term *eunoiokratia* has been used in polite and indirect reproof of the Palace. The general elections of last October aggravated the situation. The Liberals—carrying on under the title of Centre Union and led by Mr Papandreou—assert that the Right, realising that it would not gain a working majority in Parliament, engineered a nation-wide plot to "adulterate the will of the people by fraud and intimidation." Instances of both have been detected and are being investigated by the electoral tribunals. The opposition regards these cases as proof of its claim of "rigged" elections. The government disputes the charge, suggesting that fraud and intimidation are endemic features of Greek elections, but that they are far too limited in extent to alter the will of five million voters.

The opposition is persistently demanding new elections under guarantees of freedom and fairness. It argues that these guarantees could only be effective if an interim coalition of all nationalist parties purged the administration and the armed forces of partisan elements before holding new elections under the system of proportional representation. The government of course disdainfully rejects this demand. The opposition, therefore, is exerting pressure on the king to force new elections. Its campaign now includes mass meetings of protest, the first of which was held in Crete on March 18th. It has been suggested that the next rally may be held in Athens between May 3rd and 5th when the Nato council will be meeting here for its spring ministerial session.

The effort to induce the king to proclaim elections has acquired bitter anti-royalist overtones. The opposition press has forcefully reminded the king of his father's adventures when he came to loggerheads with the founder of the Liberal party, the late Eleftherios Venizelos, during the first world war. Then came the issue of the $300,000-dowry voted by Parliament for Princess Sophia; during the debate on the dowry the opposition hurled hostile criticism against the royal family, its entourage and some of its more controversial welfare activities.

Suddenly the opposition has begun to scrutinise closely all that is said and done by the Court. A remark in a royal address to the officers of Salonika garrison this month, which would normally have passed without comment, gave fresh ammunition to the eager opposition snipers. The king said: "God has united us. I belong to you and you belong to me." Critics promptly cried out that the king reigns by will of the people, not by the grace of God; that the army belongs to the nation, not to the king. They discovered that Kaiser Wilhelm II had spoken to his troops in similar terms upon his enthronement. He said in an Order of the Day in June, 1888: "Thus we belong to each other—I and the army—thus we were made one for another and thus shall we stand inseparably united, by the will of God, both in peace and in war." The opposition is now pressing for a full-fledged debate on these quotations; it is evidently seeking another opportunity to weigh in against the king, and to admonish him that he "should reign, not rule."

All this is treated by the government as "sheer blackmail" against King Paul, designed to make him feel that unless he gives in to the opposition demand for elections, the old feud between royalists and anti-royalists, which shook the throne between 1917 and 1935, might be revived. The Centre Union has persevered in its campaign with remarkable tenacity and, many believe, with a shocking disregard of the hazards involved for political moderation and stability. This attitude has already lost it ten of its 87 elected deputies; of these three joined the government party, and three went to Mr Markezinis, who has dissociated his Progressives from the Centre's tactics. The Centre Union is, of course, hoping that a climate of political turmoil would ultimately sap both the popularity of the government, and the patience of the irascible Mr Karamanlis. This is, above all, a war of nerves.



Fathers and sons



SIX years have gone since Mr Khrushchev came out with his "secret" indictment of Stalin and five months since Stalin's removal from the mausoleum, but Soviet novelists have not yet plucked up courage to show how grim life really was during Stalin's reign. They still work round the subject with understatements and allusions. The magazine *Novy Mir* has published an article commemorating heroes of the civil war whom Stalin caused to be executed. Novelists, however, are more cautious. True, Sholokhov's latest novel is set in the period of collectivisation, but he does not depict the harsh reality of famine, bloodshed and mass deportations to Siberia. Among well-known authors who have tackled the stalinist period, Babayevsky writes as if the "cult" had never existed. Kochetov skates over the problem. Others prefer to avoid the awkward subject altogether.

V. Kaverin provides a striking exception in a recent issue of *Novy Mir*. His longish short story opens on the eve of the German attack in 1941. A ship loaded with arms sails from Murmansk. In its hold, it has another cargo: a hundred or so prisoners. One of them is a former naval officer condemned to death—his sentence then commuted to ten years' jail—for unintentional damage to a submarine. There are also a dozen industrial workers who have committed the offence of being late for work. One of the prisoners plans a mass escape, possibly to Norway. But the mood changes with the news of the German attack. The prisoners are then ready to get down to work, to unload the arms and help in the defence of their country.

The portrait of the ship's master, Captain Mironov, still believing and yet doubting, is neatly drawn: "He didn't understand the alliance with Nazi Germany, which may have been indispensable because of higher calculations, but which to his own common sense could only bring harm. He still believed in Stalin's genius, in his innocence, in his foresight and his capacity to guide the country. There is no doubt that the mistakes made—if one can call what happened in 1937 "mistakes"—were made because the truth was kept from Stalin. When he found out, the guilty would be punished severely and the innocent would return. But how could Stalin fail to see how badly things were going?

"Mironov knew that if the thoughts that crossed his mind—and not only his, but the minds of many decent and sensible people who loved their country—if these thoughts were known, he would be arrested. He would be dragged out of his comfortable cabin, with its plush sofas and the brandy in the cupboard, first to jail and then somewhere else: perhaps to the hold of the very ship he was now commanding. This would probably happen if his dangerous thoughts became known to, say, his own son."

Mr Kaverin is not a newcomer. In the first phase of the thaw, he was a contributor to the unorthodox *Moscow Almanach*. After Mr Khrushchev put the heat on the restive writers in 1957, Mr Kaverin was silent—or silenced—for a time. His comeback is an event.



SPORTSWOMANSHIP



SWORDSMANSHIP



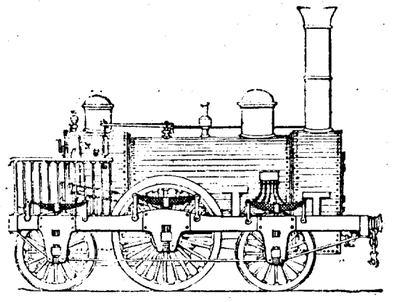
FELLOWSHIP



SEAMANSHIP



HORSEMANSHIP



DRAUGHTSMANSHIP

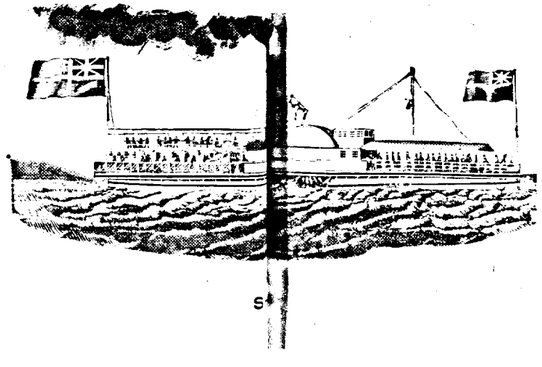


MARKSMANSHIP

Mother Dear... Oh! the fun we have here at Grandfather's! Jessie and her cousin came here and we gave them a ride on our ponies, and they were not frightened a bit, but laughed till Stoneytop's hounds began to bay! Love to you and Pet. No more from

Your loving son Willie.

PENMANSHIP



SHIPMANSHIP

UPGROUPMANSHIP

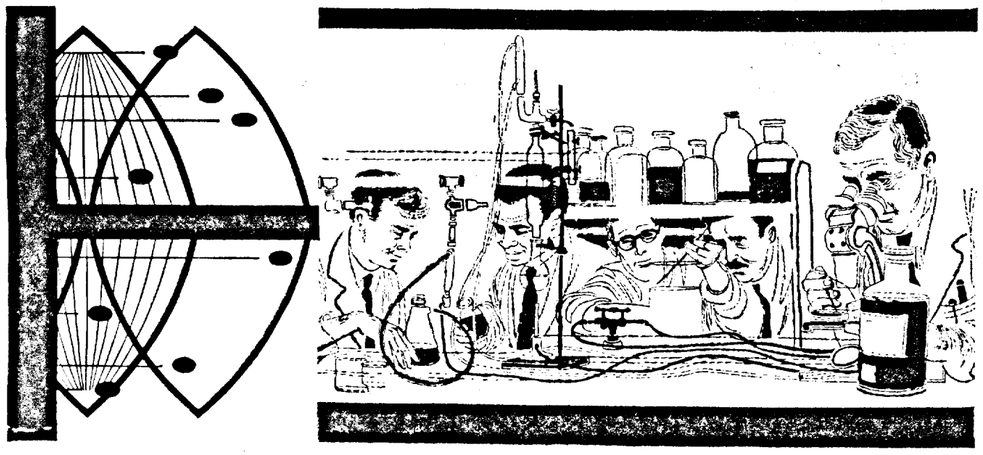
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Redressing the Balance

NEW YORK

THE battle to eliminate the deficit in the American balance of international payments is becoming a siege rather than an assault. Last year an air of crisis prevailed in Washington and the defence of the dollar was being given priority over practically every other economic issue. Now, however, the dollar is considered out of danger and, though an adverse balance persists, the Administration is turning its attention to other deserving problems. This shift is partly a reflection of the advances that have been made in reducing the deficit and restoring confidence in the dollar abroad and partly the result of concern over the mid-winter pause in economic activity at home. President Kennedy himself admitted this week that business expansion was "below expectations" when he asked Congress to appropriate $600 million for a programme of public works to be undertaken during the next eighteen months in areas where unemployment is high and chronic. The request would increase the deficit already incurred in this year's Budget and place in jeopardy the Administration's hopes for a balance in the coming, 1963, fiscal year. It is thus an acknowledgment by Mr Kennedy's policy-makers that they are not prepared to eliminate the deficit on the international account at the expense of the domestic economy. The request also presages a new and much more vigorous effort to convince Europe that its resources should be deployed in the dollar's defence.

Obviously the White House did not relish going to Congress for extra funds, but it did not hesitate when the economy failed to do as well as had been hoped and when political pressure to relieve unemployment gathered steam. The Administration's economists are still expressing confidence about the outlook and describing the public works programme as being specifically designed to cope with local unemployment, but the speed with which the President acted suggests that they no longer feel constrained by the deficit in the balance of payments. This does not mean, however, that complacency has set in or that the defences of the dollar are being abandoned.

The charge made by the Democratic majority of Congress's Joint Economic Committee, that "the balance of payments problem has been much overplayed as an excuse for pursuing a tight money policy and for boosting interest rates across the board," has been refuted by Mr Walter Heller, chairman of the President's Council of Economic Advisers. He observed in a recent speech that the payments deficit remains "our most troublesome problem" and approved the monetary policy being carried out by the Federal Reserve Board (the central bank). Yet the economists in the Administration have been divided to some extent between those who have counselled that this foreign deficit dictates a substantial degree of restraint in fiscal as well as monetary policies and those who think that the best defence of the dollar is domestic expansion.

The economic lull that developed during January has strengthened the hand of the expansionists. But an increase in government spending, even if it means risking another deficit in the Budget, can now be supported with few if any qualms by more conservative officials, since the international deficit is under control. This week the White House sent to Congress what amounted to a progress report on the balance of payments, compiled by the Treasury. This emphasised that the task of dealing with it has "only begun" and exhorted industry to increase exports. The Administration's export campaign is to be given additional status by the appointment of a top-level co-ordinator within the Department of Commerce who will set "meaningful" export targets for each industry and will strive to reconcile the various government programmes dealing with exports. But aside from the already well-publicised drive to increase exports which, a Treasury official admits privately, will take time, the tone and contents of the report have a sober confidence which are evidence of a belief that the many actions taken on many different fronts will produce a victory in the battle against the international deficit.

The Treasury is anxious, of course, to avoid undue optimism and in public at least is determined to minimise the success it has had; but it cannot help noting that the speculative attack against the dollar was thwarted last year and that the deficit in the balance of payments was reduced substantially in 1961, amounting to only $2.5 billion, a considerable improvement over the $3.9 billion of

US BALANCE OF PAYMENTS BY MAJOR COMPONENTS*

Seasonally adjusted; $ million

	1960	1961	1961 I	1961 II	1961 III	1961 IV
A. Non-Military Trade and Services :—						
Merchandise exports	19,409	19,916	5,053	4,765	4,947	5,151
Merchandise exports, other than government-financed	17,578	17,581	4,472	4,304	4,355	4,450
Merchandise imports	−14,722	−14,524	−3,374	−3,418	−3,843	−3,889
Balance on trade, excluding government-financed exports	2,856	3,057	1,098	886	512	561
Service exports	7,556	7,994	2,002	1,965	1,949	2,078
Service exports, other than government-financed	7,282	7,587	1,900	1,891	1,835	1,961
Service imports	−5,557	−5,599	−1,360	−1,360	−1,419	−1,460
Balance on services other than government-financed	1,725	1,988	540	531	416	501
Balance	**4,581**	**5,045**	**1,638**	**1,417**	**928**	**1,062**
B. Other Major Transactions :—						
Military expenditures abroad	−3,048	−2,956	−759	−761	−705	−731
Military receipts from abroad other than government-financed	310	376	66	137	82	91
US government payments to foreign countries and international institutions	−1,251	−1,310	−313	−277	−295	−425
Repayments on US government loans	631	1,251	130	850	70	201
US direct and long-term portfolio investments abroad†	−2,544	−2,568	−512	−639	−617	−800
Foreign direct and long-term portfolio investments in US	297	435	124	191	24	96
Remittances and pensions	−848	−870	−212	−219	−218	−221
Balance	**−6,453**	**−5,642**	**−1,476**	**−718**	**−1,659**	**−1,789**
Balance on goods and services, government assistance and long-term capital accounts†	**−1,872**	**−597**	**162**	**699**	**−731**	**−727**
Recorded US private short-term capital outflow less foreign short-term commercial credits to the US	**−1,409**	**−1,241**	**−452**	**−78**	**−155**	**−556**
Unrecorded transactions	**−648**	**−616**	**−54**	**−465**	**109**	**−206**
Total balance, seasonally adjusted	**−3,929**	**−2,454**	**−344**	**156**	**−777**	**−1,489**
Total balance, actual‡	**−3,929**	**−2,454**	**−334**	**69**	**−908**	**−1,281**
Equals: Changes in liquid liabilities to foreign private holders, including banks, and non-monetary international and regional institutions	−360	−1,257	69	−574	−223	−529
Plus: Changes in holdings of gold and convertible currencies by US monetary authorities and changes in US liquid liabilities to foreign and international monetary authorities	−3,569	−1,197	−403	643	−685	−752

* Excludes military transfers under grants. † Short-term capital movements between parent companies and their foreign affiliates are reported as part of direct investment. ‡ Increase in US liabilities and sales of gold (−).
Source: *Survey of Current Business*, March, 1962. US Dept. of Commerce, Washington, DC.

1960 and the $3.7 billion of 1959. True, most of the reduction came in the first half of the year but the deterioration in the second half, particularly in the fourth quarter when the deficit shot up to $1.5 billion, is now considered misleading; it was due in part to what the Treasury describes as "statistical aberrations" and to some unusual short-term bank loans to Japan, the Philippines and Europe. This outflow largely reversed itself in January and preliminary estimates put the deficit for the first quarter of 1962 at an annual rate of less than $1.5 billion.

While Mr Douglas Dillon, the Secretary of the Treasury, has predicted that the international payments of the United States will be in balance by the end of 1963, neither he nor his underlings are willing to estimate the size of the 1962 deficit, both because of the distortions in the figures and the feeling that confidence in the dollar might be impaired if these projections went awry. In private, though, Treasury officials were talking in terms of a balance of payments deficit for 1962 in the neighbourhood of $2 to $2.5 billion at a time when they expected a much higher level of imports and when most business and bank economists were predicting a deficit of $3 billion; in recent weeks officials have adopted a much more sanguine view, with some forecasts for as little as $1.2 billion. This is not due to any substantial revision in the estimated surplus on the normal trading account for, though the demand for imports was slacker than expected during the first two months of this year, exports were also sluggish. Rather, the Administration feels that its psychological offensive and its defence in depth are proving effective and it is counting on a new combination of measures, domestic and foreign, for further gains.

IN formulating its defences for the dollar the Kennedy team never contemplated a rapid return to equilibrium, which could only be achieved by a sharp reduction in American commitments abroad. Instead, according to Mr William Martin, whose place as chairman of the Federal Reserve Board makes him one of the Administration's top strategists, the problem of the deficit was approached as "a long race, not a sprint," once the immediate objective of restoring confidence in the dollar had been attained. As things turned out, the dollar crisis proved short-lived and, while it would be an exaggeration to describe the defence as going precisely according to plan, the fact is that both the dollar and the deficit are in better shape than had been expected.

Certainly the renewed strength of the dollar in the foreign exchange markets has been gratifying to the Administration. The Treasury is convinced, moreover, that its short-term defences are strong enough to prevent any serious resumption of weakness. Indeed, it hopes that the short-term outflow will be reduced substantially as a result of increasing liquidity in Europe, which should encourage a lowering of interest rates—as it has in Britain—and thus narrow the attractive spread in these rates between New York and Europe. For its part the Federal Reserve is continuing its Operation Nudge, designed to provide an ample supply of credit in the United States without lowering short-term interest rates to a level which would invite a renewed outflow of capital.

With an adequate system for countering short-term losses, the Administration is in a better position to deal with the problem posed by long-term private investment abroad. Here it feels that its proposals for tax incentives should lead to a rise in capital investment at home provided, of course, that rising demand is also making itself felt there. In addition, officials have an unspoken hope that the increase in European manufacturing costs and the slowing down of the rate of growth in the common market countries will tend to reduce the appeal of investment abroad. But it is not relying on hopes alone; it has recommended the removal of American tax incentives which are supposed to have stimulated such investment and is putting pressure on European governments which have made concessions to attract American investors.

Treasury officials report that the North Atlantic Treaty countries are receptive to the idea that they should increase their expenditures for military procurement; this may reduce American spending abroad by as much as $1 billion, or roughly one-third, this year. But the Administration is not prepared to settle for the results to date in this field. On the contrary, it appears to be getting ready to launch a new offensive aimed at demanding a much greater effort to utilise Europe's reserves. Mr Kennedy sounded the opening gun at a recent press conference, observing that Europe had to share the burden of providing aid to the developing areas.

The pressure on Europe is likely to mount whatever course the Administration decides to take on the domestic front. For though there may be some internal disputes over tactics, the CEA, the Federal Reserve and the Treasury, which together comprise Mr Kennedy's general staff, appear to agree that, while the problem of balancing America's international payments must still be treated as a matter of urgency, it is no longer the only problem. The Administration does not want a victory won by a shrinkage in the demand for imports as the result of a falling off in domestic activity; actually, it would prefer some decline in the trade surplus if it stems from the needs of a growing economy. This suggests that the Administration will not be satisfied with what it feels are mere gestures but will demand a good deal more in the way of co-operation. Indeed, this week both Mr Kennedy and Mr Dillon expressed disappointment that the European countries had not taken over more of the burden.

Victory for the Cities...

THE United States took a giant step into the twentieth century this week when the Supreme Court ruled that the federal courts have jurisdiction over the constitutionality of the way in which the boundaries of state electoral districts are drawn. This may seem a dry and dubious victory. But it means that eventually State Legislatures should reflect the needs and desires of the majority of Americans who now live in cities rather than those of the rural conservatives who have been in the saddle for so long. As the State Legislatures, in their turn, control the congressional districts, the House of Representatives can hardly fail to receive a great infusion of new blood from the cities. The Democrats, who are already much stronger there than the Republicans, look forward to an increase in their strength in the House unless the Republicans read the writing on the Supreme Court's decision and abandon their rural, backward-looking bias in time.

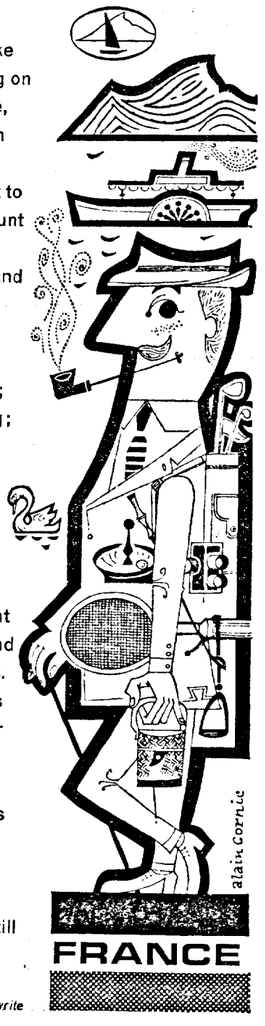
"Hugh—There's Nothing In Those Silos But People"



Conservatives have perpetuated themselves in power in the State Legislatures primarily by refusing to redraw electoral districts as the cities grew and the countryside was depopulated. This week's case was brought by residents of cities in Tennessee, by no means the most flagrant example. Yet in one rural county 3,454 residents elect a member of the Tennessee House, while

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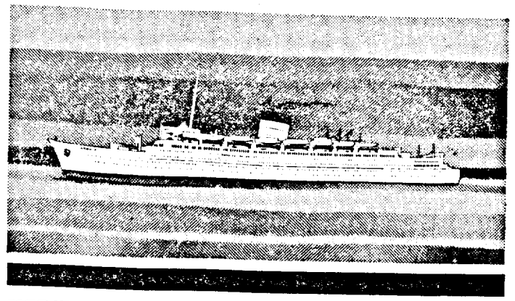
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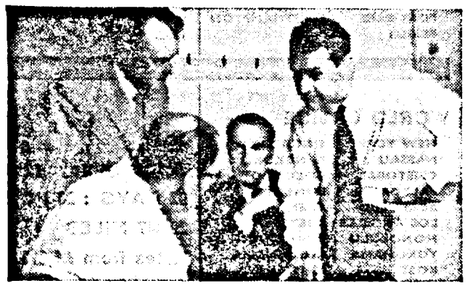
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A Quatermassian cloud

Mr. P. sells liquid detergents in bulk. And containers for transport were his problem. Traditional containers were safe—but not exactly cheap. Other, more economical forms? At the very thought, less courageous spirits might have had nightmares of gallons of liquid detergent breaking loose on a rainy day amid a Quatermassian cloud of foam.

But not Mr. P. He went to the Thames Board experts. Together they developed a way of packing the detergents in polythene cubes inside "Fiberite" cases. The cases (perforated for easy pouring) are made of "Aquapruf" board developed during the war for dumping supplies on invasion beaches. These "Fiberite" cases are so liquid-proof that they have even survived being tethered in the River Thames for several weeks.

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in Memphis there is only one member for each 78,000 people. Although the State Constitution requires redistricting every decade, this has not been done for over fifty years; in Vermont it has not been done since 1793. The suburbs, whose growth is the most recent, are often worse off than the cities.

This injustice has not gone unrecognised but it has been assumed ever since 1946, when the Supreme Court refused to intervene in a case involving congressional districts in Illinois, that the issue was too political for the courts and that redress was to be sought only at the polls. In fact, as Justice Brennan pointed out in his decision this week, even in 1946 a majority of the Court felt that federal courts had the power to intervene under the equal protection guarantees of the Fourteenth Amendment, but one Justice, who decided the issue, felt that the Court should not do so in that particular case. The size of the majority this week—6 to 2, with Justices Frankfurter and Harlan dissenting—leaves no constitutional doubts, though the decision gives little guidance over how unjust the distribution of seats must be to be ruled unconstitutional. The courts are certain to have plenty of raw material to work on. The Mayors of big cities all over the country are sharpening their arguments. Beside the case which is now to be heard in Tennessee, another is being reopened in New York and others are likely in Georgia, Pennsylvania, Michigan and Kentucky. This may, indeed, prove to be the "political thicket" of which Justice Frankfurter warned the country in 1946. But it seems to be the only road to majority rule where State Legislatures and state courts refuse any redress and Congress fails to intervene.

. . . and for Negro Voters

While the Supreme Court was opening one door to more representative government the Senate was debating another, the abolition by constitutional amendment of the payment of a poll tax as a prerequisite to voting in federal elections. This is the least controversial of all measures to extend Negro voting rights. The tax is only a dollar or two (though it is cumulative in some places); it lingers on only in five southern states—Mississippi, Alabama, Texas, Virginia and Arkansas; and it is considered to be a real bar to Negro voting only in the first two. In the past both the Senate and the House have, on different occasions, voted to end it. This time it was plain from the beginning that when the hour of decision arrived the Senate would vote overwhelmingly (by 77 to 16 as it turned out) to ban the tax. This was fifteen more votes than the two-thirds needed for a constitutional amendment.

Yet for the past fortnight fifteen Southerners—fourteen Democrats and one Republican, Mr Tower of Texas—have been conducting a "friendly filibuster" against the measure or, to be more precise, against a Bill to make Alexander Hamilton's home in New York a national monument. (The poll tax amendment had to be hung on this innocuous peg because the Judiciary Committee, headed by Senator Eastland of Mississippi, refused as usual to let it reach the floor in the conventional way.) One reason for this demonstration was that, with the South so touchy about Negro rights, southern Senators, and particularly those up for re-election, such as Mr Fulbright of Arkansas, felt that they must show the confederate flag. A more important reason was that the Southerners wanted to remind the Senate of how they can make mince-meat of a legislative time-table when a Bill which they really dislike comes up; the Bill they have in mind is the President's chief proposal on civil rights, which would combat the discriminatory use of literacy tests in the South by declaring that six years of education should be proof of sufficient literacy to vote.

Southerners regard this Bill as real interference with the constitutional right of the states to fix qualifications for voting, and they are opposed (as are some worried non-Southerners) to dealing with literacy tests by an ordinary Bill instead of a constitutional amendment, because this would make the way much easier for further federal interference with voting rights. A constitutional amendment, which must be ratified by three-quarters of the states after Congress has approved it, takes much longer and can be defeated by thirteen of the states. Supporters of civil rights legislation oppose the route of a constitutional amendment for this very reason, even for the poll tax, for they argue that this sets a precedent for more controversial measures which they favour.

Steel's Good Example

If the reports from Pittsburgh are correct, the Administration has won the key battle in its fight to make the public interest prevail at the industrial bargaining table. In the negotiations for a new steel contract the public interest required two things: a non-inflationary settlement, because rises in steel prices are contagious, and one reached long enough before the present contracts expire at the end of June to avoid heavy private stock-piling of steel. In 1959 purchases in the first half of the year by users of steel who feared, correctly, that there would be a strike led to a famine of orders after the strike was settled; this helped to bring on a recession. In the last few weeks orders have fallen and users of steel seemed to be confident that a strike would be avoided. But if a settlement had been postponed much longer, extra orders for delivery in May and June would have started to pour in.

The reported terms of the settlement should rule out any general increase in steel prices—a vital victory for an Administration which is anxious to cure America's deficit in its balance of payments by a large increase in exports. There is to be no increase in wages during the first year of the two-year contract, although it may be reopened at the end of twelve months for negotiations over wages. The steel workers have taken their reward in the form of higher unemployment benefits, pensions and more paid holidays for long-service workers. These holidays will help to spread the work a bit among unemployed steelworkers; they are a substitute for the shorter hours sought by the trade union which would have set a precedent dangerous to hopes of higher output.

The cost of these concessions is put at 10 cents an hour for each worker. This is 2 cents above the steel industry's original offer, which was based on the assumption that productivity in steel increases about 2 per cent a year, but not quite as high as the 3 per cent (which would have worked out at 12 cents an hour in steel) laid down as a rough guide-line by the Administration. If nothing happens to upset these arrangements—and nothing is expected to although they must be ratified by the trade union's wage committee and tailored to the circumstances of each individual firm—critics of the Administration's labour policy, both in business and in the labour movement, will have to pipe down. But a good deal of the credit ought to go to the moderation shown by both parties to the steel negotiations; this relieved the Administration of the need to take any controversial steps.

All Co-oped Up?

FROM A CORRESPONDENT IN NEW YORK CITY

The practice of buying a flat in a co-operative block, which in the past has been associated chiefly with costly city living, is invading small towns outside New York and is being introduced into government-aided housing for middle-class people in the city. How to make such co-operatives safe and attractive for people of moderate income is a problem of real concern to the state government. In the city the price range between the subsidised and the unsubsidised is astronomic. The building which the Russians have just bought for over $3.5 million to house their United Nations delegation was designed originally as a co-operative

with prices which ranged from $13,000 for three rooms (with maintenance charges of $213 a month) to $25,000 for six rooms (and a monthly charge of $380). Prices on Park Avenue and Fifth Avenue may go much higher; flats in a projected 19-storey co-operative facing Central Park are to sell for an average of $25,000 a room. On the other hand, the state-aided co-ops ask deposits of only $313 to $698, with monthly maintenance and carrying charges of $21 to $30 a room.

Both kinds of co-operative are flourishing. The Tenant-Owners Association, with members including perhaps 85 per cent of the owners of privately-built, conventionally financed co-operative apartments, has on its list 172 blocks containing some 11,000 flats. As for the publicly-aided, the State Housing Authority has 18 projects in New York City which are completed or in hand, of which 13 are co-operatives containing 8.669 flats; others are rising in the suburbs and in Buffalo. The City Housing Redevelopment Board has, complete, in process or in blueprint, 91 projects with about 60,334 dwelling units; the vast majority of these are to be owned co-operatively. The Amalgamated Clothing Workers' Union is also putting up co-operatives, with the help of both the city and of the federal government. Such aid makes it possible to sell these co-ops to workers at relatively low prices.

The city and state, however, are finding that the very people who need housing most are often the ones who cannot scrape together the money for the deposit and Governor Rockefeller is proposing cheap state loans to reduce the minimum deposit to $200. Those who can buy flats enjoy a number of advantages. The monthly charges are lower than the rent for similar accommodation in blocks of flats put up with help from the state or the city and owners can deduct from their taxable income their share of the interest on the mortgage on the building and of the taxes paid on it. Builders also like putting up co-operatives because they get back their investment —which amounts to very little in government-aided projects—as soon as the flats are sold.

The essence of the housing co-operative is the linking of dwelling space with a certificate for a certain number of shares in the corporation that owns the building. (One lawyer calls a co-operative arrangement "the child of a marriage of a long-term lease with a stock certificate.") The corporation is created by people who come together for the express purpose of owning the block; the shares cannot be sold to outsiders nor dealt in, nor can dwelling space be sold without the appropriate shares. The legal concept of buying a single flat, instead of a share in the whole building, is just making its way in the housing field in the United States where it is known as a "condominium." It was encouraged by a provision in the Housing Act of 1961, which permitted the federal government to guarantee mortgages on individual flats. Changes in the state law, now under study, will probably be necessary before it can be used widely in state or city-aided building in New York. Condominiums can be sold at a profit, unlike the co-operative flats now being put up with government aid, which must be sold at the purchase price.

Finnish bricklayers who settled near Boston many years ago are credited with the first use of the co-operative idea in housing. It was taken up by New Yorkers seeking stable rents after the first world war and by owners eager to evade the rent control laws. Landlords turned their buildings into co-operatives by the simple process of announcing that tenants could no longer rent the space they were occupying but must buy it. A price was put on each flat, and a scale of monthly costs set out which included not only those of keeping up the building, heating, hot water and wages, but also of insurance, amortisation of the inevitable mortgage over a number of years and other recognised running costs.

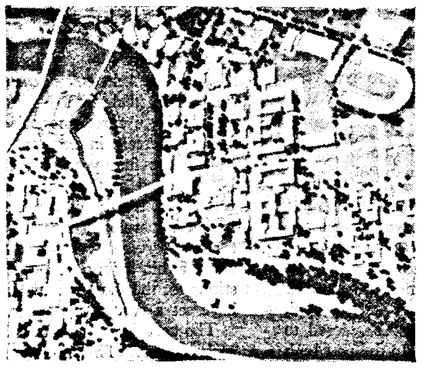
In most cases the stock was bought on a hire-purchase plan under which the owner made a deposit, large or small, and then paid a monthly sum. Ideally, this sum was supposed to diminish as the mortgage was paid off, but inflation and the increased costs of maintenance which came as the building grew older washed out that dream. On the other hand, when the monthly charge had to be raised it was the tenant, by virtue of his membership in the corporation, who helped to decide to raise it; when he left the flat he had accumulated a vested interest which could be sold, perhaps at a profit.

In the innocent days after the first great war shrewd building promoters set up payment schemes on descending or ascending scales. The second type appealed to young executives with large ambitions, who were charmed by the idea of getting better living quarters than they could then afford by taking advantage of a system that assumed rising salaries. Many of these were caught in the squeeze of the 1929-32 depression; some of them lost not only their invested equity but were also sued for non-payment of the ballooning carrying charges. Some of those earlier experiences influenced the present law.

But there are still man, and woman, traps in the co-ops. Successful co-operative living on an economical scale requires a forbearance that is sometimes lacking. Properly managed (either by an executive group of tenant-owners or by an estate agent paid for that service), inhabited by a reasonably intelligent and homogeneous group of people, they are one answer to the high costs and great uncertainties of city living. Even so, the motto *cæveat emptor* should be engraved over each front door. The intangibles of responsible behaviour on the part of one's co-tenants are fully as important as sound plumbing and financing.

One University

FROM A CORRESPONDENT IN MINNEAPOLIS



AMONG the great state universities which are the fullest expression of the American belief in higher education for everyone, the University of Minnesota is unique. The huge college systems of California and New York are bigger but are spread over a number of different centres; last autumn Minnesota, the fourth largest public university in the eighteenth largest state, had 27,526 of its 30,846 full-time students, a record number of postgraduates and undergraduates, on its main campus in the twin cities of Minneapolis and St Paul. An instructor in psychology lectured to a single class of 2,100 students.

Minnesota has one of the largest foreign enrolments of any American college and a number of strong young men from Pennsylvania and North Carolina have gone there recently to make its football team one of the country's best. But more than 90 per cent of its students are from within the state and three out of five are from the fast-growing Twin Cities metropolitan area, which contains nearly half of the state's 3.4 million residents. The university is required to admit any applicant who has passed through an accredited high school in Minnesota with an "average or better" record, but the less-qualified students spend their first two years doing general studies, so as not to pull down the standards of the more specialised courses.

This huge central university came into being partly by design and partly by accident. Its first president advised this struggling frontier community in 1869 to

> divide your resources for primary education but concentrate them for higher education. . . . Found but one university: you have your choice between one great, rich, free, populous, cosmopolitan university which shall be your pride and joy, and the dozen or more petty, starveling and ill-appointed affairs in which you will have no common interest.

Being on the fringe of the area affected by the private college movement of the nineteenth century, Minnesota had little competition; it benefited, too, from the decision to merge with it the state's college of agriculture and mechanic arts set up as a result of the grants of public lands to the states by the federal government in 1862. It was nourished by the Yankee capitalists who were developing this new region a century ago and who hoped to build an institution that would some day rival the private universities of their native New England and it was filled by the children of Scandinavian immigrants, eager for education.

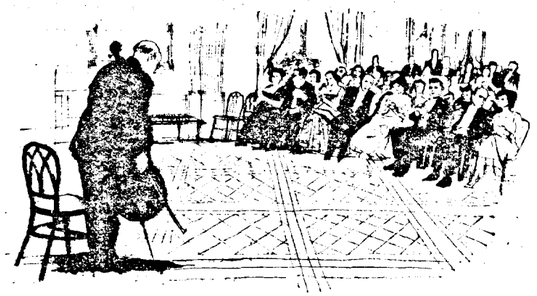
It also had the great good fortune to be the only combined state-and-land-grant university in the country to be established in what later became the population centre of the state it serves; the state capital and the prison, then thought more desirable prizes, had been picked off in the early days by cities which were then larger and more influential. Its reputation rests on heart surgery, on research into the utilisation of Minnesota's low-grade iron ores, on service to agriculture and, more recently, on President Kennedy's choice of the head of its economic department, Mr Walter Heller, to be chairman of his Council of Economic Advisers.

The "one university" policy has just passed through its most serious challenge of recent years. Faced with the prospect of 47,000 full-time students by 1970, officials drew up an ambitious building programme which involved an expansion across the gorge of the Mississippi river in Minneapolis to a campus on the west bank, connected with the main building by a pedestrian bridge so that students could get from one class to another in ten minutes. Appropriations to pay for the land in 1957 and for the first buildings in 1959 were fought stubbornly by state legislators who felt that a new centre of this sort could just as well be built in one of their communities in western Minnesota. The effort was beaten, however, and two multi-storied classroom towers are expected to be ready on the west bank for use next autumn; the picture is of a model of what is planned for some years ahead. The university is now turning its attention to internal reorganisation, to the use of television and other mechanical teaching aids and to the impact on the community in which it lives of the housing, transport and land which it needs.

Washington Takes to the Arts

LAST week, fourteen months after he had ushered in the Kennedy Administration as "a golden age of poetry and power," Mr Robert Frost, America's poet laureate in fact if not in name, came back to Washington to receive a medal from the President. He complimented Mr Kennedy on his "nice Irish weakness for the arts," a weakness which is also French apparently since it is shared, if not inspired, by Mrs Kennedy. Together they have brought a series of artistic occasions to the White House—concerts, theatrical performances and so on—that have not been rivalled since the days of Theodore Roosevelt; they have entertained a wide range of guests from the intellectual and cultural world; and Mrs Kennedy, with the help of an expert committee and many private gifts, has refurnished much of the White House. Now, 150 years after it was burnt by the British, it is a worthy residence for the President of a country which has a fine heritage in the decorative arts.

It is a heritage of which Americans are becoming increasingly conscious and last month Mrs Kennedy took 56 million of them on a televised tour of the White House—an experience which British viewers shared this week. Much of the interest, of course, was in the First Lady rather than in what she had to show but more and more the American public is admiring objects as well as personalities. Attendances at the Metropolitan Museum of Art in New York would have been over 3 million last year even without the display of the Rembrandt, purchased for the record sum of $2,300,000, which brought in 82,000 visitors in one day; and in Utica, New York, a town of 100,000 inhabitants, more than twice that number of people visited the rebuilt art museum in the first nine months after it opened. Symphony orchestras and chamber music groups abound; so do community theatres; classical recordings are bought by the ton; coffee houses offer opportunities to hear singers of folk songs and readers of poetry; and a brewer is



reported to have sold thousands of sweat shirts adorned with life-size portraits of Beethoven, Brahms or Bach which were an advertising offer "in accordance with our policy of bringing culture to the masses."

All of this suggests that President Kennedy will gain political support as a result of giving leadership in the arts, rather than lose it by his egg-head proclivities as some people feared. But whether he can induce Congress to approve the establishment of a Federal Advisory Council on the Arts remains to be seen. Meanwhile he has added a highly-qualified cultural co-ordinator to his White House staff, Mr August Heckscher, who thinks that America's cultural values have not kept up with its material progress. And the President and Mrs Kennedy are giving full backing to the National Cultural Centre which is to be set up in Washington as a much-needed "showcase for the performing arts"—and a rival to New York's Lincoln Centre—if enough money can be raised by the nation-wide appeal to be launched next November.

The theory is that the Federal Advisory Council, by offering the official encouragement to the arts that has long been provided in other countries, would prove to the world—and to artists—that Americans are really serious about culture. To be of any practical use, however, it would need money. One suggestion is that such help should take the form of grants to the states to stimulate their own efforts. Another is for direct federal outlays to bring the living arts to people in places where such performances are not available. This is already done by New York's State Council on the Arts, a pioneering effort pushed through the Legislature by Governor Rockefeller, himself a famous private patron.

Many people in the cultural world object to anything that would bring artists under even a modicum of congressional control. But, as the Secretary of Labour, Mr Goldberg, has pointed out, the

demands of the box office or of patrons limit the freedom of artists as much as a subsidy need do. He does not propose that the federal government should take over all, or even a major part, of the responsibility for the financial support of artistic endeavour. This, he believes, should be the duty of a six-fold partnership between the public (the principal source), private benefactors (who are helped already by tax concessions to be patrons of the arts), private corporations (which have recently become very active in this field), trade unions, local governments (which seem more ready to support museums than operas or orchestras) and last, and probably least, the federal government.

One reason why the arts still need help, flourishing as is the interest in them today, is that even this interest does not provide enough jobs for artists. Orchestras and opera companies, even in great cities, are run at a loss for short seasons only and cannot pay really adequate salaries. Mr Goldberg's own department does not advise any young person to embark on a career in the arts, even though Mr Goldberg himself regards them as a growth-industry. He entered the cultural world when he was called in last autumn to settle a wage dispute which threatened to keep New York's Metropolitan Opera from opening its winter season. Since then he has become, unofficially, the Cabinet member responsible for the arts, not at all unsuitably. One of the main concerns of the Secretary of Labour at the moment is the increasing amount of leisure, voluntary and involuntary, in America and this leisure explains why culture is booming today.

Tough Tariffs

MR KENNEDY evidently believes that, when foreign trade policy is involved, the end justifies the means. Last week, as the House committee began to hear evidence from the opponents of the new Bill which would give the President sweeping powers to cut tariffs, he took the wind out of their criticism by allowing substantial increases in existing duties on Wilton and velvet carpets and on cylinder, crown and sheet glass. These increases had been recommended by the Tariff Commission under the escape clause in the present legislation, on the ground that domestic manufacturers of these products were being injured seriously by foreign competition.

The increases served two purposes. They were evidence that Mr Kennedy was ready to be tough with foreigners if the interests of American producers required it. Further evidence of this kind had been provided a day earlier when the President had banned the entry of shipments of cotton textiles from Hong Kong because they exceeded the quotas accepted by that island's government in order to prevent disruption of the American domestic market. Together these moves should weaken what at the moment seems to be the main threat to the Trade Expansion Bill: it looks as if Congress may give the President the general authority for which he asks but with a strengthened escape clause and with other limitations on his ability to negotiate tariff reductions with other countries.

Secondly, these increases in duties should divide the opposition to the Bill. In the case of the textile industry, the strongest and most influential of the protectionist lobbies, criticism may be almost eliminated with both the cotton and the carpet manufacturers having reason to be satisfied with the President. The glassmakers, too, were in need of wooing for they had been infuriated by the reduction in the duty on glassware, breaching the peril point below which the Tariff Commission had said cuts should not go, in the latest American concessions under the General Agreement on Tariffs and Trade. If Mr Kennedy can buy off the domestic petroleum industry, perhaps by promising that quotas on oil imports will be held down to current levels, and the coal industry, with his legislation to facilitate the transport of coal by pipeline, then his new Bill should be almost safe.

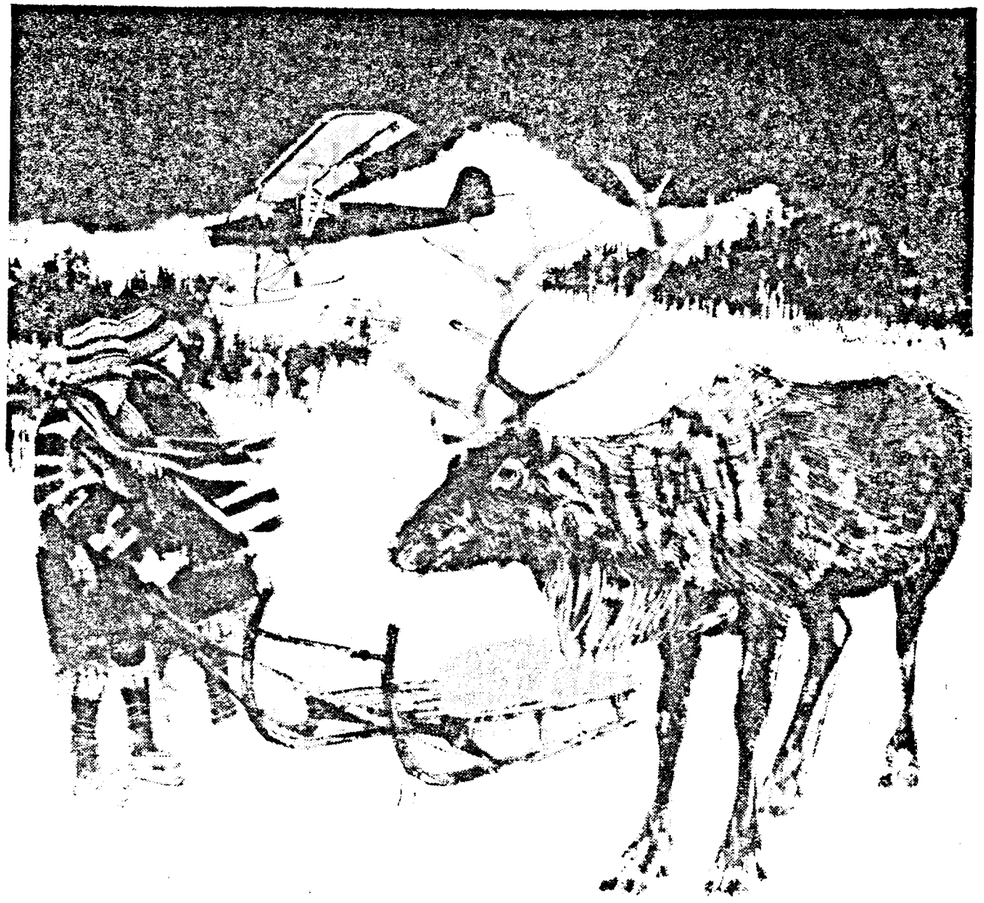
But probably the President will still be given the authority for which he asks for only two or three years, instead of five. If this whole process has to be gone through again in 1964, he will be running short of sops for the opposition. Even worse he may find that Europe has come to distrust him so much that his bargaining powers are hardly worth having. Already the Belgians, who are the main sufferers from the higher duties on carpets and glass, are accusing him of being a protectionist at heart and they will hardly be appeased by the postponement of the new rates for two months, in order that orders which have been placed already may be delivered. The Japanese are also among the sufferers, but at least the President refused to raise the tariffs on others of their main exports—ceramic tiles and baseball gloves.

Last Post for Magazines?

WHETHER times are good or bad advertisers spend more on television each year, but the giant magazines are not insulated from recessions in this way. Last year television's advertising revenues grew by nearly 5 per cent, while those of the national magazines fell by 1.6 per cent. In the scramble to secure a larger share of this smaller cake *Look* and the refurbished *McCall's* did handsomely, but their two rivals from the Curtis Publishing Company—both of them household names—were hard pressed: the *Saturday Evening Post's* advertising revenues fell 18 per cent below those of 1960 and those of the *Ladies' Home Journal* by 4 per cent. So far this year both have continued to trail their competitors.

Critics of the Curtis empire, which goes back to Benjamin Franklin and is second in size only to that of Time, Inc., argue that old-fashioned management is partly to blame and it is true that even in 1960 the firm did not make enough to pay the dividends on its preference shares. Last year it certainly had a substantial loss. This faltering aroused the anger of some old shareholders and the interest of outsiders, who have been buying shares up, together they speak with the authority of almost a quarter of the total and they are now to be represented on the board. It has also brought big changes inside the company. The new editor of the *Saturday Evening Post* (normally the firm's big money-maker) is to leave after three months in which he turned the staid old weekly upside-down ; in future, to cut costs, there will be only 45 issues a year. At the *Journal*, which for four years has been fighting a losing battle with *McCalls*, Mr and Mrs Bruce Gould have left after twenty-seven years in the editorial chairs. It, too, will appear less frequently, only ten times a year. Both magazines will accept advertising for alcoholic beverages for the first time.

Up to now competition between magazines has meant a frantic race for bigger circulations, which justify high advertising rates. Many of these enormous circulations, achieved by offering cut-rate subscriptions, have been very costly to maintain and are likely to become more so with the probable rise in postal charges. It is too soon to say that the drive for higher circulation is slackening (though Curtis decided last year that the game was not worth the candle), but there seems to be a shift toward offering advertisers a better deal. *McCall's* has put more of the financial burden on readers by raising its price from 35 cents to 50 cents a copy and is cutting the cost of four-colour advertisements to that for black-and-white. The *Journal* is continuing a 10 per cent discount on advertising rates. With increased prosperity revenues are likely to improve. Whether there will be enough for everyone, or whether the *Post* and *Journal* will follow *Colliers* and the *Woman's Home Companion* into the graveyard remains to be seen.



Air attack on an Arctic killer

Against the snow the reindeer merge into one dark mass. The hum of an aeroplane circling the herd is almost part of the silence. Then the note rises to a whine as the machine dives, and there is the crack of a rifle. Startled by the noise, the herd move on, leaving behind them the grey shape of a dead wolf.

In Northern Norway these air hunts are the most effective way of keeping down the wolves which would otherwise kill thousands of reindeer each winter. And reindeer are the Laplander's sole means of livelihood.

The flying marksmen enable herd-owners to take the initiative against their traditional enemy. But organising the hunt means arranging for fuel to be delivered from Oslo, a journey of 1,500 miles by sea and land. And in winter the last 500 snow-covered miles can only be crossed by tractor.

Shell make this journey whenever it is necessary—just as they are making other difficult journeys all over the world to deliver aviation fuels. Sometimes the distance covered will seem uneconomic compared with the amount of fuel transported, but this is the kind of responsibility which Shell accepts in maintaining supply lines for oil and oil products in 130 different countries.

YOU CAN BE SURE OF SHELL



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Economic development in Asia is bringing higher living standards to these young people and to the vast population of that continent. Demand for an ever increasing range of merchandise is steadily rising. If you are interested in trade with these expanding markets, you are invited to avail yourself of the banking and information services of The Chartered Bank and its subsidiary, The Eastern Bank Limited. The combined organisation of the two banks comprises one hundred branches in twenty-seven territories extending from the Eastern Mediterranean to the Pacific Ocean.

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THE BUSINESS WORLD

Britain's Balancing Act

IN 1961, the year of sterling's greatest crisis, Britain almost certainly paid its way on current account and actually achieved a surplus in its basic balance of payments as well. This is the remarkable picture that emerges from the latest white paper on the balance of payments issued this week.* As expected, this document makes some major revisions in the previous series of figures; to a large extent, it reverses the unfortunate and, as it turns out, misleading revisions made by the Treasury statisticians a year ago, when the move to a new basis of compiling the estimates withdrew receipts from the classified categories and left them unidentified and uncredited in the swollen "balancing item." Overseas observers still find it hard to believe that, in the midst of a sterling crisis, Treasury chiefs should have let through a staggering increase in the recorded deficit which their own statisticians could not square with the other side of their accounts. But that is what happened; and now, a little late in the day, improved information is producing revisions in the other direction.

The outcome of the whole exercise is not likely to enhance respect for this crucially important statistical series. Thus the current balance for 1959 was provisionally estimated in March, 1960, at a surplus of £145 million; the 1961 revision axed this to £51 million; now the Treasury has pushed the figure up again to £115 million. The deficit for 1960, which at £344 million was as much as £200 million more than had been expected, is now pared down to £288 million. And the current deficit for 1961 is put at £70 million; this is little over half the figure that would have been expected on last year's basis of reckoning; moreover, the Treasury has admitted, short only of recording the fact in its tables, that this deficit was illusory. It has managed, first, to identify part of the previous unidentified receipts as current income, notably commissions on imports; and it has also found, from a belated survey, that a large part of the remaining mysterious receipts went into long-term, rather than short-term, investment.

In this way, the sum of unidentified receipts, which earlier figures had shown at £222 million for the first nine months of 1961 alone, has now been reduced to £81 million for the whole year. This is £11 million more than the recorded current deficit. The Treasury now brings itself to admit that "on present data, a reasonable hypothesis would be" that short-term capital movements were "probably negative" over 1961 as a whole (it was after all a year of sterling crisis); so the implication must be that the whole £81 million, and something more, represented unidentified current receipts, which, the Treasury now concedes, are "perhaps tending gradually to increase with the growth in the volume of transactions."

Britain's achievement of a true current surplus in 1961 is an important fact to get on record; and so, too, is the big change in Britain's long-term capital account. In other words, Britain has been contributing more towards meeting its net capital commitments, and has had smaller net capital commitments to meet, than previous official figures suggested. But this does not at all mean that the whole crisis was a phantom. For, apart from the statistical windfall, Mr Lloyd's July measures themselves contributed to the improvement. In the current account, this contribution is still inadequate, transient, and not very solid. On the capital side, it is much more rewarding, and the Treasury at last seems to be drawing the right lessons from it.

The improvement of over £200 million in the current balance between 1960 and 1961 was wholly in visible trade, where the true deficit narrowed from £391 million to £135 million. Exports rose and imports fell; but the rise in exports was limited to the first few months of the year, so that while the total for 1961 was higher, the trend was not rising; and the small drop in imports was plainly attributable to the reversal in stockbuilding and to the cutback in domestic production which followed the July restrictions. This is not a sound basis for the future; nor is the slight surplus in visible trade achieved in the last quarter anything like sufficient for external stability over the whole business cycle.

For, despite the discovery of the rather double-edged source of invisible income from import commissions, total invisible

TABLE I.—SUMMARY BALANCE OF PAYMENTS
(£ million)

	1959	1960	1961	1960 Jan.-June	1960 July-Dec.	1961 Jan.-June	1961 July-Dec.
Visible balance	−104	−391	−135	−146	−245	−112	− 23
Invisible balance	+219	+103	+ 65	+ 73	+ 30	+ 52	+ 13
Current balance	+115	−288	− 70	− 73	−215	− 60	− 10
Balance of long-term capital	−499	−202	+ 8	−121	− 81	− 17	+ 25
"Basic balance"	−384	−490	− 62	−194	−296	− 77	+ 15
Balancing item	− 21	+306	+ 81	+137	+169	+ 27	+ 54
Balance of monetary movements*	−405	−184	+ 19	− 57	−127	− 50	+ 69

* The sign has been reversed so that a plus shows an improvement. Figures for 1959 are distorted by subscription payments to IMF and loan repayment to Export-Import Bank.

* Cmnd. 1671. 2s. 6d.

TABLE II.—THE INVISIBLE ACCOUNT

(£ million)	1959	1960	1961	1960 I	1960 II	1961 I	1961 II
Government :—							
Debits	275	331	382	170	161	201	181
Credits	42	47	45	28	19	29	16
Shipping :—							
Debits	621	702	708	347	355	355	353
Credits	624	646	658	329	317	331	327
Interest, profits & dividends :—							
Debits	426	456	444	199	257	200	244
Credits	698	701	701	321	380	338	363
Travel :—							
Debits	173	205	227	79	126	88	139
Credits	153	188	206	79	109	88	118
Migrants' funds, legacies and private gifts :—							
Debits	94	96	92	45	51	46	46
Credits	90	92	97	44	48	48	49
Other services :—							
Debits	307	334	369	161	173	185	184
Credits	508	553	580	273	280	293	287
Total	+219	+103	+ 65	+ 73	+ 30	+ 52	+ 13

TABLE III.—PRIVATE INVESTMENT: THE NEW OFFSET

(£ million)	1959	1960	1961	1960 I	1960 II	1961 I	1961 II
British Investment Abroad (net of disinvestment) :—							
Direct*	−196	−247	−211	−119	−128	−123	− 88
Portfolio, etc.†	−148	− 89	−146	− 47	− 42	− 82	− 64
Total	−344	−336	−357	−166	−170	−205	−152
Overseas Investment in Britain (net)							
Direct*	+146	+135	+225	+ 71	+ 64	+172	+ 53
Portfolio, etc.†	+ 52	+102	+181	+ 12	+ 90	+ 26	+155
Total	+198	+237	+406	+ 83	+154	+198	+208
Private Investment (net)	−146	− 99	+ 49	− 83	− 16	− 7	+ 56

* Board of Trade inquiry into overseas direct investment; excluding oil and insurance. † Including investment by the oil and insurance industries.

TABLE IV.—ROLE OF OVERSEAS STERLING AREA

Balance with non-sterling areas (£ million)	1959	1960	1961	1960 I	1960 II	1961 I	1961 II
Imports (f.o.b.)	2,212	2,756	2,718	1,328	1,428	1,388	1,330
Exports and re-exports (f.o.b.)	2,033	2,161	2,321	1,138	1,023	1,145	1,176
Balance of visible trade	−179	−595	−397	−190	−405	−243	−154
Gold production*	+284	+297	+318	+143	+154	+156	+162
Invisibles (net)	− 32	− 79	−121	− 26	− 53	− 57	− 64
CURRENT BALANCE	+ 73	−377	−200	− 73	−304	−144	− 56
IMF drawings (net)	− 14	− 16	+117	− 24	+ 8	+ 51	+ 66
IBRD drawings (net)	+ 57	+ 24	+ 12	+ 20	+ 4	+ 8	+ 4
Other capital (net)	+232	+299	+331	+119	+180	+215	+116
Changes in gold and non-£ currency holdings	− 60	+ 27	− 99	− 2	+ 29	− 18	− 81
BALANCE OF LONG-TERM CAPITAL & MONETARY MOVEMENTS	+215	+334	+361	+113	+221	+256	+105
Total balance with non-sterling areas	+288	− 43	+161	+ 40	− 83	+112	+ 49
Of which :—							
Sales of gold in Britain	+210	+214	+221	+ 93	+121	+131	+ 90
Other transfers	+ 78	−257	− 60	− 53	−204	− 19	− 41

* Excluding domestic use of gold, but including gold taken into reserves.

earnings continued to fall, though more slowly—to £65 million, compared with £103 million in 1960 and £219 million in 1959. Once again, the chief culprit was the Government itself; its net expenditure overseas jumped by £53 million to £337 million, more than £100 million above the total two years earlier. This year the Treasury should at last see some abatement here, as the agreement with Germany should bring in two annual amounts of £54 million. Net identified invisible earnings from all private sources actually rose slightly in 1959, by £15 million, to £402 million. Most of the main groups contributed to the modest improvement; the long deterioration in the shipping account was checked, with a fall in the net debit from £56 million to £50 million, despite a further rise in charter payments.

But while Britain's current balance certainly needs to be strengthened further, its overseas capital account has already been strengthened very considerably, and very usefully. The really striking figure in this white paper is "Balance of long-term capital, +8." This was admittedly a freak result, produced by official prepayments of debts to Germany and France amounting to £72 million and by the exceptionally large investment of £131 million in the Ford take-over. If these special items are allowed for, there is a residual net outflow of long-term capital of around £200 million. This is broadly the same as the outflow in 1960 and, allowing for special Government transactions in the other direction, much the same as in 1959. Yet the Government is now lending more to developing countries and private overseas investment by Britain continues at a very high level, some £350 million a year: the dip in 1960 was reversed last year, as a result, it is said, of a rise in investment by the oil industry and of smaller disinvestment through liquidation of African securities.

The explanation is that these massive overseas commitments, which have for some time appeared too large for Britain to finance out of its own current earnings, are now finding a substantial offset in the flow of capital into Britain —and above all of portfolio capital. The official figures, ridiculously, still lump portfolio investment together with direct investment by the insurance and oil industries. But it is quite clear that the jump from £26 million to £155 million in this item from the first to the second half of 1961 represented predominantly overseas investment in London securities. This is believed to have been split fairly evenly between equities and gilt-edged (in 1960, rather surprisingly, the rather smaller but still considerable inflow of portfolio investment appears to have gone entirely into equities, with some net sales of gilt-edged). Overseas investment on the London stock exchange has plainly been a major factor in the recent inflow of funds—which totalled about £300 million in all forms from the summer crisis until the year end. Nor do these figures of long-term investment include investments in local authority mortgages or any purchases of gilt-edged by official funds, which are both classed as short-term monetary movements in sterling balances or miscellaneous capital.

This inward flow of long-term investment capital, plainly, is not an automatic or permanent phenomenon. It depends, in particular, on the level of Britain's interest rates in relation to those of other countries. But a major support for the balance of payments is not to be despised because it can be regulated. The Treasury, which must after all be getting rather tired of its unending apologia for Britain's inadequate external performance, seems at last to be recognising its lifeline. It has not, officially, changed the estimate it gave the Radcliffe committee four years ago that to meet Britain's overseas investment commitments, and obtain a requisite strengthening of the reserves, scope needed to be found in the internal economy for a current surplus of £450 million. But since, quite evidently, a surplus of this kind has not been forthcoming, even when the domestic "room" has existed for it, it would be folly to miss the opportunity of scaling down the size of the net overseas commitment itself. The change of view since the Radcliffe statement is a change of concept. The capital account is no longer regarded as a fixed and unchanging burden; it is subject to influence, and notably to the influence of monetary policy. This is the Treasury's great discovery of the past few months. It should be communicated without delay to the Bank of England.

HOW JAPAN DOES IT—II

The Window Operation

Japan's economic growth in recent years has many causes. Last week's article discussed matters affecting management and labour. In this second article our correspondent examines the way in which credit and finance are controlled.

THE "Window Operation" is a form of moral persuasion exercised by the Bank of Japan over the commercial banks through monthly consultations at which the Bank of Japan reviews the trend of advances of each bank, the surplus or shortage of funds, the requirements it has to meet through call money or Bank of Japan borrowings, and takes a look at the next month's estimates for these items. If the Bank of Japan considers that the brakes should be applied, it declares an "overall loan level" and issues, if necessary, requests to the individual banks to reduce their advances, or to refrain from extending new ones, in order to meet it.

This mechanism is founded on no statute or administrative regulation, and is a source of some embarrassment to the Bank of Japan which would like to modify the system to accord more closely with western banking control; spokesmen for the Bank of Japan describe it as a subsidiary function to bank rate policy but it is in fact the main weapon of credit control. Now, as for many years past, the commercial banks keep their advances and discounts closely in line with their deposits from the public, supplementing their resources by loans from the Bank of Japan. These are marginal in amount, but they are the fulcrum on which the Bank of Japan exercises credit control. The foundation of the system is personal savings, rather than the creation of deposits in the British manner. The only way a bank can increase its advances in the short term is by obtaining increased loans from the Bank of Japan. These loans are nominally for three months, but are regarded almost as "reserves"; marginal adjustments are made but in the main loans are automatically renewed. They have to be. The Bank of Japan as lender of last resort has the whole credit structure in its pocket.

But the Bank of Japan exercises its control without ever actually refusing a loan; it does so through a schedule of "penalty" rates which it levies on about 5 per cent of its loans. The most important of these levies are at present about equivalent to 10.22 per cent and 9.5 per cent per annum (Japanese rates are fixed in 1/100ths of a yen per day). These are the rates levied on less desirable loans—the kind that in today's conditions, when passed on through the borrowing bank, are seen by the Bank of Japan to contribute nothing to exports or to stretch still further the already over-extended operations of the bank concerned. The banks themselves have their own schedules of rates for advances according to the status of their customers, and seldom meet a request with a blank refusal.

Apart from this general disinclination to say "no," the Bank of Japan itself has no liquidity ratios to observe and can legally print notes indefinitely. To a foreigner, the whole system presents a nightmarish quality. But the Bank has a highly-developed sense of responsibility and the business community and general public have complete confidence in it. Probably the main impediment to the efficient working of the system is political pressure; this certainly delayed the two increases in the Japanese bank rate last year. But since the war the system has weathered successfully two bad bouts of inflation.

There are other subsidiary means of credit restriction. Movements of the Japanese bank rate itself are taken seriously; all interest rates are related to it and a strong psychological influence is exerted by it. On the other hand, regular open market operations by the Bank of Japan are hardly possible since the volume of Government bonds is far too small—the last public issue was twelve years ago. This does not mean that direct fiscal receipts and payments have no influence on the money market; they have a considerable seasonal impact, but this is smoothed in various ways by the Bank of Japan (which acts independently from the Treasury), and the total fiscal effect is carefully assessed and adjusted if necessary during the year by one or even two supplementary budgets. The Bank of Japan cannot at present operate in government bonds, short or long term, as a means of credit control. But it can and does raise reserve requirements, that is the level of deposits which the commercial banks must keep with it. These frozen deposits, however, are far outweighed at the moment by the loans the Bank of Japan grants; the impact of its operations therefore is simply to raise the total interest payable on the net balance owing.

THE system is not as precarious as might appear. It is true that half the new capital raised by industry in each of the last five years has been obtained in the form of short-term loans, mainly from the banks, and is largely invested in fixed assets which cannot be realised within the nominal period of the loans. But the Bank of Japan claims that the natural growth of currency required to support the rise in Japanese output has been met by these loans—the function performed in Britain by expansion of Treasury bills, and in West Germany by purchases of rising foreign exchange receipts from the public. The banks thus regard their Bank of Japan loans with some justification as a continuing source of liquidity.

The Bank of Japan tries to put on the banks themselves the onus of keeping their advances within reasonable limits, and they for their part watch their customers carefully and do not

hesitate to put pressure on any debtor whose operations they regard as unsound. The whole credit system is founded upon popular savings. These are paid into the banks as deposits (the cheque system is hardly developed) at branches all over the country. More recently some savings have been diverted into the new investment trusts and thence into bond issues or equities, to the discomfiture of the banks; investment trust deposits were negligible in 1956, but by last year they amounted to as much as one-third of the banks' time deposits from individuals and nearly as much as postal savings. But these funds quickly flow back to the banks.

How successful have the monetary authorities been in damping down the boom by credit restriction since last autumn? In November there was little to show for it, although there were reports of a growing tightness in the money market. In December bank advances and Bank of Japan loans rose once more, owing to end of year requirements, but in January the process appeared to have stopped and Bank of Japan loans even fell. Meanwhile, bankruptcies increased and the Government had to take special steps to aid small firms. The restriction of credit is now severe.

It was called into being by the need to correct the sharp deterioration in the balance of payments. The deficit on trading account began to rise early in 1961, and the gold and foreign exchange reserves began to fall in May. Imports were sucked in by the investment boom, which last year gathered renewed strength from two sources. First, manufacturing companies were concerned to be competitive once it was clear that the Government was determined upon trade liberalisation in October, 1962; secondly, the publication of the Ten Year Plan led many firms to plan for themselves a generous share of the official target for their industry. September last year was a particularly bad month, since there was a rush by importers to bring imports in before September 18th when importers had to make bigger deposits or guarantees.

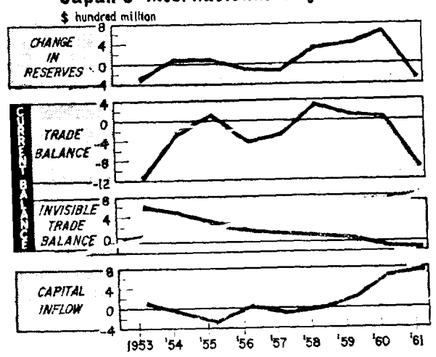
The first move to deal with this situation was a formal request to the banks in July last to cut by 10 per cent their loans to customers for the purpose of capital investment, and the measures described above followed. But other factors were involved. Short term and long term capital movements have played an integral part. Between January and March, 1961, the considerable current account deficit of $248 million was more than offset by a large net inflow of short term capital amounting to $382 million. This inflow resulted mainly from an increase in import credits, which were relaxed during the last quarter of 1960 and the first quarter of 1961, and from a hot money influx following the establishment of the free yen account in July, 1960, mostly in the form of Euro-dollar deposits. In April-June, 1961, this flow was slightly less at $225 million against an even larger current account deficit of $360 million, but in the next quarter it was already negative, behaving as hot money always does when gold reserves fall and the outlook becomes unsettled.

Long term capital movements, however, continued favourable throughout the year, amounting to $163 million net receipts for 1961 compared with nil in 1960. This change has been attributable mostly to increased loans in the private sector; in the six months April to September, 1961, these showed a threefold increase to $133 million compared with the previous six months. This $133 million consisted of $62 million of direct investment loans, $50 million of investment in securities (the biggest proportionate increase) and $21 million of other items. The interesting point is that the confidence of the long term investor was not shaken at all by the overheating of the economy last summer, nor by the exit of the hot money. According to the Ministry of Finance, in the twelve years 1949 to 1960 $149 million has come in from abroad for investment in securities of all kinds and $828 million in loan investments.

The net effect was that when the inflow of short term loans was reversed in July-September, the long term capital inflow was nowhere near large enough to offset the current account deficit and the gold and foreign exchange reserves fell by nearly $300 million in that quarter. This brought them down to $1,610 million—not far from the psychological danger level of $1,300 million. It was then possible for the Bank of Japan at last to persuade the Japanese Government to take steps to damp down the import boom. At the same time foreign loans were raised as a safeguard—$200 million from American banks and a stand-by credit of $305 million from the International Monetary Fund.

It seems that the deterioration in Japan's balance of payments has now been stopped; will there be an improvement in 1962? The Ministry of Finance and the Bank of Japan always said that the rot could be stopped; but they were less optimistic about the possibility of getting exports increasing again. Yet this must be done both to market the increased output coming in 1962 from all the plant and equipment installed in 1960 and 1961. Japan hopes to increase exports of light manufactures to America and Europe, where it has a comparative advantage in costs, and to sell more heavy industrial and electrical goods to the underdeveloped countries of South East Asia. Unfortunately, America is in a defensive mood, caused by the weakness of the dollar, and although Europe has afforded a growing market for Japan in the last five years, it discriminates under Article 35 of Gatt. South East Asia is short of free funds, since much of its aid consists of tied loans favouring other exporting countries; only cars and machinery look promising for Japan in these countries. Japan will need to correct its own behaviour in subsidising exports in various ways, before its campaign against Article 35 makes much headway. But a country that can produce, for example, superb cameras of its own original design far below the cost of any other country should not for long be short of European markets. Nor should it take long to expand in South East Asia. And Japanese cars may be really competitive, within a year or two.

Japan's International Payments



Changing Views at the Bundesbank

BY OUR SPECIAL CORRESPONDENT

THIS week's new fall on the German stock exchange, which brought average share prices almost one third below their peak of summer 1960, was set off by the sombre warnings ("Have We Lost Touch With the Possible?") broadcast by Dr Erhard last weekend. Economic homilies of the kind that have become almost routine in Britain over the past decade and a half are getting an unfamiliar airing in German, as our Bonn correspondent reports on page 1240. But the transformation of the miracle of inflation-free growth to the ordinary pressures of full employment has been anything but sudden. The German central bank, in particular, voiced loud warnings against wage inflation two years ago, when the "Blessing memorandum" set down 4 per cent as the safe figure for wage increases in 1960; a few months later it declared openly that the boom in share prices had gone dangerously far. In the event the actual increase in wages was nearer 10 per cent, in 1960 and this was repeated in 1961 and is now in prospect for 1962.

In retrospect at least it appears that the Bundesbank cried "wolf" too early; industrial prices rose by only 1.2 per cent in 1960 and 1.5 per cent in 1961. But the Bundesbank derives little comfort from this. Prices of services, and notably of housing, have increased substantially and in the central bank's view the maintenance of general price stability demands a fall in industrial prices, in line with gains in industrial productivity. In any case, German industry has been able to hold the price line only with the help of revaluation (which lowered import costs) and, more important still, by accepting a sharp squeezing in profit margins. The Bundesbank believes that this process is near its limit and, accordingly, that industrialists will themselves be more resistant to wage claims. It declares that if excessive wage increases erode profit margins further, this will discourage investment and thus increase the danger of recession or at least the pause in expansion that some German commentators (notably the Berlin Konjunktur Institute) fear; others, notably the Munich Institute, see the present pause merely as an inventory adjustment and expect expansion to be resumed in the spring. Ordinarily, one would expect higher wages to encourage investment; but the Bundesbank argument, which is on the lines of the concept of pricing oneself out of one's own market, recently expounded by Dr Per Jacobsson, makes sense when it is considered in the wider context of what the financial authorities may be forced to do to maintain financial balance, internally and externally. The Bundesbank recently wrote:

> The course of events in certain other industrial countries, where excessive cost increases during recent years were evidently a material reason for the much regretted slowing or even stoppage of "growth," gives a clear warning in this respect.

British readers should get the Bundesbank's point.

THESE domestic pressures in Germany's economy are now, at last, having a clear impact on the balance of payments, and to this extent at least they are welcome even in Germany. While the trade surplus for the whole of 1961 was, at a mammoth 6.6 billion marks or nearly £600 million, still larger than that for 1961, the trend over the year as a whole was plainly downward: in the last quarter exports were below their level a year before while imports were up 3½ per cent by value and 7½ per cent by volume. In the first two months of this year the trade surplus almost ran off. This was partly a freak result, but German officials are certain that the surplus for 1962 will fall substantially. The deficit on services and donations is still growing, and the total current surplus is expected to be 2½-3 billion marks in 1962. This compares with 3.3 billion marks in 1961 and 4.4 billion in 1960; and it should be almost covered by disbursements of overseas aid from public funds. Some 5½-6 billion marks is allocated for 1962 and 1963 together, though the actual outflow is likely to be rather smaller.

The German authorities now consider their external payments to be in basic balance. They recognise that the fall in official reserves in 1961 reflected special, non-repeatable transfers such as prepayments of debt, but they maintain that the smaller current surplus will now be broadly offset by the official exports of capital. As a result, less emphasis is now being placed on fostering the export of private capital. Official attempts to encourage this from 1958 onward met with distinctly limited success. German investors proved doggedly suspicious of bond yields much below 6 per cent, and while the bond market is in better shape now, helped by some alleviation of the Berlin tension and by the uncertainties over the share markets, commercial interest rates in Germany are still high by international standards. Not many borrowers would be willing to concede the yield of 7¼ per cent which recently had to be offered to German investors by the city of Osaka.

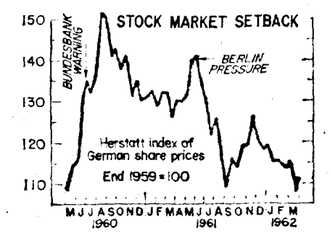
The Bundesbank still aims to reduce the structure of German interest rates, but it feels from its recent experience that it cannot force the pace. At the same time, the central bank is also having second thoughts about its inducements (at times almost amounting to bribes) to commercial banks to transfer short term funds abroad. The German banks have been using overseas money markets, and above all the Euro-dollar market, as their first cushion of liquid reserves, in much the same way as the English banks use the London call money market. The upshot has been that technical factors such as the incidence of tax payments in Germany have caused massive transfers of foreign assets into or out of the Bundesbank, and a good deal of international confusion.

The Bundesbank has now realised that these temporary transfers in the ownership of the same dollar deposits between itself and the commercial banks make no real contribution to easing the pressure of the German surplus; and the big external cushion of the commercial banks adds to the Bundesbank's own problem of credit control. The central bank would much prefer to operate through a genuine domestic money market of its own; this has been hampered hitherto by the dearth of public debt. The era of cash surpluses in the Federal budget is now over; and, a little bashfully, the Bundesbank is recognising that a larger national debt will have its constructive uses.

UNTANGLING THE RESERVES
(DM million)

	1960	1961 I	1961 II	1961 III	1961 IV	1962 Jan.
Change in Bundesbank reserves	+8,007	+1,213	−1,892	−1,995	+ 747	−3,010
Change in commercial banks' net foreign assets	−2,254	+1,898	+ 606	− 51	−2,189	+3,977
Net inflow or outflow of foreign exchange	+5,753	+3,111	−1,286	−2,046	−1,442	+ 967
Total special transactions*	− 343	− 303	−3,562	−1,499	− 259	n.a.
"Basic" flow of foreign exchange	+6,096	+3,414	+2,276	− 547	−1,183	(+ 967)

* Credits to IMF and World Bank; official prepayment of foreign debts; and indemnification payments.



BUSINESS NOTES

RAILWAY FARES

Getting What They Can

THE increases of fares on British Railways and London Transport trains announced this week were large enough to produce the standardised protests from travellers and socialists—who appear to believe that this item of consumer expenditure should be isolated from questions of cost—but it will probably add only £8.8 million to the British Transport Commission's revenues. As the commission expects to lose £146 million this year, consumers of transport are hardly being asked to make a huge contribution to the BTC's solvency. And since most of the loss seems to be incurred by lines in the more remote parts of the country, travellers on trains that may be showing a profit (like the Western Region's mainline expresses) would have cause for grievance if they had further to subsidise services for the Scottish highlanders.

The new increases apportion the burden evenly between the commuter and the occasional traveller: season ticket rates go up by ten per cent, ordinary train fares by nine to ten per cent (to 3d. a mile second-class and 4½d. first class), while single and day return fares in the London area go up by odd pennies—though this can mean 20 per cent. There is an economic case for larger increases in season ticket rates than for the ordinary fares; especially on the shorter journeys—under about 20 miles—commuter services tend to be unprofitable. There is no real competition to be feared from public road transport on such routes, though some few extra motorists may choose the pleasures of the jam. On long intercity journeys, however, road and air competition are real problems that the railways have to face. The special low fares that they have introduced as a counter to the coaches on routes where they were eating into the railway's traffic are unlikely to be raised. Aeroplanes are reckoned by the BTC to gain their traffic more by speed than by cheapness: so it doubts whether higher fares on the routes concerned will make a significant difference to its competitiveness. But in reckoning that the increases will add only £6 million to British Railway revenues it is assuming that they will drive away traffic to the value of another £6 million. The LTE, in its monopoly position, expects to lose little traffic from the fare increase.

Freight rates, like the special fares, are too closely governed by road competition for any significant increases to be likely. Reducing the BTC's £146 million deficit must therefore depend mostly on cutting expenditure. But there might be a little more to be gained from commuter services if fares were adjusted more closely to demand. There are already lower fares in the middle of the day, and some discount on season tickets too for off-peak travel; but these concessions are limited and generally small. The BTC may therefore try the effect of bigger variations with the time of day in all fares, including seasons, to give a real incentive to passengers to spread their travel in a more economic way. Dr Beeching has emphasised that conditions cannot improve until working hours are staggered—and that fares are too low at peak hours. And fares outside London may also vary from line to line once the railways are free from statutory obligations. While the railways remain able to apply a flexible pricing policy to freight, a similar approach is appropriate for passengers too.

RATES

Industry Pays

ANYONE who suspected that the Government would not have the courage to follow through the good intentions of the 1961 Rating and Valuation Act finds his worst suspicions now confirmed by the first official figuring on the 1963 revaluations released by Dr Hill, the Minister of Housing, last week. Under the new valuations the householder's share of the rate burden will on average fall by 1.6 per cent, while industry's share will rise by 43 per cent.

When industrial and commercial properties were last revalued, in 1956, industry's share of the rate burden increased by 48 per cent and that of householders fell by

CHANGES IN THE RATE BURDEN
(England and Wales)

Type of property	Before revaluation £m.*	Before revaluation %	After revaluation %	Change in share %	Valuation multiplier
Houses	353·4	42·04	41·35	− 1·6	3·6
Industrial	80·4	9·57	13·71	+43·3	5·2
Commercial	189·8	22·60	19·65	− 13·1	3·2
Crown	73·2	8·71	6·66	− 23·5	2·8
Miscellaneous	37·6	4·48	3·45	−23·0	2·7
Rate-deficiency grant	105·8	12·60	15·18	+20·5	4·4

* Total rates and rate-deficiency grants for 1961–62 estimated by Ministry of Housing at about £840 million.

17 per cent. Industrial properties were then rated at 50 per cent of their 1956 values and commercial properties at 80 per cent of 1956 values. Houses continued on their 1939 values. From next year all groups will pay rates on full current values. Outside observers had supposed that this up-

valuation would mean a substantial increase in the householder's share of the rate burden. Mr Brooke, when he introduced his Rating and Valuation Bill, seems to have supposed much the same thing. Why else should he have taken temporary powers to derate private dwellings where the increase proved too sharp?

How then has Mr Brooke's successor managed to produce such a widely different result? Dr Hill's valuations have not understated the increase in domestic values since 1939, as some people may have thought; what he appears to have done is to inflate the rise in industrial rents since 1956. In the new valuation lists, as the table shows, the value of domestic property has in effect been multiplied by about 3.6, after allowing for the new statutory deductions for the cost of repairs. From this it can be calculated that industrial valuations have been multiplied by 5.2. This increase compares with outsiders' guesses of a multiplier for industrial property of between 3.0 and 3.5.

Valuation is by no means an exact science but a multiplier of 5.2 for industrial property is higher than experience would suggest. It implies, after allowing for the removal of the 50 per cent derating, a rise in industrial rents of 2.6 times since 1956, compared with a rise of 3.6 in domestic rents since 1939. This again puts in question the principle that the new valuations should put all types of property on an equal footing. The raw deal that industry is about to receive will increase the ranks of those who feel that site value rating, or rating according to numbers employed, would be better than relying on a system that no Government seems to be capable of running fairly.

PUBLIC INDUSTRIES

Bogeys for the Boards

MR RONALD EDWARDS, chairman of the Electricity Council, and the council's other permanent members may have had some arguments from the operational board chairmen who make up the rest of it when these saw each others' financial objectives for the next five years, and those of the gas industry. In electricity, the figures of gross return and surplus that each board is being asked to aim at, on the average, between now and 1966-67 are set for individual boards by the Council. In gas, with its less centralised pattern, each area board conducts its own negotiations with the Ministry of Power and at one remove with the Treasury. The Council has accepted a higher rate of return as an objective for electricity than follows from averaging the figures accepted by the gas boards: moreover, in both industries there is quite a range between the "bogey" rates of return set for different boards.

These rates—averaging 12.4 per cent for electricity and 10.2 per cent for gas during the period—are gross, before depreciation or interest, on the net value of the boards' whole assets (those existing, of various ages and written-down book values, and those that the industries plan to bring into being during the next five years). Differences in age pattern of assets, apart from other factors, offer plenty of reason for variance in returns so calculated, between and within industries; no outsider can hope to judge

Percentage Rates of Gross Return on Net Assets for Boards to aim at between 1962/3 and 1966/7

Boards*	Electricity	Gas
London	11·9	
North Thames		9·5
South Eastern	13·0	10·1
Southern	12·4	9·5
South Western	14·0	9·8
Eastern	12·8	10·0
East Midlands	12·5	10·4
Midlands	12·6	
West Midlands		10·6
South Wales	12·4	
Merseyside and North Wales	12·9	
Wales		10·0
Yorkshire	12·5	
Northern		10·4
North Eastern	12·7	10·6
North Western	12·9	11·2
Scottish		10·9
South of Scotland	"about 12½"	
National average:		
England and Wales only	12·4	
Great Britain		10·2

* Gas and Electricity areas with similar titles are not coterminous.

the objectives set particular boards. So far as new investment is concerned, there would be a *prima facie* case for requiring similar returns on capital, or at least for showing good reason for departure from one level.

The rates of return now set as objectives are each over two per cent higher than these industries achieved in the five years 1955-59* (10.0 per cent for electricity and 8.3 per cent for gas). They will involve gas in earning a total surplus for the five years of £54 million, and electricity in earning one of no less than £336 million. The Electricity Council will have its problems, too, in keeping £67 million of surplus each year out of the hands of trade unions—and consumers.

*As set out in Cmnd 1337 "Financial & Economic Obligations of the Nationalised Industries" last April.

THE EXCHANGES

Sterling See-Saw

LAST week's surprise cut in Bank rate to 5 per cent was followed by a relatively sharp fall in sterling, from $2.81⅛ to only just over $2.81 on Monday. By the middle of this week, however, sterling had staged a recovery to $2.81⅞; and while the cut in Bank rate appears, momentarily, to have checked the inflow of funds, there is no reason to believe that the Exchange Account sustained a net loss of dollars from the reserves. The figures for March as a whole which will be released next week are expected to show an appreciable true increase. The actual change may be affected by another repayment to the International Monetary Fund, by Australia this time, of the whole of its drawings a year ago of £A78 million (£62 million sterling). The repayment leaves Australia's reserves at a comfortable £A530 million.

The weakening of sterling at the end of last week was attributable partly to some bear selling of sterling by speculators in Paris and elsewhere, who were duly discomfited by the midweek recovery. Another element which has blurred the real impact of the Bank rate reduction on the flow of international funds has been the approach of March 31st and the ensuing window dressing by Continental banks and corporations in preparation for accounting make-ups. Money has been extremely tight in Germany and the commercial banks have been busily turning in foreign bills and deposits to the Bundesbank—this is reflected in the rise of DM 850 million (some £76 million) in the Bundesbank's external reserves in the first three weeks of March. These operations have their first impact on the dollar, but sterling and the dollar have recently been moving very closely together against the Continental currencies. By midweek the German money market had eased, and the dollar rose in Frankfurt from 3.9910 to 3.9985-90. The Swiss franc, following a temporary recovery, has weakened again to near 4.34½, the effective support point of the Swiss National Bank.

AIRCRAFT INDUSTRY

Supersonics and All That

ON Monday, the Minister of Aviation had another of his cosy chats with his French counterpart, M. Buron. Then they announced that a joint design study was to be commissioned from the British Aircraft Corporation and Sud Aviation for a dual-purpose supersonic airliner capable of being produced in long and short-range versions. Both ministers confirmed that this agreement does not commit either side to build the aircraft that emerges. Indeed any request by Mr Thorneycroft to the Treasury for the £50 million or so that is the (very modest) current estimate of Britain's share of the actual costs of building it would get a poor reception today.

The Ministry of Aviation would be failing in its duty if it were not thinking hard about supersonics; this is the logical next step in civil aviation, even if it is fifteen years or so away. But the blinkered view that the Ministry is taking of what a notional supersonic airliner and its market may be is quite terrifying. There are two ways of building this airliner, one easy and one hard. The easy way is to build it out of light alloys, in which case its speed will be limited to around twice the speed of sound and its potential for future development will be nil. The hard way is to build it out of steel, which may take longer but will give an aeroplane with scope for development, since the structural material will not melt under the speed-induced temperatures that would burn up a light alloy aircraft. Whoever builds a light alloy aircraft may find himself having to design a second, different steel one, incurring two sets of development costs in a relatively short period. It is this fear that has made American manufacturers opt for a steel aircraft, although this may not fly much faster at the start of its career than the Anglo-French light alloy design because other materials besides the basic structure succumb to heat.

Are the British and French right to ignore the use of steel in this cavalier fashion? Mr Thorneycroft missed the opportunity provided by last week's debate on the aircraft industry to explain what arguments have convinced his Ministry. He did, however, throw in one important aside—to the effect that support was to be given to investigations on aircraft with jointed wings that can change their form in flight. And there are scientists who think that no supersonic airliner will take the air without a device of this kind to mute its sonic bangs.

BUSINESS AHEAD

Engineering Orders Fall

NEW orders from the home market for the engineering industries fell in January, but there was little change in export orders. Though orders do fluctuate from month to month, a fall of six per cent in home demand from the already reduced rate of the second half of last year confirms other indications—such as the fall in demand for iron castings—which had suggested that the longer-term outlook for engineering is now rather less expansive. The export position continues to look a little healthier, with orders only three per cent lower than in the last quarter of 1961 and still above those of a year before; but they are too small a proportion of the industry's total activity to offset the fall in home demand. Despite the usual fall in output in January—still five per cent higher than a year before—the orders that the industry had on hand at the end of the month fell for the fifth month in succession, until they were back to the level of January, 1961.

Less Work for Builders

THE new commissions received by private architects—which seem to give an indication of the trend of new orders for contractors some nine months ahead—continued to fall in the last quarter of 1961. A drop of nearly 50 per cent in the commissions for houses from private owners and developers accounted for most of the

decline. New commissions for other sorts of private development—such as offices and factories—showed a rather surprising recovery in the last quarter, though this survey probably covers too small a sample of such work to provide conclusive evidence of trends. But the signs that demand for private houses is already dropping enough for builders to be noticing the effect—after a year in which the value of architects' commissions were 23 per cent. below the 1959 level—is reinforced by the results of an enquiry made by the National Federation of Building Trades Employers among 500 of its members. This showed that many of the smaller firms—likely to depend most on housebuilding—now have less work on hand or ready to start than of late, though the bigger companies are mostly quite busy and have a fair volume of work coming forward.

IN THE MARKETS

Post Bank Rate and Pre-Budget

LAST week's reduction in Bank rate to 5 per cent helped to steady the equity market after the steep fall which had been occasioned by fears about the capital gains tax and was sharpened by Lord Ritchie's outburst. The Governor of the Bank of England, Lord Cromer, added a steadying voice this week:

> I am sure that the financial community is eager to play its full part. There need be no doubt of its readiness to support, to the best of its ability, governmental and national efforts to strengthen our international position.

The capital gains tax is only a few days away and this week it has again been a major factor in the uneasy drifting of prices in the equity market. The fall in prices has not been as sharp as it was before the reduction in Bank rate, but *The Economist* indicator lost 1.6 points to 346.3. The indicator includes "Imps" and "Bats" which, along with Gallaher, dropped sharply before the week-end, and rallied slightly this week. Though the further cut in Bank rate surprised and pleased the market, few investors are prepared to make any large commitments ahead of the budget. Apart from the capital gains tax investors do not expect the budget to be unduly restrictive; on Thursday they were cheered by the improved payments figures from the Treasury. But fears for the medium-term economic prospect remain.

Following the increase in railway fares, indeed, the gilt-edged market was just a little affected by its old inflation fears. Sterling, moreover, weakened initially after the reduction in Bank rate and this also kept the gilt-edged market quiet. The short-dated bonds were marked up in response to the sharp fall of 8s. 7.10d. per cent in the Treasury bill rate to below 4½ per cent; but later these gains were largely lost. And long-dated and undated bonds did in fact fall back a little from the level they had reached on the eve of the Bank rate announcement. The head of steam has been absent from the gilt-edged market for some weeks, partly because investors have taken notice of the counter attractions of new issues of fixed interest stocks. Dunlop's £12 million offer of a 6¾ per cent debenture at 98½ was, for instance, oversubscribed twice and dealings began at ⅞ premium; the price later improved to 1⅛ premium.

Taking Their Bow

THE convertible loan stock offered by ICI for Courtaulds ordinary stock and the 7 per cent loan stock created by Courtaulds through a capitalisation of reserves also took their official bow in the stock market this week. ICI's 6½ per cent convertible opened at 105½, touched 106 but fell back later to 104⅝. At this price, it imputed a value of 52s. for Courtaulds ordinary stock. For inexplicable reasons of their own some 800 shareholders in Courtaulds assented to the ICI bid, not for convertible loan stock, but for the share offer of four ICI for five Courtaulds. In all, about 260,000 new ordinary shares in ICI have been issued in exchange for about 325,000 shares in Courtaulds; with ICI ordinaries standing at 54s. 9d. this imputed 43s. 9d. for Courtaulds ordinaries, over 8s. less than the loan stock offer was worth. ICI had given early assenters to the bid in ordinary shares a chance to withdraw and shareholders who did not get the best price

HIRE PURCHASE

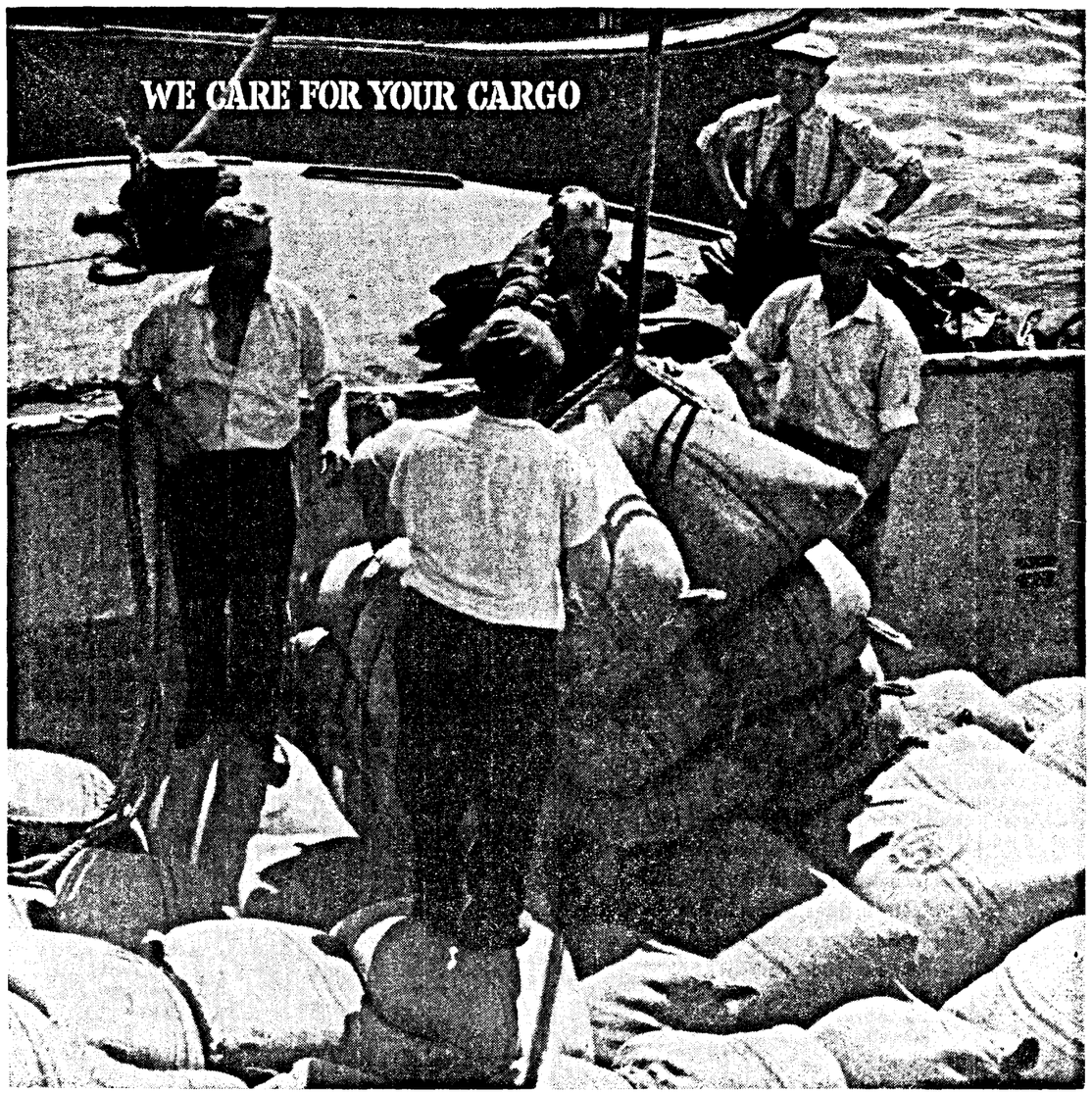
Jungle Warfare?

AFTER an odd hiatus of a fortnight, the hire purchase trade's reactions to the torpedoing by United Dominions Trust of the Finance Houses Association's 10 per cent limit on dealers' commissions have come thick and fast. A full-scale commission war is now under way, and two members of the association have resigned, giving unconvincing reasons. They are both small companies, but their departure must inevitably weaken the association's influence still further. Wagon Finance, one of the more prudent houses, has resigned in protest against UDT's action. Campbell Discount, with a new chairman sympathetic to UDT's ideas, has apparently resigned in order to be able to compete more aggressively outside the limitations of FHA rules—which no longer cover dealers' commissions but still cover terms (minimum deposit and maximum periods of repayment that are perceptively stiffer than the statutory limits). Campbell Discount, which expanded its business dramatically fast in 1959-60, has now announced a trading loss of £455,000 for 1961, and Minster Trust, the major shareholder, has made an interest-free loan of £500,000 to the group, to cover money lent by depositors and bankers.

None of the bigger companies looks like following the lead of these two; in fact, they appear to have realised that there is now more need than ever to keep the FHA intact and to stop the rot from spreading. This has not stopped them from speaking their minds about UDT. Mr R. A. Dyson, in his annual statement as chairman of British Wagon, in which the Three Banks Group has a 40 per cent interest, says that UDT's action "does nothing whatever to stimulate trade but represents merely an attempt to buy the connections of other companies, which must take counter action." Other members of the industry are saying much the same things privately, and they deplore the refusal of UDT to live up to its responsibilities. Meanwhile, Mr J. Gibson Jarvie, chairman of UDT, states in a letter to stockholders that UDT's new commission rates "must benefit" both dealers and car buyers and that they "go at least some way towards cleaning up the mess and the bad practices for which we are in no way responsible." The industry's troubles, he says, "were inspired by the determination of our competitors, or many of them, to take accounts from us," and he add that UDT was in no way responsible for the "crazy competition or for the fabulous losses." This is strong stuff, but Mr Jarvie ignores the fact that, just as UDT began the terms war in 1958 that played a major part in encouraging defaults, so it has now begun a full-scale commission war from which nobody but the motor dealer can expect to benefit.

Limit on Charges?

ALL the major companies seem to have increased their commissions in line with UDT's sliding scale of up to 20 per cent, with up to half the commission tied to experience with bad debts, but most companies are also offering their dealers the alternative of a straight increase in the flat commission of 15 per cent or more. Many of the bigger motor dealers report assiduous soliciting from all the companies and some dealers have been offered rates of commission of 22½ per cent. Commissions on this scale will cut deep into the finance companies' profit margins. The finance houses appear to have reduced their service charges by ½ per cent to 8 per cent flat on new cars; but Bank rate, to which their borrowing costs are directly tied, has fallen a full one per cent. Higher commissions to dealers must keep charges to the public higher than they need be. The industry's behaviour is capable of provoking the Government to step in with statutory limits on hire purchase charges.



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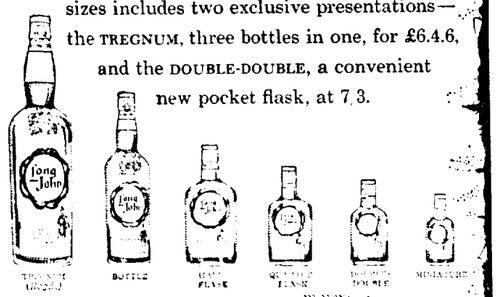
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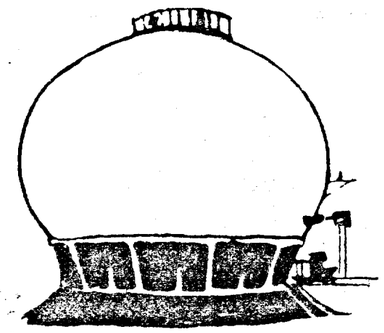
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have only themselves to blame. Over 60 per cent of the Courtaulds ordinary shareholders preferred to stand by their directors, whose promises and forecasts seemed to underpin a prospect for the shares at least as good as that claimed for ICI's bid. Among the inducements offered by Courtaulds was 10s. of 7 per cent loan stock and a tax-free distribution of 2½ per cent for the next three years on every ordinary share. Dealings in the loan stock began at 101 and the price improved later to 102; thus each Courtaulds share had about 10s. 3d. in the equivalent of cash attached to it and another 6d. actually in cash from the first of the capital distributions. Ex these distributions, Courtaulds ordinaries were quoted at 40s. 9d., so that their total worth (including the distributions to come) was 52s. 6d., slightly above their equivalent value in terms of ICI convertible loan stock.

BANK CREDIT

Advances Slow Down

THE rise in net advances by the clearing banks slowed down from £113 million in the five weeks to February 21st to £38 million in the four weeks to March 21st: this is in fact the smallest March increase for many years. Advances by the Scottish banks rose rather more sharply, by £9 million to £382 million. Although part of the deceleration from February at the clear-

LONDON CLEARING BANKS
March 21, 1962

	£ mn.	%	Changes on Month £ mn.	Year £ mn.
Gross deposits	7,411		− 11	+222
Net deposits*	6,893		− 18	+196
Liquid assets	2,415	32·6	− 50	+228
Cash	610	8·2	+ 14	+ 7
Call money	739	10·0	+ 61	+157
Treasury bills	794	10·7	−133	+ 4
Other bills and "liquid" credits	272	3·7	+ 8	+ 60
Special deposits	220	3·0	− 9	+ 77
Risk assets :—				
Gilt-edged	984	13·3	+ 1	− 90
Other market investments	112	1·5	—	− 2
Advances*	3,375	47·4	+ 38	+ 21
(to State Boards)	(65)		(− 8)	(+ 3)

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

ing banks is attributable to a turn-round by nationalised industries—for all other borrowers the rise in advances was £93 million in February and £46 million in March—it now seems to be confirmed that there has been no dramatic change in bank lending policy. The big factor in February was the heavy concentration of tax payments, which continued in minor key in March. In the two months together, advances have risen by £151 million; this is smaller than the increases at this season during the period of rapid expansion of advances in 1959 and 1960, but it is well above the increases in other years. The banks believe that industry has been forced to lean more heavily on the banks for their tax payments this year, when taxes on a year of good profits have been paid at a time of narrowing profits. So the underlying increase in advances following the sharp cutback of the second half of 1962 appears to have been modest, and the monetary authorities in their present mood find this quite acceptable. Bank liquidity at the seasonal low point for the year is comfortable without being excessive. At 32.6 per cent there are two and a half points in hand —and the authorities can release a further three from special deposits whenever they wish.

BRITISH BANKERS' ASSOCIATION
(£ million)

	3 months to Feb., 1961	3 months to Feb., 1962	12 months to Feb., 1962	Total at Feb., 1962
Personal and professional	+ 9	+ 8	− 19	672
Hire purchase	− 3	− 11	− 29	105
Retail trade	+ 7	+ 26	+ 11	381
Industry and other trade	+133	+115	+155	2,157
"Other financial"	+ 14	+ 9	+ 24	344
Other groups	− 13	+ 13	− 10	191
Change in total	+147	+159	+132	3,849

Recent increases in advances have been widely spread over the main categories of borrowers. The detailed classification of advances by all members of the British Bankers' Association shows that twenty of the twenty-six individual groups of borrowers participated in the total increase of £159 million in the three months to mid-February. Personal and professional borrowers increased their advances by £8 million, following a cut of £40 million in the previous quarter, and retail trade was up £26 million following a decline of £12 million. The banks still applied a severe curb on the hire purchase houses, whose advances were cut by another £11 million; but the "other financial" group showed a renewed expansion, by £8½ million to £344 million. In industry, by far the sharpest increase was for the chemical industry, whose advances shot up from £46½ million to £67¼ million for no very obvious reason. The big engineering group increased its advances by a further £33 million to £522 million.

ENERGY

Governments at Each End

ON April 5th, the Organisation of the Petroleum Exporting Countries begins its fourth full meeting, in Geneva, and the Council of Ministers of the European Coal and Steel Community begins an "informal" meeting on energy policy in Rome. The juxtaposition in time is fitting: these European ministers, wearing the ECSC hats in which they rule these particular discussions, are the nearest thing to an Organisation of the Petroleum Importing Countries that so far we have. And if their quest for a common energy policy in Europe is proving a long and weary one, well, OPEC has not yet found itself an effective policy either.

Its Geneva meeting, unhappily, seems likely to be bereft of the liveliest presence associated with the establishment of OPEC, Shaikh Abdullah Tariki of Saudi Arabia, who was not re-appointed oil minister when Prince Faisal returned to head the government there last month. His successor as oil minister is a distinguished Saudi lawyer, not yet presumably as immersed in and fanatically fascinated with oil affairs as Shaikh Abdullah has long been.

The change may leave Dr Perez Alfonzo of Venezuela as the main theorist of collective action through OPEC. Iraq decided to go it alone in unilateral action in a dispute that admittedly pre-dated the formation of OPEC: it has asked for fellow-members' support of its expropriation of unexplored areas of the IPC group's concession area, but nothing very positive, at present, may be required. Kuwaitis directly concerned with oil have in recent weeks shown signs of a less moderate and complaisant attitude towards the oil industry than is generally associated with their quiet, super-affluent shaikhdom. The government of Iran, however, has recently achieved apparently satisfactory settlement of various outstanding minor issues with the oil consortium operating there.

The OPEC members' attitudes towards the industry, therefore, may be mixed. They will begin the meeting armed with much advice from economic consultants in the West about prices and rates of return in the oil industry. Whether this will add fuel to or dampen any incendiary arguments remains to be seen. But it would be quite premature to assume that OPEC will not find some lively arguments and complaints with which to tax the companies: and some delegates at any rate, have been arguing that at this meeting the organisation must demonstrate that it has **now** become effective.

Brainstorm in Rome?

IN Rome, the meeting of Europeans responsible for formulating a common energy policy appears to be partly an

HMG's WALL STREET STAKE

Tucked discreetly away in a footnote to a table of the gold and currency reserves the balance of payments white paper contains this disclosure :—

Furthermore, the Exchange Equalisation Account holds a substantial volume of dollar securities which were vested in the United Kingdom Government during the war and have been retained since. At the end of December, 1961, the market value of this portfolio, which is subject to fluctuation from time to time, was between $750 million and $1,250 million.

The range is wide enough. In practice this seems to be the Treasury's roundabout way of showing that the value has recently increased: last October's white paper recalled the valuation at the time of Suez of $750–1,000 million, and stated that "this remained the position at the end of June, 1961".

attempt to sort out the tangle of different proposals now cluttering this issue; and partly, perhaps, an attempt by the ministers who form the councils of both ECSC and the common market commission to get the reins back into their own hands. It follows an inconclusive formal meeting in mid-March, when these ministers and the inter-executive group of officials from Brussels and Luxemburg did not manage to distil much co-ordinated policy out of their joint assortments of ideas, plus those of the European Assembly. After that, this less formal meeting (a "brainstorming" session?) was decided upon.

One may suspect, however, that the ministers are not anxious to have too much fresh progress initiated on energy policy by the executives before they are sure in which direction the progress will occur. The inter-executive group from all three European communities interested in energy, chaired by M. Lapie of the Luxemburg high authority, has a sizeable basket of ideas, ranging from liberal to protectionist, already. And now that France has formulated a deal on Saharan oil, it may bring up again the question of getting this preference in European markets. Recently there have also been hints that M. Robert Marjolin, of the common market commission, was preparing to make the running, with his own fresh selection of policies—presumably aimed towards cheap energy and as little protectionism as possible. Will he be ready with "a coherent policy, at once logical and realistic, self-consistent in its principles but also taking account of the economic realities that exist in the different countries" by next week?

BRANCH LINES

Many a Mickle?

SIR RONALD GARRETT, chairman of the Central Transport Consultative Committee, suggested this week that too much stress is being laid on the closure of railway lines as a means of ending losses. The committee's latest report shows that £724,000 was saved in 1961 by closing 36 branch lines with a route mileage of 566 miles; since 1950 the aggregate saving has amounted to £4,311,000 a year. Dr Beeching has a nation of branch line lovers to contend with—meandering through the country behind an elderly steam engine remains for many railway enthusiasts the only truly pleasurable means of travel—and many country dwellers prefer the chance to use rail rather than bus travel. There may be some justification for the committee's doubts whether the financial benefit from small closures is commensurate with the loss of goodwill that they cause. Last year shutting 18 lines saved an average of £5,000 each, while the other 18 closures saved £35,000 each. But the sort of closures that the railways need—as Dr Beeching well knows—are massive.

HUNTERSTON

A Plague on Both Your Houses?

THE lid has been lifted off a bubbling cauldron of trouble that has been boiling up for some years on the banks of the Clyde. Six years ago, the South of Scotland Electricity Board picked an idyllic cove for its first 300 megawatt nuclear power station. It also picked an exceptionally good design. Now, SSEB reports that work is three years behind schedule, and there are rumours that the estimated cost has risen from the expected £37 million to a figure nearer £60 million. The board complains bitterly in its annual report that "the protracted delay in the completion of Hunterston is involving the board in serious financial loss." Total expenditure by the board is put at more than £40 million to date, roughly £30 million of which appears from the accounts to have been paid to the General Electric Company, which was the original contractor for Hunterston but whose atomic energy division has now been merged with that of Atomic Power Constructions to form United Power Company.

It is no secret, however, that GEC, for its own part, feels badly treated by the SSEB and has invoked government help to get its differences—and its bills—settled. The construction of Hunterston is a long and sorry story of strikes and mis-management, but by no means all of this can be laid at GEC's door. Scottish consumers who may face an increase in electricity charges might well ask the SSEB what it was doing at Hunterston during the past six years to allow such affairs to get so far out of hand.

CHECKING INFLATION

The Swiss Way

A Zurich Correspondent cables:

A FEW days ago the Swiss National Bank came to a new agreement with Swiss commercial banks to establish a borrowing limit. Details of the limit have not been published, though there are reports that "the rate of growth in borrowing, in comparison to the previous year," is being reduced to 15 per cent. Within the guiding principles of this agreement the banks will be selective as between borrowers. Since March, 1961, there has been a gentlemen's agreement between the National Bank and the commercial banks to sterilise a substantial amount of liquidity (the National Bank has no power to set minimum reserve ratios) and to regulate the banks' acceptance of foreign deposits. This agreement has been extended and is still in force. The National Bank has generally appealed to the commercial banks to exercise restraint in lending. It is not ready to increase the Bank rate because it does not want to hamper capital exports.

Besides these measures, the private sector of Swiss business is trying to help public efforts to overcome the exaggeration of the Swiss boom. (The Minister of Economics stated recently in the Parliament that the Government is prepared to cut down public investment and capital expenditure, fortify the budget surplus and support capital exports.) Several business associations, representing a large part of the private sector, have now recommended their members to introduce an "expansion pause." They have appealed to the entrepreneurs to re-examine their investment plans. Some sectors of the economy have also committed themselves not to raise prices—for instance the suppliers of building materials, chemicals, paper and rayon. Others, such as the metal and machinery industries, have agreed not to expand their labour force till the end of this year, and moreover not to employ people who have changed their jobs more than three times during the last two years. (Perhaps Swiss industry is stable and localised enough to find it safe to discourage labour mobility.) Employers' associations and the central organisation of Swiss trade unions have made similar declarations of readiness to help counter inflation. The Government and the National Bank hope that their limited counter-cyclical operation, together with voluntary self-restraint in the private sector, will be sufficient to do the trick.

AERO-ENGINES

Rolls-Royce's Exports

WITH understandable pride, Rolls-Royce announced this week that its exports last year amounted to £55 million. This is not a particularly striking increase, only £1½ million on the previous year, but it makes Rolls-Royce responsible for more than a third of aircraft exports; the company's performance is considerably better than that of several other engineering industries and its export sales are equivalent to a fifth of those of the entire motor industry. Recently, Rolls-Royce has drawn nearly half its income from foreign sales. Most of the credit must go to the Dart engine in the several hundred Viscounts and Fokker Friendships used by foreign airlines, followed by the Avon engines used in Sud Aviation's Caravelle. An aero-engine consumes roughly a third of its original purchase price in spare parts each year, and an elaborate engine, such as the Tyne in service in Canada, can cost about £60,000 each. The aircraft they power may have a working life of ten to twenty years. Significantly, the industry's combined exports of new aero-engines amounted to only £33 million last year.

The dilemma facing Rolls-Royce is typical of that confronting the aircraft in-

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dustry ; its short-term order books are comfortably full but work for the longer-term future is lacking. Great efforts have been made to reduce dependence on UK aircraft manufacturers by selling engines for foreign-built aircraft, with some success. Apart from Fokker and Sud, both Boeing and Douglas offer Rolls-Royce powered versions of their big jets, though these have not sold in any great number. Canadair's huge Canadian-built freighter and some military aircraft in Europe also use Rolls-Royce engines. But in the two most rapidly developing fields, supersonic flight and vertical take-off, competition from Bristol-Siddeley has hit Rolls-Royce hard and where it most hurts.

LEAD AND ZINC

Time for Second Thoughts?

As a result of last week's meeting in Geneva, lead and zinc markets can rest until May 28th secure in the knowledge that an apparently formidable majority of producers desire international control of their production. Lowly lead has recovered more than 30s. to £61¼ a ton since the end of the meeting and zinc, which only by a long stretch of the imagination is likely to be directly affected by the next round of the international study group's deliberations, has similarly strengthened to £70¼ a ton. The discordant note in this seemingly more hopeful situation is the identity of the 30 per cent minority who could not find it in their hearts to make even a token contribution towards curtailing supplies this year. Australia and Britain offered nothing, though in the past Australia has been among the first to co-operate in schemes to reduce surpluses.

Australia was not impressed by some offers to curtail smelter output. Previously, control had been exercised through mine production, and Australia doubted whether restrictions on smelter output would be fair or more effective. Australian producers also fear that their voluntary restraint since 1959

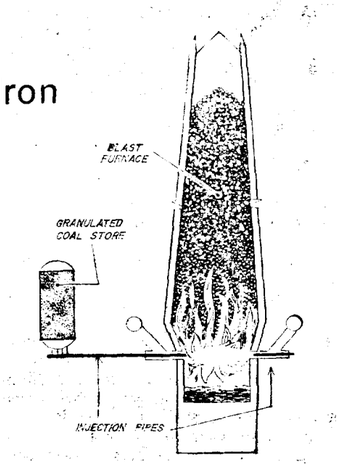
FUEL INJECTION

Less Coke, More Iron

Iron is scarcely short just now, and ways of making more from existing blast furnaces have a rather academic interest. But once the steel industry begins to climb out of its present recession, one can expect greater application of methods of injecting oil, gas or granulated coal into the base of a blast furnace to replace part of the coke charge, and so to allow a bigger iron ore charge and greater iron output. Fuel injection allows more iron to be made without building more blast furnaces, one of the more expensive single lumps of equipment that a steel works needs to expand its output, and promotes more flexible output. More established means of increasing the output of blast furnaces are to use sintered or pelletised ore, which also increase the proportion of iron to the total charge of the furnace.

Oil and natural gas are being used on a big scale in American blast furnaces and oil is being used commercially in France, but there are only half a dozen more or less experimental oil installations in use in Britain. One experimental coal injection installation exists in America and another in France; the first in Britain, financed by the National Coal Board, comes on test this summer.

The principle of fuel injection is simple, and so is the equipment. To smelt the iron from the ore needs heat; in the blast furnace this is provided by coke mixed with the ore and loaded from the top. Hot air is blown in at the bottom to provide the draught, and as the iron is melted it settles at the bottom with slag above. If fuel is added with the blast, more heat will be generated in the furnace; so the amount of coke used can be reduced and more ore can be put into the furnace. The replacement of coke by injected fuel is governed by the cooling effect of adding



cold fuel—which has to be offset by raising the temperature of the blast, which can only be done to a limited degree. The highest proportion yet reported is replacing a third of the coke by injected fuel but more should be possible if oxygen is added. The amount of fuel injected equals the heat value of the coke replaced.

It makes basically little difference whether oil, coal or gas is used. The fuel is injected through a lance that runs into the furnace through the blast pipes, as shown in the drawing. Granulated coal can be handled much as a liquid or gas and pumped around by compressed air through small-diameter pipes; it costs something to prepare, needs a supply of compressed air, and causes rapid wear on pipes where they bend. Oil and gas need little more than storage tanks, a pump and a meter and can be arranged for £5,000 or so.

For a commercial installation a more typical cost would be from £10,000 to £20,000. Using coal would cost a good deal more. To produce enough granulated coal for one blast furnace needs a plant costing around £100,000, which the Coal Board would pay, and the installations at the furnace as much again—though it might be reduced to about £70,000 if ordered on a big scale. Though the lower capital outlay obviously favours oil, £100,000 for coal is not something to frighten the steel industry. Operating costs will depend on fuel prices ; coal may have a slight advantage over oil, and near coalfields this might be enough to offset the higher capital charges. But coastal steelworks might find little difference, in which case the cheapness and simplicity of the equipment needed for oil could tip the balance in its favour.

It is possible therefore that the Coal Board will find that the demand for coking coal does not rise proportionately when the demand for steel begins to recover; even if coal is used for injection, the board will be selling two tons of granulated for every three tons of coking coal replaced. But the lower cost of the injected coal should give the Coal Board some benefit. British experience suggests that oil saves about 5s. a ton of iron, and this might be increased if a higher proportion of the coke is replaced by oil. But saving depends on there being no increase in the cost of coke; and under present conditions when no increase in output is wanted, replacing coke by oil means running the coke ovens below capacity—which could put up the cost of coke more than the saving promised by oil.

Blast furnaces look like being another field where coal and oil battle for the consumer's favour. The steel industry is willing to accept whatever small mercies in the way of experimental work the Coal Board may like to bestow upon it, though needing some persuading that any price offered will be maintained. And the oil companies got in first, and proved that oil could save money before coal had been tried. The ironmaker will decide solely on cost per therm; it is heat that he buys and the cheapest fuel will win.

will go unrecognised. Consumption of lead is not rising very fast, and Australia might never be given the opportunity to reach what it regards as its proper potential. While voluntary curbs have been observed, the American industry has added subsidies for small producers to existing protection through tariff and quota and because of the industry's decline, demand for more protection is mounting.

Higher prices would considerably weaken the case for protection. But though it is now threatened by American and European import hurdles, it might be difficult to persuade Australia and countries like Canada who find themselves in a similar position that restraint pays, though the danger of trying the patience of the two large trade blocks too far is obvious. Australia will now be under considerable pressure to think again before the study group reassembles. The study group forecast that the prospective surplus in lead this year was smaller than in 1961, but that the zinc surplus was likely to grow. The massive surplus of lead and zinc (about half a year's supply for the free world) now revealed as surplus to American stockpiling requirements holds no terrors for the market. A few noughts added to the size of the surplus would not have increased its impact. Because of its enormous size, the present state of the industry and the strength of the winning lobby in the United States, at the moment disposals seem unthinkable.

CHEMICALS

Salted Away

NEWS that an American company may build a plant to extract potassium chloride from the salt beds under the North Yorkshire Moors National Park must have re-opened the wounds of an old disappointment in ICI and Fisons. In 1955 it was announced that, after seven years of work and spending more than £500,000 these two companies had decided not to go on with the development of the deposits.

The presence of these deposits had been suspected since 1938 when the D'Arcy Exploration Company, a subsidiary of BP, found in the course of an oil-prospecting programme potash-bearing brine and sylvinite (a mixture of potassium chloride and salt) in a boring near Whitby. Information from the bores was passed to ICI which was keenly interested in potash, used in fertilisers and explosives, and in salt, one of its most important raw materials. In 1948 ICI's first test borehole was sunk and Fisons, which also uses large quantities of potash to make fertilisers, associated itself with the exploration.

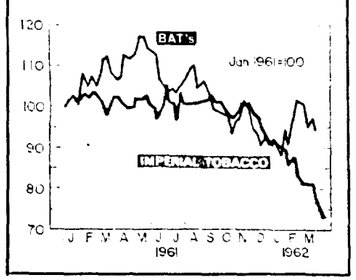
Tests established the existence of two beds of sylvinite at depths from 3,500 to 4,500 feet. The existence of about 350 million tons of potassium chloride was shown to be likely: this would yield, at an assumed extraction efficiency of 30 per cent, about 100 million tons. Much encouraged, ICI converted one of its boreholes into a brinewell, hoping to extract the potash in the same way as it takes salt from the salt beds of Cheshire, by pumping down water and pumping up brine. Unfortunately, the experiment showed conclusively that the potash could not economically be won that way.

The Cheshire salt beds are one thousand feet below the surface and are nearly pure sodium chloride. The deposits at Whitby are much deeper and contain mixtures of salts, mostly potassium and sodium chlorides, in varying proportions. No means could be found of producing a solution that contained a sufficient concentration of potassium salt to be worth processing. Added to this were the difficulties of working in a deep borehole and of processing a solution whose composition varied continuously. ICI and Fisons also examined the possibility of winning the potash by some deep mining process, but decided that such exploitation could only be carried out by a firm with appropriate experience.

Brine extraction processes are used to get potash in Israel, by the Dead Sea, and in Utah. But these could not be applied to the Yorkshire deposits because they operate under quite different circumstances: for one thing, they depend on the sun to provide energy for evaporation. The first hint that the deposits might be winkled out successfully came last year when Armour Agricultural Chemicals of America announced that it was going to work deep salt deposits at Saskatchewan for potash with a new brining method that it had developed. Trials have been carried out for some months but results have not yet been announced. If Amour is going to use its new process in North Yorkshire, it is fair to assume that ICI and Fisons will be associated with it in some way. Potash importers must be waiting for further announcements with apprehension.

TOBACCO SHARES

Prices of tobacco shares fell sharply last Friday after Lord Hailsham's anti-smoking speech. Shares were already well below their 1961 peaks before the publication on March 7th of the report on smoking by the Royal College of Physicians. The fall has been less sharp for British American Tobacco which operates only overseas, while this week Imperial Tobacco shares have staged a recovery on buying by investors attracted by the present 9 per cent yield.



DIVIDEND RESTRAINT

Prudential Reserve

SIR EDWARD BOYLE declared this week that dividends paid since the little budget have risen by less than 5 per cent, compared with 12½ per cent before the Chancellor asked for restraint. The profit analysis made in this office suggests that the Financial Secretary's 5 per cent must represent the utmost limit of any increase that has occurred. Very few companies have announced bigger payments, and only where they have earned exceptionally good profits or because they have felt morally obliged to make good earlier forecasts. One of the biggest increases came from Shell, but this company in partnership with Royal Dutch has always to look beyond national policies towards an international horizon.

The fall in profits has been so steep for some companies—and such important ones as P & O, Hoover and English Electric are among them—that they have been forced to cut their dividends. The great majority of companies have simply left their dividends unchanged; often making a virtue out of necessity, since neither profits nor cash flows justified increases. A handful have admitted that the dividend would have been higher but for the Chancellor's request, though they have not indicated how much higher.

The Prudential Assurance has been an exception. In leaving the tax free dividends unchanged at 8s. 4d. per "A" share and 1s. 10d. per "B," the directors have transferred £286,458 to a dividend reserve. They say that they have had regard to the Chancellor's request, "but for which the amount transferred to the dividend reserve fund would have been distributed as a further dividend of 11d. per 'A' share and there would have been a small increase in the dividend on the 'B' share." But the "Pru" is a special case, for its articles of association bind the allocation of profits to shareholders to the allocation of profits to policyholders. As the surplus on the ordinary and industrial branches clearly justified and permitted an increase in bonuses to policyholders, some balancing provision had to be made for shareholders and the articles specifically permit this to be done by way of a transfer to a dividend reserve. But an allocation to a dividend reserve might have been a useful device for some directors of industrial companies to employ if they had wanted to show how much more they would have paid but for the Chancellor. It ought to be carefully considered by all companies if the Chancellor goes on asking for restraint.

WOOL

Out of the Rut

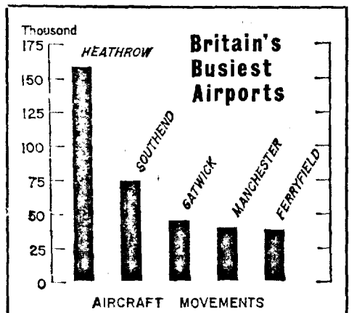
THE three-man committee investigating Australia's method of wool marketing worked hard and long through a testing

year for the industry. It digested a torrent of words and travelled thousands of miles and its recent report, recommending no significant changes, comes fortunately at a time when the price of better quality wool has climbed to its highest point for the season. Prices have now recovered to the level of two years ago. As a result, Australian woolgrowers stand to earn £24 million more this season, which will considerably soften the blow to smaller woolgrowers of the rejection of their demand for reserve prices at auctions, though they have given the report a hostile reception. It should also sweeten their attitude to increased levies for wool promotion.

Consumption of wool last year rose by about 6 per cent. By the end of 1961, trade stocks were drawn down to the lowest level for several years. The sharp rise in wool imports into Britain in January, which helped to swell total imports in that month to a rather unnerving level, was reflected in a recovery of 14 million lb to 201 million lb in stocks held here in that month. Without the help of any reduction in the United States' import duty of 25½ cents a lb on raw wool, American consumption rose by 8 per cent last year, while other fibres is said to have suffered a fall of 30 per cent. Though last year was not typical, there are signs that wool is recovering a little of its lost popularity even before the full blast of wool's projected counter propaganda against its competitors is felt.

Australia will continue to press for a reduction in the American tariff on wool, but in the recent round of tariff cuts negotiated at Geneva, wool textiles were a notable exception. Following the substitution of a crippling import duty of 38 per cent for the existing tariff quota on wool fabrics at the end of 1960, the United States has just met claims for compensation by making concessions in non-related fields quite separately from some very small concessions made on wool textiles in the Dillon round of tariff cuts.

Though the United States' market has not been allowed to find its natural level, consumption of wool outside the main wool using countries is expanding fairly rapidly. Purchases by communist countries have recently supported wool prices when slack trade in the main wool textile centres, particularly Bradford, has reduced demand at auctions. Because of the low level of stocks and reasonably good rate of consumption, prices should be firm up to the end of the current season, though there is the danger that Japan, now running an extremely large balance of payments deficit, might slip into the background at auctions allowing prices to sag. The Australian marketing committee agrees that sudden and costly reverses of this kind could be avoided. But it would require an £80 million fund to cushion sudden price falls, and £120 million would be needed to hold prices close to the average level expected over a longer period. The committee therefore recommended less ambitious, but probably more beneficial, changes such as the setting up of a commission to co-ordinate and improve marketing mainly in technical details.



The second busiest airport in Britain last year, in terms of **aircraft**, was municipally-owned Southend; how a small airport like this handles so much traffic remains a mystery. Second place in terms of **passengers** goes to another municipal airport, Manchester, with nearly one million passengers to Heathrow's 6 million. Jersey beat Gatwick to third place by a short head. Silver City's car ferry base at Ferryfield not surprisingly handles 35 per cent of the country's air **freight**, 122,000 tons to Heathrow's 100,000 tons. Southend, with an appreciable car ferry business too, comes third with 53,000 tons.

TELEVISION ADVERTISING

Time, Occasion, Chance

READING this column on a weekday evening in the London region probably takes up about £2,000-worth of time—by current television advertising standards. Readers in Inverness, however, will be glad to know that, during the same "peak" time of day, eight solid pages of *The Economist* reading can be done for the same price in time. Advertisers, however, are interested not simply in the price of different times of day, but in the "rate per thousand" homes as revealed by the latest viewing figures. They are fond of pointing out that, on this basis, the London region rates are not only the highest in real terms, but are also disproportionately high in terms of the audience reached. Associated Rediffusion, the London weekday company, has used in its defence the higher average spending habits of Londoners, and it is about to publish a detailed psychological survey of the region that is likely to be as interesting to salesmen as to sociologists. But at the moment, and for a long time to come, the only tangible basis of comparing the value of advertising in different regions is the record of actual viewing, imperfect as this may be.

Judged by February figures, the discrepancies are considerable. Granada, which charges, at full rates, £1,000 for 30 seconds of peak time, estimated that on average this rate, plus tax, was equal to a cost of 14s. a thousand homes. In London, a half-minute of weekday peak time is charged at £1,145, only 14.5 per cent dearer than Granada, but until recently this worked out at £1 per thousand, nearly 50 per cent above Granada's charge. But so-called peak time is in fact a series of steep peaks and valleys, so that strategically placed advertisers, the actors' strike notwithstanding, may actually be getting a better run for their money in spite of higher average costs.

Responding to pressure, Associated Rediffusion has now lopped off the last half hour from its highest-priced period, which, it hopes, may bring the average cost down to 17s., which is roughly equivalent to Midland weekday values. Rebates for falling below the expected audience are now common among most contractors (though the ITA has said that giving free time is contrary to the Act).

The big advertisers are in a mood to fight for further concessions for it is only now, with the ending of earlier "rate protected" contracts, that they are feeling the effects of the 1960 rise of 20 per cent in time charges, in addition to which they are carrying in full the 11 per cent tax passed on by contractors. They know, moreover, that even the big television companies are no longer sure of a sellers market: most time can now be obtained at quite short notice, where only a short time ago it might have been necessary to book six months or even nine months ahead.

SHORTER NOTES

The Government is "not at present convinced" of the long-term need for a Post Office giro system, the Postmaster-General told a questioner in the House of Commons on Tuesday. Mr Bevins said that this "does not rule out the possibility" of a British giro system eventually. But "many developments are taking place over a very wide field," and the government, noting that "at least two or three" of the continental systems operate at a loss, is holding its hand.

★

Dissatisfied investors exploded about ten squibs in the Milan Stock Exchange on Tuesday, but business went on as usual and prices closed around the day's lows.

★

Trading profits of the Savoy Hotel fell in 1961 from £1,021,000 to £919,000 but the ordinary dividend was maintained at 21 per cent.

COMPANY AFFAIRS
Comments on pages 1289, 1290 and 1291 on:

P & O	BICC
Lesney Products	Delta Metal
British United Shoe	Associated Fisheries
George Wimpey	Lewis's Investment Trust
Anglo American	Union Corporation
Debenhams	General Refractories
Bradford Dyers	Harveys of Bristol

STOCK PRICES AND YIELDS
Stock prices, yields and security indices on pages 1292 and 1293

MONEY AND EXCHANGES
Money market report, exchange rates and public finance on page 1294

COMPANY MEETINGS

THE STATE BANK OF INDIA

RECORD INCREASE IN ADVANCES

GROWTH OF FOREIGN EXCHANGE BUSINESS

MR P. C. BHATTACHARYYA'S SPEECH

The Seventh Annual General Meeting of the State Bank of India was held in Bombay on February 27th, 1962. **Mr P. C. Bhattacharyya,** the Chairman of the Bank, presided. The State Bank has produced very good results for 1961 both in its traditional business as well as its developmental activities. The following are a few salient features of the Bank's Report for 1961 and important points made in the Chairman's Speech:

ADVANCES

During the busy season of 1960-61 (November, 1960-April, 1961) the State Bank's advances (including bills) increased by a record amount of Rs.660.0 million to a peak of Rs.2,769.7 million and they fell by Rs.379.4 million during the following slack season. The average level of advances in 1961 was higher by about Rs.500 million than during the previous year.

The expansion of the advance portfolio during the current busy season is well under way and the Bank's credit now stands at Rs.2,723.5 million. Advances to industry form about 71 per cent. The private sector accounts for 92 per cent of the Bank's total advances.

DEPOSITS

The Bank's aggregate deposit liabilities stood at Rs.5,116.6 million in December, 1961, against Rs.5,574.2 million in December, 1960. The decline in deposits was entirely due to the transfer of a part of U.S.P.L.480 funds to the Reserve Bank of India. Exclusive of P.L.480 funds, the Bank's deposits increased by Rs.378.1 million in 1961, and now stand at Rs.3,610.6 million. The increase in deposits had to be fully utilised for financing trade and industry. Investments in Government securities could not therefore be augmented. This was also true of the other banks in the country. While banks have to meet the increased demand for credit, they have also to spare a reasonable proportion of their resources for Government securities and thus assist the successful implementation of the Third Plan. It is therefore necessary that they must try to maximise their deposits.

With a view to attracting more deposits, the State Bank raised its interest rates on fixed and savings deposits early in 1961. This showed some good results; the Bank's savings deposits increased at a much faster rate in 1961 than in previous years. There is, however, a limit to which interest rates can be advantageously raised. Other measures such as better customer service and wider coverage of depositors should also be tried for increasing deposits. One such measure implemented by the State Bank from the beginning of 1962 is a special credit transfer system intended to cater to certain personal needs of its customers in the lower and middle income groups. In addition to the branches opened under the Expansion Programme, the Bank has also been increasing the number of its Sub-urban Branches, so as to increase the number of its customers and serve them in a personal way.

FOREIGN EXCHANGE BUSINESS

The volume of foreign exchange business handled by the Bank recorded an increase during the year. The rupee accounts maintained with the Bank by foreign correspondents rose to 144 and the Bank opened during 1961 six more foreign currency accounts. In addition to financing private sector transactions, the Bank continued to provide financial facilities for the barter deals and other special arrangements entered into by the Government and the State Trading Corporation.

The sales of the Bank's Rupee Travellers' Cheques increased from Rs.8.4 million to Rs.9.5 million in 1961. The Bank's Chairman and Managing Director accompanied by the Manager and Assistant Manager of Foreign Department visited several foreign countries for strengthening the Bank's good relations with its foreign correspondents.

BRANCH EXPANSION

After fulfilling the statutory obligation to open 400 new branches within five years after its establishment on July 1, 1955, the Bank has decided that it and its subsidiaries should open 300 new branches during July, 1960-June, 1965. The State Bank will open about 145 more branches and the subsidiaries about 155. The State Bank has already opened 25 new branches up to the end of 1961 and its subsidiaries have opened 67 branches.

At the end of 1961, the State Bank had 954 branches and offices, comprising four Local Head Offices, the office in London, five offices in Pakistan, one each in Burma and Ceylon and 671 branches and 271 sub-offices in India. During current year 13 more offices have been opened bringing the total now to 967 offices. These 967 offices together with the 490 branches and offices of the subsidiaries have been meeting all the banking requirements of a large section of the country's population.

FINANCE TO SMALL SCALE INDUSTRIES

The number of small industrial units assisted by the Bank, the credit limits sanctioned and the outstandings rose from 2,451, Rs.78.2 million and Rs.36.6 million in 1960 to 2,811, Rs.101.3 million and Rs.50.7 million in 1961. Similarly the number of units assisted by the Bank's subsidiaries, the credit limits sanctioned and the outstandings also rose over the year from 384, Rs.26.7 million and Rs.11.4 million to 463, Rs.34.0 million and Rs.14.6 million in 1961.

The bulk (83 per cent) of the limits sanctioned by the State Bank at "Intensive Centres" was less than Rs.50,000/- each, indicating that the Bank is really assisting small scale units

RURAL CREDIT

The various facilities granted by the Bank to co-operatives on specially favourable terms recorded an increase during the year. Between September 30, 1960, and September 30, 1961, the total number of advances granted by the Bank to co-operatives, the limits sanctioned and the outstandings increased from 527, Rs.228.0 million and Rs.55.0 million to 550, Rs.246.0 million and Rs.66.0 million respectively. There was also a marked increase in the advances granted against warehouse receipts.

The credit limits sanctioned against such receipts rose over the year from Rs.21.6 million to Rs.44.6 million in the case of the State Bank and from Rs.7.9 million to Rs.27.3 million in the case of its subsidiaries.

PROFITS AND THEIR APPROPRIATION

The Bank earned a net profit of Rs.27.1 million during the year, as compared to Rs.21.8 million in 1960. Earnings from interest and discount declined slightly from Rs.148.7 million to Rs.141.2 million which was due to the decline in the Bank's investments. Earnings from commission, exchange and brokerage increased substantially from Rs.42.9 million to Rs.54.0 million. On the expenditure side, interest paid on deposits, borrowings, etc., decreased from Rs.80.5 million in 1960 to Rs.68.9 million in 1961 due to the transfer of U.S.P.L.480 funds. Establishment expenses including salaries, allowances and provident fund increased from Rs.73.2 million to Rs.79.8 million.

The Directors have set aside Rs.12.9 million for dividends at the rate of Rs.23 per share as against Rs.22.75 per share in 1960. Reserve Fund absorbs Rs.7.5 million as compared to Rs.2.5 million in 1960. Amounts transferred to Pension Funds, Staff Welfare Fund, and Bonus to staff have all been suitably raised. The Bank's subsidiaries have also showed further progress in 1961.

STATE BANK OF INDIA

(Condensed) BALANCE SHEET AS AT 31st DECEMBER, 1961

(Rs. Million)

31/12/60	CAPITAL AND LIABILITIES	31/12/61	31/12/60	PROPERTY AND ASSETS	31/12/61
	Capital—Issued, Subscribed and Paid-up		679·3	Cash and Balances	676·5
56·3		56·3	17·3	Money at Call	16·7
74·5	Reserve Fund and other Reserves	82·0	2,997·1	Investments	2,298·9
5,763·2	Deposits	5,313·3	2,322·4	Advances	2,553·1
99·6	Borrowings	20·5	19·4	Bills Receivable	22·7
82·3	Bills payable	85·7		Constituents' liabilities for acceptances, endorsements and other obligations	
19·4	Bills for collection	22·7			9·2
88·8	Other Liabilities	126·3	15·6	Premises, furniture, etc.	33·6
	Acceptances, endorsements and other obligations	9·2	30·5	Other Assets	110·3
15·6	Profit and Loss	5·0	123·7		
6,205·3	Total	5,721·0	6,205·3	Total	5,721·0

(Condensed) PROFIT AND LOSS ACCOUNT FOR THE YEAR 1961

(Rs. Million)

1960	EXPENDITURE	1961	1960	INCOME	1961
80·5	Interest Paid	68·9	148·7	Interest and Discount	141·2
73·2	Salaries and Allowances	79·8		Commission, Exchange and Brokerage	
19·9	Other Expenditure	21·7	42·9		54·0
21·7	Balance of Profit	27·1	0·4	Rent	0·5
			3·3	Other Receipts	1·8
195·3	Total	197·5	195·3	Total	197·5

Chairman: P. C. BHATTACHARYYA
Vice-Chairman: D. G. KARVE

Managing Directors: B. MUKERJI, I.C.S.
N. A. KRISHNAN

THE SCOTTISH PROVIDENT INSTITUTION

ANOTHER RECORD YEAR

REVIEW BY THE CHAIRMAN, LORD CLYDESMUIR, MBE, TD, DL

In moving the adoption of the Report and Accounts at the 124th Annual Meeting held in Edinburgh on March 27, 1962, **Lord Clydesmuir** referred with pride to the fact that new sums assured had established a high record in each of the previous thirteen years and in 1961 amounted to over £20 millions. The total premium income, £5,610,178, showed an increase in the year of over 11 per cent and annuity purchase prices exceeded £2½ millions. The rate of interest earned on the funds, including the General Reserve Fund, was £7 0s. 7d. per cent before deduction of income tax—the highest rate ever obtained in the Institution's long history. The net rate of interest had also risen and in 1961 was £5 13s. 3d. per cent but Lord Clydesmuir pointed out the unsatisfactory nature of this figure as a means of comparing different life offices inasmuch as it was affected by various extraneous factors, and would, for example, be increased by a rise in the expenses of management, because such expenses qualify for tax relief.

FUNDS OVER £63½ MILLIONS

During 1961 the Funds had increased by nearly £6 millions and at the end of the year amounted to over £63½ millions. There had been added to the holdings of Stock Exchange securities £2 millions in fixed interest stocks and £1¼ millions in ordinary stocks, half of the latter figure having arisen from "rights" issues on favourable terms. House mortgage loans showed a net increase of nearly £1½ millions and although it was being found necessary to restrict the amount invested in this way Lord Clydesmuir was sure that by helping policyholders to buy a house to live in, while paying for it out of earnings, the Institution was helping to build up the backbone of a modern democracy.

INTERMEDIATE BONUSES

After mentioning the part it was playing, in association with other insurance companies, in offering to lend funds to help British exports subject to the guarantee of the Export Credits Guarantee Department, Lord Clydesmuir emphasised the continued prosperity of the Institution. As a mutual association, the Institution in a very real sense was the members themselves, and the with-profit policyholders had shared in its prosperity by receiving an increase in the rate of intermediate bonus for the second time in the current quinquennium. The rate of intermediate bonus for policies in the immediate bonus class was now 53s. 6d. per cent per annum, calculated on the sum assured and all declared bonus, with a further addition of 10 per cent of the declared bonus.

The Report and Accounts were adopted.

GENERAL REFRACTORIES LTD.

"NEW MARKETS FOR EXISTING PRODUCTS AND NEW PRODUCTS FOR EXISTING MARKETS"

MR. R. A. KIRKBY, J.P., F.I.Ceram, in his Chairman's Statement to shareholders with the Report and Accounts for 1961

The following are extracts from the Statement:—

ECONOMIC PRESSURE. In the early months sales and profits continued at the buoyant 1960 level. Then the U.K. steel industry, our largest single market, began to move from a state of boom to recession, and wages and the costs of all services were rising. Many profit margins were significantly reduced.

STOCKHOLDINGS. When demand falls, first the users of steel, and then the steelmakers, naturally adjust their financial position by reducing raw material stocks, and the ultimate effect on the manufacturer of refractories can be most severe.

BELGIAN SUBSIDIARY. It is hoped to bring the first stage of a development plan into operation during 1962. The necessary funds are being sought in Belgium and we expect negotiations to be concluded shortly.

TECHNICAL RESEARCH. Our research programme continued to anticipate and meet the new conditions created by revolutionary changes in user industries. Increased funds are to be allocated for research to strengthen and expand our activities in the whole field of industrial refractories application.

FOUNDRY SANDS. We acquired the business of Arthur Smith S & B Foundry Sands Ltd., and additionally carried out plant modifications at three of our quarries to meet the demand for silica sand of exceptional purity and grading.

OVERSEAS. Despatches overseas were again a record in the face of severe foreign competition.

FINANCIAL. Available net profit was £529,609, which compares with £602,427 for 1960. The dividend is maintained at the same rate as for the previous year, absorbing £229,687.

CHAIRMANSHIP. After thirty-three years service with the company, I intend to retire as Chairman but my colleagues have asked me to remain on the Board. I shall be succeeded by Sir George Briggs who has been a director for five years.

GENEFAX HOUSE • SHEFFIELD 10

EASTBOURNE MUTUAL BUILDING SOCIETY

MR LAURENCE A. CAFFYN'S SPEECH

Presiding at the eighty-fifth Annual General Meeting of the Society held on March 28th at Eastbourne, **Mr Laurence A. Caffyn,** the chairman, in the course of his speech, said:

The total assets have increased from just over £8¼ million to just under £9 million. This is a very satisfactory increase, particularly when the reserve ratio has also increased. Advances during the year amounted to £1,405,631. This is the highest figure for the last ten years.

During the year we continued to grant loans under the terms of the House Purchase and Housing Act 1959 and an amount of £139,000 was advanced to the Society by the Treasury in respect of these loans. This amount was less than the figure for 1960, but in that year the Society had some funds on which it could call left over from 1959. This Act has now ceased to operate, partly due to the credit squeeze and partly due to the fact that societies had drawn the whole of the original amount set aside by the Treasury for this purpose. It is sad that this should be so. The money was designed in the first place primarily for pre-1919 houses. A large proportion of these houses are still of good construction and the object of the Act was to enable these houses to be purchased and modernised. Many of these modernised houses have a long life yet, and the result of the Act was, in a small measure, to raise the standard of housing throughout the country. However, it is no longer with us and we can only hope that when the credit squeeze is finally concluded the whole matter will again be reconsidered.

The report was adopted.

NORCROS

LIMITED

Year of consolidation and hard-won progress

Export incentives urged

MR. JOHN V. SHEFFIELD, the Chairman, reviewing NORCROS Group's year ended 30th November, 1961, looked forward to better results this year.

Considering that conditions throughout industry were difficult during much of 1961 the level of trading was generally satisfactory and results would have been excellent had it not been that two companies suffered a severe temporary setback. One of these, Jensen Motors, is now picking up and the other, Weseros, is also expected to do better.

Financial

Capital expenditure by the subsidiaries amounted to £1,630,000. Of this about 20% was for normal improvements and capital replacements, and the remainder for extensions of which the greater part of the benefits has not yet been reflected in the profitability of the companies concerned. In addition £430,000 was paid for acquisitions. The allocation for depreciation has been increased from £397,697 to £803,276.

A one-for-three Ordinary bonus issue was made in April, 1961. The issued capital of the company at 30th November consisted of 2,038,327 Preference Shares of £1 and 14,822,288 Ordinary Shares of 5 - each. A rights issue of £2,500,000 6¼% Convertible Loan Stock 1977/82 at £98 per cent was made in February, 1962, to fund bank indebtedness brought about by acquisitions and capital expenditure.

Profits and Dividend

Group profit after tax was nearly the same as in 1960.

FROM THE ACCOUNTS

Year ended 30th Nov	1961 £	1960 £
Profit before tax	1,886,112	1,891,754
Profit after tax	943,892	943,697
Minority interests	45,353	6,413
Dividends	541,061	475,392
Retained	357,478	461,892
Net Assets	7,886,321	7,164,975

A final dividend of 11⅓% was recommended, making 20% (19⅔% equiv.) for the year.

Acquisitions

During the period to Nov. 30th acquisitions were: 51% interest in Bulk Carriers Ltd. (Feb.); Lowton Metals Ltd (April); Sig Wrapping Machines Ltd. (June); and Aluminium Ingot Makers Ltd. (Nov.). In Feb. 1962, we acquired Dow-Mac (Products) Ltd. All these acquisitions (except Dow-Mac) were made basically for the purpose of consolidation with existing companies in the Group.

Plans for expansion and diversification continue and the potential earning capacity of the group is greater than ever. Much emphasis is placed on exports and the Government is urged to take a realistic approach to the introduction of export incentives.

Copies of the full report are obtainable from the Secretary, Norcros Ltd., 129 Kingsway, London, W.C.2.

SUBSIDIARY COMPANIES

BLYTHSWOOD SHIPBUILDING COMPANY LIMITED
CITY ELECTRICAL COMPANY (C.E.C. LTD.)
JENSEN MOTORS LIMITED
NEIL AND SPENCER LIMITED
TEMPERATURE LIMITED AND ISLAND CRAFT LIMITED
JOHN TINSLEY LIMITED
DOW-MAC (PRODUCTS) LIMITED
BRAMICK AND COMPANY LIMITED
HYGENA LIMITED
LANTIGEN (ENGLAND) LIMITED
S. MAW, SON AND SONS LIMITED
RELAY VISION LIMITED
ROTISS-O-MAT LIMITED
THE AUTOTYPE COMPANY LIMITED
FISHER CLARK AND COMPANY, LIMITED
TICKOPRES LIMITED
BULK CARRIERS LIMITED (51 PER CENT OWNED)
HAROLD WOOD AND SONS LIMITED
ALUMINIUM INGOT MAKERS LIMITED
LOWTON METALS LIMITED
NORINCO LIMITED
UNION FIBRES LIMITED
WESCROS LIMITED

ALUMINIUM LIMITED

ALCAN

MR NATHANAEL V. DAVIS ON IMPORTANCE OF FREER TRADE CONDITIONS

The thirty-fourth annual meeting of Aluminium Limited will be held on April 26th, in Montreal.

In the course of his general review of the Company's affairs in 1961, **Mr Nathanael V. Davis,** the President, stated:

THE YEAR'S RESULTS

Net Income of Aluminium Limited consolidated, after all charges, including dividends on Preferred shares of subsidiaries, was $30.6 million or $1 a share on the 30.7 million shares outstanding at the end of the year. This compares with net income of $39.1 million or $1.28 a share on the 30.5 million shares outstanding at the end of 1960.

Consolidated Sales of aluminium in all forms were 663,600 tons, after certain fourth quarter adjustments, compared with 705,100 tons in 1960.

Sales and operating revenues amounted to $516.9 million compared with $508.6 million in 1960. After deducting "cost of sales and operating expenses," there remained $187.3 million in 1961 compared with $185.8 million in 1960.

Cash generation, comprising net income and depreciation, was $85.3 million in 1961 or $2.78 a share, compared with $97.4 million or $3.19 a share in 1960.

Dividend payments during 1961 were U.S. 15c a share in each quarter. Total dividends disbursed were equivalent to $18.6 million in Canadian funds compared with $20.7 million in 1960.

Expenditures on new capital facilities and investments during the year totalled $79 million compared with $70 million in 1960.

TRADING CONDITIONS

The reduction in earnings in 1961 was due, in part, to the decline in tonnage of sales and to stiffer price competition.

The Company's sales tonnage declined by some 6 per cent from the 1960 level. Despite this decline in total tonnage, sales revenues and cost of sales showed increases in 1961 due mainly to a larger proportion of aluminium sales being made in higher valued products costing more to produce. Sales of non-aluminium commodities were also higher in 1961.

During the year Alcan's Canadian smelters operated at an average of 73 per cent of capacity. This rate of production was more than sufficient to meet group sales requirements and metal inventories were increased by approximately $19 million during the course of the year. At the end of the year Alcan smelters were operating at 77 per cent of capacity.

The Company estimates that consumption of aluminium in the free world in 1961 increased by approximately 180,000 tons or 4 per cent over 1960. At the same time there was an estimated decline in primary production by some 100,000 tons or 2 per cent. Nevertheless, there was no let-up in the severe competitive conditions which have prevailed in the industry. The heavy load of surplus capacity remained a major determinant of international trade patterns in aluminium and continued to exert a downward pressure on prices. The most notable change in the price structure occurred in September when the published price in the United States was reduced from U.S. 26c to U.S. 24c per lb. In February of this year the Company reduced its price in overseas markets to U.S. 22½c per lb.

On the fabricating side of the business, which is becoming increasingly important for the Company, the programme for the expansion of fabricating facilities proceeded satisfactorily in 20 countries during the year. The steps being taken are expected to provide for larger assured outlets for our primary aluminium. While in 1961 the Company's expansion programme in the field of fabricating added only modestly to the capacity of those companies in which Aluminium Limited owns a 50 per cent or greater equity, the projects under way or authorised are expected to result in an increase of 30 per cent in capacity over the next two years.

Competition in semi-fabricated products was strong in all markets. Nevertheless, consolidated shipments increased by 5 per cent over the previous year and made an important contribution to net income.

The construction of facilities to produce aluminium by the basically new process announced in July 1960 proceeded satisfactorily during the year. The plant will go into operation in 1962.

In last year's report reference was made to the appearance of area protectionism and economic nationalism in some parts of the world—developments which pose a threat to international business including that of Aluminium Limited. In 1961, the predominant forces at work, particularly the international trade policies advanced by the United States administration, give encouragement that ways will be found to bring about freer trade conditions in the international aluminium industry. The Company firmly believes that freer trade conditions provide the soundest basis for the continued development and growth of the industry.

PERIOD OF INTENSE COMPETITION

In conclusion, 1961 was not an easy year. Commercially, the severe competition which has existed during the past few years was, if anything, intensified. In common with the industry as a whole, the Company's earnings fell well short of representing a satisfactory return on the capital invested, largely if not solely as a result of the forces brought on by overcapacity. Much is being done by the Company and others in the industry to contribute to the growth of consumption through sales development activities and by adding the fabricating facilities needed to convert aluminium into usable forms. This and our confidence in the future are reflected in planned fixed capital outlays and investments of $80 million in 1962 following upon comparable expenditures of $79 million in 1961.

While the degree of buoyancy of general business in world markets has a more immediate impact on consumption—and on the level of the Company's sales—the development work being done and the expansion of fabricating facilities are clearly contributing to the increase of consumption of aluminium. It is to be hoped that the effect of these steps will not be nullified by unjustified increases in primary capacity undertaken without reference to the basic forces of supply and demand in the free markets of the world.

ANGLO-ISRAEL BANK LIMITED

YEAR OF ALL-ROUND EXPANSION

The second Annual General Meeting of Anglo-Israel Bank Limited was held on March 29th at the Registered Office of the Company, Bow Bells House, Bread Street, Cheapside, E.C.4.

Sir Henry d'Avigdor-Goldsmid, Bart, DSO, MC, MP (the chairman), presided.

The following is his Statement which had been circulated with the Report and Accounts and was taken as read:

1961 has been a year of growth for the Anglo-Israel Bank and the Board takes considerable satisfaction in the results of the year's operations. As will be seen in the accounts, ordinary deposits have risen by 35 per cent, loans and advances by over 40 per cent and acceptances by over 30 per cent. This all round expansion in the Bank's activities is reflected in a substantial rise in the net earnings after tax which have risen from just under £43,000 to just over £75,000, an increase of £32,000, i.e. almost 75 per cent on the year. While it would be unrealistic to expect growth to continue at this dramatic rate, your Board see further signs of expansion and they are satisfied that the present earnings level will, at least, be maintained in 1962. Each year brings its own problems but the management's ability to take advantage of changing conditions has largely contributed to the success won in 1961, and the fact that the Bank is becoming more widely known encourages confidence in its future.

Your Board is satisfied that the value of the Bank's assets is unaffected by the devaluation of the Israel pound which was announced on February 9th.

During the year the issued capital of the Bank was increased by £300,000 and a further increase is now under discussion.

Had it not been for the Chancellor's request for dividend restraint your Board would certainly have wished to recommend an increased payment which is fully justified by the current level of earnings.

During the year Mr E. J. Hill resigned from the Board owing to increasing business commitments, and Mr F. R. Norton and Mr S. G. Warburg have joined it.

The Board would wish to put on record their appreciation of the devotion, energy and harmonious working of their management and staff by which alone these satisfactory results have been achieved.

The Report and Accounts were unanimously adopted and the dividend of 7½ per cent (less Tax) as recommended, was approved.

The retiring directors, Mr J. M. Geri, Mr J. D. Layton, OBE, Mr F. R. Norton and Mr S. G. Warburg, were re-elected.

NATIONAL PROVIDENT INSTITUTION

RECORD NEW BUSINESS

The Annual Meeting of the National Provident Institution for Mutual Life Assurance will be held on April 17, 1962, at 48, Gracechurch Street, London, E.C.

The following are extracts from the address which will be submitted by the Chairman, **Mr Lawrence Emlyn Douglas Bevan:**

In investing the savings of our members, which we hold against the due payment of policy moneys as they mature, the Directors have the policyholders' interests as their overriding consideration and have long felt that investment policy should be widely based—both as to the type of security and geographically.

Nevertheless, it is the investments in the United Kingdom which comprise the main part of our portfolio. These, whether they take the form of investment in industry, in commerce, in property, or in Government securities, are a stake in the prosperity of the country.

The rate of interest yielded by our investments on their balance sheet values last year was £6 17s. 10d. per cent and while this is a little below the rate of £7 0s. 4d. of the previous year it is nevertheless a satisfactory yield. Although the dividend income from our existing holdings of ordinary shares once again increased, the rise was insufficient to offset the fact that the yield obtained on new investments as a whole was lower than that on the balance sheet value of our existing holdings.

SERVICE THROUGH LIFE ASSURANCE

The new business which we have completed this year totals £14,130,958 (including group life business), another record. Although this experience is by no means exceptional among life offices, our own figure shows satisfactory growth and we confidently look for more in the future.

We carry on our business in a field where competition is strong. We have held our position in both the forms of new business which now make up our total, namely policies taken out by individuals for protection and saving, and pension schemes arranged by employers for the benefit of their employees. It is a matter of great satisfaction to us that each of these two sides of our business is growing steadily, but we should not attain this end even though our terms were competitive if our service were not prompt, helpful and based on sound technical knowledge.

I would like to direct attention to the needs of two types of people. Firstly the young man with a family who has not had time to save much and needs Protection above all else. He should ask himself "How much guaranteed income would be needed for the upkeep of my wife and family, if my own earnings were suddenly cut off?" Special assurance of this type is available under our Family Protection Policy and I cannot commend it too strongly to such a man. The premiums are very low relative to the cover provided.

The other type is the man who has to protect capital—for instance in the form of a private business—where the claim for death duties in one sum on his death may cause great disturbance in, and possibly the forced sale of, his business.

PLEA TO CHANCELLOR

Members may recall that on more than one occasion I have pleaded that the Chancellor of the Exchequer should make it possible for the individual to provide during his lifetime, in a convenient form, for the duty which arises immediately on his death, without incurring heavy additional liability by so doing.

BANK HAPOALIM B.M.

1961 was another successful year for Bank Hapoalim B.M. Total assets of Bank Hapoalim increased by 31.5 per cent since the end of 1960, despite the more stringent liquidity regulations introduced during the year and the deduction of income tax on interest at the source. Deposits of the public, savings etc. increased from IL. 236.2 million at the end of 1960 to almost IL. 289 million (23.6 per cent) by the end of 1961. The share capital of the bank was increased by IL. 2 million (20 per cent).

The growth in its resources enabled the Bank to increase its credit activities in the agricultural sector by 14 per cent, in the industrial sector by 16 per cent and in the building sector by 50 per cent. The Bank also continued to assist individual immigrants and workers through personal loans.

1961 marked the fortieth anniversary of Bank Hapoalim. The unique rate of growth of the bank during the past decade can be attributed to the accelerated pace of economic development in Israel after the establishment of the State, and to a series of mergers in 1957 by which Bank Hapoalim absorbed about 25 loan societies. Its branches today number 120.

During the years of its existence Bank Hapoalim has served as the central financial instrument for the cooperative sector of the Israeli economy. In recent years its scope of activity widened considerably with the extension of private investments, domestic and foreign, in the Israeli economy. Bank Hapoalim occupies a prominent place in financing and servicing Israel's foreign trade, and maintains close business ties with correspondents in all parts of the world. The bank established this year a representation in Europe, and intends to intensify its activity in the common market area.

Around Bank Hapoalim there is a group of auxiliary and complementary financial institutions, most important among which are:

AMPAL-AMERICAN ISRAEL CORPORATION—an American finance corporation set up by Bank Hapoalim and Hevrat Haovdim in 1942. Total assets of Ampal in 1961 reached $42.5 million.

HOUSING MORTGAGE BANK—was established in 1951. By the end of 1961 its loans portfolio exceeded IL. 100 millions.

ISRAEL AMERICAN INDUSTRIAL DEVELOPMENT BANK—established in 1956, serves the medium and long term credit needs of industry.

GMUL—an investment company was established in 1950 jointly by Bank Hapoalim and the Workers' Provident and Insurance Funds.

BANK HAPOALIM TRUST CO.—a fully owned subsidiary which offers cooperate and personal trust services of every description.

The consolidated assets of the Bank of Hapoalim group of companies reached by the end of 1961 IL. 850 million.

LEICESTER PERMANENT BUILDING SOCIETY

ANOTHER YEAR OF STEADY PROGRESS

ASSETS NOW EXCEED £75,000,000

The Annual General Meeting of The Leicester Permanent Building Society was held on March 26th in Leicester.

Mr Norman D. Ellis, MA, JP (Chairman), presided and, in the course of his speech, said:

The past year has been one of steady progress, the Society's total assets having increased by £6,389,965 to £75,101,577. This means that the Leicester Permanent remains in its proud position as the eighth largest Building Society.

We continued our policy of lending a substantial part of our resources on new houses and maisonettes and, in fact, of the £12,336,753 lent, £6,212,963 was to 3,212 purchasers helping them to buy newly built properties.

During the year investments in Shares and Deposits totalled £15,129,024, whereas withdrawals amounted to £10,172,210, or approximately two thirds of the new money invested. This proportion is a little higher than last year but compares quite favourably with the global figure for Building Societies as a whole.

Our Reserves and the Balance on Appropriation Account at December 31, 1961, amounted to £3,768,940 which is equivalent to 5.37 per cent of the balances due to Shareholders and Depositors, and 5.02 per cent of the Total Assets. I would emphasise that these percentages have been calculated after making provision for the market depreciation of our Government securities.

ATTRACTION OF FIXED TERM INVESTMENTS

During 1961 the original Fixed Term investments issued by the Society in 1958 were due for repayment. The popularity of this type of investment was adequately shown by the fact that 72 per cent of the amount repayable during the year was re-invested with the Society, and the amount repaid was more than made good by new investors.

Since starting to prepare my notes for this speech, there have been two reductions in Bank Rate which is now down to 5 per cent. This, however, is the rate which was in force when Building Societies fixed their current rates to both investors and borrowers about the middle of last year. When, at the end of July, Bank Rate was increased to 7 per cent we made no further increase in our rates and it would appear therefore that existing rates should be maintained until there is a clear indication that the inflow of new money is at least adequate to cope with the demand for mortgages.

We have continued our policy of expansion and during the year we have established new branches in Bradford, Cambridge, Derby, Luton, Oxford, Swansea, Taunton and Worcester.

The results for the first 3 months of this year have proved most encouraging, and if the present trend continues both our growth and the amount we are able to lend should be well above the figures achieved during last year.

The report and accounts were adopted.

On March 28, the P & O Chairman told Stockholders—

"Nobody must get the impression that conditions are too difficult to be worth fighting.

The fall in profits is due to no single trade or service, but to the cumulative effect of worse trading experience . . . . All an individual company can do in the face of a world position of this sort is to shorten down and tighten its own operations.

What are we likely to achieve by this? In itself it will not achieve any substantial turnround in profits. For that we have to await better conditions for shipping. What we can hope to achieve is a better tool, with a sharper cutting edge. Whatever gains we can make now will be worth all the more when conditions improve, and our approach must remain constructive."

SIR DONALD ANDERSON, Chairman,
Peninsular and Oriental Steam Navigation Company

Extracted from the Chairman's Address, copies of which together with the Annual Report can be obtained from the Secretary of the Peninsular and Oriental Steam Navigation Company, 122 Leadenhall Street, E C 3

LEWIS'S INVESTMENT TRUST LIMITED

Registered Office : 40, Ranelagh Street, Liverpool, 1.

Extract from the Balance Sheet and Accounts for the year ended 1st February, 1962, which will be considered at the Annual General Meeting to be held in Liverpool on Tuesday, 17th April, 1962.

ISSUED CAPITAL

	£
7% Cumulative Preference Stock	1,334,075
6% Cumulative Second Preference Shares	3,671,533
Ordinary Shares of 4/- each	13,406,483
	18,412,091

The issued Capital was increased from £10,964,045 by the free scrip issue to Ordinary Stockholders on 18th April, 1961, of one new fully paid Ordinary Share of 4/- for every two 4/- units of Ordinary Stock and of one new fully paid 6% Cumulative Second Preference Share of £1 for every fifteen 4/- units of Ordinary Stock held.

CONSOLIDATED PROFIT

	This Year	Last Year
Trading Profit and other Income	£6,080,639	£6,083,196
Profit after Interest and Depreciation	£5,278,882	£5,298,156
Net Profit after Taxation for year	£2,557,956	£2,674,824
Surplus with prior years' Tax adjustment	£2,605,365	£2,713,638
Amount attributable to Group	£2,321,874	£2,432,946

DIVIDENDS

	This Year	Last Year
Preference Dividends (net)	£163,696	£78,400
Ordinary Dividends (net)	£1,026,434	£1,012,749
	£1,190,130	£1,091,149
Effective Annual rate of Ordinary Dividends on Ordinary Capital at 1st February, 1962	12½%	12.3%

(Copies of the Chairman's Statement to Stockholders are available on application to the Registrar, 40, Ranelagh Street, Liverpool, 1.)

LEWIS'S INVESTMENT TRUST LIMITED controls :

LEWIS'S LTD. (with Department Stores at Liverpool, Manchester, Birmingham, Glasgow, Leeds, Hanley, Leicester and Bristol).

SELFRIDGES LTD.

LEX SELFRIDGE GARAGE LTD.

PORTMAN (WHOLESALE & OVERSEAS) LTD.

S. REECE AND SONS LTD. (Retail Food and Catering).

MERSEYSIDE DAIRIES LTD. (Milk Distributors).

BRITISH-AMERICAN TOBACCO COMPANY, LIMITED

GROUP SALES SHOW A SATISFACTORY INCREASE

The fifty-ninth Annual General Meeting was held on March 22nd in London. **Sir Duncan Oppenheim** in the course of his speech said:

It was very satisfactory to be able to report that the Consolidated Profit before Taxation was the highest in the history of the Company. Although the figure has again been adversely affected on balance by changes in exchange rates, it shows by comparison with the 1960 figure an increase of just under £7,000,000. That part of the Group Net Profit dealt with in the accounts of British-American Tobacco Company Limited itself increased by some £660,000. The greater part of this is due to increased dividends from subsidiary companies.

Although in some countries there has been a loss of sales due to competition or to economic factors, including the imposition of heavy tobacco taxation, in other areas sales have shown substantial increases, sometimes in the face of severe competition. Overall, there has been a satisfactory increase in the Group's total cigarette sales, the main increases being in Asia, Europe and Latin America.

Of the Group Net Profit for the year to September last amounting to £33,000,000, just under 60 per cent was attributable to the Group's interests in Europe and North America, including the export trade from the United Kingdom and the USA. The balance was attributable equally to Asia and Africa on the one hand and Latin America, the Caribbean and Australasia on the other.

The Group's interests in the less developed parts of the world are widely spread throughout these areas and a relatively small part of our total profit comes from any particular country.

Your Company has long been established in Europe through subsidiaries and more than half the increase in the Consolidated Trading Profit resulted from improved trading in Europe. Our subsidiary companies have factories in the Common Market, namely in Western Germany, West Berlin, Holland and Belgium; they also have factories in Switzerland, Denmark and Finland. We do business with the French Regie and the Italian Monopoly and also with the Austrian Monopoly; furthermore, our brands are to be found in Sweden, Portugal, Spain and Norway. We are, therefore, well placed to take advantage of any general liberalisation of trade in tobacco products which may evolve as the European Economic Community develops and expands its membership.

THE CURRENT YEAR

The volume of sales for the first five months of the current year shows some increase over the corresponding period of the previous year but the rate of increase is less.

I am satisfied that we can look for some increase in the dividends to be received from associated and subsidiary companies. Against this, we must expect a decrease in the trading profit of the Holding Company, largely as a result of continuing increases in costs and the full effect of the further transfer of manufacture from this country to overseas subsidiaries during the past year. While I regret that we must expect this trend to continue, I hope that it will be at a slower rate and I assure you that every effort is being made to maintain our exports from the United Kingdom.

Provided that there is no substantial increase in Company taxation imposed in the next Budget, I am reasonably confident that the share of the Group Net Profit dealt with in the accounts of British-American Tobacco Company Limited will be no less than for last year and I am therefore satisfied that, barring unforeseen circumstances, we shall be able to maintain the total distribution of 2s. 3d. free of tax on each 10s. unit of Ordinary Stock.

The Report was adopted.

LUTON WATER COMPANY

CONTINUED EXPANSION

The One Hundred and Sixtieth Ordinary General Meeting of The Luton Water Company was held on March 27th at Luton, **Mr A. F. Plummer, MC., AIEE.,** chairman, presiding.

The following are extracts from his circulated statement for the year to December 31, 1961:

The accounts clearly show the continued expansion of your Company and that the expansion has been in the right direction and under proper control.

The estimated population supplied at December 1961, including 36,500 in the Dunstable area, was 178,000. The daily average quantity of water supplied for all purposes in 1961 was 9½ million gallons, of which 2 million gallons daily was consumed in the Dunstable area. Just over 10 miles of distribution mains have been laid during the year, together with 4¼ miles of pumping main to connect up the new Bow Bridge Pumping Station. 2,493 new houses were connected during the year.

In accordance with the Minister of Housing and Local Government's policy to reduce the number of Statutory Water Undertakings by amalgamation, it is proposed to attach the northern parishes of the Hemel Hempstead RDC and the southern parishes of the Luton RDC to this Company. At the time of writing, the draft Orders giving effect to these proposals are before the Minister for confirmation, the proposed day of transfer being April 1, 1962. If confirmed, these Orders will have the effect of extending the Company's Statutory Area by some 37 square miles to 73 square miles, and will increase the number of consumers to approximately 190,000 persons.

The new source of supply which has been developed at Bow Bridge between St. Albans and Redbourn is expected to yield 1¼ million gallons per day. Application is also to be made to the Minister for authority to develop an additional source of supply at Leagrave Common, Luton.

Income from all sources, excluding proceeds from the sale of land, shows an increase of £58,383 over the corresponding amount for 1960. It should be noted that the 1961 figures include the first full year's operation of the Dunstable Undertaking, whereas the 1960 accounts included only one quarter's figures in respect of the Dunstable area.

£98,497 has been transferred to Contingency Fund, including £63,497 surplus on sale of land, and after paying the Dividends, at the Statutory rates, including Final Dividends, the balance to be carried forward is £35,003 as compared with £40,760 brought in at the beginning of the year.

The report and accounts were adopted.

A. & S. HENRY & CO. LIMITED

(Manufacturers and Merchants)

SUBSTANTIAL MAIL ORDER TRADING

MR FRANK STOCKDALE'S STATEMENT

The seventy-third Annual General Meeting of A. & S. Henry & Co. Limited will be held on April 17th in Manchester. The following is the statement of the Chairman, **Mr Frank Stockdale,** as circulated to the stockholders with the Report and Accounts for the year ended December 31, 1961:

Trading profits are £778,070 against £854,567 in 1960. The Directors consider the results reasonable. Turnover has been maintained but profit margins generally have been under pressure.

The majority of our Subsidiaries have made their usual contribution to the group results despite increased operating costs, including several factory removals the cost of which will be non-recurring.

Our Mail Order companies are now the source of almost half our consolidated profits. Their expansion in turnover this year has been limited by two factors. Firstly, we felt the need for caution in granting credit in face of the huge losses which have been incurred in the country in Hire Purchase trade. This naturally tended to restrict expansion in turnover but the increase in our bad debts has been negligible. Secondly, with the anticipated extensions of the College of Technology, bordering upon our property, we had to remove our Mail Order Warehouse section out of Manchester. We have purchased the large Eclipse Spinning Mill at Rochdale, which is now occupied and fully equipped to handle more economically the increasing range of goods required by our customers. This change caused some dislocation to our trading. We hope this expansion will help to mitigate in some way, the ever-increasing costs which on all sides continue to hit Mail Order businesses—e.g., carriage, postage, etc.

Both Mr F. S. Winterbottom and myself visited Durban during the year. We found the factory in excellent condition and the plant working satisfactorily. They have had no labour trouble.

RAW MATERIALS RESERVE

Activity in our Jute Sack factories both in Dundee and South Africa has been affected by the difficult market in raw jute and our need to purchase ahead from Pakistan. With some of the grades of jute which we use falling in price over 50 per cent during the year, profit contribution from our Spinning and Weaving plants was reduced. As mentioned last year we have built up a substantial Raw Materials Reserve to meet these exceptional fluctuations and the Board have transferred £50,000 from this Reserve to the credit of Profit and Loss Account (leaving £450,000) which serves to reflect more accurately the true working figures of the factories. Prices this year have started at a more reasonable level and we anticipate conditions will be more stable.

Export trade, particularly in linen goods and machinery, to South and Central American markets, largely owing to unfavourable political and economic conditions, has seriously declined and we do not anticipate any revival. We look for replacement of this turnover in other directions within our diversified activities.

EXPANDING SACK MARKET

Peak output has not been reached in our new and enlarged multiwall Paper Sack plant; pressure from customers for quick delivery delayed the removal of some of our machinery from the old factory to the new building at Liverpool. Transfer has now been completed and has removed the uneconomical running involved in splitting our labour force. The expanding use of multiwall paper sacks, despite the strong competition which exists, should off-set the declining use of jute sacks on which our Dundee subsidiaries have always relied.

The increase in the amount of our Trade Investments represents a purchase of shares by our Subsidiary Joseph Grave & Co. Ltd., in Packaging Products (Holdings) Ltd. This interest gives us access to a wider range of productions in converted paper of all kinds.

Investment income from our Indian interests has declined, as Calcutta mills were involved in substantial losses due to the violent fluctuations in raw jute. Trading now is generally on a profitable basis and prospects for 1962 are more encouraging.

Since the financial year closed we have purchased the old established private business of John Smith & Co. (London) Ltd., whose factory at Romford produces a wide range of made-up canvases, linked to the products of our manufacturing Subsidiaries in Dundee. We visualise an expansion in their productions and distribution, particularly of camping equipment of all kinds, trampolines and fabricated metal coverings for lorries.

BOARD CHANGES

I regret that, for health reasons, our colleague Mr A. H. Russell has retired from active business. I take this opportunity of thanking him for his past services to the Company. The Board have elected Mr Frank Miller, formerly North Western Regional Manager of the Midland Bank Ltd., a director of the Company.

The Directors consider it advisable, in view of our expanding and diversified interests, to acquire power to add to the number of members of the Board. A resolution to amend the Articles of Association, increasing the present limit from 8 to 10 will be placed before you at the Annual General Meeting.

I find it difficult to forecast the future, but subject to no abnormal conditions arising in the general course of trade, I view our prospects with confidence.

We recommend a final dividend of 20 per cent which, with the interim dividend already paid of 7½ per cent makes 27½ per cent for the year. If this recommendation is passed, the Group Revenue Reserves will stand at £2,304,214—an increase of £53,902 during the year. Capital Reserve remains at £177,294.

On behalf of Stockholders my colleagues and myself, I again thank and pay tribute to our Managing Director, Mr Frank Winterbottom and staff for their work in a difficult year.

THE SCOTTISH LIFE ASSURANCE COMPANY, LIMITED

ANOTHER OUTSTANDING YEAR

Mr C. R. Munro, CA, Chairman of the Board of Directors, presided at the Annual General Meeting of the Company held at Edinburgh on March 27th.

In moving the adoption of the Report and Accounts for 1961, the Chairman said:

This is the twelfth successive year in which a record of new business written has been achieved and the first occasion on which the net new life sums assured have exceeded twenty millions. This is an increase of 26 per cent over the new sums assured in 1960 and more than 50 per cent over the new sums assured in 1959. New annual premiums have risen in two years by over 50 per cent from £481,560 in 1959 to £746,284. During the year we have also received £583,411 in considerations for annuities, which, along with the net new premiums, provided in 1961 our highest-ever total new premium income of £1,329,695. I am glad to add that a high proportion of new annual premium income is in respect of contracts of long duration.

Another impressive result in our figures for the year is recorded in the new annuity business obtained during 1961 which, at £1,125,294, not only exceeded a million pounds for the first time, but was also very nearly double the amount obtained in 1959.

Premium income, which exceeded £4 millions for the first time, shows an increase of 11½ per cent on the previous year. Gross investment income exceeded two million pounds and that part allocated to the Life and Annuity account yielded a gross rate of £6 12s. 3d. per cent, an increase of 1s. 2d. per cent over the 1960 figure. The net interest was £5 15s. 5d. per cent, an increase of 4s. 6d. per cent.

The mortality experience in 1961 was favourable. There has been a small increase in our crude expense ratio, which is a consequence of our continuing expansion, but it is not unsatisfactory that an increase of over 50 per cent in the level of new business in two years should have been associated with a relatively small percentage increase in the ratio.

The steady increase in our funds continues and the life fund has been increased since last year by over £3½ millions. Most of this new money has been invested in dated fixed-interest securities, principally British Government securities, Mortgages and Debentures, where favourable long-term interest returns have been secured. The total market value of our assets at December 31st, 1961, was again considerably in excess of the book value.

REDUCTIONS IN PREMIUM RATES

We have completed a review of our premium-rate structure for non-profit business, with the result that we have introduced new rates as from March 1, 1962. These rates show substantial reductions over the previous rates.

Reductions in our premium rates for the main classes of pensions business were introduced as from January 1, 1962. Under our Immediate Discount Plan, these reductions are substantial and our terms for new Group Pension Funds under this Plan are now very competitive.

The new Head Office building is now complete and the Lord Provost of Edinburgh, the Rt Hon Sir John Greig Dunbar, is to honour us today by declaring the building formally open. The plans for this were first given detailed consideration as long ago as 1954 and for various reasons it was decided to carry out the rebuilding in two stages. There have therefore effectively been two rebuilding operations and our Head Office staff have been working under considerable difficulties during all these years. Throughout this time the high standard of service to our agents and our policyholders, on which we pride ourselves, has been maintained and I would like to express our appreciation to all concerned.

The Directors now recommend a final dividend for the year ended December 31, 1961, of 6s. 6d. per share, tax free, payable on March 28, 1962, which with the interim dividend of 6s. 6d. per share, tax free, already paid, makes a total of 13s. per share, tax free (equivalent to 21s. 3d. per share less tax at 7s. 9d.).

The Report and Accounts were adopted.

CO-OPERATIVE PERMANENT BUILDING SOCIETY

(Extracts from the Address by the President, Mr. C. J. Dunham, at the Annual General Meeting in London on 24th March, 1962).

I have to submit to you the Directors' Report and the Annual Accounts for the year ended 31st December, 1961.

For the second year in succession building societies found it necessary to raise their interest rates to attract and retain the savings needed to maintain the mortgage output. These increases took place in the late summer and early autumn but it was not until the closing weeks of the year that they began to produce any marked response. By then, the inflow of funds had risen to about the same level as at the end of 1960.

ASSETS £257 MILLION

The experience of our own Society during 1961 is recorded in the Directors' Report and Accounts now before you. Your Board is pursuing a policy of planned development which has as its object the further strengthening of the Society's reserves. This policy was continued throughout 1961. Total assets increased by £18 million to a figure of £257 million and, after making the adjustments required by the Trustee Investment Regulations, the Society's net reserves rose by more than £1 million.

SOUND FINANCIAL POSITION

After meeting all expenses, the balance on Revenue account amounted to £898,000. This was augmented by a surplus of £3,000 on sales of premises and a surplus of £108,000 on sales of investments. After taking account of the balance of £125,000 brought forward from the previous year, the total available for appropriation was £1,135,000. From this sum £80,000 was set aside for future taxation, £595,000 has been used to reduce the book value of the Society's investments, and £300,000 was transferred to General Reserve. After providing £11,000 for mortgage losses this left a balance of £149,000 to be carried forward to 1962. The total of the General Reserve and balance carried forward as at 31st December, 1961 was £8,449,000 which represented 3.28% of total assets.

At the end of 1961, the Society's holdings of cash and trustee investments amounted to nearly £40 million. This represented 15.8 per cent. of total assets. Of this amount, £7¼ million was immediately available in cash, Treasury Bills, and short-term loans to local authorities, and a further £14¾ million was invested in quoted securities redeemable within 5 years. The strength of the Society's investment position will be readily apparent when I tell you that the amounts repayable on the redemption of investments which reach maturity within 6 years from the date of this Balance Sheet exceed the book value of those investments by more than £2 million.

CO-OPERATIVE PERMANENT BUILDING SOCIETY
NEW OXFORD HOUSE · BLOOMSBURY WAY · LONDON WC1
Shares and Deposits in the Society are Trustee Investments · Member of the Building Societies Association

BANQUE FRANCAISE DU COMMERCE EXTÉRIEUR

The Meeting of the Shareholders of the Banque Francaise du Commerce Extérieur was held on March 14, 1962, under the Chairmanship of Mr Georges Assémat, the Chairman of the Board; Mr Jacques Chaine, the General Manager, was present.

In the name of the Board, the Report of the financial year was read out.

The profit increased by 28 per cent. This increase was assisted by the expansion of foreign business, resulting principally from the development of financing of exports.

The net profit, slightly greater than that of the year before, amounted, after deduction of charges, amortisations and provisions, to NF. 4,260,354,61 against NF. 4,118,949,46.

After having made provision for statutory allocations to shareholders, staff and welfare services, the Board allocated NF. 1,300,000 to the General Reserve Fund and placed at the disposal of the Meeting of Shareholders a balance of NF. 1,508,283,69.

The Meeting, after having heard the Report of the Auditors and taken note of the approval of the Welfare Committee, unanimously approved the accounts and resolved to allocate to the shareholders an additional dividend of 5 per cent, and to transfer to the General Reserve Fund a sum of NF. 300,000.

The whole of the Bank's funds, excluding the provisions and amortisations, will thus reach a sum of NF. 39,960,000.

ANGLO-AMERICAN SECURITIES CORPORATION LIMITED

The second annual general meeting of Anglo-American Securities Corporation Limited was held on March 22nd in London, **The Rt Hon Lord Latymer** (the chairman) presiding.

The following is an extract from his circulated statement:

Gross Revenue for the year amounts to £1,243,419 as compared with £1,207,223.

An interim dividend of 5 per cent was paid in August last and a final dividend of 12 per cent is proposed, to make a total of 17 per cent for the year, which is the same rate of dividend as paid last year.

You will notice that there is a heavier charge for Profits Tax this year, which is mainly accounted for by the increase in the rate of Profits Tax imposed in the last budget. Companies pay dividends out of profits which have suffered both Income Tax and Profits Tax. Provided that the shareholder is liable to no more than the full standard rate of Income Tax his fiscal liability in respect of the dividend has thereby been discharged. Individuals are not, of course, subject to Profits Tax and, in consequence, have no right to reclaim, but of necessity it diminishes their share of the net profit available for distribution. Profits Tax is, therefore, in effect, an additional and selective tax imposed on particular members of the community, i.e., equity shareholders, and as such is to be deplored.

The report was adopted.

THE CHARTERHOUSE GROUP

"I see no reason why Charterhouse should not go forward with Renewed Strength"

. . . Sir Nutcombe Hume

The 27th annual general meeting of The Charterhouse Group Limited will be held on April 18th in London.

In the course of his Review which has been circulated to Shareholders, **Sir Nutcombe Hume, K.B.E., M.C.** *(the Chairman)* said:

"Although the year under review was for us one of anxiety, earnings applicable to the Ordinary Share Capital exceeded 8 per cent. However, your Directors have decided, albeit with regret, that the best interest of the Group's shareholders will be served by limiting this year's distribution to 6 per cent so that a start may be made in restoring reserves.

Whilst it is too early to be able to make any reliable forecast of the results in our current year, we have before us indications which we think entitle us to anticipate that we shall be able to report materially greater profits than for the year under review. Consequently we expect that we shall be able to restore the 8 per cent rate of dividend.

Although we have suffered a nasty blow in the last two years from our investment in Charterhouse Credit Company, I feel we are nearly out of that trouble. We think the Credit Company can be made profitable within three years and in the meantime trading losses should be relatively small.

Carefully selected hire purchase business is undoubtedly a profitable activity subject to the Industry following a reasonable policy in regard to rates of commission. The service which this Industry renders is likely to be in active demand in this as in other countries for the foreseeable future.

Despite the problems of past investments the year has been one of growth. The increase of £1,737,001 to £14,687,572 in the Group's interests in its own immediate financial subsidiaries does not fully reflect the further investments by them in their subsidiary and associated companies. The 72 companies in which Charterhouse Industrial Development Company Limited has interests are, on the whole, operating satisfactorily. The Charterhouse Finance Corporation Limited did well against a difficult background for new issue and allied activities; and Charterhouse Group Canada Limited had a successful year. In the aggregate the profits from these four sources attributable to the Group were in 1960/61 greater than in any previous year.

S. Japhet & Co. Limited and Glanvill, Enthoven & Co. Limited both enjoyed a year of record profits and in each of these companies prospects for the current year are satisfactory."

British Home Stores Limited

The following are extracts from the review by Sir Richard Burbidge, Br, CBE, Chairman, which has been circulated with the report and accounts:

The Profit for the period of 52 weeks, before taxation was £1,614,959, a decrease of £480,457 on the previous period, covering 53 weeks. The charge for the interest on Debentures at £166,528 shows an increase of £62,001, while the charge for Amortisation and Depreciation has increased by £27,933. Taxation required the sum of £770,000 and after transferring £200,000 to General Reserve, your Directors recommend a Final Dividend of 5d. on each Ordinary Share, making, with the Interim Dividend, a total of 7d. for the period.

Trading

While total Sales in 1961 were ahead of the previous period, they were not sufficient to cover increased costs of operation, when the measures taken by the Chancellor in July last had a severe effect on our Autumn and Christmas trading. Further, the new Stores opened during the year, after charging to Revenue all opening charges, made only a nominal contribution to the profits. Our recent experience shows that some time must elapse from the date of opening Stores in new areas before goodwill is established and the investment gives an adequate return. This is a new factor, which we attribute to the present trading climate. Your Board is satisfied with the progress made by our Oxford Street Store since it opened in March, 1961, and believe it will be a great and growing asset to the Company in the years ahead. During the year our Buying Department and our Suppliers have concentrated their efforts to ensure that merchandise sold under our brand name "Prova" represents first class quality and value. Throughout this period the re-packaging of every line bearing the "Prova" name has been reviewed and new packs and better presentation have been produced for the great majority of items. The building up of a brand image is a costly and long-term project, but the increasing demand for these lines will prove that our customers are aware of the constantly improving standard of merchandise sold under the "Prova" name. Despite the continual attention being given to the whole range of expenditure of operation, the tendency to rising costs continues. No efforts are being spared to effect economies wherever possible. Your Directors continue to have in mind the problem of further finance for our important development programme, but it is not envisaged that additional Capital will be required during the current financial year.

Development

During 1961 we opened Stores at Oxford Street, London, Scunthorpe and Bradford, and completed extensions at Nottingham and Tunbridge Wells. During 1962 we plan to open a new store at Rotherham, rebuild Woolwich and Sutton and extend Gravesend, Taunton and Sunderland. New stores are planned at Watford, Wembley, Kirkcaldy and Norwich. New sites have been acquired at Belfast, Chester and Gloucester. Your Board is satisfied that the major development programme undertaken was soundly conceived and will lead to greater profitability in the future.

The future

While it is too early in the year to make any forecast about profits for 1962, your Directors have complete confidence in the future growth and profitability of the Company.

HICKSON & WELCH (HOLDINGS)

SATISFACTORY TRADING ACHIEVEMENT

The tenth annual general meeting of Hickson & Welch (Holdings) Limited was held on March 28th in London, **Mr Bernard Hickson, MSc, FRIC** (chairman and managing director), presiding.

The following is an extract from his circulated statement:

The trend of increased turnover with lower profit margins has affected your company, but in spite of this I am able to report that the trading profit is satisfactory.

An extensive capital programme was undertaken following the Rights Issue in July, 1960. At September, 1961, this was still proceeding and is now approaching completion. The results of the year under review, however, do not reflect the reduction in costs and the expansion of activities that will follow from this expenditure. I am confident that the completion of our present plans will leave us in a position to meet the further competition that we are likely to experience.

I will now indicate the progress of the main trading companies in the Group.

Hickson & Welch Limited has increased its turnover by approximately one-tenth and manufacturing costs have been reduced, but competition was such that profit margins declined.

Ronsheim & Moore Limited has maintained its position in the pharmaceutical and cosmetic trades and continues to return a satisfactory profit.

Our associated company in India, Hickson & Dadajee Limited, has had a successful year.

Hickson's Chemical Company (Pty.) Limited has shown a satisfactory increase in profit.

The main timber preservation companies in Great Britain, New Zealand and Australia have increased their activities considerably during the year.

Hickson's Timber Preservation (Malaya) Limited is proving to be a successful addition to the Group's activities.

On the West Coast of Africa business has been maintained.

Our associated company, Hickson's Timber Impregnation Co. (S.A.) Limited has had a record year.

Richardson & Starling Limited has had a satisfactory year's trading, although profits have been lower.

J. Waddington (Builders) Limited was acquired at the beginning of the year and has carried out a major part of the Group's capital building programme in addition to other building operations.

The acquisition of Alvin, Morris & Co. (Timber) Limited was made during March, 1961. It has experienced very successful trading during the period after acquisition and its directors' forecast of profits has been exceeded.

The English manufacturing companies have again increased their sales abroad, and I am pleased to say that 43 per cent of their turnover has been exported.

Commenting on the financial results of the Group, Mr Hickson said that the profit, after deducting all expenses other than taxation, amounted to £680,043, compared with £643,986 in the previous year. The Board recommended a total distribution of 19 per cent, which would absorb £152,742, after deduction of income tax, compared with £133,219 for last year. He concluded:

A good start has been made by all the companies in the Group for the first four months of the current financial year. I look forward to the results of the current year being comparable with the last and the maintenance of dividends at the present rates.

Addressing the Meeting the Chairman said:—

" Since I made my statement, I have concluded an agreement in South Africa for the purchase of the balance of the shares in Hickson's Timber Impregnation Co. (S.A.) Ltd. which until that time had been held outside the Group.

Your Board feel that this purchase will be of great benefit to the Group, and in due course full details of it will be made public. I am giving you this advance information now as a matter of considerable interest.

This purchase will have an additional effect of bringing the whole share capital of Hickson's Chemical Company (Pty.) Ltd. in South Africa into the Group, as at present 49 per cent of it is held by the South African Company."

The report was adopted.

ABBEY NATIONAL BUILDING SOCIETY

ANNUAL GENERAL MEETING, TUESDAY, 27TH MARCH, 1962

In moving the adoption of the Directors' Report and Accounts for the year ended December 31, 1961, **Sir Harold Bellman, MBE, DL, JP**, said:

By the end of the year the Society's assets had risen by over £45 million to the substantial total of £434 million, the largest increase ever recorded in the Society's long history. This growth can be primarily attributed to the receipt in 1961 of over £82 million from shareholders and depositors, compared with £76 million in 1960. Withdrawals in 1961 were higher than in 1960. This we expected, for the new facilities for withdrawal of limited sums on demand have been much appreciated. Nevertheless, the *net* intake of shares and deposits in 1961 at £28.5 million was above the 1960 net figure of £27.7 million.

ADVANCES

Although there has been no lack of potential borrowers seeking loans, the total advanced on mortgages in 1961 was a little below that in the record year of 1960. The shortfall was less than £½ million. But for the suspension of the House Purchase and Housing Act in the autumn, advances by the Society would undoubtedly have established a new high record in 1961. In the circumstances the 1961 total of £68.5 million must be regarded as satisfactory. We continue to give preference to existing members of the Society when allocating the amount available for lending.

LIQUIDITY AND RESERVES

At the close of 1961 the Society held cash and investments in the amount of £72 million, giving a ratio of liquid to total assets of 16.6 per cent. The reserve funds of the Society increased by £1½ million to £15½ million, and the reserve ratio was 3.59 per cent. These two sets of figures should give assurance to the investor, for they are the twin safeguards of accessibility and resource.

MANAGEMENT EXPENSES

It is gratifying to be able to report that Management Expenses, at fractionally over 10s. per cent of total assets, are proportionately lower than in the preceding three years. Ten years ago the comparable management expense ratio was 13s. 3d. per cent.

NEW HOUSES

Of our total loans in 1961 of £68.5 million, some £28 million was advanced to owner-occupiers of newly-constructed houses. It is a vital part of our lending policy to make mortgage facilities available to the purchasers of new houses, for the stock of British homes is still far from adequate. We have also to make funds available to the purchasers of other than new houses and the residue of our total lending in 1961 has been so directed.

BRANCH EXPANSION

During the year, the Society opened six new branches bringing the total number to one hundred. We believe that this widespread provision of facilities is the most important single development of the Society in recent years. We are thus enabled to give good service in the major centres of population to savers and investors, and with local knowledge to help the home buyer.

DEPUTY CHAIRMAN'S REMARKS

Mr Stanley C. Ramsey, FRIBA, Deputy Chairman, in seconding the adoption of the Report and Accounts said :—

If I may chart the progress of your society's lending in the past decade, in 1951 we advanced £29 million for 1956 the figure was £40 million and for 1961 the amount was £68.5 million.

Over most of this period it has been hard to secure funds from investors, and so this substantial growth in our lending is a performance in which we may take some pride.

MANAGING DIRECTOR'S REMARKS

Sir Bruce Wycherley, MC, FCIS, Managing Director of the Society, said :

Over the next few years I think we may expect, if present trends persist, to see the Society become established more firmly than ever in the sphere of small savings and investment. Our members can be assured that it will never become our object to expand the Abbey National more rapidly than prudent judgment can justify.

GRAMPIAN HOLDINGS LIMITED

EXPORTS INCREASED

The Annual General Meeting of Grampian Holdings Limited will be held on April 18th at Glasgow.

The following are extracts from the Statement by **Sir James R. H. Hutchison, Bt, DSO, TD, JP,** the chairman, which has been circulated with the report and accounts for the year ended December 31, 1961:

The Group's profits have risen from £582,895 to £886,062. For the Companies owned for a full year the Grampian profit has been maintained in a difficult trading period and in addition profits were expanded by the acquisition of further companies.

Profits from our furniture interests dropped in 1961, as did those of our Harris Tweed subsidiary. Some improvement in demand in the furniture trade has already become apparent. We have now acquired the more broadly based textile unit of Robert Laidlaw & Sons Ltd., and the rationalisation of administration and production by the integration of all the Group's textile interests is expected to lead to an increase in profit in 1962.

Fleming Brothers (Structural Engineers) Ltd., whose profits improved during the year, was the subject of a searching review during 1961. The changes made in the administration will be of considerable benefit.

The other companies in Grampian Holdings are doing well and those interests worthy of special mention are transport, radio valves, musical instruments and nuts and bolts.

GRAMPIAN SERVICES

Grampian Services is the internal consulting division of Grampian and has a staff of qualified accountants, engineers and marketing specialists. With this concentration of technical skills a programme of consolidation within the subsidiary companies has been initiated and its work is expected to contribute to increased productivity within the Group. It is also intended that appointments to executive positions within the Group, when these arise, should be made from this division.

Grampian now has 17 direct subsidiaries and to meet the administration of this growing group of companies we are now in a position to bring related companies together under sub-holding companies. A start has been made and Grampian Lighting Limited was formed to combine previously separate lighting interests, namely Kego Electric Co., Ltd., New Endeavour Engineering Ltd., and Lumitron Ltd. Grampian Textiles Ltd. has also been formed to incorporate MacDonalds Tweeds Ltd. and Robert Laidlaw & Sons Ltd.

Grampian Holdings Ltd. in future will give preference to acquiring companies related to existing holdings. This, of course, will not preclude the acquisition of companies outside these categories where the opportunity appears to be attractive.

COMMON MARKET

We are making every effort within our own organisation to improve efficiency so that we can compete on favourable terms with any similar manufacturing units within the Common Market Countries.

From the national point of view, exports are all important. During the past year our Companies exported over £1½ million worth of goods, compared with exports of just over £1 million last year.

In order that the Company's bank facilities should be available to finance future developments, a further issue of share capital is being made to fund the Company's present bank indebtedness.

TATE & LYLE, LIMITED

ADVERSE EFFECT OF FOREIGN DUMPING

SIR IAN LYLE ON THE COMMON MARKET

The Chairman, **Sir Ian Lyle,** in the course of his statement said that there had been a sharp decline in home refining profits mainly due to a drop of nearly 5 per cent in the volume of home trade sales and 37 per cent in export. This loss of trade was due to the resale by Russia and her satellites of beet sugar, in markets previously supplied by Tate & Lyle, in order to make room for sugar bought from Cuba for political purposes. Some of these forced sales, as well as blatantly subsidised French surpluses, flowed unchecked into the United Kingdom who alone amongst European countries kept her doors open. In all, some 200,000 tons of Communist and French subsidised sugar, not to mention 11,000 tons from Ireland, were sold to buyers here.

These large sales had jeopardised the working of the Commonwealth Sugar Agreement and the Government was forced to take action. For forty years refiners had added to the price of Empire sugar the amount of the Empire duty Preference. By transferring to the Sugar Board the responsibility for this payment, sugar refined from Empire sources was allowed to compete more effectively with foreign refined sugar. Prices charged to consumers were not affected by the new arrangement. Sir Ian added that, while waiting for these Government measures, Commonwealth exports were only maintained by storing excess sugar; the burden of this falls on the Company and the cost would affect its 1962 trading results.

OTHER ASPECTS OF GROUP'S TRADING

Turning to other aspects of the group's trading, Sir Ian said that the road companies had continued to expand but had operated at a reduced rate of profit. Shipping had had a difficult year and earnings of the combined fleets of Sugar Line and Silvertown Services Shipping had done little more than cover operating costs and depreciation. In the West Indies, Trinidad had had a record year but Jamaica had not fared so well. A considerable tonnage had been shipped to the United States at remunerative prices, without which Jamaica in particular would have been in a sorry plight. There was doubt whether any American quota would be allocated to the West Indies in 1962 or, if it were, whether prices would be equally attractive. Under those circumstances, group profits were unlikely to benefit in 1962 to the same extent as they had in 1961.

In Rhodesia, both the refining company and the raw sugar producing company were now subsidiaries of Tate & Lyle. Sir Ian expressed his hope that the political problems would be solved and the Federation maintained. The raw sugar company had made its first profit in 1961 and with political stability he was confident that both refining and raw sugar production would develop into profitable concerns.

In Canada it was recalled that the controlling interest in the Canada and Dominion Sugar Company was bought at a price of $25 per share. The market price of the shares is now in excess of that figure. There was some doubt about the future of the beet sugar industry in Ontario. While hoping to continue it, the Company had made it plain that it could not support an unprofitable industry.

THE FUTURE

As to the future, apart from the uncertainties in the West Indies, the indications were that results would not be very different from those of 1961. The long term future depended on the Common Market. There was evidence that the general efficiency of refining and raw sugar production was at least the equal of that of existing Common Market suppliers. An enlarged Common Market could provide new markets and as the present consumption of the Six was only two-thirds of ours, there were prospects of sharing in the potential expansion. Sir Ian confessed to being soberly confident in a future in which we are members of the Common Market.

In conclusion, Sir Ian spoke of taxation. In face of increasing Government spending, he foresaw a new raid on industry. If profits were too high, competition, he said, should be stimulated. It was no solution to impose a higher profits tax which would fall on all alike. Such a tax, so far from reducing prices, would in many instances increase them. In calling for greater productivity and for more exports the Government should remember that companies, like individuals, need incentives, which it was sincerely hoped the Chancellor would give in place of resorting to threats of increased taxation.

The report and accounts were adopted.

TAIPING RUBBER PLANTATIONS

The fifty-first annual general meeting of Taiping Rubber Plantations Limited was held on March 27th in London, **Mr W. Anderson** (the chairman) presiding.

The following is an extract from his circulated statement:

The decline in the price of rubber, which began in May, 1960, continued until November of that year; an improvement during March to May, 1961, was not sustained and at the close of the Company's financial year the spot price of R.S.S.1. was down to 2s. 1d. per pound. The recession was reflected in the lower net average price realised for our crop (all grades) which I regret was 7d. per pound less than the average for the previous year. Thus, despite a further small increase in the crop harvested, net income from rubber sales was some £56,000 below revenue from the same source in the previous year.

The Chairman added that the reduction of income was cushioned to some extent by a lower cost of production and reduced export duty, the eventual result being a profit from rubber trading of £38,700 which in the circumstances ruling must be regarded as reasonably satisfactory.

Tin mining operations contributed £26,958 to the year's income and with the addition of interest on investments and deposits total profit before taxation was £70,862.

Mr Anderson went on:

We are continuing with our long term policy and programme of rejuvenation and we now have nearly 1,800 acres of pedigree rubber. It is intended to replant 157 acres this year and this should see us past the half way stage towards our aim of replanting the whole Estate as expeditiously as finances and other circumstances may permit.

I would not be sanguine enough to make any forecast of the possible price we may average for our crop over our current year, but whilst I can see no reason to expect any upward trend above the present level, I risk saying that I do not anticipate any material fall.

The report was adopted.

THE MONOTYPE CORPORATION LIMITED

HIGHER TURNOVER—PRESSURE OF RISING COSTS

The fifty-fourth Annual General Meeting of The Monotype Corporation Limited was held on March 26th in London.

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

I am glad to report that we have had another satisfactory year. On a turnover higher than the previous year, the trading balance increased by £29,244 to £948,821, that is about 3 per cent. We are, however, experiencing, along with many other companies, the pressure of increased costs and consequent smaller margins.

Despite our unceasing efforts for greater efficiency there is a point at which higher costs must break through. We are, however, continuing our efforts to nullify increased basic costs by still further improving production efficiency. In addition, through an increased volume of sales at home and abroad we hope to maintain the overall profitability of the company.

The net profit of the Group for the year ended September 30, 1961, is £384,984, an increase of some £2,700. Your Directors again recommend a total dividend for the year of 8 per cent.

The Home market has enjoyed a successful year's trading. Although this turnover has been steadily increasing, the export side continues to absorb nearly 70 per cent. While this is eminently satisfactory, the importance of a stable Home market cannot be under-estimated. The interest in filmsetting continues to grow. Up to the present time, over 100 of our filmsetters have been ordered from 24 countries and more than half have now been delivered.

Our trade in Europe continued satisfactorily during the past year. Sales included a number of filmsetters to Germany, Holland, Sweden, Switzerland and Yugoslavia. Orders have been obtained at a rate somewhat higher than in the previous year.

The remainder of the Export Market has again shown an improvement and some new customers were added. In particular there was an improvement in turnover in India, the Middle East, the Far East and West Africa. In order to combat difficulties brought about by licensing and to extend and expand sales of machines and equipment for the lithographic printing trade we, in conjunction with our subsidiary company, Pictorial Machinery Limited, have set up manufacturing facilities in India. The factory is now in production and first results are encouraging. We are confident that there is a growing market there and orders are being received at a satisfactory rate. Closer co-operation with our American friends, the Lanston Monotype Company, has resulted in our shipping a number of machines, both type and filmsetting, to that country.

The factory at Dunfermline commenced production in the summer of 1961. Production is steadily proceeding and the quality of work is most satisfactory.

I am reasonably confident about the future and I have no doubt that we shall continue to obtain our share of the business available. We are well equipped to do so, with our strong organisation and products for which there are expanding markets.

The report and accounts were adopted.

APPOINTMENTS

EDUCATIONAL EDITOR

An expanding publishing Company require a man with an honours degree, a cultured but firm personality, wide interests, and possessing both creative and administrative ability, for the position of Head of their Editorial Department.

He should be between the ages of 35 and 50, preferably with publishing experience, possessing good contacts in educational circles and the ability to extend them. Teaching experience would be helpful, but a general knowledge of the educational field might suffice.

He will be required to develop a well-known, expanding educational list, and devise and carry out a policy for its further extension.

An attractive salary will be paid, and a car provided, the Company also operate all the benefits normally found in a progressive organisation. The prospects are excellent, and the appointment will provide plenty of scope for a really keen mind.

Interviews will be held in London during the week commencing April 9th.

Write in strict confidence for form of application to the Managing Director, Box 1610, quoting E. 1.

BRIGHTON EDUCATION COMMITTEE

BRIGHTON TECHNICAL COLLEGE

(Incorporating Preston Technical Institute)

ASSISTANT LECTURER, GRADE "B" in ECONOMICS with GOVERNMENT or STATISTICS required from September 1, 1962. Salary £756-£1,359 p.a. plus training and graduate allowances, if appropriate.

Increments for approved experience.

Further particulars and application forms from the undersigned, to be returned to the Principal, Preston Technical Institute, Coombe Road, Brighton 7, by April 13, 1962.

W. G. Stone,
Director of Education,
54 Old Steine,
Brighton.

UNIVERSITY OF CANTERBURY
CHRISTCHURCH, NEW ZEALAND

SENIOR LECTURER OR LECTURER IN POLITICAL SCIENCE

Applications are invited for the above-mentioned position in the Department of History and Political Science. A special interest in the comparative study of political institutions or the sociology of politics would be desirable but it is not essential.

The salary attached to the position of Senior Lecturer will be at the rate of £1,750 per annum, rising by annual increments to £2,000 per annum, and to that of Lecturer at the rate of £1,250 per annum, rising by annual increments to £1,700. Commencing salary will be in accordance with qualifications and experience.

Approved fares to Christchurch will be allowed for the appointee, his wife and children. In addition actual removal expenses will be allowed within specified limits.

Further particulars and information as to the method of application may be obtained from the Secretary, Association of Universities of the British Commonwealth (Branch Office), Marlborough House, Pall Mall, London, S.W.1.

Applications close in New Zealand and London on 30th April, 1962.

UNIVERSITY OF BRISTOL

Applications are invited for two posts in the Department of Economics from August 1, 1962.

An Assistant Lectureship (Grade III).

An Assistant Lectureship (Grade III) or a Lectureship (Grade II).

One of these appointments will be in Economics and the other in Econometric Statistics. The salary scale for Grade III is £600 by £50 to £950 p.a. and for Grade II £1,050 by £50 to £1,400 by £75 to £1,475 (bar) by £75 to £1,850 p.a. plus F.S.S.U. and Family Allowance. Further particulars may be obtained from the Registrar, The University, Bristol, 8, to whom applications should be sent by April 28th.

UNIVERSITY OF DUBLIN
Trinity College

LEFROY STEIN SCHOLARSHIP

Applications are invited for the LEFROY STEIN SCHOLARSHIP which on this occasion will be awarded to a graduate for full-time research in history or any of the social sciences. The scholarship is for two years and the stipend is £400 p.a. The holder is eligible to reside in the College or, if a woman, in Trinity Hall.

Application forms and further particulars may be obtained from the Registrar, Trinity College, Dublin, 2, who will receive applications until May 1, 1962.

THE UNIVERSITY OF LEEDS
DEPARTMENT OF SOCIAL STUDIES

Applications are invited from graduates in Sociology or allied subjects for the post of Lecturer or Assistant Lecturer in Sociology in the Department of Social Studies. Salary on the scale £1,050 x £50—£1,400 x £75—£1,850 (efficiency) bar at £1,550 a year for a Lecturer, or within the range £900-£950 a year for an Assistant Lecturer, according to age, qualifications and experience. Applications (three copies) stating date of birth, qualifications and experience, together with the names of three referees, should reach The Registrar, The University, Leeds 2, from whom further particulars can be obtained, not later than May 7, 1962.

MAKERERE UNIVERSITY COLLEGE—EAST AFRICA

Applications are invited for Lectureship in Agricultural Economics, with particular reference to Farm Management Economics. Salary scale £1,450-£2,151 p.a., entry point determined by qualifications and experience. The appointment will be for one tour of twenty-one months plus three months leave, in the first instance. Secondment welcomed. F.S.S.U. Child allowance £50 p.a. per child (max. £150 p.a.). Passages for appointee and family up to five adult passages) on appointment, termination and leave. Rent according to quarters provided, £45-£84 p.a. (including basic furniture). Detailed applications (six copies) naming three referees, by April 28, 1962, to Secretary, Inter-University Council for Higher Education Overseas, 29 Woburn Square, London, W.C.1, from whom further particulars may be obtained.

For further appointments and other classified advertisements see pages 1296 & 1297

UNIVERSITY OF SYDNEY
CHAIR OF ECONOMIC STATISTICS

Applications are invited for a recently-established Chair of Economic Statistics.

Salary will be at the rate of £A4,250 per annum, plus cost of living adjustments (at present £A44 per annum). There is retirement provision under either the Sydney University Professorial Superannuation Scheme or the New South Wales State Superannuation Scheme.

Under the Staff Members' Housing Scheme, in cases approved by the University and its Bankers, married men may be assisted by loans to purchase a house.

The Senate reserves the right to fill the Chair by invitation.

A Statement of conditions of appointment and information for candidates may be obtained on application to the Secretary, Association of Universities of the British Commonwealth (Branch Office), Marlborough House, Pall Mall, London, S.W.1.

Applications close in Australia and London on May 15, 1962.

COMPANY AFFAIRS

Last week's further cut in Bank rate brought only a temporary relief to the London Stock market. With fears of a capital gains tax still a dominating influence prices of equities slipped back again and The Economist *indicator lost 1.6 points to 346.3. But on Thursday prices both of equities and gilt-edged were helped by the improved balance of payments picture. Among the brighter spots were tobacco shares which recovered much of last Friday's sharp falls. Gold shares however did not hold their sharp gains of last week while shipping shares drifted lower on the depressing chairman's statement from P. and O.*

P & O Close Hauled

In his address to P & O shareholders a year ago, Sir Donald Anderson offered comforting words: "The worst is now behind us." With the ordinary dividend cut from 11 to 6 per cent. and gross profits down from £5,846,000 to £579,000 (of which £400,000 represented non-recurring profits on sales of government securities) Sir Donald told shareholders that he hoped he would not fall into similar error this year. He continued:

> There is little enough temptation to do so, for the prospects for the current year show no improvement, and indeed the tramp market is worse now than ever before.

Giving the directors' reasons for the cut in dividend, he stressed the exceptional nature of a large part of the meagre profit. He may even have raised doubts as to whether this rate could be maintained:

> The current year shows no sign of producing more profit, whilst we know that the charge for depreciation will be higher. Thus, until we can see signs of improvement we shall have to continue to face the same problem of distribution, and probably with less surplus available. It is with this in mind that your Board has recommended a final distribution of 3 per cent. This involves drawing on profits of previous years, but the board regards this as justified, if only because profits have not been fully distributed in the past.

Sir Donald reminded shareholders that this was not the first time that the shipping industry had been through a slump and cited the 1930's when P & O passed its dividend for four successive years. But there was an important difference between the two periods:

> The shipping slump . . . formed part of a world-wide pattern of the deepest depression in all business activity. The present shipping slump, which began in the early months of 1957 and acquired its full shape within that year, has taken place against what has been until recently a generally prosperous background of British and world trade, and is the harder to understand for that reason.

In his statement Sir Donald gave considerable space to the vast growth in ships at sea, both dry cargo and tankers, and to the problem of flag discrimination:

> There are many aspects of this problem, one of which is whether we should move from our traditional policy of doing all we can to enlarge the area of world trade open to shipping of all flags. If we move, it must in one direction be towards taking defensive measures to protect ourselves, which may involve retaliation where no other course is open. Such questions raise grave issues and indeed we may be approaching a critical point in national shipping policy, which can be settled only by the closest collaboration between the Government, which alone can act, and the shipping industry.

On the brighter side the chairman told shareholders that both the new liners *Oriana* and *Canberra* have overcome their teething troubles; they have both made a cash profit and have come nearer than most other passenger ships to covering their full depreciation. The tankers too have made a useful contribution to profits and but for them the results would have been still worse. With profits at a "marginal point" P & O is trying to cut its costs. But Sir Donald said:

> Our approach must remain constructive. We must ride out the storm, but we must also be ready to take the initiative, now and when things improve. The worst of both worlds would be to suffer a slump and then be unable to gain from the revival which will follow.

BICC

The latest results from British Insulated Callender's Cables reveal a further recovery, very much in line with the forecast made by the chairman, Sir William McFadzean, in November. For the year as a whole BICC's sales rose by 5½ per cent from £143 million to £151 million but slightly higher prices and greater productivity pushed trading profits up by as much as 16 per cent, from £9.4 million to £10.9 million. (These figures do not tally exactly with those in the table as in the past trading profits have been shown after charging an unspecified amount for bank interest and this charge has been deducted from the latest figures to make a comparison with earlier periods possible.) Bank interest in fact fell last year from £381,000 to £275,000, reflecting the impact of the £15 million debenture and rights issue in May, but this was more than offset by the rise in debenture interest from £351,000 to £560,000. Depreciation and tax were also higher and factory reorganisation expenses were another item which cut into net profits. Thus over the two halves of 1961 net profit

Six months to	June 30, 1960	Dec. 31, 1960	June 30, 1961	Dec. 31, 1961
	£'000	£'000	£'000	£'000
Sales	74,000	69,000	75,000	76,000
Trading profit	4,469	4,553	5,273	5,384
Depreciation	1,285	1,297	1,424	1,456
Profit before tax	2,823	2,849	3,321	3,189
Investment income	38	535	62	700
Tax	1,113	1,480	1,471	1,855
Net profit	1,748	1,904	1,912	2,035
Trading profit/sales	6·0%	6·6%	7·0%	7·1%

margins fell slightly, even though the improvement in gross margins was maintained. Investment income however has risen so that earnings still cover the maintained dividend of 13½ per cent just under 2½ times. On this payment the £1 shares, at 62s., yield 4·4 per cent.

Lesney Products



The toytown boom continues and the shares of the toymakers have attracted investors almost as much as their brightly-coloured toys attract children. The 5s. shares of Lesney Products offered to the public in September, 1960, at 20s. a share were soon standing at double that price and now at 61s. 3d., they yield 2.4 per cent on the dividend as increased from 27½ to 30 per cent. The group is principally known for its "Matchbox" series of toy models but it also makes die-castings for the motor and allied industries. In the year to January 19th its consolidated profits before tax rose by 16 per cent from £332,000 to £385,000. After tax of £195,000 against £164,000 net profits rose by over 23 per cent from £154,000 to £190,000. This advance reflects the increase from 1s. 6d. to 1s. 8d. in the price of "Matchbox" toys which does not seem to have hit the schoolboys' pockets. The bigger King Size series has also apparently had a good reception. But there are signs that margins came under pressure late in the financial year for in an interim statement in November the directors said that sales for the first nine months had increased by about 20 per cent and that profits before tax had "increased in proportion."

With the results comes a one-for-eight scrip issue and shareholders may not be over optimistic in assuming that the 30 per cent dividend will be maintained on the bigger capital this year. The 1961-62 dividend was covered over 5 times by earnings but of the currently issued capital of £400,000, some £200,000 is in deferred ordinary shares, which are held by the directors, and rank for dividends from 1963-64. The forthcoming scrip issue to holders of the deferred shares will be in ordinary shares so that the capital ranking for dividends in the current year is increased to £250,000.

Delta Metal

FOR the fourth successive year Delta Metal has earned higher profits. In 1961 its gross profits, including stock credits and £346,000 from six months' profits of Davis and Timmins, rose by 18 per cent from £3,777,000 to £4,457,000; if stock credits (which amounted to £11,000, against £147,000 in 1960) and post acquisition profits are excluded the rise is 13 per cent. This suggests that the group continued to prosper in the second half of the year at a time when many companies were earning much lower profits.

Following a rise in net profits from £1,973,000 to £2,237,000 the ordinary dividend was maintained, as forecast, at 20 per cent. Davis and Timmins contributed only six months' profits but the shares issued in respect of its acquisition rank for a full year's payment. Earnings at 38 per cent, against 36 per cent, thus slightly understate the year's achievement. A year ago the chairman, Mr W. E. Ogden, said that the policy of development for the group's metal, alloy and engineering interests, had borne fruit sooner than had been expected and that further plans should bring a fresh increase in profits in the future. The current slackness of engineering orders in this country may temporarily hold up the group's progress but Delta Metal serves a good number of industries both here and abroad. The yield on the 5s. shares at 21s. 3d. is 4¼ per cent; this is low for an engineering share, but Delta Metal has earned its place in the esteem of investors.

British United Shoe Machinery

FOLLOWING four years of rising profits, the gross profits of British United Shoe Machinery Company fell by 3 per cent from £4,212,000 to £4,083,000 last year. But an interim report published in August showed that profits had fallen by 9½ per cent in the first half of the year; the directors attributed the decline to lower margins, after heavier charges for depreciation, research and advertising. Thus it would appear that profits recovered a little in the second half of the year; even so profit margins are still likely to be under pressure, though it is not clear which of the group's activities has been hardest pressed. A year ago the chairman said that home and export order books for shoe machinery were "considerably in excess of manufacturing capacity" and a really marked fall in the demand for the other products of the group, which include rivets and the "Bostik" range of goods, does not appear all that likely. But even as dominant a company as British United Shoe cannot fully insulate itself from a rise in costs.

Its net profits fell by 7½ per cent from £2,140,000 to £2,021,000, so that the tax free ordinary dividend, effectively unchanged at 7½ per cent, is covered just under 2½ times. At the time of the interim dividend the directors said that they would have paid more but for the Chancellor's request for restraint. British United Shoe is controlled by an American company and the minority shareholders must hope that the heavy capital expenditures of recent years will soon boost profits. The £1 ordinary shares lost 1s. 9d. after the results were published and at 73s. yield 3.4 per cent.

Associated Fisheries



THE decision by Associated Fisheries to pay a dividend of 26 per cent, against a forecast of 25 per cent, pleased the market. For 1959-60 a dividend of 25 per cent was paid but the latest payment is on the capital as increased by a two for five rights issue as well as by the shares issued when Arlac Steam Fishing and London Ice and Cold Storage were acquired. The pre-acquisition profits of these subsidiaries contributed £158,000 to the increase in the group's trading profit from £628,000 to £1,011,000 after depreciation of £610,000, against £506,000. It would appear therefore that the group's interests in trawling and distribution had another good year. But it is still not clear whether any profits have been brought in from the Eskimo frozen foods business; in the past any surplus earned by Eskimo has been used for expansion rather than being transferred to the parent organisation. Once again, as a result of investment allowances, the tax charge is disproportionately low and net profits have risen from £428,000 to £617,000 to cover the dividend just over twice.

Since the end of the financial year the group has acquired Hellyer Brothers and its subsidiary Kingston Trawler; these companies dominate the Hull trawler fleet much in the same way as Associated Fisheries dominates the Grimsby fleet. The merger has created one of the world's biggest fishing fleets and the combined profits before tax are likely to amount to about £1,300,000 in 1961-62. To achieve the merger about three million ordinary shares in Associated Fisheries have been issued, increasing its ordinary capital by about 40 per cent. It remains to be seen whether the economies in operation envisaged from the merger, the rapid growth of Eskimo Foods (which are now sold in over 50 countries) and the inspiration of Sir Hugh Fraser (who became chairman in January, 1961) can produce profits that will justify a further increase in dividend in the face of this sharp increase in issued capital. The latest results are encouraging but at 30s. 3d. xd the 5s. shares yield only 4¼ per cent.

George Wimpey

THE £1 shares of George Wimpey, the civil engineers and property developers, have been looked upon as one of the outstanding growth prospects over the next few years. But the shares suffered a sharp setback this week following the group's disappointing results. For 1961 group profits before tax rose by only 2¼ per cent from £3,137,000 to £3,209,000 after providing for all charges including depreciation of £1,655,000 (against £1,423,000). Nevertheless taxation took considerably more at £1,432,000 against £1,283,000 so that net profits fell by 4¼ per cent from £1,854,000 to £1,777,000. In the building and civil engineering business profits must vary through changeable weather conditions and as contracts are completed. However in view of the chairman's statement in April last year that the order book was the largest in its history and that he therefore hoped for another successful year these results must be judged as disappointing.

Hopes of a scrip issue were also not realised and the £1 shares fell from 181s. 10½d. to 167s. 6d. but recovered to 175s. to yield only 1.1 per cent on the maintained dividend of 10 per cent. On the current earnings this payment is covered over 7 times.

Gold Shares

THE relative peace of London's Kaffir market was shattered for only a short while last week by a sharp rise in prices following the South African budget proposals to relax slightly the present exchange control. But since the budget held out little prospect of any early return to normal dealings between London and Johannesburg prices soon slipped back. As expected prices have been weaker in Johannesburg and the average discount in London has narrowed from 20-25 per cent to 15-20 per cent on prices in South Africa.

Meanwhile two of the leading mining finance houses have announced their results. While Anglo American Corporation maintained its dividend at 9s. per share Union Corporation again raised its payment from 4s. 0¾d. to 4s. 1d. per share, but this in fact represents the rounding up of the dividend in South Africa to 25 cents free of tax. By contrast net profits of Anglo American rose from £7.8 million to £8.5 million while those of Union Corporation fell from £3.7 million to £3.2 million. In 1961 Anglo American's total income rose from £9.9 million to £10.5 million and while it wrote less off its investments (£843,000 against £1.2 million) it had to pay more in taxes.

Union Corporation too showed an increase in investment income from £2.5 million to £2.7 million but its share dealing profits were cut from £1.1 million to £174,000 while the amount written off its investments was increased from £150,000 to £175,000. Both groups are likely to maintain conservative dividend policies. Union Corporation's new mines in the Kinross area, Bracken and Leslie, and Anglo American's new Western Deep Levels mine on the Far West Rand which started production last week will soon need more capital. At present priced in London at 141s. 3d. the 10s. shares of Anglo American yield 6.3 per cent while the 2s. 6d. shares of Union Corporation at 50s. 7½d. yield 8.1 per cent.

Lewis's Investment Trust

FOLLOWING a slight fall in profits in the first half of the year to February 1st, Lewis's Investment Trust virtually maintained its profits in the second half. The chairman, Mr Rex Cohen, says that under the circumstances it is "with some satisfaction" that he is able to report that trading profits at £6,081,000 for the year as a whole were only £2,000 lower than they were in 1960-61. The bad weather and the Government's measures to restrain demand depressed trade, and the group had to carry the extra burden of £750,000 in wages. Net profits fell from £5,298,000 to £5,279,000 and the ordinary dividend, rounded up from 12½ to 12½ per cent, is covered about twice by earnings.

Mr Cohen says it is difficult to venture an opinion on prospects in the current year. Trade at Selfridges was hit by the bad weather in December and January and fewer tourists appear to have shopped there, so that its trading profits fell from £1,664,000 to £1,583,000; it is now threatened by proposals to make Oxford Street a one-way street. But the reconstruction programme has been completed and Mr Cohen says that "the whole store is now poised for a substantial increase in trade and profitability as soon as normal trading conditions return." Reconstruction has already helped the Leeds and Glasgow branches of Lewis's, and is under way at Manchester and Birmingham where it should eventually raise the profits. Capital commitments stand at £3,316,000 so that the group, whose cash flow is about £1¾ million, may have to draw upon its cash balances of over £3 million. The 4s. ordinary shares at 14s. 4½d. yield 3½ per cent, and the earnings yield of about 7 per cent is higher than that of many other similar store groups.

Debenhams

AS already forecast, the directors of Debenhams have declared an unchanged interim of 5⅝ per cent on the capital as increased by the one-for-fifteen rights issue in June. They expect that profits in the full year to July 31st will enable them to recommend an unchanged final of 13¾ per cent. As the 1960-61 dividend was covered more than 1½ times by earnings, there would not appear to be any difficulty. But the directors' statement is not wholly reassuring for it says that while the turnover of those subsidiaries whose financial year ends on January 31st was higher their pre-tax profits were about 4½ per cent lower. Expenses, particularly wages and salaries, have been rising. In the last two months, the directors say, the fashion trade has been adversely affected by the prolonged spell of cold weather and by a late Easter. The odds seem to be that Debenhams profits in the current financial year will be lower than in 1960-61 and the stock market marked the 10s. shares down by 1s. 6d. to 55s. to yield 3.6 per cent.

General Refractories



WHEN the steel industry was working overtime in 1960, manufacturers of refractory bricks were working to capacity and earning record profits. Recession in the steel industry quickly ate into their profits last year and does not hold out any hope of recovery until late this year. Shareholders in companies making refractories, such as Steetley and General Refractories, have always to be prepared for these cyclical swings; but they cannot fail to note that the fall of 20 per cent from £1,290,000 to £1,029,000 in the trading profits of General Refractories was almost twice as steep as that reported by Steetley. The chairman of General Refractories, Mr Roland Kirkby, says that sales and earnings in the early months of the year were maintained; but wages rose, the tax on fuel oil was raised and as the demand for steel fell the steelmakers, having built up big stocks of refractories, cut down their orders. Investment allowances reduced the tax charge and limited the fall in net profits to 12 per cent from £602,000 to £530,000 and the maintained ordinary dividend of 25 per cent is covered about 2¼ times by earnings.

Mr Kirkby says that many lessons were learnt in 1961 and that General Refractories hopes to improve production planning as a result of its experience. The swing from boom to recession was certainly sharp, being reflected in the replacement of a net cash balance of £461,000 by a net overdraft of £328,000. It may be that the overdraft is bigger now but Mr Kirkby hopes for some improvement in the group's liquidity in the second half of the year. The yield of 5.1 per cent offered by the 10s. shares at 49s. certainly looks that far ahead.

Bradford Dyers

IN 1960 a recovery in the domestic piece-dyeing section of Bradford Dyers' Association was largely responsible for the revival of the group's profits; last year, however, the trading profits of the United Kingdom dyeing, printing and finishing branches fell back so that the trading profits of BDA's interests in this country as a whole fell by 27 per cent from £553,000 to £404,000. Overseas subsidiaries earned slightly higher profits of £260,000, against £214,000. The chairman, Mr James Ewing, says that there was a big increase in the output and profits of the Canadian and United States subsidiaries, though a loss was incurred by the Australian subsidiary. The group's net profits fell from £222,000 to £182,000, leaving the maintained ordinary dividend of 6 per cent from trading short-earned by about a fifth. A tax-free bonus of 2 per cent is to be paid from the surplus on the sale of shares in the Egyptian company, Beida Dyers, SAE. Mr Ewing makes no specific forecast for the current year, but he says that the inadequate response to the government reorganisation scheme for the finishing sections of the textile industry leaves it with excess capacity still on its hands. Though the £1 ordinary shares have risen from 12s. in 1961 to 15s. 6d. xd, it is not surprising in view of the short-earned dividend and the constant competition of foreign imports that the yield is 7¾ per cent, excluding the tax-free bonus.

Harveys of Bristol

JOHN HARVEY'S financial year ended on February 28th but at last Friday's extraordinary meeting, which approved the company's change of name, the chairman, Mr George McWatters, was already able to tell shareholders that the group's trading profits, excluding pre-acquisition profits, were not less than £900,000, against £707,000 in 1960-61. As forecast the ordinary dividend is to be maintained at 21 per cent on the capital as increased by the one-for-four rights issue and acquisition issues. Shares were issued in the purchase of Cater, Stoffell and Fortt, which contributed a full year's profits from its grocery, restaurant and catering interests. But Harvey's principal acquisitions in the past year have been for cash; about £450,000 was paid out for Martinez Gassiot, and about £550,000 for the whisky business of Stewart of Dundee.

These acquisitions must have eaten deeply into the group's liquid resources, reinforced only a year ago by the £1.6 million raised by a rights issue, and the directors now have a £1 million-£2 million debenture issue under consideration. Ordinary shareholders will hardly grumble at such an issue for the latest increase in profits has left the dividend cover virtually unchanged at just under twice. The 5s. shares, now standing at 50s. 6d. to yield 2.1 per cent, have been firmly in the "growth" category since they were first introduced on the London Stock Exchange three years ago.

The Economist Indicator (1953 = 100)

1962	Indicator	Yield %	1962 High	1962 Low
Feb. 21	356·4	4·99		
,, 28	356·6	4·97		
Mar. 7	352·2	5·03		
,, 14	356·7	4·97	364·4 (Jan. 17)	346·3 (Mar. 28)
,, 21	347·9	5·08		
,, 28	346·3	5·12		

Financial Times Indices

1962	Index †	Ord. Yield	2½% Consols Yield	Bargains Marked
Mar. 22	295·2	5·25	6·17	13.971
,, 23	293·9	5·27	6·18	14.390
,, 26	294·3	5·33	6·19	16.770
,, 27	293·7	5·35	6·23	13.729
,, 28	292·9	5·37	6·23	12.482

High, 310·2 (Jan. 19.) Low, 292·9 (Mar. 28).
† July 1, 1935 = 100.

STOCK PRICES

Prices, 1962 High	Prices, 1962 Low	BRITISH FUNDS AND GUARANTEED STOCKS	Price Mar 21, 1962	Price March 28 1962	Net Red Yield, March 28, 1962§	Gross Red. Yield, March 28 1962
					£ s. d.	£ d
93⅝	90¹¹/₃₂	Savings Bonds 3%.....1955–65	93 3/4	93 5/16	3 18 7	5 3 8
97¹³/₁₆	96 3/4	Exchequer 3%.....1962–63	97 1/32	97 1/16	3 14 8	5 4 2
100¹⁵/₁₆	100²⁹/₃₂	Treasury 5½%.....1962	100 1/16	100 3/32	1 6 9	4 14 4
95⅝	93¹⁶/₃₂	Exchequer 2½%.....1963–64	95	95 3/32	3 16 3	4 19 11
99⅞	98	Conversion 4¾%.....1963	99 1/32	99 1/32	2 17 8	5 3 6
99¹/₁₆	97¹¹/₁₆	Conversion 4½%.....1964	98 29/32	98 29/32	3 2 4	5 3 11
100⅛	98³²/₃₂	Exchequer 5½%.....1966	99⅛	99¼	3 8 2	5 5 11
83¾	82⅞	Funding 3½%.....1959–49	82 5/8	82 5/8	4 14 2	5 19 10
89⅞	88¹³/₁₆	Funding 4%.....1960–90	89 1/16	89 1/16	3 12 9	5 5 10
80¹/₁₆	78¹⁵/₁₆	Savings Bonds 3%.....1960–70	79 1/16	79 1/8	4 15 9	6 2 7
87⅜	85	Savings Bonds 2½%.....1964–67	86 3/8	86 3/8	4 9 4	5 9 11
71¹¹/₁₆	70⁷/₁₆	Savings Bonds 3%.....1965–75	71 1/16	71 3/16	4 16 1	6 5 01
85¼	83³/₁₆	Funding 3%.....1966–68	85 1/16	85 3/16	4 12 3	5 18 6
86⁵/₁₆	84⅞	Conversion 3½%.....1969	85 9/16	85 11/16	4 12 2	6 2 3
95⁷/₁₆	92¼	Victory 4%.....1920–76	95 1/8	95 3/16	4 3 7	6 5 10
91⅞	90¹¹/₁₆	Conversion 5%.....1971	91 11/16	91 11/16	4 3 5	6 6 6
99⅛	97¼	Conversion 6%.....1972	98	98 1/8	3 19 3	6 7 2
92¹³/₁₆	92⅛	Conversion 5½%.....1944–74	92 7/16	92 3/4	4 1 5	6 5 9
71⅞	69⅜	Treasury 3½%.....1977–80	71 3/8	71 3/8	4 10 4	6 4 111
70⅜	68⅝	Treasury 3½%.....1979–81	70 1/8	70 1/8	4 10 9	6 5 2/
91⅞	90³/₁₆	Funding 5½%.....1982–84	91 3/16	91 13/16	3 19 8	6 5 10
56⅞	54	Redemption 3%.....1986–96	56 1/2	56 1/2	4 5 0	6 6 0
85⅞	82⅝	Treasury 5%.....1986–89	83 3/4	83 5/8	4 0 11	6 6 4
61⅝	56¹⁵/₁₆	Funding 3½%.....1999–2004	61 3/8	60 7/8	4 2 7	6 6 3
88⁹/₁₆	84⅛	Treasury 5½%.....2008–12	88 1/16	87 7/8	3 18 8	6 6 5
63⅛	58¼	Consols 4%.....after Feb. 1957	62 15/16	62 9/16	3 18 9	6 9 0
56⅛	52⅛	War Loan 3½%.....after 1952	56 3/8	56	3 17 6	6 7 7
55½	52⅛	Conv. 3½%.....after Apr. 1961	55 1/16	54 5/8	3 18 6	6 8 1
47⅛	44⅛	Treasury 3%.....after Apr. 1966	47 1/4	46 7/8	3 18 4	6 7 10
40⅝	38⅛	Consols 2½%	40 7/16	40 1/8	3 16 3	6 4 6
40½	38¹/₁₆	Treasury 2½%.....after Apr. 1975	40 1/16	39 3/32	3 17 0	6 5 9
91⅝	89¹⁵/₁₆	British Electric 4½%.....1967–69	91 1/16	91 3/16	4 3 11	6 6 1
75¾	74½	British Electric 3½%.....1968–73	74 1/8	74 1/8	4 16 9	6 6 4
70⅛	69	British Electric 3%.....1974–77	69 1/4	69 1/4	4 14 9	6 6 3
80²/₁₆	79¹/₁₆	British Electric 4¼%.....1976–79	79 1/16	79 1/16	4 4 6	6 4 2
72⅜	70⅜	British Electric 3½%.....1976–79	72 5/16	72 1/4	4 10 2	6 4 10
83¹/₁₆	82¾	British Gas 4%.....1969–72	83 1/8	83 1/4	4 10 9	6 6 0
81⅞	80¹⁵/₁₆	British Gas 3½%.....1969–71	81 1/4	81 1/4	4 12 7	6 3 6
57⅞	53¹³/₁₆	British Gas 3%.....1990–95	57 11/16	56 7/16	4 6 3	6 0 9
75¾	74⅜	British Transport 3%.....1968–73	74 9/16	74 5/8	4 16 9	6 4 4
78³/₁₆	77⅜	British Transport 4%.....1972–77	78 3/4	78 1/16	4 8 0	6 5 2
59¾	56½	British Transport 3%.....1978–88	59⅜	59 1/16	4 10 5	6 4 2

Prices, 1962 High	Prices, 1962 Low	DOMINION AND CORPORATION STOCKS	Price Mar. 21, 1962	Price. Mar. 28. 1962	Red. Yield Mar. 28 1962
					£ s. d.
81¾	79½	Australia 3½%.....1965–69	81¼	81⅝	6 8 0
98¼	96	Australia 6%.....1974–76	96	96	6 7 0
66	60	Ceylon 4%.....1973–75	60	60	8 17 0
96¾	94¼	New Zealand 6%.....1976–00	95¼	95⅜	6 3 0
75¼	63	Rhodesia and Nyasaland 6%.....1970–01	64	63½	10 3 0
85	82	South Africa 3½%.....1965–67	82¾	85	6 18 0
58¼	50½	Southern Rhodesia 4½%.....1987–92	50½	50½	9 3 0
80¼	77¾	Agricultural Mortgage 5%.....1959–89	79¾	80½	6 10 0
88⅛	86	Birmingham 4¼%.....1967–70	87⅞	88½	6 2 0
90½	88¾	Bristol 5%.....1971–73	90¼	90½	6 6 0
89¾	88	Corporation of London 5½%.....1976–79	89½	89¾	6 7 0
46⅛	43	L.C.C. 3%.....after 1920	46	45¾	6 10 0
86⅛	84	L.C.C. 5%.....1990–93	85⅞	85⅜	6 4 0
89¼	87	Middlesex 5½%.....1980	87½	87⅞	6 7 0

NEW YORK PRICES AND INDICES

	Mar. 21 $	Mar. 28 $		Mar. 21 $	Mar. 28 $		Mar. 21 $	Mar. 28 $
Atch. Topeka	26¾	27⅛	Boeing	49⅝	50¾	Int. Harvester	55¼	53¾
Can. Pacific	24½	24½	Celanese	43⅞	43⅝	Inter. Nickel	79⅜	77⅞
Pennsylvania	17	16⅝	Chrysler	55¾	55⅛	Inter. Paper	37⅜	37⅝
Union Pacific	32½	32⅛	Col. Palmolive	48	45⅜	Kennecott	80⅞	80½
Amer. Electric	72	70⅜	Crown Zeller	56	56⅞	Monsanto	47½	47¾
Am. Tel. & Tel.	130¾	130¼	Distillers Seag.	47	47	Nat. Distillers	29¼	28⅝
Cons. Edison	81⅜	82	Douglas	29½	29⅜	Pan-American	23½	23
Int. Tel. & Tel.	54½	54¼	Dow Chemical	61⅜	60	Procter Gamble	83¼	85
South'n. Nat. Gas.	49¾	49	Du Pont	249	243½	Radio Corpn.	63⅛	61⅜
United Corpn.	8⅛	8¼	East. Kodak	113¾	114½	Sears Roebuck	84¼	83¾
Western Union	38½	38¼	Ford Motor	98⅝	96¾	Shell Oil	40⅞	38⅛
Alcoa	66¼	66	Gen. Electric	77⅜	77⅜	Socony-Mobil	55⅞	55⅞
Aluminium	27⅜	26⅞	General Foods	85¼	84⅛	Stand. Oil Ind.	53⅜	53¼
Amer. Can	45⅜	46⅛	General Motors	56⅞	56⅛	Stand. Oil N.J.	54¼	54¾
Am. Smelting	60⅛	59¾	Goodyear	44¼	44	Union Carbide	115¾	114½
Am. Viscose	58	59⅜	Gulf Oil	42¼	42⅜	U.S. Steel	71¼	72
Anaconda	47¾	47⅜	Heintz	60½	60½	West. Electric	36¼	35¼
Beth. Steel	42⅜	43⅛	Int. Bus. Mach.	551	539½	Woolworth	83¾	83¼

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

1962	425 Industrials	Yield %	25 Rails	Yield %	50 Utilities	Yield %	Govt. Bonds	Yield %
Feb. 28	73·89	2·90	33·70	4·79	63·99	3·15	87·67	4·11
Mar. 7	73·57	2·91	33·50	4·82	63·92	3·16	87·87	4·09
,, 14	74·93	2·86	33·43	4·82	64·79	3·12	88·70	4·01
,, 21	74·42	2·88	33·35	4·83	64·95	3·11	88·80	4·00
,, 28	73·93	2·90	33·35	4·81	64·45	3·13	89·01	3·98

425 industrials:—High, 75·22 (Jan. 3). Low, 71·68 (Jan. 29).

Prices, 1962 High	Prices, 1962 Low	ORDINARY STOCKS	Price, Mar. 21 1962	Price, Mar. 28 1962	Yield, Mar. 28, 1962	Cover
92/6	86/–	Barclays.....£1	88/3	90/6	2·87	...
99/9	93/–	Brit. Electronic Inds..5/–	94/6	95/9	3·34	...
64/1½	58/6	Lloyds.....£1	58/6	60/3	3·12	...
23/6	20/3	Martins.....5/–	21/9	22/4½	3·35	...
93/6	86·9	Midland.....£1	91/–	92/3	3·25‡‡	...
94/6	89/–	Nat. Provincial.....£1	89/–	90/3	3·10	...
91/6	84/–	Westminster 'B'.....£1	89/3	90/–	2·95	...
43/3	40 10½	Australia & N.Z....£1 p.p.	41/9	41/6	5·78	...
48/3	44/6	Bk. Lond. & S. Amer..£1	47/–	46/9	4·28	...
$2·05c	£2 3/16	Bank of Montreal....$10	£2 3/16	£2 3/16	2·93	...
29/–	27/–	Bank of New S. Wales £20	29/–	29/–	4·92g	...
8	9	Barclays D.C.O.....£1	37/–	36/3	5·52	...
7½	7½	Chartered.....£1	55/3‡	54/9	5·48	...
$2·37½c	$2·50	Hongk'g. & Shang....$25	£17¾	£18	4·17	...
5	10/–	Nat. Com. Bk. Scot..10/–	52/9	52/3	3·16	...
6	6	Royal Bk. Canada....$10	£28⅜	£28⅛	2·97	...
37/6	40	Stand. Bk. S. Africa...£1	43/6	41/–	7·32	...
22½	7½	Hambros.....£1 f.p.	182/6	185/–	2·43	...
2½	5	Schroders.....£1	85/3	86/–	1·74	...
6¼	6¼	Union Discount.....£1	53/6	55/6	4·50	...
Nil	c	Bowmaker.....5/–	12/7½	11/10½	–	...
5	b	Lombard Banking.....5/–	13/3	13/–*	3·85	†
5	a	Mercantile Credit.....5/–	12 10½	12/6	3·00	...
4	a	United Domins. Tst...5/–	37/6	34/9	3·81	3½
...	7	Bass, M. & B.....5/–	13/7½	13/6	4·07‡‡	2
8½	6	Distillers.....10/–	38/9	39/–	3·72	2
6	8	Flowers.....5/–	18/–	17/6	3·43	2
8	14	Guinness.....10/–	48/3	48/3	4·56	1¾
...	8	Ind. Coope T.A.....5/–	12/7½	12/10½	4·66‡‡	1½
5	7½	United Breweries.....5/–	14/9	15/3	4·10	2
5	a	Warner, Hans.....5/–	24/–	24/3	3·71	2
27	c	Whitbread 'A'.....5/–	34/9	34/9	3·88	12½
5½	b	Associated Portland...£1	50/7½	50/3	3·72	2½
7½	a	British Plaster Bd. ...10/–	22/3	21/9	5·75	2½
6	a	Richard Costain.....5/–	15 10½	15/7½	5·12	2¾
12½	b	Crittall Mfg.....5/–	11/7½	11/6	7·34‡‡	2
10	a	International Paints ..4/–	10/6	10/6	7·62	3½
25	c	Rugby Portland.....5/–	66/3	67/3	1·86	3½
11	b	Wall Paper Defd.....5/–	20/4½	19/3½	4·25	2¼
14	b	Albright & Wilson...5/–	24/11½	23/7½	4·23	2½
7½	b	Borax Defd.....5/–	18/4½	18/7½	3·09	2½
7	b	Fisons.....£1	38/9	39/9	5·53	1½
10	a	I C I.....£1	54/1½	54/7½*	5·03	2
5	b	Monsanto.....5/–	13/9	13/9	3·64	1½
4	a	Boots Pure Drug....5/–	28/–	29/–	2·07	2½
5	b	Montague Burton....10/–	30/10½	30/10½	2·23	2½
5⅝	a	Debenhams.....10/–	55/4½	55/–	3·49	1½
12½	a	G.U.S. 'A'.....5/–	55/7½	56/–	3·35	2
13½	a	House of Fraser.....5/–	52/3	52/3	2·55‡‡	1½
7½	b	Lewis's Invest. Tst...4/–	14 3/4*	14/4½	3·48	2
15	a	Marks & Spencer 'A'..5/–	52/–	52/3	2·57	1½
10	a	United Drapery.....5/–	47/–	48/–	3·13	1¾
25	b	Woolworth.....5/–	49/–	48/9	3·67	1½
†6·94b	†2·78a	British Petroleum £1	34/6	33/6	9·48	2¼
†6⅞ b	†2½ a	Burmah Oil.....£1	32/3	31/9	9·64	1¼
11¼ a	15 b	Royal Dutch.....20 fl.	£13 3/16	£13 7/16	3·85	2¾
†15 b	...	Shell Transport 5/–	30 7/8	29/9*	6·86	2½
...	...	Ultramar.....10/–	22/–	21/–	... d	...

FOREIGN AND OVERSEAS STOCKS

	Mar. 21	Mar. 28		Mar. 21	Mar. 28		Mar. 21	Mar. 28
FRANCE	Frcs.	Frcs.	**GERMANY**	%	%	**HOLLAND**	%	%
Air Liquide	1,212	1,329	A.E.G.	514½	497	A.K.U.	396⅜	383¾
Banque de Paris	585	624	Bad'che. Anilin	483	477	Bijenkorf	1,101½	1,096
Citroen	183	209	Bayer	619	609½	Heinekens	561	546½
C. F. Petrole	315	328	Commerzbank	588	565	Inter'unie (Fl.50)	Fl.233	5 Fl.232½
Cie. G. d'Elect.	1,320	1,367	Deutsche Bank	681	654	K. N. Hoogoven	809	788
Machines Bull	715	731	Hoechst Farb.	519½	514	Kon. Zout-Ket.	1,100	1,073
Pechiney	278	293	Kundenkredit	518	512	Philips	1,004½	971½
Printemps	709	759	Lowenbrau	1,230	1,200*	Robeco (Fl.50)	Fl.255	Fl.240
Rhone-Poulenc	503	524	Mannesmann	236½	236½	Rotterdam Bk.	400	400
S.I.M.	397	385	Siemens	757	750	Thomassen & D.	734½	698
Saint-Gobain	424	437	Thyssen-Huette	215	215	Valeurop	Fl. 82·5	Fl. 81·1
Usinor	213	227	Volkswagen	686	662	Zwanenberg	1,095	1,051
			Herstatt Index					
Index	106·0	109·6		112·36	110·68	Index	386·28	379·04
	Dec. 30, 1960=100.			*Dec. 31, 1959=100.*			*1953=100.*	

CANADA	$	$	**AUSTRALIA**	£A	£A	**JAPAN**	Yen	Yen
Abitibi Pr. & P.	46¼	46	Ampol Pet.	12/3	12/4	Ajinomoto	591	610*
Aluminium	28⅞	28⅜	Ass. Pulp & P.	33/–	32/–	Fuji Iron	52	50*
Bell Tel.	57½	57	Aust. Con. Inds.	74/9	73/6	Hitachi	84	86*
Can. Brewer's.	11¾	11⅝	Aust. Oil & Gas	97/–	95/–	Honda Motor	273	273
Can. Imp. Bank	67½	67	Brit. Tobacco	24/9	23/3	Kirin Brewery	547	535
Can. Pac. Rly.	25⅝	25⅞	Broken Hill Pty.	65/–	62/6	Mitsub. Chem.	74	70‡‡
Hiram Walker	58½	58½	G. J. Coles	14/3	13/11	Mitsub. Elect.	94	72‡‡
Imperial Oil	49½	48½	Felt & Textiles	7/7	7/9	Mitsub. Heavy	94	70‡‡
Noyanda Mines	59¾	59½	I.C.A. A.N.Z.	43/6	43/6	Nippon Elect.	394	403*
Steel of Canada	85	85¾	Myer Emporium	34/10	33/3	Sony	799	801
Trans. Can. Pipe	24⅝	25	Ready Mix Con.	18/6	17/7	Toyo Rayon	152	150*
Toronto Ind.			Woolworth	16/10*	16/10	Yawata Iron	57	54
Index	624·98	623·96	Sydney Indust.			Dow Jones		
	1933=100.		Index	311·99	308·68	Average	1494·24	1477·43

* Ex dividend. † Tax free. ‡ Assumed average life 7½ years. § The net redemption yields allow for tax at 7s. 9d. in £. ‖ Ex capitalisation. Ex rights. ‡‡ Ex all. (a) Interim dividend. (b) Final dividend. (c) Year's dividend. (d) Capital distribution of 1s. 0d. per share. (f) Flat yield. (g) Equivalent to 7·2 sterling. (h) After Rhodesian tax. (l) To latest date. Japanese prices supplied by Daiwa Securities, Tokyo

AND YIELDS

LONDON: NEW YORK: FRANCE: GERMANY: HOLLAND: CANADA: AUSTRALIA: JAPAN

Prices, 1962 High	Prices, 1962 Low	Last Two Dividends (a) (b) (c)		ORDINARY STOCKS	Price, Mar. 21 1962	Price, Mar. 28 1962	Yield, Mar. 28, 1962	Cover
		%	%					
32/6	27/–	5 a	5 b	**ELECTRICAL & RADIO**				
12/6	11/–	5 a	15 c	A.E.I.....£1	28/9	27/–*	7·41	11¼
63/9	56/4½	4 a	9½ b	Brit. Electronic Inds..5/–	11/9	12/1½	6·19	1¼
14/8¼	12/7½	5 a	7½ b	B.I.C.C.....£1	61/3	61/9	4·37	2
85/–	76/6	23½ c	31½ a	Crompton Parkinson..5/–	12/7½	12/9	4·90	2½
45/6	42/–	12½ b	5 a	Decca Record.....10/–	78/–	76/6	3·05	13½
48/9	41/3	8 b	5 a	E.M.I.....10/–	42/9	42/6	4·12	2
27/9	23/–	3 a	5 b	Elliott-Automation...5/–	47/–	46/9	1·39	2
30·3	26/–	7 b	3 a	English Electric.....£1	27/–	26/3	7·62	¾
59/3	50/6	8½ b	4⅜ a	General Electric.....£1	57/9	57/9	4·33	4
47/9	44/3	6 b	3¼ a	C. A. Parsons.....£1	45/9	44/3	4·41	2¾
75/–	63/6	25 c	25 c	A. Reyrolle.....£1	45/9	44/3	4·41	2¾
				Thorn Electrical.....5/–	72/–	74/6	1·68	3
23/9	20/3	9 c	Nil a	**ENGINEERING**				
33 11/2	27·3	7 b	3·2 a	Babcock & Wilcox.....£1	21·3	21/3	...	1
6/–	4/3	9 b	3 a	John Brown.....£1	31/–xll	31/9ll	6·43	2½
6/3	5·9	12 a	4 c	Cammell Laird.....5/–	4/4½	4/6	13·33	1
10·6	7·0	10 a	20 b	Internat. Combust.....5/–	22/9	22/3	6·74	1¼
5·6	3·7½	...	...	Rich'ds'ns. Westg'th. 10/–	3/10½	3/10½	...	2¼
38/4½	32/–	2½ a	9½ b	Swan Hunter.....£1	34/–	34/9	6·91	2¼
13/–	10/6	5 c	5 a	John Thompson.....5/–	11/–	11/–	2·27	2¼
32/7½	30 4½	†2½ a	†6¼ b	Coventry Gauge.....10/–	32/11½	31/6	4·54	2¾
73/7½	60/7½	†2½ a	†6 b	Alfred Herbert.....£1	62/6	61/10½	4·49	2
47·6	39·6	12½ b	5 a	Allied Ironfounders....£1	41/6	39/6	8·86	1½
96·3	90·9	10 b	5 a	Averys.....£1	91/3	90/9	3·31	2½
20/3	16·6	4 a	7½ b	B.S.A.....10/–	17/6	16/6	7·07	2¼
11/–	9/–	4 a	4½ a	George Cohen.....5/–	11/–	11/–	5·91	1¾
33/–	29·3	17½ b	10 a	Davy-Ashmore.....5/–	29/6	29/3	4·70	2¼
80/–	75/–	11 b	5 a	Guest Keen.....£1	75/7½	75/4½	4·25	3½
21/–	19·6	12 b	4 a	Head Wrighlson.....5/–	20 10½	20 10½	3·83	2½
85/6	80·6	7 b	5 a	Metal Box.....£1	82/–	81/6	2·94	2¼
17·3	14·9	10 b	4 a	Ransome & Marles.....5/–	15/–*	15/–*	4·67	3
46·3	44·6	7 b	3 a	Rank Organisation.....5/–	43/9	45/3	4·42	2
64 10½	57·7½	7 a	7 b	Tube Investments.....£1	58/–	57/7½	4·86	3
31 1½	26 10½	7½ b	2½ a	Vickers.....£1	27 4½	27/–	7·41	1¾
69/–	60/–	10 b	3¾ a	Ward (Thos. W.).....£1	68·6	68/–	4·04	3
20/6	18/–	22½ b	5 a	Woodall-Duckham...5/–	18/–	18/–	5·83‡‡	2¾
				FOOD & TOBACCO				
23·9	20 4½	10 c	10 c	Allied Suppliers.....10/–	20·9	20 4½	4·91	2¼
12·4½	10·2¼	12 b	10 a	Assoc. British Foods...£1	20·9	10·6	2·14	2
61/3	56·3	8 b	4 a	Bovril.....£1	56·9	56·9	4·23	2½
12 1½	11 4½	21 9b	13·9b	Brooke Bond 'B'.....5/–	11 4½	11 4½	4·02	3½
15/9	13 7½	10 b	2½ a	International Tea.....5/–	13/1½	13/1½	4·76	1½
78·3	72·9	10 b	8 a	J. Lyons 'A'.....£1	74/9	75/3	4·21	...
33·3	30·–	5 a	9 b	Ranks Hovis.....10/–	31/6	32 1½	4·36	2
2 10½	1 10½	2 7½ b	2½ a	Spillers.....5/–	12/3	12/9	3·92	2½
50/3	47 1½	11 a	1 b	Tate & Lyle.....£1	49/–	49/9	4·82	2¼
17/–	15/3	9 b	5 a	Unigate.....5/–	16/1½	16/4½	4·27	2½
63·9	53/3	22½ c	25 a	Brit. Amer. Tobac...10/–	60/6	59/–	6·23	2
41·3	29·6	15 b	5 a	Gallahe.....10/–	32/3	31/–	6·45	2
63·9	48/–	7½ a	14 b	Imperia Tobacco.....£1	51/9	50/3	8·96	13¾
				INSURANCE				
165⅝	147/6	50 a	55 b	Britannic.....5/–	165½*	165½	2·63	...
58·3	55·3	20 b	20 a	Commercial Union ..5/–	56/6	55/3	4·07	...
35 15/16	33½	141·17c	141·17c	Equity & Law Life....8/6	34½	33½	0·85	...
95·3	84·6	20 b	10 a	General Accident...5/–	90/3	91/6	1·64	...
53/6	46/9	40 b	35 a	Guardian.....5/–	52/3	52/3	2·55‡‡	...
44 5/16	38½	80 a	110 b	Legal & General....5/–	40 11/16	41 1/16	1·16	...
49/3	42/9	11½ b	8½ a	Northern & Empl....£1	142/9	144/3	2·77	...
12	10½	†20 b	†20 a	Pearl.....5/–	11 29/32	11 29/32	3·09	...
257/8	249·6	†208 3/4 c	†208 3/4 c	Prudential 'A'.....5/–	249½	251*	2·69	...
47 10½	41 10½	...	...	Royal.....5/–	41 10½	43 1½	3·48‡‡	...
111·3	103/9	111 4 b	7½ a	Royal Exchange.....£1	105/3	107/3	3·50	...
				MOTORS & AIRCRAFT				
16/9	15·6	7½ a	12½ b	British Motor.....5/–	16/1½	16/1½	6·20	¾
85 1½	80 4½	20 c	20 c	Jaguar Cars 'A'.....5/–	81/7½	81/7½	1·23	8
41/6	35 10½	11 c	5 a	Rolls-Royce.....£1	36/3	36/4½	6·05	2¼
6/3	5·9	12 a	4 c	Rootes Motors 'A'.....4/–	6 1½	6·2/4	2·59	...
7·8·6	7·0·6	5 a	11 b	A.C.V.....£1	71/6	70·6	4·54	2
92·3	76·9	20 c	20 c	Leyland Motors.....£1	88/3	85/6	4·68	2
15 11/16	14·3	12½ c	8 a	Bristol Aeroplane ..10/–	14·9	14/3	8·77	2¼
24·9/4	21 4½	15 c	5 a	Hawker Siddeley.....£1	21/9	21 7½	9·80‡‡	1¼
36·9	27·6	15½ b	14 a	Dowty Group.....10/–	28/–	27/6	5·64	2¼
30 4½	28 1½	155 c	5 a	Dunlop Rubber.....10/–	29 10½	29 10½	5·30	2
31 10½	63·9	2½ a	11¼ b	Joseph Lucas.....£1	69 7½	70 4½	3·91	2¼
22/–	16·9	30 c	Nil a	Pressed Steel.....5/–	18·6¾	18/–	...	2¼
37 7½	34 4½	12½ c	5 a	Triplex Holdings....10/–	35 7½	35 7½	3·51	2¼
				MINES				
48·9	36·3	40 a	50 b	Anglo-American.....10/–	148·9	141/3	6·37	1½
64 3	53·9	6¼ b	183 4 b	Consolid. Gold Fields..£1	57 6	56/–	8·93	2½
9·6 3	8 10½	20 b	15 a	General Mining.....£1	83·3	82·6	8·48	2
60 6	49 3	40·8a	122·5b	Union Corporation ..2/6	51·9	51/–	8·00	3
18·–	16·9	40 a	40 b	Daggafontein.....5/–	18/–	18/–	22·22	1½
94 4½	84 4½	70 a	100 b	Free State Geduld....5/–	86 10½	84 4½	10·07	1½
47·6	39·9	25 b	25 a	Hartebeestfontein ..10/–	40·6	40·9	12·27	1½
55 7½	50/6	50 a	60 b	President Brand.....5/–	53·9	55/3	9·95	1½
28·9	117·6	90 a	120 b	Western Holdings ...5/–	127/6	124 4½	8·44	1¼
19·–	16/–	6 a	5 b	Winkelhaak.....10/–	17/3	16/–*	6·88	8½
56·9	45·9	131 3 a	367 b	Charterred.....15/–	46/6	49/–	15·31	1½
56 6	47/–	60 b	20 a	Rhod. Anglo-Amer. 10/–	48·6	50/–	16·00h	1¾
57 4½	28·6	...	...	Rhod. Selection Tst...£1	30/3	29/9	12·10‡‡h	...
21/9	17·9	15 a	17½ b	Tanganvika Cons....10/–	18/6	18/–	18·06	1¼
57/–	48/–	13¾ b	39 a	Consolidated Zinc....£1	51/–	49/6	7·07	1¾
53 1½	135/–	100 a	180 b	De Beers Defd. Reg..5/–	152/6	146/3	9·57	1¾
151½	$134	$1·50 c	$1·60 c	Internat. Nickel ....p.v.	$142

Money and Exchanges

EXCHEQUER RETURNS

For the week ended March 24, 1962, there was an "above-line" deficit (after allowing for sinking funds) of £3,971,000 compared with a surplus of £13,128,000 in the previous week and a deficit of £35,772,000 in the corresponding period of last year. There was a net expenditure "below-line" of £9,447,000 leaving a total cumulative deficit to date of £234,009,000 compared with £361,419,000 in 1960–61.

£'000	Estimate 1961–62	April 1, 1960, to Mar. 25, 1961	April 1, 1961, to Mar. 24, 1962	Week ended March 25, 1961	Week ended March 24, 1962
Ordinary Revenue					
Income Tax	2,728,500	2,324,742	2,560,395	88,722	92,667
Surtax	210,000	185,200	215,200	7,300	7,200
Death Duties	240,000	232,200	255,400	6,200	6,200
Stamps	94,000	88,700	94,200	2,300	2,200
Profits tax, EPT and EPL	325,500	260,900	328,500	7,300	8,200
Other Inland Rev. Duties	...	450	250	200	...
Total Inland Rev.	3,598,000	3,092,792	3,453,945	112,022	116,467
Customs	1,550,000	1,437,311	1,586,918	28,820	32,208
Excise	960,000	918,820	957,500	5,565	5,530
Total Customs and Excise	2,510,000	2,356,131	2,544,418	34,385	37,738
Motor Duties	155,000	126,005	141,008	211	205
PO (Net Receipts)	...	4,000	...	3,300	...
Broadcast Lic's	40,000	35,200	39,500	...	3,200
Sundry Loans	205,000	167,809	223,465	1,761	5,512
Miscellaneous					
Total	**6,508,000**	**5,781,937**	**6,402,336**	**151,679**	**163,122**
Ordinary Expenditure					
Debt Interest	660,000	673,612	724,270	3,359	*11,610*
Payments to N. Ireland Exch.	92,000	88,994	91,917	5,093	...
PO Fund — Initial settlement	15,000	...	7,282	...	...
Other Consolidated Funds	8,000	8,647	11,175	596	20
Supply Services	5,186,902	4,814,495	5,154,544	178,266	178,554
Total	**5,961,902**	**5,585,748**	**5,989,188**	**187,314**	**166,964**
Sinking Funds	40,000	39,392	39,895	87	129
"Above-line" Surplus or Deficit		**+ 156,797**	**+ 373,253**	**— 35,722**	**— 3,971**
"Below-line" Net Expenditure		578,216	607,262	Cr 26,122	9,447
Total Surplus or Deficit		**361,419**	**234,009**	**9,600**	**13,418**
Net receipts from:					
Tax Reserve Certificates		17,035	13,981	5,036	4,543
Savings Certificates		56,300	21,400	500	...
Defence Bonds		104,881	16,020	2,407	445
Premium Savings Bonds		54,710	40,800	650	1,500
Total		**232,926**	**49,401**	**—1,499**	**5,598**

* Net issues of £45 million to the Civil Contingencies Fund in 1961–62 compared with net issue of £30 million in 1960–61.

FLOATING DEBT

(£ million)

	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Dept.	Ways and Means Advances: Bank of England	Total Floating Debt
1961					
Mar. 25	3,100·0	1,606·0	300·5	4·3	5,010·7
Dec. 16	3,370·0	2,148·9	235·2	0·8	5,754·9
,, 31	3,400·0	2,205·3	205·1	...	5,810·4
1962					
Jan. 6	3,380·0	2,163·3	339·7	...	5,882·9
,, 13	3,300·0	2,151·6	334·8	2·5	5,788·9
,, 20	3,250·0	2,147·4	326·1	...	5,723·8
,, 27	3,190·0	2,163·1	217·9	1·8	5,572·8
Feb. 3	3,120·0	2,115·6	242·6	7·8	5,486·0
,, 10	3,070·0	1,989·0	246·8	...	5,305·8
,, 17	3,040·0	2,307·6	275·4	5·0	5,622·9
,, 24	2,990·0	2,382·5	207·4	...	5,579·9
Mar. 3	2,950·0	2,481·4	236·7	5·0	5,673·1
,, 10	2,960·0	2,435·5	248·2	0·8	5,644·4
,, 17	2,940·0	2,423·9	251·1	...	5,635·0
,, 24	2,980·0	2,391·6	290·8	...	5,662·5

THE MONEY MARKET

At last Friday's Treasury bill tender following the further ½ per cent cut in Bank rate, the average rate of discount fell by 8s. 7.10d. to £4 9s. 0.47d. The syndicate of discount houses raised its bid by 2s. 2d. to £98 17s. 9d. but its allotment was still only 48 per cent. This compares with 41 per cent for the previous week but 57 per cent at the tender after the reduction in Bank rate a fortnight before. The demand for bills remains high and applications for the £230 million of bills fell by only £4 million to £408 million.

The reaction of the authorities to this further sharp fall in the bill rate was swift and on Monday four or five houses had to borrow a moderate amount from the Bank of England at Bank rate. On Tuesday credit was very tight; the authorities gave special help by purchases of bills on a "considerable" scale, but this was still not sufficient to prevent two or three houses borrowing a small amount at Bank rate. The shortage of funds reflected not only heavy calling by the banks to meet tax transfers but also the absence of bill maturities following the Christmas holidays three months earlier. By Wednesday the market was slightly better placed.

MONEY RATES

LONDON

	%		
Bank rate (from 5·3·% 22/3·62)	5	**Discount rates:**	%
Deposit rates (7 days' notice):		Bank bills:	
Banks	3	60 days	$4\frac{5}{8}$–$4\frac{11}{16}$
Discount houses	3–$3\frac{1}{4}$	3 months	$4\frac{5}{8}$–$4\frac{11}{16}$
Local Authorities	$5\frac{1}{4}$	4 months	$4\frac{5}{8}$–$4\frac{11}{16}$
Call money:		6 months	$4\frac{5}{8}$–$4\frac{3}{4}$
Clearing banks' minimum	$3\frac{3}{8}$	Fine trade bills:	
Day-to-day	$3\frac{3}{8}$–$4\frac{3}{8}$	3 months	$5\frac{1}{4}$–$6\frac{1}{2}$
		4 months	$5\frac{1}{4}$–$6\frac{1}{2}$
		6 months	6–7

NEW YORK

	%		%
Official Discount rate: (from $3\frac{1}{2}$% 11 8 60)	3	**Treasury bills:** March 19	2·689
		,, 26	2·719

BANK OF ENGLAND RETURNS

(£ million)	Mar. 29, 1961	Mar. 21, 1962	Mar. 28, 1962
Issue Department:			
Notes in circulation	2,269·7	2,297·4	2,301·6
Notes in banking dept.	30·7	78·0	73·8
Govt. debt and securities*	2,298·2	2,374·0	2,374·0
Other securities	0·7	0·7	0·7
Gold coin and bullion	0·4	0·4	0·4
Coin other than gold coin	1·0	0·3	0·3
Banking Department:			
Deposits:			
Public accounts	13·2	14·1	15·0
Special deposits	151·2	232·2	232·2
Bankers	257·7	262·6	252·4
Others	72·1	72·0	72·5
Total	494·3	580·9	572·2
Securities:			
Government	422·8	470·7	449·1
Discounts and advances	38·0	29·6	46·6
Other	20·4	20·3	20·3
Total	481·3	520·6	516·1
Banking department reserve	31·6	78·8	74·6
"Proportion"	% 6·3	% 13·5	% 13·0

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue increased by £50 million to £2,375 million on March 7th.

TREASURY BILL TENDERS

Date of Tender	Amount (£ million) Offered	Applied for	91 day Bills: Average Rate of Allotment	Allotted at Max. Rate
1961	91 day		s. d.	%
Mar. 24	250·0	398·3	89 6·46	45
	91 day / 63 day			
Dec. 22	210·0 / 50·0	379·0	107 3·18	52
,, 29	250·0	396·0	108 0·72	51
1962				
Jan. 5	240·0	406·9	108 7·81	38
,, 12	240·0	409·4	108 6·03	23
,, 19	240·0	388·1	106 2·35	63
,, 26	240·0	399·8	104 10·05	61
Feb. 2	200·0	379·4	104 4·93	33
,, 9	230·0	412·8	108 0·74	22
,, 16	220·0	389·8	109 10·81	28
,, 23	220·0	405·6	110 7·47	21
Mar. 2	230·0	382·6	110 11·36	37
,, 9	230·0	396·2	100 5·89	53
,, 16	230·0	411·8	97 7·57	41
,, 23	230·0	408·1	89 0·47	48

* On March 23rd tenders for 91 day bills at £98 17s. 9d secured 48 per cent. higher tenders being allotted in full. The offer for this week was for £230 million 91 day bills

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Effective Limits March 28	Market Rates: Spot March 22	March 23	March 24	March 26	March 27	March 28
United States $	2·78–2·82	2·81$^{7}/_{16}$–$^{9}/_{16}$	2·81$^{1}/_{4}$–$^{3}/_{8}$	2·81$^{1}/_{4}$–$^{3}/_{8}$	2·81$^{1}/_{16}$–$^{3}/_{16}$	2·81$^{1}/_{8}$–$^{1}/_{4}$	2·81$^{1}/_{4}$–$^{3}/_{8}$
Canadian $	...	2·95$^{1}/_{4}$–$^{3}/_{8}$	2·95$^{1}/_{8}$–$^{1}/_{4}$	2·95$^{1}/_{8}$–$^{1}/_{4}$	2·95–95$^{1}/_{8}$	2·95$^{1}/_{16}$–95$^{3}/_{16}$	2·95$^{1}/_{16}$–$^{3}/_{16}$
French Fr.	13·622–14·027	13·78$^{1}/_{4}$–$^{1}/_{2}$	13·78$^{1}/_{4}$–$^{1}/_{2}$	13·78$^{1}/_{4}$–$^{1}/_{2}$	13·77$^{1}/_{4}$–$^{1}/_{2}$	13·77$^{1}/_{4}$–$^{3}/_{8}$	13·78$^{3}/_{8}$–$^{5}/_{8}$
Swiss Fr.	11·94–12·54$^{7}/_{8}$	12·20$^{1}/_{4}$–$^{7}/_{8}$	12·20$^{1}/_{4}$–21	12·20$^{1}/_{4}$–21	12·20–20$^{1}/_{4}$	12·20$^{1}/_{4}$–$^{3}/_{8}$	12·22–22$^{1}/_{4}$
Belgian Fr.	137·96–142·05	140·07$^{1}/_{2}$–12$^{1}/_{2}$	140·00–05	140·00–05	139·90–95	139·92$^{1}/_{2}$–97$^{1}/_{2}$	140·00–05
Dutch Gld.	9·98$^{3}/_{4}$–10·28$^{1}/_{2}$	10·15$^{5}/_{8}$–$^{3}/_{8}$	10·13$^{7}/_{8}$–14$^{1}/_{8}$	10·13$^{7}/_{8}$–14$^{1}/_{8}$	10·13–13$^{1}/_{4}$	10·13$^{1}/_{2}$–$^{3}/_{4}$	10·14$^{3}/_{8}$–$^{5}/_{8}$
W. Ger. D-Mk.	11·037–11·365	11·24$^{1}/_{2}$–$^{3}/_{4}$	11·23$^{1}/_{8}$–$^{3}/_{8}$	11·23$^{1}/_{4}$–$^{1}/_{2}$	11·22–22$^{1}/_{4}$	11·22$^{1}/_{4}$–23	11·24$^{3}/_{8}$–$^{5}/_{8}$
Portug. Esc.	80·18–28	80·17–27	80·17–27	80·17–27	80·15–25	80·15–25	80·15–25
Italian Lire	1725–1775	1745$^{5}/_{8}$–48$^{1}/_{8}$	1745$^{3}/_{4}$–46$^{1}/_{2}$	1746–46$^{1}/_{2}$	1745$^{1}/_{4}$–$^{3}/_{4}$	1745–45$^{1}/_{2}$	1746–46$^{1}/_{2}$
Swedish Kr.	14·27$^{1}/_{2}$–14·70	14·47$^{3}/_{8}$–$^{7}/_{8}$	14·46$^{5}/_{8}$–$^{7}/_{8}$	14·46$^{3}/_{4}$–47	14·46$^{7}/_{8}$–47$^{1}/_{8}$	14·48$^{1}/_{4}$–$^{1}/_{2}$	14·49$^{1}/_{4}$–$^{1}/_{2}$
Danish Kr.	19·06$^{1}/_{2}$–19·62	19·37$^{1}/_{4}$–$^{1}/_{2}$	19·37–37$^{1}/_{4}$	19·37–37$^{1}/_{4}$	19·36$^{1}/_{2}$–$^{3}/_{4}$	19·36$^{1}/_{2}$–$^{1}/_{2}$	19·36$^{1}/_{2}$–$^{1}/_{2}$
Norwegian Kr.	19·71–20·30$^{1}/_{2}$	20·05$^{3}/_{4}$–06	20·05$^{1}/_{8}$–$^{3}/_{8}$	20·04$^{3}/_{4}$–05	20·04$^{3}/_{4}$–05	20·04$^{3}/_{4}$–$^{1}/_{2}$	20·04$^{1}/_{4}$–$^{1}/_{2}$
	* Official Limits	**One Month Forward Rates**					
United States $		$^{11}/_{16}$–$^{9}/_{16}$c. pm	$^{5}/_{8}$–$^{1}/_{2}$c. pm	$^{5}/_{8}$–$^{1}/_{2}$c. pm	$^{5}/_{8}$–$^{1}/_{2}$c. pm	$^{9}/_{16}$–$^{7}/_{16}$c. pm	$^{9}/_{16}$–$^{7}/_{16}$c. pm
Canadian $		$^{3}/_{4}$–$^{5}/_{8}$c. pm	$^{3}/_{4}$–$^{5}/_{8}$c. pm	$^{11}/_{16}$–$^{9}/_{16}$c. pm	$^{11}/_{16}$–$^{9}/_{16}$c. pm	$^{9}/_{16}$–$^{7}/_{16}$c. pm	$^{9}/_{16}$–$^{7}/_{16}$c. pm
French Fr.		2$^{1}/_{4}$–1$^{3}/_{4}$c. pm	2$^{1}/_{8}$–1$^{3}/_{8}$c. pm	2$^{1}/_{8}$–1$^{3}/_{8}$c. pm	2$^{1}/_{8}$–1$^{3}/_{8}$c. pm	2$^{1}/_{8}$–1$^{5}/_{8}$c. pm	2–1$^{1}/_{2}$c. pm
Swiss Fr.		3$^{1}/_{2}$–2$^{1}/_{2}$c. pm	3–2$^{1}/_{2}$c. pm	3–2$^{1}/_{2}$c. pm	3$^{1}/_{4}$–2$^{1}/_{4}$c. pm	3$^{1}/_{4}$–2$^{1}/_{4}$c. pm	3$^{1}/_{4}$–2$^{1}/_{4}$c. pm
Belgian Fr.		30–35c. pm	30–20c. pm	30–20c. pm	30–20c. pm	30–20c. pm	30–20c. pm
Dutch Gld.		1$^{7}/_{8}$–1$^{1}/_{8}$c. pm	1$^{3}/_{8}$–1$^{1}/_{8}$c. pm	1$^{3}/_{8}$–1$^{1}/_{8}$c. pm	1$^{3}/_{8}$–$^{7}/_{8}$c. pm	1$^{1}/_{4}$–1c. pm	1$^{1}/_{4}$–1c. pm
W. German D-Mk.		2$^{1}/_{2}$–2pf. pm	2$^{1}/_{2}$–2pf. pm	2$^{1}/_{2}$–2pf. pm	2$^{3}/_{8}$–1$^{7}/_{8}$pf. pm	2$^{3}/_{8}$–1$^{7}/_{8}$pf. pm	2$^{3}/_{4}$–2$^{1}/_{4}$pf. pm
		Three Months Forward Rates					
United States $		1$^{9}/_{16}$–1$^{7}/_{16}$c. pm	1$^{9}/_{16}$–1$^{7}/_{16}$c. pm	1$^{1}/_{2}$–1$^{3}/_{8}$c. pm	1$^{1}/_{2}$–1$^{3}/_{8}$c. pm	1$^{7}/_{16}$–1$^{3}/_{16}$c. pm	1$^{7}/_{16}$–1$^{5}/_{16}$c. pm
Canadian $		1$^{11}/_{16}$–1$^{9}/_{16}$c. pm	1$^{11}/_{16}$–1$^{9}/_{16}$c. pm	1$^{5}/_{8}$–1$^{1}/_{2}$c. pm	1$^{5}/_{8}$–1$^{1}/_{2}$c. pm	1$^{11}/_{16}$–1$^{3}/_{8}$c. pm	1$^{11}/_{16}$–1$^{3}/_{8}$c. pm
Swiss Fr.		9$^{1}/_{8}$–8$^{3}/_{4}$c. pm	8$^{7}/_{8}$–8$^{3}/_{4}$c. pm	8$^{7}/_{8}$–8$^{3}/_{4}$c. pm	8$^{5}/_{8}$–8$^{3}/_{4}$c. pm	8$^{5}/_{8}$–8$^{1}/_{2}$c. pm	8$^{7}/_{8}$–8$^{3}/_{4}$c. pm
W. German D-Mk.		7·61pf. pm	6$^{7}/_{8}$–6·91pf. pm	6$^{7}/_{8}$–6·91pf. pm	6$^{7}/_{8}$–6·91pf. pm	6$^{7}/_{8}$–6·91pf. pm	6$^{7}/_{8}$–6·91pf. pm
		Gold Price at Fixing					
Price (s. d. per fine oz.)		249/2	249/4½	...	249/5½	249/7½	249/5½
,, (£ ,, ,,)		35·09	35·09	...	35·09	35·08½	35·08½

UK External Trade

Imports are valued cif; exports fob.
Total trade unless otherwise stated.

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

BRITISH			
Prices and Wages	Mar. 17th	External Trade	This week
Manpower and Output	Mar. 24th	Industrial Profits	Jan. 27th
OVERSEAS			
Western Europe	Feb. 17th	United States	Mar. 10th

	Unit	Monthly averages 1959	1960	1961	1960 Dec.	1961 Jan.	1961 Feb.	1961 Oct.	1961 Nov.	1961 Dec.	1962 Jan.	1962 Feb.
VALUE												
Imports:												
Total	£ million	331·9	378·4	366·5	383·3	404·3	353·1	378·0	373·0	338·3	402·3	333·0
Food, drink and tobacco	,,	126·5	128·0	123·6	132·2	131·8	117·7	136·2	128·8	119·9	138·9	120·2
Basic materials	,,	77·6	88·3	82·1	91·5	95·2	82·9	79·8	74·6	73·8	88·0	64·7
Fuels	,,	38·9	40·0	40·3	39·6	48·3	40·2	40·0	40·3	37·3	46·7	39·6
Manufactures	,,	87·6	120·5	118·9	117·8	126·8	111·3	120·6	127·9	104·9	126·4	107·5
Exports of UK produce:												
Total	,,	277·5	296·2	306·9	306·0	330·4	297·1	319·4	319·4	298·5	311·5	298·2
Manufactures—Total	,,	234·5	250·0	259·8	252·1	280·9	253·8	265·8	266·1	244·7	263·8	250·9
,, Metals	,,	37·8	39·3	39·5	37·7	43·1	40·5	41·2	41·1	38·0	36·8	37·8
,, Engineering products	,,	122·4	131·0	139·5	132·7	149·8	132·1	140·0	140·8	128·5	148·0	135·0
,, Textiles	,,	20·7	21·7	20·8	21·3	24·1	21·7	20·8	21·5	19·4	20·7	20·7
Re-exports	,,	10·9	11·8	13·2	12·1	12·4	11·2	13·0	12·9	12·9	12·2	10·9
Balance of trade (exports less imports)	,,	−43·5	−70·4	−46·4	−65·2	−61·5	−44·8	−45·6	−40·7	−26·9	−78·6	−23·9
VOLUME(1)												
Imports:												
Total	1954=100	122	138	135	141[5]	...	143[4]	...	132[5]	...	149	123
Food, drink and tobacco	,,	118	121	121	129[5]	...	124[4]	...	124[5]	...	...	...
Basic materials	,,	101	110	101	110[5]	...	111[4]	...	94[5]	...	...	...
Fuels	,,	143	157	164	162[5]	...	179[4]	...	161[5]	...	...	...
Manufactures	,,	150	201	200	199[5]	...	205[4]	...	192[5]	...	...	...
Exports:												
Total	,,	116	122	125	125[5]	...	128[4]	...	127[5]	...	126	122
Manufactures	,,	117	124	127	124[5]	...	131[4]	...	126[5]	...	...	...
BY AREA												
Imports:												
U.S.A.	£ million	30·9	47·1	40·2	49·7	50·5	38·9	53·6	42·8	38·9	44·1	38·2
Canada	,,	26·0	31·2	29·1	31·6	27·0	25·9	29·7	33·2	31·0	24·9	24·1
Latin America	,,	26·8	25·8	23·2	22·7	24·9	25·3	18·9	17·4	20·0	23·1	21·8
West'n. Europe—Common Market	,,	46·6	55·2	56·5	52·0	56·2	52·3	58·3	64·4	48·6	59·7	53·9
,, ,, Free Trade Association (3)	,,	39·0	46·7	46·2	49·0	52·3	37·2	45·3	46·5	40·4	47·3	37·6
Soviet Eastern Europe	,,	9·7	11·6	13·0	14·8	13·4	10·7	17·6	14·5	11·4	15·2	11·0
Other Non-Sterling	,,	32·7	35·3	35·1	41·4	43·6	50·9	33·6	34·6	33·6	47·9	36·8
Sterling area	,,	120·2	125·5	123·2	122·1	136·4	111·9	121·0	119·6	114·4	140·1	109·6
Exports of UK produce:												
U.S.A.	,,	30·3	27·1	23·4	23·9	21·1	20·7	27·3	27·5	27·0	25·1	25·5
Canada	,,	17·3	17·9	18·5	16·8	14·8	17·6	17·2	20·8	14·8	15·0	17·2
Latin America	,,	12·9	14·3	13·9	15·1	14·2	14·5	15·5	15·9	13·6	16·3	12·6
West'n. Europe—Common Market	,,	38·8	43·3	51·1	43·7	48·3	45·7	58·6	52·4	55·6	55·5	56·3
,, ,, Free Trade Association (3)	,,	32·0	35·8	40·1	37·4	40·0	37·1	47·0	41·7	41·3	43·0	40·2
Soviet Eastern Europe	,,	5·1	6·4	8·8	5·4	8·5	7·7	9·6	9·3	8·7	9·7	8·2
Other Non-Sterling	,,	29·4	32·4	34·3	35·4	41·8	33·5	31·1	34·6	32·4	38·3	33·1
Sterling area	,,	111·7	119·0	116·8	128·3	141·7	120·3	113·1	117·2	105·1	108·6	105·1
TRADE IN SELECTED COMMODITIES												
Imports:												
Wheat	'000 tons	356·3	342·0	327·5	274·7	205·4	349·5	332·0	318·3	357·7	355·2	357·7
Meat	,,	67·6	69·3	61·2	56·0	69·5	60·0	52·9	40·1	50·1	66·6	61·1
Sugar, unrefined	,,	201·8	183·3	172·4	165·0	204·5	166·2	204·0	161·5	188·7	213·4	142·3
Raw cotton (2)	,,	22·5	22·5	18·4	27·2	21·0	31·6	15·5	13·7	20·2	20·3	15·3
Raw wool, sheep's and lambs' (2)	mn. lb.	58·6	49·8	49·4	56·1	75·7	58·1	32·1	35·7	48·9	84·6	46·6
Rubber, natural and synthetic (2)	'000 tons	17·0	16·2	16·2	21·0	24·2	19·8	13·5	15·0	12·3	23·8	21·8
Softwood	'000 stds.	121·7	150·0	134·2	154·5	129·2	74·3	158·1	143·9	112·8	94·4	61·7
Woodpulp	'000 tons	185·4	225·4	215·1	237·3	264·1	239·3	202·8	214·0	201·3	218·7	186·8
Crude petroleum	mn. galls.	847	963	1,059	942	1,219	1,012	1,093	1,072	967	1,151	1,026
Exports of UK produce:												
Coal, including bunkers	'000 tons	343	455	475	393	523	397	620	429	498	369	444
Woven piece-goods—cotton	mn. sq. yds.	29	27	24	28	29	24	24	22	20	21	22
,, ,, ,, wool	'000 sq. yds.	8,536	8,089	7,528	7,521	8,941	7,973	7,361	7,176	6,636	7,633	7,833
Passenger cars and chassis	number	47,414	47,491	30,897	29,224	31,728	27,119	33,791	32,226	38,203	49,705	45,789
Commercial vehicles and chassis	,,	10,619	12,127	13,913	14,207	17,286	16,689	12,188	12,586	11,595	13,164	10,990
Agricultural tractors	,,	9,474	11,951	11,790	10,549	12,670	13,682	11,464	9,720	10,190	12,958	14,706
Machinery—electrical	£'000	5,706	5,257	5,506	5,857	7,096	5,422	5,105	5,001	5,511	4,838	5,652
,, other	,,	47,264	52,948	61,374	57,059	66,773	59,612	61,318	64,990	59,604	66,254	59,251
Chemicals, elements and compounds	,,	5,862	6,442	6,422	6,594	7,149	6,917	6,634	6,634	6,740	6,489	6,367

(1) Trade with the Channel Islands is included in the total import and export indices only. (-) Retained imports. (2) Including Finland. (3) Average for first quarter. (4) Average for fourth quarter.

APPOINTMENTS

SENIOR EXECUTIVE APPOINTMENTS

Three senior executives are required to complete the team co-ordinating and controlling the overseas subsidiaries of a major international Company.

Duties will include evaluation of proposed projects and programmes for the manufacturing and marketing activities of these overseas subsidiaries.

These appointments, based on London, will involve overseas travel.

Minimum salaries of £3,000 per annum are envisaged, and applicants earning less than £2,600 per annum will not be considered. The preferred age range is 32-37.

The requirements are as follows:

PRODUCTION EXECUTIVE — **Reference PE/1611**

Candidates should have a degree in engineering or equivalent technical qualification. They must have had executive experience in production management, and of operating related management techniques

MARKETING EXECUTIVE — **Reference ME/1612**

Candidates, preferably qualified economists, must have had considerable executive experience of marketing techniques in manufacturing industry.

FINANCIAL CONTROL EXECUTIVE — **Reference FCE/1613**

Candidates must be Chartered Accountants and have had extensive experience of management accounting and financial control techniques in manufacturing industry.

Applications, giving full details of age, qualifications and experience, should be addressed to Urwick, Orr & Partners Ltd., who have been asked to advise on these appointments, at 14, Hobart Place, London, S.W.1, quoting the appropriate reference number.

EXPERT ECONOMIST and company Analyst required by City Stockbrokers. Replies, with particulars of experience in confidence, to Box No. MA/133, c.o. 95, Bishopsgate, E.C.2.

MINISTRY OF EDUCATION

H.M. INSPECTORS OF SCHOOLS

Non-contributory pensionable posts in England for men and women, preferably under 45 with good educational qualifications. Experience in any aspect of Primary, Secondary or Further Education (including Adult Education and the Youth Service) or in Teacher Training or the organisation and inspection of School Meals. Vacancies in all the main subjects of the curriculum and especially in Physical Education (Women), Nursery and Infant Education, Mathematics and Science.

Salary scale £1,830-£2,755, London Weighting if applicable.

Appointments may be made above the minimum. Higher posts filled by promotion, also some with £163 allowance.

Application form from the Secretary, Ministry of Education (Inspectors' Section), Curzon Street, London, W.1. Closing date April 27th.

MATHEMATICIAN

HEINZ, Manufacturers of the 57 Varieties, require a qualified mathematician to work with the Industrial Engineers on a number of interesting projects which require mathematical or statistical techniques.

Candidates should preferably have a degree in Mathematics or anticipate graduating in Mathematics in the Summer of this year.

Full details of duties will be discussed during interviews, together with conditions of employment but, initially, applicants should please forward a brief summary of personal history to date to:

The Personnel Officer,
H. J. Heinz Co. Ltd.,
Waxlow Road,
Harlesden, N.W.10.

BBC REQUIRES Thai Programme Organiser (British subject). Duties include planning and production of broadcast programmes and supervision and co-ordination of duties of programme staff concerned with translation and broadcasting of news bulletins, talks, commentaries and feature programmes in Thai. Essential qualifications include definite interest in and knowledge of international affairs with special reference to South-East Asia, journalistic ability, sense of news values and wide cultural background. Experience of journalism, production and planning of broadcast programmes, ability to write for broadcasting, recent knowledge of Thailand are considerable advantages. Knowledge of Thai desirable, but successful candidate must, in any case, be willing to study the language in order to become reasonably fluent. Salary £1,575 (possibly higher, if qualifications exceptional) rising by five annual increments to £2,001 p.a. max. Requests for application forms (enclosing addressed envelope and quoting reference 62.G.43.T.) to Should reach Appointments Officer, Broadcasting House, London, W.1, within five days.

ECONOMIST

The Milk Marketing Board requires a young Economist (aged 21 to 28) with a good honours degree to assist with planning and research for sales and marketing operations. Previous experience in Economics and Statistical work and in a commercial organisation will be an advantage. Salary in accordance with age and experience.

Applications, giving brief details, to the Personnel Officer, Milk Marketing Board, Thames Ditton, Surrey.

FEDERATION OF RHODESIA AND NYASALAND

AGRICULTURAL ECONOMISTS

MINISTRY OF AGRICULTURE

Applications are invited from persons holding either an Agricultural Economics, Economics Commerce or similar degree with experience in Agricultural Economics for appointment as Economists.

Salary depends on standard of degree and experience commencing entry in the range of £1,230 and £1,575 rising in a scale to £2,115 (£1,755 overseas).

Gratuity. Free conditions.

Gratuity. Passage benefits.

Farm or station accommodation and families to position, duties, etc.

The Federation offers a sunny climate with many sports and social facilities, a low income tax rate and good education facilities.

Application forms and further particulars from the Secretary, (K), Rhodesia House, Strand, London, W.C.2.

Closing date: 28th April, 1962.

NATIONAL INSTITUTE FOR SOCIAL WORK TRAINING

Applications are invited for the post of Research Assistant, scale £1,200 x £75 to £1,650 with child allowances and superannuation. Further particulars from the Research Assistant, Institute for Social Work Training, 5 Tavistock Place, London, W.C.1, to whom completed applications must be returned by April 28, 1962.

THE RANK ORGANISATION

requires a top-flight

ECONOMIST

to fill a newly-created post

The successful applicant is likely to be aged 25–35; to have obtained an honours degree in economics, preferably with some statistics; to have had experience in the application of economics, statistics, and of market research or related subjects to the problems of industry; and to have the ability to work hard without supervision.

This is a senior appointment with good prospects.

Apply with full particulars of qualifications and experience to The Personnel Adviser (E106),

THE RANK ORGANISATION, 11 BELGRAVE ROAD, LONDON, S.W.1

BRADFORD INSTITUTE OF TECHNOLOGY

APPOINTMENT OF HEAD OF THE DEPARTMENT OF INDUSTRIAL ADMINISTRATION.

Applications are invited for the above post, at a salary scale within the range £2,600 to £3,675, according to qualifications.

The Institute, which is developing rapidly, will be transferred to an independent Governing Body as from April 1. The expansion of the Department of Industrial Administration is an integral part of the planned development of the Institute as a college of advanced technology.

At present the Department has an establishment of over 30 staff, specialising in Management, Economics, Professional and General studies. Considerable importance is placed on the development of courses in Management Studies, especially at post-graduate level. The Department is also responsible for a wide range of Management and General Studies for students reading for Diplomas in Technology. Research, for which adequate facilities are available, is strongly encouraged.

Applicants should have appropriate academic and industrial qualifications and experience. The ability to direct new developments in education and research in management will be the main criterion for the appointment.

Further particulars of the appointment and forms of application may be obtained from the Registrar, Bradford Institute of Technology, Bradford 7.

RESEARCH Officer required for British Travel and Holidays Association with at least three years' experience in Market Research, commencing salary according to ability.—Apply in confidence to Financial Controller and Secretary, British Travel and Holidays Association, Queen's House, 64-65 St. James's Street, London, S.W.1.

OVERSEAS DEVELOPMENT INSTITUTE

requires an Assistant for work in economics and statistics. Candidates should have experience of work with statistics, preferably in international trade and finance.

Salary £1,000-£1,250. Appointment two to three years. Apply to the Director, Overseas Development Institute, 160 Piccadilly, W.1, from whom further information may be obtained.

BRIGHTON EDUCATION COMMITTEE

BRIGHTON TECHNICAL COLLEGE

(*Incorporating Preston Technical Institute*)

ASSISTANT LECTURER, GRADE "B," OF LECTURER for ACCOUNTANCY, SECRETARIAL AND ADMINISTRATIVE PRACTICE, largely for Final Professional courses, required from September 1, 1962.

Salary:

Assistant Lecturer, Grade "B," £770-£1,350 p.a., plus training and graduate allowances, if appropriate.

Lecturer, £1,600-£1,800 p.a.

Increments for approved experience.

Further particulars and application forms from the undersigned, to be returned to The Principal, Preston Technical Institute, Coombe Road, Brighton 7, by April 13, 1962.

W. G. Stone,
Director of Education.
54 Old Steine,
Brighton.

TOTHILL PRESS requires a graduate economist. The successful candidate must be familiar with statistical sources and he must have the ability to search out facts and to present them concisely and coherently. Experience in market research or industrial research is desirable.

This is a new appointment in a new and growing research field. Salary will be in accordance with age (not over 30) and experience.

Full particulars of qualifications and experience to Cohen, Tothill Press Limited, 33 Tothill Street, London, S.W.1. (Whitehall 9233.)

For further appointments and other classified advertisements see page 1288

THE UNIVERSITY OF SHEFFIELD

Applications are invited for a post of LECTURER in ACCOUNTANCY and FINANCIAL ADMINISTRATION (with special reference to the Accounts of Public Corporations and Local Authorities) to begin duties on 1st October, 1962. Initial salary according to qualifications and experience on the scale £1,050 x £50—£1,400 x £75—£1,850, with F.S.S.U. provision and family allowance. A grant towards removal expenses will be made. Further particulars may be obtained from the Registrar, to whom applications (four copies) should be sent by 5th May, 1962.

INDUSTRIAL MARKET RESEARCH

The British Oxygen Company Limited is developing its market survey facilities and wishes to appoint a young market survey assistant.

Applicants should hold an appropriate Honours Degree or equivalent. Two or three years' experience in industrial market research or similar commercial activity within industry, or with a consultant, would be an advantage.

Initial salary £1,250-£1,350 per annum, dependent on age and experience. Housing and removal assistance given where appropriate.

Applications, in strictest confidence, to—

The Personnel Officer,
Technical Division,
The British Oxygen Company Limited,
North Circular Road, Cricklewood, N.W.2.

SECURITY ANALYST

We wish to employ an experienced security analyst for responsibilities in the field of foreign securities. This will entail periodic visits out of the United States, primarily in western Europe.

Prerequisites for the position include competence in meeting upper echelon management and a knowledge of major international economic and political factors, as well as sound analytical abilities and background.

Please submit full particulars in confidence to:
J. Mitchell Graybard, *Personnel Manager*,
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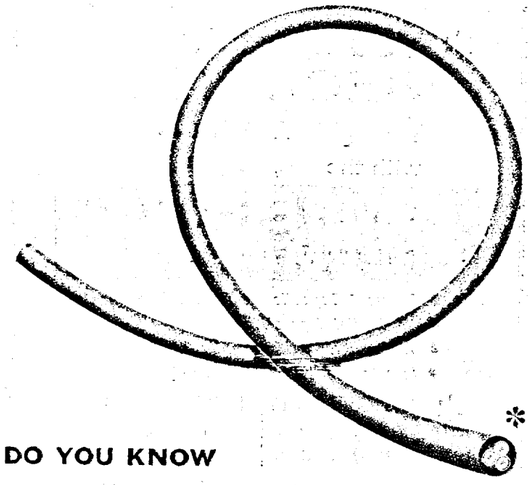
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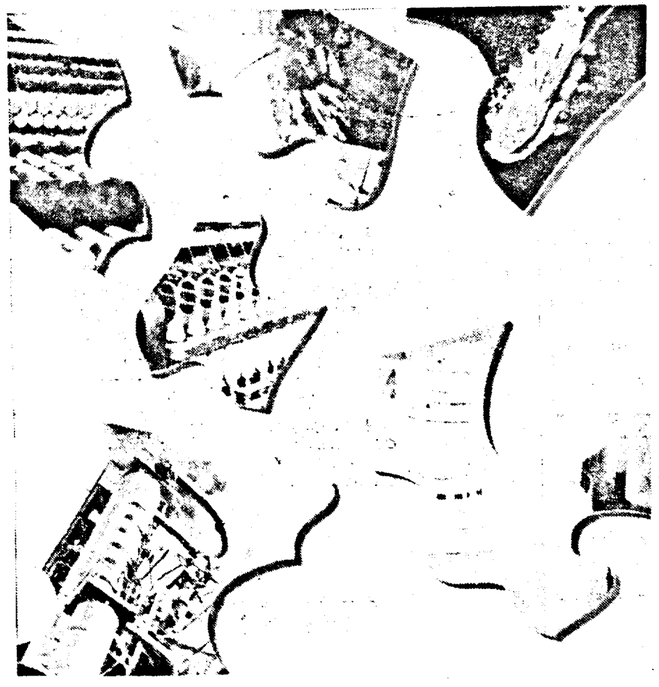
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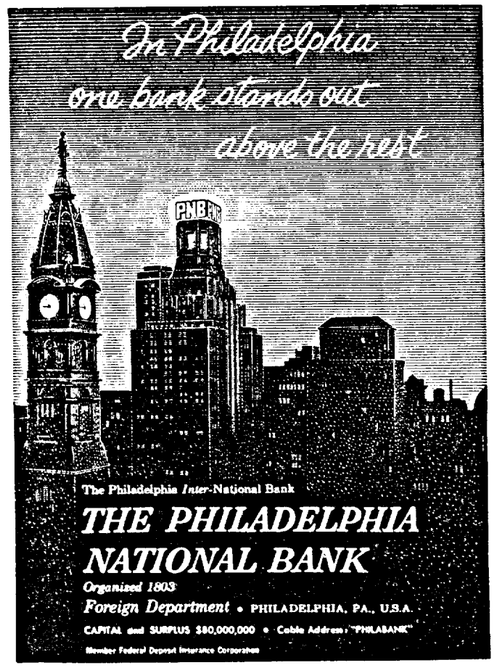
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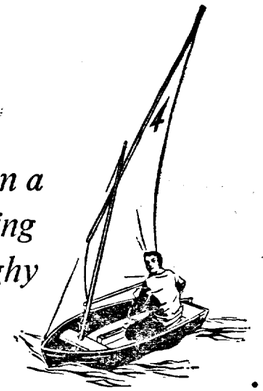
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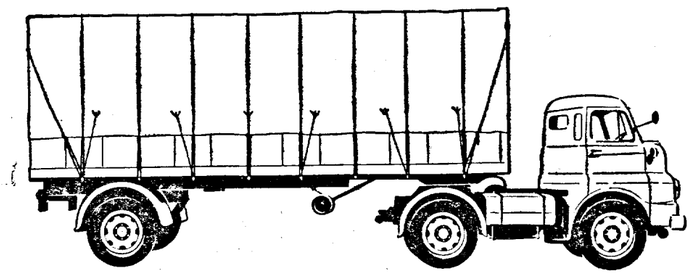
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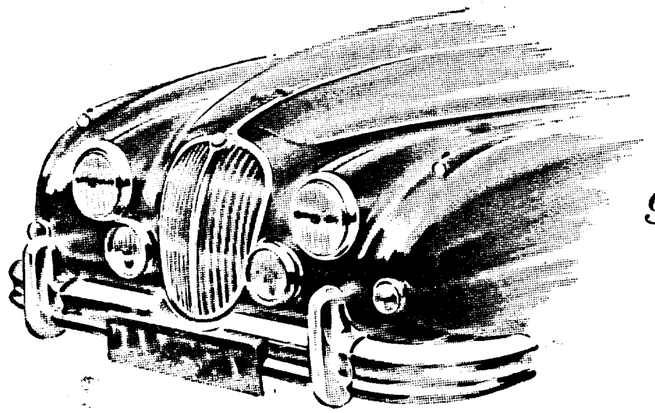
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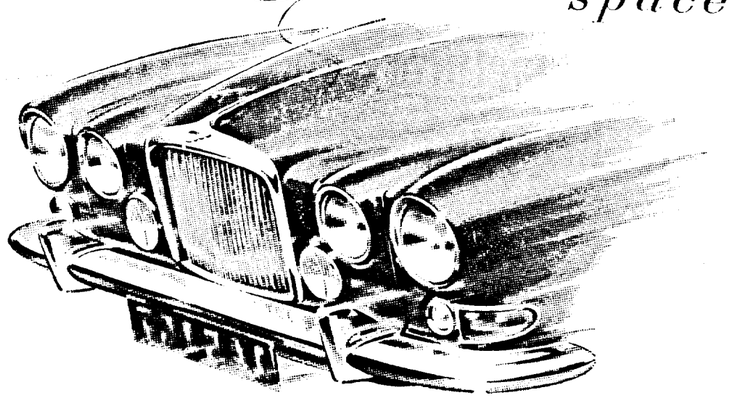
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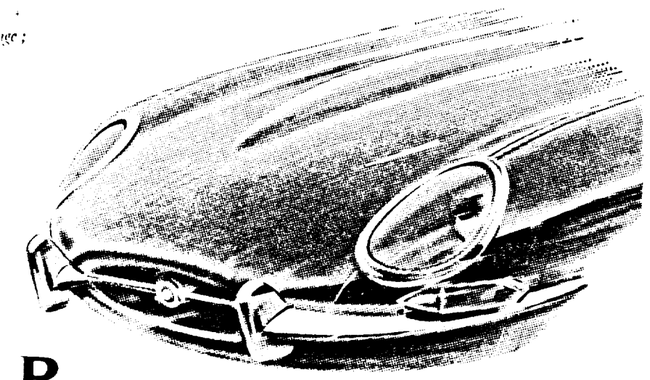
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HOME

Prognostication

The Government seems prepared to preach rather than to plan for economic policy—but what is its Budget practise likely to be? (p. 11).

Figuring out the Budget (p. 68).

New rules for procedure in **bureaucratic decisions** may help to make justice visible (p. 23).

Capital punishment—how long? (p. 24).

Introspection

This year's official Economic Survey is sometimes vague, often questionable—and perhaps unnecessary (p. 63).

The Minister of Labour has shown yet again that he fails to understand what the Government claims to be its **wages policy** (p. 18): his ministry's new statistics are very useful (p. 20).

How has the pay pause worked? (p. 22).

Television performers, at least, have not been affected by the pause (p. 22).

Reconstruction

The **Labour party's** machine, as well as its policy, is sorely in need of a reshuffle (p. 16).

The City of London's **Wren churches** are finding a new mission now that their parishioners have fled to the suburbs (p. 60).

The Government had better make up its mind what to do with its embarrassingly efficient aircraft factory in Belfast (p. 73).

Car dealers must build on the assumption that in future they will have to fight for business (p. 65).

Rustication

The Prime Minister has paid a visit to his political grass-roots at **Stockton** (p. 57): the result could be acutely embarrassing to him and his party (p. 19).

The **Kingdom of Fife** is passing from the age of coal to the highway era, and meeting troubles on its way (p. 58).

Fowl pest: for fowls as well as folks, vaccination is a modern must (p. 24).

INTERNATIONAL

Channel Storms

Mr Macmillan has at last pointed plainly to the opportunities in Europe. Mr Pickles points, just as politically but equally persuasively, to the pitfalls, but his criticisms can be put to positive use (p. 13).

Professor Meade fears, as does Mr Jay, that if Britain joins the **common market**, Europe may import less from the undeveloped world but, if it stays out, Britain may become more protectionist and less able or ready to import from anybody (p. 20).

Two Kinds of Coup

Syria's latest military coup has had one good result—the restoration of civilian government (p. 15).

Argentina's coup has brought the soldiers back to power, but behind a facade of civilian government (p. 18).

Coals of Fire

Israel could teach mankind its own lesson by sparing, instead of taking, **Eichmann's** life (p. 17).

Austria's attempt to bury the past has left some neo-Nazis in high places and provided soil for a revival of nationalism among a minority of young people (p. 27).

Paths to Peace

The neutral **Swiss** are not prepared to renounce atomic weapons (p. 18).

The British Government has been wise to invite members of the United Nations colonial committee to London, to discuss **Rhodesian** affairs (p. 19).

But the American Senate is unhappy about President Kennedy's request for permission to invest in United Nations bonds (p. 37).

Before **Belgium** and the **Congo** can live together with mutual benefit a vast financial settlement has to be made (p. 28).

Blood and Sand

Before the formation of the new **Algerian** republic, more blood will still be spilt by the Secret Army and its new Moslem collaborators (p. 27).

The new state will have sovereign powers over the **Sahara** but it will share profits, ownership and management of oil resources with France (p. 67).

Justice and Affluence

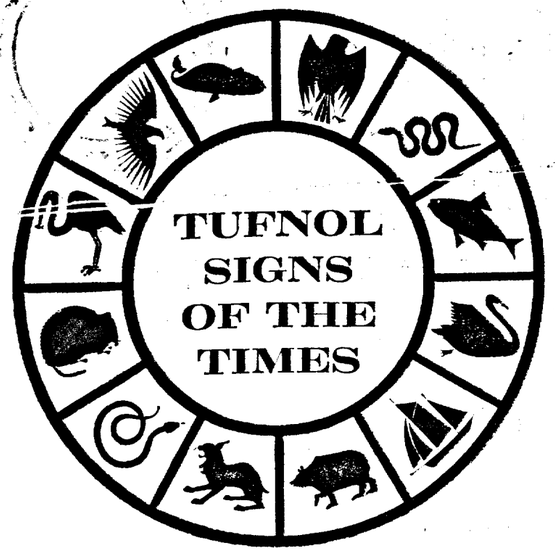
The **United States** is trying to guide the **undeveloped countries** along a modern "take-off" run (p. 35).

There will be no risk of a static **Supreme Court** with Mr "Whizzer" White on the bench (p. 36). His nickname was won in college football (p. 38).

Last week's debate on the new **tax bill** found both Republicans and Democrats reversing their usual stands (p. 37).

The **desegregation** of southern schools is being speeded up at last (p. 41).

Detailed contents on page 11



Kite - sign of Tufnol



Those people born under the sign of the Kite ascend in ever increasing circles until they reach the top of their profession. Kite men become chief purchasing officers, chief engineers, chief draughtsmen and chief designers. Kite men are perfectionists with eyes like hawks. They hunt for a material that combines the properties of many materials—a material that is light yet strong and hardwearing, resistant to corrosion and a good electrical insulator. They also expect this ideal material to resist deterioration in storage, to machine easily with ordinary tools, and to be available in sheets, tubes, rods, angles, and channels. Many Kite men have already spotted this ideal material—"KITE" brand Tufnol. They have also discovered that Tufnol is available in eleven other brands, each with pre-determined properties.

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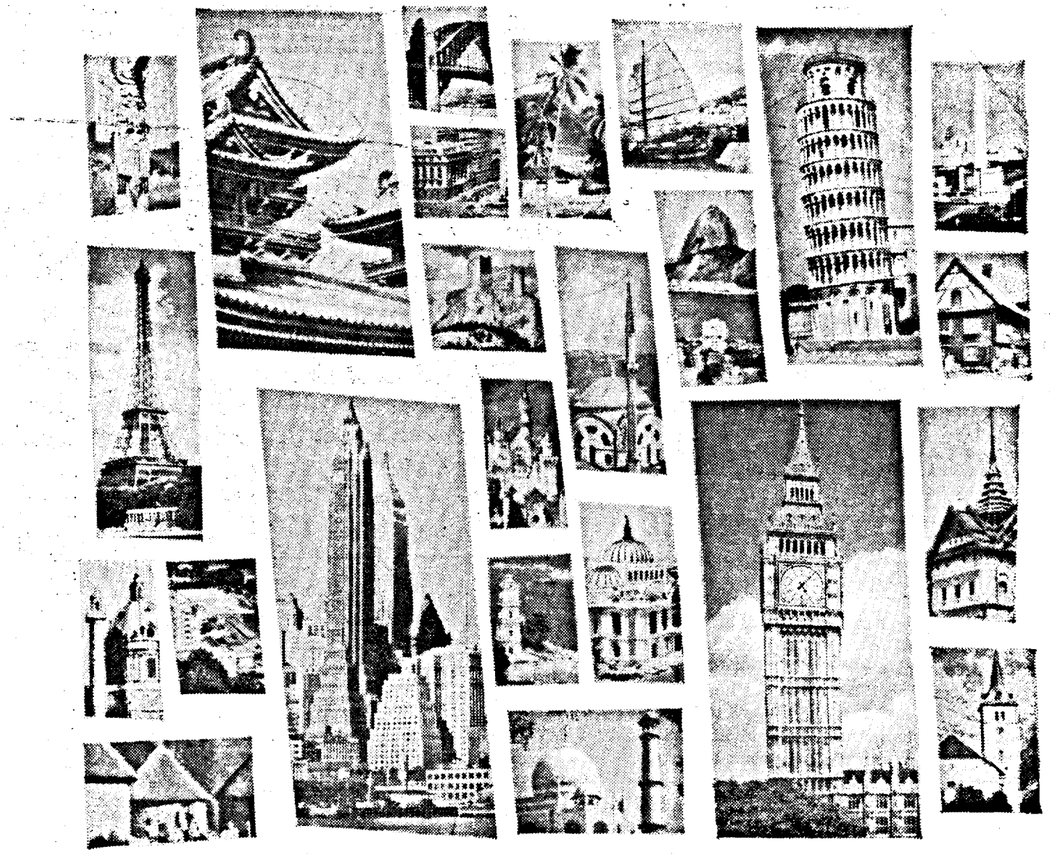
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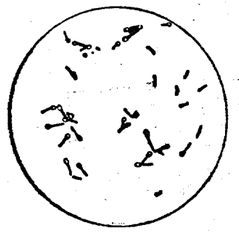
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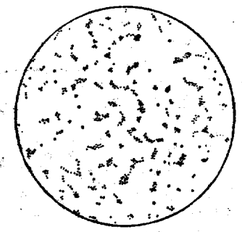
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Popularly known as anthrax, a deadly disease conveyed by animal hair, hides, wool, etc.



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This is the lock jaw-causing organism that makes strict sterilisation essential of such things as talcum powder, hospital dressings and sutures, etc.

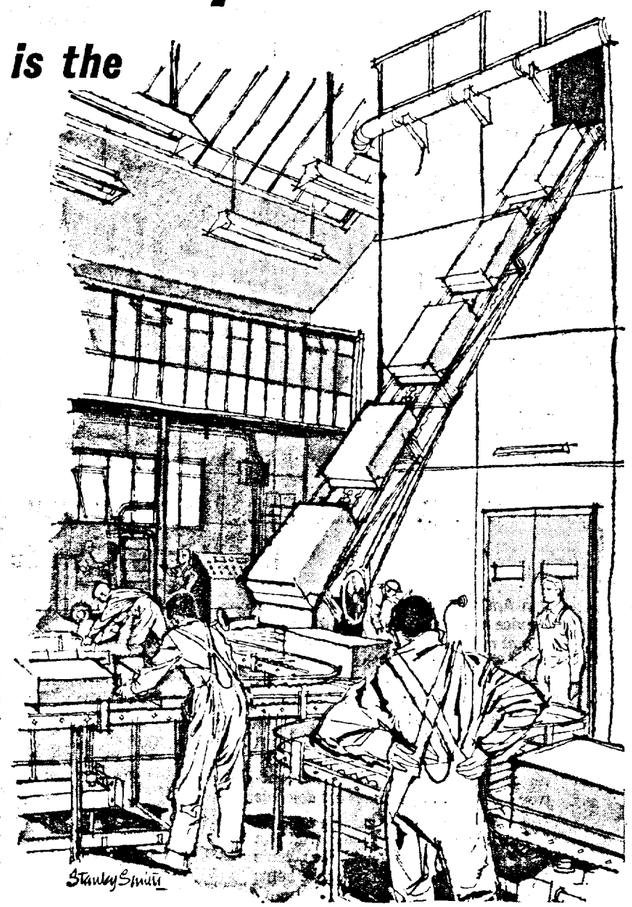


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THE CITY PAGES WITH THE WEEK'S INSIDE NEWS



The City Editor of a Sunday paper has more time for delving than his Daily counterpart. Nigel Lawson, City Editor of The Sunday Telegraph, has established a reputation for spotting the news within the news.

In the last twelve months he has unearthed the inside stories of an extraordinary number of take-overs and special situations. He and his staff interpret shrewdly the background trends—and a growing list of television and radio broadcasts proves that what Lawson knows is well worth sharing.

Each week his main article looks coolly at a burning question. Recent successful unravellings include the I.C.I.—Courtaulds collision. And the queries settled by the "Family finance" and "Investors ask" columns (picked from a full postbag, all answered personally) have a happy knack of helping a lot of other readers too. Easy and profitable reading for Sunday!

Sunday Telegraph

THE PAPER PEOPLE READ FIRST

HE ECONOMIST APRIL 7, 1962



"Like a real hot number, dad?"

"Take care it doesn't burn your lips, Son"
"No, I'll play it real cool, man—er—Dad"
"Sort of blowing hot and cold, Son?"
"Sure, Dad; cold at the ends and hot in the middle"
"Sounds like a description of The Twist, Son"
"Oh! I dig that, Daddy-O—sorry, Dad; but you really are with it. You're right; it *is* the twist that does it, only it's called a spiral. And the spiral gets hot while the ends stay cool"
"Central heating in fact, Son"
"Yes, Dad, in a way. But *very* hot, something like 1500° in industrial heat-treatment furnaces"
"Fahrenheit or Centigrade, Son?"
"Well, according to Old Squirt we ought to say Celsius for Centigrade if we're going into the Common Market. So let's compromise and say 1500°C"
"You haven't said what it's made of, Son. Perhaps you don't know?"
"You bet I do, Dad. Silicon Carbide—and it's all in one piece, too"
"Has this thing got a name, Son?"
"Yes, Dad; it's called Crusilite—and it's made by Morganite Electroheat Limited"
"What, Morgans again, Son?"
"Yes, Dad"
"Hot stuff, Son"
"I'd say Hot Rods, Dad"

With apologies to Harold Wincott

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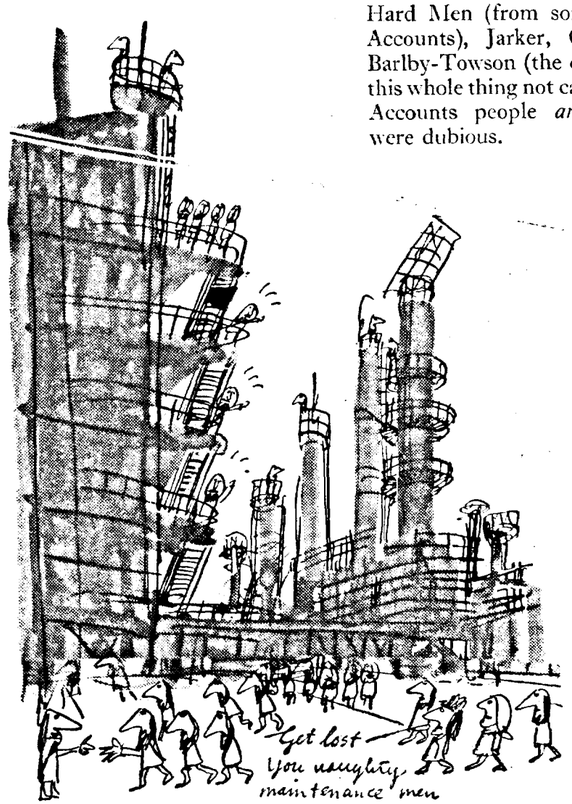
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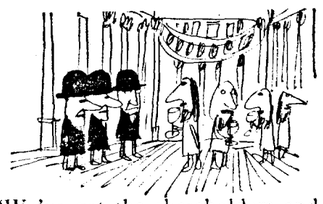
The story of the great
Shell Chemicals
Sculpture Competition
by A. N. Other-Carter

Chapter Five: Mr. Carter and the Three Hard Men

Most of the scientists were behind Mr. Carter, our director, who conceived the plan for the great sculpture competition for *The Spirit of Shell Chemicals.* When the first party of sculptors turned up at our Carrington plant, near Manchester, they got a great welcome. Even the maintenance men high on steel ladders, high among the columns where non-aromatic feedstock is cracked, whistled after the beautiful models and the lady sculptors (also beautiful; as with policewomen these days, there just didn't seem to be any ugly ones) and shouted such witticisms as 'Ethyl! Ethyl!' or 'You'll spoil your butylene-ing against that wet paint.' (Tough, rust-resisting paint, incidentally, made from Epikote resins). At the reception in the Propylenes Lounge the welcome was expressed more conventionally. I heard Carter of Alkyl Aryl Sulphonate Type Detergents saying to Max Grob, the Destructionist sculptor, and some of his models (all looking remarkably undestroyed) 'One gets so tired singing Morley canzonets and playing chess with Carter from Isoprenes up here. Glad to have you art-people around. Welcome to Carrington. It's called Carterington on old maps, you know . . .'

But the Shell Chemicals Three Hard Men (from somewhere in Accounts), Jarker, Cromp and Barlby-Towson (the only ones in this whole thing not called Carter; Accounts people *are* different) were dubious.



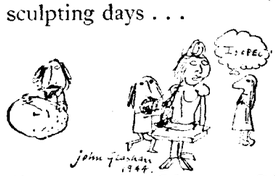


'We've got the shareholders and all like that to think of, Mr. Carter,' said Jarker. 'And anyway, it's not *practical.* How could you have *one* sculpture representing service to agriculture, with fertilisers and pesticides, to industry —'

'—with plastics and rubbers? —' said Cromp.

'—with detergents, paints, resins?' said Barlby-Towson.

'You almost convince me, gentlemen,' said Mr. Carter. 'Maybe we should have *three* competitions. One for Carrington, one for Stanlow (alcohols and ketones, solvents and intermediates), one for Shell Haven (fertilisers)—' 'No, not that, Mr. Carter,' said the Three Hard Men, and hastily withdrew. Meanwhile, in the Propylenes Lounge, inspiration had suddenly come to old doyen-sculptor Henry Jollifant. 'Bring me clay!' he roared, and began there and then a figure of Carina (a PVC), a gentle, Eve-like figure ('soft and pliable when plasticised'). 'No, curse it, that won't do, I want Carlona' (polyethylene, 'unbreakable, flexible and easily processed')—a classical, dark-eyed, noble, Italian-looking girl. Not unlike the Isobel of my own sculpting days . . .



Do not miss Chapter Six: 'Over the Sea to Stanlow'

For any information about chemicals contact the Information Officer, Shell Chemical Company Limited, 170 Piccadilly, London W.I.

The Economist

APRIL 7, 1962

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VOLUME CCIII - NUMBER 6189

1962

No Jam on Monday?

THE Economic Survey for 1962 (which is examined practically on pages 63 to 65) represents the Government's most disappointing departure yet from any semblance of modern economic thinking or exposition. It proceeds, in the language of the pulpit rather than the planner, from a series of blandly unsupported assertions to a string of mainly unexplained conclusions. Four times in the first five pages, the survey talks about an excessive pressure of demand at home, an illness which it thinks was the great curse of Britain in 1961 and which by implication it also fears for 1962—but without defining what it now means by excessive pressure or letting anybody know by what particular indicators it nowadays attempts to measure it. The general philosophy of the survey is: high demand obviously bad, under-utilisation of resources (called here making room for exports) obviously good. If the hand that wrote this survey also presents next Monday's budget, the British people could not logically look for any tax reliefs; they should expect taxes to go up instead.

Whether this will in fact happen is more difficult to say, for the forward-peering parts of the survey plumb an especially murky depth of economic obfuscation. Not only is there no sign of any advance to target-setting for a growth in national income in 1962; the document actually retreats further from such vestiges of indicative economic planning (or guesswork) as previous surveys have attempted. The only statistical estimates vouchsafed for 1962 are those that we had been given already: it is expected that Government current expenditure may rise by about 3 per cent in real terms during 1962 (largely, complains somebody in the Treasury, the local authorities' fault) and that public investment may rise by about 5 per cent. For the rest, it is expected that productive private investment will fall, perhaps even by nearly enough to cancel out the effect of the increase in public investment; it is said that there should be "some increase in personal spending" as output and incomes rise (but by how much, and what if they don't?); and the main hopes for economic expansion this year therefore seem to be pinned upon exports and stockbuilding.

The present stagnation of exports, it is opined—indeed, it is desperately insisted—must end some time provided the Chancellor goes on holding down home demand; it would be utterly unfair if it did not. Stockbuilding, it is explained, may proceed rather slowly for a time, because the rate of stockbuilding was "substantial in 1960 and 1961" so that "there is reason to believe that at the end of 1961 stocks were high in relation to the current levels of output." This last admission comes in the middle of a passage alleging that these were also years of an excessive pressure of home demand upon resources—which presumably means that the Treasury thinks that these most volatile of resources were excessively drawn down and excessively built up at the same time (on some wonderfully ingenious tandem?). At the end of all this, the survey concludes that "there should be some increase in the pressure of demand as the year [1962] progresses," and that if export opportunities are seized, "production should expand at a rate that may be relatively slow at the beginning, but a good deal more rapid at the end of the year."

If Mr Lloyd believed this prognosis, his logical policy should presumably be to try to expand demand and output a bit in the slack period at the beginning of the year, but to stand ready if need be to reimpose some new restrictions later. In fact, however, one's guess is that he is probably standing ready to do precisely

the opposite: that he may introduce a neutral or even a mildly disinflationary budget now, but then remove some restrictions later in the year. (Unless, of course, in the meanwhile some rumours about revaluation of the Ruritanian rouble have caused speculators to move out of sterling into Ruritania, and thus encouraged the Treasury to say that Britain's home demand must again plainly be excessive.) For one is driven increasingly to the conclusion that the real spring behind British economic policy now is that the Treasury made a mistake when it decided that the main reason for Britain's troubles last year was an excessive pressure of demand (when just before the July crisis stocks of finished goods were not being drawn down, the balance of payments was not deteriorating, and production was not bumping against available capacity). Yet some informed resistance remains to admitting this yet awhile—and the Government's compromise is now to pretend to itself that re-expansion will in some mysterious way be safer if it is delayed just a little bit longer.

IF pessimism proves unfounded, if Mr Lloyd does after all introduce a reasonably expansionist budget on Monday, no one will be more delighted than *The Economist*. Meanwhile, however, it seems sadly sensible to discuss details for the coming budget on the assumption that any tax reductions may be broadly balanced by tax increases or new impositions. Which taxes can be increased or newly imposed in order to fortify the revenue in 1962-63? The Chancellor's proposed tax on short-term capital gains will presumably have to be collected, like present surtax, at least a year in arrears; it seems unlikely to bring in any revenue in 1962-63. Cynics may remember that in the 1952 budget, in fulfilment of an impulsive political pledge, Mr Butler announced the imposition of the excess profits levy; in the 1953 budget, just before the first collections of the tax had been made, he had to announce that the tax had proved such a disruptive nonsense that it would be discontinued after the next year's tax assessments had been made, and replaced by something else. *Si sic non omnes!* There is a good case for a swingeing increase in the tax on cigarettes; that is how Britain gradually cured its last major vice of gin-drinking, but even if tax rates go up, consumption should preferably fall more than proportionately. This is one impost where the Chancellor will achieve his objective most praiseworthily only if, by putting rates up, he eventually manages to bring his total revenue from the tax down. But perhaps he could legitimately assume in his estimates that there would be a positive financial return from a big increase in the tax for at least the first few years.

The Economist pleaded last week that the Chancellor should take power to increase employees' weekly national insurance contributions if wage increases exceed his official guiding light; but nobody is suggesting that such an increase should be made immediately. This leaves him with two other hardy perennials. There is a good case for imposing a sizeable tax on betting (including bingo?), now that betting shops are well organised and that the law-enforcing tax collectors would no longer have to run after law-breaking bookies' runners; and for trying to secure over £50 million of new revenue a year by bringing various new commodities—including sweets, soft drinks and other manufactured foods—within the orbit of purchase tax or other indirect taxes. But the case for both these taxes has often before been argued here.

One of the places to which tax relief ought not to be directed—despite heavy pressure from Tory backbenchers—is towards houseowners' property income tax, called in Britain Schedule A. As the recent rating revaluations have shown, Schedule A tax is already levied on less than a third of real current values, and houseowners are also helped by Britain's fairly generous tax reliefs on payments of mortgage interest; like council house tenants and tenants of rent-controlled dwellings, houseowners in fact get their houseroom at less than its true economic cost. The one class which does not get any tax relief are tenants of uncontrolled dwellings; the landlords of these pay full Schedule A and Schedule D income tax on rents they receive, while every other form of dwelling is subsidised—and these are principal reasons why it is generally uneconomic to build new dwellings for rent, which serves in turn to keep uncontrolled rents higher than they otherwise would be. If any tax reliefs are to be made in the housing field, it is plainly towards these fully-taxed uncontrolled tenancies that they should go. But the move would be exceedingly courageous politically because Labour would misrepresent it as a tax hand-out to speculative landlords, and make a squeal of a fuss.

For the rest, the removal of last year's ill-conceived fuel oil tax would cost about £50 million a year; the removal of a half of last year's 10 per cent surcharge on indirect taxes (but leaving in being the higher tax on cigarettes) would cost about £65 million; another £50 million could profitably be devoted to improving income tax allowances for the lower paid; and a straight 3d. off the standard rate of income tax would now cost about £60 million a year. A reasonably expansionist prescription would in fact be to do all these four things this year—and then to draw back rather less than half of the £230 million reliefs thus granted by a new betting tax, a tax on manufactured foods plus the probably temporary revenue yield of a higher tax on cigarettes. We would also like the Chancellor to say that he will be leaning forward to remove the rest of last July's special surcharge on indirect taxation if demand does not expand sufficiently to allow production to rise by at least 4 per cent this year. But we have already made it clear that we will, in fact, be pleasantly surprised if Mr Lloyd is immediately expansionist at all.

IN the field of company taxation, we argued last week for replacing the existing company income tax and profits tax by a flat rate corporation tax and a corporation turnover tax (on which latter tax, under the rules of the General Agreement on Tariffs and Trade, incentive remissions to exporters may be made). It seems very unlikely that Mr Lloyd will be bold enough to do this, but he indicated last year that he had a personal predilection for a different "reform": for having one system of taxation for companies instead of the two systems, income tax and profits tax, in operation at present. If the taxes were merely amalgamated at their present gross rates, there might be an actual disadvantage in this. The main effect could be merely to make it unnecessary to bring down companies' tax when personal income tax is reduced, and it might therefore steadily (and foolishly) lead to productive business enterprise bearing an even heavier share of the tax burden than it does now.

Similarly there should be no great urgency for amalgamating the system of assessment of surtax and income tax this year, so that surtax could be deducted concurrently instead of being paid (as now) on the income of the year before. It would be better to take this rather complicated step in a year in which a few other minor adjustments (favouring the remaining surtax payers) could be made at the same time.

Two other "reforms" which Mr Lloyd said he was considering last year were to re-distribute the items that go above or below the line in the budget accounts, and to stiffen tax treatment of "so-called business entertaining that goes further than purely business motives." The first of these changes would be pretty pointless. What is really wanted now is not another fussy redefinition of what are current and what are capital receipts and expenditures, but a return to plain statement of what is the net reflationary or deflationary effect of each new budget—and the relating of that net effect to the target level of demand at which the Chancellor wishes to aim in the new financial year: in other words, what is wanted is a return to precisely that process of positive policy-planning from which this year's Economic Survey again turns tail.

The Inland Revenue's new form for inquiry into business expenses is discussed on page 68. It might be a useful minor reform if the Chancellor were to require some of these items of expenditure to be listed separately (like directors' fees) on public companies' published accounts. The companies' shareholders could then see how often they (and the taxpayer) were paying for their top executives' lunches; any firms in which these expenditures were particularly extravagant would then become the butt for informed criticism—instead of all businesses being the butt for uninformed criticism, as now. Two other announcements that would be very worthwhile next week would be an end to manufacturers' present legal power to forbid efficient retailers to sell their goods at a cut price, and a unilateral cut in Britain's external tariffs even before Mr Heath's negotiations in Brussels end. In the first field, at least, there may even be some room for hoping that the Government's reforming spirit has not finally and irrevocably spluttered out.

Is there any hope of re-lighting the flames in the Government's broader economic policy too? It is a pity that this article has had to sound so crabby. But we believe that Britain will not recapture its dynamic until the Chancellor sets himself a definite annual target for national economic expansion, and recognises that various other pressures that now influence his policy—including his private urge to look respectable before certain circles in the Treasury, the Bank, the Cabinet, the trade unions and (as he mistakenly envisages the place) Zurich—must yield priority to his forward drive for attaining that expansion.

Ginger from Pickles

Mr Macmillan has pointed to the opportunities in Europe. Some are unintentionally suggested by the latest attack on the common market

AT last the Prime Minister has entered the European lists. It was high time he did. As he himself put it, when he rallied the doubting Tory troops at Stockton-on-Tees on Monday, "The common market presents Britain with a tremendous challenge and a gigantic opportunity." He held out the hope of achieving "success in securing our Commonwealth interests, success in securing the interests of our manufacturers and our farmers, success at the end in achieving an ever more dynamic influence in the affairs and the future of western Europe and the western world." Not the substance, but the tone was new in all this. For want of a word of leadership, doubts about Europe have been growing on both sides of the House of Commons; the anti-common marketeers have been making most of the noise; the case for joining has been allowed to rest on the negative difficulties of staying out. The Government may perhaps wish to hold its heavy fire for the full-scale battle that must come when the negotiations end. But as the talks near their climax it is good to hear from the Prime Minister that the common market is not a mere bed of nails but an adventure and an opportunity.

Mr Macmillan's circumspect advance towards a conference of Commonwealth prime ministers does no harm either. In correspondence with his Commonwealth colleagues he has, it seems, suggested a conference in September. Consultation with the Commonwealth over these negotiations is already elaborate. Mr Heath has worked out that for every eight hours spent negotiating with the Europeans he spends five telling the Commonwealth and the members of the European Free Trade Association about it. But the Government has not only to consult the Commonwealth, but also to be seen to consult it. As most of the Commonwealth governments, though not perhaps the Canadian, are well aware, it would be a waste of time to gather the prime ministers before the negotiations have reached the decisive stage. The Commonwealth would get nothing from the British except vague promises and vaguer predictions; the British could hope for nothing beyond a grudging assent to continued talks with the Six. But in the late summer—provided the negotiations have defined the issues by then—the time may be ripe for a Commonwealth summit. The new landscape the negotiators have charted can then be surveyed; the British—whose own decision this is, and must remain—can put to their partners the real terms, and the full case for joining, together.

The fact that the heart of the negotiations still lies ahead makes it hard to pass a judgment now on the commercial terms the Commonwealth should get, as Professor Meade has tried to do in a new pamphlet, discussed on page 20. But just now, while the economic problems are in Mr Heath's hands, there is everything to be said for seizing the political bull by the horns and discussing the political choice the country faces, as Mr William Pickles has done in a new Fabian pamphlet.* Stimulating, furious, packed with information and exaggeration as well, this is the most penetrating and provocative attack on the common market that has yet appeared. Possessing

* Not with Europe; the political case for staying out. By William Pickles. Fabian International Bureau. 3s. 6d.

almost every intellectual quality but balanced judgment, it should do much to bring the great political debate out in the open, where it belongs.

MR PICKLES'S pamphlet is not easy to summarise, for it has the ebullient tendency to charge off everywhere at once. To him, those who want Britain to join the common market build their case on sweet dreams ; the reality, as he describes it, has an almost nightmare quality. The common market, in the Pickles view, provides neither free trade nor planning, neither the advantages of the national state nor those of federation. Run by bureaucrats, it is essentially an undemocratic, indeed "despotic," institution. For all the withdrawal of powers from the member states, the European Economic Community is incapable of taking decisions, because the members do not trust each other and have riddled their treaty with nationalist safeguards. The idea that Britain can influence the community from within is dismissed as nonsense. "The sensible missionary does not jump into the cannibal's stewpot in order to reduce its temperature." Common law will be devoured by Roman law, social justice by big business. Mr Pickles's view of the common market (and incidentally of Whitehall and of successive British governments) is that of Apemantus in "Timon of Athens." : "I wonder men dare trust themselves with men."

A lay reader may find it hard to dispute the detail of Mr Pickles's fierce misanthropy, but inconsistency gives it away. In one paragraph Mr Pickles points out that there is no chance of getting the common tariff down if Britain joins, since changes must be agreed unanimously. In the next he explains that, though any advance towards political federation must also be agreed unanimously, it would be almost impossible for any one country to stand in the way of such a political development. His argument does not fit the facts. The six members of the European community have already agreed (unanimously) to cut their outer tariff by 20 per cent on most manufactures, so that it is now well below the British tariff against third countries ; this and the abolition of most quantitative restrictions in the last three years already give the community a much more liberal look than it had when the Treaty of Rome was signed. This is also one of the rare occasions when Mr Pickles gets his facts about the treaty wrong ; once the common market enters its third stage the common tariff could be reduced by qualified majority vote. By contrast there are still no signs of a move towards federation coming off ; it certainly seems that one country (France) is well able to block it. And no responsible person in the community suggests that this country must commit itself in advance to a federal future which the other members do not yet accept, or even contemplate.

There are similar points on many other subjects which are hard to square. Mr Pickles implies strongly that the community is run by big business. And, admittedly, its new rules against cartels, published in January, are not backed by a political authority or an ethos of competition comparable to the forces behind America's anti-trust laws. But by the standards of the British restrictive practices act, or those of the European Free Trade Association (mere consultation) the new rules are a formidable beginning. And nothing whatever in the Rome Treaty prevents individual member countries from having much stronger rules of their own. His fears for national planning powers are equally exaggerated. The treaty does indeed prevent governments from restricting imports and operating discriminatory price policies to the detriment of the common market, but there is nothing at all to prevent investment planning and regional development policies on a national basis. (In fact, the European Commission encourages these things.)

While Mr Pickles has pertinent criticisms to make—needing fair and unpolemical attention—they cannot all be true at the same time. We, the British, he explains, "believe in taking a step at a time and then feeling the ground under our feet before we take the next step." Yet he attacks the community for being an ugly constitutional compromise, neither federalist fish nor national fowl. How fortunate it is, in reality, for British policy that the community does not fit the extreme categories of the constitution-makers, and that it is no more than a "first-step." Mr Pickles's "brakes," which make it so difficult for a block of countries to overrule the minority, were expressly designed to ease the gradual progress from the nation state to something larger and wider. The European Commission, which he attacks as bureaucratic and "anti-democratic," has a special part to play in this gradual attempt to pull the six members closer together. There are very few occasions when it can overrule governments ; its principal jobs are to act as a catalyst of further moves towards unity, to mediate between different governmental points of view, and to seek out common ground for all the members. It is already proving a useful mediator in the negotiations between Britain and the Six. In short, the Brussels institutions are based on a new kind of balance between the nation states and the collective interest. They represent a novelty in constitutional conceptions ; and they work.

AFTER so much fire and brimstone has been hurled on the hapless continentals, readers will be astonished at the conclusion Mr Pickles draws. Wait and see, he simply says. The one thing Britain should not do is join now. At the moment the community is "the wrong grouping" for Britain to join ; it is being shaped in the wrong way ; but in other circumstances he could see merit in "planning agriculture on a continental scale," free movement of labour in Europe, and, it seems, even a better industrial division of labour in Europe. Britain must wait until "the open parts of the treaty" are "filled in." With luck things might go in a more liberal direction. Mr Pickles, in short, would be prepared to join one day, but not until the community has taken final shape—without Britain, and on the off chance that that shape might suit the British taste.

Ten years of history suggest the folly of that view. The problems Britain faces today in Brussels would have been easier to solve in 1952, or even in 1956. Even the loss of the last two years has been costly to this country. The tricky problems of temperate agriculture would have been a good deal more manageable if Britain had been a member before the common agricultural policy was given an outline. Today in Brussels the British can at least get a hearing as the community policy on dairy products (still in the making) is devised. The community's association with Africa is being reshaped with the Commonwealth in mind. Such opportunities would

be lost if Britain followed Mr Pickles's advice and stayed aloof. The Atlantic context which President Kennedy's trade proposals have opened up would be in jeopardy. Can Mr Pickles really suggest that a British retreat into isolation now would improve and liberalise the prospect for the western world ?

Yet if Mr Pickles can stimulate the Labour party to do some equally hard thinking about Europe, looking forward, instead of backward as he does, his destructive criticisms can indeed be put to positive use. Like every institution the European community is imperfect ; and Britain, inside, could help to make it better. It would plainly be an excellent thing if the Labour party were then to throw its weight behind a vigorous enforcement of the anti-cartel rules. Planning could be more effective on a European basis than on a national one. There is force in Mr Pickles's plea for stronger parliamentary control over the new institutions. If the foundations had not been laid by the technocrats, the European communities might not have been built at all. Now that this is done, some way of direct democratic control is needed. The present assembly of the Six is better than nothing, but it needs larger powers and will soon need the authority that can come only from direct election.

From outside the European community, the British can do no more than discuss these matters academically. Inside, they can bring their national political talent to bear with practical effect. Mr Macmillan has been brought to hint at these possibilities. It will do neither Britain nor the Labour party any good if Labour, despite the light growing over Europe, remains blinded by provincialism.

Two Cities of Syria

Balance sheet of a coup that came unstuck

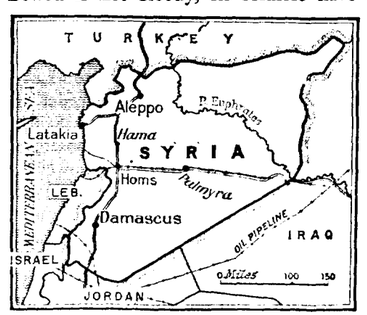
NO one likes military coups ; nor military counter-coups either. Yet out of the recent fracas between soldiers in Aleppo and the army high command in Damascus some profit for Syria has been wrung. All was over bar the shouting by Sunday, when the two sides met at Homs and admitted in hangdog fashion that the army had made a hash of things. On the face of it Aleppo was Nasserite and wanted to reunite with Egypt, while Damascus, though pro-Egyptian, wanted Arab unity only, not union. But the primary dispute was simpler. It boiled down to the single question: should soldiers or civilians rule Syria ? And the soldiers by quarrelling among themselves had let the civilians win.

The Damascus delegation to Homs had been fortified in advance by messages of loyalty from most of Syria's garrison and represented General Zahreddin, Syria's commander-in-chief. But this wily officer was not to be tempted to a showdown. He offered instead to sacrifice the ringleaders of the coup of March 28th, who swept away Dr Dawalibi's government and imprisoned most of its members. He agreed that they be sent into exile provided that the several "free" officers who had organised Aleppo's uprising should also leave the country. (By Wednesday most of them had gone.) It was agreed then that Dr Kudsi should be let out of jail and asked to resume the presidency. A provisional government was envisaged that would supervise a referendum on whether Syria should unite with Egypt again—or not.

ALL this was eminently sensible. But there was still the shouting to contend with. And this, first from Cairo and then from Aleppo radio, rent the ether on Monday and Tuesday with calls for union now. But these were the last cries of a last-ditch group in Aleppo, soon to be silenced by a small show of force from Damascus. Aleppo is not really a deeply Nasserist stronghold. Its original and basic uprising was one against military government, more especially as Dr Kudsi and Dr Dawalibi are both Aleppo men. On this, with the help of inflammatory propaganda from Cairo, was superimposed the "Nasserism" of a quite small group of officers—men who had served in Cairo when Syria was joined to Egypt, and had fallen under President Nasser's spell. They were known for their views, which the Syrian government found worrying ; by an irony, they were sent to Aleppo so that they would be out of harm's way.

Not less ironically the March 28th coup was in one way a coup in Egypt's favour—indeed, almost to Egypt's dictation —though its authors had reservations about joining Egypt again. What they wanted was to bring their country more in line with forward Arab movements. The government had, in their eyes, though committed at first to "true socialism," swung too far to the right and got itself into bad company. At least, in the rapture of reaction from Cairo's domination, it let Syria be classed, if unwittingly, with Jordan and Saudi Arabia. The rapprochement with Iraq was considered a move in the right direction, but it still was not good enough. When the Syrian army three weeks ago fought the Israelis at Galilee, it scored a success. But the action, all the same, brought home its dangerous isolation from Egypt. And this, more than anything, set the temper for the events that led to the coup of March 28th.

The leaders of coup and counter-coup were all turned to Egypt in some degree or other. And Syria still has its Nasserites ; those who definitely aim at restoring the union with Egypt are in the minority, but there are plenty of sentimentalists. So Cairo may again have had visions of bending Syria to its will. But President Nasser's own utterances—as opposed to Cairo radio's—were happily sufficiently correct to leave no door closed in the future. Here may lie Syria's hope. Bowed if not bloody, its soldiers have learned that coups can backfire. Difficulties now confront them in restoring civilian government. One must hope that these events have shown them that, in Syria, armies cannot govern alone.



Still the Penny Farthing?





The Labour Party's organisation in the country is still urgently in need of reform

Organisers Williams, Phillips, Brown

"THE Labour party is the most ramshackle institution in its topmost storey." Thus Beatrice Webb in 1918. "Compared with our opponents we are still at the penny-farthing stage in a jet-propelled era." Thus Mr Harold Wilson in 1955. The recent appointment of Mr Len Williams in succession to Mr Morgan Phillips as secretary of the Labour party—i.e. as chief paid official in charge of the party's permanent staff—has again focused attention on the problems and alleged shortcomings of Transport House.

Transport House rises on the west side of Smith Square, opposite Conservative Central Office. The Transport and General Workers Union has had its headquarters there since 1928 (The Tories arrived in Smith Square only after the war) and the Labour party occupies a floor as Mr Cousins's tenants. There are 120 staff at headquarters plus twelve regional organisers. They work in seven sections, the principal of which is the secretary's, whose task is to exercise a general supervision over all party activities. He has two senior officials to help him, the national agent and an assistant. The other sections are "organisation," "women," "international," "finance," "press and publicity," and "research." Brooding at the highest level over the whole organisation is a special committee made up of the chairmen of the committees responsible for each section and some outside members, which meets regularly once or twice a month.

The principal purpose of Transport House is to organise and co-ordinate Labour party activities throughout the country. The constituency associations are autonomous, but candidates must be approved from the centre. Transport House keeps two lists of candidates: List A of union-sponsored candidates and List B of the rest. These lists are sent to constituencies "on request," but for by-elections Transport House may take the initiative in recommending a candidate. The constituency is, however, under no obligation to accept a recommendation, and often fails to do so. During a general election the headquarters naturally has an important part to play, and in the 1959 election this was discharged particularly successfully. A special campaign committee of Mr Crossman, Mr Driberg, Mr Gunter, Miss Alice Bacon, and Mr Morgan Phillips met daily to survey the course of the campaign, after which a press conference was held. At the final meeting Mr Morgan Phillips received an ovation from the press.

Traditionally, Transport House has not played a prominent part in policy making. It has no control over the leader or the parliamentary party and is not subject to them but to the National Executive Committee, which in turn is supposed to be responsible to the annual conference. In practice, however, Transport House has always worked harmoniously with the parliamentary party. The first two secretaries, Ramsay Macdonald and Arthur Henderson, who between them held the office for over thirty years, were both members of the parliamentary party. Henderson's successor, J. S. Middleton, was essentially a "civil servant" and the same could be said to begin with of Mr Morgan Phillips—until in 1953 he came forward, eagerly enough, to play a more positive role. Had his health not failed, Mr Phillips might have played an important part as a "third force" or "attempted mediator" in the unilateralist controversy; in retrospect, it is probably very lucky for the party—and for Mr Gaitskell—that he did not. With the appointment of Mr Len Williams as secretary a return has been made to the "civil servant" tradition. The public image is to be projected by Mr George Brown, deputy leader of the parliamentary party and chairman of the organisation sub-committee, who has a wide and vague brief as general commander-in-chief. Mr Brown got off to an unfortunate start by appearing in person at the Orpington count to preside over the Labour candidate's loss of his deposit. Nevertheless, the arrangement is a good one, since it avoids the formation of yet one more centre of power in the party.

AFTER the general election of 1955 the performance of the Labour machine was subject to so much criticism that a special committee was appointed under Mr Harold Wilson to find out what was wrong. The committee came up with a number of sensible recommendations for radical change; but the report displeased some whose functions were to be radically changed (especially some of the trade unions) and at the Blackpool conference of 1955 the report, while not being rejected, was not accepted. It was in fact cast into limbo by being "received." The organisation's primary need—despite Mr Brown's moving perorations on the need for more voluntary workers—is for more cash. This is needed at the centre and should be more equally distributed at the periphery. The tendency is for the unions to concentrate their funds and their "sponsored" (i.e. paid for) candidates in the safe seats, where money is least needed, while the marginal and other seats are starved of funds. Another pressing need is to raise the minimum annual subscription. At present this is still only 6s. per member (whether trade union or constituency) of which Transport House gets 9d. Starting in January, 1963, Transport House will get a shilling, but the total cash flow is unlikely to be much altered. Collection methods are also antiquated. To collect 6s. by weekly or monthly instalments is hardly appropriate in the modern era; one result is that many of the party members in whose names votes are solemnly cast at party conferences are well behind with their subscriptions—and some, in fact, are possibly long since dead.

The incidence of the financial burden in the constituencies is also inequitable. Where the Labour vote is weak, membership of the local Labour parties tends to be high, but where the vote is strong, the membership is low. In some safe mining seats joining the local association hardly seems necessary, or local tradition may even be against it. As a result the contribution of the safe Labour constituencies to party funds is often less than that of hopeless seats. The Wilson committee made the sensible recommendation that 6d. per member (as the levy then was) or £2 per thousand of Labour voters should be paid to Transport House, whichever was the greater. This device would even out contributions and would also be an incentive for local associations to get more members. If in any constituency, membership was less than one-twelfth of the Labour vote, then the privilege would have to be paid for. Nothing has been done about this recommendation.

The other great weakness in the Labour organisation is the lack of agents. Only a third of the constituences have full time agents and the number of agents is still dwindling. In 1954 there were 244 full time agents; today there are only 210. The need for full time agents in marginal seats is especially urgent. Political agency, at the best, is not a rewarding career, but to be a Labour agent often requires heroic virtue. What is needed is a national agency service run from Transport House which would raise conditions and morale. The Wilson committee made the establishment of such a service one of its most urgent recommendations, but no action has been taken.

At the centre, Labour organisation has undoubtedly been improved since 1955, but in the country as a whole the penny-farthing era remains. In an age of political professionalism the Labour party will have to do more than sneering at Conservative use of advertising agencies and making windy appeals for more dedicated volunteers. Labour could do worse than follow the Liberal example. Not the smallest factor in the recent Liberal success has been the radical overhaul of its party machinery. Up to now the Liberals have been able to afford only 25 full time agents, but—significantly—they have just announced a scheme for the appointment of 50 more.

At Israel's Mercy

The Jews' persecutor is the Jews' opportunity

PROSECUTION and defence having made their final speeches, Israel's supreme court retired on March 29th to weigh Eichmann's appeal against the death sentence passed on him by a lower court on December 11th. If the appeal fails, Eichmann's fate will turn upon the decision, in theory of President Ben-Zvi, in practice probably of Mr Ben-Gurion, to grant or deny clemency to the man responsible for the organisation of five million deaths. Several distinguished Jews, noted for their qualities of heart as well as of intellect, have already called for clemency. It is now the turn of outsiders who believe that this case offers a singular opportunity to illuminate the difference between evil and good, and who suspect that the Jews are better able to recognise such an opportunity than any other people, to urge that the right course is not to execute Eichmann; that he be made an example, not of men's power to exact retribution, but of their ability to rise above the circle of crime and punishment.

This plea is not based on any doubt about Eichmann's guilt. He has said himself that he is morally guilty, and his claim to be legally innocent depends on the argument that he was obeying orders; to which the reply is that such orders should not have been obeyed. Nor has it anything to do with the way in which he was brought to trial. If he is hanged, many people will find it unpleasant to remember that the road to justice began with a kidnapping, but few of them will argue that this invalidated the meticulous process to which the Israelis submitted him from then on. If the legal road were to end, on the other hand, in a magnanimous act of mercy, the end would excuse the means which made it possible.

There is a case for showing mercy to Eichmann—for reprieving him from the sentence of death or, better still, for giving him a chance to work out atonement of his own free will. It will not be easy, if he is spared the noose, to guard him against private vengeance afterwards; but there may be corners of the world (perhaps a kibbutz in the Negev?) where he could show in peace that he was sorry. The case for giving him the chance to do so rests on the belief that to execute him would be pointless; whereas to be merciful would lift the whole matter above the level of judicial accountancy to a plane where it might catch the world's imagination.

Eichmann's death would not serve any of the usually accepted purposes of punishment. It would not be a form of compensation; one man's extinction does not begin to make up for the extinction of five million. It would not be a deterrent; no lunatic bent on a campaign of genocide would be put off by Eichmann's execution, and indeed the anti-semitic brand of lunacy might well be inflamed.

Nothing can alter what Eichmann did to the Jews. What the Jews now do to Eichmann, however, can have a powerful effect for good if what is done is right. In an imperfect world there rarely occurs a wholly evil act which can be met by a response of unqualified charity. The persecution of the Jews has now given the Jews such an opportunity. To forgive a man who steals one's property or injures one's family is commendable. To forgive the man who arranged the killing of millions of one's race would be an act of imaginative compassion calculated to bring out, as white against black, the full evil of what Eichmann is responsible for. It is doubtful whether any group of half a dozen men has ever held an opportunity on this scale in its hands before.

It is hard to think of any other people who could take advantage of this chance. Only the Jews have passed through the Jewish experience; perhaps only the Jews possess the quality of intellectual imaginativeness required to see that clemency would serve their purposes better than punishment.

The trial of Eichmann, once he was found, was inevitable. It has reminded the world of what the Germans did to the Jews, and reminded the Jews themselves of the new strength, moral and political, they have acquired since then. This having been done, the new self-confidence of Israel should show itself in a preference for looking to the future. If Eichmann is executed a line will have been drawn under a bloody episode of history, but the line itself will be of blood. But if the Jews can overcome their memories and, having demonstrated what Eichmann did, make him an example of mercy, it is possible that in the future historians will remember his name, not for what he did, but for how the Jews responded. Other people might even be moved to copy them; who knows?

NOTES OF THE WEEK

SWITZERLAND

Men at Arms

DEMOCRATS to a man, if not to a woman, the Swiss went to the polls on Sunday to decide by popular vote whether to renounce nuclear weapons, and, being Swiss, cautiously decided to do nothing so radical. The all-male electorate, or rather the 55 per cent of it that took part, voted two to one against a proposal to ban the use, manufacture or deployment of atomic arms on Swiss soil. Only three cantons in the French-speaking west of the country, and one in the Italian-speaking south, produced a majority in favour of the "anti-nuclear initiative" which was designed to write the renunciation of these weapons into the federal constitution. The bulk of the votes that killed the idea came from the German-speaking east of the country, where feelings on such matters are coloured by a martial anti-communism that makes even Dr Adenauer look a shade pinkish. What the Swiss women think nobody knows. They have presumably been told to go to the *Kirche* to pray that their *Kinder* will not be cooked in a nuclear *Küche*.

At first sight it seems odd that this enclave of peace and neutrality should have rejected the opportunity to be the first country to forswear atomic arms once and for all. But the Swiss face the problem of all neutrals who rely on arms, not just crossed fingers, to protect their independence. Conventional weapons, which were good enough to convince the Germans in 1940 that an attack on Switzerland would be more trouble than it was worth, will not deter an enemy who can reduce Swiss defences to nuclear rubble from a safe distance. The temptation to equip oneself with equal weapons is considerable. The Swedes, who are in the same position, are being pressed by their generals to make their own atomic arms, but have so far avoided a decision. The trouble is that it is not much good having tactical nuclear weapons, with a short range, if the probable enemy possesses strategic weapons with which he can blackmail you into submission from a thousand miles away; and neither the Swiss nor the Swedes feel like going the whole hog and acquiring strategic monsters of their own. Thus, despite Sunday's referendum, the problem is not really solved.

ARGENTINA

Waiting for Guido

As a parting gift to his country, just before being bundled off to detention on Martin Garcia island, Dr Frondizi asked his friend, Dr Guido, to succeed him as president. Both are (in Argentina's charming political vocabulary) Intransigent Radicals. Thus the decencies have been preserved. The military who had been on the verge of installing a brass-hatted president can operate now, more respectably, behind a constitutional façade. This at least gives Argentina a breathing space, for all that the façade is thin. Dr Guido was accepted by the service chiefs only on his undertaking to go all the way along with them in smashing Peronism. Next, officers from all three services were lodged on him at Government House to help him concoct a cabinet. This has not been an easy task. The military are by no means cock-a-hoop at having ousted Dr Frondizi. Even Admiral Clement, a ring-leader, has had to be coaxed to serve again as navy secretary. The war minister resigned; the army nominated another; but this week saw an anxious search for some really prominent civilians to push through the army's tough programme of banning Peronist political activities and curbing the labour unions' powers.

In less than a month comes zero hour. Labour day, May 1st, may not only spark off demonstrations by Peronist trade unions. It is also the date when Congress is supposed to reconvene. And what will the Peronist deputies, their election annulled, do then? It is not an inviting prospect; and matters are made worse by the inconsequence of the two major radical parties. Together they could dominate the chamber; instead, they have gone to pieces. The Intransigents have split, some repudiating Dr Guido, others thinking it the better part to wait and see. "Giving Dr Guido a chance" has also become the policy of the People's Radicals, though last week they were advocating the seating of the Peronists. This confusion of thought is a measure of Argentina's dilemma in having a labour movement that, though reared in a bad environment, does stand in some ways for social justice, and cannot be sledge-hammered out of existence as simply as the military think.



Guido with guides

WAGES COUNCILS

Make Up Your Mind

THE Government is still dickering indecisively with the way in which its wages policy is to be enforced, even in the industries where it has some real power to enforce it. The latest example came from the Minister of Labour this week, with a fuzzy letter to the chairmen of 50-odd wages councils. These bodies fix minimum wages, which are then made legally obligatory minima for all employers to pay, in industries where either employers or workers are too loosely organised for ordinary negotiations to be fully representative of either side. The councils are composed of an independent chairman and equal numbers of representatives of both sides; all members are appointed by the minister. Eight of the councils have recently agreed that workers in their trades should have wage rises of between 3½ and 8 per cent: their proposals must now be either formally ratified for statutory enforcement, or else totally rejected, by the Minister of Labour.

No private outside commentator can really pretend to know whether there are special circumstances justifying above-average increases in any of these industries. *The Economist* has no idea whether there is or is not a tight squeeze on labour in the corset industry, which is one of the eight trades involved. But Mr Hare does have the evidence before him. He must know whether these councils' proposals are in accord with the Government's guiding light, in which case he should accept and enforce them; or out of accord with the guiding light, in which case he should summarily reject them. Instead, however, he has written public letters to ask the erring chairmen to reconsider their proposals, or alternatively to explain to him how they can be reconciled with "the principles set out in the white paper on incomes." It is

fairly clear that this means that he believes that they are irreconcilable with those principles, in which case it should be impermissible for him to sign the orders. Yet signing the orders is apparently just what he intends to do if the chairmen do not repent. Since they knew all about the guiding light when they made their proposals, it is most unlikely that they will change their minds under this feeble pressure. So the Government still seems prepared to see its wages policies torn to shreds, so long as it does not appear on the surface to be doing the tearing itself.

BY-ELECTIONS

Bogey for Stockton

STOCKTON-ON-TEES was voting on Thursday, and the result will be sprawling across the newspaper headlines by the time this issue is in readers' hands. In 1945 this heavy industrial constituency not unexpectedly ejected its temporary Tory incumbent of the 1930s, Mr Harold Macmillan, by 8,664 votes (or by 17.6 per cent of the poll). Throughout the 1950s Stockton marched in almost exact step with the slow national swing. When the Liberal candidate withdrew after losing his deposit in 1945 and 1950, nearly all the 8 per cent of the electorate who had previously voted Liberal switched to voting Tory in 1951. At the next two general elections, approximately 1 per cent of the electorate switched from Labour to Tory, so that by 1959 the Labour majority was down to 3,277 (or 7.4 per cent of the poll). It thus became almost a marginal seat.

Before Orpington, Stockton might have been expected to vote in much the same way as that other near-marginal Labour constituency of Lincoln did four weeks ago. At Lincoln the intervening Liberal picked up rather over 18 per cent of the poll, of which over 14 per cent came from the Tory and over 4 per cent from Labour; at Stockton a similar result might have increased the Labour majority to 7,500 or so, but still left the Tory in second place. The special Gallup poll published by the *Daily Telegraph* on Wednesday suggested that perhaps 4 per cent more Stocktonians than Lincolnians might now swing from Tory to Liberal, which on a heavy turnout would serve to put Labour's potential majority still higher, but would not be right out of line with Lincoln's experience. By contrast, National Opinion Polls Ltd. reported in the *Daily Mail* on Tuesday that their survey last weekend suggested that nearly 21½ per cent of Stocktonians might swing from Tory to Liberal, and another 6½ per cent from Labour to Liberal; that would leave the voting percentages approximately Labour 47, Liberal 28, Conservative 25—i.e., a Labour majority over Liberal of perhaps up to 8,000 (depending on the size of the turnout), but with the Tory in third place.

Hitherto these polls have underestimated the extent of eventual Liberal support, presumably because most last minute impulse-voting has recently been going the Liberals' way. The Tories' unspoken fear throughout this by-election must have been that middle-class Stocktonians might decide that a Liberal vote represented their one pretty thin hope of getting Labour out, and that a last-minute surge on to the Liberal band-wagon might then conceivably send their own candidate's vote down to deposit-losing proportions. As Mr Macmillan was saying on Monday that he thought that that candidate had a "very good chance of winning," that would be very embarrassing indeed.

UN AND RHODESIA

Six Guests in London

THE usual outcry, from the usual quarters, greets the arrival in London this weekend of six members of the United Nations special colonial committee of seventeen. The Government has shown courage as well as good sense in inviting these so-called "snoopers." Criticism of the UN may at present seem less articulate here than in America, where Mr Kennedy's fight for Senate approval of the purchase of UN bonds—discussed on page 37—has had a backdrop of full-page newspaper advertisements of a wildly scurrilous nature, paid for by a "committee for aid to Katanga freedom fighters"; but the underlying feeling persists.

What the heated critics have missed—or chosen to ignore—is the interesting and encouraging background to the present visit. The British invitation was issued, and accepted, after the committee of seventeen had set aside without a vote a draft resolution which demanded that Southern Rhodesia be made independent under African rule within a year. This resolution had been pressed by Mali and by Tunisia, which is represented on the committee by Mr Taieb Slim, formerly ambassador in London. While it was being debated, the British representative, Mr Colin Crowe, resisted the proposal for a sub-committee to go to London to take up the matter of Southern Rhodesia with the British Government. Now the London talks have been more broadly, and more tactfully, defined as embracing the whole work of the committee.

Most committee members, and notably the Indian chairman, Mr Jha, who warmly welcomed the co-operative attitude shown by the British invitation, have sensibly tried to avoid pushing Britain too hard on the embarrassing Rhodesian issue. Among the Asian and African members, considerable sympathy for Britain's difficulties was generated by the crude—and unsuccessful—tactics of the Soviet and Polish members, who overplayed their hand once again to such an extent that one of their demands evoked general laughter. But the committee's preference for moderation in tactics ought not to be seen as indicating any lack of deep concern about Southern Rhodesia. The consensus of the committee's views, as summarised by its chairman and strongly endorsed by most other members, contained three major points: that the colony is not fully self-governing; that its 1961 constitution needs revision, as it does not provide satisfactory African representation; and that Britain should arrange for an early constitutional conference, with equitable representation of the African population as well as of other groups.

COMMUNIST BLOCK

Albania's Lifeline

WHATEVER the trend of the discussion of how to cope with Mr Khrushchev behind the closed doors of the National People's Congress in Peking, in Tirana they are still sticking out their necks with uninhibited pugnacity. Last week the Albanian Democratic Front approved an appeal to the voters (who will have to perform their honorific duty on June 3rd) which vigorously laid into "Nikita Khrushchev and his group" and prophesied that these would end by being covered with shame. A few days earlier the party paper, *Zeri i Popullit*, published a sizzling attack on Mr Khrushchev as a splitter of the international socialist movement; it purported to describe in detail Mr Khrushchev's efforts before the Moscow meeting of 81 communist parties in November, 1960, to get the Albanians to line up with him against "a *third party*" (i.e. China), "and thus divide the socialist camp."

In all these diatribes against Mr Khrushchev the Albanians attempt to make it clear that they have no quarrel with the Soviet Union itself, nor with the Soviet people, and that they still consider themselves to be loyal members of the socialist camp. (The distinction did not prevent them from turning down an offer of aid by the Soviet Red Cross to the victims of an Albanian earthquake in March—an affront which apparently took the Soviet officials completely by surprise.) Some of the practical considerations governing Mr Hoxha's tough attitude towards Moscow, and his simultaneous determination not to be counted out of the socialist camp, were revealed in an article on Albania's foreign trade published in *Zeri i Popullit* on March 29th. This stated that in the current year the volume of trade with communist countries should increase by roughly 10 per cent, and will account altogether for more than 90 per cent of Albania's foreign trade. The proportion of trade with communist China has gone up from 28 per cent last year to 59.1 per cent this year; in 1958 it was only 2.3 per cent. Nothing at all was said about trade with the Soviet Union, which four years ago was more than 50 per cent; and Albania's willingness to increase its trade relations with non-communist countries has apparently so far met with only a modest response. Clearly the Peking-Tirana axis has at least one solid link.

WAGE STATISTICS

Help for Researchers

BEFORE welcoming the first issue of the Ministry of Labour's new bulletin* for what it is, it is legitimate to send up a sigh of deprivation about what one had once hoped it was going to be. Back at the time of the white paper on "incomes policy" last February, the Government had seemed to be indicating that it would henceforth set a target for increases in national production each year; and that it proposed to collect together and publish at regular intervals factual information for arbitrators and wage bargainers about how far this target was being attained and how far increases in money incomes were running beyond it. But the idea of setting targets for national production was most certainly not taken up by this week's Economic Survey; and now the bulletin merely takes the form of an improvement—admittedly an interesting one, admittedly a much-needed one—in the Ministry of Labour's normal output of statistics, plus some other departmental returns. The 129-page foolscap-size booklet contains a few charts, very little explanation and some formidable looking tables.

The booklet does collate a lot of interesting information, including a section on company finance. Although most of the statistics have already appeared in other publications, the exceptions include new tables showing movements of wage rates and earnings in different industries. This analysis is not as detailed as that done by Professor Ely Devons and Mr J. R. Crossley for the *Guardian*. Officially it is not felt that the breakdown can be taken quite as far; but the ministry is prepared to show in which industrial groups and in which occupations standard wage rates have increased most, and least, since 1955.

There are also index numbers of average earnings by regions, although these stretch back no further than April, 1960. And, for the first time, there is an index of average salary earnings which will attract some attention, although it comes no further up to date than October, 1960. At that date, the salary index was 33.4 per cent higher than it had been in 1955; the rise in weekly industrial earnings over the same period was only fractionally less, 32.5 per cent. This closeness of fit is a surprise. In manufacturing alone, the previous pointers had suggested that the average salary-earner had been regaining in recent years a little of the large differential he lost during the war and the postwar decade.

* Statistics on Incomes, Prices, Employment and Production. 12s. 6d.

BRITAIN AND EUROPE

Liberal Isolationism?

PROFESSOR JAMES MEADE, who succeeded Sir Dennis Robertson as Professor of Political Economy at Cambridge, has this week declared himself only a lukewarm supporter of Britain's entry into the common market. In a Hobart Paper,† he concludes: "The UK could and should join the EEC if it has real promise of becoming a liberal, outward looking institution. But she should not join if it is designed as a tight, parochial European bloc." In this event, Professor Meade believes that Britain "should be prepared for the time being at least to remain outside," and work for the general worldwide reduction of trade barriers—particularly, he implies, on manufactured goods from the emerging new Japans among the developing countries of the Commonwealth.

Despite its generally liberal tone, this pamphlet is going to be widely quoted by anti-marketeers. It is therefore important to explain why we disagree fundamentally with its main premise. If Britain stays outside the common market, it seems singularly unlikely that Britain will gradually become more liberal towards the "new Japans." It is much more likely to become steadily more restrictive towards them—as it already is, compared with the United States, towards manufactured imports from Japan itself. The reason is simple. A developing country generally industrialises first on the basis of making the things that appear in its own import bill. So long as Britain continues to base its main export effort on goods that it can sell on imperially preferential terms within the Commonwealth, it is therefore likely to continue to twist its productive pattern into a shape where too much of its industry is still concentrated on making precisely the goods which the developing Commonwealth countries will themselves be making tomorrow. And one is rarely free-trade minded towards emerging countries' new industries that compete with one's own declining ones.

If Britain enters the common market, on the other hand, its export effort can then be turned more and more towards producing goods bought by the advanced countries; this should aid Britain's future growth prospects as well as foster its liberalism. And Britain should surely have more opportunity to help push Europe in the same direction of liberalism towards the new Japans if it enters the European club than if it stays outside it. If one accepts these arguments, a main reason for not heeding Professor Meade's cautious caveat is surely precisely because one wants to further his far-sighted objectives.

CYPRUS

Settlement under Strain

AFTER a three-day visit to Cyprus, Mr Sandys departed on Tuesday making optimistic noises about the island's situation and prospects. During his visit he also made soothing sounds to the authorities about the impact on the

† *UK, Commonwealth and Common Market* by J. E. Meade. Inst. of Economic Affairs. 52 pp. 5s.

The Economist

APRIL 5, 1862

APPOINTMENTS TO THE CIVIL SERVICE

¶ Some years since considerable indignation was excited by statements . . . that numbers of the *employés* in the various departments of the permanent Civil Service were utterly incompetent to discharge the duties of their posts. . . . The assertion was exaggerated no doubt, but it had an ugly element of truth at bottom. . . . Under the new system there can be no doubt that we get some very suitable men, some very clever men, some who are smart without being shallow or discontented,—and no dunces. As long as the competitive system is not pushed too far and made too imperative and universal, the harm done to the Service may not be very great nor very widely felt. But it is now proposed to abolish nomination altogether, to adopt "open competition," to throw open all vacancies in the public offices to *all*, of whatever rank or whatever antecedents (respectable character assumed), who can pass a better literary examination than their competitors; in a word, to put up the junior appointments in all the administrative departments of the Government to public auction—the biddings to be pronounced upon by the umpires who sit at Deans' Yard, Westminster. . . . The . . . objection is that as all promotion is now given *in* the Service, and no "uncovenanted" aid is ever introduced from without (except in a few of the very highest posts), the youths who obtain the junior appointments now are the men who will be called upon to fill the senior appointments some years hence. If the present system is continued and extended, in the course of less than a generation the heads of every branch in our several Government departments will be men who were received into the public service simply because, at eighteen or twenty years of age, when fresh from school, and with the acquisitive memories and ready facility of youth, they passed with superior credit a pretty strict literary ordeal, and have conducted themselves well ever since. Now, who are the most likely to carry off the greatest number of marks at such an ordeal? Nobody, we think, will contradict us when we answer: "Pupil teachers, and that class of crack scholars, head boys, in National and Inspected schools, who now obtain the certificates of proficiency from the Inspectors of the Education Board." Do we wish—are we prepared—to see all our public offices *filled*, managed, and ruled by this class? If not, we should pause where we are.

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Cypriot economy of Britain's membership of the common market and of the gradual rundown, foreshadowed in this year's defence white paper, of a considerable proportion of the British troops now stationed in the two sovereign base areas. Both developments could be serious ; nearly 70 per cent of Cyprus's agricultural produce is now sold to Britain, while the money spent, and the employment provided, by the services are an important prop to the island's struggling economy. The British Government, however, is well aware of the political importance of shielding the frail young republic from harsh economic winds that are bound to weaken its resistance to increasingly effective communist penetration ; Mr Sandys's assurances on these points are likely to have been sincere as well as soothing.

His more general optimism about the island's future is less convincing. Although the Zurich agreements were not formally on Mr Sandys's agenda, he can hardly have avoided talking about them informally. His visit took place against a background of renewed communal tension between Greeks and Turks, which has recently erupted in violence, although only on a small scale. The two communities are still squabbling over the implementation of the provisions in the Zurich agreements for a 70:30 ratio of Greeks to Turks in the public service, as well as over the Turkish demand, also enshrined in the agreements, for the partition of the five chief municipalities. The Turks have been making full use of their legislative powers to obstruct financial legislation, and among the Greeks there has been a discouraging renewal of talk about enosis.

It is doubtful whether in the present atmosphere any revision of the Zurich agreements would be either useful or practicable. But they cannot work effectively if the Turks and the Greeks do not manage to overcome their mutual suspicions. This is a situation in which neither the good advice nor the economic aid of friendly governments can help. It is up to the Cypriots themselves.

Since the Pay Pause

In a Parliamentary Question on March 27th, the Chancellor of the Exchequer was asked to show how certain key economic indicators had moved since the introduction of the Government's wage pause policy. With production and vacancies added, the official assessment is reproduced below.

Item	Period covered: From	Period covered: To	Rise (+) or fall (—) per cent	Remarks
Weekly wage rates ...	July, 1961	February, 1962	+ 1¾	Estimates of the total amount paid in wages are only available annually.
Company profits	2nd Quarter, 1961	3rd Quarter, 1961	— 3½	Seasonally adjusted.
Purchasing power of £ sterling.	July 18, 1961	February 13, 1962	— 2½	Based on the retail price index.
Retail price index	July 18, 1961	February 13, 1962	+ 2½	—
Value of imports	May–July, 1961	December, 1961–February, 1962	No change	Based on averages of the seasonally adjusted figures for the months shown.
Value of exports.....	May–July, 1961	December, 1961–February, 1962	— 1	
Terms of trade.....	July, 1961	February, 1962	— 1	A fall is favourable to the United Kingdom.
Employment.....	July, 1961	January, 1962	— ½	—
Unemployment (wholly unemployed, excluding school leavers).	July 10, 1961	March 12, 1962	+67	The normal seasonal change accounts for more than half of this increase.
Unfilled vacancies.....	July 5, 1961	March 7, 1962	—45	The normal seasonal change accounts for less than half of this decrease.
Central Government expenditure.	2nd Quarter, 1961	3rd Quarter, 1962	+ 2½	Total current expenditure, including National Insurance benefits and other transfer payments.
Industrial production..	July, 1961	January, 1962	— 4½	Seasonally adjusted.

Some indication of changes in dividends can be deduced from the accounts of public companies. Those companies which published their accounts in the period January to July, 1961, *showed increases of about 12½ per cent in ordinary dividends, compared with the previous year, but for dividends declared between August and December,* 1961, *the increase was less than 5 per cent.*

FRANCE

Convalescence

NOBODY could pretend that the past ten days in Algeria have been precisely quiet. But it can be said that matters could have been very much worse and that, in the third week after the ceasefire, there have been a few hopeful signs that the tide is turning. The Secret Army suffered a conspicuous defeat, more moral than physical, in the capture of General Jouhaud (who is to be tried on April 11th). After the massacre of the rue d'Isly on March 26th it had to abandon its policy of mass demonstrations for the time being. Most serious of all, on March 29th an attempt, commanded by Colonel Gardes, to establish the Secret Army in the *bled* behind Orleansville, was frustrated by the Moslems of the area, on whose sympathy the colonel and his friends had counted. Their defeat is a blow at the myth that the Moslems secretly support the Secret Army. Without that myth it is hard to see what can long sustain the attempt at subversion, other than the courage of despair.

The outlook is still far from clear all the same. Foiled in the countryside, the Secret Army has reverted to its terrorist attacks in the towns, designed to force the Moslems into violent action which might end in the French army being forced to fire on them. Hence the brutal attack on the Moslem hospital in Algiers. The French officer corps itself is by no means wholly reliable ; there seems to be a marked inclination to work only to rule, if not actively to assist the Secret Army.

In France itself, all goes smoothly on to the referendum on the ceasefire this Sunday. General de Gaulle is certain of an overwhelming majority, and would be even if the major parties had not all advised their followers to vote "oui." It is universally assumed that the referendum will shortly be followed by a general election, in which the general's policies will be put to a more stringent test. It is this assumption that has governed the parties' referendum campaigns, and it explains why they have been at pains to state that their "oui" goes to the Algerian settlement only, and not to the gaullist regime.

WHITE COLLAR UNIONS

Acting Up

AFTER standing firm during a five-month boycott of jobs offered by the independent television companies, the actors' trade union has won its basic principle of payment according to the number of companies transmitting a programme, and has thereby notched up what look like some of the most sensational rises ever achieved. The minimum payment for a solo "speciality" variety act, for instance, is to go up from 10 to 72 guineas: it would be churlish to point out that a performer good enough to be hired for a speciality act on television would never be on the minimum scale anyway. The fees of the most expensive performers will also go up ; but as they are always subject to negotiation between agent and employer they will surely not rise unduly. The most important effect of the new agreement will no doubt be that it should roughly treble the fee received for showing throughout the country by performers who hitherto were getting between the minimum (formerly 10 guineas) and 50 guineas a show ; the danger for these "bit part" players, however, is that if it is now to cost the big companies 28 guineas for performers who utter only one sentence, productions are likely to be edited so that the one sentence is carefully left out. The union has now managed to make these high fees (the rise will probably cost present ITV companies £2 million a year) a standing charge on the industry just before the growth of post-Pilkington competition may make television companies less obviously affluent employers. However, for purely local showing, small regional companies will still be able to employ bit part players for nine guineas a time.

Two other white-collar groups who have made claims during the past week are unlikely to be as lucky as the actors. The bank employees' union has asked for a 30 per cent increase for its clerical members, which seems more than a little optimistic at a time when more and more banks are distributing glossy pamphlets about their new computers. Journalists in news agencies have asked for a rise in their minimum rate, under a threat to strike in four weeks' time: the employers are stalling until they know the result of the union's claim from the Newspaper Employers' Association, and the three firms involved do not seem to be totally in agreement on their stand. Some of the jobs done in the agencies could certainly be taken over by machines if men became too expensive: the time has come in this industry when Oliver Twist's game is getting dangerous. The BBC, which knows that it will soon face a claim from the actors' union for its television performers, is making sure that the implications of wage rises are properly understood before negotiations begin: they have warned the public that an increase in their salaries bill would mean an increase in television licence fees.

RETAIL BUSINESS SURVEYS

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TRIBUNALS

After the Chalkpit

"JUSTICE," said the late Lord Hewart, so establishing his only claim to immortality, "should not only be done, it should also be seen to be done." This is the principle which has inspired the Council on Tribunals to recommend that two new rules should be included in the procedure for the conduct of statutory inquiries. First, where the minister proposes to disagree with the inspector's recommendation either because of some factor not considered at the inquiry or because he differs from a finding of fact made by the inspector, he must notify the parties to the appeal of his disagreement and the reasons for it, and give them an opportunity for making comments and representations in writing before finally making his decision. Second, where the minister proposes to depart from the inspector's recommendations because of (a) fresh evidence on a question of fact, or (b) fresh expert evidence (including expert advice), or (c) the introduction of a fresh issue, the inquiry should (if any of the parties so desire) be reopened and the new evidence or issue should be produced at the reopened inquiry.

These rules are the direct result of the case last year in which Mr Brooke, then Minister of Housing, decided to allow chalkpit working at Saffron Walden, despite a contrary recommendation of his inspector who had held a public inquiry. Mr Brooke reached his decision after consultation with the Ministry of Agriculture, and it was this consultation to which Major Aubrey Buxton and other neighbours of the proposed chalkpit objected. They claimed they had suffered injustice since they had been given no opportunity to question the Ministry of Agriculture's new evidence. This was always the strongest part of their case, and the council's recommendations (which the Government should accept) have vindicated it. Wisely, however, no attempt has been made to go to the other extreme and say that a minister should never be allowed to turn down any recommendation by his inspector ; as there is always a convincing flood of objections to anything new anywhere in rural Britain, this absolute bar would be likely to weight the scales too heavily against many forms of new industrial or other development that might be urgently in accord with the national interest and public policy. But, if the council's proposals are accepted, ministers should now be under a salutary new pressure to follow the sensible recommendation of the Franks committee: that every effort should be made to make ministerial policy clear before any inquiry, instead of just issuing a *diktat* after it.

GHANA

Not Capitalism

PRESIDENT NKRUMAH is making Ghana's bed ; it is the Ghanaians who must lie in it. Fortunately, a certain flair for cushioning western sensibilities from the occasional shocks of Accra policies is now evident. Mr Krobo Edusei, the Ghanaian minister of industry, was quick to rebuke his wife for spending £3,000 on a golden bed in London ; that, he pointed out, is not socialism. But threatening to put political prisoners who have served five years without trial back into the cells for another twenty years is not the best expression of the African personality. This is what Dr Nkrumah did on March 24th.

He also announced that foreign firms operating in Ghana must in future reinvest 60 per cent of their profits after tax within the country. Provided depreciation, and the ten per cent of net profits already contributed by foreign firms as a development loan, are taken into account, this is not an unduly harsh burden. Most firms (except those out for a quick kill) already reinvest as much ; the awkwardness lies in making a voluntary act obligatory. Public relations advisers must have got to President Nkrumah for, in a broadcast on Monday night, he made the same announcement in a different way: companies are still free, he said, to distribute to their shareholders 40 per cent of their net profits after tax—and tax allowances will be made for extra heavy reinvestment.

GERMANY

Jeremiads

LAUNCHED by Herr Erhard on March 21st, the public debate on the state of the west German economy has continued this week up and down the federal republic. At the annual meeting of the Federation of German Industries—a gathering exclusively of bosses—Herr Erhard observed that employers who yielded to higher wage demands and then promptly raised their prices were behaving just as irresponsibly as trade unions that asked too much. The economic minister's plea for moderation was vigorously supported by the president of the federation, Herr Fritz Berg; he pointed out that west Germany was only just beginning to undertake substantial obligations to the common defence of the West and to the underdeveloped countries. These entailed a contribution of some 21,000 million marks, roughly 8 per cent of the gross national product. Either productivity must be increased, or consumption reduced. In the opinion of Herr Otto Brenner, the chairman of the powerful engineering union, these managerial jeremiads were tantamount to a declaration by Herr Erhard of the bankruptcy of his cherished "social market economy." Herr

Brenner has been protesting that Herr Erhard has been conducting economic policy for too long with words instead of deeds. Both the trade unions and the Social Democratic party are advocating that the state should do more planning than it has done in the past. By Thursday the debate had reached the Bundestag, where the Social Democrats maintain it should have started. Herr Erhard announced that the government would shortly set up an advisory council on costs, wages and prices, and, by way of an example, would cut most of its public building programme by 20 per cent.

It has been comforting to Herr Erhard to hear the finance minister, Herr Starke, swearing he would resign rather than consent to a rise of 7.7 per cent in civil servants' pay, but highly discomforting to see such prominent motor-car manufacturers as Volkswagen, Auto-Union, Ford and NSU increase their prices by some five per cent. Austerity is more easily preached than practised. After the sobering speeches while they were waiting for luncheon in the Beethoven Hall in Bonn on Tuesday, the members of the Federation of Industries were stayed with flagons of orange juice "refreshed" with champagne. They went on to a meal of smoked salmon, roast saddle of pork, a concoction of cream and pistachio nuts, a choice of Rhine or Mosel wine, coffee and liqueurs. Admonished and restored, the industrialists set off in their chauffeur-driven cars back to the Ruhr and other places where men toil for gain.

CAPITAL PUNISHMENT

When Will it End?

As long as Britain is ruled by a Conservative Government, the best chance for ending capital punishment is probably not by any formal act of abolition but by a more generous use of the royal prerogative of mercy. There had been some hope recently that this Government might gradually start to move towards this. That is why abolitionists will regret that no reprieve was granted to James Hanratty, commonly known as the A6 murderer, who in February was convicted of shooting a man in a car on a main road last summer, and by implication of raping and seriously wounding his companion.

There were two grounds on which it seemed that a reprieve could have been granted. First, can anyone say that there was not a "scintilla of doubt" about the verdict—the criterion which the Home Office said to the Royal Commission on Capital Punishment had to be satisfied before an execution was carried out? The trial judge's summing up, and the long time—nearly ten hours—which the jury took to reach a decision, certainly did not give the impression that the case was clear-cut. In the end, it rested on a question of identification, and it should be remembered that it was a case of mistaken identity, in Adolph Beck's case, that led to the setting up of the Court of Criminal Appeal in 1907.

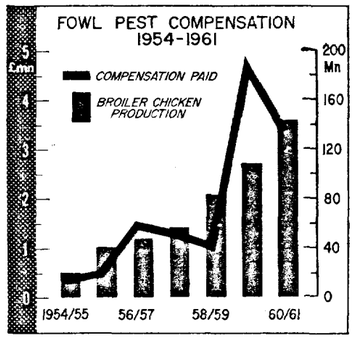
But even if there was not a sliver of a scintilla of doubt about the case, surely there was enough in Hanratty's past medical history to justify a reprieve. Obviously he was not McNaghten mad; and if the defence of diminished responsibility had been put up at the trial, which it could not be since he stuck to his alibi, the jury might still have rejected it, for his mental state too was not clear-cut. But enough has been revealed since the trial to show that he was, or at least at one time had been, close to the border over which he would not have been held responsible for his actions. Alleged to have been diagnosed at the age of fifteen as a mental defective and later considered a psychopath, at the age of twenty-five he has now been deemed fit for hanging. When will it end?

FOWL PEST

Golden Birds

NEWCASTLE disease—or, simply, fowl pest—is common in most of the major poultry rearing countries; only Ireland, Scandinavia and Australasia are generally free from it. The rapid increase in the number of poultry in Britain in the last eight or nine years, and their concentration in broiler and deep-litter houses, have led to ever greater ravages by fowl pest, and to a soaring rate of compensation paid by the Government to afflicted farmers for compulsory slaughter of infected and endangered stock. Up to now the official policy, as in foot-and-mouth disease, has aimed at total eradication by slaughter. This has succeeded, since 1953, in eliminating the peracute type of Newcastle disease; but the acute and subacute forms have stubbornly persisted.

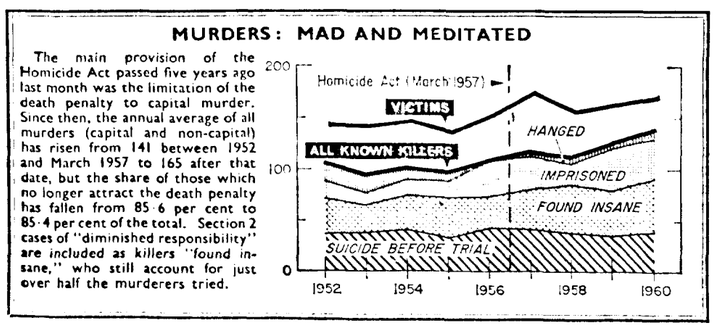
The report of the Plant committee on fowl pest policy (Cmnd 1664) places some of the blame for spreading the pest on other birds



(like pheasants) which carry the disease, but places much of the blame squarely on human frailty. One suspects that some lucrative private rackets have grown up under the present system; nobody really knows, for example, how many farmers have got the full compensation money, and then still managed to flog the dead poultry to some restaurant. The Plant committee does not say this straight out, but it is plainly unhappy about the unregulated disposal of dead birds ("our attention has been called to some undesirable consequences") and it exclaims that it was "shocked" by the low standards of hygiene at some slaughterhouses.

The committee sensibly concludes that to continue the present policy, even with stricter regulations, would be an expensive flop. Encouraged by vaccination successes in Canada and elsewhere, it therefore recommends that a policy of vaccination plus slaughter should be introduced. Even more important, it wants the cost of compensation for slaughter to be transferred immediately from the taxpayer to the poultry industry, so that the industry should pay for its own feather bed. For this purpose it proposes a levy on hatchery turnover—which also involves the registration of hatcheries. This proposal has roused a loud outcry, but it will be very worthwhile if it provides an incentive for full voluntary vaccination by commercial producers throughout the country.

Correction.—The figure of £57 million was wrongly given in *The Economist* of March 31st, page 1210, as the South African government's proposed expenditure in the Transkei over the next three years. This amount is to be spent over five years, not three, and is to be spread over all the "Bantu" areas, including the Transkei.





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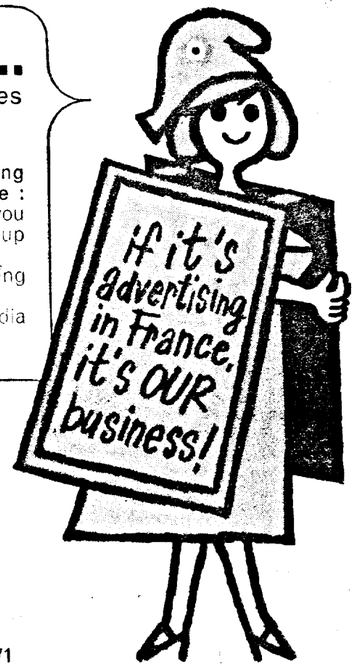
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THE WORLD OVERSEAS

Algeria after the Ceasefire

FROM A SPECIAL CORRESPONDENT IN ALGIERS

THE final phase has opened in Algeria with the installation at Rocher Noir of the new French high commissioner, M. Christian Fouchet, and the twelve members of the provisional executive headed by Mr Abderrahman Farès. What chances are there for these thirteen men to organise the self-determination referendum within the next two months ? The few remaining French officials are optimistic. They say, " The march of history cannot now be impeded ; somehow the referendum will take place. We agree that it will not be efficiently organised in some regions, but it will happen and the new Algerian republic will be established ; nothing can now stop that."

This may be correct. But chaos, confusion and administrative cowardice will cause much more blood to flow before the white and green flag flies over the summer palace in Algiers. There is no authority in Algeria. Only this week a distinguished French official armed with a *laisser passer* from Rocher Noir and from his ministry in Paris was trying to board an aircraft for Paris. " I have government *priority*," he told the CRS (special police brigadier in charge of the airport at Maison Blanche. " Whose government ? " answered the brigadier, pushing the officer firmly back into the crowd of screaming women and children. In Algiers one-way traffic signs are no longer respected. If a foreigner is arrested outside Algiers there is no one to whom his consulate can apply for help or information.

BUT life goes on: the hairdressers are open ; so is the casino ; weekend tea dances and football matches are well attended. The rich Europeans—the bankers and merchants—realise that the Secret Army Organisation (OAS) will never be able to take over the country. Some of them are planning to return to France—the Secret Army permitting—while others are putting out feelers towards the Moslems. The middle classes and the " poor whites " are still solidly behind General Salan.

The Secret Army leaders are quarrelling among themselves. Some would be ready to settle for a *de facto* partition which would be practically impossible to arrange. But this is not accepted by the extremists who hold what is called the " bunker philosophy " (the reference is to the Wilhelmstrasse). These men say they will blow up and destroy everything—oil wells and installations, harbours, drains, public buildings, themselves and as many other people as possible ; anything rather than let the Moslems take over. A recent dangerous development has been that not only have the Secret Army taken to the *maquis*, where they have some 2,000 armed men organised in twenty or thirty bands in the *bled*, but they have persuaded Moslem members of the MNA (Messali Hadj's old party) to co-operate with them. These bands are causing a great deal of trouble in many areas, especially in the region south of the Atlas mountains, which were peaceful before the ceasefire. The Moslems themselves are deeply concerned by this and by the increase of political activity by the MNA in the suburbs of Algiers, which, the FLN claim, is inspired entirely by the Secret Army. Supporters of the MNA state that they hate the FLN so much that they will work with the Secret Army to get rid of them.



Mr Fares (with cigarette) and colleagues

The FLN have complete control of the casbah and it is impossible not to be impressed by the manner in which they maintain order there. The narrow dark alleys have never been so clean because the FLN organise the street sweeping. When the general strike was over loud-speakers informed the population that they could go out of the walled city to work, but " Go steady, be careful not to cause any trouble with Europeans." The clandestine leaders are an impressive group of mild-mannered young men who talk of the difficulties they will soon face with modest confidence. They know they will be economically dependent on France for years to come, since they cannot afford to lower the standard of living of their countrymen or stop the family allowances and health services to which many Moslems have become accustomed.

Much must depend again on the army ; indeed, this becomes even more important since the administrative machine has almost broken down. The CRS gendarmerie, mobile gendarmerie and marine commandos are still loyal to a man. It is difficult to judge how many officers would go over to Salan if they thought there was a chance he might win. Certainly there are some hundreds of officers who will take no action against the Secret Army and hundreds too who work secretly for Salan and co-ordinate the activities of their units with those of the Secret Army when important operations are taking place. There is at least one military headquarters where the French Army and the Secret Army co-operate fully ; General Salan is often their guest. Both communities expect that he will make a big bang soon, blowing up either the airport or Rocher Noir, or both. The daily routine of murder by plastic bomb attacks merely keeps fear alive, and General Salan has captured sufficient dynamite to be able to lay both Oran and Algiers waste.

Congolese Belgium

FROM OUR SPECIAL CORRESPONDENT LATELY IN BRUSSELS

SUPPRESSING their irritation with difficulty, Belgians are slowly moving towards doing a deal with the Congo and with the United Nations. The foreign minister, M. Spaak, seems to be looking forward to a time when individual Belgians can work on the United Nations staff in the Congo—even though, people in Brussels say, no one can ever be expected to understand that man U Thant. Equally, the Belgian government hopes that enough may come out of the present talks in Leopoldville between Mr Adoula and Mr Tshombe to enable a start to be made on settling the gigantic Belgian-Congolese financial reckoning.

The amount of money involved is immense: probably about £700 million. At the invitation of the Congolese, the World Bank has begun an investigation into just how much Belgium and the Congo do owe one another; both sides think they know the answers, but neither is likely to be completely happy with figures coming directly from the other. The World Bank expects the job to take a team of accountants some months to complete; two representatives started talking about it in Brussels last month. Nervously, the bank assures everyone that it is just recording facts, not acting as a negotiator. Even more fearfully, it recognises that the invitation to act as conciliator may arrive one day.

A look at the list of items in this Belgo-Congolese *contentieux* is enough to show how staggering the job would be for a conciliator. Two items account for 70 per cent by money value of all the argument: the fabulously valuable portfolio of shares in Congo companies inherited by the Congo government (but held in trust in Brussels since independence) and, second, the equally large Congolese public debt, all except $20 million of which has been ignored by the Congolese since independence. About a quarter of the loans that make up this debt are guaranteed by the Belgian government, which has paid out 3,000 million Belgian francs in interest and capital repayment since June, 1960.

ALL the loans involved were spent in the Congo when it was Belgian; the fury of the Belgian government that it now has to pay the guaranteed part is matched only by the rage of the many Belgian families and institutions which own bonds that were not guaranteed, and are therefore unpaid. When, in December, the Congo government paid the amounts due in April and October, 1961, on a $20 million loan negotiated in New York, the Belgians protested that this discriminated against the loans negotiated in Brussels, and not so far repaid. Correspondence on this subject has not progressed happily. Monthly reminders of the amounts due are sent to Mr Adoula's government. To the first a reply was received that the Congolese treasury was, at the time, empty; subsequent letters have remained unanswered. Yet Mr Adoula's government has not repudiated the public debt.

Naturally, the Congolese are eager to discuss the portfolio—but they want to negotiate its transfer alone, and not as part of a settlement linked to the public debt, as the Belgians demand. The portfolio (which Belgium recognises belongs to the Congo state) includes shares in many large companies operating in the Congo. Thus, theoretically, the Congo central government owns 18.14 per cent of Union Minière du Haut Katanga stock, as well as 24 per cent of the voting rights in the company. (It might have had a dominant say in Union Minière, but for a rearrangement of holdings carried out a few days before independence). The central bank of the Congo and Ruanda-Urundi; the Otraco state transport company; the Forminière mining company; and, through subsidiaries and associates, dozens of other important pies baked by the Belgians now, in theory at least, have the Congo government's fingers in them.

There are other items. Before independence, corporate taxes of Belgian companies operating in the Congo were collected in Brussels and sent to Leopoldville; in the same way Congolese import duty on Belgian goods was collected when the goods passed through Antwerp. This arrangement has continued. The Congolese want the collecting offices moved to their country, the Belgians say this would reduce efficiency and, anyway, fees for collections made up to now must be paid. With their genius for computing what is owed to them (down to the last franc), the Belgians say that these amounts, together with such things as stamp money on both sides, money paid as pensions to returning civil servants, air fares for men on Congo business paid by Belgium, and the like, must all be settled together with the major items—the portfolio and the public debt—in the *contentieux*.

IN the same way the Belgian government has a bill all ready to present to the United Nations as an answer to any UN request for a contribution to the cost of its operations in the Congo. This includes rent, fixtures and fittings of the Kamina base—the property of Belgium even after independence, under a prior agreement with the Congolese. This apart, M. Spaak seems willing to arrange for Belgian technicians to serve in the Congo either under the Adoula government, or under the United Nations, or under a mixed agreement between all three. Such an agreement, not thought impossible in Brussels, would go a long way along the path of Belgo-UN *rapprochement* opened up by M. Spaak in speeches and talks in New York since Christmas. The official resumption of diplomatic relations between Belgium and the Congo (the Belgian ambassador arrived in Leopoldville this week) is also a step in the conciliatory direction.

For, in all this, most Belgians want no more than to cut their losses and to have peace and be done with the Congo. Most of them still suffer under a sense of outrage at what they have been told about UN "atrocities" in Katanga; they all feel vastly misunderstood by a world which, they say, saw only Belgian mistakes, and not Belgian positive achievements, when all went wrong after independence. A minority of Belgians, on the right wing, feel that independence should never have been granted; some of these support Mr Tshombe and Katanga secession.

Most Belgians, however, seem to feel that leaving the Congo was inevitable; the excesses that followed are thought to be a pity and their causes are often not understood. But they remember reading letters from relations and friends in the Congo saying "it won't last long"; now that the *colons* are back, bitter and complaining, the Belgians who never went out wonder why their friends and relations are so surprised. A small minority of Belgians (M. Spaak and, perhaps, King Baudouin included) understand that preparation for independence should have begun in 1950 or, at the very latest, in 1955. They are likely to prevail upon their fellow-Belgians, in the light of this understanding, to be generous to the Congo when the time for settling the *contentieux* comes.

Meanwhile, there are still a good many Belgians who would, and could, usefully serve in the Congo. At the end of 1961 there were 2,503 technicians from Belgium in the Congo and 2,000 Africans training in Belgium. The numbers should be much higher; they should not, however, include those older Belgians who may really find it too late now to learn how to forgive. Some young Belgian technicians have complained of the effects of "negrification," the rest are hoping for an improvement. One of Belgium's most respected elder statesmen said about it all this week, "If only the Congolese could find one good word to say about us, public opinion might be transformed, and enormous good done to the economies of both countries as a result."

Neo-Nazis in Austria

FROM A CORRESPONDENT IN VIENNA

A SERIES of violent incidents involving Austrians—in the south Tyrol, elsewhere in Italy, and in Austria itself—has raised the question how active, and how extensive, neo-Nazi influences are in Austria. The overwhelming majority of Austrians have no sympathy with neo-Nazism or violent activity in any form. Still, it is clear enough that the youths in the dock in Rome, and those brought to court in Graz, are only pawns in a game. The Austrian press has been asking, *Wer sind die Hintermänner?*—who are the instigators?

The existence of the Austrian republic rests on the thesis, acknowledged by the western powers, that the country was overrun by Hitler in 1938, that it ceased from that moment to exist as an independent entity, and that it was liberated, not conquered, by the allied forces. While true, of course, of the state, where the population is concerned this was an oversimplification. And this was the point at which many sins, mainly of omission, began. From 1945 to 1949 registered ex-Nazi party members were the subject of special legislation which included the loss of the right to elect or to be elected. By 1949 the government of the day, largely supported by the churches and public opinion, had come over to the view that selective penal laws should be repealed; and that the presence, and perpetuation, of an embittered section of the population would hamper the development of democracy in Austria. Even today it would be hard to say that the course taken was wrong in itself. But it was negative and incomplete. The country needed teachers, technicians, and so on, and it needed them at once. Re-education on the Japanese model was thrust into the background. It was assumed that most people were sickened by all that they had seen and learned, and no doubt most were. After the franchise had been restored to former Nazis, the rush for their votes began. This is a weakness which still persists. Although the *Freiheitliche Partei Österreichs* is the main repository of ex-Nazi votes, it is a common delusion to suppose that all of them

Mr Mao's Cardboard Heroes

FROM OUR CORRESPONDENT IN HONGKONG

FEW experiences are more depressing than a reading of the annual Peking review of contemporary Chinese literature and the earnest party-line criticism of those selected efforts that win awards of merit. The Peking *Wen-yi Pao* (Literary Gazette) has belatedly reviewed the best short stories of 1960, and the western student, bemused and shaken, is once more forced to the conclusion that there are still rewarding advantages in illiteracy in China.

Here again is the same cardboard gallery of smug heroes sacrificing themselves, their wives and their families for Chairman Mao and the broad masses; the busybody activists interfering in everyone else's lives; the despicable commune officials kowtowing to any authority however arrogant; the insufferable children shaming their parents into collecting manure in leisure half-hours.

Here again is the same monstrous monotony of plot, describing only the personalised triumph of Chairman Mao's precept and example over (*a*) the calamities of anti-party Mother Nature, (*b*) the weaknesses of selfish or insincere sheep straying from the Marx-Lenin fold, and (*c*) the saboteur conspiracies of those "rich landlords and wicked counter-revolutionaries" who still manage to survive mysteriously in the liberated land.

An urbane sycophant, Mao Tun, who is a celebrated essayist at Peking University, (as well as minister of culture, in which capacity he calls himself Shen Yen-ping), solemnly reviews this abominable rubbish and discovers degrees of "merit" and even "genius" in a score of selected short stories. One 4,000-word masterpiece which moved him deeply was "The Milepost of the Struggle," by Hsiao Mu, which "portrays from fragmentary episodes of



life communist ideological character and qualities." It is a simple, honest railway tale with only three characters: Veteran Driver Hu, who has "a locomotive which is backward because of the objective faults of old age"; comic-relief Fireman "Little" Chou, and "stoutly-built, dark-skinned" Comrade Liu who has been sent along by the party to find out why the train does not run on time.

Driver Hu surlily resents Comrade Liu's arrival, but is finally won over by the party man's tact and skill as a railway worker. He persuades Hu that there is no disgrace in driving an ancient locomotive so long as he, like the locomotive, is sincerely serving the people, the party and Chairman Mao. They buck a "seventh-grade typhoon" coming round the mountains, when Comrade Liu impresses, first, "Little" Chou by "adding several pieces of coal to the furnace" before they reach the toughest gradient, and then Driver Hu by jumping off the footplate to hit the cylinder of the defective sand-sprinkler with a hammer.

The wretched Mao Tun lauds "the communist characterisation and lively style" of this story and gives a quotation to illustrate its vivid atmosphere (which must have suffered in translation): "Thunders echo in the valley, adding more colour to the struggle. Clouds overhanging in the sky are moving fast and large drops of rain are sporadically falling on the top of the driver's cabin, making some noise."

Then Liu, in the moment of triumph as they lurch into the station on time, asks excitedly: "My good fellow, Hu, can you guess what the cargo on the train is?" To the delighted amazement of Hu and "Little" Chou, the cargo is indeed a vital delivery of machinery from Shanghai for the Paotow steelworks. As critic Mao Tun sums up: "All these descriptions not only render the story truly absorbing but, what is more important, create an atmosphere conveying the magnificence of the overall planning in the Great Leap Forward."

Mao Tun does offer some mild criticism of the year's crop of party-line literature: "In many stories, the description of the communist ideological qualities of the heroes is stereotyped. I mean, of course, personal qualities, and not the principles of communist ideology affecting the party which are universal and ought to be stereotyped. . . . Then the images of party secretaries and commune officials are not sufficiently diversified and tend to be somewhat formalised, while their statements at party meetings and the language and sentiments they express are nearly always identical in all stories. . . . Some critics have also pointed out that our short story writers use only three words to describe the eyes of girl characters—'dark,' 'big' and 'bright.'" It all seems a far, dreary cry from Li Po and "The Dream of the Red Chamber." Mr Mao, a subtle and sensitive writer in his own right, must read the drivel with contempt. But presumably he believes it to be necessary or useful—a heavy and sad price, indeed, for even a successful revolution.

are concentrated in this one party. The jobs are in the hands of the two main parties (the People's and the Socialist parties). Consequently there are today a number of ex-Nazis in high positions in the nationalised (Socialist-controlled) industries. The main authority in the country on these matters assured your correspondent that, if the gauleiter of a certain province were to return from the dead and wish to contact his former staff, he would merely have to reach for the telephone and contact the board of directors of X . . ., one of the largest concerns in Austria. The head of one of the hydro-electric works was directly involved in the defeat of the 20th July plot in Berlin. Similar examples could be added.

It may seem odd that so many former Nazis should have swarmed within the Socialist orbit. One explanation given is that much of the Socialist brainpower before the war was Jewish, and its absence created a certain vacuum. To obtain a post within the sphere of the *Volkspartei* usually involved a return to the Catholic church, which many Nazis were unwilling to do. The editor of *Neues Österreich,* Herr Walter Hacker, himself a Socialist, has said that it might be an exaggeration to say that the majority of formerly active Nazis had gone into the nationalised industries ; they were, he maintained, fairly evenly distributed, but it was a greater scandal to find them there rather than in private firms where the authorities could hardly intervene.

It can be proved, then, that there are a considerable number of formerly active Nazis occupying influential positions in Austria. But they would only be a serious danger in the event of economic decline or the collapse of democratic institutions in Europe ; and they are not the active instigators of the recent troubles—the people, say, who, in an inn opposite the Catholic Herder-Verlag offices, pressed bombs into the hands of young enthusiasts. Young neo-Nazis are produced, to begin with, at home. Fathers, tired of being on the defensive about their past, tell tales of heroic deeds, swashbuckling heroes, and a great idea that failed. The boys fill their minds with warlike rubbish off the bookstalls. There are plenty of (inadequately financed) youth organisations, both church and secular, but there are a rash of others which, although not always specifically anti-democratic in character, create what the editor of *Die Furche* describes as a pre-Nazi climate. Their emphasis is *deutsch-national,* involving the old mysticism of German blood and language, together with racial antagonism and anti-American propaganda.

The law requires all societies with a paying membership to be registered, but it is relatively easy to get round this. The *Nationale Jugendverbände Österreichs* (membership about 6,000) were dissolved not long ago, only to turn up two days later under a slightly different name. The *Turnerbund* (athletic federation) has 60,000 members, of whom the great majority are probably quite innocent. The leadership is less so. The university student societies, the *Burschenschaften,* are a rather different matter. Most of them are reliably democratic ; those that are not have either been dissolved or are under close observation. The leaders of these dissident groups, and individuals working alone, are in touch with right-wing extremist organisations such as *Action pour Europe Nouvelle, Partisans Europe Nouvelle,* the MSI in Italy, the *Viking-Jugend* in Germany and others on the Continent, in England and overseas. Their badge is the Celtic cross.

Great pains have been taken to build up Austria's small post-war army, and the opportunity is certainly being taken to teach recruits the purely defensive nature of their task and to give them a solid grounding in the Austrian constitution. But when the commandant of Carinthia, Brigadier Holzinger, made a speech in July, 1960, glorifying the part played by Austrian units in the attack on Narvik, in 1940, deep offence was caused in Norway and, it can thankfully be said, scandal and mortification in Austria. One is assured that such a thing is unlikely to happen again. Quite recently, however, Herr Rösch, Socialist *Staatssekretär* (nr. 2) in the ministry of defence, gave rise to even greater consternation by saying at a semi-private gathering in Graz that Austria should "forbear to make eyes at the West," and that Austria's neutrality is "more threatened from the West than from the East." Far from calling for his resignation, the cabinet, in the person of the vice-chancellor, Herr Pittermann, covered him up in an involved statement which begged the issue. Herr Rösch, holder of the golden badge of the Hitler Youth, is being groomed, it is said, as a possible minister of the interior.

The Socialist monthly review *Die Zukunft* has now raised the whole subject in a series of contributions from newspaper editors and others, headed by the minister of justice, Dr Christian Broda, and the minister of the interior, Herr Josef Afritsch. The articles are in general agreement ; many of the points they bring up have already been mentioned above. What, the contributors were asked to suggest, ought to be done to combat neo-Nazism ? Dr Broda maintains that the big guns of the law meet the danger too late. There must be a stricter watch, backed by the law, on all groups that disseminate anti-democratic ideas, for example by bringing the republic and its symbols into disrepute, and by racial propaganda. The home, schools, and the whole of society, he said, are responsible for education, but the state must mark out the frontiers of tolerance more clearly than hitherto. The minister of the interior said much the same on this point, adding an appeal to the parties, youth organisations, authors, press, radio and television to play a more active part in strengthening democratic life and thought. Dr Kurt Skalnik, editor of *Die Furche,* emphasised the general lack of a sense of identification with the Austrian state. (This is a theme which comes up again and again.)

Numerically, the Nazis in Austria are an insignificant minority. But the political parties are so evenly balanced that the Nazi voters are in a position to tip the scales. Awareness of this has led to many nods and winks in their direction by both the main parties. With general elections looming next autumn, several contributors to *Die Zukunft* called for an agreement between the parties that all their members, from ministers downwards, should refrain from compromising themselves and their parties by attending doubtful gatherings for vote-catching purposes, and should forswear all concessions that might tend to lend this small minority an importance out of all proportion to its numbers.

Perils of Twinning

FROM OUR CORRESPONDENT IN SOUTH-WEST FRANCE

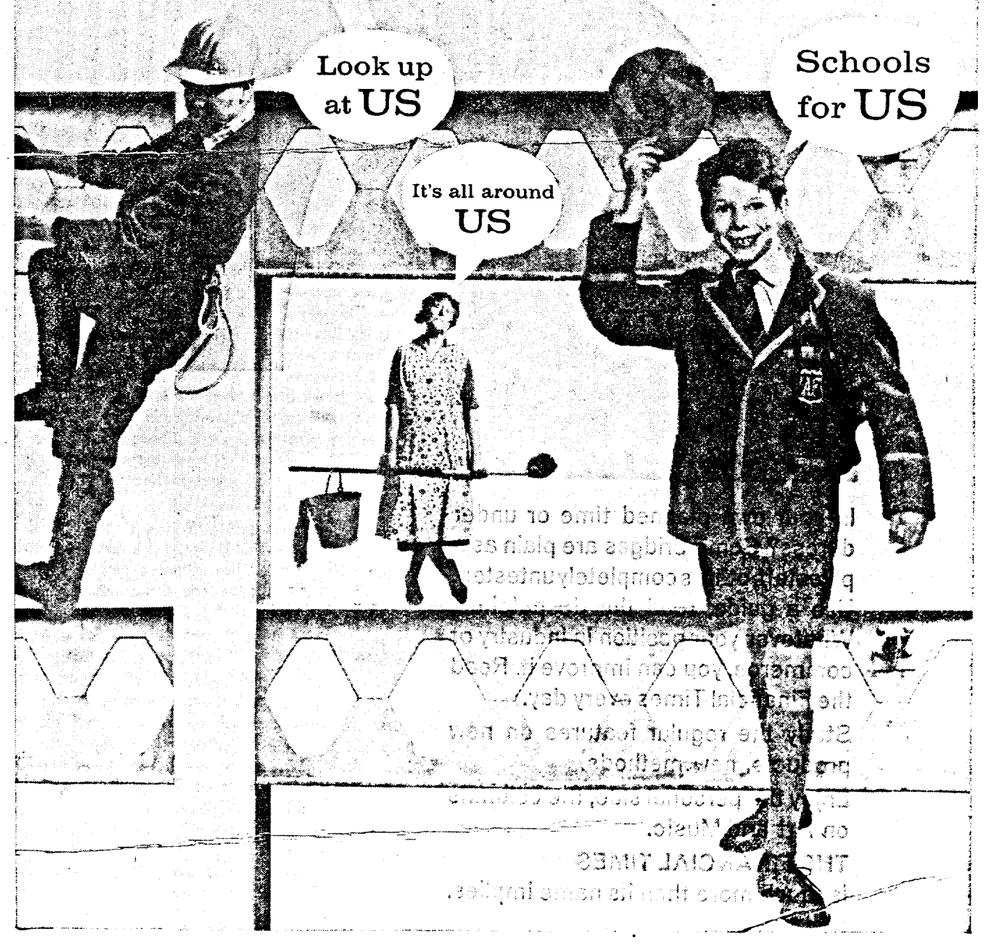
IDEALISTS have longed for centuries for a single international language in which statesmen might insult each other directly without the frustrating intervention of interpreters. Unfortunately, more than one hundred synthetic international languages exist, and their advocates are apt to debate their merits with acrimony. Ten years ago, a distinguished French Resistance hero, M. Jean-Marie Bressand, who had escaped from the Gestapo, determined to devote himself to international understanding ; he therefore launched a movement called *Le Monde Bilingue* with the aim of tackling the problem from a different angle.

M. Bressand's plan capitalised the most durable legacy of the age of imperialism, the almost world-wide distribution of the English and French languages. Let the English-speaking peoples, he proposed, learn French as a second language from primary school up ; let the French learn English ; and let other peoples choose English or French. An English-speaking Icelander might still have difficulty in communicating with a French-speaking Malgache, but if linguistically uncommitted nations conscientiously taught half their children French and half English, the traveller would usually be on speaking terms with fifty per cent of the people he met.

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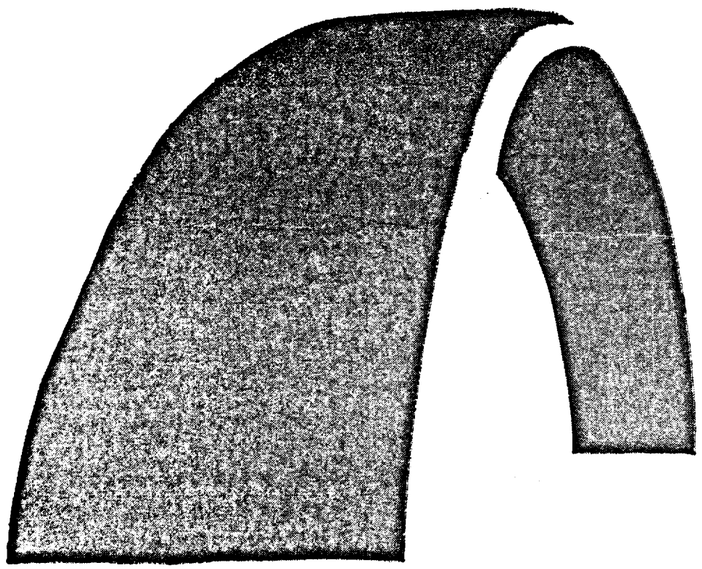
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THE FINANCIAL TIMES

is much more than its name implies.

President Vincent Auriol supported it ; Mr Eisenhower gave it his blessing. The Canadian federation of mayors and the French Socialist (SFIO) deputies affiliated *en bloc*. To popularise the movement, M. Bressand organised scores of *jumelages* (a word he unfortunately translates "twinnings") between British and French, American and French, and French-Canadian and British-Canadian towns—stimulating educational exchanges, visits, trade and even marriage between their citizens. (Shortly after the "twinning" of Arles and York, Pennsylvania, the mayor of Arles married a York teacher.)



There were occasional *contretemps*. Two British Conservative municipal councillors suddenly began fighting each other during a reception in their honour in their French "twin-town." A Catholic bishop placed an interdict on a concert that was to have been given by the Catholic choir of Chartres in the Anglican cathedral of Chichester. One or two Harrogate ladies were shocked when a French cookery demonstrator proposed to chop a lobster in two without first boiling it to death in the humane English way. But the movement made steady progress and inspired linguistic experiments in several American and French schools. Its *jumelages* opened unsuspected windows on the world for thousands of men and women who could never have been reached by the *Alliance française*, the British Council, and other worthy but slightly stodgy veterans of the cultural export trade. Inevitably, M. Bressand began to acquire some influential enemies.

To the gamekeepers of the French foreign ministry's cultural relations department, he was simply a poacher. French diplomats had nightmares in which they saw themselves judging poodle shows and waiters' races in Pittsburgh and Preston. The cupola of the French Academy rang with denunciations of M. Bressand's plot to subvert the French language. "Within a generation," cried an eminent novelist, "the peasants of Auvergne will be speaking English!" Communists considered M. Bressand a Nato agent whose mission was to Cocacolonise France.

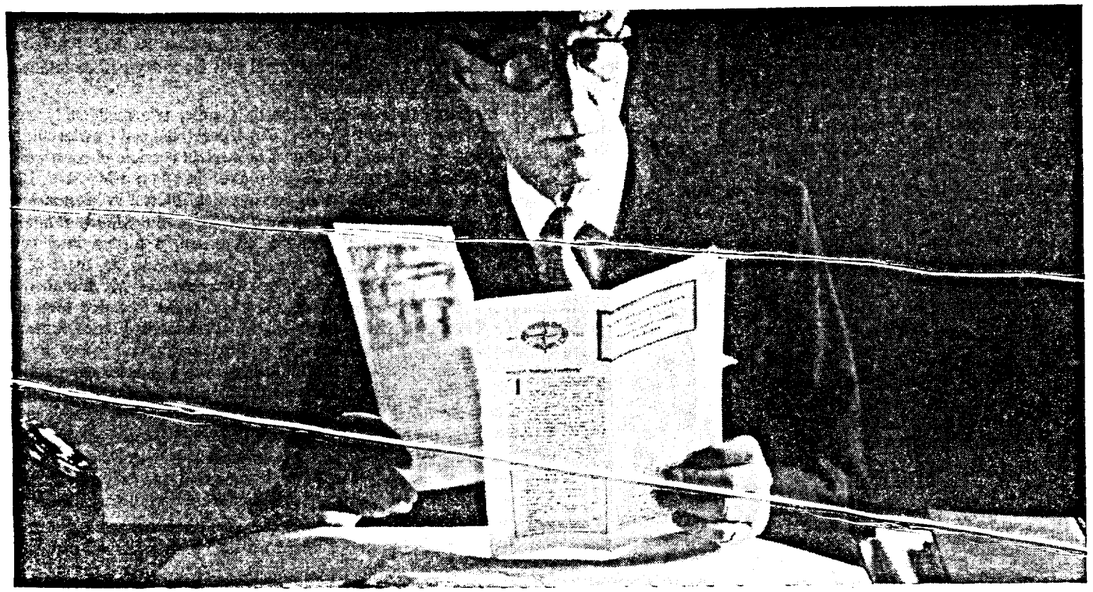
At a Kremlin reception in 1956, the leaders of an official Socialist delegation touring Russia cited M. Bressand's *jumelages* as an instrument of "popular diplomacy" and invited Mr Khrushchev to attend a congress at Saint-Etienne the following July that was to set up an international federation of "twinned" towns. Back in Paris, anguished roars were heard from the influential SFIO mayors of Marseilles and Puteaux, Senator Gaston Defferre and M. Georges Dardel, who were closely linked with M. Roger Duchet and other right-wing "Little Europeans" in the *Conseil des Communes d'Europe*. The support of MM. Defferre and Dardel was essential to the "Molletiste" leadership of the SFIO, then under fire for M. Mollet's about-face on Algeria, and the party machine went promptly into reverse. SFIO members were ordered to leave the *Monde Bilingue*. The president of the republic and other patrons of the movement were informed on the authority of Senator Defferre and M. Maurice Pic, then secretary of state at the ministry of the interior, that M. Bressand had a pro-Nazi war record. When a *jury d'honneur*, having heard the testimony of his wartime commanders, cleared him of this smear, rumours were circulated accusing him of pro-Soviet sympathies. They drew sustenance, apparently, from the fact that he had "twinned" Sainte-Etienne and Coventry, and that Coventry had maintained a link with Stalingrad since 1942.

In memoranda to President de Gaulle, two moderately right-wing deputies—MM. Lucien Neuwirth (UNR) and Charles Dutheil (MRP)—have accused United States secret services of contributing to the campaign against M. Bressand. In 1955, a Mr Mark Bortman called on M. Bressand, expressed an interest in his *jumelages*, and was allowed to make a close study of the *Monde Bilingue's* organisation and methods. M. Neuwirth, a former intelligence man himself, states flatly that Mr Bortman was an agent of the Central Intelligence Agency and the author of Mr Eisenhower's People-to-People Programme. It seems to be true that soon after Mr Bortman's visit, certain of M. Bressand's Franco-American *jumelages* were lured away from the *Monde Bilingue* to form a nucleus for the affluent PPP ; other *jumelages* were organised by the PPP between American and foreign cities ; dollars and facilities suddenly became available for "Little European" *jumelages* under the auspices of the Council of European Municipalities. Co-ordinating all these activities was Mr Bortman as chairman of the civic committee of the PPP. In 1960 and 1961 he attempted to bulldoze congresses of the International Union of Local Authorities into accepting the political guidance of the PPP.

MM. Neuwirth and Dutheil accuse Mr Bortman of perverting the *jumelage* to propagandist ends. Whatever his intentions, the crudity of his methods—and the tendency of American-subsidised organisations to discredit the *Monde Bilingue* merely because it insisted on remaining apolitical—did offend many distinguished Frenchmen and contributed to the determination of anti-communist mayors like Canon Kir (Dijon) and M. Dutheil (Millau) to favour *jumelages* with Soviet cities.

DESPITE the SFIO's desertion, M. Bressand's *Fédération mondiale des villes jumelées* (known in English as the United Towns Organisation) came into existence in 1957. More than 300 towns have adhered to it : about 250 in Nato countries, 35 in Africa and 12 in the communist states. Its chairman is the Lord Mayor of Coventry ; its supporters range from the Abbé Pierre to President Habib Bourguiba, and include cabinet ministers of five African states. Mr Kennedy wrote M. Bressand a letter of warm commendation in 1959 ; and indeed the change of American Administrations seems to have brought a reaction against exploiting the *jumelage* idea for political crusading. Mr Bortman seems to have gone into eclipse. M. Bressand's French opponents, too, are beginning to be impressed by the confidence his stress on apolitical links has inspired in African leaders wary of cold war recruiting.

The fact that the communists, the Quai d'Orsay, the SFIO, and "Little European" and "People-to-People" cold-warriors have all sniped at M. Bressand from time to time is a testimonial in many African eyes. His advice is now being sought on means of piercing the linguistic barrier between French-speaking and English-speaking Africa. At a congress he organised at Avignon recently, plans were laid for an ambitious series of Franco-African *jumelages* within the framework of which French towns will provide their African "twins" with technical aid and advice, and reserve an annual quota of school places and apprenticeships for African youngsters. The congress was one of the most important European-African get-togethers ever held at grassroots level, and the participants were exuberantly enthusiastic. This week the United Nations Economic and Social Council was due to discuss a Senegal resolution urging that a subsidy of $10 million should be given to M. Bressand's organisation.



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AMERICAN SURVEY

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AID's Progress

WASHINGTON, DC

BRAZIL's good-looking but politically ambivalent President and Iran's handsome but harassed Shah are visiting the United States this month. Both hope for continued American aid for their troubled countries. They come at a time when the United States is trying to evolve a new philosophy of foreign aid and to rid itself of some old fetishes. There is a new tolerance, and even encouragement, for economic planning and social reform as the best means of combating communism. But there is also a strong temptation to fall back again despairingly on strong men in uniform.

Anguished American taxpayers have asked before, and are sure to demand again, why Brazil and Iran should get help at all. Both countries are rich: Iran's income from oil is almost a million dollars a day. Neither overtaxes its wealthier citizens noticeably and Brazil is seeking to nationalise American property. The answer is that Iran and Brazil, like South Vietnam, are being aided on the theory that they are key countries whose fall into communism would topple adjacent countries as well.

Whatever may be thought of this theory—and there are some who do not think much—at any rate the United States no longer behaves about aid like a householder with a flood in the basement and termites in the walls. It does not rush from one peril point to another, trying to mop up discontent with a handkerchief and applying plaster to cracks. A five-year plan has become almost indispensable for an underdeveloped country which hopes to receive American help. Americans now insist positively that the countries which they aid must come forward with their own programmes for accelerating their rate of economic growth and improving the lot of their people, socially and politically. From South Vietnam to South America, the United States is seeking strenuously to obtain the friendship of the underdeveloped countries, by proving to them that nations at very different levels of progress can work together without the advanced countries becoming imperialist or the backward ones losing dignity. It is in Latin America that this is becoming most evident.

Last week Dr Milton Eisenhower, who was his brother's expert adviser on the affairs of the western hemisphere, declared that American efforts to construct a better life for the neighbours south of the border were natural and inevitable steps in a long process that would have reached this point of decision even if an egocentric Cuban leader had not betrayed his people. Dr Eisenhower admitted, however, that the threat of Castro-type communism had certainly speeded matters up. Until four years ago the United States had given more aid to Jugoslavia than to the whole of Latin America. Now Mr Teodoro Moscoso, who is in charge of aid for Latin America, is trying to erase the image of the United States that some Latin Americans have held, but not cherished, ever since the time of Theodore Roosevelt. Americans have been shocked by the realisation, forced on them by the Cuban revolution, of how very close they are, physically, to abysmal poverty and to the violent hatred which it breeds.

In Latin America, as elsewhere, the United States would like there to be consortia and other forms of joint aid with western Europe participating. The Monroe Doctrine, having proved quite ineffective at keeping out the Russians—and the Chinese—has ceased to apply even in theory. Americans hope that the re-entry of a Europe that has purged itself of imperialism and that is known not to be unutterably opposed to the welfare state or even to socialism will dilute Latin America's anti-Americanism.

All this could mean a considerable change in the American conception of foreign aid and how it ought to work in the world. Last month, in an atmosphere richly redolent of mahogany, club-chair leather and cigar-smoke, Mr Fowler Hamilton, the suave Administrator of the Agency for International Development, set up to handle these problems under last year's reorganisation, spoke almost with fond pride to the Foreign Affairs Committee of the House of Representatives about such things as Pakistan's five-year plan and Nigeria's six-year plan. He encountered some mild scepticism and was reminded that foreign aid has produced many disappointments in the past. But nobody said that planning is just creeping communism.

Mr Hamilton is not likely to get all of the $3.4 billion for economic aid and the $1.5 billion for military aid which has been requested as this year's annual instalment. But he was heard with respect as he explained that the task of foreign aid is to change the lives of a billion and a half people who are living in the twentieth century at pre-Galileo levels of income and who, as a result, are not much of a mass market for a mass manufacturing country but are very receptive to communist propaganda. Last year Congress made evidence of self-help a condition of receiving American aid and this, as interpreted by Mr Hamilton, means that recipient countries must establish comprehensive, long-term economic plans. This year's request for money even includes $300 million that is earmarked for training people to carry out national plans.

MEANWHILE, however, the underdeveloped countries are still a very long way from solving their many pressing problems and in Latin America there is a split, already familiar in other parts of the world, between liberals who say that the United States is supporting reactionary policies and conservatives who accuse the United States of encouraging socialism and of being imperialist as well. Americans themselves are still divided between those who think that the United States damaged its reputation by supporting intervention against Dr Castro in Cuba and those who believe that it lost face in Latin America by failing to suppress him. Among the latter there appears to be a persistent vision of high-minded Latin American military men seizing power and then defending the masses against communism, by winning their love without bothering to count their votes. This form of wish-fulfilment has unhappily been encouraged by Argentina's reversion to controlled democracy.

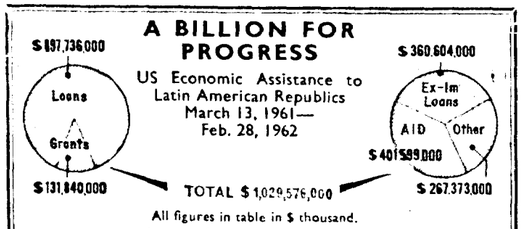
As it promised to do when it signed the Charter of Punta del Este last August, the United States has committed $1 billion, mostly in loans, for the development of Latin America under the Alliance for Progress. But over half of the total had in fact been promised by the Export-Import Bank and others before the Alliance for Progress came into existence and very little of the money has actually been disbursed. Nevertheless, President

Kennedy wants Congress to approve another $600 million for the Alliance for the coming fiscal year and he also wants authority to commit $3 billion in loans and grants to Latin America over the next four years.

Congressmen are bound to point out that there is an estimated $5 billion of private Latin American capital cannily cached abroad. One Senator wants to deny aid to any country which attempts to confiscate American property. Radical social reforms are rarely carried out in accordance with sound financial principles but this is what Latin America is apparently being asked to attempt. Even the sterner efforts to collect income taxes which the United States insists on and which Brazil and other countries have promised to make have cost Venezuela and Chile some private American capital, in addition to having accelerated the frightened outflow of indigenous capital. Most of the American aid money could be frittered away easily in shoring up currencies and covering budgetary deficits instead of being devoted to long-term development.

Brazil has been described as the fat man in the Latin American canoe. Both may be alarmingly close to the rapids. Yet there does seem to exist in Latin America, including Brazil, a distaste for extreme courses, a wistful desire for the victory of moderation and a spreading disillusionment with Castro-ist excesses even though American attacks on Fidelismo continue to be resented. There also exists, however, an impatient desire to press the take-off button and to go into an orbit of prosperity, although most of the countries are at least a generation away from that point.

Mr Douglas Dillon, the Secretary of the United States Treasury, would like to see $20 billion of foreign capital entering Latin America in this decade, to be matched by $80 billion of Latin American funds. The foreign contributions would consist of $10 billion from AID and the Export-Import Bank, $3 billion of private American capital and $7 billion from the World Bank, western Europe and Japan and the Inter-American Development Bank. But Latin America also needs stable prices for its primary commodities and deliberate curbs on its population, which threatens to treble itself before the end of the century.



All figures in table in $ thousand.

Country	Total	Grants	Loans	Ex-Imp. Bank	AID	Other*
Argentina	9,128	1,269	7,859†	1,859	7,269	...
Bolivia	22,420	12,741	9,679	...	18,039	4,381
Brazil	357,190	39,570	317,620	168,000	108,151	81,039
Chile	135,489	13,551	121,938	...	111,071	24,418
Colombia	69,162	16,325	52,837	...	35,837	33,325
Costa Rica	17,899	1,274	16,625	4,500	9,719	3,680
Dominican Republic	25,324	324	25,000	...	25,001	323
Ecuador	39,505	3,992	35,513	425	22,177	16,903
El Salvador	23,514	1,724	21,790	12,650	2,861	8,003
Guatemala	3,669	3,669	...	...	2,196	1,473
Haiti	2,840	2,840	...	...	1,940	900
Honduras	5,076	3,076	2,000	...	4,816	260
Mexico	106,321	10,541	95,780	95,780	1,139	9,402
Nicaragua	10,729	729	10,000	2,000	8,830	955
Panama	11,226	3,206	8,020	420	2,863	7,991
Paraguay	16,282	6,077	10,205	...	8,817	7,465
Peru	65,969	5,949	60,020	21,620	17,562	26,787
Uruguay	4,925	525	5,500	1,900	62	2,963
Venezuela	99,358	908	98,450	51,450	10,211	37,697
Regional etc.	3,550	3,550	...	...	3,038	512

* Social Progress Trust Fund, Food for Peace, Peace Corps, Inter-American Highway. † Does not include recent loan of $150 million

Much of this goes dead against American fetishes and against Latin American ones as well. But the United States is gradually trying to accustom itself to the unpleasant idea that in Latin America it may now be only one minute to midnight and that semi-socialism and neutrality, on the Indian pattern, may be the best that can be hoped for, while the alternative could easily be a repetition of the tragedy in China. On the wider world stage the underdeveloped countries may be in the phase of only a slight pause before a final descent into chaos and communism. There is, however, some evidence to support a more optimistic view that, from Thailand to the Congo and from the Philippines to Brazil, the balance may have shifted in favour of the forces of moderation and responsibility. If this view is to be sustained, it would seem to be of the utmost importance for the United States and Europe to try to guide those countries along modern paths rather than to take the short-cut of supporting local *generalissimos*.

Frontiersman Goes to Court

PRESIDENT KENNEDY deprived Washington of its favourite party game—speculation on whom he is going to nominate—by his quick choice of Mr Byron White, an outstanding lawyer from Colorado, to fill the vacancy left on the Supreme Court's bench by the retirement of Mr Justice Whittaker. But there was nothing else disappointing about this nomination, the first that Mr Kennedy had made to the most powerful office in his gift. For this reason in particular it was important that there should be no controversy over the appointment. This seems to have been avoided most successfully even though Mr White, at 44, will be one of the youngest men ever to become a Justice of the Supreme Court, even though he is a close, although somewhat independent, political associate of Mr Kennedy's and even though he has no previous judicial experience.

Mr White's new boss, the Republican Chief Justice, Mr Warren, is happy about the nomination. The American Bar Association's committee which is the arbiter in these matters has given Mr White its unqualified and enthusiastic endorsement. Its members know him well because, as Deputy Attorney General of the United States, he has been co-operating closely with the committee in choosing judges to fill the unprecedented number of vacancies which have arisen owing to the expansion of the lower federal courts. As Deputy Attorney General Mr White was also in charge of the marshals who were sent to the South by the federal government last year to restore peace after the "freedom riders'" protest against racial segregation in public transport. Yet Mr Eastland, the reactionary Southerner who heads the Senate's Judiciary Committee, agrees that Mr White will "make a good Justice." Therefore his nomination seems sure to be approved quickly.

Interest now centres on Mr White's position once he joins the eight colleagues who are at present often evenly divided on the basic question of today, the proper relationship between government and the individual. They have dramatised the danger of deadlocks by postponing until the autumn their consideration of a number of important cases so that Mr White can participate in the decisions. In the many recent 5-4 rulings Mr Whittaker was usually found on the "conservative" side, that is, on the side of more power for the government. Mr White has great sympathy for the "little man" but he also has great respect for the law and there is no certainty that he will lean to the "liberal" side of the Court. Even if he begins by doing so he may change as time goes on, as others have done. His appointment is for life and he is not a man to become set in his ways. One thing seems sure: Mr White's presence on the bench will encourage the Supreme Court's recent tendency to break new legal ground, to enlarge its judicial concerns just as today the executive is enlarging its political concerns.

Doubts About Steel

NEW YORK

WHILE the President and his officials are clearly pleased with the early and, in their opinion, non-inflationary settlement of the wage negotiations in the steel industry, the reaction in business and financial circles is curiously apathetic, even though there is relief that a strike has been averted. This reaction is not entirely unexpected, for businessmen are unable to believe that Washington ever acts in their favour where labour is concerned —and the present Administration is regarded as especially pro-labour. While Mr McDonald, the head of the steel workers' union, has denied repeatedly that the Administration was responsible for the settlement, some businessmen maintain that it was and the representatives of the steel companies contend that in fact the agreement is inflationary. There is no doubt that the Administration had a vital interest in the success of the negotiations and played a part in getting the two sides together, but its participation was much less marked than that of the Vice-President, then the Republican Mr Nixon, in the last negotiations in 1959 and the actual results this year were much more satisfactory to the steel producers.

There is nothing surprising in the attitude of the companies; it follows naturally on their claim that the present pressure on their profits will continue to make itself felt, unless they put through a general increase in prices to offset the increase in labour costs arising out of the added welfare benefits to be paid under the new contract. But the main factor ruling out a rise in prices now is the very moderation of the settlement; if demand for steel builds up over the next twelve months some piecemeal increases may well be announced. And negotiations can be re-opened on wages in July, 1963; this, according to businessmen, will almost certainly lead to the increase which was avoided this year.

Whether or not the steel settlement bearing Washington's stamp of approval will become a pattern for future negotiations in other industries, it certainly has immediate benefits for the economy as a whole. But, over and above their deep-seated distrust of Washington and its influence on the negotiations, businessmen are disturbed simply because that economy is not displaying the robustness which they had expected. Even an inflationary settlement might well have been found acceptable if businessmen had been in a more confident mood, but at the moment even this moderate settlement is considered suspect. This uneasiness is reflected in Wall Street where equity prices have been declining ever since the agreement was announced with steel issues, which were already selling at comparatively modest prices, moving down fairly sharply. If the current renewed upturn in economic activity proves to be more vigorous and longer lasting than businessmen now expect they may well take a fresh and more favourable view of the steel settlement.

How Many for the UN?

THE Senate seems likely to vote while *The Economist* is in the press on the Bill to provide up to $100 million for the United Nations; this is to tide it over the financial crisis caused by the failure of most of its members to pay their share of the cost of military operations in the Congo and the Middle East. For two reasons it is important that the Bill should pass by a large majority, as much as 75 to 25. A small one would encourage the enemies of the Bill in the House of Representatives, which is much less favourably disposed to it than the Senate; a narrow squeak would also look very like a vote of no confidence in the United Nations, even though most observers agree that in the country as a whole there is a big majority which supports its purposes.

Originally the Administration proposed simply that the United States should take up $100 million of the $200 million in bonds which the UN voted to issue. The Senate Foreign Relations Committee, concerned because the United States is shouldering so disproportionately large a share of the burden of the UN's military operations, modified this; the United States could buy $100 million of the bonds but its contribution would have to be matched by other members, dollar for dollar, beyond the first $25 million. (So far other countries have promised to subscribe $50 million.) Opponents of this measure, however, have looked recently like collecting about 40 votes, most of them for Senator Aiken's proposal that the United States, instead of buying the bonds, should simply lend the UN $100 million for three years at an interest rate of about 3½ per cent—a loan which, as Mr Kennedy pointed out, might be wholly unacceptable to the UN and which, in any case, could not possibly be repaid in so short a space of time. There probably would have been a few votes for Senator Russell, a respected figure who proposed simply to forgive the UN's debt to the United States—about $30 million—and to apply a congressional curb to any future participation by the United States in international military operations.

The agreement reached by the President and Senator Aiken permits the President to lend up to $100 million in any form he sees fit, for any number of years, providing only that, after the first $25 million, the rest must be matched by other contributions. Senator Dirksen, the Republican leader, supports this "compromise." But it is hard not to sympathise with the conservative western and middle-western Republicans who declare that their leaders, far from wresting any concessions from the President, have surrendered to him completely; the House may share this view. More important than the squabble over this relatively small amount of money is the clear evidence which has been provided—by Senator Fulbright, Senator Mansfield (the Democratic leader) and Senator Jackson—that even friends of the United Nations are beginning to feel doubts about the growing power of the UN Assembly and the way in which this power is used by the new nations.

Taxing for Business

LAST week the President's cup ran over; on top of the steel settlement and the Supreme Court's historic decision on apportionment for State Legislatures, the House passed his tax Bill, which provides businessmen with incentives for modernisation as well as the money to pay for this by closing a number of loopholes in the tax laws. The final vote—219 to 196—produced only a slender majority for the Bill, but a defeat would have been a bad omen for the rest of the session. To win this victory the White House had to pull all the strings at its command—something it cannot afford to do often—and the tax rebate to encourage capital investment, which Mr Kennedy says is essential if American businessmen are to compete successfully for exports and if the economy is to grow fast enough to produce many new jobs, was cut substantially. The tax credit was reduced from 8 to 7 per cent of the cost of new facilities and the amount which a firm can claim in any one year was lowered drastically.

This cut the annual cost of the tax credit from $1.8 billion to $1.2 billion. How much the Bill as a whole will cost—if it costs anything once all its provisions are in effect and its stimulus is felt by the economy—is a matter of partisan dispute. But the reduction persuaded the bulk of the southern Democrats that the measure was not the "budget-buster" which the Republicans claimed it was. In the end, although the Republicans were absolutely united behind their motion to delete both the tax credit for business

and the withholding at source of taxes on dividends and interest, *only 16 southern Democrats and 11 from the North joined them.* That Republicans should vote against aid for business and virtuously denounce "cream for the fat cats" may seem strange. In fact, they would have liked to substitute for the tax credit the more generous allowances for depreciation which most businessmen would prefer as probably longer-lasting. But this would have cost even more than the tax credit.

The Bill has been subject to pressures from all sides; for example, the clauses on taxation of overseas subsidiaries were tightened up substantially in recent weeks to win the support of the trade unions and the liberals who are worried about the so-called "export of jobs." As the Bill stands, such income will be taxed as it is earned (instead of only when it is returned to the United States) unless it is re-invested or invested in an undeveloped country. *This still falls short of the Administration's* desire to tax all such income in developed countries on a current basis. Although the Senate Finance Committee, where hearings began this week, is unsympathetic to the Bill, the White House hopes that the overseas provisions and a number of others will be tightened on the floor and that the tax credit for capital investment will be restored to 8 per cent in spite of the opposition of many conservatives and some liberals.

Frankenstein of Football

FROM A CORRESPONDENT IN COLORADO

To Americans one of the engaging things about Mr "Whizzer" White, the President's choice for a vacancy on the Supreme Court, is that he paid for his legal training by playing professional football and the annual frenzy of college communities over their amateur football teams is so peculiarly American that it is hard to understand elsewhere. Successful players—and coaches—become the heroes of gown, town and press. The rewards and penalties of coaching football teams are great. Every winter sees a parade of successful coaches breaking long-term contracts to take over the jobs of less fortunate colleagues whose own contracts do not protect them from being fired. A winning coach, on the other hand, is probably more secure in his job than the president of his university.

So it was astounding last month when the Board of Regents of the University of Colorado dismissed Mr "Sonny" Grandelius, who had been given a white Cadillac only a few months earlier by admiring fans for having coached the university's most successful football team. Mr Grandelius, who is still only 31, was once an All-American player—the coveted award for football stars, also won by Mr White while he was at the University of Colorado. Three years ago Mr Grandelius took the place at Colorado of a coach who had been dismissed for being unsuccessful; in particular, his teams had failed to defeat Colorado's great rival, the University of Oklahoma. Mr Grandelius's teams did this twice and in 1961 qualified for an Orange Bowl Match in Miami; this represents the very peak of achievement.

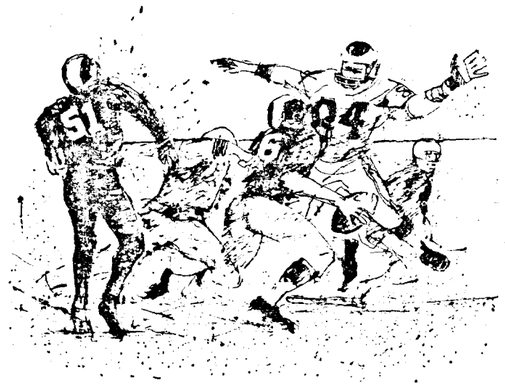
The dismissal of Mr Grandelius—for recruiting players by giving them improper financial assistance—affords a sudden glimpse into the cold world of merciless ambition, power and money which lies behind the glamorous façade of intercollegiate athletics and football in particular, though other games are not immune. Intercollegiate football, now over 90 years old (the first match was played by Rutgers and Princeton in 1869) has become almost a synthetic monster which devours its devotees. *Life* magazine calls it "the annual fraud." But nothing seems to check its growth. More giant stadia are built or enlarged each year to hold the millions who pay high prices to attend, although in millions of homes football dominates the television screen every Saturday afternoon. No moral setback seems to affect football. At Colorado, if anyone is to suffer, it may be the Board of Regents, who are popularly elected and who are already being threatened with political reprisals under the battle-cry of "Remember Grandelius!".

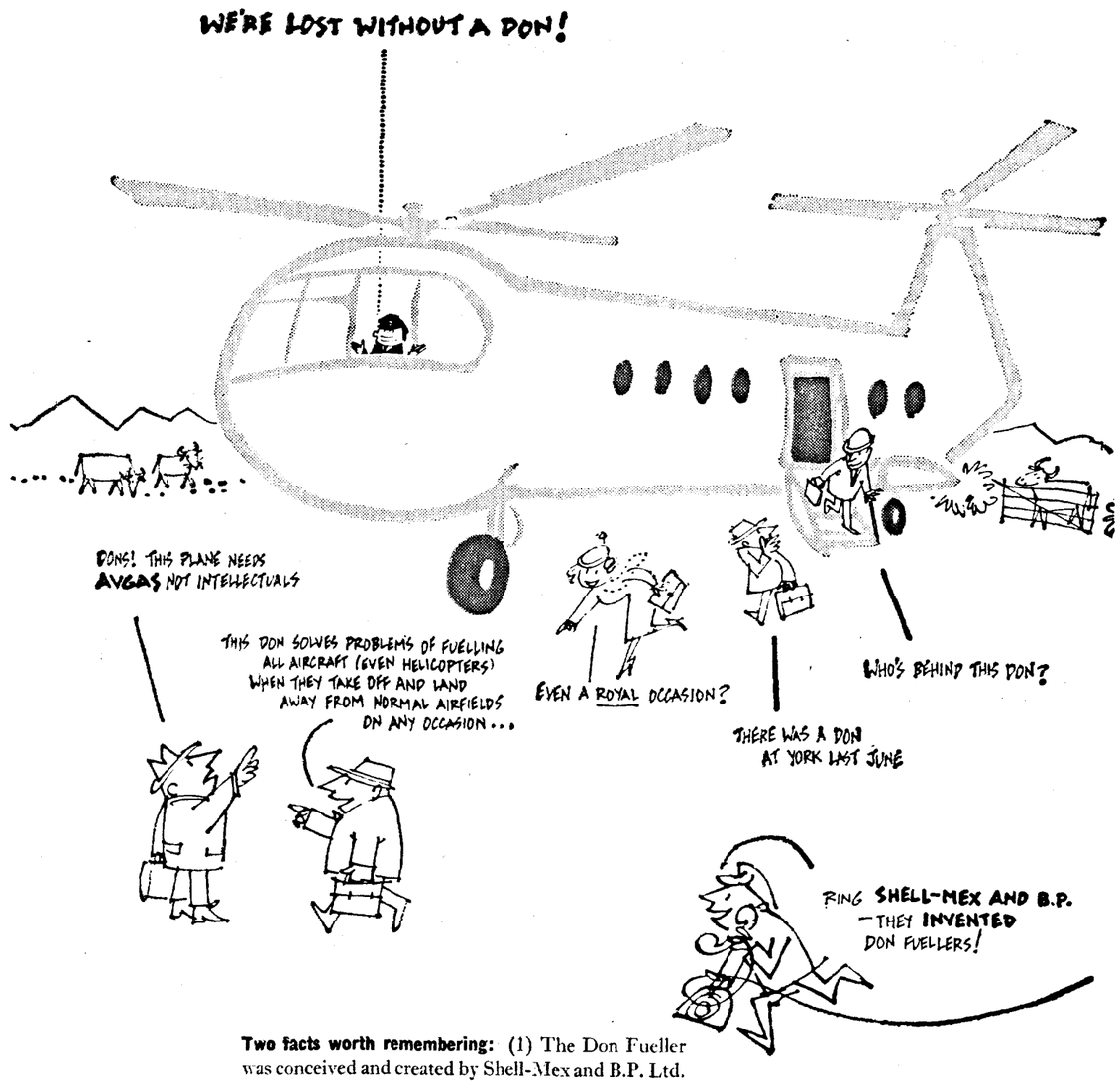
The regents had, in fact, no choice but to dismiss him. In the popular expression, he was fired for being found out. The National Collegiate Athletic Association had investigated disquieting reports about Colorado and forwarded its findings to the university; these presaged severe penalties. The NCAA can deny a university conference standing (a conference is a group of institutions which band together for athletic purposes) and can prevent its team from participating in the glamorous and profitable bowl games, a fate worse than death for some colleges. The regents named their own investigators; these found even more serious evidence against Mr Grandelius, whom they also accused of lying to them about his activities. His dismissal reflects real official shame and regret, but it was also ordered, in part at least, to avert the severer NCAA penalties; even so, a number of Colorado's brightest stars may be disqualified.

The NCAA, as its name implies, is the organisation whose regulations are supposed to keep intercollegiate athletics within ethical bounds. Each conference, in turn, has its own rules which limit "athletic scholarships" to subsistence, tuition, books and a small monthly cash allowance of about $15. These rules are considered stingy by many. One aggrieved member of an All-American team complained "We draw 80,000 into the stadium every Saturday; we deserve more." President Gallagher of New York's City College has suggested seriously that college players should be paid substantial salaries. One famous one was—he and his wife together were paid $800 a month.

Often coaches, fans and local businessmen, anxious to keep a good thing going, combine secretly to raise "slush funds" to pay likely boys a salary, to provide them with special academic coaching—since a sound body does not always house a scholarly mind—and to give them free transport to and from the university. A wealthy graduate may support a good player right through college though there is a story about one sponsor, a motor car dealer, who dropped his *protegé* precipitately when the boy turned up with a new car—not the make which his sponsor sold. In some places the madness has spread down into the high schools; tales are told in the Southwest of fathers being offered jobs 200 miles from their homes just so their sons may attend the local high school.

A college coaching staff works a 12-month year divided between coaching and an almost frenzied hunt all over the country to maintain the good players without whom the best coach is helpless (the profession sympathises deeply with coaches "forced to depend on students"—that is, on ordinary undergraduates who play for fun). One expedient is to "hide out" players at a junior college;





Two facts worth remembering: (1) The Don Fueller was conceived and created by Shell-Mex and B.P. Ltd. anticipating the need for a safe, simple way to transport fuel and load it to aircraft away from normal airfields. (2) Shell-Mex and B.P. Don Fuellers now operate from Hamble and Manchester and will take fuel to aircraft almost anywhere in Britain.

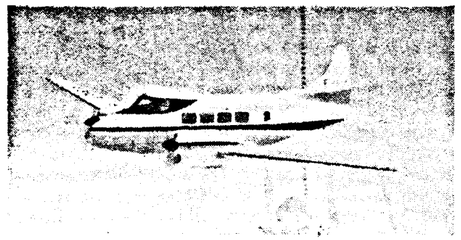
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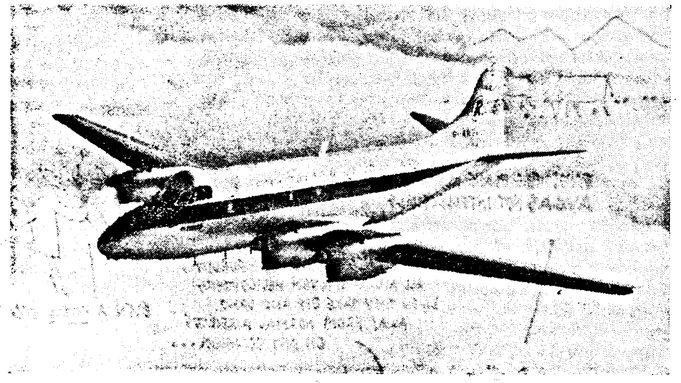
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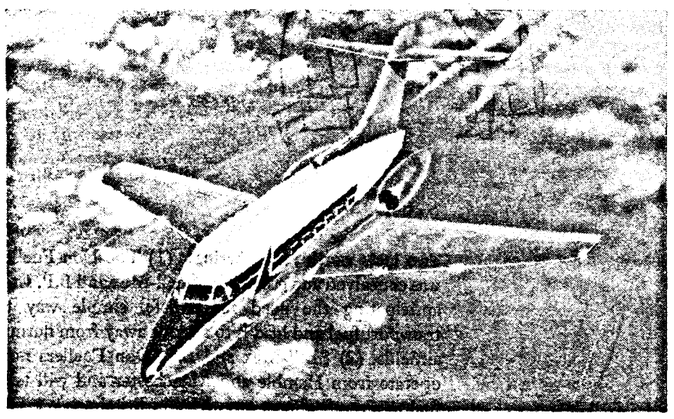
Heron

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DH 125

The DH 125 jet executive aircraft powered by Bristol Siddeley Viper 520 turbines of 3,000 lb., 1360 kg. static thrust. 500 m.p.h., 800 km. hr., six passengers with two crew and baggage over practical stages of well over 1,000 miles, 1600 km. Able to use grass fields. First flight this year, deliveries a year later.



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here they mature under sound coaching. They are brought to the university for their last two years. In its turn, college football has become a mine of talent for the professional teams. The big professional baseball "leagues" have to maintain minor ones to supply a steady stream of players but the football organisations find their material ready-trained in the colleges.

The group of large private eastern universities, sometimes scornfully referred to as the "Ivy League," and a few others seem to have reduced this athletic mania to reasonable proportions. And a score of sizeable colleges have given up intercollegiate football altogether. But the head of one of these says frankly: "We couldn't stand the loss. It was costing us $100,000 a year beyond the receipts." This particular institution now specialises in hockey; its yearly squad comes *en masse* from Canada.

Too Deliberate Speed

FOR the first time the federal government is using financial pressure to speed up racial integration in southern schools. Segregated classes will no longer be regarded as "suitable" for the children of people who live and work on federal property—military bases, etc.—and such schools will no longer receive federal subsidies; last year about 46,000 children were involved in the southern states, where most schools still keep Negro and white children separate, and payments from the government came to over $8 million. To allow time for the provision of educational facilities on federal property—and for at least some outside schools to abandon segregation—the new policy will not come into force until the autumn of 1963.

More immediately effective are the rulings issued last week by federal courts in Knoxville, Tennessee, and New Orleans, Louisiana, that for publicly financed schools to mix Negro with white children at the rate of one class a year is too slow to comply with the Supreme Court's original order that integration must proceed "with all deliberate speed." In New Orleans this minimum degree of desegregation has been applied in only six schools and to only twelve Negro children; one of these schools, which had nearly 500 white pupils in the summer of 1960, before integration and before the violent demonstrations against it, now teaches only fifteen white children and five Negro ones. The federal judge has said that from next September all New Orleans children, whatever their colour, in the first six classes may attend the school nearest to their home, whether it has been all-white or all-Negro until now.

The order is sure to be contested but the state authorities, strongly opposed though they are to integration, are in a difficult position. They are negotiating for sorely needed financial help from the federal government and fear that this may be refused if there is any serious crisis over the school issue. Whether or not one develops over the publicly financed schools, one has developed already over the parochial schools run by the Roman Catholic church. For the blow which has hung over Catholic segregationists since 1956 has fallen at last; the Archbishop of New Orleans, believing that this moral duty can no longer be postponed, has ordered that segregation must be ended in all parochial schools, primary and secondary, in the diocese. Nearly half the population is Roman Catholic and there are 75,700 Catholic school children, of whom 10,850 are Negro. The Archbishop's action has been castigated as "serving the cause of communism" by a reactionary but vociferous and influential minority of his flock; they are urging their co-religionists to cut off their financial contributions to their schools and the State Legislature to stop the church's tax exemption and the supply of free text books and lunch subsidies to the parochial schools. The leaders of this revolt are being threatened with excommunication and are appealing to the Pope; last time they did so, some years ago, on the same issue, they received no comfort from Rome.

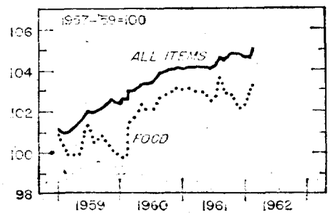
Private Enterprise in Space

MANY people may well share the qualms of Mr Murrow, the head of the United States Information Agency, about the political troubles which world-wide television transmissions are likely to cause. These are not just around the corner but there will be a portent in the sky next month with the launching of Telstar, American Telephone and Telegraph's communications satellite. Like Relay, the government's entry, which will follow it shortly, Telstar is a pioneer in that it is an "active" satellite; it will not merely reflect signals, like Echo but will amplify and retransmit them. Both are experimental vehicles with a short—six-month—expectation of life; because they will circle at a low altitude they can be used for only a few minutes of each orbit for the exchange of television programmes between America and Europe. But already there are problems of national pride to be sorted out: if Mr Kennedy takes part, who is to speak for Europe? And should the broadcasts come at Europe's prime listening time or America's? Should the Soviet Union be brought in officially?

No one expects the new system of space communications, for telegraph and telephone messages as well as television, to be in commercial operation for at least four or five years, but it is urgent for the United States to decide what organisation is to handle the American end. The Senate made a beginning last week when, contrary to expectations, its Space Committee accepted in principle the Administration's plan for a federally chartered and created private company—the first in history. But the committee made some changes which reflect the fact that in Congress there is a good deal of sympathy with the desire of the communications companies to run the whole show.

The Administration's plan was based on two convictions. One was that AT & T, the giant of the industry, must not be allowed to dominate the new system. The other was that the taxpayer, who has invested over $175 million in preliminary research, should be allowed to share in the potential profits—though there is not likely to be any Eldorado, for charges and earnings will be regulated by the government. The committee has made this easier for the ordinary investor by reducing the price of a share in the proposed billion dollar corporation from $1,000 to $100. But by providing only one class of shares, to be divided equally between the public and the communications companies, the committee gave the latter more of a voice in how the corporation is run. (The Administration had proposed restricting voting shares to the public.) The President will be represented by three directors. Foreign governments will be able to buy up to 10 per cent of the public shares. A change that will be welcome to the communications companies is that they, as well as the corporation, will be empowered to own the necessary ground-stations; these are likely to provide most of the profit. With these alterations both the House and Senate seem likely to approve the scheme, though a lonely little band of liberals, under Senator Kefauver, is conducting a rear-guard action in favour of government operation.

CONSUMER PRICES



The sudden and substantial rise in the American cost of living in February was due mainly to a contra-seasonal increase in food prices, as the result of bad weather, and is not considered to be the beginning of a new period of inflationary advances. The index was put on a new base in January, 1957-59 instead of 1947-49.

LETTERS

Downing Street

SIR—The note in your issue of March 24th on the Downing Street reconstruction is neither fair nor sound. As the Minister responsible for the planning of the scheme, I should like to write a few words in reply.

The Ministry of Works is responsible both for the maintenance of goverment offices and for the preservation of historic buildings. Whenever possible, both things are done simultaneously. Number 10 had, for many years, caused great concern to the Office, and later to the Ministry, of Works. There was danger of collapse and of fire, and the cost of maintenance was extremely high. While I was Minister, the time came to deal with the problem. When you speak of "Mac's Folly," the suggestion is that the Prime Minister was responsible for initiating an expensive reconstruction of his official residence for his own convenience. The Prime Minister, as head of the Government, has, of course, ultimate responsibility, but the initiative was mine. His main action was the appointment of the Crawford Committee to make an independent examination of our proposals. In all essentials, the Crawford Committee endorsed the Ministry of Works' plan.

When you describe the older Government offices as "quaint and expensively patched-up museums," and express a preference for brand new office blocks, you revive an unpleasant connotation of the word "economist" which your own cultured and scholarly journal has done much to destroy. Parliament, the press, and, I think, the country, have seldom criticised the Historic Buildings Act of 1953. Had Number 10 been a private house, it would have qualified for assistance under the act. I do not doubt that the council would have recommended a grant, and I should certainly have paid it. There is no reason why the government should not take proper care of its own historic houses when it forbids the destruction of such buildings by private people and makes grants for their preservation, whether they are inhabited or not.
—Yours faithfully, MOLSON

House of Lords, SW1

Pre-Pilkington

SIR—A university of the air was an inevitable starter from the field of pre-Pilkington manoeuvres. Like the universities of the high seas, which tend to be launched when liners are broken up, there is a seductive and superficial attractiveness about it all; even when carried to the extremes of your article of March 10th which advocates a university of the air "complete with extra mural examinations."

The Economist to which we turn for informed and impartial statement can, on occasion, indulge in a little light heartedness; but it was surely a pity to spoil it by a petulant protest that the BBC did not follow the hare you started on December 16th. In fact it was not chased much by anybody in education. The records of a recent Eastern Counties conference called by the Independent Television Authority in Norwich show this same reticence especially by the uncommitted members. A failure to recognise what the BBC has in fact achieved or what its aims in adult education are (these have been clearly stated in a recent pamphlet) suggests a partiality which is unfortunate; as is the apparent determination to divorce education from the totality of experience which the concept of ETV would seem to imply. Your readers might find an appropriate corrective in the articles on this issue which have appeared in *Education*. These should play a part in forming the public opinion which your article, rather obviously, concludes should influence the Government.
—Yours faithfully, F. LINCOLN RALPHS

Norwich Chief Education Officer, Norfolk

How Japan Does It

SIR—I read your interesting article on Japan of March 24th. Although your description of Japanese economics is quite well understood, I should like to point out some misunderstanding about the position of Sumitomo Shoji, which you mention in your paragraph about Zaibatsu. It is true that the Zaibatsu after the war was completely changed from its former system; in the Zaibatsu there are no Stock Holding Companies or so called Large Family Share Holdings.

To emphasise this fact you said that Sumitomo Shoji is not so closely tied-up with some of the metal companies in the same group; this is far beyond the actual fact. The metal company in the Sumitomo group is called the Sumitomo Metal Industries Company, head office in Osaka. Messrs Sumitomo Shoji handled about 43 per cent of the total out-turn of Sumitomo Metals for the half year to last September. This means that Messrs Sumitomo Shoji are still handling the largest share in the metal field of the same group. According to the description, it appears that C. Itoh are closer than Messrs Sumitomo Shoji in this field. Perhaps you will understand, therefore, that what you say is incorrect.—
Yours faithfully, S. KISHIDA

Sumitomo Shoji Kaisha Ltd.

London, EC1

Scandinavia and Europe

SIR—The political and economic issues posed by new applications for membership in the European Economic Community are sufficiently difficult that we should all make special efforts to avoid exaggerating them or giving a distorted version of the treaty's goals. Unfortunately, the article entitled "Welcome, Wild North-Easters (March 17th) seems to depart from this standard.

(1) It declared that "they [Scandinavians] would presumably draw the line at submitting their budgets and their monetary policies to control by a supra-national agency." No control of national budgets or monetary policies is delegated by the Treaty. It is clear, however, that close co-operation is necessary to contribute to the achievement of the Treaty's aims.

(2) It declared that "they will join no body in which the vote of a majority of the members could dictate foreign or defence policy." No delegation of such sovereignty is provided for in the Treaty. Can one imagine President de Gaulle party to a treaty which did so provide?

(3) It declared that the Scandinavians will demand "freedom to make trade treaties with other countries." Such freedom is not restricted by the EEC Treaty, unless indeed one means freedom to adopt tariff, quota or discrimination policies inconsistent with the common market.

We feel that the statements in the article could confuse public opinion, increase the difficulties of co-operation between European countries, and weaken the common cause.—Yours faithfully,

LOUIS B. SCHWARTZ
EBERHARD GUNTHER

University of Pennsylvania

Atlantis Without Walls

SIR—You state, as though indisputable, that the lifting of restrictions on dollar imports has had almost no effect upon the British economy. How can you know that?

I know, as do thousands of shareholders, of one key British manufacturer which has suffered severely. It passed its dividend for the first time in its history, and unless taken over may not survive, because it cannot meet American competition. And there are plenty more.

The merits of Free Trade are great, but they do not justify inexactitude on a statement of central importance.—Yours faithfully, J. G. LOMAX

London, SW1

Appointments, Business and Personal notices and other Classified Advertisements pages 93 & 100

BOOKS

How Kennedy Did It

The Making of the President 1960
By Theodore H. White.
Cape. 409 pages. 35s.

LIKE bees to clover, historians are going to cluster upon the year-long struggle that brought Mr Kennedy to the presidency of the United States for the sake of the political honey they can extract from it. But the writing of history requires a pause until documents are collected and the lips of the participants are opened; during this pause the writer's memory of the little details that establish a connection between the reader and the events described loses its freshness. The interval is the journalist's opportunity. Mr White has written a book about the presidential election of 1960 which, by combining a lucid outline of the strategy of the battle with a remarkably entertaining account of some of the tactical details, is almost a model of its kind.

Mr White's virtues are peculiarly American. The Americans excel in the craft of the particular. Except for one chapter in the middle and another at the end, Mr White does not attempt a general view of any one aspect of his subject. He leaves the reader to piece together his own general view—say, on the importance of the negro vote as against the southern white vote, or the part played by television—out of the description of particular episodes. He can do this successfully because he writes well. The reader, passing for instance from page 264 to page 313 to see why Mr Nixon forgot the intelligent strategy his advisers had planned for him at the start of the campaign, travels through the intervening pages without the feeling (provoked by some of Mr White's compatriots) that he is walking through a wet ploughed field.

Perhaps the best example of this technique is the description of how the various candidates—Messrs Kennedy, Nixon, Johnson, Humphrey, Symington, Stevenson and Rockefeller—took their decisions to run or not to run. Mr White gives detailed descriptions of the meetings at which each man, with his advisers, made his decision, starting with that of Senator Humphrey in a hotel at Duluth, Minnesota, on July 11, 1959: one learns who was there, what they recommended, even what they wore, and why the decision eventually taken was the only one open to that particular man.

Out of this mass of detail it is possible to learn a great deal about the intricate and delicate machine of American politics. Six of the seven main contestants found that their course of action in the months before the two parties' nominating conventions in the summer of 1960 was inexorably dictated by the workings of the machine. Senator Humphrey, for instance, found that his only chance of persuading the voters that he was not just a loose-tongued radical was to plunge into a series of primary campaigns in separate states, even though this involved a risk that he might be killed stone dead somewhere en route by Mr Kennedy (as he was, in West Virginia).

Senator Johnson realised that, as he came from the South, his only hope was to impress the Democratic convention with his skill as the party's leader in the Senate. (The convention, having virtually given its heart to Mr Kennedy in advance, remained unimpressed.) Of the seven, only Mr Adlai Stevenson ignored the dictates of the machine and, out of a decent distaste for the scruffy jostling of pre-convention politics, refused until the very last moment to climb aboard the bandwaggon his supporters were trying to set in motion. But for that distaste he might just conceivably have been President now.

Mr White's book will remove two misconceptions about presidential politics widely held abroad. One is that the nominating process, by which the two main candidates are picked out of the original bunch of contestants, is a haphazard hit-and-miss affair. In fact, his two hundred pages on this process demonstrate that each contestant has to expose his ideas and his personality to a minute, indeed painful, examination by his party; and the party has a very shrewd notion of what it wants. Given the mood of America in 1960 on the wide range of questions then engaging people's attention, Mr Nixon and Mr Kennedy (with one solitary reservation about Mr Stevenson's candidacy) seem in retrospect to have been the inevitable choices for the main struggle: and, all things considered, the best choices too.

The other misconception is that this main struggle between the two parties' nominees is decided by the vague preferences of an ill-informed electorate for one man's "image." It would be stupid to exaggerate the political knowledge of Americans (although one suspects that on average it is superior to that of Britons). But Mr White makes it clear that—in a reasonably close-fought race, anyway—the issue is decided by a few decisions on quite specific points. Mr Kennedy won in 1960 mainly because, unlike Mr Nixon, he made up his mind whether to woo the negroes or the white southerners (he wooed the negroes, and chose Senator Johnson as a vice-presidential candidate to mollify the South as much as possible); and because Mr Nixon could not make up his mind whether to jettison President Eisenhower or call on his aid. This tells a good deal about Mr Nixon.

This is not a perfect book. Mr White does not delve into the purposes of the candidates between the conventions and election day as deeply as he does before the conventions. Perhaps this is an unavoidable defect of journalism; the candidates were simply in no shape for intimate chats during that stage of the struggle, and Mr White had less than six months after election day to get his book written. But, within these limits, he has produced a book that should stay on bookshelves, including those of historians, for some years. It is also great fun to read.

Relations with China

Britain and China
By Evan Luard.
Chatto & Windus. 256 pages. 25s.

The Rise of Modern China
By Victor Purcell.
Routledge. 36 pages. 2s. 6d.

THERE was a real need for an intelligent book on Britain's relations with China, and Mr Evan Luard has admirably filled it. His book is the first volume of a series, to be published in conjunction with St Antony's College, Oxford, and the Leverhulme Trust, dealing with Britain's reduced position in terms of international power. If further volumes are of the same high standard, the complete series will be of great value.

The underlying theme of Mr Luard's book is that of mutual incomprehension, which began in 1596, when Queen Elizabeth addressed a letter in Latin to the Chinese Emperor, continued when the Chinese ambassador, Chien Lung, told George III in a famous letter: "There is nothing we lack, we set no value on strange or ingenious objects . . . and have no use for your country's manufactures"; and persisted, in more violent form, during Britain's nineteenth century aggressions. Indeed, in the milder mould dictated by this country's reduced circumstances, the incomprehension persists to this day, exacerbated, on the Chinese side, by the adoption of an intransigent ideology.

Mr Luard, who is well served by a lucid and very readable prose style, summarises the past, until the defeat of the Kuomintang, in some 60 pages, and rightly devotes the bulk of his book to a detailed consideration of Britain's relations with the Chinese People's Republic; two interesting chapters on "the future" complete the design. There are many arresting, and some controversial, pages. Among the former are the passages dealing with the unavailing efforts made by the Attlee government in the autumn of 1950 to dissuade the American-controlled United Nations Command in Korea from crossing the 38th parallel in pursuit of the defeated north Koreans, on

the ground—later substantiated—that this would provoke a Chinese counter-intervention. The chapter on Hongkong throws further light on the miracle of its survival. The most controversial passages, dealing with the appeal of communism to the leaders of underdeveloped countries, occur in the last chapter, on "British Policy and the Future." But there need be no quarrel with Mr Luard's view that Britain has much to contribute to the education of China's arrogant and inward-looking elite, by means of visits and "cultural exchanges"; nor with the view that, in time, a "two Chinas" solution is the only possible way out for the appalling dilemma set by the existence of a rival government in Formosa.

Victor Purcell's pamphlet, one of a series published for the Historical Association, is an exceedingly useful short guide through Chinese history in the light of relations with the West.

France's Economic Supremacy

France and the Economic Development of Europe, 1800-1914.

By Rondo E. Cameron.

Princeton University Press. London: *Oxford University Press* (1961). 604 pages. 80s.

OUR picture of the French economy in the nineteenth century is heavily coloured by Balzac, by memories of his passive and security-minded investors, conservative and short-sighted businessmen, and grudging and avaricious peasants tucking their louis away into black stockings. And these notions have been endorsed by reputable modern scholars in their attempts to explain the slow economic growth of France by reference to its social institutions and persistent traits of national character. It was never plausible to believe that this was a true account of the country which, at the opening of the century, was the wealthiest in Europe and had much the most advanced system of scientific and technical instruction; and the performance of the French economy since 1945 has made us chary of supposing that the French temperament is incompatible with rapid economic progress. Now Professor Cameron, a young American scholar, has described in detail the massive part which, in fact, French enterprise played in the development of Europe in the century before 1914. French engineers and technicians built and operated transport systems, opened mines, and introduced new technology from the Balkans to the Baltic. French civil servants were recruited for the public services of the backward states of south and eastern Europe. The most venturesome of French banks, the Crédit Mobilier, engaged in industrial promotion on a large scale and left its mark on the banking systems of many countries. French enterprise even penetrated London in the form of the Compagnie Générale des Omnibus de Londres, formed in 1855 to buy up the independent bus operators and the origin of the old London General.

It is evident that France played in continental Europe a role analagous to that of Britain in the regions of recent settlement. With differences of course. The trade relations of France with Russia or the Balkans were nothing like so strong as those of Britain with America or Australasia; and more of the British foreign investment was devoted to the opening up of new natural resources. But the French achievement is of comparable significance at least between the 1830s and the 1870s. It is a striking story, and Professor Cameron tells it with a wealth of illustration drawn largely from hitherto unexplored government and private archives. Since French influence permeated so widely, his book is not only a contribution to French history but also a commentary on the railway age in Europe generally, and on its politics as well as its economics.

There are some topics on which a more extended discussion would have been welcome. Although the author presents new estimates of the French international accounts that correct those of H. D. White, the transfer problems presented by the heavy foreign investment are never systematically examined. Nor is enough attention paid to a feature of French development that was crucial for French foreign domestic investment—the slow rate of population growth. It was because domestic investment in housing and public utilities was curtailed by the slow growth of its population that France was able to invest abroad a higher proportion of the national savings than Britain. The book also bears some of the birthmarks of its origin in a doctoral thesis—a certain prolixity and diffuseness. But the English reader is not likely to press such criticisms when he reflects that there is no volume on Britain and the development of the world overseas in this period at all comparable in range and scholarship.

No Noble Savage

The Fishermen

By Jeremy Tunstall.

MacGibbon and Kee. 294 pages. 25s.

IN the late fifties the trawler owners were spending more each year on advertising and public relations than the Conservative party did in the entire pre-election period. During 1956, the Hull owners alone spent the equivalent of £50 for every fisherman they employed; so Mr Tunstall asserts in his admittedly partisan study of the Hull distant water fishermen. Some of this money went on an unsuccessful campaign to persuade people to eat fish on Tuesdays, but the greater part was devoted to combating public hostility towards the industry—hostility based on a shrewd suspicion that price fixing was at work.

Mr Nolan, and later Galitzines, did a good job. They exploited for all it was worth the public's sentimental view of the fishermen as the noble savages of the sea. "The existence of such fellows, not yet forced into the dreary pattern of cockney clerks and shop-walkers is yet one more reason for preserving our fishing industry," wrote Mr Priestley in "English Journey." Mr Tunstall tartly observes that Mr Priestley got his information from the owners. The fishermen take a less romantic view.

Of all manual occupations trawling is just about the most dangerous. In almost every year since the war the death rate has been higher than in mining. Despite the well-publicised earnings of a minority of top skippers, ordinary deckhands are right at the bottom of the league in terms of earnings per hour. Their fairly high annual income is the fruit of the fantastically long hours they work. A 90-hour week is common, Mr Tunstall asserts, with only three days off after a three week trip.

What then attracts people into the job? Much of this thoroughly readable and careful book is devoted to finding the answer. The author thinks that, despite the trawlermen's own belief to the contrary, family tradition plays only a small part. Unlike mining, where most of the boys in a community expect to become miners, it is an occupation people contract into rather than out of. The money counts, of course. For a boy in a fishing port who has failed his eleven plus and not got an apprenticeship trawling offers just about the only way of making big money—quickly. Even sixteen-year-old deckie learners can end up with £15 spending money after a good trip. But other factors count as well. Fishermen tend to come from big families—they average five living brothers and sisters apiece—and trawling is a way "to get away from the crowded bedrooms and the back-rooms packed with chattering women." The author notes that few fishermen know how to dance. Boys who feel socially inadept think of fishing, and the money it provides for drink and whoring, as a way of showing their virility.

Once in the job, they find it hard to leave, partly because there is little alternative employment in the ports. By the time a deckhand realises he has no hope of going skipper, it is too late. One bad trip and a man may never get another chance. Many end up as watchmen: pay £8 a week.

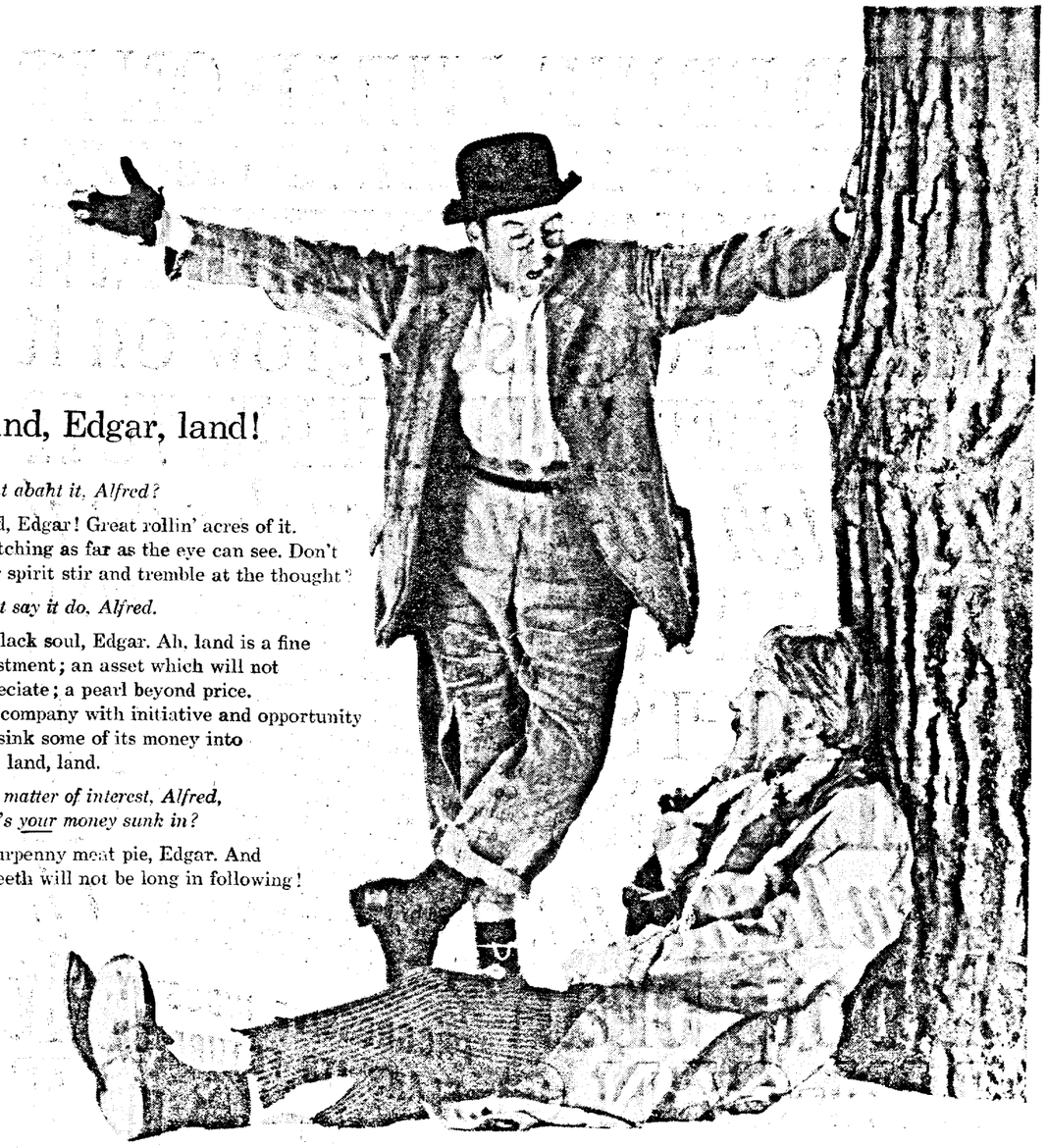
Coffee, Opium, Piecegoods

East Indian Economic Problems of the Age of Cornwallis and Raffles

By H. R. C. Wright.

Luzac. 380 pages. 42s.

IF it is true that the study of the past is only justified by its relevance to the present, one may query the value of a book about coffee, opium and cotton piecegoods



Land, Edgar, land!

What abaht it, Alfred?

Land, Edgar! Great rollin' acres of it.
Stretching as far as the eye can see. Don't
your spirit stir and tremble at the thought?

Can't say it do, Alfred.

You lack soul, Edgar. Ah, land is a fine
investment; an asset which will not
depreciate; a pearl beyond price.
Any company with initiative and opportunity
will sink some of its money into
land, land, land.

As a matter of interest, Alfred,
what's your money sunk in?

A fourpenny meat pie, Edgar. And
my teeth will not be long in following!

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PROGRESSIVE INDUSTRY PLANS ITS FUTURE ON
COAL

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a century and a half ago. The world has too much coffee and, short of teaching the English how to brew it, there is little scope for expanding the drinking of it. Opium, in a puritan world of do-gooder governments, is decidedly non-U. Cotton piecegoods, though the spearhead of Asia's counter-attack on Europe's industrial supremacy, are more popular for cheap wearing than for expensive reading.

But for the growing corps of professional developers—the international experts who circle the equatorial world from Bogota to Singapore—there are salutary lessons to be learnt from the gropings of Daendels, Raffles and Cornwallis so long ago. Should one expand the production of coffee and reduce its price, or restrict its production and maintain its price? That problem, despite five-year plans, is still unsolved, for coffee and for much else. Should a dynamic industrial world force its own ideas of progress on "lazy" traditional communities? Should custom, enshrined in a peaceful but static society, be respected and protected, or should feudal and medieval relics be shaken up with a good cold douche and a few broken noses? Those problems faced Russia thirty years ago. They faced China yesterday, and today they are the ferment of all Africa and much of Asia and America, with varying answers. This book, undigested and diffuse though its material is, describes in detail similar problems as they faced the Dutch and British in Java and Bengal at the time of the Napoleonic wars.

Of particular interest are the discussions on land development and tenure in Java. A system of traditional land rights, as now in much of, for instance, Sarawak and Fiji, was proving unsuited to anything more rewarding than subsistence agriculture. The Dutch wanted something more rewarding; they wanted revenue, and as a means to revenue they wanted coffee. Was it to be best obtained and controlled by compulsion or by incentive, by planning or by free markets? To the Dutch there was at that time seldom a doubt; planned compulsion was the only way known to a monopoly-holding company. planning without the facts on which to plan or the staff with which adequately to compel.

The result was a cycle of compulsory planting followed by compulsory grubbing up of bushes, with very little satisfaction to anybody. They had yet to learn what parts of the world have still not realised—that governments who wish directly to tax the cultivator must also capitalise the cultivation; the alternative is to farm out both the revenues and the duties of providing capital to a class of landlord or estate owner, as the British did in Bengal, running the risk that many will gulp down the revenues but fail to cough up the capital.

This is a publication for the specialist. It assumes in the reader more background knowledge than is usual. One wishes the writer had not remained content with notes for a book, but had gone on to write the book itself.

Unusual Victorian

Newman: *The Pillar of the Cloud*

By Meriol Trevor.

Macmillan. 663 pages. 50s.

SO many biographies of Newman have been written that the reader sighs upon seeing another. The authorised life of Newman was published by Wilfrid Ward in 1912 and nothing has taken its place, for Ward printed a mass of documents otherwise inaccessible. Upon the basis of Ward and other papers published from time to time, the tribe of biographers has worked at the puzzling character. But meanwhile the Oratorian Fathers were known, not only to possess Ward's original papers, but also to have made a great collection, and to be engaged upon sorting this material with a view to eventual publication. The first volume (called volume xi) of Newman's letters appeared in the autumn of 1961, well edited by Stephen Dessain of the Oratory. It was also known that there were various aspects of Ward's life that dissatisfied the Oratorians and other students of the papers.

Miss Trevor is the first modern biographer to have the use both of all this material and of the invaluable sorting and analysing of the Oratorians. This is the first volume of a pair, the second being expected in the autumn of 1962. It ends with the year 1853, when Newman had just emerged from the vile Achilli trial, when he was convicted for libelling an ex-Dominican, and was entering the period of his melancholy and frustration. (Ward divided his work at the *Apologia* of 1864, but only by a heroic neglect of the Anglican period up to 1845.)

This new life is a little romantic in its style, for Miss Trevor cannot easily forget that she is also a novelist. The quotations, if checked against Dessain's text, do not quite always tally, though this is rarely more than trivial (for instance, Newman at Langres 1846: "We are all knocked up by their mode of living," Miss Trevor: "We have all three been knocked up by the wines and mode of living" Dessain). The reader who does not know the Victorians will hardly understand what the fuss is about, for the author thinks that the theory of evolution first appeared in Darwin and that Peel was Prime Minister in 1829. But the general portraiture is admirable, and the book exceedingly readable. The student will value it especially for its hitherto unknown extracts from the archives—the best little picture of Newman as pastor of a parish in Oxford and at Littlemore; the facts about that mysterious problem-brother Charles; the relations with the Froudes, and with Dr Arnold and Hampden; the wig which he wore when his hair fell out, the extent of his personal austerities. It will not add to Newman's reputation with a more caustic century, but it makes a most important contribution to understanding one of the most unusual of Victorians.

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Australia's Empty North

Australia in the 1960's

By L. St Clare Grondona.

Anthony Blond. 462 pages. 35s.

DEVELOPMENT of Northern Australia casts a nagging shadow over most thinking Australians. The campaign for political and public support has ebbed and flowed, hesitantly, for more than forty years. All those from the cities curious enough to penetrate north of the twenty-third parallel tend to become enthusiastic converts within a week. Politicians habitually give lip service. Nothing much is done.

Mr St Clare Grondona, an expatriate Australian, takes up the cudgels for the valiant few—those hoarse, untiring campaigners for the use of Australia's north, and sets out a tidy £150 million scheme. He produces the arguments for the profitable large-scale production of beef from the north-western area around Darwin, Derby and Wyndham, with the Australian, United Kingdom and United States governments each investing £5 million a year for ten years. China alone, he claims, assures the future of a meat market without visible limits, so an additional quarter million tons from this region would be easily absorbed at buoyant prices.

Time is running out fast for Australia. Immediate development of the north-west, with its excellent soil and great possibilities as pastureland, was urgent in the mid-fifties. It is a far more pressing need today as the first hints of the population explosion see Asia pushing ever nearer to Australia. It is less of a gamble, far more of a strategic necessity, than the Snowy River scheme, in which tens of millions have been invested. But it does not mean votes. So hitherto the politicians' activities have been limited to token tax remissions and casual, passive approval.

Unfortunately the great bulk of Mr Grondona's missionary book is a potted textbook, presumably for the migrant and investor, but full of evidence of hasty note-taking without checking. Better books backed by ampler research and a clearer concept of the object have been appearing in increasing numbers about Australia. But the author should be commended for trying again to call attention to that Australia so remote from its big cities, "the last stretch of the tropical world which remains in the as yet undisputed possession of white men."



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Practice Then Principle

Canadian Economic Thought

By Craufurd D. W. Goodwin.

Duke University Press. London: *Cambridge University Press* (1961). 230 pages. 48s.

THE evolution in new countries of economic studies is a process of considerable interest. Dr Goodwin traces this process in the British colonies north of the American border and in their successor, the Canadian Confederation, during its first half century. He brings together useful and interesting material on the origins and development of statistical and descriptive Canadian economic data and their interpretation, surveying both the emergence of academic scholarship and the role of studies made by royal commissions and in government departments. He sketches the life and work of such pioneers in the field of Canadian economics as Robert Gourlay, John Rae (not the Arctic explorer of the same name), James Mavor, Baillargé, Montpetit and Adam Shortt, "the first native-born Canadian economist and the first to select the domestic economy as a primary field of interest."

Economic "science" was slow to emerge and fell into frequent early disrepute. At first consisting largely of generalisations imported from more mature economic centres, it was irrelevant to the special conditions of an immature economy. Answers had to be found to immediate questions of policy on land disposal and settlement, tariffs and trade, banking and currency, long before a coherent system of economic thought had developed in Canada. Theories borrowed from Britain and the United States could not give the answers; they created widespread scepticism about the usefulness of economics. Practical necessity gave rise to sporadic and piecemeal attempts to collect economic information and analyse economic problems; but it is only in this century that a distinctive Canadian discipline has developed based on "the association of economics with history and its application to public policy." In this the "Toronto School" of economic history and Queen's University have played a notable part.

OTHER BOOKS

CONTEMPORARY GOVERNMENT OF GERMANY. By Elmer Plischke. 256 pages. THE FEDERAL GOVERNMENT OF SWITZERLAND. By G. A. Codding. 185 pages. THE GOVERNMENT OF REPUBLICAN ITALY. By J. C. Adams and P. Barile. 245 pages. THE GOVERNMENT AND POLITICS IN ISRAEL. By O. Kraines. 254 pages *Allen & Unwin.* 25s. each.

These four volumes are the first of a contemporary government series of textbooks, by American authors and primarily designed for American students of government and politics. The general standard of accuracy, impartiality and exposition is high, and the books should serve a useful purpose. The bias, where there is one, tends naturally enough to be in favour of the country being discussed and of its existing system of government. In the case of Germany, this tendency runs the author, Mr Plischke, into a difficulty. Naturally enough, he takes his information and where necessary his views from the West German government. His book sets out, however, to cover East Germany as well; and here the attempt at impartiality collapses, with a consequent loss of informativeness. To call the East German state "the so-called East German Democratic Republic" is not helpful, since that is not actually what it is called. To describe the prevailing system of government there as an "autocracy" is not accurate either. The account of the system is incomplete and too narrowly political; thus the place of the State Planning Commission in the East German system of government—in itself a not uninteresting matter for the students for whom the work is intended—is overlooked. Germany, however, is an especially difficult case from this point of view; these faults do not deprive the account of West Germany of its value, nor do they reflect on the series as a whole.

TRADE UNIONS IN A FREE SOCIETY. By B. C. Roberts. *Hutchinson.* 206 pages. 30s.

Mr Roberts has revised and brought up to date the book on British unions that he published in 1959, and added to it a series of essays on trade unionism in the United States. It is all eminently painstaking, balanced and reasonable. Perhaps because of Mr Roberts's correct insistence on the fact that unions are very much a product of the society in which they operate, his American and British studies fail to bring out any general lessons. It would be nice to believe that his sensible advice will be heeded by trade unionists.

AMERICAN CO-OPERATIVES. By Jerry Voorhis. *Harper,* New York. London: *Hamish Hamilton.* 237 pages. 38s.

This survey of the history and the achievements of co-operatives in the United States from the executive director of the Co-operative League is clearly a labour of love. Co-operation, in Mr Voorhis's view, gives the individual a chance to recapture the power of making decisions which he has lost, in so many cases, to big business. This is a splendid ideal, but from Mr Voorhis's book it is not easy to judge how it has worked in practice or how many Americans have taken advantage of this opportunity. Outside certain fields—such as the rural electrical co-operatives—consumer co-operation is a rather neglected shrine in the United States and candid discussion of why this is so would have made the book more interesting.

THE SOVIET AIR FORCE. By Asher Lee. *Duckworth.* 288 pages. 30s.

This is the third edition of Mr Lee's painstaking assessment of Soviet Air Power, which has been almost completely re-written since it last appeared in 1952.

DEMOGRAPHIC YEARBOOK 1960: *Population Trends. United Nations.* 632 pages. 71s. cloth; 57s. paper.

A HISTORY OF LAND USE IN ARID REGIONS. Edited by L. D. Stamp. *UNESCO.* 388 pages. 52s. 6d.



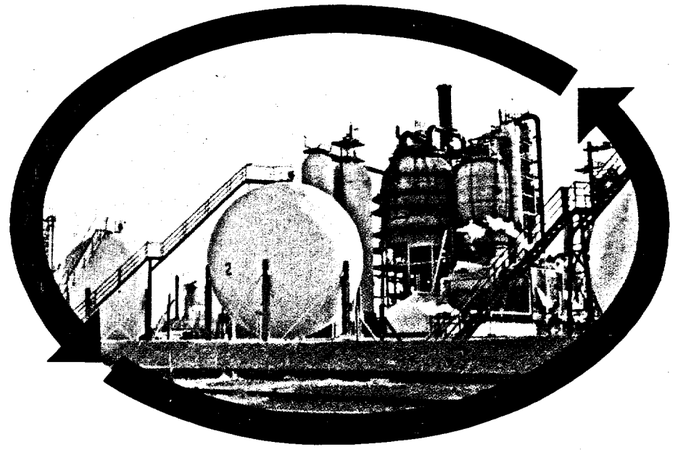
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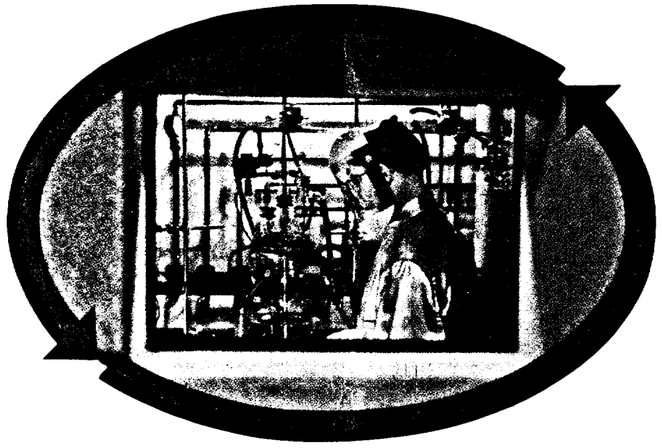
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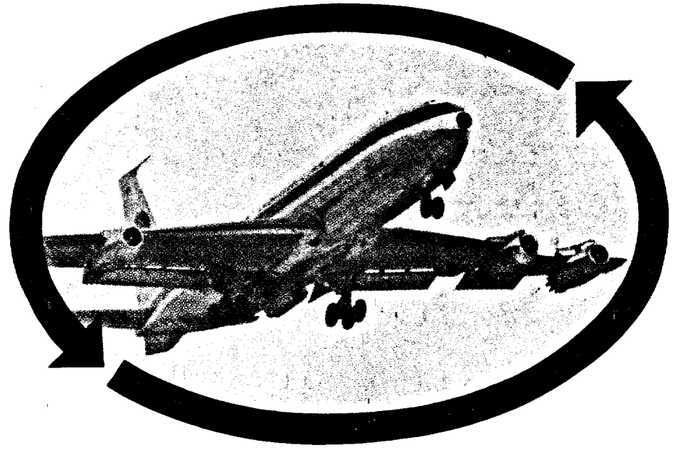
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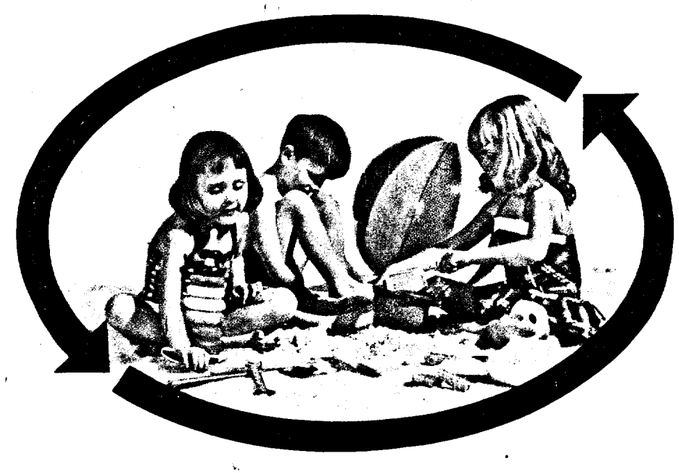
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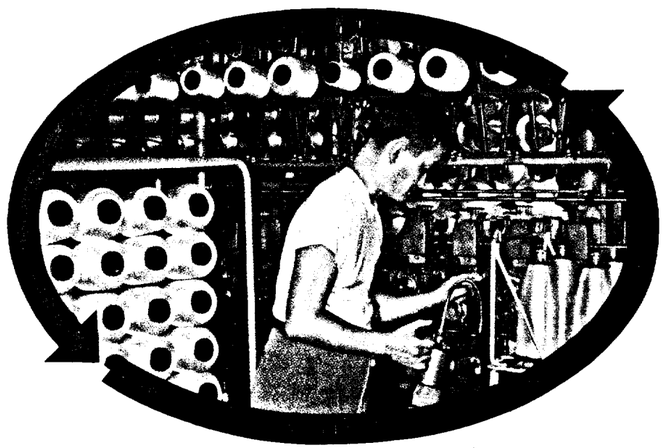
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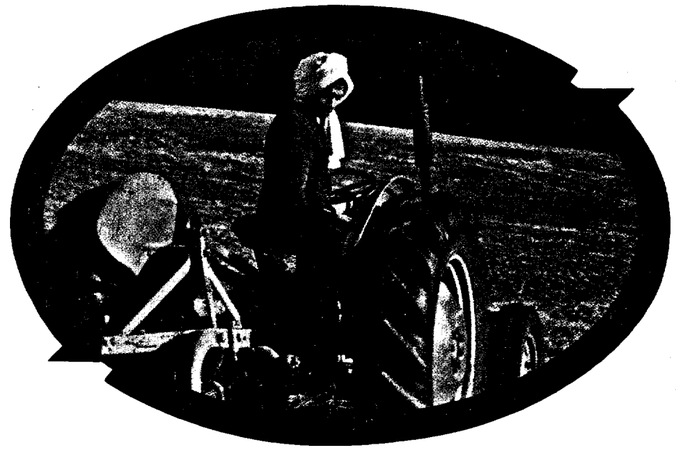
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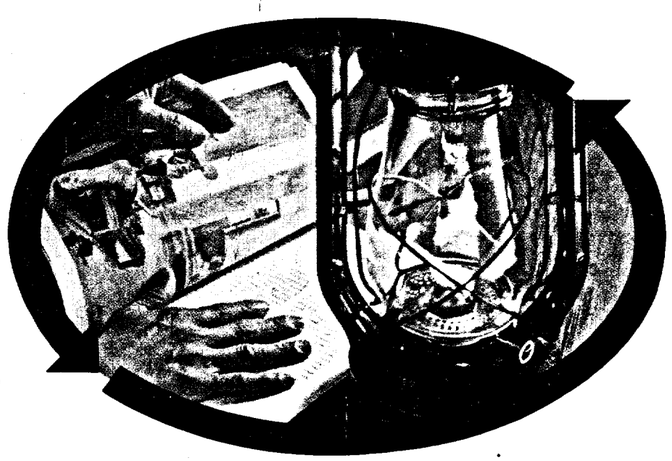
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HOME REPORT

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



Stockton's Wind of Change

FROM OUR SPECIAL CORRESPONDENT

THE Prime Minister went back to Stockton on Monday to wrestle with a trend. Even if Captain Macmillan had not fought the seat six times between 1923 and 1945 (three wins, three defeats) and could not find his way blindfold to Finkle Street, Fred Beaumont's Grill and the Maison de Danse, it was no bad place to pick for a personal appearance. Stockton crowds snugly in upon its broad High Street : its pavements this week were jammed with agents and canvassers drafted in from Manchester, Birmingham and even Lowestoft, but there is precious little that goes on which Stocktonians do not know about or see from their green double-deck buses. There is (for a population of 80,000) a lively evening paper and, quite apart from the northern editions of the nationals, there are local dailies competing in the town from Darlington and Newcastle. The Prime Minister could not fail to capture the headlines (" It's a changed Stockton—poverty has been left behind ") ; he also drew an audience of over 1,000 to the Maison de Danse, with another 300 left queueing on the wet pavement outside.

These were, of course, the faithful, and it was to revive them that the Prime Minister had come at all. " It's all wind and no change," claimed a heckler, but since the bulk of the perspiring and faintly anxious audience stayed on to listen to the cherubic-faced but stentorian-voiced Mr Coles, the Tory candidate, it may be assumed that the faithful heard mostly what they wanted to hear. They strained visibly to know about the pay pause, and relaxed at the news that it had worked. But there was greater applause for Mr Coles when he served notice on Mr Macmillan that he would press for more money for teachers and nurses if (by some curious chance) he was returned. Where Stockton's shopkeepers and working-class Tory housewives (the town, with ICI Billingham on its doorstep, has always been one of the less badly hit corners of Tees-side) felt surer of themselves was in scorning open-handed Labour and Liberal promises. Money was not chucked about like that in their own households, they knew that.

The Prime Minister's speech was forceful, but it came over raggedly. There were over 40 interruptions by two Empire Loyalists ; the galleries had more than a smattering of young Liberal volunteers from outside the constituency. Their sceptical silence made it all the clearer whenever the body of the hall was less than convinced by the argument. Thus the faithful seemed just satisfied that the Tories were more liberal than the Liberals on pensions ; they were not so sure that a vote for anyone other than Mr Coles was really a vote for conscription. But they got the real message. Mr Coles (" He's stuck by you and I think you will stick by him ") was in trouble : he would need every bit of help he could muster on Thursday to finish a breathless second.

Before the two public opinion polls came out (see page 19)

the Liberals' weekend canvass had given 34 per cent to the Gaitskellite Mr Rodgers, 32 per cent to the local Liberal boy Mr Mulholland and only 27 per cent to the Tory—with the rest really undecided. Privately, some Liberals did not quite believe their figures themselves, although their capture of over half the Tories' 1959 vote at Middlesbrough East was a portent. Their organisation, after all, had begun " with half-a-dozen chaps and four bob in the kitty "; they still felt on Monday—safely before Mr Grimond arrived—that they would do well to give Mr Coles a real fright. And this, in fact, was nearer to what the Gallup Poll in Wednesday's *Daily Telegraph* suggested they would do. But their confidence was growing visibly.

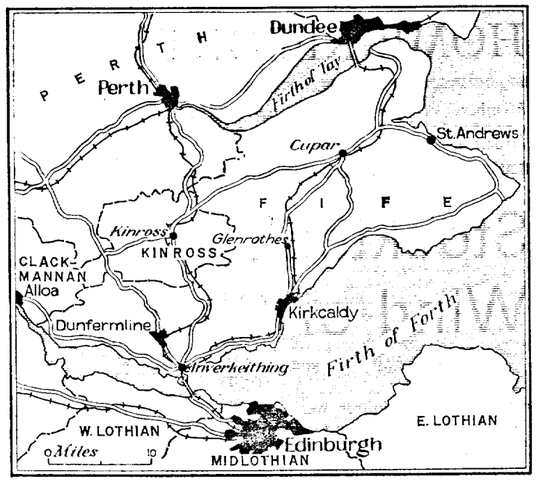
Stockton does not give an impression of easy volatility. The old Liberal roots, set in the nonconformist past (Mr Mulholland happens to be a Roman Catholic), are there all right, but no one claimed to have spotted many good Liberal issues. The Tory suburb of Hartburn has its mortgagers, but Stockton property is not all that dear. There are no hard-pressed commuters: a 3½d. bus ride goes quite a way. Tees-siders wanted to be told encouraging things about the common market, but they have retained plenty of reservations about plunging in. If Mr Mulholland does, in fact, poll heavily, his supporters can really claim a deeper, more unspoken discontent with the other two parties than the apparent white-collar feeling at Orpington.

MR RODGERS set himself to lift Labour's majority to 7,000 (it was just over 3,000 in 1959) and he seemed to have most of his natural vote in the housing estates firmly in hand : the Liberal advances there looked to be chiefly at Tory expense. It was in predominantly Tory areas, as might be expected, that the Liberals appeared to be scooping up what Labour votes remained. In the older parts of the town, still rows of brickwork and cobbled streets, there were fewer signs of new allegiance. But here, too, the Liberals were not without hope. Plenty of these Coronation Street terraces had had an amateurish coat of paint and new doors in the past two or three years—and the Tories had actually made local election gains last year. Just to ward off any real upsets Mr. Rodgers and Mrs Bessie Braddock (" perhaps I'm just a gimmick ") reiterated the threat of unemployment creeping up the river from Middlesbrough to swell Stockton's present 4.2 per cent—although most of those actually hanging round on the pavement for jobs have seemed to be Indians. Mr Rodgers could draw what satisfaction he wanted from the fact that the one looming threat to his chances—a general Tory jump behind Mr Mulholland to oust the old enemy—was precisely what Mr Macmillan had arrived to prevent. The local odds against the Tory vote disappearing entirely as Labour's did at Orpington still looked pretty high in midweek. But how many Stocktonians would spend Thursday night watching Spurs v. Benfica on the telly ?

The Prime Minister retired to his sleeper on Monday apparently content with the day's work. It has not been an inconsiderable factor that Toryism has been led for the past five years by a man who knew, and felt for, the Stockton of the depression. This week's return was not his first since 1945 by any means, and by now the town is much less sentimental about him than he remains about it. " Positively the last appearance," said a cloth-capped man staring belligerently. Perhaps so. Still, here it was that the now-celebrated Mrs Winpenny (E. Winpenny, outfitters) first took Captain Macmillan home to tea. Here he mulled over the lessons of the 1930s. Here he spoke first of his ideas for industrial reorganisation, for the distribution of essential foods by the state, for a national minimum wage—and a National Economic Council. There are people in Stockton who say they actually remember.

Drumbeat in Fife

FROM OUR SPECIAL CORRESPONDENT



MUCH of the county of Fife has lived on coal and railways: now the mines are closing down, while the Forth railway bridge that has been the one link with Edinburgh and the industrial world outside is being matched with a fine new road suspension bridge. In ten years, when the Forth road bridge and, after it, the Tay road bridge to Dundee are completed, Fife will be on the shortest route between two established industrial centres. In the meanwhile it has to face the decline of coal. An average of ten pits a year have shut in Scotland for five years now: the mining labour force has dropped from 86,000 to 67,000 since 1956, and there are plenty more closures to come.

This process is particularly painful for Fife, where several communities in the west of the county depend on mines that will very soon be worked out. One-third of Fife's 30,000 working miners will no longer be needed in five years' time, and those left will be concentrated at a few large, highly mechanised (and ultimately, it is hoped, profitable) pits away from the traditional inland mining centres. But a good deal of the smoothness of the coal board's tactical withdrawal has been badly marred by the failure announced last month, of the Rothes colliery.

Rothes was to have been the newest and brightest showpiece of coal; the Queen herself went down the pit wearing white overalls. Some £12 million was spent on sinking the pit and endowing it with buildings and gear of unparalleled elegance; the new town of Glenrothes was designed to house its eventual work-force of 2,500 men, and to provide a choice of other jobs for their families. But by a freak of geology the coal under the pithead is split and threaded with seams of porous volcanic rock bearing water at high pressure. Urged by the miners' union and by some other local spokesmen to spend yet another £5 million in searching for an equally dubious seam of coal at an even lower level, the coal board has decided, sensibly enough, not to risk throwing good money after bad. Rothes is now to employ 80 men—on care and maintenance.

The consequence has been alarm in the whole county, and despondency among those most closely involved in the industry. The Scottish division of the National Union of Mineworkers—of very left-wing leanings—has received offers of co-operation from such true-blue organisations as the local housewives' association: the Conservative convener of the county council has asked the Secretary of State for Scotland to direct industry into the Rothes area and western Fife.

Glenrothes itself is facing the new situation with rather more equanimity: for, whatever its other difficulties, it is now almost wholly independent of the coal industry. The first house was completed in 1950, between the two small communities of Markinch (population 2,500) and Leslie (population 3,000). It is now a town of 13,500 people, with an eventual target of 32,000, and only 800 of its inhabitants are employed by the coal board (many of these being clerks and administrative workers for whom it should be easy enough to find alternative jobs). A mere 300 Glenrothes people work at the Rothes colliery itself: 2,000 of them work in the paper industry that has always been there, and many others in the two new electronics firms (both Scots subsidiaries of American companies) and two light-to-medium engineering concerns that have moved in.

The new town's administrators are perking up as the new central shopping centre begins to take shape. Now that they can offer not only houses, ready-made factories, clean air, good education and subsidies to new firms, but also quick road access to the growing industrial complex near Edinburgh, they hope to make up for what was a pretty ghastly beginning. The chief complaint is that the Board of Trade advisory committee takes a long time to approve applications for factory grants, and some applicants are won away by the swift administrative decisions of the Ulster Ministry of Commerce.

The county authorities, however, feel themselves sorely underprivileged. Only small areas of the county qualify for development grants under the Board of Trade's powers: the special attractions that can be offered there under the Local Employment Act are tiny, and totally ineffectual. The council's main concern is what to do about the 30,000 council houses with which it has determinedly replaced the squalid "miners' rows" built by the old mining companies. To build them it has worked up a capital debt of £28 million, of which £20 million has been borrowed in the past ten years. As so often in Scotland the housing problem is vastly confused by the traditional policy of keeping rents artificially low. A typical council tenant might pay £49 2s. 6d. rates in a year, but only £18 15s. rent. The council is now intending to put this rent up by £10 a year—unless, as some councillors no doubt hope, the Secretary of State forces them to go even higher.

But a sane rents policy will only solve some of the problems. Many of the smaller mining communities, crowded round a colliery that is shortly doomed to close, consist almost entirely of council houses. It is extremely unlikely that any industrialist would want to move into a blighted little valley, where the ground is likely to subside at any moment into an old mine and where the workpeople have very decided ideas on how things should be run.

FIFE miners have lively traditions—of brass band playing, communist voting, hard drinking and steady, spine-wrenching underground work—and they are not likely to take kindly (at least within the existing communities) to lower-paid and fairly unskilled factory jobs. Nobody can think what to do with the council estates when the pits, their *raison d'être*, have closed.

But even in the absence of state aid there are some signs of hope. A few local industries—linoleum, whisky, shipbreaking—are well enough off: and the county council cannot wait to get its hands on a large unused Admiralty site considered ideal for industrial development. As a foretaste of the consequences of the Forth road bridge, a private company is planning to build a whole new town of up to 10,000 people for commuters to Edinburgh. But Fife has not caught the hopeful post-war wind that was to waft Glaswegian industry to the coalfield; instead, the best prospects for development have turned out to be in the central belt at Bathgate, Livingston and Grangemouth.

Even so, Fife has something to offer: not all the county is pit-bings and council houses. Even within a mile of some of the blackest, bingo-haunted mining towns the country is open and smiling, ready for development, and within easy reach (executives may be reminded) of St Andrews and other golfers' paradises. In the long run, Fife's new communications should do the trick. It is the short run that scares Fifers in their kingdom now.

How Cecil King masterminded the great Odhams take-over

by Hugh Cudlipp

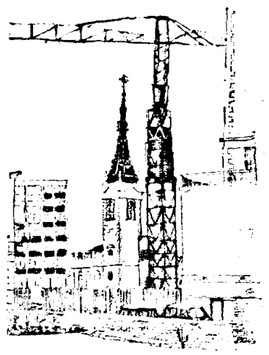
This was the biggest and liveliest of all the Fleet Street take-over battles. The prize was the vast Odhams empire. The contestants were the Thomson Organisation and the Mirror-Pic group led by Cecil King. King won, after a struggle which involved Parliament, the Prime Minister, Hugh Gaitskell, Sir Christopher Chancellor, Sir Eric Bowater, the News of the World and the merchant bankers Warburgs and Rothschilds.

Now Hugh Cudlipp tells what really happened in a series of articles beginning in The Observer next Sunday.

This is the first comprehensive account by a man who was right there on the inside. And very comprehensive it is too; every move has been recorded and letters from the combatants are published in full. Cudlipp's account of the Odhams affair is as dramatic and as full of unexpected twists as a financial whodunnit.

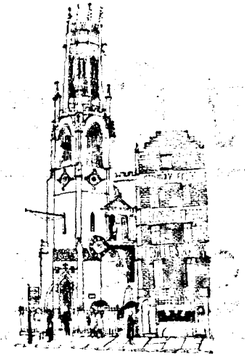
Begin Cudlipp's inside story on Sunday in the

OBSERVER



Blessed Guerrillas

FROM A CORRESPONDENT



THE thanksgiving service in a City church for the staff of Courtaulds after their safe deliverance from the clutches of ICI is a reminder of the shrewd mixture of God and Mammon that still characterises the square mile of the City of London. For apart from their traditional religious zeal, expressed in the constitutions of the guilds and livery companies, many City workers have a friendly and pious attachment to one or other of the 23 parish churches which still adorn the financial landscape, and have now been restored from war damage.

These 23 parish churches are more than ample for the 7,000 or so people who actually live within the City boundaries, but a million commuters flock past (and a few enter) their doors every day. This gives a pathetic look to the electoral rolls: St Giles in Cripplegate has one of eight, and St Olave's, Hart Street, has 221 electors. But there is an abundance of mid-day services, memorial tributes, and pious diurnal functions of one sort and another to justify a parish existence.

Ten years ago the Bishop of London, Dr Wand, took a long look at this scene of ecclesiastic under-production, studded with comfortable sinecures for the older incumbents; postwar restoration problems gave him his chance to escape the traditional heritage of the City churches and Parliament gave him permission to take 15 of them as it were out of service—leaving 23 for parish duties. The happy resurrection of the word "guild," with its overtones of craft and discipline, describes those churches which were declared non-parochial. There were outraged cries that the bishop was invading the citadel of the "parson's freehold," but he withstood them with fortitude, and in the decade just past his guild churches have emerged as tried recruits to the ecclesiastical army.

Each guild vicar is appointed by the bishop for a term of years (usually five in the first instance) and is guaranteed £1,000 a year, out of which he provides his own living accommodation. He has no parish duties as such, but he and his church are there to build a congregation outside the four walls of the building, by being recognised as a centre at which one of the non-ecclesiastical disciplines of church life is respected and practised. All Hallows, London Wall, for instance, will this summer open itself as a shop window of church art. Its high-walled nave has been stripped of pews, and the vicar (who is also assistant secretary of the Council for the Care of Churches) will stage a series of exhibitions displaying the various crafts of sculpture, painting, carving and building used in the church. St Andrew's, Holborn, the largest of Wren's city churches, is a meeting place for educationists, and St Ethelburga's specialises in the ministry of healing.

Each guild vicar is given a great deal of freedom to practise his specialty, and is looked on as a servant of the whole church and not just of the City of London. The vicar of St Martin Ludgate, for example, has built up a wide range of contacts as an adviser on marriage problems and is referred to for help by clergy far outside the boundaries of the City. St Benet, at Paul's Wharf, has been given over entirely to the Welsh-speaking people of London; and the Corporation of the City of London has, in St Lawrence Jewry, a most handsome church for its official ceremonies and celebrations. These last two are strongly bound by heritage and tradition, but generally a guild church is expected to be lively and experimental.

At St Katharine Cree the Industrial Christian Fellowship has established a headquarters, and at St Mary Abchurch the arts are celebrated; at St Margaret Pattens the clergy of London themselves are catered for with an ingenious adaptation of the church as a conference and study centre. Two churches and their vicars (St Dunstan's in the West and St Nicholas Cole Abbey) have their eyes on "other communions" and are concerned with ecumenical relations and the overseas work of the church; St Botolph Aldersgate is dedicated "to work amongst men" and St Mary Woolnoth for evangelism. Only one guild church troubles the bishop—Dick Whittington's old haunt of St Michael Paternoster Royal, which appears to be unwilling to turn again into something new.

Freed from parochial duties and statutory obligations, the guild churches hold out fascinating prospects for other great cities, many of which (and not only the older cities of Britain but some from across the Atlantic too) periodically send investigators to London. "Down-town" with a vengeance, and devoid of a regular congregation, the guild church can be an effective guerrilla in the warfare with materialism—given a practised hand to direct the fighting. The Bishop of London and his colleagues are wisely not claiming too much for their invention and say that a decade is not much to go by, and that to be thoroughly effective the guild church needs more staff and resources to do its job. But in a tradition-laden (some would say bound) area the church has broken through to some of the new ways so often urged on it.

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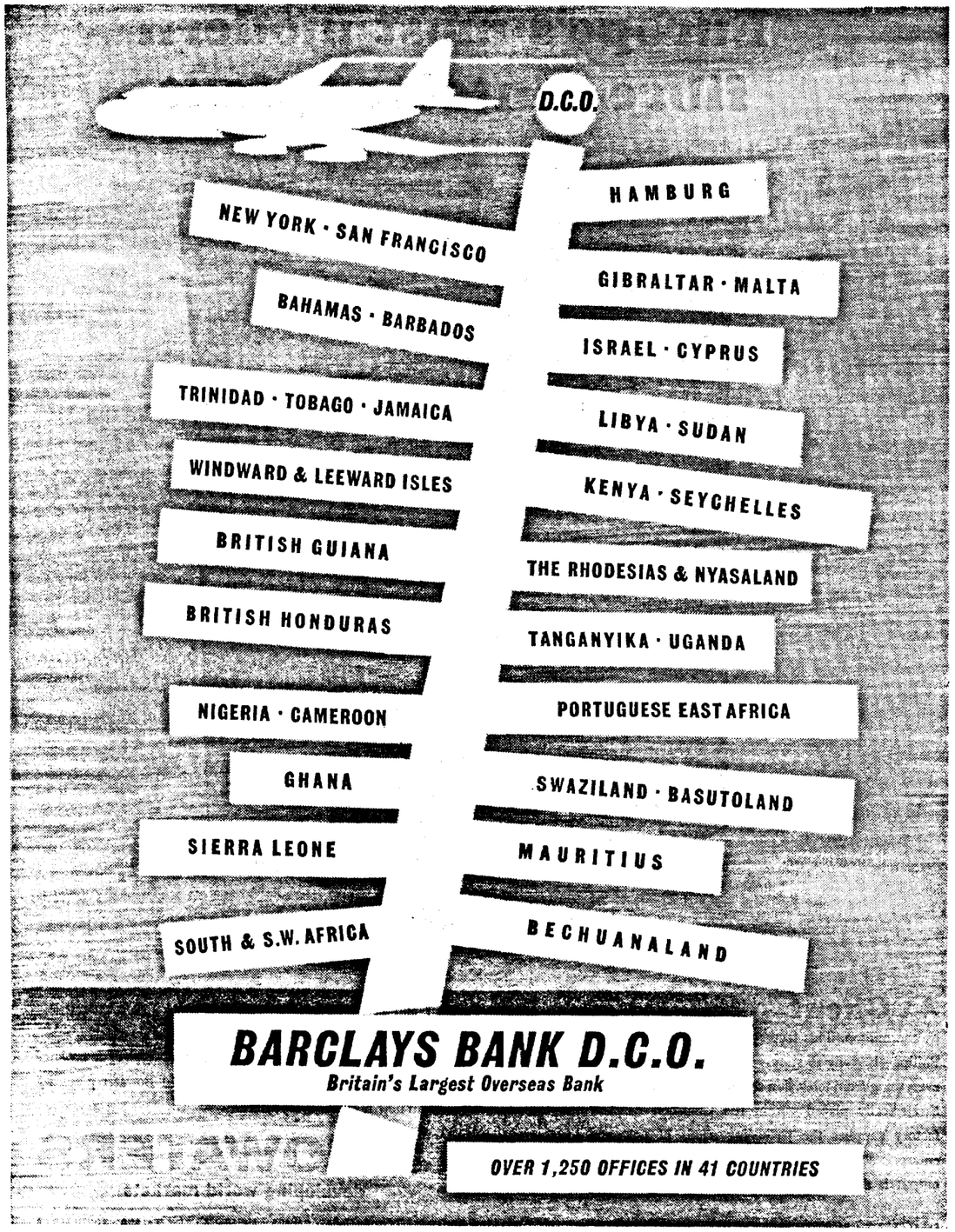
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THE BUSINESS WORLD

1962 £ Surveyors with No Plan

It is becoming questionable whether Britain's annual Economic Survey, in its present form, any longer serves much purpose. This is partly because the Treasury itself, over recent years, has so considerably supplemented its quarterly series of statistics and is now improving the quality of its periodical commentaries upon them. It is partly because the Bank of England's quarterly now provides a considerably better-integrated running record and official rationale of what has been happening in the economy—and the record of the past, still, takes up well over 90 per cent of the wordage of this week's survey. The Bank's quarterly has provided an "establishment view" to balance the differently academic quarterly commentaries of the National Institute of Economic and Social Research and the London and Cambridge Economic Service. These have swelled the documentation of economic performance, official and unofficial. Another overlap that might do more, positively, to change the form of the survey may be the form of expression "Ned" chooses for its own economic prognostication.

As the National Economic Development Council begins "to examine the economic performance of the nation with particular concern with plans for the future," how will its purview be delimited from that of the sections of the Treasury concerned with this survey? There is little in this year's survey to denote particular concern with anything but the past; but short-term analysis and forecasting, at least internally, ought to be its main business. The advent of the new forward-looking body, looking longer ahead but unlikely to disregard short-term pointers, expressing its own expectations separately and perhaps more often, will now probably tip the balance towards modifying the pattern of the Treasury's own survey.

Such budgetary implications as can be sensed from the mood of its commentary are analysed, to their disadvantage, in a leading article on page 11. Provision of such tea leaves for reading remains one perfunctory purpose of each year's survey. Of late, however, Chancellors have tended jealously to reserve the Treasury's forward arithmetic of real resources, which used to be the main thing one looked for or tried to deduce from the survey, for the preamble of their budget speeches.

Comparisons of what happened last year with what the 1961 survey suggested would happen are not particularly relevant now, as official policy went into reverse within four months of its publication. This year's survey makes an effective comparison of expenditure between the first six months of 1961 and the second—marred only, for the Government's purposes, by the failure of exports to respond to treatment:

PERCENTAGE CHANGES, AT CONSTANT (1958) PRICES

	4th quarter, 1960, to 2nd quarter, 1961 Per cent	2nd quarter, 1961, to 4th quarter, 1961 Per cent
Personal consumption	+1·9	−1·2
Public consumption	+1·4	+1·9
Gross fixed investment	+6·3	−3·8
Exports, goods and services	+3·1	−0·6
Imports	−0·7	−2·9
Gross domestic product (factor cost)	+2·1	−1·1

The response of home demand to the measures of July 25th came partly by way of restraint on incomes: wages and salaries, which had risen more than 5 per cent from the fourth quarter of 1960 to the second quarter of 1961, rose only just over one per cent in the following six months.

Changes in stocks are notoriously the least easy element in national demand to identify and then to explain. The survey's stabs at explaining what happened to them last year serve incidentally to illustrate the pitfalls of phrasing in this kind of official gloss upon figures that are anyway open to considerable uncertainty. It may, eventually, be possible to reconcile succeeding statements such as "stockbuilding fell, but there was some recovery towards the end of the year"; "stockbuilding was substantial in 1960 and 1961"; and "the substantial fall in stockbuilding between 1960 and 1961"; but at first sight they look rather odd to anybody but the scholiast. The survey reckons that by the end of last year the level of stocks may at any rate have been rather high in relation to current output (which was falling); this would make possible some lag between resumption of a rise in output and the consequent build-up in inventories.

These official analysts remain more convinced that there was a strong pressure of inflation in the economy before those measures than were many outside observers; similarly, they regard what has happened since as in most ways more desirable than many others do. The squeeze on everybody's home demand except the Government's, combined with the failure of exports to achieve the increase Whitehall has been confidently predicting for so long,

> caused total production to fall a little and by the end of the year there were some industries in which plant and labour were not fully employed.

At the end of 1961, the survey reckons, employment and output were both about 2 per cent higher than in the first quarter of 1960: output per head had not grown. Between

(*Continued on page 65*)

1961 on Record

TOTAL NATIONAL INCOME AND EXPENDITURE

£ Million

	1959	1960	1961
Shares in the gross national product (factor incomes):—			
Income from employment	14,040	15,102	16,258
Income from self-employment	1,875	2,003	2,075
Gross trading profits of companies	3,329	3,574	3,374
Gross trading surpluses of public corporations	391	539	659
Gross profits of other public enterprises	164	171	92
Rent	1,078	1,128	1,186
Residual error	65	−237	− 44
Less stock appreciation	− 89	−130	−154
Gross domestic product at factor cost	20,853	22,150	23,446
Net income from abroad	272	245	257
Gross national product at factor cost	21,125	22,395	23,703

	1959	1960	1961
Expenditure at market prices :—			
Consumers' expenditure	15,921	16,613	17,302
Public authorities' current expenditure on goods and services	3,939	4,184	4,596
Gross fixed capital formation at home	3,714	4,100	4,530
Value of physical increase in stocks and work in progress	172	577	273
Exports of goods and services	4,834	5,141	5,351
Total final expenditure at market prices	28,580	30,615	32,052
Less imports of goods and services	− 4,911	− 5,580	− 5,569
Less taxes on expenditure	− 3,198	− 3,387	− 3,635
Subsidies	382	502	598
Gross domestic product at factor cost	20,853	22,150	23,446

CHANGES IN EXPENDITURE AND SUPPLIES BETWEEN 1960 AND 1961

at 1958 prices

Expenditure :—	
Personal consumption	+226
Public consumption	+219
Gross fixed investment	+301
Investment in stocks	−321
Exports of goods and services	+138
Total final demand	+563
Supplies :—	
Imports of goods and services	+ 8
Gross domestic product	+490
Adjustment to market prices	+ 65
Total supplies	+563

GROSS FIXED INVESTMENT

at 1958 prices

	1959	1960	1961
By industry :—			
Mining and quarrying	116	94	99
Manufacturing	867	1,024	1,227
Gas, electricity and water	426	432	438
Transport and communication*	496	534	500
Distribution and other industries†	757	828	851
Dwellings	670	760	795
Public services	364	393	456
Legal fees, stamp duties, etc.	51	54	54
Total	3,747	4,119	4,420
By type of asset :—			
Vehicles, ships and aircraft	599	674	641
Plant and machinery	1,367	1,461	1,622
Dwellings	670	760	795
Other new buildings and works**	1,111	1,224	1,362
Total	3,747	4,119	4,420
By sector :—			
Public sector, *less housing*	1,312	1,374	1,455
Private sector, *less housing*	1,765	1,985	2,170
Housing : *public*	270	276	274
private	400	484	521
Total	3,747	4,119	4,420

* Excludes road goods transport. † Includes road goods transport
** Including legal fees, etc.

PERSONAL INCOME AND EXPENDITURE

	1959	1960	1961
Wages and salaries	12,670	13,690	14,740
Income from self-employment	1,875	2,003	2,075
Rent, dividends and interest	2,097	2,389	2,561
Other personal income*	3,003	3,061	3,314
Total personal income	19,645	21,143	22,690
Less tax payments, national insurance contributions, etc.	− 2,712	− 2,936	− 3,316
Total disposable income	16,933	18,207	19,374
Consumers' expenditure	15,921	16,613	17,302
Balance : Personal saving	1,012	1,594	2,072

* Forces' pay, employers' contributions to national insurance, superannuation schemes, etc., and grants from public authorities.

BALANCE OF PAYMENTS

	Rest of sterling area		Non-sterling area		All areas	
	1960	1961	1960	1961	1960	1961
Trade and services :—						
Imports	1,407	1,396	2,691	2,602	4,098	3,998
Exports and re-exports	1,446	1,411	2,261	2,452	3,707	3,863
Visible balance	+ 39	+ 15	−430	−150	−391	−135
Government (net)	−205	−235	− 79	−102	−284	−337
Other invisibles	+525	+530	−138	−128	+387	+402
Current balance	+359	+310	−647	−380	−288	− 70
Long-term investment :—						
Inter-government transactions	− 52	− 53	− 39	+ 39	− 91	− 14
IMF, IDA and European Fund	− 4	− 18	− 10	− 9	− 10	− 9
Other official	...	...	+ 2	...	− 2	− 18
Private investment	−174	−189	+ 75	+238	− 99	+ 49
Total long-term investment	−230	−260	+ 28	+268	−202	+ 8
Monetary movements :—						
Change in sterling holdings*	−226	+153	+604	−481	+378	−328
Change in gold reserves	...	...	+177	+ 31	+177	+ 31

* Excludes holdings of international organisations

COSTS AND PRICES (Indices, April, 1956 = 100) IN MANUFACTURING INDUSTRY

	Weekly wage rates	Weekly earnings	Hourly wage rates	Hourly earnings	Wholesale prices: Basic materials and fuel used in manufacturing	Wholesale prices: All manufactured products (incl. exports)
1958	108·2	109·6	108·5	110·7	95·6	104·7
1959	111·0	114·8	111·4	114·9	96·5	105·1
1960	113·7	122·3	116·9	124·4	96·6	106·7
1961	118·2	129·0	123·9	132·6	95·4	109·2
1959 January	110·4	...	110·7	...	96·6	105·3
April	110·7	113·0	111·0	113·6	96·2	104·8
July	110·9	...	111·2	...	95·7	104·7
October	111·3	116·6	111·8	116·2	97·0	105·5
1960 January	112·1	...	112·8	...	98·3	105·8
April	113·2	120·8	116·4	122·8	97·3	106·2
July	113·8	...	117·2	...	96·4	106·8
October	114·3	123·7	118·2	126·0	95·4	107·1
1961 January	117·4	...	122·8	...	95·4	107·9
April	118·0	128·4	123·5	131·4	96·3	108·4
July	118·3	...	124·0	...	95·4	109·2
October	118·8	129·6	124·7	133·8	94·3	109·9
1962 January	119·3	...	125·3	...	96·2	110·7

Continued from page 63

1959 and 1961, indeed, domestic incomes grew at an average annual rate of 6½ per cent, while the value of domestic output grew at an annual rate of only 3¼ per cent. Domestic costs, therefore, were rising—at least until the pause—and the average price of total final output in 1961 was about 4 per cent higher than two years before. In the manufacturing industries, the rise in labour costs was more rapid. In 1959 a sharp rise in output per man hour had cut unit labour costs when prices were rising a little, which caused a sharp increase in profit margins. In 1960 and 1961 there was little change in productivity, and hence a large increase in unit labour costs. Prices did not keep pace with these and other costs: so there has been "almost continuously throughout the past two years . . . a rapid fall in both profits and profit margins."

In this survey the Treasury reiterates its confidence that opportunities for British exports this year are good—though the emphasis is perhaps a little less firm than in its utterances of a month or two ago, or those of ministers this week. Now the surveyors are less ready to guess just when their export ship will sail out; they are waiting upon the buoyancy of trade, of the primary producing countries, both ways, to show itself and supplement the rises already occurring in trade between industrialised countries. The one thing they are sure will go on rising dependably is the current expenditure of the Government and local authorities at its "underlying annual rate of increase" of 3 per cent. They accept that the private investment boom has passed its peak; this investment seems to them likely to be smaller this year, though an expected rise of 5 per cent in public investment may outweigh this and bring about a slight increase in the total of fixed investment. From larger incomes, and the likelihood of some increase in output later this year (presuming exports take off), they count upon some increase in personal spending; and the hire purchase cycle is approaching a stage in which it may swell spending on credit.

Assuming no more official stimulus, and some realisation of their export hopes, therefore, the surveyors predict "some increase in the pressure of demand as the year progresses"; perhaps "at a rate that may be relatively slow at the beginning but a good deal more rapid at the end of the year." And again assuming some export success, Britain's external position, on current and capital account, "should be . . . stronger . . . this year than last." Where they differ from outside observers is in their apparent readiness to rely on exports alone to stimulate expansion this year—and to regard the fall in private investment comfortably as providing slack for capital goods industries to increase exports?

One page of this survey is devoted to a fairly dilute technical assessment of this year's economic prospect; the rest of its forward looking is a short sermon on incomes policy and planning. The remainder assesses the recent past. The pattern of this survey, except for the text of each year's homily, is now becoming so standardised that if the present form were to be maintained one might suggest programming a computer to write it.

Car Salesmen Fear Freedom

WHETHER or not the government is about to act against resale price maintenance, the life of the dealer in new motor cars, which has recently become more competitive, is likely to remain so. Though a freer supply of new cars means a higher turnover for him, he must carry larger stocks, while the fall in used car prices and the need to offer more generous part-exchange allowances have cut into his margins. Dealers may talk nowadays as if the abolition of resale price maintenance would mean the end of their world, but it would hardly affect the 90 per cent of new cars sold for which a second-hand car is traded in. The dealer's profit margin is already far from guaranteed. But a competitive market has its compensations. Manufacturers—foreign as well as British—who are determined to increase their sales are at present anxious to get more dealers, though they are not yet wooing dealers quite as expensively as the oil companies woo petrol stations (sometimes the same businesses). And the finance houses, in their search for dealers who will not add too much to their load of bad debts, are now bidding against one another with commissions to add to the dealer's profits.

There are about 10,500 new car dealers in Britain now, and their number is gradually growing as more firms obtain a franchise. Foreign manufacturers in particular have recently been giving dealerships to small firms, and if Britain enters the European common market one can expect that this process will be accelerated. Among the British makers the British Motor Corporation and Vauxhall are making noticeable efforts to add to their dealer networks, but the other major companies, too, are anxious to get as many dealers as possible signed up before foreign makers can seduce them. And makers are also trying to persuade all their dealers to become exclusive—which is easier for BMC and Ford than for the second-rank groups, which can nowadays hardly offer big enough sales alone to give a dealer a living. At present BMC has 435 distributors and about 4,750 retail dealers, 78 per cent of the total being exclusive. Ford has 359 main dealers, all but two exclusive, and 1,600 retail dealers of whom about 30 per cent are exclusive. Vauxhall has 350 main dealers, 80 per cent of them exclusive, and 1,050 retail dealers, 50 per cent exclusive. Rootes is believed to have 160 main dealers and 2,650 retail dealers, 25 per cent exclusive; while Standard-Triumph International has 89 distributors and 1,600 dealers.

The basis for a dealer's operations is the profit that he gets on a new car. This margin is fairly standardised at 17½ per cent for a retail dealer and four per cent for the distributor—who supplies the retail dealers in his territory but sells direct to the public as well. Though competition for outlets is growing it has not yet pushed up margins. But there are some divergences; the British Motor Corporation and Vauxhall allow an extra one per cent to any dealer who sells their cars exclusively, Ford gives 18½ per cent to all its dealers and Rootes allows five per cent to its distributors. Raising the commission for hire-purchase business from 10 per cent to around 20 per cent effectively adds two per cent to the dealer's margin where he can persuade a buyer to take this form of credit—so one can expect that his arguments will be pressing.

Out of the gross margin a dealer has to pay for the full cost of the pre-delivery check and the first service on a new car; and

he is likely to have to pay something towards the cost of any work that needs doing under the maker's guarantee. In theory the manufacturer meets this expense in full, but he will not be pleased if a dealer sends in a claim that has involved less than an hour or so's work ; so the dealer usually bears the cost of any minor adjustments that a new car may need. And the payment for work under the guarantee is not generous ; it is usually calculated to do no more than meet the costs of an efficiently-run service depot. The many dealers who fail to reach this standard—or who have to pay high rates for premises or labour—are therefore liable to find that work under guarantee is done at a loss. Though they recognise that they are helping to keep the goodwill of their customer as well as the manufacturer's, they somewhat resent undertaking what they feel should be the maker's responsibility. It is significant that two now less strongly-placed makers, S-TI and Vauxhall, have done something to meet the dealers' complaints: S-TI has simplified the pre-delivery check on its cars, while Vauxhall claims that it pays more than any other firm for guarantee work.

Quite apart from work under guarantee, a dealer has normal repairs and maintenance to do. This is probably the part of his work where efficiency varies most from garage to garage ; yet it ought to cover the overheads of the whole service establishment, so that guarantee work does not form a drain on his resources. Schemes that pay the mechanic by results rather than time—containing the essential proviso that he has to do the work again without payment if it proves faulty—are one way of raising efficiency ; Ford is advocating such a plan to its dealers. The target for a dealer, some makers feel, should be to cover his costs and break even without selling new cars, so that the margin from sales represents pure profit.

Allowing for possible profit or loss on these servicing activities, and on cars they take in part-exchange, as well as the cost of holding stock, dealers seem able to earn from 20 to 30 per cent on their capital ; but, as one maker put it, the range may be from almost nothing to infinity (for a dealer with more liabilities than assets). Quality of management rather than size seems to be the determining factor—a sample of public companies in the business shows returns ranging from 7½ to over 25 per cent on capital. But the larger garage does have an advantage when competition gets fiercer in that it can offer a generous part-exchange allowance because it is better able to operate a second-hand business. One needs a minimum stock of about 20 used cars to get a good enough balance of models to maintain the quick turnover that is essential for a profit. A small dealer will usually have to re-sell the cars he takes in part exchange to other traders, getting perhaps 8 per cent less than the firm that re-sells them itself.

The availability of finance seldom limits the stocks of new or used cars that a dealer can hold, unless he is seriously over-committed. He can get loans on the security of his stock from the finance houses—most manufacturers make arrangements for their dealers to get such finance—or a larger firm can usually get bank overdrafts. But the cost will take two per cent off his margin if he holds a new car for three months, as the maker would like him to do in the winter. The dealers' heavy reliance on short-term loans to finance stocks makes the proportion of their own capital involved in the business relatively small, and so inflates the return they can earn on it. To get enough long-term finance is more of a problem for the smaller garage, as for other private companies.

WOULD the abolition of resale price maintenance really transform the dealer's position ? All that it would mean in practice is that the two sides of the bargain—the allowance on the old car and the price of the new one—would both become subjects for bargaining, to which only one side is subject now. It would also offer the 10 per cent of buyers who have no car to trade in a chance to drive a bargain too. But dealers feel sure that the public would become more pressing in bargaining once it knew that the actual price of a car could no longer be fixed, and they therefore expect that an end to resale price maintenance would squeeze their margins, too. From this they predict disaster, arguing

A SELECTION OF DISTRIBUTORS

	Year ends	Gross profit (£000's) 1960	1961	Dividend % 1960	1961	Price	Yield %
Braid Group (1s.)	Sept.	248	149	20	17½	2/4½	7·4
Car Mart (5s.)	Nov.	664	383	37½	22½	17/6	6·4
Godfrey Davis (5s.)	Mar.	338	339	15	15	14/–	5·4
Henlys (4s.)	Aug.	938	925	34	34	23/3	5·9
Kennings (5s.)	June	932	1,138	17·8*	19·4*	23/6	4·1
Stwt. & Arden (2s.)	Mar.	583	541	25	25†	5/10½	6·0

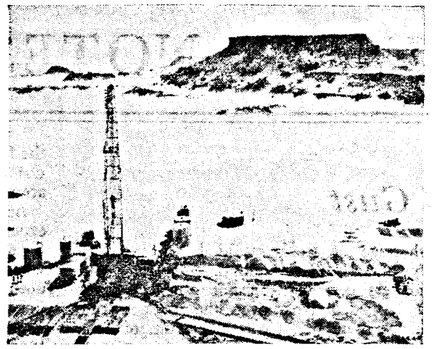
† Interim dividend since reduced from 10 to 7½ per cent. Yield based on 17½ per cent. *Adjusted for scrip issue.

that profits would be too small to allow them to maintain their existing service facilities, let alone expand them, that the smaller dealers would be forced out of business and the trade concentrated into the hands of a few large firms.

Such a picture seems unduly alarmist. Ending resale price maintenance would add something to competitive pressure, and there are probably some dealers who for a time would allow their new freedom to go to their heads and find themselves losing money on cars. But the experience of the past 18 months, during which some dealers were tempted to do just this by offering inflated part exchange allowances, should surely have done something to discourage this suicidal behaviour. And the answer to the problem of service is partly a matter of making it profitable in itself, as it should be, and partly for the manufacturers to allow the dealer to earn enough from guarantee work itself to make this profitable. There seems little reason for the bigger dealers to gain much from the change, for they already use most of their advantage in part-exchange bargaining. Small dealers have some advantages, such as closer contact with the public, which likes to buy its cars and have them serviced as near home as possible. These should continue to help them meet the competition of the bigger firms. Even with resale price maintenance, however, the less efficient are likely to go to the wall as competition grows. And only legislation would change the system. No manufacturer, however iconoclastic, would dare end it voluntarily, so strong would be the reaction of this trade.



Saharan Oil for Algerians



FOR a time, it looked as if the mineral wealth of the Sahara might be a major obstacle on the road to peace in Algeria. But the obstacle was removed as soon as the French switched their attention from political sovereignty to economic advantage. The compromise then worked out on Saharan oil and gas was included in the Franco-Algerian agreements signed last month at Evian. Indeed, it is now hoped in Paris that collaboration in the Sahara may create one of the strongest ties to keep an independent Algeria within the French orbit. The main provisions of the agreements, and some of their implications, are summarised below:

Compromise on co-operation

Along with independence, the Algerian government will acquire sovereignty over the whole territory, including the Sahara. Algeria will take over "rights, prerogatives and duties" that France exercised in the Sahara. It will also inherit such property throughout the country as belonged to the French state not directly, but as "government-general" of Algeria.

This means that the independent Algeria will take over such public utilities as electricity and gas in Algeria, including their shares in other companies. It will also inherit a 40.51 per cent share in SN Repal, the semi-nationalised company that has the largest stake in Saharan petroleum. (The French government will retain 40.51 per cent too: private French investors own the rest.) In addition to a half-share in the oilfields of Hassi Messaoud, and the gas fields of Hassi R'mel, SN Repal has important holdings in various companies concerned with the transportation or sale of oil and gas. It also has a 33 per cent share in Carep, a company exploiting a small oilfield in Algeria proper (outside the Sahara) ; 4.86 per cent share of Creps, which is developing the Edjeléh oilfield ; and a 10 per cent share in a refinery to be built in Algiers. Finally it owns 33 per cent of the shares in UGP, the refining and distribution company lately set up in France. It remains to be seen how the various Algerian holdings—through SN Repal, Gas and Electricité d'Algerie—will be consolidated.

Sovereign, the Algerian goverment will be able to pass new legislation in the Sahara. However, it has agreed in advance to respect vested rights. All the concessions and permits for exploration or transport granted before the Evian agreement are to run on and to be covered by existing legislation, that is to say the French *code pétrolier saharien*, with its fifty-fifty rule (a 12.5 per cent royalty brought up to a 50 per cent share of the profits by direct taxes). In case of conflict this code will commit the Algerian authorities to accept international arbitration.

This part of the Evian agreement provides that functions hitherto exercised by the OCRS (the Joint Organisation for the Saharan Regions) will be carried out by a new body, on which Frenchmen and Algerians will be equally represented. The new body will be responsible for the general management of Saharan resources. Its running costs are to be shared equally by the two partners, except that, for at least the first three years, Algeria is to make an additional contribution amounting to 12 per cent of its revenue from oil taxes.

On paper, changes in the Sahara should be gradual. Under the *code saharien* concessions are granted for fifty years and companies are guaranteed against tax changes for 25 years. New Algerian legislation could, thus, be applied only to portions of the Sahara not yet allocated or to parts that must, by law, be given up, periodically, for redistribution. But the French recognise that these agreements will work only if the Algerian government remains convinced that it has a stake in their preservation. In Paris, therefore, it is hoped that the oil companies, taking a long-term view of their interests, will adapt themselves to the requirements of a young state, particularly its financial needs. The working of any concession agreement depends considerably on the extent to which companies take advantage of the fine print. The Saharan agreements can survive only if the companies are guided by the spirit of collaboration rather than the letter of each deal.

More Equal than others?

The Algerian government binds itself in these agreements not to discriminate against French firms. Moreover, in the first six years, "on equal offers," French companies and their associates are to be given priority when applying for permits in new or redistributed territory.

"Equal offers" is a vague term. Obviously, terms that can be expressed quantitatively—the rate of investment promised, bonuses and rentals—can be taken into account. But the Algerians might also be tempted, as Kuwait was in 1960, by factors not necessarily written into the offer: the marketing opportunities offered by the integrated companies. If the French do hope to preserve a privileged position, it is mainly because:

(1) they will be represented on the Franco-Algerian advisory council ;
(2) France will be helping Algeria financially in other fields ;
(3) France will provide the chief outlet for Algerian oil.

Oil destined for consumption within the franc area, directly or not, will be paid for in French francs. For all shipments outside the area, Algeria will be entitled to drawings on foreign currency on terms still to be worked out. This is a clause which the French, with a cautious eye on their balance of payments, were eager to obtain.

Unwritten Assumptions

In the current state of the world market, the price for Algerian oil—$2.65 a barrel, posted price Bougie—is quite artificial, even if the 15 cents discount given to refiners in France who are forced to take quotas of the oil is taken into consideration. France has sufficient governmental control over its internal market for petroleum to compel all companies there to accept such quotas and this high price. On occasional sales to free buyers outside France discounts have been of the order of 60-75 cents a barrel, not 15 cents. Looking ahead to the time when Saharan production will exceed French needs, the French government has always pressed for a special position for Algerian crude within the European community. Algeria's independence will not relieve that pressure. In order to preserve its privileged position in Algeria, the French government will struggle even harder for a privileged position in Europe for Algerian oil.

Officials in Paris are pleased with this deal, which seems indeed a better outcome for the French interest in Saharan oil than anyone could have counted on. They know, however, that its success will depend on the fulfilment of several assumptions. First, the oil companies will have to play the game adroitly enough—but also with sufficient forbearance—to keep the Algerian government satisfied. (There is now no shortage of expert Arab advisers for the new government to choose from: one recent rumour is that the FLN would like to get Shaikh Abdullah Tariki, now that he has ceased to be oil minister of Saudi Arabia.) Secondly, sufficiently attractive market outlets for oil and gas will have to be found to maintain that satisfaction. Last but not least, these terms for oil and gas are part of a general agreement—and part of the French gamble that an independent Algeria can be kept close to France by economic ties.

BUSINESS NOTES

IN THE MARKETS

Hopeful Gust

With the budget only a few days away, equity prices suddenly shot ahead in the middle of this week, gaining more ground on Wednesday than on any single day for about six months. The gain in the gold and dollar reserves announced on Tuesday and the tone of the Economic Survey published on Wednesday brought a little more optimism into the market. The propect of expansion in a few months time hinted at by government spokesmen pleased, if only because of the contrast with the earlier, dreary platitudes about restraint; at the worst, dealers thought, the budget would be neutral and at the best might be mildly reflationary. Within the outer circle of slightly more reassuring economic influences, however, lay an inner ring of professional dealings. These were primarily concerned with the possible effect of the capital gains tax and were sufficient to give an added impetus to the rise. Hopes that the tax would not be made retrospective gained ground and encouraged a few bulls to buy ahead of the budget deadline. At the same time the professional market had to adjust itself to the possibility that the shortage of stock would be accentuated by a tax which would deter selling; the jobbers certainly did not want to carry a lop-sided look over the budget and hence there was a certain amount of bear covering.

For the moment, therefore, these sophisticated operations overlaid the general fear that the tax would put another brake on equity prices. This fear has kept buyers away from equities in the past few weeks and was not spirited away overnight by the operations of a few professionals who were looking to their own interests. Not surprisingly, therefore, the market was quieter on Thursday though prices remained firm. Nevertheless, the rally, which pushed *The Economist* indicator up by 9 points to 355.3, was an impressive one for a week when investors customarily stay on the sidelines. It was, moreover, confined almost entirely to equities, for gilt-edged prices were no better than steady—not least because the authorities' tactics in the money market suggested that a 5 per cent Bank rate was as far as they were prepared to go for the time being.

BUDGET OUT-TURN

The Accounting Figures

The Exchequer figures for the fiscal year just ended give the Chancellor an overall deficit of £211 million as a starting point for next Monday's budget calculations. Last April he budgeted for a small deficit of £69 million; in July the 10 per cent surcharge on revenue duties transformed this deficit into an expected surplus of £61 million. The shortfall is the result of a sharp increase in above-line expenditure and a rise in loans to nationalised industries below-line.

The above-line surplus at £410 million was up on the year by only £263 million compared with an expected increase last April of £359 million or £489 million if the revenue surcharge had brought in all that was expected. Ordinary revenue was surprisingly close to target in a year when the economy was subjected to a stiff dose of disinflation. And although customs and excise failed to increase by the full £130 million expected from the July surcharges, this was offset by better than expected increases in surtax and profits tax, charged on the previous year's income, and death duties.

Exchequer spending was well ahead of the budgeted increase for the full year; it was up by £448 million compared with last April's estimate of £215 million. Expenditure was inflated first by the steep rise in supply expenditure which exceeded the estimates by £181 million and second by the higher cost of servicing the National debt, which was £50 million up on the estimate of last April when Bank rate was 5 per cent. It was only in the final fortnight of the fiscal year that Bank rate returned to this level.

The Budget Framework

It is now possible to fill in some of the framework for the 1962-63 Budget. On the revenue side the surtax concession in last year's budget was estimated to cost the Exchequer £58 million this year. Against this, the increases in profits tax in the 1960 and 1961 budgets will bring in an extra £70 million in 1962-63, and on top of this the surcharge on revenue duties, if maintained at 10 per cent and renewed in August, would add a further £80 million in the full year. On this basis the Chancellor can therefore expect a rise in revenue of around £92 million.

Against this must be set the increase in expenditure on supply services to a total of £5,611 million in the fiscal year ahead, which is £243 million above the 1961-62 out-turn. On the other hand provided Britain manages to get through 1962-63

1961–62: OUT-TURN AND ESTIMATES
(£ million)

	Out-turn	Change on 1960–61 Actual	Original budgeted change
Revenue :—			
Income tax	2,727	+294	+296
Surtax	224	+ 35	+ 20
Death duties	262	+ 27	+ 4
Stamps	97	+ 6	+ 4
Profits tax, EPT & EPL	335	+ 72	+ 62
Customs and Excise	2,595	+204	+120*
Motor duties	141	+ 15	+ 29
Other revenues	264	+ 58	+ 39
Total ordinary revenue	6,645	+711	+574*
Expenditure :—			
Interest on debt	711	+ 50	— 1
Sinking funds	40	+ 1	+ 1
To Northern Ireland	97	+ 8	+ 3
Miscellaneous	19	+ 10	+ 14
Total Cons. Funds	867	+ 69	+ 17
Supply Services	5,368	+379	+198‡
Total ord. expenditure	6,235	+448	+215
Above-line balance	+410	+263	+359*
Net below-line outlays	−621	− 80	− 34
Total deficit	−211	+183	+325*

* Not adjusted for expected £130 million from 10 per cent surcharge on revenue duties. ‡ Supplementary and revised estimates presented during year totalled £248 million.

without pushing Bank rate back above 5 per cent the saving on the servicing of the national debt should be somewhere around £50 million. On this basis, total ordinary expenditure would be about £193 million higher. Thus if all else were to remain unchanged, and ignoring the buoyancy of income tax receipts which could add anything up to £300 million to revenues, as it did in 1961-62 despite the pay pause, the Chancellor could expect an increase in the past year's deficit of about £100 million, which would mean an overall deficit of £311 million for 1962-63. Mr Lloyd could adopt this figure as being entirely consistent with neutral budgeting; but if the Chancellor sought to give a gentle prod to the economy, he could suffer the overall deficit to rise without jeopardising his fiscal virtue.

Below the Line

Advances to nationalised industries make up four-fifths of net government expenditure below the line, the capital advances that are ordinarily financed by government borrowing. Next year these

are expected to come down by £44 million. Local authorities are continuing to make large net repayments (£58 million, expected in 1962-63) to the Exchequer. Richard Thomas and Baldwins and Colvilles Ltd. have had the bulk of their loans from the government. Cancellation of the special assistance to building societies should mean a net reduction in advances of £46 million from 1961-62 to 1962-63. In the field of

PAYMENTS BELOW THE LINE
(£ million: years to March 31st; minus sign denotes net repayments)

	1960–61	1961–62	1962–63
	Net Issues		Est.
Nationalised Industries :			
Post Office	36·6	40·0	35·0
Coal Board	2·8	26·4	...
Electricity	180·9	227·7	205·3
Gas	19·6	12·6	4·2
B O A C	20·1	11·1	16·8
B E A	11·8	21·6	9·8
Transport Commission (Capital advances)	145·0	124·6	139·0
(Current subsidy)	5·4	...	...
Total	422·2	464·0	420·1
Other Public Bodies :			
Local authorities	−56·1	−56·8	−58·2
New towns	21·5	25·2	27·3
Steel Realisation Agency	...	−20·0	...
Richard Thomas and Baldwins	12·1	55·2	2·7
Others	7·3	9·7	2.6
Total	−15·2	15·3	−25·6
Private Industry :			
Colvilles	15·0	20·0	10·0
Building Societies	34·0	43·2	−2·5
Housing Associations	...	...	2·5
Total	49·0	63·2	10·0
Overseas Assistance :			
Colonial Governments	22·6	18·4	19·2
Colonial Development Corporation	6·3	17·0	13·5
Export guarantees	32·2	27·1	43·0
Repayment Anglo/Turkish Arms Credits	...	−0·8	...
Total	61·1	61·7	75·7
"War Claims" :			
Repayment of Post War Credits	23·6	17·3	17·0
Refunds Excess Profits Tax	...	0·1	0·1
War Damage	8·5	7·5	6·0
Total	32·1	24·9	23·1
Other Advances	−7·8	−7·8	3·8
Total Below Line (Net)	541·4	621·3	507·1

overseas advances, however, a substantial increase in export guarantees is expected.

Total advances below the line are expected to be £507.1 million, about £114 million less than in 1961-62. It has to be noted that last year's figure ran out £46 million more than was forecast at this time last year: but clearly the figures offer the Chancellor the prospect of a considerable reduction in these borrowing requirements, although public investment is expected to rise significantly.

GOLD AND EXCHANGES

Firm Favourite

On Tuesday Mr Brooke told the House of Commons that "sterling is now strong and people on the continent are envious of the favourable position into which we have now got ourselves." During March the sterling area's gold and convertible currency reserves rose by a further £10 million to £1,233 million. During the month, however, Australia repaid £62 million to the International Monetary Fund, buying the necessary foreign exchange in London from the Exchange Equalisation Account, so that the real increase in the reserves was £72 million. This means that, allowing for IMF repayments, the flow of funds into London in the first three months of the year have added £185 million to the reserves.

Now that Bank rate is back to 5 per cent it seems likely that this inflow of funds has abated. For although there is still a considerable margin between short-term rates in London and other centres, on a covered swap these margins tend to disappear and in some cases turn against London. The margin between the Treasury bill rate in London and New York is just over 1½ per cent, but the cost of forward cover is now 2 per cent. Equally, with loans to local authorities commanding only 5½ per cent there is now no profit in borrowing Eurodollars in London at 3½ per cent, converting them to sterling, covered by a forward contract costing 2 per cent, and then lending the proceeds to a local authority.

By mid-week sterling had risen to $2.81 1/16, recovering a good deal of the ground lost at the time of the last cut in Bank rate. This strength owes a good deal to the loss of colour among some of the continental currencies. The Swiss franc has again been weak and fell to 4.3480 against the dollar earlier in the week, but later recovered to 4.3450. The Swiss National Bank is reported to have entered the market, although it is not known on what scale. The weakness of the Swiss franc has allowed the United States Treasury to end its support of the dollar in the Swiss market and to repay the final $23 million Swiss francs outstanding on a National Bank loan used for support purposes. Also during March the Treasury borrowed $50 million in Italian lira. This is the second lira borrowing by the Treasury; the first, equivalent to $25 million, was made in January.

An intriguing event in London this week was the physical movement by chartered airliner of 10 tons of gold worth £4.1 million to Kuwait. The gold had previously been held on Kuwait's behalf by the Bank of England and no loss to the gold reserves is involved. However the real riddle—just why the Kuwaitis actually want their gold where they can touch it—remains unanswered. This is the first time Kuwait has shipped gold out of London for at least three years. Most countries like to own a token amount of gold that they can put in their central bank's balance sheet; last year Nigeria bought £7 million of gold from the Bank of England but it was content to leave the gold in the Bank's vaults.

PROFITS AND DIVIDENDS

Down Again

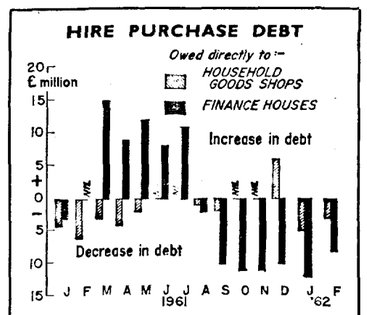
Twice the number of company accounts were analysed in this office in March compared with February, but the month's total of trading profits was little more than half February's total. The March figures were dominated by three companies—P & O, English Electric and Hoover—which accounted for nearly a third of the month's total profits. Shipping and electrical manufacturing groups were responsible for nearly all of the fall of 6.6 per cent in profits; profits in the other groups fell by no more than 2 per cent. Dividends fell for the first time since our monthly analysis of profits started last July.

PROFITS AND DIVIDENDS
(£ million)

	179 Companies reporting in March		371 Companies reporting in Jan.–March	
	Prev. year	Latest year	Prev. year	Latest year
Trading profit	125·2	117·0	601·5	586·9
Gross profit*	78·5	67·0	436·7	407·0
Net equity earnings*	39·9	31·4	228·3	207·4
Net ordinary dividends	19·9	18·1	93·8	95·5
Times covered	2·0	1·7	2·4	2·2
Net equity assets	572·2	594·4	2,224·9	2,432·9
Gross profit/net assets per cent	13·7	11·3	19·6	16·7
Net earnings/net assets per cent	7·0	5·3	10·3	8·5

* Excluding non-recurring credits.

It is always difficult to draw reliable conclusions from a single month's profits. A fall of 5½ per cent in January's profits (dominated by the steel companies), a rise of 5 per cent in February's profits (reflecting the experience of tobacco companies and Woolworth) and now a fall of 6½ per cent in March leaves total profits reported in the first quarter 2¼ per cent lower at £587 million. But the downward trend in returns on capital employed continues. While the latest figures relate to trading periods ended in December or earlier, there has been little supporting evidence in chairmen's statements with company



Hire purchase debt fell during February by a further £11 million. But credit sales of household goods slackened no more than is usual, while the new business of finance houses edged up again even after making allowance for the usual seasonal factors.

The car trade, however, was still slack compared with last year. Figures collected by Hire Purchase Information show that hire purchase sales of new cars in March, at 14,593, were 28 per cent below last year, and those of used cars were some 22 per cent short of the March, 1961 figure.

accounts in the last few months that British companies have yet begun to find trading any more profitable—though there is a growing belief that they will during the course of 1962.

CAR EXPORTS

What Hopes in America?

SHIPMENTS of British cars to the United States may have recovered this year, but there is no sign of an improvement in sales. So the long decline in stocks that began in the summer of 1960 is now being reversed. Stocks of British cars rose by more than 5,000 in January. Now that sports cars are the most popular type Britain sends to the United States, some stock accumulation in the winter might be expected. But the disturbing feature is that British sales in January were 20 per cent below those of January, 1961, while the total for imported cars was the same: sales of German, French and Swedish cars all rose.

Even the European performance cannot give much encouragement to importers, for the sales of American cars had risen by nearly 20 per cent, and the share of imported cars in the United States market declined by about one per cent to under five per cent. One might therefore expect that sales of imported cars should approach the 1961 level of 378,000, but that British sales are more likely to be around 60,000 than last year's 75,000 or so. The level of shipments may therefore soon begin to fall; the United States is not a market that holds out hopes of a massive rise in car exports.

EXPENSES AND TAXATION

Beyond the Fringe

ANYONE who still believes that it is easy to pluck the forbidden fruit of fringe benefits will be disillusioned when he examines the new form P11D which has gone out to employers this week. This revised form was foreshadowed by the Chancellor in his budget statement last year and is designed to give the Revenue more precise information initally about the expense allowances and benefits in kind received by directors and other senior executives. Mr Selwyn Lloyd added that he *did not* believe that it would in the end make more work as it "would save subsequent enquiries."

More precise it certainly is. Under fifteen headings, ranging from general expense allowances to benefits from the provision of shooting or fishing facilities, every conceivable type of benefit or expense is covered. The questions are cross referenced to the detailed notes which were issued last August and the fine-meshed net is cast widely and will land most of those it is designed to catch—saving only any who fill it in untruthfully. The repeated emphasis on the inadmissibility of the cost of travelling from home to office, whether by car or other means, will cause most difficulty, particularly where a car is in fact needed after the office has been reached. It is only rarely practicable to garage cars near to an office.

Whether the new form will save time in the long run is more doubtful. It will take a lot of filling up and where many employees are concerned it is quite unreasonable to expect that it can be submitted by May 5th—under a penalty of £50 and a further penalty of £10 a day while the default continues. It is also wrong that the form should have to be signed only by the employer. The disclosure of information which may lead to tax liabilities ought to be the responsibility of the taxpayer himself and he should not be able to look to the unfortunate company secretary or accountant who will have to complete and sign the form to carry his conscience for him. Subject to these two points the Chancellor is entitled to point to the slashing reductions which have been made to the marginal tax rates of the higher executives in recent years and to claim that unreasonable benefits and expenses ought at last to be firmly controlled.

STEEL

Change in the Federation

IT seems open to question whether the British Iron & Steel Federation will appoint another independent chairman to succeed Sir Ronald Morison, whose appointment was terminated by mutual arrangement last week. This post is written into the constitution of the federation: it dates back to the thirties when the federation was formed to bring together a number of trade associations and conferences representing different parts of the industry, whose interests were not always parallel. A chairman from outside, above any potential conflict, was considered advisable; the appointment also suited the rather special responsibilities given this organisation during a period when the industry was being pressed by governments to reform itself behind a tariff.

The job was tailor-made for the late Sir Andrew Duncan, and he made it central to the whole running of the industry. Since his day, its significance has waned. Other centres of independent scrutiny and supervision were set up for the steel industry: the federation itself became more simply representative of the steelmakers, within whose groups open conflicts of interest have been much less frequent since the war. It could be, indeed, that the present supervisor within Britain, the Iron and Steel Board, will not survive British entry into the common market. But that would still mean a considerable degree of supervision from a more distant supranational body, the European Coal-Steel Community. And the federation, to ECSC, would be even more simply another trade association representing one sectional interest.

Last autumn, in a reorganisation within the secretariat of Steel House, Mr E. Senior, its general director, was given more power and even more direct access to the federation's council. How or whether the federation chooses to alter its constitution remains to be seen; but independence of the industry at the top of its trade association may well now seem to steelmakers far less essential.

OIL

Whose New Price?

WHILE its negotiations with General Qasim dragged on and finally broke down, followed by partial expropriation of its concession area, the Iraq Petroleum group was completing various major investment projects. One of them, a new £20 million offshore oil terminal now christened Khor el Amayah, south of Basrah, is expected to begin pumping oil in its first "flushing out" operation today, Saturday. The first tanker scheduled to load oil there is one of British Petroleum's: and as oil "lifted" has to be given a value for tax and other accounting purposes, it was expected that BP would be the first corporate shareholder of the IPC companies to publish (or "post" in the jargon of this industry) a fob price ex-Khor el Amayah this week.

Instead, the French partner, *Compagnie Francaise des Petroles*, was the first to post a price for deliveries from this terminal though its own first deliveries are not due for a week or so. And the reaction this provoked from BP, broadly supported by the other integrated companies that are IPC partners, made it clear that they thought the price CFP had set was too high. Its figure was $1.78 a barrel, as against the $1.72 charged for Basrah crude from Fao, the oil loading port in Basrah harbour. The BP view, shared by the other partners, appeared to be that the new price should have been about the same.

Arguments on both sides were partly related to the dues payable at Fao and the new terminal, and partly to the refining value of this crude oil in relation to others available in the Persian Gulf. The new terminal offers some savings in costs—and port dues—to tankers lifting Basrah oil. But BP and other companies would argue that since Fao prices were last altered, increases in dues payable by tankers there have made its posted price several cents too high in comparison with other loading points in the Gulf—enough to offset the savings a tanker will get by loading at Khor el Amayah, and justifying as high a price at the new terminal as at the port (until the Fao price can be adjusted downwards). The Iraq government, which has an interest both in the profits shown at posted prices and in the



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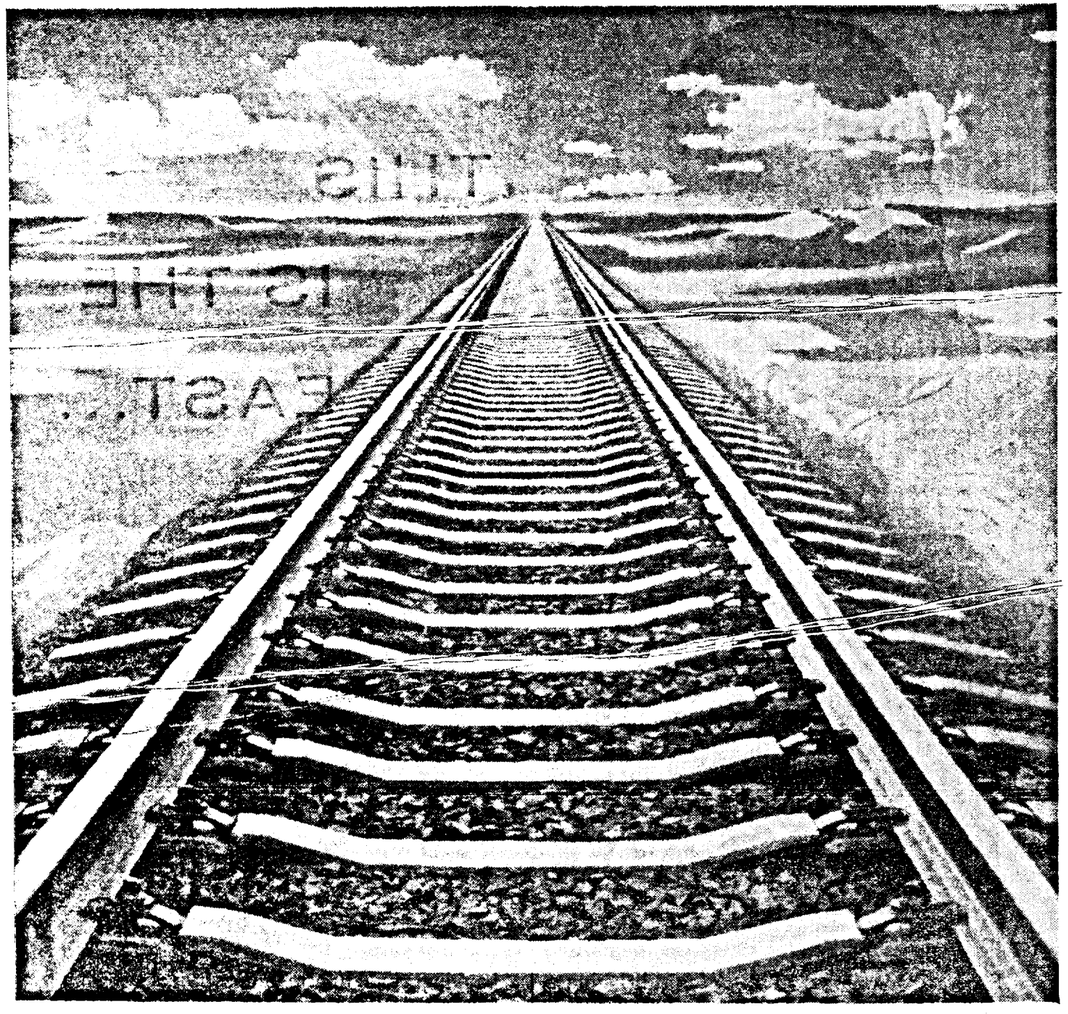
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dues payable, will be watching this disagreement with interest. Up to the time that *The Economist* went to press BP had not taken the responsibility of posting a different, and lower, price ; but it still seemed convinced it was right.

AIRCRAFT INDUSTRY

Short's Future

THE heyday of Short Brothers and Harland as manufacturers of aircraft coincided with that of the flying boat in the thirties. Short's Belfast factories are unique with huge doors opening directly on to the slipways outside. During the war, the Government acquired a majority shareholding in the company ; it has been wondering what to do about this ever since. Two years after Mr Sandys's shot-gun reorganisation of the aircraft industry, the future of the Short factories remains undecided.

Mr Butler told the House of Commons during last week's Northern Ireland debate, "I have not got any final answer on the subject of Shorts to give today" and his audience would have been struck dumb with surprise if he had. Neither big aircraft group is any more anxious to take over Short than they are to buy Handley Page, perhaps even less so since whoever buys the Belfast factories will have to promise work for the company's 7,000 staff ; it is one of the biggest employers in Northern Ireland. When the Bristol Aeroplane Company badly needed extra assembly space some years ago, it acquired a 15¼ per cent holding in Short from the Government ; this it still holds, leaving the Government with 69¼ per cent, the balance being held by Harland and Wolff. Since then, there have been no new takers.

The company's order book is now running down. The Government has to decide whether to let Short run down with it or divert new work to Belfast and risk the unbridled wrath of Hawker Siddeley and the British Aircraft Corporation. Short's present order book spans two extremes. The Seacat missile is a poor sailor's rocket selling well abroad—the touchstone of a good design. Then there are ten huge "Belfast" military freighters, whose civil prospects depend on whether air freight users will be seized with the urge to fly 50-ton chunks of machinery to their customers (stranger things have happened). This work fills only a few odd corners of the echoing hangers; its work on vertical take-off with Rolls-Royce is at a standstill. But Short is nevertheless a force to be reckoned with. Its independent design is good, whenever the company is given anything worth designing, and occasionally touches heights of excellence. Its efficiency and ability to deliver on time compares well with other factories in the industry. The Government's dilemma might be a great deal easier if Shorts were less competent.

SCIENCE

The Quiet Sun

AFTER the International Geophysical Year, which lasted 30 months, comes the Year of the Quiet Sun, scheduled for a mere 24, from January, 1964, to December, 1965. The IGY was timed to span the peak of the eleven-year sunspot cycle, when sunspots with their associated storms and flares are at their maximum. It succeeded almost too well. The IGY hit on the most intense period of sunspot activity since records began 200 years ago, and flares followed each other off the face of the sun in such numbers that their effects swamped the records.

The coming Year of The Quiet Sun is timed to coincide with the quietest period in the eleven-year cycle, for two reasons. One is to take measurements in the atmosphere when there are no sunspots about, which scientists describe as putting the base line on to the IGY graphs. The other is to find out what really happens when the sun throws off one of the great flares that accompany its storms.

There is a time-lag of 30 to 40 hours between the coming of the flare into being, and the start of the magnetic storms that it causes here, upsetting the weather and blacking-out radio communications. The IGY had so many storms that it was rarely possible to follow one single flare through from start to finish before its effects were overlapped by another. The rare storms during the Quiet Year should stand out clearly.

BANK OF CANADA

A Good Beginning

MR LOUIS RASMINSKY opens his first report as Governor of the Bank of Canada with the text of his admirable statement issued last August, a few weeks after the painful public shouting match that preceded Mr Coyne's resignation. This statement was a classical exposition of what the responsibilities of a central bank and its relations with the government should be. It approached the functions of central banking with a humbler and more contrite heart than Canada had recently been used to, but gave the Canadian government, which had been only too prone to evade its ultimate responsibilities for monetary affairs, courteous but firm notice that Bank and government must evolve close working relations.



Evidently a useful start has been made. These matters will be in the forefront of the deliberations of the Royal Commission on Banking and Finance. Mr Rasminsky does not anticipate the evidence he will give, but he does specifically refer to the method by which Bank rate has been determined since November, 1956. For more than five years, Canada's Bank rate has been set each week at ¼ per cent above the treasury bill rate ; it has thus emerged as a resultant of the weekly bill tender, and not positively determined by the needs of monetary or economic policy. The method has been criticised alike by commercial bankers and also by monetary students who argued that whatever value could be claimed for the method as an ancillary to money market arrangements, it afforded no opportunity for exploiting the wider psychological uses of Bank rate. On this question, Mr Rasminsky is keeping "an open mind until all those with a major interest in it have had a chance to express their opinions."

On the change in Canada's exchange rate policy, the report picks its words carefully—and eschews any reference to the misgivings that the International Monetary Fund has expressed. It is, indeed, only since the turn of the year that the costs of the policy on the reserves have become apparent though they were inherent in deliberate depreciation from the moment it was introduced last June. By the year end, the reserves stood at $US 2,056 million, retaining much of the benefit of the increase that occurred in the third quarter when, against Mr Fleming's intentions, there was a heavy demand for Canadian dollars. The trend has since been reversed dramatically: at the end of January the reserves were down to $US 1,922 million ; at end February to $US 1,746 million ; and informed observers put the March loss at between $US 40 million and $US 50 million, with intense pressure at the beginning and end of the month, and apprehensions of longer run pressure resulting from American efforts to conserve gold. The government's decision again to allow borrowing in the New York market (though accompanied by ambivalent warnings against doing so) suggest that deliberate depreciation of the exchange rate is now not intended to proceed at more than deliberate speed. The rate is now Can. 104⅛, compared with 104½ at the year end.

COTTON TEXTILES

Lancashire United?

REBUFFED at the Board of Trade, the cotton textile industry believes it has a case for more protection that ought to go on appeal to the Prime Minister's office. Pressure for a Cotton Board delegation to seek an audience began at least two months ago. One possible reason for the apparent delay may have been the need to secure a uniform voice among the delegates ; another may have been the political aspects of making such a request at this juncture. The

Cotton Board has been a godsend for any government that does not wish to know the difference in the degree of danger from imports to manufacturers of weft and warp yarns or to get entangled in arguments for and against vertical integration. The Cotton Board refines gruff Lancashire accents and technical jargon into passable Whitehallese, and brings down the tablet from the mountain when the Government decides to reshape the industry. It naturally gets more kicks than ha'pence for its pains.

No body which consistently fails to get the required results can endear itself to manufacturers; but talk of a widening rift within the Cotton Board comes oddly at a time when the industry is displaying an unaccustomed degree of unanimity. Within the board, each estate of the cotton realm has more or less equal representation. The four employer members represent spinning, weaving, finishing and merchanting respectively. They are balanced by union representatives. Two independents—one of whom stood down this week—and the chairman represent outsiders. The spinners complain that when it comes to paying dues they are more than equal but finishers and merchants with whom they do not always see eye to eye have an equal say in policy.

But the steamroller of Asian imports and common adversity seems to be pressing all sides of the industry into a similar frame of mind. Finishers have been hit by increasing imports of finished cloth. On Tuesday, the president of the British Spinners' and Doublers' Association said at its annual meeting that producing sections of the Lancashire cotton industry had the support of finishers and merchants in trying to secure a more definite response to appeals for action to curb imports of yarn and cloth. This pressure will therefore be harder to resist. At the same time the industry has been demoralised to the pitch at which the chairman of one of the biggest spinning combines can declare: "It is no use fighting among ourselves in present conditions. Keen friendly rivalry is one thing but cut-throat competition is another. All that is to be gained by it is that we shall go down fighting."

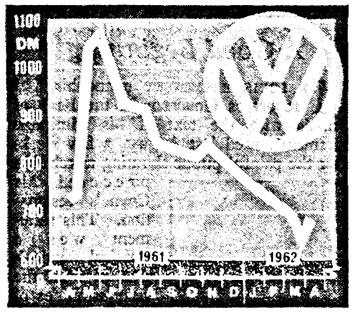
Volkswagen down to Earth

BY A CORRESPONDENT IN FRANKFURT

The magic of Volkswagen has proved to be of much shorter duration on the German stock exchange than on the roads. In April last year, one and a half million people—office employees, housewives, and the retired—joyfully took up their allotments of "people's shares." These stock exchange newcomers have learned, sooner than they might have expected, the lesson that share prices are subject to considerable fluctuations. Within a few months the DM 100 nominal share has slumped from DM 1,100 to DM 650—an even steeper fall than that in the German market as a whole. The special efforts taken by the German authorities to boost the shares and to offer them to a wider public are now having boomerang effects.

The Federal Government and the Land Government of Lower Saxony, as owners of the Volkswagen plant, decided in March, 1961 to offer to the German public Volkswagen shares valued at DM 360 million, 60 per cent of the basic capital. The shares were offered at the price of DM 350, with a reduction of from 10 to 20 per cent based on the buyer's income: and they were offered only to people whose annual incomes did not exceed DM 8000 (around £700) if single and DM 16,000 for married couples.

People in higher income groups, business organisations and foreign investors could purchase Volkswagen shares only after they were officially offered on the German stock exchange, in April, 1961. Interest in the shares was intense, and extended to foreign investors: the price of the shares rose sharply and quickly. Many of the new shareholders began immediately unloading their shares and the price settled at about DM 750, thus bringing those who sold a profit of 100 per cent. But profits on shares sold within six months of purchase are subject to income tax in Germany, so the big



rush to sell came only after six months—that is, last autumn. Meanwhile the appetite of investors for Volkswagen shares had fallen off sharply with the general weakening of the German market. Their present price of DM 670 is certainly more realistic: even so it offers a yield of only 1.8 per cent. Original purchasers still show a profit on their investment: but the sharp loss of their peak capital appreciation has produced an unfortunate climate for further experiments in issues of "people's shares." So, for the time being, plans for the return to private ownership of other undertakings whose ownership is vested in the Federal Government have been postponed.

NORTH BRITISH LOCOMOTIVE

End of the Road

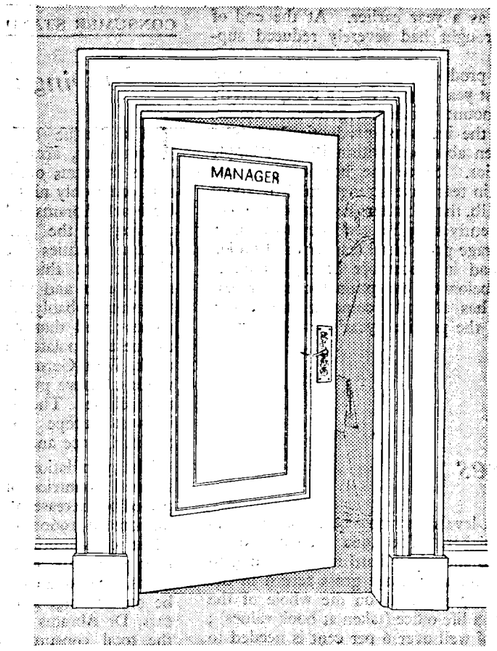
The decision of the directors of North British Locomotive to recommend the liquidation of the company marks the end of its prolonged death agonies. Ever since it decided to turn itself from a maker of steam engines into that very different animal, a builder of diesel locomotives, the company has been operating at a loss. No preference dividends have been paid since the end of 1955, and the accumulated loss had reached £2,320,000 by the end of last year. Despite the injection of £1¼ million from the Treasury and £500,000 from General Electric in 1959 (plus a bank overdraft of £1.3 million at the end of 1960) the chairman, Dr T. Coughtrie, says that lack of capital has been one of the company's most serious difficulties; it "can no longer undertake home business where progress payments are not available or foreign business where long-term credits are involved." On the production side, he said, "we could give no assurance that problems affecting labour intake and production of transmissions could be resolved without some further trading loss." He did not add that the company had received its last order from the BTC in 1958.

Ordinary shareholders will wonder whether there will be anything left for them after the preference shareholders, the bankers, Treasury and GEC have all been repaid. On the basis of the end-1960 figures for assets and overdrafts there would be 3s. a share if book values could be realised; but fixed assets were valued at the end of 1959 on a "going concern" basis, so though the chairman states that there was still a surplus at the end of last year, it must be problematical whether it can be realised in practice. The chief hope of a surplus lies in the property that the company owns in Glasgow; but the odds against this are reflected by the price of 7½d. to which the ordinary shares have slumped this week.

TEA

Taking Stock

Unlike many commodities, tea has the priceless asset of a virtually unfathomable market. Hundreds of millions of Indians are ready to take more tea with their water at the right price, and most of the 100 million lb prospective surplus of tea from the current crop seems to have popped down that drain. The unexpected elasticity of demand for tea caught the tea market on the wrong foot, and tea that failed to attract a suitable offer towards the end of last year has come up again and been auctioned with no difficulty at considerably higher prices. It also casts doubts on the accuracy of the Food and Agriculture



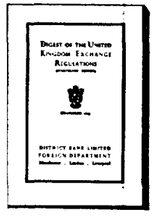
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Organisation's long-range forecasting, with which Indian producers are apparently not in full agreement.

The FAO's prediction of a potentially damaging surplus of tea is based on more than a cursory reading of the tea leaves, but is unavoidably hedged about by the sort of pitfalls that upset reasonably confident predictions of weakening prices this year, though from hard experience the tea trade has learned to be prepared for the unpredictable. Under the threat of surplus, prices of plain teas fell by about 1s. to 2s. 7d. a lb by the end of last year. But when the customary stocktaking took place at the end of the year, North Indian estates found they had as little tea remaining for export to London as a year earlier. At the end of 1960, drought had severely reduced supplies.

India produced an extra 73 million lb of tea last year; apart from a comparatively small amount which has gone into stocks, most of the increased production seems to have been absorbed within its own ample boundaries. Since the beginning of the year, plain teas have strengthened by about 1d.-5d. a lb, though after the recovery, prices have recently shown a tendency to relapse. The average price of all teas sold in London which had in December been running at 9d. a lb below the exceptional level of a year earlier has recently come within a few pence of the previous year's level.

LIFE ASSURANCE

Peak Bonuses

HOLDERS of with-profits policies continue to do well, with the life offices whose trading periods—covering up to five years—ended in 1961 declaring bumper bonuses. Keen competition for new business ensures that the benefit of high interest rates and of buoyant dividends and rents is passed on to the with-profits policyholders; and bonuses are boosted in most offices by the bulk of the surplus from non participating contracts, including pension schemes. In addition to normal bonuses, a few offices have in recent years used part of their capital gains to finance special distributions.

ORDINARY LIFE PARTICIPATING POLICIES
(Bonus per cent per annum)

	Annual Distributions		
	1956	1960	1961
Britannic	40/–S	50/–S	52/–S
Co-operative	40/–S	48/–S	52/–S
London Life (a)	42/6C (e)	50/–C	50/–C
Norwich Union (b)	42/–S (c)	55/–S (c)	60/–S (c)
Provident Life	40/–S	50/–S	60/–S
Prudential (c)	42/–S (f)	56/–S (f)	60/–S (f)
Refuge	38/–S	46/–S	50/–S
Standard	42/–C (g)	42/–S (h)	42/–S (h)
Wesleyan & General	32/–S	44/–S	46/–S

	Triennial Distributions		
	1955	1958	1961
Equity and Law (d)	50/–S (i)	60/–S (j)	60/–S (j)
Scottish Mutual	44/–S	50/–S	52/6S

	Quinquennial Distributions		
	1951	1956	1961
Midland Employers'	32/–S	44/–S	55/–S

S = Simple bonus calculated with reference to the sum assured only. C = Compound bonus calculated upon the sum assured and existing bonuses. (a) In an alternative class bonuses take the form of reductions in premiums. (b) On endowment assurances, a higher rate of bonus was allotted to whole life assurances. (c) On United Kingdom policies; different rates apply overseas. (d) Minimum rate; bonuses on sliding scale. (e) Plus special bonus of 47s. 6d. per cent compound. (f) Plus special bonuses depending on age of policy. (g) Plus 42s. per cent on existing bonuses. (h) Plus 84s. per cent on existing bonuses; and in 1960 an additional bonus of up to 10 per cent of sum assured. (i) Plus special bonus of 50s. per cent compound. (j) Plus 40s. per cent on existing bonuses.

Life offices do not declare higher normal bonuses than they can reasonably hope to maintain. The table suggests that offices whose bonus rates have reached exceptionally high levels may now be reluctant to go much further. The 1961 accounts so far published show how hard it is becoming to improve on an average gross return in the region of 7 per cent on the whole of the funds of a life office (taken at book values); a yield of well over 6 per cent is needed to support the bonuses in excess of 50s. per cent compound that some offices have established. If dividends were to remain frozen, either by request or by economic fact, the already perceptible swing of the life offices' new money towards fixed interest stocks would doubtless become more pronounced.

With-profits policies will prove to be very satisfactory investments if bonus rates can be kept close to the current level—which depends on the course of future profits, to which they are linked. Premiums for non participating assurances have been progressively reduced and are attractive to people who are not prepared to take the equity risk that is inherent in with-profits policies. Last year's increase in life and annuity funds (including industrial assurance) of £515 million, compared with £490 million in 1960, as estimated by the life offices' associations, reflects the attractions of life assurance and pensions contracts.

In announcing higher bonuses for its policyholders at its triennial valuation, Equity and Law has raised its tax-free dividend from 3s. 6d. to 5s. 4d. per £1 share (8s. 6d. paid). The directors propose to call up the unpaid liability of 11s. 6d. per share and then to split the shares into 5s. units. This proposal will give the shares trustee status and may improve their market. The directors say that the dividend will not be altered "in normal circumstances" during the coming triennium and they have taken account of the interest which should be earned on the £575,000 which is being called up. But on yield considerations the shares were marked down sharply to £32½ on Thursday.

CONSUMER STANDARDS

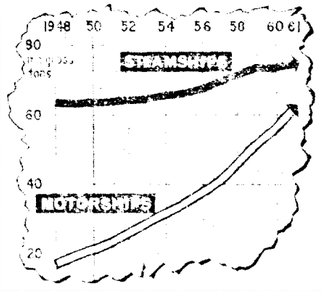
Living in Europe

IN a league table of west European countries, arranged according to their riches in terms of income a head, Britain may come only ninth in 1970, according to Dr Mark Abrams. Addressing a luncheon meeting of the Metropolitan and South Eastern Counties of the British Institute of Management this week, he pointed out that Sweden and Switzerland certainly, and Belgium probably, already have higher incomes; and that if past rates of growth can be extrapolated, France, Norway, Denmark, West Germany and the Netherlands would all have pulled ahead by the end of this decade. The only poor countries left in west Europe would then be Portugal, Spain, Greece and southern Italy.

The population of the seventeen continental countries of west Europe is expected to increase by 10 per cent from 250 millions in 1960 to 275 millions in 1970. Their consumption, Dr Abrams reckons, may go up by as much as a half in real terms. Although the biggest increases will be on housing, household equipment and cars, Dr Abrams guesses that one-third of the total consumer expenditure in these countries in 1970 will still be on food, a higher proportion than in Britain now. He also foresees a vast teenage market, spreading, it would seem, across the channel, since he believes teenagers' tastes, unlike those of their parents, are much the same in any European country.

THE WORLD'S FLEET

Since 1948 the world's fleet has risen by nearly 56 mn gross tons to 136 mn gross tons. Motorships with diesel engines have accounted for four-fifths of this increase. Oil has now almost completely replaced coal in steamships: the proportion burning oil has risen from 71 per cent in 1948 to 92 per cent in 1961. Among steamers, turbine engines have been ousting reciprocating engines: their share has risen from 22 to 52 per cent over the thirteen years while that of reciprocating engines has dropped from 67 to 39 per cent.



CHEMICALS

Comparisons with Europe

MR HUTTON-WILSON, vice-Chairman of the Association of British Chemical Manufacturers, wound up one of its conferences at Harrogate last week with some comments on the opportunities for chemicals in the common market. He said that the British chemical industry, which has to rely on imported raw materials and comparatively expensive power, starts "with the dice loaded against it." But the potential of the market is such that great efforts are justified; the total European trade in chemicals is about £750 million a year. At the moment, Germany holds 35 per cent of the mutual trade in chemicals in OECD countries while Britain holds 13.5 per cent. Yet the turnover of the German chemical industry is of the same order as that of Britain—£1,850 million in 1960 (compared with £1,810 million).

The industry is sensitive to government action to a degree that, Mr Hutton-Wilson thinks, the government does not appreciate. Dumping in particular is a practice to which the chemical industry is peculiarly prone, and one which the government can do much to prevent. Mr Hutton-Wilson listed a number of problems "currently causing concern" which could affect the competitive power of the industry:

- delay in implementing anti-dumping legislation;
- taxation on fuel;
- foreign government aid to competitors, e.g., through export subsidies; and
- the unequal burden of taxation and legislation on costs in the UK.

If Britain does join the EEC, Mr Hutton-Wilson added, it is bound to learn that the "main consideration for industry is to produce goods rather than jobs."

In his list of problems, Mr Hutton-Wilson was less than fair to the government on the questions of dumping and export subsidies. While the Board of Trade has the power to impose anti-dumping duties quickly, it regards duties as a last resort and prefers to take its time in examining applications; so far its decisions are generally thought to have been unexceptionable. In any case, export subsidies and dumping between EEC countries should be effectively dealt with under the Rome Treaty.

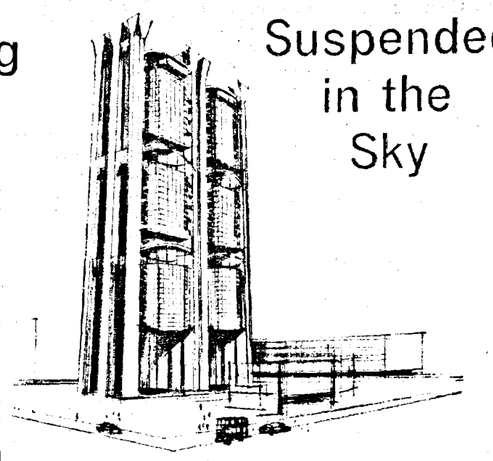
RESTRICTIVE PRACTICES

No Shelter in the Crown

THE agreement between the telephone manufacturers, by which they choose the company to supply the Post Office with apparatus under a quota system, was declared to be registrable under the Restrictive Trade Practices Act by Mr Justice Wilberforce in the Chancery Division this week. The manufacturers had argued that their agreement did no more than provide the mechanism for carrying out the agreement they had made with the Post Office in 1952, whereby they were to form a committee which would nominate one of the eight manufacturers to supply each of the Post Office's orders, while it would inform the committee of each order and give it a fortnight in which to select the lucky manufacturer. And, even if it was held to place more restrictions on their freedom than their agreement with the Post Office did, they argued that it was not registrable because to do so would prejudice the interests of the Crown.

Mr Justice Wilberforce agreed that this

Building Suspended in the Sky



HANGING a bridge from cables is a technique familiar enough by now; but using the same principle for a building—yet alone one 650 feet tall—sounds to the layman more like science fiction than fact. Such a project has, however, been prepared by a London consulting engineer, Mr Gordon Rose, and the Colman group has applied for planning permission to build it. Using so unconventional a method of building has a genuine technical appeal; moreover, Mr Rose estimates that the proposed building would cost 20 per cent less than one built by conventional methods. And the higher one builds, the greater may be the advantages of this new method.

The principle of the structure is simple: to place only compressive or tensile loads on the structural members. If the main pillars that carry the weight of the building are subject mainly to compressive loads they can be made taller than on a conventional building without needing to be made uneconomically strong; and if they are outside the inhabited structure, and this is made in several sections suspended from the pillars by cables—the strongest method of taking tensile loads—the structure need intrude little into the rooms. Mr Rose makes the load on the pillars mainly compressive by fixing half of the cables that carry each section of the building to a curved arch, and half to a separate cable inverse to the arch and below it. The only bending loads on the pillars come from wind forces; each floor is connected to them (the blocks do not swing in space) but these connections do not carry any of the weight of the floor. The cables carry all the weight; they would be encased in concrete to give the usual protection against fire.

The sequence of operations in erecting such a building would be first to erect the pillars. When these had reached the level of the first arch, this arch would be cast and its balancing cable placed in position; then the cables that would carry the floors below would be lowered. Then the floors would be cast and secured to the cables, starting from the top; and the same would apply to each section of the building—their number depending on the height desired.

The saving in cost claimed for this structure comes partly from the more efficient use of materials that it provides, and partly from the opportunities it gives to use more advanced structural methods. The size of each pillar, for example, and the number of identical floors, would make it economic to use the "moving form" method—a semi-permanent mould that is moved as each section is completed—which is a quick and cheap way of casting concrete if a large shape has to be repeated often enough. And the size of the foundations would make it worth employing more elaborate machinery than on a normal building.

The appeal of this technique is not just that it makes taller buildings cheaper; it also makes them more flexible in design, layout and situation. They need not be rectangular in shape, for the width of the pillars can vary; less space inside is taken up with structural members, as the cables are so much thinner than the normal pillars that they can fit into partitions; and the ease with which the building can straddle an open space makes it ideal for placing over railway tracks. So despite the startling nature of the proposition, this is a technique that may well succeed—if tall buildings are wanted.

argument was an attractive one, but he found that the agreement between the manufacturers was restrictive in that the secretary of the committee was empowered to nominate the company to receive an order on the basis of a quota system: each manufacturer is entitled to an equal share in the business available. By giving the secretary the power to exclude them from any order, Mr Justice Wilberforce held that they were accepting a restriction over and above that imposed by their agreement with the Post Office. He also held that even if the Restrictive Practices Court should consider that the quota agreements between the manufacturers were against the public interest, the Crown's interests would not be prejudiced. It was only concerned that one manufacturer would be chosen to fulfil each order, not with the manner in which this company was selected; the committee would just have to vote on this. Real competition in telephone manufacturing, it seems, would however have to wait on a change in Post Office policy.

THE GOLDDISKONTBANK

The Dego Deal

THE west German Government last week accepted its obligation to the preference shareholders of the long defunct Deutsche Golddiskontbank (Dego), the majority of whom are not German nationals, with an offer worth £13.5 million. Holders of the Reichsmark 84 million Dego 4 per cent cumulative preference shares are offered DM 170 for every RM 100 nominal, and holders of the RM3 million Dego "B" shares are offered DM 120 for every RM 100 nominal. The offer is roughly equivalent to the nominal value of the shares plus the accrued interest since 1945. It is some way below the DM 210 the shareholders' protection committees felt the shares were worth, but these committees have heaved a sigh of relief, closed their overflowing files, and recommend acceptance of the offer.

The Dego affair has its origins in the bitter years between the two World Wars, when the allies hung a burden of reparation debt around Germany's neck that inevitably pulled its face down into the mud of default. This default brought a slump in the prices of German foreign bonds; the Reichsbank, through its subsidiary Dego, seized this opportunity to buy back part of the debt with what little foreign exchange it had left. In 1939 Hitler could not bear the thought that the Reichsbank had foreign shareholders—the bank had been reconstituted in 1924 largely with British and American capital—and these shareholders were forced to swap into shares of the Golddiskontbank, the dividend of which was guaranteed by the Reichsbank. The war came and the Reichsbank and Dego disappeared, but Dego's portfolio of foreign bonds remained and as Germany climbed back on its feet, what in 1945 was a write-off became increasingly valuable. Dego shareholders were aware of what was happening and demanded their share in the resurrection.

The matter fell outside the 1953 London Debt Settlement which did not apply to German obligations issued abroad but held within west Germany, as were the Dego holdings and the affair became a legal wrangle between the shareholders and the German Government. But when the Americans virtually made the restitution of German property confiscated in the United States during the war dependent on the honouring of the Reichsbank obligations, final settlement became a matter of fixing a price. Now, on the advice of Dr Herman Abs, who acted as mediator in the dispute, the German Government has offered compensation that looks like being accepted. At long last, the Dego affair is at an end.

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STOCK EXCHANGE STATISTICS

Market Maths

IT is doubtful whether the annual publication with the impressive title *Interest and Dividends upon Securities Quoted on the Stock Exchange, London*, adds much to investors' knowledge of trends in the stock markets. But until the London Stock Exchange can publish turnover figures, this booklet at least provides a useful supplement to various share price indices and to calculations of company dividends based on annual accounts. In 1961 the gross total of interest and dividends, according to this booklet, rose by 5.9 per cent to £1,870 million, compared with 25.9 per cent in 1960. But the compilers of these statistics again point out that no such sum can "reach the pool of personal disposable income." After allowing for tax, duplication in the figures and the sums paid over to Government departments and to institutional investors, it is estimated that not more than £740 million passed into the hands of private investors.

With share prices rising in the second half of 1960 and falling in the same period in 1961 the rise in market values over the calendar year is much less sharp than is shown in the accompanying table which is based on mid-year estimates. Over the year to December 31st last the value of all securities rose by 3.1 per cent, or by £1,167 million to £38,242 million. Excluding new issues made last year the increase was about £800 million, or 2.1 per cent.

	1959 £ mill.	1960 £ mill.	1961 £ mill.
Nominal capital :—*			
Loan capital	21,701	21,754	22,373
Preference capital	1,252	1,267	1,324
Ordinary capital	4,625	5,193	5,753
Total	**27,578**	**28,214**	**29,450**
Market value :—*			
Loan capital	17,413	16,444	16,626
Preference capital	1,056	1,080	1,009
Ordinary capital	13,518	18,125	21,157
Total	**31,987**	**35,649**	**38,792**
Gross interest & dividends†:—			
Loan capital	756	790	836
Preference capital	71	74	78
Ordinary capital	716	902	956
Total	**1,543**	**1,766**	**1,870**

* At end June. † Paid during the calendar year.

SHORTER NOTES

Mr J. A. Barke has been appointed managing director of the Ford Motor Company in succession to Mr Charles Thacker, who is retiring. Two other directors, Mr S. J. Elliott and Mr F. E. W. Hammond, are also retiring, and will be replaced by Mr A. J. Taylor and Mr L. Crossland.

★

Office equipment deliveries last year rose by about 13 per cent to £102 million. Exports accounted for 38 per cent of the total though in value they increased by only 6 per cent compared with 1960. The USA remained second only to Australia as an individual market but sales there were worth much the same, £2.7 million, as in 1960. Exports of this equipment to Europe continue to rise and were still doing so in the first two months of this year, though total exports then declined compared with the same period of 1961.

★

The coffee study group which includes both producers and consumers of coffee has agreed to call for a full United Nations conference to consider the establishment of a long-term international coffee agreement. The draft of a five-year agreement was discussed and a sub-committee has been set up to consider suggested amendments.

COMPANY AFFAIRS
Comments on pages 94 and 95 on:
AEI — Albright and Wilson
Glaxo — Vauxhall Motors
Simon Engineering — Alfred Herbert
Bakelite

STOCK PRICES AND YIELDS
Stock prices, yields and security indices on pages 96 and 97

MONEY AND EXCHANGES
Money market report, exchange rates and public finance on page 98

COMPANY MEETINGS

JAGUAR CARS LIMITED

NEW PRODUCTION RECORD: 90 PER CENT INCREASE IN EUROPEAN SALES

SIR WILLIAM LYONS' STATEMENT

The Twenty-eighth Annual General Meeting of Jaguar Cars Limited was held on March 29th at the registered office, Browns Lane, Coventry.

In his speech, which was circulated with the accounts, **Sir William Lyons,** the Chairman, said:

I have pleasure in presenting the report and accounts for the year ending July 31, 1961.

Once again I am able to report that a new production record was established, 15 per cent higher than the previous record year and no less than 26 per cent higher than the total for last year (1959/60). Perhaps the magnitude of the achievement is only fully appreciated when viewed against the background of the general recession which affected the industry during the year under review.

I regret to state, however, that despite a record production and record turnover, trading profits have shown only a moderate advance over last year, due to the fact that costs have continued to rise in spite of very determined efforts to control them. The ever-rising level of wages and salaries, combined with the extra costs resulting from Government action—such as increases in National Insurance and pensions contributions, and taxes on fuel oil for industry—have resulted in lower profit margins. We have made every endeavour to increase efficiency, and this has entailed a heavy expenditure on plant, and on body dies, jigs and tooling for the new models now in production.

The net trading profit for the year before taxation amounted to £2,061,773, which is an increase of £216,082 over last year.

After taxation of £976,463, the net profit is £1,085,310. We propose to recommend a dividend of 20 per cent, less tax, on the ordinary share capital and make the appropriations of profits as detailed in the accounts.

It will be observed that taxation takes a larger proportion of profits this year, partly due to increased profits tax and partly to various taxation adjustments. The increases in stock, work-in-progress and sundry debtors and creditors were due to the increased level of production attained by the end of the financial year.

EXTRAORDINARY GENERAL MEETING

You will notice that an Extraordinary General Meeting has been convened to follow the Annual General Meeting, for the purpose of altering the Articles of Association. There are three alterations which will respectively raise the maximum permissible number of directors to eight instead of seven as at present, to permit share certificates to be signed by mechanical means, and to raise the borrowing powers of the directors to three times the amount paid up on the issued share capital including, of course, any borrowing by subsidiary companies. At the moment these borrowing powers are limited to twice the amount of the paid up share capital, which facilities are not considered by your board to be adequate in view of the increased activity of the company.

In my report for last year, you will recall that I made reference to the subject of costs, and I would like to refer to this subject again since I believe that this continuous rise in costs represents the most serious threat to our future prosperity.

I believe that it is generally acknowledged that our cars possess a combination of quality, performance and moderate cost which places them in a category by themselves. These are the characteristics which have created the world-wide demand for our products and which we constantly strive not only to maintain but to improve. I am confident that we can continue to do this, but if our costs rise in the way they have done in recent years then our competitive ability must inevitably suffer.

I would stress that the problem of ever-increasing costs is one which faces the entire motor industry, and I view with dismay the apparent unconcern shown by the vast majority of those employed in our industry towards this very vital matter, particularly as the wages paid in this industry are about the highest in the country, and the constant pressure to raise them is a most serious threat to our future. I am always surprised by the fact that, at times when apprehension is rife about the possibility of redundancy, the very means by which we can insure against redundancy—the stabilisation of costs—is given little or no consideration. I have no doubts that should we enter the Common Market—as it now appears we shall—the necessity to regard our costs as a vital matter will compel us to adopt a more realistic attitude towards the maintenance of our competitive position.

"E" TYPE ANNOUNCEMENT—CONTINUED SUCCESS OF MARK 2 MODELS

Perhaps the most memorable event during the year under review was the introduction of the "E" Type Grand Touring models at the Geneva show. Few cars have been received with such acclaim, and from the outset they have captured the imagination, not only of the motorist, but of the public at large in a manner that has seldom—if ever—been experienced before. I need hardly add that our production programme for these models has had to be increased continuously, and even now the demand is taxing our production capacity to the utmost. These new models, together with the outstanding and continued success of the Mark 2 range, have been the major factors in achieving the results I have just outlined. To a vast number of motorists in all parts of the world, the specification of the Mark 2 conforms exactly to their conception of the ideal car.

INTEGRATION

During the year the integration of Jaguar and Daimler manufacturing resources has continued, with the ultimate aim of concentrating all supply departments at the Radford factory and all assembly facilities at the Browns Lane factory. The whole reorganisation is an operation of considerable magnitude and is not scheduled for completion before 1963. That we should be able to produce a record number of cars during a period of such intensive reorganisation reflects great credit on our production and planning departments and all those connected with the project. I would like to make it clear, however, that the cost of this integration will fall mainly within the accounts for the current year, since the greatest expenditure has taken place during this period. The integration will, of course, considerably increase our production capacity and, providing the benefit of this is not outpaced by rising costs, it should result in higher earnings in future years. In addition, the current year will have to carry the cost of the production build-up of the new Mark X.

EXPORTS

Turning to broader fields of activity, I am pleased to report that our exports continued at a very satisfactory level in spite of the uncertain international trading conditions. In America we retained our share of the market during a period when even the sales of domestic products declined sharply and restrictions in Australia once again curtailed our activities in this most valuable market.

Perhaps the most significant feature was the considerable increase in sales to Europe as a whole, and the Common Market and E.F.T.A. countries in particular. During the year under review, our sales to Europe increased by no less than 90 per cent. Taking the E.F.T.A. and Common Market countries separately, the percentage increases were 87 per cent and 78 per cent respectively. These percentage increases indicate that all previous records for exports to Europe were broken, and present trends suggest that even better results can be expected for the current year. I need hardly stress the significance of the figure for Common Market countries, and I am confident that, whether Britain joins the Common Market or not, the volume of our business in Europe will continue to increase, provided our prices remain competitive. If, however, we do not join the Common Market, then the rate of increase must inevitably become smaller as the tariffs operate against us. Provided we are able to retain our competitive strength, and I am certain we can if the determination to succeed is present at all levels in our organisation, then I believe that the future expansion of our export business will be governed solely by our ability to produce enough cars to meet the demand.

THE DAIMLER COMPANY

Turning now to the Daimler Company, the Majestic Major saloon received a most encouraging reception and was put into full production at the commencement of the year. We were, however, most disappointed to see the demand for this model adversely affected by the introduction of the £2,000 limit for business tax allowance. On the other hand, the demand for the Daimler limousine introduced in September, 1961, and thus not within the period of the accounts, has been very substantial for a car of this type. The introduction of a limousine marked the re-entry of Daimler into a market in which it has always been pre-eminent.

The rear-engined double deck "Fleetline" bus, which was introduced at the last Commercial Vehicle Exhibition at Earls Court, has been very

well received by both operators and municipalities alike, and the substantial orders placed for this vehicle have completely justified our decision to put it into volume production. The considerable number of orders, placed by municipalities in all parts of the country, for the orthodox front-engined double deck chassis has still further strengthened Daimler's position as one of the leading suppliers in this most competitive market; and the knowledge that the proportion of tenders for new vehicles being awarded to Daimler is continually increasing is a matter of great satisfaction to us all.

Before I finish with Daimler's activities, I would like to refer to the "Ferret" reconnaissance vehicle which we manufacture for the War Office, who consider it to be the finest vehicle of its type in the world. This is a four-wheel drive armoured vehicle of advanced specification which has been accepted as standard equipment not only for the British Army, but for the armies of many other countries as well. The visit to this country of a number of military missions from foreign powers to inspect the "Ferret" is indicative of the excellent reputation of the "Ferret" itself and of the growing interest in this type of vehicle. I feel confident, therefore, that provided this type of vehicle continues as an essential part of the modern army's equipment, the "Ferret" will make an increasingly important contribution to our activities.

GUY MOTORS (EUROPE) LTD.

As you are no doubt aware, we purchased, in October of last year, the business and assets formerly belonging to the old-established company of Guy Motors of Wolverhampton, and though this took place after the closing date of the year we are reviewing, I would like to refer to it now. Our decision to purchase Guy Motors' business was motivated by the desire to extend our sphere of activities into the commercial vehicle field as a natural addition to that of passenger vehicles. The opportunity to acquire Guy Motors' business provided a short cut to achieving this objective and this further diversification of our activities was thus initiated in a shorter time than would otherwise have been possible. We are doing everything we can to re-establish this once very successful business on a firm profit-earning basis.

MARK X ANNOUNCEMENT

I would like to close my report by referring to an event which again took place outside the period under review. I refer, of course, to the introduction of the Mark X saloon at Earls Court last October. This replaced the Mark IX saloon, production of which came to an end about the middle of last year. I have no hesitation in stating that Jaguar's big saloons—as exemplified by the Mark VII, Mark VIII and Mark IX—were unquestionably some of the most successful models ever produced. During a production life of almost 12 years they provided the firm basis upon which the Company depended for its success and their contribution to the present prosperity of the Company cannot be underestimated. It is hardly surprising, therefore, that the task of designing a successor proved to be very exacting, but I believe that in the Mark X we have a worthy upholder of Jaguar's big saloon tradition. During the four years that it has taken to design and develop this new model our sole aim has been to create a car as near perfect as possible, irrespective of the cost involved. This has resulted in a completely new model with a very advanced specification offering a unique combination of quality, elegance and performance. It has been received with remarkable enthusiasm throughout the world and there is no doubt that in the Mark X, Mark 2 and "E" Type models Jaguar possess one of the most complete and formidable range of cars ever presented by one manufacturer.

This statement would not be complete without a word of thanks to our staff and workpeople who have supported the Company so loyally during this difficult period of reorganisation and integration. I would also like to thank our suppliers and our distributors and dealers for their cooperation throughout the year.

The retiring directors, Mr A. Whittaker, Mr F. R. W. England, Mr J. S. Silver and Mr R. W. Grice were re-elected.

The report and accounts were adopted.

At a subsequent Extraordinary General Meeting the resolutions referred to above were carried.

The Chairman stated that Mr A. W. Thurstans, the Company's Chief Accountant, was being appointed to the Board of Directors.

WESLEYAN & GENERAL ASSURANCE SOCIETY

The 121st Annual General Meeting was held on April 3, 1962, at Birmingham, Mr **A. H. Sayer, MC, JP,** the Society's Chairman, in moving the adoption of the Reports and Statement of Accounts for the year ended December 31, 1961, said:

I would emphasise that the Society's business is not local. Every city and town and most villages in England, Wales and Central Scotland are regularly visited by our representatives to give insurance home service.

Record new business figures were achieved in 1961. The total of new Life Sums Assured was £14,029,000 compared with £12,752,000 for the previous year.

The Premium Income of the Fire & Accident Departments was £417,000, having increased by £32,000.

The total Premium Income of the Society was £5,336,000, an increase of £232,000.

The total of Claims and Surrender Values paid was £3,824,000, an increase of £590,000.

The Gross Rate of Interest earned on the Funds was £5 14s. 2d. per cent, showing a commendable increase of 4/5d. per cent.

Mortgages granted under the House Purchase Plan during the year exceeded £1,850,000. More than £12,000,000 of the Society's assets are now in the form of mortgages to owner occupiers.

The total premium income of the Ordinary Department increased by £100,000 to £2,152,000.

The Directors have declared a Reversionary Bonus of £2 6s. 0d. per £100 original sum assured, compared with £2 4s. 0d. a year ago.

The premium income of the Industrial (Home Service) Department increased by £115,000 to £2,929,000.

The Directors are able to declare Reversionary Bonuses at the increased rate of 20s. per cent of the sum assured for claims by death or 25s. per cent of the sum assured for claims by maturity.

Towards the end of October an IBM 1401 electronic computer was installed. By the beginning of December the computer had started on production work and is already assisting more than half the staff at Chief Office in their work.

We look back on a year of growth in all Departments with the establishment of new records. We can, I am sure, look forward with confidence to further achievements in the future.

THE CRITTALL MANUFACTURING COMPANY

IMPROVED TRADING PERFORMANCE

The thirty-eighth annual general meeting of The Crittall Manufacturing Company Limited was held on April 3rd in London, **Mr J. F. Crittall** (chairman and managing director), presiding.

The following is an extract from his circulated statement: Since the last Annual General Meeting your Company has sustained a heavy loss by the death, on May 21st last, of Lord Braintree, for thirty-one years Chairman of the Company. I would like to take this opportunity of paying a tribute to the outstanding part which he played in guiding and leading your Company to the position which it holds today.

For the reasons given in my circular letter of September 26, 1961, Accounts have been prepared for the period of sixteen months ended December 31, 1961.

The Group Trading Profit, including Investment Income for the sixteen months' period amounted to £995,969. For the twelve months ended August 31, 1960, the equivalent figure was £696,873, which, if converted to a sixteen months' period on a proportionate time basis, would become £929,164.

Having detailed the factors which affected a comparison of the results with the previous year, Mr Crittall said that there had been a gratifying improvement in the trading performance of the Group for the period. He continued:

The results of The Crittall Manufacturing Company Limited can be considered as reasonably satisfactory. Our new factory for aluminium products is now producing at a high rate and we are well satisfied with its performance from every point of view.

We have also obtained our full share of important contracts for all our products and we are particularly proud to have been entrusted with the supply of the Great West Screen and the bronze windows for the new Cathedral at Coventry.

Having reviewed in detail the activities of the operating companies at home and overseas the chairman, referring to the group's export business, said: We are more and more having to face the threat of competition from local manufacture. The need to consider the possibility of undertaking local manufacture ourselves in such areas is one that increasingly faces us.

Commenting on Britain's possible entry into the Common Market, Mr Crittall said that in general it was felt that the possibilities which might be open to the Group in that field were encouraging. He concluded:

An assessment of the prospects for the current year must take account of the continuance of the restrictive effect of Government policies on the rate of house building in this country with the consequent impact which it is at present having on the demand for our standard windows. It is to be hoped that there will be an early return to policies which will stimulate the rate of house building which from so many points of view is a vital need for this country at the present time. For our other products the prospects appear encouraging and demand continues at a satisfactory level.

The report was adopted and a total distribution of 22½ per cent, less Income Tax, was approved.

CARIBBEAN CEMENT CO. LTD. JAMAICA, W.I.

YEAR OF FURTHER PROGRESS AND EXPANSION

SIR WILLIAM STEPHENSON'S REVIEW

The annual general meeting of the Caribbean Cement Co. Ltd will be held on April 17th at Rockfort, Kingston, Jamaica.

The following is the statement by **Sir William Stephenson, M.C, D.F.C,** the Chairman, which has been circulated with the report and accounts for the year ended December 31, 1961:

For the year under review cement production reached a new record of 212,303 tons. Clinker production exceeded the rated capacity of the kilns by 11.9 per cent. During 1961, sales of cement amounted to 206,000 tons which is approximately .8 per cent lower than in 1960. The lower sales in 1961 as compared to 1960 are due to lower domestic consumption. Intensified sales efforts in the domestic market are imperative and will be launched.

Net profit for the year ended December 31, 1961, was £652,129, this being a 2.8 per cent increase over 1960 due mainly to income from investments. Based on 1,800,000 Ordinary Shares outstanding at year-end, earnings per share were 7s. 3d. ($1.01) in 1961 as compared to 7s. 1d. ($0.99) in the previous year.

A 7 per cent Cash Distribution to shareholders amounting to £105,000 was made during the year, in addition to a Share distribution of one for five on the 1,500,000 outstanding Shares. This was the tenth successive year in which shareholders have received distributions in Cash and Shares.

During the year £20,642 of 6 per cent Mortgage Redeemable Debenture Stock was redeemed following our policy of redeeming only the minimum amount as stipulated in the Trust Deed. Cash was, therefore, retained in the business to assist in the continued expansion of the plant.

Following a comprehensive study of the Company's legal, accounting and financial status by experts from the United States of America—a registration statement for 300,000 Ordinary Shares was filed with the Securities & Exchange Commission in Washington, D.C. The secondary offering of these shares represents the first time a Jamaican-owned company has filed such a registration and it has met with full acceptance to the great advantage of shareholders by providing a ready trading market in the shares of the Company. This action is a significant step forward for the financial credit status of Jamaica in international financial centres.

EXPANSION PROGRAMME

In my review for 1960, I stated *inter alia* that ". . . expansion of production facilities is a continuous process . . ." and also, referring to Jamaica ". . . in or out of Federation Jamaica undoubtedly will have a greater voice in the councils of nations than ever before." Today, one year later, Jamaica stands at the threshold of independence, with a tradition of democracy, ready to grasp the opportunities that a free world has to offer.

Our Company is a participant in Jamaica's forward march to independence, and is preparing to meet the challenge that nationhood will present.

In the latter part of 1961, the Company signed contracts with Macdonald Engineering Company of U.S. and Canada for engineering and supervising a substantial plant expansion, designed to double the present rated capacity of 200,000 tons per annum to 400,000 tons. In addition to the increase in capacity, improvements are planned for the flow of process materials, modern bulk-loading facilities and additional administration accommodation. The total cost of this expansion, which is scheduled to be completed in 1963, will be in the region of £2.8 million. Estimated capital savings of half a million pounds may be realised by the installation of the larger kiln.

These new facilities will have a rated production potential in excess of immediate domestic cement requirements. In an effort to absorb this excess, it is the Company's intention to vigorously pursue the export market, which will also materially contribute to a favourable foreign exchange ratio for Jamaica. The Government of Jamaica has given this substantial expansion its approval, under the terms of our Company's Licence, allowing the Company to offset the cost of the extension, in two stages, against its taxable income. This expansion is being financed through the Company's own resources with the co-operation of our good friends, the Company's bankers, Royal Bank of Canada.

EXECUTIVE CHANGES

Mr George W. MacDuff was appointed Managing Director as of July 1, 1961.

Mr MacDuff was President of the Jamaica Public Service Company Ltd. for seven years. A director of the Cement Company since 1949, he has had intimate knowledge of the Company and its operation from its inception and has contributed materially to its success. We are fortunate to have induced him to assume the managing directorship of our Company.

Mr R. L. Osler's resignation was accepted by the Company on May 31, 1961, in order that he might accept an appointment with Macdonald Engineering Company. As Managing Engineer for Macdonald he will continue to work closely with the Company under the terms of the contract the Company holds with Macdonald. Mr Osler has good reason to be proud of his very successful term of office with Caribbean Cement Company.

The appointment of Mr Lee M. Yarberry as General Manager became effective November 1, 1961. Mr Yarberry joined us as Works Manager on May 1, 1960, from Canada, where he had been General Manager for the Franceschini group of companies. He brings to us extensive experience from his association with cement companies in the United States and has already proved his worth at Rockfort.

Mr Sydney Chen See's first year of service with the Company as Secretary-Treasurer has further confirmed my view that first class talent is available in Jamaica.

EMPLOYEE RELATIONS

The Company's labour relations were again maintained at a high level. This has been achieved by the painstaking work of the joint labour-management consultative committees. The production achievements of 1961 are a matter of great satisfaction. These could only have been attained through the close collaboration of management, staff and works personnel.

HURRICANE RELIEF

Our company, concerned with the devastation visited upon the people of British Honduras by *Hurricane "Hattie" during the year, made a* prompt contribution of 5,000 bags of cement to the Government of Jamaica to assist the British Honduras Government in rehabilitation.

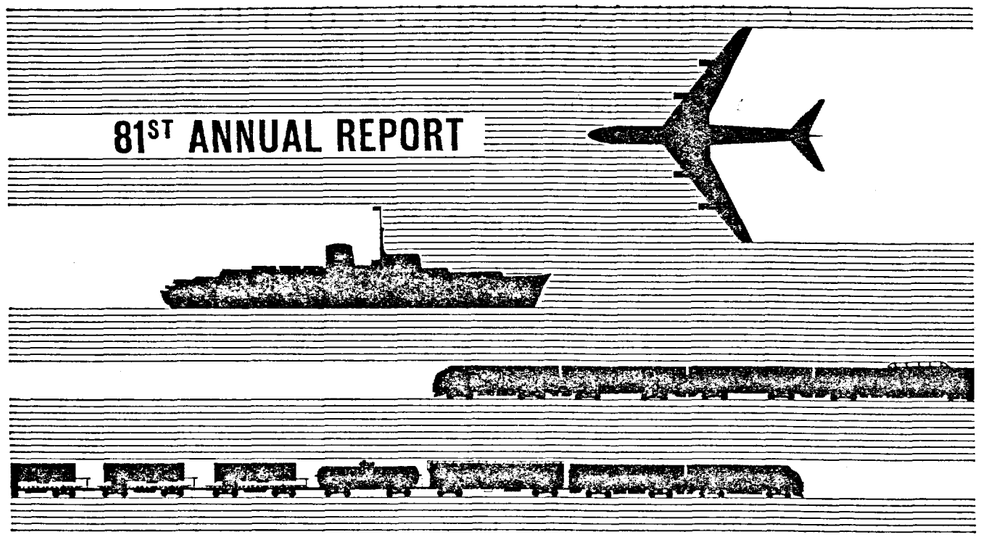
THE FUTURE

This review of 1961 reflects, I trust, the confidence our Company has in its own future and the future of Jamaica. The decision of Jamaica to withdraw from the West Indies Federation has given no indication of it retarding economic development in any way. Indeed, so far, the opposite has been the case. Local conditions demonstrate clearly that industrial investors are convinced that Jamaica's economic and political stability are well based whether in or out of Federation. During 1961, Jamaica achieved a continuing rate of economic growth which was fostered by substantial increases at all levels of production and by the continued steady rise in the number of new industries. The Company held its position in the vanguard of industrial development through its programme of expansion. The announcement of our expansion plans, coming within a fortnight after the Referendum results, demonstrated the Company's profound confidence in the future stability of Jamaica as a country that offers the progressive investor a safe locale for investment.

Jamaica has proved itself qualified for Dominion status as evidenced by its stable transition to independence with a progressive system of governments ably administered. Responsibility of individual citizens in an independent nation is deep-rooted. Such responsibility must be shared and encouraged by the industries of the country. Our Company has demonstrated its desire to contribute to a higher standard of living and increased economic opportunity for all.

It is our belief that the industrious, democratic attitude of the people of Jamaica will invoke the material interest and co-operation of the Free World's governments.

I conclude with an expression of faith in the future of this sturdy new nation. Details are now being worked out for a new constitution for independence that will preserve a democratic framework while leaving the people free to make the social progress that their legitimate aspirations demand. The mutual confidence that has been built up between our Company and the Governments of this country is an omen that we shall not fail in our objective of helping to build a greater Jamaica.



Canadian Pacific

TRAINS / TRUCKS / SHIPS / PLANES / HOTELS / TELECOMMUNICATIONS
WORLD'S MOST COMPLETE TRANSPORTATION SYSTEM

Canadian Pacific in 1961 moved forward along the broad front of its world-wide transportation system with new facilities—improved services—and expanded sales programs.

New sources of freight revenue were aggressively developed, industrial sidings constructed, automated switching yards advanced, centralized traffic control enlarged, sales offices integrated and streamlined, and electronic data processing improved.

Merchandise Services, conceived by Canadian Pacific, and providing for one-control handling of rail, road, water and air package freight continued its steady expansion.

Piggyback, one of Canadian Pacific's fastest growing services, opened five new terminals and now extends across Canada from Saint John to Vancouver.

Telex was provided to 29 additional stations and microwave systems were extended in the Maritimes.

The new flagship, Empress of Canada, joined the fleet, two more chartered vessels were operated in the service between European and Great Lakes ports, and a new cargo liner commissioned.

Canadian Pacific introduced a fleet of four Super DC-8 jet aircraft, Calgary was added on the Polar route to Europe, and approval was received for CPA to inaugurate new services from Windsor and Calgary to Mexico City.

The policy of refurbishing its hotels across Canada continued and the opening of new facilities, such as the motor lodge of The Empress in Victoria, featured hotel operations.

The Canadian continued to attract substantial rail passenger business city-to-city and across Canada.

Canadian Pacific extended its policy of resource development drilling 20 successful gas wells and 3 oil wells.

Canadian Pacific, in 1962, in order to secure its share of traffic in a competitive and complex market will continue its policy of adding new equipment and services, improving efficiency and reducing costs, seeking out new markets and expanding sales.

Canadian Pacific

INCOME ACCOUNT

	1961	1960
Railway Revenue	$465,490,076	$457,105,482
Railway Expenses	427,839,227	423,430,812
Net Earnings	$ 37,650,849	$ 33,674,670
Other Income	11,717,033	12,402,177
	$ 49,367,882	$ 46,076,847
Fixed Charges	16,906,640	17,105,571
Net Income	$ 32,461,242	$ 28,971,276
Dividends:		
Preference Stock	$ 3,203,915	$ 3,096,742
Ordinary Stock	21,498,684	21,498,684
	$ 24,702,599	$ 24,595,426
Balance transferred to Retained Income Account	$ 7,758,643	$ 4,375,850

HIGHLIGHTS

Year-end Position	1961	1960
Working Capital	$ 106,565,521	$ 98,628,477
Investments	172,579,697	164,196,298
Properties	2,377,024,464	2,360,364,489
Funded Debt	157,499,500	172,874,316
Traffic		
Tons of Revenue Freight Carried	58,832,296	56,923,940
Revenue Passengers Carried	6,274,625	7,058,767
Revenue per Ton Mile of Freight	1.54¢	1.52¢
Revenue per Passenger Mile	3.14¢	3.03¢
Tax Accruals		
Income Taxes	$ 30,215,000	$ 26,270,000
Property and Other Taxes	13,415,282	13,291,594
Employees		
Employees, All Services	71,345	74,037
Total Payroll	$315,810,047	$306,869,026
Average Annual Wage	$ 4,427	$ 4,145

Canadian Pacific

BEAUMONT PROPERTY TRUST

The twenty-eighth annual general meeting of The Beaumont Property Trust Limited was held on March 29th in London, **Sir Cyril Black, JP, DL, MP, FRICS, FAI,** Chairman, presiding.

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

REVALUATION OF PROPERTIES: A valuation of freehold and leasehold properties owned, including properties then under construction, was made as at September 30, 1961. As a result a net surplus of £824,769 over book values has arisen in respect of properties and investments owned by the Investment Companies which has been taken to capital reserve.

FINANCIAL POSITION: Freehold and Leasehold Properties stand at over £8,000,000, an increase of approximately £3,000,000, against which we have secured loans totalling almost £3,000,000 giving a borrowing ratio of approximately 37½ per cent. This ratio is very low, and the position will be improved by the arrangement made with The Prudential Assurance Company Limited whereby £2,500,000 of mortgage or debenture money will be available over the next four years.

As at September 30, 1961, the Group had current assets totalling nearly £1,200,000.

FUTURE PROSPECTS: Your Directors view the future with confidence.

The Report and Accounts were adopted.

At a subsequent Extraordinary General Meeting the Authorised Share Capital was increased to £6,000,000.

GENERAL INVESTORS AND TRUSTEES

The fifty-fifth Annual General Meeting of General Investors and Trustees, Limited, was held on March 29th in London, **Mr R. G. Mills** (the chairman) presiding.

The following is an extract from his circulated review:

The Board in its Report has recorded the death of Mr Eric Davenport in May last year. The progressive growth and prosperity of the Company can be attributed in no small measure to his continuous application to our affairs.

Our valuation at January 31st shows a not unsatisfactory improvement of £581,706 compared with that of last year.

Last year I expressed the view that, despite the uncertainty of the outlook at that time, our income would be reasonably maintained. In the event this has been more than borne out by an increase in our gross revenue from £455,885 to £478,989 and with net income showing an increase of £12,789 to £244,450.

The uncertainties that existed in February last year have, not unexpectedly, been intensified through lower profit margins in industry and credit restrictions in the Government's attempt to control the inflation in our economy. Therefore, unless an early and unforeseen relaxation in this policy occurs, the Shareholders, on the basis of our present estimates, must expect a small contraction in the Company's income during the coming year. This should not, however, endanger the present rate of dividend.

The Report was adopted.

Land & General Developments Limited

The Annual General Meeting of Land & General Developments Limited was held on March 29 in London. The following extracts are from the Directors' Report and Balance Sheet and the Statement by the Chairman, **Mr P. A. Bligh, MSMA.**

	1961	1960
	£	£
Issued Capital	245,493	140,933
Total Assets	4,569,454	3,662,452
Net Assets	1,737,053	708,029
Profit, before Tax	82,174	65,028
Dividend	30%	30%

FUTURE PROSPECTS

It is anticipated that the current programme of the Property Development Division will produce, on completion, net rental incomes, subject to mortgage interest, over the next five years as detailed hereunder :—

	£
1962/63	20,000
1963/64	85,000
1964/65	155,000
1965/66	230,000
1966/67	295,000

Preliminary estimates in regard to these developments would indicate that on completion a revaluation of these assets would produce a surplus of over £1 million.

A projection of the Group's activities, incorporating the Property Development Divisions' rental income enumerated above, would suggest consolidated profits, before tax, over the next three years as follows :—

	£
1962/63	118,000
1963/64	167,000
1964/65	225,000

Copies of the Report and Accounts and Chairman's Statement can be obtained from the Registered Office, 24 Portland Place, London, W.1.

ALFRED HERBERT LIMITED

(Manufacturers and Distributors of Machine Tools)

EXPANSIONS IN MANUFACTURING CAPACITY

STRONG POSITION IN COMMON MARKET

COLONEL C. W. CLARK ON THE ENCOURAGING OVERALL PICTURE

The sixty-ninth annual general meeting of Alfred Herbert Ltd. will be held on April 27th at Coventry.

The following is a summary of the circulated statement of the Chairman, **Colonel C. W. Clark, DSO, OBE, MC**:—

For the year ended October 31, 1961, the Company's profit before tax is £3,497,930, an increase of £439,139 on the previous year. An interim dividend of 2½ per cent was paid on September 12, 1961, on the ordinary shares of the Company which, with the further dividend of 6 per cent, makes a total for the year of 8½ per cent, free of tax, as in the previous year.

Although the state of our national economy is a matter for serious concern, some aspects of dividend restraint are not always appreciated.

Firstly, it is our practice to retain part of the distributable profits, belonging to our shareholders, to meet the needs of our growing business, and last year such funds exceeded £800,000. Therefore, by paying the same percentage on the issued capital this year, we are in effect giving our shareholders a smaller return on their actual investment.

Such savings of earlier years have been used to purchase other businesses and expand the parent concern. This venturing, being recent, has not yet produced adequate results, but the advocates of dividend limitation should understand that enterprise of this kind cannot long be denied the appropriate reward.

PROFITS AND PRICES

From small beginnings, our Company has been built out of profits reinvested in the business. With this background I would be a poor apologist for the profit motive.

Demands for limitation of profits and dividends frequently imply that the two are the same thing. It is from profits that we have become a great industrial and commercial nation, providing increased security, improved conditions and other benefits for our workers. And, it is from the profits of industry and commerce that the Government offsets the heavy losses of some of our nationalised undertakings.

More than half of our Company's trading profit is taken in Government taxation, and from the remainder we must modernise our buildings and plant, develop research and design, expand, and create more and better jobs for our people. Only from what is left comes the reward of the shareholders who have risked their money to make the whole operation possible.

When installed in our customers' works, machine tools achieve very important economies on work of a repetitive nature, but the manufacture of machine tools themselves does not normally permit of quantity production, and highly-paid craftsmen are required. Labour costs are therefore a very important factor in the prices both of our own machines and equipment and of those of other important British Companies which we sell.

Already we are at a serious disadvantage in some important markets through the continual rise in labour rates unmatched by comparable increases in production.

SELLING

AT HOME

Machine tools are a means of production rather than an end-product in themselves, and our representatives must be competent to advise manufacturers in the most advanced techniques of engineering production.

To this end, we have for many years maintained well-staffed branches throughout the country.

The Leeds area is now served by new premises having 22,500 square feet and a similar, but larger, project will shortly be commenced in West London.

A recent nation-wide survey of machine tools in British factories revealed the extent to which old and inefficient plant is used. Our technical staffs will be of valuable assistance to firms wishing to modernise their plants.

AND ABROAD

Subsidiary Companies in Australia, India, France and Italy, and agents in the rest of the world, selling our own and other leading machine tools, assure us of a good share of the market. Our success in France and Italy augurs well for the possible entry of Britain into the Common Market.

In many overseas markets there is a persistent demand for payment to be spread over a period of years, and we have not always found that the cover provided by the Exports Credits Guarantee Department is sufficient to enable us to get the business. Despite this, the volume of our exports is gratifying and well above the average for our industry.

ATRITOR DRYING AND PULVERIZING MACHINES

These machines form an increasingly important part of our output. Originally designed for simultaneously pulverising and drying coal for the more efficient firing of boilers and cement kilns, they are now also used for fine grinding and drying a wide range of other materials. Our output is divided approximately equally between these two types of application.

Sales, at home and abroad, require specialised technical knowledge and experience of the widely varying materials.

SUBSIDIARIES

BRITISH

The Sigma Instrument Company, makers of precision measuring and inspection equipment, enjoys an excellent reputation, but has not been as profitable as we would wish. However, I am pleased to say that prospects have now greatly improved.

The Holbrook Machine Tool Company is at full stretch meeting a sustained demand for their range of unusually accurate lathes. An extension to the factory at Harlow is under consideration.

The additional capacity provided by the acquisition of I. L. Berridge, Leicester, will contribute favourably to our overall results. Programme changes and plant rebalancing, including a 10,800 sq. ft. extension to their Wigston Works, are not yet complete.

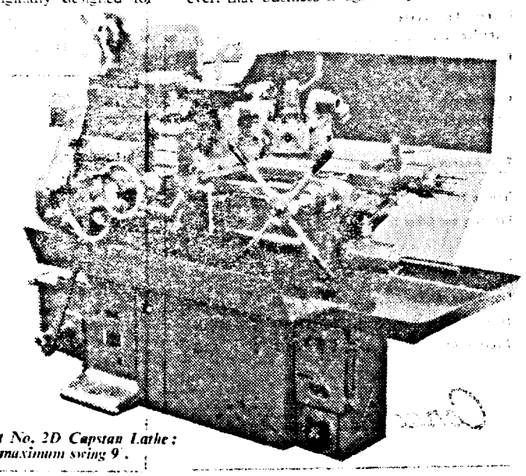
Mudie's Electrical Company is filling our increasing needs for specially designed electrical equipment for the machines we make and sell.

This Company has an excellent site adjoining its factory on which we propose to build more commodious branch premises for the Birmingham area.

Our most recent acquisition was William Whiteley & Sons Limited of Huddersfield. We have for some time distributed their range of planing machines at home, and will now do so overseas. The Company's two excellent foundries, whilst helping our own production, also undertake work for other engineering concerns. Reorganisation of this Company's rather complex business is well in hand.

OVERSEAS

After the excellent results shown by Alfred Herbert (Australasia) Pty. Limited for their year ended June 30, 1961, there was a general reduction in demand. Latest indications are, however, that business is again improving.



Herbert No. 2D Capstan Lathe: maximum swing 9".

Alfred Herbert (India) Private Limited had reduced profits for the year ended December, 1960, but results for the succeeding year, although not yet finalised, are known to be better. Trading difficulties are created in India by financial and other problems inseparable from rapid national industrialisation. These we appreciate and shall maintain helpful relations with Indian authorities and customers.

Our two European subsidiaries Société Anonyme Alfred Herbert, Paris, and Società Italiana Alfred Herbert, S.p.A., Milan, continue to show improved results. Their strong positions will be invaluable to the Company in the Common Market.

RESEARCH AND DESIGN

Last June our New Applied Research Department was formally opened by the Right Honourable Reginald Maudling, MP, in the presence of friends invited from many walks of life—industrial, political, scientific, scholastic and commercial.

In my speech on that occasion I stated that this was only the latest stage of a programme of development commenced several years before. It was the focal point of our thinking and of the behind-the-scenes efforts of many individuals in our organisation. It demonstrated the many directions of our exploration and experimentation.

I pointed out that our basic research resources were adequate in view of the extensive facilities available to us through Government and other research institutions and laboratories with whom we have friendly relations, and also through those of our suppliers of materials and ancillary equipment. A case in point was our development, in close collaboration with one of our leading electrical companies, of the ingenious tape-controlled Datatrol equipment used with the Herbert/DeVlieg Jigmil.

I also stated that we attached the highest importance to the training of research and development technologists and technicians. Despite allegations of a shortage of graduates employed on research and development in our industry, we require the best brains available and have special arrangements for post-graduate training of suitable young men.

In our Company we appreciate the important place of research in our development work, that is, alongside the advanced design engineers producing machines and equipment of imaginative and practical design.

PROSPECTS

With the prevailing National and International uncertainty, it would be unwise to assume the mantle of a prophet. But I have indicated the various ways in which your directors are pursuing a forward-looking policy, and for the future I can only express my confidence in the Company's ability to maintain its leading position in the Machine-Tool Industry.

The value of orders in hand exceed previous records and, with increasing output from all our plants, deliveries are tending to improve.

We should soon know whether or not Great Britain is to join the Common Market. We are endeavouring to be ready, with the necessary changes and adjustments to our organisation, to meet either development.

To all members of our Board I wish to express my appreciation. During the year, they have carried an unusually heavy load which is unlikely to get lighter.

I also gladly acknowledge the loyalty and good work of our team of workers at all levels.

CLARKE, CHAPMAN & COMPANY, LIMITED

EFFORTS TO SURMOUNT DIFFICULT TRADING CONDITIONS

DAMAGING EFFECT OF RISING COSTS AND NARROWING MARGINS

The sixty-ninth annual general meeting of Clarke, Chapman & Company, Limited, was held on March 29th at Gateshead.

The Chairman (**Mr J. B. Woodeson, OBE**), after reviewing the Accounts, said:

Ladies and Gentlemen. It gives me pleasure to preside at this sixty-ninth annual general meeting of the company. As indicated in my Statement last year we have experienced very difficult conditions during 1961. It has been found impossible to pass on to our customers any of the recent wages and materials increases. Indeed, in order to maintain our order-book position it has been necessary for us to make substantial cuts in our selling prices.

GENERAL

Despite the considerable reduction in profit margins, our works capacity has remained fairly well employed during 1961. The overall reduction in our profitability has been due to two main factors; firstly to lower prices because of increased overseas competition, and secondly, to the manufactured output not reaching the level anticipated. This latter was due to a number of reasons, but I think in the main it was because of the many specialised products with which we had to cope. With the broadening of the range of our products there has been a greater degree of individually designed equipment, with the result that throughput of standard machines is decreasing and conversely the demand for non-standard equipment is increasing. The latter could well become an important part of our regular production in the future.

It has been necessary, therefore, to re-deploy our facilities, both in design and works, to meet these new circumstances. As an example, demand for deck cranes, unloaders, tensioning winches and large capstan gears is increasing, whereas there is a falling off in our orders for standard auxiliaries, both steam and electric.

The picture is the same in the power field. Small industrial boilers, which in years gone by were a large proportion of our power business, now constitute only a relatively small part thereof.

The bulk of our boiler department orders today comprises large-evaporation, high-pressure steam raising plant for central authorities and includes steam generators for nuclear power stations. As in the marine departments, these have necessitated a considerable degree of design and development work where large sums of money have to be spent long before a reasonable return can be expected.

Considering the range of our activities, our order book is substantial but due to the change in pattern of our products the diversity must be matched by revised productive facilities.

MARINE DEPARTMENTS

Despite the difficulties that have been encountered in the effort to increase our turnover, the marine departments have been very active during the year in developing many new facets of deck auxiliaries. Already a considerable volume of orders has resulted from some of these design and development activities. Our range of deck cranes has been considerably extended and these have reached a capacity of up to 20 tons. The various applications of deck cranes now include both grabbing and electro magnet handling methods.

I mentioned unloaders in my report last year and we have orders for eleven of these new type cargo handling units. These are to be fitted in both European and United States owned vessels. Further developments are in progress enabling us to supply these units for the handling of a wider variety of specialised cargoes.

This year, forward anchor gears have continued to increase in size and complexity and it is interesting to note that we have on order for 87,000 ton tankers seven of these large forward anchor gears which are of our latest turbine-driven type. We have designed our fully-automatic constant-tensioning winch to meet the exceptional requirements of the upper lakes of the St. Lawrence Seaway and this has resulted in a substantial increase in orders for this type of equipment. In conjunction with the Admiralty we have developed and have on order seven turbine-driven auto-tensioning winches, and also a number of similar Ward Leonard designs which have been successfully tested at sea. Both these designs have been the subject of enquiries from the Dutch and French Navies.

We have also recently booked an order for 24 large rendering winches for the N.A.T.O. transmitting station aerial with special auto-tensioning features for preventing mechanical stressing of the towers. The foregoing are a few of the many important new features which have actively engaged our marine departments in 1961. There are many others and you can rest assured that your Company is fully alive to meeting the varied and more advanced requirements of the markets with which it is associated.

BOILER DEPARTMENT

You will have read in the Press that a contract has been awarded for a 600 MW atomic power station to the Nuclear Power Group, of which your Company is a member. We have played a major part in the design of the steam-raising equipment for this station. This was a very advanced design in which the reactor and boiler units are both encased in the same reinforced concrete shell.

One of the major factors of this contract, so far as we are concerned, comprises many hundreds of tube elements and is most valuable in order to maintain continuity of work in our tube fabrication plant. It is estimated that the quantity of manipulated tubular heating surface involved in the boilers for Oldbury will be in the region of two hundred miles.

With regard to conventional steam-raising

plant the main bulk of our home business today comes from the Central Electricity Generating Board. The present trend is for very large units, so large in fact that the boiler equipment for the present-day power station amounts to many millions of pounds. As mentioned previously in reports, however, this also means a considerable reduction in the number of orders placed with the boiler industry.

Due to these circumstances your Company has come to an arrangement with John Thompson Limited of Wolverhampton whereby joint tenders are submitted by both Companies for these large central power stations for U.K. projects. This has been arranged with complete agreement of the main customers involved. Already we have seen certain benefits from these arrangements at the design and tendering stage and should orders result I feel certain that these advantages will continue during the contract stage.

The boiler department in conjunction with the research and development department is continually investigating new processes and designs on the power plant side of our business. This applies equally to nuclear problems as it does to conventional. In my own opinion it is vital that this research continues in these days of advancing design and material technology.

FUTURE PROSPECTS

In view of the damaging effect of rising material costs and pending wage claims it is extremely difficult to forecast the future. One thing is certain, that there is practically no scope for increased selling prices in our markets at the present time. This position is being tackled in the twin fields of increased efficiency and optimum output. These matters have been the subject of considerable thought and planning for some time and, subject to no further adverse circumstances, our efforts should bear fruit.

I would again like to close by thanking my colleagues, the staff and workpeople, for their invaluable assistance during this difficult year.

The report and accounts were adopted.

HADFIELDS LIMITED

FINANCIAL POSITION CONSIDERABLY STRENGTHENED

The seventy-fourth annual general meeting of Hadfields Limited was held on March 30th at Sheffield, **Sir Peter G. Roberts, Bt, MP** (the Chairman), presiding.

In the course of his review of recent negotiations and the future position of the Group, the Chairman said:

There is no doubt that the Hadfields Group of Companies has been short of cash for development for a number of years. When Millspaugh was re-acquired by Hadfields in 1955, owing to restriction on borrowing, it was not possible for Millspaugh to borrow on its own account. Therefore, not only did the development of Hadfields but also the development of Millspaugh fall upon the cash resources of Hadfields.

At the time of the last Annual Meeting, Hadfields had an overdraft of £1,395,000 and outstanding Debenture Stock amounting to £1,191,400.

In order that both Hadfields and Millspaugh should be developed as quickly and efficiently as possible, it was essential that new finance should be found. The injection of new money by Steel Trust had the effect of setting off Hadfields' overdraft and of leaving surplus funds of just over £800,000. This in itself however was not sufficient to deal with the Capital Expenditure required at Hadfields, much less Millspaugh.

In order, therefore, to strengthen the Hadfields' cash position and to bring in a strong partner to develop the Millspaugh side of the business, your Directors sold to Escher Wyss Ltd. 60 per cent of the Ordinary Stock of Millspaugh for £1,200,000, and also arranged for that Company's loan indebtedness to Hadfields of £1,260,232 to be refunded by the end of 1962. At the same time, the Canadian Subsidiary Company, The William Kennedy and Sons Ltd. was sold to The Black-Clawson Company for the sum of £250,000, payable over two years. These transactions, therefore, when the Loan from Millspaugh and the payment for Kennedys are received, will leave Hadfields with liquid funds of approximately £3,500,000. Against this, the Debenture of nearly £1,200,000 must be borne in mind.

Your Directors feel that the outcome of these negotiations has been satisfactory and will strengthen considerably the position of the 33 per cent holding in Millspaugh.

The present trading of Hadfields for the First Quarter of the current Financial Year, in common with that of some other Steelmaking concerns, has been disappointing. On top of this, Government Contracts, which in the past have filled a considerable capacity at Hadfields, have now virtually ceased.

FUTURE DEVELOPMENTS

There is no doubt that new Capital Expenditure will take some time to bear results, but I am hopeful that by 1964 benefits will accrue.

Your Board has decided, as a first priority, to extend and bring to the highest state of efficiency its business in Hardened Forged Steel Rolls, Extrusion Press Parts, Buckets and ancillary manufacturing services. It is expected that this will need the employment of some £1,500,000. Your Board at the present moment are considering the installation of the most modern and up-to-date Melting facilities.

We see further business in the range of Medium Forged Products and we shall proceed to develop this side of the business to the fullest possible extent.

The reputation of Hadfields stands high throughout the world and its name carries with it the goodwill of craftsmanship, quality and service. It is the intention of your Board to build on this reputation and to continue to provide employment for the skill and craft of its employees.

I am satisfied that if everyone engaged in the Business works with skill, loyalty and enthusiasm, we shall be able to improve the fortunes of your Company so that Shop-floor employees, Staff and Shareholders can share in the increased prosperity.

In conclusion the chairman paid tribute to Lord Dudley Gordon who had been Chairman for 16 years and a Director for 19 years.

As Chairman of Hadfields Limited until the close of the financial year at September 30, 1961, Lord Dudley Gordon made a statement on the Accounts for that trading period. The following are extracts from his statement:

At a Board Meeting held on October 11th, I asked to be relieved of my position as Chairman of the Board and Sir Peter Roberts was elected to succeed me. My colleagues were good enough to ask me to remain on the Board as an ordinary Director until the Annual General Meeting after which it is my intention to retire.

It is clear that the firm of Hadfields has entered on a new era of its existence. A great deal of work on planning for the future has already been done in a remarkably short space of time. This is not to suggest that there are no difficulties ahead, due largely to the present state of the National Economy, but, with new blood and new financial resources, every means is available by which those difficulties can be overcome.

The report was adopted and a total distribution of 4 per cent approved.

WESTERN SELECTION & DEVELOPMENT

MR C. J. BURNS'S STATEMENT

The thirty-second annual general meeting of Western Selection & Development Co. Ltd. was held on April 3rd in London. **Mr C. J. Burns,** Chairman, presided. The following is an extract from his Statement circulated with the Report and Accounts for the year ended September 30, 1961:

The Accounts now presented to Members reflect the changes consequent upon the acquisition of the Ghana Mines by the Ghana State Mining Corporation and the subsequent reduction of Capital by the return to Members of 1s. per share. Comparing the profit with the previous year I would point out that no dividends accrued to the Company from the previously held substantial holdings in the Ghana Gold Mining Companies; and further, the payment in respect of the "takeover" of those same Ghana Companies was not received until May, 1961, so that these funds were only available to this Company for some four months of the year under review. Profits were, however, as favourable as forecast last year. Your Directors recommend a dividend of 10 per cent less income tax.

GENERAL POLICY

Ghana Gold Mining shares had in the past represented a large proportion of the Company's portfolio. The policy towards diversification which has been followed over the past few years is now showing to advantage and is being further supplemented by the balance of funds received from the Ghana holdings. At September 30, 1961 quoted investments with a market value of £583,504 showed an appreciation of £77,548 over book values. Today the comparable figures are market value £672,100 and book value £581,016. In the present economic conditions obtaining, reinvestment must of necessity be gradual and sufficient funds are now available to take further advantage as opportunity arises of acquiring sound investments offering potential rewards in the future.

Our remaining interests connected with Ghana relate to the Bremang Gold Dredging Company, i.e. the royalty of 4 per cent on gold won from the Offin/Jimi alluvial areas and a debenture of £100,000 bearing interest at 6 per cent repayable in December, 1962. Both the royalty and the interest have been received to date.

The Accounts for the year under review to September, 1961 were not wholly comparable with the previous year. For the first five months of the current year the indications are certainly satisfactory particularly in the growth of dividend income. The Company can look forward to at least maintaining the current dividend distribution.

The report and accounts were adopted.

MANY AEI DIVISIONS AND TRADING COMPANIES EARN HIGHER PROFITS . . .

Set-backs in radio and television components and domestic appliances

The Sixty-Second Annual General Meeting of Associated Electrical Industries Ltd. will be held on April 26th in London.

The following are extracts from the circulated Review of 1961:

Many of the Divisions and trading companies earned higher profits. The financial results were adversely affected by difficult trading conditions for some products, and particularly by a serious slump in the market for radio and television components and by lower profits on domestic appliances.

The trading profit of £9,765,000 was £1,004,000 less than in 1960 and as interest charges increased by £878,000, the profit before charging taxation fell by £1,882,000.

In view of the reduction in profits and the company's cash requirements, the Board has decided to recommend to shareholders that the final dividend on the Ordinary stock of the company, to be paid on May 10, 1962, should be at the rate of 1s. per £1 unit of stock, less income tax at 7s. 9d. in the £1. The total amount, less income tax, is £1,312,000.

An interim dividend of 1s. per £1 unit of Ordinary stock has already been paid and if the proposed final dividend is approved, the total distribution of the Ordinary stock for the year will be 2s. per £1 unit of stock.

RISE IN WAGES MORE THAN OFFSETS RISE IN OUTPUT

Reductions in manufacturing costs achieved by marked improvements in manufacturing efficiency were offset by rising wages. The average number employed by the Group was virtually the same as in 1960, but the wage bill rose by 7 per cent.

EXPORTS UP BY NEARLY 6 PER CENT: PROFIT MARGINS SLENDER

Shipments to export markets in 1961 rose by nearly 6 per cent but profit margins on electrical equipment in world markets are slender. Orders received from abroad were slightly less than in 1960, largely owing to increased restrictions on imports in some territories and problems of long-term credit. The opening up of new markets compensated partly for the falling off in orders from those traditional markets which experienced economic set-backs.

The results of the second half of the year were materially worse than those of the first half. The Government's decisions in the middle of the year affected interest charges and important sections of the business. End-year credits on major contracts have, in past years, more than offset the adverse effect of holidays in the second half of the year, but in 1961 this was not so.

IMPROVEMENT IN IMPORTANT SECTORS

Trading results improved in sections of the Company which caused anxiety in earlier years. The selling prices of cable continued to be below the 1959 level, but the results of the Cable Division improved considerably. The manufacture of all telephone cables was transferred to Telephone Cables Ltd. which had a successful year. The turnover of the Telecommunications Division increased by nearly 25 per cent and a modest profit was earned. The reorganisation of the lamp and lighting business yielded increased efficiency and profits. Turnover and profits in the furnace business increased.

Problems of over-capacity in some of the divisions manufacturing heavy plant cannot be solved entirely until the expanded programme of the CEGB becomes effective, but these divisions generally maintained their turnover and there was only a slight fall in profits. The future results of the Traction Division will be affected by the reduction in orders to be placed by British Railways.

Increased profits were earned by the Electronic Apparatus Division where there were many new developments in both military and industrial work. The profits of the Instrumentation Division were lower than in 1960; expenditure in developing scientific apparatus was heavy and the profits of the meter and X-ray departments were disappointing. A new company, Davy-AEI Automation Ltd., was set up jointly with Davy-Ashmore Ltd. to apply automation to the processing of steel and non-ferrous metals.

CREDIT RESTRICTIONS CAUSED £2M. SET-BACK

Profits of Divisions and trading companies affected by the serious set-backs experienced in 1961 by the television and domestic appliance industries were over £2m. less in 1961 than in 1960. This is the main reason why there was a fall in the Company's total profit, despite improved results in important sections of the business.

The slump in the television market caused heavy losses in the Division manufacturing radio and television valves and cathode ray tubes. The total demand for cathode ray tubes by television set makers in the UK in 1961 was about 40 per cent of the number sold to them in 1959. In view of excess production capacity, impending technical developments and changes in ownership in the set-making industry, the Board decided to link up with a leading set manufacturer. Accordingly the AEI interests in valves and tubes for the entertainment industry were merged with those of Thorn Electrical Industries Ltd. in a new company, Thorn-AEI Radio Valves and Tubes Ltd. Despite the continuing depression in the television industry, the progress of the new company is already justifying the action taken.

In view of the formation of the new company, the Radio and Electronic Components Division has discontinued the development of transistors for the entertainment business. Other activities of the Division including dry batteries accumulators and various radio components are being managed by the Telecommunications Division.

Credit restrictions and other Government measures severely depressed the domestic appliance market and caused lower trading profits to be earned by AEI-Hotpoint Ltd. The effect would have been worse but for Hotpoint's success in increasing their sales in spite of the reduction in the total market.

FINANCE

The Group's total capital expenditure in 1961 was £7,731,000. The Company's bank overdrafts and acceptance credits increased during the year by £13,428,000 to £22,734,000. This includes £6,265,000 for AEI-John Thompson Nuclear Energy Company Ltd., which will be liquidated on the conclusion of the Berkeley contract, and £946,000 for overdrafts of overseas companies. The Board does not propose to issue any additional debentures or stock at the present time.

The large increase in the Group's financial requirements is almost entirely due to increased working capital. There are several reasons for this. Annual turnover has increased in the last three years by £32m., and so many large contracts are carried out that working capital (stocks, work in progress and debtors, less creditors) represents over 50 per cent of annual turnover. It has become more and more difficult to obtain satisfactory terms of payment for exports; a contract for heavy plant may take several years to complete and throughout the manufacturing period the Company has often to find the whole of the working capital. The introduction of larger and more efficient generating and other equipment has aggravated the working capital problem, as the value of single contracts has increased and the time taken to complete them has lengthened.

ORGANISATION

The organisation of the Company was strengthened during the year by the appointment of Mr L. J. Davies, CBE, as Director of Research, and of Mr A. C. Main as Director of Manufacturing Services. An AEI Home District Office Division was formed during the year to provide an integrated selling organisation for all the products of the Divisions.

ONE THIRD OF AEI'S OUTPUT SOLD OVERSEAS

Export.—Effort in Europe was especially directed towards increasing the sales of domestic appliances, industrial equipment, including small motors, and of specialised products such as scientific apparatus, AEI-Gala maintains a branch office at Zurich and has formed a selling company in Italy.

Trading in Asian markets suffered from the shortage of foreign exchange but important contracts were received from Hong Kong, Malaya, and new markets opened up in Indonesia. In New Zealand the volume of business obtained by AEI(NZ) Ltd. was well up to expectations. AEI (Canada) Ltd. faced competitive conditions, with purchasers tending to buy from Canadian manufacturers.

Success in the sale of capital equipment was achieved by Australian Electrical Industries Pty. Ltd. and the subsidiary companies in Central and South Africa.

Overseas Manufacture.—In Europe, the results of three Subsidiary companies in France and Germany were encouraging and their turnover increased. The First Electric Corporation of South Africa improved its performance markedly. Steady progress was made at the vast heavy electrical factory at Bhopal for which AEI are consultants to the Indian Government. The reduction of our exports from Britain to India has been off-set by a 30 per cent increase in output by the AEI manufacturing company there. The trading results of Australian Electrical Industries Pty. Ltd. are disappointing. The factory, jointly owned by AEI and E. K. Cole Ltd., which manufactured television sets and cathode ray tubes, was closed down. Profits of Siemens Edison Swan (Canada) Ltd., were less than in recent years, but the factory operated by AEI do Brasil Ltda had a successful year.

Associated Electrical Industries Limited

BANK OF SCOTLAND

YEAR OF INCREASED ACTIVITY

COUNTRY'S RECURRING FINANCIAL CRISES

LORD BILSLAND ON NEED FOR MORE COMPREHENSIVE AND FAR-REACHING MEASURES

The Annual General Meeting of the Proprietors of the Bank of Scotland will be held on April 17th within the Head Office, Edinburgh.

In the course of his circulated statement, the Governor, **The Rt Hon Lord Bilsland, KT, MC, DL, LLD,** recalled the measures introduced by the Government to combat the adverse balance of payments position which arose in July, 1961 and continued:

The measures can be said to have had the required effect of restoring the country's Gold Reserves but not of providing a permanent cure to the cause of recurring crises. The level of exports is still inadequate and the recent disclosure that Government spending in the financial year just ended has exceeded revenue by a substantial margin indicates that other measures of a more comprehensive and far-reaching nature are necessary if the country's financial position is to be put on a lasting firm foundation. It has been amply demonstrated that the control and restriction of credit cannot for long contain the effects of inflationary Government action. It is to be hoped that the formation of the National Economic Development Council and the co-operation of all interests in a review of our affairs will result in the formation of a sound economic policy.

We have encountered much difficulty in endeavouring to apply restriction on advances during the latter part of last year. In the first five months of the year our advances increased substantially and certain commitments were entered into which have required to be honoured. Since July 1961 we have rejected many requests for advances from both old and new customers and business which we would like to have handled has gone elsewhere. This is mentioned merely to illustrate one of the practical effects of the present type of credit restriction imposed upon the banks and to emphasise that it is not always easy to explain to an old customer why his reasonable request for accommodation has to be refused. Our branch managers have had many awkward situations of this kind to deal with.

The easing of the country's financial position since last July has been recognised by four successive reductions of one-half per cent each in Bank Rate to its present level of 5 per cent. The latter reductions have been described as not only to check a further inflow of foreign funds attracted by our higher rates of interest, but also to take account of internal economic circumstances. It may be therefore that we can look forward in the near future to a less restrictive attitude in internal financial policy. Positive indications concerning this will require to await the Chancellor's budget statement.

EXPORT FINANCE SCHEME

In recent months the banks have agreed to participate in a scheme to provide finance at a fixed rate of interest for the export of capital goods to be paid for by the purchaser in instalments over a period of 3 or more years. The scheme, in which the leading Insurance Companies are participating, will be operated in conjunction with the Export Credits Guarantee Department which will cover the risk of default on the repayment instalments of the credit granted. Finance of this kind has been made available by the banks hitherto when required but the rate of interest charged has varied in relation to movements of the Bank Rate, and the period within which repayment is expected has usually not exceeded five years. The scheme provides for the extension of the period of repayment which is now necessary, the banks providing finance for the first five years at the fixed rate of 5½ per cent and the Insurance Companies providing the finance for the period beyond, which may extend to a further ten years, at the fixed rate of 6½ per cent. It is hoped that the scheme will enable manufacturers of large capital goods to obtain export orders which would otherwise be placed elsewhere. While this objective is no doubt desirable, it is to be noted that the country's balance of payments situation will not be immediately helped by the scheme—indeed the initial effect may well be the reverse. In view of this and the need to assess carefully the credit risks involved, the scope of the scheme will no doubt be subjected to strict supervision. The Banks and the Insurance Companies, however, deserve to be commended on their willingness to become parties to this scheme, designed in the national interest, at what may well be some cost to themselves.

BALANCE SHEET

The Consolidated Balance Sheet reflects again a year of increased activity. Deposits, which have throughout the year been in the average greater than the previous year, are approximately £9,500,000 up at £191,975,590. This is a particularly satisfactory feature of the Balance Sheet. Note Circulation on the other hand is some £600,000 lower at £27,630,851. I have already referred to the upward tendency of banking advances which now amount to £86,869,080. There has also been an increase of approximately £600,000 in amounts advanced on Hire Purchase Agreements. The ratio of banking advances to Deposits and Notes in Circulation is now 40 per cent but is not yet high in comparison with current banking experience. The Special Deposit with the Bank of England has increased by £1,100,000 to £2,800,000, mainly because of the increase called for in July 1961, but partly also on account of the Bank's higher Deposits. Investments have been realised during the year as a result of the increase in advances and now amount to £44,557,896. This figure is as usual less than their aggregate Market value. The Bank's liquidity position continues to be strong, the total Cash and Balances at the Bank of England, Balances with and Cheques in course of Collection on other banks, Money at Call and Bills Discounted amounting to £73,336,040.

The profit experience of the Bank for the past year has been favourably affected by the increase in advances and by a higher average rate of interest. There have been further increases in costs and taxation and the outcome is that the Consolidated Net Profit is £46,390 greater at £1,088,007. In view of the Chancellor of the Exchequer's request that dividends should not be increased at the present time the dividend is being maintained at 17 per cent for the year, requiring after deduction of Tax £655,987. There is transferred to Reserve for Contingencies £200,000 and £150,000 is transferred to Reserve Fund bringing it up to £6,300,000. The Pension Fund allocation is again £80,000 and there remains a balance of undivided Profit carried forward of £270,442.

HIRE PURCHASE SUBSIDIARY

A further expansion has occurred in the business transacted by North West Securities Limited and in order that the capitalisation of the Company should bear a reasonable relationship to its increased commitments, the Share Capital was increased during the year by £500,000. The trading experience of the Company during the past year has, in common with the general experience in the industry, been disappointing. The higher cost of borrowed money and the need to provide for Bad and Doubtful Debts on a conservative basis have resulted in a small loss of £2,233 being incurred which has been taken account of in the Bank's Consolidated Profit statement. The outlook for the current year is more encouraging and improved results are anticipated.

CENTRALISED ACCOUNTING

Very satisfactory progress has been made in the development of our centralised electronic book-keeping system. Well-equipped air-conditioned premises, designed for the purpose, have been made available in Edinburgh in which a powerful new computer has been installed. This has superseded our earlier equipment. The new computer is capable of a greatly increased volume of branch recording and a programme is in hand to introduce a total of 28 branch offices to the system in the near future.

In our pioneering of this new and labour-saving system of electronic book-keeping we have had the whole-hearted collaboration of the manufacturers of the equipment. We have reached a stage now, however, where the speed with which we would like to develop the system is being retarded by lack of immediate availability of certain equipment necessary at the branches which will become linked to the system. This will be overtaken in time and meanwhile we are about to instal another machine capable of reading the new magnetic ink markings appearing on all our new cheques and of sorting these cheques at a speed of 1,600 per minute. This is the forerunner of a nation-wide system of automatic cheque sorting.

ALBRIGHT & WILSON

Strength of Chemical Group demonstrated in a difficult year for industry

SIR SYDNEY BARRATT, CHAIRMAN OF ALBRIGHT & WILSON LIMITED, INCLUDED THE FOLLOWING POINTS IN HIS STATEMENT FOR THE YEAR 1961:

GROUP RESULTS

All our principal subsidiaries succeeded in expanding their sales but costs continued to rise and the pressure on profit margins grew more severe, particularly in the second half of the year when profits were also reduced by start-up expenses of some major plants. As a result of our merger with W. J. Bush early in 1961, the accounts show an increased trading surplus. If, however, Bush had also been included in the 1960 figures the surplus would have shown a reduction of 4½% in 1961. This result may be regarded as not unsatisfactory for a difficult year.

	1961 £	1960 £
Sales	53,000,000	42,500,000
Trading Surplus (before depreciation)	8,432,000	7,863,000
Net Profit after tax	2,954,000	2,654,000
Capital Employed	44,443,000	35,915,000
Ordinary Dividend —times covered	20% 2.3	20% 2.5

Note: 1961 sales and profits include a full year for W. J. Bush, acquired in March 1961.

U.K. COMPANIES— INCREASED EXPORTS

Sales to the home market remained at about the same level as in 1960 but all our United Kingdom companies increased their exports which rose by more than one-sixth to over 25 per cent of total U.K. sales. In particular, exports to the European Common Market showed a rise over 1960.

All the United Kingdom companies were affected by the pressure on profit margins and overall profits were lower than the previous year even with the additional turnover.

DIFFICULT CONDITIONS OVERSEAS

Electric Reduction Company of Canada has maintained the volume of its sales to its traditional markets and productivity has been improved. Its new plant at Port Maitland, Ontario for the manufacture of phosphoric acid, triple superphosphate and other agricultural chemicals started up in the second half of the year. Difficult conditions continue in Canada and we cannot expect more than a slow recovery in the economics of our Canadian company.

In Australia most secondary industries, including Albright & Wilson (Australia), were placed in a difficult competitive situation by the removal of import restrictions. However, in the last few months there were encouraging changes in the Government's attitude; many tariff increases were granted including one on sodium tripolyphosphate.

W. J. BUSH— BENEFITS OF MERGER

The merger with W. J. Bush was completed in March 1961 and its entry into the Group greatly strengthens our position in the fields of essences, flavours and perfumery; it offers opportunities for rationalisation of manufacture.

CAPITAL EXPENDITURE— A RECORD YEAR

Capital expenditure in 1961 at £8,000,000 was the highest in any year of our history, and was more than double the 1960 figure. About two-fifths of the total was spent overseas, mainly at Port Maitland in Canada. In the United Kingdom, Solway Chemicals' production capacity for low-cost sulphuric acid, with cement as co-product, was increased by nearly 70 per cent. Marchon Products' capacity for manufacture of sodium tripolyphosphate, by a process of which the economics are very favourable, has been raised to a level well in excess of the current United Kingdom market, to cater for exports and any increase in home demand. Midland Silicones completed a methyl chloride plant and a further direct-process silicon reactor and Albright & Wilson (Mfg) built a large new Calgon plant. In addition, there was considerable expenditure on improving and expanding existing processes.

PROSPECTS FOR 1962

This year capital expenditure will not be as great as in 1961 and our liquid funds, £2,900,000 at the year end, together with the cash flow and further recourse to bank accommodation, should be sufficient for our requirements in 1962. All companies have again forecast increased sales and, in spite of some further rises in costs, the benefit from higher sales and a lessening of the burden from plant commissioning should offset the lower margins experienced in the second half of 1961. Profit for 1962 seems unlikely to differ significantly from that now reported.

The Seventieth Annual General Meeting of Albright & Wilson Limited will be held at the Company's offices at 1, Knightsbridge Green, London, S.W.1. on 2nd May, 1962 at 3 p.m.

The Annual Report was sent to stockholders on 4th April. Copies are available on request to the Secretary.

ALBRIGHT & WILSON LIMITED

CHEMICAL COMPANIES—INTERNATIONAL ENTERPRISE

MALAYA GENERAL COMPANY

INCREASED CROP

The Fifty-third annual general meeting of the Malaya General Company, Limited, was held on March 28th in London.

Sir Henry Birkmyre, Bt. (Chairman), in the course of his speech, said:

The crop for twelve months to October 31, 1961, amounted to 6,795,575 lb., an increase of 953,650 lb. for the comparable period in the earlier accounts. Similarly the crop per mature acre rose from 613 lb. to 664 lb.

The cost of production was 13.7d. per lb., as against 17.25d. per lb. for the previous comparable period. The average selling price, however, came down by 6.86d. per lb. to 19.57d. per lb. On the other hand, the average London Spot price for the twelve months to October 31st last was 8.11d. per lb. lower than for the previous corresponding twelve months.

Fixed Assets at £60 per acre as compared with £57 per acre are slightly higher, but this is due to the larger acreage in course of replanting. The expenditure on replanting which was done out of revenue was £77,134 as against £81,447. The scale of replanting was not reduced and the reduction is due to the shorter period.

PROFIT AND DIVIDEND

The Group profit for the period after taxation and depreciation is £92,427 for the year as compared with £100,106 for the previous period of fourteen months. I feel you will agree with your Board that these results are not unsatisfactory. Your Directors have pleasure in recommending a dividend of 14 per cent making 21½ per cent for the twelve months. This compares with 25 per cent for fourteen months, which is the equivalent of 21.4 per cent per annum.

Before leaving the accounts, it is only right that I should explain that the large sum received from Cess refunds was not in fact a windfall, but was the anticipated return from certain refundable Cesses, including the Government Replanting Scheme. I do not think our receipts under this heading during the current year will be as high as those for the period under review, but they will be quite substantial.

During the year I had the pleasure of visiting your Estates with Mr Pierrepont and Mr Gleeson, your Visiting Agent. As we expected, I am glad to report that we found your Estates in excellent order and the Staff everywhere in good heart and on their toes. Relations with the Labour were good, and a very high standard of work is being maintained. We were able during our visit to examine the possibilities of increasing yields by improved methods of tapping and of increased stimulation wherever this could be done with advantage and, of course, with safety.

BENEFITS FROM REPLANTING

You will have seen that almost one third of the total acreage is now immature, that is to say, replanted with high yielding modern stocks. We are already benefiting from this programme, and over the next few years crops from all three Estates will improve quite materially. As an illustration of this, the crop for the first four months of the current year is 2,457,000 lb., as compared with 2,317,000 lb. for the same period in the previous year.

During the latter part of the year under review Rubber prices improved, and for the first few months of the current year they have been between 78 and 85 cents, which shows us a satisfactory return. We must expect increased competition from Synthetics in the years ahead and in this the price factor is all important. Accordingly, our policy as producers of Natural Rubber is to continue our efforts to improve yields and thus reduce our costs of production. Your Board is confident that satisfactory progress in this respect will be maintained.

It is a source of great satisfaction to us all that conditions in the Federation remain so stable, and thanks to this it is possible to lay plans for the future with some degree of confidence.

The report and accounts were adopted.

THE MERCHANTS TRUST LIMITED

Extract from statement of the chairman, **Mr G. P. S. Macpherson, OBE,** circulated with the report and accounts for the year to January 31, 1962:

SOURCES OF INCREASED REVENUE

Revenue before taxation rose from £745,172 to £803,630, a substantial increase though not on the scale of last year. The increase is attributable to higher dividends on our British investments received during the first half of the year before the Chancellor's request for restraint, to increased American dividends mainly received near the end of the year, and to the larger amounts of Double Taxation Relief (included in gross revenue) in respect of American dividends. The increase in Double Taxation Relief has, of course, meant an increased charge for Profits Tax, but the substantially higher figure for that item of £42,000 as compared with £30,000 last year is partly due to the increase in the rate of Profits Tax from 12½ per cent. to 15 per cent. It is strange how infrequently the incidence of Profits Tax is criticised as, at the present rate, it is equivalent to a gross charge of no less than 24½ per cent.

PROPORTION OF REVENUE DISTRIBUTED REDUCED

Had it not been for the Chancellor's request for restraint, your Directors would have recommended a higher dividend as justified by the increase in revenue during the year. Their recommendation to pay at the same rate as last year means that the distribution this year will amount to only 83¼ per cent of available revenue as compared with 87¼ per cent. for 1961. It is the Directors' intention to revert when possible to a fuller distribution of annual earnings by way of dividend in accordance with the policy expressed to shareholders in previous years; but in their view the importance of the matters which influenced the Chancellor to make his request was such that shareholders would readily accept the maintenance of last year's rate of dividend at this time.

CURRENT YEAR'S PROSPECTS

During the current year profits are likely to suffer from the adverse effects of increased competition and narrowing margins throughout a wide range of industry and for this reason I would expect our sterling income to show some reduction. On the other hand the rising industrial activity in the United States can be expected to result in further increases in dividends from our dollar investments. Though it is likely that results will fall short of the President's forecast of a substantial increase in the gross national product of the USA during 1962-63 and of a rise of some 23 per cent in company profits, there is clearly a welcome improvement in the US economy. This should provide a stimulus for international trade and should benefit the British economy as it should help the export trade, the increase of which has been deemed by the Government, a prerequisite for its re-expansion of the economy. In general, it appears likely that after the pause we have experienced expansionist forces may again operate for a period in the world.

The prospects of British entry into the Common Market and of the freer trade proposed by the President of the USA are stimulating; their realisation will necessarily involve searching reappraisals of the outlook for many established companies; the rewards for the discerning investor should be very satisfactory.

DISTRIBUTION OF INVESTMENTS

During the year there was a comparatively small reduction in the amounts invested (£260,000) in the United Kingdom and net increases in the amounts invested in Australasia (£291,000), and Europe (£322,000), and of minor proportions in the USA (£88,000) and Canada (£37,000).

On the basis of market valuation, the proportion of investments in the USA is now 29.7 per cent against 27.6 per cent. The reclassification of certain investments due to the withdrawal of South Africa from the Commonwealth (which accounts for 1.5 per cent) and the increased investment in Europe (now amounting to 2.8 per cent) have resulted in an increase in investment in "Other Countries" from 2.3 per cent to 5.3 per cent. Of the 5.7 per cent shown as investment in the Commonwealth, 3.6 per cent is invested in Australasia.

Although the percentage in British investments shows a fall from 62.4 per cent to 56.9 per cent, there was an actual increase in the valuation of our holdings after allowing for the net disinvestment referred to above, since the figures are calculated on the larger valuation of £17,700,000 as compared with £16,167,000 last year.

The number of Ordinary Stockholders is now 4,150 as compared with 3,800 last year.

	1962	1961
Valuation of Investments at January 31st	£17,699,960	£16,167,219
Net Asset per 5s. unit of Ordinary Stock	25s. 1d.	23s. 2d.
Dividend on Ordinary Stock	19 per cent	19 per cent
Priority Percentage	15-83¼	15¼-87¼

THE PROPRIETORS OF HAY'S WHARF

RESULTS REFLECT EXPANSION AND DIVERSIFICATION

The Fifty-fourth Annual General Meeting of The Proprietors of Hay's Wharf, Limited, was held on March 29th in London, **Sir Rupert De la Bere, Bt, KCVO,** the chairman, presiding.

The following are extracts from his circulated statement for the year ended September 30, 1961:

The results for the year are encouraging. In spite of some adverse factors, nearly every section of the Group has increased business, and has made its contribution to the improved results for the year. Last year I forecast the maintenance of a reasonable level of profit and an expansion of the activities of all sections, and I look forward to a continuance of this trend.

An important merger was effected with Chambers Wharf and Cold Stores Ltd. and the old-established cartage business of Samuel Taylor & Sons Ltd. was purchased during the year.

As announced recently in the press, a conditional Agreement has been entered into for the acquisition of Nathan Agran Limited.

ACCOUNTS

The Consolidated trading profit, before Tax, for the year, which includes six months profits in respect of Chambers Wharf and Cold Stores Ltd., amounts to £547,345, an increase of nearly 47 per cent over the profit for 1960 (£372,556).

PUBLIC WHARVES AND STORAGE

There was a welcome increase in the tonnage of goods in store, with a consequent improvement in earnings. However, the improved level of profits does not yet show a satisfactory return in relation to the volume of business, and your Board is looking for a further improvement in the profitability of Hay's Wharf Ltd. over the next few years. The results for the six months to September 1961 of Chambers Wharf and Cold Stores Ltd. came fully up to estimates.

The problem of rising costs has been the general experience of warehousekeepers throughout the country, and substantial increases in rates and charges were announced during 1961 in many U.K. Ports, and rates and charges in the Port of London have regretfully, but necessarily, been increased from January 1, 1962. The new levels of rates and charges should put certain important classes of traffic, the profitability of which has been marginal, on to a more realistic basis; but strong action will be needed if the new margins are not to be eroded by further increases in costs.

LIGHTERAGE

The lighterage trade generally suffered an unusually severe and prolonged depression due partly to the loss of transhipment business from the Port of London to the Continent. The start of the present financial year is encouraging in that figures for the first four months show an improvement.

BOTTLING AND BONDED STORAGE

The demand for bottling and bonded storage services continues to increase, and new plant was installed to increase output. Profits from this section, including those of Agence Continentale et Anglaise, showed a satisfactory increase. A new company, Strathleven Bonded Warehouses Ltd., has been formed to undertake the construction and operation of a bonded bottling store in Scotland.

PROPERTY

Net rental income from the group's investment properties continues to improve, and demand for good office accommodation does not slacken.

There will be opportunities for further profitable development, some immediate prospects under investigation, and some of a more distant nature. Exploratory discussions have been held over the past year with adjoining owners, including the Provost and Chapter of Southwark Cathedral, and with the City of London Real Property Company Ltd., in connection with the possible redevelopment of about four acres of land lying between Southwark Cathedral and the River.

SHIPPING, FORWARDING AND TRAVEL

This section showed improved results, which is gratifying in view of the keener competition and narrowing of profit margins experienced during the year. In addition to the normal travel facilities, Pickfords and Hay's Wharf Shipping and Forwarding Co. Ltd. are operating inclusive tours and holidays in various parts of the continent under the name "Sun Holidays" and a greatly increased number of passengers will be carried during the current year. The Continental Express group of companies achieved an overall improvement. Agence Continentale et Anglaise, Brussels, returned record profits, and other Continental companies, operating from Calais, Aachen and Vienna are also making progress.

STAFF

I place on record my sincere thanks, and those of your Board, for the hard work, goodwill and co-operation shown by all members of the staff, both at home and overseas.

CHAIRMAN'S ADDITIONAL REMARKS

Addressing the meeting, the Chairman said: Since the publication of the Report and Accounts the Company has issued £1,000,000 of 6¾ per cent Debenture Stock 1984/87 placed at 98½. This finance should be adequate for the immediate needs for the developments already approved by your Board. The report and accounts were adopted.

BAKELITE LIMITED

HIGHER VOLUME BUT LOWER PROFIT

The following is a summary of a statement by the Chairman, **Mr Stanley Adams,** circulated with the 1961 Report and Accounts prior to the thirty-sixth Annual General Meeting of Bakelite Limited which will be held in London on April 26th.

Mr Adams said that sales by weight for 1961 were the highest in the history of the company but the value of sales was reduced because of pressure on selling prices which, together with rising costs, had caused a reduction in the profit for the year.

The trading profit for 1961, after charging £158,608 for reduction in value of stock in trade, amounted to £852,924 (£1,350,808). After deducting Debenture Stock interest and taxation there remained a balance of £442,490 (£644,679) which, added to the balance brought forward and other year-end adjustments, gave an available surplus of £942,956 (£901,910).

The Directors have transferred £388,608 to reserves and recommend a final dividend of 11½ per cent, making a total payment for 1961 of 17½ per cent, the same as for the previous year.

TRADE REVIEW

Bakelite's well established thermosetting products were again in reasonable demand, although there was some falling off in the quantities sold. Phenolic moulding materials continued their important role in many directions and the newer light-coloured thermosetting materials were making progress in domestic equipment where such colours help to generate "product appeal."

Despite competition, the demand for WARERITE decorative laminated continued to increase in the building, furniture and transport industries and the public was becoming increasingly aware of the value of these materials. Wide use was also made of industrial laminates in mechanical, electronic and other electrical equipment.

Requirements for polyethylene continued to increase with the growing demand for prepackaged commodities. Further progress was also made in developing the use of polyethylene for telephone and other electric cable insulation. Demand for vinyl material was well maintained and is expected to expand.

Export sales achieved a modest improvement over the previous year and this was regarded as reasonably satisfactory in the light of the highly competitive world supply situation.

RESEARCH AND DEVELOPMENT

During the year the company intensified its work in promoting the increased applications of plastics materials in various industries. The introduction of new polyethylene resins and compounds made possible the production of film with better appearance for presentation packs and further techniques for the use of epoxide resins were developed.

New finishes and patterns for WARERITE were introduced and new grades of industrial laminates have been developed to meet present day requirements in electronic equipment.

EXPANSION PROGRAMME

The current programme for the expansion of production facilities for laminated materials and thermosetting resins was virtually completed during 1961 and further plant was provided for the continuous compounding of p.v.c. resins.

Future plans provide not only for increasing capacity when necessary in both the thermosetting and thermoplastic fields but also for the constant improvement of the plant to ensure that it incorporates the most modern production techniques.

PERSONNEL

Mr Adams expressed appreciation to all employees for their loyalty and efforts throughout a difficult year and in particular to the senior staff whose special qualifications and long experience contributed so much to the achievements of the company.

THE DAVID BROWN CORPORATION LIMITED

FURTHER NOTABLE PROGRESS

MR DAVID BROWN'S REVIEW

The eleventh annual general meeting of The David Brown Corporation Limited was held on March 30th in London. The following is an extract from **Mr David Brown's** review:

When I reported to you a year ago I told you of our heavy capital investment programme and of the reorganisation of our manufacturing units into three main groups, each with a substantial measure of independence. I am glad to be able to tell you that both policies have been amply justified by results. The Group profit before taxation of £996,792 represents a further notable stride along the road back to the high level of profitability attained in the years prior to 1956, and was obtained from sales to customers which were more than 15 per cent greater in money terms than in the previous year.

The group of companies headed by David Brown & Sons (Huddersfield) Limited which are engaged in the Gear, Machine Tool and Foundry Industries had another excellent year, and output in many departments was limited only by productive capacity and labour available. At the year end this group of companies had orders on hand the value of which was 20 per cent above the already high level reached at the beginning of the year.

For David Brown Tractors Limited also the year was one of expansion. With their new and highly successful range of tractors, which represent in our opinion the finest value for money obtainable anywhere in the world, they more than held their own in this extremely competitive industry, achieving in the process an increase in turnover of over 20 per cent as compared with the previous year. Although its activities are of course on a very much smaller scale than those of the two other groups, Aston Martin Lagonda Limited also increased its sales by over 40 per cent as compared with the previous year and so was able to improve deliveries of Aston Martin DB.4's to customers at home and abroad.

FINANCIAL POSITION

You will see from the Consolidated Balance Sheet that the book value of the net assets employed in the Group as a whole now amounts to over £8.6 million. The comparable figure at June 30th 1951 when your Company published its first Accounts was just over £4 million, and this increase in our net assets to more than double the figure of 10 years ago gives some indication of the expansion which has taken place during the period. The fact that our net current assets have not expanded in the same ratio over the same period is, however, a measure of the extent to which the Group's retained profits have been ploughed back into fixed assets. During the year under review we spent some £820,000 on new plant and equipment in addition to £180,000 on land and buildings and £300,000 on increases in our trade investments, and at the end of the year our commitments for further capital expenditure amounted to approximately £970,000. It is for these reasons that your Board is still unable to recommend any dividend on the Ordinary Capital.

OVERSEAS INTERESTS

Our main overseas interest is, of course, our investment in Foote Bros. Gear and Machine Corporation of Chicago. The financial position of Foote Bros. remains very strong and we are well satisfied with our investment in this important American gear manufacturing concern, the long range outlook for whose major product lines, supported by certain of our own specialities, is, in our opinion, very encouraging.

David Brown Precision Equipment (Pty) Ltd., our wholly owned subsidiary in South Africa, operated profitably during the year, as did our Australian and Spanish associated companies, Richardson David Brown Gears Pty. Ltd. and David Brown Engranajes S.A., in each of which we have a minority interest. Only in India, where a series of unforeseen difficulties delayed the start of production by our newest associated company, David Brown Greaves Private Limited, did progress fail to come up to our expectations.

FUTURE PROSPECTS

Since the close of the last financial year we have opened a new factory in Sunderland to meet the increasing demand for our range of 'Radicon' Speed Reducers and our Machine Tool Division has moved from its former premises in Manchester (which it had completely outgrown) to a larger factory in another part of that City. These developments should substantially increase the future profit-earning capacity of the Group, but both have inevitably involved some disturbance of production in the short term In spite of this, however, the turnover and earnings of the Group as a whole for the first six months of the current year have been maintained at the levels achieved last year, and in the absence of unforeseen circumstances I have every hope that the results we shall place before you a year hence will be no less satisfactory.

The report and accounts were adopted.

THE CHARTERED BANK

108TH ANNUAL GENERAL MEETING

The one hundred and eighth annual general meeting of The Chartered Bank was held on April 4th at the Bank's head office, 38, Bishopsgate, London, E.C.2.

The Chairman of the Bank, **Mr V. A. Grantham,** presided.

Mr W. G. Pullen, chief general manager, read the notice convening the meeting and the report of the auditors. With the consent of the stockholders present, the report and accounts, which had been circulated previously, were taken as read.

The Chairman then moved that the report and accounts for the year 1961 be approved and that a final dividend of 7½ per cent, less income tax, on the increased capital of £6,600,000 be declared; an interim dividend of 7½ per cent, less income tax, having already been paid in September, 1961, on the then issued capital of £5,500,000.

The resolution was seconded by Sir John Tait and carried unanimously.

The retiring directors, Sir Harry Greenfield, CSI, CIE, Sir Charles Watt Miles, OBE, Sir Paul Benthall, KBE, and Sir John Tait, were re-elected directors of the Bank.

Messrs Deloitte, Plender, Griffiths & Co. and Messrs W. A. Browne & Co. were reappointed auditors, and their remuneration was fixed.

A vote of thanks to the directors, general managers, branch managers and the staff at home and abroad for their successful conduct of the affairs of The Chartered Bank Group was proposed by Sir Robert Scott, GCMG, CBE, and seconded by Mr Joseph Nissim.

TRUST HOUSES LIMITED

DEVELOPMENT PROGRESS

The Fifty-ninth Annual General Meeting of Trust Houses Limited was held on March 30th in London, **Sir Geoffrey Crowther,** the chairman, presiding. In the course of his circulated statement the chairman referred to the board's decision to change the company's accounting date from March 31st to September 30th and continued:

The profit in the half year to September 30, 1961, was actually larger than in the previous full year. This does not mean that there was any sudden improvement in the profitability of the business; it simply reflects the fact that we make all, and more than all, our profit in the summer.

An interim dividend of 1s. 0d. per share was paid in January, 1962, and a final dividend of 3d. per share is recommended in respect of the six months now accounted for, which will be paid to all ordinary and trust shareholders, including former Lockhart Group ordinary stockholders. This will make a total of 1s. 3d. per share for the six months, as compared with 2s. 6d. for the previous 12 months. In order, however, to take account of the extension of the current period to 13 months and to make the change-over to the new accounting date with as little disturbance as possible to the flow of shareholders' income, we are paying, at the same time, a special interim dividend of 3d. per share. We expect to pay a second interim dividend in respect of the new period in September or October, 1962, and to recommend a final at the time of the Annual General Meeting in March or early April, 1963. These will in future be the regular dates.

The offer to acquire the stock of Lockhart Group Ltd. was not made until December 15, 1961, and the figures in the present accounts do not reflect this acquisition. I explained the reasons for this offer in the letter that was sent to you at the time and I will therefore add on that score only that we were gratified to get such a large response and that we have increasing reasons for confidence that the merger will bring great benefits.

The Dragon Hotel at Swansea opened in May and the Hertford Hotel at Bayswater Road, London, in August. The business we are doing in both exceeds our expectations.

Two more projects are now in the stage of active construction, the Wessex Hotel at Winchester and the new hotel-in-the-air on the site of the old Queen's Hall, in Langham Place, London. Both will be finished in 1963. We hope that construction of our big new hotel at Sheffield will be started this year. The new motor hotel at Alveston in Gloucestershire will open in 1962, and we have three or four more projects for motor hotels close to important highways in various stages of preparation.

We are also pressing on with the development of our existing houses. Among the large projects that are now in hand are Windsor, Newbury, Chichester, Shrewsbury, Aldeburgh, Peebles, Long Melford, and Buckingham.

We are continuing with the policy of removing from the list of Trust Houses a few of the smaller houses which are devoid of any particular attraction and which either are unprofitable or else fail to bring in a profit commensurate with the administrative burden that they place on head office. Since the last annual report we have sold our houses at Harleston, Pocklington and Langport, and have given up our leases at Coventry and of the Wellington Hotel, Minehead.

The report and accounts were adopted.

ASHANTI GOLDFIELDS CORPORATION

ANOTHER RECORD YEAR

The sixty-fifth annual general meeting of Ashanti Goldfields Corporation Limited was held on April 4th in London.

Major-General Sir Edward L. Spears, Bart, KBE, CB, MC, FInstD (Chairman) presided and, in the course of his speech, said:

For the fifth year in succession, tonnage mined and gold ounces produced are a record. In the current year our programme is to increase production to 480,000 tons and 402,000 ounces. We hope to make about the same profit as last year in spite of the exactions imposed on us in the last Ghana Budget.

The technical position of the mine is stronger than ever—with over 3,000,000 tons at an average grade of 18.73 dwts in the reserves, and continuing excellent development results.

Profit before Income Tax, but after charging £370,902 Minerals Duty paid to the Ghana Government, was £1,869,762, an increase of £130,805. We have provided £687,000 for Ghana Income Tax, and £47,138 for U.K. Tax on investment income. An Interim Dividend of 1s. per share was paid in September, and we now recommend a Final, again of 1s. per share, but on the Capital as increased last September.

Commenting on current prospects, the chairman said: I do not think the outlook is as unpromising as it appeared a few months ago. If Ghana can get through her immediate financial difficulties, I think the President and his advisers will realise increasingly that their ambitious development schemes cannot be achieved without Western capital and technical help. I hope, therefore, that their tendency will be to endeavour to create a more favourable climate for private enterprise, and this can only be done if existing enterprises like the Corporation are fairly treated.

The report was adopted.

EDUCATION AND COURSES

B.Sc. (ECON.)
LONDON UNIVERSITY
U.C.C., founded in 1887, successfully prepares students for this Degree (obtainable without residence), which is a valuable qualification for those seeking executive appointments in commerce or industry, government or municipal posts.—Prospectus giving details of Courses for other London Degrees, G.C.E., Law Exams., etc., from Registrar, University Correspondence College, 60 Burlington House, Cambridge.

SECRETARIAL TRAINING, especially for university graduates and older students. Six-month and intensive 14-week courses.—Write, Dyrannhaug Secretary, Dalesk's, 158 Holland Park Avenue, W.11. PARk 4654.

EXPERT POSTAL TUITION
for Examinations—B.Sc.(Econ.), Law, Accountancy, Costing, Secretarial, Civil Service, Management, Export, Commercial, General Certificate of Education, etc. Also many practical (non-examination) courses in business subjects.—Write today for free prospectus and/or advice, mentioning examination or subjects in which interested, to the Secretary (G972),

METROPOLITAN COLLEGE, ST. ALBANS
or call at 30, Queen Victoria Street, London, E.C.4. Established 1910.

BUSINESS AND PERSONAL

NORRIS BROTHERS LIMITED, designers of Donald Campbell's "Bluebird" car and hydroplane, offer their services to companies requiring the application of original thought to their problems in Research, Design and Development.—62 Church Road, Burgess Hill, Sussex.

THE CHARTERED INSTITUTE OF SECRETARIES
Employers requiring the services of Chartered Secretaries to fill secretarial and similar executive posts are invited to communicate with the Secretary of the Institute (Dep. E), 14 New Bridge Street, London, E.C.4.

EAST-WEST TRADE. Economic information and reports on all communist countries by professional (Ph.D.) Economist.—Box No. 1608.

DIRECTORY of trade office staff (inc. D and F.).—Consult Stella Fisher Bureau, 436 Strand, W.C.2. TEMple Bar 6644.

APPOINTMENTS

UNIVERSITY OF GLASGOW
ASSISTANTSHIP IN ECONOMIC HISTORY

Applications are invited for an ASSISTANTSHIP IN ECONOMIC HISTORY. Salary scale: £800-£950 per annum. Initial salary according to experience and qualifications. F.S.S.U. and family allowance benefits.

Applications (three copies) should be lodged, not later than April 30, 1962, with the undersigned, from whom further particulars may be obtained.

ROBT. T. HUTCHESON,
Secretary of University Court.

THE LONDON SCHOOL OF ECONOMICS AND POLITICAL SCIENCE

Applications are invited for appointment to a Lectureship or Assistant Lectureship in Political Science. The salary scale for Lecturers is £1,050 x £50—£1,400 x £75—£1,550; thereafter x £75—£1,850 a year plus £60 a year London Allowance; and for Assistant Lecturers £800 x £50—£950 a year plus £60 a year London Allowance; with superannuation benefits and family allowances in both cases. In assessing the starting salary consideration will be given to age and experience.

Applications, with the names of not more than three referees, should be received not later than May 4, 1962, by the Secretary, London School of Economics and Political Science, Houghton Street, Aldwych, W.C.2, from whom further particulars may be obtained.

For other appointments see page 100

THE LONDON SCHOOL OF ECONOMICS AND POLITICAL SCIENCE

RESEARCH ASSISTANT required for bibliographical and library work in the Research Techniques Division. Salary according to age and qualifications on a scale of £525 x £25—£620 p.a. Acquaintance with statistics desirable. Applications, with the names of two referees, should be received by Professor J. Durbin, Research Techniques Division, The London School of Economics and Political Science, Houghton Street, London, W.C.2, not later than May 1, 1962.

UNIVERSITY COLLEGE, IBADAN, NIGERIA

Applications are invited for the following new posts in Faculty of Economics and Social Studies:—
ECONOMICS: One Senior Lecturer or Lecturer and one Lecturer.
GOVERNMENT: One Lecturer.
SOCIOLOGY: One Lecturer (applications invited from Sociologists and Social Anthropologists).

Salary scales: Senior Lecturer £2,275 x £75—£2,575 p.a.; Lecturer £1,200 x £75—£1,650 (bar), £1,725 x £75—£2,175 p.a. Appointments to commence as soon as possible. Passages paid for appointee, wife and up to five children under 11 years, on appointment, annual overseas leave and termination. Children's allowance and outfit allowances. F.S.S.U. Part-furnished accommodation at rent not exceeding 7.7 per cent of salary. Detailed applications (six copies), naming three referees, by May 6, 1962, to Secretary, Inter-University Council for Higher Education Overseas, 29 Woburn Square, London, W.C.1, from whom further particulars may be obtained.

UNIVERSITY OF WESTERN AUSTRALIA
LECTURESHIP/SENIOR LECTURESHIP IN COMMERCE

Applications are invited for appointment to a position of LECTURER or SENIOR LECTURER IN COMMERCE in the Faculty of Economics and Commerce. Applicants should possess a degree in Economics and professional qualifications in Accountancy. The successful applicant will be required to teach Accounting for the new degree course in Commerce and the appointment will depend largely on the qualifications and experience of the appointee.

The salary range for a Lecturer is £A1,750/100/2,450 per annum and for a Senior Lecturer £A2,450/100/3,000 per annum with superannuation similar to F.S.S.U. in both cases.

The appointee will be required to take up duty by the end of February, 1963.

Further particulars and information as to the method of application may be obtained from the Secretary, Association of Universities of the British Commonwealth (Branch Office), Marlborough House, Pall Mall, London, S.W.1.

Applications close in Australia and London on *May 26, 1962.*

UNIVERSITY OF BRISTOL

Applications are invited for two posts in the Department of Economics from August 1, 1962.

An Assistant Lectureship (Grade III) or a Lectureship (Grade II).

One of these appointments will be in Economics and the other in Economic Statistics. The salary scale for Grade III is £800 by £50 to £950 p.a., and for Grade II £1,050 by £50 to £1,400 by £75 to £1,475 (bar) by £75 to £1,850 p.a., plus F.S.S.U. and Family Allowance. Further particulars may be obtained from the Registrar, The University, Bristol, 8, to whom applications should be sent by April 25.

UNIVERSITY COLLEGE OF THE WEST INDIES

Applications are invited for (a) LECTURESHIP or (b) ASSISTANT LECTURESHIP in Public Administration in the Department of Government. Appointment for three years. Duties to be assumed by October, 1962. Appointee will assist in teaching of courses of study for Diploma in Public Administration and in teaching course in Public Administration for B.Sc. (Econ.) degree. Salary scales: (a) £1,050 x £50—£1,400 x £75—£1,850 p.a.; (b) £800 x £50—£950 p.a. plus pensionable C.W.I. supplement of £250 p.a. Entry according to qualifications and experience, but in case of Assistant Lecturers and Lecturers below merit bar consideration is given to age in fixing salary. Child allowance. F.S.S.U. Unfurnished accommodation at rental of 10 per cent of pensionable salary. Up to five full passages on appointment and on normal termination. Detailed applications (six copies), naming three referees, by May 31, 1962, to Secretary, Inter-University Council for Higher Education Overseas, 29 Woburn Square, London, W.C.1, from whom further particulars may be obtained.

UNIVERSITY OF DUBLIN
TRINITY COLLEGE
JUNIOR LECTURER IN ECONOMICS

Applications are invited for the post of Junior Lecturer in Economics, duties to be taken up on September 21, 1962. Salary in the range £760 x £45 108.—£902 10s. p.a., with membership of the non-contributory superannuation and life assurance scheme, and with marriage and child allowances.

Applications (four copies), giving full details of academic career, etc., and the names and addresses of three referees, should reach the Registrar, Trinity College, Dublin 2, from whom further particulars may be obtained, not later than April 24, 1962.

STC TRANSISTORS
STATISTICIAN

The Quality Assurance Department of our rapidly expanding Transistor Division wishes to appoint a Graduate Mathematician, who has specialised in statistics, to provide a general service to the Department.

The work will, however, particularly involve the analysis of scientific experiments and also the processing of data obtained from extensive reliability and life tests on a whole range of high quality semiconductor devices. A knowledge of computer techniques would be very useful, but some training in this respect could be given.

The Division is located at Foots Cray, a pleasant residential district, only 13 miles from central London.

The Company operates a wide range of benefits, including a NON-CONTRIBUTORY Pension Scheme.

Apply, stating qualifications, experience and salary required to W. J. YEOMANS, Personnel Manager, STANDARD TELEPHONES AND CABLES LIMITED, Foots Cray, Sidcup, Kent.

SECURITY ANALYST required by Investment Trust to assist Manager. A qualification in economics and statistics would be an advantage, with knowledge of accountancy. Written applications, giving full personal particulars to Box H 106 c/o Streets, 110 Old Broad Street, E.C.2.

SALZBURG SEMINAR IN AMERICAN STUDIES
SCHLOSS LEOPOLDSKRON, SALZBURG, AUSTRIA

Scholarships are offered for the following sessions:
SCIENCE AND AMERICAN LIFE
June 10 to July 7 1962
AMERICAN LAW AND LEGAL INSTITUTIONS
July 22 to August 16, 1962
THE ARTS IN AMERICA
August 19 to September 15, 1962

Lectures and Seminars at the post-graduate level. Admission is granted for evidence of ability and accomplishment. General age range 25 to 40.

For further information and application forms, please write promptly to: Salzburg Seminar, 58 Upper Brook Street, London, W.1.

UNIVERSITY OF SYDNEY
LECTURESHIP IN GOVERNMENT AND PUBLIC ADMINISTRATION

Applications are invited for the position of Lecturer in Government and Public Administration. Candidates whose special interests lie either in Politics or Public Administration will be equally considered.

The salary for a Lecturer is within the range £A1,730 x 105-£2,435 per annum, plus cost of living adjustments (at present £A44 p.a.) and will be subject to deductions under the State Superannuation Act. The commencing salary will be fixed according to the qualifications and experience of the successful applicant.

Under the Staff Members' Housing Scheme in cases approved by the University and its Bankers, married men may be assisted by loans to purchase a house.

Further particulars and information as to the method of application may be obtained from the Secretary, Association of Universities of the British Commonwealth (Branch Office), Marlborough House, Pall Mall, London, S.W.1.

Applications close in Australia and London on *June 15, 1962.*

There is a vacancy for a
STATISTICIAN
in the Economic research section of a leading CLEARING BANK.

Applicants should preferably be under 30 years of age and possess a good Economics Degree or equivalent qualification.

Full information concerning salary and conditions of service will be given on interview.

Please write, giving full details, to: Box E 131 c/o Charles Barker & Sons Ltd., 20 Cannon Street, London, E.C.4.

UNIVERSITY OF ADELAIDE
SENIOR LECTURER IN BUSINESS MANAGEMENT
LECTURER IN ACCOUNTING

Applications are invited for the above-mentioned appointments.

SALARY SCALES: Senior Lecturer, £A2,450—£3,100; Lecturer £A1,675—£2,450; with superannuation on the F.S.S.U. basis. The initial salary may be fixed within the appropriate scale in accordance with the successful candidate's qualifications and experience.

FURTHER INFORMATION: A potential candidate for either post should seek from the Registrar of the University or from the Secretary, Association of Universities of the British Commonwealth (Branch Office), Marlborough House, Pall Mall, London, S.W.1, (i) General Conditions of Appointment, which include particulars of tenure, superannuation, removal expenses, invalidity and study leave; (ii) a statement giving further particulars of each post and of the work of the Department of Commerce, which will gladly supply any further information desired on request to the Registrar.

APPLICATIONS, in duplicate, should give information listed in the final paragraph of the General Conditions of Appointment, and should reach the Registrar, The University of Adelaide, Adelaide, South Australia, not later than *May 15, 1962.*

AUSTRALIAN NATIONAL UNIVERSITY
INSTITUTE OF ADVANCED STUDIES
RESEARCH SCHOOL OF SOCIAL SCIENCES
DEPARTMENT OF DEMOGRAPHY

Applications are invited for the position of *Research Fellow* or *Senior Research Fellow* in the Department of Demography.

The appointment will be within the salary range £A1,625-£2,850 for a Research Fellow or £A2,620-£3,160 for a Senior Research Fellow.

While appointments in these categories are usually for three years with possible extension to a maximum of five years, a shorter term may be considered in this case.

Reasonable appointment expenses will be paid for the successful applicant and his family.

The research interests of the Department include the broader historical and social studies of population movements as well as the more formal statistical aspects. Current research is focused upon Australia, New Zealand, the Pacific Islands and South Eastern Asia, but is not necessarily limited to these areas.

Further details should be obtained from the Secretary, Association of Universities of the British Commonwealth (Branch Office), Marlborough House, Pall Mall, London, S.W.1.

Applications close in Australia and London on *April 27, 1962.*

UNIVERSITY COLLEGE, IBADAN, NIGERIA

Applications are invited for the newly-created Chair of GOVERNMENT. Salary £3,000 p.a. Appointment, to commence as soon as possible, to retiring age, normally 60 years. Passages paid for appointee, wife and up to five children under 11 years, on appointment, annual overseas leave and termination. Children's, car and outfit allowances. F.S.S.U. Part-furnished accommodation at rent not exceeding 7.7 per cent of salary. Detailed applications (eight copies), naming three referees, by May 7, 1962, to Secretary, Inter-University Council for Higher Education Overseas, 29 Woburn Square, London, W.C.1, from whom further particulars may be obtained.

COMPANY AFFAIRS

The feature of the London Stock Market this week was the renewed interest in equities. This reached its peak on Wednesday when prices rose sharply on optimistic hopes about the economic prospects. Markets while still firm were quieter on Thursday. Over the week The Economist *indicator gained 9 points to 355.3 with store and building shares to the fore. Motors and engineering were other firm groups. Among the laggards tobaccos continued to lose ground but electrical shares such as AEI which touched a new low early in the week went ahead later.*

No Light for AEI

THE full report of Associated Electrical Industries reveals that the directors prefer not to look ahead to prospects for 1962—not surprisingly, perhaps, so soon before the budget. On figures alone, 1961 was pretty bleak, with net profits down from £4¼ million to £3¼ million and the ordinary dividend cut from 15 to 10 per cent. The setback is attributed mainly to the impact of credit restrictions on the tele-

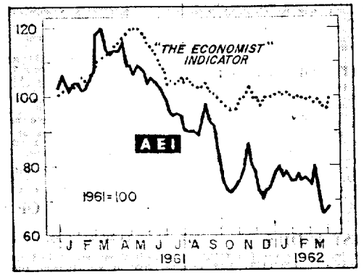
Years to end Dec.	1957	1958	1959	1960	1961
	£ mil.	£ mil.	£ mil.	£ mil.	£ mil.
Sales	149·8	181·6	208·4	215·3	213·7
Trading profit	14·3	17·1	18·2	17·3	16·6
Gross profit	10·6	11·8	11·4	10·8	9·8
Net equity earnings	4·8	4·9	6·7	5·4	3·4
Retained cash flow	5·9	6·5	8·9	7·8	7·2
Net fixed assets	41·9	52·7	59·6	60·0	61·0
Net current assets	70·5	96·7	100·7	98·3	96·0
Net liquid assets	Dr.4·2	7·7	5·2	Dr.6·8	Dr.19·6
Net equity assets	101·2	116·7	127·5	133·1	134·2
	%	%	%	%	%
Ord. earnings	21·7	20·5	16·5	16·7	12·7
Ord. dividend	15·0	15·0	15·0	15·0	10·0
Gross profit/sales	7·1	6·5	5·5	5·0	4·6
Gross profit/net equity assets	10·5	10·1	8·9	8·1	7·3
Net earnings/net equity assets	4·7	4·2	5·3	4·1	2·5
Price (£1 shares): 27s. 9d. xd		Earnings yield: 9·1%,			
Dividend yield: 7·2%.		equal to 10·9 years' earnings.			

vision and domestic appliance businesses which reduced their profits by over £2 million. But the pattern of profits was far from being uniform throughout the group.

Trading results on the cable side were "considerably better," though the return on capital was still inadequate. Profits from lamps and lighting improved, while a 25 per cent increase in telecommunication sales turned a "marginal loss" into a "modest profit." On the heavy electrical side, on which about half of the group's capital is employed, turnover was generally maintained, but margins were squeezed further; turnover and profits of the heavy plant division were "considerably up," while the steam turbine-generator division, which is one of the most important in the group, continued to be "profitable." Exports in 1961 reached nearly £50 million but margins remained slim.

Returns, both on AEI's sales and on the capital it employs, continued to fall despite some improvement in productivity in some sectors, for a 7 per cent increase in the group's wage bill more than offset other reductions in costs. Wages and salaries now absorb one-third of the group's total income, and were one reason why the group's retained cash flow was kept down to only £7 million. This little more than covered expenditure on fixed capital account and with increasingly large amounts tied up in working capital (primarily in large long term contracts) AEI is having to call increasingly on its bankers. In 1961 overdrafts rose from £9¼ million to £15¼ million and the group also had to borrow £7½ million on acceptance credits. The directors, however, do not propose to make an issue either of debentures or shares at the present time, even though there is little likelihood of any marked reduction in the level of borrowings in 1962. The exiguous return on capital employed would hardly form the background to a successful issue. The increase in bank interest alone explains almost half the fall from £9 million to £7.1 million in profits before tax. Lower interest rates may help the interest charge this year, but the bulk of the increase in overdrafts last year occurred in the second half.

The strain on its liquid resources does not hold out much hope of any early restoration of the dividend to 15 per cent. However, with the CEGB expanding its programme, and the problems of the tele-



vision tube business eased by the merging of AEI's interests with Thorn, it may be that the shares which touched a new low of 26s. 3d. this week offer the prospects of recovery, particularly if the budget helps to boost sales of consumer durables. Indeed in this week's rally the £1 shares improved to 27s. 9d. to yield 7.2 per cent on the 10 per cent dividend. But investors are not likely to look with much favour on these and other heavy electrical shares until there is evidence that profit margins and returns on capital employed are moving decisively upwards.

Albright and Wilson



BOTH sales and profits of the Albright and Wilson group rose in 1961, but only because the results of W. J. Bush, which was acquired in March, are included. Including Bush for 1960 as well as 1961 profits showed a fall of 4¼ per cent from £8,811,000 to £8,432,000. The companies operating in Great Britain, which export about a quarter of their output, maintained their sales in the home market and their exports rose by over a sixth, mainly in the latter half of the year. But the pressure on margins was severe enough to push profits earned in this country down in the face of the rise in turnover. The principal overseas subsidiaries also met strong competition; in Canada margins have been forced down, reflecting over-capacity among United States producers, and the removal of import restrictions has had a marked effect on chemical producers in Australia.

The chairman, Sir Sydney Barratt, says that trading conditions in the industry were among the most difficult in recent years

	1957	1958	1959	1960	1961
	£ mil.	£ mil.	£ mil.	£ mil.	£ mil.
Sales	30·4	32·2	34·5	42·5	53·0
Trading profit	5·2	5·8	7·4	7·9	8·4
Gross profit	2·9	3·3	4·7	5·0	5·1
Net equity earnings	1·5	1·7	2·2	2·4	2·6
Retained cash flow	2·8	3·1	3·7	3·8	4·3
Net fixed assets	16·1	17·1	17·3	20·5	28·1
Net current assets	5·7	5·7	7·7	9·6	9·4
Net liquid assets	0·6	1·4	3·2	3·2	0·2
Net equity assets	13·6	14·7	16·2	19·6	25·6
	%	%	%	%	%
Ord. earnings	56·9	48·1	50·9	49·7	46·3
Ord. dividend	20	17	18·3	20	20
Gross profit/sales	9·6	10·2	13·6	12·0	10·6
Gross profit/net equity assets	21·3	22·5	29·0	25·7	21·8
Net earnings/net equity assets	11·0	12·6	13·6	12·2	10·2
Price (5s. shares): 24s. 6d.		Earnings yield: 9·4%,			
Dividend yield: 4·1%.		equal to 10·6 years' earnings			

Indeed, compared with the results of most other chemical producers those of Albright appear reasonably favourable; this outcome probably reflects the fact that the balance of production makes it less susceptible to the squeeze on prices brought about by marginal cost selling from abroad. Sir Stanley says that the next twelve months must be "an uncertain and difficult period" for the chemical industry but, while he is reluctant to make any forecast, he says that present indications are that profits for the current year will not differ significantly from those in 1961, as higher sales, both at home and overseas, should offset the effect of selling at lower prices. The group is continuing with its expansion plans and this may enable it to hold on to its share of the market. Capital expenditure amounted to £8 million last year and at December there was still £3½ million unspent on authorised projects. But Sir Sydney says that the liquid funds of £2.9 million together with the cash flow and further borrowing from the banks should cover capital requirements in 1962.

Glaxo

WELL over half the sales of the Glaxo group of pharmaceutical producers are made abroad and the directors say that keen competition in foreign markets and lower prices in the home market are responsible for a fall of 6¾ per cent in trading profits in the six months to December compared with the same period of 1960, in the face of a rise in turnover of 8 per cent by value and even more by volume. In keeping with their earlier assurance that the interim dividend would amount to half the previous year's total, the directors have declared a payment of 7½ per cent.

The results for the second half of 1961-62 will obviously continue to reflect the pressure on margins. But past experience shows that Glaxo usually does better in the second half of its financial year than in the first, so that unless there is further decline in margins the fall in earnings may

Six months to	June 30, 1960	Dec. 31, 1960*	June 30, 1961*	Dec. 31, 1961*
	£000's	£000's	£000's	£000's
Trading profits	3,605	3,295	3,696	3,072
Gross profits	3,970	3,475	4,143	3,294
Taxation	1,920	1,759	2,184	1,750
Net profits	1,995	1,667	1,980	1,504

* Including results of Evans Medical.

not be steep and a dividend of 15 per cent should be covered almost three times. A year ago the yield on Glaxo's 10s. ordinary shares was a mere 2¼ per cent, but now, at 51s. 6d., they yield nearly 3 per cent.

Vauxhall Motors



LIKE other motor companies Vauxhall Motors, the British subsidiary of General Motors, found 1961 a difficult year. Net profits slumped from £7,159,000 to £4,329,000 even though sales were only £18 million lower at £118 million; the table shows margins on sales fell sharply from 10.4 to under 6 per cent. The new chairman, Mr W. Swallow, says that restrictions on sales of cars in the home market were not accompanied by any improvement in export sales and unit costs rose as production was cut back; this in turn made it more difficult for Vauxhall to compete effectively for overseas orders.

	1959	1960	1961
	£ mil.	£ mil.	£ mil.
Sales	130·1	136·0	117·9
Gross profit	13·5	14·1	6·9
Net profit	6·4	7·2	4·3
Gross profit/sales	10·4	10·4	5·9

Sales of cars and commercial vehicles fell from 245,981 to 186,388 units; export sales, although 18 per cent below the 1960 peak, still accounted for 56½ per cent. of the total. While sales to the Commonwealth and to North America fell those to Europe rose.

New Victor models were introduced only in September and they cannot have influenced the past year's profits significantly, though they had a good reception and should help Vauxhall to secure its share of any recovery in the British motor industry this year. Financially Vauxhall began 1962 in a better shape than most companies after a period of depression. With production adjusted to the fall in demand, stocks had been reduced, and though capital expenditure amounted to £13 million the company retained nearly £10 million. Thus, though liquid assets were £4½ million lower at £10¼ million, they were sufficient to cover outstanding capital commitments, which largely relate to the new Ellesmere Port factory.

Simon Engineering

LAST May the chairman of Simon Engineering, Mr R. B. Potter, expected the results of the group to be much the same as those for 1960. In the event the trading profits of this group of engineers and contractors, whose interests range from bakery plant to nuclear power stations, fell by a mere 2½ per cent from £3,429,000 to £3,341,000. There was a heavier charge for depreciation and tax and net profits fell by 10½ per cent from £1,332,000 to £1,192,000. The ordinary dividend is maintained at 27½ per cent with the cover at 1¾ times, slightly lower.

The results of this Henry Simon-Simon Carves group are difficult to interpret because a large part of its work in any particular year stems from contracts made in earlier years. The group has done well to maintain its earnings in the face of rising costs, and its extensive business overseas may provide some protection against a decline in orders at home. At the beginning of last year, Simon's order book was at a record high level, but shareholders must wonder whether it is so high now, as industrial investment fell markedly in the final quarter of last year. The 5s. shares at 31s. 3d. yield 4.4 per cent.

Alfred Herbert

THE order book of Alfred Herbert, the machine tool group, stands at a record level, £1 million higher than a year ago, and ensures eight to nine months' work ahead. Output is rising and is helping to preserve margins at a time of rising costs. It would seem reasonable, therefore, to expect that the pace of expansion in the year to October 31, 1961, when trading profits rose by 14½ per cent, should be sustained in the current year unless the fall in industrial investment goes appreciably further. The chairman, Colonel C. W. Clark, says that there was no decline in orders received by the group in January and the barest perceptible decline since.

It has been said that the machine tool industry will be vulnerable to foreign competition if Britain joins the common market, but Colonel Clark refutes this suggestion for Alfred Herbert. Almost 40 per cent of the group's output is exported, and it has done "unusually well" in France and Italy. Revaluation of the mark and rising German wage rates have helped to reduce the competitive advantage of German producers and Colonel Clark is optimistic about the group's prospects in the common market.

Years to Oct. 31	1957	1958	1959	1960	1961
	£ mil.	£ mil.	£ mil.	£ mil.	£ mil.
Trading profit	3·9	2·5	2·0	2·9	3·3
Gross profit	4·1	3·0	2·3	3·2	3·6
Net equity earnings	1·9	1·6	1·4	1·7	1·8
Retained cash flow	1·6	1·3	0·9	1·1	1·3
Net fixed assets	2·7	2·8	2·9	3·0	4·0
Net current assets	16·2	16·3	16·5	17·5	17·3
Net liquid assets	8·5	8·8	8·7	8·0	6·3
Net equity assets	16·7	17·6	18·1	18·9	19·5
	%	%	%	%	%
Ordinary earnings*	17·5‡	10·9	13·2	15·4	16·4
Ordinary dividend*	6‡	6	7	8½	8½
Gross profit/net equity assets	24·5	17·0	12·8	15·3	18·5
Net earnings/net equity assets	11·4	9·1	7·7	9·0	9·2
Price (£1 shares): 67s. 3d.		Earnings yield: 8·0%,			
Dividend yield: 4·1%.		equal to 12·5 years' earnings.			

‡ Adjusted for scrip issue. * Tax free.

Bakelite

CAUGHT, like other plastics manufacturers, between rising costs and falling prices, Bakelite reported a fall of 37 per cent in its trading profits for 1961 from £1,351,000 to £853,000. Intense competition in the industry is clearly shown by the fact that though the physical volume of Bakelite's sales was higher the value of sales actually fell and stocks had to be written down by £159,000. The ordinary dividend, maintained at 17½ per cent, is now covered twice by earnings.

The chairman, Mr Stanley Adams, understandably offers no forecast of profits for this year, for current uncertainties in the plastics industry would make prophecy rash. The group has, however, completed its expansion programme and extended its range of products and there is a growing demand for the group's "Warerite" laminate from the furniture industry. Therefore, Bakelite may again sell a bigger physical volume this year—improved profits must require improvement in margins and the present intense competition in the industry suggests that this is unlikely before the end of the current year. The 10s. ordinary shares at 37s. 6d., yielding 4.6 per cent, may not fully reflect these problems.

The Economist Indicator (1953=100)

1962	Indicator	Yield %	1962 High	1962 Low
Feb. 28	356·6	4·97		
Mar. 7	352·2	5·03		
" 14	356·7	4·97		
" 21	347·9	5·08	364·4 (Jan. 17)	346·3 (Mar. 28)
" 28	346·3	5·12		
Apr. 4	355·3	5·03		

Financial Times Indices

1962	Index †	Ord. Yield	2½% Consols Yield	Bargains Marked
Mar. 29	292·6	5·37	6·23	12,453
" 30	291·8	5·39	6·23	12,586
Apr. 2	291·4	5·40	6·25	15,407
" 3	293·7	5·35	6·25	14,155
" 4	298·6	5·26	6·22	16,779

High, 310·2 (Jan. 19). Low, 291·4 (Apr. 2).
† July 1, 1935=100.

STOCK PRICES

Prices, 1962 High	Low	BRITISH FUNDS AND GUARANTEED STOCKS	Price March 28, 1962	Price, April 4, 1962	Net Red. Yield, April 4, 1962§	Gross Red. Yield, April 4, 1962
					£ s. d.	£ s. d.
93 5/8	90 1/32	Savings Bonds 3%.....1955–6	93 1/16	93 11/32	3 18 5	5 3 9
97 3/16	96 1/16	Exchequer 3%.....1962–63	97 1/16	97 1/32	3 13 3	5 3 2
100 5/16	100*	Treasury 5½%.....1962	100 5/32	100 11/32	1 4 2	4 13 10
95 9/16	93 1/4	Exchequer 2½%.....1963–64	95 1/32	94 7/8	3 18 1	5 2 0
99 7/8	98 1/2	Conversion 4½%.....1963	99 1/32	99 17/32	2 16 6	5 3 1
99 11/16	97 1/2	Conversion 4½%.....1964	98 5/8	98 1/2	3 3 3	5 5 4
100 1/8	98	Exchequer 5½%.....1966	99 3/8	99 7/32	3 7 5	5 10 9
83 3/8	82 1/2	Funding 3½%.....1959–69	82 7/8	82 15/16	4 14 3	6 0 0
89 7/8	87 3/4	Funding 4%.....1960–90	87 7/8	87 3/4	4 13 2	6 10 11
80 1/4	78 15/16	Savings Bonds 3%.....1960–70	79 7/8	80	4 15 7	6 2 5
87 1/4	85	Savings Bonds 2½%.....1964–67	86 5/8	86 1/16	4 10 0	5 10 8
71 3/8	70 1/16	Savings Bonds 3½%.....1965–75	71 3/16	71 3/8	4 15 9	6 4 8
85 5/16	83 1/2	Funding 3%.....1966–68	85 3/16	85 9/16	4 11 0	5 17 4
86 5/16	84 9/16	Conversion 3½%.....1969	85 7/16	85 11/16	4 11 9	6 1 11
96 1/2	92 1/4	Victory 4%.....1920–76	96 1/4	96 1/4	4 13 7	6 2 7
92 1/4	90 3/4	Conversion 5%.....1971	91 3/4	92 1/16	4 3 11	6 6 1
99 1/2	97	Conversion 6%.....1977	98 1/2	98 1/16	3 18 11	6 6 11
93	92	Conversion 5½%.....1974	92 3/4	92 15/16	4 1 2	6 5 7
71 7/16	69	Treasury 3½%.....1977–80	71 3/8	71 3/8	4 10 5	6 5 11
70 1/4	68 1/2	Treasury 3½%.....1979–81	70 1/8	70 1/16	4 10 9	6 5 2
91 7/8	90 1/2	Funding 5½%.....1982–84	91 13/16	91 7/8	3 19 8	6 5 11
56 1/2	54	Redemption 3½%.....1986–96	56 1/4	56 1/8	4 4 11	5 19 10
85 1/2	82 1/2	Treasury 5%.....1986–89	83 1/2	83 5/16	4 0 11	6 4 9
61 1/2	56 1/2	Funding 3½%.....1999–2004	60 1/2	60 3/4	4 2 10	6 3 7
98 3/8	84	Treasury 5½%.....2008–12	87 5/8	87 13/16	3 18 9	6 6 8
63 1/2	58	Consols 4%.....after Feb. 1957	62 3/8	62 7/16	3 19 0	6 9 7
56 3/4	52 1/2	War Loan 3½%.....after 1952	56	55 7/8	3 17 9	6 8 11
55	52 1/4	Conv. 3½%.....after Apr. 1961	54 1/8	54 1/16	3 18 7	6 8 5
47 5/8	44 7/8	Treasury 3%.....after Apr. 1966	46 7/8	46 7/8	3 18 5	6 8 0
40 3/4	38 1/2	Consols 2½%.....	40 1/8	40 1/8	3 16 4	6 4 8
40 1/16	38 1/16	Treasury 2½%.....after Apr. 1975	39 1/4	39 11/16	3 17 2	6 6 11
91 3/4	89 1/2	British Electric 4½%.....1967–69	91 3/16	91 7/16	4 3 9	6 1 6
75 3/4	74 3/8	British Electric 4%.....1968–73	74 3/4	74 3/4	4 16 7	6 4 2
70 1/8	69	British Electric 3½%.....1974–77	69 1/4	69 1/8	4 14 7	6 3 9
80 7/16	79 1/2	British Electric 4½%.....1974–76	79 3/4	79 3/4	4 6 0	6 4 3
72 3/4	70 3/4	British Electric 3½%.....1976–79	72 1/4	72 3/8	4 10 1	6 4 9
83 7/16	82 1/4	British Gas 4%.....1969–72	83 1/4	83 3/8	4 10 7	6 5 11
81 1/4	80 3/4	British Gas 3½%.....1969–71	81 1/4	81 3/8	4 12 5	6 3 4
57 7/8	53 13/16	British Gas 3%.....1990–95	56 7/16	56 9/16	4 6 0	6 0 6
75 1/2	74 3/8	British Transport 3%.....1968–73	74 3/8	74 3/4	4 16 7	6 4 2
73 1/4	72 1/4	British Transport 4%.....1972–77	72 3/4	72 13/16	4 7 9	6 4 11
59 3/4	56 1/2	British Transport 3½%.....1978–88	59 1/16	59 1/8	4 10 2	6 3 11

Prices, 1962 High	Low	DOMINION AND CORPORATION STOCKS	Price, Mar. 28, 1962	Price, April 4, 1962	Red. Yield, April 4 1962
					£ s. d.
81 3/4	79 1/2	Australia 3½%.....1965–69	81 3/8	81 3/4	6 8 0
98 1/4	96	Australia 6%.....1974–76	96	96 1/4	6 7 0
100	97 1/2	Ceylon 4½%.....1972–75	99	99 1/4	6 0 3
96 1/4	94 1/4	New Zealand 6%.....1976–80	95 1/2	95 1/2	6 6 0
75 1/4	63	Rhodesia and Nyasaland 6%.....1978–81	63 1/2	64	10 5 0
85 1/4	82	South Africa 3½%.....1965–67	85	85 1/4	6 14 0
58 1/4	49	Southern Rhodesia 4½%.....1987–92	50 1/2	49	9 10 0
80 1/2	77 1/2	Agricultural Mortgage 5%.....1959–89	80 1/2	80 1/2	6 10 0
88 1/2	86	Birmingham 4½%.....1967–70	88 1/2	88 1/2	6 2 0
90 1/2	88 1/2	Bristol 5%.....1968–73	90 1/2	90 1/2	6 6 0
89 1/4	88	Corporation of London 5½%.....1976–79	89 1/4	89 1/4	6 7 0
46 1/8	43	L.C.C. 3%.....after 1920	45 3/4	45 7/8	6 10 0
86 1/2	84	L.C.C. 5%.....1980–83	85 1/8	85 1/8	6 4 0
89 1/4	87	Middlesex 5½%.....1980	87 1/8	88	6 7 0

NEW YORK PRICES AND INDICES

	Mar. 28 $	Apr. 4 $		Mar. 28 $	Apr. 4 $		Mar. 28 $	Apr. 4 $
Atch. Topeka	27 1/8	26 1/2	Boeing	50 3/4	48	Int. Harvester	55 1/4	54 5/8
Can. Pacific	24 1/2	24 1/8	Celanese	43 3/8	40 1/8	Inter. Nickel	77 1/8	75 1/4
Pennsylvania	16 5/8	15 7/8	Chrysler	55 1/4	52 1/8	Inter. Paper	37 3/8	36 7/8
Union Pacific	32 1/8	31 1/4	Col. Palmolive	45 1/8	46 1/2	Kennecott	80 1/2	78 3/4
Amer. Electric	70 1/8	70 1/2	Crown Zeller	56 7/8	55 1/4	Monsanto	47 3/4	46
Am. Tel. & Tel	130 1/4	129	Distillers Seag.	47	46 7/8	Nat. Distillers	28 1/8	29 1/8
Cons. Edison	82	79 1/2	Douglas	29 1/8	28 1/8	Pan-American	23	21 1/4
Inc. Tel. & Tel	54 1/4	50 1/2	Dow Chemical	60	57 1/8	Procter Gamble	85	83 3/4
South'n. Nat. Gas	49	48	Du Pont	243 1/2	238	Radio Corpn.	61 1/8	59 7/8
United Corpn.	8 1/2	8 1/8	East. Kodak	114 1/2	112 1/4	Sears Roebuck	83 1/4	82 3/8
Western Union	38 1/4	36 1/2	Ford Motor	99 1/8	94	Shell Oil	38 1/8	37 1/2
Alcoa	66	65 1/8	Gen. Electric	77 1/8	75 3/4	Socony-Mobil	56 7/8	55
Aluminium	76 1/8	74	General Foods	84 1/8	84 1/4	Stand. Oil Ind.	52 1/4	51 1/8
Amer. Can	46 1/8	45 1/4	General Motors	56 1/8	54 1/2	Stand. Oil N.J.	54 1/2	53 1/4
Am. Smelting	59 1/2	59 1/8	Goodyear	44	43 1/4	Union Carbide	115 1/8	111 1/2
Am. Viscose	59 1/8	54	Gulf Oil	42 3/8	41 7/8	U.S. Steel	72	69 1/2
Anaconda	47 1/8	46 7/8	Heinz	60 1/2	58	West. Electric	35 1/8	35
Beth. Steel	43 1/8	42 1/8	Int. Bus. Mach.	539 1/2	510 1/4	Woolworth	83 1/4	80 1/2

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

1962	425 Industrials	Yield %	25 Rails	Yield %	50 Utilities	Yield %	Govt. Bonds	Yield %
Mar. 7	73·57	2·91	33·50	4·82	63·92	3·16	87·87	4·09
" 14	74·93	2·86	33·43	4·83	64·79	3·12	88·70	4·01
" 21	74·42	2·88	33·35	4·83	64·95	3·11	88·80	4·00
" 28	73·93	2·90	33·35	4·81	64·45	3·13	89·01	3·98
Apr. 4	72·14	2·97	32·44	4·97	64·06	3·15	88·75	3·99

425 Industrials:—High, 75·22 (Jan. 3). Low, 71·68 (Jan. 29).

Prices, 1962 High	Low	ORDINARY STOCKS	Price, Mar. 28, 1962	Price, Apr. 4, 1962	Yield, Apr. 4, 1962	Cover
					%	%
94/-	86/-	**BANKS, DISCOUNT & HP**				
99/9	93/-	Barclays.....£1	90/6	93/3	2·79	...
65/6	58/6	District.....£1	95/9	98/-	3·27	...
23/6	20/3	Lloyds.....£1	60/3	65/6	2·87	...
93/6	86/9	Martins.....5/-	22/4½	22/4½	3·35	...
94/6	89/-	Midland.....£1	92/3	93/-	3·23	...
93/-	84/-	Nat. Provincial.....£1	90/3	93/-	3·01	...
49/3	40 10½	Westminster 'B'.....£1	90/-	93/-	2·86	...
48/3	44/6	Australia & N.Z...£1 p.p.	41/6	41/6	5·78	...
4 a	4 a	Bk. Lond. & S. Amer..£1	46/9	47/3	4·23	...
$2·05 c	$2·05 c	Bank of Montreal.....$10	£23 11/16	£23 3/16	3·00	....
80	27/6	Bank of New S. Wales £20	29½	30	4·80	...
38/6	34/9	Barclays D.C.O.....£1	36/3	36/6	5·48	...
7½ a	5/3	Chartered.....£1	54/9	54/9	5·48	...
£19 c	£17 1/4	Hongk'g. & Shang....$25	£18	£18 1/4	4·11	...
57/3	52/3	Nat. Com. Bk. Scot..10/-	52/3	53/-	3·11	...
$2·37½ c	$2·50 c	Royal Bk. Canada....$10	£28 3/16	£28 1/16	3·02	...
43/6	37/6	Stand. Bk. S. Africa...£1	41/-	41/-	7·32	...
187·6	157/6	Hambros.....£1 f.p.	185/-	177/6	2·54	...
94/6	81 10½	Schroders.....£1	86/-	94/6	1·59	...
58/6	53/-	Union Discount.....£1	55/6	58/6	4·27	...
14·11	11 10½	Bowmaker.....5/-	11 10½	12/3	...	...
14 3	12/3	Lombarde Banking ...5/-	13/-	13 1/4	3·74	1
5 a	5 a	Mercantile Credit ...5/-	12/6	12/6	3·00	...
22 1½ b	21 b	United Domins. Tst...5/-	34/9	35/6	3·73	...
		BREWERIES, Etc.				
15/4	13/3	Bass M. & B.....5/-	13/6	14/6	3·79	2
37/4½	32/-	Distillers.....10/-	39/-	41/6	3·49	2
20 6	17/6	Flowers.....5/-	17/6	18/3	3·29	2
51/6	47/-	Guinness.....10/-	48/3	49/9	4·42	1
15 7½	12 7½	Ind Coope T.A.....5/-	12 10½	13 1½	4·57	1
15/4½	13/-	United Breweries ...5/-	15/3	15 1½	4·13	...
16 1½	12 4½	Watney Mann.....5/-	24/3	26/3	3·42	2
36	31/9	Whitbread 'A'.....5/-	34/9	34/9	3·88	1
		BUILDING, PAINT, Etc.				
55/6	50 7½	Associated Portland...£1	50/3	53/6	3·12	2
23/6	21/9	British Plaster Bd. ..10/-	21/9	23/3	5·38	2
17 10½	14 10½	Richard Costain.....5/-	15/7½	15/10½	5·04	2
12/3	10/6	Critall Mfg.....5/-	11/6	11/6	7·34	2
12/6	10/11½	International Paints ..4/-	10/6	10/3	7·80	1
25 c	25 c	Rugby Portland.....5/-	67/3	69/3	1·81	3
23/6	19 7½	Wall Paper Deld.....5/-	19 7½	20/4½	4·09	2
		CHEMICAL				
24/6	20/9	Albright & Wilson...5/-	23/7½	24/6	4·08	2
19/3	16/3	Borax Defd.....£1	18/7½	19/3	2·99	2
43/3	34/-	Fisons.....£1	39/9	40/6	5·43	1
58/-	53/3	I.C.I.....£1	54/7½	56/-	4·91	2
17/-	12/6	Monsanto.....5/-	13/9	13/3	3·77	...
		DRAPERY & STORES				
31/4½	26 10½	Boots Pure Drug....5/-	29/-	31/4½	1·91	2
33/7	28 10½	Montague Burton....10/-	30 10½	31/11½	2·21	2
59/4	53/6	Debenhams.....10/-	55/-	58/3	3·30	1
56/9	54/4½	G.U.S. 'A'.....5/-	56/-	56/6	3·32	2
36/9	34/9	House of Fraser.....5/-	36/9	38/9	3·87	1
15/6	13/6	Lewis's Invest. Tst...4/-	14/3	14 10½	3·36	2
99/9	90/-	Marks & Spencer 'A'.5/-	92/3	95/-	2·50	1
50 10½	46/-	United Drapery.....5/-	48/-	50 10½	2·95	1
53/-	45/6	Woolworth.....5/-	48/9	50/-	3·58	1
		OIL				
38/-	32/3	British Petroleum £1	33/6	35/3	9·04	1
35/9	30/6	Burmah Oil £1	31/9	34/-	9·01	1
£18 1/4	£17 3/4	Royal Dutch.....20 fl.	£13 7/16	£13 1/2	3·84	2
277/6	210	Shell Transport £1	29 3/8	30 7½	6·66	2
20/6	...	Ultramar.....10/-	21/-	21/3	...	d

FOREIGN AND OVERSEAS STOCKS

	Mar. 28	Apr. 4		Mar. 28	Apr. 4		Mar. 28	Apr. 4
FRANCE	Frcs.	Frcs.	**GERMANY**	%	%	**HOLLAND**	%	%
Air Liquide	1,329	1,368	A.E.G.	497	495	A.K.U.	383 3/4	373 3/4
Banque de Paris	624	624	Bad'sche. Anilin	477	475	Bijenkorf	1,096	1,130
Citroen	269	234	Bayer	609 1/2	610	Heinekens	546 1/2	532
C. F. Petrole	328	330	Commerzbank	565	562	Interunie (Fl.50)	Fl.259	Fl.309
Cie. G. d'Elecs	1,287	1,355	Dresdner Bank	654	653	K. N. Hoogoven	788	768
Machines Bull	731	775	Hoechst Farb.	514	514 1/2	Kon. Zout-Ket.	1,073	1,080
Pechiney	293	311·7	Kundenkredit	512	512	Philips	977 1/2	948
Printemps	759	752	Lowenbrau	1,200	1,240	Robeco (Fl.50)	Fl.240	Fl.239
Rhone-Poulenc	524	544	Mannesmann	236 1/2	240	Rotterdam Bk.	400	400
St.M.	385	395	Siemens	750	781	Thomassen & D.	698	698
Saint-Gobain	437	452	Thyssen-Huette	215	207	Valeurop	Fl. 81·1	Fl. 82·4
Usinor	227	254	Volkswagen	662	676	Zwanenberg	1,051	1,030
Index	109·6	110·45	Herstatt index	110·68	110·81	Index	379 04	378 73
Dec. 30. 1960 = 100			Dec. 31. 1959 = 100.			1953 = 100.		

	Mar. 28	Apr. 4		Mar. 28	Apr. 4		Mar. 28	Apr. 4
ITALY	Lire	Lire	**BELGIUM**	Frcs.	Frcs.	**SWEDEN**	Kr.	Kr.
Ass. Generali	159.250	155.500	Arbed	31,100	30,050	Asea	225	228
Breda	6,180	6,138	Bque. Nat. de Bel.	10,600	10,300	Elektrolux	124	128
Edison	5,406	5,145	Bque. Soc. Gen.	3,445	3,425	Ericsson B. Kr. 35	135	135
Fiat	3,062	3,000	Cockerill-Oug.	3,150	3,065	Separator B	297	300
Finsider	1,565	1,552	Esperance Long	6,850	6,620	Skand. Banken	202	201
La Centrale	15,995	15,600	Hoboken	19,000	19,950	Sv. Cellulosa	205	205
Montecatini	4,000	3,883	Innovation	7,250	7,200	Sv. Handelsbank	200	200
Motta	37,900	37,200	Photo Gevaert	3,696	3,660	Tandstk. B Kr. 50	177	177
Olivetti	11,070	11,000	Sidro	1,140	1,124	Index	173·90	174·15
Pirelli S.p.A.	12,011	11,730	Soc. Generale	14,875	14,800	Dec. 29, 1956 = 100.		
Rinascente	872·5	850	Sofina	8,630	8,550	**NORWAY**	%	%
Snia Viscosa	7,921	7,775	Un. Miniere	1,310	1,276	Bergens Priv'bk.	251 1/4	247 1/2
Index	740·66	720·57	Index	416·0	411·4	Borregaard	245	246 1/4
1950 = 100			Mar 9, 1940 = 100.			Norsk Hydro	314 1/2	313 3/4

§ Ex dividend. † Tax free. ‡ Assumed average life 7½ years. § The net redemption yields allow for tax at 7s. 9d. in £. ‖ Ex capitalisation. Ex rights. ‡‡ Ex all. (a) Interim dividend. (b) Final dividend. (c) Year's dividend. (d) Capital distribution of 1s. 0d. per share. (f) Flat yield. (g) Equivalent to 7·2 sterling. (h) After Rhodesian tax. (i) To latest date. Japanese prices supplied by Daiwa Securities, Tokyo.

AND YIELDS

LONDON : NEW YORK : FRANCE : GERMANY : HOLLAND : ITALY : BELGIUM : SWEDEN : NORWAY

Prices, 1962 High	Low	ORDINARY STOCKS	Price Mar. 28, 1962	Price, Apr. 4, 1962	Yield, Apr. 4, 1962	Cover
					%	%
32/6	26/9	**ELECTRICAL & RADIO**				
12/6	11/-	A.E.I.....£1	27/-	27/3	7·34	1
63/9	56/4½	Brit. Electronic Inds..5/-	12/1½	12 1½	6·19	1
14/8¼	12/7½	B.I.C.C.....£1	61/9	61/3	4·41	2
85/-	76/-	Crompton Parkinson..5/-	12/9	12 10½	4·85	2½
23 1/2 c	21 c	Decca Record.....10/-	76/6	78/6	2·97	1¾
45/6	42/-	E.M.I.....10/-	42/6	44/-	3·98	2
50/-	41/3	Elliott-Automation...5/-	46/9	49 10½	1·30	2
27/9	23/-	English Electric £1	23/-	23/9	6·74	1½
30/3	25/9	General Electric.....£1	26/3	26/-	7·69	¾
59/3	50/6	G. A. Parsons.....£1	57/9	58/9	4·26	4
47/9	43/6	A. Reyrolle.....£1	44/3	44/3	4·41	2¾
75/-	63/6	Thorn Electrical.....5/-	74/6	73/-	1·71	3
		ENGINEERING				
23/9	20/3	Babcock & Wilcox....£1	21/3	21/9	...	1
33 1/2	27/3	John Brown £1	31 9/1	32 1/2	6·38	2½
6/-	4/3	Cammell Laird 5/-	4/6	4/6	13·33	1
26/6	22/-	Internat. Combust. ...5/-	22/3	22/-	...	1¼
5/6	3/7½	Richardsons, Westg'th. 10/-	3 10½	3 7½	...	...
38/4½	32/-	Swan Hunter £1	34/9	35/7½	6·74	2¼
13/-	10/6	John Thompson 5/-	11/-	11/9	2·13	...
32/9	30/4½	Coventry Gauge.....10/-	31/6	32/9	4·36	2¾
73/7½	60/7½	Alfred Herbert £1	61 10½	66/6	4·17	2
47/6	39/6	Allied Ironfounders...£1	39/6	42/9	8·19	1½
96/3	90/9	Averys £1	90/9	92/9	3·23	2½
20/3	16/6	B.S.A.....10/-	16/6	17 3	6·77	2½
11/3	9/9	George Cohen 5/-	11/-	11/3	5·78	1¾
33/-	28/3	Davy-Ashmore 5/-	29/3	28/9	4·78	2¼
80/-	74 10½	Guest Keen.....£1	75 4½	79 7½	4·02	3½
21/-	19/6	Head Wrightson.....5/-	20 10½	20 10½	3·83	2½
85/6	80/6	Metal Box.....£1	81/6	83/6	2·87	2¼
17/3	14/9	Ransome & Marles...5/-	15/-	15/3	4·59	3
46/3	44/6	Renold Chains £1	45/3	45/-	4·44	2
64 10½	55 10½	Tube Investments.....£1	57 7½	59 10½	4·68	3
31 1½	26 10½	Vickers £1	27/-	27/9	7·21	1¾
69/-	60/-	Ward (Thos. W.).....£1	68/-	69/-	3·99	3
20/6	18/-	Woodall-Duckham...5/-	18/-	18/3	5·75	2¾
		FOOD & TOBACCO				
23/9	19/9	Allied Suppliers 10/-	20/4½	20 -	5·00	2
12 4½	10 2½	Assoc. British Foods...1/-	10/6	10 7½	7·12	2
6/3	5/6	Bovril.....£1	6/3	6/9	4·23	2½
12 1½	11 4½	Brooke Bond 'B'.....5/-	11 4½	11 6¾	3·95	3½
15/9	13/11½	International Tea.....5/-	13/11½	13/6	4·63	1½
78/3	72/9	J. Lyons 'A'.....5/-	75/3	75/9	4·18	1¼
33/3	30/-	Ranks Hovis 10/-	32/1½	32 7½	4·29	1
13/-	10 10½	Spillers.....5/-	12/9	13/-	3·85	2
50/3	47/1½	Tate & Lyle.....£1	49/9	49/9	4·82	2¼
17/9	15/3	Unigate 5/-	16/4½	17/9	3·94	2
63/9	53/3	Brit. Amer Tobac...10/-	59/-	56/6	6·50	3
41/3	29/6	Gallaher 10/-	31/-	29 10½	6·69	2
63/9	48/-	Imperial Tobacco.....£1	50/3	48/9	9·23	1¾
		INSURANCE				
171½	147/6	Britannic 5/-	165 1/16	171½	2·45	...
68/-	55/3	Commercial Union ...5/-	55/3	56/9	3·96	...
35 5/16	33½	Equity & Law Life ...8/6	33½	34⅝	1·26	...
96/9	84/6	General Accident...5/-	91/6	96/9	1·55	...
53/6	46/9	Guardian.....5/-	52 3	52/6	2·54	...
45	38½	Legal & General.....5/-	41 1/16	44¾	1·06	...
152/9	142/9	Northern & Empl.....£1	144/3	152/9	2·62	...
127 32	105⅜	Pearl 5/-	114 32	123 16	3·01	...
25 7/8	24 9/16	Prudential 'A'.....4/-	25 1/4	25 7/8	2·67	...
47 10½	41 10½	Royal 5/-	43 1½	44 10½	3·34	...
111/9	103/9	Royal Exchange £1	107/3	111/9	3·36	...
		MOTORS & AIRCRAFT				
16/9	15/6	British Motor 5/-	16 1½	16 7½	6 02	3
85/-	80 4½	Ford Motor £1	81 1/2	82 1½	1 22	8
41/6	35/-	Rolls-Royce.....£1	36 4½	35/3	6·24	2¼
6/3	5/9	Rootes Motors 'A'....4/-	6/2¼	6/2¼	9 04	...
78/6	68/3	A.C.V.....£1	70/6	69/6	4·60	2
92/3	76/9	Leyland Motors £1	85/6	86 1½	4·64	2
15 11¼	14/-	Bristol Aerojune ...10/-	14/3	14/-	8·93	2¼
24 8¼	21 7½	Hawker Siddeley.....£1	21 7½	21 10½	9·69	2¼
36/9	26/9	Dowty Group.....10/-	27/6	27/-	5·74	2¼
31/3	28 11½	Dunlop Rubber 10/-	29 10½	31/3	5·07	2
71 10½	63/9	Pressed Steel.....5/-	70 4½	71 10½	3·83	2¼
22/-	16/9	Pressed Steel.....5/-	18/-	19/-	...	1¼
37/7½	34 4½	Triplex Holdings ...10/-	35 7½	35 10½	3·48	2¼
		MINES				
150/-	136/3	Anglo-American....10/-	141/3	142/6	6·32	1½
64·3	53/9	Consolid. Gold Fields.£1	56/-	55/6	9 01	2½
96/3	81 10½	General Mining.....£1	82/6	85/-	8·24	2
60/6	49 8a	Union Corporation ..2/6	51/-	50/6	8·08	3
18/9	16/9	Daggafontein 5/-	18/-	17/9	22·54	1½
94 4½	84 4½	Free State Geduld ...5/-	84 4½	86/3	9·86	1½
47/6	39/9	Hartebeestfontein ...10/-	40/9	40/-	12·50	1½
56/6	50/6	President Brand 5/-	55/3	56/6	9·73	1½
128/9	117/6	Western Holdings ...5/-	124 1/2	124 7½	8·43	1½
19/-	16/-	Winkelhaak.....10/-	16 13	16 13	6·77	8½
56/9	45/6	Charter.....15/-	49/-	46/-	16·30	1½
56/6	47/-	Rhod. Anglo-Amer 10/-	50/-	50/-	16·00	1¾
37 4½	28/6	Rhod. Selection Tst. ..£1	29/9	29/3	12·31	1¾
21/9	17/9	Tanganyika Cons....10/-	18/-	17 9	18·31	1¼
57/-	48/-	Consolidated Zinc....£1	49/6	48 9	7·18	1¾
153 1½	135/-	De Beers Defd. Reg. 5/-	146/3	148 9	9·41	1¾
$3 51½	$134	$1·50 c $1·60 c	Internat. Nickel ...n.p.v.	$139½	$136	2·09
18 9	16/4½	London Tin.....4/-	16 10½	16 7½	9·02	1¼
43/9	36/-	Rio Tinto.....10/-	36/3	37 3	7·38	1½
35/-	25/9	Tronoh 5/-	32 1½	30/3	8·68	1
		PAPER & NEWSPAPERS				
12 10½	11 10½	Daily Mirror.....5/-	11 10½	11 10½	6·32	1¼
70/-	62/6	W. H. Smith & Son 'A'..£1	65/-	65/6	3·66	2
24/9	21/3	Thomson Org'n. 5/-	22/3	22/-	5·45	2
47/3	42/9	Bowater Paper.....£1	44/3	43/6	6·32	1½
45/-	38/-	Albert E. Reed.....£1	39/-	39/3	8·15	1½
43/9	37/-	Spicers.....£1	43/6	43/6	5·75	1¾
55/-	48/-	Wiggins Teape £1	48/6	52/-	5·38	2

| Prices, 1962 High | Low | ORDINARY STOCKS | Price, Mar. 28, 1962 | Price, Apr. 4, 1962

Money and Exchanges

EXCHEQUER RETURNS

For the week ended March 31, 1962, there was an "above-line" surplus (after allowing for sinking funds) of £36,823,000 compared with a deficit of £3,971,000 in the previous week and a deficit of £9,693,000 in the corresponding period of last year. There was a net expenditure "below-line" of £14,092,000 leaving a total cumulative deficit to date of £211,278,000 compared with £394,318,000 in 1960–61.

£'000	Estimate 1961–62	April 1, 1960, to Mar. 31, 1961	April 1, 1961, to Mar. 31, 1962	6 days ended March 31, 1961	Week ended March 31, 1962
Ordinary Revenue					
Income Tax	2,728,500	2,433,062	2,726,674	108,320	166,279
Surtax	210,000	189,400	224,100	3,600	8,900
Death Duties	240,000	235,600	262,200	3,400	6,800
Stamps	94,000	90,200	96,600	1,500	2,400
Profits tax, EPT and EPL	325,500	263,100	335,100	2,200	6,600
Other Inland Rev. Duties	...	450	350	...	100
Total Inland Rev.	3,598,000	3,211,812	3,645,024	119,020	191,079
Customs	1,550,000	1,456,523	1,616,319	19,212	29,401
Excise	960,000	933,260	978,425	14,440	20,925
Total Customs and Excise	2,510,000	2,389,783	2,594,744	33,652	50,326
Motor Duties	155,000	126,005	141,008	...	...
PO (Net Receipts)	...	...	...	–4,000	...
Broadcast Lic's.	40,000	37,900	39,500	2,700	...
Sundry Loans	205,000	41,288	224,646	356	1,181
Miscellaneous		126,877			
Total	6,508,000	5,933,665	6,644,922	151,728	242,586
Ordinary Expenditure					
Debt Interest	660,000	660,795	710,886	–12,817	–13,384
Payments to N. Ireland Exch.	92,000	88,994	97,444	...	5,527
PO Fund — Initial settlement	15,000	...	7,282	...	...
Other Consolidated Funds	8,000	8,672	11,365	25	190
Supply Services	5,186,902	4,988,708	5,367,800	174,213	213,256
Total	5,961,902	5,747,169	6,194,777	161,421	205,589
Sinking Funds	40,000	39,392	40,069	...	174
"Above-line" Surplus or Deficit	+ 147,104	+ 410,076	– 9,693	+ 36,823	
"Below-line" Net Expenditure*	541,422	621,354	23,206	14,092	
Total Surplus or Deficit	394,318	211,278	32,899	+ 22,731	
Net receipts from:					
Tax Reserve Certificates	22,195	19,457	5,160	5,476	
Savings Certificates	56,800	– 21,300	500	100	
Defence Bonds	105,888	16,389	1,007	369	
Premium Savings Bonds	55,510	43,300	800	2,500	
Total	240,393	57,846	7,467	8,445	

* Net issues of £5 million to the Civil Contingencies Fund in 1961–62 compared with net repayments of £5 million in 1960–61.

FLOATING DEBT

(£ million)

	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Dept.	Ways and Means Advances: Bank of England	Total Floating Debt
1961 Mar. 31	4,648·1		307·3	...	4,955·4
Dec. 31	3,400·0	2,205·3	205·1	...	5,810·4
1962					
Jan. 6	3,380·0	2,163·3	339·7	...	5,882·9
" 13	3,300·0	2,151·6	334·8	2·5	5,788·9
" 20	3,250·0	2,147·4	326·4	...	5,723·8
" 27	3,190·0	2,163·1	217·9	1·8	5,572·8
Feb. 3	3,120·0	2,115·6	242·6	7·8	5,486·0
" 10	3,070·0	1,989·0	246·8	...	5,305·8
" 17	3,040·0	2,302·6	275·4	5·0	5,622·9
" 24	2,990·0	2,382·5	207·4	...	5,579·9
Mar. 3	2,950·0	2,481·4	236·7	5·0	5,673·1
" 10	2,960·0	2,435·5	248·2	0·8	5,644·4
" 17	2,960·0	2,423·9	251·1	...	5,635·0
" 24	2,980·0	2,391·6	290·8	...	5,662·5
" 31	3,000·0	2,330·6	260·7	...	5,591·3

THE MONEY MARKET

THE syndicate of discount houses raised its bid by 3d. to £98 18s. at last Friday's Treasury bill tender. This is a reduction of 1s. in the annual rate. The average rate of discount fell by 11.31d. to £4 8s. 1.16d., bringing the fall since Bank rate was reduced to 5 per cent to 9s. 6.41d. Total applications for the unchanged offer of £230 million bills fell by £16 million to £392 million, and the market's allotment of bills was 57 per cent compared with 48 per cent at the previous tender.

The reaction of the authorities to this further cut in the bill rate has again been strong. As in the previous week the market has again been forced to borrow from the Bank of England at the penal rate on two occasions. On Monday one or two houses borrowed a very small amount, and on Wednesday seven or eight houses were in the Bank for a moderate amount. On Tuesday the market just escaped borrowing from the Bank, and had to make full use of privilege money. The implication of this strong official pressure is that the authorities do not wish to see any further fall in rates at present.

In New York the three months' bill rate rose from 2.719 to 2.757 per cent.

MONEY RATES

LONDON

	%		%
Bank rate (from 5½%, 22/3/62)	5	**Discount rates:** Bank bills:	
Deposit rates (7 days' notice):		60 days	4 9/16–4 5/8
Banks	3	3 months	4 9/16–4 5/8
Discount houses	3–3¼	4 months	4 9/16–4 5/8
Local Authorities	5½	6 months	4 9/16–4 11/16
Call money:		Fine trade bills:	
Clearing banks' minimum	3½	3 months	5¾–6½
Day-to-day	3⅜–4⅜	4 months	5¾–6½
		6 months	6–7

NEW YORK

	%		%
Official Discount rate: (from 3½%, 11/8/60)	3	**Treasury bills:** March 26	2·719
		April 2	2·757

BANK OF ENGLAND RETURNS

(£ million)	April 5, 1961	Mar. 28, 1962	April 4, 1962
*Issue Department**:			
Notes in circulation	2,286·6	2,301·6	2,310·8
Notes in banking dept.	13·8	73·8	64·6
Govt. debt and securities*	2,298·3	2,374·0	2,364·0
Other securities	0·7	0·7	0·7
Gold coin and bullion	0·4	0·4	0·4
Coin other than gold coin	1·0	0·3	0·3
Banking Department:			
Deposits:			
Public accounts	18·8	15·0	10·2
Special deposits	150·1	232·2	232·2
Bankers	238·8	252·4	261·4
Others	68·8	72·5	70·6
Total	476·6	572·2	574·4
Securities:			
Government	425·6	449·1	455·7
Discounts and advances	35·9	46·6	51·9
Other	18·1	20·3	19·9
Total	479·6	516·1	527·6
Banking department reserve	14·6	74·6	65·4
"Proportion"	% 3·0	% 13·0	% 11·3

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue increased by £50 million to £2,375 million on March 7th.

TREASURY BILL TENDERS

Date of Tender	Amount (£ million) Offered	Applied for	91 day Bills Average Rate of Allotment	Allotted at Max. Rate *
1961 Mar. 30	*91 day* 260·0	418·1	s. d. 89 8·41	% 40
Dec. 29	250·0	396·0	108 0·72	51
1962				
Jan. 5	240·0	406·9	108 7·81	38
" 12	240·0	409·4	108 6·03	25
" 19	240·0	388·1	106 2·35	63
" 26	240·0	399·8	104 10·06	61
Feb. 2	200·0	379·4	104 4·93	93
" 9	230·0	412·8	108 0·74	22
" 16	220·0	389·8	109 10·81	28
" 23	220·0	405·6	110 7·47	21
Mar. 2	230·0	382·6	110 11·26	37
" 9	230·0	396·2	109 5·99	53
" 16	230·0	411·8	97 7·57	41
" 23	230·0	408·1	89 0·47	48
" 30	230·0	392·2	88 1·16	57

* On March 30th tenders for 91 day bills at £98 18s. 0d. secured 57 per cent, higher tenders being allotted in full. The offer for this week was for £230 million 91 day bills.

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Effective Limits April 4	Market Rates: Spot March 29	March 30	March 31	April 2	April 3	April 4
United States $	2·78–2·82*	2·815 15/16–7/16	2·815 15/16–7/16	2·815 15/16–7/16	2·813 7/8–1/2	2·811/2–5/8	2·817/16–9/16
Canadian $	...	2·953 15/16–5/16	2·953 15/16–5/16	2·955 15/16–7/16	2·95 15/16–7/16	2·951/2–5/8	2·953/4–7/8
French Fr.	13·622–14·027	13·781/2–3/4	13·783/8–5/8	13·783/8–5/8	13·781/2–79	13·791/2–3/4	13·791/2–3/4
Swiss Fr.	11·94–12·547/8	12·223/8–7/8	12·223/4–23	12·223/4–5/8	12·223/4–5/8	12·23–231/4	12·23–231/4
Belgian Fr.	137·96–142·05	140·021/2– 07 1/2	140·00– 05	140·00– 05	140·05– 10	140·10– 15	140·10– 15
Dutch Gld.	9·983/4–10·281/2	10·145/8–7/8	10·141/4–1/2	10·141/4–1/2	10·143/8–5/8	10·141/2–3/4	10·141/2–3/4
W. Ger. D-Mk.	11·037–11·365	11·245/8–7/8	11·231/4–3/4	11·233/4–24	11·243/8–5/8	11·241/2–3/4	11·25–251/4
Portug. Esc.	...	80·15–25	80·15–25	80·15–25	80·15–25	80·15–25	80·15–25
Italian Lire	1725–1775	1746 3/4–47 1/2	1746 1/2–47	1746 1/2–47	1747 1/4–3/4	1747 3/4–481/4	1747 3/4–481/4
Swedish Kr.	14·271/2–14·70	14·491/4–1/2	14·483/4–49	10·485/8–7/8	14·491/8–3/8	14·493/8–5/8	14·493/8–5/8
Danish Kr.	19·061/2–19·62	19·361/4–1/2	19·361/4–1/2	19·361/4–1/2	19·36–361/4	19·36–36·1/4	19·36–37 1/8
Norwegian Kr.	19·71–20·301/2	20·041/2–3/4	20·041/2–3/4	20·041/2–3/4	20·041/2–3/4	20·045/8–7/8	20·045/8–7/8
	* Official Limits	**One Month Forward Rates**					
United States $		9/16–7/16c. pm	9/16–7/16c. pm	9/16–7/16c. pm	9/16–7/16c. pm	9/16–7/16c. pm	9/16–7/16c. pm
Canadian $		5/16–7/16c. pm	9/16–7/16c. pm	9/16–7/16c. pm	9/16–7/16c. pm	11/16–9/16c. pm	5/8–1/2c. pm
French Fr.		2–1 1/2c. pm	2–1 1/2c. pm	2–1 1/2c. pm	1 3/4–1 1/4c. pm	1 3/4–1 1/4c. pm	1 3/4–1 1/4c. pm
Swiss Fr.		3 1/4–2 3/4c. pm	3 1/4–2 3/4c. pm	3 1/4–2 3/4c. pm	3–2 1/2c. pm	3 1/4–2 3/4c. pm	3 1/4–2 3/4c. pm
Belgian Fr.		30–20c. pm	32–22c. pm	32–22c. pm	37–27c. pm	37–27c. pm	40–30c. pm
Dutch Gld.		1 3/4–1 1/4c. pm	1 3/4–1 1/4c. pm	1 3/4–1 1/4c. pm	1 3/4–1 1/4c. pm	1 5/8–1 1/8c. pm	1 5/8–1 1/8c. pm
W. German D-Mk.		2 3/4–2 1/4pf. pm	2 1/2–2pf. pm	2 1/2–2pf. pm	2 1/2–2pf. pm	2 5/8–2 1/8pf. pm	2 5/8–2 1/8pf. pm
		Three Months Forward Rates					
United States $		17/16–15/16c. pm	1 1/2–1 3/8c. pm	1 1/2–1 3/8c. pm	1 1/2–1 3/8c. pm	1 1/2–1 3/8c. pm	1 17/16–1 5/16c. pm
Canadian $		17/16–15/16c. pm	1 1/2–1 3/8c. pm	1 1/2–1 3/8c. pm	1 1/2–1 3/8c. pm	1 5/8–1 1/8c. pm	1 15/16–1 7/16c. pm
Swiss Fr.		8 3/4–8 1/4c. pm	8 3/4–8 1/4c. pm	8 3/4–8 1/4c. pm	8 3/4–8 1/4c. pm	8 3/4–8 1/4c. pm	8 5/8–8 1/8c. pm
W. German D-Mk.		6 7/8–6 3/8pf. pm	6 1/2–6pf. pm	6 1/2–6pf. pm	6 1/2–6pf. pm	6 3/4–6 1/4pf. pm	6 3/4–6 1/4pf. pm
		Gold Price at Fixing					
Price (s. d. per fine oz.)		249/4 1/2	249/4 1/4	...	249/3 3/4	249/2 1/4	249/1 3/4
" ($ " " ")		35·08 1/2	35·08 1/2	...	35·08	35·07 1/2	35·07 1/2

Prices and Wages

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

BRITISH

Prices and Wages ..... This week — External Trade ..... Mar. 31st
Manpower and Output .... Mar. 24th — Industrial Profits ..... Jan. 27th

OVERSEAS

Western Europe ..... Feb. 17th — United States ..... Mar. 10th

	Unit	1959 mid-June	1960 mid-June	1961 mid-June	1961 Mar. 21	1961 Mar. 28	1961 April 4	1962 Mar. 6	1962 Mar. 13	1962 Mar. 20	1962 Mar. 27	1962 April 3
WORLD PRICES												
Commodity Price Indicator:	1958=100	96·8	98·3	95·3	96·7	96·8	96·7	92·8	92·6	92·9	92·8	93·3
All items	"	95·8	93·0	93·0	94·9	95·8	95·6	89·6	89·2	89·6	89·2	90·1
Food	"	95·3	98·7	104·4	105·7	105·2	104·9	102·0	101·8	101·8	102·7	103·0
Fibres	"	113·0	122·4	115·0	112·7	111·3	112·1	114·9	114·7	114·6	114·8	115·1
Metals												
		Monthly averages 1959	1960	1961	1960 Dec.	1961 Jan.	1961 Feb.	1961 Oct.	1961 Nov.	1961 Dec.	1962 Jan.	1962 Feb.
BRITISH WHOLESALE PRICES												
Materials used in:	1954=100	101·7	101·8	100·6	101·0	100·6	100·7	99·4	100·1	100·4	101·4	101·7
All manufacturing industries	"	124·5	126·2	128·1	126·0	126·6	127·0	128·4	128·4	128·9	129·0	129·2
Mechanical engineering	"	115·6	116·9	118·3	116·7	116·7	116·9	118·8	118·8	119·0	119·0	119·3
Electrical machinery	"	113·4	115·1	118·2	116·2	116·4	116·8	119·1	119·3	119·4	119·6	119·7
Building and civil engineering	"	111·0	114·0	118·0	115·8	116·3	116·6	118·9	119·1	119·1	119·5	119·7
House building												
Products of:	"	111·5	113·0	116·0	114·1	114·3	114·6	117·1	117·3	117·5	117·8	118·0
All manufacturing industries	"	106·6	106·0	105·1	104·8	104·8	105·3	104·7	105·0	105·0	105·2	105·2
Chemicals and allied trades	"	129·0	128·5	129·7	128·6	128·9	128·9	130·2	130·3	130·7	130·7	131·0
Iron and steel	"	96·0	100·8	104·0	102·9	103·4	103·8	103·9	103·5	103·7	103·6	103·5
Textile industry	"	106·9	106·9	107·2	107·4	106·7	106·4	107·2	107·9	108·3	109·5	110·2
Food manufacturing	"	113	114	117	114[9]	...	116[11]	...	120[9]	...	...	...
New construction[8]												
Commodities:	"	68·6	75·0	74·8	75·9	75·8	75·8	74·0	74·2	74·5	74·7	74·8
Cotton, raw	"	76·6	76·3	76·2	71·9	71·6	74·2	74·2	74·6	73·7	73·5	76·1
Wool, raw	"	148·1	158·0	122·8	126·1	123·9	118·0	121·2	112·3	114·8	118·2	122·1
Rubber, No. 1 RSS, one month future	"	95·4	104·9	107·3	107·1	107·3	107·3	106·6	106·7	106·8	105·5	105·5
Softwood, imported	"	95·6	99·0	92·3	92·9	88·5	90·0	92·0	92·2	92·5	92·7	94·5
Copper, ex-warehouse	"	135·4	137·4	144·8	146·8	147·1	147·2	142·5	147·2	147·5	151·1	151·1
Coal	"	106·7	105·0	103·8	104·8	103·9	103·9	104·0	104·0	103·8	102·9	102·9
General chemicals												
UK RETAIL PRICES [10]	Jan. 17, 1956=100	109·6	110·7	114·5	112·2	112·3	112·3	115·7	116·9	117·1	117·5	117·6
All items [1]	"	108·2	107·4	109·1	108·1	107·7	107·5	108·0	109·8	110·2	110·7	110·5
Food												
All items	1938=100[2]	273	276	285	279	280	280	288	291	292	293	293
Food	"	285	282	287	284	283	283	284	289	290	291	290
Housing	"	180	186	194	188	189	190	197	198	198	198	199
Clothing	"	268	271	276	273	274	274	277	278	278	278	278
Fuel and light	"	284	291	309	311	312	313	305	323	323	324	325
Household durable goods	"	300	300	305	303	303	303	309	309	309	311	312
Drink	"	261	256	274	257	257	257	282	282	282	282	282
Tobacco	"	428	444	467	499	449	449	491	491	491	491	491
Purchasing power of £ (based on all consumer spending)	1938=100	35·5	35·2	34·3	35·0	34·9	34·9	33·9	33·6	33·5	33·4	33·4
UK TERMS OF TRADE												
Import prices:	1954=100	98	97	97	98	98	97	96	96	96	96	96
All items	"	98	97	94	98	97	94	91	93	93	93	94
Food, drink and tobacco	"	93	96	95	93	94	94	95	93	94	93	93
Basic materials	"	104	98	96	96	95	96	96	97	96	96	96
Fuels	"	104	107	107	107	107	107	106	106	106	106	105
Manufactured goods												
Export prices:	"	109	111	112	111	112	112	112	112	113	113	113
All items	"	111	114	115	114	114	115	115	115	116	116	116
All manufactures	"	115	118	118	118	118	119	118	118	118	119	120
Metals	"	117	120	122	120	121	122	122	122	123	123	123
Engineering products	"	98	102	106	104	105	107	106	104	106	106	106
Textiles (excluding clothing)												
Terms of trade:	"	90	89	86	88	88	87	85	85	85	85	85
Ratio of import to export prices												
SHIPPING FREIGHTS												
Tramp shipping freights	1960=100	96·9	100·0	106·5	105·3	103·7	106·0	108·0	109·3	101·2	96·9	95·2
UK WAGES												
Normal weekly hours:	Jan. 31 1956=100	99·6	98·0	95·9	97·1	96·4	96·4	95·4	95·4	95·4	95·2	95·2
All workers												
Weekly wage rates [5]:		117·0	120·0	125·0	122·3	123·5	123·7	126·2	126·2	126·4	126·8	127·2
All workers [3]		116·8	119·7	124·6	121·9	123·2	123·5	125·8	125·8	126·0	126·4	126·8
Men	"	117·0	120·8	125·3	122·7	123·5	123·6	126·4	126·4	126·5	127·2	127·3
Women	"	119·0	123·2	130·3	126·3	128·4	128·8	131·7	131·7	131·9	132·2	132·8
Juveniles [4]												
All workers	Sept., 1939=100	304	312	325	318	321	321	328	328	329	330	331
Changes in weekly wage rates:												
Workers affected by increases	'000	392[6]	927	649	2,812	2,050	2,025	1,626	1417	245	1,403	1,930
Net increase in weekly wage bill	£'000	104	359	339	1,053	845	453	836	65	110	518	370

(1) For a rough conversion to basis of June, 1947, multiply throughout by 1·534. (2) The interim index of retail prices has been linked back to 1938 with the aid of calculations made by Professor R. G. D. Allen for the London and Cambridge Economic Service. (3) For a rough conversion to basis of June, 1947, multiply throughout by 1·561. (4) In general, males under 21 and females under 18 years of age. (5) Weekly earnings are surveyed in April and October. October figures are: Men, 1959: 271s. 1d.; 1960: 290s. 8d.; 1961: 306s. 10d. Women (full time), 1959: 140s. 11d.; 1960: 148s. 4d.; 1961: 154s. 6d. Youths (under 21), 1959: 117s. 6d.; 1960: 130s. 0d.; 1961: 137s. 10d. Girls (under 18), 1959: 90s. 10d.; 1960: 96s. 10d.; 1961: 102s. 0d. (6) 18,000 workers had a net decrease in wages over the year. (7) 25,000 workers had wage cuts (but over the whole of 1961 no worker had a net decrease). (8) Index of building costs. (9) Average for fourth quarter. (10) Using the revised retail price index based on January, 1962=100: February: all items=100·1; food=99·8. (11) Average for first quarter.

APPOINTMENTS

FORD OF BRITAIN

COMPUTERS

Ford of Britain is employing and developing the most modern and effective systems and techniques to assist in managing and operating its large scale activities. An important contribution is already being made by computers and considerable expansion in their use is planned. Exceptional opportunity is therefore offered to staff at both senior and junior levels on the following work :—

Systems analysis
Computer programming
Computer operations
Computer maintenance

Prospects in this expanding function in the vigorous Ford organisation ensure that the able man will make rapid progress. Applications, giving age and brief details of experience, should be addressed (with envelope marked " Ref CC ") to

MR. H. G. PEARMAN,
TRAINING AND RECRUITMENT OFFICE,
FORD MOTOR COMPANY LTD,
DAGENHAM, ESSEX

ACCOUNTANT

Medium sized Manufacturing Company have a vacancy for a young ACCOUNTANT.

The man required should be professionally qualified, and will be in charge of the Company's Accounts Department.

Must be able to take a wide view of all aspects of the affairs of a progressive Company.

Age group 25-35 years.

Starting salary around £1,200 p.a.

Applications, giving details of qualifications and experience, to Box 1612.

BEA Appointments

FORWARD PLANNING — **South Ruislip**

We are seeking two men of ability and initiative, with an objective and imaginative approach to the solution of commercial problems, for the Fleet Planning Branch.

MATHEMATICIAN : With an honours degree in Mathematics and at least two years' experience of the industrial application of OR techniques. He will undertake work on economic planning and control of future development, involving simulation studies, linear programming and other standard statistical routines, and will prepare reports for implementation within the Branch. Salary range £1176-£1627.

ECONOMICS ASSISTANT : to carry out economic assessment of future operating plans, undertaking special investigations of economic trends in particular groups or areas. He should have a degree or a professional qualification and practical experience of modern business or industry. Salary range £1048-£1417.

ELECTRONIC DATA PROCESSING — **South Ruislip**

Expansion of work commitments for our Emidec 1100 has created an opening for an additional Programmer in the Head Office team. Knowledge and practical experience of programming a computer for commercial or scientific use is desirable, and a degree in mathematics or related subjects an advantage. Candidates with other professional qualifications could apply, and applicants with a good educational record but no experience may be considered for vacancies on the operating side, with prospects of promotion to programming/supervisory posts after training and experience. Salary, commensurate with qualifications and experience, within a range £960-£1627.

Write, in confidence, to Personnel Officer, Head Office (EC) BEA, Bealine House, Ruislip, Middlesex.

BRITISH EUROPEAN AIRWAYS

CITY AND GUILDS OF LONDON INSTITUTE

APPOINTMENT OF DIRECTOR

The Institute invites applications for the post of Director to be responsible to the Director-General for the internal control of the work of the Institute. Applicants must be persons of good education, wide experience and

(a) possess a sound knowledge of the educational system,

(b) be interested in technical education and convinced of its importance,

(c) have had successful experience in executive control involving making day-to-day decisions and working to " deadlines,"

(d) be able to express themselves well both verbally and on paper.

Some of these requirements may be waived in the case of candidates having unusually wide or varied experience at a high level.

Candidates should be between 40 and 50 years of age. High salary consistent with the importance of the post. A generous contributory pension scheme is in force.

Candidates must make an initial application, giving a brief summary of their qualifications and career. Full particulars of the post and a form of application will be sent to those applicants with whom the Institute wishes to proceed further. Those with whom the Institute does not intend to proceed further will be so notified. Canvassing will disqualify. *Correspondence should be marked " Personal," and should be addressed to the Director-General, City and Guilds of London Institute, 76 Portland Place, London, W.1. The last day for the receipt of applications is April 30, 1962.*

CENTRAL ELECTRICITY GENERATING BOARD

SOUTH WESTERN REGION
SOUTH WALES DIVISION
Vacancy No. 71/EC/62.

Applications are invited for the superannuable N.J.C. appointment of ASSISTANT in the Testing, Efficiency and Combustion Section, Generation Department, Divisional Headquarters, Cardiff.

Salary: Grade 3, £730 to £880 per annum.

The successful applicant will be required to assist in routine calculations of plant test results, the compilation of test reports and the general administration of the Section.

A knowledge of advanced mathematics is essential, preferably to degree level, but a minimum standard of the Advanced Level of General Certificate of Education in mathematics will be considered.

Special application forms obtainable from the Central Electricity Generating Board, Personnel Department, Tyn-y-Jedwen Road, Gabalfa, Cardiff, to be returned by *April 16, 1962.*

STANDARD TELEPHONES AND CABLES LIMITED

MARKET RESEARCH

An ASSISTANT is required by our Private Communications Equipment Division, with a minimum educational standard up to "A" Level and with a fairly good knowledge of economics, to undertake the full range of techniques associated with market research.

Some commercial experience would be most useful and a technical background would be desirable, although this need not necessarily be formal. A knowledge of the structure of industry together with some experience of statistical and survey techniques is essential.

The Division is located at Foots Cray a pleasant residential district only 15 miles from central London.

The Company operates a wide range of benefits, including a NON-CONTRIBUTORY Pension Scheme.

Apply, stating qualifications experience and salary to

W. J. YLOMANS, Personnel Manager
STANDARD TELEPHONES AND CABLES LIMITED,
Private Communications Equipment Division,
Foots Cray, Sidcup, Kent.

PEP Requires RESEARCH OFFICER for work on Mental Subnormality in London area as part of major study of community mental health services. Degree in psychology, sociology or related subjects required. Post-graduate research or clinical experience desirable. Salary according to qualifications and experience. The Director, 16 Queen Anne's Gate, London, S.W.1.

For further appointments and other classified advertisements see page 93

A SMALL firm of ethical Management Consultants seek successor to MANAGING DIRECTOR. Applicant must have suitable qualifications plus ten years' consultancy experience and must be a sound administrator. His primary function will be to expand the turnover and increase profits. Prospects for above-average ability almost limitless. Capital investment desirable, but not essential.—Box 1613.

THE UNIVERSITY OF MANCHESTER

Applications are invited for the post of LECTURER IN ECONOMICS, with special reference to Banking and Finance. Duties to commence on October 1, 1962, or as soon as possible thereafter. Salary on a scale £1,050 to £1,850 per annum; initial salary according to qualifications and experience. Membership of F.S.S.U. and Children's Allowance Scheme. Applications should be sent not later than April 28, 1962, to the Registrar, the University, Manchester 13, from whom further particulars and forms of application may be obtained.

THE THOMSON ORGANISATION LIMITED

requires

ECONOMISTS

for a newly formed unit within the Marketing Division

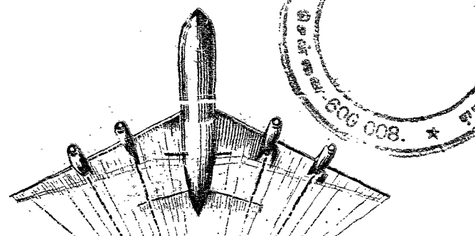
The work involves the collation, analysis and interpretation of published and internal economic and statistical information to assist management in developing the Group's wide interests in newspapers, printing, publishing and television.

Necessary qualifications are a good Honours Degree, preferably in economics or statistics, with two or more years' appropriate experience in industry, commerce or public service.

Since appointments may be made at any of several levels, commencing salaries will be by arrangement.

Please send letter of application, giving details of qualifications, career and present salary, to

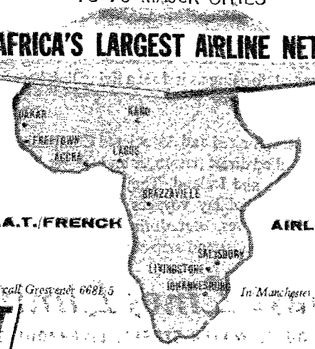
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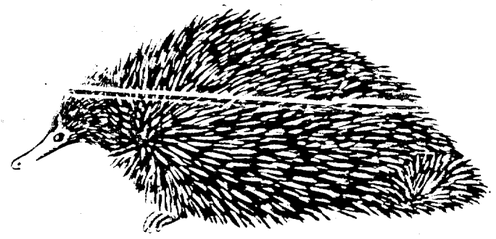
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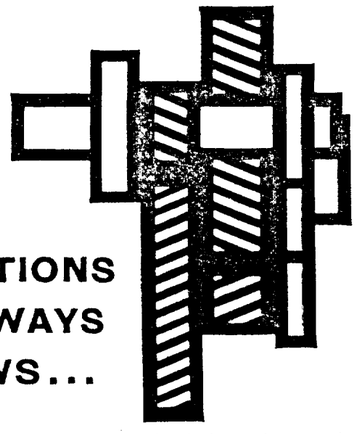
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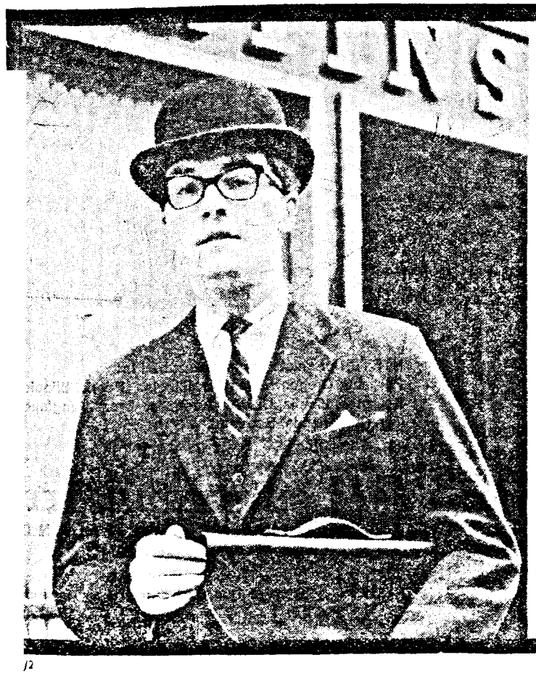
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169 BRANCHES THROUGHOUT JAPAN

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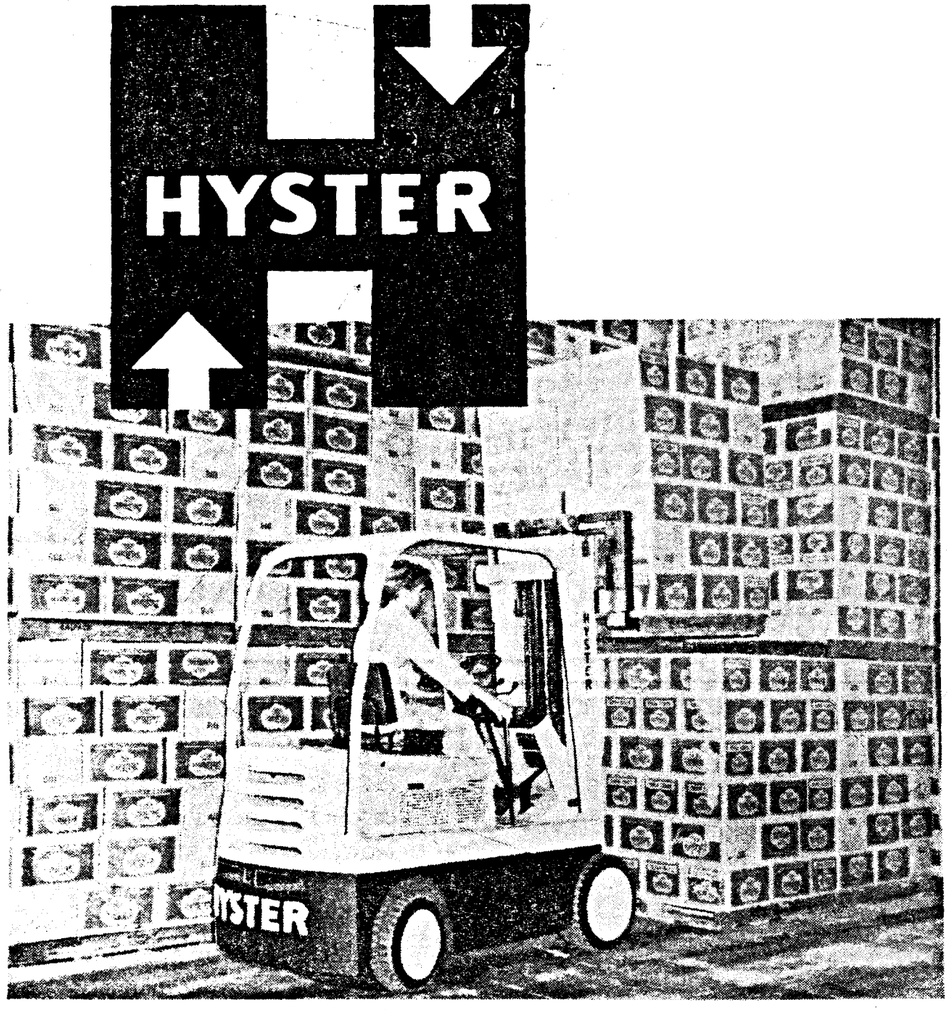
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BUDGET

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CALTEX

In The Economist this Week — April 14, 1962

THE BUDGET

Strictly Neuter

The Chancellor's jeremiad of Monday last plainly does not indicate a governmental faith in an expanding Britain; but by publicly stating his belief in an annual 4 per cent growth, he has put a strong weapon into the hands of the expansionists (p. 121).

The Measures in Detail (pages 167 to 172)

Mr Lloyd's second budget is much more **disinflationary** than he has admitted. In fiscal technique, apart from the stupid promise to abolish Schedule "A" tax on owner-occupiers, its measures are **sensibly framed.** The City is elated at the sweet reasonableness of the **gains tax**—but will have to watch the fine print in next week's Finance Bill. By consolidating the ten per cent surcharge on most items, Mr Lloyd has held on to almost all last year's "temporary" increases in **indirect taxes:** now he wants his flexibility to vary them restored. All the rest are "small changes" in a **small-minded budget.**

Faceless Britain?

What the "new middle class," which might vote Liberal and might not, is really like—or ought to be (p. 125).

Whistling in the Wood:

An **Anglo-German** conference at Königswinter provides evidence of harmony between the two nations on internal Western subjects and of disagreement on external ones. (p. 123).

Curly Pigs' Tucks:

Mr Maudling's formula may, or may not, succeed in solving the problems that are holding up **Kenya's** advance towards political independence. Either way, Britain will have to help economically, on a large scale, for a long time yet (p. 126).

NOTES OF THE WEEK (pages 128-137)

The Radcliffe Report: The state of Britain's **security** is hardly reassuring: but warnings about communists in the civil service unions need not be taken as a prelude to a witch-hunt.

Conservatives: The Central Office's inquest on Orpington has laid the blame for defeat on the pay pause, boredom, and a sense of purposelessness among voters. (See leading article on **"Faceless Britain?"**)

By-elections: Conservatives may extract a grain of comfort from the Stockton result, but Labour must not expect its new member's forecast—of a 200 Labour majority government—to come true. *Bogey score for Derby North.*

University Finance: Mr Brooke made small concessions to some of his critics, but he did not give the impression that Britain is doing enough to expand higher education.

Soviet Union: The postponement of the Summit ... diplomacy than the ... ing may have more to do with the ... state of Mr Khrushchev's he...

Europe: President de Gaulle has made concessions.

Geneva: The small nations are having their first, enlightening view of Russia in action at a disarmament conference.

Zanzibar: The discords between rich and poor that bedevil the clove islands have yet to be resolved.

New Guinea: The Dutch and the Americans differ about the best means of ensuring self-determination for the Papuans.

Cuba: Dr Castro is feeling the pinch of dollar denial.

Portugal: A little light is thrown on the state of the Salazar system by the students' strike in Lisbon.

Persia: The Shah would like more support from Washington than he is likely to get unless he holds fast to Dr Amini.

HOME REPORT (pages 144 and 145)

The Broadheath story: A moribund Worcestershire village may become a planning paragon—in spite of itself.

People love Eros: A **Piccadilly** redeveloped on Sir William Holford's plans will be more splendid, if less endearing, than the developers' first ideas.

AMERICAN SURVEY (pages 147-155)

The **steel** companies have affronted the President and the unions.

General Walker has faded away but Congress may not let the National Guard do the same.

The **Civil Aeronautics Board** is trying to impose its own rules on foreign airlines.

New York **teachers** are striking but not altogether effectively.

THE WORLD OVERSEAS (pages 156-164)

Syria and Egypt: Egypt's view of Syria as a seductive houri who may prove all too willing and able to lure President Nasser back into a distasteful union hardly corresponds to the reality.

Canada: The Canadian finance minister has produced a budget that looks more puritan than electioneering.

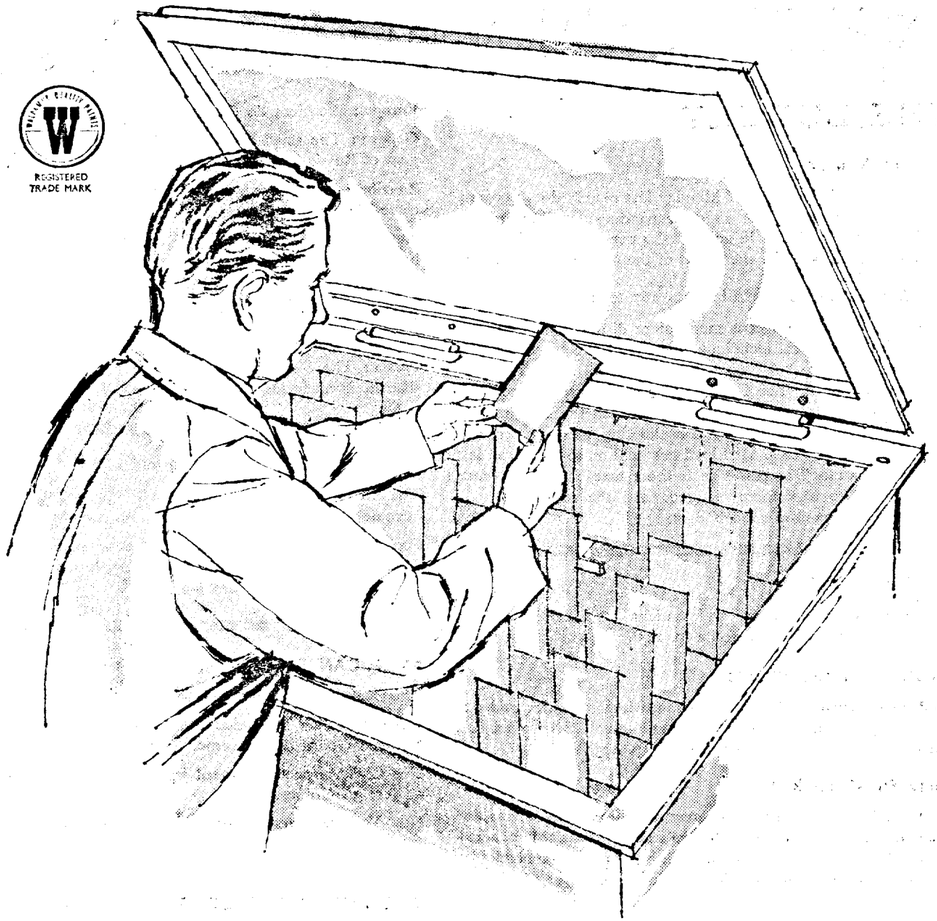
BUSINESS NOTES (pages 173-187)

Markets: Apart from fears that the gains tax will make new issues more difficult, the Budget has had a remarkably small impact in the stock market. Its effect on the exchanges was barely perceptible.

Overseas Trade: Exports in March were mildly encouraging, but merchant exporters are far from carefree.

... After a heated exchange, selective pricing has been adopted in the coal industry.

Small Savings: A recovery in national savings can be expected this year.



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A very Turkish bath

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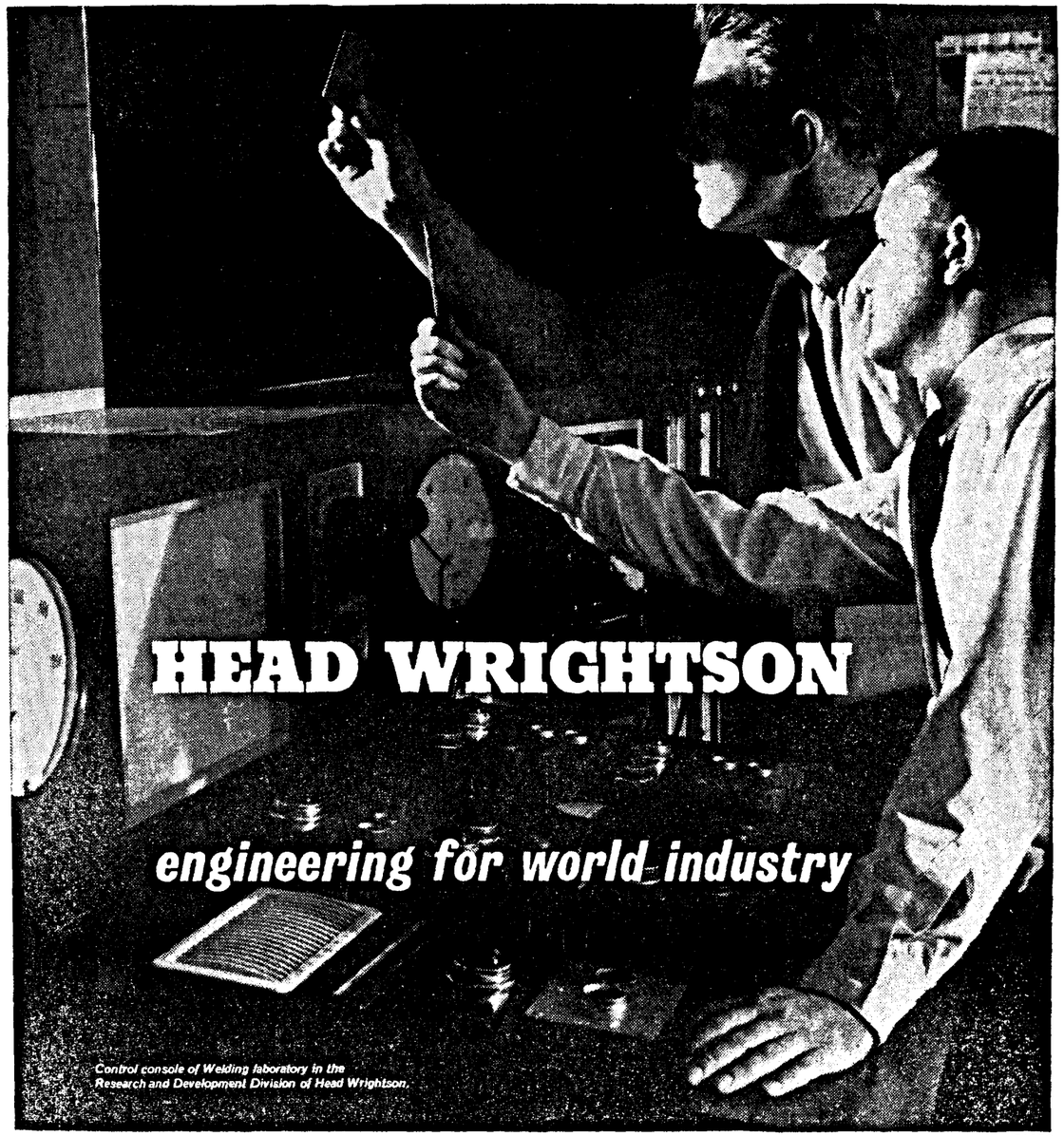
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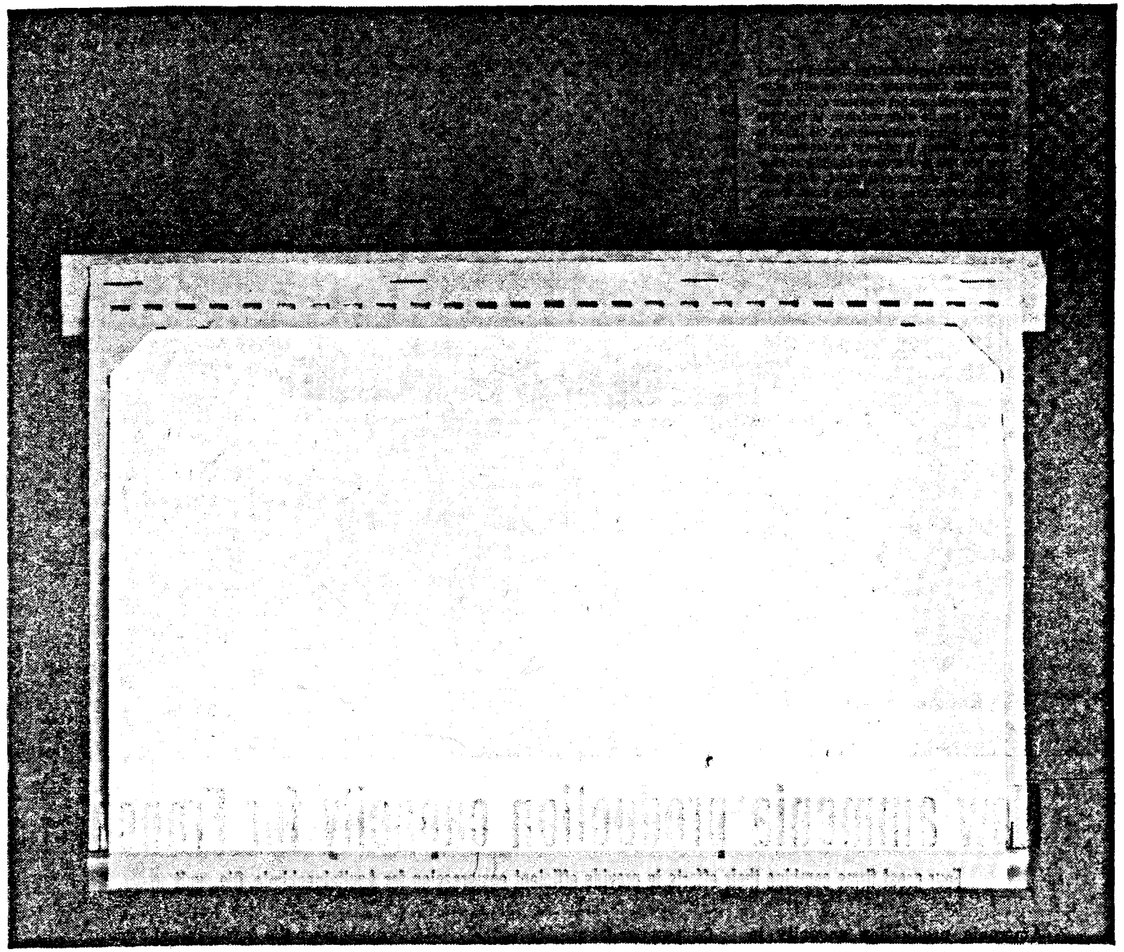
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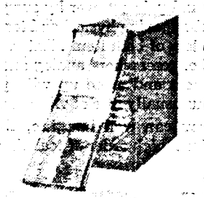
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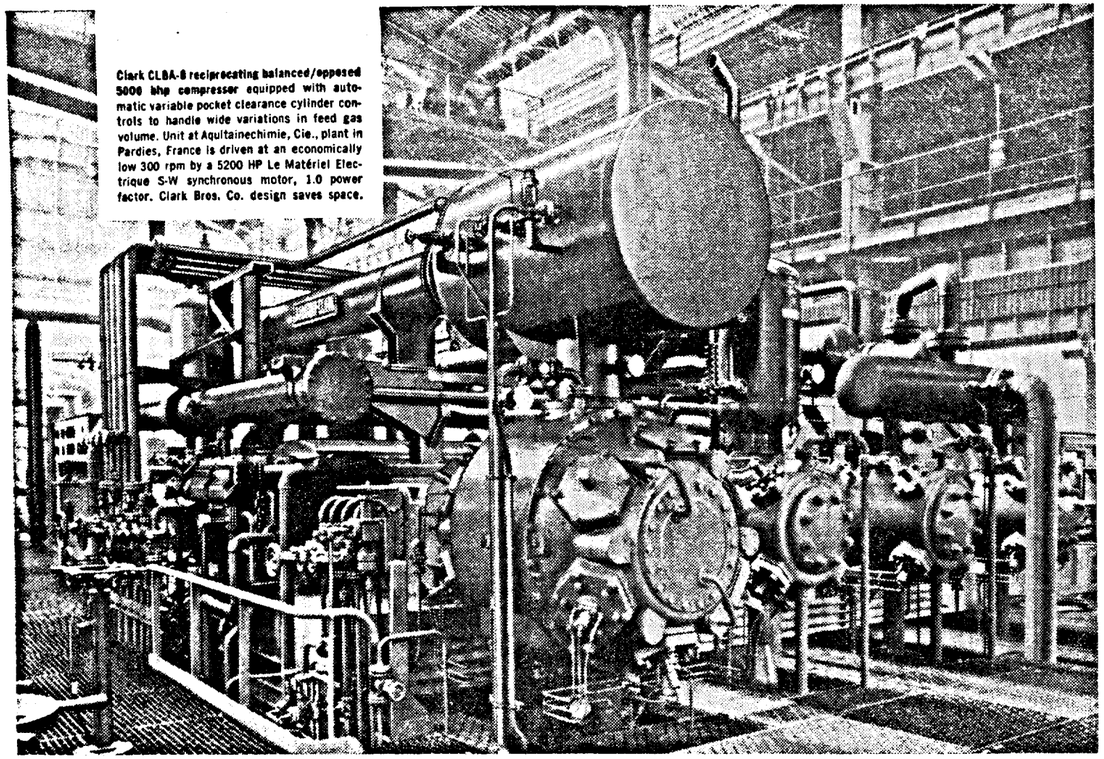
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New ammonia production capacity for France

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Ammonia production capacity in France was increased in June of 1961 when Aquitainechimie, Cie., put its new Pardies plant on stream.

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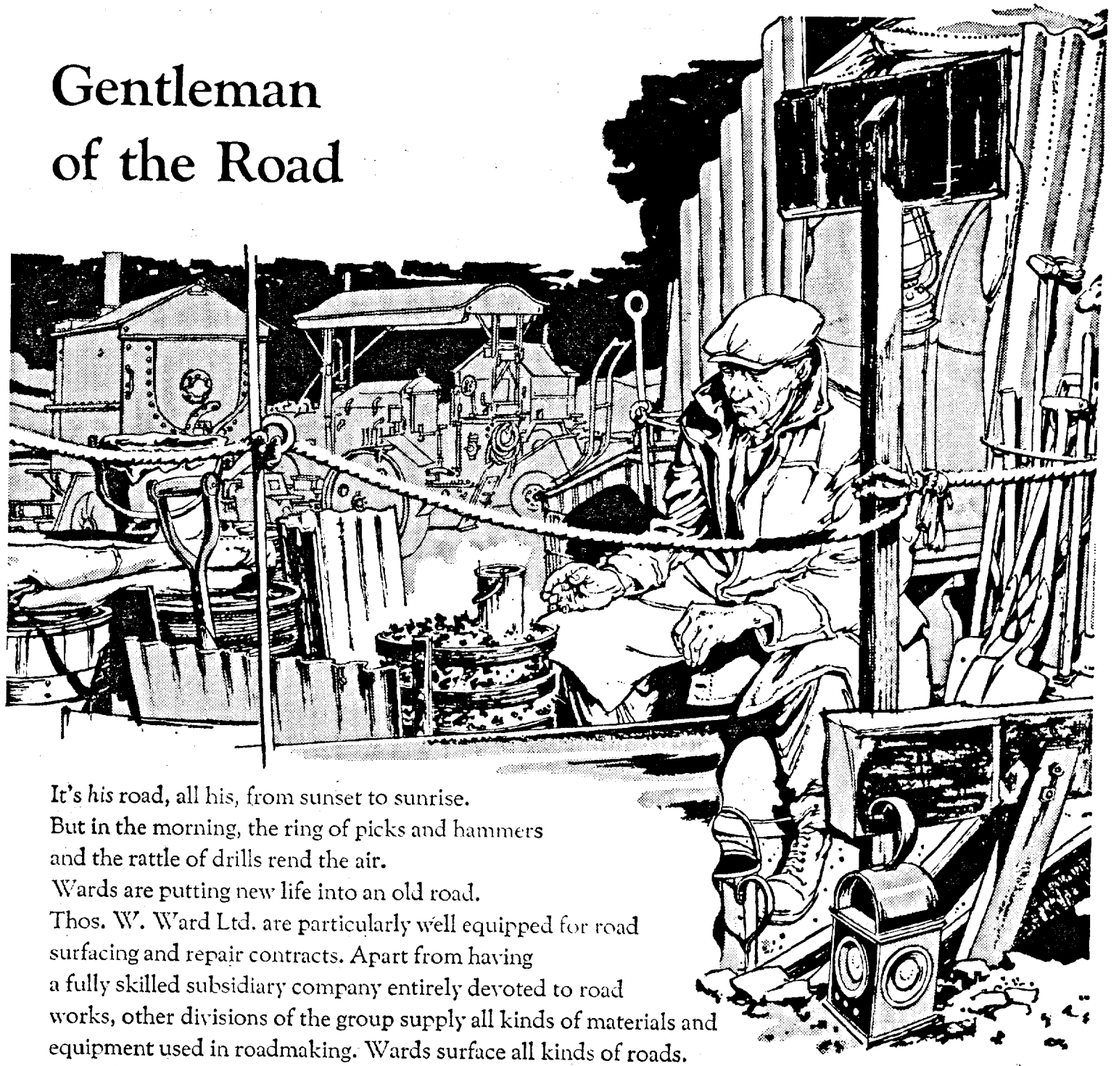
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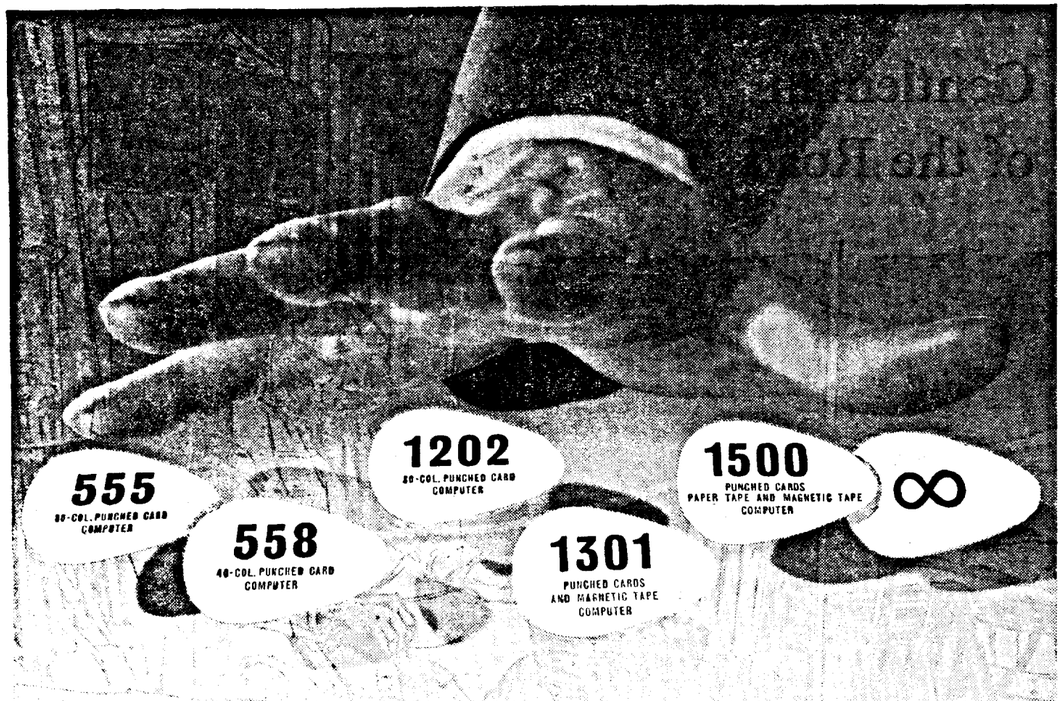
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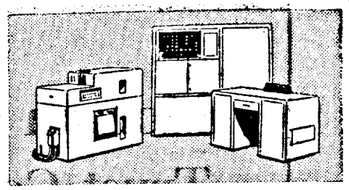
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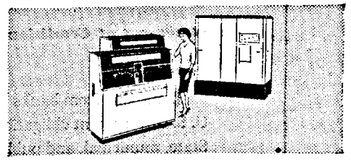
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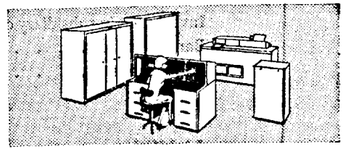
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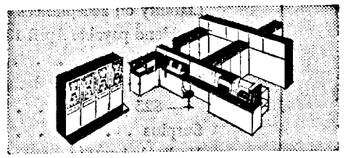
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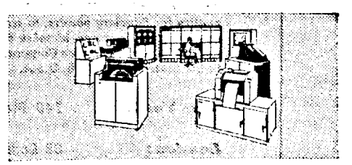
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Loans	2,529,032,274
Customers' acceptance liability	152,247,498
Stock of Federal Reserve Bank	12,750,000
Investment in subsidiary companies	6,720,496
Bank premises	22,708,326
Other assets	106,448,570
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Liabilities

Deposits		$3,936,683,070
Funds borrowed		42,469,401
Reserve for expenses and taxes		40,824,753
Liability on acceptances		153,742,525
Dividend payable April 13, 1962		7,540,000
Other liabilities		90,163,461
Capital — 7,540,000 shares — $25 par	$188,500,000	
Surplus	236,500,000	
Undivided profits	150,904,408	
Total capital funds		575,904,408
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VOLUME CCIII - NUMBER 6190

Strictly Neuter

IN presenting his budget speech to the House of Commons on Monday, the Chancellor of the Exchequer said that he believed the work done by his National Economic Development Council should

> be related to a specific figure for annual growth in the gross national product. The collective target agreed in Paris by the OECD for this decade is one of just over 4 per cent a year. It will be for the council to decide whether their study should be based on that figure, or a larger one, and what period of years should be taken for this.

Mr Lloyd then proceeded to introduce a budget (examined in detail on pages 167-172) which recoiled in horrified caution before the perilous thought that Britain might expand in 1962-63 at much more than half of the target rate set by the Organisation for Economic Co-operation and Development—if indeed by that.

In accordance with its deplorable recent custom, the Treasury's estimate for projected national income in 1962-63, which must underlie Mr Lloyd's not very buoyant new revenue estimates, is again being guarded from outside eyes considerably more closely than is any state secret at the Admiralty; the independent commentator is therefore left to deduce what he can from Mr Lloyd's scattered hints about it. Mr Lloyd's method on Monday was to frame these hints in a way which sounded as chirpy as possible on the surface, but which in fact, when looked at more closely, seem more than a little depressing. His most publicised statement ("by this time next year total personal spending may well be up by 4 per cent in real terms") can be interpreted as meaning that he expects the increase between the old and new financial years as a whole to be only about 2 per cent; as consumption has fallen in the last six months, the projection seems to assume that by the spring of 1963 consumption may be only about 3 per cent higher than it was in early 1960—a planned increase in the real standard of living throughout most of this Parliament by under 1 per cent a year.

The Government expects investment to rise even more slowly than consumption in 1962-63, mainly because investment in private manufacturing industry is plainly due to fall. Mr Lloyd's gloss here was that "even in twelve months' time this kind of investment should remain above the level reached in 1960"; as this merely implied that it should not by then have fallen by more than 20 per cent below the level obtained in 1961, it seemed a particularly ingenious way of saying that the most important sort of economic activity in Britain should not, during the next twelve months, be decimated more than twice over. Whatever the Government's hopes (probably, but not certainly, fulfilable) for a big increase in exports this year, and whatever its forecasts (increasingly Delphic) about the possibility of some increase in stockbuilding, it was therefore surely a complete retreat from Keynesian economic thinking when the Chancellor concluded his jeremiad by saying that "by the end of 1962 the cumulative effect of all the factors I have mentioned could result in too great a call on our resources if we do not keep the balance right"—and decided that he could not therefore afford to give any extra stimulus to domestic demand or production in this budget.

The strange twist in economic thinking in Britain that has led responsible people to regard this restrictionism as orthodox will be discussed at the end of this article. Meanwhile, it is convenient to discuss first the political and

economic effects of the particular changes that Mr Lloyd has made. Politically, he got away with blue murder among his backbenchers largely by promising them jam tomorrow, in the shape of the future abolition of Schedule A tax on owner occupiers of residential property. The passage in which he announced this was surely one of the most remarkable in any budget speech in history. Mr Lloyd's thesis was that the recent rating revaluations had shown that owner occupiers were paying only a third or a quarter of what they economically should be charged, so he had decided that his successors (in 1963 or later years) should introduce legislation to let them off the rest of their present £50 million a year of tax payments as well ; the constitutional implications are decidedly odd, especially since after 1963 the Chancellor who may be called upon to pay for this Tory election gimmick might be a Labour one. A main economic effect will be to provide a further disincentive against building houses for rent (on which landlords will presumably still pay full income tax under Schedule D) as against houses for sale (whose occupiers will pay no income tax under Schedule A) ; that is precisely the opposite of the incentive which the sensible fostering of greater mobility within the economy should require.

The Chancellor has also placated Tory backbenchers by casting his tax on speculative gains in a form where—so far as one can guess—practically nobody will choose to pay it. Those in the top (17s. 9d. in the £) surtax bracket who can make a £100,000 profit on a property deal will still get their £100,000 if they sell their land three years and a day and their shares six months and a day after purchase ; but they will get only 100,000 two shilling and threepences if they sell then one day earlier. One effect will probably be to impose a quite unnecessary delay on various forms of housing and other building development. This does not mean that a few unfortunates will not be caught by the tax, probably often quite illogically ; but it does mean that the idea that this obnoxious flummery might inaugurate a love feast between Mr Lloyd and the Trades Union Congress is political moonshine, as politically-motivated taxes almost invariably are.

In order to please his most pessimistic advisers, the Chancellor has incorporated last July's 10 per cent surcharge into most of the permanent schedules of indirect taxes. He will now have power to increase indirect taxes again by another 10 per cent later in the year if he wishes, which is said to give him greater flexibility (greater flexibility, that is, to deflate, although less flexibility to revive). Apart from purchase tax the trio of taxes on which the surcharge is not being retained are pretty odd: those on fuel oil (presumably as a welcome half-admission that last year's tax on this was a folly), matches and mechanical lighters (presumably as a form of light relief), and betting at dog racecourses (presumably because the Chancellor still has not plucked up the courage to submit other forms of betting to a new tax of their own).

Like betting, the other and bigger current vice of smoking has also got off relatively lightly, except that the July surcharge is duly maintained. The Chancellor admitted that it would have been possible to impose a differentially heavier tax on cigarettes than on pipe tobacco or cigars, but complained that inveterate cigarette smokers would then probably buy the cheaper (nominally pipe) tobacco and roll their own ; it would have been a useful minor personal (and, occasionally, social) deterrent if he had forced them to do so. He also refused to try virtually to kill off smoking (and eventually the vast revenue he receives from it) by imposing the penal sort of duty that once stopped gin-drinking orgies. Some people will make the wounding allegation that the Government is now defending the pound sterling over some dead bodies.

By far the best feature of the budget—albeit the one that caused the loudest outcry from Labour—lay in the changes in purchase tax. The drawing in of that welcome £50 million a year from a tax on confectionery, soft drinks and ice cream has for many years been a perennial pre-budget recommendation by this newspaper. Mr Lloyd has wisely also raised purchase tax slightly on goods that have hitherto been subject only to discriminatorily low rates (such as furniture and clothing) and reduced it on goods hitherto subject to inordinately high rates (such as motor cars and carpets). In many cases this should provide a shot in the arm for important and modern growth industries, and remove an element of illogical cossetting from some others.

But the real issue raised by this budget is much more serious than soft drinks and ice cream. It is astonishing and depressing that so many intelligent men, outside the Government machine as well as inside it, have agreed with or fostered the Chancellor's decision to introduce such a restrictive budget this year. The explanation seems to be that busy men of or past middle age find special difficulty in adapting their thinking to changing circumstances more than twice in thirty years. Most civil servants and establishment figures with high influence today got used in their youth to the Keynesian thesis that, up to a certain stage, one could effectively reflate one's way out of depression or economic stagnation ; they then got used in the postwar Daltonian years to the equally true argument that, down to a certain stage, one could effectively deflate one's way out of balance of payments difficulties.

But for most of the past seven years—with brief intervals, of which early 1962 is not one—Britain has simply not been in such a stage. The accompanying table suggests with

PERCENTAGE CHANGE FROM PREVIOUS PERIOD
(At constant 1958 prices)

	1955	1956	1957	1958	1959	1960	1961 I	1961 II
Personal consumption and fixed Investment	+3·8	+1·8	+2·7	+2·0	+4·7	+4·7	+2·7	−0·3
Exports of goods and services	+6·5	+4·3	+2·1	−1·9	+3·3	+5·3	+2·9	−0·3

dogged awkwardness that since 1955, in every year save one, whenever the rate of increase in domestic spending or consumption and fixed investment has gone up, the rate of increase in the value of exports has gone up too ; whenever the rate of increase in domestic spending has gone down, the rate of increase in the value of exports compared with the previous year has gone down too. One can argue interminably whether the particular measures and time intervals used in the table are the right ones, but there is no way, so far as we know, in which the figures can be reshuffled to show that a squeeze on home demand in recent years has generally served to put exports up (as distinct, of course, from sometimes temporarily helping the balance of payments by causing stocks of imported commodities to run down).

There is a perfectly respectable economic explanation for

this. Up to the stage where an increase in marginal demand causes stocks of finished goods to be drawn down below danger levels, it is perfectly possible for the resource-pre-empting effect of such an increase in demand to be more than offset by its beneficial effect in causing labour and other factors of production to be employed more productively, either in their existing industries or else in the newer-fashioned (and generally capital-intensive) industries which go forward fast only in a period of domestic growth. In technical economists's language, up to a certain stage and during the present state of European industrial revolution, there is now clear evidence that marginal productivity per factor employed in the marginal demand industries tends to be significantly higher in an expanding economy, even within surprisingly short periods, than is average productivity per factor employed in a more stagnant economy—and when that situation obtains the argument that demand deflation makes an economy more "healthily competitive" becomes the precise reverse of the truth. The main danger arising from the failure of Mr Lloyd's advisers to recognise that fact again this year is that, if exports again fail to increase sufficiently in 1962, after another year in which demand has been excessively held down, these advisers will again tell him that this has been because his budget was insufficiently stern ; and the Treasury may set to chasing its own tail once again in a circular race that has become just as irritating as in its previous periods of fundamental and persistent error under Snowden, Chamberlain and Dalton.

How can this be avoided ? The best opening for escape this week lay in what should henceforth be called the Chancellor's "Ned pledge": his stated belief, quoted at the beginning of this article, that Ned should base its studies on the assumption that Britain can advance by 4 per cent a year or more. There is going to be a great deal of intra-Treasury and intra-establishment pressure towards pretending that the Chancellor never really stated this belief, or at any rate that he should not have done so. Nothing is therefore going to be more important than that expansionists should positively bully him into constantly reiterating it, and making it a central feature of his policy. Already it seems to have been sadly conceded that Britain should not direct its policies towards attaining such a target rate of expansion this year, although in future years Britain may now have to start growing at a time when export prospects are less buoyant and just after the level of new domestic investment has run down. Next year—unless pre-election considerations intervene—it will probably be argued that the policy of specific target-setting should not start until Ned has made a long-term survey to find what and where are the main special impediments to growth in Britain. There is little need to spend a long time on such a survey ; the most cursory inquiry from the doorman at the Treasury would inform Ned in which rooms and behind which desks these main impediments to growth are sitting.

Whistling in the Wood

Anglo-German harmony ends at the eastern frontier

Gentleness and consideration are traditionally shown by the German to the British participants in the annual series of Anglo-German conferences at Königswinter-on-Rhine. When it all started, twelve years ago, the British were considered rather decent to have come at all, laying aside their worldwide preoccupations for a weekend to share the anxieties of a country still, at that time, in tutelage and apparently broken.

Year by year since then German wealth and success have grown, and with them the confidence with which the pointed questions have been aimed at the chinks, which at times have gaped wide, in the English armour ; but the delicacy, the consideration of host for guest, has remained. This year, in the thirteenth annual conference, the British were asking questions, aimed for the most part at finding out what kind of European body politic it was that Britain had decided to try to join. The commentator of the Hamburg daily *Die Welt* has described the British participants as walkers just entering a dark wood, resolute, but whistling to keep their courage up.

At least, this time, the English whistlers found the inhabitants friendly and in no way disposed to tell them to clear out and get back to their Tudor inn for tea. No German voices questioned the desirability of Britain's adherence to the common market. The Carolingians were silent ; they must still be alive, but just now it is as if they had never existed. That sore subject, Suez, has faded into the mists of time. Not even Britain's economic softness is mentioned much. This may be because the west German performance in the matter of wages, prices, productivity and featherbedding has lately not been beyond cavil itself. The economic strictures of Professor Erhard and others have not spread great alarm (for which there is, indeed, no ground), but they have aroused in the west Germans an awareness of economic mortality.

Such an awareness makes for harmony, and a speaker at the end said that there had indeed been a vast amount of agreement on subjects domestic to the western world. But he added that this Anglo-German harmony stopped short at the frontiers of the West ; and this was certainly true of the frontier most commonly mentioned, that with communist eastern Europe. Here was the dark wood that the west Germans would not set foot in. Their propositions were

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negative: to do this would be wrong, that would be unjust, the other would end in disaster. Equally negative were their questions. What were British members of parliament thinking of to show off at the Leipzig Fair? What made the Lord Mayor of Coventry so complacent about the east German political system? Why was Herr Willy Brandt howled down when he addressed a meeting in London last month? Did the British, or did they not, support Bonn against Moscow, against Warsaw, against east Berlin? Were they aware of the obligations to promote German reunification, to reject a separate east German state, to refuse recognition of the Oder-Neisse frontier, accepted by the allies when the treaties of 1954 were signed?

These questions, with their implied reproaches, were answered sometimes defensively, in detail, and sometimes more boldly with a counter-question: What do you propose that we should all do? The British have got far enough down the path of appraisal of the east-west stalemate in Europe to put such a question, though not far enough to have much of an answer to it. The question implies that if the territorial order in central Europe cannot be changed by force, then it has to be lived with.

WHAT living with it will mean, the British have not worked out. Certainly they would go so far as to accept the Oder-Neisse frontier, if this were not such a sore subject with the west Germans. Their attitude to Berlin is governed by the feeling of responsibility for the liberties of the west Berliners, together with the belief that the Americans are right, and must be supported, in refusing to give ground to the Russians. The status of the east German regime they are inclined to treat as a domestic German question on which the west Germans, being allies, have to be allowed to make the running. Thus they adhere to non-recognition; but they draw the line at cutting off trade, and at stopping British travellers going there at all.

Taken together, these attitudes are not particularly coherent with one another, and they offer the German allies plenty of holes to pick. But, when asked what they would do, the west Germans simply had not got an answer to offer, and they rarely attempted one. Intellectually, they can see what the British (and the Americans, and the prevailing party in Russia) have come to see, that each of the two great alliances, east and west, is powerless to impose its will on the other without a general orgy of annihilation. Informed Germans in positions of responsibility, such as the men and women who take the trouble to attend the Königswinter conference, perceive perfectly well that this means that the Poles cannot be got out of Silesia, the German Democratic Republic cannot be overthrown, and Berlin cannot be restored as the capital of a single German state. They expect none of these things to happen, but they will not say so in public, much less accept these facts as part of the framework within which western policy has to be formed. West Germany's political leaders, of any party, have never brought themselves to make these admissions to their people. They would not now dare.

Instead, the forces of political competition drive them to ever more pointless assertions of intransigence, like the propositions of the Free Democrat leader, Herr Mende, on April 7th (not at Königswinter, but at a party meeting at Bad Neuenahr). Herr Mende is reported as having compared the Berlin wall with the walling-in of the Warsaw ghetto by the Nazis, and advocates of recognition of the Ulbricht regime with "states that once called on the Norwegians to recognise Quisling." He told journalists that a regional limitation of armaments in Europe would have to be accompanied by "self-determination" for Poland, Czechoslovakia, Hungary, and east Germany; and that the zone of control for such a plan would have to stretch from the Ardennes to the Volga. All this in elaboration of a policy of better relations with eastern Europe.

NOT only the English whistle in the dark, it seems. As a German speaker at the Anglo-German conference remarked, politicians are more afraid of their voters than journalists are of their readers. In private, or when he comes to Königswinter, as he often does, Herr Mende is a sensible man. The climate that causes sensible politicians to lead the public into realms of fantasy does not, however, make it easy to discuss courses of action for the real world. Such a discussion is perhaps made even more difficult than usual just now, within reach of Bonn and within earshot of the press, by the uncertainty about the domestic political future. Dr Adenauer's grip on affairs, it seemed to be privately agreed, is no longer as muscular as it was. A change of chancellor begins to look not so far off; there is uncertainty when and how it will happen, and what may follow. Such a time does not favour appalling frankness.

The Economist

APRIL 12, 1862

EVIDENCE OF INSANITY

¶ The proposal of the Lord Chancellor to exclude Medical Evidence in cases of Lunacy has startled the general public and has not a little annoyed many medical men. . . . Many of the reasons, too, that are commonly assigned for the proposed measure are absurd reasons. It is said that medical men talk great nonsense, and that nothing is gained by admitting their testimony save scraps of questionable theory and an abundance of hard names. . . . But we fear the argument proves, like many other efficacious arguments, more than it is wanted to prove. . . . Are any scientific witnesses exempt from the temptation of using wonderful words? Not many years ago a certain geologist stated that a certain substance was "argillaceous earth"; upon which Mr Justice Maule interposed and observed,—"*That*, gentlemen of the jury, is what *we* call clay." . . . The real basis for Lord Westbury's wise proposal is entirely different. It is that the question whether a man, in a legal sense, is sane or insane, is not a fact upon which medical science throws any light, or which a medical man has any special means of discovering. If we were discussing the cause of insanity in the past, or its cure in the future, the case would be different. . . . The principal questions in law are two. Is A B fit to manage his money? Did A B commit a particular act with a knowledge that he was doing it and a knowledge that it was wrong, or did he not do it? . . . The good sense of mankind presumes in favour of sanity. We must not deprive a man of his property without safe reason, we must still less remit the penalties of crime—that is, permit a legal lawlessness without sure ground. The ordinary knowledge of men's actions, dispositions, and ways is the best test in such an inquiry. It is not a topic of physical science, but a matter of ordinary observation. We ask architects why a house which has fallen did fall; we ask them whether a standing house will fall; when secret causes are investigated, we examine skilled witnesses; but when it is a question whether a house has fallen or not, we ask the people in the street. That is not a matter of architectural, but common knowledge. So with insanity.

Faceless Britain?

An impressionistic analysis of the "new middle class" from which the Liberals have lately drawn most of their new voters

IT takes a good, swinging by-election series for people to find out about Britain. Or so they think. All of a sudden politicians are on night trains brushing up their local knowledge ("No, it was the East division last time, Minister"), political correspondents are writing knowingly about the strange world "north of the Trent," and party agents drafted in from safe seats are hopefully ringing doorbells in the farthest housing estates. There is a heroic strain in all this, the stirring up of an instinctive provincialism, the feeling of going to the people in a way that the iron laws of general election psephology implacably discount. For a fleeting moment anything seems possible in this reviving England of the heptarchy—or Stanley Baldwin. In battered committee rooms men who ought to know better still talk about "personal votes," still get unnaturally flurried by the news that "the woodworkers have asked the Liberal to meet them," still argue wistfully that "polls don't matter to our chaps—we really think about the issues here." All in vain, or pretty much so. On the morning after it is invariably the pollsters (even those using a random sample) who claim the victory for themselves. The difference in regional swings across the country is still generally measured in terms of whether one or two more out of every hundred electors have or have not changed their votes.

No wonder the men on the night trains, from the Lord Chancellor downwards, get rattled and riled. They must be out of touch; even the provinces, the old reliables, are bitten by the bug. This is when Tories start to talk about "faceless men" and "poujadists," when Liberals wonder aloud about the "communal sense of the working class," when Labour leaders announce ingratiatingly that it is all right to own a car and still vote Labour. What they mean is that the elusive electorate has got away from them again. And what they fear (or most of them fear) is that the electorate has got something at the back of its head which it is not yet putting into words. Usually this means that no one has said the right words affirmatively (or pejoratively) enough.

THE best bet when the electorate goes all incoherent is that it is thinking about class. This is, of course, the great unmentionable of British politics; and still its central, consuming issue. The predominant party at any one time is that which successfully merges positive class issues with a persuasive classlessness. The idea of nationalisation could be read both ways in 1945; not so in the 1950s. In this it differed markedly from the welfare state, which the middle class promptly appropriated for its own and had written into Tory policy. By 1959 Labour found itself physically torn between the decaying industrial regions which still placed a class interpretation on the party's ethos (in Lancashire and central Scotland Labour actually gained seats) and those technologically-developed areas of the Midlands and the south-east where its image, as a result, could no longer be regarded as classless. It has still not broken out of this dilemma.

By contrast, the Tories' property-owning democracy had the right ring for the 1950s, except in council housing estates (as distinct from the actual new towns, where although—or perhaps because—rents are higher, decanted populations have a greater immediate sense of improving social status). Where the housing was dubious, consumer durables could always be put inside, or parked outside, property of all ages and conditions. "You've never had it so good" was, first time round, a whole flight of steps towards classlessness; the Tory escalator ran well—even occasionally too well for class-conscious Tories.

To a degree it was an escalator that ran best on inflation, overtime and earnings on the side. Where the urge for another status coincided with a soaring property market, as in the London suburbs, it meant over-commitment by the new, and particularly the young, middle class; this remains something rather less satisfactorily self-regulating than the hire-purchase cycle. The white-collar pay pause (or rather the halt to economic expansion which has caused a pause in real earnings too), together with the rise in inescapable costs like commuters' season tickets, obviously bit deeply at Orpington (see page 130 for the Tory inquest there). The impact has been greatest among younger married couples where the wife cannot go out to work and where the husband has little ability or inclination (or is forbidden by professional etiquette) to supplement his income. This, rather than the retired brigadiers and fixed-income widows, is the pressured middle class that Mr Macleod has to deal with now. It is still far enough below the old surtax level to be able to identify itself, at least temporarily, with the egalitarian opposition to Mr Lloyd; but its advancement depends, as it knows, on the personal returns from an expanding economy—and if the Tories are not giving it expansion now, it still read enough in the 1950s not to expect it from a traditional Labour party.

In old Tory terms these look like "faceless men"; in old socialist terms they are "traitors to the working class." Perhaps they are, although one day the old parties will learn that telling them so is not the best way to recapture seats. Many of them, either on their own volition or at one generation's remove in the 1930s, have voted with their feet in the modern migration from the heavy industrial areas into the south-east. Most of them were skilled or educated enough to leave what their parents thought quite comfortable jobs behind. It may be better pay that draws the grammar school boys (and national certificate holders) under the lace-net curtain that hangs from the Wash to the Bristol Channel. It may be—but it is normally swallowed up by a more expensive scale of living, or simply in rent. More often the biggest impetus seems to be a search for a new, more flexible, environment: not necessarily as a conscious step up in status but as a push towards positive classlessness.

This seems to be a projection (a more placid one) of the active resentment that the initial postwar generation expressed both at the established system they encountered and the parents they left behind. The middle-class education of working-class children, with its peculiar (although lessening) strains, contributes to the social withdrawal and to political evasiveness. All this does not necessarily take people to Orpington:

the bungalow suburbs are going up around all the big conurbations and towns. The same sense of aspiration, and often enough the same financial over-commitment to satisfy it, run well down the social scale. When Liberals proclaim hopefully that they will produce an Orpington in Middlesbrough, what would have sounded like sociological exaggeration a few years ago may now come surprisingly near the mark.

THE Liberals, starting from scratch, have recruited quickly from the new class, which now provides the biggest pool of floating voters there are. The other parties have been noticeably less flexible in their joints; when there are 150 strongholds on each side, the old guard has to be cosseted and placated. Even so, the contempt for facelessness is curious. The faceless men are certainly not as "sound" and "orthodox" in finance as Tory defenders of the pound would like them to be; and they do not visibly have the inner questioning about the enjoyment of affluence that Labour finds it hard to stifle. On the whole they want to join Europe—at least in the sense, as Mr Macmillan began to realise at Stockton, of Joining the Future. Probably (and no one can blame them) they want to tear down most of Victorian England and rebuild it—not as a municipally controlled environment but for people to live in with tastes like their own who will (they imagine) devote as high a proportion of income on housing as they do. At the moment they want more than the councils can provide, but can barely afford what the worst spec. builder can offer—and they feel cheated.

Some of their most positive aspirations lie—not unnaturally, and very hopefully—in education. They may not agree with the educationists about what is proper and balanced and desirable. They are not against examinations, but against bottlenecks disguised as examinations; they want technical education to be an education and not the grind of night school and day-release that they experienced; they are keeping their children on in the sixth forms beyond the Ministry of Education's preparations and expectations; they would like to see the universities jammed much fuller than now.

These ambitions tend to shade off (like Liberal policy) into muzziness when it comes to practicalities. There are few definitions volunteered of a reasonable rent or mortgage payment—assuming the right kind of houses could be built cheaply enough. There is less than entire trust in state education, but little positive movement towards fee-paying as a means of contributing to general expansion and better conditions. The political danger for the Conservatives now seems to be that the widening vistas, the release from the past (which means the past up to yesterday) are no longer being seen as visible Tory aims. The reiteration of what life was like in the 1940s is of as little help to the Government now as life in the 1930s was to Labour after 1951. Are there *Liberal* policies? The new class is not yet sure that there are—and, anyhow, at the moment it fastens more quickly on to discussion of aspirations, not policies.

Occasionally a mid-Atlantic conciousness speaks up for a new frontier of individual and community development. But the new, British forms this would take are never clear; if, for example, the concept of housing associations (people banding together to borrow and then finance and manage themselves the building of new estates) caught on, a lot of things in the pattern of British life could follow from it. Evasion conceals uncertainty. If this new class in Britain now seems faceless, its suburban gentility inexorably extending itself, its provinces evolving into standardised formulæ of existence and appearance, its political landmarks of the last decade becoming perceptibly submerged, it is because it has still to speak up for itself and the identity it is groping towards.

Curly Pigs' Tusks

Keeping Kenya from slipping back into economic, and therefore political, chaos is going to cost Britain more than it realises

HOWEVER skilfully he handled his black politicians, no Colonial Secretary could be expected to put Kenya right in seven weeks at Lancaster House. To his credit, Mr Maudling has produced both the framework of a new constitution for Kenya and a coalition government formed expressly for the purpose of working out its details. The Colonial Office now hopes (and, perhaps, prays) that the new government will report back by July 31st; if it does, there could be elections under the new constitution a few months later. The government that might then emerge would probably be given a prime minister and control (short of independence) over Kenya; and the date for actual independence would become a matter for negotiation between the Kenya government and the British Government.

Such a government would, if the present constitutional lines are followed, retain strong powers over foreign affairs and economic development. An upper house would watch the working of the constitution; so would six regional authorities, which would also control land and education. Both Kenya parties are thus ready to claim victory: Kadu (the Kenya African Democratic Union) maintains that its federal principles have won the day (which they have not); Kanu (the Kenya African National Union) that centralism is still the guiding principle (which it is not). The danger is that renewed competition between slogans will lead to renewed rifts among the politicians, all of whom would do well to accept what is the basis of Mr Maudling's new structure—a compromise between the need for strong powers at the centre and self-protective and administrative powers in the regions and the upper house. Mr Kenyatta's and Mr Ngala's tandem, hard enough to ride as it is, will be made more unsteady by the rivals (the Masai, the Somalis, the coastal strip politicians, and the disgruntled office-seekers) waiting in the wings. But even if Mr Maudling's efforts prove to have swept Kenya's political stables clean (and there is only a very faint chance that they have), there remains, overhanging all, the depressing story of Kenya's economy.

One way of looking at this begins with a tale told in the Commons on April 2nd by Mr Philip Goodhart, who informed members that the main form of economic activity in the New Hebrides was, until not long ago, the development of pigs' tusks in a circular shape. A tusk with three curls in it could buy three daughters of a chief. What was more,

> One of the troubles . . . is that it is very difficult for the pigs to eat and the women . . . used to spend some time in ancient days chewing grass and then spitting into the mouths of the pigs.

Modern economies, Mr Goodhart suggested, might find World Bank loans more palatable. Curiously, the debate was not about pigs, but about the new Colonial Loans Bill, designed to allow the Treasury to guarantee loans from the World Bank to dependent territories, up to a total of £150 million. At present, the maximum is £100 million and most of it is already earmarked. Special provision is made for the first time for loans to the east African common services organisation which, among other things, collects revenue and runs the railways, posts and telegraphs for independent Tanganyika, for Uganda (independent in October) and for Kenya Colony. A subsection provides for the New Hebrides: back to tusks.

These are most relevant to Kenya, which is likely to need (but not to get) every penny of the extra £50 million that it might now be possible to find through British-guaranteed World Bank loans. But even more chewed grass than this might not be enough to prevent Kenya from sliding some appreciable distance towards a subsistence economy after independence. The reason, plainly, is that Kenya's admirably developed, but sadly declining, curly banknote economy is the creature of the Europeans. Their abrupt departure could mean the collapse of modern economic activity there.

ALREADY the Kenya treasury is penniless and dependent on Britain for support. Mau Mau, let it be admitted, may have hurried British, French and Belgian legislators towards early decolonisation in Africa—but Kenya itself is now paying the bill with an empty till and an expanded white administration that, though excellent, may be too expensive to keep up after independence and too useful (for all Kenyans) to dismantle. Like the French client states so disparaged in orthodox pan-African circles, Kenya is likely to remain dependent on direct subventions to its budget from its ex-colonial ruler for recurrent expenditure. This will go on for some years to come, independence or no; it would be a departure from normal British (as distinct from French) practice, but it is likely to be necessary, in increasing amounts.

The contrast with comparatively prosperous Ghana and Nigeria is even more marked when the aggregate of available African skills is looked at: baldly, there are hardly any. In spite of accelerated Africanisation (Kenya quaintly still insists on calling it "localisation"), Kenya will be short of African technicians, as opposed to hastily-promoted administrators, for a long while yet. White men are likely to leave faster than they can be replaced by competent black men; compensating the old and training the new are both expensive tasks.

This problem, common to all new countries, is uniquely made worse in Kenya because Kenya will carry into independence a sophisticated administration and services unlike anything to be found in west Africa. Tanganyika, which might be described as a pilot project for the completely new situation Britain is faced with in launching Kenya, is already suffering a decline in its national income in which, admittedly, drought and flood have played a part. Kenya, where the essential factor, confidence, is far more scarce than in Tanganyika, is likely to be relatively worse off; already, out of its six million people, it probably has 300,000 people unemployed, stranded between the modern and the subsistence economies.

On top of this, Kenya will have to face the high costs of independence—including an army that may be indispensable, and a foreign policy. The thirst for education ("universal primary education" is the shibboleth; expanded secondary education the need) is as powerful in Kenya as anywhere else; the money for it likely to be more scarce. Speeding up the process of putting African farmers in the white Highlands without mortally wounding this golden goose is a problem likely to cost far more than is being spent on it now. For Britain, there must be the added expense of buying out the small farmers (not necessarily the plantation owners and companies) if these have to leave. But Kenya's people expect something much more cheerful. They know Nairobi and Mombasa and the wealth of the white farms; they are unlikely to be satisfied for long unless they advance towards, and not away from, these comforts. Even in a peacefully developing Kenya it would be necessary to devise means of sharing some of the white wealth: for all its value, the white economy in Kenya is largely self-devouring. The point about independence is that the majority of black Kenyans, relatively untouched by the European-built world, will now begin to suffer from a severe attack of rising expectations. Kenya's rulers will be hard put to it to keep their country from poverty, let alone satisfy these demands.

An immediate step that can be taken by the new national government in Nairobi, prodded by its present master, the Colonial Office, must be to present a really tough budget this May, while British control makes it easier to restrain the hot feelings that similar budgets have set off in Ghana and British Guiana. Tanganyika is likely to do much the same thing this year: keep a sharp control over expenditure and raise taxation to the highest point at which it makes economic sense.

For the Africans, the long-term step, apart from learning to live peaceably with one another, is their own idea: an east African federation. This would not make Kenya's problems disappear, but, by uniting its economy with Tanganyika's and Uganda's, it would make them much easier to solve. With such a scheme launched or on the way, the British Government might have to think seriously about massive aid to all three territories; as it is, Westminster is beginning to realise that Kenya, by itself, is going to be relatively one of the most expensive acts of decolonisation yet.

What has still to be fully realised is that, for the first time, it is probably going to be impossible to avoid carrying the expense over into the period of independence, with all the precedents for other independent and emerging countries that this might set. Last year the remaining British colonies received the same share of total overseas aid as did the vastly more numerous colonies in 1957; aid tends to be concentrated on this country's direct responsibilities. But it will not be possible to hive off economic responsibility for Kenya.

The reason for envisaging all this expenditure is that the alternatives (serious, Congo-like disintegration or a turning to communist "salvation") are, in the long run, likely to prove even more unpalatable. The need now is for a special investigation into the cost of keeping Kenya far enough away from curly pigs' tusks to prevent an east African disaster.

NOTES OF THE WEEK



BUDGET SPEECH

Not Dethroned

THE atmosphere in Parliament during the budget speech was partly affected by an accident: the preceding Question Time happened to have ended in a mood of childish but fairly good-humoured banter. For most of the time that Mr Lloyd was speaking neither party was quite sure out of which side of its face it would be laughing at the end, so reception was fairly quiet until the Chancellor announced the new tax on sweets and soft drinks. Then Labour, which is supposed to be the reforming party, erupted in delighted anger against what it presumed would be an unpopular innovation; for a short period the Chancellor had to resume his seat, while some of the loudest anti-American left wingers in the House led a noisy demonstration in favour of the coca-cola way of life. For a time this interruption seemed likely to help the Chancellor by rallying vocal Tories to his support, but Mr Lloyd soon got stuck in the mud of one of his less lucid perorations, and the final cheers were dutiful rather than adulatory. Nevertheless, Tory backbenchers, who are pleased with much of the detail of the tax changes, have in no way dethroned Mr Lloyd from his place of party esteem as a competent departmental minister. There has been no Tory revolt in favour of more expansion; the most sensible general remarks on the lack of dynamism in this budget have so far come from the Labour front bench.

Perhaps the people who deserved most congratulation on Budget Day itself were Independent Television News. The ITN has previously been streets behind the BBC in its coverage of most really big national occasions, such as the general election. On Monday afternoon its coverage of the budget—with comment from independent experts as news of Mr Lloyd's speech poured in—was streets ahead; it also set a new tradition which may become more important than many MPs, who were in the House at the time, may realise. For it is clear that some of the best informed newspaper comment on the budget next day sprang from opinions which editorial writers had formed when looking in on this programme.

NUCLEAR TESTS

Easter Egg

SHIPPING is to be warned clear of the waters round Christmas Island from next week onward. The first American nuclear test above ground for four years is expected in the last days of April. (Underground testing in the United States was resumed shortly after the Russians broke the stillness with their series of monster explosions last September and October). There have been reports from Geneva that the Indians, the Swedes and some of the other uncommitted delegates at the disarmament conference still hope to find a last-minute compromise formula on banning further tests. But the swift rebuttal from Moscow on Tuesday of the "last chance" appeal that Mr Kennedy and Mr Macmillan had sent to Mr Khrushchev was one more indication that no agreement on a ban was possible.

As the joint appeal pointed out, the American and British governments have made fresh attempts, since the new Geneva conference began a month ago, to meet Soviet objections to the draft test ban treaty that they formally tabled in the same city just a year ago. There is no reason to doubt that Mr Kennedy would have sincerely preferred a treaty to a resumption of testing, in spite of the advantages Russia had gained by its Arctic and Central Asian series of tests last autumn. At Geneva, however, Mr Gromyko and Mr Zorin have flatly rejected the whole principle of international verification; and there is no question of the United States Congress approving a treaty that lacked this element.

Mr Macmillan—who will be in America when the first of the new blasts echoes from mid-Pacific—and Mr Kennedy are philosophically aware that they are courting strong criticism; but the expectation is that the reaction of uncommitted opinion will be tempered by growing readiness to recognise that the West dare not simply let Russia enjoy all the military advantages that its superior secrecy brings it. The uncommitted have noted that even verification by the nationals of uncommitted countries is denounced by the Russians as an intolerable form of "espionage" while, in contrast, communist diplomats have been shown over the Cape Canaveral missile range.

At Geneva, the uncommitted delegations have been having their first, enlightening, experience of negotiating on disarmament with Russia. They have found Mr Zorin unwilling to give them a place on a steering or drafting committee, reluctant to discuss specific urgent steps such as a ban on the placing of nuclear weapons in orbit, and insistent that Soviet plans must be given priority in debate. His tactics this week got the conference into a futile slanging match about "war propaganda," which led Mr Dean, the American delegate, to ask if those volumes of Marxist holy writ that discuss the inevitability of war were to be suppressed.

RADCLIFFE REPORT

Unsecret Secrets

THE Radcliffe committee's report on security procedures (Cmnd 1681), cannot be castigated—except by the very woolly-headed—as a wicked attempt to stir up McCarthyite snooping. In fact, the report specifically, on its first page, takes issue with the undue importance that was attached to Communist party membership by the last investigation, conducted by a group of privy councillors in 1956. It believes that the activities of the professional Russion espionage service in Britain are much more dangerous. But it has annoyed some people by pointing out that the British Communist party has a disproportionately large number of members and sympathisers among civil service trade union officials. The minimum precaution that government departments are advised to take is to challenge such officials when it comes to granting access to secret plants or to negotiations directly involving men on secret work. The union officials' right to appeal, under the civil service "purge procedure" of 1948, will be retained. To those who say that this is an interference with elected union representatives' democratic rights, one answer is that union elections are sadly often not well-informed democratic occasions. All too often it is difficult for the ordinary union member to know (or, under the law of libel, for him to be told) that so-and-so on a list of executive candidates is a communist sympathiser. If he did know, he might vote to remedy matters.



The committee's chief findings on the Blake and Lonsdale cases are presumably in its top-secret chapters. But the unclassified portion is not exactly reassuring about

past practice in the Admiralty and elsewhere. The committee deplores "any impression [within departments] that . . . the security branch is the natural home of the incompetent." It calls for more active precautions: "It is not satisfactory just to sit back and feel unhappy." It rightly insists on departmental responsibility for security. Departments which believe that these nasty matters should be delegated to MI5 are bound to find themselves saddled in the end with the least efficient system of security, as well as with the most unpleasant sort of system to work under. There can never be an absolute guarantee against suborned traitors trying to take documents home to be microfilmed, but a lively sense of individual responsibility and watchfulness is discouraged by attempts to classify as secret many documents that are manifestly harmless or unimportant. One department is now said to have reduced its highly classified files by two-thirds after a detailed check; its example could be followed. The few real secrets are worth guarding for dear life; the large and fussy remainder are a waste of everyone's time, patience and, in the end, loyalty.

BY-ELECTIONS

What Stockton Means

THE Conservatives had reason to feel relieved about the result of the Stockton by-election. It is true that the newly-appearing Liberal again drew more than twice as many votes from them as from Labour; and that this, together with the remarkably high turnout (of over four-fifths of the electorate), brought about the expected increase in Labour's majority. But the table below shows that the percentage changes in each party's share at Stockton were much more like those in that other recent near-marginal Labour seat of Lincoln on March 8th than in the safe Labour seat of Middlesbrough East on March 14th. Once again, it has been shown that in seats that are near-marginal for Labour, Tory voters seem slightly less willing to desert to the Liberals than they are elsewhere; while Labour voters seem paradoxically slightly more willing to desert there. And, to compare Stockton with Lincoln, the net effect of the wave of excitement after Orpington seems to have been to enable the Liberals to draw 4 per cent more of the electorate from each side.

STOCKTON RESULT COMPARED

(Change in percentage shares compared with 1959)

	Con.	Labour	Liberal	Other
Stockton	−18·5	−8·5	+27·0	—
Lincoln	−14·7	−4·6	+18·2	+1·1
Middlesbro' East	−23·7	−0·9	+22·9	+1·8

Mr Rodgers, whose charm seemed on this occasion to be greater than his capacity for arithmetic, told his new constituents that if Stockton's net 5 per cent swing to Labour was repeated across the country, it would lead to a Labour majority of 200 at the next general election. As a matter of fact it would lead to a Labour majority of 55. And the interesting thing is that in five of the last ten by-elections the net swing to Labour has been within one per cent of this 5 per cent. In each case the net swing to Labour was the result of the Tories losing more votes to Liberals (or, at Bridgeton, to a Scottish Nationalist) than Labour did; at Pontefract, where there was no third party candidate, the net swing to Labour was only 2½ per cent. In a general election Labour would need a 3½ per cent net swing from Tory to come back to power. Frankly, if there were a general election tomorrow, we do not believe that Labour would quite make it; at a general election at least some proportion of those who have recently been swinging from Tory to Liberal would probably return to their old allegiance, and it seems doubtful whether many of those who have recently been swinging from Labour to Liberal would necessarily do the same.

Unless the budget has changed matters, the recent net swing of 5 per cent or so to Labour presumably becomes the bogey score for next week's by-election in the near-marginal Labour seat of Derby North: it would serve to increase Labour's majority from 2,407 in 1959 to between 5,200 (on a 60 per cent turnout) and 7,000 (on an 80 per cent turnout), with the Tory and Liberal again running fairly close together for second place.

EUROPE

Outsider or Arbiter?

PRESIDENT DE GAULLE is not easily persuaded to leave French soil. His visit to Turin on April 4th, for talks with Signor Fanfani, was a gesture. The French president is evidently keen to reach agreement at last on the future shape of political unity, or co-operation, for western Europe, and for the first time for some months he offered concessions. As a result France and Italy agreed on two, at any rate, of the sore points that have blocked the way to some form of political organisation for the six countries of the common market. The understanding was endorsed by Dr Adenauer, whom Signor Fanfani visited at his holiday place on Lake Como three days later.

One new formula assuages the chronic fears of France's partners that the proposed political arrangements may weaken the existing Brussels communities. The suggestion is that though the six countries' ministers (when wearing a political hat) may discuss economics if they want to, their recommendations to the European communities will have no binding force. A formula has also been devised to calm the fear that Nato may be undermined by new European defence arrangements. The big remaining difference between France and its partners concerns the projected revision of the political union in a few—say three—years' time. A form of words still has to be found to encourage the federalists to feel that they will get more supranationality then, while not actually committing reluctant gaullists to go further than they wish.

The meetings in Italy thus provide fair auguries for the next gathering of the foreign ministers of the Six, due on April 17th. But there is a flaw. The Dutch and Belgian governments have hitherto combined a determined federalist opposition to *l'Europe des patries* with an equally determined, on the face of it contradictory, demand that nothing at all must be done until the British are in the talks. Mr Heath's modest sally into the field of political unity, when he spoke to the council of ministers of the Western European Union in London on Tuesday, was calculated to help the Six to agree. Without going into details, Mr Heath supported both of the new formulae—the Nato one, and the need to preserve the existing communities. He also suggested that the moment was now near when it would be sensible to bring Britain into these political talks.

CUBA

The Other Berlin

GALLANT little outpost, surrounded by the forces of a hostile ideology, in constant danger of withering on the vine: this is not Berlin, but Cuba seen through Russian eyes. The Cubans are finding it hard to keep their revolution going with no one to help them but the communists. The sentences passed in Havana on April 7th on the thousand-odd prisoners taken in last year's invasion are a measure of how badly Cuba needs dollars; the sentences amount to an offer to accept fines in place of imprisonment, on a stiff tariff running from $25,000 for a private to $500,000 for a senior officer.

Dr Castro remembers the hostile reaction to his last offer to ransom the prisoners well enough to realise that only the most urgent need for cash could justify renewing the offer—at triple the original price. But Cuba needs dollars to buy things it cannot get from the communist world. Lack of spare parts for lorries and sugar mills looks like cutting this year's production of sugar below the amount the Cubans had originally promised to export to the communist countries. The minister in charge of food rationing, Dr Rodriguez, engagingly admitted on March 24th that the Cubans were temperamentally unsuited to austerity; the number of applications for rations in Havana exceeds the city's total population by 100,000.

Cuba's other critical shortage is of men who know how to run an economy. It was this shortage that enabled the local communists, who are good at running things, to insert themselves into positions of power. Dr Castro now seems to be trying to limit their access to the topmost positions while using their skills at the next level down. The ministry of commerce, for instance, has recently been taken over by a com-

munist. But Dr Castro's attack on a number of the island's communists on March 26th for thinking that they had "won the revolution in a raffle" has been accompanied by the creation of a six-man secretariat to lead the Integrated Revolutionary Organisation, Cuba's single party. Only one of the six is an old communist; the others are faithful to Fidel. It looks as if Dr Castro still wants to wear his marxism with a difference.

PERSIA

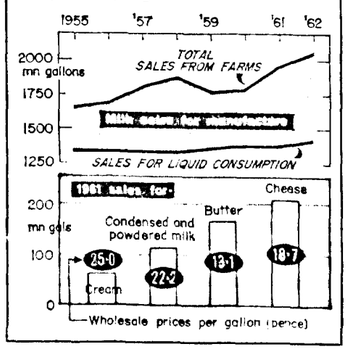
Shah and President

An anxious Shah arrived in Washington this week on a visit to President Kennedy which, originally fixed for September, was advanced at the Shah's request. He was anxious on many counts. His prime minister, Dr Amini, pressing on for social reforms, is acquiring more power and independence than any prime minister before him since Dr Mossadegh. This is the cause of some friction: the Shah has even grown nervous lest reforms, pushed too far or too fast, should release uncontrollable forces that could upset the peacock throne. These fears can hardly be justified. If Dr Amini is to be dramatised then he fills much more obviously the role of the last hope of an old regime than the first hope of a new one. This is how the Americans see him and why the Americans support him. Yet the Shah must hurry to Washington to get his own views heard. These differ from Dr Amini's in that the Shah seeks more military assistance, while Dr Amini is concentrating on getting economic aid.

The Kennedy Administration must certainly be reluctant to pay more for the Shah's army, though the Shah may quite forcibly argue that reforms are, in their nature, disruptive and that therefore, if he is to support them, he must have his army strengthened against such outside dangers as Russian radio campaigns. President Kennedy is primarily concerned to smooth out the differences between the Shah and Dr Amini. If he humours the Shah at all it is likely to be as a mere softener for some pretty firm proposals. These are said to include the offer of generous American financial assistance for a genuine programme of reforms, subject to two provisos: Dr Amini must remain as prime minister; and aid will not be continued if reforms are not carried out. Persia needs $800 million (£285 million) in foreign aid for its third development programme, and most of this must come from the United States. The conditions that President Kennedy lays down must therefore carry some weight. Nor is his word even the last one. Congress will need some real evidence of useful spending if more and more aid is to be bucketed into Persia.

MILK SURPLUS

Apart from the occasional dumping of unwanted skimmed milk down mineshafts all the milk sold from farms to the Milk Marketing Board and not consumed in liquid form is sold for manufacturing. The guaranteed price paid to farmers for milk was lowered by 0.4d. after the 1962 Review to 3s. 1.85d. per gallon. The prices at which the Board sells milk vary considerably: the gross selling price for liquid consumption in 1960–61 was 3s. 8d. per gallon while the price realised by the increasing quantity of milk sold for manufacturing averaged only 1s. 6d. per gallon.



BUSINESS ECONOMISTS

Fixing Targets

Hotfoot last weekend from preaching the gospel in Dublin (where perhaps another Ned is in the wind?), M. Pierre Massé, head of France's planning machinery, addressed a hundred practising economists attending the Business Economists' Group conference on planning in Oxford. The main interest to those already familiar with the workings of the French system was the evidence of some recent changes in emphasis within it. The French planners now believe that behind their four-year plans must lie some much longer-term view of the economy (over at least ten years, and a study is being made which looks ahead as far as 1985). Secondly, they feel that in drawing up each four-year plan a choice of growth rates, rather than a single one, should be put forward to the politicians together with the implications of the different rates. At the same time, some reduction is to be effected in the number of working parties which contribute to the plan; this suggests that the French are discarding a little of the excessive detail which has hitherto gone into the fussier part of their target-fixing and planning.

How much target-fixing Britain's own National Economic Development Council will produce in its turn is still anybody's guess. But it unfortunately became evident at the conference that some people are going to try to persuade the Chancellor that it should be a good deal less, certainly to begin with, than the French go in for. Most of the discussion by British delegates at Oxford centred not so much on growth targets, the central theme of the French plan, as on the possible impediments to growth, such as immobility of labour and the taxing of capital. While there are obviously fields of investigation here for Ned, its primary task should be to breathe a spirit of expansion into the British economy; the main point of the Ned experiment will be lost unless Britain absorbs the psychological lessons to be learned from France's effective target setting.

CONSERVATIVES

Inquest on Orpington

The inquest carried out for Conservative Central Office on the Orpington *débâcle* by a well known firm of pollsters has apparently yielded some interesting, but not startling judgments. Contrary to some press impressions, it concludes that the personalities of the candidates did not exercise a decisive influence on the result; nor does it think that anti-semitism affected more than a few handfuls of voters. Instead, the Tories have been told that the principal issue which lost them votes was the pay pause. This is said to have been resented by voters, not so much because they were personally suffering themselves (although the teachers were and voted Liberal accordingly), but because they sympathised with others whom they felt were being discriminated against. This linked up with a widespread feeling among the middle income groups that while something had been done for the rich in surtax relief, and while the organised workers could look after themselves, nothing had been done for the new middle classes by the Government.

Sheer boredom with the Government also helped massively to bring on Mr Goldman's defeat. The Tories have been served notice that electors are no longer impressed by horror stories of the years of Labour misrule. After eleven years of Tory government most electors have forgotten all about it, and many of the new electors can hardly recall a time when the Conservatives were not in office. The report gives no indication of a positive swing to Liberal policies and confirms that Mr Lubbock gained most of his new supporters from those anxious to register a protest against the Government; disturbingly for the Tories, a high percentage of the protesters are said to have been young married couples, some of them voting for the first time.

The report does not believe that high mortgage rates were a really major factor in the Government's defeat. Somewhat quixotically the electors are said to have been more concerned over Government inactivity in the face of take-over bids. As for the common market, far from being a major issue, it is said to have played no role at all in the election; the Tories, says the report, lost no votes and the Liberals got none. Nor do the Government's Common-



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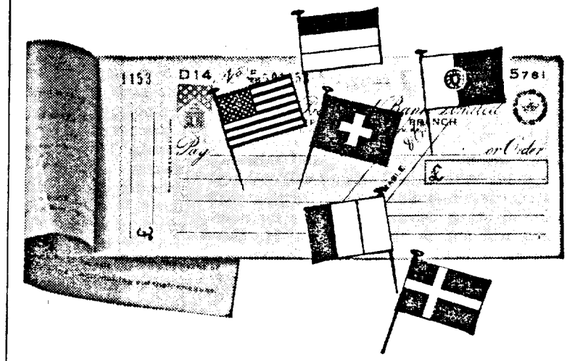
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wealth policies seem to have cost it any support. Stories of irate imperialists flocking to the Liberal banner appear to be little more than imaginative fabrications.

The report's final conclusion is that people are suffering from a sense of drift and lack of national purpose. The Tories need to give an impression of greater dynamism to win the protesters back. After this week's budget that may not be easy; but one political course to which the Tories may now wisely turn is that of putting over in a more dramatic and imaginative way the case for the great adventure of trying to enter Europe.

UNIVERSITY FINANCE

Second Thoughts?

MR BROOKE made two concessions to his critics in last week's Commons debate on university finance and salaries. He promised that the Treasury will cushion future rises in building costs, so that the value of the non-recurrent grants for new places will not be badly eroded. He also announced that he would review the universities' financial situation in two years' time in the light of how the expansion programme was going. It is a legitimate university complaint that quinquennial programmes ought not to depend on interim reassessments; the chief factor underlying Mr Brooke's second thought is that by 1964, if not sooner, he will have to adapt himself to what one hopes will be the vigorously expansionist demands of the Robbins committee on higher education.

The Government's answer to the various international league tables of university entrants (in which Britain invariably languishes just above Turkey) turned out to be that in some continental countries a lot of the students do not last the full course. Of age groups actually graduating, he said, this country's 3½-4½ per cent is comfortably above France's 3½ per cent and west Germany's 2¾ per cent. But one answer to this is that the number of unflattering comparisons is still high; another is that one would prefer to have a society in which lots of youngsters have a chance to go to university, even if some are then weeded out there, than one where so many young people who would make perfectly competent undergraduates are not given a chance to try their paces at all. It is true that, as Mr Brooke argued, existing plans to raise the total of student places to 150,000 by 1966-67 means a rate of expansion (35 per cent in five years) which many vice-chancellors already jib at. But why help them to drag their feet and mutter about academic standards by undercutting the recommendations of the (financially conservative) University Grants Committee? And is there really any kudos to be got by claiming that the school-leaving "bulge" will be catered for—at recent university entrance rates? It would be appalling if it were not.

Some hopeful sixth-formers will be able to find their way to the colleges of advanced technology (6,000 extra places) and the teacher-training establishments (12,000 extra). This is something, but not by any means enough. Since the long-term prospects for rapid expansion are greater in the field of technical education than anywhere else, the Government is on safer ground in deliberately encouraging—by salary differentials—the present drift of junior university teachers into the CATs. This is not the disaster that certain professional spokesmen are making it out to be. But the danger of a collapse (for several reasons) in the teaching strengths of some of the second-rate civic universities will have to be checked: the way to do it is by making discriminating awards to those faculties and institutions whose difficulties in recruitment of teaching staff are proving particularly great.

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ZANZIBAR

Clove Island Hitch

IN the few private hours left to him between conferences, a Colonial Secretary's bathtub dream might be to send a whole Lancaster House chamberful of delegates home, abruptly, and empty-handed. For Mr Maudling this more or less came true, willy-nilly, when, on April 5th, he announced at the Zanzibar conference that the result of their deliberations was to confirm the depth of the differences between them. Therefore, he could offer no real constitutional advance, no date for new elections, internal self-government, or independence. Minor franchise adjustments, and a delimitation commission, were offered (a crumb, in fact, for each side); beyond that, Mr Maudling implied, they had better return to their islands and patch up their quarrels before asking for more.

The Colonial Secretary could hardly have done anything else. Zanzibar's inhabitants are divided roughly in two—on the one side, comparatively wealthy and advanced Arabs, Asians, and mixed-blood Africans; on the other, poor, comparatively backward, Africans and Shirazis. This drew blood at the time of last year's elections. The party of the better-off is in power and against new elections; the opposition, certain that with a wider franchise it will win, wants elections as soon as possible. The divisions appear to be too deep to allow for real co-operation. Alliances with other politicians on the mainland (in Kenya and Tanganyika) cannot be avoided: so the result is a spread of the poison of discord to an east African body that already has as much of this as it can absorb.

SOVIET UNION

Suspense at the Top

PARLIAMENTARY surprises are not typical of Russian politics. The sudden postponement of a session of the Supreme Soviet is in the nature of things a puzzling event. The two houses of the newly elected Supreme Soviet were to have met on April 10th. Less than a week before, and without any explanation, the opening of the session was put off to April 23rd. The causes of this delay, however, need not be sought in the state of health of Mr Khrushchev. There are plenty of other possible reasons for the postponement.

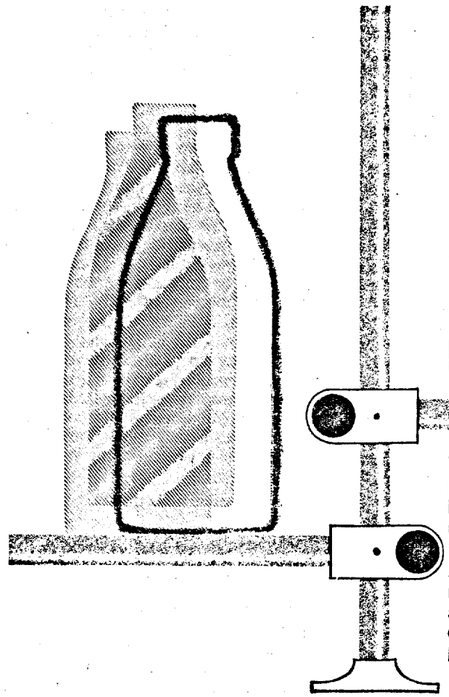
When the Supreme Soviet meets after an election one of its tasks is to approve a new government. Mr Khrushchev's premiership is not at stake but, taking into account the debates of last year's 22nd party congress, the governmental reshuffle might prove both bigger and more laborious than usual. Another reason for delay may well be connected with news from Peking. Indeed, the Chinese set a precedent last month by delaying their own meetings of parliament and the party leadership. Since then, there have been persistent reports, reinforced by the contents of articles in both countries, of a search for compromise between the two communist partners at odds. A Sino-Soviet political truce would certainly be a prospect worth waiting for in Moscow.

Moscow's waiting game is even more likely to be the result of expectation of change on the non-communist front. Soviet papers have recently been writing as if they genuinely expected President Kennedy to put off the now imminent series of tests in the atmosphere. The Supreme Soviet provides a platform for Mr Gromyko, or even Mr Khrushchev himself, to make a major statement of foreign policy; and such a declaration is naturally affected by the state of soundings about disarmament and Berlin. Thus the parliamentary suspense may reflect a diplomatic suspense.

POTATO SHORTAGE

The quota game

HOUSEWIVES reeling at the price of a pound of potatoes this week (5d. to 9d.) have been encouraged to blame the



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weather. But the Potato Marketing Board, in spite of all explanations to the contrary, has a lot to answer for. The board, going on its estimates of consumption in any coming year, allocates a quota acreage to each grower and charges him £1 an acre for the privilege; if he grows more than his allotted acreage, it charges him £10 a acre in "excess contributions." Since the farmer is guaranteed a price of about £13 a ton (at 9 tons an acre) for his potatoes, and may get as much as £35 or £40 a ton on the market in times of shortage, he is sometimes persuaded that the excess levy is worth paying, thereby creating the conditions beloved by the consumer but abhorred by the producer. This happened in 1960.

Alarmed at that excess, the board decided to step the registration fee up to £3 an acre and the excess contribution to £25 an acre. As a result of this deterrent (and the bad weather of last season) fewer farmers took up even the acreage allowed to them, and the net acreage under potatoes fell to 150,000 below the quota of 742,000. Some, however, persisted in the abhorred belief that people would still want potatoes in the winter of 1961-62, and grew their usual excess acreage, paying £140,000 to the board for it. Consumers (and chip shop proprietors) can draw their own conclusions about who are the bad boys this time.

The board has now had official approval for its increased levies; this year's conditions could therefore be repeated next year, when excess contributions may amount to £350,000 while even fewer acres are planted with potatoes. Once again, the board should make money and the consumer could still go short. At the very least, there is a strong case for allowing the transference of unused acreage quotas to farmers who are prepared to use them (the hop board already allows this). But, because the reallocation is said to be administratively "impossible," or else out of the board's control, the idea is not likely to be adopted.

ITALY

Presidential Starters

SIGNOR MALAGODI, the leader of the Liberal party, has expressed the hope that the new Italian president will resemble the late Signor Luigi Einaudi, who was president from 1948 to 1955. Many would share his hope; but elder statesmen like Luigi Einaudi are hard to come by. In the absence of a candidate of his stature, the deputies and senators who will meet in joint session on May 2nd to choose a successor to President Gronchi are likely to act primarily on the basis of political calculation.

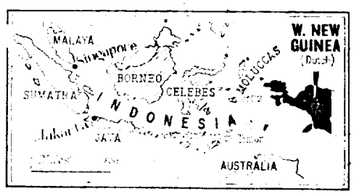
This time these calculations are bound to be influenced by the fact that the presidential race is being run so soon after Signor Fanfani formed a centre-left government supported from outside by the Socialists. Although the president is theoretically above the political battle, inevitably the political loyalties of the new head of state will be held to give an indication of how much the "opening to the left" is to be either consolidated or undermined. If Signor Saragat, the Social Democrat leader, whose name was, by implication, put forward last week, were to be elected, this would be taken to suggest that the present government is not just a temporary deflection of course but the beginning of a genuine trend towards more progressive economic and social policies.

Among the Christian Democrats a number of possible presidential starters have already been mentioned; they include Signor Segni (foreign minister) Signor Piccioni (deputy prime minister), Signor Scelba (a former minister of the interior) Signor Merzagora (president of the Senate), and Signor Gronchi, who is not actually debarred from succeeding himself. Although these names cover the whole range of the Christian Democrat spectrum, their balance is towards the right. The task of choosing among them may gravely strain the fragile unity achieved by the party at its Naples congress in January—and perhaps to no purpose, since at neither of the two previous presidential elections was the official Christian Democrat candidate successful. It is not surprising that Signor Moro, the party secretary, is approaching the problem of the presidential election with some circumspection.

NEW GUINEA

The Umpire's Move

THE ball is back in the Dutch court after a smart bit of American umpiring. The next shot in the rally may take some thinking out, however, for the umpire's intervention was distinctly more favourable to the Indonesian challengers than to the Dutch defenders of what might be called the New Guinea cup. In fact, Mr Ellsworth



Bunker, the State Department man who served as mediator in the short-lived informal talks between the Dutch and Indonesians near Washington a fortnight ago, has now proposed a programme for the transfer of administrative powers in West Papua from Holland to Indonesia. The transition would last two years and would be supervised by a United Nations commissioner.

Although the Indonesians have never been keen to allow the UN any say in west New Guinea, Mr Bunker's proposals are close enough to Indonesian views, and they were accepted "in principle" on Monday by President Sukarno. On the Dutch side, Mr Luns, the foreign minister, was in London this week for the Western European Union meeting, and the Dutch cabinet was not expected to reach a decision on Mr Bunker's proposals until his return. It would be surprising, however, if Professor de Quay's government found these acceptable as they stand. The Dutch have promised self-determination to the Papuans, and it would be hard for them to enter into any arrangement that brushes this promise aside. Last week the Dutch lower house rejected Labour motions calling on the government to negotiate on the basis of a transfer of sovereignty and stop sending reinforcements. The voting may have reflected confidence in Holland's ability to defend its territory, after the rout of an Indonesian invading party on March 30th. The Dutch may be well advised, however, to take up Mr Bunker's proposals informally, and see if they can be broadened to give the Papuans more of a say in their fate.

PORTUGAL

Lisbon Teacup

ALTHOUGH too much ought not to be made of the incident, the resignation of the Rector of Lisbon university and the strike by his students is not without importance. Dr Caetano, an able and (by the standards of Salazarian Portugal) almost a liberal man, was for some years (1955-58) minister of the Presidency and widely spoken of as a possible successor to the ageing dictator. He lost his post for sponsoring the political relaxation that led to General Delgado's unexpectedly successful presidential campaign in 1958, and was honourably retired to the headship of the

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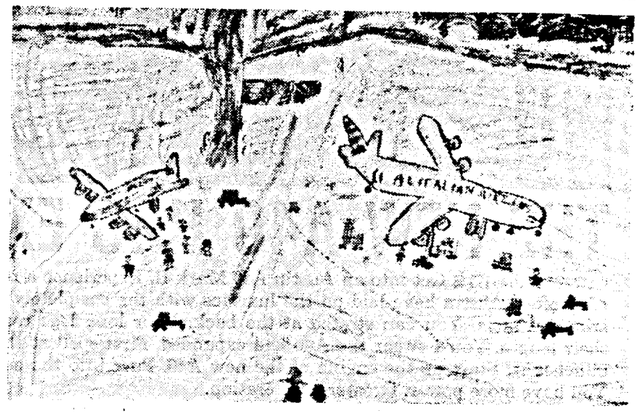
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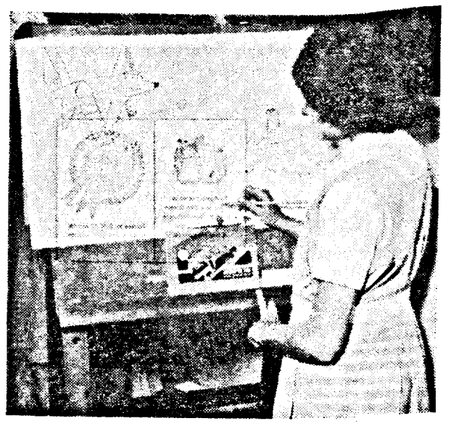
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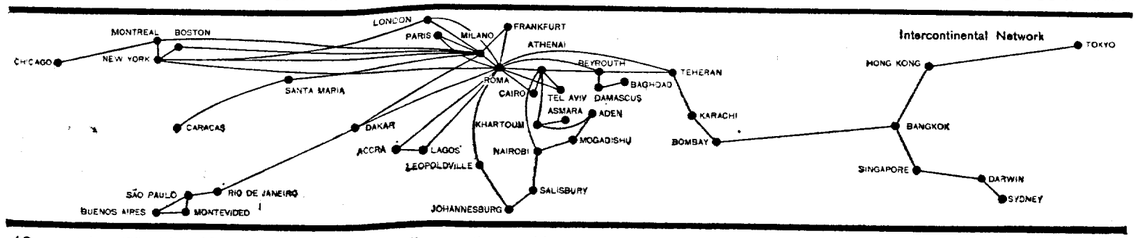
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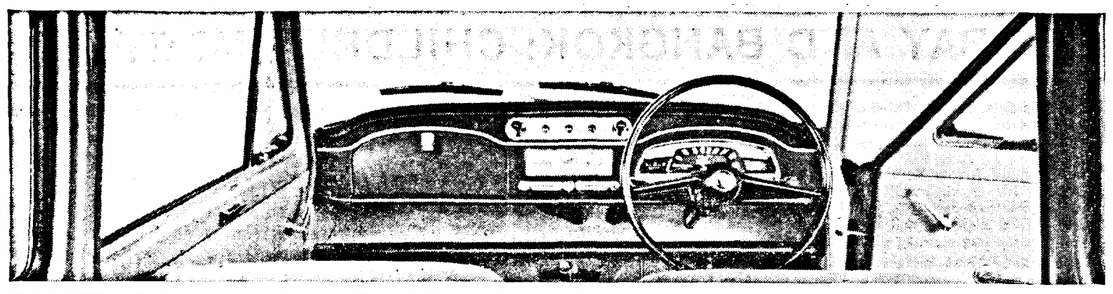
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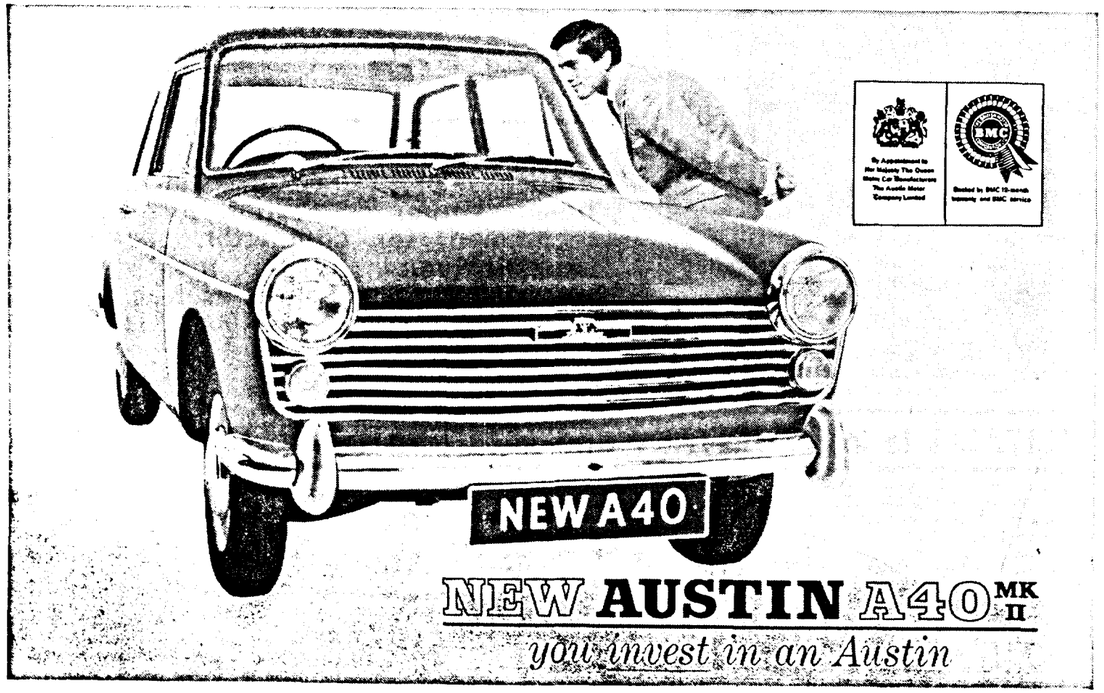
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university. He is thought to have many supporters in the army and the civil service, and a large following among the young.

This last point has, to some extent, been confirmed by the present disturbances. On March 24th the minister of education banned the annual "Students' Days" celebrations, on the ground that they might furnish opportunities for "subversive propaganda." He relented somewhat two days later in face of a storm of protest from the students, and gave them his permission to proceed, provided that their programme was submitted to the ministry of education. Then, on April 4th, he reimposed his ban. Dr Caetano went to the ministry the next day to present his formal resignation in sympathy with his students, two and a half thousand of whom assembled to cheer him for it. His resignation was followed by that of the heads of the faculties of law, medicine and letters, and of the head of the technical university. The ten thousand students went on strike, proclaimed "academic mourning," and held their celebrations in spite of the police, who did not interfere. At Coimbra, Dr Salazar's old university, more than half the students demonstrated in sympathy. Only Oporto was quiet—perhaps because this traditionally turbulent city let off enough steam in demonstrating in January.

A bald announcement that the head of the secret police has been replaced may have nothing to do with the affair; on the other hand, it may be the government's way of

punishing the organisation whose reports must undoubtedly have lain behind the denunciations of communist subversion by which the minister of education explains the whole business. Coming on top of the abortive coup at Beja, on New Year's Day, and Dr Salazar's other difficulties, these are signs of restlessness.

SKIM MILK

Too Many Cows

THE news that upwards of a quarter of a million gallons of skim milk may not, after all, be thrown down the shafts of disused coal mines for lack of anything better to do with it has soothed the violently provoked feelings of those who could think of several better things to do with it—like having it processed at cost in Belfast for the feeding of starving Asians; which is what is happening to it. But the Milk Marketing Board was right in its plea that it could do nothing off its own bat—and short of a deliberately "social" intervention by outside agencies—except throw it away. The surplus will represent only about 0.15 per cent of the total of skim milk powder production; and it would be hideously expensive to purchase extra machinery just to process these "top gallons" (about £3,000 worth of raw material) which the appalling weather of early spring may delay until they all happen at once. It would be many times cheaper to give more money to starving Asians directly than to set up surplus machinery to provide them with this processed skim milk. Politically, this is never an easy argument to put across—although Mr Macmillan did so, to some effect, last week.

None of this excuses the board (or the Government) for the fact that there should be so much skim milk in Britain at all. The Government is culpable because it has not reduced milk prices to farmers by as much as it virtually pledged itself to do last year. The board is culpable because no amount of "drinka pinta" (or even a quarta) will persuade the British public to buy up all the milk the farmers can produce as long as British milk costs as much in retail shops as it does under the board's present monopoly price (64d. a gallon for 3.7 per cent fat-content milk, bottled and delivered; most European milk is lower in fat—3.0 to 3.2 per cent at its cheapest—but even heavy adjustment for content, bottling and delivery would hardly equate the British price with Austria's 36.1d. or even France's 48.3d.; and almost exactly comparable milk in Italy —3.5 per cent in litre bottles—costs 56.3d. a gallon). The flood of milk that the board cannot sell as liquid goes to be processed into high-cost butter, and it is thus that the surplus of skim milk appears, for which the public pays even when the board gives it away free.

BOOKS

Marxism Reconsidered

Philosophy and Myth in Karl Marx
By Robert Tucker.
Cambridge University Press. 263 pages. 35s. (paper 12s. 6d.).

The First Russian Revisionists
By Richard Kindersley.
Oxford University Press. 266 pages. 38s.

THE core of Professor Tucker's book is an interesting, and in places brilliant, analysis of the idea of "alienation" in Hegel and Marx. Since the relatively recent publication of Marx's unknown youthful writings, this problem has been at the centre of much philosophical discussion in Europe and America (but has been almost ignored in Russia). Alienation, Marx wrote in the early 1840s, sets in when "man's own deed becomes an alien power opposed to him, which enslaves him instead of being controlled by him." This may sound as if it were taken from a sermon about man's soul being torn between good and evil; but Marx quickly moves from morality to history:

> This crystallization of social activity, this consolidation of what we ourselves produce into an objective power above us, growing out of our control, thwarting our expectations, bringing to nought our calculations, has been one of the chief factors in historic development up to now.

From this angle Marx went on to study and analyse the working of capitalism and found in privately owned industry the "power alien to the producers, enslaving them instead of being controlled by them."

Much has been written about the "contradiction" between this early Marx, the humanist philosopher, and that mature author of "Das Kapital," who "abandoned" the idea of alienation and so betrayed his idealistic self. Mr Tucker also favours the young Marx as against the author of "Das Kapital." Yet he argues convincingly that alienation is the central idea with both, and that, far from abandoning it, the mature Marx elaborates and translates it into his economic categories. Of the early Marx Mr Tucker thinks highly, contrasting his humanistic philosophy with Hegel's apotheosis of (spiritual) world conquest: "... the change that has occurred from Hegel to Marx [lies] in the conception and evaluation of the acquisitive drive. For Hegel ... [by that drive] ... freedom is achieved. For Marx ... the acquisitive drive is the force that ... de-personalizes" the human being. Mr Tucker holds, however, that in Marx's economics philosophy degenerates into myth:

> The myth of the warfare of labour and capital was Marx's final answer to the problem of man's self-alienation.

Economic historians may not so readily agree with this view of the warfare of labour and capital as mere myth. Neither the prosperity of the postwar period, nor the relative social peace the West has enjoyed these years, need conceal from us the fact that the century after the industrial revolution was filled with conflict between labour and capital. It may be refreshing to be told for a change that Marx is a "moral philosopher" or even a "religious thinker" and that communism is an "aesthetic ideal," for the usual argument is about Marx's immorality and the lack of any aesthetic quality in historical materialism. But it seems a little late in the day to deny Marxism, as Mr Tucker does, any validity and weight in the field of economic-political theory.

Mr Kindersley reminds us of the impact Marx's economic theory had on Russian

liberalism nearly seventy years ago. At that time in Petersburg and Moscow bourgeois liberalism spoke not with its own voice, but with that of Marxism. The author describes a group of important thinkers, so-called Legal Marxists (Peter Struve, M. Tugan-Baranovsky, Serge Bulgakov, Nikolay Berdyaev, and others) who, with much erudition, ability and verve, championed the cause of Russia's young and underdeveloped capitalism. The title of the book is misleading, because these men were hardly "revisionists" in the accepted sense, nor, if the title is granted them, were they the first. Their association with socialism was only fleeting, and they did not seek to influence the socialist movement as such. They stated the case for capitalism in Marxist terms and were echoed in this by orthodox Marxists, including the young Lenin. The explanation of the paradox is that Marxism was then the only economic doctrine to speak of the "inevitability" and the advantages of capitalist development in Russia; this followed from the classical Marxist scheme of things, in which the full development of capitalism was assumed as a precondition of socialism. Hence both the champions of capitalism and those of socialism agreed for the time being on the need for Russia's *embourgeoisement*.

Subsequently the "Legal Marxists" dispersed, some going into the Constitutional-Democratic party and other to Greek Orthodoxy. Their dispersal was symptomatic of a lack of viability in Russian liberalism. Mr Kindersley's scholarly reminder of their early activities, though it is somewhat pedestrian, will be useful for specialists.

Black and White View

The African Image

By Ezekiel Mphahlele.

Faber. 240 pages. 21s.

Pan-Africanism: *A short political guide*

By Colin Legum.

Pall Mall. 296 pages. 27s. 6d.

WHAT is the African personality? "A charming phrase," according to Mr Mphahlele, a black South African. "Always the same word, always the same fundamental requirement, Africa," writes Mr Legum, a white man from South Africa. Mr Mphahlele's gentle mockery complements Mr Legum's earnest attempts to understand: the white man sees the imposing, rational, structure from outside; the black man, in it, knows the confusion and the maze, the tacked-on improvisations behind the façade.

Clearly, and with admirable economy, Mr Legum devotes a mere 130 pages to working, in more or less historical sequence, through the tables of the pan-African law. He does not preach, he reports. It amounts to this: black men want to be regarded as equals in the world. This desire has led to an historical movement (like Zionism) based upon race and colour consciousness. Its founding fathers philosophised in the "diaspora" of America, the West Indies and, later, London and Paris. The urgent need is for an independent black ethos: no pan-Africanist (Marxist or not) wants to be run by Russians any more than by the "neo-colonialists" in the West. Anti-colonialism, continental unity, non-alignment, a deep yearning for black dignity (the word is often repeated)—these are the sources of pan-African togetherness. But tribes, trade unions, cultural divisions, reformist (as opposed to revolutionary) approaches and Dr Nkrumah all serve to keep Africans apart. Even so, Mr Legum concludes, the movement towards unity has strengthened, not weakened, during the past four years.

All this is put down simply, but unexcitingly. Mr Legum goes on to render his book invaluable (at least to his fellow Africanists) by tacking on 145 pages of appendices. These are the documents of black dignity, from Dr Edward W. Blyden's presidential address to the Liberia College in 1881 to Dr Azikiwe's address to the Committee of African Organisations in London on August 12, 1961. For this reason alone, Mr Legum's book should be read by anyone in the West who has any kind of dealings with Africa: his first half is a good guide through the beginner's difficulties.

All the ideas thus carefully built up and placed in logical, easily understood sequence can then be broken down by reading Mr Mphahlele: "the idea of the African personality can remain but a glorious myth," he tells us. Unlike Mr Legum, Mr Mphahlele is not reporting; he is emoting. But it is useful emotion if only because it casts doubt upon the orthodoxy of pan-Africanism that has been carefully built up by its high priests. The quality most lacking among pan-Africanists is doubt; Mr Mphahlele is too argumentative to provide answers, but he does offer doubt.

A South African who first exiled himself in West Africa, where he taught at Ibadan university, and is now living in Paris, Mr Mphahlele is far more westernised than the Africans he met in Nigeria. The point about him is that he might not mind this being said: unlike some of the more extreme cultists of *négritude* and the African personality, he is delighted with the intermingling of cultures that has taken place in South Africa. He recognises the enrichment that this has brought about. He speaks out against the "social anthropology" in some African writings, or the self-conscious "under-doggery" in others; as for the merging of cultures, "we are not ashamed of it." To Mr Mphahlele, first introduced to the "enchantment and power of European classical music" by a friend twelve years ago, much tribal African music belongs, on its own, "to the museum." But its rhythms can contribute to the newer, inter-cultural forms.

Sometimes pretentious, sometimes too fond of recounting old tales of life in South Africa, Mr Mphahlele nevertheless performs a service in shattering the bright surface of the African image; the more so in the second, literary-criticism, half of his book (a sort of thesis on the African as seen in literature). He is really further from the pure blackists of West Africa than they might like to acknowledge; as part of the far-advanced South African society, he is more like an American Negro. And this in itself is highly informative.

"I personally cannot think of the future of my people in South Africa as something in which the white man does not feature," he writes; nevertheless, he is bitterly critical of the white man's present behaviour in South Africa. He is also sure of his views on some of the South African writers who have been sympathisers: Alan Paton ("Man with a Halo"), Nadine Gordimer and Doris Lessing among them; Elspeth Huxley is found wanting. Unfortunately, Mr Mphahlele's scholarship requires patience to work through; the reward, at the end, might be a better understanding of why men like this exist.

"It is in one way an easy and almost instinctive thing to be a nationalist. You find yourself with your back to the wall, first; then, like a hedgehog, you draw your head inside and underneath those bristles you manufacture a kind of venom, as it were." This is disapproved of; the simple feeling of "being African" is not. Again, the pure pan-Africanist might like Mr Mphahlele's equation of Boris Pasternak with Paul Robeson (both have "not been allowed to say things that offend authority in their respective countries"); other nuggets, both for Mr Legum's Africans and for their detractors, are also there. For the moment, this irreverence is enough.

The American Enlightenment

Power, Morals and the Founding Fathers: *Essays in the Interpretation of the American Enlightenment*

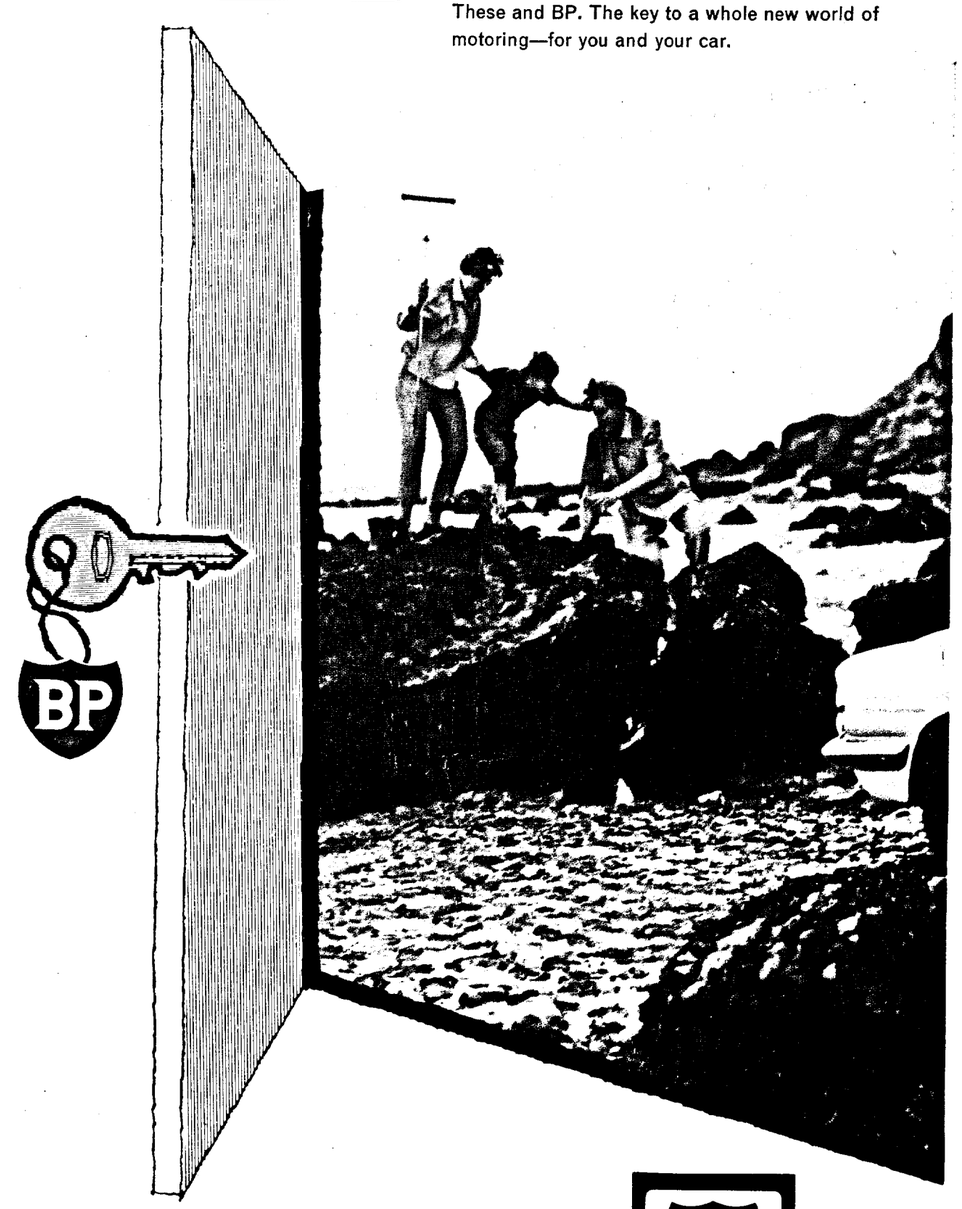
By Adrienne Koch.

Cornell University Press. London: *Oxford University Press.* 172 pages. 16s.

DR KOCH is a well-known authority on the intellectual history of the American enlightenment; as she points out, this study is being renewed today by the series of ambitious publications of the papers of the Founding Fathers and their contemporaries. The present little volume, which consists of a re-working of some of Dr Koch's essays over the last decade, is thus very welcome, but one sees little reason why the author should attempt to put these studies, however tentatively, in the context of the "cold war." It is, of course, permissible to regard the American political tradition from the point of view of the extent to which it stands in contrast to Soviet totalitarianism, but for a scholar of Dr Koch's eminence this should imply an equal attention to both sides of the equation. It is fairly obvious that this has been lacking.

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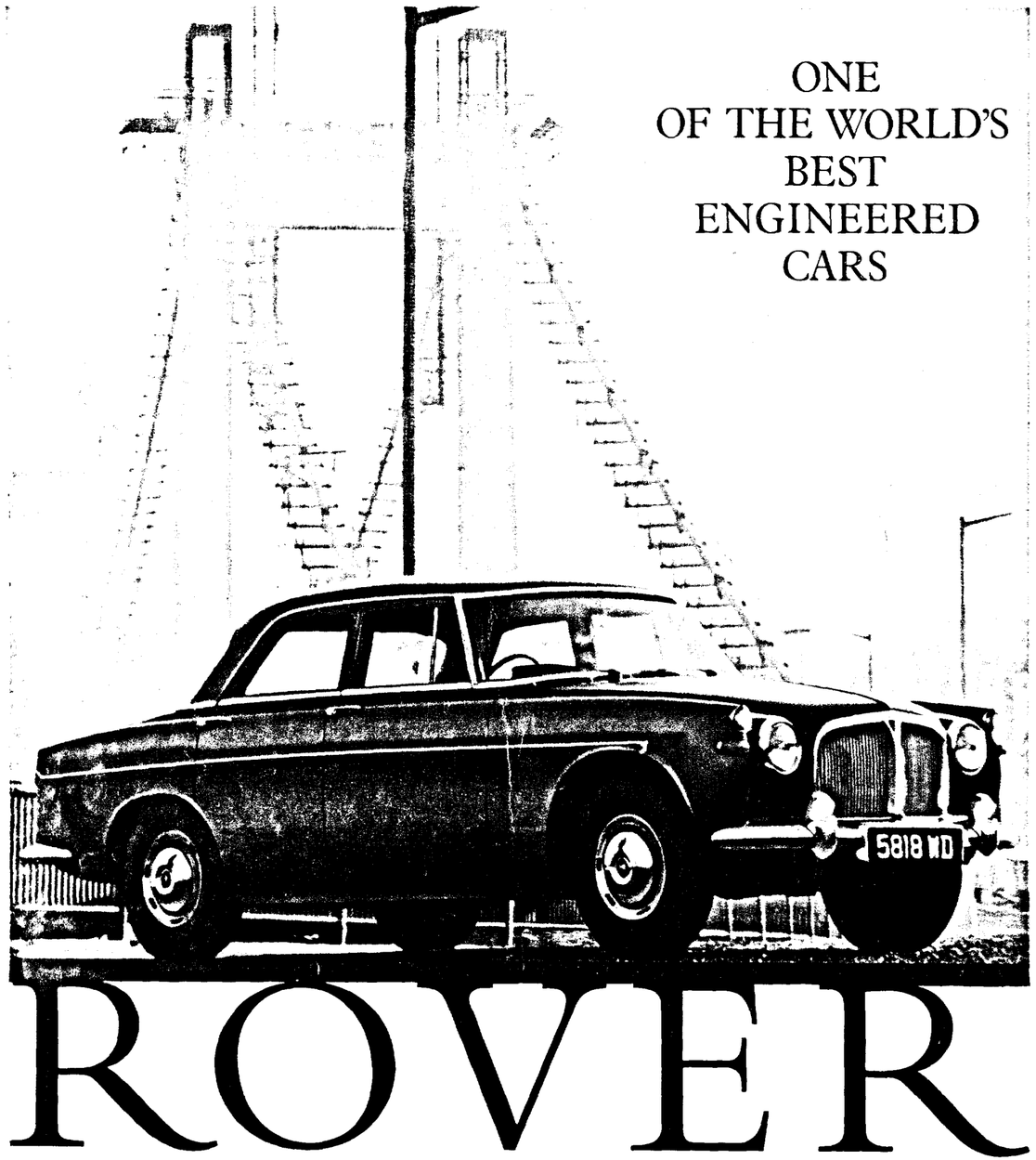
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Nevertheless, if one regards this as an irrelevant pinch of incense on the shrine of the current deities, one can still derive much profit from her reconsideration of the contributions to political thinking of Franklin, Jefferson, Madison, John Adams and Hamilton, which makes up the core of the book. She is particularly concerned to check the rehabilitation of Alexander Hamilton, which she feels has gone too far, and to point out that his economic insight was incomplete without the broader vision of his contemporaries into the essentials of free government. As a student of philosophy, Dr Koch is concerned to show how wrong are attempts to picture the American enlightenment as dominated either by the appeal to pure reason or simply by straightforward reaction to experience. It is her contention that the great Americans of the period, and in particular Jefferson, were notable for the degree to which they could apply the scientific notion of disciplined experiment to the field of political and social action. They saw, she says,

> the necessity for the constant balance and tension of power and morals. Franklin by his scientific and political activity first illustrated this balance in his underlying orientation of pragmatic wisdom. Jefferson contributed the most searching statement of the equal rights of man in terms that he intended to be a common human faith. Hamilton contributed the most searching statement of the strategic means for establishing the economic basis for a society that could operate as a unity in controlling the resources of nature to increase national productivity.

And the tension that arose out of the political structures of the first decade of the new republic was fruitful in shaping the institutions necessary to control them:

> Their dialectical opposition and argument, together with their strong personal qualities and great talents, resulted in securing the national interest for the common pursuit of happiness. The balance between Hamiltonian power and Jeffersonian morals was given further operational validity by the far-reaching political thought and moderating personal influence of Adams and Madison.

Error and Evocation

The Last Days of the British Raj

By Leonard Mosley.
Weidenfeld and Nicolson. 263 pages. 25s.

MR MOSLEY is exasperating. He cannot have read his proofs. He is full of mistakes, misstatements, inconsistencies and contradictions. Sir Francis Mudie becomes Sir John and then Sir Francis again and he sometimes gets his posting wrong. Mr Nehru is sent one moment to Oxford and to Cambridge the next. Mr Jinnah is made President of Pakistan instead of Governor-General and Wavell and Mountbatten are shown together as Viceroys when this is against all protocol. There are innumerable errors of this kind. More serious are errors that can be misleading: that the Sikhs built the irrigation system of the Punjab, or that there were 600,000 people killed in the riots of partition, or that the ratio in the Indian Army was 13 Muslims to 7 Hindus. Fortunately since most of what Mr Mosley says is not very new—it has been said by Campbell-Johnson, Maulana Azad and V. P. Menon—his errors do not matter. The little that is new is so unimportant that even that it should be wrong matters little, which is just as well since the author seldom gives an identifiable reference. When he quotes a conversation between third parties he does not name his informant and all files are to him just "Government of India Records."

Yet underneath the froth of error this book is worth reading because it has an extraordinary evocative power. Mr Mosley may get his facts wrong, but he always gets the atmosphere right. In his pages one gets everything: the increasing tension; the impending collapse; the frivolity of the Dickie Birds; the driving stamina and immense vanity of Mountbatten; the doggedness of Tucker; the total lack of understanding of Auchinleck in his fear for British lives after independence; the unrelenting ruthlessness of Jinnah; the slow piling up of Sikh anger; the exhaustion and the uncertainty of nearly everybody. This reviewer does not agree with his conclusion that delay would have saved lives; as things were at the time each week that dragged on would have meant more human misery and more deaths, for week by week the Government was ceasing to exist. Through all the mess two characters stand out stark in their dignity—Wavell and Gandhi: a soldier stoic in adversity; a saint wading through filth.

Officina Gentium

Scotland from the Earliest Times to 1603: *Vol. I*

By William Croft Dickinson.
Nelson. 416 pages. 42s.

Scotland from 1603 to the Present Day: *Vol. II*

By George S. Pryde.
Nelson. 367 pages. 42s.

IT it some fifty years since a textbook has been written on the history of Scotland. The gap has now been excellently filled by Professor Dickinson and the late Professor Pryde (who lived to see the page-proofs of his volume through, but not to see it appear). As the titles show, each author took full responsibility for one period; but they worked together, commented on each other's scripts, and ensured as much continuity of treatment as the very different histories allowed. Both authors are clear writers, with excellent styles, and it can be said straight away that the partnership has scored a success. It will be a long time before their textbook is superseded.

It is no easy task to write the history of Scotland. The early stages are ill-documented; and, as the story rolls on and documents become fuller, Scotland's history becomes more and more secondary to that of its neighbours and, in the end, to England alone. Professor Dickinson's volume describes what is, all in all, a most depressing story. It starts with interesting barbarism of which we know far too little, and gradually proceeds to the unhappy late middle ages, when the highlands were still hidden in barbarism and the lowlands showed all the faults of a feudal system and none of its merits. The Scots had incredible bad luck; they were landed with a monarchy which carried with it no aura of majesty, but only represented the triumph of one feudal family over another, and could have been saved only by a succession of strong kings; but what they had was a succession of minorities. All this Professor Dickinson describes with as much clarity as the subject permits, and with many shafts of illumination—witness his admirable comment on Macbeth's perfectly normal succession to the throne by way of murder: "All *more Scottico*, but made to appear wild and strange by the genius of Shakespeare." Professor Dickinson is excellent on the later and slightly less savage part of his period, particularly on economic growth and the power of the burghs.

Professor Pryde has met his difficulty straight on: since the union of the two kingdoms Scottish history is not (except in detail) political; it is administrative, economic, religious and cultural. This is what his book is about, and he has gone a little farther and subjected the political history of the first century to the social history. He has done it a little too much: one could have spared some of the space given to nineteenth-century local government for more of the struggles of the seventeenth century. But one must not complain: the history throughout is very clear, admirably backed by statistics, and right up to date: even the birth of Prince Andrew and of Dounreay are recorded—though the Toothill report unfortunately appeared too late for comment.

If there is one fault to find, it is that too little space is given to the diaspora, which is Scotland's prime triumph and success. It is not ignored, but is treated mainly in terms of mass emigration statistics and Governors-General. Scots are their own best export, and a thorough account of their permeation furth of the kingdom has yet to be written.

Mainly About the Pacific

The Great Sea War: *The Story of Naval Action in World War II*

Edited by E. B. Potter and Chester W. Nimitz.
Harrap. 478 pages. 42s.

THIS book, first published in America, is in part an adaptation of the large-scale co-operative enterprise entitled "Sea Power," which appeared in the same country about two years ago. Unless or until Professor Morison produces an *oeuvre de vulgarisation* to bring his fifteen volume history of United States Naval Operations before a wider public there is certainly a need for a shorter work—especially among

the United States' present European allies, who have not perhaps been very quick to appreciate the strategic significance of the Pacific campaigns and battles. So far, therefore, this book should be assured of a warm welcome, even though, in common with all histories written by a team, it is at times rather heavy going and lacks the sense of immediacy and the contemporary atmosphere that Professor Morison so brilliantly conveys to the reader in the best of his volumes.

Unfortunately, however, the editors have adopted an arrangement that makes it almost impossible to grasp the constant interplay of strategic and national interests between the prosecution of the campaign against Germany and that against Japan. Thus the U-boats are finally defeated as early as page 101 ; the surrender of Germany takes place 87 pages later ; and the whole of the rest of the volume is devoted to the rise and fall of Japan. The pervasive influence of the Pacific war on Mediterranean operations, and still more on the plans for the re-entry in western Europe, is almost completely neglected. Indeed one feels that it might have been better had the editors confined themselves entirely to the Pacific battles and combined operations. Those they describe with vigour and breadth of vision, possibly derived from Fleet Admiral Nimitz's personal experience in command of the central Pacific theatre. Particularly interesting and well told is the story of Admiral Halsey's pursuit of the Japanese decoy force with the whole of his fleet during the battle of Leyte Gulf in October 1944—which very nearly led to disaster overtaking the amphibious expedition to the Philippines.

In Britain, on the other hand, the long Atlantic struggle always took first place, and an American view of the reasons for the holocaust wrought by no more than a dozen U-boats off their east coast in 1942 will therefore command particular interest. The editors place the responsibility for the failure to adopt convoy at once squarely on the Eastern Sea Frontier command, and represent Admiral E. J. King, the Chief of Naval Operations, as an early and firm advocate of the convoy strategy. They quote him as saying that "escort is not just one way of handling the submarine menace, it is the only way"—without giving the date. However the letters that passed between Admiral King and Admiral Pound, the First Sea Lord, show beyond doubt that it was not until March 1942 that the former came to accept British experience ; and by that time a heavy price had been exacted.

One may not agree with the editors' view of the relative importance of the various campaigns ; but the book provides the clearest short account of the means whereby Japanese aggression was first checked, then repelled, and finally defeated.

CYRIL A. ROGERS and C. FRANTZ

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Trial and Error

Canadian National Railways. Volume I: *Sixty Years of Trial and Error (1836-1896)*

By G. R. Stevens.

Clarke, Irwin, Toronto (1960). 532 pages. $8.00.

ANYONE interested in railways, in the relations of governments with business enterprise, or in Canada's history will find the story of the Canadian National Railways worth attention. This first volume carries that story from the first beginnings of railroading in Canada down to 1896. Written on the basis of extensive research and free access to the CNR archives, it gives a lively account of the origins of the many and various properties that were the early precursors of today's great publicly owned railroad. Technical trial and error, inevitable everywhere in the early days of railroading, was complicated in Canada by the importation of ideas into an environment where special climatic, geopolitical and traffic conditions upset calculations based on British experience. To the battle of the gauges was added the more formidable battle of British North American lines with American routes, their rivals for the traffic of the vast hinterland of North America.

Not that the earliest railways were main, through lines ; they were short portage railways, links in the great water routes to the interior, built to circumvent obstructions to navigation. Other railways developed as feeders to the waterways. Gradually more ambitious projects were realised, notably the Intercolonial Railway connecting the Maritime Provinces with the St. Lawrence valley, and the Great Western and the Grand Trunk, competitors for access to the west.

Calculations about traffic probabilities and the location of lines were complicated by question of strategy relating to the American border, by local ambitions and the claims of far away bondholders. Many lines were built, not to serve established communities, but on the basis of forecasts—or dreams—of what opening up new lands or new forests and mineral resources would mean. Governments and politicians at every level became involved both in granting charters and in providing assistance to support railroad ventures. Again and again cost estimates turned out to be far too low and traffic estimates far too high. Technical hitches and financial disaster were common. Contractors, promoters and politicians were frequently more intent on making money than on making railroads, while, despite wildly optimistic contributions made by many villages, municipalities and provinces, capital was perennially lacking.

This chequered history is enlivened by diverting illustrations, but the ten sectional maps leave the reader wishing for a general map laying out the whole geographic strategy of co-operation and rivalry in the struggle for the traffic of the continental hinterland.

Compare and Contrast

America in Britain's Place

By Lionel Gelber.

Allen & Unwin. 366 pages. 35s.

A CANADIAN and former Rhodes scholar of Oxford, the author is well equipped to assess the comparisons and contrasts between British leadership of a former world order and American leadership of this. His prewar study, "The Rise of Anglo-American Friendship," was a sound job, and his new book is better still: timely, objective, hard-hitting, original. His assessments of trends in America's domestic politics affecting its foreign policy since the war are excellent ; so are those of the changing Commonwealth's strains and stresses, of resurgent continental Western Europe, and of the tension imposed by the Suez affair, the advancing technology of defence-offence, and relationships inside the United Nations.

Mr Gelber prefers the British Parliamentary system of government and its attendant mechanics of policy-making to the Americans' versions, but wisely bids Europeans expect from the United States realistically the things the American political system must inevitably produce, and warns them not to be misled by desiderata based on European, British Commonwealth or other values. In a final chapter "Sources of Strength" he shows his lively levelheadedness at its best. This Canadian plea for Anglo-American unity merits serious study ; but the American printing and make-up of the book do not render that so easy as the author's work justifies.

LETTERS

Unemployed Machines

SIR—Society having solved the problems arising from the unemployment of men, the time has now come to tackle the problem of the unemployment of machines. In modern industry the cost of depreciation is playing an increasing role ; in some cases it exceeds the cost of labour, particularly if the cost of interest is added. It is extremely difficult, if not impossible, to make good the losses arising from idle time which has lasted for more than a very brief period, since output cannot be raised above rated capacity except for relatively short spurts. Losses through idle time can, therefore, not be made good by increased output later on.

The government's "Build and Stop" programme has brought idleness to a good deal of equipment on which big sums of capital have been spent. Industry is expected to bear these losses as a matter of course. I wonder whether, after the experiences of the last five years, industrialists will rush in to buy new equipment simply because the Chancellor has once again expressed his confidence in growth. Even a five-year programme to be produced by the NEDC may not have all the effect which people anticipate. The five-year period is bound to overlap the lives of parliament and a new government could not be expected to accept programmes established by its predecessor. If it did, this would be a complete novelty in British constitutional history.

I do not suggest that society pay for mal-investments, but I do think that some method should be worked out which would compensate industry for the unforeseeable changes in government policy. Many devices suggest themselves, such as special crisis depreciation allowances, repayment of taxes paid in previous years, a longer carry forward of losses, etc. I believe that the problem also needs urgent consideration because our joining the common market will have far-reaching effects upon a number of industries, the creation of which the government have either promoted for purely autarkic reasons or forced to move to "distressed areas" with uneconomic transport facilities. The recent new railway policy is already throwing up a number of these problems.

The United States is facing similar problems and President Kennedy has already made some positive suggestions as to how to deal with industries which will be unable to adjust themselves to the new free trade policy if it should come into force.—Yours faithfully,

GEORG TUGENDHAT

Greensted-juxta-Ongar, Essex

Algerian Quicksand

SIR—On page 1237 of *The Economist* of March 31st a reviewer writes: "By 1958 Frenchmen were no longer surprised—or greatly concerned—to learn that certain of their elite units crucified prisoners after amputating their hands and feet." I believe this to be quite untrue. Frenchmen could not have the reaction described because most of the French press had reported little or nothing of the methods that were spreading or had already spread through the army. Most Frenchmen were still refusing credence to reports of much simpler and more probable horrors. The particular fancy atrocity mentioned by your reviewer would be so laborious and befouling to carry out, that its occurrence, if it did occur, must have been very rare.

The real story is quite bad enough, consisting as it mainly does of: (1) shooting prisoners ; (2) knocking them about out of anger or sadism ; (3) systematically torturing them to get information ; (4) destruction of villages. It is obviously much easier to make a torturer of the average west European, including ourselves, than we thought. How to oppose it ? Not surely by misstating the real condition of opinion. Not only was there deplorable self-censorship of newspapers at the time mentioned under the government of M. Guy Mollet and his successors, but a great unwillingness to believe what information did get through. To this must be added that the conscript, once he got to Algeria, was faced with a rebellion in which no holds were barred. Not to mention this contributory fact when discussing acts of the French army seems to me intellectually dishonest. The ruthless and indiscriminate use of terrorism by the rebels has no doubt extenuating circumstances, and will be entirely approved by some revolutionary doctrinaires. But the facilities which it offers to would-be torturers on the other side for getting opinion where they want it, especially amongst the troops, is a factor that revolutionary realists should take into account.—Yours faithfully,

Paris 7e D. R. GILLIE

Now, Freedom

SIR—The article in your issue of January 20th contained a few errors about my country of Mauretania. First, Mauretania is not among the "black brothers." More than 80 per cent of the people are Arabs and the national language is Arabic.

Secondly we do not only "depend on an iron mine and a railway." Like other underdeveloped countries we have a large agricultural sector with fishing, dates, millet, sheep, cattle and camels. Our 800,000 people have 5 million sheep, 900,000 cattle and 400,000 camels.

Mauretania will in a few years at last be an industrial country. There is an iron mine in hand at Fort Gouraud and an equally rich copper mine at Akjoujt which has been given up by a French company. So you will see that Mauretania is not "saved from comparative poverty by its iron ore."—Yours faithfully,

AHMEDOU ABDALLAH

Grenoble, France

Smoking and Health

SIR—Perhaps those concerned to warn the public against the dangers of smoking and those concerned to guard free speech can be reconciled by taking seriously the quip at the end of Mr W. B. Reddaway's letter of March 17th. He suggested a type of advertisement—"suitably defined"—saying: "The physicians are convinced that smoking is dangerous, but if you want to run the risk, smoke Whiffers."

A suitable requirement could be that all cigarette packaging and advertising must carry a statement to the effect that "These cigarettes contain x mg. nicotine, and other substances which when smoked are noxious." (Nicotine content is, we understand, unambiguously measurable, and nicotine is known to be poisonous. In the light of research, the "other substances" might also be named, and their quantities stated.) Such a statement, in itself admittedly inadequate, should be supplemented by campaign of public education.

This proposal, while placing no restrictions, other than those of honesty, on the advertisers' freedom of speech, would induce the cigarette manufacturers themselves to provide that honest representation of their product which is always the basis of intelligent consumers' choice.—Yours faithfully,

A. R. JOLLY

New Haven, Conn. E. C. DOMMEN

American Banks

SIR—In your issue of February 24th (page 708) with reference to Judge Clary's decision in the Philadelphia National Bank-Girard Trust Corn Exchange Bank case, your correspondent reports as follows:

> Most important of all was his ruling that, even if it [the government] had succeeded in proving that the merger did violate Section 7 of the Clayton Act, this section did not apply to bank mergers.

I do not believe that this is entirely correct. Judge Clary held that the 1950 amendment to Section 7 can apply only if the bank merger is consummated through a stock acquisition as opposed to an asset acquisition, and that the proposed merger between the two banks was of the latter category.

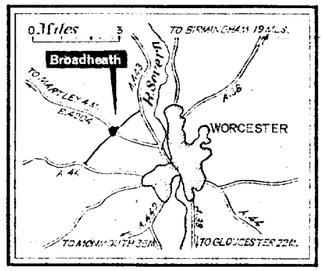
The significance of this, of course, is that if Judge Clary's ruling is upheld banks desiring to merge can choose the asset route and thereby avoid the proscription of Section 7—Yours faithfully,

Philadelphia, 2 JOHN W. FAWCETT, III

HOME REPORT

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

The Broadheath Story



The villages of southern England—if they are anywhere within commuting distance of a conurbation or expanding town—face their greatest invasion ever with the push of population out of the city centres. The steady drift of employment from the declining industrial areas of the north and west, which is likely to be powerfully reinforced when Britain joins the common market, suggests that this invasion is only beginning. The planning problems involved have to be settled in a welter of conflicting interests and resistances. How one village is tackling its future is now examined.

FROM OUR SPECIAL CORRESPONDENT

As far as it can be defined at all, the centre of the hamlet made untidily up of Upper and Lower Broadheath is the entrance to a farmyard on B4204, the road from Worcester, two miles away, to Martley, seat of the Rural District Council for the area. Such development as there has been since Sir Edward Elgar was born there is in strips of stylistically varied but uniformly unsightly detached houses in which 650 people pursue a vestigial community life, dominated by their need to get to and from Worcester each day across the teeming Severn bridge. Most of them are against any change that might reduce their share of the good views that compensate for the undeniable ugliness of their immediate environment. But changed it is to be, if the ambitions of the village's main landowners are allowed to come to fruition despite the combined weight of their tenants, the parish council and the official preservers of the countryside.

Inured to the look of Broadheath on the ground, the scheme's main mover, Mr James Campbell, was appalled by its look from the air while flying over his own farm in the village last year: he could hardly wait to get back on to the ground to set in train the comprehensive planning proposals which, after eight months of work, were finally published in February this year. The planners' intention is to end the present incoherent development (50 houses are at present waiting to be built between the existing spots of development) and to remake Broadheath into a self-contained and, as nearly as possible, self-supporting village of 3,000 to 5,000 people within the boundaries of the present built-up area, without encroaching on the green belt by which the villagers—and the county council—set such store.

To achieve this, they have planned an overall population density of 23 to the acre, made up of very high densities—up to 80—in high flats at either end of the village with more scattered housing in between, including 13 acres of open space around the fine church which should be, and would again be, the village's natural centre. Houses would be of several types, ranging from virtual mini-houses (a bedroom and a bed-sitter) to three-storey maisonettes; there would be a new primary school to replace the present "sub-standard" one—and it would have six acres of the open space which the present one lacks entirely. Fourteen acres, on the site of the allotment gardens at present worked by the parish council's tenants, would be set aside for industry of an unobjectionable type—perhaps the glovemaking for which the village was once renowned, perhaps something less centred in the past, such as plastics or furniture.

To implement all this, and to recast the village nearer to the ideal of safety in an age of fast through traffic by adopting the Radburn ideas of vehicle-pedestrian segregation, is going to cost some £4-£5 million—which is not going to be given away free by the merchant bankers who have so far displayed enthusiasm for the investment. It is on this point as much as on the misinterpretation by the villagers of the technical planning term "immigrant population" (most of them thought immediately of West Indians) that the fierce opposition of locals has been nurtured. They expect an increase in rates (there should, if all goes well, be a reduction), an influx of hooligans from Birmingham (though rowdies are the last people to think of taking up life in a rural overspill area) and a destruction of their own, snug daily round.

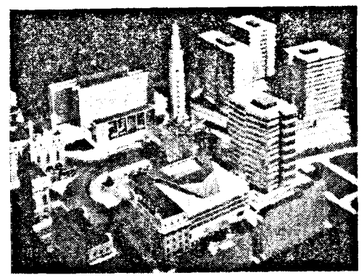
The local press has been burdened with letters-to-editors couched in less than moderate terms and, all too invariably, appeals to reason and common sense have been drowned by hysterical cries of "Profiteer!" and "Keep Broadheath quiet!" At a meeting of parishioners, only 21 people could be found to challenge the 117 who wanted no change in their dormitory; and a petition passed around the village by the specially formed Broadheath Preservation Society attracted over 500 signatures from the district's 613 electors.

Unprompted by this outburst of righteous conservatism, the Martley Rural District Council has thrown up its hands in despair at being faced with anything quite as radical as Mr Campbell's scheme undoubtedly is, and has sent the planning application on to the Minister of Housing, whose silence on the matter, in spite of noisy advice from both sides and the staunchly irrelevant opposition of Mr Gerald Nabarro, MP for the constituency, is impressive. But it is known that many of the Martley councillors (whose rate account would benefit marvellously) support the scheme; press opinion has been without exception favourable; and the minister cannot fail to take note of something which will help, if only in a small way, to fit into Worcestershire some of the 100,000 people from Birmingham whom he would like to see out of the conurbation.

For people who do not have to live in Broadheath the issues are fairly clear: on the one hand there is a comprehensive plan to house 4,000 people in aesthetically satisfying surroundings, to supply them with roads and services and a sense of community (and to give many of them jobs in that community), and to rehabilitate some idea of village life. On the other there is the growing litter left by refugees from the welfare state and by the state itself, a fortuitous collection of houses whose breadwinners are hardly ever at home, and the prospect of just the sort of speculative building that every sensible person ought to resist. Admittedly, somebody (not the villagers) expects to make a great deal of money out of Broadheath's 196 acres; but if they do not, and present planning policy has its way, the village will eventually have its change in any case—and that may very well mean higgledy-piggledy Surbiton-dreadful development housing only 900 people, most of whom will add to the rush hours on the Severn bridge, if not to the life of the village, and for whom roads, drainage, schools and services will have to be provided at the village's rather than the developers' cost.

People Love Eros

FROM OUR SPECIAL CORRESPONDENT



Not the least of the problems that accompany the disappearance of the British Empire is what to do with its hub. Since the destruction in the 1920s of Nash's Regent Street, Piccadilly Circus has had no pretentions to beauty: but nobody can decry the contribution to London life of its cheerful vulgarity. Between the pomp of St James's and the cosy squalor of Soho, the circus has succeeded in remaining an everyman's land. On Cup Final night or New Year's Eve it provides the one really satisfactory place where crowds can beat it up in good humour: it has the clear advantage over Trafalgar Square, its only rival, of being easy to get people out of when joviality seems likely to give way to violence. Even now, when one-way traffic zooms around the statue of Eros, visitors can nip under the noses of buses to lounge in the diesel fumes on the central steps, and the crumbling façades of the north-eastern side are conveniently disguised behind the battery of winking, leering—and even, on occasion, patriotic—electric signs.

But the time is overripe for redevelopment of the circus, and leases are falling in: save for the County Fire Office, Swan and Edgar's and the top of Lower Regent Street, the circus is to be rebuilt. Two years ago the Ministry of Housing put a stop to a first and supremely hideous project whose only merit, social or commercial, was to provide 16,338 square feet of illuminated advertising space. London County Council then called in its faithful arch-planner, Sir William Holford, to arrange a decent compromise between the interests of the developers, the Royal Fine Art Commission, the traffic people and all the rest. The key seems to have been found when the Minister of Transport brought in the one-way traffic scheme for Piccadilly, which cut out most of the flow of vehicles along the south side of the circus.

Sir William's job must have been more that of a diplomat than of a designer: but he has made a pretty good shot at what should be done. The buildings in his new drawings and models need not be taken too much to heart, in so far as they show a transformation from cheerful vulgarity to vulgar cheerlessness: the details of their shapes will obviously depend mainly on the architects hired by the actual developers, and on the extent to which the developers are prepared to accept something a bit better than the rough Holford outlines. But the grand design, confining traffic to the north side of the open space, is to be welcomed.

If the Holford scheme is ever completed, pedestrians passing through the circus on business will mostly be kept below ground: the large London Transport underground concourse that is already one of the best things about the circus will be vastly extended—and Sir William interestingly proposes that it should be supplemented with something like an Italian *albergo diurno* where people could wash, change, have a haircut or even a lie-down.

Above street level a bridge would link the new London Pavilion with the Monico site on the north and the Criterion site to the south. This would leave the ground-level piazza, fenced off from the traffic and with Eros as its focal point, as a pedestrian area almost an acre in extent. This is something that is badly needed at the heart of London: Sir William romantically suggests that it might be decorated with azaleas (like the Spanish Steps), and that in winter its centre (like Rockefeller Plaza) could be turned into a skating rink.

The scheme provides for offices, with shops below, on the Monico site; Sir William seems to place some confidence in the owners' appointed architects, and if (as has been reported) Dr Gropius has been advising City Centre Properties on this project, London may yet be the richer by a remarkable building. The Trocadero, Criterion and London Pavilion sites, it is suggested, could eventually provide not only shops, offices, flats, cinema, car parks, hotel, conference halls, and restaurants for all purses, but also retain the admirable little Criterion theatre auditorium and an art exhibition room. It will be a formidable problem to squeeze a sufficient payload of building into this area without overwhelming the whole design.

Those who had feared that the institutional approach to all this would only culminate in a humdrum puritan compromise will be relieved to see that the Holford project allows for rather more illuminated advertisements than there are now in the circus: if ever there was a case for brashness it is here. The proposed "vertical feature" intended to relieve the general horizontality of the design would only escape gentility if the advertisements it bears were bright enough; and the only touch of the twee that creeps in is the notion of putting on top of it, 180 feet above the piazza, an object recalling the ruff or "piccadil" that gave Piccadilly its name. But the tailors thus commemorated were the first speculative developers of this part of London, in the seventeenth century. It is not inappropriate that there should be some memorial to unbridled commercialism.

Productivity First?

FROM A CORRESPONDENT IN BELFAST

There is no productivity council in Northern Ireland—as Labour MPs never fail to reiterate when the economic troubles of the province are debated at Westminster. Mr George Brown made another song and dance about it a fortnight ago, and it is a sore spot in Belfast. The chief difficulty has been that the Unionist government does not recognise the Northern Ireland committee of the Irish Congress of Trade Unions, since the headquarters of the congress happens to be in Dublin. But now Mr Brown may be satisfied: all the signs are that Ulster will have its productivity council set up in time for the opening of National Productivity Year in September.

When the Ulster Labour Party raised the issue at Stormont last week the Minister of Commerce, Mr J. L. O. Andrews, declared stoutly that the government was fully in favour of a productivity council, and would give financial help, provided the initiative for it came from industry. This promise marked an appreciable change in the official attitude since 1958. The British Productivity Council and the General Council of the TUC sent a delegation to Belfast in September, 1958, to set up a local productivity council, but Mr Ivan Neill, then Minister of Labour, refused to participate when he saw that the unions insisted on nominating the secretary of the Irish TUC (as the ICTU was then called) as their representative.

This was a bad rebuff, but the unions did not give up. They have held seminars and week-end schools on productivity and related subjects both in Northern Ireland and the Republic. Their campaign may have helped to prompt the Association of Chambers of Commerce in Northern Ireland into trying to overcome some employers' reluctance; the association has asked both sides of industry to form a productivity council that would "be free of politics." One influential convert seems to be the new Minister of Labour, Mr Herbert Kirk. If the government does demonstrate that it puts the council above the political embarrassment of working with the ICTU, it will be a sizeable straw in the wind.



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March 31, 1962

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Municipal and Other Public Securities	27,277,835
Other Securities	4,624,571
Loans and Discounts	284,330,866
Banking Houses and Equipment	11,573,301
Customers' Liability for Acceptances	26,107,630
Accrued Interest and Other Resources	5,224,131
	$614,475,302

LIABILITIES

Capital (270,000 Shares—$100 Par)	$ 27,000,000
Surplus	20,000,000
Undivided Profits	11,585,981
Reserve for Contingencies	5,877,530
Dividend Payable April 2, 1962	810,000
Deposits	512,493,453
Acceptances	27,701,996
Reserve for Taxes, Interest, etc.	4,912,008
Other Liabilities	4,094,334
	$614,475,302

Securities pledged to secure U. S. Government Deposits and for other purposes as required or permitted by law $19,120,281.

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AMERICAN SURVEY

AMERICAN SURVEY is prepared partly in the United States, partly in London. Those items which are written in the United States carry an indication to that effect; all others are the work of the editorial staff in London.

Labour's New Frontier

WASHINGTON, DC

THE more constructive leaders of both business and labour are thinking hard about the whirlwind of technological change that is sweeping through the United States. The hope of the Administration is that they will face it together instead of fighting each other. The Secretary of Labour, Mr Arthur Goldberg, predicted in January that better relations between managements and trade unions would soon be in evidence at the bargaining tables. And now for the first time in eight years the spokesmen of almost half a million steel workers have accepted a settlement without first calling a strike. But it is too early yet to say whether this time other bargainers will follow steel, the traditional bellwether, particularly since this week's blatant reversal by the steel companies of the assumption on which the contract was based—that it would not mean an increase in steel prices.

The test will come in about one hundred and forty separate and complex negotiations that will involve altogether almost two million workers—aircraft makers and airline employees, shipbuilders and transport workers, fabricated metal workers and schoolteachers, ordinary construction workers and builders at missile bases. President Kennedy has already had to take steps to put an end to a shipping strike that has been going on for almost a month and one effect of the steel settlement was a strike by aircraft workers who refused to accept, in lieu of more pay, welfare benefits such as the steel workers have got. Railwaymen seem sure to resist the changes which have been recommended in their work rules—and an attempt to change work rules precipitated the steel strike of 1959, which lasted for 116 days and cost about $6 billion.

A blast from the employers could do equal harm. Recently the president of the United States Chamber of Commerce sounded a belligerent trumpet-note by reviving the idea that trade unions should be liable to prosecution under the anti-trust laws. More brazen is this week's announcement by the United States Steel Corporation, the leading producer, that it is raising its prices immediately by an average of 3.5 per cent, to cover increases in costs since the last rise in 1958, a move which was copied immediately by the other companies. It is no wonder that President Kennedy is bitter and infuriated at what he calls the steel producers' "utter contempt" for all Americans (and for himself) in their pursuit of "private power and profit." He had praised the settlement for showing that the national interest could be protected through responsible and free collective bargaining, without any intervention by the government; this comment looks more than naive now that the industry has double-crossed both the Administration and the union.

In fact, of course, there had been intervention by the government and the summitry involved in the settlement was certainly not confined to Pittsburgh. The President was determined to prevent a repetition of the stoppage of 1959 with the help of Mr Goldberg who is extremely good at persuading people to talk over their differences. It was he who pasted the American Federation of Labour and the Congress of Industrial Organisations into their present somewhat fragile union and he enjoys the advantage, unique for a Secretary of Labour, of having been chief lawyer and chief negotiator for the steel workers' union before he joined the cabinet.

The steel settlement seemed a triumph for Mr Goldberg. It was also a triumph for automation. The Human Relations Committee, which was set up by management and unions after the last steel strike, used two computers to calculate the costs of the complicated fringe benefits that the employers offered and the workers finally accepted. The use of those machines was perhaps grimly symbolical for Mr McDonald, the president of the United Steel Workers; for he was also weighed down with the knowledge that one-third of his union's members were either totally unemployed or working only part-time. In the labour force as a whole, between thirty and forty thousand workers are being displaced by machines in an average week and this might suggest that the trade unions are in a weak bargaining position and therefore unlikely to launch strikes. But unemployment is a two-edged goad, for men already out of jobs may feel that they have nothing to lose if their union decides in favour of a work stoppage. Already there are murmurs that Mr McDonald was over-responsive to official New Frontier flattery, as another Labour leader called Macdonald was once accused of being overfond of having duchesses kiss his hands.

IN an interview published this week Mr Goldberg remarked that traditionally it has always been more difficult to maintain industrial peace in a period of economic recovery than in one of recession. The steel strike in 1959 cracked the back of a recovery and, while present talk is not about booms that flower in the spring, it is hoped that the steel settlement will smooth the way for a continued, even if modest, upturn. The economy is in a queer, mixed phase for profits are said to be higher than at any time since the Korean war and sales of 600,000 motor cars in March seem to promise a year to compare with the fabulous 1955; but there are more than 700,000 persons who have been out of work continuously for more than six months. The President has had to ask Congress to extend for a further year the temporary unemployment compensation provided last year, to cover over a million workers who will run out of benefits in the next twelve months.

And yet the trade unions are richer than they have ever been. They have billions of dollars in reserves and in pension funds. Mr McDonald is paid a salary of $50,000 a year by his steel workers. But, like the economy itself, the unions are sluggish in spite of their affluence. They are losing members, in spite of the growing labour force. They have managed to push up wages but prices have gone up too and the pace at which wages have gained has slackened greatly in the past few years. The unions' best way of holding and increasing their membership may be to offer the workers a prospect of more security in their jobs—which is the main achievement of the latest steel settlement. This in turn probably means following a different path from that of the coal miners' union, which acquired enormous financial strength but at the price of accepting the displacement of half a million of its members. The miners, however, were displaced by machinery over a period of forty years, while today's union leaders face a

situation in which that number of workers may be displaced in less than forty weeks.

The steel workers did not get a rise in pay though they may bargain again about wages around the middle of next year. But they did get more unemployment compensation from the companies, over and above what they get from the state; longer holidays with pay; better pensions and other retirement benefits; and an improved scheme for giving senior men who are laid off priority over newcomers when work is available once again, with moving allowances should their new jobs be in different places. Mr McDonald has said that the steel settlement sets a pattern which other industries might follow; it may also be a pointer to the future of relations between management and labour.

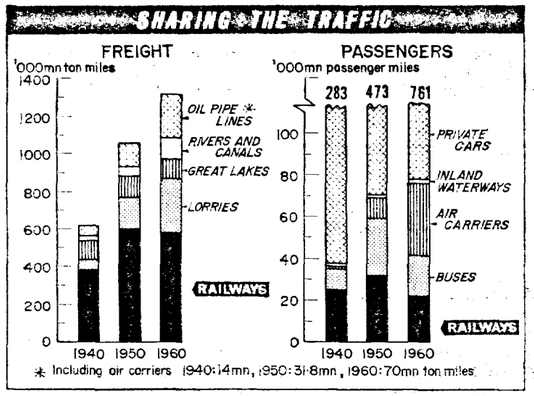
Mr Kennedy's Advisory Committee on Labour-Management Policy, which consists of union leaders as well as company presidents, has declared itself to be in favour of assuring workers of security in their jobs. At the same time it does not want to slow down the technological changes that lead to increased productivity, because it recognises that there is a need for the United States to price itself more competitively in world markets. The United Steel Workers have come out obligingly in support of President Kennedy's proposals for expanding trade through cutting tariffs and have stated that low foreign wages do not necessarily mean an inrush of imports, while Mr Goldberg has denied that high American wages are responsible for pricing the United States out of world markets.

American economists admit that they are losing sleep over the rising peaks of unemployment that are accompanying the present rapid increase in productivity. A difference of opinion about how to deal with this situation might easily cause a sharp divergence between the trade unions and both the employers and the Administration. The unions are unlikely to accept philosophically the co-existence of a gross national product of $570 billion, which is the somewhat optimistic target for this year, and unemployment still at a rate of between 4½ and 5 per cent of the labour force, compared with the present 5½ per cent. Nevertheless, very commendably and characteristically, the American unions accept that the present headlong pace of technological change should continue. What they ask is that employers should accept responsibility for the workers whom the new machines displace. This will not mean an end to strikes and lockouts, or at least not yet. But it can mean that the Human Relations Committee, which the steel industry created and which prepared the ground for this year's steel settlement, will become an important landmark for American labour on the New Frontier.

Just the Ticket?

MEDICINE for the ailing giants of transport is bound to be a complicated and politically explosive brew; it is no wonder that the President's message on transport did not reach Congress until last week—probably too late for action at this session. The spokesmen for water and road transport interests are already up in arms. The railways are, indeed, the main beneficiaries of the President's plan because many of them are near to bankruptcy and because they are shackled by a patchwork of obsolete regulations devised when they enjoyed a monopoly. Their falling share of freight and passenger traffic tells its own tale.

Mr Kennedy's general prescription for cheaper and better transport is less government interference, whether in the form of regulation or subsidies, and more competition. His most controversial proposal is that the railways should be given the freedom they seek to cut charges on nearly three-quarters of their freight: the bulk commodities—wheat, oil, coal and so on—which the waterways may now carry as cheaply as they like and the agricultural



and fishery products for which motor carriers enjoy a similar dispensation. The President proposes that these exemptions should be extended to all forms of transport; this would help the railways to regain some of the traffic which all common carriers have lost to unregulated, privately-owned transport. The abolition of the 10 per cent wartime tax on passenger tickets would also help the trains, buses and airlines to win back travellers who now go by private car. Equality among various forms of transport would be further served by making the airlines and waterways pay part of the cost of the facilities provided for them by the federal government and by abolishing, as soon as possible, all direct subsidies to helicopter services and small airlines. But to unravel the snarl of transport in cities and their suburbs the President considers that subsidies are in order, at least over the short term. He has asked Congress for $500 million to be spent in the next three years to help urban communities to acquire local systems of transport.

There is nothing spectacularly new in any of this. Mr Kennedy has not asked for a Department of Transport, although the Department of Commerce is becoming something rather like one. He has not asked for the railways to be given the right, which they want, to enter new fields of transport and he only hinted that the government would look more favourably upon railway mergers—though plainly he favours the technological improvements and consolidations which the railway trade unions are seeking to postpone. Policy on international air transport and toward the swollen shipping subsidies is still being reviewed. But there is a good deal to be said for the President's view that before further painful, but necessary, steps are proposed much more research is needed into the requirements of a cheap and efficient system of transport; particularly, there is need for a census of transport.

General Walker Fades Away

LAST week, in the very Senate Caucus Room where, a decade ago, Senator McCarthy signed his own political death-warrant by bludgeoning the Army's witnesses, former General Walker accused Mr Rusk, the Secretary of State, and Mr Walt Rostow, a distinguished member of his staff, of being concerned in an "apparatus" dedicated to "selling-out" America to the communists. But Mr Walker, unlike Senator McCarthy, made nobody's blood run cold; the embarrassment and pity were all for a brave soldier too inarticulate and incoherent to express, without prompting, his own fantastic suspicions and grudges. It is easy to see why his campaign for Governor of Texas is going badly.

Mr Walker resigned from the Army after being reprimanded and

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MINNEAPOLIS
Sheraton-Center (opens 1963)
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Sheraton-Dallas
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LOUISVILLE
Sheraton Hotel
The Watterson
MOBILE, Alabama
Sheraton-Battle House
WEST
SAN FRANCISCO
Sheraton-Palace
LOS ANGELES
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PASADENA
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Princess Kaiulani
Moana
SurfRider
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Kaanapali (opens November)
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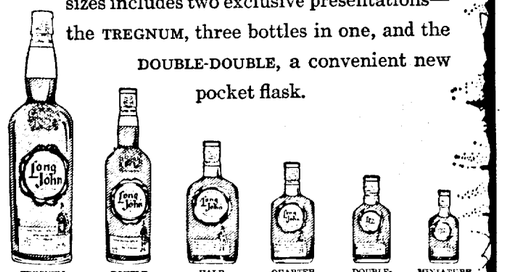
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DISTILLED, MATURED, BLENDED AND BOTTLED IN SCOTLAND

Long John

relieved of his command for trying to impose extreme right-wing views on his men during the election of 1960; the present hearings, which have been straggling on since January, were arranged by Senator Thurmond, a right-wing Democrat, to air charges that the services' programmes for indoctrinating the troops are insufficiently anti-communist and that military men are being prevented from speaking out against communism. After last week's fiasco the hearings are likely to come to a quick and quiet end with no change in the policy of discouraging military men from meddling in foreign affairs and from taking part in extreme right-wing seminars on communism. But the Administration and the country are lucky that Mr Walker proved to be no McCarthy or MacArthur.

Next week the Army fights in another quarter—one in which even President Eisenhower was defeated. It has unveiled a modest plan to eliminate four divisions of the National Guard and four of the Army Reserve, with a view to increasing the efficiency and preparedness of the reserve forces. This new move in an old campaign to cut down the cost and improve the training of the reserves was inspired by the sluggish response when about 155,000 reservists were recalled last summer and autumn at the height of the crisis over Berlin. The operation was made more unsatisfactory by the feeling of many reservists that the system is highly unfair and the President must have been delighted to announce this week that, barring a new crisis, all these men will be released in August. But any step to reform the reserves—particularly the National Guard—treads on sensitive state corns; Congress has always refused to acquiesce in any cut. The National Guard is a sort of peacetime volunteer Army, useful for state ceremonial occasions and for local emergencies and under joint federal-state control; it brings a great deal of federal money into local communities and provides lush patronage for state political machines. Already the Governors and congressional representatives of the 21 affected states (some divisions are shared by more than one) are arming to repel the attack when hearings open in committee next Monday.

Poor Richard

ALTHOUGH there is little likelihood that Mr Richard Nixon will lose his current campaign, to be decided on June 5th, for the Republican nomination as candidate for the Governorship of California, everything he does at the moment seems to lessen his prospect of winning that Governorship in November from the Democratic incumbent, Mr Brown. A defeat then would also defeat Mr Nixon's hopes of a second try for the Presidency in 1968, when he would have someone other than Mr John Kennedy for his opponent. How much these hopes mean to Mr Nixon has been made clear by the publication of his book, describing "Six Crises" in his life, timed to underline his experience of the national and international scene for the benefit of Californian voters.



Unfortunately it also underlines for them, and everyone else, his introspective, tense approach to politics. In addition the book contains what appear to be two errors of fact; one relates to Mr Kennedy's knowledge of the preparations for the Cuban invasion and the other to the Hiss case, in which Mr Nixon first achieved nation-wide fame. As if all this was not damaging enough, Mr Nixon then suggested that Mr Kennedy was a "carpet-bagger"—a condemnation applied to Northerners who went into the South to profiteer after the Civil War—when the President was in California on an official and supposedly non-political visit.

Thus Mr Nixon not only offended Democrats whose votes he needs next November—Republicans are in a substantial minority in California—but also drew attention to the political implications of the President's visit. This did no harm at all to Governor Brown who, appearing everywhere with Mr Kennedy, reflected some of his glamour—a quality which Mr Brown himself lacks. But he does seem to have recovered from the attack of ineptness which got him into so much trouble in 1960 and 1961. Moreover, the Democratic organisation in the state is now united behind him—as the Republicans are not behind Mr Nixon. Mr Brown still lags below Mr Nixon in the local public opinion polls, but he has almost caught up. If he keeps his campaign to state issues, where his record is constructive and where Mr Nixon has no experience, and if there are no unexpected developments in what is certain to be a closely-fought contest, then Governor Brown's chances of giving Mr Nixon his first beating in his home state are good. Mr Kennedy will certainly be back to help again, for not only will Mr Nixon in effect be running against the President, but also there are 8 new congressional seats, as well as 30 existing ones and a place in the Senate, at stake in California next November.

Birds of Passage

FROM A SPECIAL CORRESPONDENT

As every gamekeeper knows, to clip a bird's wings you must first catch it. And that is the difficult part, as the Civil Aeronautics Board has discovered. For several years the board has been trying to catch a number of foreign airlines which it believes have been systematically robbing the nests of American carriers, notably Trans World Airlines and Pan American Airways. But every effort of the board to bag the offenders failed. Finally, last autumn, the CAB devised a scheme to net all the foreign airlines at once; it announced an "Investigation into the Terms, Conditions, and Limitations of Foreign Air Carrier Permits." Every foreign airline which served the United States was made a respondent; each was asked to submit comments and testimony on a proposed change in the CAB's rules which would enable it to limit the part played by foreign airlines in the American travel market.

Most of the foreign airlines either ignored the board's proceeding entirely, or sent frosty notes saying that the CAB's investigation seemed highly irregular, particularly since the rights of foreign air carriers to serve the United States were granted in most cases under long-standing diplomatic agreements. Of the airlines which did respond four—SAS, KLM, Sabena and BOAC—promptly flew to the federal courts to challenge the board's right to lay hands on them. But the court test, which is still undecided, did not stop the CAB from going ahead with public hearings.

At these testimony favouring the board's proposal to regulate the frequency and capacity of foreign airlines' services was presented by Pan American and TWA, as well as by the CAB's own Bureau of International Affairs. Expert witnesses gave evidence that foreign governments controlled the frequency and capacity of services flown by American airlines. They named six offenders: Argentina, Venezuela, Chile, New Zealand, Korea and the Philippines. Argentina, said the CAB, "has consistently disapproved US carriers' proposed schedules to which it objected either because of frequency, capacity or type of equipment." The Argentine equiva-

lent of the CAB is so strict that on one occasion an American airline was refused permission to reduce its services on the grounds that the existing service was in the public interest. At present no comparable restrictions are placed on any foreign carrier by the United States.

The CAB made only a part of the case which it might have presented. No mention was made, for example, of the British refusal to permit Northwest Orient Airlines to serve Hong Kong, although the bilateral agreement between the United States and Great Britain provides for this. As a result BOAC's lawyers were not challenged when they said that American flag carriers are not discriminated against by any British aviation authority.

If the board had confined itself to the issue of discrimination no foreign carrier could have parried its arguments effectively. But for reasons best known to itself it decided to put into the case two other vexing international matters. One was the refusal of most foreign airlines to supply the board with statistics on the origin and destination of passengers. The foreign carriers, supported by their governments, have refused in the past to supply this data on the ground that the information would reveal a great deal about traffic other than that directly to or from the United States. Under the board's proposed change in the rules the foreign carriers would have to supply this data or risk losing their operating rights in the United States.

A second, even more questionable, issue involved an interpretation by the board of America's bilateral agreements on air services. The issue is whether small airlines, such as SAS, have the right to carry large numbers of passengers from the United States to European cities such as Paris and Rome by way of Scandinavia. The board's view is that SAS should confine itself mainly to traffic between Scandinavia and the United States and KLM to carrying people between the United States and Holland and so on. The proposed new rules would enable the CAB to reduce a foreign airline's service to the level which the board considered proper.

These two contentions, along with an effort to show that Pan American and TWA were being hit hard by unfair foreign competition, were strongly disputed by all the foreign lines which took part in the investigation. If the CAB wants to match foreign governments on a basis of restriction for restriction, there is no question but that it can do so. But if it wants to impose unilateral interpretations or bilateral agreements on the foreign flag carriers, this is likely to lead to a rapid proliferation of the very abuses to which the CAB objects so strongly. Yet unless it is prevented by an adverse ruling from the courts, the board will probably put the new rules into effect by the end of this year.

Teachers Learn to Strike

By the narrowest of margins—2,544 to 2,231—New York City's teachers defied their union president on Tuesday night and voted for an illegal strike for more money. On Wednesday, although the majority of schools were open, there were teachers on the picket lines outside and children running wild inside some of them. This is the second strike by teachers in the city's history (there was a one-day walk-out in November, 1960) and the largest school-system in the country is involved. The United Federation of Teachers, which recently won the right to represent the city's 40,000 teachers in wage negotiations, is affiliated to the main trade union movement. But in spite of its name, the union is far from united on the issue of a strike. Moreover, only about 15,000 of the teachers belong to the union: many of the rest are affiliated with organisations, such as the National Education Association, which regards a strike as below the dignity of the teaching profession and a betrayal of its responsibility to the children. About half of the teachers stayed on the job.

The negotiations are crucial for the UFT, which is a small organisation (80,000 members) compared with its giant rival, the NEA, which has nearly 800,000 members in the whole United States. Victory in New York—the only major city where the UFT has won bargaining rights—would stimulate the recruiting of new members all over the country by showing that trade union methods work. The UFT has a good case; teachers in New York are paid less than many in nearby communities which compete with the city for staff and they work under what are often harrowing conditions. The union is asking for $53 million in increases, compared with $27 million offered by the Board of Education. The negotiations are also of great interest and importance to the American Federation of Labour and Congress of Industrial Organisations, which is extremely anxious to establish itself in the growing white-collar and professional occupations now that the number of industrial workers is declining. It has sent both organisers and money to New York.

The challenge poses awkward problems for Mr Wagner, the Mayor. The schools account for the largest item in his city budget, $650 million in this fiscal year, of which the state is providing $196 million. For a politician there is an even more painful question. The Board of Education, which has secured a court order against the picketing, declares that the strikers have forfeited their jobs under the Condon-Wadlin Act, which provides that a government employee who strikes is punishable by instant dismissal and, if rehired, may receive no salary increase for three years. But such penalties, if carried out, would disrupt the schools and alienate the Mayor's labour supporters. There is a further complication in a confusing dispute over the state's financial contribution; no doubt Mr Wagner, a Democrat, hopes to shift some of the blame to Governor Rockefeller's Republican shoulders.

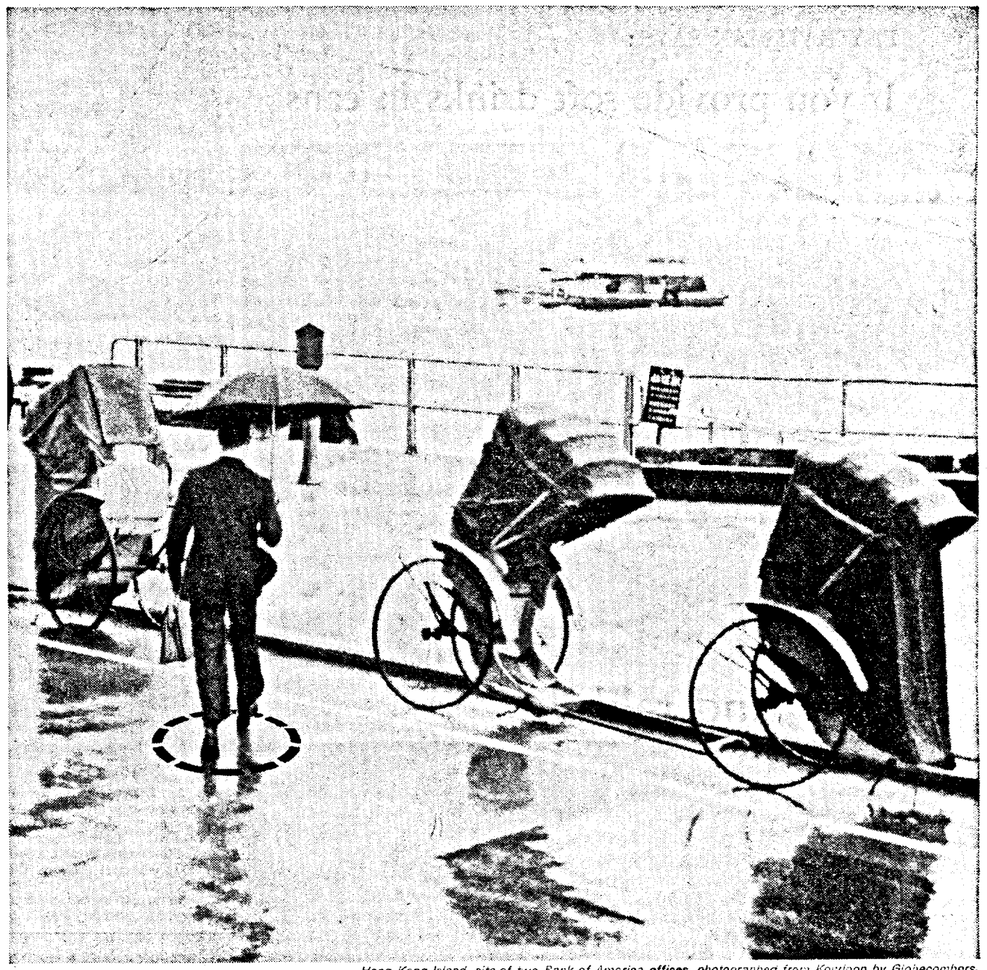
Anti-Nuclear Fission

FROM A CORRESPONDENT IN NEW YORK

As yet there is nothing like Britain's Committee of 100 in the United States. So far the American peace movement has been a tame affair, consisting of a number of marches, a few big rallies and some sparse sit-downs, all organised according to the *New York Daily News*, by "Red Hitler's little helpers." But interest in peace groups is growing and there are hundreds of them.

The National Committee for a Sane Nuclear Policy is by far the best-known and probably the largest. It believes in multilateral disarmament and in traditional forms of protest. It bombards members of Congress and newspaper editors with letters and organises educational campaigns to arouse the country to the dangers of nuclear bombs. It claims to have its greatest following among the intellectuals—the people who, their critics say, like to hear themselves talk.

There is now, however, considerable disenchantment with SANE's high-flying approach, even in the multilateral camp. Recently a rather unorganised but large—10,000 or so—group of young mothers have begun their own protest, the Women's Strike for Peace; this has staged demonstrations in Washington and in Albany, New York, and thirty-five women, including Mrs Martin Luther King, have been in Geneva talking to delegates to the disarmament conference. It is all very well for a politician to sneer at students and beatniks but quite another thing for him to laugh at a young mother. But the latest tendency, particularly among young people, is towards more radical forms of protest, usually involving some form of non-violent civil disobedience and advocating total unilateral disarmament. A good unilateralist believes that the Russians will come pouring across national boundaries when the United States disarms but that a stiff dose of sitting down will send them hurrying home, an idea which is too much for most Americans.



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FAY BATEMAN SAYS:

If you provide soft drinks in cans



and rabbits



and still more cans

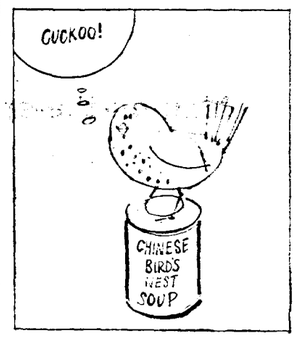
why then you'll have a proper party — one the children won't forget. The rabbits may be old-fashioned, but fizzy drinks in cans are novel enough. Three years ago they were a gleam in a designer's eye. Now they're everywhere, to the delight of children and the relief of mothers and shopkeepers —who don't have to bother any more about disposing of the empties.



WHERE NEXT? At parties. Draught beer used to involve buying a small barrel. But now you can buy seven pints of draught in a single can. It's easier to pour, easier still to drink, being (like all beer in cans) in tip-top condition. So that now for the draught beer drinker too, this is the day and age of the can.



WHAT NEXT? Very reassuring on the home front, and invaluable in offices, is a new aerosol (appropriately named 'Mouthpeace') which will clean and disinfect a telephone receiver at the touch of its elegant button. Another boon to office workers is the new 'Cleantype' aerosol, which sprays the insides of typewriters and makes cleaning quick and easy.



THINKPIECE: Poor misguided bird, more of a cuckoo than even she suspects. But for all traditionalists these days (and the cuckoo is a very traditional bird) life can be very surprising. More and more things are packed in cans, from canelloni to window cleanser, bird's nest soup to artificial snow, and every visit to the shops is packed with new surprises.

However the radical members of the peace movement talk about doing their job so well that even the New York police will sit down with them, although anyone who has ever seen a New York cop will doubt that. The other day one of them snarled in court:



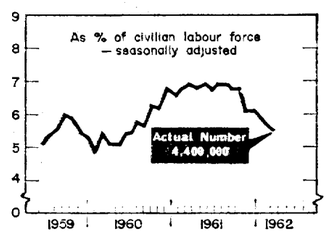
"I hope all those guys get the death sentence." But just the same the police are helping these left-wingers to get better treatment from the press. A few weeks ago six thousand people protested in Times Square ; a handful sat down in violation of the rules for the demonstration and the police waded in with, it is alleged, their night sticks swinging. One man who was standing on the sidelines was clubbed and went to hospital with a punctured lung. This was front page news and two days later, when 32 people sat down in front of the Atomic Energy Commission's New York office, this again was reported widely.

The radical section of the peace movement is a fractured affair, prone to intramural squabbles over ideology and methodology. It is dominated by pacifists, by a few anarchists and by some Democratic socialists ; they argue interminably about such questions as how organised an organisation should be and about whether to sit in, sit down, stand up, walk in, row in, sail in or climb on. The group lacks a spokesman of Lord Russell's stature and he has refused to be lured into taking part in demonstrations on the American side of the Atlantic. Intellectuals and artists who have long espoused the cause of the radical left contribute money but refuse to allow their names to be used or to take part in a sit-down.

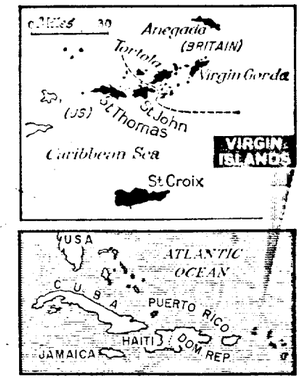
Nevertheless the Committee for Non-violent Action, the nearest thing to the Committee of 100 and the sponsor of last year's march from San Francisco to Moscow, creates a big noise in a small way. Its members are tough nuts and they include not only the scruffy-looking types but a striking professional model and her well-to-do husband who went to Princeton. Members have sailed into the atomic testing areas on the Pacific Ocean and threaten to do so again this spring ; they do not hesitate to engage in other forms of civil disobedience and to go to prison for it. This month the Committee is sponsoring three peace walks which will converge on Washington at the same time. One of them will be a racially integrated advance through the South, a sort of two-in-one action which, the radicals hope, will tie in neatly with the established and effective southern sit-in movement against the segregation of Negroes.

UNEMPLOYMENT

In March the number of Americans in work — 66,300,000—was a record for that month. But the increase in employment and the decrease of 160,000 in unemployment are little more than to be expected at this time of year and the amount of long-term joblessness still cause concern.



Virgin Territory

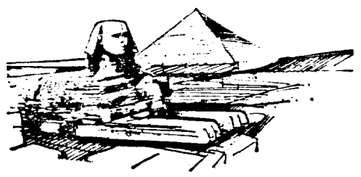


PRESIDENT KENNEDY'S request to Congress for greater independence for the Virgin Islands seems designed mainly to bring America's colonial policy up to the standard it sets for the rest of the world. While some of the islanders would like to have a vote in American presidential elections and to be represented in the United States Congress, there is little sign of any really strong demand for more self-government among the 30,000 people, 80 per cent of them Negro, who inhabit the 50 islands containing 133 square miles of land which the United States bought from Denmark in 1917. Ten years later the inhabitants of the new Territory became American citizens and they now elect eleven senators to a single chamber legislature of their own. Mr Kennedy wants these legislative districts to be reapportioned and he wants the Virgin Islanders to elect their own Governor. The present one, appointed by the President last year, is a local businessman, who was the Territory's spokesman at Democratic party meetings in the United States.

CONGRESS is likely to take some time considering Mr Kennedy's request and it seems sure to be linked with the matter of giving similar privileges to the people of Guam who are said to be as ready for self-government as are the Virgin Islanders. But Guam is an important American base in the Pacific Ocean and this complicates its situation—although this is a complication from which the Virgin Islanders, so close to Cuba, are not necessarily immune for ever. Nor is Congress happy about Mr Kennedy's proposal that the Virgin Islands Corporation, set up in 1934 to develop the islands economically and financed by loans and grants from the federal government, should be transferred to the territorial authorities for $13 million, the book value of its assets. It is argued that this is far below their real value and that they should be sold to private interests for what they will fetch.

These assets include water and electricity facilities on St Thomas, land on which sugar cane is grown and the only sugar mill in the islands on St Croix. The Governor would like to increase the output of electricity, as he would be able to do if the corporation came under the control of the territorial government. Better technical education is also needed to add to the skills of the workers and President Kennedy has asked Congress to authorise the island authorities to issue revenue bonds to pay for schools, roads and other improvements. The standard of living and the level of income is higher than in the rest of the Caribbean area—which does not say much. Wages are low but there is little actual unemployment although underemployment is widespread. The Governor's aim is to bring more industry to the Territory and thus to diversify an economy which now depends almost entirely on the tourist trade, with 165,000 visitors coming in each year. About fifty commercial undertakings are already operating in the islands and tax concessions are available for new industries. They are also able to bring in raw materials and components cheaply from other countries since the maximum import duty is still only 6 per cent of value under the original agreement made with Denmark when the islands were bought.

THE WORLD OVERSEAS



Syria through Egyptian Glass

FROM OUR SPECIAL CORRESPONDENT

CAIRO

PRAY God not again, was the shuddered response of sophisticated Egyptians when, last week in Cairo, it seemed conceivable that Syria might once again seek some form of marriage with Egypt. But this instinctive recoil was misleading on at least two counts. First, at the back of people's minds was the awareness that President Nasser's devouring love for his former northern region might, if the opportunity were there, lead them all into fresh adventure. The United Arab Republic is as exclusively a one-man band as ever. Second, it is only in Egypt itself that it could be so easily taken for granted that Syria might yet come back with arms outstretched. Egyptians incline to an image of Syria as an expensive whore, beautiful but damned, who seduced their leader once, and might do so again. Once outside Egypt, with its sense of unquestioning superiority in the Arab world, the image begins to crack.

As speculation piled high on speculation last week, the Egyptians talked in terms of two possible plebiscites. The first would be in Syria. While elsewhere rumours flashed round about what was contained in the unpublished Homs agreement concluded on April 1st by unidentified Syrian military factions, the Egyptian press, following events gasp by gasp, reported flatly that the agreement provided for a straightforward plebiscite on union with the UAR. The truth it seems was a good deal vaguer, and any union in the air is a much less binding proposition than as interpreted by Egypt. But the Egyptians, last week, looked beyond the Syrian plebiscite to one at home—on whether the Egyptians themselves would want the Syrians back or no. Guesswork on how this would turn out—if it were held and, for argument's sake, were allowed to be free—becomes wonderfully academic. One of the hardest things for an outsider to make out is whether the general indifference with which the Egyptian public treated Syria's break-away in September should be taken at its face value, or whether, as seems perhaps more probable, it was a case of Egyptian pride covering a natural sense of humiliation and outrage. Except among the very generous, who sincerely regretted the failure of democracy in Syria (even while interpreting it as a failure of right-wing reaction) and looked with distaste at a dreary future of coups d'état, and, also, except for the many more who are deeply alarmed by President Nasser's domestic policies, Egyptian satisfaction at the collapse of the Syrian government was humanly indecent.

As the fissures appeared in the Syrian army's unity, President Nasser's most disillusioned critics spoke of Egyptian help being given to Nasserite elements in Aleppo, and of Egyptian military concentrations at the ready at Alexandria. Government officials, indignantly denying all such rumours, had logic and good sense on their side; virtues that could, of course, be irrelevant. Egyptians who, for whatever reason, regretted the failed experiment in Syria tended to put some at least of the blame on the Americans and the British, and, for good measure, the Russians, too. Their complaint was that the reluctance of the big powers to rally round Syria with diplomatic and economic support made clear their lack of sympathy with the act of secession. The big powers did not, so ran the argument of dissident Egyptians, want Syria to have a life of its own but would have preferred it to remain part of the United Arab Republic. Hearing this charge one could feel, for one wild moment, that Britain might have come full circle from the days when every action was interpreted as yet another effort to unseat or undermine President Nasser. But the moment quickly passed; well-planted suspicions of British meddling and anti-Nasserism are not yet ripe for uprooting.

EGYPTIAN dismay at the thought of a new involvement with Syria was much more than just a question of hurt pride. After the breakaway in September the Egyptian regime went through what may have been one of the most uneasy phases it has had. Learning a lesson from what happened in Syria, the government began to suspect that in Egypt, too, the well-to-do might be whispering treason into the ears of their friends and relations in the army. This fear was the basic cause of the cat-and-mouse pounces which, at the end of last year, gave the Egyptian police state some of the characteristics of much beastlier European equivalents. A group of people, whose only apparent crime was to be rich, were put in prison for a few months; many others have had their property sequestrated, and have somehow to make do on a small monthly grant from the authorities. Powerful families which, although they had already lost most of their land and a lot of their money, still retained much of their authority, found themselves broken. Anybody with something "wrong" about him—be it that he was rich, a Jew, or a Christian—began to move about more fearfully. Close friends suspected each other as informers.

But, reasonably enough, it was against the army that the sternest precautions were taken. Commands were switched round, some officers imprisoned (the numbers suggested vary from 50 to 200, the lower figure being the more likely), others were sent abroad to diplomatic missions. The small Egyptian contingent was withdrawn from Kuwait because it was feared that the Jordanians were getting at the officers. Well-off families were asked, casually enough, about their relatives in the armed services. There were two factors to be balanced. Without any doubt, army officers have so far done better than anybody else out of the Egyptian revolution; a military uniform has been the best, and indeed almost the only, way to a seat in the cabinet, the presidency of a bank, or any other plum job. But to counter this, many of these young officers, mostly of middle-class origin themselves, as they went up in the world have married or made alliances with upper-class families. It has been remarked that several of Egypt's serving officers live after a fashion that is well above anything possible on army pay. The fear was that some of these young men might have become more concerned with what was happening under socialisation to their fathers-in-law or cousins than with their own worldly success.

So the army was sieved and lightly purged, and the tension began to slacken. A mixture of lethargy, sense of humour, and inefficiency saves Egypt from becoming a really vigilant police state. The jokes, some of them pretty sick, about the president, the army and the police, go on all the time, and many people, but not those with most "crimes" against their name, get bored with being afraid. "There's no freedom of speech in Egypt," announces an Egyptian in a crowded restaurant to the alarm of his guest. There was unease in Egypt this spring, but there were also signs that the government was smoothing its claws. Not the least of these was the sacking last week of all military officers from several important newspapers, and the restoration, amid acclaim, of professional, and honest-minded, journalists.

The decision on April 7th to end the French spy trial and let both French and Egyptian defendants go free was primarily a sign of a wish for better relations with France after the Algerian ceasefire; Egypt, concerned like other underdeveloped countries about the European common market, does not want French hostility as an additional obstacle to possible future economic negotiations. But the process of the trial itself was significant in that the defence lawyer, speaking out boldly, was able effectively to shatter the feeble and unconvincing case for the prosecution.

After the alarums of last winter, and with an infinite burden of work involved in the nationalisation programme, most thoughtful Egyptians are deeply disinclined to foreign adventure. Egypt feels itself alone in the Arab world, but does not allow this to worry it over much. The feudal governments, it thinks, will fall sooner rather than later. General Qasim is dismissed as a man who is not serious, and certainly not stable. The link with Morocco within the Casablanca group does not amount to very much. Even with the new Algerians, the present sunny climate may begin, after a time, to get chillier. M. Ben Bella and other Algerian leaders were given slap-up VIP treatment when they visited Cairo last week, disrupting the traffic and raising a cheer or two. But Egyptians will privately admit that they find the Algerians far too like Frenchmen for their liking; with their love for Paris they may never, thinks Cairo, turn into good Arab socialists.

Probably, despite its economic difficulties, its dependence on police methods and the substantial and growing volume of internal criticism, the present regime in the United Arab Republic is likely to outlive that of most of its neighbours. But to an outsider it seems obvious that the chances of survival would be lessened at once by any irresponsibility or over-ambition on foreign ground. The doubt is whether President Nasser himself thinks along these lines. For the time being a sort of truce seems to have been established between Damascus and Cairo. The risks that might follow if this truce were to be broken haunt some of the president's staunch, but objective, supporters.

Syria Looks at Itself



FROM OUR SPECIAL CORRESPONDENT

DAMASCUS

HAUNTED mildly by the bleakness of public disapproval and urgently by the fear of what their own comrades may be plotting, the faceless ones in the Syrian high command are finding responsibility harder to discard than to seize. Only the commander-in-chief, General Zahreddin, allows his face to be seen and he only because, as a Druze and a man of no great authority, he is not an object of dangerous jealousy. Since it became obvious that the army is too much in a state of anarchy itself to hope to govern the country singlehanded, senior officers have distractedly been trying to give their *coup* a semblance of legality, and themselves a sheltering barricade of civilians. But few civilians are ready to be caught in so fishy a net. The idea of a government of technicians melted away as the top civil servants and professionals refused to be drawn, although several of them have allowed themselves to be nominated as members of committees that will at least keep the country going and enable the soldiers to postpone making possibly disastrous decisions. The repectable politicians were equally reluctant to come in on the army's terms, and although there were others eager enough to serve on any terms they were not the ones the army wanted. By Wednesday it looked as if a civilian front of a kind would soon be erected; but nobody expects the army to retire very far behind it.

As the haggling between army and politicians continued, Damascus was quiet even for this gentle Arab city. Armoured cars cordoned off the vulnerable radio centre, and although the curfew was reduced to four hours people were inclined to stop at home. In Aleppo too all was quiet, but barbed wire barricades impeded movement from the poorer Moslem districts where Nasserite fervour is strongest and where scrubbed walls testified to last week's Nasserite slogans. Sad and rather cross disillusionment is general: with Nasser, with the last government and above all with the army for its unthinking high-handedness in plunging the country back to pre-union muddle. Syrians ask themselves why they should be cursed by a "mercenary" army eager only for power, and note that so many Syrian officers have been retired for political reasons that most of the senior ones left are under forty.

Guesses about the numbers who would like a return to union with Egypt vary wildly from 15 per cent of the population to 85 per cent. Possibly the most intelligent theory is that men who work with their hands still support Nasser and all he stands for. The Kudsi government earned little respect; although it promised to maintain and even improve Nasser's social benefits, its right-wing tendencies are deeply suspect. Unrest was growing, particularly in rural areas, where some former landowners had illegally repossessed their land, and ousted peasants could find no voice among the deputies—who recently passed, in two minutes, a law raising their own salaries from 750 Syrian pounds a month to 2,500.

The army, searching for any way to dilute its own responsibility, talks with heartfelt desire of Arab unity. At his press conference on Tuesday General Zahreddin promised a referendum on some form of unity with "liberated" Arab countries—which he specified as Syria, Egypt, Iraq and, after a moment's hesitation, Lebanon. But if one thing in the present cloud of unknowing seems certain, it is that no future Syrian government would agree to any form of union that covers domestic as well as foreign affairs. Since it is almost equally certain that no other Arab country would agree to take on Syria without insisting on some power of management over its turbulent internal life, the referendum if ever held may not be very meaningful.

General Zahreddin has put the following order of priorities: transitional government to "reorganise national life," then a referendum on a new constitution. In the meantime, all possible decisions have been passed to six committees which function under the titles of national economy, finance, land reform, information, Arab questions and international relations. Since the committees have been told to report by April 20th, they will have to work pretty smartly. Presumably their reports will be filed. A committee has also been

set up to study whether political prisoners should be tried. General Zahreddin admitted to not more than 20 politicians under arrest —the total, including army officers who did not manage to get away (to Egypt as well as to Switzerland) may be around a hundred.

After all the bargaining that has gone on, and with the army choking over the power it so recklessly swallowed, the transitional government could turn out to be more than military yes-men. But their limits of action will be strictly defined. Despite its blatant disunity, the left-wing faction within the army is believed sufficiently strong to insist on three general principles: the maintenance of social reforms in the letter as well as the law; an international policy of less deviating neutrality than hitherto; and in Arab affairs an attempt to move closer to Egypt and possibly Iraq—and a corresponding cold-shouldering of Jordan and Saudi Arabia. One of the compelling reasons why the army threw out the Kudsi government was its belief that it had turned too far towards the West and might consequently be hazarding the army's constant supply of military equipment from the East.

Without too much faith, Syrians hope that the army has proved to itself that with no Shishakli yet in sight it cannot play games with the government and win. Preparations go on for military parades on April 17th, the day that celebrates French evacuation. Perhaps by then the people trying to run Syrian affairs will have faces if not yet a policy.

Rule by Referendum



FROM OUR PARIS CORRESPONDENT

GENERAL DE GAULLE, having once again won a referendum, has decided against holding a general election as well. Instead, he is appointing a new prime minister, M. Georges Pompidou, who is expected to take office on Monday. M. Debré, the faithful scapegoat, is to go just when the end of the Algerian war began to hold out the promise that his office might begin to be pleasant. His successor, a stocky, smiling man of 50, an historian by training, a critic by hobby and a banker by profession, entered public life under General de Gaulle's auspices. He was on the general's staff after the war. He returned as *chef de cabinet* when the general seized the premiership in 1958. But when General de Gaulle moved to the Elysée, M. Pompidou, though always available, went back to the general directorship of Rothschilds.

Obviously the French Left will make capital out of the "rule of the Rothschilds." But there is more of interest and significance to be found in M. Pompidou's relationship with the general. M. Debré, faithful as he was, was a politician, a parliamentarian for all that his party is so committed to General de Gaulle. M. Pompidou is not even in parliament. He is the private secretary, the *chef de cabinet*. It seems unlikely now that it will be possible to argue that the premier has effective views of his own. Thus the appointment of M. Pompidou as prime minister is part of a general reinforcement of presidential rule, a process the background of which is sketched below.

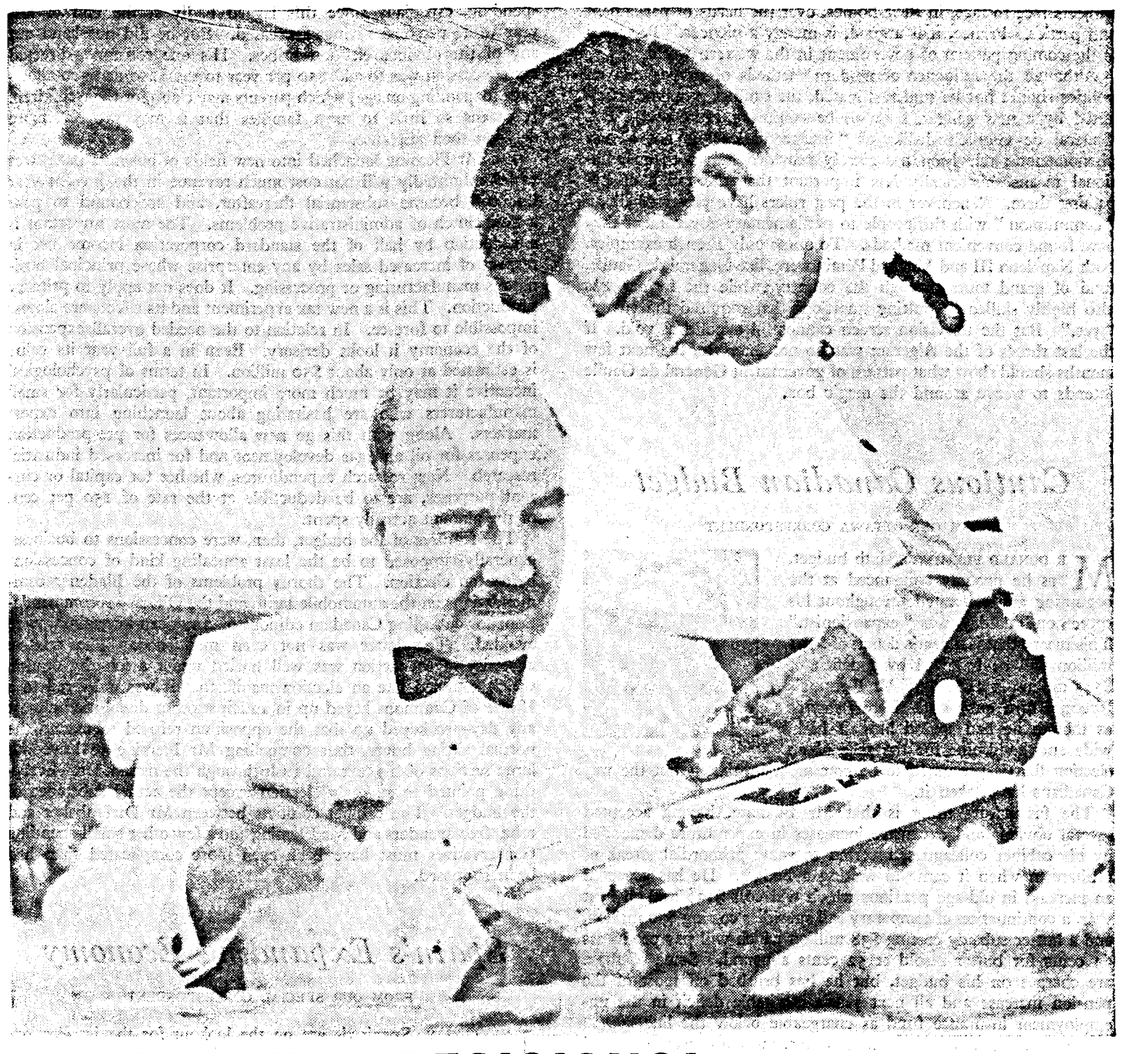
"The referendum is entering into our customs . . . no doubt the nature and working of the republic's institutions will be deeply affected." This trend, foreshadowed by General de Gaulle in his broadcast on April 6th, is probably more significant than the result of the referendum on April 8th. Broadly, this was a foregone conclusion. Obviously the overwhelming majority of the French nation was fed up with the Algerian war and hostile to Salan's secret army. Once the Communists decided that the question put offered them no choice but to switch from a hostile to a positive vote, it was clear that the *non* votes would be much less numerous than on previous occasions. The rest was a question of fractions.

Last Sunday's referendum was the third during the Fifth Republic. The number of abstentions had risen substantially between the constitutional referendum of 1958 and last year's first Algerian poll (from 15 to over 22 per cent). It now rose by another 2 per cent. The number of spoilt ballots, on the other hand, has doubled. This is largely due to the campaign of the small Socialist party (PSU), which suggested this way out for people determined to express their approval of peace and their hostility to the regime together. But such a sophisticated attitude was bound to have only a marginal impact. Finally, out of an electorate of nearly 27 million, about 19.3 million registered a valid vote and less than 1.8 million of these were *non*; 9.3 per cent of the valid poll was all that the advocates of French Algeria could muster. The Communists having strictly followed their party's instructions, the *non* was this time deprived of its big battalions. The point can be illustrated in the Paris area. In the smart districts (7th, 8th and 16th arrondissements) the proportion of the negative vote was maintained. But in the red belt of Paris, where the anti-gaullists used to be strong, the *oui* votes beat all records.

As usual with a plebiscite, the vote is both clear and ambiguous. The isolation of the Secret Army (OAS) is plain to see. But support for the regime cannot be so easily perceived among the mass of ambiguous *ayes*. Since it had been predictable, the result brought little new to General de Gaulle beyond a personal triumph. In particular, it did not provide an answer to the question he had left purposely open, namely, whether a general election should follow immediately upon the referendum. On this topic the gaullists split into two schools of thought. One suggested that parliamentary capital must be made rapidly out of the euphoria induced by peace in Algeria. The gamble on Franco-Algerian co-operation may fail. On the assumption that the French public would soon find out that the end of the war did not mean an end to their economic burdens or even a cut in defence expenditure, the sooner the elections were held the better.

ALL this, according to the second gaullist group, paid too much attention to parliament. The present obedient chamber had still more than a year to run and should be left in peace. A governmental reshuffle and a change of prime minister would be good moves because they would emphasise the fact that the general, not parliament, ran the country. General de Gaulle must be left undisturbed to get on with his job both at home and abroad. As to elections, there was plenty of time to tackle them later. In deciding to appoint M. Pompidou, General de Gaulle has endorsed this view.

The two schools of thought illustrate two gaullist temptations. The general has never made any secret of his distaste for parliamentary hindrances. There are two ways of avoiding these restrictions. One is to pack the chamber with a sufficient number of disciplined and obedient deputies. The other is to cut down the importance of parliament still further. The new "custom" of the referendum is designed to reinforce this process. Indeed, if the interpreters of the gaullist doctrine are to be believed, the referendum and television will be the two major instruments of a new method of government. By a miracle, they argue, General de Gaulle's return to power has coincided with the spread of television in France. The magic box enables the ruler to address his



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subjects face to face, in their homes, over the heads of parliament and parties. France, it is argued, is merely a pioneer. Telecracy is the coming pattern of government in the western world.

Although the influence of modern methods of propaganda on politics should not be underestimated, the gaullist prophets, fascinated by a new gadget, seem to be confusing cause and effect. General de Gaulle's dislike of "intermediaries" is not a new phenomenon; television has merely provided him with an additional means, historically less important that the radio, of bypassing them. Whenever in the past rulers have preferred direct "communion" with the people to parliamentary government they have found convenient methods. To quote only French examples, both Napoleon III and Marshal Pétain were, like General de Gaulle, fond of grand tours through the country, while the former was also highly skilled in putting questions that required the answer "yes." But the television screen cannot fill a political void. If the last throes of the Algerian war do not interfere, the next few months should show what pattern of government General de Gaulle intends to weave around the magic box.

Cautious Canadian Budget

FROM OUR OTTAWA CORRESPONDENT



MR DONALD FLEMING'S sixth budget, as he proudly announced at the beginning and reiterated throughout his speech on Tuesday, was "expansionist." This means that last year's deficit of $791 million will be followed by a deficit of $745 million in 1962-63 if Mr Fleming's forecasts turn out right. If this sounds as though he had spread himself high, wide and handsome for the sake of an election that is presumed to be coming soon, that is not the way Canadians have taken it.

The fascinating thing is that Mr Fleming, having accepted several obvious and expensive increases in expenditure demanded by his cabinet colleagues, reverted to some primordial streak of puritanism when it came to writing a budget. He has accepted an increase in old-age pensions which will cost $130 million next year, a continuation of temporary rail subsidies costing $70 million, and a butter subsidy costing $38 million which will pay producers 64 cents for butter resold at 52 cents a pound. Some of these are charges on his budget, but he has brushed off most of the pension increase and all next year's inevitable deficit in the unemployment insurance fund as chargeable below the line.

Since Mr Fleming had yielded so far, most observers expected him to go to the limit and give his Conservative colleagues the tax reductions they would have liked. But at this point he evidently stuck his heels into the ground. Although he confidently prophesied a seven per cent increase in gross national product over 1961, he budgeted for an increase of little more than six per cent in revenues, and his tax changes added only $54 million to the deficit of $695 million which he foresaw for the coming year. With this addition, his forecast deficit for the coming year is at least less than the year just past. Canada, said Mr Fleming, was enjoying "rising prosperity, more jobs, greater opportunities and rapid economic growth." But he added,

> We must not be complacent. We still have unused capacity in our industry. The reduction in unemployment must be carried much further. The balance of payments needs to be still further improved. Fiscal policy must continue to provide stimulus to the economy.

This was the theoretical basis everyone had expected. Upon it he might have justified income tax cuts to stimulate consumer spending, especially since this lagged badly at the end of last year while personal savings increased. But he did not hand out any of the obvious election bribes. His one consumer-directed tax concession was to add $50 per year to the $250 or $500 allowance (depending on age) which parents may claim for their children. It means so little to most families that it may provoke more derision than applause.

But Mr Fleming launched into new fields of business incentives which admittedly will not cost much revenue in the present year but will become substantial thereafter, and are bound to pose a new clutch of administrative problems. The most important is a reduction by half of the standard corporation income tax in respect of increased sales by any enterprise whose principal business is manufacturing or processing. It does not apply to primary production. This is a new tax experiment and its effects are almost impossible to foresee. In relation to the needed overall expansion of the economy it looks derisory. Even in a full year its value is estimated at only about $50 million. In terms of psychological incentive it may be much more important, particularly for small manufacturers who are hesitating about launching into export markets. Along with this go new allowances for pre-production expenses for oil and gas development and for increased industrial research. New research expenditures, whether for capital or current purposes, are to be deductible at the rate of 150 per cent of the amount actually spent.

The features of the budget, then, were concessions to business, generally supposed to be the least appealing kind of concessions before an election. The thorny problems of the Bladen recommendations on the automobile tariff, and the O'Leary recommendations for curtailing Canadian editions of American magazines, were avoided. The latter was not even mentioned. The relative austerity of the action was well buried under a lengthy oration which sounded like an election manifesto. It was delivered to a House of Commons keyed up in anticipation of dissolution almost any day—so keyed up that the opposition refused to extend the normal sitting hours, thus compelling Mr Fleming to leave out large sections of his text and rush through the remainder. Everything pointed to an early election except the actual substance of the budget. The cabinet conflicts between Mr Diefenbaker and other free-spenders and Mr Fleming and a few other small-spending Conservatives must have been even more complicated than had been supposed.

Spain's Expanding Economy

FROM OUR SPECIAL CORRESPONDENT

INEVITABLY, Spaniards are on the lookout for the implications of rumours that America is preparing to cut its military and aid expenditure in Spain. The rumours appear to be ill-founded. Washington has decided only to terminate direct grant aid at the end of June, and this decision is primarily a tribute to the efficacy of the economic prescription drawn up for General Franco's government in 1959 by experts from the United States and the Organisation for European Economic Co-operation. The grant aid programme was required to finance priority imports of industrial raw materials, some capital goods and essential foodstuffs—$490 million have been made available for this purpose since 1954—and Spain can now pay for such imports out of its own foreign currency earnings. Spain will continue to benefit from the "Food for Peace" programme, under which agricultural commodities are supplied for distribution by the *Caritas* relief agency (whose critics, incidentally, accuse it of gross religious discrimination), and to receive long-term loans from the Export-Import Bank for the purchase of capital equipment; loans from this source increased from an average of $10 million annually in 1955-59 to $49 million and



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$58 million respectively in 1960 and 1961; this, too, reflects Spain's improved economic position.

As recently as last summer, OEEC observers could note that "the stagnation of economic activity which followed the decisive action taken in July, 1959 has been rather prolonged. . . ." As lately as January, some Spanish officials were inclined to dissent from the "over-optimistic" report on Spain's position and prospects which had just been published by Don Jesús Prados, of the Banco Central, well known for his championship of the common market. But it is now clear that the Spanish economy has made impressive gains in the last nine months. The national income was 498 billion pesetas in 1961, a real increase of 3.7 per cent over 1960. Agriculture contributed little, if anything, to this expansion—although the cotton crop increased by a spectacular 76

Rien ne va Plus?



FROM OUR PARIS CORRESPONDENT

How wise General de Gaulle was in pressing for the withdrawal of French troops from across the Mediterranean. The troubles now brewing on France's southern front illustrate his strategic foresight. Tongue in cheek, or beak, the *Canard Enchainé* last week used these terms to assess gaullist military ambitions in Europe and, simultaneously, introduced its readers to the yet unfinished conflict between tiny Monaco and its giant neighbour and protector. The vision of a Monégasque armada of luxury yachts getting ready for battle, or of French gendarmes storming the Monte Carlo casino, is rather melodramatic. But then this earthly paradise, this principality the size of Hyde Park, where tax collectors fear to tread, lends itself to melodrama.

The conflict came into the open on January 23rd during a stormy interview between Prince Rainier and his French minister of state. But the roots of the disagreement go back to 1955. It may be recalled that the principality's finances were then threatened with a major crisis by the impending bankruptcy of the *Banque des Métaux Précieux* (since then renamed *Société Monégasque de Banque*). French interests came to the rescue and, as part of their salvage operation, bought 74,055 shares in a company called *Images et Son*. That company is the owner of a commercial radio station, Europe Number One, which has since become most successful. Bought for peanuts, its shares are now valuable, particularly since the French government, which owns 35 per cent of the shares, is keen on getting a majority holding. (The war of the waves, resulting from the government's desire to get complete political control over broadcasting, is a fascinating, but separate, subject.) Prince Rainier concluded that he had made a bad bargain and, on January 16th, passed a decree quashing the sale of the 74,055 shares. Thereupon M. Pelletier, the French minister of state (and, by the same token, the prince's premier and minister of foreign affairs), reminded the prince that, according to the treaty of 1918, Monaco's legislation must not harm France's political or economic interests. Their discussion was neither princely nor diplomatic; in short, it was unprintable.

The sequel was swift. Prince Rainier asked for the recall of his French minister. At the same time, knowing that he could not hope to repeat David's victory over Goliath, he withdrew the controversial decree. This would have been the end of the affair if France had not seized this opportunity to bring out its grievances about Monaco's general development. The sky-scrapers now dominating Monte Carlo are a striking proof of rapid change. Revenue from gambling—the 10 per cent on the receipts of the *Société des Bains de Mer*, which runs the famous casino—is no longer the main source of Monaco's wealth. In recent years this haven from taxation has acted as a magnet for foreign capital, particularly for funds repatriated from former colonies and protectorates.

Deposits have risen in Monaco's twenty-four banks, and Prince Rainier has encouraged this process of foreign investment; a Monaco economic development corporation has been set up, and a former American vice-consul picked to run it. Dozens of new firms spring up every year. United States Tin and Johnson & Johnson, Bayer and Gaggia, Coca-Cola and Interarmco have made their appearance. Offices and factories rise vertically on the limited land available. By last year the price of a square yard of building land had risen to between £250 and £350. With expansion came political ambitions. Prince Rainier was reported as seeking the rank of ambassador for his envoys and even as hoping for a seat at the United Nations.

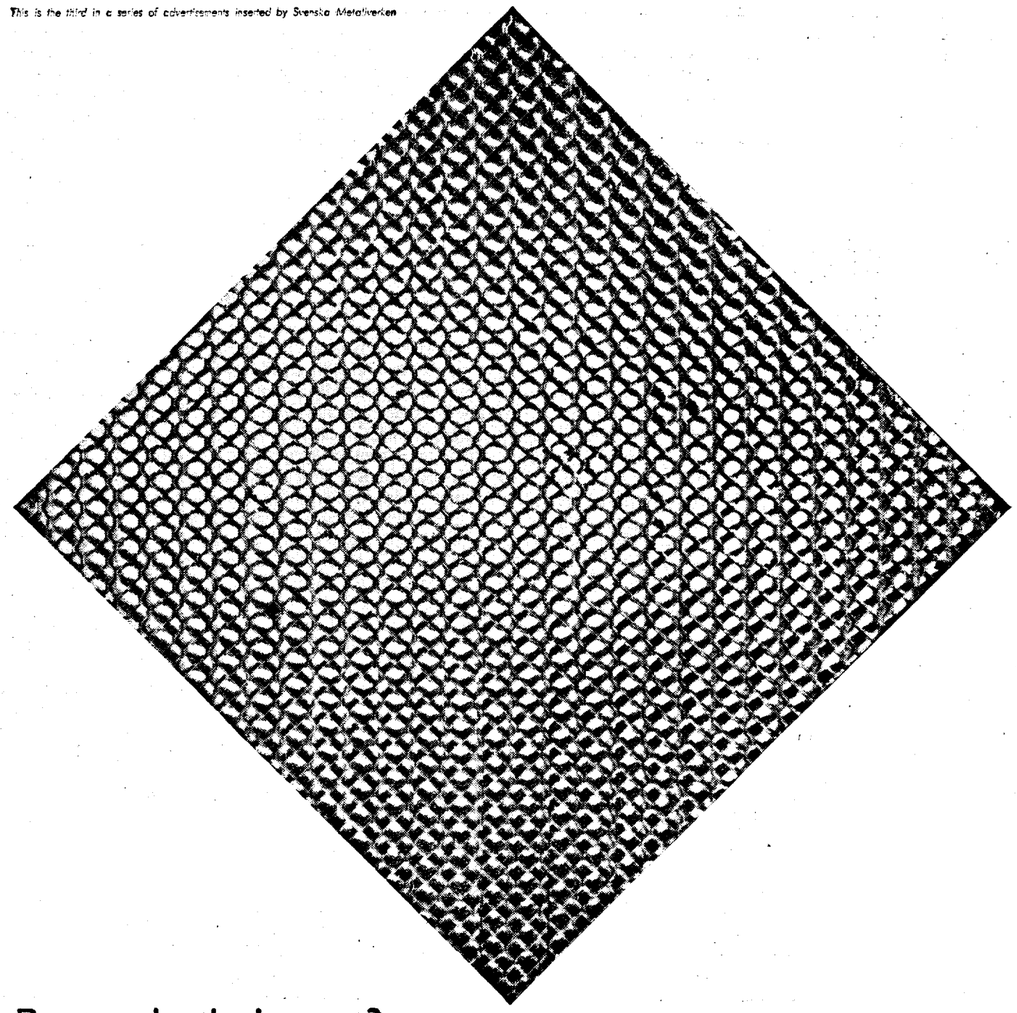
France found these Monégasque dreams of grandeur disturbing. It was displeased by the prospect of an uncontrolled Tangiers on its doorstep. The French ministry of finance complained that the combination of tax privileges with a customs union gave firms in Monaco an unfair advantage. French producers of plastics, chemicals, jewellery and light engineering products grumbled about unfair competition. After the Pelletier incident France brandished the dread weapon of a threat to abolish Monaco's tax privileges.

"Anything but French taxation" was the prince's anguished reply. The Grimaldi dynasty was suddenly thrown back on the support of its loyal subjects. In January, 1959, possibly under the influence of the winds blowing from France, Prince Rainier had chosen to dispense with his parliament or national council. Last month he ended this period of "dictatorship." But the return to democracy should not be taken too seriously. Out of Monaco's 21,000 inhabitants, less than 3,000 are fully-fledged Monégasques. In any case, foreigners and aborigines alike will rally around the prince in defence of fiscal freedom.

Negotiations with France have broken down. On Wednesday the French government officially gave the six months' notice necessary to suspend the 1951 convention governing relations between the two states. Yet there is no reason to believe the fell rumours that Prince Rainier, thirty-third of the Grimaldis, will be the last to rule or that *chemin de fer* will have to be played by candlelight after the French have cut off the electricity. Monaco lives by the grace of its giant neighbour, which could starve it at will; the prince is bound to compromise. M. Pelletier's successor as minister of state is therefore likely to have the right of closer control over the country's affairs, and Monaco will probably offer Paris some financial compensation for the tax privileges it enjoys.

This is not a land of real drama. When the croupier calls that *rien ne va plus*, he knows that it is a fiction, that the tension will last only a moment and then everything will start all over again. Princess Grace has now been persuaded to return to the screen by her favourite director; but Monaco is a setting more for Gilbert and Sullivan than for Hitchcock.

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per cent, production of cereals, olives and oranges fell—but industrial output rose by 5.6 per cent.

In the past, the expansion of Spanish industry has been hindered by insufficient electric power production, shortages of steel and cement, the lack of skilled labour and management, inadequate private investment, a level of foreign exchange earnings too low to cover imports of desperately-needed capital goods, and the autarkic bias of the country's rulers. In the last three or four years most of these weaknesses have been overcome, and Spain's industrial pattern has been transformed from one dominated by textiles into one in which the metallurgical, chemical and building industries, and power production, are predominant.

In 1961 Spain generated 21,000 million kWh of electricity (12.9 per cent more than in 1960) and produced 2.3 million tons of steel (an increase of 21 per cent) and 6.1 million tons of cement (up by 16.9 per cent). Aided by a record influx of tourists, who brought in the equivalent of more than $420 million, and emigrants' remittances totalling well over $50 million, foreign currency reserves rose from $600 million to $860 million. Spain's foreign trade balance was, however, upset by a small decline in exports and an increase of about 35 per cent in imports. Final figures are not yet available, but statistics for the first three quarters of 1961 indicate that the proportion of Spain's imports accounted for by capital goods and raw materials fell sharply. Spanish officials explain that higher food imports were necessary to compensate for domestic crop failures. Foreign observers in Madrid are, on the whole, satisfied that precious *divisas* are not being spent frivolously, though the more thoughtful of them would be happier if higher priority were given to imports calculated to expand Spain's industrial capacity.

Most wealthy Spaniards still prefer to buy real estate rather than invest in industry, but private shareholding is growing. (In its absence, Spain's much-maligned mixed banking system has performed a vital role). Autarky was buried in the rubble of the pre-1959 economy. The shortage of skilled labour is the main obstacle Spanish industry now has to overcome, and it is aggravated by two factors: inadequate educational facilities and the high rate of emigration. As the educational system is dominated by Church-owned fee-paying schools, education is largely the prerogative of the rich and the small bourgeoisie, and youngsters are orientated toward ecclesiastical, legal, administrative and other white-collar employment rather than technical training; more than a million Spanish children of school age receive no formal education, and even officials put the illiteracy rate at about 11 per cent. France, Belgium and Holland have nine times as many technical students, per million inhabitants, as Spain, and west Germany has fourteen times as many. Emigration can only be reduced by raising Spanish rates of pay (which are lower than those of Japan), but government economists say that inflation is already feared as a consequence of pay increases granted in recent months to members of the armed forces and civil service and limited categories of industrial workers. Moreover, in the eyes of some observers, emigration acts as a political safety-valve. A western diplomat in Madrid recently told your correspondent: "I can only attribute the extraordinary passivity of the Spanish workers to the fact that the most assertive and ambitious of them emigrate."

The development of the Spanish economy during the next few years will inevitably be conditioned by the attitude of the European Economic Community, which absorbs nearly half Spain's exports. Total exclusion from the EEC would harm Spain grievously—and the harm could be catastrophic if the Community admitted Britain, which takes another 15 per cent of Spanish exports. Association with the community would impose severe strains, but should invigorate those industries that have shown themselves most capable of expansion; articulate Spaniards are very nearly unanimous in favouring the adoption of a national development plan whose purpose would be to minimise the strains and maximise the competitiveness of the economy.

A *Comisariado de Desarrollo Económico* was established in February under Sr López Rodó, a leading member of the influential *Opus Dei* wing of General Franco's administration. In principle, the *Comisariado* will not draft its own development proposals until the somewhat sinaitic handing down of the eagerly-awaited recommendations of the World Bank (IBRD), now expected to occur at the beginning of May. In fact, Sr López Rodó has already been to Washington for consultations with the Bank, and, according to well-informed sources, a tacit agreement exists whereby its report will contain no recommendations that might be unpalatable to the Spanish government. No time need, therefore, be lost in implementing them.

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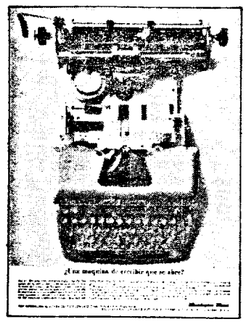
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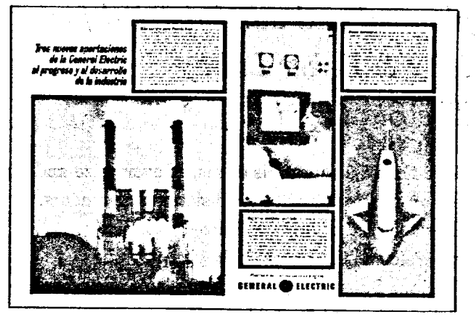
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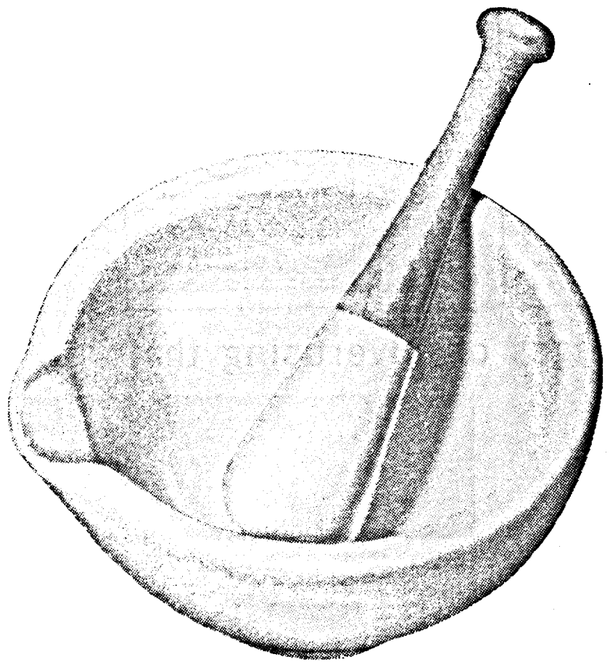
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THE BUSINESS WORLD

The Budget Impact

MR LLOYD'S many tax changes are themselves broadly neutral in their net effect on this year's revenue; but his budget as a whole and in its wider setting looks distinctly restrictive. His minor reliefs in direct taxation involve a net fall in revenue of only £8½ million this year, to which his complicated juggling with indirect taxes adds a net loss of just £1 million—expected to be transformed into a gain of £14 million in future years. The upshot for this year is a release of under £10 million; and this leaves the expected budget surplus as high as £433 million, some £23 million larger than the surplus attained in 1961-62, despite the loudly lamented (and artificially exaggerated) increase in the supply estimates. Nor is this surplus swollen, as it has been in past years, by an undue buoyancy of the revenue as a consequence of inflation itself. Indeed the buoyancy that has been budgeted for is quite exceptionally low—on the basis of existing taxes, total revenue was expected to rise by only £162 million, compared with a comparable estimate of £506 million in the 1961 budget. This slackness of revenue receipts, as is pointed out overleaf, is largely a reflection of the decline in company profits that occurred in 1961.

But whatever the cause of the slackening in the revenue inflow, a surplus of £433 million is in these circumstances a sharp restraint. It leaves a borrowing requirement of £74 million, in line with last year's budget estimate and comparing with the out-turn of £211 million. Even this was comfortably covered. The Government was able to pay off some market Treasury bills and still avoid pressing the gilt-edged market for new money.

It is clear indeed that the public could comfortably finance far larger net borrowing by the Government. The recent official drive to very large ordinary budget surpluses and very small residual borrowings has occurred at the very time that personal savings have taken a further leap—to over £2,000 million in 1961, if the official figures are to be believed, twice their total two years before and more than twice the accompanying "personal" investment. Thus today's budget surplus involves incomparably more disinflation than the similar Crippsian surpluses could have done twelve years ago, when personal savings were negative. This year, admittedly, a belated recovery in hire purchase business may help to curb net personal saving—though the secular rise in personal saving has consistently been underestimated in recent years. But if personal savings do fall and personal spending rises sufficiently to get the economy growing again, then there should clearly be some recovery in corporate savings in 1962, following their squeezing last year by lower sales, higher costs, higher dividends and also higher taxes (assessed on earlier years' profits). The fall in corporate profits, estimated at 6 per cent in 1961, has been directly related to the deflationary impact of public finance, and was worsened by the curbs in personal spending. Does the Chancellor wish this to be repeated this year?

Mr Lloyd gives little clue. Indeed his budget statement largely eschews specific discussion of this kind. The expected net borrowing of £74 million is "about right from the general economic point of view"—by what precepts there is no indication. It "is also well within what I expect to be able to borrow from National Savings and other non-market sources," and one suspects that this crude rule of thumb or the even cruder one of "avoid as much borrowing as you politically can" have become the real influences. This shapeless budget of unrelated fiscal changes marks a yet further retreat from the Keynesian concept of using the budget to regulate the whole economy in a calculated way.

NOR is this made good by any positive policy on interest rates. The shift of emphasis a year ago from monetary to fiscal controls is not explicitly repeated, and understandably. Within three months of referring to the international embarrassments in using Bank rate, after all, the Chancellor had hoisted it again to 7 per cent. So this time Mr Lloyd is almost entirely non-committal. The high Bank rate played a useful, temporary part in the crisis; now lower short-term rates "will be helpful" first to exports (but surely export finance has been largely insulated from Bank rate?) and secondly to investment. One would have thought that long-term rates were of more influence here; but these are not even mentioned.

On export incentives, the Chancellor finds easy authority in the negative recommendations of the Federation of British Industries. Yet while his budget does go some way towards reducing the differentiation and broadening the base of indirect taxation, it does nothing to increase the relative role of indirect taxation as a whole (which was the FBI's main plea) and nothing to help costs or investment. The budget's one contribution to the external problem is its disinflationary impact. But this could be double edged. The Government is resting its whole policy on the assumption that by keeping home demand sufficiently tight this summer the required rise in British exports will follow. It may; the March trade returns offer mild encouragement. But what if it does not? The Chancellor, as he recalled in his budget speech, still has his regulator. But which way, in these conditions, would he move it—down for unemployment or up for sterling?

The End of Schedule A?

THE Royal Commission on Taxation would have none of the argument that tax under Schedule A should not be charged to owner-occupiers on the ground that a notional income was not a fit subject for taxation. There can, it said, be taxable income that is not received in cash, but it argued too that a current basis of assessment was far more desirable than "conventional figures remaining unaltered from one revaluation to the next." The next revaluation is upon us; Orpington is just past; and back-bench pressure is unremitting. Mr Lloyd has now promised that "Schedule A for owner-occupiers of residential property will go."

But not yet. He still insists that the time for deciding the future of Schedule A will be in next year's Finance Bill, "when the new valuations for rating purposes in England and Wales would take effect." But he holds it to be already obvious that owner-occupiers of residential property could not be charged on the new valuations; to treble or quadruple their Schedule A burden would be "intolerable." Then followed an example of near double talk:

> Indeed, the new situation, which the revised rating valuation will bring about, indicates the unsatisfactory character of this tax in its application to the owner-occupier of residential property. Unless it is charged on current values it is difficult to find a firm basis for the tax which is, in any event, a tax on what has been described as notional income.

The first objection is not to the tax, but to the politically timed application of revaluation. As for "notional income," there is a point in equity between the taxable capacity of owner-occupiers and of rent-paying occupiers that Mr Lloyd, now preoccupied with equity, may soon have bluntly brought to his notice. Whether owner-occupiers will be relieved (of about £50 million) in one year remains for decision. Many owner-occupiers, particularly of older property, relieve themselves of much or all of the Schedule A burden by using the repair allowance—though many, too, have evidently still been unaware of this relief. What will remain of Schedule A when owner-occupiers are exempted from it is puzzling to see. A landlord paid rent from which his tenant has deducted Schedule A, pays tax under Schedule D on the net rent. A clean Schedule D tax cut from gross rents would seem preferable to this. But the overthrowing of Schedule A, a fiscally and socially sound tax if properly based on current valuations, is a thing to regret. The next thing will be that future Orpingtons will take exception to taxes assessed on income. That really will put governments in a fix.

The Budget Arithmetic

THIS year's budget arithmetic is particularly interesting, if also particularly tangled. The outstanding phenomenon in the revenue estimates is the expected rise of only £75 million, or 2 per cent, in inland revenue before budget changes—compared with a rise of 12 per cent. budgeted (and attained) in 1961-62. The clue to this year's lag is in the estimate for profits tax, of an increase of only £39 million this year. Since an additional £70 million was expected in 1962-63 as a result of the higher rates of profits tax imposed in both the 1961 and 1960 budgets, it is clear that the actual amount of taxable profits is expected to fall. For income tax, equally, the unusually small rise of £71 million expected on the basis of existing taxation must be the net result of a reduction under Schedule D paid by companies and the self employed on the previous-year basis, and an expected rise from PAYE.

The official estimate of buoyancy here is likely to have been on the same basis as that used to project revenue from customs and excise, which on the basis of existing taxation was expected to rise by about 3 per cent, without the distortion of the surcharge. This rise was kept down by the expected slight fall in real spending on tobacco; in practice the Chancellor recognises that consumption may fall further, and that the budgeted increase of £15 million (from the higher duty for twelve months instead of eight) may in practice not be forthcoming. Personal incomes were buoyant also in previous years: this is reflected in the expected fall of only £36 million from surtax, for £58 million was expected to be lost in 1962-63 as the first impact of the 1961 reliefs. In total, without last year's special debt repayment of £60 million by Germany, ordinary revenue was expected to rise by £162 million before tax changes, and by £152 million after them.

But the rise in ordinary expenditure is also smaller than the government itself was implying when presenting the supply estimates. These are now partially offset by a sharp fall in debt interest, to £600 million—which is not only £111 million below the 1961-62 out-turn but also £60 million below last April's estimate. Since Bank rate was 5 per cent then as it is now the Treasury estimate for its own debt payments will have been broadly unchanged. But there is a rise of £70 million in interest receipts into the Exchequer. Of this, £38 million derives from the higher amount of advances outstanding to nationalised industries, but a further £32 million is an intended payment of accumulated accrued interest to the Exchequer by the British Transport Commission—from the proceeds, of course, of the Exchequer subsidy. This repayment swells to the same extent as the rise in supply expenditure, which should therefore be £352 million rather than £384 million on a comparable basis.

1961-62 OUTTURN AND 1962-63 ESTIMATES

(after budget changes)

ABOVE THE LINE

(£ million) Revenue	1961-62 Estimate	1961-62 Outturn	1962-63 Estimate
Income Tax	2,729	2,727	2,790
Surtax	210	224	188
Death Duties	240	262	264
Stamps	94	97	95
Profits Tax, EPT & EPL	325	335	374
Total Inland Revenue	**3,598**	**3,645**	**3,711**
Customs and Excise	2,510	2,595	2,730
Motor Duties	155	141	150
Total Tax Revenue	**6,263**	**6,381**	**6,591**
Broadcast Licences	40	39	41
Miscellaneous	205	225	165
Total Revenue	**6,508**	**6,645**	**6,797**

Expenditure	1961-62 Estimate	1961-62 Outturn	1962-63 Estimate
Interest on Debt	660	711	600
Sinking Funds	40	40	41
Northern Ireland	92	98	100
Other Consol. Funds	23	18	12
Total Cons. Funds	**815**	**867**	**753**
Defence	1,642	1,689	1,721
Civil	3,545	3,679	3,890
Total Supply Services	5,187	5,368	5,611
Total Expenditure	**6,002**	**6,235**	**6,364**
Surplus	**506**	**410**	**433**

BELOW THE LINE

Receipts			
Interest outside Budget	325	325	395
Repayments :—			
Nationalised Industries (other than NCB)	90	90	115
Local Authorities (net)	57	57	58
Northern Ireland	—	2	2
New Towns	1	1	1
Scottish Special Housing	—	1	—
Building Societies	1	2	3
Colonial Governments	1	1	1
Colonial Dev. Corpn.	2	2	2
Export Guarantees	5	5	7
Sugar Board (net)	1	—	2
ISHRA—Surplus Receipts	20	20	—
Others	11	11	3
Total Receipts	**514**	**517**	**89**
Borrowing Requirement— (Overall Deficit)	**69**	**211**	**74**

Payments			
Interest outside Budget	325	325	395
Loans to :—			
National Coal Board (net)	12	26	—
Other Nationalised Inds.	463	529	535
Northern Ireland	1	4	—
New Towns	24	26	28
Scottish Special Housing	4	3	6
Richard Thomas Baldwins	58	55	3
Covent Garden Market	—	4	—
Nat. Research Dev. Corp.	1	1	1
Colvilles, Ltd.	30	20	10
Building Societies	40	45	—
Housing Associations	—	—	3
Colonial Governments	30	19	20
Colonial Dev. Corpn.	20	19	15
Export Guarantees	49	32	50
Sugar Board (net)	—	2	—
Post War Credits	18	17	17
War Damage	7	8	6
Armed Forces Housing	6	3	7
Others	1	—	—
Total Payments	**1,089**	**1,138**	**1,096**
Below-line Deficit	**575**	**621**	**507**

Taxing Speculative Gains

AFTER the recent excitement about Mr Lloyd's tax on speculative gains, the sketch of his proposals seems almost to abound in sweet reasonableness. Before the City's cheering dies down, a reminder is needed that innocent sounding phrases in a Budget speech can sometimes be translated into ferocious clauses in the Finance Bill. Perhaps there are some anti-avoidance measures up the sleeve of Somerset House that will cause operators who feel stronger this weekend to blanch when the bill comes next week. But in important respects, this tax on short-term gains is an optional tax, easily and legally avoided, and for some easily and illegally evaded. *The Economist* was among the first to make this point about a short-term gains tax, writing last November about Mr Lloyd's difficulties in drafting it. He has in fact not chosen a capital gains tax at all for his purpose; and this, as he explained on Tuesday, is not a fiscal purpose in any direct sense:

> While the main function of any system of taxation must be to bring in revenue, it must also be designed to produce a feeling of broad equity of treatment between taxpayers. At present, it is pretty widely felt to be inequitable that those who supplement their incomes by speculative gains should escape tax on those gains. I do not think that they should continue to do so; and I tell the Committee frankly that it is on this account, and not mainly for the yield, that I put forward this proposal.

Whether it is pretty widely felt that a speculative gain in a security is one garnered within six months, and that equity will be served when gains garnered within six months and a day escape taxation is something for Mr Lloyd to judge. It is, he said, quite impracticable to estimate the yield, but yield is not his purpose so much as "fair treatment between taxpayers."

Many capital gains are already taxed as trading profits of people who are in the business of making them. Many others have hitherto escaped because the tax authorities could not establish that the beneficiaries were carrying on a business. The method the Chancellor has chosen to catch these tax-free operators, who range from the little man (or woman) in an investment club to the biggest casino-style gambler, is to label as income gains not now chargeable resulting from sales of

> stocks, shares, securities, land, including buildings, commodities and other property, or interests or rights in such assets

but not from sales of movable property, personal belongings (these would include pictures and jewellery), a house (or the main house) owned and occupied by the seller, or of fixed assets of a business. Gains on sales of interests in land will be taxable if realised within three years of purchase. In all other cases, chargeable gains arise only where the period of retention is six months or less. Such gains will be taxed as income "in the normal way" as a new Case VII under Schedule D—for an individual, chargeable (with no earned income relief) to income tax and surtax, and for a company to income tax and profits tax.

There is, despite City fears, no retrospection; the new charge applies to transactions originated from April 10th. Cognate losses incurred in transactions that, if profitable, would have given rise to a charge to tax, will be allowable against gains (and, moreover, may be carried forward to offset gains in subsequent years, with no expressed time limit) but not against ordinary income. A comprehensive capital gains code would have the logic not only of complete equity (if that, and not revenue, is the material consideration) but also of a specific rate on gains. Mr Lloyd's objection to such a code is principally that it would impede saving, genuine investment, and economic growth. The denial of 17s. 9d. in the £ to any top bracket taxpayer who is in future incautious enough to take taxable speculative gains could have some effect on his enterprise too, but if such cases occur, they are more probable in connection with land than with securities. Tax free funds (such as pension funds) will be exempt from the new rules. Special provisions will be introduced to cover gifts. Property passing at death, or sold by or on behalf of beneficiaries, will be disregarded.

MR LLOYD advised the House to await the Finance Bill for full details of the new tax. It may be even more sensible for any investor who reflects on the chaotic and ill-considered rush with which Finance Bills are sometimes finally passed to await the Finance Act itself. But the Chancellor did elaborate a little on three specific matters:

Bonus Shares: A bonus issue itself will not attract tax. If sold subsequently, bonus shares will be regarded as having been acquired when the parent shares were acquired. *Ergo*, any bonus share in respect of a holding bought more than six months earlier can be sold without tax on any gain. But there are still problems of valuation here, similar to those created by Mr Dalton's futile tax on bonus issues, and also in connection with the sale of rights, for which special rules of computation will be required.

Rights Issues: Existing shareholders will be treated as having acquired their rights when they acquired the parent shares—if held for more than six months, no tax on the disposal of rights. Rights bought and sold (as rights or as shares) within six months will involve a liability for gains or yield an allowance for losses.

Options: A buyer of shares through a previous option is deemed to buy them when he exercises the option—that is, when he closes it. Since Mr Lloyd has promised to allow "proper and relevant expenditure incurred by the seller" in computing short-term gains, presumably option money will be deductible as an expense. If A pays 3s. for an option to buy XYZ in three months at the current price of 40s. and he exercises the option at 50s., his taxable gain (subject to dealing expenses) will be 7s. The seller of an option will be regarded as having sold his shares when he entered into the contract.

All this is by way of illustration. Provision will have to be made for "a number of special situations." The effect on the markets of what is already known must be to exaggerate short-term movements in prices, since the correcting mechanism of short-term and option dealing will be frustrated. Markets will be thinner and more "one-way." There may, as a later note shows, be serious side-effects on the new issue market. There are also questions about executive options, recently given a boost by the decision in *Abbott v Philbin*. This case established that what was taxable was the "value" of the option when it was granted, not when it was exercised—and rough administrative practice imputes the value as one-tenth of the market price of the shares when the option was granted.

ESTIMATED EFFECT OF FISCAL CHANGES

(£ million)

INLAND REVENUE	1962-63	Full Year
Income Tax :—		
Small income relief	− ½	− 1½
Age relief	− 1½	− 2½
Relief on trading losses	− 6	*
Speculative gains tax	Nil	Unknown
Estate Duty :—		
Increase of exemption limit	− 1	− 1¾
Charge on immovable property abroad	+ 1	+ 2
New relief on overseas taxation	− ½	− 1
Total Inland Revenue	− 8½	...

CUSTOMS AND EXCISE†	1962-63	Full Year
Confectionery, soft drinks, ice cream	+30	+50
"Breakfast table" duties	−15½	−16
Changes in Purchase Tax Rates	− 9	−13
Lifting of surcharge on fuel oil, etc.	− 6½	− 7
Total Customs & Excise	− 1	+14
Total Fiscal Changes	− 9½	...

* Cost £4 million in 1963–64 and nil thereafter. †This presentation ignores consolidation of surcharge into basic rates and is concerned only with effective tax changes.

The presumption is that if the holder, having exercised his option, sells his shares immediately, he would be liable to assessment ; if he held for six months and a day, he would escape.

Information on short-term gains will be sought through the normal income tax return. The Revenue will not seek powers to obtain general returns from agents of all transactions carried out for clients—that would create "an unmanageable mass of paper." But the Revenue will seek power to obtain from brokers, estate agents, banks and others details of transactions for account of named persons. So, with massive powers of scrutiny and policing, Somerset House will pursue Mr Lloyd's quest for equity ; it no doubt wishes that there could be some adequate revenue for its pains. And the proposed powers imply a massive breach in the established doctrine and law that govern the confidentiality of a customer's business with his banker. This barrier of confidence is not utterly unbreachable, but hitherto a banker could only be required to divulge any part of his client's affairs by invoking the authority of a High Court order. This first move to apply a general statutory power in one area of tax assessment could obviously be the precursor to other powers in other areas. The terms in which this section of the Finance Bill are drafted will call for the most stringent scrutiny.

Though reappearing in growing numbers in recent years, speculators in commodities who are not traders for tax purposes are comparatively rare birds, and few will be snared by the Chancellor's speculative gains tax. Facilities exist for dealing in wooltops and rubber 18 months forward. Silver is normally dealt in only two months forward, but dealers are accommodating people and deals can be arranged up to one year ahead. The London Metal Exchange's forward contracts in the four major metals offer delivery only three months forward. Neither "legitimate hedgers" (manufacturers and traders who, like commodity dealers, pay tax on any market gains) nor outright speculators who play a useful role in London's markets, often have any physical use for the commodity that is represented by their paper deal. This is true whether their deal is left open for three or thirteen months.

Adding in the Surcharge

FORMALLY, Mr Lloyd's powers to surcharge Customs and Excise duties would have lasted until August 31st. But he wants this regulator to use at his discretion between budgets, and prefers the term to run from one budget to the next; moreover, he has used the powers taken last year to their upward limit of 10 per cent. By consolidating the surcharge into new duties for 1962-63 on most items, though removing it on one or two, and asking for fresh powers to vary 10 per cent either way, the Chancellor will regain (when Parliament grants it in the Finance Act) the full flexibility inherent in his original conception of short-term regulators.

His consolidation at present rates includes tobacco, on which many people expected an increase in duty, drink, and light oils including motor spirit. The Chancellor made a passing genuflection to concern with lung cancer, but was not prepared to "take smoking, even in moderation, quite out of reach of many people of limited means"; moreover, he argued not very convincingly that any distinction between cigarettes and pipe tobacco would set smokers rolling their own, "shifting manufacture from the factory to the home." His real caution, as he indicated was about the Treasury's vested interest in "this duty, which yields so large a proportion of the revenue."

Mr Lloyd could not bring himself, either, to remove the "revenue duty" put on fuel and diesel oils last year, though this was one of the few duties from which he did remove the surcharge. The others were on matches and mechanical lighters, and on betting at dog races: football pool betting, however (more heinous, or just more productive of revenue?), will have the surcharge consolidated, making duty on it 33 per cent as of late, against the basic 1961-62 rate of 30 per cent.

Continuance of the surcharge on all these duties would have brought the revenue £139 million for the rest of this year. The almost general consolidation of its effect will bring in £132 million for this year or £138 million in a full year: so the net difference from what has recently been happening is a reduction of only about £6 million this year.

More Scope, Less Spread

SUCCESSIVE Conservative chancellors have had a go at purchase tax reform. Mr Selwyn Lloyd waited for his second budget to do so ; he did not reduce the tax as much as taking the surcharge off it would have done, but he used the leeway this ten per cent gave him to achieve some genuine reform. Three sacred cows were slaughtered on Monday. One was the rule that nothing edible should ever attract purchase tax, although some items have long been taxed under some other head, such as import or excise duties. The surprise purchase tax of 15 per cent to be levied next month on sweets, ice cream, chocolate biscuits and soft drinks, none of them exactly a staff of life, is the first break with this tradition. It promises to raise £50 million revenue in a full year—against

which, perhaps, should be offset the £5½ million lost by ending the excise duty on sugar.

The other two sacred cows were clothes and furniture, most of which were tax-free during the war and as long after it as the utility schemes lasted. Even when those schemes ended ten years ago, clothes and furniture were still given favoured treatment, being taxed at the specially low rate of five per cent. Mr Lloyd has doubled this ; he has lumped goods now taxed at 5½ per cent (including the surcharge) and those attracting 13¾ per cent (stationery, wallpaper, most kinds of floor covering and household odds and ends) into a new tax group at a 10 per cent rate. A few pennies will come off goods that had been taxed at the higher rates and a few shillings, rising to a few pounds in the case of furniture, will go on clothes and furniture that had been taxed at the low rate. The increase in revenue could be substantial. The lowest-taxed category of goods had been yielding more than £60 million a year, £50 million of it from clothes, and doubling the rate of tax on them seems unlikely to check consumption. Nevertheless, the Chancellor expects these gains to be more than offset by concessions at the other end of the purchase tax scale and by the lifting of the 10 per cent surcharge imposed last year. He has reduced the highest tax rate of 55 per cent (50 per cent basic plus the surcharge) to its lowest ever level of 45 per cent, and in doing so must have sacrificed tens of millions of revenue. There are few items in this high tax class, but they include cars, products of the radio industry, and cosmetics, and between them have been yielding about £250 million, nearly half the total tax.

Had Mr Lloyd merely left on the surcharge, he might have obtained £585 million this year from purchase tax (apart from the new rate on sweets) against £521 million last. With the changes, the revenue expected is £576 million, or £606 million counting the sweets tax. In trying to reduce the spread of rates, Mr Lloyd is following in the steps of Mr Butler and Mr Amory who inherited a structure with rates varying from five to 100 per cent. Over the years the top rates have been brought down, but Mr Lloyd is the first chancellor with the courage to raise the bottom levels of tax upwards to meet them, an essential step towards non-discriminatory sales taxation.

Touch on the Throttle

MOTOR manufacturers were barely able to conceal their surprise that Mr Lloyd, even incidentally, accepted their arguments for a reduction in purchase tax ; they thought their annual memorandum on the subject had fallen on deaf ears once again. Home sales had not been particularly depressed this year, though customers had been holding off more than usual before the budget. But the fillip to home sales will be none the less welcome to an industry that seemed likely to operate at two-thirds of capacity this year ; now it feels that home sales may get back on to the growth curve this year instead of next. Forecasts in the industry had put home sales this year at anything from 750,000 to 800,000, with *The Economist* on the side of the optimists. The first industry guesses since the budget are that sales may now rise five to ten per cent above this rate.

At any rate, those who were waiting to see how the budget went are now pouring into the dealers' showrooms, and for some weeks at least the trade may find itself enjoying something like the boom conditions it experienced two years ago. Some makers expect that this rush will be sufficient to clear their stocks and restore waiting lists ; BMC finds itself with smaller stocks than it would like after losing the production of about 10,000 vehicles in the latest strike, while both Rootes and Vauxhall already have some waiting lists for the Super Minx and Victor—which will now lengthen. Where the industry feels less confident is over the length of the boom.

Domestic appliance manufacturers feel that they will gain virtually nothing from the cuts of a pound or two in the price of their goods, but the television makers may get some benefit from having more than £3 off the price of a popular set. Both of these depressed industries would much have preferred a return to a 10 per cent hire purchase deposit. For domestic appliances, most hopes this year have to be pinned on the Chancellor's expectation of a four per cent rise in personal expenditure—plus, for refrigerators, a really hot summer. Retailers are suffering rather less severely from excess stocks than they were a year ago. But refrigerator makers hold quite a large cushion to absorb any increase in demand.

Sucking a Penny

TO the indignant cry of "a tax on food" from confectionery manufacturers at the news that chocolate-covered biscuits, along with chocolate and sugar confectionery, ice-cream and soft drinks were to be taxed, Mr Lloyd has replied in advance: "The tax on sweets . . . will be welcomed by the medical professions, or ought to be. . . ." His zeal to safeguard the taxpayers' teeth and pancreas stopped short, however, of éclairs.

Chocolate biscuits were already roughly twice the price of plainer varieties ; now they will go up another 5d. or 6d. a pound. Consumers might switch to plainer biscuits: so could the manufacturers. Substitutes are not so clearly available for sweets, ice-cream and soft drinks, unless housewives start making their own, an attractive but unlikely change. The Government's estimates of the yield from this tax seem to be based on the assumption that consumption will not drop, and it is probably right. Mr Lloyd hopes to raise £30 million from this source in the eight months of this year, and £50 million in a full year. Of these totals, nearly two-thirds is expected to come from confectionery.

The British eat just over half a pound a head a week ; that is slightly more than in 1959, but still below the post-rationing peak of 8.9 oz in 1954. But in value sweet sales have gone on up: they were £272 million last year compared with £251 million in 1954. If both prices and consumption remain steady, the government will net about £30 million in a full year on sales of sweets, leaving £2-£3 million to be provided by chocolate biscuits.

Estimates are little more than guesses when it comes to the yield from taxing ice-cream and soft drinks. Not even the manufacturers know how much ice-cream is consumed a year: estimates vary from 50 million to an optimistic 110 million gallons. The government appears to be taking a cautious view of the climate as well as of consumption when it tentatively forecasts roughly £4 million from ice-cream tax this year, and £7 million in a full year.

Comparable estimates for soft drinks—including fruit juices and non-dutiable cider and perry—are roughly £6

million and £10 million. The soft drink trade is divided between squashes and fizzes, each at the moment producing roughly £45 million in turnover a year. Demand has been increasing; but vigorous price competition has brought squashmakers' profits down and increases are inevitable with the tax, probably 4d. to 5d. a bottle. Among carbonated drinks, the "mixers" are unlikely to suffer from a penny increase on a 9d. tonic water; worse off may be the plebian bottles of pop, which are already losing ground to squashes.

Less Tax at Breakfast

WITH a gentle acknowledgment of their "inherited complexities which are out of all proportion to the revenue" the Chancellor has decided to let sugar, cocoa and coffee slip like tea in 1949 (the last occasion on which these breakfast duties were altered) through his revenue net. For Commonwealth producers, customs duties on these commodities disappear, with the exception of sugar of a polarisation of more than 99° (a near substitute for refined sugar). Refiners have presumably been afforded this small measure of protection (1s. 0.8d. a cwt.) in recompense for their assistance in ensuring that all the raw sugar which the Government has contracted to buy under the Commonwealth Sugar Agreement is absorbed.

Relief from his bafflement will cost the Chancellor the modest sum of £1¼ million a year for cocoa and coffee. The loss on sugar involves more: in a full year £8 million in customs dues (£7¼ million in 1962-63); and £5½ million in excise duty on sugar, glucose and saccharin. The excise duty levied on home grown sugar seems disproportionately large compared with customs duties on the far larger volume of imports because of the heavy drawbacks on exports.

The rump of customs duties will eventually be pushed into the Import Duties Act where, as protective duties, they properly belong. These remain at 2s. 4d. a cwt. for cocoa, 9s. 4d. for coffee and normally upwards of 3s. 10d. for sugar. The Chancellor inadvertently increased the margin of preference granted to Commonwealth producers in his July measures last year, which raised the graduated duties on sugar, coffee and cocoa in the same proportion as duties on beer, wine and spirits simply because, historically, they were revenue taxes.

Customs duty on all imported sugar has been cut by 4s. 6d. a cwt. (96° polarisation); 4s. 8d. on coffee and 11s. 8d. on cocoa. The corresponding excise duty on sugar has been abolished. In a rich country like Britain a cut of ½d. a lb. in the price of sugar, though comparatively large, will have little effect on consumption. Chocolate manufacturers have bought cocoa heavily to absorb part of the world surplus at attractive prices. But most of their supplies remain in bond, so that the sharp reduction of £11½ a ton in the value of duty-paid stocks will not greatly affect them. The full cost of the breakfast tax reliefs will be £15½ million this year. The reliefs will please primary producers, remove some of the complexity from these commodity markets and make it clear that the import duty (as opposed to internal taxes) on Commonwealth supplies is nil; Britain's prospective colleagues in the common market will presumably take note.

Small Reliefs and Loopholes Stopped

ALL the changes in Inland Revenue are modest indeed in their impact on revenue. The largest contribution to this year's expected net reduction of £8½ million is £6 million from the granting of speedier tax relief on *trading losses*; more than half this benefit will go to the shipping industry. The new rule proposed is that in computing a trader's loss (which can be set off against general income, or carried forward) the capital allowances to be taken into account will be those for the same period, instead of those for the previous year. Thus the benefit is not a continuing one: the loss to the revenue is expected to tail off to £4 million in 1963-64 and to nil thereafter.

For individuals, Mr Lloyd made two minor changes in income tax at the lower end of the scale. First the income limit on *small income relief*, under which the earned income allowance of two-ninths is given on investment incomes, too, is raised from £300 to £400 (still only half the limit on the corresponding relief given on investment incomes of people over 65). A single person under 65 with an income of £400 drawn solely from investments will now save £22 a year in tax. Secondly, *special reliefs for old people* with small incomes are being extended so that the point at which no tax is paid is raised from £275 to £300 for single old people and from £440 to £480 for married couples. These reliefs are desirable and cost only £4 million in a full year; but has not the time come for a blanket exemption from income tax for all incomes of below, say, £400?

The lower limit is also being raised on liability to *estate duty*, from £3,000 to £4,000, exempting about 18,000 estates each year; there are appropriate adjustments in rates of duty up to £6,000, giving relief to a further 20,000 small estates. This concession will cost £1¼ million in a full year. The Chancellor hopes to recoup the whole cost by bringing into liability for British duty land and immovable property held abroad, thus striking a sensible blow at the Jersey and Bahamas land boom. At the same time, to avoid hardship, the Treasury is allowing credit for any death duties paid on overseas property to the overseas governments, even where this is not covered by a double taxation agreement. This offset is also available on movable property, which was already within the embrace of the British tax authorities. In all, the changes in death duties involve a small net concession.

These, together with the abolition of duty on *settlements* which will cost a mere £30,000, are the minor reliefs. They are accompanied by the now inevitable new instalment of miscellaneous anti-avoidance legislation to close the latest series of loopholes that the smart operators and their tax advisers always find in the most carefully drafted legislation. This year's Finance Bill will strengthen the 1960 provisions against *dividend stripping*; impose an appropriate charge on premiums and sales of reversions that have been used to avoid tax on *building operations*; include within Case VI of Schedule D certain transactions in land and property that at present escape tax through formation of a chain of companies; and include within the new Case VII, taxing short-term capital gains, operations in *land* that involve sale of shares in the land holding company rather than the land itself.

BUSINESS NOTES

IN THE MARKETS

A Guarded Response

RESPONSE to the budget in the financial markets has been unusually small; the logic of the budget has not been followed through. Sterling was scarcely affected, equities were very mildly encouraged, and gilt-edged were plainly subdued. The gilt-edged market seized on the technical influence of the tax on short term gains, even though this was in the mildest form expected; and, like the equity market in its opposite movement, it paid remarkably little attention to the restrictive impact of the budget as a whole. The gilt-edged market may well have been chastened by its premature post-budget rise a year ago—though it was the breakaway in equities which then suffered the sharpest reaction. The same balance of payments question-mark overhangs both sections of the market now. Restrictive budgeting on this scale ought indeed to allow, as the Bank of England desires, an easing in interest rates and monetary restrictions (and investors have found new appetite for bank shares). But the premise on which the whole argument rests is the bearing of tough budgeting on the balance of payments.

Dealers in the gilt-edged market are certainly worried about the possible implications of the speculative gains tax, which will not be settled until the Finance Bill is published. Their forebodings were sufficient after the budget to keep business in the market very restricted and make prices listless. The first fear is that the new tax will impede switching operations. If individuals and, more particularly, life funds become liable for tax on short-term switches (as professional dealers are already), the market could be seriously affected; it is estimated that about two-thirds of the big bargains in gilt-edged are of a switching nature. The threat of tax is liable to cause potential switchers to look for a wider spread to ensure a reasonable profit, or to hold stock longer than six months. And it has to be noted that switching operations, and not merely by professionals, play an important role in the process whereby the authorities are able to sell stock through the tap.

The second fear is that the new tax will make the absorption of new issues by the stock market just that much more difficult. This applies with more force in fixed interest securities than in the equity market, where really important issues are usually made through the offer of rights—and if the shareholder has held the parent stock more than six months he will be free of the tax. The tax makes the risks of investing on the chance of a small turn, as on a fixed interest stock, look less worth running than where the chances of a good premium are high, as in some equity issues and placings. Many fixed interest issues are so finely priced as to be unattractive to the stags; here the danger is that the impact of the gains tax might slow down the process of digestion after the subscription lists are closed. It will operate against those investors who come in to buy a new issue when it is standing at a small discount with the intention of selling it as soon as it has improved to the issue price. It is in the new issue market that the tax could perhaps do the most harm, though the most obvious casualty is the market in share options which appear likely to be severely penalised. Those who dabble in options will have to get used to the idea that the profits they make will be reduced by the incidence of tax; once they have done so the option market could revive, though it might not be so spirited as it was in the past.

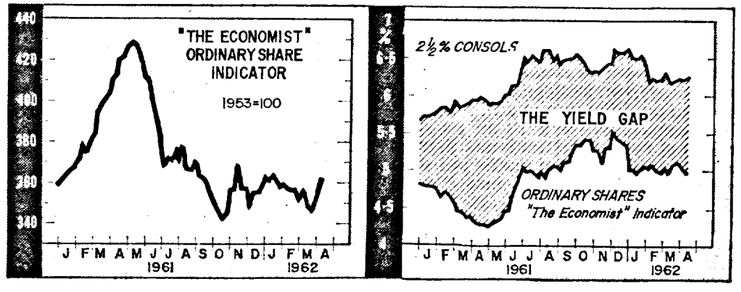
Second Thoughts on Equities

THE overriding point about the new tax is that because it will make the stock market thinner prices are likely to move more sharply; and to some extent the jobbers were anticipating such conditions in responding to the investors' initial reactions to the budget itself. Equities had been firm on its eve and they rose quite strongly after. The response was described by one experienced dealer as being one of almost hysterical relief, which is an acid way of saying that the speculative gains tax was far less fierce than the City had at one time feared. The market soon became quieter but prices remained reasonably firm and over the week to Wednesday's close *The Economist* indicator gained 7.4 points to 362.7. At first investors in equities tended to ignore the disinflationary implications of the budget and to base their hopes on the various statements made by government spokesmen both before and after it about the opportunities for exports and the prospect of a marked rise in consumer spending and hire purchase credit.

There was the usual crop of immediate gainers and losers on specific budget proposals. Motor and consumer durable shares rose on the reduction in purchase tax and, initially, furniture shares fell. Tobacco shares went ahead sharply on relief that there was no further discriminatory tax against cigarette smoking while property shares moved up on relief that, apart from the speculative gains tax and the renewed threat of the closing of loopholes against avoidance, the Chancellor had not imposed specific measures against property development. Shares in the soft drinks, ice cream and confectionery industries were marked down sharply at first on the imposition of their new 15 per cent purchase tax; but the stock market soon had second thoughts about the possible effect on consumption and much of the loss was quickly regained. In all, the equity market in the last fortnight or so has enjoyed its strongest rise for some months and a pause for reflection on the more sober aspects of the budget would not now be out of place.

	April 2	April 6	April 9	April 10	April 11
War Loan 3½%	55 13/16	56	56	55 15/16	55 13/16
B.A.T.	57/6	54/9	57/6*	57/6*	57/9*
B.M.C.	16/3	16/6	17/3	17/6	17/7½
Barclays	92/6	94/6	97/6	100/6	100/–
G.E.C.	26/–	26/–	27/6	28/–	28/3
J. A. and P. Holland	7/6	7/6	7/6	6/6	7/3
Hoover	36/–	38/–	41/10½	40/6	40/6
Imperial Tobacco	49/–	48/3	50/–	50/6	50/9
Ind Coope	13/11½	13/3	13/7½	13/6	13/6
J. Lyons "A"	75/9	76/9	75/–	75/–	76/10½
Pressed Steel	17/9	19/6	19/6	20/3	20/3
Prudential "A"	25¼	25⅝	25⅜	26⅛	27⅛
Schweppes	33/6	35/9	31/10½	35/–	34/7½
Tonibell	21/6	21/9	18/9	21/6	21/9
U.D.T.	34/6	35/9	35/–	34/9	34/–
FT Ordinary index	291·4	300·9	304·5	306·6	305·3

* Ex dividend.



THE EXCHANGES

Budgets Barely Noticed

FIRST reactions to the budget in overseas financial centres were barely perceptible, nor are they to be expected, except perhaps in St Helier. But any foreign operator or financial official who still believes that sterling's troubles are due to soft budgeting should try putting the figures in Tuesday's financial statement on a comparable basis with his own country's. Sterling had fallen before the week-end as a result of some bear selling from the Continent, on the view that the Chancellor might announce a further cut in Bank rate; the Bank of England appeared to offer no resistance to the slight fall in the rate to $2.81\frac{1}{8}$, and it is believed to have picked up some dollars when the disappointed Continental operators covered their positions on Tuesday and Wednesday. But activity as a whole has been noticeably lower in the past week.

The dollar has continued firm in Switzerland, with the rate at 4.34¼ near the recent peak, though no further intervention has been reported from the Swiss National Bank. For the week to April 7th, the National Bank shows a fall of 65 million francs in its gold holdings, partially offset by a rise of 35 million francs in its foreign exchange. The dollar has also been firm in Germany, but in Italy commercial selling has pushed it back to its lower support point of 620.60 at which the Italian control takes dollars off the market.

Canada, too, had its budget this week (reported on page 160) but the Canadian dollar showed little response: it is being pretty firmly held at a discount on New York of just under five cents. Mr Fleming appears to have confirmed earlier indications that the Canadian authorities have now switched towards a *de facto* stabilisation: the "substantial" exchange fund which was referred to in his last (June) budget as an instrument for bringing the rate down is now cited as a means of preventing "sudden or erratic movements in our exchange rate."

The most sharply depreciating currency at the moment is the Argentine peso. Most international operators make it a practice to hold as little in Latin American currencies as possible, but the recent political upheaval, which has caused misgivings among European investors who had put new hope in stability for Argentina, led to heavy pressure on the exchange. After sustaining substantial losses the Argentine central bank withdrew support from the peso at the level of 83 to the dollar (233 to the pound) that had been maintained since the exchange reform of 1959. The rate is now depreciating in an uncontrolled market and there are no indications at what point, if at all, the authorities will re-enter the market. Argentina's reserves had already fallen from over $700 million in early 1961 to $461 million by the end of the year, and they may now be below $300 million.

OVERSEAS TRADE

Exports Creeping Up

"SOME modest encouragement" was derived by the President of the Board of Trade, Mr Erroll, from the March trade returns, and this seems an appropriate response. Exports, seasonally adjusted, have edged up a shade further, in their third monthly rise from the very low December figure of £297 million, though at £312 million in March they were still barely one per cent above the average for the first quarter of 1961. Imports fell back a little further, to £359 million, so that after crediting re-exports the crude trade gap narrowed to £36 million—which is just about the parity figure for a true balance between imports and exports as evenly valued in the payments accounts. Mr Lloyd stated in his budget speech that prospects for invisible earnings —which in 1961 were down to only £65 million net, at least from the Treasury's identified transactions—are now "slightly better"; this presumably reflects coming relief for the Government's military expenditure in Germany.

UNITED KINGDOM TRADE

Seasonally adjusted values — £ million per month

		Exports fob	Re-exports fob	Imports cif	Crude gap
1961	1st qtr.	309	12	385	64
	2nd "	305	13	363	45
	3rd "	309	15	357	33
	4th "	304	13	362	45
1962	1st qtr.	306	12	367	49
1961	Oct.	311	12	378	55
	Nov.	305	14	359	40
	Dec.	297	14	350	39
1962	Jan.	300	12	380	68
	Feb.	307	11	362	44
	Mar.	312	11	359	36

In the first quarter of 1962 as a whole the crude trade gap averaged £49 million a month, which implies a substantial true trade deficit. Exports themselves in the first quarter of this year were actually below their level a year before. The small but consistent increases of recent months could, as Mr Erroll points out, mark a turn in the tide. But the tide will clearly have to move a good deal faster, and before the tide in imports turns too.

BUSINESS ATTITUDES

Merchants Add their Opinions

IT is now nearly five years since the Federation of British Industries began to poll manufacturers in order to sample the state of mind of businessmen in the economy. Now the Association of British Chambers of Commerce has started to do the same for import and export merchants: its first sampling of the mercantile state of mind appeared last week. This should have a particular value because of its overseas orientation.

The study, completed in March, uses much the same technique as the FBI and similar inquiries in other countries: its questions are all answerable by "More," "Less" or "The Same." Just under 500 merchants replied, two-thirds of them London firms: 400 of them were involved in exporting and 223 in importing. These firms handled about 6-7 per cent of Britain's export trade and 3-4 per cent of total imports, but the distribution of their interests is widely out of line with the division of trade between different classes of products. Nobody quite knows how important merchants are within foreign trade in different kinds of products and industries. The association published an unweighted analysis, and also one in which the replies are weighted according to the size of merchants' turnover (a refinement in which the FBI has never cared to indulge).

These merchants are not as optimistic about the future course of exports as Mr Lloyd and his Treasury forecasters. Most of them expect little change in export orders and deliveries during the next four months. In no trade do more than a third of the firms expect the rate of new ordering to become higher than of late and an even smaller proportion expect deliveries to rise during these four months. On the other hand, a sizeable majority of the firms concerned expects both imports and orders for them to rise, which would reverse experience over the last four months. These experts' guesses, for what they are worth, are not too promising for the trade balance.

AMERICAN STOCKS

Wall Street Uneasy

A correspondent cables:

THE mood on Wall Street is a curious mixture of apathy and uneasiness; this is reflected in the downward drift in equity prices and the dwindling volume of trading. The Dow Jones industrial average dropped below the 700 mark this week and those addicted to chart-reading believe that the decline may continue somewhat further. But even the outright pessimists do not foresee a serious or prolonged slide. The fact is that the demand for equities has ebbed, and though heavy selling is not in evidence, the absence of any buying pressure is producing a general mark down in prices.

Investors are not despondent, but they are disappointed by the moderate nature of the rise in business activity and as inflation no longer appears to be a threat, there is not compulsion to buy equities. On the contrary, investors are becoming increasingly attracted by the yields on fixed interest securities. The change in thinking on Wall Street has developed only slowly, but it has been encouraged in recent weeks by the failure of the economy to move ahead more

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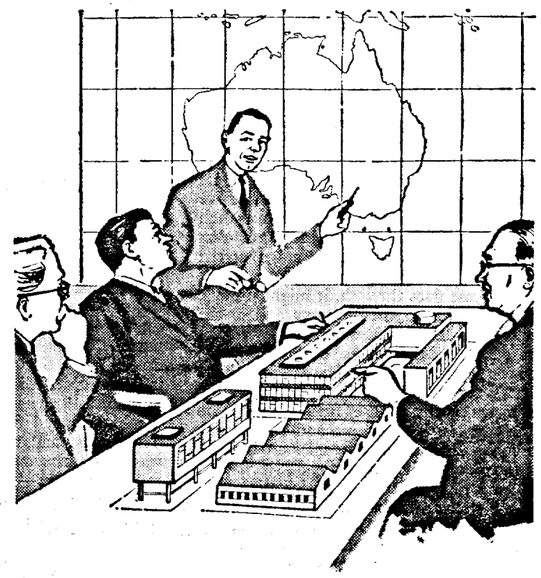
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rapidly and by the administration's own retreat from its earlier, more confident forecasts. As their reactions to the steel settlement made clear, investors have discarded the habit of discounting the immediate future in present market prices. Steel shares fell to a new low point this week as the industry temporarily reduced its output and though the prospect is that the results of the steelmakers in the second half of the year will be good, Wall Street prefers to wait and see. Dealers are apprehensive about the policies that the administration may pursue in regulating business, now that the President has shown his anger at the steel price increase. But they note that if the increase goes through, it might provide some stimulus to the economy and to the stock market. Many other equity groups are weak, but the biggest declines are due to special circumstances. The fall in tobacco shares, for instance, reflects the increasing attention given to the British report on smoking and lung cancer and the decline in chemical shares accompanies a persistent squeeze on profit margins.

Plainly, Wall Street is anticipating only a modest rise in business, but its mood could change again if a sharp spurt in economic activity occurs and if corporate profits jump. But there is now so much scepticism that the chances of a strong rally, which seemed bright only a few week ago, have faded. Institutional investors who began to take their profits at the end of December and who have piled up cash this year can be counted on to support the market if the prices continue to decline, but they, too, are taking the view that there is no reason to rush in to buy until they have a clearer view of the extent of the rise in business activity.

STEEL

Hope for Some

In the last week of March, steel output picked up a little, making the month's average of 412,700 ingot tons rather better than had been expected. But it was still less than in February, and 12.4 per cent less than in March, 1961. For the first three months of 1962, crude steel production was at a rate of about 20.9 million tons, a sixth lower than in the same quarter of last year and nearly 18 per cent lower than the peak quarterly rate at the end of 1960.

The Iron and Steel Board thinks that the substantial reduction in consumers' stocks is continuing, though this process slowed down for a short period while consumers were rightly predicting a price increase. Output this year will depend largely on the duration and amount of the reduction: during the twelve months, there may well be a fall of three-quarters of a million tons in stocks. The heavy end of the industry, serving mainly home investment, remains depressed, though rollers of flat steel who were already not doing so badly, should gain some business from the purchase tax reductions. Exports in this quarter have been sagging somewhat, though export orders are up. But the prices steelmakers are having to take to get the business are sharply down.

SMALL SAVING

Rise and Fall

Calculated as a residual between income and expenditure, total personal savings in 1961 amounted to £2,072 million, an increase of £478 million over 1960 following that year's record increase of £582 million over 1959. The bulk of last year's increase, admittedly, stemmed from a big drop (from £622 million to £355 million) in unidentified dissaving. Net acquisition of identified assets rose by £178 million, to the higher total figure of £2,186 million. The largest and most remarkable increase was in net personal bank deposits, by £271 million in 1961—£155 million larger than in 1960 and the largest increase here for fifteen years. Bank deposits have evidently been flowing away from companies in favour of individuals. By contrast, net investment in National savings, at £213 million, was £125 million lower than in 1960.

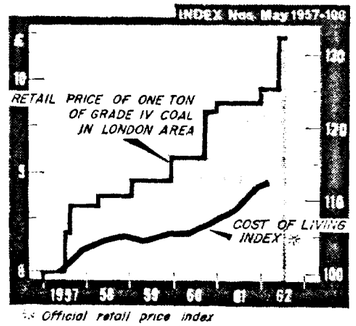
This fall in the rate of new national savings was even more marked in the fiscal year to March 31st. In 1961-62 new savings, net of accrued interest, brought in only £76 million; this compares with £244 million in 1960-61, and £301 million in 1959-60. Moreover, some £57 million of this increase of £76 million was accounted for by new deposits with the special investment department of the Trustee Savings Banks, which in the past year have attracted rates of 4½ or even 5 per cent. These funds are invested by the banks themselves; the direct inflow to the Exchequer, from savings certificates, defence bonds, premium bonds, and the ordinary departments of the savings banks, was only £19 million in 1961-62, compared with £269 million in the previous fiscal year.

The poor return from National savings in a year when personal savings have reached a new peak suggests a switch to other forms of saving. The sharp rise in interest rates, following last July's little budget, made the unchanged yields on national savings securities relatively unattractive. Interest in National savings in general seems to be flagging and the principal weakness lies in the diminishing appeal of the tenth issue of national savings certificates and the 5 per cent defence bonds. These netted £159 million in new savings in 1960-61, but only £1 million in 1961-62. It is now six years since the tenth issue made its debut and many members of the Savings Movement had hoped that the budget would introduce an entirely new issue or at least raise the limit on the existing issue above 1,200 units—many savers have probably now reached this maximum. Now that Bank rate is back to 5 per cent, Lord Mackintosh, chairman of the National Savings Committee, expects the flow of new savings to pick-up in 1962-63. However local authorities are still offering the small saver 6½ per cent on two to ten year mortgages, which is well above the 5¾ per cent currently offered by defence bonds held for the full seven years. For the more venturesome, 3½ per cent Conversion 1969 at the moment has a grossed-up redemption yield, allowing for tax at 7s. 9d., of £7 9s. 10d., which compares with the grossed-up yield on savings certificates, held over a similar period of seven years, of £6 17s. 6d. The yields offered by gilt-edged and local authority mortgages have still some way to fall before National savings are once more a fully competitive investment.

COAL

Selective Pricing for the Grate

Before approving the National Coal Board's proposals at the beginning of this year for increases in house coal prices that are to be higher in divisions where the pits are losing most heavily, the Minister of Power had an exchange of arguments with the Domestic Coal Consumers' Council. The Coal Board planned larger than average increases in house coal from Scotland and Lancashire and anthracite from South Wales, areas where it has been incurring its biggest mining losses. The consumers' council regretfully accepted the necessity for an increase, but argued that this should be spread uniformly over the whole country. The Minister, Mr Richard Wood, patiently argued the quite obvious case for increasing prices where output is most sharply uneconomic (Scotland has lost far more than the whole Coal Board since nationalisation). The council does not seem to have raised the rather more subtle question of whether house coal as a selection from production right across the country (and quite largely from some fairly profitable divisions?) is necessarily losing money as such. The allocation of cost between grades, even allowing for the higher pre-



* Official retail price index

BONUS DECLARATION
FOR THE YEARS 1959, 1960 & 1961

The following table shows specimen rates of reversionary bonus per £100 assured allotted to with-profit whole-life and endowment assurances, in respect of each annual premium falling due in the years 1959—1961:

AGE AT ENTRY	TERM OF ASSURANCE			
	WHOLE LIFE	15 YEARS OR UNDER	20 YEARS	25 YEARS OR OVER
	£ s. d.	£ s. d.	£ s. d.	£ s. d.
20	3 0 0	3 8 0	3 1 0	3 0 0
30	3 2 0	3 8 0	3 3 0	3 2 0
40	3 5 4	3 9 4	3 5 8	3 5 4
50	3 10 4	3 12 4	3 10 8	3 10 4
60	3 18 4	3 18 4	3 18 4	3 18 4
65	4 3 8	4 3 8	4 3 8	4 3 8

A further reversionary bonus at the uniform rate of £2 0s. 0d. per cent. per annum was also allotted on all bonus additions already existing.

Bonuses have been allotted to with-profit Personal Pension policies in the form of additions to the deferred annuities at the rate of £1 17s. 6d. per £100 of annuity and existing bonus additions in respect of each year's premium falling due during 1959—1961.

BONUS NOTICES ARE BEING DESPATCHED TO ALL WITH-PROFIT POLICYHOLDERS

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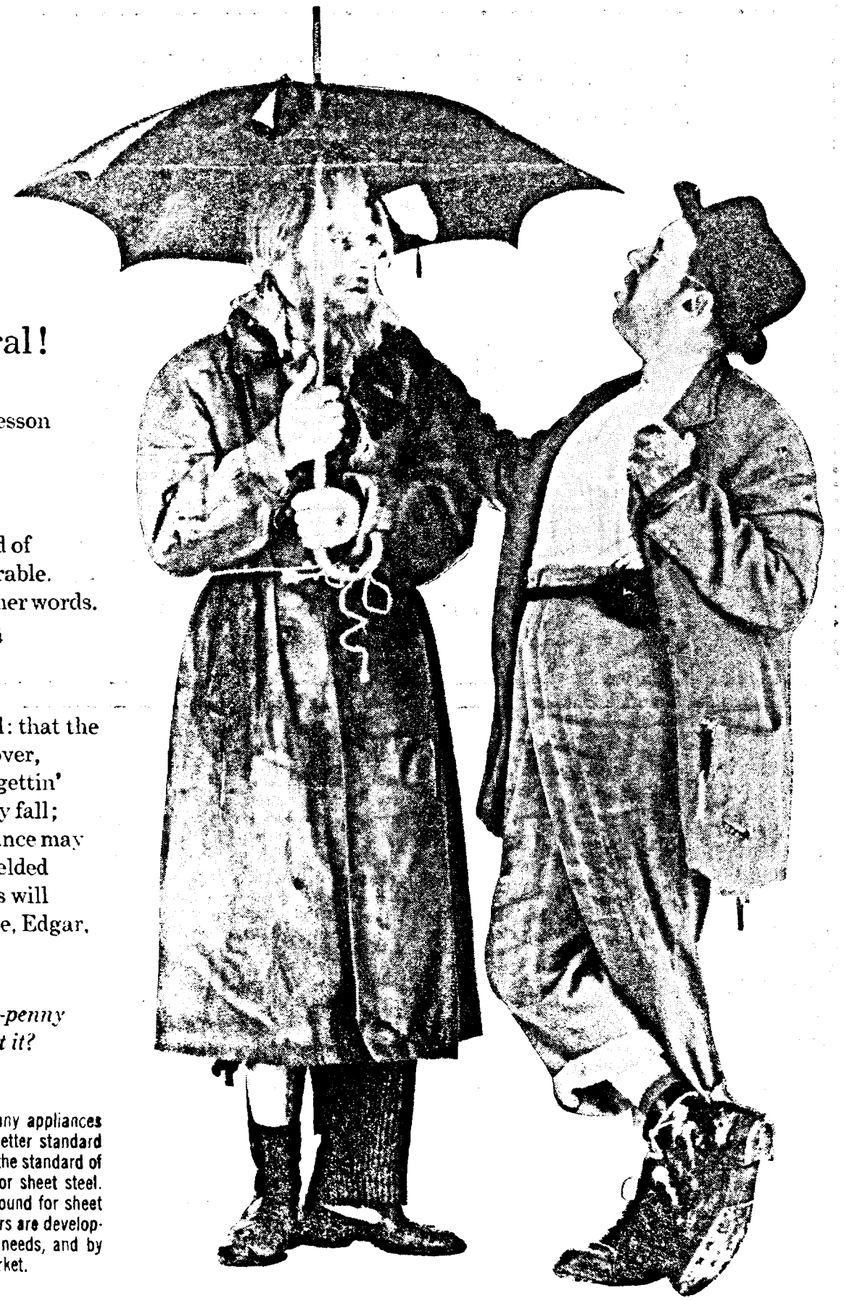
MANAGEMENT OF INTERNATIONAL AND DOMESTIC INVESTMENTS, PENSION FUNDS AND INVESTMENT TRUSTS

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Ah, Edgar,
you point a moral!

The gamp, Edgar, has a lesson for us all.

What lesson, Alfred?

That, in commercial and industrial terms, a spread of customers is always desirable. Umbrella coverage, in other words.

Ain't much coverage from this one, Alfred.

Agreed, Edgar. And this indicates a further moral: that the fewer the gaps in your cover, the less your chances of gettin' wet. The rains of fate may fall; the heavens of circumstance may open; but a company shielded by a diversity of interests will always weather them. We, Edgar, are a standing rebuke to those who ....

Still, Alfred—saves a fru-penny wash and brush up, don't it?

Sheet steel is the basis of so many appliances which go to meet the call for a better standard of living throughout the world. As the standard of living rises so does the demand for sheet steel. All the time new uses are being found for sheet steel and all the time John Summers are developing their products to meet these needs, and by so doing are broadening their market.

JOHN SUMMERS & SONS LTD STEELMAKERS

Hawarden Bridge Steelworks, Shotton, Chester.

paration costs imposed by demand for large coals, must be somewhat arbitrary.

The Coal Board later agreed to moderate the double effect on some of the cheapest coals that would have resulted from narrowing the price range between grades and at the same time charging more in the most unprofitable areas. In Scotland, therefore, it has postponed its re-grouping of certain grades of coal: consumers of these will anyway be paying £1 a ton more as against the average increase of ten shillings a ton right across the country. Even for areas such as London which bear only this average increase—though paying much more for coal than Scottish consumers do—coal prices have gone up 30 per cent in the last five years.

OIL

OPEC Delays its Decisions

UNTIL now, bi-annual conferences of OPEC, the Organisation of the Petroleum Exporting Countries, have taken about a week, after which their resolutions have been kept secret until ratification by the member governments—which has meant publication of the resolutions two to three weeks afterwards. Last week, after two days of governors' meetings to prepare an agenda and three days' meetings of full delegations and committees, OPEC's fourth conference decided not to close but to adjourn until early June before passing any resolutions.

Only five of OPEC's members, Iran, Kuwait, Qatar, Saudi Arabia and Venezuela, were represented at this meeting at the organisation's Geneva headquarters. Iraq is at present unwilling to attend meetings where Kuwait is represented: this was so at OPEC's last conference also, and the Iraq government had the resolutions that the other members had drawn up sent to it for approval. This time it is said to have made clear its views in advance on some of the points discussed. What these were remains undisclosed, though clearly the controversial issue of prices and returns on investments in oil—on which these governments had commissioned advice from no less than three Western consultants—must have come up. As to specific discussions within the OPEC delegations keep their secrets well: though hospitable and pleased to discuss general problems in oil with the outside inquirer, they keep what's said inside their committees to themselves.

One impression, however, can readily be gained: OPEC wants recognition by Western consumer governments. Nor is this wholly unlikely to happen during the formulation of a European energy policy by consumer governments and supra-national organisations. The organisation also often professes a desire for contacts with the Western oil companies; but these, understandably, regard such overtures with caution. They are not short of contacts with these governments individually: contact with the collective organisation might enhance OPEC's prestige, but not necessarily their own.

How Much for Iraq?

AS was predicted in these columns last week, British Petroleum at the weekend posted a price of $1.72 per barrel for Basrah crude from the new deepwater loading terminal of Khor el Amayeh, which has just come into operation offshore south of Basrah. The Shell group followed suit. Equally predictably, the Iraq Government is said to have refused to recognise this price, which is the same as all companies charge for the crude at the oil port of Fao in Basrah harbour. (The oil is sold by these shareholders of the Iraq Petroleum Group, BP, Shell, *Compagnie Française des Petroles,* Standard Oil of New Jersey, and Mobil, not by IPC itself, which is a non-profit-making company handing over crude to its shareholders in proportion to their ownership. Iraq taxes are based on the port or border values they put on the oil by "posting" prices for it.)

The Iraqis, very naturally, would prefer the significantly higher price, $1.78 a barrel, that CFP posted for the same crude from the same new terminal a few days before BP took the plunge. Quite apart from any difference in port dues, the French price would give Iraq three cents a barrel more in its 50 per cent share of profit.

The valuation put on this crude by BP takes account of quality comparisons with Iranian and Kuwait crudes, which are said to have technical superiority in terms, for example, of lubricating oil yield. The French say this difference doesn't bother its customers for Basrah crude. The deepwater terminal should certainly offer tankers some savings in costs and dues; BP and Shell have posted the same price as at Fao because, they argue, in recent years the Fao price, with increased loading dues, had itself become unrealistically high.

But it is fair to note that this is basically a public disagreement about how much IPC shareholders should pay the government, rather than about prices. All posted prices for crude in the Middle East are unrealistically high: nowadays crude is never sold at them except to affiliate refining companies of the same integrated groups, and not always then. Independent customers of CFP, as of BP and Shell, will anyway obtain significant discounts below the prices posted at the new terminal. All that posted prices do, as the Shell group pointed out this week, is to determine the notional level of profits of which host countries get 50 per cent in taxes. Hence the Iraqi reaction.

TAX REFORM

Towards Unification

TWELVE months ago the Chancellor acknowledged that he had arrived at the Treasury with an undue optimism about the simpleness of simplification. He was quite clear that he wanted to rationalise the tax system by assimilating income tax with profits tax in order to create a single tax for companies and, at the same time, to combine income tax with surtax for individuals. He had read the Royal Commission's report and he knew the difficulties; in spite of them he hoped a solution would be possible. A year later he reveals that the Inland Revenue have gone a considerable way towards framing a scheme for unification of corporate taxation and that a draft scheme is to be discussed confidentially with the professional bodies concerned.

This is good news; Mr Selwyn Lloyd already knows that the difficulties will argue themselves and his approach promises something of the determination that Sir Kingsley Wood showed when he instructed Mr Paul Chambers to invent Paye at the beginning of the war. Of course, the difficulties are formidable; the Royal Commission, which found that there were considerable attractions in a single-tier company tax, was daunted by them. In the main they arise from the problems of allowing credit for taxes paid by companies when their profits flow to individuals as income and from the treatment of charges paid out of taxed income. The British system based on the principle of deduction of tax at source is ingenious, delicately balanced, and not to be tampered with irresponsibly.

This conceded, it is fair to ask whether most of the trouble does not stem from the commonly held assumption that the rate of company tax must differ from the standard rate of income tax. Why should it? Except indeed for companies, the standard rate is virtually a legal fiction—in the Royal Commission's own words, little more than one step up the ladder that stretches from the lowest reduced rate to the highest combined rate of income and surtax, from 1s. 9d. to 17s. 9d. in the pound. If there were a new basic rate of 10s., it would not be beyond the powers of algebra to arrive at allowances, reduced rates and surcharges which would leave the curve of progression for individuals very much where it is today. The main difficulty, it would seem, would be the combination of the basic rate with surtax for individuals because by the nature of things it is not possible to determine the surtax rates until a later date when the individual's total income from various sources has been aggregated.

The Chancellor is trying to achieve something worthwhile; quite apart from the basic simplification of having one tax instead of two or three, success would open the door to a current year basis of assessment which would sweep away the anomalies of the commencement and cessation provisions and would provide the simplest anti-avoidance measure ever enacted.

CIGARETTE ADVERTISING

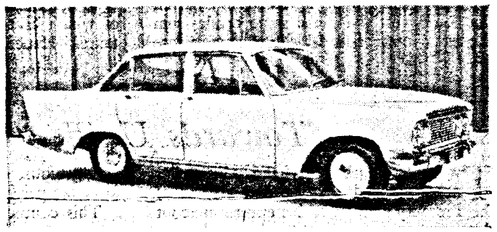
After Nine o'Clock

THE decision of the tobacco manufacturers to limit their cigarette advertising on television to the two and a half hours or so available after 9 p.m. is likely to cut down total cigarette plugging on the screen, but will not have any dire financial consequences for the television companies. Before the decision, about half of cigarette advertising already took place after the prohibited time. The rest was spread through the afternoon and evening at the weekends but concentrated between 7 p.m. and 9 p.m. on weekdays, thereby avoiding programmes designed for children. Published statistics suggest a total value for all cigarette commercials (as opposed to those for pipe smoking and cigars) of about £4.7 million a year, but this figure ignores the widespread granting of special rates for one reason or another. Allowing for these, the real total was probably more like £3.5 million, so that the prohibited time may only leave about £1.75 million worth of commercials to be redistributed.

There is unlikely to be any lack of applicants for the peak-time vacated by cigarettes, but some of these will want to shift commercials at present occupying off-peak times —including later in the evening where cigarettes are permitted. But no programme contractor wants an overwhelming concentration of any one type of advertisement; not long ago detergent commercials were spaced out at the insistence of contractors. A lot of haggling will go on over the allocation of the remaining peak-time after 9 p.m., and the manufacturers may not think it worth their while to make full use of the final hour or so of diminished audiences. But as this period is often in less demand as well as being cheaper, the overall effect on the finances of the contractors may be slight. What is certain is that tobacco manufacturers will save money.

A NEW FORD

Reaching for the Stars



THE new Zodiac is Ford's entry for the Rover-Jaguar market. Finding that many owners of the old Zephyr and Zodiac were switching to Rovers or Jaguars, and envious of the steady sales that these makes have maintained through recent car recessions, Ford has decided to try to make a car that would tempt such buyers to keep to their old choice by offering something better than before at only £1,070. So the new Zodiac is a more distinct model than its predecessor was; and it has been given a powerful enough engine to make it comparable in performance with cars like the 3-litre Rover and Humber Super Snipe. It is, Ford claims, its first 100-mph car.

The new Zodiac is still closely related to the old: the only tooling changes are for the body and the four-speed gearbox, which is the major mechanical innovation. With synchromesh on all forward gears, it helps to make the performance noticeably better than that of the old car when combined with an engine developing 109 bhp instead of 90 bhp. Alternatively the car can be fitted with the new Borg-Warner automatic transmission, lighter and (at £110 extra) cheaper than the old, while giving rather smoother gearchanges and more control for the driver. Top gear ratio is higher, helping to make the car quieter, and there are minor changes to the suspension. Dimensionally, the body is virtually identical to the old one—except that the car is 7½ inches lower, making a low rear seat necessary and helping to make leg room in the back seat inadequate when the front seat is adjusted for a tall driver. To meet the current demand for less maintenance, greasing intervals have been lengthened to 5,000 miles, by sealing the bearings and adopting molybdenum disulphide grease—though this may make it necessary to take the car to the Ford agent for lubrication, which about half of present Ford owners now get done elsewhere.

The most noticeable changes in the car's road behaviour are lighter steering and better acceleration. Though it has enough power available in the lower gears for a leaden-footed driver to be able to make the rear wheels slide on a corner, it is essentially an easily controllable car. There is a noticeable degree of understeer when cornering with a small throttle opening, and the steering is precise and high-geared enough to make it easy to correct any slide. The car also has good stability in cross winds. The springing is relatively firm, limiting roll on corners, yet it still gives a reasonably comfortable ride. And the servo-assisted disc brakes are both light and fade-proof.

RATING REVALUATIONS

Official Figures

LAST month's white paper on the 1963 rate revaluations gave the percentage changes in the rate burden between the different classes of property—domestic down by 1.6 per cent and industrial up by 43.3 per cent—but it did not give, except for houses, the actual valuation multipliers upon which these changes were based. The official figures are now available and are set-out in the table below. These compare changes in the current list as a result of revaluation and give a clearer impression of the facts than the calculations made by *The Economist* in the issue of March 31st which on the basis of the white paper were calculated on 1939 values of houses without allowance for the increase of one-third introduced in 1956. Hence the increase of four times in gross values of houses between the 1939 and 1963 valuations, mentioned in the white paper implies an increase in current gross values of about three times, allowing for the one-third up-valuation. On a current value comparison the increase in industrial rents since 1956 as worked out by the Inland Revenue, allowing for the ending next year of the 50 per cent derating, is in fact 1.9 times and not 2.6 times as implied by our table. The increase in the net annual value of domestic property over the twenty-four years to 1963, as the table shows, is 2.66, against the increase of 1.9 imputed in industrial property over seven years from 1956.

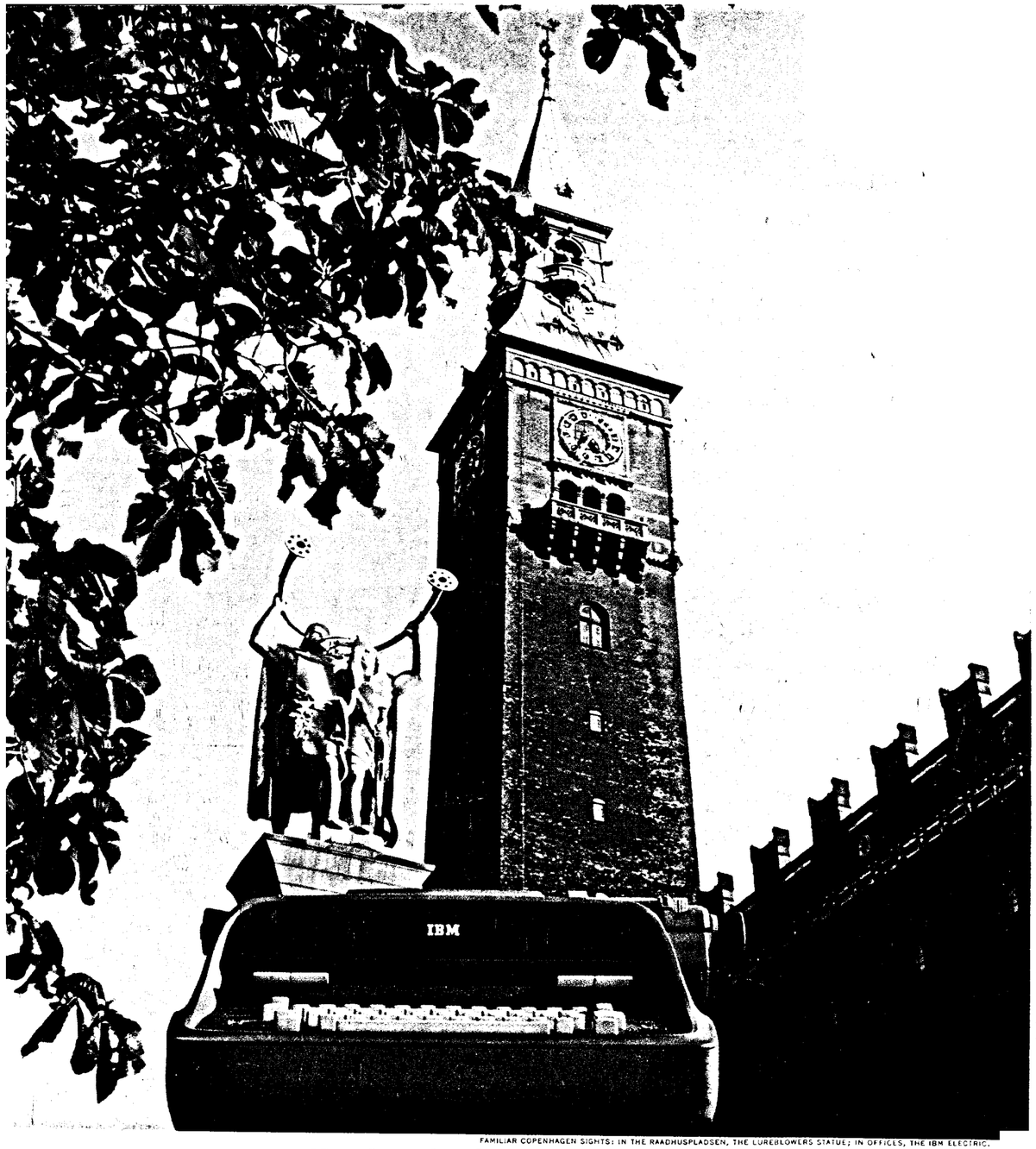
	1963 value divided by value in current list		
	Gross values	Net annual values	Rateable values
Houses	3·01	(a) 3·26 (b) 2·66	...
Mixed domestic	2·12	(a) 2·17 (b) 1·94	2·66 2·27
Industry and freight-transport	...	1·99	3·88
Electricity, gas, water and Crown	...	...	...
Others to gross value	1·97	(a) 1·98 (b) 1·88	... 2·35
Others to net annual value	...	1·75	1·76
All	...	...	2·63

Lines (a) takes account of the old scale of statutory deductions; line (b) of the new.

ADVISING CAR BUYERS

Troubles on Delivery

BUYERS are getting an increasing volume of published information about the vices and virtues of cars. Apart from *Which?*, now into its second car supplement, that journalistic pioneer of frank criticism, *Motor Sport*, published in its April issue the first fruits of a survey of its readers' experiences with a number of cars. This is based on replies from 25 per



FAMILIAR COPENHAGEN SIGHTS: IN THE RAADHUSPLADSEN, THE LURBLOWERS STATUE; IN OFFICES, THE IBM ELECTRIC.

Fanfare in Copenhagen

riding endlessly past Copenhagen's City Hall, these bronze war-ors with their antler-like lure horns blow a silent fanfare for the days hen dragon ships ringed the western world. These Viking ships, ich bore such ear-tingling names as "Horse of the Gull's Track" and lk of the Fjord," were superbly efficient—and strikingly handsome. Today the Danes have again shown that useful things can be beau-ul. The Viking past echoes in the magnificent design that rns chairs and plates into works of art, makes Danish furni-re, silverware, porcelains sought after the world around.

At IBM, we like to think the IBM Electric typewriter is itself a notable combination of fine design and performance. The Danes apparently agree, for they received it enthusiastically, have kept its sales soaring year after year. We can almost imagine them reviving the old Viking custom and calling their IBM Electrics "The Quiet Word-Smith," "Wolf for Work," "Master of the Letter-Weavers." Any of these may be appropriate—but none could make us prouder than the name already given IBM Electrics by secretaries everywhere: "Friend." Let the lure horns sound!

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cent of the 125,000 forms sent out in its February issue. The survey thus covers a wide, if perhaps not wholly typical, sample of car owners (*Motor Sport* readers are an expert, cantankerous crew). From studying it a potential buyer of the cars covered—Triumph TR3, Volkswagen and the Minis in this first section—can get a pretty good idea of the troubles he may expect, and confirmation of many of the criticisms already made. But comparisons between the cars are made more difficult by a lack of uniformity in the reporting of the results.

One revealing set of figures shows the percentage of owners saying whether they would buy the same car again. For the BMC Minis the proportion was 64 per cent, though 11.2 per cent of those who would change would buy a Mini-Cooper; for the Triumph 77.8 per cent, and for the Volkswagen 84.7 per cent. Another shows how many owners are satisfied with the service they get—53 per cent of Triumph owners, 67.6 per cent of Mini owners, and 81.2 per cent of Volkswagen owners. The brands of petrol said to be used do contain one surprise: Jet is chosen by 13.8 per cent of Volkswagen owners, second to Esso, used by 22 per cent, while Shell is third, chosen by 9.7 per cent. Among Mini owners Jet ranks third, being used by 9.2 per cent; Esso comes first at 21.8 per cent; and Shell second at 20 per cent. But none of the TR owners chose Jet. The oil used produced no surprises; Castrol came first by a long way.

Which? follows the same course as in its first tests: any improvements in its test procedure will have to wait for its third report. But it has had rather less difficulty in deciding which cars it prefers, and gives the Austin A60 and Ford Classic as joint "best buys" in their medium range. Yet it has again found cars delivered in a disgraceful state, and dealers' standards seem to vary as much as those of cars. The cars which gave most trouble were the (virtually identical) Singer Vogue and Hillman Super Minx, to which the makers report a formidable list of modifications since the cars tested were bought—covering, Rootes claims, all the faults found. Apart from the usual excuse that these were new models, and so—as appears to be thought inevitable in British industry—liable to teething troubles, the Super Minx was bought when Rootes had only made a few models, during its strike, for dealers to put in their showrooms or to demonstrate. The Victor was another car that developed some mechanical faults; and the handbrake of the one tested was too inefficient to pass the seven-year test. The troubles with the two Ford models were relatively minor. But none of these cars seems to be much of a credit to the British motor industry.

BIDS AND DEALS

Kindred Spirits

RUMOURS of a bid for Gilbeys have been prevalent for some weeks and it came as no surprise to the market when a bid by United Wine Traders of six shares for every seven in Gilbeys was announced. Like most of the remaining independent wine and spirit businesses Gilbeys is controlled by family interests but the same terms are being offered for the £1,500 management shares, which carry all the voting rights in Gilbeys, as for the deferred. With UWT at 36s. the bid values Gilbey deferred at about 30s. 10½d. to yield 2½ per cent on a dividend which will be effectively raised from 14 to 17.1 per cent. This is based on UWT's forecast of an increase in its dividend from 60 to 100 per cent for the year to June 30th next when its profits before tax are estimated at £1,000,000, against £675,000 in 1960-61.

UWT's rapid growth in recent years has come mainly from its success in selling its J. & B. Rare whisky in the United States in association with the Paddington Corporation. Sales have been mainly in New York State and shipments this year have risen from 600,000 to 1,000,000 cases. As Showerings found with its "Babycham" there are limits to expansion in virtually a one-drink business and the merger gives UWT shareholders a stake in Gilbeys 200 off-licences (through which UWT hopes to sell J. & B. Rare) as well as its gin and Smirnoff Vodka. For Gilbeys shareholders the major attraction is their association with the rapidly growing UWT group whose profits record is in sharp contrast to the disappointing performance of Gilbeys in recent years. Moreover Gilbeys' products stand to benefit from the link-up with UWT's sales organisation. Not surprisingly both boards are in favour of the merger and there seems little doubt that it will go through.

Mixed Brew

IN January Charrington disclosed that merger discussions were afoot with United Breweries. Since then Charrington £1 shares have been firm in anticipation of the merger terms and last month's excellent results stimulated further interest. Recent buyers are not likely to be disappointed with the terms, which comprise a bid for both companies by a new holding company, Charrington United Breweries, in which Mr John Charrington will be chairman and

Overseas Investment

DIRECT private investment by United Kingdom companies overseas fell by £36 million to £211 million in 1961, partly, no doubt, as a result of the Treasury's closer scrutiny of non-sterling area investment since last July. Classification of the 1961 figures into areas and countries is not yet available. Investment by overseas companies in Britain rose by £90 million to £225 million in 1961, but £131 million of this total was attributable to the purchase of the remainder of the Ford Motor Company shares by the American parent. The figures also show that in 1961 earnings were slightly down on both sides of the table. Unlike the British companies, however, the overseas companies remitted an increased amount to their parent companies from their lower earnings.

The principal field of investment for British companies, and still a rapidly growing one, is still the sterling area, from which earnings in 1960 amounted to £167 million, an increase of £43 million over 1958, and 67 per cent of the 1960 total. Earnings from British investments in the common market rose from £10.3 million to £14.8 million between 1958 and 1960.

Overseas direct investment in the United Kingdom comes mainly from the United States and earnings on this rose from £76.9 million to £112.3 million between 1958 and 1960. Earnings of British investments in the United States over the same period fell from £38.5 million to £36.2 million. These tables do not include Britain's large oil and insurance interests in the United States.

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

	1959	1960	1961
New funds	103	162	127
Unremitted profits	93	85	84
Direct investment	196	247	211
Earnings	238	258	249
Less unremitted profits	93	85	84
Remitted profits	145	173	165

INVESTMENT BY AREA

	1958	1959	1960
North America	38·1	51·4	42·8
Western Europe	13·8	19·9	24·8
EFTA	2·9	0·7	3·4
EEC	8·4	16·2	20·9
Rest of W. Europe	2·5	3·1	0·5
Rest of Sterling Area	78·8	100·1	149·5
Of which—Australia	19·4	27·3	57·0
South Africa	19·9	10·2	17·6
Rest of World	12·9	17·1	20·3

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

	1959	1960	1961
New funds	70	68	176
Unremitted profits	76	67	49
Direct investment	146	135	225*
Earnings	136	137	131
Less unremitted profits	76	67	49
Remitted profits	60	70	82

INVESTMENT BY AREA

	1958	1959	1960
North America	71·6	112·7	102·0
Western Europe	6·1	17·3	15·8
EFTA	4·4	8·3	11·5
EEC	1·2	8·8	3·5
Rest of W. Europe	0·5	0·2	0·8
Rest of Sterling Area	10·1	6·7	13·1
Rest of World	0·6	Nil	1·3

* Including Ford Motor Company transaction.

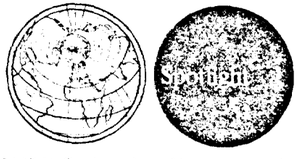
Mr E. P. Taylor of United Breweries vice-chairman. Charrington shareholders are offered twelve 5s. shares in the new company for each £1 share and United Breweries shareholders nine 5s. shares for every eight 5s. shares they hold. With United Breweries shares standing at 15s. 7½d. this imputes a value of about 166s. to Charrington shares which had already gained a further 5s. to 152s. 6d. this week ahead of the terms. After the terms were announced the shares shot ahead to 165s. but profit taking brought them back to 161s. 3d. At the beginning of the year the shares stood at 106s. 9d. United Breweries expects its profits to be "materially greater" this year while Charrington expects "some increase" after the sharp advance in 1961. On the combined capital the holding company expects to pay a dividend of not less than 12 per cent, which would be covered 1.7 times. This gives a small increase in income from 12½ to 13½ per cent to United Breweries shareholders and a bigger one from 25 to 36 per cent to Charrington's shareholders. On this forecast the shares offer a prospective yield of about 4½ per cent, which is above the average return offered by leading brewery shares.

Bush, Rather than Thorn

The need for concentration of the radio and television industry into bigger units explained the preliminary discussions between Thorn Electrical and Murphy Radio about the possibilities of a merger. These discussions seem not to have been very satisfactory from the point of view of the directors of Murphy Radio, who now recommend shareholders to accept an offer for the company's preference and ordinary capital from the Rank Organisation, which owns Bush Radio, is interested in Pay-television and has a shareholding in Southern Television. The intention is to co-ordinate Murphy's activities with those of Bush Radio. The Rank Organisation is offering one "A" ordinary share plus 3s. in cash for every two ordinary shares in Murphy. With Rank shares at 31s. 6d., the bid imputes 17s. 3d. for Murphy, against a pre-bid market price of 14s. 4½d. In all the bid is worth £3¾ million.

Though the bid offers a good turn in market values, it is in non-voting stock and acceptors will not rank for the interim dividend of 7½ per cent to be declared shortly by the Rank Organisation; nor will they be entitled to participate in the proposed new issue of £5¼ million of convertible loan stock by way of rights by the organisation needed "to finance an existing programme of expansion." Murphy shareholders did not receive a dividend in 1960; in keeping with an earlier forecast the Rank Organisation intends to pay a final of 17½ per cent for 1961-62. The bid is attractive to Murphy and the directors, who recommend it, have a large shareholding.

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WORLD BANK

A Billion a Year?

Last week Mr Eugene Black, president of the World Bank, made his thirteenth annual appearance before the Economic and Social Council of the United Nations. Since his first address the bank's total loans outstanding have risen from $750 million to nearly $6,500 million. In recent years a plateau in the rate of lending appeared to have been reached, at $650-$700 million a year; but now, with only three months of the current fiscal year still to run the bank has already lent $664 million and Mr Black says that total lending will clearly exceed that of any previous year. Including the lending of its two affiliates, the International Finance Corporation and the International Development Association, the bank's total contribution should soon reach one billion dollars a year.

The bank is by far the largest single source of multilateral development aid, and more remarkable, these vast sums have been lent without further calls for new subscriptions on the bank's member governments. The balance beyond the original subscription of $1.7 billion has come from direct borrowing in the world's capital markets, by selling portions of the bank's loans to commercial banks, and from the bank's own earnings. Of increasing importance recently have been the bank's technical assistance activities. Its Development Advisory Service was set up last November to provide resident advisers for development programmes. The supply of suitable people is limited and Mr Black hopes to establish a career service.

The recent amendment of the charter of IFC to permit equity investment is expected to be used freely; one interesting possibility is underwriting of local stock issues, which should provide a boost to developing capital markets. The bank's other affiliate, IDA, has now signed twenty credits totalling $200 million in the first year of its existence. They are all interest free with repayment spread over forty years after an initial period of grace of ten years. Lending on these terms naturally prevents IDA from borrowing in the capital markets, so that very soon, if the momentum of lending is to be maintained, member countries will have to put up additional subscriptions. Mr Black has long urged that a far higher proportion of development aid must now be on terms similar to those offered by IDA.

MAN-MADE FIBRES

Takes All Sorts...

As manufacturers of synthetic fibres do not trust one another with their production figures, the most that can be said of the breakdown of man-made fibre production in 1961 issued by a committee of producers is that it broadly confirms estimates of output let slip by producers in the course of the ICI-Courtaulds argument. Talk that "Terylene" did not do as well last year as expected can however be reconciled with the achievement of the forecast growth in synthetic production from 134 million to 146 million lbs, if output of newer fibres, particularly the acrylics, had been underestimated.

The most revealing fact in the producers' figures—collected in secret by an independent firm of accountants—is that acetate and triacetate fibres, which include "Tricel," outstripped synthetics in growth last year even though their output is less than half that of all synthetics combined. But two-thirds of the 12 million lb rise in acetate production was in filament yarn, caused mainly by greater demand for dress materials. Weight is a poor guide to the relative importance of a fibre, particularly in filament, where a little nylon used, for example, in the production of stockings is made to go a lot farther than other fibres of equivalent weight. Apart from the success of "Tricel," acetate staple tow is now used in about two-thirds of all filter-tipped cigarettes, which in their turn now account for about a quarter of the cigarette market.

After the big increase in output of synthetics in 1960, for which no audited figures are available, the slowing down to an increase of 11½ million lb appears to represent near-capacity working, although capacity based on weight is somewhat elastic—finer deniers take longer to spin than the coarser yarns. The fall of 12 per cent in viscose rayon production from 398 million to 350 million lb caused a contraction in total output of man-made fibres last year from 592 million to 568 million lb, most of it in the first half of the year; the later improvement has continued through the early months of this year.

World output of synthetic fibres rose by about 16 per cent last year (compared with 9 per cent here) and production of viscose and acetate rose by 4 per cent. In Britain and overseas, the share of the market held by the cellulosic fibres, viscose and acetate, declined last year to about 75 per cent.

Chemicals from Barry

... and Mrs Yeoman's steam iron

CHEMICAL COMPANIES • INTERNATIONAL ENTERPRISE •



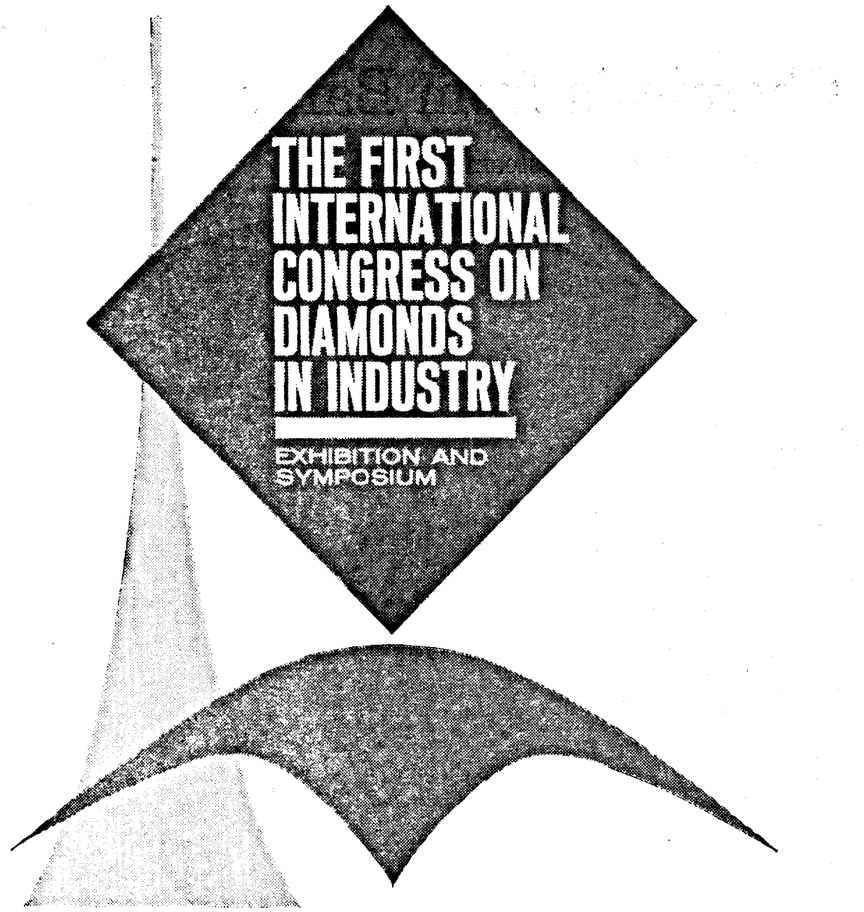
Devoted husband, Henry Yeoman. Likes to get the best for his wife—including the latest in electric steam irons. No old-fashioned methods for Mrs. Yeoman. No danger, either, from moisture and mains electricity working together in the same appliance. And that's where chemicals from Barry come in.

Midland Silicones Limited—one of the companies of the Albright & Wilson Group—produces Silastomer at Barry. Silastomer is a silicone rubber with many applications, including sealing, and is especially useful where electrical products are exposed to moisture. It provides a moisture-tight seal, ensuring additional safety in a wide variety of domestic appliances—like Mrs. Yeoman's steam iron.

This is only one of the many ways in which A & W chemicals play a part in the life of Mr. and Mrs. Yeoman. As one of the biggest organisations in the British chemical industry, the Albright & Wilson Group contributes—but we could go on like this...

The Albright & Wilson Group

BA/88



PARIS MAY 25th - JUNE 3rd

The first International Congress, Exhibition and Symposium on *Diamonds in Industry* is to be held in Paris at the Centre National des Industries et des Techniques (Palais du C.N.I.T.).

PURPOSE: To demonstrate today the production techniques of tomorrow, in relation to the ever-increasing use of industrial diamonds and the contributions they make to economy and efficiency in production.

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The Organising Secretary,
First International Congress
on Diamonds in Industry
97 Blvd. Malesherbes, Paris 8e. France.

SCIENCE

Down With Fred

ONE of the chief concerns of the Minister for Science is to see the results of research applied in industry; this is infinitely more difficult than seeing that the research itself gets done. Lord Hailsham left his after-dinner audience at last weekend's research conference organised by the Federation of British Industries in no doubt about his opinion of present performance. He complained that on the FBI's own showing, only three or four industries are genuinely "science-based" and these by no means the biggest. He defined this adjective in a way that must have jolted those of his hearers who fondly believe their obligations end with the hiring of a few scientists. An industry can be science-based, said Lord Hailsham, and yet do little or no actual research. But its building, its production methods, its design and its administration will all bear traces of new thinking.

The biggest obstacle to this kind of innovation was Old Fred. Old Fred on the factory floor blocked new methods of training. "We cannot afford," said Lord Hailsham, taking aim at this lay figure, "a system of apprenticeship which involves unfortunate lads fetching endless cups of tea for five years for Old Fred, who can certainly teach him more than he learned himself fifty years ago." Old Fred is sometimes also in the managing director's chair, and Old Fred in the universities looks sideways down his nose at anything that smacks of commerce—and does not take at all kindly to the Minister's suggestion that industry's top scientists might do a turn in the universities. This heavy sugar coating of whimsy concealed a sharp cutting edge to the Minister's criticisms that industry was not making sufficient use of technical facilities already existing in the universities and technical colleges, either to up-grade its staff or get some of its own technical problems solved. His main complaint was that industry does not make full use of the facilities provided by the Government through the Department of Scientific and Industrial Research for research that companies do not undertake themselves. "I want to see the top brass in the management hammering on the doors of the DSIR and the Ministry for Science, bubbling over with ideas for industrial research." Lord Hailsham is in for a long wait. Industry's opinion of what the department or the ministry have to offer, after all, may not be as high as his own.

HOVERCRAFT

Kits and Controls

HOVERCRAFT are potentially versatile, and the Land Rover is already. So it is appropriate that Vickers should choose the Land Rover as the first vehicle to offer a hovercraft conversion kit. Looking rather like a giant rubber bustle skirt around the car, with a vast paddle wheel on each side—in fact a centrifugal fan—the purpose of this eccentric-looking conversion is to provide something capable of use on normal roads and on ground too soft for normal vehicles. The air cushion, provided by a separate engine powering the fans, can be made to take as much weight off the wheels as the driver wishes—but not all, for the car still has to be steered and driven normally with the wheels. It therefore avoids the problems of control that make ordinary hovercraft unsuitable as yet for use on roads. Vickers believes that there may be a big market for its conversion kits among farmers who want to do crop spraying, building contractors, and other people needing to drive over soggy ground.

The thorny legal problem of the hovercraft's ambivalent nature remains unsettled. The Ministry of Aviation—in consultation with the Ministry of Transport and the Air Registration Board—will issue "permits to fly" to makers and users of hovercraft to cover test "flying" and the commercial operations planned for this summer (British United Airway's service from Hoylake to Rhyl, using the Vickers VA3). Road use will be allowed only on a limited and strictly controlled basis. As most hovercraft are intended for marine use, however, the Ministry of Aviation has decided that the Civil Aviation (Licensing) Act of 1960 should not be applied to them—so all the applications for licences to the Licensing Board have done no more than gain publicity, as no doubt they were intended to do. What legislation should be introduced if hovercraft come into general commercial use is being "given consideration"; is it too much to ask that in its early life at least free competition should be allowed?

SHORTER NOTES

Dunlop Rubber has maintained its total dividend for 1961 at 1s. 7d. per 10s. stock. Although sales fell from £275 million to £265 million, trading profits advanced from £23.2 million to £24.8 million and net profits from £5.6 million to £5.9 million. Sales were practically unchanged in the second half of last year but profits were higher and the gross profit margin was 9.8 per cent, compared with 8.9 per cent in the first half of 1961 and 8.7 per cent in the second half of 1960.

★

A new monthly publication collating existing financial statistics and including some new information was promised for next month by Mr Selwyn Lloyd in his budget speech. This was recommended by the Radcliffe Committee in 1959, and since then much new financial information has already been released through the *Monthly Digest* of the Central Statistical Office and, more extensively, through the Bank of England's Quarterly Bulletin. The Chancellor also said he would be making proposals later this year about how the Exchequer Accounts themselves might be "radically improved."

★

Sales of units by unit trusts exceeded repurchases in March for the eleventh successive month. Sales, helped by four block offers, totalled £3,447,000 against repurchases of £1,073,000 and the value of the funds rose from £243.8 million to £245.3 million.

★

Following the fall in market rates for local authority loans the Treasury has announced cuts in rates. Loans for under fifteen years are cut from 6⅞ to 6½ per cent while loans for over fifteen years remain unchanged at 6¼ per cent.

★

Western Deep Levels, the new gold mine in the Anglo American stable, is making a rights issue worth £9¼ million, offering holders of "A" and "B" shares one new £1 "B" share at 32s. 6d. for every four held. In addition, Anglo American proposes to make available fresh loan facilities of up to £5 million.

★

British Drug Houses has maintained its ordinary dividend at 16 per cent for 1961, though the ordinary "B" shares issued to Mead Johnson in July do not participate. Profits before tax rose from £642,000 to £708,000.

★

Gestetner, makers of duplicating machines has announced a 20 per cent rise in gross profits from £2½ to £3 million in the year to March 31st. The ordinary dividend is maintained at 20 per cent and a one-for-three scrip issue is proposed.

COMPANY AFFAIRS
Comments on pages 200, 201, 202 and 203 on:
Unilever · Royal Dutch/Shell · ICI · Whitbread · Fremlins · Thomas Tilling · London Brick · Delta Metal · Harland & Wolff · News of the World · Insurance Dividends

STOCK PRICES AND YIELDS
Stock prices, yields and security indices on pages 204 and 205

MONEY AND EXCHANGES
Money market report, exchange rates and public finance on page 206

COMPANY MEETINGS

CO-OPERATIVE INSURANCE SOCIETY LTD



TEN YEARS OF RAPID PROGRESS

SUBSTANTIAL INCREASE IN PREMIUM INCOME

MR S. LEONARD KASSELL'S REVIEW

At the Ninety-fourth Annual General Meeting of the Co-operative Insurance Society Limited held in Manchester on April 10th, **Mr S. Leonard Kassell,** Chairman, said:

Before submitting my detailed comments on the ninety-fourth Annual Report and the Statements of Accounts and Balance Sheet of this Society for the year ended December 31, 1961, I should like to take this opportunity of emphasising its very strong financial position and the rapid progress which it has made in recent years. This clearly indicates the confidence which the public has in the Society. During the past ten years the Society's total income from all sources has increased from £32,415,683 to £75,962,827, and its assets from £112,256,634 to £295,778,560. During that period nearly 15 million claims have been paid, totalling over £230 million.

The market value of the Society's assets as at December 31, 1961, was considerably in excess of their Book Value. In addition to this, there are substantial special reserves to meet unforeseen contingencies which arise from time to time, such as an exceptionally heavy claims experience in the Fire, Accident or Motor Departments.

In the circumstances, therefore, it is not surprising that the C.I.S. continued to make excellent progress in 1961. The premium income in 1961 was £60,175,069. This showed the very substantial increase of £3,866,250 over the previous year. The principal increases were in the Industrial Life Section (£1,495,150), the Ordinary Life Section (£817,201) and the Motor Department (£1,395,740).

INVESTMENTS

The investment of the Society's Funds is a matter to which the Directors devote a great deal of time. The amount of new money available for investment grows each year and our total assets are now approaching £300 million. The bulk of this money relates to the Life Assurance Funds, which means that we must follow an investment policy which, in our judgment, is in the life policyholders' best interests.

As I anticipated in my Report last year, 1961 was another year of high yields on long-term fixed interest securities, and full advantage has been taken of this situation by substantial investments in such securities, not, however, to the exclusion of other classes of investment.

One avenue for new investment was the House Purchase Scheme under which new advances totalled £5,464,096, but after allowing for repayments the net increase in House Purchase Mortgages as at the year end was only £1,902,894. The total amount outstanding under such loans at the year end was £44,304,407 secured upon 43,461 properties. The average House Purchase mortgage outstanding was £1,019.

Our investments in freehold and leasehold properties continue to grow. During the year we have taken steps to place this section of our investments on a long-term basis by entering into continuing arrangements with several first-class property companies on terms which are advantageous to the Society. We are, of course, in the meantime supporting the Chancellor's request for the curtailment of finance for speculative investments.

These long-term arrangements will not in any way preclude us from continuing to finance suitable Co-operative developments. During 1961 substantial investments were made in well secured co-operative properties and we hope that this form of investment will continue and expand.

Investments in British Government and British Government Guaranteed Securities amounted to £53,132,715 as at December 31, 1961, being an increase of approximately £1,300,000 during the year, and representing 17.96 per cent. of our total assets.

Your directors decided in January, 1962, to join with other Insurance Offices in making a proportionate contribution to the £100 million pool for Export Credit finance established at the request of the Government. There can be no doubt that it is in the best interests of our policyholders that we should take our share in any scheme which will increase the country's export trade and hence employment in Great Britain.

During the year we continued to make investments in selected Ordinary shares. Quite apart from the fact, as I have emphasised before, that this gives our policyholders a share in the profits of the companies for which they work, we feel it would be most unwise to neglect this field of investment. I say this having regard to our responsibilities to the policyholders and the need to have a balanced portfolio of investments. This year we are giving tangible proof that our investment policy (which has been criticised from time to time by some of our friends) has been sound and fully justified.

The Directors have decided that in the interests of the present generation of policyholders the time has come to take credit for part of the improved real worth of our investments in Ordinary Shares. They have therefore authorised the writing up of the book value of these shares by £10 million. This has enabled us to declare special bonuses to our Ordinary Life and Industrial Life policyholders, details of which I shall give in dealing with the Life Department Accounts.

Following my usual practice I will proceed to give a brief review of the Departmental activities during the year.

LIFE DEPARTMENT

The premiums paid in the Ordinary and Industrial Sections of this Department during 1961 totalled over £41 million and were in respect of 11 million premium-paying life policies which were in force.

The total new sums assured were over £107 million as against £100 million in 1960. For the first time the new sums assured in the Ordinary Section (£54,200,000) exceeded those in the Industrial Section (£53,500,000). This is a trend to which I referred last year and which has been in evidence for some time, but even so the total new sums assured in the Industrial Section was over £3 million greater than in 1960.

The C.I.S. business in the Ordinary Section consists almost entirely of individual policies. Unlike many of our competitors we have not undertaken a large volume of pension and group life assurance business—the Pension Schemes of the Co-operative Movement are nearly all self-administered schemes. Despite this, as will be seen, we have continued to expand our Ordinary Section business.

The average sum assured in the Industrial Section shows a very substantial increase of £3 15s. 0d. from £63 5s. 0d. to £67, which is a most encouraging feature of our new business.

BONUSES

I have already indicated that as a result of the increase in the real value of our investments in Ordinary shares we have been able to declare special additional reversionary bonuses in respect of with-profit policies at present in force in both the Ordinary and Industrial Life Departments. The amount of the special bonus is 10s. 0d. per cent for Ordinary Life policies and 8s. 4d. per cent for the main classes of Industrial Life policies in respect of each of the years 1947-1958 inclusive. The maximum additional bonus is thus £6 per cent for an Ordinary Life policy and £5 per cent for an Industrial Life policy.

These substantial special bonuses are additional to the normal bonuses, and I am pleased to be able to say that the normal bonuses in both the Ordinary and Industrial Sections have also been increased. In the Ordinary Life Department the normal bonus rate for assurances has been increased by 4s. 0d. per cent from £2 8s. 0d. per cent to £2 12s. 0d. per cent, and in the Industrial Life Department the normal bonus rate for the main classes has been increased from £1 5s. 0d. per cent to £1 13s. 4d. per cent.

It is very gratifying to us that largely because of the success of our investment policy it is possible to provide these increased bonuses for our Life policyholders.

MOTOR DEPARTMENT

During 1961 the Motor Department continued to expand and the premium income rose from £10,688,831 in 1960 to £12,084,571 in 1961.

Our total expenditure in the settlement of claims absorbs an increasing proportion of the premiums received, and the claims ratio in 1961 at 65.44 per cent proved to be the highest since 1954. The deterioration was most marked in the private car portion of the account but some measure of relief is anticipated from the selective premium adjustments which were introduced last September.

There is no doubt that motor insurance business is being conducted at rates of premium which will continue to produce results of a marginal character only, and we count ourselves as fortunate to have finished the year with an underwriting profit of a little over 2 per cent of the premium income, amounting to £255,743. Interest earnings of £202,253 are credited to the account, producing a total surplus of £457,996, of which £252,475 has been transferred to the Profit and Loss Account.

FIRE DEPARTMENT

The steady progress of this department continued during the year and the premium income rose by £170,071—the largest annual increase since 1951—to a total of £2,439,774.

Fire wastage in the United Kingdom during 1961 continued at a high level and the estimated total of a little over £39 million was only slightly better than the unprecedented figures of the two previous years. In addition claims from the allied perils of Storm, Tempest and Flood have been substantial and in these circumstances it is satisfactory to find that the Society's claims ratio was some 4 per cent less than in 1960.

After including interest on the fund there is a surplus of £379,675, of which £311,225 has been transferred to the Profit and Loss Account, the balance being added to the additional reserve.

ACCIDENT DEPARTMENT

The premium income in the Personal Accident Account amounted to £209,006, an increase over the previous year of about £15,000. Claims were a little higher than in 1960, but commission and expense ratios were almost unchanged. There was a surplus of £68,221, of which £55,925 was transferred to the Profit and Loss Account.

ADMINISTRATION

Administration and its cost is a matter which is constantly under review by the Directors and I feel that it is a matter for some satisfaction that although there has been some slight increase, our overall expenses have been held at a steady figure of between 24 per cent and 25 per cent for the past five years. In 1961 the overall commission and expense ratio was 24.86 per cent as against 24.14 per cent in 1960.

PROFIT AND LOSS ACCOUNT

The sum of £1,016,300 has been transferred to the Profit and Loss Account from the Departmental Revenue Accounts, of which £200,000 has been added to the General Reserve Fund.

DISTRIBUTION OF PROFITS

After making this transfer and providing adequate reserves for contingencies we are able to distribute the sum of £18,706,540 as the combined result of our operations for the year 1961, and the writing up of the book value of our Ordinary shares to which I have previously referred. The whole of this amount will be distributed for the benefit of the Society's policyholders; £18,126,540 will go to our Ordinary Life and Industrial Life policyholders and the balance of £580,000 will be payable to Co-operative Societies as a dividend on the Fire, Accident, Motor and Collective Life premiums paid to the C.I.S. during the year.

The rate of dividend on Fire and General premiums has been maintained at 3s. 6d. in £ of premium and this should be ample evidence to the Societies and their members of the advantage of insuring with their own Insurance Society.

TAXATION

The amount of tax payable by the Society in respect of our transactions for the year was £2,435,794. Of this total £479,695 has been reserved for taxation on the profits of the Fire and General Departments; £126,141 charged to the Industrial Life Account, and the balance was paid during the year by deduction from interest earnings.

CONCLUSION

In a few weeks I shall be retiring from the Board of the C.I.S. (of which I have been chairman for the past eight years) and this is the last occasion on which I shall have the pleasure of submitting my annual survey of the Society's activities to the Shareholders.

At the outset of this Report I referred to the progress made during the past ten years. If we go back to 1946, the year in which I was first appointed to the Board, the progress is even more impressive. At the end of that year our total assets amounted to about £71 million and our premium income for the year was approximately £17,000,000. Broadly speaking our assets and our premium income have quadrupled during the past 15 years. Naturally I think, I take pride at having had some share in this phenomenal growth and in helping to prove that the Co-operative Movement is capable of establishing and running such a successful organisation which will achieve its century in a little over five years' time.

My experience has proved that this success was not achieved without effort or automatically—it is a result of sustained effort in a highly competitive business by all members of the Management and Staff. We are also ever mindful of the loyal support which the Retail Societies give to their own Insurance Society.

I am very happy to have had the opportunity of being associated for many years with an organisation which is surely a credit to the Co-operative Movement. I am confident that the Society's success will continue under the Chairmanship of Mr A. Wild, whom the Board have appointed to succeed me. Mr A. Wild was first elected to the C.I.S. Board in 1944.

The Report and Accounts were adopted.

EQUITY & LAW

LIFE ASSURANCE SOCIETY LIMITED

EXCELLENT OUTCOME OF TRIENNIAL VALUATION

A FIRST-CLASS ORGANISATION IN A HIGHLY COMPETITIVE INDUSTRY

MR G. GODFREY PHILLIPS ON BOARD'S INVESTMENT POLICY

The Annual General Meeting of Equity & Law Life Assurance Society, Ltd., will be held on May 2, 1962, at 29, Lincoln's Inn Fields, London, W.C.

The following is the statement by the chairman, **Mr G. Godfrey Phillips, CBE,** circulated with the report and accounts:

A number of changes have taken place in the Board of the Society since our last Annual General Meeting. In April 1961 Mr Gerald Russell resigned, and it was with sadness that we learned of his death on March 3rd this year. Gerald Russell had been a Director since 1951, and I wish to record our appreciation of his services to the Society during the ten years that he was with us.

Some little time ago our senior Director, Mr Owen J. Humbert, who joined the Board in 1937, mentioned to us his desire to retire at the end of 1961; we accepted his decision with regret, and I express here our warm regard for him and our sincere thanks for the long and able service which he gave to the Society.

As is known, our traditions embodied in our Articles of Association require us to preserve a nice balance on the Board between lawyers and laymen. Recently we have appointed Mr John Witt and Mr W. D. Macpherson, both of whom are solicitors, and also Mr J. F. Crittall, an industrialist, to seats on the Board. We were delighted that these three gentlemen agreed to join us and we are well satisfied that they will help greatly in the direction of our affairs.

I do not propose to devote much of this statement to the events of the year 1961, but rather to deal with the triennium 1959-1961, leading up to the valuation made as at December 31, 1961. It has been an excellent triennium.

NEW BUSINESS

The first year of the triennium—1959—showed a quite dramatic increase in gross new individual life assurance business, nearly £21m. as compared with just over £12m. in the last year of the preceding triennium. If we include group business and deduct reassurances, the total new life assurance business written during the triennium 1959-1961 amounted to £107m. as compared with £59m. written during the preceding triennium. I draw attention to these figures to emphasise the Society's expansion.

BONUS DECLARATION

We are well pleased with the results of the triennial valuation and the bonus declaration of "60s. and upwards" on with-profit life assurance policies, 37s. 6d. on with-profit personal pension contracts, and 80s. on Equity Pension Schemes. The Society's with-profit policies do indeed provide "outstanding value in life assurance," and I think that the following table is of interest:

ENDOWMENT ASSURANCES WITH PROFITS

Annual Premium £100
Policies Maturing in 1962

Policy Effected	Age at Entry	Sum Assured	Bonus	Maturity Value
		£	£	£
1927	27	3,458	3,352	6,810
1937	30	2,510	1,675	4,185
1947	40	1,340	796	2,136

Whole-life with-profit policies also show outstanding results.

For 1962 we are continuing our interim bonus on with-profit life assurance policies at the same high rate of "56s. and upwards" as we have been paying for the last three years; interim rates on with-profit personal pension policies and with-profit group pension policies will also remain unchanged at £1 15s. 0d. and £3 15s. 0d. per annum respectively.

LIABILITIES

A summary of the Actuarial Basis used in the valuation of liabilities is given on page 15 of the Report & Accounts. Certain changes have been made in the basis used on the occasion of the last triennial valuation as at December 31, 1958, principally by the use of higher rates of interest. The valuation basis used in 1958 had in one important respect remained unchanged for twelve years, namely, the rate of interest employed in the valuation of ordinary life assurance policies, which was put into force as at December 31, 1946, when 2½ per cent Consols yielded fractionally over 2½ per cent and when the gross yield on the Society's funds was 4¼ per cent; 2½ per cent Consols now yield over 6 per cent and the gross yield on the Society's funds last year was 7½ per cent. The continuation of the valuation basis unchanged would have caused an undue withholding of surplus from the current generation of policyholders. The bonus now declared was earned during the triennium 1959—1961 and the reserves released due to the change in the actuarial valuation basis attributable to the period prior to 1959 have been used to increase the carry forward.

ASSETS

During the triennium the Society's funds increased by £33m. and the following items extracted from the Balance Sheets indicate in very broad terms the investment policy pursued:

	31st December, 1958 £ millions	1961 £ millions
Mortgages and Loans (including Loans on Society's Policies)	4·5	5·8
British Government and British Government Guaranteed Securities	8·7	22·0
Debentures and Debenture Stocks	9·3	12·5
Ordinary Stocks and Shares	22·6	32·6
Property Investments	3·6	7·9

It must be remembered, of course, that the three years in question were, from the point of view of investment policy, far from homogeneous. The year 1959 saw an increase from 225 to 338 in "The Financial Times" Index for ordinary shares, whereas the years 1960 and 1961 saw that Index fluctuate between 285 and 366. The triennium finished with uncertainty surrounding profit margins in industry and the entry of this country into the European Common Market. While in my view this is an aim to be pursued with determination not only for its vital importance to the United Kingdom but also to the Commonwealth as a whole it is difficult to see it being accomplished without a period of acute change for British industry.

In my statement of two years ago I mentioned the investment of a modest portion of our funds in equities overseas—principally in the U.S.A., Canada and Australia—we have continued this policy over the last two years.

The Report & Accounts show that the rate of interest earned on the funds continued to increase and—as indicated earlier—reached the very high figure of £7 10s. 4d. per cent. How long increases will continue one hardly likes to conjecture; we expect a windfall during 1962 in the way of a special dividend from our subsidiary, The Law Reversionary Interest Society Limited, but apart from this I think that we are hardly likely during the current year to receive increased dividends from our portfolio of ordinary shares sufficient to increase still further the gross rate of interest earned. The other important factor is, of course, the rate of interest at which we are able to invest the growth of our funds.

The margin by which the market values of our assets exceeded their Balance Sheet values at the end of last year was greater than at the end of any previous year excepting only 1959. This excess is concentrated almost wholly in the item "Ordinary Stocks and Shares." I would stress that too much importance should not be placed upon market values, which naturally tend to fluctuate.

CAPITAL AND DIVIDEND

I only propose to deal briefly in this statement with our intention to call the unpaid capital—11s. 6d. per £1 share—and thereafter to split the shares into four shares of 5s. each fully paid. This is explained fully in the relevant circular. The only comment I would make is that we are calling up this sum and not paying it up since it would not be proper—nor do our Articles permit it—to use the reserves of the Life Assurance & Annuity Fund for this purpose; in other words, any such sum would have had to be paid up out of the Proprietors' Fund, which would not have been sufficient for the purpose unless we had been prepared to deprive Proprietors of any but a minute dividend for the forthcoming triennium. The dividend recommended in the Directors' Report—5s. 4d. per £1 share net of Income Tax at the standard rate—is based on the assumption that the necessary Resolutions enabling us to call up the capital will, in fact, be passed; the £575,000 called up will be credited with interest in the Proprietors' Fund Account once it has been paid, and we estimate that this interest will provide a net dividend of about 5d. per £1 share; this has been included in the 5s. 4d. recommended. The recommended dividend, if continued for the second and third years of the current triennium, will mean full distribution of the amount now transferred to the Proprietors' Fund and also the interest which we expect to be credited to that Fund for the current triennium.

PENSIONS BUSINESS

The triennium has seen a landmark in the development of pensions business, namely the entry by the Government into the field of graduated pension schemes through the coming into force of the National Insurance Act, 1959. We have been much occupied with the results of this Act, making the necessary arrangements for "contracting out" where desired, and I believe that we have given service second to none in this respect. The Act stimulated general interest and we would urge all employers who have not already pension schemes in force to consider installing them; we have already urged those who have schemes in force to consider whether they are substantial enough and whether or not they require bringing up to date. Our pensions business has grown steadily and we expect it to continue to expand. We offer excellent contracts and we are in a strong position to give most efficient and knowledgeable service.

OUTLOOK

Life assurance has always been a competitive industry—it has become highly competitive. We start our new triennium with a first-class agency organisation spread throughout the country, backed by an active organisation of Branch Managers and Inspectors, and they in turn are backed by our Head Office staff. We believe that not only do we offer outstanding life assurance and annuity contracts, but also that we are able to give first-class service and advice. During the last triennium we paid particular attention to the training of staff, including the training of Inspectors in the more difficult problems which they are liable to face.

STAFF

As usual, I close with a word of thanks to the staff for their work, not only during the last year but during the whole triennium. The running of a life assurance office is a complex and responsible operation in its many aspects. Your Society is admirably served throughout and I want to record here the Board's most genuine appreciation of the way in which the staff carry out their work. At the end of a successful triennium I would wish to say a special word of thanks to the General Manager, Mr R. J. Kirton, and to my colleagues on the Board who watch over our affairs with comment and criticism which help and stimulate.

CORNHILL INSURANCE CO. LTD.

CONTINUED GROWTH AND PROSPERITY

ASSETS EXCEED £12M.

The annual general meeting of the Cornhill Insurance Co., Ltd., will be held on May 3rd in London.

The following is the statement by **Sir William Christie, KCIE, CSI, MC,** the Chairman, which has been circulated with the report and accounts.

I am glad to report that the expansion of our business continues. In 1961 the growth of premium income was £770,162 and of investment income £65,477. Total assets reached £12,819,148. The principal items of the accounts for the last three years appear in the following table:

	1959	1960	1961
	£	£	£
Premium Income	6,583,884	7,261,548	8,031,710
Underwriting Profit	303,073	121,506	420,735
Investment Income	305,578	476,266	541,743
Surplus after Taxation	373,651	312,772	464,978
Dividend (net)	122,500	122,500	122,500

The last item reflects your Directors' recommendation of a final dividend of 2s. a share, making a total dividend for the year of 4s. a share.

As will be seen from the detailed figures below, underwriting results were excellent. Partly this was the outcome of improved claims experience, partly of a lightening of the expense factor which runs through all the revenue accounts. For some years the management has devoted particular attention to the costs of administration. Major departments have been re-sited and office processes re-grouped to advantage; repetitive human processes have been minimised and controls and routines simplified; paper work attendant upon the changing requirements of policy holders has been abbreviated and documentation speeded up. In consequence of these measures the ratio of management expense to the worldwide fire and accident premium income has fallen to the lowest level for the past six years. The process is not at an end and we hope to bring costs down still further in the future.

The underwriting results are as follows:

ACCIDENT DEPARTMENT

	Premiums £	Profit £	
1961 ...	5,100,983	282,976	5·5
1960 ...	4,161,339	51,791	1·2
1959 ...	3,970,928	173,622	4·4

Two-thirds of the total accident premiums are for motor insurance business in this country and the results of this major section were profitable. We feel sure this gratifying result, the best for some years, is a reflection of our emphasis upon underwriting by reference to the individual records and characteristics of drivers rather than to broad categories and classes of vehicles and areas. We work on the principle that discrimination by loaded rates and other penalties, against the driver with an impaired record, should be matched by factors which afford positive and substantial recognition to the policyholder whose experience is lengthy and whose record is consistently good—hence the Cornhill Plan of 1957 which first introduced a no-claim bonus scale under which discounts rising to 50 per cent were allowed for the driver with the long claim-free record.

Automobile insurance overseas still presents many problems and resulted in an underwriting loss. This matter is engaging our close attention. The remaining sections of the account embracing public liability, engineering and miscellaneous accident business at home and abroad all continued to grow and made useful contributions to the final underwriting profit.

FIRE DEPARTMENT

	Premiums £	Profit £	
1961 ...	2,354,068	102,750	4·4
1960 ...	2,255,096	49,715	2·2
1959 ...	2,072,360	114,451	5·5

Fire department business nowadays extends to every kind of property damage and a very wide variety of contingencies. The range includes hazards of nature which are making a heavy impact on underwriting accounts, and the effects of these and of the great concentrations of value exposed to fire wastage are creating new problems.

MARINE AND AVIATION DEPARTMENT

	Premiums £	Marine Fund at 31st Dec. £	Percentage of Premiums
1961	575,759	979,219	170·0
1960	543,113	978,761	179·0
1959	541,996	941,944	173·9

The volume of business was slightly larger but the underwriting indications of the past year suggest some deterioration compared to the reasonably favourable outcome of the 1959 account from which £35,000 has been transferred to Profit and Loss account.

Profit and Loss Account: Underwriting transfers amount to £420,735 and after adding investment income of £541,743 there is a surplus of £962,478 before taxation. The provision for income tax takes £497,500, leaving £464,978 available. We have transferred a further £250,000 to general reserve and it is notable that, notwithstanding the considerable growth of premium in recent year, our constant transfers to general reserve have maintained the Company's reserve strength at the customary high level. We have also transferred £50,000 to pensions reserve and after allowing for the dividends to shareholders, the balance carried forward will be £354,349.

Mr D. C. Cann joined the Board during the year and his wide experience is proving of the greatest assistance. You will be asked to confirm his appointment at the annual meeting.

No review would be complete without offering our warmest thanks to the management and officials of the Company everywhere. In reporting on a year when the return from underwriting and the aggregate profit is so substantially greater than anything previously achieved, it is my privilege to acknowledge how well the Company has been served at all levels. I must also offer our warmest thanks to our agents all over the world.

SHELL

THE "SHELL" TRANSPORT AND TRADING COMPANY, LIMITED

"Oil—by far the largest commodity in international trade"

In 1961 Royal Dutch/Shell Group sales exceeded 1,000,000,000 barrels for the first time

OUTLOOK FOR OIL: 'In 1962 and after, the growth of demand for oil should be well maintained', says Mr. F. J. Stephens, Chairman of The "Shell" Transport and Trading Company, Limited, in his Statement in the company's Annual Report for 1961. 'Looking ahead as far as 1975, the prospects for a continued rise in the overall demand for energy are good.'

If living standards are to be raised, the rate of economic expansion will have to be not only sustained, but accelerated in many countries, requiring abundant supplies of energy.

Meeting the increased needs will involve virtually doubling the present rate of oil supply by 1975. Nuclear power's contribution to the ever-increasing demand for energy will still be relatively small; nuclear and hydro-electric power together are not expected to provide more than about 8% of the total need. The volume of coal's contribution is expected to rise slightly, but the major responsibility, as it has in the past decade, will again fall on oil and natural gas.

The prices at which oil products are delivered are an important factor in stimulating and expanding demand. Competition in the oil industry is intense; this has a direct effect on price, quality and service, and leads to a continuous drive to reduce costs by improving the efficiency of operations.

'There is no likelihood that the present potential surplus of oil will disappear in the immediate future,' says Mr. Stephens, 'but since demand continues to be buoyant there is hope that restoration of a better balance between supply and demand may not be unduly delayed.'

INVESTMENT

The investments of "Shell" Transport and Trading (40%) and Royal Dutch Petroleum Company (60%) in the Group increased to £2,250,000,000, the return on which was approximately 8½% or the same as in 1960.

FIXED ASSETS

The gross value of Group property, plant and equipment—in production equipment and installations, refining and chemical plants, tankers, pipelines, marketing facilities, etc.—was £3,365,000,000 at the end of 1961.

SALES

For the first time, Royal Dutch Shell Group companies' sales of oil exceeded 1,000,000,000 barrels, representing an increase of 6% over 1960. In addition, sales of chemicals amounted to nearly 3,500,000 tons.

Total sales proceeds and operating income was £2,790,000,000, of which £783,000,000 —or over 28%—was absorbed by sales taxes and customs and excise duties.

OPERATING EXPENSES

These increased to £1,521,000,000, but at a lower rate than the increase in sales volume, a reflection of the continued drive for increased efficiency and productivity in all companies of the Royal Dutch Shell Group.

"SHELL" TRANSPORT AND TRADING		1955	1957	1959	1961
Equity (40%) in Group net income	£ million	67	98	70	75
Dividends paid on Ordinary Shares	£ million	12	16	23	28
Cash dividends*	per Ordinary Share	7½d	9d	1s 0d	1s 3d
Number of issued Ordinary Shares at year end	millions	65	82	96	460
Number of registered Ordinary Shareholders at year end	thousands	147	164	208	251

** Adjusted for the share distributions in 1956 and 1961 and for the division of £1 shares into 5s 0d shares in 1961. Cash dividends are declared free of U.K. income tax.*

CAPITAL EXPENDITURES

During the last five years, these have totalled almost £2,000,000,000. They are being subjected to the same degree of rigorous control as are operating expenses, and capital expenditures in 1961 were lower than in any of the preceding four years.

NET INCOME

The Group net income for the year was £187,011,000, of which about 38% has been distributed as dividends to the parent companies, "Shell" Transport and Trading and Royal Dutch. The balance has been retained to provide for further expansion and development.

Copies of the Annual Report, and of the accompanying "Shell Review 1961", can be obtained from The "Shell" Transport and Trading Company, Limited, Shell Centre, London, S.E.1.

AMALGAMATED ROADSTONE CORPORATION

reports a highly successful year's trading

MR W. H. GATTY SAUNT'S STATEMENT

The 26th annual general meeting of Amalgamated Roadstone Corporation Limited was held on April 9th at 15, Stanhope Gate, London, W.1, Mr W. H. Gatty Saunt (chairman and joint managing director) presiding.

The following is his statement which had been circulated with the report and accounts:

The Consolidated Accounts for the year ended October 31, 1961, show that Operating Profits and Investment Income were £1,407,323 compared with £1,196,733 in the previous year and Net Profit (subject to Taxation) £945,819 compared with £787,846. The balance of available profits for the year after taxation and minority interests amounted to £568,294 compared with £464,806 the previous year. In round figures, therefore, Operating Profits and Income were up by £210,000 (17½ per cent), Profits subject only to Taxation by £158,000 (20 per cent) and Net Profits after Tax by £103,000 (22 per cent). In addition, Capital Profits realised during the year amounted to £24,540.

Operating Profits included approximately £15,000 contributed by two of the new acquisitions effected during the year, one for nine months and the other for only three months.

The Investment Income comprised nearly £41,000 dividends on our holding in the Kenya Company, to which we referred in our letter to Shareholders of August 28, 1961, circulated with the Directors' Annual Report of that Company.

You will note that Depreciation and Amortisation amounting to £367,639 is £43,524 higher than last year's provision. This results from the year's substantial Capital Expenditure, a considerable proportion of which had not become productive in the year under review and which, indeed, to a large extent, cannot until the latter part of the current year.

After placing to Capital Reserve £6,000 and providing for the net cost of Preference Dividends £60,000 and Ordinary Dividends £230,000, there remain Undistributed Net Profits of the year of £272,000 which means that the Ordinary Dividend is covered more than twice.

CAPITAL EXPENDITURE

Capital Expenditure during the year amounted to over £1,250,000 of which approximately half was financed by the cash flow, namely, Depreciation and Undistributed Profits. Consequently, having begun the year with a cash balance of just over £170,000, we finished the year with a net Overdraft of nearly £400,000.

Of this Capital Expenditure £600,000 was incurred in additions and improvements to existing properties and plant, £286,000 on the purchase of new ships, one delivered in February and another in October, and an initial deposit on another contracted for completion in 1963, and £350,000 (plus a further £50,000 payable by deferred instalments over a period of up to seven years) on new acquisitions.

NEW ACQUISITIONS

Of the latter, one is a leasehold quarry in Montgomeryshire adjacent to one of our most valuable quarries, for which it provides important additional reserves of stone. Another is the whole of the Issued Share Capital of Yorkshire Granite Limited owning and operating quarries in the West Riding; an old-established concern in one of the few areas in which we have not hitherto been active. The third comprises the whole of the Issued Share Capitals of a group of three small Companies now operating at a new factory recently constructed on our own quarry property at Borough Green in Kent, for the manufacture of fluidized bed-drying equipment and ancillary plant marketed under the name "Fluostatic."

The application of the fluidized bed to sands and stones is mainly that of drying and cleaning or classifying. The advantages of this fully automatic system are very low fuel consumption, low maintenance costs, cleanliness of application and ease of control. Materials up to ¼in. can be treated and moisture contents can be reduced from more than 30 per cent to less than 0.1 per cent. Many such plants supplied by this new subsidiary of ours are successfully operating throughout the country drying a variety of materials in a number of industries.

This venture in the manufacture of equipment of great interest to our basic business of producing and treating stone is therefore also of much wider application and is by no means our first venture in what is nowadays so often called diversification.

BULKER TRANSPORTER

Some years ago, arising out of our own considerable consumption of cement in the manufacture of precast concrete with our own stone aggregates, we became interested in the development of what has come to be known as a Bulker Transporter, namely, a pressurised tank which can be fitted to road or rail vehicles for the transport and handling of cement and other dry powders in bulk.

The development of this equipment involved certain patents, one of which has been in dispute for several years. The matter has now been settled on royalty terms which give us the sole and exclusive licence to operate the patent at home and abroad. This is the explanation of £41,542 "Provision for Royalties and Expenses relating to Previous Years" deducted from Undistributed Profits carried forward at the end of the previous year.

As usual, our Consolidated Accounts ignore the earnings attributable to our 45 per cent interest in the Share Capital of British Standard Portland Cement Co. Ltd. of Kenya, except to the extent of dividends of approximately £41,000 above referred to, which were a very small proportion of that Company's profits.

In last year's Statement I was able to tell you that our proportion of this Kenya Company's profits for the year ended October 31, 1960, amounted to £248,000. We have not yet received that Company's draft accounts for the year ended October 31, 1961, but we do know that although tonnage exceeded by about 10 per cent that of the previous year, trading profits appear to be somewhat down. Shipment from the Works at Mombasa to Dar-es-Salaam and other Indian Ocean Ports of an increasing proportion of the output offsets the inevitable reduction of Kenya demand under present conditions.

The Kenya Directors' Report for the year to October 31, 1961, will, as usual, be circulated to Shareholders as soon as available.

CONTINUED EXPANSION IN CURRENT YEAR

As regards our own Company's current year, sales for the first four months November to February are again up on the previous year in spite of adverse weather conditions experienced since Christmas. Prospects for the rest of this year and indeed for the foreseeable future are good.

We have again, following our practice since 1955, obtained professional valuations of Fixed Assets which compare with book values as follows:

	Balance Sheet £	*Valuation* £
Freehold and Leasehold Property	1,339,000	2,200,000
Fixed Plant and Machinery	2,277,000	4,246,000
Loose and Mobile Equipment	483,000	1,436,000
Ships (including payment on account of new ships)	1,281,000	1,610,000

In conclusion, our thanks are due to the executives, staff and workmen throughout our Corporation whose excellent work and loyal co-operation have produced the satisfactory results now before us.

The report and accounts were adopted.

Amalgamated Roadstone Corporation Limited

Quarry Owners, Manufacturers of Roadmaking Materials, Concrete Aggregates, Tarmacadam, Asphalt, Paving Slabs and Kerbs, Producers of Agricultural Lime and Limestone.

SIEMENS

Approaching 5 Thousand Million DM

With its 230,000 employees, the Siemens Organization is the largest private business enterprise in West Germany and West Berlin. Founded 115 years ago, it is active in practically all branches of electrical engineering. Its production spectrum extends from microminiature semiconductor devices to giant power stations. Over 10,000 employees are engaged in research & development work alone. Often passed down from generation to generation, the experience and knowhow of a highly qualified staff of engineers and technicians have established for the products of the Siemens Organization a worldwide reputation for superior reliability.

The turnover of the Siemens Organization has risen from a thousand million DM in 1951 to four thousand million DM in 1960 and 4.8 thousand million DM in 1961. Exports rose by about 12% above last year's figure to over a thousand million DM.

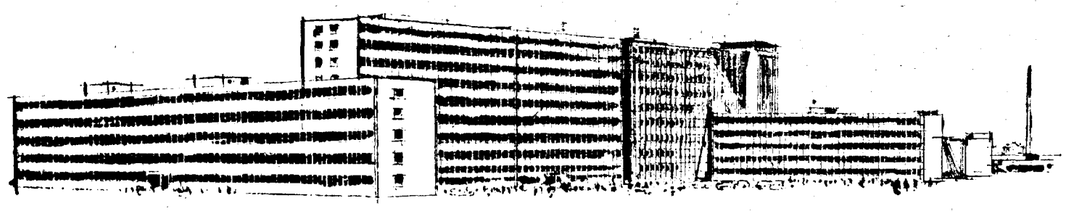
For the fiscal year 1960/61, the Siemens & Halske AG declared a dividend of 16% on a capital stock of DM 520 million. The capital stock is to be increased by DM 104 million, issued at 100%, to DM 624 million.

The Siemens Organization has agencies and representatives in 79 countries in all parts of the world. At all branches the services of a staff of technical consultants are always available to customers.

Summarized Consolidated Balance Sheet of the Siemens Organization as of September 30, 1961 (in DM million)

Assets	30. 9. 61	30. 9. 60
Fixed Assets	874	679
Investments	133	116
Total Fixed Assets and Investments	1,007	795
Inventories (including Communications Equipment Leased to Customers)	1,393	1,052
Accounts Receivable from Customers	807	720
Other Receivables	406	337
Cash and Other Liquid Funds and Marketable Securities	451	504
Total Current Assets	3,057	2,613
	4,064	3,408

Liabilities	30. 9. 61	30. 9. 60
Capital Stock	520	510
Surplus	653	495
Minority Interests	7	6
Total Stockholders' Equity	1,180	1,011
Reserves for Pensions	498	444
Other Specific Reserves	647	539
Loans and Bank Credits	506	428
Customers' Down-Payments	655	479
Accounts Payable	184	159
Other Liabilities	309	264
Total Liabilities	2,799	2,313
Net Income S & H	85	84
	4,064	3,408



The Communications Research Laboratory of the Siemens & Halske AG in München has a staff of over 3,000; in Erlangen the Siemens-Schuckertwerke AG is at present building a large new research center.

Some of the companies belonging to the Siemens Organization are the following:

Siemens & Halske AG
(All branches of communications technology, including data processing and telemetry, electrical signaling)

Siemens-Schuckertwerke AG
(All branches of power engineering)

Siemens-Electrogeräte AG
(Electrical household appliances, radio and tv sets)

Siemens-Reiniger-Werke AG
(Medical electronic equipment)

Deutsche Grammophon GmbH
(Phonographs and records)

Siemens-Planiawerke AG
(Graphite electrodes, carbon products for electrothermal and chemical industries)

Vacuumschmelze AG
(Production and processing of special alloys)

Siemens-Bauunion GmbH
(Civil engineering)

Constructa-Werke GmbH
(Full-automatic washing machines)

REA BROTHERS LIMITED

ANOTHER YEAR OF MARKED PROGRESS

CAPITAL INCREASE AND SCRIP ISSUE APPROVED

The fortieth Annual General Meeting of Rea Brothers Limited was held on April 5th in London.

Mr Walter H. Salomon (chairman and managing director) presided and, in the course of his speech, said:

Again I am glad to say that I think you will consider our results for the year to December 31, 1961, satisfactory. The profit for the year before taxation, but after making a transfer to inner reserves, was £274,527, which is nearly a 50 per cent increase over the corresponding figure for the year ended December 31, 1960. After taxation the profit was £113,774, which compares with £84,550 for the previous year.

A NOTE OF CAUTION

As three months of the current year have already passed, I can tell you that the growth of your company is continuing, and, given favourable economic conditions, we have every hope that we will be able to present to you next year a report no less favourable. However, I would like to add a word of caution. We as Directors are not directly concerned with the Stock Exchange price of the shares. We can only do our best to produce good results. We are, however, concerned if in anticipation some investors buy the shares and the price reaches a level at which it will be difficult for your Directors to live up to their expectations.

SCRIP ISSUE PROPOSALS

The purpose of the Extraordinary General Meeting, which is to follow this Meeting, is to pass Resolutions to increase the Authorised Capital of the Company from £1,000,000 to £1,500,000 and by capitalisation of reserves to increase the Issued Capital to £1,025,000 on the basis of one new 'A' or 'B' Ordinary Share for each two 'A' or 'B' Ordinary Shares respectively on the Register at the close of business on March 12th. I feel sure that these proposals will meet with your approval.

GENERAL OBSERVATIONS

Last year I asked for your indulgence and to allow me to make some general observations which I feel are of interest not only to you but to the public in general. I should like to be permitted to do so again this year, and to start where in this respect I left off in my last review. Some progress has been made in helping our export industry during the last year, but I deliberately say only some, because there is still a lot to be done if in the long run we want our goods to be competitive in world markets.

I wonder whether our educational authorities could not perhaps be encouraged to change part of the curriculum in schools and to put more emphasis on live languages than has been done hitherto. After all, times have changed and it is not only necessary to educate people to be good administrators in countries where English is, or was, the predominant language, but also it is now necessary to meet the fiercest competition from countries, some of which consider the teaching of languages in their schools as one of their prime responsibilities.

TAXATION SYSTEM COMPLETELY ARCHAIC

Having said this, I want to switch to another subject which is also closely linked with the stability of the pound sterling. In my remarks last year I said that one thing is necessary above all—a new respect for money and the ethical principles associated with economic and monetary policies. I said that without the Government giving a substantial lead in this respect the position of the pound sterling in the long run can only cause deep concern. The continuation of reckless and uncontrolled Government spending during the period under review can only cause the gravest anxiety, and the more people raise their voices in protest the better. The growth of our national economy is of paramount importance, but with close to 40 per cent of the gross national product being taken away in taxation of one form or another, to save sufficient for equipping industry with the necessary tools is almost impossible. To take approximately 40 per cent can no longer be considered as taxation—it amounts almost to confiscation. So far as taxation is concerned, there is no doubt that our system is completely archaic. A complete and radical change of our taxation system is absolutely necessary. Today it penalises those who are thrifty and who want to work, and this can certainly not produce the sense of purpose which is necessary to create a thriving growth economy.

The report and accounts were adopted.

At the subsequent Extraordinary General Meeting the proposed increase of capital and scrip issue were approved

GRAND HOTELS (Mayfair) LIMITED

Summary of Mr. Maxwell Joseph's review

Year ended 30th September	1961	1960	1959	1958
	£	£	£	£
Issued Ordinary Capital	767,750	511,833	511,833	400,000
Group Net Assets	2,296,255	1,735,070	835,846	469,108
Net Trading Profit	511,483	431,717	303,904	126,331
Taxation	304,896	207,966	171,766	74,029
Dividends (Net)	105,806	86,211	61,189	30,250

continuing expansion

Results have fully justified your Board's policy of concentrating on medium-class hotels offering modern amenities at competitive rates. Demand for this type of accommodation has been well maintained. Despite the tendency of the tourist season to lengthen, the majority of guests in your hotels are business visitors from this country and abroad. Increased banqueting business and the letting of office and residential accommodation make a very useful contribution to profits. Considerable renewals are ensuring that your hotels remain in first class repair and your Board is continuing its policy of expansion. The extension at the Green Park Hotel is completed and the extensions to the Clifton-Ford and Mandeville Hotels are expected to open later this year. Six smaller banqueting rooms and further restaurant facilities are being added to St. Ermin's Hotel, Flemings and Green Park Hotels.

The merger between your Company and Eglinton Hotels (Scotland) Limited has been successfully concluded. The Eglinton properties, mostly in Scotland, are all freeholds. In January of this year, the Grosvenor Court Hotel in Davies Street, W.1, having nearly 100 bedrooms with private bathrooms, was acquired.

300-room building project

Reports have appeared of proposals to build numbers of new hotels in London. Some are planned by property companies lacking experience of hotel management, others are to be leased to foreign companies lacking local knowledge. I see a danger of their pricing themselves out of the market with a consequent loss of tourist business. After taking all factors into account your Board is considering erecting a new 300-room hotel with large banquet facilities. We are convinced that this hotel will be profitable while offering reasonable prices.

Mount Royal merger

Details of the proposed merger of your Company and Mount Royal Limited have been published. If the offer becomes unconditional, the dividend receivable by Grand Hotels Ordinary Shareholders would be the equivalent of 25 per cent (less tax) compared with 22½ per cent (less tax) paid in respect of the year ended September 30, 1961.

The merger of the two companies will result in the formation of one of the larger Hotel Groups in this country and will place it in a strong position to achieve further expansion both in the hotel and allied fields. The combined Group can accommodate over 4,000 persons nightly and its 47 banqueting rooms provide excellent facilities for conferences and other functions.

the group interests

LONDON
THE LONDONER HOTEL
STRATFORD COURT HOTEL
MANDEVILLE HOTEL
FLEMINGS HOTEL
GROSVENOR COURT HOTEL
MERMAIDEN RESTAURANT
ST. ERMIN'S HOTEL
THE MOSTYN HOTEL
CLIFTONFORD HOTEL
GREEN PARK HOTEL
WASHINGTON HOTEL
MANETTAS RESTAURANT
PASTORIA HOTEL & RESTAURANT
BEVERLEY COURT

EDINBURGH
GEORGE HOTEL
PALACE HOTEL
THE PEPPERCORN RESTAURANT
ROYAL BRITISH HOTEL
THE CAFE ROYAL
GEORGE GIBSON & SON

NORTH BERWICK
MARINE HOTEL
ROYAL HOTEL

NAIRN
GOLF VIEW HOTEL

THE UNITED STATES DEBENTURE CORPORATION

The annual Ordinary General Meeting of The United States Debenture Corporation Limited was held on April 4th in London, **Mr Ion H. T. Garnett-Orme** (the chairman) presiding.

The following is an extract from the Directors' Report:

The Corporation's ordinary revenue for the year increased from £907,197 to £936,720 and the net amount brought into the appropriation account from £483,441 to £506,995. The increase in the net revenue may be considered satisfactory, particularly as the rate of Profits Tax was increased in the last Budget.

The maintained dividend of 12 per cent recommended for the year would represent a distribution of 86 per cent of net available income in comparison with 87 per cent last year, leaving an undistributed balance amounting to £72,511 to be carried forward. In addition, a net sum of £31,612 in respect of additional Double Taxation Relief is being added to the carry forward, making the total retained profits £104,123, which is the largest amount we have ever put to reserve in any one year, and is the equivalent of a dividend of 3 per cent gross on the ordinary capital of the Corporation. We therefore feel that we start the current year with a reasonable margin in hand.

Towards the end of 1961, we reduced certain of our holdings in American Banks and Electric Utilities, and repatriated part of the proceeds of these sales to the extent of approximately £500,000. Nevertheless, the proportion of our dollar investments at market is now rather higher than last year.

The effective overall yield on our portfolio, allowing for both Double Taxation Relief and the effect of Profits Tax, is now 4.2 per cent against a yield of 5.1 per cent on the Financial Times index of Industrial Ordinary Shares. This is because the effective yield on our dollar holdings is relatively low which provides scope for increasing our income should we think this desirable.

The report was adopted.

ROYAL DUTCH PETROLEUM COMPANY

(N.V. Koninklijke Nederlandsche Petroleum Maatschappij)

established at The Hague, The Netherlands

ANNUAL GENERAL MEETING OF SHAREHOLDERS

to be held on Thursday, May 3, 1962, at 11 a.m. at the Company's office at The Hague, the Netherlands (entrance: 23, Carel van Bylandtlaan)

AGENDA

1. Appointment of a Director.
2. Appointment of a Director owing to retirement by rotation.
3. Annual Report for 1961.
4. Approval of the Balance Sheet and the Profit & Loss Account for 1961 and declaration of dividend for 1961.

This agenda, the nominations relating to items 1 and 2 of the agenda, the documents named under items 3 and 4 of the agenda with relevant notes in accordance with Article 42 of the Netherlands Commercial Code, and with the proposals submitted by the Board of Directors, together with the proposals referred to under item 4 of the agenda, will be available for inspection from today until after the Meeting, and may be obtained by shareholders free of charge

at the Company's office

30, Carel van Bylandtlaan, The Hague, and at the offices specified below.

In order to attend and address the Meeting and to exercise voting rights thereat in person or by proxy:

(A) Holders of share certificates to bearer will be required to deposit against receipt

either their share certificates

or evidence that their share certificates have been deposited in open custody with De Nederlandsche Bank,

not later than Friday, April 27, 1962, at one of the places mentioned below, viz.:

IN THE NETHERLANDS at Nederlandsche Handel-Maatschappij, N.V., Amsterdam
Kas-Associatie N.V., Amsterdam
Amsterdamsche Bank N.V., Amsterdam
Banque de Paris et des Pays-Bas, Amsterdam
Messrs. Hope & Co., Amsterdam
Messrs. Pierson, Heldring & Pierson, Amsterdam
Rotterdamsche Bank N.V., Amsterdam
Twentsche Bank N.V., Amsterdam
at Messrs. Schilf & Capadose, The Hague
Messrs. Pierson, Heldring & Pierson, The Hague
at Messrs. Van der Hoop, Offers & Zoon, Rotterdam
Messrs. R. Mees & Zoonen, Rotterdam
at the branches and sub-branches of these banking houses in the Netherlands;

IN THE UNITED STATES OF AMERICA at The Chase Manhattan Bank, New York;

IN THE UNITED KINGDOM at Messrs. N. M. Rothschild & Sons, London;

IN FRANCE at MM. Lazard Frères & Cie., Paris;

IN SWITZERLAND at Crédit Suisse, Zürich;

IN BELGIUM at Banque de la Société Générale de Belgique, Brussels, and Crédit Lyonnais, Brussels;

IN GERMANY at Deutsche Bank A.G. and Dresdner Bank A.G., Frankfurt-Main, Düsseldorf, Hamburg and Munich;
at Saarländische Kreditbank A.G. and Dresdner Bank A.G., Saarbrücken;
at Berliner Disconto Bank A.G. and Bank für Handel und Industrie A.G., West Berlin;

and

(B) Registered holders of registered shares must make known to the Company in writing their desire to attend and address the Meeting and to exercise voting rights thereat by not later than Thursday, April 26, 1962: (1) with respect to shares of New York registry, at the office of The Chase Manhattan Bank, Corporate Agency Department, 80, Pine Street, New York 15, New York; (2) with respect to shares of Amsterdam registry, at Nederlandsche Handel-Maatschappij, N.V., Amsterdam; and (3) with respect to all other registered shares, at the office of the Company in The Hague or at any of the offices listed in Paragraph A above.

THE BOARD OF DIRECTORS

April 11th, 1962.

SCOTTISH AMICABLE LIFE ASSURANCE SOCIETY

ANOTHER RECORD YEAR

TOTAL FUNDS APPROACHING £96,000,000

The one hundred and thirty-sixth Annual General Meeting of the Scottish Amicable Life Assurance Society was held in Glasgow on April 11th, **Mr C. J. Y. Dallmeyer, DSO, TD, WS** (Chairman of the Ordinary Directors) presiding.

In moving the adoption of the Report and Accounts, the Chairman said that 1961 had been another very successful year for the Society. New individual assurances had been issued for net new sums assured of £22,600,000—a figure which exceeded that for the previous year by more than £4,000,000. In addition, new group pension and life assurance schemes had provided initial sums assured of almost £3,700,000 together with pension benefits of £720,000 per annum. The corresponding new annual premiums amounted in all to £1,029,000—while single premiums and considerations for annuities represented a further £860,000. Almost £A4,000,000 of new sums assured had been secured in Australia—a feat of no mean order in the second year of the Society's operations there. This early justification of the decision to enter the Life Assurance field in Australia was most encouraging.

CONTINUED EXPANSION

The Society's premium income had increased last year by £850,000 to a total of rather more than £13,000,000. It was a remarkable reflection of the Society's expansion that the premium revenue had doubled within so short a period as the past six years. Within this same period, the total Funds had more than doubled—rising from £44,500,000 to almost £95,900,000—and last year's increase of £11,400,000 had created another new record. Fully one-half of the Society's premium income now arose under Group Pension and Life Assurance Schemes and the rapid growth in the Funds was due in no small measure to the sums entrusted to the Society by so many firms, both large and small, for the provision of future pensions to their staff and works employees. Clearly, the Society's Pensions Department continued to enjoy the confidence of all those employers who had placed their pension arrangements in their hands.

THE CERTUS POLICY

The Society had reported record net new sums assured under individual assurances in each year since 1946—and last year was no exception. Today, young men were more willing than ever to recognise the importance of life assurance as a basis for their long term financial plans. At the start of their careers, however, they could seldom afford as much cover as they would wish. To meet this human dilemma, the Society had designed and recently introduced the Certus policy. It could be called a 'package deal' for it combined in one policy both permanent and temporary life assurance and gave the member the specific right to convert the 'temporary' portion to 'permanent' at any time within the first fifteen years, whatever the state of his health. A young man could thus know for certain that, when he received the financial rewards of success in his chosen career, he could not be denied on medical grounds the right to invest substantially in life assurance. Although introduced little more than two months ago, this novel scheme had received a warm welcome from agents and friends in all parts of the country.

NEW INVESTMENT

The Society's holdings of British Government Securities had been increased by more than £4,000,000 and of other fixed interest stocks by more than £3,000,000. The greater part of this new investment in long-term fixed interest stocks had been made in the later months of the year when exceptionally high yields could be secured for many years to come. New investments in Ordinary Shares, amounting to approximately £2,000,000, had been made on a very selective basis, having regard to the uncertainties attaching to many branches of industry and commerce under the conditions ruling during the past year, and also to the high level of market prices in the early summer months. The remainder of the new investment had been distributed in relatively small amounts between mortgages, loans and properties. The sustained rise in the overall yield on the Society's funds—a rise which it was hoped to maintain during the present year—should lead to excellent bonus prospects for the current quinquennium.

The Report and Accounts were adopted.

GLYNWED TUBES LIMITED

(Copper tube and fittings, steel tube, fittings and fabrications, plastic tube and fittings, mineral insulated cable, lead sheet and pipe, bright steel bar, bolts, nuts and studs, rolled steel products.)

The Consolidated Accounts of the Group for the year ended 31st December, 1961, show:

	1961 £	1960 £
GROUP PROFIT FOR THE YEAR	1,978,568	1,811,496
NET SURPLUS AFTER TAXATION	1,015,519	937,928
TOTAL NET DIVIDENDS	378,984	344,531
ISSUED SHARE CAPITAL	2,750,000	2,500,000
CAPITAL AND REVENUE RESERVES	4,302,462	2,916,008

The Twenty-first Annual General Meeting will be held at the Queen's Hotel, Birmingham, on 4th May, 1962, at 12 noon.

Points from the statement by the Chairman, Mr. W. G. A. Russell, F.C.A., circulated with the Accounts for the year ended 31st December, 1961:

Our investment in fixed assets at the close of the year 1961 was £4,070,848 (1960 — £3,336,259). Capital expenditure during the year amounted to £1,063,730 of which £400,000 was incurred in building and equipping the two new departments which have yet to come into production.

Current assets at £4,871,181 exceeded current liabilities of £1,889,567 by £2,981,614 as compared with an excess of £2,079,749 at the beginning of the year. This improvement was mainly the result of the rights issue which produced £981,871 (net).

Apart from short term variances the future pattern of the building trade indicates a still rising home demand for domestic water service tube. This is the largest single department of our activities and our productive capacity has been expanded during the past year by improved techniques to meet our share of this anticipated further increase in demand.

The mineral insulated cable department is now nearing completion and should commence production of cable of the highest quality during this year.

The new copper fittings department is also now commencing production and when we have completed tooling we shall market a full range of capillary fittings of high quality.

We view the future with confidence. Additional earnings from our new products should begin to accrue to a modest degree in the current year and they should yield important contributions on an increasing scale in the years which lie ahead.

(Copies of the full Report and Accounts and Chairman's Statement will be sent on application to the Secretary at Oxford Street, Bilston, Staffs.)

ANGLO-SWISS SCREW COMPANY LIMITED

(Precision Turned Parts, Cash Tills, Nameplates)

The forty-third Annual General Meeting was held at West Drayton on April 5th, 1962.

The following are extracts from the Chairman's statements dated February 27th and March 30th:

Profitwise, 1961 was an exceptionally satisfactory year in view of the prevailing conditions.

A record volume of output produced a net profit of £258,000 which, due to rising costs and reduced margins, was £4,000 less than in 1960.

The recommended allocations to reserve result in Consolidated Capital and Revenue Reserves, excluding Tax Reserves, of £373,000.

Net capital expenditure in 1961 was £27,000 and capital commitments at the year-end were £66,000.

Aircraft General Supplies and Petronic Ltd. has increased its volume of business with the aircraft industry and has achieved a notable increase in exports of the PETCO cash till to every corner of the globe. The range of roller bearing tills introduced a year ago has proved highly satisfactory in service.

A one-third shareholding in British Engraving and Nameplate Manufacturing Co. (London) Ltd. was acquired for £14,000 in 1956. The remaining share capital has now been purchased. The price, including their two small subsidiaries, was approximately £100,000 in cash. There is a new freehold factory in Hove with room for expansion and a leasehold factory and offices in London.

After deducting tax reserves and prior charges the present net equity assets of British Engraving are about £120,000.

Mr R. Lansdown, former Managing Director and controlling shareholder, has resigned from the Boards of the Engraving Companies.

British Engraving's recent net profits have been in the range £25,000/£30,000 per annum before tax and for 1960/61 were certainly no less.

I cannot give more precise figures until certain sums due to British Engraving have been evaluated and audited Accounts are available.

Our turned part order book, which was very heavy indeed a year ago, is now considerably reduced, but it remains substantial.

We have opened a new Sales Office in Leicester and have moved and reorganised our Manchester Office.

It is with a full sense of my responsibility as Chairman of the largest independent Company producing turned parts in the U.K. that I say how important I feel it to be that the ownership and control of our industry should be clear and open.

According to my understanding of the matter, this is no longer the case today as a result of the absorption of a number of our smaller competitors into one orbit, aggregating an appreciable proportion of U.K. production, without any detailed public announcement of the fact.

I must make it clear that I am not criticising integration. That is no new phenomenon, and I have no fear of our ability to compete efficiently. But if it is true that a large part of our industry

is now effectively under one control, then I think that fact should be made known.

It is still too soon to make any reasonable forecast of the Group results for 1962, in which nine months' profits of British Engraving will be included, but you need have no fear that the rate of dividend will be reduced. The first twelve weeks were satisfactory and we have no plant idle.

However, results in the coming months cannot be brilliant. Nor is this to be expected with the industrial production index lower than for two years past, our output being very largely dependent on the general level of light industrial activity.

By the same token, when the prevailing stagnation is shaken off we shall go forward again and as in the long term the economy expands so shall we.

The Directors' Report and Accounts for the year to December 31st, 1961, were adopted, the recommended final dividend of 7d. a 5s. shares, less tax, making 10d. a share less tax for the year, was declared, and the Chairman, Mr Oscar Frey, was re-elected to the Board.

THE ENGLISH ASSOCIATION OF AMERICAN BOND & SHARE HOLDERS, LIMITED

ANNUAL GENERAL MEETING

The Seventy-seventh Annual General Meeting of The English Association of American Bond and Share Holders, Limited was held on April 5th at the offices of the Company, Moor House, London Wall, London, E.C.2.

The Rt Hon Lord Ritchie of Dundee (the Chairman) presided.

Mr F. S. High, managing director and secretary, read the Notice convening the Meeting and the Report of the Auditors.

The Chairman moved: "That the Report and Statement of Accounts for the year ended December 31, 1961, be received and adopted and that a final dividend of 2s. 6d. per share, less Income Tax, be distributed, which, together with the interim dividend of 1s. 6d. per share already paid, makes a total of 4s. per share, less Income Tax, on the paid-up Capital of the Company."

Mr R. D. Guthrie seconded the motion, which was carried.

The retiring directors, Mr L. W. Farrow, CBE, FCA, and Sir Walter Barrie, were re-elected.

Lord Ritchie, addressing the meeting, said that he was particularly pleased that the negotiations for the acquisition of the "Marking Name" business of Messrs Akroyd & Smithers had been concluded, thus cementing a very long family association with that firm.

A hearty vote of thanks was accorded to the Chairman for presiding and to the Board for the excellent results of the past year. In moving this proposition, Mr C. R. Hardy said that he felt that the coming year would be equally successful and hoped that the Association would further extend its usefulness to investors in the City.

Seconding the motion, Mr R. Layton said that he was particularly pleased to see that Mr High had been appointed Managing Director.

In reply, the Chairman thanked the Meeting and paid tribute to the exceptionally good services the Association had received from the Staff.

THE ALGOMA CENTRAL AND HUDSON BAY RAILWAY COMPANY

SIR DENYS LOWSON ON THE COMPANY'S MODERNISATION PROGRAMME

SATISFACTORY PROGRESS

The Annual Meeting of Shareholders of The Algoma Central and Hudson Bay Railway Company was held in Sault Ste. Marie, Ontario, Canada on March 30, 1962.

Sir Denys Lowson, Bart, Chairman of the Board, presided. In addressing the meeting, he pointed out that the results of the Company's operations for 1961 had been very satisfactory. Total revenues were $11,519,090 and net earnings per common share increased to $2.10 for the year, as compared with $1.60 per share on a comparative basis for the preceding year. The cash flow per common share, after all expenses but before depreciation, was $5.30 in 1961, as compared with $4.86 in the preceding year. The Company's net profit after taxes was $1,181,663, a 25 per cent increase over the previous year.

The Chairman referred to the Company's excellent business relations with the industrial companies located in and around Sault Ste. Marie. He referred particularly to the expansion programme of The Algoma Steel Corporation, Limited, with the subsequent benefits to the Railway Company brought about by increased shipments.

CAPITAL PROGRAMME

He stated that the Company had in 1961 invested $1,106,403 in plant and equipment additions, including seventy-five new gondola cars costing $850,000 which were placed in service late in the year. The slag ballasting of the Railway's yards and main line had begun, and would be continued in the coming year; and it was expected that this programme would result in substantially lower maintenance costs. In addition the Company was budgeting for the purchase of additional machinery in the coming year for improved track maintenance. The Chairman anticipated that the Company might conceivably become the first railway company in North America to have fully mechanised track maintenance; in the same way as the railway had been the first in Canada to be completely dieselised. In addition, the Company this year was pioneering the use in Canada of oxygen steel rails, as two miles were being purchased from The Algoma Steel Corporation, Limited and installed in the main line for test purposes.

In addition to this capital programme, the Company had continued, during 1961, to purchase bonds, debentures and preferred shares and redeem trust equipment certificates. The Company now had a substantial credit against future sinking fund requirements on its funded debt. In spite of all these expenditures, the working capital stood at $2,639,271 at December 31, 1961, an increase of $182,484 during the year 1961.

The Chairman reviewed the progress made by the Company over the past ten years and pointed out that during this period the Company has made large capital expenditures to improve and modernise its equipment. It had also commenced payment of regular dividends to its shareholders, and at the same time had been able to reduce its over-all funded indebtedness by no less than $15,175,160; from $26,127,660 at the end of 1951, to $10,952,500 at the end of 1961.

Exploration of the Railway's land grant lands and adjoining Crown lands by Franc. R. Joubin & Associates Limited is continuing, and the data which has been acquired to date has shown the value of this programme; although no specific deposits meriting development work have as yet been discovered.

PRESIDENT'S REMARKS

The Company's President, Mr L. C. Waugh, stated to the meeting that current forecasts for the first six months of 1962 indicate that the results for this period will continue to be favourable.

In 1957 the Company commenced the cycle maintenance system of maintaining the main line. This method entailed the dividing of the main line, totalling 321 miles, into three sections of 107 miles each. Suitable machines were purchased and a gang of 54 men were engaged in the installation of a year's tie requirements, surface lining and trimming the track, and the piling and disposal of the old ties on the 107 mile section.

Through the purchase of additional machines, the gang has now been reduced to 40 men, and this method of maintenance had proved very beneficial to the Railway through direct economies and better track condition. The President stated that the results of five years' experience had indicated that, commencing in 1962, it would now be possible to extend the cycle period to four years, thus effecting further savings.

The Railway's steamships had a satisfactory year, but due to the smaller tonnage of sinter for export through Michipicoten Harbour, it was again necessary to move a substantial tonnage of grain through lower St. Lawrence elevators. The Company had, as last year, experienced costly delays at these elevators due to congestion of boats.

The President pointed out that the Company's fleet totals approximately 48,000 gross tons and, during a normal year of about eight months, will transport 2,500,000 tons of bulk commodities, i.e., ore, coal, grain, coke breeze, etc. The flag ship, the S.S. "E. B. Barber," a photograph of which appears on the cover of the Company's Annual Report, carries 13,000 gross tons. She was built in Port Arthur in 1953 at a cost of $4,000,000. The Company is continually exploring the possibility of replacing some of its older tonnage by the construction of modern and larger vessels.

He viewed the future with optimism and expressed appreciation for the assistance of his staff and the continuing support and interest of the Company's customers and shareholders.

The various resolutions were carried unanimously, and the proceedings terminated with a hearty vote of thanks to the Chairman, President, Directors and other officers.

COSTA RICA RAILWAY COMPANY

NORTHERN COMPANY'S BEST YEAR

The Annual General Meeting of the Costa Rica Railway Company Limited was held on April 3rd in London.

The following are extracts from the circulated Statement of the Chairman, **Sir Robert Adeane, OBE:**

THE SUBSIDIARY COMPANY

The Northern Company, which operates the line of the Costa Rica Railway Company jointly with its own, had its best year to June 30, 1961, since becoming our subsidiary in 1941.

Net operating profit, before charging Rental payable to the Parent Company but after depreciation of £97,122, increased to £278,320 compared with £146,656 in the preceding year. Again no provision was made for the disputed Real Estate Tax.

Out of the year's profit a total of £141,834 was applied in special debt reduction, viz., £94,099 off the Diesel Loans and £47,735 off the Standard Fruit Company Loan. The final balances of the Diesel Loans were paid off last January. Railway profits will not, therefore, be encumbered in the future with the need to provide the heavy annual loan repayments of the past seven years.

THE PARENT COMPANY

Because of those large loan repayments the Northern could only slightly increase the amount remitted on account of Rental, viz., £118,000 which together with investment and other income made a gross income of £134,470 compared with £108,419 in the previous year. After deducting expenses and Sinking Fund Appropriation, there was a net balance of £59,623 which, added to the residual balance of £10,687 brought forward, made £70,310 available for interest on the Second Debentures.

Investments sold during the year reduced the portfolio to a book cost of £77,034 but the market value at the year-end was some £195,000, an appreciation of 153 per cent (compared with 133 per cent at the close of the preceding year). In addition, there was added to the Investment Reserve the net profit of £35,198 made on the year's sales.

The Debenture Holders' Committee substantially increased their holdings so that today there are left in the hands of the public only 12 per cent of the Firsts and 9 per cent of the Seconds.

POLITICAL

In Costa Rica there was an official rate of $5.67 to the US$ and a free rate of around $6.63. On September 5, 1961, the official rate was discontinued and only the free rate now applies. It would not appear that this will greatly affect the Northern directly because only limited preferential purchases of dollars were previously permitted at the official rate.

Friendly relations continued with the Government in Costa Rica and with Labour. At the recent Presidential Election for the 1962-66 term of office, Sr. Francisco Jose Orlich, of the National Liberation Party was elected President with a substantial majority but it is understood that his party will have only a small majority in Congress.

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

NEW ISSUE

$50,000,000

International Telephone and Telegraph Corporation

4.90% Sinking Fund Debentures Due April 1, 1987

The offering of these Debentures was underwritten by an investment banking group managed by the undersigned.

Kuhn, Loeb & Co.
Incorporated

New York, N. Y., April 6, 1962

CHAIRMAN'S ADDITIONAL REMARKS

Addressing the meeting, Sir Robert Adeane said that he had recently returned from discussions with the Northern's Board in New York. The Railway was doing well at the present time. The increasing banana traffic could become considerable and might need more locomotive power and increased wharf facilities. In assessing prospects, however, stockholders must remember the unfortunate history of investment in foreign railways and must not forget that the Caribbean area, where the Railway was located, was a troubled one.

Costa Rica itself was extremely stable and had a good Government—the recently held Elections had been model ones—but the recent surprising default on the External Sterling Debt of Costa Rica was disquieting.

A Scheme to deal with the large notional Interest Arrears on the Second Debentures would be submitted in the Autumn based on accounts to June 30, 1962, which, if things went on as they were, should pave the way to early resumption of Ordinary dividends.

HENEKEYS LIMITED

RECORD TRADING RESULTS

The Forty-second Annual General Meeting of Henekeys Limited was held on April 11th in London, **Sir Bernard D. F. Docker, KBE, JP,** the chairman, presiding.

The following is an extract from his circulated statement:

It is with pleasure that I am able to report that we have had, in general, another satisfactory year.

The profit before taxation is a record of £216,786, being an increase of £30,333. Taxation takes an additional £16,599 at £108,210, leaving a net increase of £13,734. £4,500 has been brought in, being excess taxation no longer required as against practically nil last year.

Our home trade continues satisfactorily almost everywhere, and the policy of opening "off-licences" in place of the smaller bars in some branches has proved the right one. During the year trading commenced at the rebuilt Reading branch, and the "off-licence" within the branch at Richmond; takings at both show satisfactory increases.

On the other hand, our export whisky business, never large, has shown a small decline, and as we consider this a field in which we should make profits, as well as spread our interests, we are making efforts to establish world-wide markets.

Since the end of our financial year sales have continued to increase, in fact, the Christmas, 1961, turnover proved to be a record.

The report and accounts were adopted and a distribution of 5 per cent, free of tax, was approved.

Copy for the insertion of Company Meeting reports must reach this office not later than Wednesday of each week and should be addressed to:

The Company Meetings Department,
The Economist,
22, Ryder Street, S.W.1.

COMPANY AFFAIRS

Equity prices continued to go ahead after the budget and over the week The Economist *indicator gained 7.4 points to 362.7. The gilt-edged market was subdued after the budget and prices tended to slip back on fears about the possible implications of the speculative gains tax. The equity market, on the other hand, was relieved that the tax was not as stringent as had at one time been feared. Motor and consumer durable shares rose on the reduction of purchase tax and tobacco shares went ahead on relief that the budget did not include any specific discriminatory measures. Soft drink, confectionery and ice cream shares fell back sharply on the news of the new tax but soon recovered.*

Unilever and Africa

WHAT the Unilever directors describe as "the chill wind of economic uncertainties" in Africa is making a considerable impact on the diarchy's policies and fortunes. In a number of African countries Unilever, through the United Africa Group, is reducing its commitments in the produce and merchandise trades, placing the emphasis instead on more specialised and technical activities and on manufacture. The amount of money Unilever invests in Africa is still large; but, relatively, its dependence on the African trade is becoming smaller. This, in addition to the political and economic troubles of Africa itself, is reflected in the fall of the turnover of the UAG from £295 million to £279 million last year: sales of merchandise fell from £220 million to £213 million and the value of produce handled from £60 million to £50 million. UAG's trading profits fell by 25 per cent and they are now exposed to another strain, for the directors say that the revised tax laws in Ghana could have a serious effect on the group's business.

The profits of UAG fall within the province of Unilever Limited and this explains why its profits were so sharply affected, despite a small increase in turnover. But profits also fell in Britain, because of more competitive conditions and of changes in the selling organisations. In South Africa and Australia, profits declined because of intense competition in the detergent market. On the other hand, there was a marked improvement in profits in Europe where Unilever NV trades, and in North America profits were practically unchanged. Thus, in contrast to 1960, NV's profits were a good deal better than Limited's and the revaluation of the guilder and the mark in March last year gives them a sterling value about 5 per cent greater than would have been the case using the old rates.

As usual the directors preface their review with a broad sketch of the international economy:

> The year was one of mixed trends. The United States economy began a strong recovery from recession in the spring but expansion was then checked in Europe. In the United Kingdom and some continental countries production actually fell during part of the year. Prices of most primary products were depressed. A number of countries, notably in Africa, had recourse to more stringent import and exchange controls.

Against this background, combined sales rose last year from £1,847 million to £1,890 million, of which sales to third parties went up from £1,387 million to £1,444 million. But trading profits fell by almost £4 million to £100¾ million. Thus the ratio of net profits, after tax but before loan interest, to turnover fell from 2.9 to 2.7 per cent, the lowest since 1958. The return on capital employed fell from 8.7 to 8.1 per cent, the lowest since 1953. For the first time the review contains a breakdown of both profits and capital employed by geographical areas. The charts are reproduced below; they illustrate the build-up of Unilever's interests in Europe, which now account for over 60 per cent of the capital employed and over 68 per cent of the total profits. Some 28.3 per cent of the group's turnover is in the Six and 29.6 per cent in the Seven.

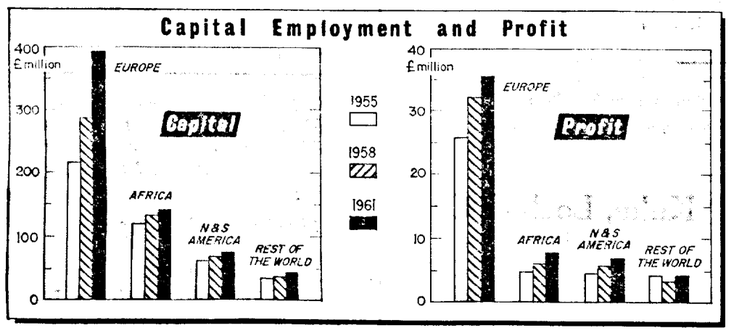
What of the products themselves? With butter cheaper and in ample supply, sales and profits from margarine declined but in Holland sales of Planta margarine improved. Profits from toilet preparations also suffered a further setback largely as a result of a sharp drop in sales of toothpaste in the United States. However, the directors report better results in animal feeding stuffs and detergents; in the latter field, sales of liquid detergents were boosted by the acquisition of Pinoya Holdings. By far the biggest advance in sales last year was in food products in which Unilever has concentrated much of its capital spending in recent years. But profit margins continue to be squeezed and some of the newer businesses have yet to reach their profit-making stride. Sales of ice cream last year rose by 50 per cent, but in Britain the rise was limited by "a determined invasion of mobile vendors" and now ice cream is to be subject to tax.

One inference that can be drawn from the report is that profits from quick frozen foods continue to be small both in relation to sales and to the large capital employed. The food industry absorbed a big proportion of Unilever's capital expenditure of £55 million last year; capital spending is likely to be higher again in the current year but the directors are confident that the group's financial resources will be sufficient to cover the commitments.

From the shareholder's point of view the most important event last year was the listing of the shares of Limited and NV on Wall Street. There was a brisk demand from American investors, and Limited, now quoted in 5s. units, rose sharply to 55s. and NV to £12⅝. At these levels some British institutions were prepared to sell part of their holdings. Limited are now 25 per cent below their peak at 41s. 6d. xd, and yield 3 per cent on the 24.79 per cent dividend; as a result of the revaluation of the guilder this payment is slightly more than the 24.54 per cent paid in 1960. NV at £10⅞ yield 2¼ per cent on the maintained dividend of 21 per cent. There is little in the report to suggest that those investors who sold shares last December will have immediate cause for regret, for in some fields the group will still have difficulty in earning higher margins. But the effect of low margins on profits should be largely offset by returns accruing on new capital investments and the current dividend, covered three times by combined earnings, is obviously secure. Even if the "present wind of economic uncertainties" were to reach gale force proportions in Africa, Unilever through its size, diversity and its management would come out of a storm better than most.

PROFITS AND ASSETS
(£000's)

	Unilever Limited		Unilever NV		Combined	
	1960	1961	1960	1961	1960	1961
Profits :—						
Trading profit	56,595	49,290	48,018	51,386	104,623	100,676
Profit after tax	30,044	24,751	22,467	26,265	52,511	51,016
Net income	29,194	24,660	22,788	28,285	51,982	52,945
Ordinary dividends	5,030	5,120	9,514	9,986	14,544	15,106
Retained profits	21,501	16,877	12,104	17,019	33,605	33,896
Assets :—						
Net fixed assets	179,608	198,644	135,531	147,296	315,139	345,940
Net current assets	175,947	173,510	117,305	122,574	293,252	296,084
Net liquid assets	28,433	19,991	26,178	21,468	54,611	41,459
Capital employed	355,555	372,154	252,836	269,870	608,391	642,024



Whitbread



WHEN the Whitbread interim dividend was raised from 8 to 9 per cent in September the directors made the usual disclaimer about the total dividend but the proposed final payment of 21 per cent against 19 per cent, means that the total dividend for 1961 is raised from 27 to 30 per cent. This increase is fully matched by an advance in profits before tax from £2,948,000 to £4,115,000. This includes nine months profits from Tennant Brothers so that the true comparison for the group excluding Tennant is an increase of £600,000, or 21 per cent, in profits before tax and of £356,000, or 24 per cent, in net profits. The bigger dividend is covered just over twice by earnings, and the 5s. "A" shares at 38s. 3d. made a net gain of 3s. 6d. since the results were published and yield just under 4 per cent.

At the annual meeting last July the chairman Colonel W. H. Whitbread said that Whitbread's trade had risen by over 10 per cent in the first six months of 1961 with Whitbread Pale Ale and "Tankard," a container draught beer served under pressure, in greater demand than ever before. But he warned shareholders not to be over-optimistic in view of the 10 per cent surcharge imposed by the Chancellor in the little budget, now consolidated into the excise duty and hence a more permanent restraint on beer consumption.

In the current year the group's investment income is likely to fall again since a further block of its investments in other breweries with a market value of £4¼ million in January has been sold to the Whitbread Investment Company. These investments are part of the Whitbread "umbrella." Whitbread has substantial minority holdings now amounting to between 25 and 30 per cent in other breweries. So far this has protected most of them from take-over bids.

Royal Dutch/Shell Pushes On

IN a year of "intensified competition" in which credit terms had to be extended in some marketing areas, the net income of the Royal Dutch/Shell group was nearly £10 million higher at £187 million. Much of the increase occurred in the fourth quarter of the year; oil prices then were perhaps a little firmer and the progress made in bringing down "controllable expenses" (including the early retirement of some of the group's executives) then became more fully apparent. The volume of crude oil and oil products sold by the group was about 6 per cent higher and sales of chemicals were "approximately the same." Net of sales taxes, excise duties and similar levies,

SALES AND PROFITS
(£ million)

	1958	1959	1960	1961
Gross sales	2,352	2,579	2,674	2,790
Sales taxes, etc.	580	670	716	783
Net sales	1,772	1,909	1,958	2,007
Operating expenses	1,322	1,403	1,463	1,521
Depreciation	166	180	187	184
Loan interest	8	8	8	8
Gross Profit	277	318	300	294
Invest. income	27	24	31	39
Gross income	304	342	331	333
Taxation	130	148	134	127
Minority interests	15	19	19	19
Net income	159	175	177	187
	%	%	%	%
Gross profit/net sales	9·0	9·2	9·0	9·3
Net income/capital employed	9·4	9·2	8·5	8·5

the value of sales was only about 2½ per cent higher, pointing to the pressure on oil prices. The value of chemical sales probably rose about as much as that of oil, for an unchanged volume. This does not mean a general rise in margins: prices of some petrochemicals were being reduced. But the group's production of the newer and more highly priced petrochemicals was probably growing as a proportion of the whole.

Chemical plants were one of the few items on which the group spent notably more on capital account last year. But total capital and exploration expenditure was £45 million lower at £374 million, and lower than in any of the five preceding years. This was reflected in an increase in liquid resources of £27 million to £446 million. Expenditure on exploration and production was reduced and outlays on marketing and transport facilities were lower; these reductions more than offset increased payments for oil rights, notably on the offshore concession in Kuwait, and higher spending on oil refineries and chemical plants. Commenting on recent capital expenditure, the chairman of Shell, Mr F. J. Stephens, says:

> The reduction in the rate of capital expenditure which has been achieved has been facilitated by large outlays made in recent years which provided group companies with plant and equipment adequate for many of their requirements. Scope for further reductions in the rate of expenditure will, however, be limited by the continuing need to provide facilities to handle the expected increase in trade and to replace outworn and obsolete assets.

Not unnaturally for a group as big and international as Royal Dutch/Shell, one of the themes that emerges from Mr Stephens' comments on posted prices is the interdependence of the various parts of the organisation. He points out that on an investment of £1,838 million, group companies outside North America earned £156 million—representing a return of 8½ per cent, virtually the same as in 1960. Of this £156 million, £129 million, or 83 per cent, represented the profits of group companies which operate in producing areas. But virtually the whole of this income was dependent upon the operations of other group companies engaged in other countries on refining, transporting and marketing. And the capital invested in these "downstream" operations amounted to £1,440 million, or 78 per cent of the total.

While Mr Stephens says there is no likelihood that the surplus of oil will disappear in the immediate future he believes that the growth in demand for oil should be well maintained this year and later and that the restoration of a better balance between supply and demand may not be "unduly delayed." There is, however, the prospect of further expansion in Russian oil exports and a continuing world surplus of tankers for some years. And the dispute about Iraq Petroleum has to be settled. Manufacturing capacity for many chemicals has grown more quickly than demand and widespread reductions in prices and margins have affected the group. But on the longer view Mr Stephens believes that the demand for chemicals should continue its rapid growth, restoring the industry to a better balance within a few years.

Oil shares, like chemical shares, already figure prominently in most portfolios and although there are signs of improvement in earnings, a rapid growth in their value is unlikely. They fell out of favour with investors earlier than did chemical shares and their yields are consistently higher. For those who do not already hold them (though not conspicuously for tax free funds) the income attractions of such shares as "Shell" cannot be ignored, not least because the group probably earned more in the first quarter of this year than it did in the first quarter of 1961. The tax free dividend of 25 per cent was maintained after the one-for-five scrip issue and in the 5s. form "Shell" now stands at 30s. 6d. and yields 6¼ per cent.

Fremlins

ONE of the many breweries in which Whitbread has a stake and with which it has trading agreements is Fremlins, the Kent brewery. This investment was increased when Fremlins acquired Frederick Leney from Whitbread in exchange for shares and debentures in Fremlins. At the same time the trading agreement was extended so that brands of Whitbread bottled beer as well as Mackeson stout are now sold in Fremlins' houses. Profits of Fremlins for the year to January 31st last include a full year's contribution from the additional 189 licensed houses of Leney, against only three months in the previous year, and this accounts partly for the sharp rise in profits before tax from £549,000 to £783,000. The ordinary dividend, raised in 1960 from 17 to 20 per cent, has now been raised to 22 per cent. These results gave a further boost to brewery shares and Fremlins' £1 shares jumped 8s. 6d. to 107s. to yield just over 4 per cent.

Thomas Tilling

AT the time of the one-for-nine rights issue in September the directors of Thomas Tilling said that trading results for the first seven months of 1961 had shown "a satisfactory increase" and added that they were confident that they could maintain the final dividend at 11½ per cent on the bigger capital. In the event they have done so, thus maintaining the total dividend on the bigger capital at 20 per cent. Earnings rose from 37¼ to 42 per cent on the bigger capital but the directors, as they hinted in September, have deferred to the wishes of the Chancellor in not increasing the final payment.

The spread of this industrial holding company is very wide, ranging from "Pyrex" glass to bookpublishing and a Volkswagen agency, but it is important to note that of the increase of £577,000 to £3,681,000 in gross profits new acquisitions contributed no less than £475,000. Net profits rose by 27 per cent from £1,597,000 to £2,029,000. Part of the expansion in profits appear to reflect the consolidation of some of its holdings; various minority interests were bought out, and there were several new acquisitions. Thomas Tilling is in the first rank of industrial holding companies and its 4s. shares, at 27s. 10½d., yield 2¾ per cent.

London Brick

BRICK production rose by only two per cent in this country last year so that the rise of 23 per cent in the trading profits of the London Brick Company from £3,076,000 to £3,777,000 clearly reflects the benefits of the extensions and modernisation of its plant and higher average prices for bricks. The small reduction in brick prices announced last September can by no means have offset the two increases announced in 1960. The stock market was impressed by the results and the ordinary shares (to be split into 5s. units) gained 12s. 6d. to 104s. 6d. to yield 3.4 per cent.

The treatment of depreciation has, however, created something of a puzzle. In 1960 depreciation, amounting to £507,000 was treated as a charge against gross profits; last year only £8,000 was treated in this way but in addition £500,000 was transferred from the net surplus after tax to a newly created depreciation reserve. This change in accounting procedure is responsible for £500,000 of the rise in the net profits from £1,227,000 to £1,966,000. In a conservative reckoning the transfer to depreciation reserve would be deducted from net profits before assessing earnings and on this basis London Brick's earnings have risen from 30.3 to 36.3 per cent, covering the maintained ordinary dividend of 17½ per cent just over twice. The directors said in January that profits would justify a higher payment than this but clearly they are continuing to bear the Chancellor's request for restraint in mind. But shareholders may not be wrong in seeing in the announcement of a one-for-four scrip issue something more than a tidying-up of the balance sheet.

ICI as it Was

WITHIN a matter of weeks the image of strength, efficiency and benevolence that it had taken ICI years to create was dented. The bounce and bustle with which ICI first announced its bid for Courtaulds caused misgivings; then Mr Frank Kearton and other Courtaulds directors began to hammer at ICI's weaknesses and lessened the esteem in which ICI was held by the investing and lay public. It may be that the white was stained too deep a shade of black and too quickly. But ICI in the medium-term future can hardly be quite what it was in the past; and the old sense of purpose in its leadership has suffered a blow. Ultimately the substantial minority sharcholding in Courtaulds may be a source of strength for ICI; but at the moment ICI must pay the price for having fought for complete control and failed to get it. Wall Street listing or not, ICI ordinary shares are not in the old sense an automatic choice for everyman's portfolio.

	1957 £ mil.	1958 £ mil.	1959 £ mil.	1960 £ mil.	1961 £ mil.
Domestic sales	254·9	252·0	277·3	303·1	298·1
Overseas sales	208 0	210·7	231·2	255·3	252·3
Total sales	462·9	462·7	508·5	558·4	550·4
Gross profit	61·5	51·5	79·8	93·6	65·9
Net income	26 8	21·7	39·3	45·2	32·4
Retained profit	15·9	9·8	20·8	22·9	8·9
Cash flow	40·4	39·4	53·9	60·2	49·4
Capital employed	545·2	618·5	660·2	695·0	738·5
Capital expenditure	67·7	60·4	41·5	43·9	65·1
	%	%	%	%	%
Equity earnings	20·8	15·2	25·4	28·6	19·2
Ordinary dividend	8·0	8·0	11·25	13·75	13·75
Gross profit/capital employed	11·3	8·3	12·1	13·5	8·9
Gross profit/total sales	13·3	11·2	15·7	16 8	12 0

To the more stringent scrutiny to which they are now exposed, the 1961 report contributes little, being little more than a ritualistic report of the past. Most of its facts are already known to shareholders and it says nothing about the future. But Mr Chambers has done that already. The facts can be put briefly on record:

Profits

Last year's reduction is attributed to substantial falls in chemical prices, largely as a result of "abnormal surpluses" in the United States; some price adjustments in deliberate anticipation of Britain's entry into the common market; and "fiercely competitive conditions" in export markets.

Sales

Though sales constituted a new record by volume, they fell in value from £303 million to £298 million in this country and from £255 million to £252 million in other countries. Exports were nine per cent higher in volume but only one per cent higher in value. The directors say: "Once again the newer products increased their share of exports, and dyestuffs, plastics and 'Terylene' accounted for about half of the total value. Exports of the anaesthetic 'Fluothane' were doubled." At home, sales of fertilisers, plant protection products, nylon polymer, 'Terylene' and pharmaceuticals were higher. Sales of heavy organic and inorganic chemicals were "about the same." The metal, plastics and paint divisions were affected by the recession in consumer durables; but higher sales of decorative paints more than outweighed smaller sales of motor and industrial paints.

Prices

Imports of polythene from the United States "at dumped prices" brought the price of 'Alkathene' down again—to half what it was six years ago. Either involuntarily or voluntarily the prices of fertilisers, methanol, polyvinyl chloride, 'Propathene,' 'Terylene' staple fibre and chlorine products were reduced.

Capital Expenditure

Capital expenditure in 1961 amounted to £46 million, against £34 million in 1960 and £32 million in 1959; "every effort is being made to bring new plants into commercial operation quickly." Capital expenditure sanctioned during the year was "exceptionally high" at £73 million, against £40 million in 1960.

Finance

Last year, ICI required £46 million for additional fixed capital, £4 million for additional working capital and £12 million for additional investments in subsidiary and associate companies, mainly overseas, making £62 million. About £81 million of cash became available, of which £41 million came from retained profits, depreciation and miscellaneous capital receipts and £40 million from the rights issue of ordinary shares.

So ICI ended its year—with slightly more employees on its books, 114,229 against 113,699 at the end of 1960—weaker than when it began it. The directors have already said that profits this year will be "appreciably higher," with the improvement coming mainly in the second half of the year. Presumably, the dividend will again be maintained at 13¾ per cent. On this footing, the yield on the £1 shares at 56s. 7½d. is 4.9 per cent and the prospective cover should be higher than the 1961 level of 1.4 times but lower than the 1960 level of 2.1 times. The directors expect the record profit of 1960 to be exceeded "within the next two or three years." Shareholders should note however, that this does not necessarily mean a higher return on the capital ICI employs. In accepting ICI's convertible loan stock for their Courtaulds shares, the institutions opted for the best bid price; but their actions also indicated to other investors the advantages of hedging one's investment in chemicals—and ICI—until the middle of this decade. The loan stock now stands at 104½, attributing a price of 65s. 3d. to ICI's ordinaries on the first conversion date in 1963.

Insurance Dividends

AMONG the most buoyant sections of the stock market this week have been insurance shares and a number of them have shown sizeable gains. The insurance dividend season is now well advanced, but the latest batch show few surprises. As the table shows dividends have generally been maintained, while the Guardian and the Royal have paid the dividends forecast at the time of their rights issues. The Pearl at least would have paid more but for the Chancellor's request for restraint and it follows the example of the Prudential in telling shareholders how much more they would have received. The increase would have been 6d. tax free per 5s. unit which would have raised the total tax free distribution to 100 per cent. It is proposed to retain the additional sum of £120,000 in the profit and loss account for distribution at a later date. There was no such proviso with the unchanged final dividend from Commercial Union but a higher payment had not been expected in view of the group's continued underwriting difficulties in North America.

DIVIDENDS AND YIELDS

	Dividends 1960	Dividends 1961	Price	Yield
				%
Commercial Union (5/-)	2/3	2/3	60/9	3·7
General Accident (5/-)	1/6	1/6	99/–	1·6
Guardian (5/-)	3/9	Int. 2/–‖ Fin. 9d.	57/3	2·3§
London & Manchester (5/-)	2/8½*	2/8½*	£12⅝	1·9‡
Pearl (5/-)	4/6*	4/6*	£12⅝	2·9
Royal (5/-)	5/–	Int. 2/8‖ Fin. 9d.	45/11½	3·3†

* Tax free. † On assumed dividend of 1/6 after rights issue. § On assumed dividend of 1/4 after rights issue. ‡ Adjusted for scrip issue. ‖ On smaller capital.

With insurance shares so highly regarded it is not surprising that those companies not already eligible are seeking trustee status for their shares. London and Manchester Assurance is increasing the authorised capital from £500,000 to £1,050,000 and in making a 11 for 10 rights issue of 5s. shares at par. With the existing shares at £11¼ the rights are worth about £6 to give an ex rights price of £5¾. The directors expect that the net sum available for distribution in 1962 will be not less than the sum of £295,651 carried to the profit and loss account in 1961 plus the net interest on the £543,000 proceeds from the issue. This suggests a dividend on the increased capital of about 1s. 6d. a share. A much bigger rights issue is announced by General Accident which is to raise almost £13 million by a one for ten issue of 5s. units at 60s. With the units at 99s. the rights are worth about 3s. 6d.

Harland and Wolff

IN 1961, for the second year in succession, Harland and Wolff, the Ulster shipbuilders, has halved its ordinary dividend; it is now only 2½ per cent. The stock market was prepared for the reduction, the £1 ordinary shares having fallen from 14s. 6d. to 10s. 10½d. in the past month rose to 11s. 6d. after the announcement. Gross profits were not, in fact, so sharply reduced as may have been feared, falling by 7 per cent from £1,121,000 to £1,042,000. But a heavier tax charge was reflected in the sharp fall of 39 per cent in net profits from £247,000 to £152,000. Preference dividends now absorb more than the reduced ordinary dividend, which does not appear to be covered completely by earnings. The directors said that profits in 1960 fell largely because of the need to make adequate provision for anticipated losses on contracts. The programme of launchings and completions was not matched by new orders and workers were laid off even though the group won several contracts in 1961. Modernised slipways and a new prefabrication shop should be fully available by the middle of this year but the critical question is whether there will be sufficient orders to keep them fully employed.

Delta Metal

THE chairman of Delta Metal, Mr W. E. Ogden, says that the higher output of the group and the record profits earned in 1961 cannot be attributed to any particular factor or to any one section of the group. Gross profits rose by 18 per cent from £3,777,000 to £4.457,000; the later figure includes six months' profits from Davis and Timmins of £346,000 and stock credits of £11,000 and if these items are excluded the rise in Delta's profits is 13 per cent. As forecast, the ordinary dividend is maintained at 20 per cent on the capital as increased by shares issued on the acquisition of Davis and Timmins and is covered about 1¾ times.

Mr Ogden says that the results are evidence that the group has succeeded in its policy designed "to rationalise production" and it is therefore better placed to meet the challenge of the common market. The main interests of the group lie in non-ferrous metals, particularly brass, and the group seems likely to strengthen these further by an arrangement with Guest, Keen and Nettlefolds, which will transfer some of its non-ferrous metal interests to Delta, which in turn will dispose of Davis and Timmins' factoring section (mainly concerned with steel) to GKN. Among the group's associated companies Delta-Enfield Rolled Metals, established in August, seems to be working satisfactorily. But Mr Ogden says that James Booth Aluminium, run jointly with Kaiser Aluminium, has met delays in the introduction of new equipment; these have hindered the growth of its earning capacity in an industry where competition both at home and overseas is becoming more severe. At least one export market, however, seems promising, for sales of brass rods and extrusions in the United States and Canada rose by 40 per cent last year. On a broader front he says it is too early in the year to forecast results; indeed, he is rather guarded pointing out that certain sections of the group are still experiencing a mild recession and though "there are good prospects of another successful year's trading it would be unwise to assume a repetition of last year's record profit figure." But in the eyes of investors the 5s. ordinary shares remain attractive; at 22s. 3d. xd they are near their high point for the year and yield 4½ per cent.

News of the World

SHAREHOLDERS in the News of the World Organisation have had several reasons to hope that the final dividend for 1961 would be increased. The first interim dividend was raised from 5 to 5½ per cent, the second interim from 5 to 6½ per cent and a sharp increase in trading profits was announced in the preliminary figures in January. Now, after the customary interval between the announcement of profits and the final dividend, shareholders' hopes are realised: the final dividend has been raised from 15 to 18 per cent, increasing the total from 25 to 30 per cent.

Gross profits rose from £1,521,000 to £2,033,000, net profits rose by 16 per cent from £816,000 to £949,000 and the dividend is covered twice. Some of the improvement in profits may have come from the *News of the World* itself, since its average weekly circulation last year went up by 178,000 and its price was raised. The group's other interests should have contributed more in profits also last year.

The Economist Indicator (1953 = 100)

1962	Indicator	Yield %	1962 High	1962 Low
Mar. 7	352·22	5·03		
,, 14	356·7	4·97		
,, 21	347·9	5·08		
,, 28	346·3	5·12	364·4 (Jan. 17)	346·3 (Mar. 28)
Apr. 4	355·3	5·03		
,, 11	362·7	4·96		

Financial Times Indices

1962	Index †	Ord. Yield	2½% Consols Yield	Bargains Marked
Apr. 5	301·5	5·21	6·22	18.532
,, 6	300·9	5·22	6·21	20.284
,, 9	304·5	5·16	6·21	20.052
,, 10	306·6	5·13	6·22	15.974
,, 11	305·3	5·15	6·23	15.227

High, 310·2 (Jan. 19). Low, 291·4 (Apr. 2).
† July 1 1935 = 100.

STOCK PRICES

Prices, 1962 High	Prices, 1962 Low	BRITISH FUNDS AND GUARANTEED STOCKS	Price, April 4, 1962	Price, April 11, 1962	Net Red. Yield, April 11 1962§ £ s. d.	Gross Red. Yield, April 11, 1962 £ s. d.
93⅝	90 11/32	Savings Bonds 3%.....1955–65	93 11/32	93 7/16	3 17 11	5 3 4
97 3/16	96 3/16	Exchequer 3½%.....1962–63	97 7/32	97 1/32	3 12 11	5 3 4
100 15/16	100 5/32	Treasury 5½%.....1962	100 15/32	100 17/32	2 17 2	4 13 4
95⅜	93 3/16	Exchequer 2½%.....1963–64	94⅞	95⅜	3 18 0	4 17 11
99⅞	98½	Conversion 4¾%.....1963	99 17/32	99 5/16	2 15 4	5 2 8
99 1/16	97 1/16	Conversion 4½%.....1964	98½	98 17/32	3 11 3	5 5 0
100⅛	98 3/32	Exchequer 5½%.....1966	99 27/32	99 27/32	3 7 2	5 10 9
83¾	82⅞	Funding 3%.....1959–69	82 15/16*	83 1/16*	4 14 0	5 19 10
89⅞	87¾	Funding 4%.....1960–90	87¾*	88*	3 12 9	5 6 0
80¼	78 15/16	Savings Bonds 3%.....1960–70	80	80⅛	4 15 5	6 2 4
87½	85	Savings Bonds 2½%.....1964–67	86 9/16*	86 9/16*	4 10 4	5 11 2
71 11/16	70 7/16	Savings Bonds 3%.....1965–75	71⅜	71½	4 15 8	6 4 7
85⅝	83 5/16	Funding 3%.....1966–68	85⅜	85⅝	4 11 1	5 17 6
86 5/16	84⅛	Conversion 3½%.....1969	85⅞	85 13/16	4 11 9	6 2 0
96⅜	92¼	Victory 4%.....1920–76	96¼	96⅜	3 0 3	4 12 8
92 3/16	90 7/16	Conversion 5%.....1971	92 1/16	92 3/16	4 3 9	6 6 0
99⅛	97¼	Conversion 6%.....1972	98 5/16	98 1/2	3 18 8	6 6 9
93	92⅛	Conversion 5½%.....1974	92 5/16	92 5/16	4 1 4	6 5 10
71½	69⅛	Treasury 3½%.....1977–80	71⅜	71 7/16	4 10 5	6 5 2
70 5/16	68 5/16	Treasury 3½%.....1979–81	70 5/16	70 3/16	4 10 10	6 5 5
91 13/16	90 1/16	Funding 5½%.....1982–84	91⅞	91⅞	3 19 9	6 6 1
56⅞	54	Redemption 3%.....1986–96	56⅝	56¾	4 4 9	5 19 8
85⅞	82⅜	Treasury 5%.....1986–89	83 11/16*	83¾*	4 0 11	6 4 10
61 5/16	56 5/16	Funding 3½%.....1999–2004	60¾	60 3/16	4 2 10	6 3 7
88 5/16	84⅛	Treasury 5½%.....2008–12	87 13/16	87 5/16	3 18 8	6 6 7
63⅛	58¼	Consols 4%.....after Feb. 1957	62 7/16	62 7/16	3 19 1	6 9 9
56 9/16	52 1/16	War Loan 3½%.....after 1952	53⅝	53⅞	3 17 10	6 8 2
55¼	52⅛	Conv. 3½%.....after Apr. 1961	54 9/16	54 9/16	3 18 8	6 8 7
47⅞	44⅛	Treasury 3½%.....after Apr. 1966	46⅞	46⅞	3 18 6	6 8 2
40⅝	38⅛	Consols 2½%	40⅛	40⅛	3 16 5	6 4 9
40⅛	38 1/16	Treasury 2½%.....after Apr. 1975	39 11/16	39⅝	3 17 5	6 6 5
91⅝	89 3/16	British Electric 4½%.....1967–69	91 7/16	91½	4 3 9	6 1 8
75¾	74⅜	British Electric 3%.....1968–73	74⅜	74 13/16	4 16 7	6 4 3
70⅛	69	British Electric 3%.....1974–77	69⅜	69⅜	4 14 8	6 3 11
80 13/16	79 1/16	British Electric 4½%.....1974–79	79⅜	79⅜	4 6 1	6 4 5
72⅞	70⅝	British Electric 3½%.....1976–79	72⅜	70⅞*	4 11 0	6 4 4
83⅜	82¼	British Gas 4½%.....1969–72	83⅛	83⅜*	4 10 1	6 5 5
81⅞	80 1/16	British Gas 3½%.....1969–71	81⅛	81 1/16*	4 12 6	6 3 6
57⅞	53 3/16	British Gas 3%.....1990–95	56⅜*	56⅜*	4 5 11	6 0 5
75¾	74⅛	British Transport 3%.....1968–73	74¾	74 13/16	4 16 7	6 4 3
78⅛	77⅛	British Transport 4%.....1972–77	78⅛	78⅛	4 7 11	6 5 2
59¾	56½	British Transport 3%.....1978–88	59⅝	59⅜	4 10 3	6 4 0

Prices, 1962 High	Prices, 1962 Low	DOMINION AND CORPORATION STOCKS	Price, April 4, 1962	Price, April 11, 1962	Red. Yield, April 11, 1962 £ s. d.
81¾	79½	Australia 3½%.....1965–69	81¾	81¾	6 8 0
98¼	96	Australia 6%.....1974–76	96 1/4*	96¼	6 7 0
66	56	Ceylon 4%.....1973–75	57½	56	9 17 0
96¾	94¼	New Zealand 6%.....1976–80	95½	95¾	6 8 0
75¼	63	Rhodesia and Nyasaland 6%.....1978–81	64	64	10 6 0
86	82	South Africa 3½%.....1965–67	85¾*	86	6 14 0
58¼	49	Southern Rhodesia 4½%.....1987–92	49	49	9 7 0
80¾	77¾	Agricultural Mortgage 5%.....1959–09	80½	80¾	6 9 0
88½	86	Birmingham 4¼%.....1967–70	88½	88½	6 2 0
90½	88¼	Bristol 5%.....1971–73	90½	90½	6 6 0
90	88	Corporation of London 5¼%.....1976–79	89¾	90	6 7 0
46½	43	L.C.C. 3%.....after 1920	45⅞	45⅝	6 11 0
86¼	84	L.C.C. 5%.....1980–83	85⅛	85⅛	6 5 0
89¼	87	Middlesex 5¼%.....1980	88	88¼	6 7 0

NEW YORK PRICES AND INDICES

	Apr. 4 $	Apr. 11 $		Apr. 4 $	Apr. 11 $		Apr. 4 $	Apr. 11 $
Atch. Topeka	26½	26⅝	Boeing	48	48⅜	Int. Harvester	54⅝	53¾
Can. Pacific	24⅛	24⅛	Celanese	40⅞	40¾	Inter. Nickel	75¾	78
Pennsylvania	15⅞	15⅞	Chrysler	52¼	52½	Inter. Paper	36⅝	35⅝
Union Pacific	31¾	32⅜	Col. Palmolive	46½	47	Kennecott	78¾	78
Amer. Electric	70⅞	70⅜	Crown Zeller	55⅞	55	Monsanto	46	45⅜
Am. Tel. & Tel.	129	128⅛	Distillers Seag.	46⅞	46¾	Nat. Distillers	29⅛	30
Cons. Edison	79½	79½	Douglas	28⅛	26¼	Pan-American	21¼	21⅛
Int. Tel. & Tel.	50½	50¾	Dow Chemical	57⅜	57¼	Procter Gamble	83¾	84¾
South'n. Nat. Gas	48	46⅜	Du Pont	238	239½	Radio Corpn.	59⅞	58
United Corpn.	8⅛	8¼	East. Kodak	112¼	110¾	Sears Roebuck	82⅝	82⅜
Western Union	36½	36⅜	Ford Motor	94	96¼	Shell Oil	37½	37¾
Alcoa	65⅜	63⅛	Gen. Electric	75¾	73¼	Socony-Mobil	55	54⅜
Aluminium	26	26	General Foods	84¼	84⅜	Stand. Oil Ind.	51⅜	51⅜
Amer. Can	45¼	46	General Motors	54¾	55¾	Stand. Oil N.J.	53¼	53¼
Am. Smelting	59⅝	62	Goodyear	43¼	43¾	Union Carbide	111⅛	110⅜
Am. Viscose	54	54½	Gulf Oil	41⅞	42¾	U.S. Steel	69¼	68½
Anaconda	46⅞	45⅞	Heinz	58	55	West. Electric	35	35½
Beth. Steel	42⅝	42⅛	Int. Bus. Mach.	510¼	516	Woolworth	80½	80⅜

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

1962	425 Industrials	Yield %	25 Rails	Yield %	50 Utilities	Yield %	Govt. Bonds	Yield %
Mar. 14	74·93	2·86	34·43	4·82	64·79	3·12	88·70	4·01
,, 21	74·42	2·88	33·35	4·83	64·95	3·11	88·80	4·00
,, 28	73·93	2·90	33·35	4·81	64·45	3·13	89·01	3·98
Apr. 4	72·14	2·97	32·44	4·97	64·06	3·15	88·75	3·99
,, 11	72·01	2·98	32·55	4·95	64·25	3·15	90·06	3·88

425 Industrials:—High. 75·22 (Jan. 31. Low. 71·68 (Jan. 29).

Prices, 1962 High	Prices, 1962 Low	Last Two Dividends (a) (b) (c)	ORDINARY STOCKS	Price, Apr. 4, 1962	Price, Apr. 11, 1962	Yield, Apr. 11, 1962	Cover
		% %	**BANKS, DISCOUNT & HP**				
104/–	86/–	6½ a 6½ b	Barclays.....£1	93/3	100/–	2·60	...
102/6	93/–	8 a 8 b	District.....£1	98/3	107/–	3·17	...
72/6	58/6	4·3 a 5·1 b	Lloyds.....£1	65/6	69/9	2·70	...
24/6	20/3	7 a 8 b	Martins.....5/–	22/4½	23/10½	3·14	...
101/–	86/9	7⅛ a 7½ b	Midland.....£1	93/–	98/6	3·05**	...
102/–	89/–	7 a 7 b	Nat. Provincial.....£1	93/–	100/–	2·80	...
103/–	84/–	6¾ a 6¾ b	Westminster 'B'.....£1	93/–	101/6	2·62	...
43/3	40 10½	4 a 8 b	Australia & N.Z.....£1 p.p.	41/6	42/–	5·71	...
40/3	37/11½	3½ a 5 b	Bk. Lond. & S. Amer..£1	39/4½	39/3	4·25	...
£259/16	£233/16	$2·05c $2·10c	Bank of Montreal.....$10	£233/16	£233/16	2·99	...
313/4	277/4	8 c 9 c	Bank of New S. Wales £20	30	313/4	4·54g	...
38/9	34/9	5 a 5 b	Barclays D.C.O.....£1	36/6	36/6	5·48	...
58/6	53/3	7½ a 7½ b	Chartered.....£1	54/9	55/3	5·43	...
£193/4	£171/4	5/– a 10/– b	Hongk'g. & Shang.....$25	£18¼	£18	4·17	...
57/3	52/3	7½ a 9 b	Nat. Com. Bk. Scot..10/–	53/–	56/6	2·92	...
£297/16	£261/16	$2·37½c $2·50c	Royal Bk. Canada.....$10	£28/16	£277/16	3·08	...
43/6	37/6	10 b 5 a	Standard Bank.....£1	41/–	39/3	7·64	...
187/6	157/6	22½ c 7½ a	Hambros.....£1 f.p.	177/6	180/–	2·50	...
98·6	81 10½	2½ a 5 b	Schlesinger.....£1	94/6	98/6	1·52	...
59/3	53/–	6¼ a 6¼ b	Union Discount.....£1	58/6	58/9	4·26	...
14/11½	11 10½	18 c Nil c	Bowmaker.....5/–	12/3	12/11½	...	...
14/3	12/3	5 a 5 b	Lombard Banking.....£1	13/4½	12/11½	4·12	1
16/4½	12/4½	2½ b 2 a	Mercantile Credit.....5/–	12/6	11/10½	3·16	...
44 11½	33/9	22½ b 4 a	United Domins. Tst..5/–	35/6	34/–	3·90	⅞a
			BREWERIES, Etc.				
15/4½	13/3	... 7 b	Bass. M. & B.....5/–	14/6	15/4½	3·58**	2
41/6	37/4½	8½ b 6 a	Distillers.....10/–	41/6	41/6	3·49	2
20/6	17/6	4 a 8 b	Flowers.....5/–	18/3	19/6	3·08	2
51/6	47/–	8 a 14 b	Guinness.....5/–	49/9	48/6	4·54	1¾
15/7½	12/7½	... 8 b	Ind Coope. T.A.....5/–	13/11½	13/6	4·44**	1½
15/7½	13/–	5 a 7½ b	United Breweries.....5/–	15/11½	15/7½	4·00	...
27/6	23/8¼	6 a 12 b	Watney Mann.....5/–	26/3	27/6	3·27	2
38/3	31/9	9 a 21 b	Whitbread 'A'.....5/–	34/9	38/3	3·92	1¾
			BUILDING, PAINT, Etc.				
56/9	50/7½	5⅜ b 3 a	Associated Portland...£1	53/6	55/3	3·02	2½
26/11½	21/9	7¼ b 4 a	British Plaster Bd.....10/–	23/3	26/11½	4·78	2¼
17 10½	14 10½	10 b 6 a	Richard Costain.....5/–	15/10½	16/7½	4·81	2¾
13/–	10/6	10 a 12½ b	Crittall Mfg.....5/–	11/6	12/3	6·89**	2
12/6	10/11½	14 b 10 a	International Paints..4/–	13/3	10/3	7·80	1½
71/3	57/–	25 c 25 c	Rugby Portland.....5/–	69/3	71/3*	1·75	3½
23/6	19/7½	11½ b 5 a	Wall Paper Defd.....5/–	20/4½	21/10½*	3·81	2¼
			CHEMICAL				
25/7½	20/9	6 a 14 b	Albright & Wilson...5/–	24/6	25/7½	3·90	2
19/3	16/3	4 a 7½ b	Borax Defd.....5/–	19/3	18/10½	3·05	2½
43/3	34/–	4 a 7 b	Fisons.....£1	40/6	40/6	5·43	1½
58/–	53/3	6¼ a 7½ b	I C I.....£1	56/–*	56/7½	4·86	1
17/3	12/6	5 a 5 b	Monsanto.....5/–	13/3	13/9	3·64	1½
			DRAPERY & STORES				
35/3	26 10½	8 b 4 a	Boots Pure Drug....5/–	31/4½	34/–	1·76	2¼
33/9	28 10½	17⅜ a 5 b	Montague Burton...10/–	31/11½	31/6	2·18	2¼
59/6	53/6	13½ b 5⅝ a	Debenhams.....10/–	58/3	58/6*	3·28	1½
58/4½	54/4½	25 b 12½ a	G.U.S. 'A'.....5/–	56/6	58/–	3·23	2
40/3	34/9	16⅔ b 13⅓ a	House of Fraser.....5/–	38/9	38/4½	3·91	1¼
16/6	13/6	5 a 7½ a	Lewis's Invest. Tst...4/–	14 10½	16/6	3·03	2
100/6	90/–	32½ b 15 a	Marks & Spencer 'A'.5/–	95/–	99/–	2·40	1½
50 10½	46/–	20 b 10 a	United Drapery.....5/–	50 10½	50/11½	2·99	1¾
53/–	45/9	10⅜ a 25 b	Woolworth.....5/–	50/–	49/3	3·64	1½
			OIL				
38/–	32/3	6·94b ‡2·78a	British Petroleum....£1	35/3	36/3	8·76	2¼
35/9	30/6	16⅔ b ‡21 a	Burmah Oil.....£1	34/–	34/–	9·01	1¼
£14 5/16	£12 5/16	11¼ a 15 b	Royal Dutch.....20 fl.	£13½	£13⅜	3·80	2¾
32/–	27/–	†10 a ‡15 b	Shell Transport.....5/–	30/7½*	30/6	6·69	2½
28/–	20/6	... ...	Ultramar.....10/–	21/3	21/–	... d	...

FOREIGN AND OVERSEAS STOCKS

	Apr. 4	Apr. 11		Apr. 4	Apr. 11		Apr. 4	Apr. 11
FRANCE	Frcs.	Frcs.	**GERMANY**	%	%	**HOLLAND**	%	%
Air Liquide	1,368	1,350	A.E.G.	508	493½	A.K.U.	375¾	361¶
Banque de Paris	624	604	Bad'che. Anilin	475	454	Bijenkorf	1,130	1,100
Citroen	234	234	Bayer	610	563	Heinekens	532	525½
C. F. Petrole.	330	316·1	Commerzbank	562	550	Interunie (Fl.50)	Fl.209	Fl.207
Cie. G. d'Elect.	1,355	1,439	Deutsche Bank	653	635	K. N. Hoogoven	768	763½
Machines Bull	775	797	Hoechst Farb.	514½	502½	Kon. Zout-Ket.	1,080	1,000
Pechiney	311·7	295	Kundenkredit	512	502	Philips	948*	915¾
Printemps	752	720	Lowenbrau	1,240	1,210	Robeco (Fl.50)	Fl.239	Fl.237·5
Rhone-Poulenc	544	539	Mannesmann	240	235½	Rotterdam Bk.	400½	395
S.I.M.	395	399	Siemens	781	652¶	Thomassen & D.	698	680
Saint-Gobain	452	437	Thyssen-Huette	207	200	Valeurop	Fl. 82·4	Fl. 81·6
Usinor	254	250	Volkswagen	676	671	Zwanenberg	1,030	1,010½
Index	110·45	110·9	*Herstatt Index*	110·81	107·64	Index	378·73	369·85
Dec. 30, 1960=100.			*Dec. 31, 1959=100.*			*1953=100.*		
CANADA	$	$	**AUSTRALIA**	£A	£A	**JAPAN**	Yen	Yen
Abitibi Pr. & P.	45⅝	46¾	Ampol Pet.	12/1	12/5	Ajinomoto	585	597
Aluminium	27½	27½	Ass. Pulp & P.	32/6	33/–	Fuji Iron	47	47
Bell Tel.	56⅞	57	Aust. Con. Inds.	71/–	71/6	Hitachi	82	86
Can. Brewer's.	10⅝	10⅞	Aust. Oil & Gas	77/–	80/–	Honda Motor	256	265
Can. Imp. Bank	66	66¾	Brit. Tobacco	22/–	22/3	Kirin Brewery	525	520
Can. Pac. Ry.	25½	25⅞	Broken Hill Pty.	62/3	63/6	Mitsub. Chem.	63	59
Hiram Walker	56½	57⅜	G. J. Coles	13/7	13/8	Mitsub. Elect.	70	71
Imperial Oil	47⅞	49	Felt & Textiles	8/–	7/10	Mitsub. Heavy	66	66
Noranda Mines	59	60⅛	I.C.I. A.N.Z.	43/–	42/3	Nippon Elect.	363	388
Shawinigan Wtr	23¾	23¼*	Myer Emporium	33/1	33/3	Sony	811	790
Steel of Canada	84½	85¼	Ready Mix Con.	17·8	17/9	Toyo Rayon	139	143
Trans. Can. Pipe	24¾	24¼	Woolworth	16/9	16/9	Yawata Iron	52	52
Toronto Ind.			Sydney Indust.					
Index	620·52	622·90	Index	303·65	304·77	Dow Jones Average	1417·15	1417·15
1933=100.			*1937/39=100.*					

* Ex dividend. † Tax free. ‡ Assumed average life 7½ years. § The net redemption yields allow for tax at 7s. 9d. in £. ‖ Ex capitalisation. ¶ Ex rights. ‡‡ Ex all. (a) Interim dividend. (b) Final dividend. (c) Year's dividend. (d) Capital distribution of 1s. 0d. per share. (f) Flat yield. (g) Equivalent to 7·2 sterling. (h) After Rhodesian tax. (l) To latest date.
Japanese prices supplied by Daiwa Securities, Tokyo.

AND YIELDS

LONDON : NEW YORK : FRANCE
GERMANY : HOLLAND : CANADA
AUSTRALIA : JAPAN

Prices, 1962 High	Prices, 1962 Low	Last Two Dividends (a) (b) (c)	ORDINARY STOCKS	Price, Apr. 4, 1962	Price, Apr. 11, 1962	Yield, Apr. 11, 1962	Cover
		% %	**ELECTRICAL & RADIO**				
32/6	26/9	5 a 5 b	A.E.I.....£1	27/3	29/9	6·72	1
12/6	11/–	... 15 c	Brit. Electronic Inds..5/–	12/1½	12/4½	6·06	1¼
63/9	56/4½	4 a 9½ b	B.I.C.C.....£1	61/3	61/6*	4·39	2
14/8¼	12/7½	5 a 7½ b	Crompton Parkinson.5/–	12/10½	13/9¾	4·52	2½
85/–	76/–	23½ b 31½ a	Decca Record 10/–	78/6	82/–	2·85	1¾
45/6	42/–	12½ b 5 a	E.M.I.....10/–	44/–	44/–	3·98	2
52/6	41/3	8 b 5 a	Elliott-Automation...5/–	49 10½	52/11½	1·25	2
27/9	23/–	3 a 5 b	English Electric £1	23/9	24/3	6·60	1½
30/3	25/9	7 b 3 a	General Electric.....£1	26/–	28/6	7·02	¾
59/3	50/6	8⅛ b 4⅜ a	C. A. Parsons.....£1	58/9	58/9	4·26	4
47/9	43/9	3 a 4 b	A. Reyrolle.....£1	45/3*	45/3*	4·31	2½
76/–	63/6	25 c 25 c	Thorn Electrical.....5/–	73/–	75/–	1·67	3
			ENGINEERING				
23/9	20/3	9 c Nil a	Babcock & Wilcox.....£1	21/9	22/6	...	1
34/6	27/3	7 b 3·2 a	John Brown £1	32/–‖	34/6	5·91	2¾
6/–	4/3	9 b 3 a	Cammell Laird 5/–	4/6	4/6	13·13	1
26/6	22/–	10 a 20 b	Internat. Combust. ..5/–	22/–	23/3	6·45	1¼
5/6	3/4½	... ...	Rich'ds'ns. Westg'th. 10/–	3/7½	3/6	...	...
38 4½	32/–	2½ a 9½ b	Swan Hunter £1	35/7½	35/9	6·71	2¼
13/9	10/6	5 c 5 a	John Thompson 5/–	11/9	13/9	1·82	...
32/9	30/4½	‡21½ a ‡6¼ b	Coventry Gauge.....10/–	32/9	32/6	4·40	2¾
73/7½	60/7½	‡21½ a ‡6 b	Alfred Herbert £1	66/6	70/4½	3·94	2
47/6	39/6	12½ b 5 a	Allied Ironfounders...£1	42/9	46/6	7·53	1½
96/3	90/9	10 b 5 a	Averys £1	92/9	96/–	3·13	2½
20/3	16/6	4 a 7½ b	B.S.A. £1	17/3	19/9	5·91	2½
11/3	9/9	8½ b 4½ a	George Cohen 5/–	11/3	11/3	5·78	1¾
33/–	28/3	17½ b 10 a	Davy-Ashmore 5/–	28/9	29/9	4·62	2¼
81 10½	74 10½	11 b 5 a	Guest Keen.....£1	79 7½	78 7½	4·07	3½
21/–	19/6	12 b 4 a	Head Wrightson.....5/–	20 10½	20/–	4·00	2½
85/6	80/6	7 b 5 a	Metal Box.....£1	83/6	84/–	2·86	2¼
17/3	14/9	10 b 4 a	Ransome & Marles.....5/–	15/3	16/3	4·33	3
46/3	44/6	7 b 3 a	Renold Chains £1	45/–	46/3	4·32	2
64 10½	55 10½	7 a 7 b	Tube Investments.....£1	59 10½	63 7½	4·40	3
31 1½	26 10½	7½ b 2½ a	Vickers £1	27/9	28/3	7·08	1¾
71/6	60/–	10 b 3¾ a	Ward (Thos. W.).....£1	69/–	71/6	3·85	3
20/6	18/–	22½ b 5 a	Woodall-Duckham...5/–	18/3	18/6	5·68**	2¾
			FOOD & TOBACCO				
23/9	19/9	10 c 10 c	Allied Suppliers 10/–	20/–	23/–	4·35	2¼
12 4½	10/2¼	12½ b 10 a	Assoc. British Foods..5/–	10/7½	11/–	2·05	2
61/3	56/3	8 b 4 a	Bovril.....£1	56/9	57/3	4·19	2½
12 1½	11/4½	†1·7a †3·9b	Brooke Bond 'B'.....5/–	11/6¾	12/–	3·81	3½
15/9	13/11½	10 b 2½ a	International Tea.....5/–	13/6	13/9	4·55	1½
28/3	22/9	10⅝ b 8 a	J. Lyons 'A'.....£1	25/9	26 10½	4·12	1¼
33/6	30/–	5 a 9 b	Ranks Hovis 10/–	32 7½	33/6	4·18	2
13/9	10 10½	7½ b 2½ a	Spillers.....5/–	13/–	13/9	3·64	2
50/9	47/1½	11 a 1 b	Tate & Lyle.....£1	49/9	49/–	4·90	2¼
18/–	15/3	9 b 5 a	Unigate.....5/–	17/9	17 10½	3·92	2
63/9	53/3	†22½ c †5½ a	Brit. Amer. Tobac....10/–	56/6	57/9*	6·36	3
41/3	29/11½	15 b 5 a	Gallaher 10/–	29 10½	31/6	6·35	2
63/9	47/9	7½ a 14 b	Imperial Tobacco.....£1	48/9	51/–	8·82	1¾
			INSURANCE				
8⅝	6 9/16	†22·7a †25 b	Britannic 5/–	7 15/16‖	8 9/16‖	2·27	...
68/–	55/3	20 a 25 b	Commercial Union ..5/–	56/9	60/9	3·70	...
35 15/16	33⅛	†41·17c †62·76d	Equity & Law Life ..6/–	34⅝	34⅜	1·27	...
105/6	84/6	10 a 20 b	General Accidents...5/–	96/9	103/9	1·45	...
57/6	46/9	... ...	Guardian.....5/–	52/6	57/3	2·33**	...
47⅜	38½	80 a 110 b	Legal & General.....5/–	44¾	47⅝	1·00	...
170/–	142/9	11½ b 8½ a	Northern & Empl.....£1	152/9	165/–	2·42	...
13 1/16	10⅝	†20 c †70 b	Pearl 5/–	12 7/32	12 1/16*	2·98	...
27⅝	24⅝	†20·81 c †20·81 c	Prudential 'A'.....10/–	25⅞*	27⅝	2·46	...
47 10½	41 10½	2 a ...	Royal 5/–	44 10½	45 4½*	3·31	...
117/3	103/9	11¼ b 9½ a	Royal Exchange £1	111/9	117/3	3·20	...
			MOTORS & AIRCRAFT				
18/3	15/6	7½ a 12½ b	British Motor 5/–	16/7½	17/7½	5·67	¾
85/3	80 4½	20 c 20 c	Jaguar Cars 'A'.....5/–	82 1½	85/3	1·17	8
41/6	33 3/4	11 c 5 a	Rolls-Royce.....£1	35/3	33/6	6·57	2¼
6 8/14	5/9	12 c 6 a	Rootes Motors 'A'....4/–	6 2/4	6 8/14	2·38	...
78/6	68/3	5 a 11 b	A.C.V. £1	70/–	70/–	4·57	2
92/3	76/9	20 e 20 c	Leyland Motors £1	86 1½	90/3	4·43	2
15 11¼	14/–	12½ c 8 a	Bristol Aeroplane ..10/–	14/–	14/4½	8·70	2¼
24 8¼	21/4½	15 c 5 a	Hawker Siddeley.....£1	21 10½	21/7½	9·80**	1¼
36/9	26/9	15½ b †4 a	Dowty Group.....10/–	27/–	31 10½	4·87	2¼
33/6	28/11½	15½ b 5 a	Dunlop Rubber 10/–	31/3	33/6	4·73	2
74 10½	63/9	11½ b 2½ a	Joseph Lucas.....£1	71 10½	74 10½	3·67	2¼
22/–	16/9	20 c Nil a	Pressed Steel.....5/–	19/–	20/3	...	1¼
37 7½	34/4½	12½ c 5 a	Triplex Holdings ...10/–	35 10½	37/6	3·33	2¼
			MINES				
150/–	136/3	40 a 50 b	Anglo-American.....10/–	142/6	145/6	6·19	1½
64/3	53/9	6¼ b 18¾ b	Consolid. Gold Fields .£1	55/6	54/–	9·26	2½
96/3	81 10½	15 a 20 b	General Mining.....£1	85/–	82/6	8·48	2
60/6	48/9	40·8a 122·5b	Union Corporation ..2/6	50/6	48/9*	8·37	3
18/–	16/9	40 a 40 b	Daggafontein 5/–	17/9	17/9	22·54	1½
94 4½	83/9	70 a 100 b	Free State Geduld ...5/–	86/3	83/9	10·15	1½
47/6	39/6	25 b 25 a	Marrebeestfontein ...10/–	40/–	39/6	12

Money and Exchanges

EXCHEQUER RETURNS

For the week ended April 7, 1962, there was an "above-line" deficit (after allowing for sinking funds) of £36,301,000 compared with a surplus of £36,823,000 in the previous week and a deficit of £37,929,000 in the corresponding period of last year. There was a net expenditure "below-line" of £22,766,000 leaving a total cumulative deficit to date of £59,067,000 compared with £59,779,000 in 1961–62.

£'000	Estimate 1962–63	April 1, 1960, to Mar. 31, 1961	April 1, 1961, to Mar. 31, 1962	April 1, 1961, to April 8, 1961	April 1, 1962, to April 7, 1962
Ordinary Revenue					
Income Tax	2,790,000	2,433,062	2,726,674	17,897	18,320
Surtax	188,000	189,400	224,100	5,300	6,100
Death Duties	264,500	235,600	262,200	5,400	5,300
Stamps	95,000	90,200	96,600	2,100	1,600
Profits tax, EPT and EPL	374,000	263,100	335,100	5,300	7,700
Other Inland Rev. Duties	...	450	350	...	...
Total Inland Rev.	3,711,500	3,211,812	3,645,024	35,997	38,020
Customs	1,653,000	1,456,523	1,616,319	34,237	25,916
Excise	1,077,000	933,260	978,425	6,275	2,230
Total Customs and Excise	2,730,000	2,389,783	2,594,744	40,512	28,146
Motor Duties	150,000	126,005	141,008	2,502	...
PO (Net Receipts)	...	...	...	...	...
Broadcast Lic's.	41,000	37,900	39,500	...	...
Sundry Loans, Miscellaneous	165,000	41,288 / 126,877	224,646	6,636	6,452
Total	6,797,500	5,933,665	6,644,922	85,647	73,618
Ordinary Expenditure					
Debt Interest	600,000	660,795	710,886	31,990	25,485
Payments to N. Ireland Exch.	100,000	88,994	97,444	3,028	3,267
PO Fund — Initial settlement	...	...	7,282	...	...
Other Consolidated Funds	12,000	8,672	11,365	398	312
Supply Services	5,611,650	4,988,708	5,367,800	87,700	80,700
Total	6,323,650	5,747,169	6,194,777	123,116	109,764
Sinking Funds	41,000	39,392	40,069	460	155
"Above-line" Surplus or Deficit	+ 147,104	+ 410,076	37,929	36,301	
"Below-line" Net Expenditure*	541,422	621,354	21,850	22,766	
Total Surplus or Deficit	394,318	211,278	59,779	59,067	
Net receipts from:					
Tax Reserve Certificates	22,195	19,457	4,615	2,250	
Savings Certificates	56,800	21,300	4,600	1,600	
Defence Bonds	105,888	16,389	89	554	
Premium Savings Bonds	55,510	43,300	400	500	
Total	240,393	57,846	504	4,904	

* Net receipt of £10 million the Civil Contingencies Fund in 1962–63 compared with £5 million in 1961–62.

FLOATING DEBT

(£ million)

	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Dept.	Ways and Means Advances: Bank of England	Total Floating Debt
1961 Apr. 8	3,110·0	1,599·2	299·4	...	5,008·6
1962 Jan. 6	3,380·0	2,163·3	339·7	...	5,882·9
,, 13	3,300·0	2,151·6	334·8	2·5	5,788·9
,, 20	3,250·0	2,147·4	326·4	...	5,723·8
,, 27	3,190·0	2,163·1	217·9	1·8	5,572·8
Feb. 3	3,120·0	2,115·6	242·6	7·8	5,486·0
,, 10	3,070·0	1,989·0	246·8	...	5,305·8
,, 17	3,040·0	2,302·6	275·4	5·0	5,622·9
,, 24	2,990·0	2,382·5	207·4	...	5,579·9
Mar. 3	2,950·0	2,481·4	236·7	5·0	5,673·1
,, 10	2,960·0	2,435·5	248·2	0·8	5,644·4
,, 17	2,960·0	2,[illegible]	251·1	...	5,635·0
,, 24	2,[illegible]	2,391·6	290·8	...	5,662·5
,, 31	3,000·0	2,330·6	260·7	...	5,591·3
Apr. 7	2,980·0	2,400·5	253·0	2·3	5,635·8

THE MONEY MARKET

THE discount market was forced to borrow from the Bank of England on each of the first three days of this week. The market has now been in the Bank seven times since Bank rate was cut to 5 per cent three weeks ago. Continuation of this tough line on the part of the authorities can only mean that they feel the bill rate is falling away too quickly.

At last Friday's Treasury bill tender the average rate of discount fell by 8.54d. to £4 7s. 4.62d. per cent. The syndicate of discount houses raised its bid at the tender by 2d. to £98 18s. 2d., but with the increase in outside bids fractionally higher, and total applications £7 million higher at £399 million, the market's allotment of bills fell to 46 per cent compared with 57 per cent in the previous week.

Credit has been tight throughout the week and on Monday three or four houses were forced into the Bank for a small amount. On Tuesday and Wednesday the authorities gave the market fairly large amounts of help but this was still not enough to prevent four or five houses borrowing a small amount on Tuesday and one or two taking a small amount on Wednesday.

MONEY RATES

LONDON

	%		%
Bank rate (from 5½%, 22/3/62)	5	Discount rates:	
Deposit rates (7 days' notice):		Bank bills:	
Banks	3	60 days	4 1/2–4 9/16
Discount houses	3–3 1/4	3 months	4 1/2–4 9/16
Local Authorities	5 1/4	4 months	4 1/2–4 9/16
Call money:		6 months	4 1/2–4 5/8
Clearing banks' minimum	3 3/8	Fine trade bills:	
Day-to-day	3 3/8–4 1/2	3 months	5 3/4–6 1/2
		4 months	5 3/4–6 1/2
		6 months	6–7

NEW YORK

	%		%
Official Discount rate: (from 3 1/2%, 11/8/60)	3	**Treasury bills:** April 2	2·757
		,, 9	2·724

BANK OF ENGLAND RETURNS

(£ million)	April 12, 1961	April 4, 1962	April 11, 1962
*Issue Department**:			
Notes in circulation	2,287·0	2,310·8	2,320·3
Notes in banking dept.	38·4	64·6	55·1
Govt. debt and securities*	2,323·3	2,374·0	2,374·0
Other securities	0·7	0·7	0·7
Gold coin and bullion	0·4	0·4	0·4
Coin other than gold coin	1·0	0·3	0·3
Banking Department:			
Deposits:			
Public accounts	12·3	10·2	11·7
Special deposits	150·1	232·2	231·8
Bankers	261·4	261·4	258·8
Others	66·1	70·6	70·3
Total	489·9	574·4	572·6
Securities:			
Government	405·7	455·7	469·7
Discounts and advances	44·2	51·9	45·9
Other	18·5	19·9	18·7
Total	468·4	527·6	534·3
Banking department reserve	39·2	65·4	56·0
	%	%	%
"Proportion"	8·0	11·3	9·7

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue increased by £50 million to £2,375 million on March 7th.

TREASURY BILL TENDERS

Date of Tender	Amount (£ million) Offered	Applied for	91 Day Bills: Average Rate of Allotment	Allotted at Max. Rate*
1961 Apr. 7	*91 day* 260·0†	473·7	s. d. 88 8·68	% 42
1962 Jan. 5	240·0	406·9	108 7·81	38
,, 12	240·0	409·4	108 6·03	25
,, 19	240·0	388·1	106 2·35	63
,, 26	240·0	399·8	104 10·06	61
Feb. 2	200·0	379·4	104 4·93	33
,, 9	230·0	412·8	108 0·74	22
,, 16	220·0	389·8	109 10·81	28
,, 23	220·0	405·6	110 7·47	21
Mar. 2	230·0	382·6	110 11·26	37
,, 9	230·0	396·2	100 5·89	53
,, 16	230·0	411·8	97 7·57	41
,, 23	230·0	408·1	89 0·47	48
,, 30	230·0	392·2	88 1·16	57
Apr. 6	230·0	398·7	87 4·62	46

* On April 6th tenders for 91 day bills at £98 18s. 2d. secured 46 per cent, higher tenders being allotted in full. The offer for this week was for £230 million 91 day bills. † Allotment cut by £10 million.

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Effective Limits	Market Rates: Spot					
	April 11	April 5	April 6	April 7	April 9	April 10	April 11
United States $	2·78–2·82*	2·81 3/8–1/2	2·81 5/16–7/16	2·81 5/16–7/16	2·81 5/16–7/16	2·81 5/16–7/16	2·81 3/8–1/2
Canadian $	...	2·95 7/16–9/16	2·95 3/8–1/2	2·95 3/8–1/2	2·95 5/16–7/16	2·95 5/16–7/16	2·95 7/16–9/16
French Fr.	13·622–14·027	13·79–79 1/4	13·78 3/8–7/8	13·78 3/8–5/8	13·78 1/4–1/2	13·78 3/8–7/8	13·78 1/2–3/4
Swiss Fr.	11·94–12·547/8	12·22 7/8–23 1/8	12·23–23 1/4	12·22 1/4–23	12·23 1/8–7/8	12·23 1/4–1/2	12·23–23 1/4
Belgian Fr.	137·96–142·05	140·07 1/2–12 1/2	140·05–10	140·02 1/2–07 1/2	140·02 1/2–07 1/2	140·05–10	140·05–10
Dutch Gld.	10·14–14 1/4	10·13 3/8–5/8	10·13 3/8–5/8	10·13 1/4–1/2	10·12 5/8–7/8	10·12 3/4–13	10·12 7/8–13/8
W. Ger. D-Mk.	11·247/8–25 1/8	11·24 5/8–7/8	11·24 1/2–3/4	11·24 1/2–3/4	11 24 1/2–3/4	11·24 3/4–25	11·25 1/4–1/2
Portug. Esc.	80·15–25	80·15–25	80·15–25	80·15–25	80·15–25	80·15–25	80·15–25
Italian Lire	1725–1775	17471/4–3/4	17465/8–471/8	17461/4–3/4	17461/4–3/4	17455/8–463/8	17461/2–463/4
Swedish Kr.	14·27 1/2–14·70	14·49 1/4–1/2	14·48 7/8–49 1/8	14·48 1/2–49	14·48 3/4–5/8	14·48 3/8–5/8	14·48 3/8–5/8
Danish Kr.	19·06 1/2–19·62	19·37 3/8–38 1/8	19·38 3/8–5/8	19·38 3/8–5/8	19·38 3/8–5/8	19·38 3/8–5/8	19·38 7/8–39 1/2
Norwegian Kr.	19·71–20·30 1/2	20·04 3/8–5/8	20·04 3/8–5/8	20·04 3/8–5/8	20·04 1/4–1/2	20·04 3/8–5/8	20·0[illegible]–3/8
	* Official Limits	**One Month Forward Rates**					
United States $		1/2–3/8c. pm	1/2–3/8c. pm	1/2–3/8c. pm	1/2–3/8c. pm	9/16–7/16c. pm	9/16–7/16c. pm
Canadian $		9/16–7/16c. pm	1/2–3/8c. pm	1/2–3/8c. pm	1/2–3/8c. pm	1/2–3/8c. pm	9/16–7/16c. pm
French Fr.		13/4–1/2c. pm	1 5/8–1/2c. pm	[illegible]	1 5/8–1 3/8c. pm	1 5/8–1 3/8c. pm	1 3/4–1 1/4c. pm
Swiss Fr.		3–2 1/2c. pm	[illegible]	2 3/4–2 1/2c. pm	2 3/4–2 1/2c. pm	2 3/4–2 1/2c. pm	2 1/2–2c. pm
Belgian Fr.		35–20c. pm	[illegible]	30–20c. pm	28–18c. pm	33–23c. pm	37–27c. pm
Dutch Gld.		1 1/2–1c. pm	1 3/8–7/8c. pm	1 3/8–7/8c. pm	1 1/4–3/4c. pm	1 1/4–3/4c. pm	1 1/4–3/4c. pm
W. German D-Mk.		2 5/8–2 1/8pf. pm	2 5/8–2 1/8pf. pm	2 5/8–2 1/8pf. pm	2 1/2–2pf. pm	2 1/2–2pf. pm	2 1/2–2pf. pm
		Three Months Forward Rates					
United States $		1 3/8–1 1/4c. pm	1 3/8–1 1/4c. pm	1 3/8–1 1/4c. pm	1 3/8–1 1/4c. pm	1 3/8–1 1/4c. pm	1 3/8–1 1/4c. pm
Canadian $		1 1/4–1 3/8c. pm	1 3/8–1 1/4c. pm	1 3/8–1 1/4c. pm	1 3/8–1 1/4c. pm	1 3/8–1 1/4c. pm	1 3/8–1 1/4c. pm
Swiss Fr.		8 1/2–8c. pm	7 3/4–7 1/4c. pm	7 3/4–7 1/4c. pm	7 5/8–7 1/8c. pm	7 1/2–7c. pm	7–6 1/2c. pm
W. German D-Mk.		6 3/4–6 1/4pf. pm	6 3/4–6 1/4pf. pm	6 3/4–6 1/4pf. pm	6 1/2–6pf. pm	6 1/2–6pf. pm	6 1/2–6pf. pm
		Gold Price at Fixing					
Price (s. d. per fine oz.)		249 1/2	249 3/4	...	249 3/4	249 3/4	249 7/8
,, ($		35·07	35·07 1/2	...	35·07 1/2	35·07 1/2	35·08

Western Europe

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

BRITISH

Prices and Wages	April 7th	External Trade	Mar. 31st
Manpower and Output	Mar. 24th	Industrial Profits	Jan. 27th

OVERSEAS

Western Europe	This week	United States	Mar. 10th

	Austria	Belgium	Denmark	France	Germany, F R	Greece	Ireland	Italy	Nether-lands	Norway	Sweden	Turkey	United Kingdom
INDUSTRIAL PRODUCTION (1) (1953=100)													
1956	139	123	115	133	138	130	105	128	124	122	114	...	112
1960	175	129	142	174	179	172	122	182	157	147	134	...	126
1961	...	...	...	184	190	181	137	200	159	157	...	...	198
1961, August	175	131	...	184	177	187	...	163	153	159	134	...	108
,, September	186	138	...	185	189	195	135	212	154	170	141	...	130
,, October	190	142	...	188	200	193	...	219	161	171	148	...	132
,, November	...	145	...	190	210	190	...	215	160	179	153	...	134
,, December	...	...	...	192	193	186	141	208	162	158	...	...	125
1962, January	...	...	...	194	184	...	...	...	162	160	...	...	125
VALUE OF EXTERNAL TRADE (2)													
Monthly averages or calendar months	mn. schillings	mn. francs	mn. kroner	mn. New francs	mn. D. marks	mn. drachmas	mn. £	'000 mn. lire	mn. guilders	mn. kroner	mn. kroner	mn. lira	mn. £
	Imports (c.i.f.)												
1956	2,110	13,635	755[10]	1,621	2,315	1,159	15·2	165	1,180	721[10]	953[10]	95·1	309·9
1960	3,068	16,488	1,040	2,582	3,535	1,755	18·9	246	1,435	871	1,251	184·5	366·6
1961	3,217	17,424	1,776	2,747	3,666	1,785	21·8	272	1,554	961	1,260	382·1	353·3
1961, October	3,288	18,739	1,222	2,687	3,964	2,449	22·3	265	1,458	906	1,367	366·3	365·0
,, November	3,301	17,965	1,250	2,911	3,798	2,365	23·2	289	1,717	1,031	1,474	428·6	360·1
,, December	3,362	17,473	1,133	3,153	4,197	1,424	20·2	288	1,644	845	1,324	743·0	325·4
1962, January	3,335	18,200	1,188	2,680	3,770	...	...	...	1,731	...	1,415	...	390·1
,, February	...	...	...	2,940	...	...	...	...	1,514	...	...	...	322·13
	Exports (f.o.b.)												
1956	1,840	13,177	640[10]	1,325	2,571	475	9·0	112	906	460[10]	839[10]	71·2	261·9
1960	2,427	15,731	£60	2,822	3,993	508	12·7	190	1,275	524	1,106	143·4	296·2
1961	2,605	16,335	885	2,971	4,246	558	15·0	218	1,309	553	1,181	260·4	306·9
1961, October	2,770	18,401	981	3,112	4,353	720	17·0	258	1,332	602	1,297	265·7	319·4
,, November	2,643	17,461	947	3,150	4,238	1,217	15·9	240	1,443	565	1,233	521·6	319·4
,, December	2,704	15,944	1,047	3,250	4,726	1,235	13·8	233	1,309	537	1,295	536·2	298·5
1962, January	2,333	...	897	3,020	3,830	...	...	...	1,314	...	1,252	...	311·5
,, February	...	...	...	3,080	...	...	...	...	1,232	...	...	...	298·24
COST OF LIVING (5) (1953=100)													
1956	108	104	112	103	104	126	107	109	108	109	109	136	112
1960	115	110	120	134	111	136	117	115	121	121	124	228	121
1961	118	111	124	138	114	138	120	118	123	124	127	236	125
1961, September	119	111	...	138	115	138	...	118	124	125	127	235	126
,, October	119	111	127	139	115	138	...	118	124	126	127	240	126
,, November	120	111	...	141	115	138	121	119	124	126	128	238	127
,, December	120	111	...	141	116	136	...	120	124	127	128	240	128
1962, January	121	112	129	142	117	137	...	120	125	128	130	240	128
,, February	121	111	...	...	...	...	123	...	...	128	...	...	129
EXPORT PRICES (6) (1953=100)													
1956	105	103	104	99	101	143	96	92	102	114	106	77	105
1960	103	97	99	133	101	122	102	86	100	103	101	81	110
1961	...	...	...	...	102	...	...	84	99	103	102	55	111
1961, September	...	96	97[11]	129[11]	102	118	101	81	98	104[11]	101	102	111
,, October	...	96	...	...	101	123	102	81	98	...	101	89	111
,, November	...	96	...	...	102	131	101	82	97	103[12]	101	176	111
,, December	...	...	...	...	103	...	...	85	98	...	100	181	112
1962, January	...	...	...	102	...	...	...	...	...	...	...	...	112[13]
GOLD AND FOREIGN EXCHANGE HOLDINGS (7) (mn. U S Dollars, end of period)													
1956	406	1,163	131·2	1,180	4,120	204·1	234	1,236	1,038	178·9	473	225	2,237
1960	698	1,422	255·1	2,070	6,737	223·5	268	3,080	1,742	282·7	470	252	3,231
1961	826	1,657	252·7	2,939	6,542	250·5	286	3,419	1,715	278·2	642	237	3,318
1961, November	790	1,639	212·2	2,886	6,170	233·4	276	3,415	1,730	268·4	640	240	3,556
,, December	826	1,657	252·7	2,939	6,542	250·5	286	3,419	1,715	278·3	642	237	3,318
1962, January	814	1,664	238·2	2,992	5,815	...	275	...	1,724	246·8	650	248	3,410
,, February	822	1,649	225·0	3,057	5,857	...	276	...	1,726	...	654	...	3,424[9]

(1) This covers mining, manufacturing, electricity and manufactured gas with the following exceptions: Denmark excludes mining; Ireland and Sweden, electricity and manufactured gas; and Austria, manufactured gas. Greece is manufacturing only. United Kingdom includes construction. Germany excludes West Berlin and the Saar. (2) Special trade (excluding re-exports) with the exception of Ireland, Denmark, Norway and Sweden, which cover general trade. Belgium includes Luxembourg. Italy includes Trieste. The Saar is included with France before July, 1959, and with Germany after that date. Turkey liras per U S dollar; beginning September, 1960; 9 previously, 2·8. (3) March 375·0. (4) March 322·4. (5) In capital cities only for France, Turkey, for Greece prior to January, 1960, and Austria prior to March, 1959; Austria (prior to March, 1959), Denmark and Belgium exclude rent; Denmark includes direct taxes; Ireland based on August, 1953=100. (6) Index numbers of unit value which are influenced by changes in the composition of trade as well as price movements. Ireland seasonally adjusted. Turkey index in terms of U S dollars. (7) Holdings of the government and central bank. German figures from 1959 exclude long-term and earmarked assets; Norway and Sweden include foreign investments. Ireland includes some long-term British securities. (8) March 3,452. (10) Special trade. (11) Average for third quarter. (12) Average for fourth quarter (13) February 112.

BRITISH RAILWAYS

FINANCE AND ADMINISTRATION

The Railway Administration in Great Britain is entering a new phase. In this, new ideas in organisation will need to be introduced. New concepts of management will need to be applied to the use of manpower and equipment, and to control at all levels.

Key posts in this challenging task will be those of the six Regional Directors of Finance and Administration. Each of them will be a Member of the appropriate Area Board. Four will work in London, one in Glasgow and one in York. Some of these men will have to be newly recruited from industry. The magnitude of the business, the complexity of the problems involved, the need for a broad-minded approach to the use of finance as a factor in management decision-making, these are some of the things that will appeal to men of wide commercial and industrial experience prepared to become absorbed in a fascinating assignment.

Some of these appointments will be made in the next few months. As only few people will be equipped with the skills and personality required, it may well be that the type of person we are looking for is already earning a salary on which the Railways would not be able to offer an improvement. At the same time, the appointments carry a future as interesting as any. Probably more so than most.

Those interested and qualified will very likely be 40 or a little over. If you would like to be considered, send particulars of your career (mentioning your present salary) to Mr. A. R. Dunbar, British Transport Commission, 222 Marylebone Road, London, N.W.1.

COUNTY COUNCIL OF ESSEX

COUNTY PLANNING DEPARTMENT

Applications invited for following vacancies:

SENIOR PLANNING ASSISTANTS, A.P.T. III/IV (£960-£1,310)

Vacancies exist in the Research and Survey Sections in Area Planning Offices at Romford and Wanstead.

Candidates should possess an appropriate University Degree and be prepared to study for the Final Examination of the Town Planning Institute. They should have had experience of research and survey work with a local planning authority.

Five-day week, assistance towards costs of removal, day release and financial assistance for study purposes. Superannuation, medical examination.

Applications, stating age, qualifications, experience, present and previous appointments and salaries, together with names of two referees, should reach the County Planning Adviser, Broomfield Place, Broomfield, Chelmsford, Essex by April 25, 1962.

PROFESSIONAL ACCOUNTANTS in the CIVIL SERVICE. 25 pensionable posts in London, Chessington (Surrey), Manchester, and Glasgow for Chartered or Certified Accountants (men or women) with suitable professional experience. Candidates must be at least 25 and under 40 on May 1, 1962; preference will be given to those under 35. Inclusive recently qualified accountants who wish to make a career in the Government service. Starting salary (Inner London area) £986 (at 25) to £1,413 (at 31 or over). Scale maximum £1,868. Salary scale under review. Good prospects of promotion to senior posts carrying salaries up to £2,858 or higher.—Write to Secretary, Civil Service Commission, Burlington Gardens, London, W.1. for **application form quoting 57/62/11. Closing** date May 15, 1962.

THE UNIVERSITY OF SHEFFIELD

Applications are invited for a post of ASSISTANT LECTURER in STATISTICS to begin duties on October 1, 1962. Initial salary according to qualifications and experience on the scale £800 x £50—£950, with F.S.S.U. provision and family allowance. A grant towards removal expenses will be made. Further particulars may be obtained from the Registrar, to whom applications (four copies) should be sent by May 5, 1962.

YOUNGER EXECUTIVE & TECHNICAL APPOINTMENTS DIVISION

MSL have been retained to advise on this appointment

ECONOMIST/STATISTICIAN

for the Port of London Authority

who will analyse and assess factors influencing the one-third (by value) of Britain's sea-borne trade which uses London River.

This new appointment on the staff of the Chief Accountant carries responsibility for establishing an economic intelligence service within the Authority; for reviewing and improving statistics in current use; and for assisting with cost and market researches. An I.C.T. 555 computer is available for use in this work.

Candidates, preferably between 30 and 35, must be qualified in economics, commerce or accountancy and possess expertise in statistics. Commencing salary about £2,250. Please send brief details in confidence to D. A. McDonnell, quoting reference 4950.

No candidate's identity will be disclosed without permission

MANAGEMENT SELECTION LIMITED
17 Stratton Street, London, W.1.

ECONOMIC AFFAIRS REFERENCE SERVICE

CENTRAL OFFICE OF INFORMATION (ECONOMIC UNIT) requires an Information Officer (unestablished) to write reference information papers and provide factual briefing for overseas use on British and international affairs. Desirable qualifications are a university degree in economics or related subject, research experience, and the ability to present factual information concisely and accurately. Candidates may be asked to produce examples of written work. Salary £1,252—£1,490. Write, giving age, full details of experience and qualifications, to Manager (PE/1436), Ministry of Labour Professional & Executive Register, Atlantic House, Farringdon Street, London, E.C.4.

MARKET RESEARCH MANAGER

of an international food manufacturer requires an

ASSISTANT

who will be capable of taking responsibility for research into a number of the Company's existing products and development lines.

Applications from men or women age 24-30, preferably with at least two years' Market Research experience, are invited. Salary range £800-£1,100 plus substantial bonus. Pension/Life Assurance benefits.

Replies to Box 1615.

UNIVERSITY OF GHANA

DEPARTMENT OF ECONOMICS

Applications are invited for the post of SENIOR LECTURER IN ECONOMICS (considerable teaching or research experience essential).

Salary scale: £G1,750 x £G75—£G2,200 p.a. 20 per cent. addition for non-Ghanaian. Entry at appropriate point. Appointment normally five years in the first instance.

Outfit allowance £G60. Car allowance £G150 p.a. Family allowance for non-Ghanaian for each child in West Africa £G50 p.a. or, if under age of 21 and being educated outside West Africa, £G100 p.a. (maximum five children). Part-furnished accommodation at charge not exceeding 7.5 per cent. of salary. F.S.S.U. policies maintained if already held, or superannuation on similar basis.

Passages for appointee and family on appointment and normal termination. Annual leave with three overseas return passages in every four years for non-Ghanaian and one every three years for Ghanaian.

Applications (six copies) with full details of qualifications, experience, etc., and naming three referees to be sent before May 7, 1962, to the Registrar, University of Ghana, P.O. Box 25, Legon, Accra, or to the Assistant Registrar (Overseas), University of Ghana, 13 Gordon Square, London, W.C.1, from either of whom further particulars may be obtained.

HASTINGS EDUCATION COMMITTEE

HASTINGS COLLEGE OF FURTHER EDUCATION

Required in September, 1962, a Grade A Assistant for Commerce and Commercial Arithmetic to R.S.A. II Standard and able to assist with Economics.

Salary £570—£1,170 with Allowances in accordance with Burnham Report, 1961.

Application Forms and full details from the Principal of the College, Archery Road, St. Leonards-on-Sea, Sussex.

Completed forms to be returned to the College with not more than three testimonials within 14 days from the date of the advertisement.

Canvassing will disqualify.

For further appointments and other classified advertisements see pages 209 & 210

THE LONDON SCHOOL OF ECONOMICS AND POLITICAL SCIENCE

Applications are invited for appointment to a Lectureship or Assistant Lectureship in Economics. The salary scale for Lecturers is £1,050 x £50—£1,400 x £75—£1,550; thereafter x £75—£1,850 a year plus £60 a year London Allowance; and for Assistant Lecturers £800 x £50—£950 a year plus £60 a year London Allowance; with superannuation benefits and family allowances in both cases. In assessing the starting salary consideration will be given to age and experience. Among the specialisms which would be considered eligible would be agricultural economics, economic development or business economics.

Applications, with the names of not more than three referees, should be received not later than May 4, 1962, by the Secretary, London School of Economics and Political Science, Houghton Street, Aldwych, W.C.2, from whom further particulars may be obtained.

IRON AND STEEL BOARD

ECONOMIST

The Iron and Steel Board have a vacancy in their Economics Division for an Economist to work on general economic problems affecting the iron and steel industry.

Candidates should have a good Honours Degree and several years' industrial, Civil Service or academic experience. The salary will be commensurate with the responsibilities undertaken. The Board operates a contributory superannuation scheme.

Please write in confidence, giving full particulars of qualifications and experience, to the Establishment Officer, Iron and Steel Board, Norfolk House, St. James's Square, S.W.1.

FORD OF BRITAIN

ACCOUNTANTS

Ford of Britain offers an attractive career to qualified accountants in a modern integrated accounting system which is directed towards the supply of management information as well as statutory requirements. The Company is of such a scale that all aspects of cost and financial accounting are covered and extensive machine and computer installations are used.

Present vacancies are at three different levels from recently qualified accountants to experienced men up to the age of 35.

Prospects will not be limited to the finance field as the Company management development policy ensures that men of high general ability are detected and advanced as rapidly as their capacity can sustain. Salary and promotion therefore depend entirely on ability.

Applications, giving age and brief details of experience and qualifications, should be addressed (with envelope marked "Reference A1A") to:—

MR H. G. PEARMAN, Training and Recruitment Office, Ford Motor Company Limited, Dagenham, Essex

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NORTH WESTERN GAS BOARD
HEAD OFFICE — MANCHESTER

ASSISTANT ECONOMIST

Applications are invited for the above pensionable appointment, at a commencing salary within the range £716-£1,015 per annum according to qualifications and experience.

Candidates must be graduates (or about to graduate this summer) and should preferably be not more than 27 years of age. Preference will be given to Honours graduates in Economics with some knowledge of Accountancy.

The Assistant Economist will be concerned with cost and price studies within the business and with the analysis of economic trends, as they affect the gas industry. The work offers ample scope for initiative in the application of the economist's approach to the solution of business problems.

Detailed applications, giving the names of two referees, should be sent to the Secretary, North Western Gas Board, Bridgewater House, 60 Whitworth Street, Manchester, 1, within 14 days

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UNIVERSITY OF EDINBURGH

DEPARTMENT OF ECONOMIC HISTORY

Applications are invited for the post of LECTURER or ASSISTANT LECTURER in the Department of Economic History. Preference will be given to candidates whose main interest is in Economic History since 1750. Salary scales—Lecturer: £1,050 x £50 to £1,250; Bar: £1,300 x £50 to £1,400 x £75 to £1,850 per annum; Assistant Lecturer: £800 x £50 to £950 per annum. Placement on the scales will be according to qualifications and experience. The posts are subject to superannuation, and family allowance is payable where applicable.

The successful candidate will be expected to take up duty on October 1, 1962.

Further particulars may be obtained from the undersigned, with whom applications (six copies), giving the names of two referees, should be lodged not later than May 4, 1962.

CHARLES H. STEWART,
Secretary to the University.

April, 1962.

University of Cambridge Faculty of Engineering

SENIOR RESEARCH FELLOWSHIP

It is the intention to appoint a Senior Research Fellow on a D.S.I.R. Grant to study the methodological problems of Management training associated with the Churchill College Management Course. He will be required to develop both the methods of data collection already in use, and the methods of analysing and collating the data acquired.

The appointment will be for a period of two years in the first instance, beginning September 1, 1962. Salary will be in the range £1,500 to £2,000 a year with a maximum of £1,925 the first year and £2,000 the second year. The salary is pensionable.

Application forms and further information from the Secretary of the Faculty Board, University Engineering Laboratory, Cambridge. Closing date May 14, 1962.

COUNTY BOROUGH OF EAST HAM
EDUCATION COMMITTEE

TECHNICAL COLLEGE

DEPARTMENT OF COMMERCE AND GENERAL EDUCATION

Applications are invited for the post of Lecturer in Accounting to teach Accountancy to General Certificate of Education Advanced Level and Intermediate professional and Ordinary National Certificate standard and to carry some administrative responsibility within the Department. Qualifications or experience in Costing or Local Authority Finance will be an advantage.

Burnham Scale (London Area), £1,600 x £40 (5) to £1,800 plus London Weighting.

Application forms (returnable May 11, 1962) and further details from Chief Education Officer, Education Office, Town Hall Annexe, Barking Road, East Ham, London, E.6.

THE UNIVERSITY OF HULL

Applications are invited for a Lectureship or Assistant Lectureship in Public Administration. Candidates should have a good honours degree and some research experience. Salary scales: Lecturer £1,050—£1,850 p.a.; Assistant Lecturer £800—£950 p.a. with F.S.S.U. and children's allowances. Further particulars may be obtained from the undersigned, to whom applications (five copies) should be sent not later than May 5, 1962.

W. D. CRAIG,
Registrar.

THE AUSTRALIAN NATIONAL UNIVERSITY

RESEARCH SCHOLARSHIPS

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

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

The basic scholarship allowance is £A950 per annum. Married scholars with children receive additional allowances for dependants. A grant will normally be made towards travel costs.

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

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

D. K. R. HODGKIN,
Registrar,
Institute of Advanced Studies,
Box 4, G.P.O.,
Canberra, A.C.T., Australia.

ECONOMIST/STATISTICIAN
(male or female)

●

required for the Market Research Department of an international company in London. Candidates should be in their twenties and have a degree in Economics with Statistics, or Mathematics with Statistics, and some previous experience. Holders of a Diploma in Statistics will also be considered. Pleasant and energetic personality essential.

Commencing salary around £800-£850 per annum. Employee benefits include contributory pension scheme; luncheon vouchers; five-day week.

Applications, which will be acknowledged, should be addressed, in complete confidence, to:

Personnel Manager,
Cyanamid Of Great Britain Limited,
Bush House,
Aldwych, London, W.C.2.

THE DE LA RUE GROUP

is expanding its Overseas International interests and has a vacancy for a

MANAGEMENT ACCOUNTANT

We are looking for a fully qualified Accountant with some years' experience in the field of international commerce and up-to-date ideas in management accounting techniques.
A good knowledge of European languages including French is essential.
The person appointed will be based in the United Kingdom, but there is a possibility that in a year or two's time, this person could be called upon to take up residence on the Continent.
Age 25-33 years.
A good salary will be paid to the successful applicant and the post holds very good prospects for the right man. There is an excellent superannuation scheme and other benefits.

Please write, asking for an application form, to:—

The Group Personnel Officer
(Quoting Reference A.32).
The De La Rue Company Limited,
Berkeley Square House,
Berkeley Square, London, W.1.

UNIVERSITY OF GLASGOW

ASSISTANTSHIPS IN MATHEMATICS

Applications are invited for two Assistantships in Mathematics. Salary scale: £800—£950 per annum. Initial salary according to experience and qualifications. F.S.S.U. and family allowance benefits.

Applications (three copies) should be lodged, not later than May 15, 1962, with the undersigned, from whom further particulars may be obtained.

ROBT. T. HUTCHESON,
Secretary of University Court.

THE UNIVERSITY OF MANCHESTER

Applications are invited for the post of LECTURER IN ECONOMICS, with special reference to Banking and Finance. Duties to commence on October 1, 1962, or as soon as possible thereafter. Salary on a scale £1,050 to £1,850 per annum; initial salary according to qualifications and experience. Membership of F.S.S.U. and Children's Allowance Scheme. Applications should be sent not later than April 28, 1962, to the Registrar, the University, Manchester 13, from whom further particulars and forms of application may be obtained.

COMMONWEALTH OF AUSTRALIA

Career Opportunities for

University Graduates

Applications are invited for a number of positions in the

BUREAU OF CENSUS AND STATISTICS IN CANBERRA

TYPE OF WORK:

A comprehensive range of Australian official economic and social statistics is compiled and published by the Bureau. The following are positions for which applications are invited:

Senior Research Officer — **£1761-£2101**
Investigation into estimating specific components of statistical series, including National Income and Balance of Payments. Analysis and interpretation of data for official statistics.

Research Officer Grade 2 — **£1651-£1871**
Assistance in the specification, design and operation of statistical collections and analysis of data.

Research Officer Grade 1 — **£1321-£1651**
Investigations concerned with the development of particular statistical series.

QUALIFICATIONS:
University degree in Economics, Statistics or Mathematics. Experience in statistical work would be an advantage.

CONDITIONS OF APPOINTMENT
First-class fares paid for successful applicants and their families. Salary determined according to qualifications and experience will be paid from the date of embarkation. A superannuation scheme applies.
All salaries quoted in Australian currency.

APPLICATIONS:
Should be made on forms obtained from the Recruitment Officer, Personnel Branch, Office of the High Commissioner for Australia, Australia House, Strand, London, W.C.2, and returned by May 7 1962.

UNIVERSITY OF EDINBURGH
DEPARTMENT OF POLITICAL ECONOMY
ASSISTANT LECTURESHIP

Applications are invited for the post of Assistant Lecturer in Economics in the above Department. Salary Scale £680 x £50 to £950 per annum, with superannuation benefit and family allowance where applicable. Tenure is normally for three years. The successful candidate will be expected to take up duty on October 1, 1962.

Further particulars may be obtained from the undersigned, with whom applications (six copies), giving the names of two referees, should be lodged not later than May 5, 1962.

CHARLES H. STEWART,
Secretary to the University.

March, 1962.

UNIVERSITY OF GLASGOW

ASSISTANTSHIP IN ECONOMIC HISTORY

Applications are invited for an ASSISTANTSHIP IN ECONOMIC HISTORY. Salary Scale: £800-£950 per annum. Initial salary according to experience and qualifications, F.S.S.U. and family allowance benefits.

Applications (three copies) should be lodged, not later than April 30, 1962, with the undersigned, from whom further particulars may be obtained.

ROBT. T. RUTCHISON,
Secretary of University Court.

National

NATIONAL BENZOLE CO. LTD.

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Senior Statistician

The ideal candidate would be aged 25/35, have a degree in Arts or Economics with at least some statistics and/or an appropriate professional qualification. He will be required to tackle a wide range of problems concerned with marketing and distribution, including sales forecasting, market research and analysis. There is considerable scope for initiating inquiries and research and the ability to present crisp and clear reports is most important. The Company offers excellent conditions of employment. A contributory pension scheme operates. Applicants should reply to:

Staff and Administration Manager,
NATIONAL BENZOLE CO. LTD.,
Mercury House, 195, Knightsbridge, S.W.7.

HEINZ 57

MATHEMATICIAN

A qualified mathematician is required to work with our Industrial Engineers on a number of interesting projects which require mathematical or statistical techniques.

Candidates should preferably have a degree in mathematics or anticipate graduating in mathematics in the Summer of this year.

Full details of duties will be discussed during interviews, together with conditions of employment but, initially, applicants should please forward a brief summary of personal history to:

The Personnel Officer,
H. J. Heinz Co. Ltd.,
Waxlow Road,
Harlesden, N.W.10.

For other appointments see pages 208 & 209

AVIATION MARKET STATISTICIAN

A major Company holding a leading position in the aircraft equipment industry wishes to appoint a statistician in its Research Department to study long term trends in the world demand for aircraft equipment and the requirements for meeting this demand.

The successful applicant will require the following qualifications:

1. A good University Degree and a sound statistical background.
2. Experience in the aircraft industry.
3. Enthusiasm and the ability to organise his work with the minimum supervision.
4. The ability to prepare concise reports for top Management for use in the formulation of operating policy.

The Research Department is located in pleasant surroundings and a good salary and competitive fringe benefits will be offered.

Apply Box 1614.

RESEARCH INFORMATION WRITER

CENTRAL OFFICE OF INFORMATION requires a Senior Information Officer (unestablished) to act as head of a unit writing reference information papers for overseas use on British home affairs, mainly on governmental and social topics. Candidates should have a university degree, a wide knowledge of current affairs, research experience and some administrative capacity; they should be able to present factual information concisely and accurately and be prepared to submit examples of written work. Salary £1,573—£1,967. Write, giving age, full details of experience and qualifications, to Minister (PL/59), c/o PO1, Ministry of Labour, Professional & Executive Register, Atlantic House, Farringdon Street, London, E.C.4.

APPOINTMENTS REQUIRED

COMMON MARKET

Graduate Hons. Cambridge, 25, fluent French, Italian, knowledge of German. Three years' experience abroad, keen to work for organisational or industrial, federal, international relations, information, etc.—Write Box 1613.

EXECUTIVE, 28, single, B.Sc.(Econ) Upper Second (Redbricks), returning to England April 25th after three years' experience in Sales and Marketing with major oil company in East Africa; bilingual; lucid report writing; highly analytical and up-to-date in current international affairs; glad to travel; seeks interesting job with prospects.—Box 1616.

EDUCATION: BUSINESS AND PERSONAL

SECRETARIAL TRAINING, especially for University graduates and older students. Six-month and intensive 14-week courses.—Write, Organising Secretary, Davies's, 158 Holland Park Avenue, W.11. PARK 4654.

STAFFORDSHIRE EDUCATION COMMITTEE

THE STAFFORDSHIRE COLLEGE OF COMMERCE, WEDNESBURY

Principal: H. Harman, B.Com. Telephone: WED. 1831/2.

As an introduction to a career in business the College conducts a One-Year Course of

PRELIMINARY BUSINESS STUDIES
for boys in the age group 16-18 years.

An admirable course for learning the principles of accounting and business organisation.

Those with sons about to embark on a business or professional career would be well advised to obtain further particulars of this course, which begins in September next, from the Registrar,
Staffordshire College of Commerce,
Wood Green,
WEDNESBURY.

EXPERT POSTAL TUITION

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

METROPOLITAN COLLEGE, ST. ALBANS

or call at 56, Queen Victoria Street, London, E.C.4. Established 1910.

TUITION FOR B.Sc. ECONOMICS

Wolsey Hall (Est. 1894) provides Postal Courses in a wide range of subjects for the two examinations for London Unit. B.Sc.(Econ.), (three if entrance is included) at moderate fees. 1,433 Wolsey Hall students passed London University B.Sc. (Economics) Exams., 1956-60. Tuition also for G.C.E., Law, Statistical, other exams.—Prospectus (mention examination) from E. W. Shaw Fletcher, C.B.E., LL.B., Director of Studies, Dept. P.37,

WOLSEY HALL, OXFORD

Important German

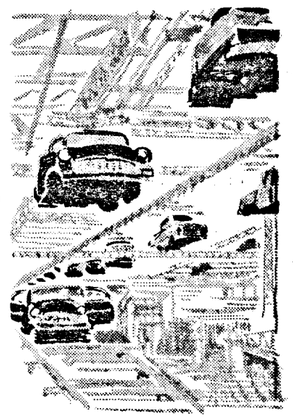
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Correspondence in English.

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Köln-Longerich
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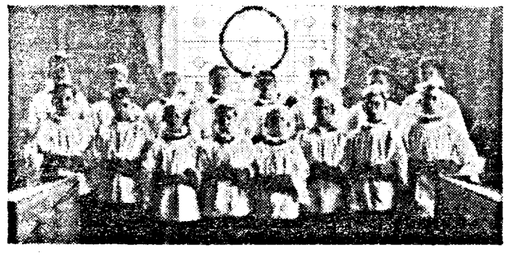
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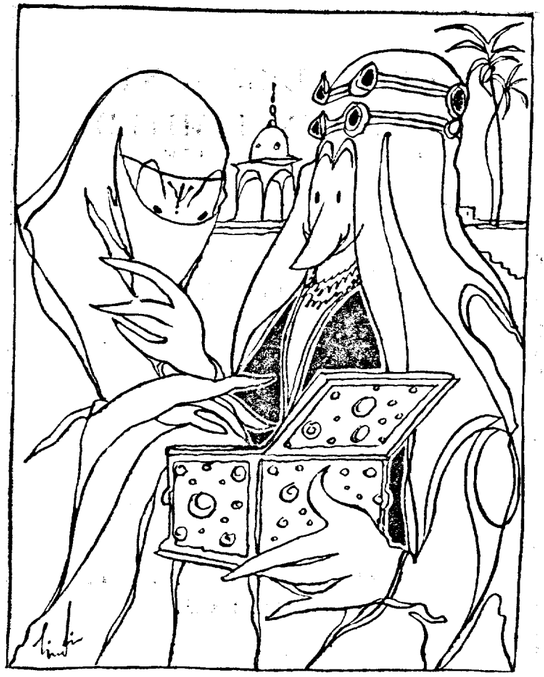


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This picture of choristers in the School Chapel at Fortescue House (built largely by the boys themselves) shows the importance we attach to religious training. Our aim, always, is to give the children in our care not only all material necessities but, more important, the spiritual care that develops character and leads to a full and happy life.
This Easter, will you show your sympathy for our aims, by sending a special donation to help us in these difficult times?

Plese send your donation to Mr. F. A. Thorp, General Secretary

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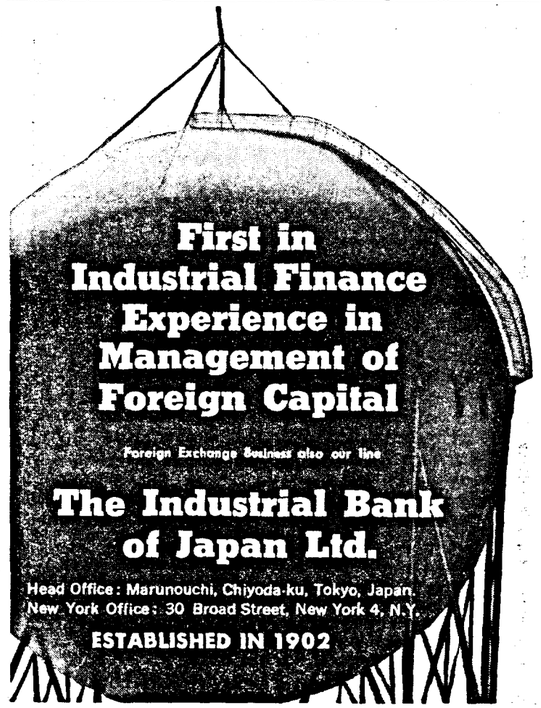
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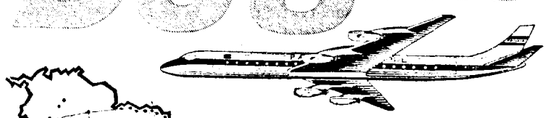
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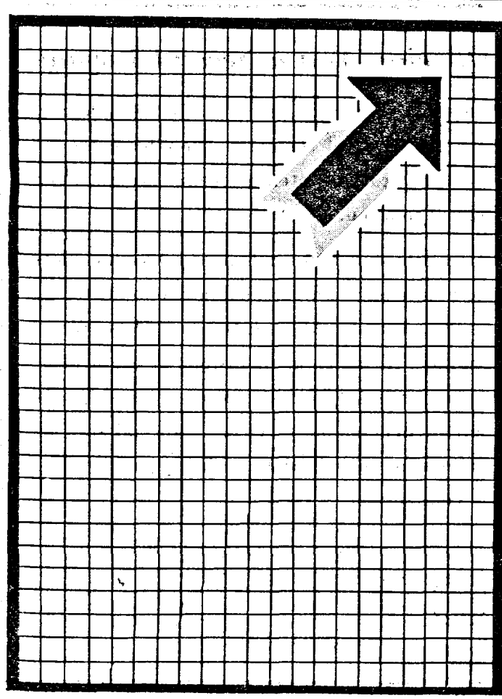


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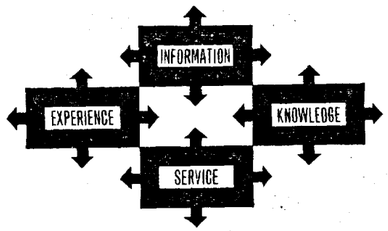
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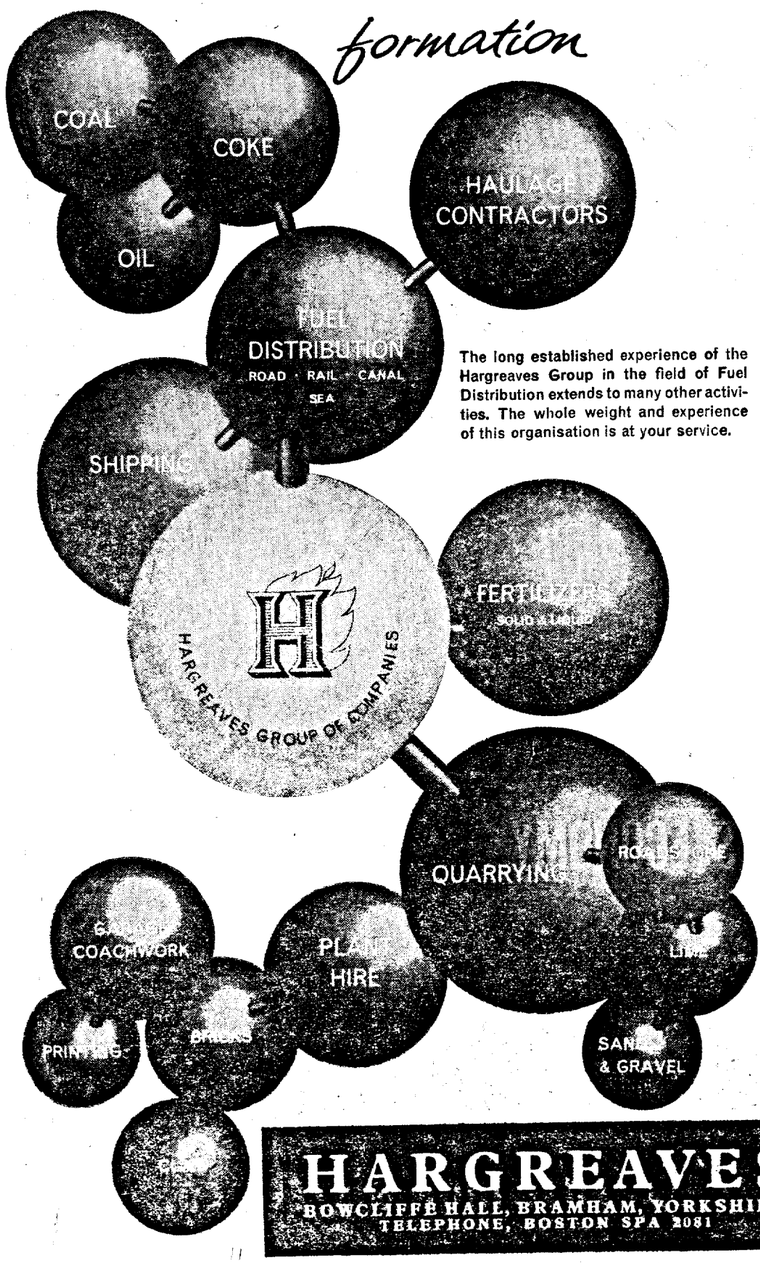
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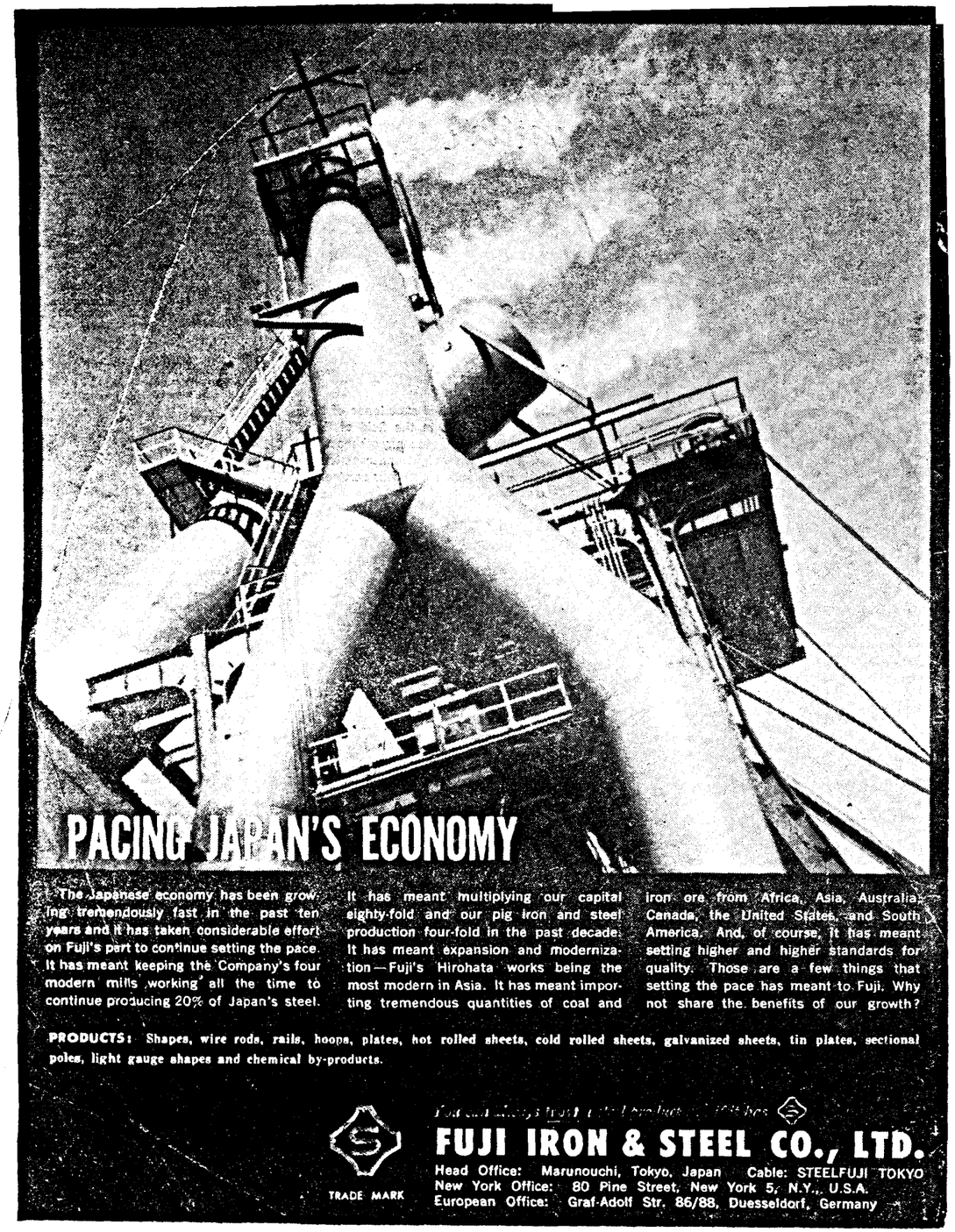
PRINTING
East Yorkshire Printers Ltd., Driffield.

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Registered as a Newspaper. Authorised for Second Class Mail, Post Office Dept., Ottawa. Printed in England by St. Clements Press, Ltd., London, E.C.4. Published by The Economist Newspaper Ltd., at 22 Ryder Street, London, S.W.1. Telephone: Whitehall 1911. Postal rates: UK £3 0s. 0d. Overseas £3



The Economist

AIR EDITION

APRIL 21, 1962

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THE RADICAL'S CHOICE

Which, if any, of the three main British political parties can justly claim to be the most forward looking just now?

United States *versus* United States Steel

Price Leadership: Lords of the Cloister

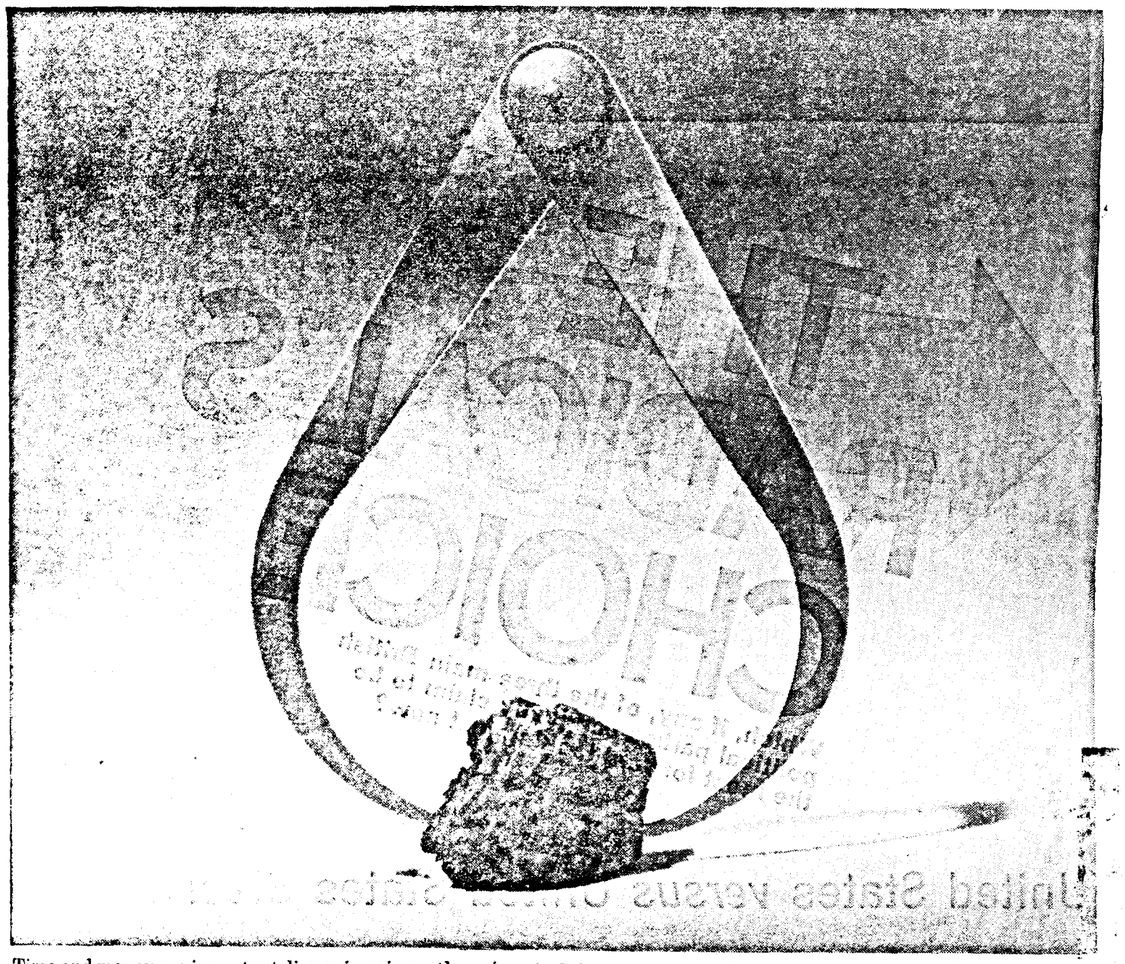
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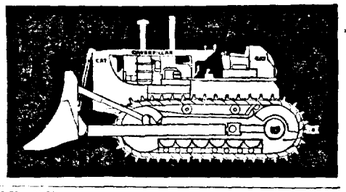
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Published weekly every Saturday, fifty-two times a year in London, England.

In The Economist this Week — April 21, 1962

INDUSTRY ON TRIAL

The **American steel industry** is not being allowed to push the United States into inflation (p. 223).

While President Kennedy has slapped down United States Steel in a case of **price leadership,** Lord Chandos recommends it to British industry as "the right lines on which we should work" (p. 263).

Radical's Choice

The three parties have shifted, if indecisively, on the radical preference-scale. The **Tories** are dragged down by their anti-expansionists; **Labour,** on this count, is up a notch or two from a low start; the attractions of **Liberal** policies can be vitiated by some wobbly candidates (p. 221).

The Perils of Huffing

Someone in Bonn has stuck his finger into the house of cards Mr Rusk has been trying to construct over **Berlin** (p. 224)

Expatriatism

The **white man's burden** can no longer be borne by the traditional misfits of Britain; the new and qualified generation that volunteers for service overseas deserves more support than it gets (p. 226).

Tortoise and Hare

With the Algerian war behind it, **France** is able to expand its influence in **Africa. Britain** should respond by trying to break down African (and European) barriers (p. 225).

NOTES OF THE WEEK (pages 228-237)

Europe : Belgium and Holland are reluctant to become satellites to a Paris-Bonn axis.

Budget Debate : Some interesting differences of emphasis among the Government's four spokesmen.

China : No one really knows what is going on in Peking.

UN and Rhodesia : With exquisite courtesy, four senior British ministers have exchanged information with the exquisitely courteous United Nations mission on Southern Rhodesia.

Parliament : At the end of this session the Government can look back to a better performance in the House than in the country.

Apprentices : A report from the engineering employers proves the case for Government action to improve training in industry.

Nuclear Disarmers : The view of the courts and of the country.

Moral Rearmament : Mr Wolrige-Gordon's battle with his parliamentary constituents seems more a family than an ideological affair.

France : General de Gaulle has to weigh retribution against mercy in the case of General Jouhaud. The balance should be for mercy.

West Indies : Poverty continues to confound the thoughtful politicians—and to threaten the security of the fiery ones.

Doctors : Higher pay for "star" general practitioners may not be welcomed by the medical profession.

THE WORLD OVERSEAS (pages 253-259)

France : M. Pompidou's appointment as first minister has brought out a little more clearly, to the discomfort of liberals, the constitutional realities of the Fifth Republic.

Kenya : Back home, the politicians are as far as ever from ceasing to love themselves and learning to love their country.

Spain : General Franco has strong reasons for prolonging the uncertainty about who will be his successor; and he is not doing badly.

HOME REPORT (pages 238-239)

Tees-side : A bold innovation by the Local Government Commission might create England's eighth largest town.

Pope and Presbyter : Anxious Scots presbyterians are pondering their Moderator's visit to the Vatican.

Bristol : The reorganisation of this west of England harbour should be done with an eye on the prospects for South Wales.

AMERICAN SURVEY (pages 245-251)

Congressmen are spending Easter at home, preparing for next November's election.

The **steel industry** has climbed down but it is still in trouble.

President Kennedy feels that he cannot avoid resuming **atomic tests.**

All the world will be visiting **Seattle** this year.

West coast **seamen** are worried about their future.

The **flower business** in America is a growing one.

THE BUSINESS WORLD (pages 263-278)

Management in the Box

A statistical examination of the **profits** that British industry has earned in the past decade should produce some blushes.

Despite higher sales the **British Motor Corporation** announces lower profits.

An official report on **aircraft safety** voices misgivings about the quality of the training new pilots receive.

Four years late, but the **Bristol 188 all-steel research aircraft** could still have a big say in the future of the British aircraft industry.

Finance Round the World

Strong francs and **weak francs**—a look at the contrasting payments problems of France and Switzerland.

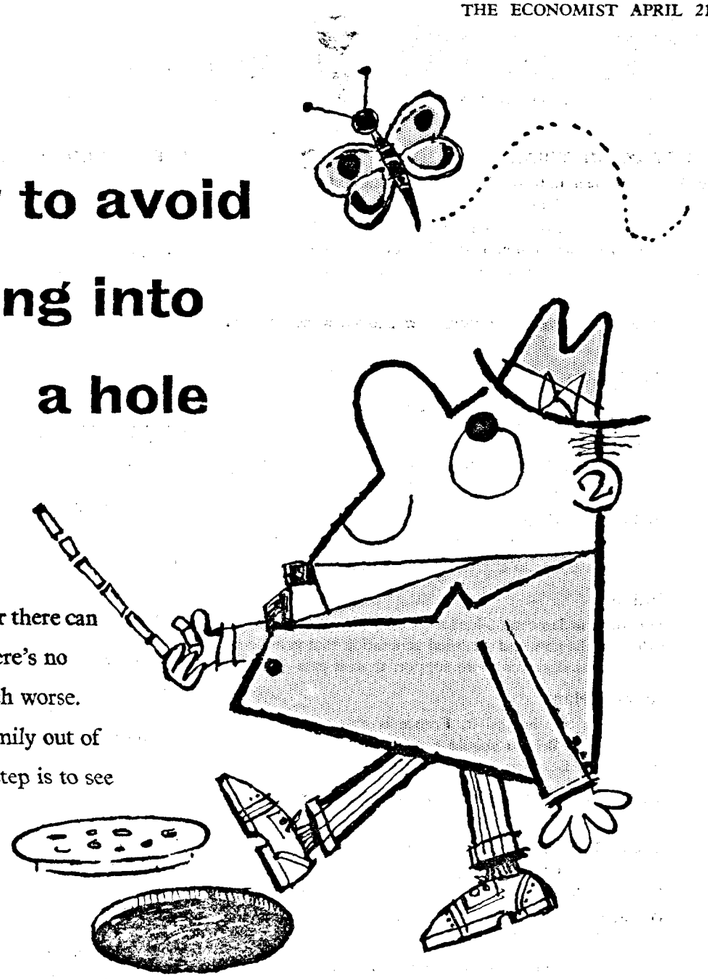
Gold—the new plan in perspective.

Spanish shares—European investors are getting in early.

Nordic Basle—Scandinavian central banks form a credit pact.

Canadian investments—is Britain getting an adequate return?

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VOLUME CCIII - NUMBER 6191

The Radical's Choice

THE swing in the North Derby by-election went distinctly further away from the Conservatives than that at Stockton two weeks ago. If one assumes—for the purpose of rough estimation—that the 2·7 per cent of electors who voted for the small shopkeeper's candidate raided the potential Tory and Liberal vote about equally, the Liberals did approximately as well as at Stockton, the Conservatives about 5 per cent worse, and Labour about 5 per cent less badly. But these changes, though interesting in themselves, are still in one sense marginal. The most intriguing question for the thoughtful observer just now is not how other floating voters seem to be reacting, but whether at the next general election—or earlier, at a by-election, if one occurs in his constituency—he might feel inclined to float himself.

The Economist has always liked to think of itself as belonging to one school of opinion from which floating voters have traditionally come: the school which it calls the genuinely radical school, however much others may dispute its right to that name. In the words of its leading article immediately before the general election of 1955, this paper has always believed that the party which would make the best government for Britain is the one most likely to "foster the reformer's zeal, to be willing to probe down to the roots of every stalk of the national life and to cut and graft wherever an improvement can be seen"; its whole impulse is to favour the party which is the enemy of "passive tranquillity," and which comes nearest to having "nothing timid or tepid, nothing cautious and not too much that is merely judicious" in its policies. It prefers a government that is willing to be audacious in accepting and welcoming and pursuing change. In 1955—despite the antipathy bred by the Conservative party's name—*The Economist* found that the momentum of the ideas that it tries to represent had carried it to the point of supporting the Tories, who seemed at that time to be the party best adjusted to the mid-twentieth century, while their main opponents still looked rather maladjusted to the late nineteenth. In 1959 we repeated this support, though less confidently. It may therefore be interesting to set down an interim judgment on where, looking at all three parties, matters seem to us to stand now.

The best way to judging a Government is by its record. During this Parliament the Conservatives have got their policy for Europe and Africa (though with the Central African Federation still hanging in the storm-laden air) broadly and competently right; this in itself provides them with a pretty clean sheet in foreign affairs, for there are few other foreign issues in which the independent action of a British Government could be immensely effective. In domestic affairs, the Tories also deserve praise for at last attempting to move towards an incomes policy, but criticism for sometimes not pushing it fully home. In social and libertarian matters (despite the Immigration Bill), the Tories also deserve credit for some real advances, particularly the reforms that Mr Butler has introduced while at the Home Office and Mr Powell at the Ministry of Health. The Tories' last party conference also suggested that their local constituency associations, hitherto supposed to be one of the main blots on their liberal escutcheon, are in a healthier state than for some time. But the great demerit has lain in the Tories' failure to expand the economy. The radical's criticisms of the last two and a half budgets are now no longer merely matters of slightly differing emphasis. Temporarily, at least, there is a fundamental difference between his own and the official Tories'

whole attitude of mind. One can best see this in the very adjectives that Government spokesmen use. The words that Tory ministers used to defend last week's budget were "sound," "prudent" and "not based on wishful thinking"; the words that the radical wants to see inscribed on this country's banner are "restless and dynamic drive."

In these circumstances there is a real and emerging temptation to say that the country might be well served if after the next election the Conservatives were driven into Opposition for a while. This might be good for the party, too. Presumably Mr Macmillan will retire during the next parliament; the Tories might swiftly recapture their dynamic under a new leader while they were in Opposition, but if Mr Macmillan retired while still Britain's prime minister there might be more danger of his successor (whoever he is to be) coming under constant pressure from the start to show what a conventional stereotype he was. But if one has by now almost talked oneself into the position of wishing the Tories out, what of those whom one would thereby be wishing in?

IF the Conservatives were voted out of power at the next election, the Government that would take over from them would be a Labour one. Let it be said straightaway that Labour is now much less of a scarecrow to thoughtful men than at any time for over a decade. This is largely the result of the party's conference at Scarborough in 1960. All through their dreary 1950s, Labour leaders seemed to be the prisoners of the constant retreats they considered they had to make in order to remain leaders; everything they did or said or wrote in their "policy rethinking documents" had to depend on what they thought might happen in votes in so many organs of the party. But at Scarborough they reached the ditch of no retreat; and once they had turned to fight, it quickly became apparent that votes in the different official organs of the party could be safely disregarded or resisted—after all.

Mr Gaitskell is now in virtually complete control of his party's policy, particularly in defence and foreign affairs (precisely because it was in these vital fields that he was first compelled to make his stand). Provided Britain had first got into the common market, there seems no reason to fear that a Gaitskell government's foreign policy would be in any way worse than a Conservative government's one; indeed in some respects it might be actively useful to have Mr Gaitskell, rather than Mr Macmillan, as Britain's prime minister during what are presumably likely to be the Kennedy administration's second four years.

In economic affairs Labour would be unlikely to repeat the Tories' mistake of pumping too little demand into the economy; the danger, of course, is that they might pump in too much. One is also beginning to foster slender hopes that they might be more willing than they have been in the past occasionally to annoy the trade unions, although one does wish that their leaders would be braver about saying this. At any rate if by the time of the next general election the Conservatives have still proved themselves too frightened to do anything really effective to check wage inflation during a dozen years of office, this will not leave them greatly to be preferred to a Labour party which has proved too petrified to say anything derogatory about it during twelve years of opposition. But the remaining main defect of the Labour party unfortunately is an all-important one, especially for radicals. There is still every sign that Labour leaders are instinctively more inclined than the Tories to shelter any vested interest which might be hurt by any change, to regard change as an enemy instead of an ally. This can constantly be seen *de minimis* in Labour's immediately reactionary reaction to very small innovations, such as the new tax on soft drinks; it can be seen more profoundly in Labour's attitude to the whole changing pattern of industry (Labour is instinctively more inclined than the Tories to protect declining industries and areas, at the expense of not actively encouraging expanding ones); it can be seen most disastrously and unimaginatively of all in Labour's crafty and costive reaction to massive historical opportunities such as that of joining the European common market. This issue of the common market may deserve in itself to be the final touchstone in 1963 or 1964; it will be virtually impossible for any thoughtful radical to switch to Labour at the next election if it really has managed to get on the conservative side of the Conservatives over that.

THERE remains the third alternative: the Liberals, who are likely to fight more than half the constituencies in the country at the next general election, and probably more than three-quarters of the constituencies in which most British-domiciled readers of *The Economist* live. The Liberals base themselves on the tradition which radicals hold as their own: they profess to welcome change, and proclaim a belief in pushing the economy forward past all obstacles at the fastest speed instead of slowing it to the pace necessary to help every lame dog to clamber half-way up on every stile. They also have by far the best name of any party for the mid-twentieth century; there should be millions of forward looking people who thrill to the label "Liberal." But can one always thrill to all the attractions offered to the voters as part and parcel of it?

What the radical cannot thrill to is any Liberal candidate who bases his appeal on advocating, say, further favours to railway season ticket holders who are being heavily subsidised by especially cheap fares on a railway system that is massively in deficit already; or who proclaims to interested parties that he favours giving more money to particular groups at present caught in the pay pause. (Unless he says in the same breath which particular groups he would prefer, in compensation, to see given smaller rises than they are being offered already.) This issue of the pay pause is a test that thoughtful radicals should apply even if—indeed especially if—the people for whose wage claim the candidate speaks up are such worthy-sounding groups as all nurses and all teachers. The most convincing form of honest opposition at the moment is that which prods the Government to push up production, not that which enters into an auction with it to bid up wage and salary costs.

The Liberals may well say indignantly that they support the incomes policy, and that their candidates do not enter into such auctions. If so, that is fine; they pass the test, for it is only where such vestiges of opportunist electioneering might appear—say in any addresses sent out at the time of the coming local government polls—that the radical needs to shy away from them. In broader matters of economic policy he has every incentive to float away from the Conservatives instead—until and unless they drive forward to get economic expansion going again.

United States *versus* United States Steel

President Kennedy's victory over the steel producers should not be the start of a war with the whole business community

PRESIDENT KENNEDY has demonstrated the effectiveness of a system of government in which power centres in one man—provided, of course, that he has the courage and conviction to protect what he deems to be the public interest as dramatically as the President of the United States did last week. Mr Selwyn Lloyd's economic policy would be better understood and more acceptable to the average Briton if the Chancellor could defend it as Mr Kennedy did his very similar policy—both aim at stabilising wages and prices. But then Mr Lloyd is unlikely to be given the opportunity offered to the President by the political maladroitness of Mr Roger Blough, head of the United States Steel Corporation which produces over a quarter of the steel made in the country that is responsible for nearly a quarter of the world's output.

In announcing last week that his company was raising its prices by 3½ per cent on the average—a move which was copied at once by all but two of the other leading American steel producers—Mr Blough followed the traditional but, it had seemed until then, archaic businessman's approach to the federal government: that what is done in New York and Pittsburgh need not concern Washington. Earlier this year the attitude of the steel companies had been different; then they had welcomed the Administration's help in bringing the steel workers to the bargaining table to negotiate a new labour contract well in advance of the expiry of the old one and in pressing them to moderate their demands.

But as soon as the contract was signed Mr Blough broke what everyone had presumed, although it had not been stated specifically, was his side of a bargain which had been praised, particularly by the President, for its non-inflationary nature. For the steel industry to increase its prices at this point, without warning and without consultation, was therefore for it to deceive and defy the President. If it acted thus in protest against government interference in its affairs, it has brought upon itself the full weight of that interference to an extent which may have serious implications for the future of all business activity in America.

It was not what the steel companies did but how they did it that was deplorable. There is in fact a case for raising steel prices (discussed on page 246) and with the economy running well below capacity, as it still is, higher prices, even for this basic component of industrial operations, might not indeed have been enough in themselves to set off a new round of inflation. But the companies' disregard of the President's declared policy, after the steel workers had co-operated so fully with it—and had been criticised by other labour groups for doing so—would have ended Mr Kennedy's hope of inducing other trade unions to show similar restraint in the coming negotiations in other industries. Indeed, the resentment engendered by the steel industry's action (fanning again the old charge of not a few Americans that "administered" steel prices, passing on higher wage costs, have been a chief cause of past inflations) may have ended this hope in any case—even though the increases in steel prices have now been very sensibly withdrawn, as a result of the combination of public condemnation and administrative pressure which the President mobilised against them, and of the refusal of a minority of the companies to copy Mr Blough.

Equally, if not more, important, however, the basic difficulty of the steel companies remains. They wanted to push up their prices to push up their profits, so that they could afford to modernise their facilities and improve their competitive position—which are urgent present needs. The difficulty of the steel industry is the basic economic difficulty of the United States today; the problem of an economy which has suddenly slowed down, at least when compared with the expansion going on in other parts of the world. The simplest way to stimulate the economic growth that is needed, and the one which is advocated by the President's liberal friends and advisers, would be to step up government spending, even though this meant a substantial deficit in the Budget. But this would bring the risk—it is strongly argued by those whose views have so far prevailed—of a run on the dollar that would unbalance still further the already shaky international accounts of the United States. The danger of this may well have been lessened now that the President has shown, by dealing so swiftly and sharply with the steel industry, how determined he is to keep inflation under control.

The aberration of the steel industry has strengthened the case of those, both in the government and in Congress, who argue that the President is wrong to put his trust in businessmen and that he should take a more active hand in economic affairs. Maybe he should, and maybe he will have to if the economy does not soon pick up strongly from its present uncertainty. And if he does, he may even find that the effect on the balance of payments is not so calamitous after all; that a real spurt of economic growth is the reassurance which foreign investors need most.

President Kennedy has now silenced the critics who have been accusing him of not being a leader. But he is also a politician and this was an occasion on which his political interests and the national interest seemed to him to match. Part of his anger at the steel industry was inspired by his suspicion that its leaders were attempting to force him off the middle path which he follows both by principle and for political advantage. He is therefore not likely to change his course, whatever the jubilant liberals and the self-satisfied trade unionists may now be hoping. But it is not so sure that he will be able to continue the good relations with the business community for which he has worked so hard, somewhat against his own personal inclination. Last week steel companies momentarily did their best (or worst) to bring back to Washington the antagonism between business and government that has always in the past been associated with a Democrat in the White House. But the President is not vindictive or likely to let victory go to his head and many American businessmen—including some of those in steel, as was clear last week—have a vastly better understanding than Mr Blough has on the necessities of today.

Perils of Huffing

An American attempt to discuss Berlin in its context has had no help from Bonn

If the diplomats are left to build their house of cards in peace, the chances of constructing an agreement on Berlin look just a little better than they have been for a couple of years. Mr Rusk and Lord Home came home from the foreign ministers' meeting at Geneva on March 27th in a mood of optimism (however qualified) which the public record of their talks with Mr Gromyko left distinctly unaccountable. Since then, however, events have followed the mood. The Russians have ceased skylarking in the air corridors to Berlin; they also appear to have accepted the idea of international oversight of the access routes, even if they are still arguing as dourly as ever about how it should be applied. The Americans, for their part, have taken an equally distinct step forward. If the proposals that Mr Rusk had prepared for presentation to the Russian ambassador in Washington, Mr Dobrynin, have been correctly reported, the United States has now given up the idea that the Berlin crisis can be settled in isolation—an idea doggedly and fruitlessly pursued in the five meetings which the American ambassador in Moscow had with Mr Gromyko between January 2nd and March 7th.

Instead, it has been acknowledged that the western interest in keeping Berlin free is inextricably linked to the Russian interest in keeping certain other matters in central Europe the way they have been for the past seventeen years. This does not mean (though some west Germans will take it to mean) that the United States is prepared formally to recognise east Germany, kiss the ground along the Oder-Neisse line, and detach the west German army from its present degree of access to nuclear arms. It does mean, however, that the Americans have realised the need to make some gesture concerning the boundaries and state of armaments in the area if Berlin is to be left to sleep easily at nights. Mr Rusk's task, if his talk with Mr Dobrynin on Monday is followed by others, is to build up the limited selection of gestures available to him into a structure capable of supporting the continued freedom of Berlin.

Heaven knows this is a delicate enough operation, not to be hazarded by the huffing and puffing which, unfortunately, it has been getting from the sidelines. There is some obscurity about the circumstances in which the American proposals (which the Americans thought they had cleared with their principal allies in advance) came to be published in despatches from Bonn last Saturday, April 14th. The west German government claims that they were not given away by officials in Bonn, which may or may not turn on the definition of "officials." The haste with which Dr Adenauer, temporarily back home from his holiday on Lake Como, called a meeting of party leaders on April 13th to discuss Washington's intentions suggests that a good deal of apprehension had built up; and somewhere, apprehension blew a valve.

Whoever did it, it is clear that the result is to make Mr Rusk's task considerably harder. The proposals which the United States had circulated among its allies represented positions towards which Mr Rusk hoped to move in his talks with Mr Dobrynin, in return for appropriate Russian concessions (for instance, the withdrawal of the demand that allied troops get out of Berlin). Having been made public knowledge, the proposals may now be treated by the Russians as starting positions. Mr Dobrynin may have blandly thanked Mr Rusk for his kind offers, and asked how soon they could be put into practice. This was not at all what the Americans intended. The other danger is that, in order to calm the fears raised in west Germany by the disclosure, the Americans may feel obliged to explain that they are not really offering any concessions at all: whereas the real need is to convince the Russians that the concessions, modest as they are, are sufficient to justify Moscow's offering something concrete in return.

In the confusion caused by someone in Bonn on Friday the 13th, it is best to cling on to two essential points. The first is that the American proposals are, in fact, only a limited departure from the total immobility that has gripped western policy since Dr Adenauer's visit to Washington last November. The degree of recognition that would be extended to east Germany amounts to no more than the inclusion of its government in an international body charged with supervising the access routes over its own soil. Since east German officials have long handled all the civil traffic moving to and from Berlin, this hardly seems an intolerable addition.

The only blessing that would be bestowed upon the post-war border between Poland and Germany is that involved in a general east-west undertaking not to violate existing demarcation lines—an undertaking the west Germans have many times given already. The only move towards a limitation of armaments would be an undertaking by Russia and the United States not to let nuclear weapons pass into the control of nations that do not possess them now—and the west Germans claim to be satisfied with their present nuclear relationship with America.

The other point to be kept firmly in sight is that, unless Russian interests are met by some such moves as these, the harassment of Berlin will go inexorably on. The inter-allied arguments of the past year have made it clear that the west German government has no alternative policy for securing Berlin's freedom, unless to sit tight and hope that the worst will not happen is to be called a policy. But the Russians' tolerance of the present status of Berlin is connected with the allies' tolerance of the present state of things east of the Elbe, as one part of a house of cards leans on the other. If disapproving fingers are continually being poked at east Germany, or the Oder-Neisse line, Berlin is made to wobble.

Appointments, Business and Personal notices, and other Classified Advertisements: pages 298 and 299

Tortoise and Hare

French influence in Africa is reviving, freed of the Algerian curse. British policy still carries too much ballast

Britain started, but France has won, the postwar race to acquire merit by dropping colonies. By acknowledging Algeria's claim to independence and, momentously, by turning French guns against recalcitrant Frenchmen, General de Gaulle has both cured Africa of an intolerable ache in its head and cleared the way for a widespread reinforcement of French influence and prestige within the black world. France plodded steadily towards the post; the British hare, a trifle self-satisfied, is still having one of its periodic rests.

Nothing about British policy in Africa was changed on March 18th, when the French and the Algerian nationalists signed a cease-fire agreement at Evian. Yet, since that date, British actions in Africa have seemed worse to Africans and Asians simply because the French have stopped doing far more terrible things in Algeria. With Portugal, Britain can now be regarded as the only major (western) colonial power left. Britain's greatest remaining commitments, like Portugal's, lie in Africa's white-governed south: it is on this target that the wrath of the black man and, indeed, of the entire "anti-colonial" world will now be concentrated.

The effect is likely to be more than the mere laying of part of the blame for oppression in Angola and intrigue in the Congo at Britain's door. Petulant foot-stamping of this kind is generally unjust and best ignored. But its cause is Britain's genuine entanglement elsewhere. The central African federation is still a direct British responsibility; Northern Rhodesia and Nyasaland are colonies. Southern Rhodesia, it seems, is being made into a British colony by the United Nations. And, like it or not, South Africa and South West Africa are still associated with Britain in many minds. Dr Verwoerd has left the Commonwealth, it is true; but the British ambassador to the republic is also the man in charge of the British protectorates of Bechuanaland, Swaziland and Basutoland; and the current South Africa Bill, and the debates on it, have done much to advertise the value the British Government places on South Africa's contribution to the British economy. Reluctance to endanger this asset is understandable, fair enough, but the reasons for it are remembered every time there is a "soft" British vote at the United Nations on South West Africa, or on *apartheid*.

Yet General de Gaulle, no respecter of the United Nations, is getting away with a brand of power-politics no British Prime Minister would dare to contemplate. Since the Evian agreement, all good things have seemed to flow towards France. President Nasser, conscious, perhaps, of his need to woo France away from its understanding with Israel, was one of the first to say that the Algerian cease-fire opens up opportunities for new relations between France and Africa. What gesture is he likely to make towards Britain equivalent to his release of the French diplomats on trial on charges of espionage? President Sekou Touré of Guinea was quick to speak of a rapprochement between his own troubled country and France: and the Guineans were previously thought to be the most radical of them all.



Head of a Commonwealth?

Less surprisingly, President Leopold Senghor of Senegal proposed that new efforts should now be made to refashion the French community as a kind of French Commonwealth. With the support of President Houphouet-Boigny of the Ivory Coast, the proposal was taken up at the meeting of the twelve French African states of the "Brazzaville Group," held late in March at Bangui, capital of the Central African Republic. It was not universally well received, but there was praise from all for General de Gaulle, and the conference decided to set up a common market (it already runs "Air Afrique") and a flag for the "Afro-Malagasy Union." As a result of this conference there is still strong pressure for an annual meeting of the twelve presidents with President de Gaulle, after the manner of Commonwealth prime ministers. Far from the radical Casablanca group winning new adherents, it is Guinea and Mali, the outspoken members of the group, who seem to be gravitating in some degree back towards France.

One way of looking at the division between the "radicals" and the "reformers" in Africa is to judge their attitudes to the twelve of Bangui. Because of the reliance these countries are forced to place upon France—and because of Algeria—countries like Ghana and, until now, Guinea, Mali and Egypt have found it difficult to work with them. Countries like Nigeria and Sierra Leone have been able to work with the twelve in spite of Algeria. With the Algerian war removed, the whole picture is altered. At first sight, this change seems to be more in the direction of strengthening Franco-African ties than of crossing pan-African barriers; one reason is that the urge to associate with France is just as strong in Abidjan, Dakar and Niamey as it is in France.

This is not necessarily a culmination of what in some African capitals is referred to as the "wicked" policy of assimilation and "neo-colonialism" pursued by the French; it is simply recognition of the fact that most French-speaking African states have not the money, the resources, or the trained manpower to sustain genuine independence. France spends many times as much in Africa as Britain; admittedly much of this goes to French civil servants who repatriate their savings, or to highly-priced French consumer goods. Even so, Niger, for example, would be nowhere without direct French subventions to its budget; it would not necessarily be better off if it insisted on the highest commands in its army being transferred from French officers to Niger men.

This kind of reliance on France is likely to continue as long as unlikely countries like Niger do not join up in larger, more viable federations. Yet the richer French-speaking Africans

(currently headed by Francophile presidents) are unwilling to take their poorer compatriots on. The Ivory Coast, Gabon, and Senegal, well-off and pro-French, help to keep "French" Africa French. As for the others, they have seen, from Guinea's shocking experience, what it is like to sell oneself to the Russians and all other comers. Strong feelings against the French presence are, however, expressed by the militant educated young in most French African capitals. French influence will last if these men (the most articulate of whom are still largely Paris-educated) are assimilated in turn; it may, however, come to a sticky end if pressure from the hungry followers of these new black intellectuals piles up too strongly to control.

WHERE, in these circumstances, does the British interest lie? The first priority must be to get out of the embarrassments in central and south Africa. Further, Britain must be prepared to meet calls for larger amounts of aid to Africa: it is not even a close second to France at the moment. Nigeria, one of Britain's best pieces of work in Africa, has launched a six-year plan that will cost £676 million, half to be raised externally. America is providing £80 million; Britain £5 million, so far. This plan might well be an incentive to Nigeria to look at the advantages of associating with the European common market. The Nigerians are in deep need of whatever they can get from the community's development bank. Tempting "English" Africa into the nexus of the common market must be one of the main aims of British policy now.

The reason is plain: it is no use attempting at this late stage to compete with France for an old-fashioned extension of power and influence throughout Africa; there can be no wish to do so. Nor is it sensible to look at policy as just a popularity contest before the panel of Africans. Rather, working within the common market and with whatever African associates decide to join, the aim must be to broaden the base of the French-speaking African economies and to promote the kind of unity that would enable them to approach a more real independence. This would work in the best interests of the Commonwealth Africans by getting them inside tariff barriers which would be damaging to them if they were outside. Britain's aim must be to break down divisions. It is time for the hare to wake up.

Expatriatism Is Not Enough

The old escape to the tropics and a life of masterful ease is all but closed to anybody lacking specialised training



MUCH play has lately been made with the need to give young people in Britain an ideal to live up to such as has already been given, in popular estimation, to young Americans by the Peace Corps. Sometimes the recruits proposed are of the Peace Corps type; sometimes most definitely not. To judge from some recent letters to newspapers it remains fixed in the minds of many earnest Englishmen that loose ends can still be tidily tucked away, misfits fitted and misanthropes made philanthropes by being packed off, unqualified, unprepared and often uneager, to the "black countries" of the tropics (where Rhodes, a squeaky-voiced intellectual, was made into a Man). To them, the obvious candidates for the underdeveloped countries are jobless young delinquents and anti-nuclear demonstrators.

It is all in vain. The new countries are no longer the hunting grounds of either outrageous maladjustment or earnest do-gooding. They do, indeed, need people from Britain—as is made clear by a report* recently published by Oversea Service, a non-profit-making body (originally run with the help of a Government grant, but now financed by business houses' contributions and private donations) which is working energetically in this field. But they rightly resent the imputation that anyone's cast-offs are good enough for them.

The report from Oversea Service reveals, not unexpectedly, that the leading need in the new countries (and it is a desperate one) is for technical expertise of a high order—and this is a commodity in as small a surplus in Britain as anywhere else. The largest number of jobs on offer are in education, followed closely by science and technology, medicine, agriculture and, quite a long way down, management and administration. As far as it can be estimated, the number of vacancies waiting to be filled by highly qualified people approaches 9,000 at any one time: and this would be actual demand which, being dictated partly by financial possibility, is clearly less than the real need.

THE real need is not being met from Britain, and it is a terribly difficult task to enable it to be. Most people who would like to go to an overseas country feel that way because the market for their generalised skills is overcrowded and not often overpaid in Britain; but the technically-apt, towards whom most overseas vacancy advertisements are directed, are seldom interested in anything that would remove them from the rewards of the affluent society. Even when they are interested, however, considerations of the shape and continuity of their careers may deter them: most new countries will not, in general, offer career posts to expatriates, since the short contract system is cheaper (especially where single, definite

* An Inquiry into Recruitment in the United Kingdom of Personnel for Posts in Developing Countries. Oversea Service: London, January, 1962.

projects are contemplated); politically more acceptable (as the process of "indigenisation," which has narrowed managerial opportunities, is now being steadily extended to technical posts also); and, in the long run, more useful (in opening to young natives the posts for which they are trained by the contracted expatriates).

Some mitigation of the physical shortage of trained people will no doubt be achieved by the newly-established Council for Technical Education and Training for Overseas Countries, set up by the Department of Technical Co-operation. But the idea still has to be driven home (particularly to British employers) that a period of work overseas is an excellent thing for the minds and purses of developing young Englishmen. Once that attitude is established, the system best suited both to the countries in question and to British employers could follow: willing secondment, for short periods, of trained people. (The joint Anglo-American scheme to second 150 teachers to the East African Territories might be followed elsewhere and in other fields; doctors specialising in mass tropical diseases, for instance, are needed in West Africa.)

Oversea Service has, in recent years, done much to overcome the reluctance of young people to accept overseas posts. But the degree of public education which is necessary is beyond the scope of a voluntary organisation. Some new step by the Government is now required. The best such step might be the formation of a liaising body which could act as a detailed, rather than a general, clearing house for vacancies and applications as well as information. It could well take over some of the functions of the multitude of recruiting organisations which at present act independently of each other, not always with the greatest efficiency or success. A step further might be the foundation of a Commonwealth Service, with its servants drawn from the whole Commonwealth, which would be an international pool of secondable skill and experience available for tapping by any Commonwealth country: the Department of Technical Co-operation (which has just published, in "Technical Co-operation"—Cmnd. 1698—a useful exposition of its function and purpose) does not fill this bill, since it is intended to be the midwife to, rather than the begetter of, aid schemes.

BUT even with an ideal broker, marrying mutually compatible candidates and vacancies, there would remain an enormous number of enthusiastic, humane, energetic and skilled young people who could not be directed into any acceptable salaried post. Some, at least, would be willing enough to pursue for a time not particularly rewarding jobs, for their keep alone, for the sake of their immortal souls. They need not all be frustrated: several organisations exist to channel their efforts into places where they will do the most good. Many are teachers: and there has been an overwhelming response from them for vacation posts to do teacher-training in Nigeria, but hardly any—only 13 for 400 posts—have answered the Government's efforts to recruit for overseas education authorities under the pledge given at the Commonwealth Education Conference in 1959.

One of these bodies, Voluntary Service Overseas, specialises in sending unqualified young people, mainly school leavers, to Commonwealth countries where their willingness and toughness alone are valuable: it was founded in 1958 and has so far despatched 322 volunteers to projects in most of the ex-colonial territories. It is now engaged on the training of 100 sixth-formers at Sevenoaks for work overseas from September: most of them are 18 and due to go to universities in 1963, and until then they would rather be doing a useful service (overseas governments want more of them than VSO can provide) than bowing to the cake at Queen Charlotte's Ball. Another is International Voluntary Service, the British branch of *Service Civil International*, which has begun to make use of unqualified volunteers, many in Britain—where last year 30 welfare projects were undertaken, such as the construction of a fresh water supply to remote crofts, or the redecoration of pensioners' homes. Recently discussions have taken place, to seek some sort of co-ordinating mechanism for all their efforts, between representatives of all these organisations, the Department of Technical Education and, catalytically, the Overseas Development Institute (which is jointly financed, in roughly equal proportions by the Ford Foundation and the private contributions of British industry and business, and has found the need for a selective clearing house at the heart of the development problems, which it was set up to study, focus and publicise). Another development, different in kind and tiny as yet, is the "Scheme for Service" planned by some Birmingham students, whereby training communities in this country would prepare for voluntary service at no cost to anyone but themselves.

All this is sensibly far removed from the past. It is indeed the difference between parasitism and symbiosis for, if the old colonial system taught the turbulent young how to govern and how to get the most out of "their" people, these voluntary excursions have the great merits of teaching them a proper humility and how to get the best out of themselves. They deserve support.

British Peace Corps

The following is a representative, not an exhaustive, list of organisations assisting overseas service:

The Department of Technical Co-operation, Carlton House Terrace, London, SW1. (Government department: liaison, information, some recruiting.)

Oversea Service, 2 Eaton Gate, London, SW1. (Voluntary organisation: training, liaison, recruiting.)

International Voluntary Service, 72 Oakley Square, London, NW1. (Voluntary organisation: training, promotion of voluntary welfare schemes.)

Voluntary Service Overseas, The Royal Commonwealth Society, 18 Northumberland Avenue, London, WC2. (Voluntary organisation: training and dispatching volunteers, generally school-leavers aged 18 or 19.)

United Nations Association of Great Britain and Northern Ireland, 25 Charles Street, London, W1. (Voluntary organisation: liaison and dispatch of volunteers.)

Scheme for Service, 156 Oaktree Lane, Birmingham 30. (Voluntary organisation: training and preparation of new graduates in self-supporting volunteer communities.)

Among the many religious bodies which operate schemes for voluntary aid, the World Council of Churches is important: its British branch is:

British Council of Churches, 10 Eaton Gate, London, SW1.

All the voluntary organisations are urgently in need of money.

NOTES OF THE WEEK

EUROPE

Discord

GENERAL DE GAULLE'S design for the political organisation of a western European group of states has been in circulation for nearly three years. That time has seen a really fairly steady drift towards a general acceptance of his idea of how to do it, for all the cries of "never, never" that have been heard from time to time. Tuesday's meeting of the six foreign ministers in Paris saw a hitch. It would be hasty to assume that the setback is decisive; but it will have repercussions.

For a fortnight before this meeting the statesmen had been busy bridge-building. General de Gaulle had seen Signor Fanfani, who in turn had seen Dr Adenauer. Their talks produced agreement if not about the realities to be pursued, at least about forms of words to be used in pursuing them. But the objections of Belgium and Holland, two relatively small countries interested in western European federation but not in the position of satellites to a Paris-Bonn axis, remained alive. On Tuesday they dug in their heels and the ministers parted for once in open disagreement, leaving the next move in doubt.

If a new element has to be looked for to account for this failure, it is hard not to look for it in Mr Heath's unpublished speech to the ministers of Western European Union a week before. Mr Heath did not complain of the French-German-Italian arrangements; but he did indicate a British interest in being brought into these political talks soon. It must be this that decided the Dutch and Belgians to be positive in their refusal to be hurried into a political treaty. And Mr Spaak's dissent was fortified by dislike of France's attitude to Nato.

CHINA

Let Fifty Flowers

PEKINOLOGY is the murkiest of arts, and it takes something like extra-sensory perception to glean much about Chinese policy from the session of the National People's Congress which ended on Monday. By Wednesday the three-week secret meeting had yielded to public gaze little more than a summary of the speech Mr Chou En-lai made at its beginning. For what this limited evidence is worth, it confirms that food shortage has obliged China's leaders to change their order of economic priorities radically. Mr Chou said that the cutting down of capital investment would go on this year, and that inventories would be reduced. He explained that industrial workers who came from the farms would be persuaded to go back to them; and he mentioned light and heavy industry in that order (which is the kind of clue that Pekinologists have to fall back on). Since it has now been admitted that the hardships of the past three years have not been due solely to bad weather, but also to the inflexibility of the planners, Mr Chou also promised a return to the policy of letting a hundred flowers, that is, different points of view, "blossom and contend together."

This looks like at least a partial victory for the faction in Peking which wants to slow down the pace of industrialisation, turn some resources back to agriculture, and keep people happy with more food and consumer goods; and thus, by extension, a victory for Mr Khrushchev, who has the same ideas. The arrival in Peking on April 13th of Mr Patolichev, the Russian trade minister, at the head of a delegation presumably charged with repairing the battered economic relationship between the two countries, suggests that Mr Khrushchev is willing to exchange olive branches.

But there is no evidence that China is ready to capitulate unconditionally in its differences with Russia. The Chinese, unlike Mr Khrushchev, still insist on being publicly beastly to Mr Kennedy (Mr Chou spoke of his "peace tricks") and sweet to the Albanians: on the day the Russian trade team got to Peking, a delegation of the Albanian Society for the Promotion of the Army and Defence was being told by its hosts that Albania was a "glorious giant" of the socialist camp.

UN AND RHODESIA

Four and Six

LORD HOME and Messrs Butler, Maudling and Sandys formed an impressive quartet in close harmony—the Colonial Secretary seeming a little low-keyed—during last week's talks with the six United Nations emissaries to London. The occasion had its odd side. The Government contends that it will not allow UN recommendations to influence its colonial policies (the Foreign Secretary restated this flatly in the Lords on April 5th), and that in any case it cannot interfere in Southern Rhodesia's internal affairs. To put up four Cabinet ministers to inform Mr Jha and his colleagues of these simple doctrines may seem rather excessive—or rather intelligent.

The envoys from the Assembly's special committee on decolonisation matched their hosts with contrapuntal courtesy. They were conscious of the importance of the experiment in collective UN diplomacy that their mission represents, and behaved accordingly. They were more concerned to emphasise British responsibilities than to trespass on them. They argued that Britain shares with its fellow members of the UN a common interest in averting the serious danger that is liable to arise from the imposition in the colony of a new constitution that the African majority rejects. They dwelt on British democratic patterns. They noted that, at least by convention, the Government takes no initiatives in Salisbury politics; but they expressed a general belief that British influence there was strong enough to bring about the revision of a constitution which, they pointed out, had required endorsement in London in order to take effect. (The very existence of the Rhodesian federal government was, it appears, passed over in discreet silence on both sides.) They appealed to their hosts to ponder these matters.

But last week's London consultations were by no means the end of the UN season for Southern Rhodesia. A draft resolution still before the committee of seventeen calls for the abrogation of the colony's 1961 constitution and its emergence as an independent African state within a year. The committee may ask the General Assembly to consider Southern Rhodesia either at its regular session, beginning in September, or during June, when the assembly will be resuming its meetings in another connection. What course is actually taken in committee or assembly will largely depend on whether the Government, after due pondering, contrives to modify the position it has just restated so firmly.

BUDGET DEBATE

Four Voices

FOUR further speeches from the Treasury front bench last week did not throw very much more light on the Government's economic policy, but they did reveal something about the *mélange* of ministerial influences which have helped to form it. The most firmly anti-reflationary speech came from the President of the Board of Trade:

> A rise in output generated by expanding exports leads to higher productivity and lower unit costs. These in turn encourage further exports. . . . On the other hand, a growth which depends wholly on an artificial stimulus to home demand . . . and which is not accompanied by a rise in exports, contributes nothing to the sound growth of the economy. It only creates inflation. . . .

Most people may feel a little puzzled at this idea that if two motor cars are passing

down the same production line, one in response to an "artificial" stimulus to demand and the other to a different sort of stimulus, the former will somehow have a different effect on unit costs to the first. But it is an idea that is deeply embedded in one section of the present Government's economic thinking just now.

On the opposite—or more expansionist—side of the Government's battle line, stood Sir Edward Boyle, the Financial Secretary to the Treasury. Sir Edward is still hoping that automatic factors will "bring about a considerable rate of expansion during the next twelve months"; if not, he said, the Chancellor could always "stimulate the home economy" by using the indirect tax regulator or "he can also relax the present degree of restraint of monetary policy as well." But Sir Edward did not really dissent when Mr Ginsburg complained that the Chancellor's similar prognostications of expansion pressing on last July had proved "utter nonsense" in the event. Advocates of growth would probably not have so very much to complain about if the rest of the Government's economic thinking did manage to get back on the Boyle.

Mr Barber, the Economic Secretary to the Treasury, played straight down the middle of the official line. Mr Selwyn Lloyd himself, in his second appearance, leant perhaps a little more Boyle-wards. "I will watch the situation carefully and will not hesitate to relax if need be, if that is wanted and it is adjudged right." One's guess and hope is that later this year, out of pure boredom if for no other reason, the Government may in fact edge into a more re-expansionary policy; and there is nothing in the present state of the economy to suggest that the growth of exports will be in any way less rapid after domestic re-expansion has started than before it. But the best comment on this budget came from Mr Roy Jenkins (Labour), who compared it to Lord Amory's "excessively cautious" budget of 1958:

> I have no doubt at all that between 1958 and 1959 we lost a year [although] we could have expanded more safely in 1958 than in 1959.

For 1958 and 1959, read 1962 and 1963?

PARLIAMENT

Whose Happy Easter?

PARLIAMENT has adjourned this week for the Easter recess with the Government's legislative programme reasonably well advanced. Bills which have already received the royal assent include the Immigration Bill, the Army Bill, the Criminal Justice Bill, the Export Credits Bill, and the Education Bill. Constitutional legislation affecting Southern Rhodesia, Tanganyika, and the West Indies has also reached the statute book. The South Africa Bill is through the Commons and since it is due to come into operation on May 31 will presumably by then have received the royal asset. The Road Traffic Bill has been through the Lords and is waiting for its committee stage in the Commons. The Transport Bill should have passed from the Commons to the Lords by Easter. The Scottish Housing Bill is in the Lords, and the Scottish Licensing Bill has had its second reading in the Commons having been through all stages in the Lords. The Sea Fish Bill is half through its report stage in the Commons and the Health Visitors Bill is also there waiting for report. The Pipelines Bill has been held up in the Lords. The Tories think it gives too sweeping powers of compulsory purchase, and the Labour peers think it does not go far enough. The Weights and Measures Bill has never appeared at all.

This fairly rapid progress has been due partly to the wise Government decision not to overload the legislative programme as heavily as in the last session, and partly to the equally wise decision of the Opposition not to carry out their threat of all-out obstruction to Government measures. The use of the guillotine on the Transport Bill has also helped, and did not lead to the Labour explosion which had been prophesied. Credit should also go to Mr Macleod, who is proving a more efficient Leader of the House than has so far been generally recognised. In Parliament, as distinct from in the country, things have gone better for the Government in the second than in the first part of the session. The revolt of the right over Northern Rhodesia's constitution proved to be a fiasco, and so far the common market negotiations have produced only a mildly worded warning motion. The real battle there is presumably still to come. Mr Macmillan has had his usual ups and downs; and Mr Butler, by becoming responsible for Central Africa, has had a very definite up. The session has also been good for Mr Gaitskell, who has continued to keep his left wing in check. For Mr Grimond—with his volume of parliamentary support increased from six to seven—this pre-Easter quarter has naturally been the happiest time of all.

FRANCE

Expedient Bullets?

GENERAL DE GAULLE must now, or soon, make the difficult decision what to do about General Jouhaud. The rebel leader was very properly condemned to death on Friday, April 13th, for his part in the murderous and treasonable campaigns of the Secret Army; but the date may prove to have been unlucky for more than him if the French President, pondering whether or not to exercise his prerogative of mercy, decides wrongly. Here is a prisoner who can be said to have earned the firing squad if any honest man ever did. But the French President has to decide whether or not it is expedient that this one man should die for the sake of the country.

In favour of his death it can be urged that the French government has never shown itself sufficiently ready to discipline its mutineers. This leniency has been one of the factors causing many Frenchmen to think it both safe and respectable to conspire. Furthermore, General Jouhaud has admitted his responsibility for the assassinations carried out under his command: unless he is shot it will be difficult to execute the actual perpetrators of the crimes. The Algerian nationalists may well need some reassurance that the French are doing all they can to stamp out the Secret Army and implement the Evian agreements. A bloody stroke might convince the Europeans of Algeria that they have nothing to gain by continuing their struggle.

But it might also make them afraid to stop. It might furnish them with a martyr. Above all, France and Algeria now need reconciliation, and an exemplary act of mercy might do something to produce the climate of calm and reassurance without which reconciliation is impossible. If, on grounds of expediency, General de Gaulle does decide to be merciful (and it is strangely distasteful, as well as difficult, to envisage him in the role of a Robespierre) he can take comfort from various subordinate considerations. His Algerian-born prisoner was, after all, acting from a misguided patriotism. To execute a Secret Army terrorist would be out of tune at a time when so many Arab nationalist terrorists are being released. General Jouhaud is himself the subordinate of the real culprit, General Salan, who may never be captured. Capital punishment is a dangerous weapon in politics, and as ineffective as a deterrent to this sort of violent crime as to any other.

SYRIA

Once More with Feeling

OUT of the cooler and back to the presidential chair, Dr Kudsi has Syria's fate on his hands again. During his three weeks' detention by the mixed-up military men he countered their pleas for his comeback by insisting that it be constitutional. And this, by a near shave, it is. The deputies who elected him have resigned in a heap, entrusting him to form a government; new elections, it is thought, should follow in a few months' time.

Dr Kudsi reappears with a slightly leftward bearing. To judge by his broadcast to the nation on April 14th, he is going to tackle the abuses that, according to the professions of the military, impelled them to throw the politicians out on March 28th. Corruption is one; another, the misapplication of the confused agrarian laws. He promises a new constitution, a referendum on Arab unity, and elections to be fought on real issues in contrast to the passionless polling of last December, when persons, not policies, were voted for. The Syrians, in brief, are being asked to go back on their tracks to the time when they broke from Egypt and then pace them out again. No

doubt they will do so with feeling if given the chance. The dominant internal issues of land reform and nationalisation should really be put to the country, although it would be wrong to couple them in a doctrinaire left-right contest. Land reform is vital to Syria; nationalisation is a good deal less than vital. What is more difficult to envisage is this voting on Arab unity; the more Arab unity is talked of, the further it gets from the ground. As a subject of referendum it has acquired new facets since the Homs conference of the army factions on April 1st sought a plain poll on union with Egypt. The last word, Dr Kudsi's, is that Syria will seek only such unity as will guarantee its "dignity and entity and ensure . . . its power of attraction for other Arab countries."

APPRENTICES

Too Little, Too Late

An inquiry carried out by the Engineering Employers' Federation revealed that the number of craft apprentices employed in engineering has risen by only 3 per cent, to some 75,000, since 1958. This is disgraceful. It might be encouraging to note that there are more junior than senior apprentices, were it not for the wastage rate which shows that many of the boys will never finish their time. (This wastage rate opens up many questions. What incentives are being given? How much care is taken to see that the right boys are taken on as apprentices? What is being done to counter the feeling of some trainees that they are simply wasting their time?) Slightly less discouraging is the increase of nearly 20 per cent in the number of "technician apprentices" training for more highly skilled work, from whom some educational qualifications are demanded. But this increase brings the total number of such young technicians up to a mere 7,178 young men: and only 379 firms (out of the federation's 4,500 members) employ people in this grade at all. Ten fewer firms had training schools in the works to give instruction to their apprentices. Girl apprentices were employed by only 39 of the federation's firms, so that a mere 119 girls were receiving apprentice training—although women make up a growing proportion of the industry's labour force. It must have taken some guts for the federation's leaders to publish such a condemnation of their own members.

For Britain as a whole the record may not be quite as dreadful. Some firms outside the federation are known to do better than most of their federated rivals. In some of the most go-ahead industries trainees cannot be classified as apprentices, since the old trades for which the five-year training period is demanded have no relevance to the newest technologies: girls training for useful skilled jobs such as draughtswomen, typists, comptometer operators and so on are outside the survey. And it is encouraging to see that 70 per cent of apprentices were being released during working hours for study outside the plant. (But the federation did not even ask about full-time release for study.)

The truth of the matter is that the hidebound five-year apprenticeship "sitting by Nelly" is totally out of date. No doubt trade union restrictions bear a lot of the blame for this, but by no means all; if employers were to approach the unions with entirely new plans, they might meet a warmer welcome than they seem to expect. The unions in the building industry, for example, have welcomed the idea of shortening the period from five to four years. But firms are still afraid that the money they spend on training apprentices will in the long run only benefit other firms who do no training, but spend the money on poaching skilled labour from their rivals. This attitude has become particularly prevalent in the less prosperous regions, from which so many skilled young people have in the past found their way to London or to Birmingham; the result of the attitude is that declining areas are likely in future to decline faster still. The case for government action to promote the training of many more young workers is proved—and urgent.

NUCLEAR DISARMERS

Interests of State

The Court of Appeal, having dismissed the appeal of the members of the Committee of 100 against the sentences of imprisonment passed on them for their demonstration at Wethersfield airfield in December, is clearly correct to allow a further appeal to the House of Lords on the ground that the case involves a point of law of general public importance. The Official Secrets Act of 1911 declares it to be an offence "if any person for any purpose prejudicial to the safety or interests of the State . . . enters any prohibited place within the meaning of the act." This was the section under which the accused were convicted.

Wethersfield airfield is obviously a "prohibited" place within the meaning of the act and there was no dispute that the accused intended to enter the airfield and obstruct aircraft which they suspected of carrying nuclear weapons. The defence put forward three main arguments. First, it was said that the operation of the act was confined to those engaged in spying. The act contains no express words to this effect and the court held that they could not be implied. The second and more important submission was that it had to be shown that the persons entering the prohibited place did so with an intent to prejudice the safety and interests of the State. Under common law the intent and the act must both concur to constitute the crime—but this has not always been applied to statutory offences. The court held that a guilty intent could be treated as essential only if the statute expressly required it. In the past a body of judicial opinion has taken the opposite view, holding that a guilty intent is required for a statutory offence unless expressly excluded. The court's decision gives

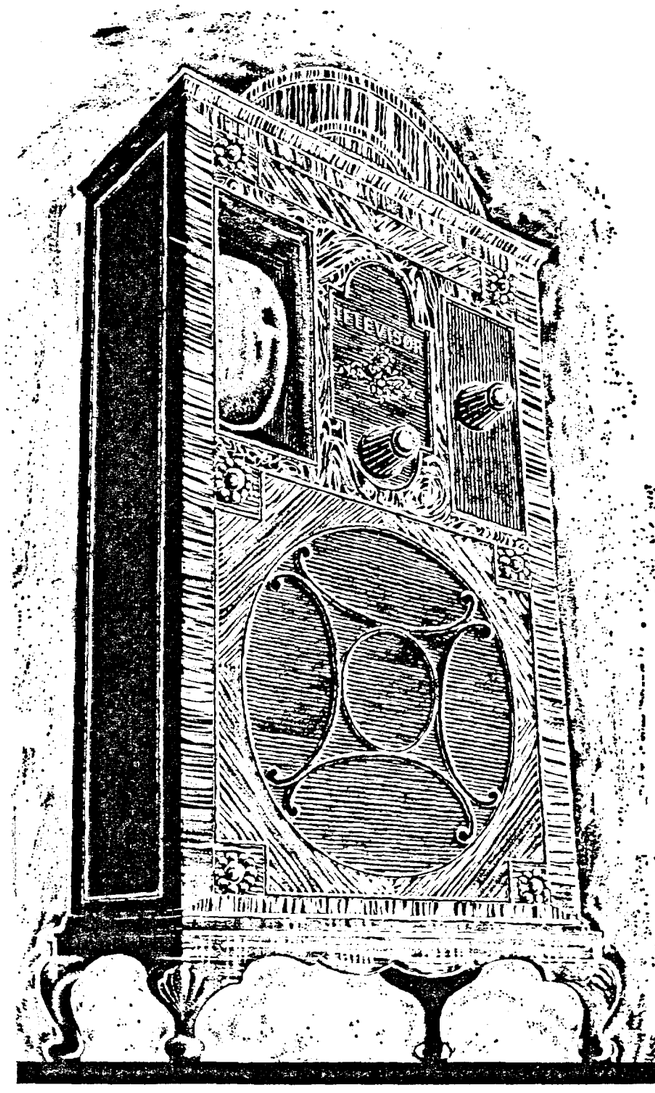
The Economist

APRIL 19, 1862

IMMOBILITY OF LABOUR

One of the chief difficulties in the way of rectifying many of our social mischiefs and anomalies arises from the want of pliability and flexibility—the deficient faculty of accommodation to new circumstances—which belongs to a low state of intelligence and education. . . . Many years ago there was great distress in Buckinghamshire owing to the superabundance of labour. At the same time there was considerable embarrassment in Lancashire owing to the deficiency of labour. Workpeople were a positive burden to the one county, and a positive want in the other. The wages of a family were ten shillings a week near Aylesbury; they were thirty shillings a week near Manchester. The parish authorities in the South and the manufacturers in the North were about equally willing to pay the expenses of removal for some hundreds of actual or prospective paupers. Yet nothing was found more difficult in practice than to negotiate and effect the transfer. The labourers were boorish and untrained. They did not know how to realise the new life proposed to them, nor how to *adapt* themselves to it when they had entered on it. They dreaded a journey of 200 miles as if it were exile to the antipodes. They shrank from the idea of a new occupation, new neighbours, an unknown climate, and unknown surrounds. They went, indeed, but they went after much persuasion and in small numbers; and many of them returned after a short sojourn, from simple inability to accommodate themselves to work and food and a way of life to which they had never been accustomed. Something of the same incapacity and inertia is operating now to prevent that equalisation of wages and population in several districts which would be a common gain to all. In spite of national schools, in spite of cheap newspapers, in spite of penetrating railways, in spite of spreading habits of locomotion, the wages of a Dorsetshire labourer are still nine shillings a week, while those of a Yorkshire or Lancashire artisan are fifteen and twenty; yet labourers do not flow from one place to the other as they should do; and in busy and prosperous times, manufacturers entertain more sanguine hopes of being able to arrest the stream of German emigration as it crosses the country to America, than of attracting their own ill-paid and redundant fellow-citizens to a distance of twelve hours from their old homes.

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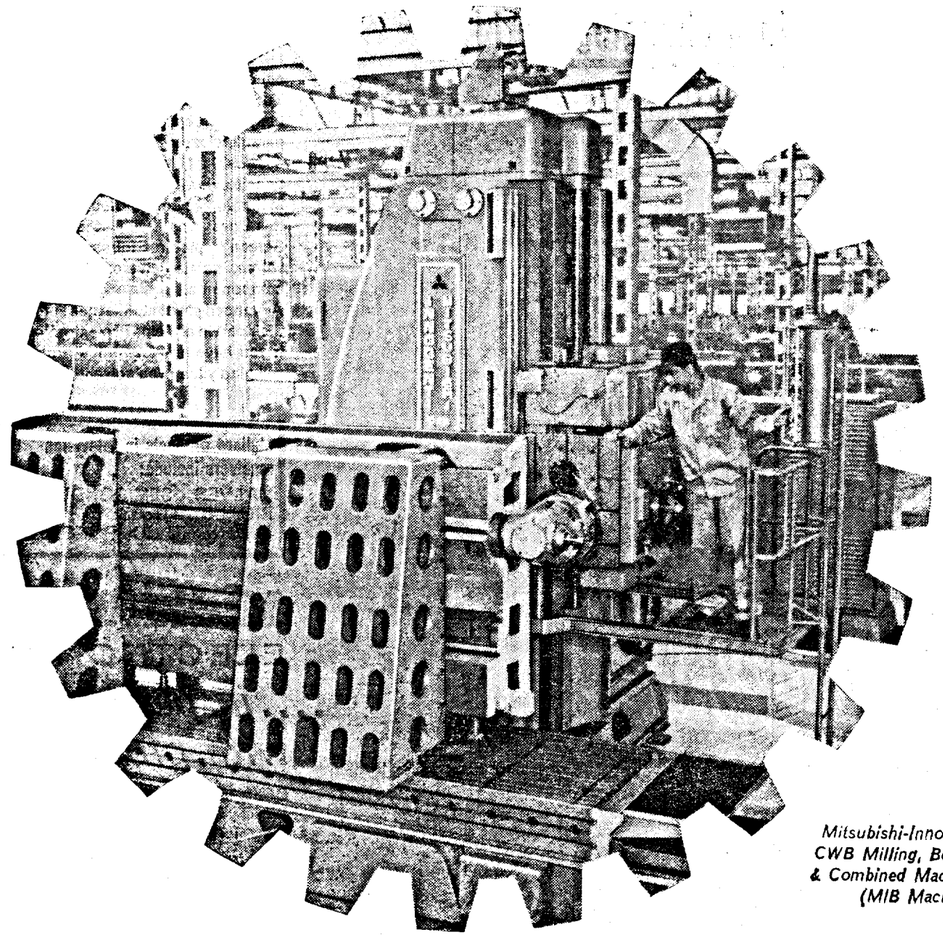
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"purpose" in the act a very narrow interpretation. It limits it to the physical act which was the purpose of entry and excludes the intent with which the act was to be performed.

The third argument by the defence was that it had to be shown that the purpose for which entry was to be effected was in fact prejudicial to the safety or interests of the state. On this point the court held that these matters pertain to the prerogative of the crown—and once evidence has been given on behalf of the crown saying that the safety of the state has been prejudiced, such evidence cannot be challenged. On the face of it, all this makes the Official Secrets Act into a pretty sweeping measure affecting the liberty of the subject; there are clearly vital questions here which it is right that the House of Lords should consider.

Divided Battalions

THE Aldermaston-London march is an Easter rite; for some marchers it even has a Christian significance. It also happens to be one of the few remaining occasions on which the nuclear disarmament sects can make common cause. Three major divisions are currently visible among those who will be thronging into central London this weekend: (1) Canon Collins and the bulk of the Campaign for Nuclear Disarmament still hold firmly aloof from the civil disobedience of Lord Russell and the Committee of 100. The persistent (and commendable) multilateralist tendencies of the CND have not exactly endeared it to a number of zealots; they merely find it convenient to proselytise among the big battalions. (2) Certain activists are now moving towards industrial action against the bomb; this is already rousing trade union hackles. Another group has just launched an independent committee to put up candidates at by-elections and general elections. Their jump on the hustings will not please the Canon (who had meant to leave the issue to CND's annual conference). Nor will it please the cannier heads who have seen that the electoral test merely reveals CND's weakness: the last example was a poll of 500 for the Independent Labour Party (and unilateralist) candidate at the Bridgeton by-election last November, where a staunch Gaitskellite walked away with an old ILP seat.

(3) The frankly neutralist element is increasingly showing its colours. Placards in a London demonstration last weekend declared: "For a neutral Britain." If this segment—or the "fight by-elections" segment—has its way, sympathisers like Mr Frank Cousins are likely to find themselves on the spot. So far they have been noticeably reluctant to admit whether their antipathy to the bomb extends to Nato as an institution. This Easter's marchers have plenty to mull over. A movement that sprouts breakaway shoots in such conflicting profusion, but all claiming to be in full sympathy with its aims, could do with a weekend's introspection.

JUGOSLAVIA

Djilas Again

AFTER fifteen months at liberty, Mr Milovan Djilas finds himself in prison again. He was arrested, without explanation, on April 7th; five days later an official spokesman stated that he had broken the conditions under which he had been released on parole in January, 1961, because he had "provided material for articles published abroad which served an anti-Jugoslav campaign." The reference is understood to be to Mr Djilas's latest book, "Conversations with Stalin," which he had sent to the United States for publication. Mr Jovanovich, Mr Djilas's American publisher, flew to Belgrade last week with an offer to stop the publication of the book if Mr Djilas were set at liberty. But the Jugoslav government has refused to bargain over Mr Djilas's release.

"Conversations with Stalin" describes, from the inside, the background to Jugoslav-Soviet relations during the later stages of the war and up to 1948. According to Mr Jovanovich, it is a contribution more to history than to politics, and there is nothing in it to harm the present Jugoslav government. This claim may well be true, although without a knowledge of the whole book one obviously cannot judge whether or not Mr Djilas has broken his promise not to engage in any political activity contrary to the law or injurious to the state. What in fact the Jugoslav authorities really seem to object to is that Mr Djilas should have insisted, contrary to their express wishes, on publishing in a foreign country a book based on material gained when he was a senior member of the government.

Clearly, however, what are really important in this case are not so much the details of what Mr Djilas wrote or promised, but the personalities and emotions involved. If Mr Djilas were a prudent man, he would not now be back in prison; but he is above all a political animal and an individualist who apparently finds it as necessary to stick his neck out as to eat and sleep. On the other hand, the extraordinary course of his relations with the present Jugoslav leaders —from their closest friend and colleague to their bitterest critic—makes it peculiarly difficult for them to deal with him objectively. Mr Djilas in fact can either get away with a great deal, or with nothing at all; at the moment, it seems to be the latter. These considerations help to explain the latest twist in the Djilas affair; they do not necessarily suggest it is being handled either wisely or judiciously.

WEST INDIES

Bleak Busta

JAMAICA, Cuba's offshore island, will march to independence on August 6th fully committed to retaining the Queen as head of state and guarding the beaches against communism. Sir Alexander Bustamante's government has also promised a defence treaty with the United States. "Busta" was voted in by the hearts of Jamaica's many desperate poor on April 11th; his more thoughtful cousin, Mr Norman Manley, lost the election as he lost last year's referendum on keeping the West Indies federation going. Mr Manley's appeal was to the thinkers and the planners: but they have not been able to bring Jamaica far enough out of its poverty. Relieved of financial involvement with the even poorer other islands of the West Indies, Sir Alexander has now to find ways of raising his people's standard of living and reducing Jamaica's dependence on outside economic assistance. These would constitute the only effective barricades against some form of Castroism.

Similar problems face the other British West Indian Islands; and they are likely to be made easier to solve if some new kind of unity can be forged. Two conferences in London in May are to decide on independence for Trinidad and a possible separate federation of the remaining "little eight"; a more attractive idea is attaching the small islands to the unitary state of Trinidad. Many of these small islands are saved from being ruled by county councils only by the water that separates them. Mistakes have been made because of hasty decisions on the West Indies taken by past Colonial Secretaries; Mr Maudling would do well to go for a good solution rather than an early one. Whatever happens, Britain will be called on to give more aid to all the islands; the Immigration Bill presents the West Indians with an argument in favour of this. Mr Maudling hopes to salvage some kind of common services organisation. He might also usefully point out to the islanders the advantages of looking to a much wider future association in the Caribbean, linked at least as closely to North America as to Britain.

(*Continued on page 237*)

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Europe's Missing Link

WHILE the problem of the Commonwealth and common market continues to excite debate in London, in Brussels the deputy heads of the seven negotiating teams have been calmly (before the storm ?) drafting a report on the progress of the negotiations so far. The report, which was submitted to the ministers on April 14th, charts the ground, and the areas of agreement and disagreement, covered so far. It does not present complete solutions to the ministers ; these will have to be fought out between the delegations in the phase of hard bargaining that lies ahead. All the same, through the technical obscurities it is possible to make out the shadowy outline of what will emerge when the real bargaining gets going.

Since November, when the negotiators got down to business, the Commonwealth problem has been gradually broken up into five main sections:

(1) The impact of the common tariff on exports of **manufactures** from **developed Commonwealth countries** (Canada, Australia, New Zealand) has been studied by a working party which began work in November. These exports are minute in scale, a mere 1 per cent of British imports from the Commonwealth, and it seems likely that no specific reductions in the common tariff will be made to help them. The hope is that tariff bargaining between Europe and the United States will give the Commonwealth exporters better opportunities in these two major markets.

(2) The same working party has been studying a second problem, which is called the **zero tariff** list. On most raw materials, which make up 40 per cent of Britain's imports from the Commonwealth, the common market tariff will be zero. But there are certain products, of great interest to Commonwealth exporters, where the Six have agreed to impose a tariff on imports from outside their market. On 24 raw materials (including woodpulp, newsprint, aluminium and a long list of non-ferrous metals) and a range of processed foods, Mr Heath has therefore asked for the common tariff to be reduced to zero.

The Six will not find it easy to satisfy this request in full. Most of the disputed items were in their own "List G," a list of tariffs only settled within the common market after a long negotiation. On aluminium, to take one important example, the French support their case for a continuing measure of protection by pointing out that in Britain, where there is none, the industry has largely fallen into American and Canadian hands. Is there to be virtually no European aluminium industry at all, they ask ?

The British, on the other hand, argue forcibly that their entry to the community will not merely affect Commonwealth interests, but will change the balance of European interests. The present community, which satisfies 75 per cent of its home consumption of aluminium from imports, fixed the tariff at 10 per cent. Is not a lower tariff more appropriate to an enlarged community, which satisfies a mere 55 per cent of its own needs ? Eventually a compromise seems likely on the "zero list," with some tariffs reduced, and some removed, and low-tariff or tariff-free quotas granted to the Commonwealth where the common tariff remains high.

(3) Serious discussion on a third matter, exports of **manufactures** from **Asian countries,** did not get going until February, partly because the British were still clinging to the possibility of association for major Asian countries, like India and Pakistan. Once they agreed (on February 6th) to give up this idea, the way was opened to discussion of other solutions for Asian manufactures. Here again the indications are that the Six will not be prepared to waive the common tariff permanently for the benefit of Asian manufactures, but they do recognise that a way has to be found of giving the new nations growing export outlets for their manufactures. Since the new Japans can push their exports across a low tariff barrier with relative ease, the removal of quota restrictions matters most to them.

A SOLUTION may thus be found on the lines of the recent textile agreement reached in February under the auspices of the General Agreement on Tariffs and Trade. This solution, however, raises what may be called the problem of the "link": The aims of the Geneva agreement (expansion of quotas over a five-year period and ultimate removal of all restrictions) are excellent, but the detailed provisions for carrying it out still leave uncertainties which worry Commonwealth exporters. What kind of guarantees are to be given to the Commonwealth countries in Asia that, as they lose their privileged position in the British market, they can be certain of equivalent opportunities in western markets generally ? Can tariff-free quotas provide an escape mechanism if imports from Asia fall below a certain level ? What institutional machinery can be devised ?

(4) **Temperate agriculture** poses the same problem of the "link" between preferential and worldwide arrangements. The Six accept that the Commonwealth may keep some transitional advantages in the British market, but hold that in the long run the problem must be solved by worldwide arrangements. This position may have to be accepted by the British negotiators, but they point out that the transitional arrangements need to last until the worldwide ones are effective. The Six accept this, but point out that Commonwealth countries must not be given a veto over the passage from the preferential set-up to the worldwide one. Again, an institutional mechanism has to be devised which safeguards both sides.

Temperate agriculture also poses a host of complex technical and economic problems. Australia, like the Six, favours a world wheat agreement which would stabilise wheat prices at a fairly high level. Canada thinks the idea wholly impractical. The Six believe that a world agreement on beef is also possible. New Zealanders doubt whether perishable commodities of this kind can be dealt with in the same way. For butter a combination of methods may have to be adopted—an element of deficiency payment in Europe (as in Britain) plus a world agreement on prices and quantities sold.

(5) The most obvious part of the bargain may be the last to be put down on paper. The Six seem likely to accept **association** for the **African** members of the **Commonwealth, the West Indies** and some small territories in the **Pacific,** but this cannot be finally settled until the Six themselves have agreed on the form their existing association with Africa is to take. A meeting in Brussels on April 10th and 11th between ministers from the Six and their sixteen African associates made some progress. Another meeting of ministers is to be held in June.

Here again a problem of political trust arises where the Commonwealth is concerned. The British, knowing that some Commonwealth countries, like Ghana, are opposed to association at present, and that others are still bewildered by the rush to independence and the swiftly changing African scene, would like the door to association to be left open for some three years. Some of the Six have doubts about this delay. Last week the British government consulted in London with the High Commissioners from four African Commonwealth countries.

To sum up, the work of the negotiators so far suggests that the terms the Commonwealth gets will be very much a compromise. Inevitably the negotiations will not provide permanent guarantees for every Commonwealth product going far beyond the short-term guarantees Britain gives the Commonwealth at present. Who can tell how much lamb Europeans will be eating in 1975 ? Much will have to be taken on trust. And as the problems of the "link" between preferential and worldwide arrangements suggest, the devising of institutional machinery which safeguards both sides is at the heart of the negotiations.



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DOCTORS' PAY

Merit Awards?

THE Pilkington commission on doctors' pay, which reported in February, 1960, spawned three further working parties on its proposals relating to general practitioners. The first was concerned with the distribution among individual doctors of the extra money that the Pilkington commission recommended should be available to the "central pool" from which family doctors as a body are paid. It had done its job by August, 1960; but it proposed that from the pool the sum of £1 million should be reserved each year so that further, more deliberate, consideration should be given "of making the best possible general medical service available to the public."

This consideration has been given in the last eighteen months by another working party. It has proposed that a quarter of the reserved £1 million should be set aside for payments to doctors who attend post-graduate courses while in general practice. They will be eligible to receive a sum of £60 in a five-year period. The remaining £750,000 will be used to increase the loading of capitation fees for a certain number of a doctor's patients. In addition to a flat capitation fee, now 19s. 6d., for each patient on a doctor's list up to a prescribed maximum, there is a loading, now 14s., for every patient after the first 500 (400 in the case of a single-handed doctor) and up to the 1,700th (1,600th). In future this loading will be 15s. 6d. for patients between the 1,000th and 1,500th, thus further encouraging doctors to keep their lists to a size that should enable them to look after their patients more effectively.

But, as the Pilkington commission recognised, the loading payments, together with a limit on the size of a list, reduce the spread of general practitioners' incomes and thereby discourage good general practice. It therefore recommended that £500,000 should be made available, outside the central pool, for giving merit awards to family doctors, just as they are already given to consultants. A third working party has been duly engaged on working out an acceptable scheme for making these awards; it proposes that they should be made by a selection committee, appointed by the Minister of Health and consisting mainly of general practitioners, and assisted by recommendations from local assessors drawn from various branches of the medical profession. This last suggestion is an improvement on the system by which consultants are recommended; at present, this seems to be exclusively in the hands of other consultants but could with advantage use the advice of general practitioners. Meanwhile it is still uncertain whether general practitioners as a whole will accept a scheme that will give a few of their colleagues £500 or more a year in addition to their other earnings, while giving nothing extra to most of themselves. But if they turn the scheme down they will have to watch the £500,000 reverting each year to the Exchequer, as it has done since the Pilkington commission reported.

MR WOLRIGE-GORDON

All in the Family

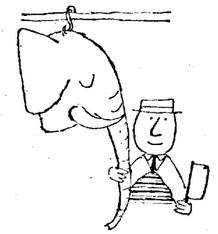
THE dispute between Mr Patrick Wolrige-Gordon, Lord Boothby's successor as Tory MP for East Aberdeenshire, and the lairds of his constituency association is as muddled and bitter as any family row—which, in a real sense, it is. Mr Wolrige-Gordon says his critics want him to give up the seat because of his leanings towards Moral Rearmament and his prospective marriage to the daughter of an MRA official. ("I put my trust in Almighty God, in Aberdeenshire and in Anne.") If these are their real grounds the local Tories have no leg to stand on. They say, however, that Mr Wolrige-Gordon has "shortcomings" as a member, in particular a "lack of local knowledge," and they assert that his MRA interests have made him neglect his parliamentary duties. These are always difficult matters to judge, but it is obviously preferable (and normal practice) to give a member the benefit of the doubt unless the neglect is incontrovertibly glaring. Several MPs have involved themselves with MRA without laying themselves open to this particular charge—although prolonged absences on MRA business in 1955-59 helped to precipitate the final breach between Mr John McGovern and his constituency Labour party at Glasgow Shettleston.

What should be making Scottish Tories sit up and look at their image is the ingrown, eighteenth-century atmosphere that has pervaded East Aberdeenshire politics since Lord Boothby departed. Mr Wolrige-Gordon, then aged 23, was given the seat in 1958 after his grandmother, Dame Flora MacLeod of MacLeod, had vigorously exhorted the local association to recognise his prime ministerial qualities. Major David Gordon, the president of the association who has been spokesman for the critics, describes himself as "a family friend." It was in this role, apparently, that he took the initiative last March in order to save Mr Wolrige-Gordon "the unnecessary expense of setting up a home" in a constituency where there was a clannish movement to throw him out. It now emerges that one of the local branches (at Ellon) which first expressed disquiet at the member's activities has as its chairman Captain Robert Wolrige-Gordon, the member's eldest brother. This glimpse of Aberdeenshire politicking would have rejoiced the heart of Sir Lewis Namier.

FOOD RESOURCES

Wild Animal Farm

OVERCROWDED humans may take what reassurance they can from Mr Colin Clark's recent estimate to the Royal Statistical Society that, by using the best methods known in agricultural laboratories, one person's minimum requirements of food can be satisfied by the continuous cultivation of a mere 25 square yards. It makes neo-Malthusianism look a bit silly. But long before these standards of productivity (and consumption) are imposed on the human race the biologists should have come up with the answers to two crucial questions which could alter all calculations even more for the better. First, is the extension of west European and north American methods the best way to tackle Asian and African problems? Second, how close are we to the development of entirely new forms of food—drawn from tropical plant life, new animal types and the seas? From another speaker at the society's symposium, Dr N. W. Pirie of the Rothamsted Experimental Station, came the most spirited of biological analyses. Telling students in underdeveloped countries to stop worrying about nuclear physics and get down to ergometric research on the hand hoe, Dr Pirie saw possibilities in every swamp and mango grove.



His best bets ranged from the extraction of leaf protein in bulk (with the development of multipurpose plants giving commercial and nutritious products) to the domestication of the promising forms of wild animals and an efficient system of farming the sea. The idea of eating the hippopotamus has its admirers; its meat productivity is enormous, but breeding and ranching it might be expensive as it competes with other land animals for its food. The wholly aquatic manatee—"readily eaten in Guiana"—may therefore be a better prospect. Dr Pirie found it humiliating that man's total fish catch is only four or five times higher than that of Peruvian sea birds. He was not happy at the protein-converting efficiency of carnivorous fish: the breeding of a sea carp could be the answer. There is plenty of food for thought here, not only for governments but for food technologists.

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HOME REPORT

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

Introducing Teesbrough

FROM OUR SPECIAL CORRESPONDENT

ON Tees-side the Local Government Commission has had its biggest natural opportunity for innovation, so far, outside the special review areas. In plumping for a single county borough, embracing both Middlesbrough and Stockton and most of the neighbouring built-up areas of the eight other local authorities in the region, the commission has bravely struck out for rationalisation.

Its arguments in its draft proposals are interesting. It is not at all apologetic at creating the eighth largest town in England (below Bristol and above Leicester) at one blow. It believes that a population of 390,000 is, in fact, an inducement to what it calls "bold and imaginative planning." This size has raised some eyebrows, but one's guess is that this will prove to be the minimum population capable of sustaining an effective cultural life in the provinces; it is likely to prove a far livelier place than the controlled environments for 100,000 people or less that are now fashionable among amateur planners.

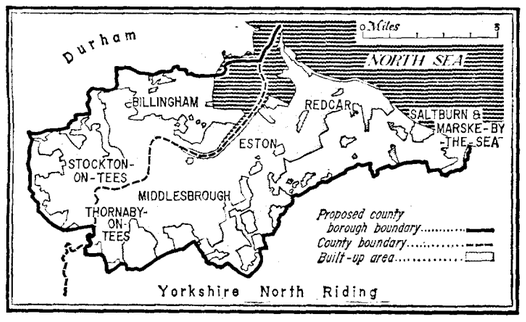
The commission is not particularly worried, either, that Teesbrough (or whatever it will be called) is still a fairly scattered region of 42,000 acres, with the steel and chemical industries holding large reserve areas of land for future expansion and with estuarine land being steadily reclaimed. It has simply acknowledged the "underlying unity" of Tees-side, even to the point of including the seaside towns of Redcar and Saltburn as growing suburban dormitory areas.

Tees-side shows up clearly as a major area of postwar development, and despite its present rate of unemployment of over double the national average it is likely to go on growing apace. Between the last two censuses the population in the existing ten authorities rose by 50,000 (14 per cent). The commission, after recommending the "continuous county" experiment for Tyneside, feels that Tees-side is still not big enough (or inflexible enough) for this two-tier solution. It has come out for a single-tier merger chiefly on the ground that the present impetus of expansion makes it all the more necessary to get the new development "right first time."

The need for this organic unity seems to have ruled out the main alternative, which would have been to put responsibility into two hands: Stockton north of the river and Middlesbrough south of it. This was the way the local authorities actually lined up in their evidence, and it is the way that established loyalties (Stockton has been a borough since the thirteenth century) were most likely to coalesce peaceably. But in the longer view two strong authorities dividing the region between them is not the best way to secure a reasonable coordination of planning and services.

AT present there is a degree of cooperation between the existing authorities on the police, fire, ambulance and civil defence services, but the commission remarks that the effectiveness of this is limited by rival imperialisms. Once Tees-side's redevelopment of old housing areas really gets under way (and there is an immense backlog) the need for integrated planning should become obvious.

The local opposition, taking its stand on very recognisable identities, will need to be out-argued on the point of administrative efficiency if the new arrangement is ever to take root. But the chief sufferer, at least in resources, may turn out to be the North Riding of Yorkshire; it is conceivable that the commission can find grounds for extending the North Riding's sway elsewhere, possibly at the expense of the heavily-populated and burdened West Riding authority.



Pope and Presbyter

FROM A CORRESPONDENT IN GLASGOW

NEXT Thursday 40 Roman Catholic priests and laymen will hold informal talks at Dowanhill Convent, Glasgow, with 50 Church of Scotland ministers and elders and 10 Scottish Episcopalians. The convent is a foundation of the teaching sisters of Notre Dame and the nuns will provide tea and cakes while the theological discussion goes on. It will be the fourth such meeting on church relations to be held within the year, but the first to be constitutionally endorsed by the Presbyterians. The earlier gatherings took place secretly, and once the word leaked out these became highly controversial, just as contention continues to surround last month's get-together in Rome between the Pope and the Moderator of the General Assembly of the Church of Scotland, the Rt Rev Dr A. C. Craig.

The Moderator, a former secretary of the British Council of Churches, has devoted his life to the cause of healing interdenominational relations. In Roman Catholic eyes he may not be quite such a heretic as John Knox, but he is still one of the separated Christian brethren. All of Scotland's 1,300,000 kirk communicants are in the same boat, and their return to the Roman fold is hardly imminent. Even after the last prolonged negotiations with the Church of England, the kirk would have nothing to do with the bishops-of-a-sort that were the Anglican price for unity.

The Scots as a race still affect to be great theologians, even in an age when ever fewer of them actually attend church. The non-believers among them also acutely distrust the political implications of popes and prelates. It is true that a good many churchmen approve of seeking an understanding (however unofficially) with Catholicism. But some do not and others never will. It is revolutionary that the talks are taking place at all.

Those not bred in places like Clydeside, Ulster and Liverpool cannot properly scale the emotional heights of religious animosity that have become synonymous with the Battle of Boyne Water. "Are you a Billy or a Dan?" runs the classic childhood challenge in working-class Glasgow (and, in effect, on the football terracings when Rangers play Celtic). The social effects of these divisions can spread surprisingly widely and damagingly.

Dr Craig's "courtesy visit" to the Pope last month has certainly added a new dimension. It had its beginnings last year at the General Assembly in Edinburgh, but was finally accomplished only after some dubious ecclesiastical wangling which became necessary to overcome both Roman and Presbyterian protocol. The summit had to be contrived to make it look as though Dr Craig was not desperately seeking an audience with the Pope (which was, in fact, the case). Yet it was the Pope who saved the day by bending Vatican rules and then receiving the Moderator warmly.

The Dowanhill Convent talks are again at Catholic instigation, this time by the Cistercian Abbot of Nunraw whose abbey lies close to Knox's birthplace at Haddington. The abbot, a jolly little (Southern) Irishman, is president of the Scottish Council of Religious Superiors which comprises the heads of the Scottish committees of the various orders. He was careful to forward Thursday's invitation formally through the Presbytery of Glasgow.

Many people in the presbytery, otherwise willing to slacken off some of the old prejudice, do not know what to think of it all. What confuses the issue for them is not so much the enthusiasm within the Church of Scotland for improved Christian relations, but the enormous zeal with which some ministers and elders pursue it. The less-dedicated often feel this "reformist" lobby is willing to yield too much of the kirk's hard-won traditions (as with the bishops-in-presbytery plan).



Pope John (left) and Moderator Craig

Protest rallies on no-surrender lines are being organised already by Catholicism's more bitter opponents, and in May the General Assembly will inevitably be urged to hold to the faith. There are a number on either side who believe privately that the Dowanhill affair is all hog-wash, and they are certainly right if anyone expects a decisive step towards unity to emerge from it. But given luck and the right follow-through the talks could provide a basis of mutual respect on which the two systems can slowly begin to live peaceably together in what has been intolerant Scotland. This is badly needed.

Expansion Bristol Fashion

FROM A CORRESPONDENT IN BRISTOL

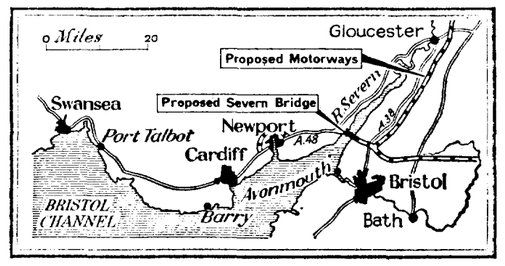
THE Rochdale committee, which is expected to report later this year on the dock facilities in the main ports, has a difficult dilemma to resolve at Bristol. The city's port at Avonmouth is booming: it is the seventh in the country in terms of the value of its combined imports and exports. It is thinking of expansion as new road communications and the prospect of entry into the common market bring more trade its way. But across the Severn estuary in south Wales existing dock facilities are languishing.

Future planning in the region cannot ignore the steady social and economic merging of the industrial complex around Bristol with the sprawling semi-conurbation of south Wales. Daily, more hands reach out across the water. An independent television company, serving Wales and the West, both reflects and encourages the merger, the speed of which will soon increase with the building of the Severn Bridge.

There are sound economic arguments for a recommendation by the Rochdale committee to link Bristol with a south Wales port. Today Bristol (the only major port to be controlled by the local corporation) is the busiest of the six that line a 70-mile stretch of the Bristol Channel. Its problem is that it is almost too busy to cater for more ships. Last month a peacetime record of 858,000 tons of cargo passed through the port. The south Wales ports, now handling together only a few million tons of coal a year, lament empty berths.

A century ago Swansea, Port Talbot, Barry, Cardiff and Newport were together exporting up to 40 million tons of coal a year. But Bristol was well behind the other main ports in providing facilities for the great steamship companies which were riding high on exports. Only in the 1870s were docks built for oceangoing ships at Avonmouth and Portishead.

The new docks brought prosperity to Bristol. But the results of the delay still remain. The exporters stuck to their old ports, and today exports through Bristol account for only about 134,000 tons of the 7½ million tons of cargo handled each year.



Business in the Bristol region will be further stimulated by the Imperial Chemical Industries' scheme to build a £100 million petro-chemical plant at Severnside. Work has already started on the project, which will be extended over a 1,000-acre site in the course of 10 years. The city also expects to benefit from the new London to south Wales and the Birmingham to Bristol motorways which will attract more traffic to Avonmouth. The chance to pick up trade improves with every revelation of restrictive practices and communications bottlenecks around London. Since the original city docks chiefly handle continental and coast traffic any increase in trade with Europe should equally benefit Bristol.

The Bristol port authorities are already spending £1 million a year on improvements. A £5 million project to increase petroleum, grain and general cargo handling facilities at Avonmouth is already half completed. The improvements in the oil basin will enable oil companies, through the use of a common-user pipeline, to draw their fuel from any of the berths.

The corporation has bought 600 acres of land in the Portbury area, on the Somerset bank of the Avon between Portishead and Avonmouth, for new dock development. Test boreholes have been sunk, and hydrographic tests are being carried out by the Department of Scientific and Industrial Research at Wallingford.

There is undoubtedly pressure within Bristol to build at Portbury in order to attract exporters and shipping companies in the hope of reducing the gulf between imports and exports. But Bristol has no reason to worry about this particular imbalance as long as the goods it handles are so diverse. A working association between Bristol and perhaps Newport would avoid unnecessary capital expenditure; it would also give Wales a shot in the arm. This rationalisation should look more acceptable when the new Severn crossing and its linking motorways are actually in being.

LETTERS

Pre-Pilkington

SIR—Dr Ralphs, in the letter which you published in your issue of April 7th, confuses, like a number of other people, the specific functions of the proposed educational television service with the general educational responsibilities incumbent on the public broadcasting services.

Those who think the opportunity should now be taken to reserve some of the limited air space available in the United Kingdom for systematic use in the service of education recognise that certain educational tasks can never be adequately fulfilled by the general services. The most striking example of the type of activity which no general service can undertake is the broadcasting between, say, 8 o'clock and 10 o'clock on four evenings a week of sustained courses in such subjects as public administration, languages or philosophy.

I have in recent weeks looked fairly closely at the educational situation in the United States. Although in many respects this is dissimilar from ours, there is the same urgent need for a substantial widening of educational opportunities. The staffing difficulties in universities and technical colleges on both sides of the Atlantic are so serious as to make such a widening impossible except by the help of television. Having begun with similar doubts and reservations as those now current here, educationists in the United States have, in the last five or six years, largely been converted; and the Federal administration is now committed to legislation which will extend widely the educational use of the medium.

I hope it will not be long before educationists in this country also overcome their natural hesitation and explore with an open mind the possibilities of using television more widely in common with other means of extending educational facilities. They can do this without in any way abandoning their belief in the general educational functions of the BBC and Independent Television.

It is with a view to exploring these possibilities that the proposed Institute for Educational Television is being set up. I might add that it will not be the object of this new body to duplicate the admirable work of other organisations in this field but only to supplement what they are already doing.—Yours faithfully, BESSBOROUGH

London, W1

Drumbeat in Fife

SIR—I read with no little interest and some amazement your Special Correspondent's report on the current industrial situation in the County of Fife in your issue of April 7th. A pithy digest, of sorts, was prepared which does little to present anything resembling the real nature of the problem in the heavy industrial sector of Fife.

I am amazed to note the conclusions so easily arrived at, and the gross misstatements which are no doubt added to lend colour to an otherwise drab account. For example, the description of the "traditional hard-drinking, bingo-haunted, communist-voting mining population of the industrial districts." The incidence of drinking and bingo can be no greater than that of any other similar district, and is possibly less than most. Does your special correspondent have any basis for a sweeping generalisation of this nature? A little inquiry would have revealed that the area could claim an enviable reputation for social progress in public health, housing and social services of all types, of civic pride, of well-established retail co-operative trading societies, of a wide range of cultural associations, and a generally high level of thrift and well-doing as a community. A bare reference would also serve to show that a section of the industrial area returned a Communist member to Parliament 17 years ago, and that since then the Communist party's parliamentary candidature has had a history of poor "also-rans" and, indeed, lost deposits. Why, please, the gratuitous reference to a potential industrialist's meeting with "workpeople with very decided ideas on how things should be run"?

I could forgive your correspondent for listing the county council house property as 30,000 units for 13,000 houses owned, and am ready to pardon him for describing a Labour party member as the "Conservative" Convener of the County. These blunders will be counted petty by comparison with the studied attempt to denigrate the industrial potential of Central West Fife, and its working population. The information and detail supplied by the article is a desperately poor attempt to depict anything resembling the real situation, and is completely unworthy of a journal with the standing and reputation of *The Economist*.—Yours faithfully,

J. MCWILLIAM
Convenor of the County Council

Crossgates, Fife

Walls of Fame

SIR—Your Special Correspondent's recital (March 10th) of the fate of certain controversial plaques on historic sites in London omits the most shameful outrage of all. This was the nocturnal smash-and-grab robbery of the plaque outside the Criterion Hotel in Piccadilly, which commemorated the historic meeting at the former Long Bar of that hotel between young Stamford and Dr Watson which led to the introduction of Watson to Sherlock Holmes. The cost of the plaque—£60, not £30, I recall as organiser of the belated tribute to the memory of one of England's greatest sons—was contributed by members of the Baritsu Chapter of the Baker-Street Irregulars in Tokyo and was formally unveiled in 1953. (Devoted members of the Baritsu chapter included the former Prime Minister Yoshida, the late Count Makino and the chief of the Tokyo metropolitan police force.)

The plaque was ravished from the wall on the early morning of Derby Day 1956 by two or three men, who drove off in a car in the general direction of the Café Royal. No clue to the fate of the plaque or the identity of the criminals was ever discovered. Indeed, there is not the slightest doubt in my own mind—after two fruitless personal calls on leave at Scotland Yard and Savile Row station—that the contemporary Lestrades and Gregsons took only the most perfunctory interest in the blasphemous crime.

The plaque, it must be admitted, was not popular with the Piccadilly police, because it frequently caused pedestrian congestion at the busy corner while visitors took photographs. Spiritually and historically, the city is the poorer for its loss.—Yours faithfully,

Hongkong RICHARD HUGHES

AID's Progress

SIR—Iran respects the new philosophy guiding America's foreign aid programme (your issue of April 7th, page 35) which emphasises the "self-help" principle calling for basic reforms. Indeed, Iran is already embarked on long-range reform programmes impinging on its social and economic life.

Sharing, as it does, a 1,500-mile common frontier with the Soviet Union, Iran recognises only too well that its salvation as a viable nation—and perhaps that of the entire Middle East—lies irrevocably in its ability to provide its people with a decent standard of living.

To bring about conditions of economic and social well-being for Iran's 20 million people, the government—with the fullest support of the Shah—is launching in September a massive Five-Year Economic Development Plan at an estimated cost of $2,500 million. The plan, largely self-financed together with foreign investment, encompasses extensive land reform, industrial and mining development and diversification, road-building, expanded education and improved public health facilities, among other goals. This programme is expected to raise Iran's national income about 6 per cent annually.

Iran is helping itself in the fight against communism, but needs help from other free nations fighting the same fight. This is a two-way street.—Faithfully yours,

M. RAZMJOO
Press attaché

Imperial Iranian Embassy, London

BOOKS

The Insatiable Revolution

The French Revolution: *From its Origins to 1793.*

By Georges Lefebvre. Translated from the French by Elizabeth Moss Evanson.

Columbia University Press. London: *Routledge.* 384 pages. 35s.

GEORGES LEFEBVRE, Professor Emeritus of the History of the French Revolution in the University of Paris, died in 1959, twenty years after the publication of "Quatre-Vingt-Neuf," his contribution to the sesquicentennial celebration of the Revolution, which the Vichy Government tried to suppress by destroying every copy it could seize: an unwitting testimonial to his integrity by reactionaries foolish enough to think that the old regime could be resurrected if its death were not discussed. Not that Lefebvre was one of those too numerous French historians who have won academic notoriety by publicising their political prejudices. Possibly the translation of Bishop Stubbs's "Constitutional History of England" may have had a sedative effect. Till the age of fifty he devoted his abilities to teaching, and to those researches into the pre-revolutionary life of the peasantry on which he based his studies of rural psychology in the Revolution, and of that phenomenon of crowd psychology which he described in his "The Great Fear of 1789."

Fortunately, as the efficiency of the Vichy Government was much less comprehensive than its folly, a few copies of "Quatre-Vingt-Neuf" survived; and in 1947 a translation by Robert Palmer was published by Princeton University Press and called "The Coming of the French Revolution." Its argument, that the Revolution was preceded by a second Fronde, which continued in aristocratic conspiracies, becomes the main thread of his discussion in this volume of the revolutionary years 1789-93. It is not a novel thesis: incendiary denunciations of plots against the "People" were frequent during the Revolution and made useful republican propaganda long after Waterloo. But Lefebvre has analysed the evidence, arranged it cogently and put it into its historical context. Resentment against Richelieu's ruthlessness and Mazarin's subtlety had persisted, bitter and barely concealed, even under the Grand Monarch. Concessions by the Regent Orleans were enlarged and exploited under Louis XV; and the attempts of Louis XVI's ministers to repair the rusty machinery of central government evoked provincial revolts led by nobles in 1788-89. A few talked, vaguely if sincerely, of imposing an English type of constitutional monarchy on Louis; but most of the noblesse would have been more at home in the Wars of the Roses than among the great English peers who quietly controlled the Georges.

Open aristocratic resistance before the Estates-General met at Versailles in May, 1789, became conspiracy afterwards—nullifying Louis's somewhat nebulous good intentions and inflaming the tempers of all who mistrusted king and nobles alike. Lefebvre does not justify all the actions of middle-class deputies or sansculottes; but he justifies the suspicions that prompted them. Nourished by the hostility of "The Privileged" to the formation of a National Assembly, and by their subsequent frustration of the lukewarm efforts of Louis to co-operate with the reformers, suspicion infected both revolutionaries and counter-revolutionaries: the court-conspirators mistrusted the king, and he misled Lafayette and Mirabeau, whose mutual dislike undermined what may have been the last chance of saving the monarchy. Louis's flight to Varennes certainly destroyed it, for he discredited Lafayette by deceiving him. From then on charges of royalism, counter-revolutionary plotting, and collaboration with the enemy on the frontiers were hurled across the Assembly and repeated venomously in speeches, songs, and pamphlets in the streets. Feverish fears incited the invaders of the Tuileries on the *journées* of June and August, 1792, and turned to bloodthirsty panic in the September massacres, of which Lefebvre says "the collective mentality that made them possible resulted from circumstances and not from the will of any particular individual." The "circumstances" included reports of treachery at Verdun, which had just surrendered to Brunswick, and rumours that a merciless royalist rising was to take place as soon as "patriots" had left for the front.

Lefebvre's narrative is undramatic and uncensorious. He is equally fair to the Montagnards and the Girondins, to Danton and Dumouriez—and to Robespierre, whose personality is emerging as this volume ends with the execution of the king and the break with England. The translator and her publishers deserve the gratitude of all British and American students of the Revolution, though this edition is not flawless: dates at the beginning need scrutiny and there are a few phrases that arouse curiosity about their French originals.

The next volume will presumably open with Robespierre's efforts to purify the Revolution and close with Napoleon's to end it. Neither succeeded—nor, for that matter, has General de Gaulle: the Revolution continues to devour its children.

How to Shop

Your Money's Worth

By Elizabeth Gundrey.

Penguin. 272 pages. 7s. 6d.

MISS GUNDREY served the ideal apprenticeship for a book of this kind: women's magazines, the *News Chronicle's* woman's page and then editorship of the British Standards Institution's *Shopper's Guide*. Five years of testing consumer goods and handling complaints about them has given her encyclopaedic knowledge of one-upmanship in the distributive trades. The stupidity, greed and occasional dishonesty of manufacturers, shopkeepers and their advertising agents have lost their power to shock her. Her illusions, her anger and her indignation have all been spent; what remains is a detached and worldly-wise compassion for Eve's foolish children on a shopping spree.

For them, and for all natural-born suckers, Miss Gundrey has written what amounts to two books. Social historians of future generations will value the first section for the way it pinpoints the inferior status of the consumer in mid-century Britain; it is the best survey of its kind that has yet appeared. This is Moloney territory, where the high cost of litigation inhibits shoppers from exercising their considerable legal rights and the law will not permit more powerful organisations to go to court on their behalf. Miss Gundrey does not paint the pot blacker than it actually is; her purpose is to put shoppers on their guard against everything from hire purchase charges to telly advertisements (she does not much like the advertising fraternity) and sharp practices, but she also gives credit where it is due.

The second part of the book is simply a shopper's vade-mecum in the course of which Miss Gundrey takes the opportunity to de-bunk a number of household gods, the prefabricated "dream kitchen" among them. But it would be unfair to create the impression that she has set out primarily to criticise and shock; she has not. Miss Gundrey has kept admirable control of her temper when describing conditions that leave much to get shocked and angry about. Whether readers can keep theirs is a different matter altogether.

The Least Understood . . .

President James Buchanan:
A Biography

By P. S. Klein.

Pennsylvania State University Press. 524 pages. $7.50.

JAMES BUCHANAN became President after nearly half a century in the public life of the United States, and "with more advance training than any man who has ever held that post." But his administration ended on the eve of "the Great Rebellion,"

the war between the States, and he felt his whole life had been a failure. It is odd that, as the author of this overdue biography says, Buchanan's life should have been so little studied by scholars; but the omission is nobly repaired by this volume. It is detailed, documented, annotated, illustrated, indexed in the best traditions of American scholarship; and its vast bibliography and *apparatus criticus* are a monument to the long study of Buchanan which Professor Klein has made since his student days. His style is not so distinguished as his scholarship; but the best tribute to the latter is that it carries us on, through occasional passages both bleak and purple, at a smart canter of sustained interest.

Even in the palmy days of the United States, when it was the hope of liberals everywhere, not every one of its public servants could boast such amusing experiences as Buchanan's mission to Russia. Perhaps the family's well-known tolerance of alcohol helped. James himself

> would dispose of two or three [bottles of wine] at a sitting, beginning with a stiff jorum of cognac and finishing off with a couple of glasses of old rye. . . . There was no headache, no faltering steps, no flushed cheek. . . . All was as cool, as calm and as cautious as in the beginning.

Very few American or British public servants could live up to that in their dealings with anybody, let alone Russians.

Buchanan was a Southerner in origin and sentiment but no extremist. He planned to appeal to the North for justice to the South: and only if that were denied would he "be with them" (the Southerners). When President he warned all his Southern visitors that "the South ought not to assume any sympathy for secession from the Administration." He was an example of a politician hoist by his own beliefs. He had long upheld the separation of powers, long defended the judiciary and legislature from encroachments (or possibilities thereof) by the executive. So when he became Chief Executive, he found himself unable to nip the impending rebellion in the bud by extreme executive action, without swallowing all he had worked for. Thus Professor Klein is probably right in saying that Buchanan is "the least understood" of Presidents. No one, till now, even wanted to study this "Judas," as he was termed by the North: no one saw his tasks as hopeless; no one gave the man credit for his works, his sense of justice and his respect for the rule of law.

Buchanan was not a strong man; otherwise he might have reinforced the Federal forts in the South—which it took Lincoln a month to do. Buchanan had time enough, without the will. Machiavelli said: to be a good man, but weak, in a world of evil-disposed men, is to be undone. The moral of Buchanan's life is as old as the politics of ancient Greece: it is not enough in political leaders to be good, just or even right; they must be strong and able, possibly even corrupt, enough to get the right and good things done. The weaker the leaders, the greater their failures. This scholarly biography is surprisingly topical.

Impious Emperor

Napoleon and the Pope

By E. E. Y. Hales.

Eyre and Spottiswoode. 222 pages. 21s.

SOME two years ago Mr Hales wrote "Revolution and Papacy," a useful outline history of the relations between the popes and the states of Europe at the end of the eighteenth century and the beginning of the nineteenth. He has followed it up with the work under review, which adds nothing of importance to his earlier sketch of Napoleon's stormy love-hate affair with Pius VII. Indeed, in certain respects it is clearly less adequate than was "Revolution and Papacy." There is no index, and for bibliography the reader is referred to the earlier book. And Mr Hales has sprinkled his book with small but disturbing inaccuracies. He gives the wrong date for the feast of St Napoleon, and so misses half its significance. He has Napoleon landing at Fréjus on his return to France in 1815 instead of at Antibes. The most famous of the epigrams attributed to Talleyrand ("pire qu'un crime, une faute") is given, amazingly, to his master.

In form, "Napoleon and the Pope" is commendably brief, but it is written in a style that is at times strikingly like that of Lord Beaverbrook's employees. Nor is the thought much superior to theirs. Throughout, the complex issues in this most famous of quarrels are reduced to the simplest possible terms, and expressed, wherever possible, through personalia. Even at this level, the author is not altogether successful. We are told a great deal (no doubt on good authority) about Pius's inmost reflections, but no shaft of insight or grace of writing enables us to know that singularly attractive figure more than superficially. Mr Hales, for example, missed a great opportunity by failing to tell us what it meant to be a Benedictine in the eighteenth century; to tell us how the Rule was observed, how it moulded the future Pope's character, and what difference, if any, it made to his conception of the papacy's functions. The Emperor, shown almost solely as he appeared to the variously imperceptive members of the Curia (and only the papalist members at that—no explanation is given of the behaviour of the "red" cardinals beyond a suggestion that they were mere hirelings) seems wilful and crass beyond belief. It is not necessary to applaud Napoleon's ecclesiastical views to hold that he was not so blind as he is here painted.

The fact is that, as in "Revolution and Papacy," Mr Hales has relied too much on papalist documents. This is not intended as an insinuation that he has neglected, for example, the correspondence of Napoleon. He merely seems to be more at home—much more at home—with Vatican papers than with Parisian ones. The result is that he never gets the measure of the Emperor. He fails, for example, to note the astounding virtuosity of Napoleon's ideological performances. The upstart was capable of saying, more gaullist than the general, "I identify myself with all French history, from Clovis to the Committee of Public Safety." One day, he would be the restorer of the monarchical system; the next, the incarnation of the Revolution. In the case of the papacy, he presented himself consistently as the heir of Charlemagne—that is, as a Roman Emperor, the pope's true sovereign.

Napoleon did not, of course, more than half-believe in his various poses. But they were useful to him, and he flung himself into them with the enthusiasm of a brilliant actor. To make them seem authentic he drew on his considerable historical knowledge. It is this that makes his quarrel with Pius so interesting. The papacy and the papal states lay across his path. Being what he was, he was not content to exterminate them (he would have been unwise to try, as he well knew), but tried to fit them into his system. As they proved recalcitrant, he launched a campaign designed either to bully or charm the pope into acquiescence, into being no more to Napoleon than the pre-Hildebrandine popes had been to the Holy Roman Emperors. In short, the ghost of caesaro-papism, laid since (at latest) the failure of the conciliar movement in the fifteenth century, walked again. The resultant debate sharpened the papacy's definition of its position and claims, just as it exacerbated the passions of the other side. It was a clash of principles—a clash that explains the perennial fascination of the drama, a clash that Mr Hales wholly fails to do justice to. Indeed, it is hard to feel that he ever tried. Why did he write this book?

Joyce's Dublin

Twice Round the Black Church

By Austin Clarke.

Routledge. 178 pages. 25s.

THE Black Church is a gloomy and fortress-like building on the north side of Dublin, roughly equidistant from the King's Inns and the Blessington basin. (It must be made clear at once that this is a book about Dublin by the dean of Irish poets and that it is a delightful addition to the Dublin legend). Fortress-like the church should be, because it is supposed to have been designed by a Protestant Archbishop of Dublin in the 1820s against the day when Dan O'Connell would lead his hordes to the massacre of heretics. *Ad majorem Dei gloriam* Mr Clarke might (but does not) add because he, too, was at Belvedere to learn from the Jesuits.

He was some years after James Joyce. Father Conmee does not still walk through the Georgian streets. Lord Dudley no longer drives in vice-regal procession. But the city is still Joyce's Dublin. It is no wonder that when the author called on the Master in Paris the talk should have been of "the ancient Liberties of Dublin, of Tenter's Fields now brick, of changing shops and repainted, or auctioned, publichouses. . ."

The theme, too, has not changed: the book is another testimony to the love-hatred between the Jesuit discipline and the Irish mind. Some day this must be examined by someone fit to do so, not by an American PhD. Perhaps Mr Clarke himself. . . .? Here again there is the recollection of uneasy confessions and impossible scruples: "the murmur of classes and chalk squealing on the blackboard until teeth cringed, the faces of boys that I had hated and Jesuits in black soutanes. . . ."

But Mr Clarke did not leave Dublin. He recalls what has happened more lately and notes with distaste the increasing *bon dieuserie* of the capital. And yet he dwells in almost loving detail on the Dublin custom of visiting seven churches on Holy Thursday, a custom whose discontinuance in recent years has caused some suspicion that a queer crowd got into the Vatican after the war.

This, it will be seen, is a book about Dublin; and it can hold its place in high company. It enriches the continuing love-affair between Dubliners and their city. *Wien, Wien, nur du allein. . . .*

Defenders of Duties

Her Majesty's Customs and Excise

By James Crombie.

Allen & Unwin (New Whitehall Series, No. 10). 224 pages. 30s.

WHILE Mr Gladstone once described the two forms in which the revenue is raised, direct and indirect taxation, as two sisters, equally repulsive to many but to him attractive, there has always, so far as a wider public is concerned, been a certain glamour attached to the Customs Service. This romantic aspect must not be confused with anything so unambivalent as friendship: indeed to this day, in many coastal districts, a deeply rooted suspicion of the Customs is still part of the local folklore.

This study by Sir James Crombie, the chairman of the Board of Customs and Excise, by appealing to the schoolboy within every reader, thereby capitalises his latent interest in the department and from the literary standpoint does full justice to the traditions of an organisation that is proud to have included within its ranks Chaucer, Burns, Congreve, Defoe, Addison, Prynne, Adam Smith and Tom Paine. Sir James describes Customs procedures and the administrative rationale meticulously, and, as he does so, the smell of the sea rises, pungent and unmistakable; but herein lies a fault. Times have changed: air travel is of growing significance both for passengers and freight, and yet the author devotes but two paragraphs to comment on Customs arrangements at airports. This fault could be of more than formal significance. The ability of a piece of governmental machinery to evolve in order to meet changing conditions is of supreme importance, and it is not unfair to say that we need convincing on the score of the department's up-to-dateness and adaptability.

The reader is certainly indebted to Sir James for a lucid description of the Customs and Excise organisation, for an exposé of the taxes which it administers and for an illuminating account of its expenses in operation—2d. per £ collected, including the Custom House cat, which costs the taxpayer some £15 per annum. At the same time, Sir James has put forward an essentially establishment view, and the work is consequently deficient as far as self-criticism or a forward look is concerned. The treatment of purchase tax is particularly disappointing; there is no serious discussion of anomalies, let alone mention of Mr Gerald Nabarro. Indeed, Sir James's dismissal of any form of sales tax is made after only a most cursory examination of the problem. As for the future, some thoughts about the problems of the Customs and Excise in the common market would at this stage have been more than topically welcome. Clearly, much midnight oil has yet to be burned at King's Beam House.

Collected James

The Complete Tales of Henry James:

Volume I, 1864-1868. 430 pages.

Volume II, 1868-1872. 446 pages.

Edited and introduced by Leon Edel.

Hart-Davis. 35s. each volume.

THE publishers are to be congratulated on this enterprise: a new edition of the *nouvelles* of Henry James, all 112 of them to be printed, in the order in which he wrote them, over the next three years. In his general introduction to the whole series Dr Edel describes James's theory of the short story, a theory that enabled him to call "The Turn of the Screw" (53,000 words) a tale and "The Reverberator" (58,000 words) a short novel. It was a question of organic form and nothing to do with an arbitrary word count. It is because many of his tales were so long that in former collections editors have tended to pick the shortest.

This new, complete, edition is therefore extremely welcome. The first volume contains the tales written during the American civil war and its aftermath. As might be expected, says the editor, "they are pervaded by the national gloom, and they reflect a personal melancholy as well." In the tales of the second volume James "embarked on his study of human types and human behaviour." The volume also reflects, in "Travelling Companions," "A Passionate Pilgrim" and "At Isella," his discovery of Europe. The reader's pleasure in this well-produced edition is certainly enhanced by the way in which Dr Edel, briefly but sensitively, relates the tales to James's life and his development as a writer.

Fifty-First State?

The American Invasion

By Francis Williams.

Anthony Blond. 158 pages. 18s.

MR WILLIAMS, about to become a Labour life peer, has been editor of the *Daily Herald*, a hard worker in the cause of Anglo-American understanding, and a free-lance journalist on the politico-intellectual side of radio and TV. The blurb on his latest book tells us that he has drawn on "the labours of a team of research workers" to support "his own intimate knowledge of what is going on on both sides of the Atlantic" in the compiling of "this comprehensive intelligence report on the progress" of the American invasion of British business and the British people's way of life.

Sir Winston Churchill on a famous occasion said the two peoples ought to get "much more mixed up together." Mr Williams does not like the way it has been happening. He throws the late Senator McCarthy (dead, disowned and disgraced) in Americans' teeth today. He contrasts "the American way of life" with Britain's former, sterner, better, and less materialistic because less affluent way of life, now threatened by "the American invasion." His researchers state that "well over £1,000 million of American capital is now invested in British industry," increasing by £150 million a year, without pointing out that this is under 2½ per cent of the capital value of that industry; or that it is under 2 per cent of what is invested in all the capital of British business, including commerce and finance and insurance, and private limited companies as well as public. Nor do they bring vision into perspective by pointing out that British businesses invest on an average £250 million a year abroad, some of it in the United States. Nor do they assess the problems of American owners of British subsidiaries—like Ford and Hoover at the present time—who cannot just repatriate everything from Britain and concentrate somewhere else (as the author seems to think can be done, to the danger of the United Kingdom). That is why the American Administration is so concerned at the rate of setting-up of subsidiaries abroad by American firms and why they are going to tax them differentially.

Mr Williams and his team have produced, for these and many other reasons, a misleading book. But it is also a sad book. Some people make swans out of their geese. Mr Williams has made a vulture out of an eagle. Even the Russians nowadays lament some of the outward and visible signs of what Mr Williams lumps together as the "American invasion" in social and cultural habits; and certainly the Americans are not in the way of taking over Russia. If this is what Mr Williams can do to his old partner in "my love affair with America," heaven help anyone he takes a dislike to.

Minor but Exuberant

Thomas Nashe: *A Critical Introduction.*
By G R. Hibbard.
Routledge. 273 pages. 35s.

GRUB STREET may have been a typically eighteenth-century phenomenon; but in Elizabethan London, too, there were plenty of minor writers engaged in pamphleteering, patching up plays, adapting foreign fiction for the English market—quill-driving as hard as they could in pursuit of bread and butter, or cakes and ale. Thomas Nashe had vigour, humour and invention enough to lift him high above the rank and file of these professionals; yet "he is, and always has been, a minor writer." These words conclude a most acute comment:—

> Instead of his eye being fixed on a topic, it is fixed on himself writing about that topic, on the kind of figure he is cutting in the public eye, on the effect he is making.

In this book, the first full-length study of Nashe, each work is examined in turn, with copious quotations, so that the reader can sample the ingenuities and the rumbustious forcefulness of the prose, and appreciate how readily this university wit turned his hand to this, that and the other. Early in his London career, he railed against Martin Marprelate; years later, he engaged in a vehement campaign against Gabriel Harvey. He lamented the miseries of authorship in "Pierce Penilesse," turned dramatist, made a bid for patronage with "Christ's Tears over Jerusalem," produced a "The Unfortunate Traveller" (well analysed by Mr Hibbard) an entertaining potch-potch of adventure and satire, and, having established a literary personality for himself, exploited it brilliantly in a discourse in praise of Yarmouth and the red herring, Nashe's Lenten Stuffe." But even if, enticed by this introduction, we explore his pamphlets and are entertained by his Falstaffian exuberance, we shall recognise that his one indisputable claim to immortality is the great dirge, *Adieu, farewell earth's bliss*, with its unforgettable verse:—

> Beauty is but a flower
> Which wrinkles will devour,
> Brightness falls from the air,
> Queens have died young and fair,
> Dust hath closed Helen's eye.
> I am sick, I must die:
> Lord, have mercy on us.

Paperback Selection

Paperback publishing is now in its spring flush. From Penguin come, among others, four by George Orwells, Professor Galbraith's "The Affluent Society" and "The Complete Plain Words" by Sir Ernest Gowers—the plain man's handy guide to a better use of English. Out of print for some time, "Hereditary Genius" by Francis Galton, with its family trees of great names, has been reissued by Collins Fontana Library. This edition, which appears fifty years after Galton's death, has an introduction by Professor Darlington, who assesses the importance of Galton's work in the light of modern knowledge.

Below is a guide to some of the paperbacks reviewed by this journal in recent weeks:

Archaeology and Archaeology:
METHOD AND THEORY IN AMERICAN ARCHAEOLOGY. By G. R. Willey and P. Phillips. 270 pages. 10s. 6d. *University of Chicago Press.*

WHAT HAPPENS IN LITERATURE. By E. W. Rosenheim, Jr. 173 pages. 8s. 6d. LEARNING TO LISTEN. By G. W. Cooper. 175 pages. 10s. 6d. LEARNING TO LOOK. By J. Taylor. 162 pages. 15s. *University of Chicago Press.* All three are textbooks for the University of Chicago's one-year course in Humanities, an introduction to music, art and literature.

THE LANGUAGE OF MUSIC. By D. Cooke. 303 pages. 7s. 6d. *Oxford University Press.*

ART AND TECHNICS. By L. Mumford. 168 pages. 9s. *Columbia University Press.*

THE TESTIMONY OF THE SPADE. By G. Bibby. 478 pages. 10s. 6d. *Collins Fontana Library.*

History:

A STUDY OF HISTORY, Vols. 1, 2 & 3. By A. J. Toynbee. 508, 460, 557 pages. 15s. each. OPERATION SEA LION. By R. Wheatley. 209 pages. 6s. 6d. THE JEFFERSON IMAGE IN THE AMERICAN MIND. By M. D. Peterson. 558 pages. 16s. (Galaxy). ANDREW JACKSON—SYMBOL FOR AN AGE. By J. W. Ward. 286 pages + 8 plates. 10s. 6d. (Galaxy). *Oxford University Press.*

THE STORY OF ANCIENT HISTORY. By J. T. Shotwell. 405 pages. 14s. *Columbia University Press.*

THE COLONIAL CRAFTSMAN. By C. Bridenbaugh. 224 pages. 12s. 6d. *University of Chicago Press.*

Literature and Literary Criticism:

SEBASTOPOL. By L. Tolstoi. 229 pages. 12s. 6d. *University of Michigan Press.* London: *Cresset Press.*

UNDER THE GREENWOOD TREE. By T. Hardy. 204 pages. 3s. FAR FROM THE MADDING CROWD. By T. Hardy. 445 pages. 4s. 6d. *Macmillan.*

PROSPERO'S CELL. By L. Durrell. 142 pages. 6s. *Faber.*

RIMBAUD. Introduced and edited by O. Bernard. 384 pages. 7s. 6d. THE PENGUIN BOOK OF LATIN VERSE. Introduced and edited by F. Brittain. 445 pages. 7s. 6d. THE NEW POETRY. Selected and introduced by A. Alvarez. 189 pages. 3s. 6d. PENGUIN MODERN POETS, I. L. Durrell, E. Jennings, R. S. Thomas. 119 pages. 2s. 6d. PENGUIN MODERN POETS, 2. K. Amis, D. Moraes, P. Porter. 127 pages. 2s. 6d. COMING UP FOR AIR. By G. Orwell. 232 pages. 3s. 6d. KEEP THE ASPIDISTRA FLYING. By G. Orwell. 264 pages. 3s. 6d. THE DIVINE COMEDY. Vol. III. Dante. Trans. by D. L. Sayers and B. Reynolds. 400 pages. 5s. (Classic). MISTER JOHNSON. By J. Cary. 251 pages. 3s. 6d. (Modern Classics). *Penguin.*

IN THE INTERLUDE, POEMS 1945-1960. B. Pasternak. Translated by H. Kamen. 157 pages. 6s. SWIFT: AN INTRODUCTION. By R. Quintana. 212 pages. 6s. *Oxford University Press.*

SHAKESPEARE'S AUDIENCE. By A. Harbage. 210 pages. 11s. COMEDY AND CONSCIENCE AFTER THE RESTORATION. By J. W. Krutch. 313 pages. 13s. MOTIVE AND METHOD IN THE CANTOS OF EZRA POUND. Edited by L. Leary. 126 pages. 8s. ANCILLA TO CLASSICAL READING. By M. Hadas. 408 pages. 14s. *Columbia University Press.*

SARTRE. By M. Cranston. 125 pages. 5s. MELVILLE. By A. R. Humphreys. 126 pages. 5s. E. M. FORSTER. By K. W. Gransden. 128 pages. 5s. STEINBECK. By F. W. Watt. 125 pages. 5s. *Oliver & Boyd* (Writers and Critics).

Philosophy and Sociology:
EXPERIENCE AND PREDICTION. By H. Reichenbach. 418 pages. 15s. *University of Chicago Press.*

ARISTOTLE. By W. Jaeger. 481 pages. 7s. 6d. ETHICAL STUDIES. By F. H. Bradley. 360 pages. 7s. 6d. *Oxford University Press.*

THE STUDY OF SOCIOLOGY. By H. Spencer. 411 pages. 21s. THE FATE OF MAN IN THE MODERN WORLD. By N. Berdyaev. 131 pages. 12s. 6d. *University of Michigan Press.* London: *Cresset Press.*

ACADEMIC FREEDOM IN THE AGE OF THE COLLEGE. By R. Hofstadter. 286 pages. 13s. ACADEMIC FREEDOM IN THE AGE OF THE UNIVERSITY. By W. P. Metzger. 240 pages. 11s. PLAINVILLE, U.S.A. By J. West. 256 pages. 11s. AN ESSAY ON NATURE. By F. J. E. Woodbridge. 348 pages. 13s. *Columbia University Press.*

THE MANAGERIAL REVOLUTION. By J. Burnham. 256 pages. 4s. (Pelican). THE ROAD TO WIGAN PIER. By G. Orwell. 204 pages. 3s. A PROPOS OF LADY CHATTERLEY'S LOVER AND OTHER ESSAYS. By D. H. Lawrence. 156 pages. 2s. 6d. DIAGNOSIS OF MAN. By K. Walker. 259 pages. 5s. (Pelican). *Penguin.*

Politics and Economics:
THE AFFLUENT SOCIETY. By J. K. Galbraith. 298 pages. 5s. (Pelican). THE ECONOMIC HISTORY OF WORLD POPULATION. By C. Cipolla. 126 pages. 3s. 6d. (Pelican). HOMAGE TO CATALONIA. By G. Orwell. 221 pages 3s. *Penguin.*

THE RUSSIAN REVOLUTION. By N. Berdyaev. 91 pages. 12s. 6d. TERRORISM AND COMMUNISM. By L. Trotsky. 191 pages. 12s. 6d. THE RUSSIAN REVOLUTION *and* LENINISM OR MARXISM? By R. Luxemburg. 109 pages. 10s. 6d. *University of Michigan Press.* London: *Cresset Press.*

GOVERNMENT AND SCIENCE. By D. K. Price. 212 pages. 10s. 6d. (Galaxy). THE MODERN DEMOCRATIC STATE. By A. D. Lindsay. 286 pages. 10s. 6d. (Galaxy). *Oxford University Press.*

CONSTITUTIONAL GOVERNMENT IN THE UNITED STATES. By W. Wilson. 238 pages. 11s. *Columbia University Press.*

Science, Anthropology and Evolution:
HEREDITARY GENIUS. By F. Galton. 446 pages. 8s. 6d. *Collins Fontana Library.*

CONTINUITY AND CHANGE IN AFRICAN CULTURES. Edited by W. R. Bascom and M. J. Herskovits. 319 pages. 15s. *University of Chicago Press*

THE LOST WORLD OF THE KALAHARI. By L. Van der Post. 253 pages. 3s. 6d. *Penguin.*

Miscellaneous:
THE LAST ATTACHMENT. The story of Byron and Teresa Guiccioli. By Iris Origo. 573 pages. 9s. 6d. *Collins Fontana Library.*

CHILDHOOD AND ADOLESCENCE. By J. A. Hadfield. 286 pages. 5s. (Pelican). THE COMPLETE PLAIN WORDS. By E. Gowers. 272 pages. 3s. 6d. (Pelican). THE BUILDINGS OF ENGLAND: SURREY. By I. Nairn and N. Pevsner. 501 pages. 21s. *Penguin.*

THE SPORTS CAR. By J. Stanford. 208 pages. 5s. AUSTRIA. By M. Gibbon. 216 pages. 5s. THE BEAUTY OF BRITAIN. Introduction by J. B. Priestley. 200 pages. 5s. THE ENGLISH COUNTRY HOUSE. By R. Dutton. 200 pages. 5s. *Batsford.*

AN INTRODUCTION TO LEGAL REASONING. By E. H. Levi. 112 pages. 10s. 6d. *University of Chicago Press.*

AMERICAN SURVEY

AMERICAN SURVEY is prepared partly in the United States, partly in London. Those items which are written in the United States carry an indication to that effect; all others are the work of the editorial staff in London.

Easter Breather

WASHINGTON, DC

THERE are times when President Kennedy's relations with Congress seem like those of an unusually brisk mahout to an exceptionally lethargic elephant. But this is not new in American political experience. Tapping the presidential desk, Mr Truman is said to have prophesied about his successor: "He will sit here, saying 'Do this' and 'Do that' and nothing will happen." It is not known if General Eisenhower passed on the warning. What disapproving people with short memories look upon as the sluggish and selfish Eighty-Seventh Congress is sometimes said to show more appetite for trifles, such as its own toy underground railway and its proposed new $40-million parking garage, than for the splendid array of solid legislative dishes that Mr Kennedy has set before it in its second session. These add up to almost forty courses. They include expanded trade abroad and accelerated economic growth at home; medical care for the elderly, respectfully designated as senior citizens, and better education for youth; more voting elbow-room for Negroes; and more physical elbow-room for everyone through parks and highways.

Congress now rises from the groaning board for its Easter breather. It has been in session for three months of this year. In that time it has passed one new measure, the Manpower Retraining Act, and has rejected the proposed Department of Urban Affairs. Its chronic sluggishness arises from an internal obstruction, the cumbrous system of committees. President Kennedy has tried to ease the blockage, but failed. This year, in addition, Congress is as cross-eyed as the Scottish housewife who, in the old Gaelic saying, had one eye on the pot and the other up the lum. In theory its members ought to be thinking only about great national questions. But most of them cannot help thinking about their own prospects in the elections that will be held in November. It is greatly to the credit of Congress that, even in an election year, it usually works up enough steam after Easter to make respectable inroads on its backlog of work. Generally its members also manage to resist the temptation to cut the session short, to get out of Washington and spread across the land in order to mend their fences at home.

The United States is a vast country rich in local peculiarities which make it difficult sometimes to see the wood for the thick undergrowth. There are political strata, rather than chains of command, and the national committees of the two great parties repose on successive layers of organisation at state, county and city levels. Each layer has its independent set of problems and motives related to local conditions. Politics at the local level has a patronage, or loaves-and-fishes, aspect that is of great importance. Last year, when a Republican captured the City Hall of Louisville for the first time in twenty-eight years, the political booty was said to include 3,000 jobs in local government.

This year's elections, and the preliminary primaries and state conventions for choosing candidates, are taking place against a background of vast changes, occurring or pending. There are still states whose two Senators and all of whose members in the House of Representatives always belong to the same party. Nevertheless, one-party states are on the decline in the South, at the same time as the Negro vote is becoming increasingly important in the northern cities. In view of the Supreme Court's recent decision, it is now possible that the present over-representation of rural areas will be rectified and that the cities will come into their own.

Yet most members of Congress woo local voters rather than study trends. Mr Dirksen, the Republican leader in the Senate, has campaigned in Illinois for re-election this year by inveighing against high state taxes and bad state roads and the iniquitous licensing of rowing-boats, rather than by discussing foreign policy on which he is quite knowledgeable. Jet aircraft and six-lane motorways notwithstanding, Washington is alien territory for many people and Congressmen are spokesmen for their districts. It is said that no Representative in his right mind will vote on a major issue in opposition to how his district feels about it.

This year the trick seems to be to find out first of all what the major issues are. In voting on the trade expansion Bill, a Congressman from a district that makes bicycles will naturally not sell bicycles short. But there has so far been less furore than was anticipated about cuts in tariffs. The extreme right-wing might have supplied an issue but it seems sickly. Some Democrats, and also some Republicans, thought that Mr Roger Blough had made it possible for discomfited Republicans to be nailed to a cross of steel, as alleged accomplices of wealthy malefactors and economic royalists. But this now seems less likely, even though the six-dollar drama of steel raised all sorts of questions of public policy that may not be answered easily. The steel companies beat a hasty retreat when it became clear where public sentiment lay and, luckily for the Republicans, it is a long time to November.

THE Democrats—despite the many upsetting things that could happen between now and then—are looking forward to the election with high hopes and full treasure-chests. They are well aware of Mr Kennedy's great popularity, which recently proved able to raise three-quarters of a million dollars for the party's funds in a single brief tour. They expect the President's popularity to rub off on his party in November. They point out that the religious issue, which certainly cost them votes in 1960, is very unlikely to do so again—unless through the loss of the votes of some Roman Catholics who are disgruntled because the President refuses to give federal financial aid to Catholic schools.

Of the 100 seats in the Senate, 37 are being fought for this year. The Democrats think that they might win 5, or perhaps 7, of the 16 of these that are held by the Republicans and that they might not lose more than 4 of their own 21. In the House of Representatives the Democrats have 262 seats, the Republicans 174, and there is one vacancy. The Democrats hope to win some seats in California and to regain, in the middle west, some of the 16 Representatives that they lost in 1960 because, they say, of the religious issue. There are 35 state Governorships at stake this year. Of these, the Democrats hold 21; it is predicted that they may lose as many as 9. Their problem is that every state which is regarded as usually voting for the Democratic party and some that are traditionally Republican have Democratic Governors,

so that in this sphere the Democrats are believed to have "nowhere to go but down."

Only once in a century, and that in 1934, the year of the congressional elections that followed Mr Roosevelt's first presidential victory, has a party in power added to the number of its seats in the House of Representatives in an off-year when the Presidency is not at issue. But, according to one interpretation of figures produced by the Gallup poll, this could happen in 1962. The poll indicates that, if the elections were held now, the Democrats would get 61 per cent of the votes and the Republicans would get 39 per cent. This is said to mean that the Democrats are capable of adding 25 or more seats to the 262 that they now have in the House.

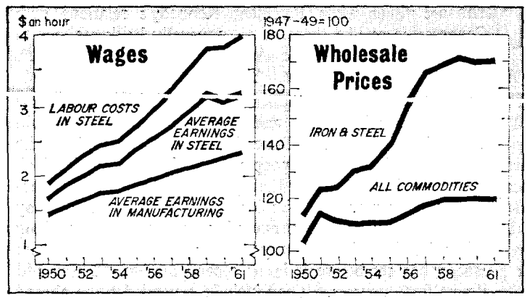
The Republicans meanwhile are suffering from a number of irritations. Mr Kennedy is as popular as only film-stars are supposed to have a right to be. The "radical right" has succeeded in siphoning off much-needed funds from the Republican party to its own purposes, while its antics may well have cost the Republicans the votes of some moderates as well as donations from the eccentric. But, like Job counting his boils, the Republicans are fearful that they may be suffering from a still deeper malaise. They have been in control of Congress for only four out of thirty years and in that period have had only one President, who at the start at least was a much better soldier than he was a Republican. Is it possible that they may be shrinking and ossifying? Can America be becoming a Democracy rather than a Republic?

Again like Job, the Republicans tend to wonder a trifle resentfully what they have done to deserve this. They find contradictory answers. Some say that they must modernise themselves and strive to capture the cities, even if it means supporting medical care for the aged provided by the government. Others, like Senator Goldwater, reply sternly that this is sheer me-tooism and that the right road lies in just the opposite direction—a philosophy that has earned for Mr Goldwater the comment that even his watch goes tock-tick instead of tick-tock. But more moderate, or perhaps just more realistic, Republicans like Mr Nelson Rockefeller, and even the crisis-prone Mr Nixon, are inclined to walk more warily, if only because they are both deep in gubernatorial campaigns and attach importance to the state Governorships that Republicans could acquire this year by playing their cards right.

Steel's Sad Story

THE leading steel companies, all of which have rescinded their across-the-board rise of $6 in the average price of steel (about $160 a ton), must be regretting that they allowed themselves to be stampeded into following the giant United States Steel Corporation up a road about which many of them had doubts from the beginning. Quite apart from the damage which such an affront to the President and the public was bound to do to the industry's reputation (this aspect is discussed on page 223) there was never any certainty that a general increase in prices could be maintained or, if it was, that it would bring the higher profits which it was supposed to provide. Mr Blough, the head of US Steel, admitted that there would be difficulties unless the few companies which had stood their ground, companies which control about 30 per cent of the country's steel capacity, followed his example quickly. They did not and on Friday the 13th, with the Administration's pressure against the increase gathering force, the Bethlehem Steel Corporation led the industry back to price stability, three days after it had broken away. The final push came from the Secretary of Defence when, as he had said he would do, he awarded a big military contract to one of the companies which had not raised its prices.

The resistance to the rise was led by the Inland company, whose officials are close to the Administration; but it, like other holdouts, is also doing better than the big companies. They have long been concerned about the squeeze on their profits, declining for years and particularly in recent months, at least in the case of US Steel. Steel prices have not gone up since 1958, although there have been several additions to labour costs since then; the proposed rise of 3.5 per cent was only a "partial adjustment" to catch up with increases of 6 per cent or more in costs of all kinds, without allowing for the new labour contract which had just been signed. Steel companies would have liked to put their prices up last autumn but felt that demand was not strong enough then; it is surprising that they thought it was now. What had been expected, and what is still likely to come as the pace of the recovery quickens, was a series of selective price increases for those steel products which were in short supply and which could stand up to competition from imports and from other materials.

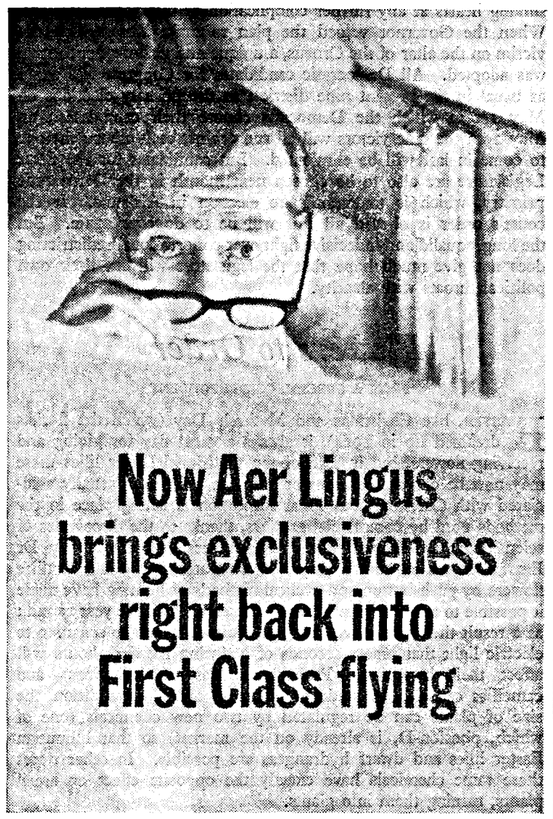


The Administration does not accept the statistics with which the steel companies justify their need for higher prices. Nor is it sure about their contention that there was no illegal conspiracy involved in the simultaneous decision to raise prices. President Kennedy is said to be prepared to forgive and try to forget, now that the increases are withdrawn, but the Department of Justice has not yet given up its investigation of possible violations of the anti-trust laws (with particular reference to US Steel). Even if the Administration's hounds are called off, a whole pack of congressional committees is determined to carry on with a hunt which seems bound to have voting appeal next November. An effort is being made, however, to divert them with a long-term, non-partisan study of the industry as a whole.

Unhappy Christmas

THIS week is the final date after which President Kennedy said that the United States would be forced to resume nuclear testing, if no workable treaty providing for adequate inspection of suspect explosions were in sight at Geneva. There is no prospect of such a treaty and military necessity, the need to ensure the free world's deterrent strength, is thus forcing Mr Kennedy, reluctantly, to authorise new tests, probably before Mr Macmillan arrives in Washington at the end of next week, even though this will inevitably mean a new round of Russian tests. Indeed, it is partly because they are sure that a new round of Russian tests is already in the making, whatever the Americans do, that Mr Kennedy's advisers are so anxious that the United States should carry out its own series.

For each test not only proves or disproves a scientific theory but also opens the door to a new theory which must be proved or disproved in its turn. American scientists were able to collect much information about the recent series of Russian tests from seismic records and acoustic and electro-magnetic observations, and later from radioactive phenomena, and to draw conclusions not



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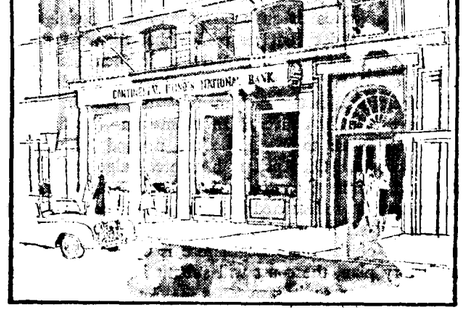
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all of which were merely speculative. But the scientists only know that there were "over forty" Russian tests. They have reason to believe that they missed some, either of small weapons or in caves which muffled the reverberations, and this is only one of the glaring omissions in their analyses. This is their answer to those people who think that the United States need not conduct its own tests, since it can follow the Russian ones so closely. More important, from what they did discover, the scientists are convinced that the American military position, compared with the Russian, must have deteriorated perceptibly in the 3½ years since tests were last held by the United States—although they do not think that it is inferior to the Russian one yet.

The President has promised that the tests will be as few and as small as possible, certainly fewer and smaller than were the Russian ones, and that every effort will be made to minimise radio-active fall-out. There is apparently some desire in the Department of Defence to increase the number planned, in order to try weapons which other authorities feel do not really need to be tested. About thirty tests are expected in the next two or three months: low-level ones of developed weapons, perhaps including some under water, will be held in the 600 by 800 mile rectangle which has already been closed off around the British-owned Christmas Island in mid-Pacific; later, high-level tests of anti-missile defences will be held over the American Johnston Island, a little further north, and these will affect some of the trans-Pacific air routes as well as the outlying parts of Hawaii. This at least is what the rumours say. There is also interest in the effect of high-level explosions on communications and guidance systems. Everything has now been prepared on the spot by Joint Task Force 8, with 11,800 members.

Reluctant Guinea-pig

In a number of states urban voters are already acting on the Supreme Court's decision last month that they may ask the federal courts for relief from the rural bias in their State Legislatures; this arises because many states have not redrawn the boundaries of electoral districts for many years. And in Alabama the courts have actually delivered an ultimatum—the first order to a State Legislature to modernise the method by which its members are chosen. On April 14th a three-judge federal court declared that both the State House of Representatives and the State Senate must be redistricted before new legislators are elected in November; it set a tentative deadline of July 16th. Unless a special session of the State Legislature is convened and draws up a satisfactory plan, the court will submit its own scheme and put it into effect—or so it says.

In some ways Alabama is a very suitable guinea-pig for this tremendous political revolution. It has not redistricted since 1901 although under the State Constitution this is supposed to be done every ten years, with each new census. As a result the 40 per cent of Alabamians who live in the five most populous counties elect only 16 per cent of the members of the State House of Representatives and 13 per cent of those in the State Senate. At the other end of the scale, the 16 per cent of Alabamians who live in the thirty smallest counties elect over a third of each house. Moreover, rural distrust of the cities is so acute that, when Alabama found that it must give up one of its nine congressional seats, the first instinct of the Legislature was to rob its metropolis—Birmingham—of its voice in Congress. The big cities are the centre of such leanings to Republicanism as exist in the one-party South. This is the opposite of the situation in the North, where, on balance, electoral justice for the cities and suburbs would probably benefit the Democrats. In the South a bigger voice for the cities would almost certainly help the Negroes.

Even progressive Alabamians have, however, some cause for sinking hearts at any further complication of this year's elections. When the Governor vetoed the plan to make Birmingham the victim on the altar of the Census, a unique and elaborate substitute was adopted. All Democratic candidates for Congress will stand as usual in the present nine districts in the primary elections on May 1st in which the Democrats choose their candidates; on May 29th the nine victors will all run against each other; the one to come in last will be eliminated. But candidates for the State Legislature are also to be chosen next month in the Democratic primary, which is tantamount to election in Alabama. If the court's order is obeyed all this will be to do over again. But the long, squalid and indecisive fight over congressional redistricting does not give much hope that the legislators will cut their own political throats with alacrity.

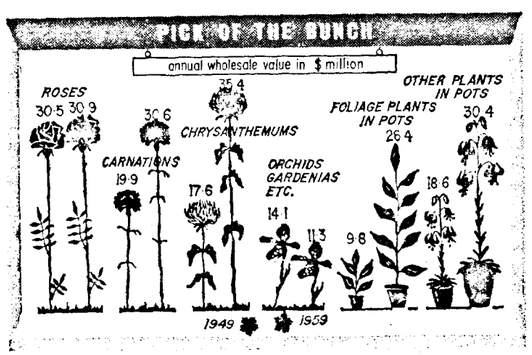
Flowers to Order

FROM A SPECIAL CORRESPONDENT

Easter, like Christmas and Mother's Day (which the florists dreamed up in 1914), is always a great day for giving and receiving flowers, but instead of the traditional Easter lilies these may now be chrysanthemums or even the poinsettias usually associated with Christmas. A great revolution is taking place in the methods used by commercial growers, thanks to the discoveries of scientists at the Department of Agriculture who are led by Dr Emsweller. It is child's play now to water, spray and fertilise flowers by push-button and cyclical methods of lighting have made it possible to raise chrysanthemums successfully all the year round; as a result their sales have shot up. Poinsettias are so sensitive to electric light that ninety seconds of it during the dark hours will affect their blooming. Probably azaleas, rhododendrons and camellias can also be made to bloom to order. In addition, the size of plants can be regulated by two new chemicals (one of which, phosfon-D, is already on the market) so that lilliputian Easter lilies and dwarf hydrangeas are possible. In other doses these same chemicals have exactly the opposite effect on small plants, turning them into giants.

The backbone of the florist's business still consists, however, of four old favourites—roses, carnations, chrysanthemums and gladioli. But the popularity of foliage plants is shooting up; one grower in Florida ships as many as 30,000 philodendrons a week. On the other hand, corsages are only a wistful memory to most florists; the day has vanished when every pretty Miss expected gardenias from her admirers and her mother and grandmother wore orchids. The fashion seems unlikely to revive, short of a press photograph of Mrs Kennedy with a corsage of violets.

California produces more flowers and seeds than any other state,



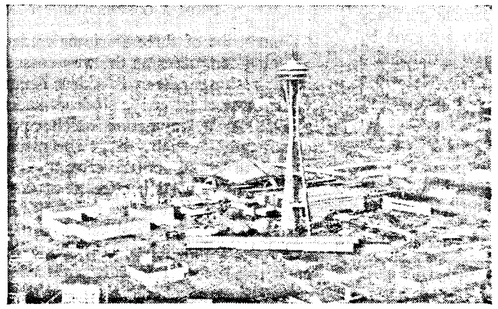
followed by New York and Florida, but some of the most exotic contributions come from Hawaii. San Francisco is the shipping centre for western flowers destined for eastern markets and one airline handles nearly 600,000 pounds a month; the charge to carry 100 pounds across the country is $20. Southern growers are more fortunate because they can reach the profitable markets in northern cities by rail or road. One interesting sight in North Carolina is the bulb fields on the flat coastal plain; these were started fifty years ago by Dutch settlers. There, as in most parts of the country, polyethylene plastic is used instead of glass for hothouses.

Most flowers move through the hands of wholesale florists who operate on consignment and often charge 25 per cent. But when the big chains of supermarkets and variety stores started to sell flowers, they often went direct to the source. This cutting out of the wholesaler means cheaper flowers for the public but it has its disadvantages for the growers. The chains prefer to sell flowers at the end of the week, when people's minds turn to brightening their houses, and, in spite of the march of science, the ordinary grower cannot guarantee that his crop will bloom only on Friday and Saturday. Good weather may also bring it on too soon for some important holiday or other occasion.

Flowers are cheaper and more abundant than they were fifteen years ago and the Society of American Florists asserts that the industry is worth a billion dollars a year. The Florists' Telegraph

World Going West

FROM A CORRESPONDENT IN THE PACIFIC NORTH-WEST



On Saturday President Kennedy will open the first World's Fair in the United States for over twenty years, and the first anywhere in the space age, in the far northwestern corner of the United States, beyond the Rocky Mountains, at Seattle in the State of Washington, on the shores of Puget Sound. In the next six months more than 10 million visitors, 50,000 a day, from all parts of the world, are expected to attend the greatest public display ever undertaken in the region known more than a century ago as the Oregon Country. In addition to the Seattle Fair, Victoria, British Columbia, just over the Canadian border, is celebrating the centenary of its establishment as a trading post and to the south Oregon and California hope to draw millions of holiday makers to their out-of-door playgrounds on the way to or from Seattle.

The most spectacular symbols of the Fair are a 600-foot-high, cream and orange Space Needle, supporting a revolving sky restaurant, the tallest building west of the Mississippi River, and a monorail railway with two trains carrying 124 passengers each, at 75 cents a time, on an elevated track from the business centre of Seattle to the fair grounds about a mile away, in 90 seconds. This monorail is being billed as "a preview of the mass transit system of the future" and the promotors hope that visitors will insist on their home towns building something similar. The Space Needle sets the theme of the fair, Century 21, and that of the federal government's exhibit, "the role of science in modern civilisation," was suggested by President Kennedy when he signed the authorising Bill.

This House of Science cost $9 million and covers seven acres. It contains working models of biological functions and of the newest technical discoveries and visitors, including children, will be able to try their hands at simple scientific experiments. It is designed to communicate to those who see it what science is capable of doing. Great Britain's contribution to the Fair will cover more than 10,000 square feet following a scheme created in England, with the parts being sent to Seattle mainly by ship. Research and development in space exploration, atomic power, medicine and aviation are featured and the displays include such British products as the latest Jaguar car and a working model of the Selwood orbital engine. The result is supposed to be "the major event of the year in the overseas projection of British achievement." Altogether over forty national governments and those of many American states have invested some $80 million in displays, most of them new and most of them dealing with space in some way.

The Boeing Spacearium, sponsored by the industrial giant of the Pacific Northwest, the Boeing Aircraft Company, will take visitors on a simulated journey to Mars, Jupiter, Venus and other heavenly way-stations by means of a three dimensional film that embraces the audience with the 160-degree arc of its screen. In the Washington State Coliseum, which rises eleven storeys under a huge hyperbolic-paraboloid roof sheathed in aluminium visitors will go up in a "bubbleator" to a floating city where they will take a look at life in the twenty-first century.

But science will not be the whole show. Paintings and sculptures, insured for over $20 million, have been collected from many museums and include works by Titian, Rembrandt, Goya, Monet, Renoir, Bracque, Rouault and a group of contemporary American artists, with Mark Tobey, Seattle's pride, among them. A unique exhibit, the most extensive of its kind in history, will be that of American Indian Art from the surrounding region. It is here, in the Thunderbird country, from Seattle northwards, that American Indians achieved their most brilliant self-expression in carving and costumes.

The world's performing arts will be well represented throughout the Fair's six months' run. There will be, of course, a Gayway with the strip-tease and other entertainments without which a fair would not be a fair. At a higher cultural level the Old Vic company will appear during British week, from May 27th to June 2nd, and the D'Oyly Carte company towards the end of September. Other representative national groups of dancers or actors will come from Ceylon, Sweden, Norway, the Ukraine, the Philippines, Japan, France, Korea, Mexico, China, India and Rumania. These performances will be staged in a 3,000-seat Opera House, an 800-seat Playhouse, a 5,500-seat Arena and a 12,000-seat open-air stadium.

They are all permanent structures as are other of the Fair's buildings which are later to become Seattle's new civic centre. They are clustered in a 74-acre area around the Space Needle and the monorail terminal. The entrance fee will be $2 for adults, $1 for children, with extra charges only for the Space Needle ($1), the art display (50 cents) and presumably the various performances. Naturally the paint is not yet dry on the twenty-first century.

Delivery Association, which is the clearing-house for out-of-town and overseas orders, alone handles about 8.5 million orders annually. But fresh flowers in the house are still a luxury—a far more expensive one than in Britain—and average Americans cannot afford them except on special occasions. Popular demand needs constant prodding to satisfy the 25,000 or so florists and the 12,000 or so large commercial growers.

A new competitor is the imitation flower made of polyethylene plastic; the boom in these which started about ten years ago still seems to be in full swing. Though they are not seen so often now in elegant drawing-rooms, the importers seem to be quite happy; (at least 80 per cent of these flowers come from abroad and have to pay a duty of 35 per cent). They are now invading the garden as well as the house. One firm does nothing but rent a temporary garden of seasonably appropriate plastic flowers to hostesses who lack green thumbs. These blooms have an unfortunate tendency to fade in sunlight, but this is no problem since they are gone by the next morning. Now, however, the French have produced a geranium which is guaranteed to be sunfast and this may win a share of the window-box trade at a retail price five times that of the antiquated geranium that grows. Florists do not all agree on the effect of "phony" flowers on their trade. Some claim that the imitations do good since they make people more conscious of flowers. Other florists concede that the plastic blooms are a real danger. But to be on the safe side most wholesale and retail florists stock them.

Locking the Defence Door

SENATOR MCCLELLAN, who put trade union abuses in the dock a few years ago, is now focusing his attention upon businessmen and specifically upon the excessive profits which, it is said, have been made by defence contractors in the lush space and missile fields. These so-called profits arise in large part because of the widespread system of subcontracting which has grown up, partly for technical reasons, partly because the government has been anxious to give smaller firms their fair share of the work. It is said that prime contractors now retain only about half of the value of the contracts awarded to them in the first instance and much of their profit comes from what are in effect fees for managing subcontracts.

As an example the investigators picked the Nike guided missile which is to defend American cities from air attack, on which $2.5 billion has been spent since 1946. The prime contract went to the Western Electric Company, which provided most of the electronic gear, but over 40 per cent of the work was subcontracted to the Douglas Aircraft Company, which produced the airframe and designed other components; in its turn it subcontracted the work further. For example, the Consolidated Western Steel Company produced launcher-loaders which cost $146 million, plus $9 million in profit; according to the investigators, Douglas then added $10 million of profit for itself and Western Electric another $9.8 million, so that total profits on the operation came to $29.5 million, or about 20 per cent of the original $146 million. It is also said that Douglas took $45.5 million in profits on $598 million of contracts, although it farmed out all but $104 million.

Douglas hotly disputes these figures, although such "profit-pyramiding" is a perfectly legal part of defence contracting and accepted commercial practice. The company claims—although it failed to convince Mr McClellan—that many items should be deducted from its supposed profits: costs of interest, special depreciation allowances, advertising and charitable contributions. It insists that profits cannot be assigned accurately to individual projects and that it earned only 3.2 per cent before taxes on the Nike programme as a whole.

The subcommittee wants to discover whether the government could not save money by placing subcontracts directly. One witness testified that this had been proposed as early as 1954, but Western Electric refused to accept the responsibility for the whole job if it could not choose its own producers. However, Senator McClellan is late in locking this door. Mr McNamara, the able and energetic Secretary of Defence, is already bringing costs under control. "Cost plus fixed fee" contracts are losing favour and incentive payments for good work are being introduced. Direct subcontracting is being undertaken and non-profit organisations may act as "systems managers." Business, however, is left with a black eye at a time when it can ill afford it.

Seamen on Ice

FROM A CORRESPONDENT IN SAN FRANCISCO

THE strike of three maritime trade unions against twelve shipping companies on the west coast has almost been lost to sight in the rushing wake of President Kennedy's victorious engagement with the steel industry. Indeed, had the government not secured a Taft-Hartley injunction which suspends the five-week-old trial of strength for eighty days, the maritime strike might have continued to go unnoticed except in Hawaii and the District of Columbia. Hawaii is affected because the islands are dependent upon ocean shipping from the mainland to satisfy most of their needs. Although no real hardships had been caused up to the time when the injunction was issued, the strike might have brought great discomfort if it had continued. Washington was also concerned because of the risk that the dispute might hamper the government's attempt to keep the economy on a stable, non-inflationary keel. This risk was considered great enough to warrant the direct intervention of the Secretary of Labour, Mr Goldberg, and of the Under Secretary, Mr Wirtz. But neither was able to achieve a settlement.

One of the major difficulties confronting the would-be mediators was that the reasons for the strike were not clear. Ostensibly, the major cause was the failure of three unions (representing the sailors, the cooks and stewards, and the firemen, oilers and wipers) and the Pacific Maritime Association to agree on the amount of a wage increase. But there seem to be other equally important issues which are hidden from view. The shipping companies claim that the original increase of 11.8 per cent in wages and welfare benefits which they offered—a figure very close to that which the maritime unions on the east coast had accepted—had been agreed to by the unions in principle, although only informally, during the five months of negotiations which preceded the strike. The employers maintain that it was not until the negotiations had been almost completed that additional increases were demanded.

Before the strike was called there were indeed rumours that two of the three groups, the sailors and the cooks, were willing to accept the association's offer. The push for the strike appears to have come from the smaller firemen's union, whose new and vigorous president took office only recently, after a revolt of the members against his predecessor. In such circumstances militancy is almost required of a new leader, especially since pressures have been building up inside the union from the lower-paid wipers and oilers who feel that their interests have been sacrificed to those of the more highly skilled. In the past, however, it has been the more numerous sailors who have determined the general strategy; the present curious reversal of parts has caused great speculation along the waterfront, in the companies' headquarters and in Washington.

In contrast the ship operators seem less divided than usual and better prepared for a long strike. There are few signs of the rifts which normally separate the lines receiving government subsidies from one like the Matson Navigation Company which receives none. (Matson, alone among the large operators in the association,

gets no subsidy; this is because its passenger service to and from Hawaii has no competition from any foreign carrier. Thus while the other lines can pass any wage increases on to the government, Matson must pay the bill for them itself.)

All the companies fear that if they exceed the wage increase given on the east coast they will face new demands from the other trade unions which agreed to accept a rise of 11.8 per cent. In addition, the subsidised lines believe that it might be difficult to justify a larger increase than this to Congress. Paradoxically, however, the east coast settlement may be one of the anchors which keep the three unions from changing their position. No trade union likes taking just what others have already won and, besides, there is an old, bitter rivalry between the west coast unions and the National Maritime Union, which represents many of the maritime workers on the east coast.

As if this were not enough to complicate the negotiations, the issue of size of crews is also involved. The west coast docks are now being mechanised as the result of an agreement with the longshoremen, who will receive millions of dollars of compensating benefits. Naturally the ship operators are anxious to carry out a similar programme of modernisation on board their vessels. But they are likely to meet with much greater resistance. During the days when the strike was still on, the beached crews made no secret of their anxieties. Their employers insist that the number of sea-going jobs must be reduced if the lines are to compete with foreign ships. The men fear that if their unions refuse to accept smaller manning tables, west-coast cargoes will be diverted into east coast ships or foreign ones. That anxious talk will continue at sea during the 80-day period of the injunction and may prove to be the most serious obstacle to ending the strike satisfactorily.

In the meantime the shipping companies are trying to take advantage of the impasse to build up support for some form of compulsory arbitration in maritime disputes. But even if such legislation were to be passed by Congress, which seems unlikely, it could not be put into effect before the injunction expires. Both the association and the trade unions opposed the government's request for an injunction since, in their views, it only postpones the strike. Twice before injunctions have been granted in maritime strikes; both times these broke out again as soon as the 80-day period was over. The seamen and the ship-owners may prove more impervious to pressure from the Administration than was the steel industry. If so, the west-coast waterfront will once more become a desert—just as the Hawaiian tourist season reaches its peak and the pineapple and sugar crops are being harvested.

Crime Capital?

IN the last two years the streets of the District of Columbia have become more dangerous at night although where other crimes are concerned the capital is a law-abiding place. In 1959 there were 497 street robberies with violence; last year there were 1,012. Nearly half of these attacks were committed by youths, most of them Negro boys of 16 or 17. The big majority of serious crimes in Washington—over 80 per cent—are committed by Negroes, although they make up only 54 per cent of the population. The natural reaction, particularly on the part of the Southerners who dominate the congressional committees which really run the District, is to call for more police, more dog teams and harsher penalties.

But this time there are a few signs that Congress is beginning to realise that this is not enough. Recently it authorised two new judgeships for the Juvenile Court which, with only one judge at present, has a back-log of some 2,000 cases. This represents a notable victory over the obstructive southern forces which do not believe in "softness" toward young criminals and which preferred to let Washington do without the needed judges rather than run the risk that a Negro might be appointed to the court. Congress has also just done away with a very doubtful distinction which the District has enjoyed—that of being the only place in the country with a mandatory death penalty for certain kinds of murder. Now the District Commissioners are asking for $148,000 to carry out a study of juvenile crime in Washington, which the federal government thinks is needed.

Last month Senator Dodd, the chairman of the Senate sub-committee on juvenile delinquency, told Congress that it must deal with the problem of violent crime in the capital from two angles: by strengthening the police and by attacking its causes. One of the most obvious of these is that one out of every ten young people of 16 and 17 is neither at school nor in a job. To prevent these idle hands from turning to crime will require better schools and more probation officers and social workers; it also means keeping young people in school where possible, training them in skills and finding them jobs. But a solution will not come easily. The labour market in Washington, a city devoted to government, consists on the one hand of jobs in the civil service, for which many boys and girls who have dropped out of school early are not qualified, and on the other of work in shops and services. And most of the openings in shops are reserved for whites in this semi-southern city.

Senator Dodd suggests that Congress should pass a Fair Employment Act to end this racial discrimination which is so out of place in the national capital. This step is not likely to be taken until Washington is allowed to govern itself. But until Negroes feel that they are given equal treatment racial resentment will continue to inspire and condone acts of violence. Not long ago a bus driver was beaten and robbed by a gang of young toughs while his passengers sat passively by; none aided the police to find the criminals. The bus driver was white; his passengers and his attackers were all Negro.

SHORTER NOTES

European exporters of small motor cars will welcome the news that the Ford Motor Company is not to manufacture its Cardinal—a long-rumoured rival to the Volkswagen—in the United States. It would have been the smallest American-made car. The decision seems to have been taken because, apart from the Volkswagen, the small foreign cars are not thriving even in the present flourishing market in the United States. Even the demand for the larger domestic compacts is declining; those which are doing best are the bigger and more elaborate models. But on their home ground European manufacturers cannot count on being spared. So far plans to produce the Ford Cardinal in Britain and Germany have not been scrapped and the General Motors Corporation has just announced that its German subsidiary, Adam Opel, A.G., is to bring out a tiny car, the Kadett, later in the year.

* * *

Congress evidently feels that the Peace Corps, which sends volunteers to help in under-developed countries, has proved itself. The legislators have approved its expansion from its present 2,400 members to nearly 10,000 by the autumn of 1963 and have authorised an increase in its funds from $30 million to $64 million. This money still has to be appropriated.

* * *

Correction: In a note in *The Economist* last week on the teachers' strike in New York the membership of the United Federation of Teachers (UFT) was given as 80,000. This is the membership of its parent union, the American Federation of Teachers (AFT), which has branches in cities all over the country.

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THE WORLD OVERSEAS

The Pompidou Succession

FROM OUR PARIS CORRESPONDENT

IT all looked like a real government crisis. The President of the Republic called party leaders to the Elysée Palace. The prospective prime minister, M. Pompidou, consulted potential members of his cabinet. Nostalgic parliamentary tipsters were almost tempted to calculate whether the new government would have a majority in the Chamber. But, in fact, the crisis was far from typical. M. Debré's government had not been defeated in the Chamber nor was M. Pompidou's brought in after an electoral victory. On the contrary, the change of prime minister followed the decision not to hold a general election. General de Gaulle came to the conclusion that M. Debré had outlived his usefulness and that the prime minister's subordination to the president must now be emphasised. The choice of M. Pompidou—the trusted former *chef de cabinet*, who had never sat in parliament—was perfectly logical. Once this decision had been taken it was possible to indulge in the niceties of the parliamentary game of cabinet making; the result was announced on April 15th.

In practice, however, there was not much scope for the game. None of the key portfolios—finance, defence, foreign or Algerian affairs—changed hands. This is partly attributable to the general's dislike of new faces and partly to the proximity of the next reshuffle. It is generally expected in Paris that once the Algerian problem is out of the way M. Joxe, whom many had thought to be the best choice for premier, will be rewarded for his services with the job of minister of foreign affairs. The present head of the Quai d'Orsay, M. Couve de Murville, is an *inspecteur des finances* and could, therefore, be shifted to the ministry of finance. Either for this or other reasons, only minor posts could be offered to console the faithful or tempt the reluctant.

The neo-gaullist members of the UNR (Union for the New Republic) were badly in need of consolation last week. Many of their deputies complained that to put off the election for a year faced them with the prospect of an electoral slaughter. All of them deplored the fact that gratitude was not a political virtue. M. Debré was a leader of the party; M. Pompidou, though a faithful gaullist, is not even a member. Whimpers could be heard in the disciplined ranks of the general's parliamentary supporters. M. Pompidou appeased them with portfolios; there are eleven UNR ministers in his team compared with nine in M. Debré's cabinet.

The other parties presented a slightly more difficult problem. The Radicals were not tempted by the bait of ministerial office and the adroit M. Edgar Faure had, therefore, to decline the ministry of education. The Christian Democrats of the MRP could not bring themselves to resist the call of ministerial duty, but their decision was not reached without heart-searching. The left wing of the movement, trying to prove that Catholic and progressive are not contradictory terms, argued that the party should not reinforce the government just when the whole system was moving towards more personal rule. But these arguments did not prevail with the party which has managed to stay almost permanently in office ever since it was formed after the war. It now has five ministerial posts instead of the three it had in the Debré cabinet, and M. Pflimlin, the unromantic hero of the surrender of May, 1958, has come back as minister of state for co-operation with the French Community (substantially in Africa).

Party politicians are merely a dressing for the dish of presidential government. But they behave, with their eyes fixed on the electoral map, as if little had changed since 1958. When the gaullist constitution was then introduced learned lawyers emphasised the twin-headed nature of its executive and forecast conflicts between president and premier. Less legally-minded commentators replied that the prime minister would simply be the president's servant, and that the whole system had been devised to give General de Gaulle the maximum of power with the minimum of answerability to parliament. This diagnosis is now amply confirmed by events. The only possible constitutional clash would be between the president and a hostile parliament. The manner of M. Pompidou's appointment, the use of "rule by referendum," these and similar conventions of the constitution—if Dicey's terms can be applied to the gaullist system—are designed to give the president the upper hand if such a conflict should arise.

Liberals in Paris seek comfort in the belief that General de Gaulle is not a man to abuse the powers at his disposal. They are, nevertheless, perturbed by the Pompidou succession. When the goodwill of the ruler is the major safeguard of freedom precedents have to be carefully watched.

Kenya's "Collision Government"

FROM OUR CORRESPONDENT IN NAIROBI

APPROPRIATELY, the week after the Kenya delegates in London approved Mr Maudling's framework for a constitution, Nairobi has had its traffic reorganised into what is cheerfully called "the rotary system." In the spacious African tradition, this city has several streets in which it was (until now) possible to turn a wagon team of oxen round. This week Nairobi is filled with barricades and pointing policemen, with drivers crawling bewilderedly round once familiar streets and the more reckless souls moving at their old pace and risking a dozen collisions from all directions. Blocking the main highway is a large "parking area," so cordoned off that it is impossible to enter at any point. This is, officially, progress. Most Kenyans feel the same way about the results of the London conference.

As soon as they landed in Kenya, the rival party leaders, conveniently forgetting that they were now joint ministers of state for constitutional affairs, set off in opposite directions. Each claimed that nearly everything had gone his own way in London. But it is clear that Mr Maudling intends to send Kenya off in the direction neither of federalism (the goal of the Kenya African Democratic Union) nor of an orthodox unitary state, which the Kenya African National Union wants. It seems possible, however, that the colonial secretary has left a side-street unblocked down which Mr Kenyatta and Kanu may hope to seek their original route. Having secured its primary objective of getting into government without conceding anything very tangible, Kanu will almost certainly use the general election at the end of this year as a referendum for toning down (Kadu would say repudiating) the parts of the agreement that it dislikes as "too regional."

Although it was a considerable achievement to persuade fourteen

politicians of such differing views to become ministers in the new coalition, many Kenyans have already nicknamed it the "collision government." Their cynicism has been encouraged by Mr Masinde Muliro, probably the ablest Kadu minister in the last government, who at first accepted his old portfolio of commerce and industry and then, within the week, asked for permission to resign in order to build up his minority party's flagging strength for the next election. If most leading politicians spend the rest of the year putting party before national government the climb out of the present trough will not be swift.

Yet there are some with energy and dedication. Mr Tom Mboya has briskly set about his difficult new job as minister of labour. He seems little perturbed to find himself in that dangerous zone Mr Nyerere inhabited for so long, where frequent praise from European journalists becomes a heavy liability. Each Kanu minister is blessed with a Kadu parliamentary secretary, and vice versa, in the hope that this will breed real co-operation. Several senior officials even hope that this year will see a merging of the two parties, with a joint renunciation of "extremist" wings. But any belief that Kanu would shuck off its vice-president, Mr Oginga Odinga, and his associates merely shows a poor appreciation of where power lies. Mr Kenyatta knows better. Asked what part this impish apologist for communism would play now that Mr Maudling would not have him as minister of finance, Mr Kenyatta said, "he will become the leading personality in our party."

THERE are many likely points of collision between the two halves of this national government. The most obvious is still the land question. The Kadu map for six regions confines the two main Kanu tribes, the Kikuyu and the Luo, to the smallest areas, and attempts to take away from Kikuyu influence the neighbouring Embu, Meru and Kamba tribes. Encouraged by the rest of Kadu, the 60,000 Masai are calling fiercely for the "return" to their tribe of the bulk of the Highlands. The Boundaries Commission will have a hard task soon deciding into what area the landless Kikuyu should be allowed to flow, but they will surely recognise the suicidal nature of the Kadu plan for bottling up the Kikuyu. Officials of the Land Settlement Board, while calculating that there is alongside the present Kikuyu borders only enough purchasable land for 2,000 families, are hesitant about letting Kikuyu farmers leapfrog into the middle of the Highlands, "because of this regionalism business." Yet a decision must be made soon, and it must be based on the realities of population pressures. There is need, too, for swift agreement on what part the politicians want a future provincial administration to take. So far no official has canvassed their views. The Institute of Administration, which gives expensive six-months' courses to African district officers, is almost a caricature of British public school ideas about leadership, complete with bugles, mountain climbing, and mess nights.

Who, again, will be able to help the economy recover and lead Kenya back towards full employment? As always, eyes and palms are turned towards Britain, which is already giving Kenya £16 million this year in grants and loans. The Christian Council of Kenya, which has called for higher taxes on "the affluent few," was emotionally attacked by three English-language newspapers. The rational objection is that higher taxation would more speedily drive away the despondent groups of Europeans who have been leaving at the rate of 240 a month. A better scheme would be for Kenya to start a national fund, something that Tanganyika left until independence. But Kenya needs its stimulation now. Such a voluntary fund could not be said to be driving Europeans away; yet it would serve better than taxation to show the British taxpayer that Kenyans are prepared to pay towards their own recovery.

The situation would be desperate—rather than just critical—if the coalition government had not been formed. There should also be relief that Kanu, representing two-thirds of the voters, has shouldered the larger burden in facing this crisis: it has secured all the most important available ministries—finance, economic development, education, labour, health and land resettlement. On the other hand, the governor, Sir Patrick Renison, has departed on indefinite leave and will be away during the crucial months when the constitutional details are to be negotiated. The fact that he shipped his car to England before the London talks began has encouraged some to think that the governor will not return at all. Perhaps it has been recognised in London that he could not avoid a collision with the new minister of state whom he referred to one improvident day that is only yesterday in many memories as "the leader to darkness and death." If Kanu and Mr Kenyatta cannot lead Kenya elsewhere today, no governor and no loan from Britain will suffice.

Spain's Eroding Interregnum

FROM OUR SPECIAL CORRESPONDENT

"Franco has shot himself!" a Madrileño told his wife.

"*Thank God! Who is succeeding him?*"

"Franco."

"*Thank God!*"

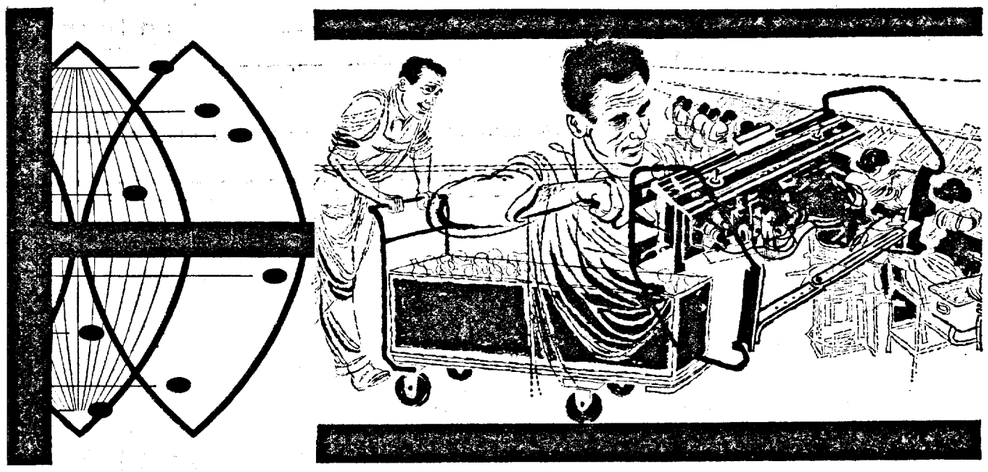
LIBERALS, socialists, and admirers of the Caudillo alike tell this little story, which sums up the problem of the Spanish succession and the ambivalent feelings of many articulate Spaniards toward the regime. It is the general's brilliance as a politician, not popularity, that has kept him in power all these years. His most determined opponents have, of course, been exiled, imprisoned or buried; and the majority of his fellow-countrymen—weary of strife, wary of politics—have been fully occupied trying to make ends meet.

But the Caudillo's regime has never been a monolith: it is a mobile, the survival of which has depended on his skill in offsetting one component with another—in balancing Church and Falange, Falange and monarchists, general and general, faction and faction. Within the Falange a delicate equilibrium has been maintained between traditionalist, corporative and *jonsista* (Catholic trade union) tendencies. Within the Church, *Opus Dei* has been cultivated as a counterweight to the Jesuits and other traditional influences, and Catholic Action fraternities have been allowed sufficient scope to preoccupy *Opus Dei*. The leverage of Don Juan's supporters has been weakened periodically by shrewdly-timed gestures in favour of Don Jaime (his brother), Don Juan Carlos (his son), Don Alfonso (Jaime's son) and the Carlist Don Xavier. Fiefs and fringe benefits have been carefully apportioned among the generals.

Who other than General Franco could keep this precarious contraption in being—and hold in check not only the groups that support the regime, but its opponents as well? No sane Spaniard wants a second round of the civil war, and even the Caudillo's critics are in no hurry to see the mobile upset until they form a clearer idea of what is likely to replace it. In theory, Spain is a kingdom to which the Bourbon monarchy will be restored one day. But the Council of the Realm, whose nominal purpose is to assist the Caudillo in making arrangements for the restoration, has little prestige and less authority; and whereas the ultra-reactionary Carlists are allowed to propagate their cause, the statements of the principal Bourbon pretender, Don Juan, are censored and his more outspoken supporters are apt to be harassed and fined, though they are rarely put in prison. Don Juan's brother Jaime, the eldest surviving son of Alfonso XIII, disqualified himself in the eyes of most monarchists by contracting a morganatic marriage, and in July, 1945, signed a renunciation of his claim to the throne. In August, 1961, however, he appeared to be reasserting his rights and urged the Caudillo to allow the Spanish people "to choose in peace and freedom the political regime they wish to govern them."

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Obviously, the moment all doubts about the succession are removed, and detailed arrangements made for the transfer of power, General Franco will cease to be indispensable. He has every incentive to prolong the uncertainty. When the unexpected—a shooting accident—occurred last Christmas Eve and General Franco had to undergo an operation, he hurriedly and imprecisely authorised three of his generals (the minister of the interior, the minister for the army, and the chief of the general staff) to act as his political executors. Civil members of the government and of the Council of the Realm were not informed until after the brief crisis was over. This fact, and reports of disagreement between the three officers on procedural matters (though all were in favour of offering the throne, sooner or later, to Don Juan), disturbed Churchmen, falangists, monarchists and republicans alike, and set off a flurry of discreet lobbying, manoeuvring, pamphleteering and claim-staking during the next few weeks.

Early in March sources close to the Caudillo let it be known that he, too, somewhat shaken by his accident, now considered it advisable to strip the constitutional question of all ambiguity. Shortly afterwards the Vatican jogged his arm with a statement on preparations for the marriage of Don Juan Carlos which referred to the young man as "Prince of Asturias." As this title is reserved for the eldest son of the reigning monarch, the Church was clearly putting on record its support for the prince's father, Don Juan. The crucial phrase was omitted from Spanish press and radio reports of the Vatican statement, which was front-page news in all but the falangist papers; but informed sources suggest that General Franco may shortly follow Rome's example.

Although a few Catholic papers have recently published articles favouring early restoration of the monarchy, it is not yet clear whether Spain's ecclesiastical hierarchy intends to mobilise its powerful information media on Don Juan's behalf. Certainly, one should not expect the Church suddenly to break with General Franco. Similarly, although the balance of sympathy among Spain's senior officers has tilted in recent months in Don Juan's favour, the army remains loyal to the Caudillo. Its key officers—



Living with Pétanque



FROM OUR CORRESPONDENT
IN SOUTH-WEST FRANCE

"I'M sorry," said the man at the door. "I've broken your bathroom window with my little pig."

Spring had come. And spring in southern France brings not only blossom, tom-cats and a new edition of the Guide Michelin, but *pétanque*. Saturday and Sunday afternoons and seven evenings a week are punctuated by an insistent metallic clicking, as of woodpeckers attacking street-lamps; an eager citizenry, tense one minute, cheering and laughing the next, assembles beneath the plane-trees in every congenial square. The season continues until the first chill of winter, and on at least two Sundays every self-respecting town and village plays host to *boulistes* from the rest of its district. Then even sedate avenues and sacrosanct public gardens resound with the whizz and thump of shot and shell. Small steel cannonballs, weighing just under two pounds, rain out of the sky; but nobody minds, there are prizes galore, and the losers are consoled with a bottle of *mousseux*.

The more formal French bowls game, whose centre is Lyons (it is called *la boule lyonnaise*, or *la longue* for short), requires a smooth surface and a clearly marked pitch: it has much in common with English bowls. *Pétanque*, which dominates Mediterranean and south-west France, can be played on any firm surface: a patch of gravel and a tree-root or two add variety and hilarity. Teams are usually of three players, each of whom has two bowls. In startling contrast to English bowls, a player may "shoot" an opponent's bowl out of the way by hurling his own bowl at it. Occasionally, tactics may dictate that the jack (*cochonnet*, "little pig") be shot out of the way on to a more favourable patch of ground. The jack is small, light and volatile; fortunately, it is made of wood, so casualties are few, but overhanging lamps are frequently smashed by players who toss bowls into the air in order to avoid a rough patch or a barrage of their opponents' bowls.

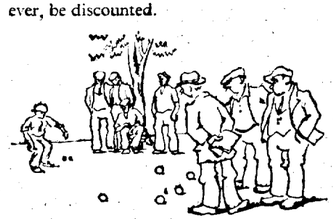
The intellectuals of *pétanque* have traced its origins to a game played by the Greeks four centuries before Christ, and credit Greek sailors with introducing it at Marseilles. Hippocrates is alleged to have declared it the most beneficial of sports, and Galen to have praised its effects on the legs and kidneys.

Two French kings—Charles IV and Charles V—tried to ban the game in the fourteenth century because it diverted their subjects from archery and other pastimes of military value. Rabelais informs us that Gargantua was a player, and in the sixteenth century the faculty of medicine at Montpellier recommended the game as conferring immunity from "all rheumatisms and similar ills." In 1697 the Paris clergy was forbidden to play "bowls and games of chance" in public, but authorised to do so in the privacy of monasteries and presbyteries; by that time the click of bowls was already as often heard, in some cloisters, as the drone of prayer. On October 22, 1870, the Prefect of Marseilles castigated the "bad citizens" who played bowls instead of participating in military exercises: "*Laissons dormir les boules quand les boulets déchirent le sol sacré de la patrie. . . .*"

Today some 200,000 Frenchmen play *la boule lyonnaise* and about 500,000 are addicted to *pétanque*. The latter total is increasing at a rate of about 10 per cent a year. A highly esoteric newspaper, *La France Bouliste*, is devoted to bowls, and more than one earnest foreigner has been seen studying it in the belief that he has discovered a new political movement.

Moralists claim for *pétanque* the sort of virtues that used to be claimed for cricket. It keeps youths off the streets and their elders away from TV screens; it does not lend itself to commercialisation and is rarely an excuse for gambling (though Sunday morning games generally decide which team shall pay for the apéritif). Most important, it is a cohesive social influence of a kind England could do with; a social cross-section of any small town can be seen on its *boulodrome*.

Pétanque will establish a foothold in England in July during Harrogate's annual French week. The town has invited two French teams to demonstrate the game and spend a few days coaching such local talent as may emerge. The visitors will also try their hand at English bowls. Rumours that negotiations between Britain and the EEC may be held up pending the outcome of this confrontation should, however, be discounted.



General Barroso, minister for the army; General Galeras, commander-in-chief North Africa; General García Valiño, captain-general of the Madrid region; General Menendez, captain-general of the Burgos region; General Alonso Vega, minister of the interior; and General Muñoz Grandes, chief of the general staff—have all been won for the monarchy and Don Juan, but they are far from clear about the kind of monarchy they want. General Barroso, for example, favours a "strong" regime in which the army will play an important part, while General Menendez is a comparatively liberal monarchist. General García Valiño was once a Carlist sympathiser and thought the Caudillo too "soft" (he recently considered it politic to stress his "complete loyalty" to General Franco). It is on such doubts and divisions that the present regime has hitherto thrived.

But as anticipation of Don Juan's accession takes root in the army and Church and permeates the levels of society, impatience with the Caudillo's interregnum grows. Don Juan, in his early fifties, is after all old enough to dispense with a regent. The log-jam could break if the European Economic Community were to turn down Spain's application for association on political grounds. Spanish expectations of the benefits to be derived from association with, and ultimately membership of, the Community are soaring to such heights (and the consequences of exclusion are being depicted, even in the press, in such gloomy terms) that the shock, disappointment and humiliation of rejection could impel the army leaders and ecclesiastical hierarchy jointly to request General Franco to make way for a more widely acceptable regime headed, or presided over, by Don Juan. This is the kind of scenario most moderate critics of the Caudillo seem to favour.

Finland's Forty Days

FROM A CORRESPONDENT IN HELSINKI

It took more than forty days, and talks involving over a hundred members of parliament and trade union leaders, to reach a compromise on Finland's long-awaited majority government. The new cabinet was finally born on April 13th; it is the 47th in Finland's 44 years of independence. At its head is Mr Ahti Karjalainen, a member of the Agrarian party, who at 39 is the country's youngest-ever prime minister. Mr Karjalainen, widely regarded as the "crown prince" of President Kekkonen, has been minister of trade and foreign minister in past cabinets, and took a leading part in the negotiations that led to Finland's association with the European Free Trade Association last year.

The new cabinet includes five members of the Agrarian party (which with 53 seats is the leading group in the 200-member Diet elected in February); three Conservatives, of whom only one is actually a member of the party's parliamentary group; two representatives apiece of the Swedish People's party and of the Finnish People's party; and—most interesting of all—three representatives of the main trade union federation, SAK. Although only eight of the 15 ministers are members of the Diet, the political groups taking part in the Coalition have a majority of 113 votes to 87.

February's election had led many people to expect the formation of a cabinet drawn entirely from the parliamentary parties. But at an early stage of the negotiations after the resignation of the Agrarian minority government on March 1st, the Agrarians made it clear that SAK, which represents the majority of the divided Finnish trade union movement, must be represented in the new cabinet; since President Kekkonen himself comes from the Agrarians' ranks, this wish was virtually law. The unexpressed reason lay in Finland's relations with the Soviet Union, which made it desirable to include some Socialists to balance the Conservatives.

Most Finns are relieved to have a majority government, except for the Social Democrats, who are still not thought of as suitable partners in a coalition, and the Communists, who see the ghost of fascism behind the three Conservatives. But it should be added that the solution of Friday, April 13th, could have been reached a month earlier. There had been plenty of time to plan the programme of the new cabinet, and the distribution of portfolios, after the parliamentary election in the first week of February. Thus the opportunity for a month's creative work by the coalition was lost, and the forty days of discussions and back-stairs bargaining did nothing to facilitate future co-operation within the cabinet. Neither the new foreign minister, Professor Merikoski, who led the first search for a coalition, nor Mr Karjalainen was able to find his way alone in the jungle of party give-and-take. President Kekkonen's help had to be called upon to make those involved realise that coalition means compromise.

Several things require the new government to buckle down. The prospect for Finland's exports is less bright than it has been in the recent boom years. The budget of 1962 is balanced only by recourse to large loans. A general scheme of health insurance is one of many projects demanding capital outlays. The new cabinet's programme also promises to study the possibility of achieving the Finnish worker's dream of a 40-hour week without jeopardising the economy. Moreover, before very long Finland must decide what to do about the common market.

Quite possibly the Finnish Communists will protest about the shape of the new government and find support in the Russian press. But Mr Khrushchev must know that the cabinet has been formed with President Kekkonen's blessing and according to his wishes—which means that it conforms with his determination to preserve Finland's neutrality and its good relations with the Soviet Union.

Tougher Thoughts in India

FROM A CORRESPONDENT LATELY IN THE HIMALAYAS

In a nuclear age the idea of a revival of Kipling's nineteenth-century "Great Game" over India's northern frontier, with China replacing Russia as the poacher on Indian soil, may sound far-fetched. But India's policymakers have begun to stop being inhibited about inheriting problems that date from the days of British rule. The Chinese threat is now seen as real. Few people in India believe that China's rulers actually contemplate an invasion of their country; but many have come to think that Peking must be prevented from continuing to make dangerous assumptions about Indian vulnerability and docility.

India, it is argued, may be forced at some point to react with considerable strength against Peking's pinpricks, to stop the Chinese from deluding themselves into the belief that their southern neighbour is a "soft option." It is clearly one of Mr Nehru's main anxieties that he may be forced into over-reacting, on a scale that would amount to a deterrent-type operation. This anxiety was revealed in the curt language of his last note to Peking in March, in which he gave warning that India will take all the necessary steps to protect its territorial integrity, and said bluntly that Chinese troops must withdraw from Indian soil. It is instructive to compare this message with the much milder tone prevailing in his long seven-year correspondence on the frontier question with Mr Chou En-lai.

It is in Nepal that India now faces the most potentially disturbing threat of all those that China's actions have ranged along the Himalayas. East of Nepal the Chinese have laid claim to parts of Sikkim and Bhutan and raided across the Indian border in the North East Frontier Agency. West and north of it they have established themselves in the Ladakh area of Kashmir solidly enough to build a military road across the territory they have occupied. But in Nepal the Indian government has got itself into a weak position politically as well as militarily; and Nepal directly flanks the great central Gangetic plain. Along this most crucial sector of India's northern frontier it has no forward line of military outposts up on the Himalayan ranges, and if it cannot count on Nepal as a dependable "buffer" the great plain lies open to an immediate threat from the north.

India's present trouble with Nepal is largely the result of past unwillingness to think objectively about strategic problems, or to shape a policy that leaves no doubt about capacities and intentions. While India has lost influence in Katmandu, Chinese influence and pressure there are subtly increasing. The Chinese are playing a shrewd game, having evidently learnt something from the mistake they made in handling the Tibetans too roughly. Memories are reviving of the period four years ago when parts of eastern Nepal were under the effective control of local communists.

Mr Nehru is, of course, right in regarding the autocratic regime that King Mahendra re-established at the end of 1960 as inherently unstable. But he must soon realise that the king will not put his house in order in the democratic way that Indians would like simply to please them and make them feel more secure. The king says that he intends to institute "*panchayat* democracy," with elective representation at the village level, but he remains unresponsive to Mr Nehru's hints that something more substantially representative would be better still. If the Indian government hoped that the recent wave of border raiding directed by the Nepal Congress leaders in exile from their Calcutta headquarters would spur King Mahendra on to revive democratic processes, this hope has proved false. It now seems clear that the raiding must be stopped before the king can be brought to adopt a more conciliatory attitude. Much hope has been pinned on his visit to Delhi this week.

Two other new factors may have great influence in shaping India's new defence policy. The first is the general and genuine Indian anger at foreign reaction to the occupation of Goa. This has gone very deep. From Mr Nehru downwards Indians feel that precious few people in the outside world understand their case over Goa; and it is now often said in Delhi that India would run into similar heavy criticism if it got really tough with China. This is irrational; but Indians do feel badly misunderstood.

The second factor is the political advance of Mr Krishna Menon, with the accompanying development of large and potentially powerful armed forces. Mr Menon remains something of an enigma; but he has already produced an interesting variation of the historical link between soldiers and the political left. He has buckled down to the job of defence minister with intriguing zest. The possibilities of an Indian arms industry seem particularly close to his heart.

Ministers and senior officers are cagey about the deployment and potential of the army; but there is no doubt that the things the soldiers want to do with it include seeing the Chinese off Indian soil in Kashmir, stiffening the Nepalese army and strongly and permanently garrisoning Sikkim and Bhutan.

Despite this tougher attitude it remains true that not many people in Delhi have been prepared to admit that Chinese aims and strategy are unambiguous in intention if devious in execution. Yet the Chinese objectives are plain enough. They are to embarrass and harass India politically, economically and militarily, in order to block any democratic challenge to the communist system.

Komsomol Fashions





A PLAIN leather jacket was, for years, almost the uniform of a young Russian communist. Girls belonging to the Komsomol wore no frills and used neither powder nor lipstick. Until quite recently, communist youth papers were taking the lead in the campaign against the *stilyagi*, the Russian teddy-boys. But the campaign is now dying down and *Komsomolskaya Pravda* itself is taking an interest in fashion, as shown in the article, published some weeks ago under the significant title: "It's pretty, but you will not buy it."

The article was inspired by a letter from a reader, A. Aleksandrova. This young lady had seen a smart ski-ing suit at a fashion show and was assured that she would soon be able to get it in the shops. But now, although the winter was drawing to an end, the smart suit was still not to be seen.

The writer adds that there have been similar complaints about other kinds of clothing. When, she complains, will our fashion people stop working just "for show"? To answer this question, the communist youth paper asked the help of a woman designer in the All-Union Fashion House.

A. Levashova, the designer, begins her explanation, tongue in cheek, by recalling the praise lavished by French papers on the Soviet fashion show in Paris. A French communist journalist tried to explain this success by the fact that, while western houses of *haute couture* work for the privileged few, Soviet designers work for the masses. That is how it ought to be, argues Mrs Levashova and then goes on to explain why Soviet reality does not quite correspond to this lofty ideal.

In practice, the snags occur when a model is worked out and approved for production. The dressmaking workshops cannot find the materials they want. They depend for these materials on textile manufacturers, but the managers of such factories are mainly concerned with yardage and plan fulfilment. Changes in pattern and quality are simply a nuisance for managers obsessed with quantitative targets. Hence, while they can be got to produce just enough new stuff to allow for shows, they confine their bulk output to long runs of old-fashioned mostly drab materials. "Veteran fabrics, resembling their predecessors like twins" pile up in the Soviet shops, while customers ask in vain for something brighter and more modern.

Another complaint is that production is not sufficiently co-ordinated. In a Soviet shop you will find dresses, skirts, coats and all, yet nothing seems to go together. It is like "the table of a bad housewife: there are lots of dishes, but you don't feel like eating." Mrs Levashova understands that all this cannot be changed overnight, but she pleads for reforms. In particular, she suggests that the Gosplan and the ministry of trade should include fashion councils to advise on patterns and proportions in textiles, clothing and footwear.

A Soviet Dior for the millions is not for tomorrow. The trend, however, is significant. Consumers, particularly the young, are becoming fashion-conscious. And the once puritan Komsomol backs this demand for a brighter appearance.

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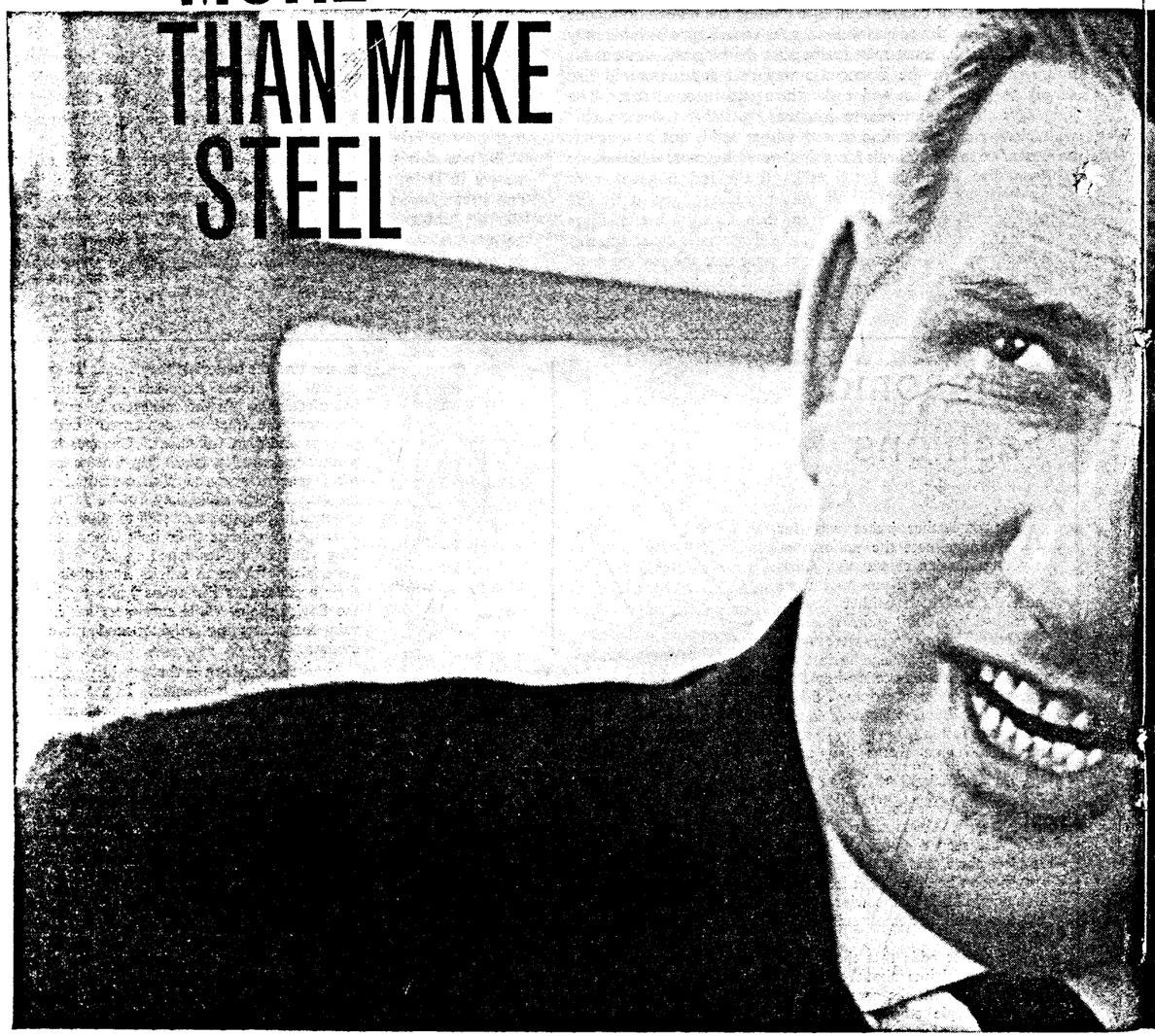
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THE BUSINESS WORLD

Lords of the Cloister

On the same day last week that the chairman of one of America's largest companies was practising price leadership and getting slapped down for it, the chairman of one of Britain's largest companies was advocating price leadership as "the right lines on which we should work," and arguing that "our rulers, if they were properly instructed, would see how much better such a system is than either the cloister or the jungle." Lord Chandos, talking to Scottish engineers and shipbuilders, had defined his terms with a characteristic, cynical urbanity. The cloister he defined as "combinations of manufacturers, price-fixing associations, cartels and so forth, causing an arthritic condition in industry." The jungle was what the Monopolies Commission and the Restrictive Practices Court were designed to promote: "cut-throat competition, which will leave behind it many corpses—and not only the corpses of employers but of employed—on the field of battle." Lord Chandos had little doubt that in practice both these alternative patterns of business behaviour would lead one day to "very much the same end product. . . . bigger and better monopolies."

What was his definition of price leadership? A company, he said, becomes recognised as the price leader in a single commodity or a single product. Its competitors do not contract never to sell below this company's prices; but—so long as "it is generally understood that . . . these prices give no more than an adequate return on the capital"—it is understood that its prices will be followed. In such a system of "self-discipline" it is "equally understood that if for reasons of immediate gain the smaller competitors start cutting prices, in order to gain more of the big man's business, they must face the consequences of a price war, which will lose them a great deal of money and possibly lose their existence." And although in price leadership thus defined no formal understanding is needed to encourage this self-discipline, "you must have co-operation in compiling statistics" on the shares held of the market for the product concerned, so that each manufacturer can be satisfied that he is not being outsmarted by his comrades in the ranks (or even by the leader?).

This cold-blooded definition of price leadership and what it is designed to do may go rather farther than any American industry used to admit. (The term, once admissible in American companies' rationalisation of how they behaved, has dropped out of their vocabulary since the anti-trust authorities began to argue that competition may be restrained without any collusion at all, and that mere "conscious parallelism" may be a crime.) Lord Chandos links his conception more bluntly with implicit market-sharing than some other exponents of price leadership might like. With or without this specific connotation, however, there is not much doubt that over quite a wide range of business in Britain, and most other western capitalist economies, what Lord Chandos thinks desirable does obtain: price leadership, be it firm or loose, is customary.

It is often argued, indeed, to be an inevitable corollary of "competition among the few," between the sizeable business units into which highly-capitalised industries are "naturally" organised. (Most industries consider themselves highly-capitalised and believe they are getting more so.) Where demand for any product is pretty inelastic to price, but without too much loyalty to particular makes, a cut in price will have to be followed by all one's competitors but won't much increase total sales: so internecine price competition will leave each maker's share of the market much as it was, but leave all with lower margins. Better trust the price leader (Americans sometimes use the phrase "reference marketer," which is not yet illegal) to move when costs or the opportunity of tapping new levels of demand, in his judgment, justify a move up or down in price. Trust the leader; fall in behind. By temperament and convention as much as commercial rationalisation, many British businessmen always do.

Price leadership, it will be noted, need not fall foul of the Restrictive Practices Court: no agreement need be involved, beyond perhaps one to exchange information. It can be much less formal, indeed, than the "open price agreements" to exchange information about prices, without obligation, that have replaced price-fixing agreements in many trades since the Restrictive Practices Court began to outlaw them. Abolition of resale price maintenance, in final sales to the consumer, might strengthen the countervailing power of any retailers or wholesalers who were inclined to buck a price leadership system: but it extends perhaps more widely in intermediate sales to business. Only American anti-trust legislation has ever tried to tackle price leadership, and so far without great success. It is certainly difficult to imagine national or supra-national departments in the European common market trying—and while Britain's entry into the common market may begin with a sharpening of price competition between national industries, it is perfectly possible that this, in various types of

industry, will eventually be checked and replaced by some assertion of price leadership from the biggest units. Moreover, it is perhaps only fair to add that in some really heavily-capitalised industries where it is prevalent (though not all those in which the arguments for it are advanced) it might be difficult to suggest what kind of pricing, if this leadership were outlawed, should replace it.

Lord Chandos can reasonably draw a distinction between the long-term commercial policies of the modern corporation, run by salaried managers, and the "get-rich-quick" mentality of the enterpreneur, seeking immediate gain, who is taken as the noble savage of the perfectly competitive jungle. In the same way, recently, Mr Paul Chambers could point to the simplifying assumptions implicit in theories of competition as ultimate economic virtue—"we cannot insert into the calculations the reality of imperfect and unequal knowledge." And it is true that some moral homilies about the business behaviour of the twentieth-century corporation continue to be delivered in terms that were somewhat idealistic even as a rationale of an 18th-century produce market.

But these lords of British industry—flushed out of the cloister, but too civilised to choose the jungle?—should perhaps also consider the corollary of their realism. No theory of "imperfect competition" or of "industrial self-discipline" yet evolved has been able to suggest that this kind of real behaviour in a real world can be relied upon to bring about that rightness of price, that optimum efficiency, that ideal allocation of resources that the theories of perfect competition were so sure would arise from unreal behaviour in an unreal world. Remove the simplifying assumptions, and one removes any automatic acceptance of business behaviour too. Lord Chandos would probably say that went years ago, anyway. But its removal positively invites the intervention of society into the sphere of decisions that many of his fellow-businessmen, less ruthlessly realist, still consider their own prerogative. If the businessman is not going through the motions that should, doctrinally at least, ensure the rightness of the resultant of whatever he and his fellows decide, other people may feel they could take the decisions better. (Whether they could or not is beside the point, but that they should try will be increasingly believed.) It may be symbolic that President Kennedy did not react to US Steel's decision about prices last week by arguing that it was taken in an uncompetitive way. He said the decision was wrong. And changed it.

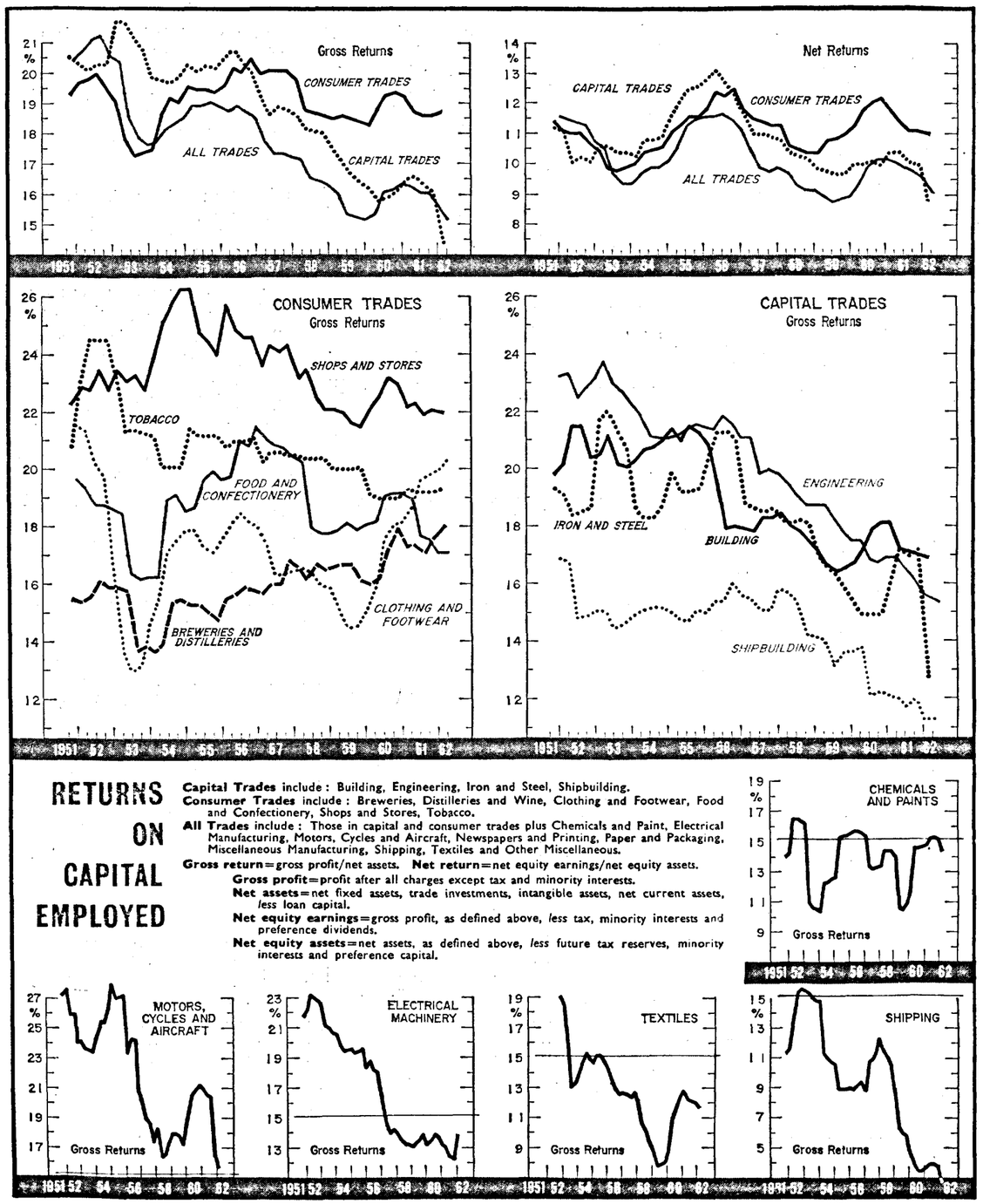
Profits: A Ten-Year Look

One most useful weapon in the armoury of investment analysis is the return earned by a company on the capital it employs. Inter-company comparisons of such rates provide the investor with an important statistical test of the quality of management. Among companies that produce similar products, a declining trend in the rate of return earned by one company and a rising trend for another provide an obvious investment inference. The test is not infallible: but such comparisons help to limit the area of choice in investment.

Comparisons of this kind begin with industries rather than companies. The accompanying charts, based on some delving into the quarterly analysis of profit and loss accounts and balance sheets prepared in this office over the last decade, provide inter-industry comparisons. They show moving averages of the returns on capital employed, plotted by the quarters in which the relevant accounts were published. Accordingly the latest figures in the chart reflect the average experience of companies which published their reports in the year from April 1, 1961, to March 31, 1962—since accounts appear roughly three months after the end of the financial year to which they refer, the latest figures can be said to reflect the combined experience of companies in 1961. Figures in the table are based simply on the accounts published in the first quarter of this year; it is intended to publish such a table with each quarterly analysis of profits and the charts will be brought up to date annually.

The charts are not merely economic history: they have relevance to private investment decisions now and even to broader planning decisions about investment in future. Returns both before and after tax (gross and net) have been declining in the last decade, net returns less steeply than gross returns because of the reduction in the standard rate of income tax. The decline in gross returns from 20.4 per cent to 15.1 per cent has been broken twice only—around 1954, reflecting the inflationary profits of the early fifties, and around 1960, reflecting a year of genuine economic expansion in 1959. A decade of steady capital accumulation at rising current prices would inevitably have reduced the average rate of return on capital employed, even if the real rate of profit had been maintained. But it is also true that lower profits have become the rule on new investment; inflation has been pushing up costs while competition now has an increasing influence in keeping selling prices down.

This is the general pattern. But the trades closely in touch with the consumer show up more favourably than the capital goods producers. The charts reflect the cyclical nature of the capital goods industries, and the motor industry too; but the steep fall in the rate of return on capital invested in the capital goods groups, compared with three or four years ago, has occurred despite a high level of activities in most of these industries. Shipbuilding, to nobody's surprise, is in a persistent earnings decline with the rate falling in ten years from 16.8 per cent to 11.2 per cent; and the sudden drop in the steel industry's earnings last year from 17.1 per cent to 12.8 per cent shows the frightening impact of reduced rates of operation after a period of extensive investment. The ten-year fall in engineering earnings from 23.2 per cent to 15.2 per cent is quite as disturbing as the failure of investment in electrical manufacturing to earn an adequate keep. Shareholders who have so often been asked to contribute new money to the electrical manufacturing industry in the last decade cannot fail to be disturbed by and dissatisfied with a current rate of 13.8 per cent, against 21.8 per cent ten years earlier. The earnings record of these industries does not suggest that they have adequately adjusted their organisation and policies to the pressure of international competition.



In the consumer trades, clothing and footwear appear in recent years to have made more positive responses to the forces of competition than textiles. In footwear particularly, rationalisation has been widely and radically applied. The same is true of the brewers which have achieved steadily rising returns. Food and confectionery and shops and stores show a good rise in the late 1950s, but their returns have been falling more recently. Competition between retailers is beginning to bite severely, and already the charts pose the question whether thin growth yields on many food and supermarket stocks are entirely justified today.

Past performance is of some help to the investor by showing the industries in which genuine growth is proceeding. The charts also serve a further purpose—as a yardstick against which the performance of individual companies can be measured. If the investor uses the definitions of "assets" and "profits" set out on the preceding page and fits the mid-point of the company's accounting year to the mid-point of the notional accounting year for the industry, a reasonably synchronised comparison emerges. If this shows that the company is doing consistently worse than the industrial average, solid reasons will be needed to justify buying the share. If the company has performed better than the industrial average, it is no time to sell. There are statistical hazards in such comparisons, particularly when companies have revalued their assets; but the danger is less sharp when a company that has revalued is set against the industry averages (which automatically take in the revaluation) than when it is compared directly with another company which has not revalued.

THE charts provide a long-term guide while the latest quarterly analysis surveys near-contemporary events. Neither provides an unequivocal assurance to the investing public about the money that British industry is making after a decade of active investment. Compared with a year ago, the gross return earned on the capital employed by the 371 companies reporting in the first quarter of this year (and referring roughly to a trading year that ended in September) fell from 16.5 per cent to 14.3 per cent. This reflected a fall of nearly 2½ per cent in trading profits, from £601½ million to just under £587 million, and a rise in total net assets from

The New Statistics

IN the first quarter of a new year the opportunity has been taken to revise the analysis of profits and balance sheets made in this office since 1949. A self-balancing method has been retained but the manner in which the collated statistics are presented has been altered. Several important accounting sub-totals and ratios are now shown; these include total income, profits before tax, net equity earnings, dividend cover, net fixed assets, net current assets and net total assets. The order in which the items appear in the combined profit and loss accounts and balance sheets has been altered so as to give prominence to the new sub-totals.

Some items have now been combined. Other current income has been merged with investment income; administrative charges, contingencies and provisions and pensions have been amalgamated into a new item, "other charges"; and profits retained by subsidiaries, parent company reserves and the difference in the parent company's carry forward have been added together to form another new item, "retained earnings." The new form excludes non-recurring credits from "net equity earnings," as in the past. On the asset side of the balance sheet, "net balances due to parent company" have been incorporated with "debtors" and on the liabilities side "net balances due to subsidiaries" and "other provisions" are now both included in "other current liabilities." "Total net assets" consist of net fixed assets, net current assets, trade investments and intangible assets.

A separate table, which will be published with each quarterly analysis, has been prepared to show changes in trading profits and in the gross and net returns earned on the capital employed for the individual industrial groups. The "gross return" is the ratio of profit before tax to "total net assets" *less* loan capital; the "net return" is the ratio of "net equity earnings" to net assets attributable to ordinary shareholders. The latter is defined as "total net assets" *less* loan capital, reserve for future income tax, minority interests and preference capital.

In the new grouping, rubber and tea plantation companies and finance companies engaged in hire purchase are excluded. "Property" and "entertainment" companies now form two new groups; "entertainment" includes hotels, restaurants, holiday camps, television contractors, cinemas, theatres and dog and horse racing. Printing and newspaper companies are shown in a separate group from paper making companies. "Other textiles" have been merged with "silk and rayon." The "miscellaneous manufacturing" group and "other companies" have been replaced by two new miscellaneous groups, split broadly between manufacturing and distribution. The slight element of discontinuity between the old and new series can be bridged by deleting the rubber and tea plantation statistics from the old series.

PROFITS AND RETURNS

371 companies, reporting January-March 1962	Change in trading profit	Gross return on net assets: Previous year	Gross return on net assets: Latest year	Net return on net equity assets: Previous year	Net return on net equity assets: Latest year
	%	%	%	%	%
Breweries, etc.	+16·0	13·1	14·0	8·1	8·2
Building	+11·3	15·6	17·1	8·7	10·3
Paper & packaging	− 9·6	19·2	16·1	12·0	9·6
Chemicals & paint	− 7·7	14·4	10·9	11·1	7·9
Clothing & footwear	+ 6·2	19·7	19·7	11·5	11·0
Electrical manufacturing	...	14·9	12·0	9·6	7·6
Engineering	+ 5·7	17·6	15·8	9·4	7·9
Entertainment	+72·2	3·4	4·6	2·2	3·2
Property	+29·2	8·2	8·8	3·3	3·7
Food & confectionery	+ 6·4	14·7	14·3	8·3	7·6
Iron & steel	−17·2	17·5	11·6	12·8	8·5
Motors, etc.	...	19·9	17·3	11·4	8·9
Newspapers & printing	+ 3·9	21·8	18·4	13·3	9·5
Oil	+ 9·1	18·1	19·8	10·7	10·8
Shipbuilding	+ 3·8	16·5	17·4	9·4	9·6
Shipping	−17·2	2·5	...	2·4	...
Shops & stores	+ 2·7	25·3	24·9	14·3	13·8
Cotton	− 6·3	15·1	13·6	8·5	7·6
Silk, rayon & other textiles	−13·1	10·7	8·3	6·4	4·2
Wool	...	14·4	13·8	8·3	7·6
Tobacco	7·8	19·4	19·5	10·9	10·8
Miscellaneous manufacturing	...	17·5	15·2	9·7	8·4
Miscellaneous others	− 7·4	11·2	8·2	6·9	4·0
All groups	**− 2·4**	**16·5**	**14·3**	**10·3**	**8·5**

£3,175 million to £3,493 million. Net current assets were practically unchanged as the rise in stock and debtors was balanced by increases in creditors and bank overdrafts, but net fixed assets went up from £1,885 million to £2,173 million. The fall in trading profits worked its way through an increase in depreciation to a decline of 6½ per cent in profits before tax; and, as tax was proportionately higher, net equity earnings fell by just over 9 per cent, slightly reducing the dividend cover. Expressed as gross percentages on the end-year issued ordinary capital, equity earnings fell from 43½ per cent to 35¾ per cent and dividend payments from 17¾ per cent to 16½ per cent. Earlier comments on the monthly totals of reported profits have shown that the latest fall in profits and gross returns is due largely to the experience of the steelmakers in the year to end-September; their trading profits fell by 17¼ per cent and the gross return on assets employed slumped from 17.5 to 11.6 per cent. The biggest increase was reported by the entertainment group, reflecting the experience of Granada; but statistically this was not an important group and the most cheering results came from the brewers.

The latest results and the longer-term charts strengthen the belief that in competitive trading conditions investors cannot blindly follow equities in general or a particular stock market index. Nor in the atmosphere of a restrictive budget can they really expect any rise in equity prices to be strongly based. The task is increasingly to find the company whose management record is better than the rest. These charts and statistics, we hope, will give the investor some help in this search.

BUSINESS NOTES

IN THE MARKETS

Budget Reappraised

ONCE the initial feeling of relief that the speculative gains tax was not really tough had evaporated, investors appraised the implication of the budget more soberly, accepting that on balance it might in the short-term be more comforting to gilt-edged stocks than to equities. Just before the budget buyers of equities had been looking for signs of revival and expansion. Mr Selwyn Lloyd did not provide them, and equity prices tended to slip back. The fall was not steep and indeed prices rallied briefly this week. A neutral budget leaves equities in much the same uncertain state as they have been for months. There is the reasonable expectation of expansion at some time within the next twelve months, and therefore equities around their current levels may at some points look cheap; but the budget postpones the date when signs of revival are likely to appear. Profits, moreover, are still under pressure and the longer term trends as depicted in the returns British industry is earning on its invested funds, as examined in an earlier article, are not assuring. Equally, however, with the prospect of an upturn in the economy still beckoning there is no point in selling at what many people believe is the ground floor of the equity market. Until there are definite indications of expansion, equity prices will presumably continue to fluctuate between narrow limits; and if the investor decides to buy now he has to be prepared to hold.

The outlook for the gilt-edged market is more reassuring and prices of the longer-dated and undated stocks have begun to move up again on a moderate amount of buying from institutional as well as private investors. Restraint in the economy, reinforced for a time by the tough budget accounting, is good for gilt-edged so long as sterling remains strong. The Chancellor has again declared that he does not expect to be looking for new money through the bond market, and funding sales seem unlikely to press heavily on prices. Toughness in the budget measures may give the authorities a further opportunity for relaxation in interest rates and bank credit. Not surprisingly, talk about another reduction in Bank rate began within a few days of the budget statement. The authorities, however, are pulling hard on the official brake to check the downward slide in money market rates and at last Friday's Treasury bill tender the market raised its bid by only 2d. to £98 18s. 4d.—the pressure on the current low bill offers is very heavy—and the bill rate fell by 8d. to £4 6s. 8.54d. per cent. Gilt-edged stocks, in fact, provide a suitable repository for funds which are waiting for more decisive signs of recovery.

Steel Grey Shadows

A Wall Street Correspondent cables:

WHILE Washington appears to be rejoicing over the rollback in steel prices there is no flag-waving on Wall Street. Steel rather than general economic trends has become the major influence with private and institutional investors, who now regard rising profits and a boom in capital investment as uncertain. They are taking the view that the administration's success in forcing the steel industry to rescind the price increase represents an indirect form of price control and they fear that its application elsewhere would lead to a revision in price/earnings ratios of common stocks that would make them less attractive than they are now. Steel shares were particularly hard hit and US Steel fell to its lowest point for three years, reflecting the fear that it will be the specific target of the administration's wrath and the more general feeling that the entire industry is likely to suffer from a sustained pinch on earnings.

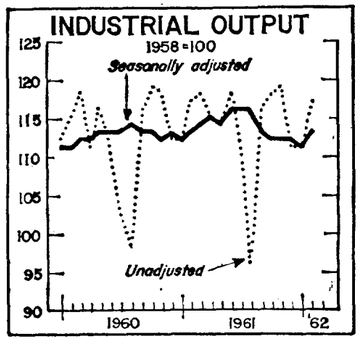
Washington could help by accelerating its efforts to stimulate corporate spending but in the present atmosphere of uncertainty the response of business men might be only half-hearted. This is not to say that the rollback in steel prices was a mistake; but it has certainly come as a blow to investors' confidence, which in any event had been growing weaker. Business, in fact, appears to have shaken off its lethargy and the economic indicators show a generally satisfactory resumption of growth. Normally that could be counted upon to encourage investors but the contretemps in steel has created new doubts—temporarily at least. It would be most unusual for the stock market to enter into a period of prolonged decline so early in the business recovery and the chances are that the big improvements in profits, including those earned by the steel industry, will prevent a serious fall. Nevertheless, confidence has been impaired and though many equities are now selling at prices that the analysts consider to be attractive, there is no demand for them. Some big institutions do not rule out the possibility of a stock market decline that could lead to a lower level of business activity. Such thinking can be traced directly to the steel battle and if it were to be translated into action it could lead to widespread selling. For the moment however the institutions are staying on the side lines, waiting to see whether Washington will make some gestures to bolster business and investors' confidence; until the outlook is clearer it looks as if the stock market will see-saw.

THE ECONOMY

Output Turns Up

PERHAPS one of the two points by which the production index for February is reported to have risen over January should be discounted: last month the January figure was officially held to have been

specially affected by bad weather. But there seems clearly to have been some upturn in industrial activity. The seasonally corrected index for all industries was put at 113 for February, against 111 for January, while the seasonally corrected index for manufacturing rose from 110 to 113. There have been no new amendments to the indices for the last few months; so output from December to January now looks to have been at about the same level as in the three months before.



Output in both the motor and the steel industries was already known to have risen more than seasonally in February, and the increase in automotive production will have influenced the business of some engineering suppliers. But there have been few reports of higher output in other consumer durables industries; and engineering output is reported to have fallen again in February. Some of the "soft" consumer goods trades may be responding to the continued rise in retail trade. It is not easy to trace the pattern of this industrial improvement and one cannot place too much reliance on one month's figures. There was nothing in the statistics of engineering orders to justify special optimism about exports. Home orders rose, but orders from abroad remained at about the same level as they have been for twelve months.

GOLD

Two Prices in New York

THE central bankers managed to discuss their new gold plan at their monthly meeting in Basle a fortnight ago without any new leak—it is said that there was quite an inquisition over the last one—but the perspective of the plan is now reasonably clear. It is essentially an extension of earlier and informal agreements on gold, first between the American authorities and the Bank of England to feed gold to London over the "gold bridge," and secondly between Continental central banks to hold off the London market when it was under pressure. The next step, which is the essence of the new plan, was an attempt by the United States to maintain the counter-speculative mechanism of the gold bridge but to tap European gold reserves, as well as its own, to feed it. As early as November 11th last a report from New York in these columns could say: "It seems that the United States has been promised help at least on a temporary basis to keep the price of gold in London stable with no immediate diminution in the United States gold stock."

The Europeans, it seems, have committed themselves to the extent of $250 million, and the scheme is ready for use whenever it is needed. Officials strenuously deny that there is any question of a gold guarantee. The European central banks that sold gold in the London market would add the accruing dollars to their reserves in the normal way; plainly the scheme would have no point if these accruing dollars were quickly converted into gold in New York. But it is now certain that the scheme does involve the dropping of the ¼ per cent commission charged by the New York Federal Reserve for gold transactions. Indeed the commission has already been dropped for certain central banks—presumably those that are in the pool. Thus there are now two official buying prices for official funds in New York, $35 an ounce for the favoured and $35.08¼ on the regular basis; and one wonders whether the United States authorities will be able to maintain this differentiation, even though it can perfectly well be justified. One by-product is that there are now also two "shipping parities" in the London market—the old $35.17-20, and, for central banks that need to pay only transfer costs from New York and no commission, around $35.08-10. The present London price, in a quiet but by no means dormant market, is well within this lower range.

The question mark that remains over the scheme is how it can be expected to cope with a real crisis of confidence on the basis of the present potential fund of $250 million—and without any change in European central banks' gold holding policies, some of which are tightly prescribed by statute. Of all the many essays in pragmatic financial co-operation that have emerged in the last eighteen months this one is perhaps the least convincing. Its main worth is perhaps as a gesture, and that is not to be underestimated. As Dr Per Jacobsson observed in a speech of characteristic optimism to the UN Economic and Social Council earlier this month, the exchange markets have been helpfully calmed by "a growing feeling that in monetary matters there is a greater measure of international co-operation and that sufficient resources are available to overcome difficulties that may emerge." This is true. But bankers must not, from Basle, overestimate the strength of a Maginot Line.

AIR SAFETY

Doubts and Fears

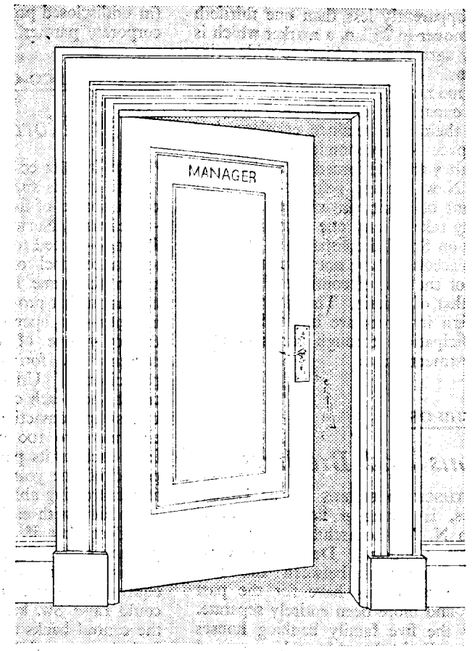
THE Ministry of Aviation is hyper-sensitive to criticism about its rules for air safety—and rightly so. A run of six major air crashes in little more than a month, some involving British aircraft, shocked public opinion last autumn and prompted some questions about the adequacy of the Ministry's arrangements, which it thought fit to answer at length this week in a White Paper describing what is being done already and what improvements are planned for the future. This is not a wholly satisfactory document, for accidents occur most frequently in places where the writ of Her Majesty's Government does not run; and reassuring as it is to learn of the measures taken by the Ministry to modernise airports and improve air traffic control, there is little it can do to see that pilots get the same facilities once they cross the coast.

Present standards of aircraft building are high; so are the standards for testing them. Accidents caused by the structural failure of an aircraft, which were common a few years ago, are rare today. Air crashes now seem to be due most often to errors of judgment; a pilot does something during take-off or landing that he should not have done, or he flies off course into a mountain. Flying would be a great deal safer if some-one could suggest why such errors are made by sober, experienced men acutely alive to the consequences of a small slip in judgment. There are four possible explanations, that the pilots themselves are not up to standard, that their aircraft are too difficult to fly, that their instruments are at fault, or, in the case of charter flights, that the pilot does not know the route. This last criticism the Ministry has answered obliquely by tightening up its check on the airlines themselves.

. . . and Cures

SOBERLY the Ministry spells out its misgivings about some of the arrangements in this country for crew training. This was a courageous thing to do, since nothing can prevent the impression from gaining ground that some pilots are only barely up to scratch. Air crews are examined and licensed, and their proficiency checked at stated intervals. The majority used to come from the RAF, but the numbers who do have been dropping off at a startling rate—from 340 in 1958 to 33 in 1960. For the first time, therefore, the airlines are having to recruit air crews fresh from flying school with no previous flying experience.

Only two schools, the new and government-supported College of Air Training, and Airwork Services Training owned by British United Airways, are judged good enough to be allowed to train professional pilots. And among aspiring crew members who sit for the Ministry's examinations for professional licences or for special instrument ratings to add to their licences, only one in three pass at the first attempt. This, says the Ministry, could be a sign that the



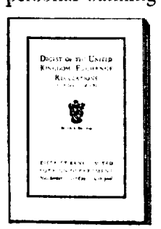
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standards are high, but "it also argues that too many candidates are either inadequately prepared or are of inadequate calibre." In future, no one will be allowed to sit for any of these examinations until he has undergone a government-approved course of instruction.

What about making the actual job of piloting less hazardous? People who have watched a mature pilot battling with a big jet wallowing close to the ground to land it on a rain-swept, badly-lighted runway at night may ponder whether it is reasonable to demand such a high standard of skill and judgment from anyone. In this country, early marks of Comet were allowed to go into service which were far from easy to handle during take-off, and several accidents followed. The Ministry says less than one would like about this aspect of safety, and less, too, about the weak point in every modern aircraft, its flying instruments. The Ministry is looking now into take-off and landing accidents; it claims to have pioneered a new, less confusing altimeter, but this could be described as leading from behind.

SPANISH SHARES

Watching Bulls

SPAIN is emerging from its chrysalis of economic torpor; foreign investors, who are still kicking themselves for missing the first signs of Italy's industrial risorgimento, have been anxious to get in early here. From Monday of this week, following a ministerial decree of March 15th, these investors are free to repatriate their capital gains, and their dividends. The only remaining restriction is that foreign investors may not acquire more than 50 per cent of the capital of any Spanish company. Kleinwort, Benson, the British member of the European investment banking group "Sogefina," has already placed privately part of the capital of "Inespa," a Spanish investment trust. Through an agreement with Banco Urquijo of Madrid, the managers of the trust, just under half of the capital of 200 million pesetas (£1.2 million) has been acquired by "Sogefina." Interest has been strong and Kleinworts hopes to be able to place more shares in the near future. The 1,000 pesetas shares at their present price of 1,120 pesetas yield 3.5 per cent.

The freeing of foreign investment had been expected for some time and many European investors had been anticipating it: the Union Bank of Switzerland has started a unit trust for Spanish shares. In the last two years the Spanish share index has risen by 27 per cent and yields on bank shares, the most popular section of the market, are no more than 2¼ per cent. The banks are indeed a major element in the Madrid stock exchange, and hold all the equity of many important companies for which there is no public quotation. There are some 870 shares registered, but 90 per cent of the turnover is in 50 or so large companies. Turnover in shares in 1960 was 3 billion pesetas—apparently less than one thirtieth of the turnover in Milan, a market which is itself very narrow and subject to wide price fluctuations.

At the moment many Spanish companies rely for expansion on finance from the banks or their own retained earnings, but as the pace of economic development quickens they may be forced on to the stock market. New banking reforms may limit the amount of equity investment that the banks may take in any one company. Information on Spanish companies is sketchy; published accounts have not yet reached the standard of the rest of continental Europe, let alone that of Britain. This is one reason why foreign investors are inclined to take their participations through banks or outright investment trusts.

ROTHSCHILDS

Sons and Brothers

DE ROTHSCHILD FRERES of rue Lafitte, Paris, is taking a limited financial interest in N. M. Rothschild and Sons of New Court, London. Despite the close informal connections between the two houses, the businesses have for the past fifty years and more been entirely separate. Originally the five family banking houses in London, Paris, Frankfurt, Vienna and Naples were in full partnership. In 1909, in a commercial world that was clearly losing its earlier internationalism, this link was severed. By then the Naples and Frankfurt branches had ceased to exist; the Vienna house was wound up by the Nazis in 1939. The London and Paris houses continued to work closely together, but Rothschild & Sons gradually became more distinctly English in its practice while Rothschild Frères became more distinctly French—acting as a true *banque d'affaires* with permanent interests through a wide range of industry and trade, not to say politics. The new link may have been given its historical logic by the approach of the common market and the new drawing together of the financial communities.

Because London is considered the obvious financial centre for the common market it has been considered appropriate for the French houses to take a stake in the London house rather than the other way round. The link is still a limited one. It is being formed through a new corporate partner, Second Continuation Ltd., with a fully paid capital of £1 million. Of this, the French Rothschild family, including the partners of de Rothschild Frères, will hold £600,000. The remainder will be split evenly between Rothschild Investment Trust and other Rothschild interests in Britain. The stock exchange got quite excited about this "first opportunity to get a stake in Rothschilds as a bank," and shares of the Trust shot up from 25s. to over 32s.—above their break-up value. Investors are expecting a lot from investment of 10 per cent of their equity in a 20 per cent stake in a corporate partner that itself shares its interest in Rothschild (in undisclosed proportions) with one other corporate partner and five individual ones.

FINANCIAL CO-OPERATION

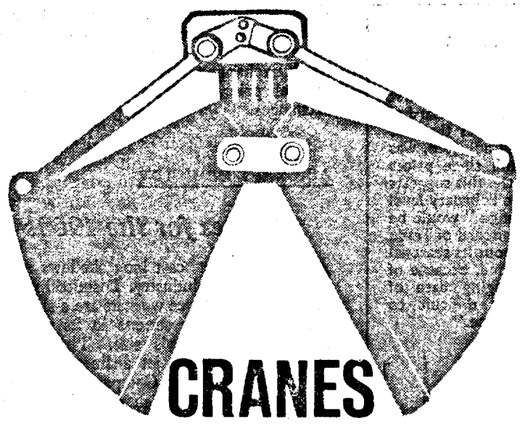
Nordic Basle

THE itch for co-operation in international finance is spreading. Last month the central banks of five Scandinavian countries—Denmark, Norway, Sweden, Finland and Iceland—agreed to the creation of a mutual assistance pool of short-term credits on much the same lines as the wider Basle operation that provided support for sterling in 1961—an operation in which Sweden, the only one of these countries whose currency is formally convertible, itself participated. Under this new Northern credit pact, each central bank may borrow, by a swap transaction, credits to a maximum equivalent to 100 million Swedish kroner from each of its partners in the pact for a period of one year. Iceland's contribution and borrowing ability is limited to Sw. kr. 10 million with each partner. This means in effect that if, say Norway, runs into payments difficulties it can raise credits among its neighbouring central banks equivalent to Sw. kr. 310 million. Iceland could raise Sw. kr. 40 million. If one of the central banks asked to provide a credit finds it cannot do so because of difficulties of its own, then the remaining central banks will be expected to make up the difference.

There are, however, limitations on the scope of the scheme. No bank will be obliged to have credits totalling more than Sw. kr. 200 million (one tenth that for Iceland) outstanding at any one time. This puts an effective limit on the resources available to the pact in any one year of Sw. kr. 520 million or $100 million. A bank may only ask for help after it has made "reasonable" use of its own foreign exchange reserves and after it has made drawings on the International Monetary Fund equivalent to its gold subscription and first credit tranche of 25 per cent of its quota. On this basis, as the table shows, the resources of the pact compare very favourably with these initial and almost automatic drawing rights at the Fund. Credits under the pact carry what is in effect an exchange guarantee: when the year is up the borrower must repay, in the borrowed currency, "an amount equivalent to the gold content of that currency when the transaction was entered into." In global terms the scheme provides only a modest increase to international liquidity, but for the Scandinavians it adds a very useful third line to their currency defences.

NORDIC LINES OF DEFENCE
($ million)

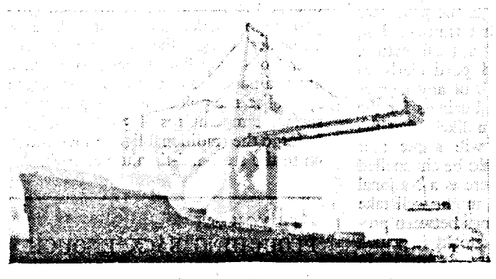
	Reserves January 31, 1962	IMF "automatic" drawing rights	Credit Pact maximum drawings
Denmark ...	235	54	60
Finland	343	18	60
Norway.....	247	50	60
Sweden.....	676	67	60
Iceland	27	6	8



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MACHINE TOOLS

Orders Down

ORDERS for machine tools from both home and export markets were lower in January than in the last quarter of 1961. The drop of about eight per cent in the total covered a fall of 11 per cent in home orders but one of only three per cent in those from export markets. Though this fall in home demand ended the period of relative stability that the industry had recently been experiencing, it is perhaps hardly unexpected when industrial production had been drifting downwards, and capital expenditure by private industry is expected to fall. The change in export orders is probably too small to be significant.

The fall in orders meant that, though deliveries in January were about six per cent below the level of the preceding quarter, the value of orders on hand fell slightly from the December level. Compared with a year before, however, orders on hand from the home market were the same, but export orders were 31 per cent higher. The industry still has about 10 months' production on its order books ; though it may not have quite so hopeful an outlook as last summer, it should still maintain a high level of output for this year at least.

NATIONAL STOCK EXCHANGE

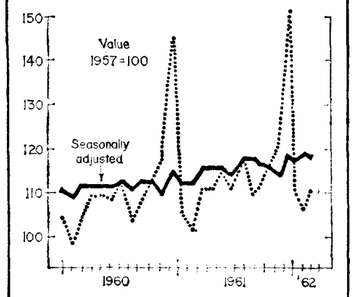
Adding to London?

THE recent suggestion by the chairman of the London Stock Exchange, Lord Ritchie, that there should be a National Stock Exchange has been taken a step further with the setting up of a committee to consider the possibility of merging the various stock exchanges in this country. The committee will hold its first meeting soon after Easter and will consist of six representatives of the London Stock Exchange, four representatives of the Associated Stock Exchanges (which have members in the 21 large cities and towns which have their own exchanges) and the chairman of the Provincial Brokers' Exchange (whose members trade in smaller towns without exchanges). In a speech to representatives of all the provincial exchanges at the end of February, Lord Ritchie did not underestimate the technical difficulties that would have to be overcome before a "willing merger" could be achieved. But he emphasised that he considered such a move necessary.

His speech came soon after the first advertisements from Merrill Lynch appeared in the national press and clearly Lord Ritchie is aware of the challenge (modest though it is at the moment) offered by this and other American broking firms. At present Merrill Lynch's business in this country is confined largely to the buying and selling of dollar securities for its customers ; but in time this business could be widened to cover

RETAIL SALES

Retail trade may have been a little less buoyant in March than in the first two months of this year. The Board of Trade provisionally estimates that the value of sales, seasonally adjusted, was 117–118 (1957=100) and since prices had probably risen a little, this suggests a slight decline from the February level of 118. But "little change" would be a safer conclusion ; the Board of Trade is once again cautious about its seasonal correction which this time, because of the effect of the changing date of Easter, is "particularly difficult to assess with great confidence."



British securities and through the establishment of branch offices in the provinces. Merrill Lynch already has branches on the continent and there seems little doubt that before long members of the London Stock Exchange will follow its example. Until the present discussions on the merger of the exchanges are completed it is unlikely however that London brokers will be allowed to open branch offices in the provinces.

Even if they were allowed to do so it is doubtful whether many would be prepared to go, as the total business in the provinces is small compared with that transacted in London and is mainly of a local nature. Fears have been expressed particularly in the provinces that the result of any merger would simply be additional business for the London jobbers. But it is unlikely that the London Stock Exchange will argue that dealings in local stocks should be channelled through London even if there is a National Stock Exchange, though it might well take a different view about dealings between provincial stock exchanges in stocks in which the dealing price is effectively made in London. This is only one of a number of important questions which will have to be settled. Members' qualifications, advertising, compensation funds and listing requirements are others on which the various exchanges will have strong and sometimes conflicting views. Clearly there will have to be accommodations on all sides. Meanwhile stockbrokers in Scotland are discussing the possibility of creating a Scottish Stock Exchange even though they are prepared to take part in the London talks. One concession already made in London can be seen at the foot of the first series of prestige advertisements to be put out by the London Stock Exchange: attention is drawn, though in small print, to the existence of the other exchanges.

AIRCRAFT INDUSTRY

Shapes for the 1960s

COMING events cast long shadows across the aircraft industry. Dismissal notices to 3,000 Rolls-Royce workers are a sign that the government is serious in its plans to reduce the industry's size. The wooden mock-up of a small jet airliner shown by the Douglas Aircraft Company in America is a sign that the British Aircraft Corporation's 111 jet may not have the market all its own way. The relative absence of excitement accompanying the wheeling-out of the same company's big VC 10 jet (contrast this with the ballyhoo a few months back for de Havilland's Trident) is a sign that no one expects this machine to make much impact on world markets ; if the government and BAC between them recover their investment in the VC 10 there will be grateful sighs all round. BAC's profit on its first year of trading was a bare £1.6 million on £75 million worth of sales, too small to allow for slips. But the longest shadow is being cast by the smallest aircraft ; when the Bristol 188 (Bristol is now part of the British Aircraft Corporation) was delivered to the Ministry of Aviation last week, one era in flying was ended and another begun.

This is a steel research aircraft, four years late and not built to any particularly imaginative design. It is, however, one of the very few machines in this world built or being built to fly at three times the speed of sound. This speed has come to stand for one of the milestones in aviation. Just as 500 mph marks the point where aerodynamics oblige the designer to change over from propellors to jets, so Mach 3, or approximately 2,000 mph, has come to symbolise the point where skin friction and surface temperatures of 350° C oblige him to forgo the traditional light alloys and move on to the steel-and-titanium aircraft.

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Strong Francs and Weak Francs

The pattern of European external payments is changing in important ways. The six countries of the common market are still in strong surplus with the rest of the world. But the size of the basic surplus is expected to fall significantly this year from the high level of $3 billion and more reached in 1959, 1960 and 1961. The most chronic creditor, Germany, at last seems in sight of reasonable balance—though now, under official guidance, its short-term interest rates are creeping up again. Our special correspondent who reported on the changing views at the Bundesbank three weeks ago turns this week to the unfamiliar problems of chronic surplus in France and the equally unfamiliar problems of yawning deficit in Switzerland. No movement of citizens is reported to be streaming out of Geneva to put its money in private banks in Annecy ; but otherwise there is much in Europe's present payments conjuncture that seems like Alice in franc-land.

FRANCE, like Italy, expects little reduction in its basic surplus this year, and neither of these countries yet looks on its surplus or the level of its reserves as starkly excessive—for in neither do the financial officials who are concerned with these matters take the present political stability for granted. France expects a further basic surplus of $600-$800 million this year, of which about half may be taken in an increase in reserves to $3½ billion ("which won't hurt anyone") and the remainder disposed of in further prepayments of external debt. A further $58.7 million is to be paid to the United States this month ; but France is now running out of debt to prepay. The French authorities are fully in sympathy with the United States pleas, strongly expressed in the Paris meetings of the influential "Working Party Three" of OECD, for a larger outflow of long-term capital: but they do not quite see how to promote it. Restrictions on portfolio investment overseas were lifted earlier this year with the abolition of the *devise titre*—with little effect. Applications for direct investment are dealt with liberally ; but they are few. And, to the embarrassment of the authorities in Paris as well as Washington, French firms are borrowing in New York rather than American firms in Paris. M. Rueff in particular has ideas of how to get French long-term interest rates down ; but the authorities have taken only cautious steps here, encouraging the banks to put more money into industry through medium-term credits in the framework of the same total liquidity ratio.

If the private capital market in France fails to provide an offset to the French external surplus, the authorities realise that they, like their counterparts in Germany, will be under pressure to provide the offset in public exports of capital—which invariably involve political difficulties. But the Bank of France has no intention of bypassing this problem by shifting surplus foreign exchange into the hands of the commercial banks. Because they strongly dislike hot money, the French authorities still do not allow their commercial banks to take up short-term investments in foreign money markets against francs. The Paris banks can and do deal actively in foreign currencies, and the pool of Euro-dollars and other external deposits in Paris is $800-$900 million ; but the foreign deposits cannot be converted into francs.

This continuing fence between Paris and outside money markets, combined with a particular conjuncture of commercial operations, has meant that while the dollar is almost constantly at its floor against the franc in spot markets, the forward dollar is at a premium. The French authorities were somewhat surprised, therefore, when the Americans proposed that they should be granted a credit in francs equivalent to $50 million (actually on a mutual basis —the Bank of France has been given the same unwanted addition to its reserve of dollars) for exchange operations on the line of those successfully conducted in other centres, where the objective has been to strengthen the dollar in the forward market, to cheapen swaps. In Paris this was unnecessary and (because of the tight controls on short-term capital flows) irrelevant ; while in the spot market the Americans' 245 million new francs would be a drop in the ocean compared with the amounts the French authorities have needed to keep the dollar from falling through the floor. The upshot is that the Federal Reserve's franc facility has not been used ; it is essentially symbolic ; and it is not certain that it will be renewed when it falls due in June.

IN Switzerland, meanwhile, the earlier American official purchases of forward dollars have now been unwound in the wake of the sharp weakening of the Swiss franc. These forward purchases, which reached $150 million, were fully approved by the Swiss National Bank as a useful measure to encourage holders not to repatriate their dollar funds and thus unload still more dollars on its reserves. As the market tide has turned, the Americans have been able to liquidate their commitments and also repay their short-term credit of 200 million Swiss francs; the purchases of Swiss francs for dollars that this has involved have worked precisely in line with the need of the moment and must have kept down the amount of support purchases needed from the Swiss authorities themselves. These reached only small proportions (probably around $20 million) and the authorities intervened in small doses at an ascending scale of rates, from 4.3410 to 4.3480, indicating that their intention was to check any secondary speculative repercussions rather than provide a continuing floor under the Swiss franc at this rate—which is still well above the parity of 4.37. The formal lower limit of the Swiss franc is only 4.45—though paradoxically, while the Swiss have had the widest theoretical margin of fluctuation for their currency, the effective range at 4.31½-4.34 has until recently been among the narrowest.

The size of the Swiss commercial deficit, of 600 million francs on current account in 1961, with another billion francs flowing out in foreign capital issues, could carry the Swiss franc down into this unaccustomed range in the months ahead—provided world politics and world finance remain sufficiently at peace to hold back any new inflow of flight money. But it is not the external problem that worries the Swiss—the authorities there have long been conscious of having too much rather than too little liquidity. The real concern, which is voiced with strange uniformity by a wide section of the business community, is with what is happening inside Switzerland. The rise of 4 per cent in the cost of living in the past year, equivalent to the whole increase in five preceding years ; the continued boom in Swiss shares, which in some cases reduces yields to sums smaller than is needed to pay the annual property tax that some cantons levy at fractions of one per cent ; the equally soaring price of real estate, which has made the *Bahnhofstrasse* dearer than Wall Street and lakeside villas the most sought after in Europe ; above all, the growing proportion of foreign workers, now one in four of wage and salary earners in Switzerland—these are daily topics of complaint, and they are seen as signs of a deep-seated malaise. "We Swiss are growing soft. Look round in Zurich. Custom built Lancias and Europe's most expensive shop windows. All the dirty and tedious jobs are being left to foreigners. It is an old danger—we must remember the Romans." All this from a well-heeled private banker who does not ride in a Volkswagen and no doubt has a modest country place in the Ticino. He also arrives at his desk at eight in the morning. There have been deficit countries that created more convincing alarm.

COMPANY AFFAIRS
Comments on pages 292 and 293 on :
BBritish Motor — Bowater Paper
Sears Holdings — Gallaher
Mercantile Credit — Hudson's Bay

STOCK PRICES AND YIELDS
Stock prices, yields and security indices on pages 294 and 295

PROFITS
The analysis of profits and balance sheet for the January-March quarter on pages 296 and 297

Possibly because of their experience in building the Bristol 188, designers in this country have an almost unreasoning dislike for the steel aeroplane, although designers in the United States are seriously considering whether this will not be the right machine for supersonic civil flying. Now that the 188 is about to start its flying programme, it will provide some factual evidence to show whether British designers are right in their belief that they and the French should co-operate on a light alloy supersonic aircraft, or merely wrong-headed. The commercial future of the British aircraft industry hangs to a large extent on what can be learnt from the 188.

Out of Hours



BRITISH bankers are becoming increasingly aware that many potential new customers see a bank door only when it is closed. Reform of the Victorian pattern of bank hours is being closely considered; and there is no easy answer. Banks on the continent certainly open their doors earlier and close them later than their British counterparts: but, as British tourists have discovered, they close for a long lunch, do not open on Saturday, and enjoy a liberal sprinkling of public holidays. Over the whole year, all of them, except the German banks, offer their customers fewer hours of banking than do the British. English and Scottish bankers cannot draw too much comfort from the comparison; for their continental counterparts are not really out for popular banking; that they leave largely to the post offices and the "giro" banks.

Britain's bankers are pressed by their customers to extend their service and by their staff to resist. While the banks maintain uniform hours across the country there seems no rational way out. There might be if each branch tailored its hours to the needs of the community it serves. For example, branches in English country towns might follow the continental and Scottish banks and close during lunch. Branches in the West End of London might stay open late on Thursdays with the big stores. Suburban branches might stay open on Friday evenings to facilitate payment of wages by cheque. Most of the banks' potential new customers live in industrial and residential suburbs of cities. To cater for their needs, branches in such areas ought to open at 8.30 in the morning and extend their hours on Fridays to say 7 in the evening (as many trustee savings banks do). Banking during the extended hours might be restricted to a limited counter service, worked on a shift system by the cashiers, to take deposits, cash cheques, and pay bills. At the moment perhaps the only branches that seem to serve adequately the community in which they exist are those in the City of London—and by Act of Parliament these are forced (like the rest) to open on Saturdays, which presents a tremendous and costly handicap to getting and keeping staff, particularly girls. Over the rest of the country the banks could also get a useful saving from Saturday closing—but they could justify it only by major, and flexible, extensions on weekdays.

BANKING HOURS IN EUROPE*

	Open	Lunch break (hours)	Close	Saturday	Public holidays	Total hours open in year
Amsterdam	9·00	2	3·30	shut	8 days	1,134
Brussels	9·00	1½	3·30	shut	9 days	1,265
Frankfurt	8·30	1½	4·00	shut	14 days	1,577
Milan	8·30	2¼	4·00	shut	12 days	1,302
Paris	9·00	2	4·00	shut	12 days	1,240
EEC–average	8·50	shut	3·45	shut	11 days	1,304
London	10·00	open	3·00	9–11·30	6 days	1,400

Table compiled by Manufacturers Hanover Trust Company. *Excluding Luxemburg.

INVESTING IN CANADA

Britain Earns Least

BRITISH investors were late in discovering the Canadian postwar boom; they were not noticeably discriminating; and they were hit by special influences such as switches in the Canadian government's defence programme. In this major field, Britain's postwar investment has yielded disappointing results; and experience here can clearly not be any general guide to Britain's experience in overseas investment elsewhere. In an article in the current issue of *Moorgate and Wall Street* (published by Philip Hill and Harriman Ripley) Dr John H. Dunning of Southampton offers specific investigations of British experience in Canada that are interesting and useful. Dr Dunning calculates that over the five-year period 1955-56 to 1959-60, average net profits earned by British companies were only 4.9 per cent of net worth. For manufacturing the ratio was 6.8 per cent and for mining investment there was a net loss. Dr Dunning finds that these earnings are lower than those of Canadian companies and lower still than those of American companies in Canada. He sensibly points out that profit is not the only consideration in overseas investment: interestingly, he finds that 40 per cent of British companies thought they had increased their exports to Canada as a result of having subsidiaries there and only 16 per cent thought that exports had been reduced thereby.

Dr Dunning then goes on to ask: "Why is it that British firms in Britain earn lower profits than American or Canadian companies, British firms in the US earn less than American companies, British firms in Canada earn less than Canadian or US companies and British firms in Australia earn less than Australian and US companies?" To this staircase of a question, Dr Dunning returns an equivocal answer:

> To argue from these facts that American, or firms of other nationality, are always more efficient than British firms may be unwarranted without further evidence,

Unwarranted or not, Dr Dunning adds:

> but it may well be that the failure of UK subsidiaries overseas to earn at least average profits is no small reflection of the competitive ability (or lack of ability) of the parent companies themselves.

It may well be. But research is one thing and inferences are another.

PROFIT RATIOS IN CANADA*

	UK firms Dr Dunning's 1955/60	Canadian firms Financial Post analysis 1955/60	Canadian Bank of Commerce 1957/59
		Per cent	
Manufacturing:—			
Iron & steel prods.	7·3	9·0	11·8
Pulp & paper	7·4	10·9	8·1
Textiles & clothing	8·6	5·4	9·5
Foods & beverages	8·0	9·0	12·1
Chemicals	5·9	12·8	11·0
Non-ferrous metals	5·1		10·9
Other manufacturing industries	2·1		12·0
Total manufacturing	6·8	9·6	10·4
Oil and minerals	−0·5	9·3†	5·9
All 'goods industries'	4·9	9·4	8·6

* Net worth divided by net profit. † Petroleum only.

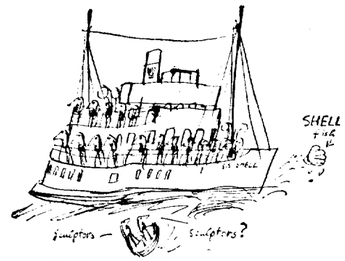
GAS TURBINE CARS

Rover's Hopes

ROVER is the only car manufacturer in Britain that is definitely attempting to develop a gas turbine car; and, as befits a relatively small firm, it is trying to make this

PROJECT 304

The story of the great
Shell Chemicals
Sculpture Competition
by A. N. Other—Carter

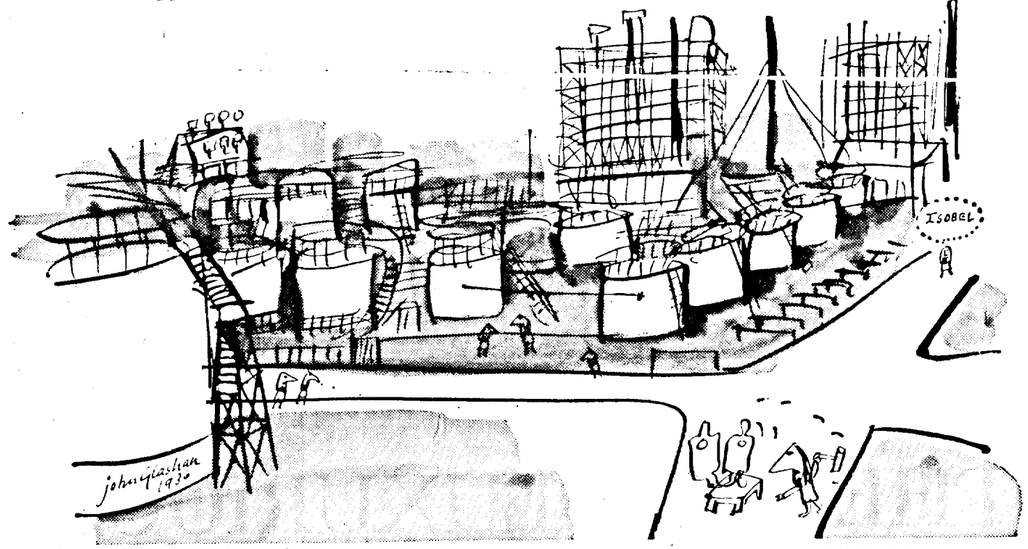


Chapter Six:
Over the Sea to Stanlow

Our director Mr. Carter, who conceived the plan for the great sculpture competition for *The Spirit of Shell Chemicals*, was not so naive as to suppose that all the method and the irrationality of your true artist produced a crop of droll encounters that would make a novel, let alone a series of twelve advertisements, of which this is No. 6 (advertisement). Take the group that went on the ship chartered for a trip from the Port of London to our plant at Stanlow, on the Manchester Ship Canal. The idea was to go round Wales and have a few briefings during the voyage by chaps like Carter from Polyolefins and Carter from Low Pressure Waxes and Greases. It seemed to attract all the wild ones – the great but unconventional Spaniard Paella, Max Grob, the leading Destructionist and so on. They persuaded the captain to anchor off Aberystwyth and disappeared for days to secret drinking parties in Welsh valleys. They brought back with them a wild-eyed man called Jones the Statue . . .

Arrived finally at Stanlow they showed little interest in the way olefinic gases are separated into streams containing propylene and butylene (source of synthetic rubber), in the production of alcohols, ketones, Epikote resins (for paints). Yet how unpredictable is Art! Max Grob, rather rudely, I thought, leafing through a pamphlet during a lecture by Carter from Ketones, suddenly shouted 'Nitra-Shell, Dieldrex, TP5101.' Nothing to do with Stanlow; it was a Shell Haven (Essex) pamphlet. But he instantly began to form strange figures (Carter, the Sculpture PRO, saw that there was always clay to hand) infinitely moving in their doom-laden savagery.

Largely because of Paella I was glad Isobel (ah, those old sculpting days in Paris) wasn't on this trip. Had I but known . . .



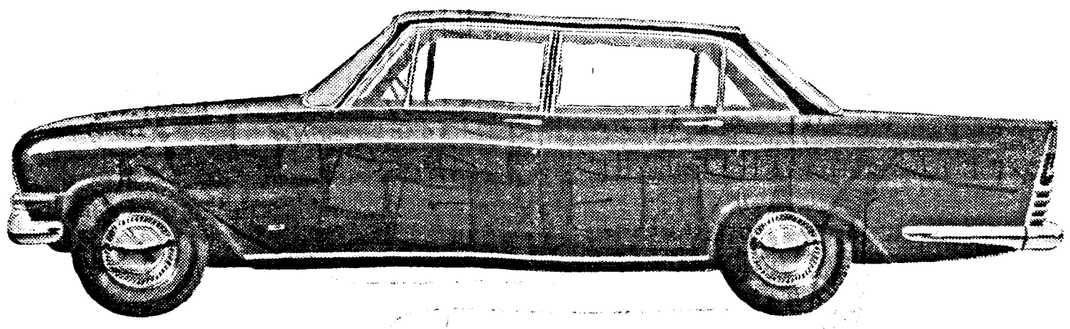
participants would go round our plants and laboratories taking notes, looking, listening, learning, then go quietly home and, in the white-hot crucible of Art, transform the concept of plastics, resins, expanded polystyrene (for insulating buildings, etc.) horticultural sprays, seed dressings, monoethanolamines, detergents and the rest of it into 'some noble and moving form, some passion of advancing and receding planes, some marvellous, positive, joyous occupation of multilinear space', as Cosmo Fanlight, TV panelist, articist, Chairman of the judging panel, put it.

Some did, of course; but in others the clash between scientific

Do not miss Chapter Seven: 'The Metamorphosis of Carter the PRO'

For any information about chemicals contact the Information Officer, Shell Chemical Company Limited, 170 Piccadilly, London W.I.

A new concept in Ford motoring...



THE NEW LUXURIOUS 100 M.P.H. ZODIAC MK.III

The Zodiac Mk. III is powered by a newly-developed 2553 cc. unit, designed with twin exhausts to deliver 112 bhp. The four-speed gear box has synchromesh on all four gears. Front wheel power disc brakes and four sealed-beam headlamps are standard. The road holding is superlative in any circumstance. And the latest no-maintenance fluid-drive automatic transmission can be fitted.

With all this goes the quietness, comfort and security of a prestige limousine. Nearly five feet of interior width in front and rear seats. (The Zodiac Mk. III is an easy 6-seater that is yet neat and nippy to handle in the tightest corners.) Fitted pile carpets. Foam rubber seating trimmed with new Cirrus 500 and optional extra of fully reclining adjustable-rake separate front seats. Two-zone heating and ventilating system. Zero-torque non-slam door locks. Variable-speed electric wipers with washers. Electric clock. Cigar lighter. Vast luggage space. And everywhere everything finished and polished as it should be, as *you* want it, in 1962's *top* car. **£1070.15.3** (£178 + £292.15.3 p.t.) *Invitation.* The Zodiac Mk. III is now available at your Ford showroom. You are cordially invited to inspect it, and, if you wish, test-drive it.



1962's TOP CAR FROM FORD OF BRITAIN

a self-supporting exercise by selling the gas turbines that it has developed for industrial uses. Its latest prototype, sent off for exhibition in New York this week, is a design that could be put into production, with a handsome four-seater saloon body. The cost would, it guesses, be 25 per cent more than that of a conventional car of the same size; and with design problems and the handicap of unfamiliar servicing techniques to be overcome, Rover is cautious about starting production. But it sees good chances that costs will fall and performance improve—good enough for it to feel that a decision to start production is a matter of when rather than whether.

Rover reckons that it can save cost by designing for cheaper materials or simpler production techniques, and it hopes that the price of the expensive heat-resisting alloys it has to use for the turbine may fall. Where its present car uses a stationary block-type heat exchanger—like a car radiator—to transfer waste heat from the exhaust gases to the ingoing air, it is considering a change to the rotating type of heat exchanger used by Chrysler. This can be made from cheaper materials than the stainless steel sheet Rover uses for its present heat exchanger (though BMC is experimenting with mild steel for a similar unit). And by going over to a radial turbine—in effect, a centrifugal compressor running backwards—for the turbine that drives the compressor, it will be able to cast both units—using the bronze age lost-wax technique.

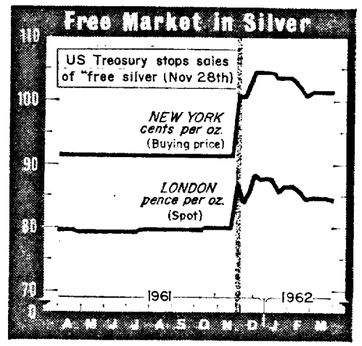
Even on the most optimistic assumptions, however, a gas turbine is unlikely to be as cheap as a piston engine. It will have to be sold at some premium over conventional cars, on the appeal of novelty and smooth performance. A specialist manufacturer like Rover may be better placed to exploit such a car than a bigger firm, which would find it more difficult to fit any small-volume production line into its factory. Indeed, the gas turbine may never be more than the power unit of luxury or sports cars and heavy lorries.

SILVER

In the Groove

To the disappointment of some over eager speculators, silver has not run wild in its first four months of freedom. If it continues to maintain the degree of stability it has exhibited over the past month, in which the London and New York spot markets have been virtually stuck in a groove at about 84½d. and 101½ cents an ounce respectively, silver will soon earn a reputation for being the best behaved commodity enjoying unfettered freedom. In fact, the less exuberant market for silver might hinder the passage of legislation for rounding off the first step taken by the United States at the end of November to set silver free.

Silver miners in the United States have obviously gained from the Treasury's suspension of silver sales at 91⅛ cents an ounce delivered to customers. But only when the Silver Purchase Act of 1934 and subsequent silver legislation is repealed will they lose their right to sell their silver to the Treasury at 90½ cents. They will not therefore be so keen to see that side of President Kennedy's silver policy enacted. Since no immediate point of principle is at stake, the Administration might not therefore force matters, though this means that existing restrictions on dealings in silver will remain for the time being.



In London the premium on forward supplies of silver has recently vanished for the first time since the scramble for silver began in 1960. Forward silver normally stood at a discount because the mines usually chose to offer supplies for forward delivery and buyers preferred to deal for cash. When speculation reached its zenith, buyers wanted forward silver to postpone the need to finance their purchases. Since their demands could not be met from the usual sources, dealers bought spot silver and sold it forward adding their carrying charges to the price.

According to Samuel Montagu's annual bullion review, forward purchases of silver last year reached 50 million ounces. But forward silver is a very subdued market today. Though arrivals of Chinese silver have not been resumed, in view of China's continuing purchases of grain which cannot be financed by cuts in other imports, further deliveries are likely. Oversize stocks held by silver users, as yet unliquidated holdings of speculators and other miscellaneous sources of silver appear to ensure adequate supplies for this year. Save for the unexpected, silver looks set for a comparatively quiet year.

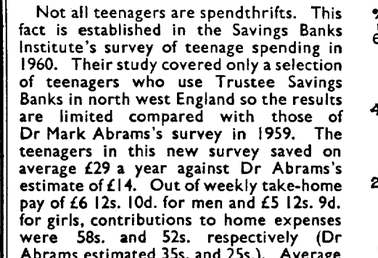
PLASTIC PIPES

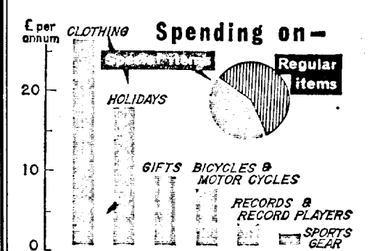
Joining Them

The biggest makers of cast iron rainwater and soil pipes, Allied Ironfounders, has announced that it is producing a range of soil pipes in polyvinyl chloride and plans to introduce a range of rainwater goods later on in the year. They will sell at about 5 per cent below the price of the cast iron pipes. With an eye on the continent, the pipes are being made in metric dimensions. This should not be taken as an admission that cast iron will shortly be superseded; Allied Ironfounders feels that an architect building for posterity will

Thrifty Teenagers

Not all teenagers are spendthrifts. This fact is established in the Savings Banks Institute's survey of teenage spending in 1960. Their study covered only a selection of teenagers who use Trustee Savings Banks in north west England so the results are limited compared with those of Dr Mark Abrams's survey in 1959. The teenagers in this new survey saved on average £29 a year against Dr Abrams's estimate of £14. Out of weekly take-home pay of £6 12s. 10d. for men and £5 12s. 9d. for girls, contributions to home expenses were 58s. and 52s. respectively (Dr Abrams estimated 35s. and 25s.). Average spending was 58s. 8d. a week (Dr Abrams 64s.) but of this 24s. 4d. was spent on the "special items" shown in the chart alongside which were paid for partly through savings. Dr Abrams's average teenager spends 2s. 3d. a week more on clothes but 2s. 2d. less on holidays. The "regular items" total of 34s. 4d. a week includes cigarettes and tobacco 3s. 10d. (Dr Abrams 6s. 10d.) meals out 3s. 2d. (5s. 10d.) cinema admissions 2s. 9d. (1s. 7d.) and alcoholic drinks 2s. 5d. (3s. 10d.).





still use cast iron. However, other manufacturers of these pipes in conventional materials are also turning to manufacture in plastic, usually through subsidiaries: Universal Asbestos owns half of Allied Structural Plastics, and Burn Brothers is behind AB Plastics. In this way, the existing producers hedge against future competition.

It has not been an easy task to persuade builders, architects and public authorities to accept plastic where they were accustomed to something more substantial, and this task is by no means complete. Unfamiliar materials must be proved and early failures are, rightly, given quite disproportionate weight. The pipes have obvious advantages in lightness and do not need to be painted, but they have not been tested at length and will meanwhile be regarded with caution.

The first company in the field was La Brecque, followed in 1959 by Marley Tile and Osma. In 1961 three companies (Yorkshire Imperial Metal, Associated Builders' Merchants and Allied Structural Plastics) introduced ranges which included injection-moulded fittings—a technique which is better suited to mass production methods than the hot-forming methods previously used. The companies more recently entering the field have the advantage of possessing selling organisations which are already established in the building trade—indeed, which already sell virtually the same goods. The business for which pvc rainwater and soil pipes are competing amounts to about £6 million a year; it is hoped that sales will be running at an annual rate of £1 million by the end of 1962. So far, the market for plastic rainwater goods has been limited by lack of experience with the new products and the builders' traditional unwillingness to gain it by learning a new technique. But the high cost of tooling up to make the wide range of fittings needed has saved the market from overcrowding. This will not last if the competitive pressures so familiar in the plastics fabricating industry continue to be felt.

COCOA

Unsettled Season

THE tail-end of an extraordinary cocoa season might still have some surprises in store, but the only big doubt still unresolved is the size of Brazil's temporao crop—will it be 1.5 million bags or 400,000? The main season in West Africa has been scarcely less predictable; everything pointed to a sharp fall in production in the opening months, but near record output resulted. Producers appeared to be in danger of holding a large surplus of cocoa at the end of the season, but they have disposed of most of it with surprising ease. After all the gyrations, the price of cocoa (about £164 a ton) is back where it started at the beginning of the season and its problems are just as far from solution.

Gill and Duffus estimate that production this season, based on a prediction of 1.1 million bags for Brazil's unharvested temporao crop, will reach the record level of 1,172,000 tons. If consumption rose by 10 per cent this year as it did in 1961, there would still be a surplus of some 70,000 tons to add to the surpluses of the previous three seasons. Warehouse stocks in consuming countries have risen to levels unprecedented since the war. Consumption is now far higher and manufacturers have never had the opportunity since the war of bringing their stocks up to what they consider a satisfactory level. Therefore what has gone before need not be considered injurious though it has produced what growers consider uncomfortably low prices. It is what lies ahead that gives cause for concern.

Had crops fallen this season, the record out-turn of 1960-61 might have been considered as something of a freak. It is not considered a freak now and there seems every chance of higher crops in the future from Brazil, whose output has been disappointing, and in West Africa. The rise in cocoa grindings reported so far this year has been well below expectations. The first three months of the year are not as important as in the fourth quarter though, because most chocolate is eaten in the northern hemisphere, they are more important than the summer season. Grindings rose most sharply in Britain, but the sweet tax, partially offset by reduced import duties on cocoa will not help matters.

This season, the five main producing countries have formed themselves into an alliance to devise means of checking the downward trend in cocoa prices. This is the sort of news that in earlier seasons might have had a strong market impact, but it has been largely robbed of its influence by familiarity. The projected international cocoa scheme is marching forward at a pace that suggests it cannot arrive before the start of the new season, so that the alliance might become an effective interim force. The major change in marketing this season has been the transfer of Ghana's selling activities from London to Accra; which has caused a loss of business to some London dealers but no great hardship. Nigeria also sells in Lagos now but its selling agency in London appears to have done most of the business.

SHORTER NOTES

Tramp shipping freight rates rose slightly in March; the index was 1.7 points higher than in February at 96.9 This has not, however, been reflected in any improvement in the market for ships; in its quarterly report Harley Mullion records a continued fall in prices. A standard war-built steamer has fallen in price from £125,000 at the end of last year to £95,000 now.

* * *

Railway freight revenue in the first 12 weeks of this year was £3,990,000 lower than in the same period of 1961. Mineral traffic was over 20 per cent down and merchandise fell about eight per cent. Passenger traffic, by contrast, rose by over two per cent because of higher fares. Total revenue was 1.6 per cent lower at £150 million.

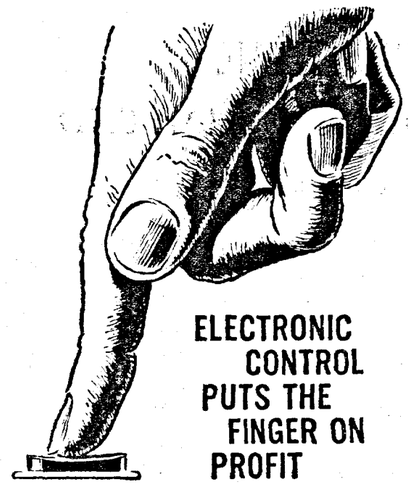
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The Stock Exchange Council has now confirmed the alteration to its rules proposed last month. It has made some amendments to its original proposals, the most important of which gives one-man firms until March, 1967, instead of March, 1963, to change their status.

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

Demand for sterling continues strong, and the authorities have taken in more dollars for the reserves. Markets became quieter with the approach of the Easter holiday. The gold price has been stable at $35.08.

	Effective Limits	Market Rates : Spot					
	April 17	April 11	April 12	April 13	April 14	April 16	April 17
United States $	2·78–2·82*	2·81 3/32–1/2	2·81 5/16–7/16	2·81 7/16–9/16	2·81 7/16–9/16	2·81 7/16–9/16	2·81 1/2–5/8
Canadian $	...	2·95 1/16–5/16	2·95 1/4–3/8	2·95 3/16–3/8	2·95 1/8–3/8	2·95 1/2–5/8	2·95 9/16–11/16
French Fr.	13·622–14·027	13·78 1/2–3/4	13·78 3/8–7/8	13·79–79 1/4	13·79 1/8–3/8	13·79 1/8–3/8	13·79 3/8–5/8
Swiss Fr.	11·94–12·54 7/8	12·23–23 1/4	12·22 3/8–7/8	12·21 7/8–22 1/8	12·21 7/8–22 1/8	12·21 3/8–7/8	12·22 3/8–5/8
Belgian Fr.	137·96–142·05	140·05–10	140·05–10	140·15–20	140·15–20	140·17 1/2–22 1/2	140·17 1/2–22 1/2
Dutch Gld.	9·98 1/4–10·28 1/2	10·12 7/8–13 1/8	10·12 7/8–13 1/8	10·13 1/4–3/8	10·13 1/4–1/2	10·13 3/8–5/8	10·13 3/8–5/8
W. Ger. D-Mk.	11·037–11·365	11·25 1/4–1/2	11·25 3/8–5/8	11·25 1/8–3/8	11·25 1/8–3/8	11·25 1/2–3/4	11·25 3/8–26 1/8
Portug. Esc.	...	80·15–25	80·15–25	80·15–25	80·15–25	80·15–25	80·15–25
Italian Lire	1725–1775	1746–46 1/2	1746–46 1/2	1746 1/2–47	1746 1/2–47	1747–47 1/2	1747–47 1/2
Swedish Kr.	14·27 1/2–14·70	14·48 3/8–5/8	14·47 7/8–48 1/8	14·47 3/4–48	14·47 7/8–48 1/8	14·47 1/2–3/4	14·48 1/4–1/2
Danish Kr.	19·06 1/2–19·62	19·38 1/2–39 1/8	19·38 7/8–39 1/8	19·39 3/4–40	19·39 1/2–40	19·40 1/4–1/2	19·39 1/2–7/8
Norwegian Kr.	19·71–20·30 1/2	20·04 3/8–7/8	20·04 1/2–3/4	20·04 7/8–05 1/8	20·04 7/8–05 1/8	20·05 1/4–1/2	20·05 1/4–1/2
	* Official Limits	One Month Forward Rates					
United States $		9/16–7/16c. pm	9/16–7/16c. pm	9/16–7/16c. pm	9/16–7/16c. pm	9/16–7/16c. pm	9/16–7/16c. pm
Canadian $		9/16–7/16c. pm	9/16–7/16c. pm	9/16–7/16c. pm	9/16–7/16c. pm	9/16–7/16c. pm	9/16–7/16c. pm
French Fr.		13 3/4–11 1/4c. pm	13 3/4–11 1/4c. pm	13 3/4–11 1/4c. pm	13 3/4–11 1/4c. pm	13 3/4–11 1/4c. pm	13 3/4–11 1/4c. pm
Swiss Fr.		2 1/2–2c. pm	2 3/8–2 1/4c. pm	2 3/4–2 1/4c. pm	2 3/8–2 1/4c. pm	2 7/8–2 3/8c. pm	3–2 1/2c. pm
Belgian Fr.		37–27c. pm	37–27c. pm	35–25c. pm	35–25c. pm	35–25c. pm	35–25c. pm
Dutch Gld.		1 1/4–3/4c. pm	1 7/8–7/8c. pm	1 3/8–7/8c. pm	1 3/8–7/8c. pm	1 3/8–7/8c. pm	1 3/8–7/8c. pm
W. German D-Mk.		2 1/2–2pf. pm	2 1/2–2pf. pm	2 1/2–2pf. pm	2 1/2–2pf. pm	2 1/2–2pf. pm	2 3/4–2 1/4pf.pm
		Three Months Forward Rates					
United States $		13/8–11/8c. pm	13/8–11/8c. pm	17/16–15/16c. pm	17/16–15/16c. pm	13/8–11/8c. pm	13/8–11/8c. pm
Canadian $		13/8–11/8c. pm	13/8–11/8c. pm	13/8–11/8c. pm	17/16–15/16c. pm	13/8–11/8c. pm	13/8–11/8c. pm
Swiss Fr.		7/8–6 1/2c. pm	7 1/8–6 3/8c. pm	7 1/8–6 3/8c. pm	7 1/8–6 3/8c. pm	7 1/4–6 3/4c. pm	7 1/4–6 3/4c. pm
W. German D-Mk.		6 1/2–6pf. pm	6 3/4–6 1/4pf. pm	6 3/4–6 1/4pf. pm	6 3/4–6 1/4c. pm	6 3/8–6 1/8pf. pm	6 3/8–6 1/8pf. pm
		Gold Price at Fixing					
Price (s. d. per fine oz.)		249/4 1/4	249/4	249/3 3/4	...	249/3	249/2
" ($ " " " ")		35·08	35·08	35·08	...	35·08	35·08



ELECTRONIC CONTROL PUTS THE FINGER ON PROFIT

The profitability of many industrial processes depends on accurate methods of weight control. And as competition hardens, both at home and abroad, profit margins are becoming tighter. Increased profits come from decreased wastage of materials and better use of manpower—direct results of faster handling and more accurate, sustained control of materials. In view of this, more and more industries are turning to automation, using Avery weighing equipment with electrical and electronic control systems.

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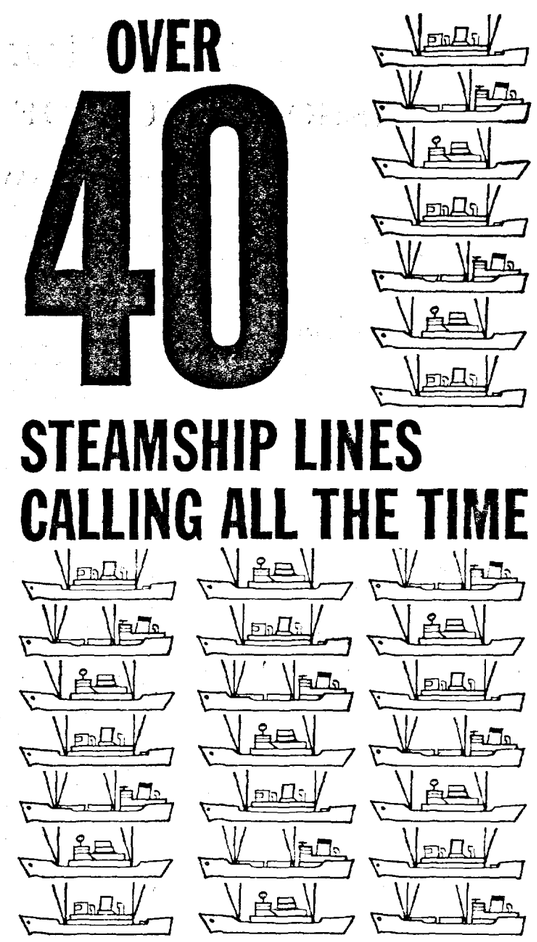
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COMPANY MEETINGS

PROVIDENT LIFE
ASSOCIATION OF LONDON LIMITED
MR J. R. DAVY'S STATEMENT

The annual general meeting of Provident Life Association of London Limited will be held on May 9th in London.

The following statement on the directors' report and accounts for 1961 has been issued by the Chairman, **Mr J. R. Davy, JP**:

I am pleased to report that the Company's record of satisfactory and consistent progress continued during the year 1961 and that a number of new landmarks were passed. Before summarising the results, I would first call attention to the increase in the rate of Bonus—perhaps the most gratifying achievement of the year. The declaration for 1961 of a Bonus of £3 per cent upon With Profit Policies in the Participating Fund is an outstanding result and exceeds by 10s. per cent the highest rate previously declared by the Company. This renders our With Profits Policies even more attractive and competitive and should result in a further rapid expansion of new business of this class.

CONTINUING PROGRESS

The Company once again achieved a record total of New Business both as regards Sums Assured and Annual Premium Income. The new Premium Income at £524,388 showed a substantial improvement on the high total for the preceding year. New Sums Assured at £20,566,163 exceeded a total of £20 millions for the first time. It is a remarkable indication of our rapid progress of recent years that as recently as 1953 our total new Sums Assured were only about £9 millions —showing that our new business has more than doubled in only eight years.

A substantial contribution to the new Annual Premium Income has been made by Deferred Annuities issued during the year. A year ago I predicted a further increase in this class of business, which mainly consists of policies issued in connection with pension schemes and arrangements of various types, and I am glad to report that we are satisfied with the rate of increase which has been achieved. The combination of attractive rates of premium, exceptionally flexible contracts and our increased staff of specialist Pensions Inspectors has enabled us to give a service which has been welcomed by employers and which should continue to give rise to further improvement in business in this field.

INCOME AND OUTGO

Largely as a result of the high rate of new business now being achieved, the income of the Assurance Funds continues to expand satisfactorily. The premiums received during the year exceeded £2½ millions and, in addition, single premiums for Annuities amounted to over £¼ million.

The other main item of income is, of course, the interest and dividends upon the Company's investments, which in 1961 totalled £1,458,095, an increase of over £90,000 upon the total for the preceding year, and resulted in a gross interest yield on the Assurance Funds of £5 1s. 5d. per cent. Bearing in mind the effect upon the Company's interest yield of the low rates of interest charged upon mortgages granted in connection with policies issued under our special House Purchase Scheme in earlier years, this is a satisfactory rate which should increase steadily as older loans are replaced by new mortgages at the higher rates at present being charged. In this connection, I would again point out that, in considering the interest yield upon our funds, it must be borne in mind that the premiums charged under the special House Purchase Scheme contain an allowance for the effect of these mortgage obligations upon the Company's investment policy.

Payments to Policyholders during the year totalled £1,963,746 and showed some contraction compared with the total for the preceding year. This decline, however, conceals contrary movements in the various headings under which such payments are made. Death claims at £205,141 showed a reduction of £140,000 as compared with 1960. The high total for that year was largely due to certain special claims to which I drew attention a year ago, and the figure for 1961 reflected a continuance of our favourable mortality experience and yielded a satisfactory mortality profit. Maturity payments also were below the level of recent years, but the amount paid under the heading of "Surrenders" increased sharply to a total of £426,337, an increase of £116,000 over the preceding year. An analysis of this increase shows that about half of it was due to the growth in the Company's Assurance and Pensions business in the last few years, whilst the balance was due to an unusual number of substantial refunds on withdrawals from service in respect of Pensions Policies.

Commission and expenses were substantially higher than the previous year. The growth of these two items is watched with considerable care and, although we are, of course, not immune from the effect of inflationary increases, improve efficiency and the use of modern office equipment are enabling us to absorb the additional work involved in the rapid expansion of our business without appreciable increases in staff. Accordingly, I am able, largely as a result of the various measures to which I have just referred, to report that the greater part of the increase in expenses in 1961 is due either to the cost of our increased new business or to direct costs incurred in connection with the re-organisation of our capital and obtaining a quotation on the London Stock Exchange.

ANNUAL VALUATION

It will be seen from the usual summary of the results of the annual Actuarial Valuation which appears in the Directors' Report that the ordinary new Surplus for 1961 was £460,193. This figure shows a gratifying increase upon the corresponding total of £403,272 for 1960 and is again a record for the Company. Acting on the advice of the Actuary, the Directors, as I have already mentioned, have been able to declare a Bonus for the year 1961 at the high rate of £3 per £100 of Policy—well in excess of the rate of 50s. per cent paid for many years before 1939 and again achieved a few years ago, and therefore an all-time record for the Company.

In dealing with the valuation results, I would mention certain changes in the rates of interest assumed in the valuation of Single Premium Annuities. I have previously referred to the interest basis (3½ per cent) adopted in valuing these contracts up to 1960. The Actuary now reports that, in the light of the higher rate of interest earned and the terms upon which new moneys can be invested, he regards such a basis as unduly stringent and advises that a valuation rate of 4½ per cent for these contracts would be more in line with current conditions and the Directors decided to adopt this course. It is a remarkable commentary on the change which has taken place in the last few years that, when the previous rate of 3½ per cent was adopted, it allowed a smaller margin compared with the yield on new investments than does the rate of 4½ per cent now adopted. The whole of the surplus released by this change has been used to strengthen other reserves of the Company, £350,000 being added to the Life Assurance Contingency Fund and the balance of £130,000 (in addition to the usual amount of £25,000 from the ordinary surplus) being applied to writing down investments.

ASSETS

During 1961 the total of assets passed the £30 millions mark and by the end of the year exceeded £31 millions, an increase for the year of £2,059,713. As will be seen from the summary of the Company's investments given in the Balance Sheet, the increase in mortgages on house property within the United Kingdom (which now exceed £24 millions) absorbed the whole of the increase in the Company's funds. They were all granted in connection with the Company's special House Purchase Scheme which I have already mentioned. The total number of individual advances is now nearly 17,000 secured upon houses being acquired by the Company's Policyholders—in almost all cases for personal occupation. It has always been the Company's policy to seek business of this class amongst persons requiring medium sized houses and, as a result, the average amount of the new advances granted during the year was only £2,098. Advances of this type form an excellent security upon which losses are very small, as will be evident from the fact that at the end of the year the proportion of cases where there was any interest due and unpaid was less than 2½ per cent of the total. Of these cases, the great majority were not more than three months in arrear, whilst the cases in arrear for more than six months represented no more than one-fifth of 1 per cent of the total. We regard such a result as a remarkable testimony to our borrowers and to the social value of the Company's special House Purchase Scheme, which is specially designed to assist those who have only small capital resources.

Turning to the Stock Exchange securities, the Balance Sheet shows some reduction in our holdings of fixed interest securities, whilst our holdings of ordinary stocks and shares rose by £230,000 as a result of further selective purchases, mainly during the early part of 1961. In recent months, however, we have felt, in common with other institutional investors, that the attractions of the high rates of interest obtainable upon gilt-edged and other fixed interest securities were such that we have preferred to invest in this class of security.

DIVIDEND

After meeting the special expenses connected with the re-organisation of our capital and the obtaining of a Stock Exchange quotation and crediting the first of ten special Income Tax rebates, the Profit and Loss Account shows a balance of profit for the year of £122,057 (1960, £116,558). The Directors have decided to recommend the payment of a Final Dividend upon the Company's Ordinary Shares 'A' and 'B' of 4½d. This distribution, with the Interim Dividend of 4½d. already paid, makes a total of 9d. (15 per cent) for the year and represents a distribution of the same total amount as was distributed for 1960.

CONCLUSION

I am very pleased to report that Major Philip Profumo, who is a grandson of the Company's Founder and first Managing Director, has accepted the cordial invitation of your Directors to join the Board of this Company. He was appointed as from April 5, 1962, and the next Annual General Meeting will be asked to confirm this appointment.

Finally, I wish to thank on my own behalf and for my colleagues on the Board our Managing Director and General Manager, Mr R. J. W. Crabbe, FIA, for the invaluable contribution which his leadership has made to the successes achieved in 1961 and to express our appreciation of the keen and loyal service given to the Company alike by Management and Executive and by our Staff throughout the country and at Head Office.

BAYERISCHE VEREINSBANK
MUNICH NUREMBERG

GEGR. BV 1869

Condensed Balance Sheet as at 31st December, 1961

ASSETS	in 1000 DM	LIABILITIES	in 1000 DM
Cash, Balances at Deutsche Bundesbank and on Postal Cheque Account	205.095	Deposits	1.642.209
Balances at Credit Institutions	186.610	thereof Savings Deposits	505.590
Cheques, Bills, Treasury Bills, and Medium-Term Bonds and Notes	383.855	Funds borrowed at Short, Medium, and Long Term by the Banking Department	149.487
Securities and Holdings in Syndicates	321.111	Loans taken at Long Term by the Mortgage Department	58.131
Equalisation Claims and Covering Claims on the Public Authorities	100.090	Bonds in Circulation (Mortgage Bonds and Communal Bonds)	1.301.576
Short-, Medium-, and Long-Term Lendings of the Banking Department	893.959	Loans on a Trust Basis at Third Party Risk	17.046
Long-Term Lendings of the Mortgage Department (Mortgage Loans and Loans to Public Authorities)	1.243.113	Capital and Published Reserves	160.000*)
Loans on a Trust Basis at Third Party Risk	17.046	Capital	70.000
Participations	46.303	Reserves	90.000
Bank Premises and other Real Estate and Buildings	36.931	Pensions Reserves	33.347
Other Assets	30.352	Other Reserves for Special Purposes	52.695
	3.473.465	Other Liabilities	47.774
		Net Profit	11.200
			3.473.465

*) Now DM 170.000.000 through the increase of capital to DM 80.000.000 pursuant to the decision of the General Meeting of April 5, 1962

Munich, April 1962

Board of Management:
Wilhelm tom Dieck, Albin Harttig, Jürgen von Köller, Dr. Werner Premauer, Dr. German Schweiger, Dr. Franz Steffan, Dr. Werner Teichmann, Dr. Hans Christoph Freiherr von Tucher, Elmar Warning; Alternates: Dr. Max Hackl, Dr. Heribald Närger, Dr. Peter Pfeiffer.

Board of Directors: Dr. Ludwig Mellinger, Chairman; Dr. Hans-Helmut Kuhnke, Vice-Chairman; Friedrich Freiherr von Teuchert, Vice-Chairman.

Dividends:

1952	1953	1954	1955	1956	1957	1958	1959	1960	1961
6%	8%	9%	10%	11%	12%	14%	16%	16%	16%
								+ 4% Bonus	

A. REYROLLE AND COMPANY LIMITED

RECORD ORDERS RECEIVED

MR H. H. MULLENS'S STATEMENT

The Sixty-first Annual General Meeting of A. Reyrolle and Company Limited will be held on May 11th at Hebburn, Co. Durham.

The following is an extract from the statement by the Chairman, **Mr H. H. Mullens, BSc, MIEE,** circulated with the report and accounts for the year ended December 31, 1961:

TRADING

Last time I addressed you, I referred to signs of an improvement in the order book after a period of a serious shortage of work. This improvement has continued with the result that the orders received for 1961 were a record. Competition, particularly overseas, has not abated, and this expansion of our business undoubtedly owes much to new designs developed in recent years. Some of these designs are to general specifications agreed between the manufacturers and the Area Electricity Boards and the Central Electricity Generating Board. Close collaboration of this kind with our main customers in the home market is most welcome and will, we hope, lead to more standardisation and thus to economies in production. These new designs are being readily accepted in our markets abroad.

During the year, substantial orders were received from the Central Electricity Generating Board for 275,000 volt and 132,000 volt switchgear and also for air-break medium voltage circuit-breakers to control auxiliary equipment in their power stations. Orders from the Area Electricity Boards for medium sizes of switchgear continued at a high level, there being a particularly strong demand for our 33,000 volt metalclad switchgear, for which we increased our manufacturing capacity a year ago. We also received important orders for extra high voltage and other switchgear from both the Scottish Boards and the Northern Ireland Electricity Authorities.

The demand for industrial switchgear from the steel, chemical and motor industries was substantial, and here again our new designs contributed to our success in the face of much competition. There was a welcome revival of business from the Divisions of the National Coal Board.

Orders from abroad were also at a high level, and those secured in South Africa established a new record. The Australian, Indian and Far Eastern markets again made substantial contributions to our export business.

THE RESULTS

As 1961 was a year of great activity for your Company, better results had been anticipated. Unfortunately the effect of short time working in 1960 spread over into 1961 and final output figures for the year were not up to the expected target. We had the burden of certain business taken at low margins as part of our policy to provide work for our employees, and direct and indirect costs continued to rise. Adjustments to selling prices to cover such rising costs do not begin to be reflected in our accounts for several months.

The trading profit shows a reduction of 7½% from £2,199,123 to £2,028,583, but this is partly offset by an increase in the income from interest and dividends. After providing £1,383,508 for tax compared with £1,322,896 in 1960, the resultant net profit is £1,381,17? compared with £1,560,306 in the previous year. The Board have allocated £450,000 to general reserve and £400,000 to fixed assets replacement reserve, and recommend a final dividend of 6½%. This, together with the interim dividend of 3½% paid on October 7, 1961, makes a total distribution for the year of 9½%.

Last year I referred to the increase in our liquid funds. Since then a large part of these funds has been absorbed in stocks and work in progress and invested in additional facilities. Outstanding capital commitments are higher than last year. Our investment in additional plant are long term projects, and an immediate return in the form of increased trading profit cannot be expected. This applies particularly to heavy capital expenditure on research and development which we undertake in order to keep abreast of new techniques which are a pronounced feature of the electrical industry.

Your Company exports a substantial portion of its output in the face of severe world wide competition. The return on this business is not as good as we would like, and we feel that the Government who exhort manufacturers to increase the volume of exports in the national interest should provide practical encouragement. Far from doing so, recent increases in profits tax and rates create additional burdens and hinder a company like yours from ploughing back sufficient profits to finance the sums needed for research and development. If Government policy remains unchanged, there is a chance of the British electrical industry lagging behind that of other countries and becoming technically uncompetitive.

SUBSIDIARY AND ASSOCIATED COMPANIES

Your Company had owned about 25% of the equity capital of Nalder Bros. & Thompson Limited for some years, and during 1961 arranged to purchase all the preference and ordinary shares not already owned by the Company. The completion of this transaction resulted in Nalder's becoming a wholly owned subsidiary. This firm specialises in the development and manufacture of indicating and measuring instruments primarily for the electrical industry, including Reyrolle switchgear.

The Bushing Company Limited, with works adjacent to our own at Hebburn, have an increasing demand for their high quality products. To cope with this growth of their business, they are embarking upon an expansion programme to provide more development facilities and manufacturing capacity.

Our income from investments in associated companies has again increased, but future revenue from these sources will mainly depend upon the results achieved by the heavy plant section of the electrical industry.

To support increased sales in South Africa, it has been decided to extend our manufacturing capacity in Johannesburg. The present manufacture in the factory is in the lower voltage range and new designs are now being introduced from our Hebburn works. There is a considerable demand on the Johannesburg factory for a mining switch unit designed and developed by the local engineering staff.

Last year I referred to the arrangements made in Australia with O. J. Nilsen (Australia) Ltd., to set up a jointly owned manufacturing unit in Melbourne. This venture is proceeding well with the enthusiastic co-operation and help of our Australian associates. A number of orders have already been accepted by Reyrolle Nilsen (Australia) Pty. Ltd. and the first locally assembled switchboards will be delivered to customers in 1962.

THE FUTURE

The signs are encouraging. In the home market, the plans for future development which have been outlined by Sir Christopher Hinton, Chairman of the Central Electricity Generating Board, indicate an increasing demand for main transmission switchgear at voltages up to 400,000. It seems probable that the Area Electricity Boards will, in addition to their normal system development, have to undertake a programme of reinforcement to the lower voltage systems to avoid a repetition of the experiences of last winter.

Our future prosperity in this field, and more particularly in export markets, depends upon our ability to meet the trend of rising costs and still remain competitive. In addition to national wage and salary awards there are recurring instances either in regard to labour or materials which add to the direct and indirect costs. We are very near the limit of cost concessions which can be accepted without jeopardising the future.

New assembly shops are being erected at the Hebburn Works, and in spite of some hindrance from the severe weather during the winter, it is anticipated that they will be completed before the autumn. We have embarked upon a larger programme than usual for the purchase of machine tools to add to our machining capacity.

The continuing increase in the voltage and power to be dealt with by large switchgear now visualised will require more expenditure on research and development. Some of the plant necessary for proving tests will be extremely costly and it is hoped that collaboration may be possible so that some of the major costs can be shared. If such an arrangement can be achieved there will be substantial saving with benefit to customers.

BANK SINCE 1870

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REPRESENTATIVE OFFICE IN:
BEIRUT, BUENOS AIRES, CAIRO, JOHANNESBURG, MADRID, RIO DE JANEIRO, TOKYO AND WINDHOEK

BALANCE SHEET AS OF DECEMBER 31, 1961

ASSETS	DM
Cash	742 220 022.88
Balances with other banks	348 999 749.85
Bills discounted	1 838 620 329.74
Treasury bills and bonds	210 985 084.47
Investments	688 494 868.15
Claims on Federal and Länder Authorities	106 766 351.36
Advances	3 024 620 860.50
Long term loans	459 319 756.98
Investments in subsidiaries and associated companies	62 500 000.—
Bank premises etc.	104 500 000.—
Other assets	234 457 364.25
	7 821 484 388.18

LIABILITIES	DM
Issued share capital	200 000 000.—
Reserves	210 000 000.—
Provisions	166 645 035.48
Deposits	
a) sight	2 943 315 287.86
b) time	2 536 489 753.23
c) savings accounts	1 052 573 230.93
Due to banks	168 954 351.82
Own acceptances	9 553 750.16
Long term loans	453 322 998.86
Other liabilities	48 510 456.67
Net profit	32 119 523.17
	7 821 484 388.18
Liabilities under guarantees	935 775 864.26
Bills sold with endorsement	143 272 706.07

Notice as to dividend payment

The General Meeting held on April 17, 1962 resolved that a dividend of 16% is to be paid for the 1961 fiscal year.

COMMERZBANK
AKTIENGESELLSCHAFT

THE BRADFORD DYERS' ASSOCIATION LIMITED

IMPROVED OVERSEAS RESULTS

HEALTHY BALANCE SHEET

MR JAMES EWING'S REVIEW

In his statement accompanying the accounts, **Mr James Ewing,** the Chairman, said (*inter alia*):

ACCOUNTS

It will be seen from the Consolidated Profit and Loss Account that, whilst trading profits of the Association's Branches and Subsidiary Companies in this country have declined, those of the Overseas Subsidiary Companies have improved. The total trading profit of £664,665 compares with £766.251 in the previous year.

Depreciation amounting to £437,380 has been written off Property, Plant and Equipment, whilst £28,595 has been allocated to Buildings and Plant Replacement Reserve; corresponding figures for 1960 were £429,209 and £32,553. This depreciation charge ensures that full provision is made for wastage of the Group's Buildings, Plant and Machinery, whilst the allocation to Reserve takes into account the high cost of replacement of capital assets.

The net amount provided for United Kingdom taxation on profits of the Group for the year is £21,783, after having taken credit for Double Taxation Relief.

After deducting minority interests and taking account of the adjustments in Reserves of Subsidiary Companies, there remains a net profit of £184,578 dealt with in the Accounts of the Holding Company, against the corresponding figure of £246.964 in 1960.

Including the balance of profit brought forward from last year, and after crediting £35,000 in respect of over-provision for taxation in previous years, the total available amounts to £392,302.

DIVIDENDS AND BONUS

The year's dividend on the Preference Stock, less tax, is £78,070 which, together with the proposed dividend on the Ordinary Stock of 6 per cent less tax, requiring £124,516, makes a total amount of £202,586, and there remains a balance carried forward by the Holding Company of £189,716.

In addition your Board has decided to recommend a Capital Bonus payment of 2 per cent, not subject to tax, to Ordinary Stockholders. This special payment will require a further sum of £67,764, and is being paid out of the surplus so far realised on the sale of shares in Beida Dyers SAE, Egypt.

In the past ten years the gross profits of the Association have aggregated £13,305,622; the charge for Depreciation and Replacement Reserve has amounted to £6,068,325 and today the net book value of the Property, Plant and Equipment stands at the conservative figure of £5,563,635. During the ten years UK taxation has absorbed £3,322,167 and the net profits attributable to BDA shareholdings have been £3.307.663; Preference and Ordinary Dividends have amounted to £2,105.901 (net) and the amounts retained in the business over the same period aggregate £1,201,762. Since the Bonus issue of Stock in 1954, the average Dividend paid on the Ordinary Stock has been 6¾ per cent augmented in the last two years by tax free Capital distributions of 2 per cent.

The trading results of our Dyeing, Printing and Finishing Branches in the United Kingdom, taken as a whole, show no improvement on the results of the previous year but are better than those for the year 1959. On the other hand, our Overseas Subsidiary Companies have shown improved results. Our turnover and yardage in both Home Branches and Overseas Subsidiary Companies have been well maintained, which is an indication that, despite the serious fall in total yardage available, our Branches have held their own against the fiercest competition.

ANNUAL GENERAL MEETING

At the sixty-fourth Annual General Meeting of The Bradford Dyers' Association Limited held on April 17th, the Chairman said: Ladies and Gentlemen, a summary of the trading results for the year ended December 31, 1961, accompanied the printed accounts circulated to you on March 19, 1962. I am glad to tell you that the sterling turnover of the United Kingdom Branches for the year 1961 was slightly higher than in 1960 and during the first three months of 1962 it has increased by 6 per cent compared with the first quarter of 1961.

Our Overseas Subsidiary Companies have also maintained their volume and turnover during the first quarter of their financial year and their outlook is reassuring. Mr Naylor, a Joint Managing Director, is at present abroad visiting our interests in Australia, Tasmania, USA and Canada, and his reports are encouraging. In Australia, in particular, where the textile industry during the past two years has been in the depths of a serious slump, trade is now recovering and we believe that before long Davies, Coop & Co. Ltd., Melbourne, in which we have a substantial interest, will return to the dividend paying class.

AMPLE FUNDS

The Consolidated Balance Sheet as at December 31, 1961, presents a healthy appearance with a very substantial cash position of over £2 million. The Company has ample funds to cover the cost of its re-equipment programme and is thus in a strong position to face the future and to overcome whatever difficulties and uncertainties may arise.

This does not include the outstanding claims arising out of the Egyptianisation of our former assets in Egypt. Our certified claim against the British Foreign Compensation Commission for the Egyptianised property amounts to £1,774,470, against which we have received distributions to date aggregating £448,455, leaving a balance outstanding of £1,326,015 which, bearing in mind repeated promises made by members of HM Government, it is reasonable to hope will in time be honoured. There is a further amount of £E535,222, appropriated from our Bank Account by the Egyptian Tax Administration in respect of an unjustifiable tax assessment, against which we have appealed, and we are competently advised that there is a good chance of the appeal being settled in our favour.

DYEING & FINISHING SECTION

I personally had hoped for a substantial improvement in the profitability of the Dyeing & Finishing Section of the United Kingdom industry as a result of the Government sponsored Reorganisation Scheme. There has not yet been time for the industry to obtain the full benefits of concentration. As already stated, I do not consider that sufficient plant was scrapped, and this was probably due to the fact that the full significance of the continuing growth in volume of imports (mainly from Asian countries) of finished goods and garments was not grasped by dyers and finishers when they were determining whether to take advantage of compensation offered under the Scheme. Additional plants have been scrapped since the closure of the official Scheme, and if this trend could be accelerated, even if it means voluntary co-operative schemes, it would soon have a beneficial effect upon the profitability of the Dyeing & Finishing Section.

I am not one of those who take a gloomy view of the future of the Finishing Section, despite its recent vicissitudes. But if it is to make progress, there is need for closer integration in the industry, probably organised vertically rather than horizontally. This will be all the more necessary if, as seems likely, the United Kingdom enters the European Common Market, as the textile industry will then have to compete with Continental vertical companies.

BULK LIQUID TRANSPORT LIMITED

As announced in the press recently, a satisfactory cash offer has been received from Mounton Holdings Limited (a subsidiary of United Transport Limited) for the whole of the share capital of Bulk Liquid Transport Limited. The Bradford Dyers' Association Limited and Cawood Holdings Limited have accepted the offer and have disposed of all their interests in Bulk Liquid Transport Limited.

DIRECTORATE AND HIGHER MANAGEMENT

In June last the Board appointed Messrs J. G. Evans, T. L. Leckie, T. S. Naylor and H. H. B. Priestley Joint Managing Directors in succession to the Management Committee. All these gentlemen have had long experience in our industry.

Mr P. A. Holt, who does not seek re-election to the Board, retires as from this date, having reached pension ago. Mr Holt joined the BDA as a works chemist in 1920, became a Branch Director in 1933, was appointed to the Central Board in 1939, and in 1946 was appointed a Joint Managing Director. In 1958 he became a Vice-Chairman of the Company. I am sure we all wish him a happy retirement.

Mr A. V. Symons has been elected Vice-Chairman of the Board.

CHAIRMAN'S RETIREMENT

I have intimated to my colleagues that I do not wish to be re-elected to the Board and, after 52 years' service with the Association, I also retire as from today. I have been Chairman of the Association since January 1, 1946, and I was also a Joint Managing Director from that date until December, 1958, when I relinquished my executive duties. Since then my main duties, in addition to those of Chairman of the Board, have been the negotiations in connection with our claims that arose from the Suez incident, and the initiation, on behalf of the Piece Dyeing & Finishing Section, of the Government sponsored redundancy scheme which was completed last year.

As regards the choice of my successor in the Chair, Mr A. V. Symons will be nominated by the Board for that position and I feel sure that with his experience as a former Chairman of a large textile manufacturing and merchanting company, he is eminently suited to fill the office in the difficult days that lie ahead. The Board have asked me to continue as a Consultant for three years, and I was very pleased to accede to their wishes.

THANKS TO STAFF AND WORKPEOPLE

On behalf of myself and the Board I express our thanks to our staff and workpeople, including those working for our subsidiary and associated companies both at home and abroad, for their efforts and wholehearted co-operation in the past year.

The Report and Accounts and the new Articles of Association were adopted.

POLLARD

BALL & ROLLER BEARING COMPANY LIMITED

Major expansion programme nearing completion

The annual general meeting of Pollard Ball and Roller Bearing Company Limited will be held on May 10th in London. In his statement which accompanied the 1961 Report and Accounts, the Chairman, **Mr. John King,** said:

The Group accounts for 1961 show that there was a gross profit for the year of £546,642 before providing for taxation. The provision for taxation amounts to £235,383 (44 per cent) leaving net earnings of £311,259 and with the amount brought forward the balance of profit available for distribution is £460,200. The proposed final ordinary dividend of 15 per cent less tax amounts to £113,385.

At the time of the Rights Issue in September, last year, I stated that the indications then were that the profit for the full year to December 31, 1961, would show a satisfactory increase. However, in the last three months of 1961 turnover was affected by the setting back of scheduled deliveries to certain major customers in the motor industry and, at the same time, competition became keener and prices tended to fall. Notwithstanding these adverse trading conditions, turnover for the year exceeded that for 1960, but not by a margin sufficient to offset increased expenses and a depreciation charge heavier by some £88,000 due to recent substantial additions to plant and machinery.

The expansion of the past two years, which will be completed during the current year, has been of a major character designed not only to enlarge the productive capacity of the business, but also to make it more self-supporting and to extend the scope and range of our production.

OVERSEAS SALES AGAIN EXPANDED: Our sales abroad have again expanded. Every effort is being made to develop overseas markets, and, with this end in view, we have formed and taken a controlling interest in the Pollard Ball and Roller Bearing Corporation of New York.

Canadian Pollard Bearings has again experienced a disappointing year, resulting in a small loss.

Our French Subsidiary, Pollard Roulements S.A., had a very satisfactory year and made its first direct contribution to the profit of the group. It is now well established and should continue to grow and flourish. The success of this venture has strengthened your Board's view that it should prove advantageous in the event of the United Kingdom joining the Common Market.

Whitehouse Industries Ltd. has had a record year in the sale of "Philidas" Self-Locking Nuts and is responsible for an increased share of the group profit. The manufacture of high tensile steel bolts will add to our range and turnover this year. As in the case of our ball and roller bearing companies, Whitehouse Industries is using some of the most up-to-date machine tools and techniques in the industry.

It has already been announced that the offer which your Company made for R. & J. Dick Ltd. has been successful and we anticipate that it will be an additional source of profit this year.

THE CURRENT YEAR: The present rate of intake of new orders and the current order book are at a high level and it is expected that the increased capacity arising from your Company's recent major expansion programme will come into full use during the current year. It cannot be anticipated that the full benefits from this programme will be seen before 1963, but given reasonably stable conditions of trade, we expect to be able to achieve some improvement in 1962.

I end this statement with a sincere tribute and an expression of thanks to our staff and workpeople. The happy relationship we have always enjoyed continues and has been invaluable during the past year.

NATIONAL MUTUAL LIFE ASSURANCE SOCIETY

A SPLENDID YEAR FOR NEW BUSINESS

SUMMARY OF MR KENNETH MOORE'S STATEMENT

The one hundred and thirty-second annual general meeting of the National Mutual Life Assurance Society was held on April 17th at the head office of the Society, 5 Bow Churchyard, London, E.C.4. **Mr Kenneth A. E. Moore, FCA,** the chairman, presided.

In his statement, which had already been circulated to the members of the Society together with the annual report and accounts for 1961, Mr Kenneth Moore said that the move to a thoroughly modern head office building had proved an unqualified success and had enabled the staff to cope successfully with the busiest year in the history of the Society.

NEW LIFE ASSURANCE

The net new business for 1961 had, at approximately £6,800,000, been roughly double the average of recent years. There had been special lines of business available during the year which had helped the Society to reach such a high level of new contracts.

In addition the opportunity had been taken to improve the balance of the Society's annuity portfolio. The unusually large sum of £3,000,000 had been received as consideration for new immediate annuities.

EXPENSES

In spite of the absolute increase in expenses due to the growth in new business and the setting up of an organisation adequate to cope with increased business, it was satisfactory to report that the adjusted expense ratio had again shown a modest decrease to 15.8 per cent.

RATE OF INTEREST

The gross rate of interest earned on the Life Assurance Fund (i.e. excluding the Capital Redemption Fund) amounted to £6 0s. 3d. per cent, which was a slight improvement on the previous year. The net rate of interest, however showed a satisfactory increase to £5 2s. 9d. per cent—a rise of 5s 5d. per cent over the previous year.

INVESTMENT EXPERIENCE

The year 1961 was a difficult one for investors but the Society's portfolio had appreciated by more than £1,000,000. Inasmuch as this appreciation had been achieved at the expense of a possible improvement in yield it had been thought appropriate to transfer £250,000 to the Life Assurance Fund. The balance had been transferred to the Investment Reserve bringing it to a total of £2,089,000 against ordinary shares of a market value of £9,573,000. This was in addition to the Reserve Fund of £1,000,000 carried on the liabilities side of the balance sheet.

PROSPECTS

In conclusion Mr Moore referred to the policies which the Society had designed recently to be of special attraction to the younger section of the public and to executives for pension purposes. In this and other respects the Society is thoroughly well equipped to move with the times.

The report and accounts were unanimously adopted.

THE BRITISH WAGON COMPANY LIMITED

MR R. A. DYSON'S REVIEW

The 93rd Annual General Meeting of The British Wagon Company Limited was held on April 13th in Rotherham.

The profit of the Group for 1961 before taxation was £322,461 (1960 £429,432).

The following is an extract from the Statement of the Chairman, **Mr R. A. Dyson**: Last September I expressed some uncertainty about the outcome of the remainder of the year. The profits for the first six months compared very closely with those of the corresponding period of the previous year. The second half of 1961 was burdened with increased money costs following the rise in Bank rate to 7 per cent. In addition, partly due to the general tightening of credit, the sale of motor vehicles declined still further which not only reduced business, but also made the sale of repossessed vehicles more difficult and costly, even though over the last two years the proportion of new vehicles financed has been running at a very satisfactory level.

Later in the year Bank Rate was reduced to 6 per cent, but this occurred too late to have any really beneficial effect in 1961. The further reduction in March, 1962, is most welcome. Business during the first two months has been running well below the corresponding period of 1961, although the seasonal improvement is now beginning to have effect. The hire-purchase balances outstanding have increased by 8 per cent and the Deferred Income is up to £3,148,000, an increase of about 10 per cent. This is some encouragement for our prospects in 1962.

In view of the fall in profits and the uncertainties of 1962, your Directors feel that a final dividend of 5 per cent should be paid, compared with 7½ per cent last year.

A major problem facing Finance Houses a few years ago was the uncontrolled competition in commissions for the introduction of business. It is clearly in the interests of the public, the motor trade and ourselves that we keep our charges as reasonable as possible. In these circumstances the adoption by Finance Houses Association in 1957 of a standard Code of dealers' commission was a valuable achievement.

It is therefore deplorable that one of the largest Finance Houses has decided in the face of opposition from all the other members of the Association to launch a scheme of increased commission. Rather than risk the break up of the Association, it was reluctantly decided to suspend the Code so that the Association could carry out its other valuable functions. A material increase in the cost of commissions must follow.

In conclusion, although this year has been even more difficult than the previous one I am hopeful that during 1962 your Company should be able to halt the recent trend of diminishing profits, provided that the outside influences over which management has no control do not become unduly pronounced.

The Report and Accounts were adopted.

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ZANDPAN GOLD MINING COMPANY LIMITED

(Incorporated in the Republic of South Africa)

DEVELOPMENT PROGRAMME OUTLINED

The seventh annual general meeting of Zandpan Gold Mining Company Limited will be held on May 21st in Johannesburg.

The following is an extract from the circulated review of the chairman, **Mr B. L. Bernstein:**

Operations at the mine during the period under review were concentrated on the completion of No. 1 shaft, which reached its final depth of 7,428 feet in November 1961. The installation of all steelwork in the shaft, including that on stations and loading points, was completed during March 1962, and the shaft has now been commissioned. In the early part of June 1961, Vaal reef was intersected in the shaft at a depth of 6,852 feet below the collar. The results of sampling were reported at the time and are set out in the technical advisers' report.

In my review last year I told shareholders that, because of faulting disclosed during the period of sinking operations, no development would be undertaken until the shaft had been equipped and that development would then be advanced simultaneously on several horizons. During the past year further structural information obtained has confirmed that as a result of block faulting, reef in the immediate vicinity of the shaft is confined to a relatively small block of ground. It has also confirmed the necessity for advancing crosscuts from several stations between the upper 6,660 feet level and the lower 7,250 feet level in order to enter blocks of ground which surround the shaft but are separated from one another by major faulting.

The initial development programme has, as its primary aim, the exploration of as comprehensive an area as possible within a radius of about 2,500 feet from No. 1 shaft. At present development, including station crosscutting and orepass raising, is in progress on the 6,950 feet, 7,100 feet and 7,250 feet levels. The rate of development will be built up as rapidly as possible, and a limited amount of development on reef is anticipated in the second quarter of this year.

It is estimated that the balance of capital funds available will be sufficient to finance development operations for a period of approximately a year from now. However, in order to bring the mine to initial production it will be necessary to raise further capital to sink a second shaft and erect a reduction plant.

Operations at the mine are, in the interest of economy, still under the control of the manager of the Hartebeestfontein mine.

BANCA COMMERCIALE ITALIANA

HEAD OFFICE—MILAN

London Representative Office : 21, Birchin Lane, E.C.3.

BALANCE SHEET AS AT DECEMBER 31st, 1961

LIABILITIES			ASSETS		
Capital Stock	L.	20,000,000,000	Cash on Hand	L.	48,923,111,607
Reserve Fund	„	6,500,000,000	At Central Bank	„	72,737,160,682
Undivided Profits	„	2,101,195	Government Securities and Securities guaranteed by the State	„	195,652,133,229
Deposits	„	1,314,376,926,823	Securities :		
Cheques Outstanding	„	38,847,900,283	Shares L. 1,524,727,007		
Liability on Acceptances	„	8,725,145,022	Bonds „ 6,704,086,354		
Liability on Letters of Credit	„	29,943,943,238		„	8,228,813,361
Liability on Guarantees	„	116,688,307,156	Contango Loans	„	8,963,916,691
Other Liabilities	„	18,854,657,296	Participations in Affiliated Foreign Banks	„	154,646,925
Bills for Collection	„	38,233,525,200	Participation in "Mediobanca—Banca di Credito Finanziario"	„	1,805,430,000
Unearned Discount, Interest, etc.	„	2,649,205,888	Participation in "Credito Fondiario Sardo"	„	830,000,000
Profits Brought Forward	„	26,319,353	Other Loans and Current Accounts	„	820,620,196,362
Net Profit 1961	„	2,374,813,536	Bills discounted	„	280,279,703,716
	L.	1,597,222,844,990	Due from Shareholders in Capital Account	„	3,510,000,000
Depositors of Securities	„	784,043,100,990	Customers' Liability for Acceptances	„	8,725,145,022
	L.	2,381,265,945,980	Customers' Liability for Letters of Credit	„	29,943,943,238
			Customers' Liability for Guarantees	„	116,688,307,156
			Bank Buildings and Other Real Estate	„	160,337,000
			Furniture and Fixtures	„	1
				L.	1,597,222,844,990
			Securities on Deposit	„	784,043,100,990
				L.	2,381,265,945,980

CREDITO ITALIANO

Joint Stock Company

REGISTERED OFFICE : GENOA. HEAD OFFICE : MILAN

CAPITAL : Lit.15,000,000,000 ; Paid-up, Lit.12,350,000,000

RESERVE FUND : Lit.4,500,000,000

BALANCE SHEET AS AT 31st DECEMBER, 1961

LIABILITIES			ASSETS		
Capital (30,000,000 shares of Lit.500 each)	Lit.	15,000,000,000	Shareholders Liabilities for uncalled Capital	Lit.	2,650,000,000
Reserve Fund	„	3,700,000,000	Cash	„	44,306,467,417
Deposit and Saving Accounts	„	268,945,222,953	Funds with the Bank of Issue	„	125,379,846,691
Current Accounts	„	742,271,884,859	Government Securities and Debentures	„	172,391,182,577
Bills for Collection	„	38,673,451,297	Sundry Investments	„	7,769,829,140
Acceptances and Endorsements	„	3,968,003,992	Bills Receivable	„	252,726,289,467
Guarantees and Confirmed Credits	„	88,092,060,572	Contango Loans	„	20,745,084,575
Cheques Outstanding	„	41,072,766,411	Advances to Customers and Balances with Correspondents	„	490,469,756,453
Sundry Accounts	„	8,552,810,103	Liabilities of Customers for Acceptances and Endorsements	„	3,968,003,992
Rebates in favour of 1962	„	2,183,692,894	Liabilities of Customers for Guarantees and Confirmed Credits	„	88,092,060,572
Profits brought forward from previous years	„	36,162,575	Shares in other Banks	„	3,145,495,926
Net profit for the year	„	1,849,315,155	Freehold Bank Premises	„	2,701,354,000
	Lit.	1,214,345,370,811	Furniture and Equipment	„	1
				Lit.	1,214,345,370,811

CROSS ACCOUNT			CROSS ACCOUNT		
Depositors of Securities :			Securities deposited :		
As Collateral	Lit.	2,438,429,600	As Collateral	Lit.	2,438,429,600
For Safe Custody	„	781,820,576,278	For Safe Custody	„	781,820,576,278
	„	784,259,005,878		„	784,259,005,878
	Lit.	1,998,604,376,689		Lit.	1,998,604,376,689

The Ordinary Shareholders' Meeting, held in Genoa on the 12th April, 1962, approved the Balance Sheet as at 31st December, 1961. The dividend for the financial year 1961 has been fixed at 10 per cent, namely Lit.50 for each share of nominal Lire 500 fully paid up and Lire 32.50 for each share partially paid in the proportion of eight-tenths. The sum of Lire 800,000,000 was placed to Reserves.

J. BIBBY & SONS

SALES MAINTAINED

The forty-eighth annual general meeting of J. Bibby & Sons, Ltd., was held on April 13th at Liverpool, **Mr H. P. Bibby, JP,** chairman, presiding.

The following are extracts from his circulated statement for the year 1961:

The Group profit before taxation was £849,227 compared with £932,712 for 1960. The net profit after taxation was £440,930 compared with £553,769. The charge for taxation was higher in 1961 because in 1960 an amount of £44,847 was brought back in respect of tax over-provided in previous years. Group sales remained the same at £38,000,000.

The directors have recommended a final dividend of 4½ per cent, making 7 per cent, the same as for last year.

THE YEAR'S TRADING

Although our sales of animal feeds have been maintained at the same level as last year, competition remains very keen and margins are still low. The rate of increase in the national consumption of animal feeds is now very small and there is still over-capacity in the industry: the competitive situation will therefore remain exacting but we are continually striving to increase both our efficiency and the value we give to the farmer. We have extended the scope of our advisory department, which is of great service to customers and continuous work is being done in our research department to improve the nutritional quality of our feeds. These two departments are making an important contribution to our sales effort. Steps have also been taken to improve the presentation and marketing of our products.

The likely entry of the United Kingdom into the Common Market is stimulating all branches of agriculture to make greater efforts to improve efficiency and in the poultry industry in particular important changes are taking place. Egg production for example is following broiler production in becoming more and more a 'factory' operation and there seems little doubt that this tendency will increase.

NEW DEVELOPMENTS

During the year we invested heavily in the London area in our new instant mashed potato product Quip and we hope soon to see some return on that expenditure. In the TV age the launch of a new brand is an expensive affair and this promotion drained away some of our grocery trade profit. Another interesting new development was the launch of our low-foaming detergent Pat, a product specially designed for fully-automatic washing machines. Pat is a unique product in this country.

There can be no doubt that British farming, as indeed all industry, is confronted with a period of change and we must adopt a positive attitude to what seems inevitable. The Common Market is a challenge and an opportunity to improve our standard of life. There will no doubt be considerable transitional difficulties in entering a broader economic community but also considerable long term opportunities for farming and industry as a whole.

The report and accounts were adopted.

KAYSER BONDOR LIMITED

LARGER TURNOVER AT HOME

The Thirty-fourth Annual General Meeting of Kayser Bondor Limited will be held on May 25, 1962, at 24, Albemarle Street, London, W.1.

The following is an extract from the statement by the Chairman, **Mr Michael Colefax,** which was circulated with the report and accounts for the year ended December 31, 1961, and which commenced with a tribute to the late chairman, Mr John Goodenday who served the Company devotedly for more than 30 years:

The turnover of the Group in the United Kingdom has increased by 7½ per cent, an improvement which was partly offset by slightly lower figures in Australia and South Africa. Both the Parent Company and the Group profits have increased, a reduction in those of the South African subsidiary having been more than offset by an increase in Australia.

HOSIERY

There is a continuing change in fashion in favour of seamfree hosiery, which is now estimated to account for 55 per cent of domestic hosiery consumption, and this trend is even more pronounced overseas. Our domestic full fashioned hosiery sales have fallen in each of the last five years and it is therefore gratifying to be able to report that, for the first time in that period, total hosiery sales in 1961 showed a slight, but welcome, increase and with the sizeable seamfree production now at our disposal the Hosiery Division's profits showed a satisfactory increase. Increasing seamfree production should ensure the maintenance of our domestic hosiery turnover during the current financial year.

In the United States, where the demand for seamfree hosiery developed several years earlier than in the United Kingdom full fashioned sales continue to account for more than 30 per cent of the total sales and, allowing for climatic differences, there is every reason to believe that the eventual percentage here will be higher than in the States.

Underwear: Turnover in garments increased by 10 per cent, but the profitability of the Underwear Division did not keep pace with the improvement in sales. This shortfall was due in part to a reduction in profit margins and in part to production difficulties which should be eliminated during the current year.

DEVELOPMENTS

In the autumn we announced the acquisition of the business of Wovenair, a leading manufacturer of housecoats and dressing gowns. The new company which was formed to operate this business took over the lease of a factory at Port Glasgow, which is large enough to handle an anticipated increase in the output of Wovenair products, now marketed by the Kayser Bondor sales organisation.

At the close of the year there were 92 Kayser Bondor Hosiery Boutiques in leading stores throughout the United Kingdom and in addition there were 32 Kayser Bondor Underwear Boutiques, handling exclusively Kayser and Bondor lingerie, brassieres and corsetry. This development is equally beneficial to the retailers concerned and to your Company. The employment of Kayser Bondor trained personnel results in a specialised sales force which achieves increased turnover and which ensures the proper marketing of our range. We look forward to the opening of more Boutiques during 1962.

As has been announced, since the close of the financial year arrangements have been made to purchase the issued share capital of the Mayfair Manufacturing Company Limited, a company engaged in the manufacture of lingerie, which has been a major supplier to Marks & Spencer Limited for more than thirty years. The company will continue to be operated as a separate entity.

OVERSEAS ACTIVITIES

Europe: New developments have also taken place on the Continent. A sales company has been established in Western Germany which started to trade last autumn and which, in addition to marketing Kayser hosiery produced there, is importing garments produced in the United Kingdom.

Since the end of 1961 we have acquired a half interest in Etablissements Grimonprez S.A., our existing concessionaires in France, the name of which has been changed to Kayser Bondor France S.A.

Australia: In an endeavour to stabilise prices the Australian Government introduced various deflationary measures in 1960 and 1961, including a relaxation of import restrictions which resulted in a large increase of imports of cheap textiles. These measures led to a rise in unemployment and a reduction in spending power and their combined effect was probably more serious in the textile industry than in any other form of industrial activity. The performance of the Australian subsidiary in materially increasing its profits against this background, and despite a 2 per cent fall in turnover, is particularly praiseworthy. The purchase of part of the business of Lincoln Mills (Australia) Limited should increase the turnover of the Australian subsidiary by at least 15 per cent in a full year.

South Africa: Sales of the South African subsidiary fell by just over 5 per cent and profits are materially lower than those of the previous year. The Company is building up its seamfree hosiery and underwear business and should improve its profits this year.

Accounts: The profit for the year before providing for taxation amounts to £696,952, compared with £609,865, and the profit after taxation amounts to £392,217 against £364,109. Your Board recommends a final ordinary dividend of 12½ per cent, less tax.

THE FUTURE

Despite the effects of the prolonged spell of cold weather, sales in the United Kingdom for the first quarter of 1962 (excluding those of new acquisitions) have been maintained. It will therefore be disappointing if the Group's turnover does not show an improvement for the full year. Little contribution to profits can be expected in 1962 from the new acquisitions, as it is necessary to effect some reorganisation in the course of integrating these units with the group. Competition and increasing costs continue to reduce profit margins but the Group should continue to prosper.

F. W. BERK & CO. LIMITED

A CHALLENGING YEAR

The seventy-first Annual General Meeting of F. W. Berk Limited will be held on May 10th in London, **Mr C. H. Tanner,** the chairman, presiding.

The following is an extract from his circulated statement:

Nineteen-hundred-and-sixty-one was a challenging year. Group Sales were just under £11,000,000. St. Albans Sand & Gravel Company Limited had a turnover of £1,184,000.

The Group profit of £287,899, after providing £329,574 for taxation, is approximately 14 per cent lower than 1960.

Profits before tax from our general chemical activities have dropped by 29 per cent. The main reason for this fall in profitability is rising costs and falling margins. Profits from the sand and gravel side do, however, show an increase commensurate with improved turnover and, at £160,000 before tax, are in excess of the forecast made at the time of the acquisition.

It is rather difficult on this occasion to pick out sections for special mention, though most of them have operated satisfactorily in the circumstances prevailing. Coating Division and Industrial Dryer Department have been markedly successful and our general exports in 1961 show an encouraging increase accounting for nearly 11 per cent of our total turnover.

All our Associated Companies have done well, particularly Abbey Chemicals Ltd., the constant expansion of which is most gratifying. It is worthy of comment that, although the Associated Companies are contributing to published profits, they are, in the aggregate, retaining about half of their earnings to provide for the furtherance of the individual businesses.

During the year under review, we have acquired the whole of the share capital of Greenspiat China Clays Ltd., which adds another facet to our mineral winning and processing operations. St. Albans Sand & Gravel Co. Ltd. have acquired a fifty per cent interest in two Companies producing ready mixed concrete in Trinidad.

Apart from our determination to expand the output and sales of our existing organisation, we are constantly looking for businesses to acquire or in which to invest, where such additions would increase the scope of any section of our operations, and also benefit the earning power of your company.

I believe the probable advent of the Common Market will provide your Group with additional opportunities, both in the export and import fields, and every endeavour is being made to take advantage of them.

The current year is proceeding satisfactorily, and provided general business conditions remain stable, I expect the sales volume to be maintained against a background of severe competition.

I should mention that your Directors have decided to put increased emphasis on Research and Development, and Publicity, both of which are essential but costly. Improvements have also been made in our Pension Scheme, particularly for long service staff and hourly paid workers. In spite of the foregoing, I anticipate some recovery in the Group Profit for 1962.

Your Directors recommend the payment of a final dividend of 5½d. per share, less income tax, which will make a total of 8¼d. per share, less income tax, for the year 1961.

LEGAL AND GENERAL ASSURANCE SOCIETY LIMITED

YEAR OF FURTHER PROGRESS

The one hundred and twenty-fifth Annual General Meeting of Legal and General Assurance Society Limited will be held on May 9th at Aldwych House, Aldwych, London.

The following is an extract from the circulated statement by **The Rt. Hon. Viscount Harcourt, KCMG, OBE, DL,** the chairman:

The report and accounts for 1961, the second year of the Society's current triennium, show a further year of satisfactory progress.

THE SOCIETY'S NEW HEAD OFFICE

We shall very shortly be moving our head office in London to our fine new building, Temple Court, 11, Queen Victoria Street, close to the centre of the City of London. I am only sorry that, due to a delay beyond our control, it will not be ready in time for this year's annual general meeting.

This move will be an historic event for the Society, whose head office has been near the junction of Fleet Street and Chancery Lane for a century and a quarter, and will undoubtedly lead to greater efficiency in the conduct of our business.

LIFE ASSURANCE AND ANNUITY FUND

New life sums assured, net of re-assurances with other offices, amounted in 1961 to £285,000,736, an increase of £13,493,811 (or 5 per cent) over the previous year's figure. This increase is smaller than we have experienced recently, but we have for some time thought that there must be a slowing down in the rate of growth in the new life assurance business transacted by the Society. In recent years this has included exceptional increments arising from the reorganisation of pension business and the installation of special schemes for contracting-out of the graduated part of the national insurance scheme. We could not expect these increments to continue on the same scale indefinitely and I think we can be pleased with the progress we have made.

PENSION BUSINESS

Last year I referred to the special efforts we were making to assist our pension scheme policyholders, who so wished, to contract-out of the graduated part of the new national scheme in good time. These efforts were successful, and you will be interested to know that, in all, about 2,450 employers who have schemes with the Society have completed the formalities for the contracting-out of some 285,000 employees.

I am also glad to report the completion of most of the work of recasting large numbers of schemes which had to be undertaken as a result of the Finance Act, 1956, although some time will still be required to complete all the details and the necessary documents.

The success of our efforts is shown by the year's increase of about £3,000,000 in the premium income for pension business alone.

RATE OF INTEREST

The gross rate of interest earned during 1961 on the life assurance and annuity fund, omitting the amount invested in the purchase of reversionary interests was £6 0s. 8d. per cent, compared with £5 17s. 5d. per cent in the previous year. After deduction of income tax, the net rate of interest in 1961 was £5 13s. 5d. per cent, showing an increase of 4s. 7d. per cent over the previous year's figure of £5 8s. 10d.

FIRE AND ACCIDENT BUSINESS

I am pleased to report an excellent year for the Society's fire and accident departments, resulting in a record underwriting surplus of £682,412. In the fire insurance account claims amounted to 40.8 per cent of the premium income and there was an underwriting surplus of £359,240. In the accident insurance account claims were 50.5 per cent of the premium income and there was a surplus of £323,172.

Fire business in the United Kingdom was exceptionally profitable. Compared with the previous year, we did not experience such serious individual losses by fire and there was fortunately in this year no repetition of the heavy losses by flooding.

Accident business in this country was also profitable, the outstanding feature being a welcome improvement in the motor section. We can only hope that the increase in premium rates recently introduced will prove adequate to ensure a reasonable margin of profit to underwriters, but what we would most like to feel is that our experience last year provides some evidence of an overall improvement in road safety.

MARINE ACCOUNT

The figures for 1961 are almost doubled due to the inclusion, for the first time, of those for the British Commonwealth Insurance Company Limited.

ASSETS

The Society's total assets increased during 1961 by 10 per cent, and at December 31, 1961, stood at £488,377,378 compared with £441,970,625 a year previously.

The life department balance-sheet shows investment assets represented as to £187,594,904 by Stock Exchange investments, as to £125,954,731 by mortgages and other loans, and as to £122,709,929 by freehold and leasehold properties.

PROFIT AND LOSS ACCOUNT

To the balance of £1,813,596 brought forward from last year there has been added £621,901 in interest and dividends as well as the underwriting surplus from our fire and accident business which, as already mentioned, amounts to £682,412.

Finally, I would like to pay a tribute to the able management of the many and varied aspects of the Society's business by Mr P. Cahill, our general manager, and all his colleagues on the management and staff. Without their enthusiasm and skill I should not be able to present to you this favourable review of progress.

CITY CENTRE PROPERTIES
LIMITED

Summary of the Report, Accounts and Mr Jack Cotton's Statement for the FIFTEEN MONTHS ended 24th June, 1961.

Resumed Annual General Meeting—16th April, 1962.

The Accounts combine the revenue of City Centre Properties Limited for a period of 15 months with that of City & Central Investments Limited for a period of 12 months.

	15 months ended 24th June, 1961
Gross Income of Group	£6,418,895
Net Income (after Taxation)	£982,956
Dividends Paid (after Taxation)	£604,586
Issued Capital: 18,898,042 Ordinary Shares of 5s. each	£4,724,511

Dividend paid at the rate of 25½ per cent. per annum.

An issue of £18,939,830 Convertible Loan Stock 1965/70 was made during the period with conversion rights as follows:—

Conversion During the month of December in	Rates of Conversion One fully paid Ordinary Share of 5s. for each
1962	60s. Loan Stock
1963	62s. Loan Stock
1964	64s. Loan Stock

Interest at 5 per cent. per annum is payable on the Loan Stock up to and during the period available for conversion and 6 per cent. per annum thereafter.

The Group owns properties in 268 cities and towns throughout the United Kingdom.

THE FUTURE

The cumulative results of the Group's enterprise throughout the world become increasingly apparent and dividends have grown uninterruptedly in the past years. The aim is to increase the revenue of the Group and to provide security of income by development of first-class commercial properties throughout the world.

At the Annual General Meeting the Chairman stated that the accounting date would be changed from 24th June to 25th March and that the next accounts would be for the 9 months to 25th March, 1962. These accounts were expected to be available in September and the Annual General Meeting held in October, 1962.

The Chairman stated that the Gross Income of the Group for:—

Year ending 25th March, 1951, was	£124,791
Year ending 25th March, 1956, was	£687,700
15 Months ending 24th June, 1961, was	£6,418,895

The rate of growth of the Gross Income of the Group each year is considerable.

THE SCOTTISH UNION AND NATIONAL INSURANCE COMPANY

SUBSTANTIAL INCREASE IN LIFE BUSINESS

CONTINUED EXPANSION IN ACCIDENT BUSINESS

MR PATRICK J. OLIPHANT'S REVIEW

The following is a summary of the statement by the Chairman, **Mr Patrick J. Oliphant, WS,** circulated with the Report and Accounts of the Scottish Union and National Insurance Company for the year 1961:

During the year the premium income again rose substantially, the increase amounting to approximately £550,000.

The new sums assured in the Life Department totalled £12,394,034 and immediate and deferred annuities granted amounted to £1,661,372 per annum, both figures being substantially higher than those for last year. A material proportion of the new business was in respect of staff pension and life assurance schemes. The annual premiums under new Life business amounted to more than £600,000, an increase of 20 per cent over the previous year's figure.

Valuations of the Life and Annuity business are now made annually and at December 31, 1961, the very satisfactory surplus of assets over liabilities of £1,178,265 was disclosed. The stringent bases on which the liabilities are calculated and the substantial surplus in the account gives cause for considerable satisfaction and augurs well for the future prospects of the participating policy holders. The satisfactory yields on the investments and the steady improvement in the mortality rates experienced have made it possible to effect substantial reductions in the premium rates for non-participating life policies.

Fire premium income at £5,300,678 showed an increase over the previous year. Home business and business in overseas territories with the exception of the USA. and Canada expanded satisfactorily. In North America there has been a selective restriction of the business written. Fire waste in the United Kingdom continued at a very high level in 1961 although there was some reduction compared with 1960. Whilst Canadian losses showed a welcome reduction, Fire losses were heavy in other overseas territories and in addition hurricanes in the USA took a severe toll. The Fire Account showed a loss of £83,253.

There was a substantial increase of £364,916 in the premium income of the Accident Department which totalled £4,267,478. Unfortunately the claims experience deteriorated due largely to unexpectedly heavy claims in the miscellaneous section of the home account on which in the past profits have been regularly made. There was, however, a substantial improvement in the experience in the USA and Canada. The unexpired risk reserve is on the unusually strong basis of 50 per cent of the premiums and after providing for this the final result was an underwriting loss of £275,358.

In the Marine Department premiums decreased slightly to £1,844,140 whilst claims paid increased by £199,413 to £1,470,755. The increase in claims was a general market experience and was largely due to the adverse results in the USA and to the series of major casualties which occurred in the latter part of 1960 and in the first half of 1961. It was considered prudent to make no transfer to the Profit and Loss Account and the marine underwriting fund now stands at £1,915,922.

In the Profit and Loss Account interest, dividends and rents totalled £536,203. There were transfers to the Account of £58,882 being Shareholders' profits from the 1961 life valuation and of £10,000 from the Capital Redemption Account. Transfers of £83,253 and £275,358 respectively were made to the Fire and Accident Accounts. The net profit for the year was £118,729 and after charging £183,750 for the year's dividends (increased from 20 per cent to 25 per cent) a balance of £858,929 was carried forward.

Mr Oliphant concluded his statement by thanking the members of the Boards and the Agents at home and overseas for their wholehearted support and co-operation during the year.

He also paid tribute to the General Manager and Executive, Managers and Staff at home and overseas for their excellent work and loyalty and to the Norwich Union Societies for the very valuable co-operation and assistance so freely given.

NORTHWESTERN RUBBER COMPANY
(Manufacturers of Reclaimed Rubber)

The Annual General Meeting of The Northwestern Rubber Company Limited was held on April 16th in Liverpool.

Mr J. Riddell, OBE (Chairman), presided and, in the course of his remarks, said: The year 1961 must be regarded with considerable disappointment. Sales were maintained and reached a new record, but the trading profit fell from £91,895 to £68,334.

This fall can be attributed to the increasing but still highly variable percentage of synthetic rubber in scrap tyres resulting in reductions in refining rates made necessary if quality is to be maintained, difficulty in plant installation and the full effect of wage increases granted in 1960.

The Directors have given considerable thought to the final dividend and having regard to the prospects for the coming year have decided to recommend maintenance of the dividend.

Demand for our product remains buoyant and output is again rising. The results for the first month of 1962 show a reasonable improvement over 1961, but the directors are by no means satisfied with the profitability.

Northwestern have entered as equal partners with H. Muehlstein & Co., of New York in a joint company to deal in the re-processing and colouring of plastic materials. Our incursion into the plastics field and certain further capital projects we have under contemplation which offer substantial labour savings in relation to the sum involved make it desirable that further permanent capital should be raised, probably by means of a Rights Issue.

A resolution to increase the authorised capital was presented at the meeting and duly sanctioned.

The report was adopted.

NORTHGATE EXPLORATION LIMITED

RESULTS HIGHLY ENCOURAGING

The Forty-Second Annual General Meeting of Northgate Exploration Limited was held on April 3rd in Toronto, Canada. The following is an extract from a review by **Mr Patrick J. Hughes,** the President.

We have been saddened by the loss of our general manager, Mr Walter Maybank. For the time being, or until a successor is found for Mr Maybank, General Engineering Company, Limited, will act as managers for the Tynagh project.

We are all very enthused over the progress which has been made to date on the Tynagh property. Our drilling programme has continued with success. At present a staff and work force of some sixty people is pressing forward our exploration programme at Tynagh. Results have been highly encouraging.

At the moment we must beg the question of when production will begin for much more work and many more facts are needed before we can set a date.

LONDON STOCK EXCHANGE HISTORY

I would like to make a short comment regarding Northgate's relationship to the London, England, Stock Exchange. Some confusion has arisen over activities in London and we feel that these have incorrectly caused some prejudice towards our company.

Under a regulation of the London Stock Exchange, regulation 161B, member brokers are allowed to trade occasionally, on a private basis between themselves, shares of issues which are not listed on the exchange. During the last part of 1961, when great interest was centred on our work at Tynagh, this trading in the company's shares reached the point where there was substantial trading by some London brokers in one day. Since this activity was not within the meaning suggested by regulation 161B, the London Stock Exchange cautioned its brokers against further trading and suspended regulation 161B with respect to Northgate. This action took place without notification to or consultation with our company. Northgate has never been listed on the London Exchange and we have found that a good deal of documentation and expense would be involved to obtain listing.

While the company, as a convenience to our English shareholders, would like to see all possible trading facilities open to them, we feel that application for trading privileges on the London Exchange would not be justified at the present.

HIGHLIGHTS

The highlights of our progress to date are:

Your company has made the most important new base metal discovery in the British Isles in the past 100 years;

In the short space of four months we have advanced a major exploration programme with great speed;

Indications are that we should be able to move quickly from our present period of exploration;

Finally, I would like to pay tribute to the Irish Government and its officials for its wise legislation, help and collaboration.

THREE NEW DIRECTORS

Mr Hughes then announced the appointment of three new directors, Mr Robert M. Hamilton, Dr Duncan R. Derry and Mr Warren Armstrong.

Mr Hamilton, President of General Engineering Company Limited, Industrial Engineers, Toronto. He organised the firm with his brother in 1933, and has since been responsible for the design, construction and operation of a wide variety of mining and industrial plants throughout Canada, the United States and abroad. He is a director of Canadian Arsenals Ltd. and Canadian Vickers Ltd.

Dr Derry, Consulting Geologist to Northgate. He is a former Vice-President (Exploration) of Rio Tinto Mining Co. of Canada and was Chief Geologist for Ventures Limited.

Mr Armstrong, a graduate of Osgoode Hall, Toronto, was in private law practice in Toronto for many years. For the past two years he has been Secretary of the National Energy Board in Ottawa.

TYPHOO TEA (HOLDINGS)

A MOST SATISFACTORY YEAR

The thirteenth annual general meeting of *Typhoo Tea (Holdings) Limited* was held on April 16th in Birmingham, **Mr J. R. Hugh Sumner, CBE, DL, JP** (the chairman), presiding.

The following is an extract from his circulated statement:

Last year, in my statement, I referred to the fact that the then current Tea prices were higher than they were in 1960 and might adversely affect profits for the year ended December 31, 1961. I am therefore happy to report that the Group Profit for the year amounted to £2,869,820 as compared with £2,584,935 last year; this profit is subject to a charge of £1,535,780 for Taxation which is equivalent to 10s. 9d. in the £.

Your Board recommends a Dividend of 30 per cent less Tax, as before.

Turning to the Balance Sheet, your attention is drawn to the conservative figure of Fixed Assets. You may be assured that the insurable value is many times more than the Book Value.

Current Assets amount to £7,787,838 in excess of Current Liabilities, a fact which no doubt will be appreciated.

The year 1961 proved to be most satisfactory from a sales angle and I am more than happy to report that once again there was an increase over the previous year.

As far as 1962 is concerned, we must bear in mind the possibility of fluctuating prices in the Tea Markets of the World and the intense competition throughout the food industry, but we can, however, assure you that there will be no relaxing of effort to further the interests of your company.

The report was adopted.

Copy for the insertion of Company Meeting reports must reach this office not later than Wednesday of each week and should be addressed to:
The Company Meetings Department,
The Economist,
22 Ryder Street, S.W.1.

COMPANY AFFAIRS

The improvement in equity prices before and immediately after the Budget was not maintained and shares fell at the end of last week. Despite a few gains this week The Economist *indicator fell by 7.8 points to 354.9 by Tuesday's close. The limelight has been taken by the gilt-edged market and stocks have made some good gains with hopes of an early cut in Bank rate outweighing fears of the impact of the speculative gains tax on switching transactions. Insurance and brewery shares have again been prominent and property shares have been in demand. Motor shares fell back sharply on the BMC interim statement but they staged a recovery this week.*

BMC Punctures the Boom

THE interim statement from the British Motor Corporation comes as a rude shock. After the optimistic tone of Mr Harriman's statement last November, when he spoke of his "firm confidence in the future of . . . the British Motor Corporation," nobody expected to hear that the company's earnings in the first 32 weeks of the financial year from July 31, 1961, had suffered a "severe setback compared to the same period last year." But "the general outlook, coupled with purchase tax reductions and the availability of the dividend equalisation reserve" were thought by the directors to justify an unchanged interim dividend of 7½ per cent. Does this statement mean that earnings were not sufficient to cover this payment?

The fall in profit is all the more disturbing as BMC made nine per cent more vehicles than in the same period a year before, which covered the winter of 1960-61 when the company was for some time making only a small number of cars. Its share of the home market, moreover, rose steadily from last August to a new record in January—nearly double Ford's sales. Price increases introduced last October had been designed to improve margins, especially on the "Minis," on which margins had been described by the directors as inadequate in July. Now the interim statement repeats what was said then: lower margins resulted from sales of a higher proportion of lower-priced vehicles. But it adds a second reason: increased sales in competitive export markets—a reminder that exports are generally less profitable than domestic sales. All this suggests that prospects for better profits in the motor industry are much less good than the rise in production had suggested.

There are, however, some special factors that may have depressed BMC's profits. The introduction of the revised versions of its bigger models and the more expensive versions of the "Minis" seems to have disrupted output more than might have been expected. Production has been higher since mid-January and will rise still more in the summer and thus profits should be higher in the last 20 weeks of the year. But they seem unlikely to cover much of the heavy capital commitments—£52 million in the three years from last July. And in the longer term, the low profitability of a period when the company was operating at about 75 per cent of capacity hardly bodes well for a company that is unlikely to be able to average a much higher rate of working than this when its new plants are complete. Higher prices may be the only solution to BMC's problems; perhaps the growth in sales is being gained by under-pricing. The yield of 6.4 per cent offered by the 5s. shares at 15s. 10½d. is not too high.

Bowater Paper

THE £1 shares of Bowater Paper have been depressed for some months with buyers holding off ahead of the results which it had already been indicated would show a fall in profits. This week the shares have had a brighter look for the results were certainly no worse than expected; they gained 9d. to 43s. to yield just under 6½ per cent on the dividend which has been maintained at 13¾ per cent. Total sales in 1961 rose by 4½ per cent from £142 million to £148½ million, but trading profits fell by 7 per cent from £23.5 million to £21.9 million. A maintained dividend does not reflect any immediate improvement in the prospects of the paper industry in this country. The directors say that the trading difficulties have continued into 1962 and that any prediction for the future will be impossible until certain problems peculiar to Britain's economy, not least a decision about the common market, have been resolved. However, they feel "on balance" that it would be right to maintain the dividend at this time. Their decision was no doubt helped by a sharply lower tax charge, but nevertheless the dividend is now covered only 1.3 times.

Last year overseas activities accounted for 78 per cent, against 70 per cent, of the group's trading profits and one bright spot is the continued progress made by the North American subsidiary whose accounts, covering the Tennessee operations as well as the Canadian, are expressed in Canadian dollars. Its trading profits rose from $41.7 million to $43.8 million and the dividend paid to the parent company has been raised from 38 to 40 cents, to absorb $6.4 million against $5.7 million. As a result of the fall in the value of the Canadian dollar in terms of sterling, however, the further improvement in dollar earnings is not reflected in the group's trading surplus as expressed in sterling. The whole of the reduction in trading profits and the fall in sales in the second half of 1961 is attributed to the United Kingdom where the Bowater companies faced a marked fall in demand and a sharp drop in profit margins.

Six months ended	June 30, 1960	Dec. 31, 1960	June 30, 1961	Dec. 31, 1961
	£000's	£000's	£000's	£000's
Sales	65,403	76,597	75,617	72,883
Trading surplus	10,998	12,496	11,051	10,816
Depreciation	3,560	4,258	4,327	4,268
Taxation	2,509	3,294	2,420	1,983
Net profit of parent	2,809	2,835	2,202	2,593
Trading Profit/sales	% *16·8*	% *16·3*	% *14·6*	% *14·3*

A year ago the shares stood at 60s. and in 1960 they nearly touched 80s. and buyers at the current depressed level are likely with patience to show a useful profit. While the immediate outlook particularly in this country remains clouded and margins both on sales and capital employed have fallen sharply it should not be forgotten that in recent years the group has invested heavily in furthering its policy of diversification of products and expansion within the paper industry. This is reflected in a further sharp rise in the charge for depreciation, but many of these developments in America and Australia as well as in Europe and this country have yet to make a full contribution to the earnings of the group.

Sears Holdings

IT has become the custom of Sears Holdings effectively to raise the ordinary dividend and to forecast a further increase while maintaining the rate at 25 per cent. Despite the dividend pause this tradition has been maintained with the dividend, as forecast, kept at 25 per cent on the capital as increased by last year's one for five scrip issue (which in fact represents an increase from the equivalent of 20⅝ per cent); this is accompanied by a forecast of 25 per cent for the current year on the capital after the proposed one for six scrip issue. The trading results for 1961 are very much as expected, following the forecast at the time of the Saxone, Lilley and Skinner take-over that British Shoe's profits would show only a small increase in profits. But it is one of the merits of an industrial holding company that if profits in one particular section are less buoyant this is often compensated by a better showing elsewhere. And the table shows that the engineering division reported a 10 per cent increase in gross profits and accounted for most of the increase from £10.2 million to £10.7 million in the group's profit before tax. This bears out the confidence expressed by Mr Clore in his statement a year ago on the growth prospects of this section of the business—particularly of Bentley Engineering, the hosiery knitting machinery group.

Years to December 31	1960 £'000	1961 £'000
Group trading profit	11,783	12,431
Depreciation	1,366	1,511
Profit before tax	10,206	10,718
Tax	5,200	5,518
Net profits	4,790	4,902
Ordinary dividend	1,964	2,357
Ordinary dividend (per cent)	20⅝	25
Subsidiaries' gross profits:—		
British Shoe	5,669	5,833
Sears Engineering	3,915	4,311

For the current year however the main improvement in earnings is again likely to come from British Shoe which has consolidated its dominance in the British shoe industry by acquiring Saxone, Lilley and Skinner. This should bring in around £2 million in additional trading profits and it offers the prospect of economies through the rationalisation of the businesses. There is now however a large minority interest in British Shoe and investors can now choose between a direct stake in British Shoe (in which the 5s. shares at 23s. 3d. yield 3.2 per cent on the forecast of a 15 per cent dividend) or in the group as a whole through the 5s. "A" shares of Sears Holdings (which at 40s. 10½d. offer a prospective dividend yield of 3.6 per cent). Both shares have a high growth rating merited by their past record. The yield gap between the shares reflects the more rapid growth in the shoe companies' earnings in the past and some uncertainty whether the engineering companies will be able to continue to make good any fall in profits from Furness Shipbuilding.

Gallaher

SINCE the report on lung cancer tobacco consumption has fallen, though by how much it is too early to judge. But cigarette sales are down and there has been a further switch to tipped brands. In framing his budget, the Chancellor reckoned on a slight increase in the yield of the tobacco tax but he added that he had taken account of the possibility that the yield might be lower. The Chancellor will be lucky this year if tobacco consumption remains unchanged, but dealers in tobacco shares were pleased that he had not imposed any special discriminatory tax on cigarettes and marked share prices up. Gallaher, like the other tobacco manufacturers, must expect the going to be tougher this year, but its recent success in the tipped market with "Nelson" should help.

Now that it controls Wix, Gallaher is responsible for nearly 40 per cent of cigarette sales in this country and its directors are fully alive to the fact that it will be increasingly difficult to add to this share of the market. The acquisition of Wix, however, could easily add over £2 million to the group's profit this year and it gives Gallaher a direct interest in coupon trading. The acquisition came too late to have any effect upon the group's results for 1961; no dividend was paid by Wix and Gallaher in respect of that year and the shares issued by Gallaher in acquiring the company do not rank for the latest final dividend. As forecast then the ordinary dividend has been maintained at 20 per cent, following a rise in trading profits from £11,743,000 to £13,661,000 and in net profits from £5,828,000 to £6,344,000. This means that the dividend is covered just over twice as the directors indicated at the time of the acquisition in December. In all, investors in Gallaher, whose shares now yield 6½ per cent at 31s. 3d., cannot expect the same rate of growth as occurred over the last decade; equally, this should reduce the calls made on the stock market for new money though there may be still some past debts to be funded. But investors should not underrate the ability of Gallaher's management to reframe its policies in the light of a changing and less buoyant market. On a short term view the present dividend looks safe and it could go higher if coupon trading and sales of tipped cigarettes continue to do reasonably well.

Hudson's Bay

IT was clear from the preliminary results that the impact of a full year's trading from Henry Morgan on the results of Hudson's Bay had been considerable. Thus a 19 per cent increase in the group's retail turnover from £88 million to £105 million comes down to an increase of 3.6 per cent when Morgan's sales are included for both years. However, no similar comparison is made in the case of profits, which rose from £5.2 million to £6.1 million before tax. The directors say that Morgan's sales increased "satisfactorily" but that profits were affected by the cost of improving and expanding stores and by higher operating costs; and it seems clear that Morgan's failed to make good the 13 per cent fall in profits in the previous year. The group's stores generally held their own against increased competition, reporting a modest advance both in sales and profits.

Among the group's other interests fur sales reached a new peak but lower prices for the company's own raw furs partially offset the good returns from the three auction houses. Wholesale sales were slightly up but the directors say that because of keen competition in tobacco products profits were kept to "marginal levels." But the most important event of the year was probably the receipt of a maiden dividend from Hudson's Bay Oil and Gas in which it has a 22.6 per cent interest. This boosted Hudson's Bay income by £286,000. Net income of HBOG rose from 6 cents to 39 cents per share. The directors say that the growth in demand for both oil and natural gas has continued into the current year. Hudson's Bay's holding stands in the balance sheet at £3.6 million against a market value of about £26 million.

The maiden dividend from HBOG coincided with a clear indication that the distribution from land sales is not likely to continue much longer. After the present distribution the balance in the Land Account will be sufficient only to provide for distributions at the present rate of 2½ per cent for a further three years. These distributions are tax free and for a number of years they have provided a useful sweetener to the dividend. It now remains to be seen whether increased profits from the retail side and a bigger income from HBOG will enable the company to raise the dividend from 12 per cent to at least the present effective dividend rate of just over 16 per cent. As the ordinary dividend alone is covered over three times this is quite possible, and at the current price of 88s. 9d. the £1 ordinary shares yield just over 3½ per cent on the total trading and land payments.

Hire Purchase Débâcle

THE number of hire purchase company chairmen that are having to eat their words is still growing. Last year Sir Mark Turner, chairman of **Mercantile Credit**, softened the blow of a cut in the final dividend from 7½ to 2½ per cent, by saying "the back of the problem has been broken." And Sir Mark reiterated this point when he said at the general meeting in January that though there were still difficulties he felt that in the provision made this year the directors had broken the back of them. Now the interim is cut further to 2 per cent and because of new uncertainties the board "wish to state that the interim dividend should not be taken as any indication of the total distribution for the year." In the previous week the chairman of **Lombard Banking**, Mr E. G. Spater, was far from shaken in reporting a halving in the group's gross profits. "I am confident," he said, "that in all the circumstances members will not be displeased with the profits disclosed." Shareholders in the hire purchase finance companies have been treated rather roughly by some of the industry's spokesmen, who could have been more frank in revealing the full plight of the industry and the companies within it.

The Economist Indicator (1953=100)

1962	Indicator	Yield %	1962 High	1962 Low
Mar. 14	356·7	4·97		
,, 21	347·9	5·08		
,, 28	346·3	5·12		
Apr. 4	355·3	5·03	364·4 (Jan. 17)	346·3 (Mar. 28)
,, 11	362·7	4·94		
,, 17	354·9	5·08		

Financial Times Indices

1962	Index †	Ord. Yield	21½% Consols Yield	Bargains Marked
April 11	305·3	5·15	6·23	15,227
,, 12	300·9	5·22	6·24	15,475
,, 13	298·6	5·27	6·18	13,590
,, 16	298·3	5·27	6·15	16,229
,, 17	298·2	5·27	6·12	14,588

High, 310·2 (Jan. 19.) Low, 291·4 (April 2).
† July 1, 1935=100.

STOCK PRICES

Prices, 1962 High	Prices, 1962 Low	BRITISH FUNDS AND GUARANTEED STOCKS	Price April 11, 1962	Price, April 17, 1962	Net Red. Yield April 17, 1962§ £ s. d.	Gross Red. Yield, April 17, 1962 £ s. d.
93 13/16	90 11/32	Savings Bonds 3% 1955–65	93 7/16	93 13/16	3 15 5	5 0 11
97 13/16	96 1/16	Exchequer 3% 1962–63	97 1/16	97 5/32	3 9 2	4 19 11
100 15/16	100 3/32	Treasury 5½% 1962	100 15/32	100 15/32	2 15 7	4 12 9
96 1/16	93 1/16	Exchequer 2½% 1963–64	95 3/8	96 1/16	3 11 0	4 10 2
99 7/8	98 1/2	Conversion 4¾% 1963	99 1/16	99 1/8	2 13 8	5 1 8
99 1/8	97 1/16	Conversion 4½% 1964	98 17/32	98 1/4	3 8 10	5 2 9
100 1/8	98 3/32	Exchequer 5½% 1966	99 27/32	100 3/32	3 5 8	5 9 3
83 3/4	82 5/8	Funding 3% 1959–69	83 1/4	83 1/16*	4 12 7	5 18 5
69 1/8	67 3/4	Funding 4% 1960–90	68 1/4	68 1/8*	3 12 7	5 5 10
80 1/2	78 15/16	Savings Bonds 3% 1960–70	80 1/8	80 1/4	4 15 2	6 2 2
87 1/2	85 1/4	Savings Bonds 2½% 1964–67	86 1/16*	86 1/16*	4 10 1	5 10 11
71 11/16	70 7/16	Savings Bonds 3% 1965–75	71 1/2	71 5/8	4 15 5	6 4 5
85 11/16	83 7/16	Funding 3% 1966–68	85 1/8	85 11/16	4 11 1	5 17 7
86 5/16	84 7/8	Conversion 3½% 1969	85 15/16	86 1/16	4 11 7	6 1 10
96 7/8	92 1/4	Victory 4% 1920–76	96 5/8	96 7/8	2 19 7	4 12 0‡
92 5/16	90 7/16	Conversion 5% 1971	92 3/16	92 5/16	4 3 7	6 5 11
99 1/16	97 1/4	Conversion 6% 1972	98 1/2	98 3/8	3 18 6	6 6 8
93 1/16	92 1/8	Conversion 5½% 1974	92 15/16	93 1/16	4 1 2	6 5 9
71 11/16	69 5/8	Treasury 3½% 1977–80	71 7/16	71 11/16	4 10 1	6 4 9
70 7/16	68 5/16	Treasury 3½% 1979–81	70 5/16	70 7/16	4 10 6	6 4 11
92 1/16	90 5/16	Funding 5½% 1982–84	91 7/8	92 1/16	4 13 7	6 5 11
57 1/8	54	Redemption 3% 1986–96	56 3/4	57 1/8	4 4 3	5 19 0
85 7/8	82 3/8	Treasury 5% 1986–89	83 3/4*	84 1/16	4 0 7	6 4 5
61 7/16	56 15/16	Funding 3½% 1999–2004	60 13/16	61 7/16	4 2 0	6 2 5
88 15/16	84 1/8	Treasury 5½% 2008–12	87 15/16	88 15/16	3 17 9	6 5 3
63 5/16	58 1/4	Consols 4% ..... after Feb. 1957	62 7/16	63 5/16	3 18 0	6 8 5
56 1/8	52 1/16	War Loan 3½% ..... after 1952	55 7/8	56 1/8	3 16 6	6 6 0
55 5/16	52 1/16	Conv. 3½% ..... after Apr. 1961	54 9/16	55 1/16	3 17 7	6 6 6
47 1/8	44 1/8	Treasury 3½% ..... after Apr. 1966	46 1/4	47 1/8	3 17 6	6 6 8
40 3/4	38 1/8	Consols 2½%	40 1/8	40 3/4	3 15 3	6 3 0
40 1/2	38 1/8	Treasury 2½% ..... after Apr. 1975	39 5/8	40 1/4	3 16 3	6 4 7
91 11/16	89 5/16	British Electric 4½% 1967–69	91 1/2	91 11/16	4 3 4	6 1 4
75 3/4	74 1/8	British Electric 3% 1968–73	74 13/16	74 15/16	4 16 5	6 4 1
70 1/8	69	British Electric 3% 1974–77	69 3/8	69 1/2	4 14 6	6 3 10
80 13/16	79 1/16	British Electric 4¼% 1974–79	79 3/8	79 1/2	4 6 0	6 4 4
72 7/16	70 3/8	British Electric 3½% 1976–79	70 7/8*	71 1/16*	4 10 9	6 4 1
83 3/4	82 1/2	British Gas 4% 1969–72	83 3/8	83 3/4	4 9 11	6 5 4
81 1/8	80 1/16	British Gas 3½% 1990–95	81 1/16	81 7/16	4 12 8	6 3 9
57 1/8	53 13/16	British Gas 3% 1990–95	56 1/4*	57 1/4	4 5 1	5 19 5
75 3/4	74 3/8	British Transport 3% 1968–73	74 13/16	74 15/16	4 16 5	6 4 1
78 15/16	77 1/8	British Transport 4% 1972–77	78 1/8	78 1/8	4 18 0	6 5 4
60	56 1/2	British Transport 3% 1978–88	59 3/8	60	4 9 8	6 3 4

Prices, 1962 High	Prices, 1962 Low	DOMINION AND CORPORATION STOCKS	Price, April 11, 1962	Price, April 17, 1962	Red. Yield. April 17, 1962 £ s. d.
81 7/8	79 1/2	Australia 3¼% 1965–69	81 3/4	81 7/8	6 9 01
98 3/4	96	Australia 6% 1974–76	96 1/4	96 1/4	6 7 01
66	56	Ceylon 4% 1973–75	56	56	9 17 01
96 3/4	94 1/4	New Zealand 6% 1976–80	95 3/4	95 3/4	6 8 01
75 1/4	63	Rhodesia and Nyasaland 6% 1978–81	64	65	10 3 01
86 1/4	82	South Africa 3½% 1965–67	86	86 1/4	6 14 01
58 1/4	49	Southern Rhodesia 4½% 1987–92	49	49	9 7 01
81 1/8	77 3/4	Agricultural Mortgage 5% 1959–89	80 3/4	81 1/8	6 9 01
88 7/8	86	Birmingham 4¼% 1967–70	88 1/2	88 1/8	6 2 01
91	88 3/4	Bristol 5% 1971–73	90 1/2	91	6 5 01
90 3/8	88	Corporation of London 5¼% 1976–79	90	90 3/8	6 6 01
46 1/8	43	L.C.C. 3% ..... after 1920	45 5/8	46	6 10 01
86 1/8	84	L.C.C. 5% 1980–83	85 1/8	85 3/8	6 5 01
89 1/4	87	Middlesex 5¼% 1980	88 1/4	88 3/4	6 6 01

NEW YORK PRICES AND INDICES

	Apr. 11 $	Apr. 16 $		Apr. 11 $	Apr. 16 $		Apr. 11 $	Apr. 16 $
Atch. Topeka	26 5/8	26 1/4	Boeing	48 3/4	46 7/8	Int. Harvester ..	53 3/4	53 7/8
Can. Pacific	24 1/2	24 1/2	Celanese	40 3/4	39 7/8	Inter. Nickel ..	78	77 1/4
Pennsylvania	15 7/8	15 5/8	Chrysler	52 1/2	52 1/4	Inter. Paper	35 5/8	35 3/8
Union Pacific	32 3/8	32 3/4	Col. Palmolive ..	47	46 1/2	Kennecott	78	78
Amer. Electric ...	70 3/8	70	Crown Zeller...	55	54	Monsanto	45 3/8	44 5/8
Am. Tel. & Tel. ..	128 1/8	126 7/8	Distillers Seag....	46 3/4	46 1/4	Nat. Distillers..	30	29 1/4
Cons. Edison	79 1/2	79 3/8	Douglas	26 1/4	26 3/8	Pan-American ..	21 1/8	21
Int. Tel. & Tel....	50 3/4	49 3/8	Dow Chemical...	57 1/4	56	Procter Gamble	84 1/4	83 1/4*
South'n. Nat. Gas.	46 1/8	45 5/8	Du Pont	239 1/2	235 1/2	Radio Corpn....	58	56 5/8
United Corpn....	8 1/4	8	East. Kodak	110 1/4	109 5/8	Sears Roebuck ..	82 3/8	80 7/8
Western Union ..	36 3/8	37 1/4	Ford Motor	96 1/4	97 3/4	Shell Oil	37 3/4	37
Alcoa	63 1/8	63 3/8	Gen. Electric	73 1/4	74 1/8	Socony-Mobil	54 3/8	53 1/2
Aluminium	26	25 3/4	General Foods ..	84 3/4	84 5/8	Stand. Oil Ind..	51 3/8	51 3/8
Amer. Can.....	46	45 3/8*	General Motors .	55 3/4	54 3/4	Stand. Oil N.J...	53 1/4	53 1/8
Am. Smelting	62	60 1/2	Goodyear	43 3/4	42 3/4	Union Carbide.	110 3/8	108 1/2
Am. Viscose	54 1/4	53 3/4	Gulf Oil	42 3/4	42 1/2	U.S. Steel	68 1/2	63 1/4
Anaconda	45 7/8	45 3/8	Heinz	55	56	West. Electric...	35 1/4	34 1/2
Beth. Steel	42 1/8	40	Int. Bus. Mach...	516	512 1/2	Woolworth.....	80 3/8	78 1/2

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

1962	425 Industrials	Yield %	25 Rails	Yield %	50 Utilities	Yield %	Govt. Bonds	Yield %
March 14	74·93	2·86	34·43	4·82	64·79	3·12	88·70	4·01
,, 21	74·42	2·88	33·35	4·83	64·95	3·11	88·80	4·00
,, 28	73·93	2·90	33·35	4·81	64·45	3·13	89·01	3·98
April 4	72·14	2·97	32·44	4·97	64·06	3·15	88·75	3·99
,, 11	72·01	2·98	32·55	4·95	64·25	3·15	90·06	3·88

425 Industrials :—High, 75·22 (Jan. 3). Low, 71·13 (April 16).

Prices, 1962 High	Prices, 1962 Low	FOREIGN AND OVERSEAS STOCKS	Price, April 11, 1962	Price, April 17, 1962	Yield, April 17, 1962	Cover
		FRANCE	Frcs.	Frcs.	%	
2/6	26/9	Air Liquide	1,350	1,415	3·53	2·1
2/6	11/–	Banque de Paris	604	595	8·40	2·1
3/9	56/4½	Citroen	234	224	8·04	2·1
4/8¼	12/7½	C. F. Petrole..	316·1	304	3·29	2·1
5/–	76/–	Cie. G. d'Electr.	1,439	1,427	3·50	2·1
5/6	42/–	Machines Bull.	797	781	3·84	2·1
5/6	41/3	Pechiney	295	283	3·53	2·1
5/9	22/–	Printemps	720	723	3·46	2·1
5/–	63/6	Rhone-Poulenc	539	526	3·80	2·1
5/9	22/6	S.I.M.	399	407	3·69	2·1
5/9	30/4½	Saint-Gobain..	437	430	3·72	2·1
3/7½	60/7½	Usinor	250	255	3·92	2·1
7/6	39/6	Index	110·9	110·9		
5/3	90/9	Dec. 30, 1960 = 100.				
3/3	16/6					
1/3	9/9	**ITALY**	Lire	Lire		
3/–	28/3	Ass. Generali ..	154,250	150,520		
1/10½	74/10½	Breda	6,078	5,995		
1/–	19/6	Edison	4,981	4,790		
5/6	80/6	Fiat	3,017	2,996		
3/3	14/9	Finsider	1,530	1,510		
2/6	18/–	La Centrale...	15,380	14,200		
		Montecatini....	3,886	3,830		
7/3	44/9	Motta	35,900	34,000		
5/6	44/6	Olivetti	10,860	10,510		
5/6	47/–	Pirelli S.p.A...	11,850*	11,698		
3/6	47/–	Rinascente.....	820	778		
2/9	28/6	Snia Viscosa ..	7,710	7,425		
2/6	18/–	Index	712·27	695·02		
		1950 = 100.				

Prices, 1962 High	Prices, 1962 Low	Last Two Dividends (a) (b) (c)	ORDINARY STOCKS	Price Apr. 11, 1962	Price, Apr. 17, 1962	Yield, Apr. 17, 1962	Cover
		% %	**BANKS, DISCOUNT & HP**				
104/–	86/–	6½ a 6½ b	Barclays £1	100/–	99/–	2·63	...
102/6	93/–	8 a 8 b	District £1	101/–	102/–	3·14	...
72/6	58/6	4·3 a 5·1 b	Lloyds £1	69/9	69/–	2·72	...
24/6	20/3	7 a 8 b	Martins 5/–	23/10½	23/7½	3·17	...
101/–	86/9	7½ a 7½ b	Midland £1	98/6	99/6	3·02**	...
102/–	89/–	7 a 7 b	Nat. Provincial..... £1	100/–	99/3	2·82	...
103/–	84/–	6¾ a 6¾ b	Westminster 'B' £1	101/6	101/6	2·62	...
43/3	40/10½	4 a 8 b	Australia & N.Z.... £1 p.p.	42/–	42/6	5·65	...
40/3	37/11½	3½ a 5 b	Bk. Lond. & S. Amer..£1	39/3½	39/3½	4·25	...
49	£25 16	£22 15/16 $2·05 c	$2·05 c	Bank of Montreal....$10	£23 16	£23 8	3·10	...
32½	27¼	8 c 9 c	Bank of New S. Wales £20	31¾	32½	4·43 g	...
38/9	34/9	5 a 5 b	Barclays D.C.O. £1	36/6	36/9	5·44	...
58/6	53/3	7½ a 7½ b	Chartered £1	55/3	55/3	5·43	...
£19¾	£17¼	5/– c 10/– c	Hongk'g. & Shang....$25	£18	£17¾	4·23	...
57/6	52/3	7½ a 9 b	Nat. Com. Bk. Scot. 10/–	56/6	57/6	2·87	...
£29 16	£26 15/16	$2·37½ c	$2·50 c	Royal Bk. Canada....$10	£27 16	£27 8	3·18	...
43/6	37/6	10 b 5 a	Standard Bank £1	39/3	38/6	7·79	...
197/6	157/6	22½ c 7½ a	Hambros ..... £1 f.p.	180/–	197/6	2·28	...
98/6	81 10½	21½ a 5 b	Schroders £1	98/6	97/–	1·55	...
59/3	53/–	6¼ a 6¼ b	Union Discount £1	58/9	57/6	4·35	...
14½	11 4½	18 c Nil c	Bowmaker 5/–	12/11½	11 4½	...	...
14/3	11/3	5 a 5 b	Lombard Banking 5/–	12/11½	11/3	4·44	1·
16 4½	10 10½	21½ b 2 a	Mercantile Credit 5/–	11 10½	10 10½	3·45	...
44 1/2	32/–	22½ b 4 a	United Domins. Tst... 5/–	34/–	32/–	4·14	3 4
...	13/3	... 7 b	**BREWERIES, Etc.**				
41/9	37 4½	8½ b 6 a	Bass. M. & B. 5/–	15 4½	16 1½	3·41**	2
21/–	17/6	4 a 8 b	Distillers 10/–	41/6	41/9	3·47	2
51/6	47/–	8 a 14 b	Flowers 5/–	19/6	20/3	2·96	2
...	...	... 6 b	Ind Coope, T.A. 5/–	13/6	13/9	4·36**	1½
19/6	12	4 a 7½ b	United Breweries..... 5/–	15 7½	16 1½	3·88	...
27/6	23 8¼	6 a 12 b	Watney Mann.. 5/–	27/6	27/6	3·27	2
39/–	31/9	9 a 21 b	Whitbread 'A' 5/–	38/3	39/–	3·85	1 3 4
56/9	50 7½	5 3 b 3 a	**BUILDING, PAINT, Etc.**				
26/9	21/9	7 4 b 4 a	Associated Portland...£1	55/3	52 4½	3·18	2½
17 10½	14 10½	10 b 6 a	British Plaster Bd.. 10/–	26 1½	26/3	4·76	2 1/4
12/3	10/6	10 a 12½ a	Richard Costain 5/–	16 7½	16/9	4·78	2 3/4
12/6	10/–	14 b 6 a	Crittall Mfg. 5/–	12/3	12 1½	6·96**	2
25/–	22/–	25 c 25 c	International Paints ..4/–	10/3	10/–	8·00	1½
24/6	19 7½	11 3 b 5 a	Wall Paper Defd..... 5/–	24/–	21/– 10 2*	23/6	3·55	2 1/4
25 7½	20/9	6 a 14 b	**CHEMICAL**				
19/3	16/3	4 a 7½ b	Albright & Wilson... 5/–	25/7½	25/11½	3·98	2
43/3	34/–	4 a 7 b	Borax Defd. 5/–	18 10½	18/6	3·11	2½
40/6	39/6	5 a 9 b	Fisons £1	40/6	39/6	5·53	1½
58/–	53/3	6¼ a 7½ b	I.C.I. £1	56 7½	55/6	4·95	1
17/3	12/6	5 a 5 b	Monsanto..... 5/–	13/9	13/–	3·85	1½
36/3	33/6	7·96 b 7·78 a	**DRAPERY & STORES**				
35/9	30/6	7 6 b 7 1 a	Boots Pure Drug 5/–	34/–	33/6	1·79	2 1/4
45/–	40/–	11 4 a 15 b	Montague Burton.. 10/–	31/6	31/3	3·13	2 1/4
111 16	109 8	‡20 a ‡70 b	Debenhams 10/–	58/6*	57/3	3·35	1½
249 16	‡208 1 c	‡208 1 c	G.U.S. 'A' 5/–	58/–	60/3	3·11	2
111 a	81 a	15 b 15 b	House of Fraser 5/–	38 4½	36/9	4·08	1 1/4
41/–	31/–	16/6 16/6	Marks & Spencer 'A'.5/–	99/–	96/9*	2·45	1½
20 b	10 a	5 a 5 a	United Drapery 5/–	50 1½	51/–	2·94	1 3/4
106 a	25 b	10 a 10 a	Woolworth 5/–	49/3	47/3	3·79	1 1/4
			OIL				
38/–	32/3	‡6·94 b ‡2·78 a	British Petroleum £1	36/3	35/–	9·07	2 1/4
35/9	30/6	‡6 8 b ‡2 1 a	Burmah Oil £1	34/–	32/–	9·56	1 1/4
£14 5/16	£12 5/16	11 4 a 15 b	Royal Dutch ..... 20 fl	£13 8	£13 11/16	3·78	2 3/4
32/–	27/–	‡10 a ‡15 b	Shell Transport 5/–	30/6	30/3	6·75	2 1/2
28/–	20/6	... ...	Ultramar 10/–	21/–	23/3	... d	...

Prices, 1962 High	Prices, 1962 Low	Last Two Dividends (a) (b) (c)	ORDINARY STOCKS	Price, Apr. 11, 1962	Price, Apr. 17, 1962	Yield, Apr. 17, 1962	Cover
		% %	**ELECTRICAL & RADIO**				
29/9	26/9	5 a 5 b	A.E.I. £1	29/9	28/3	7·08	1
15/–	11/–	... 15 c	Brit. Electronic Inds..5/–	12 4½	11/9	6·38	1 4
5/6	56/4½	4 a 9½ b	B.I.C.C. £1	61/6*	61/–*	4·43	2
7/6	12/7½	5 a 7½ b	Crompton Parkinson..5/–	13/9 3 4	13/9	4·55	2½
5/–	76/–	23½ c 31 3 a	Decca Record 10/–	82/–	80/9	2·89	1 3 4
5/6	42/–	12½ b 5 a	E.M.I. 10/–	44/–	43/–	4·07	2
5/6	41/3	8 b 5 a	Elliott-Automation ..5/–	52 1½	50/6	1·29	2
7/9	22/–	3 a 5 b	English Electric £1	24/3	22/6	7·11	1½
2/3	25/9	7 b 3 a	General Electric..... £1	28/6	29/3	6·84	3 4
9/3	48/6	4 3 8 a 8 b	C. A. Parsons £1	58/9	48/6	5·15	2 1 4
7/9	43/6	3 1 4 a 6 1 2 b	A. Reyrolle..... £1	45/3*	43/6	4·48	2 1½
5/–	63/6	25 c 25 c	Thorn Electrical 5/–	75/–	75/6	1·66	3
			ENGINEERING				
20/3	20/3	9 c Nil a	Babcock & Wilcox.... £1	22/6	23/–	...	1
27/3	27/3	7 b 3·2 a	John Brown £1	34/6	34/6	5·91	2 3 4
4/3	4/3	9 b 3 a	Cammell Laird 5/–	4/6	4 10½	12·31	1
22/–	22/–	10 a 20 b	Internat. Combust. .5/–	23/3	22/9	6·59	1 1 4
...	3 4½	... ...	Rich'ds'ns. Westg'th. 10/–	3/6	3 7½	...	...
32/–	2½ a	9½ b	Swan Hunter £1	35/9	36 7½*	6·55	2 1 4
10/6	5	5 c 5 c	John Thompson 5/–	13/9	13/–	1·92	...
30/4½	‡21 2 a	‡6 1 4 b	Coventry Gauge 10/–	32/6	32/6	4·40	2 3 4
60/7½	‡21 2 a	16 b	Alfred Herbert £1	70 4½	67 10½	4·09	2
39/6	12 1½	5 a	Allied Ironfounders...£1	46/6	43/6	8·05	1½
90/9	10	5 a	Averys £1	96/–	96/3	3·12	2½
16/6	4 a	7 3 b	B.S.A. 10/–	19/9	18 10½	6·18	2 1 4
9/9	8 1 b	4 a	George Cohen 5/–	11/3	11 1½	5·84	1 3 4
28/3	17 1 2 b	10 a	Davy-Ashmore 5/–	29/9	28/3	4·87	2 1 4
80/6	74 10½	11 b 5 a	Guest Keen..... £1	78 7½	78/7½	4·07	3 1 2
14/9	10	4 a 5 b	Head Wrightson..... 5/–	20/–	19/6	4·10	2 1 2
80/6	7	5 a 5 a	Metal Box £1	84/–	83/6	2·87	2 1 4
14/9	10	4 a 5 a	Ransome & Marles...5/–	16/3	14 4½	4·27	3
44/6	7	3 a 5 b	Renold Chains	46/3	46 4½	4·31	2
55 10½	7	7 b	Tube Investments..... £1	63 7½	61/9	4·53	3
21 10½	7½	21 2 a	Vickers £1	28/3	27/3	7·34	1 3 4
60/–	10	3 3 4 a	Ward (Thos. W.) £1	71/6	68/–	4·04	3
18/–	22 1 2 b	5 a	Woodall-Duckham..5/–	18/6	18/6	5·68**	2 3 4
			FOOD & TOBACCO				
19/9	10	10 c	Allied Suppliers 10/–	23/–	23/–	4·35	2
12 1½	10	10 a	Assoc. British Foods..1/–	11/–	10 4½	2·17	2
8	8	4 a	Bovril £1	57/3	57 4½	4·18	2½
11/4½	‡1·7 a	‡3·9 b	Brooke Bond 'B' 5/–	12/–	11 10½	3·85	3½
13/11½	10	21 2 a	International Tea 5/–	13/9	14 4½	4·35	1½
9/3	72/9	10 5 6 b 5 a	J. Lyons 'A' £1	76 10½	77 10½	4·07	1 1 4
4/–	30/–	5 a 9 b	Ranks Hovis 10/–	33/6	34/–	4·12	...
19/9	10 10½	7 1 2 b 2 1 2 a	Spillers..... 5/–	13/9	13/3	3·77	2
9/9	47/11½	11 a 1 b	Tate & Lyle..... £1	49/–	47/7½	5·04	2 1 4
5/–	15/3	9 b 5 a	Unigate 5/–	17 10½	17/9	3·94	2
3/9	53/3	‡22 1 2 c	‡55 6 a	Brit. Amer. Tobac... 10/–	57/9*	54/9	6·71
3/3	29/11½	5 a	15 b	Gallaher 10/–	31/6	31/6	6·35
3/9	47/9	7 1 2 a	14 b	Imperial Tobacco..... £1	51/–	49/6	9·09
			INSURANCE				
8 1 8	6 9 16	‡22·7 a	‡25 b	Britannic 5/–	8 9 16	8 7 8	2·19
5/–	55/3	20 a	25 b	Commercial Union .. 5/–	60/9	56/3	4·00
51 5 16	33½	‡41·17 c	‡62·74 c	Equity & Law Life .. £1	34 3 8	33 15/16	1·28
7/3	84/6	10 a	20 b	General Accident..... 5/–	103/9	107/3	1·40
9/9	46/9	...	...	Guardian..... 5/–	57/3	58/6	2·28**
4 3 4	38 1 2	80 a	110 b	Legal & General..... 5/–	47 3 8	46 11 16	1·02
70/–	142/9	11 2 b	81 3 a	Northern & Empl..... £1	165/–	167/9	2·38
121 11/16	109 3/8	‡20 a	‡70 b	Pearl 5/–	125 1/16*	121 11/32	3·06
28 1/16	24 9/16	‡208 1 c	‡208 1 c	Prudential 'A' 4/–	27 5/8	28 1/16	2·41
47 10½	41 10½	... ...		Royal 5/–	45 4½	42/6*	3·53
17/9	103/9	11 1 4 b	71 2 a	Royal Exchange £1	117/3	117/9	3·18
			MOTORS & AIRCRAFT				
18/3	15/6	12½ b	7½ a	British Motor 5/–	17 7½	15/9 3 4	6·32
85/3	80 4½	20 c	20 c	Jaguar Cars 'A' 5/–	85/3	84 1½	1·19
41/6	31/6	11 c	5 a	Rolls-Royce..... £1	33/6	32/3	6·82
6 8 1 4	5 8	12 a	4 a	Rootes Motors 'A' £1	6 8 1 4	6 4 1 2	2·51
68/3	58/3	5 a	11 b	A.C.V. £1	70/–	69/3	4·62
76/9	76/9	20 c	20 c	Leyland Motors £1	90/3	90 7½	4·41
15 11 1 4	14/–	12½ c	8 a	Bristol Aeroplane ..10/–	14 4½	14/–	8·93
24 8 1 4	20/3	15 c	5 a	Hawker Siddeley £1	21 7½	20/3	10·47**
36/9	26/9	15½ b	14 a	Dowty Group..... 10/–	31 10½	30/9	5·04
34 4½	28 1½	5 a	15½ b	Joseph Lucas..... £1	33/6	34 4½	4·61
75/3	63/9	11 1 4 b	21½ a	Joseph Lucas..... £1	74 10½	75/3	3·65
22/–	16/9	30 c	Nil a	Pressed Steel..... 5/–	20/3	18/9	...
37 7½	34 4½	12½ c	5 a	Triplex Holdings ..10/–	37/6	37/6	3·33
			MINES				
50/–	136/3	40 a	50 b	Anglo-American.....10/–	145/6	146 10½	6·13
64/3	53/3	6 1 4 b	18 3 4 b	Consolid. Gold Fields £1	54/–	53/3	9·38
96/3	81 10½	15 a	20 b	General Mining..... £1	82/6	82/6	8·48
50/6	47 7½	40·8a	122·5b	Union Corporation..2/6	48/9*	47 7½	8·57
18/–	16/9	40 a	40 b	Daggafontein 5/–	17/9	18 4½	21·77
94 4½	83 1½	70 a	100 b	Free State Geduld ..5/–	83/9	84 4½	10·07
47/6	39/6	25 b	25 a	Harmeisfontein ..10/–	39/6	39 10½	5·54
56/6	50/6	50 a	60 b	President Brand 5/–	54/–	53 1½	10·35
28/9	17/6	90 a	120 b	Western Holdings ...5/–	12 1–*	121 10½*	8·62
19/–	15 10½	6 a	5 b	Winkelhaak..... 10/–	16/3	15 10½	6·93
56/9	44/9	13½ a	36 3 b	Chartered 15/–	45/6	44/9	16·76
36/6	47/–	60 b	20 a	Rhod. Anglo-Amer. 10/–	49/6	48/9	16·41h
37 4½	28/6	...	...	Rhod. Selection Tst. .£1	29/3	28/9	12·52**h

Industrial Profits and Assets

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

Comparative analysis of 371 profit and loss accounts published January - March, 1962 (£'000)

Industry	Breweries, Distilleries and Wine		Building		Paper and Packaging		Chemicals and Paint		Clothing and Footwear		Electrical Manufacturing		Engineering		Entertainment	
No. of Companies	(16)		(21)		(7)		(8)		(20)		(14)		(56)		(12)	
Year	Previous	Latest	Previous	Latest	Previous	Latest	Previous	Latest	Previous	Latest	Previous	Latest	Previous	Latest	Previous	Latest
Gross trading profit	14,837	17,212	11,116	12,368	8,499	7,686	13,043	12,035	10,457	11,105	36,406	36,180	31,801	33,602	6,061	10,438
Investment and other income	1,538	1,731	111	140	276	353	681	574	121	196	148	132	947	828	143	229
Total income	**16,375**	**18,943**	**11,227**	**12,508**	**8,775**	**8,039**	**13,724**	**12,609**	**10,578**	**11,301**	**36,554**	**36,312**	**32,748**	**34,430**	**6,204**	**10,667**
Depreciation	1,846	2,273	2,602	3,032	1,106	1,217	4,067	4,631	1,305	1,456	12,534	14,930	6,926	7,832	676	845
Directors' emoluments	447	489	543	633	264	260	430	449	637	616	598	634	1,607	1,713	162	181
Other charges	265	324	806	280	89	54	53	82	151	200	1,063	995	1,018	1,376	110	131
Loan interest	1,056	1,050	224	273	133	133	682	677	216	220	1,767	2,194	674	653	79	89
Profit before tax	**12,761**	**14,807**	**7,050**	**8,290**	**7,183**	**6,375**	**8,492**	**6,770**	**8,269**	**8,809**	**20,592**	**17,559**	**22,523**	**22,856**	**5,177**	**9,421**
Income tax	4,920	5,639	2,869	2,900	2,730	2,349	2,765	2,214	3,276	3,428	6,996	5,783	9,511	9,514	2,124	3,889
Profits tax	1,395	1,961	768	1,002	777	831	453	398	967	1,224	1,889	1,839	2,474	3,090	607	1,305
Minority interests	81	116	82	82	46	45	983	857	4	7	128	73	70	82	47	43
Preference dividends	388	475	173	184	138	138	137	137	211	213	154	156	284	306	82	81
Net equity earnings	**5,977**	**6,616**	**3,158**	**4,122**	**3,492**	**3,012**	**4,154**	**3,164**	**3,811**	**3,937**	**11,425**	**9,708**	**10,184**	**9,864**	**2,317**	**4,103**
Less Ordinary dividends	2,862	3,091	1,707	2,038	1,324	1,229	1,489	1,357	1,683	1,720	4,924	4,362	4,209	4,554	1,304	2,022
Plus Non-recurring credits	119	219	60	399	305	90	57	17	184	236	496	269	881	1,238	155	53
Retained earnings	**3,234**	**3,744**	**1,511**	**2,483**	**2,473**	**1,873**	**2,722**	**1,824**	**2,312**	**2,453**	**6,997**	**5,615**	**6,856**	**6,548**	**1,168**	**2,134**
Dividend Cover	2·1	2·1	1·9	2·0	2·6	2·5	2·8	2·3	2·3	2·3	2·3	2·2	2·4	2·2	1·8	2·0

Industry	Property		Food and Confectionery		Iron and Steel		Motors, Cycles and Aircraft		Newspapers and Printing		Oil		Shipbuilding		Shipping	
No. of Companies	(15)		(16)		(19)		(25)		(8)		(1)		(1)		(3)	
Year	Previous	Latest	Previous	Latest	Previous	Latest	Previous	Latest	Previous	Latest	Previous	Latest	Previous	Latest	Previous	Latest
Gross trading profit	3,634	4,694	22,050	23,462	169,093	140,000	14,165	14,367	4,797	4,984	154	168	372	386	20,264	16,772
Investment and other income	215	231	342	378	4,211	4,381	91	49	239	298	...	3	18	37	1,258	1,238
Total income	**3,849**	**4,925**	**22,392**	**23,840**	**173,304**	**144,381**	**14,256**	**14,416**	**5,036**	**5,282**	**154**	**171**	**390**	**423**	**21,522**	**18,010**
Depreciation	244	204	4,667	5,227	36,360	39,236	1,930	2,074	764	869	25	25	49	51	12,706	14,731
Directors' emoluments	106	116	474	488	1,345	1,356	860	810	256	279	7	5	26	26	199	185
Other charges	417	422	2,124	2,076	5,222	6,599	451	605	35	218	1	...	18	17	2,156	1,794
Loan interest	801	1,050	202	273	9,614	10,257	282	299	27	28	...	...	...	...	1,141	1,233
Profit before tax	**2,281**	**3,133**	**14,925**	**15,776**	**120,763**	**86,933**	**10,733**	**10,628**	**3,954**	**3,888**	**121**	**141**	**297**	**329**	**5,320**	**67**
Income tax	1,082	1,389	6,062	6,367	38,418	24,879	4,150	4,240	1,530	1,606	50	55	115	126	685	...
Profits tax	272	429	1,631	2,088	10,679	8,035	1,176	1,455	406	520	8	19	31	42	...	...
Minority interests	41	63	195	220	484	269	14	12	115	73	...	...	...	...	848	191
Preference dividends	91	93	322	354	1,263	1,266	107	107	72	72	...	...	5	5	110	110
Net equity earnings	**795**	**1,159**	**6,715**	**6,747**	**69,919**	**52,484**	**5,286**	**4,814**	**1,831**	**1,617**	**63**	**67**	**146**	**156**	**3,677**	**Dr. 234**
Less Ordinary dividends	848	1,333	3,540	3,587	17,765	17,706	1,908	1,990	669	790	31	33	77	77	2,104	1,203
Plus Non-recurring credits	443	838	324	225	1,207	1,666	175	184	115	27	...	...	...	8	1,101	1,219
Retained earnings	**390**	**664**	**3,499**	**3,385**	**53,361**	**36,444**	**3,553**	**3,008**	**1,277**	**854**	**32**	**34**	**69**	**84**	**2,674**	**Dr. 218**
Dividend Cover	...	...	1·9	1·9	3·9	3·0	2·8	2·4	2·7	2·0	2·0	2·0	1·9	2·0	1·7	...

Industry	Shops and Stores		Cotton		Silk, Rayon and other Textiles		Wool		Tobacco		Miscellaneous Manufacturing		Miscellaneous—Others		TOTALS ALL GROUPS	
No. of Companies	(9)		(11)		(17)		(17)		(2)		(49)		(24)		371 Companies	
Year	Previous	Latest	Previous	Latest	Previous	Latest	Previous	Latest	Previous	Latest	Previous	Latest	Previous	Latest	Previous	Latest
Gross trading profit	44,027	45,200	8,073	7,565	7,410	6,440	8,619	8,678	96,825	104,354	63,953	63,766	5,828	5,396	601,484	586,858
Investment and other income	594	530	512	521	328	363	280	256	11,191	11,757	2,445	2,577	271	274	25,960	27,076
Total income	**44,621**	**45,730**	**8,585**	**8,086**	**7,738**	**6,803**	**8,899**	**8,934**	**108,016**	**116,111**	**66,398**	**66,343**	**6,099**	**5,670**	**627,444**	**613,934**
Depreciation	3,024	3,271	1,219	1,330	1,988	2,104	1,542	1,699	9,398	9,503	14,392	16,274	1,283	1,533	120,653	134,347
Directors' emoluments	696	703	301	291	549	576	568	598	684	670	1,611	1,648	497	515	12,669	13,241
Other charges	647	416	135	94	75	130	166	163	4,678	4,671	1,618	1,476	127	214	21,425	22,337
Loan interest	286	344	79	68	59	67	56	67	2,756	2,720	1,056	1,095	157	162	21,347	22,952
Profit before tax	**39,968**	**40,996**	**6,851**	**6,303**	**5,067**	**3,926**	**6,567**	**6,407**	**90,500**	**98,547**	**47,721**	**45,850**	**4,035**	**3,246**	**451,130**	**421,057**
Income tax	16,277	16,262	2,540	2,209	1,879	1,556	2,590	2,486	36,870	39,143	19,253	17,299	1,500	1,366	168,192	154,699
Profits tax	4,791	6,004	763	823	558	519	732	858	5,298	7,080	4,277	4,978	282	346	40,234	41,846
Minority interests	283	286	2	1	47	30	91	91	3,964	4,406	991	989	16	30	8,532	7,966
Preference dividends	305	391	59	59	302	302	216	214	880	880	462	452	130	130	5,891	6,125
Net equity earnings	**18,312**	**18,053**	**3,487**	**3,211**	**2,281**	**1,519**	**2,938**	**2,758**	**43,488**	**47,038**	**22,738**	**22,132**	**2,107**	**1,374**	**228,301**	**207,421**
Less Ordinary dividends	12,452	12,502	2,089	2,084	1,109	1,073	1,657	1,652	18,578	18,974	10,448	10,978	1,068	1,170	93,845	95,525
Plus Non-recurring credits	400	760	130	31	192	395	277	196	...	...	1,473	753	223	638	8,317	9,458
Retained earnings	**6,360**	**6,311**	**1,528**	**1,158**	**1,364**	**841**	**1,558**	**1,302**	**24,910**	**28,064**	**13,763**	**11,907**	**1,262**	**842**	**142,773**	**121,354**
Dividend Cover	1·5	1·4	1·7	1·5	2·1	1·4	1·8	1·7	2·3	2·5	2·2	2·0	2·0	1·2	2·4	2·2

Comparative analysis of 371 balance sheets published January - March, 1962 (£'000)

Industry	Breweries, Distilleries and Wine		Building		Paper and Packaging		Chemicals and Paint		Clothing and Footwear		Electrical Manufacturing		Engineering		Entertainment	
No. of Companies	(16)		(21)		(7)		(8)		(20)		(14)		(56)		(12)	
Year	Previous	Latest	Previous	Latest	Previous	Latest	Previous	Latest	Previous	Latest	Previous	Latest	Previous	Latest	Previous	Latest
Fixed assets	114,203	125,487	45,010	51,797	30,631	33,144	68,728	73,808	37,389	42,914	157,186	180,360	103,927	121,081	17,550	22,142
Less depreciation	20,530	22,562	17,817	20,345	10,329	11,470	15,971	19,210	10,861	11,881	70,111	79,929	44,953	51,499	3,618	4,936
Net fixed assets	**93,673**	**102,925**	**27,193**	**31,452**	**20,302**	**21,674**	**52,757**	**54,598**	**26,528**	**31,033**	**87,075**	**100,431**	**58,974**	**69,582**	**13,932**	**17,206**
Trade investments	748	3,263	3,836	4,960	196	396	1,068	1,168	289	280	7,924	8,431	3,387	4,536	929	1,848
Intangible assets	13,187	14,634	1,642	2,133	334	332	69	27	1,752	2,798	843	1,182	5,710	6,558	897	125
Stocks	18,929	23,124	15,258	18,051	8,907	10,105	13,454	14,231	18,680	20,376	92,745	100,434	75,872	90,601	592	1,013
Debtors	8,140	10,069	18,477	20,932	8,430	8,315	13,808	15,784	7,536	8,637	70,676	80,033	49,425	57,013	3,026	3,777
Gilt-edged	1,740	928	1	1	51	...	415	1,407	379	370	...	...	391	441	466	432
Cash	8,606	6,204	3,805	2,063	7,818	8,152	5,586	3,946	5,193	4,630	14,186	8,498	13,739	11,922	4,454	5,596
Other investments	1,229	1,154	479	97	691	826	1,321	46	160	163	7	7	1,981	1,639	299	507
Creditors	10,411	12,190	12,496	14,517	3,358	3,562	8,180	8,325	6,697	7,478	52,688	63,535	38,938	44,611	3,454	3,310
Other current liabilities	13,206	14,762	5,390	5,992	3,345	3,970	6,393	6,323	5,779	6,855	15,614	13,245	15,740	17,510	3,357	4,717
Bank overdrafts and loans	1,354	4,096	3,685	6,171	430	406	1,022	1,157	928	4,018	31,616	30,906	13,194	20,992	1,581	481
Net current assets	**13,673**	**10,431**	**16,449**	**14,464**	**18,764**	**19,460**	**18,989**	**19,609**	**18,544**	**15,825**	**77,696**	**81,286**	**73,536**	**78,583**	**645**	**2,817**
Total net assets	**121,281**	**131,253**	**49,120**	**53,009**	**39,596**	**41,862**	**72,883**	**75,402**	**47,113**	**49,936**	**173,538**	**191,330**	**141,607**	**159,179**	**16,203**	**21,996**
Financed by :—																
Reserve for future income tax	5,373	6,154	3,355	3,385	3,291	3,279	4,053	3,989	3,271	3,449	10,221	9,882	10,013	10,339	2,053	4,015
Capital reserves	24,631	25,964	5,781	6,184	878	882	4,025	4,110	6,796	5,956	21,283	23,923	16,347	21,807	2,189	2,207
Revenue reserves	20,491	24,934	11,745	14,043	16,942	18,552	16,245	17,737	13,957	15,540	42,092	42,233	43,778	47,986	3,609	4,269
Minority interests	4,026	4,068	702	608	937	956	13,090	13,219	112	190	4,290	4,099	1,056	1,296	306	832
Loan capital	23,696	25,680	3,923	4,502	2,244	2,226	13,709	13,378	5,058	5,144	35,112	45,294	13,881	14,132	1,147	1,567
Preference capital	14,412	14,647	4,757	4,657	3,900	3,899	4,672	4,671	5,449	5,484	4,791	4,900	8,335	9,047	2,155	2,655
Ordinary capital	26,652	29,806	18,857	19,630	11,384	12,068	17,089	18,298	12,470	14,173	55,749	60,999	48,197	54,572	4,744	6,451
Scrip Issues made during year	1,075	478	3,185	304	3,090	653	135	646	232	1,693	2,901	645	4,544	3,076	208	1,656

Industry	Property		Food and Confectionery		Iron and Steel		Motors, Cycles and Aircraft		Newspapers and Printing		Oil		Shipbuilding		Shipping	
No. of Companies	(15)		(16)		(19)		(25)		(8)		(1)		(1)		(3)	
Year	Previous	Latest	Previous	Latest	Previous	Latest	Previous	Latest	Previous	Latest	Previous	Latest	Previous	Latest	Previous	Latest
Fixed assets	49,443	57,375	95,621	104,424	942,853	1,128,009	43,024	49,167	16,624	19,664	884	900	1,410	1,464	311,910	331,459
Less depreciation	1,821	1,871	28,123	31,971	246,201	280,399	16,412	18,607	7,041	8,495	232	258	861	907	112,536	119,010
Net fixed assets	**47,622**	**55,504**	**67,498**	**72,453**	**696,652**	**847,610**	**26,612**	**30,560**	**9,583**	**11,169**	**652**	**642**	**549**	**557**	**199,374**	**212,449**
Trade investments	950	2,086	1,788	2,290	18,939	20,199	440	821	569	637	...	...	...	434	4,527	5,358
Intangible assets	3,062	3,052	14,988	15,643	393	313	416	481	781	835	...	...	...	...	...	...
Stocks	1,435	1,392	41,093	43,291	192,593	207,026	39,930	48,123	3,115	3,697	1	1	1,136	1,117	3,098	3,179
Debtors	2,682	3,667	19,199	21,878	151,226	142,607	20,573	21,899	5,161	5,578	44	38	619	323	20,387	19,997
Gilt-edged	315	300	206	184	3,494	4,213	5	5	493	392	...	...	...	...	24,290	14,988
Cash	1,968	2,300	9,671	11,014	27,985	36,346	5,689	5,856	2,286	2,773	70	140	440	173	8,613	8,250
Other investments	175	442	756	688	5,974	4,353	49	37	1,837	1,893	...	...	502	313	3,021	3,017
Creditors	3,166	3,935	18,608	20,925	117,623	119,876	22,310	26,244	2,200	2,611	20	18	429	458	20,163	22,980
Other current liabilities	2,471	3,866	13,227	14,280	81,481	95,843	7,316	7,579	1,652	2,280	77	90	1,015	569	14,403	15,340
Bank overdrafts and loans	6,889	3,599	8,741	9,340	27,263	34,818	5,327	6,509	143	142	...	...	...	...	698	1,406
Net current assets	**Dr. 5,951**	**Dr. 3,279**	**30,349**	**32,510**	**154,905**	**144,008**	**31,293**	**35,588**	**8,897**	**9,300**	**18**	**71**	**1,253**	**899**	**24,145**	**9,705**
Total net assets	**45,683**	**57,363**	**114,623**	**122,896**	**870,889**	**1,102,130**	**58,761**	**67,450**	**19,830**	**21,941**	**670**	**713**	**1,802**	**1,890**	**228,046**	**227,512**
Financed by :—																
Reserve for future income tax	577	737	8,046	8,764	97,055	89,005	4,266	4,199	1,635	1,861	83	92	114	118	31,197	32,220
Capital reserves	9,314	13,539	17,755	20,265	136,777	167,072	5,916	7,996	1,611	2,066	113	113	215	215	74,809	75,315
Revenue reserves	1,724	1,967	28,058	31,274	202,342	204,047	22,719	25,463	7,209	6,494	170	204	773	857	47,409	46,098
Minority interests	447	473	2,889	3,027	5,481	5,693	358	351	401	426	...	...	...	...	22,928	14,558
Loan capital	17,732	21,851	13,047	12,915	182,226	265,097	4,846	5,976	140	769	...	...	...	...	16,079	23,697
Preference capital	2,731	2,731	9,585	9,932	37,947	37,947	2,822	2,829	1,833	1,833	...	...	140	140	3,597	3,597
Ordinary capital	13,158	16,065	35,243	36,719	209,061	243,269	17,834	20,636	6,401	8,492	304	304	560	560	32,027	32,027
Scrip Issues made during year	1,896	408	1,383	1,094	9,143	11,250	77	250	1,060	1,554	...	...	...	...	...	...

Industry	Shops and Stores		Cotton		Silk, Rayon and other Textiles		Wool		Tobacco		Miscellaneous Manufacturing		Miscellaneous—Others		TOTALS ALL GROUPS	
No. of Companies	(9)		(11)		(17)		(17)		(2)		(49)		(24)		371 Companies	
Year	Previous	Latest	Previous	Latest	Previous	Latest	Previous	Latest	Previous	Latest	Previous	Latest	Previous	Latest	Previous	Latest
Fixed assets	134,077	146,739	26,081	30,037	39,378	41,653	31,240	33,424	174,889	186,293	254,513	298,178	32,184	38,233	2,728,755	3,117,752
Less depreciation	16,346	18,983	10,025	11,458	17,791	19,224	10,992	12,005	69,492	73,804	103,149	116,176	8,306	9,807	843,518	944,807
Net fixed assets	**117,731**	**127,756**	**16,056**	**18,579**	**21,587**	**22,429**	**20,248**	**21,419**	**105,397**	**112,489**	**151,364**	**182,002**	**23,878**	**28,426**	**1,885,237**	**2,172,945**
Trade investments	92	12	488	515	2,072	2,141	849	966	31,088	41,106	14,212	7,708	2,072	2,700	96,463	111,855
Intangible assets	14,595	14,784	152	385	285	626	154	163	9,816	10,733	3,634	3,724	354	781	73,064	79,309
Stocks	31,960	33,451	17,805	18,470	18,218	18,264	27,578	29,444	377,415	397,290	84,672	96,988	13,681	13,817	1,098,167	1,193,485
Debtors	6,236	6,405	7,982	8,985	12,941	12,970	12,438	13,223	94,696	102,732	61,413	67,241	14,857	15,307	609,972	647,410
Gilt-edged	4,395	4,457	10	10	1,625	1,173	2,590	1,433	...	...	13,967	12,965	258	491	55,090	44,210
Cash	32,270	33,308	10,338	9,183	5,125	4,464	3,047	2,947	70,466	79,576	36,448	32,139	2,575	2,186	280,378	281,666
Other investments	656	672	3,015	3,199	180	181	131	244	6,064	7,889	2,006	1,834	632	532	31,165	29,733
Creditors	16,378	16,995	3,517	4,587	6,621	6,848	7,173	7,411	75,133	83,998	42,866	47,532	12,238	12,226	484,667	534,172
Other current liabilities	27,291	30,551	4,650	5,907	3,917	4,178	5,027	4,888	48,607	47,972	29,213	30,301	3,026	3,316	312,197	340,334
Bank overdrafts and loans	268	449	286	691	3,293	2,103	8,014	9,774	33,817	44,394	4,944	5,631	4,292	5,719	157,785	192,802
Net current assets	**31,580**	**30,298**	**30,697**	**28,662**	**24,258**	**23,923**	**25,570**	**25,218**	**391,084**	**411,123**	**121,483**	**127,703**	**12,447**	**11,072**	**1,120,124**	**1,129,196**
Total net assets	**163,998**	**172,850**	**47,393**	**48,141**	**48,202**	**49,119**	**46,821**	**47,766**	**537,385**	**575,451**	**290,693**	**321,137**	**38,751**	**42,979**	**3,174,888**	**3,493,305**
Financed by :—																
Reserve for future income tax	16,407	16,796	2,398	2,151	1,721	1,444	2,581	2,514	13,527	15,123	17,710	15,898	1,571	1,444	240,518	236,858
Capital reserves	29,561	22,189	1,591	1,692	3,583	3,704	3,771	2,718	72,110	83,820	30,402	31,624	3,666	4,750	473,124	528,111
Revenue reserves	30,426	36,496	23,591	23,676	16,276	16,602	16,197	16,852	220,505	243,410	94,262	103,743	14,045	14,593	894,565	957,070
Minority interests	5,491	5,498	27	30	497	505	2,345	2,352	30,415	33,222	8,027	8,736	260	375	104,105	100,514
Loan capital	6,113	8,409	1,907	1,860	1,066	1,563	1,246	1,197	69,853	68,901	18,025	19,317	2,590	3,251	434,240	546,726
Preference capital	8,241	11,214	1,921	1,921	9,072	9,072	5,351	5,501	23,358	23,358	12,379	12,366	3,697	3,934	171,145	176,335
Ordinary capital	67,759	72,248	15,958	16,811	15,987	16,229	15,330	16,632	107,617	107,617	109,888	129,453	12,922	14,632	857,191	947,691
Scrip issues made during year	20,250	7,469	2,027	729	1,696	215	413	1,400	...	...	23,295	120	944	47	77,554	33,687

APPOINTMENTS

ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT, PARIS

seeks staff members for

DIRECTORATE FOR SCIENTIFIC AFFAIRS

Nationals of Member countries only are eligible.

Tax-free salary according to qualifications and experience, allowances and Provident Fund.

Functions

1. Review of science policies in Member countries and also of national policies affecting the needs, education and utilisation of scientific and technical personnel.
2. Studies on investments in scientific research, technology and education in relation to economic growth in advanced and developing countries.

Qualifications

Honours degree in economics or social sciences and/or qualifications in natural sciences or engineering. Excellent knowledge of English and/or French and willingness to travel.

Experience: Administration of or research into problems of science policy and scientific and technological education (1).

Research in economics, preferably with relevance to investments in science, technology and education (2).

Send candidatures in French or English, before May 14, 1962, to Personnel Division, O.E.C.D., 2 rue André Pascal, Paris, XVIe.

NUFFIELD COLLEGE OXFORD

STUDENTSHIPS

Applications are invited from men or women graduates who wish to undertake research in economics; politics; sociology; recent economic and social history and political history; industrial relations; African studies; public and social administration; international and public law, or any other branch of the social studies. Further particulars and the necessary forms are obtainable from the Warden. Applications should reach him by May 15, 1962.

THE UNIVERSITY OF SHEFFIELD

Applications are invited for a post of ASSISTANT LECTURER in STATISTICS to hold duties on October 1, 1962. Initial salary according to qualifications and experience on the Scale £800 x £50—£950, with F.S.S.U. provision and family allowance. A grant towards removal expenses will be made. Further particulars may be obtained from the Registrar, to whom applications (four copies) should be sent by May 5, 1962.

NORTH WESTERN GAS BOARD
HEAD OFFICE—MANCHESTER

ASSISTANT ECONOMIST

Applications are invited for the above pensionable appointment in the Statistics Department, at a commencing salary within the range £1,070-£1,015 per annum according to qualifications and experience.

Candidates must be graduates (or about to graduate this summer) and should preferably be not more than 2[5] years of age. Preference will be given to Honours graduates in Economics with some knowledge of Accountancy.

The Assistant Economist will be concerned with cost and price studies within the business and with the analysis of economic trends, as they affect the gas industry. The work offers ample scope for initiative in the application of the economist's approach to the solution of business problems.

Detailed applications, giving the names of two referees, should be sent to the Secretary, North Western Gas Board, Bridgewater House, 69 Whitworth Street, Manchester, 1, within 14 days.

HEINZ[57]

MATHEMATICIAN

A qualified mathematician is required to work with our Industrial Engineers on a number of interesting projects which require mathematical or statistical techniques.

Candidates should preferably have a degree in mathematics or anticipate graduating in mathematics in the Summer of this year.

Full details of duties will be discussed during interviews, together with conditions of employment but, initially, applicants should please forward a brief summary of personal history to:

The Personnel Officer,
H. J. Heinz Co. Ltd.,
Wawlow Road,
Harlesden, N.W.10.

COUNTY COUNCIL OF ESSEX

COUNTY PLANNING DEPARTMENT

Applications invited for following vacancies:

SENIOR PLANNING ASSISTANTS. A.P.T. III/IV (£960-£1,310)

Vacancies exist in the Research and Survey Sections in Area Planning Offices at Romford and Wanstead.

Candidates should possess an appropriate University Degree and be prepared to study for the Final Examination of the Town Planning Institute. They should have had experience of research and survey work with a local planning authority.

Five-day week; assistance towards costs of removal on reserve and financial assistance for study purposes; superannuation; medical examination.

Applications, stating age, qualifications, experience, present and previous appointments and salaries, together with names of two referees, should reach the County Planning Adviser, Broomfield Place, Broomfield, Chelmsford, Essex, by April 25, 1962.

CITY OF LEEDS

LEEDS COLLEGE OF COMMERCE

Applications are invited for the following posts, duties to begin on September 1, 1962.

SENIOR LECTURER in MANAGEMENT STUDIES with specific reference to one of these aspects: Sociological; Production; Economic; Business Policy.
LECTURER in MANAGEMENT STUDIES with special reference to PERSONNEL MANAGEMENT.
LECTURER in MANAGEMENT STUDIES.
LECTURER in ACCOUNTANCY with special reference to MANAGEMENT ACCOUNTING.

Salaries in accordance with the Burnham Technical Scales, i.e.:

For Senior Lecturers: £1,800 x £50=£2,000.
For Lecturers: £1,600 x £40=£1,800.

Appointments may in all cases be made above the minimum of the scale.

Further particulars and application forms may be obtained from the Principal, Leeds College of Commerce, 43 Woodhouse Lane, Leeds 2.

GEORGE TAYLOR,
Chief Education Officer.

Education Department,
LEEDS 1.

UNIVERSITY OF EDINBURGH

DEPARTMENT OF ECONOMIC HISTORY

Applications are invited for the post of LECTURER or ASSISTANT LECTURER in the Department of Economic History. Preference will be given to candidates whose main interest is in Economic History since 1750. Salary scales—Lecturer: £1,050 x £50 to £1,250; Bar: £1,300 x £50 to £1,400 x £55 to £1,550 per annum; Assistant Lecturer: £800 x £50 to £950 per annum. Placement on the scales will be according to qualifications and experience. The posts are subject to superannuation, and family allowance is payable where applicable.

The successful candidate will be expected to take up duty on October 1, 1962.

Further particulars may be obtained from the undersigned, with whom applications (six copies), giving the names of two referees, should be lodged not later than May 4, 1962.

CHARLES H. STEWART,
Secretary to the University.

April, 1962.

MAKERERE UNIVERSITY COLLEGE, EAST AFRICA

EAST AFRICAN INSTITUTE OF SOCIAL RESEARCH
APPLIED RESEARCH UNIT

Applications are invited for the following Research Fellowships:

(A) (i) HISTORIAN (Senior Fellow)—documentary study of the history of land consolidation measures in Central Province, Kenya (Kikuyuland).
(ii) ECONOMIST (Junior Fellow)—study of the problems of game utilisation in Tanganyika.

(B) (i) SOCIOLOGIST (Senior or Junior Fellow)—socio-economic study of the teaching profession in Uganda.
(ii) SOCIOLOGIST (Senior or Junior Fellow) of the problem of wastage in the Uganda secondary school system.

Tenure: Posts (A) 15 months in East Africa (at the end of which a preliminary report will be required) followed by one month's leave. Posts (B) two years in East Africa followed by three months' leave and three months' study leave, but terms of service may be varied to include retirement leave period in East Africa. Salaries determined by qualifications and experience in scales: Senior Research Fellow £1,850—£1,981 p.a.; Junior Research Fellow £1,496—£1,251 p.a. Passages on appointment and termination for appointee and family (up to full adult passages). F.S.S.U. Child Allowance £50 p.a. per child (maximum £150 p.a.). Rent £48—£84 p.a., including basic furniture. Detailed applications (six copies), naming three referees, by May 10, 1962, to Secretary, Inter-University Council for Higher Education Overseas, 26 Woburn Square, London, W.C.1, from whom further particulars may be obtained.

Stockbrokers want man 28-42 to run Investment Department dealing with institutions. Hard work, initiative, accuracy, speed are needed. Graduate now employed in financial journalism preferred. We are fully prepared to provide terms required by a suitable applicant.—Box No. 1617.

MARKET RESEARCH MANAGER

of an international food manufacturer requires an

ASSISTANT

who will be capable of taking responsibility for research into a number of the Company's existing products and development lines.

Applications from men or women age 24-30, preferably with at least two years' Market Research experience, are invited. Salary in range £800-£1,100 plus substantial bonus. Pension/Life Assurance benefits.

Replies to Box 1615.

ROYAL COLLEGE OF ADVANCED TECHNOLOGY, SALFORD

DEPARTMENT OF LIBERAL STUDIES

Applications are invited from suitably qualified persons for the post of Head of Department, at a salary within the range £2,410 rising to £2,600 per annum.

The Department provides courses in Liberal Studies (including English, foreign languages and social sciences) for all full-time students of the College and also offers part-time evening courses in Russian and German for scientists and technologists engaged in industry. Extensive developments are taking place in the Department as well as in the College as a whole.

Candidates should possess good academic qualifications. Research experience is desirable; teaching experience, though desirable, is not essential.

Further particulars and application forms are obtainable from the Secretary, Royal College of Advanced Technology, Salford 5, Lancs., to whom applications should be returned by May 15, 1962. Please quote reference LB/1.

THE DISTILLERS COMPANY LIMITED

ECONOMIST

The Plastics Group of The Distillers Company Limited invite applications from women holding honours degrees in Economics, who are also competent in shorthand and typing, for a new post involving both economic studies and secretarial work.

The person appointed will be based in London, and will work in the Market Development Department, in which a wide range of economic and market research studies is undertaken; these relate to the Group's activities as large-scale manufacturers of raw materials for the plastics industry.

Write: STAFF MANAGER,
THE DISTILLERS COMPANY LIMITED,
21/22 BOLTON STREET, LONDON, W.1.

Quote Reference: 240 I.C.

UNIVERSITY OF NEW ENGLAND

ARMIDALE, NEW SOUTH WALES

SENIOR LECTURER OR LECTURER IN ECONOMICS

Applications are invited for the position of Senior Lecturer or Lecturer in Economics.

Commencing salary will be determined according to qualifications and experience within the ranges: Senior Lecturer, £A2,550 x 95—£A2,900; Lecturer £A1,730 x 105—£A2,155. Cost of living allowances are payable. Provision is made for superannuation, travel, removal expenses, assistance in buying or building a house, and research grants.

In the case of a Lectureship in Economics applicants must indicate whether they seek a permanent position or a short-term appointment for a period of three years. In the latter case superannuation will not be available but the usual allowance for fares and removal expenses will be paid; a maximum sum of £A400 will be provided to assist in return travel and removal expenses at the end of three years. Should the Lecturer appointed on a short-term basis may apply to have his position made permanent at the end of one year's service.

Further information and conditions of appointment may be obtained from the undersigned with whom applications (two copies) together with a recent photograph, close on May 14, 1962. For the benefit of overseas applicants, further information and conditions of appointment may also be obtained from the Secretary, Association of Universities of the British Commonwealth, Marlborough House, Pall Mall, London, S.W.1, with whom two copies of the application must be lodged, an additional copy being forwarded direct to the Registrar.

*I. C. LAMBLE,
Registrar.

*Armidale, N.S.W., Australia.

THE REED PAPER GROUP

is a world-wide partnership of Companies producing pulp, paper, packaging and plastics.

The Group Publicity Department invites applications for the following vacancies to meet growing demands on its services to the Group:

A PRESS OFFICER

To undertake a full range of press office duties, including product promotion and other public relations activities. Both journalistic and agency or company public relations experience desirable. Age: 28-35 years.
(Reference PO/GP)

A WRITER

To work on briefs, booklets and feature articles on a wide range of industrial and management subjects. Journalistic experience on a leading newspaper or journal essential. Age: 25-35 years.
(Reference W/GP)

These appointments, in Central London, carry progressive salaries and attractive working conditions, superannuation benefits, and if required, assistance with house purchase.

Write quoting the appropriate reference to: Group Personnel Officer, Albert E. Reed & Co. Ltd., Group Office Building, Larkfield, Near Maidstone, Kent.

UNIVERSITY OF LEEDS

DEPARTMENT OF MATHEMATICS

Applications are invited for appointment as Lecturer or Assistant Lecturer in STATISTICS at a salary on the scale £1,050 x £50—£1,400 x £75—£1,850 (efficiency bar at £1,550) a year for a Lecturer, or within the range £800—£950 a year for an Assistant Lecturer, according to age, qualifications and experience. Duties to commence by October 1, 1962. Applications (four copies) stating date of birth, qualifications and experience, together with the names of three referees, should reach The Registrar, The University, Leeds, 2 (from whom further particulars may be obtained) not later than May 14, 1962. Applicants from overseas may apply in the first instance by cable, naming three referees, preferably in the British Isles.

UNIVERSITY OF EDINBURGH

DEPARTMENT OF POLITICAL ECONOMY

ASSISTANT LECTURESHIP

Applications are invited for the post of Assistant Lecturer in Economics in the above Department. Salary Scale £800 x £50 to £950 per annum with superannuation benefit and family allowance where applicable. Tenure is normally for three years. The successful candidate will be expected to take up duty on October 1, 1962.

Further particulars may be obtained from the undersigned, with whom applications (six copies), giving the names of two referees, should be lodged not later than May 5, 1962.

CHARLES H. STEWART,
Secretary to the University.

March, 1962.

PROPERTY

CITY OF HALIFAX NOVA SCOTIA, CANADA

Call for Development Proposals
Central Redevelopment Area

Halifax, the Capital City of Nova Scotia, together with its fast-growing Metropolitan area, has a population of approximately 200,000. It is an important administrative, cultural, commercial, and industrial centre and one of Canada's major ports open the year round.

The City Corporation, with the assistance of the Government of Canada represented by Central Mortgage and Housing Corporation, has acquired and cleared 13.9 acres of land in the Central Business area of the City as a first step in a Phased Redevelopment Programme.

The City is offering the cleared area for residential and commercial development by private enterprise. Plans, development conditions, and proposal forms may be obtained on application to the undersigned on payment of a certified cheque or Bank Draft for $50 (Canadian funds) payable to the City of Halifax to be refunded on submission of proposals.

Development Proposals will be received by the undersigned at the City Hall, Halifax, Nova Scotia, Canada, up to 3 p.m. Atlantic Standard Time, October 31, 1962.

P. F. C. BYARS, City Manager.

City Hall, Halifax,
Nova Scotia, Canada.

EDUCATION: BUSINESS AND PERSONAL

EXPERT POSTAL TUITION

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

METROPOLITAN COLLEGE, ST. ALBANS

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

SECRETARIAL TRAINING, especially for university graduates and other students. Six-month and intensive 14-week courses.—Write, Organising Secretary, Davies's, 158, Holland Park Avenue, W.11. PARK 4654.

UNIVERSITY OF CAMBRIDGE

DEPARTMENT OF ENGINEERING

POST-GRADUATE COURSE IN STRUCTURES AND MATERIALS

The 1962-63 Post-Graduate Course in Theory of Structures and Strength of Materials will be held in the Department of Engineering, Cambridge University, beginning on October 9, 1962, and finishing in June, 1963.

The latest advances made in the understanding of the behaviour of metallic structures under static, repeated or fatigue loading will be the principal subject of the course, with particular emphasis on welding as a method of fabrication. No attempt will be made to teach conventional methods of design, but present-day practice and possible future developments will form the subject of critical study.

The object of the course is not to train research workers, but to help engineers to apply the latest advances in knowledge. The course will include lectures, colloquia and laboratory work, and each student will be encouraged to make a detailed study of some problem of particular interest to him.

The course is open to university graduates with industrial experience, and to others with suitable equivalent qualifications and of sufficient experience to obtain full benefit from a post-graduate course.

Further details and forms of application for admission may be obtained from the Secretary, Cambridge University Engineering Laboratory, Trumpington Street, Cambridge. The completed forms of application should be returned to the Secretary not later than May 31, 1962.

BRISTOL COLLEGE OF SCIENCE AND TECHNOLOGY

Ashley Down — Bristol 7

PROBLEMS OF BUSINESS FORECASTING

An introductory course for those concerned with marketing and production planning will be held at the College from

11 a.m. on FRIDAY, MAY 25th to 1 p.m. on SATURDAY, MAY 26th.
Fee £2 10s.

Lectures

The interpretation and uses of economic statistics—two lectures by W. A. H. Godley, Economic Section, H.M. Treasury.

Techniques of business forecasting—F. A. Friday, Electrical & Musical Industries Limited.

The allocation of costs in a multi-product firm—Gordon Mills, Department of Economics, University of Bristol.

Linear programming as a guide to policy making—J. Parry Lewis, Department of Economics, University of Manchester.

Applications for places should be made to the Organiser of Postgraduate Courses, from whom further details may be obtained.

UNIVERSITY OF LONDON: A lecture entitled "Economic Development and Growth: Agricultural Aspects" will be delivered by Professor J. R. Raeburn (Aberdeen) at 5 p.m. on April 30th, at the London School of Economics and Political Science, Houghton Street, Aldwych, W.C.2. ADMISSION FREE, WITHOUT TICKET.

JAMES HENDERSON,
Academic Registrar.

BRITISH Industry and the Common Market. The first practical management convention on the Common Market will take place at the Piccadilly Hotel, London, from May 2-4. If Britain enters the Common Market next year no company will escape the impact. To give management an opportunity for a full discussion of the relevant facts and the practical experience of companies already operating in the Community, the British Institute of Management invites registrations for this convention. Inquiries to The Conference Secretary, The British Institute of Management, 80, Fetter Lane, London, E.C.4.

DIRECTORS needing able office staff (m. and f.)—Consult Stella Fisher Bureau, 430, Strand, W.C.2. TEMple Bar 9834.

NORRIS BROTHERS LIMITED, designers of Donald Campbell's "Bluebird" car and hydroplane, offer their services to companies requiring the application of original thought to their problems in Research, Design and Development.—62 Church Road, Burgess Hill, Sussex.

OTTOMAN BANK

NOTICE IS HEREBY GIVEN that in accordance with Article 29 of the Statutes, the ANNUAL GENERAL MEETING of Shareholders will be held on Wednesday, May 9, 1962, at Winchester House, Old Broad Street, E.C.2, at 12.30 p.m., to receive Reports from the Committee with the Accounts for the year ended December 31, 1961; to propose a Dividend; and to elect members of the Committee.

By Article 25 of the Statutes the General Meeting is composed of holders, whether in person or by proxy or both together, of at least thirty shares, who, to be entitled to take part in the Meeting, must deposit their shares and, as may be necessary, their proxies, at the Head Office of the Company in Istanbul or at any of the various branches or agencies abroad, in London at 19/22 Abchurch Lane, E.C.4; and in Paris at 5 rue Meyerbeer, 9e/met at least ten days before the date fixed for the Meeting.

J. VANSELL ADAMS,
Secretary to the Committee.

SUBSCRIPTIONS TO THE ECONOMIST

Annual Postal Subscription by ordinary mail, UK and Canada £4.10; elsewhere overseas £5
By air see below

	Airmail	Air Freight
Australia	£12 5s.	—
Canada:		
Quebec and Ontario Provinces	£10 10s.	£8 5s.
Other Provinces	£10 10s.	£9 0s.
Ceylon	£10 10s.	£7 5s.
China	£12 5s.	—
East Africa	£10 10s.	£7 10s.
Egypt	£7 15s.	—
Europe	£6 0s.	—
Ghana	£10 10s.	£6 10s.
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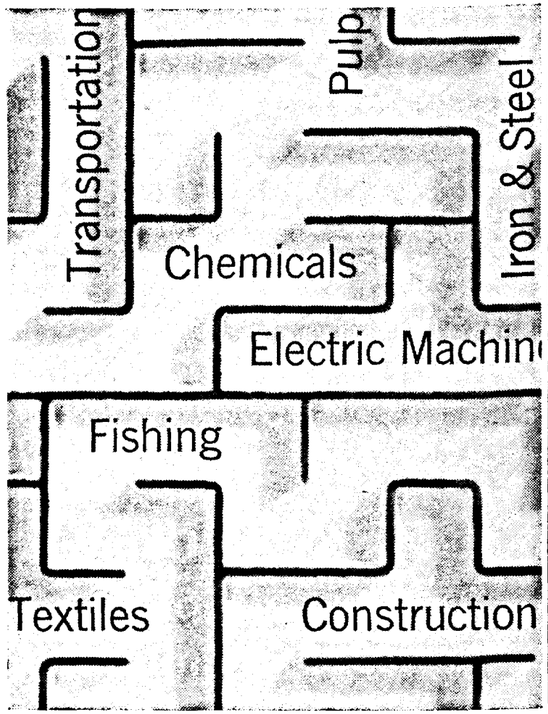
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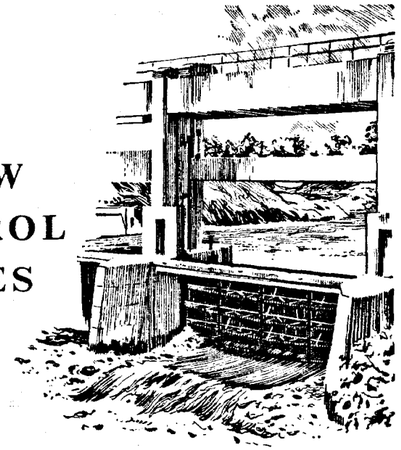
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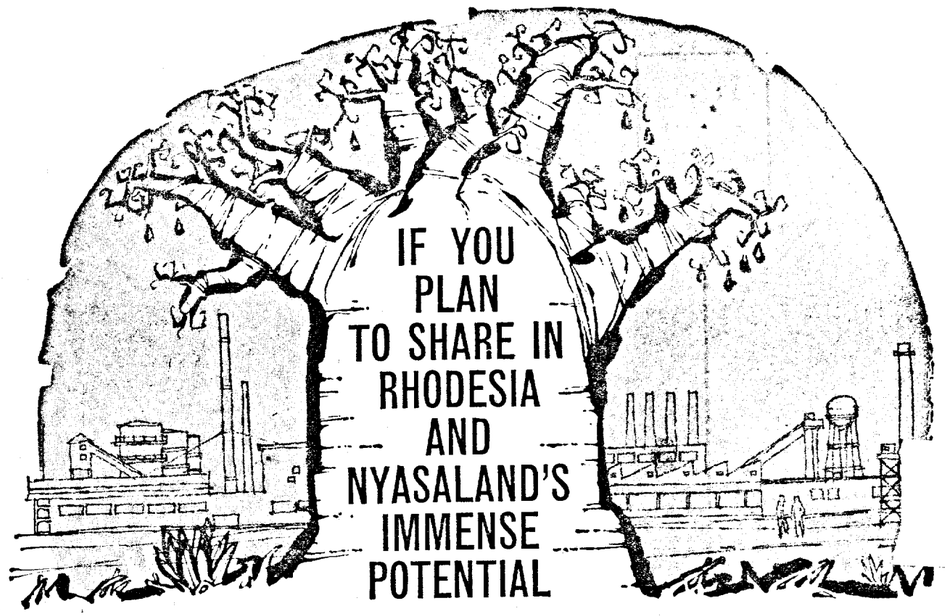


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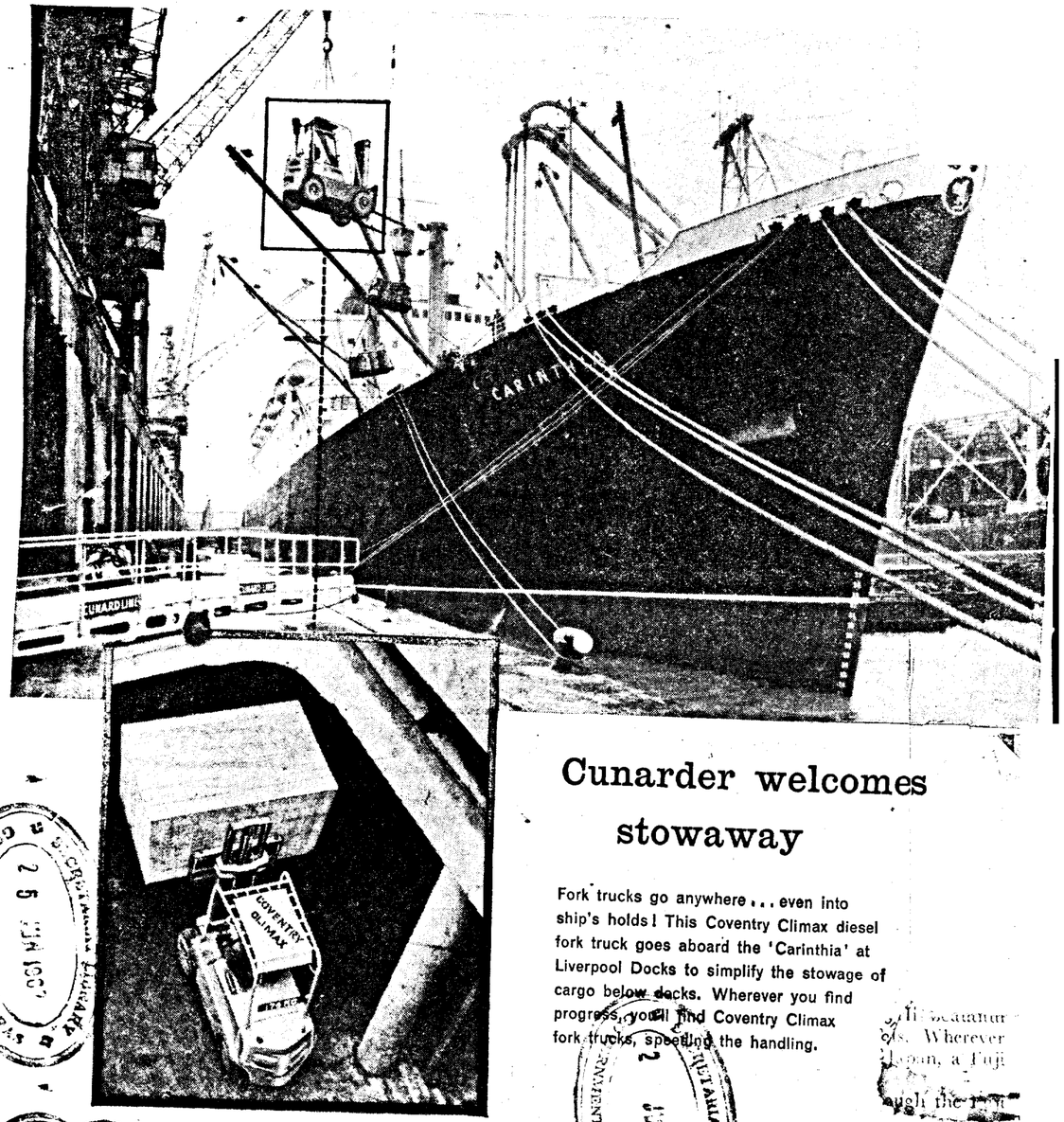
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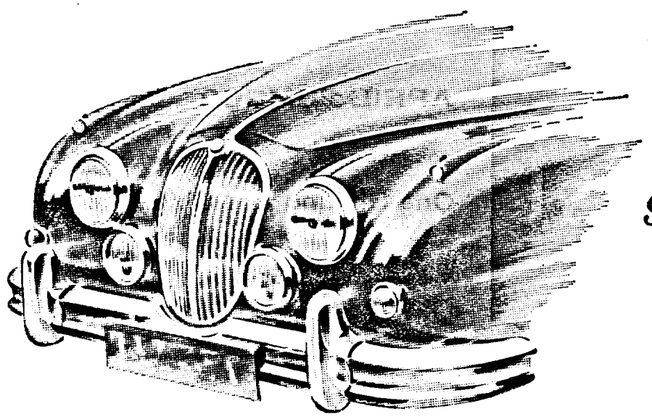
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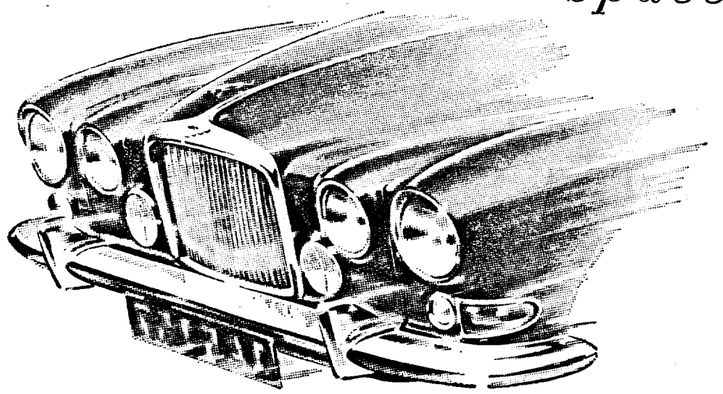
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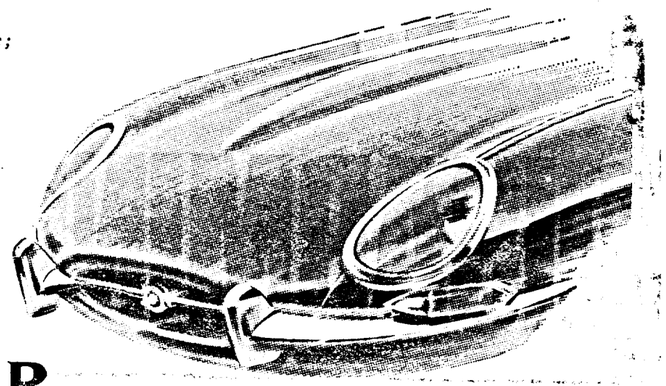
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INTERNATIONAL

The Tangledbombs Tale

In Washington, Mr Macmillan and Mr Kennedy are meeting just as the American nuclear tests have started. But the real nuclear problem of the moment may well be the Bomb's place in the western alliance (p. 319). It begins to look as if Britain will have to make some nuclear concession to France, if France is to allow this country to enter the common market (p. 325).

In Geneva, the Disarmament Twist continues, with variations but little sign of an ending (p. 320).

One thread of a silver lining is the low (though, at the moment, rising) level of fall-out from last autumn's Russian tests (p. 325).

Cwthmesses

Mr Butler's impending visit to the Central African Federation will be more important than any earlier tour by a British minister (p. 346).

The Cobbold Commission is expected to report on the Malaysian project in the next six weeks; meanwhile internal and external pressures for and against the project ebb and flow (p. 353).

The Canadian elections in June will turn essentially on Mr Diefenbaker's position in the hearts of his countrymen (p. 350).

Generals' Posts

In General Qasim's fourth year the Iraqi revolution has lost its zeal but not its direction (p. 345).

Tough and gentle generals quarrel in Argentina: the bone is constitutionalism, now largely chewed to bits (p. 329).

UNhappy

Debts are high, money is short, and member-governments slow to help the Secretariat (p. 354).

Much against its will, the UN has had to watch the Siamese twins, Ruanda and Urundi, separate themselves and prepare for strife and probable bankruptcy (p. 329).

Reich, Right and Rights

Germany's lunatic fringe, with its Nazi hankerings, is not a serious threat at present, but it repays watching (p. 349).

West Germany deserves credit for its labours to expiate the wrongs the Third Reich did to the Jews (p. 333).

New copyright arrangements are needed if Verdi, and others, are to be protected from posthumous protectors (p. 353).

Soviet Silences

Official youth in Russia is still ostensibly sedate (p. 326); Russia and China still seem slightly less than just good friends (p. 330); Mr Khrushchev has left the foreign policy limelight at the Supreme Soviet, for once, to Mr Gromyko (p. 326).

State of the States

The United States Treasury is experimenting with two new techniques—Operation Stretch and Operation Nudge—in a valiant attempt to hold the line for the dollar (p. 366).

There is no real alarm about the American economy but no one is much impressed by its recent advance (p. 357).

HOME

Critics' Choices?

Mr Lloyd's capital gains tax is cunningly devised to produce the minimum revenue for the maximum inconvenience; for good measure its author has riddled it with inconsistencies (p. 365).

Ice-cream manufacturers are wondering how to pass the new sweets tax on to the consumer (p. 380).

The Attorney General bumbled through his performance over the possible return to Britain of Messrs Burgess and Maclean—but there may have been sound reasons for his dim showing (p. 326).

Doctors: merit awards reviewed (p. 333).

Curtain Up

Two big battles have been joined at the trade unions' annual conferences, over Europe and the government's development council; but the unions are unlikely to consider their real problem this year (p. 321).

Unemployment figures went up in April (p. 370).

A new approach to freight aircraft should encourage the unhappy manufacturers (p. 376), of whom one of the most famous has recently died (p. 380).

Some glimmerings of sense appeared amid the froth at last weekend's conference of Young Socialists (p. 326).

Dress Rehearsal

Fruit may be fresher for British housewives as a result of a new plan by importers (p. 335).

Britain's National Theatre is a step nearer to bricks and mortar (p. 338).

Some young Tory lawyers comment sensibly on the early stages of the administration of justice (p. 330).

Spring Zephyrs have wafted in from Fords (p. 380).

Cobalt is being seen around in mufti (p. 375).

In the Limelight

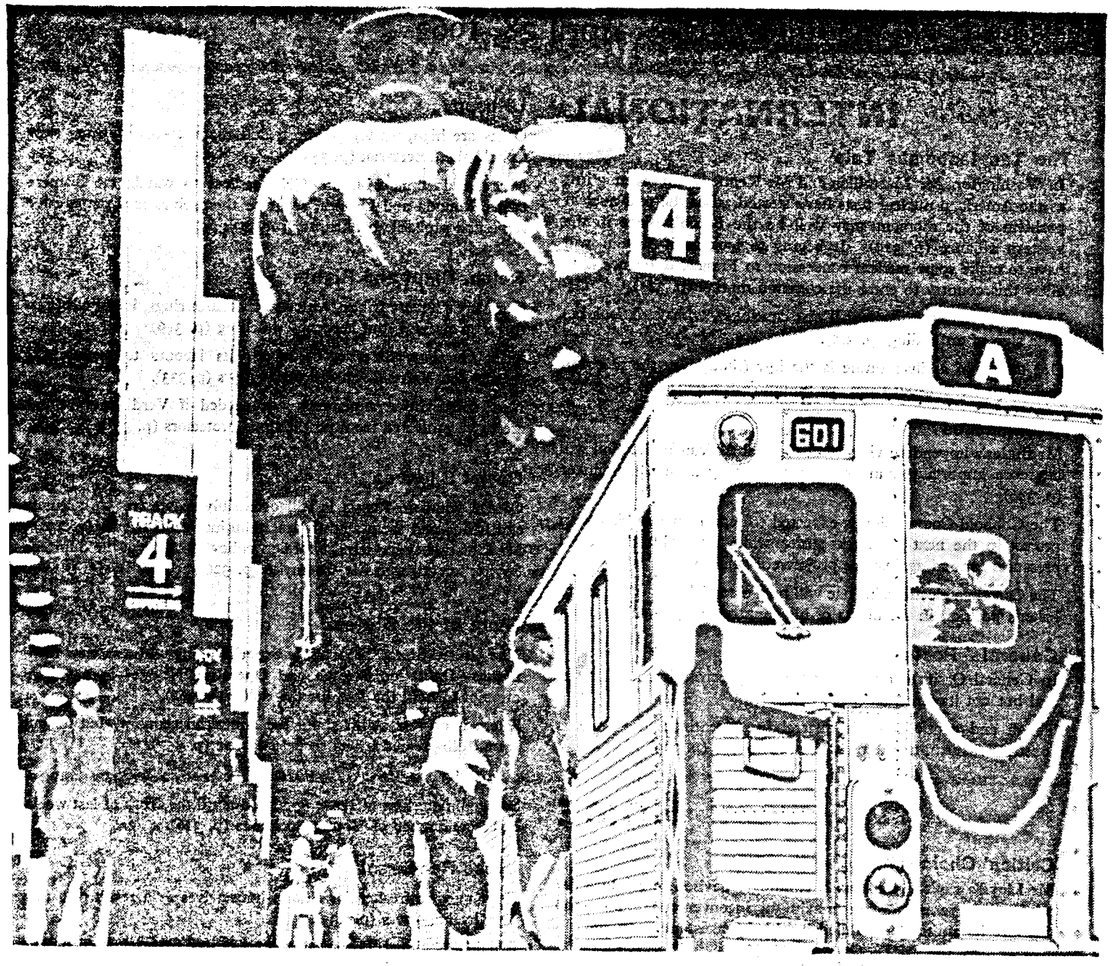
The necessary expansion of education in Britain is hampered not only by lack of money: more flexibility—and more ruthlessness—are also needed (p. 323).

An uncontroversial budget in Ireland reflects the government's shaky parliamentary majority (p. 336).

The loss of spectators by association football will not be cured by the latest report on those who stay away (p 332).

Pakistani immigrants face a nasty racket at the airports (p. 329).

Detailed contents on page 319



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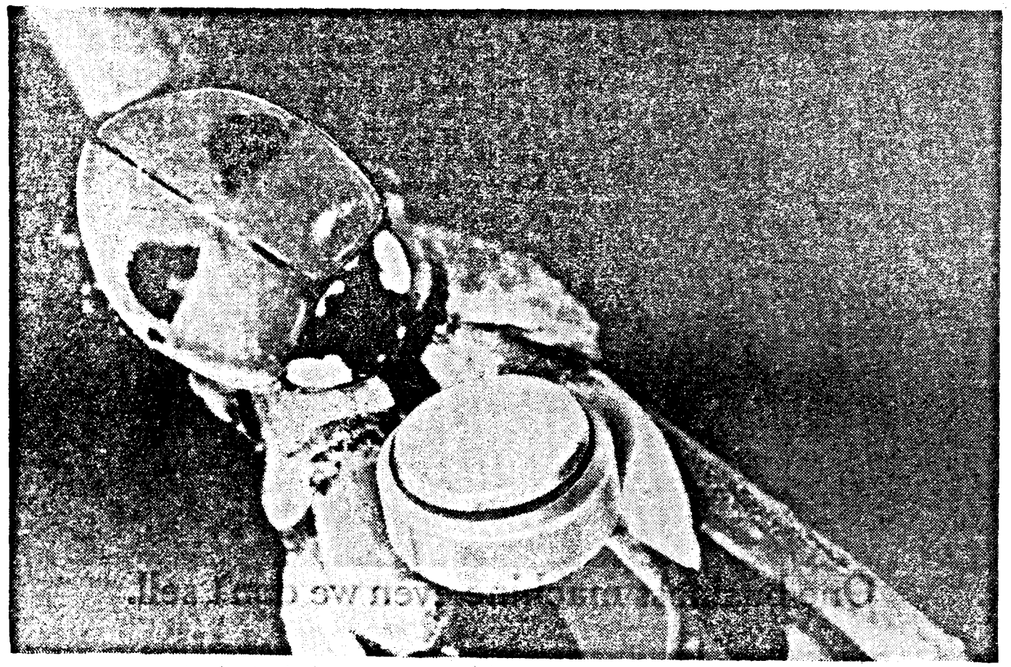
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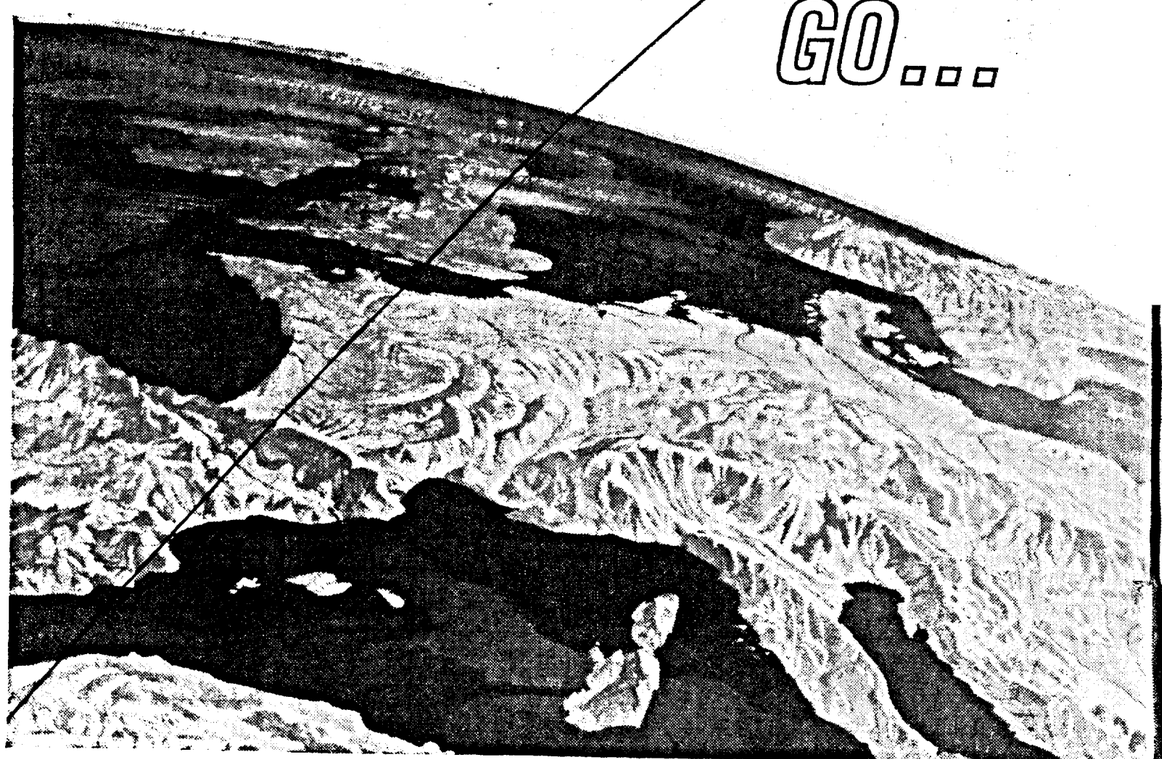
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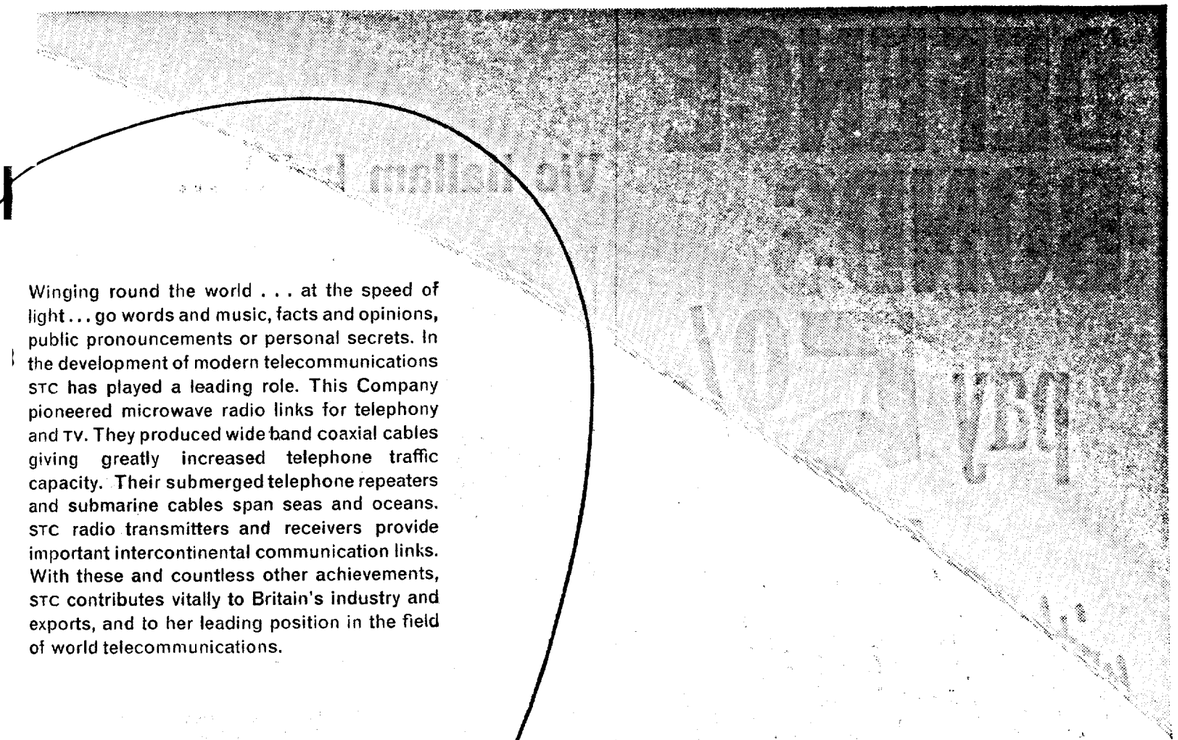
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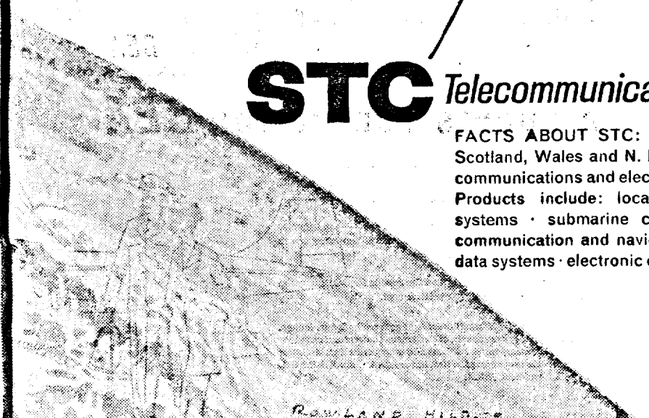
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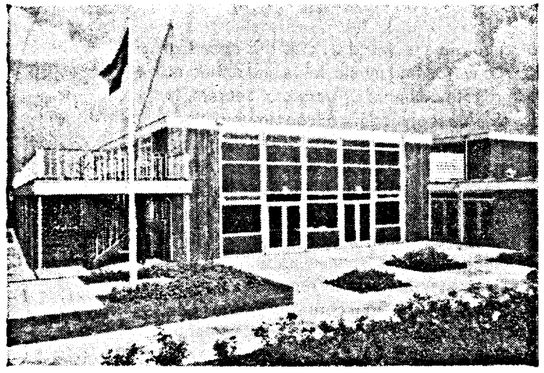
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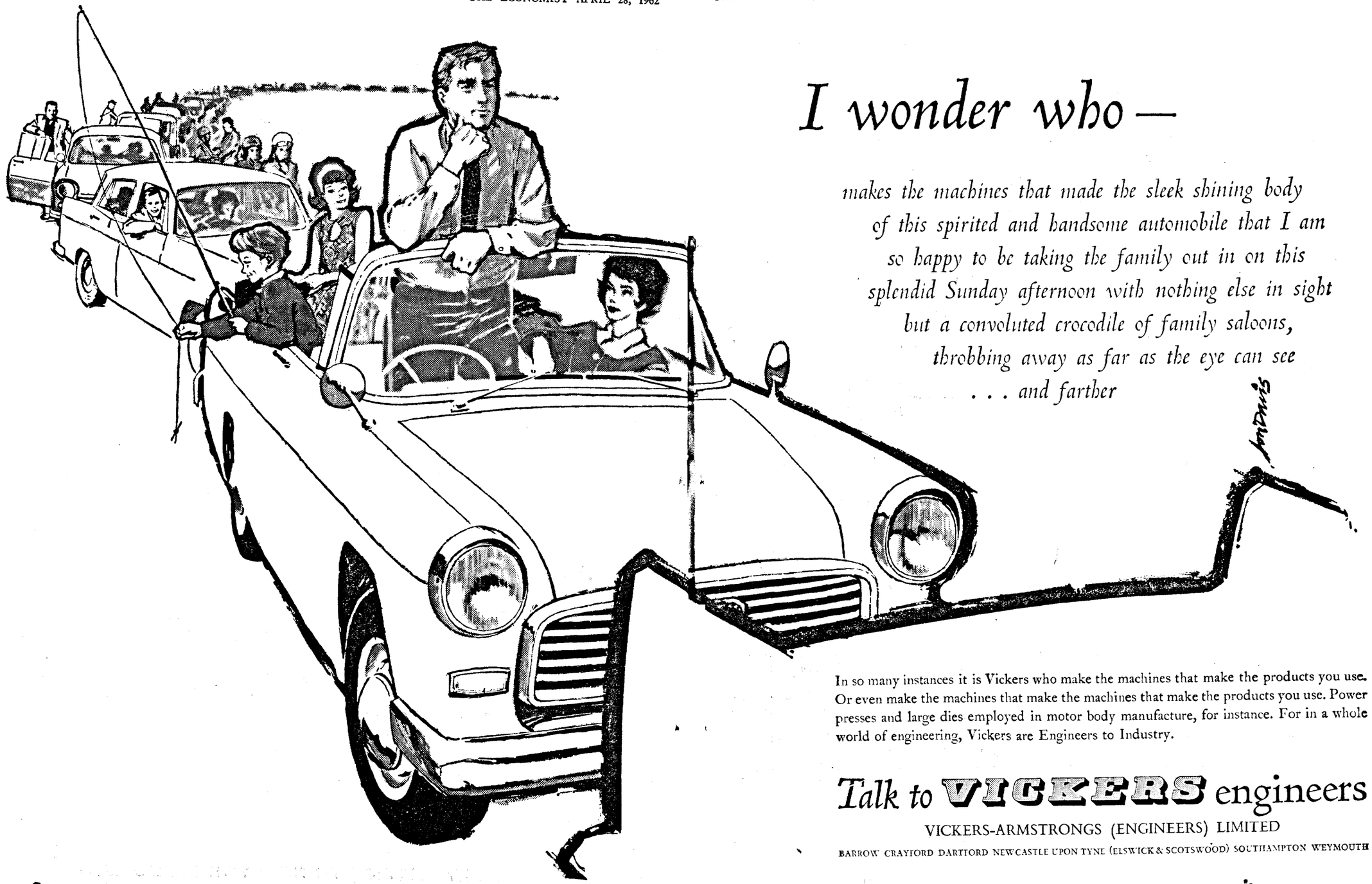
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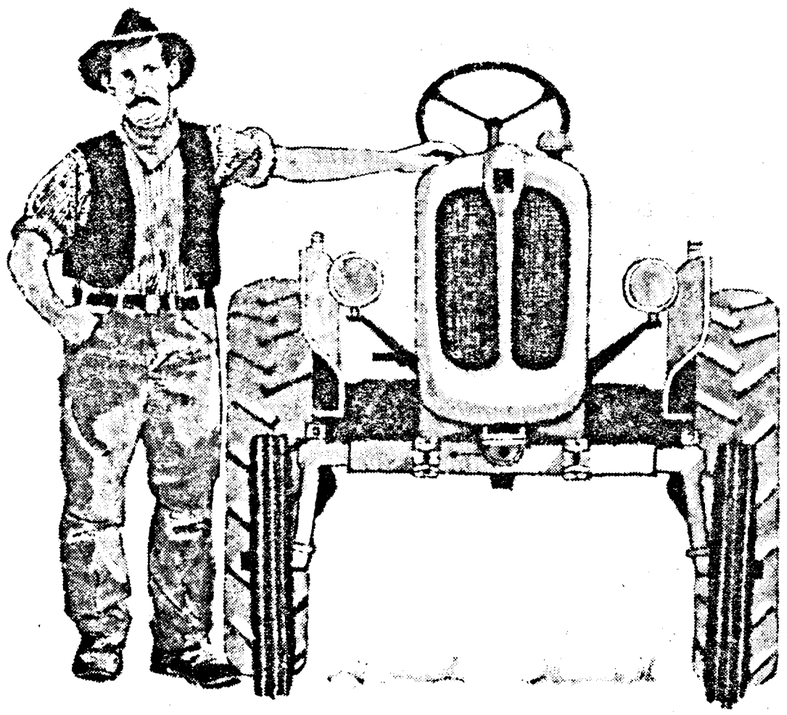
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The Economist

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VOLUME CCIII - NUMBER 6192

H-Test for Britain

MR MACMILLAN, sitting in the White House this weekend, will have one ear bent to his host and the other cocked to the noises that his host is causing around Christmas Island. He may wonder whether he should have made a bigger effort to persuade President Kennedy to put off the latest round of nuclear tests. The answer, on balance, is that he should not—not only because Mr Kennedy's decision to set the tests going again was pretty well inescapable, but also because there is another problem involving nuclear weapons that has an even more urgent claim on the two men's attention.

The decision to resume explosions in the atmosphere boils down to a choice between the medical dangers of having more tests and the military dangers of not having them. On the whole, as a note on page 325 suggests, the amount of fall-out produced by the Russian tests last autumn (and therefore the amount produced by the present much smaller series of American tests) seems likely to come well below the generally accepted danger level.

Had Mr Kennedy refrained from testing, on the other hand, the danger was that the Russians might have seized the chance to get in one more round of their own by surprise, and thus gain a lead in one or two potentially decisive kinds of weapon. The American tests that began this week will doubtless bring another Russian series in reply, not to mention some megaton displays of mutual indignation. But the net military effect will be to leave the balance of power more or less as it is now ; and the remarkably temperate tone of Mr Gromyko's remarks to the Supreme Soviet on Tuesday about Berlin suggests that the forces of moderation are still in command and even the indignation may be relatively short-lived.

If this is so—if the renewal of tests brings a few weeks of ritual recrimination, but nothing worse—the really important nuclear question of the moment is not the general east-west balance of strength ; it is the disposition of atomic arms within the western alliance. This is a question chiefly for the British, since it involves the two strands of foreign policy that Britain is currently trying to weave into one. One strand is the attempt to join the European community. The other—which has markedly different origins from the first, and often seems to conflict with it—is the attempt to calm some of the tensions of the cold war, and in particular to limit the risks entailed in letting atomic arms be spread too widely.

What Britain does with its own nuclear arm in the next year or two may affect both these aims materially. There will be Europeans who think the British entry into Europe less than wholehearted so long as this important part of the British anatomy is kept outside. Nothing looks likely to stop General de Gaulle going ahead with a French nuclear force ; how many others will follow, and how soon ? It may become clear that the further proliferation of nuclear weapons cannot effectively be stopped unless Britain becomes prepared to renounce its nuclear isolationism. The issue may begin to crystallise very soon, perhaps even in the summer's common market negotiations and the argument about western Europe's political organisation that may accompany them.

Just what form a British renunciation might take would depend on various things. It might range from a total scrapping of British atomic weapons to their merging in a combined force (it might be under the joint command of France and Britain). The precise form would depend on whether most Europeans could

be persuaded to rely entirely on the United States for their nuclear protection (as distinct from wanting something in their own hands as well), in which case one might even fulfil the hopes so many people have of actually cutting the number of nuclear powers. It would also depend on what Britain got in return for its sacrifice. Whatever the details, the aim ought to be to emphasise Britain's unity with Europe, not its separateness from it; and, within this context, to keep the control of nuclear arms—especially those in the sensitive area of central Europe—in as few hands as possible. This may be the best opportunity of weaving together the two main objectives of current British policy.

Questions for Geneva

Most parts of the disarmament problem are painfully clear —but a few are now hopelessly indistinct

ONCE upon a time—last year, in fact—it used to be assumed that a ban on nuclear tests would be a very apt pilot project to lead the way toward general disarmament. In particular, it was argued that the comparatively limited amount of international inspection that a test ban involved would be a dose that Russia might be got to swallow, in spite of the Soviet distaste for inspection of any sort; and that, if the test ban scheme worked reasonably smoothly for a while, it would not only improve mutual confidence in general terms, but also take the edge off the more pathological Soviet fears about foreign bodies. But that was last year. This year, from the beginning of the Geneva disarmament conference that opened on March 14th, it was pretty generally believed that although progress in the field of general disarmament might be glacier-slow, the most rigidly deadlocked sector of all was that of a nuclear test ban; and Wednesday's explosion off Christmas Island has given the key another turn in the lock.

Once upon a time—and indeed, up to a couple of weeks ago—it was continually argued that there could be no hope of achieving disarmament if it was made conditional upon the settlement of political issues. In particular, it was a recurrent Soviet theme that the West must not try to link disarmament with a German settlement. But that was last month. On April 12th Mr Khrushchev, in his letter to Mr Macmillan, appeared to link the two issues himself. He said that Russia would not be able to permit foreign inspectors to set foot on its territory unless confidence was improved by the West accepting the German peace treaty that he had proposed.

OTHER instances could be cited of the strange way in which the kaleidoscope of the disarmament problem—or, rather, of the whole complex of interlinked problems that here come together—continues to change under the eyes of a frustrated world. This constant change is responsible for much of the cynicism that now surrounds the subject. It is easy for many people to get the impression that the whole process of negotiation is a meaningless dance in which, whenever one party advances, the other retreats, there being a tacit understanding that the two will never get close enough to bring the thing to an end. (This kind of diplomatic dance used to be commonly called a minuet; today, perhaps, a twist.)

It is not quite so simple or so meaningless as that. Nor does the surface movement necessarily imply any change in the fundamentals, which have in fact remained strikingly constant. Admittedly, both western and Soviet disarmament proposals have regularly been marked by a common preference for terms that would give one side a distinct advantage over the other. But this is little more than the normal business of bargaining. No negotiator likes to enter upon a prolonged haggle without something to discard. A more disquieting cause for cynicism is the reluctance that has been shown—habitually by the Russians, and not seldom by western negotiators—to examine the other side's proposals carefully, or even to ask elementary questions about them.

One of the encouraging features of the present Geneva talks is that there has been a good deal of asking of questions. True, the Russians have remained unenthusiastic about either asking or answering them. On the other hand, they managed to set the pace from the opening day by tabling at once a full draft of a general disarmament treaty. Although the Americans had arrived at Geneva with a detailed and comprehensive programme, essentially the same as the one that they had made public in September at the time of Mr Kennedy's address to the United Nations Assembly, it was not couched in the form of a draft treaty. The Russians were thus in a position to argue that the conference should concentrate on their draft alone, since it was the only one available. The uncommitted participants resisted this demand, but at the same time privately urged the Americans to get their programme into treaty form, so that the two could be discussed in parallel. On April 18th the United States delegation duly tabled a draft which, although not fully in treaty form, largely remedied this situation; and it is to be hoped that this move will get the conference moving a little more purposefully out of the procedural wrangling that it had got itself into.

The American plan, in its latest form, goes a long way to meet previous Soviet objections. It spells out in more detail than before American acceptance of the goal of disarmament on just as sweeping a scale as Russia has proposed. (Strictly speaking, despite the now universal commitment to what is termed "general and complete" disarmament, nobody is proposing that it shall be truly complete, and nobody has yet tried to define very clearly the scale of the forces that would be retained for "domestic security" and international peace-keeping.) The new American terms are still somewhat vague about the problem of ensuring that, in a disarmed world, the direction of the international peace-keeping forces should be both effective and impartial; but they are more realistic on this score than the Soviet proposals. As for inspection, the American draft now includes one of the most hopeful suggestions recently made for breaking the deadlock—the "Sohn zone" idea of progressively extending inspection from one or two initial "sample" areas as confidence builds up.

The problem of inspection remains, however, one of the unchanged fundamentals. In the part of the latest Geneva talks devoted to a test ban, Mr Gromyko made it bluntly clear that even an occasional entry into a very limited part of Soviet territory by a handful of inspectors drawn exclusively from uncommitted countries was unacceptable to his government. In the Soviet draft treaty, it is laid down that "inspection" will be concentrated on watching the destruction of arms, and the withdrawal or disbanding of forces, whose existence has been voluntarily notified by each government; and this does not eliminate the risks of clandestine retention or production.

Some hopes are being pinned on Article 14 of the Soviet draft, which allows for international "control of compliance" with a provision limiting the movement of warships and aircraft. This is at least a breach in the outwardly rigid Soviet rejection of any "control over armaments" as opposed to mere supervision of the "bonfires" on which declared arms would be destroyed. So too, it may be noted, is the Rapacki Plan, which would require inspection of the forces retained in the central European area it covers. It would seem that "control over armaments," which is intolerable "espionage" on Soviet soil, becomes quite respectable on the Polish side of the border. This may be a pointer to some more questions that still need to be asked at Geneva.

Unions in Conference

Three main issues will be faced—or avoided—at this year's crop of trade union conferences in Britain's seaside pavilions

LAST weekend the season for trade union conferences was declared open. From now on throughout the summer, the gnarled veterans and the new generation of gradually smoother executive men who run the constituent unions of the Trades Union Congress will be exposed to the breezy enthusiasms of that inner ring of militants who, because amateur trade union politics are their spare time hobby, can help to decree the decisions made in the name of apathetic millions. Mandates imposed and moods established at these jamborees will, in September, determine the voting of the Labour party's giant partner. The issues to be considered are of more than average importance; but the most important issue of all will barely be discussed.

This year the unions will be sinking their teeth deep into two topics of concern as much to their own members as for the whole future of Britain. They will vote whether to oppose Britain's entry into the European common market; and they will decide whether to play ball with the Government in the National Economic Development Council. For the past few years the bone of contention in the wordy and bitter conflicts within the unions has been the Bomb. Whatever government may be in power the unions may bark, but it is now recognised that they cannot in the end painfully bite anyone over defence (Mr Gaitskell learned that after Scarborough, when he turned and fought again). But the Labour party has not properly made up its mind either about Europe or about Ned; and the signs are that its leadership will let its policies, or at least its image, on these two issues once again be influenced far too much by the desperate accident of the particular wording of the motions that individual big trade unions consider themselves mandated to oppose or to approve.

Most of the TUC's elder statesmen are remarkably forward-looking men on both issues; a majority of them, in their hearts, would like to see Britain in Europe and are eager to keep the unions in Ned. The last Trades Union Congress came down with the vaguest of reservations in favour of negotiations with the European community; it also left its general council's hands free to collaborate in a national planning body. But that was before the debate in the country on both these subjects had got seriously under way: it was not until July, when the unions' conference season was more than half over, that the Government announced its intention to open the Brussels negotiations or started to talk really seriously about Ned. And even last year it was clear that opposition within the Labour movement to joining Europe would come from an awkward alliance: the extreme left wing xenophobes can hope for support not merely from the extreme right wing which dislikes the idea (in the words of one of them at Blackpool) of "seeing Eyetalians in the pits," but also from some normally moderate Labour intellectuals who have cooked up abstruse anti-European theories of their own, and from a much larger group of left-of-centre democrats who feel uneasy at the mere mention of the names of Dr Adenauer and General de Gaulle.

The result is that those trade unionists who, for whatever reason, want to weaken the position of Mr Gaitskell can find in the European issue yet another means of embarrassing him. A fine example of the tactics that might be followed by them was given by Mr Frank Cousins this weekend. Mr Cousins has no delegate conference to face this year (the Transport and General Workers hold theirs once every two years); but up he bobbed at the Scottish Trades Union Congress. Without saying whether he himself is in favour of Europe or against it, he urged the Labour party's leadership to commit itself ("When you get a political issue, you are entitled to look for some guidance to the political party"). There is not much doubt that Mr Cousins's advice is right; but Labour's leaders are at present less inclined to see this than to see (all too clearly) the tactical reasons that have led him to give it. What Mr Cousins wants is that Mr Gaitskell should declare himself in favour of joining Europe, so that he (Mr Cousins) can then lead the assault on Mr Gaitskell for doing so. Under these circumstances Mr Gaitskell (and, still more, his executive) is likely to feel under an instinctive temptation not to put himself in any such position. His usual way out will be to hatch up some abstrusely fence-sitting composite motion which—even if (as seems probable) it is eventually passed—will give away far more hostages to the Cousinsites than a forward-looking Labour party should do.

The debate over Ned cannot be quite as dangerous for

Labour, although it will probably give some nasty moments to the trade union leaders who are already seated on the council. Admittedly they are in possession of the field, which is more than half the battle. And it is less than likely that any one of them (well, at least any two of them) would wish to follow the advice of those left-wingers who have in effect urged them to hamstring the council from within. The danger is that the union conferences (two of which, the draughtsmen and the clerical workers, have already urged that the TUC representatives should withdraw from Ned) will try to saddle their representatives on the council with absurd restrictions.

Moreover, there is a real issue here for the future of trades unionism in Britain. One of the most vocal opponents of the development council, the left-wing Mr Clive Jenkins of the supervisory staffs union, recently argued that it "cuts away at the very basis of trade union organisation in the United Kingdom." He is bang right. Even those unions that enjoy undisputed supremacy in their own industry—say the transport workers in the docks or the steel workers—have regularly shown themselves quite unable to collaborate in any coherent way with other unions on wage-fixing or any other subject of major importance. The most adamant "socialists" within the movement are bitterly opposed to any diminution of the autonomy of individual unions (perhaps because they realise that the mild reformists would then be able to prove that they are the majority). The idea of co-operation, not just with other unions, but with the employers and the government as well, could stand the present unco-ordinated system on its head. This is part of the background to the mounting opposition to Ned. On the other hand, those—and they are an increasing band—who would like to see the TUC become a far more purposeful body, co-ordinating and directing (subject to general consent) the policies of its constituent bodies, could find that the need to act together in Ned will give them the impetus for which they have been waiting.

For there can be no doubt that many trade unionists are worried about the disarray in which their movement finds itself at present. This winter the Government has faced—and, where it has faced, beaten—the unions over the pay pause. The TUC general council frankly admitted, at what must have been one of its most agonising meetings, that it could do nothing to organise resistance among its members. Last autumn it seemed inconceivable that the spring would arrive before a major official strike. But what has happened?

THERE have been ineffective work-to-rule campaigns by public service unions. Some white-collar organisations have shown a new willingness to consider joining up with their manual brothers in the TUC. A new white-collar federation of teachers, local government officers and others has been mooted, but not effectively formed. There has been the usual crop of unofficial strikes, and two symbolical one-day stoppages by around two million engineering workers. But, save in those nationalised industries where employers have run away before any real strike threat appeared, all these actions have proved singularly ineffective.

The supreme absurdity is that the strike ballot organised by the Confederation of Shipbuilding and Engineering Unions is not yet concluded, with the pause almost a month past. In the eyes of some, an engineering strike by the 39 unions was to have been the culmination of a campaign that would prove the power of the unions. But the executive of the confederation has tied itself hand and foot. It has hitherto refused to talk to the employers until the ballot is concluded, but it is perfectly clear that, whatever the result, the employers cannot give all that is being asked. If the necessary two-thirds of the members voted in favour of a strike, the executive could hardly not call one; but if there is no majority for a strike, they would have no counter to bargain with the employers. Now there are rumours that the voting will, in fact, be against a strike: next week the executive of the confederation will meet again to seek an escape from this mess. Such being the disarray of the unions' shock troops, it is small wonder that some employers in less tightly organised industries are beginning to lose all faith in the power of the official union leaders—either to start an official strike, or to stop an unofficial one.

This dilemma of vanishing power is realised by just a few top people in the trade union movement. The indefatigable Mr Bryn Roberts of the National Union of Public Employees has been pegging away for years at the argument that the central power of the TUC needs to be strengthened; now he can claim support from such eminences as Mr Jack Cooper, the new general secretary of the general and municipal workers, Mr Ray Gunter of the transport salaried staffs (and of the Labour party executive), and Mr Harry Weaver, new general secretary of the building trade workers. There is not much doubt that Mr George Woodcock, general secretary of the TUC, thinks the same way. But it is a fair bet that this summer's union conferences, whose decisions could conceivably affect the future of Britain's two great economic experiments, will barely consider the need for self-reform. The flight back to reality has not started yet.

The Economist

APRIL 26, 1862

THE MEANS OF AFFLUENCE

The prodigious advance of the productive arts since 1851 may not be very apparent to those who do not know much either of the state of those arts eleven years ago, or of their state now. But every one who remembers the old Exhibition at all will be able to say that the things now collected are much more numerous and much more splendid than those then collected. Machinery especially, which was rather impressive last time, will be much more impressive now. The things made in our present civilisation are less wonderful than the means of making them. The greatness and the littleness of material civilisation never perhaps *both* present themselves to the mind so fully as in looking at varied and wonderful machines. Can anything seem more clever, more convenient, more creditable to human skill, than those half-living things? says the practical man. Can anything be more absurd than to employ so much ingenuity in contriving tools for doing so little, for making useless luxuries more accessible, petty comforts more comfortable, things which rational men do not want more attainable by and more suitable to irrational people who do want them? So says the dissatisfied moralist. But real philosophy is rather on the side of the eulogist than of the objector. Whatever may be thought as to the precise wisdom or as to the extreme rationality of many wants in our artificial and elaborate civilisation, it is certain that a vast system of industry and labour is occupied in the supply of those wants. The dinner may not be what an ascetic moralist can consistently approve, yet still the cook lives by it. The immense apparatus of productive industry by which the complicated wants of civilisation are supplied, is much more interesting than those wants themselves, or than the realised products which minister to them. In the improvement of these arts, we, in fact, witness an improvement in the productive happiness of millions.

Where Education Pinches

The growing points of British education are being cramped by lack of professional flexibility and of willingness to concentrate on essentials, as well as by lack of money

QUITE suddenly it has become fashionable in the last few years to talk about the crisis in British education. This is not because things are getting worse but because they are actually getting better: British education is at the stage where enough people are wearing patent leather shoes to be able to say, very loudly, where they pinch. Unfortunately, it is sometimes difficult for the voice of the consuming public (or its parents) to make itself heard clearly enough above that of some established and very articulate producer interests. The important point, for educationists and politicians, is to get the priorities right in the expansion and the reforms that are under way and, still more, in those that will have to be bulldozed through in the mid-1960s.

What this should entail in the upheaval of some traditional attitudes is still far from being generally understood. Treasury ministers will have to stop purring over what they regard as the largesse they have handed out to the universities when they have still not done enough to keep up with the expansion of the sixth forms. Junior university lecturers must not jib at salary differentials favouring colleges of advanced technology when the biggest potential growing point is plainly in technical institutions. Teachers must learn not to pooh-pooh mechanical aids or drastic reappraisals of curricula if these devices mean that basic education can be sustained (and sometimes improved) while crash programmes are mounted elsewhere. And ratepayers will probably have to stump up for the schools a still larger proportion of their increasing incomes. This is what crash programmes involve. When the horrified outcries of comfortable and self-satisfied men resound through the length and breadth of the country, expansion will really be beginning.

The most important bottleneck now staring everyone full in the face is that at 17-plus (i.e. at the entrance to higher education). Safely after the Commons debate on the universities, the arguments underlying the still-unpublished financial recommendations put to the Treasury by the University Grants Committee have now been outlined in Cmnd 1691. In England and Wales the percentage of 17-year-olds staying on in school has risen from 8.5 in 1956 to 10.9 in 1960. But still only 6 per cent of boys and 2 per cent of girls can hope to enter a British university (in Scotland, which seems to retain a slight historical advantage, the figures are some 8 per cent and 3 per cent respectively). Current expansion plans will do no more than keep the proportion of entrants constant while the "bulge" passes through; they will not provide for the rapidly increasing "trend" towards staying on in the sixth forms. The University Grants Committee reports that failure rates in the universities actually fell in the later 1950s: so much for those who argued that letting in more students would mean letting in worse ones.

While Treasury grants for universities rose dramatically (recurrent grants by 72 per cent and non-recurrent by 143 per cent) between 1956-57 and 1960-61, it is a salutary comment on past neglect that, by the UGC's reckoning, half of the capital needs of the next ten years will be simply to make good for obsolescent buildings. The entrance bottleneck may be partially relieved by an overspill of brighter candidates into technical colleges and teacher-training colleges. But even in the teacher-training colleges (where places are, belatedly, being doubled) the pinch is already evident. Sir Ronald Gould told the National Union of Teachers last weekend that 500 suitable candidates for teacher training were turned away in 1961 (after years of little or no selection) and that 2,000 might be unable to get in this year.

Even if the Robbins committee gives a strong twist to the Treasury tap it should be obvious that future building will have to be concentrated on the essentials: lecture rooms, laboratories and libraries. The UGC bewails the fact that the proportion of students living in college or in halls of residence has remained at little more than a quarter, with the remainder in lodgings or at home. But this is precisely where, in the short run, savings should be insisted on (in particular, by locating new institutions for student commuters—for example, second universities in the suburbs of big cities). It is still better to be a Scot (49 per cent of whom live at home during the term) and have a university place, than bow to the English tradition and have none.

IT is ironic that just when university entrance standards are rising (so that candidates for particular faculties may need high marks in three GCE "A" level subjects) there should come the first stirrings of academic recognition for a more rounded education. Two culprits are responsible for over-specialisation in the sixth forms. The first is the universities' own requirements; the second is the compulsive competitiveness to ensure a place by hitting very high marks in the candidates' "special subjects" at "A" level GCE. The universities' Committee of Vice-Chancellors and Principals has now given its blessing to a broadening of university entrance requirements to include a paper on the use of English, a general paper and (with some inexplicable hesitancy) a foreign language paper. This is admirable, in both an educational and a severely practical sense, and so is the approval in principle given by all the universities except (let the names be broadcast) Cambridge, London and Reading. But there should be no illusions that, for as long as the shortage of places exists, these requirements will mean anything other than more cramming—from which the medium-to-bright sixth formers (capable of a good second-class degree) will suffer most.

The chief hope that meaning, and continuity, will be given to a reformed sixth-form curriculum rests in the aspirations of the new universities (like Sussex) to break out of the old faculty mould themselves. Here Sussex promises to outstrip Keele, the pioneer in this field. There are signs that the new foundations will attract the more versatile type of undergraduate and teacher away from Redbrick; the real test will be

whether they can actually rattle Oxford and Cambridge into moving with the times.

In the schools themselves the Ministry of Education is putting its shoulder behind curricular reform. Its research projects (initially dealing with science and mathematics) may even please the dons if they help to produce students who have tackled their subjects in twentieth-century terms. The nonsensical subject of Euclidean geometry looks doomed at last, but the new knowledge will almost certainly claim even more school periods than it took up. Can new teaching methods make up the difference elsewhere—for example, in giving scientists (and historians) their necessary foreign language in less time and with fewer tears?

This type of reform tramples on innumerable sensitivities; if it is to materialise it will need professional support and enthusiasm. The schools inspectorate should welcome the chance to labour in this field, as a final release from the Victorian inhibitions of payment by results. Plainly, there will have to be a stepping up in the rewards for teachers' refresher and re-training courses (in vacations), both to achieve a general mastery of new methods and to encourage a greater flexibility in the profession, for example, to fill science and mathematics posts below grammar school level.

In physical terms, the Minister of Education has two priorities to tackle. The first is to get the teachers needed to cope with the expanding secondary schools, with the next primary "bulge" and with oversize classes generally. (In Essex, a county where the school population has risen rapidly because of commuter immigration, one-third of the junior classes and two-thirds of the senior ones are oversize; other blackspots are in older towns like Middlesbrough and West Bromwich.) Television and similar aids may help, but the real need is to increase the opportunities for teacher-training; the new day colleges—now offering 1,700 places—look like a sound step in attracting older aspirants. At the heart of the problem is the ruinous wastage of qualified women teachers in primary schools: last year 17,000 women joined the profession, but 15,000 left—the great majority of them to get married or to have children after a year or two of service, not to get other paid employment. This should finally establish the point that the teacher shortage is not really caused by supposedly low pay at the bottom of the basic salary scale; the best way to bump up salaries in future will be to give an even more visible incentive to long-term teachers, and to married women who return when their families grow up, by a sizeable salary step after five years' total service. If drastic measures have to be taken to staff the new further educational institutions, the least harmful way to do it would be to raise the compulsory school entrance age to six or seven—not to cut back insensibly by cramping opportunities for educational advances at sixth form level.

The second priority (which has been depressed in the scale as new school building has tried to keep up with the population drift into the south-east) is to replace the high proportion of old, all-age schools in places like Lancashire and County Durham. Sir David Eccles seems anxious to start this—in time; if his Ministry's new computer reveals the true extent of the problem to public opinion it will be a real investment.

Expansion, reform and redevelopment have all to be paid for. Parental answers to opinion polls are adamant on improvements, but hazy on how they should be financed (except in condemning fees). In the past decade the proportion of the gross national product devoted to education has risen from 3 per cent to over 4½ per cent. A further increase of this order is urged by most educationists, and is, indeed, roughly in line with a number of official pronouncements about 1970. A proportion of this may, and certainly ought, to be squeezed from the rates if the semblance of local control of the schools is to be maintained; but the great bulk will have to come from the general taxpayer. The growing predominance of the Government as the chief paymaster raises its own problems for institutions, professional unions and local authorities. But it is a predominance that could and should induce the central government to play an increasingly bolder part in determining priorities and the ways they should be implemented. Political parties that claim radical support for educational advance have a duty to spell out fully what it implies.

NOTES OF THE WEEK

EUROPE AND COMMONWEALTH

Many Cooks

With what is by now his characteristic timing in common market matters, the Prime Minister informed the House of Commons of the plans for a conference of Commonwealth prime ministers on April 19th, the day before the Easter recess. Once again he has scored a tactical success. In the next three months, crucial for the negotiations, the Government will be able to disarm critics by pointing out that the green table has been prepared for the Commonwealth. Yet the date fixed, September 10th, allows time for the outlines of an agreement with the Europeans to be worked out first. The danger of a premature and time-wasting conference which would have nothing but feelings and hypotheses to work on has been avoided. Only in one respect—that of time—has Mr Heath lost some freedom of action. He now has more reason than ever to get over the hump of the Brussels negotiations before September.

Mr Menzies, who has his own political problems, has been careful not to commit himself to come in September. Possibly Mr Diefenbaker might have preferred to have the meeting before his elections in June. But even the Canadian government, though pressing loudly for a Commonwealth summit before there is a common market decision, has never publicly committed itself to a particular time. And the other Commonwealth governments apparently see sense in meeting after the pattern in Brussels has become clear, but before the final decision is made in London.

Almost certainly the conference will see some vigorous argument. But it has become apparent in the last few weeks that even the old dominions are by no means unqualified anti-common marketeers. Thus, New Zealand has been balancing the big problems posed by British membership against the equally big problems that might arise if Britain stays out. Would an isolated Britain be forced to rely even more than at present on the cheap food policy advocated so persistently by Mr Douglas Jay? That would not suit New Zealand's book. What implications for British politics—and hence for the future character of the Commonwealth—would follow from a decision to stay out? Lord Beaverbrook's idea of Empire is not New Zealand's. That rough diamond, Mr McEwen, Australia's minister of trade, made it plain during his trip to Europe that Australia has cards of its own to play on both sides of the Brussels game. While the Australians want continued preferences against California on products like canned fruit, they want higher prices—on the lines proposed by France—on wheat. The Commonwealth prime ministers will evidently need the help of the finance or trade ministers and experts who are to attend with them.

More Haste, Less Speed?

Perhaps the Government's carefully calculated European timetable—a climax in Brussels in early summer, followed by the Commonwealth conference, followed by debate and decision in the House of Commons in the autumn—can be seriously upset only by a serious bout of obstruction by the French. But just this possibility is raised by the failure of the Six to agree on their plans for political co-operation. The Dutch and Belgians rejected the latest variant on the French proposals on April 17th, adamantly refusing to sign any treaty until the British were in the European communities. The gesture from Benelux to this country could prove a case of more haste, less speed, for some of the French predict, in private at any rate, that their government will retaliate by blocking the negotiations for British entry to the common market by which the Benelux countries set such store.

The odd thing about last week's breakdown is that it occurred just when all the major powers involved, including Britain, seemed near an understanding. Mr Heath's suggestion to the Council of Western European Union (on April 10th) that Britain should be brought into the political talks was as close to the position accepted by the French at the meeting of the Six as it was to that of the Benelux countries. At a press conference after the WEU meeting Mr Heath suggested that Britain should be consulted after the Six had reached broad agreement on their political plans, but before they had got them signed and sealed. This was accepted by the French, but it was not enough for the Dutch and Belgians, who went on to refuse to sign any kind of political treaty until Britain was in.

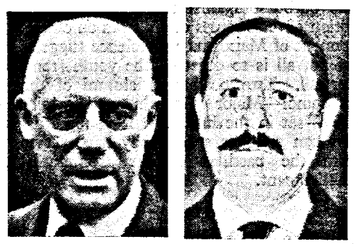
A mutual blockade, with the French obstructing Britain's entry to the common market and the Benelux countries obstructing the political plans, will do no one any good. The stand by Belgium and Holland makes sense only if they would be willing to relax it in return for French co-operation in the negotiations about British entry to the common market. It cannot be taken as quite certain that that co-operation will be obtainable at all. M. Spaak's brusque rejection of the political plans for Europe is reported to be due, in part, to General de Gaulle's own rejection of American proposals for joint control of nuclear weapons within Nato. This theory leads to what may prove a key piece in the puzzle (discussed on page 319): will some kind of gesture to France, in nuclear matters, be required to get this country into the common market?

FRANCE

Then There Was One

General Salan's capture on April 20th is a notable success for the French government, to whom his long impunity had been a reproach and a source of ridicule. His arrest, following so soon on that of General Jouhaud, does show that the necessary stamping-out of the Secret Army has been taken seriously in hand. Added confirmation may be seen in the appointment as commander-in-chief of the conspicuously loyal General Fourquet (not to be confused with M. Fouchet, the High commissioner, who is strenuously attempting to rally European Algerian opinion to the cause of peace and common sense). The orders issued to the new all-Moslem security force, to shoot Secret Army men on sight, and the massive preparations for mopping-up in Oran, tell the same story. It is time. With little more than two months to go to the referendum, the French have strong reasons for hastening to bring order before the inevitable transfer of power.

In a gesture that looks like bravado, the last of the fugitive generals, General Gardy,



Before and after: General Salan

has announced that he is to replace General Salan as the Secret Army's chief. He is likely to have even less control than had his predecessor (now reported from Paris to be busy disclaiming all influence). Murder remains the order of the day in Algiers and Oran, but there is substance in the reports of a split between the advocates of insane terror and the "moderate" advocates of "psychological warfare." If General Salan's disappearance can thus affect the Secret Army itself, its effect on sympathisers may easily be imagined. The courage and cohesion of desperation seem to be cracking. Lastly, the arrest seems to have come at a good moment for Mr ben Khedda and most of his colleagues in the provisional government. Mr ben Bella's release from prison was welcomed suitably; but since then he has shown himself to be somewhat out of touch with the relatively moderate temper of his colleagues. A report that he wanted to send "a hundred thousand Algerians" to reconquer Israel was promptly denounced as false by Mr Yazid, the minister of information; but stories that, because the French were ineffective, he wanted to lead the Army of National Liberation into Algeria to destroy the Secret Army were nearer the mark. Such action would also have destroyed the Evian agreements: fortunately for the moderates in the provisional government, who negotiated the peace with the French, the capture of General Salan deprives Mr ben Bella's militancy of some of its point.

FALL-OUT

Strontium in Springtime

With the sun comes the strontium. The radioactive strontium created by last autumn's marathon Russian nuclear tests was not expected to reach this country until the spring, and it is now coming down in significant quantities that should reach their peak some time next month. The pattern is much as predicted. Scientists guessed that the two biggest bombs tested, of 30 and 60 megatons, might blast some of their fission debris so high that these fragments would escape the wind and air currents that normally carry fall-out down to earth, and would reach a layer of stagnant air where they might float for some considerable time. The rate at which strontium is now descending seems to confirm this guess.

The Russians exploded something well in excess of 100 megatons in 28 tests in September and October. Yet measurements of strontium taken now are almost identical with those recorded in the spring of 1959, after a series of tests little more than half this size. Such figures are well below danger level, indeed they are almost insignificant. In which case, why does the Government not disclose them? Can it believe the public's memory is so short that it forgets the scare of six months ago with its warnings about strontium in springtime? The Atomic Energy Authority takes detailed, continuous measurements of fall-out, and although the really crucial measurements—of strontium in the bones of young children—need several weeks of painstaking chemical analysis, there can surely be no objection to publishing preliminary estimates, particularly if they are as reassuring as reports suggest. One can only conclude that, just now, the desire prevails to avoid the whole subject as too sensitive.

SOVIET UNION

Frozen in April

For once Mr Khrushchev has not stolen the limelight. At this week's session of Russia's newly elected Supreme Soviet (parliament) he left it to Mr Gromyko to deliver on Tuesday the major speech on foreign policy, balancing the hopes of a Berlin settlement with the prospect of further competition in nuclear bangs. Mr Khrushchev contented himself with introducing the plan to draft a new constitution, and being chosen as chairman of the commission that will do the drafting. In keeping with parliamentary practice, he also handed in the resignation of his government to the new Soviet and, after his own unsurprising re-election, presented the deputies with a new team.

But not really new. The government has scarcely altered. More conspicuous than any changes was their absence in cases where change had been expected. Mrs Ekaterina Furtseva, for instance, has clearly been in disfavour of late. She has been removed from that crucial body, the party presidium, and has not even been elected a deputy to the Supreme Soviet. Yet she keeps her job as Minister of Culture. Marshal Voroshilov's survival, if less important, is also strange. Six months ago, at the party congress, he was violently attacked for both his anti-party activities and his participation in Stalin's crimes. He nevertheless keeps his honorary post in the presidium of the Supreme Soviet. The aged marshal may owe his survival to memories of his past glories, but there seems to have been a general agreement among the Russian leaders to leave the pattern unchanged, at least for the moment.

Soviet society will not be changed by a stroke of a constitutional pen. Stalin's constitution, approved in December, 1936, was remarkably democratic on paper, but this did not prevent the crimes so vehemently condemned by the party congress last October. That congress heralded changes in Russia, but efforts have since been made to slow down the pace of reform. Some of the international questions then outstanding have not yet received an answer. The Sino-Soviet argument has waned a little but not vanished. The Russian leaders cannot make up their minds how relations with the West are going—a little better over Berlin, perhaps, but worse over Christmas Island. The internal stalemate is probably connected with these international question marks. Mr Khrushchev may have chosen not to occupy the centre of the stage until the script is sorted out.

Quiet Young Men

Where is the radicalism of Soviet youth? Not, if the eye and the ear are any guide, in the Young Communist League, which held its congress last week. The Komsomol now groups 19.4 million young Soviet citizens. Yet, during the five days of proceedings there was no real debate, no lively controversy, no outward sign of ferment arising from the public denunciation of Stalin or any other source. An explanation can be sought for this apparently uncritical mood in the way such meetings are organised. Those of the 3,862 delegates who climbed the rostrum were mainly local secretaries, the younger members of the party establishment, well aware that Mr Khrushchev now wanted to keep in check the reformist movement he himself had helped to set in motion.

The Komsomol is a part of the Soviet establishment. Mr S. P. Pavlov, its first secretary and the main speaker at this meeting, has his foot on a fairly high rung in the party ladder. His two predecessors—A. N. Shelepin and V. Ye. Semichasny—are now exalted dignitaries. Thus it was idle to expect anything but an innocuous report, garnished with quotations from Khrushchev, from Mr Pavlov. But debates were equally respectful of authority. Post-mortems, and the embarrassments of last autumn's party congress of the seniors, were avoided. Passion was not even expressed when the new educational reform came under discussion, for all that it puts the school-leaving age at 15, and "matric for all" was one of the most popular slogans of the Komsomol.

If this disciplined gathering revealed traces of the restlessness among ordinary young members, they were faint and indirect. Mr Pavlov felt compelled to attack the prevailing literary fashion of showing the seamy side of Soviet life. He took to task novelists who "violently emphasise the so-called complexity of life, the complexity of man. The young hero is shown as a chequered blanket. It is, apparently, a man's characteristic to be contradictory." This outburst against the dialectical conception of man comes oddly from an official exponent of Marxism. Its violence suggests that not all is so quiet on the youth front, after all. Two celebrated alumni of the Komsomol—Major Gagarin and Major Titov—sat in the hall. But if young Russians can conquer space, they have yet to storm the bastilles of the Communist establishment.

BURGESS-MACLEAN

Shoo?

Sir Reginald Manningham-Buller is not generally criticised for being excessively cunning. It is therefore possible that his own peculiar explanation of his peculiar action in the latest chapter of the saga of Messrs Burgess and Maclean is in fact the correct one. He told Parliament that the advance issue of a warrant was the only way in which he could ensure that these espionage suspects could be promptly arrested if they came here in transit; that he knew that, because "a great many people have to be informed at all the ports and airports" about any warrant, the press would be likely to get hold of the story anyway; and that he therefore decided to "reduce the area of speculation" (the phrase has a wonderfully meaningless bureaucratic ring about it) by announcing his intentions himself, in blithe disregard of the fact that this would obviously warn off either of the two men from coming here at all.

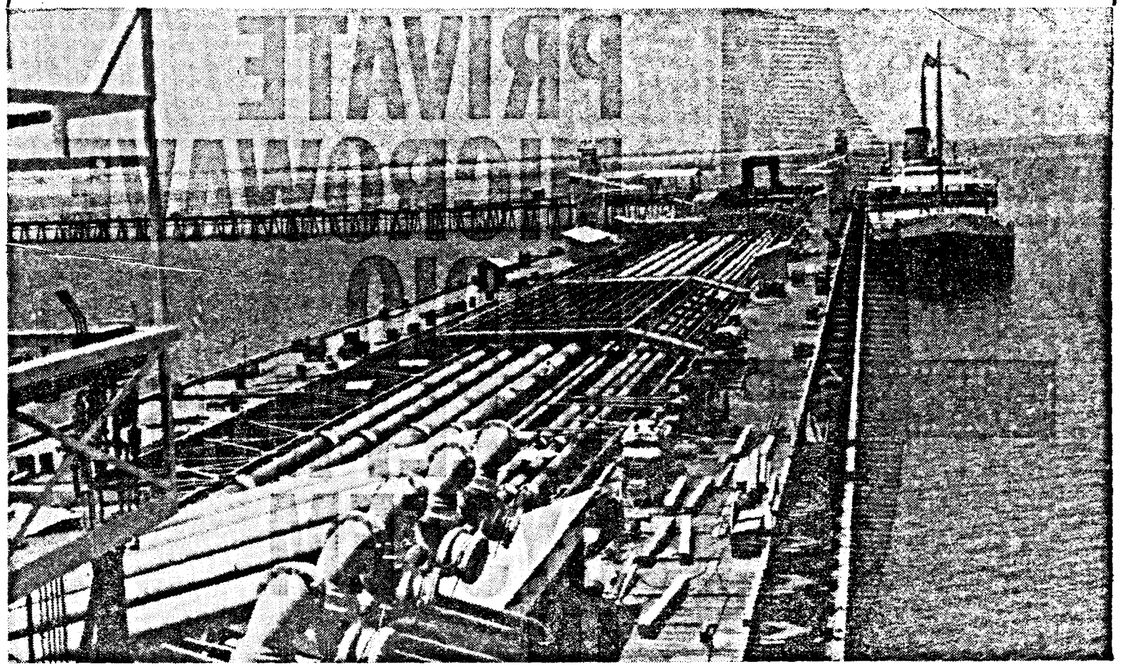
Nevertheless, whether by accident or design, the end-result of this Easter ragtime story has not necessarily been disadvantageous to this country. As Burgess and Maclean have decided to make the Soviet Union their bed, they might as well lie in it as in Brixton gaol. If either flaunted himself again within British jurisdiction, prosecution would have to follow. But in the eyes of simple people the prosecutable element about their flight eleven years ago (the fact that, as civil servants, they were and are obviously under suspicion of having offended against the Official Secrets Act) might not always be easily distinguished from the alleged political emigrant element in it. It is not in the West's interests to wax policemanly about the odd communist sympathiser who scuttles off voluntarily to the East, when for each such emigrant there will be more than ninety and nine communist-oppressed refugees who want to flee in the opposite direction. In all these cloak and dagger stories, no outsider can see more than one hundredth part of the iceberg; dogmatic comment about last week's apparent official gaucheries would therefore be absurd. But one can think of several reasons, not all of them unrespectable, why the Attorney General might, after all, have been right to play the gawky scarecrow rather than the efficient apprehender.

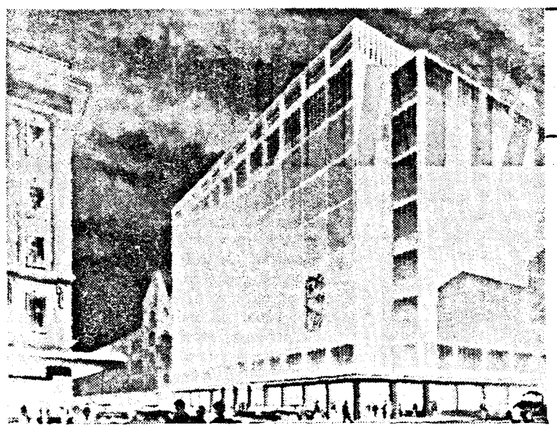
YOUNG SOCIALISTS

Trotsky and Points Left

The Young Socialists had their allotted Easter fling at their annual conference at the St Pancras town hall last weekend. Three hundred and sixty delegates "representing" 25,000 members enthusiastically passed resolutions lambasting the party leadership. The delegates passed a comprehensive resolution advocating Britain's renunciation of all nuclear weapons, withdrawal from military alliances, and the withdrawal of all British troops from overseas. They went on to demand that Mr Gaitskell should withdraw his comments supporting American nuclear tests or resign the party leadership. A motion supporting official policy on defence was swept aside, and one calling on the party to organise protest meetings against Polaris bases and German troop training grounds passed by an overwhelming majority. With defence out of the way, the delegates proceeded to reject a resolution supporting Britain's entry into the common market by a huge

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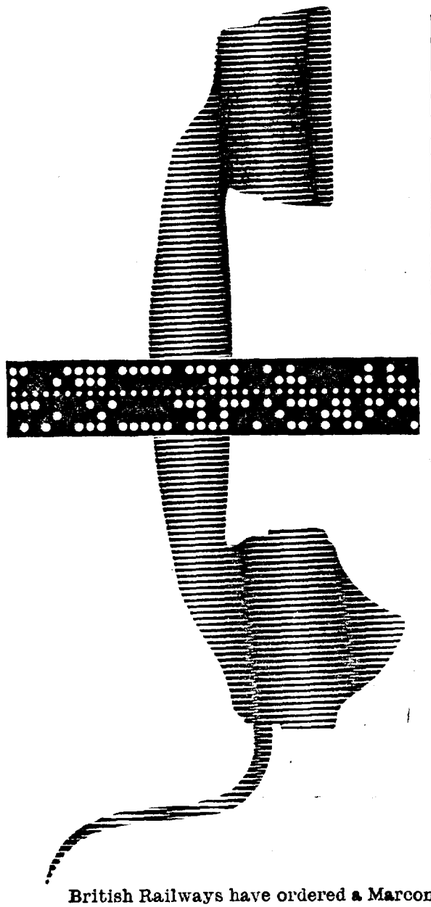
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majority, substituting one more to their taste which called on the party to take the lead "in organising the working class in the struggle for a socialist United Europe." The delegates went on to pass a motion calling for the unconditional diplomatic recognition of the German Democratic Republic. The party's policy statement "Signpost for the Sixties" was then buried in contumely, and with no sense of inconsistency the delegates passed a resolution calling on party members to sink their "marginal differences" in favour of party unity.

All this need not be taken too seriously. These are the sorts of resolutions one expects Young Socialists to pass, and the appearance of Mr George Brown at the conference (himself once a stalwart in the Labour League of Youth) shows what metamorphoses time can effect. More significant was the stand that the conference took against Trotskyite infiltration. Trotskyites have been the bane of the Young Socialists since their foundation. Last year they more or less wrecked the conference, but this year they had apparently split into two rival factions and were too busy fighting among themselves to spare so much time for the conference itself. Allegations were, however, made that some delegates had been threatened with violence if they failed to toe the revolutionary line. This incensed most delegates and in a secret session they passed a resolution requesting the national executive to investigate one group which has been accused of Trotskyite affiliations. Party elders will doubtless be comforted by this faint glimmering of sanity among the socialist leaders of the future; they can also hopefully point out that the anti-Gaitskell majorities were not as large or perhaps even quite as sharp as last year.



Growing-up?

IMMIGRANTS

Held to Ransom

THE Pakistani High Commission has stepped in to try to stop an appalling racket operated by a small group of taxi drivers at London airport. The taximen seized on the more gullible Pakistani immigrants and drove them direct to their destinations in the Midlands and North, claiming payment (with an undisguised element of ransom) from the passengers' relatives and friends once they got there. In some cases where payment was refused the immigrants seem to have been dumped in the countryside "to teach them a lesson," or even taken back to London to be hawked round bidders for cheap labour there. The traffic has thrived on the fact that some of the Pakistanis have no money of their own on arrival; they therefore feel that they need a form of transport which will land them right at the door of some contact in this country who may agree to pay for their fare. Although the airlines warn them on the plane, it is then too late to do anything for people in this plight. A good deal of the Sunday newspaper revelations about "slavery" have plainly been sensationalised; but their reporting helped to drive home the nasty truth that, at the height of the traffic, an average of 15-20 Pakistanis on each flight of 80 passengers were being taken advantage of in some way.

The High Commission has stationed officials at London airport since just before Easter to guide the immigrants and keep a watch on the taximen. It says it has known of the trouble for the past six months. The officials' presence may be needed for some time. Pakistani coach operators (charging £1 a head for the run to Birmingham, compared with £25 or more asked by some taxi drivers) have complained that when they attempted to enter the airport buildings in the past they were hounded out by some of the spivs. It is certainly desirable that licensed and reliable coach operators should be encouraged to enter this business; where there are sizeable Pakistani communities, as in Birmingham and Bradford, a standard service at reasonably cheap rates can be maintained. But there is also a case for running official guidance bureaux, possibly staffed by the voluntary services, at the main ports of entry to give necessary advice on the intricacies of British geography and public transport. And cannot something more be done at ports of departure to ensure that intending immigrants have a minimum of sterling in their pockets to see them to their destinations and be given general instructions about the cheapest way to get there?

RUANDA AND URUNDI

UNreconciled

SURE of a civil war, almost certain of bankruptcy, and against the will of the United Nations, Ruanda and Urundi will triumphantly proclaim themselves separate independent states on July 1st. Economics and the UN antipathy to balkanisation both dictate that the Belgian-administered trust territories be made one. But local politics say no. After ten days of trying in Addis Ababa, a mere thousand miles from the Ruanda-Urundi border, the UN special conciliation commission admitted on April 20th that conciliation was not on. A joint council of economic union and a common coffee board were agreed on by the Ruanda and Urundi delegations; that was all. Stubbornly, the UN men told the delegates that the UN remains convinced that the best possible future lies in political unification.

If it were possible, this would be true. But is it possible? In Ruanda the short Hutu, who make up 80 per cent of the population, have overthrown their old overlords, the tall Tutsi; a close understanding between the departing Belgians and the new republican, Hutu, government has been established. But the former Tutsi monarch, Kigeri V, still roams the radical African and Asian capitals, basking in the warmth of having been opposed by Belgium. Fifty thousand refugees have fled across the borders to the Congo and Uganda.

Urundi, on the other hand, is still a monarchy; Hutu and Tutsi political divisions are comparatively blurred, and the politicians are not at all fond of the Belgians. There has been no revolution, but Urundi's first prime minister was assassinated last October barely a month after he had taken office. Two-thirds of Ruanda-Urundi's main crop, Arabica coffee, is grown in Urundi, where lies the main port, Usumbura (on Lake Tanganyika). Urundi leaders lean towards the radicals of Tanganyika and the Lumumbists of the Congo; if the territory joined Tanganyika (or an east African federation) this might help solve its economic problems. Both territories suffer from a rapidly-growing surplus of population: Ruanda-Urundi is the most densely-populated region in central Africa. Both, too, are to be governed by men only a little more experienced in the arts of politics than the Congolese were two years ago.

ARGENTINA

Rough Riding

EVERY day now in Argentina sees a new political convulsion as the service chiefs force their orders through a stalling constitutional machine. Last Saturday the military leaders who last month deposed President Frondizi were themselves faced with open rebellion from a gentler military

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faction who thought that President Guido was now getting too rough a ride. Tanks rolled into Buenos Aires, supported by columns of soldiers, a shooting war was just averted and the gentle ones won the day. But only a day it was. On Monday the navy, with a show of marines, came down on the side of the roughnecks, and President Guido surrendered all but a shred of free will. Since then the tough soldiers and sailors have had things mostly their way.

The dispute among the military was not on a matter of substance. All were agreed that the Peronists must be politically outlawed, but they differed on how this be done. The tough ones had called for the annulment of the March 18th elections which had given the Peronists twenty-two provincial governorships and forty-five of the 198 seats in Congress. The gentler ones supported Dr Guido in seeking the same result by more constitutional means. His surrender seems to be in instalments. On Monday he formally cancelled the provincial elections and put the provinces under the federal government's control. But the fate of the Peronists elected to the chamber of deputies he may still try to leave to an engineered vote in the chamber. Not that getting a vote out of congress is an easy thing. On Tuesday the sulky deputies, meeting in extraordinary session, would not even pass a bill endorsing his succession as president. The prospect is of nothing but hurdles for this sadly roughridden upholder of constitutionalism.

CHINA AND RUSSIA

Mountain and Mouse

SOME trade is better than none at all; but the Sino-Soviet trade agreement for 1962, concluded in Peking on April 20th, hardly seems to justify the fulsome phrases used by the signatories. The signing, said a communiqué, would further enhance the "great, unbreakable and everlasting friendship" between the Chinese and Soviet peoples; and the Soviet ambassador, Mr Chervenenko, declared that imperialist attempts to find fissures in Sino-Soviet relations were doomed to failure. These mountainous claims cloak what may be a mouse of an agreement. Russia is to take Chinese ores and textiles, and send back rolled metals, oil and chemicals, lorries and machinery. Neither quantities nor values have been disclosed.

There is no sign that Sino-Soviet trade will do more this year than maintain last year's meagre level; there has been a sharp decline since 1960, that is, since political relations between the two countries began to deteriorate seriously. Last week's uninformative communiqué made no reference to the agreement of April, 1961, under which China is making good its deficiency on the repayment of Soviet loans by instalments, and without interest, over five years. Soviet exports to China now seem to be running at a level that roughly corresponds in value to imports from China less the instalments on Soviet loans. This is enough to keep the twin hearts beating, but not enough to enable the poorer partner to put on weight.

The signing of the protocol does, however, coincide with a few cracks in the ice of Sino-Soviet contention. Mr Patolichev, the Soviet foreign trade minister, went to Peking for the occasion. It is something to have got an agreement at all; at the end of last year a Chinese trade delegation came home empty-handed after a frustrating stay in Moscow. The presence of a Soviet scientific delegation in China for joint work on the Amur river valley project, on both sides of the Sino-Soviet border also suggests that things may be a little better. But a real thaw probably presupposes a purge of those Chinese leaders, headed by President Liu Shao-chi, who have asserted Peking's ideological independence at the expense of Soviet aid.

LEGAL REFORM

Scales of Justice

THE latest Bow Group pamphlet, *Scales of Justice* (Conservative Political Centre: 2s. 6d.), written by a group of young practising lawyers, is something of a legal dog's dinner. In general, it is a very respectable dog. The system of lay justices is supported because, in a phrase worthy of the Young Conservatives, "it has the supreme merit that it works." No criticism is made of the controversial method of appointing justices except for the somewhat curious complaint that not enough justices are appointed from those over the age of sixty. The most valuable suggestion here is that training courses should be provided for newly appointed justices, and also refresher courses every three years. The report also sensibly suggests that the remnants of justices' civil jurisdiction—principally matrimonial and bastardy jurisdiction—should be transferred to the county courts when this can be afforded (radicals would give this reform a higher priority than that). Committal proceedings come in for some well justified criticism, but instead of recommending the radical step of abolishing them altogether and leaving the question of whether to indict to the police, the report merely recommends simplification of the procedure.

The authors of the report are rightly concerned about the delays in trying accused persons. In 1956 30 per cent of those

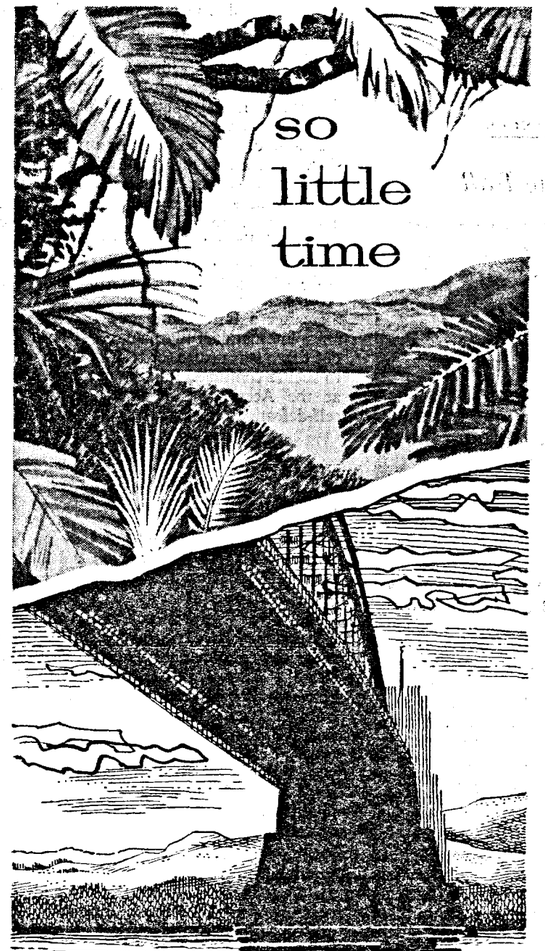
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accused had to wait from 8-16 weeks for a trial; and 9 per cent more than 16 weeks. About a third of the accused were detained in custody and of these 10 per cent were acquitted. The radical reform, which the report shies away from, would be a system of crown courts such as those at Liverpool and Manchester, sitting permanently and spread throughout the country. Instead of this, the authors, hypnotised by the need of barristers and judges for "long holidays", suggest that new regional criminal courts should be grafted on to the present assize system (which the radical would like to sweep away root and branch). Some sensible suggestions are made for reforming appeals procedure. There is still in England no properly constituted Court of Criminal Appeal, only an *ad hoc* gathering of puisne judges which for the occasion styles itself an appellate court. The report (surely rightly) argues that criminal appeal work should be discharged by those members of the Court of Appeal who have direct experience of such work. The new court of criminal appeal should also have the power to order a re-trial. At present many guilty prisoners are able to escape condign punishment because of technical errors in the court of first instance. The report also recommends that defendants in criminal cases should have a *prima facie* right to costs and that victims of crimes of violence should be compensated by the state.

In motoring law, the report urges abolition of that legal monstrosity of an offence "causing death by dangerous driving," an offence constituted not by the quality of the driving but by its consequences. It also suggests that "recklessness" should be a necessary ingredient in the offence of dangerous driving, but unfortunately cannot make up its mind whether this should be wilful or merely very foolish conduct. It thinks that parking should be lawful unless expressly prohibited.

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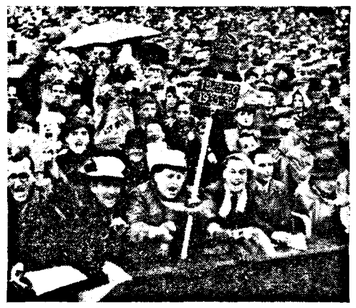
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FOOTBALL ATTENDANCES

After the Ball



Ebbing fervour?

ALTHOUGH crowds of 130,000 have turned up at Hampden Park, Glasgow, on the last two Saturdays (to see an international match and a cup final), routine league football in Britain has seen its less-fervent followers drifting steadily away. Seasonal attendances at Football League games seem (at a guess) to have fallen by 11 million in a decade—which suggests that perhaps 250,000 spectators have turned to other pursuits. At an outlay of £6,000, a firm of market researchers has revealed to the league that British week-enders are certainly not what they once were, thanks to the family saloon, the telly, the garden and do-it-yourself. Most of these distractions from muddy terraces under a weeping sky did not exist for the great bulk of the spectating millions in the heyday of the game just before and just after the war; and nothing the league can do can change them.

The consultants have thrown in complaints of bad teamwork, bad play and bad sportsmanship on the part of too many of the league teams; have rightly attacked the outmodedly Spartan accommodation and facilities at the grounds; and have added a gratuitous attack on the magnanimity of British wives (who are portrayed as selfish harpies determined to deprive their menfolk of enjoyment) and on inflated press treatment of transfers and squabbles.

As another sign of a strange itch for not enjoying publicity, the report sponsors the Luddite proposal that less football should be shown on television. Much of this seems considerably less than useful.

Advice on how to stop the rot has come from many sources: the league itself wants to relegate and promote four teams in each division every year, but the extra clubs that might be relegated may object. It has not so far shown signs of streamlining the cumbersome divisions themselves, although it has hinted that any club having to apply twice for re-election to the fourth division will be retired forthwith—which might help some of the better non-league clubs on to the ladder. It is also suggested that all international matches should be played either on the same day of the week or in mid-week, since these are thought to drain supporters from league games. This last would almost certainly be a step in the wrong direction. The only way to make football an economic industry is likely to be to try to attract larger individual crowds to a smaller number of really star games (which will eventually involve a smaller super-league, probably thereafter a European league, perhaps also more international tournaments). To try to cut down star games (or television) in order to shelter continued fulltime professionalism at the Accrington Stanley level will be self-defeating.

BRITISH HONDURAS

Odd Man In?

SOME day British Honduras, plodding to independence, will have to shake down more comfortably in its central American frame. Last week's talks at Puerto Rico between Britain and Guatemala, arising from Guatemala's claim to this hurricane-swept British colony, could point to some ways of doing so. The claim *qua* claim was left in the air (the best place for it); but some quite down-to-earth proposals that might help to reduce present tensions were agreed.

These were for a joint committee to promote economic development in Guatemala and British Honduras, and for possibly bringing British Honduras into central America's plans for a common market. The need to improve roads and ports was particularly stressed. This is an important factor. Guatemala's territorial claim is juridical fantasy, but it does spring from a real annoyance. British Honduras bars Guatemala's whole northern province of Peten from the Atlantic, and the province's splendid forests are in consequence barely exploited. Given better communications a great new industry could thrive there, and British Honduran woodmen, their own forests largely worked out, might play a part in it.



Guatemala's President Ydígoras may not like the Puerto Rico proposals. They could well seem an anticlimax to all the passion he has spent on territorial claims. In recent months he has pitched these even higher, the better to draw attention away from his shaky internal position. To tone them down cannot be easy. The idea that British Honduras might at length join a regional common market may nevertheless appeal to him. For he tends to see economic union as a step to political fusion; although this is not a logic to which all his neighbours subscribe.

GERMANY AND ISRAEL

Expiation

WEST GERMANY deserves credit for the effort it has made to recompense the Jews. Five million Jews were exterminated by Hitler. Millions more suffered imprisonment and persecution, had their property confiscated and were forced to leave their homes. Today's Germans cannot turn back the clock. But they have, at least, accepted responsibility for doing what they can to compensate those who remain.

The bulk of west Germany's *£280 million* reparations to the state of Israel has now been paid. Just over £1,000 million of compensation has already been paid to individual Jews who suffered persecution, and there is about as much again to come. This does not include over £100 million that has been paid to Jews who lost property in Germany; another £160 million of property claims should be settled in the next few years.

A small chapter in this massive effort is recorded in a new book on the Jewish Trust Corporation in Germany.* This small trust, set up as a British company in 1947, but operating in Germany, had the task of acquiring former Jewish property seized by the Nazis, or at present in other hands, which no Jewish owner now claims. The trust, together with its sister bodies in the French and American zones, has taken over some £30 million of former Jewish property in Germany since the war and has spent the money on helping individual Jews who had a hard deal from the normal process of compensation. The money has built schools, and homes for elderly Jews, in and outside Germany. The restitution courts in west Germany have sometimes been slow; some Jews have got less than they should have, or have got it too late. But an effort of expiation has been made.

* Reclaiming the Nazi Loot. C. I. Kapralik. The Jewish Trust Corporation, London.

DEVELOPMENT

Distant 5 per Cent

PROBABLY few people in this country have heard of the United Nations "development decade" at all; the resolution inaugurating it, which was passed unanimously by the General Assembly in December, got little attention in the British press. Partly to make the resolution known, the United Nations Association held a conference at Cambridge from April 13th to 15th, in collaboration with the Overseas Development Institute. But the conference had also a more ambitious purpose, to consider how to make the resolution come true in practice.

The central recommendation of the resolution was that the under-developed countries should be helped to attain by 1970 an annual rate of growth of their national incomes of not less than 5 per cent; and this objective was the main subject of discussion. Mr Malcolm Adiseshiah (Unesco) laid stress on the "missing factor" that accounted for the fact that Japan, among other examples, increased its agricultural production by 20 per cent between 1950 and 1960, while the "classical factors" of land, labour and capital investment remained more or less static. The missing factor, said Mr Adiseshiah, was education. Mr Andrew Shonfield (Chatham House) was concerned with reducing the power of orthodox economists to impede economic progress in the name of their theories; and Dr Paul-Marc Henry of the UN Special Fund argued that the UN was the best clearing house for economic aid.

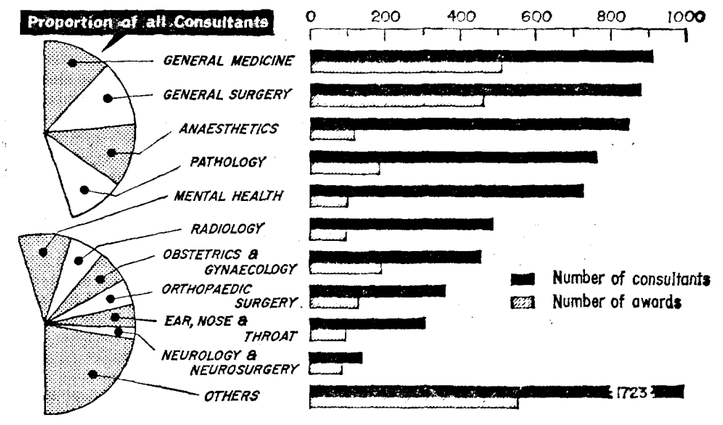
Professor James Meade pleaded for "uneconomic" loans and trade policies designed to help the recipients to service them without bankruptcy. He was particularly hard on those who argue that Britain's balance of payments difficulties should put a brake on assistance to poorer nations. Certainly the British, as well as the more generous Americans and French, will have to do much more—and do it more effectively—if that 5 per cent is to come within sight.

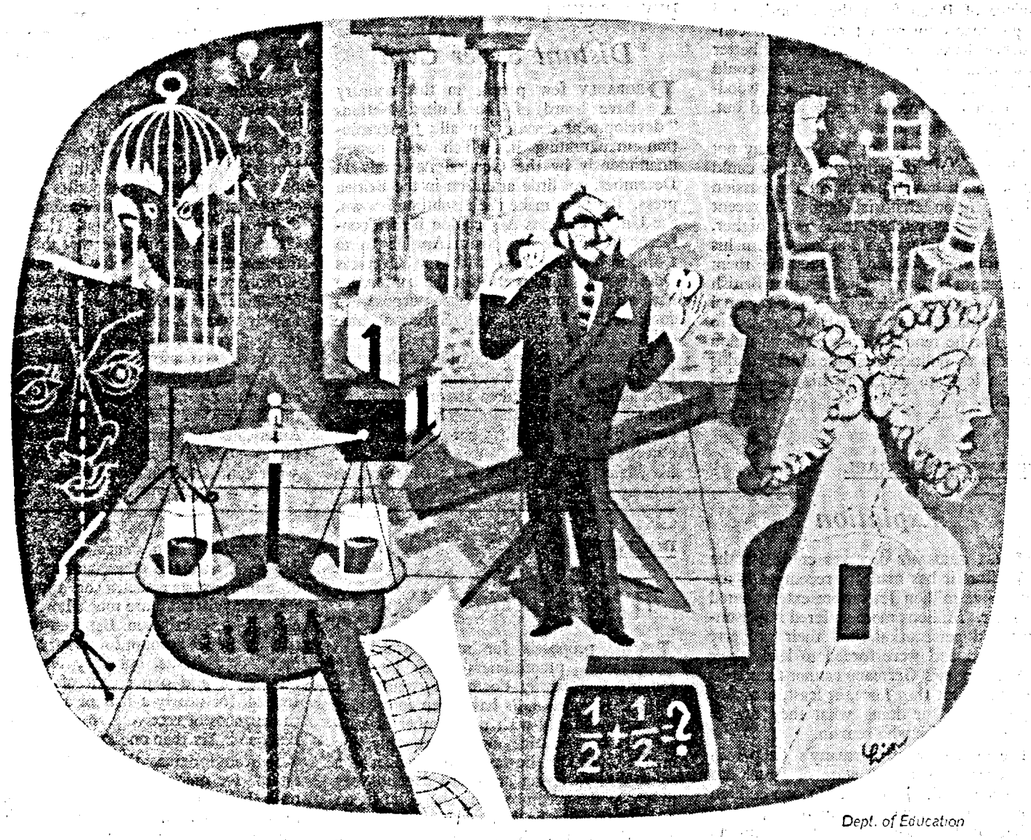
DOCTORS

Which Specialty Pays?

IF the proposals for merit awards to general practitioners are adopted, roughly one family doctor in twenty-four will receive one. GPs have been comparing this unfavourably with the number of consultants who receive awards—roughly one in three. In fact, however, the chances of a consultant receiving an award depend very much, as the accompanying chart shows, on which specialty he has taken up. At the end of last year in England and Wales, 7,627 consultants were receiving 2,558 awards, over a thousand of them worth, for whole-time health service work, £750, and 90 of them £4,000. But, as against this average of an award for one-third of consultants, over a half of both general physicians and surgeons receive awards and nearly two-thirds of neurologists and neurosurgeons. On the other hand, the chances of either an anæsthetist or a psychiatrist receiving an award are much lower than the average—one in seven. Between them these two specialties account for about 20 per cent of all consultants, but they received only between 8 and 9 per cent of the awards. Indeed, for nearly a half of all consultants the chances of receiving an award are more like one in six than one in three.

It would defeat the whole purpose of awards for merit were they to be allocated on a basis of fair shares. But does the present allocation really represent the distribution of merit among the different specialties? Or does it, at least in part, reflect the composition of the selection committee, with its membership almost exclusively drawn from fellows, including the presidents, of the three royal colleges of physicians, surgeons, and obstetricians and gynæcologists?





Dept. of Education

TV

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Our humble function is to entertain, but equally our proud trust is to acknowledge the requirements of the growing mind. In *Prefect*, last Sunday, we interviewed a village postmistress who had refused to take up decorative glass making, as a hobby. You never know when some day it may not be your turn to take part in *Back to Back*, our interview programme in which differences are so frankly stated that the participants refuse to speak to each other. Every fortnight three Professors of Popular Archæology and one Reader in O.K. Taste are shown a photograph of Schwepton Tunnel, and asked if it is Schwepton Tunnel, and, if so, what its date is.

Here, in our Programme of Completely Pure Science, we see Dr. Zü in action. Not only is he a genuine Doctor, really foreign, who lectures at an actual college, but he is also a natural T.V. personality, which means that a clever producer makes it possible for us to distinguish him from the compère in Teen Magazeen, the programme which precedes him.

Here Zü is making clear to us the meaning of division by two. "We speak of an object being divided into two equal portions", he says. "We talk of cutting an apple with an ordinary pen-knife, so that neither of the recipients is dissatisfied with his 'half'. Yet we have only a very vague idea of what this word 'half' truly signifies. Now I think it will help if we get out of our head for the moment phrases like 'semi-detached', 'semi-colon', 'half a league', 'half seas over', etc. and all objects which though perfectly comprehensible in themselves are not usually associated with halving ..."

It is by methods such as this that, for the mass viewer, the more abstract problems of science are made concrete and comprehensible.



Written by Stephen Potter, designed by George Him

SCHWEPPERVESCENCE LASTS THE WHOLE DRINK THROUGH

HOME REPORT

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

The Fruit is Overripe



FROM OUR SPECIAL CORRESPONDENT

COMMON market or no common market, Britain is the world's biggest importer of fruit and vegetables. Unfortunately (as any visitor to the Royal Opera House on a warm summer's night can tell) the importing is performed in conditions of maximum physical squalor. The more efficient fruit and vegetable traders are delighted that, at long last, Covent Garden market is to be removed and reorganised (even though this process will arouse squeals of rage if any tender toes are too heavily trampled on). And now it is encouraging to learn that the importers are finally making a serious effort to get rid of some of the grosser inefficiencies that attend their business before the central markets are reached.

The Fruit Traffic Organisation (it includes vegetable traffic, too, but sensibly *concertinas* its name) arose out of a survey conducted in 1959 for the London fruit and vegetable traders' federation. The survey showed that almost half of Britain's imports pass through the ports, terminals and markets of the capital. Two-thirds of this produce reached the markets through the Port of London, and one-third by rail and road after having been landed elsewhere: almost all of this did the final few miles by road. But the space on the roads for this unorganised traffic, and the space available in the docks to unload it, was quite inadequate. An extreme but not uncommon case is that of an importer who recently sent a lorry to the docks to pick up a consignment on a Monday morning, and finally received the load on the Wednesday afternoon. During the interval the lorry was unavailable for other work, and its driver was raking in overtime money.

Inspired by continental examples and spurred on by the impending reorganisation of Covent Garden market, the new body has enrolled some 50 importing firms—less than half the businesses in London, but with over half the trade. The organisation has acquired temporary headquarters under the fostering wing of the official Horticultural Marketing Council, and, as general manager, a recently retired brigadier whose last job was organising military movements in Cyprus. It is to be financed by a contribution from each member of 1/5 of a penny per package; once it has got under way the idea is that each year a sort of "divi" should be declared on these payments, whereby the members would get back a certain percentage of their subscription.

The organisation's aim is to reduce costs, including the heavy cost of produce banged about or left to go bad, by co-ordinating the activities of importers both among themselves and with those of shippers, carriers, stevedoring companies and port authorities. It could also investigate ways of improving handling methods, perhaps negotiate on rates for handling, and eventually co-operate with foreign exporters on subjects such as packaging, invoicing and the rest (exporters in New Zealand and Israel have already shown a benevolent interest).

No doubt, however, the very first job will be the hardest. At present there is not even any effective mechanism for letting importers know when their consignments are ready to be picked up by their own transport. Trucks are simply sent to meet the boat or train on which goods are expected; they spend much of their time physically reserving a place in a queue of other lorries. This system reaches a peak of wastefulness when an importer gets delivery earlier than he had expected and before he has space free in his own warehouse: then the lorry is used as a moveable warehouse until the goods are wanted. The stevedoring companies and the railways, too, complain that goods often pile up in their docks and terminals awaiting the consignees' lorries. If (say) tomatoes are selling slowly the traders may postpone taking delivery for as long as possible—thus blocking the terminal facilities and preventing themselves from getting out the oranges that could (and must) be sold right away.

At this early stage the organisation will have to go carefully. Since the essence of competition in the importing business is to have the right quantity of goods at the right time to get a decent price for all of it, the FTO must preserve the deepest secrecy about some of the information for which it will be a clearing-house. And it cannot afford to antagonise either the hauliers or the stevedoring concerns by running its own transport or its own sorting accommodation.

The most controversial part of its work lies in its powers to investigate the economies that might be made through the use of "alternative ports and stations outside the London area." Costs in London are already well above those for other ports: and there has in recent years been a trend to bring in cargoes through several ports away from the Thames. But much Commonwealth produce arrives in general cargo liners that must come to London; and the difficulty about bringing in vegetables from the continent to such ports as Shoreham is that, as yet, there is no guarantee that labour will always be available to unload it. And there is a growing tendency for grapes from Spain or lemons from Italy to travel by train in one rail-car from terminal to terminal, which may limit the organisation's scope for action at the conventional ports. Obviously not all fruit traffic can be taken away from London, but the power to recommend even a partial move would give the FTO a strong bargaining counter against rising charges.

The hottest argument in the docks will remain untouched for the time being. The FTO has no desire to get mixed up in arguments about whether importers should be allowed to use their own labour to get produce out of the docks when the registered dockers are on strike. Sensibly enough, the organisers are concerned to keep friendly with the Transport and General Workers Union. On the prospect for a reduction in tariffs on continental food, too, the importers (who usually handle large quantities of British produce as well) remain unmoved. One leading importer has even found that increased demand on the continent in recent years has cut down the price advantage of most of the European vegetables that are eaten in Britain. So perhaps the consumer's best prescription for a cheaper apple a day lies with the importers themselves, to succeed in this first serious attempt to improve their service.

Mr Lemass's One Worry

FROM OUR CORRESPONDENT IN DUBLIN

In spite of gloomy ministerial prophecies earlier in the year, the Irish budget turned out to be a tame affair. The taxes on beer, spirits and cigarettes were increased by small amounts which leave prices still well below British levels. On the other hand, entertainment tax was abolished and old age and other pensions were raised. Grants to agriculture were increased while tax allowances on new industrial plant and building were doubled. Loans are to be made available for industrial re-equipment.

The growing preoccupation with the common market was further suggested by the announcement that continental methods of sale, purchase and turnover taxes were now under study. These methods were examined by the commission which has just finished its inquiry into income taxation. The commission was deeply divided in its recommendations; but it is clear that the revenue should benefit from these forms of indirect taxation since the number of income-tax payers in Ireland is exceptionally small.

Nobody, therefore, has been greatly hit or greatly benefited by the budget. Whatever was going went to the farmers and to the pensioners. There are, of course, quite a lot of pensioners; and the farmers have made a good deal of play lately with the fact that agricultural prices are still much what they were nine years ago. The budget debate was a reminder of what almost everybody had forgotten, that Mr Lemass's government has no effective parliamentary majority at all.

This situation, however, has existed on several occasions in the past; and there is no reason why it should not continue now for some time to come. When Mr Lemass decides to go to the country, he will have no lack of comforting statistics. The volume of national production is estimated to have increased by 4½ per cent in 1961, which suggests a cumulative increase of almost 15 per cent in the three years 1959-61, compared with only 8 per cent in the nine years 1950-58. In the last three years industrial production has increased by 27 per cent. In the same period, imports and exports have been establishing new records.



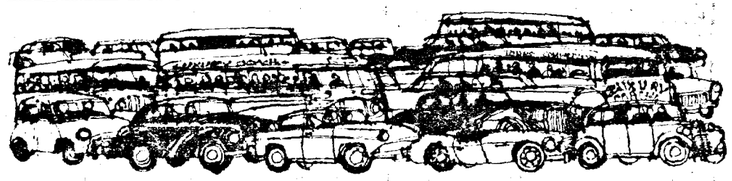
Finance minister Ryan

There have been two causes for anxiety. It has happened all too often since the war that a burst of expansion has turned into balance of payments difficulties. Growth in 1961 was accompanied by large-scale wage increases which, on past experience, suggested heavy trade deficits this year. The figures for the first quarter of the year, however, show a further increase in both exports and imports. Imports have indeed gone up by a greater amount but the gap has widened by only £1 million. If this relationship can be maintained, there will be nothing to worry about.

The second, and much deeper and more important, problem is the comparative stagnation of agriculture. Politically, this is dangerous to the government because farm prices have remained much the same since 1953 while urban wages and salaries (and local rates) have steadily increased. Economically, it is impossible to expect continued progress while the major exporting industry remains in the doldrums.

The present government has always paid a great deal more attention to industrial development than to what happens on the farms, but it cannot afford to do so much longer. The department of agriculture has at long last announced the formation of study groups, which include representatives of producers and processers, to consider EEC policies affecting the main categories of agricultural produce: cereals, milk and milk products, meat, poultry and eggs, fruit and vegetables.

This is a step in the right direction; but it remains to be seen how long a step it will be. The department's reputation for energy has not been impressive in the past. Fingers should be kept crossed until preparations for the common market are as convincing in agriculture as they begin to be in industry.



Arrested Juggernaut?

With anything up to seven million cars on the roads on sunny Easter Monday it was virtually inevitable that the provisional number of deaths for the day should have risen to 21, compared with 12 on Easter Monday last year. Despite a good deal of premature congratulation on drivers' better manners (possibly intended to have a psychological effect after reiteration on radio and the telly), the total number of deaths in the five days of the holiday period reached 74—and for the fall of 12 compared with 1961 the chilly and discouraging weather of last week seems to have been primarily responsible. Even so, such improvement as there was is mildly hopeful, particularly in the context of long-term figures on road safety.

Last year, for the first time since the fuel restrictions of Suez year, the number of people killed on British roads fell minutely, from 6,970 to 6,908, instead of rising remorselessly. At the same time, the registration of vehicles increased by 8 per cent, and there is therefore some room for what Mr Marples, in his doomy way, has called "guarded optimism." It really does look as if the exhortations against carelessness, together with mild improvements to antique carriageways, have had some effect. The danger now may be that optimism goes too far, supported by official calculations that show Britain to be more safety-minded than almost any European country and better off, in absolute as well as comparative terms, than it was thirty years ago (see table).

Mr Marples's Easter message declared roundly that, in the end, the only way for a driver to keep his head while all around him are putting theirs through windscreens is to drive defensively, as if every corner concealed, in the words of a famous motoring journalist, "a steep hill with a steamroller, out of control, driven by a drunk." Most drivers only drive like this for a few shaking minutes after they have just missed the steamroller; nor is that surprising, since most tuition does not concentrate on the increasingly frequent need in Britain for evasive or emergency action. This is one of the points made by the Royal Society for the Prevention of Accidents, which has just launched a national road training year campaign in the hope of adding something to the distinctly mediocre skills of the average British motorist.

Perhaps it is because of that mediocrity that the latest "safety" innovation, the Panda crossing, has not been a wild success with its users: with its pulsating coloured lights and its black-and-white chevrons and

INDICES OF POPULATION, MOTOR VEHICLE REGISTRATIONS AND ROAD DEATHS
(1926=100)

	Population	Motor vehicles	Road deaths	Road deaths per 10,000 vehicles
1931	102	129	137	30·4
1941	107	141	187	37·8
1951	111	255	107	12·8
1961	117	569	141	7·1

RIO DE JANEIRO: CHILDREN MEET JETS

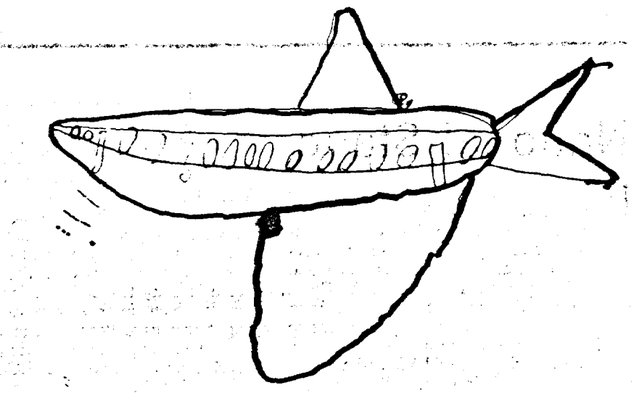
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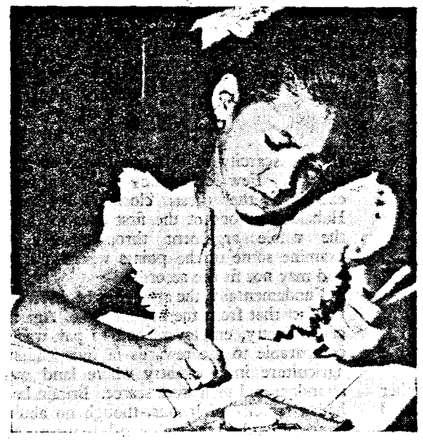
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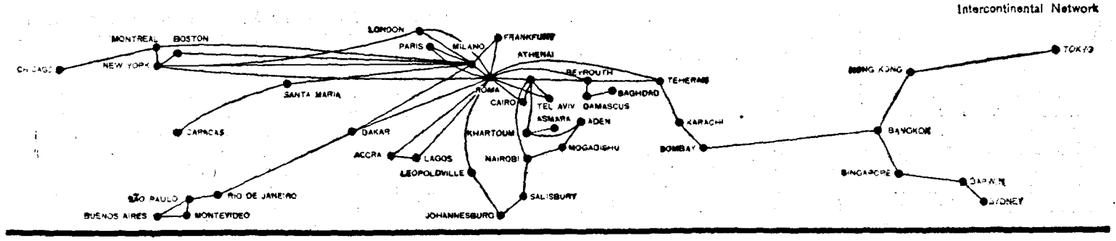
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yellow-and-white stripes, it is altogether too complicated to be absorbed in a short time by a man whose available stock of skill is already being extended by avoiding turning taxis. Ordinary pedestrian-controlled lights, as installed at Slough, would be less confusing, if no more successful in keeping pedestrians from under the wheels. And there are some simple rules which might be enforced to ease the pressure on drivers' skills—such as the almost universal (elsewhere) rule of "give way to traffic on your right." Another improvement would be the provision of more advanced training for drivers, particularly in keeping control in emergencies—mainly skidding; loss of control is the largest single cause of accidents listed by the Ministry of Transport.

National Stage

IT really looks, at last, as though London will one day have a National Theatre. The project has been bedevilled since its inception by all possible bogies: shortages of cash, artistic disagreements (and now and then artistic pique). Last month the Royal Shakespeare Theatre at Stratford-on-Avon withdrew from the partnership that was to provide the artistic impulse for the new endeavour, leaving the Old Vic and Sadler's Wells opera on their own. But now the Joint Council of the National Theatre has announced its plans for two new buildings in the shadow of the Shell building south of Waterloo Bridge, and the London County Council has agreed to provide the sites.

On one site a new opera house will be erected: Sadler's Wells will occupy this, and its old site in farthest Islington will be sold. The other site will have an amphitheatre auditorium, while the present Old Vic auditorium down the road will house plays needing to be presented behind a proscenium. Eventually a proscenium theatre should be built alongside the amphitheatre, to replace the existing Old Vic. The Arts Council is to recommend to the Government whether or not to go ahead with all this (and it seems exceedingly unlikely that it will say no): finally, then, the Government will release the £1 million voted in 1949 to build a national theatre—a sum which, in those happy, far-off days, might just have been enough for the job. The LCC will put up a further £1.3 million in capital: some of the LCC's idealists believe that they have in effect blackmailed the Government into spending its share by voting their own rather larger one.

The one advantage of waiting so long may turn out to be that all the parties have actually thought about the longer-term question of continuing subsidies for the theatre. The LCC seems to be thinking in terms of around £55,000 a year for the theatre and £45,000 for the opera house; the Government should be giving £300,000 a year between the two. (At present Sadler's Wells gets some £275,000 a year from the Government and £45,000 from the LCC, while the Old Vic gets £40,000 from the Government.) This should allow the new institutions to make a few experiments free from the demands of conventional commercialism. The real danger is that the National Theatre Board (itself appointed by the Chancellor of the Exchequer in consultation with the LCC) will not be able to get a good—and brave—enough man for the job of artistic director.

Finally, this project increases yet further the proportion of Government subsidies to the arts that are spent in London rather than in the provinces (which are far more in need of such a boost). Tours by companies from the new Sadler's Wells and from both the new national stages are no substitute for artistic centres in the main regional capitals. Only the artistic performance of the national theatre will show whether the Government has been wise to let itself be persuaded to put so many golden eggs in one central basket.

BOOKS

Men, Machines and America

American and British Technology in the 19th Century

By H. J. Habakkuk.

Cambridge University Press. 222 pages. 32s. 6d.

ABOUT once every generation during the last century or more, it has become fashionable for British men of business to discover how much more ready American industry is than British to install machines to save labour. The productivity teams of the early nineteen-fifties, who organised this into a form of modern industrial pilgrimage, were only following a path of inquiry that groups of technicians had trodden a century before, and drawing comparisons that individual observers such as Cobden had drawn in the eighteen-thirties. These modern teams' reporting of the higher degree of mechanisation in the United States—and hence its higher labour productivity—could often be more quantitatively precise than that of their nineteenth-century counterparts. But their reasoning about the causes of it was seldom, on the whole, as perspicacious.

Few of the early nineteenth-century observers of American mechanisation were in any doubt about the cause. Businessmen bought more labour-saving machines than on the British side of the Atlantic, it was taken for granted, because labour was scarcer, more expensive, more worth saving. This is a plausible and simple argument, so much so that many sophisticated analysts have always shied away from it; and certainly it has too often been put without qualification and without enough care in tracing the convolute consequences of a relative scarcity of this one factor of production. Few economic historians have examined the thesis closely. Professor Habakkuk is one of the first ever to think the whole argument through, and to examine some of the points where it may and may not fit the record.

Fundamentally, the argument begins from the fact that from the beginnings of American industry, employers had to pay wages comparable to the rewards of independent agriculture in a country where land was abundant and men were scarce. Britain had had a scarcity of labour, though no abundance of land, in the eighteenth century, and this had partly stimulated the technical innovations of its classic industrial revolution. But from the turn of the century, its "population explosion" was beginning; with the release of manpower from the Napoleonic Wars, some movement of labour from the land into industry, and Irish immigration, employers had a very elastic supply of unskilled labour at subsistence wages (while improvements in agricultural productivity, per acre instead of per man as in America, tended to keep down the cost of subsistence). Skilled labour was possibly even scarcer than in the United States; but that tended to stimulate more economical organisation and the division of labour, rather than mechanisation *per se*.

The American industrialist, with a more expensive and less elastic labour supply, had a greater inducement to mechanise. It is true that if wages, the prices of machines, and the prices of the products made had all risen in step, the adoption of more labour-saving methods would not have helped him. But in practice the prices of machines and of products rose more slowly. America was not a closed economy; the levels of its protective tariffs, which remained unchanged over long periods, set ceilings to the prices of products and of machines (which, after 1843, could legally be imported from countries where the labour involved in making them was markedly cheaper).

American businessmen were readier to scrap the machines they had sooner (and made them lighter and less robust): they were more bothered than British businessmen about obsolescence, and the growing costs of labour-intensive maintenance. Imperfections in their localised markets gave American manufacturers high profits up to a certain point; made the marginal cost of getting extra labour much higher than the average; prevented the migration of local finance from areas where it was cheap to those where it was extremely dear; and gave the manufacturer less scope for putting his profits into forms of investment other than his own business. Yet the total market was expanding faster; the sustained growth in demand for American manufactures "warranted a rate of investment, in relation to the supply of factors as a whole, which was more rapid than in England."

Professor Habakkuk is concerned in this essay to examine *a priori* whether and how this generally plausible argument could have been true; broadly, he thinks it could. He then sets the various ways in which factor endowment could have influenced the composition and rate of American investment against the salient facts of labour and capital supply, during the period, in America and Britain; and finds them broadly congruent with the thesis, without assessing the relative importance of the different influences it exerted. A concluding chapter looks briefly at the comparative industrial circumstances and technological performance of the two countries in the later nineteenth century. During this period he feels that the faster growth in America (and other industrial economies), and the difficulties of readjusting the complex industrial structure that Britain had developed, outweighed though they may not have invalidated the ideological contrasts some historians draw between confident dynamism in the one economy and complacency shot through with incipient doubts in the other.

Neither of these theses—the response to a scarcity of labour, and "the penalty of taking the lead"—is new. But what is here, in this lucid and sinewy discussion, is a closer and more critical examination of them, illumined with a more confident reference to the technological record, than we have had before. And, in passing, it indicates many promising byroads for more detailed inquiry by other economic historians.

A Writer in Society

Maxim Gorky: *Romantic Realist and Conservative Revolutionary.*

By Richard Hare.

Oxford University Press. 163 pages. 21s.

"UNDOUBTEDLY the most significant representative of proletarian art." Lenin's judgment on Gorky is the despair of those who still retain any inclination for exact thinking. What is proletarian art? Gorky was not proletarian in social origin, but middle class; nor can his outcasts and vagabonds be described as proletarians. However, in the sense that Gorky in the long run, in spite of frequent disagreements with them, did more than any other writer to help the bolsheviks to win, consolidate and retain power, Lenin's view may be right. The story of Gorky's part in the rise of bolshevism is still largely untold, and Mr Hare's essay does little to fill the gap. It is, of course, the case that the vital correspondence relating to the formative period of bolshevism has not been published and according to the Marx-Lenin Institute has not yet even been located. But even on available information Mr Hare's sketch of this side of Gorky is very inadequate. For example, Mr Hare says that Gorky's fund-raising tour of the United States in 1906 failed to raise any funds. In fact quite a substantial sum was raised for the Russian social democratic movement as a whole, which was quite unscrupulously handed over to the sole use of the bolshevik faction. The matter remained the subject of acrimonious dispute for some years.

Aside from its treatment of Gorky's political activity, this little volume must be welcomed for two reasons. The last study of Gorky in English appeared in 1932. In Soviet criticism his work has been so much overlaid with hero-worship that a sober reassessment of his literary stature was much needed. This is what Mr Hare has done in a sympathetic and clear study. He sees him as a "journalist of genius"—a judgment with which few who have read his autobiographical volumes and his reminiscences of his contemporaries (especially of Chekhov) will disagree. On Gorky the artist Mr Hare is rightly more reserved. His talent lay in acute observation rather than in literary perfection. "Rugged, strained and patchy" it "fell far below the artistic genius" of Tolstoy, Turgenev and Dostoevsky—and, it may be added, Chekhov, as Gorky himself freely admitted. The novelty of his subjects, the force of his descriptive power and the intensity of his feeling rightly won him an immense reputation at an early age. But he had neither the intellectual force of Tolstoy nor the human charity of Chekhov to produce work to which the description "great" can be applied.

Mr Hare has also tackled the problem of Gorky's moral position as a writer in relation to the new society, of much of which he disapproved. As a good biographer should, Mr Hare has put the case for Gorky as fairly as it can be put, but it is not a very strong case. Since in the last years of his life both his doctor and his secretary were NKVD agents, and since Stalin accused others of murdering him, it is a reasonable guess that Gorky was murdered on Stalin's instructions. If so, he was one of the many silent victims who in the end paid with their lives for belated resistance to horror which they had for many years condoned. But was it worth it? In 1917 Gorky, then in Russia, opposed the bolshevik *coup d'état* only soon to become reconciled to it. Then, after a period of voluntary exile, he returned to Russia once again to be feted and hero-worshipped in exchange for writings glorifying the regime in all its works—including (in 1934) a volume devoted to the Baltic-White Sea Canal, built by the unfortunate inmates of the vast concentration camps. We know today what value to attach to claims that the inmates saw their fate as a well merited penance for opposing socialism. One has an uncomfortable feeling that Gorky knew it in 1934—after all, seeing through government cant was the main virtue of his pre-revolutionary writings.

It is only fair to recall that Gorky worked hard behind the scenes to save many individuals from the tyranny of the regime which he was outwardly supporting. But what of his integrity as an artist? Mr Hare shows how much this was endangered by the fatal attraction of his native Russia for a simple-minded, lonely and somewhat disorientated exile in strange Western Europe. Herein lay his tragedy.

A Trimmer in the Terror

Bertrand Barère: *A Reluctant Terrorist*

By Leo Gershoy.

Princeton University Press. London: *Oxford University Press.* 470 pages. 68s.

A SUB-TITLE suggesting an uncertain starter from Baroness d'Orczy's stable, or a nervous rogue in Georgette Heyer's, does less than justice to Bertrand Barère. He was not, in the melodramatic sense, a terrorist: he disliked heads on pikes and would have strongly disapproved of the pétroleurs of 1870 or the plastic-bomb patriots of 1962. He was, temperamentally, a "politique": he distrusted extremists of left or right and was prepared to remove them ruthlessly in the name of moderation. His actions were, therefore, sometimes unpredictable, and pronounced treacherous by those who suffered from them.

Born into the lesser nobility on his mother's and the privileged legal hierarchy on his father's side, Bertrand Barère de Vieuzac read law and practised in Toulouse, a traditional stronghold of resistance to the crown's recurrent attempts to override provincial Estates and Parlements. In fact, Barère enters history as a minor "frondeur"; his reputation as advocate and pamphleteer grew rapidly during the aristocratic revolt of 1788 and ensured his election to the

Estates General at Versailles in May, 1789.

His political progress was, in a sense, an epitome of the Revolution itself, but his personal story seems, at times, to illustrate the evolutionary law of survival by adaptability. A constitutional monarchist, like most "liberal" deputies in '89, he was in '93 the spokesman of the Convention that tried and condemned the king. Louis's flight to Varennes in June '91 had disillusioned Barère; but he still believed in limited monarchy as a bulwark against the mob-rule which he and his associates, Robespierre included, feared. But the royal family's collaboration with the invasion of '92 converted Barère to republicanism and eventually convinced him that the king's execution was essential to the safety of the nation. For this was a principle on which, at any rate before Brumaire, he never compromised. It explains the part he played in the proscription of the Girondins, the trial of Danton, and the overthrow of Robespierre: the factious incompetence of the Girondins, the corruption of Danton's patriotism, and the persecution-mania of "The Incorruptible" endangered the Government and unity of the Republic.

Barère always claimed to have risked his own survival for that of Revolutionary France. His enemies after Thermidor, many of them with records much bloodier than his, accused him of saving himself by sacrificing his friends; they consigned his constructive work to oblivion and, with the later assistance of the majority of nineteenth century French and English historians, have immortalised him as a cold-blooded careerist, who composed pseudo-legal excuses for the cruelties of the Revolutionary Tribunal. Indeed, his contribution to the superhuman achievements of the Committee of Public Safety in the critical year 1793-94 only recently received recognition in Robert Palmer's "Twelve who Ruled" (*Princeton University Press*).

Full justice to that contribution is done by Professor Leo Gershoy in this excellently produced and generously documented biography. It is not his fault that the last hundred pages are as much of an anticlimax to the reader as the four decades they record were to the unfortunate Barère, whose prolonged efforts (interrupted by dismal periods of exile) to re-establish himself in public service under Napoleon and the restored Bourbons were ignored or contemptuously rewarded with hack-work handed out as charity. Nor is it the biographer's fault that the personal qualities that attracted some lifelong friends, as well as the sacrificial devotion of three women, are not particularly noticeable. His personal records (apart from those industriously compiled by the police) are scanty. Barère's memoirs, published soon after his death in 1841, are an apologia rather than an autobiography. They were mercilessly reviewed by Macaulay, to whom it did not occur that Barère was, in Whig terminology, a "trimmer." That is what Professor Gershoy calls him. It is not necessarily an uncomplimentary political label; but it reads rather like a grim pun sneered in the shadow of the guillotine.

Face Lift

The Whig Supremacy, 1714-60

By Basil Williams. 2nd edition revised by C. H. Stuart.

Oxford University Press. 534 pages. 42s.

MR STUART'S revision of this standard work incorporates the revaluations of the twenty-three years since the first edition. Namierism makes predictable inroads; but the penetration has been slight. The big guns are still hammering away at the ruins of George III's England, and the hero of Dettingen is still almost unscathed. We now know that ministerial solidarity was less developed than Professor Williams thought, and that he exaggerated the personal indispensability of Newcastle and the use of the secret service funds in the manipulation of politics. Walpole is even less of a Peelite than he used to be, and the dropping of the veto appears to be more an indication of ministerial capacity to control members than a proof of the ability of Parliament to pass what legislation it liked—not something to surprise us in this age of Cabinet rule. Professor Williams too easily attached virtues to great men of action. Mr Stuart is more sceptical. Frederick II of Prussia and Charles Emmanuel of Sardinia come down a peg, and appear more as clever politicians than as great patriots.

But little is called in question beyond that narrow field of politics in which Namier, like his beloved Newcastle, found his natural home. The author's fifty pages on social history are virtually untouched—though the production of one iron foundry has fallen, and the sources for the prices of provisions have eluded the reviser at one point. It is a pity that the hand that revised the bibliography has not made good Williams's omission of the acutest book about what life was like for the great bulk of Englishmen in the eighteenth century—Dorothy George's "England in Transition."

Mr Stuart has sensibly limited himself to adding and correcting and eschewed rewriting. He could not have been more careful: the rate of fire of the Prussian infantry has dropped from five rounds a minute to not more than four, and the exact position of Commodore Martin's watch as he timed the expiry of his ultimatum to poor Don Carlos is now in doubt—indeed, far from laying it on the table or holding it in his hand, Martin may not, in fact, have done either. The "baseness" of Governor Drake in leaving the male inhabitants of Calcutta to the Black Hole is reduced to a charge of feebleness; his previous bravery is now taken into account. This "tiresome investigator" (as Churchill might call Mr Stuart) casts doubts on the authority for "wry-necked Dick" Boscawen's splendid rejoinder to his pilot at Quiberon.

Small matters perhaps: but these proofs of the searching qualities of Mr Stuart's eye increase one's faith in the reliability of the great mass of the work that remains untouched. It is old-fashioned history, pre the age of the Common Man, but it will go on doing sterling service until the eighteenth century finds its Halévy. A successful piece of Oxford restoration, in fact.

Pre-Colonial Africa

Black Mother. *Africa: The Years of Trial.* By Basil Davidson.

Gollancz. 269 pages. 25s.

IN attempting to explain the nature of the European-African connection in pre-colonial times, the author has selected three areas: the old Congo kingdoms, the city-states of Guinea Coast and some "strong societies" of the Guinea Coast. The selection is somewhat narrow since all these areas were fatally stricken by the abomination of mass slavery, and thus were a special case rather than a general rule. Mr Davidson devotes a substantial part of his book to this problem rather than to the African states themselves, though they are a subject of absorbing interest. However, we should be grateful for what we are given; it is informed and very readable. Books dealing with African history are all too rare in the current avalanche of indifferent and heavily-loaded Africanist literature.

It is nevertheless a pity that while trying to trace the outlines of Afro-European relations, the author omitted from his selection a very considerable area and a very long period—almost ten centuries—when these relations developed organically, if not always harmoniously, and were untainted by mutual hatred and contempt. The Mauretanian and Numidian kingdoms, the Meroitic civilisations of the Sudan, "Agisymba, where the rhinoceros foregather," the Pentapolis of Cyrenaica were centres of an Afro-European "koiné." Its extent and significance are barely scratched by modern historians and archaeologists, the late Stephane Gsell standing out in this field like a solitary beacon. Almost certainly North African civilisations between the third century BC and the seventh AD crossed the barrier to the Sahara. To take but one example, how else can the riddle of Fezzan be explained? It is possible, too, that the Severi Emperors of Rome were Africans of Libyan or Berber extraction and almost certain that they had a strong admixture of Negro blood in their veins.

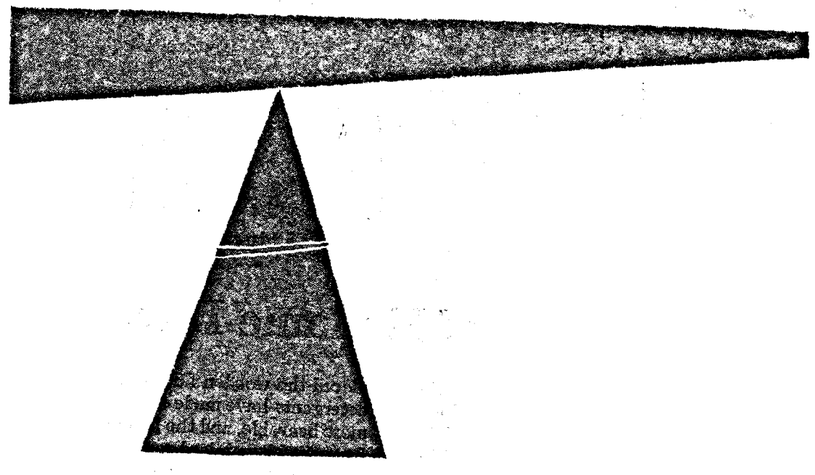
Mr Davidson maintains that slavery has distorted the relations between the white and the black races, and he quotes a wealth of shocking evidence to support his contention. But the principal villains were not the slave traders and owners and their corrupted African partners. The vilification of "the Blacks" could flourish only on European ignorance of Africa: this was the result of the Moslem barrier, which separated Europe from Africa during the centuries when there was no technological disparity between the two. The history of Africa beyond the Sahara requires no impassioned pleading today: it is a fact.

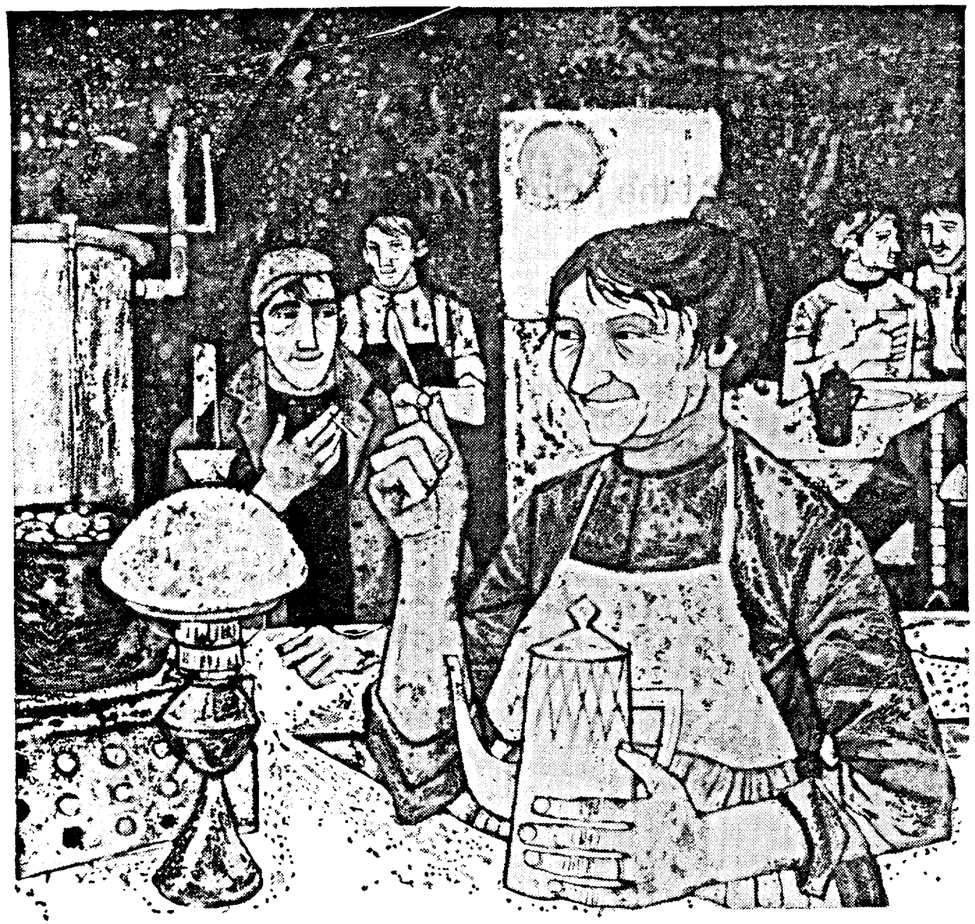
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The easier life of Madame Duval

Always in summer the sun woke her and, when the nights were longer, it was the bell from the local church. Her first chore was to collect firewood for the stove and carry it from the bottom of the hill. Within half an hour her morning customers would wait in the café for her to bring them breakfast.

Her cooking was famous in a land famed for its cooking, and the quarry workers who used her café called her Mother Duval. But by the age of fifty the strain of her life was already too much for her.

Today, although she is ten years older, she runs her café as efficiently as ever, and finds she has time for leisure. The butane gas cooker has done away with the need for firewood; the plastic tiles which replaced the wooden floor are easy to clean. Today's detergents have made dish- and clothes-washing far more bearable, and the labourers tramp in less mud from the bituminised road outside.

Although she may never know it, Shell is responsible for a lot of these improvements. And the Shell facilities, not only for research but for carrying their products to the most out-of-the-way places, is making life easier for Madame Duvals all over the world.

YOU CAN BE SURE OF SHELL

Five Centuries of Malaya

A History of Malaya

By J. Kennedy.

Macmillan. 319 pages. 30s.

PROFESSOR KENNEDY has attempted with success the compression of five and a half centuries of Malayan history into one volume of 300 pages. The result is a clearly defined picture within the imposed limits, though in such an abridgement there must perforce be omissions of important matter and the inclusion of matters of lesser importance with some distortion and faulty emphasis.

The "pre-European" history of the Malay peninsula is shrouded in uncertainty, and contemporary sources like the "Sejarah Melayu," which claims to be history, have about the same relevance to the truth as do the Arthurian legends in this island. Malayan history inclines to long lists of princes with recurring Moslem names and high-sounding titles whose deeds—or misdeeds—stand out against the background of an empty treasury and an oppressed peasantry.

Mr Kennedy succeeds in bringing alive the history of fifteenth century Malacca and its "Empire" in the context of eastern and southern Asia. He emphasises the revolutionary impact of the Portuguese and the Dutch in the sixteenth and seventeenth centuries, and reminds us of the other formative pressure bearing upon the peninsula and its adjacent islands from the Javanese, the Achinese, the Bugis and the Siamese, and of the large shadow of Imperial China waxing and waning in the background. For the significant study here is really one of all south-east Asia—an area with a unity of its own between China and the Moghul Empire.

When the British stepped on to the stage at the end of the eighteenth century, the future course of Malayan history was decided for the next century and a half, and the quantity of historical material increased enormously. Then your short history has to become scientifically selective, and it is here that Professor Kennedy is open to the criticism that in dealing with social and economic developments in the past century and with the recent political and constitutional changes, he has allowed too many details to obtrude at the expense of emphasis upon the fundamental things.

The central fact of modern Malayan history is the immigration into the peninsula of great numbers of economically tough Chinese, posing the problem of how to preserve the economically softer indigenous peoples and to amalgamate the two elements into one Malayan nation. Raffles encouraged Chinese settlement in Singapore, whereas the British administrators in the Malay States a few years later looked upon themselves as trustees for the indigenous Malays against exploitation in an age of rapid economic expansion. One of the many means of protection was the creation of Malay Reservations, where interests of any kind in land could not be owned by non-Malays. Professor Kennedy mentions these reservations twice and implies that they were so extensive as to diminish seriously the amount of land available for development and for the settling of the Chinese in new villages as part of the recent anti-Communist Campaign. In fact these areas were not extensive enough to embarrass development and without them a rather feckless peasantry would have lost their lands to foreign moneylenders and speculators.

When speaking of the growth of population and the development of towns, public health and education, Professor Kennedy tends to substitute statistics for analysis. Thus, when discussing education he fails to point out that before independence the protecting power appeared to be interested in primary education for its Malay citizens only. The Chinese were always willing to pay for educating their children and they were allowed to do so—a false economy. So long as overt sedition was not taught in Chinese schools they were not interfered with, and the opportunity of educating the Chinese half of the population to become true Malayan citizens was never seized. This was most significant, because once the people of the Peninsula began to turn to politics the policy of trusteeship for the Malays—right though it may have been—was not enough.

But, despite a few misprints and some errors of detail—for instance, Perlis is ruled by a rajah, not a sultan—this book is valuable, for there is a scarcity of short and readable histories of Malaya.

OTHER BOOKS

THE LIFE OF SAMUEL JOHNSON, LL.D. By Sir John Hawkins. Edited and abridged by Bertram H. Davis. *Cape.* 371 pages. 42s.

This is a good abridgment of the much abused biography by the discursive Hawkins, on whom Mr Davis is an authority. (His "Johnson before Boswell," an assessment of Hawkins as a Johnsonian biographer, was reviewed in *The Economist* of September 24, 1960.) The editor has excised or abridged those parts of Hawkins's 300 pages of digressions which serve no real purpose as background, to the book's great benefit. It is now a handy, readable document, essential for all Johnsonians—if over-priced for the poor scholar.

ORDEAL BY HUNGER.—*The Story of the Donner Party.* By G. R. Stewart. *Eyre & Spottiswoode.* 414 pages 25s.

In our review of the new edition of this book, which appeared in our issue of March 31st, we did less than justice to the author, Mr George Stewart. It is he who has added to his original edition the contemporary accounts, appendices and notes. Professor Cunliffe has written the historical foreword to the English edition.

INDUSTRIAL MATERIALS IN CANADIAN-AMERICAN RELATIONS By Bernard Goodman. *Wayne State University Press, Detroit* (1961). 244 pages. $7.00.

This is a useful compendium of information about the changing requirements of the United States for industrial materials and of the role which Canada is playing—and is likely to play in future—in meeting these requirements. Modestly described as "grist for the theoreticians' mill," it is of considerable interest in itself as an admirably clear and comprehensive appraisal of significant trends in the demand and supply for each of the main forest and mineral products that enter American-Canadian trade. The author deplores the lack of adequate data on changes in costs and prices, but comparative cost considerations are inherent in his analysis. He also takes into account the impact of American protectionism, expressed in quotas and administrative controls as well as in tariffs, and gives due emphasis to the importance of policy decisions by international concerns and cartels. Economic, security and political factors favour Canada as a source of materials for America. The trading partnership is so close that it suggests the emergence of a "continental" economy, within which the needs of an industrial giant are met increasingly from the natural resources of its northern neighbour; a relationship that raises many questions about the proper national and international management of these resources and the role of "resource booms" in Canada's general economic development.

LABOR PROBLEMS AND PROCESSES. By L. Reed Tripp. *Harper,* New York. London: *Hamish Hamilton.* 528 pages. 48s.

An introduction (meant for American college students but also of use to the British reader) to the American labour scene, it ranges over the history and present organisation of trade unions, wage policy, collective bargaining, labour legislation and unemployment.

GRANTS, LOANS AND LOCAL CURRENCIES. By Robert E. Asher. *Brookings Institution,* Washington. London: *Faber.* 154 pages, 11s.

This skilled and timely monograph analyses the advantages and disadvantages of using grants or loans to speed international development and casts real light on the problem of the hoards of local currencies that have been built up in underdeveloped countries as a result of American gifts. Mr Asher does not believe that it is realistic to substitute loans for grants in all cases and argues strongly that the proliferating institutions that now provide aid to the underdeveloped countries must co-ordinate their efforts, in the interests of both lenders and borrowers.

NUCLEAR POWER TODAY AND TOMORROW. By Kenneth Jay. *Methuen.* 270 pages. 25s.

Kenneth Jay is probably the best living writer on atomic energy; his outstanding characteristics are the limpid simplicity with which he describes abstruse technicalities and the subsequent candour with which he explains what prevents some of the cleverest ideas from working as they ought. Although (and perhaps in spite of) he is one of the Atomic Energy Authority's official authors, it is not the dutiful pæan of praise that might have been expected. According to a foreword written by Sir Roger Makins, chairman of the AEA, Mr Jay has "been given latitude to express his own opinions," and the outcome is the best and most impartial survey at present available of the present state of the nuclear art.

THE WORLD ROLE OF UNIVERSITIES. By Edward W. Weidner. *McGraw-Hill.* 378 pages. $6.95.

The author, of Michigan State University, describes and assesses the exchange programmes of American universities, covering students and teaching staff. He also discusses the technical assistance programmes in the same context and provides an extensive bibliography.

LETTERS

Milk . . .

SIR—Your comments about the retail price of milk in Britain and in selected continental countries (April 14th) are neither fair nor accurate.

To talk about "the board's present monopoly price" is incorrect both in form and in substance. You can hardly be unaware of the fact that the retail price of milk is controlled by the Government and that this has been the case for the last twenty years.

There is no need for "heavy" but only for adequate adjustments before comparing retail prices of milk in difference countries, but the figures quoted by you fall short of this essential requirement.

For Austria, you quote a figure of 36.1d. per gallon, which is the shop price of milk of 3.2 per cent fat content sold loose. The current shop price of bottled milk of 3.6 per cent fat in ½ litre (about 1 pint) bottles is 43.6d. per gallon. There is no home delivery. In addition, there is a subsidy of 7.2d. per gallon on all milk sold ex farm "in order not to endanger the existing structure of wages and prices and thereby the stability of the whole economy." In terms of the United Kingdom, this would be equivalent to a subsidy of £72 million. For France (apparently you mean Paris) you quote a figure of 48.3d. per gallon which refers to milk of 3 per cent fat content, sold loose ex shops; the corresponding shop price for 3.7 per cent milk in ½ litre bottles is 63.3d. per gallon, or almost exactly the same as the United Kingdom price for milk delivered to the doorstep. For Italy (apparently you mean Rome), the "almost exactly comparable price" is not 56.3d. per gallon; there is no reason to equate milk of 3.5 per cent fat in 1 litre bottles from shops with milk of 3.7 per cent fat content in ½ litre bottles delivered; the comparable Italian shop price is 58.4d. per gallon, but in Rome provision is made for delivery to the doorstep for an extra charge which brings the cost up to 70.9d. per gallon, compared with 64d. in the United Kingdom.

In virtually all countries except the United Kingdom, the price of milk in bottles varies with the size of the container which constitutes an important service element, as evidenced by local complaints in this country whenever milk is not available in half pint containers which are usually entirely unobtainable abroad. In addition, bottle deposits are invariably charged abroad but not in this country.

Far from proving that liquid milk in this country is more expensive than abroad (which would not be unreasonable, considering how much cheaper butter and cheese are in the United Kingdom than almost anywhere on the Continent), your comparisons prove only the need for a comprehensive and objective study of the available evidence such as the Milk Marketing Board, in co-operation with the marketing organisations of most western European countries, is at the moment preparing.—Yours faithfully,

E. STRAUSS
Senior Marketing Officer,
Milk Marketing Board

Thames Ditton, Surrey

. . . and Potatoes

SIR—Some of the statements which you make, and the conclusions which you appear to draw, in your note on the potato shortage (April 14th) are liable to give a distorted picture of the Potato Marketing Board's responsibilities and I hope you will allow me to put the record straight.

The board bases its allocation of quota acreage on its assessment of likely plantings and yields and not primarily on an estimate of consumption which changes very little from year to year. It would be very easy to allow every producer to plant as many acres as he wished but unfortunately the farmer is not "guaranteed a price of about £13 a ton (at 9 tons an acre)" as you indicate. The Government guarantee is limited to the quantity of maincrop potatoes sold for human consumption, which is of the order of 3½ million tons a year. If farmers produce more than this, after allowing for seed and waste, the board has to take up the surplus and dispose of it as best it can and it is scarcely in anybody's interest that the surplus should be increased by the production from acres planted in excess of the quota; for the chief effect of such excess is to increase still further the costs which the board incurs (and therefore potato producers in general). The excess acreage contribution is intended to help in meeting this additional cost. There is no question of the Board "making money out of such contributions," as you suggest.

Most of the additional contribution for which the board is seeking authority is to enable it, in agreement with the government, to set up a market support fund which the board can draw to cover the cost of surplus buying. To the extent that the new system will allow the board to pay a higher price than it can at present for potatoes which do not otherwise find a market it will help to counteract the depressing effect on prices which a surplus can produce. This should be an encouragement to farmers and the extra contribution which is necessary to operate the system is unlikely to be a deterrent. In any case it can have had no effect, as you imply, on the acreage planted in the spring of last year since no announcement of the proposed amendments was made until well after the crop had been planted. The reduced acreage, from which the present shortage partly results, was due to the exceptionally bad weather at planting time and the depressed prices received in two successive years of heavy surplus.—Yours faithfully,

A. J. D. C. LOCH
General Manager,
Potato Marketing Board

London, SW1

[We have had our whack at both these marketing boards in recent weeks, and willingly give them space for their reply. But this does not mean that our view of the "comprehensivity and objectivity" of the figures in the first letter (though there are some valid points in this one), still less of the remarkable mode of economic reasoning in the second letter (which requires some re-reading), coincides with those of Mr Strauss or Mr Loch.]

Algerian Quicksand

SIR—I wish Mr Gillie, in his letter published by you on April 14th, were right about the crucifixion-amputation atrocity. But in *A Scattering of Dust* Mr Greer reports instances of it in both Oranie and the Constantinois, and on page 83 he tells how he discovered the bodies of two Moslem youths he had known who had been treated in this way. The purpose of this atrocity was, I am told, to add religious to physical dread in the minds of wavering Moslems, since the Koran prescribed this treatment for "enemies of Allah and those who corrupt the earth" (Sura v, 33).

I cannot agree with Mr Gillie that most Frenchmen were unaware of what was happening. Letters (often amazingly indiscreet) from the troops, and conversation with returned conscripts and vacationing *pieds noirs* (one met them, eager to impart their "inside information," in every spa and resort), played an important part in informing the public. Even conformist papers reported that General Massu had tested certain methods of torture on himself. Had "most Frenchmen" been unaware of—or unconvinced by—reports of torture, M. Malraux would not have deemed it necessary to declare at his fatuous press conference in June, 1958, that torture had ceased to be employed in Algeria since General de Gaulle's visit a few weeks earlier.

In my experience, in 1957-58, typical reactions to torture reports were (*i*) "That is the only language Arabs understand"; and (*ii*) "After all, other nations commit atrocities, don't they? Remember what the British did in Kenya, the Americans in Korea, the Russians in Hungary. . . ." Admittedly, I was in contact chiefly with conservatives and right-wingers, but they, rather than liberals, were the typical Frenchmen of those years.—Yours faithfully,

YOUR REVIEWER

Thwarted Exports

SIR—*Twice* I have tried to order a suit of clothes from a London tailor, but have received no reply to my letter from a large English firm from whom I purchased in 1955 on a tour of England. Perhaps there is some export policy I do not know.—Yours faithfully,

FREDERIC B. BAXTER

West Bend, Wisconsin, USA

THE WORLD OVERSEAS

Caliph of Baghdad

FROM OUR SPECIAL CORRESPONDENT

As the Arabian night falls over the clay-coloured sprawl that is modern Baghdad, what might be the court of the Caliph Harun al-Rashid explodes into a glittering carnival of coloured light. This is the ministry of defence where the prime minister, General Qasim, lives, works and occasionally sleeps; and the place of honour, as always, is held by the smiling face of the Faithful Leader, outsize and illuminated. During the day the voice, too, is familiar as excerpts from past speeches are broadcast in bursts like a machine-gun firing blanks. Few decisions—even on such matters as how wide a road should be—are made without his consent. But as a form of public relations this campaign has gone crazily off the rails. Since General Qasim, as Sole Leader, has pledged himself solely responsible, the failures, inefficiencies and misdemeanours of government bounce like rocks on his head; the shrewdness and ability that are his have become twisted into a circle of self-exalting and self-preserving manœuvres.

It is difficult to distinguish true achievements in the turgid currents of swank, disillusion and political back-biting. The revolution of July, 1958, has long ago shed its zeal, but has perhaps kept its goal of greater social justice more steadily in sight than its Egyptian counterpart did. It is salutary to remember amid all the present dismay with General Qasim that the Egyptian revolution, four years after its birth, might, if it had not been for external pressures, have seemed just as meandering. The impediments that slow down Iraqi progress are the general's own unpredictability, the absence of a driving creative force and, perhaps above all, a general feeling of impermanence. At this stage of the revolution many Iraqis who want to end up on the winning side behave as if it were safer to criticise than to create.

General Qasim's success in dividing his opponents, one against the other, has deeply eroded the efficiency of the government machine that should implement the revolutionary programme. Civil servants are kicked up or down stairs on political grounds, and ministries, many of them pockets of one or other underground faction, glare unco-operatively at each other. The five-year economic plan, 1961-65, is a hotch-potch of pre-revolutionary projects with new ideas thrown in, some of them apparently at random, by the various ministries. The ministry of economic planning has an exaggerated title; there is little planning, co-ordination or fervour. Without any legislative body or any central authority but the prime minister himself, complaints and suggestions trail away in the air; public servants are working at too far a remove from any source of power. There is little encouragement, in the way of salaries or spirit, for good men to enter the public service.

Yet, through a bog of dissatisfaction, economic development is struggling ahead at roughly the rate of its pre-revolutionary peak in 1957, with the emphasis now bent towards construction and industry. Construction is not basically of the Mussolini post-office type, but has not altogether escaped the disease; the prime nonsense, and pride of the regime's heart, is the new "army canal" a mile or two from Baghdad. This, which cost, with the roads on either side, £10 million, is designed eventually to irrigate the gardens of the people who may one day be drawn to settle on its banks. The idea of expanding Baghdad eastward as well as north and south is sound enough; but building the canal now reflects a queer order of priorities. Two huge monuments honour the revolution, the more handsome paying specific homage to the "unknown soldier"—which provoked some curiosity since, as far as is known, no soldier lost his life in the revolution. The slums of Baghdad are being demolished for wider and better streets and for small, attractive parks; the slums that still remain are gradually having water and electricity brought to them. There are several low-cost housing projects, but perhaps more is being done to encourage middle-class house ownership—and to build houses for army families. Demolition in the slummier quarters is way ahead of reconstruction; General Qasim hands out gifts to the poor with the pomp and publicity of Lady Bountiful with her soup.

The revolution can chalk up two major achievements: the number of children getting education has shot up (with some schools running four shifts a day) and land reform has at least been started. So far about 2½ million dunams (something over half a million acres) of land have been distributed out of the 14 million dunams of government and expropriated land that is presently available. Nothing about land reform goes smoothly. The regime has inherited the immense technical problems of the previous government; since drainage has not kept pace with irrigation, both new and old lands have run hopelessly to waste through the excessive salination caused by flooding. In addition, Iraq's state system of irrigation brought water only to the estates, not to the individual farms. This has made the fair distribution of water to the new smallholdings almost impossible and, with the ministries quarrelling, the attempts to implant co-operatives have had little success.

Except for the major irrigation projects, development spending outside Baghdad comes down with a bump. About half the development and ordinary budgets are being spent in Baghdad—which holds a seventh of the Iraqi population. Communications with Basra are being improved, but Mosul, that unhappy town in the north, is left to its own destructive devices. The aftermath of the bloody fighting at Mosul in 1959 is a long sequence of private revenge and reprisal. Nowhere is the bitterness between General Qasim's divided opponents, communist and nationalist, stronger than there.

THIS cleavage is the key to General Qasim's survival. With discontent as general as it is, and with the army baffled, and perhaps made mutinous, by its failure to end or even contain the Kurdish revolt, the organisation of a counter-revolution is not thought too serious a problem. What comes next is the rub. No one faction feels sure enough of its ability to stay in control. The March coup in Syria is pointed to as an example of what happens when a group acts first and thinks afterwards; in Iraq it would be lives that were lost in the process and not, as in Syria, face and dignity.

All major political parties are banned in Iraq; the underground activity is constant, intense and involved. There are three main factions, probably roughly equal in strength: communists, nationalists and a middle group, less concerned than the others with secret plotting, of independents, some Istiqlal members and the remnants of the National Democratic party. The communists, as in other countries, are the best organised and the most homo-

geneous; the nationalists the largest numerically, the most active and much less unified than the communists. Because they stand strongest against communism, the nationalists are called right-wing; because they have a record of violence, at Mosul and for their attempt on General Qasim's life, they are also called "national socialist" in the European sense. But the strongest current among the nationalists is the Ba'ath party, with its wavering, and sometimes converging, principles of socialism and Arab unity; the other, less cohesive, factions tend to stress unity rather than socialism. Leaning far back from reality, groups of nationalists toss around polemics about the terms on which they would, or would not, consider some form of unity with the United Arab Republic. On questions much more immediate, such as the conditions under which they might negotiate with the Kurdish revolutionaries, they tend to be silent and undecided.

On General Qasim's tactical see-saw, the communists are now perceptibly rising as the nationalists slip down. Several Ba'athist leaders have recently been imprisoned for greeting the Algerian leaders with a display of party slogans. General Qasim, forced to walk under the Ba'athist banners, was badly put out; but prison sentences, as indeed most Iraqi security measures, are taken fairly lightly, and few prisoners stay long inside. The Ba'athists have been encouraged by events in Syria and by the new slogan of Nasserism without Nasser. They, more than other parties, have adherents in key points in the armed services and they, again more than others, tend to let action overtake thought. However unenthusiastic the communists are about General Qasim's way of running things, his foreign and Arab policy pleases them well enough. It seems unlikely that they themselves would precipitate a change; as they watch the Ba'athists, their thoughts may be rather on the regime after next. But this may be some way off. General Qasim's leadership of Iraq is autocratic, erratic and far from popular, but he is, at least, the Caliph that's known.

Mr Butler's Rhodesia

FROM A CORRESPONDENT IN SALISBURY

On the eve of what will certainly be the last general election to be fought within the present constitutional framework, under a franchise so loaded against the blacks that only a minority of whites will defend it, the Federation of Rhodesia and Nyasaland is stricken with a strange political apathy. After the strident invective of recent months the electorate is emotionally fatigued and even Sir Roy Welensky's own supporters are no longer prepared to follow him uncritically in his bitter denunciations of the British Government. The result of the election will settle nothing and satisfy no one—except possibly the man who called it. With 41 United Federal party candidates already returned unopposed, Sir Roy is virtually assured of at least fifty seats in the new assembly.

He himself has campaigned with greater vigour than any of his cabinet colleagues; his personal popularity among Europeans is unimpaired, and he still draws large audiences to hear him identify all African nationalism with the ambitions of extremist leaders. He even bearded the lion in his den when he addressed a meeting in Nyasaland recently, but Dr Banda never stirred; he slumbered on, dreaming, perhaps, of juicier fare to come. On the whole, the UFP campaign and Sir Roy's own appearances have had a defensive air which has been particularly apparent in his hostile response to well-directed questions. In private the prime minister is a genial and friendly man: on the platform at Blantyre his evasions and truculence made a different impression.

The conflicting reasons given for holding the election at all have only served to increase the general apathy. Most people felt that Sir Roy already had a mandate to negotiate with Britain about the future of the federation, and parliament still had nearly two years to run. Matters were not improved when he told a startled audience in Southern Rhodesia that if he had known earlier of the creation of the Central Africa office in Mr Butler's charge he would not have gone to the country. The next day Mr Julian Greenfield, the minister of law, who cannot have read his newspaper that morning, announced in Salisbury that in any case an election would have been held in July.

Neither statement was convincing. In the face of an effective boycott by all the opposition parties and, of course, the African nationalists, the election's only interest lay in Northern Rhodesia, where the newly formed Rhodesia Republican party under a Lusaka lawyer, Mr Colin Cunningham, has contested nine seats. This disparate group of right-wing extremists has found no support except on the lunatic fringe. The fact that the candidate whom they put up to oppose Sir Roy at his constituency at Broken Hill interrupted his campaign to take three weeks' leave gives the measure of their political weight. The UFP is in no danger except from the confusion within its own ranks, which is considerable. If the party had a coherent policy for saving the federation it did not emerge during the present campaign.

Mr Butler's impending arrival in the federation will therefore have a greater significance than any previous visit by a British minister. He will stay a fortnight and travel to all three territories. It will be essentially a federal visit and presumably he will have in mind the consequences that would follow far-reaching changes in the federal structure. It is now widely accepted among the Europeans that these must come; recent months have brought a growing realisation that any future association must be inspired from below—from the territories themselves—and not imposed from above. The advantages of preserving the economic ties are practical and manifest, but in the current heady atmosphere of African nationalism they will require a most skilful advocacy. For the first time the problem is being openly discussed in the press, with a welcome absence of passion. Under the terms of the federal constitution the constitutional review conference must be held not later than October of this year, but the two Rhodesias are unlikely to have their territorial elections before then, so there will probably be a further period of waiting.

In the past month the two Rhodesias have come under close and hostile scrutiny at the United Nations. Mr Joshua Nkomo, the president of the Zimbabwe African People's Union, returned to Salisbury greatly heartened by the support and publicity he received in New York. The party is in an ebullient mood and little disposed to toy with Sir Edgar Whitehead's policy of partnership or to participate in the October elections. This may turn out to be a tactical mistake, at least in the short run. Although 17,000 Africans assembled to greet Mr Nkomo at Harare township the day after he returned, Zapu still cannot claim a mass following in Southern Rhodesia and their propaganda success at the United Nations may be short-lived; it will certainly not deter Sir Edgar Whitehead from pursuing his chosen part of partnership in defiance of all vocal African opinion. But partnership presupposes a desire for partnership.

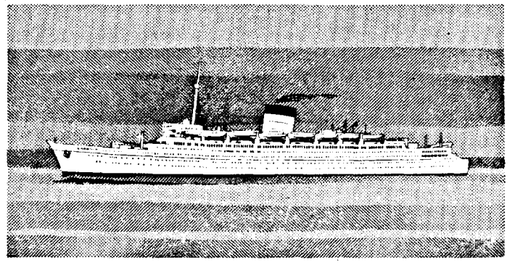


Mr Kaunda: time for tears?

In Northern Rhodesia the situation is simpler but hardly brighter. Mr Kenneth Kaunda has also made his impact at the UN, but

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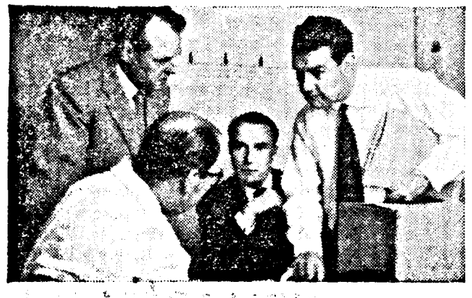
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A Quatermassian cloud

Mr. P. sells liquid detergents in bulk. And containers for transport were his problem. Traditional containers were safe—but not exactly cheap. Other, more economical forms? At the very thought, less courageous spirits might have had nightmares of gallons of liquid detergent breaking loose on a rainy day amid a Quatermassian cloud of foam.
But not Mr. P. He went to the Thames Board experts. Together they developed a way of packing the detergents in polythene cubes inside "Fiberite" cases. The cases (perforated for easy pouring) are made of "Aquapruf" board developed during the war for dumping supplies on invasion beaches. These "Fiberite" cases are so liquid-proof that they have even survived being tethered in the River Thames for several weeks.

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back home he will find that endemic tribal rivalries are now further bedevilled by the mounting hostility between the two African groups—his own United National Independence party and Mr Nkumbula's African National Congress. No doubt blame should be apportioned on both sides, but it is high time that Mr Kaunda shed a few tears for the murderous activities of the unrestrained young thugs who make up too large a proportion of Unip membership. Mr Butler, after he has been and seen and listened, will need all his wisdom to find a solution. It is a sad thought that for the Federation of Rhodesia and Nyasaland even the judgment of Solomon would not satisfy the litigants.

Germany's Lunatic Right

FROM OUR BONN CORRESPONDENT

JUDGMENTS like that of Mr A. J. P. Taylor's, that "nothing is normal in German history except violent oscillations," come hauntingly to mind as one opens the report of the federal minister of the interior on extreme right-wing and anti-semitic tendencies in west Germany in 1961. Should Mr Taylor be right, in which direction, and with what force, is the pendulum swinging now? The minister of the interior admits the need—born of "terrible experience"—"not to let right-wing radicalism in the federal republic out of sight a single day. For even though the unteachable old National Socialists are gradually dying out there are always some young visionaries or fanatics ready to take their place." Yet he is clearly satisfied that, at least in 1961, the wild men of the Right were few and far between, at loggerheads among themselves, short of money and largely unheeded by the electorate during a year remarkable for such disputatious events as the Eichmann trial, the erection of the Berlin wall and a general election.

The minister's report is based mainly upon evidence provided by the Office for the Defence of the Constitution, whose headquarters are at Cologne and whose agents in the year under review, as in previous years, found most to watch in Berlin, Lower Saxony and North Rhine-Westphalia. It estimates that over the last two years the right-wing organisations and publishers—some 90 in all—have lost roughly a third of their supporters.

On December 31, 1961, membership of the extreme right-wing parties had fallen to 12,300 from the 17,200 counted in 1959, and that of similarly minded youth organisations from 2,300 to 2,100. (Some 4.5 million young west Germans, the report points out, in comparison, were enrolled in democratic associations.) Convictions of "nationalists" for actively disturbing the peace fell from more than 200 in 1960 to 79 in 1961. Of the perpetrators, 44.8 per cent were over 35 years old, 42.5 per cent between 35 and 21, and 12.7 per cent between 20 and 16. That there were a considerable number of "ultras" (as the east German communists like to dub them), who had not yet shown their colours, is suggested by the estimate that the 46 newspapers and periodicals run by the extreme Right increased their combined circulation from 130,000 in 1959 to 160,000 in 1961. But the minister dismisses them as negligible in relation to the publications of the democratic press, which, omitting the popular illustrated weeklies, together have a distribution of some 29 million.

So much for the official figures. They bear out probably most resident foreigners' individual assessment—partly reasoned, partly sensed—of the continuing influence of ideas that erupted into the excesses of the Nazi era. But they will certainly not be accepted by the east German regime. From his watchtower in Berlin the pace-setter of east German propaganda, Herr Albert Norden, takes a special pride and pleasure in exposing the "Fascists" running the Federal Republic—his latest particular interest being in the re-emergence of journalists whose conformist writings of the nineteen-thirties can be reproduced in blush-making facsimile for all to read again. Herr Norden and his own conformist writers of the nineteen-sixties would not give the benefit of the doubt to any dubiously converted former Nazi now taking part in the public life of west Germany. They see there a steadily developing neo-Nazi or Fascist conspiracy to begin again in due course where Hitler was compelled to leave off. The picture they draw of west Germany is too distorted to be convincing. Yet the danger of a return to "German normality" in Mr Taylor's melancholy sense of the term—the possibility of another violent national oscillation—is not ruled out in the report of the Bonn minister of the interior. "An increase of internal political tension and a deterioration in economic conditions," it is remarked, "could lead to political radicalisation. We have learnt from terrible experience that on such a seedbed forces grow that could devour the legal state."

MISCELLANEOUS as they are, the right-wing radical groups that proselytise, overtly but raggedly, in west Germany today have much in common. Resentful misfits and congenital malcontents make up their membership. These imagine some vague kind of personal fulfilment in a "restored German Reich," where they would belong to an "élite" and be absolved from the worry of having to think and fend for themselves in a complex world. For many, "loyalty to the Reich" is a substitute for supernatural religion. It would be a neutral Reich, in which neither capitalism nor communism would prevail but "our own brand of German socialism." Much is left deliberately obscure, including the position of minorities and the whereabouts of the Reich frontiers. It is, in the lump, the perilous stuff out of which mass hysteria, dictatorship, persecution and war could be raised.

Although Herr Erhard has lately been sounding the alarm, there are no convincing reasons for supposing that the health of the west German economy is going to deteriorate dangerously in the foreseeable future. Existing resources, plans for making the most of them on the market and elsewhere, and shrewd manipulation of west Germany's "social market economy," seem safely to preclude a catastrophe with dire political consequences. But other constituents of the seedbed of discontent feared by the minister of the interior are at hand. On too many occasions, for example, the Bonn government has put itself into the position of seeming to tolerate corruption in the civil services. And the continuing division of Germany, which has been accompanied by spectacular somersaults in allied policy, tends to swell the number of those who resent the government's deep commitment to the west. A good deal of cynicism has been engendered by German rearmament, and not a little bewilderment by the readiness of some

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western politicians and publicists to lecture the Federal Republic for undemocratic practices, while seeming to turn a strangely blind eye on the shortcomings of the authoritarian east German Democratic Republic.

Since danger threatens the west German state—as it does all more or less democratic states—both from the extreme Right and the extreme Left, torpor and complacency in the middle are the real enemy. A child's prayer for the night published recently in *Simplicissimus* nicely caricatures current cosy preoccupations in the midst of political perils:

Dear Lord,
Please, please turn me
Into a television set.
For I want my parents
To rejoice likewise in me.

An Alternative to Dief?

FROM OUR OTTAWA CORRESPONDENT

AFTER months of turning up the heat under Canada's political pressure cooker until the pressure was almost explosive, on April 17th Mr John Diefenbaker put the cooker under the cold tap and removed the lid. He announced that the general election would be held as expected on June 18th. Parliament will adjourn as soon as it has finished some essential business, and it will be dissolved *in absentia* whenever Mr Diefenbaker can make another trek to the Governor-General, Mr George Vanier in Quebec city.

The announcement followed a long succession of what T. E. Eliot once described in a higher connection as "only hints and guesses, hints followed by guesses." Mr Diefenbaker had drawn out the suspense to the bitter end, teasing his own party members as much as the opposition. When at last he accepted the final curtain he recalled another Eliot quotation: "This is the way the world ends, not with a bang but a whimper." He claimed that his intention to call an election in September had been overborne by parliamentary obstruction from the opposition. It was like a strip-tease girl saying she would never have removed more than her stockings if only the audience had not whistled so much.

The opposition has been whistling wildly for weeks past and the orderly conduct of parliamentary business has been impossible. But if any striptease artist ever invited wolf-calls, Mr Diefenbaker incited the opposition to be obstructive and encouraged his own followers to join in the same disorderly game. In the past the Canadian parliament reached its nadir in the mismanaged pipeline debate of 1956 when a bungled attempt at closure, attempted by Mr St Laurent, Mr C. D. Howe and the Liberals' leader in the Commons, Mr Walter Harris, provoked the opposition to every form of obstruction known to the order book. Mr Diefenbaker never tires of throwing this unhappy incident in the teeth of Mr Pearson and the new generation of Liberals. Indeed, his many recent electioneering speeches suggest that he is prepared to campaign for a third time, as he did in 1957 and 1958, on the arrogant disregard for the rights of parliament by a past generation of Liberals. How this is to be reconciled with the charge of Liberal obstruction in the late parliament is a problem that may worry the logical and the sophisticated, but Mr Diefenbaker obviously has no fear that it will worry the electorate at large.

To judge from current comments heard from the public, and reflected in many editorial columns, parliament has sunk even lower in popular esteem than it did in 1956. The great difference is that, while it was a Liberal government that was generally held responsible for the 1956 débâcle, Mr Diefenbaker obviously thinks he can pin the present blame on the opposition. No close observer of the Ottawa scene, not even intelligent conservative back-benchers, accept this judgment. But many of them, especially among the Conservative members, think that Mr Diefenbaker has manoeuvred his opponents into a position where he can put the blame on them. The public opinion polls over the last six months have shown Mr Pearson and the Liberals to be ahead of Mr Diefenbaker and the conservatives by four or five per cent. The most recent trend gives no increase to the Conservatives, nor to the New Democratic Party (NDP) led by Mr T. C. Douglas, the bright and entertaining former premier of Saskatchewan. But it does show a slide from the Liberal column into the "undecided" column.

The polls reflect the public bewilderment which will make this the most unpredictable election in Canada since the war, and which fills Mr Diefenbaker with assurance. Through all his ups and downs in the last year, through all the Coyne row last summer and the Fleming fiasco at Christmas, through every shift of the Gallup polls, Mr Diefenbaker has remained supremely confident—some of his enemies have said "psychotically confident"—that as soon as he got back to the hustings he could recapture the vote. In the art of wooing the voters, as all the Liberals recognise, Mr Pearson is no match for the ageing Gypsy Rose Lee. He shows no sign of trying to meet Mr Diefenbaker on this ground, and if he does try he will throw away the election. In the House of Commons Mr Pearson has learnt a vigorous debating technique, coupled with a shrewd ability to keep silent, which has flummoxed Mr Diefenbaker's virtuosity through the last two sessions and has consistently outwitted more ham-handed ministers like Mr Fleming. In contrast to the innocent victim which Mr Pearson was when he first succeeded Mr St Laurent just before the 1958 election, his recent parliamentary performance has been a revelation of how much an intelligent man can still learn in his sixties. Every parliamentary observer marvels at the change. But it has not got across to the electorate at large.

FOR the last two years at least, the evangelical fervour which Mr Diefenbaker evoked in the 1958 electors has been at a discount, as the Gallup polls show. Disillusionment was the general public reaction and disillusionment, far more than any growth of the Liberals' public appeal, has tipped the polls to the Liberal side. Mr Pearson has obviously been aware of this in the two basic policies he has followed. One was to recreate a liberal image of the Liberal party. The other was to present a responsible opposition. He had to try to give disillusioned voters an acceptable and sensible alternative to Mr Diefenbaker.

No other course would really have been possible, given the contrasting characters of Mr Diefenbaker and Mr Pearson and the "delayed resentment" (as Mr Douglas calls it) against the former Liberal regime to which Mr Pearson is the reluctant heir. But the result is to leave Mr Pearson and the Liberals as relatively colourless challengers to Mr Diefenbaker's spell-binding oratory. Mr Douglas, the NDP leader, who is a very colourful character in his own right, is beginning to look like the Duke of Plaza Toro: "celebrated, cultivated and underrated." It is not that he leads his troops from behind but that his troops are showing a tendency to disappear into the wild blue yonder somewhere in his rear.

More and more therefore the election campaign shapes up as a test of the enduring quality of Mr Diefenbaker's highly individual appeal. Without question or argument it has palled in the last four years upon those who have been over-exposed, including the loyal legions who have sat behind him. But the loyal legions and many other less partisan observers believe that millions of voters who have not been similarly immunised may still be susceptible to the appeal which was so successful both five and four years ago. If it does work in the same way, it is difficult to see any possible opposition tactics to beat it. The question is whether it will work again or whether disillusionment is now too deep.



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Verdi's Purgatorial Term

FROM A CORRESPONDENT IN ROME

THERE is something about copyright that resembles purgatory; an artist is kept there after death for his own good, though how long he should stay there to obtain the best effect is constantly debated. Conflicting interests and outlooks press to have him out, or else more securely in; and the method of estimating the proper length of time is apt to be as devious as trying to fix the effective length of an indulgence—unless of course the artist is Portuguese, when his time under protection, by Portuguese law, is simple perpetuity.

For all its intricacies, the question of the duration of copyright has been the subject of public controversy in Italy for some months now. The arguments will all be loudly raised again in May, when the committee of experts of the Berne Union—the international agreement on copyright—meet in Rome to continue studying suggestions put forward by the Italian government's delegates for a longer period than the 50 years of protection laid down as the minimum by the Berne convention. The supporters of prolongation claim to be defending the artist—or his works—from the growing commercial interests, such as recording companies, publishers of cheap editions, and the cinema, that are thought likely to pounce on his work and misuse it as soon as it becomes public property. The exponents, in Italy at least, of stopping at 50 years claim to be trying to protect the artist against exploitation by commercial interests in the name of copyright itself. Both sides assert that their conflicting positions are in line with international opinion.

At the moment the principles of copyright are being publicly debated in Italy because they are immediately relevant to the works of Verdi. The fiftieth anniversary of the composer's death fell in 1951, and since then his operas have been constantly on the verge of emerging from copyright, only to be kept inside by a series of prolongations approved by parliament. The exclusive rights for Italy are held by the Milan publishing house of Ricordi, which also holds most of the Verdi manuscripts. The condition of the scores, as published by Ricordi, has caused growing concern because of the number of changes introduced from edition to edition with no indication whether they can be taken as following the master's wishes, or indeed that changes have been introduced at all.

The last request for prolongation came before the Italian parliament at the end of this year. It was apparent from the discussion there and in the press that Verdi had become a touchstone of the issues involved in copyright.

Probably the strength and informed nature of the attack on further prolongation surprised official opinion; they may even have given Ricordi some anxious moments. But the deterrent effect does not, so far, seem great; the pull towards a longer period of copyright seems still to be strong. It is expected that the Italian representatives at next month's meeting here will propose an extension of copyright to 65 years instead of 50. This will take the form of a protocol to the Berne convention, to be underwritten by those countries favouring extension. (At the moment apart from Italy, they are Brazil, Lebanon, Spain and the Holy See.) According to the report of the Berne Union's permanent committee, after a meeting last autumn in Madrid, 22 countries declared themselves opposed to extension, seven did not reject the possibility, and five were in favour. It is difficult to see how this can be interpreted in any other way than that international opinion is predominantly for stopping at fifty years.

Ideally the Ricordi monopoly over Verdi in Italy, and the question whether copyright in general should be extended, ought to be separate matters. For two reasons they are not. First, prolongation being so obviously in the commercial interests of Ricordi, there is not much doubt felt that so influential a business house, with ramifications running deep into the musical life of Italy, would be using its influence to the hilt for prolongation. (The only other well-known works directly affected by prolongation at the moment are those of Carducci, who died about the same time.) The second is that the state of the published scores has been fully revealed to the Italian public and to international opinion by the researches of the Australian conductor, Mr Denis Vaughan, who has been able to show effectively how far the incrustation of changes has gone. He has demonstrated, for instance, that for every page of the score of "Falstaff" there are 66 changes from the composer's known intentions, with no editorial explanation of how they came about.

The malpractices of a monopoly were a natural theme for the left wing in the parliamentary discussions. In a striking attack from the Socialist side, they were alleged to go a good deal wider than inaccurate scores. But the opposition to further prolongation was not limited to the Left. Senator Russo, for the Christian Democrats, joined in the attack, which led to the government's proposal (a five years' extension) being reduced to one year. Senator Russo demolished the opinions procured officially from certain leading musicians with the frank statement that musicians could not give calm and dispassionate opinions on the matter, "being tied to questions of interest with certain stated firms." The government agreed to make this extension the last on the understanding that in the meantime the copyright situation would be reviewed. A possible complication, introduced by the fact that a part of the Verdi royalties go, according to the composer's wishes, to a home for old musicians, is to be settled by new legislation.

The combination of official encouragement for a longer period of copyright and the cautionary case of the Verdi scores served to illustrate a crucial point—that copyright must also afford protection for the artist's work against the copyright-holders. Unless this is established, discussion of a longer or shorter duration can have little meaning, looking either like pure theory or a protection of interests rather than of works of art. In Italy, however, the government's powers to protect works of art against modification are stronger than the Berne convention requires. A reasonable corollary to an Italian proposal in May to extend the period of copyright would be a proposal for strengthening international practice against modifications, bringing it up to the level of the Italian legislation. This would naturally have to be preceded by the strict application at home of this law. Such a move would reassure public opinion that in the Italian official position it is art that really matters. And Verdi, even if he remains longer in copyright, will no longer be suffering the purgatory presumably experienced by dead artists at every little change or inaccuracy in their printed works.

Malaysian Malaise

FROM OUR CORRESPONDENT IN THE FAR EAST

IT is generally believed that Singapore's prime minister, Mr Lee Kuan-yew, had intended to include Peking and Moscow in his impending world tour, but that the Tunku Abdul Rahman, the Malayan premier, frowned on these far-left wanderings. Certainly, as a tough and able realist, Mr Lee would place far more importance at this moment on the Tunku's approval than on peony bouquets in Peking and caviare and vodka in Moscow. All considerations for Mr Lee are subordinated to Malaysia—which means, in effect, to the Tunku.

He will now content himself, while awaiting the Cobbold commission's laboured findings on the attitude of Sarawak and North Borneo towards Malaysia, with calls on General Ne Win, Mr Nehru, President Nasser, President Tito and Mr Macmillan. Officially, his tour is designed, modestly enough, to "widen his political education," but he will undoubtedly do what he can to muster neutralist support for Malaysia.

The Cobbold commission, which was appointed at the end of last year by the Colonial Office, has made heavy going in the sultry air of North Borneo. Misgivings and opposition mounted as the commission extended its earnest inquiries among a welter of newly-formed political "parties," which argued that independence and self-government for the territories should come before federation, and which clung jealously to native rights. If most responsible interests accept grudgingly that Malaysian federation was ultimately unavoidable, they still argue strongly against unseemly haste. "Hustling us, just for the sake of political expediency in Singapore, is neither decent nor wise," as the new English-language edition of the *Borneo Times* put it. Articulate elements in the Borneo territories are not greatly agitated by the communist menace which the Tunku and Mr Lee anxiously proclaim.

It is now expected that the Cobbold commission will issue its report in another six weeks, no doubt recommending that local adjustments be made in the proposed federation to allay misgivings. The doubters in Borneo want to retain local migration laws, the local taxation system and so on. But the crux of the problem is that, while North Borneo and Sarawak want to wait, Mr Lee can hardly afford to do so and the Tunku refuses.

An interesting recent development has been the growing restraint of the far leftist Barisan Socialis opposition in Singapore since its leader, Mr Lim Chin-siong, boldly took the line—now quietly dropped—that it would be preferable for Singapore to merge with Indonesia rather than with Malaya. Whether this is just a pause or a considered shift in policy remains to be seen. Strikes, anyway, have fallen off sharply after last year's widespread industrial unrest—which was the worst since the violence of 1955. The prime minister cracked down sharply on the strikers, and the Tunku angrily promised to "close the Johore-island causeway" if Singapore voted against merger with Malaysia. But there has also been speculation that the Barisan Socialis might prefer to show their strength after the merger has taken place.

The revival by the Philippines of historical, if not legendary, territorial claims to North Borneo has precipitated a new and unexpected complication. Launched initially as a newspaper stunt, the campaign appealed to the nationalist instincts of the Philippines' new vice-president and foreign secretary, Mr Emmanuel Pelaez. With the support of the Sultan of Sulu, who claims sovereignty over North Borneo, Mr Pelaez won the blessing of the House of Representatives for action to "recover" the territory. The new president, Mr Macapagal, had not taken the issue seriously but he has now become the captive advocate of Sulu nationalism and cannot afford to withhold his nominal support.

Indonesia, which already regards the Malaysia project with a sour and jaundiced eye, will certainly jump in with rival claims to North Borneo if the Philippine case gains support. It is assumed, however, that combined American and British pressure will manage quietly to smother the Filipinos' inconvenient campaign. Mr Lee's proselytising tour will bring him back to Singapore just ahead of the expected time of release of the Cobbold report. Significantly, the Tunku has suggested to the Foreign Correspondents' Association in Singapore that he might be able to deliver a speech to members at a luncheon on May 27th. That will be the anniversary of his surprise announcement at a similar lunch last year of the project for Malaysia.

UN versus IOU

FROM A CORRESPONDENT AT THE UNITED NATIONS

THE United Nations is well placed just now to test the theory about the road to hell being paved with good intentions. While governments make qualified pledges to buy UN bonds sometime, UN bills are falling due now and past debts remain to be paid. Declarations by governments of their intent to purchase bonds continue to flow into the organisation's headquarters. Without counting the United States, the tally had risen to $63.6 million by April 12th, Italy having announced its intention to take up nearly $9 million worth. Japan and Kuwait have yet to be heard from, and Brazil, Venezuela and Iceland are nibbling at the bait.

And yet only $6 million worth of bonds have actually been bought and paid for (by Scandinavian countries), and the proceeds from these have already been spent. Meanwhile, expenses of approximately $21 million monthly are still being incurred, with no immediate prospect that costs in either the Congo or the Middle East can be reduced.

The Sixteenth Assembly did not provide for assessments on member states to cover emergency costs beyond June 30, 1962. Apparently it was expected that enough money from the sale of bonds would come in by that date to defray expenses until the Assembly can consider assessments again next October. No doubt it was also hoped that the International Court would have given its blessing to assessments for emergency costs before the Assembly had to grasp that financial nettle again. In other years, the Assembly has authorised the Secretary-General to obtain short-term loans from governments at going rates of interest. It did not do so this year because such loans would have looked odd beside the twenty-five-year bonds at 2 per cent interest.

The UN's working capital fund was exhausted some time ago. Cash for emergency costs is being borrowed at present from the Special Fund (the "pump-priming" fund for economic development). This is legitimate, as the fund has money lying idle which has been subscribed for future projects; but repayment will have to be made fairly soon.

OFFICIALS are not indulging in day-dreams about being "forgiven" debts to governments supplying troops and services to UN peace-keeping operations. Experience with the UN Emergency Force in Gaza and Sinai has taught them that all nations involved will send bills for extra pay for troops, for materials supplied, and for wear and tear on equipment. Although Britain, Russia and the United States all wrote off the cost of the original airlift of troops and supplies to the Congo when that crisis first arose, they cannot be counted on to wipe out similar debts incurred since then. Up to the beginning of this year the UN owed the United States $31 million for such items as transport and aircraft parts.

This debt to the United States is not making it any easier to gain support in Washington for an American purchase of UN bonds. The House of Representatives being notably less internationalist than the Senate, it is not at all certain that the House will accept the compromise bill already passed overwhelmingly by the Senate.

It was estimated in December that the UN would be $170 million in debt by July 1st. As the secretariat's estimates of emergency costs are usually cautiously high, the figure may prove somewhat lower when that date arrives. However, the fourth quarter of 1962 will be the time when the organisation expects its cash deficit for all operating expenses to reach its peak.

If the United States finally adopts the plan of buying bonds worth $25 million, and matching purchases by other nations up to $75 million more, the UN must sell $75 million elsewhere in order to obtain the full amount from the Americans. Even then the total would fall $25 million short of the goal of $200 million.

There are other parliaments which must vote on their governments' good intentions. Parliaments are not famous for speed in such matters, so that the secretariat is left in doubt not only whether, but when, it may expect (actually) to get some money. Although the Assembly resolution on the bond issue permits him to, the Secretary-General does not wish to offer bonds to "non-profit institutions or associations" until all governents have had ample opportunity to subscribe the full amount required.

'I always read newspapers from the back to the front, to avoid the anti-climax of doing it the other way round.'

'ANCOCK AND THE 'ERALD

Anthony John Hancock (better known as Anthony Aloysius St. John Hancock), twice TV Comedian of the Year, talks, sometimes seriously and sometimes rather less so, about the new Daily Herald.

PHOTOGRAPHS BY ROGER WOOD.



Behind the public image, that 'Ancock front you present, I don't think people really know anything about the Man Himself: Anthony Hancock, Citizen . . .

Thank heaven for that, mate. It's been a well-kept secret for many years.

All the same, could we probe deep enough to know whether or not he reads a great many newspapers?

Oh, yes. All the Sunday papers, and six dailies. Times, Guardian, Herald, Mirror, Express, Mail.

And had you noticed anything about the Herald in the last year or so?

Plenty. It's a very lively and entertaining paper now.

Some people, feeling that newspapers are for selling hard news, think you can go too far in making them entertaining. Do you agree?



Put it like this. People talk to me about small theatre groups putting on good stuff, and not pandering to whoever it is you shouldn't pander to. But what's the point of working at, say, the Penge Globe, and you're saying big things and nobody's listening? You've got to get 'em past the box-office first. It's the same thing with the Herald. You can't go on preaching to the converted, especially if there aren't enough of them these days. If you get people to buy the paper because it's entertaining, they'll go on and read the serious things you've got to say. But it's no good talking to yourself, now, is it?

Fair enough. Now, would you tell us what you find especially entertaining in the Herald at present?

Well, for a start, Dee Wells. I think she's great. That thing she did on 'Coronation Street' the other day had me paralysed for most of the morning. And I like Paul Dehn, the film critic. And David Nathan . . . he does a very good job on the theatre.

What about that controversial character Malcolm Muggeridge? What do you think of his 'Life and Books' column?

I like it. I like that needling technique of his. (This is getting to sound like a commercial, isn't it?) He's honest, too. As Chancellor of the Exchequer he'd probably be a disaster, but as a columnist he's first class.

Do you read 'The World This Morning,' the contents guide on the front page, before you open your Herald?

No, I don't, but then I always read newspapers from the back to the front, to avoid the anti-climax of doing it the other way round. I end up with Michael Foot in 'As I see It' on page 2, then the front page, and then I look at 'The World This Morning' to see what I've been reading.

Talking of 'As I See It,' do you think the Herald is right to have people of all political shades writing in that column?

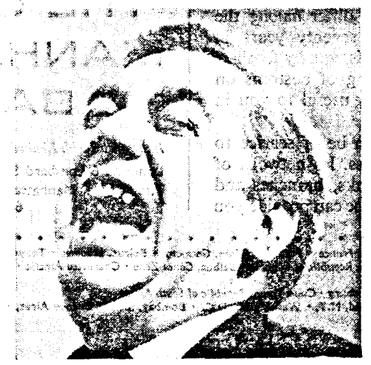
Oh, yes, I think that's the attraction. I like it to be unexpected, like having Boothroyd, this morning, writing on the horrors of smoking. As an intermittent chain-smoker, I enjoyed that. I like Joyce Egginton, too. Yes, I'm all for having a wide selection in that column.

Are you a reader of gossip columns? Do you look to see what Henry Fielding has to say?

Well, he can't really touch the heavy stuff we get in the country, where I live. Still . . .' the Duke of Buccleuch picked up his own bag . . .' It's got something.

And what about the Herald horoscopes? Do they appeal to you as light reading?

Only for my dogs. You get some very interesting results with a dog's horoscope. Listen to this: Aries the Ram . . . 'a progressive day, but be careful to avoid friction with a close friend.'



And Sagittarius . . . 'you are told it can't be done, but you make an extra mental effort and do it.'

So you wouldn't agree with any spoilsports who say a serious Left-wing newspaper shouldn't have such things as horoscopes?

No, no. It's a nice bit of jam. Doesn't do any harm.

Now, if you suddenly found yourself editor of the Herald, is there anything you would want to change?

Well, it doesn't look as good as it is yet. When I look at it first thing in the morning—half asleep, you know—it seems to me a bit grave-looking. A pity, because it isn't at all. It still reminds you a bit of words like *Labour*. Terrible word, that. Breaking stones in a quarry . . . done more harm to socialism, that word has than . . .

Quite, quite. Now, is there anything you think the Herald should do, or do more of, with a view to getting large numbers of young people as readers?

Yes; I think you've still got to give them more of a lead. Young people are much more politically conscious than we were—at any rate than I was—and they expect to be taken very seriously. They care deeply about things, but they don't care for our values, and I don't blame them. It's the same in other things besides politics. For instance, to take just one thing . . . the Herald ought to make much more of a thing of its records column. If it's youth you're after, that would be far more of a big deal down at the youth club than those music criticisms beginning 'Don Pasquale last night . . .'!

What made you decide to raise a flag for the Herald in public?

Well, I wanted to as soon as you asked me; because I like the paper, because I like the people I mentioned earlier—personal reasons like that. But I was nervous because of this business of being a temporary celebrity, and perhaps having my opinions made too much of because of that. After all, you may be completely uninformed about a subject though you're very good on the tight wire. Then I read this piece I was talking about, by Dee Wells, and decided I must do it. But, in more general terms, let me say this: without the Daily Herald, the Press would be completely unbalanced. It would be like having Parliament with only one party; an absolute disaster . . .



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AMERICAN SURVEY

AMERICAN SURVEY is prepared partly in the United States, partly in London. Those items which are written in the United States carry an indication to that effect; all others are the work of the editorial staff in London.

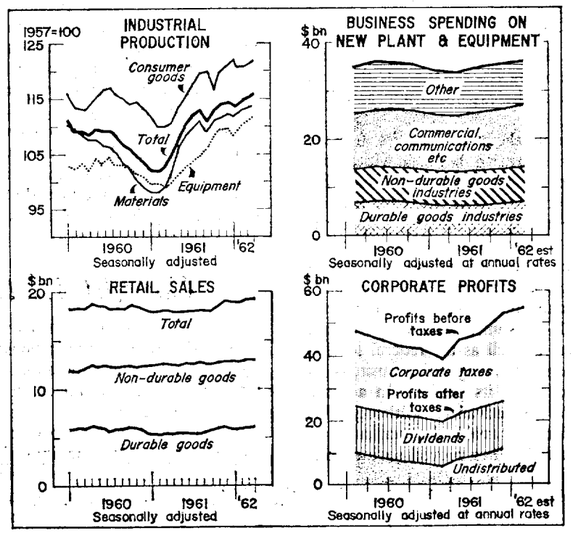
Economic Moodiness

NEW YORK

WITH the spring, activity has quickened in almost every section of the American economy. But businessmen are still suffering from the winter's discontent and everywhere the prevailing sentiment is a mixture of disappointment that things are not a good deal better and anxiety about the prospects for future improvement. The Administration's officials have toned down their earlier forecasts and are expressing concern about the slow rate of economic growth and the persistence of unemployment. Similarly Wall Street, where share prices are well below the peaks reached last December, reflects widespread doubts about the vigour and duration of the new rise in economic activity. The business community is the most disaffected; sales and profits, although rising, are not up to its earlier optimistic projections and hopes for a boom have been dimmed by Mr Kennedy's determination to maintain price stability. Even retail merchants, whose sales registered a big improvement in recent weeks, partly because of the late Easter, are not convinced that demand will be maintained and are reluctant to add to their stocks. Consumers are more cheery, but they seem far from embarking on a spending spree.

The state of the economy is admittedly not all it could be but it does not seem to justify the querulous uneasiness now so much in evidence. In March the economy advanced at a faster than seasonal pace, with the Federal Reserve Board's index of industrial production reaching a new peak and personal income running at an annual rate of over $435 billion, as against $407 billion a year earlier. The number of new houses started, after declining for four straight months, shot up to an annual rate of 1.4 million, indicating that it was the abnormally severe winter weather and not a falling-off in demand which had been the trouble. Automobile sales also picked up, to an annual rate of over 7 million, and sales of both durable and non-durable goods hit new peaks. The advance has been maintained in April; in fact, with a few exceptions—steel production being the most notable—the expansion in economic activity has been accelerated and broadened.

But discontent among businessmen is so deep-seated that it has not been dispelled even by the substantial rise in corporate profits during the first quarter of this year. Nor did the gross national product come up to expectations in the first quarter; at an estimated annual rate of $549 billion it increased less than 2 per cent over the fourth quarter of 1961, which had also been disappointing. Businessmen have been lacking in confidence ever since the "soaring sixties" failed to materialise, although they have gone on hoping for a miracle. But after the economy stalled last September and paused again in January, they became cautious and apprehensive. They are willing to admit that today activity compares extremely favourably with the levels of a year ago, when the country was just emerging from recession; but they point out that the gains since last summer have been painstakingly slow and hardly merit a new wave of enthusiasm.



Business economists think that the lag in new orders for machinery and the modest increase in corporate expenditures on new plant support the view that industry is plagued by an excess of productive facilities. The need to modernise plant in order to increase efficiency and lower costs is conceded, yet corporations are committing themselves to new outlays at a much slower rate than in previous periods of expansion. The Administration still looks for a substantial increase in business spending on plant and equipment, particularly if Congress approves the President's proposal for a tax credit for capital improvements. This was designed specifically to encourage corporate investment and to lay the base for sustained growth. The survey made by the Commerce Department and the Securities and Exchange Commission in the first two months of this year reported that businessmen would spend 8 per cent more on capital investment in 1962 than in 1961 and a survey just released by the McGraw Hill experts shows a rise of 11 per cent; normally corporations spend more in an upturn than they planned to do originally, so that a greater rise is still a possibility. But usually such additions have been made in a bullish atmosphere, under the threat of higher prices; corporations feel under no compulsion to add to their commitments with the prospect of stable prices confirmed by the steel industry's rash attempt to raise them and by the President's bold reaction to this attempt.

Mr Kennedy and his economic advisers, however, want to see the dust settle over the steel dispute and to repair the damage, real and imaginary, to business confidence. In fact, capital investment by corporations has been responsible for a declining proportion of the gross national product since

1957 and the Administration is determined to reverse this trend. It is proffering one olive branch in its proposal for tax credits ; it is offering another in the form of liberalised depreciation rules to allow new equipment to be written off faster by a long list of industries, including steel ; and it is working on a comprehensive tax reform Bill, to be presented to Congress in 1963, which, according to Mr Walter Heller, chairman of the President's Council of Economic Advisers, will probably involve reductions in present rates of taxation. Business has been somewhat lukewarm towards the tax credit but, if it is combined with faster write-offs, it should spur corporate investment and a reduction in tax rates, whether corporate, individual or both, would almost certainly have a stimulating effect.

But the leisurely progress of the economy and the conflict with the steel industry are prodding the Administration to make greater efforts. In March Mr Kennedy asked for an additional $600 million for public works as a means of coping with unemployment and now some officials are talking of a much more expensive programme, even though it would mean a deficit in the coming fiscal year. A balanced Budget, which has been given priority because of the fear that a deficit would tend to weaken the international position of the dollar, is no longer regarded as sacrosanct. On the contrary the Administration is now taking the position that a sluggish economy hand-in-hand with a balanced Budget may be more of a risk to the dollar than a growing economy accompanied by a deficit. In part, Washington is accepting the inevitable, because the slowing down of the advance in the first quarter of this year has brought a short-fall in tax revenues. But Mr Heller's announcement that a tax cut is being considered was evidently timed to give a psychological lift before taxes are actually reduced. The unorthodox idea of cutting taxes before expenditures have been held down makes it clear that the Administration is seeking fresh ways of ensuring faster long-term growth.

A little more nudging by the Administration now, followed by a tax reduction later, may well provide the stimulus which both businessmen and consumers need. Rises and falls in the business cycle, however, rarely conform to past patterns and it is already obvious that the present expansion has its own individual characteristics. The rise began with an unusually big pool of unemployed and an exceptionally large amount of excess capacity. As a consequence, there has been no excessive demand for goods and none of the upward trend in prices which generates more demand temporarily. Businessmen find it difficult to adjust to a recovery that is not accompanied by inflationary fever. Indeed, the very lack of price pressure tends to make the expansion appear feeble if not actually spurious.

But in fact the economy is not about to lose its forward momentum. Some sectors may be lagging but the widespread perturbation about the slow rate of growth obscures the fact that not a single significant area is declining or is likely to decline. And, despite the hesitancy during the winter months, industry is nibbling away at unused capacity and unemployment ; as this process continues business will be forced to increase its investment in new plant. By and large, corporations have the funds available for greater investment and the Administration intends to make credit available to both consumers and corporations. Government spending—at the local as well as the federal level—is increasing and, with consumers following suit, business is bound to begin adding to its stocks and its profits. In a sense the economy is better served by a slow advance. Although this means some deterioration in confidence, it avoids the concentration of activity in one sector or another that has proved so injurious and unstabilising in the past.

Moods, after all, are changeable. At worst, the current dissatisfaction could delay expansion but it is unlikely to prevent it. Sentiment will probably brighten as the fresh rise in activity continues to make itself felt and as President Kennedy smoothes the ruffled feathers of the business community. If dramatic surprises —and unsettling disputes—can be avoided, the economy may be pressing close to the limits of productive capacity sooner than either Wall Street or Washington now expect.

Republicans Steel Themselves

The Republicans, or at least the conservatives who lead the party in Congress and who therefore dominate the headlines, think that at last they have an issue which will enable their party to win next November's election. That no unbiased observer agrees with them does not seem to worry them—although it should since, as members of the minority party, Republican candidates cannot do without the support of independent voters. The issue has been found in an unexpected place: the President's struggle with the steel industry in which he forced it to capitulate ; it is this apparently overwhelming victory which has given the Republicans what they hope is their chance.

When the United States Steel Corporation increased its prices Republican leaders refrained from comment, except for reactionaries like Senator Goldwater who believe in tarring themselves with big business's brush. But when the President mobilised all the arms of government for his succesful *blitzkrieg* againt the steel companies, the Republican leaders, after a long pause for reflection, launched a united attack against

> a series of government actions that imperilled basic American rights, went far beyond the law, and were more characteristic of a police state than a free government.

The exaggerated language of this statement weakened a case which is not without its appeal. For many people who felt with the President that the steel companies had acted not only unwisely but also deceitfully were concerned, nevertheless, at the future implications of his massive use of the powers of the executive. In this group are certainly many trade unionists, worried—and with reason—that the President may deal as severely with any attempt to increase wages.

It is on such fears, and on the widespread American aversion to interference from Washington and to "big government," that the Republicans are playing ; they will contend that the only way to keep the Democratic President under control is the constitutional one of checks and balances—to elect a Republian Congress. But the Democratic leaders have taken up this challenge with joy, declaring that the Republican condemnation of the President's fight against an inflationary price rise shows

> once again that the Republican party puts the selfish and narrow interests of the few ahead of the welfare of the average American family.

There is little doubt that most voters will find this argument more acceptable and easier to understand than the Republican one. Once again it looks as if the Grand Old Party had managed to get itself on the unpopular side of an election issue.

Caught in the Networks

FROM A CORRESPONDENT IN CHICAGO

The Federal Communications Commission's fact-finding inquiry into television programmes available in Chicago has ended where it began, as an attack on the three national networks which distribute programmes all across the country. While no corporation is allowed by law to own more than five stations—each of the networks owns one in Chicago where there are four commercial stations in all—the networks have large numbers of affiliates which contract to carry a certain number of their shows. The proceedings in Chicago, which are likely to be followed by hearings

in other cities, are a sequel to an investigation of national programming held in Washington early this year ; this grew out of the declaration by Mr Newton Minow, the chairman of the FCC, that network television is a "vast wasteland."

Last month when scores of critical citizens had the floor in Chicago, Mr Minow's home town, the consensus was that absentee network owners—greedy to make programmes cheaply and sell commercials dearly—dictated what the viewer should see, leaving scant chance for the local managers to serve the needs of the local community. But this month, when the managers of the network-owned stations had their innings, they argued that they put on as many local programmes as the market would bear, that they had all (or nearly all) the "autonomy" that they needed and that in any case presenting shows which originated locally was not the only way to meet a community's needs and interests.

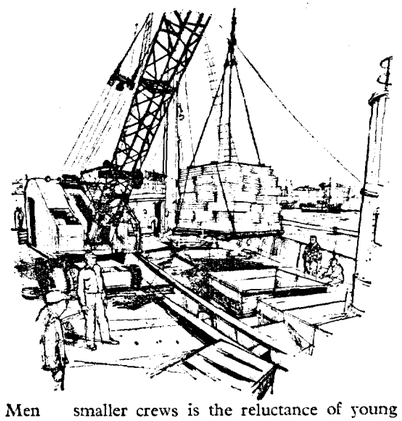
One instance in which a network overruled its manager in Chicago involved keeping a programme off the air rather than putting it on. This was the showing of a film, "Chicago—Portrait of a City," produced by Mr Dennis Mitchell for the British Broadcasting Corporation, in partnership with the ABC (American Broadcasting Company) station in Chicago. Officials of the network thought that it gave Chicago a "black eye" (indeed, its realism offended some British viewers), although the resident manager fought in vain to show it. But otherwise there was no evidence of revolt in the ranks.

Although each resident manager cited instances in which he had rejected network programmes in order to put on Chicago shows, the Commissioner who presided over the hearings, Mr Robert E. Lee who, despite his name, is a Wisconsin Republican, closed the inquiry with the observation that, as a practical matter, the head offices in New York require the captive stations to carry substantially the entire network schedule. He had already disturbed the networks by demanding any records since 1958 which might throw light on the question of absentee control. Mr Lee, who will report to the full seven-member commission in the middle of May, feels that the FCC "should clear the air" on this question of local autonomy. In other words, the resident managers may well have thrust upon them the discretion which they contended that they had enjoyed all along.

Once again, as at the time of the scandals over the granting of licences during the Eisenhower Administration, it is apparent that there is no more confusing or vague body of administrative law than that of the FCC. In theory the agency's powers relate only to individual stations, not to networks, which did not exist when regulation was first authorised. In practice, the FCC does control many aspects of the operations of the networks, although it does not licence them. It is impossible, after all, to regulate the station cart without regulating the network horse, whether the station is owned by a network or merely affiliated to one of them. Legislation to give the commission statutory power to regulate the networks has been introduced in the current Congress. Even the FCC rule which permits one corporation to own up to five stations may now be in jeopardy if multiple ownership is deemed incompatible with local responsibility.

Fishermen's End

FROM A SPECIAL CORRESPONDENT



Most people think of the United States as an economic giant which dominates the world markets and even during a recession suffers only the mildest discomfort. But several important industries are now facing stiff competition. One of the hardest hit is New England's fishing industry, notably in the quaint old town of Gloucester, Massachusetts. Men fished out of Gloucester as early as 1602 and by 1700 the city was a flourishing port. Since then the fishing industry has been carried on without interruption, reaching a peak in the years following the second world war. Since 1950, however, the number of vessels of five tons or over operating out of Gloucester has droppd from 196 to 129. Even more significant, the total yearly catch has dropped by almost four million pounds and its value by nearly $3 million.

In an effort to cut costs fishermen have put off buying new vessels or repairing old ones: the average Gloucester fishing boat is well over 20 years old. They have also reduced crews to increase the share of money each man takes home with him after each trip. Another reason for the smaller crews is the reluctance of young men to become fishermen. Men of Sicilian descent, who used to take to the sea as soon as they came of age, now find less demanding and more secure employment elsewhere.

Gloucester specialises in "ground-fish," such as cod, halibut, haddock, redfish and flounder. These can also be caught in Japanese, Canadian and Danish waters and therein lies the rub. Now that fish can be quick-frozen foreign fishermen can easily ship their catch to the American market where it competes successfully with Gloucester fish; not only are workers in foreign plants paid less than American workers, but foreign frozen fish is also often of better quality. Boats from Nova Scotia and Iceland, for instance, can get their catch to the freezer in a matter of hours, while a Gloucester trawler may have to go as far as 400 miles to the Grand Banks and then has to keep its catch in the hold for more than a week before reaching shore.

About 70 per cent of the fish eaten in the United States is imported; most of it comes in raw because the tariff is much higher on cooked than on uncooked fish. The picture shows massive slabs of frozen fish from abroad being unloaded at Gloucester, where it is cooked and packed as "fish sticks," to be sold all over the country. In general tariffs have been restricted to cooked fish because it is felt that if they were imposed on raw fish prices would rise, the supply would become more uncertain and retaliation would be invited.

When President Kennedy was the Senator from Massachusetts he introduced various Bills to provide tariff and other forms of protection for the New England fishermen. One of those which became law allocates 30 per cent of the money collected from the tariff to research to help the domestic fishing industry. But the fishermen are sceptical. One from Gloucester states the problem: "The government might find something good in all those laboratories but, when they do, there won't be any fishermen left to use it." Thus the Gloucester fishing industry seems doomed to extinction and with it an era when gaily-coloured fishing boats, and not pleasure craft and freighters, filled Gloucester's harbour and when the atmosphere was pervaded, not by factory odours, but by the unforgettable smell of drying codfish.

In theory, the FCC does not censor programmes. The standard set by law for them is that they should serve the "public interest. convenience and necessity." The Chicago hearings, although novel in form, were ostensibly no more than a "forum for civic leaders" and an opportunity to discover how the stations met community needs and how they determined those needs. According to most of the witnesses, these were served best by the independent station belonging to the *Chicago Tribune* (WGN) and by a non-profit-making educational station (WTTW), which is supported by contributions and suffers from a weak signal. Although the FCC does not use a blue pencil and lacks the Lord Chamberlain's powers, it does possess an ultimate sanction. Its power to revoke a licence or to refuse to renew one is a club in the cupboard which the industry never forgets, though so far no television station has ever lost its licence.

But the dilemma remains: Is television to be primarily an educational and "cultural" medium or one for entertainment? If the former, this would represent a triumph of mind over popularity ratings because the educational station has the smallest audience and often, by any criterion, the dullest fare. And even the manager of the *Chicago Tribune's* station, thankful though he was for praise, complained that the public often ignored "culture" and that commercial sponsors were even less interested in it. The criticisms last month fell into two general categories: that "cultural" and "educational" programmes were scarce and that special interests, such as Negroes and religious groups, were ignored, ill-served or given poor viewing hours. (Even the Japanese-American Citizens League came forward to protest that the reshowing of war films libelled the Japanese.) But the spokesman for the *Tribune's* station said that with a limited number of hours a day it was impossible to please everybody in so large a city as Chicago.

Although the hearings which have just been held had nothing to do with the renewal of licences, those of the three network stations are, in fact, up for renewal. It is clear that a new pattern of pressure is being exerted, not only on stations in Chicago but, as the FCC repeats its road show elsewhere, on the entire industry. Mr Lee carefully disavowed any intention of prejudging the renewal of licences in Chicago; this will be considered at formal hearings later in Washington. But it would be a naïve television executive who did not catch his message.

Washington's Own Wall

SOME of the most flagrant racial discrimination in the country flourishes in the District of Columbia, right under the nose of the federal government. The capital's racially integrated schools provide a good example of colour-blindness but housing is a very different story. Last year the Administration had to intervene, and with only indifferent success, to secure suitable flats for representatives of the new African countries. Now the Civil Rights Commission, in two days of open hearings, has turned the spotlight on the near-ghetto conditions in which native Negroes live in the only major city in the country where they are in a majority and one where Congress, which still governs the city, has not lifted even a protesting finger.

The figures speak for themselves. Negroes provide about a quarter of the population of the whole metropolitan area but in the central city, the District itself, they account for 54 per cent while in the surrounding suburbs, where they were once numerous, they make up only 6 per cent. This is the prevailing metropolitan pattern but it is harsher in Washington than elsewhere because the capital is embedded in two southern states, Virginia and Maryland. Even inside the District of Columbia racial segregation prevails in housing and Negroes testified to the difficulty of obtaining mortgage money if they wished to move into a white area. To pin down responsibility for this situation is not easy. Those who are interested could not do better than to read Mr Davis McEntire's definitive book* which considers the problem in the national setting. But briefly, covenants restricting the sale of houses to minority groups—chiefly Negroes and Jews—are still in use although legally they cannot be enforced; local officials, builders, lending agencies, and estate agents all help to retain racial segregation, partly because of their own prejudices or out of respect for those of other whites, partly out of fear that if Negroes are introduced into desirable white developments, values will come tumbling down. Even where prejudice is absent, the properties available to Negroes are usually not as credit-worthy as those available to whites. In all this the federal government is a silent partner because it advances money and insures mortgages on segregated housing.

On the President's desk there has been lying for months an order to end this scandal, but it has been withheld in the interests of securing co-operation from Congress on other issues. If, however, the District of Columbia had legislation outlawing discrimination in housing the federal agencies could help to enforce it; just recently they have decided to make the builders and developers who use federal credit respect the laws of the seventeen states and the many cities which prohibit discrimination in housing. Unfortunately it is far from certain that the District has the power to adopt such legislation and all too certain that Congress will refuse to do so. Moreover, the fact must be faced that the capital will never solve this problem satisfactorily until Virginia and Maryland help to pull down the wall which imprisons Negroes in the centre of Washington.

Paying for Democracy

THE President's Commission on Campaign Costs, appointed last October, met its deadline of April 30th with twelve days to spare and its report is equally businesslike and practical. It is also unanimous, even though the nine members, all men with experience of raising political funds, either in practice or in theory, came from both parties. That they could agree is not so surprising as it might seem, for it has become obvious to politicians that something must be done about a situation in which it cost $20 million to choose a President and Vice President in 1960, half again as much as in 1956, and somewhere around $170 million to run all the federal, state and local election campaigns in that year.

From the commission's point of view, perhaps the most serious aspect of this is that the total outlays for the 1960 election campaigns were only $28,300,000, as reported under the law. From this the commission deduces, as many others have already done, that the present limits on spending by interstate political committees—not more than $3 million each—and on contributions by individuals—$5,000 each—are meaningless. Last year the Senate approved a measure which would raise these ceilings, but the commission recommends that they be abolished altogether, with an effective system being set up to make it clear where the money comes from and where it goes to in election campaigns. This, the commission feels, would increase public confidence in political activity and would counteract the widespread feeling that it is inevitably dirty. To increase public participation in such activity, the commission proposes that contributions to party funds, however small, should be deductible, in part, from tax payments. If more people subscribe to political parties, this will not only spread the cost of campaigning but will also lessen the dependence of candidates

*Residence and Race. By Davis McEntire. *University of California Press. London: Oxford University Press.* 431 pages. 48s.



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on the large contributions which must always carry with them the suspicion that they have post-election promises attached.

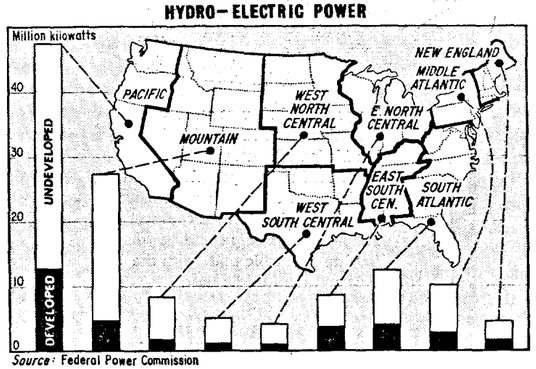
The commission does not, for the present, endorse the suggestion that the government should subsidise election costs in some way, although it recognises that this may be necessary if its proposals do not achieve their objectives. The commission does, however, want the government to pay the expenses of an incoming Administration between the time a new President is elected and when he takes office; between November, 1960, and January, 1961, President Kennedy cost the Democratic party $360,000. The commission also recommends that television and wireless stations should again be permitted, as they were in 1960, to give free time on the air to the major candidates without being obliged to do the same for all the minor ones; this would relieve the parties of substantial outlays. Another way of encouraging wider political interest would be for the costs of non-partisan undertakings, such as getting voters to register, to be tax deductible, even when handled by the business corporations and trade unions which are forbidden, and should continue to be forbidden, to take part in partisan campaigns. The commission's report deals with federal elections, but it hopes that the states will take similar steps to reduce the costs of, and increase contributions to, their own local campaigns.

Electricity without Fireworks?

When the Kennedy Administration came into office it was announced with a flourish that the Eisenhower policy of partnership with private firms in the development and distribution of electricity was a thing of the past. Indeed, the new Secretary of the Interior, Mr Udall, so frightened the private companies with his talk of a federally-constructed national grid—to begin, probably, with a link between the federally-owned dams in the Pacific Northwest and southern California—that they hastily drew up an $8 billion scheme for building transmission lines themselves.

It created a sensation, therefore, in February when Mr Udall revealed that he had agreed to let private firms build some of the transmission lines and connections needed to carry electricity from the federal dams being built for the Upper Colorado Storage Project to users in five states: Colorado, Utah, New Mexico, Wyoming and Arizona. The municipal electricity authorities and co-operatives felt that they had been sold down the river. Even Mr Seaton, Mr Eisenhower's last Secretary of the Interior, had come down in the end on the side of a wholly federal system of transmission lines. Last year Congress appropriated about $13 million to make a start on the $178 million job. Now private firms are to build $27 million worth of the lines, although the backbone of the system will still be federal.

HYDRO-ELECTRIC POWER



Source: Federal Power Commission

Mr Udall's explanation is that this modest private participation will save the tax-payer about $77 million by the time the dams are paid for in 2042. Moreover, he argues that co-operation between the federal government and the private companies will provide the consumer with a more reliable, more extensive and cheaper system of transmission. But he denies that the step represents a return to the Eisenhower policy of partnership. He points out that the Administration was "bargaining from strength"; it could afford to reject the companies' first proposals and demand more favourable terms from them because it had the authority and money to build the whole system itself. There is no intention, either, of allowing private enterprise to cream off the most remunerative projects, leaving the taxpayer to finance those which are uneconomic at present or too large for private firms. Mr Udall has christened his approach "competitive co-operation" and is convinced that the goal of cheap, abundant electricity will best be served by a friendly race between the public and private sectors. There is room for both. In the next twenty years investment in electric power is certain to double, if not to triple.

Stamping Out Hunger

Since last June food coupons have been used in eight American communities, not to restrict consumption but to enlarge it. This has been a pilot programme to determine whether there is not a better way of relieving hunger amid plenty than by simply handing out surpluses of lard, flour, dried milk and rice. About 6 million Americans are now receiving such hand-outs, at a cost of some $250 million a year, but they add up to neither a very balanced nor a very tempting diet. The 146,000 certified needy now receiving food-stamps do better. With the money which they would normally spend on food they buy coupons—or stamps—worth nearly twice as much in the shops. The average family spent $63 for each $100 worth of food which it received. The coupons can be used for any food—apart from a few imported items—but for nothing else.

Special studies have just been completed which show that the participating families used nearly all their "bonus" coupons and that 80 per cent of the increase in their purchases of food consisted of meat, eggs, fruit and vegetables, milk and fish. In Detroit, one of the pilot communities and one with much unemployment, food-stamp families bought about a pound more meat a week for each person. The shopkeepers (who dislike outright donations of surplus foods, for obvious reasons) also benefited; their sales rose about 8 per cent with small shops doing better than big ones. Moreover, the cost of administration, at about 5 per cent of the total, is not considered to be excessive. One of the reasons why the Eisenhower Administration declined to revive food stamps—which were first used, not altogether successfully, by Roosevelt—was their supposed costliness of administration; another was that they do not make as direct an attack upon surpluses as outright donations of such commodities; a third was the risk of abuse. So far, however, only 11 of the 4,000 participating shopkeepers have been suspended because of trading in the stamps or accepting them for tobacco or other non-foods.

The programme is now to be expanded, but still only on an experimental basis, to about 500,000 people; this will cost less than $50 million a year. Even if the plan became nation-wide, it is not likely that more than 4 million people would take part. As a way of eliminating farm surpluses and sustaining farm income the food stamps are not to be compared with Food-for-Peace, which last year allocated 60 billion pounds of food to 64 million hungry foreigners. But the stamps—which allow hungry Americans to share in their country's abundance—are becoming popular in Congress; over a hundred Representatives would like to have their districts included in the scheme. In skilful hands it may become a Democratic asset in the coming congressional elections.

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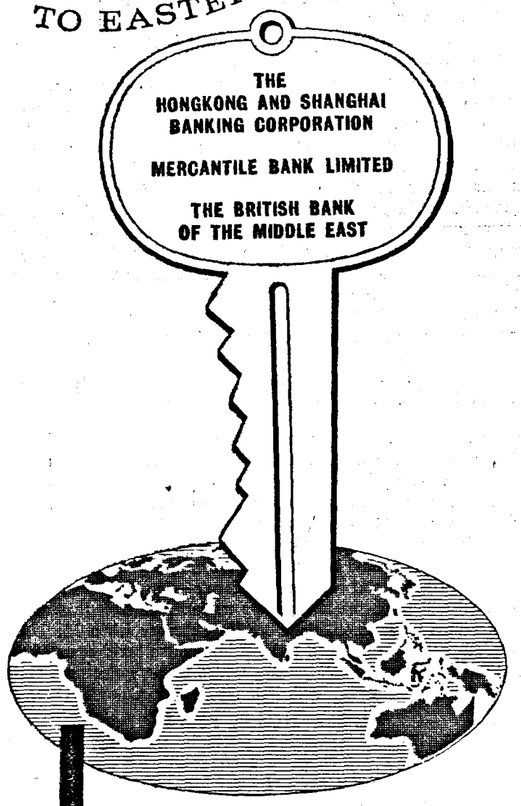


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THE BUSINESS WORLD

Hard Look at the Gains Tax

WHEN Finance Bills become pellucid, the ancient springtime rite of using them as a kind of Easter hare pie for the pleasure of the honourable band of Somerset House knockers will disappear. The bill, these worthies declare, is the thing—not the glosses that Chancellor, Economic Secretary, or the Inland Revenue, seek to put on it. This year they have, for the first time, a 12-page White Paper entitled "Taxation of Short-Term Gains" to help them to absorb the inner meaning of Chapter II of the bill, headed "Charge on Gains from Acquisition and Disposal of Assets" (no saver here about short-term) with its modest assembly (by number) of six clauses and a side array of fifteen pages of miscellaneous rules. What are to be taxed are gains made by residents in this country from dealings in assets that are not within reach of the Revenue as profits of a trade. These assets are principally land, securities, commodities and "currency of any description." The bill taxes such gains on land held for three years or less and on other chargeable assets held for six months or less. What the White Paper describes as taxation of short-term gains can at any time be made to apply to long-term gains by inserting ten years for three years and changing six months to five years.

Mr Lloyd has produced a capital gains tax without intending it, and perhaps even without knowing it. He has missed the chance of framing a capital gains tax that could logically accompany reforms in corporate and personal taxation. The motto has been the maximum of bother for the minimum of revenue. Few of these elaborate rules will affect anybody with sufficient sense to stroll around them; they merely ensure the taxing of unavoidable short-term gains at the highest marginal rates of income tax and surtax. Why bother with artificial transactions within the length of one's wife's arms or get into the complications that govern donor and donee of "chargeable assets" when by holding them a day longer than the limit no one is liable for this tax or any other? This will be the costliest exercise to collect an exiguous revenue in the history of our tax administration. It is an effort that ought to have been put to better purpose, and Mr Lloyd is wholly to blame for burdening Somerset House with it. His successors, we can be sure, will build on his bad foundation a bad capital gains tax.

He is also to blame for allowing the Inland Revenue to attempt another dangerous (and tendentiously presented) foray into the remaining preserves of personal liberty. The White Paper says:

> Persons who act on behalf of others (such as banks, estate agents, solicitors and stockbrokers) will be under an obligation to state, in reply to Revenue enquiries, whether they have acted on behalf of a named person in acquiring or disposing of a chargeable asset or assets, and to give details, including dates of transactions and prices.

This is by no means what the bill says:

> Where it appears . . . that a person is or may be chargeable to tax . . . they may by notice in writing *served on any person* require him within . . . not less than twenty-eight days . . . ,
>
> (*a*) to state whether he has acted on behalf of the first-mentioned person in connection with *any acquisition or disposal* of assets by that person;
>
> (*b*) if so, to furnish information in his possession with respect to the acquisition or disposal . . . relevant to the question whether the first-mentioned person is chargeable . . . or to the computation of the gain or loss . . . accruing to that person. . . .

The simple method of direct question to the taxpayer—"State who are your agents"—would at least be better than this. Instead, there is to be a fishing enquiry starting with "any person" and then narrowed to those who are in fact agents to tell all, under penalty. This seems to ride roughshod over a client's professional privilege in his relations with his banker, solitictor or accountant. Section 414 of the Income Tax Act 1952 provides protection for such advisers; no such safeguards have been put into the Finance Bill.

These are gains which are being treated as akin to trading profits or earned incomes under Schedule D, with provisions for charging them under a new Case VII. Why, in that logical arrangement, is there to be no earned income relief for personal gains? They provide, say the Revenue in effect, a means of additional income. We have never been able to bring them satisfactorily within the net of trading profits; but we are taking special steps to do so now. But we are not prepared to recognise them as earned income. Mr Lloyd can presumably explain the equity of that.

For at least one class of transaction, a "bear operation" opened after April 10th, the gains tax will be not limited to a time-limit of six months as a "bull" purchase will be. The "bear" is vulgarly regarded as a raffish or mysterious freak, and his influence on steadying a market that threatens to get out of hand is something that only his professional brothers can readily appreciate. If there is merit in taxing gains made from short-term purchases, there is no doubt merit in taxing gains made from short-term sales. But what merit is there in a clause which, according to the White Paper, brings about this result:

> Since in the case of a "bear" transaction the disposal *precedes* the acquisition, the transaction is a chargeable transaction however long the interval between disposal and acquisition.

Even the authors' italics fail to make the logic of this argument

clear. In one voice, the knockers shout "Why?"

They are also shouting about the odd treatment that the different forms of life offices are likely to get. If a gain forms part of a profit of trade, it would be taxed under Case I. That is the reason why the proprietary life companies will not be liable to gains tax on their short-term switching profits—they are "trading," though their profits figures are worked out in a distinctly special way. But the mutual offices, non-proprietary and representing a joint venture by the policy holders, are not profit making bodies in the usual sense and for them the Inland Revenue intends no escape from the gains tax—presumably on the ground that they cannot be got at otherwise. The gilt-edged jobbers have made their views known on this and other aspects of the gains tax in a letter to the Government transmitted through the Governor of the Bank.

There are any number of small points that could be taken on this small tax. The treatment of bonus issues, rights and options is sensible, as the Chancellor had already shown. How trustees will react to the liability to pay (unless they hold for another person absolutely entitled against them, when the beneficiary pays) is not easy to see. There could be a conflict, perhaps, between doing the best for the fund and not getting involved in the gains tax. These are irritating points for those who have been encouraging the cloth-cap investor by way of unit trusts, who on a first reading of the bill might be caught under the rules about disposal from a block of securities. The "one house" rule is qualified by a pernicketty limitation of the garden grounds—an acre and no more, unless the commissioners see fit. But, to the universal relief, the United Kingdom Atomic Energy Authority is free to dabble in short-term gains with no liability to tax.

One comes back to asking what all this elaboration is about—what contribution it makes to equity between taxpayers, what openings it leaves for avoidance, what constructive purpose it brings to a modern fiscal system whose primary aims should be to collect the greatest revenue with the least deterrence to earnings and enterprise. This is not, in its present form, a tax that deserves serious fiscal attention; the danger is that this nuisance will eventually become a bad capital gains tax when a reasonable one was needed.

Experiment in Forward Exchange

FROM A CORRESPONDENT IN WASHINGTON

A CENTRAL element in the Administration's strategy for the dollar is that a satisfactory balance in America's basic international accounts is not likely to be achieved before the end of 1963. The Treasury's recent ventures into the gold markets and the foreign exchange markets—Operation Stretch—are intended to ensure that the deficit over the next eighteen months can be financed without leading to a speculative run on the dollar and without forcing the need for a seven per cent discount rate. The aim is to prevent the deficit in the basic accounts being aggravated by excessive outflows of US short-term capital, and to prevent the drain on US gold reserves being worsened by repatriation of foreign-owned dollar balances from New York.

The Treasury has sought to show the markets that it is in control, even with net outflows that may range from $2-$4 billion before the accounts are brought into balance. It is not unlikely that US gold reserves will fall below $15 billion and perhaps even approach $14 billion, before the corner on the basic accounts is turned. The US authorities have worked extensively with the European central bankers in developing new measures to protect the system from excessive and destabilising flows of short-term capital. The European authorities, already surfeited with reserves, have themselves not welcomed the complications for domestic monetary management resulting from large inflows of short-term capital. Britain differs from Continental countries on both counts: its reserves are far from comfortable, and it is not, as one of the world's two great international money markets, embarrassed to the same extent by inflows by foreign funds, though as Thursday's Bank reduction again shows it does not solicit them.

Recent quotations on the forward dollar in the foreign exchange market and on gold in the London market indicate that the first round in Operation Stretch has gone to the US Treasury. About a year ago it acquired a stock of D-marks from the proceeds of a repayment of German debts; since then the American authorities have arranged short-term credits in Swiss francs, Italian lire, and French francs. They have operated in the exchange markets for three of these currencies, the mark, the Swiss franc, the Italian lira; and also in the Dutch guilder. The Treasury has apparently set up a special account to deal in foreign exchange, in addition to reactivating its Exchange Stabilisation Fund for the same purpose. At the same time, the fund's role as a limited buffer between the weekly reported changes in US gold stocks and US gold sales to foreigners, has been expanded considerably. To supplement these limited financial resources, the Federal Reserve System is now dealing in foreign exchange on its own account.

Policy guidance has originated within the Treasury, and various official statements suggest that this will remain so even if the commitments of the Federal Reserve should grow to exceed those of the Treasury. All the official foreign exchange operations of the last twelve months—those of the Treasury, of its Stabilisation Fund, and of the Federal Reserve System—are being undertaken by the Federal Reserve Bank of New York as fiscal agent. This bank has long participated in the New York exchange market as the agent of foreign central banks, so that its trading desk has developed a technical expertise; what is new is its intervention on instructions from Washington. Most such intervention has been in the New York market, not so much to develop a better market—the New York market in some of the continental currencies is relatively thin—but rather as a matter of convenience. But when the dollar is under pressure, the trading desk works both London and New York hours; operations in Europe are channelled through the respective central banks.

The new American operations differ in an important way from the regular operations of European exchange funds. These are primarily in the spot markets, to keep the home currency within its prescribed limit against the dollar. The American authorities can thus rely on this task being performed for them, and the European funds are willing to acquire dollars in their support operations because the United States in turn guarantees to convert these dollars into gold at a fixed price. The US authorities have therefore concentrated in their own operations on the largely uncontrolled (and more easily influenced) forward exchange market, in order to make a direct impact on interest arbitrage. These operations are partly a response to the outflow of around $2 billion of short-term funds in each of the last two years.

The continued outflow of short-term funds reflects the limitations of Operation Nudge, the attempt to keep credit plentiful for domestic business reasons while tilting the structure of interest rates so that short-term rates, which have a more direct impact internationally, are relatively high and long-term rates are relatively low. While the relatively high short-term rates in New York may have deterred some shifts of funds to foreign money markets, it has clearly not prevented a large increase in commercial credits extended to foreigners. With financing through bankers' acceptances available at 3 per cent or less and, more important, freely available, foreigners have found New York an attractive centre in which to borrow. About $1 billion of the outflow of US short-term funds, in both 1960 and 1961, was connected with the credits extended by US banks to foreigners. These bank credits have been granted mainly to borrowers outside Europe and the main financial centres—though European banks have played an active intermediary part in other dollar credits through the Euro-dollar market. The biggest borrowers have been the Japanese. These credits have thus helped finance US exports, so that their true impact in increasing the payments deficit has been smaller than their gross amount.

The limitations in the success of Operation Nudge are partly to be made good, in the Treasury conception, through Operation Stretch, operating on the cost of exchange cover itself. The Treasury's basic aim in its forward exchange operations has been to reduce the cost of exchanging European currencies for dollars in conjunction with the accompanying forward swap to undo the transaction: it has sought to prevent the discount on the forward dollar from moving beyond the "natural" level set by the interest parity. Where foreign commercial banks and other foreign private parties have been likely to transfer funds from the United States to their own country, the Treasury has participated with foreign central banks in making swap facilities look attractive. By persuading private operators to keep part of their funds in dollars for at least the length of the forward contract, the Treasury has protected its gold reserves from the demands for conversion that might occur if private foreign funds were repatriated and official foreign reserves increased. There have been no operations in sterling, for, in contrast with 1960, the market discount on forward sterling has itself been broadly sufficient to offset the gross interest differential in London's favour.

IN its annual report for 1961, the Swiss National Bank recalls that the sharp weakening of the forward dollar early in 1961 made covered interest arbitrage from Switzerland to the United States unprofitable. The high discount on the forward dollar also made it unprofitable for commercial operators who were awaiting dollar receipts to secure forward cover in the normal way, and they found it cheaper to cover in the spot market by selling dollars to the Swiss National Bank—which was as anxious as the American authorities to stop this movement but is forbidden by law to operate in the forward market. It therefore welcomed, and co-operated with, the United States' purchases of forward dollars, which totalled $150 million. The Treasury loan in Switzerland provided part of the francs (equivalent to $46 million) to make delivery on the forward commitment, but this appears not to have been necessary on a sizeable amount. In practice the American commitments were comfortably unwound in the wake of the weakening of the Swiss franc early this year.

While the US authorities have held various foreign currencies accumulated through advance debt repayments and borrowing abroad, these holdings have not been strictly necessary for their "short" sales in the forward market: their main purpose is appearance. The funds have not been used significantly for spot operations; thus in France, where the dollar's weakness is wholly in the spot market and, because

ABC of Forward Exchange

A forward exchange operation is a contract to exchange one currency for another at a future date at a rate of exchange fixed now. These markets are relatively thin and they are more volatile than spot markets.

Uses (1) *Commercial*—importers and exporters want to fix their receipts and obligations in their own currency.

(2) *Interest arbitrage*—operators who shift funds for maximum interest do not ordinarily want to take an exchange risk and they therefore secure forward cover in the same way as traders.

(3) *Speculation*—some operators do want to take an exchange view; one simple form of bear operation is to sell a currency forward.

Rates, usually expressed as premium or discount on the spot rate, are a resultant of these three influences. In the absence of speculation, normal processes of interest arbitrage will ordinarily bring the forward margin to its "interest parity."

If sterling in New York three months forward is 2.79 while the spot rate is 2.81, this represents an annual rate of discount (premium on the dollar) of 2.85 per cent ($2 \div 2.81 \times 4$). This means that if interest on funds invested in London for three months exceeds that available in New York by this figure or more, a transfer of funds on a covered basis will still be worth while: and the effect of arbitrage on both the forward exchange margin and (normally to a smaller extent) on the interest rates themselves will, in a speculatively neutral situation, bring the forward discount to its interest parity.

If the forward discount is smaller than this, sterling or other European currencies are said to be at an *intrinsic premium* and the dollar at an intrinsic discount. This will encourage not only the transfer, on a covered basis, of funds from New York to Europe for direct interest arbitrage, but also transfers in the same direction by cost-conscious *traders*. Thus European exporters who expect to receive dollars and American importers who expect to need European currencies find it too expensive to secure cover in the forward market: they do better by borrowing dollars in New York and selling them spot at the markedly better rate. Conversely, European importers who expect to need dollars and American exporters who will be receiving European currencies find it cheaper to buy dollars forward, at their large discount, and keep their funds in Europe meanwhile.

of tight French controls on transfers of short-term funds, the forward dollar is actually at a premium, the Federal Reserve has found no use for its credit in francs. In Italy the forward dollar is also at a premium, but this has been partly induced by American operations, which the Italian authorities welcome because they prefer Italian banks to secure forward cover in the market rather than take advantage of the official cost-free swap facilities.

Besides operating on the straight arbitrage calculation, the Treasury has sought to prevent bearish expectations from becoming self-justifying and cumulative. This was particularly important in its first major series of operations in Germany a year ago. As interest rates in Germany were then rather higher than those in the United States, the forward mark should ordinarily have been at a discount against the forward dollar. From March to July the speculative pressure was so intense that the price of forward marks against dollars was well below the lower limit for the spot dollar of 3.97. With forward marks so expensive, traders as well as financial operators found it profitable to keep funds in Germany. These transfers of funds to Germany, it should be noted, were prompted not by a speculative view but on straight considerations of cost. The large premium on the forward mark, itself a result of speculation, turned the "leads and lags" further against the United States, perhaps by as much as $300 million.

To check adverse "indirect arbitrage" by traders it has broadly been necessary to push the price of the forward mark back inside the support limit on the spot rate. But to reverse the flow of funds in direct interest arbitrage, the US authorities would have had to operate on a much bigger scale, buying forward dollars until the rate went to a premium on the spot rate. This would clearly have brought the danger of adverse psychological repercussions, based on the Treasury's huge forward commitment; and it would have made speculation against the dollar completely costless. In the balance the Treasury limited its forward operations to keeping the forward rate under control; the discount in Germany on an annual basis was reduced from 3½ to 1½ per cent in April and May, 1961, though it widened temporarily to 2½ per cent in mid-1961. By then total US forward commitments had reached 1 billion marks, $250 million.

As their forward contracts have matured, the American authorities have had the option of making delivery by using foreign currencies already held or by buying these currencies in the spot market. Intervention has not been unprofitable, since the mark and Swiss franc have been more expensive in the forward market (where the US authorities were sellers) than in the spot market (where the US authorities were buyers). On the basis of partial and probably doctored figures available in the quarterly reports of the Exchange Stabilisation Fund, it appears that the German and Swiss operators (and for that matter, American operators as well) who chose to go short on forward dollars in a speculative flyer may have lost several million dollars to the US Treasury in the second and third quarters of 1961.

The decline in the discount on the forward dollar is partly traceable to this first costly experience in trying the mettle of the US authorities—but only partly. Quite plainly the US authorities have been greatly helped by the simultaneous shift in the underlying balance of payments in Germany and Switzerland. Their operations have been successful in snuffing out speculation when it was already on the wane; and in keeping down movements of short-term funds that were quickly shown to have been unjustifiable. But this very success is in part a function of the American authorities' limited aims, as seen in their caution and their careful timing. This important experiment does not bear out the views of those who look to forward exchange intervention as a panacea and a substitute for other measures; it does show that an active official policy on forward exchange has a very useful part to play alongside them.

BUSINESS NOTES

BANK RATE

Logic of the Budget

The further reduction in Bank rate on Thursday by ½ per cent to 4½ per cent can no longer be described as a reduction from a crisis level or even from an especially high one. Five per cent in recent years has been about the norm: and Thursday's reduction brings Bank rate below the level of last July. This move can indeed be seen as the first step of active official stimulation of the economy. One may still feel that it would have been wiser to relax first on fiscal policy and use interest rates as an effective cover for the balance of payments. But this route has quite plainly been rejected, and the logic of Mr Lloyd's stiff budgeting clearly calls for the relaxation on the monetary side for which the Bank of England and the City have long been pressing. The one surprise is perhaps that Bank rate was reduced below 5 per cent before any release of the banks' special deposits. This regulator, like the tax regulator, has so far moved only upward. Since the Bank of England has not been disturbed by the mild increase in bank advances this year, following the unexpectedly large fall in July-December last, a gesture to reduce special deposits from their present 3 per cent should certainly take precedence over any new cut in Bank rate.

GILT-EDGED NET PRICES

	April 26, 1961	August 4, 1961	April 19, 1962	April 26, 1962
Treasury 5½% 1962	101¼	99^{1}/$_{32}$	100^{17}/$_{32}$	100^{9}/$_{16}$
Conversion 4½% 1964..	98^{1}/$_{32}$	94^{7}/$_{8}$	98^{7}/$_{8}$	99^{1}/$_{8}$
Savings 3% Bonds 1960-70	78^{13}/$_{32}$	74^{15}/$_{16}$	79^{7}/$_{8}$	80^{3}/$_{32}$
Conversion 5½% 1974..	93⅜	87^{23}/$_{32}$	91¼	91^{1}/$_{2}$
Funding 5½% 1982-84..	95⅜	87⅞	90^{11}/$_{16}$	90^{7}/$_{8}$
Treasury 5½% 2008-12 .	90⅜	82¼	88⅜	89¼
War Loan 3½%	57	49^{27}/$_{32}$	55^{7}/$_{16}$	55^{29}/$_{32}$

At 4½ per cent this is still high by international standards. But the bank lending rates that it governs are not, and even money market rates in London are now no longer very far above Continental rates. In Holland and Germany, as recorded below, the course of rates has now turned upward. This may be seen to be in line with the new pattern that is emerging in European payments—but Britain is hardly a surplus country yet. Foreign funds have continued to flow to Britain since the March reductions in Bank rate, though the pace has slackened. Bank rate at 4½ per cent should certainly begin to act as a brake. But to say that the reductions in Bank rate have been specifically designed to discourage the inflow is not quite the right emphasis: rather, the strength of sterling has permitted, and the condition of the domestic economy has not ruled out, reductions in interest rates that the Bank is glad to make as a matter of principle.

Rates on bank advances again came down correspondingly, to ½-1½ per cent over Bank rate; but the blue chip borrowers paying 5 per cent have now hit their minimum. While the reduction may be passed on by some hire-purchase companies, especially on large unit business, the building societies had the prescience to make their usual announcement that mortgage rates would be unaffected by a Bank rate reduction the day before the reduction took place. In the gilt-edged market, short bonds had anticipated the change earlier in the week, and actually dropped back a shade on Thursday. But demand at the long end of the market was encouraged and prices edged up further.

IN THE MARKETS

Equities Jump Ahead

ANTICIPATION of the reduction in Bank rate helped to push up equity prices as well as gilt-edged stocks and in the week to Wednesday's close *The Economist* indicator had risen by 3.6 points to 359.4. Apart from property issues and brewery shares rated as take-over possibilities, there was no great thrust in the equity market before Thursday. The further easing of monetary policy has a more direct impact on fixed interest securities than equities; but it has inspired the market as a whole with a little more confidence and equities rose strongly on Thursday afternoon. But investors must still weigh the disinflationary impact of the budget and, in the international scene, the effect of the latest setback on Wall Street. And definite signs of an expansion in the economy and of an upturn in profits have yet to appear.

A rise in equity prices would not be strongly based unless it were supported by institutional buying and as yet there is no sign that the life offices have changed their attitude towards equity investment. They appear to be largely content to wait for the new issues to come along and their caution is directly reflected in the current popularity of convertible loan stocks. The latest of these has come from the Rank Organisation, which is offering £5¼ million of a 6¼ per cent stock, 1977-82, at 99 and convertible into ordinary shares at prices equivalent to 33s. in 1963, 34s. 2d. in 1964 and 36s. in 1965. As the ordinary shares already stand at 34s. 6d. its success seems assured. So, too, given the current popularity of property shares, does the rights issue on bonus terms by Land Securities Investment Trust; it is raising just over £4½ million by offering stockholders one 10s. ordinary share at par for every three they hold, with the promise of a maintained dividend on the increased capital. With the shares quoted at 47s. the rights are worth nearly 9s. per share. The £4¼ million rights issue proposed by Rugby Portland Cement is also on bonus terms, being in line with the directors' policy of making periodic scrip issues or rights issues on favourable terms without reducing the rate of dividend; shareholders are offered one new share at 45s. 6d. for every four they hold and as the existing shares are quoted at 71s. the rights are worth about 5s. per share.

Setback on Wall Street

A correspondent cables:

NEITHER excellent corporate earnings in the first quarter of this year nor other signs that the economy is expanding have done anything to reassure Wall Street. On Wednesday, for instance, US Steel announced an unchanged dividend and this should have helped to steady the market; but in fact prices suffered a sharp fall and US Steel in very active trading conditions fell to a new low. The Dow Jones industrial average lost more than nine points to close at 683.69, its low point for the year so far. Investors appear to feel that the price stability enforced by Washington is detrimental to profits and equities and they seem unlikely to regain confidence until there are more positive signs that the administration is prepared to improve the lot of business.

If the decline on Wall Street continues it could have an effect on business expectations and confidence. Since the end of the war the stock market has had a surprisingly good record in forecasting the major cyclical turning points in the economy, but even the theorists do not believe that the current decline in equity prices presages an early halt to the expansion in business. The stock market has usually anticipated the swings in the economic cycle by about six months, and with expansion seemingly assured for a longer period than this it would be strange if the stock market fails to make some recovery. But any rally will probably be modest for, in the absence of inflation, equities have lost a good deal of their appeal. This week's selling came in part from Europe and brokers suspect that American investors with foreign accounts were largely responsible. Institutional investors, on the other hand, have not been big sellers in recent weeks and, as they have accumulated funds, they may step in to buy at any time; the belief is, however, that they will wait for selling by small investors to rise to a climax before adding to their equity holdings again.

THE EXCHANGES

Sterling Softens

BUSINESS in the foreign exchange markets over Easter is invariably confused and restricted by the different national holidays and the complications for value dates two days ahead. As the underlying tone of the exchange market remains calm, turnover has been relatively small. Sterling dropped slightly to $2.8130 in anticipation of the Bank rate reduction, and after the change it fell to $2.8110: at this point some support from the control was detected in the market. The weaker tone in sterling is also attributable to commercial influences and the normal swing from the highly favourable first quarter of the year to the more or less seasonally neutral second quarter.

The exchange markets were distinctly surprised by Tuesday's increase in the Dutch Bank rate, but the international repercussions are not expected to be large: since the Dutch commercial banks burned their fingers in foreign money markets with the appreciation of the guilder in March, 1961, they have understandably been markedly more hesitant to place funds abroad, at least without forward exchange cover. And while the guilder has now hardened against the dollar in the spot market, from 3.60 to 3.59½, the premium on the forward guilder has narrowed—this is the normal conjuncture of movements in response to a Bank rate increase—so that there may be no net effect on the margin on covered interest arbitrage against New York, which the United States authorities through sporadic intervention have been trying to turn in their favour.

The United States Treasury lost a further $75 million of gold in the week to April 18th, bringing the loss since January 1st to $355 million. Most of these sales are believed to have gone to Britain, and this year rather more than of late may have stayed there. In 1961, when the Federal Reserve showed sales of $300 million of gold to Britain, Britain's own holdings of gold metal, as published by the International Monetary Fund, fell by $500 million. The difference of $800 million was presumably some measure of the re-sale of US gold through the London market.

OVERSEAS TRADE

Turn of the Tide?

BRITISH exports to the overseas sterling area recovered sharply in March. In the first quarter of 1962 the steady deterioration that occurred throughout 1961 appears to have been halted. Total British exports were only slightly higher than in the final quarter of 1961, but the seasonally adjusted figures suggest that December might have been the low point for exports to sterling area countries which increased in each of the first three months of this year; Australia accounted for half the recovery.

Exports to the common market countries rose by a further 1 per cent between the last quarter of 1961 and the first quarter of this year. They are now 16 per cent higher than a year earlier. Exports to both France and west Germany are advancing strongly; exports to France are 24 per cent higher. But the American market is not proving quite up to expectations. Exports to the United States in the first three months of this year were unchanged at the fourth quarter's level, following the strong recovery towards the end of the last year from the earlier setback.

Imports also continued to expand in the first quarter of 1962. The rise of 1½ per cent between the last two quarters was caused partly by increases in imports of foods and animal feeding stuffs which rose by 3½ per cent; imports of industrial materials declined by a similar amount. Higher prices for foods and animal feeding stuffs helped to swell the value of these imports in the first quarter, but this was offset by a fall in the prices of industrial materials. Imports of fuels and finished manufactures also rose in the first quarter. The Board of Trade believes that the increase in finished manufactures was temporary and does not yet imply an upturn in the trend.

Britain's Falling Share

THE Board of Trade has filled some gaps in published statistics of world trade and has shaken them down into a seasonally adjusted quarterly series. Like all recent statistics of this kidney they make enlightening, but not very encouraging, reading for Britain. Imports by all countries (including Britain, whose imports contracted in 1961) continued to rise last year, while Britain's exports stood still. Britain's exports were kept down because imports of British goods by the rest of the sterling area, particularly Australia, New Zealand and India, fell sharply. Lower prices for primary commodities provided an acceptable explanation of this decline, but the new provisional estimates show that even the primary producers, taken as a whole, increased their total imports last year. Thus Britain's poor performance was again attributable to a decline in its share.

WORLD TRADE*
($ billion)

Quarterly averages	Exports by Industrial countries	Exports by Primary producers	Imports into Industrial countries	Imports into Primary producers
1957.....	16·9	7·81	18·0	9·03
1958.....	16·1	7·41	16·8	8·49
1959.....	17·2	7·82	18·3	8·31
1960 :—				
1st qtr.	19·5	8·12	20·2	8·90
2nd „	19·4	8·49	20·2	9·29
3rd „	19·7	8·21	20·5	9·18
4th „	20·3	8·12	21·0	9·45
1961 :—				
1st qtr.	20·6	8·14	21·1	9·30
2nd „	20·4	8·55	21·3	9·24
3rd „	21·1	8·50†	21·8	9·20†
4th „	21·3	8·20†	23·0	9·30†

* Seasonally adjusted. † Provisional.

Despite lower prices for commodities in 1960 and 1961, the value of exports by primary producers continued to rise in these years, as a result of an increase in their volume. However, the seasonally adjusted quarterly figures of exports by primary producers still bear clear marks of the fluctuations in the general level of commodity prices. In the second quarter of 1961, when prices recovered, exports by primary producers reached a peak; but the subsequent setback at the end of the year caused a significant fall in these countries' exports in the last three months of the year.

Neither Australia nor India suffered any appreciable fall in their total earnings in 1960 or 1961, but their imports were reduced from the high level of previous years. And where imports have been cut back the impact has been largely on Britain. Thus, in the first nine months of 1961, Australia's imports fell by 5 per cent; Britain's exports to Australia declined by 12 per cent in this period while west Germany's fell by only 2 per cent.

Exports from industrial countries to primary producers show a clearer trend than imports by primary producers from all sources. If these provisional estimates prove accurate, there has been a continuous increase since the second quarter of 1961. Trade between industrialised countries continued its remarkably steady expansion of about $200-$300 million every quarter.

THE LABOUR MARKET

Unemployed or Unemployable?

UNEMPLOYMENT in mid-April was higher, allowing for seasonal variations, than it had been for just over two years. The end of 1959 had been in no sense a peak in these figures, after several months of boom; but after about a year of stable and then slipping output the number of people wholly unemployed is now up to about the levels to which it had then fallen—from much higher figures in the spring of 1959. The actual total of people wholly or temporarily unemployed last month was still two per cent of the estimated total of employees in Britain, much the same proportion as at the end of 1959. It was higher than this in 1958 and early 1959, but much lower, down to 1.2 per cent, in the middle of last year. At that time, a survey carried out by the Ministry of Labour suggests, only about a third of the people on the books could easily have been placed if the jobs had been available. About a half, through age, disability or "lack of enthusiasm for work" were effectively unemployable.

The statistics of vacancies notified to Labour exchanges display the expected broadly inverse pattern to those of total unemployment. Allowing again for seasonal variations, these are down to the levels of mid-1959, but considerably higher than during most of 1958 and well into 1959. From about the middle of 1960 until early last autumn there were more jobs on offer in Britain than people wholly unemployed. But now there are about nine people out of work, leaving out those temporarily stopped, for every five vacant jobs.

HOLLAND

Turn of the Screw

Money rates in Europe are no longer moving uniformly downwards. Following the recent upturn in money market rates in Germany, the Dutch authorities have this week raised their official discount rate. An Amsterdam correspondent cables:

THE raising of the Dutch bank rate on Tuesday from 3½ to 4 per cent, the first change for two and a half years, is designed to reinforce the restrictive credit policy that the Netherlands Bank has been carrying out for the past year or so to restrain domestic demand. The main objective is internal rather than external. The commercial banks may admittedly now repatriate some of their funds at present held in London and New York, but at the same time the Dutch authorities are reopening the Amsterdam capital market to foreign borrowers to a limited extent.

While the 5 per cent revaluation of the guilder in March, 1961, helped to reduce the 1960 balance of payments surplus of £131 million on current account to £73 million in 1961, and an outflow of capital has led to a net fall in reserves, the internal economy is as strained as ever. The trend towards over-spending is still in evidence and may be intensified by a series of recent wage increases. At the same time the demands of industry for bank credit have led the commercial banks to grant loans in excess of the agreed rate of expansion embodied in a gentlemen's agreement between the Netherlands Bank and the commercial banks—originally 1 per cent a month and since January of ½ per cent a month. The banks have had to deposit around 125 million guilders, equivalent to their overlending, with the Netherlands Bank in the form of non-interest-bearing deposits. Last week the Netherlands Bank also increased the percentage of the special deposits the banks must lodge with it from 6 to 8 per cent.

Permits for the issue of foreign guilder loans will amount to 150 million guilders (£15 million) to be spread over the next six months. The granting of such permits was suspended in the middle of last year after 580 million guilders of foreign guilder bonds had been placed in the Amsterdam market. It is expected that the main borrowers will be Belgian and Scandinavian concerns. The amount is lower than in 1961, the central bank has said, because of "less favourable prospects" for the Netherlands balance of payments.

TRANSPORT

Nationalised Manufacture?

WHEN the tidying-up operation that is the Transport Bill is carried out, railways will be stripped to their essentials, canals and docks will be left by themselves, and the pile of debris that remains will be gathered under the control of a holding company. This will include many bus lines, the British Road Services, shipping companies, travel agents and three companies that make lorries and coaches, Bristol Commercial Vehicles, Eastern Coachworks and Starbodies. These three have caused a quite disproportionate amount of trouble compared with their importance.

Some Conservative MPs are pressing strongly for the three to be sold off, for



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The Economic Mirror

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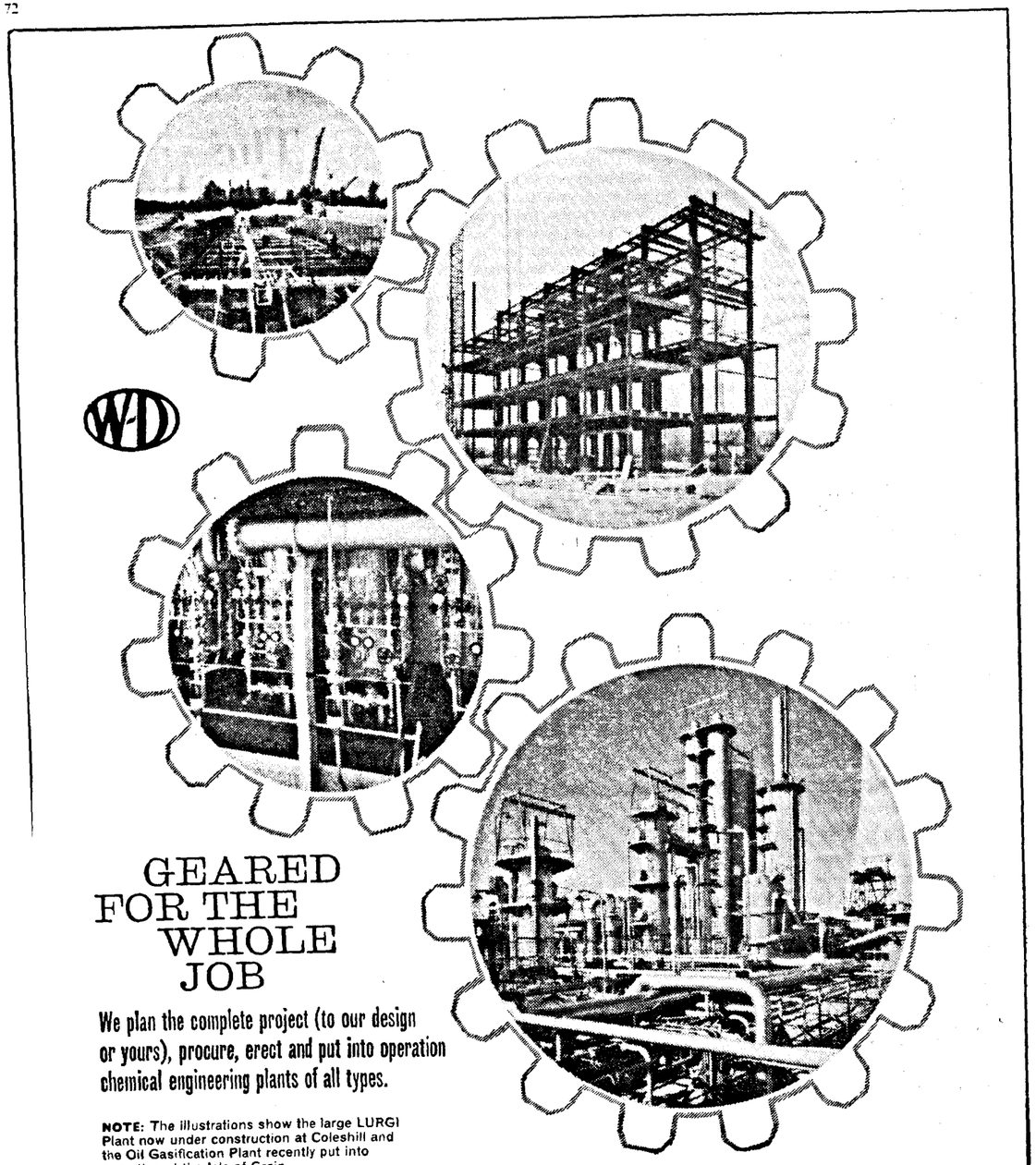
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reasons which are at best doctrinaire and anyway look curious perched on the commercial intentions of this bill. It is argued that the three will compete with private industry in a way that is intolerable in a nationalised undertaking. Yet, when they were nationalised, they were restricted to selling to the Transport Commission and BRS and were set a maximum quota of their owners' purchases, so that their share of the total commercial vehicle market is now about a half of one per cent. Under the new Bill, the quota would be relaxed, although they would still be limited to the transport organisation as sole customer. But it is questionable whether BRS and the bus companies, which have been giving these captive suppliers about a third of their vehicle business, would have increased this much. Mr Marples has said that there is nothing in the bill to force the sale of the companies, nor is there anything in the bill to prevent it. If a good enough offer were received, it would probably be accepted.

It is hard to see a logical reason why these companies should have been singled out. Most of the companies to be gathered under the new holding company compete with private industry: the receipts of nationalised bus and tram interests, excluding London Transport, comprised nearly a quarter of the national total in 1960. If competing with private interests is to be the criterion, there is no reason why all of the companies in the holding company should not be sold off. Is there some magic about a company which makes money from manufacture rather than a service? Or is it just that some are more profitable than others, and that Tories dislike the existence of any state-owned business that they cannot complain is losing public money?

OIL PRODUCT SALES

Elastic to Taxation?

Even before last year's budget, the rate of increase in consumption of fuel oil in Britain had moderated somewhat, though a mild winter may have been blurring the trend. In 1960 consumption of this oil had been 26 per cent higher than in 1959: from October, 1960, to March, 1961, it was only 16 per cent higher than in the previous winter. From April onwards, with an excise duty of 38s. 6d. a ton later increased to more than £2 a ton, the increase was significantly further eroded: in the remaining nine months of the year, fuel oil consumption was only about 8 per cent higher than in the same months of 1961.

In one of the few petroleum products that can be readily replaced by other fuels, this evidence of price elasticity is not surprising. Paraffin oil used in heating actually showed a fall in consumption of five per cent: part of this can be put down to twopence a gallon and part to lingering distrust of the safety of paraffin heaters is a matter of opinion, though the growth of full central heating is in any case partly reducing demand for occasional heaters such as these. Rather more surprising, the industry is reckoning that last year price elasticity even reared its unfamiliar head in the British gasoline market. For the first time in two years, there was an increase in sales of regular-grade gasolines, which the companies put down to switching by motorists after the 10 per cent surcharge on petrol duty; it was, however, only fractional, while sales of higher-grade gasolines through dealers rose by 12 per cent.

Sales of motor spirit to commercial consumers fell nearly four per cent in a year when road ton-mileage and bus movement of passengers appears to have risen significantly; but sales of derv fuel for diesel-engined road vehicles rose eleven per cent. This was in line with sales of gas and diesel oils in the general fuel market (these fuels are less open to direct substitution than fuel oil). But the biggest increases came in liquid petroleum gases (up 34 per cent) and naphtha for gasmaking (up 24 per cent). These "light distillate feedstocks," plus the petroleum gases, are quite rapidly taking over from gas oil in gasmaking: the use of black oil by the gas industry last year was less than half what it had been in 1958.

MOTORS

Edge of a Boom?

Car production crept up about 2½ per cent in March, to a rate of 26,176 a week. Strikes among some of the manufacturers' suppliers prevented a bigger increase. Ford's output seems to have risen rather more than the total—it was unaffected by strikes and busy raising the production of its new Zephyr-Zodiac range. BMC's production was on average little different from February, though in strike-free weeks it rose about 10 per cent; Rootes was also affected by strikes, which kept down its output. Vauxhall was already making as many cars as it could with its present labour force by February; Standard-Triumph made rather more cars in March.

Home sales seem to have risen about 50 per cent after the budget, compared with a depressed opening to the month and are running at or above the record level reached in March, 1961, when 89,000 cars were sold. This year sales in March were 18 per cent lower, depressed by budget hopes. Despite the big increase recorded, dealers profess themselves disappointed by the situation; they have been expecting too much. If the present rate of sales is maintained, waiting lists for many cars will return by next month.

Exports at 46,201. were much the same as in January and February; though shipments to the United States fell a little, there was a sharp rise in those to Australia, and exports to Europe remained high. Exports of commercial vehicles showed some improvement from the disappointing level of January and February, but they were still 14 per cent below those of March last year. For the first quarter of 1962, the exports showed a fall of 25 per cent, whereas car exports were 66 per cent higher.

BREWING

Whitbread Plucks Flowers

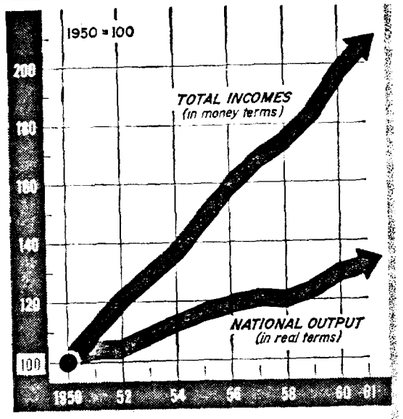
For the third time in less than six months, Whitbread has made a bid for all the ordinary share capital in a brewery in which it already had a minority interest. Tennant Brothers was the first, Norman and Pring the second and the third is the biggest of the three—Flowers of Luton and Stratford-upon-Avon. The three bids do not mean that the Whitbread umbrella is becoming tattered; but they do suggest that Whitbread's minority holdings may not in some cases be strong enough to prevent other brewers from considering the possibility of a bid nor tight enough fully to secure economies in distribution. To preserve the family's control over Whitbread, its directors have sought expansion through a network of minority shareholdings and trade agreements; but their recent actions have shown that they are prepared to go further to protect the interests of Whitbread and its associates. And the bid sent the prices of brewing shares, particularly those considered to be take-over possibilities, up sharply on Thursday.

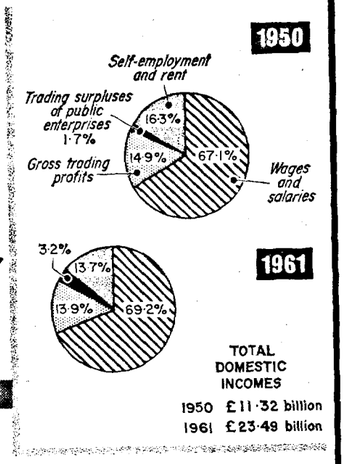
Against the competition of the national brewers Flowers, a medium sized concern, seems to have found the going increasingly hard; it was one of the first, for example, to exploit the market for container draught with its "Keg" bitter, but recently a number of the big brewers have entered this market. Its shares had risen to a high point and the yield offered on them was so low as to suggest that the stock market rated them as a take-over possibility. Its directors saw that the only prospect for expansion lay in a merger and, apparently, it was they who made the first approach. Whitbread, already owning 14 per cent or so of the Flowers equity, welcomed it and both boards strongly recommend shareholders to accept the terms offered—three Whitbread 5s. "A" ordinary shares for every five 5s. ordinary shares in Flowers. With Whitbread "A" shares at 41s. 6d. this imputes a value of about 25s. for Flowers, which stood at 21s. 10½d. on the eve of the bid. As Flowers' directors and their associates and the Whitbread interests hold between them over 30 per cent of the equity, another brewery would find it difficult to counter this bid, which because of the geared voting structure of Whitbread leaves the Whitbread family firmly in control.

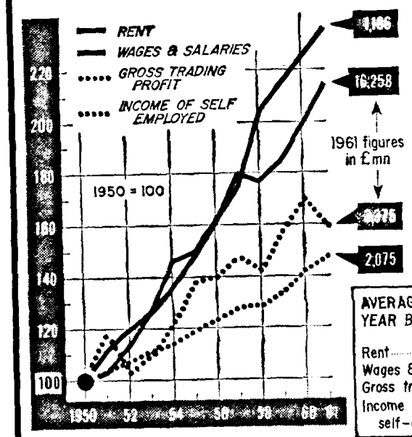
The Growth in Incomes

This page illustrates some of the information in the Ministry of Labour's new bulletin which is designed to help arbitrators and wage bargainers.

While the nation's output, in real terms, has gone up by less than a third and productivity per worker by little more than a fifth since 1950, Britain's income, in money terms, has more than doubled. Rent, partially released from the controls which have kept it artificially low, has been the source of the fastest growing income in that period. Growth has been slowest in income from self-employment and, only a little more vigorous in gross trading profits.



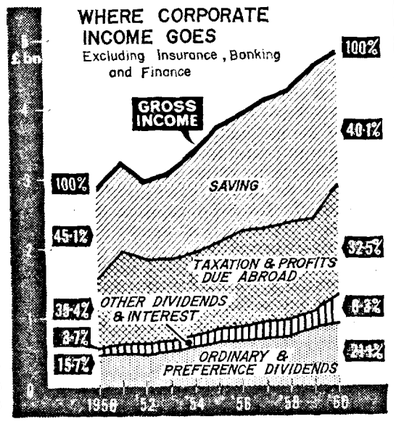




The charts alongside relate to the categories of wages and salaries, etc. as a whole; the chart and tables below to individual rates of pay, including the new index of average salary earnings, which applies to administrative, technical and clerical employees, and the hitherto unpublished information about movements in wage rates in individual industries.

The selection of men's actual earnings includes some industries in which pay is comparatively high, and some in which it is comparatively low; all the figures are averages for skilled and unskilled workers in the categories shown.

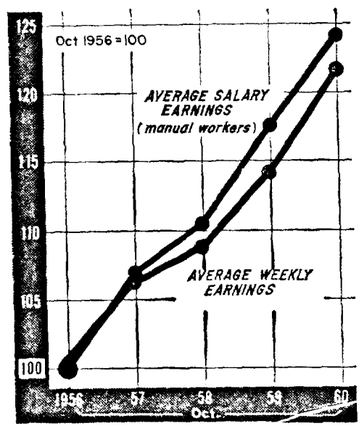
AVERAGE % INCREASE A YEAR Between 1950 & 1961	
Rent	8·1
Wages & salaries	7·2
Gross trading profits	4·3
Income from self-employment	3·6



WAGE RATES

Weekly rates for all workers; January, 1956 = 100.

	Feb., 1960	Feb., 1961	Feb., 1962
Agriculture, forestry and fishing	120	127	131
Mining and quarrying	118	126	126
Food, drink and tobacco	121	125	130
Chemicals	112	118	119
All metal industries	118	124	125
Textiles	112	120	122
Clothing and footwear	122	124	125
Timber, furniture, etc.	119	124	133
Paper, printing & publishing	121	124	131
Construction	120	123	132
Transport & communications	119	124	127
Distributive trades	121	124	130



WHAT MEN EARN

	Manual Workers (Weekly paid) Annual rate, Oct., 1961 (£)	% Increase from Oct., 1959	Administrative, Technical & Clerical Employees (Monthly & Weekly Paid) Annual rate, Oct., 1961 (£)	% Increase from Oct., 1959
Printing, publishing of newspapers & periodicals	1,085	14·3	1,157	13·4
Motor vehicle manufacture	955	1·9	1,064	12·6
Cement	937	16·8	1,223	9·8
Aircraft manufacture & repairing	917	15·0	1,010	11·0
Coal mining	892*	9·3	986	14·5
Mineral oil refining	866	13·6	1,191	16·5
Construction	793	17·1	1,008	12·1
Woollen & worsted	714	11·2	1,179	12·4
Brewing & malting	717	18·1	1,073	11·0
Cotton spinning & doubling	640	12·1	1,075	13·6
Jute	620	8·3	928	5·2

* Excluding allowances in kind valued at £50 a year.

NOISE

The Price of Peace

AFTER two years' intensive work, Lord Hailsham's committee on noise has announced that its closing date for evidence will be May 15th. The memorandum just released by the Royal Institute of British Architects is a good example of the difficulties that will face the committee when it gets down to drafting the report that might, at a guess, be on the Minister for Science's desk by the autumn. Noise, like weeds, becomes a nuisance only when it is unwanted, and although the volume of sound can be measured scientifically, the amount of nuisance that it causes cannot. The body can adapt itself to a surprising amount of noise. There is no evidence that it is medically harmful below those ear-splitting levels that actually damage hearing. Yet there is almost universal agreement that



mechanical noise is rapidly coming into the category of a public nuisance. If, the RIBA told the committee, this nuisance is tackled by trying to shut out the noise, it might add a fifth to the cost of all new building that is sound-proofed and air conditioned. The architects therefore pleaded for noise to be tackled at source. "Plant designers appear to have practically no awareness of their responisbility in this respect."

The difficulty facing the committee, most of whose members have technical qualifications and whose chairman is Sir Alan Wilson, is that judgments about noise are subjective, and new noises tend to arouse stronger feelings than the old. Thus the RIBA's memorandum contains no reference to railway noise, or to trains that run in the night; it complains half-heartedly about the noise of road traffic, although there is no reason why manufacturers should not be required to produce quieter engines (if Rolls-Royce can do it, why not BMC?). Its strongest guns are reserved for the newest nuisance, the jet engine and the helicopter. Is this fair? A properly conducted research programme balancing the intensity of noise in built-up areas against its duration might produce interesting results. But nothing can change the fact that the same man who tolerates the racket of a steel mill may be driven berserk by a crying baby, a dripping tap or a love-lorn cat, while his neighbour sleeps through the lot.

BRITISH PETROLEUM

A Third of a Penny

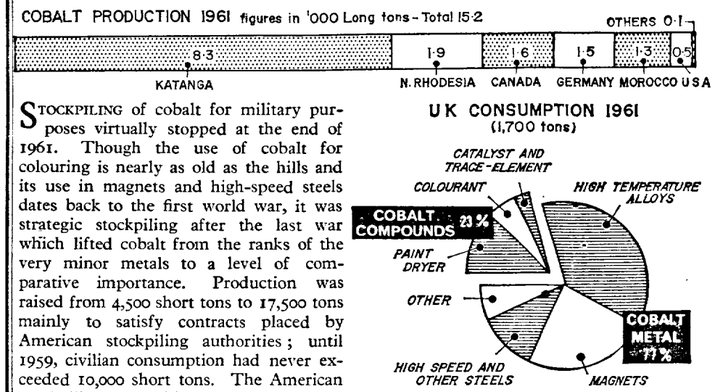
AT the time of the one-for-five scrip issue in September, the directors of British Petroleum said that the total dividend for 1961 was unlikely to exceed that of 1960; but the scaling down of the final to allow for the scrip issue would have involved the odd payment of 1s. 4¾d., tax free, per share and a rounding up of the final to 1s. 5d., tax free, was expected. A final dividend of this amount has duly been declared; this makes the total on the present capital 1s. 11¾d., tax free, which is one third of one penny more than the equivalent payment in 1960. To free itself of these thirds, BP will obviously have to declare an interim of 7d., tax free, this year. On the assumption of a dividend of 2s., tax free, the £1 shares at 35s. 6d. yield just nearly 9¼ per cent, covered about 2¼ times.

SALES AND PROFITS
(£ million)

Six months ended	June 30, 1960	Dec. 31, 1960	June 30, 1961	Dec. 31, 1961
Gross sales	447·5	489·5	479·0	532·6
Net sales	312·2	334·8	323·7	355·7
Gross profit	62·1	62·7	57·7	59·8
Net income	31·5	30·8	26·3	33·8
Gross profit/net sales %	*19·9*	*18·7*	*17·8*	*16·8*
Net income/net sales %	*10·1*	*9·2*	*8·1*	*9·5*

Because of the government's shareholding BP could not have been expected to ignore the chancellor's request for dividend restraint as Shell, aware of its international obligations, did. But BP's results hardly form an appropriate background for an

Cobalt in Civvies



STOCKPILING of cobalt for military purposes virtually stopped at the end of 1961. Though the use of cobalt for colouring is nearly as old as the hills and its use in magnets and high-speed steels dates back to the first world war, it was strategic stockpiling after the last war which lifted cobalt from the ranks of the very minor metals to a level of comparative importance. Production was raised from 4,500 short tons to 17,500 tons mainly to satisfy contracts placed by American stockpiling authorities; until 1959, civilian consumption had never exceeded 10,000 short tons. The American stockpiling authorities now have 39,000 tons of cobalt surplus to their requirements which they might try to sell, barter or give away. Capacity for producing cobalt will increase this year, particularly in Katanga, which already produces much more than half the world's supplies and which raised its output last year despite political troubles.

Cobalt would have been in trouble: in fact, at the free market price of 12s. a lb (£1,344 a ton) to which it has fallen, compared with 14s. at the beginning of 1960, it seems likely that Rhodesian producers like Rhokana and Chibuluma (in the Rhodesian Selection Trust group) are earning no profit. RST's costs two years ago were said to be 11s. 11d. a lb, delivered USA. But since 1958 cobalt has switched its allegiance decisively from the military back to the civilian camp. In 1958 industry accounted for not much more than half total production, but it now absorbs over 90 per cent of output.

American industry was the first to switch to large-scale use of cobalt. The replacement of piston engines by jet and turboprop aero-engines caused a sharp expansion in its application, but after the Korean war and the switch from military aircraft to rockets, America's consumption flattened out. The growing use of nickel—about half as expensive as cobalt—also seems to have impeded growth there. But western Europe, which in the late fifties was catching up America in industrial techniques, doubled its consumption of cobalt after 1958, and is now a far more important consumer than the United States.

Cobalt compounds sprayed on grasslands in Australia have saved cows dying of a deficiency in their diets. Mechanisation and new control techniques will increase the need for magnetic materials, and the use of cobalt alloys and steels seems likely to expand. Consumption is therefore thought likely to double again in the next ten years. By comparison with tin, cobalt will not then be really rare or expensive.

increase. Last year the volume of its sales rose from 72.9 million tons to 78.3 million tons and their value, net of custom and excise duties, went up from £647 million to nearly £679½ million; but its gross profits, excluding dividend and other income, fell from £124½ million to £117½ million and, as the accompanying table shows, the pressure on gross margins intensified in the second half of the year.

AIR TRANSPORT

An Important Move

THE bare announcement that Pan American World Airways has ordered two jet freighters from Boeing does not at first glance seem of great importance, but it very well could be. The market for big passenger-carrying jets is temporarily saturated. The next big round of re-equipment may have to wait for the supersonic airliner, which is ten to fifteen years away. Manufacturers' hopes of work during the lull depend on persuading airlines that they need specially-designed freight aircraft; so far the air lines have been conspicuously reluctant to buy them.

Freight is carried today, with one or two exceptions, either in the holds of passenger airliners, or in old pensioners cheaply converted from passenger-carrying to cargo. All the major airlines have an embarrassment of such obsolete aircraft, including Pan American. The fact that this airline, the largest freight carrier this side of the Iron Curtain, has chosen to invest about £6 million (with spares) in two new Boeing jets specially converted for cargo carrying, rather than making over a few more old piston-engined aircraft at a cost of a mere £100,000 apiece, could be a break-through for the manufacturers who have in the past year or so acquired a noticeably lean and hungry look.

Why is Pan American doing it? The simple answer is that new low cargo rates introduced last summer have produced a big enough tonnage of new freight to justify the investment. But a truer explanation might be the fact that a jet, particularly the Boeing 707, is conspicuously cheaper to operate than a piston-engined aircraft, even one standing at nil on the books. Pan American may have discovered that the new

ARCHITECTS

What Sort of Profession?



ARCHITECTS need dual personalities: they have to be both artist and engineer. From this often over-demanding specification stems many of the problems of the profession, discussed in a massive survey of a sample of architect's offices prepared for the Royal Institute of British Architects.* It recommends many drastic changes in the practice of the profession: education should be more technical in nature, and there should be a place in the profession for the technologist; practical training in the architect's office should be better integrated with the school courses, and give the student some idea of the administrative problems of running an office; technicians should be employed to assist architects in preparing plans; fees for small jobs should be higher and those for large and simple ones should be reduced, while the RIBA should more closely control the service its members provide; and attempts should be made to use more direct means than drawings to give an architect's instructions to the builder.

The RIBA has yet to decide whether it accepts all the recommendations of the survey, but it has appointed an officer to study management problems and a research officer to see how practical training can be fitted in with school courses. But the proposals seem no more than is necessary to fit the architect for the complex role he has to fill; lack of technical knowledge among those in charge of building operations—a branch of technology, if a backward one—has been the most pointed recent criticism of the profession. This is repeated by many of the architects interviewed as a fault of the newly trained, who view design as a matter of self-expression and fail to co-ordinate design and construction. All the major technical skills in architecture now are mostly provided by consultants, without apparently satisfying them or the architects. The only solution that the survey can suggest is "bringing back a substantial proportion of the technical design skills into the architectural profession itself." To do so students should have the chance to specialise in the last two years of their courses; but one wonders whether there should not also be an effort to raise the general standard of technical knowledge in the profession—a five-year course should leave time to acquire a sound knowledge of engineering.

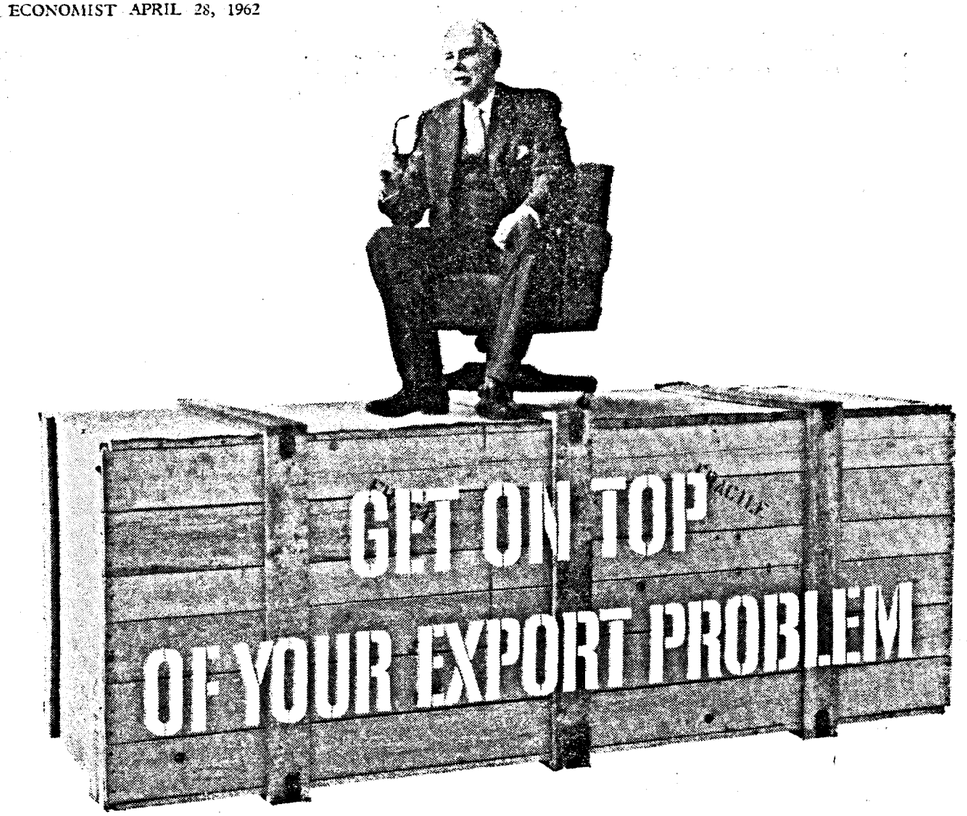
For the majority of architects interviewed to suggest that technical assistants should be used shows the strain on the supply of architects, and recognition of the absurdity of having 42 per cent of unqualified people among their architectural staff—who nominally hope to become architects, but nearly half of whom have little chance of getting qualified. However, the technical assistant should not, the survey suggests, be used as a replacement for a qualified architect, as unqualified staff is now, but should have a specific role excluding the design function. And another load could be taken off the architect if the administration of the office was more generally handed over to another non-professional specialist.

Asking architects what they earn for different types of work revealed some surprising variations; where houses brought in only 13s. for every man-hour of work, commercial work earned 42s., industrial 50s. and conversions 39s. At this rate house designing is clearly unprofitable—though it is the standby of the small architectural practice. It is hardly surprising, therefore, that the average gross income of the principals in offices with a turnover of under £2,000 a year (which formed 27 per cent of the sample) was £580, and that of offices in the turnover range £2,000-£4,999 (26 per cent of the sample) was £1,290, which does not compare very favourably with the earnings of assistant architects shown in the table. The median salary of principals in the offices visited was, however, £4,680. The survey therefore suggests that instead of the fee dropping from 10 per cent for jobs costing under £700 to six per cent at £7,000, the rate of fall should be slower and six per cent not be reached until £30,000 to £50,000. The custom-built house looks like becoming still more of a luxury—though this will not be much of a loss architecturally.

WHAT ASSISTANT ARCHITECTS EARN IN PRIVATE PRACTICE

	Median salary, 1961	Per cent increase since 1955
Age 20–29....	£1,000	37
30–34....	£1,200	44
35–39....	£1,500	44
40–44....	£1,450	42
45–54....	£1,400	33

* The Architect and his Office. Royal Institute of British Architects, 1962. 40s. Prepared by M. Austin-Smith, A. Derbyshire, D. Howard, J. Madge and J. Milne. Financed by the Leverhulme Trust.



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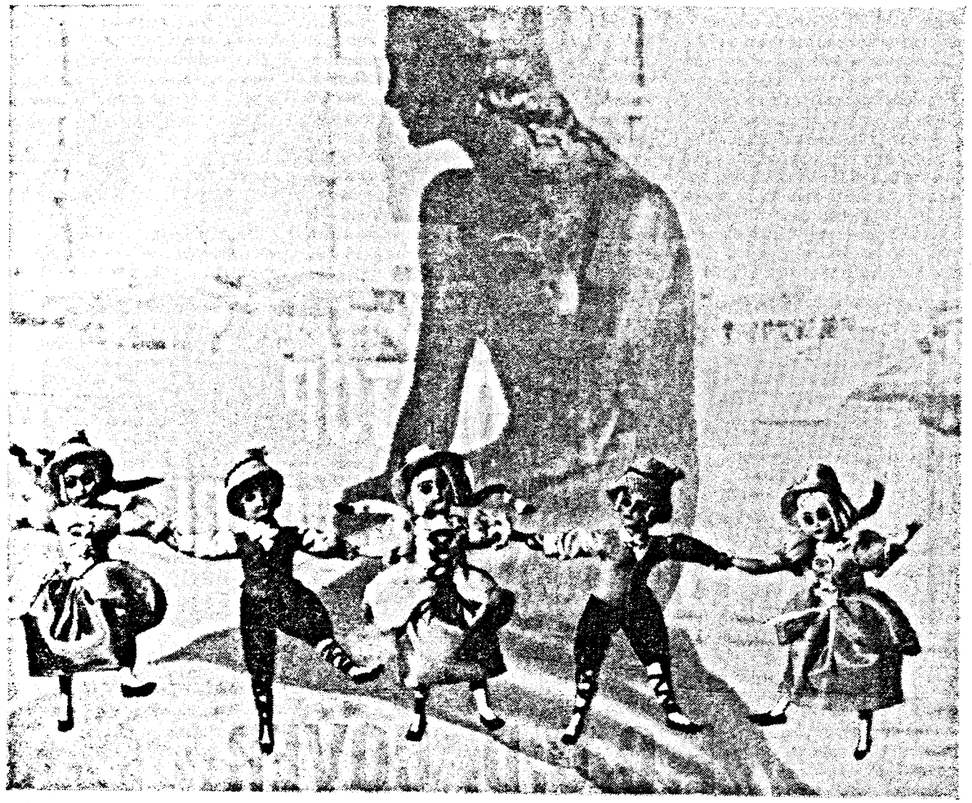
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CRD.50

Danish molecules dance an English jig



New landmarks have appeared on Copenhagen's waterfront. Early this spring a valve was opened in a pipeline from the Maersk refinery, which supplies the city with most of its gas, and a stream of ethylene began the intricate journey through compressors and reaction vessels that transforms it into one of the world's most versatile plastics: polythene. The high-pressure process that persuades the invisible molecules of an invisible gas to choose partners, link up in long chains and form a tough, resilient plastic, was discovered by I.C.I., Britain's leading chemical company; and today it is used to make most of the one million tons of polythene produced every year throughout the world. In Britain, Australia, Canada and India, I.C.I. and its subsidiary companies operate plants making 'Alkathene' polythene for everything from squeeze-bottles and nailbrushes to packaging film and cable insulation. In seven other countries, 14 manufacturers are licensed by I.C.I. to make polythene, and to build the new polythene plant in Copenhagen, I.C.I. has joined forces with the A. P. Møller Shipping Companies. Once again, I.C.I.'s mastery of mammoth pressures and capricious temperatures will make the molecules dance.

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

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

freight rates do not pay in the old aircraft and more efficient equipment is needed to break even. If this is so, manufacturers can at long last look forward to a new market in freighter aircraft, and the prospect becomes considerably brighter.

SHIPBUILDING

The World's Largest Importer

THERE is one measure by which British shipyards can usually claim to head the league table of world shipbuilding—the volume of work in hand. Unfortunately, this criterion seems to be influenced largely by the fact that we build ships more slowly than foreign yards, and it certainly seldom matches the record of final achievement—i.e., ships launched and completed. According to Lloyd's Register returns for the first quarter of the year, there are 1,359,297 tons gross of merchant ships under construction in Britain, which is 15½ per cent of the world total. Next comes Japan. But this total is the lowest since the end of the war, and 42 per cent less than the postwar peak of 1958; since that time tonnage under construction abroad has declined by only 7 per cent.

In terms of output during the quarter, however, British shipbuilding is shown up in an unflattering light, as the following figures show:—

	Begun	Launched (tons gross)	Completed
Japan	643,665	472,407	529,741
United Kingdom	226,860	177,293	291,216
West Germany	148,372	218,638	213,511
Sweden	193,194	151,458	177,994

Another illustration of the plight into which the British shipbuilding industry has let itself into over the last few years is the fact that from being the world's largest exporter of ships Britain has now become the world's largest importer. Ships under construction here for export now total only 246,033 tons gross, or 18.1 per cent of the total. Ships being built abroad for British registry total 781,855 tons gross, compared with 571,895 tons for Liberia and 544,262 tons for Norway. Japan, Sweden, Germany, France and the Netherlands all have more export work than Britain.

The export component of the British orderbook is improving, however. According to the Shipbuilding Conference, British yards took orders during the first quarter for a total of 150,000 tons gross, of which 48.4 per cent were for overseas registration, compared with only 7.6 per cent of the 131,000 tons ordered in the same quarter of last year. Total orders booked in the 12 months ended in March amounted to 766,000 tons gross (36.6 per cent for overseas account), compared with 562,000 tons (5.6 for overseas) in the preceding 12 months. Despite the improvement, this intake of new orders is still equivalent to only about one-half of the average annual output capacity; and in the absence of orders from British shipowners work in hand will continue to contract.

RAILWAY ELECTRIFICATION

Reducing Clearances

SERENDIPITY eludes British railways in its technical developments: it is only now, after most of the bridges on the London-Midland line have been rebuilt, that it has been able to persuade the Ministry of Transport that the clearance above the electric conductor wires can be reduced from eleven inches to eight inches. As the clearance between the wire and a moving train has also been reduced, from eight inches to six, the effective saving in space is five inches—which would often have been enough to make the difference between raising a bridge and not.

The only saving that can now be made through this change in London-Midland electrification comes from the possibility of using 25 kV current right through to Euston, instead of switching over to 6.25 kV in London. This will mean rather more work on raising London bridges and tunnels than was planned, as the clearance needed at the lower voltage is only four inches. But it will cut out transformer stations and make the locomotives simpler—building for dual voltages has already proved troublesome. The total saving, therefore, is put at £750,000. But if any new electrification scheme were to be started, the saving would be significant, and make electrification a rather more attractive proposition.

The original eleven-inch clearance had been chosen as the standard used in Europe, where the 25 kV system originated. Most European railways have fewer bridges and bigger clearances, and hence less incentive there to squeeze down the gap. British Railways has, therefore, belatedly, done its own tests—complicated by the need to allow for the effect of smoke in the air, for example—which have convinced it that even with very small clearances there is little risk of a "flash-over" of current from the conductor wire.

HIRE PURCHASE

Peace Manœuvres

IT now seems possible that the hire purchase finance houses will in the near future settle their differences over dealers' commissions, and end the regrettable scramble for dealers' loyalties that has been in progress since United Dominions Trust torpedoed the Finance Houses Association's 10 per cent limit on dealers' commissions two months ago. UDT then offered a sliding scale of commissions of up to 20 per cent despite strong objections from other FHA members. Discussions designed to lay the groundwork for a compromise reached the formal stage last Wednesday when the FHA members met for one of their regular meetings and dealers' commissions, at the suggestion of UDT, were on the agenda—for the first time since the limit was abandoned. The meeting produced no concrete proposals—it was not expected to do so—but presumably it cleared the air.

UDT has obviously hinted that it is willing to climb down from its original position—without that there would have been little point in holding formal discussions. The other members may now agree to a new commission limit of 15 per cent, of which part is dependent on bad debt experience. It seems to be impossible to submit UDT to losing face and returning to 10 per cent; and dealers' commissions of 15 per cent are obviously a good deal better than the commissions of between 20 and 30 per cent that some companies are at present paying their dealers. But it is still a lamentable backward step to have intensified competition in this sphere at all, rather than in reducing charges to the public. The episode should not be at an end in the government's mind.

LIFE ASSURANCE

Less Enthusiasm for Equities

LAST year's operations of the life offices so far revealed strongly suggest that the offices were less ready to add to their stake in equities than they had been in 1959 and 1960, though they took up rights issues almost as a matter of course. Most of the offices show a slight reduction in the proportion of total assets at book values held in equities and only a handful have reported slight increases. The Britannic, for example, increased its equity holding from 24.1 to 26.4 per cent of total assets and the Scottish Equitable from 26.9 to 31.5 per cent while the Equity and Law, which had cut its stake from 37.8 to 32.8 per cent in 1960, raised it last year to 34.2 per cent. The National Mutual, which alone shows its securities at market prices, had 39 per cent of its assets in equities at the end of last year, compared with 35.4 per cent the year before.

Two of the leading exponents of equity investment reduced their stake last year. The Scottish Widows' equity shareholding, which reached a peak of 41.4 per cent of total book assets in 1957, fell from 35.3 to 31.6 per cent while the United Kingdom Provident reduced its holding from 36.5 to 35.9 per cent. The life offices, moreover, were most selective in their investments. The Prudential, for instance, restricted its purchases in the first half of 1961, when a short-lived and uneasily based boom took place, to the lowest level "in any six-month period for several years" though ultimately it invested £29 million net in ordinary shares over the year. It sold about £4

million of ordinary shares whose high prices were not "justified by the prospects of the companies concerned" and its end-year stake amounted to 25.7 per cent of total assets, against 24.9 per cent. On the same cautious grounds, the London and Manchester, which in the past has built up its equity portfolio, reduced its holding of ordinary shares from £15 million to £13¼ million, out of total assets of £83¼ million. Over the year as a whole, the leading indices of British ordinary shares fell slightly and gilt-edged prices fell by about 5 per cent: even so most of the offices have reported an increase in inner reserves last year and clearly their cautious attitude towards equity investment has done their policyholders and shareholders no harm.

AIRCRAFT INDUSTRY

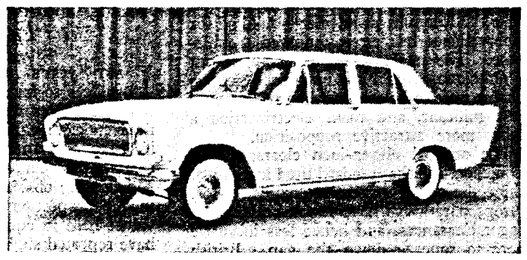
Last of the Dynasts

SIR FREDERICK HANDLEY PAGE, who died at Easter, was the last of the aircraft barons who began to build aeroplanes at the start of the century in the same spirit as a man builds a sailing boat today in his garage, and who went on to build companies which they continued to direct until they dropped out one by one in the past few years leaving only Sir Frederick. They were remarkable men who kept an unusually strong family control over their businesses until the scale of aircraft production forced them to seek more and more capital from outside. The price that Sir Frederick paid for retaining this control longer than most was that his company stayed small in an industry that increasingly favoured the giants. His bent was for big aircraft, but it became steadily more obvious that the Handley Page factories lacked the facilities for this kind of production. Their last big order was for the Victor bomber, placed shortly after the war and before the industry began the metamorphosis that led ultimately to the mergers of the 1960s. The company would not get such an order today.

Sir Frederick stayed outside the recent mergers because he was a cooler poker player than his critics were prepared to credit. According to balance sheet values, the company's assets are worth 21s. a share; the shares themselves stood at his death at 11s. but have subsequently risen to 13s. 4½d. It does not have much by way of aircraft orders, so it is unlikely that on the many occasions when mergers were discussed either big group, Hawker Siddeley or the British Aircraft Corporation, were prepared to bid anything approaching 21s. Sir Frederick reasoned that he should not accept any offer that left his shareholders worse off than they would have been had the company been liquidated. The government would dearly like to know whether his successors will continue this policy. Apart from Handley Page, there are few independent aircraft companies left.

NEW FORDS

Faster But Dearer



ZEPHYRS Six and Four, which were announced this week, represent the more utilitarian section of the new big Ford range; the posh end was catered for by the Zodiac announced a fortnight ago. But the prices of these new cars demonstrate pressure on the car makers' costs more than the traditional Ford cheapness; at £929 the Six costs £27 more than the Vauxhall Velox, while the Four, at £847, costs £41 more than the Austin A60—its closest competitor—and the smaller Hillman Super Minx, and £109 more than the Vauxhall Victor. So Ford is relying heavily on the appeal of novelty to sell this car. Both Zephyrs are identical except for the grille, which is divided on the Six though sharing the maw-like appearance of the Four's. The shell is the same as the Zodiac's but for the roof line, with four windows instead of six and two headlamps in place of four. In the back seat the leg room is equal (and inadequate), but the trimming is rather less luxurious—more like a Ford.

Mechanically, the Six is the same as the Zodiac except that the engine develops 98 bhp instead of 109 bhp; the top speed is therefore a little less than the 100 mph achieved by the Zodiac, and the acceleration slightly inferior. The Four has the engine of the Consul 375 that it replaces, modified to develop 68 bhp instead of 59 bhp; it also shares the new four-speed gearbox with the sixes, and its performance is in consequence now comparable to that of its rivals like the A60, where the old Consul was noticeably inferior. Both the Zephyrs are available with the new Borg-Warner automatic transmission for £110 extra, like the Zodiac. This gives a satisfactory performance even on the Four (which has a higher top gear ratio when fitted with it). Ford does not expect to sell many on this car. It charges £16 more than BMC for the same transmission, so it may indeed hardly seem to be trying.

The Zephyrs, naturally enough, share the Zodiac's pleasant handling characteristics. The Four, with its less powerful engine, cannot be provoked into a rear-wheel slide on dry roads even by using maximum throttle, and is therefore a more foolproof car for the unskilled driver. Its ride is rather bouncy, however, over wavy road surfaces; the lighter engine seems to make it smooth out the road less effectively than the sixes. But the Four, like the Six, has power-assisted disc brakes.

ICE-CREAM

Tax on What?

THE week's grace given to ice-cream manufacturers for working out the exact effect of the 15 per cent purchase tax on their prices seems likely to be largely taken up with the usual representations to the tax authorities of the particular problems of individual firms. For retail purposes the big manufacturers deal mostly in standard sizes and shapes packaged in the factory, as opposed to quantities scooped out in the shop, originally the only way in which ice-cream was sold. Bulk ice-cream is sold to caterers, and still, by small manufacturers, to shopkeepers. More significantly, the increasingly popular soft ice-cream can only be handled in this way, for this is made from dry ingredients in a freezer in the shop.

This is one reason why the large makers have been particularly anxious to find out how the inevitable price increases are likely to affect the retailer of family bricks and ice-lollies as against the man whose bulk ingredients, bought wholesale, cost perhaps half as much—and who therefore may have to pay only half as much of tax on a given quantity of ice-cream as he eventually sells it to consumers. Indeed, the retailer here might argue that he buys no ice-cream at all wholesale; how is one to impute a value to what he "manufactures" on the spot? The Customs and Excise Department's old friend "uplift" may now make a new appearance in the ice-cream scoop.

The crux of the matter is that the cost of producing ice-cream is largely in the freezing, whether this be done in the factory or in the shop or restaurant. Ready-moulded ice-cream bears an additional cost of having to be kept frozen hard from the production line onwards to the point of sale. Even if manufacturers decide to go to the expense of altering their equipment so as to make smaller ice-lollies instead of dearer ones, the saving in ingredients, which anyway make up a fairly small proportion of the total cost, would make too little difference to absorb the tax. When it comes to deciding where and where not to add on their extra pennies, the manufacturers are looking primarily at distribution costs.



"Coal? You're kidding!"



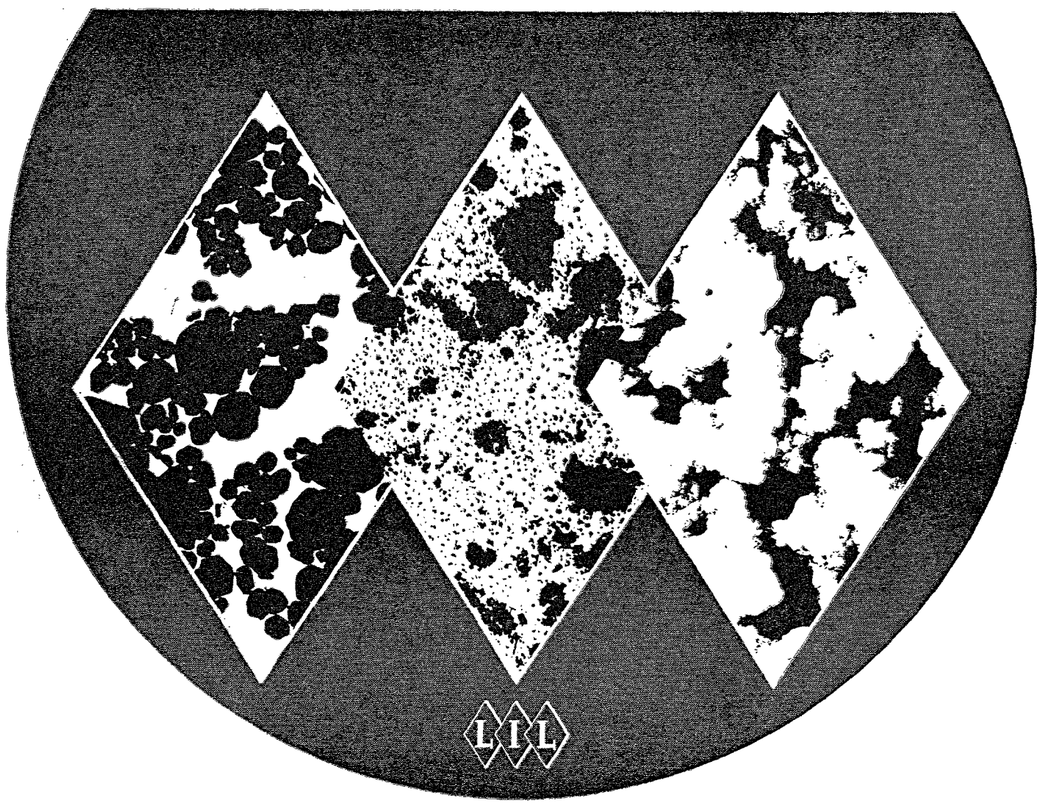
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AIR TRAFFIC

Europe on a Knife-edge

SOME sober words about prospects for Europe's airlines during the next four years have been uttered this month by the *Institut du Transport Aérien*. The trend of air traffic between Britain, the continent and the Middle East, obviously points to expansion: even last year traffic increased by 13 per cent, making a rise of 392 per cent in ten years. Between now and 1965, forecasts the institute, traffic might increase by a steady 14 per cent per annum, giving an increase of 69 per cent over four years. Why then the long faces in the airline business?

Europe's airlines are, with one or two honourable exceptions, generally inefficient. All of them have fallen into the error of increasing their capacity faster than their traffic, although by smaller margins than on the North Atlantic. Last year, for example, capacity inside Europe increased by 19 per cent and outstripped the growth in traffic so that on average only 54 seats out of every 100 were filled. A cost-conscious airline using the most efficient aircraft available might have broken even with these loads. But the costs of most European airlines are high, and even with high fares they need to sell between 65 and 70 per cent of their seats to break even. The institute sees no chance of reaching such figures with the capacity on order unless traffic proves more buoyant than is estimated. By the end of 1965, the airlines' combined capacity seems likely to have increased by 60 per cent. These forecasts of traffic therefore suggest a rise in average load to only about 57 per cent.

TYRES

Gripping Developments

THE new Dunlop C41 tyre, and more particularly the high hysteresis variant of styrene-butadiene rubber that is used for its tread, is one reason why Dunlop is less interested than American companies in the new polydiene synthetic rubbers. The company's research has been concentrated on improving the grip that tyres give, to improve the braking and cornering of cars on the winding and often wet roads of Europe; and this the group has found how to get, cheaply and simply, by varying the composition of oil-extended SBR. The polydienes give long tread life—especially polybutadiene—but they give a less good grip of the road than an ordinary SBR tyre, and are markedly inferior to the new SBRs, which Dunlop calls "high mu" or "road hug" rubbers.

These rubbers have been in production on a small scale for some time past at Fort Dunlop, and were used in the tread of the Elite—the first high hysteresis tyre—and of the Road Speed tyre. They are now in production at International Synthetic Rubber's Hythe plant, and will be used in the treads of all Dunlop tyres; the C41 is being made in sizes that will cover 85 per cent of cars in use (it has been in production since last autumn for Minis and Super Minxes), while the old Gold Seal pattern is retained for the others. The tread pattern of the C41 is the same as that of the Road Speed tyre, and shares its resistance to steering wander on longitudinal ridges. The combination of tread and new rubber gives, Dunlop claims, an increase of 15 per cent in resistance to skidding on a polished asphalt surface—on a rougher surface the gain would be less, but should still be noticeable. The new tyre is also quieter than the old, though producing an odd squelching sound over transverse ridges in the road.

MERCHANT BANKING

Moscow Makes Money

THE Moscow Narodny Bank Ltd. of London reports another forward surge in 1961. Its balance sheet total rose from £55.6 million to £72.1 million—three years earlier it was £8.6 million. The great bulk of the bank's funds comes from correspondents abroad, mainly the central banks of the Soviet block. The funds are lent primarily to finance East-West trade, through advances and discounts to a total of £54.4 million. The Moscow Narodny has also been increasing its activities in the foreign exchange market, and by end-1961 outstanding forward sales and purchases were £22 million either side.

The bank maintains strictly orthodox principles of liquidity: it has £15.9 million in the London money market. It also keeps a careful eye on its capital ratio, and in 1961 made a further call on the Russian banks and trading organisations that are its shareholders, raising the paid up capital to £2 million. This is nearly four times higher than the figure three years ago. But the Russian institutions have seen a good return. Disclosed profits have risen by nearly seven times to £281,585, and Mr A. I. Doubonossov, the vigorous chairman, is paying a dividend of 12 per cent after tax. One wonders whether Soviet bankers manage to get an equivalent return on their domestic operations—on which a little more light may be shed at the international bankers' summer school which takes place this July in Moscow.

SHORTER NOTES

Several stockbrokers have recently asked the Council of the London Stock Exchange for permission to open branch offices abroad. The council is considering these applications and, in the meantime, it is asking members for their views. It is difficult to believe that the council will stand in the way of brokers who wish to extend their services abroad.

*

Despite an increase in the cost of imported food, beverages and tobacco, the index of import prices (base 1954=100) has remained at 96 for six months. A rise of 3 points in food prices has been offset by a reduction in prices of basic materials. The index of export prices in March was 113 for the fourth consecutive month. Since August, the terms of trade (the ratio of import to export prices) have remained at the extremely favourable level of 85, compared with an average of 89 in 1960.

*

Production of man-made fibres recovered to 50 million lb in March, bringing output in the first quarter of the year to 147 million lb, compared with 139 million lb in the corresponding period of 1961. Increased exports account for nearly all of this improvement.

*

Net profit of Rea Brothers, the merchant bankers, rose from £88,000 to £114,000 in the year to December 31, 1961. In his annual address Mr Walter Salomon, the chairman, warned shareholders that while the company continues to grow, the current price of the shares indicated expectations that it would be difficult "to live up to." Shareholders in other merchant banks might also heed this warning.

*

Import quotas are to be imposed on refined sugar from May 1st. In the eight months to December 31st imports will be limited to 135,000 tons, equivalent to an annual rate of 200,000 tons. Imports in 1961 were 222,000 tons, compared with 80,000 tons in 1960. The quota is said to be necessary to protect the marketing of supplies of raw sugar imported here under the Commonwealth Sugar Agreement.

COMPANY AFFAIRS
Comments on pages 400, 401 and 402 on :

Dunlop	BICC
Swan Hunter	Cammell Laird
Pressed Steel	Reyrolle
C. A. Parsons	Babcock and Wilcox
Allied Suppliers	Consolidated Zinc
Rio Tinto	Thomas Tilling

STOCK PRICES AND YIELDS
Stock prices, yields and security indices on pages 404 and 405

MONEY AND EXCHANGES
Money market report, exchange rates and public finance on page 403

COMPANY MEETINGS

THE PRUDENTIAL ASSURANCE COMPANY LIMITED

(Incorporated in England)

SIR FRANK MORGAN ON DECIMAL COINAGE

COMPANY'S ROLE IN FINANCING EXPORTS

The Annual General Meeting of the Prudential Assurance Company Limited will be held on May 10, 1962, at 142, Holborn Bars, London, E.C.1.

The following is an extract from the Statement by the Chairman, **Sir Frank Morgan, MC,** on the Report of the Directors and Accounts for the year ended December 31, 1961.

Before reviewing the affairs of the Company during 1961 I will refer to a subject of general interest in which insurance companies, and particularly those transacting industrial assurance, will be very much concerned.

DECIMAL COINAGE

Shareholders will be aware that serious attention is being given to the question of decimal coinage and that a committee under Lord Halsbury is now considering the problem, including the most suitable currency unit if a change is to take place. It is the manner of the change that is of peculiar importance to the business of industrial assurance where there are tens of millions of policies, under a large proportion of which premiums amount to a few pence per week.

Two main types of change have been put forward. The first is to use the present £1 or 10s. and to break this down into new sub-units; for example, to divide 10s. into a hundred cents, each of the value of 1.2 pence. The second type is to build upwards from the penny and to have a new unit of a hundred pence of our present currency, viz. 8s. 4d. Under either of these alternatives the labels given to amounts in the present currency have to be changed to the labels of the new currency. For example, an amount of 17s. 6d., i.e. 210d., in the present currency, would have to be re-labelled 1.75 of a new 10s. unit, or 2.10 of a new 8s. 4d. unit. What is not generally realised is that although the labels have to be altered for either system, many realities are affected if the first is chosen, whereas realities are unaffected under the second. A great many of our everyday transactions for such things as bread, milk, bus fares, postage stamps, newspapers, and industrial assurance premiums, are expressed in pence or in shillings and pence. Under the first system, pence cannot be changed exactly into cents and, therefore, the real prices would have to be altered. For example, under the 10s. unit a fare of 5d. becomes 4 and a fraction cents, and would have to be changed either to 4 cents or to 5 cents. The real price must, therefore, either go up or go down. I have little doubt that in many, if not most, cases it would go up. With an 8s. 4d. unit on the other hand, all such amounts can be expressed exactly in terms of the new currency unit and no changes in real prices are necessary.

Any system under which the penny is abolished inevitably creates a most serious difficulty for industrial assurance business. The policies are long-term contracts and the compulsory alteration of the premium during the existence of the contract produces a major administrative problem not only in accounting changes but in the adjustment of benefits to accord with the change in premium. This adjustment would vary with the time the policy has yet to run and while the effect on a policy nearing the end of its course may be trivial, the effect on a contract just issued could be substantial.

There are, no doubt, arguments on both sides, but I feel there may not be a sufficient public awareness of the importance for the everyday life of the community of the provision of exact equivalents in the new coinage.

BONUS DECLARATIONS

Increased rates of reversionary bonus have been declared for policies issued in this country and in most of the major overseas territories in which we operate.

Final bonuses have been declared in both Life branches at the same rates as last year, and again apply to policies of assurance issued in the United Kingdom up to the end of 1958 which become claims by death or maturity during the current year. The total amount allocated by way of final bonuses since we introduced them six years ago is £19½ millions, a significant addition to the contractual benefits, and as such warmly welcomed by Prudential policyholders.

The increases in bonus have been made possible, partly by some increase of surplus from the usual sources, partly because we have felt able to dispense with transfers to the Investment reserve accounts (a feature to which I shall refer later) and partly by changes in the bases of valuation. In view of the continuing high level of market rates of interest in the United Kingdom and certain territories overseas, the rates of interest used in the valuation have been increased as shown in the Valuation Report of the Chief Actuary. The effect of these changes on the year's figures is that the surplus, though not thereby significantly altered in amount, provides a higher rate of reversionary bonus.

The changes in the bases of valuation also have the effect of releasing reserves and these have been amalgamated with existing additional reserves to provide, *inter alia*, a stabilising fund to facilitate the declaration of equitable bonuses. The last few years have seen considerable developments in our bonus declarations, in the variety of bonuses declared and in the much higher level of the rates declared. Bonuses are now a more important factor than at any time in the history of the Life branches.

ORDINARY BRANCH

The total new business figures were again a record.

In the United Kingdom the new premium income was £10½ millions, being more than £2½ millions higher than the corresponding figure for 1960. Of this increase about a half was due to group pension business and over one-quarter to immediate annuities. In my Statement last year I remarked on the increased scope for the sale of immediate annuities due to the provisions of the 1956 Finance Act, and I am glad the hopes I then expressed that our improved rates would lead to an increase in this class of business are beginning to be realised.

In the past our "Heritage" family income benefit policies have normally been issued for a basic sum assured combined with a fixed income benefit payable on death for the balance of 20 years from the date of the policy, but to satisfy the growing market for this type of contract we introduced during the year a flexible arrangement whereby a family income benefit could be assured for various terms and amounts to meet the differing needs of our clients. There are already indications that this modern version of a type of policy first introduced in 1931 will prove very popular.

In the Overseas branches the new premium income again exceeded £3 millions but was slightly lower than in the previous year, due in part to economic difficulties in some territories. Record amounts of new premiums were, however, secured in 1961 in South Africa and in the Rhodesias.

PENSION SCHEME BUSINESS

I was able to tell shareholders a year ago that the introduction of the state graduated pension arrangements had resulted in the setting up of many new occupational pension schemes with the Prudential. The figures for the past year must, therefore, be regarded as unusual. The new premium income for this class of business in the United Kingdom was about 60 per cent greater than for the previous year: about one-half of the new business arose under new schemes and the balance represented new entrants and

increases in benefit under existing schemes. Among the new schemes were some large ones and, in the absence of some special and unexpected stimulus, we cannot hope that schemes of such magnitude will commonly be available in the market in future. Indeed, I feel that for future pension business we must look increasingly to schemes for small firms. I am very conscious of the opportunity—and indeed the obligation that rests perhaps in a particular degree on our Company—to provide facilities through insurance for the retirement of employees of these smaller firms. This class of business does, however, present problems, not the least being that the complex formalities of the Income Tax Acts, which in the case of large organisations may be no more than an irritation, may well constitute a real deterrent to the smaller employer and his employees.

INDUSTRIAL BRANCH

The new sums assured and new premium income in this Branch exceeded the 1960 figures, which were themselves a record, by a substantial margin. Gratifying though this is, I should mention that some part of the increases in new business arises from the replacement of the particularly large number of endowment assurances which matured last year. A more satisfactory measure of progress is the net increase in premium income and last year's figure was the highest for many years. A large proportion of the wage-earning population still turns to industrial—or home service—assurance to meet its life assurance needs, the appeal to the public being based on the convenience and assistance to thrift provided by the regular visit of the agent.

GENERAL BRANCH

In the General Branch the premium income for 1961, including that of our American subsidiary, exceeded £24 millions, an increase of nearly £2 millions over the previous year.

The over-all gross underwriting profit of £537,000 compares with £770,000 for 1960. Each of our main Accounts, however, produced a profit and in the light of the varying results to be anticipated in this Branch the year's operations can be regarded as satisfactory.

Although national fire wastage in the United Kingdom in 1961 continued at a very high rate, it was slightly below that in 1960 and our Home Fire Account produced an improved result. The profit from our Home Motor Account was, however, less than for last year and this is a class of business which continues to have its special difficulties. Motor premium rates were increased in 1961, but the full effect of the increase will not be felt until the current year. Unfortunately, the high level of accidents and the continuing trend of a rise in the average cost of claims absorb the increase in premiums and the position is one which has to be kept under constant review.

In 1961 we were spared anything in the nature of a catastrophe, such as the floods of 1960, but in 1962 severe damage has occurred in Yorkshire and elsewhere as the result of violent storms. This does not, of course, come within the scope of a review of our 1961 figures, but I mention that once again the value of the protection we provide and the prompt service rendered by our staff have been fully appreciated by our policyholders.

Turning to our operations Overseas, which produced a small underwriting profit, satisfactory results in the Sickness and Accident classes more than compensated for underwriting losses in other classes.

Our Marine insurance business still continues satisfactorily despite difficult underwriting conditions, and we have released into surplus the sum of £60,000, most of which is required to cover taxation.

Gross interest earnings in the General Branch have again increased but the benefit of this on our trading profit has been affected by the increase in the rate of profits tax, and the net trading profit of £858,000, after allowing for taxation, is less than the previous year's record figure of £977,000.

DIVIDENDS

The Directors have given careful consideration to the Chancellor's request for restraint in the payment of dividends as part of Government policy aimed at improving the economic position of the country and securing the stability of sterling, and we have decided that it is proper to observe this request. The aims behind the Government's policy are of special importance to the future of insurance.

In the Life branches the increased surplus available has made possible the increased bonuses to policyholders I have already mentioned and also an increased allocation to A shareholders. The dividend has been maintained at 8s. 4d. per share free of income tax and the sum of £286,458 has been transferred to the Dividend reserve fund. This sum would have been distributed as a further dividend of 11d. per share but for the Chancellor's request. The policyholders' allocation of the distributable surplus in each of the Life branches is now 93.78 per cent.

In the case of the B shares the dividend has been maintained at last year's figure of 1s. 10d. per share free of income tax. There would also have been an increase in this dividend were it not for the Chancellor's request but I feel it right to point out that the increase would have been smaller than of recent years. As I have already mentioned, there was a further increase in the interest earnings on the General Branch funds, but this was partially offset by the increased rate of profits tax. A further minor factor is that following the paying up of the B share capital last year there is a charge of £10,000 for the benefit of the A shares on the profits of the General Branch before apportioning the profits between the A and B shares.

INVESTMENTS

During 1961 our total funds increased by £76 millions. We sold investments amounting to £14 millions and the proceeds of these together with repayments of debentures and mortgages gave us a total of £103 millions for new investments.

This new investment was carried out against the background of the economic uncertainties caused by yet another critical situation in the country's balance of payments. Our view of security markets during the first half of the year was affected by the expectation that the authorities would take special action in order to contain this situation, and in the second half of the year we had the effects of the measures which the Chancellor of the Exchequer did in fact announce in July. We took a cautious view of the short-lived rise in ordinary share prices which reached a peak in May and our ordinary share purchases during the first half of 1961 were lower than in any six month period for several years. We did, however, take some advantage of the lower prices ruling in the latter months of the year.

The purchase of all ordinary shares made during the year amounted to £33 millions. This figure includes U.S.A. stocks of £8 millions and an amount of £9 millions which we have subscribed for rights issues. We have also made sales of ordinary shares where high prices were not in our view justified by the prospects of the companies concerned.

I mentioned last year that we undertook substantial commitments during 1960 for investments in connection with property developments to be subscribed in later years and a number of these obligations were met during 1961. During the year we also entered into further commitments in this field, until the Chancellor of the Exchequer made his request to the insurance companies to restrict the supply of finance for property development.

RISE IN YIELDS

The year 1961 saw the highest level of long-term fixed-interest yields of any year this century. The rise in yields had been almost uninterrupted during 1960 and in the spring of 1961 the rise continued as the market began to anticipate the monetary measures eventually taken by the Chancellor in July. Bank rate which was raised to 7 per cent has since been reduced to 5 per cent and long-term yields have been drifting gently downwards. These developments have meant that the fixed-interest investments made by us during the year were on terms which must by historical standards be regarded as extremely favourable.

In addition to the £33 millions of ordinary shares purchased last year we invested over £7 millions in Commonwealth Government Securities, £18 millions in debentures, £3 millions in preference shares, £19 millions in mortgages and £19 millions in the purchase of freehold and leasehold properties.

The dividend receipts from our United Kingdom ordinary share holdings, apart from new investments, again showed an increase but to a much smaller extent than in 1960. In view of the current level of industrial profits and the restraint at present being exercised in the declaration of dividends, it is likely that 1962 will show little, if any, increase in dividend income over 1961.

As far as our new investments are concerned, although high yields were secured on fixed-interest investments, ordinary share purchases were generally made on somewhat lower initial yields. As a result of all these factors the yields on our funds have not increased in 1961 to the extent that was achieved in 1960. The gross yield on the Ordinary Branch fund increased by 1s. 8d. to £6 11s. 8d. per cent and that on the Industrial Branch fund by 4s. 1d. to £6 19s. 0d. per cent.

As I have mentioned earlier in this Statement, we are not this year making transfers to Investment reserve account in the Revenue accounts of any of the three branches. The practice of making these transfers was initiated in 1950 to make provision for future contingencies in respect of the higher yielding classes of securities, Although we still carry securities of this type in our portfolios and will doubtless purchase others in the future, our overall asset position over the last few years has improved to an extent where we feel it unnecessary to continue the practice for the time being.

AID TO EXPORTERS

In April of last year the Chancellor of the

Exchequer announced material improvements in the insurance facilities granted by the Export Credit Guarantee Department. These permitted, *inter alia*, the lengthening in certain circumstances of the maximum period for repayment beyond the previous limit of five years. As five years is the longest term for which the banks normally grant credit, approaches were made to the insurance offices to provide the longer term finance required. Notwithstanding that such commitments are of too short duration to be wholly suitable as investments for life funds, the need for credit was clearly of such urgent national importance that we, in association with other insurance offices, undertook in certain cases to meet the emerging demand for the longer part of the credits. It soon became evident, however, that the requirements of industry in this connection were likely to be of such a volume as to require the setting up of a special organisation to deal with them. In the event a new company has been formed in the creation of which we took an active part and through which the majority of British Insurance Offices have agreed to make available up to £100 millions of finance for export. Of this sum we, the Prudential, are committed to providing the largest individual share. Interest on all commitments entered into during the first five years of the Company's operations is to be at the rate of 6½ per cent per annum throughout the term of the credit.

With the banks agreeing to meet the requirements up to 5 years (also at a fixed and favourable rate of interest), the appeal by industrialists for finance for export to be made more freely available would appear to have been met generously. It is to be hoped that with this help our manufacturers will succeed in securing greatly increased export orders.

STAFF

The continued progress of the Company is a tribute to the enterprise and loyalty of all grades of the staff at home and overseas and there is genuine pride amongst them not only in the achievements of this vast organisation but also in the efficient insurance service which it renders to the public.

I am glad to take this opportunity of expressing our warm appreciation and thanks to all those who have contributed in their respective ways to the results of the year's work.

THE ROYAL LONDON MUTUAL INSURANCE SOCIETY LIMITED

OUTSTANDING INDUSTRIAL BRANCH BONUS

The hundred and first Annual General Meeting of the Royal London Mutual Insurance Society Limited was held on April 24th at the Chartered Insurance Institute, 20, Aldermanbury, London, EC.

Mr E. H. Haynes, FIA, chairman and joint managing director presided, and, in the course of his speech, said:

I would like to refer in detail to the position of each of the Society's Branches.

ORDINARY BRANCH

The premium income in the Ordinary Branch (including consideration for annuities granted) amounted to £5,114,000 an increase of £278,000 over the previous year. The Fund at the end of the year amounted to £46,215,000 an increase of £2,203,000. The rate of interest earned, after deduction of income tax, was £4 19s. 5d. per cent, an increase of 5s. 0d.

The amount paid by way of claims and surrenders during the year was £4,096,000.

The new business results in this Branch in 1961 were frankly a disappointment; we had hoped to celebrate our centenary year with yet another record. In point of fact the new sums assured written fell short of the previous year's figure by £507,000. During the year 21,000 contracts were written assuring £22,595,000.

Interim Bonus will be allowed on with profit policies becoming claims etc. during the current year at the rate of Two Pounds Sixteen Shillings per cent. This high rate of Interim Bonus will apply to each of the years 1961 and 1962.

INDUSTRIAL BRANCH

In the Industrial Branch the premium income for the year amounted to £11,908,000, an increase of £419,000 over the previous year. Claims and surrenders amounted to £7,793,000. The Fund at the end of the year amounted to £109,162,000, an increase during the year of £5,724,000. The rate of interest earned, after deduction of income tax, was £5 18s. 2d. per cent, an increase of 2s. 6d.

The sum assured on new policies issued in this Branch shows a small increase over the figures for the previous year. In 1961 303,000 new contracts were written assuring a total of £26,650,000, an increase of £149,000.

Interim Bonus will be allowed at the rate of Two Pounds Five Shillings per cent in respect of the year 1961. In addition the special bonus on claims and maturities announced a year ago is to be consolidated into the Interim Bonus.

The Interim Bonus rate of 45s. per cent is an improvement on the previous rate of no less than 5s. per cent. In the history of Industrial Assurance this bonus stands out as exceptional and makes the Royal London Industrial Branch policy one of the most attractive propositions on the market today.

GENERAL BRANCH

The premium income for this Branch in 1961 was £1,170,000, an increase of £82,000. This increase in premium income represents by a small margin a record for the Society.

The total income of the Society during 1961 was £27,033,000. The benefits paid to policyholders amounted to £11,889,000, bringing the total payments to policyholders since the inception of the Society to more than £198,000,000.

The total funds at the end of 1961 amounted to £169,791,000, an increase during the year of £7,957,000. This sum represents the savings of our members entrusted to our care during the year and is a measure of the confidence of the public in our Society.

The Report and Accounts were unanimously adopted.

INTERNATIONAL NICKEL COMPANY OF CANADA

MR HENRY S. WINGATE LOOKS TO "AN ERA OF PROMISE"

The annual meeting of The International Nickel Company of Canada, Limited, was held on April 18th in Toronto.

Mr Henry S. Wingate (the Chairman) presided and, in the course of his speech, said:

On the same day that our 1961 Annual Report went to press a free world astronaut was rocketed into space. He orbited the earth three times, re-entered the atmosphere and was recovered.

This coincidence has symbolic significance for the shareholders of International Nickel. For the American Mercury Project dramatises, in a way, the new role for nickel created by modern science. The skin of the capsule which carried Colonel Glenn through space was made of a heat-resistant high-nickel alloy. The Atlas rocket that launched the astronaut was sheathed with nickel stainless steel less than 1/25th of an inch thick, and nickel-tubing formed the walls of the thrust chamber in the rocket engines.

The era we are entering will make spectacular and heavy demands for materials to be exposed to extremes of temperatures and stresses. For us it is an era of promise because of the unique qualities present in nickel and in nickel alloys, and of our ability as a Company to assist the industries of the world in solving their rapidly changing materials problems.

Commenting on the effect on the Company of the possible entry into the Common Market of the United Kingdom and other non-member European nations, the Chairman said:

Many important enterprises from other parts of the world are building industrial facilities in Europe, confident that they can share in the opportunities presented and contribute to their development. This forward progress will mean a greater demand for nickel and for the other products which we produce. The economic growth within the Common Market, therefore, in and of itself, will have a direct and beneficial effect upon the business of this Company.

Mr Wingate continued: The outlook for our 1962 business continues to be favourable. North American demand for our nickel is running well ahead of the rate for 1961. For the time being, however, this is offset by lower European demand, with the result that for all areas demand in the first quarter will not reach our record high rate for last year but will be as strong as that for our next best year 1960. As for copper, our total deliveries everywhere should be well above last year.

In summing up the overall effects, I am glad to say that the financial results of all of our operations for the first quarter are likely to show the second highest quarterly earnings we have had in our history.

Finally I bring you special news of present and future importance about our production of nickel in Manitoba. For the first quarter production exceeded the planned capacity of the facilities by 20 per cent. Our ability to lift our Manitoba production from its planned annual capacity of 75,000,000 pounds to an actual output of over 90,000,000 pounds and, if demand requires, to bring our combined Ontario and Manitoba production to 400,000,000 pounds, has now been demonstrated.

The report and accounts were adopted.

THOMAS TILLING LIMITED

MR. W. LIONEL FRASER

reports profits surpassing all previous records

"We are a Family of Firms
We invest in people
We believe British best is unbeatable
We build for the future"

Industries and Companies in which Thomas Tilling holds an interest

The figure beside each industry is the percentage contributed to the 1961 profit before tax attributable to Thomas Tilling Limited as shown by a table in the Annual Report. The figure shown after each Company is the percentage of the equity now owned by Thomas Tilling.



BUILDING SUPPLIES AND SERVICES (25·9%)

Alexandra Building Services Ltd.	99%
John H. Ashton Ltd. ...	60%
Thos. Graham & Sons Ltd.	75%
Lime-Sand Mortar Ltd. ...	89%
Palmer's Travelling Cradle & Scaffold Co. Ltd. ...	100%
Slater & Co. (Limestone) Ltd.	75%



ELECTRICAL WHOLESALING (5·4%)

Newey & Eyre Ltd. ...	100%



ENGINEERING AND ALLIED TRADES (12·6%)

Bagshawe & Co. Ltd. ...	77%
Hobourn Aero Components Ltd. ...	100%
Palmers Reinforced Plastics Ltd. ...	100%
Patchett & Co. Ltd. ...	66%
Universal Fisher Group Ltd.	100%



GLASSWARE (15·9%)

James A. Jobling & Co. Ltd.	60%
Q.V.F. Ltd.	60%
Quickfit & Quartz Ltd. ...	60%



HOSIERY, KNITWEAR AND TEXTILES (nil %)

Mark Dawson & Son Ltd.	100%
Timothy Hird & Sons Ltd.	60%
Holyrood Knitwear Ltd. ...	100%
Henry Lister & Sons Ltd. ...	75%
Pretty Polly (Holdings) Ltd.	100%
Spray & Burgass Ltd. ...	100%



INSURANCE (13·7%)

Cornhill Insurance Co. Ltd.	55%



VEHICLE DISTRIBUTION (19·7%)

Comberhill Wakefield (Garages) Ltd.	76%
Mercedes-Benz (Great Britain) Ltd. ...	100%
Stratstone Ltd. ...	100%
V.W. Motors Ltd. ...	100%



OTHER INTERESTS (6·8%)

Heinemann Publishers Ltd.	100%
R. Hanson & Son Ltd. ...	86%
Aerosol Packaging Co. Ltd.	100%

It is very pleasing to report that 1961 was another record year in the history of the company. Group profits exceeded £4,850,000, with the amount attributable to Thomas Tilling Limited topping £3,650,000. Group turnover has now passed the £65 million mark. These figures have not been achieved by sitting back. The going has been tough. But I do claim that our policy of diversification, soundly applied, has proved itself to be a reliable buttress against the economic instability to which some of our industries were subjected during the latter half of 1961. The beginning of the year gave promise of even higher profits than finally transpired, for by the summer all our larger industrial classifications, except textiles, indicated rises, in some cases sizeable ones. Three main factors retarded this forward march—it is the familiar tale—the intensified credit squeeze; increased costs, which had hitherto been absorbed by higher turnover, but which could no longer be offset in the prevailing conditions; and appalling weather which hit the building industry especially towards the end of the year. Nonetheless, before taking into account the profits arising from new acquisitions and additional participations in our present companies, our interests in building supplies and services, engineering and insurance all produced higher results than ever before and more than redressed the balance of others less happily placed. In view of the general malaise in business and the pull on margins and profits, your Directors venture to consider this a really gratifying performance.

Our activities are wide-ranging and substantial and in themselves alone they hold high promise over the years. All the same we still have room for robust, well-directed concerns which can flourish and grow more quickly and on a broader basis than if they were to stay on their own, especially those whose functions lie within the field of our existing interests. Enforced take-overs may well be suitable for others, but as I have said before, they do not conform with our philosophy. We are a Family of Firms and all our companies joined us of their own free will.

We have never deviated from one basic principle—integrity and ability of management—and that principle is uppermost in our thinking when assessing a new candidate. The stark economic facts of our country require a hard-work approach—energetic, productive and ingenious employers as well as energetic, productive and ingenious employees. The key is alert, forward-looking, understanding management which has the courage to be different and does not suppress fresh ideas but reaches out for them. These are times of intensified competition. We cannot merely tread water. In Tillings we are hungry for new ideas and we appreciate those who have them. We invest in people. We build for the future.

What of 1962? Trade in general is not brisk just now, for one reason or another, and of course our own best intentions could be hindered by a lack of national buoyancy if it persists: needless to say, we shall strive ceaselessly to overcome such eventuality. The growth in the country's economy has hitherto disappointed me, but I feel that it is now improving, and beyond this lies the prospect of the stimulus which we anticipate if Britain joins the European Common Market. At this early stage of the year, it is obviously not possible to give a forecast of the profits for 1962, but if present hopes prove to be well-founded, shareholders will again find the results to their satisfaction.

My colleagues and I remain unshakably confident in the further prosperity of Thomas Tilling Limited, as we are in the future of our country. We believe in both because we know that British best is unbeatable.

Above is an extract from the Review by the Chairman, Mr. W. Lionel Fraser. If you would like to receive a copy of the full Review, Report and Accounts please write to:

The Secretary, Thomas Tilling Limited, 19. Crewe House, Curzon Street, London, W.1.

Thomas Tilling Limited and Subsidiary Companies Ten-year Record—1952 to 1961

Year	Profit	Funds				Ratios			
	Profit before tax attributable to Thomas Tilling Limited (A)	Preference Capital	Ordinary Capital	Reserves (*excluding Tax Reserves*)	Total Funds (B)	Profit (A) to Funds (B)	'Earnings' on Ordinary Capital*	Gross Rate of Ordinary Dividend*	
	Thousands of £'s					Percentages			
1952	865	300	4,120	2,559	6,979	12.39	14.1	7½	(6.2)
1953	911	300	4,120	2,710	7,130	12.78	13.6	7½	(6.2)
1954	1,014	300	4,120	2,904	7,324	13.84	16.2	10	(8.3)
1955	1,521	2,500	4,200	3,155	9,855	15.43	22.9	10	(8.3)
1956	1,675	2,500	4,245	3,739	10,484	15.98	24.9	11¼	(9.3)
1957	1,984	2,500	4,593	4,147	11,240	17.65	25.7	13¼	(11.0)
1958	1,831	2,600	4,967	5,132	12,699	14.42	21.7	13¼	(11.0)
1959	2,573	2,600	5,464	5,555	13,619	18.89	33.9	17	(15.5)
1960	3,104	5,275	6,208	6,323	17,806	17.43	39.4	20	
1961	3,681	5,535	7,140	10,448	23,123	15.92	41.9	20	

NOTE: *The 'Earnings' percentages and the dividend rates which are shown in brackets take account of the one for ten capitalisation issues made in May, 1959, and May, 1960, and are thus properly comparable with subsequent rates.

THOMAS TILLING LIMITED—A FAMILY OF FIRMS

LONDON AND MANCHESTER
ASSURANCE COMPANY LIMITED

VALUE OF HOME SERVICE INSURANCE

INCREASED DEMAND FOR ENDOWMENT SHARE PURCHASE PLAN

SUBSTANTIAL INCREASES IN RATES OF INTEREST EARNED

The ninety-third Annual General Meeting of London and Manchester Assurance Company Limited, will be held on 9th May, 1962, at 50, Finsbury Square, London, E.C.2.

The following is the statement by the Chairman, Mr Lewis G. Whyte, FFA, circulated with the report and accounts for the year ended December 31, 1961:

I wish on your behalf to tender thanks to Lord Grantchester for the work he has done for the company during the eight years he served as Chairman. During that time the company has become better known, its reputation has grown, its financial strength has improved, its business has expanded, and the foundations have been laid for further growth and prosperity in years to come.

On succeeding to the Chair I would first like to thank the executive directors for their hard work and skilled advice: Mr Mann, our Managing Director; Mr Wilson, our Actuary; Mr Reed, whose chief responsibility is with the field staff; and Mr Browne, our Secretary. It was with pleasure that the directors co-opted Mr Browne to the Board at the beginning of the current year. We also extend a warm welcome to Mr Denys Oppé. He has a wide experience of investment and industrial matters and will prove to be a valued colleague.

No company can be greater than the men and women who work for it, and I would like to begin rather than end my Statement by thanking all members of the staff for their loyal and efficient work during the year. As the Report indicates, it has been a successful year, but expansion brings its problems and the challenge has been well met.

In nearly all the important aspects of the company's business it has been another record year but, as is also the case with many other companies, when records become the custom, they lose some of their significance. Records should not be an end in themselves. We believe the primary approach should be to give increasingly good value, better personal service, to offer contracts which meet the needs of the times, and to present them fairly and vigorously to our potential policyholders. In such ways the continued progress of the company should be assured.

ORDINARY BRANCH

The following table shows the premium income, the new sums assured and the rate of bonus declared for the last five years:

	Premium Income ('000s)	*New Sums Assured* ('000s)	*Rate of Bonus*
	£	£	%
1961 ...	4,001	12,723	52s.
1960 ...	3,678	9,967	50s.
1959 ...	3,380	7,795	48s.*
1958 ...	3,198	6,180	45s.
1957 ...	2,991	5,649	42s.

*Plus a special bonus equal to 25% of bonuses already declared.

The business written by our field staff has shown a satisfactory increase: the rate of increase from business transacted through insurance brokers, especially in respect of the company's special schemes, has accelerated in recent years. The Endowment Share Purchase Plan is meeting with an increasing demand, and the sums assured arising from this business have more than doubled during the year under review. We have also had a satisfactory increase in the business written under our special non-profit rates for sums assured of £5,000 and over. Both these classes of business are additional to what is obtained directly by our field staff and in no way diminish their scope. There is ample room for business derived from these two separate parts of our organisation to expand side by side in a complementary manner.

It is interesting to note that the total new sums assured under all policies within our Ordinary Branch have doubled during the last three years. This rate of expansion is, in the main, responsible for the increase in the expense ratio over this period. For the year under review it was 17.18 per cent compared with 16.18 per cent a year ago, taking into account in both instances the contribution to the Staff's Pension Fund. While it is too much to expect expansion to continue at this rate, your directors look forward to a satisfactory growth of business in the foreseeable future.

INDUSTRIAL BRANCH

The following table shows premium income and new sums assured in this branch during the past five years, together with the total cost of reversionary bonuses allocated to policyholders. Growth of business has continued at a steady rate. The figures for reversionary bonuses demonstrate as clearly as possible the increasing value which our policyholders obtain in this branch.

	Premium Income ('000s)	*New Sums Assured* ('000s)	*Cost of Bonuses* ('000s)
	£	£	£
1961 ...	4,551	8,403	1,424
1960 ...	4,355	7,657	1,235
1959 ...	4,143	7,289	1,057*
1958 ...	3,977	6,886	731
1957 ...	3,825	6,526	580

*Plus a special non-recurring bonus costing £1,028,700.

The expense ratio was 30.53 per cent compared with 30.66 per cent for the previous year, including in both cases the contribution to the Staff's Pension Fund. A substantial proportion of the expenses arises from the provision for frequent collection, mainly weekly, at the policyholder's home, without which it is doubtful whether the vast regular savings through Home Service Insurance would ever be made. This is the form of home service which the policyholder greatly values and is prepared to pay for, as well as for the benefit of life assurance cover and the ultimate financial reward. The bulk of new policies issued continues to be of the endowment type, and all policies in the Industrial Branch share in the profits of that branch.

CLAIMS

You will notice that claims in the Ordinary Branch have increased by £481,000 and in the Industrial Branch by £714,000. In both branches this arises mainly from claims by maturity and for the following two reasons. The first is the relatively large amount of fifteen-year endowment assurance business written in the immediate post-war years and the second is the growing amount of bonus attaching to claims.

FIRE AND GENERAL BRANCH

The premium income of the Fire and General Branch was £455,462 against £428,721 for the previous year. The amount carried to Profit and Loss Account is £7,909 compared with £13,312 for the previous year. Although this branch may appear relatively small compared with other branches, it is nevertheless an important part of our business. Last year some 21,000 new policies were issued, and we look upon this business as a useful extra service which we can give to many of our life assurance policyholders in both branches. All the business is reinsured with the County Fire Office, and I would like on behalf of the Board to thank their directors and staff for the efficient and kindly help given to our own staff during the year.

INVESTMENT TRUST RETIREMENT ANNUITIES

This fund has now grown to £2,379,000 and the benefits to policyholders augur well, especially for those who took out their policies in the early years of this contract's existence. The price of Investment-Trust-Units (upon which the single premium deferred annuity is based) is now some 2.8 times the price ruling when the policy was first introduced in January, 1957. Owing to the necessity of building up reserves and to the lower yield currently available on the units, the fund has shown only a very small surplus and it may be some time before the question can arise of distributing any profit.

PROFIT AND LOSS ACCOUNT AND DIVIDEND

The sum transferred to the Profit and Loss Account from the Ordinary Branch is £111,000, compared with £102,400 in the previous year. In the Industrial Branch the sum is £158,250, compared with £137,200 in the previous year. In both cases these sums represent one-ninth of the cost of bonuses allocated to policyholders, thus preserving the 10-90 per cent proportion which is now the company's normal practice. In accordance with the Chancellor of the Exchequer's request for dividend restraint, your directors recommend the payment of a final dividend of 1s. 8.25d. per share, free of tax, making a total of 2s. 8.25d. per share, free of tax, for the year, the same as for the previous year. You will notice that the balance of Profit and Loss Account has increased over the year by £30,131. In normal circumstances your directors would have been able to recommend a moderate increase in the rate of dividend.

INVESTMENTS

Substantial changes have been made in the investment portfolio during the course of the year. They have brought about a reduction in the investment in ordinary stocks and shares and an increase in mortgages on property and on shares and also in debenture stocks and preference stocks. The main reasons for these changes arose from an objective assessment of the value of many securities, especially at times when the ordinary share market was particularly strong. Although your directors are satisfied on the long-term merits of your company's ordinary share portfolio (the market value of which is substantially in excess of the Balance Sheet value), they felt that in quite a number of cases prices had reached levels where the future was being assessed too optimistically and insufficient allowance was being made for possible adversities. They felt also that prices of long-dated British Government stocks and guaranteed stocks had, in the latter half of the year, fallen to attractive levels and a considerable re-arrangement of the portfolio of these stocks was made, which has resulted in increasing the average term and also the yield.

The aggregate value of the Stock Exchange investments shows a satisfactory margin over the value shown in the Balance Sheet and this margin is significantly higher than the comparable figure for the previous year. The average rate of interest earned on the funds has increased from £6 7s. 3d. per cent to £6 15s. 8d. per cent in the Ordinary Branch and from £6 7s. 5d. per cent to £6 15s. 11d. per cent in the Industrial Branch. Notwithstanding the substantial increase in the rates of interest earned last year, your directors are reasonably confident that these rates can at least be maintained during the current year, provided always that no severe and unexpected misfortunes occur.

COMPUTER

The Insurance Industry is becoming more appreciative of the great potential value of electronic computers, and your company continues to occupy a leading position in this new development. During the past year we have made increasing use of our Pegasus computer and the actuarial valuations for both Life Branches, which used to necessitate considerable overtime work by the staff, are now carried out on it.

We have extensive scope for Automatic Data Processing in our accounting systems, which have to deal with 750,000 individual premium payments per annum in respect of Ordinary Branch and Fire and General Branch policies and to cater for nearly two million Industrial Branch policies, the premiums for which are payable weekly. The transfer of these systems to the computer is progressing well and part has already been completed.

CAPITAL

I refer now to the Resolution which will be put before you at the forthcoming Annual General Meeting, to increase the authorised capital of the company from £500,000 to £1,050,000. If this Resolution is passed, it is the directors' intention to offer to shareholders on May 11, 1962, 2,173,565 shares of 5s. each at a price of 5s. per share in the proportion of eleven new shares for every ten shares held. In the case of shareholders who do not take up their entitlement, and in cases of fractional entitlement, the shares will be sold in the market and the shareholders concerned paid the appropriate amount in cash.

The purpose of this issue is solely to bring the issued capital of the company to over £1 million and thus bring its shares within the wider range section of the Trustee Investments Act, 1961. I think you will agree that this proposal is to the general advantage of the company. As was indicated in the preliminary announcement, the increase in capital will affect the Profit and Loss Account and the sum distributed as dividend only to the extent of the extra interest earned on the proprietors' fund brought about by the increased capital.

Your directors hope that these proposals will meet with your approval.

GEORGE

AND CO.

WORK DONE IN 1961

The Annual General Meeting of George Wimpey and Co. Limited will be held on May 16th in London.

The following is an extract from **Sir Godfrey Mitchell's** statement:

The year 1961 proved to be the busiest year in your Company's history. The value of works carried out by us for clients exceeded £90,000,000, but rising costs of labour and materials created unforeseen burdens which imposed on us a year of quite unprecedented strain.

ACCOUNTS

The Accounts show that the group profits, before taxation, amounted to £3,209,217 as compared with £3,137,207 in 1960, whilst the profit after taxation was £1,777,217 as against £1,854,207 in 1960.

	1961	1960
	£	£
Profit before taxation	3,209,217	3,137,207
LESS taxation	1,432,000	1,283,000
Profit after taxation	1,777,217	1,854,207
Retained in business	1,477,857	1,554,847
Dividends (net)	299,360	299,360
Issued Share Capital	5,545,000	3,545,000
Revenue Reserves	8,361,260	8,883,403
Capital and Reserves	13,906,260	12,428,403

CIVIL ENGINEERING AND INDUSTRIAL DEVELOPMENT

We were again active on a large number of important projects.

Among those completed during the year were the wide flange beam mill for South Durham Steel & Iron Co. Ltd., our comprehensive work for Barrow Steelworks Limited and site preparation works for the Park Gate Iron & Steel Company Limited at Rotherham.

Several contracts with the British Transport Commission were completed and work continues on others. Our contract for an oxygen plant in South Wales for British Oxygen Company Limited was extended to include the construction of a hydrogen and nitrogen plant.

We obtained further contracts at London Airport and the major project at Severnside for Imperial Chemical Industries Limited progressed most successfully.

A 4½-mile dual carriageway on the A.1 was completed and a start made on our £6 million contract for a section of the M.2 motorway in Kent. Our contract for 4½ miles of roadworks and bridges on the Torryburn By-Pass, Fife, is well advanced.

Work continues on the Loch Awe hydro-electric scheme and on our Tunnelling contract for the National Coal Board at Parkside Colliery.

Our contract with Steetley Magnesite Company Limited for the construction of a jetty and off-shore pumping station at Hartlepool is approaching completion and work continues on a large settling tank for the same client.

HOUSES AND FLATS

We again built a very substantial number of dwellings for local authorities throughout the country.

Among the many high flats schemes were three 20-storey blocks for the City of Glasgow; five 14-storey blocks for the City of Liverpool; the comprehensive redevelopment scheme for the City of Sheffield and fourteen 12-storey blocks for the City of Leeds. We also undertook several schemes embodying 12-storey flats for the City of Manchester and a mixed development of 455 dwellings including 16-storey blocks at Preston. A project featuring 9 and 15-storey flats in the City of Edinburgh was completed and work continues for the City of Bristol.

In all, we completed during the year over 14,000 houses and flats; of these 8,014 were for local authorities, of which 6,357 were built in No-Fines concrete. Between 1948 and 1961 we received contracts from local authorities for some 138,000 dwellings, of which 120,850 were constructed in No-Fines concrete.

In 1961 we built and sold some 6,000 houses and flats for private purchasers on 157 sites throughout the country.

OTHER BUILDING

The construction of the Queen Elizabeth II Grandstand at Ascot Race Course, including the demolition of the old stand, was completed in less than ten months.

Other substantial building contracts included a new office block and laboratories at Harrogate for Imperial Chemical Industries Limited, warehouse extensions for Grattan Warehouses Ltd., extensions to the Papyrus paper board mill at Tadcaster; a new machine shop and office block for Hepworth & Grandage Ltd., and several bakeries for leading groups of companies.

To the schools and hospitals programmes we are contributing the new Billingham Campus School and a Student Nurses Home and teaching block at Peterborough.

CITY DEVELOPMENT

On the construction of offices and shops in London and the provinces, progress has been disappointing owing to delays in obtaining planning approvals and other complications inherent in this type of work. We are, however, pressing on as hard as we can to completion and letting, so that the ultimate aim of addition to our income may be achieved as soon as possible.

You may have seen comments in the Press and elsewhere about the Wimpey interests in this type of property development. The main business of your Company is in civil engineering and building on a normal contract basis, but in recent years substantial additional work has been obtained by entering into closer association with parties interested in the development of office and shop properties. If the developments are successful, net equity income will arise and the Wimpey share will add to the Company's income over the years succeeding the terminations of the developments. There are many uncertainties and it would be most undesirable to forecast the income involved, but it is emphasised that this income cannot be estimated simply from the cost of the project. The income arises from the excess, if any, of rent received over the interest on the cost.

You will recollect that, in my report for 1960, I made the Shareholders aware of the extent to which we are interested in this field by quoting the approximate total of £33 million as representing the site values and estimated cost of the buildings for the projects in which we are financially interested.

WIMPEY

LIMITED

EXCEEDED £90,000,000

It would appear that many have the impression that, immediately after initial acquisition of a promising site, a very appreciable profit accrues to the purchaser. This, of course, is absurd, and entirely ignores all the costs and other related factors. As an indication of what is involved, on the average a period of anything from five to six years elapses between the initial acquisition and the year when a developer can expect to receive the first normal full year's net income from a project. From one to two years can be taken up in satisfying Planning Authorities, the Fine Art Commission, Local and Traffic Authorities, before it is clear to proceed with development; thereafter large projects can absorb the best part of a year in such matters as demolition, excavation, piling and foundation work, followed by up to two years for building; some further time elapses before the building is let and re-financed, and only after all these operations have been disposed of can net equity income available for distribution arise.

Our target in these matters is a share of the ultimate net equity income arising from these developments, so that after the intervals indicated above they will be reflected by dividends receivable by our Group from the Property Investment Companies concerned, and these are set out in the Profit and Loss Account.

MECHANICAL, ELECTRICAL AND CHEMICAL ENGINEERING

Our mechanical and electrical engineering division continues to carry out many design, procurement, and construction contracts for leading industrialists at home and abroad.

Substantial progress has been made on the Fibres factory for Imperial Chemical Industries Limited at Kilroot, Northern Ireland, and on the petrochemicals plant at Carrington for Shell Chemical Company Limited. At Grangemouth, we completed the extension of the polyethylene plant for Union Carbide Limited and a methanol plant for Chemical Construction (G.B.) Limited and British Hydro-carbon Chemicals Ltd.

Our two major projects at the Kent Oil Refinery for British Petroleum Company Limited are well advanced.

Work continues on the erection of mechanical plant and equipment at the new Spencer steel works near Newport for Richard Thomas & Baldwins Limited in conjunction with United Engineering & Foundry Company of Pittsburg and also on our sub-contract for Davey & United Engineering Company Limited for similar work.

Work continues at the Shell Stanlow Refinery including the construction of a microcrystalline wax plant. The design and construction of a coal handling plant at Richborough Power Station is in progress.

OPENCAST COAL

Our production during the year continued on a similar scale to that of the previous year, but will run down in 1962 if further contracts are not secured.

WIMPEY ASPHALT

A considerable tonnage of asphalt and coated macadam was manufactured and laid for many local authorities and we started our surfacing contract for 18 miles of the M.6 Motorway in Staffordshire.

Our limestone quarries in Lancashire and Derbyshire were active and we acquired a sand and gravel company in Kent. The Margam Slag Company Limited, owned jointly with the Steel Company of Wales Limited, was in production throughout the year. Our mastic asphalt section continues to increase its activities.

OVERSEAS

Union Carbide Limited awarded us a contract for the design, procurement and erection of a polyethylene plant in Sweden being built in conjunction with their Swedish associates, Stockholms Superfosfat Fabric A.B. The £3 million polyethylene plant in Australia, which we constructed for them, was completed and the various contracts awarded us by C.S.R.C.-Dow Pty. Ltd., at Altona, Australia, are also virtually finished.

Our other operations in Australia continue to expand and we are developing building estates in Sydney, Melbourne and Canberra.

In Canada, we again undertook a large volume of building and civil engineering work.

Recently, an agreement was signed between the Government of Peru and an international consortium formed by English Electric Company Limited, Siemens-Schuckertwerke A.G. of Erlangen, Germany, and ourselves. This agreement covers the construction of Peru's largest power station at an estimated cost of £30 million. Also in Peru, work on our major contract for the development of Salaverry harbour continues.

We won a contract for constructing a causeway and slipway at Bahrein for Messrs Yusuf Bin Ahmed Kanoo and our harbour and marine work continues at Das Island for British Petroleum Co. Ltd. Elsewhere in the Arabian Gulf we completed additional berthing islands for Basra Petroleum Company at Fao and, in conjunction with Kuwait Bechtel Corporation, we continued to work for the Kuwait Oil Co. Ltd.

The hydro-electric scheme in Brazil for Central Electrica de Furnas, S.A., is making good progress.

Off the shores of Trinidad, we continued the construction of marine oil-drilling platforms and are engaged on shore facilities and refinery work. In Nigeria we completed a bitumen plant and also formed a company with the Conder Engineering Co. Ltd. similar to one already formed in Australia for the manufacture and sale of Conder Steel buildings.

Following the completion of our £6 million oil storage scheme for N.A.T.O. in Malta, we are linked with Royal Netherlands Harbour Works Company Ltd. in a contract valued at nearly £2 million, awarded by Bailey (Malta) Limited for alterations to the Naval Dockyard.

Millspaugh Wimpey Limited, owned jointly with Millspaugh Ltd., obtained a contract valued at over £3 million for a complete pulp and paper mill in Yugoslavia.

CENTRAL LABORATORY

Many authorities in Great Britain and abroad entrusted us with site investigations, a particular feature being marine investigations involving the collection of hydrographical and meteorological data and geophysical explorations.

Equipment was developed for drilling and grouting large steel tubes into the rocky seabed in the construction of dolphins for a tanker berth for Abu Dhabi Marine Areas Ltd., in the Arabian Gulf.

Our hydraulics laboratory constructed and operated models for a number of leading consulting engineers.

STAFF AND WORKPEOPLE

I know you would wish me to record our warm appreciation of the efforts of our staff and workpeople throughout the world. Their loyalty, hard work and enthusiasm during the year have been beyond praise.

As to the current year, since our industry depends, above all, on general confidence in the country's economic future and this confidence is an intangible very hard to gauge, I have never found it more difficult to attempt to assess the prospects. But our operations and resources cover such a wide field that I expect we shall secure a full share of whatever work is available.

BICC

SIR WILLIAM McFADZEAN'S STATEMENT

The following are extracts from the circulated statement of the Chairman, **Sir William McFadzean, CA, Companion IEE,** on the 1961 Accounts.

TRADING RESULTS

1961 was a year of great activity in the BICC Group and also one of considerable achievement.

The recovery in overall profit rate on sales to 4.3% from 4.0% in 1960 is certainly welcome, but the present returns are still inadequate having regard to the vast sums we must spend on research, development, new plant, and the like, and the onerous technical commitments our progressive Group must undertake.

SOME DETAILS OF GROUP ACTIVITIES

Power Cables.—Production has been at a record level, and the good load factor in the Parent Company, W. T. Glover & Co., Ltd., and Scottish Cables Ltd. has permitted very efficient use of the plant.

At our Erith Works we received the largest cable contract ever placed by the Central Electricity Generating Board, for the supply and installation of 132,000 volt oil-filled feeders from Lessness (Belvedere) to Wimbledon, value £1,750,000.

Scottish Cables received the South of Scotland Electricity Board's 1962 annual contract for the supply of underground cable worth over £1,500,000.

Important overseas orders included one from the Central Electricity Board of Malaya for 132,000 volt oil-filled cable and lower voltage cables, with a total value, including overhead transmission line, of some £330,000; one from Hongkong for 66,000 volt oil-filled cables, value £435,000; and another from the Karachi Electricity Supply Corporation for the supply and installation of 66,000 volt oil-filled cables, value £100,000.

Submarine Power Cables.—In the face of intense international competition we were proud to receive the contract, value £2,700,000, from the New Zealand Electricity Department for the supply and laying of three 25½-mile lengths of single core 250,000 volt d.c. cables to provide a power link between the North and South Islands. These cables will be laid by British Insulated Callender's Construction Co. Ltd.

Metals.—The BICC Group's consumption of aluminium has further increased and we continue to be the largest individual purchaser of copper in the world, our 1961 figure reaching the record level of 250,000 tons.

Output at British Copper Refineries Ltd. was a record at 103,000 tons, one-third of which went in direct exports—a substantial increase over 1960. The productive capacity has recently been increased by some 20%, the benefits of which should be progressively felt during 1962.

Thomas Bolton & Sons Ltd., in which we acquired all the outside interests during the year, continues to maintain its eminent position in the field of copper and copper alloy products. Export orders showed a further increase – those to Europe being 30% up on last year.

Telcon Metals Ltd. has also had a successful year, and world-wide demand for the Company's products resulted in record sales with 27% being exported.

Construction.—Since our Construction Company was set up in its present form in 1949 to provide specialist services primarily in support of our electrical manufacturing interests, it has achieved a record of steady expansion, averaging a 12½% per annum growth in turnover. During 1961 one quarter of the business was in respect of overseas orders received from every Continent.

Work on the 400,000 volt overhead line crossing of the River Thames at West Thurrock for the Central Electricity Generating Board was successfully completed ahead of time, in spite of the many new problems this challenging contract presented. The main towers are 630 feet high and carry the 2¼ inch diameter smooth-body steel-cored aluminium conductors 250 feet clear above the river on a span which is nearly seven-eighths of a mile long.

The Central Electricity Generating Board is embarking on an extensive network of 400,000 volt overhead lines and on the conversion of many 275,000 volt lines to 400,000 volt working. We have been successful in obtaining orders totalling some £8,000,000 in connection with this most important work.

OVERSEAS AFFAIRS

For 1961 our direct exports from this country and sales by overseas subsidiaries amounted to £46,000,000, or some 30.4% of our total sales—with export orders on hand at a record level. The real contribution is, however, greater, for many of our products sold to customers in the United Kingdom are incorporated in manufactured goods finally sold overseas.

A notable feature during 1961 has been the developing prospect before us in Europe. Whatever may be the outcome of the Government's negotiations regarding Britain's possible entry into the European Common Market, I envisage a liberalisation of trade with European countries in the years to come—a prospect which confronts us with a great challenge and, I believe, with an even greater opportunity.

With these prospects before us we have recently formed jointly with Felton & Guilleaume—with whom we have had a long and happy technical collaboration—a Company called European Cables Ltd.

I believe we can look forward to a great expansion of World trade, the volume of which has almost doubled in the last ten years. Surely this trend will continue with the growing prosperity of this World and the movement towards the abolition of tariffs and quotas.

We must, and can, participate to the full, for I believe a vital part in our future expansion lies in the export field.

FUTURE PROSPECTS

I believe that the universal movement towards higher standards of living to which our Group endeavours to make its full contribution, will continue in the future certainly no less rapidly than in the past.

We have certainly increased our capacity and improved our capabilities. In my view we are now better equipped and better organised throughout the Group than ever before to face the challenge of national and international trade in a World of ever-widening opportunity. We shall face fierce competition and have our problems, but in the absence of abnormal circumstances I and my colleagues look forward to the future of the BICC Group with confidence and high hopes.

THE BICC GROUP

Consists of 9 Divisions of the Parent Company and 44 Operating Subsidiary Companies
Employs 41,000 people
Manufactures in 11 Countries
Trades in well over 100 countries

	1961	1960
Issued Capital, Debenture and Loan Stocks ...	£36,664,000	£28,406,000
which has been provided by	41,000 Stockholders	35,000 Stockholders
Total Assets employed	£112,303,000	£106,385,000
Total Sales	£151,000,000	£143,000,000
Direct Exports and Sales by overseas subsidiaries	£46,000,000	£45,000,000
Total Profits—		
Before Tax	£8,006,000	£6,933,000
After Tax	£5,141,000	£4,640,000
Dividend on Ordinary Stock—		
Rate	13½%	13½%
Amount (Net)	£1,797,000	£1,559,000

BRITISH INSULATED CALLENDER'S CABLES LIMITED

The Swan Hunter Group



THE CHAIRMAN,

Mr. John Hunter, on the Shipbuilding Outlook

	1961	1960
GROUP PROFIT BEFORE TAX	£2,647,000	£2,613,000
GROUP PROFIT AFTER TAX	£1,616,000	£1,419,000
PREFERENCE DIVIDEND	£32,000	£31,000
ORDINARY DIVIDEND AND BONUS	£560,000	£557,000
WORKMEN'S PROVIDENT FUND	£111,000	£100,000

PROSPECTS

There is, as yet, no sign of any improvement in the world shipping situation and the demand for new ships is, if anything, lower than when I reported to you last year. In these circumstances, competition for the contracts available remains keen and profit margins, where existent, very small.

On the other hand, shiprepairing activity improved somewhat last year and remains reasonably buoyant, though increased earnings from this source depend on increasing turnover. For many reasons it is extremely difficult to forecast the outcome of trading in the current year, but only a small number of the new construction contracts on hand are scheduled for completion in 1962 and our income from this source will be markedly reduced. In consequence, the overall profit position will certainly be less satisfactory than in 1961.

Despite an adverse trend, the order position, taking the Group as a whole, remains comparatively favourable and though it is necessary to continue strenuous efforts to secure more work, all the available evidence suggests that the competitive ability of our companies is, in general, of a high order.

PRODUCTION

Nine ships, a floating dock and a mobile works barge were launched by the Group during 1961, representing 117,900 gross tons in comparison with 111,900 gross tons in the previous year.

Ships delivered included the passenger liner "Principe Perfeito", built for Companhia Nacional de Navegacao, Lisbon, and the 65,000 tons d.w. oil tanker "Solen" built for Shell Tankers Ltd.

The Dry Docks Departments repaired in dock or afloat 494 ships with an aggregate gross tonnage of 3,792,000 tons (1960: 4,136,000).

The Tender submitted jointly last year with Vickers Ltd. for the new Cunarder was the lowest and the most attractive technically and had the contract been placed it would have come to the Tyne. The postponement was disappointing but we have every reason to be satisfied with our efforts in this direction.

GENERAL

The British shipowner remains, and is likely to remain, the mainstay of the British shipbuilding industry but, with certain exceptions, British owners are not in a position to order new ships at the present time. We have the paradoxical situation that foreign owners can build ships here on more advantageous terms than British owners and British owners can build abroad on better terms than in this country.

The British merchant fleet earns or saves between £600 millions and £700 millions per annum in foreign exchange and though it can be said that the necessity for special taxation treatment of the shipping industry has already been recognised by the granting of the 40% investment allowance, unfortunately in the present unprofitable condition of the shipping industry this is, in most cases, of little assistance. In view of the vital importance of British shipping to our balance of payments British owners building ships in this country should be enabled to receive at least the same credit terms as our banks and insurance companies give to foreign shipowners.

Extracts from the Chairman's Statement. Copies of the full statement and accounts can be obtained from the Secretary, Wallsend Shipyard, Wallsend, Northumberland.

THE SWAN HUNTER GROUP OF COMPANIES · SWAN, HUNTER & WIGHAM RICHARDSON, LTD · BARCLAY, CURLE & CO. LTD
THE WALLSEND SLIPWAY & ENGINEERING CO. LTD · THE HOPEMOUNT SHIPPING CO. LTD · M. W. SWINBURNE & SONS, LTD
BRIMS & CO. LTD · TITAN CRANE LTD · HUBBARD COMBUSTION LTD

BANK LEUMI LE-ISRAEL B.M.

CONTINUED SATISFACTORY GROWTH

The eleventh Annual General Meeting of the Bank, being the sixtieth since the establishment of the business of the Anglo-Palestine Bank, was held in Tel-Aviv on April 15, 1962.

In his address the Chairman, **Dr Y. Foerder,** pointed to the Bank's 60 years of service and to the important role it had played in re-building the country both before and since the establishment of the State of Israel. He then drew attention to the Bank's satisfactory growth in 1961. Total assets had increased by IL167 million (or 29.3 per cent) to IL739 million. Both the amount and the percentage of growth were larger than in all recent years.

Current, deposits and savings accounts had risen from IL455 million to IL591 million including IL71 million of special Government deposits. Advances and Loans had risen from IL177 to IL217 million. Documentary credits, guarantees, etc., from IL108 million to IL131 million. Eleven new branches had been opened, bringing the total up to 136.

The Consolidated Assets had grown most markedly during the year from IL822 million at the end of 1960 to IL1,200 million or by 46 per cent. This reflected in part the first inclusion of the Union Bank of Israel which had become a full subsidiary, but mainly the growth of the Bank itself and many of its subsidiaries.

The net profit for the year was IL1,633,850 as against IL1,334,243 for 1960, after the usual provision for taxation, depreciation, etc., and after ample provision for contingencies.

The Bank's capital was small in relation to the size of the business and this had been brought into sharp relief by the recent devaluation of the Israel pound, in view of the Bank's international business. While the Chairman could not yet indicate the Board's plans in detail he stated that arrangements were under way with a view to increasing the Bank's capital.

DEVALUATION

He then dwelt on the recent devaluation of the Israel pound and stressed, in particular, that it did not affect the Bank's accounts very materially as all obligations in foreign currency were properly covered by foreign currency assets. After the devaluation foreign currency deposits and other liabilities as well as the corresponding foreign currency assets were, of course, reflected in the accounts by larger figures in Israel pounds, in correspondence with the new rate, a fact which would undoubtedly increase future balance-sheet figures to no small extent.

The Chairman then referred to the currency devaluation and to the Government's new economic policy. The Bank would do everything possible to help carry this policy into effect. The devaluation itself had been unavoidable, and it was now up to the Government, labour, industry and the general public to exercise all possible restraint so as to prevent too sharp a rise in the cost of goods, services and wages. While credit restraint was very necessary, monetary policy and general economic policy must carefully and consistently mesh together.

The General Meeting approved a final dividend of 6½ per cent, again making 12½ per cent for the year.

HASTINGS AND THANET BUILDING SOCIETY

Chairman reports on excellent year

The 112th Annual Meeting was held at the Chief Office, Thrift House, Collington Avenue, Bexhill-on-Sea, on the 19th April, 1962, and in the course of his speech the Chairman, Lt.-Col. V. C. Donaldson, F.R.I.C.S., F.A.I., said:—

I am happy to be able to report continued success, above-the-average growth, and especially mention the following items:

	£		£
Total assets	44,159,517	Share and deposit receipts	7,811,419
Cash at bank and trustee securities	6,853,589	Mortgage advances	7,918,531
Reserves and surplus funds	1,889,820	Income tax and profits tax	617,500



Lt.-Col. V. C. Donaldson
F.R.I.C.S., F.A.I.
Chairman

Assets

Our Assets have increased by approximately 13%, which is considered to be a splendid achievement, reflecting continued public confidence in the Society, during a period when the Bank rate varied from 5% to 7%. Our liquid funds, increased by over £1.3 million, represent 15.5% of total assets. This is roughly double the statutory minimum necessary to qualify as a 'designated society' and for our shares and deposits to be Trustee Investments.

Shares and Deposits

I am glad to say that the total of our Share and Deposit Accounts has grown by almost £3.5 million. Many savers allow interest to be credited to their capital accounts, thereby more rapidly swelling their nest-egg by interest on interest.

Trustees are, in increasing numbers, investing in our Shares and Deposits, which are now officially in the 'gilt-edged' category. Regular remittances of tax-paid interest, either to themselves or direct to the beneficiaries, are a labour-saving boon to them as well as to the personal saver. All this, with the gratifying knowledge that should it suddenly become necessary to seek withdrawal it can be arranged quickly and without charge.

Our interest rate on Investment Shares was increased from 3½% to 3¾% during the year, the latter being equivalent to practically 6⅛% to those liable to tax at full standard rate. The deposit rate is 3½% (almost 5⅝% gross) whilst our new Bonus Shares offer to regular savers the extremely attractive rate of 4¼% (nearly 7% gross). I cannot too strongly urge you not only to invest your own savings to the limit in our Society but also to recommend it to your families and friends.

Advances

Although during the year we have lent nearly £8 million on mortgages, the demand has exceeded the supply of cash we had available: 95% of this was direct to owner-occupiers and almost the whole of the remainder in an equally good cause—the provision of houses and flats for letting. From our insignificant loss ratio can be deduced the fact that we lend your money with care and an adequate safety margin, but nevertheless, we lend it to people who need it. We do not confine our loans to the man earning £1,000 a year and upwards; we lend also to those in the lower income groups where circumstances warrant it. I have in mind particularly the many tenants who purchased their homes as a result of the decontrolling provisions of the 1957 Rent Act.

Modern trends encourage more people to own their homes and every repayment they make to a Building Society is a hedge against inflation. The borrower is, in the long run, saving because his equity in the property grows as his debt diminishes.

Taxation

Whilst reasonable growth is normally praiseworthy, there is one sphere in which it gives cause for complaint, and here I mean income tax and profits tax. This is costing us well over half a million pounds a year and the 1961 figure exceeded that of 1960 by over £100,000.

However unpleasant it may be, it has come to be an accepted fact that we should all pay a reasonable proportion of our income or profits towards the cost of public services, but for profits tax to be charged to an institution which does not work for profit is an anomaly and a brake on progress.

Offices

The Society's new London Office, at 12/14, Wigmore Street, W.1, was opened on 4th December.

We have also opened new offices in Bexhill Town, Nottingham and Chelmsford, and the work of modernizing our Hastings and Ramsgate Regional Offices is now complete.

Transfers of Engagements

The trend for smaller Societies to merge in larger units continues and since the end of 1961 we have welcomed into our ranks the members of the Chard and District Mutual, the West Lancashire and the Darwen and District Permanent Building Societies. The larger national organization is best able to attract funds, and surmount the vagaries of fluctuating business conditions, and we shall be happy to consider approaches from other Societies who would like to join us.

The Report and Accounts were adopted and New Rules were approved.

A full copy of the Chairman's Review and the Directors' Report and Accounts will be gladly sent on request.

CALEDONIAN INSURANCE COMPANY

The one hundred and fifty-seventh Annual General Meeting of the Caledonian Insurance Company will be held in Edinburgh on May 15, 1962.

The following is an extract from the Statement by the Chairman, **Sir John Imrie, CBE, JP, CA:**

Life Department.—New sums assured after deducting reassurances amounted to £16,378,000, a record for the Company and an increase of almost £4,000,000 on the figures of the previous year. It is gratifying to be able to report such vigorous growth. This is evident from the fact that we have had substantial additions to our Life business in each of nine successive years. Annuities, including Pension Annuities, for £1,009,000 per annum were issued as compared with £790,000 in 1960.

Our Assurance Premium Income increased by £325,000 to £2,013,000 and Annuity Income, including Purchase Prices for Immediate Annuities, at £2,604,000 was higher by £302,000. A rise in Interest Income of £226,000 brought the year's total to just under £1,544,000, and the yield on the Life Assurance and Annuity Fund was £6 19s. per cent before deduction of tax as compared with £7 per cent a year ago. Our net yield was £5 14s. per cent as compared with £5 12s. 1d. per cent in the previous year, a most satisfactory return considering that less than ten years ago our net yield was under 3½ per cent.

On the outgo side, claims by death and maturity rose by £191,000 to £1,131,000, the addition being mainly due to larger payments under maturing Policies. Surrenders at £270,000 were £58,000 higher and Annuities paid increased by £198,000 to £382,000, reflecting the exceptional rise in new Immediate Annuity business. At just under £350,000, Expenses of Management, including Commission, increased by £53,000, more than half of this being accounted for by Commission on our new business. The Life Expense Ratio, however, shows a slight improvement at 17.4 per cent as compared with 17.6 per cent for the year 1960.

The Life Assurance and Annuity Fund now stands at £24,679,426, being more than £3,666,000 over last year, and in this connection I am able to say that the market value of our Stock Exchange Securities substantially exceeds the value placed upon them in the Balance Sheet.

Fire Department.—The Premium Income for 1961 was £2,788,194, an increase of £53,821 on our 1960 figure.

We had an exceptionally good year both at home and overseas, and we have been able to transfer a sum of £140,745 to the Profit and Loss Account.

Accident Department.—The Premium Income for 1961 was £5,343,313 and represents an addition of £141,865 to the 1960 figure.

Marine Department.—The trading continued satisfactory, resulting in a transfer of £70,000 to the Profit and Loss Account.

The Fund at £1,011,165 represents 172 per cent of the Premium Income.

Total Premium Income.—The total Premium Income for all Departments was £13,344,531, compared with £12,526,514 for 1960, an increase of £818,017.

Profit and Loss and Appropriation Accounts.—The amount of interest, dividends and rents (less tax) on Shareholders' Funds was £321,703.

The balance for the year transferred to the Appropriation Account was £363,346 after providing for taxation.

The Directors' recommendations for dealing with the surplus are stated in the Report and, if approved, the balance carried forward will be £699,598.

ARAB BANK LIMITED

Head Office: AMMAN, JORDAN

BALANCE SHEET AS AT 31st DECEMBER, 1961
(To the nearest J.D. (Jordan Dinar))

ASSETS	1961 J.D.	1960 J.D.
Cash in Hand and at Banks	39,076,358	35,683,851
Securities	727,031	1,807,743
Bills Discounted	4,737,446	7,994,662
Loans to Customers	21,133,278	30,767,727
Customers' Liability on Guarantees and Credits (*per contra*)	19,109,874	27,982,480
Bank Premises (*less depreciation*)	1,148,522	1,212,873
Furniture and Equipment (*less depreciation*)	268,170	313,689
Other Assets*	4,697,126	394,344
Total Assets	90,897,805	103,157,369

LIABILITIES	1961 J.D.	1960 J.D.
Deposits and Other Accounts	58,643,219	62,507,695
Bills Payable	246,393	568,843
Guarantees and Credits (*per contra*)	19,109,874	27,982,480
Other Liabilities and Provisions*	1,589,819	1,058,542
Total	79,589,305	92,117,560
AUTHORISED AND FULLY PAID CAPITAL—		
37,500 Founders' Shares (J.D. 10 each)	375,000	375,000
512,500 Ordinary Shares (J.D. 10 each)	5,125,000	5,125,000
Reserve Fund	3,300,000	3,200,000
Special Reserve	1,560,000	1,500,000
Undivided Profits	134,934	132,593
Total	10,494,934	10,332,593
Net Profit (*after providing for Reserves*)	813,566	707,216
Total Liabilities	90,897,805	103,157,369

Abdul Hameed Shoman, *Chairman, Board of Directors* Abdul Majeed Shoman, *Member, Board of Directors*

J.D.=£1 sterling.

* "*Other Assets*" include J.D. 3,278,968 *balance of bank assets of the nationalized branches on 20/7/1961.*

* "*Other Liabilities*" include J.D. 426,334 *the profits of the nationalized branches as at 20/7/1961.*

THE RHODESIA BROKEN HILL DEVELOPMENT COMPANY, LIMITED

(Incorporated in Northern Rhodesia)

NEW PLANT COMMISSIONED

MR H. F. OPPENHEIMER REVIEWS METAL PRICES

Production of lead and zinc for the year under review was again satisfactory and we have been fortunate in that our Southern African markets have, as hitherto, readily absorbed the greater part of our production. The profit for the year, however, was substantially affected by the further weakening of the London Metal Exchange prices for these metals, particularly zinc, during 1961. Our operating profit on zinc was over 45 per cent less than in 1960, and as zinc sales comprised nearly 70 per cent of the total tonnage sold during the year, this factor was mainly responsible for the fall in the profit before tax to £678,000, as compared with £1,156,000 in 1960. In 1961 capital redemption allowances exceeded the profit assessable to tax and no Federal income tax is payable. It has, however, been necessary to appropriate the sum of £15,000 to cover the additional tax payable on the profits for 1960, following the increase in the Federal rates of tax from 7s. 6d. to 8s. in the pound.

FALL IN METAL PRICES

By the beginning of 1961 the London Metal Exchange cash prices for lead and zinc had dropped to £63 and £80 per long ton respectively. Slight rallies in the price of both metals during the first few months of the year were not sustained and prices deteriorated until at the end of the year, lead stood at £60 10s. 0d. per ton and zinc at £71 17s. 6d. per ton. The zinc price subsequently weakened still further during the current year. Markets for both metals in the United Kingdom suffered from increased deliveries from the Eastern bloc and as a result of competition from this source. Commonwealth producers found it necessary to reduce their premium for high grade zinc by £3 per ton with effect from October 1, 1961. The reduction has been passed on to our Southern African consumers and, therefore, represents an additional drop in our realised prices from that date.

When it was decided in January, 1960, to proceed with the installation of the Imperial Smelting Furnace and ancillary plant, it was anticipated, on the basis of the estimated cost of the plant and prevailing metal prices of £70 per ton for lead and £95 per ton for zinc, that dividends could be maintained at a rate of 9d. per unit per annum until the new plant was commissioned, after which it was expected that increased distributions might be practicable. However, the capital cost of the plant has proved substantially higher than originally estimated and coupled with the lower revenue from sales, this has placed a severe strain on the Company's cash resources. Anglo American Corporation of South Africa Limited has assisted us to a major extent in financing the increased cost of the new plant by granting additional loan facilities of £750,000 at 6½ per cent per annum until December, 1963, but in the circumstances the maintenance of an annual dividend rate of

9d. per unit was not justified and we were compelled to declare a final dividend of 3d. per unit which, with the interim of 3d. previously declared, makes a total of 6d. (net) per unit for the year.

INCREASED INSTALLATION COSTS

The increase in the cost of the Imperial Smelting installation, presently estimated at £5,400.000 as against the original estimate of £4,350.000, has been due to a number of factors. In the first place the original cost estimates were prepared on the assumption that the designs supplied by the licensors, as used in the initial installation in Swansea, could be adopted without significant differences at our mine. In the event, it was found that certain sections of this design required extensive modifications, partly because of experience gained in the operation of the Swansea plant while our own was under construction. Other major factors which raised the cost of the plant were difficult foundation conditions, statutory wage increases, a revaluation of the Deutsch mark, and the necessity to aim at a higher standard of waste gas cleaning for health reasons. Finally, it became necessary to employ a design staff in Salisbury to provide the liaison necessary to ensure that the installation of Broken Hill would be up to date and efficient.

At the time of writing, the Imperial Smelting Furnace plant is still undergoing commissioning trials. Although it has not yet been possible to obtain a complete assessment of performance, continuous production of lead and zinc has recently been achieved following initial teething troubles with accessory equipment. It is expected that as experience is gained the plant will soon achieve its full rated production on a steady basis.

The Federal Prime Minister, the Right Honourable Sir Roy Welensky, KCMG, accepted an invitation to open the new plant on April 7, 1962.

FUTURE OUTLOOK

The mine is now equipped to produce large tonnages of zinc and lead at reasonably low cost, although the profits earned will, of course, depend on metal prices. While we may have to face a period when low prices will strain the Company's resources, I am hopeful that prices will soon be restored to more satisfactory levels.

Copies of the annual report and accounts are obtainable from the London office of the company, 40 Holborn Viaduct, E.C.1.

INDEX

The Index to *The Economist* is published quarterly. The subscription rate is 10/- a year; single copies are priced at 2/6 each. The Index to Volume CCII (January to March, 1962) is available from:

The Publisher, 22 Ryder Street, St. James's, London, S.W.1

LABU CHEVIOT RUBBER LIMITED

BENEFITS FROM PAST POLICIES AND PLANS

SIR JOHN HAY ON GROWING IMPORTANCE OF RESEARCH

The Ninth Annual General Meeting of Labu Cheviot Rubber Limited will be held on May 17th in The Queen's Room, Baltic Exchange, St. Mary Axe, London, EC3.

The following is an extract from the circulated Statement of the Chairman, **Sir John Hay, PMN:**

I said in my last Statement that it was not to be expected that the 1961 profit could be at the same level as the previous year's, due to the considerably lower market price for our product which was then prevailing. Over the full year the average London market price for standard grade rubber was nearly 7½d. per lb less than the average for 1960, a fall sufficiently heavy to have a very considerable effect on trading results. In these circumstances it is a matter of much satisfaction to me to be able to submit Accounts which show that our final figure of profit falls little below that of the preceding year. Although we have been helped to this result by an unusually high refund of cesses, paid when the price of rubber was much higher, and by a reduction of export duty, it has by no means been wholly fortuitous. The fruits of past policies and plans expressed in terms of higher output, the possession of modern equipment enabling us to process our product in the form that is most advantageous and a saving in costs have played the more important part in our success.

After providing for United Kingdom and Malayan Taxation and the expenses of the scrip issue and increase of capital, the profit for 1961 was £318,036. The Board has transferred to Reserve £100,000, and now recommends payment of a final dividend of 30 per cent, less tax. Making allowance for the scrip issue the total payment for the year of 40 per cent represents a reduction of only 1⅓ per cent on the previous year's payment.

ESTATE OPERATIONS

Turning to operations on the Estates, I should like to refer first of all to the successful completion of clearing and planting the Glendale jungle reserve. A small proportion (245 acres) was planted in 1960 and the balance which after survey was found to comprise 901 acres, was planted in 1961. A jungle planting on this scale on an isolated estate like Glendale, which is also suffering from competition for available labour from a nearby Government scheme for smallholders, is a quite formidable undertaking. There is a complicated chain of operations from the initial extraction of the valuable heavy timber, through the felling, clearing and burning of the remaining timber and scrub, terracing, weeding and cover crop planting to the actual planting of the rubber. These operations have all to be carefully phased so that all is ready for the planting season in the autumn, and unfavourable weather can cause delays which not only are exasperating at the time but may prove costly in the long run. Our thanks are due to Mr Readshaw, the Glendale Manager, and his staff, for the energy and skill with which this extension has been carried out. On Middleton Estate the replanting of 246 acres of old rubber was successfully completed during the year, and in 1962 we intend to replant 561 acres on that estate.

Production for the year amounted to 12,350,000 lb, which exceeded the 1960 output by 545,000 lb, and represents, for the third consecutive year, an average output per mature acre of over 1,000 lb. The actual figure was 1,078 lb. During my recent visit to Malaya I received from the Agents and the Managers very satisfactory reports of the condition of the Company's estates, and I should like to express to them, to their staff and to all who work under them, our thanks for a very good year's work. At the end of the year Mr Readshaw, who had served the Company for ten years, latterly as Manager of Glendale Estate, decided that for health reasons he must leave Malaya. We are sorry to lose his services and would express our best wishes for his early recovery and for his future welfare.

RESEARCH

On some past occasions I have used this Statement as a medium for brief comment on research, a matter which gains in importance as the industry is made subject to increasing competition. As a Group we have our own research organisation, but on a scale too modest to be capable of dealing with much more than our own domestic problems. For more comprehensive and intensive research we are dependent, in common with others, on the activities of the central research organisations which are financed from the proceeds of a cess levied on exports at the rate of three-quarters of a Malayan cent per lb. Last year the amount so collected in Malaya was approximately $12 million, equal to £1,400,000, and if other rubber-producing territories made contributions at the same rate the amount available annually would be approximately £4 million—a sum sufficient to maintain research over a wide field.

The amount collected in Malaya is used to finance and maintain three organisations, the largest of which is the Rubber Research Institute which operates in that territory. In addition to research it gives an advisory service which, in the main, benefits smallholders. Whilst the desirability for this service is generally accepted, it is important that it should not diminish the resources available for its main purpose—research. In the division of the total funds, the Research Institute receives, as is its due, the largest share. From the very nature of its work its findings are such as can be more clearly appreciated by the rubber producer, for whom its activities have a more evident value than those of the other two organisations. But considerable as its achievements have been, there are still many problems outstanding in the field of rubber production which call for sustained and extensive research. To serve adequately its dual purpose it is necessary that its prior claim on available resources should continue to be fully recognised.

We are grateful to those who through service on committees have done valuable work in reorganising some of the research programmes, which in certain respects and for too long followed along lines laid down in the 1930's and had little relevancy to present problems. In our varied research activities there is a gap which I am sure has not escaped attention. If we are to assess with any accuracy the growth and character of the developing competition of synthetic rubber and substitutes we should not continue to rely on information collected in a rather haphazard and accidental manner. Developments in this field, in all their economic and technical implications, should be made the subject of organised research and study.

OUTLOOK

As is now my custom, at the forthcoming Annual General Meeting I shall report progress for the current year.

JAS. WILLIAMSON & SON, LTD.

UNCONTROLLABLE FACTORS AFFECT PROFITS

INCREASE IN COSTS

LORD PEEL ON NEW DEVELOPMENTS

The 31st annual general meeting of Jas. Williamson & Son, Ltd., was held on April 19th at Lune Mills, Lancaster, **The Rt Hon The Earl Peel,** chairman, presiding.

The following is the chairman's statement circulated with the report and accounts for the year ended December 24th, 1961:

In my statement last year I said that business was bedevilled by factors outside the control of the manufacturer, and that situation continued throughout 1961 with a consequent fall in profits.

You will see that the Net Profit before tax is £260,723 compared with £728,638 after adding £73,000 transferred from General Reserve in 1960. Of this sum taxation absorbs £121,598 compared with £346.748, leaving £139.125 against £381,890. We propose placing £80,000 to Plant Replacement Reserve and recommend a final dividend of 5 per cent less tax on the Ordinary and "A" Ordinary Stock, making a total payment of 7½ per cent less tax for the year. The carry forward is thus reduced from £57,897 to £24,690, but your Directors feel justified in making this reduction since the General Capital Reserve has been increased by £203,749 to £418,029.

This increase is accounted for largely by the sale of the West Ham properties which were transferred from The Leather Cloth Company Limited in 1956, and which produced a surplus of £201,667. You will recall that I mentioned last year that the plant from the West Ham factory had been transferred to Lune Mills and that the factory itself was available for disposal and I am now pleased to report that this asset was realised advantageously.

REASONS FOR DISAPPOINTING FIGURES

There are several reasons for the disappointing profit figures. In the export field which has regularly contributed more than a third to our business, we suffered large falls in turnover in New Zealand, Australia and South Africa, through import and credit restrictions over which we have no control. In other markets we succeeded on balance in increasing our turnover and I look forward to this trend continuing in 1962.

In the Home Trade the continued pressure on the economy with consequent restrictions on credit has adversely affected our sales in the domestic qualities of floorcoverings and there has been a general reluctance on the part of the buying public to spend money on consumer durable goods, and a lack of confidence on the part of the wholesale and retail distributors to stock them. At the time of the announcement of our interim dividend in September there were signs that the second half of the year would show some improvement over the first half, but the upsurge in orders was short-lived and the last three months, which usually constitute an active trading period in our business, proved to be the worst of the whole year. In the main I have been referring to the floorcovering trade, but my remarks apply also to the coated fabric side of our business which has suffered in common with most house-furnishings and textiles.

RESTRICTIVE PRACTICES JUDGMENT

Some two years ago the Linoleum Manufacturers' Association of which we are members, was referred to the Court under the Restrictive Trade Practices Act in respect of the majority of its joint arrangements. These arrangements were fundamentally based on the practice of first fixing a reasonable price for Linoleum and then encouraging members to compete at that price by quality, design and finish. The Linoleum Manufacturers' Association believed very strongly, as indeed I still do, that its practices were clean, fair and more in the public interest than competition by price. We decided, therefore, to defend our arrangements and the case was heard in the Restrictive Practices Court last April. The Court did not find that we had in any way charged excessive prices, but ruled that by force of the statute the majority of our practices must be declared contrary to the public interest.

The consequences of that Judgment will be far reaching, and its most damaging effect is indirect, in the undermining of general confidence. It is always easier to destroy than to construct and the forging of a new pattern of trade to replace practices built up gradually over twenty-five years may well prove a slow and arduous task. Having defended our practices until the case was lost we are, of course, undertaking this task with vigour, but it is only fair to warn shareholders that the effect on profits during the next year or so may be adverse.

NEW DEVELOPMENTS

As against this I would refer to a number of new developments. You will notice in our accounts that during 1961, we increased our plant and buildings by £397,355, and that constructional work in progress at the end of the year is £150.426. The former figure includes the completion of a very fine plant for laminating Sandtan, a rotogravure printed vinyl floorcovering to which I referred in my last report and which we make for our associate company Williamson-Sandura Limited. It is the first stage towards the complete manufacture of Sandtan in this country and although the development of sales has been affected by the generally slow conditions prevailing in the floorcovering industry I am confident it will prove profitable in the long run. The figures also include substantial additions and improvements to our plant for heavy gauge linoleum and a modern and much more efficient plant for vinyl-coated fabrics. Our sales of vinyl floorcoverings increased markedly in 1961, and included Crestalux tiles which have been added to our already well-known Crestaline vinyl products. We shall be expanding very considerably both our capacity and range of these materials during the coming year. The benefit of these investments will be partly felt in 1962 but not fully until 1963.

Profits in 1961 were seriously affected by increased costs brought about by a rise in wages in the first half of the year and an increase in the price of several of our raw materials, notably linseed oil and hessian. These increases have not been wholly passed on to the consumer in the form of increased prices and efforts are being made to counteract them where possible by a reduction in overheads. Our policy over the years of keeping our plant up to date and making use of modern labour-saving devices has helped to this end, but there is a limit to what can be done in this direction.

SOME SALES INCREASED

Although our total turnover in 1961 was lower than in 1960, sales of the heavier contract qualities of linoleum have been maintained or have even increased in volume. Our sales of linoleum tiles were stimulated by the successful introduction of the Florfast adhesive-backed tile—the first of its kind in our industry. With linoleum tiles, Dadolin washable wallcovering and similar articles we are well equipped to cater for the large "do-it-yourself" market.

Finally, I would like once again to thank all our employees for their loyalty and service during a year which has often not been easy. Our joint consultative committees have continued to play a valuable part in maintaining good relations.

The report and accounts were adopted; the proposed dividend was approved; the retiring directors, The Rt. Hon. The Earl Peel, Mr J. D. Taverner and Mr J. M. H. Grey, were re-elected and the remuneration of the auditors, Messrs Viney, Price and Goodyear, was fixed.

BROWN BROTHERS LTD.

SIR RICHARD YEABSLEY'S STATEMENT

The sixty-fifth Annual General Meeting of Brown Brothers Ltd. was held on April 19th in London.

Sir Richard Yeabsley, CBE, JP, FCA, the Chairman, presided. The following is an extract from his circulated statement:

The sales of the Company and its Subsidiaries showed a slight decrease when compared with the figures of the preceding year, mainly due to the recession in Radio and Electrical turnover.

The Net Profit of the Group before charging taxation amounts to £832,664 (£875,524).

Provision for Taxation absorbs £444,801 (£449,860), leaving the Net Profit of the Group for the year, after charging taxation, at £387,863 (£425,664). Of this Group Net Profit £25,730 has been retained in the subsidiary companies, leaving a net profit of £362,133 to be dealt with in the Profit and Loss Appropriation account of the Parent Company.

It is recommended that £125,000 (same) should be transferred to General Reserve, increasing the General Reserve figure to £1,850,000.

The Directors propose a final payment of 11½ per cent on the issued ordinary share capital, which, with the interim distribution of 3½ per cent, already made, makes a total of 15 per cent for the year. This compares with a total distribution of 17½ per cent on the ordinary shares in respect of the year 1960.

The Unappropriated Profit carried forward is increased by £16,572 to £401,556.

TRADING CONDITIONS

Increased sales were recorded for the year in most groups of our business, but there has been a decline in the demands made upon our Radio and Electrical departments.

The number of vehicles on our roads continues to increase and, despite the recession in the automotive manufacturing industry, increased sales were achieved in our Motor departments.

The special departments created for the supply of automotive paint and refinishing products have again made considerable progress.

The number of tyres sold in our Tyre departments has again increased, and as we have opened additional service branches throughout the country, so has the demand increased for the service facilities we offer.

It is pleasing to report that some small increase has been achieved in the sale of cycle accessories, and also in the sales of our Vindec machine.

FUTURE PROSPECTS

We have opened during the year a full branch in Chatham, and specialised service branches in Gloucester and Chester. One additional full branch and several specialised service branches are in course of erection and will be opened during the present year.

Much work has been done over past months in the reorganisation of our business and some saving in labour has been achieved. However, some costs which we cannot control continue to rise. Nevertheless, unless any further control of credit or other restrictions on spending are introduced, we hope to be able to report satisfactory results for the present year.

The report was adopted.

CLERICAL, MEDICAL AND GENERAL LIFE ASSURANCE SOCIETY

A NOTABLE YEAR IN SOCIETY'S HISTORY

OUTSTANDING VALUE AND SECURITY OF LIFE ASSURANCE

The One Hundred and Thirty-eighth Annual General Meeting of the Clerical, Medical and General Life Assurance Society will be held on May 2, 1962, at the Society's Chief Office, 15, St James's Square, London, S.W.1.

Sir John Hathorn Hall, GCMG, DSO, CBE, MC, the chairman, will make the following statement in moving the adoption of the report and accounts:

MUTUALIZATION

Last year I referred to the proposal that the Society should become a wholly independent mutual life office, and I have now to report that the Parliamentary Bill to give effect to that proposal, and to make provision for the management and control of the Society in its new form, received the Royal Assent on May 9, 1961. The broad effects are twofold. In the first place, all profits made by the Society now accrue to the participating policyholders; and in the second place, as a mutual office, the Society will enjoy a constitutional security which should be proof against any attempt to deprive the policyholders of the ownership and control which is now legally vested in them.

NEW BUSINESS

Once again our new business figures show an increase over those of the preceding year, and in 1960, it may be remembered, the total of new net sums assured under individual and group life assurance was 33 per cent higher than the corresponding figure for 1959. The figure for 1961, £18,300,000, not only exceeds that for 1960 but is three times as large as that achieved ten years ago. New deferred annuities for £827,000 per annum were written under our pension contracts, as compared with £668,000 in 1960; and in addition, increments were received to deposits under our old deposit pension scheme which, we estimate, will provide pensions in due course of some £300,000.

New premiums of more than £1,000,000 were secured during the year and, of this sum, the new annual premiums of nearly £750,000 are larger than ever before and show an increase of about 10 per cent on the corresponding figure for 1960.

CLAIMS

Claims by death at £656,000 were unusually light, in spite of the growth of the total sum at risk.

Claims by maturity, amounting to nearly £1,150,000, were heavier than those of 1960. This is a reflection of the increase in the amount of business on our books.

INVESTMENTS

Our investment policy was much influenced by the need to finance mutualization which involved the provision of £4,700,000 during the year. £2,200,000 was immediately available because our investment programme had been adjusted in advance to provide it. The balance of £2,500,000 was provided by means of a bank loan; this is being steadily repaid and stood at £1,800,000 at the end of the year.

After making these payments, and financing outstanding commitments and new opportunities, arising through our valuable property connections, the amount of new money remaining available for stock exchange investment has been relatively small. Some rearrangements have, however, been made in both the gilt-edged and the equity sections of the portfolio in addition to those occasioned by the financing of mutualization.

The gross yield on the Life Assurance Fund is £6 16s. 1d. per cent, and the corresponding net yield £5 2s. 7d. per cent.

PROGRESS OF FUNDS

During 1961, the Life Assurance and Annuity Funds increased from £39,161,000 to £42,164,000, a growth of more than 7½ per cent, which is particularly satisfactory in a year in which substantial cash bonuses were paid.

THE VALUE OF LIFE ASSURANCE

The many and diverse uses to which our policies are put tend to obscure the simple fact that we exist primarily to provide life assurance. There is nothing that we do which is more important or which gives us greater satisfaction than the provision of security for wives and families.

Estate duty and high taxation are formidable impediments to the accumulation of capital and few can achieve by such accumulation full security for their dependants while the need is greatest. A life assurance policy, on the other hand, creates an immediate estate and can be designed to ensure that no dependant is left without proper financial resources. The value of the protection thus provided is, in human terms, incalculable; its cost is small, so small as not seriously to encroach upon the heavy expenditure on luxuries which is customary today. Moreover, whereas the cost of almost everything, luxuries and necessities alike, mounts mercilessly year by year, the cost of family security, provided through the Society, has significantly fallen in recent years. This is something that young married folk, and those not so young, might profitably ponder.

We have, in London and throughout the country, a staff who are eager and able to give skilled advice and assistance in the application of life assurance principles to the practical problems of family life.

JOHNSON GROUP CLEANERS LIMITED

PROVIDING QUICKER SERVICE

NET PROFIT £380,000

The Annual General Meeting of Johnson Group Cleaners Limited will be held in Liverpool on May 16th. In the course of his review, **Mr Douglas Crockatt** says:



Mr Douglas Crockatt JP

The trend of trading during the year strikingly reversed the experience of the year before, which opened badly but ended well. In the first quarter of 1961 trade continued unusually buoyant and there was an exceptional rise in our quarterly profit. The remaining three quarters, however, due to the economic crisis, and unsettled conditions in many industries, proved most disappointing. Turnover rose, but more slowly; costs climbed, but at a greater speed. The ground gained in earnings from January to April was lost in the poorer trading conditions of the later months of the year.

We thus ended 1961 with a reasonable increase in turnover but with a reduced trading profit. The net profit, after a lower tax charge, amounted to £380,000 against £385,000 in 1960. The maintained 10 per cent dividend involves a higher cost owing to the rights issue made last summer and together with the Preference dividends absorbs £187,624. The sum of over £192,000 has been retained in the Group.

The flow of work in this trade is often very variable. The industry is relatively stable in its annual results from year to year but frequently shows violent fluctuations within the trading year. It is for this reason that the Company has never issued quarterly or half-yearly progress reports. In this industry such statements would often prove misleading, providing no true guidance to the experience of the year as a whole.

SHOP UNIT-PLANT DEVELOPMENT

The major trend today in dry cleaning is towards quick service. "On the spot" shop unit-plants are increasing in number, and competition is in consequence intensifying. After some years of initial experiment the Group has made a successful entry into this field and is operating 118 of these shop unit-plants. The results to date are satisfactory. The cost of installing so many modern quick-service plants has been very substantial, and care is needed in integrating their operation with that of our various centralised works. The capital sum already invested in this direction exceeds £570,000. It has been decided that certain development costs forming a relatively small part of this total outlay will be written off over a five-year period. In addition, substantial expenses arising from the programme have been charged to revenue during the year.

As time goes on a satisfactory return on this new investment is confidently expected. Customers are using the new shop plants very freely and there is obvious appreciation of the merits of "on the spot" service. The technical resources of our various centralised works serve to support the service of the shop unit-plants. Dyeing and elaborate and difficult cleaning work is processed at our 15 major works where there are high standards of scientific and technical knowledge and achievement.

Changed methods are therefore giving the Group a new appearance. In addition to the 15 main works we are operating 10 small satellite factories, 118 shop unit-plants, 4 laundries and 1,600 normal receiving offices. The new Johnson Cleaners (South West) Company now operating 111 branches with works at Cardiff and Plymouth has traded profitably in its first full year.

FURTHER MODERNISATION

Other schemes of modernisation, the refronting and refitting of branch offices, together with improvements at certain of our central works, have gone forward alongside this programme. Over 200 branches have had a major refitting carried out during the year. The total expenditure on capital account has therefore been exceptionally high in 1961. It will revert to a somewhat more normal level in 1962.

Professional valuations of further properties of the Group have been recently carried out. The enhanced values are now reflected in these accounts. Lease-back arrangements have been satisfactorily concluded during the year in respect of properties to a value of £108,000. In addition a number of retail shop properties have been sold (mainly owing to compulsory redevelopment schemes) at profits totalling over £50,000. These surpluses are included in the accounts under "Exceptional Items."

In credit squeeze conditions, with a long cold spring and a very late Easter, the present year has not opened in promising fashion. During recent weeks, however, turnover has been running at a more satisfactory level. In the long term, barring any national catastrophe, I am fully confident as to the future of the business.

My colleagues and I are grateful to all in the Group for their services during 1961. In a year of difficulty and active change an excellent spirit of loyalty and co-operation has been shown throughout the business.

LOBITOS OILFIELDS, LIMITED

CHAIRMAN'S STATEMENT 1961

The following are extracts from the Chairman's Statement for 1961 which has recently been circulated to Stockholders:

1961 has been a year of consolidation for the Lobitos Group and satisfactory progress has been made in dovetailing and development of various activities and interests at home and overseas.

In Peru the maintenance of stable prices and economic conditions permitted the continued development of your Peruvian Company's Concessions and consolidation of its market with satisfactory trading results.

In the UK and Eire the marketing Companies and Manchester Oil Refinery have concentrated on the adaptation and development of their markets to the best advantage under the prevailing competitive conditions in the petroleum industry. Construction of the new Distillation Unit and Ancillaries at the Ellesmere Port Refinery was nearing completion.

In Canada progress has been maintained and a significant feature of the year's operations was the commencement of gas exports from Alberta to California. In the Arctic your Subsidiary Company has participated with a consortium in the first well to be drilled in the Arctic Islands.

While the outlook for the current year must be viewed against the background of the intensely competitive conditions in the petroleum industry, it is the aim of your Board to ensure that the Group continues to develop and strengthen its position particularly in the petroleum specialty market. Your Board, however, consider the Group can view the future with reasonable confidence, subject as always to the political and economic conditions which obtain in those countries where the Company has interests.

	Years to 31st December	
	1961	1960
	£	£
Group Profit before taxation	**3,561,537**	3,687,564
Taxation	**1,546,667**	1,588,834
Minority Interests	**120,993**	83,305
Net Profit attributable to Stockholders ...	**1,893,877**	2,015,425
Net Distribution to Stockholders	**623,996**	623,996

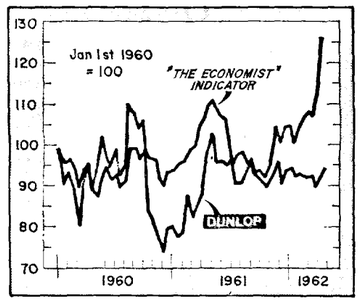
COMPANY AFFAIRS

Both gilt-edged stocks and equities moved higher this week in anticipation of a reduction in Bank rate from 5 to 4½ per cent and further gains were recorded on Thursday afternoon after the reduction had been announced. The announcement that switching operations by proprietary life offices would not be subject to the speculative gains tax strengthened the market in gilt-edged stocks and insurance shares. Property issues were well supported and brewery shares went further ahead after the proposed merger between Whitbread and Flowers had been announced. Several of the leading equities reacted favourably to profit and dividend announcements, though the one from Pressed Steel came as an unpleasant shock; and on the publication of the full report Dunlop made a further advance.

Dunlop's Progress

At 38s. and yielding 4¼ per cent on the maintained dividend of 1s. 7d., covered twice, the 10s. shares of Dunlop are at their high point for the year so far. The stock market was pleased with the company's preliminary report which revealed an improvement in margins in the second half of last year and it had no cause to be other than satisfied with the full report. The fall in sales, from £275 million to £265 million, was due to the exclusion of the results of the Japanese company last year as this company has now become an associate of Dunlop instead of a subsidiary. In volume the group's sales rose by about 2 per cent. Tyres and associated products make up about two-thirds of the group's sales while about two-thirds of all sales and all profits stem from the group's overseas activities. Exports from this country rose by about 13 per cent last year and profits from overseas activities as a whole expanded by about 12 per cent.

Outside the United Kingdom, Germany and France are Dunlop's most important markets but in these countries Dunlop's dependence upon original equipment orders, as opposed to replacement demand for tyres, is less than it is in this country. Not surprisingly, Dunlop's sales and profits were slightly lower in this country, reflecting the lower level of activity in the vehicle industries, among others, and while sales in France were higher, profits seem to have been lower, reflecting stronger competition not merely from domestic companies but also from some American producers. The clear inference is that the German market made an important contribution to the rise in profits. In the last few years Dunlop has been building up exports and sales in the British replacement market (where margins are higher than in the original equipment market) and last year these sales, the



directors say, "largely compensated for the loss of earnings" in the original equipment market. From its miscellaneous range of products, other than tyres, Dunlop appears as a whole to have earned a slightly higher profit.

Dunlop, in fact, has a well balanced range of products and it is very much an international company. Again, it spent more on capital account abroad last year than it did at home: £7¼ million by overseas companies and £5½ million by British companies though in both instances the emphasis was more on replacement and modernisation than on expansion. Capital expenditure at this rate left the group heavily in debt to the banks, but since the end of the financial year the company has raised about £12 million by a debenture issue. End-year capital commitments amounted to nearly £7 million and it would be surprising if capital spending fell very much below the rate of recent years.

	1957	1958	1959	1960	1961
	£ mil.	£ mil.	£ mil.	£ mil.	£ mil.
Sales	231·0	243·0	261·0	275·0	265·0
Trading profit	19·9	19·8	22·5	23·2	24·8
Gross profit	12·5	12·2	14·1	13·9	14·9
Net equity earnings	3·7	4·3	5·5	5·1	5·3
Retained cash flow	8·6	8·8	10·4	10·7	11·4
Net fixed assets*	52·5	60·4	64·6	69·7	74·1
Net current assets	60·1	55·3	56·5	58·1	56·9
	Dr.	Dr.	Dr.	Dr.	Dr.
Net liquid assets	11·4	9·8	17·0	18·1	14·4
Net equity assets	56·8	60·5	64·7	67·2	70·2
	%	%	%	%	%
Ord. earnings	25·6	28·2	34·1	32·1	33·5
Ord. dividend	11·2	13·0	15·0	15·83	15·83
Gross profit/sales	5·4	5·0	5·4	5·1	5·6
Gross profit/net equity assets	22·0	20·2	21·8	20·7	21·2
Net earnings/net equity assets	6·5	7·1	8·5	7·6	7·5

Price (10s. shares): 38s. Earnings yield: 8·8%.
Dividend yield: 4·2% equal to 11·1 years' earnings.
* Including investments and goodwill.

To justify this expenditure, Dunlop must seek to improve the return it earns on the capital it employs. It succeeded in doing so last year, when the great majority of companies earned less. This is partly due to the more stable price of natural rubber and the greater use of synthetic rubbers (the proportion of which in Dunlop's total consumption rose from 44 to 47 per cent last year); indeed the directors specifically say that these two factors had a "significant effect on material costs" which was only "partly offset" by higher labour and other costs and lower selling prices. But behind the reckoning of costs and profits lies a more enterprising spirit among the managers of Dunlop and this ultimately explains why investors are prepared to give the stock a higher ranking than they did, say, in the middle of the last decade. But the prospect is one of steady growth in competitive markets, not a spectacular bound forward.

BICC

Commenting on the 1961 results of British Insulated Callender's Cables, the chairman, Sir William McFadzean, says that "the outstanding general features of the year were the heavy demand for practically all our goods and the necessity almost throughout of quoting extremely keen prices to obtain orders." BICC's turnover rose by 5½ per cent from £143 million to £151 million and its trading profits by 16 per cent from £9.4 million to £10.9 million. Sir William says that the improvement "is mainly due to the benefits of increased turnover, heavy capital expenditure in recent years and the still further improvement achieved in overall efficiency coupled with some recovery in prices . . . from the uneconomic levels previously applying." Compared with 1960 the gross profit margin on sales rose but this is not the full story, for the rise of 9 per cent in the physical volume of output only brought about a rise of 5½ per cent in the value of sales. A bigger tax charge trimmed the rise in net profits to 11½ per cent from £3,326,000 to £3,719,000, while an acquisition issue and a one-for-seven rights issue raised the monetary cost of the maintained ordinary dividend of 13½ per cent, now covered just over twice by earnings.

	1957	1958	1959	1960	1961
	£ mil.	£ mil.	£ mil.	£ mil.	£ mil.
Sales	111·0	110·0	128·0	143·0	151·0
Trading profit	7·8	8·8	9·0	9·0	10·9
Gross profit	5·4	6·3	6·8	6·9	8·0
Net equity earnings	2·4	3·0	3·9	4·2	4·8
Retained cash flow	3·1	3·8	4·7	5·3	5·9
Net fixed assets	20·7	22·5	27·0	28·4	30·1
Net current assets	32·6	31·8	35·7	37·0	47·1
Net liquid assets	0·3	1·3	Dr. 1·7	Dr. 6·6	...
Net equity assets	45·6	47·3	56·8	59·6	68·3
	%	%	%	%	%
Ord. earnings	22·9	33·9	28·6	28·6	27·3
Ord. dividend	12·5	13·5	13·5	13·5	13·5
Gross profit/sales	4·9	5·7	5·3	4·8	5·3
Gross profit/net equity assets	11·8	13·3	12·0	11·6	11·7
Net earnings/net equity assets	5·3	6·3	6·9	7·0	7·0

Price (£1 shares): 62s. 9d. Earnings yield: 8·7%.
Dividend yield: 4·3% equal to 11½ years' earnings.

The balance sheet reflects the proceeds of the rights and debenture issues, amounting to £14.9 million in all, with the net overdraft of £6.6 million at the end of 1960 giving way to a cash balance of £48,000. End-year capital commitments amounted to £2.3 million and Sir William says there will be continued investment and draws attention to "a fearless approach to capital expenditure." But Sir William does not say whether the group will be able to cover its future expenditure by retentions from profits, which including depreciation amounted to over £6 million last year, or whether BICC will have at some time to come to the market again. On the subject of profits Sir William makes no specific forecast; he says that last year the group sold over 30 per cent of its output abroad and export orders are at a record level. He adds that "we have increased our capacity and improved our capabilities. In my view we are now better equipped and organised than ever before to face the challenge of national and international trade." At 62s. 9d. the £1 shares yield 4.3 per cent and reflect some, at least, of this optimism.

Shipbuilding Results

On Tyneside, **Swan Hunter and Wigham Richardson** did remarkably well last year with a fall of only £8,000 to £2,089,000 in gross profits from trading and a rise in net income from £1,419,000 to £1,617,000 reflecting a lower tax charge and bigger realised profits on investments. Shareholders receive an unchanged dividend of 12 per cent, and other British shipbuilders must feel envious. Clearly earlier development and modernisation has made Swan Hunter a markedly efficient shipyard; in association with Vickers, it will be recalled, it submitted the lowest tender for the Q3. But the outcome of a year's trading in shipbuilding is dependent upon the number of completions and Mr John Hunter makes it plain that profits this year will be less satisfactory than last, for only a small number of construction contracts are scheduled for completion.

The demand for new ships continued to fall; competition is keen and profit margins, where they exist, are very small. Mr Hunter describes ship-repairing as "reasonably buoyant" though he adds the qualification that higher earnings from this source depend upon increasing turnover. The order book is "comparatively favourable" though it must be slimmer than it was. Obviously this is going to be a more difficult year for Swan Hunter; but the group is well provided with liquid resources and the fall in profits would have to be very sharp to lead to a cut in the dividend. The 7¼ per cent yield offered by the £1 shares at 33s. 3d. xd is not in these circumstances unreasonable.

On Merseyside, **Cammell Laird** appears to have earned a higher profit from its shipbuilding and marine engineering interests last year but received smaller dividends from its interests in steel and railway rolling stock through its shareholdings in English Steel and Metropolitan Cammell Carriage and Wagon, for while its gross income has fallen from £812,000 to £660,000 the investment income included within this total has fallen more sharply, from £619,000 to £387,000. When they maintained the interim dividend at 3 per cent in September the directors referred to a falling off in demand for steel plates and railway rolling stock and these, together with difficulties in the shipyard, would, they said, result in an appreciably lower profit. They added that it was unlikely that the total dividend would be maintained at 12 per cent. Shareholders were thus given ample warning and they should not be surprised now by the reduction in the total dividend to 10 per cent following the fall in net income from £622,000 to £584,000. On the lower dividend the 5s. shares at 5s. 3d. yield 9½ per cent.

Pressed Steel

The passing of the interim dividend in November and the warning from the directors that the 1961 results would be most disappointing prepared the shareholders of Pressed Steel for bad tidings. But they can hardly have anticipated such a violent swing from profit to loss as is revealed in the company's preliminary announcement. After charging expenditure of £778,000 incurred by aircraft subsidiaries (including BEAGLE) on the design and development of prototypes, Pressed Steel made a net loss of £2,668,000 last year, compared with a net profit of £1,885,000. As the loss is struck after crediting tax write-backs of £962,000 and as the 1960 net surplus was struck after charging £1,069,000 for tax, the swing in the trading surplus is from a profit of just under £3 million to a loss of over £3½ million. The ordinary dividend has been cut from 30 per cent to a nominal 5 per cent.

The directors explain that the motor body division was hit by the trade recession and by numerous strikes in the motor industry and that, in addition, it had to bear extra heavy costs associated with the bringing into production of new manufacturing facilities. The railway division suffered from the general scarcity of home and export orders. The refrigerator division was hit by credit restrictions, intense competition and price cutting; stocks had to be written down and extra costs were involved in transferring manufacturing facilities to the new Swansea factory. The division is still faced, the directors say, with "many uncertainties," but the railway division is doing slightly better and the results of the motor body division in the first quarter are described as "encouraging." As a result Pressed Steel returned to profitable trading in the first quarter of this year. But the size of last year's loss came as a shock to the stock market, where the 5s. shares lost 2s. to 16s. 4½d.

Reyrolle

In his statement with the accounts of Reyrolle, the electrical engineers, the chairman, Mr H. H. Mullens, refers to encouraging signs for the future. A year ago the order book was improving after a period of serious shortage of work; the improvement has continued and orders received in 1961 were a record. The improvement was not, however, fully reflected in output last year, as the effects of short-time working in 1960 spread over into 1961. Together with the slender margins on certain orders accepted earlier by the group this led to a fall of 7½ per cent in trading profits from £2,199,000 to £2,029,000. Interest and dividend income rose from £701,000 to £759,000, reflecting the higher dividend paid for 1960 by C. A. Parsons in which Reyrolle has a 20 per cent holding. But this was more than offset by a heavier tax charge and net profits fell by 11 per cent from £1,560,000 to £1,381,000, slightly reducing the cover on the maintained ordinary dividend of 9¾ per cent to 2½ times. The £1 shares at 43s. 9d., yield 4½ per cent.

Mr Mullens attributes much of the expansion in business to new designs developed in recent years. But competition remains fierce and he emphasises the continued pressure on margins; the company is "very near the limit of cost concessions which can be accepted without jeopardising the future." In particular, he notes that the continuing increase in the voltage and capacity of large switchgear require more expenditure on research and development. Obviously shareholders cannot expect much improvement in Reyrolle's financial results this year, for the margins are slim; AEI, in which Reyrolle has an investment, has already cut its dividend for 1961; and C. A. Parsons has left its dividend unchanged.

C. A. Parsons

Mr H. H. Mullens is also the chairman of C. A. Parsons and a year ago he said that profits for 1961 should be at a fairly high level. Now, in a full report that reveals a fall of 45 per cent in trading profits from £5,005,000 to £2,733,000 he says that the results "reflect as well as could be expected the competitive climate in which trading has been done over the last few years" and "the profit for 1961 is much in line with earlier results." The stock market in marking the £1 shares down from 58s. 9d. to 47s. 9d. clearly did not take such a comforting view. It is well aware of the problems facing the heavy electrical manufacturers and marine engineers, but it saw something more amiss than the erosion of margins in the fall of 42½ per cent in net profit from £2,700,000 to £1,551,000; and it was not mollified by an unchanged ordinary dividend of 12½ per cent on which the cover had contracted from just under 4 to 2½ times.

A year ago Mr Mullens said that "lower profits must be expected" after 1961 and he

now affirms that " it will be difficult to maintain the present level of profits," for though orders rose last year they extend over longer periods and the group is working below full capacity.

Babcock and Wilcox

OUTSTANDING surprises in this period of falling margins and lower profits are few and far between and for shareholders in Babcock and Wilcox to receive one was against all the run of expectations. Only last October, when a mere three months of the financial year remained, the directors passed the interim dividend. They then referred to the low level of manufacturing activity in the early part of the year, losses on nuclear power contracts and a number of claims outstanding on contracts. But they also said that provision had been made against nuclear power contracts and that, though there was excess capacity in the boiler-making industry, the order book was fuller than for any time in the four preceding years.

Now they have announced an unchanged total dividend of 9 per cent, covered just over 1½ times, following " the settlement of some of the important outstanding claims and a marked improvement in results during the second half of the year." The group's income before tax has risen from £891,000 to £1,507,000, but this includes a rise in investment income from £251,000 to £424,000. In 1960, moreover, losses of £650,000 were sustained on nuclear power contracts and the gross surplus was struck after providing for these losses ; in 1961 a provision of £150,000 for nuclear power losses was appropriated from the net surplus after tax. Thus, after allowing for these provisions, the rise in the gross profit from trading appears to be from £640,000 to £933,000. It has to be assumed that the accounts are now free of nuclear power losses and the improvement in profits on more conventional contracts and the payment of 9 per cent were enough to push the shares up by 1s. to 28s., to yield 6¼ per cent.

Allied Suppliers

THERE are over 50,000 shareholders in Allied Suppliers—the Home and Colonial and Lipton chain of grocery stores —and the most important of these is Unilever, which owns 12.4 per cent of the ordinary capital and controls 33.2 per cent of the votes. Unilever does not intervene in the management of the group but its presence effectively rules out the idea of a bid from another grocery chain. Thus the shares, standing at 22s. 9d. to yield 4.4 per cent on the maintained dividend of 10 per cent, now covered just over 2¼ times, have to be considered simply in terms of the trading merits of the company. Allied Suppliers is not a supermarketeer ; but over 500 of its 3,700 odd stores have been converted to self-service and its shops have long been established in busy shopping centres. Its shares, fortunately perhaps, have not had the glamorous tag of " supermarket " pinned upon them and its 1961 results suggest that it is meeting fierce competition in the food business with better success. Gross profits are up from £5,158,000 to £5,715,000 and net profits from £1,631,000 to £1,901,000; the group has practically recovered from the 1960 setback, when competitive price cutting in tea and losses on butter and cheese stocks were primarily responsible for the fall in profits. But Allied Suppliers remains essentially a chain of small shops and perhaps the best that can be expected is that it may hold its share of the trade ; the shares seem to have little of the dynamic about them.

Consolidated Zinc and Rio Tinto

CONSOLIDATED ZINC had a bad year in 1961—worse in fact than in any year since 1953, the first year in which lead and zinc were freely traded on the London Metal Exchange after the end of emergency bulk buying. The group had been holding smelter and mine production of lead below capacity since 1959 in accordance with international agreements to support prices. But the group has suffered from disproportionately high overhead charges because of these restrictions without benefiting from the higher prices the restrictions were intended to produce.

Consolidated Zinc's trading profits fell last year from £5,165,000 to £3,454,000 but the tax charge was cut from £1,146,000 to £299,000 presumably partly as a result of tax allowances in respect of Consolidated Zinc's big capital expenditures, which in 1960 amounted to £6 million. Outstanding commitments at the end of the year were £3¼ million. Net profits fell from £2,296,000 to £1,526,000 and the ordinary dividend has been cut by 1s. to 3s. per share.

Consolidated Zinc is heavily committed to develop aluminium in partnership with Kaiser Aluminium. It therefore needs the reinforcement that can be provided by Rio Tinto's uranium income under the proposed merger between the two companies. Rio Tinto's preliminary results show the expected expansion in profits. Its income in 1961 rose from £4,635,000 to £7,150,000, the beginning of the flow of earnings from the group's uranium interests in Canada being mainly responsible for the rise.

An increase from £375,000 to £1,057,000 in the group's provision for the amortisation of investments and the rise from £738,000 to £1,235,00 in profits attributable to minority interests has limited the advance in net profits. These have risen from £2,042,000 to £2,881,000 and the ordinary dividend has been raised by 3d. to 3s. a share. The terms of the proposed merger between Consolidated Zinc and Rio Tinto are 41 shares in the new holding company for every 20 Rio Tinto 10s. units and 58 new shares for every 20 Consolidated Zinc £1 units. Rio Tinto registered units stand at 38s. 1½d. compared with a high point of 43s. 9d. this year and Consolidated Zinc £1 shares have fallen to 51s. 6d.

Thomas Tilling

AS much as £386,000 of the increase of £580,000 to £4,896,000 in the gross profits of Thomas Tilling last year came from new acquisitions and only £194,000 from the businesses in which the company had earlier secured an interest. At the same time the group's turnover rose from £55,369,000 to £65,743,000, and to this increase new acquisitions contributed £3,007,000 and existing interests £7,367,000. Thus it becomes clear that Thomas Tilling's diverse range of industrial interests was, like most of British industry, earning smaller margins on sales.

The chairman, Mr Lionel Fraser, considers the results " really gratifying " in view of the " general malaise in business and the pull on margins and profits " though he admits that the beginning of 1961 held out the promise of higher profits than those actually achieved. He attributes the lack of buoyancy to the credit squeeze, higher costs and the bad weather (which hit the building industry particularly hard). The fact remains, however, that in a difficult year of trading Thomas Tilling, which has always been rated in the top flight of industrial holding companies, earned better profits: earnings from building supplies and services (contributing 25.9 per cent of gross profits), engineering (12.6 per cent) and insurance (13.7 per cent) " more than redressed the balance of others less happily placed."

The ordinary dividend was maintained at 20 per cent on the capital as increased by acquisition issues and the one-for-nine rights issue. Despite the £3.2 million injected by the rights issue, the group's bank overdraft was only £598,000 lower at £3,628,000 at the year-end. Thomas Tilling has done well and Mr Lionel Fraser can fairly claim that shareholders will find 1962 " to their satisfaction." But a lot of growth is implied in a dividend yield of 2.8 per cent and an earnings yield of 6.2 per cent offered by the 4s. shares at 28s. 6d.

The Economist Indicator (1953=100)

1962	Indicator	Yield %	1962	
			High	Low
Mar. 21	347·9	5·08		
,, 28	346·3	5·12		
Apr. 4	355·3	5·03		
,, 11	362·7	4·94	364·4 (Jan. 17)	346·3 (Mar. 28)
,, 18	355·8	5·08		
,, 25	359·4	5·03		

Financial Times Indices

1962	Index †	Ord. Yield	2½% Consols Yield	Bargains Marked
April 17	298·2	5·27	6·12	14,588
,, 18	298·6	5·27	6·12	14,749
,, 19	299·2	5·25	6·13	14,835
,, 24	301·4	5·22	6·13	16,286
,, 25	302·3	5·20	6·12	15,129

High, 310·2 (Jan. 19). Low, 291·4 (April 2).
† July 1, 1935=100.

Money and Exchanges

EXCHEQUER RETURNS

For the week ended April 21, 1962, there was an "above-line" deficit (after allowing for sinking funds) of £20,024,000 compared with a deficit of £13,281,000 in the previous week and a deficit of £24,289,000 in the corresponding period of last year. There was a net receipt "below-line" of £43,686,000 leaving a total cumulative deficit to date of £61,690,000 compared with £125,000,000 in 1961–62.

£'000	Estimate 1962–63	April 1, 1961, to April 22, 1961	April 1, 1962, to April 21, 1962	Week ended April 22, 1961	Week ended April 21, 1962
Ordinary Revenue					
Income Tax	2,790,000	68,410	66,665	24,154	21,906
Surtax	188,000	11,800	11,800	2,500	2,800
Death Duties	264,500	18,200	14,600	5,800	4,100
Stamps	95,000	6,000	7,000	1,900	1,600
Profits tax, EPT and EPL	374,000	12,500	14,900	3,100	3,100
Other Inland Rev. Duties	...	...	...	...	...
Total Inland Rev.	3,711,500	116,910	114,965	37,454	33,506
Customs	1,653,000	97,356	88,407	29,327	32,084
Excise	1,077,000	17,180	16,715	6,280	9,960
Total Customs and Excise	2,730,000	114,536	105,122	35,607	42,044
Motor Duties	150,000	3,607	6,274	...	...
Broadcast Lic's.	41,000	2,500	2,600	2,500	2,600
Miscellaneous	165,000	8,137	7,065	1,003	242
Total	6,797,500	245,690	236,026	76,564	78,392
Ordinary Expenditure					
Debt Interest	600,000	54,076	36,650	7,656	5,685
Payments to N. Ireland Exch.	100,000	3,028	3,267	...	...
PO Fund — Initial settlement	...	...	...	...	...
Other Consolidated Funds	12,000	440	370	27	21
Supply Services	5,611,650	265,330	264,000	92,830	91,900
Total	6,323,650	322,874	304,287	100,513	97,606
Sinking Funds	41,000	1,010	1,345	340	810
"Above-line" Surplus or Deficit	—	78,194	69,606	24,289	20,024 Cr.
"Below-line" Net Expenditure*	46,806	Cr. 7,916	16,925	Cr. 43,686	+
Total Surplus or Deficit	125,000	61,690	41,214	23,662	
Net receipts from :					
Tax Reserve Certificates		5,791	4,471	1,499	1,432
Savings Certificates		− 3,400	1,600	1,300	− 800
Defence Bonds		2,830	1,230	1,407	675
Premium Savings Bonds		1,700	1,700	900	800
Total		6,921	9,001	5,106	2,107

* Net receipt of £10 million the Civil Contingencies Fund in 1962–63 compared with £5 million in 1961–62.

FLOATING DEBT

(£ million)

	Treasury Bills		Ways and Means Advances		Total Floating Debt
	Tender	Tap	Public Dept.	Bank of England	
1961					
Apr. 22	3,140·0	1,911·3	336·3	...	5,387·6
1962					
Jan. 20	3,250·0	2,147·4	326·4	...	5,723·8
,, 27	3,190·0	2,163·1	217·9	1·8	5,572·8
Feb. 3	3,120·0	2,115·6	242·6	7·8	5,486·0
,, 10	3,070·0	1,989·0	246·8	...	5,305·8
,, 17	3,040·0	2,302·6	275·4	5·0	5,622·9
,, 24	2,990·0	2,382·5	207·4	...	5,579·9
Mar. 3	2,950·0	2,481·4	236·7	5·0	5,673·1
,, 10	2,960·0	2,435·5	248·2	0·8	5,644·4
,, 17	2,960·0	2,423·9	251·1	...	5,635·0
,, 24	2,980·0	2,391·6	290·8	...	5,662·5
,, 31	3,000·0	2,330·6	260·7	...	5,591·3
Apr. 7	2,980·0	2,400·5	253·0	2·3	5,635·8
,, 14	2,970·0	2,433·5	254·1	5·0	5,662·7
,, 21	2,960·0	2,448·7	226·0	3·3	5,638·0

THE MONEY MARKET

THURSDAY'S cut in Bank rate from 5 to 4½ per cent was fairly widely expected in the City. It was followed by the usual corresponding cuts in the money market's fixed rates. The discount market had already brought the Treasury bill rate down to 4½ per cent: at the previous week's tender the market increased its agreed bid by a further 4d. to £98 18s. 8d. This brought the fall in the bill rate since the previous cut in Bank rate at the end of March to ⅝ per cent, and the market has recently been paying more for its marginal finance than it has been earning on the bills it has taken up. Last week the authorities cut the bill allotment by £10 million to £220 million but total applications fell by £19 million to £387 million and the market received an allotment of 46 per cent compared with the previous week's 41 per cent.

Credit has been notably easier in the past week. There was no borrowing at Bank rate and only once did the authorities find it necessary to help the market by the special purchase of bills. On Wednesday funds were so plentiful that the authorities sold a fairly large number of bills to absorb the surplus credit.

MONEY RATES

LONDON

	%		%
Bank rate (from 5%, 26/4/62)	4½	Discount rates Wed.: Bank bills :	
Deposit rates		60 days	4 7/16–4 ½
(7 days' notice) :		3 months	4 7/16–4 ½
Banks	2½	4 months	4 7/16–4 ½
Discount houses	2½–2¾	6 months	4 7/16–4 9/16
Local Authorities	4⅞		
Call money :		Fine trade bills :	
Clearing banks' minimum	2⅞	3 months	5¾ –6½
		4 months	5¾ –6½
		6 months	6 –7

NEW YORK

	%		%
Official Discount rate (from 3½%, 11/8/60)	3	**Treasury Bills :** April 16	2·723
		,, 23	2·740

BANK OF ENGLAND RETURNS

(£ million)	April 26, 1961	April 18, 1962	April 25, 1962
*Issue Department** :			
Notes in circulation	2,265·4	2,337·1	2,347·7
Notes in banking dept.	59·9	38·2	27·7
Govt. debt and securities*	2,323·2	2,374·0	2,374·0
Other securities	0·8	0·8	0·8
Gold coin and bullion	0·4	0·4	0·4
Coin other than gold coin	1·0	0·3	0·3
Banking Department :			
Deposits :			
Public accounts	13·0	15·5	13·4
Special deposits	150·1	231·8	231·8
Bankers	239·8	279·3	261·0
Others	68·7	72·0	73·0
Total	471·6	598·6	579·1
Securities :			
Government	374·2	501·8	517·4
Discounts and advances	36·0	56·7	32·2
Other	18·5	18·7	18·9
Total	428·7	577·2	568·4
Banking department reserve	60·8	39·1	28·5
" Proportion "	12·8 %	6·5 %	4·9 %

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue increased by £50 million to £2,375 million on March 7th.

TREASURY BILL TENDERS

Date of Tender	Amount (£ million) Offered	Applied for	91 day Bills Average Rate of Allotment	Allotted at Max. Rate *
1961	*91 day*		s. d.	%
Apr. 21	250·0	411·3	89 9·01	38
1962				
Jan. 19	240·0	388·1	106 2·35	63
,, 26	240·0	399·8	104 10·06	61
Feb. 2	200·0	379·4	104 4·93	33
,, 9	230·0	412·8	108 0·74	22
,, 16	220·0	389·8	109 10·81	28
,, 23	220·0	405·6	110 7·47	21
Mar. 2	230·0	382·6	110 11·26	37
,, 9	230·0	396·2	100 5·89	53
,, 16	230·0	411·8	97 7·57	41
,, 23	230·0	408·1	89 0·47	48
,, 30	230·0	392·2	88 1·16	57
Apr. 6	230·0	398·7	87 4·62	46
,, 13	230·0	407·9	86 8·54	41
,, 19	230·0†	386·6	85 4·31	46

* On April 19th tenders for 91 day bills at £98 18s. 8d. secured 46 per cent, higher tenders being allotted in full. The offer for this week was for £220 million 91 day bills.
† Allotment cut by £10 million.

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Effective Limits	Market Rates : Spot				
	April 25	April 18	April 19	April 21	April 24	April 25
United States $	2·78–2·82*	2·81 3/8–1/2	2·81 3/8–1/2	2·81 3/8–1/2	2·81 3/8–1/2	2·81 1/4–3/8
Canadian $	...	2·95 7/16–9/16	2·95 7/16–9/16	2·95 7/16–9/16	2·95 7/16–9/16	2·95 5/16–7/16
French Fr.	13·622–14·027	13·79–79 1/4	13·78 5/8–7/8	13·78 1/4–79	13·78 1/4–79	13·78 1/4–1/2
Swiss Fr.	11·94–12·54 7/8	12·22 7/8–23 1/8	12·23–23 1/4	12·23–23 1/4	12·23 1/8–5/8	12·21 7/8–22 1/8
Belgian Fr.	137·96–142·05	140·12 1/2–171/2	140·12 1/2–171/2	140·12 1/2–171/2	140·12 1/2–171/2	140·05–10
Dutch Gld.	9·98 3/4–10·28 1/2	10·12 3/8–13 1/8	10·12 3/4–13	10·12 3/4–13	10·12 3/4–13 1/4	10·11 7/8–12 1/8
W. Ger. D-Mk.	11·037–11·365	11·25 1/2–3/4	11·25 3/8–5/8	11·25 1/4–1/2	11·25 1/2–3/4	11·25–25 1/4
Portug. Esc.	...	80·15–25	80·15–25	80·15–25	80·15–25	80·15–25
Italian Lire	1725–1775	1746 3/4–47 1/4	1745 7/8–46 3/8	1746–46 1/2	1746–46 1/2	1745 1/4–3/4
Swedish Kr.	14·27 1/2–14·70	14·48 1/2–3/4	14·48 3/8–5/8	14·48 3/8–5/8	14·48 3/8–49	14·48 1/2–3/4
Danish Kr.	19·06 1/2–19·62	19·40 1/4–1/2	19·39 7/8–40 1/8	19·39 7/8–40 1/8	19·39 7/8–40 1/8	19·39 1/2–3/4
Norwegian Kr.	19·71–20·30 1/2	20·05 3/8–5/8	20·05 3/8–5/8	20·05 3/8–5/8	20·05 3/8–5/8	20·05 3/8–5/8
	* Official Limits	**One Month Forward Rates**				
United States $		9/16–7/16 c. pm	1/2–3/8 c. pm	1/2–3/8 c. pm	1/2–3/8 c. pm	1/2–3/8 c. pm
Canadian $		9/16–7/16 c. pm	1/2–3/8 c. pm	1/2–3/8 c. pm	1/2–3/8 c. pm	1/2–3/8 c. pm
French Fr.		1 3/4–1 1/4 c. pm	1 3/4–1 1/4 c. pm	1 3/4–1 1/4 c. pm	1 1/2–1 c. pm	1 3/8–1 1/8 c. pm
Swiss Fr.		2 7/8–2 3/8 c. pm	2 7/8–2 3/8 c. pm	2 7/8–2 3/8 c. pm	2 3/4–2 1/4 c. pm	2 5/8–2 1/8 c. pm
Belgian Fr.		35–25 c. pm	30–20 c. pm	30–20 c. pm	25–15 c. pm	25–15 c. pm
Dutch Gld.		3/8–1/8 c. pm	1/8–1/16 c. pm	1/8–1/16 c. pm	1/8–1/16 c. pm	1/4–3/16 c. pm
W. German D-Mk.		2 5/8–2 1/8 pf. pm	2 3/8–2 1/8 pf. pm	2 1/2–2 pf. pm	2 1/2–2 pf. pm	2 1/4–1 3/4 pf. pm
		Three Months Forward Rates				
United States $		1 3/8–1 1/4 c. pm	1 5/16–1 3/16 c. pm	1 5/16–1 3/16 c. pm	1 1/4–1 1/8 c. pm	1 1/4–1 1/8 c. pm
Canadian $		1 3/8–1 1/4 c. pm	1 1/4–1 1/8 c. pm	1 1/4–1 1/8 c. pm	1 1/4–1 1/8 c. pm	1 1/8–1 c. pm
Swiss Fr.		7 1/8–6 3/8 c. pm	7 1/8–6 3/8 c. pm	7 1/8–6 3/8 c. pm	6 3/4–6 1/4 c. pm	6 5/8–6 1/8 c. pm
W. German D-Mk.		7 1/8–6 3/8 pf. pm	6 5/8–6 1/8 pf. pm	6 1/2–6 pf. pm	6 1/4–5 3/4 pf. pm	6–5 1/2 pf. pm
		Gold Price at Fixing				
Price (s. d. per fine oz.)		249/2 1/2	249/3 1/4	...	249/3	249/4
,, ($,, ,, ,,)		35·07 1/2	35·07 1/2		35·07 1/2	35·07 1/2

STOCK PRICES

Prices, 1962 High	Prices, 1962 Low	BRITISH FUNDS AND GUARANTEED STOCKS	Price, April 18, 1962	Price, April 25, 1962	Net Red. Yield, April 25, 1962§ £ s. d.	Gross Red. Yield, April 25, 1962 £ s. d.
94 32	90 11 32	Savings Bonds 3%.....1955–65	93 8	94 1 16	3 13 0	4 18 7
98 32	96 1 16	Exchequer 3%.....1962–63	97 31 32	98 1 32	3 4 8	4 16 11
100 15 16	100 15 32	Treasury 5½%.....1962	100 15 32	2 12 2	4 10 10	
96 32	93 1 16	Exchequer 2½%.....1963–64	96 1 8	96 9 32	3 8 11	4 8 3
99 8	98 1 2	Conversion 4½%.....1963	99 31 32	99 3 4	2 10 8	4 19 6
99 16	97 1 16	Conversion 4½%.....1964	98 7 8	98 31 32	3 6 4	5 0 7
100 1 16	98 31 32	Exchequer 5½%.....1966	100 1 16	100 1 32	3 4 4	5 8 2
83 24	82 5 8	Funding 3%.....1959–69	83 15 16	83 5 8	3 12 5	5 18 4
89 8	87 3 4	Funding 4%.....1960–90	88 13 16	88 7 16	3 12 7	5 5 11
80 3 8	78 15 16	Savings Bonds 3%.....1960–70	80 1 4	80 1 8	4 15 1	6 2 11
87 1 2	85	Savings Bonds 2½%.....1964–67	87	87 3 16	4 7 5	5 8 3
71 3 4	70 7 16	Savings Bonds 3%.....1965–75	71 3 8	71 3 4	4 15 4	6 4 4
85 15 16	83 3 16	Funding 3%.....1966–68	85 1 4	85 7 8	4 10 8	5 17 3
86 9 16	84 7 8	Funding 3½%.....1969	86 1 4	86 3 16	4 10 11	6 1 4
96 7 8	92 1 2	Victory 4%.....1920–76	96 5 8	96 7 8	2 19 9	4 12 4
92 5 16	90 3 16	Conversion 5%.....1971	92 5 16	92 5 16	4 3 10	6 6 4
99 1 8	97 1 4	Conversion 6%.....1972	98 11 16	98 11 16	3 18 7	6 6 11
93 3 8	92 1 8	Conversion 5½%.....1974	93 1 8	93 3 16	4 0 10	6 5 5
71 13 16	69 5 8	Treasury 3½%.....1977–80	71 11 16	71 3 4	4 10 1	6 4 10
70 3 8	68 3 16	Treasury 3½%.....1979–81	70 7 16	70 7 16	4 10 4	6 4 11
92 3 8	90 7 16	Funding 5½%.....1982–84	92 3 8	92 5 8	3 19 3	6 5 7
57 8	54	Redemption 3%.....1986–96	57 3 8	57 3 8	4 3 11	5 18 8
85 7 8	82 3 8	Treasury 5%.....1986–89	84 1 16	84 1 8	4 0 7	6 4 6
61 3 4	56 13 16	Funding 3½%.....1999–2004	61 1 2	61 5 8	4 1 10	6 2 3
89 7 4	84 1 8	Treasury 5½%.....2008–12	89	89 3 4	3 17 0	6 4 3
63 7 16	58 1 4	Consols 4%.....after Feb. 1957	63 5 8	63 1 4	3 18 2	6 8 5
56 7 8	52 1 16	War Loan 3½%.....after 1952	56 1 8	55 15 16	3 17 3	6 5 9
53 3 8	52 5 16	Conv. 3½%.....after Apr. 1961	55 1 2	55 1 16	3 17 5	6 6 7
47 7 8	44 7 8	Treasury 3½%.....after Apr. 1966	47 3 4	47 1 8	3 17 3	6 6 6
40 3 8	38 1 8	Consols 2½%.....after Apr. 1975	40 1 8	40 1 16	3 15 2	6 3 0
40 1 2	38 1 16	Treasury 2½%.....after Apr. 1975	40 3 16	40 5 16	3 16 2	6 4 7
91 7 16	89 15 16	British Electric 4½%.....1967–69	91 11 16	91 3 4	4 3 5	6 1 6
75 3 4	74 3 8	British Electric 3%.....1968–73	75	75	4 16 5	6 4 3
70 1 8	69	British Electric 3%.....1974–77	69 1 2	69 1 2	4 14 8	6 4 1
80 13 16	79 11 16	British Electric 4½%.....1974–79	79 1 2	79 1 2	4 6 1	6 4 7
72 7 16	70 3 8	British Electric 3½%.....1976–79	71 1 16	71 1 8	4 10 9	6 4 2
84	82 3 4	British Gas 4%.....1969–72	83 3 4	84	4 9 5	6 4 11
81 7 8	80 7 16	British Gas 3½%.....1969–71	81 7 16	81 7 8	4 12 11	6 4 7
57 1 2	53 13 16	British Gas 3%.....1990–95	57 1 2	57 1 4	4 5 2	5 19 7
75 3 4	74 3 8	British Transport 3%.....1968–73	75	75	4 16 5	6 4 3
79	77 3 8	British Transport 4%.....1972–77	78 1 2	79	4 7 11	6 5 4
60	56 1 2	British Transport 3%.....1978–88	60	60	4 9 9	6 3 6

Prices, 1962 High	Prices, 1962 Low	DOMINION AND CORPORATION STOCKS	Price, Apr. 18, 1962	Price, Apr. 25, 1962	Red. Yield, Apr. 25, 1962 £ s. d.
81 7 8	79 1 2	Australia 3¼%.....1965–69	81 7 8	81 3 4	6 10 0
98 3 4	96	Australia 4%.....1974–76	96 1 4	96 1 4	6 7 0
66	56	Ceylon 4½%.....1972–75	56	56	9 17 0
96 3 4	94 1 4	New Zealand 6%.....1976–80	95 3 4	95 3 4	6 9 0
75 1 4	63	Rhodesia and Nyasaland 6%.....1978–81	65	65	10 3 0
86 1 4	82	South Africa 3½%.....1965–67	86 1 4	86 1 4	6 14 0
58 1 4	49	Southern Rhodesia 4½%.....1987–92	49	49	9 7 0
81 3 8	77 3 4	Agricultural Mortgage 5%.....1959–89	81 1 4	81 3 8	6 9 0
88 7 8	86	Birmingham 4½%.....1967–70	88 7 8	88 7 8	6 3 0
91 7 8	88 3 4	Bristol 5%.....1971–73	91	91 1 4	6 5 0
90 1 2	88	Corporation of London 5½%.....1976–79	90 1 2	88 3 4	6 6 0
46 3 8	43	L.C.C. 3%.....after 1920	46 1 8	46 3 8	6 9 0
86 1 8	84	L.C.C. 5%.....1980–83	85 3 8	85 3 8	6 5 0
89 1 4	87	Middlesex 5½%.....1980	88 1 2	88 3 4	6 6 0

Prices, 1962 High	Prices, 1962 Low		Last Two Dividends (a) (b) (c)		ORDINARY STOCKS	Price, Apr. 18, 1962	Price, Apr. 25, 1962	Yield, Apr. 25, 1962	Cover
			%	%					
104/–	86/–		6 1 2 a	6 1 2 b	**BANKS, DISCOUNT & HP** Barclays.....£1	100/9	100/6	2·59	...
72/6	58/6		4·3 a	5·1 b	Lloyds.....£1	69/3	69/9	2·70	...
24/10 1 2	20/3		7 a	8 b	Martins.....5/–	24/11 1 2	24/10 1 2	3·02	...
101/–	86/9		7 1 8 a	7 1 2 b	Midland.....£1	99/9	99/9	3·01**	...
104/–	89/–		7 a	7 b	Nat. Provincial.....£1	101/3	104/–	2·69	...
104/–	84/–		6 2 3 a	6 2 3 b	Westminster 'B'.....£1	103/3	103/–	2·58	...
47/6	40/10 1 2		4 a	8 b	Australia & N.Z..£1 p.p.	42/6	47/6	5·05	...
40/3	37/11 1 2		3 1 2 c	5 b	Bk. Lond. & S. Amer..£1	39/3 1 2	39/9 1 2	4·19	...
£25 9 16	£22 15 16		$2·05c	$2·05c	Bank of Montreal....$10	£23 1 16	£23 1 16	2·99	...
32 3 4	27 1 4		8 c	9 c	Bank of New S. Wales £20	32 3 4	32 1 2	4·43g	...
38/9	34/9		5 a	5 b	Barclays D.C.O.....£1	37/–	37/3	5·37	...
58/6	53/3		7 1 2 a	7 1 2 b	Chartered.....£1	55/3	55/6	5·41	...
£19 1 2	£17 1 4		5/– a	1 10/– b	Hongk'g. & Shang....$25	£17 1 2	£17 3 4	4·23	...
58/9	52/3		7 1 2 a	9 b	Nat. Com. Bk. Scot..10/–	57/9	58/9	2·81	...
£29 7 16	£26 15 16		$2·37 1 2 c	$2·50c	Royal Bk. Canada....$10	£27 3 16	£27 3 16	3·11	...
43/6	37/6		10 b	5 a	Standard Bank.....£1	40/3	40/–	7·50	...
230/–	157/6		22 1 2 c	7 1 2 a	Hambros.....£1 f.p.	215/–	225/–	2·00	...
99/6	81 10 1 2		2 1 2 a	5 b	Schroders.....£1	99/6	99/6	1·51	...
59/3	53/–		6 1 4 a	6 1 2 b	Union Discount.....£1	57/6	58/9	4·26	...
14 11 2	10/9		18 c	Nil c	Bowmaker.....5/–	10/9	11/6	...	7
11/6	10/6		5 a	5 b	Lombard Banking....5/–	10/6	11/6	4·35	1
16 4 1 2	10/6		2 1 2 b	2 a	Mercantile Credit....5/–	10/6	10/6	3·57	...
44 1 2	31/–		22 1 2 b	4 a	United Domins. Tst...5/–	31/–	32/6	4·08	3 4
					BREWERIES, Etc.				
17 4 1 2	13/3		...	7 b	Bass, M. & B.....5/–	16/11 1 2	17/3	3·19**	2
43/3	37 4 1 2		8 1 2 b	6 a	Distillers.....10/–	42/–	43/3	3·35	2
22/9	17/6		4 a	8 b	Flowers.....5/–	22/6	21/9	2·76	2
51/6	47/–		8 a	14 b	Guinness.....10/–	50/–	51/–	4·31	3 4
8 8	8 8		...	8 b	Ind Coope, T.A.....5/–	13 1 2	14/3	4·21**	1 1 2
17/3	14/9		10 b	5 a	United Breweries.....5/–	16 1 4	17/–	3·68	1 3 4
28/3	23 7 8		6 a	12 b	Watney Mann.....5/–	27/6	28/3	3·19	2
42 1 4	31/9		9 a	21 b	Whitbread 'A'.....5/–	39/9	42 1 4	3·54	1 3 4
					BUILDING, PAINT, Etc.				
56/9	50/6		5 7 8 b	3 7 a	Associated Portland....£1	52/6	53/6	3·12	2 1 2
27 1 1 2	21/9		7 1 4 b	4 a	British Plaster Bd....10/–	27 1 1 2	26 10 1 2	4·65	2 1 4
17 10 1 2	14 10 1 2		10 b	6 a	Richard Costain.....5/–	16 10 1 2	16 10 1 2	4·74	2 3 4
12/6	10/6		10 a	12 1 2 b	Crittall Mfg.....5/–	12 4 1 2	12/6	6·75**	2
12/6	9 10 1 2		14 b	6 a	International Paints..4/–	11/–	11/9	6·81	1 1 2
71/3	57/–		25 c	25 c	Rugby Portland.....5/–	70 9 4	71 7 8	1·76	3 1 2
24/6	19 7 1 2		11 3 1 2 b	5 a	Wall Paper Deld.....5/–	23/3	24 7 8	3·47	2 1 4
					CHEMICAL				
25 7 1 2	20·9		6 a	14 b	Albright & Wilson.....5/–	25/–	25/–	4·00	2
19/3	16/3		4 a	7 1 2 b	Borax Deld.....5/–	18/6	18/3	3·15	2 1 2
4 3 7	3 3 4		4 a	7 b	Fisons.....£1	39/–	38/6	5·71	1
58/–	53/3		6 1 4 a	7 1 2 b	I.C.I.....£1	56/3	56/6	4·86	1
17/3	12/6		5 a	5 b	Monsanto.....5/–	13/–	13/3	3·77	1 1 2
					DRAPERY & STORES				
35/3	26 10 1 2		8 b	4 a	Boots Pure Drug....5/–	34/3	34/9	1·73	2 1 4
33/9	28 10 1 2		17 8 a	5 b	Montague Burton....10/–	31/3	31/3	2·20	2 1 4
59/6	53/6		13 1 2 b	5 5 8 a	Debenhams.....10/–	57/9**	57/6**	3·34	1 1 2
59/7 1 2	54/4 1 2		25 b	12 1 2 a	G.U.S. 'A'.....5/–	58/–	59/7 1 2	3·14	2
40/3	34/9		16 3 4 b	13 1 2 a	House of Fraser.....5/–	36/9	36/6	4·11	1 1 4
13/6	11/6		5 a	7 1 2 b	Montague Burton....10/–	16/6	16/6	3·03	2
100/6	90/–		32 1 2 b	15 a	Marks & Spencer 'A'.5/–	98/–	98/–	2·42	1 1 2
52 4 1 2	46/–		20 b	10 a	United Drapery.....5/–	51 7 1 2	52 4 1 2	2·86	1 3 4
53/–	45/9		10 3 4 a	25 b	Woolworth.....5/–	48/6	48/9	3·67	1 1 4
					OIL				
38/–	32/3		‡6·94b	‡2·78a	British Petroleum....£1	35/6	36/–	8·82	2 1 4
35/9	30/6		‡6 7 8 b	‡2 1 2 a	Burmah Oil.....£1	32/–	33/6	9·14	1 1 4
£14 5 16	£12 7 16		11 1 4 a	15 b	Royal Dutch.....20 fl.	£13 13 16	£14 1 8	3·67	2 1 2
32/–	27/–		‡10 a	‡15 b	Shell Transport.....£1	30/–	31/11 1 2	6·56	2 1 2
30/–	20/6		...	...	Ultramar.....10/–	29/9	26/–	... d	...

NEW YORK PRICES AND INDICES

	Apr. 18 $	Apr. 25 $		Apr. 18 $	Apr. 25 $		Apr. 18 $	Apr. 25 $
Atch. Topeka....	26 1 4	25 3 4	Boeing.....	47 1 4	48 3 8	Int. Harvester..	53	53 5 8
Can. Pacific.....	24 1 8	24 5 8	Cehnese.....	40 7 8	41 5 8	Inter. Nickel ..	78 1 4	78 1 8
Pennsylrania	16 1 2	15 7 8	Chrysler	53 1 4	54 3 4	Inter. Paper	35 3 4	34 1 4
Union Pacific	32 3 8	32	Col. Palmolive ..	47 3 8	44 7 8	Kennecott....	78 3 4	76
Amer. Electric ..	69 3 4	71 1 8	Crown Zeller....	53 5 8	53 5 8	Monsanto	45 5 8	44 7 8
Am. Tel. & Tel..	128 1 2	128	Distillers Seag....	46 1 2	46	Nat. Distillers..	29 1 2	29 1 2
Cons. Edison.....	79 5 8	79 7 8	Douglas.....	27 3 8	27 3 8	Pan-American ..	21 1 8	21 7 8
Int. Tel. & Tel....	50 1 4	49 1 2	Dow Chemical..	57 7 8	55 7 8	Procter Gamble	83 3 4	83 7 8
South'n. Nat. Gas.	46 3 8	46 1 8	Du Pont	237	234 1 2	Radio Corpn....	59 3 8	58 1 2
United Corpn....	8 1 4	8 1 8	East. Kodak	111 1 2	111 3 8	Sears Roebuck .	82 7 8	83 1 4
Western Union ..	39 1 8	37 5 8	Ford Motor	97 1 2	97 1 2	Shell Oil	37 3 8	37 1 8
Alcoa.....	63 3 4	62 1 2	Gen. Electric	74	72 1 2	Socony-Mobil ..	55 1 8	55 3 8
Aluminium	25 5 8	24 1 4	General Foods ..	84 3 4	86 1 2	Stand. Oil Ind..	52 1 8	51 7 8
Amer. Can.....	43 7 8	45 1 4	General Motors ..	55 3 4	55 1 4	Stand. Oil N.J..	54 5 8	55 1 8
Am. Smelting	61 1 4	63 1 4	Goodyear	43 1 2	41 7 8	Union Carbide..	109 3 4	107 7 8
Am. Viscose	54 3 4	53 3 8	Gulf Oil	43 7 8	41 1 2	U.S. Steel	63 7 8	59 3 4
Anaconda	46 1 2	45 3 8	Heinz.....	57	55	West. Electric..	34 7 8	34
Beth. Steel	40 3 8	39 7 8	Int. Bus. Mach...	519	512 1 2	Woolworth....	79 1 4	77

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

1962	425 Industrials	Yield %	25 Rails	Yield %	50 Utilities	Yield %	Govt. Bonds	Yield %
March 28	73·93	2·90	33·35	4·81	64·45	3·13	89·01	3·98
April 4	72·14	2·97	32·44	4·97	64·06	3·15	89·75	3·91
" 11	72·01	2·98	32·55	4·95	64·25	3·15	90·06	3·98
" 18	71·88	2·99	32·70	4·93	63·93	3·17	90·06	3·88
" 25	71·27	3·01	31·77	5·08	63·77	3·17	89·85	3·90

425 Industrials :—High, 75·22 (Jan. 3). Low, 71·13 (April 16).

FOREIGN AND OVERSEAS STOCKS

	Apr. 18	Apr. 25
FRANCE	Frcs	Frcs.
Air Liquide.....	1,388	1,380
Banque de Paris	599	610
Citroen.....	242·5	231
C. F. Petrole....	295	302
Cie. G. d'Elect.	1,434	1,438
Machines Bull..	781	801
Pechiney	287	285
Printemps	730	740
Rhone-Poulenc	519	522
S.I.M.	425	450
Saint-Gobain...	429	432·5
Usinor	251	242·5
Index.....	110·9	113·1
Dec. 30, 1960=100.		
CANADA	$	$
Abitibi Pr. & P.	46 7 8	47
Aluminium	26 7 8	25 3 8
Bell Tel.	56 7 8	55 3 8
Can. Brewer's..	10 3 4	10 5 8
Can. Imp. Bank	66 3 4	67 1 2
Can. Pac. Ry..	26 1 4	26
Hiram Walker	58 3 4	58 3 8
Imperial Oil ..	48 1 4	47 3 8
Noranda Mines	61	60 3 4
ShawiniganWtr	23 1 8	22
Steel of Canada	85 3 8	84 3 8
Trans.Can.Pipe	23 3 8	23 1 8
Toronto Ind. Index.....	622·15	618·02
1933=100.		

	Apr. 18	Apr. 25
GERMANY	%	%
A.E.G.....	486	476
Bad'che. Anilin	475 3 4	476
Bayer.....	572	576
Commerzbank..	557	549
Deutsche Bank.	634	640
Hoechst Farb..	512	514
Kundenkredit .	500	498
Lowenbrau.....	1,215	1,225
Mannesmann ..	237 1 2	235
Siemens.....	655	671
Thyssen-Huette	203	202
Volkswagen	680	671
Herstatt Index	108·38	108·61
Dec. 31, 1959=100.		
AUSTRALIA	£A	£A
Ampol Pet.....	12/6	12/6
Ass. Pulp & P..	32/6	33/–
Aust. Con. Inds.	71/–	70/9
Aust. Oil & Gas	81/6	80/–
Brit. Tobacco...	21/10	22/–
Broken Hill Pty.	62/6	63/–
G. J. Coles	13/9	13/9
Felt & Textiles .	7/11	7/11
I.C.I. A.N.Z. ..	42/–	42/6
Myer Emporium	33/–	33/–
Ready Mix Con.	17/11	17/10
Woolworth	16/7	16/7
Sydney Indust. Index.....	302·77	305·06
1937/39=100.		

	Apr. 18	Apr. 25
HOLLAND	%	%
A.K.U.	370	369 5 8
Bijenkorf	1,100	1,010
Heinekens.....	535	520
Internatnic (Fl.50)	Fl.205	Fl.206
K. N. Hoogoven	75 9 1 2	72 11 2
Kon. Zout-Ket.	1,015	985
Philips.....	90 3 1 2	88 1 4
Robeco (Fl.50).	Fl.236	Fl.236
Rotterdam Bk.	389 3 4	383 3 4
Thomassen & D.	709 1 2	700
Valeurop.....	Fl. 80	Fl. 81
Zwanenberg	1,037	1,040
Index.....	367·82	362·85
1953=100.		
JAPAN	Yen	Yen
Ajinomoto	547	512
Fuji Iron	48	48
Hitachi	84	84
Honda Motor..	251	260
Kirin Brewery.	500	490
Mitsub. Chem..	62	63
Mitsub. Elect...	71	72
Mitsub. Heavy .	66	69
Nippon Elect...	375	369
Sony	775	751
Toyo Rayon	142	151
Yawata Iron ...	51	52
Index.....	1359·85	1342·30
Dow Jones Average ...		

‡ Ex dividend. † Tax free. ‡ Assumed average life 7½ years. § The net redemption yields allow for tax at 7s. 9d. in £. ‖ Ex capitalisation. ¶ Ex rights. ‡‡ Ex all. (a) Interim dividend. (b) Final dividend. (c) Year's dividend. (d) Capital distribution of 1s. 0d. per share. (f) Flat yield. (g) Equivalent to 7·2 sterling. (h) After Rhodesian tax. (l) To latest date.
Japanese prices supplied by Daiwa Securities Tokyo

AND YIELDS

LONDON - NEW YORK : FRANCE
GERMANY : HOLLAND : CANADA
AUSTRALIA : JAPAN

Prices, 1962 High	Prices, 1962 Low		Last Two Dividends (a) (b) (c)		ORDINARY STOCKS	Price, Apr. 18, 1962	Price, Apr. 25, 1962	Yield, Apr. 25, 1962	Cover
			%	%					
32/6	26/9		5 a	5 b	**ELECTRICAL & RADIO** A.E.I.....£1	28/9	28/9	6·96	1
12 6	11/–		...	15 c	Brit. Electronic Inds. 5/–	11 10 1 2	11 10 1 2	6·32	1
63/9	56 4 1 2		4 a	9 1 2 b	B.I.C.C.....£1	61/6*	62/6*	4·32	2
14 8 1 4	12 7 1 2		5 a	7 1 2 b	Crompton Parkinson 5/–	13 7 1 2	13·9	4·55	2 1 2
86/–	76/–		23 1 2 c	31 3 4 a	Decca Record..... 10/–	82/6	86/–	2·71	1 3 4
45/6	42/–		12 1 2 b	5 a	E.M.I..... 10/–	42 10 1 2	42·9	4·09	2
52/6	41/3		5 a	9 b	Elliott-Automation...5/–	49/9	50·9	1·38	2
27·9	22/–		3 a	5 b	English Electric £1	22·9	23/6	6·81	1 1 2
32/3	25·9		7 b	3 a	General Electric.....£1	30 10 1 2	32/–	6·25	3 4
59/3	47/6		4 3 8 a	8 1 4 b	C. A. Parsons.....	48/6	47/6	5·26	2
47/9	42·9		6 1 2 b	6 1 2 a	A. Reyrolle..... £1	43/–*	43/9*	4·46	2 1 2
77/6	63/6		25 c	25 c	Thorn Electrical.....5/–	75/6	77/6	1·61	3
					ENGINEERING				
28/3	20/3		9 c	9 c	Babcock & Wilcox.....£1	22 10 1 2	28/3	6·37	1
35/9	27·3		7 b	3·2 a	John Brown £1	35/6	35/–	5·83	2 3 4
6/–	4/3		3 a	7 b	Cammell Laird..... 5/–	5 4 1 2	5 4 1 2	9·30	1
26/6	22/–		10 a	20 b	Internat. Combust. .5/–	22/6	24 1 1 2	6·22	1 1 4
5/6	3 4 1 2		...	...	Rich'ds'ns. Pwrstg'ch 10/–	3·71 2	4 10 1 2	...	1
38 4 1 2	32/–		2 1 2 a	5 c	Swan Hunter £1	34·9*	33 7 1 2	7·14	1 3 4
14 3 8	10·6		5 c	5 a	John Thompson 5/–	13/3	14/3	1·75	...
33/6	30 4 1 2		2 1 2 a	6 4 1 4 b	Coventry Gauge.....10/–	32/6	33/6	4·27	2 3 4
73 7 1 2	60 7 1 2		2 1 2 a	6 b	Alfred Herbert £1	67·6	68·9	4·04	2
47/6	39/6		12 1 2 b	5 a	Allied Ironfounders...£1	43/6	43/6	8·05	1 1 2
96/9	90·9		10 b	5 a	Avery's	96 3 4	96/3	3·12	2 1 2
20/3	16/6		4 a	7 1 2 b	B.S.A. 10/–	18/6	18·3	6·39	2 1 4
11/6	9/9		8 1 2 b	4 1 2 a	George Cohen 5/–	11/3	11/6	5·65	1 3 4
33/–	28 1 1 2		17 1 2 b	10 a	Davy-Ashmore 5/–	28 1 1 2	28 1 1 2	4·89	2 1 4
81 10 1 2	74 10 1 2		11 b	5 a	Guest Keen..... £1	76 10 1 2	76 7 1 2	4·18	3 1 2
21/–	19/3		12 b	4 a	Head Wrightson..... 5/–	19/6	19/3	4·16	2 1 2
85/6	80/6		7 b	5 a	Metal Box	83/6	83/–	2·89	2 1 4
17/3	14·9		10 b	4 a	Ransome & Marles...5/–	16·3	16·6	4·24	3
47/6	44/6		7 b	3 a	Renold Chains £1	46·9	47/6	4·21	2
64 10 1 2	55 10 1 2		7 a	7 b	Tube Investments.....£1	60/6	59 7 1 2	4·70	3
31 1 1 2	25 7 1 2		7 1 2 b	2 1 2 a	Vickers	26 10 1 2	25·9	7·77	1 3 4
71/6	60/–		10 b	3 3 4 a	Ward (Thos. W.)	67/–	66/–	4·17	3
20/6	18/–		22 1 2 b	5 a	Woodall-Duckham....5/–	18/6	19·3	5 45**	2 3 4
					FOOD & TOBACCO				
24/–	19·9		10 c	10 c	Allied Suppliers.....10/–	23/–	23/–	4·35	2 1 2
12 4 1 2	10 2 1 4		12 1 2 b	10 a	Assoc. British Foods..1/–	10·3	10·6	2·14	2
61/3	56·3		8 b	4 a	Bovril..... £1	57/3	58·3	4·12	2 1 2
12 1 1 2	11 4 1 2		‡3·9b	‡1·7a	Brooke Bond 'B' 5/–	12/–	12·–	3·81	3 1 2
15/9	13 1 1 2		10 b	2 1 2 a	International Tea 5/–	14 4 1 2	15 7 1 2	4·00	1 1 2
81/–	72/9		10 6 b	5 a	J. Lyons 'A'..... £1	80/–	81/–	3·91	1 1 4
35/–	30/–		5 a	9 a	Ranks Hovis 10/–	34/–	35/–	4·00	...
13 7 1 2	10 10 1 2		7 1 2 b	2 1 2 a	Spillers..... 5/–	13 1 1 2	13/3	3·77	2 1 4
50/9	47/1 1 2		11 a	1 b	Tate & Lyle.....	47/6	47·3	5·08	2 1 4
18/–	15/3		9 b	5 a	Unigate 5/–	17 7 1 2	17 7 1 2	3·97	2
63/9	53/3		‡22 1 2 c	‡5 5 8 a	Brit. Amer. Tobac... 10/–	54/9*	55·3*	6·65	3
41/3	29 11 1 2		5 a	15 b	Gallaher 10/–	31/–	31/3	6·40	2
63/9	47·9		7 1 2 a	14 b	Imperial Tobacco.....£1	49·3	49·3	9·14	1 3 4
					INSURANCE				
8 3 16	6 9 16		‡22 7 8 a	‡25 b	Britannic 5/–	8 15 16 ell	8 15 16 xll	2·18	...
68/–	55·3		20 a	25 b	Commercial Union ..5/–	56·9	59/–	3·81	...
35 5 16	31 7 8		‡41·17c	‡62·74c	Equity & Law Life ...8/6	33 7 8	33 8 8	1·29	...
5 1 4 / –	84·6		10 a	20 b	General Accident.....5/–	109/3	108·9	1·38	...
60/–	46·9		...	...	Guardian 5/–	59·3	59·–	2·26**	...
47/3	38 1 2		80 a	110 b	Legal & General..... 5/–	46 3 4	47 3 8	1·00	...
178 7 1 2	142·9	

Manpower and Output

Labour figures relate to Great Britain and production figures to United Kingdom unless otherwise stated.
M = Monthly averages or calendar months.
W = Weekly averages.

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

BRITISH

Prices and Wages.....	April 7th	External Trade	Mar. 31st
Manpower and Output....	This week	Industrial Profits.....	April 21st

OVERSEAS

Western Europe.....	April 14th	United States.....	Mar. 10th

	Unit	Mid-year or averages			1961			1961		1962		
		1959	1960	1961	Jan.	Feb.	Mar.	Nov.	Dec.	Jan.	Feb.	Mar.
TOTAL MANPOWER		June figures										
Working population:												
Total	'000s	24,145	24,436	24,650	24,563	24,560	24,517	24,903	24,769	24,762	24,750	...
Men	,,	16,137	16,239	16,325	16,315	16,317	16,284	16,432	16,401	16,411	16,410	...
Women	,,	8,008	8,197	8,325	8,248	8,243	8,233	8,471	8,368	8,351	8,340	...
Armed Forces	,,	565	518	474	500	494	485	457	454	452	449	...
Civil employment:												
Total	,,	23,197	23,628	23,925	23,713	23,734	23,710	24,094	23,923	23,894	23,889	...
Manufacturing industries	,,	8,477	8,811	8,928	8,911	8,906	8,894	9,008	8,938	8,952	8,934	...
Employees:												
in engineering (2)	,,	3,545	3,741	3,799	3,788	3,787	3,785	3,855	3,836	3,843	...	...
in consumer goods industries (3)	,,	3,101	3,153	3,170	3,173	3,170	3,162	3,206	3,171	3,179	...	...
UNEMPLOYMENT		Monthly averages										
By duration:												
All durations—total	,,	475·2	360·4	340·7	418·9	389·7	350·8	387·4	389·4	461·0	453·8	441·8[16]
Temporary	,,	30·7	14·5	28·6	59·4	47·9	28·5	39·0	34·9	40·6	40·4	30·6
Wholly unemployed (5)—total	,,	432·8	337·2	304·8	351·4	338·6	320·5	345·6	352·9	406·7	407·9	408·1[17]
,, ,, *Seasonally adjusted*	,,	...	...	...	*299·9*	*285·5*	*285·5*	*334·1*	*341·3*	*355·2*	*353·9*	*371·7*[18]
Over 8 weeks	,,	243·4	187·6	157·1	184·1	180·8	174·3	155·3	168·5	198·0	204·5	211·4
By regions (4):												
Great Britain	%	2·2	1·6	1·6	1·9	1·7	1·6	1·7	1·7	2·0	2·0	2·0[19]
London and South Eastern	,,	1·3	0·9	1·0	1·3	1·1	1·0	1·1	1·1	1·3	1·3	1·2
Eastern and Southern	,,	1·5	1·2	1·1	1·7	1·6	1·2	1·4	1·2	1·5	1·5	1·5
South Western	,,	2·2	1·7	1·4	1·8	1·7	1·6	1·7	1·7	2·0	1·9	1·8
Midland	,,	1·5	1·0	1·4	2·0	1·8	1·5	1·7	1·6	1·8	1·6	1·5
North Midland	,,	1·5	1·1	1·0	1·1	1·3	1·2	1·1	1·1	1·4	1·4	1·3
East and West Ridings	,,	1·9	1·2	1·0	1·1	1·0	1·0	1·2	1·2	1·5	1·5	1·5
North Western	,,	2·8	1·9	1·6	1·7	1·7	1·6	1·9	1·8	2·2	2·4	2·4
Northern	,,	3·3	2·8	2·5	2·8	2·6	2·4	2·9	3·0	3·5	3·6	3·5
Scotland	,,	4·4	3·6	3·1	3·7	3·5	3·3	3·2	3·5	3·9	4·0	3·7
Wales	,,	3·8	2·7	2·6	3·1	2·9	2·6	2·8	2·8	3·3	3·2	3·2
VACANCIES												
Unfilled vacancies: Total	'000s	224	314	320	281	290	314	263	249	223	213	218[20]
,, ,, *Seasonally adjusted.*	,,	...	...	...	*317*	*322*	*327*	*282*	*273*	*261*	*253*	*239*[21]
STOPPAGES OF WORK												
Working days lost: Total.....	M '000s	439	252	253	151	472	442	156	72	110	1,928	...
in engineering (2) (15) industries	M ,,	80[14]	121	122	52	171	172	49	33	49	1,853	...
INDUSTRIAL PRODUCTION												
Index:												
All industries	1958=100	105	112	114	112	117	118	119	111	111	117	...
,, ,, *seasonally adjusted*	,,	...	...	...	*112*	*113*	*114*	*112*	*112*	*110*	*113*	...
Mining and quarrying	,,	97	94	93	95	96	95	101	92	94	101	...
Construction	,,	106	111	118	...	115[9]	...	119[13]	...	...	...	...
Gas, electricity and water	,,	103	110	116	139	130	121	134	144	148	143	...
Manufacturing, total	,,	106	115	115	112	118	120	119	110	109	116	...
,, ,, *seasonally adjusted*	,,	...	...	...	*113*	*115*	*116*	*112*	*112*	*110*	*113*	...
Engineering and electrical goods	,,	105	114	121	110	120	126	128	129	113	...	...
Shipbuilding	,,	94	85	86	85	87	87	88	87	88	...	...
Vehicles	,,	109	118	109	110	116	120	108	100	113	...	...
Chemical trades	,,	111	122	124	125	131	130	128	119	124	...	...
Textiles, leather and clothing	,,	107	113	111	107	118	120	118	100	102	...	...
Basic material production:		M/W averages										
Coal (7) (8)	W '000 tons	3,963	3,725	3,663	3,761	3,849	3,763	4,061	3,689	3,810	4,086	4,109
Pig iron	W ,,	242	303	284	308	302	313	270	250	253	269	277
Steel, ingots and castings	W ,,	388	467	425	478	485	471	420	357	382	415	413
Sulphuric acid	M ,,	202·3	225·1	221·8	229·7	210·2	242·0	226·5	230·0	217·6	...	...
Newsprint	W ,,	12·87	14·25	13·70	14·61	14·39	15·06	14·21	13·63	13·73	...	...
Electricity (7) (11)	M mn. kwh	8,764	9,904	10,631	13,266	11,033	11,236	12,856	14,113	14,446	12,600	...
Gas (12)	W mn. therms	53·5	55·7	55·7	70·0	65·4	60·4	63·2	69·1	71·2	69·7	73·5
Textile production:												
Cotton yarn, single	W mn. lb.	14·58	14·44	13·21	14·21	14·47	14·28	13·38	10·85	12·37	12·88	...
Worsted yarn (6)	M ,,	19·34	20·40	20·52	21·43	20·23	22·89	22·66	17·82	21·36	19·10	...
Rayon and synthetic fibres	M ,,	42·89	49·33	47·47	48·45	43·13	47·53	52·07	49·77	50·20	46·30	...
Cotton cloth, woven	W mn. yds.	25·7	24·9	23·8	25·1	25·2	25·4	24·4	20·3	22·0	22·8	...
Wool fabrics, woven (6)	M mn. sq. yds.	30·4	30·6	29·3	31·3	28·4	31·7	32·1	26·1	30·2	26·5	...
Engineering production:												
Passenger cars and chassis	W '000s	22·88	26·01	19·31	14·95	15·11	19·56	20·46	19·98	23·50	25·63	26·18
Commercial vehicles and chassis	W ,,	7·13	8·81	8·85	9·54	10·03	9·27	8·74	7·51	8·35	8·71	8·74
Merchant ships (1)	M '000 gr. tons	113	108	115	44	92	244	131	121	96	86	...
Internal combustion engines (6)	M '000 BHP	468	577	587	615	586	737	570	552	...	...	...
Metal-working machine tools (6)	M £'000	6,564	7,911	9,823	9,766	9,574	11,158	10,863	10,808	...	...	...
Television sets	M '000s	238·6	178·4	104·7	92·6	87·7	92·1	162·3	124·4	...	...	...
Permanent houses completed (10):												
Total	M '000s	20·78	22·44	22·40	18·72	20·42	22·97	22·79	23·79	18·60	19·90	...
For local housing authorities	M ,,	8·29	8·60	7·74	6·23	6·95	8·98	7·68	9·88	6·27	8·01	...

(1) Vessels of 100 gross tons and over completed. (2) Engineering and electrical goods, shipbuilding and marine engineering, vehicles, metal goods. (3) Textiles, leather goods, clothing, food, drink and tobacco, timber, furniture, paper, printing and publishing. (4) Number registered as unemployed expressed as a percentage of the estimated number of employees. (5) Excluding school-leavers. (6) Deliveries. (7) Great Britain. (8) Excluding all screening losses normally amounting to around 5,000 tons a week. (9) Average for first quarter. (10) England and Wales. (11) Generation for public supply. (12) Total available at gas works. (13) Average for fourth quarter. (14) On 1948 Standard Industrial Classification; later figures on 1958 classification. (15) Also including metal manufacture. (16) April 438·7. (17) April 402·9. (18) April 387·2. (19) April 2·0. (20) April 239. (21) April 229.

APPOINTMENTS

FORD OF BRITAIN

COMPUTERS

Ford of Britain is employing and developing the most modern and effective systems and techniques to assist in managing and operating its large-scale activities. An important contribution is already being made by computers and considerable expansion in their use is planned. Exceptional opportunity is therefore offered to staff at both senior and junior levels on the following work :—

SYSTEMS ANALYSIS
COMPUTER PROGRAMMING
COMPUTER OPERATIONS
COMPUTER MAINTENANCE

Prospects in this expanding function in the vigorous Ford organisation ensure that the able man will make rapid progress. Applications, giving age and brief details of experience, should be addressed (with envelope marked "Ref CC") to

Mr. H. G. PEARMAN, Training and Recruitment Office, Ford Motor Company, Limited, Dagenham, Essex

UNIVERSITY OF SYDNEY

LECTURESHIP IN INDUSTRIAL RELATIONS IN THE DEPARTMENT OF ECONOMICS

Applications are invited for the position of Lecturer in Industrial Relations in the Department of Economics.

The salary for a lecturer is within the range £A2,730 x 105-2,835 per annum, plus cost of living adjustments for present £A1 a week and will be subject to deductions under the State Superannuation Act. The commencing salary will be fixed according to the qualifications and experience of the successful applicant.

Under the Staff Members' Housing Scheme, in cases approved by the University and its Bankers, married men may be assisted by loans to purchase a house.

Further particulars and information as to the method of application may be obtained from the Secretary, Association of Universities of the British Commonwealth (Branch Office), Marlborough House, Pall Mall, London, S.W.1.

Applications close in Australia and London on *9th June, 1962.*

GROUP ACCOUNTANT

A diversified group with Head Office in the North West which has been reassessing the place of accounting, has been convinced by consultants of the positive help that true accounting can offer to management.

It now needs the right man to show results by pressing through the necessary reforms with energy, determination and tact. First class commercial accounting, some O & M and confidence in the future are necessary requirements in the qualified man who will take on this challenging job.

The Consultants invite, in strict confidence, applications from men currently earning not less than £2,000 per annum which must give full details including age and present salary.

Write to Box No. 1275, J.P.C., 60-62 St. Martin's Lane, London, W.C.2.

ECONOMIST

Established major oil company has vacancy for Economist for operational and market research studies. Applicants, who should be under 35 years, must have Honours Degree and relevant experience.

Applications, giving full details of experience and qualifications, to Box 1618.

DORMAN LONG & COMPANY LIMITED

Invite applications from young men to work as

SYSTEMS ANALYSTS

for an expanding I.B.M. Computer Installation

Graduates or men with professional qualifications preferred, but vacancies exist for others with a good educational background. Some experience of organisation and methods, techniques or work study would be an advantage.

Applications, marked "Private," giving age and brief details of experience and qualifications, should be addressed to :

Chief Accountant,
Dorman Long & Co., Ltd.
G.P.O. Box 2,
Dock Street,
Middlesbrough.

UNIVERSITY OF ST. ANDREWS

APPOINTMENT OF ASSISTANT SECRETARY, UNIVERSITY APPOINTMENTS BOARD

Applications are invited for the post of Assistant Secretary to the University Appointments Board, to start, on a date to be agreed, after August 1, 1962. Applicants should be graduates, and a scientific or technical background would be an advantage. The initial salary scale will be £1,050 x £50-1,400 x £75-1,550, with F.S.S.U. and family allowance benefits. A grant towards expenses may be made.

Applications (which expire) should give the names of three referees and should be sent not later than 15th May, 1962, to The Secretary of the University Court, The University, Glasgow, W.2, from whom further particulars may be obtained.

ROBT. T. HUTCHISON,
Secretary of University Court.

ECONOMIC AND MARKETING RESEARCH

The Market Research Department of the Co-operative Wholesale Society Limited serves one of Britain's largest and most varied manufacturers. The department has its own team of interviewers conducting 35,000 interviews a year; it runs a library and considerable intelligence service; examines and reports to the Board on the effect of commercial, economic and political developments on the activities of the Society; and is continually increased in the study of retailing development and operations.

The department has vacancies at various levels in its head office at Manchester and would welcome applications from :—

(a) Students expecting to graduate in economics, statistics or commerce.

(b) Persons whose experience would qualify them to maintain liaison between the department and a selected group of the Society's productive and distributive enterprises.

(c) Persons whose experience and interests suggest they would be useful to the department in any of the activities indicated above.

The department's salary scales for Research Assistants run from £500 to £1,500 a year, and posts may be offered at any point within this range. Applications, which should include an indication of the salary expected, should be addressed to The Labour Officer, C.W.S. Ltd., Central Labour Department, 1 Balloon Street, Manchester 4, endorsed "Research Assistants: Market Research Department," to be received by May 7, 1962.

UNIVERSITY OF GLASGOW

DEPARTMENT OF SOCIAL AND ECONOMIC RESEARCH

SENIOR LECTURESHIP, LECTURESHIP AND ASSISTANTSHIP IN URBAN STUDIES

Applications are invited for a Senior Lectureship, a Lectureship and an Assistantship in Urban Studies in the above department, which is about to embark on a study of the social and economic problems of cities. The salary scales are £1,850 to £2,275 per annum for the Senior Lectureship, £1,050 to £1,850 per annum (efficiency bar at £1,550) for the Lectureship, and £800 to £950 per annum for the Assistantship. Membership of F.S.S.U. and the Family Allowance Scheme will be available. Appointments to the Senior Lectureship and Lectureship will be for a five-year period. Appointment to the Assistantship will be for a three-year period. Applications from economists, sociologists, or social statisticians will be considered. Applications (eight copies for the Lectureship and three copies for the Assistantship) should give the names of three referees, and should be sent not later than May 18, 1962, to the Secretary of the University Court, The University, Glasgow, W.2, from whom further particulars may be obtained.

ROBT. T. HUTCHISON,
Secretary of University Court.

UNIVERSITY OF NEW ENGLAND

Armidale, New South Wales

SENIOR LECTURER OR LECTURER IN ECONOMIC HISTORY

Applications are invited for the position of Senior Lecturer or Lecturer in Economic History.

Commencing salary will be determined according to qualifications and experience within the ranges: Senior Lecturer, £A2,500 x 95-£A3,000; Lecturer, £A1,740 x 105-£A2,235. Cost of living allowances at present amounting to £A44 per annum are payable. Provision is made for superannuation, travel and removal expenses and assistance in buying or building a house. In addition research grants are available to members of staff.

Applicants must indicate whether they seek a permanent position or a short-term appointment for a period of three years. In the latter case, superannuation will not be available, but the usual allowance for fares and removal expenses will be paid, and a maximum sum of £A800 will be provided to assist in return travel and removal expenses at the end of three years. The Lecturer appointed on a short-term basis may apply to have his position made permanent at the end of one year's service.

Further information and conditions of appointment may be obtained from the Secretary, Association of Universities of the British Commonwealth (Branch Office), Marlborough House, Pall Mall, London, S.W.1.

Applications close in Australia and London on *May 28, 1962.*

UNIVERSITY OF GLASGOW

DEPARTMENT OF SOCIAL AND ECONOMIC RESEARCH

LECTURESHIP OR SENIOR LECTURESHIP IN APPLIED ECONOMICS

Applications are invited for a Lectureship or Senior Lectureship in Applied Economics in the above Department. The salary scales are £1,850 to £2,850 per annum (efficiency bar at £2,550 for the Lectureship and £1,750 to £2,125 per annum (establishment bar at £2,275) for the Senior Lectureship, with membership of F.S.S.U. and Family Allowance Scheme.

Applications (which expire) should give the names of three referees and should be sent not later than 15th May, 1962, to The Secretary of the University Court, The University, Glasgow, W.2, from whom further particulars may be obtained.

ROBT. T. HUTCHISON,
Secretary of University Court.

STATISTICIAN

required by Reads of Liverpool. This is a new post in connection with the Common's wholesale food can production. Candidates must have at least passed the Intermediate examination of the Institute of Statisticians, whilst a relevant University Degree would be desirable. The position will be concerned with the definition, collection and presentation of data, and experience in this field would be an advantage. Age limits 24-35. Apply Senior Personnel Officer, Reads Limited, Orrell Lane, Liverpool, 9, quoting reference O.212.K.

For further appointments and other classified advertisements see page 408

The Reed Paper Group is a world-wide partnership of Companies producing pulp, paper, packaging and plastics.

The Group Publicity Department invites applications for the following vacancies to meet growing demands on its services to the Group :

A PRESS OFFICER

To undertake a full range of press office duties, including product promotion and other public relations activities. Both journalistic and agency or company public relations experience desirable. Age : 28-35 years.

(Reference PO/GP)

A WRITER

To work on briefs, booklets and feature articles on a wide range of industrial and management subjects. Journalistic experience on a leading newspaper or journal essential. Age : 25-35 years.

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These appointments, in Central London, carry progressive salaries and attractive working conditions, superannuation benefits, and, if required, assistance with house purchase.

Write quoting the appropriate reference to : Group Personnel Officer, Albert E. Reed & Co. Ltd., Group Office Building, Larkfield, Near Maidstone, Kent.

Binding Cases

Binding cases for THE ECONOMIST *are available from* EASIBIND LTD. *The cases are in stiff, dark blue cloth covers, and are gilt-lettered on the spine; they provide an extremely effective and firm binding and will hold 13 issues of the normal edition together with the quarterly Index, or 26 issues of the air edition with two quarterly Indexes. The year can be stamped on the spine. The cost per case, post free throughout the world, is 12/6. Orders, stating requirements clearly and enclosing a remittance, should be sent,* **not** *to* THE ECONOMIST, *but to—*

EASIBIND Ltd
(Dept. E),
84 Newman St., London, W.1

THE WELSH NATIONAL SCHOOL OF MEDICINE
(University of Wales)
AND
THE MEDICAL RESEARCH COUNCIL

Applications are invited for the joint appointment of
SENIOR LECTURER IN MEDICAL STATISTICS
between The Welsh National School of Medicine and the Medical Research Council's Epidemiological Research Unit, under the Professor of Social and Occupational Medicine and the Director of the Epidemiological Research Unit. The candidate need not be medically qualified.

The successful candidate will be expected to devote the whole of his time to research and teaching.

The appointment will be made at a suitable point on the Senior Lecturer salary scale (£1,700 by £100 to £2,450), with participation in superannuation and family allowance schemes.

Applications (12 copies) together with the names and addresses of three referees, should be submitted within three weeks of the appearance of this advertisement, to the Secretary, 34 Newport Road, Cardiff, from whom further particulars may be obtained.

F. DODSWORTH,
Secretary.

34 Newport Road,
Cardiff.
April, 1962.

UNIVERSITY OF GLASGOW
DEPARTMENT OF SOCIAL AND ECONOMIC RESEARCH

ASSISTANTSHIP IN APPLIED ECONOMICS

Applications are invited for an Assistantship in Applied Economics. Salary scale: £800-£950 per annum. Initial salary according to experience and qualifications. F.S.S.U. and family allowance benefits.

Applications (three copies) should be lodged not later than May 18, 1962, with the undersigned from whom further particulars may be obtained.

ROBT. T. HUTCHESON,
Secretary of University Court.

For other appointments see page 407

UNIVERSITY OF ST. ANDREWS

Applications are invited for a LECTURESHIP in ECONOMICS in QUEEN'S COLLEGE, DUNDEE; preference to candidates specialising in economic theory. Salary scale: £1,050 by £50 to £1,400 (efficiency bar) by £75 to £1,850 per annum, placing according to qualifications and experience but it is hoped that an appointment may be made at a point above the efficiency bar. F.S.S.U. University allowance; grant towards furniture removal expenses. Applications (6 copies) with names of three referees, to Secretary of the University, c/o Queen's College, Dundee, from whom further particulars may be obtained, not later than May 19, 1962.

H.M. TREASURY
(ECONOMIC SECTION)

at least 2 appointments as ECONOMIC ASSISTANTS for work in London on economic trends at home and overseas are offered to men or women aged at least 21 and preferably under 30 on 1.4.62, with 1st or 2nd class honours degrees in Economics or closely related subjects. Final year students may apply. Salary scale £741-£1,382; starting salary according to age and experience. Initial appointment for 2 years or less by arrangement. F.S.S.U. Application forms, obtainable from Civil Service Commission, Burlington Gardens, London, W.1. (quote S460/62), should be returned by May 18, 1962.

AUSTRALIAN NATIONAL UNIVERSITY
INSTITUTE OF ADVANCED STUDIES
RESEARCH FELLOWSHIP IN GEOGRAPHY

Applications are invited for a Research Fellowship in the Department of Geography. Other things being equal, preference will be given to candidates who have specialised in the fields of Agricultural Geography or Geomorphology.

Senior Staff of the Department in 1962 will comprise Professor O.H.K. Spate (Political, Social, Historical Geography); Mr. J. N. Jennings (Geomorphology, especially coastal and limestone geomorphology); Dr. H. C. Brookfield (Social Geography, especially tropical studies); Drs. D. Walker and R. G. Robbins (Biogeography, especially Malaysia and Melanesia); and Dr. G. J. R. Linge (Urban and industrial geography). The Department has strong interests both in Australia and the Pacific Islands, including New Guinea.

The salary range for Research Fellows is £A1,625/£2,450 p.a. with annual increments of £75; initial salary will depend on qualifications and experience. Appointment is for three years with possible extension to a maximum of five years.

Superannuation is on the F.S.S.U. pattern. Reasonable travel expenses are paid and assistance with housing is provided.

Further particulars should be obtained from the Secretary, Association of Universities of the British Commonwealth (Branch Office), Marlborough House, Pall Mall, London, S.W.1.

Applications close in Australia and London on *June 8, 1962*.

WOOLWICH POLYTECHNIC,
LONDON, S.E.18

Principal—Harold Heywood, D.Sc., Ph.D., A.C.G.I., Wh.Sch., M.I.Mech.E., M.I.Chem.E.

Applications invited for the following appointments. An applicant should have a good honours degree and/or a recognised professional qualification. For posts (i) to (v) a Higher Degree and/or Research experience are desirable.

(i) Lecturer in Government and Political Theory for B.Sc.(Econ) Degree Courses.
(ii) Lecturer in Monetary Theory and International Trade for B.Sc.(Econ) Degree Courses.
(iii) Lecturer in Economics (Principles and Applied) for B.Sc.(Econ) Degree and Management Courses.
(iv) Lecturer with special qualifications in Modern Economic History and ancillary Economics for B.Sc.(Econ) Degree and Business Administration Courses.
(v) Assistant Lecturer, Grade B for Accounting and Allied Subjects.
(vi) Assistant Lecturer, Grade B for English and a modern foreign Language (French and/or German).

Salaries: Lecturer £1,600-£1,800, plus London Allowance £45-£60. Assistant Lecturer, Grade B within £770-£1,070, according to qualifications and experience, plus London Allowance £45-£60.

Particulars and application form from Clerk to Governors, to be returned by May 11, 1962.

BOARD OF TRADE
BANKRUPTCY EXAMINERS

The Bankruptcy and Companies (Official Receivers) Service has vacancies for 20 Examiners (men or women). The work involves investigating the affairs of companies in compulsory liquidation and of partnerships and individuals in bankruptcy, and should appeal to those with an insight into human nature and a liking for an active life in the world of affairs. An accurate appreciation of words and legal connotations, and the ability to grasp the significance of a balance sheet and account books are essential.

Applicants must be at least 20 on 1.6.62, and must have passed *either* (i) the Intermediate Examination of the Institute of Chartered Accountants in England and Wales, Scotland, or Ireland, the Association of Certified and Corporate Accountants, or the Society of Incorporated Accountants; *or* (ii) the Final Examination of the Chartered Institute of Secretaries or the Corporation of Secretaries.

Starting salary in Inner London for successful candidates aged 20-24 ranges from £596 to £781, according to age; for those aged 25 or over it ranges from £810 to £1,090, depending on qualifications and experience. The maximum of the scale (Inner London) is £1,490, but there are prospects of promotion to posts carrying salaries well above £2,000. All posts are pensionable.

For further information and an application form, write to Civil Service Commission, Burlington Gardens, London, W.1, quoting 454/1062/13. Early application advised.

BBC requires Assistant, Sound Transcription Promotions. Duties include general assistance to Transcription Distribution Manager in promoting use of BBC transcriptions by sound broadcasting stations throughout the world, and, in particular, responsibility for production of catalogue, booklets, pamphlets and illustrations. Applicants must have a lively and creative publicity sense, a good general understanding of broadcast programmes as well as ability to discern those elements in BBC programmes which are likely to appeal to broadcasting stations overseas. Ability to write with a good literary style essential, some knowledge of typography and layout desirable. Salary £1,575 (possibly higher if qualifications exceptional) rising by five annual increments to £2,000 max. Pen. Resumes (or application forms (including addressed envelope and quoting reference 623/9417) to Staff Appointments Officer, Broadcasting House, London, W.1, within five days.

AUSTRALIAN NATIONAL UNIVERSITY
SCHOOL OF GENERAL STUDIES

Applications are invited for the following appointments in the School of General Studies of the University. Appointees will be required to take up duty on January 1, 1963, or as soon as possible thereafter.

IN THE FACULTY OF ARTS
Lecturer in English Language.
Lecturer in French (Native Speaker).
Senior Lecturer or Lecturer in Geography.
Associate Professor in History.
Lecturer in Greek Philosophy.
IN THE FACULTY OF ECONOMICS
Lecturer in Economics.
Senior Lecturer or Lecturer in Statistics.
IN THE FACULTY OF LAW
Senior Lecturer in Law.

SALARY RANGES
Academic salaries are as follows: Associate Professor, £A3,000; SENIOR LECTURER, £A2,480-110-£A3,000; LECTURER £A1,750-100-£A2,450. Commencing salary will be in accordance with qualifications and experience. A cost of living allowance, at present £A31 p.a., will also be paid up to and including the rank of lecturer.

FURTHER INFORMATION and the form which must accompany an application may be obtained from the Secretary, Association of Universities of the British Commonwealth (Branch Office), Marlborough House, Pall Mall, London, S.W.1.

Applications close in Australia and London on *June 2, 1962*.

CITY OF OXFORD EDUCATION COMMITTEE

COLLEGE OF TECHNOLOGY

Required in September next:
SENIOR LECTURER IN ECONOMICS and related subjects for established full-time and part-time courses for B.Sc.(Econ.).
LECTURER in MANAGEMENT STUDIES with good qualifications in the field of Applied Economics and industrial relations and with some industrial experience.
LECTURER in WORK STUDY with good qualifications, preferably in the field of Economics or Mathematics and some industrial experience.
Facilities for research available.
Salaries, Burnham Technical Scale: Senior Lecturer £1,800 to £2,000; Lecturer £1,600 to £1,800 per annum.
Further particulars and application form, which should be returned by May 14th, can be obtained from The Principal, College of Technology, Headington, Oxford. Stamped addressed envelope required.

THE International Sugar Council has vacancy for assistant in Economic Section; preferably recent graduate or prospective 1962 graduate able to start immediately after Finals.—Apply to Executive Director, International Sugar Council, 28 Haymarket, S.W.1.

NUFFIELD COLLEGE
OXFORD
STUDENTSHIPS

Applications are invited from men or women graduates who wish to undertake research in economics; politics; sociology; recent economic and social history and political history; industrial relations; African studies; public and social administration; international and public law, or any other branch of the social studies.

Further particulars and the necessary forms are obtainable from the Warden. Applications should reach him by May 15, 1962.

APPOINTMENTS REQUIRED

GEOGRAPHICAL approach to Common Market? Am interested in building bridgehead in Germany. Want to work as "Special Representative." Excellent relations, assessment of market prospects available.—Write to H. B. Westphal, Rathausstr 17, Düsseldorf, Germany.

EXECUTIVE, 28, single, B.Sc.(Econ) Upper Second (Redbrick), returning to England April 25th after three years' experience in Sales and Marketing with major oil company in East Africa; bilingual; lucid report writing; highly analytical and up-to-date in current international affairs; glad to travel; seeks interesting job with prospects.—Box 1616.

EDUCATION: BUSINESS AND PERSONAL

UNIVERSITY OF LONDON: A course of two lectures entitled "Sociological Studies and Changing Social Reality in Post-War Poland": (1) "Changing Social Reality in Post-War Poland"; (2) "Polish Post-War Sociology: Tasks, Problems and Conditions of Inquiry" will be delivered by Professor S. Ossowski at 5.30 p.m. on May 8th and 10th at the London School of Economics and Political Science, Houghton Street, Aldwych, W.C.2. ADMISSION FREE. WITHOUT TICKET. James Henderson, Academic Registrar.

EXPERT POSTAL TUITION

for Examinations—B.Sc.(Econ), Law, Accountancy, Costing, Secretarial, Civil Service, Management, Export, Commercial, General Certificate of Education, etc. Also many practical (non-examination) courses in business subjects.—Write today for free prospectus and/or advice, mentioning examination or subjects in which interested to the Secretary (69/2).

METROPOLITAN COLLEGE, ST. ALBANS

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

SECRETARIAL TRAINING, especially for university graduates and older students. Six-month and intensive 14-week courses.—Write, Principal, Secretary, Davies's, 158, Holland Park Avenue, W.11. PARK 4684.

TUITION FOR B.Sc. ECONOMICS

Wolsey Hall (Est. 1894) provides Postal Courses in a wide range of subjects for the two examinations for London Univ. B.Sc.(Econ. (Inter & Entrance is included) at moderate fees. 1,431 Wolsey Hall students passed London University B.Sc. Economics Exams., 1950-60. Tuition also for G.C.E., Law, Statistical, other exams.—Prospectus (mention examination) from C. W. Snow Fletcher, C.B.E., LL.B., Director of Studies, Dept. P.17,

WOLSEY HALL, OXFORD

THE ROYAL BANK OF CANADA
DIVIDEND NO. 299

NOTICE IS HEREBY GIVEN that a DIVIDEND of 55 cents per share upon the paid-up capital stock of this Bank has been DECLARED for the current quarter and will be payable at the Bank and its branches on and after June 1, 1962, to Shareholders of record at the close of business on April 30, 1962.

By Order of the Board
C. B. SUMPTION,
General Manager.

April 18, 1962.

****

McINTYRE PORCUPINE
MINES LIMITED
DIVIDEND Number 195

NOTICE is hereby given that a dividend of thirty cents (30¢) per share in Canadian currency will be paid June 1st, 1962, to shareholders of record at the close of business May 1st, 1962.

By Order of the Board
F. T. McKINNEY
Secretary

Dated at Toronto, Ontario
April 16th, 1962

****

PROPERTY

CITY OF HALIFAX
NOVA SCOTIA, CANADA
Call for Development Proposals
Central Redevelopment Area

Halifax, the Capital City of Nova Scotia, together with its fast-growing Metropolitan area, has a population of approximately 200,000. It is an important administrative, cultural, commercial, and industrial centre and one of Canada's major ports open the year round.

The City Corporation, with the assistance of the Government of Canada represented by Central Mortgage and Housing Corporation, has acquired and cleared 13.9 acres of land in the Central Business area of the City as a first step in a Phased Redevelopment Programme.

The City is offering the cleared area for residential and commercial development by private enterprise. Plans, development conditions, and proposal forms may be obtained on application to the undersigned on payment of a certified cheque or Bank Draft for $50 (Canadian funds) payable to the City of Halifax to be refunded on submission of proposals.

Development Proposals will be received by the undersigned at the City Hall, Halifax, Nova Scotia, Canada, up to 3 p.m. Atlantic Standard Time, October 31, 1962.

P. F. C. BYARS, City Manager.

City Hall, Halifax,
Nova Scotia, Canada.

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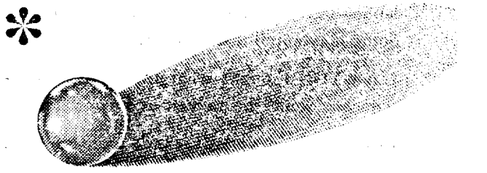
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New York Branch: 1 Chase Manhattan Plaza
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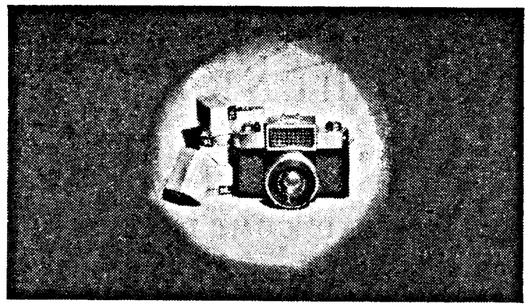
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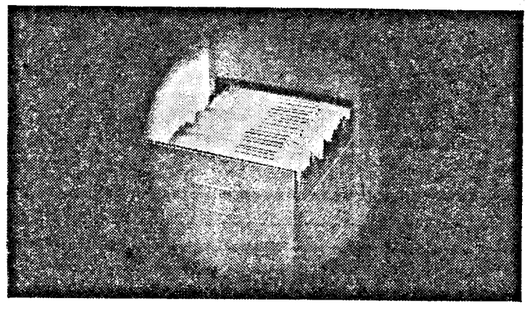
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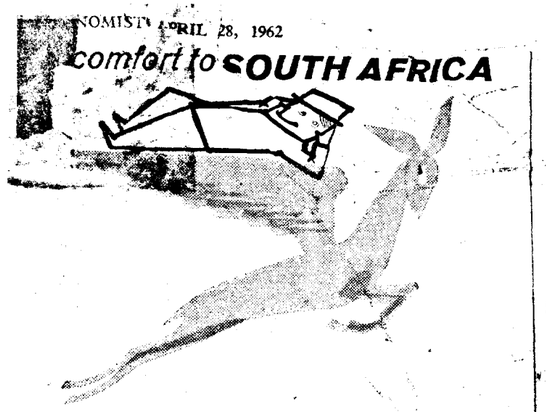
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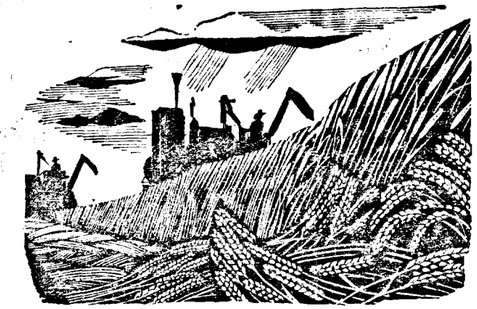
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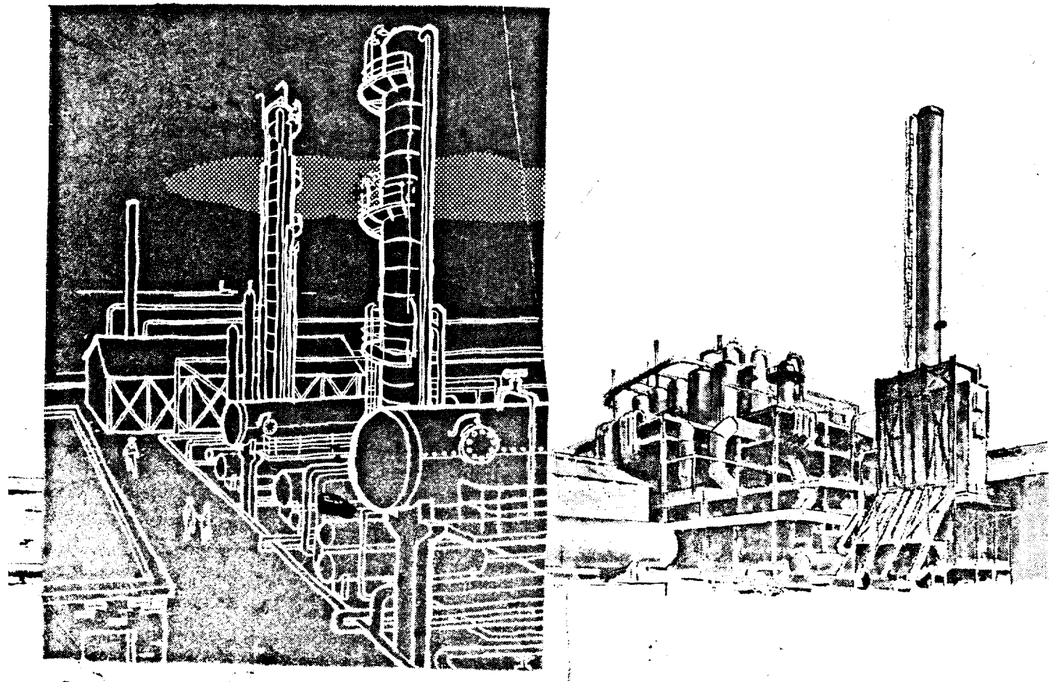
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MAY 5, 1962

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In the Dock

Small and Great in the Press

PLANNED EUROPE?
Going Slower
The French Government and Steel Prices

STOCK MARKETS
Hand in Hand

The New London

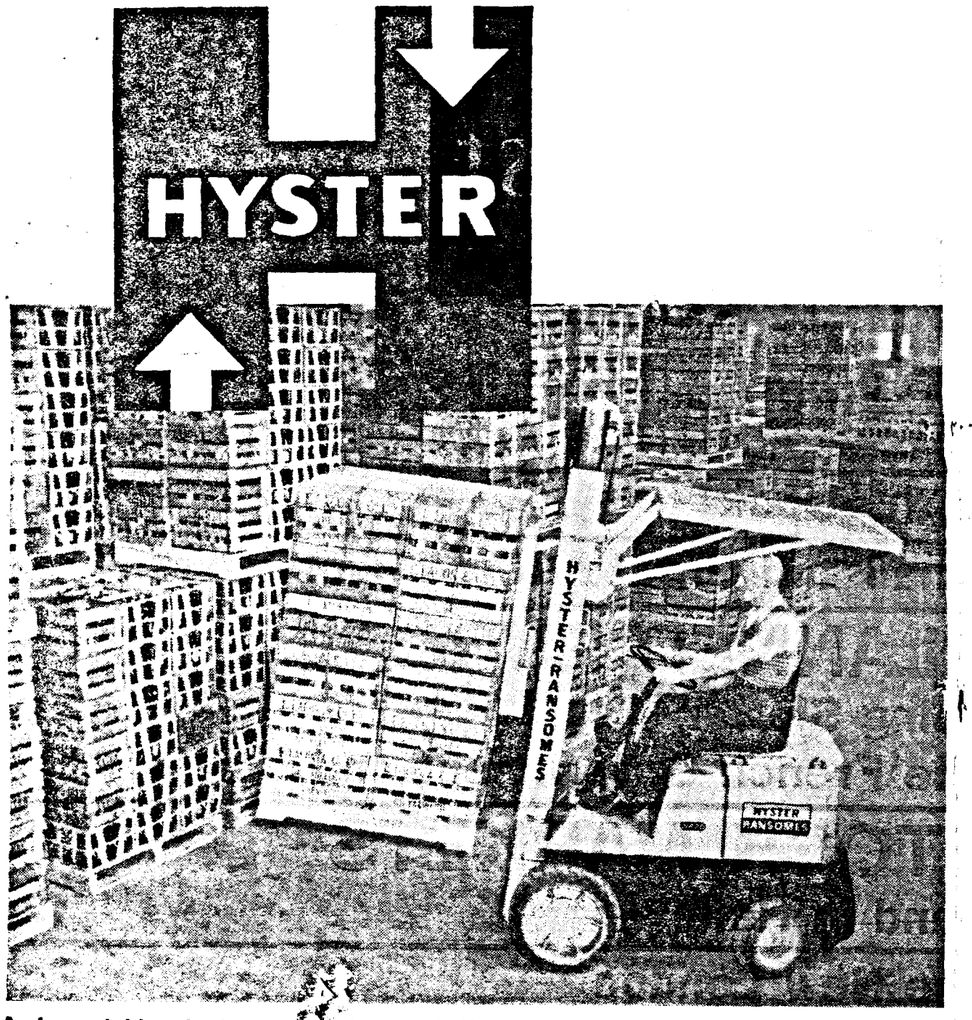
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Published weekly every Saturday, fifty-two times a year in London, England.

In The Economist this Week — May 5, 1962

INTERNATIONAL

After the Ball

Mr Macmillan's visit with President Kennedy was a cosy one—so cosy that their differences of outlook seem to have been glossed over (p. 448).

Now Mr Macmillan has to steer Britain ahead in the crucial stages of the voyage into Europe (p. 429).

After the Boom

In **Europe,** growth and the propensity to invest are faltering a little—but thoughts about **planning** remain imaginative and progressive (p. 424).

Things are moving fast enough, however, for Europe to avoid the word "**stagnation**" (p. 473).

Although required by the coal and steel community to allow free market conditions to rule, the **French** government is unwilling to relinquish all control over **steel prices** (p. 471).

In **America,** businessmen are watching Mr Kennedy to see if he applies the same sauce to the **trade unions'** gander as he did to the steel industry's goose (p. 449)—and few of them can find any comfort in their first quarter's profits (p. 450).

In **Egypt,** planning for boom times is somewhat haphazard—but no one minds so long as it is called "socialism" (p. 457).

AFTER THE BAN the United States has imposed on various **imports from Hongkong,** the colony's freebooting manufacturers are more alarmed than hurt (p. 461).

After the Battle

Rhodesia : With white rule proved unworkable, African nationalists should calm down and turn to taking over responsibility for the federation—under a new name, of course (p. 427).

Algeria : The next two months will show whether or not the Evian compromise stands a chance of success (p. 458).

France : Many deputies have already thrown off their Algerian preoccupation and are ready to make parliament useful again (p. 429).

Uganda : Another collection of tribes will soon acquire independent "nationhood"—after a constitutional wrangle in June (p. 433).

United States : If the South's attempt to stage a freedom ride in reverse succeeds, the region may regret it (p. 450).

Goa : settling dust (p. 462).

APRÈS LE DÉLUGE : An English view of the French (p. 433)—*and two French views* (p. 442).

After the Bang

Oddly enough, the present series of American **nuclear tests** may be the last (p. 449).

Oddly enough, it seems that **Nato** is not after all to be the world's fourth nuclear power yet awhile (p. 428).

Oddly enough, the **west Germans** are showing restraint in nuclear matters and over Berlin (p. 428).

AFTER THE BARREL—completely about **beer** (p. 465).

HOME

Laborare est orare

Strike-threatening, and apprehensive, dockers hope that their threats will have the usual result—no strike and an inflationary wage rise. No doubt the alternative of standing up to a long drawn out strike causes trepidation to a Government fearful of its prospects ; it is nevertheless the right and least dangerous course (p. 421).

The inter-union squabble at **Liverpool docks** has temporarily died down : but it will flare up again and again until the necessary reforms in the labour system are brought about (p. 437).

The late bitterness between the **seamen's union** and its rebels is having some useful side effects on the union's leadership (p. 434).

Failure to get a majority for strike action in the **engineers' union** ballot may mean a clearing of the mind in rank and file unionists (p. 429).

Nil desperandum

Dr Hill has had to give in to the wheedling and tantrums of fringe boroughs anxious not to be drawn into **Greater London :** by doing so he is weakening the props on which the Greater London plan must stand, and prejudicing much-needed reforms in local government (p. 425).

Parliament went sluggishly back to work: but some tough questioning presages a rough session for the Government (p. 430).

Labour has polled extraordinarily well in Scottish **local elections :** next week they may do as well or better in England and Wales (p. 430).

Quid pro quo

The British **newspaper press** is canalised by economics ; but fiscal and financial penalties on its proprietors—such as are being urged on the Royal Commission inquiring into it—cannot force it into the new and needed channels : only journalists can do that (p. 422).

The rosier economic outlook could herald a rise in **share prices,** short of a boom : the wise investor will not be carried away (p. 469).

Mr Lloyd has plugged one of the holes through which a good deal of his pelf has leaked, in the past few years, to the island state of Jersey (p. 438).

Fiat lux

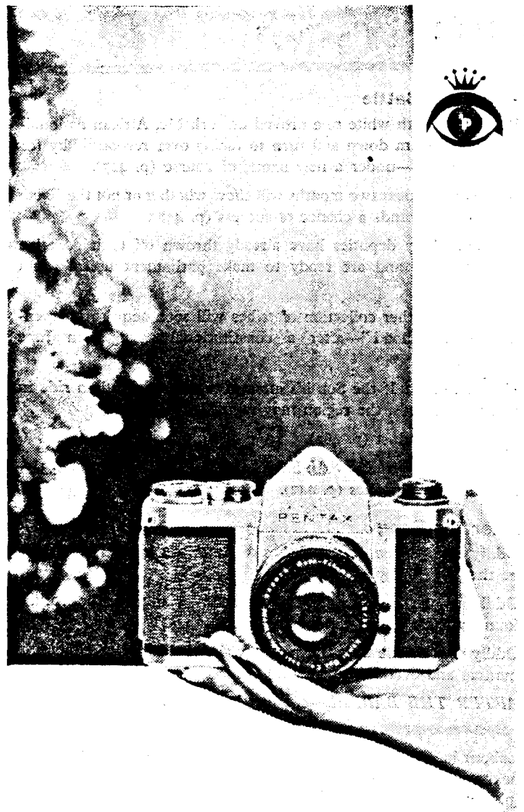
The **National Economic Development Council** meets again next week : it is to be hoped that it will save itself from the useless docility some people wish on it (p. 430).

The uneconomics of running the **Atomic Energy Authority** are made manifest in their accounts (p. 476).

Some sections of industry are criticising the Government's **energy policies** on economic grounds, to its hurt surprise (p. 475).

Norwich's new university has high ambitions, and the chance to achieve them (p. 439).

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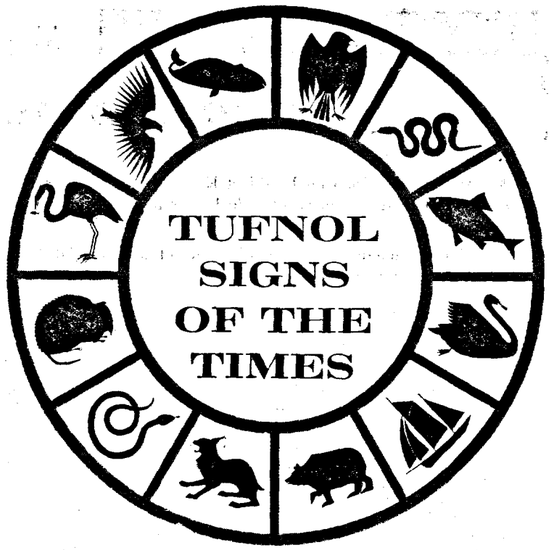
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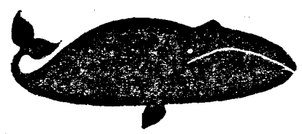
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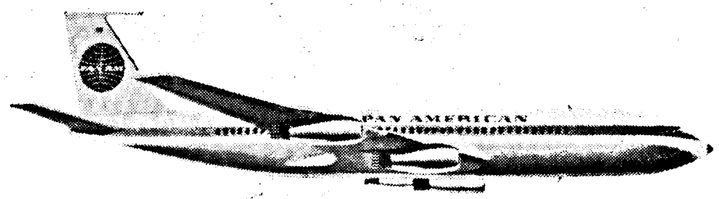
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"I must admit he's been pretty peeved lately, Dad. He's been blowing his top and cursing and swearing; so that's why I started to study refractories"

"I don't get the connection, Son"

"Well, it suddenly struck me, Dad . . ."

"Before Old Squirt struck you, Son?"

"No, Dad, after; that steam-raising and blasting had something in common"

"In this case, Old Squirt himself apparently, Son"

"Yes, Dad; but something else besides. They both depend on refractory linings; in the one case plastic and in the other case bricks"

"Son, I'm not with you"

"Well, Dad, many of the best ships' boilers are lined with TRIMOR Mouldable and Castable and the stacks of blast furnaces are increasingly being lined with MR2 bricks"

"With what results, Son?"

"At Appleby-Frodingham's, Dad, (you know, part of United Steel), Queen Victoria's stack has not been relined for nearly four years, after producing over 1½ million tons of iron; Queen Anne has just been blown in, and Queen Bess has been on blast for . . ."

"I'm beginning to see the connection with Old Squirt, Son. Now that's three Queens you've mentioned; anything else up your sleeve?"

"Well, the Queen Mary and the Queen Elizabeth have been plying the Atlantic with Trimor in their boilers for the last few years"

"Son, that's five Queens in one pack"

"Yes, Dad; the cards have been nicely stacked"

"A rotten pun, Son"

"Of course it's not only royalty that's served—you realise that, Dad, don't you?"

"I was beginning to wonder, Son"

"There's the France, Leonardo da Vinci, Caronia and Windsor Castle, to name only a few more well-known ships; oil tankers by the dozen; and numbers of other blast furnaces at home and abroad too, Dad"

"There's international democracy for you, Son! But you've forgotten something, I think"

"What, Dad?"

"To name the makers of these world-beating bricks and plastic refractories—who, of course, are . . ."

"Dad . . ."

"Don't interrupt, Son. I'm determined to have the last word for once. Who, of course, are Morgan Refractories Limited"

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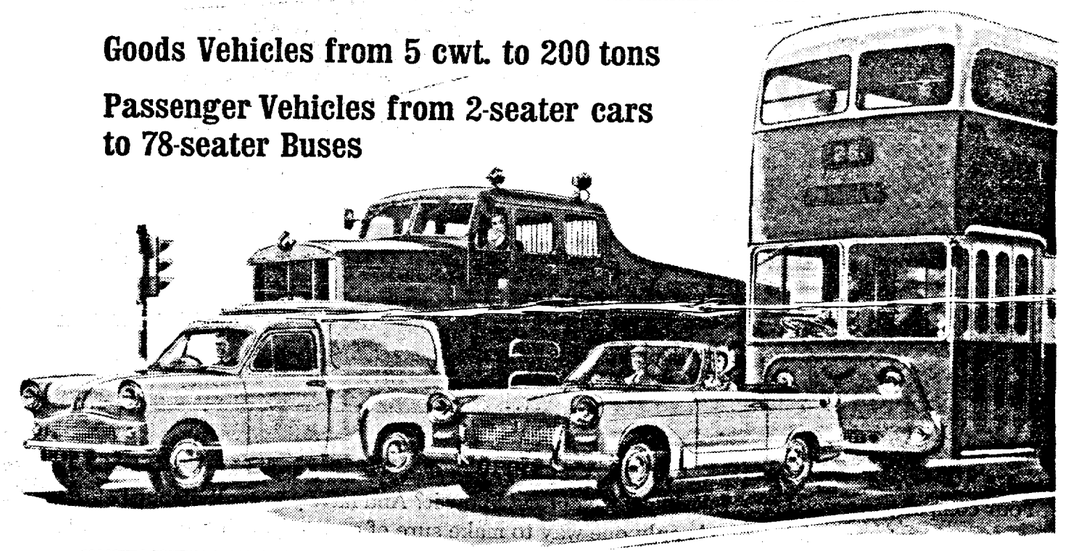
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In the Dock

THE threat of a national dock strike from May 13th is the sort of threat that has been constantly hallowed by success, especially on the railways, in Britain during the last fifteen years. Few people expect that the strike will really happen; they assume that the port employers—possibly plus Mr Hare—will now huddle together in the usual hurried concourse of pacification, and come up with the normal "solution" of some slightly inflationary settlement shortly before the union's ultimatum expires. This will then be called "saving the country from an impossibly expensive disaster"; and nearly every organ of national opinion seems to be standing ready loudly to applaud any such comfortable "statesmanship," the bill for which would then be added to overseas trading costs.

All the conventional arguments for justifying this further twist to cost inflation have been duly stacked into place by every national newspaper in the last few days. It is exceedingly easy to stack them. A lengthy and effective dock strike would indeed be a grave national misfortune; not only because some of the export orders that would miss their promised delivery dates would then be lost for ever, but also because the losses caused by a strike could serve to dissuade some British industrialists and some of Britain's customers from relying so heavily on exports out of Britain in future. A national dock strike might easily be a long-drawn-out business. As the Transport and General Workers' Union would have to provide strike pay for only 70,000 of its million members, it could keep up these subventions for a much longer period than, say, any railway union could; the tradition in the docks of regarding work as in some way casual labour, with wildly fluctuating daily earnings, means that dockers might also be personally readier and abler than other workers to stay away from their normal work for several weeks, some of them by taking other temporary employment in the meantime.

Mr O'Leary of the docks section of the Transport and General Workers' Union is, like the railway union leaders, essentially a moderate man; although Mr. Frank Cousins is nominally his superior, and although the recent official actions of his docks section in Liverpool (see page 437) have hardly been a shining example of wise and liberal trade union management, everybody assumes that Mr O'Leary will be eager to settle if only some sort of face-saving offer from the employers is forthcoming. The port employers' federation has recently been holding discussions with Mr Cousins and Mr O'Leary about the possibility of moving away from the present semi-casual system of labour hiring in the docks; it might therefore seem tempting to some people to say that the employers should offer a little more on piece work rates now, and then recoup themselves by delaying decasualisation and thus payment of the fairly considerable initial bill that might be needed to get a decasualised system running. This, too, might be called statesmanship; but it would blithely disregard the fact that progress towards decasualisation would be in the interests of the country and of everybody in the docks industry in the long run, while a short-term addition to the unit costs involved in handling each marginal export cargo could not.

If there is a mildly inflationary settlement to this dispute, and if the consequences of this then spread slowly throughout the economy, officialdom will no doubt say that this is a sign that Britain is indeed still suffering from a tendency towards over-demand; consciously or not, the Treasury may then proceed to slow down the rate of re-expansion of economic activity. There could hardly be a

more absurd result or conclusion. Those who say that all cost inflation is caused by an excessive pull of demand upon resources, not by trade unions' wage push, should ponder on this example of the dockers' demands which now lead the wages struggle. One half of the activities in which dockers are engaged is concerned with the shifting of British exports; it is no part of conventional current Treasury argument that this particular activity has recently been excessively overheated. The other half consists of the handling of British imports, the physical volume of which has recently been dropping. Indeed, it is largely because the total volume of their work (and thus of their piece-work earnings) is lower than it was a short while ago that dockers are indignantly pushing forward this claim to raise wages and unit costs.

THE docks dispute is therefore both a test case and an example in microcosm of most of the main things that are madly wrong with the present British economy. That is why it is important to face facts about it, even at the risk of being called reactionary and provocative. No doubt the happiest solution would be for the strike to be called off in return for an advance to decasualisation; an immediate increase in the fall-back pay secured by dockers on the days when they cannot get any work would be a wise interim step in this direction. But if Mr O'Leary says that the only settlement which he can accept is one that would significantly and permanently increase the cost of shipping exports, then it would be better to stand up to the strike, provided that the Government handles it resolutely.

Resolution in this respect would mean allowing both troops and non-striking labour to handle cargoes during the stoppage. This should not apply only, as some people have suggested, to allowing perishable imported cargoes to be taken off the ships; imports are not the most vital things to safeguard nowadays. It should also involve using and allowing and enabling outside labour to put export cargoes on to the ships, even though this might mean running the gauntlet of sympathetic action by some other unions. This would be unpleasant, but much less unrealistic than most people think. The number of strikers whose places would need to be filled by troops or affected firms' own labour would not exceed 70,000, not all of whom find active employment every day and many of whom sometimes work in gangs that employ more men than are strictly necessary to do some jobs anyway.

It will be said that any such strike-breaking action by the Government would be political suicide. In point of fact, like President Kennedy's intervention against United States steel-masters, it would be the reverse. Among floating voters "firm action" in resisting a strike would be exceedingly popular, perhaps indeed too flamboyantly so. The general British attitude towards strikes nowadays is to welcome any inflationary compromise which avoids one, but also to rally fiercely against the strikers once a stoppage actually breaks out. It is necessary in a democracy to remind people both that strikers are not public enemies, and that it is often better to stand up to strikes than to accept a constant inflation of costs. As the deadline of May 13th approaches, the latter lesson will deserve to be the more urgently emphasised. But one very much doubts whether it will be.

Small and Great

The Press is too much with us: small and great;
We are undone of chatter and on dit,
Report, retort, rejoinder, repartee,
Mole-hill and mare's nest, fiction up to date.

TIMES have changed since Austin Dobson wrote. It is the great, but not now the small, that are too much with us. The second Royal Commission on the Press since the war is now in the last agonies of deciding what to say about this state of affairs. Tested by counting output and sales or by weighing social, cultural, and even political, significance, this is a major theme in this better-off twentieth century Britain which, under the top layer of old ways and attitudes, is changing into something quite new, and as yet unknown.

Just as the British people eat more sweets a head than anybody else, so do they read more copies of newspapers. It does not follow that the Shawcross commission should therefore follow the example of Mr Selwyn Lloyd and propose to clap on a tax: though the notion of a tax on the largest revenues from newspaper advertising, designed either to push up the price of papers for the help of the smaller ones, or to turn some advertising from large to smaller papers, has been on the carpet since before the commission started work. But it does follow that liberals particularly should now be making up their minds about the sort of thing that they would like the commission to say, or not to say, about the nation's daily printed fare of news, views and entertainment.

The only by-blow of the first Royal Commission, which reported in 1949, was the voluntary Press Council, the newspapers' self-appointed ombudsmen to hear complaints about their own conduct. This had at least the virtue of paying tribute to the truth that the press's rights are really duties to readers and to citizens. It is in this light that the crux of concentration and choice in this big business and industry, left aside thirteen years ago, should now be contemplated. The commission at present in labour was set up in March last year after a six-year chain reaction of mortality and mergers among newspapers and magazines, sparked off by higher costs, by intenser competition and by commercial television as well, had telescoped the British press in London and outside. Lord Shawcross and his colleagues were asked to unravel the economic and financial process that was bringing this about, and to judge the upshot, and any possible new public policy, in terms of the public interest in true news and free opinion. What is the interest of the citizen, the consumer of the press?

One thing at any rate should be said. In liberal eyes, the consumer's interest cannot simply be to try to put back the clock by cutting down every efficient producer that has grown larger and longer in the stalk than the rest. Commercial success is not a bad word to real radicals, in the press or in

television any more than elsewhere. It is indeed by the best, the newest and the most fruitful exploitation of all the modern means of print, dress and words that the twentieth century citizen can most hope to get the choice of fare that suits his needs and aspirations. The snag, of course, rests in the word "choice"; it is the diminution of diversity in newspaper ownership, and therefore in readers' choice, that the new royal commission was asked to pass upon. But the growth of the King empire in the press cannot be countered by the means of King Canute. There is no right way of keeping unprofitable papers alive, and free, by passing laws or by putting on taxes. The diversity that is wanted will not be achieved, whether in the press or in broadcasting and television, by state-shaped arrangements or edicts, however benevolent. What a free society really needs in its organs of information, opinion, entertainment and culture is nonconformity; that is indeed what a free press means; and the only sure free way of getting this burst of new and unfettered ideas is by the originality and enterprise of non-conforming editors and managers.

THIS in fact is the worthwhile core of the hurly-burly of a book* which has just been published by Mr King's Hugh Cudlipp, the journalist-editor turned tycoon or, as he would call it, "operator." The book is written in short pants (not well-connected) of biography (often very well done), anecdote, gossip, tub-thumping and shrewd sensible argument, with the inside story of the *Mirror's* battle for Odhams Press; and the bits in the palimpsest which have commanded least attention so far are the most relevant to the great theme of the British press, even though they are flawed by the presumptuous faith that all the answers already reside in the new *Mirror* building. Among all the bright, jangling words the diagnosis is there: "the problem is not whether greater diversity of ownership is desirable but whether greater diversity of ownership is possible; no newspaper, magazine or periodical can survive without charity unless it can balance its books." These were the *Mirror's* words to the royal commission. So, too, was this guide to the way out: "the real problem is not so much the paucity of proprietors as the passing scarcity of brilliant editors who can conceive ideas successful enough to increase the number and variety of publications"; and, speaking of the *Daily Herald*, "only journalism of an outstandingly original level will reverse the present trend—journalism backed by skilful promotion." "The truth is, of course," Mr Cudlipp lectured (or hectored) the Commonwealth Press Union four years ago,

> that the social habits of the people are changing all the time. And the papers that do not change with them—for instance, papers that are slow to recognise the tremendous revolution that television has caused in the social life of families all over the world—will die or lose their influence.

Mr Cudlipp recognises the economic trap the British press has got itself into. Since Northcliffe, the formula has been to sell papers well below cost and to make profits from the advertisements got on the footing of the cut-price sales. The key to survival is advertising; this is even truer of the quality papers, the "good" dailies, Sundays and weeklies, which live by a special kind of quality advertising addressed to the affluent or the discriminating, than of the millionaire papers, which thrive by mass appeals to this island's mass market. And, since 1955, television advertising has bitten its way in. Mr Cudlipp himself says that the only answer now to this lop-sided dependence for profits or for survival upon advertisements is to raise selling prices. The problem put to the royal commission is whether this can, or should be, pressed upon the press by uncertainly effective but certainly discriminating fiscal means.

No doubt it can be said that the commission's duty is to suggest countervailing discriminations to those built into present press economics; that is the case, too, for another proposal to make mergers over a certain size, in this industry only, subject to special sanction. But even if such open interferences could work fairly or be freely tolerated, they would give not the tiniest surety that the wanted diversity of papers in theme and opinion and size would then appear and thrive: only the skill—and success—of managers and editors could do that. The challenge of the press is still to the press, and its readers.

Mr Cudlipp is not too worried by the challenge: if diversity and nonconformity are wanted, are they not there in the *Mirror* group—defying conventions, hastening social changes, cocking a snook at traditions and pomposities, fighting taboos, attacking the ruling clique and the upper crust? What is more, and this is perhaps the proudest boast in the book:

> Significantly on January 1, 1962, the *Daily Mirror*, Britain's most popular paper, introduced two pages of serious and informed comment on the night's late news into every issue.

Nobody would wish to rob the *Mirror*, with its unique capacity for making itself understood in word and theme by its millions of readers, of its contribution to critical and outspoken journalism and, in its intelligently forthright way, to popular instruction. But the readiness to speak out is a journalist's duty anyhow. Sticking pins in the old stereotypes of authority is not, by itself, the nonconformity the British press most desperately needs to keep: significantly, the chapter in this book on the *Mirror's* "denunciation" of Suez is headed, with a brave shudder, "How to lose 70,000 readers." The *Mirror*, by its nature, has its own synthetic conformity at least as marked as the conformity that Mr Cudlipp, so passionately and so old fashionedly, attributes to *The Times*; its ball-and-chain is not the established clique but *vox populi*; its risk, as it tilts so rudely, so romantically and, sometimes, so refreshingly and so effectively against aristocrats and oligarchs, is plain demagoguery.

IT is the journalism of ideas and dissent, from all the sorts of conformity, that Britain most lacks and most needs. In no society do those who run it or those who man it ever know what is happening to it, or where it is going. Change and growth come from the odd men out. These are the real nonconformists. It is for these that we most need lively and living small papers (the "problem publications of public importance or political significance" which Mr Cudlipp says, too, too beguilingly, will be best off in, and by favour of, a larger group able to "swallow or submerge" their losses). The royal commission cannot do much to help these, however it seeks to tilt the economic balance of the press. Only journalists can do this—with new ideas in their trade to match those of the nonconformists.

* "At Your Peril." By Hugh Cudlipp. *Weidenfeld and Nicolson.* 400 pages. Price 21s.

Planned Europe?

As full employment closes in on Europe, new thoughts about economic planning are in the air

THE British Left's picture of postwar western Europe as a Papist oligarchy, where a rampant private capitalism grinds the faces of the poor, has never held much water. France has been planning investment since 1947. Holland has been operating a thorough national wages policy ever since the war. Public ownership is more widespread in France and Italy than in Britain. And though the pattern of social services varies from country to country, with Germany excelling in pensions and sick pay, France in family allowances and Britain in medical services, throughout western Europe the welfare state is established in the social fabric. On May Day PEP published a pamphlet* by a member of the Amalgamated Engineering Union's research staff, which admirably describes this scene.

Yet one fundamental economic factor—the absence of full employment—has weakened the power of organised labour on the continent in the past fifteen years, and until lately helped to create a somewhat different social climate from our own. Some countries have had less unemployment than others. In France the labour market has been stretched for some years and unemployment has often been below the British level. In west Germany, though the labour market has been tight, especially in the summer, for five years past, the steady influx of refugees from the east has always, until last autumn, provided the employers with a backlog of labour from outside. Southern Italy provided a vast reserve of idle hands, whose existence helped to keep wages down, not only in Italy, but in other parts of the continent.

This situation is coming to an end. Last August the influx into west Germany from the east was stopped. Firms in northern Italy are now having such difficulty in getting the kind of labour they need that they are trying to persuade Italian emigrants in south Germany to return home. There are still at least 1.3 million unemployed in Italy, mostly in the south, but many of these are men who cannot or will not move easily elsewhere. While British firms recruit West Indians and Pakistanis, German firms are having to seek labour in Spain and Greece. The European Commission's latest quarterly survey of the economic situation in the common market points out that expansion has been slowing down "mainly due to labour shortages, which have become a fairly general problem in the northern areas of the community." In the last quarter of 1961 France and west Germany, which together have a labour force about twice as large as Britain's, had together only about two-thirds as many unemployed as there were here. In the community as a whole (including Italy), about 2.4 per cent of the labour force was unemployed compared to 1.7 per cent in Britain. The strains on the economy of the continent are described on page 473.

In facing the problems of full employment, continental western Europe has three economic advantages over Britain. The huge exchange reserves accumulated during the past ten years provide a strategic weapon which it has been possible to deploy with good effect to increase imports, holding down domestic prices and permitting demand to expand without inflation. Industry can also still draw on the large reserve of labour on the land, provided a determined attack is made on agricultural protection; this reservoir is a traditional source of industrial growth. Above all, continental western Europe has acquired the habits of growth and high investment which are preconditions of future expansion without inflation. The attitudes of unions, management and officials alike are still less defensive than in Britain.

FOR all that, the transition to full employment is bound to bring, indeed is bringing already, a change in the economic, social and political climate on the continent. Just when incomes a head in France, north Italy and west Germany are reaching the British level, these countries are beginning to face some of the problems of economic policy that Britain has faced for many years. Growth, and the propensity to invest, are faltering a little. The industrial output of the Six rose by only 6.5 per cent last year compared with 13 per cent the year before. As the labour force tightens there is a tendency to invest less in expansion of capacity and more in rationalisation, less in industry and more in services. Above all, at the same time as profit margins and investment yields shrink (notably in Germany), wage claims flourish (far more than the rise in productivity in both France and Germany). As the symptoms of full employment and "maturity" close in, German and French officials are actually beginning to look with some admiration and envy at Britain's partly-successful wage pause.

There are signs already that the economic policy-makers are beginning to respond to the new situation. Dr Erhard has provided a clear-cut lead, calling on the Germans to show self-restraint in wage claims and price policies, slapping restrictions on new building, and threatening tariff cuts if manufacturers raise prices. The motor manufacturers have not responded; nor have the unions: it is high time, they retort, that wages and consumption did take a larger share of the west German national income. Government economists remind them that the fabulous wage increases of recent years have in turn been the result of high investment; why kill the goose that lays the golden eggs?

The upshot of the argument will not be clear for some time, but there is no doubt that full employment has strengthened the German unions' hand. The debate is also throwing up a good many new ideas. There is talk of a national incomes policy, or a system of forced saving to put excessive wages into a kind of public investment fund. The *Volkswirt* has called for a more systematic economic policy, backed by better statistics and a closer consultation with industry on investment plans.

New thinking in France is even more interesting. While the British are trying to learn from the planning structure the French set up in 1947, the French are considering how to adapt it to the nineteen-sixties. With resources under strain, the choice of various alternative policies becomes more important and more difficult. Last year the French planners began work on forecasts of growth up to 1975, to give depth to their forecasts for the four-year plan which came out in January. In preparing the fourth plan, they worked out not one but three different estimates for growth, so that the implications—for investment, foreign trade and so on—could be seen clearly, before the choice of a certain rate of growth was made. Eventually the middle estimate—an increase in national product of some 5.5 per cent a year—was chosen, with special emphasis on public investment in such things as schools and roads. Even the minister of finance seems to be catching a little of the new mood of *gaullisme social*. M. Giscard d'Estaing, General de Gaulle's young finance minister, announced in February that he would hold meetings with the unions as a step towards a new national incomes policy. An article on page 471 describes his efforts to hold steel prices down. His tone sounds different from the high orthodoxy of M. Baumgartner, his predecessor, who once dismissed talk of inputs and outputs in the committee of national accounts with a brusque: "Tell the gentlemen to speak French."

BOLDER, left-wing thoughts on the future of French planning were thrown out in three articles in *Le Monde* in March by M. Gilbert Mathieu. The first French plans, he pointed out, had been empirical devices thought up by the technocrats for breaking through certain bottlenecks in the investment industries and getting businessmen used to growth. Now that the choices had become so much more complex there was need for a more effective democratic control. Parliament, for example, should be able to choose which of, say, three growth objectives should be followed and, where there was room for further choice, whether to go for, say, more leisure or more consumption, more public investment in schools or more private investment in the television industry. Planning, in short, should have social objectives, in the choice of which the popular voice should be heard.

Italy's "opening to the left" provides the most tangible political sign of these new currents. Since Mussolini's fall there has been plenty of planning and state enterprise in Italy. The Institute for Industrial Reconstruction has owned and guided industrial developments in most branches of engineering. Signor Mattei has built pipelines, refineries, chemical plants, swimming baths and motels. There has been a plan for the Italian south and a plan for agriculture. At the Bank of Italy Signor Carli has been carefully keeping liquidity in line with the increase in the national income. But in-fighting has been bitter between the leaders of the different public and private enterprises. Indeed, it has not always been clear who is master—the young Italian state or its mighty industrial subjects. Signor Fanfani's government, with socialist support, now plans to set up a central planning authority to harness the industrial *condottieri* to a consistent policy.

The approach of full employment and affluence on the continent is thus being accompanied by an increasingly left-of-centre preoccupation with planning and an inclination to define its social as well as economic purposes more clearly. The trend should reassure those members of the Labour party who fear that membership of the common market would mean surrender to the forces of *laisser faire*. In France and Germany the search for a new balance in social and economic policy still has to find political expression; one may suppose it will make itself felt once Dr Adenauer and President de Gaulle have left the scene, and it may soon have its impact on life in the institutions of the common market. M. Mathieu points out, as critics of the common market have done in Britain, that as Europe unites it will become less easy to plan on a national basis, and more necessary to do so on a European scale. It is intriguing to hear M. Mathieu ask whether Dr Erhard's Germany and "liberal-conservative" Britain will accept a plan on a European level, akin to the one France will want. National planners can perhaps be reassured by the resemblances in the ways Europeans are thinking as they search for a new blend of planning and economic liberty.

* Trade Unions and the Common Market. By Colin Beever. *Political and Economic Planning*. 4s.

The New London

The Government is in danger of fluffing the test case for local government reform in Britain

DR HILL really must not let himself be browbeaten by suburban witenagemots. On Monday he succumbed to the agitation by Surrey County Council and exempted three flourishing urban districts (population 120,000) from inclusion in the Greater London local government grouping that is to come into being by 1964-65. The Surrey Tories may dance in the streets because they still have sack and soke in Banstead, and the rest of the country may simply shrug its shoulders at London's enduring parish-pumpery. But this is a decision that needs to be questioned—if only because the fate of another dozen peripheral districts wanting to wangle their way out of the Herbert commission's recommendations is now in the balance. The Herbert commission's report opened the door to the most hopeful and stimulating reappraisal of local government in this century. Because it dared to question every vested parochial interest in the London region it is being fought tooth and nail by bumbledom everywhere: by entrenched Tory councillors in Surrey and the plush suburbs, as well as by entrenched Labour councillors in the old London County Council area. London's readjustment will not be advanced if Dr Hill's first action has to be to placate those of his political friends who make the loudest noise.

The Ministry of Housing and Local Government, says Dr Hill, exempted the three Surrey districts because "they do not form part of the continuously built-up area." The first thing to be said about that is that the green belt shutting off these spinal developments from London is uncommonly hard to find; certainly the Herbert commission thought so. The second thing is that to adopt this one physical criterion is nonsense anyway. Take Banstead itself: 47 per cent of its employed population is believed to work in London, 27 per cent actually in central London. As some people have to be employed in running local shops and so on, these are high figures for any-commuters' suburb; they mean, in strict truth, that Banstead relies on central London for its daily bread just as much as Battersea does, or Camberwell. It almost looks as if Conservative Central Office has done a little sum: to give just enough back to Surrey to keep it quiet without prejudicing the Tory chances of carrying the Greater London Council in an average election year.

There is a very real need now for Dr Hill to show that he is in earnest about tackling London's problems and, particularly, in giving the Greater London Council the authority it needs for its job. There are four main points that call for his attention.

First, he must put his foot down in dealing with the remaining "beyond the fringe" councils—although, if he simply adopts his Banstead criterion, places like Romford and Hornchurch have a fair claim to be counted out, too. And if he does make more peripheral concessions, then there will be the more urgency for the creation of effective joint planning machinery over the wider Home Counties region. The deathbed repentance of the counties, in professing to want to do something more positive about overspill housing, main roads and commercial development than their original evidence to the Herbert commission suggested, ought to be promptly taken up.

Secondly, he should increase the size of the area over which the proposed new *ad hoc* educational authority in central London will hold sway.* The Government rejected the Herbert recommendations on education and plumped for giving all the Greater London boroughs, except those in central London, full county borough status in educational matters. (Its first ideas about the large Greater London boroughs along the southern ring seem, in fact, to have been drawn up with the outline of existing educational authorities sensibly in mind.) But in central London the threatened disintegration of the co-ordinating power over education at present exercised by the London County Council is a serious matter. The London schools system has been built up without any regard for existing metropolitan borough boundaries; most London children, particularly at the secondary school and further education stages, blissfully cross from one borough to another every day of their lives.

In his white paper (Cmnd. 1562) last November Dr Hill proposed to set up an *ad hoc* educational authority to take over the Greater London boroughs' responsibilities in the inner ring. He thought it "appropriate" that it should cover a population area "of the order of 2 million"—compared with the LCC's $3\frac{1}{2}$ million. On strict educational grounds (such as continuity of schooling, exercise of parental choice and even guaranteees of teaching standards and conditions) Dr Hill will do a great dis-service if he does not increase the size of this central area: it should certainly include all eight of the proposed Greater London boroughs in the existing LCC area north of the Thames and at least three on the south bank as well.

Thirdly, Dr Hill still must decide to make the Greater London Council into an effective authority, capable of dealing with the tasks of London's growth and renovation—instead of obliging it to content itself with matters like the fire service, ambulances and refuse disposal. The Government has decided that the GLC should be directly elected (which should help it to face the boroughs without constant ministerial intervention on its behalf), but if it is not seen to exercise effective regional power, the elections themselves will become a farce. They will mean that the citizens of Greater London, one-sixth of the population of Britain, will turn out to vote in three-yearly protests against whatever government is in power at Westminster—on hustings that will no doubt be fought over on general political and even foreign policy issues—in order to elect a body with about as much effective importance as the Metropolitan Water Board.

The GLC will have a visible purpose and attract public and administrative loyalty only if it is seen to be tackling such issues as housing and roads on a regional scale. In Cmnd. 1562 Dr Hill seemed reluctant to back the GLC wholeheartedly against the boroughs' claims. But the need for a live authority is real enough. Between 1959 and 1961 only one-third of families rehoused by the LCC could be accommodated in the metropolitan borough where they were already living; two-thirds had to be housed in other boroughs or in out-county estates. The GLC will need pretty strong powers if it is to try to increase densities in the fringe areas where this is practicable—and such increases are probably the chief way to assist slum clearance in the inner ring.

Equally, the GLC is the right authority to deal with traffic and highways, but it will not make a go of this on piecemeal grants or if improvements (like the Chiswick and Hammersmith flyovers on the road to London airport) still have to be bulldozed through several local authority interests. It is true that the boroughs in the north and west have been designed, geographically, to keep the main routes in a limited number of hands. But there is a very strong case for five-year grants to the GLC by the Ministry of Transport in order to ensure continuity of planning and construction.

FINALLY, although less important, Dr Hill needs to sort out some of the more unsuitable shot-gun marriages designated within the GLC area. He has had certain conspicuous successes: boroughs No. 2 (Westminster, Paddington and St Marylebone) and No. 3 (Hampstead, Holborn and St Pancras) seem to be settling down happily. He should certainly disregard a good deal of the amateur empire building and local feuding that have gone merrily on for the past six months—discrediting their advocates in the process. The "Greater Willesden" plan is one that can be safely cast into limbo and the love-hate relationships between Kensington, Chelsea, Fulham and Hammersmith need not be taken too seriously. ("No, I won't have anything to do with Aunt Ethel on the wrong side of the park.") But some complaints are worth looking at. For example, West Ham and East Ham are existing county boroughs with considerable administrative experience; instead of being lumped together they might better become nuclei for two new Greater London boroughs—particularly as Barking, with its new civic centre, seems ready to go in with East Ham. Again, there is something to be said for not letting the new Wandsworth start off without any public buildings while its old ones merely duplicate Battersea's.

The worst thing that could happen to London would be if, after glimpsing the prospect of a fresh start in keeping with the planning and administrative demands of the second half of the twentieth century, it should find itself the prey of political deals and parochial primacy. Mr Macleod told the Commons in the debate on the reorganisation last February that it was not just London or the south-east that was involved; local government itself was on trial and London was the test case. The Government must live up to his words.

* As we go to press Dr Hill announces that he will, in fact, preserve the LCC education area for five years at least—a decision that we warmly applaud.

Colossus of Rhodesia

African nationalists—near victory in central Africa—can cap their success if they show magnanimity

AFRICANS in Northern Rhodesia, Southern Rhodesia and Nyasaland should now be thinking about how to save the federation that binds their three territories. Save, because it is valuable and could be theirs. Dr Banda has Nyasaland. Delimitation of constituencies permitting, the parties favouring white man's control will be permanently out of power in Northern Rhodesia after the elections in October. The white federation itself—the one that extended white Southern Rhodesian control over the two northern territories—was resoundingly defeated by boycott at the federal elections on April 27th, when only fifteen seats out of 59 were contested. The new federal government rests on about fifteen thousand votes in a population of nearly nine million; on this basis it is doomed already.

African governments in Nyasaland and Northern Rhodesia may remain extremely reluctant to associate in any way with a Southern Rhodesian government still controlled by white men. But Dr Banda and Mr Kaunda will do well to realise that magnanimity at this time would, by reducing white fears, serve African nationalism better than a continued assault on Salisbury and London led by an intransigent Zimbabwe African People's Union (the Southern Rhodesian nationalists) and a well-meaning United Nations. The second of these two approaches could conceivably mean a quicker victory over Salisbury; but it would surely mean a bloodier one.

The time for this kind of private rethinking is now. Next week, after a debate in the House of Commons, Mr Butler will set off for a fortnight's tour of his new central African domain. He has already been told what to do by the United Nations; further advice will no doubt be forthcoming from the same source. If this seems irritating, and not really in order, it should be remembered that the African nationalists of Northern and Southern Rhodesia have, so far, gained considerably by enlisting international support; and they have at any rate caused the British representative in New York to promise before all the world that nothing will be done in central Africa against the will of its peoples. This is the point they have been trying to win since long before the federation was formed in 1953.

Apart from the ghost of the United Nations, Mr Butler will find within Rhodesia a great deal of worry about the forthcoming elections in the north and in the south. The African nationalists are, wrongly, boycotting the Southern Rhodesian elections under a new constitution that allows them a possible 15 seats out of 65. At the same time, there are fears that the right-wing parties may bring down Sir Edgar Whitehead's reforming government at the polls this year. While Sir Edgar himself will have no truck with African nationalists (but will remove race discrimination everywhere except in parliament), the right-wingers in Southern Rhodesia might well be more likely than Sir Edgar to take a last-ditch violent stand against African pressures.

In Northern Rhodesia, Mr Butler can help matters along by providing an unquestionably impartial delimitation commission (one sent from London) and by telling his officials in the administration not to obstruct the African parties and politicians when they seek to register branches, hold meetings, or canvass for support. But, on the other hand, violence has already broken out between Mr Kaunda's party and the smaller, opposition, African National Congress. The ANC is said variously to receive money and support from Mr Tshombe of Katanga and the United Federal Party led by Sir Roy Welensky; these political emotions have been further inflamed by tribal differences. This is not Mr Butler's easiest mission.

EVERYONE, including Sir Roy Welensky, expects something other than the present federal structure to emerge out of Mr Butler's trip and the horse-trading that might follow. The worst that could happen would be a sulky swing to the right in Southern Rhodesia, followed by some OASinine thinking on the part of a number of whites and, not altogether impossibly, intervention from South Africa. The best way to give the worst a chance of happening is for the southwards-advancing African nationalists to treat the entrenched white Southern Rhodesians as if they were departing British administrators. The Southern Rhodesians (and the South Africans) control their own destinies; there is no Britain (or France) to withdraw from power and, in withdrawing, attempt to negotiate new friendships between white and black. Slogan shouting, anti-white speeches, strikes, boycotts and the like become more



dangerous the further south they are carried; Sir Edgar Whitehead is more likely to be defeated pragmatically, by diplomacy, generosity, and fighting elections even on his terms. The new policy must be to win the whites over, not to drive them to armed cover.

If Dr Banda and Mr Kaunda are big enough to show magnanimity, the best that might happen would be to save the undoubted benefits of the federation for all its inhabitants. The first—and most important—benefit is the existence of its white population, with all its skills. Fewer white Rhodesians would leave if fear of what black governments might do were proved groundless by the speeches and the deeds of those governments.

From this flows the economic advantage of the federation. Mr Kaunda has already spoken of his desire to keep Rhodesia Railways and the Kariba dam and power station as going concerns shared between the two Rhodesias. Why

not the whole common market of the federation, the central economic guidance, and parts of the civil service too? The heavy costs of a complete break-up would thus be avoided. Apart from the burden of compensating departing civil servants, the federal public debt—amounting to some £264 million—would have to be reallocated among the three territories if they split up. Some of this money is guaranteed by the British Government; much of it was lent by British institutions and private investors. If there is to be a loss, or risk of a loss, the British Government would be legally bound to pay some of it (mainly loans from the World Bank) and, as much of it is trustee investments under British law, morally bound to cover much of the rest. But none of this would do any good to the credit-worthiness of the three territories; separate chairs in the tall building in New York might thus be expensive.

Again, as chairman of the pan-African freedom movement for east, central and south Africa, Mr Kaunda is avowedly against the balkanisation of Africa; so is Dr Banda. Both must be aware how much more influence a federation would wield in African and international affairs than three separate countries. Short of provoking Dr Verwoerd to fight, such a Rhodesian colossus might give him much to think about. This does not mean that any of the features which made the present federation unworkable can be retained. White control is an anachronism.

Ten years ago, *The Economist* supported federation on the grounds that it would make economic sense, and that it would both liberalise Southern Rhodesia and save it from South Africa. Today, after a certain amount of argument when things went awry, African politicians (and this paper) could support the same idea—under a different name—for the same reasons.

The Economist said on May 9, 1953: "The whole case for proceeding with federation rests on the assumption that the Europeans, now that greater powers are to be transferred to them, will show that African fears and suspicions are largely groundless." On that basis, the case fell through. Now "European" and "African" can for all practical purposes be reversed. Are the Africans, too, to let central Africa down?

NOTES OF THE WEEK

NATO

Not the Fourth

BETWEEN December and May, the idea of making Nato into the world's fourth nuclear power has visibly withered; which is unseasonable, but almost certainly a good thing. When the foreign ministers of the western alliance met in Paris last December they were urged (notably by Herr Strauss, the west German minister of defence) to look into the possibility of setting up a strategic nuclear force under the joint command of the Nato powers. The proposals that have emerged from the subsequent deliberations, and which were laid before the allied foreign and defence ministers when they assembled in Athens on Thursday this week, are a very different kettle of fish. They amount to no more than an offer by the United States to give its allies rather more information about its own deterrent. The allies would be told where in Europe the Americans' nuclear warheads were stocked, and would be invited to discuss just when and how they would be fired. But the decision to fire them would remain the President's alone; the European allies would have neither a finger on the button nor (as some people have suggested they might) a string that could pull the President's finger off it.

This is a far cry from a truly multilateral Nato deterrent. The retreat from multilateralism is due partly to the enormous difficulty of working out a system of joint command; and partly to the blunt refusal of the Americans to share control over nuclear arms just when they are trying to find a way of halting the proliferation of these weapons. Herr Strauss and the other advocates of a Nato force seem to have reconciled themselves with unexpected composure to not getting what they wanted. The idea of a jointly controlled deterrent will doubtless be revived. For the moment, however, most west Europeans are apparently willing to go on relying on the Americans for their nuclear protection, provided they get the comparatively minor extra comfort of being members of a committee to discuss how it is operated. Those who want to stop the spread of atomic arms will thus turn their attention back to Britain and France. Will they persist in their straining after nuclear independence? Or can they be persuaded, perhaps, to merge their efforts in a single force that could adequately guard Europe without adding another name to the list of nuclear powers?

Good Germans

BONN'S new moderation on atomic weapons is welcome. Herr Strauss, who has long been keen on a Nato deterrent, now seems to be acquiescing in the American policy of emphasising conventional weapons, and has accepted a much more limited programme of nuclear co-operation. The west German government will be content with information on the whereabouts of atomic weapons and stocks in Germany, a guarantee that they will not be withdrawn, and some political consultation on the general strategy of nuclear arms. Some people may doubt the wisdom of a guarantee that nuclear weapons should stay permanently on German soil, but on the whole these seem reasonable concessions to a country which provides the base for most of Nato's nuclear weapons on the Continent.

The west Germans are also showing restraint about Berlin. For all the doubts they obviously feel about the developing negotiations between the Americans and Russians, they seem to be taking their medicine unusually well. True, the leak in Bonn last month on the American proposal for a new international body to supervise traffic to Berlin looked like attempted sabotage by somebody. In the United States Herr von Brentano, the former foreign minister, has been saying that the creation of such a body should not imply recognition of the east German state; Herr Schroeder, the present foreign minister, has been saying much the same. But both Dr Adenauer and Herr Schroeder evidently see that Bonn cannot indefinitely block negotiations on Berlin and related matters. The Bonn government even seems prepared to accept some east Germans in the new international authority. Its main anxiety is to ensure that this body genuinely helps to guarantee access to Berlin, and does not provide a means for east German obstruction.

The new moderation in Bonn is a tribute both to American diplomacy and to Dr Adenauer's realistic appreciation that Germany must in the end go along with the United States. Herr Schroeder is emerging as a conciliator, at least in inter-allied diplomacy. But there are still powerful forces in Bonn which will do all they can to obstruct the unfolding east-west talks. And as yet Dr Adenauer shows no signs of giving a public lead against them.

ENGINEERS BALLOT

Raspberry Response

THE engineering workers' ballot has plainly not even come near to providing the two-thirds majority for militant action which many of the union leaders had confidently expected and asked for. When the final figures are published next week the interesting thing to see will be not merely the proportions of votes cast for and against a strike, but whether the men positively in favour of a stoppage amounted to more than a small fraction of the total membership; it can reasonably be assumed that most of those who did not stick out their necks by returning any votes at all were not particularly militant men. Has this engineering vote been a very special case, or has it been a sign that most potential strikers themselves are heartily sick of the strike weapon?

Probably, it has been a bit of both. It has long been clear that the 100 per cent "support" which most strikes secure from the rank and file often springs from fears of consequences to blacklegs—and from a vague sense of group solidarity—rather than from eager voluntary militancy. Strike votes which are taken on an open show of hands are influenced by some of the same considerations. The £1,000 a year industrial worker knows quite well that he is likely to lose much more in pay during any stoppage than he might conceivably gain in extra wage increases (say, at most, £15 to £20 a year) at the end of it. Even wage increases based on the threat of strikes, which may seem to have paid off in recent years, have not in fact increased the proportion of national income going to wage earners; they have merely added a little bit of inflation all round, and more and more ordinary trade unionists (who are not blind fools) realise this. In any case, in engineering, where most workers' income levels depend mainly on bidding up by individual plants, national trade union bargaining has come to play a not much bigger individual role than, say, the size of the Christmas bonus does for some of the salariat—and it is beginning to be regarded by many engineering workers in the same less-than-holy light.

A Special Case?

NEVERTHELESS, two factors would probably influence the outcome of other strike ballots, if the holding of them became a matter of more common and democratic course. First, that mystical thing, the sense of solidarity in an industry. One suspects (although one cannot now be quite sure) that miners and dockers would usually be likely to vote a large majority "yes" to any official strike call, even though workers in the more amorphous engineering industry have now refused to do so. Secondly, the percolation, with rising income levels, of middle class attitudes. Last year a ballot of the teachers showed them to be much less heavily in favour of strike action than their own union leaders had expected, and now workers in engineering have shown that many of them are sufficiently affluent to feel and think like the same sort of people.

In a sense, therefore, the prosperous engineering industry has provided rather a special case; but as Britain grows richer more and more industries are fortunately likely to move in the same direction. It is more than high time that trade union leaders' attitudes, trade union organisation, trade union custom—and, for that matter, the attitude of some outside people towards the problem of protecting individual trade unionists' rights through a democratic reform of trade union law—caught up with this evolving change in the whole nature of British industrial society.

RUSSIA

Pay-off Pause

STALEMATE keeps governments stable as often as ministerial unanimity. Perhaps stalemate is the reason why only a few minor changes were made in the Russian government at the session of the Supreme Soviet which ended on April 25th. It has now been officially disclosed that this parliamentary show session was preceded by a meeting of the party's central committee, where all the important issues of home and foreign policy were discussed behind closed doors. It was there that the decision was taken to leave the government almost unchanged but to make one alteration in that even more important body, the party secretariat—to replace Mr Spiridonov with Mr Kirilenko.



Mr Spiridonov: Too anti-Stalinist

Mr Kirilenko's promotion is less significant than Mr Spiridonov's demotion. Mr Spiridonov, a party leader from Leningrad, first caught attention by his vehement attacks on the "anti-party group" in general and Mr Malenkov in particular. But he was also the most outspoken critic of Stalin's era at the party congress last October. It is worth recalling that Mrs Ekaterina Furtseva, who also led the attack on Stalinism in October, has since been removed from the other crucial party organ, the presidium. True, their downgrading is limited. Mr Spiridonov has been given the honorary post of chairman of one of the houses of the Supreme Soviet, and Mrs Furtseva has kept her job as minister of culture. But the demotion of the pair suggests that Russia's leaders (perhaps by arrangement with their Chinese colleagues?) have agreed on a pause in their struggle against the remnants of stalinism.

EUROPE

Pilot for the Narrows

FRESH from his efforts to cheer British opinion by talking gaily of European opportunities and planning the Commonwealth conference, Mr Macmillan has now entered the international common market fray. In Washington last weekend he firmly reminded President Kennedy that Britain cannot join the common market unless the interests of the Commonwealth and the European neutrals are properly taken care of (see page 448). In Ottawa on Monday and Tuesday he put the case for European unity, and assured Mr Diefenbaker that Britain will look after Commonwealth interests. In early June he is to visit President de Gaulle in Paris, a month before Dr Adenauer pays a six-day visit to France. Mr Macmillan is evidently to be on the bridge in the crucial stages of the common market voyage.

Britain is not the only country where the European argument is becoming heated. On April 28th the Norwegian parliament agreed by 113 votes to 37 that Norway should seek full membership of the common market. The debate in Norway has been the fiercest political discussion there since the war. Norway has good reason to seek membership of the community if Britain and Denmark join too, but it has special problems in fishing and agriculture; and if Sweden is unable to obtain association the whole future of Scandinavian co-operation might be seriously jeopardised.

General de Gaulle, who holds the door keys for all these countries, has as yet given no clue to his intentions now that France's international position is so vastly strengthened by the Algerian peace. Undoubtedly three questions—France's ambition to have its own deterrent, Britain's application for membership of the common market, and the talks on European political co-operation—form related parts of President de Gaulle's view of the French place in world affairs. What the British can do in the atomic field is limited in part by the views of the United States. But it might help if Mr Heath were able to explain that Britain's wish to be consulted about European political co-operation is certainly not meant to prevent the Six from making further progress before Britain joins them.

FRANCE

Rumblings

GENERAL DE GAULLE has reason to ponder the vote of the National Assembly which approved M. Pompidou's government on Friday, April 27th. The president's new prime minister showed himself anxious to conciliate parliament by affirming his scrupulous determination to abide by its rights under the constitution. But, following M. Paul Reynaud's lead, most of the Independents, plainly unhappy about the



M. Pompidou : will do better

"indescribable intellectual disorder" they discerned in the workings of the constitution, abstained. So did many of the Christian Democrats, unhappy about the general's doctrine of "*l'Europe des patries*." The extreme right-wing supporters of French Algeria joined the Communists, Socialists and Radicals in opposition. Only the discipline of the gaullist party and the loyalty of half the Christian Democrats and a quarter of the Independents carried the government to harbour. It received 259 votes, a majority of only 12 over the rest of the chamber.

M. Pompidou will do better hereafter, when debates are held on single topics which do not arouse such heterogeneous opposition. But the voting showed that many deputies have already thrown off their Algerian preoccupation, and are ready to return to the good old days when parliament meant something. The anxiety of many of them about General de Gaulle's foreign policy and his constitutional intentions afford them excellent, and probably permanent, excuses for expressing their feelings.

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It is possible that General de Gaulle has missed the tide, and that he would have been wiser to take M. Debré's advice and hold elections this month, so as to ensure, while the glow of the Evian agreement was still in the sky, a new assembly as unanimously subservient as this one used to be. He may yet have to resort to dissolution to keep parliament tame. Much depends on whether he proposes to revise the constitution, making it even more explicitly presidential than it is now. The chief difficulty of crystal-gazing just now is that nobody knows how much stuffing is left in parliamentary ideals in France after four years of the new *système*.

SCOTTISH LOCAL ELECTIONS

Large Swing to Labour

LABOUR has had a humdinger of a success in the Scottish burgh elections. It claims 43 net gains in seats that were last fought over in May of 1959, five months before the last general election. No fewer than 251 of its 354 candidates have been elected. So far as one can see, this has been its best performance ever in these elections: better than 1945, better than 1952, better than in any of the other periods of dissatisfaction with the Tories in any mid-term of a Parliament. Part of the Labour success has resulted from the fact that some Scots citizens who have normally voted Tory (under one of the Tories' various Scottish pseudonyms) this time either stayed away or voted for the Liberals (who secured 5 gains, of which four came from Tory and one from Labour) or even voted Social Credit or Scottish Nationalist. But in most places there was a clear rise in the total Labour vote as well.

Attention will now turn to the local elections in England and Wales, which will be taking place throughout next week. Some bogey scores for interpreting these results—particularly those in the borough elections on May 10th—will be published in our next issue. But the basic electoral arithmetic as between the two bigger parties this year is fairly easy. Most of the councillors who are retiring next week were elected in May of 1959, just before the last triumphant stages of the Tories' pre-general-election swing got moving. After those local elections in May of 1959 analysts were saying that they indicated a probable Tory parliamentary majority of somewhere between 40 and 50, compared with the majority of 100 that the Tories actually eventually achieved five months later. It follows that any net Labour gains next week will be genuine gains compared with the situation at the last general election ; if net Labour gains of seats in the provincial (i.e., non-metropolitan-London) English and Welsh boroughs next week went significantly above 100, that would begin to show Labour as favourites to win any early general election. After the Scottish results Labour can reasonably expect considerably more gains than this, perhaps indeed more than three times as many. And the Liberals, who could turn the borough swing away from the Tories into a real landslide this year, must be licking their chops more eagerly still.

PARLIAMENT

Back to Work

A LIFELESS and thinly attended House was back at Westminster on May Day to pick up the political threads of the session after the Easter recess. The questions that had been put down were so few—25 for departmental ministers and 9 for the Prime Minister—that twenty minutes before the end of the first question hour they ran out altogether. Mr Butler, standing in for the absent Prime Minister, was so unforthcoming about the American nuclear test series that Mr Gaitskell, to the fury of his own left wing, rose to the rescue, pointing out that the fall-out from the present high altitude tests is likely to be much less than that from other tests. On smoking Mr Butler was equally sybilline: "A line has already been taken in relation to the education and health services. . . . In some of the other provinces the Government have not acted hitherto, and that is why we are examining them." A consensus of opinion emerged that this was a hint that something was being prepared to control cigarette advertising ; but nobody really knows.

On Wednesday in the Lords the Liberal Lord Ogmore fought the Montgomeryshire by-election (on a policy of even huger subsidising of small mid-Welsh farmers), while in the Commons Labour fought the local council elections (on a policy of larger direct and indirect subventions for all sorts of tenants). Both debates made the Conservatives look respectable by contrast.

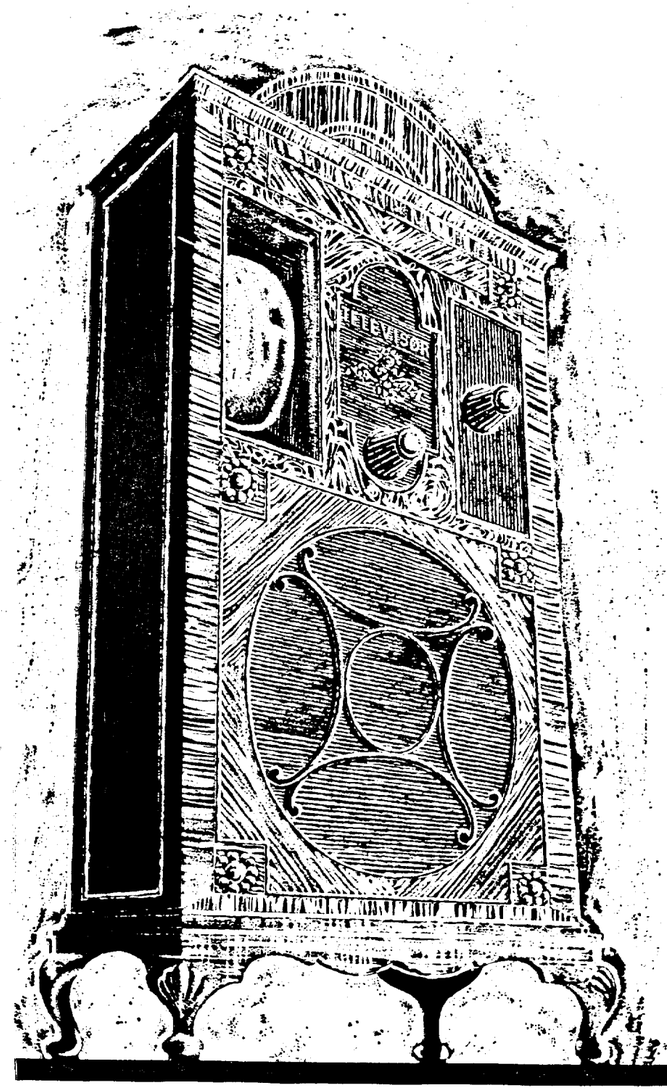
The common market is clearly going to dominate this second half of the session. A peep at what is in store for the Government came on Parliament's second day when Mr Heath was savaged by questions from Mr Shinwell and Mr Harold Wilson on the political implications of Britain's entry. Unperturbed by accusations of secretly "selling Parliament down the river" Mr Heath managed blandly to evade the issue, but he will have to face it—as he ought perfectly well to be able to do—later in the summer. So will the itinerant Prime Minister.

NED

Got a Little List?

THE National Economic Development Council is due to hold its second meeting next week. This is the meeting at which the staff of Ned is supposed to present a suggested schedule and timetable for its work ; it might, therefore, also be the meeting which will determine whether Ned eventually becomes an effective policy-influencing body or just a rather pussy-

in a changing world



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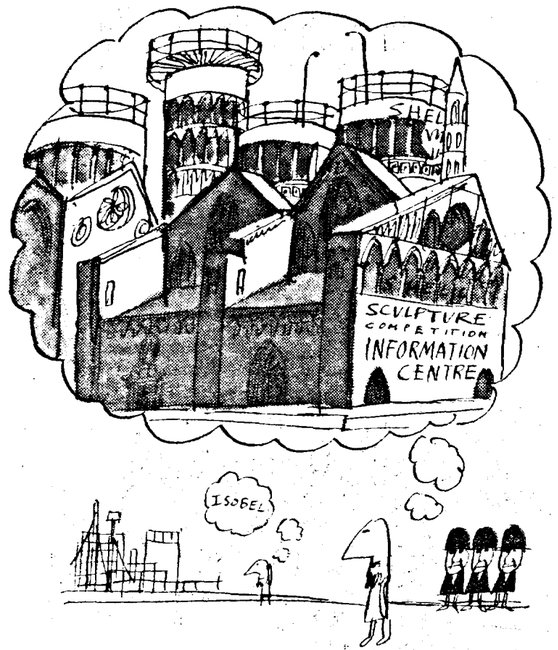
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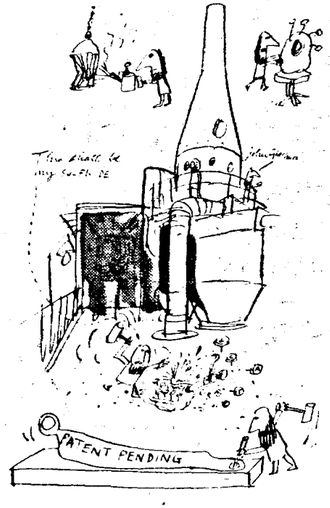
Chapter Seven:
The Metamorphosis of
Carter the PRO

You'll remember that quite early on in this story (Chapter Two, if you've been keeping them; if you haven't, don't worry, they'll be available later in an attractive bound volume scented with perfumes based on certain allyl esters such as salicylate and malonate), Carter from Polyglycols found himself PRO for the sculpture competition for *The Spirit of Shell Chemicals*, that brilliant inspiration of one of our directors, Mr. Carter.

I've never seen such a change in a man. Previously rather reserved (although he was of course a top chap in plasticisers and gelling agents), he now wore a bow tie and boasted incessantly of his friendship with Cosmo Fanlight, the TV panelist and articist, key man of the judging panel. We got endless remarks like 'As I told Cosmo, Canova is really just Leftova from the Renaissance.' Much of his time was spent showing parties of interested sculptors round our establishments at Stanlow (butylenes, alcohols, ketones, Epikote resins, Teepol . . .), Carrington near Manchester (glycols, polystyrenes, toluene and lots of other stuff including pitch. The director of a Shell Chemicals choir up there—Hyphen-Carter from the Colour Service it was—used to say at rehearsals 'Disgraceful! The pitch has dropped a semiketone!') and Shell Haven (all the agricultural stuff, fertilisers and that)—it was at Shell Haven that Max Grob the famous Destructionist, got the idea for his terrifying study for *Sulficide; The Ultimate Sin* (actually it controls mildews and apple scab).



Well, Carter the PRO got this idea of building a grandiose Sculpture Competition Information Centre and Permanent Exhibition at a point midway between these three, and actually bought a site for this, a field between Lutterworth and Husbands Bosworth.



Jarker, Cromp and Barlby-Towson, the Three Hard Men from Accounts who'd been against this whole thing, thought they'd got him now and complained bitterly to Mr. Carter the director. But Mr. Carter merely said mildly 'It's *not* the geographical centre if you count Agricultural Research at Woodstock, Kent, and the Technical Service Laboratories at Egham, not to mention associated research in Holland and America.'

I'd have thought about those labs. more if I'd known it was there that Isobel, the friend (*friend!* What am I saying?) of my own mad old Paris sculpting days, first met Carter of Triethylene Glycol . . . .

Do not miss Chapter Eight: 'Who Will Win?'

For any information about chemicals contact the Information Officer, Shell Chemical Company Limited, 170 Piccadilly, London W.I.

footing official research seminar. The first and most important point to emphasise is that Ned's plans—including its studies of the forward investment programmes of different sectors of the economy—will make sense only if they are tied to a specific annual target rate for national economic growth. Some people would like Ned to fudge on this commitment, and concentrate only on studying the "obstacles to sound growth." Ned will be dead or in desuetude within three years unless it overrides this advice, and blazons a specific target forth as soon as possible.

This is not to say that its study of "obstacles to sound growth" will be unimportant. The Chancellor said this week that he "hoped in the next few months through the NEDC to give a new impetus to action on such matters" as Britain's

> lack of technical skills, inadequacy of training arrangements, immobility of labour and capital, trade practices related to a period of mass unemployment, insufficiently high standards of management, of work and of industrial relations.

Good, but let's be specific. In inquiring into the inadequacy of technical skills and of training arrangements, one of Ned's wisest earliest tasks would be to propound and work out a scheme whereby adult workers (i.e. those of above apprenticeship age) can be retrained, partly at public expense and with publicly subvented wages or salaries while retraining, in new skills required by growth industries. In inquiring into the immobility of labour, Ned should examine why redundant workers are not sacked quickly enough; this point has relevance to the need for a national scheme for redundancy pay (discussed in the following note). Immobility of capital springs partly from the fact that declining industries are kept alive too long, sometimes by ill-judged public subsidies or protection; Ned should ceaselessly attack these.

Any inquiry into "trade practices related to a period of mass unemployment" should concern itself with examining certain trade unions' restrictive practices. Any inquiry into inefficiency of management should deal with the wide gap in standards between the most quickly growing firms in certain industries and the worst and most stagnationary firms in them. In both cases, reports should be published—specific and continuing—until and unless the laggard organisations reform themselves. The vital point is that Ned should become a needling body rather than a tame domestic animal; it should never be too afraid of the idea of "stirring up antagonism," and always utterly appalled at the idea of letting sleeping dogs lie.

REDUNDANCY

Hard Cash Handshake

A USEFUL little bill was moved in the Commons on Tuesday by Mr Jack Diamond: it would compel firms to pay at least a week's wages for every year of service as compensation to employees who are dismissed through no fault of their own. It was useful not because it is likely to pass into law (there is unlikely to be sufficient parliamentary time for it); nor even because the remedy it proposed was the right one; but because it drew attention to a problem of real importance to the national economy. One of the reasons why workers in Britain are not quickly shifted out of jobs where their employment has become uneconomic, and why firms with redundant labour have often faced irrational and ill-motivated strikes, is that standards of severance pay in British industry are too often a national disgrace. This is one reason why some trade unionists act with the sublime craziness of the Amalgamated Engineering Union's national committee, which argued this week that redundancy should be fought first by banning all overtime and then by reducing the working week to 34 hours.

Nevertheless Mr. Diamond's proposal should not be adopted. If employers have to pay out large lump sums whenever they sack workers, they will be even less willing than they are now to release temporarily surplus labour for more productive employment elsewhere. In the worst possible case, a bankrupt firm would not be able to pay compensation at all. Mr Diamond's answer to this was that the setting up of a redundancy fund would entail the setting aside only of 2s. for every £100 paid out in wages. Surely this shows the way that legislation should go.

What is needed is a national fund, financed by employers' contributions to ordinary national insurance, to provide compensation to sacked workers according to the time they have been in employment altogether, not just in employment with a particular firm. The contributions and benefits should be graded—i.e. expressed as a proportion of each worker's earnings while in work. Even if Mr Diamond's calculations are too optimistic, a levy on employers equal to less than one per cent of their wages bill should enable a national redundancy scheme to provide benefits actually more generous than those in his bill; there should be something left over to increase ordinary unemployment benefit as well. Just as firms can at present contract out of the national graduated pensions scheme by joining a funded private insurance scheme, they should be able to set up their own arrangement for redundancy insurance and contract out of the purely "severance pay" element in the national scheme: this insurance should be transferable when the worker voluntarily changes jobs. Of course, there would be lots of insurance, administrative and other difficulties (including those of devising safeguards against abuse). But if the Chancellor is serious in his desire to foster greater mobility of labour, here is something that he—and Ned—should be thinking hard about.

UGANDA

Tribes and Tribulations

NOT many people care about Uganda; this applies to most of the people within the embryo-state's boundaries. Uganda's tribal and local loyalties are better organised and more vociferously supported

The Economist

MAY 3, 1862

THE POLITICAL FRENCHMAN

There is something strangely and offensively cynical in the ideas and language of the political Frenchman. We doubt whether any French statesman can be found . . . who in international matters has the faintest perception of morality or justice,—of any principle, that is, that ought to be respected or of any alien rights that ought to be considered when the interest or the glory of France is at stake. Liberals and Conservatives, Orleanists and Imperialists, Legitimists and Republicans, Voltairians and Ultramontanists, are all alike in this respect. They do not appear even to understand that another nation or a weak nation can by possibility have rights which must be held sacred, or possessions which may not be encroached upon, if the wishes or the welfare of their own country dictate the violation of the one or the annexation of the other. This singular mental perversion or incapacity in men often remarkable for ability and high-mindedness on other subjects and where no national objects are involved, is the result partly of an inherent dullness of the moral sense, and partly of a national vanity which unquestionably has much to justify both its vagaries and its excess. It is impossible to read any French historian without noticing that the immutable claims of justice seldom appear to be thought applicable to public or to foreign affairs: with them the *moral* qualities of an action are nothing—its *adaptation* to its end is everything. The Frenchmen who have carried this peculiarity to its greatest length and in whom it has been most offensively manifested are M. Thiers, the First Napoleon, and the present occupant of the Imperial throne. But this natural obtuseness is fostered by another national characteristic. A Frenchman has a sincere and ineradicable conviction that he can govern and develop any country far better than its native rulers; that it must be an absolute blessing for any land to pass under his administration; that he cannot even occupy a foreign territory for a short time without leaving traces of good behind him; that in truth, with him, a course of conquests is *ipso facto* and of necessity a course of beneficence. He really thinks that he is the great civiliser and improver of humanity. He goes about doing good.



Mr Obote : out of the bickering

than in many other African countries. It is, as a result, more noticeably a collection of bickering tribes than many of the other similar collections that, because of the unifying colonialists, now call themselves countries. The election on April 25th was fought by two modern-minded African nationalist parties, both believing in unity and the eradication of tribalism. The governing Democratic party, in power because it once won seats in Buganda at a time when most of the Baganda tribe was boycotting the polls, has now lost power because the Baganda have come back to voting.

The People's Congress, under the able Mr Milton Obote, has become the government as the result of an electoral pact with the Baganda, whose parliament, by the new constitution, sends a block of 21 nominees to the central Uganda parliament. The Democratic party and the People's Congress each have about the same number of seats as before. The alliance between Mr Obote and the Kabaka of Buganda may work—if it can get round the claims for genuine federal status now put forward by three smaller tribal kingdoms, and a boundary quarrel between one of these kingdoms (Bunyoro) and Buganda. These quarrels are, like disarmament conferences, both intermittent and continuous.

The next round is due at the pre-independence constitutional conference in London in June ; Uganda becomes independent in October. The hope must be that Mr Obote's political skill—and the tribal leaders' patience—will be enough to hold the country together long enough for real unity to grow. If the World Bank recommendation of a £53 million five-year development plan is carried out (and Britain should contribute what it can towards this) the economic advance that might result could help to forge a genuine and widespread concern on the part of these interlacustrine tribes for the thing that is called Uganda.

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TURKEY

Red Light for Politicians

If Turkey's politicians carry their animosities too far, it will not be for lack of warnings from the highest quarters. Last weekend President Gursel pointed out that during the six months of its existence the Turkish parliament had failed to tackle a single one of the thousand and one problems facing the country. He added that if the politicians did not mend their ways, "other means" of governing the country would have to be sought. No one doubted that he was hinting at a return to military rule. A few days earlier, Turkey's elder statesman and present prime minister, Mr Ismet Inönü, bluntly told a meeting of his Republican People's party that the coalition was in danger ; he indicated that his own party might have to throw in its hand.

It has always been clear that a cabinet divided between representatives of the RPP, which was Mr Menderes's chief opponent, and the Justice party, which is the direct heir to Mr Menderes's Democrat party, would find the going rough. In the event the members of the cabinet have managed to work reasonably well together. But the Justice party politicians seem unable even to shelve the past, let alone forget it ; they are apparently more interested in securing the release from prison of Mr Menderes's former colleagues—admittedly there are a great many of them behind bars—than in making Turkey safer for democracy by helping to demonstrate (principally to the armed forces) that the Turks can operate an efficient parliamentary democracy. Last week they very nearly wrecked the coalition by threatening not to vote for a government bill granting a legal amnesty to 69 officers involved in last February's abortive coup, unless there were also a political amnesty for Mr Menderes's former supporters now in prison. Eventually they gave way, and the coalition was saved—but for how long ?

The Justice party's attitude towards a political amnesty undoubtedly reflects a good deal of popular pressure. The men sentenced at Yassiada may turn out to be a greater threat to political stability inside prison than at liberty ; but to release them might precipitate another military coup. If this is avoided, what the parliamentary regime will stand or fall by is its ability to reinvigorate the country's stagnant economy. In a speech to the nation on April 13th, outlining the government's economic development plans, Mr Inönü declared that they would not be retarded by "petty political activities." One hopes he may be right.

SEAMEN'S UNION

Sea Lawyers?

The leadership of the National Union of Seamen is probably more remote from its members than the leadership of any other British trade union—which is (a) saying a lot, but (b) also hardly surprising, since so many of the members spend much of the year in Sydney or Valparaiso. But there are signs that the unofficial strikes organised against the union leadership by the dissident National Seamen's Reform Movement in 1960 have had their effect. The election that was in progress at the time of the unofficial stoppages led to the election of Mr Jim Scott as general secretary: Mr Scott, who could have been relied on to follow the policies of his predecessor, Sir Tom Yates, has since died suddenly. A further election is now in progress (it drags on for months, until all members have had a fair chance of getting within range of a ballot-box) and there is a strong candidate from the reform movement. The need to show themselves as militant as the best of their critics is no doubt one reason why the interim leaders on Wednesday presented a stiff demand for more pay and better conditions to the shipowners.

But the greatest triumph for the unofficial agitators (whose headquarters is in Liverpool, and who act with all the militant determination associated with that troubled waterfront) is that the union's executive council has set up a committee to examine the feasibility of having ships' delegates—waterborne shop stewards—on British merchant ships. The highly centralised and traditionally right-wing leaders of the NUS have always persuaded their delegate conferences to resist this suggestion, claiming that it would weaken the authority of ships' officers (and no doubt thinking that it might weaken the authority of the union leadership). But ships' delegates work on American, Scandinavian, Australian and a host of other nations' merchantmen ; they can be particularly useful in sorting out petty grievances about messing arrangements and so on, and they can provide some sort of workers' viewpoint to set alongside the mate's in case of accidents aboard. Properly selected, and if possible properly trained, ships' delegates could be as useful at sea as shop stewards are in most factories ashore. And ashore it is (to some employers' deep regret) never possible to put an insubordinate shop steward in irons ; at sea outright mutiny would still be an offence.

SERVICE DOCTORS

Juicier Carrots

Britain as a whole is short of doctors, though not because, as is wrongly alleged, a large proportion of the output of the medical schools is emigrating to escape the national health service. It is short of doctors, as indeed are many other countries including the United States, because there is more work to be done than the existing

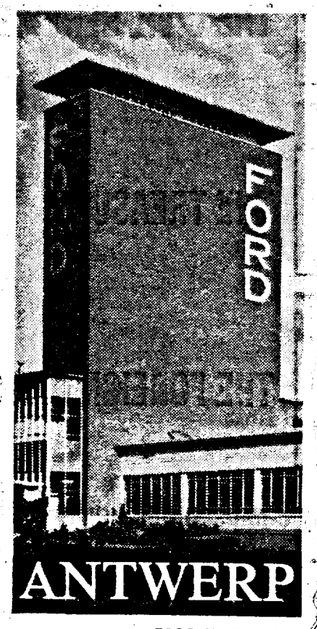
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MAY 6 THE CIVIL SERVICE

MAY 13 THE TREASURY

MAY 20 THE FOREIGN OFFICE

Read Anthony Sampson on Sunday in the

OBSERVER

medical strength can perform and it takes several years for extra doctors to be trained. The armed forces, now that national service has ended, are feeling the shortage particularly severely, for they cannot, as civilian hospitals can, draw on the services of foreign or Commonwealth doctors in search of postgraduate training in Britain. The Secretary for War said recently that the Royal Army Medical Corps was facing the greatest crisis in its history: 300 medical officers had left in the previous twelve months, and another 400 were due to go within the next two years, whereas only eight doctors had joined the RAMC from civil life in the whole of 1961.

This is why the new pay scale for the three services, announced last week, offers financial inducements far above what a young service doctor has hitherto been receiving and also well above what he would earn at the beginning of a civilian career. A newly qualified doctor will now receive, with his marriage and ration allowance, £2,000 a year at the age of 25 in the armed forces. In general practice in the health service, he would be earning at the same age about £1,500. Over the age span 28-56 the average income for a service doctor will be about £2,750, compared with £2,400 for a general practitioner. As additional inducements, the age of retirement for doctors in the services is to be raised, and medical officers will be given the chance of looking after the families of servicemen in order to meet the objection that their medical training is wasted in caring for the fittest section of the population.

Nevertheless, the new pay scale and the new recruiting drive are likely to have most success among the newly qualified. Some of these may well be tempted to serve for, say, three years if an attractive health service job is not immediately in prospect; to the extent that they accept the bait the shortage of young doctors in hospitals will be exacerbated. Other young doctors may be afraid that they will miss good health service opportunities while they are in the forces, and it is at least doubtful whether many of those who are recruited will want to serve for all their working life. The services may still have to adopt more drastic measures for economising in their medical manpower than they have felt willing to contemplate hitherto.

PERSIA

Mr Ebtehaj

When the Persian prime minister, Dr Amini, was in London two months ago he told the press, at a conference on March 8th, that he hoped Mr Abul Hassan Ebtehaj would soon be released from jail. A good deal of mystery has surrounded the imprisonment since last November of this great Persian public servant who, as head of his country's planning board from 1954-59, carried out the Khuzestan projects —the most conspicuous development projects yet achieved in Persia. Formerly the governor of the National Bank and spokesman for Persia in innumerable international negotiations, Mr Ebtehaj had a high reputation wherever he went in the world. Dr Amini's expectations that he might soon recover his freedom have not yet, however, materialised. The weeks have dragged on with neither the prisoner released, nor precise charges brought against him.

According to Mr Alamuti, the minister of justice, the general charge against Mr Ebtehaj is that of "illegally using government money, not for his own benefit, but because he was head of an organisation that used the money of the people in wasteful ways." In brief he is accused of spending too much in Khuzestan. An impatient man, with unfaltering vision and energy, he would doubtless spare no expense in getting a job done how and when he wanted it. But he made many enemies in doing so. Brusque and disdainfully outspoken, he has never guarded his words in criticising persons or policies he does not approve of. American aid has come in for a drubbing from him; he believes it would be far healthier to get aid through the United Nations. In the conflict that still rages between the army's demands for money and those of economic development he, like Dr Amini, was not on the army's side. His removal from the planning board in 1959 was brought about by quarrels with the various ministries with which his activities overlapped. So long as he was in charge there was not much room at the top for anyone beside him. But, as Dr Amini said of him, after he had been arrested, "I have no doubts of his integrity, honesty and virtues."

The Mersey Muddle



Still no closed shop

HOME REPORT

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

FROM OUR SPECIAL CORRESPONDENT

The threat of the national dock strike on May 13th has prevented another fight-to-the-finish in the local, but venerable, squabble between the dockers' unions in the port of Liverpool. With the workers wanting to fill their pockets, and the employers wanting to empty their ships, before the fatal date all is, very temporarily, at peace. The Transport and General Workers' Union has never won complete control of the Liverpool waterfront: a far older and far smaller body, the National Amalgamated Stevedores and Dockers, obstinately continues to exist in the port (there are also a few NASD members in London docks, but the conflict in London remains below the surface). The NASD—known as the blue union, from the colour of its membership cards —has regularly proved itself a thorough nuisance both to the TGWU and to the Liverpool port employers.

The employers' complaint is that the NASD is more militant than the transport union and that its leaders always refuse to guarantee that they will carry out any agreement that has not been ratified by their members—which makes negotiation immensely harder. The transport union's complaints are more bitter: it had the blue union expelled from the Trades Union Congress in 1955 for "poaching" its members. The NASD's militancy is a continual embarrassment to the transport union's local leaders, whose co-operation with the employers is regularly denounced as a "sell-out" by the blue union. Above all, the rivalry between the two unions has encouraged a fair number of dockers to pay dues to neither. The hard fact is that the blue

union has stubbornly continued to exist despite the weighty denunciations of everyone else within earshot.

Just over a month ago Transport and General dockers unloading a ship from New Zealand refused to work alongside non-members of their union. Militants in the transport union, worried by the large number of men belonging to no union, have for long been pressing for a closed shop. The union gave the strikers its official support, and the port was almost entirely stopped. Work began again after a meeting of some 6,000 transport union dockers had voted unanimously in favour of the elimination of all non-members from the port. Their leader, Alderman O'Hare, then persuaded the employers to refuse to hire anyone who could not produce a white card showing him to be a fully paid-up member of the transport union. The employers foresaw trouble, but no doubt it was in their minds that Mr O'Hare could stop the whole port anyway by calling out the tug-boat men.

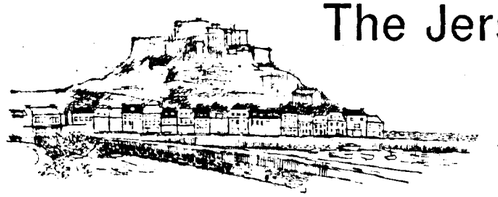
This new rule was to apply from the Tuesday after Easter. By this date, Mr O'Hare claims, almost 4,000 men had paid up their arrears to the transport union—revealing, thereby, that the allegiance of about one-third of the 12,000 dockers in the port had been slipping. (Only 409 dock workers remained outside the transport union, which may well show the true size of the blue union's membership on Merseyside.) But when it came to the pinch the dockers declined to victimise the non-conformists. They refused to produce any card, whatever its colour, and boos and catcalls greeted any man who tried to do so. Work continued only in those berths where cargo was already being moved when the new ban was introduced and in a few small areas where Mr O'Hare's closest supporters carried the day. By the end of last week 5,000 dockers were refusing to produce their union cards—and were drawing compensation pay from the Dock Labour Board as workers for whom jobs could not be found.

On Sunday Mr O'Hare's hopes of a closed shop were blasted. A private meeting of some 3,000 of his members reached no decision: Mr O'Hare has complained of a "rabble" of his members who attended the meeting, and it seems that he was shouted down. The employers promptly withdrew their demand that employees should produce a transport union card. This week the port (despite some isolated stoppages) has been back at work, with blue and white card men side by side. The moral seems to be that most Liverpool dockers will not stand being mucked about either by the employers or by the transport union, or *a fortiori* by both acting together.

This turgid row is not, as some people are saying, typical of Liverpool: industrial relations on the new estates around the city are no worse than those in any comparable area of Britain. What it does show, however, is the kind of confused impulses that govern the conduct of working people in an unprogressive industry suffering from a temporary slump. In the first quarter of this year, with fewer dockers on the local register than there have been since 1913, over 8 per cent of port employees were not finding work. Men jostle and fight to get to the front of a queue to be taken on by the employers' foremen, or make do on the fall-back pay of £8 7s. 6d. a week. It is for men in these conditions that moderate and sensible union leaders (like Mr O'Hare) are trying to secure a completely new deal by the abolition of casual employment in the docks. But as long as they are subjected to such conditions the dockers have little patience with moderation or with anything that smacks of well-fed officialdom. Intellectual dockers have not failed to notice that since piece-rate payments were improved in Liverpool in late 1960 (leaving them still well below those paid in London) the pace of handling cargoes has increased, but trade has gone down and job opportunities have dropped. The rank-and-file dockers, who would certainly benefit in the long run from decasualisation or from the increases in fall-back pay and other unearned benefits that have been offered by the port employers, at present see only the need to increase their earning power at once. Hence the pressure from below in the transport union that has led its leaders to call an official national dock strike.

Last week's mess in Liverpool, whose characteristics were those of the old-fashioned, almost anarchistic class struggle, is bound to break out again in some form. It can only be eliminated by fostering, as fast as possible, the growth of social and occupational stability and self-confidence among a group of workers who are still living in a world that most people in Britain suppose to have died out over thirty years ago. However unpopular the transport union has just made itself in Liverpool, its policy (and that of the port employers) of decasualisation—getting a smaller labour force permanently employed—is the only possible one for the future.

The Jersey Haven



FROM OUR SPECIAL CORRESPONDENT

The staff of Jersey's relatively easy life is undoubtedly tourism, with horticulture supplying the relish which raises mere fodder to a continuously satisfying nourishment. But the gravy on the top until recently came from the pockets of non-Jerseymen who never visit the island and who seldom have any truck with such homely fare as tomatoes and potatoes, let alone milk. They are the rich old men of England, seeking a haven from the fiscal storms of their homeland, to whom the quirks and paradoxes of Jersey money law were a homing beacon which shone like a naughty deed in all-too-good a world. Since the first war, tax avoiders and the primogenitively ambitious have been able to escape into a financial sunshine much more important to them than mere good weather.

Now it has ended. In 27 words on budget day Mr Selwyn Lloyd upset a system which has given nothing but pleasure to its participants and has even done good: immovable property held abroad by British subjects is no longer to be free of death duties. While it was, Jersey was the ideal place to have that property for, by a trick of translation (Jersey law is promulgated in French), a simple mortgage loan could be interpreted as immovable, without the lender having to go to the trouble and dangers of actually buying anything. If the rate of interest the lender could get for his money was small, he was compensated by having his return taxed at half the English rate, in addition to saving anything up to half his capital for his heirs when he finally cashed in.

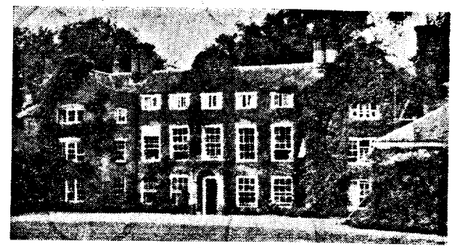
Even ten years ago, this avenue of escape had occurred to only a few people, and the traffic in hypothetical mortgages had, by 1954, reached a modest £175,000—most of it lent legitimately to Jerseymen anxious to build at the fixed maximum rate of interest of 5 per cent to which Jersey has been bound since 1771. But by this year the amount of money hawked about the island by agents and eagerly bought by Jersey speculators approached £14 million, most of it at heart-stopping rates—3, 2, or even 1 per cent.

Cheap money tends to raise property values, and on this score and on another, more serious (that too many hotels and shops, and not enough houses, were being built with the money), the Finance Committee of the States (the island's parliament) grew worried, and decided to subject every offer to the test of public interest; but they could not stop the flow, in spite of turning down one offer of £100,000 at no interest at all. Nor could their warnings that the Chancellor might do exactly what he has done deter the borrowers, the majority of whom were accepting English money at 3 per cent and reinvesting it at once in English securities at twice and three times that rate—which is an extremely comfortable way of making money, even when the loans are repayable at six months' notice, as almost all of them are.

The committee was right to be worried; but it was unable to hammer the point too hard because the cheap money has been undeniably useful to the island's economy. No building societies operate in the island (not unnaturally, with the restriction on interest rates), and few of the many luxury hotels and blocks of flats which have been built in the past few years would have seen the light of day but for cheap money. On the other hand, had there been no cheap money, the situation could not have arisen in which hotels are so plentiful that one of them (closed, like most, for half the year) could specialise in Scandinavian guests exclusively while houses are so scarce that a fisherman's cottage will fetch £3,500 without trouble.

Now that the beneficial racket is over, there is a reasonable fear that all that flowed in so readily may flow out again as rapidly, leaving behind a credit vacuum which nobody would be willing to fill. It is for this reason that the States last week took the radical step of abolishing the restriction under which the island has lived for nearly 200 years. The bill to repeal the "Code of 1771," containing the 5 per cent interest rate provision, was passed without a murmur by a house purged of its opposition by the Chancellor's sentence. It is as well that so anachronistic a measure should go, and the time is opportune: in addition to the replacement of the lost incentive to investors, the timing will ease the shock for Jerseymen suddenly confronted with the rigours of modern finance. When the opposition to repeal was at its height, the British Bank rate was 7 per cent, and that would have been too much to swallow.

East Anglia Emerges



Earlham Hall: Quaker quietism?

FROM A CORRESPONDENT IN NORWICH

The University of East Anglia expects to receive its first hundred students next year at Earlham Hall, a seventeenth-century mansion on the outskirts of Norwich. (It was the childhood home of Elizabeth Fry, the prison reformer.) Up to now East Anglia has not beaten the drum nearly as loudly as its immediate predecessors, Sussex and York. Its vice-chancellor, Mr Frank Thistlethwaite, was educated at Bootham and perhaps imbibed a Quaker quietism there; he seems however to have a Quaker knack of getting on with the job.

The university will accommodate 3,000 students within ten years (Sussex's rate of growth), the majority of them in actual residence. The new buildings (architect Mr Denys Lasdun) will stand on a site which is at present the Norwich municipal golf course. This caused the first row. The golfers did not care where the university went, so long as it was not on their course. They cheerfully joined forces with the local aesthetes, who argued that the university ought to be integrated with the old city, on a site of only 40 acres in the Conesford ward which the corporation was about to clear and redevelop. The dispute went on for more than a year, and was ultimately referred to a planning inquiry. Educational expansion has unsuspected troubles.

Once the Minister of Housing and Local Government had decided for Earlham, last May, the university's promotion committee moved quickly. Its chairman, Viscount Mackintosh of Halifax, has now been designated the first chancellor of the university. His committee, consisting largely of other notabilities in East Anglian commerce, administration and education, had already been strengthened by two masters of Cambridge colleges, Lord Adrian (Trinity) and Sir John Cockcroft (Churchill). The country houses of Norfolk and Suffolk have been valuable recruiting centres.

Mr Thistlethwaite, himself a former Cambridge lecturer and co-founder and first chairman of the British Association for American Studies, was appointed vice-chancellor last August. He is now 47, has an American wife, and since 1938, when he was a Commonwealth Fund fellow at the University of Minnesota, he has had a wide experience of American as well as English university administration. Some of this experience may have to be kept under the vice-chancellarian hat; East Anglia invariably prefers its boosters to be discreet.

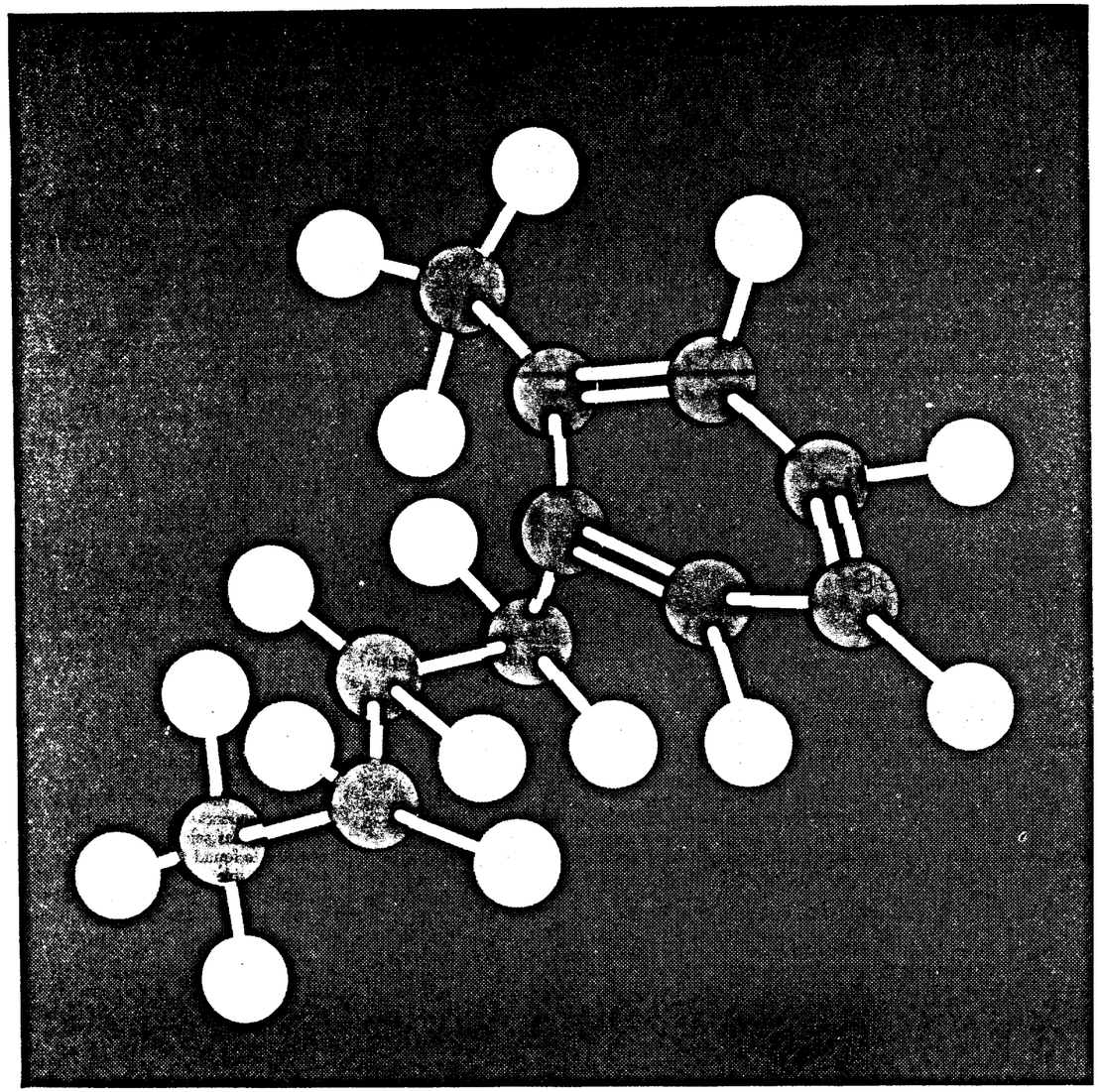
The prospective scheme of studies has been designed to contradict some donnish assumptions that "of course, East Anglia is bound to specialise in agriculture." Mr Thistlethwaite has plumped for schools of English, European and Overseas Studies, related to one another by a common first-year course approaching the study of civilisations through their history and literature. Overseas Studies will branch out into special studies of the Commonwealth, the United States, the Soviet Union, Africa, and India and Pakistan. Social Studies will be a kind of Modern Greats—based on social and economic history, politics and philosophy—which, he hopes, will produce "the sort of widely-educated general-purposes executive industry says it is not getting."

East Anglia will teach a full range of sciences, but will cultivate a single biology school, in which all the biological subjects will be taught together, and linked to the study of bio-chemistry. This is considered essential to the later development of post-graduate studies in, for example, genetics, the structure of soils, and food technology. The first two professorial appointments have been those of Dr T. A. Bennet-Clark, Professor of Botany at King's College, London (who is to be Dean of the School of Biological Studies) and of Mr I. P. Watt, Professor of English Literature at the University of California, who will be Dean of the School of English Studies.

Since Norwich is only 60 miles from Cambridge, it is confident of attracting good men to its staff, who may even bring their own research students with them. The promotion committee has said from the outset that its object is to found a university which will be an acceptable alternative to Oxford or Cambridge. A great deal of teaching will be done in tutorials.

The university will have to be chiefly residential (a disappointment to advocates of rapid expansion). Norwich is growing industrially and already has a large technical college and school of art, and a teachers' training college. Students' digs are therefore difficult to find, and most local housewives betray little ambition to launch out into a career as landladies.

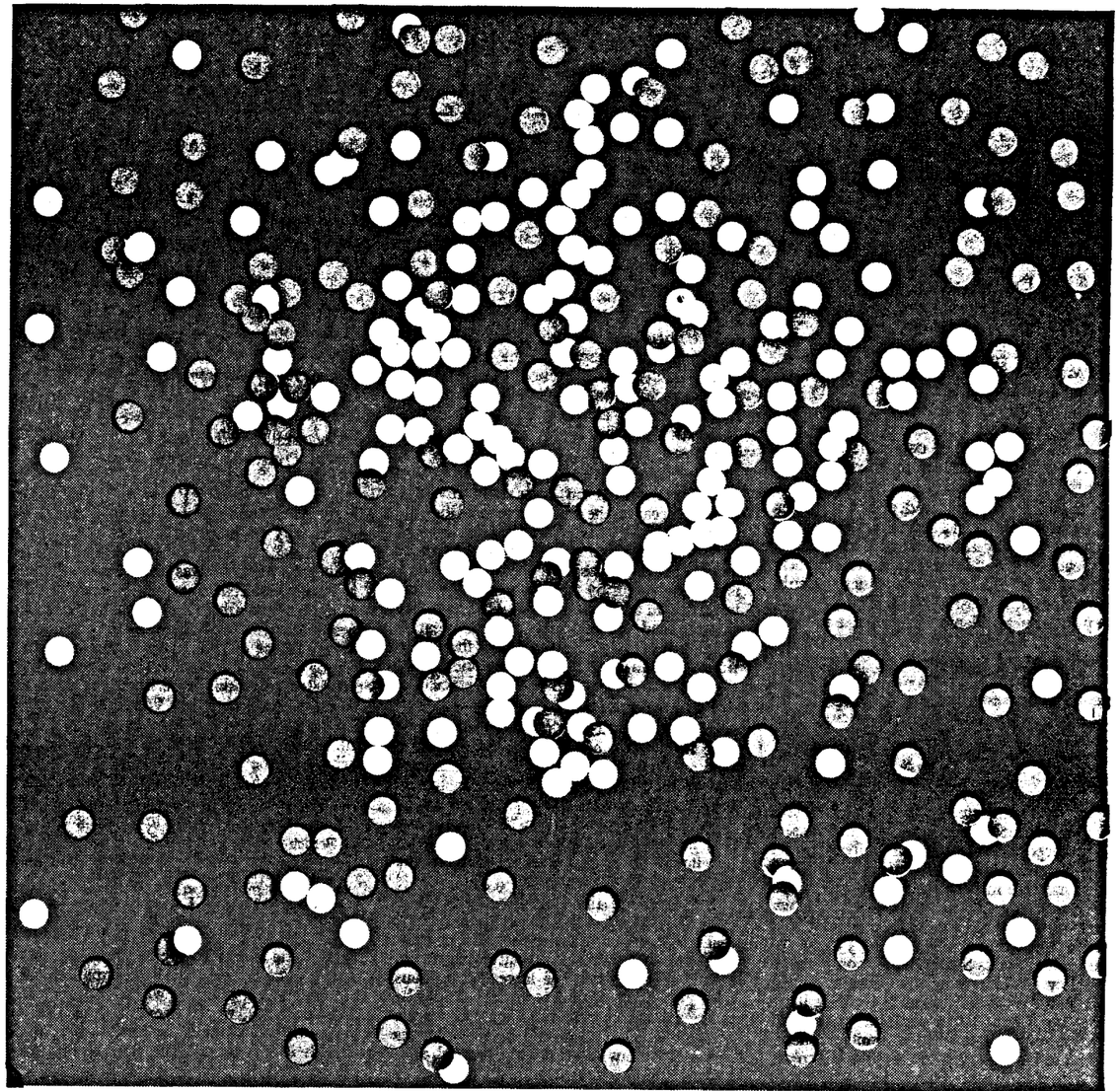
The promotion committee is now on the point of launching an appeal for £1,500,000, to supplement the funds from the University Grants Committee and the annual income of between £50,000 and £60,000 which is being contributed by the education authorities of Norfolk, Suffolk and Huntingdonshire. The feeling is that the university's quality and character (as well as its halls of residence) will depend very largely on the voluntary fund, which it will be free to use as it wishes. East Anglia has waited for half a century for its own university; it has its chance now.



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BOOKS

Steel Pricing in America

Pricing Power and the Public Interest

By G. C. Means.

Harper, New York. London: *Hamish Hamilton*. 380 pages. 60s.

THIS book is topical and important. Mr Means describes how "administered" pricing in the American steel industry has pushed up prices and profit margins, and how it gives rise to conflicts between the directors' duty to their companies and the wider need for gains from efficient production to be shown quickly in lower prices.

He defines administered prices as prices set by producers—and sometimes by unions—rather than by the market. The "follow my leader" attitude of producers supports these prices. They do not equate supply and demand, at least in the short term, and they present problems with respect to "inflation . . . income distribution . . . and the effective use of resources."

Mr Means first looks at the American record from before the war up to 1953. He concludes that administered pricing succeeded in securing higher gross profits, but that net profits after tax were no higher than before the war. Corporate income tax had been increased to just over 50 per cent by 1953. Even so, steel companies were still earning about 8 per cent on their assets after corporate tax (though before tax on earnings distributed as dividends). "The great increase in peacetime taxes was passed on to customers."

In contrast to the earlier period, Mr Means finds that in the years 1953 to 1959 the United States Steel Corporation pursued a policy of increasing its after-tax profit margin and was successful in pushing it up from 8 per cent to 16 per cent. Other investigators have reached a similar conclusion, but have usually described the increase as fixing prices to secure the same profit margin at a lower percentage of capacity working. One observer concludes that the break-even point was reduced from nearly 50 per cent of capacity in 1953 to about 30 per cent by 1959.

This policy led to an increase in steel prices of 36 per cent between 1953 and 1959. During the same period the wholesale prices of other goods changed little. The steel companies make much of their moderation, pointing to a 50 per cent increase in employment costs over the same period. But they measure these costs in terms of wages per hour, whereas employment costs per ton, Mr Means asserts, rose by only 18 per cent when account is taken of increased productivity (adjusted to working at a constant percentage of capacity). The costs of capital and materials rose by not more than those of wages. But profit margins per ton were doubled (at the same rate of working), whereas a 20 per cent increase might have been reasonable.

The high margins are criticised by Mr Means because they limit the use of steel and preclude the adoption of many improved techniques which fail to show the excessive return aimed at. The high return also provides grounds for high earnings to be claimed by labour.

In the event, the firms may well not receive any better return on their total invested capital, because the high price provides an umbrella under which old capacity can remain in production; imports are attracted, and excessive expansion looks profitable and is engaged upon by firms which in fact fail to secure an adequate market. One justification claimed for the high margin—that it permits self-financing—may at the same time result in excessive capacity and in the slow growth of the market and of efficiency.

The second part of Mr Means's book is an attempt to suggest an alternative to the present legal duty of directors to maximise profits—encouraged by profit bonus schemes and share options as recently given to US Steel Corporation executives. These incentives may be reasonable in themselves, but they are objectionable when associated with the power to raise prices inherent in the administered price situation.

He dismisses the breaking up of large corporations as a solution. This would be ineffective and contrary to the trend of technical progress. As an alternative, he recommends that directors of large corporations with powers to administer prices should be made subject to standards of "economic performance." This would involve changes in company law relating to directors' obligations and also the setting of standards of "economic performance." The auditing of "economic performance" would be in the hands of independent professional people, with accounting, economic and engineering experience. But his suggestion has grave practical difficulties, not least in the determination of the "economic performance" standards.

The direct control approach is dismissed in the book, without any specific examination of the record of the Iron and Steel Board in Britain. Mr Means's objections are that control encourages a fight with the regulating agency, and that this body may either become a political instrument or be subservient to the enterprises it regulates. His further objection—that control extracts the gains from success—depends on the principles on which it is operated. The object, after all, is to extract excessive gains.

Although the author's own solution of a difficult problem can be questioned, so too can most others. His book bravely tackles a vital problem. Administered pricing, when it aims at an excessive profit margin, could be one of the best instruments for slowing down growth. Other industries in the United States have probably been worse offenders than the steel industry. Nevertheless, in default of any better countervailing power, the President's attack on steel is explained, and perhaps justified, by Mr Means's analysis.

The Great Illusion

The Ideal Reader

By Jacques Rivière.

Harvill Press. 254 pages. 25s.

The Intellectual Hero

By Victor Brombert.

Faber. 255 pages. 25s.

JACQUES RIVIÈRE was the editor of the *Nouvelle Revue Française* from 1919 till his early death in 1925: to say this is to say enough. He must rank as the finest literary editor of the century; and his own writings, of which this book contains a well-translated selection, are brilliant. They are difficult, but suggestive. Whether they will find an audience in this generation is doubtful. They are literary journalism at its best: written for the time and the place, which are not ours; and written in the style and manner of a Frenchman of that time. His one weakness appears in this passage:

> French intelligence has no equal; no other is more powerful, more keen, more profound. . . . We alone have been able to preserve an intellectual tradition. . . . We are the only people in the world, I repeat coolly, who still know how to think. In philosophical, literary or artistic matters, only what we say will count.

Even if one allows for the notorious patriotism of the French, and perhaps for an element of leg-pull (of which the context gives no sign), what an extraordinary illusion. One can grant the first rank to the French in all the fine and applied arts, in science and technology, in diplomacy and administration, and in sheer power of survival, prosperity and enjoyment—but not in thought, and least of all in logic. Self-conscious French thinking (short of formal philosophy, which a non-professional must leave to the philosophers to judge), when the handle is turned, as Rivière turns it, seems like a survival of an older world, pretentious, turgid and devoid of rigour. The one fault of these essays is that in them there is far too much elaboration of this kind of thought; fortunately Rivière's fine literary instinct constantly bursts through.

Mr Brombert's stimulating book gives a clue to this odd illusion. It is a study of the intellectual as hero in a number of French novels from 1880 to 1955, with *Jean Barois* deservedly at the centre. He traces the importance of the intellectual as a feature of French life and, in particular, ever since the Dreyfus Affair, as a man politically committed. What he mentions, but stresses rather too little, is the immense importance of the Ecole Normale in forming French thought, and producing generations of vocal and politically minded intellectuals. Many of the books which he quotes have normaliens as heroes or authors; nearly all show their influence; Rivière tried, but failed, to enter the Ecole Normale; and the products of that great school, as teachers, mould the minds of the next generation of Frenchmen. How is the chain to be broken? Dare one hope for a takeover of French thought by the Polytechnique or the Ecole Nationale d'Administration? It needs a strong-minded prince to wake this sleeping beauty.

Spanish Phantom

Falange: *A History of Spanish Fascism*

By Stanley G. Payne.

Stanford University Press. London: *Oxford University Press*. 325 pages. 36s.

THE Falange is General Franco's domesticated zombie. Morally it died with its founder, José Antonio Primo de Rivera, in 1936. Politically it died in 1943, when the defeat of Italian and German fascism came clearly into sight and General Franco hurriedly transformed the party into a mere bureaucratic tool (though he allowed it to keep its pathetic fascist salute until 1945). Its epitaph was supplied by Serano Súñer, "the brother-in-awissimo," who manipulated it for four years on the Caudillo's behalf: "Nothing can undo the ill we have done Spain."

Mr Payne's fascinating book is subtitled "A History of Spanish Fascism," but he would agree that neither José Antonio nor Franco was ever a convinced fascist. José Antonio—poet, orator and sorcerer's apprentice—borrowed some of the trappings and language then fashionable in Italy and on the French right, but he was too civilised to go the whole fascist hog. He saw the Falange as a "poetic movement" rather than as a party encumbered with a prosaic political and economic programme. Dionisio Ridruejo, who was the Falange's propaganda chief from 1938 through 1940, estimates that ninety per cent of its members had no clear political ideas.

General Franco was, and is, quite simply a *franquista*—a supporter of General Franco. Mr Payne shows clearly how useful it was for him to have some sort of ideological cloak, and how well providence served him in thrusting on to his lap the leaderless Falange, whose ideology was so vague that it could be interpreted and oriented at will to suit all tastes and circumstances. In every town his troops occupied, communists, anarchists and opportunists of all kinds flocked to join the party, as eagerly as grateful right-wingers, in order to acquire protective colouring. It rapidly became a mass movement.

After 1944 its membership diminished. It was already, in Mr Payne's words, "mired in corruption and bureaucratic pettifoggery," and its acting secretary-general, Vivar Téllez, "could not see why the farce had to be kept up. . . . He suggested that the most logical thing to do would be to disband the whole party structure." But General Franco still found it useful—as an instrument for controlling the workers and students (through its ancillary *sindicatos*, membership of which is compulsory) and as "a bulwark against a monarchist restoration, which would bring a precipitate end to his regime." Today, workers go on strike in defiance of the *sindicatos*, and monarchists easily outnumber falangists in every part of Spain. The Falange's newspapers have the lowest circulations in the country. Significantly, whereas General Franco has always, hitherto, supported a falangist uniform when addressing falangist or syndical meetings, at this year's *sindicato* congress he wore a suit.

Though concerned primarily with the Falange, Mr Payne's well-written, well-documented book offers insight into most other attributes of the Franco regime.

Castle and Inn

Studies in Building History

Edited by E. M. Jope.

Odhams. 287 pages. 63s.

THIS is a memorial volume for Bryan H. St. J. O'Neil, who was Chief Inspector of Ancient Monuments in the Ministry of Works in the decade immediately following the end of the war. He was a man of very wide interests in archaeology, with a large circle of friends in his profession, fourteen of whom have written the papers that make up this volume.

All of these concern building practice. Some are on surprising subjects: mediaeval chimney pots, for example, and early domestic window glass. Three, including the one on glass, concern Roman work in Britain—rural construction techniques and timber buildings, which, if not surprising, are at least off the beaten track. Two are upon castle building, and another is upon the fortified Scottish tower-houses. Cornish houses, seventeenth century Irish houses and one particular house in Northamptonshire account for four more papers. Mediaeval inns, an Anglo-Saxon church at Deerhurst and the origins of the perpendicular style complete the catalogue.

It is a little difficult to know exactly for whom this volume was intended. Presumably the publishers hope it will be read beyond the body of professional archaeologists, and archaeology, with its concern for recovery and preservation, has currently

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a wide appeal in a world infiltrated with destructive forces. But most of this book seems to have the professional archaeologist as its target, for it is cast in the mould of learned society transactions. It would have been more suitable surely for a memorial volume to be less strictly treated.

Even so there is much interest here for the reader who has at least a nodding acquaintance with the study of old buildings. A fascinating example is one of the papers on castles, dealing with the organisation of the labour and materials for Edward I's programme of castle construction in Wales. It is an astonishingly personal and detailed story, including even memoranda of discussions such as would come from any executive meeting today. For instance: "N.B. to seek 300 [amended to 500] carpenters from the counties, to be sent to Chester so that they are there by a fortnight after Whitsun. Urgent." One can picture exactly the kind of meeting to produce notes of this kind; seven hundred years have not changed them much. A more unconventional problem was the movement of vast quantities of specie to pay wages for the castle workers. The silver penny was about the only coin in use and several million of these had to be transported to each castle each year. This study came from the pen of A. J. Taylor, Mr O'Neil's successor.

Mediaeval inns are another subject of natural and perpetual interest in Britain. Not a great many survive that were actually built as inns, and all are well known to travellers. Here is an excellent study both of individual buildings and of the type of life that prompted their origin and design, able to add usefully to the enjoyment of a visit.

The 32 pages of photographs are adequate and sometimes very good. Drawings are numerous, but archaeologists could with advantage improve and systematise their technique of presenting plans and sections. They are often amateurish and consequently less clear and useful than they might be.

First Airborne Invasion

Battle for Crete
By John Hall Spencer.
Heinemann. 318 pages. 30s.

It is surprising that the battle of Crete in 1941 has not attracted more attention. It was not only the first airborne invasion. It was also a battle won and lost by a hairsbreadth. Both General Freyberg, the allied commander of Creforce, and his victorious opponent General Student of Fliegerkorps XI, might well have echoed that it was "the nearest run thing you ever saw in your life."

The story is full of "ifs." If one New Zealand battalion commander (a holder of the VC from the first world war) had held his ground a little longer; if his brigadier had mounted a counter-attack more rapidly; if a guide, leading forward the Australians, had not lost his way and so forfeited the vital hour before daybreak brought back the German planes; perhaps even if an incompetent ordnance orderly had not loaded the wrong ammunition into an I tank—or if the tank crew had checked the ammunition before the battle: if any one of these events had occurred, the Germans would almost certainly have been defeated.

As it was, they had at best a Pyrrhic victory. Their casualties in Crete were greater than those they had suffered in all the previous campaigns in Poland, the Low Countries, France and the Balkans. Never again did Hitler risk a major airborne invasion—and so Malta was saved. But to all this could have been added a decisive victory for Britain at the darkest moment of the war.

Here indeed is dramatic material for the historian. But it cannot be said that Mr Spencer brings through the drama in this recital of the events leading up to the battle, and of the battle itself. He writes in a clear, fast moving, laconic style. His evaluation of the rights and wrongs of the command decisions is sensible, except when he makes a quite unjustified suggestion that the official New Zealand history of the battle put the blame on to junior commanders "as a matter of policy." He makes use of some vivid eye-witness material from survivors on both the German and the allied sides.

But somehow the whole shape of the battle, and the atmosphere of it, get lost. It is not only that the maps are inadequate. It is that all the parts of the story, though each is told with admirable clarity, do not add up to a readily comprehensible whole. None of the feel of this extraordinary battle, fought primarily with rifles on the Allies' side and rifles and dive bombers on the other (neither side had any proper artillery) in the brilliant spring Aegean sunshine, comes through. The battle of Crete merits a richer book than this.

JFK

Why England Slept
By John F. Kennedy.
Sidgwick and Jackson. 192 pages. 8s. 6d. Paperback edition. May Fair Books Ltd. 2s. 6d.

To Turn the Tide
By John F. Kennedy. Edited by John W. Gardner.
Hamish Hamilton. 252 pages. 21s.

The Wartime Adventures of President John F. Kennedy
By Robert J. Donovan.
Anthony Gibbs and Phillips. 160 pages. 16s.

The Remarkable Kennedys
By Joe McCarthy.
Victor Gollancz. 192 pages. 21s.

The first of these books, written in 1940, was begun by a young man as the thesis required from him as part of his degree course at Harvard University. It was not the denigration of Britain that might have come from the son of an American Ambassador in London who was considered an advocate of appeasement, but a warning to Americans. The second of these books, a selection from the speeches, congressional messages and answers to press questions by the President of the United States, still a young man, twenty-one years later, is also a warning to Americans. But this time it is a warning accompanied by a prescription for victory both abroad and at home. The first book shows the intelligence, the clear-sightedness, the analytical mind that have come to their full development in the second. This second book also shows the courage and readiness to lead which Mr Kennedy had demonstrated already, in more obvious ways, during his wartime career. This is described very convincingly and readably by Mr Donovan in the third book under review, while the fourth is a simple and laudatory account of President Kennedy's large and lively family.

Victorian Élite

Godliness and Good Learning
By David Newsome.
Murray. 303 pages. 28s.

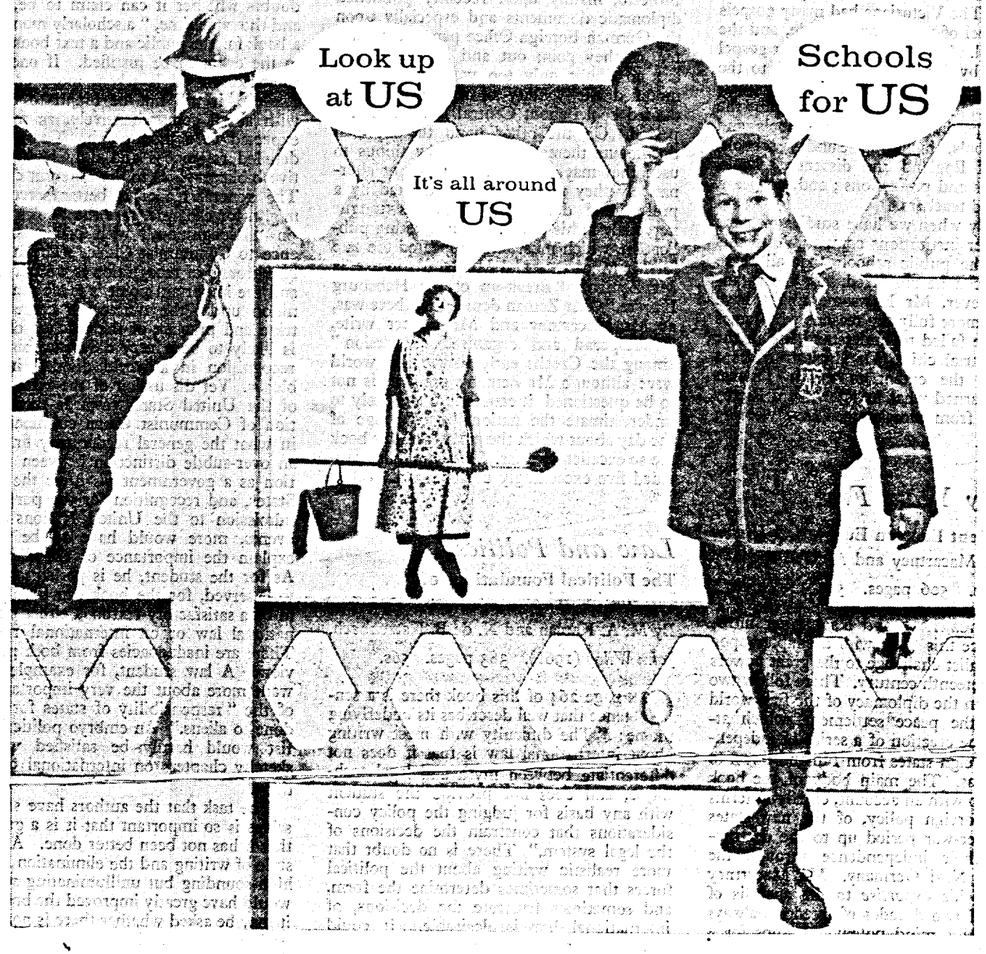
Mr Newsome's "History of Wellington College" is one of the best recent histories of public schools. In his latest volume he extends the scope and expands the themes. He starts with the first enunciation of the gospel of "godliness and good learning" as it was preached in the early Victorian public schools and ends in late-Victorian England with the ideal of godliness transformed into manliness and good learning passing under the control of the agnostics.

He describes this development in general terms and collects his material from a wide range of Victorian sources. In addition he includes two case studies, the first of a headmaster-bishop, James Prince Lee, the second of a Winchester schoolboy, Martin Benson. Prince Lee served for eight years under Arnold at Rugby before moving first to the headmastership of King Edward's, Birmingham, and then to the newly-founded bishopric of Manchester. Young Benson was a remarkably precocious and introspective boy, whose life and death were fully chronicled by his father who later became Archbishop of Canterbury. Both case studies are interesting, particularly in their detail. This is perhaps the best way to study the Victorians. The ideals look over simple when they are stated as general propositions.

As an account of what happened inside the Victorian public schools Mr Newsome's book is rich and rewarding. It makes the most both of godliness and manliness, the latter a particularly fascinating Victorian ideal. It is full of relevant anecdote and revealing quotation, and establishes its main case without exaggeration. The criticisms of Arnold's work are examined as fairly as the praise it received, and the advocates of

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more and more games, who figure in the last chapter, are not forced into absurd postures but are allowed to condemn themselves out of their own mouths. Leslie Stephen's philosophy of life is fully explained before we are presented with Maitland's delightful remark "The Lord delighteth in a pair of sturdy legs."

Where Mr Newsome is less successful—and much less ambitious—is in trying to relate his account of what happened to boys in public schools, an élite of boys—he ought to make this clear—to the general trends of Victorian social and intellectual development. How well did the ideal equip the boys for living in a century of great change? How did it stand up to all the pressure of the age? The Victorians had many gospels—the gospel of work, for example, and the civic gospel. How was the particular gospel described by Mr Newsome related to the rest? The answers to such leading questions demand a deep probing into the relationships between public schools and other schools, including Sunday schools, Church of England and dissent; schools, universities and professions; and, not least, parents and teachers.

It is only when we have studies of some of the other institutions comparable to this study of the public schools that all these questions can be answered. In the meantime, however, Mr Newsome might have examined more fully the reasons why James Prince Lee failed to understand life in the new industrial cities (Dr Hook provides a clue) and the extent to which Thomas Hughes learned what he knew from Rugby and what from meeting ordinary working men.

Twenty Years Free

Independent Eastern Europe: *A History*
By C. A. Macartney and A. W. Palmer.
Macmillan. 506 pages. 50s.

MR MACARTNEY and his partner introduce this book with a chapter upon the nationalist challenge to the great powers in the nineteenth century. There follow two chapters on the diplomacy of the first world war and the peace settlement, which attempted the creation of a series of independent sovereign states from Finland down to the Balkans. The main body of the book is taken up with an account, chiefly in terms of their foreign policy, of the new states of the inter-war period up to the destruction of their independence through the power of Nazi Germany. Mr Macartney brings all his *expertise* to the analysis of those brief two decades of freedom, always having in his mind potential lessons for a perhaps happier future.

There is no nostalgia, here, for the pre-1914 past. As the authors write,

> Prussia and Czarist Russia (in its latest years) were national states of the German and Russian peoples in which the non-Germans and non-Russians were only citizens of the second rank. The Magyars were aiming at making Hungary into another such state. In the Ottoman Empire the non-Moslems lived in a condition of deep degradation. Austria after 1867, indeed, offered its peoples full equality in law, but even in Austria there existed a real *de facto* differentiation, rooted in past history, between its nations in terms of wealth, social status and share in the government.

They conclude that a "new multi-national state would have to avoid any form of national inequality . . . and it seems reasonable to hope that the great levelling-up and levelling-down of the inter-war period will have made this possible." They are particularly aware, throughout, of the disastrous nature of the vendetta between the Czechs and the Poles.

Mr Macartney and Mr Palmer have relied, apart from the authorities accepted hitherto, mainly upon recently published diplomatic documents and especially upon the German Foreign Office papers; the latter, as they point out and as the authors are no doubt only too well aware, have modified the validity of several regularly quoted books about Central Europe in this period. On the other hand the German documents themselves are tricky things to use: they may conceal a Nazi ruse or alternatively they may have been drafted by a professional diplomatist with his tongue nervously in his cheek. An interesting publication, which must have appeared too late for Mr Macartney and Mr Palmer to use, is Mr Zeman's "Break-up of the Habsburg Empire." Mr Zeman denies that there was, as Mr Macartney and Mr Palmer write, "widespread and organised subversion" among the Czechs early in the first world war: although Mr Zeman's accuracy is not to be questioned, it causes him curiously to underestimate the nationalist challenge of the day about which the authors of this book are so excellently clear. They have also provided five exceedingly useful maps.

Law and Politics

The Political Foundations of International Law

By M. A. Kaplan and N. de B. Katzenbach.
John Wiley (1961). 383 pages. 56s.

ON page 264 of this book there is a sentence that well describes its underlying theme: "The difficulty with most writing about international law is that it does not differentiate between myth and legal technique, and does not provide the student with any basis for judging the policy considerations that constrain the decisions of the legal system." There is no doubt that more realistic writing about the political forces that sometimes determine the form, and sometimes frustrate the decisions, of international law is desirable. It could come very appropriately from a political scientist and an academic lawyer (although now Professor Katzenbach is Deputy Attorney General of the United States) in a country where a widespread movement for "World Peace through World Law" has raised exaggerated hopes of the purely legal contribution to international settlement. There is, however, also in the United States, a much older "realist" school of legal philosophy, *in its current application* to international relations particularly associated with Professors Harold Lasswell and Myres McDougal. This movement can go to the opposite extreme of submerging law altogether *in a thick syrup of sociological* verbiage, which aims at describing the "fact-situations" and "policy decisions" that are said to underlie the "formal" law. It is to be regretted that the authors of the work under review have not altogether escaped this latter danger.

There is the initial difficulty, of which the authors were clearly aware, of deciding for whom the book is intended. Their doubts whether it can claim to be, at one and the same time, "a scholarly monograph, a book for the public and a text book" seem in the event to be justified. If one of the topics discussed is taken, more or less at random, it will not be found to be dealt with at all comprehensively, as might be expected of a monograph. There are no detailed references and only highly selective bibliographies to the different chapters. The general reader is better served. He might, for example, take the book's chapter on "Recognition," with particular reference to Communist China. The historical background of recognition is well explained, and the important point is made that recognition under the nineteenth century doctrine and practice of the balance of power is likely to be a very different thing from recognition in a world divided into two blocks. Yet discussion of the vital attitude of the United States towards the recognition of Communist China culminates only *in what the general reader may find to be* an over-subtle distinction between recognition as a government *vis à vis* the United States, and recognition for the purposes of admission to the United Nations; at all events, more would have to be said to explain the importance of the distinction. As for the student, he is perhaps the least well served, for the book can hardly claim to be a satisfactory textbook either on international law or on international relations. There are inadequacies from both points of view. A law student, for example, would want more about the very important topic of the "responsibility of states for wrongs done to aliens." An embryo political scientist would hardly be satisfied with the sketchy chapters on international organisations.

The task that the authors have set themselves is so important that it is a great pity that it has not been better done. A simpler style of writing and the elimination of many high-sounding but unilluminating sentences would have greatly improved the book. But it may be asked whether there is not a more basic weakness in its thesis. In destroying the "myth" of much of international law, the authors unintentionally create another: that the inconclusive discussion of political trends (entirely permissible and, indeed, valuable in itself) represents a more scientific approach than that of the conventional international lawyer.

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Relaxing with Mr Macmillan



WASHINGTON, DC

PEOPLE like to hear what they want to believe. Mr Macmillan's fifth chat with President Kennedy was therefore very well-timed. In spite of bold plans to use the new American nuclear tests to blow the Van Allen radiation belt down to earth in smithereens, nobody seems to want to talk any longer about shelters against radioactive fall-out. Mr Khrushchev himself appears to have tired, no doubt only momentarily, of threatening to do undefined but terrible things, like King Lear. Perhaps everyone has become a bit more unflappable, like Mr Macmillan. Perhaps unflappability is contagious. Mr Macmillan conveyed a sense of gracious non-urgency that seemed to be appreciated even by the human pressure-cookers of the New Frontier, who rarely like anyone who does not look taut. But at present they are rather fed up with leaking Teutons and aloof Gauls, in the light of whose behaviour Mr Macmillan must have seemed all the more refreshing.

He certainly managed to make it appear that the President and he enjoy a relationship which can only be described as domestic (and therefore possibly somewhat irritating to outsiders). What went on, everyone insisted, was not negotiation, just easy conversation. The emptiness of the *communiqué* was turned into a virtue before it was even issued. The conversationalists wore, as it were, their mental slippers—or, to use an American metaphor, they just tossed ideas into a hopper and neither was bound by what was tossed around. In this relaxed atmosphere Mr Macmillan's soothing mumble was a pleasant contrast to what Mr Kennedy would certainly have had to hear from a white-faced, tight-lipped Frenchman or from a reproachful German (Herr von Brentano arrived in Washington on Mr Macmillan's departing heels).

Though there may still be a meeting at the summit this year, and perhaps even one in the form of an American-Russian duet, it will assuredly not be as cosy as these White House talks. Even Mr Khrushchev agrees that people do not and should not ascend summits merely to have informal chats with him there. (He usually does the talking while the others try vainly to negotiate.) But the American and British leaders just chatted and nobody much expected that anything startling would emerge or was dismayed when it did not. That was the joy of it.

Nevertheless, even between two such good friends, there were moments, it seems, when the dialogue, while not of the deaf, must have sounded rather like talk between Henrik Ibsen and some theatre-goer unaware that Ibsen's plays are written on two levels. For Mr Macmillan seemed to think that the Americans, who, he knows, are anxious about the trade relations of Japan and Latin America with the European Economic Community, agreed with him when he said that the European common market should develop on the lines of an open association benefiting the world (and the Commonwealth) and should not become an exclusive grouping. So of course they do—but only on one level of their thinking and that not the level with which they are chiefly concerned.

What many influential Americans are really saying is that seven or, just possibly and at a stretch, eight countries may make a sensible grouping in Europe, but that fourteen can only make for dilution and that to include neutral countries makes nonsense. If Sweden and Switzerland really want to become members of the sort of European grouping that the Americans (but not necessarily Mr Macmillan, or some other Europeans) have in mind when they talk about the common market, these two countries ought to be told that their path to nuptial bliss lies through a door over which is written, "Abandon neutrality, who enter here."

In short, the common market that many of the Americans around Mr Kennedy long to see has an organic connection with the President's proposals about west Berlin (just as Mr Khrushchev links disarmament inspection with his version of a German peace treaty). The common market that these Americans want is a grouping, more political than economic in significance, that will, among other things, help to tie west Germany firmly in with western Europe. It is even hoped that the free mobility of workers within the European common market will become a factor in the rejuvenation of ageing west Berlin.

Thus, when Mr Macmillan is believed to have mumbled something about the European neutrals being only technical and not spiritual neutrals, he may have missed these Americans' point—and, if he remarked, as he probably did, that the Americans surely wish to see what is left of free Europe hanging together and not falling apart, he was right but he was also somewhat irrelevant. For these Americans do not want just a revived, united Europe. They want a positive, crusading, anti-communist Europe that, together with Japan and the United States, will give the lie vigorously to communist economic theories (which the Americans because of their very detestation of them have tended to take rather more seriously than many Europeans) that deny any possibility of genuine growth to under-developed countries which associate with developed non-communist ones.

Because both western Europe and Japan are undergoing what Americans regard as the most extraordinary decade of growth in their histories, it is confidently felt that trade problems between them, as well as with Latin America and Africa and the Commonwealth, can be solved. The American concept of the European common market can co-exist peacefully even with Mr Gaitskell's notions of planning as well as with Professor Meade's protectiveness towards New Zealand farmers and manufacturers in India and Hongkong. What it cannot co-exist with apparently is Mr Khrushchev's bland interpretation of peaceful co-existence as

democracy slowly retreating before communism's advance—or with neutrality. The British Ambassador tried to reassure Americans on this last point this week when he told the Cincinnati Council of World Affairs that Britain does not believe that it will ever be possible for western Europe to take a neutral position in the struggle between communist totalitarianism and free democratic societies.

The realistic American view of nuclear tests is that these will go on as long as the scientists on either side feel that there is a chance of a break-through on weapons or on defence and that, when they feel that there is no such chance, the problem will solve itself. This does not preclude a summit meeting with Mr Khruschev, when the current tests end, to talk about Dr Sohn's zones—the American proposal to break the deadlock on disarmament by expanding inspection from one or two initial areas as confidence grows. Mr Khrushchev probably broke the moratorium on nuclear tests in order to try to close a real gap between Russia and the United States, which had alarmed him by increasing its military spending partly in order to close a "missile gap" that apparently turned out to be only a phantom.

The Americans are in rather a confident mood, especially since the exploit of Colonel Glenn. Mr Macmillan is believed to have ventured the theory, which General Clay had already voiced, that at the moment the Russians are not looking for trouble over Berlin because they do not care to take the risk of a minor issue being mishandled by the east Germans and turning into a major one. But the American feeling is that communism is now also displaying marked failures elsewhere and that the incompetent east German regime has its parallels in North Vietnam and even in Peking. Mr Khrushchev might like to have a Soviet man on the moon to celebrate the fiftieth anniversary of the Russian revolution in 1967, but it would probably cost him $50 billion to attempt it. He is still out-gunned, in spite of having bigger boosters, and he admits that the Russians are still being out-eaten. The United States can certainly out-spend him and, roused by his own taunt, is prepared to bury him, at least in the Pickwickian sense in which he afterwards claimed to have employed the verb.

But Americans are optimists who persist in feeling reasonably confident about the future of the human race and they would prefer a less strained situation. Mr Macmillan told his audience of newspaper publishers in New York that it may take a generation or two for the Russians to change. This is no doubt a more realistic time-scale than that which depicts the two societies getting more like each other every day. But many Americans doubt if history, or the problem of proliferating weapons, will wait. Therefore they agree with the British Prime Minister about the need to use periods of reduced international tension, like the present, to persevere with talk that may lead to more stability, pending the happy day of general and complete disarmament. As Mr Rusk, the Secretary of State, has remarked, there is nothing stable about sixteen years of discouragement ending in the commitment of increasingly massive resources to an arms race.

Sauce for the Unions

MR KENNEDY came to the fiftieth anniversary meeting of the United States Chamber of Commerce on Monday bearing an olive branch: he insisted that, in spite of his successful engagement with the steel industry, he had no desire to fix prices and only wanted businessmen and the trade unions to co-operate in holding down costs, in the interests of the consumer and of the country's balance of payments. But his hearers remained disgruntled; indeed, the very next speaker defended the steel industry and attacked the President. There is little doubt, moreover, that the business community—and the Republicans—will be watching suspiciously to see whether, when the national interest is at stake, the President treats trade unions as ruthlessly as he treated the steel industry. Already the railways, frightened that a presidential commission which reports this week is going to recommend an increase in wages for their "non-operating" workers, are insisting that this is a perfect test case and that what is sauce for the business goose is sauce for the union gander.

Wage negotiations are also coming up in the oil industry, in communications, paper, aluminium, the aero-space industry and others. Fortunately for the Administration's wage policy—unfortunate though it is in other senses—unemployment is too widespread for the trade unions to be exorbitant; many of their leaders feel that they will be lucky if they can win as much as a 3 per cent rise. This figure—approximately equal to the annual increase in productivity since the war—is the rough official ceiling on yearly wage increases. But there are corners of the economy where the trade unions enjoy a monopoly of skilled labour and where they are showing no undue delicacy about using it. In New York, where not long ago the electricians won a five-hour day (with overtime at higher rates of pay), plumbers and bricklayers are also demanding higher wages and shorter hours to "spread the work," although in their trades there is little or no unemployment. In construction it is particularly difficult for the Administration to enforce respect for the public interest since, whatever the leaders of the national unions say, individual branches have the power to fix their own terms. This cynicism not only angers businessmen; it also infuriates co-operative trade unions such as the steelworkers.

Besides wanting to maintain a steady price level, Mr Kennedy is also anxious to avoid strikes which would hold back the economy. Just this week his Labour-Management Committee recommended changes in the Taft-Hartley Act which would enable the President to intervene more rapidly and effectively in industrial conflicts. But most of the representatives of management and some of the public members were unhappy about this further intrusion of the government into collective bargaining—an intrusion which they felt would be unnecessary if only the power of business and labour monopolies could be curbed. But the prospect is that from now on the Administration will be intervening more actively both in labour negotiations and in pricing decisions, even though as yet it is far from certain about the methods it will use to obtain compliance from recalcitrant trade unions and employers.

Final Tests?

NO newspapermen are witnessing the nuclear tests which were begun by the United States on Christmas Island last week, no photographs are being circulated, announcements are being kept to a minimum. The series is being played down deliberately, to emphasise that the United States does not glory in being forced to resume testing and that this has been done, after three and a half years, with the greatest reluctance as a matter of what is believed to be grim military necessity. The imaginative, sympathetic way in which President Kennedy has approached this situation was underlined when on Sunday he honoured the American winners of Nobel prizes, for peaceful as well as for scientific achievements, including Dr Pauling who had worked up an appetite for his dinner at the White House by demonstrating outside it against nuclear testing.

Every effort has been and is being made to stress, both at home and abroad, that the explosions are to be as small and as few as possible, that radio-active fall-out is being held to a minimum and checked with care and, above all, that it was the Soviet Union

which broke the moratorium and compelled the United States to follow its example. And this campaign of public education seems to have been as effective as could have been expected.

Expert opinion is more nearly unanimous than ever before in agreeing that at this time the United States had no choice but to test. It is surprising, therefore, to find that a growing section of that opinion, including people who have always favoured nuclear testing before, is now saying that this may be the last series of American tests—in the atmosphere, at least—even if it remains impossible to reach an international agreement banning them everywhere. It is even more surprising to find that the present series is only likely to be the last if it is a failure, in the sense that it fails to provide any great "break-through" in nuclear technology. The argument, in an over-simplified and unproven form, is that, if American scientists merely find in the tests that confirmation of their theories which they expect to find, and not a new set of possibilities to be exploited, then they will be justified in assuming that the Russians did no more than this in their last tests and will do no more in the next series which they are expected to carry out before long. Therefore the United States would be in no danger of being surpassed in defensive power by some fresh development in the Soviet Union. In addition it appears that underground tests are now considered to be fairly adequate for proving weapons. Thus after the current series the military case for atmospheric testing may cease to be strong enough to outweigh the moral and psychological case against radioactive fall-out with its unknown consequences for future generations.

Profits in Recovery

OFFICIAL estimates of business profits during the first quarter of this year will not be available for some weeks but unofficial estimates of about $53 billion or so before the payment of taxes—at seasonally adjusted annual rates—make complaints of "profitless prosperity" look a trifle overdrawn. The corresponding figure a year ago, in the trough of the recession, was $40 billion. Moreover, although cyclical industries such as steel and motor cars naturally led the procession, gains were widely shared; in the major categories, only the airlines and the moving picture firms did worse than they did twelve months ago, though the domestic oil companies suffered because of sharp competition and lower prices for petrol.

The shadows on the picture are two. The first is the very slight growth in profits during the first quarter (if, given the standstill in production, there proves to have been any at all) over the fourth quarter of last year, when they rose to a rate of $52 billion. The other is the expectation that profits will continue to grow only slowly during the rest of the year, reaching their cyclical peak sometime in the second half; at that point rising costs will have started to eat away at profit margins. In the steel industry profits are probably starting to fall already because heavy buying in the first quarter, as insurance against a possible strike, has taken the cream off sales for months to come. Only the motor car industry looks forward with confidence to increasing its earnings substantially in the second quarter. It has already done handsomely. The General Motors Corporation, for example, doubled its earnings between the first quarters of 1961 and 1962, to achieve an all-time record.

The Administration must now face the fact that a tremendous and rather improbable upswing in profits during the rest of the year is needed if its hopeful estimate of over $56 billion for 1962 is to be justified. In private it is presumably trimming this figure by $2 billion or even more and recognising reluctantly the probable effect upon its precariously balanced Budget. And businessmen are pointing out that, though profits are certain to reach a new high this year, in certain industries they are insufficient to provide for the modernisation to which the President attaches so much importance. Mr Blough, for example, said last week that though the earnings of the United States Steel Corporation rose from $32 million in the first quarter last year to $55.8 million this year, this was enough only to cover the dividend and meet necessary repayments of debt, leaving no margin for reinvestment. In the second quarter of 1957, when the volume of production was much the same, the profits of US Steel were over twice as great and those of most other firms in the industry were substantially higher than they are now. The President's solution, as he told the US Chamber of Commerce this week, is faster economic growth. But until that materialises and brings with it higher sales, businessmen, who are now officially discouraged from raising their prices, will have to redouble their efforts to cut costs.

Exporting Negroes

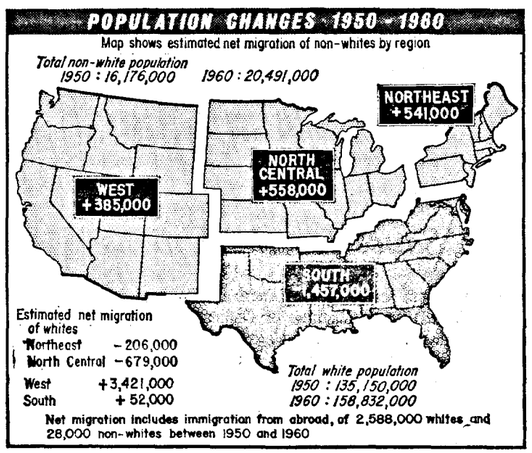
FROM A CORRESPONDENT IN NEW YORK

CLUTCHING a brown paper bag filled with clothes, one dilapidated suitcase and a portable wireless, Mr Shelby Williams, aged 24, an unemployed dock-worker, and his 20-year-old wife, Sarah, arrived in New York on Sunday afternoon after a 42-hour "freedom ride" by bus from New Orleans. Their journey, and those of sixteen other Negroes during the past week, had been sponsored by that gracious city's White Citizens Council, in an effort to prove to Negroes that they would be treated no better in the North than they were in the South. The Council has circulated handbills among the city's Negroes announcing:

> Freedom Bus to Washington, DC, or any other city in the North. Free Transportation plus $5.00 for expenses to any Negro Man or Woman, or Family (no limit to size) who desire to migrate to the Nation's capital, or any city in the North of their choosing.

This apparently is New Orleans's answer to last year's freedom rides, in which both whites and Negroes from various northern cities challenged racial segregation in public transport.

So far the New Orleans' plan seems to have been pretty much of a failure, from its sponsors' point of view. The first Negroes to arrive in New York, Mr Louis Boyd, an unemployed dockworker,



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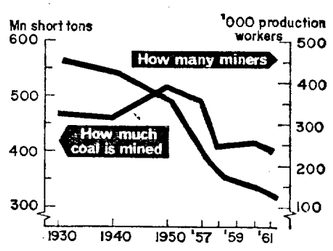


Coal Conspiracy

FROM A CORRESPONDENT IN TENNESSEE

IN at least one American industry the manifold problems of the age of automation are being solved by a hidden alliance between the classical rivals, management and labour. The odd way in which the bituminous coal industry is struggling to survive in an automated, competitive world was brought to light last year through a lawsuit in a federal court in Tennessee. This established that Mr John L. Lewis's United Mine Workers of America agreed secretly with the healthier and larger companies in the coal industry to speed the introduction of mechanical mining with its efficiency and economy. In addition, also secretly, the trade union acquired what amounts to a controlling interest in one of the country's ten largest coal-mining operations and lent $35 million to one wealthy industrialist involved in coal and allied business activities, Mr Cyrus Eaton. In the process thousands of members of the union who work in small mines lost their jobs permanently and scores of little mining companies were forced out of business. And finally Mr Lewis himself has now become chairman of the association which speaks for the coal industry as a whole.

If moral questions were put aside, this strange affair could be rationalised as a necessity of the industry and of the times. As a domestic fuel, coal lost its economic hold on America years ago with the arrival of substitutes—oil, natural gas and electricity—that were cheaper, cleaner and easier to transport. In the last decade, coal lost a large slice of its industrial market as well and the most plentiful fossil fuel in the country came to be considered a has-been. The law of supply and demand was working no longer and this was due mainly to the power of Mr Lewis's union. It had negotiated for its members the highest hourly wages in American industry. After a series of strikes during the last war, Mr Lewis added to his winnings a royalty of 10 cents a ton on all coal mined; this went into the miners' welfare and retirement fund and subsequent negotiations raised the amount to 40 cents a ton.



Because of this high, fixed charge—and for other reasons—it became impossible for coal to compete with other fuels. Either these labour costs had to be reduced—and to agree to this would be unthinkable for the leader of an American trade union—or costs of production and transport had to be trimmed somewhere else along the line. This, in turn, meant the introduction of more, and more efficient, machinery, which also meant fewer jobs for the members of the mining union. To allow them to learn that their leader had accepted, and indeed encouraged, a policy of putting machinery before men was equally unthinkable. So this was kept secret.

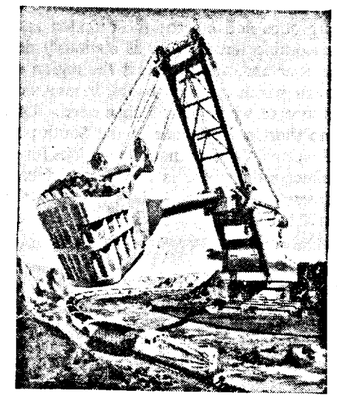
By now the welfare fund fed by royalties had grown to many millions of dollars. It was managed by trustees, but Mr Lewis was the trustee representing the union, the other two were controlled by him and under the law as it stood neither the public nor the members of the union were able to examine the handling of the fund; moreover, it was tax-free. So it too was secret. The union has still another fund, drawn from members' dues and interest on investments, which also now amounts to millions of dollars. Though this fund's income from dues is shrinking, as the number of union members declines, its income from investments is growing.

ONE of these investments is the oldest, and third largest, bank in Washington, DC, the National Bank of Washington, which is controlled by the union. It was through this bank, where both funds are on deposit, that the UMW entered the business of industrial banking. Over the years it has made loans amounting to millions of dollars to, and acquired holdings in, coal mines, water and rail transport facilities and electricity companies and is in a position to influence, if not to set, their policies. Today the heaviest single demand for coal is from electricity undertakings, whether privately or publicly-owned (as is the Tennessee Valley Authority); they need it for the gigantic steam plants which produce their power.

One of the newest of these steam plants provides an outstanding example of how coal has come to be handled automatically through the combined efforts of Mr Lewis and the industry. At Paradise, Kentucky, the TVA is building the world's largest steam plant for producing electricity, directly on top of a coal deposit of sufficient size to last beyond the expected life of the plant. The Peabody Coal Company, which owns this deposit, has set up an automatic shovel of awesome proportions to strip out the coal. Placed alongside the Statue of Liberty, its extended boom would tower above the lady's torch and it is taller than the Niagara Falls. At maximum height, it equals a 20-storey building and it can bite out 200 tons of earth and rock above the veins of coal with a single scoop. Two somewhat smaller monsters will lift out 5,000 tons of coal a day.

Pit and shaft mining is thus in its death throes. Into industrial extinction with these methods will go the traditional miner with his head lamp. The operation described above can be handled by three men. Conceivably, at maximum around-the-clock working it could put $4,000 a day into the UMW's welfare fund, which receives its 40 cents a ton whether the coal is mined by men or machines. At the same time, there will be fewer men needing help from the fund. In the mining areas of America, therefore, chronic unemployment is becoming a way of life; in places where there are only small mines, it has already.

This situation, however, is being attacked by President Kennedy on at least four fronts. The 1958 Welfare Fund Disclosure Act has been amended, to give the federal government policing powers over such funds, already estimated at $50 billion. If they



are to provide the capital for underwriting the age of automation, at least it should no longer be possible to use them for this purpose, as Mr Lewis did, in secret. Realising how the land will be damaged by such mechanical mastodons as the Peabody shovel, the President has asked for an extensive study to be made of all surface mining, with a view to requiring that damage be made good.

In order to make coal more competitive by improving its means of transport, the President wants to facilitate its shipment by pipeline, a modern method in which the coal is powdered, mixed with water and flushed through the pipe. One such pipeline is now being proposed by a private company, leading from the depressed coalfields in West Virginia to electricity plants on the eastern seaboard. Finally, the President has sponsored various measures designed to redevelop regions which have lost their economic base and to retrain workers whose jobs are gone forever. So far these measures have not worked well in the coal areas, where miners are uneducated and untrained in any other skills, but it is expected that before long the Administration will offer a plan for meeting the specialised problems of these areas in a specialised way.

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his wife and their eight children, had no sooner stepped off the bus than he was offered a $100 a week job and provided with a home on a racially integrated housing estate. But the National Association for the Advancement of Coloured People, warning Negroes that they could not all expect to do so well, called the plan a "cruel hoax" and the Mayor of New York expressed his disgust. He has been studying the possibilities of using National Guard armories and other public buildings to house Negroes from New Orleans, if the White Citizens Council there does in fact send bus loads, and even train loads, of up to a thousand Negroes north, to Chicago and Los Angeles as well as New York, as it hopes to do; but Negroes in New Orleans are showing little interest in the offer.

In attempting to export Negroes wholesale the South is also exporting its unemployment and social welfare problems. But in the end this attempt may backfire severely. If, as seems likely, Negroes are still leaving the segregated South without this special stimulus at the rate they did during the past decade, about 400 are departing every day. Whites as well as Negroes are moving away and normally such migrants come from the most productive age groups and are the most skilled and intelligent members of the working force. This is obviously depleting the South's pool of labour and, as a result, if the region ever attains the industrial growth which it wants badly, it may well find itself without the workpeople whom it will then need. Of course, at present there is no shortage of labour in the South; although the region lacks technicians, there are not enough jobs for semi-skilled and unskilled workers. But there is a widespread campaign to bring in new industry; if this succeeds, eventually the South may wish that it still had the Negroes whom it is now trying to export.

Saving in Style

NEW YORK

SAVING has come back into fashion. Normally it increases when economic conditions are unsettled and the confidence of consumers is shaken, but the current trend set in after the end of the recession last year and has been gaining momentum ever since. In 1961 liquid savings reached a record total of almost $26 billion, while the amount of consumer credit outstanding showed only a small rise of less than $1.5 billion; savings amounted to 7.1 per cent of personal income, the highest percentage since 1958, with most of the improvement coming in the second half of the year. But saving has become really conspicuous only since the beginning of 1962, when the Federal Reserve Board relaxed Regulation Q, the provision governing the interest rates which commercial banks may pay. The ceiling was raised from a flat 3 per cent to 3.5 per cent on regular savings deposits and to 4 per cent on funds held for a year or longer. Although the central bank's move was taken mainly to help New York City's big banks to hold foreign deposits, it touched off a domestic rate war that has been a boon to savers.

Many commercial banks, particularly in metropolitan areas, immediately adopted the new maximum rates and accompanied the rises with expensive advertising campaigns to attract depositors. Mutual savings banks and savings and loan associations, which had been gaining deposits because they had been able to offer from .5 per cent to 1 per cent more than the commercial banks, were hit hard by the narrowing of the spread and they retaliated by increasing their dividends to maintain their advantage. However, the commercial banks which are able to offer complete "one stop" banking service—including current accounts, consumer loans and so on—registered the most impressive gain in savings deposits during the first quarter of this year and this forced competing institutions to push through yet another increase. In New York, one savings bank has announced that it will pay a 4¼ per cent dividend on money left with it for two years and others are talking about the same rate on one-year money; in California, most savings and loan associations (which are comparable to Britain's building societies) are offering 4.75 per cent, with a few going as high as 4.8 per cent.

This emphasis on higher rates—along with free gifts and the compounding of interest on a weekly or even a daily basis—has encouraged a considerable increase in savings. In January alone, commercial banks showed a $2.5 billion increase in savings deposits, a bigger rise than they have experienced in many twelve-month periods. Unquestionably part of this represented a shift from demand—current—deposits to savings within the same banks but some of it also came from their competitors, for the savings and loan associations reported a net drop of 23 per cent in January compared with deposits a year earlier and mutual savings banks showed no gain. People are becoming more aware of the rate of return on their money and sales of government savings bonds, whose rates are no longer competitive, have declined.

PERSONAL incomes have been rising but the surge in savings is accelerating at an even faster pace. This has been a factor in the slower-than-expected rise in sales of consumer goods. It has also had a marked influence on Wall Street, which has experienced a sharp fall in turn-over and a decline in the drive to buy equities as investors have preferred the assured yields provided by savings accounts. Moreover the flood of funds flowing into savings institutions has forced them to buy mortgages to offset the higher interest costs which they are paying. In turn, this has resulted in a lowering of mortgage rates and has touched off a hunt for other, more attractive, investments. The National Association of Mutual Savings Banks has seen fit to warn its members against making unsound loans in order to assure enough money for dividends and the head of the Federal Home Loan Bank Board, which supervises the savings and loan associations, threatened recently to impose a ceiling on dividends. But he changed his mind, on the grounds that this would not prevent unsound investment practices. Most of the institutions engaged in the battle for savings are facing a squeeze on their earnings but no one is talking about calling off the war. Meanwhile Americans are getting the double benefit of higher yields on deposits and somewhat lower mortgage costs.

Nevertheless some falling-off must be expected in the rate at which savings have been growing. The response generated by the big jump in rates during the first quarter of the year is unlikely to be repeated. Indeed, many bankers feel that, if the Fed had raised the ceiling to, say, 6 per cent or had eliminated it altogether, rates would not have been pushed up so fast. Whether or not this is true, another rise in rates of 20 per cent or more is out of the question. And as the impetus of the new level of interest rates wears off, a slower increase in savings can be expected. Moreover the expansion of the economy, accompanied by higher employment and rising incomes, should bolster consumer confidence and spur spending.

But, with the threat of inflation abated and attractive returns available, the propensity to save may not lose all of its appeal. Competition for deposits has come to stay, with the commercial banks well to the fore. This should accelerate the trend towards bank mergers and perhaps even towards mergers between commercial and mutual savings banks. It should also speed the formation of a national mortgage market and will almost certainly increase the mobility of funds throughout the country. These developments may not be what the central bank meant to bring about when it raised the ceiling on interest paid by commercial banks, but some of the effects on financial institutions are lasting.

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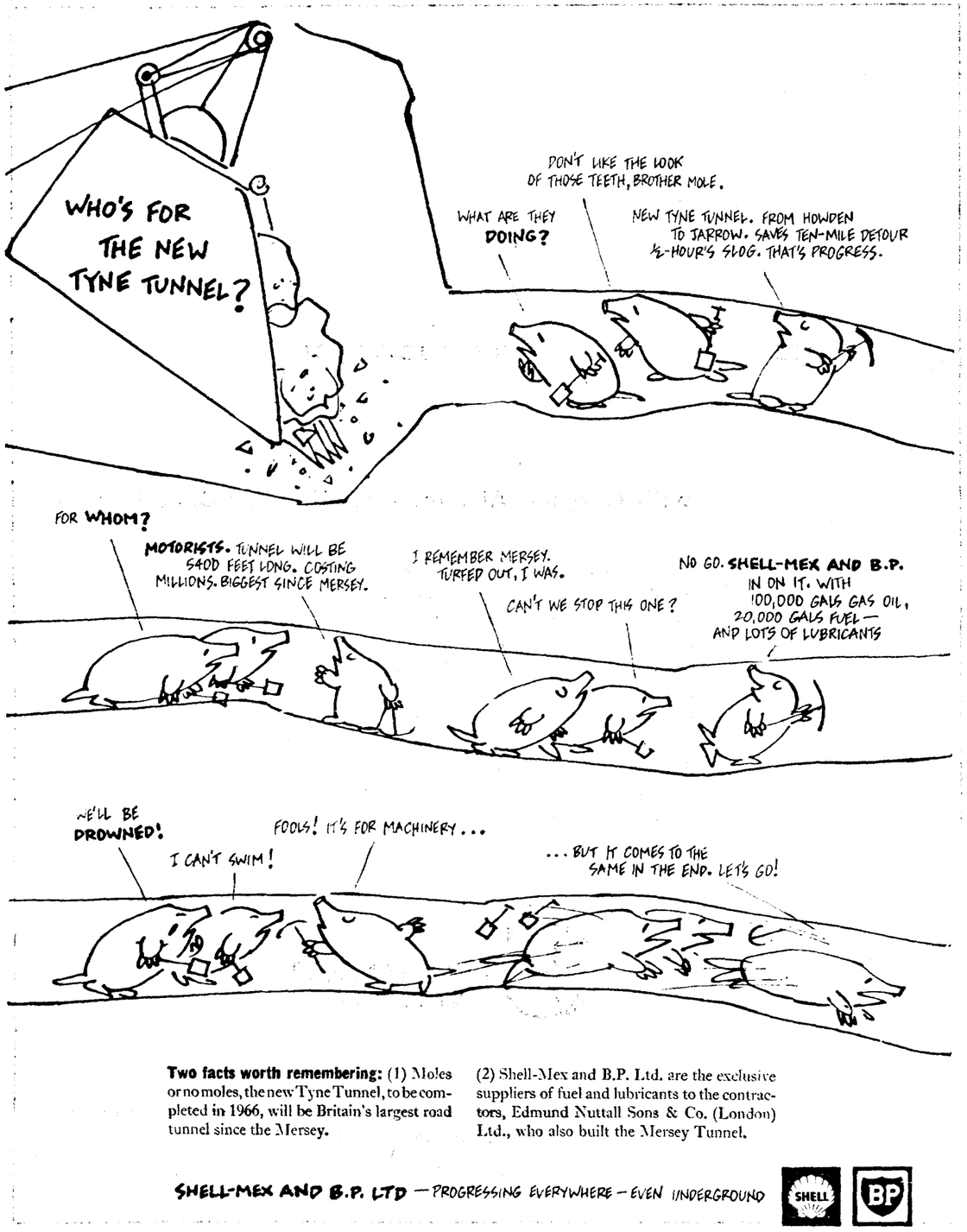
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LETTERS

Apprenticeships

SIR—Your comment on the Apprentices Report of the Engineering Employers' Federation (April 14th) takes a very jaundiced and biased view of it. Great efforts have been made to increase the number of apprentices. The effective number of apprentices taken on, after deducting wastage, during the twelve months ending October, 1961, was 16,960. The number engaged was greater by 15.5 per cent than for the twelve months ending March, 1958, the time of the last federation inquiry.

Blame for wastage seems to be placed on employers. Every incentive is given to youngsters to enter the industry by the prospect of secure, well-paid jobs. There can be little doubt that firms are becoming more "choosey" in taking on apprentices, thus making it more likely that the right type of boy is taken on. As to any feeling on the part of apprentices that they are "wasting their time," there is no evidence whatsoever that this is more prevalent amongst apprentices than amongst any other category of employee.

The use of the word "mere" to describe the number of technician apprentices is derisory, but the fact remains that 7,178 young men are being trained as technician apprentices, an increase on previous figures of 20 per cent. As to girl apprentices, can you produce any evidence of girls crying out for apprenticeship and being unable to find the opportunity? There is again no evidence that conditions in firms outside the federation are better than those within it.

What you mean by "the hidebound five-year apprenticeship 'sitting by Nelly'" it is hard to find out. If you mean that the would-be craftsman cannot learn by working with a fully skilled man, then it is a palpably absurd statement. How else are all skills handed on? If you mean that insufficient skilled training is being given, then the report shows this to be untrue.

As to the length of apprenticeships, there are many pros and cons to the argument. But one thing is certain. Shortening the period of apprenticeship will not increase the numbers of apprentices.

This is not to argue that much does not remain to be done but to stress that during the last three years much has been done and to express the hope that much more will be done in the years ahead.—Yours faithfully,

B. MACARTY
Director
Engineering Employers' Federation
London, SW1

[We were careful to congratulate the leaders of the Engineering Employers' Federation on their courage in publishing a report so discreditable to their own members.]

Where Education Pinches

SIR—Until recently the four old universities in Scotland (which stretch their staffs farther than the two old, and many new, universities in England and Wales) were able to provide seats to all qualified comers. But the Government now seems determined to hold back university extension in Scotland to allow the English and Welsh position to be brought level. The result will be that by 1970 a far bigger proportion of fully qualified students will be denied entrance in Scotland, in the very country that traditionally seated them all, than in hitherto backward England and Wales.

At present there are some 17,500 students in Scotland and about 86,500 in England and Wales. But by 1970 the student body in Scotland will have expanded to only 21,500 while that in England and Wales will be swollen to 148,500. Naturally there are those of us in Scotland who do not object to university education in England and Wales being pulled on, but object very much to Scottish education being braked back.—Yours faithfully, DAVID MURRAY
Cambuslang

Neo-Colonialism

SIR—In your issue of April 21st on page 225 you state that Northern Rhodesia and Nyasaland are colonies. Is it not a fact that they are protectorates and therefore subject to treaties with the Crown; and the people are not British subjects but British protected persons?

Southern Rhodesia is a self-governing colony, is it not?—Yours faithfully,
London, W1 JOHN FISHER

Pétanquisme

SIR—I was very interested to read in your issue of April 21st your correspondent's account of the playing of *pétanque* in the south of France and to see that the game is attributed to the Greeks of the fourth century BC whose sailors introduced it to Marseilles.

During many years of travel throughout Greece and the Aegean Islands I have only on one occasion seen a similar game being played. This was in the village of Potamós in Amorgós, which I visited in the summer of 1959. Two teams of villagers were competing one Sunday evening on a narrow donkey path, full of rocky outcrops and hemmed in by dry-stone walls, which debouched on the village square.

The bowls consisted of extremely crudely fashioned wooden spheres and this, together with the irregularities of the surface on to which they were tossed, must surely have neutralised any acquired dexterity of the players.

I should be interested to know whether this is a survival from ancient times or an example of refertilisation in which Greek seamen in modern times have brought the game back with them from Marseilles.—Yours faithfully, MICHAEL WARD
London, SW3

Capital Gains

SIR—A still harder look at the gains tax than that in your issue of last week might have led you nearer to an answer to your own question—what is it all for?

In these days of strongly inverted values the last thing that any politician is likely to claim for his own proposals is that they have any but utilitarian merit. It is conceivable, nonetheless, that a Conservative Chancellor has come round to the view that speculation, especially in shares, is irresponsible. The gains tax, by reducing the marketability of shares, tends to make shareholding more like the responsible function in society that it should be. When private property-owners again become conscious that, as such, they have duties as well as rights, the defensibility of private ownership will have been restored.

Less clumsy ways of reducing over-free marketability have, of course, been suggested.—Yours faithfully,
Edinburgh KENNETH R. MIDDLETON

Ulster

SIR—Having recently completed a study of Ulster's chemical industry I must agree with your lucid analysis of the Northern Ireland economy (March 17th).

I found that the financial inducements offered by the Northern Ireland Ministry of Commerce to foreign industrialists are extremely generous and have in fact succeeded in attracting a range of industries from abroad. With regard to the chemical industry it would seem, however, that a large number of plants have been built recently to make the more "sophisticated" chemical products, such as synthetic rubbers and fibres, while there is as yet little capacity in Ulster for producing basic and intermediate chemicals. Would it not be healthier for the economy, in the long run, to foster an inorganic heavy chemical industry by the side of these organic plants?

Against this contention many Ulster economists will argue that the sea freight charges from Liverpool to Belfast or Londonderry are reasonably low and reliable, thus making the import of basic chemicals from the Midlands an economic proposition. However, if the Ulster chemical industry is to expand in a common market and supply the South with consumer products, it must be as integrated as possible, without undue reliance of basic imports from across the Irish channel.—Yours faithfully, I. L. HEPNER
London, NW1



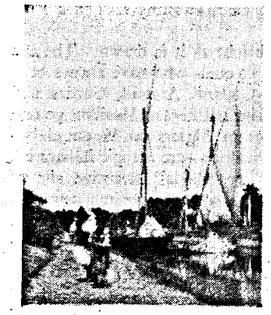
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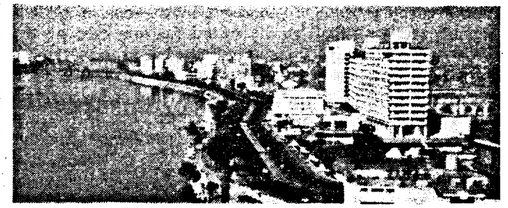
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THE WORLD OVERSEAS





Socialism on the Nile

FROM OUR SPECIAL CORRESPONDENT

SCOTCH whisky, alka-seltzer and American cigarettes are the constant hard currencies of under-development. One sign of sterner times in the United Arab Republic is that American cigarettes have gone under the counter (though not very deep) and the Scotch in Cairo bars may, with a bit of bad luck, turn out to be Czech. This outrages the princely traditions of hospitality that upper-class Egyptians have retained through all their tribulations. A visitor to Cairo is torn between nostalgia for gracious times passing, and enthusiasm for the new ideas that are pushing their way through the tangle of imitation and experiment, excess and lethargy that goes by the name of Arab socialism.

Socialism is the sesame that opens almost any door. "A perfect example of socialism" declared a lyrical member of Cairo's city council defending the way that some Egyptian charities collect from passers-by by bombarding them with tickets. "A perfect example of begging" was the growled response of another member, a leading authority on Islamic law. This confusion about the beginning or end of socialism is both a strength and a weakness. Egypt is refreshingly free of dogma; except for one newspaper that used to produce remarks by Marx and Lenin as the original thought of its editor, few people pad out their ideas with quotations from the masters. President Nasser has evidently borrowed heavily from his friend President Tito; everybody hopes that Egypt will be able to profit from the experience, and mistakes, of Jugoslavia. But decisions are taken pragmatically, and often capriciously; the government swings this way and that in making the agonising choice, common to all developing countries with limited resources, about whether to put economic or social development first. But on one issue, Cairo's mind seems fixed; the answer to the innumerable problems that push their way on to the economic scene is more, and yet more, government planning and control.

At one and the same time, Egypt is trying to increase its national wealth and to distribute more fairly what wealth already exists. This target has twice been confused by political events in Syria. It is generally believed that if it had not been for the union with Syria in February, 1958, the nationalisation and socialisation decrees that were announced in July, 1961, would have been brought into effect at least a year earlier. As it was, they precipitated the break-up of union. The Syrian secession, when it came three months later, put an end to the orderly carrying out of the July decrees: the Egyptian government was panicked into increasing the speed and severity of the programme; and into using economic weapons as a means of frightening and silencing potential political enemies.

This is the ugly side of Egyptian "socialism." While there is everything to be said for the government's efforts to make the rich in Egypt rather less rich, it is much harder to defend the political persecution of certain families. Apologists for the regime deny that there is any racist element in the government's policies; it just so happens, they explain, that the Copts, the Greeks and the Jews mainly belonged to the upper crust of society and so automatically have to face a cut in income. But the lists of families (believed to be about 1,500) who have had their property sequestrated show marked deviations from the straight and narrow line of social justice. To begin with, the government cracked down on families whose political loyalty was uncertain; then, not unreasonably, it extended its whip to such anti-social groups as the hashish traders. But the interpretation of "anti-social" is flexible; one of the most worrying things about the sequestration of foreign property is that about 90 per cent of it hits Jewish families. An even more shameful hint of anti-semitism was the tendency of some foreign embassies in Cairo to fight rather harder for the rights of their non-Jewish, rather than their Jewish, citizens.

Compared with their argumentative neighbours in Syria or Iraq, Egyptians are a passive people to govern, good-humouredly accepting, or shrugging off, the orders that trickle down to them from high places. Government controls are not new to them; the lives of most Egyptians are conditioned by the distribution of Nile waters, and this has long been the trust of a centralised government. Moreover, once President Nasser had reached the point of deciding to make a major effort to alleviate Egypt's intolerable economic and social problems, there was no workable alternative to government action. Once more by contrast with Syria, and to a lesser extent Iraq, Egypt was not blessed with much of a tradition of efficient private enterprise. Egyptians who made money before the revolution tended to invest in land; after the revolution and the land reform laws, they put their money into blocks of flats or managed to stack it away abroad. If the country was to approach its target of doubling the national income within ten years, the government had to be the major partner in the economic drive. The question is whether it can still be called a partnership.

The momentum of the swing towards nationalisation seems to be steadily squeezing private enterprise out of business. In the end, perhaps, only the goldsmiths and other skilled craftsmen of the bazaars in Khan el Khalili will feel themselves truly independent. The government has three ways of taking over control: by outright nationalisation, by taking 50 per cent of the shares, or by limiting the holding of any family in a concern to £10,000. If the government holds a quarter of the shares in any company it has the right to appoint the managing director. Although the old directors are often urged to stay in a less high-sounding capacity, many of them are deeply discouraged at having to work under the government's nominee—who, more likely than not, is an army officer, maybe efficient at his own military job but clueless when it comes to business.

A rather cumbersome pyramid of economic organisations is responsible for supervising, and perhaps co-ordinating, what goes on. There are about 35 of these organisations, each responsible

for one particular line—such as food, building or chemicals. The obvious drawback to this system is that bright ideas tend to get stuck somewhere in the middle of the pyramid. Egypt has much greater reserves of talent than other Middle Eastern countries (except Israel), but this great bite at nationalisation has drained its resources. The splendid theories that emerge from the Presidency crumble away in the lethargy and low spirits of those who are supposed to be carrying them out. With the plunge into heavy industry, the UAR has run seriously short of qualified engineers: a shortage that is one of the factors restraining the government from drawing on all the foreign credit that is now available to it.

Despite this, the government is managing to keep pace with the high industrial targets set by the five-year economic plan (July, 1960-June, 1965). But construction and, more important, agriculture are running behind the plan's schedule. Egypt will need time to recover from the shock of last year's disastrous harvest when about a third of the cotton crop was gobbled up by pests. Nobody seems to know the reason ; perhaps the insects had become immune to the insecticides, perhaps the insecticides had somehow got diluted or arrived too late. Somebody had to be the scapegoat, and the ministers of agriculture and land reform both lost their jobs. The government, coming forward with its usual panacea of more control, is making urgent efforts to save this year's threatened crop. But already the loss on last year's harvest is calculated at about £50 million of foreign currency.

If it were not for the steady £1 million a week coming in from Suez canal dues, the government's anxious position over foreign exchange would be ominous. As it is, the resourceful minister of economics, Dr Kaissuny, has to perform feats of day-to-day juggling to avoid defaulting on foreign payments. Egypt has become heavily reliant on American aid, which comes mainly in the form of surplus wheat, maize and tobacco, and is now worth about £60 million a year. If the Egyptian army depends on Russian weapons, the Egyptian people, at the moment, depend no less urgently on American food. Loans and credits from western countries (especially from Germany and Italy) are gradually approaching the level of the massive Russian credits for the Aswan dam and the industrial programme.

The old canard about President Nasser guiding Egypt into Russian hands is as wrong-minded today as ever. True, the government's deep faith in planning and controls, its suspicion of private enterprise, its police system and its dive into heavy industry are modelled on eastern rather than western systems. But this is a moon-journey away from implying that President Nasser takes orders from Moscow. The Egyptian rich are being soaked, but not (except for the unfortunate families sequestrated) very painfully. The lower middle classes are gradually becoming more vigorous, and this is all to the good. Although in the villages the bad old times persist, and nobody can see how to change them, the working class children in Cairo looked brighter and healthier than they did even four years ago. And Egyptians who have made the journey to Moscow tend to refer to the Soviet capital with something of the same delicate horror that they evince when they sip Czechoslovakia's whisky.

Deadline in Algeria

FROM OUR PARIS CORRESPONDENT

In the seventh week after the signing of the Evian agreements a reasonably bright record of developments in Algeria can be drawn up. Nothing irreparable has happened. The Secret Army Organisation (OAS) has failed in all its major objectives. It has proved, so far, unable to goad the Moslems into blood reprisals. It did not prevent, as it had boasted it would, the setting up of the provisional executive at Rocher Noir. It has had no success in winning over entire units of the French army. It has been unable to gain full control of any town, let alone to establish strongholds in the countryside. Finally, as a symbol of all these failures, the OAS has been beheaded: General Jouhaud has been sentenced to death and General Salan is awaiting trial in a Paris jail.

But the picture is not quite as bright as it is drawn. The top generals have been caught, but the colonels who have always been the mainspring of OAS activity—Godard, Argoud, Gardes and their henchmen—remain. Provocative murders of Moslems go on ; the record-breaking casualty figures in Algiers on Wednesday—some hundred dead and scores of casualties—are a tragic illustration of the unending massacre. The provisional executive sits at Rocher Noir, but it has little effective control over the country's administration. The army has not been disobedient, but it shows little enthusiasm for carrying out its orders. The country is paralysed by anarchy and its economic life is slowly coming to a standstill. Isolated in their quarters as in a ghetto, unable to go to work or to shop in European districts, the Moslems are getting restive. Nationalist cadres are finding it increasingly difficult to keep them in check after provocative outrages by the Secret Army.

This growing exasperation is important, since it is everybody's secret that not all the Algerian leaders were very pleased with the Evian agreements. Some of them see in the settlement an obstacle in the path of the Algerian revolution. The mood of frustration is apparently strongest among the young, the guerrilla fighters and, in particular, among the army units stationed in idleness across the frontier in Tunisia and Morocco. It is no accident that Ahmed ben Bella, the most famous and unorthodox of the Algerian leaders freed by the French, was greeted enthusiastically in those frontier bases. True, Mr ben Bella has since then toed the official line of the Algerian government. But that line may have been strengthened in the process. Above all, the Algerian leaders, who are getting ready to return from exile, cannot afford to ignore the mood of the masses. They cannot run the risk of appearing indifferent to the crimes that are being perpetrated during the interim period. They are bound to press the French for more action against the OAS or, alternatively, for a share in the task of repression.

Thus the French government can regard the situation in Algeria as good or bad depending on what it really wants to achieve there. At one stage General de Gaulle used to talk of "disengagement." French resources were not to be poured wastefully down the Algerian drain, because they could be much better used at home. If disengagement were the general's only purpose and if he were eager to turn his mind to ambitious projects in Europe, the chaos left behind in Algeria would matter little. French aid would be cut, French troops shifted across the Mediterranean and all Europeans who wanted to get out would be given shelter in France. The Algerians would be left to their own devices and the killers of the OAS would have a chance to show whether they had the courage of their convictions.

But such, apparently, was not the purpose of the Evian agreements. They were reached on a basis of co-operation. The unwritten assumption was that economic ties would keep Algeria within the French orbit and that the price of French aid would be Algerian moderation. The assumption, obviously, had its risks ; the French negotiators were fully aware that possibly half the European population would have no future in an independent Algeria. But they hoped that their evacuation would be as gradual as the transformation of Algeria itself. These hopes will be dashed if the Algerian nationalists are left with the task of destroying a Secret Army whose members seek and find shelter among the European population.

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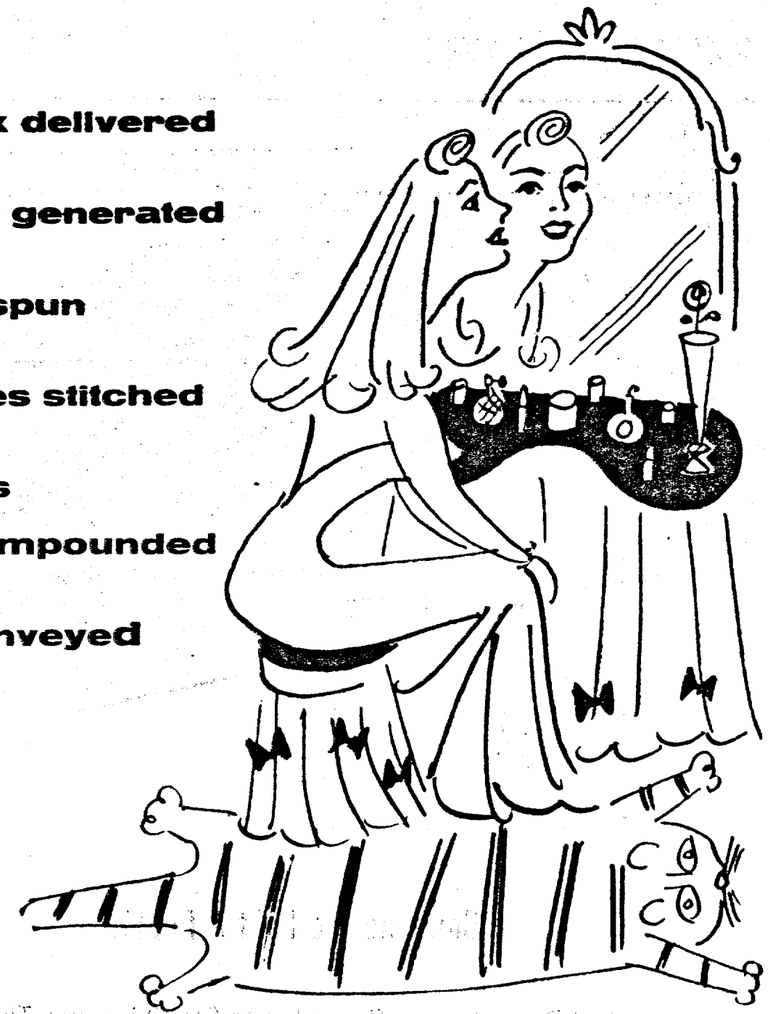
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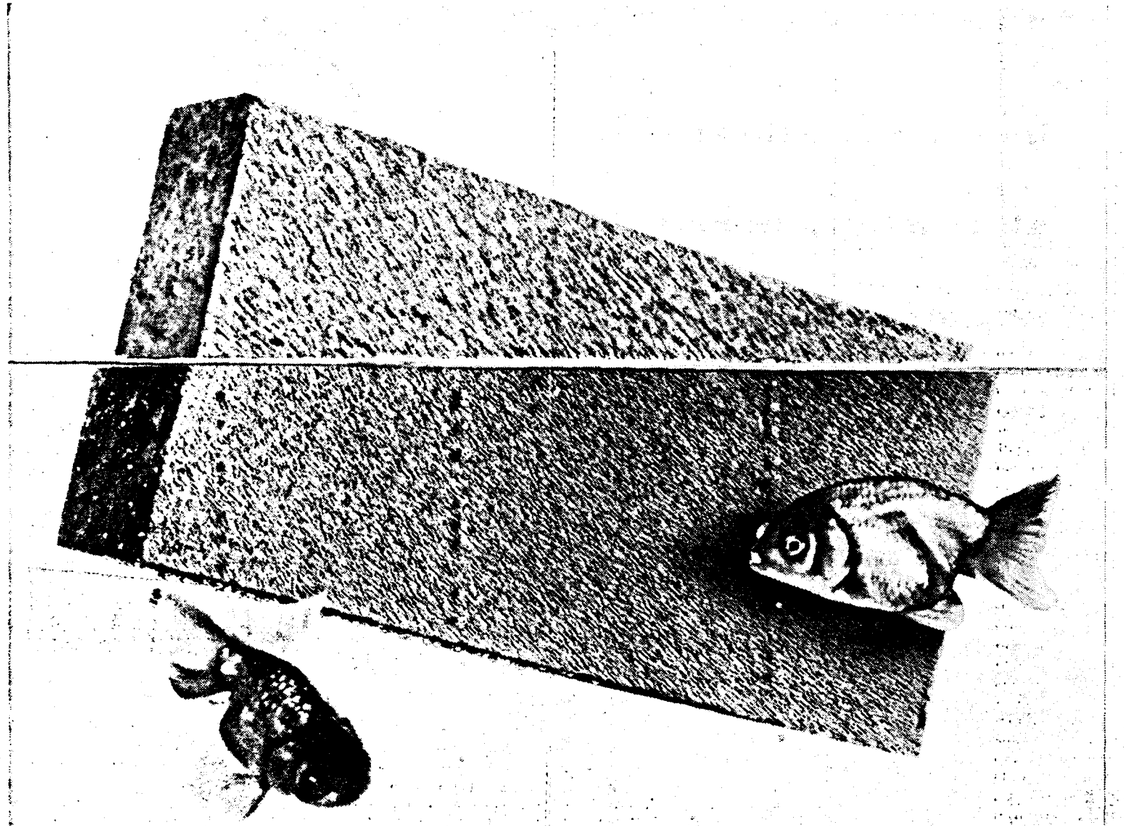
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For this reason, the two months or so separating Algeria from its referendum are crucial. The task of the French forces is not easy. The OAS leaders, after their initial blunders, are even occasionally showing glimmers of intelligence. At Easter the French command foreshadowed an anti-OAS offensive in Oran. The rooftops of the town's highest buildings were taken over and troops occupied the centre of the town. The Secret Army, preserving its commandos for raids against Moslems and the police, sent pretty girls to court the "invaders." The troops were rapidly withdrawn.

It is clear that French army commanders show no enthusiasm for their troops' being used in the ruthless police operations that are indispensable if the gangsters of the Secret Army are to be uprooted. But it should be made plain what is at stake. The possibility that the Algerian nationalists will not be able to contain the anger of their followers is not the only risk. Even if the Moslems do not react to provocations, somebody will have to finish the task that the French army or the mixed forces under French control have failed to complete. If the transfer of power comes after months of bloodshed, and nationalist Moslem troops are compelled to invade the European fortresses of the Secret Army, they are unlikely to show more mercy than did General Massu's paratroopers in the notorious "battle of Algiers" against the National Liberation Front (FLN). The Europeans, accustomed to being masters of the country, would not recover from the shock of such an awakening. The exodus would turn from a trickle into a flood and the policy of co-operation between the two communities would be stillborn. The next two months will show whether the compromise devised at Evian stands a chance of success or whether there is no alternative to disengagement.

Buccaneers Scuppered

FROM OUR CORRESPONDENT IN HONGKONG

HONGKONG'S textile operators are, so far, more alarmed than really hurt by the ban the United States has imposed on various import lines from the colony. Undoubtedly the Americans were rough—but within their rights. And certainly Hongkong remains a victim of political horse-trading in the United States. But the stupidity and greed of sections of the colony's uncontrolled—and it would seem uncontrollable—textile industry not only invited but demanded American action.

Whenever some semblance of an orderly trading arrangement for general advantage looms in Hongkong, it is trampled to bits by rampaging freebooters. Last year's Geneva agreement provided "base" levels on exports of 64 agreed categories in Hongkong's annual $80 million textile trade with the United States; within four months, reckless Hongkong exporters had already exceeded the base level for the year on the most rewarding goods. There was no pretence at self-discipline. There was no central body with sufficient authority to enforce discipline or even, it seems, to counsel caution. (By contrast, the Japanese, with stern controls and punitive power, wisely volunteered ceilings on their textile exports to the United States as far back as 1957.)

Hongkong's defence is based on 18th-century standards of free trade and freer enterprise; unhappily, the gunboat methods of the Opium War, which once served Hongkong so well, cannot be resurrected to force ten-shilling shirts on even a willing American public. And, in today's harsh and complicated world, it is not good enough to discourse highmindedly on the moral rights of refugees and the need to maintain a show-window of capitalism on a colonial off-shore island.

To do so is to confuse trade with aid; two different departments, alas, handle those two different operations in Washington, under the pressure of two different lobbies and two different classes of voters. Such are the contradictions of American democracy that an Administration may prefer to donate foreign aid rather than to buy foreign goods, and may help to build costly industrial plants in backward countries and then reject the bargain products of that investment. By ironic coincidence, a benevolent Washington committee's recommendation that the Administration should make Hongkong "self-supporting" with cash and food handouts was reported here just when Hongkong workers were exploding firecrackers in fulmination against the Administration's brake on self-supporting labour in the textile mills.

Nobody knows for certain how deeply the short-term cutback, under the terms of the Geneva agreement, has already wounded Hongkong's textile industry. Some of the medium plants have ended Sunday work and are running only six days a week. The



All Snarled up

operation of piece-work cottage-mills has contracted. Estimates of actual unemployment range from 2,000 to 10,000. One reliable authority forecasts that perhaps 5,000 hands will have been shed from the industry's labour force of 70,000 by the end of the short-term agreement in September, and perhaps half a dozen medium-sized plants will have shut down. (Of the colony's 3,000,000 population and 1,200,000 workers, 300,000 are engaged in industry. Only government employees surpass in numbers the textile labour force.)

The hurt at the moment, therefore, is chiefly shock. There is well-justified apprehension, even though the Americans have now agreed to arrangements that will make it possible to enforce the base levels next year more smoothly than this year. There is a strong anti-American reaction; the Yankee Pew has tipped the black spot to the poor refugees. Above all, in this mood of alarm and despondency, there is very real anxiety about employment prospects for the flood of youths who will emerge from the schools next year. Dismissed women can find their old jobs as *amahs* (now in short supply), and dismissed men can be absorbed on public works; but the absence of work for the new generation leaving school could mean the beginning of disaster.

On a long view the shock, despondency, recrimination and loss of business for the next six months will have been more than worthwhile if the buccaneering elements in Hongkong industry accept the protection and restraint of effective controls, and if, in a colony not heavily oppressed by democratic processes, the government adopts a tougher policy, with a corrective touch of the rattan for the recalcitrant. It is clear that the governor, Sir Robert Black, an astute and strong administrator, is planning to roll with the shock until the revision of the textile agreement. Realistically, the date of that technical revision is probably not as important as the approach of the American congressional elections next November, and the compromise-ridden fate of President Kennedy's trade expansion bill.

Exit the Lotus-Eaters

FROM A CORRESPONDENT LATELY IN GOA

THE airlift of Portuguese prisoners from Goa to Karachi, which was due to begin this week, is the first essential step toward normality in India's newest territory. Once they have gone, to be trans-shipped home in the liners which the Portuguese were too proud to send direct, the few thousand remaining Indian troops can go home too, and the military administration will give way to civil rule.

The months since last December when India took over Goa have not been altogether happy. Undoubtedly a majority of Goans welcomed and still welcome the change of regime ; but the minority who were inclined to waver, mainly middle class Christians, have not been reassured. The first shock was the collapse of law and order immediately after the Indian action. Thefts and crimes of violence increased sharply in January, and some members of the liberation army were directly involved. Officers of a rank to know better made free with the refrigerators and radios left with Goan friends by the departing Portuguese. Two soldiers threw a grenade into the house of a shopkeeper with whom they had quarrelled, killing his young daughter ; four others committed a particularly



Portuguese troops: waiting to go.

brutal rape. The incidents were shocking enough, but the military government, showing the catastrophic lack of a sense of public relations that marked the entire liberation, made them worse. It tried to hush up what had happened—which may have helped India in, say, the United States, but not in Goa—and instead of dispensing stern and immediate justice gave every appearance of dragging its feet. Justice is, in fact, being done ; law, order and discipline have been restored. But the effect remains.

The other, and more difficult, problems of adjustment are economic. Goa under the Portuguese had an extraordinarily distorted economy, as unlike that of India as could be imagined. The last few years had brought ostentatious prosperity ; as an Indian journalist recorded, the men he saw in loinclothes in 1954 were now wearing a fine bush shirt and Dacron trousers. The sole cause was the extremely rapid growth of iron and manganese ore exports, principally to Japan. They amounted last year to some £15 million, and financed enormous imports of consumer goods, liquor (empty bottles worth £7,000 were re-exported) and, thanks to India's economic blockade, even food. Potatoes came from Holland, rice from Brazil. Mercedes are in common use as taxis. Where the Indian's wife wears gold bangles, the Goan's may carry a Swiss watch. A large part of these consumer imports, worth altogether over £1 million a year, were intended solely for smuggling into India.

Although food prices were high, the fields were being abandoned for still more lucrative work in the mines. Apart from a shipyard, however, there was little other capital investment or industrialisation. But the economy was further inflated by the way in which over the last two years the Portuguese had for political reasons expanded the bureaucracy and boosted pay scales to three or four times the levels in India. The liberation has changed all this. Food (in this context, producers') prices have slumped. Imports of non-essentials have already been cut by half, and that is only a start. The merchants and the smugglers (who are apt to be the same people) have been hard hit. The custom of three thousand Portuguese troops has vanished. The bloated official salariat has been pruned, and those retained are finding themselves on Indian rates of pay. Altogether some two thousand government employees have lost their jobs, though some are being reabsorbed.

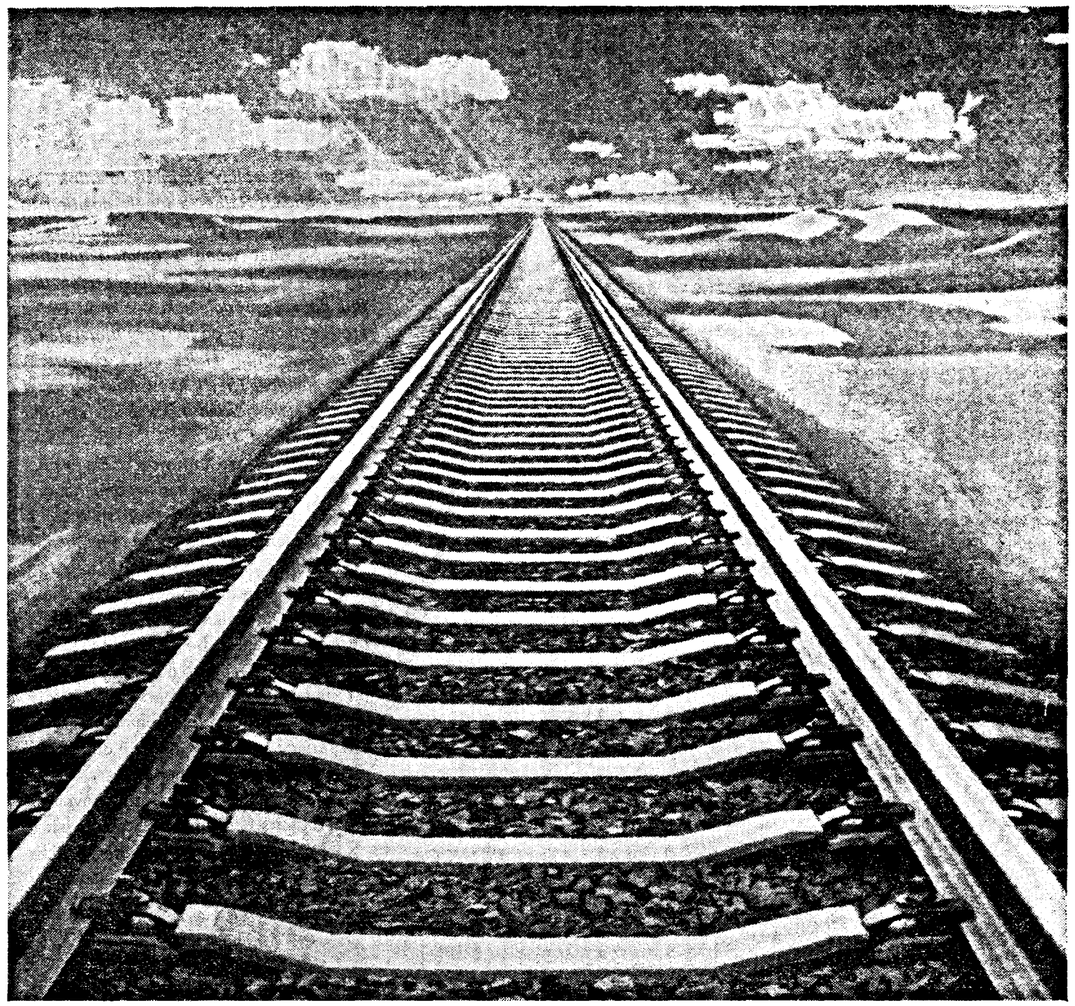
This has naturally led to discontent, largely among the former privileged class. Some 2,500 families have applied for passports to leave for Portugal or Brazil, though it seems unlikely that as many will actually go. Much the same class will, or certainly should, be discontented when the new administration begins to reform land tenure. The old system of communal land ownership has by now degenerated to the point where the communities are virtually joint stock companies of the well-off, often leasing out their holdings to middlemen.

There are other more widespread fears. The Christians, roughly one third of the population of 700,000, have always enjoyed the edge in official favour, although they have lived in perfect amity with their Hindu and Moslem neighbours ; but they are now just a little uneasy. Language disputes are already beginning. Local chauvinists in both the neighbouring states are claiming Goa for their own, a claim that might not be unwelcome in the hinterland but is violently repudiated in the "Old Conquests" which the Portuguese have held since the sixteenth century. The majority there are Christians, but all communities seem to want to be left on their own.

Not all these difficulties could have been avoided. Within the limits of inadequate policy directives and election time unwillingness to take decisions in New Delhi, the administration seems to have made a fair attempt to ease the pangs of change. Its shortcomings have been freely discussed in the Indian press, and even in Goa itself ; it is worth remembering that this *was* an authoritarian colony over-run by political police. "Now we can open our mouths" is a common expression even among those who do so to criticise. Political activity is in full swing—in the case of the communists, rather too full for official comfort.

On the credit side, the Indian administration is planning seriously for Goa's economic development: hydro-electric power, small industries, modern mining methods, tourism, transport. The roads round Panjim are better than they would be elsewhere in India, but in the interior they are atrocious. Marmugao, one of the finest natural harbours in Asia, is connected only by a single metre-gauge track to the far wider hinterland that it should properly serve. This will change with the building of the new west coast highway, whose course is being diverted through Goa. Goa is no longer a land of lotus-eaters, but in the long run its people will probably be better off. No one, mercifully, has yet demanded that it should go "dry." That really would provoke an SOS to Salazar.

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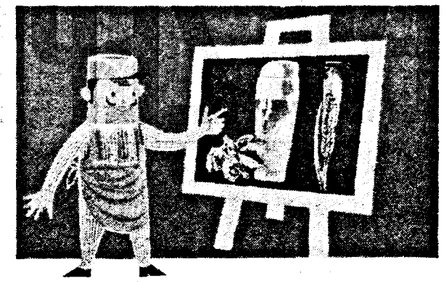
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Halex—a quality service in plastics

Bier, Glorious Bier



FROM OUR BONN CORRESPONDENT

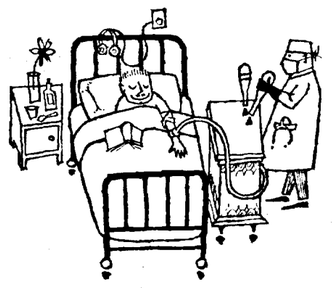
DETERMINED efforts to persuade people to drink more beer are to be expected in a country that has 2,218 registered commercial breweries, between them the source of some 55 million hectolitres a year (57 million in 1960). This is a tenth of the world's total production, and roughly three-quarters of the common market's. The west Germans manage to dispose of the bulk of it by drinking themselves an average of 100 litres a head a year. The Bavarians down 181 litres a head a year; which implies some prodigious individual performances. Most of what is left—some 975,000 hectolitres—is exported, half of it by a single Bremen firm.

For centuries the German brewers have made a very comfortable living. Those who have kept their businesses in the family—and they are many—are reluctant to go into details about profits. Most of the big joint stock companies, such as Dortmunder Union and Schultheiss, are paying dividends between 14 and 18 per cent. But there have been signs recently that the German brewers are disturbed at the prospect of common market competition, especially from the Netherlands. Not that they doubt the superiority of the German product. The dangers they see are in the field of costs and prices, and in the increasing consumption not only of wine, tea and coffee (11, 24 and 94 litres a head respectively in Germany in 1960), but also of soft drinks, which rose to 37 litres a head in Germany in 1960—roughly four times as much as before the war.

A hot summer and natural thirst are, of course, the brewer's best friends; but too often they are unreliable and, unaided, they do not suffice in the long run. Additional arguments for satisfying thirst with beer are a help. And, in a valetudinarian society, what could be more effective than reasons of health? The latest annual report of the Federation of German Brewers discusses some of the ways in which the public are being systematically instructed that beer is good for them. All derive from the basic fact that the sole ingredients of beer permitted by German law are malt, yeast, hops and water.

Thus the singular "purity" of beer is being sedulously projected at a time when a new federal law obliges food manufacturers and restaurant keepers to inform customers that the fish and meat on their evening *Kaltplatte* has been kept fresh and bright with the aid of hexamethylentetramin or some such forbiddingly named admixture. The good work is being reinforced by a team of doctors—among them, the report proudly discloses, "Prof. Dr. phil. habil. Felix Just," of Berlin, "Prof. Dr. phil. Dr. med. habil. Caspar Tropp," of Wolfenbüttel, and "Dr. rer. hat. Horst Drews," also of Berlin. The titles of their learned lectures, pamphlets, and newspaper articles range from "Concerning the Ingredients of Beer," through "Is Beer of Dietetic Importance?" to "Beer is Medicine," "Beer at the Sickbed," and "Beer in the Hospital."

The various possibilities of increasing the intake of those who turn to beer unabashedly because they like it are also being diligently exploited. Many brewers have granted generous loans since the war to hotel and restaurant keepers for the purpose of refurbishing their premises—where there is usually a good deal of eating as well as drinking, and many a thirsty bout of skittles. Care is taken that the tenants of tied houses are duly versed in the art of handling the various beers at their disposal. These are mainly *Pils* (with a pronounced flavour of hops) and *Export* (with a greater proportion of malt)—both lager beers with an alcoholic content of from 3 to 4 per cent. In winter and spring most German public houses stock appreciably stronger beers under the generic name of *Bockbier*. In summer they often serve "white" beers, which



are made with wheat instead of barley malt, and whose asperity is sometimes tempered with a shot of raspberry syrup—a German approximation to England's shandy.

Yet, as is the fashion among other westerners, more and more Germans prefer nowadays to drink at home. As much as 69.2 per cent of the beer drunk in Germany in 1960 was taken home in bottles. With an eye on stocks in the larder, the brewers have sponsored the publication of a cookery book—"It's Better with Beer"—in which instructions are given for braising mutton or beef in beer, basting chicken on the spit alternately with beer and butter, and introducing beer into marinades and other concoctions. Every little counts.

So far, beer drinking in west Germany has kept pace with rising incomes. That is to say that over recent years there has been an annual increase in consumption of between 7 and 8 per cent. Yet the smaller brewing firms are not at all happy about their future. There are too many of them. Only some 80 of the 2,218 breweries have an output of more than 120,000 litres yearly. Indeed, ninety per cent of the breweries in the Federal Republic produce only nine per cent of the total brew. It is not uncommon to find three breweries competing in one small Bavarian town (there are 1,700 in Bavaria alone), and there are scores of village breweries of long standing with exclusively local sales.

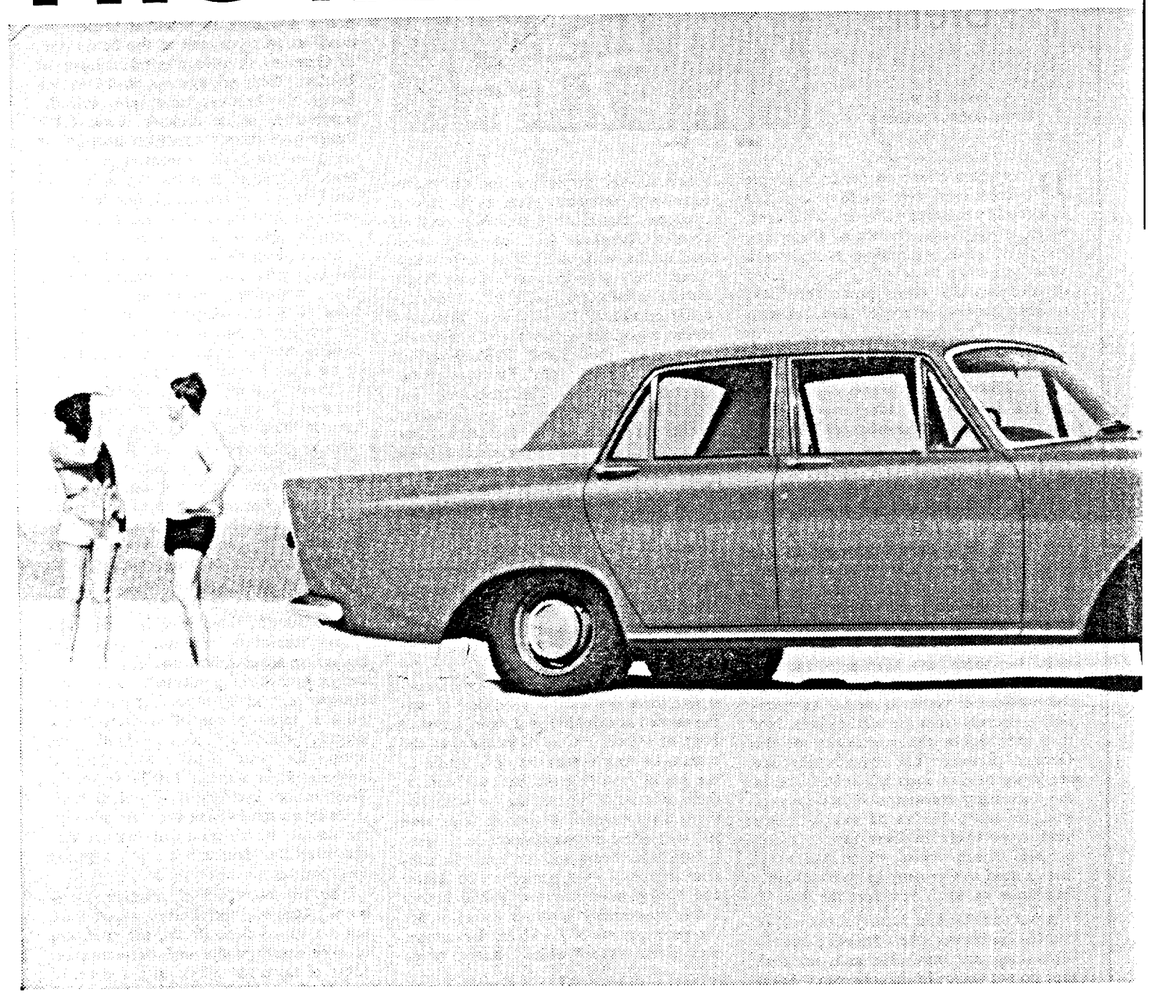
SURPRISINGLY, there have been virtually no take-overs hitherto. The small businesses are contriving to hold their own chiefly by installing modern labour-saving equipment, and by arranging guaranteed sales at lower prices, often through the grocers' voluntary chains. Until this spring the price of beer had remained unchanged since 1952. But lately several Westphalian brewers have raised their price by six marks (just over ten shillings) the barrel; which means in practice that the restaurant drinker must pay a penny more for his glass.

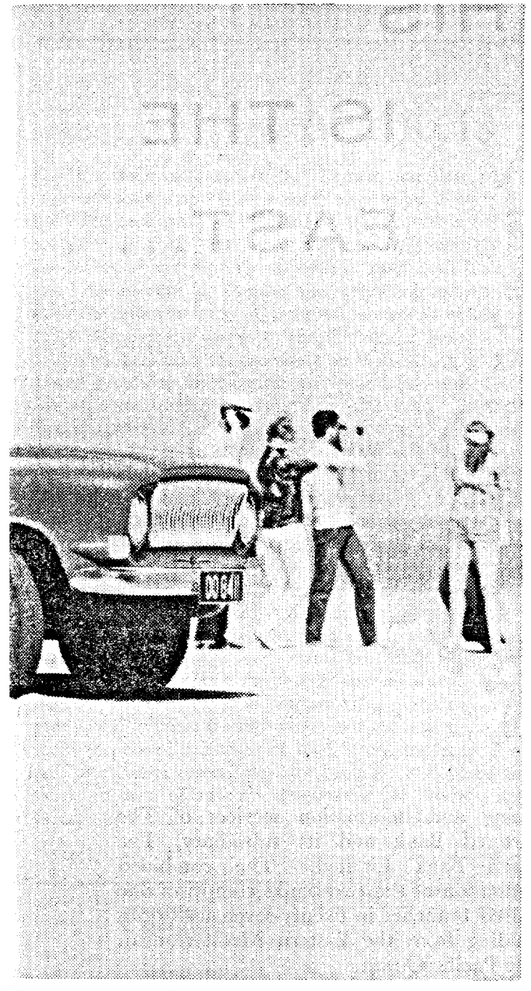
The big breweries of Munich, Dortmund, Bremen, and Berlin, which have not yet raised their prices, are confident of continuing profits and pre-eminence. Most of them nowadays have a stake, of one kind or another, in the competitive soft drink trade, and all are represented in current common market negotiations for laying down the future rules of the game (how much deposit on a bottle, for example). Others are going into the business of selling "know-how." Thus, German technicians have been called in to advise Guinness on the production of a lager beer; and Schultheiss of Berlin and Holsten of Hamburg are building a brewery in Togoland, in which they will together hold a 51 per cent controlling interest.

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THE BUSINESS WORLD

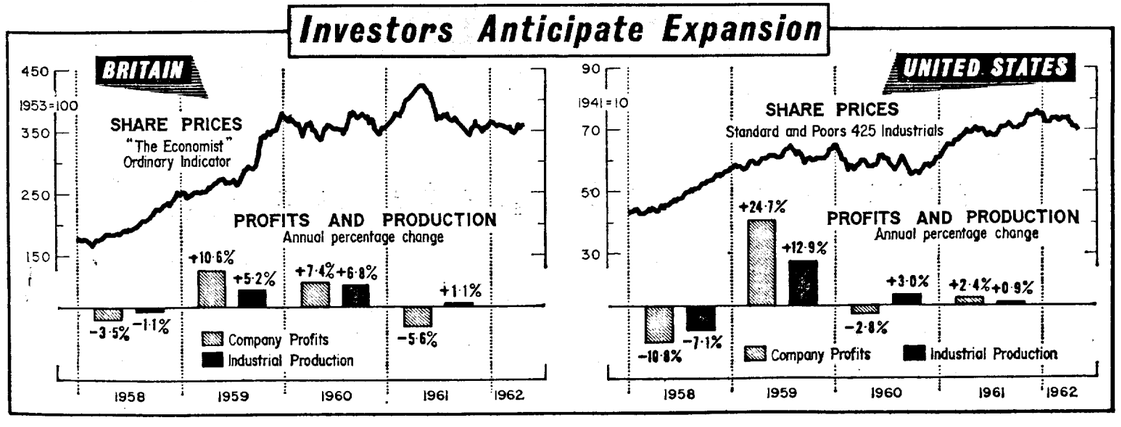
Markets Hand in Hand

THE stock exchanges both in London and New York have a pretty impressive record of sensing a turn in the business cycle well ahead of the economic or market analysts. In 1960 Wall Street was heralding recovery before the recession had properly started; in 1958 both Wall Street and London were far ahead of the production indices and the business commentators. Quickened interest in equity shares in London over the past fortnight, despite the disappointments of the budget and a sharp setback on Wall Street, could mark a well grounded anticipation that production and profits in Britain should again be rising later this year. By then the "occasional halt" in economic expansion to which the Prime Minister referred in New York last week will have lasted for the regulation three years, and 1963 might resemble 1959. The stock markets will undoubtedly recall the excesses of that exuberant year, and investors will no doubt avoid the discredited gimmick of "buying the index" indiscriminately. The market is taking a cyclical view—the pause in both the economy and in share prices has been long enough; but it is not crediting all companies with the same recovery possibilities.

Tighter profit margins have been an important influence in the markets in the past two years; but these have not been associated entirely with the recent business standstill. Profit margins must increase as output turns upward, and total profits will increase by still more: but by how much? The recent depressed behaviour of Wall Street, particularly in this past week, is of direct relevance here, for it is based not so much on fears of an early deterioration of business activity as on the market's spelling out of a new fear of profitless prosperity. Corporate profits in the United States are considerably higher than in the weak first quarter of 1961—leading companies report increases that average about one-third—but the rise in profits appears to have been checked in this first quarter. President Kennedy's success in holding down the price of steel is seen to have wide ranging implications, not limited to business in the United States. Prices both in Britain and in Continental countries themselves are coming under growing constraint from increased competition, domestic and international; prices in export markets are lower, and often immediately unprofitable, while margins at home are threatened by lower tariffs and competitive imports.

INVESTORS now accept this new investment climate, so different from what was predicted for the golden sixties. A defensive note has modified growth appeal; the popular favourites, some at fancy prices, have been banks and insurance companies—they have been bought for growth, but also with an eye on the cushion that great reserves afford against dividend cuts. To the extent that investors are keen to secure at least their present yield, the equity market is bound to be more than usually sensitive to movements in the gilt-edged market. And one most important element in the London market scene is that the prospect for gilt-edged looks decidedly good.

This contention calls for proper humility from those who have called the gilt-edged turn too early in the past. Even after the useful rise in gilt-edged prices since the all time lows of last August, the market is still a little lower than it



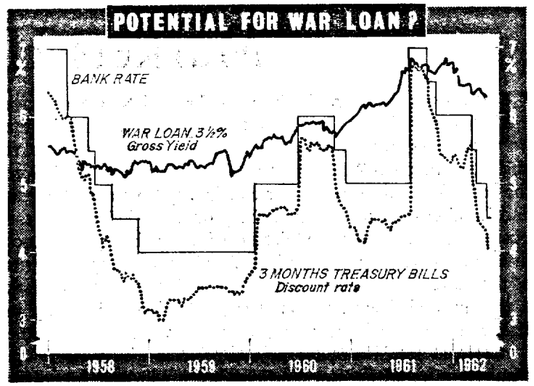
was a year ago—when prospects were also brightened by a tough budget from Mr Lloyd, and then blotted out by the summer exchange crisis. Today, sterling is unquestionably in better stead. The Chancellor this week displayed a buoyant mood at a Cutlers' Feast in Sheffield: he suggested, indeed, that the current account will improve as much this year as last, yielding a surplus of £150 million, and a slight surplus in the current and long-term capital account combined—all this apparently without counting anything for unrecorded receipts. For a year in which stockbuilding is assumed to remain unusually light, this performance still represents less than lasting balance and one cannot dismiss sterling's troubles as over. But external influences on gilt-edged are more favourable ; and if serious trouble for sterling were to recur—say around the time of Britain's entry into the common market—the authorities might feel obliged to take new and more direct remedial measures, which, if successful, might have only a transient influence on gilt-edged. Meanwhile, overseas purchases to take advantage of the relatively high yields remain an important bull point for gilt-edged.

IT is becoming clear, indeed, that the authorities at both ends of the town are now contemplating a relaxation of monetary restraints. Lord Cromer shares entirely his predecessor's view that excessive burdens have been placed on monetary policy. And Mr Selwyn Lloyd at Sheffield might have been speaking for them both: ". . . a strong budgetary policy is an essential basis for an easing up on the monetary side." The Chancellor went so far as to refer specifically to "special deposits and the other credit restrictions," with his tax regulator among the means of stimulating home demand.*

One must still remain guarded about the gilt-edged prospect, in view of the external uncertainties and the lack of rationale in official policy. But as things stand, there should be scope for some further reduction in yields. At 6¼ per cent the yield on War Loan is already over ½ per cent lower than last August. But it is nearly a full 1 per cent more than it was in January, 1960, when Bank rate was last below 5 per cent, and it is 1½ per cent higher than in early 1956, when Bank rate last stood at 4½ per cent.

A fall in the yield on fixed interest securities could have a direct impact on equity prices. If the yield on old Consols were 5½ per cent, and if investors were still prepared to accept an average yield on leading equities of 1 per cent less, then, if dividends were unchanged, *The Economist* indicator could rise from its present level of 362 to around 400 and the *Financial Times* ordinary index from 306 to around 350, without significantly altering the relation between gilt-edged and equity yields. With equities possibly poised on a threshold of a further selective advance, it is useful for investors to have some such horizon in mind. This makes no allowance for any rise in equity dividends ; not much rise is likely this summer, for the company results which will then be published will refer largely to a year ending on March 31st and may not make exciting reading, even if the danger of big reductions in dividends is passing. But investors will be looking, not to these figures, but to the recovery in production and the likely effect on profits and dividends in a year's time.

Expanding production would probably not begin to push



company profits up until late in the year. But once established, a rise in production could have a sharp effect on margins and profits, since the economy could expand a fair way before the pressure on costs from the prices of raw materials and intermediate goods and from wage claims began seriously to build up again. Capital investment over the last two years has left many industries with surplus capacity on their hands and once this capacity is brought into production, reductions in costs per unit of sales ought to be significant. The existence of this capacity makes it unlikely that industry will press forward with a fresh bout of capital investment and any future increase in its working capital commitments should be accommodated by some increase in bank credit, financed conceivably from released special deposits. Thus, as the Bank of England has suggested, the weight of new issues on the market is likely to be reduced.

The prospect for economic expansion establishes a base for some rise in equity prices, but not a runaway boom. If the speculative gains tax prompts investors to cast their thinking six months or more ahead, this could be the moment for action. The rise may gather momentum slowly, but it would be helped if the life offices were to revise their cautious attitude towards equity investment and add their buying power to that

* Mr Henry Brooke, speaking on the same evening in nearby Nottingham, cited three reductions in Bank rate within seven weeks as evidence of the Chancellor's readiness to help exporters. Yet under the new fixed rate facilities for medium-term credits exporters are the one category of borrowers who have not enjoyed a reduction in their borrowing rates. A false argument is going about on Europe ; the fact is that closer ties will make it the more necessary for London interest rates to be relatively high rather than low, for what miracle can produce the additional payments surplus necessary to finance the extra lending that the City is only too anxious to do?

Nor, *pace* the Radcliffe report, is there any indication of a more purposive use of interest rates domestically, through more active debt management. The authorities maintain their long run aim of lengthening the debt, so that the process of funding goes on even when, as this year, no new borrowing is needed. But it remains an essentially negative process ; sales are not pressed on the market ; and they tend therefore to be highest when, for the purposes of monetary control, they are least needed. Thus interest rates, and therefore monetary policy as a whole, are playing a subordinate, and not as the authorities maintain a predominant, part in economic control. True, the market is held back to some extent by the government broker. Thus the stock that he is at present selling "through the tap," Funding 5½ per cent, 1982-84, has been allowed to rise by only half a point since the beginning of January—whereas Treasury 5½ per cent, 2008-12, has risen by almost six points. But taps do not last for ever, and the tactic of holding the price down is deliberately designed to make the stock relatively attractive. The 2008-12 stock, which has enjoyed the best rise of the market this year, was the previous tap stock.

of the pension funds and trustees. It will certainly be uneven, and investors are likely to remain highly selective. Some will feel, for example, that the prices of bank and insurance shares already discount a lot of growth and now represent a costly means of defence. Searching for more speculative excitements, buyers have turned with fervour after the budget to property shares. Here developments in hand often suggest a quicker and more certain rise in income, and hence in capital values, than many industrial equities ; but it is easy to confuse the physical fact of buildings actually rising from the ground with the economic fact of the rents they may command. Has enough discrimination been shown in buying property shares ? If not, a shadow will be cast over their performance in coming months. Property values coupled with the possibility of further take-over bids have also attracted investors to brewing shares. These have made the biggest rises of all equities in the last six months. The "take-over" possibles now command prices that would make any bidder hesitate while the share prices of the established national and regional brewers more than discount any immediate rise in consumption and any of the immediate economies emerging from rationalisation. The industry has shaken up its ideas and many of the big groups are conspicuously well managed ; but the facts remain that Scottish and Newcastle yields 2.2 per cent and Bass, Mitchell and Butlers yields 3.2 per cent.

A renewed rise in production could be expected to switch attention from such sectors of the market towards those industries and companies whose fortunes follow a more cyclical pattern. But there is an important reservation—there is no evidence of any fresh resurgence in private investment. This qualifies the attractions of heavy engineering companies and the capital goods sector of the iron and steel industry (over which, in any case, the political shadow falls more darkly as time passes). This leaves a choice between companies whose profits are likely to respond quite sharply to a recovery in industrial production and to an expansion in bank and hire purchase credit—the motor industry, the durable consumer industries and the engineering concerns that supply them. The shares of the hire purchase finance companies themselves might also offer a speculative opportunity if only investors could be certain of the wisdom of managements in learning obvious lessons from past excesses. Elsewhere, the advance that has already taken place in textile shares appears to discount the expected rise in personal consumption ; on the other hand, the reaction that has taken place in ICI and other chemical shares could prove to have been overdone.

Any buying of equities in anticipation of a recovery in production and profits ought to be cautious and the investor would be wise to watch for any danger signs—such as a more pronounced fall in equity yields than in gilt-edged yields. If that occurred it would be a signal that equity investors were taking a more optimistic view about the economy at home than investors in the gilt-edged market were taking about sterling and the balance of payments. These international factors establish limits within which the Government can frame policies designed to stimulate the economy ; but so long as the outlook for gilt-edged remains fair, buying of equities, within moderation, must be justified.

The French Government and Steel Prices

FROM AN INDUSTRIAL CORRESPONDENT IN PARIS

MR KENNEDY'S excursion into informal control of steel prices last month came at a time when the British government was considering the obligation to abandon formal price control for steel that is supposed to go with membership of the European Coal and Steel Community. Across the Channel, however, it was being demonstrated that this obligation itself was also something of a formality. M. Giscard d'Estaing, France's minister of finance, was reacting just as sharply as Mr Kennedy to rises in steel prices decided on by the French industry. His response to an increase of 2.8 per cent in prices of certain steel products was to threaten first to ban companies that put up their prices from access to the French capital market, and secondly to announce the intention of revising the balance of such companies' investments under the national plan. The minister and the companies are about to discuss the whole issue. Once again, it has been made obvious that the French government, ECSC or no ECSC, has not abandoned its effective right to set French steel prices.

Theoretically, it has no such right at all. Article 60 of the ECSC agreement lays it down that steel firms are free to fix their own ex-works prices, and alter them as they wish ; all they have to do is to publish their maximum prices, and communicate the range of price to Luxemburg before it becomes effective. Steelmakers can, in addition, sell below their published schedules, where this becomes necessary to meet the delivered prices (ex-works prices plus transport charges) quoted by other manufacturers into their own market areas. These are the ECSC's prized elements of "price transparency" and flexibility in "price alignment."

In practice, no European government has been able to remain indifferent to its country's ruling level of steel prices ; and in France, in particular, the government has kept them under strict surveillance. Prices rose, in accordance with rising costs, between 1954 and 1958 ; but the government dictated the amounts by which they should rise and the times when they were allowed to rise. In autumn, 1956, indeed, relations between the French government and industry were regularised under an agreement between M. Jacques Ferry, of the French Siderurgie, and M Paul Ramadier, then minister of finance and economics, which governed their joint responsibilities in carrying through the national investment plan. Steel prices, it was agreed, should include a certain special margin over costs for the self-financing of this re-equipment and expansion, in order to guarantee achievement of the plan and to keep loans to the industry within specific limits. The arrangement did not formally cut across the ECSC rules ; but it re-emphasised the powers of the

French government, at a time when Luxemburg was failing to make its own power felt in European steel.

Devaluation in the winter of 1958 kept French steel prices stable in terms of the franc, but cut them by 17 per cent in the rest of the common market. And slight signs of slackening in home demand caused some French steelmakers to turn the whole of their export effort on to south Germany, which tended to throw the German steel market into confusion. During 1959, with the steel market throughout Europe in temporary decline, and again last year, French steel prices have been the leaders of the Continental market. The practice of "alignment downward," intended in the spirit of the ECSC agreement to be exceptional, has in fact become the rule over the last year or so. Germany has lost heavily to France in terms of comparative output, and France to Belgium. But this price-cutting under ECSC rules has meant a loss of income of perhaps 9-12 per cent for steelmakers. The steelmakers of the Ruhr probably dislike any other country becoming the price leader in Western European steel; what they dislike even more is that the leading prices should be so low.

Nor do the French makers enjoy it. "Cheap Lorraine ore, properly concentrated," some of them will say, "plus our technical efforts and investment over the last decade, ought certainly to have made us competitive. But these factors alone are not enough to make a difference of 15 per cent between France and the Ruhr. Our prices are too low because our government is not allowing enough self-financing from them to finance the capacity of 25 million ingot tons that the private sector of French steel is supposed to achieve under the fourth Plan." (The present capacity is 19 million metric tons.)

The Germans have a different explanation why French prices are lower. Their explanation for official consumption is that the French turnover tax, based on value added, gives French steel-makers an "outrageous advantage" over the Germans. Remission of this turnover tax on steel exported, the German argue, means a reduction of 20 per cent in the export price of French steel. This remission is three times as large, in their view, as the turnover tax which affects transactions after French steel arrives in the German market. This seems a fairly weak argument. The same taxes, on each side of the border, affect other manufactured goods. But the price disparity has only appeared in steel.

The High Authority in Luxemburg seems merely a spectator of this argument between the steel industries, formally under its supra-national supervision, and their national governments. The Germans have asked Dr Erhard to increase import duties on French steel; the French makers are asking M. d'Estaing to be allowed to increase their prices (at home as well as abroad). It is being argued that he should relax his anti-inflationary restraint on prices not merely to enable the companies to do more self-financing, but also in view of the confusion in the rest of the European communities' steel market that low French prices are causing.

In order not to appear to disregard the need for countering inflation, the steel-makers have been adopting more flexible pricing policies, putting some prices down as well as others up. Tinplate prices have gone down; prices of structural steel and reinforcing rods up. Special structural sections had a larger increase; the extras charged on other types were altered, and finally a small increase was introduced for bars. This last one was the price increase that aroused opposition from the finance minister.

Inside the French economy, the pricing of steel has reached an impasse. Nor does it seem too likely that German arguments for an increase in import duties, and the reactions this might cause in France, need necessarily persuade the French government to alter its opposition to an increase. Is Dr Erhard, fresh from threatening steel-using industries such as motors with cuts in duties to increase competition from imports, likely to go into reverse for the benefit of German steel?

THERE is only one consideration that might to some degree revise French government thinking on this issue. It has been part of the de Gaulle's government's policy to speed up economic integration of one economic sector where the British position is strong, coal and steel, and to confront Britain with a firm, unalterable set of arrangements. This was one reason why in Rome, last month, the Six achieved some decisive progress towards preparing a common energy policy. Would confusion in the European steel market, in the eyes of France's negotiators, represent a weakness in ECSC that might favour the presumed demands of British steel?

This question has two aspects. France is aware that by 1965, under current steel planning, Britain may have a capacity of 32-34 million metric tons of crude steel, substantially greater than that planned for France. But one factor delaying French expansion now, quite apart from any accelerated expansion the government might like, is the current state of French steel prices, which cuts the industry's internal cash flow. M. d'Estaing, when met with this argument from the steelmasters, answers, "If you are short of funds, borrow from outside." But this solution could mean a further year's delay in carrying out the fourth Plan. And people who have to follow the ECSC negotiations reckon that conditions of financing steel investment are already more favourable in Britain than in Europe, and wonder whether Britain's competitive strength will permit the French industry such a delay.

The second aspect of this French steel problem arises from the fundamental difference between the steel pricing systems of Britain and the Coal and Steel Community. How are the obligations arising from Article 60 of the ECSC treaty—basing-point price schedules, alignment, and publication of transport rates—to be imposed upon these British industries at a time when the Europeans themselves are not applying this article according to the letter or the spirit of the treaty? It would be annoying for the Germans to give a precedent for increasing import duties to the British (who have no turnover tax). It would be still more annoying to prolong a system where the published price schedules have become a formality and all the actual deals are taking place as "aligned prices"—i.e. prices cut to meet competition from imports. In discussing this, the French are thinking more of the potential competition of power station smalls from the British coal industry than of cold-rolled sheets. But in Europe the markets for coal and steel are hardly separable.

Has M. d'Estaing any measure to suggest to these political counsellors, who are preoccupied with the application of Britain to join ECSC, and who want to reinforce the European Six before they become seven? Today, nobody knows. But this is the only chance of any solution to the problem of French steel prices other than continued anti-inflationary rigour.

A Pause for Europe?

FROM A CONTINENTAL CORRESPONDENT

Western Europe's rate of economic growth is still slowing down—almost to the pace of a British boom.

ECONOMIC expansion in the common market still shows signs of slowing down. It is also becoming markedly less evenly spread in the different countries and different industries; and it is becoming more dependent on domestic demand, which is far from ebullient. But the countries which show the most dynamic progress are those which at the same time are boosting their exports; and recent trends in the foreign exchanges reveal significant changes in international competitiveness in favour of Britain, Italy and Belgium and to the disadvantage of France, Germany and Holland.

The common market commission foresees a 4½-5 per cent expansion in gross national output for 1962 for the Six as a whole. For Western Europe as a whole a 4 per cent rate of expansion for 1962 is forecast by the Economic Commission for Europe in Geneva. These forecasts are based in particular on two uncertain assumptions: that agricultural production for the year fulfils expectations—agriculture constitutes a much more important part of national income for Continental countries than for Britain—and that some sort of stimulus will be felt from the American economy.

American expansion remains limited for the present and its effect on the Continental economies is not very pronounced. At the same time, the export drives mounted by both the United States and Britain are threatening to have a restrictive effect on European sales in third markets, where prospects are in any case scarcely improving. It is therefore primarily within its own market that Europe must look for new forces of expansion.

Yet the main economic indices give little indication of a speeding up of the various elements of home demand. *Household consumption*, the dominant element, is expected to rise by 5 per cent for the Six, and this increase continues to rest mainly on the rise in wage incomes. But this in turn cannot be expected to maintain the rapid rate of increase shown in 1961. It is to be expected, as a result, that personal expenditure in the private sector will gradually slow down.

Investment is expanding less slowly than last year—and at markedly different rates in different countries. In Italy the expected rate of expansion is 11 per cent. In France it is 8 per cent, which indicates a slight falling off, as does the 6 per cent expected in the Benelux countries. In Germany it is expected that the rate may be about halved, to around 4 per cent. The slackening of foreign demand has induced a feeling of prudence among many enterprises and accentuates the tendency for consolidation following the investment boom of 1959-61.

The *building* industry remains buoyant. But activity in 1962 may not exceed to any great extent that of 1961, which was an excellent year. Industrial and commercial building continues to thrive, but new orders are tending to fall off for private dwellings. In the second six months of 1961 building licences for private dwellings recovered, but they remained below the 1960 maximum levels.

Budgetary estimates suggest a more significant increase in current spending by public authorities. Generally, deficits are getting larger, mainly because of higher spending on defence, education and administration. But investment spending by public authorities is not increasing significantly, and will not compensate the slowing down in private investment. In total, the governmental impact on the European economy will remain broadly neutral.

EXPANSION of industrial *output* has lagged behind that of total demand. For the common market as a whole, the general index of production has shown an improvement since October, 1961, which compares favourably with American industrial expansion and with the standstill in output in Britain.

Expansion has been most rapid in Italy. In France the rate is about 7 per cent. Belgian industrial production is increasing at the regular rate of about 4 per cent. A slight improvement is visible in Germany, after a year of standstill. In the Netherlands, industrial output has exceeded the low point reached in mid-1961, but the index figures have not yet attained the previous peak of March, 1961—when the guilder was revalued.

By industry, the most rapid rate of expansion is shown by chemicals. In the engineering industries, expansion is less even. While the motor industry has regained new stamina, activity in electrical construction is slowing down. Iron and steel output remains rather rusty, at a slightly lower level than that reached in 1961. The same is true of the textile industry as a whole. Foodstuffs are more active. In the extractive industries the decline in output is broadly at an end, but a further fall in coal output is expected to result from rationalisation programmes.

For *order-books*, both available statistics and answers to enquiries from the heads of business firms indicate a falling off in orders in the capital goods industries. In Germany orders from abroad in February were 8 per cent lower than a year before. Meanwhile a halt in the growth of domestic orders has been noted.

This gap between the expansion in the rate of demand and in industrial output in Europe indicates a reduction in *stock-building*, both at the production and selling stages. It also reflects a shift in demand towards *services*.

The low rate of expansion in industrial output in Europe clearly does not favour an increase in *imports* of raw materials. A rise does seem possible for agricultural products, but the progressive slowing down of home demand is likely to bring with it a reduction in the rate of growth of imports of manufactured goods.

The brake on output is largely on the side of supply. *Unemployment* and unfilled vacancies indicate that there is still persistent pressure in the labour markets. There seems to be no possibility of any easing here during the year. Social claims continue to exert an influence on both wage increases and the reduction of the official working week.

Pressure towards higher *wages* continues. Between the last quarter of 1960 and 1961 wages in Germany rose by 8.6 per cent and in France by 7.6 per cent. The Netherlands—a stronghold of incomes policy—recorded a rise of 5.6 per cent, Italy 5.2 per cent, but Belgium only 3 per cent. In Britain wages rose by 4.2 per cent. Comparison of total wage costs (hourly increase plus employers' expenses) shows that between the middle of 1959 and the end of 1961 the greatest rise was registered in Germany and in the Netherlands. France occupies a middle position, whereas the increase was smallest in Belgium, Italy and in Britain. These countries have evidently improved their competitive position—as the expansion in exports by Italy and Belgium seems to confirm.

COMPARISON OF HOURLY WAGE COSTS IN MANUFACTURING INDUSTRY

Based on the calculations of the French National Institute of Statistics, March, 1960, and on the investigations of the EEC 1959.

	WAGE COSTS			
	Average, 1959		Fourth quarter 1961	
	New francs	Britain = 100	New francs	Britain = 100
Britain	4·25	100	4·75	100
Germany	4·00	94	5·03	106
France	3·95	93	4·65	98
Belgium	3·93	93	4·30	91
Italy	3·42	81	3·82	80
Netherlands	3·21	76	3·94	83

European *wage* pressures are having marked effects on prices. Between March, 1961, and March, 1962, retail prices rose by 5 per cent in France; by 4.6 per cent in Britain; 3.8 per cent in Germany, and 3.3 per cent in both Italy and Holland. In Belgium alone retail prices remained relatively stable, with a rise of 1 per cent.

The *money markets* of common market countries possess sufficient, if not excessive, liquidity. The capital markets remain depressed. At the end of April Paris alone among the common market bourses remained buoyant. The Brussels bourse showed a slight improvement. The Italian and Dutch stock exchanges are marking time. In Germany shares continue to weaken. The cessation of foreign purchases has left a painful gap and has exposed the earlier speculative position. This setback has worked in favour of fixed interest securities.

BUSINESS NOTES

CANADIAN DOLLAR

End of an Experiment

As Europe's markets opened on Thursday morning it became known that the Canadian authorities had established a fixed parity for their currency at 92½ US cents and notified it to the International Monetary Fund. There will be a spread of 1 per cent either side—the maximum under IMF rules, but no more than the maximum. In first dealings on Thursday the Canadian dollar was quoted at 93-93.20 against the US dollar, that is close to its upper limit and about two cents below its recent quotation under the regime of floating rates. Later on Thursday the rate moved to 92.85-95, and against sterling to 3.02½-3.03¼.

While the depreciation involved in this latest move is therefore small, it follows a much larger decline over the past two years; in April 1960 the Canadian dollar was at a premium of five cents. The fall below parity came as a result of deliberate official policy, proclaimed by Mr Fleming, the Finance Minister, in his budget of last June. The Canadian authorities subsequently bought US dollars to keep the value of the Canadian dollar down; but soon they were deeming it necessary to operate in reverse, and they pumped large quantities of US dollars back into the market to stop the rate falling below 95 cents. By the end of April Canada's official reserves were down to $1,595 million, $469 million below their level at end-1961.

Plainly the hybrid system of a floating rate influenced now in one direction and now in the other by the official control made little sense; and now the Canadian authorities have proved responsive to the pressure of the International Monetary Fund for a return to a fixed parity—after some eleven and a half years without one. The move was widely expected in the market, and Europeans have been withdrawing a good deal of money from Canada (the British authorities themselves repaid $20 million in Canadian dollars to IMF on Monday). But the change was widely expected after the election rather than before. The depreciation has caused no wider upset in the markets, as did Mr Fleming's move last June. The exchanges generally are calmer now, and this is after all a move to a fixed base, rather than into the unknown. Meanwhile the Canadian authorities have, fumblingly, achieved something like the 10 per cent depreciation that some European observers guessed they were after.

THE EXCHANGES

Revolving Fund

The unusual ebullience displayed by the Chancellor this week in his references to sterling and the balance of payments was mirrored in the exchange market, where sterling threw off the temporary setback caused by the Bank rate reduction the previous week—and appeared untroubled by the dock strike threat. The spot rate rebounded to $2.8130, and there was a still sharper recovery in the forward rate, so that the discount shrank to the annual equivalent of 1¼ per cent, compared with 1⅞ per cent at the beginnng of last week, an adjustment of more than the ½ per cent cut in Bank rate. Paradoxically, therefore, the margin on covered arbitrage has actually moved in London's favour. On the Treasury bill comparison with New York the forward margin is just about at parity, but some transfers of funds from the Continent are now worth while on a covered basis. This week's demand for sterling is attributed mainly to commercial buying, including commercial buying of forward sterling, and to purchases of stock exchange securities—the London market in recent weeks has been noticeably brighter than both Wall Street and the Continental bourses. And the resultant cheapening of the forward swap has in turn attracted more short-term investment. Once again, it seems, a reduction in Bank rate has failed in its primary purpose of checking an inflow of funds.

The inflow has certainly been slowing down in recent weeks, but that is to be expected from the time of year. In April the accrual of funds was £32 million, of which £25 million was used for a further repayment to the International Monetary Fund—in marks, Canadian dollars and Belgian francs. This denotes an inflow of perhaps half that of March, when the reserves rose by £10 million after financing the great bulk of Australia's repayment to IMF of £62 million.

Wisely, Britain has used the funds that have returned since July to repay its short term debts and reconstitute its international credit facilities rather than add to the central reserves. At £1,240 million the reserves are indeed £172 million lower than immediately after the August drawing of £536 million from the Fund. Meanwhile £300 million has been repaid to European central banks and £250 million has been repaid to IMF. Allowing for drawings of £30 million of sterling by other countries from IMF, the amount that Britain must still repurchase to restore its IMF position to neutral is £256 million.

Britain's repurchases have made a notable contribution to transforming IMF into a revolving Fund; some of the most significant adjustments in international payments in 1961-62 have been settled not through gold or currency transfers but by international credit. In the IMF's year to April 30th total drawings were easily a record, at $2.2 billion—they in fact were half as large as all drawings in the fourteen previous years of operation. But in 1961-62 repayments, too, were at a record level, of $1.2 billion. Britain's repurchases have put IMF back in funds—its holdings of marks, for example, are back to 29 per cent of the German quota, compared with 8 per cent at one time; and the repayments have also had a useful cushioning effect on Germany itself, reducing the outflow of its own reserves as a result of the turning of the exchange tide.

The Chancellor's Forecasts

The net improvement of £378 million in Britain's disclosed monetary position since the crisis—that is the repayment of debts less the net fall in reserves—does not, of course, reflect a corresponding improvement in its basic balance. There has certainly been a large increase in short-term sterling balances, as a result of both the inflow of foreign funds and the improved position of sterling area countries. But the Chancellor at Sheffield forecast a continued slight surplus in the basic (current plus long term capital) account, despite the loss of the special capital inflows of 1961. His tentative forecast for the current account alone, of an improvement "comparable with that of 1961," or £220 million, is really implicit in the government's confident hopes for exports. A steady rise in exports by 10 per cent from the end of 1961 and 1962 would involve an average increase for the year as a whole of around 5 per cent, as exports through 1961 were broadly stable; and this alone would yield £180 million.

Imports, which in the first quarter were almost exactly the same as their average for 1961, are presumably expected to remain stable, for the Chancellor specifically hedged his forecast against "an unexpected build-up of stocks, leading to increased imports." And the invisible account should benefit

from the German contribution to the costs of the Rhine Army, as well as from lower interest rates on sterling balances. But the most important factor in determining how close the Chancellor's estimate comes to the final result is likely to be none of these real influences on money flows but the success that Treasury statisticians happen to have in tracing any more of the flows that have been coming into Britain unidentified.

ENERGY POLICY

Coal, Steel and Oil

Unlike the Ministry of Power, the British steel industry is in no doubt that so far as fuel is concerned it is a consumer. Over the last eighteen months, it has been criticising the prices that the National Coal Board has charged it for coal, on the reasonable grounds that this could be imported much more cheaply—particularly coking coal from America. The Ministry has returned soft answers to these criticisms, but has quietly refused to grant licences for consumers such as coastal steelworks to bring any coal in. Perhaps because it does not want to appear to be fastening upon the coal industry alone—with which its relations are intimate, prickly, but not entirely bitter—the steel industry is now arguing also that fuel oil is pretty expensive in Britain, too.

The British Iron and Steel Federation, last week, even dared suggest that fuel oil is cheaper in markets that are prepared to buy from what it delicately called "non-traditional sources"—which Sir Julian Pode might not be afraid to translate as Russia. This will be considered distinctly bad form in the Ministry, which works broadly on the principle that to offer oil cheaper than the major companies do is subversive, and to try to get it cheaper un-British. The ministry is having some trying months manœuvring the two most awkward industries for which it is responsible into Europe (past Dr Beeching's and Mr Marples's uncomfortably live bodies). Further acrimonious argument about an energy policy for Britain, when even Europe has not yet produced one for Britain to argue about, will irritate it no end.

The federation, in its current *Steel Review*, says that in a calculation last year it took the landed costs of American coking coals, and loaded these with up to 10s. a ton for extra handling charges. From a sample of fuel costs at coastal works, the federation then excluded all where a switch to imports appeared to offer less than 15s. a ton advantage. Ten companies might still have been reckoned to import some of their coal: the calculation suggested that about 2¼ million tons of British coal might have been replaced by imports, at a total saving of £3,125,000—an average of 27s. a ton, or 8s. a ton on the crude steel produced by these works.

The National Coal Board has argued that the low landed prices of American coal arise simply from exceptionally low levels of Atlantic freights which simply must be exceptional. The present slump in freights will no doubt indeed pass eventually; but coal is today transported almost entirely in what by modern standards are very small ships. One might not need to build a very sizeable collier—or do more than convert some of the "handy-sized tankers" that are now in such extreme surplus—to get considerable and durable economies of scale in the ocean transport of coal. The federation relates our fuel oil prices, which it considers generally higher than in Europe, basically to this protection of coal: "British oil companies have done no more than take advantage of a flabby market discipline which stems directly from the broad shape of the Government's energy policy."

BANK CREDIT

Why Have Advances Stuck?

The clearing banks' April figures seem to confirm that the upturn in advances at the beginning of the year was attributable entirely to temporary needs to finance tax payments. In the four weeks to mid-April net advances actually declined, by £6½ million, against the seasonal trend. The decline was more than accounted for by reduced borrowing by nationalised industries, and movements were uneven among the individual banks. Also, the Scottish banks as a whole increased their advances by a further £7 million. But evidently there is no underlying increase in advances; and the bankers are beginning to wonder, a little uneasily, whether this reflects their own rationing—or customers' surfeit.

LONDON CLEARING BANKS

APRIL 18, 1962

	£ mn.	%	Changes on Month £ mn.	Changes on Year £ mn.
Gross deposits	7,448		+37	+116
Net deposits*	6,916		+23	+ 59
Liquid assets	2,430	32·6	+15	+ 81
Cash	617	8·3	+ 7	+ 26
Call money	695	9·3	−44	+ 83
Treasury bills	846	11·4	+52	− 72
Other bills and "liquid" credits	272	3·6	...	+ 44
Special deposits	220	3·0	...	+ 78
Risk assets:				
Gilt-edged	998	13·4	+14	− 4
Other market investments	112	1·5	...	− 1
Advances*	3,369	47·3	− 7	− 54
(To State Boards)	(56)		(− 9)	(− 8)

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

While the Bank of England was plainly not disturbed by the mild re-expansion of advances in the new year, and bank head offices have not been applying the axe quite so forcefully as they did last autumn, the banks have made no formal relaxation in their lending scrutiny. There has been no formal withdrawal of the official request for restraint—but then there rarely is. More important is the banks' own liquidity position. It is true that the very sharp reduction achieved in advances in the second half of last year has enabled the banks to get through the difficult tax quarter without strain, and even make small additions to their depleted gilt-edged portfolios (in the latest month the Westminster bought £15 million). But the two and a half points of liquidity that the banks have in hand is not considered sufficient to form the base for any sustained re-expansion of lending.

For the Chancellor's tough budgeting leaves little scope for any "natural" increase in bank liquidity or bank deposits; and bankers take the view that if the authorities desire a re-expansion of bank credit they must provide the banks with the resources to finance it—by releasing special deposits. The view is held in some quarters that bank advances will not rise in any case this year, given the reduction in stock-building and the turn in manufacturing investment. Against this, however, is the latent demand from personal borrowers, not to say property developers, which is still being held back by the banks' special restrictions. While bank credit remains, as it still does, so much cheaper than credit granted by most other institutions, potential demand is always likely to be under-estimated—as it was in 1958.

HIRE PURCHASE

Half Way Agreement

The recent peace manœuvres in hire purchase reached a successful conclusion on Thursday when a meeting of the Finance Houses Association reached agreement on both dealers' commissions and charges to customers. Commissions were set at a maximum of 15 per cent—midway between the old maximum of 10 per cent and the 20 per cent maximum that has been disruptively introduced by United Dominions Trust. Presumably UDT, as a member of the FHA, will now amend its scheme appropriately. At the same time, the finance houses are also reducing their maximum charges to the public by 1 per cent. Bank rate has helped them, but it is a relief that lower money costs are being passed on in this way rather than dissipated in dealers' commissions.

Sales of new cars on hire purchase rose more than 11 per cent between March and April; if cash sales rise in the same proportion, the total should be well over 80,000 for April. After a rush of buyers immediately after the budget, the market quietened down in the latter part of the month. Now the industry is anxiously waiting to see what happens in May. Second-hand car sales in April were five per cent below those in March—for which the weather gets the blame from the trade. This suggests that the second-hand market was hardly as healthy as that in new cars, and might therefore prove a brake on its expansion. But prices have fallen little since new cars

became cheaper, and if waiting lists for new cars become at all general they may even rise. So the trade can feel reasonably optimistic about its prospects for the summer.

The business that remains obstinately depressed is motor cycles: hire purchase sales of new machines in April were about 20 per cent lower than in March and half those of April last year. More than 50 per cent of new motor cycles are sold on hire purchase, so this is a better guide to total sales for them than it is for cars. Motor cycles seem to have become, perhaps all too literally, a dying industry.

GERMANY

Interest on Foreign Deposits

A Frankfurt correspondent writes:

FOREIGN residents can again earn interest on their short term holdings in Germany. The Bundesbank, not unexpectedly, has lifted its two-year ban, though interest allowances must still be approved by the regional central banking offices. This relaxation marks a further positive response by the Bundesbank to the recent adjustments in Germany's balance of payments; it follows the modest raising, early in April, of rates on money market paper. The commercial banks, which were previously being actively encouraged to place more money abroad, are now offered slightly more attractive conditions at home.

Neither of these measures has so far had any significant practical result. The German banks in the last few days report no spate of enquiries from abroad, nor is any marked inflow expected, for deposit rates in Germany are far from attractive to foreign operators. Thus three months' deposits yield 2¼ per cent to ordinary depositors and 3 per cent when placed by banks. Foreigners can indeed secure a rather higher total return by covering the forward swap back into, say, dollars, since the mark is still at a premium in the forward market here. But this premium would certainly disappear as soon as such swaps were undertaken on a considerable scale. In other words, there is no longer any real speculative ingredient in favour of the mark. The slightly higher rates on the Germany money market paper (2¼ per cent on three months' bills) are also far below the international level, and German banks have continued to place money abroad. Big transfers have been made to London, mainly in Euro-dollar deposits.

The Bundesbank's change of tack is predominantly to be explained by external considerations. The external reserves are clearly past their peak and in recent months the balance of trade itself has weakened considerably. The Bundesbank has decided that the era of large exchange surpluses is over and that the same steps need no longer be taken to offset such surpluses. Domestic considerations have played a subsidiary part in its action. It is indeed worried by the strong pressures on wages and prices, but the chosen weapon here is a kind of psychological war: and this is in the hands of Dr Erhard.

COAL

Home Truths for Scotland

To say that Lord Robens is running one successful coalmining enterprise, two that are pretty weak, and a fourth that is nearly hopeless, slightly over-simplifies his task and the structure of the British coal industry, but not by very much. In 1961, he said in the course of telling Scotland a few home truths this week, the Midlands divisions of the National Coal Board made a surplus after paying interest of £26 million; Lancashire showed a deficit of £12 million and South Wales one of £7 million; and Scottish coal showed a deficit of £19 million. Even after the selective price increases decided on during the winter, it appears doubtful whether the Scottish division will be able to balance its books even before paying interest. Broadly, the Board's current commercial strategy seems to be to tilt prices to a level where the deficit divisions may possibly be able to wash their faces—and to pay the whole burden of interest on the industry out of the profits of the Midlands.

The further closures that the Board is therefore now considering have naturally raised a considerable outcry in Scotland, as did the selective price increases. The only thing that can objectively be criticised about these moves is that they were not decided upon years ago. It is possible, in the bookkeeping of this industry's nationalised history, to show that larger losses have been incurred over the years in Scotland than the industry's total accumulated deficit (to say nothing of the losses the Board incurred on importing expensive foreign coal to sell to domestic consumers at its own artificially low prices).

It is certainly fair for Scottish spokesmen to ask how this new realism upon the part of the coal industry and the railways can be tied in with the government's policies towards regarding the location of industry. A partial answer at least is that subsidy of unemployment places is a matter for the government, and nothing to do with the directors of nationalised industries. If the government wants an uneconomic amount of coal mining in Scotland, or railways, these boards indeed could claim that it should pay them too specific subsidies for the purpose. The government, which a few years ago had a burst of enthusiasm for locating industry in the wrong parts in these islands, seems now lack-lustre towards its own policies. Certainly it has not achieved any consistency in them. But it is also fair to say that few people in Scotland until coal and transport began to be charged for properly, have quite appreciated how far its basic industrial costs are out of line.

VOLKSWAGEN'S PRICES

Exhortation is not Enough

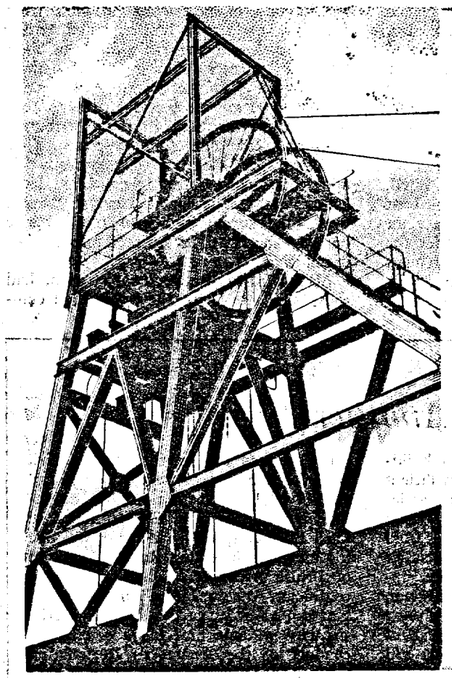
FOR so articulate an advocate of the market economy, Dr Erhard's efforts to make the government the arbiter of the price at which Volkswagen can sell its cars must occasion some embarrassment. His failure to make the company bow to his will looks like causing him even more: and points the moral that governments have a better chance of influencing price policies where they can put direct financial pressure on a firm—as President Kennedy did on the steel companies with defence contracts—than where they appeal to public opinion. If a company considers that it is necessary to raise its prices, accepting the competitive disadvantage that this implies, in order to maintain its profits, it will normally require something that changes its financial situation to make it alter its mind. Certainly Volkswagen, conscious though it is of its public image, seems to consider that the government's efforts can harm its profits less than reverting to its old prices would.

The price leadership that Volkswagen proved to possess when all the other big German car makers—except Opel—followed it in raising prices, plus its still partially public ownership, made it the obvious target for government action; but the company must wonder why its rivals are not receiving similar attention. Now the government has to decide whether it is worth asking the Bundestag to reduce the import duty on cars from other common market countries—already only 10 per cent—in the hope that this will put some genuine financial pressure on German manufacturers. Laudable though such a measure is as a matter of general policy, it may not have enough effect to secure Dr Erhard's objectives. Rising costs are the bane of car manufacturers everywhere in Europe, so the German makers may prove only to have maintained the status quo. Dr Erhard will have to attempt to control the economy by fiscal and monetary policy: exhortation is not enough. Mr Lloyd to note.

ATOMIC ENERGY

Inherited Headaches

PARLIAMENTARY criticism can penetrate the thickest hides; after sharp words from the Public Accounts Committee, the Atomic Energy Authority's current balance



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CANADA

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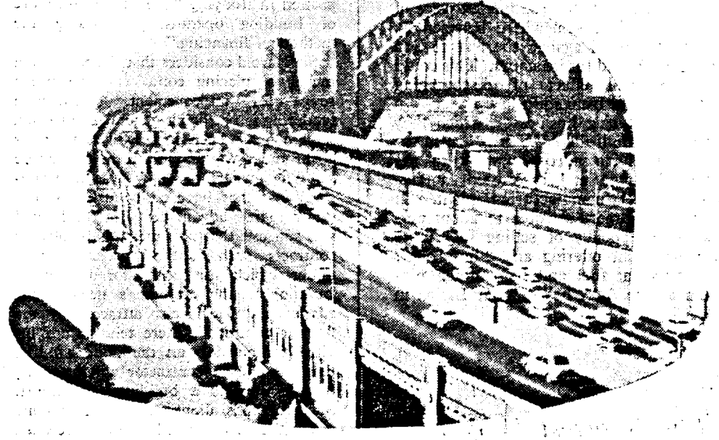
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ALL OVER AUSTRALIA & NEW ZEALAND

sheet for March 31st is marginally more informative than it used to be. It shows some but by no means all of the loss that the AEA is taking on its fuel business. The first fuel charges for the Bradwell and Berkeley power stations and the graphite for the reactor, about 900 tons of fuel and 3,000 tons of graphite, were delivered last year and cost the AEA nearly £5 million. A further £5 million has been provided for future losses of this kind. This reflects merely the difference to the Authority between cost of obtaining fuel and graphite and the price wrung from a reluctant Central Electricity Generating Board. The Authority told the comptroller and Auditor-General, Sir Edmund Compton, that it had abandoned at least for the time being any idea of trying to recoup research and development costs on nuclear fuels.

This is a headache that the Authority has inherited from the expansion and then contraction imposed a few years ago on the British nuclear power programme. The Authority bought uranium and graphite to back up the enlarged programme at high prices, because this was the only way it could obtain them. If it insists on passing on these charges plus interest to customers, the nuclear power programme might cease altogether. Wherever the AEA turns, it must face losses running to many millions on what was intended to be a commercial trading activity. What can be salvaged? At present the AEA has concentrated on minimising losses, extracting as high a price as it can from reluctant customers at home and abroad. It might be better advised to cut its losses now, and start quoting prices for fuel that reflect the true market price of uranium, which is somewhere between $3 and $5 per pound against the $11 to $12 that the AEA paid for its stocks. This could have the dual effect of discouraging countries abroad from starting up their own fuel manufacturing businesses, which they certainly will do if the AEA drives them too hard, and giving adequate work to the Authority's huge and at present underemployed fuel manufacturing plant. It might also be more sensible to adopt permanently the policy of selling fuel more cheaply without offering any "buy-back" price for spent fuel and its residual plutonium as the AEA has done at Latina in Italy.

OIL

The Shortest Way In

COMPULSORY acquisition of 107 petrol stations in Ceylon is not quite the first implementation of the controversial new petroleum law passed there last year; nor will it be the last. But it is the main move by which the Ceylon government is furnishing its new state petroleum marketing corporation with a ready-made network of outlets developed by other people—indeed, by the very oil companies with which the state corporation is now about to compete. There are 680-700 service stations in Ceylon, so in numbers the state corporation has picked itself only 15 per cent of the outlets. But these stations, all within 60 miles of Colombo, are among the high-volume ones: they handle probably 30 per cent of the total retail sales of gasoline. And under the law, the new corporation may take over 175; so the companies are likely to lose nearly 70 more.

Three international companies, Shell, Caltex and Stanvac, operate in Ceylon. Last year the state corporation acquired certain tankage from Shell and Caltex, under the same process of compulsory purchase, which provides for compensation, but with valuation by a local tribunal, against whose decisions there will be no appeal. It did not get imports of petroleum products from Russia as early as it had expected, so for a time it leased the tanks back to their "former" owners; now it has taken them over again. The acquisition of service stations does not seem so far to have been matched farther back in the distribution network; only one depot appears to be included, and the state company is apparently using road tankers hired from contractors. Whether it has yet "taken over" the supply rights to 100 kerosine outlets—another of its declared intentions—is not clear.

Mr Silva, of the new corporation, had some kind words for the established com-

BUILDING

Yet Another View

WHETHER the organisation of the building industry is efficient or inefficient seems a question for an unending series of official studies. The latest study, made for the Minister of Works by Sir Harold Emmerson, recommends that yet another government committee should be appointed, with an independent chairman, "to make a thorough study of the placing and management of contracts in the light of modern conditions." But he does add that it should be smaller than the Simon committee of 1944, which had 41 members, though it should cover the same ground in studying "the whole procedure of building operations, including the method of financing."

Sir Harold considers that the traditional means of placing contracts leave much scope for improvement. Firm-price tendering is not being generally practised, though it has been successful as used for government work—the failure of private building owners to follow this lead suggests that they have oddly little concern for their own advantage. But Sir Harold also suggests that new methods of placing contracts, such as the "package deal" under which the contractor designs a building to the customer's needs, have advantages. He is also attracted by the "serial contract," where tenders are invited for one job on the understanding that the chosen contractor will be given further work in a building programme. Such methods allow the contractor some say in the design of a building, where his experience of structural techniques may be valuable, while still giving the client the advantages of competitive tendering. There would, however, seem to be some danger that the price of the first contract will be cut below cost if other jobs can thus be bought.

Existing regulations on the conduct of architects and surveyors are another limitation on technical co-operation between designers and builders. A working party pointed out in 1950 that a civil engineer can engage in the contractual side of civil engineering without resigning his membership of the Institution of Civil Engineers, but an architect will lose his membership of the Royal Institution of British Architects if he works for a contractor, except on a salaried basis. Nor can an architect act in a managerial capacity without breaking the code of conduct of the Architect's Registration Council. Surveyors are even more stringently controlled in their activities. Nothing has been done to weaken these restrictions in the past twelve years, and this is one reform not suggested in the RIBA's survey of the profession. But there does not seem to be much hope of radical improvement in an industry where the manufacturers and designers regard one another at worst with "mutual distrust and recrimination," and at best their relations "are affected by an aloofness that cannot make for efficiency," as Sir Harold puts it. What seems to be needed is the sort of close personal relationship that exists between civil engineers and contractors.

The government, Sir Harold points out, has a direct interest in the efficiency of the building industry, now that nearly half the capital investment of the country is on public account. It should therefore try to make the knowledge possessed by the works directorates of government departments available to local authorities. He also suggests that practices found successful in the school building programme, such as the CLASP system—which allowed large-scale buying of prefabricated components, while still giving flexibility in design—could be extended to other large programmes. "A bold initiative is needed and that initiative cannot be left to manufacturers. It must come from central government and local authorities." The industry also, Sir Harold says, needs a move to end professional restrictive practices.

1862
1962

Markets to touch down on

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panies at its official inauguration—particularly for Shell. He had, indeed, more to thank Shell for; the 58 of its stations that have been taken over for him represent a considerably larger proportion of this group's gallonage than the 29 Caltex and 20 Esso stations do of theirs. However, this process of plucking the fairest flowers is not over yet.

PROFITS AND DIVIDENDS

No Spring in Profits

APRIL was a cold month for shareholders too. The accounts of 226 companies analysed in this office included a number of the giants of British industry, so giving a representative picture of the trend in profits and relating in most cases to the past calendar year. Once again the influence of a handful of companies is particularly striking. Thus the sharp fall in profits reported by the chemical group, dominated by ICI, and by the motor group, largely reflecting the experience of the American subsidiaries Ford and Vauxhall, more than account for the fall of almost 7 per cent in the trading profits of the 226 companies as a whole. The decline in profits is 6¼ per cent if the profits of the oil group, dominated by Esso and Shell Transport, are excluded. Net equity earnings of all the groups excluding oil fell by 12½ per cent and as the net dividends of these groups hardly changed there was a sharp fall in the earnings cover.

PROFITS AND DIVIDENDS
(£ million)

Companies reporting in April	TOTAL (226) Previous Year	TOTAL (226) Latest Year	EXCLUDING OIL (221) Previous Year	EXCLUDING OIL (221) Latest Year
Trading profit	572·6	533·5	537·1	501·5
Gross profit	431·6	383·5	385·9	340·0
Net equity earnings	223·9	202·3	185·1	162·0
Net dividends	104·8	111·9	77·7	77·3
Times covered	*2·1*	*1·8*	*2·4*	*2·1*
Net equity assets	2,877·6	3,118·7	1,886·7	2,060·9
	%	%	%	%
Gross profit/net assets	*15·0*	*12·3*	*20·5*	*16·5*
Net earnings/net assets	*7·8*	*6·5*	*9·8*	*7·9*

Among other groups of statistical importance in last month's reckoning the profits of the food group (including Unilever), a widely spread engineering group, and the electrical manufacturing group (including AEI) revealed little change in trading profits. But higher charges for interest and depreciation brought about a sharp fall in gross and net profits, notably in the electrical manufacturing group. The one big group to report a good rise in profits last month was the miscellaneous manufacturing group, but here one company, Dunlop Rubber, whose trading profits rose by over 7 per cent, accounted for over half of the group's profits.

WALL STREET

Future Uncertainties

A correspondent cables:

SELLING appears to have risen to a climax on Wall Street this week. Prices dropped sharply in heavy trading, with IBM losing 55 points in two days' trading before staging a rally. Prices rebounded with almost equal vigour and by Wednesday's close the Dow Jones industrial average stood at 670, roughly ten per cent below its high point in December. Once the shake-out was over, however, the same questions that have troubled the stock market all the year—about the squeeze on profits, the probable strength of the business recovery and the attitude of the administration to business—were still left unanswered. Brokers who feel that equities are in for a sharp and substantial rally are few and far between. The most prevalent view is that the market will revert to a lack-lustre pattern, with prices being gradually eroded more as a result of the absence of buying than of aggressive selling. But drastic selling is thought to be most improbable, as the short term prospects for business are bright and profits so far this year have come up to expectations. Admittedly, a number of big institutional investors have been sellers of stocks on balance, and their sales have helped to depress the market this year; but the vast bulk of the $75 billion held in common stocks by the institutions is not likely to be seriously disturbed. Professional investors, moreover, will be the first to jump back into the market when bargains appear.

Perhaps the most important factor affecting the market is the marked change that has taken place in the psychology of investors over the last few months. The attenuation of fears about inflation has made investors extremely reluctant to bid prices up on the promise of future growth. IBM is only the latest of the "super-growth" stocks to have a rough passage; Addressograph Multigraph, Minneapolis Honeywell and Texas Instruments, for example, have fallen by between 25 per cent to 60 per cent from their 1961-62 high points. Stocks with a strong asset backing, which have an indifferent earnings record but an impressive assets backing, have attracted increased attention. This cautious attitude of investors raises the question whether an improvement in earnings will be eventually translated into higher equity prices. There is a growing body of opinion in Wall Street which holds that, even in an expanding economy, the market will be lucky to stay even. These pessimists, in fact, are saying that lower price/earnings ratios are in store for Wall Street, which until recently had been happy to pay over 20 times earnings for the 30 stocks in the Dow Jones average, despite the fact that as a group they have shown no growth in earnings since 1950.

Fishing for Diamonds

UNDERWATER MINING

OCEANS are storehouses of treasures to which man will not easily find the key. Underwater mining may open some of them and it has been given a sharp jerk forward by the almost unbelievable luck attending exploratory shots at digging diamonds from the depths of the sea by the Collins group of companies. This group specialises in marine pipelaying and has been investigating techniques for underwater mining for 13 years; the difficulty is that minerals valuable enough to repay the cost of exploitation are seldom found in convenient locations. The group turned to marine diamond mining a short while ago, with the coastal strip of South West Africa and the adjacent part of South Africa in mind—not least because the stones in this region contain an exceptionally high proportion of valuable gems. Playing no more than a hunch that if the next farmer finds oil you must have a fair chance of doing the same, Collins decided to sink a considerable sum in a practical test of their underwater techniques in these rough seas.

Collins obtained the offshore concession from its owner, who had an absorbing tug of war through the courts with the De Beers group over a disputed coastal strip of South West Africa between the high and low water marks. After an early victory, De Beers finally won back the land down to the low water mark, so ensuring that the Collins exploration would be, physically speaking, all at sea. Collins bought an Admiralty tug and began tests with improvised equipment which it thought would not long survive these conditions; this withstood the battering and within the first month diamonds were sighted.

A dozen further diamond producing sites were located within the first six months and a seagoing mining unit has now been despatched to the new mining area. De Beers which had assisted the pioneers in their investigations did not take a direct interest in the project, though it will sell any diamonds it produces. De Beers believed that sea mining costs would be heavy and was swayed by its experts' adverse reports on the possibility of diamond strikes in the off-shore concession. However, General Mining and Anglo-Transvaal are providing technical help and jointly have a half share with Collins in the venture.

The sand which covers the diamond gravels is heaped up on the shore (De Beers' territory) leaving diamondiferous gravels near the surface in the Collins off-shore concession. The method is to drop a 125 ft. hose overboard and to blow air in near the bottom of it by powerful compressors, making the water and sediment in the pipe so light that underwater pressure can lift even 10-inch material to the surface through the 10-inch pipe. New location equipment is being used and a line of markers is spaced out at 5-mile intervals along the coast adjacent to its 450-mile long concession, which runs out to the international three-mile limit.

So far, the project has cost £1½ million. The mining unit cost about £400,000 with its equipment and carries 40 men, half of them European. More units could obviously be employed in the mining area if their results justify them. Some fast patrol boats are also being ordered for the expedition. Russian fishing ships, it is grimly muttered, have been seen off the coast. No-one has caught them fishing, but equipment looking strangely like that used by Collins has been sighted over the side of the Russian boats. So the Americans might have a rival in the application of sea mining techniques—another Russian "first," even? The greater the depth, the greater the efficiency of this mining method, which theoretically could be carried on outside territorial waters.



SPACE

Ariel

THE pint-sized British satellite launched last weekend by American rocket has been extravagantly praised and extravagantly ridiculed. Both attitudes are unfair to an experiment imaginatively conceived and efficiently carried out. This is the scale on which scientists, as distinct from rocketeers, would like to conduct research into space. The effort is not so great that it drains resources from other branches of science; yet the results are more valuable than anything that can be learned by peering at space from the ground. Careful planning is important, much of the value of the early American and Russian satellites was thrown away because the experiments in them were badly designed, and sometimes the instruments, too. Ariel appears to have learnt from these mistakes.

Scientists in Europe of the calibre of Sir Harrie Massey, in charge of the Royal Society's space experiments, have been noticeably cool towards the idea of going into space on anything as big as Blue Streak, which is larger than they need (the exceptions being astronomers, who would like to mount a telescope in space) and they fear the cost of a single launching could cripple their research budgets. Nor, being sensible men, do they honestly feel the geophysical results, intriguing as they are, justify an effort on this scale. But if the experiments continue to grow, in size and weight, Blue Streak may not be too big by the date it is ready. Ariel outstripped its original rocket

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The Life of a Nuclear Power Station

ATOMIC power costs depend partly on the accounting period over which its very high capital costs are written off. For the first stations, this is 20 years, and the depreciation and interest charges involved make up two-thirds of the estimated generating costs of 1d. a unit for Britain's first nuclear power stations. Were the stations written off over 30 years, their total costs would be a third lower—and contrariwise. The physical limits to the station's life are fixed in the last resort by the effect of years of intense radioactivity on the materials out of which they are built, and one of the least glamorous and most essential services provided by the Atomic Energy Authority is the testing of reactor materials to see how they stand up to this radiation. The economic limits to station life will depend partly on these physical factors, but largely also upon the rate at which innovation continues in nuclear power. The shift to a group of stations with very low running costs should ensure these first nuclear plants an exceptional period of their working lives on "peak load." But obsolescence rather than durability tends to set practicable amortisation lives in modern highly-capitalised industry.

Most urgent among the tests for the CEGB's present stations is to know how long the vast steel pressure vessels will endure: a failure here could be catastrophic. Steel which is normally ductile becomes brittle as glass at low temperatures, and will shatter with a blow. Expose a normally ductile steel to radiation long enough, and the temperatures at which brittleness sets in will become steadily higher with time—so high indeed that reactor owners will have to take active precautions to stop their veteran reactors from cooling below the prescribed safety levels for their age. Some of the early American reactors have been scrapped because in their case the safe levels had soared to impossible heights on the thermometer. The AEA has recently become the owner of the biggest machine in the world for testing this kind of brittle fracture, and the results will be written into the working manuals of reactors wherever steel is used. Other potential weaknesses, like the tendency of steel to creep or stretch over the years, have to be counteracted at the design stage either by using special steels with high resistance to creep—which also has its drawbacks—or doing what the General Electric Company has tried at Hunterston, a double-walled construction where the inner wall contains the high temperature, and the outer, cooler wall contains the pressure.

Much more important to the Atomic Energy Authority itself is the work just completed by the Culcheth laboratories on that apparently innocuous material, graphite. Graphite has already shown its nasty side by destroying one of the AEA's two big reactors at Windscale. The vice of storing and unexpectedly releasing dangerous quantities of energy without warning has been curbed only to find that under different circumstances graphite can crumble like biscuit. In the advanced gas cooled reactors now under development, hotter and at higher pressures than the present type, atoms of graphite that form the structure of the reactor simply turn into gas by reacting with the carbon dioxide coolant (which breaks up, under radiation, into carbon monoxide and free oxygen that then attaches itself to the graphite). This disastrous reaction could destroy a commercial power station in less than a year, and for the past three years something approaching a crash programme has been in hand to combat it, with industrial laboratories co-opted to help.

The AEA believes that the corner has been turned as recently as six weeks ago. Then laboratory evidence began to show that slight changes to the cooling gas (adding 7 per cent carbon monoxide) would check the reaction 10-fold. This, if true, would still not reassure Sir Christopher Hinton that commercial advanced gas-cooled reactors were worth building, but combined with measures to block up some of the pores in the graphite, it might do the trick. But it may be a year or more before the Authority can give practical as distinct from laboratory proof of this.

and was eventually put into orbit by something much bigger. And although it is demonstrably more sensible to use American launchers and American facilities already in existence, there is a limit even to Cape Canaveral's capacity and the rocket queue at the launching pads is lengthening.

TAXING CONFECTIONERY

Penny Plain, Twopence Coloured

With eleventh hour conferences still disgorging the new sweet and ice-cream price-lists necessitated by the imposition of purchase tax next Tuesday, the general pattern of tax and price has become fairly plain. It is a more uneven pattern than before. Some manufacturers have taken the advantage of the inevitable "rounding upwards" to increase their own margins and/or those of retailers whose sales may fall in volume as the result of the price increases. Mackintoshes, the toffee manufacturers, are probably going to increase their retailers' slice; Lyons, on the other hand, though a good many of their retail ice-cream prices have gone up slightly more than Walls, are not allowing for a retail profit on the 15 per cent tax. The company's view is that ice-cream prices have remained firm for so long in spite of rising labour costs that this is a good opportunity to recover some of the lost margins which they cannot hope to make up by increased sales.

The tax on soft ice-cream is to be calculated after an extra 20 per cent has been added to the wholesale price of the mix, or on certain fixed values, whichever is the greater. This is to allow for the air, water, flavouring and refrigeration contributed by the retailer. But the agreed level of taxability seems to assume a degree of aeration considerably lower than the 60 to 80 per cent put in by the modern continuous soft ice-cream freezers. The retail price of ice-cream made in this way may in fact have an effective tax content of only 5 per cent, compared with 11 per cent in the case of factory-made wrapped ice-cream.

The soft drink makers have none of these headaches; they are generally simply adding 15 per cent to wholesale prices per dozen, with a recommended resale price to which shopkeepers may or may not stick. The breakdown of fixed prices in this business at least means that manufacturers have to worry less about exactly how many extra pennies are spent by the public.

TYRES

Using the New Rubbers

Tyre manufacturers are in unusually combative mood: as soon as Dunlop announced its new tyre with high-hysteresis rubber tread, Goodyear replied with a polybutadiene tyre. This is the first tyre made from one of the new polydiene synthetic rubbers to be marketed in Britain; in this case the polybutadiene is mixed with styrene-butadiene rubber, the present norm for car tyres. What is surprising about Goodyear's move—and a sign of competitive pressures in the tyre industry—is that it is using the new rubber compound, called "Tufsyn," in all its tyres at no extra cost, though polybutadiene now costs 27½ cents a lb in the United States compared with 23 cents for SBR. And as polybutadiene is not made in Britain, Goodyear will have to import all its requirements, paying a 10 per cent duty.

The higher cost of polybutadiene had led to the assumption that a premium would be charged for car tyres using it, though lorry tyres—which are mostly made from natural rubber, costing as much as polybutadiene—would sell at the same price and so prove the biggest outlet for the new rubbers. Their technical appeal is that they are highly flexible, like natural rubber, and so run cool—an essential quality for lorry tyres which SBR lacks—while polybutadiene is claimed to give a longer tread life than natural. But, as a corollary of their flexibility they are generally believed to give a less good grip even than ordinary SBR. (The more bouncy a rubber, the less well will it cling to the road; high hysteresis rubber is a type that is not bouncy.) Goodyear, while making long tread life the basis for its advertising, also claims better grip for "Tufsyn" in cold weather, because it remains flexible.

The pressure of surplus capacity amongst the makers of the new rubbers in the United States may be another factor pushing Goodyear to accept lower margins in the hope of higher sales. Production there is estimated to be only half capacity, with 60 to 70 per cent of production being sold, and the price was cut 2½ cents a lb only last week: it is now the same as that of low-grade natural rubber. Goodyear started production in its own polybutadiene plant at the end of last year. Certainly this behaviour is a sign of the growing competition in the rubber market that the lavish capacity for polydiene rubbers was always expected to bring. It also appears to give motorists a choice between better tyre grip and greater durability.

FROZEN FOODS

Jumbo Package

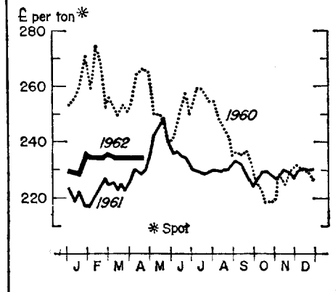
The new holding company, Findus International, four-fifths owned by Nestlé, is to spend £20 to £25 million in the next three years on expansion, particularly of Findus's frozen foods. If sales expand in any like proportion, this must mean that Findus either expects to work wonders in the non-Scandinavian countries of Europe, hitherto little attracted by the frozen products of their northern neighbours, or count on taking some extra business from their main rivals—which in this country and in Holland, though to no great extent elsewhere, means Unilever.

A quarter of Findus's present annual turnover of £20 million is done in this country, equal to a tenth of the UK market—a poor second to the two-thirds share held by Unilever's Birds Eye. For some time Findus's trouble here has been reliance entirely on wholesalers who are unable to cope with a much greater volume of business. The company has denied any intention of changing its distribution system, but it is as plain as quick-frozen cod fillet that great advantages could be gained from using, like Birdseye, a direct delivery system—which one would think that Nestlé could provide through Crosse and Blackwell.

On the Continent, too, Nestlé distribution machinery plus, in time, the capital for more widespread production facilities could provide Findus with the opportunity they need. At present Findus has one factory in each of the Scandinavian countries and a fish plant at Grimsby, though its beans are grown in Italy and its sprouts in Holland. Birdseye vegetables, however, are grown in Britain, usually near their factories, and in Holland Unilever's frozen food company Iglo, which is about to open its second plant, also grows on the spot. Germany, where refrigerator retailing of poultry and fresh vegetables is common but sales of quick frozen foods per head are well under half the British and Swedish levels, probably offers the most immediately promising market on the continent to anyone who can tackle the sticky distribution system. Both Findus and Unilever (through their Solo Feinfrost subsidiary) have a footing in Germany, and it is possible that if Findus decides to push strongly there a three-corner fight could develop between them and Unilever and the groups of German manufacturers.

At present Iglo has not gone far with expansion outside Holland, and exports are only a very minor part of Birdseye sales. In most of Europe, promotion must play a major part in selling the very idea of frozen food. Unilever may be content to let others do the initial spadework in the all-too-frosty soil of France and Italy.

STABILITY IN COPPER



Producers have been increasingly successful in stabilising the price of copper in recent years. Following the curtailment of supplies in 1958, the fluctuation in prices was reduced to about £60 a ton in 1959 and 1960, the smallest range of fluctuations since the London Metal Exchange resumed dealings in copper in 1953. In 1961, fluctuations were reduced to just over £30 by production curbs introduced towards the end of 1960. This year intervention in the market has produced an almost stable price for spot copper since the end of January. Recently, speculative pressure has been building up against this producer-dominated price causing forward supplies to fall to a discount of nearly £3 a ton. The producers' agents were forced to support forward copper, but the outbreak of a strike by African mineworkers in Northern Rhodesia has lessened the pressure, though a forward discount of £1 remains.

AIRCRAFT INDUSTRY

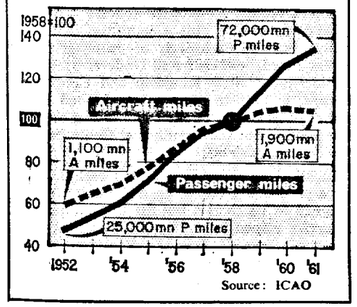
The Little Jets

Competition is hotting up among the little jets. There is more activity now in small aircraft design, military and civil, than in big. The £10 million American contribution to Hawker Siddeley's vertical take-off work is a drop in the bucket but apart from its bearing on military tactics, this interest could also mark a swing from quality back to quantity. Recent military machines have been so expensive and complicated that production orders were tiny and caused the industry more headaches than they were worth. In civil aviation, manufacturers have also begun to think they might sell more small jets than big, meaning perhaps smaller profit but longer production runs. The first company to build an 8-seat jet airliner for business flying was Lockheed with the Jetstar but at nearly £500,000, the Jetstar appears to have priced itself out of the market judging by sales. Today there are at least a dozen other executive jet aircraft to choose from, ranging in size from one to eight passengers and all of them conspicuously cheaper than the Jetstar.

In this country, de Havilland has a batch of 30 executive jets under construction holding 8 comfortable or 12 cramped passengers and costing about £140,000; the first will fly this year. Physically bigger, but still small by airline standards are the feeder-line jet aircraft being offered to the airlines. The commuters' jet was pioneered by the British Aircraft Corporation a year ago, now Fokker in Holland has announced a 60-seat jet replacement for its successful Friendship and Douglas in the United States is testing the market. These little jets, made possible by engine developments, offer a lifeline to manufacturers and everyone is trying to get in on the act.

AIR TRAFFIC

These figures give a clue to the source of the airlines' troubles last year. Although traffic was rising, the introduction of bigger aircraft meant that for the first time in aviation history the mileage flown showed a drop and average loads of 58 per cent of capacity were the lowest for a decade. On international routes loads were only 53.3 per cent, too low for any but the most efficient to break even.



COLOUR FILMS

Rank Insider

It seems to be generally agreed that colour photography will succeed—how can it fail? People have more leisure in which to spend more money than ever before; each year more go abroad for expensive holidays and the urge to record them (in colour) is becoming nearly irresistible. The competitiveness of the market reflects these prospects; Ilford has recently made a strong bid for a larger share of the film end of the market, hitherto dominated in this country by Kodak. But there are other ways of getting into the act. The Rank Organisation has formed a company, Top Rank Laboratories, for developing and printing amateur colour films; a specialist service for commercial colour work is also available.

The choice is a shrewd one even if it is, to some extent, involuntary. Most colour film sold is "reversal" stock, from which transparencies are made, and it is usually processed at the manufacturers' laboratories. Thus anyone wanting to break into the colour film processing business usually pins his hopes on colour prints. Although they lack the brilliance of transparencies, these are convenient and, at the right price, may be the key to the mass market. But they are expensive too: the final cost per print is more than twice that of transparencies and many times that of black and white prints. This has been the main obstacle to faster growth. It seems likely that the film manufacturers will follow Ilford's example by reducing their prices and placing more emphasis on colour prints than in the past. Top Rank Laboratories should be as well placed as any to take advantage of an increase in the market.

It is, in fact, new only in name. In 1959 Ranks bought Tempo Laboratories, a small, sad film processing company whose activities were complementary, on a midget scale, to the huge Rank laboratories at Denham. Investment over the last two years has placed it in a position to process any of six makes of negative colour film—a convenience that may be appreciated by the retailers, although it will probably pass unnoticed by the public in general. Like its other new ventures of recent years, the importance of this move to the Rank Organisation can only lie in the far future. The film interests dominate the organisation and will continue to do so. In 1961 they produced three quarters of the company's profit before tax.

SHORTER NOTES

The United Nations' own investigation into the air crash that killed Mr Hammarskjöld at Ndola last September only confirms what has already been published by the Rhodesian government about the accident. The Rhodesian report, which was described in *The Economist* on March 24th, found no evidence of sabotage or of direct attack and neither did the Swiss experts of the United Nations. Both reports are sharply critical of rescue arrangements after the aircraft disappeared; the United Nations report also criticised security arrangements at the Leopoldville end of the flight. Neither can suggest any reason why what was in every respect other than its secrecy a normal flight should end at the last minute in disaster. It must be supposed for want of better evidence that the pilot made a mistake.

★

Holders of gilt-edged securities now have an association to defend their interests. The association, called The Association of Gilt Edged Security Holders Ltd., was formed and registered last week by Mr Percy Browne, Conservative MP for Torrington. Subscriptions will be one guinea a year. Now that gilt-edged are rising will Mr Browne find his association priced out of the market?

COMPANY AFFAIRS
Comments on pages 504, 505 and 508 on:
Ford Motor, Babcock & Wilcox, Vickers, United Drapery Stores, Burmah Oil, Royal Mail Lines, Schweppes, Pearl Assurance, Gallaher, Thomson Organisation, Associated Portland Cement

STOCK PRICES AND YIELDS
Stock prices, yields and security indices on pages 506 and 507

MONEY AND EXCHANGES
Money market report, exchange rates and public finance on page 509.

UNILEVER

MANAGEMENT AND STRUCTURE OF A DIVERSE AND WIDESPREAD ORGANISATION EXPLAINED

MACHINERY OF CONTROL AND LINES OF COMMUNICATION DESCRIBED

ESSENTIALS TO MEET CHALLENGE OF PRESENT-DAY CONDITIONS

The Annual General Meetings of Unilever Limited and Unilever N.V. were held on Wednesday, May 2nd, in London and Rotterdam. **Mr George Cole** presided at the Meeting of Unilever Limited and **Mr F. J. Tempel** at the Meeting of Unilever N.V.

Addressing the Meetings the Chairmen said:

This morning I want to try to answer for you one of the questions that we are most often asked about Unilever. It is this:

How do you run an organisation that is so big, so diverse in its range of activities and so widespread across the world?

To explain how we tackle this problem, one must start with the structure of Unilever. This was last described thirteen years ago in an address given to the Institute of Public Administration by Lord Heyworth, who was then the Chairman of Unilever Limited. It was, as he said, a snapshot of the organisation as it existed at a given moment of time, and that organisation has to be constantly adapting itself to new needs and new pressures. And so it seems timely that it should now be again reviewed.

PERIOD OF GROWTH

Look first at some of the milestones in Unilever's history since that speech was made. In 1949 the capital employed in the business was £281 million. In 1961 it was £642 million. Turnover, which in 1949 was £801 million, had last year risen to £1,890 million. Trading profit has moved from £32 million to over £100 million. In 1949 we paid out a little over £2 million in ordinary dividends, in 1961 over £15 million. In 1949 taxation took about £18½ million, in 1961 over £52 million. The number of people employed in Unilever has risen too, but not, I am glad to say, to the full extent laid down by Parkinson's Law nor in anything like the same proportions as the other figures I have mentioned. Where in 1949 we employed 221,000 people, today there are all but 300,000. And throughout this period of growth, the world has seen many and rapid developments which have had their impact upon Unilever. Of these, the most important is that nearly everywhere the standards of living have risen markedly and will go on rising. Then again, communications everywhere have speeded up. In 1949 it still took 4½ days to fly to Australia, and today the journey takes 33 hours. Today one contemplates visits all over Continental Europe and to the United States as everyday events. And the last few years have seen the movement towards a closer integration of the countries of Western Europe.

One result of all these exciting, rapid and sometimes uncomfortable changes is that many other large companies throughout the world, whose interest before was mainly centred on their own domestic markets, are reaching out into every corner and we are being faced with steadily growing and hotter competition on practically all fronts.

THE KERNEL OF THE PROBLEM

Yet amid all these stresses which a world of change creates, the kernel of our problem is always to maintain an effective management structure for a business which is large, diversified and spread across the face of the world; which operates in markets that range from the highly sophisticated to the primitive; and which, above all, in every part and particle needs to be adaptable, ebullient with vigour and filled with a lively sense of purpose if it is successfully to meet the challenge of these times.

THE PARENT BOARD

Now, when you examine the problem of managing a business such as this, you need to begin with the picture of several hundred subsidiary companies engaged in their work in more than fifty different countries, each of them ultimately answering to the parent companies, Unilever Limited and Unilever N.V. As you know, these two companies are linked together by a number of agreements. One equalises the dividends on ordinary capital, another provides that each company gives the other free use of its patents, trade-marks and secret processes. In short, for the practical purposes of management Unilever is a single entity. At the head of affairs, and responsible to the shareholders, stands the Parent Board, and I deliberately use the singular because, as part of this unifying process, the Boards of the British and Dutch companies are identical. There are at present 24 members of the Board, all of whom are full-time working Directors and in addition Limited at present has two Advisory Directors and N.V. five. This is too large a body for quick and effective action day to day and you come at once to the first instance of delegation, on which we so strongly rely.

THE SPECIAL COMMITTEE

While the majority of the Directors have specific responsibilities for different sections of the business, either functional or regional, there are a few whom the Board annually appoints as a small committee, called the Special Committee, which it arms with considerable powers to co-ordinate the whole. This Committee at present consists of the Chairmen of the two Parent Companies and the Vice-Chairman of Limited. It holds frequent and regular conferences with the Directors and others responsible for separate parts of the business, and is constantly available to participate in deciding all those matters that have to be settled at the top. But it would indeed serve only as a dead hand if it were to confine itself to negative criticism of the proposals of others. So its aim must be to provide constructive counsel and a stimulus to new thought. It is responsible too for getting the broad policies of Unilever properly defined and for sign-posting the general direction in which the business is to move. The Special Committee maintains its link with the Board as a whole by its reports to the Conference of Directors at the weekly Board Meeting, when explanations can be given and matters of policy and general interest discussed. The working out of detailed plans, and the methods by which they are carried into effect, are the affair of the other echelons of management, which we shall now go on to explore.

ECHELONS OF MANAGEMENT

These fall into three main categories. There are the Groups responsible for operations in areas that are defined geographically. There is the management responsible for co-ordinating, on a world basis, the policies that govern particular commodities and brands. And there are the Central Services. The first of these categories works within a regional framework, the second within one defined by reference to particular types of product. The hallmark of the third is functional, in other words, the specialised skills and knowledge that these Central Services provide for any part of the business that needs them.

THE REGIONAL GROUPS

In our first category, the Regional Groups, there are five main management committees, a United Kingdom Committee, a Continental Committee, an Overseas Committee, the United Africa Group and the Plantations Group.

The United Kingdom Committee consists, at present, of three Directors of the Parent Board. Reporting to them are all those companies whose operations are confined to the United Kingdom. There are the companies that make and market soap and other detergents, toilet preparations, margarine and other foods; there are companies engaged in oil milling and the manufacture and sale of animal feeding stuffs; there are companies producing and selling chemicals; there are companies whose function is the transport and warehousing of Unilever products.

The Continental Committee, at present consisting of six Directors of the Parent Board, is responsible for our business in Continental Europe and, unlike the United Kingdom Committee, its responsibilities are spread over a number of countries. So in each of these countries we have a small body known as the National Management, and this National Management answers to the Continental Committee for all Unilever operations in its country. The head of the National Management in the Netherlands is a Director of the Parent Board who is also a member of the Continental Committee.

The Overseas Committee follows the same general pattern. This Committee, composed mainly but not exclusively of members of the Parent Board, answers for all Unilever operations outside the United Kingdom and Continental Europe, other than those of the United Africa and the Plantations Groups, and is also responsible jointly with the Continental Committee for our exports business.

In all these three Committees each member has a particular group of countries or companies assigned to his charge, but the Committee takes collective responsibility for the whole.

The fourth of our Regional Groups is that of United Africa. This Group has been undergoing more radical changes than most parts of

the business in recent years, reducing its commitments in the produce and merchandise trades in tropical Africa and switching the emphasis to more specialised and technical activities and to manufacture. In each territory where the Group is established you may find a number of specialised units, each answering for its operations direct to the appropriate section of the United Africa Head Office. But you will also find in each territory a single territorial Chairman whose job it is to supervise the activities of these individual units with the object of ensuring uniformity of policy throughout the territory. Three Directors of the Parent Board serve on the Board of The United Africa Company as its Chairman and Managing Directors.

The last Group is that of the Plantations. These are established in Africa, Malaya, North Borneo and the Solomon Islands, and their top management, located in London, works in closely with the United Africa Group and the Overseas Committee.

PRODUCT CO-ORDINATION

And there, for the moment, I must leave our regional structure and turn to the second main category, which, for the sake of convenience, I will call "product co-ordination."

With the developments of our business that I mentioned at the outset, and with increasing competition in markets, many of which are becoming more and more alike as trade flows more freely across national frontiers and consumers' tastes converge upon a common pattern, it became clear that control on a geographical basis, while essential for ensuring uniformity of policy within any one country, would not alone suffice. It is not enough to concentrate on the markets within a particular territory; everyone, both at the centre and on the periphery, must be alert to spot the openings where the developments arising from our research, production and marketing throughout the world can be applied. To this end, policy must be broadly conceived with worldwide problems and worldwide opportunities in mind.

Some time ago we appointed co-ordinators for our activities in foods and toilet preparations on a worldwide basis, while for some years the Continental Committee, largely with their eye on the possible developments of the Common Market, have had in being teams to co-ordinate activities in particular product fields within the countries of Western Europe. This principle of product co-ordination has recently been extended so that we now have co-ordinating teams for soap and other detergents, for toilet preparations, for margarine and other edible fats, and for various other groups of foods, particularly quick-frozen foods, ice-cream and meat. And there will probably be others.

Each of these co-ordinating teams is headed by a Director of the Parent Board or by one of our most senior managers and each has the Unilever world for its parish. It is their task to help to formulate the policies that will stimulate expansion wherever opportunity offers and to provide a focal point for consideration of all aspects of production and marketing for each of these product groups. But the co-ordinators are not operators, and so they have to get their policies accepted by, and implemented through, the various Regional groups that I have already described.

THE CENTRAL SERVICE AND ADVISORY DEPARTMENTS

The third main category consists of the Central Service and Advisory Departments. Their responsibilities, you will remember, and their spheres of operation are functional. They comprise such essential services as Finance and Accounting, Research, Audit, Personnel, Marketing, Buying, Economics and Statistics, Technical (including Civil, Electrical and Mechanical Engineering and a Packaging Advisory service) and Organisation. Other Central Services include Patents, Pensions, Legal, Insurance, Taxation, Transport and the Information Division. The object of these Central Services is to provide knowledge and experience of a quality that the individual units could not afford on their own. They initiate policies on matters that fall within their fields and, having got them agreed, assist in their implementation. They make their specialised advice and help available at whatever level these are requested, whether it be a Regional group, a Co-Ordinator, an operating company, or for that matter, the Special Committee.

HOW IT IS OPERATED

This sketch of the management structure of your business has had to be brief, because the story would be incomplete unless I leave myself time to say something about how it is operated. The world of business is a fast moving one and in general speed of decision and action is essential to success. But clearly there can be no speed if everything has to be laboriously referred up the rungs of the ladder to the top, there to be mulled over and debated before judgment is given and transmitted down again to those who have to act. A brake of this kind would not only delay decision but, worse, would stifle the development of management talent and initiative throughout the business and kill all sense of lively purpose and momentum. The upshot is that we can only work effectively by applying to the fullest possible extent the principle of delegation. That is why, so far as possible, we leave each unit free to carry on its own operations, within the framework of agreed policy, with a minimum of supervision and controls. But some controls there must be; or what is sometimes called the Unilever Diarchy would become the Unilever Anarchy. The nature of these controls is of prime importance and basically they are three: the unit's Annual Operating Plan; Capital Expenditure; and the selection and remuneration of top management.

UNIT'S ANNUAL OPERATING PLAN

A unit's annual operating plan covers not only the year immediately ahead but also a projection for a further year beyond that, and most companies also have in some detail a plan for many years ahead. For instance the companies of the Plantations Group often have to plan for a minimum of fifteen years. In its annual plan each company makes a careful estimate of its prospective sales, margins, advertising and other expenses and thus arrives at an estimate of the following year's profit or loss. The plan will be discussed in detail with the regional group, with the appropriate product co-ordinators and with such advisory and service departments as may be concerned, before being brought forward for consideration by the Special Committee and the Board. The sum total of these plans provides the basis on which we estimate the profit that Unilever as a whole will earn in the following twelve months; the individual plans provide the yardsticks by which, throughout the year, the performance of each unit can be measured.

But planning is not something that units indulge in only once a year, when the calendar reminds them that it is time to start putting the Annual Plan on paper. Planning is a continuous process, going on all the year round, year in and year out. The Annual Plan simply draws the threads together and gets everything into focus, providing in a convenient form evidence of the unit's liveliness of thought and the vigour with which opportunities are being probed and pursued.

CAPITAL EXPENDITURE

The second control is on capital expenditure. The importance of capital expenditure is that much of it is medium or long term in character and, therefore, it determines the directions in which the business is going to move for some time to come. You can compare it to laying down the permanent way of a railway. Once the track is laid, those in immediate charge of operating the line may, within reason, experiment with different types of rolling stock and, if they guess wrong, their mistakes can be corrected without much difficulty. But if the track has been laid in the wrong direction to start with, the venture will never pay and it is a terribly expensive matter to have to pull it up and start all over again. We try to prevent this kind of thing happening in Unilever by controlling capital expenditure throughout the business both by means of annual budgets and by requiring individual items above certain limits to be submitted for approval.

The annual capital expenditure budget prepared by each unit covers the ensuing twelve months in some detail and gives a projection for a year or more beyond that. It will specify the amounts that the unit expects to have to spend on renewals of existing plant, on additional plant or new factories or offices. You will see plenty of examples in the list of major items published each year in the Review of Operations. When the budget is ready it is submitted by the unit through its regional group to the Special Committee. They in turn, if they are satisfied that it is in order, and in line with the general Unilever interests, will bring it forward to be noted by the Board.

Throughout the year individual items of expenditure, whether or not they have already been included in a budget, are sent forward through the same channels. But at every level in the organisation, starting with the unit, there are people with authority to approve capital expenditure within given limits and so it is only items of major importance, that is, those that are really large or that involve an important point of principle, that have to come right to the top. And it is only sensible that really major projects, such as the building of a completely new factory, should be brought up for discussion and acceptance in principle without waiting for the budget. In much the same way, a proposal for the acquisition of an existing business would be brought forward for consideration at the earliest opportunity.

Our weekly Board Meeting affords an opportunity for dealing with items of capital expenditure that for one reason or another have not been covered by a budget. They may be matters that have arisen unexpectedly and that no one could have foreseen. But if failure to include them in the budget is the result simply of inaccurate forecasting, a little fur may fly. Because the accurate forecasting of capital expenditure, and the accurate implementation of the forecasts, are important tools of management. The sum total of the capital expenditure budgets is a major factor in calculating whether our financial resources are likely to be sufficient to meet requirements in the year ahead.

SELECTION OF TOP MANAGEMENT

Our third control lies in the selection of the top management throughout the business. This

is a matter for recommendation by the appropriate management group, assisted by the Personnel Division, and for discussion with the Special Committee, when a choice will be made. In the same way, the Special Committee and its advisers review once a year the salaries of the top men. This process of selection and review provides an opportunity of planning the careers of those who give promise of rising high in the business.

Now you heard me say, a few minutes ago, how independent we like our companies to be. By now, having listened to this account of the machinery of control and the lines of communication through which Unilever is managed, you may be beginning to wonder wherein the independence lies. You may even be murmuring to yourselves the little verse—of American origin—about the control organisation of another large company:

"Along these lines, from toe to crown,
Ideas flow up and vetoes down."

Well, we make a conscious effort to avoid that sort of reproach. We really do mean our companies to enjoy independence, though the degree of that independence will naturally vary from one to another. A powerful and experienced business can get along with much less help from the centre—I refuse to say interference—than might be needed by one less fortunately placed. More than that, the stronger units, by feeding their experience into the centre for sifting and dissemination, can make a positive contribution to the benefit of the rest.

In the last analysis delegation can only be put fully into practice when people recognise the questions that involve a point of principle and refer them for decision. So we come back to the selection of the top men, the most important factor of them all. If these men are well chosen, then policy-making should be a co-operative process rather than a matter for veto and dictation. There may well be occasional disagreements—in any gathering of strong-minded individuals there are bound to be—but they do no harm if the men concerned respect one another and are in general agreement as to the aims of the business. And there may even be ready acceptance, rather than forced acquiescence, for those ideas which from time to time, in defiance of the rhyme, flow downwards from the top.

THE IMPORTANCE OF COMMUNICATIONS

Much of the smooth functioning of the business depends on good communications and the passing-on of information. Communication would be a subject for a speech in itself. Suffice it here to emphasise that it is a two-way process, the flow of information from the periphery to the centre being as vital as the stream that runs the other way. It means, among other things, a deal of travelling, with members of the Board, the Regional Committees, the Product Co-ordination Teams and the Central Services visiting the units, men from the units coming to London and Rotterdam and visits being exchanged between one unit and another. Mutual confidence depends upon personal contact and getting to know each other as people. Nothing would be more dispiriting or infuriating to the men of the units than to have to deal with faceless chair-borne pundits recognisable only as signatures at the bottom of letters.

A special responsibility rests upon those who pass on information or transmit decisions to those in lower echelons. They must make a conscious effort to picture the scene as it appears to the recipients. It is all too easy to repeat the historic blunder of Lord Raglan, who despatched the Light Brigade to its doom at Balaclava because, when he sent the order from his exalted position on a hill-top, he failed to realise how much less of the battlefield would be visible to his cavalry commander on the plain below. We should do well to heed this lesson, and to order our affairs so that our managers know enough about the business in general to make sure that they run their own particular part of it with, rather than against, the tide of policy.

In this time of change, communications matter more than ever. If we do not keep you, the shareholders, and others of the general public, well informed, then we have only ourselves to blame if your ideas of what we are and what we do get out-of-date. This is one reason why we keep trying to improve the content of the story that we present to you in the Annual Report. Similarly, if we do not keep our own managers and staff informed, we ought not to be surprised if they become anxious when the operations of a factory are drastically altered or when they hear talk of some of the possible consequences of the British application to join the Common Market. Good communications do not always make change palatable, but they make it intelligible and they kill the wilder rumours.

Finally, if the business is to thrive, we must keep not just abreast of change but ahead of it. Complacency and the rigid outlook could prove fatal to the health of the enterprise. Unilever must always be responsive to the need for change, sensitive everywhere to the stimulus of opportunity and alive to the possibilities of growth.

The only question to be asked was from Col. A. E. P. Bridge, who said: I think I should declare my interest in that I am a farmer. I see from the report that for the first time it is disclosed that Unilever owns R. Silcock & Sons. Can you tell us whether there is any other similar concern in this country which Unilever owns and which we have not been told about.

The Chairman, in reply, said: I am really very glad that you asked that question because I take it that you mean to ask if we have any hidden or secret companies which have not been disclosed. I am very glad to be able to say, quite categorically, that there are none. In the report and accounts, of course, we do not mention every company that we own; that would obviously be quite impossible, but in the field about which you are speaking, the Oil Milling Group, this does include two small agricultural businesses which are quite small and, in relation to total operations, quite insignificant. Obviously, for that reason they have not been mentioned. I may add that there has never been any secret at all that they belong to us.

The Report and Accounts for 1961 were adopted.

The proposed final Ordinary dividends, calculated in accordance with the Equalisation Agreement between the two companies, were approved, the dividend in the case of Unilever Limited being 9.19 pence (15.32 per cent) per 5s. Ordinary share and in the case of Unilever N.V. Fl 2.60 (13 per cent) per Fl. 20 nominal amount of Ordinary capital.

The Directors and Auditors of both companies were re-appointed.

A warm vote of thanks to the Chairman, Directors and Staff of the whole Unilever family was proposed by Mr. Frederick Snow and seconded by Mrs Eleanor Nicholson.

Copies of the speech are available on application to Information Division, Unilever House, Blackfriars, London, E.C.4.

THE HALIFAX BUILDING SOCIETY

ONE HUNDRED AND NINTH ANNUAL MEETING

Statement by THE PRESIDENT IAN A. D. MACLEAN, ESQ.

The one hundred and ninth Annual General Meeting of the Halifax Building Society will be held on May 14th, the President, **Mr Ian A. D. Maclean**, presiding. The following are extracts from his statement:

From the point of view of building societies, perhaps the outstanding event of 1961 was what has come to be known as the "July Budget." Two of the measures taken by the Chancellor had a direct effect on societies. First, Bank Rate was raised to 7 per cent, and secondly the Government suspended the arrangement whereby, under the House Purchase and Housing Act, 1959, societies were able to borrow money from the Government to advance on the security of properties built before 1919.

The need for strong remedies to deal with the crisis of last summer is, of course, appreciated. But building societies were not alone in their sense of disappointment that the initial steps took the familiar form of a rise in Bank Rate and a credit squeeze. The series of alternating restrictions and relaxations of credit and the variations in the level of interest rates which have been such a feature of recent years have imposed particular burdens on building societies and on their millions of borrowers. It is therefore to be hoped that the National Economic Development Council, in whose hands so much of our planning is apparently to rest, will not overlook the position of the home owner in their review of the economy and that, in particular, some means will be found whereby the use of interest rates as an instrument of Government policy may be avoided, or at least the scope of their impact restricted.

During the year changes took place in the Society's interest rates. The Board announced at the end of June an increase of ¼ per cent in the rate paid to investors, to operate from December 1, 1961, and of ½ per cent in that charged to borrowers, with immediate effect to new borrowers but with effect from February 1, 1962, to existing borrowers. In taking this decision the Board had in mind the frequent increases in mortgage rates to which existing borrowers had been subjected in recent years and thought it fair to postpone the implementation of a further increase for seven months rather than for the three months which is required under the Society's mortgage deed.

On the investment side, if we take the year as a whole our experience is by no means to be regarded as unsatisfactory. Gross receipts reached the record sum of £122,000,000 or £9,500,000 higher than in the previous year, and although withdrawals increased by £10,000,000 the net result enabled us to increase our assets by 10.8 per cent, a rate of progress with which the Board are quite content, especially as we have been able to achieve it without loss of strength in our reserves.

On the mortgage side, our lending, at £87,900,000, was some £14½ millions less than in the previous year. In that year, however, our liquidity was allowed to fall from 18.6 per cent to 15.2 per cent, a policy which made some £17 millions available for lending on mortgage over and above the amount available from our normal flow of business.

The Society's reserves now stand at £19,354,612, or 3.56 per cent of total assets compared with 3.51 per cent in the preceding year. In welcoming this trend, the Board are of the view that further improvements should be made. But rising costs, and in particular increased taxation, make it more and more difficult to improve reserves on the basis of the present margin between investors' and borrowers' rates. Our liability for Profits Tax alone is now £663,000, and I am only sorry that in his Budget this year, the Chancellor once again did not feel able to grant building societies long-overdue relief from the payment of this tax.

SLOUGH ESTATES, LIMITED

ANOTHER SUCCESSFUL YEAR

LT.-COL. W. H. KINGSMILL'S STATEMENT

The Forty-first Annual General Meeting of Slough Estates, Limited, will be held on May 23, 1962, at Slough Estates House, 16, Berkeley Street, London, W.1.

The following is the Statement by the Chairman, **Lieut.-Colonel W. H. Kingsmill, DSO, MC,** circulated with the report and accounts for the year ended December 31, 1961:

FINANCE

As you will see from the Directors' Report, our Company has again enjoyed a successful year, the Group Profits before taxation having increased from £933,588 in 1960 to £1,076,225 in 1961. This is the fifteenth successive year in which the profits of the Company have exceeded those of the previous year.

However, due partly to the increase in the rate of the Profits Tax, Provision for Taxation has risen from £474,217 to £572,313 this year.

Appropriations for Preference Dividends, the Interim Dividend of 5% on the Ordinary Shares, Redemption of Preference Stock and Redemption of the Debenture Stocks have required £167,259, leaving for disposal £336,653 to which is added the previous year's carry-forward of £270,311, making available a total of £606,964.

Your Board recommend the payment of a Final Ordinary Dividend of 10%, less tax, which with the Interim Ordinary Dividend of 5% already paid brings the year's total dividend on the Ordinary Capital to 15% against the equivalent of 13⅓% less tax for 1960.

This Final Dividend on the Ordinary Capital takes £245,000, leaving to be carried forward £361,964, an increase over 1960 of £91,653.

Your Board would certainly have recommended the payment of a higher Final Dividend but for the Chancellor of the Exchequer's request for restraint, with which they consider they ought to comply.

Perhaps it might be appropriate here to emphasise the Board's policy in regard to the Redemption of the Debenture Stock. The annual cost of redemption is charged to the Profit and Loss Appropriation Account and credited to the Debenture Stock Redemption Reserve; although this is not a Revenue Reserve distributable as dividend, it nevertheless adds to the strength of the Company and would, in ordinary circumstances, enable the Board to take regard of this fact when making their dividend recommendation.

SLOUGH

Leases have continued to fall in for renewal at current market rents and Industrial Development Certificates have been granted to existing Manufacturers for additional premises.

The Company erected a range of small factories, each of approximately 5,000 square feet to meet the demand of smaller manufacturers.

In respect of the Power Station, the 100,000 lb. Babcock & Wilcox High Pressure Oil Fired Boiler was put into commission in May and the 12,000 kW Parsons Turbine, although not completed in the year, reached the stage of final testing.

These developments have necessarily employed a large proportion of the cash resources of the Company and are reflected in the Balance Sheet by a reduction of the liquid assets.

BIRMINGHAM AND GREENFORD

Rentals have continued to increase on both these Estates, which have played their part in adding to the increased profits of the Group.

CANADA

Our Canadian Subsidiary has again had a successful year, the rent roll being maintained and the revenue from export sales of merchandise having expanded.

AUSTRALIA

Last year your Board considered that the development of our Australian Estate at Altona, Melbourne, could be commenced late in 1961 or early 1962.

While services of gas, water and electricity are now available on the borders of the Estate, the drainage facilities are not yet adequate. Our own arrangements in this respect have to be integrated with a District Scheme, over which there has been some delay.

The construction of the first factories, as a result, may be delayed some months.

FUTURE OUTLOOK

In the present uncertain state of British Industry and with the still unknown outcome of the British application to join the Common Market, it is difficult to forecast progress over the next year or so.

The demand for factory space continues unabated. A considerable number of factories are under construction and are now nearing completion, all of which are reserved for specific manufacturers. A number of extensions are also in hand. The demand for electricity and steam continues to grow.

Several leases have been renewed in 1961, the full benefit of which will be felt in the present year.

Plans are now in hand for the sinking of a new artesian Well 1,200 feet into the Lower Greensand, and for the provision of a second 3 million gallon reservoir in order to double our above-ground storage capacity.

Due to the general economic situation our Canadian Board do not expect much expansion in 1962 in the construction of new factories but anticipate an increase in our Export Division's profitability.

Your Board look forward to the future with optimism and in the absence of any unforeseen circumstances expect a further increase in the Group's profits for 1962.

STAFF

Once again your Board welcomes the opportunity of thanking the Staff and all employees of the Group of Companies, for their contribution towards the satisfactory results of the year under review.

We are constantly alive to the importance of maintaining a good staff relationship and recently have materially improved the Company's Pension and Life Assurance Schemes.

BRISTOL AND WEST BUILDING SOCIETY

ANNUAL GENERAL MEETING, 1962

The one hundred and eleventh Annual General Meeting of the Bristol and West Building Society was held at the Grand Hotel, Bristol, on April 25, 1962.

The Chairman, **Mr A. Anthony Scull, JP,** reported that total assets had increased by 12 per cent to £32,191,636. Advances totalled £5,125,742 in respect of 2,922 securities, 99 per cent being advanced to owner-occupiers. At the year end, mortgage assets totalled £25,474,430, representing an average debt of £1,320. Share receipts totalled £5,566,537, and there was a net increase of £176,456 in deposits. The special deposit made by H.M. Government in respect of advances on pre-1919 properties increased by a net £518,660. Income was a record, and after management expenses, taxation, investors' interest, etc., there was a balance of £126,234, increasing the Reserves and unappropriated profit to £1,301,234. Liquid assets amounted to £5,976,514, or 18.6 per cent of total assets. £867,561 was in cash or withdrawable at par within 6 months, and the maturity value of the quoted securities exceeded the book value by £673,747.

Credit conditions and heavy mortgage demand had necessitated increases in interest rates. Although Bank Rate later fell to 6 per cent, demand for mortgages was still excessive, and in these circumstances, to reduce mortgage rates, and thereby investors' rates, would be unwise. Mr Scull hoped that the House Purchase Scheme, suspended in the "Little Budget" of July 1961, might one day be reintroduced.

The transfer of engagements of the St Marylebone and Suburban Building Society had been concluded, and new offices opened in Plymouth, Yeovil, Swindon and Regent Street, London.

The Report and Accounts for the year ended December 31, 1961, were adopted unanimously, and the retiring Directors were re-elected

THE FINANCIAL NEWS

PROGRESS DURING THE PAST YEAR

LORD ROBBINS REVIEWS THE COMPANY'S INTERESTS

The sixty-fourth Annual General Meeting of The Financial News Limited will be held on the company's premises, Bracken House, Cannon Street, London, EC, on May 22nd.

The following is the statement of **Lord Robbins, CB,** the chairman, circulated with the report and accounts for the year ended December 31, 1961:

Before I deal with the business of the past year, I have with much regret to record the death in November last year of A. E. Knock, who had been secretary of your company and its subsidiaries for 24 years. He gave loyally and unstintingly of his services and his death at the age of 55 was a great loss. To succeed him we have appointed Mr A. L. Emerick.

The Financial News group had another good year in 1961. The profits for the group for the year ended December 31, 1961, before charging taxation, amounted to £1,253,344 against £1,046,724 in the previous year.

These profits include a contribution from twenty-one months trading of E. & S. Livingstone from the date of acquisition, whose accounting year has now been altered to conform with the rest of the group. After taxation, deducting the profit attributable to outside shareholders in The Financial Times Limited and its subsidiary company the profit attributable to The Financial News is £351,575 compared with £327,497 in the previous year. Your directors recommend a Final Dividend of 30 per cent, less tax, which with the interim dividend of 15 per cent, less tax, already paid, makes a total of 45 per cent, less tax, for the year.

The Balance Sheet reflects the scrip issue made by The Financial Times Ltd. during the year. This has been shown by writing-up the cost of the shares by the nominal value of the scrip issue (£250,151) and transferring this amount to capital reserve.

I will now give some account of the activities of the companies in the group during the past year.

The Financial Times Limited had a successful year and as a copy of my statement reviewing its progress and developments is being sent to all shareholders in The Financial News Limited I need not go over the ground again.

INVESTORS CHRONICLE

The year 1961 was a more difficult one for the Investors Chronicle than 1960. In 1960, we had the benefit of the increase in the price of the paper instituted towards the end of 1959; at the beginning of the year, some of the advertising rates were raised; it was, at least in the first half of the period, a time of rising prices and great activity on the Stock Exchange; and finally, revenue was increased by the very successful supplement published in June to celebrate our centenary. Although the Investors Chronicle earned lower profits last year, for the reasons I have given we were not surprised that this has proved to be the case. In the current year to date, however, the Investors Chronicle is doing better than in the corresponding period of 1960, a state of affairs which reflects great credit on all concerned.

The Investors Chronicle remains the only publication of its kind to publish an audited figure of its circulation, and its average sale in 1961 was only very slightly below that of 1960, in the first half of which year, of course, the Stock Exchange was very active. We are satisfied the Investors Chronicle retains the commanding position established over so many years.

SOUTHERN AFRICA FINANCIAL MAIL

Just over three years ago, the Investors Chronicle took an equal participation with South African Associated Newspapers, Limited, in a new financial periodical centred on Johannesburg, the Southern Africa Financial Mail. I am pleased to report that the Financial Mail is now firmly established and has achieved the highest possible reputation in Southern African financial, industrial and economic circles for the authoritative and lively work it does in these spheres, and for its complete integrity. It is also, I am gratified to add, now earning satisfactory profits.

I would like to pay tribute to our partners in this venture; their conviction that the Financial Mail would ultimately prove to be the success it now is has never wavered. I would also like to pay tribute to Mr John Marvin, Editor of the paper. Mr Marvin was seconded to the Financial Mail from the staff of The Economist, and has done brilliantly in establishing the paper in so short a period.

THE BANKER

The Banker had a profitable year, achieving increases in revenues both from advertisements and from sales, which more than offset a further rise in costs. During the course of the year the editorial coverage continued to expand and broaden in its appeal. Special opportunities for informed comment and for articles from distinguished contributors were provided by the storms in the exchange market, the plans for strengthening the structure of world finance, the decision to apply for membership of the Common Market and the suggestions for decimalising Britain's currency.

On these and other topics of the day The Banker's lively and considered views have been well received by its readership throughout the world.

THE PRACTITIONER

The profits of The Practitioner have been well maintained: the circulation continues to increase in all parts of the world and is at an all time record.

E. & S. LIVINGSTONE

Last year I informed you of the purchase by the Practitioner of the whole of the capital of the well-known company of medical publishers, E. & S. Livingstone Limited. Our association with this new member of the group has been a most happy one and under the direction of Mr Charles Macmillan, the Chairman, and his colleagues the company has made gratifying progress during the past year. The worldwide demand for their publications continues to increase and some of the special journals that they publish go to as many as 66 different countries. One significant feature is that export sales amount to over 60 per cent of the total turnover. A number of important publications are in active preparation and the prospects for 1962 appear good.

THE ECONOMIST

During the past year the circulation of The Economist has risen to a record level of over 70,000. Plans for a fine new building in St James's Street are well advanced. Profits of The Economist Newspaper Limited have shown some reduction, but we have every confidence in the company's future.

BRITISH TELEMETER HOME VIEWING

Last year I reported that the Financial News Limited in company with the Financial Times Limited had acquired a small interest in British Telemeter Home Viewing Limited. At the end of last year we exercised an option to take up further shares in this Company. We now have, in partnership with the Financial Times, a 7½ per cent interest in the equity. While future developments depend upon the report of the Pilkington Committee and subsequent Government decisions your Board continues to believe that "pay television" has an important part to play in the future of entertainment. We also remain satisfied that in Telemeter we have a system of "pay television" which, because of its many unique characteristics, must play a leading part in this revolution. We now have associated with us in the Company, in addition to those mentioned last year, a Welsh group headed by Sir David Llewellyn.

J. & A. CHURCHILL

Since the close of the financial year, your Company made an offer of 52s. 6d. for each 10s. Ordinary Share and 20s. for each £1 Preference Share in J. & A. Churchill. The directors of J. & A. Churchill accepted the offer in respect of the shares they owned or controlled and unhesitatingly recommended acceptance on the part of the shareholders in the Company. Our offer has been accepted by holders of 99.08 per cent of the Ordinary Shares and 97.84 per cent of the Preference.

J. & A. Churchill are publishers of a wide range of medical and scientific books, including the Medical Directory, which first appeared in 1845. We have given an undertaking that the business of the company will continue to be conducted as a separate entity under its own name and management and that the rights and interests of the staff will be fully protected. We are happy to be able to say that Sir Adrian Jarvis and his colleagues have agreed to remain on the Board and we look forward to a cordial and profitable association with them and with this new member of our group.

CURRENT YEAR

I would like in conclusion to thank the members of our various staffs for their efforts during the past year. With regard to the current year, conditions are not easy, but I hope I have said enough to indicate that we have every confidence in the future of the growing interests of your Company.

THE FINANCIAL TIMES

YEAR OF PROGRESS: EFFECT OF RISING COSTS

LORD ROBBINS ON THE ECONOMIC SITUATION

The thirty-fourth Annual General Meeting of The Financial Times Limited will be held on the company's premises, Bracken House, Cannon Street, London, EC, on May 22nd.

The following is the statement of **Lord Robbins, CB,** the chairman, circulated with the report and accounts for the year ended December 31, 1961:

Before dealing with the Accounts, I have to record with very great regret the death during the year of A. E. Knock who had been Secretary of your Company for the past fifteen years, and Secretary of the parent Company for much longer. During all that time he gave unrelenting and loyal service to your Company. In his place, we have appointed Mr. A. L. Emerick.

The accounts presented to you show that your Company had a successful year in 1961. The group profit for the year was £1,005,560 compared with £873,088 last year, an increase of £132,472. Taxation takes £522,204 compared with £437,424 leaving £483,356 compared with the 1960 figure of £435,664. After making the adjustments set out in the accounts there is left £493,635 compared with £497,202.

An interim dividend of 7½ per cent less tax on the Ordinary shares was paid in November and your Directors now propose a final dividend of 15 per cent less tax making a total of 22½ per cent less tax for the year. This is equivalent to the 45 per cent paid in respect of 1960 before the bonus issue in June and is in accordance with the indications given at that time. The balance sheet reflects the capitalisation of reserves and other changes approved last June, and, apart from pointing to the further improvement in our financial position, does not call for comment.

BURDEN OF COSTS

The Financial Times made further progress last year but, with regard to the profit, I should point out that the increase was wholly earned in the first half of the year. We traded successfully throughout the year and our revenue continued to rise. During the second half of the year, however, the increase in costs more than offset the increase in revenue. I must emphasise that I am speaking of *increases* and that our actual profit in the second half of the year was satisfactory, although, naturally, we would have liked to have seen the rate of increase of the first six months continued. Up to date this year, our revenue has been fully maintained—a highly creditable performance on the part of our business departments and a tribute to the standing of the paper—but costs have continued to rise at a higher rate than income, and we anticipate a fall in gross profit for the year as a whole.

In a substantial part, the increase in the cost of producing and distributing your paper arises from the expansion of the paper itself. For many years now we have pursued a policy of improving the quality, size and editorial content of the paper. We have no doubt of the correctness of this policy and it has brought its rewards in larger circulation, higher prestige and enhanced advertising revenues. The best advertisement of *The Financial Times* is the paper itself. If I had to extol its merits I can think of no more effective way than to put a copy into the hands of any uncommitted reader. It is a well-written, well-produced product of a lively, well-informed editorial staff, most capably directed from the top. The expenditure of extra costs in achieving these ends has been, we are convinced, the best possible use of our resources and has laid a solid foundation for your continued stability and progress. A less palatable part of the increase in costs that we have had to bear is that which has brought no direct increase in output or improved services.

OPPORTUNITIES IN EUROPE

If this country enters the Common Market, the new economic future opening for ourselves and Europe should present a daily newspaper such as *The Financial Times* with a new challenge and great opportunities. You may be assured that we will do our utmost to meet that challenge and seize those opportunities. The more we and the countries of Europe know about one another's economic and business affairs the better it must be for our mutual welfare and I have every confidence that *The Financial Times* is well equipped to take its place in the forefront of any such new developments.

Editorially, the policy of expanding our service of overseas news and intelligence has been carried still further. News from Europe has been enlarged in scope and has now been grouped together on one page with overseas news from the rest of the world on another. North America has for many years had a section to itself.

On the business side, it is interesting to note that during 1961 advertisements appeared in the columns of *The Financial Times* from no fewer than 38 countries outside the Commonwealth and, on the distribution side, the paper is on sale in every important business centre on the Continent. During 1961, Surveys distributed with the paper were published dealing with Europe, Italy, Russia and Japan, in addition to insets of special pages ranging up to twelve in number devoted to New Zealand, provinces of Canada and other countries. We are, therefore, well based for further expansion overseas.

INDUSTRIAL NEWS

It is, of course, in what we can tell business men abroad about the changing aspects of industry in this country, as much as in the information we can present those at home about what is happening elsewhere, that we aim to be of use to the business community. I need not recount the wide range of industrial news that *The Financial Times* carries every day, or the vast amount of statistical and other material that makes the paper an invaluable source of record. Having mentioned Surveys and special pages dealing with overseas activities, I should, however, complete the picture by saying that last year, in addition to the 128-page Annual Survey on British Industry, some of the other home subjects dealt with included Electronics, Building, Packaging, the Motor and Aviation industries, and Banking.

The net sales continued to expand during 1961, the figure for the first six months being 131,631 and, for the second, 132,928. In 1960, the corresponding figures were 122,164 and 122,505. The volume of advertising was a record at 17,243 columns, compared with 16,355 columns in 1960. More than half our revenue from this source comes today from industrial display advertising covering every branch of industry. That *The Financial Times*, as you would expect, also remains pre-eminent in financial advertising is shown by the fact that in 1961 over 2,600 companies inserted reports of their company meetings, occupying 3,363 columns during the year.

ST. CLEMENTS PRESS

The Accounts of St. Clements Press Ltd., our printing subsidiary, showed a modest profit for 1961. During the year the larger of the freehold premises vacated by the former Speaights division of the Company, and the remainder of its plant, were sold and realised a substantial surplus on book value. Only a small section of the Speaight premises now remains to be sold.

While we continue to find the London labour costs a serious factor in the profitable printing of periodicals and magazines, St. Clements Press has succeeded during the past year in expanding its financial and company printing activities, and in developing its service to advertisers. It is especially in these latter directions, therefore, that the Company looks for useful expansion in the future.

HISTORY TODAY

History Today, in addition to its sales in this country, is now distributed in more than a hundred countries abroad and has a substantial and faithful readership in the USA. The average monthly sale continued to increase and during 1961 rose to 25,092 copies per issue. The readers of History Today clearly appreciate the attractiveness of its presentation, the distinction of its contributors and the quality of its highly varied articles.

INDUSTRIAL & TRADE FAIRS

Industrial & Trade Fairs Limited, our associated company of exhibition organisers, had a successful and interesting year. Its biggest enterprise, the British Trade Fair in Moscow, was an outstanding achievement and, as I can testify from personal observation, reflected the highest credit on its organisers. Its opening was attended by Mr Khrushchev and, apart from the valuable stimulus to Anglo-Russian trade that it afforded, it enabled over one million Russian citizens to see for the first time the achievements of British industry. The Company—in which we are partners with the George Newnes Group—was actively concerned in the reciprocal Soviet exhibition in London, the first of its kind to be held and marked by the visit, as the guest of the Company, of Major Gagarin, the Soviet space man. Over half a million visitors saw the exhibition. The Company, directly and through its subsidiary, Bridges Exhibitions, was also responsible in 1961 for

organising the Construction Equipment Exhibition at the exhibition grounds, made available by the LCC at the Crystal Palace, the Factory Equipment Exhibition, The Engineering Materials and Design Exhibition and the Engineering and Marine Exhibition.

APOLLO

Since the close of the financial year, The Financial Times has purchased the entire share capital of Apollo. This is an old-established monthly magazine devoted to the Arts and, under the editorship of Mr Denys Sutton and with new business management, we have every hope of reviving its fortunes. The first issue under the new direction appeared in March.

ECONOMIC SITUATION

The past year has been a period of some economic difficulty for the economy in general. The pressure on sterling, already a cause of anxiety earlier in the year, developed into a severe drain by mid-summer; and a supplementary budget combined with various restrictions on credit was introduced in July. These measures produced at once an alleviation of the external pressure, some slowing up of the pace of internal activity and, over the months that have elapsed, a gradual improvement in the balance of payments.

I cannot help thinking that these events have been the subject of considerable misapprehension. There have been many protests at the application of the brakes and many complaints that they were not doing what was intended of them. Neither of these attitudes seems to me to be justified. There can be no doubt that the pressure on sterling has been relieved and equally no doubt that the balance of payments position has improved.

It is true that the improvement has not yet gone nearly far enough for safety; but this is in the nature of things. The belief that an increase of exports must immediately follow domestic restrictions is based upon a complete misapprehension of the speed at which the economic system can be expected to adapt itself. If we wish to have a really strong position on balance of payments account we must not expect to get all we want in only a few months.

GOVERNMENT POLICY

As for the instruments involved—increased taxation and credit restriction—there is, of course, always room for argument concerning the expediency of particular measures: I think myself that, on this occasion, it would have been preferable to place more emphasis upon the restraint of consumption *via* taxation and less on monetary policy, valuable as monetary policy can be. But assuming that the rate of exchange was not to be altered—and it was certainly not demonstrated that we had yet reach a position of fundamental disequilibrium necessitating such a drastic step—there seems no reason to doubt the necessity of some restriction of the increase of income and expenditure.

The critics of the Government in this respect have to show that with no such restraint and with a continuation of local expenditure rising more rapidly than productivity, the pressure on the exchanges would nevertheless have eased and the balance of payments would have come into equilibrium. And that, I submit, is something which, with all the grumbling, no one has succeeded in doing yet awhile. The idea, which has sometimes been put forward, that on the eve of our entry into the common market negotiations we should have clapped on arbitrary import restrictions and continued to inflate, has never seemed to me either very practical or very sensible.

NEED FOR EARLIER ACTION

In saying all this I do not wish to be understood to be defending our general economic policy in the last few years; I am far from thinking that this has been particularly well conceived. But the vulnerable point, I suggest, is not in the application of the brakes as we approached the chasm—that was an action which only the village idiot would have neglected—but rather the failure at an earlier date to prevent the general levels of income and expenditure rising more rapidly than our productivity at home and the conditions of markets abroad made appropriate.

Needless to say, it would be wrong to argue that all our troubles arose from mistakes on the home front. The falling off of the invisible items in our international business was in part at least the consequence of policies elsewhere, especially in relation to shipping, which must be regarded as pure misfortune. The fact remains, however, that such conditions indicated, at a fixed rate of exchange, a smaller entitlement to an increase of incomes than would otherwise have been the case. But little account was taken of this; and at the same time the pressure of expenditure was allowed to increase so that during the eighteen months or so before the crisis there was at once a tendency to rising prices at home and to further un-balance in the trading account with abroad. What followed seems to have surprised some people. But it is what always happens when developments of this kind are allowed.

BASIC ERROR

It is a valid cause for concern that what has been done for the time being has impaired the rate of economic growth. I think it is possible to entertain exaggerated fears in this connection—most of the tables of comparative growth rates beg all sorts of questions, and the idea that there has been virtually no material growth recently will not bear inspection either of the side-walks or the skyline. But we can all agree that a stoppage of growth is intrinsically a bad thing; and in so far as there has been a stoppage or at least a slackening that is certainly to be regretted. But again the villain of the piece is *not* the measures which were taken to prevent all sorts of further upsets, conspicuously a sterling crisis of the first order of magnitude, but rather the lack of control which allowed the upswing of 1959 and after to get out of hand.

If there had been just a little more restraint at that time, there would have been need for much less later on. The belief that to secure a desirable rate of growth it is necessary to resort to financial policies which lead to internal inflation and external crisis seems to me to lack foundation either in theory or experience. At any rate it would be a pity to act on it until we have given the alternative policies a much better chance than they have had hitherto.

THE FUTURE

As to the future I think perhaps we could allow ourselves some mild degree of optimism, if only we could assume that the tendency for income and expenditure to rise unduly is not to be allowed to be resumed. The pressure on sterling is relaxed and there is some prospect of continuing improvement in the trade balance; conditions abroad, especially in Germany, suggest that if we do not let our costs get out of hand our competitive position may become easier.

But the proviso is all-important. It would be all too easy, once the feeling of crisis is relaxed, for the let-up to be exaggerated and once more to set in motion the evil cycle of recovery, over-expansion, inflation and balance of payments crisis, which has happened so often in the past. If that happens one prediction can be made with confidence, namely, that there will be no lack of experts trotting forth all sorts of esoteric explanations, anything indeed but the obvious one—that again we have accelerated too fast. It would be comforting to think that at last we had learnt our lesson; for there does not seem to be anything in the situation which is intrinsically unmanageable. But on that, perhaps, in the present confused state of public opinion, suspended judgment is the wiser attitude.

THANKS TO STAFF

In conclusion I would like, on behalf of the Directors, to express our thanks to all members of the Staff for their efforts on behalf of the Company during the past year. Our Company's prospects during the coming year are much dependent on general economic conditions and, as I have already indicated, these conditions have hardened since I last addressed you. Some fall in profits is therefore probably to be anticipated. But we have great confidence in the long-term development of the Company and in the efforts of the management and staff to promote it.

ENGINEERING COMPONENTS LIMITED

The twenty-seventh annual general meeting of Engineering Components Limited was held on May 2nd in London, **Mr C. C. Griffiths, OBE, MC** (the chairman), presiding.

The following is an extract from his circulated statement:

The past year has been difficult, following one of intense activity.

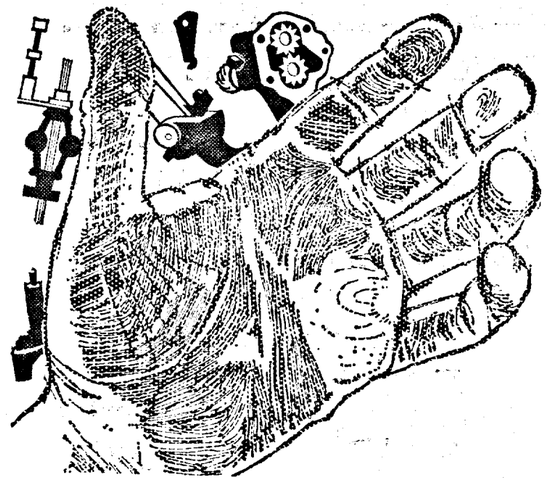
In my half yearly Statement I referred to the earlier months of the year and I am glad to report that we continued with a reasonable level of output during the last six months, which is reflected in the financial results. These, I hope, you will not think are entirely unsatisfactory.

With difficult trading conditions during the year throughout the automobile industry, we endeavoured to play our part, geared as our costs were to the previous year's record output. In addition, competition over this period, in many products has become ludicrous and if it had not been for constant attention to improving efficiency throughout the organisation, these results could not have been achieved.

Group profits were £666,035 against £829,471 in the previous year, showing a decrease of £163,436.

Our fortunes are largely dependent on the automobile industry, but we have every confidence that our relationship is such that we shall participate in its progress, both at Home and Overseas.

The report was adopted and a total dividend of 17½ per cent, less tax, approved.



FORD INVESTS IN PEOPLE

BY SIR PATRICK HENNESSY

This is a summary of the Chairman's statement to the 33rd Annual General Meeting held on 2 May.

For Ford of Britain, as for industry in general, 1961 was a year of disappointment with wide fluctuations in sales and shrinking profit margins.

In spite of this, it was another year of expansion for our Company and one of planning and preparation.

As confirmation of a continuing faith in the future and on the assumption of further reductions in purchase tax and removal of restrictions on trade, our expansion plan is moving ahead undiminished in speed and scale.

Our record capital expenditure in 1961 exceeded £34 million. For 1962 we have planned an even higher figure and in every four weeks we shall be investing more than we did in the whole of 1952.

The aim of this massive programme is two-fold: to take advantage of the intensively competitive opportunities if, as now seems likely, the UK joins the Common Market and to improve employees' working conditions.

In 1955 our investment in fixed assets was equivalent to £650 per employee: it is now £2,000 and will increase.

This growing investment in more efficient means of production will improve our ability to compete in export markets provided that its effect is not nullified by rising costs of wages and materials or by industrial disputes whether in our own or our suppliers' factories or in essential services.

The first cars are expected off the line this year at the new £30 million manufacturing plant at Halewood near Liverpool; a new head office is being built at Warley near Brentwood. Other major projects include the £10 million tractor plant at Basildon in Essex, a £7½ million addition to the Thames Foundry and extensive rearrangement and modernisation of the original Dagenham factory.

Expenditure on product engineering and styling has been increased and is running at a yearly rate of £5 million.

It is our policy to retain a well-tried design until a new development is proved beneficial to the customer from the functional, cost and reliability points of view. The Anglia is a typical example of this approach. The specification and performance of this rugged but stylish car is as good as any other car of its size and class in the world and we plan to retain it in our range.

It has continued to set the pace in car exports.

During 1961 four new models were introduced—the Consul Classic, the Capri, and the Estate Car and Van versions of the Anglia. All had an encouraging reception.

In April 1962 we have introduced the Zephyr/Zodiac Mark III, the Zodiac in particular offering a new standard of performance and luxury, and the normal control version of the Trader truck with a new chassis layout and an easy-access cab.

A very significant decision was made in January 1962 when Mr. H. H. Jeffries, a member of the Board and previously Director of Manufacture, was appointed as our first Director of Industrial Relations.

I appreciate the joint responsibility of management and employees in establishing sound industrial relations and it is our wish to improve our communications to assist in creating an atmosphere in which problems can be examined impartially.

I wish to express my personal appreciation of the continued support we have received from our dealers at home, from Ford companies and dealers overseas and from our suppliers during the disappointing trading conditions in 1961. In the past our employees have risen to the occasion in difficult times, and with the new competitive situation at home and abroad, I feel we can rely on our team to face this new challenge.

Although total sales (including parts, industrial engines and other sales) fell by only 4%, income before taxation declined by 34%. Rising costs were the main factor responsible for this large decline.

In the past the benefits of rising volume and increasing investment in modern plant and equipment have offset and masked the effect of higher wages, rising material prices and the cost of industrial disputes and disruptions. Volume decreased in 1961 and rising costs had a severe impact.

Difficulties on the domestic market arose almost entirely as the result of Government action. Violent and artificial changes in demand brought about by hire purchase restrictions and a purchase tax increase made it impossible to plan production in the most efficient way.

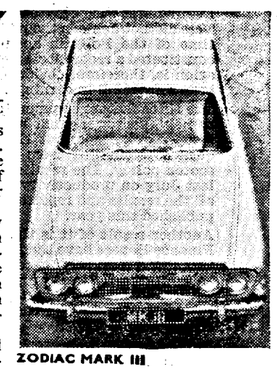
The British motor industry must have a large stable home market if it is to compete effectively in the export markets of the world.

We trust that the recent reduction in purchase tax on cars from 55% to 45% indicates that the Government has a full realisation of this axiom and that all future changes in purchase tax will be downwards.

In the export market, total sales fell largely as the result of reduced shipments to the U.S. and increased local manufacture in Commonwealth countries. Sales to Europe, however, increased and Ford of Britain maintained its position as the largest exporter of British cars to Europe.

I am pleased to be able to report that our sales to the Common Market countries increased by 78% over the previous year. The contribution by Ford of Britain to the U.K.'s exports in 1961 was over £100 million and in 1962 this figure is expected to be significantly higher.

I end this statement by referring again to the severe reduction in profit in 1961 and report that there has been an even more serious deterioration in the first three months of 1962.



ZODIAC MARK III

1961 RESULTS: 34% DECLINE IN INCOME

Summary of Sales and Income

	1960	1961
UNIT SALES Domestic	294,366	308,310
Export	252,403	204,502
Total	546,769	504,812
Sales value	£268.7m.	£259.0m.
Income before taxation	£33.7m.	£22.2m.
Taxation	£14.9m.	£7.9m.
Income after taxation	£18.8m.	£14.3m.
Dividend per share	3s.9d. (less tax)	3s.9d. (less tax)

FORWARD WITH Ford

CLAYTON DEWANDRE HOLDINGS LIMITED

Extracts from Mr A V Perry's Review

The Thirty-third Annual General Meeting of the Company will be held on the 24th May 1962 at the Company's London Office, 156–157 New Bond Street, London W1.

The following are extracts from the Chairman's Review which has been circulated to Stockholders with the Directors' Report and Statement of Accounts for the year ended 31st December 1961:

As this is the first year in which I address my comments to you on the Company as a pure holding company, I propose to go into some detail of the constituent units of the Group.

The holding company has acquired the entire issued capital of Follsain Limited. What informed your Board in this acquisition was our policy of diversification: but we did not want diversification for diversification's sake only. What we wanted was other businesses not wholly concerned with the motor vehicle industry but in which our own experience, skill and techniques could be utilised.

CLAYTON DEWANDRE COMPANY LIMITED
THE BRIDGE FOUNDRY COMPANY LIMITED
POWER BRAKES LIMITED

Dealing first with Clayton Dewandre Company Limited itself. This did not achieve the profit your Directors forecast at the time of the Follsain acquisition by some £21,000. Output constituted a record, being some 7½% up on 1960. Some explanation is, therefore, obviously necessary as to why there has been a shortfall in earnings.

The three factors common to almost all industries are there, namely, narrower profit margins, increased labour costs and steeper overheads, but the prime factor is the dire consequences stemming from the Government's economic hop-scotch policy. The results of "the great leap backwards" of last July on productivity have been apparent in pretty well all the results and reports of manufacturing companies so far published this year.

Another result of it is the erratic policy the Hire Purchase Finance Houses have been forced to adopt. Admittedly part of this stems from their excess enthusiasm in the years 1959 and 1960, resulting in heavy repossessions in the latter part of 1961, with consequently a glut of secondhand vehicles making it extremely difficult for the Trade to sell new vehicles during the past six months.

In our case we were working full stretch up to October, but then the heavy commercial vehicle manufacturers found they were manufacturing more vehicles than they could sell, and this resulted in their cutting back their demands on us, substantially in November and drastically in December.

I am not crying before we are hurt because this position has carried on into 1962. In the first three months of this year we have been working way below capacity at our Lincoln Works, and whilst the Government and the Heavy Vehicle Industry predict a fairly early up-surge it is only right to say that so far we have yet to see tangible evidence of this in the shape of increased schedules, rather than pious hopes. This must necessarily result in poor figures for the first half of 1962, and whilst we are not perturbed on the long view, it is disappointing. What makes it all the more infuriating is that we have spent vast sums on creating this up-to-date competitive capacity; we have good skilled labour, and have our fair share of the market, but yet in the result we find our outlet temporarily stopped up.

You will gather that we view the future with confidence, provided that we are allowed to do our job without sporadic and perplexed interference with the economy as a whole.

THE BRIDGE FOUNDRY COMPANY LIMITED

The same general remarks apply here as I have made in relation to Clayton Dewandre Company Limited. Sales were down 5½% and profit was down by 25%.

POWER BRAKES LIMITED

In the early part of the year under review these Works became fully operative, and without them it would have been impossible to achieve the high output from Lincoln for the first 10 months of the year. The venture has fully justified itself, but in common with the other manufacturing units it is finding itself working below capacity at the moment.

CLAYTON DEWANDRE (SOUTH AFRICA) (PTY) LTD

We are pleased with the progress of this Company. Despite its recent origin, it has made a small trading profit this year, and when there is added to this the revenue of sales to it from our Home Works the venture is paying off. We are satisfied with its prospects.

UNITS FORMERLY OWNED BY FOLLSAIN LIMITED

These units turned in better trading results and larger profits than their Directors forecast at the time of the merger (£127,851 against £84,327 in the previous year). These results reflect great credit on all those concerned in this branch of our enterprise.

FOLLSAIN-WYCLIFFE FOUNDRIES LIMITED

The weight of castings sold and the profit were again a record. Having regard to the fact that this unit serves a wide range of industries with specialised products, it is therefore in a position to take advantage of any general up-surge of demand if a reasonable level of activity is seen throughout the country.

VARATIO-STRATELINE GEARS LIMITED

There is a steady demand for the well established products of this Company, and with the greater capacity now available in the new Works they also can take advantage of any increased demand.

CAMPBELL GEARS LIMITED

This Company are specialised Gear Cutters. The first full year's trading under Follsain ownership resulted in a satisfactory volume of sales and trading profit. A wide range of the engineering industry makes increasing demands on the specialist gear cutter, and there seems good grounds for expecting expansion.

JOHN TANN LIMITED

This Company is the well known safe and strongroom Engineers. The new Works at Billericay, of which a lease has been taken, should be ready for occupation about the middle of this year, and manufacturing will be gradually moved there over the latter part of this year and early in 1963. The larger capacity of the new Works is urgently needed, as it has become impossible at the present Works to deal with the large volume of orders on hand.

The trading profits for 1961 were substantial and satisfactory.

Having regard to the heavy nature of the product, and that we are moving from premises we have occupied for some 80 years into new premises with a change over to modern productive methods, the disruption is bound to have an effect on profits in the current year.

The high quality of this Company's products is universally acknowledged, and when the new Works are in full production and we are getting nearer to meeting the existing demand, we think we can envisage further expansion and we see every reason for confidence in the long term future of this unit.

INDIA

A Company has been formed known as Sundaram-Clayton (Private) Limited, of which we own 49% and our Indian Partners own 51%. The Government licence for manufacture has been granted.

A factory is in course of erection at Madras, and the necessary plant and equipment is being ordered. It is anticipated that the Company will be in production in the second quarter of 1933.

That surveys all the activities of your Group.

Taking a broad view, despite the inevitable temporary setback in the first half of this year the Clayton Dewandre unit should view the future with confidence, and is in a position immediately to take advantage of any increase in demand. All the other units are efficient, with well established products and a good demand.

Our gratitude is due to the personnel of all the operating units, management, technicians and operatives, for the fine work they have put in during the year under review.

PROVINCIAL INSURANCE COMPANY LIMITED

MR PETER F. SCOTT'S STATEMENT

The Annual General Meeting of the Provincial Insurance Company Limited will take place at Kendal at 11.0 a.m. on May 21, 1962. The following is an extract from the statement of the Chairman, **Mr Peter F. Scott:**

There are two changes in the main Board which I would like to mention. Mr Roger S. Falk, O.B.E., having assumed wider responsibilities elsewhere, relinquished his deputy chairmanship but remains a director. Mr W. H. Gee, our General Manager, joined the Board in November.

It is with regret that I record the death during the year of Mr J. B. Black of Ayr, a member of our Scottish Board and an old friend of the Company. I am glad to welcome his partner, Mr Alex. Hay, to the vacant directorship.

Premium income increased by £359,625 and now exceeds £10 million. There was a reduction, for which we were prepared, in our overseas income: the account should be the healthier for this. The slight falling away in our marine income, which has advanced quickly in recent years, reflects a wish to restrict our commitments in certain classes. In the circumstances I consider the over-all increase satisfactory.

Underwriting profits of £524,715 in the fire and accident departments are a record for the Company. Three factors have contributed to this gratifying result. Our underwriting of the predominant home accounts has maintained its usual high standard: for the third successive year, and one in which we have absorbed the cost of higher salary scales, our ratio of costs to income shows a reduction: and, most welcome, our overseas operations after several lean years have produced a small profit, thus confirming the belief I expressed last year that our prospects in this field were brightening. Canada, in very competitive conditions, produced a modest profit; there was a useful surplus from Southern Africa on a reduced income; both the 'West African Provincial' and our branch in the Far East had an excellent year; and progress was maintained in East Africa and Ghana. Australia is another matter: costs there are intractable and competition for worthwhile business is intense. But these conditions are not peculiar to any particular market, and we have every confidence in management's ability to overcome them in Australia as elsewhere.

FIRE DEPARTMENT

	Premiums	Underwriting profit	Percentage of premiums
1961	£1,658,667	£64,908	3·9
1960	£1,600,514	£78,426	4·9

Despite the widespread publicity given to the danger and the cost of fires, the amount of direct damage caused by fire at home during 1961 was estimated at £39 million, which is still more than 50 per cent above the average for many years up to 1958. Unfortunately, there is no consistent pattern in the incidence of fires to explain this threat to the profitability of a section of our business which we have always regarded as one of the most stable. Freak windstorms and severe frosts during the year led to a steep rise in the number of claims for damage by these natural perils which are increasingly included in the protection given by fire policies.

The intensity of competition for fire business both at home and overseas showed little sign of diminishing, and especially at home the relentless pressure for rate reductions at each renewal slowed down our rate of growth, which was also inhibited by our policy of reducing our commitments on insurances which we consider are uneconomically rated.

ACCIDENT DEPARTMENT (INCLUDING MOTOR)

	Premiums	Underwriting profit	Percentage of premiums
1961	£6,978,596	£459,807	6·6
1960	£6,653,273	£60,467	0·9

In the home motor section the annual increase in the cost per claim, to which I referred last year, occurred once more. The rise was in fact even sharper, but increases in the rates for some types of goods vehicle and motor-cycle helped to offset it. Revisions in private-car rates beginning in September amounted to little more than a redistribution of charges designed to achieve a higher degree of equity as between different districts and a still greater discrimination in favour of motorists with five or more years free of claims.

However, I am glad to say that both at home and in nearly all territories overseas the motor account and most sections of other accident business, once again produced a profit. Our valuable home goods-in-transit business, while not yet fully restored to its former healthy state, showed much better results than in 1960 when claims for stolen goods were more serious than ever before: unhappily, however, our home burglary account suffered heavily from the crimes of 1961 and showed a loss. It has become necessary both to increase rates and to insist upon stricter standards of protection for business premises.

MARINE DEPARTMENT (INCLUDING AVIATION)

	Premiums	Marine Fund	Percentage of premiums
1961	£1,555,260	£2,246,933	144
1960	£1,579,111	£1,910,856	121

The casualty record, especially of fires and explosions, was heavier than average in 1961. If this trend continues and we are faced with the possibility of a rise in world-wide repair costs, the outlook for hull business will be less encouraging than it has been in the immediate past years. Cargo underwriting too continues to cause anxiety, mainly owing to severe competition, both at home and abroad.

In our aviation account there is a welcome improvement, and there are indications that the market rating during the past two years has been more soundly based than previously.

BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

The book value of our investments and property increased by over £1,900,000 during the year and there was a substantial appreciation in market value. Interest earnings and rents in 1961 at £880,000 showed an increase of £89,000 over the previous year. This increase is somewhat less than the record figure reported for 1960, and it appears probable that the rate of increase in 1962 will again be a little lower owing to the less favourable short-term prospects for dividends receivable on our ordinary share holdings.

The total credits to profit and loss account were £1,405,000. The disproportionate size of the tax charge of £693,000 is accounted for in part by an improvement of the marine results prior to 1960 after a series of unprofitable years.

DIVIDEND

Following such satisfactory trading results and a substantial increase in investment revenue, the directors would have felt justified in recommending an increase in dividend. Having regard, however, to the Chancellor's request for restraint, they recommend an unchanged dividend of 2s. 4½d. and a transfer of £250,000 to the general reserve. After giving effect to these recommendations the amount carried forward on the profit and loss appropriation account is increased by £21,000.

STAFF

The 'Provincial' has always provided pensions for the widows of men who die whilst in the Company's service. We have decided that the time has now come to vest in the staff a right to predetermined pensions for widows and we are accordingly creating a fund to which the Company and the employee will contribute.

During the year we have broadened the base of our employee shareholding scheme under which 67,870 ordinary shares of the Company are now held by members of the staff.

Our residential training college at Ycaland Manor was employed to capacity in 1961, and has played an important part in the dissemination of fresh thinking and new methods in the Company.

Once again I wish to thank our agents everywhere for their continued support and I also have much pleasure in expressing thanks on your behalf to our management and staff at home and abroad for the enthusiasm, effort and resource which have culminated in such a satisfactory year's trading.

ROSS GROUP LIMITED

ANOTHER YEAR OF PROGRESS

The following are salient features of the Accounts for the year ended 30th September, 1961, and the report by the Chairman, Mr. J. Carl Ross, to the Annual General Meeting on 27th April, 1962

" By a planned diversification of interests, Ross Group has now become an association of more than one hundred and thirty Companies."

PROFITS

The Group Net Profit before taxation is £1,066,418 (£600,677) after expenses of £1,204,497 (£775,745). These expenses include Depreciation £815,000 (£512,500) and Interest Charges £333,391 (£215,950). The Net Profit, after taxation, pre-acquisition profits and amounts attributable to outside shareholders and crediting exceptional items (net) £25,781 (£17,183), is £730,243 (£494,213).

Preference Dividends £9,188 (£9,188) and Ordinary Dividends £473,334 (£294,587) together absorb £482,422 (£303,775) leaving an amount retained in the Group of £247,721 (£190,438).

DIVERSIFICATION OF INTERESTS

This year, for the first time, the turnover given is for all Subsidiaries for a full year's trading :—

	1960	1961
Value of fish landed from our vessels	4,000,000	4,200,000
Fish Merchanting and Distribution	9,500,000	11,200,000
Frozen and other Foods : Production and Distribution	11,000,000	15,400,000
Day-Old Chicks and Broilers : Production and Sales	—	6,000,000
Shipbuilding, Engineering, Transport and Motor Distribution and Other Activities	3,500,000	5,200,000
	£28,000,000	£42,000,000

The true measure of our diversification is clearly apparent. With the exception of two small specialist Companies engaged in Fish Merchanting, none of the Companies acquired since 1st October, 1960 has been engaged in the Fishing Industry.

Apart from our investment in the Chicken Industry, which features in the breakdown of turnover for the first time, we have extended our interests in Frozen Food Distribution, Transport, Printing, Motor Distribution and Fresh Vegetable Merchanting. This spread of interests has proved invaluable to us.

In our Chicken Division, it is clear that we will not, during the current year, earn the Profits we had anticipated. We have every confidence that the position is under control and that the results from this Division for next year will be very much improved.

Another factor is that our Frozen Food Division is incurring heavy Capital Expenditure which cannot, in the initial stages, produce the Revenue required to maintain profitability. The growth potential of this section of our activities is, however, undeniable.

DIVIDEND FORECAST

Despite these disappointments in Current Trading, it is hoped by your Directors, as forecast in the circular to Shareholders of 5th September, 1961, to be able to recommend in respect of the current year Dividends totalling not less than 22%, less tax, on the Ordinary Share Capital which at present stands at approximately £4,600,000.

After commenting on the continued modernisation of the Trawling Fleet, the Chairman's Statement continued :—

ROSS FROZEN FOODS

The continuing expansion has resulted in a rise in sales of 40% over those of 1960. It is increasingly difficult, however, to maintain this rate of expansion whilst adhering to our high quality standards.

During the past year, production has been steadily increasing as the extensions to our Factories have been completed. The sales of portion packs to the Catering Trade are becoming an extremely important outlet for our production. It is our intention to maintain the highest quality standards in the Frozen Food Industry.

THE YOUNG GROUP OF COMPANIES

In placing on record my congratulations to the Management, I must mention that under the outstanding direction of the Young family, they have continued to increase their Sales and Profits.

STERLING GROUP OF COMPANIES

In May, 1961, your Company acquired the whole of the Share Capital of Sterling Poultry Products Limited. This was a major development in the history of Ross Group, and it represents by a considerable margin our largest single investment outside the Fishing Industry.

With its long experience and its National coverage, Sterling looks to the future with confidence.



STAFF

It is now, once again, my privilege, on behalf of my co-directors and the Shareholders, to thank the Executives, Staff and Employees at all levels for their contribution to the success of the Group during 1961.

BABCOCK & WILCOX, LIMITED

SIR KENNETH HAGUE'S REVIEW

FUTURE PROSPECTS VIEWED WITH CAUTIOUS OPTIMISM

HEAVY ENGINEERING INDUSTRY'S UNPRECEDENTED FINANCIAL BURDEN FROM PIONEERING WORK IN NUCLEAR POWER

The sixty-third Annual General Meeting of Babcock & Wilcox, Limited, will be held on May 24th at Federation of British Industries, 21, Tothill Street, London, S.W.1.

The following is an extract from the Statement of the Chairman, **Sir Kenneth Hague,** circulated with the Report and Accounts for the year ended December 31, 1961:

FINANCIAL COMMENTS

It is satisfactory to report, after a period of considerable anxiety, that the Company results are much more favourable than at one time seemed probable. Last October, after very careful consideration, your Board regretfully decided to omit the payment of an Interim Dividend on the Ordinary Stock. At that time the net earnings for the first six months were insufficient to cover any dividend, a number of important claims still remained to be settled and the Works' output was below budget. Although there was a prospect of recovery by the end of the year, your Board thought it wise to delay any dividend decision until the complete year's results were available.

In the event, some of the outstanding claims have been settled, Works' output improved considerably in the last quarter of the year, and the out-turn of various contracts completed during the year showed a small but distinct improvement. These developments, coupled with improved income from several overseas subsidiaries, have enabled the Board to recommend a dividend for the year of 9 per cent.

LOSSES ON NUCLEAR POWER STATION CONTRACTS

Last year, we transferred from Contingencies Reserve the sum of £700,000 as a further provision for excess expenditure on the Hinkley Point and Trawsfynydd Nuclear Power Station contracts: even this large sum has since proved to be insufficient and additional expenditure of £150,000 is expected and has been charged in the accounts. The net balance of the provision for possible future losses on nuclear contracts now stands at £288,731, which your Board consider to be sufficient to cover all remaining expenditure required to complete these contracts.

I do not believe it was the intention of H.M. Government that, by undertaking the pioneering work of the development and building of the first group of nuclear power stations in the country, the heavy engineering industry should have been burdened with unprecedented financial losses which, in my judgment, must now amount to at least £25,000,000. Our share of this burden has occurred at a time when profit margins on conventional contracts have been smaller than at any time in the past 30 years and quite inadequate to offset the excessive costs experienced on the nuclear work. We are submitting to the Central Electricity Generating Board claims arising out of the special character and conditions of the contracts; if these can be settled on a satisfactory basis, we will be able to restore at least some of the strength of our reserves—reserves which are so essential to this Company in the pursuit of its international trading.

ORDER BOOK

I am pleased to say that, since October when you were advised that the Order Book stood at a higher figure than for some years past, we have been awarded further important contracts at home and abroad. These include four radiant re-heat boilers for the burning of pulverised fuel at Cockenzie and two radiant bi-drum boilers for Methil, both these stations being operated by the South of Scotland Electricity Board; in addition, an order for the Trinidad and Tobago Electricity Commission for two radiant boilers and three boilers for the Government of India. Another important overseas order was that of our Australian Company for the Hazelwood Station of the State Electricity Commission of Victoria.

The introduction at the Dalmuir Works of new products—which are not related to boilers and are independent of their ordering cycles—will, we hope, make an important additional contribution to the volume of work in hand. One of the most notable of these new products is the Babcock-Marion excavator and crane.

However, as was explained to stockholders in the Annual Statement for the year 1958, the main reason for taking over the Dalmuir Works from the Ministry of Supply was the prospect of fabricating large vessels and equipment for nuclear power stations. Since that decision was made the national programme for nuclear power has been reduced, with the consequent slowing up of the award of orders for such power stations, and recent specifications are calling for containment vessels of concrete instead of steel. If this major change in design becomes an established fact, the reduction in requirements for steel vessels will again create a serious problem in respect of the loading of the unique manufacturing facilities which are available at Dalmuir Works.

Stockholders may be interested to know that the Sizewell nuclear contract, which was awarded last year to the English Electric, Babcock & Wilcox and Taylor Woodrow consortium, has made good progress, both in relation to shop manufacture and erection and is well up to schedule.

RESEARCH AND DEVELOPMENT

Profit margins on our supply contracts have not provided funds on the scale we regard as essential for our research and development activities. As a result, we have drawn on the Research and Development reserve, reducing it during the year from £185,431 to a nominal figure of £34,745 in order to maintain our research programme at a reasonable level having regard to the long-term interest of the Company. It is very much to be hoped that we shall soon be in a position to strengthen this reserve again to meet future requirements.

ACC-VICKERS-BABCOCK LTD., INDIA

The heavy engineering Works at Durgapur in Bengal, built by A-V-B (Associated Cement Companies of India, Ltd., Vickers Ltd., and Babcock & Wilcox Ltd.), was completed on schedule and is now in operation.

This Company has started its operations with a satisfactory order book and on behalf of Babcock & Wilcox Ltd. I should like to pay tribute to the Government of India for the help and encouragement they have given to this project.

BABCOCK & WILCOX OF AUSTRALIA PTY. LTD.

I was able to pay a short visit to Australia in February of this year and am able to report that your Australian Company is in a very sound position. The trading results of the Company did not reach the high total of the previous year but, nevertheless, satisfactory figures were attained.

After reviewing the activities of subsidiaries at Home and Overseas the Chairman continued:

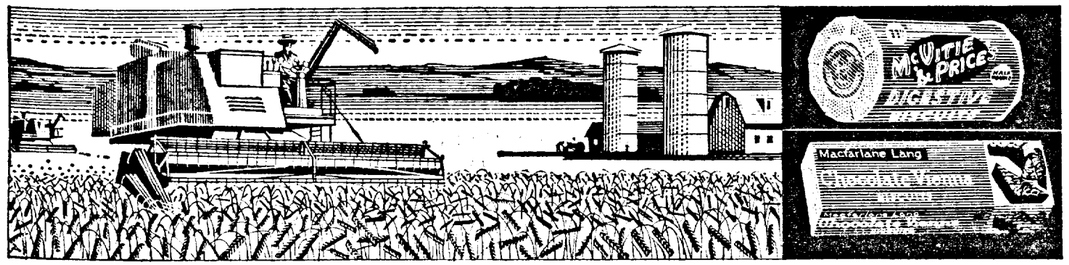
GENERAL REVIEW

For the past few years we have advised stockholders of the difficult conditions obtaining in the heavy plant industry in general, and in our section of the industry in particular. These difficulties have been accentuated by the rapid increase in the size of steam generating units required, resulting in large, but very few, contracts being placed annually by the chief buyers; and also by the advent of nuclear power plants to which we have already referred.

Whilst the general trading conditions are still difficult and profit margins inadequate, I consider there are reasons for cautious optimism regarding the future prospects of the Company. First, the steps which, as I reported last year, had been taken for reshaping the productive capacity to meet the present-day demands are already showing results. Full provision has now been made for the heavy losses on the nuclear power station contracts to cover all remaining expenditure, and we do not anticipate that similar problems will occur on the Sizewell contract.

I have already advised you that the present order book can be regarded as satisfactory. The Central Electricity Generating Board stated in their last annual report that during the next ten years more new generating capacity must be provided than is at present installed in all existing power stations in England and Wales, and it is reasonable to expect that your Company will receive its fair share of the contracts available.

Apart from the home market, we can expect to receive considerable business from overseas, in spite of the foreign competition which will undoubtedly be encountered. You are aware that much of the Company's overseas business is fulfilled in association with the Group Companies and I am confident that they will be able to maintain and expand the business in their respective territories. Thus the long term policy which your Board has pursued for very many years in establishing manufacturing plants in different parts of the world will prove to be fully justified.



STATEMENT BY THE CHAIRMAN **MR. P. G. MACDONALD**, J.P., W.S.

to be presented at the Annual General Meeting of United Biscuits Limited, to be held on May 31st, 1962, at the Caledonian Hotel, Edinburgh

UNITED BISCUITS LIMITED

AND SUBSIDIARY COMPANIES

McVitie & Price Ltd · Macfarlane, Lang & Co. Ltd · McVitie & Price (Canada) Ltd · S. Henderson & Sons Ltd

I AM AGAIN in the happy position of being able to report group sales for the past year which break all our records at a figure of over £21,600,000, an increase of £1,400,000 over the previous year. The trading profit figure is also again the highest recorded and this is particularly gratifying in a year when, despite increased costs, we reduced the price of two of our major selling lines, the ½lb. packets of McVitie & Price's Digestive and of Macfarlane Lang's Granola Digestive.

The Chancellor in his Budget has seen fit to levy a 15% Purchase Tax on chocolate biscuits along with sweets. I personally feel that he and his advisers would be better employed looking for ways and means, and they would not have far to look, to cut down drastically unnecessary Government expenditure and waste by nationalised industries. He could thus reduce taxes instead of looking for new impositions which, in this case, must affect the housewife and her daily purchases. Our industry, like all others which have pulled their weight for so long, has every right to demand now from the Government a much overdue reduction in the present overwhelming burden of taxation, our company's share of which for 1955 amounted to over £1,000,000 and for 1961 to over £1,500,000. The Chancellor asks us to produce and export more. We have done both and in return we again ask him to produce from all Government departments specific reductions in expenditure.

CAPITALISATION ISSUE In November 1961 we carried through a capitalisation issue of two ordinary shares of 10/- each for every three ordinary shares of £1 each then held, thereby increasing the ordinary capital from £4,500,000 to £6,000,000. Shareholders will recall that similar capitalisation issues were effected in May 1955 and November 1958 so that, as a result of these operations, the original ordinary share capital of £2,000,000 has been trebled. At the same time we took the opportunity of altering the nominal value of our ordinary shares by issuing two 10/- shares for every £1 share formerly held. This, your Directors believe, will increase the attractiveness of the shares. I take this opportunity of acknowledging the co-operation of the ordinary shareholders in sending in their certificates for exchange and I would remind any who may not yet have done so to send their old certificates as soon as possible to the Secretaries' office to be exchanged.

GROUP ACCOUNTS The group profit for the past year after charging depreciation, directors' remuneration, provision for pensions and auditors' fees amounted to £2,941,939 as against £2,877,023 in 1960, an increase of £64,916. Income tax and profits tax absorbed £1,520,754 (1960 £1,439,198), leaving after taxation a balance of £1,421,185 (1960 £1,437,825). The preference dividend for the year, less tax, absorbed £36,750.

An interim dividend of 6%, less tax, paid in October 1961 on the then issued ordinary share capital of £4,500,000 required £165,375 and your Directors recommend that a final dividend on the increased ordinary share capital of £6,000,000 be paid at the rate of 10%, less tax at 7/9d. in the £, requiring £367,500.

The total dividend for the year on the ordinary shares is equivalent to a rate of 14½% on the ordinary share capital of £6,000,000 now in issue and compares with an equivalent effective rate of 13½% for 1960 on the increased capital. After meeting the expenses of the increase in share capital, the balance of unappropriated profit of £828,162 (1960 £904,950) has been transferred to revenue reserve.

The group's capital expenditure amounted in 1961 to over £1,000,000 and as will be seen from the accounts our capital commitments at 31st December 1961 amounted to £560,000. From this it will be realised that we are continuing our policy of maintaining our factories and plant in a high degree of modernisation and efficiency.

EXPORT Our export trade continued to advance. Sales in Canada, our largest export market, increased by 6.8%.

THE FUTURE I am again in a position to report that for the first quarter of the current year the group sales show an increase on the corresponding period of the previous year.

MANAGEMENT AND STAFF Once more on behalf of the shareholders I would congratulate and thank everyone in our group for the combined effort which alone has made another successful and record year possible. We look forward with confidence to the challenging times which lie ahead.

TRADING SUMMARY

	in thousands of pounds					
	1952	1957	1958	1959	1960	1961
Turnover	7,500	17,300	18,200	18,500	20,200	21,600
Profit before depreciation and taxation	973	3,062	3,204	3,108	3,576	3,657
Depreciation	178	532	662	648	699	738
Taxation	505	1,329	1,302	1,132	1,439	1,521
Profit after taxation available for appropriation	290	1,181	1,240	1,328	1,438	1,398
Preference dividend	31	34	34	37	37	37
Profit after preference dividend	259	1,147	1,206	1,291	1,401	1,361
Dividend on ordinary shares	109	294	362	441	496	533
Profits retained	150	853	826	850	905	828

Copies of the Report and Accounts may be obtained from The Secretaries, United Biscuits Limited, 12 Hope Street, Edinburgh 2

FRIED. KRUPP

ESSEN, GERMANY

(Coal, Iron, Steel, Engineering, etc.)

INCREASED COMPETITION BUT TURNOVER MAINTAINED

INTERNATIONAL CONSORTIA FOR DEVELOPMENT PROJECTS RECOMMENDED

The following are details of the address given by HERR ALFRIED KRUPP VON BOHLEN UND HALBACH, owner of the KRUPP concern, on the occasion of the ceremony celebrating the long-service anniversaries of members of the Company's labour force, on March 31, 1962:

ANNIVERSARY

"I am particularly pleased to greet you here today, because I am able to count myself among those celebrating their long-service anniversary in 1961. On October 1st twenty-five years ago, I entered the firm of Krupp on completion of my studies in Aachen.

A few months ago, we also celebrated the 150th anniversary of our Company. This was only possible because you and thousands of your colleagues had worked so hard to rebuild our organisation after the war.

These occasions always provide a welcome opportunity to review our organisation's progress and I should, therefore, like to comment on developments during 1961. In the course of that year the economic picture underwent a marked change. The strong expansion slackened considerably, a trend which concerned the Federal German Republic as much as the other countries of Europe.

It is true that the economy of the United States has again recovered, so that generally speaking the western industrialised nations were spared a steep recession. However, although the economic situation has become more stable, it contains tensions which seriously menace industrial activity at least in some major sectors.

The period of economic expansion that lies behind us gave the far-seeing industrialist the opportunity to consolidate his business. It put us in a position where we were able to draw level with our competitors who had started their reconstruction years earlier. We have never noticed anything of a so-called excessive boom. On the other hand, we are today suffering from the consequences of this incomprehensible slogan.

REVIEW

In the course of 1961, demand on domestic markets declined and foreign orders also fell in the second half of the year. This was a result of the considerable stiffening of competition throughout the world. The German exporter has to struggle for his markets. Travelling abroad, I have increasingly come to the conclusion that we can no longer rely on the proverbial reputation for high quality which German products used to enjoy. Other industrial countries have caught up with us. The competitive pressure has moved into the field of pricing policy. Occasionally we are faced with quotations such as from eastern bloc countries with which we cannot compete. Pitiless competition prevails in the emergent countries. Finally, the position of the German exporter has also been aggravated by the revaluation of the D-Mark.

Generally speaking, the end of the year showed a decline in orders on hand, with the decrease in demand particularly marked in raw materials and capital goods. Steel production had to be curtailed towards the end of the year. Furthermore, the pricing situation has become untenable for German steel producers, as a result of the differences in taxation applied in the countries of the European Coal and Steel Community. In the light of these distortions, it is essential that equal competitive conditions should be created for steel within all countries of the E.C.S.C.

We continue to be greatly concerned about our mining operations. Our mines were involved in losses in the past year, and there is no sign of a general stabilisation in the competitive position in the mining field. The inevitable conclusion is that production has to be adapted to demand by rationalisation measures. An overall plan will be needed to make this field of operation structurally sound in the foreseeable future.

TURNOVER

As regards our results for 1961, we have been able to maintain our position at the previous year's levels, but business did not develop uniformly in the different sectors of our activities.

In 1961, FRIED. KRUPP and its associated companies reached a total turnover of DM 3,042m. Compared with the previous year this was an increase of 6.9 per cent. In 1960, however, the rate of growth exceeded 12 per cent. Exports accounted for DM 594m. in the year under review, a decline of DM 26m. compared with 1960.

Hütten- und Bergwerke Rheinhausen AG., including *Bochumer Verein*, had a turnover of DM 2,142m. This was DM 76m. or 3.4 per cent less than in the previous year; in comparison, in 1960 our raw materials sector showed an increase in turnover by over 20 per cent. Exports in 1961 were slightly up at DM 213m., compared with DM 203m. in the previous year.

Group turnover accordingly rose in 1961 to DM 5.184m. The rate of increase amounted to only 2.4 per cent, while in the previous year it came to 16 per cent. Allowing for internal deliveries, our external turnover totalled DM 4,215m., or only 2.2 per cent more than in 1960. Of this total exports accounted for DM 807m. or DM 15m. less than in the previous year, resulting in the share of exports in turnover declining from 20 per cent in 1960 to 19 per cent in 1961.

On December 31, 1961, FRIED. KRUPP and its associated companies had a labour force of 60,582 compared with 58,390 at the end of 1960. *Hütten- und Bergwerke Rheinhausen AG.* employed at the same time 53,293, compared with 53,947 at the end of the previous year. Accordingly the Group's total labour force at the end of the year under review came to 113,875, or 1,538 more than in the previous year.

I should prefer not to make predictions about the future. Briefly, our task is to achieve long-term security for our work. Despite our current level of operations, it will require the greatest efforts to maintain it.

ECONOMIC PROSPECTS

The speeding up of economic integration in Europe offers us rather fewer opportunities but more risks. This development will be underlined by the prospective entry into the E.E.C. of Great Britain and other countries. In the Federal Republic, as a low-tariff country, foreign competition has intensified considerably in the last few years and rising costs are rendering our competitive position vis-à-vis our partner countries more difficult. Nonetheless, we maintain our favourable attitude towards the European communities in the interests of international collaboration.

The emergent countries are facing us with increasing problems. In part, they are industrialising so fast that we ourselves have to offer technical standards jumping several stages in the industrialisation process. In constructing a technically excellent plant in Brazil, employing 1,750 people, we have also proved our readiness to take commercial risks, but in view of the multitude of the large projects to be carried out, the initiative of a single company is not enough. Projects of this kind call for international partnership. Through the formation of private international supply and financing consortia of a kind that we suggested some time ago, the commercial risks and technical tasks can become more bearable for each partner. But this alone would not be enough. We are again calling on the Government to provide legal protection for private property in the emergent countries

against unilateral State measures, and to guarantee proper yield on capital and capital repayment.

The management of our organisation is constantly endeavouring to secure orders, and rationalisation measures are more necessary than ever. Our main objective must be to raise the overall level of our work. Intensified measures will be taken to improve the qualifications of our staff at all levels, starting with apprentices.

SOCIAL CONTRIBUTIONS

Industry is seriously concerned with the absenteeism owing to illness prevailing for the past few months. There can be no doubt that the new law providing for the continuation of wages payments to workers in case of illness has been partly misused.

Our Company has provided social security contributions for the past 150 years. In part they pointed the way for subsequent legislation. In 1961, our total expenditure on staff for the Group's domestic undertakings, including *Hütten- und Bergwerke* and *Bochumer Verein* exceeded for the first time the DM 1,000m. mark: the amount was DM 1,157m. compared with DM 998m. in 1960. Despite this increase by DM 159m. the labour force of our domestic undertakings rose by only 1,814.

Wages and salaries amounted in 1961 to DM 901m. Compulsory social contributions came to DM 138m. or 15.3 per cent of the amount spent on wages and salaries during the year. In addition, we provided voluntary social contributions totalling DM 118m. or 13.1 per cent of the total wages and salaries bill. This figure does not include expenditure on staff housing. We have accepted these burdens, but in view of the tasks facing us we must reject unjust demands from whatever quarter they may come. It is precisely the increase in costs in the most recent past that causes us the greatest concern. Profit margins are constantly shrinking as a result of extraordinarily stiff competition.

I should like to point out that in 1961 we paid DM 272m. in taxes and other charges on behalf of the whole Group, including the sector of basic industry. In view of this burden, we must ask ourselves how we are going to raise in future the finance necessary for the increased rationalisation of our production programme. In the year under review we made capital investments in the Group's domestic undertakings, including the sector of basic industry, totalling about DM 290m., depreciations amounting to DM 202m.

Faced with these problems, we fail to have any sympathy with talk about 'excessive concentration.' The uncertain economic situation requires all our strength to secure work for our plants and our staff. We are not motivated by so-called desire for power, but by the responsibility for many human beings and their families. Furthermore, without large concerns and their private initiative, there can be no successful development aid. The magnitude of the tasks involved in this field can only be mastered jointly by large organisations.

You realise the responsibility we are carrying. It cannot be shouldered by the management of your Company alone, and I would ask you to help by your example to carry out our task for the welfare of all."

Statement by the Chairman of The Cape Asbestos Company Limited

CONTINUED STRENGTH IN DIFFICULT YEAR

Mr Giles Newton's Confidence in Company's Future Prosperity

The sixty-ninth annual general meeting of The Cape Asbestos Company Limited will be held on May 25th in London.

The following is an extract from the circulated statement of the Chairman, Mr Giles Newton, MBE:

The net profit of the Group, after deducting all charges except taxation, amounted to £1,702,619, which was approximately 8 per cent less than the all-time record of the year 1960 – a result which under the generally adverse circumstances can be regarded as creditable.

In my Statement last year, when expressing my continued confidence in the future of your Company, I pointed out that we could not expect to be untouched by the economic and political hazards which might befall industrial undertakings.

Our trading during the first six months of the year still maintained a slight upward trend, but after the credit squeeze imposed by the Government in July there was a serious fall in demand, especially from those industries – domestic refrigeration is a good example – which depend for their prosperity on active hire purchase conditions. In addition we met with a number of fortuitous hindrances to our mining production programme in South Africa during November and December; these have since been overcome, but they were responsible for a moderate decline in our total earnings from this source.

The net profit of the Group resulting from the year's operations, after taxation and all charges, amounts to £899,965 compared with £1,004,534 in 1960. Your Directors recommend the payment of a final dividend of 17½ per cent which, together with the interim dividend of 5 per cent already paid, brings the total for the year to 22½ per cent which is the same as that paid in the previous twelve months.

SALES

I have already referred to the fact that we experienced a setback in demand during the closing months of the year, an experience which was, I think, common to most firms engaged in kindred industries. Owing mainly to the inclusion of a full year's turnover by our new subsidiaries, of which the lion's share came from Small & Parkes, turnover throughout the Group increased by no less than 16 per cent.

The volume of sales of crude asbestos fibres was well maintained. Not only has 1961's entire output of Blue and Amosite fibre been sold, but contracts have already been signed for 1962's estimated production in full.

Including the very large shipments of asbestos fibres from South Africa to all countries other than the United Kingdom, the volume of our exports was no less than 30 per cent of the total sales turnover; an improvement of some 3 per cent on our previous figures. In the effort to stimulate our effectiveness in this vital field, visits have been paid by Directors and senior executives not only to customers in Western Europe, the United States, Japan, Australia, New Zealand, etc., but also to countries behind the Iron Curtain – Russia, Bulgaria, Czechoslovakia, Poland and Hungary, from certain of which satisfactory orders have already been received.

After referring to the Group's divisional activities, the statement concluded:

OUTLOOK

In our own sphere there has not, during the early months of 1962, been any recovery from the slight recession in the latter part of the preceding year.

While we shall use every endeavour to secure as great a share as possible of such business as is available, our overall results must inevitably be related to the general level of industrial activity. We have, however, a wide variety of products, and there are here and there encouraging signs of improvement. Our order book for asbestos fibre is complete, and increased productive capacity at many of our plants ensures our readiness to satisfy any growth in demand that can reasonably be anticipated at this stage. We have a number of new products which we believe will make an effective contribution to Group turnover. So far as South Africa is concerned, the inherent soundness of the Republic's economy is being increasingly demonstrated and the possibility of racial unrest appears to be less critical than in other parts of the Continent.

While short-term prospects are difficult to determine, in long term my confidence in the growing strength and further prosperity of your Company is undiminished.

THE CAPE GROUP, 1958-1961

	1961	1960	1959	1958
	£	£	£	£
Issued Ordinary Capital	3,713,000	3,705,000	3,400,000	2,900,000
Issued Preference Capital	250,000	250,000	250,000	250,000
Capital and Revenue Reserves	7,494,000	7,097,000	5,894,000	4,793,000
Shareholders' Funds	11,456,000	11,052,000	9,544,000	7,943,000
Fixed Assets	5,941,000	5,957,000	5,142,000	5,066,000
Current Assets	9,783,000	9,344,000	7,438,000	6,180,000
Current Liabilities	3,465,000	3,289,000	2,359,000	2,612,000
Net Current Assets	6,318,000	6,055,000	5,079,000	3,568,000
Net Profit of the Group after all charges other than taxation	1,703,000	1,859,000	1,581,000	1,384,000
Taxation of the year	803,000	854,000	643,000	636,000
Net profit attributable to The Cape Asbestos Company Limited	898,000	955,000	901,000	714,000

The Cape Asbestos Company Limited

114 and 116 PARK STREET, LONDON, W.1

$5,000,000

AEG

(Allgemeine Elektricitäts-Gesellschaft)

Senior Dollar Promissory Note due April 1, 1974

We acted for the Company in the arranging of this financing privately.

Goldman, Sachs & Co.

NEW YORK BOSTON CHICAGO PHILADELPHIA ST. LOUIS
LOS ANGELES ALBANY BALTIMORE BUFFALO DETROIT

April 16, 1962

PEARL

ASSURANCE COMPANY LIMITED

Chairman: **GEOFFREY KITCHEN, T.D., M.A.**

YEAR ENDING 31st DECEMBER, 1961

TOTAL ASSETS £331,156,587 **GROSS INCOME £69,563,514**

INVESTMENTS

The Assets show an increase of £20,407,885. The valuation of the investments, taking Stock Exchange securities at middle market prices, showed a substantial margin compared with the values shown in the Balance Sheet after taking into account the Investments Reserve Funds.

LIFE BRANCHES

In the two Life Branches the total sums assured on new policies issued amounted to £117,871,640 compared with £107,517,629 for 1960 and the total sums assured and bonuses in force amounted to over £841 millions (an increase for the year of over £65 millions). The total new annuities of all kinds amounted to £908,316 per annum.

FIRE AND ACCIDENT

In this Branch the premium income was £8,459,146.

REVERSIONARY BONUSES

ORDINARY BRANCH.—A reversionary bonus on United Kingdom participating policies has been declared at the rate of £2 16s. 0d. per £100 sum assured. The rate for "self-employed" participating deferred annuities is £3 per £100 annuity.

INDUSTRIAL BRANCH.—The sum of £5,666,607 has been allocated to provide bonuses in the Industrial Branch.

CHIEF OFFICES: HIGH HOLBORN, LONDON, W.C.1.

HUDSON'S BAY OIL & GAS CO. LTD.

At the Annual Meeting of shareholders of Hudson's Bay Oil & Gas Company Limited held in Calgary on Wednesday, April 25, 1962, all directors of the Company were re-elected. The directors are Ira H. Cram from New York, M. J. Foley from Quebec, Herbert H. Lank from Montreal, L. F. McCollum and Charles A. Perlitz, Jr. from Houston, J. R. Murray, James A. Richardson and J. E. Woods from Winnipeg, and G. T. Pearson and L. J. Richards from Calgary. The owners of 16,851,000 shares or 95 per cent of the total shares outstanding were represented at the meeting in person or by proxy. About 48 per cent of the company's employees own stock through participation in its thrift plan. At the organisational meeting of directors immediately following the Annual Meeting of shareholders the following directors were re-elected officers of the Company: Chas. E. Perlitz, Jr., Chairman of the Board, J. R. Murray, Vice-chairman of the Board, G. T. Pearson, President, and L. J. Richards, Senior, Vice-President. Other officers of the Company whose appointments continue are H. W. Blauvelt, Senior Vice-President, K. H. Burgis, Financial Vice-President and Treasurer, D. C. Jones, Vice-President of Production, M. B. Morris, Vice-President of Exploration, and F. J. Mair, Controller. John H. Currie was appointed Secretary to replace Ronald Suttill, a chartered accountant, who is returning to the accounting field to manage the company's production and pipe-line accounting. Subsequent to the election of Directors and Officers, G. T. Pearson resigned as President and a director of the Company effective June 1, 1962. Effective with his resignation it is contemplated that Mr Pearson will assume the position of a Senior Vice-President of Continental Oil Company. Wayne E. Glenn, a Vice-President of Continental Oil Company, was elected President and a Director of Hudson's Bay Oil & Gas Company Limited to succeed Mr Pearson, it was announced by Chas. A. Perlitz, Jr. Mr Glenn, who is a graduate in Petroleum Engineering from the University of Oklahoma, became associated with Continental in 1940. He held various positions in the production phase of Continental's business until 1954, when he was made Assistant Regional Manager of Production for the Rocky Mountain region. From 1958 until 1961 he was manager of the Production Department. Since 1961 Mr Glenn has served in an executive capacity in Continental's Administrative Department. In his new position Mr Pearson will be responsible for administration of Continental's operations in the United States and Canada. In this capacity he will have a continuing interest in the affairs of Hudson's Bay Oil & Gas Company Limited.

VENESTA LIMITED

LARGER SALES BUT REDUCED MARGINS

The Annual General Meeting of Venesta, Limited, will be held on May 28th in London.

The following is an extract from the statement by the chairman, **Mr S. A. Field**, which has been circulated with the report and accounts for the year ended December 31, 1961.

My statement with the Annual Accounts a year ago stressed that 1961, and probably the greater part of 1962, would be a period of consolidation, during which the integration of the many operations acquired with Winterbottom Industries would be a major task and that in the face of shrinking margins management would be fully stretched to maintain profits, which in 1960 were of the order of £1,700,000.

In the event, profits before tax at £1,623,000 were 4.6 per cent down, whereas sales, at £19.2m, were 3.6 per cent up. The pressure on profit margins was felt in varying degrees by all Divisions. This was especially true during the second half of the year, when the rate of increase in sales was slowing down in concert with the generally lower level of economic activity and the full effect was felt of cost increases that had been building up during the preceding eighteen months.

1961 was a strenuous year throughout the group and I would like to pay the warmest tribute to the many loyal and enthusiastic men and women at all levels for their hard work and cheerful acceptance of the many changes arising from the merger.

SHAREHOLDERS

The number of shareholders in Venesta is now 6,195, an increase of 1,013 over the past year, and it is our wish to provide them with full information concerning the group. With this object in view, a table has been included showing the breakdown of assets and profits between the Divisions, on the assumed basis that the present operating companies had all been part of the group for the past four years. At this stage some of the figures for the earlier years have had to be estimated and it will be possible to improve and extend this type of analysis as time goes on.

MANAGEMENT

Considerable progress was made during the year in strengthening organisation and management. This involved many promotions of existing staff and a considerable recruitment from outside. On the whole the group has settled down well in the face of so many changes and real progress has been made towards establishing the quality of management that is necessary for the tough, competitive conditions that now rule and the even tougher conditions that undoubtedly lie ahead.

As part of the programme for developing potential managers among existing staff, the first Venesta Spring School was held at Trinity Hall, Cambridge, during last month. It is hoped that, in addition to the more obvious benefits, the School will help to foster a corporate spirit and bring a sense of common purpose to the many operating companies at home and abroad.

RESOURCES

At the end of 1960, firm capital commitments existed for £503,000. During 1961 further commitments were sanctioned, amounting to £1,236,000. £1,107,000 was spent during the year against these commitments, leaving a balance outstanding at December 31st of £632,000. To complete the major programmes at home and abroad further expenditure of approximately £1,210,000 will be required, and of the total of approximately £1,840,000 some £1,040,000 will be provided from resources in the United Kingdom. The remainder will be financed by overseas subsidiaries from their own and other local sources. Payments will be spread over 1962 and 1963 and it is considered that the group's strong liquid position will enable these to be met without having to raise additional capital.

The money expended during 1961 produced no benefit in terms of that year's profits. On the contrary, start-up losses, costs of a major factory move and some disruption of current production adversely affected profits in the Plywood and Packaging Divisions. This tendency will continue in 1962, certainly during the first half. The latter half of the year should bring a better balance but it will be well into 1963 before any material benefit is derived from the heavy capital spending of 1961 and 1962.

THE OUTLOOK

There can be little doubt that the Government's special measures of last July, which were intended to act as a brake on an unhealthy growth in home demand, in fact served to accelerate a downward trend that had already set in. By the turn of the year, the general level of economic activity was probably lower than official estimates suggest. If the growth in demand which the Government expects to take place later in the year fails to materialise, it is to be hoped that positive steps will be taken to re-expand the economy.

Venesta in its present form is still a comparatively new group and the future will depend on the soundness of the foundations that are laid during its formative years. In all the circumstances, 1961 may be considered a satisfactory start, with progress in a number of important directions, and during 1962 the process should be carried a major stage forward.

It is more difficult to forecast the result in terms of profits. The external and internal factors that affected results adversely during the latter months of 1961 continued into 1962 and sales and profits in the first half of the year will be below those for the corresponding period of 1961. During the second half these adverse factors should bear less heavily on profits and, provided the Government's forecast of increased economic activity is realised, any shortfall against the results for 1961 is unlikely to be serious.

Looking further ahead, shareholders are entitled to expect an appreciable growth.

Copies of the Report and Accounts may be obtained from the Secretary, Venesta Limited, Vintry House, Queen Street Place, London, E.C.4.

DICTAPHONE COMPANY LIMITED

RECORD PRODUCTION ACHIEVED

MR LLOYD M. POWELL REVIEWS IMPROVED RESULTS

The Annual General Meeting of Dictaphone Company Limited was held recently in London, **Mr Lloyd M. Powell**, the chairman, presided, and in his address to shareholders recorded his pleasure in being able to report an all-over improvement in the results of the year's trading dealt with in the accounts. These reflected a greater turnover and corresponding profit, not only in Dictaphone Company but in the trading results of Dictaphone Corporation, which embraces all countries not included in the British activity.

He continued: Last year I referred to our intention to lay a firmer foundation for growth as well as continuing our efforts to improve sales and profits, and I am pleased to report that considerable progress has been made. Consolidated sales of the Corporation in 1961 were £13,523,816, compared with £13,193,360 in 1960. Total net profits in 1961 were £618,721, as compared with £543,337 in 1960. Our overall production has been the highest ever, limited only by the availability of skilled labour and materials.

This was particularly gratifying having regard to the difficult political and economical situation which had manifested a world-wide unsettlement during the period under review. It must be remembered that while the suppliers of materials raise their prices with monotonous regularity with each increase in wages, we are faced with the fact that our competition is not only with other British manufacturers but also with Continental companies. Our price margins of profit must therefore tend to decrease rather than increase.

In the rapidly expanding market for office dictation systems we retain our position of leadership. Improvements in our internal operations, progress with products of diversification, and renewed emphasis on research and development have contributed to the year's record. Your directors feel that the progressive policy of purchasing the most up-to-date high precision plant and equipment has been fully justified and will prove to be so in the future.

The stronger management installed in this, our British subsidiary company, was followed by a successful corporate change in our Canadian subsidiary, Dictaphone Corporation Ltd. New responsibilities have been given to the Canadian executives who now report to a seven-member board of directors, three of whom are Canadians. Market opportunities for office dictation machines are growing significantly. Office workers are increasing faster than any other major group in the nation's work force. In the United States alone there are 24,300,000 office workers now (31 per cent more than in 1950). It is expected that there will be 31,200,000 or about 37½ per cent of the nation's workers in offices by 1970.

Increased competitive activity has stimulated extra interest in dictation machine systems. We have full confidence in the quality of our products, in our sales force of more than 400 professional salesmen, and nearly 900 well-trained servicemen to further strengthen our position.

In January of this year a new product, the Dictaphone "Travel-Master" was introduced. This new machine is made at our British factory at Acton, and it is already selling well in the United States. In a few months' time it will be available in this market. This versatile portable machine, weighing only 5 lb, uses our standard Dictabelt record. It is powered by built-in rechargeable batteries, is attractively priced and should contribute substantially to sales and profits. It completes the most comprehensive line of dictation machine systems offered to business, professions, government and institutions.

With their strong well-balanced organisations, our companies are well prepared to profit by present and future opportunities. The prospect of wider sales is not confined to the Common Market, to which I referred in some detail in my speech last year. We are also very conscious of increased interests in the dominions and colonies. To review this ever increasing opportunity our managing director, Mr Clement Shread, has, during the last three months, made an extensive tour of 35,000 miles and reports that in Australia, where we have an organisation enjoying a wide coverage in what is rapidly becoming a very prosperous new world, our sales are running at 100 per cent increase on those for the previous year. In New Zealand and South Africa, where Government restrictions hinder our progress, our products are well received and our representatives are making great efforts to overcome political handicaps.

Undoubtedly one of the most impressive facts that emerged from Mr Shread's long tour was the performance of the Travel-Master Portable Dictaphone machine, which he carried throughout his journey. The machine travelled many, many thousand miles, in extreme climatic conditions—by air, road, and sea—in the heat of the outback of Australia, in the high altitudes, and in the big game country of Kenya, and in the humidity of Singapore. It was used daily for many demonstrations, without failure, over a period of two months—truly a Travel-Master!

It is, of course, difficult at present to forecast the trading pattern for the current year. Whilst under present conditions, there is no doubt that with hard work, backed by knowledge and experience, we should continue to get increasing recognition for our products.

I now beg to move the adoption of the accounts and the directors' report which have been in your hands for some time.

I shall ask Mr C. Harold Vernon to second this proposal. This was put to the meeting and carried unanimously. The retiring directors were re-elected, and Mr F. Graham Maw proposed a vote of thanks to the chairman for presiding. This terminated the proceedings.

HUDSON'S BAY OIL & GAS CO. LTD.

Net income of Hudson's Bay Oil & Gas Company Limited and its subsidiaries was $1,591,000 or 9 cents per share for the first quarter of 1962, an increase of 21.3 per cent over the net income of $1,312,000 or seven cents per share earned in the first quarter of last year. In his address to shareholders at the Annual Meeting in Calgary, G. T. Pearson, President of the Company, said that during the first quarter of this year net income was higher than comparable earnings for any previous first quarter in the Company's history. Mr Pearson said gross income was $7,645,000, an increase of $1,232,000 or 19.2 per cent over last year. With all categories of operating revenue showing improvement, sales of crude oil and natural gas liquids increased by $1,025,000 or 20.2 per cent, and sales of natural gas increased by $116,000 or 18.1 per cent. These figures do not reflect an increase in royalty rates put into effect by the Province of Alberta on April 8th, 1962. For the remainder of the year the resulting increase in royalties is estimated at $300,000. Total expenses for the period were $6,054,000, an increase of $953,000 or 18.7 per cent. Approximately two-thirds of the increase was attributable to an enlargement of the Company's exploration programme with the balance due primarily to operation of a larger number of wells and plants. Operating volumes reached new highs for a quarterly period. Production of crude oil and natural gas liquids averaged 29,588 barrels per day, an increase of 3,861 barrels per day, or 15.0 per cent over the first quarter of 1961. Sales of natural gas averaged 71.3 million cubic feet per day, an increase of 7.2 million cubic feet per day, or 11.2 per cent. During the first quarter of this year 42 gross or 24.7 net wells were completed, an increase of 19 gross or 10.9 net wells over the first quarter of 1961. This year's completions comprised 19 gross or 8.1 net exploratory wells and 23 gross or 16.6 net development wells. The exploratory drilling programme was highlighted by a one mile south-westerly extension to the Clark Lake Natural Gas Field in North-Eastern British Columbia. The extension well which was drilled on a 231,700-acre permit in which the Company owns a 30 per cent interest, has a calculated open flow potential of 21 million cubic feet of natural gas per day. The development programme was featured by successes in the Milligan Creek Crude Oil Field, also in North-Eastern British Columbia. The productive area of this field was enlarged by approximately 50 per cent with a consequent substantial addition to the Company's proven reserves of crude oil. In the field, Hudson's Bay Oil & Gas Company's largest natural gas project is in the West Whitecourt area of Central Alberta. The West Whitecourt Natural Gas Plant and related production facilities in which the Company owns a 41¼ per cent interest were recently brought into production and are undergoing final acceptance tests. The output from these facilities will add materially to the Company's sales of natural gas and natural gas liquids, said Mr Pearson.

MOTOR ACCESSORIES MANUFACTURERS ASSOCIATION LIMITED

THE PRESIDENT'S STATEMENT

The following was submitted to the Sixth Annual General Meeting of Members of the Association held on Monday, April 30, 1962, by the President, **Mr J. A. Middleton Joy, MC** (Edward Joy and Sons Limited):

In my last report to you I was able to announce that the President of the Board of Trade had decided to refer the question of the solus site system of retail sale of petrol in the United Kingdom to the Monopolies Commission. During the past year your Association has been actively engaged in relation to this important inquiry, and has made a formal submission to the Commission. A number of Members have also made individual submissions and given oral evidence before the Commission.

The Association has continued to give advice and assistance to solicitors and members of the retail trade on many aspects of petrol company agreements.

Last year, I mentioned that several petrol distributing companies were successfully entering the retail market in this country. During the last twelve months more companies have commenced or have announced their intention to commence retail operations here, and many of them are or will be selling petrol to the public at prices below those of the established brands. It is pleasing to your Association to find that these newcomers are adopting a non-restrictive attitude towards the independent lubricating oil manufacturers, in that their agreements (where such exist) appear to be concerned with petrol only, leaving the trader entirely free in the matter of the display and sale of lubricating oils and accessories.

As Members will have seen from the December, 1961, issue of the *Bulletin*, the Report of a Joint Committee of both Houses of Parliament in Tasmania has condemned the petrol companies' one-brand marketing policy in the following terms:

"The Committee is of the opinion that the present control of the industry by the oil companies is not achieving results for the good of the community. The weight of evidence demonstrated clearly that the companies have been exercising an unhealthy control of resellers through the operations of one-brand marketing, whilst the tremendous growth in the number of service stations has resulted in marked instability in the retail section of the trade."

The establishment of a marketing and licensing authority is recommended "to stabilise the marketing and distribution of petroleum products, the authority to be known as the Petroleum Marketing and Licensing Authority."

In Canada, the Restrictive Trade Practices Commission in September, 1961, held a four-day inquiry into the retail distribution of lubricants, tyres, batteries, and accessories. The Canadian press gave wide coverage to the evidence given before the Commission decrying the tactics of the major petroleum companies.

The Report of the Republic of Ireland Fair Trade Commission was published last December. The following is an extract from that Report:

"Having examined the facts and the arguments, the Commission are of the opinion that any arrangement is unfair which makes the supply of motor spirit to a dealer under a solus agreement conditional on the acceptance by him of restrictions in relation to lubricating oil."

I am pleased to be able to tell you that, following the Fair Trade Commission's report, the text of an Order has been published which, it is hoped, will soon become law. By the terms of the Order the solus agreements may in the future be for a period not exceeding five years. There is similar limitation in relation to Loan, Mortgage, and Hire Purchase Agreements which have the effect of binding the retailer to purchase his petrol exclusively from a particular wholesaler. A petrol supply agreement must not, as from the date of the coming into force of the Order, contain any restrictions in relation to the sale, advertising, or display of lubricating oils and any such provisions in existing agreements will become null and void. The Commission express the view that the policies adopted by the major petrol companies "tend in practice to limit the public in its choice of lubricating oils as they restrict the dealer's freedom to stock a range of lubricating oils and in the Commission's opinion, they are contrary to the public interest."

We are encouraged by the evidence of world-wide activity against the evils of the solus sites system in the retail petrol industry. With the continued support of our Members and our many good friends, I am certain that we can face the future with every confidence that freedom will prevail.

PRINCIPAL OBJECT OF THE ASSOCIATION

"To promote, by exchange of information and by concerted action, the unrestricted sale and display of accessories, tyres, batteries, oils and other products distributed by Members of the Association to the motor and allied trades."

CRUSADER INSURANCE CO. LTD.

CHAIRMAN'S STATEMENT

Mr Harvey Bowring, Chairman, Crusader Insurance Co. Ltd., draws attention in his annual statement to:

Record new business figures and a reduction in the overall expense ratio . . . the streamlining of office procedures made possible by the transfer of more routine work to the computer . . . the following table which illustrates progress made in the Life Branch:

	1960	1961	Percentage increase
	£	£	%
New Sums Assured ..	17,258,314	21,307,011	23·46
Life Premium Income	1,704,110	2,048,762	20·22
Life and Annuity Fund	9,546,077	11,141,661	16·71

The interest yield on the Fund rose by 5/- per cent to £6 0s. 1d. per cent.

In 1961 Group business accounted for £10,024,102 of the new sums assured while £3,234,585 came from Overseas . . . bonus rates on 'With Profit' Life Assurance policies which had again been improved . . . a 15 per cent increase in the Fire premium income, bringing it to £308,566—the Company's tradition of service which enabled it to keep abreast of opportunities and to meet competition successfully.

NATIONAL BANK OF PAKISTAN

1961, A YEAR OF UNPARALLELED PROGRESS

PROFIT OF Rs. 17,400,000

In his Report on the Bank's operations during the year 1961 which its President, **Mr Hoshang N. E. Dinshaw**, presented at the thirteenth Annual General Meeting held at Karachi on April 20, 1962, he revealed a record of unparalleled progress and an ever-increasing contribution to the economic development of Pakistan.

Thirty-eight NEW OFFICES were opened during the year bringing the total number of offices to 194, including 5 abroad. The Bank has a large number of new centres on its expansion programme during 1962. Already 14 new offices have been opened since January, bringing the total number to 208.

DEPOSITS touched the peak at Rs. 1,127,600,000 in November last. Total deposits at the end of the year stood at Rs. 1,046,000,000 as against Rs. 885,100,000 in 1960—an increase of 18.18 per cent. Bank's deposits in Pakistan registered an increase of 14.40 per cent over the year as against an increase of 11.83 per cent in the case of other scheduled banks. The Bank's share in the total scheduled bank's deposits in the country increasing steadily from year to year rose from 28.5 per cent at the close of 1960 to 29.0 per cent this year.

ADVANCES which totalled Rs. 664,100,000 on December 31, 1960, rose by 44.84 per cent to Rs. 961,900,000 at the end of 1961. Advances in Pakistan rose by 46.64 per cent to Rs. 956,400,000 over the year as against a corresponding increase of 23.43 per cent in the case of other scheduled banks. This phenomenal rise more than shares the national trend in credit expansion and has been contributed to substantially both by increased assistance to the Government in the implementation of their food-grains procurement scheme and the Bank's enlarged credit facilities to the private sector. Finances to the Government exercised no pressure on the Bank's resources as they were counter-financed by the State Bank of Pakistan.

INVESTMENT portfolio expanded from Rs. 378,900,000 on December 31, 1960, to Rs. 410,900,000 on the same date this year. Investments in Pakistan at Rs. 395,600,000 showed an increase of 8.89 per cent over the year, which is very significant in view of the fact that investments of other scheduled banks declined by 11.83 per cent during the same period. The Bank's contribution to the total scheduled bank's investments in the country rose from 27.13 per cent at the end of 1960 to 31.50 per cent at the end of 1961.

FOREIGN EXCHANGE business showed a sizeable expansion. The Bank's offices in Pakistan handled imports amounting to Rs. 985,300,000 as compared with Rs. 936,100,000 in 1960. Exports handled totalled Rs. 338,400,000 as against Rs. 268,600,000 last year. Foreign offices transacted import business aggregating Rs. 265,200,000 as against Rs. 212,800,000 and export business Rs. 181,800,000 as against Rs. 126,000,000 in 1960.

PROFIT earned in 1961 amounted to Rs. 17,400,000 which showed an increase of 46 per cent over the 1960 record figure of Rs. 11,900,000. The ratio of Establishment expenses to gross income registered a sizeable decrease from 31.10 per cent in 1960 to 24.55 per cent this year which is an all-time low. This record profit has been made possible by an all-round expansion of our business and more discreet check over the purse.

With an allocation of Rs. 7,000,000 this year, the RESERVE FUND stands at Rs. 28,000,000. This includes Rs. 3,000,000 to be transferred to the Bank's Share Capital Account which will raise the paid-up value of each share from Rs. 25.00 to Rs. 30.00.

Another welcome feature of the allocation is the increase in the rate of DIVIDEND from Rs. 2.25 per share last year to Rs. 2.50 per share this year.

BONUS to staff has been liberalised to include dearness allowance right up to officers and an additional bonus to employees in category II in line with the employees in categories III and IV.

In his review, the President paid tribute to the services of Mr Abdul Qadir, the former Managing Director, who relinquished charge in January last to join the Presidential Cabinet as Finance Minister. Under his guidance said the President, the Bank attained the record height of success and prosperity.

Welcoming the new Managing Director, Mr Mumtaz Hasan, Mr Dinshaw observed that he commanded not only vast experience in the field of finance both on national and international levels but also practical training in banking. The President especially referred to Mr Mumtaz Hasan's long and close association with the National Bank of Pakistan as its first chairman, in which capacity he guided it in tiding over the crisis in jute trade in 1949 and his significant contribution to its growth during the 10 years when he was its director as a government nominee.

THE DELTA METAL COMPANY LIMITED

RECORD OF SOLID ACHIEVEMENTS

The seventy-fourth annual general meeting of The Delta Metal Company Limited was held on April 30th in London, **Mr W. E. Ogden, MC, FCA** (the Chairman), presiding.

The following is an extract from his circulated review:

1961 has been a year of further consolidation and progress. Profits have for the first time exceeded the £4 million mark, and it is perhaps an appropriate occasion therefore to look back over the last few years and review the progress of the Company since the inception of its expansion programme in 1953.

During that time profits have increased from £988,000 to £4,457,000 and the rate of Ordinary dividend (allowing for scrip issues) has been raised from the equivalent of 12.1 per cent to 20 per cent. We have earned over the period total profits of nearly £20 million, of which £10 million has been paid to the Government in taxes, just under £5 million to our shareholders in net dividends, and the balance has been ploughed back into the business. These are solid achievements, and it is only right that in commenting on them, I should express my appreciation of the loyalty and enthusiasm of workers at all levels who have made them possible, and who have justly shared in the benefits they have brought, through the Company's profit-sharing schemes.

That, however, is only one side of the picture. What is more important is to examine the real purpose underlying this policy of expansion, to see how far its objects have been achieved, and to try and assess its effects on the future prospects of the Company.

THE CHALLENGE OF FOREIGN COMPETITION

Four years ago I warned shareholders that the advent of the European Common Market—then beginning to loom up on the horizon—would be a testing time for us as well as for many others, and that whilst I had no doubt that we should eventually win through, it might well entail temporary sacrifices on the part of workers and shareholders alike. This was not the first time that my colleagues and I had given serious thought to the situation which could arise in the non-ferrous metals industry, if and when its protecting tariffs were removed. We had in fact decided some years before that the most effective way to prepare for this contingency and at the same time safeguard our position as the principal extruder of brass rod in the Country was to extend our activities into a wider field, to rationalise production, cut our unnecessary duplication of effort, and build up a strong, broadly-based Group in our own particular section of the industry. That has been the guiding principle behind our policy of recent years, for we were firmly convinced that by linking up with those of a like mind to our own, we should be able not only to give more efficient and profitable service to consumers in this country but at the same time equip ourselves to meet competition from abroad when it came. The figures quoted above afford evidence. I think, that we have succeeded in the first of these objectives; the test of the second has yet to come. When it does, I am confident that we shall be in a far stronger position to meet the challenge than if we had remained on the comparatively narrow basis on which we were working in 1953—better able to defend our home markets and better able to go out and meet the foreigner on his own ground and give a good account of ourselves.

The report was adopted.

APPOINTMENTS

AUSTRALIA
THE UNIVERSITY OF NEW SOUTH WALES

Applications are invited for appointment as SENIOR LECTURERS OR LECTURERS IN THE SCHOOL OF ECONOMICS.

Salary: Senior Lecturer, £A2,594 range £A3,044 per annum. Lecturer, £A1,774 range £A2,479 per annum.

Commencing salary according to qualifications and experience.

Applicants must have an honours degree or equivalent qualifications. The University is seeking applications in the fields of:

Economics.
Economic History.
The History of Economic Thought.

Successful applicants will be eligible, subject to passing a medical examination, to contribute to the State Superannuation Fund.

First class air fares to Sydney *at appointees* and their families will be paid.

Four copies of applications, including the names of two referees, should be lodged with the Agent General for New South Wales, 56-57 Strand, London, W.C.2, and a copy forwarded to the Appointments Section, The University of New South Wales, Box 1, Post Office, Kensington, N.S.W., by airmail, to reach there before 18th MAY, 1962.

MONASH UNIVERSITY
CLAYTON, VICTORIA, AUSTRALIA

SENIOR LECTURESHIPS AND LECTURESHIPS IN ECONOMICS

Applications are invited for *appointment* to Senior Lectureships and *Lectureships in* Economics. Applications will be welcomed from applicants interested in any of the fields of *Economics, Economic Statistics and Economic* History.

Applicants should possess at least a degree *with honours or an equivalent qualification.* Every encouragement will be given to the successful applicants to pursue their individual research interests.

Salary scales: Senior Lecturer £A2,480-£A3,080; Lecturer £A1,660-£A2,450, with provision for superannuation on the F.S.S.U. basis.

Detailed conditions of appointment may be had from the Registrar of the University or from the Secretary, Association of Universities of the British Commonwealth (Branch Office), Marlborough House, Pall Mall, London, S.W.1.

Applications close in Australia and London on 23rd *May, 1962.*

AGRICULTURAL RESEARCH COUNCIL

STATISTICS GROUP

Graduate Mathematician required; previous statistical experience not essential. Starting salary £508 p.a. at age 21 to £901 p.a. at age 28 or more according to qualifications and experience. Write giving age, qualifications and names of two persons to whom reference may be made should be sent to the Secretary, School of Agriculture, Cambridge, not later than May 26, 1962.

MAKERERE UNIVERSITY COLLEGE—EAST AFRICA

Applications are invited for Resident Tutorship in Department of Extra-Mural Studies. Appointee will work in first instance in Northern Uganda, based on Gulu. Salary scale £1,350-£2,151 p.a., entry point determined by qualifications and experience. F.S.S.U. Child allowance £50 p.a. per child (maximum £150 p.a.). Passages for appointee and family *on to the adult passages on* appointment, termination and leave (three months every 21 months). Part-furnished quarters at low controlled rental or housing allowance in lieu. Detailed applications (6 copies) naming three referees by June 4, 1962, to Secretary, Inter-University Council for Higher Education Overseas, 29 Woburn Square, London, W.C.1, from whom further particulars may be obtained.

For further appointments and other classified advertisements see pages 511 and 512

London County Council

ARCHITECTS' DEPARTMENT PLANNING DIVISION

Applications invited from Statisticians or Economists interested in statistics for Town Planning research work. Information from 1961 *Census, landuse* and floor space surveys and other surveys will be processed by an I.B.M.1401 computer and person appointed would prepare requirements and work for programming by computer organisation, deal with queries and interpret results for Town Planning staff.

£930-£1,250 according to qualifications and experience.

Computer experience an advantage but not essential.

Application Form, returnable by May 11, from Homer Bennett, F.R.I.B.A., I.R.I. 955 53, County Hall, S.E.1.

CROYDON

THE COUNTY BOROUGH OF CROYDON EDUCATION COMMITTEE invite applications from suitably qualified teachers for the following vacancies available in September:

CROYDON TECHNICAL COLLEGE, FAIRFIELD, CROYDON

Principal: D. N. Argyll, M.B.E., B.Sc., M.Ed.

DEPARTMENT OF BUSINESS STUDIES

Lecturers to teach law and Legal Subjects for advanced professional and business courses. Candidates should be graduates and preferably members of a professional institute with some legal and/or business experience.

Salary in accordance with the Burnham Technical Scale, i.e. £1,080 x 30 to £1,500 plus London Area Allowance of either £45 or £60 according to qualifications.

Further particulars and forms of application may be obtained from the Chief Education Officer, Education Offices, Katharine Street, Croydon, and should be returned to the Principal at the College not later than fourteen days from the appearance of this advertisement.

SECOND year students L.S.E., required, part-time work, social-marketing study. Six weeks beginning third week May, London area. —Miss Berlein, CROydon 5749.

MONASH UNIVERSITY
CLAYTON, VICTORIA, AUSTRALIA

SENIOR LECTURESHIPS AND LECTURESHIPS IN POLITICS

Applications are invited for appointment to Senior Lectureships and Lectureships in Politics.

While applications will be welcomed from applicants interested in any field of politics, the Department of Politics is especially concerned to attract applicants interested in the fields of Political Theory, Political Sociology, Asian Politics and International Relations.

The successful applicants will be encouraged to pursue their individual research interests, and teaching duties will, as far as possible, be allotted with these in mind.

Salary scales: Senior Lecturer £A2,480-£A3,080; Lecturer £A1,660-£A2,450, with provision for superannuation on the F.S.S.U. basis.

Detailed conditions of appointment may be had from the Registrar of the University, or from the Secretary, Association of Universities of the British Commonwealth (Branch Office), Marlborough House, Pall Mall, London S.W.1.

Applications close in Australia and London on 4th *June, 1962.*

CENTRAL ELECTRICITY GENERATING BOARD
NORTH EASTERN REGION

REGIONAL OPERATIONAL RESEARCH ENGINEER

Applications are invited for the appointment of Regional Operational Research Engineer, with headquarters at Leeds.

The work involves the application of appropriate techniques to problems arising within the generating stations, transmission systems and the Divisional and Regional organisations, in order that the most effective use can be made of plant and man-power.

Qualities essential for the post are a critical approach to problems, a capacity for analysis of results and a keen interest in all aspects of Industrial Management.

The work calls for tact and persistence in achieving the acceptance of recommendations and the ability of inspiring the confidence of staff at all levels is essential.

Candidates should be suitably trained in either Mathematics, Engineering or a branch of the Sciences and previous experience of operational research is desirable.

The salary for this appointment will be in accordance with the National Joint Board Agreement, Grade Chief Scientific Officer, £1,880-£2,250 per annum. Age limit will commence at a point commensurate with qualifications and experience.

Forms of application may be obtained from the Regional Personnel Officer, Central Electricity Generating Board, North Eastern Region, 15 Whitehall Road, Leeds, 1, to whom they should be returned not later than 16th May, 1962.

CITY OF PORTSMOUTH COLLEGE OF TECHNOLOGY

Principal: W. Davey, B.Sc., Ph.D., F.R.I.C.

Applications are invited for a new full-time appointment of Lecturer in the Department of Commerce.

Applicants should hold an Honours Degree in Economics or Economics and have a special interest in marketing and current marketing problems. The appointment is partly likely suitable for and offers good prospects to a man who has had some Post-Graduate Experience in business and is prepared to carry out research for which facilities will be provided.

Further particulars and forms of application may be obtained from the Registrar, College of Technology, to whom application should be made as early as possible.

COMPANY AFFAIRS

In the London stock market equities lost some of their recent buoyancy but gains immediately after the further cut in Bank rate left The Economist *indicator 3 points higher over the week at 362.4. After the recent sharp gains particularly in brewery and property shares investors were more eager to take their profits despite the new capital gains tax. The prospect of a national dock strike was one factor in keeping buyers away from the market. Gilt-edged have been helped by the Chancellor's statement on sterling and gains have been most marked among the medium-dated issues.*

Ford Motor

THE drop of 34 per cent in Ford's trading profit from £33.6 million to £22.2 million in 1961, when sales fell by only four per cent, from £268.7 million to £259 million, confirms what the interim report from the British Motor Corporation had already revealed about the decline in margins in the British motor industry. Sir Patrick Hennessy, chairman of Ford, says that "there has been an even more serious deterioration [in profits] in the first three months of 1962"—even though the prices of Ford cars were raised in December. Ford's share of the home market has been falling (unlike that of BMC) and as home sales are much more profitable than exports, this will have added to the effect of rising costs on Ford's margins. Moreover, the low prices at which Ford is selling its cars in the common market countries suggests that it is earning little, if any, profits from these export sales. With no new small car in prospect this year, Ford can only hope to add significantly to its present 23 per cent or so of the market if waiting lists for BMC's Minis re-appear this summer—as they may well do. Ford however is the car maker best placed to profit from the cut in purchase tax; but for this fact its prospects this year would have been gloomy indeed. The new Zephyr-Zodiac models will help in the bigger car range, though Ford was already quite well placed here.

Ford has not allowed the gloomy present to affect its expansion schemes: it spent £34 million last year—BMC only spent £20 million, though it does rely on Pressed Steel for much of its new body plant—and Sir Patrick says that even more will be spent this year. The biggest item seems to be the new body-building and assembly plant at Halewood, near Liverpool, costing about £30 million and adding some 200,000 cars to the company's capacity; it is due to start production by the end of this year. But Ford is also spending heavily at Dagenham on modernisation and extensions; its capacity for all vehicles in 1960 was about 12,500 a week and now may be 15,000, it looks like exceeding 20,000 by 1964-65. Ford must be hoping for better margins by then.

Babcock and Wilcox

THE ordinary dividend from Babcock and Wilcox was short earned both in 1959 and 1960 and as late as last October the directors passed the interim dividend. Hence the preliminary statement a fortnight ago, announcing an increase of 38 per cent in gross profits from £641,000 to £886,000 and a maintained total dividend of 9 per cent, now covered 1.4 times, came as a pleasant surprise. The chairman, Sir Kenneth Hague, gives four reasons why the directors were able to recommend this dividend. First, some of the outstanding claims on contracts have been settled; secondly, output improved considerably in the last quarter of the year; thirdly there was a "small but distinct improvement" in the profits on various contracts completed during the year; and, finally, income from some of the overseas subsidiaries rose.

The first sign of brighter prospects came in October when the directors said that the order book was higher than it had been for four years. Sir Kenneth gives details of further orders received since then and says that "the steps for re-shaping productive capacity to meet present day demands are already showing results." A provision, which it is hoped will be final, of £150,000 against losses on nuclear power station contracts was made in the 1961 accounts; Sir Kenneth does not expect the Sizewell contract to pose problems similar to those associated with the earlier contracts and says the net balance of nearly £290,000 available to meet any further losses on them should be sufficient. End-year capital commitments of £793,000 should be covered by the cash flow, which last year amounted to £1,853,000 and which in the current year should not be burdened by the need to provide for losses on nuclear contracts. There was, however, a sharp increase in overdrafts in 1961, from £2¼ million to nearly £5 million. Trading conditions remain difficult and profit margins inadequate but Sir Kenneth regards future prospects with "cautious optimism." He expects the group to benefit from the bigger demand for new generating capacity in this country in the next ten years, and to expand its business abroad. In all this was one of the most cheering reports to come from the heavy engineering industry for many months. There is obviously a good chance that Babcock and Wilcox's profits will again be higher this year. Thus the rise in the price of its £1 shares from 18s. 9d. in October to 30s. 6d. xd does not appear to have been too steep, for the yield at the current price is still 6 per cent.

Vickers

AN interim statement in September from the directors of Vickers suggested higher profits for the second half of 1961 than in the first six months and net profits for the full year about equal to those of 1960. In contrasting ways neither of these estimates proves to be accurate. The table shows that trading profits in the six months to end December were in fact slightly below those for the first six months of 1961 so that gross profits for 1961 are down from £11.6 million to £9.4 million even though the latest result bears no charge for aircraft development expenditure; in 1960 this provision reduced profits by £2.5 million. An unspecified amount has been deducted from profits for "aircraft special expenditure" but as Vickers has transferred most of its aircraft assets to the British Aircraft Company this sum seems certain to have been smaller than the sums written off aircraft development in earlier years. Thus the actual fall in the trading surplus is likely to have been greater than the fall of £2¼ million in gross profits revealed in the preliminary statement.

SALES AND PROFITS

(£ million)

Six months ended	June 30 1960	Dec. 31 1960	June 30 1961	Dec. 31 1961
Sales	75·67	93·56	84·81	84·33
Trading profit	6·17	7·96	4·71	4·66
Aircraft development	1·50	1·00	...	...
Gross profit	4·67	6·96	4·71	4·66
Orders on hand	286·0	307·0	299·0	286·6
Net assets	115·10	114·77	119·83	120·41
	%	%	%	%
Gross profit/sales	6·2	8·3	5·6	5·5
Gross profit/net assets	4·1	6·1	3·9	3·9

By contrast the group's net profits rose from £6.3 million to £7.4 million for the tax charge was more than halved from £5.4 million to under £2 million. This reflected the incidence of investment allowances, particularly in the English Steel subsidiary, and of allowances "in respect of substantial expenditure on aircraft research and development in 1961 and prior years." The directors say that capital expenditure is continuing at a high level and that allowances should provide "considerable relief" from tax on profits earned in 1962. The reduction in taxation in 1961 raised equity earnings from 18.7 to 23.6 per cent, which provides the best cover for the unchanged dividend of 10 per cent since 1956 when it was covered almost three times.

On these results the £1 shares gained 1s. 4½d. to 27s. 7½d. to yield 7¼ per cent; a further recovery will depend on the contents of the full report and more particularly on the valedictory statement of Lord Knollys who retires from the chair next month. Meanwhile it appears that shipbuilding earned almost record profits; engineering profits which hit a record in 1960 were affected by provisions made against uncompleted contracts; Vickers (Aviation) made only a small profit. The experience of English Steel, in which Vickers has a 75 per cent interest, was similar to that of the other major steel companies—a smaller demand for its products, higher costs and lower margins. The fall in English Steel's gross profits from £4.9 million to £4.1 million was cushioned by an exceptional credit of £367,000 and an abnormally low tax charge left its net profits slightly higher at £2.7 million, against £2.5 million.

United Drapery Stores

THE interim report from United Drapery Stores indicated that the group was making more modest progress last year than in the two preceding ones. This is confirmed by the preliminary results for the year to January 31st which show a rise of only 3¼ per cent in trading profits from £10,103,000 to £10,431,000; this compares with increases of 12 and 22 per cent in 1959-60 and 1960-61. Even though the increase in profits is small the directors hint that but for the Chancellor's policy of restraint they would have paid a bigger dividend than the effectively maintained distribution of 30 per cent. This dividend is paid from earnings which have risen slightly from 54½ to 56¾ per cent.

	Six months ending July, 30, 1960	Jan., 31, 1961	July, 30, 1961	Jan., 31, 1962
Trading profit	4,484	5,619	4,628	5,803
Profit before tax	4,013	5,243	4,489	5,309
Taxation	2,030	2,463	2,340	2,530
Available for ord. capital	1,915	2,706	2,095	2,719

As the table shows the growth in trading profits showed little change over the two half years—3.2 per cent in the first period and 3.3 per cent in the second. But at pre-tax and net levels the increase was much smaller in the six months to end January. This is largely explained by an apparent recovery in the group's hire purchase business. Thus in the first half of the year profits were credited with £180,000 from provisions for unearned profits on hire purchase debts; for the full year, however, this credit amounted to only £37,000 which means that in the last six months £143,000 has been added back to this provision. This points to a growth in hire purchase sales in the last half of the financial year and is an encouraging sign since hire purchase and credit trading plays an important part for the group. UDS also owns a number of department stores (of which its latest acquisition, Whiteley, could not have made much contribution to the past year's profits), a big tailoring group and an expanding chain of fashion shops. On the results the 5s. shares fell 1s. to 50s. 10½d. and yield 3 per cent. This low return reflects an impressive trading record over the past decade; but the latest results show that the pace of expansion has slackened.

Associated Portland Cement

AFTER reporting no more than a modest improvement in profits in 1960, Associated Portland Cement, benefiting no doubt from its extensive development programme, achieved a rise of over 12 per cent in trading profits from £15,940,000 to £17,819,000 last year and a rise of over 13 per cent in net profits from £11,432,000 to £12,981,000. Equity earnings rose from 22¾ to just under 24 per cent and the ordinary dividend has been raised from the equivalent of 8½ to 9½ per cent. The stock market, duly impressed, marked the ordinary shares up by 4s. 10½d. to 58s. 3d., offering a dividend yield of 3¼ per cent and an earnings yield of 8¼ per cent.

Several factors have clearly contributed to APC's bigger profits. There was a buoyant demand for cement in the domestic market last year and output rose by 6½ per cent. It is therefore virtually certain that APC, which dominates the market, with over 60 per cent of total home sales, secured a substantial increase in turnover. The rise in turnover may have been accompanied by an improvement in margins: prices were raised in January, 1961, and again in May after the increase in the fuel oil duty. There may have been some improvements in the picture overseas; the new Nigerian plant, for example, is contributing its first full year's earnings. APC's export markets have gradually been eroded by the growth of local cement manufacturing. The resulting pressure on margins hit APC more than most other British cement companies, as it accounted for about 80 per cent of total exports; indeed, the profits it earned on exports must have been meagre. In this context, last year's increase in the duty on fuel oil may have been a blessing in disguise, for the British companies were forced to cut exports by a third; this must have helped APC to the extent that it switched production from exports to the more profitable markets at home.

In the past the stock market has seen APC as the giant of the cement industry, growing, but not so quickly as its smaller competitors. But its results for 1961 bear comparison with those of, say, Rugby Portland and thus suggest that the acceleration of APC's expansion scheme is beginning to pay off.

Burmah Oil

AS the governments of Burmah and India have acquired bigger stakes in Burma Oil Co. (1954) and Oil India respectively these companies now figure in the accounts of Burmah Oil as trade investments. This helps to explain why Burmah Oil's profit on trading in 1961 fell from £4,973,000 to £4,457,000; but since these companies are no longer trading subsidiaries, a much reduced depreciation charge follows, so that Burmah Oil's gross profits before tax are only slightly lower at £3,737,000, against £3,775,000. Dividends from Burma Oil and Oil India presumably account for the sharp rise in the dividends from trade investments from £2,889,000 to £4,060,000. A further rise in "other dividends and interest" from £11,782,000 to £12,386,000, reflects the bigger final paid by British Petroleum for 1960. On its holding in "Shell" Transport, Burmah Oil in 1961 received slightly less than in 1960 although the total dividends declared by Shell were higher; it will be recalled that in 1960 Shell doubled its interim dividend to reduce the disparity between the two payments and this was reflected in Burmah's dividend income in 1960.

In all Burmah's net income rose by almost 11 per cent from £9,997,000 to £11,087,000, to cover the tax free dividend which is raised from 9.38 to 10.43 per cent about 1¼ times. In deciding upon this fourth successive increase in the dividend the directors have no doubt taken into account the higher final payment from "Shell" Transport which will be brought into the current year's accounts as well as the prospect that following the slight increase in BP's final for 1961 declared last week, the interim payment will be fractionally raised to round up the total payment after the scrip issue. Such an issue from Burmah has been on the cards for some years but disappointment at the absence of any announcement was offset by the unexpectedly good results and the £1 ordinary shares gained 2s. 10½d. to 35s. 3d. xd. On the higher dividend they yield 9¾ per cent, and even 6 per cent to a gross fund after taking account of a net UK tax rate of 5d.

Schweppes

IN the first six and a half months of 1961 Schweppes was operating at lower margins of profits and only "an appreciable increase in sales" enabled it to maintain its profits. The pressure on margins remained high throughout the remainder of the year and at the time of the one for twelve rights issue in October the directors said that while trading continued to be satisfactory they did not expect any material change in the level of profits. Their prediction was not far wrong, for in the event Schweppes's trading profits rose by only two per cent from £5,038,000 to £5,134,000 last year. Investment income fell, the tax charge remained unchanged but there was a bigger provision for depreciation; as a result net profits fell by almost 10 per cent from £2,050,000 to £1,847,000. The ordinary dividend is left unchanged at 24 per cent, but because of the rights issue the cost rose slightly and the cover fell to just under 1½ times.

The tax on soft drinks introduced in the budget has had no great effect on the price of Schweppes shares. Schweppes is predominantly concerned with the "mixer" and public house trades of the soft drink market, and its sales seem less likely to be affected than those of soft drinks taken with water rather than with spirits; but it has

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STOCK PRICES

Prices, 1962 High	Prices, 1962 Low	BRITISH FUNDS AND GUARANTEED STOCKS	Price, April 25, 1962	Price, May 2, 1962	Net. Red. Yield, May 2, 1962§ £ s. d.	Gross Red. Yield, May 2, 1962 £ s. d.
94⅜	90 11/32	Savings Bonds 3%.....1955–65	94 1/16	94 1/16	3 13 1	4 18 10
98⅛	96 3/16	Exchequer 3%.....1962–63	98 31/32	97 31/32	3 5 11	4 17 11
100 15/16	100 9/32	Treasury 5½%.....1962	100⅛	100 19/32	2 6 6	4 6 5
96⅜	93 3/16	Exchequer 2½%.....1963–64	96 1/32	96 1/32	3 8 5	4 7 11
99 15/16	98½	Conversion 4¾%.....1963	99¾	99 27/32	2 8 2	4 17 10
99⅛	97 1/16	Conversion 4½%.....1964	98 31/32	98 31/32	3 6 1	5 0 8
100⅜	98 3/32	Exchequer 5½%.....1966	100 3/32	100 3/32	3 4 5	5 8 6
83 15/16	82⅜	Funding 3%.....1959–69	83⅜	83 1/16	4 11 7	5 17 6
89⅜	87⅞	Funding 4%.....1960–90	88 1/4*	88 1/4	3 12 7	5 6 01
80¼	78 15/16	Savings Bonds 3%.....1960–70	80⅜	80⅜	4 14 1	6 1 1
87 13/16	85	Savings Bonds 2½%.....1964–67	87 1/16	87¾	4 5 7	5 6 5†
71 13/16	70 7/16	Savings Bonds 3%.....1965–75	71¾	71 13/16	4 15 4	6 4 5†
86⅛	83 5/16	Funding 3%.....1966–68	85⅞	86 1/16	4 8 8	5 15 3†
86⅜	84⅞	Conversion 3½%.....1969	86 5/16	86 1/16	4 10 3	6 0 9
97	92¼	Victory 4%.....1920–76	96⅞	97	2 19 7	4 12 3‡
92 1/2	90 9/16	Conversion 5½%.....1971	92 5/16	92 3/16	4 3 6	6 6 1
99 1/16	97¼	Conversion 6½%.....1972	98 1/16	98⅞	3 18 3	6 6 8
93¾	92⅛	Conversion 5¼%.....1974	93 5/16	93⅜	4 0 4	6 4 11
71⅞	69⅝	Treasury 3½%.....1977–80	71¾	71⅞	4 9 11	6 4 9†
86⅛	84	Treasury 3½%.....1979–81	70 9/16	70⅝	4 10 4	6 4 11†
92⅜	90 3/16	Funding 5½%.....1982–84	92⅜	92⅜	3 19 0	6 5 4†
57⅜	54	Redemption 3%.....1986–96	57⅜	57½	4 3 10	5 18 6†
85⅛	82⅜	Treasury 5%.....1986–89	84⅛	84⅛	4 0 8	6 4 9†
62	56 3/16	Funding 3½%.....1999–2004	61⅜	62	4 1 4	6 4 8†
90	84⅛	Treasury 5½%.....2008–12	89¾	89¾	3 16 11	6 4 3†
63⅞	58¼	Consols 4%.....after Feb. 1957	63¼	63⅞	3 17 6	6 7 3
56⅛	52 1/16	War Loan 3½%.....after 1952	55 5/16*	55⅞	3 16 8	6 4 8†
56⅛	52 5/16	Conv. 3½%.....after Apr. 1961	55 5/16	56⅛	3 16 8	6 5 5†
48⅛	44⅞	Treasury 3%.....after Apr. 1966	47⅝	48	3 16 10	6 5 7†
41⅛	38⅛	Consols 2½%	40 3/16	41⅛	3 14 8	6 2 2†
40¾	38 1/16	Treasury 2½%.....after Apr. 1975	40 5/16	40¾	3 15 5	6 3 5†
92	89 5/16	British Electric 4½%.....1967–69	91¾	92	4 2 10	6 1 0†
75¾	74⅜	British Electric 3%.....1968–73	75	75⅛	4 16 3	6 4 11
70⅛	69	British Electric 3%.....1974–77	69½	69⅝	4 14 7	6 3 11†
80 3/16	79½	British Electric 4¼%.....1974–79	79½	79½	4 6 3	6 4 9†
72 1/16	70⅜	British Electric 3½%.....1976–79	71⅛*	71 3/16*	4 10 9	6 4 2†
84⅛	82¾	British Gas 4%.....1969–72	84	84 1/16	4 9 6	6 5 0†
81⅞	80 1/16	British Gas 3½%.....1969–71	81⅞	81⅞	4 12 6	6 3 9†
57⅞	53 13/16	British Gas 3%.....1990–95	57¼	57¼	4 5 3	5 19 9†
75¾	74⅜	British Transport 3%.....1968–73	75	75⅛	4 16 3	6 4 11
79 1/16	77⅜	British Transport 4%.....1972–77	79	79 1/16	4 7 11	6 5 5†
60¼	56½	British Transport 3%.....1978–88	60	60⅛	4 9 8	6 3 5†

Prices, 1962 High	Prices, 1962 Low	DOMINION AND CORPORATION STOCKS	Price, Apr. 25 1962	Price, May 2. 1962	Red. Yield May 2 1962 £ s. d.
82	79½	Australia 3¼%.....1965–69	81¾	81⅞	6 9 0
98¾	96	Australia 6%.....1974–76	96½	96¼	6 7 0
66	54½	Ceylon 4%.....1973–75	56	54½	10 7 0
96¾	94¼	New Zealand 6%.....1976–80	95¾	96	6 9 0
75¼	63	Rhodesia and Nyasaland 6%.....1978–81	65	65	10 7 0
86⅝	82	South Africa 3½%.....1965–67	86¼	86⅝	6 13 0
58¼	48½	Southern Rhodesia 4½%.....1987–92	49	49	9 15 0
81½	77¾	Agricultural Mortgage 5%.....1959–89	81⅜	81½	6 9 0
88⅞	86	Birmingham 4¼%.....1967–70	88⅝	88¾	6 3 0
91¾	88¾	Bristol 5%.....1971–73	91¼	91¾	6 4 0
90½	88	Corporation of London 5¼%.....1976–79	88⅞*	88⅞	6 6 0
46¾	43	L.C.C. 3%.....after 1920	46⅛*	46⅛*	6 8 0
86⅛	84	L.C.C. 5%.....1980–83	85⅜	85⅝	6 5 0
89¼	87	Middlesex 5¼%.....1980	88¾	89	6 6 0

NEW YORK PRICES AND INDICES

	Apr. 25 $	May 2 $		Apr. 25 $	May 2 $		Apr. 25 $	May 2 $
Atch. Topeka	25¾	24⅜	Boeing	48⅝	47½	Int. Harvester	53⅝	52¾
Can. Pacific	24⅝	24⅛	Celanese	41⅜	40½	Inter. Nickel	78⅛	75⅞
Pennsylvania	15⅝	15⅜	Chrysler	52½	52½	Inter. Paper	34¼	32¾
Union Pacific	32	31½	Col. Palmolive	44⅞	44¾	Kennecott	76	76¾
Amer. Electric	71⅛	66	Crown Zeller	53⅜	52⅞	Monsanto	44⅞	45¼
Am. Tel. & Tel.	128	124⅜	Distillers Seag.	46	44	Nat. Distillers	29½	28¾
Cons. Edison	79⅞	77½	Douglas	27⅜	26¼	Pan-American	21⅞	21⅜
Int. Tel. & Tel.	49½	47	Dow Chemical	55⅞	53¾	Procter Gamble	83⅞	79¾
South'n. Nat. Gas	46⅛	47½	Du Pont	234½	232¾	Radio Corpn.	58⅛	58½
United Corpn.	8⅛	8¼	East. Kodak	111⅜	107¾	Sears Roebuck	83¾	82¼
Western Union	37⅝	37¼	Ford Motor	97½	95¾	Shell Oil	37⅛	36⅞
Alcoa	62½	60	Gen. Electric	72¼	70¾	Socony-Mobil	55⅜	53⅝
Aluminium	24¼	23⅛*	General Foods	86¾	84¾	Stand. Oil Ind.	51⅞	50⅛
Amer. Can	45¼	44⅜	General Motors	55¼	54⅛	Stand. Oil N.J.	55⅞	54⅞
Am. Smelting	63¼	63½	Goodyear	41⅞	40¼	Union Carbide	107⅞	104½*
Am. Viscose	53⅝	53¾	Gulf Oil	41½	40⅞	U.S. Steel	59¾	58⅞
Anaconda	45⅜	44⅞	Heinz	55	51¾	West. Electric	34	33⅛
Beth. Steel	39⅜	38½*	Int. Bus. Mach.	512½	472½	Woolworth	77	75½

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

1962		425 Industrials	Yield %	25 Rails	Yield %	50 Utilities	Yield %	Govt. Bonds	Yield %
April	4	72·14	2·97	32·44	4·97	64·06	3·15	89·75	3·91
,,	11	72·01	2·98	32·55	4·95	64·25	3·15	90 06	3·88
,,	18	71·88	2·99	32·70	4·93	63·93	3·17	90·06	3·88
,,	25	71·27	3·01	31·77	5·08	63·77	3·17	89·85	3·90
May	2	69·49	3·09	31·80	5·07	61·67	3·28	90·17	3·87

425 Industrials :—High, 75·22 (Jan. 3). Low, 68·58 (April 30).

* Ex dividend. † Tax free. ‡ Assumed average life 7½ years. § The net redemption yields allow for tax at 7s 9d. in £. ‖ Ex capitalisation. ¶ Ex rights. ‡‡ Ex all. (a) Interim dividend. (b) Final dividend. (c) Year's dividend. (d) Capital distribution of 1s. 0d. per share. (f) Flat yield. (g) Equivalent to 7·2 sterling. (h) After Rhodesian tax. (l) To latest date. Japanese prices supplied by Daiwa Securities, Tokyo.

FOREIGN AND OVERSEAS STOCKS

	Apr. 25	May 2		Apr. 25	May 2		Apr. 25	May 2
FRANCE	Frcs.	Frcs.	**GERMANY**	%	%	**HOLLAND**	%	%
Air Liquide	1,380	1,305	A.E.G.	476	432	A.K.U.	369⅝	366½
Banque de Paris	610	585	Bad'che. Anilin.	476	461	Bijenkorf	1,010	950
Citroen	231	236	Bayer	576	557¼	Heinekens	520	501
C. F. Petrole.	302	290	Commerzbank	549	547	Interunie (Fl.50)	Fl.206	Fl.202
Cie. G. d'Elect.	1,438	1,380	Deutsche Bank	640	641	K. N. Hoogoven	751½	713
Machines Bull	801	760	Hoechst Farb.	514	506	Kon. Zout-Ket.	985	935
Pechiney	285	281–3	Kundenkredit	498	495	Philips	881¼	864½
Printemps	740	711	Lowenbrau	1,225	1,210	Robeco (Fl.50)	Fl.236	Fl.230
Rhone-Poulenc	527	490	Mannesmann	235	235	Rotterdam Bk.	383½	375
St.-Gobain	450	408	Siemens	671	669	Thomassen & D.	700	675
Saint-Gobain	432·5	405	Thyssen-Huette	202	201½	Valeurop	Fl. 81	Fl. 80·4
Usinor	242·5	221	Volkswagen	671	660	Zwanenberg	1.040	995
Index	113·1	110·5	*Herstatt Index*	108·61	107·34	Index	362·85	352·7
	Dec. 30, 1960=100.			*Dec. 31, 1959=100.*			*1953=100.*	

ITALY	Apr. 20 Lire	Lire	**BELGIUM**	Frcs.	Frcs.	**SWEDEN**	Kr.	Kr.
Ass. Generali	151,500	154,400	Arbed	30.125	30,750	Asea	231	223*
Breda	6,140	6,260	Bque. Nat. de Bel.	10,500	10,300	Eiekrolux	124	129
Edison	4,910	4,884	Bque. Soc. Gen.	3,445*	3,465	Ericsson B. Kr.35	134	135
Fiat	3,028	3,020*	Cockerill-Oug.	3,135	3,090	Separator B	303	303
Finsider	1,528	1,561	Esperance Long	6,660	6,560	Skand. Banken	207	206
La Centrale	15,220	15,550	Hoboken	21,100	20,500	Sv. Cellulosa	201	201
Montecatini	3,910	4,000	Innovation	6,810	6,750	Sv. Handelsbank	200	201
Motta	34,910	36,650	Photo Gevaert	3,890	3,780	Tandstk. B Kr.50	170	174
Olivetti	10,710	10,770	Sidro	1,108	1,108	Index	173·48	173·84
Pirelli S.p.A.	12,080	12,500	Soc. Generale	14,800	14,915		*Dec. 29, 1956=100.*	
Rinascente	812·5	859	Sofina	8,560	8,500	**NORWAY**	%	%
Snia Viscosa	7,615	7,758	Un. Miniere l.10	1,306	1,300	Bergens Priv'bk.	237½	237½
Index	716·97	728·39	Index	410·3	410·8	Borregaard	242½	225
	1950=100.		*May 9, 1940=100.*			Norsk Hydro	316¼	315

AND YIELDS

LONDON - NEW YORK : FRANCE
GERMANY : HOLLAND : ITALY
BELGIUM : SWEDEN : NORWAY

Prices, 1962 High	Prices, 1962 Low	Last Two Dividends (a) (b) (c)		ORDINARY STOCKS	Price, Apr. 25, 1962	Price, May 2, 1962	Yield, May 2, 1962	Cover
		%	%	**ELECTRICAL & RADIO**				
32/6	26/9	5 a	5 b	A.E.I.	28/9	27/9	7·21	1
12/6	9/9	...	15 c	Brit. Electronic Inds.	11/10½	9/9	7·69	¼
66/3	56/4½	4 a	9½ b	B.I.C.C.	62/6*	66/3	4·08	2
14·8¼	12/7½	5 a	7½ b	Crompton Parkinson	5/-	13/9	4·55	2½
89/6	76/-	231½ c	31½ a	Decca Record	10/-	86/6	2·70	13¾
45/6	42/-	12½ b	5 a	E.M.I.	42/9	43 7½	4·01	2
54/6	41/3	5 a	9 b	Elliott-Automation	50/9	54/-	1·30	2¼
27/9	22/-	3 a	5 b	English Electric	23/6	23/9	6·74	1½
34/-	25/9	7 b	3 a	General Electric	32/-	33/-	6·06	¾
59/3	46/6	4⅜ a	8½ b	C. A. Parsons	47/6	46/6*	5·38	2
47/9	42/9	6½ b	6½ a	A. Reyrolle	43/6	45/-	4·33	2½
80/-	63/6	25 c	25 c	Thorn Electrical	77/6	80/-	1·56	3
				ENGINEERING				
28/3	20/3	9 c	9 c	Babcock & Wilcox	28/3	27 9*	6·49	1
37/9	27/3	7 b	3·2 q	John Brown	35/-	37/6	5·44	2¾
6/-	4/3	3 a	7 b	Cammell Laird	5/-	4/9*	10·53	1
26/6	22/-	10 a	20 b	Internat. Combust.	24/11½	24/11½	6·22	1¼
5/6	3/4½	...	...	Rich'ds'ns. Westg'th.	4 10½	4/9	...	...
38 4½	31/3	2½ c	9½ b	Swan Hunter	33/7½	31/3	7·68	1¾
14/6	10/6	5 c	5 a	John Thompson	14/3	14/3	1·75	...
36/-	30/4½	12½ c	16¼ b	Coventry Gauge	33/6	33/6	3·97	2¾
73/7½	60/7½	12½ a	16 b	Alfred Herbert	68/9	69/3	4·01	2
47/6	39/6	12½ b	5 a	Allied Ironfounders	43/6	43/9	8·00	1½
96/9	90/9	10 b	5 a	Averys	96/3	96/9	3·10	2½
20/3	11/6	4 a	7½ b	B.S.A.	18/3	18/3	4·39	2¼
11/6	9/9	8½ b	4½ a	George Cohen	5/-	11/6	5·65	1¾
33/-	28/11½	17½ b	10 a	Davy-Ashmore	28/11½	28/3	4·86	2¼
81/10½	74/10½	11 b	5 a	Guest Keen	76/7½	76/11½	4·20	3½
21/-	19/-	12 b	4 a	Head Wrightson	19/3	19/6	4·10	2½
85/6	80/6	10 b	5 a	Metal Box	83/-	84/6	2·84	2¼
18/6	16/9	10 b	4 a	Ransome & Marles	17/9	17/9	3·94	2
47/10½	44/6	7 b	3 a	Ranold Chains	47/6	47/10½	4·18	2
64·10½	55/10½	7 b	7 a	Tube Investments	59/7½	56/-	5·00	3
31/1½	25/7½	2½ a	7½ b	Vickers	25/9	27/9*	7·19	1¾
71/6	60/-	10 b	3¾ a	Ward (Thos. W.)	66/-	68/6	4·01	3
20/6	17/3	5 a	16 b	Woodall-Duckham	19/3	17/3	6·09	2¾
				FOOD & TOBACCO				
24/-	19/9	10 c	10 c	Allied Suppliers	23/-	24/-*	4·17	2½
12/4½	10/2¼	12½ b	10 a	Assoc. British Foods	10/4½	10/4½	2·17	2
61/3	56/3	8 b	4 a	Bovril	58/3	61/3	3·92	2½
12/9	11/4½	‡3·9b	‡1·7a	Brooke Bond 'B'	12/-	12/9*	3·59	3½
15 10½	13/11½	10 b	2½ a	International Tea	15/7½	15/10½	3·94	1½
82/6	72/9	10 5⁄6 b	5 a	J. Lyons 'A'	81/-	82/-	3·86	1¼
37/4½	30/-	5 a	9 b	Ranks Hovis	10/-	35/-	37/4½	3·75
13/7½	10/10½	7½ b	2½ a	Spillers	13/3	13/4½*	3·74	2¼
50/9	47/11½	11 a	1 b	Tate & Lyle	47/3	48/7½	4·94	2¼
18/-	15/3	9 b	5 a	Unigate	15/7½	17/7½	3·97	2
63/9	53/3	‡22½ c	‡5½ a	Brit. Amer. Tobac.	10/-	55/3*	53/9	6·84
41/3	29/11½	5 a	15 b	Gallaher	10/-	31/3	29/11½*	6·87
63/9	47/9	7½ a	14 b	Imperial Tobacco	£1	49/3	47/9	9·42
				INSURANCE				
815/16	6 9/16	‡22·7a	‡25 b	Britannic	5/-	8 15/16‖	8 1/2	2·29
68/-	55/3	20 a	25 b	Commercial Union	5/-	59/-	59/10½	3·76
35 15/16	31 7/8	‡41·17c	‡62·74c	Equity & Law Life	8/6	33 5/8	33¼	1·31
114/3	84/6	10 a	20 b	General Accident	5/-	108/9	114/3*	1·31
60/6	46/9	...	...	Guardian	5/-	59/-	60/6*	2·20
48¾	80 a	110 b	5 a	Legal & General	5/-	47½	49	0·98
180/-	142/9	81½ a	121½ b	Northern & Empl.	£1	175/7½	178/9*	2·35
13⅜	10⅝	‡20 a	‡70 b	Pearl	5/-	12¾	13⅜	2·80
29¾	24 9/16	‡20·81½ c	‡20·81½ c	Prudential 'A'	4/-	29⅜	28½	2·39
47 10½	41/10½	...	...	Royal	5/-	44/11½*	44/11½	3·39
127/9	103/9	7½ a	11¼ b	Royal Exchange	£1	125/3	126/9*	2·96
				MOTORS & AIRCRAFT				
18/3	15/6	12½ b	7½ a	British Motor	5/-	16/11½	16·51¼*	6·08
85/3	80/4½	20 c	20 c	Jaguar Cars 'A'	5/-	84/11½	83/-	1·21
41/6	31/6	11 c	5 a	Rolls-Royce	£1	31/8½	33/6	6·57
6/8¼	5/9	12 c	4 c	Rootes Motors 'A'	4/-	6/3¾	6/3¾	2·53
78/6	68/3	5 a	11 b	A.C.V.	£1	69/4½	70/11½	4·56
93 10½	76/9	20 c	20 c	Leyland Motors	£1	91/-	93 10½	4·26
15 11¼	13 10½	12½ c	8 a	Bristol Aeroplane	10/-	14/-	14/4½	8·70
24/8¼	19/6	12½ c	8 a	Hawker Siddeley	£1	19/9	21/10½	9·69
36/9	26/9	15½ b	‡4 a	Dowty Group	10/-	29/9	29/-	5·35
39/-	28/11½	5 a	15⅝ b	Dunlop Rubber	10/-	36/3	35 10½*	4·41
77/-	63/9	11¼ b	2½ a	Joseph Lucas	£1	76/11½	76/7½	3·59
22/-	16/-	5 c	9 a	Pressed Steel	5/-	18/3¾	17/6*	1·43
39/-	34/4½	12½ c	5 a	Triplex Holdings	10/-	37/6	39/-	3·21
				MINES				
150/-	136/3	40 a	50 b	Anglo-American	10/-	146/-	148/-	6·08
64/3	52/6	6¼ b	18¾ b	Consolid. Gold Fields	£1	53/-	60/-	8·33
96/3	81/10½	15 a	20 b	General Mining	£1	82/6*	85/7½	8·18
60/6	46/6	40·8a	122·5b	Union Corporation	2/6	46/6	56/6	7·23
18/6	16/9	40 a	40 b	Daggafontein	5/-	18/-	18/6	21·62
94/4½	81/10½	70 a	100 b	Free State Geduld	5/-	82/6	88/11½	9·65
47/6	39/6	25 b	25 a	Hartebeestfontein	10/-	40/-	41/-	12·20
56/6	50/6	50 a	60 b	President Brand	5/-	52/3	52/9	10·43
128/9	117/6	90 a	120 b	Western Holdings	5/-	120/-*	121/3	8·66
19/-	16/-	6 a	5 b	Winkelhaak	10/-	16/-	15/6	7·09
56/9	49/6	13½ a	36½ b	Chartered	15/-	45/-	46/9	16·04
56/6	47/-	60 b	20 a	Rhod. Anglo-Amer.	10/-	49/-	50/3	15·92
37/4½	28/6	...	...	Rhod. Selection Tst.	£1	28/9	28/9	12·52
21/9	16/10½	15 a	17½ b	Tanganyika Cons.	10/-	17/9	16/10½	19·26
57/-	48/-	3¾ a	11¼ b	Consolidated Zinc	£1	52/-	50/-*	6·00
157/6	135/-	100 a	180 b	De Beers Defd. Reg.	5/-	150/-	157/6	8·89
15 1¼	$134	$1·50 c	$1·60 c	Internat. Nickel	n.p.v.	$142½	$136¼	2·09
18/9	16/3	7½ a	30 b	London Tin	4/-	16/9	16/4½	9·16
43/9	34/6	27½ c	30 c	Rio Tinto	10/-	38/9	35/6*	8·45
35/-	25/9	52½ c	25 a	Tronoh	5/-	29/6	29/-	9·05
				PAPER & NEWSPAPERS				
12/10½	11/9	10 b	5 a	Daily Mirror	5/-	11/9	12/4½	6·06
78/-	62/6	4 a	9 b	W. H. Smith & Son 'A'	£1	68/9	78/-	3·33
24/9	20/9	10 a	14 b	Thomson Org'n.	5/-	21/9	20/9	5·78
47/3	40/9	5 a	8¾ b	Bowater Paper	£1	42/3	40/9*	6·75
45/-	35/-	16 c	5 a	Albert E. Reed	£1	35/9	39/3	8·15
43/9	37/-	8½ b	4 a	Spicers	£1	43/6	43/6	5·75
55/-	48/-	10 b	4 a	Wiggins Teape	£1	50/3	54/-	5·19
				MISCELLANEOUS				
27/9	21/9	20 b	10 a	Assoc. British Picture	5/-	25/-	24·9	6·06
33/3	25/6	40 b	20 a	Assoc. Television 'A'	5/-	27/7½	25/6	11·76
52/9	42/-	14 b	16 a	Beecham Group	5/-	49 2¼	47·9	3·14
39/4½	32/7½	62½ b	31¾ a	British Match	£1	36/3	35·3	5·67
16/3	13/6	4 a	6¾ b	British Oxygen	5/-	14/-	13 10½	3·84
9 10½	7/9	3 a	7 b	British Ropes	5/-	8/3	7·9	6·45
61/9	51½	15 b	15 b	De La Rue	10/-	60/9	61·9	3·64
56/-	39/6	7½ a	12½ b	Gestetner 'A'	5/-	53/6	55·-*	1·82
55/9	50/-	15 c	7½ a	Glaxo	10/-	50 9*	50·-	3·00
49/-	43/-	3 a	12 b	Harrisons & Cr. Defd.	£1	48/6	49/-*	6·12
42/9	36/-	5 a	20 b	Hoover 'A'	5/-	41/3	37·9	3·36
17/-	12½	5 a	12½ b	Ilford	5/-	21/6	20·9	4·02
122/6	107/3	4½ a	7½ b	I.C.T.	£1	118·6	118·6	1·90
49/3	41/6	12½ c	12½ c	National Canning	£1	48/9	49/3	5·08
41/-	35 10½	10 b	6 a	Powell Duffryn	10/-	41/-	39·6	4·05
40/6	32 4½	12½ b	5 a	Radio Rentals	5/-	40/-	37·9	2·98
38/-	29/6	15 b	7½ a	Rank Organisation	5/-	34/-	35·6	3·17
38/-	31 10½	7½ a	16½ b	Schweppes	5/-	33 1½	34·3*	3·50
41/1½	36/7½	25 c	25 c	Sears 'A'	5/-	40 11¼	39·6*	3·16
28/9	24/-	8½ a	11½ b	Thomas Tilling	4/-	28/-	28·9*	2·78
61/3	51/6	4 a	8 b	Turner & Newall	£1	57/6	61·3	3·92
47/3	40/4½	9·47a	15·32b	Unilever	5/-	40 10½	40·7½	3·05
8 a	13 b	10⅜	7 a	Unilever N.V.	12 fl.	10 5/8	10·3/8	2·40
18/9	15/6	5 a	10 b	United Glass	5/-	16/-	15·6	4·84
33/3	26 10½	‡4½ a	‡10 5/8 b	United Molasses	10/-	28/-	26 10½	9·11
				SHIPPING				
32/3	22/9	13½ b	6½ a	Brit. & Com'wealth.	10/-	25 7½	23/6	8·51
18/-	15 7½	8 c	6 c	Cunard	£1	16/-	16 4½	...
17/-	16/9	7 c	7 c	France Fenwick	£1	17/6	17·6	8·00
31/6	21/-	10 c	10 c	Furness Withy	£1	26/6	26·6	7·55
9/7½	6/-	17½ c	Nil a	London & Overseas	5/-	6/6	6/-	...
3 a	3 b	3 a	3 b	P & O Defd.	£1	22/3	21/-	5·71
21 c	5 a	21 c	5 a	Reardon Smith	10/-	8 10½	8 10½	2·82
12/9	9/9	5 c	Nil c	Royal Mail	£1	9/9	8·6	...
				STEEL				
48/4½	37/-	6 a	10 b	Colvilles	£1	38 1½	39 7½	8·08
27/3	21/4½	31½ a	6½ b	Dorman Long	£1	22 4½	23 1½	8·65
34/-	28/-	31½ a	7½ b	Lancashire Steel	£1	28/9	31·-	7·10
14/-	13/10½	4 a	6 b	South Durham	£1	14·3	13·11	13·11
31/3	26 7½	5 a	5 b	Steel Co. of Wales	£1	28 1½	29 4½	6·81
36/10½	29/3	5 a	10 b	Stewarts & Lloyds	£1	31 1½	31·-	9·68
51 10½	42 10½	6 a	9 b	John Summers	£1	51 4½	51·6	5·83
42/4½	31/4½	4·8 a	7½ b	United Steel	£1	33 4½	34 7½	7·10
41/-	30/9	6¼ a	8¾ b	Whitehead	£1	36/-	36/-	8·33
				TEXTILES				
32/-	25 7½	5 a	7½ b	English Sewing Cotton	£1	32/-	28 7½	8·73
26/4½	20 7½	10 b	5 a	Fine Spinners	£1	26 4½	24 7½	12·18
50/9	42/-	7½ a	17½ b	Lancashire Cotton	£1	45 1½	42·9	11·70
46 1½	37 10½	5⅝ b	3¾ a	Courtaulds	£1	42 6⅔	44·3	5·65
6 10½	5/4½	4 a	9½ b	Illingworth Morris	4/-	5/7½	6/1½	8·71
80/6	74/6	8 a	13 b	Jerome Holding	£1	79/6	80·6	5·22
30/9	28/6	21½ a	7½ b	Woolcombers	£1	30·6	29·9	6·72
20 10½	14 1½	6 c	6 c	Bradford Dyers	£1	17 1½	20 1½	5·96

Continued from page 505

had in recent years to offer bigger discounts to bulk customers and it will be interesting to see how much of the tax it will have to absorb itself and how much it will be able to pass on. Clearly a good summer could give its profits a fillip; but the long-term growth in profits would appear to be tied more to overseas sales and the rationalisation and development of its interests in jam than to a pronounced further expansion in the domestic market in soft drinks. Thus though the stock market retains its high regard for the shares, which at 34s. yield 3½ per cent, Schweppes may find it difficult to maintain its rate of expansion of the last five years.

Gallaher

A YEAR ago the 10s. shares of Gallaher stood at 48s. to yield less than 4¼ per cent. Now at 29s. 6d. they yield on a maintained dividend of 20 per cent 6¼ per cent. This suggests a complete revision in ideas about the rate of growth to be expected from this tobacco manufacturing group. It is still too early to judge how far consumption will be affected by the latest report on Smoking and Health but Mr C. W. Mason, the chairman of Gallaher, says that it has had a "material effect" on sales. These had already been hit by the surcharge on tobacco duty imposed in July. The surcharge is now consolidated in the excise duty and together with the increase in prices of some brands was largely responsible for the increase in the value of Gallaher's sales from £320 million to £349 million. But Gallaher apparently continued to add to its share of the cigarette market, and this will certainly be bigger this year as it now controls Wix; in all the group should be responsible for about 40 per cent of total cigarette sales in this country. Pre-tax profits of J. Wix in 1961 amounted to £2,361,000 but they were not consolidated into Gallaher's accounts as the acquisition took place late in the year. They were equivalent, however, to over one-sixth of Gallaher's gross profit of £13,661,000 against £11,743,000; but against the contribution they will make to the group's earnings this year has to be set the increase of about 14 per cent in Gallaher's issued capital arising from its issue of 7.2 million shares to American Tobacco in exchange for Wix.

Thus in 1962 Gallaher will have a full year's benefit from the price increases for various brands announced last year and a full year's profits from its new acquisition. But the results will also reflect a full year's trading with duty at the higher rate and presumably some months of lower tobacco consumption. The further rise in leaf tobacco prices may add to Gallaher's problems. In volume stocks at the end of 1961 were only fractionally higher but largely as a result of the 10 per cent surcharge their value was £2½ million higher at £68 million. But last year Gallaher spent less on factory extensions and new plant and its cash flow was bigger so that its bank overdraft was reduced from £6½ million to under £5¼ million. This trend suggests that calls for new funds are unlikely to be as heavy as in the past; this factor, the notable success of "Nelson" in the tipped cigarette market and the prospect of expansion overseas, suggests that the many uncertainties about Gallaher's future prospects may be fairly discounted in the current price of the shares.

Pearl Assurance

LIKE most of the life offices, the Pearl adopted a more cautious attitude to equity investment in 1961. Its total assets rose last year by £20½ million to £311 million but only £2 million of this increase went into equities, which can hardly have covered subscriptions to rights issues. But the Pearl did not think more highly of gilt-edged stocks as a haven for new funds, though it engaged in a substantial amount of switching to improve redemption yields at some cost in running yields. About half its new funds went into debentures, which rose from £58½ million to £68½ million. Of the remainder about £6 million was invested in mortgages, mostly for house purchase, and £3½ million in property.

The fruits of Pearl's investment policy in the past decade is reflected in the further sharp increases in the yields of both Pearl's life funds—of 8s. 7d. to £7 4s. 5d. per cent in the ordinary branch and of 8s. 9d. to £7 4s. 8d. per cent in the industrial branch. The chairman, Mr Geoffrey Kitchen, warns shareholders that the growth in equity dividends which has been a major factor in boosting these yields "now appears to have come almost to a halt." At £12⅝ the 5s. shares yield 2.9 per cent on the unchanged dividend of 90 per cent; but for the Chancellor the directors would have paid 100 per cent, which payment would raise the yield to 3.2 per cent.

Royal Mail Lines

THE latest addition to the list of shipping companies reporting lower profits is Royal Mail Lines. Last year its two tankers were on charter, one for the whole year and the other for six months, compared with only one for six months in 1960. The rise in tanker income helps to explain why the operating surplus of the group has risen from £893,000 to £1,103,000. But interest charges have risen from £181,000 to £576,000 and have completely swallowed up the increase in the operating surplus and a net profit after tax of £166,000 has been replaced by a net loss of £234,000; the ordinary dividend, which was cut from 8 to 5 per cent in 1960, has now been passed.

New liners were mainly responsible for the sharp rise in overdrafts, from £905,000 to £7,400,000, in 1960, and thus for the rise in interest charges in 1961 and it does not look from the preliminary statement as if these liners made much, if any, contribution to profits last year. Interest rates will be lower this year but the group will still be confronted with the problems associated with flag discrimination and political uncertainties in the South American and Caribbean trades in addition to those posed by lower freight rates and the decline in passenger traffic. The £1 ordinary shares have fallen in the past twelve months from just over par to 8s. 9d.—less than one-fifth of their asset value—and in the near future there seems little likelihood of any recovery.

Thomson Organisation

IN 1961 the trading profits of the Thomson Organisation rose from £4,041,000 to £4,714,000 and the ordinary dividend has been set at 24 per cent. This payment was forecast at the time of the capital reorganisation last July when the directors indicated that profits before tax in 1961 should "substantially exceed" those of 1960. In December however the formal offer for Illustrated Newspapers revised this forecast in the light of the less buoyant advertising experience following the little budget and the directors said that profits would be lower than had been expected, though "still be in excess" of those for 1960. Part of the increase may arise from the decision to stop publishing the *Empire News* and the *Sunday Graphic*, on which losses were being made before they were closed down late in 1960.

Earnings on the basis of the capital in issue at the end of December cover the dividend only 1½ times and this reflects the present high gearing of the equity. At 20s. 9d. the 5s. shares (of which over 80 per cent are held by Thomson Scottish Organisation) yield 5¾ per cent. Such a return might be thought interesting for a group headed by so dynamic a personality as Mr Roy Thomson but it should not be forgotten that the group has a sizeable interest in commercial television in Scottish Television, whose profits after 1964 are as uncertain as those of the other contractors. Moreover the new colour supplement to the *Sunday Times* is likely to cost a substantial loss this year.

The Economist Indicator (1953=100)

1962	Indicator	Yield %	1962	
			High	Low
Mar. 28	346·3	5·12		
Apr. 4	355·3	5·03		
,, 11	362·7	4·94		
,, 18	355·8	5·08	364·4 (Jan. 17)	346·3 (Mar. 28)
,, 25	359·4	5·03		
May 2	362·4	5·00		

Financial Times Indices

1962	Index †	Ord. Yield	2½% Consols Yield	Bargains Marked
Apr. 26	305·1	5·15	6·09	16.787
,, 27	307·9	5·11	6·08	17.974
,, 30	307·3	5·12	6·09	21.360
May 1	307·3	5·14	6·08	18.501
,, 2	305·9	5·16	6·08	17.039

High, 310·2 (Jan. 19). Low, 291·4 (April 2).
† July 1, 1935=100.

Money and Exchanges

EXCHEQUER RETURNS

For the week ended April 28, 1962, there was an "above-line" deficit (after allowing for sinking funds) of £60,632,000 compared with a deficit of £20,024,000 in the previous week and a surplus of £31,566,000 in the corresponding period of last year. There was a net expenditure "below-line" of £14,516,000 leaving a total cumulative deficit to date of £136,838,000 compared with £64,642,000 in 1961–62.

£'000	Estimate 1962–63	April 1, 1961 to April 29, 1961	April 1, 1962, to April 28, 1962	Week ended April 29, 1961	Week ended April 28, 1962
Ordinary Revenue					
Income Tax	2,790,000	100,651	90,670	32,241	24,005
Surtax	188,000	13,800	14,100	2,000	2,300
Death Duties	264,500	23,300	20,700	5,100	6,100
Stamps	95,000	8,800	9,800	2,800	2,800
Profits tax, EPT and EPL	374,000	15,600	18,400	3,100	3,500
Other Inland Rev. Duties	...	...	...	...	...
Total Inland Rev.	3,711,500	162,151	153,670	45,241	38,705
Customs	1,653,000	130,200	115,485	32,844	27,078
Excise	1,077,000	40,245	31,195	23,065	14,480
Total Customs and Excise	2,730,000	170,445	146,680	55,909	41,558
Motor Duties	150,000	3,607	6,274	..	..
Broadcast Lic's.	41,000	2,500	2,600	..	..
Miscellaneous	165,000	76,724	7,422	68,587	357
Total	6,797,500	415,427	316,646	169,737	80,620
Ordinary Expenditure					
Debt Interest	600,000	59,209	41,567	5,133	4,917
Payments to N. Ireland Exch.	100,000	6,581	7,075	3,553	3,805
PO Fund — Initial settlement	...	...	...	...	...
Other Consolidated Funds	12,000	1,012	697	572	327
Supply Services	5,611,650	393,883	395,960	128,553	131,960
Total	6,323,650	460,685	445,295	137,811	141,011
Sinking Funds	41,000	1,370	1,585	360	240
"Above-line" Surplus or Deficit	–	46,628	130,238	+ 31,566	60,632
"Below-line" Net Expenditure*		18,014	6,600	28,792	14,516
Total Surplus or Deficit	–	64,642	136,838	+ 60,358	75,148
Net receipts from:					
Tax Reserve Certificates		11,618	12,561	5,827	8,090
Savings Certificates		–3,100	1,400	300	–200
Defence Bonds		3,880	366	1,050	–864
Premium Savings Bonds		3,800	2,400	2,100	700
Total		16,198	16,727	9,277	7,726

* Net receipt of £10 million to the Civil Contingencies Fund in 1962–63 compared with £5 million in 1961–62.

FLOATING DEBT

(£ million)

	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means: Advances: Public Dept.	Ways and Means: Advances: Bank of England	Total Floating Debt
1961					
Apr. 29	3,110·0	1,993·1	247·9	...	5,351·0
1962					
Jan. 27	3,190·0	2,163·1	217·9	1·8	5,572·8
Feb. 3	3,120·0	2,115·6	242·6	7·8	5,486·0
,, 10	3,070·0	1,989·0	246·8	...	5,305·8
,, 17	3,040·0	2,302·6	275·4	5·0	5,622·9
,, 24	2,990·0	2,382·5	207·4	...	5,579·9
Mar. 3	2,950·0	2,481·4	236·7	5·0	5,673·1
,, 10	2,960·0	2,435·5	248·2	0·8	5,644·4
,, 17	2,960·0	2,423·9	251·1	...	5,635·0
,, 24	2,980·0	2,391·6	290·8	...	5,662·5
,, 31	3,000·0	2,330·6	260·7	...	5,591·3
Apr. 7	2,980·0	2,400·5	253·0	2·3	5,635·8
,, 14	2,970·0	2,433·5	254·1	5·0	5,662·7
,, 21	2,960·0	2,448·7	226·0	3·3	5,638·0
,, 28	2,940·0	2,542·3	223·0	...	5,705·3

THE MONEY MARKET

AT last Friday's Treasury Bill tender following the cut in Bank rate to 4½ per cent the discount market caused something of a surprise by raising its agreed bid by only 9d. to £98 19s. 5d.—a fall in the annual rate of 3s. As outside competitors clearly anticipated a sharper fall, the average rate of discount fell by 4s. 3·77d. to £4 1s. 0·54d. Although £10 million fewer bills were on offer applications were only slightly down at £386 million, and the market's allotment of 26 per cent was its lowest for two months. The market appears to feel that after three reductions in Bank rate in seven weeks there is likely to be a pause to test the impact of the lower rates; and the current bill rate offers scope for further reductions in the future.

Credit has been fairly tight in the past week but help from the authorities, which was large on both Monday and Tuesday, was sufficient to prevent the market from borrowing at Bank rate. By Wednesday most houses were better placed and late balances were taken at rates as low as 2⅞ per cent. July maturities changed hands at 4 3/32 per cent.

In New York the three months bill rate rose slightly from 2.740 to 2.748 per cent.

MONEY RATES

LONDON

	%		%
Bank rate (from 5%, 26/4/62)	4½	Discount rates:	
Deposit rates (7 days' notice):		Bank bills:	
Banks	2½	60 days	4 1/4–4 5/16
Discount houses	2½–2¾	3 months	4 1/4–4 5/16
Local Authorities	4⅞	4 months	4 1/4–4 5/16
Call money:		6 months	4 1/4–4⅜
Clearing banks' minimum	2⅞	Fine trade bills:	
Day-to-day	2⅞–3⅞	3 months	5 1/4–6
		4 months	5 1/4–6
		6 months	5 3/4–6 1/2

NEW YORK

	%		%
Official Discount rate (from 31/5%, 11/8/60)	3	Treasury Bills:	
		April 23	2·740
		,, 30	2·748

BANK OF ENGLAND RETURNS

£ million	May 3 1961	April 25 1962	May 2 1962
Issue Department:			
Notes in circulation	2,275·2	2,347·7	2,336·8
Notes in banking dept.	50·2	27·7	38·6
Govt. debt and securities*	2,323·3	2,374·0	2,374·0
Other securities	0·7	0·8	0·7
Gold coin and bullion	0·4	0·4	0·4
Coin other than gold coin	1·0	0·3	0·3
Banking Department:			
Deposits:			
Public accounts	11·4	13·–	11·3
Special deposits	150·1	231·8	231·8
Bankers	236·8	261·0	241·9
Others	83·8	73·0	70·1
Total	482·2	579·1	555·0
Securities:			
Government	363·3	517·–	478·6
Discounts and advances	67·6	32·2	36·3
Other	18·2	18·9	18·5
Total	449·1	568·4	533·4
Banking department reserve	50·9	28·5	39·4
"Proportion"	% 10·5	% 4·9	% 7·1

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue increased by £50 million to £2,375 million on March 7th.

TREASURY BILL TENDERS

Date of Tender	Amount (£ million) Offered	Amount (£ million) Applied for	91 Day Bills: Average Rate of Allotment	91 Day Bills: Allotted at Max. Rate *
1961	91 *day*		s. d.	%
Apr. 28	220·0	379·8	88 1·71	67
1962				
Jan. 26	240·0	399·8	104 10·06	61
Feb. 2	200·0	379·4	104 4·93	33
,, 9	230·0	412·8	108 0·74	22
,, 16	220·0	389·8	109 10·81	28
,, 23	220·0	405·6	110 7·47	21
Mar. 2	230·0	382·6	110 11·26	37
,, 9	230·0	396·2	100 5·89	53
,, 16	230·0	411·8	97 7·57	41
,, 23	230·0	408·1	89 0·47	48
,, 30	230·0	392·2	88 1·16	57
Apr. 6	230·0	398·7	87 4·62	46
,, 13	230·0	407·9	86 8·54	41
,, 19	230·0†	386·6	85 4·31	46
,, 27	220·0	386·3	81 0·54	26

* On April 27th tenders for 91 day bills at £98 19s. 5d. secured 26 per cent, higher tenders being allotted in full. The offer for this week was for £220 million 91 day bills.
† Allotment cut by £10 million.

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Effective Limits May 2	Market Rates: Spot April 26	April 27	April 28	April 30	May 1	May 2
United States $	2·78–2·82*	2·81 1/8–1/4	2·81 3/16–5/16	2·81 3/16–5/16	2·81 3/16–5/16	2·81 3/16–5/16	2·81 1/4–3/8
Canadian $		2·95 3/16–5/16	2·95 3/16–5/16	2·95 3/16–5/16	2·95 3/16–5/16	2·95 1/4–3/8	2·95 5/16–7/16
French Fr.	13·622–14·027	13·77 5/8–7/8	13·77 3/4–78	13·77 3/4–78	13·77 5/8–7/8	13·77 3/4–78	13·78–78 1/4
Swiss Fr.	11·94–12·54 7/8	12·21 1/4–3/4	12·21 1/4–1/2	12·21 1/4–1/2	12·21 3/4–7/8	12·22 1/4–1/2	12·21 5/8–7/8
Belgian Fr.	137·96–142·05	139·95–140·00	139·97 1/2–140·02 1/2	139·97 1/2–140·02 1/2	139·97 1/2–140·02 1/2	139·97 1/2–140·02 1/2	139·97 1/2–140·02 1/2
Dutch Gld.	9·98 3/4–10·28 1/2	10·11–11 1/4	10·11–11 1/4	10·11–11 1/4	10·11–11 1/4	10·11 1/4–1/2	10·12–12 1/4
W. Ger. D-Mk.	11·037–11·365	11·24 7/8–25 1/8	11·25–25 1/4	11·24 3/4–25	11·25–25 1/4	11·25 1/8–3/8	11·24 7/8–25 1/8
Portug. Esc.	...	80·15–25	80·15–25	80·15–25	80·15–25	80·15–25	80·15–25
Italian Lire	1725–1775	1744 1/2–45	1744 3/4–45 1/4	1744 3/4–45 1/4	1744 3/4–45 1/4	1745–45 1/2	1745–45 1/2
Swedish Kr.	14·27 1/2–14·70	14·48 1/4–1/2	14·48 1/4–1/2	14·48 1/4–1/2	14·47 1/2–3/4	14·47 3/8–7/8	14·47 1/4–1/2
Danish Kr.	19·06 1/2–19·62	19·38 5/8–7/8	19·39 1/4–1/2	19·39 1/4–1/2	19·39 3/8–7/8	19·39 1/2–3/4	19·39 3/4–40
Norwegian Kr.	19·71–20·30 1/2	20·04 3/4–05	20·05–05 1/4	20·05–05 1/4	20·05–05 1/4	20·05–05 1/4	20·05–05 1/4
	* Official Limits	**One Month Forward Rates**					
United States $		3/8–1/4c. pm	7/16–5/16c. pm	7/16–5/16c. pm	7/16–5/16c. pm	3/8–1/4c. pm	3/8–1/4c. pm
Canadian $		3/8–1/4c. pm	3/8–1/4c. pm	3/8–1/4c. pm	3/8–1/4c. pm	5/16–1/16c. pm	5/16–3/16c. pm
French Fr.		11/8–5/8c. pm	11/8–5/8c. pm	11/8–5/8c. pm	11/8–5/8c. pm	1–1/2c. pm	1–1/2c. pm–par
Swiss Fr.		2 3/8–1 7/8c. pm	2 1/4–1 3/4c. pm	2 1/4–1 3/4c. pm	2 1/4–1 3/4c. pm	2 1/4–1 3/4c. pm	2 1/4–1 3/4c. pm
Belgian Fr.		22–12c. pm	22–12c. pm	22–12c. pm	25–15c. pm	25–15c. pm	22–12c. pm
Dutch Gld.		3/4–1/2c. pm	3/4–1/2c. pm	3/4–1/2c. pm	3/4–1/2c. pm	5/8–3/8c. pm	1/2–1/4c. pm
W. German D-Mk.		1 3/4–1 1/4pf. pm	2–1 1/2pf. pm	2–1 1/2pf. pm	2–1 1/2pf. pm	2–1 1/2pf. pm	1 3/4–1 1/4pf. pm
		Three Months Forward Rates					
United States $		1 1/8–1c. pm	1 1/8–1c. pm	1 1/8–1c. pm	1 1/8–1c. pm	1–7/8c. pm	15/16–13/16c. pm
Canadian $		1–7/8c. pm	1–7/8c. pm	1–7/8c. pm	1–7/8c. pm	15/16–13/16c. pm	7/8–3/8c. pm
Swiss Fr.		6 1/8–5 3/8c. pm	5 7/8–5 3/8c. pm	5 7/8–5 3/8c. pm	5 7/8–5 3/8c. pm	5 7/8–5 3/8c. pm	5 1/4–4 3/4c. pm
W. German D-Mk.		5 1/2–5pf. pm	5 1/4–4 3/4pf. pm	5 1/4–4 3/4pf. pm	5 1/4–4 3/4pf. pm	5 1/8–4 3/8pf. pm	4 7/8–4 3/8c. pm
		Gold Price at Fixing					
Price (s. d. per fine oz.)		249/5	249/5 3/4	...	249/5 1/2	249/4 3/4	249/4 1/2
($,, ,, ,,)		35·07 1/2	35·07 1/2	...	35·07 1/2	35·07 1/2	35·07 1/2

UK External Trade

Imports are valued cif: exports fob.
Total trade unless otherwise stated.

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

BRITISH			
Prices and Wages.....	April 7th	External Trade	This week
Manpower and Output....	April 28th	Industrial Profits.....	April 21st
OVERSEAS			
Western Europe.....	April 14th	United States.....	Mar. 10th

	Unit	Monthly averages			1961			1961		1962		
		1959	1960	1961	Jan.	Feb.	Mar.	Nov.	Dec.	Jan.	Feb.	Mar.
VALUE												
Imports:												
Total	£ million	331·9	378·4	366·5	404·3	353·1	398·9	373·0	338·3	402·3	333·0	389·7
Food, drink and tobacco	"	126·5	128·1	123·6	131·8	117·7	131·7	128·8	119·9	138·9	120·2	142·5
Basic materials	"	77·6	88·3	82·1	95·2	82·9	88·1	74·6	73·8	88·0	64·7	74·7
Fuels	"	38·9	40·0	40·3	48·3	40·2	47·1	40·3	37·3	46·7	39·6	45·9
Manufactures	"	87·6	120·5	118·9	126·8	111·3	130·5	127·9	104·9	126·4	107·5	125·4
Exports of UK produce:												
Total	"	277·5	296·2	306·9	330·4	297·1	309·9	319·4	298·5	311·5	298·2	322·4
Manufactures—Total	"	234·5	250·0	259·9	280·9	253·8	265·7	266·1	244·7	263·9	250·9	271·5
" Metals	"	37·8	39·3	39·5	43·1	40·5	39·4	41·1	38·0	36·8	37·8	40·5
" Engineering products	"	122·4	131·0	139·5	149·8	132·1	142·9	140·8	128·5	148·0	135·0	144·5
" Textiles	"	20·7	21·7	20·8	24·1	21·7	22·2	21·5	19·4	20·7	20·8	21·6
Re-exports	"	10·9	11·8	13·2	12·4	11·2	15·3	12·9	12·9	12·2	10·9	14·9
Balance of trade (exports less imports)	"	−43·5	−70·4	−46·4	−61·5	−44·8	−73·7	−40·7	−26·9	−78·6	−23·9	−52·4
VOLUME (1)												
Imports:												
Total	1954=100	122	138	135	...	143[4]	...	132[5]	...	...	139[4]	...
Food, drink and tobacco	"	118	121	121	...	124[4]	...	124[5]	...	...	...	...
Basic materials	"	101	110	101	...	111[4]	...	94[5]	...	...	...	...
Fuels	"	143	157	164	...	179[4]	...	161[5]	...	...	...	...
Manufactures	"	150	201	196	...	205[4]	...	192[5]	...	...	...	...
Exports:												
Total	"	116	122	125	...	128[4]	...	127[5]	...	...	126[4]	...
Manufactures	"	117	124	127	...	131[4]	...	126[5]	...	...	...	...
BY AREA												
Imports:												
USA	£ million	30·9	47·1	40·2	50·5	38·9	42·9	42·8	38·9	44·1	38·2	43·7
Canada	"	26·0	31·2	29·1	27·0	25·9	28·7	33·2	31·0	24·9	24·1	25·7
Latin America	"	26·8	25·8	23·2	24·9	25·3	30·2	17·4	20·0	23·1	21·8	30·4
West'n. Europe—Common Market	"	46·6	55·1	56·5	56·2	52·3	60·5	64·4	48·6	59·7	53·9	61·6
" " Free Trade Association (3)	"	39·0	46·7	46·2	52·3	43·6	45·7	46·5	40·4	47·3	37·6	43·3
Soviet Eastern Europe	"	9·7	11·6	13·0	13·4	10·7	11·9	14·5	11·4	15·2	11·0	10·2
Other Non-Sterling	"	32·7	35·4	35·7	43·8	45·1	44·9	35·1	34·2	47·9	36·8	40·1
Sterling area	"	120·2	125·5	122·6	136·2	111·3	134·1	119·1	113·8	140·1	109·6	134·7
Exports of UK produce:												
USA	"	30·3	27·1	23·4	21·1	20·7	20·5	27·5	27·0	25·1	25·5	26·1
Canada	"	17·3	17·9	18·5	14·8	17·6	15·7	20·8	14·8	15·0	17·2	14·1
Latin America	"	12·9	14·3	13·9	14·2	14·5	13·2	15·9	13·6	16·3	12·6	15·9
West'n. Europe—Common Market	"	38·8	43·3	51·1	48·3	45·7	54·4	52·4	55·6	55·5	56·3	61·3
" " Free Trade Association (3)	"	32·0	35·8	40·1	40·0	37·1	38·2	41·7	41·3	43·0	40·2	45·5
Soviet Eastern Europe	"	5·1	6·4	8·8	8·5	7·7	8·3	9·3	8·7	9·7	8·2	9·0
Other Non-Sterling	"	29·3	32·3	34·3	41·7	33·5	38·3	34·5	32·4	38·2	33·1	36·8
Sterling area	"	111·8	119·1	116·8	141·8	120·3	121·3	117·3	105·1	108·7	105·1	113·7
TRADE IN SELECTED COMMODITIES												
Imports:												
Wheat	'000 tons	356·3	342·0	327·5	205·4	349·5	379·3	318·3	357·7	355·2	357·7	366·9
Meat	"	67·6	69·3	61·2	69·5	60·0	76·8	40·1	50·1	66·6	61·1	91·0
Sugar, unrefined	"	201·8	183·3	172·4	204·5	166·2	148·5	161·5	188·7	213·4	142·3	151·4
Raw cotton (2)	"	22·5	22·5	18·4	21·0	31·6	24·9	13·7	20·2	20·3	15·3	20·1
Raw wool, sheep's and lambs' (2)	mn. lb.	58·6	49·8	49·4	75·7	58·1	66·7	35·7	48·9	84·6	46·6	71·0
Rubber, natural and synthetic (2)	'000 tons	17·0	16·2	16·2	24·2	19·8	24·6	15·0	12·3	23·8	21·8	22·9
Softwood	'000 stds.	121·7	150·0	134·2	129·2	74·3	80·1	143·9	112·8	94·4	61·7	66·0
Woodpulp	'000 tons	185·4	225·4	215·1	264·1	239·3	224·6	214·0	201·3	218·7	186·8	163·0
Crude petroleum	mn. galls.	847	963	1,059	1,219	1,012	1,257	1,072	967	1,151	1,026	1,222
Exports of UK produce:												
Coal, including bunkers	'000 tons	343	455	475	523	397	442	429	498	369	444	356
Woven piece-goods—cotton	mn. sq. yds.	29	27	24	29	24	29	22	20	21	22	22
" " " wool	'000 sq. yds.	8,536	8,089	7,528	8,941	7,973	7,865	7,176	6,636	7,633	7,833	7,161
Passenger cars and chassis	number	47,414	47,491	30,897	31,728	27,119	26,359	32,226	38,203	49,705	45,789	46,201
Commercial vehicles and chassis	"	10,619	12,127	13,913	17,286	16,689	16,447	12,586	11,595	13,164	10,990	14,100
Agricultural tractors	"	9,474	11,951	11,790	12,670	13,682	13,513	9,720	10,110	12,958	14,706	14,705
Machinery—electrical	£'000	5,706	5,257	5,506	7,096	5,422	5,678	5,001	5,511	4,838	5,652	4,592
" other	"	47,264	52,948	61,374	66,773	59,612	64,355	64,990	59,604	66,254	59,251	64,856
Chemicals, elements and compounds	"	5,862	6,442	6,422	7,149	6,917	6,678	6,634	6,740	6,489	6,367	7,003

(1) Trade with the Channel Islands is included in the total import and export indices only. (2) Retained imports. (3) Including Finland. (4) Average for first quarter. (5) Average for fourth quarter.

APPOINTMENTS

FORD OF BRITAIN

FINANCIAL PLANNING AND CONTROL

Finance work can be a dull recording function or it can be a live constructive force in assisting management to plan and control a company's affairs. In Ford of Britain the finance activity makes a positive and vital contribution to policy and operations. This work is increasing with the growing size and complexity of the Company and additional high calibre staff are required to meet the needs of expansion and new model programmes.

A number of vacancies are immediately available at both junior and senior levels for men up to the age of 40. The following headings illustrate the range covered by these vacancies—profit budgets, design cost control, price analysis, internal audit, operations analysis, capital expenditure programmes and control, parts and accessories analysis, management reporting, financial systems and procedures, competitive analysis and industrial economics. Although a good honours degree or professional qualification is a minimum requirement, a broad understanding of management problems and a keen analytical mind are more important than training in a particular technique.

Prospects will not be limited to the finance field as the Company management development policy ensures that men of high general ability are detected and advanced as rapidly as their capacity can sustain. Salary and promotion therefore depend entirely on ability.

Applicants are invited to send personal details including age, qualifications, experience and approximate salary required (marking envelopes "Ref. A6") to:—

MR H. G. PEARMAN,
TRAINING AND RECRUITMENT OFFICE,
FORD MOTOR COMPANY, LIMITED,
DAGENHAM, ESSEX.

RESEARCH ASSISTANTS

One post for either graduate or person with research or statistical experience to work in team investigating certain aspects of ECONOMIC PLANNING, STATISTICS & COMPUTERS. One post for a person holding Registered Statistical Assistant qualifications or with experience in analysis of research data. Salaries according to qualifications and experience rising to £640 plus savings scheme. Holiday arrangements honoured.—Apply National Foundation for Educational Research, 79 Wimpole Street, London, W.1.

BRISTOL COLLEGE OF SCIENCE AND TECHNOLOGY

Department of Social and General Studies

Head of Department:
C. T. Sandford, M.A.(Econ.)

The Governors invite applications for the post of

LECTURER IN ECONOMICS

Applicants must possess a good honours degree in Economics/teaching and/or industrial experience would be an advantage. Candidates should have wide general interests, with an enthusiasm for teaching General Studies to students of science and technology.

Salary scale: £1,600 x £40—£1,800. Application forms and further details from the Registrar, Bristol College of Science and Technology, Ashley Down, Bristol, 7. Please quote CST 62/17 when replying.

ASSISTANT RESEARCH OFFICER required for The Royal Institution of Chartered Surveyors' Cost Research Panel and Building Cost Information Service. Age 21/30. Applicants should have had practical experience of cost analysis and cost planning, preferably in a Chartered Quantity Surveyor's Office. Commencing salary £1,000-£1,250, according to qualifications and experience. Two weeks' leave. Luncheon Vouchers, 3s. per day.—Applications, giving full information on education, experience and availability, to Appointments Secretary, Royal Institution of Chartered Surveyors, 12 Great George Street, Westminster, S.W.1.

AUSTRALIAN NATIONAL UNIVERSITY

INSTITUTE OF ADVANCED STUDIES

POSTS IN PACIFIC HISTORY

Applications are invited for the posts of SENIOR FELLOW or FELLOW in the DEPARTMENT OF PACIFIC HISTORY of the Research School of Pacific Studies.

The Department undertakes studies in both history and government, geographically, its field of interest includes both the Pacific and South-East Asia.

On this occasion it is desired to appoint a person with research experience relating to the government and politics of dependent territories of newly independent states. Other things being equal preference will be given to a candidate who has already worked in the Pacific or South-East Asia.

The salaries and ranges of Senior Fellows and Fellows are determined within the limits of £A3,000-£A3,850 and £A2,120-£A3,000 per annum respectively. Appointment to age 65, with the option of retirement after age 60, is normally confirmed before expiry of the initial appointment, which is for five years. Senior Fellows and Fellows are entitled to one year's study leave on full pay, plus a contribution towards travel and other expenses, in every six and seven years respectively.

Superannuation is on the F.S.S.U. pattern. Reasonable travel expenses are paid and assistance with housing is provided.

Further particulars should be obtained from the Secretary, Association of Universities of the British Commonwealth (Branch Office), Marlborough House, Pall Mall, London, S.W.1. Applications close in Australia and London on *15th June, 1962*.

CENTRAL ELECTRICITY GENERATING BOARD NORTH EASTERN REGION

ASSISTANT REGIONAL SECRETARY (PURCHASING, CONTRACTS & STORES)

Applications are invited from suitably qualified persons for the appointment of Assistant Regional Secretary (Purchasing, Contracts and Stores) at the North Eastern Regional Headquarters in Leeds, which will shortly become vacant.

The successful candidate will be responsible to the Regional Secretary for the implementation of the Board's buying policy within the Region in accordance with the established procedure and for carrying out specific functions in relation to that procedure. He will be required to undertake commercial negotiations on contracts, to advise upon stock control and the organisation of stores, to collaborate with the Standards Engineer in the application of the Board's standards, and generally to function as the Regional Officer in charge of all matters in the field of Purchasing, Contracts and Stores.

The salary for this appointment will be in accordance with the National Joint Managerial Agreement, Class "D," Grade 3 (£1,965-£2,170 per annum).

Forms of application may be obtained from the Regional Personnel Officer, Central Electricity Generating Board, North Eastern Region, 1 Whitehall Road, Leeds, 1, to whom they should be returned to arrive not later than 28th May, 1962.

THE DISTILLERS COMPANY LIMITED

OPERATIONAL RESEARCH SPECIALIST

The Chemical Division of The Distillers Company Limited, large-scale manufacturers of organic chemicals for industry, wish to appoint an Operational Research Specialist to join a small, recently formed unit at the London divisional headquarters. This unit applies operational research methods to the practical solution of a wide variety of short-range and long-term problems arising in the planning of the Division's expanding manufacturing activities and in the distribution of its products. Computer facilities are available within the Company.

Candidates for this appointment, preferably in the late twenties, should hold an honours degree in mathematics; knowledge of statistical methods is desirable. Although some important theoretical work is involved, candidates should be of a practical rather than a theoretical turn of mind; they should possess both the persistence to elucidate facts, figures and information from many and diverse sources, and the imagination to use the mathematical interpretation of these data as a powerful tool of management.

Write: STAFF MANAGER, THE DISTILLERS COMPANY LIMITED, 21/22 BOLTON STREET, LONDON, W.1.

Quote Reference: 248 E.C.

GOVERNMENT SOCIAL SURVEY

The SOCIAL SURVEY DIVISION of the CENTRAL OFFICE OF INFORMATION invites applications for post of SENIOR RESEARCH OFFICER. The Research Unit is responsible for official sample survey inquiries covering a wide field of social and economic problems with a variety of research methods and maintaining high technical standards. Specialist sections are available for sampling, interviewing, coding and mechanical tabulation, but research officers have full responsibility for the design and reporting of survey work, much of which is published, and are expected to conduct such methodological research as may be required. All applicants should be qualified in one of the Social Sciences, Mathematics or Statistics, and have had research experience. Applicants must be able to produce reports of previous research for which they have had responsibility. The post is graded SENIOR INFORMATION OFFICER and is unestablished, but there are regular opportunities for establishment. Salary £1,573 to £1,937.—Write, giving age, full details of experience and qualifications, to Manager (PE.3677), Ministry of Labour, Professional and Executive Register, Atlantic House, Farringdon Street, London, E.C.4.

For further appointments and other classified advertisements see pages 503 and 512

UNIVERSITY OF HONG KONG

LECTURESHIP IN ECONOMICS

Applications are invited for the above-mentioned post. Applicants should have suitable qualifications, including teaching experience, in (a) Economic History and (b) the History of Economic Thought; preferably with special reference to Eastern Asia. The successful candidate will be required to take up duties in September, 1962.

Annual salary (superannuable) is: £2,150 x £75—£2,825 (man) or £1,600 x £60—£2,140 (woman). The equivalent of income tax in the Colony is comparatively low.

Tourist air passages or first class sea passages of equivalent cost are provided for expatriate staff on first appointment and leaves. Accommodation at reasonable rental is provided for those recruited from abroad.

Further particulars and information as to the method of application may be obtained from the Secretary, Association of Universities of the British Commonwealth (Branch Office), Marlborough House, Pall Mall, London, S.W.1.

Applications close in Hong Kong and London on *15th June, 1962*.

NIGERIA INSTITUTE OF INTERNATIONAL AFFAIRS

APPOINTMENT OF DIRECTOR-GENERAL AND SECRETARY

The Nigeria Institute of International Affairs, Lagos—an independent, non-political and non-official body having as its purpose the creation of an informed opinion regarding international affairs by advancing the study of these affairs through research and discussions, issuing publications on these researches, and building up a research and reference Library—invites applications from Nigerians for the position of Director-General and Secretary to the Institute's Council.

Applicants should be honours graduates and, preferably, should have had post-graduate research experience.

Salary will be between £2,000 and £3,000 per annum, depending upon qualifications and experience.

The successful applicant will be expected to enter upon his duties as soon as possible. He will be eligible, subject to passing a medical examination, to contribute to a provident fund.

Six copies of applications, with the names of three referees, should be lodged with the Secretary, Nigeria Institute of International Affairs, c/o Federal Supreme Court, Lagos, Nigeria, to reach there by the 31st May, 1962.

UNIVERSITY COLLEGE, LONDON Gower Street, W.C.1) requires RESEARCH ASSISTANT in Department of POLITICAL ECONOMY mainly to assist with research into the history of monetary thought. Duties to commence October 1, 1962. Salary £800 p.a., plus £60 p.a. London Allowance.—Applications, to be received by May 31, 1962, should be sent to the Secretary, from whom further particulars may be obtained.

UNIVERSITY OF GHANA

DEPARTMENT OF ECONOMICS

Applications are invited for the posts of:
(1) SENIOR LECTURER in Political Science (considerable teaching or research experience essential), and
(2) LECTURER OR ASSISTANT LECTURER in Political Science.

Salaries: Senior Lecturer, £G1,750 x £G75—£G2,200; Lecturer, £G1,050 x £G50—£G1,400 x £G75—£G1,850, £G1,900; Assistant Lecturer, £G900, £G950 p.a. 20 per cent. addition for non-Ghanaians. Entry at appropriate point. Appointment normally five years in the first instance.

Outfit allowance £G60. Car allowance £G150 p.a. Family allowance for non-Ghanaian for each child in West Africa £G350 p.a. or, if under age 21 and being educated outside West Africa, £G100 p.a. (maximum five children). Part-furnished accommodation at charge not exceeding 7.5 per cent. of salary. F.S.S.U. policies maintained if already held, or superannuation on similar basis.

Passages for appointee and family on appointment and normal termination. Annual leave with three overseas return passages in every four years for non-Ghanaian and one every three years for Ghanaian.

Applications (six copies) with full details of qualifications, experience, etc., and naming three referees, to be sent before 4th June, 1962, to the Registrar, University of Ghana, P.O. Box 25, Legon, Ghana, or to the Assistant Registrar (London), University of Ghana, 15 Gordon Square, London, W.C.1, from either of whom further information may be obtained.

MARKETING RESEARCH

A major British manufacturer of consumer and industrial products requires a Market Research Specialist at its Head Office in London. Applicants, preferably graduates, in the age group 27-33, should have had several years practical experience in a market research organisation and be familiar with all the relevant statistical techniques. The person appointed will be expected to organise a wide variety of marketing and consumer surveys and supervise the research undertaken by outside firms.

This is a new appointment which offers considerable scope for a person with experience, initiative and imagination.

Salary according to age, qualifications and experience, but is likely to be in the range £1,450-£1,750.

Box No. 1619.

MARKET RESEARCH

The Export Sales Department of a Company manufacturing Mechanical Handling Equipment wish to appoint a Market Research Specialist.

Applicants should be experienced in recording all forms of factual information, statistical analysis. Press and trade returns. It is important that they should have an appreciation of the importance of correctly interpreting their researches as an aid to Sales Management.

Applications, giving a brief outline of education, training and experience, should be addressed in confidence to the **Personnel Director, K. & L. Steelfounders and Engineers Limited, Letchworth, Herts.** (One of the 600 Group of Companies.)

For other appointments see pages 503 and 511

ARE YOU INTERESTED IN A.D.P.?

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The Group Personnel Manager,
BUSINESS PUBLICATIONS Ltd.,
Mercury House, 109-113 Waterloo Road, London, S.E.1.

ASSISTANT ECONOMIST

The **British Wool Marketing Board** invites applications for an Assistant Economist in the **London Headquarters.**

Candidates should have a good degree in economics, some *training in descriptive and* mathematical statistics and in the economics of agriculture.

Interest in work study and costing will be an advantage and the successful candidate may be required to take further training in these techniques.

Salary will be in the range £600 to £1,100. Applications, giving age and full details of education and experience, should be sent to the Economist, British Wool Marketing Board, 81-87 High Holborn, London, W.C.1.

MARKET ANALYST

required by

HOBSON, BATES & PARTNERS LIMITED

The Market Analysis Department of this advertising agency requires an executive aged about twenty-five to undertake the investigation of the markets concerning a large group of accounts.

The successful applicant will have had some years' experience in sales planning or marketing in the consumer product field, or will have worked on analysis with another agency.

He must be familiar with Nielsen and other audits, know how to use market research, and have the ability to evaluate statistics.

A good degree in economics is desirable, together with the ability to communicate his findings concisely and lucidly.

Write giving full details to:—
C. D. Credland, Esq.
Hobson, Bates & Partners Ltd.,
Hobson House,
155 Gower Street
London, W.C.1

COST RESEARCH OFFICER required by The Royal Institution of Chartered Surveyors to be responsible for the work and development of the Cost Research Panel and the Building Cost Information Service. Age 30-38. Applicants should possess a University degree in economics and/or Statistics. Preference may be given to applicant with experience in the building industry. Commencing salary £1,500-£1,800, according to qualifications and experience. Three weeks' leave in the first instance. Contributory Superannuation Scheme. Applications, giving full information on education, experience and ayailability, to Appointments Secretary, Royal Institution of Chartered Surveyors, 12 Great George Street, Westminster, S.W.1.

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South Africa	£10 10s.	£7 10s.
Sth. & Cen. America	£10 10s.	—
Sudan	£7 15s.	£6 15s.
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West Indies	£10 10s.	—

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	1962 Tons	1962 Escudos	1961 Tons	1961 Escudos
Kilometres run		1,994,906		1,949,651
Passenger Traffic:				
Journeys	—	3,360,000	—	3,137,000
Luggage	326	382,000	297	307,000
Local Traffic:				
Minerals	55,372 —	5,906,000	113,108 —	16,154,000
Other	119,739 —	16,776,000	130,433 —	16,489,000
Transit Traffic:				
Minerals	174,309 —	96,394,000	149,925 —	80,639,000
Other	28,077 —	22,342,000	37,532 —	28,247,000
Miscellaneous:				
Receipts	— —	2,552,000	— —	3,573,000
Total	377,823 —	147,718,000	431,295 —	148,546,000
Working Expenses in Africa		82,389,000		78,832,000
Net Operating Receipts		65,329,000		69,714,000

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JOHN H. F. TURNER,
Manager

47 Threadneedle Street, E.C.2.
1st May, 1962.

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Development Proposals will be received by the undersigned at the City Hall, Halifax, Nova Scotia, Canada, up to 3 p.m. Atlantic Standard Time, October 31, 1962.

P. F. C. BYARS, City Manager,
City Hall, Halifax,
Nova Scotia, Canada.

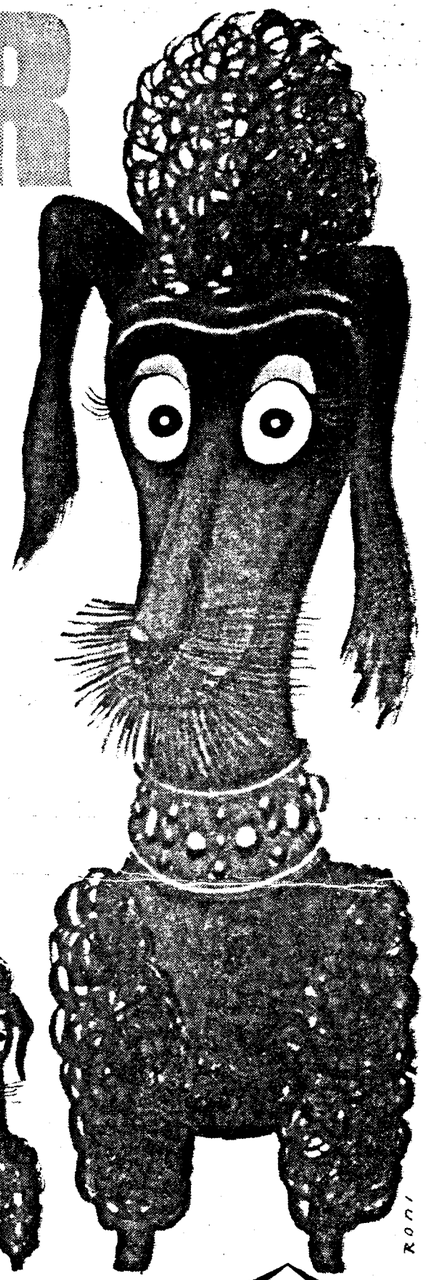
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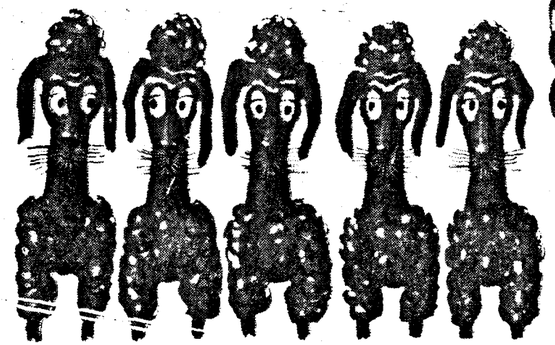
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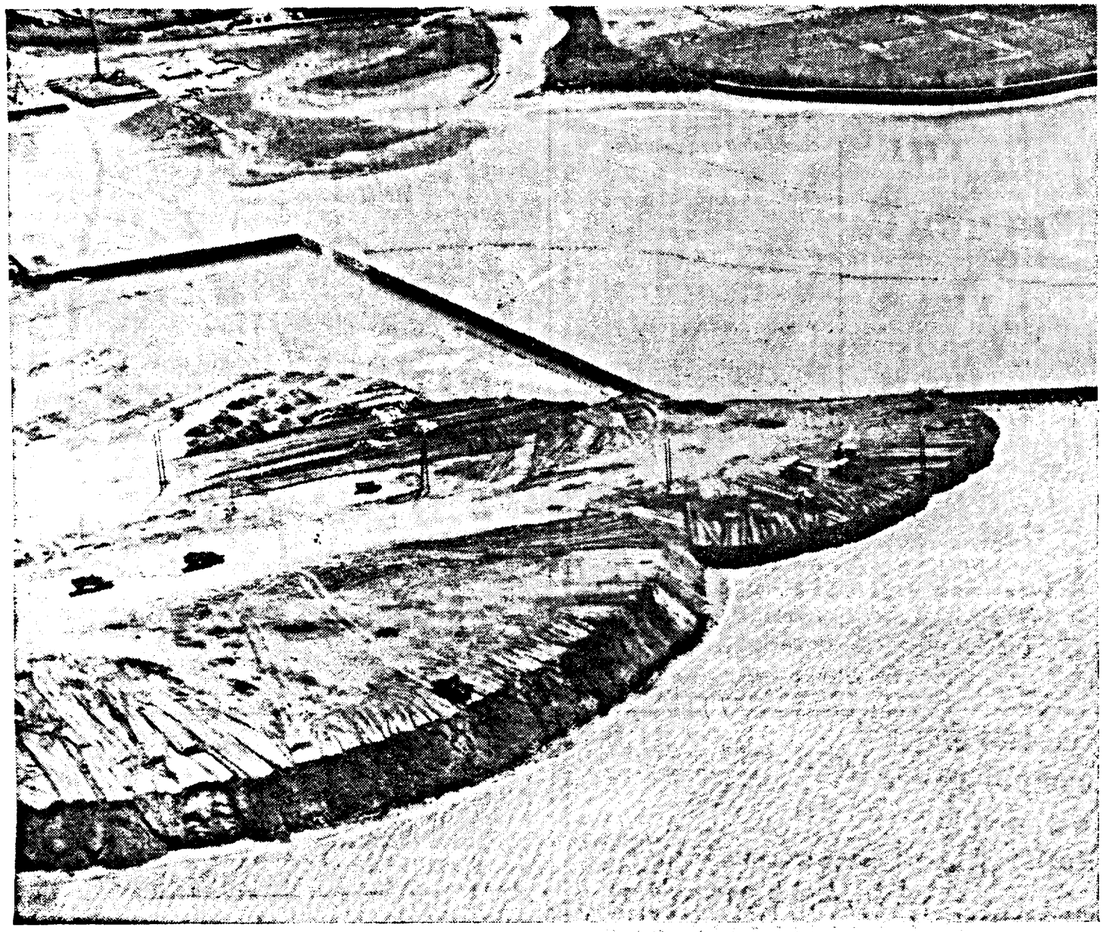
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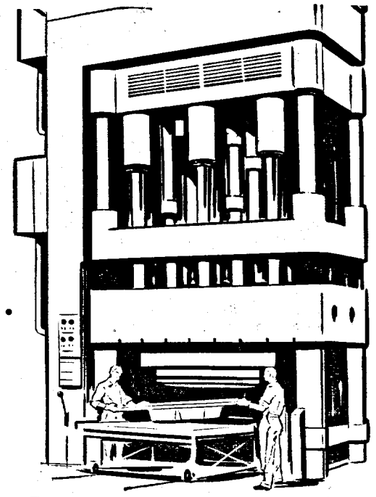
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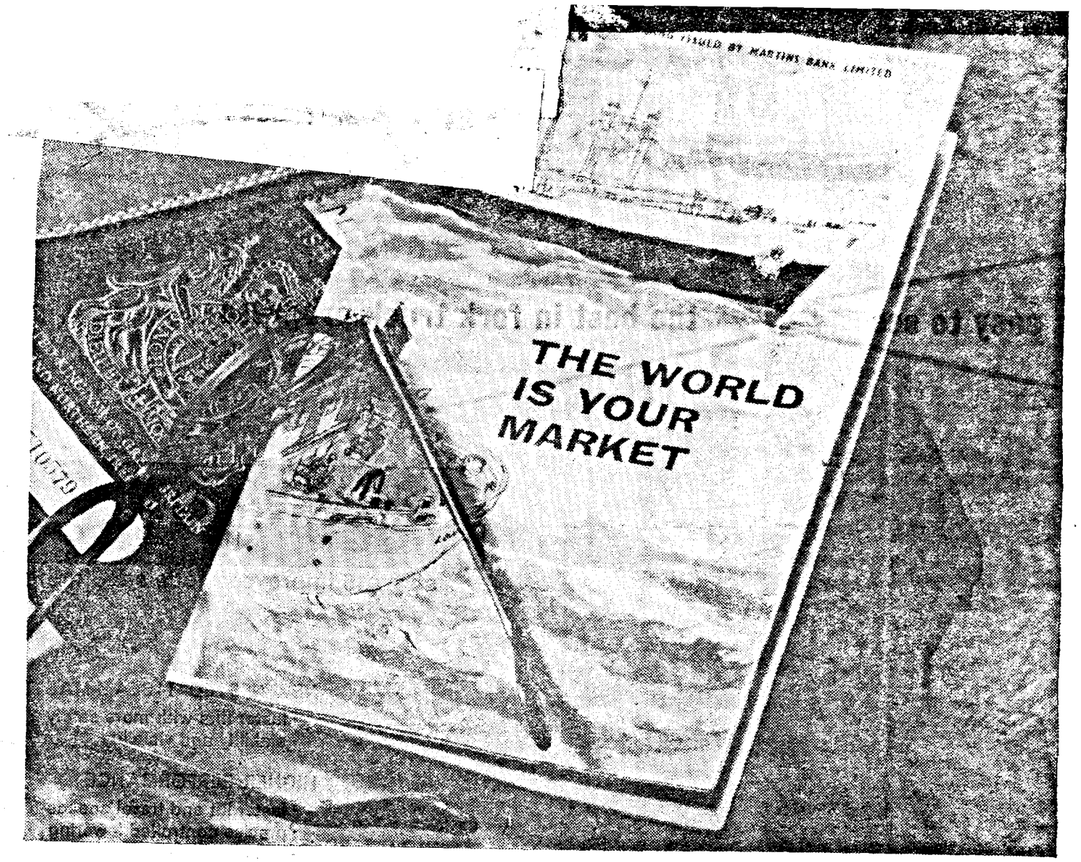
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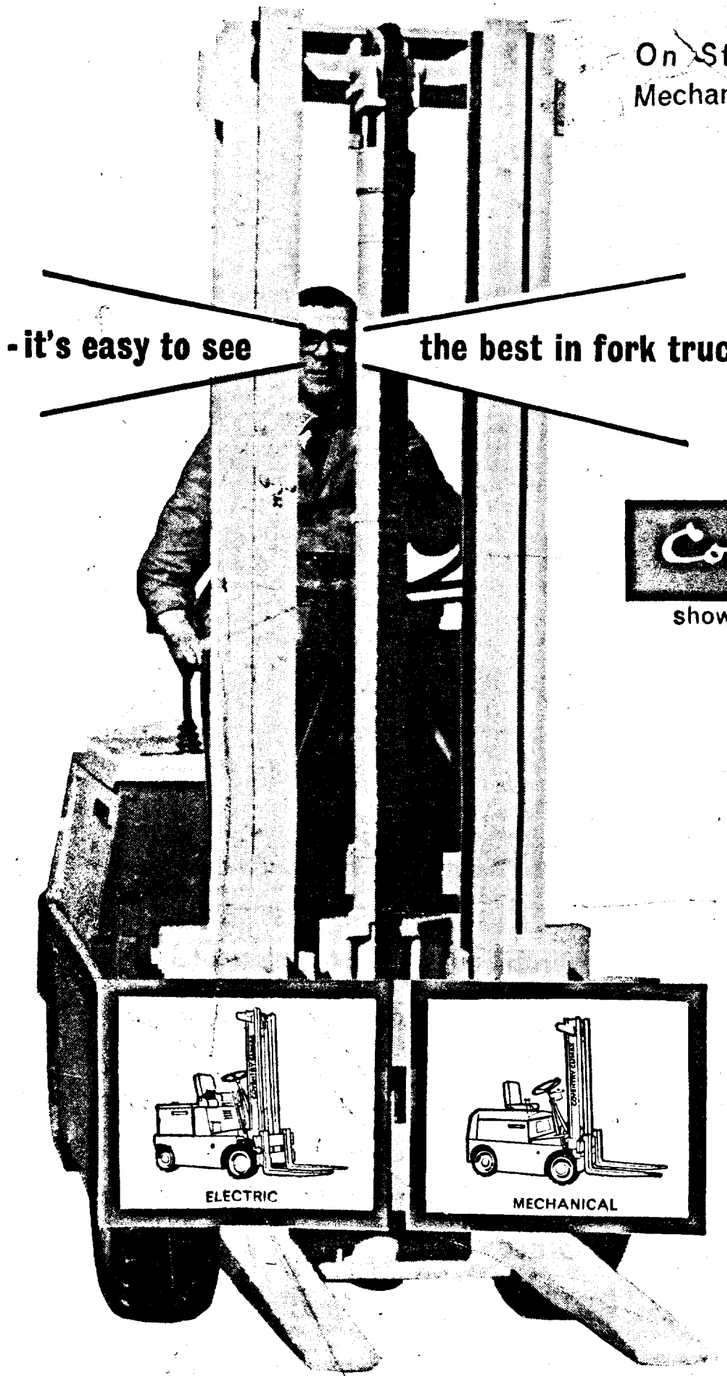
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HOME

Calling the tune

Ned has exceeded all hopes for him: in a tactful way, the National Economic Development Council has set Britain **a target for expansion** which could be a salutary shock to deflationary thinking in high places, and may even leave a mark on the inflationary instincts of other people (p. 537).

American attempts to interfere with **international shipping** have had a cool reception in most countries, and the cold shoulder from Britain (p. 585).

Paying the piper

Mr Cousins, with devastating skill, has put his oar into the **dockworkers'** negotiations and stirred up the prospect of a strike (p. 541).

The **nurses,** riding on the crest of a wave of public sympathy, would do well to accept arbitration (p. 542).

Two great British **airlines** are standing up manfully to what they consider the bullying tactics of some of their employees (p. 543).

Leading the band

Mr Gaitskell seemed, in a broadcast on the **common market,** to have slightly more than half of himself on the European side of the fence (p. 543) : and he is quite clearly on the opposite side of the fence from the more fanatical elements in the campaign for **nuclear disarmament** (p. 570).

Keeping the score

The Pipelines Bill is rousing political passions—departmental rather than party (p. 575): many **pipelines** have already been laid without its benefit (p. 576).

The week's **local council elections** are well-designed as a test of the three parties' strength in the country (p. 569).

In Montgomery the by-election caused by Mr Clement Davies's death defeats psephology (p. 543).

Mr Powell has attacked the inadequacy and inaccuracy of **hospital statistics** (p. 549).

Once more, with feeling

Believers in the repetitive habits of history will find many extraordinary parallels between this year of grace and 1958 (p. 541).

Attention is being directed again to Britain's need for **sporting facilities:** the Chancellor has made a modest gesture (p. 546).

Jersey, in the Channel Islands, lives a life of ease on its fair-weather friends (p. 539).

INTERNATIONAL

Personality Problems

In their different positions, both the British and the French have got to get used to the idea of **living with gaullism.** The British may not find it so impossible as it looks, for General de Gaulle is more flexible and realistic than he sometimes seems (p. 535); the French still do not know what it will mean for them (p. 556).

Dr Adenauer has annoyed and disappointed Washington over Berlin (p. 562); the **Berliners** are far from sure where they stand (p. 555), but know they will have to go on standing there for a long time yet; the harmony of **Nato's** Athens meeting was nice while it lasted, though (p. 542); harmony of any kind has hardly been helped by the American proposal to set off **a bomb in space** (p. 542).

President Segni is well suited to his high Italian office: he needs to be, if he is to play his part in healing the wounds caused by the manner of his election (p. 558).

General Franco and **Dr Salazar** have both been assailed by riots (p. 544).

Little Local Difficulties

China is well and truly on the hook in Kashmir, and probably, in the face of increasing **Indian** pugnacity, wishes that it could get off (p. 538).

Laos continues to baffle the best intentions of the peacemakers (p. 543).

Lebanon will probably show its usual tolerance in dealing with the troublemakers of January (p. 558).

Little Logical Difficulties

Persia's programme of **land reform** is supposed to be completed within two years: how, is open to question (p. 557).

The meatless **Czechs** have yet to experience the promised benefits of **collectivisation** (p. 546).

The problem of dividing up £27½ million among expropriated victims of the **Suez affair** who have lost more than £65 million continues to exercise the Government (p. 546).

Mr Butler and his vacuum-cleaner are going to try to tidy up in **Rhodesia** (p. 543); there is a lot of dust to raise. **Dr Verwoerd** sees well enough the logic of events in Rhodesia: he is not so clear-sighted about the consequences of his own policies (p. 548).

Transatlantic Topics

After floating for twelve years, **Canada's rate of exchange** has been fixed in an attempt to recapture the confidence of overseas investors (p. 573).

The United States Supreme Court's recent decision on **legislative redistricting** is producing political results with unexpected speed (p. 561); but on **voting rights for Negroes** the Administration has suffered a serious defeat in Congress (p. 562). In Louisiana a battle is looming on **Negroes in schools.**

The English Canadians must wake up to the reality of French Canadians' grievances (p. 559).

In Texas there is a scandal over a **stockpile of tanks,** but in Washington no serious revelations are expected from the enquiry into **the stockpile of strategic supplies** (p. 567).

The **1962 American elections** are getting under way (p. 563).

Detailed contents on page 535

Mallory 'sound power'



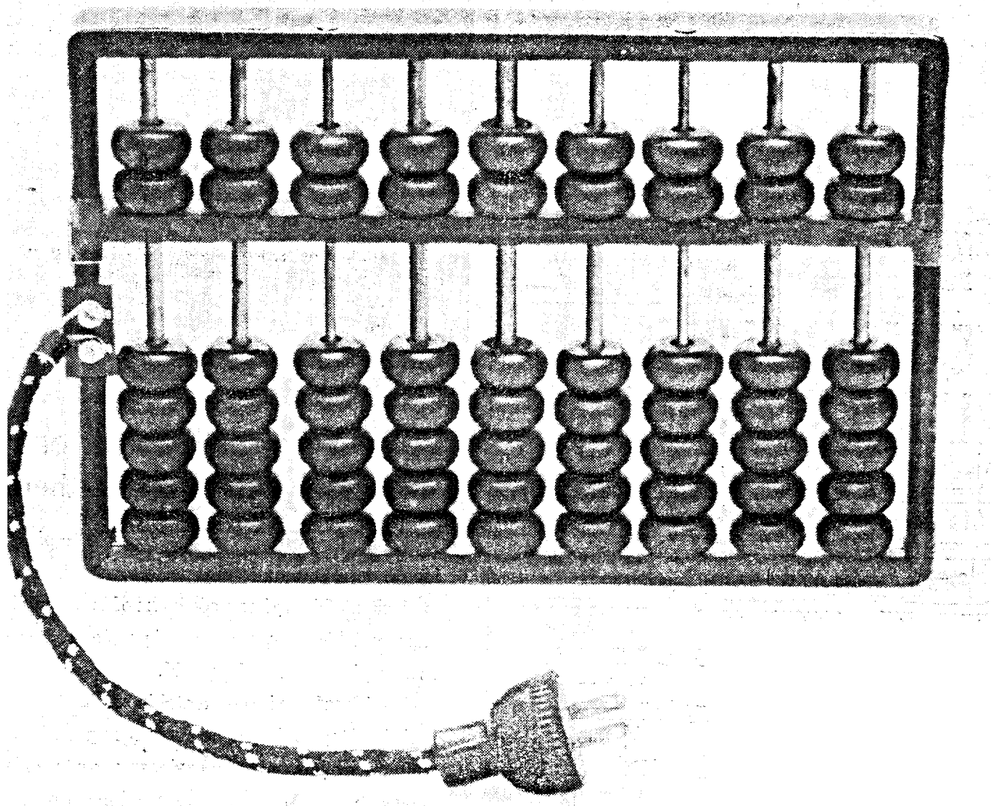
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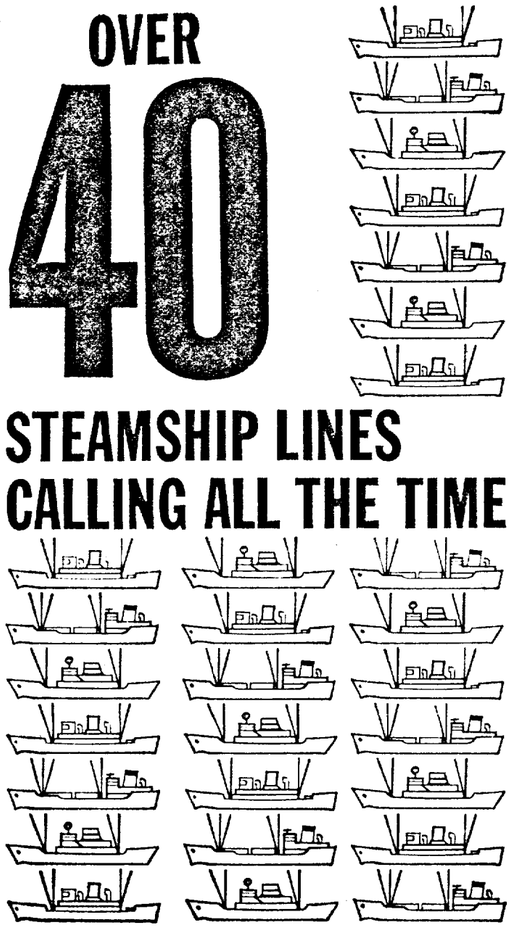
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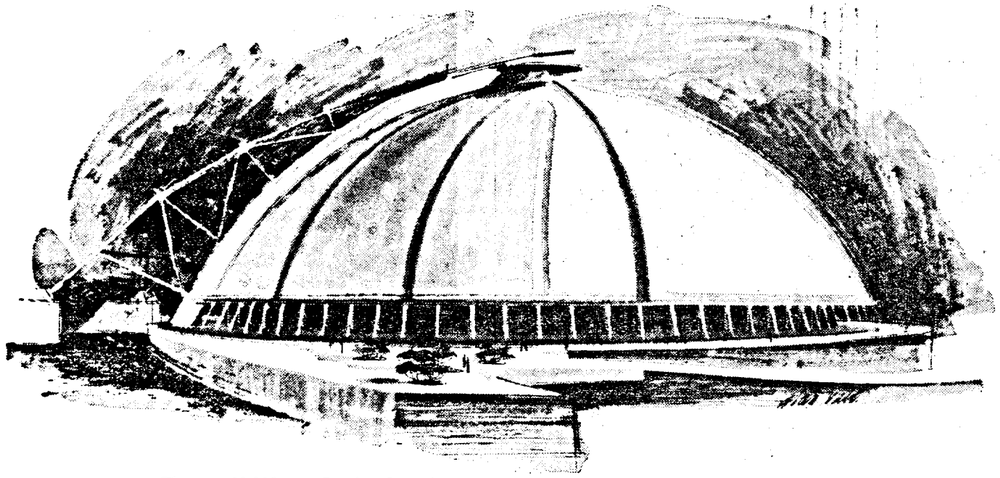
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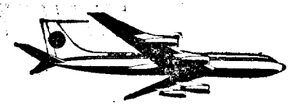
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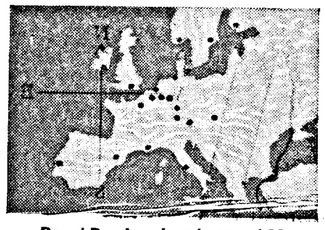
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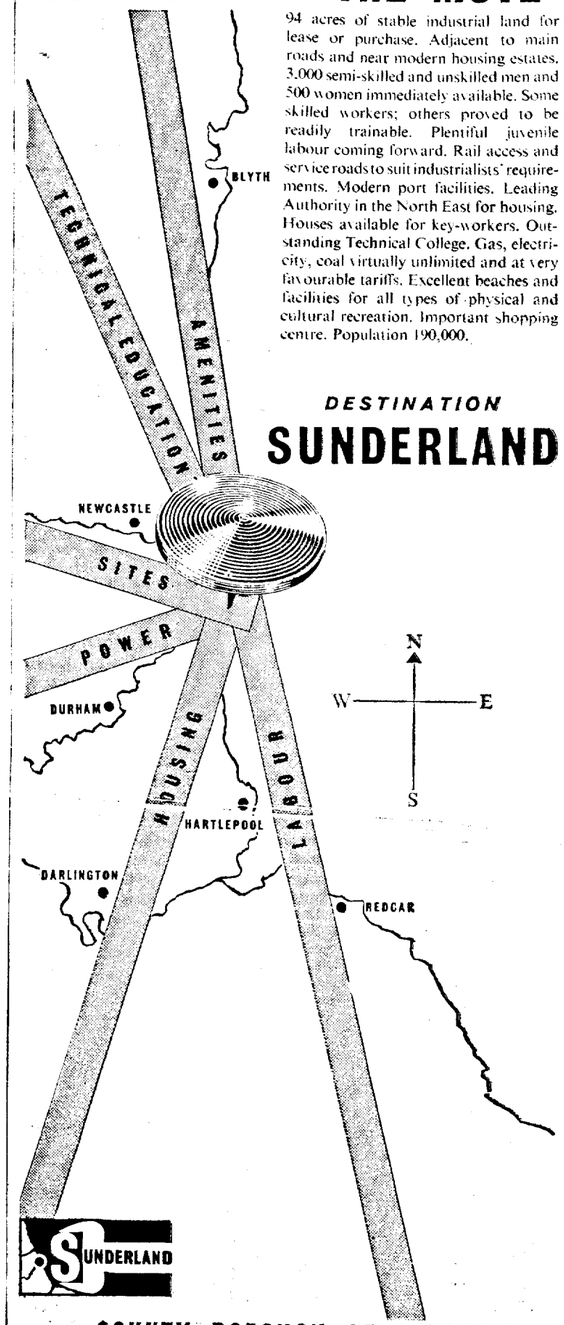
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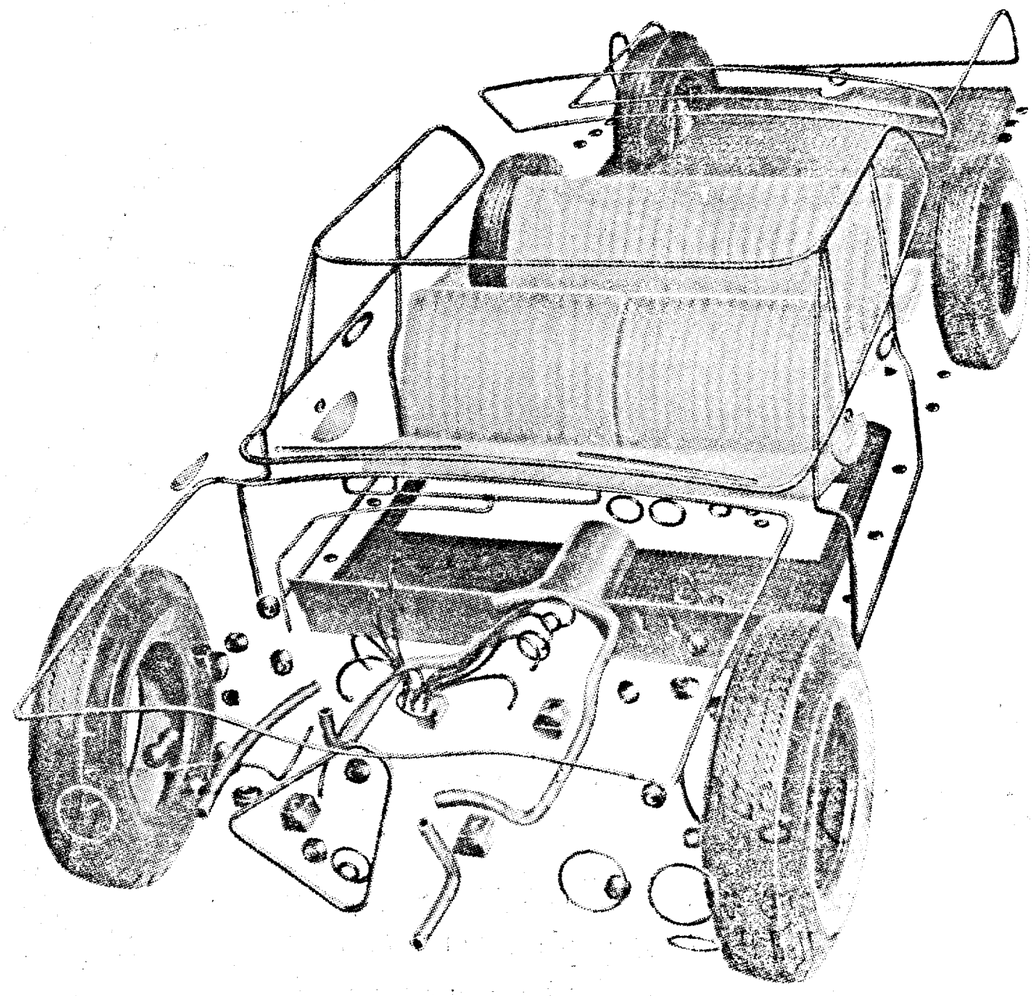
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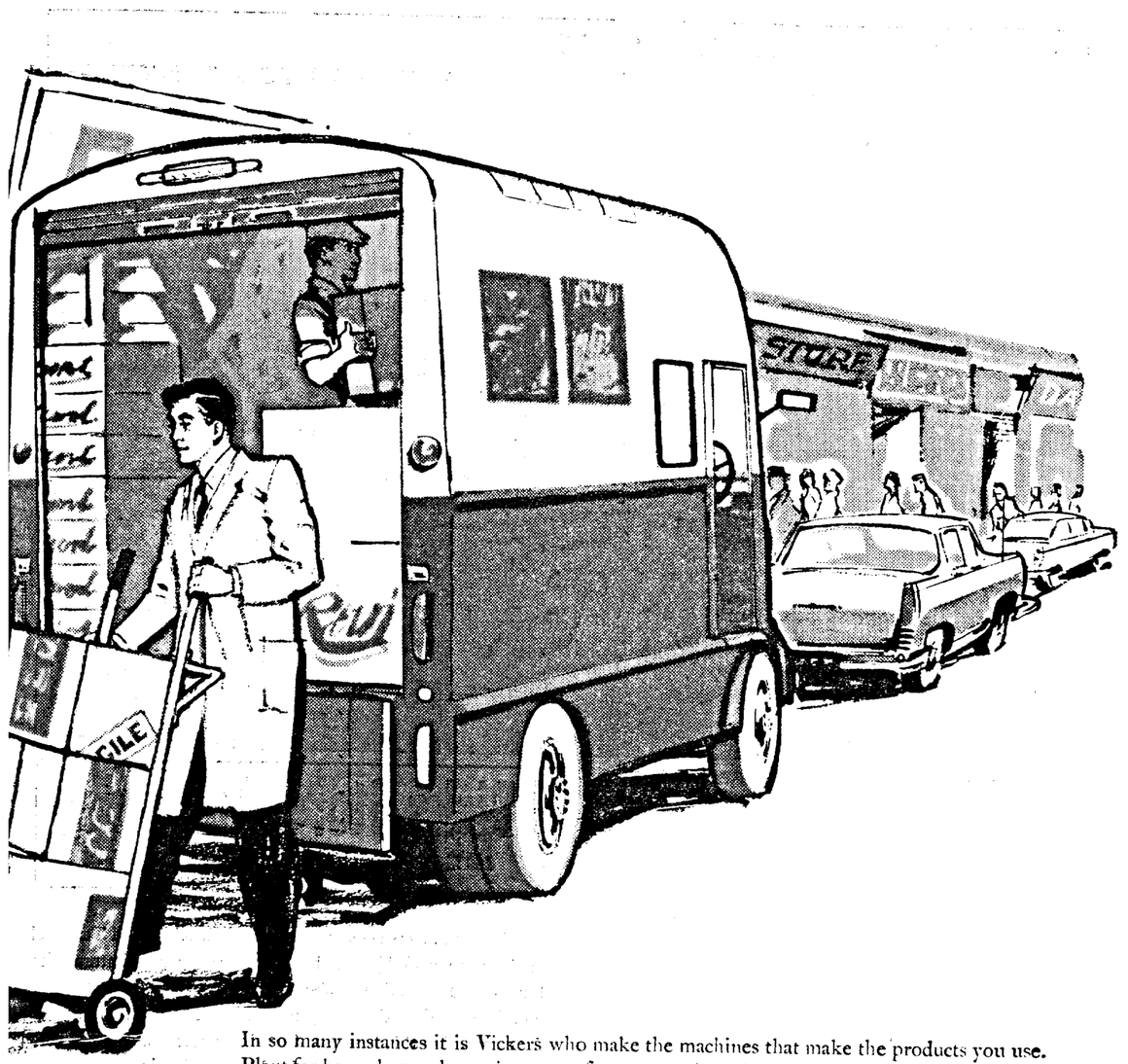
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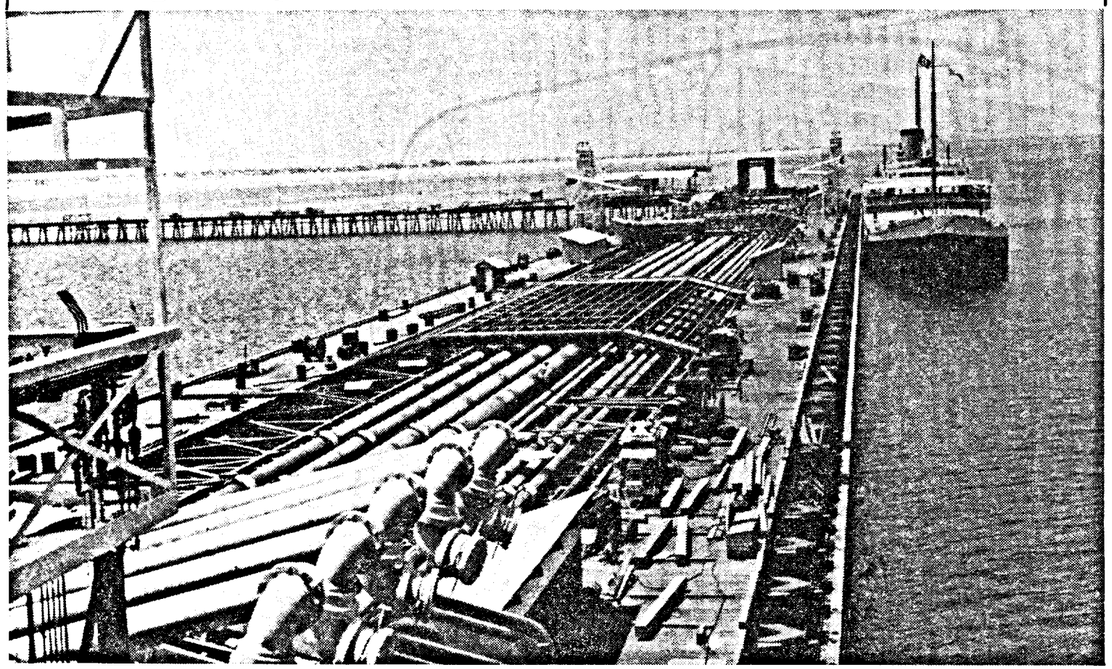
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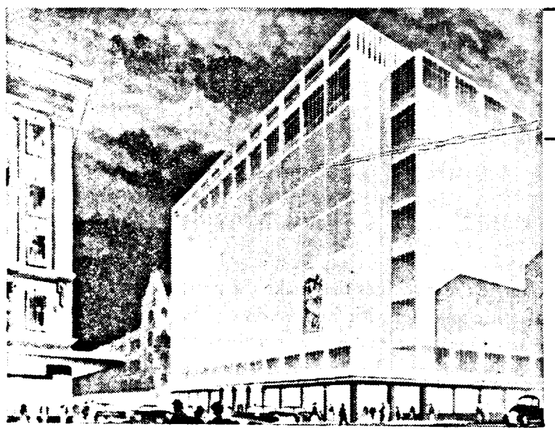
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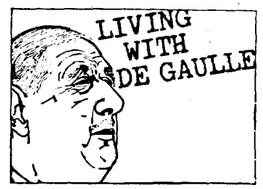
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Living with de Gaulle

FOR better or worse, General de Gaulle has now stamped the imprint of gaullism on France, and on France's relations with the rest of the world. For better or worse, the rest of the world—in particular, the rest of the western alliance and, most of all, Britain—has to decide whether it can coexist with gaullism. The general, celebrating this Sunday the fourth anniversary of the coup in Algiers that brought him to power, can savour the knowledge that with reasonable luck he is finally emerging, as he intended, from the Algerian labyrinth in which he has been caught since 1958; and that, having emerged, he will at last be in open country where he can deploy his own ideas about the future of France to their full effect. Our Paris correspondent discusses the French implications of this on page 556. But the international implications are even more arresting—history having arranged that the general's liberation from his Algerian preoccupation should coincide with the moment when Britain and continental western Europe have to decide whether to be one or two.

For the British, teetering on the edge of this decision, there are two questions to be answered about General de Gaulle's intentions. The first and basic question is whether his ideas about the coming shape of Europe, and about Europe's place in the world, are sufficiently compatible with British ideas on these subjects for the two countries to live side by side in the same community. If one had nothing to go on but General de Gaulle's stated objectives, the two points of view might seem irreconcilable. In his memoirs, having described how his early hopes of Anglo-French collaboration were rebuffed in 1944, he says that he wants to create a "third planetary force" on the mainland of western Europe which will not only be distinct from "the Anglo-Saxon camp" but might even on occasion find itself on the opposite side of the east-west fence from it. Coupled with his repeatedly expressed contempt for the United Nations, this adds up to a gaullist picture of the future in which there is no place for Britain except outside, looking plaintively in.

But it is sometimes a mistake to be mesmerised by the general's statements of intent—as the supporters of a French Algeria have discovered. In fact, he has already modified the picture he painted in his memoirs very considerably. Because his deepest passion, deeper even than his taste for third forces, is for the strength and dignity of France, and because he realises that France can be strong and dignified only if it is part of a club of nations big enough to match the superpowers, he has accepted the need for allies—and, with allies, the conditions that allies bring with them. His nationalist lips have swallowed the existing supranational elements in the common market; even more important, for the sake of staying friends with Dr Adenauer he has overcome his dislike of being dependent on the Anglo-Saxons enough to accept, however grumpily and conditionally, Dr Adenauer's fundamental (if now momentarily exasperated) trust in the alliance with the United States.

Thus General de Gaulle has been drawn, no doubt reluctantly, part of the way back towards the basic belief of British postwar policy: the belief in the need to preserve the link between the United States and western Europe, which, because it was absent in the beginning of two world wars, threatened the West (and all that General de Gaulle stands for) with the disaster that, each time, was just averted. And the facts of life in the nineteen-sixties are likely to make it difficult for him to veer back again now to separatism. If he hopes to see

western Europe rank alongside Russia and America in the reasonably near future as the world's third great power he must realise that the goal will be more swiftly and surely achieved if (indeed, it may not be achieved at all unless) it is pursued in co-operation with what he still, and sometimes contemptuously, calls the Anglo-Saxon powers; in the case of Britain, this co-operation probably means British membership of the European community. The blunt fact facing General de Gaulle is that practically any link he seeks to establish with a neighbour attaches him automatically to the link which that neighbour wants, and needs, to maintain with the United States.

There is another reason for thinking that the general's ideas about the future of Europe may not be quite as unacceptable to British minds as he sometimes makes them appear. The other main element in British foreign policy in recent years, alongside the insistence on transatlantic solidarity, has been the pertinacious attempt (for which Mr Macmillan, to be fair, must have the credit) to ease the tensions in central Europe, in the hope that the two halves of the continent may one day be knitted together again. During the Berlin crisis General de Gaulle has seemed to put himself in precisely the opposite camp: the camp, that is, which would rather see the hostile confrontation along the Elbe prolonged than venture on a policy of conciliation with eastern Europe. But from time to time another, more imaginative, train of thought has peeped out from behind this intransigent French front, when the general has dreamed aloud of a single Europe "reaching from the Urals to the Atlantic." This corner of the general's mind, at any rate, is forever England's. He, and only he so far, has even (does he remember?) said the Oder-Neisse line has come to stay.

IF these hopeful guesses are right—if the gaullist and the British views of the world are in fact just compatible enough to make cohabitation possible—there is still a second major question which needs an answer. General de Gaulle's whole approach to foreign policy is based on the belief that France must play the leading part in the group of nations it assembles round itself. It will be hard enough to maintain this pretence at pre-eminence even within the existing European community; there are men in Bonn who do not see themselves just as loyal retainers to the lord in Paris; there are many men elsewhere who do not think that, in the end, the eminence can be anything but German—and who fear this. The question is whether the French president can bring himself to associate with yet another rival to the French claim of leadership; a rival, moreover, with markedly different ideas about how this leadership should be exercised. To be specific, can he risk the experiment of coexisting with Britain?

The answer to this question falls into two parts. One part is that, although he would doubtless prefer not to dilute Europe's "personality" by letting Britain in, General de Gaulle knows very well that there are limits to his ability to impede Britain's entry. These limits are set by what the other members of the European club will tolerate; if he pushes his opposition to the British application beyond reasonable limits, there is a serious risk that the continental coalition might fall apart; Europe will be severed again. The negotiations with Britain enter the stage of really serious bargaining this Friday, May 11th, when the ministers in charge meet in Brussels to review the groundwork that has now been completed by lesser officials. Such evidence as there is suggests that the terms offered to Britain are likely to be tough, but not intolerably unacceptable. If this turns out to be the case, it will mark the general's understanding that he must stay within bounds.

The other part of the answer to the question whether General de Gaulle can afford to coexist with Britain is that it depends on Britain. The president's attitude towards British membership of the common market is plainly linked to his larger aim of putting France on equal terms with Britain in the diplomatic hierarchy of the free world, and in the possession of a nuclear armoury. So far the United States has flatly refused to help him in either ambition. If Britain now gives the impression that it wants to come into Europe as a kind of representative of the Anglo-Saxon directorate—wearing a badge marked "special relation" in its lapel, and clutching its nuclear independence as a token of its superiority over mere Europeans—General de Gaulle might well be excused an icy murmur of *fichez le camp*.

THIS is why Mr Macmillan's visit to Paris on June 2nd is so important; it could be the most important trip he has made since he took office. This is not to say that he ought to take to Paris a specific offer to buy Britain into the common market, either by handing over British nuclear information to the French or by agreeing to support the French demand for membership of a triumvirate running western affairs. The British entry into Europe ought preferably to be achieved—and probably can be—solely within the limits of the Treaty of Rome, and without extraneous inducements; this country has at least as much to give to the European community, politically, economically, and financially, as it has to gain from joining it. But, while Mr Macmillan should not go to Paris with the idea of buying Britain in, he should make it quite clear that—once in—Britain will regard itself, atomic bombs and all, as wholly committed to Europe, and not just a part-time representative from another, Anglo-Saxon, world.

In particular, Mr Macmillan should try to come to a preliminary understanding with General de Gaulle about how Britain might dispose of its nuclear armoury if and when it joins the common market. The ideal solution of the problem, for people whose deepest fears are about the gradual proliferation of these damned weapons, would be for Europe as a whole to withdraw from the nuclear competition and rely on the United States for its protection. If this proves impossible, however, the next best (though significantly worse) aim should be an *entente nucléaire*: a bilateral Anglo-French arrangement to replace the bad examples the two countries are currently setting with their separate, national, atomic forces.

General de Gaulle might still not be interested; he might insist that his atoms, like his homecoming infantry from Algeria, must be his and his alone. Yet there would be powerful advantages for him in such a pooling of effort. His defence planners, if not the general himself, must be aware that the new generation of weapons that will come to birth in the second half of the 1960s will be beyond the pocket of all but the richest powers—or combinations of powers. A joint Anglo-French nuclear arm might provide a credible deterrent for the whole of western Europe; its bases would lie away from the politically sensitive middle of the continent; it would need no third recruit.

But the really decisive recommendation of the idea lies in its political, not its military, value. The nuclear entente might at last convince General de Gaulle that the British have returned, for good, to Europe, and dispel his vague suspicion that the barbarians begin at Dover. It would also provide a foundation of common interest on which Britain and France might try to reconcile the still substantial differences between their views of the world. Mr Macmillan, rehearsing the ideas he intends to let drop at the Chateau de Champs, might profitably concentrate on this one.

Britain's Five-Year Plan

LOUD cheers for Ned! It launched itself down the slipway this week in precisely the form which *The Economist* has long advocated—but which we had frankly not expected to see achieved. Sir Robert Shone and his team of economic technocrats at Bridge Street are to draw up a report, before the end of this year, which will "examine the implications" of, and set down statistical projections for, achieving an entirely new and specific objective for British economic policy. The project to be discussed is that of expanding Britain's gross domestic product by an average of 4 per cent a year between 1961 and 1966, or by nearly 22 per cent over the whole period. Because the growth of gross domestic product between 1961 and 1962 is likely to be only about 1½ or 2 per cent, as a result of Mr Selwyn Lloyd's unambitious 1962 budget, the rate of growth assumed in these projections for 1963 and the three subsequent years will probably have to be 4½ per cent per annum or more.

In order, presumably, to save the faces of those who had not wished to see the National Economic Development Council wield so much policy-setting influence, the first Shone report is not to be officially called a five-year plan; and 4 per cent per annum is not even being specifically called a target rate of growth (it has been described instead, in a masterpiece of tactful diplomatic prose, as "a reasonably ambitious figure likely to bring out problems that have to be solved if faster economic growth is to be achieved and as a help in focusing thinking on the problems of faster growth"). But of course, unless older-style influences somehow launch a counter-attack, a five-year plan and a target rate of growth are what they are hearteningly likely to become. By the time of the next budget, in April, 1963, the Chancellor of the Exchequer will be faced by an estimate that total national output will need to rise by over £1,000 million a year if the projected figures in the first Ned report are to be achieved; if total demand seems unlikely to be high enough to bring that extra £1,000 million of output into being, then the Chancellor will surely feel under an incentive to step up demand by something like Ned's calculated and required amount through the medium of an expansionary budget.

This does not mean that, if an expansion of demand should lead Britain into price inflation or balance of payments troubles, the target growth rate can possibly be regarded as sacrosanct. But it should mean that there will be a subtle check to the form of instinctive thinking which has ruled British economic policy in the past six years: the sort of thinking which has assumed that the remedy for any economic troubles, even those which cannot be shown to have any obvious relationship to excess demand at all, must be to retreat into a squeeze and destimulate the phagocites. In recent years growth in the British economy has been everybody's favourite son in theory but most policy-makers' whipping boy in practice, largely because there has been no vested interest in Whitehall to father the poor child. It has been beguilingly easy to blame every trouble on the fact that "we have been trying to do too much," largely because it has been regarded as improper to set down in advance even any approximation of what we have been trying to do. From next year on, whenever the Chancellor tries to do something desirable, like checking inflation or improving the balance of payments, he should feel under new pressure to try to do these things in ways that seem likely to have the least damaging effect on another thing that will be recognised as desirable—namely the achievement of his target rate of economic growth. That is why this week's news is much more important than a mere announcement that the two knights of Bridge Street (Sir Robert Shone and Sir Donald MacDougall) are to set down some hypothetical figures on paper. They will be operating here in the field where basic attitudes to policy-making are formed. It could be a psychological breakthrough of the first importance.

THE staff of Ned is assuming that the annual growth in the labour force between 1961 and 1966 should serve to raise output by about 0.7 per cent a year, so that the target rate of 4 per cent for the growth of gross domestic product implies an average increase in production per worker of something like 3.3 per cent a year. If cost inflation is to be avoided, it follows that average earnings at the workbench should not rise by more than 3.3 per cent a year, which means that average annual rises in wage rates negotiated by trade unions would have to be notably less than this. Tactfully Ned has apparently not yet pointed this out even to its own trade union members. But if the idea of a national plan catches hold, the two most important annual target figures—the target rate for total expansion at which the Government should aim, and the ceiling rate for average annual wage increases if inflation is to be avoided—should stand a much better chance of being burned into the public consciousness. This could be the second important psychological breakthrough which the new Ned model planning might achieve.

In drawing up the first draft plan, the staff of Ned is to examine the contribution made by government services, initiate a special study into the distributive trades, and seek factual information from sixteen separate industries on the implications for them of a 4 per cent growth rate in total national production. In all, their first batch of inquiries will thereby cover one half of the gross domestic product. The sixteen industries chosen for this first round include a sufficient weighting of modern growth industries (chemicals, motor vehicles, electronics) in order to be dynamic, and a sufficient smattering of industries whose labour forces are likely to have

to decline (coal, agriculture) in order to be realistic. Some delicate planning touch has plainly already been at work in choosing this list.

At one time, *The Economist* had feared that opposition from Whitehall might divert Ned from the enunciation of target rates for the growth of home demand into the compilation of mere research essays into the obstacles standing in the way of efficiently responding to such an expansion ; as things have turned out, pressure has gone the other way. A number of studies into the obstacles to growth have already been started, including studies of the balance of payments, research and development, and of taxation ; the last named is a sign of how completely and courageously Ned seems prepared to stick its researching oar into matters which the Treasury might well once have preferred to regard as its own strictly private territory.

Unfortunately, it is perhaps fair criticism for zealots to say that Ned does not yet seem to have shown a similarly great audacity in preparing to face problems which might cause resentment among trade unions ; there is no mention yet of any inquiry into such subjects as restrictive labour practices or into the wasteful absurdity of large parts of the British apprenticeship system. But *festina lente ;* this is a minor blemish in a programme that represents a remarkable and imaginative start to a process of moving new men—and confident new statistical ideas—into the high places of British economic policy-making which have for the past six years been so desperately in need of them.

Three Hands in Kashmir

China has stuck a trouble-making finger into an area where it may get nipped

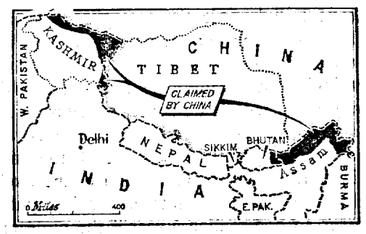
ONE would normally welcome, without qualification, any agreement between two nations for the amicable demarcation of a long-disputed frontier. Quarrels over border lines are one of the commonest sources of international tension. One less quarrel, so much the better. Unfortunately, there are serious qualifications to be made in the case of last week's simultaneous announcement by China and Pakistan that they are to negotiate a demarcation agreement. The boundary is that of north-western Kashmir. (Pakistan proper has no common border with China.) The joint announcement explained that the provisional agreement now to be negotiated will be replaced in due course, after the India-Pakistan dispute over Kashmir has been settled, by a formal boundary treaty between China and " the sovereign countries concerned."

Pakistan, which has effectively controlled this part of Kashmir for thirteen years, can scarcely be blamed merely for seeking to straighten out the boundary question with China, whose territorial claims in recent years have troubled all its southern neighbours. Nepal and Burma have already negotiated border agreements with the Peking government. But last week's announcement from Peking and Rawalpindi was made against a doubly disturbed background. It cannot be taken in isolation from either the long-standing Kashmir dispute between India and Pakistan, which was once again before the United Nations Security Council last week, or the newly-inflamed frontier conflict between India and China.

Inevitably, the Indian government has reacted sharply to the Sino-Pakistani announcement. Mr Nehru told parliament on Monday that it was " opportunist," and amounted to " interference with India's sovereignty over Kashmir." It is natural for Indians to think that both Pakistan and China are at least as much concerned to score points off India as to settle matters between themselves. Nor are these suspicions unfounded.

Pakistan's strongly anti-communist, western-allied government has gladly accepted communist Peking's implicit support, or at the least its benevolent neutrality, in a dispute which it has so often vainly brought before the UN, which has found its allies unwilling to commit themselves, and which has brought Russia flatly down on India's side. China has not, of course, actually backed Pakistan's full claims in Kashmir. But its technically " uncommitted " stand is not only one of its conspicuous rifts with Mr Khrushchev, who has personally and forcefully espoused India's case. It is also, in effect if not in theory, a boost for Pakistan and a blow at India ; a boost and a blow which reveal, very interestingly, that membership of " militarist-western blocks " is no bar to—and non-alignment on the purest *panch shila* principles no guarantee of—the favour of a communist power interested in making trouble among its neighbours.

Only as long as the Chinese can exploit the " nuisance value " of the older Kashmir quarrel, however, will Pakistan be able to count on their benevolence. It suits Peking's military commanders that the Indian army in Kashmir should, while stepping up its pressure on the Chinese forces who have intruded in the east, have to look over its shoulder at the west, where the newly-elected president of Pakistan-held Kashmir and others have lately revived talk of a war of liberation. Such talk must now be music in Chinese ears. For there is little doubt that the Chinese, as Mr Nehru told parliament on May 3rd, have " grown apprehensive of our growing strength."



THE " tougher " thinking in India about the Chinese threat, which was described in *The Economist* of April 21st, is not just a matter of tough talk. In the last five years, the size of India's army has been doubled. Its strength is now close to half a million men ; it is among the six strongest in the world. Its inevitable walkover in Goa last December did its morale no harm. This spring, substantial elements have been purposefully deployed in Ladakh (eastern Kashmir), and probing contact has been made with the Chinese intruders there.

" When we establish checkposts, it is often behind their checkposts," said Mr Nehru on May 3rd, adding " the Chinese are rather nervous "; and he told a cheering parliament that India would " not submit to Chinese threats " of action against Indian patrols. The Chinese demand, in a note sent on April 30th, for the withdrawal of two newly-established Indian posts in Ladakh, had been refused. " We propose to remain where we are."

To " throw the Chinese out " altogether, as many Indians have phrased their demand, is another matter. The area in north-eastern Kashmir across which the Chinese have gone so far as to build a military road, which now serves as a supply line for their campaign of repression in Tibet, is extremely difficult for Indian forces to reach in any strength. The vigour of the Indian patrolling is indicated, however, by the complaint from Peking that Indian troops have recently entered Sinkiang eleven times. (This charge is denied ; but complaint and denial merely reflect the dispute about where Kashmir ends and Sinkiang begins.) What is abundantly clear is that there will be no more Indian lying down under Chinese encroachments. The Indians now mean to give at least as good as they get.

Why has Peking chosen to throw away, for the sake of a doubtful toehold on these bare and bitter mountains, the vast goodwill it once enjoyed in Delhi ? Its need to secure the frontiers of still restive Tibet does not fully explain the crass crudeness of its recent behaviour toward India. The Peking press campaign of defamation of Mr Nehru, while partly a direct reaction to his increasingly firm line on frontier questions, also stems from his unwelcome victory at last September's conference of non-aligned countries in Belgrade. At Belgrade, where the theses dear to Peking's heart were mainly advanced by President Sukarno of Indonesia, they were beaten down, one after another, by Mr Nehru and Mr Krishna Menon, and Dr Sukarno ended up humbly carrying to Mr Kennedy the Indian-drafted peace appeal which he had at first scorned. After Belgrade, the Chinese press valiantly tried to depict the whole thing as a " triumph for Sukarno " and a defeat for the Indians, who were branded as " agents of American imperialism." India's support for the UN in the Congo has provoked further Chinese anger.

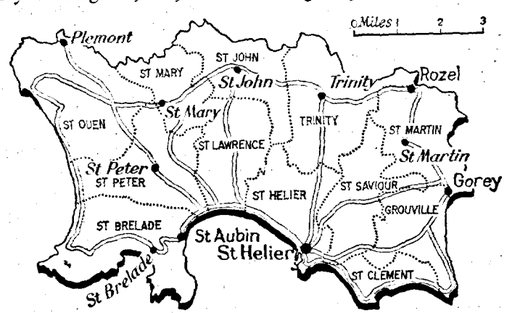
One element in Chinese land-grabbing may, admittedly, be mere traditional instinct. Peking's imperialism has an imperial pedigree. China's current maps and publications imply continued claims to border areas in Russia and North Korea as well as in the south. But there is nothing so inviting about the nightmareish mountains of Ladakh, or of northern Assam, as to explain the difference between Peking's belligerent conduct towards India and its more diplomatic settling of border disputes with its other southern neighbours.

If China hoped at an earlier stage to manoeuvre India into isolation from the general Afro-Asian community, that hope must by now be distinctly faded. If it still hopes to humble India and destroy the prestige of a neighbour who is inevitably in some sort a deadly rival, it must be stubbornly blind to Delhi's now conspicuous stubbornness. The most likely explanation for continued Chinese intransigence is the simple and common explanation of why many other governments, once involved in a venture that turns out profitless and damaging, do not cut their losses at once. " Face " is no Chinese monopoly ; but there is no indication that the Peking government will now be able to get off the Kashmir hook any more elegantly than the other two contestants already impaled on it.

Prospero's Isle

Jersey, largest of the Channel Islands, basks happily in a financial sunshine to which Englishmen, while they envy it, contribute handsomely

ENGLISHMEN, arriving white and emaciated from their own island, may be forgiven for mistaking Jersey for the Hesperides, the island of the blest for which their resilience in this vale of tears has made them eligible. They may be forgiven, too, for wondering why their own island,



so near, so similar, should yet be so different from these 28,000 acres in the crook of the Normandy coast, with their 1s. 10d. for 20 (English) cigarettes, their £400 (English) small cars, the orgy-provoking prices of their wines and spirits—and their sunshine. And the answer is the same as the question: it is precisely because of this inexpensive exoticism that upwards of half a million played-out Britons annually sacrifice £16 million in this temple of delights ; and it is that sacrifice which supports an economy in which petty luxuries would otherwise attract the far from petty penalties they do at home.

For Jersey, despite visions of monstrous clamps of potatoes, limitless tracts of tomatoes browsed over by golden cows, and tax-dodgers gambolling at the bright blue water's edge, lives by tourism. Without that staple, it would be stunted to the point of death (as the German occupation in the war—an experience which has permanently marked the souls of Jerseymen—showed). That £16 million (holidaymakers spend more in Jersey than they do anywhere else in Europe—about £19 a week each) represents an income to the island of £250 for each of its 63,000 men, women and children ; and it goes more than full way towards wiping out even the thought of an unfavourable trade balance of about £7 million with the United Kingdom, from which all but £5 million of its £20 million worth of annual imports come.

Politically, the island is an independent entity owing allegiance to the Queen (and in practice bowing to the Privy Council, who advise her) ; in domestic matters its government, the States, is the sole arbiter of policy, but in

foreign policy, although it has in theory freedom to ignore developments in the United Kingdom, Jersey follows Westminster without fuss. The States is composed of 52 members: 12 senators, who are elected on an all-island franchise for nine years each (four of them retire every three years); the constables of the 12 parishes of the island, who sit for three years; and 28 deputies, who are elected parochially and sit for three years. Up to 1856, the States consisted of the constables and 12 *jurats*, who were appointed. In that year the deputies were added, but further reform did not come until 1948, when the senators were introduced and the *jurats* removed to a residual function in the judiciary, still called the Royal Court, which, in its original form, governed the island until 1771. The president of the States is the Bailiff, who is appointed; the Lieutenant-Governor, apart from certain residual powers in the matter of passports and the immigration of aliens, enjoys a purely representative function.

Government in practice lies somewhere between what is possible for a local council in the United Kingdom and what is thought important enough to occupy the time of Westminster. It is conducted with remarkable amity; there are no political parties, each member being elected on the platform he chooses. Opposition to any proposal is likely to be modified or met in private, so that the resulting measure passes easily (in English, which is the language of debate, although French is the official language) into law. There is no cabinet, but the committee system works without signs of undue stress.

Not much of the business of steering the affairs of Jersey is left to the parish councils, who fix rates—generally low by English standards—and supply law officers under the constable. The States and the Royal Court do all the rest. They assume, in their finances, something of the financial philosophy of Mr Micawber, and their budget reflects the happy state of the man who has spent only nineteen and six of his income. Last year there was, indeed, a deficit of £56,000 brought about by extraordinary expenditure, but it was more than made up for by the £1 million brought forward from the previous year, so that the £5.24 million revenue comfortably covered all that the committees had set out to do (and not one of them overspent its allocation). It also covered the public debt twice over.

All this is managed on an income tax of 4s. in the £1, mitigated by generous allowances (and the size of Jersey incomes may be gauged by the £2.4 million yielded in tax); by duties on spirits and tobacco which are like a dream of better days; and by airport dues. But there is no free medicine; school meals are an economic proposition; there are no agricultural subsidies (except for milk) and no marketing boards; and the thousand or more miles of road are something less than adequate for a motor population which approaches one car for every five people, in addition to the 3,000 hire cars which are the terror of Jerseymen (but bring in £300,000 a year). There is also an acute housing shortage, partly brought about by the diversion of building enterprise into constructing hotels, and partly by the States' encouragement of wealthy immigrants and the permission which it must give, if Jersey is to prosper, for the conversion of dwellings into guest-houses.

Jersey is a crowded island, with a population density of 1,500 to the square mile; and all of it is crammed into the third of the land that has not been given over to the intensive agriculture which produces fine tomatoes, new potatoes, vegetables such as broccoli, and spring flowers for the English early market—the source of much of Jersey's export earnings, now about £7 million a year. The need to keep farming in good fettle, and the conflicting need to maintain as much land as possible untouched by development to please the tourists, are aggravating factors in the shortage of houses. An effort to solve the problem has, however, been made. Last year, a comprehensive report on future development was drawn up by Mr W. H. Barrett and Sir William Holford and Partners and presented to the States, including a recommendation to build 2,000 houses in the next decade.

Some of these houses are frankly earmarked for the wealthy exiles whom it is still the States' policy to attract—and wealthy is the operative word: a prospective immigrant who does not intend to work must have £5,000, in addition to such qualities, less tangible, as the responsible committee decides are desirable. He may buy an existing house, but his application will be considered "on its merits." Unless no Jerseyman is prepared to buy a plot of land advertised, as it must be, in the local newspaper, the incomer may not buy one to build on, and will not qualify for that basic privilege until he has lived on the island for several years (some say ten) and accepted jury service. For less wealthy exiles who would like jobs in Jersey, the housing problem can be even harder.

For Jerseymen, it cannot be much easier: the guest-house rooms in which visitors are packed during the April to September season are shut up for the rest of the year. There is little new building to cope with the natural growth of the population (about 6,000 since 1951, during which time 2,500 houses have been built). Even if there were, the general level of Jersey salaries and wages is not high enough to tempt people to borrow the large sums of money needed (and much of the cheap money which circulated until the last British budget was merely reinvested, and did not get to potential housebuilders); nor is there any building society to which they could turn for it. Wages generally are equal to the British provincial rates, and are almost all negotiated by British trade unions; salaries are improving, but have less purchasing power on the island, where luxuries are cheap but necessities are dear. The rewards of shop or office work are smaller than most British employers would dare to offer. Yet labour troubles are rare, and unemployment is low.

It is on tourism that Jersey depends, but it is against tourism that many Jersey people, exasperated by the hordes of transistor-toting holiday-makers, are turning. The States has now acknowledged that enough is enough, and there will not be many more permits issued to new guest-houses, although hotels in the luxury class are still too few in the tourism committee's view. But nothing will stop the tourists, for whom Jersey remains, and will remain, an easy compromise between the strangeness of a foreign country and the familiar things of home. There are no formalities; the patois is hardly spoken and English is everywhere; car hire is cheap; the sea is warm; the licensing hours are long; and the countryside is glorious with sun. And if the island has the highest lung cancer rate in Europe, one can always give up smoking when one gets home.

NOTES OF THE WEEK

DOCK STRIKE

Mr Cousins Rides Again?



As *The Economist* went to press, the negotiations on dockers' pay appeared to be lurching towards their agony, complete with cabinet meetings, feverish discussions at the Ministry of Labour, and with Mr Cousins staring out from the television screens at a mass electorate which is unlikely to come to love him. The point at issue is a tiny one—6d. a day for dockers hired at time rates. The employers have satisfied the union on every other aspect of the claim. They have proposed to raise the guaranteed fall-back payments for men who do not find work; to increase time and piece rates by 3 per cent; and to discuss reducing hours of work from 44 to 42 a week next January. But the workers on time rates are the lowest paid in the docks (although the details of payments vary enormously from port to port): whether because of pressure from within his own union, or because he wishes to show his independence of the Government's policy of wage restraint, Mr Cousins is adamant that time rate workers must get more—reportedly, 4½ per cent.

The selection of one small and unexpected issue as his sticking-point is characteristic of Mr Cousins as a negotiator. Connoisseurs of Mr Cousins's undoubted professional ingenuity say that he has followed broadly the same favourite tactic throughout his industrial career: the tactic is to intervene in a negotiation just when tired men think that they are about to reach an agreement and ask for just that little bit more. Admittedly, too, he has picked the best (and most emotive) point at which to make his intervention. The parts of the port employers' offer which propose to raise fall-back pay and time rates by 3 per cent are broadly in line with the Government's income policy; the offer to raise piece rates by 3 per cent is not, because piece rate earnings rise with production anyway; and a move to reduce the working week (i.e. to pay for two more hours at overtime rates) would superimpose an additional element of cost inflation. But by raising the increase in time rates to 4½ per cent, the dockers would break through the Government's incomes policy in appearance as well as in fact; and the challenge is therefore being thrown down to fight a national dock strike over a matter of apparently only about £250,000 a year in terms of hard cash, but of much more than that in terms of industrial and national example.

It remains to be seen whether the employers will think that bearing the disruption caused by a strike will be worth this. Those who believe that Britain will never restore its economy to rights until an incomes policy is made effective will soberly

We Have Been Here Before

The similarities between 1958 and 1962 grow more and more extraordinary:

(1) **The Beginning:** Britain entered 1958 with Bank rate at 7 per cent, the level to which it had been raised the previous September during an exchange crisis which the Government thought had been due to demand pull inflation, but which other people thought had really been caused by speculation about the Deutsche-mark and by wage push inflation.

Britain entered 1962 with Bank rate at 6 per cent; the rate had been raised to 7 per cent the previous July during an exchange crisis (as above).

(2) **Government Expenditure:** Mr Thorneycroft resigned in January, 1958, because the Cabinet refused to cut Government expenditure for the new financial year to the target rate which he had promised during the previous year's exchange crisis.

Mr Selwyn Lloyd did not resign in February, 1962, although the Cabinet . . . . (as above).

(3) **Politics:** The Liberals won Torrington in March, 1958, a seat which the Conservatives had held at the previous general election with a majority of just under 10,000.

The Liberals won Orpington in March, 1962, a seat which . . . . (as above, but substitute "just under 15,000").

(4) **Budget:** In April, 1958, Mr Heathcoat Amory introduced a budget which gave away £50 million in tax reliefs, but which *The Economist* criticised as likely to be insufficiently reflationary unless the Chancellor took further steps to stimulate demand later in the year. However, immediately after the budget the Chancellor began in fact to talk about restimulation and to move Bank rate down by ½ per cent as a first step . . . .

In April 1962 Mr Selwyn Lloyd introduced a budget which gave away no net tax reliefs, and which *The Economist* criticised . . . . (as above).

(5) **Wage Claims:** Throughout early 1958 the Government resisted excessive wage claims without running into the expected strikes, although *The Economist* criticised it for buying off a railway strike by a wage offer of 3 per cent to railwaymen, together with a promise to start reviewing the whole railway wage structure later in the year. However in May, 1958, Mr Cousins unexpectedly led his Transport and General Workers' Union into a London bus strike, which was widely unpopular with other trade union leaders and which he proceeded to lose.

Throughout early 1962 . . . . (as above, but substitute "dock strike" for "London bus strike" and insert question marks at the end).

(6) **Swing of the Political Pendulum.** In April, 1958, before the outbreak of the London bus strike, Labour's sweeping successes in the county council elections had suggested that in the following month's borough elections it should secure more than 500 net gains. In fact, however, by the time the boroughs went to the polls a sudden anti-Labour swing, apparently explainable solely by the unpopularity of the bus strike, cut Labour's net gains to 200 fewer than this. This was the clear starting point of the Conservatives' political recovery which led up to their return to power in October of the following year.

In 1962, Labour's gains in last week's Scottish burgh elections suggested that in this week's provincial borough elections (i.e. not counting London boroughs) it might expect to secure more than 300 net gains. Those borough elections were being held on Thursday, and the results will have been announced by the time this issue is in readers' hands (see page 569 for a detailed bogey scorecard). Probably the threat of a dock strike has come too shortly before the poll to affect these results; but, if the strike occurs, the political swing from now on will certainly be watched with interest.

(7) **Economic Expansion.** Starting from the firm base provided by its outfacing of the London bus strike, the Government set out from the autumn of 1958 on the most successful brief period of economic expansion in British history. In the following eighteen months the real earnings of British workers rose at a faster pace than ever before, although (or rather because) there was a definite pause in the element of wage inflation provided by national (as distinct from local) trade union wage bargains. This period of economic expansion came to an end soon after wage inflation, and the consequent need for economic restrictions reappeared with the granting of the Guillebaud award to railway workers in early 1960.

judge that it is worth while—provided the Government acts resolutely about introducing emergency labour to keep the docks running during a strike. The political, as well as the economic, effects of this threatened strike could be climactic; the note on the previous page draws the weird parallels between the situation of the British economy now and in 1958—up to and beyond the moment in May 1958, when Mr Cousins plunged the country into the admittedly much lesser inconvenience of a London bus strike. But on Thursday afternoon, some 80 hours before Sunday's dock strike was due to begin, it was still quite uncertain whether the Ministry of Labour or the port employers or Mr Cousins or the British people at large would recognise how close these parallels with 1958 were.

NUCLEAR TESTS

Belt Busting

No good has been done to the reputation of the United States by its plans to carry out high altitude H-bomb tests. The re-examination of the plans announced by Mr Kennedy on Wednesday is a good thing. Scientists abroad look on the tests as a crude demonstration of American one-upmanship and have not hesitated to say so. The United States, lagging behind the rest of the world in the new science of radioastronomy, may be genuinely unaware of the effects of some of its experiments on other people's work. Last autumn, an attempt to girdle the world with a belt of copper needles failed, but has apparently not been abandoned. The belt of needles would have made it more difficult for astronomers to probe the outer galaxies and establish the origins of the universe, but they could have partly discounted its effects. The high altitude explosions may be worse. They could induce physical changes beyond the atmosphere that might take a generation to reverse. On the other hand, they may prove damp squibs.

What has infuriated the scientific community is the American idea of embarking on a series of experiments whose consequences are wholly unpredictable without having the good manners to inform the rest of the world through international organisations set up specially to deal with such cases. All countries share the same heavens and live beneath the same van Allen belts of particles, exciting, newly discovered and barely explored, that spiral hazily from pole to pole, swinging up to 4,000 miles into space as they go. What right, it might be asked, have the Americans to take risks with man's physical environment without preliminary consultation? The tests, if they take place, are expected to produce a short-lived interruption in radio communications by blowing holes in the ionosphere, which acts as a reflecting layer for radio signals; and a long-term (possibly ten-year) disturbance in the van Allen belts, upsetting the earth's magnetic field. But these effects have not disturbed scientists anything like so deeply as the principle they feel to be at stake—that a handful of scientists should feel free to disrupt and at worst destroy the work of their colleagues, and in this case on arguable military grounds.

NATO

Shortlived Harmony

Overshadowed by the row over Berlin between Washington and Bonn, the harmony of the Nato ministers' meeting that ended in Athens last Sunday now seems remote. It is a piece of history that is worth recording, all the same, for the ministers came to some sensible decisions. When they met on May 4th they firmly shelved the idea of a Nato deterrent, even if they did not bury it. The ministers agreed instead on a series of modest measures to



Nato under the world's eye

give the Europeans more knowledge about nuclear weapons and a greater say about how they would be used. But the essence of the measures is that President Kennedy's finger remains firmly on the trigger. For the moment at any rate Nato has set its face against any enlargement of the circle of nuclear powers.

European fears that a time may come when Americans are unwilling to commit nuclear suicide for Europe have been calmed by an American gesture. In fulfilment of an old pledge, the United States has placed five Polaris-carrying submarines under Nato command and offered others later. The force will not come under General Norstad, the Supreme Commander in Europe, but under the Supreme Commander, Atlantic, based in Virginia. This perhaps diminishes the force of the gesture. But only the French remain sceptical of the painstaking attempt the United States is making to give the Europeans a greater sense of security without actually giving them nuclear triggers of their own.

The one topic to which even the Greek air could not bring sweetness and light was the old tussle between the American advocates of stronger conventional forces in Europe and the British advocates of tactical nuclear arms. Inside and outside the council chamber Mr McNamara, the American Secretary of Defence, rammed home the argument that excessive reliance on nuclear weapons to resist even a local attack could lead direct to full-scale atomic war. Mr Watkinson has now agreed to build the British Army of the Rhine up to the committed level of 55,000 men. Stories of American requests to the west Germans for more conventional divisions, in addition to the twelve already planned, appear to have some substance. The thought may chill some British spines. But where else can the men and the firepower come from so long as British defence policy fails to provide adequate conventional forces on the continent?

NURSES' PAY

Arbitrate?

There is to be another full dress parliamentary debate on nurses' salaries next week. Public sympathy for their claim is just about spilling over its top, and the nurses' divided leaders would be well advised to choose this moment to take their case to arbitration at the industrial court; if they did the Government would almost certainly thankfully accept a recommendation to give most nurses a substantial increase. One can see why the original offer to the nurses was rigidly limited to the national "guiding light" figure of only 2½ per cent. The salaries and grading structure of the nursing profession were thoroughly reviewed three years ago, with increases in salaries ranging up to 25 per cent, and they had another pay increase of 5 per cent only just over a year ago. The staffing position is better than it was, with 10 per cent more whole-time and 70 per cent more part-time nurses in general hospitals than there were five years ago; the big increase in part-time staff is a particularly welcome sign that more married nurses are now returning for part-time service in the profession. At the bottom of the scale there is not necessarily a good economic case this year for giving young women nurses an increase that is again substantially bigger than the growth in national productivity as a whole.

But higher up the scale most people will agree that trained staff nurses (£525-£656 a year) and ward sisters (£656-£840) are still paid far too little. Any arbitration court now would be likely to recommend larger discriminatory salary increases for trained women who stay on for a reasonable time in the profession and for special categories of nurses (e.g., mental nurses) who are in really short supply; probably indeed, in the present climate of opinion, any court would (less wisely) recommend increases above 2½ per cent for all nurses of every description. But if the nurses' leaders continue to reject arbitration, their favourable opportunity for cashing in on public sympathy may pass; in any case there is almost bound to be a widening split between the professional organisations who must slowly come to recognise this, and the Confederation of Health Service Employees, which is at present mainly concerned to build up its trade union power.

LABOUR AND EUROPE

Avoiding the Rubicon

Mr Gaitskell's three main political headaches have this week all swum into the headlines at the same time. Two of them—the grave threat to Labour's recovery provided by the possibility of a dock strike, and the success that he has achieved by outfacing last week's rowdies from the Campaign for Nuclear Disarmament — are discussed on pages 541 and 570 respectively. The third main problem is Labour's attitude to the common market, and to this he devoted the whole of his allotted party political telecast on Tuesday. His statement fell some way short of being a success, but a very long way short of being a failure. The impression he imparted by his solo performance was that of a cautious, responsible but very conservative statesman who has unfortunately felt unable to make up his mind. He has burned no fatal boats behind him; he firmly rejected the argument that joining Europe would intolerably diminish Britain's political sovereignty; but he still seems too much concerned to placate an internal pro-Commonwealth vote which (sentimentally sad though this may be) probably does not really exist. Nevertheless the importance of his one positive judgment as a professional economist ("probably a slight advantage economically in going in in the long run, though there would be some nasty shocks in the short run") should still in the end outweigh his apparent failings as a political tactician. For it is in the long run that the influence on the Labour party of Mr Gaitskell's opinions as an economist most generally tend to come alive.

RHODESIA AND NYASALAND

Labours of Butler

Sent off to sweep out the Rhodesian stables, Mr Butler flew away from London this week armed with his own design for a vacuum cleaner. As soon as he arrives in Salisbury on Saturday he must set about persuading the federal government that the British Government can be trusted. He wants the Rhodesians to co-operate with the handful of men—an economist, a constitutional lawyer and a few others—he plans to send out later to suck in ideas and information about central African thinking. This homework will be guided by Mr Butler himself, whose arm will extend from London to move his beat-as-they-sweep-as-they-glean men around the three territories.

More immediately, Mr Butler will do his best in Nyasaland to talk Dr Banda into helping this future committee in its first task—which is to decide how much it would cost Nyasaland to leave the federation, and what sort of economic links could be retained if it did. Mr Butler has already acknowledged that Dr Banda has an electoral mandate for secession; the likelihood is that Mr Butler now thinks that Dr Banda can go ahead and secede. As an entirely separate problem, Mr Butler—and the men he will send after him—will work at rearranging the Northern and Southern Rhodesian furniture so that the two may retain closer links than, together, they might have with Nyasaland. All this disturbance is certain to raise the maximum of dust.

LAOS

Fancy Fray

It would be premature to regard the fall of a town and a village in north-west Laos as the start of a new communist offensive. But the British Government is right to take it seriously and, as joint co-chairman of the Geneva conference, to ask Russia, as the other co-chairman, to restrain its Asian allies. The Americans, too, have protested. This is the best way to prevent one incident leading to another and possibly growing into a real offensive. Doubtless Mr Malcolm MacDonald, the leader of the British delegation at the Laos conference in Geneva, explained this to the Laotian communists and neutralists during his visit to the Plain of Jars, where he arrived on Wednesday.

Just which allies of Moscow's are involved is hard to say. The spokesman of the right-wing Boun Oum government in Vientiane has attributed both defeats to combined action by the Chinese and north Vietnamese, brushing aside the communist-minded Pathet Lao as of little account. The Vientiane spokesman, however, has long been known for the vein of fantasy with which he treats current news. The village, Muong Sing, fell on May 3rd. (The spokesman said the Chinese had helped the Vietnamese to take it, and then gone back across the border.) The town, Nam Tha, was taken three days later.

It is not difficult to guess why the communists struck. For the past few months, well-trained Meo tribesmen in northern Laos, and Khas in the south, have been turning the tables on the communists by infiltrating behind their lines and controlling the countryside, leaving the towns to the Pathet Lao and their neutralist allies. A conventional success was needed, and it has been won at the expense of the right-wing regulars, who continue to be less successful than their irregular tribal allies.

It now seems desperately late to implement the provisional agreements reached by the Laos conference earlier in the year. Everything was to depend on the formation of a government of unity representing the right, the left and the neutral centre. But the right-wing Prince Boun Oum and his "strong man," General Phoumi, are still reluctant to commit suicide, as they claim to see it, and continue to defy the State Department, even though the monthly American cheque of $4 million has been withheld since February and inflation now reigns unrestrained.

BY-ELECTIONS

No Bogey for Montgomery

One of the more dampening memories of the Liberal party is that in 1957, when their last mid-Parliament recovery in popular support was just getting under way, they went and lost Carmarthen, one of their few parliamentary seats, to Labour. The main reason was that 4.6 per cent of the electorate, who had voted Liberal in 1955, switched in 1957 to vote for the daughter of Lloyd George, even though she was carrying Labour's colours. But another reason, little noticed at the time, was that the Welsh Nationalists (7.8 per cent of the poll in 1955, 11.5 per cent in 1957) picked up 3.7 per cent of the poll from the Liberals as well, in the usual orgy of diminished by-election responsibility. Next Tuesday the late Mr Clement Davies's old constituency of Montgomery goes to the polls. The percentages here at the 1959 general election were Liberal 42.1, Conservative 31.3, Labour 26.6. This time a Welsh Nationalist is appearing, and can presumably be expected to pick up at least some part of the poll. At whose expense?

It is difficult (well, fairly difficult) to believe that he can run down the Liberals' share by the net 10-15 per cent that is presumably required to put either the Conservative or Labour in. The last general election provided no clear evidence about who is usually hurt most by Welsh nationalist interventions. At Anglesey in 1959 the whole of a newly intervening nationalist's vote came from the Liberals; at Cardigan (Mr Bowen's Liberal seat) it came from Liberals and Labour about equally; at Denbigh it came marginally from all three parties (but from the Liberal least of all). But did Mr Clement Davies also have a large personal vote in this remote Welsh fastness, part of which might now go Labour or Tory? The campaign, as well as the electoral arithmetic, is proving politically peculiar. All three "English party" candidates are busily promising to bring poverty-stricken rural Welshmen even greater help from English taxpayers than they are getting already, while the Welsh Nationalist is saying majestically that they would be better off without English help at all. In the absence, so far, of any public opinion poll from the constituency, no forecasts will be made here.

AIRPORT DISPUTES

Heated Air?

It looks as though the long-suffering airlines are getting tough with their trade unions. At both London's airports rows have come to a head during the past week with threats to lay men off if restrictive practices in support of pay demands are not

withdrawn. At Gatwick, British United Airways—built from former small airline companies, and now backed by strong shipping interests—runs aircraft on charter and trooping work, and has recently received licences to operate some regular services on European routes. On April 18th the supervisory staffs' union started to work-to-rule in support of their claim for a bonus scheme that would give their members at Gatwick the same earnings as those doing similar work for British European Airways at Heath Row; and on May 3rd the manual workers put in a claim for £1 a week more, supporting their claim by a similar work-to-rule.

The managing director then gave notice to all the 500 engineering employees that they would be sacked as from the coming weekend. For the unions the issue is simple enough: they resent the fact that their members at Gatwick get a couple of pounds a week less than their colleagues at Heath Row. It is complicated by the rumbustious managing director's desire to set up a company union (he is said to have pleaded: "Come and work for Freddie"); but basically what the company has done is to look at the nationalised airlines' accounts and decide that it prefers to make a profit. This dispute was temporarily calmed down by a reasonable compromise on Wednesday night.

British European Airways, with more tact, are doing something similar at Heath Row. The electricians who service their instruments claim that they need higher qualifications than those doing similar jobs for BOAC, and therefore asked for 6d. an hour increase, backing their demand with a strike. BEA is therefore planning to reduce its services, and is laying off many of its engineering workers engaged in servicing the planes that cannot fly with their instruments in poor order. There are hopes that the affair, despite Heath Row's reputation, will be sorted out by arbitration. But in view of last year's dreadful results (BEA had a loss of about £2 million), it is hardly surprising that the airlines do not want to start the summer with their costs even higher than before.

PORTUGAL

Unhappy Returns

FOR the second time in a week Lisbon has been the scene of demonstrations ending in loss of life. On May 1st the police appeared in force to deal with demonstrators called out by the communist underground in support of the students who are on strike in pursuit of their quarrel with the minister of education. In the ensuing clash, one demonstrator was killed and many dozens injured. On May 8th further demonstrations were met in the same fashion; a woman was killed and at least nine people were wounded.



Salazar: no cause for smile

These incidents are chiefly interesting for the light they throw on the opposition in Portugal. Clearly, the regime is now exposed to open challenges, in which the communists have for the first time revealed something of their real strength. Dr Salazar was 73 on April 28th, and his time may perhaps at last be running out; on his birthday there was trouble in a mining town in the south of the country where the police opened fire on a crowd protesting against political arrests, killing two people and wounding twenty.

Dr Salazar still has to worry about the war in Angola, despite official talk about "mopping-up operations." The Portuguese government, complaining of the difficulties placed in the way of economic progress in Angola by the war, has arranged for a loan to the provincial government by the Angola Commercial Bank of £1,200,000, "placed in the service of the crusade." The problems of a government faced with the financial drain of a colonial war, which yet dare not alienate its chief supporters by raising taxes to meet it, are strikingly illustrated by the emphasis placed on the "voluntary" nature of the bank's contribution.

SPAIN

The Caudillo Strikes

DR SALAZAR is not the only Iberian twin in difficulties. General Franco, too, has had to suppress demonstrations in his capital, on May 7th, though in his case without loss of life. But there is a significant difference between his situation and Dr Salazar's. Whereas the Lisbon disturbances were political in origin, the Madrid demonstrations were connected with the miners' strike in northern Spain. The students of Madrid want to express their support for the miners, but the government is unlikely to feel seriously threatened by their doing so. General Franco has no Angola to make him vulnerable.

All the same, he has been obliged to declare a state of emergency in the three northern provinces of Asturias, Vizcaya and Guipuzcoa, and arrest twenty-five students, including one American, in Madrid. The miners' strike involves sixty thousand men in the three provinces, and there has been similar action in shipyards and metal works. The miners claim that the employers, after agreeing to pay a higher wage, were dilatory in keeping their word. The employers blame the government for its slowness in sanctioning a rise in certain coal prices. The government blames agitators and communists. It is only two years since a new law included strikes in a list of offences amounting to "military rebellion," to be tried by military courts. It remains to be seen whether the law will be applied. Probably it will not; Spain is anxious for association with the common market, and the government is most unlikely to do anything that would injure its prospects.

The Economist

MAY 10, 1862

NEEDY GOVERNMENTS

THERE was never a time at which a general survey of the financial condition of foreign States was so important as it is now. Many of them are endeavouring to borrow money of us, and those who think of lending should begin by studying. Our money market is in a state of exceptional, peculiar, and, so to speak, lamentable wealth. The cessation of the American trade has set free much capital which would otherwise have been beneficially and profitably employed: we have for the moment a singular surplus of disposable funds, of which it is reasonable to suppose that needy Governments will take advantage. But this is not the sole peculiarity of our present position: the principal one remains, and it is this—*all great Governments nowadays are needy*. There is scarcely a single first-class Power (England alone excepted) which can show a balance sheet with a healthy equilibrium between expenditure and income—which is not now, or has not been lately, encumbered with large deficits—which has not lately been a large borrower, or is not likely to become so soon. But the effect on the money markets of Lombard Street and Paris is in comparison a trivial matter. The true point of inestimable importance is the perpetual absorption of immense hoards of capital in expenditure which is not reproductive. It *may* be necessary: that is a large question which no parenthesis will decide. But the indisputable fact remains, that the expenditure of a Government is not *creative*; it makes nothing, and every sixpence which it spends is so much abstracted from the *making* power of the people. At no period of diffused peace, perhaps, has this abstraction of capital ever been so much in excess of the regular revenue—of the ordinary incomings of the different nations of the world as it is now.



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PLAYING FIELDS

Mr Lloyd's Bounty

THE Chancellor of the Exchequer deserves a modest cheer (he would expect no more) for releasing a further £6.3 million for capital expenditure on sport and physical recreation. This will bring total public spending to £26.4 million in the present year, of which £11 million is specifically for school playing fields. This gesture towards both the Wolfenden (sport) and Albemarle (youth service) reports will mean some useful progress in encouraging amateur athletics, and in giving more children a chance to play and receive qualified coaching off the streets. There is a case for earmarking a bigger proportion of future grants to recreation facilities for the real misfits, whose social plight is much greater than that of young people who naturally gravitate to some sport (however ill-endowed with public funds) or to an established youth club. The Government has not yet acceded to the Wolfenden committee's recommendation to set up a sports development council with a dowry of £5 million. This piqued some Labour MPs when the Chancellor made his announcement on Tuesday, but the limited means at his disposal may be better devoted at present to loans to local authorities, who already have a fair backlog of recreational projects awaiting Treasury approval. And cannot something much more positive be done to ensure that school playing fields are made more readily available to young working people outside school hours?

CZECHOSLOVAKIA

Meatless in Prague

CITIZENS of Prague and other Czechoslovak cities now enjoy seven meatless days a week; for some time supplies of meat, whether fresh, frozen or tinned, have been unobtainable in the big towns, and various other foodstuffs have been in short supply. The press and the radio have been full of complaints; the party leaders of apologetic admissions and explanations. On May Day, in Prague, students are reported to have demonstrated against the current shortages with cries of, "We have Gagarin and Titov, but we have no meat."

All this should not be exaggerated. The Czechs are used to a better standard of living than anyone else behind the iron curtain; they are also accustomed to periodic shortages. All the same the party leaders are clearly worried; the promised benefits of collectivisation, now virtually complete, are slow to materialise. Production is increasing but not nearly fast enough; last year it rose by only one per cent, instead of the planned 7 per cent. This year planned deliveries of meat, milk and eggs have fallen

Slow Clean-up after Suez

CREDITORS are sharpening their claws for the foreign exchange that Dr Kaissouny, the United Arab Republic's minister of economics, managed to whip up on his recent trip to the United States. Among them are the very large number of British nationals who are still trying to retrieve something from the unholy mess that was caused by the British attack on the Suez canal more than five years ago. Their cause, often and patiently argued by the Foreign Office, was once again raised when Dr Kaissouny stopped briefly in London on May 2nd. Now, with luck, it looks as if the next few weeks may bring some of them the comfort that is grossly overdue and still no more than meagre.

The financial bargain between Britain and Egypt struck in February 1959 reopened the door to a civilised relationship between the two countries. But a lot of clearing up had still to be done. Two main groups of British nationals had outstanding claims against the Egyptian government: the property of one group (small in numbers, but including most of the large companies) had been nationalised and was therefore lost to them forever; the property of the other group (about 5,000 people) had been sequestrated and was to be returned on application. Under the financial agreement, Egypt handed over £27½ million to provide compensation for nationalised property and to cover damage to sequestrated property. Egypt also undertook to allow people whose property had been desequestrated to transfer the equivalent of £E5,000 each into sterling. This last undertaking is the rub. Because of its acute shortage of foreign currency, Egypt has not been able to allow these British nationals to take their currency out of the country.

Desequestration has proved a laborious and soul-destroying business. Most of the owners have had to operate by remote control through agents, and the Egyptian government has not allowed anything to be released until the owner or his agent could produce certificates proving taxes had been paid in full. This was hard for everybody, but particularly for those who had been cleverest at dodging taxes. So far about two thirds of the claimants have won through and got their property back (although some, confusingly, have now had it taken again under the new batch of sequestrations enforced last autumn). But what good is it for a man living in Britain to have property in Egypt? About a thousand people are believed to have returned to try and pick up the strands of their life in Cairo or Alexandria once more, but Egypt, in its present stage of development, is not a welcoming place for a foreign investor, trader, or agent. Most of the claimants are struggling to achieve the transfer of funds that was allowed by the agreement; those who own more than £5,000 are probably resigned to whistling the rest good-bye.

After hard bargaining, the Egyptian government agreed a year ago to the preliminary transfer of up to £E1,000 a person; so far, 280 people have been able to get some money out of Egypt under this scheme. The battle goes on to apply the £E1,000 agreement to the others and to extract the remaining £E4,000 allowed by the agreement of 1959. The British Government has recognised, as indeed it had to, that two bad cotton harvests have made it impossible for Egypt to honour all its international obligations. But after the recent discussions with Dr Kaissouny, some new form of compromise device seems to be in the air.

DR KAISSOUNY does not have to worry about the other major clearing up problem—compensating those who have lost property through nationalisation or damage. Having handed over £27½ million of compensation, the UAR is in the clear. The British Government is now having to assess the claims (which is appallingly difficult when it comes to damage to sequestrated property), apportion the compensation as fairly as possible and, perhaps, add to it. The wheels grind slowly as a committee of lawyers hears the claims, and the subsequent appeals, in public. The smaller a man's claim, the better he does: if his loss is under £5,000, he is entitled to 90 per cent of the assessment; if it is over £500,000, he only gets 20 per cent. The total claim for nationalised property is about £60 million; the claims for damage to sequestrated property have by no means all come in and it may take at least another year until the total is known.

When the £27½ million extracted from the Egyptians was discussed in the House of Commons in March, 1959, the Prime Minister said that he did not "exclude a further contribution from public funds." The Government has never advanced from this rather negative form of assurance. A more generous approach seems urgently called for. Probably nothing will be settled until all the claims are in. It will then have to be decided whether any additional money provided should go to the large nationalised concerns, such as British American Tobacco or the Smouha estate, or to those frustrated and long-suffering people who have recovered their property, but have as yet almost no means of enjoying it.

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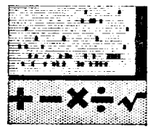


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gravely short. The government, according to Mr Novotny in a May Day speech, is having to import "great quantities" of various foodstuffs, although the country's agricultural resources "are far from being fully utilised." The leaders openly admit that the problems of organisation and management created by collectivisation have not been overcome; they are naturally less willing to recognise that a damaging blow may have been struck at the farmers' morale and initiative.

It is, however, curious that with agriculture in such difficulties the regime should have chosen some weeks ago to introduce a social security law for collective farmers which deliberately discriminates against those who retain their private plots. Throughout eastern Europe these plots, although tiny in area, produce a quite disproportionate share of basic foodstuffs; most communist regimes put up with them for this reason. The Czech attitude is no doubt an illustration of the tougher and less liberal line that Mr Novotny would like to pursue. Perhaps another example is his treatment of the more progressive Mr Barak, formerly minister of the interior, who on April 20th was sent to prison for fifteen years for alleged embezzlement.

THE PRESS

Professional Privilege?

SHOULD journalists who get information in confidence be given absolute legal privilege to protect the secrecy of their sources when challenged in court? A survey* by the International Press Institute (which holds its annual assembly in Paris next week) suggests that a majority of journalists in 24 countries would like this privilege—but without being at all clear what it would involve. Virtually complete protection seems to exist in Austria and the Philippines and in a dozen states in the United States; circumstances favouring journalistic secrecy are also said to be present in the courts of Sweden, Norway, west Germany and Switzerland. In Britain, where legal protection does not even extend to the confessional, the courts have usually been reluctant to press journalists to the point of revealing confidential sources (although the issue reared its head in the Bank Rate Tribunal of 1958). It is, of course, open to the individual newspaper or reporter to protect sources by voluntarily incurring contempt of court. In the last resort this remains the effective (if painful) way both of appealing to public opinion on the ground that the court's demand was excessive, and, where actual legislation has been introduced to restrict journalistic freedoom, to make it a dead letter.

Thus, in the New South Wales case of 1953, the *Sydney Morning Herald* defied an act passed by the Labour government of the state which was intended to prevent the leakage of information about malpractices in the Sydney city council. Judgment was given for the paper on the ground that, as a corporate body, it could "no more disclose information than drive a motor car"—but, the judge went on, if the paper had, in fact, been ordered to produce documents "it would have been a different matter." That may be so, but it was the actual refusal to disclose sources that rallied public opinion and discredited the new act.

In countries where the courts respect professional secrecy, unless in exceptional circumstances, it would surely be undesirable to create legally privileged groups whose interests (in, for example, crime reporting) might run directly against the citizen's duty to aid the police and the ends of justice. If British newspapers were to make such a claim, as of right, public opinion would be strongly opposed, and it might have a low idea (sometimes rightly) of the kind of journalism that wanted such protection. In countries where official powers of interrogation are misused in extorting information from the citizen, journalistic privilege would undoubtedly be useful; but these are hardly the states where the courts would respect it.

* Professional Secrecy and the Journalist. *International Press Institute*, Zurich. 242 pages. 10 Swiss francs.

SOUTH AFRICA

Race to a Conclusion

LOOK at the poor Rhodesians, say Dr Verwoerd's followers, and see where repeated concessions to non-racialism get the white man. The Afrikaner nationalists are right: nothing short of full black control will for long satisfy the Afro-Asians, the United Nations, and the central African blacks themselves. From this, Dr Verwoerd argues that there is no point in making concessions. But will apartheid—or even partition—better withstand the revolutionary pressures that South Africa is increasingly beginning to feel? The Afrikaners, so logical about the consequences of "appeasing the Afro-Asians," might consider the logic of an apartheid solution that would be both just and durable. It would have to be freely negotiated and agreed to by a majority of each race: separate, "tribal" Bantustans would have to be genuinely self-governing territories—and economically viable at that. And something would have to be done about the urban Africans working within white South Africa.

None of this is envisaged in the constitution steamrollered through a meeting of Transkei chiefs on May 3rd. The chiefs, all government employees, approved a constitution that will give the Transkei a glorified county council; 64 chiefs and 45 elected members will run the local affairs of the 1,300,000 Africans who inhabit this backward south-eastern corner of the republic. The decisions of the new Transkei legislative assembly will be subject to approval by the president of South Africa.

If all this is as unacceptable to the majority of Transkei tribesmen as reports suggest it is, then it is likely to be equally unacceptable to the United Nations, whose representatives Dr Verwoerd, with diplomatic grace, has admitted to South-West Africa. The South Africans might try to fob the UN off with a Bantustan within South-West Africa, but that would not resolve the argument whether or not the territory was a UN responsibility—or part of the South African state. Nor would it be likely to serve as protection from the increasing pressures being felt by a group of people whom even the Rhodesians, with some compassion, might refer to as the poor South Africans.

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HOSPITAL STATISTICS

Clearing the Clutter

THERE will be a general welcome for Mr Powell's determination, expressed last week to the annual conference of the Institute of Hospital Administrators, to bring some sense into the compilation of hospital statistics. He took three examples of figures at present returned by hospital authorities, which may be completely meaningless but which are often quoted in support of a particular proposition or criticism.

The first example concerns hospital establishments. Up to quite recently, hospital authorities used to budget for an increase in staff far beyond what could be achieved in the year and their annual estimates were inflated accordingly. Similarly, staff complements that are clearly unattainable in the foreseeable future, and merely represent someone's aspirations, are often used to prove the need for expansion—one wonders to what extent the figures bandied about on the nursing shortage have any realistic basis. The Minister of Health's second example was taken from the return of hospital beds. Figures of "available staffed beds," "temporarily unavailable staffed beds," "beds unused for lack of staff"—all should have a precise and helpful meaning, but too often bear no relation to what the hospitals either want or could cope with. The 10,000 beds returned in 1960 as "unused for lack of staff," and duly recorded in the Ministry of Health's annual report, have now been categorised by the Minister himself as a lie.

But probably it is the figure for waiting lists that has been misused most often. Fluctuating between 430,000 and 530,000 over the health service's first ten years, it has been cited by the Left to justify its proposed abolition of private pay beds in hospitals, and by the Right as illustrating how inadequately, by comparison with what "free consumer choice" would have achieved, the health service has fulfilled the demands made on it. In fact, as Mr Powell emphasised, some waiting lists tend to melt away when they are critically and intelligently examined and patients removed from them who have died, recovered or been admitted to another hospital. When they have been properly deflated, it will be much easier to assess where additional building and additional staff are really needed. In forthrightly castigating these statistical returns, Mr Powell did not forget the need for a measure of efficiency by which performance in the hospital service can be judged. Such an instrument has not yet been satisfactorily forged. At least there is hope that it now may be.

LETTERS

Merit Awards for Doctors

SIR—The disparity between the various specialties in the distribution of distinction awards, to which you drew attention on April 28th, has an outcome which is not apparent at first sight. Though the proportion of consultants holding an award at any one time is limited to 34 per cent, the Royal Commission found that, since few consultants receive an award soon after their appointment, the probability that a consultant will receive an award at some time in his career is as high as 43 per cent. But this is the average for all specialties and it means that approaching 100 per cent of general physicians and surgeons must sooner or later be thought worthy of an award.

Since general physicians and surgeons, like all other consultants, vary in their ability from the very good through the good to the less good, it would seem that in the eyes of the selection committee the mere attainment of a post as consultant general physician or surgeon must of itself be tantamount to the possession of "outstanding distinction which merits additional reward."

Yet it was the intention of the Spens Committee, on whose report the whole awards system was based, that remuneration in the national health service should not reflect the disparities that existed before 1939; moreover, the committee stated that "we are certain that unless all specialists in whatever branch of medicine they practise have an opportunity of reaching the highest levels of remuneration the ancillary specialties, however important, will find it difficult to attract sufficient recruits of suitable calibre." It is open to question whether the allocation of awards in recent years could be held to accord with the spirit of this recommendation.

While it would be quite wrong to imply that the selection committee has been activated by other than the highest motives in their operation of the awards system, one can nevertheless sympathise with the general practitioners in their reluctance to become involved in a similar scheme which might appear to be just as fair in theory but no less unsatisfactory in practice.—Yours faithfully,

ROBERT J. EVANS
Woking and Chertsey Group Laboratory
Surrey

Co-operative Housing

SIR—The article "All Co-oped Up" (March 31st) has been called to our attention. Your New York correspondent, in the space of a few paragraphs, has attempted to give a knowledgeable account of co-operative housing in New York City. This subject is far too complex for such superficial treatment.

For example, the term "state-aided co-ops" is used without explanation of what such aid consists of. The term may mean assistance in acquiring costly land sites for slum clearance; it may mean tax abatement on improvements for a number of years; or it may mean government insurance on mortgages; and it can mean that the government will provide mortgage financing.

The majority of co-operatives in the New York area have been built by private builders without assistance from the government except for insurance on mortgage loans. Only recently has the government provided direct mortgage loans.

Notwithstanding the fact that some co-operatives receive aid, in one form or another, from the government, and others do not, the article fails to point out that this is not the basic difference between the three different kinds of co-operatives which exist in the city of New York. The fundamental difference is that of motivation. Speculative-luxury co-operatives are motivated to profit the individual owners of the apartments. Builder-sponsored co-operatives are motivated to profit the builder. Consumer co-operatives are motivated to provide housing for moderate-income people on a non-profit basis.

It is the consumer type that has engaged our attention for the past 35 years. It is this type in which over 24,000 families in New York City have invested $52,590,000 in order to obtain decent shelter. The average monthly carrying charges in these co-operatives are $20 a room. It is in co-operatives of this kind we find three generations of families living in the same community, and in which the turnover is less than one per cent a year.—Yours faithfully,

A. E. KAZAN
President,
United Housing Federation
New York

BOOKS

Care and Community

Mental Hospitals at Work
By Kathleen Jones and Roy Sidebotham.
Routledge. 236 pages. 30s.

Living with Mental Illness: *A study in East London.*
By Enid Mills.
Routledge. 196 pages. 28s.

THESE books are complementary. The first concentrates mainly on the work going on within three contrasted mental hospitals; the other, sponsored by the Institute of Community Studies, describes the home background of a sample of patients going into a mental hospital and their condition, and their relatives' experiences with them, after they came out. Although each in its own way paints a gloomy picture, there are reasons for suspecting that these pictures may not be typical of conditions generally today. Both studies were completed in 1958-59, and much has happened since then within mental hospitals, in the community, and particularly in the development of a relationship between them. In spite of the authors' half-hearted attempts to conceal the identity of the areas one can presume that the area covered by Dr Jones's very large hospital is Liverpool, and that Miss Mills's east London borough is Bethnal Green; and both are atypical. Liverpool has a high proportion of immigrants and, as a port, exceptional obstacles to successful follow-up and community care. Bethnal Green is more unusual still. Its admission rate to a mental hospital is very low, perhaps because family relationships are particularly protective and because it has a large teaching hospital and psychiatric unit nearby, whereas its mental hospital is more than twenty miles away. Possibly only in the last resort did people go there. In any case it must be difficult for a hospital so situated to supply follow-up and domiciliary services on the scale arranged elsewhere.

Dr Jones, whose two earlier historical works are deservedly well known, has been joined this time by Professor Sidebotham, who presumably contributes the sections on costing and measures of efficiency. They compare three hospitals, a private one with 300 beds, a regional board monster with 2,750, and one of the rare mixed hospitals, with health service, amenity, and private accommodation, totalling 400 beds. The anatomy and physiology of these very different hospitals are described critically, lucidly and graphically.

In looking for comparative measures of efficiency the authors have examined costs and followed up samples of patients. They decide that the measure that means most is the cost of treating a short-term case. Despite—indeed, probably because of—its high cost of medical care, the private hospital shows up best because it discharges its patients more quickly; but the authors admit that the test may be misleading and that like is not being compared with like.

The panoramic view presented in her historical books leads Dr Jones to see the recent fall in the number of occupied beds in mental hospitals as a phenomenon that may turn out to be temporary, a ripple in a line that has risen steadily for a hundred and twenty years. It is salutary to be reminded of this, lest the down-swing of the last few years, and various over-enthusiastic forecasts, should lead to a general impression that major mental illness has been defeated in the same sense as infectious illness has been defeated. In an early chapter the authors marshal a variety of reasons for suspecting that "community care" will not prove adequate and that home may not be the best place to treat mental illness. So much has been heard in the last few years about the virtues of psychiatric beds in general hospitals and of community care that it is refreshing to have the case for the mental hospital so persuasively—even polemically—argued.

Nevertheless, "despite the difficulties in rehabilitating long-stay patients, in the five years 1955-59 more than 10,000 patients who had been continuously in hospital for five years or more were returned to the community." This quotation is from the supplement on mental health to the Registrar General's Statistical Review for 1959, published last week (HMSO, 7s. 6d.). Miss Mills's book gives a vivid account of the kind of homes some of them returned to, the lives they led there and the problems many of them created for their families. "Community care" is a comfortable catchword, and the author's chief service is to have broken it down into its component, and all too often unrelated, parts.

The reader will be bewildered by the numbers of agencies involved, ranging from the official—health and welfare services, employment exchanges, the Assistance Board, housing departments, and so on—to the voluntary and unofficial—missions, citizens' advice bureaux, clubs, the Family Welfare Association, settlements. Patients and their relatives must be even more bewildered. "Some people with problems remained quite out of touch with the social services, while another group of people with very similar problems attracted widespread attention." Miss Mills quotes from Sir Edward Bligh, formerly London's Chief Welfare Officer, writing in 1939:

> The multiplication of the social services is resulting in a growing bewilderment to the ordinary needy person. He finds himself . . sorely in need of a trustworthy guide.

But the relieving officer is no more.

Less abnormal areas than these authors have chosen already have community services of a high standard. There are several preconditions: a reasonably compact administrative unit; a mental hospital fairly close at hand; and a good relationship between its psychiatric staff, medical and other, general practitioners, and local health authority services. The "trustworthy guide" should be either the psychiatrist with a social worker if the patient is still in need of treatment as an outpatient, or, if he is not, the mental welfare officer of the local authority. At present, there are not nearly enough of any of these people to provide satisfactory community care over the whole country.

An Expansionist

The Economics of Education
By John Vaizey.
Faber. 165 pages. 21s.

Education for Tomorrow
By John Vaizey.
Penguin Books. 118 pages. 2s. 6d.

MR VAIZEY'S heart is unquestionably in the right place: on the side of educational expansion, and this for social, not simply technological reasons. His head is a much tougher nut—which is infinitely more valuable in the educational debate, even if it is inclined to bring his radical expositions to a dying fall on the jagged rocks of practicality. This may be confusing, particularly to the popular audience reading his new Penguin book (in the "Britain in the Sixties" series). Thus, parents who sit up shocked when told on page 30 that "to staff our schools adequately at this moment we need at least 100,000 more teachers" will find if they persevere to page 112 that what Mr Vaizey really means is that this target must be hit some time "in the 1960s"—which happens to be nearer the actual need. And, to take another subject of immediate and practical controversy, teachers whom Mr Vaizey encourages to ask for higher salaries are thereupon reminded, very properly, that

> there is a very little evidence that the rate of recruitment to the profession as a whole has been reduced by the payment scales which have been in force for the last few years.

Mr Vaizey's advice is that the teachers will only get satisfaction in this respect, and others, if they aim at full professional status, which means a progressive break with the working-class preoccupations of the National Union of Teachers (not a popular recommendation at the moment). The point prompts him further to argue for the complete break-up of existing local authority control, to be replaced by the Ministry of Education at the top end and by teacher-parent governorship of schools, or groups of schools, at the local level.

Mr Vaizey's more academic study is a useful, and generally careful, analysis of the educational system in terms of expenditure, productivity and individual and community returns. The attempted analogy with industrial investment, although a stimulating one, does not always bear being pressed too far. Mr Vaizey recognises this—although his summary of the (mainly American) work in this field deserves wider attention. He has some interesting points on education and economic growth in underdeveloped countries (but the section on Greece, specifically promised on page 125, does not appear).

The conclusion, for both audiences, is the same: that education is a social investment, that it must primarily be weighed and financed in this sense (although practical arguments help things along), and that the final justification—and practical success—of expansion can only be properly found by regarding society itself as an educative process. The political debate (in both major parties) has still some way to catch up with all that this implies.

Sense on Irregulars

Guerrillas in the 1960s
By Peter Paret and John W. Shy.
Pall Mall Press. 90 pages. 15s.

THIS very brief book is as good as it is short. The authors run through the written theory of guerrilla, from Clausewitz to Mao; discuss some of the past occasions when theory has been applied in practice; and draw up some interesting guiding notes for the near future. Their volume is the first in a new series, to be called Princeton Studies in World Politics; it sets a refreshingly high standard. They discuss the offensive and defensive uses of guerrilla fighting, and pay special attention to communist uses of these methods in the past and to American adoption of them in the future. They omit several examples of local interest to the British—Ireland is ignored, and not much is said about Palestine or Jugoslavia. However, they make effective play with the contrast between Cyprus and Malaya; in the first of these two the colonial government's irresolution doomed it to failure; in the second, a determined counter-guerrilla offensive succeeded. Their comments on counterguerrilla are of special topicality at this time of tension and disturbance in south-east Asia; as they remark, "the tasks of counterguerrilla warfare are as much political as military—or even more so; the two continually interact."

The truth is that thermonuclear weapons have made all-out war absurd; no one dares to fight it any more, because to embark on it is simply suicidal. But the international anarchy is still riven by the same sorts of jealousies, cupidities, honourable and dishonourable ambitions as have produced the all-out wars of 1914 and 1939—to go no farther back. Politicians dislike being seen to be absurd; so they fight shy of fighting all out. Yet the stresses that used to lead to wars still press on them; the only way they can ease the stresses, short of surrender to whatever Other Side they face, is by ordering guerrilla or counterguerrilla operations of one kind or another. This is the arena of international conflict for the present and near future; the book under notice is an excellent guide to its nature.

Bolshevism Revisited

Survey, No. 41: *The Western Image of the Soviet Union, 1917-1962*
Edited by Walter Z. Laqueur. 200 pages. 5s.

The China Quarterly, No. 9: *North Vietnam*
Edited by Roderick MacFarquhar. 222 pages. 5s.

WE are increasingly in the debt of the Congress for Cultural Freedom, and of its wise use of revenue, including the generous contributions of the American foundations. Among the more specialised publications associated with the Congress, *Survey*, which is a journal of Soviet and east European studies, and *The China Quarterly*, maintain a consistently high standard. These two special numbers are cases in point. The *Survey* number is clearly of more general interest. It is a symposium in which various writers re-examine what has been written about post-revolutionary Russia in the light of more recent judgments, and, in particular, of Mr Khrushchev's revelations about the Stalinist period at the twentieth and twenty-second congresses of the Soviet Communist party.

The outcome is almost uniformly fascinating, and, as one would expect, in places highly controversial. Mr M. Philips Price, formerly of the *Manchester Guardian* and one of the very few western eyewitnesses of the Revolution, casts a candid eye over the books they later wrote about it, including his own, "My Reminiscences of the Russian Revolution," which he engagingly describes as "rather hotchpotch." M. Marcel Liebman rigorously avoids any facile sarcasm in finding reasons for the most monumental of all western gaffes about the Soviet Union, Sidney and Beatrice Webb's "Soviet Communism: a new civilisation." Mr Leopold Labedz is less kind to Mr Isaac Deutscher. His "Deutscher as Historian and Prophet," is an exercise in demolition. The exercise, however, is incomplete, for the article in this issue deals only with Mr Deutscher as a journalist, a field in which few practitioners are invulnerable.

The China Quarterly's special number on North Vietnam, though mainly of interest to specialists, is also valuable in a wider sense, for it brings into perspective the special dilemma of a small communist country which, for geographical and historical reasons, wants to escape satellisation by China but finds Russia too distant a friend. Mr P. J. Honey, who writes ably on the succession to Ho Chi Minh, has assembled an impressive list of contributors, including Vietnamese as well as French and American.

The Agricultural Concordat

The Economics of Subsidising Agriculture: *A Study of British Policy*
By G. McCrone.
Allen and Unwin. 189 pages. 25s.

The State and the Farmer
By P. Self and H. Storing.
Allen and Unwin. 251 pages. 30s.

THESE are two books about British agriculture by independent observers, and therefore probably will not be very popular with British farmers themselves. Mr McCrone, from Glasgow University, ploughs with eager and honest researching zeal through all the economic arguments conventionally used for subsidising British agriculture: the balance of payments argument, the "world food shortage" argument and so on. With great regret, he finds that none of these arguments has any real economic substance at all. But he also does not think much of the idea of "abandoning the industry to *laisser-faire* and allowing the market mechanism to weed out the uncompetitive enterprises"; because past experience has shown that such

> conditions of depression themselves discouraged enterprise and investment, the very things which were needed to bring the industry to a new competitive equilibrium.

He would therefore prefer some sort of subsidy policy which, instead of simply supporting farmers' prices and incomes, would be specifically aimed at reducing costs and making the industry more competitive. In this respect he cites and supports the present Government's small farmers' scheme. As that scheme partly seems to have served to keep a number of uncompetitive small farms just sufficiently ticking over to make a bare living at present sub-

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sidised prices (and to add to the milk surplus), the example may not be altogether happy. But the main analytical part of this book, though a bit stodgy in literary style, is sober and studious and statistically devastating; anybody who believes that "agricultural support has saved £400 million per annum for the British balance of payments" should read Mr McCrone.

Mr Self and Mr Storing have written a more lively book, which comes to some of the same policy conclusions as Mr McCrone. But the main feature of "The State and the Farmer" is not so much its recommendations for policy as its fascinating account of how successfully the National Farmers' Union (and, a bit less successfully, the agricultural workers' union and the agricultural landowners' association) have worked to achieve their ends. The concordat which the NFU has struck with different governments since the war has been one of the greatest political success stories by any sectional group in British history, and it has been largely based on bluff. As this book shows—perhaps to politicians' surprise—the cult of the farmers' vote has been wildly exaggerated as a real election-swinging factor. Basically, the NFU has been throughout in a much weaker position than its partners in government have realised; the union must have known all along that if, in anger against any government, it really did take its case to the parliamentary and political arena then it would immediately weaken its consultative status—and on this consultative status its power to aid farmers with taxpayers' money has depended. Mr Self and Mr Storing do not make the mistake of treating the NFU as the villains of their story; they have a slightly amused admiration for the union's considerable achievements. But their well-documented book is a useful case study for students of politics, and of how successful pressure groups can get things swung.

Displaced Governments

The Conspirators: *A Study of the Coup d'État.*

By D. J. Goodspeed.

Macmillan. 264 pages. 25s.

OVERTHROWING governments is an exacting and nerve-racking occupation, and Major Goodspeed succeeded in imparting, in this book, a good deal of the excitement of the game. He has selected well-known shots at six separate establishments; three of them missed their target. He begins with the palace revolution in Belgrade in 1903, which facilitated Serbia's transformation from a satellite of Austria into a pugnacious little power, allied with Russia and a deadly enemy of the Habsburgs. From Belgrade, the author takes us to Dublin in 1916, and then to Petrograd in the following year. In 1920, the Kapp *putsch* against the Social Democrat government in Berlin is described; a chapter is devoted to Mussolini's march to power, and another one to the unsuccessful attempt on Hitler's life in 1944. The stories are well told, and they are clearly destined to become James Bond's favourite bedside reading.

Nevertheless, the author claims to be doing more than telling us stories of blood and horror. In the concluding chapter—it is intended to be the focal point of the book—he generalises about the nature of coups, and about the reasons for their failure and success. He runs into difficulties here. In the study of revolutions, as in any other historical enquiry, it is usually impossible to draw new conclusions on the basis of old facts; none of Major Goodspeed's facts is new. His selection of the six highly dramatic incidents also proved a disadvantage. Their drama interested the author much more than the duller problems of organisation; he did not consider a single case of the less spectacular, but more effective, subversion and infiltration into an established government. Indeed, as a textbook for would-be revolutionaries, this study is highly misleading.

Theory and Illustration

Economic Development

By A. Pepelasis, L. Mears and I. Adelman.

Harper, New York. London: *Hamish Hamilton* (1961). 628 pages. 60s.

YET another undergraduate textbook on economic development must show some fairly clear product differentiation to secure anything of a niche for itself. This volume's claim is that it combines an introduction to the principles of economic development with a dozen case studies of development in particular countries.

The first section is concerned with the principles and takes up only about a quarter of the book, but it is in some ways the more interesting. Professors Pepelasis and Mears, who wrote it, have had to be strictly compact, though space has been saved by the exclusion of much historical material and by the omission of growth theory—a theoretical section is to be published separately. The authors deserve credit for the fact that the result is not completely unreadable, and it provides a useful and clear discussion of the determinants of economic development. At the same time it must be admitted that the treatment is ambitious and extends considerably beyond the boundaries of the economic to the socio-political forces underlying economic behaviour.

It may, of course, be argued that it is particularly important to lay stress on non-economic matters where underdeveloped countries are concerned. And there is an undeniable gain from a wide approach in many circumstances. But it is doubtful whether the cost of compressing a lot of economic argument can be favourably balanced against the inclusion of a good deal of equally compressed material relating to aspects considerably beyond the scope of economics. Moreover, in their desire to be comprehensive the authors sometimes neglect the more specially economic aspects in particular fields. For instance, the discussion of underemployment starts from a largely non-economic definition that runs in terms of the difference between the actual amount of time worked and that which the labour force is capable of supplying, while the supply of effort is dealt with mainly in general terms in later chapters. The chapter on capital, on the other hand, shows the advantage of a wide approach, since it starts by taking a view of capital that includes all productivity-raising outlays, whether or not they result in an increase in the capital stock as usually measured.

The bulk of the book is given over to the case studies and it is of great value to have them bound together. The twelve authors were free to organise their material as they pleased, and though a tight common outline would not have been suitable, some more editorial control might have reduced the unevenness, for instance, between David Felix's fascinating analysis of development problems in Chile and the rather disappointing economic and social geography of the Congo. In general, however, the coverage is wide; it includes countries like Greece and Jugoslavia, which are not very well covered in the literature in English. The general standard, too, is high, and if there is a single criticism to be made of all the case studies it is that they are not used in the first part of the book, where illustrations are drawn almost exclusively from other sources—and not infrequently through footnote references to earlier textbooks. In that sense the book is insufficiently integrated. The idea of the volume was good. An integrated second edition would be that much better.

Seeking the Answers

The Origins of Scientific Thought: *Vol. I. 600 BC to 300 AD*

By G. de Santillana.

Weidenfeld & Nicolson. 320 pages. 36s.

THIS is the first part of a series planned under the auspices of that impressive institution the Massachusetts Institute of Technology. The general reader would probably be wrong in deciding to skip this volume and wait for the others, which will (presumably) deal with later periods, when the ways of thinking and acting that we call "the scientific method" had been established.

Professor de Santillana is surprisingly stimulating and readable and a reader ignorant of mathematics will not stub his toes on equations while no reader will be permanently lost in the mists of metaphysics. Not that it will be possible for all to agree with all the implications he makes, by way of emphasis or omission. He gives more credit to the Greeks and less to the Babylonians and Egyptians than is usual today and has only one reference to all that Professor Joseph Needham has to tell us about the Chinese. Nor, though he is dealing with the speculations of men

whose thinking was largely pre-scientific, does he clearly contrast their thinking with the alternative ways—mainly sympathetic magic—in which mankind tries to deal with the phenomenal world.

What fascinates Professor de Santillana is the spectacle of bold and persistent Greeks as they wrestled with the task of seeking answers to the large questions that each of us has asked or pondered in childhood. "What keeps the stars in the sky?" "What makes this other thing drop?" "Is Fire a thing?" Such are the questions asked by each generation. The Greeks sought adult answers.

The Romantic Poets

The Visionary Company: *A Reading of English Romantic Poetry.*

By Harold Bloom.

Faber. 475 pages. 36s.

THIS book stems from a wish to demonstrate how all the English Romantic poets were animated, and related to one another, by a faith in the power of the imagination to create a world fitter for their genius to live in than the actual society in which they found themselves. All were rebels, in varying degrees, against the accepted values; disappointed of revolutionary hopes, like Blake and Wordsworth; outraging the conventions, like Byron and Shelley; all quite unable to find satisfaction in the orthodoxies of their day. For this reason, they were obliged to make their own myths. Not their own philosophies; for it is not by systematic discursive thinking that poets can apprehend truth. It is by finding imaginative equivalents for their intimations of what is significant in experience.

By bringing together the six major Romantics, and adding a chapter on some minor ones, Mr Bloom shows them truly to be "a visionary company," bound together by common preoccupations and using similar methods to resolve their dilemmas. His method is to examine in considerable detail individual poems that seem to him to illustrate the solutions arrived at by each poet. Consequently, anyone wanting a brief commentary on, say, *Tintern Abbey* or *Alastor* could just turn to the appropriate pages; but without having read the whole book, he might be more mystified than enlightened by Mr Bloom's expositions. Indeed, some of them are outrageous. It is all very well to call Robert Graves "the most persuasive of modern misreaders of texts," but even if his version of *La Belle Dame sans Merci* is a misreading, it is infinitely more plausible than Mr Bloom's, who poses the question "Why is the knight-at-arms ailing?", and gives an answer of which this is the climax. It is because he "has devoured, under the instructions of La Belle Dame, a faery's child, a natural food that has made him both less and more than human. Either way, he has little use for human food again." After this, one is almost prepared for the ludicrous effect, a few pages later, of words misused: "Keats had come a long road before cycling into the desired . . . paradisal bower."

The whole book is vitiated by the intolerably abstract and pedantic quality of Mr Bloom's style—a literary critical jargon that is not peculiarly his, and more commonly to be found in transatlantic reviews and books than in English ones; but his critical method is itself imaginative, and sometimes one is convinced that he is reading the Romantics as they would have wished to be read.

OTHER BOOKS

ATLAS OF THE UNIVERSE. By Br. Ernst and Tj. E. de Vries. Translated from the Dutch by D. R. Welsh. Edited by H. E. Butler. *Nelson.* 226 pages. 42s.

CHANGING VIEWS OF THE UNIVERSE. By Colin Ronan. *Eyre and Spottiswoode.* 206 pages. 15s.

ASTRONOMICAL SPECTROSCOPY. By A. D. Thackeray. *Eyre and Spottiswoode.* 256 pages. 18s.

To anyone whose retinæ refuse to get the Great Bear into focus, the pictures in the first book will be a joy. Here are stars and nebulæ in their full majesty with no pretence of turning them into celestial tea leaves cluttering the universe with improbable symbols. But the word "atlas" is surely a misnomer likely to infuriate anyone who spends two guineas on this very beautiful book and expects to find detailed maps of the heavens and to put off the astronomical dilettante who would probably consider the money well spent. For this is a continental approach to popular science that rarely appeals to British publishers; it sets out to entertain before it instructs and lovingly reproduces pictures of galaxies because they are lovely things that deserve to reach a wider audience. The second half of the book consists of a simple encyclopedia that should be of great help to those who cannot tell an albedo from an albino, as well as to a great many who can.

It is interesting to compare this style of treatment with Mr Ronan's simple but thorough history of astronomy from prehistory up to the present time. This, and Dr Thackeray's book, are the first two of a six-volume Survey of Astronomy, written by experts for people who are prepared to read from start to finish. Who can tell which approach will gain the most proselytes?

THE LANGUAGE OF AVIATION. By W. S. Barry. *Chatto & Windus.* 197 pages. 15s.

English is the international language of aviation: Russian air traffic controllers spoke English to the Scandinavian pilots who flew the first western air services into Moscow. Dr Barry's book, originally a series in the BBC's *English by Radio* service, explains the procedures of civil aviation as well as the jargon often incomprehensible even to those whose English is their mother tongue. In the process of explaining load factors and load sheets, the aerodynamic laws that get a 200 tons aeroplane into the air, the precise importance of stalling speed and the intricacies of ILS, VOR, DME and Decca, he slips in such titbits of information as the rule that obliges every member of the crew to carry a whistle and a torch and prints the verbatim recording of a talk-down in bad visibility, half patter, half blank verse. All that is missing is a glossary of air-crews' private language.

THE FIRM: MICROECONOMIC PLANNING AND ACTION. By N. W. Chamberlain. *McGraw-Hill.* 437 pages. 62s.

Apart from a bit of hoo-ha at the beginning and end, Professor Chamberlain has written a descriptive work. Basing himself on interviews, questionnaires and writings by businessmen, he explains how large American firms use budgeting. Economists who are innocent of what businessmen really worry about will find instruction here. Some businessmen, too, may like to learn how other businesses arrange their planning. Both will enjoy the examples.

HOUSING AND ECONOMIC PROGRESS. By Lloyd Rodwin. *Harvard University Press.* London: *Oxford University Press.* 228 pages. 60s.

A highly detailed study of housing during the last century in Boston and lessons which can be drawn from this history. Professor Rodwin, of the Joint Centre for Urban Studies formed by Harvard University and the Massachusetts Institute of Technology, is here particularly interested in middle-class housing.

MONEY, SAVING AND INVESTMENT IN ENGLISH ECONOMICS 1800-1850. By B. A. Corry. *Macmillan.* 199 pages. 30s.

Dr Corry has succeeded in writing both interestingly and concisely about the macro-economic analysis of the classical economists. He shows that their monetary theory was less crude than is sometimes believed and that its contemporary critics were not really precursors of Keynes. His exposition succeeds in relating classical to modern thought while expounding it in a context related to its time; thus he displays the wisdom of hindsight but avoids condescension, that cardinal sin of historians of thought.

THE ATOM: FRIEND OR FOE? By Charles-Noël Martin. Translated by T. Schoeters. *Harrap* 236 pages. 25s.

A layman's guide to nuclear physics needs, these days, to have something new to say and M. Martin has not. But he re-states old ideas wonderfully well.

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No. 1. APRIL 1962

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THE WORLD OVERSEAS

Berlin Soundings and Semantics

FROM OUR BONN CORRESPONDENT

To the west Berliners only one thing emerges quite clearly from the current palaver concerning their future. This is that still no term can be set to their unique struggle to preserve the modicum of freedom—chiefly of opinion and movement—that politically adult societies consider really worth troubling about. They know they would have to continue to keep exceptionally careful watch even should the Soviet-American soundings find firm ground on which to set up some long-term arrangement for letting west Berlin survive more or less tolerably in the opinion of everybody except Herr Ulbricht. But it seems that so far the soundings have been largely unrewarding. Mr Rusk, the Berliners have been told, said so at the Nato ministers' conference in Athens last week. And Dr Adenauer remarked in Berlin this week that he himself expected nothing to come of them; indeed, he would rather the unsatisfactory circumstances of Berlin remained as they were than be changed into something potentially more mischievous.

Had they not already experienced so much folly masquerading so confidently in variously coloured cloaks of office, the Berliners might be more surprised than they are at what is happening. They had been led to believe that the west German foreign minister, Herr Schroeder, had virtually agreed, if reluctantly, to Mr Rusk's proposals for a *modus vivendi* in Berlin—and most notably to the project for an international body, on which east Germany would be represented, for controlling the traffic to and from Berlin by land, water and air. But already in Athens Herr Schroeder spoke a shade less accommodatingly than he was supposed to have been thinking. He told journalists that there were four inviolate conditions for a Berlin settlement—the continuing presence of the western garrisons, the preservation of west Berlin's political and economic association with the Federal Republic, freedom of communications and recognition of the principle that the Berlin and German problems could be finally settled only by reuniting the country.

Both the State Department and Dr Adenauer, Herr Schroeder claimed, subscribed to these maxims. Yet in Berlin a few days later Dr Adenauer admitted that he was recalling the federal government's accredited representative in Washington, Professor Grewe; because the ambassador had estranged himself from President Kennedy by carrying out too faithfully Bonn's instructions to oppose any concession that could be interpreted as a shadow of recognition of the east German regime. General Clay, the President's robust and popular special emissary in Berlin for the past eight months, has not been able to dispel the federal government's misgivings. "Trust us. You won't be disappointed," General Clay promised at a ceremony at which he was proclaimed an honorary citizen of Berlin. The west Germans and west Berliners trust General Clay all right. For them the trouble is that the general, too, has been recalled. Some four hundred west Berlin youngsters staged a farewell torchlight procession outside his Wannsee home last Saturday night.

In warning Herr Schroeder that there is a danger in present trends that the German Democratic Republic might come to be recognised "in a roundabout way" as a fully sovereign state, the *Frankfurter Allgemeine Zeitung* has voiced the uneasiness of probably the majority of Germans. "Good relations with the United States," the newspaper has observed,

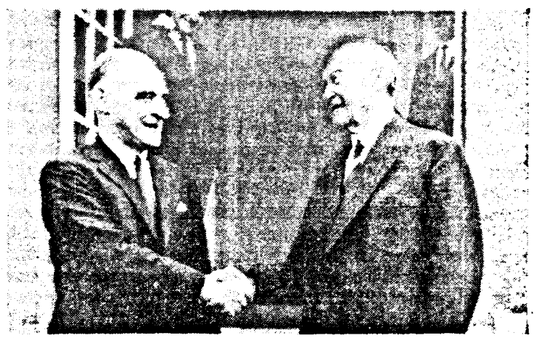
> may not be bought with this concession. It is the business of diplomacy to determine also in writing what is understood by the flexible foreign ministers' elastic formula. The Kennedy Administration would like to arrive at a compromise with the Soviet Union over Berlin, but is confronted with a vigorous determination to win recognition for the German Democratic Republic.

The analysis is obviously correct as far as it goes. In an interview published by *Pravda* this week Herr Ulbricht declared:

> Naturally there can be no question of any international organ being given the right to intringe the sovereignty of the German Democratic Republic by exercising administrative functions on its territory. . . . If we assume, by treaty, one hundred per cent control of the traffic and yet are ready to call in an international arbitration board in the event of any dispute, then that seems to me to be a generous, reasonable and realistic proposal.

That is Herr Ulbricht's idea of international control. And he threw some hints on the likely objects of east German interference with Berlin-bound traffic when he referred once again to the "war-inflammatory and trouble-making centres" in west Berlin. Only wide publicity at an awkward moment has prompted the east German authorities to reverse their decision to refuse a return transit visa to the Swiss subject, Otto Frei, the *Neue Zürcher Zeitung's* correspondent in west Berlin, who has specialised in reporting east German affairs for the last twelve years. Herr Frei could still have gone in and out of Berlin by air, but would doubtless have been prevented had the east German regime been in a position to have its own way.

Much thought is being given in Bonn to ways and means of keeping up the Berliners' spirits during this uneasy period of waiting, and of persuading them that whatever happens they will be all right in the long run. Both the federal president and the chancellor have visited Berlin this month. Dr Adenauer used the opportunity to announce that he had appointed Herr von Eckardt, the state secretary in charge of the government's information services, to succeed the old and ailing Herr Vockel as the west German plenipotentiary in Berlin. Herr von Eckardt can be relied upon to



Clay, Adenauer: one can shake, and shake . . .

cultivate the city's vital relations with west Germany energetically and imaginatively. He is hoping that the importance of his work will be recognised by a standing invitation to attend cabinet meetings in Bonn. On Wednesday Herr von Eckardt had talks with President Kennedy's press chief, Mr Salinger, who passed through Bonn on his way to Moscow.

A scheme for fostering cultural work of national importance in west Berlin is one of several plans now taking shape for keeping the city alive and kicking, and conspicuous on the travellers' map. Details are to be announced by the chief burgomaster, Herr Brandt, in the west Berlin parliament on June 22nd. The west German *Land* governments, which are autonomous in cultural affairs, agreed at a recent meeting in Bremen to let this project be controlled mainly by the central government in Bonn. An outstanding feature is the establishment of a centre of studies for students from the developing countries. While Dr Adenauer was in Berlin further substantial tax concessions were promised as a bait to west Germans who go to west Berlin to take work or set up their own business. With effect in all probability from July, the average worker, for example, will be allowed to keep 25 per cent of his income untaxed. As much as DM 30,000 will go untaxed to firms with a turnover of under DM 200,000.

A comment from our Washington correspondent on German-American relations is on page 562.



The Second Act Opens

FROM OUR PARIS CORRESPONDENT

THE gaullist republic is on the threshold of a new phase. Next Sunday is the fourth anniversary of the rising in Algiers which marked the beginning of the end of the Fourth Republic. Two days later, General Salan (now awaiting trial in Paris) appealed to General de Gaulle (then in retirement at Colombey) to form a government, and M. Pflimlin (then premier and now back in ministerial office) got ready to surrender. For the next four years the life of the new gaullist republic was dominated by the Algerian war. It took so long a time for the general to find a solution acceptable both to his army and to the insurgents. True, the Algerian question is still far from settled. The next few weeks will show whether a compromise worked out so late in the day can still be made to stick. The manner in which it is (or is not) made to stick will determine how much of the Algerian poison remains in the French body politic. But, bearing this in mind, it is at last possible to contemplate a France that is no longer dominated by its Algerian shadow.

By replacing the obedient M. Debré by the trusted M. Pompidou at the head of the government, General de Gaulle wanted to show that the Evian agreements marked the beginning of a new chapter in the history of the Fifth Republic. The deputies took the same view and, by providing only a small majority for M. Pompidou's investiture, tried to express their feeling that the return to "normalcy" ought to have been accompanied by a return to a more normal system of government. The Left had to accept General de Gaulle in 1958 because it had proved unable to end the Algerian war itself, or to put up any resistance to the generals' *putsch*. The Right welcomed him because it wanted a strong man to preside over the last stages of France's withdrawal from its colonies, which they feared might otherwise lead to a popular front. Many politicians, however, climbed on to the gaullist bandwaggon in the rather naive hope that once the Algerian question was out of the way the general would return, if not to the plough, at least to more parliamentary practices. They now see, beyond the Algerian horizon, such controversial issues as the future of Europe and of the Atlantic alliance. The way in which M. Paul Reynaud, hitherto a faithful supporter, castigated the regime last month for its departure from parliamentary ways was a sign of the changing mood.

It is possible to argue that, by cutting the constitution to his own measure, General de Gaulle does not bother enough about what happens after him. It is unfair to accuse him of inconsistency. He has always favoured a system in which an untroubled ruler guides the destiny of the nation. In this scheme, the ministers—including the prime one—carry out orders, parliament is a rubber-stamp and the people applaud presidential tours or vote *oui* in referendums. His failure to obtain such powers after the war, because of the revival of party politics, drove the general into retirement. The short-lived gaullist rally failed to bring him back to power, but the Algerian coup provided the springboard he needed. The general's ideas had not changed while he was in retirement. It rapidly became plain that all key questions—Algeria, defence, foreign affairs and even finance, when it mattered—belonged to the prerogative of the president of the Fifth Republic. And the scope of this prerogative is now to be extended rather than reduced. M. Pompidou can hardly be more obedient than his predecessor, but the appointment of this former *chef de cabinet* to the premiership was designed to dispel any ideas that parliament might be about to come back into its own.

It is a common fallacy to describe the Fifth Republic as the result of a switch from the parliamentary system *à l'anglaise* to a presidential one *à l'americaine*. But there is no question of strengthening parliamentary curbs on the power of the president. If anything, the president will seek means to by-pass parliament should the next chamber, as is likely, prove less pliable than the present one. Gaullist theoreticians make no bones about this. On the contrary, they speak with the pride of pioneers of the service they are rendering in seeking—by trial and error, but with the help of a man sent by providence—a pattern of government corresponding to the needs of western society in the age of the atom—and of television.

IN France a period of rule by a saviour in uniform is not without precedent. The gaullist experiment has been favoured by several factors, some of them transient, others more lasting. The governmental merry-go-round of the Fourth Republic, and its impotence to solve the colonial problem, have discredited parliamentary institutions. The defeat of 1958 deprived the political parties of their initiative and they have done little since to seize it again. The Right has become divided during the attempt to solve the Algerian problem. The Left is as divided as ever. The parties' understandable preoccupation with Algeria has prevented them from working out a coherent alternative to gaullism. France's relative prosperity, after the pay pause of 1958-59, has made political discontent less explosive. Only a poujadist fringe has been attracted by fascist ideas. Thus the only threat to the regime came from the army; but the threat was at the same time an asset. General de Gaulle had come back to power as the man who could come to terms with the army, as the living safeguard against civil war; and each successive threat of an army coup forced his political opponents to rally uneasily behind his banner.

The end of the Algerian war should weaken this threat, and this is why some commentators in Paris foresee a revival of political opposition. Elections have been put off, they argue, but nothing in the next year or so is likely to improve the chances of the gaullist coalition in parliament. The next chamber may therefore be hostile to, or at least more reluctant to follow, the general's line on, say, foreign policy. General de Gaulle has now twelve months or so in which to find in his arsenal a referendum or some other weapon with which to parry such a counter-offensive. In the meantime, it would be most surprising if the present chamber, hitherto no more influential than the Supreme Soviet, carried its opposition beyond sulking.

The real tests will not take place in parliament. On the economic front the government's position is fairly encouraging. By keeping wages and prices in check after the financial reform of December, 1958, the Fifth Republic managed to add a strong franc and a flourishing balance of payments to the rapid rate of growth of its predecessor. It now has some room for manoeuvre. The economic consequences of the peace cannot be measured until the size of the European exodus from Algeria is known. The defence burden will not be cut, although in purely economic terms expenditure on a nuclear striking force is more beneficial than on the upkeep of a colonial army. In any case, there are signs that the trade unions, no longer hindered by political scruples, are preparing for a struggle not only over wages, but also over hours and conditions of work. The extent of this action and of the government's reply will provide the first test.

The army is the other unknown factor. It is still too early to estimate how deep was the influence of the Secret Army (OAS); how severe the shock of having to compromise over Algeria on the officers' corps. General de Gaulle will now attempt to reshape the armed forces, to modernise them and transform them into that *armée de métier* that he described before the war. He may well succeed in the end in turning the army into an obedient tool. But one thing must be kept in mind. Whether it obeys the general or not, an army which brought one man to power and then, for years, was treated as the only important political force is likely to be interested in the succession.

Views differ on what this will be. The "optimists" say that it will end with a Pinay as president and a regime not very different from its predecessor; they probably underestimate the part played by the army in politics. The "pessimists" argue that a political awakening after years of apathy will lead to bloodshed; they may underestimate the French reluctance to fight. The political consequences of the postwar transformation of France have only begun to be drawn. The real face of the Fifth Republic is still to be revealed.

New Deal for Persians

FROM A CORRESPONDENT LATELY IN PERSIA

DR ARSANJANI, the ambitious and ebullient Persian minister of agriculture, says that he is going to complete land reform throughout the whole of Persia within the next two years. He appears to think little of the difficulties of surveying and redistributing from a quarter to a half of the agricultural land in the country (at a wild guess, for no one knows how much land really is involved). To the minister it seems as simple as selling off a small farm—indeed, perhaps rather easier. At present he is mainly concerned with the financing of the landowners' compensation, which he claims can be done through the Agricultural Bank, without foreign borrowing and without creating inflation. The government pays 27 per cent of the principal plus the operational costs, and will settle with the landowners in full over a term of ten years. The peasants will pay the government the remainder of the principal, over a term of fifteen years.

The general principle is not more than one village to one landowner, irrespective of the value of the land. This will certainly hit the many Persian landowners who prefer quantity to quality, holding several poor villages rather than one good one. It seems, however, a pretty blunt instrument with which to operate on a country whose farming runs the whole geophysical gamut, from irrigated sub-tropical to dry temperate zone: anyone who passes quickly from the Caspian "jungle" in Mazenderan (which looks like the Forest of Dean) to the stifling and arid Mesopotamian plain of Khuzestan finds it hard to believe he is in the same country. One also wonders how land reform is going to be effected so quickly in a country with no land registration, and no standard way of establishing title.

The 'pilot scheme" of the land reform has been launched in Azerbaijan, at Marageh. Azerbaijan is next to Russia, and was the scene of a short-lived communist break-away republic in 1945-46. It also lies next to Persian Kurdistan, a region of great tribal landlords who have sometimes shown separatist leanings (the Kurds are now referred to by Dr Arsanjani as "dearest and bravest of Iranian peoples"). Finally, it is a fruit-growing area, where it is



Peasants with titles

reasonably certain that the peasants will make a decent living if they are allowed to plant fruit trees without punitive rent increases.

The distribution of titles has now taken place in the Marageh area to 7,825 peasants in 145 villages, and in the neighbouring areas and in western Azerbaijan a further 5,000 peasants have received lands. What happens next is less clear. The peasant "co-operatives' set up under the reform are loose associations of villagers under a sort of reeve. They are financed by the peasants themselves, and future agricultural development seems to depend on the co-operative putting up their own projects to the government, which, if it approves, will supply two thirds of the capital needed. The scale on which the government will be able to give technical advice and guidance to the peasants is still unclear. Dr Arsanjani says that in a few weeks some 200 agronomists and other technicians will be available. The Israelis have sent several teams to help, and Persians have gone to Israel to train. But the crucial point is whether the Persian peasants can produce enough of a spirit of mutual aid to make the co-operatives work. There is no yeoman spirit in Persia; only in one or two areas are there many peasant proprietors at all. Unassisted, the peasants will not get quick results—if they get any. Apart from one or two show areas, the only places where agricultural development on the crown lands distributed by the Shah has been impressive is where the lands were sold to capitalist farmers.

The opposition of landowners to the reform has so far been less than was expected; it may be that they think these are better terms than any future government will give them. But in the end the land reform depends on the extent to which the Shah and his government are united in their determination to carry it through. Of the Shah's goodwill there is no doubt, though it is less certain that he approves of Dr Arsanjani as the man to do it. The minister has a reputation as a demagogue—he refers to the peasants as "fifteen million helpless and semi-starved people." The prime minister, Dr Amini, has only recently been convinced, but on his recent visit to Azerbaijan he hailed the reform as "an answer to negativists and defeatists."

Whether or not the present government stays in power, it has pushed Persia—though at the moment gently—towards a slippery slope. In one or two isolated instances peasants are said to have already seized lands in anticipation of the reform: among fifteen million helpless and semi-starved people some at least are likely to catch the implications of what the minister of agriculture is saying about them.

Italy's Presidential Battle

FROM OUR ROME CORRESPONDENT

AMONG the senior notables of Italian politics it would be difficult to find a more obvious incumbent for the Quirinal palace than Signor Antonio Segni, who took his oath as third president of the Italian republic yesterday (May 11th). His qualifications include a distinguished academic career—he is professor of law in the University of Rome; a record of political integrity preserved from the fall of the Popular party to his leadership of nascent Christian Democracy in Sardinia during the war; a reputation as a pioneer of land reform; prime ministership in two cabinets; and international prestige for his services to the European community when foreign minister in this and the last government.


Signor Antonio Segni

With these attributes and with a little more tact and flexibility on the part of both the Christian Democrat and Social Democrat leaders, Signor Segni might have been the candidate of the same widely based groups in the Italian parliament which brought about the recent "opening to the left" (*apertura a sinistra*) and now uphold Signor Fanfani's left-centre coalition government. Instead he was made the champion of a faction of the Christian Democrat party, the moderates or Dorotheans, whose determination to get him elected at all costs came within a hair's breadth of the use of fraud—there was an uproar when a voting paper with Signor Segni's name on it was pressed into the hands of a reluctant voter; these tactics demonstrated an almost pathological desire to humiliate Signor Fanfani and defy his allies in the coalition. The pressures brought to bear upon Signor Fanfani and his followers to give their support to Signor Segni were resisted up to and through the seventh ballot; they included a threat to withdraw four ministers from the government and make the party secretary resign. But as a result of this extraordinary behaviour Signor Segni was elected on the ninth ballot, on May 6th, in an atmosphere of exasperated tension and by a slender majority of 51.8 per cent, including the monarchists and neo-fascists.

Now that the election is over, the prime minister's allies do not intend to hold these distressing circumstances against the new president of the republic. Signor Nenni, Signor Saragat and the leaders of the Republican party have expressed their confidence that Signor Segni's conduct as president will very soon cancel out the memory of this dramatic week. In the present state of Italian politics Signor Segni will certainly not lack opportunities to show that the presidency of the republic is no sinecure. The *apertura*, which got off to a limp start partly because of the imminence of this election, is compromised but not totally wrecked. It may even recover vigour if the Socialists keep their promise of redoubled watchfulness. There may be a danger that the neo-fascists (and other reactionaries) will try to exploit what they consider a victory; this will have to be parried.

But the fundamental trouble, ruefully diagnosed by the Christian Democrat party's allies (less ruefully by the Communists), lies in the conduct of the Dorotheans (the group takes its name from the hall of Saint Dorothy in Florence, where this faction broke with Signor Fanfani in 1959). This group of moderate reformers controls about half the parliamentary party and a little more of the party's national council. It appears bent on obtaining absolute control of the party and on asserting the party's domination in the country, in contrast to the idea expressed last January in Naples, at the congress which approved the *apertura*, that the Christian Democrats cannot govern without allies. Signor Saragat has complained bitterly of "the ungenerous and impolitic intransigence of the Christian Democrats" who refused to discuss or negotiate with him, and Signor Nenni has deplored the methods used by the party in this election. The Socialists, who are inclined to think of the *apertura* as a straight dialogue between themselves and the Catholics, blame Signor Saragat for advancing his own candidature instead of plumping from the start for a left-wing Christian Democrat. Signor Togliatti's diagnosis is not substantially different from Signor Saragat's. All the parties, he says, must examine the conduct of the group that controls the Christian Democrats. "The party that governs Italy is not an anti-fascists' party," according to Signor Togliatti, "and the men who lead it will stop at nothing to preserve their power."

Naturally the confusion and malaise benefit the Communists even more than the fascists. Their conduct throughout this affair has been, democratically speaking, irreproachable. After the second ballot they supported Signor Saragat—"though we did not propose him"—as the candidate of the *apertura*. No one could contest Signor Togliatti's statement that "the strength and prestige of our party are confirmed and strengthened by this struggle," and few would question his assertion that "successive ballots brought about a convergence of democratic and anti-fascist forces which should and will be repeated on other occasions."

The unity of the Christian Democrat party has been maintained at a heavy price and begins to look incompatible with the *apertura*. Signor Moro, who so brilliantly led the Christian Democrats in Naples, staked his position as party secretary on the election of Signor Segni. But he stands out today less as the leader of a united party than the tool of its most powerful faction. Signor Fanfani's friends have taken a beating, but the prime minister is resilient and still has plenty of cards in his hand. He has decided to take over the foreign ministry himself for the time being, but it would be a trick to him if he could hand it over to Signor Saragat.

Death for the Conspirators?

FROM OUR MIDDLE EAST CORRESPONDENT

ON Wednesday Lebanon's military prosecutor asked for the death sentence on 313 people, including 38 military men, who were involved in the plot organised by the Parti Populaire Syrien against the government on New Year's eve. Another 47 men are accused of lesser offences, carrying penalties of imprisonment from six months to 15 years. The charges include the attack on the ministry of defence and other public buildings, the illegal concentration of armed conspirators, the murder of members of the security forces and the attempted kidnapping of the president. The trial of the accused will probably start in Beirut on June 1st.

But whatever the results of the trial, it seems inconceivable that anything like this number of death sentences will be carried out—quite apart from the fact that many of the accused are in hiding abroad. The Lebanese show hot tempers in their private quarrels, but have long had a reputation for political toleration. Even during the long civil disturbances in 1958 the number of people who actually died was remarkably low.

The indictment accuses Jordan of having financed the PPS to the tune of £20,000, paid in two instalments. Although the Jordanian government itself is not specifically mentioned as the source of these funds, the wording of the allegations suggestively points that way. King Hussein laid himself open to these charges by his support for the fertile crescent dream, which is also the main platform of the PPS. Certainly individual Jordanians were involved, which is hardly surprising since the PPS is a pan-Arab movement with followers in Jordan, Syria and Iraq as well as in Lebanon. It has also been suggested that the conspirators tried to get support from Iraq, but failed. In any case, if the court upholds the allegations about Jordan, there will be few Arabs who will not be able to detect, somewhere in the scheme of things, the hidden hand of perfidious Albion.

Canada's Plural Society

FROM OUR SOUTH AFRICAN CORRESPONDENT

WHEN French-speaking Canadians talk of separation or independence for Quebec their English-speaking compatriots politely ignore them, dismiss them as amiable eccentrics, or simply laugh. But as the bilingual product of another plural society, 8,000 miles away in Africa, visiting Canada, I became very conscious of the deadly seriousness of French feeling, and convinced, admittedly after a brief visit, that unless it is handled with more skill and sympathy an unpleasant state of affairs might develop which would do Canada much harm.

A foreigner's first discovery in Quebec is the existence of two nations, geographically and economically integrated but culturally and linquistically separate. "At heart every French Canadian is a separatist," a French-language editor told me. "We only differ in our assessment of the practicability or otherwise of separatism." By contrast, most English Canadians whom I met pooh-poohed independence talk as not serious, the product of French excitability or pique or jealousy. To an outsider who has seen the role language and sentiment can play in politics, this seems unrealistic.

Take the case of M. Marcell Chaput, a chemist employed in the Defence Research Board, whose book, "Pourquoi Je Suis Séparatiste," was a best-seller, and who became the leader of a body called *Le Rassemblemènt pour l'Indépendance Nationale*. M. Chaput declares that there are "glaring inequalities" between the French and English groups (I quote from a notice of his book written by Dominique Clift). It is all very well, he goes on, to tell French Canadians that Canada belongs to them as well as to the English; but in fact it is only in Quebec that French Canadians are allowed to be themselves. Confederation (so M. Chaput argues) is really an instrument whereby French Canadians are kept in tutelage.

"We are fed-up with being second-class citizens. . . . We separatists say, 'If, because of our fidelity, we cannot become totally English, then let us become totally French in a country that is really ours. . . . If French Canada were to become Anglicised for purely practical reasons . . . then it might be even better to seek annexation to the United States because—and this is no state secret—the standard of living there is higher than it is in English Canada. . . . Independence for Quebec does not mean the isolation of a timorous group behind protective barriers, but rather the expression of a national identity in full view of the world'."

To this the English Canadian is apt to reply that the French are again "fighting shadows." "If they are really economically depressed, as they aver," a university lecturer in Toronto said to me, "it is entirely their own fault. They haven't had the enterprise or the gumption to establish a commanding position for themselves, so they blame us. As for bilingualism, they exaggerate the lack of it; and in any case their own French is so parochial as to be uninteresting or even unintelligible."

But in Ottawa a senior French-speaking civil servant spoke to me with vehemence about "the English." "If the bloody English don't give us our due," he said, "there will be bloodshed." I asked what he meant by "due." "To begin with," he replied, "a square deal in such things as bilingualism." He complained that when he went to register the birth of a child, the whole transaction took place not in his mother tongue, but in English. Again, when he contravened a traffic law he was handed a summons in English. He resented this in a supposedly bilingual country.

"The English pay only lip-service to bilingualism," he said. "We French are the only bilingual Canadians." (My mind went back to the Afrikaner's old complaint of the failure of his English-speaking fellow-citizens to learn Afrikaans in bilingual South Africa.) However, the French do console themselves with the reflection that Canada's main bulwark against cultural absorption by the Americans is its French-speaking section. "Look at our art and culture," my informant said. "The bulk of Canada's indigenous output in these spheres comes from our side. Eighty per cent of French Canadian television, for instance, is indigenous, whereas 50 per cent of 'English' television material has to be imported from the United States or Britain." A distinctive Canadian flag and a separate national anthem are other items on the French list, as well as diplomatic representation at the Vatican. "Why," the civil servant said, "those new French-speaking states in Africa have their own representatives at the United Nations, yet 6,000,000 French Canadians, the largest French community outside France, have no international standing or recognition. It is intolerable." It became clear to me why General de Gaulle's action in receiving the premier of Quebec, M. Jean Lesage, as a head of state in Paris made such an impression on French Canadians; though the incident, as far as I could gather, was little noticed in English-speaking Canada.

THE danger, to my mind, lies in the unconcern or lack of knowledge of English-speaking Canada about the feelings and aspirations of French Canada. When I told a Toronto man that a Laval University man had made out a persuasive case to me for the creation of a special Supreme Court to deal with constitutional matters, he snorted and said: "It's quite unnecessary. What is wrong with the present court?" Outside Quebec, this is a prevalent attitude. From my very limited observation, which did not include the middle or far west, where the position is doubtless much worse, there are vast areas in Canada where people are totally unaware of the feelings and strivings of French-speaking Canada. Just here and there one finds signs of English-speaking unease and awareness. During my stay in Quebec City, for instance, the *Chronicle-Telegraph* warned its readers that the separatist movement should prompt "some deep reflections" on the part of English-speaking Canadians. While welcoming the plea of the influential St Jean Baptiste Society that French Canadians should seek self-realisation by constitutional means rather than by seeking to become a separate autonomous state, the paper saw a stumbling block in the society's insistence that French Canada was a nation in itself. "If we learn to accept our compatriots as persons with a distinct identity," the paper concluded, "English Canadians will go a long way toward taking the wind out of the sails of those who are most voluble in pressing the cause of separatism."

Before I felt Canada, Mr Lester Pearson had opened the Liberal party's general election campaign (with a series of meetings in Quebec Province), and there was evidence that his party had become aware of French feelings and was trimming its sails to the Quebec wind. Have the French Canadians at last succeeded in putting their case on the nation's agenda for 1962?



Duesseldorf's Marktplatz—just five minutes from a Bank of America Branch. Photo by Philip Lustig.

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AMERICAN SURVEY

AMERICAN SURVEY is prepared partly in the United States, partly in London. Those items which are written in the United States carry an indication to that effect; all others are the work of the editorial staff in London.

Rural Strongholds Besieged

FROM A CORRESPONDENT IN WASHINGTON

HISTORY is at last catching up with that tenacious phenomenon of American politics, the disproportionate power of the rural voter. In the last seventy-five years, according to the official statistics for population, the United States has changed from a country two-thirds rural to one two-thirds urban. But the cities, and in recent years especially the suburbs, have been frustrated in their efforts to translate growth into legislative strength. The farmers and small-town tradesmen—yokels, H. L. Mencken called them—have held on to power simply by refusing to re-draw the boundaries of the districts from which members of State Legislatures are elected. The result is a situation like that in Georgia's lower house, where Echols County, with a population of 1,876, has two representatives and Fulton County (including metropolitan Atlanta), with a population of 556,326, has six; a vote in Echols is worth ninety-nine times as much as a vote in Fulton.

The phenomenon is a national one. In all but six of the fifty states legislative districts are so unbalanced that some are at least twice as populous as others. In Vermont, 12 per cent of the voters elect a majority of the lower house; in Nevada, 8 per cent pick a majority of the upper house. Moreover, the rotten boroughs of the State Legislatures affect the make-up of the national House of Representatives, whose districts are drawn by the legislatures. An example is Michigan, where a congressional district, including suburbs of Detroit, has a population of 803,000, while another in the rural north has one of 177,000. A recent study by *Congressional Quarterly* concludes that fair districting would deprive twenty-seven rural Representatives of their seats in the 534-member House, seven of these seats going to cities and twenty to suburbs.

In the past the only recourse for the disfranchised has been an appeal to the conscience of the very legislators who are the beneficiaries of the system. These rural politicians have been, to say the least, unmoved. But in the last few weeks they have had to deal with a force much more powerful than their own consciences—the law. On March 26th, in a case from Tennessee, the Supreme Court cast aside precedent and held that the courts could examine the fairness of legislative districts. The decision was framed cautiously. The Court said that at some point districts could be so unfair as to violate the Constitution's guarantee of "the equal protection of the laws." But it did not indicate where that point would come. It left to future cases the spelling out of constitutional standards. For this reason the prevailing view in Washington was that the decision could not be expected to produce immediate political changes of significance.

That appraisal could not have been more mistaken. In the few weeks since the Tennessee decision nothing less than a political revolution has begun. Lower federal courts have plunged in where the Supreme Court held back. They have told several State Legislatures that they must redistrict at once, with the changes to take effect before next November's election, or the courts will do so for them. State courts have begun to follow the federal lead; Maryland's highest court virtually invited the Governor to call a special session of the Legislature. The politicians, looking nervously over their shoulders at the bench, have tried in some cases to forestall legal action. Kentucky's Governor has filed his own lawsuit, asking the courts to tell him what he ought to do. Other governors have called special legislative sessions and urged the legislators to redistrict before the courts move in. In twenty-six states legal or political action looking towards redistricting has begun.

The course of events in Georgia is particularly remarkable. In no state has the rustic grip on politics been more secure. Not only has the Legislature been grotesquely unrepresentative, but the same rural bias has been applied to primary elections to pick the Democratic candidates for Governor, Senator and Congressman. (In a one-party state such as Georgia these elections are decisive.) Instead of being chosen by popular vote, these officials have been selected under a "unit system" in which each county cast the same number of "units" as it had seats in the lower house of the Legislature—metropolitan Fulton County 6 units, tiny Echols County 2. Thus the voter in Atlanta again found himself at a disadvantage of 99 to 1.

Within a few hours of the Supreme Court's decision in the Tennessee case, Atlanta lawyers had filed a suit asking a federal district court to hold the unit system unconstitutional. The Governor, Mr Vandiver, called the Legislature into special session in the hope that some amelioration of the system would forestall judicial intervention. The Legislature raised Fulton County from 6 to 40 units, among other changes, thus reducing the discrimination against voters in Atlanta to a mere 15 to 1. It was the first concession made to Georgia's urban voters in this century but it did not satisfy the three federal judges who were considering the matter. The day after the legislation was enacted they held the revised unit system to be unconstitutional and prohibited its use in this year's Democratic primary. Another suit, not yet tried, asks the court to do the same for the state's legislative districts.

Georgia has the right to appeal to the Supreme Court to reverse the decision striking down the unit system and it will do so. But it cannot have high legal hopes. The impression is that the Justices of that august tribunal, having brought the pot to the boil, would now prefer to let it simmer in the lower courts for some time without further direction from above. It is the tradition of the Supreme Court to take a first tentative step toward some new legal doctrine, then delay the ultimate resolution of it until experience throws light on the problems raised.

How can one explain the astonishing zeal with which judges and politicians are acting on the Supreme Court's rather limited hint? The contrast with the response to the Court's decision on racial segregation in the schools is especially striking; where the schools are concerned southern politicians and federal judges have had to be pushed into carrying out a much more unequivocal decision with even the "deliberate speed" demanded by the Court. It seems clear that on the issue of legislative districting the Court touched a moral nerve. Even those who had fought all attempts to correct the rural imbalance knew, in their hearts, that their position was ethically defective—an admission which most Southerners have been slow to make about racial

segregation. The Supreme Court simply provided an outlet for political pressures that were already there and an inspiration to political resolution of essentially political problems.

General revision of state legislative districts throughout the United States could have profound effects. The states might begin to deal in earnest with such urban needs as housing and transport, which they have neglected for so long and which have therefore become federal concerns. In the South the racial issue would be affected significantly. Negroes find it much easier to vote in southern cities than in backwoods areas and in general urban whites are more moderate than rural ones on the race question. A decline in the power of the "woolhats," as the country folk are called in Georgia, might at long last take race-baiting out of southern political campaigns, at least in the relatively more urbanised states. Indeed, some observers can foresee the day when a Georgia Senator will favour a civil rights Bill.

The milennium has not arrived. Many difficult legal and political problems remain. There is no agreement on how much equality in legislative districts the Supreme Court will hold the Constitution to require or on whether the principle of equal representation must apply in both houses of a State Legislature. (At present, in many states one House has a member from each county or town, regardless of population.) But if problems remain, at least it is clear that the process of reform has begun at last.

Unloved Ones

WASHINGTON, DC

DOCTOR ADENAUER'S heavily facetious suggestion that his Ambassador is perhaps unpopular in Washington because of his ears, or because of the shape of his nose, strikes an impatient White House as distinctly infelicitous. Nor did official Washington anticipate that the German Chancellor would talk about Dr Grewe as if he were an innocent lamb being sacrificed on the smoking altar of unjust American wrath. When the Administration, after avoiding Dr Grewe for two weeks, conveyed to Dr Adenauer that it found the Ambassador "incompatible," it expected apparently that Bonn would simply couple its announcement of his recall "for consultations" with some hint that his usefulness in this post was about over and that his early replacement could therefore be taken for granted.

The State Department feels frustrated by a west German foreign policy which is conducted by press conference and this situation is exacerbated by political factionalism in west Germany and by the recent leaks of information. And if, for one reason or another, Dr Grewe failed to establish harmonious relations with President Kennedy and his Secretary of State, the Ambassador was only reflecting, with stiff correctness, his master's attitudes towards the American Administration's notions about Berlin. The Americans protest that, while at Athens the German Foreign Minister, Herr Schroeder, may have indicated that Bonn was not entirely happy about some aspects of their proposals, he did not say, as Dr Adenauer was reported to have done, that they were "unworkable" and still less that talks with the Russians on Berlin should be broken off.

The disappointment and irritation in Washington are all the more acute because American observers had begun to congratulate themselves that Herr Strauss, the German Minister of Defence, was perhaps less militaristic than some of them had supposed and Herr Schroeder somewhat more independent of the Chancellor than some of them had dared to hope. What this seemed to signify was that the inevitable and inevitably difficult post-Adenauer phase of west German politics might provide smoother sailing after all. What this week's confusions and contradictions suggest, on the contrary, is that the aging Chancellor may be ceasing to be master of either his house or his tongue, but that none of the three leading contenders for the political succession is able either to curb him or to calm him.

As far as Berlin is concerned, the United States has never seriously expected dramatic results. Probably the best that has been hoped for is that the Russians might be persuaded to agree to a modest clearing of some of the cluttered ground, without either side conceding points of principle. Accordingly, the Americans are all the more annoyed to find themselves apparently being accused by the Chancellor of rashly embarking on talks foredoomed not just to failure but perhaps even to a Munich-like betrayal of an ally. Having pledged itself to Berlin and west Germany up to the hilt of possible annihilation, the United States feels that it has the right not to be suspected of treachery just because it is seeking to find some way out of the present deadlock over Berlin. This point was underlined by President Kennedy at a press conference in which he did what he could to co-operate with the Germans in repairing the breach between Bonn and Washington without capitulating to Dr Adenauer.

Southern Victory

THE Administration suffered a painful and far-reaching defeat on Wednesday when the Senate, by the unexpectedly large vote of 53 to 43, voted not to curb the southern filibuster designed to talk to death the Administration's chief proposal on civil rights. This Bill would require states that impose a literacy requirement on voters to accept six years of education as automatic proof of the ability to read and write. The southern states would thus be deprived of the main device they use to disfranchise Negroes—discriminatory application of tests of literacy. No one had expected the Bill to pass this year because, under the Senate's rules, debate can be shut off only by the vote of two-thirds of the members present; it has never been shut off when a civil rights measure was being debated. It had been expected, however, that more than 50 Senators would vote for closure. This would have demonstrated that the will of the majority was being frustrated and would have improved the chances that next January the rules might have been changed, opening the door to a host of civil rights measures. This hope has now gone down the drain.

Whose fault was it? For one thing the Bill itself aroused little interest; the liberals were more concerned with other civil rights Bills. The southern argument that only the states have the power to set qualifications for voters had some effect. Moreover, a number of Senators vote automatically against closure because they fear that some day they themselves may want to talk a Bill to death. Apart from this, the two-week filibuster was too gentlemanly to attract attention; Mr Mansfield, the Democratic leader, allowed the Senate to convene as usual at noon and go home for dinner each night. The Democrats failed to get the Republican votes which they needed although Senator Dirksen, the Republican leader, was a co-sponsor of the Bill and although a ban on literacy tests was part of the party's programme in 1960. Only 13 Republicans voted for closure; 23 voted against it. Republican conservatives often help their opposite numbers in the Democratic South. The real trouble, however, was that the Democrats lost nine non-southern votes, all but one of them from the West, and two southern votes which they had counted on: those of Senators Kefauver and Gore.

By a parliamentary manoeuvre Mr Mansfield went on to obtain a favourable vote—63 to 33—supposedly on the merits of the Bill and he will make a second attempt at closure next week. But this is not expected to do more than bury the ban on literacy tests. Few observers attach much importance to the second of Wednesday's votes. It was the first one which counted and, when that had been lost, some Senators were not averse to getting a little cheap and meaningless credit for a "vote for civil rights." Some Republicans simply hoped to keep alive a little longer a debate which is holding up important Administration Bills.

They're Off!

THIS month the 1962 election campaign begins in earnest with a large batch of the primary elections in which party members in many of the states select their candidates for next November. On Tuesday voters in five states—Ohio, Florida, Indiana, New Mexico and West Virginia—picked their nominees for two Senate seats, two Governorships and 54 seats in the House of Representatives. But by far the most interesting contest so far was last Saturday's in Texas when Democrats had a choice between six gubernatorial hopefuls. The most widely-known of these, the former General Walker, the rabid anti-communist, ran last in what was the first test of the political strength of the right-wing John Birch Society. He was an ineffective campaigner but even so it is encouraging that he was defeated in a state where extreme conservatism is strong. However, Texas is also a state in which liberalism is growing. This was demonstrated on Saturday when Mr Don Yarborough unexpectedly came in second, with enough votes to keep the winner, Mr John Connally, from having a clear majority over all his opponents. These two will meet on June 2nd in a run-off election.

It was Mr Yarborough who fought as an enthusiastic supporter of President Kennedy and particularly of his social welfare programmes, although Mr Connally had resigned from being his Secretary of the Navy in order to run for the Governorship. Once he got back to Texas he kept quiet about his Washington background and even repudiated many of the President's proposals. He is an old political ally of the Vice President, Mr Lyndon Johnson, and his success in the primary was something of a surprise to those who believed that Texas Democrats were increasingly resentful of being kept in Mr Johnson's pocket. Mr Connally had the help of a great deal of expensive publicity in making himself known in the state and Mr Yarborough is attacking him as the favourite of the oil industry and as a man who is trying to buy the Governorship. But there is little doubt that Mr Connally will win in June, for then he should have the united support of the conservative Democrats whose vote was split last week. When it comes to November, however, some of that support may go to the Republican gubernatorial candidate, Mr Cox, who used himself

Top People

FROM A SPECIAL CORRESPONDENT

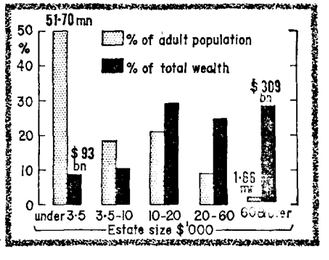
THE mythology which has been built up about the distribution of wealth in the United States receives some shocks in a study produced by the National Bureau of Economic Research and published in Britain this week.* Marxists teach that under capitalism the poor get poorer and the rich richer with time; American New Dealers recall with satisfaction the shift in the opposite direction that took place between the bad old (Republican) nineteen-twenties and the Rooseveltian era. Mr Lampman's findings shake both theories.

The figures which he uses to do so are based on the statements of dead people's estates made to the federal government's tax authorities in 1953. These 36,699 returns give a broad sample—chosen, it is true, by the grim reaper rather than by science—with details of age and sex as well as of the size of the estate. The figures are transposed by the use of mortality tables to represent living generations. Among the 103.4 million Americans over 20 years old in 1953, 1,659,000 were estimated to have estates worth $60,000 or over and thus qualified as "top wealth-holders." They controlled 28.5 per cent of personally-held assets and their share had declined hardly at all in the past thirty years, although since 1922 the percentage of all adults in the country who were in the top wealth-holding category had doubled. Of course these relatively small changes in proportionate asset-holding were accompanied by marked changes in the distribution of income, largely because of the growth in earned income. Mr Lampman grouped his individuals into spending units and found that in 1953 the top 11 per cent, ranked by net worth, controlled 60 per cent of net assets but received only 24 per cent of all income.

When the characteristics of the top wealth-holders emerged from Mr Lampman's calculating machines, the popular belief that women hold a majority of American assets was not confirmed. Among the well-endowed, men outnumbered women by two to one and the men's median gross estate, $116,800, was larger than the $105,200 median for women, although the women came out better when all these estates were averaged, with $220,500 to the men's $162,400. The wealthy men had a further advantage; they were younger, with a median age of 52 compared with the women's 57.

The pattern according to which the wealthy invest their assets varies considerably from that followed by less affluent people. Partly because their liabilities are not so great, the wealthy are not so interested in cash (or readily cashable assets), life insurance and real estate and more interested in corporate shares and state and local government bonds. Many corporations point with pride to the increasingly broad distribution of their equities among shareholders in the lower income groups, but corporate shares still account for only 15 per cent of the wealth of all persons, although they form 39 per cent of that of the top people. The comparable figures for holdings of property are 39 and 22 per cent. Even within the wealthy group the proportion of corporate shares and state and local bonds to total holdings rises rapidly with the size of the estate.

An economic Jaques could write another soliloquy on the seven ages of man from these figures. Youth is a time of debts and mortgages, middle age of life insurance, old age of bonds and cash and, among the wealthier, of holding shares. Then to all comes death and the tax collector. Actually, however, many wealthy individuals do not wait for these inevitabilities. Today's rich, unlike their fathers, do not try to take it with them. Trust funds for children, and especially for grandchildren, set up during the lifetime of the patriarch or matriarch, distribute income increasingly widely within families, while family funds for philanthropic—and tax-exempt—giving are also multiplying.



The chart shows what proportion of adults over 20 in 1953 had "estate tax wealth" in the ranges given and their share of the total. Actual numbers and amounts are given for the bottom and top ranges

* The Share of Top Wealth-Holders in National Wealth 1922-56. By R. J. Lampman. London: *Oxford University Press* for *Princeton University Press*. 313 pages. 52s.

to be a Democrat. The Democratic nomination is no longer quite tantamount to election in Texas.

In this primary the incumbent Governor, Mr Price Daniel, who had been regarded as an almost certain winner, ran third, apparently because he was trying for a fourth term, which the voters thought was too much, and because he followed the middle of the road politically. But he is the only incumbent to have been upset in the present series of primaries, although on Tuesday Mr DiSalle, the Democratic Governor of Ohio, came close to being turned out and well may be in November. He had not intended to run for re-election and, when he changed his mind at the last minute, he had to face the opposition—and the strong criticism—of his Attorney General. Mr McElroy contended that Mr DiSalle, a leading supporter of the President, had failed to give the state the leadership which it needs and had been guilty both of indecision and extravagance. Probably Mr DiSalle's main political fault is that he has raised taxes.

Duel in Baton Rouge?

FROM A CORRESPONDENT IN LOUISIANA

PRESIDENT KENNEDY came to New Orleans last week for what was billed as a major speech on his foreign trade programme; voting on this began this week in the House Ways and Means Committee. But to his immediate audience his brief comments on Louisiana's serious racial problems were of equal interest. As tactfully as he could, he told the city that it would have to learn to live with the Negroes' drive for equal rights:

> Cosmopolitan by nature, tolerant in outlook, the product of many nations, many cultures, many races and creeds, New Orleans has long represented the strength of diversity working in harmony, and I am confident the overwhelming majority of your citizens intends to see that your most valuable reputation and character are preserved.

Up until two months ago Louisiana did indeed seem to be on its way to accepting, like Virginia, the admission of some Negro children to its white schools, so long as this was limited to cosmopolitan New Orleans and the number of Negro children was no more than token. Last autumn there was no repetition of the near-riots of 1960 and no organised resistance, apart from a partial boycott by the whites of the schools to which 12 Negro children, in all, had been admitted.

In March, however, the passions of the extreme racial segregationists were rekindled by two developments. The Roman Catholic Archbishop of New Orleans announced that race barriers would be eliminated next autumn in all the parochial schools of the diocese; in it live 1,142,000 of the state's 3 million people, including 527,000 Roman Catholics. These parochial schools have 65,000 white pupils and 10,000 Negro ones. The second development was an order by Judge Wright to the school board in New Orleans to drop all racial barriers in the first six classes of the tax-supported schools, the classes in which Negroes greatly outnumber white pupils because the Negro population is rising so fast. Of New Orleans's 630,000 inhabitants, two-thirds are white, but of the 92,000 children in the city's schools about 50,000 are Negro.

Many moderates in the city—moderate segregationists, that is—who supported Judge Wright in 1960, when he thwarted the angry attempts of the Legislature to enforce complete racial segregation, felt that his last ruling was an invitation to chaos and possibly to violence. He has now been promoted to an appeals court in Washington, DC, and many people believe that his successor, Judge Ellis, may narrow the scope of the ruling so that only dozens, instead of hundreds, of Negro children will enter white schools this autumn. The moderates fear that unless this is done the extremists in the state and the Legislature will try to abandon public education, even though Louisiana already has one of the highest rates of illiteracy in the country.

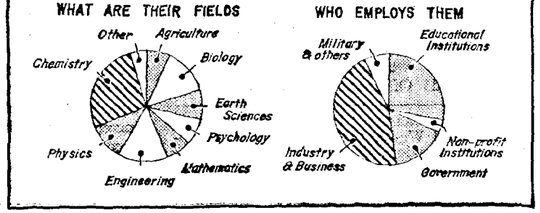
The Legislature meets on May 14th and no one can predict exactly what will happen except that the major actors are certain to be the Governor, Mr Davis, and one of his uneasy political allies, Mr Leander Perez, the leading spokesman of the White Citizens Council. Mr Davis was elected with the help of the extreme segregationists and two years ago he seemed to be incapable of opposing any of their schemes. During the tumultous days of 1960 the Governor permitted Mr Perez to take control of the segregationist programme in the Legislature. It was Mr Perez and a handful of legislators from northern Louisiana who openly encouraged men and women to demonstrate when the schools in New Orleans first admitted Negro children. The Governor signed Bills which would have closed the schools if the federal courts had not intervened, though more recently he has said that he would never shut the schools; it is not for nothing that he is called the Hamlet of the hill country. But if he needs Mr Perez politically, the Governor is also known to dislike, distrust and fear him.

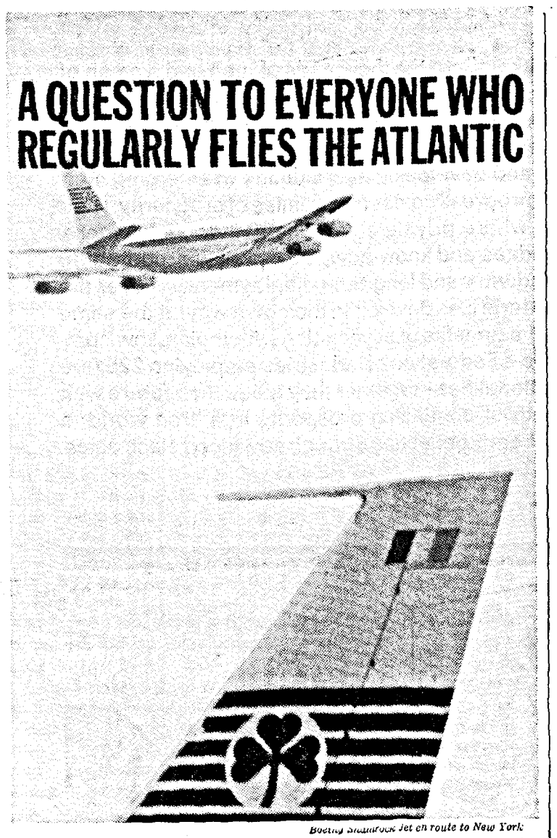
There are indications today that Mr Davis has had enough of the segregationists' ranting and raving at the federal government—particularly as he hopes for help from President Kennedy to wipe out the $75 million deficit facing Louisiana. The federal government is holding in escrow almost $500 million in royalties from the oil-rich tidelands off the coast, where the line between the claims of the state and of the federal government has not been drawn finally. It is thought that the President might use his influence to release some of this money—but not if the state's segregationists get out of hand as they did in 1960.

Mr Perez, who has made millions of dollars out of petroleum and who is an absolute ruler in Plaquemines Parish (county) adjoining New Orleans, is openly working to defeat any compromise over the off-shore oil lands, claiming in defiance of the Supreme Court's judgment that Louisiana should not settle for anything less than what he regards as its full rights. He has interests in mineral-rich lands which would be affected by a compromise; his enemies claim, moreover, that if the Governor abandons the extremists, Mr Perez will accuse him of having been bought off with federal money. Mr Perez is one of the three Roman Catholics who were ex-communicated last month for advocating disobedience to the Archbishop's order. Already legislators friendly to Mr Perez

SCIENTISTS IN 1960

Of the 201,292 scientists who reported to the National Science Foundation in 1960, 7 per cent were women, mainly biologists, psychologists, mathematicians and chemists, and 86 per cent were in full-time civilian employment. Their median salary was $9,000 a year. Thirty-seven per cent had only a bachelor's degree, 25 per cent had gone as far as a master's and 31 per cent had taken a doctorate. Over a third of them were doing research and development, nearly a quarter were engaged in management or administration and 15 per cent were teaching. The register is not comprehensive as regards engineers.





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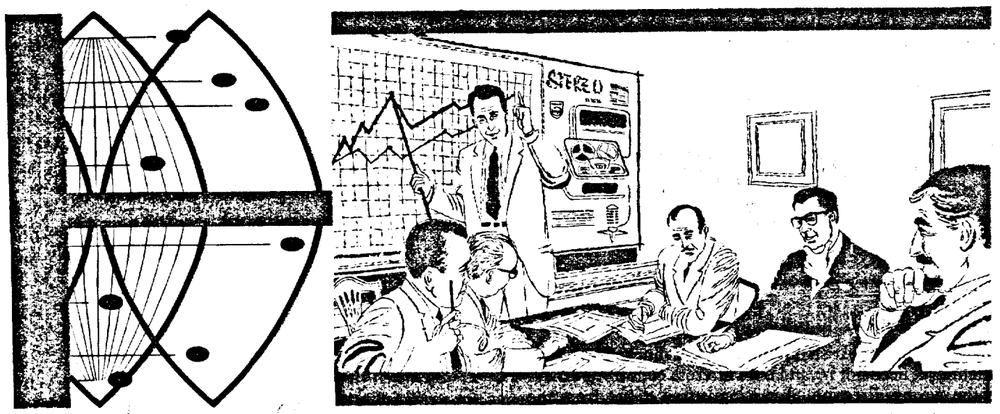
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are pressing for measures to tax the multi-million dollar commercial properties of the Church and there are whispers that an effort will be made to cut off the children's lunches and the textbooks with which the state provides the parochial schools. It is Mr Perez's assistant who organised the drive to send unemployed Negroes north.

Most observers expect to hear a great deal of inflammatory oratory during the two months of the coming session of the State Legislature, but they doubt whether public and parochial education will suffer very much. The Governor has many powers which he can use to thwart Mr Perez. Moreover, both President Kennedy and his brother, the Attorney General, are known to be watching the situation in Louisiana carefully; in 1960 Mr Eisenhower was President and he did little to aid the moderates. At present, Washington's presence is felt very keenly in the state capital, Baton Rouge. Federal agents are investigating several members of the Davis administration for alleged irregularities involving postal frauds. If the President were to use these investigations as a stick and the oil money as a carrot, the combination might be very effective.

Racial disturbances have hurt Louisiana economically; indeed, many people believe, though they dare not say so publicly, that Mr Perez is wrecking the state. The tourist industry ranks close behind foreign trade and oil as a source of income and racial crises frighten away both pleasure-seekers and potential investors in industry. But Louisiana has few leaders either in business or politics who are willing to tell the people what racial segregation is costing them.

One hopeful sign is that in the economic field Louisiana's million Negroes are making some progress. Some shopkeepers are now willing to hire Negro cashiers. The bus and tram company in New Orleans has agreed to use a few Negro drivers. Just this year a manufacturer of telephone equipment began a training programme for Negroes and the federal government's new space centre will provide jobs for Negroes—if qualified ones can be found. Unfortunately, the level of Negro education and technical training is far below that offered in white schools and too many of the Negroes with good qualifications go north as soon as they get the opportunity—an export of potential wealth which Louisiana can ill afford. New Orleans does have a Negro middle class and a few rich Negroes. But good jobs are still scarce and even in the federal court house, where the Negro feels that he has friends, some floors are still being swept by Negro graduates.

Stockpiling in the Open

SENATOR SYMINGTON'S inquiry into the national stockpile of strategic materials, built up as a reserve for wartime emergencies, has been subject to a good deal of interruption and delay, but at least Mr Symington has had time to suggest one method which might enable some of the accumulation of surplus materials to be disposed of without upsetting the markets too severely. He plans to introduce legislation under which defence suppliers could be provided with stockpiled materials to use in carrying out their government contracts. Something of the sort has already been arranged for rubber from the stockpile which is now to be used in tyres supplied under the foreign aid programme.

This scheme is possible since Congress has already approved a programme for getting rid of surplus rubber, although sales are limited to about 5,000 tons a month because the State Department fears that it would upset producers abroad if more were offered. Such foreign considerations are only one of the difficulties making it hard to liquidate the stockpile. When it comes to domestically-produced commodities, such as lead and zinc, the Department of the Interior rushes in to protect the mining interests, as do the congressional representatives of the mining states. Indeed, the main reason why there are such huge surpluses of these two metals in the stockpile is that it has been used to support prices. One of Mr Symington's chief concerns has been to find out why in 1955, when there was a shortage of copper, producers were allowed to defer deliveries to the stockpile and to sell the supplies thus released on the open market at higher prices. He suggests that the government should have taken delivery at the contract price and then sold the copper itself, thus making a substantial profit and denying a "windfall" to the producers. To this the official who was responsible replied that this would have meant that the government was "playing the market" and that such speculation hardly seemed a suitable, or legal, activity for officials.

Certainly if they were allowed to engage in it they would have plenty of opportunity. The table deals with the twelve most important of the 64 commodities in the stockpile, which make up about 75 per cent of the total, and shows the quantities in excess of maximum requirements for wartime reserves at the end of 1961.

Material	Unit in thousands	Maximum objective	Total in stock	Percentage surplus	Value of surplus (thous. $)
Aluminium	Short tons	1,200	1,929	60·8	349,844
Chromite	Short tons	2,700	5,229	93·7	219,757
Cobalt	Pounds	19,000	97,048	410·8	117,073
Copper	Short tons	1,000	1,142	14·2	88,390
Lead	Short tons	286	1,302	355·2	208,304
Manganese	Short tons	6,800	9,116	34·1	174,535
Molybdenum	Pounds	59,000	84,305	42·9	35,427
Nickel	Pounds	323,000	438,702	35·8	90,293
Rubber	Long tons	750	1,092	45·6	213,710
Tin	Long tons	185	349	88·6	442,171
Tungsten	Pounds	50,000	161,464	222·9	159,070
Zinc	Short tons	178	1,580	787·6	336,388

Altogether the stockpile has cost the United States $8.6 billion to date and the value of the excess supplies is put at about $3.4 billion. Changes in estimated requirements, both of actual commodities and of the period to be covered, reduced from five to three years in 1958, are the basic explanation of the huge size of the surplus. In the case of tin it is enough to supply the needs of the whole world for a year. But even now the accumulation continues, of nickel, for example, because of contracts entered into ten years or more ago, to encourage increased output.

Tale of the Phantom Tanks

REPUBLICANS are licking their lips over the case of Mr Billie Sol Estes, a Texas Democrat with friends in the Department of Agriculture, who is accused of defrauding some of the country's foremost finance companies of about $22 million. The Republicans like to think that the Kennedy Administration, so far unspotted by scandal, may find Mr Estes to be the equivalent of Mr Goldfine during the Eisenhower Administration—though no one of anything approaching the eminence of Mr Sherman Adams has been involved. But the victims, the big finance companies and the farmers, both of whom were too greedy to be careful, provide food for strictly non-partisan reflection.

Mr Estes is a Horatio Alger with Texan trimmings; nine years ago the Junior Chamber of Commerce chose him as one of the ten most promising young businessmen in the country. He was born a poor boy who early showed such a talent for making money that he became a legend; he was said—mistakenly, it now seems—to have been worth $150 million by the time he was 30. He is also a strict fundamentalist, a lay preacher for the Church of Christ which forbids drinking, smoking, swearing and dancing; even in Mr Estes's sumptuous swimming pool the sexes could not mix. His business empire contained farms, fertilisers, grain storage facilities, an undertaking establishment and a newspaper. The

newspaper, which he started in a commendable effort to rid his home town of Pecos of a journal which is alleged to have been controlled by members of the John Birch Society, was his undoing. The rival editor set to work and discovered that Mr Estes and some other businessmen had been obtaining capital (to expand his facilities for storing the government's huge surplus of grain) by strictly unorthodox means. Mr Estes had become a big dealer in anhydrous ammonia, a fertiliser, by buying it on credit and selling it at such low prices to grateful farmers that his small competitors were wiped out. He then asked the farmers to help him by buying anhydrous ammonia tanks on hire purchase. The farmers never saw the tanks, which in theory were leased back to Mr Estes for sums which more than covered the instalment payments. On paper, Reeves County became the anhydrous ammonia tank capital of the world. In fact, the tanks did not exist but the farmers' contracts, worth about $33 million, were used to borrow about $22 million from various finance companies at very high rates of interest.

Since this story broke, Texas has been full of investigators and investigations—from the Department of Agriculture, from the Federal Bureau of Investigation and the office of the State Attorney General. Mr Freeman, the Secretary of Agriculture, concedes that three of his employees, including a former Assistant Secretary, may have received presents of clothing from Mr Estes. But he denies that any favouritism was shown toward him, although it was not until this week that Mr Estes was finally fined $554,000 on long-standing charges of illegal trafficking in cotton allotments. The bond which he was required to post for storing grain was also surprisingly low. Mr Estes was a big contributor to Democratic party funds. The Republicans are not likely to let the matter rest.

Miners not Undermined

FROM A CORRESPONDENT IN COLORADO

A NEW misfortune has befallen the embattled International Union of Mine, Mill and Smelter Workers, which moves from one cliff-hanging episode to another like the heroine of an early western film. Last week the Subversive Activities Control Board ruled that the trade union is a communist-infiltrated organisation. Unless this decision is overruled by the courts the union will be unable, under the National Labour Relations Act, to represent its members and bargain for them with the employers. An appeal to the courts—to the Supreme Court, if necessary—seems certain.

This is only the latest round in a long fight. For twelve years, ever since this union of workers in the non-ferrous mining industry was expelled by the then Congress of Industrial Organisations as communist-controlled, the government has been on its trail. Four other attempts have been made to deprive the union of its bargaining rights; three have been defeated in the courts. In the fourth it was charged that officials of the union had conspired to defraud the government by signing false affidavits that they had never been members of the Communist party. Recently the Court of Appeals in Denver freed two of the defendants and, while finding that there was evidence that the remaining seven had filed false affidavits, held that the chief government proof of the charge of conspiracy rested on hearsay evidence which should not have been admitted. Presumably there will be a new trial, although anti-communist affidavits have not been required of union leaders for three years.

The union's president, Mr Clark, who has never been accused of being a communist, complains of "many years of unjust legal harassment," but this harassment does not seem to have undermined the faith of the members in their leaders. In recent elections to determine who shall represent the miners for bargaining purposes with their notoriously hard-boiled employers, Mine-Mill has had considerable success in repelling attacks from another direction—the raiding tactics of the wealthier steel and chemical workers' unions, which are members in good standing of the American Federation of Labour and Congress of Industrial Organisations. Last year Mine-Mill signed an offensive and defensive alliance with Mr Hoffa's teamsters, who are also exiles from the house of organised labour. But the biggest factor in the survival of the union is the loyalty of its members. The miners have learned to shrug off accusations of red domination in the union which has been fighting their battles, literally as well as figuratively, for over sixty years.

SHORTER NOTES

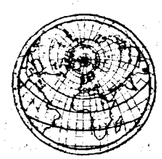
By declining, with great firmness, to run for the Governorship of New York State the Mayor of New York City, Mr Wagner, has presented Mr Kennedy with a bad headache and one which cannot be left to cure itself. The present Governor, who is seeking re-election, is Mr Rockefeller, the most liberal and the most attractive of the Republican contenders for the Presidency in 1964. Mr Kennedy would like to see Mr Rockefeller knocked out of that race by a defeat, or a close call, this year. Mr Wagner seemed the man for the job—or so the public opinion polls said; moreover he is the only Democrat acceptable to all the party's factions in the state. But the wily Mayor would rather seek a Senate seat—his lifelong ambition—in 1964 when his opponent would be Senator Keating, not a very formidable foe, and when the Democratic tide to carry Mr Kennedy back to the White House will presumably float lesser Democrats into harbour as well.

* * *

In order that a new President may be able to appoint as chairman of the Federal Reserve Board, the central bank, a man who has his full confidence, Mr Kennedy has asked Congress to change the starting date of the chairman's four-year term, so that it will coincide with the presidential term. Mr Kennedy also wants the 14-year terms of the seven members of the board to expire in rotation at the end of January in odd-numbered years, so that there would always be a vacancy when a new President takes office for him to fill with a man of his choice. This proposal has the support of the present chairman of the Board and was first made by the Commission on Money and Credit; neither feel that the change would jeopardise the Board's independence.

* * *

For the past month two of America's biggest cities—Minneapolis and Detroit—have been without newspapers because of strikes by the teamsters (lorry-drivers) which spread to other unions.


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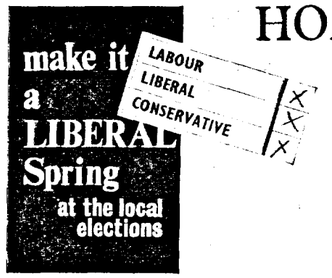
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HOME REPORT

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



Scorecard for the Boroughs

FROM OUR SPECIAL CORRESPONDENT

IN the first three days of elections for urban district councils in England and Wales the Liberals marked up even more than their expected quota of gains, while Labour's gains, which were also pretty widespread, seemed so far to be only slightly lower than last week's Scottish burgh results could have led Labour's biggest optimists to expect. The Conservatives, who in the first three days appeared to lose about a fifth of their seats, were doing fully as badly as they had had every reason to fear. On Thursday, as we went to press, the English and Welsh boroughs were voting; the results will be blazoned across the newspaper headlines by the time this issue of *The Economist* appears. It is worth setting up a scorecard to suggest what they will mean.

In the 402 non-metropolitan boroughs (i.e. boroughs outside the county of London) one third of the councillors—which means, in practice, rather over 3,300 seats—fall due for re-election each year. Labour has always won less than half of these 3,300 odd seats except in its two peak years of 1945 and 1952; usually its share has fluctuated between 1,200 seats (in pretty bad years) and 1,600 (in pretty good ones). Last year, 1,339 Labour councillors were elected—almost exactly the same number as in the general election year of 1959, when the councillors who were defending their seats on Thursday were returned. For once, therefore, Labour's gains or losses this year will show the change in the party's fortunes fairly directly, both compared with last year and with the period just before the last general election.

In the light of recent polls and by-elections it had looked until last week as if Labour should be able to hope for perhaps between about 150 and 200 net gains of seats in these non-metropolitan boroughs; even gains of that order would make them favourites to win any immediate general election. But last week in the Scottish burgh elections, Labour put on its best performance ever; the peak hope of the party has thus seemed to be to do the same in England and Wales—i.e., gain well over 300 seats net in these non-metropolitan boroughs, and thus secure the largest number of Labour borough councillors ever returned in an annual election. Theoretically, there seem to be about 40 or 50 places (ranging alphabetically from Bolton to Wolverhampton) in which control could conceivably switch to Labour if it secured this clean sweep in every possible marginal seat; but the party will do remarkably well if it does secure as many switches of control as that, especially as the Conservatives extended their power in some places by aldermanic nominations last year.

Naturally, especially after the early urban district results, attention this year will be turned as keenly towards the Liberals as towards Labour. Over the last three years the Liberals have been progressing steadily but slowly in the non-metropolitan boroughs, claiming 17 net gains of seats in 1959, followed by 51 in 1960, and 86 last year. This year, as well as attacking their rivals' positions, they will for the first time be defending some seats that they won at the beginning of their advance. Circumstances could hardly be more favourable for this test.

This year's upsurge of enthusiasm for the Liberals could exert its maximum effect in local elections because of the low total turnout; in some recent local council by-elections they have done astonishingly well; they are also running more candidates than in 1961 (about 1,230 in the non-metropolitan boroughs). They can reasonably hope to hold on to the great majority of the seats that they will be defending, to make gains in perhaps 60 or 70 other wards which have elected Liberals some time in the last two years (but where this year's retiring councillors, elected in 1959, were not Liberals), and then go forward to make a heartening number of new net gains on top of that. In the residential areas of the south—including the outer suburbs of London—the Tories are plainly afraid that they may lose a considerable number of seats to them. Last year in the north of England, by contrast, most of the Liberal gains came from Labour; it will interesting to see whether they go on capturing more of these, or whether the main effect of their appearance outside the Tory suburbs of London will be to help swing marginal Tory seats to Labour. In the scattered district council results so far, they did in fact seem to be gaining from both Labour and Tory at once.

So far this comment has been confined to the provincial boroughs, where one third of the councillors retire each year. Nothing has been said about elections in the smaller urban or rural district councils (where measurement of genuine party gains or losses is always very difficult to make accurately, which is why the figures emanating from the different party headquarters have shown some variations in the first three days of this week) or about the elections that were taking place on Thursday in the 28 metropolitan boroughs within the county of London. In these metropolitan boroughs, where the whole council comes up for election every three years, all of the 1,356 seats were at stake—in elections which, if Dr Hill's reorganisation plan for London local government goes through, will presumably have been the last of their kind.

Eighteen of these 28 metropolitan boroughs have remained solidly Labour ever since the war (with one exception, Stoke Newington, in 1949); six have remained solidly Conservative (with one exception, Holborn, in 1945). Generally speaking, the main battle usually rages over the four remaining boroughs. They are Lewisham (where the Tories had an elected majority of one in 1959, but where Labour then resorted to some aldermanic legerdemain), St Pancras (won by the Tories in 1959 after a violent split within the local Labour party), Wandsworth and Paddington (each held by the Tories since 1949). To judge from trends in recent by-elections, Labour might expect to win all four of these marginal London boroughs this year, leaving the Tories with control over only their usual safe six; and even in those safe six the Tories have had some reason to feel nervous about the effect of Liberal interventions. In the past the Liberals have had no success in the metropolitan boroughs; but this year they put up 358 Liberal candidates, and were plainly attacking hard.

May Day Malignants



Mr Gaitskell (at microphone) and barrackers

FROM OUR SPECIAL CORRESPONDENT

MR GAITSKELL'S verbal punch-up with the Glasgow nuclear disarmers on Sunday has almost certainly done him no harm at all with the general electorate. The revival of Labour's fortunes, begun by the leadership's stand at the Scarborough conference and continued by the expulsion of the five Victory for Socialism unilateralists last year (closely followed by the party's first by-election boost at Birmingham, Small Heath), has coincided with the growing popular conviction that a government led by Mr Gaitskell would not allow itself to be dragged down the slippery slope towards tacit neutralism. The image of Mr Gaitskell as an alternative, pro-American prime minister hobnobbing with President Kennedy in Washington, both of them in close agreement over the fast-disappearing military value of the British deterrent to the alliance as a whole, has been confirmed by the calm official Labour line on the present American test series.

The realisation that it may actually be a pro-American and pro-Nato policy to let the British nuclear effort run down in the next few years has visibly disconcerted and angered those extreme left-wing spokesmen who had hoped to exploit unilateralism as a permanent running sore in the western alliance. By the same token, the Washington understanding has done Mr Gaitskell a great deal of political good.

At the same time the Campaign for Nuclear Disarmament has been having its troubles. The Gaitskellite triumph at Blackpool ended the honeymoon period in which CND's moderates and extremists could make common cause within the body of the Labour party. The moderates followed Canon Collins in continuing the campaign by moral persuasion (Aldermaston, etc.), and the Russian tests last autumn pushed the canon and those who understood the moral issue into adopting a much more publicly multilateral position. The militants followed Lord Russell's Committee of 100 into civil disobedience, which the canon was prepared to condone but not to participate in. Even this form of protest against the British bomb could be given full sympathy on the Labour left without necessarily having to be complemented by outright rejection of Nato as an institution: Mr Cousins's straddling on this point is worth studying.

But now the extremists have gone further. Some actively want to turn CND towards positive neutralism in the cold war; others want industrial action against the bomb (at which the unions have sat up and taken notice); and others still want to run CND electoral candidates against Gaitskellites. A few CND candidates have been standing in this week's local elections, and a ginger group has been formed to put parliamentary candidates forward irrespective of what the CND annual conference decides to do next month. While the cooler heads (of whom the canon is no doubt one) believe that CND will be on a licking to nothing at the polls, the possibility that Labour could lose some left-wing votes (partially offsetting the expected Tory defections to the Liberals) has been enough to bring Transport House into action.

BEATEN in the official Labour party, the unilateralists and their Trotskyite allies have succeeded (to no one's great surprise) in impressing their views on the revived Young Socialist movement, as its Easter conference made abundantly plain. Equally, a good deal of anti-nuclear and specifically anti-Polaris feeling can be found among local organisations like trades councils (which actually organise May Day celebrations) and, north of the border, the Scottish Trades Union Congress. These were among the people whom Mr Gaitskell in Glasgow and Mr Brown in Hyde Park came up against on Sunday. Mr Gaitskell, in fact, spoke from the same platform and from under the identical banner as Mr Cousins did last year. About one-third of his Clydeside audience was primed in advance to heckle and cat-call if he did not take the anti-Polaris line that the extremists wanted (and which is the last piece of unilateralism which they can still claim to be official Labour policy, agreed on at Blackpool).

The communists have protested that they had no guiding hand in this, but the repentant secretary of the Young CND group in Glasgow claims to have evidence that they had. The Young Socialists were organised to barrack, too; it seems certain that there is a wide spread-over in the membership of the two movements. Thus Labour has a familiar disciplinary problem on its hands, and the Young Socialist movement in Glasgow itself has been swiftly disbanded.

But the warning issued by the party secretary, Mr Williams, on Monday goes rather further. In keeping with Mr Gaitskell's angry words from the platform ("These people are not worth a tinker's cuss. They are peanuts. They don't count.") Mr Williams has told CND as a whole that it has "obviously become infiltrated by anti-democratic elements." This is certainly a danger that CND has not been noticeably concerned to prevent: it was the Home Secretary who actually saved the movement last year from lionising delegates of a Japanese communist-front body who intended to join the Aldermaston march. But local Labour parties have something to look into as well: the organised barracking of Herr Willy Brandt, the party's guest on his visit to Britain, was not exactly confined to well-known communists.

There is no doubt that a formal proscription of CND by the Labour leadership would damage the anti-nuclear movement enormously, and the consequent ructions inside the parliamentary party would probably lead to no more than 20 Labour MPs refusing, or being denied, the official whip. If this happened it would actually strengthen Labour's support in the country at large. But it is unlikely to happen immediately, partly because the leadership cannot ignore the sincerely pacifist following that CND has, and partly because of fears that a working majority for Labour after the next election might depend on the support of the 20 outright unilateralists (assuming that official Labour candidates were not run against them) and another 30-40 of their sympathisers. What does seem clear is that the leadership's belief that it could safely let the defence issue rest after the Blackpool success has not visibly helped in the conversion of the dissident local groups throughout the country.

The New Co-operators

FROM OUR SPECIAL CORRESPONDENT

THE London Co-operative Society has at last been taken over by its young (well, fairly young) Turks. For electoral purposes members of the organisation have formed themselves into three "parties"—the London Co-operative Members' Organisation, which has held power for thirty years; the 1960 Committee, which existed for some ten years before the date it bears; and the Co-operative Enterprise Movement, founded eighteen months ago, orthodoxly Labour in its views and adhering orthodoxly to the reforms advocated for the co-ops by Mr Gaitskell himself in 1958.

Last week elections were held for the London society's management committee, which is a sort of board of directors: five of the fifteen members are elected each three years. The 1960 Committee carried off all five seats, and now has a majority of 10 to 4 over the LCMO. There will be a by-election to fill the vacancy left by the election of a sitting member, Mr John Stonehouse, MP, to the presidency for the next three years. But Mr Stonehouse was elected on an LCMO ticket. Some people have predicted that he will have a rough ride as president, particularly as the 1960 Committee is known to have communist members.

The reality is far more hopeful for the London co-op. Under LCMO rule the society's trade was down by £1 million last year (while co-ops elsewhere have been charging ahead with supermarkets, drink licences and plenty of new ideas). Criticism of the old guard is widespread: there are would-be reformers within all three electoral groups. The leader of the reformists who have stayed within the establishment and the LCMO is Mr Stonehouse himself. His policies seem much closer to those of the 1960 Committee than of his own group, and he had a long struggle to win a presidential nomination from the LCMO.

The Co-operative Enterprise Movement was founded by some Labour party faithfuls when the LCMO failed to adopt Mr Gaitskell's recommendations; on many issues they agree with the 1960ites, except on the acceptance of communist members and on strict fidelity to some of the master's recommendations (which the 1960 Committee says are not suitable for a society as vast as the London co-op). The 1960ites claim that they have communist members mainly because the other groups will not accept them; but it is obvious that many CEM voters supported Mr Stonehouse for president because the 1960 Committee presidential candidate is a communist.





Co-op president Stonehouse (right): reform in store?

So the new president is likely to find his committee more tractable than some observers have anticipated. It is at last possible that the management committee will hive off some of its unnecessary spadework (for instance, the appointment of some fairly junior executives) where it belongs—with the society's paid officers: this should give the committee more time to think about the toughly competitive long-term problems of trading in London. It will also have to see that these executives are paid something nearer to what private enterprise store managers get: the reserve of good middle-rank executives for promotion is running thin.

The CEM, defeated at the elections, has now set out to improve the catastrophic voting record of co-operators (it claims that both the older groups benefit from keeping the voting within a closed circle). Out of the total membership of 1¼ million, perhaps only 200,000 are regular shoppers at co-op stores (many others buy only their milk from the co-op, which sells one-third of the milk in London). But of these, only 12,038 bothered to vote—6,078 for Mr Stonehouse and 5,960 for his opponent. Obviously a minute increase in the poll could have put someone different in: an energetic pressure group, whatever its origins, should have no trouble in getting a thousand or two more people to the meetings in the evenings or to the 200 stores where voting took place last Saturday—while the Cup Final was on, and the traffic jams were at their heaviest in the shopping districts.

The CEM wants a two-tiered electoral system, whereby a council of members elected at grass-roots level within each of the 70 parliamentary committees in the London co-op area would in turn elect the three committees—management, political and education—that run the three prongs of the society's activities. If some such idea could bring out a few more co-operators on polling day, it might even prove to be a soundly commercial piece of public relations. For the result of this week's tiny vote, however welcome for some, was hardly co-operation.

Thinning Out

BRITISH potato consumption may be expected to fall off markedly in the next 20 years, if North American and similarly affluent dietary habits establish themselves here. The basic recommendation of a critical survey just published from Wye College* is that the rationalisation of the potato industry and concentration on specialist producers should be pushed ahead vigorously by the Potato Marketing Board. The advent of the common market, where potato prices have been appreciably below British levels, should, the survey declares, be an even more immediate spur to remove two out of every seven present British growers from commercial production.

Although she has cut down on her unnaturally high starch intake since the war and early postwar years, the British housewife continues to show a surprising attachment to the humble spud. Consumption per head fell from 219 lb in 1954-55 to 198 lb in 1956-57, but in the past five years it has stayed stubbornly round the 200 lb mark, or twice as much as the average American eats. Local preference plays a part in this stability of demand, particularly in areas like the north of England; excessive helpings of potatoes in industrial canteens and the steady growth of the processing industry are other factors. After this year's sad experience of running into a scarcity the Potato Marketing Board is currently concerned to keep home production up, and has not imposed (despite its new power to do so) any penalty on growers planting in excess of their acreage quota this year. At normal yields, the acreage actually planted still will not guarantee enough potatoes to meet average home consumption.

The Wye College report underlines the board's chief difficulty in reducing wild fluctuations of yield under the acreage quota system. The board has little year-to-year control over growers who do not choose to plant their full acreage, while its penalties have fallen on the more efficient producers who increase their acreage despite the excess levy. There is no logical reason why the protection of a guaranteed price should be offered to those growers whose decision to plant may be merely to clean the soil and not to provide any regular supply to the consumer; these are not the people who will invest, for example, in the better growing techniques and modern means of storage that the industry needs to develop. In the long term the Wye College report therefore wants the board to switch from acreage quotas to quantity contracts with growers, and to develop by itself a system of market supply contracts. It also recommends that future price support should be financed, not by the taxpayer but by levies on producers in years (like the last one) of scarce supplies and very high financial returns.

* The Potato Crop. By J. D. Sykes and J. B. Hardaker. Wye College, University of London. 76 pages. 5s.

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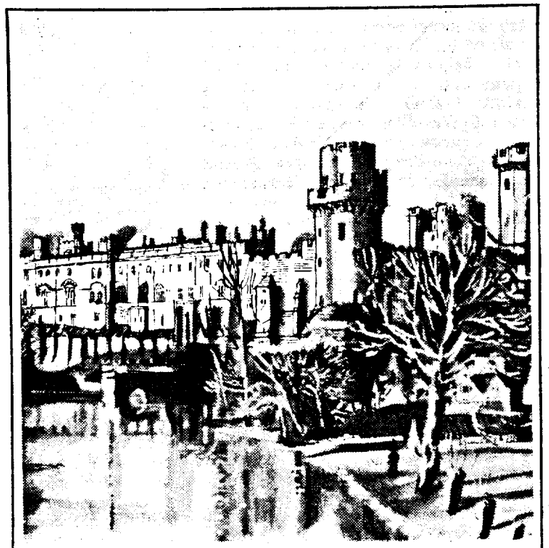
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THE BUSINESS WORLD

Inquest on a Floating Rate

An Ottawa story has it that when some of the directors of the International Monetary Fund complained last January that Canadian officials did not seem to hold a proper attachment to "the fixed rate system" of the exchanges, Mr Louis Rasminsky, one of the founding fathers of the IMF and now governor of the Bank of Canada, replied that Canadian officials found it difficult to be attached to any "system" because Canada had tried them all—without success. Canada now has a fixed parity again for the first time since September, 1950. But the move from a true floating rate, set by the free play of market forces, and towards positive devaluation to a fixed rate, occurred not last week but in December, 1960. From then on the authorities moved gradually away from a free rate.

They first acted surreptitiously by interventions not to smooth natural fluctuations in the rate, but to alter its level. By June they had put $156 million into the exchange market; and at this point Mr Fleming, the Finance Minister, broadcast his intention to intervene in order to establish the rate at a level (a "significant discount") considered appropriate by the authorities. Once the decision had been taken to abandon a floating rate, the likelihood of an eventual move to a formally fixed rate became very high, for the hybrid manipulated rate tends to have most of the disadvantages and few of the advantages of both fixed and floating rates. It can be argued that the episode did give the Canadian authorities the chance to clarify their views on what would prove to be the viable fixed rate—though might they not also have chosen 92½ cents in December, 1960?

Canada's floating rate had clear limitations in its latest years; and its experience does cast some light on the limitations of floating rates in general. But the full lesson of that experience is by no means one sided; and it certainly does not suggest that Canada would have done better to have had a fixed rate throughout the decade 1950-1960. The floating rate system must on balance be held to have worked well, for Canada, at least from its inception until the passing of the great investment boom of 1956-57.

In the autumn of 1950 Canada, at an exchange rate of 91 US cents to its dollar, faced a massive inflow of speculative funds; the feeling was abroad that the upsurge in demand for Canadian exports generated by the Korean war would force Canada to revalue its currency, probably to parity with the US dollar, from which point it had been devalued as part of the general currency realignment triggered off by Britain's devaluation of 1949. This speculation could no doubt have been stemmed by such a revaluation. However, it was clear by this time that, in addition to the speculative inflow, a considerable inflow of long-term investment capital was under way. And a continuing increase in the Canadian exchange reserves would embarrass the domestic moves to contain the money supply. The internal and external demands on monetary policy would thus have been in sharp conflict. This problem was avoided by adopting a floating rate, such as Canada had, in fact, used from 1929 to 1939.

The move was no doubt successful initially. The floating rate eased the Canadian authorities' task in developing monetary policies to contain the inflationary pressures. Over the next few years Canada was not seriously tempted to return to a fixed parity. The floating rate seemed to be working well. By 1952 it had reached parity with the US dollar, and from then on it showed a remarkable stability. Canadian interest rates were able to rise more rapidly than rates in the United States in response to internal pressures on demand, and then to fall more rapidly as the rise in unemployment warranted an easier monetary policy. Not only did the floating rate make easier a proper and independently timed anti-cyclical monetary policy in Canada, but its fluctuations tended also to be generally anti-inflationary in their impact. Thus the rate tended to strengthen on the upswing of the cycle, helping to restrain the economy, and to weaken on the downturn, giving Canadian trade a mild fillip.

It is difficult to argue therefore that Canada would have been better served in the period 1950-57 by a fixed rate. But in the period since 1957 the matter is more complex. Broadly, the complaint against the floating rate is that, with the passing of the great investment boom, the rate ceased to behave in an anti-cyclical manner, and, by its continuing buoyancy, did in fact exacerbate both the domestic problem of under-employment and the long-term external problem of a yawning trade deficit. This is plainly true. It came about, however, because domestic monetary policy itself began in these years to follow a perverse road. Had Canadian interest rates declined relatively to US rates as they had, for example, during the setback in 1954, the successful pattern of the earlier years might have been repeated. In practice, domestic monetary policy during the years 1958 and 1959 had the effect of forcing Canadian provincial governments and municipalities into the New York market on an unprecedented scale, and this supported the exchange rate at a level higher than was desirable from the standpoint of either employment or trade policy.

If one asks why the exchange rate ceased to move in a manner appropriate to changing economic circumstances, one

therefore finds oneself embroiled in the tangled subject of the general management of monetary affairs in Canada during the tenure of Mr James Coyne as Governor of the Bank of Canada. The collapse of the bond market following the great government refunding operation of 1958, partially under the weight of that operation and partially as a result of the collapse of the speculative boom in long-term bond prices in the United States, produced intense demoralisation in the Canadian capital market—which was, if anything, deepened by the subsequent manœuvres of the Bank of Canada. In this period, moreover, despite the growing evidence of the ebbing of inflationary pressures along with the ebbing capital investment boom, renewed anxiety was expressed by orthodox opinion about price stability ; and in this atmosphere anti-cyclical policies involving deficit budgeting tended to weaken confidence further. The Bank of Canada maintained conservative views on the role of monetary expansion even in the recession ; and bond prices actually came under pressure from official selling, by the Unemployment Insurance Fund to meet its growing liabilities. But in this particular period an extremely large increase in the money supply would probably have been needed to alter interest rates significantly, such had been the traumatic effects of the upsets to which the bond market had been subjected.

It was in these circumstances that the authorities, Mr Coyne and Mr Fleming for once speaking with one voice, began to hint at the possibility of losses to Canadian borrowers in New York from future fluctuations in the exchange rate. Since, with the wide margin of up to 1½ per cent between Canadian and New York long-term rates which then existed, the Canadian dollar would need to decline well below its range of fluctuation of previous years if this borrowing were to prove more costly than borrowing in Canada, official indications of this kind were naturally unsettling, and began to disturb the deep-rooted assumption of the normality of a US-Canadian exchange rate giving about equal value to the dollars of the two countries.

During the interlude between a properly functioning free rate and last week's establishment of a fixed rate, a consensus of opinion appeared which agreed that a "premium dollar" was inappropriate. Usually it was also agreed that the manipulated rate could be only temporary ; the choice lay, it was said, between the re-establishment of a floating rate, and the adoption of a proper fixed rate. Two clear expositions of the case for these alternatives were put at the turn of the year by the Presidents of the Royal Bank of Canada and of the Toronto-Dominion Bank. Mr W. E. McLaughlin, of the Royal Bank, argued forcibly that Canada's peculiar vulnerability to external economic influences made it difficult to establish and maintain fixed rates that could be expected to remain equilibrium rates for considerable periods, and that floating rates, moving smoothly rather than erratically in response to changing fundamental conditions were to be preferred. If the employment situation warranted a lower value for the Canadian dollar than had existed prior to official intervention in the market, it presumably also warranted the sort of domestic monetary policy likely to produce just such a rate, and this should be the method used for securing the exchange rate objective. Mr A. T. Lambert of the Toronto-Dominion Bank argued for a fixed rate (in the range of 94-96 US cents to the dollar), because of the need for manufacturers and traders to be able to plan ahead with some confidence. Now Canada has chosen a fixed rate ; and it must inevitably be asked whether the many and persuasive arguments, official and unofficial, that have long pointed to Canada's special need for exchange flexibility, will now be forgotten. Certainly, frequent revisions of the fixed rate would be more unsettling and disruptive than a floating rate backed by appropriate domestic economic policies.

In the week following the establishment of the new peg, the Canadian dollar has dropped quickly to parity, after opening near its upper limit at 93¼ ; the Canadian authorities may already have provided some official support. Their vital task now is to recapture the confidence of overseas investors. Canada still needs massive support on its capital account—the current deficit shrank by Can $228 million in 1961, but it was still near $1,000 million. The devaluation of 10 per cent and more since 1960 should lead to a further improvement, but this may not come quickly. Most of Canada's major exports sell at world market prices. So higher domestic prices have already been announced for wheat, setting an example which is likely to be followed by producers of pulp and paper, aluminium and other metals. By improving the profitability of the resource industries, devaluation should, indeed, help the trade balance in the long run—provided domestic costs are not allowed to catch up. But it seems certain that the current deficit will not be reduced to an extent sufficient to permit any quick reduction in dependence on foreign capital.

In a wider sphere, it is difficult to be dogmatic about the relevance of the Canadian experiment for other countries and other circumstances. On one facet, Canadian experience could indeed be cited by Professor Meade in support of his view that under floating rates short-term capital movements are likely to be stabilising. But the conclusion must be closely guarded. As Mr R. Wonnacott says in his book, "The Canadian Dollar, 1948-58":

> If a country follows relatively conservative fiscal policies, if a country has relatively restrained monetary policies, if a country has easy access to the major world capital market, if a country has a history of economic growth and clear potential for further expansion, and if a country's current account adjusts relatively readily to changes in long-term capital flows . . . , then flexible exchange rates are unlikely to lead to disaster and may, on the contrary, operate more smoothly and make the problem of domestic stabilisation more manageable than would fixed exchange rates.

The intriguing aspect of the Canadian experience is indeed that the floating rate was adjusted too easily by short-term capital flows, and as a result failed to reflect the long-term external needs of the economy in the way protagonists of floating rates claim they will. The exchange market will not in fact isolate the influence of the current account alone, and automatically adjust the rate to a notional equilibrium point. Capital flows follow the arbitrage calculation and the mood of confidence—not some vaguer long-term need that finds no expression in market terms. Canada's experience is a reminder, above all, that if domestic policies are pursued that are themselves not responsive to fundamental changes in the economic situation, a floating exchange rate cannot be relied on to provide the corrective itself.

Whose Pipelines?

Rather unexpectedly, the Pipelines Bill that reached the House of Commons this week (from the Lords) has developed into something of a political issue. In principle, this is not surprising: it is the first general legislation of any kind to deal with a means of transmitting fluids that, enthusiasts argue, may be widened to many other forms of product in the coming years, and will certainly develop quite rapidly in the hydrocarbon field alone. In fact, however, the Ministry of Power, which has sponsored the bill, seems to have regarded it as a non-controversial measure that should get a fairly clear passage. This it did not get in the House of Lords, where it encountered sharp criticism from more political slants than one, though no very significant amendment. And the second reading debate in the Commons on Wednesday promised similar harrying treatment.

Before this bill, there has been nothing to stop anyone laying a pipeline anywhere, provided he could get agreement to wayleaves from all the people whose property it crosses. Shell-Mex and BP is in fact doing so with one line from Shellhaven on the Thames to a products depot near St Albans. If any landowner does not agree, however, the pipeline developer has had to seek compulsory powers to acquire transit rights across his property—which has involved for BP and more recently for Esso the cumbersome procedure of a private Parliamentary bill. It was the last of these, the Esso Pipeline Bill passed last year, that led a select committee to propose general legislation for pipelines.

The resulting bill was summarised in *The Economist* of March 3rd. It would make all "cross-country" pipelines (those more than ten miles long) subject to "construction authorisation" by the Minister of Power. An applicant would have to advertise the project and notify all planning authorities concerned ; if these authorities objected the minister would, and in other cases he might, hold a public inquiry. An inquiry or hearing would have to be held, also, if the pipeline developer (however short his line) wanted powers of compulsory purchase and anyone objected. But the Minister's "pipeline construction authorisation" could, if he so directs, carry with it automatic planning permission. The bill would give the Minister power to lay down safety standards. It would also allow him, if he thinks other people may want transit over the same route, to require the applicant's line to be constructed to a larger capacity, and to impose "common carrier" obligations on the developer to allow other people to use the pipeline without "undue discrimination" in charges or otherwise. And, for the first time, this bill would make pipelines rateable.

These are unremarkable provisions: but opposition to the bill has crystallised around three points. There is some reluctance among backbenchers on both sides of both Houses to the powers that it gives to the minister to license compulsory purchase by private individuals: the Government sensibly proposes to make it easier for a petition of general objection to be referred to a Joint Parliamentary Committee. There has also been the expected pressure from Labour to have pipelines developed on a planned framework, as common carriers in public ownership—preferably by imposing on the railways the duty to provide them as they have to provide a railway service. This argument has been put forward as protection of public transport's right to develop pipelines on their own property and link them up across other people's land, which is provided in a clause of the Transport Bill now also on its way through Parliament. Thirdly, and unforeseen, the argument has emerged that as pipelines are a new means of transport that could become "as important as the railways," they ought to come under the Ministry of Transport, not the Ministry of Power.

Pipeline development here is dominated by the fact that Britain is a small island with no place more than 80 miles from the sea. This has meant so far that almost all oil pipelines in Britain carry petroleum products, not crude oil. Because of their diversity products in general cost more to store and move than does crude ; and one of those for which demand here and in Europe is rising fastest, fuel oil, has been difficult and is still costly to move along a pipeline. So in central European markets, far from the sea, the fashion is to move the fuel oil "in the crude" by lines from the coast to inland refineries, rather than refine on the coast and move the products. In Britain, so far, the balance of economics still tips the other way: it is cheaper to refine coastally and move products. The recent development here is of products lines serving large centres of concentrated consumption—such as London Airport—that are costly to serve by rail or, with traffic congestion, road tankers, or serving large-scale specialised customers who want continuous supplies of particular products—such as ICI at Severnside or the North Thames Gas Board at Southall.

This balance could eventually shift: some company may think it worthwhile to put an inland refinery near Birmingham. But no company—including the latest to examine the economics of refinery location in Britain, Texaco—has so decided. So, for the present, pipelines developed under this bill are likely to be products lines from refineries to big consumption centres. This may make it rather less likely for them to need common carrier rules: certainly to impose these rules generally, on lines carrying, for example, feedstock from a refinery to a chemicals or a gas reforming plant, would seem ridiculous. The permissive power to have lines enlarged and impose such rules in special cases seems perfectly adequate.

Nothing in this bill seems to preclude the limited right to develop pipelines expressly given in the Transport Bill. The bills may need examination to clear any possibility of conflict: equally, there seems no reason why the railway authorities should in principle be any more limited than any other potential pipeline developer. But to give them any pre-emptive right would put customers for the transport of fluids at a hopeless disadvantage. The vast route length of property and wayleaves owned by the railways is not quite as relevant here as might be thought: many of the likely pipeline routes run alongside rail routes essential for other cargoes, and often the room beside the tracks could not take a modern buried

pipeline. In the House of Lords Opposition spokesmen calling for protection of the rights of public transport in this new field seemed almost to be advocating control of pipeline development by the public boards set up to run older, infirm systems of transport. That would go a fair way to ensuring that the system would not be developed properly.

Concern over any measure that gives a Minister power that Parliament and local planning authorities shared before is reasonable enough, particularly the power of intrusion and compulsory purchase. Parliament is entitled to demand such safeguards as will not mean too much delay. The third argument—that these should be Mr Marples's lines, not Mr Wood's—has some logic in principle. Can anyone really argue that a pipeline is not a means of transport—merely some umbilical extension of a refinery's entrails? So far, certainly, they have been pieces of the petroleum business, and nothing else (this bill excludes gas mains and internal works lines). But the oil companies, looking with no eagerness whatever towards the Ministry of Transport, have in one sense only their enthusiasts to blame. Have not these zealots been arguing recently that almost anything, down to postal parcels, can go along a pipeline?

The Government so far has stuck to the Ministry of Power, but is prepared to admit the possibility of shifting the responsibility later if all these things should come to pass through the pipe. There seems no particular reason of principle why these specialised facilities for oil movement should go under the Ministry of Power, which does not supervise the operation of road or marine tankers; though gas and electricity transmission, it must be added, remain within the power of Power. But principle has no clear sway here (what is steel doing, for example, under the Ministry of Power?); and so long as little except petroleum moves through pipelines, it may be convenient and sensible to leave it with the ministry that is concerned (some might say too concerned) with petroleum. As and when we start delivering *The Economist* along this means of transmission, we shall immediately state the case for putting pipelines under the Press Council.

Where the Lines Run

In Britain, where refineries are still being constructed near ports, there are only two crude oil pipelines. Both belong to British Petroleum Co. and are about 60 miles long, of comparatively small capacity. The Scottish one links Finnart (Loch Long) terminal, which can take tankers up to 100,000 tons dw to the 3½-million-tons-a-year refinery at Grangemouth. The Welsh pipeline links the new Milford Haven terminal, where similar-sized tankers can tie up, with the 3½-million-tons-a-year refinery at Llandarcy near Swansea. The first pipeline has a capacity of 3½ million tons annually and the other one of 5 million tons.

Apart from numerous short pipelines linking some refineries with gasworks, the other type of pipeline, the long, cross-country product carrier, is represented in Britain by various stretches of the wartime network, which Regent Oil uses between Ellesmere Port and Stourport, west of Birmingham, and Shell-Mex & BP uses from Isle of Grain to Walton-on-Thames. This is linked to a short pipeline owned by the group itself that runs from Walton to the London Airport. The first company-owned, cross-country product line in Britain will be the one from Fawley refinery of Esso to Feltham, with an extension to London Airport; parallel to it for most of the 75 miles will run a propane-butane line supplying North Thames Gas Board Southall works. A similar line, but for carrying cracked gases, has been laid last year between Fawley and the Severnside plant that ICI is building.

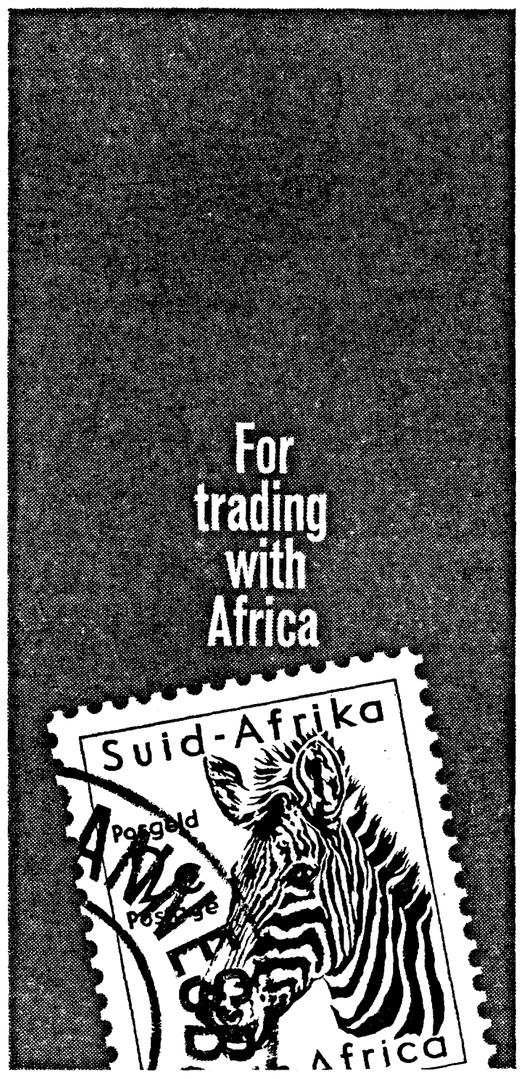
Two immediate proposals for further lines are for products. One line, planned by Shell-Mex and BP, will supply the North London area with white products from the Shell refinery at Shell Haven; the other is for a "common carrier" pipeline to run along the canals (and some other public-owned property) from Canvey Island to Ellesmere Port. Interest in using such a pipeline has already been shown by various companies with refineries near the ends of its proposed route, and by some Continental oil refiners. All concerned will find a chance of pumping their products to the Midlands, either from the London area or from Merseyside.

The present pattern of distribution in Britain, where the London zone includes 30 per cent of the total population, leaves only the Coventry-Birmingham-Wolverhampton conurbation at the fringe of easy supply area. While coal provides most of the industrial fuel used there, "white" petroleum products, petrol, paraffin oil, white spirit and diesel fuels, etc., are supplied by road, rail or canals. These products make up 30-35 per cent of the total British consumption; the needs of this area, with a population of 2½ million forecast for the 1970s, may still be below a million tons. Trunk Pipelines Ltd.'s project for a 8-10-inch diameter pipeline capable of carrying 1½ million tons annually would be able to meet this demand for years to come, since oil may flow along it equally well from the South-East as from the North-West. It is intended that there should be various depots belonging to the various interested groups, with supplies directed to the appropriate one by an operational head office, initially at Canvey.

At present the Midlands are supplied by rail and road fed from coastal depots. Coastal tankers up to 17,000 tons dw feed those reasonably cheaply, but from then on the costs of distribution begin to mount. Even so, barges provide an economical means of delivery to inland depots for journeys twice the length of a land journey. Shell-Mex and BP think it better to supply Leeds from depots on the east coast than from the west coast refineries. Other economies are provided by the use of whole trains and of road vehicles as large as the traffic conditions will allow. The cost per gallon delivered by a 4,000 gallon vehicle is only 75 per cent of the cost using a 2,000-gallon vehicle. There are at present in operation two company-owned pipelines, one for various black oils and one for various white products, running side-by-side for 23 miles from Stanlow to Partington, near Manchester. Transport of fuel oils over longer distances would be too expensive, since the oil is so viscous that it must be heated—or possibly thinned with water.

For rights-of-way across property easements and future occasional access the present going rate varies between two and five shillings per running yard. The total cost of pipeline includes design, materials, construction, supervision, protection, testing and commissioning; some of these costs are constant, and some are variable, depending, for instance, on the weight of steel rising with pipeline diameter and length. Apart from the easement costs, a 10-inch pipeline may cost £10,000-£15,000 per mile; the 6-inch pipeline from Fawley to Severnside cost over £800,000 and the Fawley to London pipeline will cost over £2 million. The Shell Haven to St Albans pipeline will be 8 inches in diameter and 30 miles long; the Trunk Pipelines project will be 280 miles long at 10 in.

Only the smaller companies so far have expressed interest in the project for supplying the Midlands; the pipeline capacity should later be doubled with additional pumping equipment. For the more distant future Trunk Pipelines Ltd. would like to lay a crude oil line alongside the product line. Before that comes to pass, however, there are proposals for laying an underwater pipeline between a terminal for 100,000-ton dw tankers, to be located outside Margate, and the Canvey Island depot. This would serve any refinery in the London area with ease, since the diameter of the pipeline would be over 30 inches.



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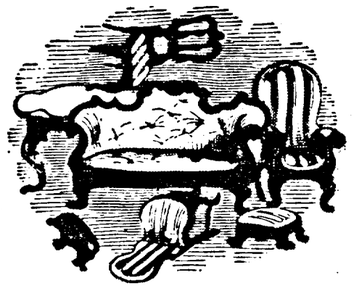
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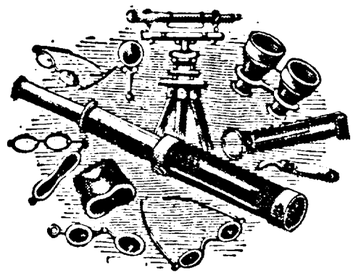
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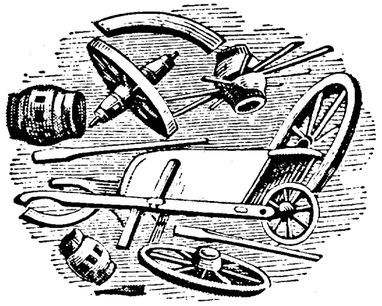
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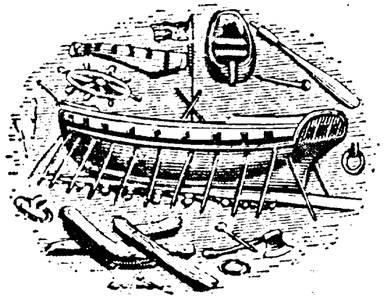
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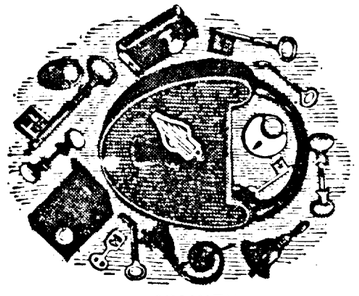
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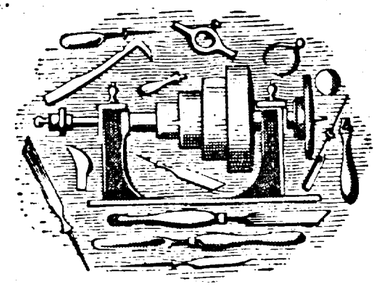
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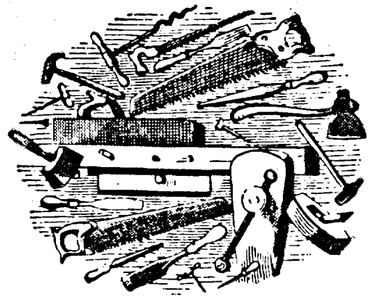
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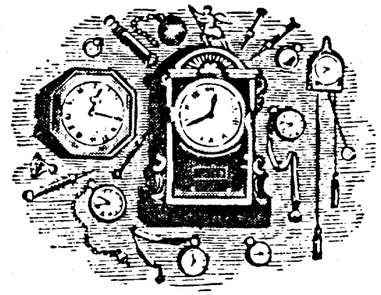
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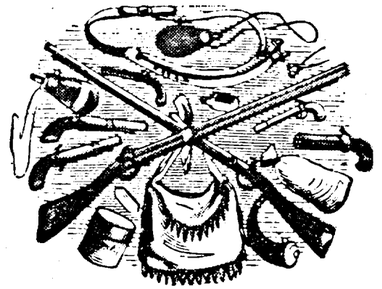
THEY ALL USE IT

Use what?

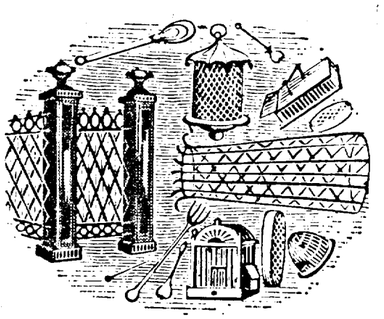
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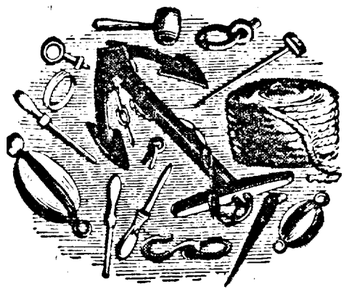
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WIRE WORKER.



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BUSINESS NOTES

WALL STREET

King Bear

A correspondent cables :

THE bear was king on Wall Street this week. Following an ephemeral attempt at a rally after last week's " selling climax " prices slumped to a new low for 1962 ; on Wednesday the Dow Jones industrial average fell by over 9 points to just under 655, well below the nadir touched in the previous break in the markets. The further collapse in prices had added to the pessimism, for while the popular market indicators have fallen by only about 10 per cent the vast majority of stocks that enjoyed a vogue last year, such as electronics, vending machine and bowling stocks, have fallen much more sharply. Transitron Electronic, which after Texas Instruments is the biggest manufacturer of semi-conductors, has, for instance, fallen by over 80 per cent from its peak in 1960.

The mood has been gloomy but there has been no panic selling. There have however been a few chain reactions in the market as stop-loss orders touched off little waves of selling ; the fluctuation of about 60 points in IBM is a case in point. There have been some margin calls on shares purchased on credit which have fallen below a level regarded as acceptable by the lenders. But the volume of sales has been light. Some institutional investors have complained about difficulties in liquidating big blocks of securities but most of the mutual funds, bank-managed trust funds and insurance companies are not selling but are sitting tight, having sold in anticipation of a downturn some time ago. They have built up their holdings of cash and short-term debt securities to a high level ; for example, the Wellington Fund with $1.4 billion in assets now has only 58 per cent of its portfolio invested in common stocks, the lowest proportion for five years. While the mutual funds have been adopting a cautious attitude towards the market, they have also been making record sales of new shares to the public. In the first quarter net sales of mutual fund shares amounted to about $600 million, an all time record. As a result a substantial amount of buying power has been built up and it is safe to predict that as the prices of sound issues with solid earnings records fall lower the funds will not be timid in putting their money to work.

LONDON MARKETS

Fillip from the Funders

THE belief that the monetary authorities are prepared to see, and even to encourage, a gradual fall in long-term interest rates was clearly confirmed on Friday last week—although this week the threatened dock strike and other influences have discouraged any market response. On the same day that the government broker's " tap " in 5½ per cent Funding 1982-84 ran dry, it was replaced by the issue of a further tranche of £300 million of 5 per cent Treasury stock 1986-89. But whereas the £200 million of the 1982-84s had sold remarkably fast since December, the authorities seem to have leaned over backwards to discourage any immediate interest in their new funding stock, for the price of the issue, 84½, was about half a point above the market price of the existing stock. This week the authorities made their usual announcement that the £300 million was fully subscribed and that applications from the public were allotted in full—it is perhaps just possible that some misguided old ladies have been foxed into taking from the Bank of England at 84½ what their stockbroker would have sold them at 84.

Plainly, the authorities are in no hurry to sell and the stock will not become attractive until the rest of the market rises. The Chancellor's budgeting has left the Exchequer with no net borrowing needs from the gilt-edged market, and a continuation of funding at the pace of recent weeks would indeed cause unwanted pressure on bank liquidity. The authorities still prefer to issue themselves with a stock in order to keep some influence over the long end of the market, and also to facilitate the switching process, of short bonds into mediums and medium dates into longs, which is the essence of funding at the moment. Some market observers have indeed noticed that the new issue of £300 million is also the amount of the 5½ per cent Treasury bonds which mature in November—and are wondering whether this may now be left to run off unconverted.

Nerves in Throgmorton Street

THE threat of a dock strike, the poor showing of the Conservative party in the local elections, the further decline on Wall Street and a number of disappointing statements from British companies all combined to unsettle the equity market this week. The volume of selling was light but there were few new buyers, with the result that *The Economist* indicator fell 5.7 points to 356.7 in the week to Wednesday's close and the *Financial Times* ordinary index fell below the 300 mark on Thursday. Following investors on Wall Street, British investors are wondering whether an expansion in business, when it comes, will lead to much improvement in profit margins in competitive markets and hence to a sharp jump forward in profits. These fears can be overdone in Britain, for though there are a sizeable number of low-yielding stocks in the British market, earnings yields in this country have not in the past been brought down to such a low level as on Wall Street. By British standards, admittedly, they are now low on many of the stocks that have attracted buyers in the last few months and it is not surprising that this week investors began to have second thoughts about the merits of some of the stock concerned. Property shares have come off the top ; so have insurance shares following a number of cautious statements by the spokesmen of the industry. Brewery shares have also taken a knock, not least because the directors of Hardy's Crown Brewery in recommending a bid by United Breweries which was below the market price said that the latter price was " unrealistic in the light of any reasonable estimate of the company's maintainable earnings " ; this has seemed inherently probable for a number of brewery take over prospects.

In addition to the rights offers by two banks, the flour milling combine, Ranks Hovis McDougall, is coming to the market for about £11¾ million comprising a rights of one new ordinary share at 28s. for every 20 shares held, to raise about £4¾ million and an offer to stockholders of all classes of £7½ million 6¾ per cent unsecured loan stock, 1981-86, at 99. In the present state of the markets the good running yield on the unsecured loan stock is the most attractive aspect of this twin issue, designed to fund bank overdrafts of £8½ million and to provide money for further capital schemes.

THE ECONOMY

No Certainty

UNIMPRESSED by the Treasury's current optimism, the National Institute, in its latest *Economic Review*, sticks to its view of three months ago that national output at the end of this year will be only some 3 per cent above the low point at the end of last year, so implying for this year as a whole a rise of little more than one per cent above the 1961 average. Moreover, this none-too-cheerful forecast assumes that the " underlying trend in exports continues upwards at about 2 per cent a quarter," a trend which so far is discernible in the official quarterly statistics only if exports of ships and aircraft, which have been falling very sharply, are excluded. It is the month-to-month edging up from the very low December figure that offers modest encouragement. But while the institute sees no reason to change the general expectation of an increase of some 8 to 9 per cent in exports over the year, it sees " some good reasons for not being sure about it." One of these is that a rise of that order requires that Britain should stabilise its share in world trade in manufactures. This share has been falling and it looks as if the experience in the first quarter of this year was no exception.

Among the few pointers to export prospects, statistics of orders for engineering products do not suggest that a further large rise in these exports is certain, while figures published this week for machine tools show a further fall in February in the amount of export work on hand in terms of the current rate of export delivery. If, as the institute suggests, British sales in the United States may be at a peak for the time being, and if weaker competition from Germany is offset by stronger competition from Italy and other countries, it might seem that British hopes are largely pinned to the strengthening Australian market. On the other hand, British exporters as a whole seem fairly confident of more widespread success, as also does the Board of Trade ; and a nose to business may be the best guide.

On the home side, there is a clash of views on the course of consumer spending. The institute foresees a rise in real consumption of 2½ per cent from end-1961 to end-1962 ; the Chancellor in April forecast a 4 per cent increase over the twelve months of the fiscal year. The institute argues that consumption will rise much in line with real incomes; the Chancellor evidently expects that a recovery in hire purchase will cause it to rise faster, mainly because repayments are now falling. Yet hire purchase debt fell a further £11 million in March, the credit sales of household goods shops that month were 5 per cent below last year, and the new business of finance houses, which is largely for motor vehicles, was less than usual. The April figures of car sales on hire purchase did not change the picture. While the Budget and the timing of Easter may have affected these figures, there is certainly no sign in them of any boom.

THE EXCHANGES

Dollars in Demand

THE dominant feature of the exchange markets this week has been a shortage of United States dollars. The pegging of the Canadian dollar at 92½ US cents on Thursday last week provoked some expressions of nervousness in Switzerland about exchange stability generally (though whether change to stability should be taken as a stabilising or a destabilising factor is a nice philosophical point). Buying of Swiss francs has, however, been limited, and by Wednesday this week the Swiss franc was weakening again, to 4.3365 against the dollar—still above the level of a week before. Swiss share markets had what was described as a panicky day on Wednesday, though falls such as that of 100 to 5,210 in Union Bank of Switzerland would seem less than drastic in other centres.

The general demand for spot dollars has lifted the rate on Euro-dollars at call from 3 to 3½ per cent, and also brought some easing in spot sterling in midweek, to $2.8130. The threat of a dock strike was also an influence here. Earlier, sterling had been strong, and the authorities are believed to have taken in more dollars. Throughout the week strong demand has continued for forward sterling partly in conjunction with swaps out of sterling into dollars spot and back into sterling forward. The margin on Treasury bills after allowing for forward cover is now ⅜ per cent in favour of London, whereas in recent weeks it was in favour of New York. A slightly larger margin exists on switches out of Euro-dollars into loans to local authorities, and this seems to be the main medium for short-term investment flows into London nowadays.

Certainly there is no other way of interpreting the figures of sterling balances for the first quarter of this year which, apparently by mistake, are published in the April issue of the *Monthly Digest of Statistics*. The figures show not only a fall of £61 million in this quarter to £2,570 million in sterling balances of overseas sterling countries, which reflects almost exactly Australia's repayment to the International Monetary Fund, but also a fall of £50 million, to £876 million, in the balances of non-sterling countries. Since foreign money has been streaming into London in this period—the reserves, adjusted for repayments to IMF, rose by £185 million in the first quarter—it certainly looks as if the coverage of these figures is still more unsatisfactory than had been apparent before. Surely not all the inflow has gone into portfolio investment. The one big known omission is direct overseas lending to local authorities ; but it is still difficult to explain a drop of £50 million in other forms of foreign sterling balances. One notable movement is for the Latin American countries, from a balance of £16 million in at end-1961 to *minus* £11 million at end-March, representing a rare excess of published sterling borrowings over balances. No official elucidation is available here either. The Treasury and Bank of England should be pressed to make some sense out of these figures.

KUWAIT OIL

Fifty-Fifty in Concession

ONE seems to detect some special overtone of achievement in the announcement that the Kuwait Oil Company (in which British Petroleum and Gulf Oil are equal shareholders) has agreed to relinquish 9,262 square kilometres of its concession of 18,512 square kilometres, with at least 1,000 square kilometres to be relinquished in five years from KOC's offshore concession. The announcement from the Kuwait Government in fact refers to talks " satisfactorily concluded " with the representatives of the two shareholding companies and conducted throughout in a " most friendly atmosphere." The relinquished areas have not been delineated in detail in London, but they are said largely to comprise areas in the western regions of the Sheikdom and at the two extremes of the off-shore concession.

This must be regarded as an acceptable agreement. It involves areas that are outside KOC's proved reserves and it observes, too, a rough and ready fifty-fifty principle in relinquishment for which General Quasim had no use when he sequestrated the whole of the unworked areas of the Iraq Petroleum Company's concession last year. It will now be possible for anyone who wishes to add to the world's existing glut of crude oil to prospect for further supplies in the west regions of Kuwait or in Iraq. There are good geological bets in both countries, not least in the Rumaila field in Iraq which contains huge proved reserves ; anyone prepared to take the risk of legal action could take a concession there and have proved oil without the risks and costs of exploration. Others would no doubt prefer the temperate Ruler to the temper of the General.

STEEL

The Lighter the Better

STEEL production rose slightly in April, allowing for the effect of seasonal influences—chief of which was the Easter holiday—though the actual rate of 409,800 tons a week was slightly lower than that of March. But there is no decided upward trend in output yet, nor can there be until stocks cease to fall. In the first quarter they are estimated to have shrunk by 300-350,000 tons, or at much the same rate as they did in the last quarter of 1961 ; and this drop suggests that consumption was running at the same rate in the two periods—though it could be expected to rise about 100,000 tons in the first quarter. This makes consumption nearly nine per cent lower than it was a year earlier, while production had dropped about 15¼ per cent.

The concentration of the recession on the producers of heavy sections, while the light end of the industry is mostly prosperous, is forcibly demonstrated by deliveries of finished steel products. Those of heavy rolled products were 30 per cent lower than they had been in the first quarter of 1961, but two per cent more sheet and seven per cent more tinplate was delivered. Demand from the construction industries was even lower than it had been in the autumn—35 per cent less than a year

before—and so was that from railway rolling stock makers. But the motor, cycle and aircraft industries together took 23 per cent more steel than a year before. So the strip mills run near capacity, while the beam mills are remaining appreciably below capacity.

BANK PROFITS

Second Thoughts

INVESTORS have recently been indulging their enthusiasm for bank shares to a degree that is difficult to justify by the banks' immediate prospects. In the past week Lloyds and the National Provincial have taken advantage of the buoyant market to announce sizeable rights issues, leaving only the Westminster among the big five to complete the second round of bank capital increases since 1959. The Lloyds issue, announced last week-end, will raise £12.2 million, by a one for ten issue at 50s., compared with the market price of 67s. 6d. The new shares will not rank for the interim dividend, which will be 4½ per cent as forecast earlier this year at the time of a one for six scrip issue, but the directors now forecast an increase to 5 per cent in the final dividend. The jobbers accordingly marked up the shares to 71s., but investors failed to respond, and the price slipped back to 66s. 6d.—still leaving the yield below 3 per cent.

The £10½ million one for seven issue by the National Provincial was more temptingly priced at 60s. compared with the market price of 102s. 6d.; the shares rose initially by 1s. but dropped back to 102s., giving the rights a value of 5s. 3d. The NP forecasts an unchanged dividend: the directors have again preferred to put the emphasis on a "cheap" rights issue.

These issues will be readily taken up, but will also reduce the head of steam in this section of the market. It was apparent at the beginning of this year that bank profits could scarcely hope to continue their outstanding performances of 1959, 1960 and 1961 for yet another year. Now Bank rate is down to 4½ per cent, which itself represets a sharp setback for bank profits. Investors are making much of an upturn in advances resulting from a release of special deposits; but this would need to be much larger than seems at all likely if it were to offset the impact of sharply lower earnings rates.

Undue Hopes

THE market has also been counting on windfalls from revaluations of bank property and forced disclosure of true bank earnings. Both are eminently desirable, but how likely are they? The National Provincial gives no hint of the first when it relates its capital issue, in traditional manner, to the large sums that will be needed to rebuild its head office (and what is the site value of this two-acre goldmine?). On earnings disclosure, the Jenkins report is now believed to be delivered to Whitehall; but even if it recommends full disclosure, which is far from certain, the operative decision would still be with the government, against predictable pressure from banking quarters.

Meanwhile unofficial attempts to calculate the banks' true earnings by a firm of stockbrokers and a banking journal have got little further. Comparisons by the former showing that United States banks earn two to three times as much on their assets as British banks on theirs give no real guide to true earnings in this very different banking structure. American banks earn significantly more on loans, as the borrower pays on the full amount of the loan rather than on the amount of credit he actually takes in his overdraft; and the American borrower has to keep an agreed percentage of the loan in his current account. The American banks also have more advantageous facilities for building up untaxed reserves for bad debts. This particular reserve is closely circumscribed in Britain by the fiscal authorities and is almost certainly below 2 per cent.

CABLES

Return to the Jungle

JUNGLE warfare, in competitive price cutting, is no part of normal business life Britain—more's the pity, consumers may say. But the cable industry gave one of the rare demonstrations of such activity in the summer of 1959, when the price-fixing agreements of the Cable Makers' Association ended, before it settled down to a more British sort of existence under the price leadership of the largest manufacturer, British Insulated Callenders Cables. Prices rose, and though margins seem to have been rather narrower than they had been in the good old days of the CMA, the industry appeared to have regained stability. But some of the smaller companies that had not belonged to the CMA continued to do as they had done before, and sold below the prices of the bigger manufacturers. Such behaviour had been tolerated then, but it seems less popular now: BICC has just cut its prices for household cable insulated with polyvinyl chloride by eight per cent, and added 1½ per cent to the wholesalers' discount.

RESTRICTIVE PRACTICES COURT

Tough Nuts and Soft Options

THIS week the Restrictive Practices Court began its hearing on the Standard Metal Window Group's price agreement, the first contested case since last November's indictment of the permanent magnet makers (on which judgment is still awaited). Only three other cases are due this year: on June 25th the Publishers' Association will be called to defend the net book agreement; in October the Forgemasters will defend the pricing of iron forgings and castings and a smaller case, that of the Birmingham Builders' Association, will also be heard.

This comparative lull in full-blown hearings is partially explained by the continued stream (twelve since October) of agreements ended under consent orders. Only three agreements have been found not contrary to the public interest, and each addition to the file of unsuccessful defences (now totalling 14) has encouraged capitulations over similar agreements. Last week the Lead Sheet and Pipe Manufacturers threw in the sponge; so did Cadbury's, Fry's, Rowntree's and Terry's over their agreements which limited distributors' margins and ensured that chocolate was supplied only with a stipulated retail price.

Nevertheless the twenty-odd cases on which notices of reference are currently served contain several tough ones not likely to yield under the example of others—agreements concerning switchgear and generators, for instance, are being defended in spite of the successful indictment last year of the transformer manufacturers' pact. A number contain features which will make history in the Court. The net book agreement will be the first contested case of straightforward collective price-maintenance. The Newspaper Proprietors' Association are defending their right to have agreed together in February, 1961 (as they also did in 1957) to simultaneous price increases—their plea that the Court could not consider the collusion in retrospect was disallowed. The trial some time next year of the Finance Houses Association's code of practice for motor dealers will be the first time the Court has considered the fixing of *maximum* charges to customers: its job will be to find out if in fact this is a concealed method of price-fixing. It will also look at the legality of the rest of the code, which fixes maximum commissions for dealers, now 15 per cent, and sets its own minimum down-payments and repayment periods at a higher level than the law requires. Then there is the case of the sulphur pool—the first issue involving collusion in bulk buying to be brought before the Court. Heavy steel prices (on which a number of similar agreements in the industry should depend), the supply of telephone equipment to the GPO and of milk to Londoners are also in the Registrar's queue. It could take another two years to clear.



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CRG50



Shell speaks the language of flowers

Sitting quietly with the other women of her village, she marks out a design which has a special meaning for the sarong-wearing ladies of Central Java. Each village has its own design, which is handed down from mother to daughter, and each design has its own meaning.

That part of the cloth which is not to be dyed, she covers with Shell Batik wax; her colours come from tree bark and iron sulphate. Ultimately, her cloth will be worn by one of the lovely young women of her village, and the message that the floral decoration carries will have been spelt out by Shell.

Wax is, in fact, one of the more eloquent Shell products. In lipstick, it can speak volumes of feminine appeal; contained in an eye pencil, it writes poems silently; in greasepaint, it moves audiences to tears or laughter.

Around the world wax can be found protecting food, or providing light for festive and religious occasions. While behind the scenes, it is in factories and workshops everywhere. Whether its destiny is picturesque or practical, Shell make it and make sure that it is always where it is wanted.

YOU CAN BE SURE OF SHELL

The new price is probably under some if not most manufacturers' costs of production, but all have felt obliged to follow BICC's lead. With the possibility of wage increases to come, the smaller manufacturers feel more than unhappy about their position; household cable forms the bulk of production for most of them. It is hardly surprising that some at least amongst them regard BICC's actions as a deliberate attempt to make them more amenable to its leadership in future, by giving a sharp reminder to little men that getting in front is painful. As the price cut follows an increase of about five per cent made only last January to match rising costs—and these have not fallen since—it seems to mark a fairly sudden change in commercial policy by BICC. The prices of other types of cable have been tending to rise recently, too, making this an isolated act—and the belief that it is aimed at certain manufacturers the more convincing.

When the last bout of price warfare took place, the ability of the smaller manufacturer to stay in business was questioned; but only one small company has fallen out. Though profits were sadly reduced, warfare ended soon enough to preserve solvency—after eight months. If it had lasted much longer, it might have been fatal to some; now after this long lean spell, the weaker firms might easily get into difficulties. But it seems unlikely that BICC would want to keep its prices down long enough to bankrupt the smaller companies; it would gain little from their elimination. Persuading them to follow its prices should be enough. And unless some of the smaller companies are able to make household cable more cheaply than BICC, and so can sell profitably at the present price, the instinct of self-preservation will allow the price leader once again to lead.

SHIPPING

Essence of Discrimination

BRITANNIA for many years has disavowed any claim to rule the waves; in fact she seems to spend more time waiving what used to be the rules. The British shipping industry, realising that its opportunities lie in international seaborne trade, regardless of flag, has tried to pursue a liberal policy since the repeal of the Navigation Acts over 100 years ago. In this policy, shipowners of the traditional maritime countries of Europe have followed the British lead, believing that policies of restriction, discrimination and excessive regulation can only prejudice the operation of a free market in an international transport service. This liberally-accented policy has suited the traditional maritime countries because they are low-cost suppliers of shipping services.

But the clash between opposing shipping policies—the efficient in favour of freedom, the inefficient in favour of protectionism—seems at last to be coming to a head, challenged in particular by American shipping policy. This is largely dictated by two elements—the absence of any general sense of interest in shipping, and the presence of a powerful lobby in Congress.

Thus, ever since the Merchant Marine Act of 1936 (which followed earlier enactments incorporating the same principles) American shipping legislation has been directed towards protecting the American shipping industry by such means as reserving the coastal trades to American-flag ships and insisting that half the cargoes resulting from aid programmes should go in American ships. Despite the fact that these restrictive shipping policies have already manifestly failed, they are still being copied by the aspirant maritime countries. And the United States Congress has now advanced a stage further in its apparent desire to control international seaborne trade. Inspired by suspicions of the international liner conferences as international cartels, Congress has recently decided that all commerce to and from the United States must be subjected to regulation by the Federal Maritime Commission. This Commission, which is the logical successor of a series of similar bodies whose efforts have succeeded in decimating the American merchant marine, is now instructed by Congress to "judge" whether freight rates charged by shipping companies of any nationality are "reasonable"; and in order to do so it is empowered to order the production of documents and other evidence concerning transactions which may take place entirely in foreign countries, which are not normally subject to jurisdiction of the United States.

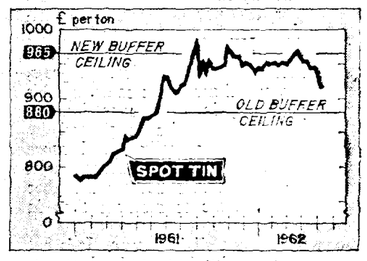
The assumption of this international jurisdiction is, at last, something which sticks in the gullets of the "poor relations." Past British investigators, at least, decided that the conferences were harmless. The British and European Ministers of Transport have conferred on two occasions in order to try to find a rational means of counteracting this enormous presumption—that American law applies equally to the London docks and to the offices of forwarding agents in Birmingham, England. Most of the Ministers have instructed their shipowners to refuse the American demands, and Mr Marples has asked the General Council of British Shipping to explain in detail what it envisages as "retaliation" so that he can judge more precisely the effects of taking such action. So far the only American reaction has been to brandish the threat of a $1,000 per day fine in respect of each ship refusing to comply.

TIN

No Shining Example

THE future of important commodities is being publicly booted around in Washington. Their producers are understandably nettled by the sight. With so much at stake, countries like Malaya have questioned why releases of rubber and tin from the American strategic stockpile cannot be decided in decent secrecy in the hope that the more horrifying suggestions for their disposal might never be made public. The strength of rubber has been sapped by the prospect of accelerated releases from the stockpile though it could not be claimed that the drift in prices to 23½d. a lb for RSS has been drastic. However, the effect of the pronouncements on tin has been more electrifying. At the end of March, tin stood well clear of the International Tin Council's new "ceiling" of £965 a ton. But the recent approval by a sub-committee in Washington of the long-mooted proposal, for disposing of 50,000 tons of tin has pushed spot tin back to £915½ a ton, a level not seen since shortly after the old ITC ceiling was breached a year ago. Higher production in Malaya and promised increases in Bolivia and Indonesia later this year also have a bearing on fears that the shortfall in tin supplies has been exaggerated, though calculations of this sort are often unhelpful.

It is far from certain that tin would be stronger if no part of the stockpile hearings were made public before a scheme for releases had been tentatively arranged. But a better indication of the method likely to be adopted would not have been out of



place at this juncture. The atmosphere at the hearings seems to be slewing away from releasing an important industrial metal merely to meet a pressing need towards a more positive attempt to clear some stock out of the junk room while a convenient demand exists for it. It is apparently intended to dispose of the tin over a number of years without disrupting prices.

The intended method of disposal is by tenders for small lots as in earlier sales of minor quantities of tin. No hint of direct co-operation with the International Tin Council has been dropped, though the Council has asked for consultations and might have met to consider stockpile disposals this week, though no announcement to this effect has been made. If the major consideration will be to ensure disposal of the tin, sales at regular intervals seem likely. The sale of 10,000 tons a year over the next five years is planned. Two arguments used to support the contention that the United States could be persuaded not to sell below a fixed high price have fallen into abeyance. The "stale bull" point that sales will not be made below the average cost price of the metal, said to be in the region of £1,000 a

ton; no longer seems relevant, and the "Russian bear" argument that nothing will be done that might throw producers like Bolivia into the arms of the communists, no longer appears to guarantee that sales will not be made below the £965 level as these producers have requested. The graduated scale of releases according to price resulted from a form of co-operation between producers and stockpilers of rubber. It has not been a dazzling success, but short of full co-operation with the ITC, it might again provide the best compromise.

RESEARCH AND INDUSTRY

Are Comparisons Odious?

Comparisons between research spending in 1959 by British and American industry made in cold anger by the National Institute of Economic and Social Research suggest that three years ago American industry was spending in real terms over five times as much on research as Britain, and double the proportion of its national income. The survey does not produce many new facts about research in British industry; but it attempts to equate the conditions in costs, in wages, in standards of technical qualifications, that normally make comparisons between conditions here and in the United States so difficult. Industries that depend absolutely on technical progress, like aircraft, spend much the same, by this revised yardstick, in both countries. In textiles, British companies toughened by foreign competition actually spend more than American. The non-ferrous metal industry in Britain also devotes a higher proportion of income to research than in America.

But that is about all in favour. It is not surprising that lumber and furniture should spend thirteen times more on research, in real terms, in the United States than in Britain; but it is shocking to read that the British vehicle industry's research effort is a twelfth of the American. No other industry compares so badly but several important growth industries, including electronics, electrical equipment, machinery and instruments, make a worse than average showing while chemicals, the metal-producing industries, paper and food make a better than average showing. Even when government research is allowed for, American companies still spend, in real terms, 4.3 times as much on research as British companies, and in the vehicle industry more than nine times as much.

These comparisons underline the government's present pre-occupation with getting the results of research applied in industry. They suggest that too many British companies are coasting on past knowledge; but stepping up research expenditure is not necessarily the cure. Many companies that responded to exhortations to do more research by establishing expensive laboratories have been sadly disappointed by the results. The National Institute puts its finger on the real weakness in British industry today: "High research expenditure will be useless unless managements are capable of recognising and translating the results into commercial production. Indeed, in this country more technically qualified people may be needed in management as much or more than they are needed in laboratories." A change of heart is as important as a loosening of purse.

CONSTRUCTION

Where Capacity Lies

Complaints of over-capacity among civil engineering contractors made by the chairman of their Federation, Mr P. W. E. Holloway, this week come rather oddly near the peak of a building boom. But they seem to reflect some imbalance in the public investment programme—or the capacity of the industry. The sort of work that contractors would like to get more of is the smaller and less glamorous digging—of sewers, for example, or flood protection—which is highly mechanised and does not need the skilled labour that is in such short supply. And it is the work that local councils are most likely to cut down when the government makes it more difficult for them to borrow money; they prefer to maintain their more visible activities as those that most impress the ratepayers.

Planning is all in favour with an industry that needs to look far ahead. So it hopes that one effect of NEDC will be that all public investment will be based on a five-year programme, as road building is already. And a wages policy would be welcome as a change from the present cost of living escalator, which becomes especially embarrassing when fixed-price tenders are being urged on the industry. But attempts to persuade contractors to stop bidding up the wages of scarce craftsmen seem no better than pious hopes.

Export business is important to the bigger contractors; they did £135 million worth in the year to March, 1961. Though the political instability of Africa and the middle east have affected orders over the past two years, the longer-term credits that the government has helped to provide

Spain's Banking Reform

FROM A SPECIAL CORRESPONDENT

Approved unanimously by the Cortes, Spain's nominated parliament, the Spanish government's bank reform bill has at last passed into law. The new Act is based on recommendations made during the 1959 survey by American and OEEC experts with a view to strengthening the central bank's powers of monetary control, improving medium- and long-term credit facilities for private firms and stimulating the competitive efficiency of the economy.

The Act provides for the nationalisation of the Bank of Spain and the "official credit banks" (the Mortgage Bank, the Local Credit Bank and the Industrial Credit Bank, but not, at least for the time being, the Banco Exterior) and the creation of an institute for medium- and long-term credit which will guide and co-ordinate their activities. It makes possible a reorientation of Spain's numerous local savings banks (*cajas de ahorros*) so as to enable them to advance cheap credit to farmers and small businessmen; and it equips the Minister of Finance with powers to circumscribe the industrial empires of the leading private banks.

In the absence of an investment-minded middle class, Spain's "mixed" banking system has played an important role in fostering industrial development. When reminded of one of the main objections to "mixed" banking, the danger of becoming illiquid during periods of strain, the banks' spokesmen retort that during the world slump of the 1930s only one instance of this occurred in Spain. But they have no easy answer to the criticism—raised by Spanish reformers and foreign observers alike—that the system promotes oligopoly. The following figures for 1960 are eloquent. The first column gives the numbers of members on the board of administration of the bank named, the second column the number of enterprises the bank controls, and the third the total paid-up capital of each group. The 1,008 enterprises controlled by these six banks make up less than 7 per cent of all Spanish companies, but their paid-up capital accounts for just over 49 per cent of the total capital of Spanish joint stock companies.

Name of Bank	Board members	Enterprises controlled	Capital (million pesetas)
Banco Espanol de Crédito	19	197	46,575
Banco de Vizcaya	24	192	43,400
Banco Hispano-Americano	17	133	33,308
Banco Urquijo	18	135	33,178
Banco Central	29	176	26,636
Banco de Bilbao	24	175	20,104

The bankers have known for two years that reform was inevitable—on paper—and do not appear depressed. Their impression is that the Minister will use his new powers primarily to prevent (in the words of the bill) "further expansion of their influence over private enterprise and in particular over other banks." They believe that if they play ball their present holdings will continue to prosper, and their confidence suggests that they may have received assurances to this effect.

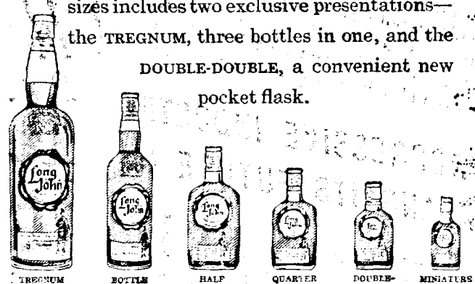
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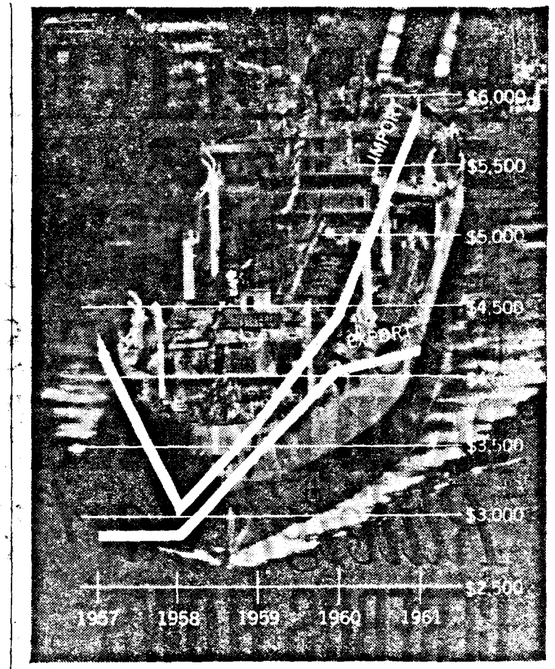
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PROGRESSIVE INDUSTRY PLANS ITS FUTURE ON

COAL

ISSUED BY THE NATIONAL COAL BOARD

should make for better business in the future. They have, for example, allowed British firms to get work in South America. But competition is stiff: in the far east Japan now has to be reckoned with.

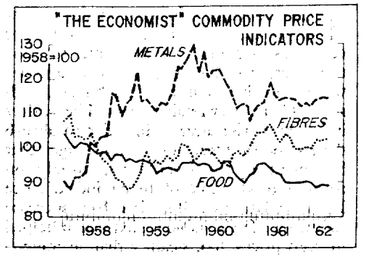
COMMODITIES

Unpleasant Prospect

GAZING into their crystal balls in the shadow of crumbling prices, the UN Food and Agriculture Organisation and the National Institute of Economic and Social Research are both hinting darkly at a stormy passage for commodities through the sixties. NIESR's analysis is characteristically clinical and its suggestions prosaic. From its study of 14 commodities, accounting for about three-quarters of world trade in food, beverages and tobacco, the institute concludes that unless prevailing policies are modified in favour of primary producers, their exports of foodstuffs to industrial countries will rise much more slowly than in the years 1948-60. It believes tropical and semi-tropical products might hold out the most promising prospects for primary producers because industrial countries cannot normally produce them for themselves; and suggests that primary producers should process more of their products to obtain higher export earnings.

On NIESR's reckoning, the value of primary producers' exports of selected commodities in the decade it studied would have been worth $8.5 billion had they kept pace with the rise in money incomes in industrial countries. In fact, they fell $2.8 billion short of this target. NIESR calculates that the lag in consumption of these foodstuffs and beverages behind the growth in real incomes in industrial countries was responsible for 16 per cent of this "gap." Consumption of beverages, one of the main products of primary producers, grew more slowly than other foodstuffs. This changing pattern of consumption accounted for 9 per cent of the gap, and a fall in the primary producers' share of the food market caused by higher production in industrial countries was responsible for a further 4 per cent. But 71 per cent of the gap resulted from the big shift in the terms of trade in favour of industrial countries; over the decade the prices of these commodities dropped by 7 per cent, though the general price level in industrial countries rose by 25 per cent.

The FAO has delineated this sort of gap with considerable sophistication. Its latest projections* seem to rule out any improvement in the terms of trade of producers of temperate agricultural products in the sixties, and even on the most favourable assumptions, it foresees a growth in the value of exports of tropical and semi-tropical products no greater than the growth in population of the low-income countries. At best, it foresees no worsening of the chronic overproduction of agricultural products, but unless policies are modified there might be further additions to the already excessive stocks of agricultural products, which are depressing prices. *The Economist* commodity price indicator at 92.4 (base 1958=100) is near its lowest point and shows no improvement since the end of 1961. In the first four months of the year, prices have remained around the



extremely depressed level of the last quarter of 1961. The FAO suggests restriction of production and aid to underdeveloped countries to enable them to absorb larger quantities of foodstuffs which they could not otherwise pay for. Its arguments are familiar but unless used as a temporary stopgap, the leaning towards restrictions might be questionable.

* Agricultural Commodities—Projections for 1970.

EXPORT CREDITS

Long-term Proposition

IMPROVED facilities for insuring export risks are no quick acting tonic for exports. There is no precise relation between the level of export credit business insured and the total export performance, and last year's moves by the Export Credits Guarantee Department to match the terms offered by Britain's competitors for insuring export risks certainly failed to achieve any immediate impact on exports, unless one assumes that but for these changes, Britain's export performance would have been even more dismal than it was. But with their aid the volume of ordinary commercial business insured by ECGD rose by 12 per cent to £806 million. The relatively small amount of business done for special reasons increased from £22 million to £40 million. ECGD now insures about 20 per cent of Britain's exports.

ECGD FIGURES*

	Commercial risks		Special risks	
	1960–1 £ mn.	1961–2 £ mn.	1960–1 £ mn.	1961–2 £ mn.
New business insured	720·8	805·7	21·7	39·5
Premium income	7·4	8·6	1·1	1·7
Claims	4·0	4·1	2·9	0·1
Increase in reserves	7·4	7·1	0·9	1·9
Reserve at end-year	27·9	35·0	4·2	6·1

* Years to March 31.

Last year's cut in premium rates restricted the growth in premium income, but against a drop from 8s. 6d. to 7s. 9d. per cent in the average premium on short-term credits (up to six months) the rise of £580 million to £663 million in this class of business produced a slight increase in premium income. Though medium-term "commercial" business expanded only slightly, premiums last year were swollen by payments in respect of earlier years. Claims did not increase despite the difficult trading conditions faced by many of Britain's customers.

The new long-term guarantees produced no actual business though, as they say in the markets, they attracted active inquiry. Backed by these new facilities British exporters bid for 22 contracts worth more than £134 million; half of the contracts concerned shipbuilders and five related to heavy plant. About £26 million of this business seems certain. If the sums involved still seem high in relation to the total volume of insured credits, it has to be remembered that the response to the offer of guarantees for periods of five to ten years might reflect the first flush of business brought out by the new facilities.

CHEMICALS

OECD Report

THE chemical industry may be strong by British standards, but it looks pallid beside those of European countries. It is hard to avoid this conclusion after reading the latest OECD report of the chemical industry in Europe covering 1960. This was an outstandingly profitable year for the industry and has been described by Mr Chambers as irrelevant because exceptional. Between 1959 and 1960 the turnover of the chemical industry in Europe increased by 13 per cent to $19,750 million. Production increased by 14 per cent, compared with 10 per cent for manufacturing industries as a whole. But within the industry, some sectors were increasing very much faster: of these the most spectacular was petrochemicals which grew by 45 per cent, to 1,680,000 tons. Four countries supplied 80 per cent of European chemical production: Britain and Germany about one quarter each and France and Italy about 15 per cent each.

For those gifted with hindsight, the only hints of the tight year to follow were to be found in the way in which chemical

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COLOMBIA
Out next week:
Colombia is something of a microcosm of the many problems, political and economic, facing Latin America at the present time. The Review examines the development of the political situation in the light of the recent National Front election victories, describes the great influx of foreign funds expected during 1962, and takes a critical look at the new 10-year development plan; it also examines Colombia's prospects within the Latin American Free Trade Association (ALALC), with particular reference to the possibilities of expanding exports to ALALC countries.

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prices lagged behind those of other commodities and in the rise of imports in relation to exports; imports by European countries increased by 25 per cent to $3,140 million and exports by 14 per cent to $4,256 million. This increased activity mainly reflects intra-European trade, much of which was between Common Market countries, Britain's exports increased by 8 per cent and exports to Europe by 17 per cent, representing nearly one-third of the total. Imports from the United States and Canada to Europe increased by 36 per cent to $689 million, while exports from Europe to North America remained unchanged at £255 million. British exports were 19 per cent of turnover, but German exports were nearly a quarter.

Investment in chemicals in Europe rose 16 per cent, and represented 10 per cent of the total investments in manufacturing industries and construction. Investment in Britain was $358 million, in Germany it was $525 million. One-fifth of the total was invested in petro-chemicals; if present plans are completed petro-chemical production should be more than doubled by 1963, requiring an annual investment of $415 million over the three years.

SHOES

Price Problem

THE Chancellor's increase in the rate of 5 per cent of purchase tax to 10 per cent was not totally unwelcome to shoe manufacturers, for it gave them another weapon in their war with big buyers, such as Mr Clore, over retail prices. These, they insist, must rise anyway in order to absorb the rise of £1 a week or more in wages that has piled up in instalments, largely on account of the cost of living index, since February last year. This is a sharp increase following a fairly stable period which helped to keep prices, too, steadier than average—at the time of the budget they had risen by 11 per cent since 1956, compared with an average 17 per cent.

It is the smaller manufacturers, least able to afford the labour and time-saving machinery that has done much to transform large-scale shoe production, who are most in the hands of the big buyers of the British Shoe Corporation, and are also the hardest hit by the wage increase. Bigger independent manufacturers reach the public either through their own shops or through independent retailers. The retail chains are in a strong position for they can, and do, get an important proportion of their stock from abroad, particularly women's shoes from Italy and Belgium, which are competitive even with the present 10 per cent tariff and sometimes serve to expand retail margins where they do not reduce retail prices.

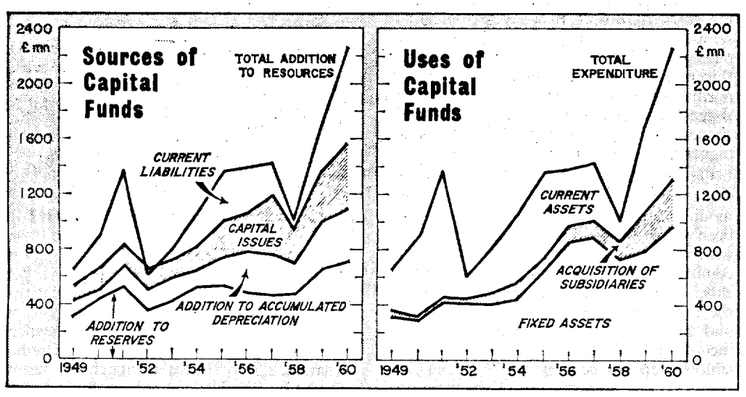
There is certainly no argument for bolstering weak manufacturers against effects which must anyway be felt before long, but the industry does have a just complaint against the rigidity of the retail pricing system favoured by the chains. This at present virtually dictates that prices of women's shoes can only vary between fixed levels—39s. 11d., 49s. 11d., and so on—which straitjackets price increases. Manufacturers are quite happy to see prices go up by less than 10s. a time and the budget has already given a ragged look to some retail price structures which should help the industry. But the British Shoe Corporation seems determined to stick as far as possible to what it terms "natural" prices. Yet are these "penny under" figures nowadays anything but a source of irritation to shoppers?

COMPANY FINANCE

Sources and Uses

CHANGES in the value of company assets as published in their balance sheets may be due to any of three factors—the purchase of new assets, the purchase of existing assets through the acquisition of new subsidiaries, or the revaluation of existing assets. In an attempt to distinguish between the influence of these factors the Board of Trade in a new study, *Income and Finance of Quoted Companies*, 1949-60 (published in *Economic Trends*, April, 1962, *HMSO*, price 5s.), has tried to trace the actual money flows that have occurred. The statisticians have worked back from the 1960 balance sheets, obtaining figures for earlier years by deducting the funds which were generated each year either by new issues of capital or by the ploughing back of profits. This method eliminates changes in the value of assets and other changes which are not a direct reflection of the annual cash flows; and it provides not only the breakdown of expenditure on assets but also an analysis of the sources of the capital funds.

Since 1955 the 2,600 companies concerned, which were largely engaged in manufacture, distribution and construction in this country, have relied more on new issues in the capital market than they did earlier. They have raised most of their new money in the capital market through issues of ordinary shares and their dependence on rights issues became particularly noticeable after 1958. Between 1956 and 1958, expenditure on tangible fixed assets represented nearly two-thirds of all spending on assets but since 1958 the proportion has fallen to two-fifths. At the same time, the sums spent on acquiring new subsidiaries have been rising and of the £338 million spent in this way in 1960 as much as £200 million was spent by companies in the food, drink, metal manufacturing, engineering and paper industries.



ADDITIONS TO CAPITAL, RESERVES AND LIABILITIES
(£ million)

	Total addition to resources	Long-term resources: Capital Issues: Ordinary shares	Capital Issues: Others	Per cent of long-term resources	Additions to reserves	Additions to accumulated depreciation	Current liabilities
1950	915	57	102	23·8	443	65	248
1955	1,364	157	112	26·5	532	215	348
1960	2,249	408	61	29·9	712	388	680
1949–60 ...	14,548	1,792	1,147	25·8	5,920	2,527	3,163

EXPENDITURE ON ASSETS
(£ million)

	Total expenditure	Current assets	Fixed assets	Acquisition of subsidiaries: Total	Acquisition of subsidiaries: Per cent of total expenditure
1950...	916	597	284	35	3·8
1955...	1,366	615	654	97	7·1
1960...	2,249	948	963	338	15·0
1949–60	14,548	5,958	7,164	1,426	9·8

FRANCE

Deposit Rates Lowered

A Paris correspondent writes:

THE National Council of Credit last week reduced maximum interest rates to be paid on bank deposits and *bons de caisse* (certificates of indebtedness) by ⅛ per cent for periods up to one year and by ¼ per cent for longer periods, bringing short-term deposit rates to a range of 2¼-2¾ per cent. This move is in line with the recent reduction in rates on Treasury bills and follows current official policy of reducing interest rates in the short-term market. The French authorities have been aiming, as the Bank of France states in its annual report, to encourage the banks to lend a larger portion of their funds at medium term.

The tone of the central bank report is one of quiet optimism. For 1961 it can report a rise of 6 per cent in industrial production, of 5 per cent in personal consumption, of 13 per cent in industrial investment, and of 11 per cent in exports against a rise of 7 per cent in imports, giving an excess of exports of 3 per cent plus 10 per cent from invisible receipts. The franc has remained consistently strong. The current surplus rose from 643 million new francs in 1960 to 858 million in 1961, despite a fall in net invisible receipts. In addition, the inflow of capital was stepped up from 244 million francs to 273 million francs.

COTTON

Residual Supplier

COTTON textile industries are notorious for their periodic slumps. The same seems to be true of exports of American cotton only more so. On its experience over the past decade, the United States could not be sure whether it would sell 2½ million or 7½ million bales to foreign consumers in any given season. These excessive fluctuations are caused by the growing army of suppliers of American-type cotton who undercut American exporters when a surplus of cotton appears. In the 1958-59 recession, they cut the United States right out of the market for much of the season. Smaller producers cannot afford to carry over 14½ million bales at the season's end as the United States was forced to do in 1956. They are only thankful that America is willing to stage this massive buffer act on their behalf.

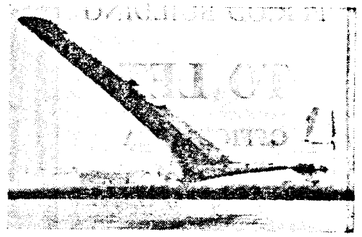
But this season's expected drop in American exports to abut 4½ million bales, compared with 6½ million in 1960-61 and 7¾ million in 1959-60, has brought renewed calls for bigger export subsidies (the current rate is 8½ cents a lb) and bigger sales under Public Law 480 (assisted purchases and "give-aways"). This agitation is not to be confused with the demand for an impost on the cotton content of imported textiles designed to nullify the competitive advantages foreigners enjoy in the American market because of their access to cheaper cotton. High prices for cotton are already helping man-made fibres to a very large share of the total fibre market in the United States; cotton's share dropped to its lowest point of 63 per cent last year.

A revival in the United States has given American mill consumption an unexpected lift this season; it might exceed 9 million bales. The end-season carry-over is therefore likely to expand only moderately to 8 million bales. Recovery in the United States has produced higher prices for American cotton though the demand for it is far from robust. Prices in America have risen more than the 2½ cent increase in this season's export subsidy and that has not helped exports. So far this season Britain's imports of non-American cotton have fallen by only 275,000 centals of 100 lb to 2.8 million centals; imports of American cotton are 533,000 centals lower at 1.4 million centals. In the first three months of this year, imports from other countries were actually higher though imports from the United States were nearly halved. Over the past two years, the general level of cotton prices has edged higher, though recently there has been some reaction. But helped by the low level of unsold warehouse stocks combined with the threat of a dock strike spot supplies 1-inch American cotton have been maintained at 24½d. a lb, which still gives its competitors a strong inducement to expand their output.

MAN-POWERED FLIGHT

Puffing Puffin

MR JOHN WIMPENNEY flew half a mile flight under his own power last Friday, and won a £50 prize offered for the first flight over the distance. His feat puts the de Havilland team favourite for a £5,000 prize offered by Mr Kremer for a flight over a full mile including—and here is the rub—two figure-of-eight turns. Their Puffin aircraft is so far free of control troubles—these grounded Southampton University's man-powered machine for alterations—but it has yet to be tested in a full turn. More flight testing, and some fine weather, will be needed before Puffin is ready to attempt the mile, piloted (or powered?) by a racing cyclist with perhaps 30 per cent more power output than Mr Wimpenney can manage to produce. The third serious contender is a two-man machine being built at Southend airport, but this has yet to be assembled. All three projects have been financed by



grants from the Royal Aeronautical Society, which does not think highly enough of other man-powered projects to extend aid to them. Considerable aerodynamic knowledge is needed to design an aircraft like Puffin with a limit of half a horsepower from its hominoid engine. Once the design has been proved, there may be fascinating possibilities for future generations of Puffins, crewed by the not-so-athletic but assisted by a motor producing the extra half-horsepower that is beyond their flabby muscles.

SHORTER NOTES

Identified overseas earnings by British hire purchase finance companies amounted to £1 million in 1960, the Board of Trade recently disclosed in answer to a parliamentary question.

★

Equity and Law Life Assurance has disposed of the whole of its shareholding in the Save and Prosper Group Limited, the management company of the Save and Prosper Group of unit trusts, to Robert Fleming and Company, which made the purchase on behalf of itself and other institutions.

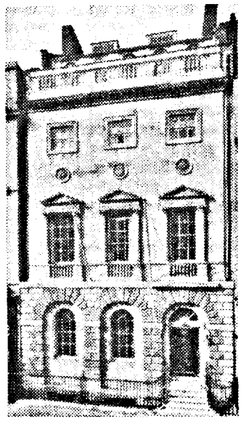
COMPANY AFFAIRS
Comments on pages 619, 620, 621 and 624 on:
Rugby Portland Cement · Cammell Laird
Royal Dutch/Shell · South Durham Steel
Marks and Spencer · Penguin Books
W. H. Smith · Rio Tinto
Consolidated Zinc · Insurance Shares
Imperial Chemical Industries
Guest, Keen and Nettlefolds

STOCK PRICES AND YIELDS
Stock prices, yields and security indices on pages 622 and 623

MONEY AND EXCHANGES
Money market report, exchange rates and public finance on page 625

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ROYAL INSURANCE GROUP

REVIEW OF RESULTS FOR 1961

STATEMENT BY MR T. H. NAYLOR, CHAIRMAN, ROYAL INSURANCE COMPANY LIMITED

The Annual General Meeting of the Royal Insurance Company Limited will be held on Wednesday, May 30th in Liverpool.

A statement by the Chairman, **Mr T. H. Naylor,** from which the following are extracts, has been sent to stockholders with the 116th Annual Report and Accounts.

DEVELOPMENTS IN 1961

The year 1961 was an eventful one in the long history of your Company and before reviewing the results for the twelve months ended December 31st last, I should like to touch upon the important highlights. I refer, of course, to the acquisition by your Company of the share capital of The London and Lancashire Insurance Company and virtually the whole of the share capital of two jointly operated Canadian Companies, The Western Assurance Company and The British America Assurance Company. The acquisition of the "London and Lancashire" was effected by an exchange of shares, for which purpose our authorised share capital was increased in February 1961 from £6 millions to £7.5 millions. The two Canadian Companies were purchased for cash ; and in order to finance the transaction on a permanent footing, the authorised share capital was further increased to £30 millions in July 1961 by the creation of 90 million new shares of 5s. each.

Considerable progress has already been made in bringing the Companies of the "London and Lancashire" Group into closer association with the "Royal-Globe." A joint Finance Committee of Directors has been set up to secure uniformity of financial policy and practice. Unified control of the wider activities of the two Groups will be established by the Boards having common membership and meeting jointly.

RESULTS FOR THE YEAR

The premium income of our Fire, Accident and Marine Departments exceeded £199 millions. Prior to the mergers, we were already the largest Group of our kind in the Commonwealth and our leading position has now been further consolidated.

The underwriting result was a surplus of £2.4 millions and on such a large premium income this is a very modest margin of profit indeed. Apart from in the United States, to which I refer in the Overseas section of my Statement, our overall underwriting experience was satisfactory. I must stress that the net result of our overall operations in the United States produced a substantial dollar surplus for the benefit of Stockholders. Our interest earnings there far outweigh any underwriting losses we have experienced in unfavourable years.

Our investment income was again buoyant and contributed £12.6 millions to the overall earnings of the year's operations—an increase of £400,000 over 1960. Our consolidated profit, after providing for taxation and Pension Fund contributions, was £6.3 millions.

DIVIDEND

At the time of the Rights Issue, it was too early to give any reliable estimate of profits for the year but your Directors then stated that they expected to be able to recommend a final dividend of 9d. per 5s. unit. In confirmation of that expectation, they now formally recommend a final dividend of 9d. per 5s. unit on the capital as increased.

OVERSEAS

Our total Group premium income in the United States showed little change over that for 1960. This is the natural result of our policy of recent years of refining our extensive portfolio and of continuing to place the emphasis on quality of business rather than on quantity. The joining of forces with the "London and Lancashire" should, in the course of time, enable all our Companies to benefit from an even broader base for our American operations.

The cost of claims arising out of Hurricane "Carla" in September last was not as heavy as that for Hurricane "Donna" in 1960, but it was sufficient to rob us of the underwriting profit we would otherwise have enjoyed on our American Fire operations last year. Our substantial United States Casualty account failed to maintain the improvement which the 1960 experience had encouraged us to hope for, and in fact produced a loss which had a considerable effect on our overall results.

In Canada it is gratifying to be able to report once again that despite highly competitive conditions, a very satisfactory profit emerged in all departments.

In Australia and New Zealand our business continued to expand and to be profitable and progress was also maintained in Southern Africa, where the underwriting results showed a marked improvement on those of the previous year.

Elsewhere overseas the volume of our business steadily increased in both Fire and Accident Departments.

FIRE DEPARTMENT

The underwriting surplus of £1.142,857 (1.5 per cent of Premiums totalling £76,464,983) was earned in spite of heavy fire wastage and storm damage at home and overseas.

The increase in premium income overall was relatively modest, although in most important territories, other than North America, expansion was satisfactory.

At home, in a year when the national fire wastage was again at a high level and there have been exceptional storms and floods, our business produced a modest increase in profit and a satisfactory increase in premium income.

ACCIDENT DEPARTMENT

The Group's Accident Department income again expanded—to £109,932,341—but showed a disappointing underwriting surplus of only £217,155 (0.2 per cent of Premiums). This was due entirely to the unfavourable experience in the U.S.A. ; elsewhere, the results of our operations were satisfactory.

Generally, the Home results in the Accident Department have been encouraging. Motor, the principal class in the portfolio, has benefited from Commercial Vehicle rate increases and from adjustments in some Private Car rates. We are trying, by discriminative underwriting, to maintain a modest favourable margin in the account, but with traffic density increasing at the present rate of approximately 8 per cent per annum, cars capable of ever greater speeds coming on to our congested roads, and damages and repair costs mounting in sympathy with the general level of prices, it would be optimistic to believe that we have reached a prolonged period of stability.

The leading position enjoyed by our Engineering associate, the "British Engine," has been well maintained, and once again it is my pleasure to report a favourable margin on a rising income.

MARINE DEPARTMENT

Net Premiums for 1961 in this Department amounted to £13,086,315 and the transfer to Profit & Loss Account, mainly in respect of 1959 underwriting account, was £1,029,031.

During 1961 several large new passenger ships were commissioned and the growing capacity of the Marine market was demonstrated by its ability to absorb insured values higher than ever before ; the British liner "Canberra" (£17 millions) and the French liner "France" (£24 millions) were two such cases.

Hull insurance once again gave cause for concern. Although total losses during 1961 were lower than in the exceptionally bad year of 1960, they were higher than the average of the previous five years and the number of partial losses was greater than in any year since 1956.

LIFE DEPARTMENT

Our Life Department figures now include those of the Law Union & Rock Insurance Company, an associated office of the "London and Lancashire," and once again show a substantial increase. New sums assured amounted to £97,111,170 ; new annuities to £3,281,684 ; and new premium income was £4,307,773. The increase noted last year in the volume of new pension scheme business has been maintained and, in addition, in 1961 there was a large increase in the amount of our new immediate annuity business.

INVESTMENTS

Our invested assets this year have increased not only from the normal accrual of cash for investment and the consolidation of the "London and Lancashire" and the "Western"/"British America" Groups' investments, but also from about £7 millions remaining from the net proceeds of the Rights Issue after the purchase of the share capitals of the "Western" and "British America."

The balance sheet value of our investments now totals £295,366,587 in the General Fund and £133,742,356 in the Life Funds.

MANAGEMENT, STAFF AND AGENTS

I greatly value the opportunity which this Statement gives me of expressing to the Management and Staff our appreciation of the ability and enthusiasm they have shown in the conduct of our operations during the past year. To all those who have served the Group at home and overseas—and I include in this great number the many Agents of our Companies—I extend our sincere thanks for their enterprise and devoted efforts.

Costain aim to undertake 50% or more of its business in overseas territories

"THE GROUP IS WELL PREPARED AND EQUIPPED TO TAKE ADVANTAGE OF ANY RELAXATION OF CREDIT RESTRICTIONS"

—Sir Richard Costain, CBE, Chairman

The Annual General Meeting of Richard Costain Limited will be held on June 19th in London.

The following are extracts from the circulated statement of the Chairman and Joint Managing Director, Sir Richard Costain, CBE.

As I anticipated in my interim statement the effects of the Government's economic policy have been to reduce our profits over the second half of 1961. Although the Group Profits show an increase before depreciation we have during the year increased our plant holdings with the result that the charge for depreciation has been significantly increased, and the much reduced charge for taxation is in part due to the capital allowances accruing on this plant. The incidence of higher interest rates and the adverse effects of the tight credit squeeze on some of the activities of the Group resulted in lower profit margins; even so, this was to some extent offset by a substantial increase in the turnover. Political disturbances in the Middle East and Central Africa have resulted in losses in these areas during the year.

During 1961 the proportion of unremitted profits arising from areas overseas in which the rate of taxation is substantially lower than in the United Kingdom has shown a considerable increase over previous years. These profits will attract an additional tax charge if they are eventually remitted to this country. The lower charge for taxation and the smaller proportion of pre-acquisition profits results in the slightly increased balance of net profit applicable to Richard Costain Limited of £435,388 (£405,493). This provides a cover of 2.7 times the total net dividend recommended for the year. The profits of the Group before making any provision for taxation thereon were £710,144 (£804,853) and before charging depreciation were £1,669,039 (£1,609,048).

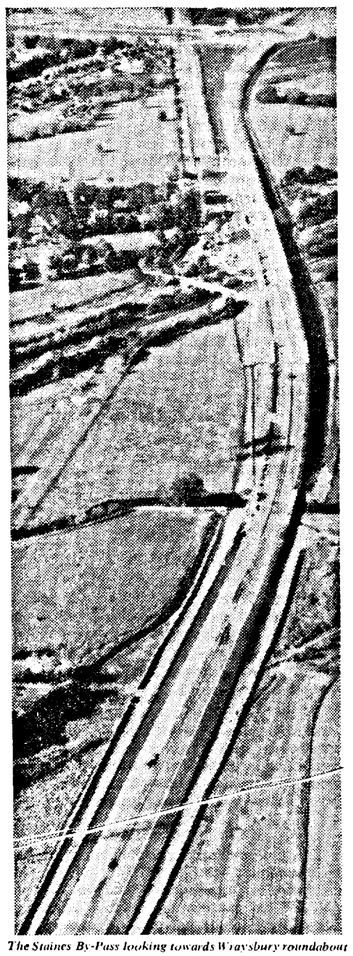
UNITED KINGDOM

It is pleasing to record that the volume of work carried out in 1961 was appreciably higher than in 1960, and the current state of the order book is most encouraging. Although the value of orders for Industrial Building available to the contracting industry as a whole fell sharply during the final quarter of 1961, this was to a large extent offset by increases in orders for other work. The Group is well prepared and equipped to take advantage of any relaxation of credit restrictions.

Civil Engineering and Building. During the year the Staines By-Pass was completed and excellent progress has been made on the Slough By-Pass and other projects. The Research Department of Richard Costain (Construction) Limited has developed a new method of construction of the higher multi-storey buildings, known as the "Jackblock System" which has evoked world wide interest. Construction of a 17-storey block of flats at Coventry to be built on this principle has begun this year, and is expected to be completed in August, 1963.

Housing: In the early part of 1961 the progress I was able to report last year continued, but the impact of the Chancellor's measures in July, resulting as they did in reduced mortgage facilities, was felt in the latter part of the year. The promised abolition of the Schedule A tax should further encourage owner-occupation and any improvement in the mortgage situation would increase demand.

Concrete: Since the end of 1961 there have been indications that the demand for railway sleepers from the British Transport Commission may not be sustained.



The Staines By-Pass looking towards Wraysbury roundabout

COSTAIN

Siporex: During the year there has been a satisfactory increase in production and sales, and the varying nature of the uses to which this material has been put by our clients is further evidence of its excellent qualities.

ABROAD

I welcome the steps which have been taken during the year, both by the City Institutions and by ECGD. to place UK Exporters on a more competitive basis *vis-à-vis* their Overseas Competitors. It is essential, however, that British Contractors should not be placed at a disadvantage as compared with those of other countries in the treatment of certain taxes levied abroad, and I hope that HM Government will give this matter urgent and sympathetic attention.

Since the close of the year, we have agreed to an association with the firm of MacDonald, Layton & Co. Ltd., Building Contractors and Boat Builders of Pakistan, under which we are subscribing for a 49 per cent interest in their business, it being advantageous for local control to be maintained. This is a well-established and successful Company and with the increased capital available it is intended to expand their existing activities, and to enter the Civil Engineering field.

The Chairman then reviews the Group's interests in Australia, Canada, Libya, the Middle East, Nigeria, Rhodesia and Argentina and continues:—

PROPERTY INVESTMENT AT HOME AND ABROAD

During the year a new Company, Triland (Coalville) Limited was formed in which we have a controlling interest, to undertake the development of a £1 million Shopping Centre in Coalville, Leicestershire, which it is hoped to complete towards the end of 1963. Provisional arrangements for letting about half of the available space have already been made.

The first two re-development schemes undertaken by Rank Property Development Limited have been virtually completed and letting arrangements are well advanced; further schemes are nearing fruition.

Construction of an eleven storey office block, which includes premises for the Salisbury Club, was completed in Rhodesia; only the ground floor remains to be let.

FUTURE PROSPECTS

It is the aim of the Group to undertake 50 per cent or more of its business in overseas territories. We thereby aspire not only to make a worthwhile contribution to British exports but also by diversifying our activities seek to ensure, as far as is possible, the maintenance of an adequate level of profit for the Shareholders.

In view of the current state of our order book and the general progress at present being made on our contracts a further increase in turnover is anticipated in 1962, but, as I have stated earlier, difficulties in some areas abroad are likely to continue and the conditions at home which reduced our profits in 1961 may well remain. The indications are, therefore, that the profits for the current year will not show any considerable variation from those of 1961.

RICHARD COSTAIN LIMITED · BUILDING & CIVIL ENGINEERING CONTRACTORS · LONDON · ENGLAND

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BRUSSELS, BELGIUM

PROFIT MAINTAINED

DANGER OF DEPENDENCE ON RUSSIAN OIL

CUT PRICE PETROL SUPPLIES PRECARIOUS

The Annual General Meeting of Petrofina SA was held in Brussels on May 11, 1962, and the following are extracts from the Board of Directors' Report to the shareholders for the year ended December 31, 1961.

The death of the Viscount van de Vyvere on October 22, 1961, has been a particularly painful blow for us. We have lost a great Chairman.

GENERAL REVIEW

The year 1961 was not very different from the years 1959 and 1960, the true prices at which business was done in crudes and finished products remaining, generally speaking, at levels which were appreciably below world list prices and were too low to provide the margin which our industry needs for reinvestment to take care of the continued growth of demand.

It seems that the growth of Russian exports to non-Communist countries compared with the year 1960 was of the order of 5 to 6 million tons, of which only a part went to Western Europe. For their part, the countries of the West cannot afford to neglect the security of their supplies, which could be interrupted by a deterioration in international relations if they were overmuch dependent on Soviet sources. The governments concerned seem to be displaying a growing awareness of the seriousness of the problem, but the problem remains unsolved nevertheless.

We repeat the view that the cost of crude, of which the biggest constituent is the dues going to the governments of the producing countries, cannot but tend to rise. Consequently, normal prices of fuel oil—a steadily growing proportion of the products from crude—cannot remain at the unrealistically low level that they have reached in many parts.

From the point of view of the consumer, it is clear that, generally speaking, he derives no benefit from reductions in prices by the oil companies, since most governments, taking advantage of low oil prices, have simply imposed higher excise duties on liquid fuel, claiming as justification the need to protect their countries' coal industry.

CONSUMPTION AND PRODUCTION

The growth of the world consumption of oil in 1961 compared with 1960, excluding Communist countries, was of the order of 7 per cent, which overall was in accordance with forecasts. In the United States, however, it was little more than 1 per cent, while in Western Europe growth was faster than was expected and reached 13 per cent.

Outside the United States the demand for fuel oil was again responsible for the greater part of the increase in consumption, but its growth was relatively slower than in the previous year, and there was an appreciable increase in the consumption of motor spirit in Western Europe, following a higher standard of living. There are good consumption forecasts for 1962 for all petroleum products.

World production exceeded 1,100 million tons, an increase of 6.5 per cent over the previous year. In the Middle East production increased by less than 7 per cent, spread unevenly over the different producing countries. Saudi Arabia and Iran had a substantial increase, Iraq a smaller one, while Kuwait production remained unchanged. This slowing down in the rate of expansion is the natural result of the growing share taken by the Sahara in supplies to Europe.

TRANSPORT

The volume of laid-up tanker tonnage, which for some years now has depressed the freight market, went down again, falling to a little over 2 million tons at the end of the year, against 5½ million tons two years ago, and the proportion of new vessels laid up is very small. The reduction in the number of ships laid up is partly accounted for by the conversion of a certain number of tankers into bulk carriers, and by the more widespread use of tankers for the grain trade, but the marked improvement in the statistical situation has not prevented voyage freight rates remaining extremely low.

DISTRIBUTION

Keen competition was the feature of most markets, both in Europe and in America and Canada. There was a trend towards chains of service stations selling at much below normal prices in some countries, notably in Great Britain and Belgium. Their main source of supply is refineries which do not have enough secure outlets, and which treat the quantities that they can dispose of in this way as marginal. This method of supply seems distinctly precarious, because the marginal quantities will disappear as soon as the balance between supply and demand is restored.

REVIEW OF OUR GROUP'S ACTIVITIES

For reasons beyond our control, we have had to give up our share in the International Egyptian Oil Company, which has reduced our production of crude oil, and we have thought, in consequence, that we should make further efforts to reduce the lack of balance between our crude requirements and our own production. With this in mind we have signed an agreement for a concession covering an area of some 5,500 square miles in Morocco.

Our group has adjusted itself to the unfavourable conditions through which the oil industry is passing, and is today particularly well placed to take full advantage of any improvement in the situation.

In some countries, and for some products, more than usually low selling prices have led us to limit temporarily the normal scope of our subsidiary companies, but, in spite of selecting with more than usual care the business which they thought worth doing, the group companies in 1961 sold 9,400,000 tons of finished products, an increase of 7 per cent over 1960.

FINANCE

In order to take advantage of favourable conditions in the financial market, we issued a loan of 50 million Swiss francs in the course of the year.

We have not abandoned the strict financial caution which present conditions in our industry dictate, but what has happened in the past year, and the situation at the present time, serve only to strengthen our confidence in the future of the petroleum industry as a whole, and of our own company in particular.

Our writing down of our assets has been consistent with the method which we followed last year, and we have adhered to our policy of giving our shareholders a fair return on the capital which they have invested. Accordingly we are recommending to you the payment of a dividend of 80 Belgian francs on all shares. As usual the dividend will be free of any scheduled tax, but may be liable to a withholding tax.

Profit for the year ended December 31, 1961, amounted to 681,553,136 Belgian francs (approx. £4,868,000) (1960, approx. £4½ million) including the balance brought forward from the previous year of 90,670,379 Belgian francs (approx. £648,000). This profit has been arrived at after charging the Profit and Loss Account with 478,328,717 Belgian francs (approx. £3,417,000) for depreciation, research and decrease in the value of assets.

We propose that the profit should be appropriated as follows:

To a dividend of 80 Belgian francs on 6,500,000 shares (1960 the same on 5,100,000 Old shares and 40 Belgian francs on 1,400,000 New shares).....520,000,000 Belgian francs (approx. £3,714,000) (1960, £3,314,000).

To directors' remuneration ..... 39,139,785 Belgian francs (approx. £280,000) (1960, £250,000).

To the legal reserve.....30,000,000 Belgian francs (approx. £214,000) (1960, the same).

To be carried forward.....92,413,351 Belgian francs (approx. £660,000) (1960, £648,000).

TOTAL: 681,553,136 Belgian francs (approx. £4,868,000) (1960, £4,426,000).

The report, accounts, and the proposals submitted by the Board were adopted.

THE WEIR GROUP

G & J WEIR HOLDINGS LIMITED

Extracts from the Statement by the Chairman, The Viscount Weir C.B.E., for the year ended 31st December, 1961.

GENERAL REVIEW:

The year 1961 was one of great difficulty for those engaged in the heavy sector of British Industry. With its crisis leading to the Little Budget and the Pay Pause, it proved more clearly and strongly than ever before the need for the Government to prepare, adopt and abide by a long-term financial policy for the nation. The short-term alternations in credit, which have been a feature of the last three years, are a powerful deterent to free enterprise and initiative. In my review last year, I referred to the effects of this situation on capital investment; those effects were intensified in 1961 and it is in their light that our performance for the year should in general be regarded.

The results now before you unfortunately confirm these anticipations.

The principal factors contributing to the major contraction in our earnings were:

1. The low level of output experienced by the two main Subsidiary Companies, particularly G. & J. Weir, Limited. This was a direct result of the poor intake of new orders during the years 1959 and 1960 and during the first quarter of 1961. Orders for new work were conditioned by the low demand for marine auxiliaries and directly reflected the continued recession in the shipbuilding industry.

2. Certain contracts were accepted at price levels which, although unremunerative, represented the best obtainable under current competitive conditions. While the work so obtained represented valuable additions to our load, the final results of these contracts, under higher cost conditions, turned out to be worse than we anticipated.

3. Weir-Pacific Valves Limited had still to complete their programme of new equipment for the manufacture of the Pacific valve range and, although showing marked improvement over 1960 in sales, incurred a loss on their trading.

Weir Housing Corporation Limited had a good year and the smaller companies had satisfactory results.

I am glad to report that for the first time for several years there was a marked upward movement in the orders received by the Group for new work. This increase in orders was substantial—in certain cases very substantial—with the result that we entered 1962 greatly encouraged by the augmented order books. It is also satisfactory to report that the flow of orders continued at a promising rate during the first quarter of 1962.

Our continued growth is the result of our policy of product development and diversification designed to lessen our dependence, particularly of G. & J. Weir, Limited, on the fortunes of the shipbuilding and heavy power plant industries. Although I have referred to this policy in previous Statements, it is perhaps desirable that this year I enlarge somewhat on the principles which lie behind it and its three main objectives, which are—

1. To build up manufacturing load by new product development.

2 To enter process fields other than power, whether in the marine field or on land.

3. To acquire interests in allied or associated undertakings, this increasing the range of the Group's activities and strengthening certain existing ones.

This process of expansion must necessarily be followed by a period of consolidation.

I find evidence accumulating which confirms the correctness of our policy in the changed emphasis we have now imparted through our entry into other markets and fields of engineering. In them the rate of new investment tends to be steadier, and they offer greater growth possibilities than the more traditional outlets for our activities.

DEVELOPMENTS:

I have to record the following developments in your Group during 1961.

Pulsometer Group: In my remarks at the last Annual General Meeting, I referred to our joint acquisition with Booker Brothers, McConnell & Co., Limited, of the Pulsometer Group of Companies. Under the arrangements made we acquired the following:

1. The licence and other assets relating to the range of process pumps formerly built by Pulsometer to the designs of Pacific Pumps Inc., of the U.S.A.

2. The business formerly conducted by Joseph Evans & Sons (Wolverhampton) Limited. This old-established Company has a considerable reputation, particularly in the supply of reciprocating pumps for mining purposes.

3. The vacuum pump business formerly carried on by Pulsometer at their Reading works. This opens up a field of pumping applications hitherto untouched by any member of the Group.

4. The water treatment business of Pulsometer and a controlling interest in G. S. Tett & Co. Limited of Slough, a small concern who for some time have conducted a successful business in the supply of industrial and domestic water treatment units.

5. B.A.L. Limited, of Dudley and Halesowen, Worcs., who are specialists in the manufacture of seals and packings made of moulded rubbers and other materials.

C. F. Taylor (Metal Workers) Limited: During the year your Company had the opportunity of acquiring a substantial interest in the equity of this Group of companies. Although primarily noted for their sheet metal work—such as in fuselage assembly and fittings for aircraft, coachbuilding, tanks and pipes—C. F. Taylor have a wide range of other interests. Examples are reinforced plastics, heating and ventilation work and design services. Zwicky Limited, as substantial purchasers of tanks for refuelling equipment, have had extensive dealings with the Taylor Group.

THE ACCOUNTS:

The conditions to which I have already referred resulted in the reduced trading surplus of £664,197 against £1,796,323 for 1960. Owing to the change in composition of your Group, due to the additions made to it in 1961, output cannot be strictly compared with the year 1960, but on an appropriate basis there was a decline of approximately 5 per cent in value between the two years, so that the total Group output fell below £19 million.

The Group net profit, after adjusting minority shareholders' interests, amounted to £277,982 against £795,993 for 1960. Of this net profit £89,461 was retained by subsidiary companies leaving an available net profit to the Holding Company of £188,521 against £700,690. With the addition of the carry-forward from the previous year, the amount available for appropriation by the Holding Company is £879,058 against £1,290,878 for 1960.

After a careful review of your Group's position and prospects the Board feel justified in recommending that the final dividend be maintained at 12 per cent making a total distribution for the year of 18 per cent. This will absorb £456,526 and will allow £422,532 to be carried forward in the Profit and Loss Account of the Holding Company.

The Consolidated Balance Sheet shows the full impact of the developments which took place during 1961. Investment in fixed assets increased by £2.3 million and the working capital employed throughout the Group (excluding cash) was £2.7 million more than last year—a total of some £5 million. Basically, this was the main reason for the movement in our cash resources from £3.5 million on hand at the end of 1960 to an overdraft of £2.4 million at the end of 1961. This position was relieved early in 1962 by the receipt from Peacock Brothers of a substantial proportion of the sum of $2,500,000 (Canadian), Peacock having sold their Nordstrom valve business for that amount in 1961 to the Rockwell Group of the U.S.A.

PROSPECTS:

I hope to be able to report to Stockholders at our Annual General Meeting my views on our prospects for 1962 in the light of the latest information available at that time.

There can be no question that 1961 undoubtedly produced a very marked improvement in the demand for your Group's products in contrast to the two preceding years when it contracted.

For the Group as a whole, the favourable trend has continued throughout the first quarter of 1962. We have accordingly planned for a total Group production exceeding previous years but the achievement of this will depend upon a continuance of the existing level of orders.

To sum up the more immediate prospects, therefore, I would expect 1962 to see an improvement in our gross earnings, towards which the new acquisitions should contribute.

Copies of the Report and Accounts may be obtained from The Secretary, G. & J. Weir Holdings Limited, Cathcart, Glasgow, S.4.

This notice is under no circumstances to be construed as an offering of these securities for sale or as a solicitation of offers to buy any of these securities, but appears solely for purposes of information.

April 25, 1962

2,250,000 Shares

Ford Motor Company

Common Stock

($5 Par Value)

The Shares are to be sold to the several underwriters, including the undersigned, by The Ford Foundation, and no part of the proceeds will be received by Ford Motor Company.

Price $97 per share

The First Boston Corporation

Blyth & Co., Inc.

Goldman, Sachs & Co.

Kuhn, Loeb & Co.
Incorporated

Lehman Brothers

Merrill Lynch, Pierce, Fenner & Smith
Incorporated

White, Weld & Co.
Incorporated

Dean Witter & Co.

THE RIO TINTO COMPANY LIMITED

The Annual General Meeting of The Rio Tinto Company Limited, will be held on June 7th at Barrington House, 59, Gresham Street, London, E.C.2. The following are extracts from the Statement by **Mr Gerald Coke,** *the Chairman, which has been circulated with the Report and Accounts for the year ended December 31, 1961 :*

ACCOUNTS

The increase in the consolidated profit before taxation from £4,635,000 to £7,150,000 is due to the inclusion for the first time of dividends from Rio Algom and Preston Mines. The figure also includes the first interim dividend from our holding in British Petroleum. The figure of £375,000 for amortisation of investments has this year been increased to £1,057,000 by reason of the Canadian charge referred to below.

The Exploration and Development Expenditure shown in the Consolidated Balance Sheet of £2,027,000 is considerably lower than last year, the principal reason being that the Palabora project previously consolidated has now been treated as an investment in a non-consolidated subsidiary. The increase in the value of the quoted investments, other than that in Compania Espanola de Minas de Rio Tinto, S.A., from £3,618,000 to £10,617,000 is due principally to the acquisition of shares in British Petroleum in exchange for assets of Kern Oil.

During 1961 our beneficial interest in Rio Algom (the main operating company in Canada) was built up from 37 per cent to 53 per cent. This necessitated considerable temporary borrowings from the bank, which it is expected will be substantially repaid by the end of 1962.

Rio Algom paid its first dividend of $1.50 per share in December, 1961. Tinto Holdings Canada (our wholly-owned Canadian subsidiary) set aside approximately one-third of this dividend as being attributable to pre-acquisition profits and wrote down its investments by this amount. Out of the balance of the dividend about half was charged against profits and credited to the Provision for Amortisation of Investments, in view of the uncertainty of the uranium situation after the expiration of present contracts.

The Chairman's Statement last year welcomed the Chancellor of the Exchequer's initiative in announcing his intention of securing to British companies operating overseas and to their shareholders the benefit of the tax reliefs granted to them by the Governments of the overseas countries concerned. Unfortunately section 17 of the Finance Act, 1961, as presented in the Finance Bill contained serious technical flaws which would have in large part destroyed its value to the Company and its shareholders. As a result of representations to the Inland Revenue, a Government amendment was introduced which corrected some of these flaws. A promise was also made for further amendment of the section, which the Chancellor has since announced will be carried out in this year's Finance Bill. So far as is known, however, the section will not work until the appropriate reliefs are written into existing double taxation treaties. This may well be difficult to effect, and if this is so, the basic object in introducing the section will be frustrated. It is hoped that the Chancellor will bear in mind this fundamental weakness in the present wording of the section and consider amendments to make it unilateral, so that his stated intention will in fact be achieved.

THE MERGER WITH THE CONSOLIDATED ZINC CORPORATION LIMITED

The events of the year under review must, of course, now be viewed in the light of the proposed merger with The Consolidated Zinc Corporation. Shareholders' attention is particularly drawn to the paragraph in the Explanatory Statement which gives the views of both Boards on the dividend prospects for 1962.

It must be emphasised that this is a merger and not a take over of one company by another. This merging of complementary but not competitive interests will provide for the shareholders of both Companies a far greater geographical and functional spread. The proposed new company will have a wider spread of earnings to cover its dividend and far greater strength on which to base its future expansion.

CONCLUSION

The Rio Tinto Company has a long and distinguished history. Its shareholders will have seen their holdings pass through many phases and have remained loyal to the Company. For their support through good times and bad and their understanding of our problems I must offer them first a word of thanks. I hope that they will feel that their confidence in the Company and in those who direct its fortunes has been justified and I am sure that a bright future lies before them.

Next I would wish to offer a word of sincere thanks to all those in Rio Tinto, throughout the world, and especially to the staff of the London Office, who have so admirably and so efficiently given me their support.

To my colleagues on the Board, who have honoured me by electing me annually to be their Chairman, I offer my deepest gratitude. I have had nothing but pleasure and interest from our association, and their wisdom in affairs and unfailing forbearance and kindness to me personally have made it appear deceptively easy to preside over our deliberations.

Finally to the Managing Director, Mr Duncan, shareholders owe a great debt. The present and future shape of the Company is of his building and, as he is continuing as Managing Director of the proposed new company, shareholders will have many opportunities in the future to express their gratitude. I can only say how sorry I am that the happy relationship which has existed between us will shortly come to an end. It is impossible for me to express adequately my gratitude to him for his consideration and support.

To all associated with The Rio Tinto Company I can give the assurance that I am handing over to a Chairman who is fully conscious of the traditions and standards of the Company and who will safeguard their interests to the best of his ability. Mr Baer will take on the chairmanship of the proposed new company with the good wishes and complete confidence of all of us.

Mr Val Duncan (Managing Director), in his Review of Operations, surveyed the continuing policy of diversification covering the Company's activities in Africa, North America, Australia, Europe and their interests in nuclear fuels. One matter of great importance to Rio Algom, he said, was the outcome of the present discussions between the UKAEA and Canada on what had become known as the hidden contract.

The quantity of 24 million lb uranium oxide is regarded as firm, but the price to be paid for this and the basis of distribution among Canadian producers have yet to be decided. Based upon the amounts of the initial contracts and upon capital expenditure incurred, it is believed that Rio Algom is entitled to a substantial allocation, all of which could be produced from its ample ore reserves after the expiry of its existing contract at the end of 1966.

In Southern Rhodesia soon after the Cam and Motor Mine was acquired at the end of 1959 and management assumed in April, 1960, a detailed investigation was undertaken. This was completed early in 1961. As a result, a major re-organisation was carried out in the middle of the year, and although the tonnage mined and milled has been considerably reduced, gold production has increased without overmining.

In the Republic of South Africa the pilot plant at Palabora came into operation early in 1961, and throughout the year has been operating satisfactorily on ore supplied from underground development. A preliminary plant estimate has also been made. A basic design and cost study is now being carried out and should be completed by the end of 1962.

In Australia, operations at Mary Kathleen continued satisfactorily and the tonnage of ore treated increased by about fifty thousand tons. As a result of the use of the electronic sorter the grade of ore milled improved considerably. For the above reasons, and due to increased efficiency and to the completion of overburden removal, operating costs were reduced appreciably.

If the present high rate of production is maintained the contract with the UKAEA for the supply of uranium concentrates will be completed at the end of 1963. Every effort is being made to find alternative activities to occupy Mary Kathleen until the uranium market recovers.

Rio Tinto Australia has acquired prospecting rights in North Western Australia where preliminary exploration has indicated the existence of large and promising iron ore deposits. Whether these deposits can be the basis of a profitable operation depends upon many factors.

THE CONSOLIDATED ZINC CORPORATION

MR A. M. BAER'S REVIEW

The Annual General Meeting of The Consolidated Zinc Corporation Limited will be held on June 7th at 6, St James's Square, S.W.1.

The following are extracts from the statement by **Mr A. M. Baer,** the chairman, which has been circulated with the Report and Accounts for the year ended December 31, 1961:

The Group profit, before mining royalty and taxation, amounted to £1,800,987 compared with £3,636,434 for 1960, a reduction of £1,835,447, which was accounted for primarily by the low level of lead and zinc prices during the year.

The average London Metal Exchange price for lead during 1961 was £64 4s. 3d. compared with £72 2s. 11d. for 1960 and the average prices for zinc were £77 14s. 7d. and £89 5s. 11d. respectively.

The Zinc Corporation, Limited decreased its output of ore by approximately 10 per cent and, as in 1960, production was adjusted to extract ore of a lower average lead grade and a higher average zinc grade, in order to keep lead output in line with the reduced level of realisations announced at the meetings of the International Lead and Zinc Study group. As a result of decreased output and reduced metal prices, the profits of this company were severely reduced.

The results of Sulphide Corporation Pty. Limited were adversely affected by the expenses and problems inherent in commissioning an entirely new plant. Titanium and Zirconium Industries Pty. Limited had a less profitable year due to the weakness of the rutile market. The profits of the other various activities of Consolidated Zinc Proprietary Limited were also reduced.

In the United Kingdom, the effect of the increase in the production of zinc due to the first full year of operation of the Imperial Smelting furnace at Swansea was offset by the depression in those industries affecting our products and trading results were most disappointing. Revenue from licensing the Imperial Smelting process, less expenditure thereon, amounted to £113,551, a decrease of £169,790 compared with 1960. During the present stage when revenue consists primarily of downpayments it is inevitable that the revenue should fluctuate from year to year.

Income from trade investments amounted to £1,401,694 compared with £1,105,786 for 1960. The increase is mainly attributable to the higher dividends received during the year from British Titan Products Company Limited and New Broken Hill Consolidated Limited out of profits earned by these companies during the preceding year.

Mining royalty payable to the New South Wales Government on the mining profits of the Zinc Corporation, amounted to only £8,726 compared with £163,789 for 1960. The decrease reflects the lower profit of the mine, referred to earlier.

Australian taxation amounted to £153,120 compared with £725,201 and United Kingdom tax to £145,687 compared with £420,381 for 1960.

The consolidated net profit for the year amounted to £1,526,403 compared with £2,295,660 for 1960.

The directors recommend that a final dividend should be paid of 2s. 3d. per share compared with 2s. 9d. per share, giving a total distribution for the year of 3s. per share compared with 4s. per share for 1960.

Capital expenditure on buildings, plant and equipment during 1961 amounted to £2,827,693.

Capital expenditure commitments at the end of the year amounted to £954,000, a considerable reduction on the commitments at December 31, 1960, of £3,765,000.

At Avonmouth the modernisation programme for the vertical retort zinc distillation plant was completed during the year and as a result the output has been the highest yet recorded. The development furnace operating the Imperial Smelting process has again made an important contribution to the total production of zinc.

IMPERIAL SMELTING PROCESS

The process has continued to attract widespread interest. During the course of the year, two further option agreements have been signed, namely, by the East Coast Smelting & Chemical Company Limited of Canada—who are interested in the New Brunswick field—and by Sumitomo Metal Mining Company Limited of Japan.

BRITISH TITAN PRODUCTS COMPANY LIMITED

British Titan Products Company Limited, in which we hold approximately 30 per cent of the equity capital, has again achieved a record output of titanium dioxide pigments, and sales and profits have been well maintained.

LEAD AND ZINC MARKETS

In the chairman's statement last year the point was stressed that the prospects of growth for lead and zinc were showing a divergent trend. This situation has continued to develop during the year under review and although the price of zinc has shown a disappointing fall, the fact nevertheless remains that increased consumption of this metal still continues to provide a measure of encouragement. World stocks have shown a tendency to decline and it is doubtful whether current unrestricted production is greater than consumption. However, the decline in stocks is not as yet sufficient to correct the price situation and at a recent Study Group meeting some of the more important producing countries indicated a strong desire to bring zinc back into the restriction fold.

At the time this statement is being prepared no final agreement has been reached between producing countries, and in my opinion a great error of judgment would be made if plans for curtailment were adopted at a time when it is known that new mine production is being developed on a considerable scale and will be entering the market in the course of the next two or three years.

With regard to lead I regret to say that the transfer of the surplus stocks from the Australian and Canadian producers to the barter stockpile has not evoked any response from the market, and lead prices have sunk during the past few months to levels below those ruling at any time since free dealings were resumed on the London Metal Exchange in 1952.

Shareholders will remember that both the Zinc Corporation and New Broken Hill mines have for some years curtailed their production far below their existing capacity and indeed far below the outputs achieved in 1957, and I am convinced that no useful purpose can be served by continuing these restrictions any longer. We have, of course, been disappointed that the action we have taken over the past few years has met with such little support by other producers, and we can see no good reason why we should continue to bear this heavy and expensive burden to the benefit of others. It is, however, gratifying to know that lead consumption during the past year has held up remarkably well despite the recession in industry both in the U.S.A. and the United Kingdom and we are encouraged to believe that with any improvement in world industrial conditions the small surplus of current production over consumption may well be eliminated.

I have every reason to believe that if the governments of the major industrial countries withdrew their protection by way of subsidy quota or tariffs from their own domestic mines the lead problem would be solved with great rapidity and a higher price might be established for those mines which were in a sound economic condition.

The days have surely passed when lead and zinc can be deemed to be strategic metals, and the heavy expense of subsidising the whole of a country's output to safeguard the interests of a small minority makes nonsense of a situation that if left alone could prosper reasonably well.

It is of interest to record that at the present depressed levels the prices of lead and zinc are approximately four times as high as they were in the pre-war decade. I suggest that this appreciation is reasonably in line with the cost today of other commodities, goods and services, provided of course increased taxes in specified instances are not taken into account. Perhaps, therefore, these so called 'depressed' price levels of today are not out of balance with the rest of the world's economy.

I must also repeat the comment frequently made in previous statements, namely that the threat of substitution for both lead and zinc remains as strong as ever and that it is therefore our duty as long term producers to make sure that we can make available to the world our production at the lowest possible figure that our costs will permit.

We are indeed determined to pursue this course unless and until a suitable international scheme is evolved that we are satisfied can do no lasting harm to our interests.

MERGER WITH THE RIO TINTO COMPANY LIMITED

Although this has come about since the close of the year under review, I would refer to the proposed merger with The Rio Tinto Company Limited. The advantages of the merger are explained fully in the documents which have been sent to shareholders and I would add that your directors are satisfied that the merger, if approved, will be a great benefit to both companies.

I am deeply conscious and proud of the honour which my future colleagues on the board of the Rio Tinto Company and my present colleagues on the board of Consolidated Zinc have paid me by their invitation that I should become the first chairman of the new company, The Rio Tinto-Zinc Corporation Ltd. This is an office which I look forward to discharging to the very best of my ability and in accordance with the high traditions of both the merging companies.

UNION CORPORATION LIMITED

(Incorporated in the Republic of South Africa)

THE FOLLOWING IS EXTRACTED FROM THE REPORT OF THE DIRECTORS FOR 1961

As was foreshadowed in last year's Annual Report, the Accounts have been drawn up in Rands and cents, the new decimal currency of the Republic of South Africa. The Sterling assets, liabilities and transactions of the Corporation have been brought into the Accounts at an exchange rate of £1 Sterling = R2. A comparative column expressed in Sterling has been included in the summary of the consolidated results for the year set out below.

During the year the Corporation's non-African interests were transferred to a wholly-owned United Kingdom subsidiary company, Unicorpora Limited.

RESULTS FOR THE YEAR. The Consolidated Profit for the year amounted to R6,392,542. Appropriations have been made from it as indicated below.

1960 R		R	1961 R	£
7,376,916	Consolidated Profit for the Year attributable to the Corporation (after providing for taxation)		6,392,542	3,196,271
	DEDUCT:			
1,454	Expenses of Note and New Share Issues	14,201		7,101
2,462,500	Dividends declared	2,500,000		1,250,000
2,463,954			2,514,201	1,257,101
4,912,962	Retained Balance of Consolidated Profit for the Year		3,878,341	1,939,170
2,402,632	Balance brought forward from 1960		2,465,594	1,232,797
7,315,594			6,343,935	3,171,967
	DEDUCT: Transfers to Reserves—			
650,000	Exploration Reserve Account	500,000		250,000
3,000,000	General Reserve Account	2,500,000		1,250,000
1,200,000	Capital Reserve Account	1,000,000		500,000
4,850,000			4,000,000	2,000,000
R2,465,594	Balance carried forward to 1962		R2,343,935	£1,171,967

The profit of R6,392,542 is arrived at after allowing R350,000 for the wasting nature of a substantial part of the portfolio.

As was the case last year, the consolidated profit includes the Corporation's equity in a subsidiary mining company's profits, a substantial portion of which was retained by that company for financing shaft-sinking and other capital expenditure. Profits retained in this way are not available for distribution and to reflect this fact the Directors have placed R1,000,000 to Capital Reserve Account, the corresponding transfer in respect of the year 1960 being R1,200,000.

The Corporation's commitments to its subsidiary mining companies were reduced during the year by R10,700,000 to a little under R2,000,000. Subsequently the final calls on the subsidiaries' capitals have been paid so that the Corporation now has no commitments on its shareholdings in these companies. To assist in meeting this large outflow of funds and bearing in mind that, as the sponsoring house, the Corporation has to be prepared to make temporary finance available to Bracken Mines, Limited, and Leslie Gold Mines, Limited, should this be necessary during the next year or so, the Directors have arranged to borrow in South Africa R4,000,000 at 6¼ per cent per annum interest. At December 31st last R800,000 of this loan had been received. The balance of R3,200,000 will be received at the rate of R200,000 per month up to April 30, 1963. Repayments at the same rate will commence on May 31, 1964, and will extend over twenty months to December 31, 1965, unless earlier repayments are negotiated.

The profit on the realisation of investments shows a substantial fall when compared with each of the last two years. Whilst this is largely due to share market conditions it must be borne in mind that in both 1959 and 1960 investment profits included to a large measure profits arising from the flotation of the new mines of the Kinross goldfield.

After careful consideration, the Directors have thought it prudent to maintain the final dividend for the year at last year's figure of 18½ cents per share, free of United Kingdom income tax. This makes, with the interim dividend of 6½ cents per share free of tax, a total distribution for the year of 25 cents per share free of tax, a slight increase on the total distribution in respect of the previous year which amounted to the equivalent of 24⅝ cents free of tax.

THE UNION CORPORATION GROUP OF COMPANIES

Among the older mines of the Group on the East Rand, The Grootvlei Proprietary Mines (which milled a record tonnage) and Marievale Consolidated Mines produced profits only slightly lower than in the previous year. At East Geduld Mines mining difficulties again increased, largely as a result of extracting pillar remnants in many areas. Van Dyk Consolidated Mines showed a further substantial drop in profits and is now near the end of its life; the No. 2 shaft was closed down in August, 1961. At Geduld Proprietary Mines net profit from mining is now a small figure by comparison with investment income and the company continued to build up its investment portfolio which consists predominantly of mining shares.

Of the Group's newer mines, St. Helena Gold Mines in the Orange Free State achieved records for tonnage milled, grade and working profit. For the first time the company's mining profits bore the full impact of taxation but it was nevertheless able to make a further increase in dividend payments. In the Kinross Area, Winkelhaak Mines recorded further advances in tonnage milled, grade and profits. Rapid progress was made at Bracken Mines and Leslie Gold Mines, both of which were able to make their first announcements of ore reserves at the year end.

South African Pulp and Paper Industries had another excellent year and work on the expansion programme which will double the capacity of the company's Tugela Mill is going according to schedule.

In Mexico, as a preliminary to the introduction of Mexican capital, San Francisco Mines of Mexico transferred its mining assets to a Mexican incorporated subsidiary during the course of the year. Profits were severely affected by the low level of base metal prices and high Mexican taxation.

In the United Kingdom, Bay Hall Trust achieved a 10 per cent rise in net profit while Wilkes Berger Engineering Company had another good year in 1961. The Harlow factory of Unicases Limited came into production towards the end of 1961.

EXPLORATION

Further exploratory drilling outside the three lease areas in the Kinross field was carried out during the year and in addition the Corporation continued to be active in the search for gold and other metals and minerals elsewhere.

DIRECTORS

The Rt. Hon. The Viscount Leathers, CH will retire from the Board at the Annual General Meeting in June and is not seeking re-election, having expressed his desire to retire from business affairs. Mr. H. W. Higginson has accepted an invitation to offer himself for election to the Board in Viscount Leathers' place.

The full Report and Accounts (copies of which can be obtained on application at the London Office, 95, Gresham Street, London, E.C.2) include further details of the progress of the companies under the administration of the Corporation, brief particulars of the progress of other companies in which the Corporation is interested, sections dealing with the South African Gold Mining Industry and statistics of World Gold Production, Consumption, Distribution and Reserves and the Corporation's Trade Cycles Chart, revised to date.

OTTOMAN BANK

WIDESPREAD INTERESTS REVIEWED

LORD LATYMER'S SPEECH

The Ninety-fifth Annual General Meeting of the Ottoman Bank was held on May 9th in London.

The Right Honourable Lord Latymer, the chairman, presided and, in the course of his speech, said:

I have to refer to proposed arrangements in connection with our business in Iraq.

For some time past local public opinion has been strongly in favour of the general policy that most major commercial undertakings in the country should be predominantly in the hands of Iraqi Nationals. The large majority of non-Iraqi trading concerns have either transferred their businesses to local Companies in which Iraqi participation in the capital preponderates, or they are in the course of doing so.

In view of this trend, your Committee have had discussions over a period with certain Iraqi Bankers and businessmen, which culminated in April of this year in an agreement, in principle, being signed covering the sale of the Iraq business of the Ottoman Bank to a new Bank to be incorporated in Baghdad.

It is intended that the Paid Up Capital of the new Bank will be ID.1,000,000, of which 40 per cent will be subscribed by the Ottoman Bank.

The Committee feel that the proposed arrangement will be in the long term interest of your Bank.

TURKEY

In Turkey the authorities took advantage of the period of stabilisation which marked the economic situation of 1961 to establish the general lines of the country's long-term development programme.

Of the steps destined to stimulate economic activity the lowering of the discount rate and the reduction in interest rates on loans from and deposits with the Banks must be mentioned; credit restrictions, in force since 1958, which had already been relaxed from time to time since then, have been completely removed.

Turkey's foreign trade figures in 1961 expressed in dollars were as follows: Imports $509,500,000 against $468,200,000 in 1960; Exports $347,200,000 against $320,800,000 in 1960. The adverse trade balance thus reached $162,300,000 against $147,400,000 in 1960.

SUDAN

In the Sudan the general economic situation continued to develop satisfactorily throughout 1961. It was a year of stable conditions. The cost-of-living index remained unchanged. The Government had no need to reimpose the restrictions on imports previously necessary.

The trade figures for the year were: Exports £S.61,300,000 (£S.63,400,000 in 1960) and Imports £S.77,600,000 (£S.63,000,000 in 1960), the United Kingdom being the main supplier and consumer. Total bank advances at December 1961 were £S.37,000,000 (1960: £S.33,000,000) and currency in circulation at the same date £S.26,000,000 (1960: £S.22,000,000).

JORDAN

Following three years of drought, 1961 was a year of heavy and widespread rain with consequently good harvests.

During the year the Jordan Development Board collaborated closely with the various United States aid agencies in the country for the provision of agricultural guidance and encouragement of rural development.

The trade figures for the year were: Exports JD4,300,000 (1960: JD.3,600,000) and Imports: JD.41,300,000 (1960: JD.40,400,000). Currency in circulation at December 31, 1961, totalled nearly JD.17,000,000.

IRAQ

In Iraq it was an encouraging year. Indeed with the exception of rice there was an increase in all major 1960/61 agricultural harvests.

Oil production advanced to some 48,000,000 tons from some 46,000,000 tons in 1960 and oil royalties rose to ID.94,000,000 from ID.90,000,000. The trade figures for the year were: Imports ID.145,700,000 and Exports (excluding oil) ID.7,900,000. The currency in circulation was ID.79,700,000 at December 31, 1961, against ID.80,300,000 at December 31, 1960.

CYPRUS

It was the first full year of independence for the Republic of Cyprus and it was a year of progress. I know it will please you to hear that your Bank continues to be the Bankers to the Government of the new Republic.

The trade figures were Exports £Cyp. 15,600,000 in 1961 (against £Cyp.19,200,000). Imports £Cyp.40,300,000 (against £Cyp. 39,200,000). The currency in circulation remained remarkably steady at about £Cyp. 10,250,000.

Our affiliated Institution the Agricultural Bank of Cyprus Limited maintained its services in providing long-term finance to the farming community.

QATAR

In Qatar developments sponsored by the Government have made new advances.

It is, of course, upon oil production that the continued prosperity of Qatar depends. 8,144,000 tons of crude oil were shipped by the Qatar Petroleum Company from Umm Said in 1961 against 7,978,000 in 1960. The 1961 figure incidentally is a record.

EAST AFRICA
(Kenya, Tanganyika, Uganda)

Of the three countries in which your Bank works in East Africa one, Tanganyika, attained independence in December 1961 and another, Uganda, is looking forward to independence this year. For East Africa generally 1961 was a difficult not to say a critical year. The impending constitutional changes increased, temporarily at least, the general feeling of uncertainty and impermanence as divisions between political parties deepened. But the factor which probably rests most vividly in the general memory is 1961's calamitous weather.

There was a marked deceleration in the flight of capital which had been noticeable in 1960; but the market is still notably short of money for export finance so that the steps taken by the East African currency Board in 1961, to assist banks with accommodation and discount facilities for this purpose was a very welcome measure indeed.

THE FEDERATION OF RHODESIA AND NYASALAND

1961 was in one way a disappointing year in that no finality was achieved regarding a new Constitution for the Federation: yet some progress was made during the year.

It was a record year for external trade; exports totalled nearly £214,000,000 and imports £155,000,000, leaving a record favourable balance on visible trade of £59,000,000. The export figure quoted is also a record.

The Bank is now well established in Salisbury and Bulawayo and as opportunities occur to expand our business in the Federation, we shall not be slow to take them.

LONDON AND PARIS, ETC.

The Paris and London Offices, and the Branches at Marseilles and Casablanca, maintained in 1961 their traditional activity; the Geneva Office also continued to show satisfactory business development.

BALANCE SHEET

The total shows little alteration compared with last year. There are small decreases in "Current, Deposit and Other Accounts" and in "Acceptances, Endorsements and Guarantees."

The position remained liquid with "Cash," "Money at Call and Notice" and "Bills Receivable" again totalling 47 per cent of the "Current, Deposit and Other Accounts." Investments are at much the same figure as last year, whilst there has been a reduction of just over £1,000,000 in "Advances to Customers and Other Accounts."

The total amount of profit available, including the balance of £24,435 brought forward, is £471,489, compared with £474,435 last year. After again appropriating £200,000 to "Reserve for Contingencies," the balance remaining is £271,489. The Committee propose that the dividend be maintained at 10s. per share, absorbing £250,000 and leaving £21,489 to be carried forward to 1962.

In connection with this proposal and in view of articles which have appeared in some financial papers outside this country, I feel it wise to restate words which I used in reply to a question at last year's Annual General Meeting.

The suggestion then made was that the Reserves of the Bank were so great that an increase in the paid up Capital of the Bank from Reserves and a larger distribution to shareholders would be justified. In the opinion of your Committee this is not the case, Reserves being no more than adequate to ensure the proper conduct of the business in view of the risks involved. No credence should be given by shareholders, therefore, to any suggestions to the contrary.

The report was adopted.

EAGLE STAR INSURANCE

"If we show sympathy for local ideas, if we are on the spot, if we can match our natural aptitude for insurance work with a willingness to approach it from novel points of view, there is still plenty to be done."

SIR BRIAN MOUNTAIN'S REVIEW

The Annual General Meeting of Eagle Star Insurance Company Ltd. will be held on May 31st in London.

The following are extracts from the circulated statement of the chairman, **Sir Brian Mountain, Bt :**

I am pleased to be able to submit accounts for 1961 which show our continued expansion and strength. Despite the fact that there has been a relatively poor underwriting experience, we have been able to show a modest profit in every department.

In 1961 we maintained the growth record we have set ourselves over the past 10 years. In the Life, Annuity and Capital Redemption Departments premium income reached nearly £18 million and £9 million interest was earned on these funds which total £165 million. In the Fire, Accident and Marine Departments an advance of nearly 10 per cent brought premiums retained for our own account to almost £30 million. The total assets of the Company rose by £29 million to a total figure of £241 million.

In these days when exports are vital to the Country it is perhaps as well to remember that Insurance Companies have for many years played a leading role in contributing substantial sums to our invisible exports. This has not been done without difficulties and hazards but we have solved these in the past and we believe that we shall continue to do so in the future.

OVERSEAS POSSIBILITIES

All the same it is just as well to recognise that the main current of political and economic change in our time is unlikely to work in favour of the remarkable international network of service and protection which for generations has been provided by the British Insurance Companies. Insurance is a difficult commodity to sell, as there is nothing tangible to demonstrate what we have to offer and our customers naturally hope that they do not have occasion to test the value of our promises. In such circumstances we should not expect nationals of other countries, within or without the Commonwealth, to prefer us over the competitors from their own or other lands simply because we are British. On the contrary this may impede our business in certain countries, and some of our newly independent friends understandably tend to go elsewhere simply for a change or to try their own hands at a game, which, from the outside, seems easy enough to play.

If we show sympathy for local ideas, if we are on the spot, if we can match our natural aptitude for insurance work with a willingness to approach it from novel points of view, there is still plenty to be done. The upsurge of demand in this expanding world will more than take care of such attrition as political or other changes may bring about and we intend to expand our Eagle Star export order book in every way possible.

The insurance field at home is very wide and our Company writes all classes of risks from Life Assurance to Pluvius, and we provide a comprehensive service to the public which is of very high order. However, an inescapable fact facing the insurance world is that a large proportion of policyholders are under-insured. Rising costs and inflation have had more than their fair share of effect on people's pockets, and therefore many are loath to increase the value of their insurances to take care of enhanced values because of the extra premium involved, but in so many cases the insured is the loser when under-insured, and I only wish that we could persuade all our policyholders of the importance of insuring at present day values.

INVESTMENT POLICY

As you will see from the Balance Sheet, book values of our investments rose by £29 millions in 1961, of which about £16 millions reflected growth of the Life Funds, and £10 millions came from the one in four Rights Issue in October. The successful investment of policyholders' and shareholders' funds is of very great importance, and within this sphere our activities are themselves diverse, both in the sources of our funds available for investment and in the uses to which they are put. We believe in pursuing an active investment policy, and keeping our money turning over when any suitable opportunity arises.

We are guided in the search for profitable outlets by our general feeling for the future, as well as by our concern for the safety of the funds. You will be able to judge from the Balance Sheet the extent to which attractive yields obtainable on fixed interest stocks and mortgages drew us in these directions in 1961, although the book value of our equity portfolio also increased by a further £6 millions.

DIVIDEND

The new money raised by the rights issue was not available in time to bring much benefit to the Accounts for 1961, and will only be fully reflected in shareholders' interest earnings during 1962. Nevertheless, the new shares issued in October 1961 will participate in the final payment of 2s. per share at an additional cost of £259,938 after tax. In these circumstances, your directors' decision to hold the dividend at 2s. 9d. per share appears amply justified apart altogether from the restraint requested from us by the Chancellor of the Exchequer.



THE CHLORIDE ELECTRICAL STORAGE CO. LTD

REPORT FOR 1961

The following are extracts from the review by the Chairman, Mr. A.W. Browne, O.B.E., M.I.E.E., circulated with the report and accounts for the year to December 31, 1961: —

There is a tendency to link the Company's fortunes to the motor industry. This is only partly correct, because our interest in batteries embraces many other types besides those used by the motor industry.

It must also be remembered that we have successfully diversified into products which are in no way concerned with batteries.

An approximate split of the record turnover for 1961 is 45% in batteries connected with the motor industry, 35% in batteries of types not connected with the motor industry, and 20% in products other than batteries.

FUTURE PICTURE

To divide your Company's business in this way is also helpful in presenting a picture of the future.

In the case of batteries for the motor industry the potential business now available is, of course, very large, and the probable growth of that potential is very large also.

As I have explained in previous Statements, the world picture of the automotive battery market is one of increasing competition. This is only to be expected in a market with so great a future growth potential.

It follows that battery manufacturers in all countries tend to plan their production facilities so as to take care of this future potential with the result that any pause in the economic growth of a country quickly produces a position of excess production facilities. Examples of this happening are seen today in Canada and Australia.

A further consequence of this expectation of increasing future potential business is to be seen in the new emergent countries. If our Group is to retain its proper share of these markets we must be prepared in certain cases of investment to accept a period of low return on capital employed in order to ensure our position for the future.

TRADING REVIEW

For the purpose of reviewing the results for the year it is convenient to divide our business rather differently, namely, the U.K. battery business, overseas battery business, and U.K. non-battery business. Such analysis is not entirely clear-cut, as part of our non-battery business in the U.K., namely the plastic manufacturing companies, supply among other things containers and separators to the battery companies.

The U.K. lead battery companies show a useful increase in trading income. Unfortunately, the increase was somewhat reduced by a fall in the profits of the Alkaline Battery Company.

The overseas picture shows that the reduction in profits compared with last year has more than offset the increase in the U.K. income mentioned above.

The U.K. non-battery business had a difficult year, principally in those companies dealing with plastic products, as throughout the industry there was a lessening in demand and a radical reduction in selling prices as a result of increased competition. Despite this and certain non-recurring expenses in the United Eboulte and Lorival Company (proceeding from the installation of new plant and equipment to increase the production of battery containers) the division as a whole earned a similar satisfactory income to last year. In particular the Hymatic and Ferrostatics companies continued to progress and enlarge their contribution to Group profits.

THE ACCOUNTS

The reduction in income from investments results from working during the year on much smaller cash margins, thus reducing the interest receivable on surplus funds. On the other hand, depreciation at £688,000 is approximately 18% more than last year. Both these factors have depressed profits in the current year and both are direct results of the heavy capital expenditure which we have embarked upon in the last few years.

The taxation charge has been reduced by £171,000 and the balance available for appropriation at £1,506,894 is somewhat less than last year. £500,000 has been transferred to General Reserve, and your Directors recommend a final dividend for the year of 12½%, making a total of 20% for the year.

Although, as I have explained, we must expect increasing competition with lower margins, I can report that at the time of writing, the Group turnover for the current year is ahead of that for last year. This is somewhat more significant in the case of our main overseas companies than in respect of our U.K. companies because the year of the former starts on 1st September as opposed to the year of the latter which starts on 1st January.

BATTERIES ARE OUR BUSINESS

Exide • Exide-Ironclad
Chloride • Chloride Tubular
Kathanode • Dagenite
Shednought • Nife • Hart

New Sales Record for ALFA-LAVAL

NEW PROCESSES AND PRODUCTS IN DEMAND

International Manufacturers and Suppliers of ALFA-LAVAL Farm Separators, Milking Machines and Dairy Plant and DE LAVAL Industrial Separators, Plate Heat Exchangers and Industrial Plant

International sales of the ALFA-LAVAL/DE LAVAL Group of Companies to outside customers in 1961 created a new sales record at 902 million Swedish kronor (approx. £63 million) compared with the 1960 figure and previous record of 795.1 million Swedish kronor (approx. £55.2 million).

The increase in group sales was particularly marked within the categories: milking machines, separators, plate heat exchangers and dairy equipment, which account for nearly 50 per cent of the total Group turnover.

Swedish sales accounted for 258.1 million kronor as against 241.8 million kronor (approx. £16.8 million) in 1960.

The average number of persons employed within the Group during 1961 totalled 18,575 (17,769 in 1960) of which the companies outside Sweden employed an average total of 9,487 (9,038).

PRODUCTION AND SALES OF AB SEPARATOR
(The Alfa-Laval Company of Sweden)

The Company's main factory at Tumba for the manufacture of heavy separators has been put into full operation during 1961. As a result the capacity for industrial and dairy-separator deliveries has grown considerably.

All Swedish factories have been highly productive. However, the scarcity of skilled labour put a check to production, especially during the first part of the year.

From a value of 158.3 million kronor (approx. £11 million) in 1960 the deliveries of the Swedish Alfa-Laval Company, AB Separator, rose to 192.6 million kronor (approx. £13.4 million) of which 70 per cent were for export.

Exports went to 93 countries, the biggest buyers being the German Federal Republic, Japan, France, Finland and the United Kingdom.

Major deliveries in 1961 included complete milk treatment plant for two large Finnish dairies and a large plant for special sour milk production in the U.S.S.R.

The EEC group received some 30 per cent of total deliveries and EFTA 25 per cent.

Throughout 1961 there has been a strong demand for the Company's products, including very important orders by the Jugoslav aluminium industry, two De Laval Centripure soap plants for the U.K. and industrial separators for the Peruvian fish refining industry.

In 1961, the Company's new department for delivery of complete factories received an order from the U.S.S.R. for a considerable number of slaughter-house plants amounting to about 160 million kronor. These plants are expected to be completely delivered during 1962 and 1963, partly with the aid of some forty sub-contractors, one of the most important being the German member of the Group, Bergedorfer Eisenwerk AG, Hamburg-Bergedorf.

DESIGN AND DEVELOPMENT WORK

A new process for producing a high-quality sterilised milk has been developed and the plant conclusively tested at the Swedish University College of Dairy Engineering at Alnarp. Unchanged in taste and food value, the sterilised milk keeps fresh for at least a month at room temperature. Such plant used in conjunction with aseptical filling will make it as convenient to distribute milk as other beverages, and may open up milk distribution in tropical areas.

A new low-cost milking machine with many plastic components has been introduced in some markets to meet competition and as a complement to the Alfa-Laval stainless steel milking machine.

In the industrial section, large yeast separators have been field tested, small continuous sludge discharge centrifuges ("Desludgers") have gone into production, while self-opening separators have been perfected for various operating conditions, thus further broadening the field of industrial application of these machines.

The plants for treating animal fat and fish oil and for continuous soapmaking have been adjusted with regard to capacity and equipment and a new process and plant for continuous fractioning of tallow has been developed.

In the thermal field, development work on plate heat exchangers and evaporators has been intensified since the new process laboratory was completed at Lund in southern Sweden. Two new sizes of the rotary thin film evaporator "Centri-Therm" have been designed.

AFFILIATED COMPANIES

All the non-Swedish members of the Alfa-Laval/De Laval Group report increased sales figures for 1961, particularly noticeable increases were recorded by the English, French and German companies.

The dividends for 1960 received during 1961 are somewhat bigger than in the previous year. On the basis of the 1961 results some companies are announcing a certain increase in dividends.

The reconstruction and extension scheme has been completed for the German plant at Hamburg-Bergedorf. The Austrian company has built an assembly shop for agricultural machinery at Wimpassing near Vienna.

Production capacity is being increased at the works at Nevers (France), Groningen (Netherlands) and Peterborough (Canada).

The newly established affiliated company in India has started building a factory at Poona for the manufacture of certain dairy and industrial equipment.

Olofström (South Sweden), producers of motor bodies for the Volvo motor car, proposes a 1961 dividend of 1.8 million kronor; the 1960 dividend was 1.6 million.

BALANCE SHEET

Through extensive investments in the new Tumba and Lund works the entry "Factories and other real estate" has increased by 7.2 million kronor, approximately 2.7 millions of which has been transferred from "Buildings under construction."

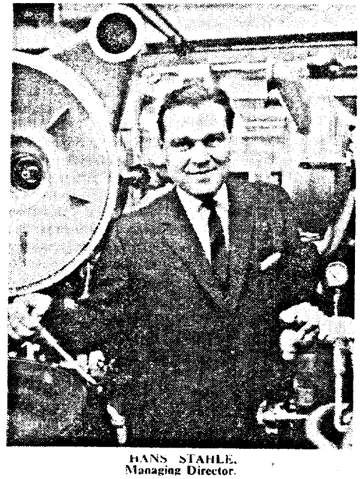
Plant and equipment purchased during 1961 totalled 8.3 million kronor in value.

There has been a further increase in the Company's stocks of raw materials and work in progress, mainly due to the large production increase in 1961 in conjunction with the big prospective deliveries for 1962.

The accounts receivable from customers have increased by higher invoicing as well as by granting credits on a more liberal scale, which is necessary to secure important orders and hold the Company's share of the market in the growing number of countries where there is lack of capital.

BOARD OF DIRECTORS

J. Wallenberg (Chairman), Gösta de Geer, Nils Eriesson, Karl Granfors, Walter Wehtje, Hans Stahle (Managing Director).



HANS STAHLE,
Managing Director

PROFITS AND DIVIDENDS

Net profit for 1961 amounted to kr. 11,297,369, which, together with kr. 28,072,629 brought forward from the previous year, produced a total of kr. 39,369,998. It is proposed to distribute kr. 10,800,000 in the form of a dividend of kr. 12 a share and to carry forward the balance of kr. 28,569,998.

The report and the accounts will be placed before the Annual Meeting of shareholders on Friday, May 25, in Stockholm.

RAND MINES, LIMITED

(INCORPORATED IN THE REPUBLIC OF SOUTH AFRICA.)

SUMMARISED BALANCE SHEET, 31st DECEMBER, 1961

CAPITAL AND RESERVES		R	R
Share Capital—			
Authorised	3,400,000 shares of 50c. each	1,700,000	
Less: Held in reserve	549,005 shares of 50c. each	274,502	
Issued	2,850,995 shares of 50c. each, fully paid		1,425,498
Share Premium			4,338,790
Revenue Reserves—			
Investment		13,947,957	
Exploration and Development		454,741	
Gratuities		120,000	
Profit and Loss Account		833,345	
			15,356,043
			R21,120,331

PROPERTY AND NET ASSETS		R	R
INVESTMENTS—			
Quoted shares, etc., Stock Exchange value—R27,712,705. Investments are valued at cost, less amounts written off, but in no case above Stock Exchange value		17,928,902	
Unquoted shares, etc., at cost or Directors' valuation, whichever is the lower		997,185	
			18,926,087
SUBSIDIARY COMPANIES—			
Shareholdings, R1,666,793; Loans and Current Accounts, R309,651			1,976,444
FIXED ASSETS—			
Trade Investments, at cost		425	
Freehold properties, etc.		5,823	
Furniture, plant, vehicles, aircraft, etc.		98,107	
			104,355
CURRENT ASSETS			
Stores, R31,229; Loans, R560,399; Debtors and payments in advance, R193,746. Dividends receivable, R742,767. Cash deposits, fixed and on call, R567,132. Cash at Bankers and in hand, R191,064		2,286,337	
Deduct: LIABILITIES AND PROVISIONS—			
Creditors, R1,019,607. Loans, R287,135. Shareholders— Dividends, R779,163. Provision for claims in respect of forfeited dividends, R86,987		2,172,892	
			113,445
			R21,120,331

EXTRACT FROM PROFIT AND LOSS ACCOUNT

	R	R		R	R
PROFIT		2,551,490	*Deduct:* Dividends—Nos. 116 and 117 each of 25c. per share	1,425,498	
BALANCE OF PROFIT AND LOSS ACCOUNT at 31st December, 1960		857,353	Transfer to Investment Reserve	700,000	
			Transfer to Exploration and Development Reserve	450,000	
					2,575,498
		3,408,843	BALANCE OF PROFIT AND LOSS ACCOUNT at 31st December, 1961		R833,345

The full Report and Accounts may be obtained from the London Secretaries, A. Moir & Co. Ltd., 4, London Wall Buildings, London, E.C.2.

BANCO DI SANTO SPIRITO

Established 1605

ROME

THE ANNUAL GENERAL SHAREHOLDERS MEETING was held in Rome on April 2nd, 1962, the Marchese Giovanni Battista Sacchetti being in the chair. In the course of the meeting the following Balance Sheet was approved :—

BALANCE SHEET AT DECEMBER 31, 1961

LIABILITIES		ASSETS	
Capital	Lit. 3,000,000,000	Cash and Balances with other Banks	Lit. 37,337,784,138
Reserves	„ 2,100,000,000	Bills and Government Bonds	„ 58,389,036,453
Deposits	„ 96,458,486,677	Securities :	
Current Accounts (Creditors)	„ 120,481,288,733	Real Estate Securities	„ 17,451,481,012
Bankers' Draft	„ 6,878,362,912	Miscellaneous Shares	„ 1,052,197,079
Creditors (Bills endorsed)	„ 3,144,322,013	Holdings	„ 609,839,398
Miscellaneous Creditors	„ 11,305,734,662	Stock Exchange Transactions	„ 14,275,991,190
Staff Retirement Fund	„ 5,300,000,000	Bills on hand	„ 39,086,061,904
Assets Re-discounted	„ 1,150,572,301	Current Accounts (Debtors)	„ 59,835,400,857
Profit Balance brought forward	„ 16,937,380	Staff Retirement Fund	„ 4,996,456,398
Net Profit 1961	„ 620,049,268	Miscellaneous Debtors	„ 3,128,905,539
		Drafts for Collection	„ 13,123,326,977
		Premises	„ 1,169,273,000
		Furniture, Fixtures and Fittings	1
	„ 250,455,753,946		„ 250,455,753,946
Unsecured Accounts	„ 21,750,688,067	Unsecured Accounts	„ 21,750,688,067
Counter Accounts	„ 110,282,030,623	Counter Accounts	„ 110,282,030,623
	Lit.382,488,472,636		Lit.382,488,472,636

It was further resolved to transfer Lit.300,000,000 to reserves and to distribute a 10 per cent dividend.

COMMERCIAL UNION ASSURANCE

MR RONALD C. BROOKS' REVIEW FOR 1961

The one hundredth Annual General Meeting of the Commercial Union Assurance Company Limited will be held on May 28th at the Head Office, 24, Cornhill, London, EC. The following are extracts from the statement by the chairman, **Mr Ronald C. Brooks, OBE, MC,** circulated with the Report and Accounts for the year ended December 31, 1961:

The North British & Mercantile premises in Threadneedle Street have been bought by the Stock Exchange in connection with their re-development plans. They will be vacated shortly and the co-ordination of the North British & Mercantile head office staff with those of the other Group companies will thus be completed. Our plans for the erection of a new Group building in Great St Helen's and St Mary Axe are proceeding satisfactorily and it is expected that the work of re-developing the site will start early next year.

You will no doubt recall that in Australia the Commercial Union Assurance Company of Australia was formed in 1960 to conduct our business in that continent and in pursuance of our policy the North British & Mercantile Insurance Company of Australia has now been formed to take over the business hitherto conducted by the North British & Mercantile Australian branch. The final stage of the operation—that is the purchase of the shares of the North British & Mercantile of Australia and of the Insurance Office of Australia by the Commercial Union of Australia—is nearing completion. We have every reason to be satisfied with the result of our policy; for the formation of the Commercial Union of Australia has been attended by success and the dividend which was initially forecast has been exceeded. The Group is in an excellent position to share in the expansion resulting from the economic development of that country.

Our results have been overshadowed by our heavy underwriting losses in the United States. Our business there represents some 40 per cent of our world-wide total, so that although our trading in the rest of the world has been profitable, I regret that I must report a considerable underwriting deficit overall in the Fire and Accident departments. Our Marine operations have, however, again been profitable, while our Life department has once more succeeded in achieving a record total of new sums assured

THE AMERICAN SCENE

The continued losses in America give rise to grave concern, more especially as our expectation that some improvement was in sight has not been fulfilled. The direct causes are to be found in the heavy fire wastage, the abnormal windstorm damage, and a turn for the worse in the automobile business, which in 1960 had shown a better trend.

Our fortunes in America have ebbed and flowed over the years like those of other companies. The insurance market there has historically been fraught with difficulties, stemming largely from the close control exercised by the State Supervisory Authorities over premium rates, which have not kept pace with inflationary increases in the cost of claim settlements. The upward trend of losses has emphasised the need to reduce the ratio of operating expenses to premiums. This can be achieved in two ways, namely, by increasing premium income and by economies in our administration. Competition for additional premium income has been intense in spite of unfavourable underwriting conditions and it is necessary to exercise the greatest care in the search for additional business. The more economical working to be expected from a larger American business was one of the principal considerations in our acquisition of the North British & Mercantile. However, the benefits from integration necessarily take some time to mature, and we have made and planned economies of which the effect should from now on be increasingly evident.

It should be borne in mind that arising from the conduct of insurance business in the United States we have the use of large funds in that country and the value of our investments has continued to grow. In 1961 they increased substantially and our "Surplus to Policyholders," which constitutes the excess of our net assets over net liabilities there, rose by more than £6 million to a record figure of £52 million, and our interest income and realised capital gains exceeded our underwriting losses.

DEPARTMENTAL RESULTS AND BALANCE SHEET

Fire Department: Net Premium Income £48,465,406 (£47,723,463). Underwriting Loss £1,801,597.

Accident Department: Net Premium Income £61,929,751 (£59,727,139). Underwriting Loss £1,148,335.

Marine Department: Net Premium Income £5,424,109 (£5,289,143), and out of the surplus of the 1959 underwriting £845,782 has been transferred to Profit and Loss Account.

Life Department: Net new sums assured totalled £87,926,829 (£73,327,371) and new Annuities per annum £3,561,175 (£2,733,053).

Profit and Loss Account: Gross interest, dividends and rents at £8,802,623 show a very satisfactory increase.

Our reserves are little changed from 1960, though there has been some increase in our departmental insurance funds. Changes on the assets side of the balance sheet are, however, more marked. There has been a reduction of some £8 million in the amount of British Government securities, offset to the extent of £4 million by increases under other Stock Exchange headings, notably ordinary stocks and shares; but the book value of our total Stock Exchange securities has fallen by some £4 million from £132 million to £128 million, against which our advances on mortgages and our cash on deposit have together increased by £4 million.

Our freehold and leasehold property investments have increased by £12 million to a total of £20 million which includes the value of the freehold site and buildings in Great St Helen's and St Mary Axe to be redeveloped as our new head office. Payment of this item is not due until the end of the current year, so that a corresponding sum has been included in the amounts due to others on the liability side of the balance sheet.

BUTTERWORTH & CO. PUBLISHERS (LIMITED)

CHAIRMAN'S STATEMENT

The forty-eighth Annual General Meeting of Butterworth & Co. (Publishers) Limited will be held on June 4th at the Connaught Rooms, Great Queen Street, W.C.2.

The following is a summary of the statement by the Chairman, **The Earl of Rothes,** which has been circulated with the Annual Report and Accounts for 1961:

The trading results for 1961 on the whole are satisfactory. The Group turnover has now passed the two and three quarter million mark, a rise of 12 per cent over 1960. The profit, however, is 10 per cent down on the previous year's figure. This is due partly to a fall in profit margins and partly to the incidence of publishing to which I have referred in previous statements. In 1960 the incidence of publishing was in our favour, in 1961 it was against us. For the year ended December 31, 1961, the Group profits before providing £190,143 for taxation amount to £355,911 compared with £396,438 in the previous year. The sum of £70,000 has been allocated to General Reserve bringing it up to £583,000 and £11,160 to Staff Contingency Reserve, bringing that total, after allowing for outgoings, to £56,980. The balance carried forward on Profit and Loss Account is £155,644 against £150,284 brought in from the previous year.

The directors recommend a final dividend of 20 per cent making 35 per cent for the year, the same as for 1960.

Both at home and abroad we are pushing into new markets and in these circumstances it is essential that prices should be kept as low as possible. In the past most of our legal books, the backbone of our business, have been sold direct to customers. But it has now become essential that certain of our products, particularly scientific and medical books, be sold through retailers with a consequent lessening of our profit. Furthermore we have to face a steady increase in costs, many beyond our control, as well as increased competition.

With the exception of trade on the African continent, our overseas interests have prospered. Butterworth Inc., started in June 1960, is getting a firm footing in the United States, and we feel even more confident than last year that this venture will in due course become profitable. Our two subsidiaries, R. J. Acford Ltd. and Woodman, Marshall (Bookbinders) Ltd., exceeded their previous record of sales, but only in the last quarter of the year was it possible for them to increase prices to cover to some extent increased wages and other costs.

I continue to look forward to the future with confidence, but the next few years will be years of sound consolidation and hard work, particularly in America. I see no reason why 1962 may not be as good for the Group as 1961 and hope it will be better.

Mr J. W. Whitlock, who has been a Managing Director since 1950 and a member of the Board since 1937, retired from the Executive at the end of the year. We are very grateful indeed to him for thirty-eight years of most valuable service. He has been reappointed to the Board.

Once again I would like to pay a tribute to the staff of all grades, at home and abroad, who have done a splendid job of work during a difficult year.

THE GENERAL ACCIDENT FIRE AND LIFE ASSURANCE CORPORATION LIMITED

The seventy-sixth Annual General Meeting will be held on May 30th at Perth. The following is an extract from the circulated address of the Chairman, **Sir Stanley Norie-Miller, Bt, MC, DL, JP:—**

In 1961 income from all sources increased by £6,685,576, to reach the record figure of £93,480,540.

The Revenue Balance for the year was also the highest in our history. It amounted to £3,868,589 compared with £3,852,501 the previous year. Adding the amount brought forward from 1960, namely £1,777,505, there was available for appropriation the sum of £5,646,094. From this, £950,000 has been transferred to the Accident and Fire Departmental Funds, and £500,000 has again been added to the General Reserve, raising the latter to £5,000,000.

We dealt with many thousands of claims for storm, flood and burst pipes, both at home and abroad. Hurricane Carla did enormous damage in the United States, unusually violent weather conditions were experienced in Ireland, and, towards the close of the year, damage by frost took its toll in England. It is perhaps worthy of mention that we now handle a greater number of claims for "bad weather" damage than for ordinary Fire damage, and this feature is likely to become even more pronounced as householders, shopkeepers and property owners in the United Kingdom take advantage of the wider cover now available.

Times Furnishing

The 14th Ordinary General Meeting of THE TIMES FURNISHING (HOLDINGS) LTD. was held on May 3rd in London, **Mr Henry Jacobs,** the Chairman, presiding. The following are extracts from his circulated statement:

Profits before taxation were £817,643—somewhat less than for 1960. The total dividend for the year is 13¾ per cent less tax (*same as* 1960). Bad debts have again been less than half of one per cent.

Times Furnishing H.P. trading was made difficult by the continuation of restrictions together with the impact of the "Little Budget" in July. Cash and short-term credit sales showed a substantial increase. Profits were affected by the continued rise in working costs plus expenses of opening and operating new branches.

Willerbys Tailoring showed an increase and trading profit was maintained. Their workrooms in Basildon were considerably enlarged.

New furnishing stores were opened in Plymouth, Bristol, Altrincham and Ealing and a new Willerbys in Worcester. Some £400,000 increase in fixed assets was largely brought about by the acquisition of new properties and modernising and extending existing premises.

Turnover of Times Furnishing has been maintained during the current year and that of Willerbys is showing a steady increase. Relaxation of H.P. restrictions could be expected to produce substantial increase in the H.P. trade of Times Furnishing.

The Directors express sincere thanks for the loyal co-operation of all those in the Company's employ.

MOORES STORES LIMITED

RECORD YEAR'S TRADING—YEAR ENDED 13th JANUARY, 1962

CURRENT DIVIDEND 30% for the year on increased capital (previous year 27½%).
BONUS ISSUE of one Ordinary Share for every eight held on 24th April, 1962.

PROGRESS REPORT

Year Ended January	Trading Profit £	Depreciation £	Net Profit before Tax £	Taxation £	Net Profit after Tax £	Fixed Assets after Depreciation £	Goodwill £	Net Current Assets £	Total Issued Share Capital £	Total Capital and Revenue Reserves £	Net Ordinary Dividend £	Rate %
1956	355,806	55,224	256,254	156,552	99,702	1,647,558	175,848	435,230	831,250	510,212	61,094	20
1957	407,014	62,691	272,347	171,623	100,724	1,907,113	159,731	245,667	1,031,250*	537,497	61,094	20
1958	501,411	61,843	372,138	217,320	154,818	1,912,435	125,201	326,688	1,031,250	600,841	68,731	22½
1959	571,115	67,014	443,267	234,055	209,212	2,046,579	99,276	338,567	1,031,250	679,620	71,719	22½
1960	653,639	81,270	514,549	265,640	248,909	2,237,708	81,826	653,242	1,164,062†	1,002,740	101,685	25‡
1961	744,227	103,799	573,698	298,345	275,353	2,791,428	—	429,718	1,164,062	1,231,222	111,853	27½
1962	861,022	127,719	669,137	360,230	308,907	3,255,345	—	800,875	1,376,563‡	1,822,464	161,068	30‡

* Preference Capital increased by £200,000. † After One-for-Four Rights Issue.
‡ After One-for-Five Rights Issue and One-for-Ten Bonus Issue.

The following is an extract from the chairman's statement:—

STAFF RELATIONSHIPS

Your company is very fortunate in having a wonderful team of executives with long practical experience in the grocery trade. Many have been with us all their working lives and have progressively accepted more responsibility as the Group has expanded. They are all able and virile enough to accept the challenge of changing conditions in food distribution. To these executives and to all our staff, including shop managers and assistants, drivers and warehouse personnel, I convey my sincere appreciation of their magnificent efforts during the year.

I am pleased to report that the various Pension Schemes in operation in the Subsidiary Companies were consolidated as from 1st April, 1962, into one Group Pension Scheme, the scope of which was widened to include a larger number of staff than formerly. I am pleased to say that the reception by the staff of the new scheme has been most gratifying. As a progressive company, we do offer to men and women with a zest for the trade an interesting and remunerative career with excellent working conditions and promotion prospects.

RUGBY PORTLAND CEMENT

RECORD RESULTS

SIR HALFORD REDDISH'S REVIEW

The Annual General Meeting of The Rugby Portland Cement Co. Ltd. will be held on June 1, 1962. The following is an extract from the speech of **Sir Halford Reddish, FCA,** which has been circulated with the Accounts.

It was indeed a strenuous year for the whole Group, with the highest production, the highest tonnage of deliveries and the highest net profit we have ever achieved: and it was our sixteenth successive profit record. It is perhaps worth noting that throughout these last sixteen years the figures owe nothing to the acquisition of any other business.

In the home market demand remained at a high level throughout the year, deliveries of the whole industry being just over 10 per cent in excess of those for 1960. Our own deliveries increased by 25 per cent. We were fortunate in having good stocks on hand at the beginning of the year, for deliveries substantially exceeded production. The new kiln at our Southam works, to which I referred last year, came into operation in November and so had virtually no influence on the year's results.

We have made a careful, though conservative, revaluation of the fixed assets of the Group as at December 31, 1961. This shows a surplus over book-values of some £5,250,000, of which £3,150,000 is attributable to the parent company and its UK subsidiaries.

DIVIDEND POLICY

You will expect a word from me on the policy behind our recommendations that the dividends on the Ordinary shares should be repeated at the same rate as last year, notwithstanding the increased profits. In the absence of compensating factors, such as a scrip issue or a rights issue on favourable terms, mere maintenance of the dividend at the same rate is an effective reduction of the real return on the shareholder's capital interest in the company, since this is increased each year by such part of the profits after taxation as is not distributed as dividend. We have provided such "compensating factors" from time to time in the past and it remains our policy to try to do so in the future.

I believe that the dividend policy which we have followed through the years has without doubt contributed to the high standing which our Ordinary shares have enjoyed on the Stock Exchange.

Considerable extensions to our productive capacity at home and abroad are planned for the next two or three years. It is expected that for the most part extensions abroad will be financed by our overseas subsidiaries without recourse to the parent company. At home, in addition to finance required for further expansion, the parent company's Unsecured Loan Stock is due for redemption at par at the end of this year. We have therefore made the recent "rights" issue to the holders of our Ordinary shares on the basis of one new share for each four shares held. The price of issue, 45s. 6d., compared with a cum rights price of about 71s. 0d.

The results produced in 1961 by our manufacturing subsidiaries overseas have followed my expectation a year ago: happily a steadily increasing demand and better profits from Western Australia, unhappily lower figures from Trinidad, where an outbreak of violence and lawlessness affected our own and other industries in the early months of the year. There is a reasonable hope of rather better results from Trinidad this year.

Under the present Government in Western Australia—deservedly returned at the State election in March this year—quite outstanding progress has been made in the further industrialisation of the State and there is every indication that this will continue. Plans are now almost completed for a large expansion of the manufacturing capacity of our subsidiary company, Cockburn Cement Pty. Ltd.

DISAPPOINTING BUDGET

The recent Budget did little if anything to stimulate the economy and in that respect was disappointing: and even more regrettable was the failure to make wider share-ownership more attractive and less difficult for the uninitiated. The profits tax, discriminating against the holders of Ordinary shares, is still with us. The two per cent stamp duty still makes investment unnecessarily expensive. The man who saves and then assists the national economy by investing his savings still has his dividends treated as "unearned" income. We have travelled a long way from the time when taxation was levied solely to enable a Government to ensure the safety of the realm and to maintain law and order. Too much of our taxation today is imposed for reasons of political expediency, the latest example being the tax on short-term speculative gains which is frankly admitted to produce little or no yield but which must add substantially to administrative costs.

THE OUTLOOK

Signs are not lacking, however, that there will be some recovery in the economy in the coming months. I am certainly not pessimistic as to the outlook for the cement industry.

Not only did 1961 produce our company's sixteenth successive profit record: for the first time our net profit exceeded £2m.

Impressive though this may appear at first sight, we do not for one moment overlook the fact that past records are no automatic guarantee of continuing success: that it is quite possible for a business earning good profits today to have already within its fabric the seeds of future decay. We who are here in Rugby Cement now must never forget that we have a duty to try to lay the foundations on which the company's continuing success in the future can be built by those who follow after.

We have passed another milestone. There are others ahead.

A copy of the full speech may be obtained on application to the Secretary, Crown House, Rugby.

THE PYRENE COMPANY

REDUCED PROFITS FROM MOTOR INDUSTRY TRADING

The forty-eighth Annual General Meeting of The Pyrene Company Limited will be held on June 5th in London.

The following is an extract from the circulated statement by the chairman and managing director, **Mr Francis A. J. Harrison:**

The Group Trading Profit is down from £912,506 to £661,103 and the Net Profit before tax amounts to £469,370, compared with £755,825 in the previous year.

In May last, when announcing the Rights Issue, it was stated that "provided no unforeseen set-back is encountered the Directors expect to recommend a total distribution of 30 per cent." Subsequently, however, I regret to report there was an unforeseen set-back and these circumstances reduced profits severely just when they had been expected to increase. Having in mind also the substantial tax relief received by way of initial and investment allowances, peculiar to the 1961 accounts due to the heavy capital expenditure, the Directors feel it wise to recommend that the second and final dividend should be reduced to 13½ per cent.

The Pyrene Company Ltd.: The fact that overall sales were only fractionally increased indicates the effect of reductions in Motor Car Bumpers and in Metal Finishing Division shipments. The Fire Division sales were well up, both at home and in the export territories. The value of export sales was increased by nearly 6 per cent.

LOOKING FORWARD

Actual sales of the Parent Company for the first quarter of 1962 are some 12½ per cent higher than those of 1961. It is estimated however that profits from these sales will be not materially lower than those of the corresponding period of last year. The Fire and Metal Finishing Divisions' sales are also ahead of budget, but Bumper shipments are some 20 per cent below budgeted schedules. They are expected to increase during the remainder of the June quarter, but at present there is uncertainty as to the rate of requirement after July.

A range of entirely new types of Fire Extinguishers has been developed employing various modern fire extinguishing media in compact and readily operated units. A further important new product with international scope is the Super-jet Foam Monitor which can project up to 5,000 gallons of foam per minute.

The new Fire Detector and Alarm Division is an important additional activity—a break through into fire prevention as distinct from fire protection. The great advantages afforded by these new "Pyrene" Fire Detector and Alarm Systems should enable us to build up considerable additional business.

There are other developments coming along, each bringing the possibility of a new class of business but of which it would not be right for me to divulge information just yet. In short both Parent Company and subsidiaries are developing new ideas, some within our established range—which keeps the name "Pyrene" pre-eminent in Fire Protection all over the world, and others which will help to broaden sales scope, diversify our activities and improve the potential of the Group.

THE HOFFMANN MANUFACTURING COMPANY

CONTINUING EMPHASIS ON MODERNISATION

The annual general meeting of The Hoffmann Manufacturing Company Limited was held on May 9th in London, **Mr J. W. Garton, JP** (Chairman and Managing Director), presiding.

The following is an extract from his circulated statement:

The profit of the Hoffmann Group for 1961, before taxation, but after all other charges amounts to £1,893,412 and compares with £1,735,953 for the previous year. Income Tax and Profits Tax absorb £927,762 against £686,563 in 1960. The net profit of the Group for the year 1961 after taxation is, therefore, £965,650 and compares with £1,049,390 for 1960.

For the first six months of the year the Company was fully occupied, but when the credit squeeze came into effect there was a shortening of the order book for bearings for consumer goods. This allowed us to build up bigger stocks, which will put us in a better position immediately there is some easing off of restrictions. The Directors have decided to recommend the same Final Dividend as the previous year of 13 per cent less tax, which with the Interim Dividend paid of 7½ per cent, less tax, will make a total distribution of 20½ per cent, less tax.

The Fixed Asset Replacement Reserve of the Group has been increased by a transfer of £375,000 which brings the Reserve to £2,400,000.

A transfer of £300,000 has been made to the Group General Reserve which now totals £1,750,000.

The value of stocks at December 31, 1961, has risen by £652,634.

Debtors have fallen slightly at December 31, 1961, by £77,462. The liquid resources at the end of the year totalled £2,540,334 which compared with £2,265,134 at December 31, 1960.

The excess of Current Assets over Current Liabilities at the close of 1961 amounted to £5,709,839 compared with £4,699,321 at the close of 1960.

CAPITAL EXPENDITURE

The Group Capital Commitment for buildings, plant and machinery, at December 31, 1961, amounted to £835,696. The major portion of this is in connection with the erection and equipping of the new building at the Gloucester Works, which will house new ball making plant and other production machines.

The Directors continue to give every attention to the repairing and maintenance of buildings, plant and machinery which is so essential in the high precision engineering work in which we are engaged.

We have spent much time in the last year studying the extent to which technical change is affecting the roles and responsibilities of our staff, especially at foreman level, and believe we are now in a strong position to increase individual satisfaction and overall efficiency.

The less favourable trading conditions which have been operating since the time of the Chancellor's "little budget" make it difficult to assess with confidence the outlook for the future, but we have a reasonably good order book at the present time. During the last few weeks I am pleased to say that there has been a slight increase in the demand for our products which we hope will grow so that we shall be able to keep all our Workpeople and plant fully employed. I have every confidence that your Company will secure a fair share of the bearing business of the country.

The report and accounts were adopted.

Storeys OF LANCASTER

Manufacturers of "Con-Tact," "Stormur," Vinyl Curtaining, Vinyl Sheetings and coated fabrics for industrial and domestic uses.

	1961 £	1960 £
Trading Profit	859,000	1,098,000
Net Profit before Taxation	617,000	880,000
Net Profit after Taxation	307,000	463,000
Depreciation charged	178,000	148,000
Dividend on Ordinary Shares	30%	30%

The following are extracts from the Chairman's Speech:

"It is with regret that I have to report profits substantially lower than those for the preceding year. In a sentence, I would say that 1961 was a year of disappointment, but also of consolidation and preparation for the future."

"Sales for the first nine months of the year were somewhat less than for the corresponding period in 1960, but in the December quarter they rose sufficiently to result in a very slight increase on last year as a whole, so that the year did end on an encouraging note."

"I am glad to report that our well-known "Con-Tact" Self-Adhesive Plastic continues to be in good and steady demand. In this range and a number of other plastic ranges, a new photographic technique has resulted in a fresh type of design, with exceptionally good colourings, being introduced. These new designs and the very realistic wood effects have met with a ready response. Our plastic wallcovering material, "Stormur," has been used with success on a number of industrial and commercial buildings. On the other hand, our "Stor-Decor" business has declined substantially owing to cheap cotton prints and other materials which are now available on the market."

"Our business with the Perambulator, Travelware, Radio and other trades has again been good, and present prospects are most encouraging."

"We are already represented by various selling Companies on the Continent and we face entry into the Common Market with confidence."

A copy of the Accounts and the Chairman's Speech may be obtained from:—

The Secretary,
STOREY BROTHERS AND COMPANY LIMITED,
WHITE CROSS, LANCASTER

TWINING CROSFIELD & COMPANY

EXPANSION OF TRADE MAINTAINED

The forty-fifth annual general meeting of Twining Crosfield & Co. Limited was held on May 3rd in London, **Mr H. W. Backhouse** (chairman and managing director) presiding.

The following is an extract from his circulated statement:

The Group Profit before taxation at £157,000 is £17,000 higher than last year but on our larger ordinary capital. We propose to recommend a final dividend at the rate of 10 per cent., which is the same as last year on the increased capital and, if this is approved, we shall add £16,000 to the figure we carry forward in our Consolidated Account. It should be remembered that during this period the cost of integrating the Barber acquisition was met and the economies effected as a result thereof will not be fully realised until during the current year. We have added some very capable members to our staff as a result of this and the expansion in our trade has been maintained. We had to contend with the difficulties resulting from the Tally Clerks' strike at the end of 1960 which was very costly and we were adversely affected by the increase in the Bank rate. The tea market was difficult for our purposes until about June, 1961, which naturally affected our net profits.

During the year we have made an investment in the development of Coffee Houses which shows promise of good results.

I should like once more to express our appreciation for the most excellent service we have received from our staff and employees. They had a particularly trying year because of our acquisition of Barbers' business which meant a lot of extra work.

While we have made a good start in 1962 we continue to face very keen competition. In the retail trade this often takes the form of price cutting and the public is looking for bargains at cut prices. With our increased sales organisation I look forward to further expansion and if the tea and coffee market remains favourable to a good year's trading.

The report was adopted.

IMPERIAL CHEMICAL INDUSTRIES

STEPS TO IMPROVE COMPETITIVE POSITION

MR S. P. CHAMBERS ON VITAL ROLE OF RESEARCH AND DEVELOPMENT

The thirty-fifth annual general meeting of Imperial Chemical Industries Limited was held on May 3rd in London.

Mr S. P. Chambers CB, CIE (the chairman), presided and, in the course of his speech, said :

We were naturally disappointed that the profits in 1961 were so much lower than those of the previous year, although it has to be remembered that 1960 was very much a record year and that in only one other year, 1959, has the 1961 profit been exceeded. Profits are always liable to fluctuation with varying commercial conditions and a simple comparison of 1960 and 1961 profits gives an exaggerated picture.

The most significant fact about the fall of profits in 1961 is that it was not due to a reduction in the physical volume of sales at home or abroad. In fact they established new records, so that it would be quite wrong to think of 1961 as a year of decline or recession. The fall in profits was due largely to lower prices which resulted in turnover expressed in money terms being about 1½ per cent lower than in 1960 and which also lowered profit margins.

Highly competitive conditions are likely to continue with production capacities for many chemical products remaining in excess of demand for a time. It must therefore be the Company's aim to secure reasonable profits with a growing volume of business at lower prices rather than rely on a smaller volume of business at higher prices. To do this it will be essential to intensify our efforts to achieve the lowest possible costs of established products and more desirable than ever that we should be in the van with a succession of new and profitable products.

IMPORTANCE OF RESEARCH AND DEVELOPMENT

Your Directors have been devoting a great deal of attention to these important problems, the solution of which demands a different approach from that applicable to conditions obtaining up to a relatively short time ago. Then the emphasis quite properly was on the increase of production capacity to meet demand with minimum delay. Now a forward outlook is still more necessary to ensure that production is based on the cheapest and most modern processes.

Research and development are two of the key activities in this connection. Although a good deal of the Company's research and development effort is now being applied to the search for new processes for manufacture of established products, the equally important objective of discovering entirely new chemical products is by no means being neglected.

To obtain the full advantage of the discovery of new products, production on a commercial scale must begin with minimum delay. This applies particularly to pharmaceutical products and is one of the reasons for our decision to erect new pharmaceutical manufacturing and packaging plants at Macclesfield. The links between research, development, scientific control and commercial production will be shorter and stronger than what is possible with the existing manufacturing facilities.

Although we spent about £15 million in the United Kingdom alone on research and development, this represents a small proportion of the total expenditure on research and development by the chemical industries of the world. Much time and care, therefore, is devoted to the study of developments outside our own organisation, and we do not hesitate to seek licences for any process or product likely to be of value in our own business.

Apart from research and development there are three other ways in which the problems of cost reduction are being attacked. Greater attention is being paid at the design stage of our plants to ensure that the capital costs are a minimum and that when the plants are erected production costs will also be as low as they can be made, consistent with effective operation. I do not wish to give the impression that hitherto these matters have been neglected, but in years gone by the need to get plants erected to meet the known demand for products had sometimes to take precedence over achieving the lowest costs, particularly when plant items were difficult to obtain.

Another way in which we are attacking costs is to review and to modify the Company's organisation to meet changing conditions. The formation of Imperial Metal Industries Ltd., under the Chairmanship of Dr James Taylor, to control the Company's extensive metal interests (other than in aluminium) is an example. In addition, it is proposed to transfer the control of Wilton Works to the Heavy Organic Chemicals Division. The Wilton Council has done exceptionally good work in harmonising the interests of the different Divisions operating on the Wilton site, and its abolition is just a change of organisation to deal with the new conditions now that the site is so well developed. Other changes are also under consideration.

Finally, we are examining critically every form of expenditure throughout the Company and the reasons for it. The whole operation will take some considerable time but when it is completed we expect to get some substantial reductions in costs without loss of efficiency.

PROSPECTS

Although some improvement in 1962 may be expected from higher turnover, the main source of additional profits must be sought in improved profit margins due to greater efficiency. In the nature of things, any improvement in profits achieved in this way is likely to be moderate.

In the first quarter, turnover at home and in exports taken together was a little above the corresponding quarter of 1961. It is too early for me to make any more precise forecast for the current year. Taking a long view and bearing in mind the new plants which will be coming into production in the next few years, the Company's prospects are, in the opinion of your Directors, as bright as ever and its competitive strength is being further improved by the measures of which I have given an outline today.

The report and accounts were adopted and the proposed final dividend of 1s. 6d., less tax, making 2s. 9d., less tax, for the year on the Ordinary Stock was approved.

W H S

W. H. SMITH & SON (HOLDINGS) LIMITED

Extract from the Chairman's Statement

The Year's Results The programme of development to which I referred in my Statement last year has proceeded according to plan. While the full impact of the programme will not be reflected in our results immediately, there are encouraging signs that your business is already showing the benefit of the capital expenditure on modernizing shops, bookstalls and wholesale houses and of the extensive staff training programmes to which I shall refer later.

I am able to report better results for this past year as compared with the previous year. They represent a return to the scale of profits made in the three years prior to 1960-61. While it was more difficult to earn additional profits by reason of the economic conditions in the country the year's trading was free of interruptions arising from industrial disputes outside the business and for forty-eight weeks sales benefited from the raising of the price of the national daily papers. However, even after discounting the favourable factors, the trend of profits is in the right direction and given a reasonable trading climate, I look for further improvement as our plans, policies and capital expenditure become increasingly effective.

Accounts The Consolidated Profit before taxation for the 53 weeks was £2,101,167 compared with £1,753,138 for the preceding 52-week period. Taxation absorbed £1,178,055, leaving £923,112 for appropriation. Net Dividends for the year on the Preference Shares, together with the Interim and Proposed Final Dividend on the Ordinary Shares amount to £505,925. After these allocations we were able to put to General Reserve £384,000 and to increase the carry forward by £33,187.

Dividend We have decided to recommend a Final Dividend of 9 per cent, making 13 per cent, for the year.

INSTITUTE OF CHARTERED ACCOUNTANTS

ANNUAL MEETING



Mr. P. F. Granger, F.C.A.

In the course of his address to the 81st annual meeting of The Institute of Chartered Accountants in England and Wales on 3rd May 1962 the President, Mr. P. F. GRANGER, F.C.A., said:

STATEMENTS ON AUDITING

Last August the Council issued the first of a series of Statements on Auditing. The No. 1 Statement dealt with GENERAL PRINCIPLES OF AUDITING and the No. 2 Statement, issued last March, dealt with STOCK-IN-TRADE AND WORK IN PROGRESS. Further Statements are in preparation. The Council regards them as most significant additions to the range of important technical documents emanating from the Institute. I must, however, emphasise that in issuing these auditing Statements the Council is doing no more than offer guidance to members. It must still remain with the individual auditor to decide, in the circumstances of each particular audit, the nature and extent of the tests and examinations he should make in order to enable him to discharge his responsibility. In so doing he must rely on his professional training, experience, skill and judgment.

TERMS USED IN PUBLISHED ACCOUNTS

We are issuing a statement entitled TERMS USED IN PUBLISHED ACCOUNTS OF LIMITED COMPANIES. It is intended for reference purposes as and when the occasion arises. The terms suggested by the Council are suggestions only and will not necessarily be appropriate in the circumstances of a particular business. The Council is not aiming at regimentation or standardisation.

TAXATION

The Council is able to draw upon a vast amount of experience throughout the country and in this way is well fitted to direct the attention of the Chancellor of the Exchequer and the Board of Inland Revenue to anomalies and uncertainties in existing taxation legislation and in Finance Bills. Our representations are often the subject of discussion between representatives of the Council and representatives of the Board of Inland Revenue. We do not always agree with the Revenue view but we greatly value these opportunities for discussion and we believe them to be of mutual benefit.

BANCO DI ROMA

Capital : Lire 12,500,000,000 — Paid up : Lire 10,200,000,000
Reserve : Lire 6,400,000,000

The Meeting of Shareholders of BANCO DI ROMA, held on April 16, 1962, under the chairmanship of Gr. Uff. Avv. Vittorino VERONESE, approved the Balance Sheet and Profit and Loss Account as at December 31, 1961, and the allocation of the profit for the financial year.

After having paid tribute to the Chairman, Cavaliere del Lavoro Ugo FOSCOLO, and the Auditor, Prof. Mario BOSSI—who recently passed away—the Board of Directors pointed out the continued, favourable progress made by the Bank in the various sections of activity. Compared with 1960, funds have risen by 194,000 million Lire (equal to 23 per cent), to reach 1,030,000 million Lire, in addition to the balance of circular cheques of 24,000 million Lire. Investments have risen to 698,000 million Lire, with an increase, in the year, of 133,000 million Lire (over 23 per cent). Immediate availabilities equal 41 per cent of the funds. The triennial period 1959-1961 has seen customers' funds and investments increase respectively by 45 per cent and by about 70 per cent, as compared with December 31, 1958. The net profit balance for the year, of over 1,351 million Lire, has made it possible to distribute once again a dividend of 10 per cent, and to allocate 500 million Lire to reserve, which is thus raised to 6,400 million Lire, equal to over 62 per cent of the paid up capital.

The Meeting re-elected for the three-year period 1962-1964 the retiring Members of the Board. The Board of Directors met immediately after the Meeting and confirmed, in their respective appointments, the Chairman, Gr. Uff. Avv. Vittorino VERONESE, and the Deputy Chairman, Baron Prof. Dott. Francesco Mario ODDASSO and Dott. Massimo SPADA.

The Managing Directors are Gr. Uff. Raffaele MANCINELLI and Dott. Achille RUTA.

To complete the Board of Auditors, Dott. Sergio Ruggeri has been elected Auditor.

TRADE INDEMNITY COMPANY LIMITED

MR H. T. SILVERSIDES ON CREDIT INSURANCE

The 44th ordinary general meeting of Trade Indemnity Company Limited was held on May 3rd in London, **Mr H. T. Silversides** (the chairman) presiding.

The following is an extract from his circulated statement:

The Accounts and Balance Sheet show results which closely reflect the fluctuating fortunes of this country's economy.

The gross premiums earned in 1961 on all Underwriting Accounts amounted to £1,778,715, an increase on the previous year of approximately 1.80 per cent. The retained premiums after reinsurance amounted to £603,847, an increase of approximately 2.64 per cent. The increases, although small, are, I think, satisfactory inasmuch as they have been achieved during a period when national productivity has been virtually static.

During 1961 claims paid and other outgo, less salvages, amounted to £1,071,656, an increase of no less than 91.4 per cent on 1960. A little over one half of this figure is attributable to the 1961 Underwriting Account and, as a result, after charging expenses of management, this Account had a debit balance of £37,949 at the end of the year.

In so far as the resultant debit balance is concerned, there are, of course, two years to go before the Account is closed and, consequently, there is still time for sufficient additional premium to be earned to reverse the position.

After various adjustments and charges, including a dividend of 17½ per cent, the final balance on Profit and Loss Account to be carried forward to next year is £305,568.

I think you will regard these results as satisfactory in circumstances which make the underwriting of commercial credit risks extremely difficult.

Although the present need for dividend restraint precludes any larger distribution than that which has been proposed, your Directors are not unmindful of the substantial surplus that arises on the Profit and Loss Account. They propose that £100,000 of undistributed profits should be capitalised and issued in the form of fully paid up £1 Ordinary Shares in the proportion of one Share for every five Shares held. The Directors hope that circumstances next year will permit them to pay the same rate of dividend on the increased capital.

GENERAL REMARKS

In his general remarks on trading conditions generally and on the effect of the Government's economic policy, the chairman said: The feelings of insecurity and uncertainty which the lack of a clear and consistent economic policy have aroused in the minds of most businessmen are known to you all. A climate of uncertainty is one in which the advantages of Credit Insurance become more readily apparent and we have endeavoured to make the most of our opportunities. New business added to our books in 1961 was over sixty per cent higher than in the previous year and was well up to the peak levels of the middle fifties. As yet, the increase in new business is not reflecting, to any great extent, the efforts of the new sales force, to which I made reference in my previous report. I can,

however say that there is a considerable volume of potential new business in the pipeline which stems from their activities. Our hopes are, therefore, that our new business figures will rise still further in 1962 as the full weight of our sales force is brought to bear.

I am pleased to be able to tell you that efforts to make our facilities to exporters more widely appreciated have met with a considerable measure of success and that our export turnover and premium income have risen appreciably over the past twelve months. This has, in fact, reversed the previous downward trend.

If Britain decides to join the Common Market, it would open up new opportunities for expanding our business. Your company would have a most important and, I am tempted to say, special part to play. Not only would there be every incentive for manufacturers and merchants in this country to use Credit Insurance to protect themselves against the repercussions on their United Kingdom customers of tariff-free competition from the Continent, but they would face the additional need for cover on their sales to new and untried customers in the countries of the "Six." Our contacts and sources of information in Europe are, through our membership of the International Credit Insurance Association, widespread and effective.

The report was adopted and at a subsequent extraordinary general meeting the capital proposals were approved.

SMITH & NEPHEW ASSOCIATED COMPANIES LIMITED

ANNUAL GENERAL MEETING 8th MAY, 1962

YEAR OF EXPANSION

The twenty-fifth Annual General Meeting of Smith & Nephew Associated Companies Limited was held on May 8th in the Great Hall, 2 Temple Place, Victoria Embankment, London, **Mr. G. E. Leavey** (the Chairman), presided.

* * * *

The following information was given in the Chairman's Statement which had been circulated previously:—

TRADING RESULTS

	1961	1960
Group Profit Before Tax	£2,702,797	£2,244,934
Group Profit After Tax	£1,281,318	£1,121,057

DIVIDEND

Bearing in mind the request of the Exchequer that Companies should exercise restraint, but taking into account that the improvement in the profits arises mainly from increased productivity and not by price increase, the Board recommends that the total dividend rate is increased only from 12½ per cent. to 13½ per cent., thus a final dividend of 8¼ per cent. on the Issued Share Capital is recommended.

CAPITALISATION OF RESERVES

The Reserves of the Company now exceed the Share Capital, and the Board recommends the distribution to Shareholders of ONE New Ordinary Share for every THREE Ordinary Shares held at the close of business on 11th May, 1962.

GENERAL REVIEW

The year under review has witnessed some major decisions on policy. There is a realisation that in a changing world investment in a new range of raw materials is necessary. Paper is becoming more important as a means of meeting the demand of the hospitals and medical world for disposable products, and consequently the Company is developing a rapidly increasing trade in products mainly of paper.

Plastics have been under constant review as being of outstanding importance to many of our products. This Division of the business has recently been authorised to plan a large extension of plant in its own field, in which it has shown a modest success, and in addition a small manufacturing company with special experience in injection moulding has been acquired.

* * * *

At the Annual General Meeting the following announcements were made:—

PRESIDENT

After seven years Mr. G. E. Leavey relinquishes the Chairmanship of the Board and at the invitation of his Colleagues has accepted the Presidency of the Company.

CHAIRMAN

Mr. C. A. F. Hastilow, who joined the Board of the Company in 1958 at the time of the fusion with Southalls (Birmingham) Ltd., has accepted the Office of Chairman of the Board.

DEPUTY CHAIRMAN

The growth of the Company necessitated a change in the Articles of Association so that the Company could appoint more than one Deputy Chairman. The appropriate Resolutions were passed and the appointment of Mr. G. Whittaker as Deputy Chairman and Managing Director, Mr. L. F. Long and Mr. S. N. Steen as Deputy Chairmen (Executive) and Mr. J. A. Leavey as Deputy Chairman was announced.

The Report and Accounts were adopted and the ONE-for-THREE scrip issue approved.

PRINCIPAL PRODUCTS

Surgical Dressings: Elastoplast First Aid Dressings, Bandages & Plasters; Nivea Creme Oil & Lotion; Gypsona Plaster of Paris Bandages; Dr. White's Lilia, Lil-lets Sanitary Protection; Ozo, Conquest Toilet Paper; Parozone Bleach; Land-o'-Nod Clothing; Tuberculostatic Drugs; Pharmaceutical Products; Hypodermic Syringes & Needles; Industrial Adhesive Tapes.

POWER SECURITIES CORPORATION LIMITED

LARGER PROFIT

The Thirty-ninth Annual General Meeting of Power Securities Corporation, Ltd., will be held on May 31st in London.

The following is an extract from the circulated statement of **Sir Andrew M. MacTaggart,** Chairman and Managing Director.

The consolidated profit before taxation of £790,837 compares with £715,142 in the previous year, an increase of £75,695.

The consolidated profit after taxation at £494,026 is £114,761 higher than the comparable figure in 1960.

The Directors recommend dividends at the same rates as those declared for the previous year, namely 15 per cent on the Ordinary Shares and the maximum rate of 10 per cent on the 7 per cent Participating Preference Shares.

Work in progress has increased by over £2,000,000 compared with last year. This is mainly accounted for by building contracts, and is reflected in the increases in creditors and the amount due to our bankers.

After dealing in detail with the contracts completed and in hand by Balfour, Beatty & Co., Ltd., the chairman referred to the subsidiary companies, in the course of which he said that the activities of Tersons Limited throughout the United Kingdom had increased considerably; Stent Precast Concrete Limited had worked to capacity and had a successful year; Duncan Watson (Electrical Engineers) Limited had obtained important contracts and James Kilpatrick & Son, Limited, had achieved a record turnover. Metropolitan Construction Co. Limited, had been fully occupied.

AUTHORISED CAPITAL

The chairman's statement continued: It is the Board's intention to propose a resolution at the Annual General Meeting increasing the Authorised Capital from £2,500,000 to £4,000,000 by the creation of 1,500,000 additional Ordinary Shares of £1 each. It is not the present intention of the Directors to issue the whole of the proposed new Ordinary Shares in the first instance.

FUTURE PROSPECTS: In the United Kingdom the Group companies have been fortunate in maintaining a fair share of business, particularly in the building and allied industries, and subject to conditions remaining comparatively stable, the year 1962 should show not less favourable returns than 1961. In civil engineering construction, however, competition remains very keen, making profit margins very small. On the electrical side we continue to obtain a reasonable amount of work, and we look forward to maintaining, and I hope improving, our position in this section.

Overseas, short of being a Mohammed, it is difficult to prophesy what the future has in store, particularly in the Middle-East, and East Africa where lack of political security is the greatest deterrent to long-term investment, so essential to expansion of our interests in electric power. We are equipped with the necessary knowledge and resources to deal with most problems and we feel confident in being able to hold our own where the situation is truly competitive.

THE TELEGRAPH CONDENSER COMPANY

REDUCED HOME DEMAND LARGELY OFFSET BY RECORD EXPORT BUSINESS

CONTINUING EXPANSION OF ACTIVITIES

MR W. C. HANDLEY VIEWS FUTURE WITH CONFIDENCE

The twenty-ninth annual general meeting of The Telegraph Condenser Company Limited was held on May 2nd at the offices of the Company, Wales Farm Road, North Acton, London, W3, **Mr W. C. Handley, BSc(Tech), MIEE** (the chairman), presiding.

The following is his circulated statement:

It is with profound regret that I have to record the death of Mr T. H. Martin Harvey on July 9, 1961. Mr Martin Harvey had been a Director of the Company since 1948, and Deputy Chairman from 1950 until his death. He had enjoyed a long and distinguished career in the electrical industry, and his colleagues will remember him both for his valuable service to the Company and for his wise counsel over many years.

ACCOUNTS

The Group trading profit for the year ended December 31, 1961, amounted to £674,560, which compares with £701,737 for the previous year, and the net profit, subject to taxation and appropriations, is some £25,000 lower.

After taxation and adjustments plus the balance of profit brought forward from previous years, there remains a balance of £472,448, against £477,048, to be appropriated.

An interim dividend of 5 per cent less income tax, has already been paid. It is proposed to place £130,000 to General Reserve to pay a final dividend of 12½ per cent, plus a cash bonus of 5 per cent, on the issued capital, and to carry forward £210,665 on Profit and Loss Account to 1962.

COMMENTS ON 1961 TRADING CONDITIONS

As forecast in my last statement to Shareholders, trading conditions during 1961 were rather less favourable than those pertaining to the previous year. Demand for our products originating from the UK Television and domestic appliance industries was below the Company's productive capacity, particularly during the first six months of the year, and there is no sign at the moment of a return to 1959 levels.

The current recession has not deterred your Board from proceeding with expansion both in manufacturing facilities and product range. The extension to our Scottish factory at Bathgate is nearing completion and, during the year, we purchased a factory at North Acton, adjoining our headquarters, which will give us valuable additional manufacturing space in an area where expansion would otherwise have been impossible.

Our new products have been well received by manufacturers and substantial orders may be anticipated during the current year, particularly if the UK Market improves.

Turning now to our overseas trading during 1961, I am pleased to be able to report that incoming orders and despatches broke all previous records by a substantial margin and went a long way towards offsetting the reduction in home demands. The appointment of new agents in several countries is expected to prove beneficial.

Sales to European countries were particularly good and more than offset some decline in demand from the British Commonwealth, where, generally, conditions have been somewhat difficult throughout the year.

OVERSEAS INTERESTS

Our partnership with Sprague Electric Company, to which I referred in my 1961 Statement, is proving of great mutual benefit, due to regular exchanges of know-how and techniques and to the understanding and trust which has been built up between the parties.

Two major changes took place last year in connection with our Associated Companies. The controlling interest in our Canadian subsidiary was acquired by Sprague Electric Company, and the Company was renamed Sprague-TCC (Canada) Limited. Under the terms of the arrangement, the Canadian Company will have sole distributing rights for Sprague products in Canada plus the benefit of Sprague know-how in manufacture and development. The new Company will remain exclusive agents for the sale of your Company's products in Canada.

The other change was the acquisition by your Company of a majority interest in our Australian associate—United Capacitor Company (Pty.) Limited. This should prove of benefit when the Australian market for our products emerges from the present recession.

PROSPECTS FOR 1962

Since our prosperity is closely linked with that of the entertainment and domestic appliance industry, which is at present in a depressed state, it would appear that we should do well to maintain the current level of output and profit during 1962.

Competition for available business will undoubtedly be keener than ever and thus it will be necessary to make every possible economy in manufacture whilst maintaining the world renowned quality of our products.

Your Board and Executives are keenly alive to the difficulties still to be encountered and surmounted in 1962, not the least of which is uncertainty regarding Government policy which can affect us so directly. We are hopeful of achieving reasonable results if there is no new factor to depress further the overall demand.

PERSONNEL

I should like to take this opportunity of expressing the gratitude of my colleagues and myself to everyone in the organisation for their outstanding efforts in the past year. We have a skilled staff, good workpeople and excellent equipment. I have every confidence in the Company's future.

The report and accounts were adopted.

TAYLOR WOODROW LIMITED

The Twenty-seventh Annual General Meeting of Taylor Woodrow Limited will be held on June 4th in London. The following is an extract from the statement by the Chairman, **Mr Frank Taylor,** which has been circulated with the Report and Accounts for the year ended December 31, 1961:

The trading results of the year ended December 31, 1961, are higher than those of the previous year, which can be considered as not unsatisfactory in view of the continuing intensive competition which your Group has had to face.

ACCOUNTS

The turnover of the Group (not including Associated Companies) for 1961 was £35½ million against £33½ million in the previous year. The Group Trading Profit increased from £1,745,229 in 1960 to £1,972,099 in 1961. The Net Profit of the Group is £537,561, compared with £446,003 in 1960. I again stress that the overall results of a Building and Civil Engineering business where contracts in some instances extend over a number of years should be judged not by the results of a single year, but by those of a number of years.

The Directors recommend a final dividend be paid for the year on the issued Ordinary Share Capital of 7½d. per share (less tax), which is the same as for the previous year.

AT HOME

Building, Civil and Mechanical Engineering—It is a pleasure to report that the value of work carried out during the year in this main field of our business reached a new peak. This growth in turnover is, of course, assisted by our participation, in collaboration with The English Electric Company, Limited and Babcock and Wilcox, Limited, in the atomic power station development programme.

Myton Limited—The past year has been marked by the successful completion of several large projects.

Good progress is being made on our many current contracts in various parts of the country and we have a substantial volume of future work on hand.

House Building—The new houses and bungalows we have introduced this year have proved popular to the house buying public.

Arcon Export and Home—In spite of intense competition and narrow profit margins the value of the exports of Arcon Buildings in 1961 exceeded all previous figures.

OVERSEAS

Australia: Trading conditions in Australia during the past year continued to be very difficult due to credit restrictions.

Canada: Further contracts have been obtained during the year and these are progressing favourably. The prospects for 1962 appear very promising.

West Africa: Our associated companies in West Africa suffered along with other concerns the effects of a lull in development. Towards the end of 1961 the picture brightened considerably and we commenced 1962 with a substantial amount of work on hand.

Your Company will continue to seek out profitable work consistent with the Company and British prestige.

ROCKWARE GLASS LIMITED

IMPROVED TRADING RESULTS

ADVANCES IN GLASSMAKING TECHNIQUES

The Statement by the Chairman, **Mr R. Graham Bailey,** circulated with the Annual Report and Accounts for the year ended December 31, 1961, makes the following points:

During 1961 sales advanced at a greater rate than those returned by the Industry in general and there was a record turnover well ahead of the 1960 figures. The Trading Results show a Group Trading Profit of £644,775 (1960: £530,457). After crediting interest and dividends and charging depreciation the Net Profit for the year before taxation amounted to £482,839 (1960: £373,856; 1959: £355,714). In view of the Government's request for dividend restraint and the need to conserve cash resources for a substantial capital expenditure programme on plant and machinery, the Board recommends the payment of a final dividend of 9 per cent making a total of 14 per cent (1960, 14 per cent).

The improved trading results, achieved in the face of increased competition and costs, were assisted by a 5 per cent advance in selling prices which operated during the latter five months of the year. Efficient use of productive capacity and supporting services also played an important part in the better financial results.

1962 has started quietly for the Company but the Board is confident that the market for glass containers will continue to expand, and that the Rockware group of factories will obtain a fair share of the increased volume. This confidence is partly attributable to the Company's advances in light weighting techniques. Recently it has made two developments of particular significance; firstly, the introduction of the one-trip beer bottle which offers beer to the consumer in its traditional pack with the convenience of "no deposit and no return," and secondly, the Company is marketing the "cheapa lighta pinta"—a lighter weight milk bottle which it is confident will replace the existing design in many dairies.

ROYAL DUTCH PETROLEUM COMPANY

N. M. Rothschild & Sons announce that the General Meeting of Shareholders of Royal Dutch Petroleum Company on May 3, 1962, have decided to declare a total dividend in cash of Fls.5.25 per share in respect of the financial year 1961 to be paid on each of the 81,223,348 ordinary shares outstanding at December 31, 1961. The amount of Fls.5.25 includes the interim dividend of Fls.2.25 which was made payable in October, 1961.

The cash dividend now becoming payable amounts to:
Fls. 150—per bearer certificate for 50 shares.
Fls. 15.—per bearer certificate for 5 shares, and
Fls. 3.—per registered share respectively.

A. ON THE BEARER SHARES.

This final cash dividend will be payable against surrender of Coupon No. 125 on or after May 8, 1962, at the office of N. M. Rothschild & Sons on business days, Saturdays excepted, between the hours of 11 a.m. and 2 p.m.

Payments will be made in sterling at the buying rate of exchange on Amsterdam current at 2 p.m. on the date on which the coupons are so surrendered. In view of the fact that guilder funds are being provided by the company for payment of this dividend the usual foreign exchange commission will be deducted from the sterling proceeds.

In the case of shareholders not resident within the Scheduled Territories the paying agent may, at the request of the Authorised Depositary presenting the coupons, pay the dividend in a different currency. Information in this respect will be supplied by the paying agent upon request.

Coupons must be accompanied by a declaration in triplicate signed by an Authorised Depositary reading "We declare under our responsibility that sufficient evidence has been submitted to us that the securities from which the coupons enumerated below have been detached:

(a) do not belong to residents of the Netherlands;

(b) are provided with red export certificate, issued by the Nederlandsche Bank."

From the gross dividend the Netherlands dividend tax of 15 per cent. is to be deducted, except in the case of coupons presented on behalf of:

(1) Residents in the United Kingdom, provided they lodge a Netherlands declaration "Inkomstenbelasting No. 92 V.K." in duplicate;

(2) residents in the U.S.A., provided they lodge a Netherlands declaration "Inkomstenbelasting No. 92 V.S." in duplicate, together with a single affidavit form "Inkomstenbelasting No. 92a, V.S."; however, where form No. I.B. 92 V.S. is signed, in virtue of an authorisation by the Inspector of Taxes at Amsterdam, by the bank presenting the coupons, and the share certificate(s) in question is (are) in the custody of that bank, the production of form No. I.B. 92a V.S. (affidavit) is unnecessary;

(3) residents in Sweden, provided they lodge a Netherlands declaration "Inkomstenbelasting No. 92 ZWE", duly completed by the Swedish tax authorities;

(4) residents in Finland, provided they lodge a Netherlands declaration "Inkomstenbelasting No. 92 FIN", duly completed by the Finnish tax authorities;

(5) residents in Denmark, provided they lodge a Netherlands declaration "Inkomstenbelasting No. 92 DEN", duly completed by the Danish tax authorities, and

(6) residents in France, in which case either a French declaration Model A signed by the shareholder with the certificate on the back duly completed by the appropriate French inspector of taxes or a French declaration Model B, in duplicate, duly completed and signed by an authorised French bank, must be provided.

As regards holders resident in France, attention is drawn to the fact that the regulations giving effect to the France-Netherlands tax convention provide that unless Model A or Model B declaration referred to above is lodged when dividends are collected, dividend tax will be deducted and there will be no possibility whatever of reclaiming this tax.

In cases (2), (3), (4), (5) and (6) above the usual affidavit certifying non-residence in the United Kingdom will also be required if payment is to be made without deduction of United Kingdom income tax.

Coupons must be left for an appropriate period for examination and must be handed in personally. Coupons cannot be paid through the post.

Coupons must be listed in triplicate on special forms, embodying the declaration quoted above, which can be obtained on application.

B. ON THE REGISTERED SHARES.

As to the shares registered in the United Kingdom section of the Amsterdam register, the following arrangements have been made for the payment of the final cash dividend amounting to Fls. 3.- per registered share (nominal value Fls. 20).

May 3, 1962, is the date for the fixing of the sterling amount of the dividend on the basis of the sterling-guilder rate of exchange current in Amsterdam on that date.

May 11, 1962, will be the record date. Shareholders registered at the close of business on that date will be entitled to receive the dividend.

On or before June 6, 1962, dividend warrants will be posted by the transfer agent, Nederlandsche Handel-Maatschappij N.V., Amsterdam, to shareholders registered in their books on the record date.

A further announcement will be made as soon as possible giving the rate of exchange, the amount of the dividend in sterling per share, and the amount of the 15 per cent. Netherlands dividend tax in sterling per share.

New Court, St. Swithin's Lane, London, E.C.4.
May 4, 1962.

SELANGOR RIVER RUBBER ESTATES

The thirtieth annual general meeting of Selangor River Rubber Estates, Limited was held on May 9th in London, **Mr G. D. Wreford-Brown, OBE** (the chairman), presiding. The following is an extract from his circulated statement:

I present the report for the thirtieth financial year of the Company which continues to show progress. Despite the lower net price realised for our crop it is gratifying for the Parent Company to be able to show a very slight increase in profits. Group profits, however, were down by some £5,000, but, with revenue from our chief source of income, sales of rubber, over £50,000 lower, the final result, in the maintenance of our total distribution for the year at 30 per cent, less tax, and the transfer of £25,000 to reserve, I am sure, will be received with satisfaction.

Our Group crop was almost the same as for the previous year, but, with a wages agreement geared to the price of rubber, our cost of producing the crop was down by £15,000.

The Balance Sheet shows improved strength in our liquid position with Group net current assets at £114,482.

I feel the outlook for natural rubber is satisfactory although one must not look for high prices as in the past. Labour costs will rise under the new wages agreement but against that good estates are obtaining increasingly high yields per acre and it is hoped that your Company's yields will be no exception. We must, however, expect some decrease in profits with rubber at its present price.

The report was adopted.

HENEKEYS LIMITED

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HENEKEYS LIMITED announce their intention of making a rights issue on the basis of 1 new Ordinary Stock Unit of 5/- for every 4 'A' Ordinary and/or Ordinary 5/- Stock Units held on the 29th May, 1962. The issue price will be 18/- per stock unit and it is hoped to circulate full details on the 18th May. Subject to the necessary Resolutions being passed at an Extraordinary General Meeting proposed to be convened for the 4th June, 1962, Provisional Allotment Letters will be posted on the same day.

METAL CLOSURES GROUP LIMITED

EXPORTS SHOW CONTINUED EXPANSION

The twenty-sixth annual general meeting of Metal Closures Group Limited will be held on May 30th in London.

The following is an extract from the circulated statement of the chairman, **Mr K. D. Erskine:**

In common with many other companies we experienced in 1961 some recession in profits compared with the high levels of 1960. Nevertheless it was still a successful year by any previous standards.

In 1961 the Group earned a profit of £913,891 before deduction of minority interests and before taxation, compared with £1,121,177 for the previous year. Your directors recommend a final dividend of 6½ per cent on the Ordinary Share Capital making a total distribution of 11¼ per cent which is the same as for the previous year. The amount retained in the business out of the profits for the year is £226,437.

A year ago I said that demand for our products continued good but that competition was increasing and that it was becoming less easy each year to find further ways to combat rising costs. In the event the poor weather last summer and the "Little Budget" in July led to a significant falling-off in the demand for the Group's products in the second half of the year. As a result sales in the home market reached only about the same level as in 1960.

Our export business continued to expand in 1961. The sales value of our direct exports reached nearly three-quarters of a million pounds on which we obtained a satisfactory margin of profit. The income from licensees manufacturing some of our products under "know-how" agreements in many countries throughout the world also reached a new high level and made an important contribution to our results. We believe that both these forms of export income offer scope for further expansion.

Your Board have considered that the right policy of expansion to adopt at the present time should in the main be in products naturally complementary to those we already produce and the consolidation and extension of our overseas business. Our overseas interests were extended in several important territories.

Last year I said that we had reached the stage when we must move on from co-ordination between the different companies in the Group, following the merger between Metal Closures Limited and John Dale Limited, to integration. Substantial progress has been made in this direction. As the new organisation takes effect we shall begin to reap the fuller benefits of the merger.

It would be wrong for me to hold out high hopes for advance during 1962 but the modernisation of operating plants should presage the continued growth of your Company in future years.

Competition is growing stronger and profit margins narrower. Nevertheless, our efficient manufacturing units should enable us to maintain a leading place in the packaging industry which is destined for further expansion.

The Company has occasionally had periods of pause after advance; this is perhaps all to the good. Nevertheless, over the years, we have always surged forward and we believe that this basic pattern will continue. We realise that we are living in a sterner economic world. Our policy is to make the utmost economies possible without damaging the business.

CAPITAL FINANCE COMPANY LIMITED

A YEAR OF EXPANSION

MR J. C. H. DUNLOP ON CAPITAL PLAN FOR TAX RELIEF

The eleventh annual general meeting of Capital Finance Company Limited will be held on June 7th in Edinburgh.

The following is the statement by the chairman, **Mr J. C. H. Dunlop, CA,** which has been circulated with the report and accounts:

The year under review has been a difficult one in the Hire Purchase industry. A comparison of this year's profit of £109,430 with that of last year—£50,994—gives the impression that we have escaped all the difficulties. Such a comparison would not be correct for, as you will see in one of the notes to the Consolidated Profit & Loss Account, we have during the year changed our method of computing charges from a straight line basis to a method which as nearly as possible takes account of profits as and when they are earned. This has resulted in our bringing into account nearly £48,000 of profit which might have been regarded as having been earned in previous years. This year's profits have been restricted primarily by our having had to pay high rates of interest on money borrowed, due to the high Bank Rate ruling during the greater part of the year; also your Company has not entirely escaped the cold wind of bad debts that has afflicted the industry so severely in recent years. Despite this, there has in fact been a real increase in our profits even after making a generous allowance for bad debts before striking a final figure. While we feel that we should have been justified in increasing the dividend on our Ordinary Capital to 15 per cent your Board have decided to recommend that it should be held at the rate of 10 per cent in view of the Chancellor's request for restraint.

PROGRAMME OF ACTIVE EXPANSION

The satisfactory result is largely due to the programme of active expansion on which we embarked shortly after the close of our last accounting year. The Rights Issue of £150,000 to which I referred in my last statement brought new money into our hands in May; and you will remember that—so urgent were the demands for our services—in June your Directors decided that a further Rights Issue of a similar amount would be advisable. However in view of the request from the authorities which followed the "little budget" of July this Rights Issue has not in fact been made.

We have adjusted ourselves to this stringent position in various ways. It has been our policy up to the present to balance our business in more or less equal proportions in three different types of hire purchase activity—small unit business, block discounting transactions and motor cars. The most urgent demand for our services during the past year has come from the motor trade, and we took advantage of an opportunity profitably to close one large block discounting account in order to liberate more funds for the motor business: we have followed this by reducing block discounting advances in other quarters and propose to pursue this policy further during the next two years—all with the object of putting ourselves in a position to increase our motor business.

NEW SUBSIDIARY

The expansion of activity in England requires some explanation. In February 1961 we were asked by the Industrial Bankers Association to assist one of its member companies which had got into financial difficulties—Hillvic Finance Co. Ltd. of Bournemouth. We took over this company subject to a number of guarantees, and reorganised the capital. Later in the year it was decided to establish a new motor financing business in the prosperous Midland area and Northampton was carefully chosen for the head office in view of its excellent communications and central position. The registered office was moved from Bournemouth to Northampton and the name of the Company was changed to that of Capital Finance (Southern) Ltd.

Through this subsidiary we have developed branches at Banbury, Bedford, Birmingham and Isleworth and I am pleased to be able to tell you that most satisfactory contracts have come from all these branches during the latter part of the current year. It would be true to say, however, that it will be some time before this expansion of activity will favourably affect our accounts. Our branches at London, Manchester and Carlisle are now well established.

The special features of our motor business in Glasgow also deserve some comment. From our earliest years in Glasgow we have always had an interest in the motor trade in that city as true traders and not merely as hire purchase financiers. In view of our excellent experience of hire purchase business emanating from such a source, this year we decided to acquire two other trading companies in Glasgow. Already it would appear that this policy is paying off well.

COMMISSION HELD AT FIXED RATE

During the year we resigned from the Industrial Bankers Association. We also withdrew from the Finance Houses Association owing to a difference of opinion over details of the Code which we considered to be restrictive. Not long after our resignation from the latter association the Code was altered as regards Dealer Commission, the rate payable to dealers being reduced from 15 per cent to 10 per cent. In the course of the last two months there have been further fluctuations but throughout the year we have held our commission at a fixed rate because the motor dealer prefers to know where he stands and can hope to stand permanently in what to him is clearly a matter of importance; we believe that a consistent policy on this point will earn us goodwill with our traders.

THE "CAPITAL PLAN"

I mentioned last year that your Company had introduced the "Capital Plan" by which private individuals can acquire motor cars and other substantial durable consumer goods and obtain Income Tax and Surtax relief on the charges involved. I said at the time that it was my

belief that this form of instalment buying would become increasingly popular; it is pleasant now to record that our expectations are being slowly but surely realised, that the business has been increasing throughout the year, and that its quality is excellent. When it is pointed out that the net rate to a hirer who pays income tax at the standard rate is only 5.6 per cent compared with a rate of 8 per cent which is what would be paid on a conventional hire purchase transaction, and that this can mean a saving of £53 on an advance of £750 over a three year period, it will be readily appreciated that through the "Capital Plan" your Company is offering a service which it can reasonably expect will become increasingly popular.

It is customary at this point to express thanks to all the staff who have done so much during the year but I want to go further and say that great progress has been made in recruiting personnel of ability and experience and we have enlarged and strengthened an organisation in which your Directors have great confidence for the future.

NEW BROKEN HILL CONSOLIDATED

MR A. M. BAER'S REVIEW

The twenty-sixth Annual General Meeting of New Broken Hill Consolidated Limited will be held on June 7th at 6, St James's Square, London, S.W.1.

The following are extracts from the statement by **Mr A. M. Baer,** the Chairman, which has been circulated with the Report and Accounts:

In 1961 the output of ore was greater than in 1960, but was regulated to extract ore of an even lower average lead grade than for that year, and higher average zinc grade than would normally be extracted. The result was slightly to reduce the average cost per ton of ore extracted, to keep lead output in line with the reduced level of realisations announced at the meetings of the International Lead and Zinc Study group and to increase production of zinc concentrate. The entire production of both lead and zinc concentrates was realised.

The average London Metal Exchange prices during 1961 were £64 4s. 3d. for lead, compared with £72 2s. 11d. for 1960, and £77 14s. 7d. for zinc, compared with £89 5s. 11d. for 1960.

The result for the year was a trading balance of £1,042,839, compared with £2,075,534 for 1960, the reduction of £1,032,695 being mainly due to the substantially lower metal prices.

Depreciation amounted to £235,765 compared with £301,450 for the previous year and, after deducting other charges and adding miscellaneous income, the profit before taxation amounted to £835,012 compared with £1,806,472 for 1960.

The provision for Australian and United Kingdom taxation on the profits for the year amounts to £264,000 compared with £669,087 for 1960.

The result is a net profit available for appropriation of £571,012 compared with £1,137,385.

A transfer of £160,000 has been made to mine amortisation reserve compared with £395,000 for 1960.

The directors recommend that a final dividend be paid at the rate of 1s. 0d. per share, free of tax, compared with 2s. 0d. per share, free of tax.

This gives a total free of tax dividend of 1s. 6d. per share compared with 3s. 0d. per share.

Production: As a result of the voluntary restrictions on the output of lead which operated throughout the year, production was again well below the capacity of the mine.

Realisations: In 1961 54,959 tons of lead, 1,291,176 ounces of silver and 154,945 tons of zinc concentrate were realised, compared with 55,498 tons, 1,462,552 ounces and 157,149 tons respectively in 1960.

Long-term Concentrates Agreements: Under the sale agreements with Sulphide Corporation the Company supplied 22,561 tons of lead concentrates and 12,947 tons of zinc concentrate for the new smelting plant.

Ore Reserves: The ore reserves fully outlined and developed ready for stoping or in the process of being stoped as at December 31, 1961, were estimated at 4,800,000 tons containing 11 per cent lead, 2.8 ounces silver and 12.8 per cent zinc, compared with 4,400,000 tons containing 10.7 per cent lead, 2.7 ounces silver and 12.9 per cent zinc as at December 31, 1960.

At present metal prices portions of the lower-grade sections of the reserves could not be extracted profitably.

Development and Diamond Drilling: During 1961, development and diamond drilling were mainly concentrated on the detailed testing of the siliceous zinc lode between Nos. 12 and 14 levels from the northern lease boundary to section 84 (approximately 2,500 feet south) and on delineating this orebody southward by diamond drilling to section 100 (approximately 3,500 feet from the northern lease boundary). The exploratory drive south on No. 16 level advanced 519 feet in medium- to high-grade siliceous zinc lode ore. At section 100, a west crosscut of 395 feet was completed to provide sites for easterly fan drilling of the zinc lodes on this section. Over the whole strike length of 3,500 feet the siliceous zinc lode is well developed showing low-grade lead and medium- to high-grade zinc ore mineralisation.

FRIENDS' PROVIDENT AND CENTURY LIFE OFFICE

Mr F. Seebohm reports on progress

Total Funds now £116,000,000

Group New Business exceeds £71,000,000

The One Hundred and Twenty-ninth Annual General Meeting of the Friends' Provident and Century Life Office was held on May 9th in Carpenters Hall, 1 Throgmorton Avenue, London, EC2.

Mr F. Seebohm, the Chairman, presided.

In the course of his Statement the Chairman said:

The Report and Accounts show a fine record of progress and established strength in our Life Fund, and over the past three years we have seen records in the Group for new life business and for premium income, as follows:

	NEW Life Sums Assured	Life and Annuity Premium Income
1959	£45.2m.	£12.3m.
1960	£53.9m.	£13.7m.
1961	£71.7m.	£15.3m.

The Actuary's review of the valuation of the Life Fund enabled him to recommend to the Directors that the Interim Bonus on our with-profit policies should be increased. The rate of interim bonus is now 55s. per cent compound which is the highest level yet declared in the history of the Office. I am sure that this will give great pleasure to those members who hold with-profit policies, and with the future prospect so fair there will no doubt be many more to join their number.

The rate of interest earned on our funds shows a further increase from £6 7s. 4d. per cent to £6 9s. 3d. per cent and a further £200,000 is transferred to Inner Reserve in accordance with our policy of making regular transfers of this nature. Our Group funds have reached a total of £116 million.

You have before you the accounts of our main Subsidiary, The Century, and here the picture of growing profits is marred by the trading losses in the USA and Canada.

In the Home Fire Account a record profit was earned. In the Home Accident department our experience was slightly better, but even with a profit in the Motor section we were not able to avoid a loss.

The Fire and Accident accounts in our overseas branches and agencies, other than in the dollar countries, continued to expand, bringing satisfactory profits in the Fire department, but in the Accident department we again incurred losses.

The Marine Department closed their account for 1959 which was an exceptionally profitable year. The Marine Fund now represents 154.6 per cent of the Premium Income.

In The Century we have two long term funds in our Sinking Fund account and Continuous Disability account. In the latter we write our non-cancellable sickness and accident policy in which The Century has always led the field since we devised the scheme nearly 80 years ago. We now provide this splendid protection against prolonged or repeated incapacity under a group policy on terms which must be attractive to employer and employee alike.

The net dividend declared by The Century is increased from £300,000 to £325,000 and a further £75,000 is transferred to Revenue Reserve bringing this reserve up to £400,000.

I feel sure that this account of our year's trading will give members satisfaction when they consider the strength and continuing progress of the Friends' Provident which bring full advantage to all members of a mutual fund. Throughout the whole Group we are expanding our business steadily and soundly.

CANADIAN PACIFIC RAILWAY COMPANY

(Incorporated in Canada with limited liability)

The eighty-first annual general meeting of the Company was held on May 2nd in Montreal. The following are extracts from the address by **Mr N. R. Crump,** Chairman and President:

The Annual Report of your Directors for the year 1961 records substantial achievements by your Company in the face of formidable difficulties. The various services of your widespread transportation and communications system were improved and extended. Sales promotion and marketing activities were intensified. At the same time, operating performance attained new, higher levels as a result of steady efforts to improve efficiency.

Your Company anticipates on the basis of present and estimated traffic trends, that the total volume of business to be handled by your diversified freight and passenger services in 1962 will show an improvement over the preceding year. This favourable condition reflects the increasing buoyancy of the economy, expansion and betterment of Canadian Pacific routes and services, and the increasing effectiveness of your Company's enlarged sales programme.

Railway traffic in the first quarter of the current year has shown some improvement, in contrast to the corresponding period of 1961 when the trend of business was downward. Railway revenues, however, show a small decrease when compared to the first quarter of 1961, restated to include the appropriate apportionment of the interim payments received from the Government of Canada related to the recommendations of the MacPherson Royal Commission. Railway expenses reflect the additional costs of moving the larger volume of traffic, as well as higher wage rates in effect and consequently net railway earnings for the period are $2.7 million lower.

Prospects for your ocean steamship operations improved during the early part of 1962. The winter cruises enjoyed one of the most satisfactory seasons of the past decade. The cruising programme from British ports inaugurated last winter will be expanded for the 1962-1963 season, contributing to better utilisation of your "White Empress" fleet. Current bookings show an improved position over last year.

On the St. Lawrence route to Europe, barring adverse developments, prospects are promising for the summer season and your Company should maintain its position as the leading passenger carrier in this service. Forecasts recently released indicate greater tonnage will be using the St. Lawrence Seaway this season. The freighters owned and chartered by your Company for operation on this route should participate in this projected increase.

The prospects for your Air Lines this year are somewhat better. 1961 was an unusually adverse year for the industry generally and, along with other carriers, your Air Lines were burdened with the twin problems of heavy jet aircraft development cost and insufficient traffic volume to utilise the increased capacity of the new equipment. Your Air Lines report a 17 per cent increase in system traffic volume for the first quarter. Traffic on the transcontinental route increased to an even greater extent. Super DC-8 aircraft operated by your Company have made non-stop service possible on such long routes as between Vancouver and Tokyo, Western Canada-Europe and Montreal-Rome.

Canadian Pacific looks to the future with confidence. We believe that hard work and flexibility on the part of labour and management will improve Canada's productivity and ability to compete.

SNIA VISCOSA

SOCIETA NAZIONALE INDUSTRIA APPLICAZIONI VISCOSA

CAPITAL LIRE 40,031,250,000

MANUFACTURERS OF MAN-MADE AND SYNTHETIC FIBRES

MILAN, ITALY

The Ordinary and Extraordinary General Meeting of "Snia Viscosa" was held on April 7th at Milan, under the Chairmanship of **Mr Franco Marinotti.**

The Report was read at the Ordinary Meeting at which information was given concerning the position occupied by artificial and synthetic textile fibres in the world as a whole, and in Italy specifically, with particular reference to the position of the Snia Viscosa Group.

PRODUCTION

In 1961, the Group produced 120.5 million kilogrammes of fibre, compared with 109.5 million kg. in 1960, i.e. an increase of 10.1 per cent. The quantity of rayon produced in 1961 was approximately the same as that produced in 1960, but there was an increase of 14.7 per cent in the production of staple fibres.

There was a marked increase in the production of synthetic fibres, which were up by 19.5 per cent, this being mostly due to the production of "*Lilion.*" Even more conspicuous was the increase in the output of "*Marinova*" proteic fibres, which were 31.2 per cent higher. Very large quantities of all these fibres have been exported.

DEVELOPMENTS

Reviewing the developments, both in quantity and quality of the individual fibres, it was pointed out that a special "*Koplon*" viscous fibre has been marketed, this fibre having strength and dimensional stability very similar to that of cotton. Concerning synthetic fibres, we were informed that a much higher level of production is expected from the "*Lilion*" plant during the first half of this year, notwithstanding the fact that present production is 1.2 million kilogrammes per month. A plant for the manufacture of "*Lilion*" cord for pneumatic tyres, has already been started up. Production of the acrylic fibre "*Velicren*" has also commenced. The raw material used in the production of "*Lilion*" is also used for making plastic materials under the name of "*Aniamide.*" Production of goat's milk fibre has been stepped up, the process used having been invented and patented by the Experimental Research Station at Cesano Maderno. Present production is 10 million kilogrammes per annum, but this will be doubled during the next few months. The licence for the manufacture of goat's milk fibre by this new process, has already been granted to the U.S.A., U.K. and Japan. Negotiations are in process for the issue of licences to other countries.

FOREIGN TRADING

The equipment of the Company's factories and those of the Group was increased and modernised in 1961. There was a remarkable increase in S.A.I.C.I.'s production of cellulose, which is now 100 million kilogrammes per annum. Good progress has been made with the construction of the new hydroelectric plant at Alto Meduna. New machines have been designed to equip the Group's plant and to meet export requirements. In India, a plant for the production of rayon and staple fibre is nearing completion.

A large quantity of machinery has already been despatched to the Allied Chemical Corporation for use in a plant for the production of polyamide fibres. Machinery has also been supplied to the U.S.S.R. for the production of polyamide fibres of the "*Lilion*" type and also for the extraction of goat's milk fibre. The S.A.I.C.I. have made a contract with the U.S.S.R. for the supply of a plant for the production of cellulose. A contract has been signed with Japan for the supply of a plant for the production of polyamide fibres of the "*Lilion*" type. Negotiations are in progress for the supply of similar plants to other countries.

The activities of the many shareholding companies in the Group, both in Italy and abroad, were then reviewed. These companies all reported satisfactory progress, both from the technical and financial standpoints.

Finally a detailed report was given concerning the balance sheet for the year under review, which closed with a net profit of 5,129 million lire (against 4,343 million lire in 1960) after allocating 7,500 million lire to depreciation (against 6,000 million lire in the previous year). It was therefore possible to propose to the Meeting a dividend allocation of 140 lire per share.

EXTRAORDINARY MEETING

At the Extraordinary Meeting, it was proposed to increase the share capital from 40,031,250,000 lire to 56,043,750,000 lire, i.e., by an amount of 16,012,500 lire, such increase to be made as follows: 8,006,250,000 lire by the issue of paid shares to be offered in option to the shareholders at the nominal price plus Lire 500 (including dividend adjustment and reimbursement of expenses) and Lire 8,006,250,000 by the transfer to capital account of currency revaluation balances, and the consequent issue of a free share to be distributed among the shareholders. All the new shares will be profit-bearing as from January 1, 1962.

During the discussion the Chairman, Mr Marinotti, explained in detail some of the points made in the Report, emphasising that the prospects for the Company in general were favourable both in home and foreign markets.

He also stressed the importance of the results achieved by the production and export of plant and machinery for use in highly specialised manufactures, this again being a field in which Italian technicians have taken the lead. Lastly, he explained the work which Snia were doing to give consumer service by supplying specialists to assist the manufacturers. Without neglecting quality, indeed improving it, Snia, by increasing total production, are able to withstand the repercussions caused by any rise in prices.

The Agenda was then unanimously approved and the Chairman, Board of Management and the entire staff were congratulated upon their work, which had enabled the Company to advance both in quantity of production and in efficiency. The Balance Sheet and Profit and Loss Account were also approved, likewise the proposed dividend. The Meeting then approved the proposed increase in the share capital at the rate of 2 new shares against payment, for every 10 shares, at the nominal value plus premium already mentioned, two new free shares being given for every 10 shares held.

RAGUSA LIMITED

The twenty-seventh Annual General Meeting of the company was held in London on May 4th.

The following are extracts from the Statement by **Mr John Hadfield,** the Chairman:

The net assets on the Consolidated Balance Sheet amount to £680,473 against £360,507 issued Ordinary Shares. The Directors are of the opinion that the net value at which investments are shown in the Balance Sheet is reasonable in relation to the current value of the interests concerned.

Welwyn Metal Products Limited: The Company, in common with others in the steel equipment industry, experienced difficult trading conditions during the year. The results, which approximate to those of 1960, must be considered very satisfactory.

As regards current trading, the outlook is encouraging. The first quarter has seen a substantial increase in turnover compared with the corresponding period last year and profit margins are being maintained.

Amasco: Although audited Accounts for the year 1961 are not yet available, the preliminary figures indicate that a profit was made but no dividend will be paid. Amasco is now soundly founded on a profit-earning basis, and I look for a continuing increase in the profits.

Prospects: The profit earned by your Company's assets during the period under review was low and was no reflection of those very real values which lie in the assets. I expect an improvement in the earnings during the year, particularly at Welwyn, and, I hope, on the basis of increased diversification.

The report was adopted and a dividend of 6 per cent approved.

AUSTIN REED

EXTRACTS FROM MR DOUGLAS REED'S REVIEW

TRADING RESULT

The trading result of the group for the financial year which ended in February last showed that our trading profit before tax was £278,504 against a figure of £293,972 for last year.

DIVIDEND RECOMMENDATION

Your directors are, however, pleased to recommend a final dividend of 11½ per cent making 16½ per cent for the year to all holders of ordinary shares, which is the same as for last year, but with an added benefit that 1½ per cent of this total should be in the form of a capital distribution which would be completely free of tax.

In my 1959 report I hinted that the directors at some future date might consider making a distribution to shareholders out of the capital surplus which had been earned on leaseback transactions and it is hoped that the shareholders will be able to participate in this benefit in future years.

During the year our freehold properties were professionally revalued and this has shown a surplus of some £516,750 which has been put to the Capital Reserve Account.

BONUS ISSUE

Later in the year your directors will call an Extraordinary General Meeting when they intend to propose a bonus issue of A Ordinary shares in the proportion of four to five to the holders of all classes of ordinary shares.

EXPANSION

During the last year your directors have been quite active in this direction. We acquired on a long lease, premises at Brompton Road, Knightsbridge, where we hope to open towards the end of the summer of this year. Your directors have felt for a long time that your company should be represented in this very prosperous part of London where new office buildings are being erected every day, and now that the new flyover bridges have opened up the road from the West, many of our customers who have found it increasingly difficult to enter the West End owing to the very bad parking facilities, will stop short in Knightsbridge and Kensington.

In Birmingham, where we have been represented for nearly fifty years and where in a few years' time we expect to be demolished and rehoused on our present site if rents permit, we took the opportunity of taking a site in a new shopping area just outside the centre of the city known as Five Ways. This is being redeveloped into a very high-class district, where again we feel many of our Birmingham customers will halt and shop rather than enter the very congested centre. Those of you who have visited Birmingham in recent months will have seen the tremendous amount of rebuilding that is going on in that city, which of course is the second largest in the United Kingdom.

We have also taken a lease on premises in the City at St Paul's Churchyard. This is a part of the City where we have never been before, but apart from this it is going to assist us very considerably in helping to retain custom we shall expect to lose when we have to close down our present shop in Cheapside for rebuilding.

Finally they have completed their plans to expand the Brighton and Bournemouth branches and they have several other projects still under review. So that with the very valuable additions mentioned above we look forward to increased trade in the future.

APPOINTMENTS

UNIVERSITY OF BELFAST

The Senate of The Queen's University of Belfast invites applications for an Assistant Lectureship in Economics from October 1st, 1962. The salary will be on the scale £900 x £50 to £950 plus F.S.S.U. Initial placing on the scale will depend on experience and qualifications. Special consideration will be given to applicants with qualifications in mathematical economics or statistics, but other applications will also be considered. Applications should be received by May 21, 1962. Further particulars may be obtained from G. R. Cowie, M.A., LL.B., J.P., Secretary to the University.

COLLEGE OF ADVANCED TECHNOLOGY, BIRMINGHAM

Applications are invited for a

RESEARCH FELLOW

in the Industrial Administration Research Unit

The Unit is conducting sociological and psychological studies of industry and consists of one Senior Research Fellow, one Research Fellow and two Research Assistants working in this field. The D.S.I.R. is sponsoring a series of investigations within which the person appointed will be able to develop his own studies.

The Fellowship is open to Social Scientists with experience of industry or industrial research. Salary scale within the range £1,000-£1,350 p.a., depending on qualifications and experience.

Further information may be obtained from Dr. I. Lupton, Head of the Department of Industrial Administration, College of Advanced Technology, Costa Green, Birmingham 4, to whom final applications should be sent.

THE UNIVERSITY OF LEEDS

POSTS IN PURE MATHEMATICS AND IN APPLIED MATHEMATICS

Applications are invited for appointment as Lecturer or Assistant Lecturer in Pure Mathematics (one post) and Lecturer or Assistant Lecturer in Applied Mathematics (one post) at salaries on the scale £1,050 x £50 —£1,400 x £75—£1,850 (efficiency bar at £1,550) a year for a Lecturer, or within the range £800-£950 a year for an Assistant Lecturer, according to age, qualifications and experience. Applications (three copies), stating date of birth, qualifications and experience, together with the names of three referees, should reach the Registrar, The University, Leeds, 2 (from whom further particulars may be obtained) not later than May 19, 1962.

UNIVERSITY OF EDINBURGH

DEPARTMENT OF GEOGRAPHY, LECTURESHIP

Applications are invited for the post of Lecturer in the Physical Geography of Intertropical Lands and in Survey and Cartography in the above Department. Preference will be given to candidates with African field experience who are interested in the geography of soils and the conservation of resources. Salary Scale £1,150 x £50 to £1,350; Bar: £1,400 x £50 to £1,900 x £75 to £1,950 per annum, with placement according to qualifications and experience, and with superannuation benefit and family allowance where applicable.

The successful candidate will be expected to take up duty on October 1, 1962.

Further particulars may be obtained from the undersigned, with whom applications (six copies), giving the names of two referees, should be lodged not later than June 5, 1962.

CHARLES H. STEWART,
Secretary to the University.

May, 1962.

GOVERNMENT OF SENEGAL

A vacancy exists for an Economist to assist in research projects in the Dakar office of the Institute of Applied Economics. Candidates must possess, or obtain this summer, a good relevant degree; and must have a first class knowledge of French. It will be an advantage to have studied the economic problems of underdeveloped countries.

Length of contract by arrangement: one year in the first instance would be acceptable. Salary, for a young recent graduate without research or practical experience, about £110 per month; otherwise, to be assessed in accordance with relevant experience, subject to an initial maximum of about £220 per month. Free accommodation; free annual return passages; income tax at local rates.

Further particulars and application forms from Director of Recruitment, Department of Technical Cooperation, Sanctuary Buildings, Great Smith Street, London, S.W.1, quoting reference RC 323/130/01.

For further appointments and other classified advertisements see pages 627 and 628

THE UNIVERSITY OF LIVERPOOL

ASSISTANT SECRETARY, APPOINTMENTS BOARD

Applications are invited for a post of Assistant Secretary to the Appointments Board from men graduates, preferably in Engineering, with some years' experience in industry. The initial salary will be within the range £1,200 to £1,650 per annum with F.S.S.U. and family allowance benefits.

Further particulars may be obtained from the Registrar, The University, Liverpool, 3, to whom application, together with the names of three referees, should be submitted not later than May 26, 1962. Quoting ref CV/76/E.

BBC REQUIRES PROGRAMME PLANNING ASSISTANT, TELEVISION. Duties involve assistance with logistical planning over whole range of BBC Television programmes. Essential qualifications: an eye for detail, ability to negotiate and to work under pressure. Based Television Centre, W.12. Salary £1,380 (possibly higher if qualifications exceptional) rising by five annual increments to £1,780 max. p.a. Requests for application forms and further particulars, enclosing addressed envelope and quoting reference 62/64/177 Ec., should reach Appointments Officer, Broadcasting House, London, W.1, within five days.

STATISTICAL ECONOMIST required by The Economist Intelligence Unit (Economic Council Development and Industry) for their Research Division. This position involves econometric work as well as the formulation of policies covering a wide economic field. The successful candidate is likely to be an honours graduate in his late twenties. Application should be made to the Head of the Administration Division, The Economist Intelligence Unit (Economic Council Development and Industry), 1 Castle Street, Edinburgh, 2.

THE ECONOMIST INTELLIGENCE UNIT LTD. is again expanding its Research Divisions. Candidates for further posts should have a good degree, preferably, but not necessarily, in economics and/or statistics; they should also have experience of consumer market research and of research into marketing problems. Age preferably between 25 and 35, salaries according to experience and qualifications.—Please send full particulars of qualifications, experience and present salary to "Research," The Economist Intelligence Unit Limited 5 Bury Street, S.W.1.

COMPANY AFFAIRS

The London stock market has presented a cheerless appearance this week with the threat of a dock strike and the sharp fall in Wall Street major factors in restraining buyers. But selling also has increased and The Economist *indicator fell 5.7 points to 356.7. Losses have been widespread and there has been further profit taking in brewery and property shares; bank shares have fallen on the two rights issues and insurance shares have weakened following some disappointing company reports. Interest in the gilt-edged market has centred on the further issue of 5 per cent Treasury 1986-89 but generally business has been quiet.*

Rugby Portland Cement Bids for Eastwoods

THE report and accounts of Rugby Portland Cement have been overshadowed by another event affecting shareholders, namely, RPC's bid for Eastwoods. This has brought in its wake a "leak" enquiry and some controversy about Rugby's "A" shares. Rugby's bid of one 5s. share plus 52s. 6d. in cash values Eastwoods at 117s. 6d. At the beginning of April, Eastwoods were below 100s.; they gained 6s. 10½d. to 116s. 10½d. last Thursday before the bid was announced. On the same day Rugby Portland ordinary fell by 2s. 4½d. and at the request of both chairmen the Stock Exchange is to hold an inquiry into recent dealings in both shares. The market's first reaction to the bid was to mark up RPC's 1s. "A" shares from 123s. 9d. to 150s.; about half of these are held by employees of the company. Holders of £50,000 of "A" capital are entitled to £70,000 plus 20 per cent of any pre-tax profits in excess of £964,000 with a maximum of 12½ per cent of total profits before tax. The gross amount attributable to the "A" shares is therefore currently about £250,000 and this will rise to about £400,000 if the merger goes through.

	1957	1958	1959	1960	1961
	£ mil.	£ mil.	£ mil.	£ mil.	£ mil.
Trading profit	1·4	1·5	1·9	2·2	2·5
Gross profit	1·1	1·2	1·5	1·8	2·0
Net equity earnings	0·7	0·8	1·0	1·1	1·2
Retained cash flow	0·8	0·9	1·4	1·2	1·3
Net fixed assets	7·0	6·9	6·8	7·2	7·3
Net current assets	1·6	2·5	3·9	4·3	5·0
Net liquid assets	0·5	1·1	3·0	3·4	4·1
Net equity assets	5·9	6·4	8·3	9·3	10·3
	%	%	%	%	%
Ord. earnings	65·9	71·7	68·3	79·9	86·7
Ord. dividend	19·7	21·9	21·9	25·0	25·0
Gross profit/net equity assets	18·6	18·8	18·1	19·4	19·4
Net earnings/net equity assets	11·7	12·5	12·0	11·8	11·7

Price (5s. shares): 65s.xr. Earnings yield: 6·7%.
Dividend yield: 1·92%. equal to 14·9 years' earnings.

It is not surprising, therefore, that although the first reaction to the bid by Eastwoods' directors was favourable, they have asked for clarification about the proportion of Eastwoods' profits that would go to "A" shareholders in RPC and are considering whether more explicit safeguards are needed for Eastwoods' employees. The chairman of Rugby Portland, Sir Halford Reddish, replied promptly that the directors had no intention of suggesting any alteration in the rights attached to the "A" shares. Can the two companies and their advisers reach a suitable compromise over this issue? Eastwoods' shareholders must be keen to accept the offer in the absence of any other bidders, but the employees of Eastwoods will no doubt feel disgruntled if they are not invited to participate in RPC's "A" shares.

A merger with Eastwoods, which makes cement as well as bricks, would raise RPC's share of the cement market to about 12 per cent. RPC's share of the market has been growing consistently and, in 1961, home deliveries rose by 25 per cent, compared with about 10 per cent for the industry as a whole. For the sixteenth successive year the company added to its profits which exceeded £2 million before tax for the first time. Prospects for the seventeenth year seem bright; deliveries and profits were higher in the first quarter despite bad weather conditions. In 1962 there will be a full year's output from the new kiln at Southam, which began production in November, and a full year's improvement in margins following the price increases last May.

With the completion of the Southam kiln, capital commitments at the end of 1961 were more than halved at £465,000, but Sir Halford says that considerable extensions to capacity both at home and abroad are planned for the next two or three years. With liquid assets of £4 million (apart from investments worth £2¼ million) and a further £4½ million to come from the recent one for four rights issue, the group seems well placed to finance further expansion, although it has to repay £1½ million of unsecured loan stock this year. But now £5¼ million of the surplus will be required to satisfy the cash portion of the bid for Eastwoods. Following the repayment of the loan stock the directors might consider the issue of a prior charge stock, though there is apparently no intention of doing so at the moment.

Ex the rights issue and after the bid, Rugby Portland 5s. shares at 65s. xr still yield just under 2 per cent on the indicated dividend of 25 per cent on the increased capital. The price and yield were the same a year ago, but meanwhile shareholders have had the benefit of a rights issue on favourable terms. As the merger should bring economies in distribution and buying as well as in capital expenditures, it is likely to maintain RPC among the growth stocks of the London market. But will there be a competing bid?

Imperial Chemical Industries

MR PAUL CHAMBERS addressing ICI shareholders at the annual general meeting was bound to cover much of the ground already traversed in the Courtaulds struggle. As competitive conditions are likely to persist while productive capacities remain in excess of demand, ICI's aim, Mr Chambers said, should be "to secure reasonable profits with a growing volume of business at lower prices." To do this it would be essential to cut production costs and to find "new and profitable products"; until recently "the emphasis quite properly was on the increase of production capacity to meet demand with minimum delay" but now it is essential that production should be "based on the cheapest and most modern processes."

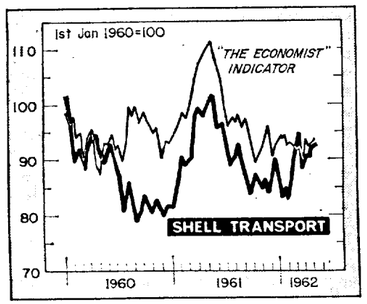
Here, research and development are "key activities" and Mr Chambers described some of the improvements in processes that had resulted from ICI's work. These will help to reduce costs and, through licensing agreements, provide "a valuable source of additional cash." He mentioned the pharmaceuticals development at Macclesfield as an example of cost cutting through rationalised production. Costs are being reduced in three other ways: first, by designing plants to secure minimum capital costs and low production costs; secondly, by changes in the company's organisation to meet changing conditions; and thirdly by a lengthy study of all spending in the company and the reasons for it. From such self-analysis Mr Chambers hoped for "substantial reductions in cost without loss of efficiency."

Mr Chambers saw no reason to alter his earlier forecast about prospects this year. He expects trading to be better than in 1961 and more profitable, although "the improvement will be mainly in the second half of the year." This opinion is supported by the evidence of trading so far this year: in the first quarter turnover was "a little above" the first quarter of 1961.

On ICI's shareholding in Courtaulds Mr Chambers had little to add, though he again reiterated his belief in the advantages of integration within the man-made fibres industry. Commercial relations with Courtaulds "remained unimpaired" and some progress is being made towards "establishing more satisfactory relationships in other fields."

Royal Dutch/Shell

OIL shares have been a little more active recently and now at 31s. 1½d. "Shell" offers a gross yield of 6½ per cent to a private investor subject to tax at the standard rate and a yield of 4 per cent to a gross fund getting no tax refund. The shares are not as attractive to tax-free funds as, say British Petroleum and Burmah Oil; but the private investor who does not already have "Shell" in his portfolio may be wondering whether this is the time to remedy the omission. Dreams of growth in the industry have been shattered by the hard facts of a surplus of oil and fierce competition but the prospects for Royal Dutch/Shell now look a little brighter than they did a year or two ago and in this context the comments that the chairman, Mr F. J. Stephens, made at the annual general meeting were reassuring.



Last year was not, as he explained, an easy one for the group but a general improvement in performance, based on a substantial increase in the volume of sales, became marked in the fourth quarter. Over the year as a whole operating income did not rise in line with the volume of sales as prices remained under pressure. But the drive for economy and efficiency within the organisation is now yielding results and the downward trend in unit costs should, Mr Stephens believes, enable the group to take advantage of a further expansion in sales. The decline in selling prices, he adds, appeared to be less steep last year. A further improvement in sales and the continuing control of expenditure pushed profits up again in the first quarter of this year, in which the group's net income of about £48 million was about 14 per cent higher than in the first quarter of 1961. Mr Stephens admits that the prospects for the remainder of the year, are difficult to assess, as much will depend upon whether or not hopes of greater stability in prices are in fact fulfilled and whether the group will fully participate in the expected expansion in the market for oil products. But he is confident of the group's ability to reap the benefits of this growth and to face the challenge of continued competition and he describes future prospects as "encouraging."

Less Growth in Marks and Spencer?

THE past year was difficult for the retail trade and Marks and Spencer enjoyed a more modest rate of growth in the year to March 31, 1962, than in earlier years. The increase in sales of 3¾ per cent compares with 10 and 12½ per cent in the previous two years, most of it again coming in the spring and summer; in the second half of the financial year sales increased by only £1 million. Profits have at least kept pace with the small increase in turnover and the table shows that margins were unimpaired. This is no mean achievement if, as seems likely, much of the rise in sales has been in the expanding food sections where margins are generally smaller than on clothing. Moreover, in the latter part of the trading year the group's margins reflected price cuts made on a wide range of clothing.

	1961 £'000s	1962 £'000s
Sales	166.501	172.826
Trading profit	23.101	24.076
Depreciation	2.606	2.741
Gross profit	20.495	21.335
Tax	10.200	10.800
Net profit	10.295	10.535
Ordinary dividend	6.317	6.949
Ordinary dividend (per cent)	43·2	47·5
Trading profit/sales	13·9	13·9
Gross profit/sales	12·3	12·3
Net profit/sales	6·2	6·1

As expected the dividend has been left unchanged at 47½ per cent on the capital as increased by the one for ten scrip issue; this payment, which represents an effective increase of 4.3 points, absorbs more than the slender increase in net profits and thus the earnings cover is slightly lower at 1½ times. On the bigger dividend the yield on the "A" shares at 95s. 4½d. is 2½ per cent. They have always offered a very low yield but the results have consistently justified this ranking. Do the 1961-62 results represent merely a temporary break in the trend? The steady and continual extension to Marks and Spencer's range of products clearly indicates that the directors are fully alive to the fact that competing chain stores have raised their standards of service to the customer. The advent of the discount store and the entry of C and A into the shirt market are two other factors which must be engaging their attention. Investors who buy the shares at the present level are unlikely to regret their purchase in the long term, but a less buoyant rate of growth than in the past seems in prospect.

Guest, Keen and Nettlefolds

THE first warning that Guest, Keen and Nettlefolds would earn lower profits in 1961 was made by the chairman a year ago. He then said that 1960 saw "an exceptionally high rate of activity" and added that it was not being maintained. In November the interim statement referred to the decline in activity and the continued pressure on margins, and the directors then forecast a fall of between £7 and £8 million in gross profits. In the event the fall has been bigger than this, amounting to £9.2 million. Following the fall in gross profits from £30.6 million to £21.4 million the tax charge was lower but net earnings fell from 54 per cent to 34 per cent so that the maintained dividend of 16 per cent is now covered just over twice. The results did not shock the stock market where the ordinary shares made good the losses recorded ahead of the results. They now stand at 78s. 3d. to yield 4.1 per cent; a year ago the yield was 3.4 per cent.

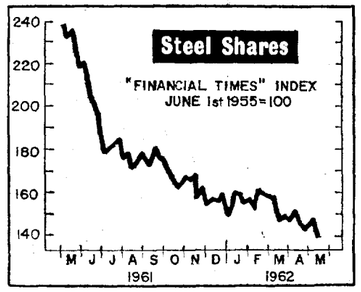
The fall in GKN's turnover from £251.5 million to £238.1 million reflects the difficult trading conditions encountered by the group last year. The steel companies in the GKN group, which earned £12¾ million or about 30 per cent of GKN's total profits in 1960, earned appreciably less last year. The profits of John Lysaght (Australia) in which GKN has an 80 per cent holding, fell from £A3.3 million to £A1.8 million and its ordinary dividend was cut from 10 to 8 per cent. GKN supplies a wide variety of steel and engineering products at home and overseas and it has spent heavily on capital account in the last few years. In 1961 many sectors of its business must have been working below capacity and clearly profits from the engineering side of its business could improve quite sharply if industrial production expands and if the demand for motor cars continues to rise. GKN must be put among the recovery stocks in the cyclical group of equities.

South Durham Steel and Iron

APART from the short-lived rally that followed the February increase in steel prices, steel shares have been in the doldrums for many months. The only cheer from the interim dividends to be declared in the next few weeks will be if they are all maintained; the passing of the South Durham Steel and Iron interim will almost certainly remain the worst of the announcements. Yet even this can hardly have come as a surprise to shareholders in view of the cut in the 1960-61 total payment from 12 to 10 per cent and the facts revealed by the full report and chairman's statement. South Durham is primarily a producer of plates, rails, tubes and heavy sections and it is this section of the steel industry which has been particularly hit by a fall in demand. The South Durham directors now say in the interim statement that the continued recession in the heavy steel industry has had "grave effects on the level of profits secured during the first six

months of the present financial year;" they do not give any figures for the profits earned but "grave" is a strong word.

The fall in trading profits, both pre-tax and net, will almost certainly have been accentuated by the high gearing of the ordinary capital. This reflects the big loans made to the company by the FCI and Barclays Bank to finance the expansion programme centred on the new plant at Hartlepools. This programme is now completed but the increase in capacity coincided with the recession. The first repayment of the loans falls due next year and in January the directors said they intended to raise £10 million over the next eighteen



months. They will find it difficult to frame such an appeal for new money: the issue of more prior charge capital would simply replace one burden with another and a rights issue is out of the question with the £1 shares standing at only 13s. 3d. Perhaps the worst of the recession in the steel industry is passing but so far this is evident only in the improved output of sheet steel and this does not provide any comfort to shareholders, such as those in South Durham, in the heavier end of the industry.

W. H. Smith

THE trading results of W. H. Smith and Sons for the year to January 28 pleased the stock market; trading profits rose by 20 per cent from £1,753,000 to £2,101,000 and the ordinary dividend was raised, unexpectedly, from 12 to 13 per cent. In part the comparison benefits from the fact that 1960 was a bad year, but the results for 1961 must be judged satisfactory as the group is still in the middle of a reorganisation programme which the chairman has said would not be completed until 1964.

The advance in profits was helped by increased newspaper prices which helped to improve margins which earlier had been eroded by higher distribution costs. The group continued to switch its trade out of older and less profitable sectors of the business, such as lending libraries, into newer and more profitable ones, such as gramophone records. The growth of the number of departments selling records and photographic equipment had an important influence on the rise in profits. But this was part and parcel of a policy designed to attract more customers into the 380-odd shops owned by the group. Such a policy requires substantial capital expenditure, in 1961-62 this absorbed more than £1½ million, mainly in the retail group. Another factor making for the rise in profits was a more economical use of the labour employed by WHS. Major economies in the use of staff were achieved last year, not least because wage increases granted in 1960 provided the right kind of stimulus. Elsewhere within the group the wholesale houses had a successful year, as did Versatile Fittings, the subsidiary which supplies shop fittings to supermarkets; but the Alacra printing subsidiary made a loss and so did the Canadian subsidiary.

The chairman, the Hon. D. J. Smith, makes no explicit forecast about profits in the current year but he seems confident about the future. He says that while the full impact of the programme of development will not be reflected in our results immediately, there are encouraging signs that the business is already showing the benefit of capital expenditure and extensive staff training programme. After "discounting the favourable factors the trend of profits is in the right direction and given a reasonable trading climate," he looks for further improvement. The £1 ordinary shares at 81s. 3d. yield just under 3¼ per cent. This is not another "Boots," whose shares yield less than 2 per cent; but clearly investors believe that the modernisation of the WHS shops will produce higher profits in the future.

Insurance in North America

INSURANCE shares have fallen back this week as a number of chairmen of composite companies have emphasised the difficulties experienced by their companies in the North American fire and accident market. These were most clearly illustrated in the report of **Commercial Union**, whose business in the United States accounts for about 40 per cent of the total. Though underwriting in the rest of the world was profitable and the marine account earned a bigger profit the group's net underwriting loss of £2,104,000 compares with a loss of £218,000 in 1960. Economies from the merger with North British and Mercantile have scarcely begun to appear though the chairman, Mr Renald Brooks believes their effect should become "increasingly evident." A further consoling factor is that interest and capital gains on funds invested in the United States exceeded underwriting losses.

The **Royal** also describes its underwriting experience as disappointing and few would disagree with the chairman, Mr T. H. Naylor, that an underwriting surplus of £2.4 million on the premium income from fire accident and marine business of £199 million is "a very modest margin of profit indeed." But like Mr Brooks, Mr Naylor emphasises that the company's income from its investments in the United States more than offsets any underwriting losses. While the chairman does not appear to expect any early improvement in business in the United States he expects some benefits to emerge from the economies which should result from the merger with the London and Lancashire.

By contrast the third of the big British insurance companies operating in the United States achieved a satisfactory profit there in 1961. Despite "Carla," **General Accident** reported a slight increase on the fire account surplus and the fall in the accident surplus from £1,097,000 to £820,000 was more than accounted for by an increase in overseas taxation. Reflecting the increased demand for pension schemes its new life business rose from £52 million to £82 million and the sharp growth in life business may well have influenced the directors' decision to raise £13 million by a one-for-ten rights issue at 60s. a share. It seems likely that a fair part of the new funds will go into mortgages and property.

This was the main field for new investment by **Eagle Star** last year. The amount invested in mortgages and loans rose from £40 million to £52 million and further sums were invested in property equities. Eagle Star has links with Bernard Sunley and with Webb and Knapp in North America but it is not heavily involved in the fire and accident market in the United States. Even so its underwriting experience was still disappointing with the surplus on the fire account down from £289,000 to £119,000 and that on the accident account from £346,000 to £111,000. Against this however there was a useful increase in investment income although this does not yet reflect the full use of the proceeds of last year's £10 million rights issue. In addition the chairman, Sir Brian Mountain, expects "some of our newest property enterprises to produce substantial revenue in the near future." Eagle Star failed in its bids for London and Manchester and the New Zealand Insurance Company. But the announcement that Great Universal Stores and Sears Holdings are each to take a third interest in the Liverpool Insurance Society, formerly a wholly owned subsidiary of Eagle Star, may add spice to the current low yield.

	Net underwriting Surplus 1960 £'000	1961 £'000	Gross investment Income 1960 £'000	1961 £'000	Dividend per share	Price	Yield per cent
Commercial Union	*Dr. 218*	*Dr. 2,104*	8,134	8,802	2/3	57/6	3·9
Royal	3,545	2,389	12,163	12,563	1/6*	42/6	3·5
General Accident	1,700	1,490	4,557	4,996	1/6	103/3	1·5†
Eagle Star	685	340	2,649	2,937	2/9	132/-	2·1

* Indicated dividend after rights issue. † On maintained dividend after forthcoming rights issue.

STOCK PRICES

Prices, 1962 High	Prices, 1962 Low	BRITISH FUNDS AND GUARANTEED STOCKS	Price, May 2, 1962	Price, May 9, 1962	Net Red. Yield, May 9, 1962§	Gross Red. Yield, May 9, 1962
					£ s. d.	£ s. d.
94⅜	90¹¹/₃₂	Savings Bonds 3%.....1955-65	94⅜₁₆	94⅝₃₂	3 13 4	4 19 3
98¹/₁₆	96¹/₁₆	Exchequer 3%.....1962-63	97³¹/₃₂	98¼	3 11 10	4 13 5
100¹⁵/₁₆	100³²/₃₂	Treasury 5½%.....1962	100¹⁹/₃₂	100¹³/₃₂	2 6 7	4 7 11
96¹³/₁₆	93¹¹/₁₆	Exchequer 2½%.....1963-64	96¹³/₃₂	96¹³/₃₂	3 7 11	4 7 7
100¹/₁₆	98½	Conversion 4¾%.....1963	99²⁷/₃₂	100¹/₁₆	3 0 5	4 14 1
99¹/₁₆	97¹/₁₆	Conversion 4½%.....1964	98³¹/₃₂	99³/₁₆	3 3 7	4 18 5
100⅜	98³/₃₂	Exchequer 5½%.....1966	100⁷/₃₂	100⁵/₃₂	3 4 7	5 8 10
84¼	82⅝	Funding 3%.....1959-69	83¹³/₁₆	84	4 11 7	5 17 7
89¹⁵/₁₆	87½	Funding 4%.....1960-90	88¼	88¼	3 12 9	5 6 2
80⅞	78¹³/₁₆	Savings Bonds 3%.....1960-70	80¾	80⅞	4 13 11	6 1 0
87¹³/₁₆	85	Savings Bonds 2½%.....1964-67	87¾	87²³/₃₂	4 5 10	5 6 10
71⅞	70⁷/₁₆	Savings Bonds 3%.....1965-75	71¹³/₁₆	71¹³/₁₆	4 15 6	6 4 8
86¹³/₁₆	83⁵/₁₆	Funding 3%.....1966-68	86⁷/₁₆	86½	4 8 9	5 15 5
86¼	84⅞	Conversion 3½%.....1969	86¹⁵/₁₆	86¾	4 9 10	6 0 4
97	92¼	Victory 4%.....1920-76	97	97	2 19 9	4 12 6
92⁹/₁₆	90⁹/₁₆	Conversion 5%.....1971	92½	92½	4 3 8	6 6 5
99⅛	97¼	Conversion 5½%.....1971	98⅞	98⅞	3 18 6	6 7 8
93¹³/₁₆	91⁷/₁₆	Conversion 5½%.....1974	93⅝	91⁷/₁₆	4 1 9	6 4 2
71⅞	69⅝	Treasury 3½%.....1977-80	71⅞	70⅜	4 10 11	6 4 5
70¾	68⅝	Treasury 3½%.....1979-81	70⅝	70⅝	4 10 6	6 5 2
93⅛	90³/₁₆	Funding 5½%.....1982-84	92⅝	93¹/₁₆	3 18 5	6 4 9
57⅝	54	Redemption 3%.....1986-96	57½	57⅜	4 4 1	5 18 11
85⅝	82⅜	Treasury 5%.....1986-89	84⅛	84	4 0 11	6 5 1
62	56¹⁵/₁₆	Funding 3½%.....1999-2004	62	61⅞	4 1 7	6 2 0
90	84⅛	Treasury 5½%.....2008-12	89⅞	89¹⁵/₁₆	3 16 11	6 4 3
63⅞	58¼	Consols 4%.....after Feb. 1957	63⅞	63⁹/₁₆	3 17 11	6 8 1
56⅛	52⅛	War Loan 3½%.....after 1952	55⅞	55⅜	3 16 11	6 5 5
56⅛	52⅛	Conv. 3½%.....after Apr. 1961	56⅛	55¹³/₁₆	3 17 2	6 6 3
48⅛	44⅞	Treasury 3%.....after Apr. 1966	48	47⅞	3 17 1	6 6 11
41⅛	38⅛	Consols 2½%	41⅛	40¹³/₁₆	3 15 1	6 2 11
40¾	38¹/₁₆	Treasury 2½%.....after Apr. 1975	40¾	40⅝	3 15 10	6 4 1
92⅛	89¹³/₁₆	British Electric 4½%.....1967-69	92	92⅛	4 2 8	6 0 11
75¾	74⅛	British Electric 3%.....1968-73	75⅛	75⅛	4 16 6	6 4 4
70⅛	69	British Electric 3%.....1974-77	69⅝	69⅝	4 14 8	6 4 2
80¹³/₁₆	79¹/₁₆	British Electric 4¼%.....1974-79	79½	79⅝	4 6 2	6 4 8
72¹/₁₆	70⅜	British Electric 3½%.....1976-79	71³/₁₆*	71³/₁₆*	4 10 11	6 4 5
84⅛	82¾	British Gas 4%.....1969-72	84¹/₁₆	84⅛	4 9 6	6 5 2
81⅜	80⁹/₁₆	British Gas 3½%.....1969-71	81⅜	81⅜	4 12 5	6 3 8
57⅛	53¹³/₁₆	British Gas 3%.....1990-95	57¼	57⅛	4 5 7	6 3 0
75¾	74⅜	British Transport 3%.....1968-73	75⅛	75⅛	4 16 6	6 4 4
79⅛	77⅜	British Transport 4%.....1972-77	79¹/₁₆	79⅛	4 7 11	6 5 6
60¼	56½	British Transport 3%.....1978-88	60⅛	60⅛	4 9 9	6 3 7

Prices, 1962 High	Prices, 1962 Low	DOMINION AND CORPORATION STOCKS	Price, May 2, 1962	Price, May 9, 1962	Red. Yield, May 9, 1962
					£ s. d.
82	79½	Australia 3½%.....1965-69	81⅞	81¾	6 10 0
98¾	96	Australia 6%.....1974-76	96¼	96¼	6 8 0
66	54½	Ceylon 4%.....1973-75	54½	55	10 5 0
96¾	94¼	New Zealand 6%.....1976-80	96	96⅜	6 8 0
75¼	63	Rhodesia and Nyasaland 6%.....1978-81	65	65	10 8 0
86¾	82	South Africa 3½%.....1965-67	86⅝	86¾	6 13 0
58¼	48½	Southern Rhodesia 4½%.....1987-92	49	49	9 16 0
81½	77¾	Agricultural Mortgage 5%.....1959-89	81½	81½	6 9 0
89	86	Birmingham 4½%.....1957-70	88¾	89	6 3 0
92	88¾	Bristol 5%.....1971-73	91¾	92	6 4 0
90½	88	Corporation of London 5¼%.....1976-79	88⅜*	88⅜*	6 6 0
46¾	43	L.C.C. 3%.....after 1920	46⅛*	45¾*	6 9 0
86⅛	84	L.C.C. 5%.....1980-83	85⅝	86	6 4 0
89¼	87	Middlesex 5½%.....1980	89	89	6 4 0

NEW YORK PRICES AND INDICES

	May 2 $	May 9 $		May 2 $	May 9 $		May 2 $	May 9 $
Atch. Topeka	24⅜	24¼	Boeing	47½	44⅞	Int. Harvester	52¾	51⅞
Can. Pacific	24⅛	24	Celanese	40½	38½	Inter. Nickel	75⅞	76
Pennsylvania	15⅜	15⅛	Chrysler	52½	48¼	Inter. Paper	52¾	51⅝
Union Pacific	31½	31¾	Col. Palmolive	44¾	43½	Kennecott	76¾	75½
Amer. Electric	66	64½	Crown Zeller	52⅞	50⅜	Monsanto	45¼	47¼
Am. Tel. & Tel.	124⅜	119½	Distillers Seag.	44	44	Nat. Distillers	28¾	28¼
Cons. Edison	77½	76½	Douglas	26¼	25	Pan-American	21⅜	21¼
Int. Tel. & Tel.	47	42⅜	Dow Chemical	53½	51⅜	Procter Gamble	79¾	80⅛
South'n. Nat. Gas	47½	36	Du Pont	232¾	224¾	Radio Corpn.	58½	55
United Coron.	8⅛	8	East. Kodak	107¾	106⅛	Sears Roebuck	82¼	83¾
Western Union	37¼	36¼	Ford Motor	95¾	93¾	Shell Oil	36⅞	37¼
Alcoa	60	56⅞	Gen. Electric	70¾	70¾	Socony-Mobil	51⅜*	51⅜
Aluminium	23½*	22½	General Foods	84¾	83½	Stand. Oil Ind.	50⅛	51⅜
Amer. Can	44⅜	43¼	General Motors	54¼	51⅞*	Stand. Oil N.J.	54⅞	53⅜
Am. Smelting	63½	63⅜	Goodyear	40¼	39¼	Union Carbide	104½*	100⅛
Am. Viscose	55¾	58¼	Gulf Oil	40⅞*	40	U.S. Steel	58⅞	55⅜
Anaconda	44⅞	44⅜	Heinz	51¾	52½	West. Electric	32⅛	31¼
Beth. Steel	38½*	37½	Int. Bus. Mach.	472½	451	Woolworth	75½	74⅛

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

1962	425 Industrials	Yield %	25 Rails	Yield %	50 Utilities	Yield %	Govt. Bonds	Yield %
April 11	72·01	2·98	32·55	4·95	64·25	3·15	90·06	3·88
„ 18	71·88	2·99	32·70	4·93	63·93	3·17	90·06	3·88
„ 25	71·27	3·01	31·77	5·08	63·77	3·17	89·85	3·90
May 2	69·49	3·09	31·80	5·07	61·67	3·28	90·17	3·87
„ 9	67·64	3·18	31·12	5·19	60·16	3·37	90·39	3·85

425 Industrials :—High. 75·22 (Jan. 3). Low. 67·64 (May 9).

Prices, 1962 High	Prices, 1962 Low		Last Two Dividends (a) (b) (c)		ORDINARY STOCKS	Price, May 2, 1962	Price, May 9, 1962	Yield, May 9, 1962	Cover
			%	%					
					BANKS, DISCOUNT & HP				
105/–	86/–	6¾	a	6¾	b	Barclays.....£1	102/3	98/9	2·63	...
133/–	93/–	8	a	8	b	District.....£1	108/6	106/6	3·00	...
72/6	58/6	4·3	a	5·1	b	Lloyds.....£1	69/–	65/9	2·86	...
25/11½	20/3	7	a	8	b	Martins.....£1	24/11½	24/3	3·09	...
101/–	86/9	7¼	a	7½	b	Midland.....£1	99/6	98/3	3·05**	...
106/6	89/–	7	a	7	b	Nat. Provincial.....£1	103/6	102/3	2·74	...
104/–	84/–	6¾	a	6¾	b	Westminster 'B'.....£1	99/6	98/–	2·71	...
47/6	40/10½	4	a	8	b	Australia & N.Z..£1 p.p.	46/9	46/6	5·16	...
40/9	37/11½	3¼	a	5	b	Bk. Lond. & S. Amer..£1	40/9	40/6	4·12	...
£25⅞	£22⅛	$2·05c		$2·05c		Bank of Montreal....$10	£22¹³/₁₆*	£22⅜*	3·04	...
£145⅛	£125/16	11¼	a	15	b	Bank of New S. Wales £20	32¼*	33½*	4·30g	...
34/9	34/9	5	a	5	b	Barclays D.C.O.....£1	37/9	37/9	5·30	...
58/6	53/3	7½	a	7½	b	Chartered.....£1	56/6	56/–	5·36	...
£19¾	£17	5/–	a	10/–	b	Hongk'g. & Shang....$25	£17¾	£17	4·41	...
62/–	52/3	7½	a	9	b	Nat. Com. Bk. Scot..10/–	61/6	62/–	2·66	...
£29⅞	£26⅛	$2·37½	c	$2·50c		Royal Bk. Canada....$10	£27⅛*	£26⅛*	3·10	...
43/6	37/6	10	b	5	a	Standard Bank.....£1	40/3	41/6	7·23	...
230/–	157/6	22½	c	7½	a	Hambros.....£1 f.p.	202/6	205/–	2·20	...
99/9	81/10½	2½	a	5	b	Rich'ds'ns. Westg'th. 10/–	98/6	99/6	1·51	...
60/3	53/–	6¼	a	6¼	b	Union Discount.....£1	60/3	59/–	4·24	...
14/11½	10/9	18	c	Nil	c	Bowmaker.....5/–	13/6	12/6	...	...
14/3	10/6	5	a	5	b	Lombard Banking.....5/–	13/4½	12/3	4·08	1
16/4½	10/6	2½	b	2	a	Mercantile Credit.....5/–	14/–*	13/6*	2·78	...
44/11½	31/–	22½	b	4	a	United Domins. Tst...5/–	35/–	35/–	3·79	3¼
					BREWERIES, Etc.					
18/6	13/3	...		7	b	Bass, M. & B.....5/–	17/1½	16/7½	3·31**	2
44/–	37/4½	8½	b	6	a	Distillers.....10/–	43/9	43/4½	3·34	2
24/6	17/6	4	a	8	b	Flowers.....5/–	22/9	22/1½	2·71	...
51/6	47/–	8	a	14	b	Guinness.....10/–	50/–	48/9	4·51	1¾
15/7½	12/7½	...		8	b	Ind Coope. T.A.....5/–	14/9	14/–	4·29**	1½
17/3	13/–	5	a	7½	b	United Breweries.....5/–	16·10½	16/6	3·79	1¾
29/–	23/8¼	6	a	12	b	Watney Mann.....5/–	28/3	28/–	3·21	2
42/41½	31/9	9	a	21	b	Whitbread 'A'.....5/–	38/9	38/3	3·92	1¾
					BUILDING, PAINT, Etc.					
61/–	50/6	3	a	6½	b	Associated Portland...£1	58/3	61/–	3·11	2¾
27/41½	21/9	7¼	b	4	a	British Plaster Bd.....10/–	26/4½	26/6	4·72	2¼
18/71½	14·10½	6	a	10	b	Richard Costain.....5/–	18/4½	18/4½	4·35	2¾
13/71½	10/6	10	a	12½	b	Crittall Mfg.....5/–	13/4½	13/6	6·25*§	2
14/11½	9·10½	5	a	11½	b	International Paints...£1	14/11½	12·10½	6·99	1½
69/6	54/9	25	c	25	c	Rugby Portland.....5/–	68/3¶	65/3¶	1·92	3½
24/6	19/7½	11½	b	5	a	Wall Paper Defd.....5/–	23/3	23/6	3·55	2¼
					CHEMICAL					
25/71½	20/9	6	a	14	b	Albright & Wilson...5/–	24/4½	24·10½	4·02	2
19/3	16/3	4	a	7½	b	Borax Defd.....5/–	17/9	18/6	3·11	2½
43/3	34/–	4	a	7	b	Fisons.....£1	37/9	37/7½	5·85	1½
58/–	53/3	6¼	a	7½	b	I C I.....£1	56/–	55/11½	4·99	1
18/6	12/6	5	a	5	b	Monsanto.....5/–	16/–	16/9	2·99	1½
					DRAPERY & STORES					
35/3	26/10½	8	b	4	a	Boots Pure Drug....5/–	32/3	32/–	1·88	2¼
33/9	28·10½	17⅜	a	5	b	Montague Burton.....10/–	31/6	31/6	2·18	2¼
53/6	53/6	13½	b	5·6	a	Debenhams.....10/–	56/3	54/9	3·51	1½
65/–	54/4½	25	b	12½	a	G.U.S. 'A'.....5/–	61/–	64/3	2·92	2
40/3	34/9	16⅔	b	13½	a	Mouse of Fraser.....5/–	38/6	37/3	4·03	1¼
16/6	13/6	5	a	7½	b	Lewis's Invest. Tst....4/–	16/4½	15/8¼	1·27	2
100/6	90/–	15	a	32½	b	Marks & Spencer 'A'.5/–	96/11½	96/–	2·47	1½
52/6	46/–	10	a	20	b	United Drapery.....5/–	50/3	51/6	2·91	2
53/–	45/9	10⅝	a	25	b	Woolworth.....5/–	47/4½	46/9	3·83	1¼
					OIL					
38/–	32/3	‡2·78	a	‡7½	b	British Petroleum....£1	34/–*	32/9*	9·81	2¼
36/4½	30/6	‡2½	a	‡7½	b	Burmah Oil.....£1	35/3*	33/9*	10·08	1¼
£145⅛	£125/16	11¼	a	15	b	Royal Dutch.....20 fl.	£144⅛	£131⅛*	3·79	2½
32/–	27/–	‡10	a	‡15	b	Shell Transport.....£1	31/3	31/11½	6·56	2½
30/–	20/6	...		...		Ultramar.....10/–	27/–	26/9	... d	...

FOREIGN AND OVERSEAS STOCKS

	May 2	May 9		May 2	May 9		May 2	May 9
FRANCE	Frcs.	Frcs.	**GERMANY**	%	%	**HOLLAND**	%	%
Air Liquide	1,305	1,250	A.E.G.	432	424	A.K.U.	366½	358¼
Banque de Paris	585	570	Bad'che. Anilin	461	451	Bijenkorf	950	930
Citroen	236	222	Bayer	557¼	521	Heinekens	502	480
C. F. Petrole	290	280	Commerzbank	547	536	Interunie (Fl.50)	Fl.202	Fl.199
Cie. G. d'Elecc.	1,380	1,295	Deutsche Bank	641	615	K. N. Hoogoven	713	647½
Machines Bull	760	685	Hoechst Farb.	506	498	Kon. Zout-Ket.	935	870
Pechiney	281·3	270·1	Kundenkredit	495	488	Philips	864¾	870½
Printemps	711	702	Lowenbrau	1,210	1,210	Robeco (Fl.50)	Fl.230	Fl.226
Rhone-Poulenc	490	478	Mannesmann	235	242½	Rotterdam Bk.	375	351
S.I.M.	408	408	Siemens	669	648	Thomassen & D.	675	640
Saint-Gobain	405	400	Thyssen.-Huette	201½	202	Valeurop	Fl. 80·4	Fl. 79·4
Usinor	221	216	Volkswagen	660	643	Zwanenberg	995	892
Index	110·5	106·8	*Herstatt Index*	107·34	105·52	Index	352·7	333·7
Dec. 30, 1960=100.			*Dec. 31, 1959=100.*			*1953=100.*		
CANADA	$	$	**AUSTRALIA**	£A	£A	**JAPAN**	Yen	Yen
Abitibi Pr. & P.	47	47½	Ampol Pet.	12/8	12/8	Ajinomoto	519	533
Aluminium	24¾	24½	Ass. Pulp & P.	32/3	32/3	Fuji Iron	48	48
Bell Tel.	55⅜	55⅜	Aust. Con. Inds.	71/6	73/3	Hitachi	86	88
Can. Brewer's.	10⅜	10⅜	Aust. Oil & Gas	81/–	72/–	Honda Motor	264	246
Can. Imp. Bank	66	66	Brit. Tobacco	21/9	22/–	Kirin Brewery	488	488
Can. Pac. Rly.	25⅜	25⅞	Broken Hill Pty.	62/6	63/6	Mitsub. Chem.	62	62
Hiram Walker	57¾	58	G. J. Coles	13/8	13/9	Mitsub. Elect.	75	76
Imperial Oil	47	45¾	Felt & Textiles	7/9	7/8	Mitsub. Heavy	69	73
Noranda Mines	62½	64½	I.C.I. A.N.Z.	41/9	41/3	Nippon Elect.	373	393
Shawinigan Wtr	22¼	22¾	Myer Emporium	33/3	34/6	Sony	774	805
Steel of Canada	21	20⅞	Ready Mix Con.	17/9	17/11	Toyo Rayon	150	163
Trans.Can.Pipe	22⅝	22⅜	Woolworth	16/7	16/10	Yawata Iron	53	53
Toronto Ind. Index	610·58	610·08	Sydney Indust. Index	303·39	308·26	Dow Jones Average	1366·87	1413·94
1933=100.			*1937/39=100.*					

* Ex dividend. † Tax free. ‡ Assumed average life 7¼ years. § The net redemption yields allow for tax at 7s. 9d. in £. ‖ Ex capitalisation. ¶ Ex rights. ‡‡ Ex all. (a) Interim dividend. (b) Final dividend. (c) Year's dividend. (d) Capital distribution of 1s. 0d. per share. (f) Flat yield. (g) Equivalent to 7·2 sterling. (h) After Rhodesian tax. (l) To latest date. Japanese prices supplied by Diawa Securities, Tokyo.

AND YIELDS

LONDON - NEW YORK : FRANCE
GERMANY : HOLLAND : CANADA
AUSTRALIA : JAPAN

Prices, 1962 High	Prices, 1962 Low		Last Two Dividends (a) (b) (c)		ORDINARY STOCKS	Price, May 2, 1962	Price, May 9, 1962	Yield, May 9, 1962	Cover
			%	%					
					ELECTRICAL & RADIO				
32/6	26/3	5	a	5	b	A.E.I.....£1	27/9	26/3	7·61	1
12/6	9/9	...		15	c	Brit. Electronic Inds..5/–	9/9	10·10½	6·90	¼
66/3	56/4½	9	a	9½	b	B.I.C.C.....£1	66/3	63/6	4·25	2
14/8¼	12/7½	5	a	5	b	Crompton Parkinson..5/–	13/9	14/–	4·46	2½
89/6	76/–	23½	c	3½	a	Decca Record.....10/–	86/6	84/–	2·78	1¾
45/6	42/–	12½	b	5	a	E.M.I.....10/–	43/7½	43/4½	4·03	2
54/6	41/3	5	a	9	b	Elliott-Automation...5/–	54/–*	53/6*	1·31	2¼
27/9	22/–	3	a	5	b	English Electric.....£1	23/9	23/9	6·74	1½
34/–	25/9	7	b	3	a	General Electric.....£1	33/–	31/9	6·30	3¼
59/3	44/6	43	a	81	b	C. A. Parsons.....£1	46/6*	44/6*	5·62	2
47/9	42/9	31¼	a	6½	b	A. Reyrolle.....£1	45/–	44/6	4·38	2½
83/6	63/6	25	c	25	c	Thorn Electrical.....5/–	80/–	83/6	1·49	3
					ENGINEERING					
32/41½	20/3	9	c	9	c	Babcock & Wilcox....£1	27/9*	30/9*	5·85	1½
38/3	27/3	7	b	3·2	a	John Brown.....£1	37/6	37/7½	5·42	2¾
6/–	4/3	3	a	7	b	Cammell Laird.....5/–	4/9*	5/1½	9·76	1
26/10½	22/–	10	a	20	b	Internat. Combust...5/–	24/11½	26/4½	5·69	1¼
5/6	3/4½	...		...		Rich'ds'ns. Westg'th. 10/–	4/9	5/1½	...	...
38/41½	29/10½	2½	a	9½	b	Swan Hunter.....£1	31/3	29/10½	8·03	1¾
14/9	10/6	5	c	5	a	John Thompson.....5/–	14/3	14/9	1·69	...
36/–	30/4½	‡2½	a	‡6¼	b	Coventry Gauge.....10/–	36/–	35/3	4·05	2¾
73/71½	60/71½	‡2½	a	16	b	Alfred Herbert.....£1	69/6	69/6	3·99	2
47/6	39/6	12½	b	5	a	Allied Ironfounders...£1	43/9	41/3	8·48	1½
99/9	90/9	10	b	5	a	Averys.....£1	96/9	97/9	3·07	2½
20/3	16/6	4	a	7½	b	B.S.A.....10/–	18/3	17/3	6·77	2¼
11/6	9/9	8½	b	4½	a	George Cohen.....5/–	11/6	11/6	5·65	1¾
33/–	28/–	17½	b	10	a	Davy-Ashmore.....5/–	28/3	28/–	4·91	2½
81/10½	74/41½	5	b	11	b	Guest Keen.....£1	76/71½	78/71½	4·07	3½
21/–	17/10½	12	b	4	a	Head Wrightson.....5/–	19/6	17/10½	4·48	2½
85/6	80/6	7	b	5	a	Metal Box.....£1	84/6	83/9	2·87	2¼
18/–	14/9	10	b	4	a	Ransome & Marles...5/–	17/9	17/9	3·94	3
47/10½	44/6	7	b	3	a	Renold Chains.....£1	47/10½	47/10½	4·18	2
64/10½	52/10½	7	b	7	a	Tube Investments.....£1	56/–	52/10½	5·30	3
31/11½	25/7½	2½	b	7½	a	Vickers.....£1	27·93¾*	26/9*	7·48	1¾
71/6	60/–	10	b	3¾	a	Ward (Thos. W.).....£1	68/6	68/6	4·01	3
20/6	17/–	5	a	16	b	Woodall-Duckham...5/–	17/3	17/–	6·18	2¾
					FOOD & TOBACCO					
25/41½	19/9	10	c	10	c	Allied Suppliers....10/–	24/–*	24·11½*	4·15	2½
12/41½	10/71½	12½	b	10	a	Assoc. British Foods..1/–	10/41½	10/3	2·20	2
61/3	56/3	8	b	4	a	Bovril.....£1	61/3	61/3	3·92	2½
12/9	11/41½	13·9b		11·7a		Brooke Bond 'B'.....5/–	12/9*	12/6*	3·66	3½
15·10½	13/11½	10	b	21½	a	International Tea.....5/–	15·10½	15/–	4·17	1½
82/6	72/9	10·5	b	5	a	J. Lyons 'A'.....£1	82/–	79/6	3·98	1¼
38/9	30/–	5	a	9	b	Ranks Hovis.....10/–	37/41½	35/9	3·92	2¼
13/71½	10·10½	7½	b	2½	a	Spillers.....5/–	13/41½*	13·11½*	3·81	2¼
50/9	47/11½	11	a	1	b	Tate & Lyle.....£1	48/7½	47/9	5·03	2¼
18/–	15/3	9	b	5	a	Unigate.....5/–	17/7½	16/41½	4·27	2
63/9	53/3	‡22½	c	15%	a	Brner. Tobac.....10/–	53/9	53/6	6·87	3
41/3	29/11½	5	a	15	b	Gallaher.....10/–	29·11½*	30·11½*	6·64	2
63/9	47/6	7½	a	14	b	Imperial Tobacco.....£1	47/9	47/6	9·47	1¾
					INSURANCE					
81⅝	69/6	‡22·7	a	‡25	b	Britannic.....5/–	81½	71¾/6	2·49	...
68/–	55/3	20	a	25	b	Commercial Union ..5/–	59·10½	57/9*	3·90	...
35⅝	31⅞	‡41·17c		‡62·74c		Equity & Law Life ..8/6	33¼	32¼	1·35	...
114/3	84/6	10	a	20	b	General Accident.....5/–	114/3*	108/–*	1·39	...
60/6	46/9	...		...		Guardian.....5/–	60/6*	55/–*	2·42**	...
48¾	38½	80	a	110	b	Legal & General.....5/–	48½	46⅜	1·02	...
180/–	142/9	81½	a	121½	b	Northern & Empl.....£1	178/9*	171/3*	2·45	...
131⅛	105⅜	120	a	170	b	Pearl.....5/–	131⅛	123¼	2·88	...
293¼	249/6	‡208½	c	‡208½	c	Prudential 'A'.....4/–	28½	28	2·43	...
47·10½	41·10½	...		...		Royal.....5/–	44·11½	42·10½	3·50	...
127/9	103/9	7½	a	11¼	b	Royal Exchange.....£1	126/9*	123/6*	3·04	...
					MOTORS & AIRCRAFT					
18/3	15/6	6	a	8	b	British Motor.....5/–	16/5¼*	15/6*	6·45	¾
85/3	80/41½	20	c	20	c	Jaguar Cars 'A'.....5/–	83/–	82/–	1·22	8
41/6	31/6	11	c	5	a	Rolls-Royce.....£1	33/6	31/7½	6·96	2¼
6/8¼	5/9	12	c	4	c	Rootes Motors 'A'...4/–	6/3¾	6/1½	2·61	...
78/6	68/3	11	b	5	a	A.C.V.....£1	70/11½	68/6	4·67	2
94/6	76/9	20	c	20	c	Leyland Motors.....£1	93·10½	92·10½	4·31	2
15·11¼	13·10½	8	a	5½	b	Bristol Aeroplane ..10/–	14·4½	15/7½	8·64	2¼
24·8½	19/9	15	a	5	a	Hawker Siddeley.....£1	21·10½	21/6	9·86**	2¼
36/9	26/9	‡5½	b	‡4	a	Dowty Group.....10/–	29/–	28/–	5·54	2¼
39/–	28/11½	5	a	15%	b	Dunlop Rubber 10/–	35·10½*	35/3*	4·49	1¾
77/–	63/9	11¼	b	2½

Penguin Books

IN April 1961, the Penguin prospectus forecast gross profits for 1961 of £250,000 including those arising from the sale of "Lady Chatterley's Lover." It also said that fluctuations in profits because of the book stock valuation formula were likely to occur in the future. In November the chairman, Sir Allen Lane, said in an interim statement that rising costs and a slight deterioration in trading conditions would leave gross profits short of the forecast; the directors said, however, that they expected to maintain the ordinary dividend at 13¾ per cent. In the event the dividend has been maintained in the face of a decline in gross profits from £361,000 to £221,000. The full dividend is covered 2½ times but a portion of the dividend has been waived by Sir Allen. The ordinary shares at 14s. 9d. are 2s. 9d. above the offer price but they have fallen sharply from last year's peak of 24s., declining by 3s. since the preliminary results were published last month.

Sir Allen says that the fall in profits below the original forecast was more than accounted for by the additional depreciation charged on books under the valuation formula following a build up in stocks; in addition the company had to contend with a bad debt of £12,000 and an "unexpected rise" in the expenses of one department. Margins have clearly been reduced as sales actually rose by over 2,000,000 to 16,956,000 books (excluding "Lady Chatterley's Lover") but the directors apparently anticipated such an increase when they pitched their original forecast of gross profits at £200,000 (without those arising from the sale of "Lady C."). The group did well abroad, increasing its sales in export markets by 10 per cent so that they accounted in the end for 38 per cent of total turnover. Sir Allen hesitates to make any forecast for the current year because stock valuation can have "a considerable influence on profits." Profits in the Australian subsidiary, which doubled last year, should be maintained but the group's new link with Houghton Mifflin may reduce income received from the United States since now only 51 per cent of the American subsidiary's net profit will be consolidated plus any dividends from Houghton Mifflin. Sales for the group as a whole, again excluding "Lady C.", rose in the first quarter of the current year, but Sir Allen adds that "margins are becoming increasingly difficult to maintain." He concludes that "unless stock depreciation is unduly high, and in the absence of unforeseen circumstances, profits should be reasonably satisfactory having regard to the conditions now prevailing." As the yield is only 3¼ per cent, the stock market seems to believe that the group will be able to withstand the growth of competition in paperbacks.

Consolidated Zinc and Rio Tinto

THE new group resulting from the marriage of these two complementary mining concerns should get off to a very good start. In their statement accompanying the details of the proposed merger, both boards confidently predict substantial increases in profits this year. It is intended that the new holding company will pay an ordinary dividend of not less than 15 per cent (1s. 6d. a share) for 1962. On the basis of 41 new shares for every 20 Rio Tinto units, the effective increase for Rio Tinto holders is no more than a rounding up from 3s. to 3s. 0.9d. a share. But Consolidated Zinc's shareholders, who receive 58 new shares for every 20 held, will have their dividend effectively raised from 3s. to 4s. 4.2d. a share. In 1960, Consolidated Zinc paid only 4s. a share, so the immediate advantages of the merger to its shareholders are obvious.

The low level of lead and zinc prices in 1961 was the main cause of the halving of Consolidated Zinc's profits before tax to £1,835,000. It is clear from the chairman's statement with the full accounts that an improvement is expected from these mining operations this year despite the probability of lower average prices. The Australian producers have dropped all output restrictions. Last year voluntary cuts in production according to international agreements sharply curtailed output of lead and to a lesser extent the production of zinc. This year the group should therefore achieve a higher level of output and benefit from a reduction in overheads. Whether the move was wise from a long-term point of view is less certain, but the group will now have the backing of a wider spread of interests in risking a showdown in the lead and zinc markets; this might result in still lower prices or less favourable access to world markets for Australian metal. On the industrial side some improvement may be expected in the demand for sulphuric acid from the sheet steel industry in South Wales and for zinc alloys by the motor industry. New plant commissioned by the group is also expected to give a better account of itself this year. Last year major teething troubles affected profits.

Rio Tinto's profit before tax rose from £4,635,000 to £7,150,000 last year. The group's share of the first dividends from the uranium producers amounted to £2,800,000. Pre-acquisition profits of £921,000 were absorbed in writing down the value of investments in non-consolidated subsidiaries. A further £921,000 from the net amount of £1,879,000 has also been set aside to amortise investments in the Canadian companies. The net profit of the group was £839,000 higher at £2,881,000. All the provisions made swell liquidity and the group's liquid assets rose from £4,119,000 to £6,777,000. Consolidated Zinc's aluminium project is moving forward at a rapid pace, and the New Zealand government has agreed to utilise the surplus power produced by the projected hydro-electric scheme at Manapouri. The growth of Rio Tinto's liquid funds is an essential reinforcement of the resources Consolidated Zinc needs to finance its outstanding commitments.

Cammell Laird

GOOD news from shipbuilders is rare these days and any shred of comfort is welcome. Shareholders in Cammell Laird will not therefore miss the significance of the statement by the chairman, Admiral Sir Michael Denny, that profits "will not increase notably in 1962." This, at least, will prevent any need for gloomy prognostications about a sharp fall this year. Last year Cammell Laird's trading profits rose from £1,430,000 to £1,653,000 and even if the £200,000 received on a long term contract is excluded from the reckoning there was still a small advance. But the income received from associated companies fell from £545,000 to £317,000, reflecting the passing of the ordinary dividend by Metropolitan-Cammell Carriage and Wagon Company, which Cammell Laird jointly controls with Vickers. The fall in investment income and the rise in the depreciation charge left net income 22½ per cent lower at £470,000 and the ordinary dividend, cut from 12 to 10 per cent, is now covered 1.4 times.

The group should benefit from the completion of the first phase of its reconstruction programme and the new dry dock, but the state of the order book and the keen competition prevailing in the shipbuilding industry will keep profits low. The Patent Steel Shaft Works is expected to make a further loss this year. Metropolitan Cammell has won more orders for bus bodies, but its margins must be slim and orders for railway rolling stock are still falling. In the first quarter production at English Steel's works, in which Cammell Laird has a 25 per cent interest, was at a very low level and unless there is "an early and marked improvement in demand" the prospect is far from bright. It is hardly surprising that the 5s. shares at 5s. 1½d. xd. yield 9.8 per cent.

The Economist Indicator (1953=100)

1962	Indicator	Yield %	1962 High	1962 Low
Apr. 4	355·3	5·03		
,, 11	362·7	4·94		
,, 18	355·8	5·08		
,, 25	359·4	5·03	364·4 (Jan. 17)	316·3 (Mar. 28)
May 2	362·4	5·00		
,, 9	356·7	5·10		

Financial Times Indices

1962	Index †	Ord Yield	2½% Consols Yield	Bargains Marked
May 3	305·5	5·17	6·08	16,105
,, 4	306·3	5·16	6·09	15,297
,, 7	304·5	5·19	6·10	18,661
,, 8	302·6	5·22	6·10	16,377
,, 9	300·6	5·25	6·12	14,588

High, 310·2 (Jan. 19). Low, 291·4 (April 2).
† July 1, 1935=100.

Money and Exchanges

EXCHEQUER RETURNS

For the week ended May 5, 1962, there was an "above-line" surplus (after allowing for sinking funds) of £58,498,000 compared with a deficit of £60,632,000 in the previous week and a surplus of £51,476,000 in the corresponding period of last year. There was a net expenditure "below-line" of £11,731,000 leaving a total cumulative deficit to date of £90,071,000 compared with £29,508,000 in 1961–62.

£'000	Estimate 1962–63	April 1, 1961, to May 6, 1961	April 1, 1962, to May 5, 1962	Week ended May 6, 1961	Week ended May 5, 1962
Ordinary Revenue					
Income Tax	2,790,000	127,868	130,371	27,217	39,701
Surtax	188,000	16,300	16,400	2,500	2,300
Death Duties	264,500	28,400	25,700	5,100	5,000
Stamps	95,000	10,400	11,600	1,600	1,800
Profits tax, EPT and EPL	374,000	20,800	22,300	5,200	3,900
Other Inland Rev. Duties	...	...	...	...	...
Total Inland Rev.	3,711,500	203,768	206,371	41,617	52,701
Customs	1,653,000	158,894	148,985	28,694	33,500
Excise	1,077,000	116,310	110,785	76,065	79,590
Total Customs and Excise	2,730,000	275,204	259,770	104,759	113,090
Motor Duties	150,000	5,653	6,274	2,046	...
Broadcast Lic's.	41,000	2,500	2,600	...	...
Miscellaneous	165,000	79,542	10,968	2,818	3,546
Total	6,797,500	566,667	485,983	151,240	169,337
Ordinary Expenditure					
Debt Interest	600,000	80,393	61,112	21,184	19,545
Payments to N. Ireland Exch.	100,000	9,609	10,342	3,028	3,267
PO Fund — Initial settlement	...	...	...	...	...
Other Consolidated Funds	12,000	1,023	804	11	107
Supply Services	5,611,650	467,984	482,260	74,101	86,300
Total	6,323,650	559,009	554,518	98,324	109,219
Sinking Funds	41,000	2,810	3,205	1,440	1,620
"Above-line" Surplus or Deficit		+ 4,848	+ 71,740	+ 51,476	+ 58,498
"Below-line" Net Expenditure*		34,356	18,331	16,342	11,731
		—	—	+	+
Total Surplus or Deficit		29,508	90,071	35,134	46,767
Net receipts from:					
Tax Reserve Certificates		15,832	21,176	4,214	8,615
Savings Certificates		—3,600	1,900	—300	500
Defence Bonds		5,848	828	1,968	462
Premium Savings Bonds		5,600	2,800	1,800	400
Total		23,680	26,704	7,482	9,977

* Net receipts of £10 million to the Civil Contingencies Fund in 1962–63 compared with £4 million in 1961–62.

FLOATING DEBT

(£ million)

	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Dept.	Ways and Means Advances: Bank of England	Total Floating Debt
1961					
May 6	3,130·0	1,887·3	293·3	...	5,310·6
1962					
Feb. 3	3,120·0	2,115·6	242·6	7·8	5,486·0
,, 10	3,070·0	1,989·0	246·8	...	5,305·8
,, 17	3,040·0	2,302·6	275·4	5·0	5,622·9
,, 24	2,990·0	2,382·5	207·4	...	5,579·9
Mar. 3	2,950·0	2,481·4	236·7	5·0	5,673·1
,, 10	2,960·0	2,435·5	248·2	0·8	5,644·4
,, 17	2,960·0	2,423·9	251·1	...	5,635·0
,, 24	2,980·0	2,391·6	290·8	...	5,662·5
,, 31	3,000·0	2,330·6	260·7	...	5,591·3
April 7	2,980·0	2,400·5	253·0	2·3	5,635·8
,, 14	2,970·0	2,433·5	254·1	5·0	5,662·7
,, 21	2,960·0	2,448·7	226·0	3·3	5,638·0
,, 28	2,940·0	2,542·3	223·0	...	5,705·3
May 5	2,920·0	2,512·6	243·6	...	5,676·2

THE MONEY MARKET

THE discount market's response to the latest cut in Bank rate has been very guarded. Immediately after the cut it raised its agreed bid by only 9d.; and at last Friday's Treasury bill tender it left its bid for the 91-day bills unchanged at £98 19s. 5d. The average rate of discount moreover actually rose by 9.18d. to £4 1s. 9.27d. per cent; the outsiders, caught into taking large allotments in the previous week, lowered their bids towards the syndicate's level. However the market's unchanged bid and a sharp increase in total applications of £20 million to £406 million for the unchanged offer of £220 million, meant that the market received a very low allotment of about 20 per cent—after including a full allotment of the 92-day bills on offer. This compared with the previous week's allotment of 26 per cent.

Credit was comfortable before the weekend but on Saturday the quarterly transfer of purchase tax to the Exchequer produced difficult conditions which the authorities mitigated with a large amount of special bill purchases. The authorities also helped the market on the first three days of this week, but on Tuesday a large amount of help was insufficient and four or five houses borrowed a moderate amount at Bank rate.

MONEY RATES

LONDON

Bank rate (from 5%, 26/4/62)	% 4½	Discount rates: Bank bills:	%
Deposit rates (7 days' notice):		60 days	4⅛–4 5/16
Banks	2½	3 months	4⅛–4 5/16
Discount houses	2½–2¾	4 months	4⅛–4 5/16
Local Authorities	4¾	6 months	4¼–4⅜
Call money:		Fine trade bills:	
Clearing banks' minimum	2⅞	3 months	5½–6
Day-to-day	2⅞–3⅞	4 months	5½–6
		6 months	5¾–6½

NEW YORK

Official Discount rate: (from 31/5%, 11/8/60)	% 3	Treasury Bills:	%
		April 30	2·748
		May 7	2·720

BANK OF ENGLAND RETURNS

(£ million)	May 10, 1961	May 2, 1962	May 9, 1962
Issue Department:			
Notes in circulation	2,282·3	2,336·8	2,322·6
Notes in banking dept.	43·0	38·6	52·8
Govt. debt and securities*	2,323·2	2,374·0	2,373·9
Other securities	0·7	0·7	0·8
Gold coin and bullion	0·4	0·4	0·4
Coin other than gold coin	1·0	0·3	0·3
Banking Department:			
Deposits:			
Public accounts	10·2	11·3	14·9
Special deposits	152·9	231·8	233·2
Bankers	249·2	241·9	230·5
Others	85·6	70·1	69·1
Total	497·9	555·0	547·7
Securities:			
Government	393·2	478·6	451·0
Discounts and advances	60·5	36·3	42·4
Other	18·3	18·5	18·5
Total	472·0	533·4	511·9
Banking department reserve	43·8	39·4	53·6
"Proportion"	8·7 %	7·1 %	9·7 %

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue increased by £50 million to £2,375 million on March 7th.

TREASURY BILL TENDERS

Date of Tender	Amount (£ million) Offered	Applied for	91-Day Bills: Average Rate of Allotment	Allotted at Max. Rate *
	91 day		s. d.	%
1961 May 5	240·0	416·2	87 4·27	49
1962				
Feb. 2	200·0	379·4	104 4·93	33
,, 9	230·0	412·8	108 0·74	22
,, 16	220·0	389·8	109 10·81	28
,, 23	220·0	405·6	110 7·47	21
Mar. 2	230·0	382·6	110 11·26	37
,, 9	230·0	396·2	100 5·89	53
,, 16	230·0	411·8	97 7·57	41
,, 23	230·0	408·1	89 0·47	48
,, 30	230·0	392·2	88 1·16	57
April 6	230·0	398·7	87 4·62	46
,, 13	230·0	407·9	86 8·54	41
,, 19	230·0†	386·6	85 4·31	46
,, 27	220·0	386·3	81 0·54	26
May 4	220·0	406·0	81 9·72	16

* On May 4th tenders for 91 day bills at £98 19s. 5d. secured 16 per cent, higher tenders being allotted in full. The offer for this week was for £230 million 91 day bills.
† Allotment cut by £10 million.

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Effective Limits May 9	Market Rates: Spot May 3	May 4	May 5	May 7	May 8	May 9
United States $	2·78–2·82*	2·81 13/16–5/16	2·81 13/16–5/16	2·81 13/16–5/16	2·81 5/16–7/16	2·81 5/16–7/16	2·81 1/4–3/8
Canadian $	...	3·02 3/4–03	3·03 1/4–1/2	3·03 3/8–7/8	3·04 1/4–1/2	3·04 1/4–1/2	3·03 13/16–15/16
French Fr.	13·622–14·027	13·77 3/4–78	13·77 3/4–78	13·77 7/8–78 1/8	13·78 3/8–7/8	13·78 3/8–7/8	13·78 1/4–1/2
Swiss Fr.	11·94–12·54 7/8	12·19 3/8–7/8	12·18 7/8–19 1/8	12·19 3/8–7/8	12·19–19 1/4	12·19 1/2–3/4	12·19 3/4–20
Belgian Fr.	137·96–142·05	139·95–140	139·87 1/2–139·92 1/2	139·87 1/2–139·92 1/2	139·95–140	139·92 1/2–139·97 1/2	139·87 1/2–139·92 1/2
Dutch Gld.	9·98 3/4–10·28 1/2	10·11 5/8–7/8	10·10 3/8–7/8	10·10 1/2–3/4	10·11 1/4–1/2	10·10 3/8–11 1/8	10·10 3/8–7/8
W. Ger. D-Mk.	11·037–11·365	11·24 5/8–7/8	11·24 1/2–3/4	11·24 1/2–3/4	11·25 1/4–1/2	11·25 3/8–5/8	11·25 1/8–3/8
Portug. Esc.	...	80·15–25	80·15–25	80·15–25	80·15–25	80·15–25	80·15–25
Italian Lire	1725–1775	1745–45 1/2	1745–45 1/2	1745–45 1/2	1745 3/4–46 1/4	1746–46 1/2	1745 1/2–46
Swedish Kr.	14·27 1/2–14·70	14·46 3/4–47	14·47 3/8–5/8	14·47 1/2–3/4	14·48 1/4–1/2	14·48 3/8–48 5/8	14·48–48 1/4
Danish Kr.	19·06 1/2–19·62	19·40 3/4–41	19·40 5/8–7/8	19·40 3/8–3/4	19·40–40 1/4	19·39 1/4–1/2	19·39 1/2–3/4
Norwegian Kr.	19·71–20·30 1/2	20·04 7/8–05 1/8	20·05–05 1/4	20·05–05 1/4	20·05–05 1/4	20·05 1/8–3/8	20·05 1/8–3/8
	* Official Limits	**One Month Forward Rates**					
United States $		3/8–1/4c. pm	7/16–5/16c. pm	7/16–5/16c. pm	7/16–5/16c. pm	3/8–1/4c. pm	5/16–3/16c. pm
Canadian $		3/8–par pm	1/4c. pm–par	1/4c. pm–par	1/4c. pm–par	1/4c. pm–par	1/4c. pm–par
French Fr.		1/2c. pm–par	1/2c. pm–par	1/2c. pm–par	5/8–par pm	3/4–1/4c. pm	5/8–par pm
Swiss Fr.		2 1/4–1 3/4c. pm	2 1/2–1 3/4c. pm	2 1/2–1 3/4c. pm	2 1/4–1 3/4c. pm	2 1/4–1 3/4c. pm	1 7/8–1 3/4c. pm
Belgian Fr.		2 3/4–1 3/4c. pm	2 3/4–1 3/4c. pm	3 3/4–1 3/4c. pm	3 3/4–2c. pm	3 3/4–2c. pm	2 3/4–2c. pm
Dutch Gld.		2 3/4–1 3/4c. pm	2 3/4–1 3/4c. pm	3 3/4–1 3/4c. pm	3 3/4–2c. pm	3 3/4–2c. pm	2 3/4–2c. pm
W. German D-Mk.		5/8–par pm	1/4c. pm–1/4 c dis.	1/4c. pm–1/4 c dis.	1/4–1/2c. pm	1/4–1/2c. pm	3/8–par pm
		1 3/4–1 1/4pf. pm	1 1/2–1pf. pm	1 1/2–1pf. pm	2–1 1/2pf. pm	2–1 1/2pf. pm	1 3/4–1 1/4pf. pm
		Three Months Forward Rates					
United States $		15/16–13/16c. pm	1–7/8c. pm	1–7/8c. pm	1–7/8c. pm	15/16–13/16c. pm	7/8–3/4c. pm
Canadian $		1–3/4c. pm	7/8–3/8c. pm	5/8–3/8c. pm	3/4–1/2c. pm	3/4–1/2c. pm	3/4–1/2c. pm
Swiss Fr.		5 1/4–4 3/4c. pm	5 1/4–4 3/4c. pm	5 1/4–4 3/4c. pm	5 1/8–4 5/8c. pm	5–4 1/2c. pm	4 5/8–4 1/8c. pm
W. German D-Mk.		4 5/8–4 1/8pf. pm	4 5/8–4 1/8pf. pm	4 5/8–4 1/8pf. pm	4 7/8–4 3/8pf. pm	5–4 1/2pf. pm	4 7/8–4 3/8pf. pm
		Gold Price at Fixing					
Price (s. d. per fine oz.)		249/4 3/4	249/5 1/4	...	249/5 1/4	249/4	249/4 1/2
,, ($,, ,, ,,)		35·07 1/2	35·07 1/2	...	35·08	35·08	35·08

The United States

Monthly averages or calendar months except where annual rates are shown.

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

BRITISH

Prices and Wages	April 7th	External Trade	May 5th
Manpower and Output	April 28th	Industrial Profits	April 21st

OVERSEAS

Western Europe	April 14th	United States	This week

PRICES AND WAGES

	Wholesale prices		Consumer prices				External prices			Stock prices Composite index	Average weekly earnings in manufacturing	
	All commodities	Farm products	All items	Food	Clothing	Housing	Import	Export	Terms of trade		At current prices	At 1961 prices
	1947–49 = 100						1948 = 100			1957–59 = 100	$	
1953	110·1	97·0	114·4	112·8	104·8	117·7	117	102	115	51·9	70·47	78·83
1960	119·6	88·8	126·5	119·7	109·4	131·5	118	111	106	113·9	89·72	90·72
1961	119·1	87·9	127·9	121·1	110·2	132·5	117	114	103	134·2	92·34	92·34
1961, December	119·2	87·8	128·2	120·4	111·0	133·1	117	115	102	145·8	96·63	96·34
1962, January	119·7	89·7	128·2	121·0	109·2	133·1	...	...	...	140·4	94·88	94·60
„ February	119·6	90·0	128·6	121·7	109·3	133·4	...	...	...	142·8	95·20	94·63
„ March	119·6	90·2	...	...	...	...	...	...	...	142·9	95·91	...

PRODUCTION AND MANPOWER

	Gross national product Seasonally adjusted annual rate	Total industrial production	Manufacturing production						Building	Civilian employment		
			Durable goods			Non-durable goods			New construction; seasonally adjusted annual rates	Total labour force	Total employment	Unemployed as per cent of labour force; seasonally adjusted
			Total	Metals	Vehicles, etc	Total	Textiles, clothing	Chemicals, petroleum and rubber				
	$ billion	1957 = 100; seasonally adjusted							$ billion	thousands		
1953	365·4	91	96	100	86	87	94	80	37·0	63,815	61,945	2·9
1960	504·4	108	104	90	102	113	115	118	55·6	70,612	66,681	5·6
1961	521·3	109	103	88	97	117	116	123	57·4	71,603	66,796	6·7
1961, November	542·2[2]	114	109	96	106	121	122	129	61·0	71,339	67,349	6·1
„ December		115	110	99	108	122	123	130	58·9	70,559	66,467	6·0
1962, January	549·0[2]	114	109	101	104	121	120	128	59·0	69,721	65,058	5·8
„ February		115	111	106	105	121	120	129	56·7	70,332	65,789	5·6
„ March		116	112	106	106	122	122	129	56·6	70,697	66,316	5·5

TRADE

	Personal consumption annual rates	Wholesale		Retail		Imports for US consumption			Exports of US merchandise[3]		Volume of trade	
		Sales	Stocks[1]	Sales	Stocks[1]	Total	Industrial materials	Finished goods	Total	Finished goods	Imports	Exports
	$ billion; seasonally adjusted					$ million					1948 = 100	
1953	232·6	9·8	10·5	14·1	22·7	898	441	183	1,012	614	128	123
1960	328·9	12·3	13·2	18·3	27·2	1,251	513	438	1,617	877	180	149
1961	339·0	12·6	13·5	18·2	26·9	1,220	520	423	1,652	911	178	147
1961, October		12·9	13·4	18·6	26·4	1,359	555	479	1,794	963	198	158
„ November	348·4[4]	13·1	13·3	19·1	26·8	1,337	541	479	1,740	940	194	152
„ December		12·7	13·5	18·8	26·9	1,273	548	445	1,758	961	185	152
1962, January	352·0[5]	13·1	13·6	18·8	26·9	1,354	602	467	1,567	898	...	...
„ February		12·8	13·6	19·1	26·9	1,198	519	416	1,669	...	...	...

PURCHASING POWER AND FINANCE

	Personal income			Consumer credit[1]		Banking statistics[2]		Budget expenditure[3]		Bond yields		
	Total	Labour income	Farm income	Total	Instalment	Investments	Loans	Total	Surplus or deficit	3-month Treasury bills	Taxable Govt. bonds[4]	Corporate Aaa bonds
	$ billion; seasonally adjusted annual rates			$ billion; end of period		$ billion; end of period		$ billion		Per cent per annum		
1953	288·3	204·1	13·3	31·39	23·01	78·1	67·6	74·3	— 9·4	1·931	2·93	3·20
1960	402·2	282·2	12·0	55·76	42·59	81·9	117·6	76·5	+ 1·2	2·928	4·02	4·41
1961	416·7	290·8	13·0	57·14	43·16	90·4	125·2	81·5	— 3·9	2·378	3·90	4·35
1961, November	429·3	300·9	13·8	55·45	42·42	89·6	121·7	7·5	— 1·1	2·458	3·98	4·39
„ December	431·8	302·4	13·5	57·14	43·16	90·4	125·2	7·2	+ 0·8	2·617	4·06	4·42
1962, January	430·1	302·0	13·1	56·28	42·85	91·1	122·5	7·4	— 2·0	2·746	4·08	4·42
„ February	433·3	305·1	12·9	55·59	42·63	90·3	123·9	6·9	— 0·1	2·752	4·09	4·42
„ March	435·3	306·4	13·0	...	...	89·6	125·5	7·7	+ 1·4	2·719	4·01	4·39

(1) End of period. (2) All commercial banks. (3) Annual figures are totals for the fiscal years ended June 30th. (4) Bonds due or callable 10 years and after (except 1953: due or callable after 12 years). (5) Excluding Mutual Security Programme shipments. (6) Average for fourth quarter. (7) Average for first quarter.

APPOINTMENTS

MSL have been retained to advise on this appointment.

EUROPEAN MARKETING MANAGER

for a British company manufacturing equipment for the electrical and telecommunications industries. He will probably reside in Brussels and will be responsible to the Commercial Director in London for developing and expanding sales in Europe, the present turnover being about £1,000,000. His sphere of operations will be the E.E.C. and E.F.T.A. countries.

Candidates, aged 35 to 45, must be British nationals, preferably holding a degree in arts or sciences, and fluent in French or German. They must have sales or marketing experience on the Continent, not necessarily in engineering. Salary will be in the £3,000 to £6,000 range with the usual benefits. Please send brief details in confidence, quoting reference S.3268 to H. C. S. Brand.

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

MANAGEMENT SELECTION LIMITED

17 Stratton Street, London, W.1

COMMONWEALTH ECONOMIC COMMITTEE invite applications for a vacancy in the post of Economic Assistant, Grade A, from graduates with a good Honours Degree in economics or cognate subjects with post-graduate experience in the analysis and interpretation of basic statistics and with the ability to write well rounded reports. The work will be concerned with Commonwealth trade, agriculture and related subjects. Starting salary according to approved experience in Scale £1,402 to £1,719. Contributory superannuation scheme (F.S.S.U.). Applications, giving curricula vitae, qualifications, experience and employments, names of referees, availability, etc., to the Executive Secretary, Commonwealth Economic Committee, Marlborough House, Pall Mall, London, S.W.1.

PART-TIME TEACHERS required for evening courses starting September 24, 1962: (a) TEACHER for G.C.E. "O" Level Economics, Tuesday and Friday 6.15–7.45 p.m. (b) TEACHER for G.C.E. "O" Level Geography, Monday and Wednesday, 6.15–7.45 p.m. Rates of pay in each case 38s. 9d. per one and a half hour period.—Please write for application form to Working Men's College, Crowndale Road, N.W.1.

RESEARCH SCHOLARSHIP

A scholarship to the value of £500 tenable at the Co-operative College, a residential college for adults, in the session beginning October, 1962, is to be awarded to a student qualified to carry out research work related to the development of the Co-operative Movement. Research may be addressed either to the economic activities of the Movement, or to its social significance.

Information concerning the Co-operative College and the main regulations and conditions governing the award of the scholarship, is available in the College Prospectus, a copy of which may be obtained on application to the College Administrative Officer. Application forms are to be returned by June 11, 1962.

THE DURHAM COLLEGES

IN THE UNIVERSITY OF DURHAM

Applications are invited for the post of TEMPORARY LECTURER IN ECONOMICS for two years from October 1, 1962.

Applications (three copies), together with the names of three referees, should be sent not later than June 11, 1962, to the Registrar and Secretary, 38 North Bailey, Durham, from whom further particulars may be obtained.

Chief Executive

• A GROWTH Company within a large international organisation in England has set up marketing subsidiaries in Europe, and a Chief Executive is required for the Italian operations, based in Milan.

• HE will be directly responsible to the Managing Director of the parent company in London for the efficient and profitable running of the Italian subsidiary comprising Sales, Service, Accounting and Administration departments with a total staff of about 140.

• HE will be a man of successful achievement in the field of management and marketing and possibly in selling office machinery. Whatever his nationality he must be bi-lingual in English and Italian, fully conversant with Italian commercial practice and with experience in planning and budgetary control.

• HE will be aged between 35 and 50. His salary will be negotiated and he will now be earning the equivalent of at least £3,000 in U.K.

Write in confidence to D. M. Sidney.

JOHN TYZACK & PARTNERS LTD

10 HALLAM STREET · LONDON W1

GKN

GROUP OPERATIONAL RESEARCH SERVICE

Applications are invited for a number of posts in the Midlands Unit of this Consultancy Service. The Unit is based on Wolverhampton and serves the engineering companies of the Group.

Applicants must be 1st or 2nd Class Honours graduates, preferably between 25 and 30.

We are particularly interested in

ENGINEERS who are members of the appropriate institution and have experience in production or plant engineering.

ECONOMISTS who have good experience of marketing problems or are qualified accountants.

SCIENTISTS with consultancy, management, or other industrial experience.

The work consists of:

Diagnosing problems of Production Method, Organisation, Production Control, Stock Control, Capital Investment, etc.
Devising solutions
Convincing the Managing Director, Managers, and office staffs and work people who are affected, that the proposals are sound.
Implementing the proposals when required, whilst retaining the co-operation of the people affected.

High intelligence is necessary for this work, but personal qualities are equally important. The ability to inspire trust and respect in difficult situations is essential.

Working conditions, salaries and prospects are good. The men recruited will work under supervision at first, and thereafter they will be given as much responsibility as they can carry.

Please write, giving details of age, experience, qualifications and present salary, to the:

Personnel Officer, G.K.N. Group Research Laboratory,
Birmingham New Road, Lanesfield, Wolverhampton.

GENERAL MANAGER

LIVINGSTON DEVELOPMENT CORPORATION

APPOINTMENT OF GENERAL MANAGER

Applications are invited for the post of GENERAL MANAGER to the LIVINGSTON DEVELOPMENT CORPORATION. The General Manager will be in complete charge of the Development Corporation's organisation and the qualifications necessary are considerable administrative experience, outstanding initiative and practical organising ability. Technical qualifications of a specialised nature are not essential, but administrative experience of the technical problems associated with the planning and development of a project of this character would be a considerable advantage.

The salary range for the post will be £3,900–£4,500 per annum and the initial salary payable will depend upon qualifications and experience of the successful applicant.

The post will be superannuable either under the Local Government Superannuation (Scotland) Act, 1937, and the Local Government Superannuation Act, 1953, or under the New Towns Pensions Scheme.

Canvassing, directly or indirectly, of the members of the Development Corporation will constitute an absolute disqualification.

Applications, containing full details of the candidate's age, qualifications and experience, together with the names and addresses of referees, should be submitted in twelve copies to the undersigned not later than June 5, 1962. Envelopes should be marked "General Manager".

There is no prescribed form of application.

THE CHAIRMAN,
LIVINGSTON DEVELOPMENT CORPORATION,
YORK BUILDINGS,
QUEEN STREET,
EDINBURGH.

NORTHERN IRELAND YOUTH EMPLOYMENT SERVICE BOARD

DEPUTY DIRECTOR OF THE YOUTH EMPLOYMENT SERVICE

The Board is charged under the Youth Employment Service Act (N.I.) 1961, with the provision of a comprehensive Youth Employment Service in Northern Ireland and applications are invited from suitably qualified persons for the post of DEPUTY DIRECTOR OF THE SERVICE AND DEPUTY SECRETARY TO THE BOARD. The appointment offers considerable scope and interest in the planning and development of youth employment work in Northern Ireland.

Preference will be given to candidates who have a good University Degree or equivalent qualification and have experience of youth employment work in a senior administrative post, or in some capacity offering sufficient appropriate experience. Preference will also be given to suitably qualified ex-Service candidates. The Salary scale is £1,500 to £1,825, commencing salary according to experience and qualifications, and the post is superannuable. Canvassing will disqualify.

Application forms and further particulars may be obtained from the undersigned, to whom the forms should be returned not later than May 25, 1962.

C. P. BLACK,
Acting Secretary to the Board.
Ministry of Labour and National Insurance, Stormont, Belfast, 4.

For further appointments and other classified advertisements see pages 618 and 628

SECOND year students L.S.E. required, part-time work, social/marketing study. Six weeks beginning third week May. London area.—Ring Barden, GROsvenor 5740.

PROVIDENT MUTUAL LIFE ASSURANCE ASSOCIATION requires one outstanding young man to fill a senior position in the Pensions Department. Some actuarial training an advantage, but not essential provided ability and experience can be proved. Applications, which will be treated in strict confidence, should be addressed to the Managing Director, Provident Mutual Life Assurance Association, 25-31 Moorgate, London, E.C.2.

MARKET INVESTIGATION

WOMEN RESEARCH ASSISTANTS

As a result of an expansion of their activities in the Market Investigation field, Urwick, Orr & Partners now have vacancies for additional female Research Assistants.

A degree in economics is advisable; a sound knowledge of investigating practice and statistical method is essential. The Marketing Unit is concerned with market investigations, forecasting and economic intelligence activities both in the U.K. and overseas. The current pattern of work shows a bias towards the industrial and consumer durable fields. Initial duties will include the collection, synthesis and interpretation of information and the preparation of detailed reports to clients in many and diverse types of industry.

Age should be about 25-35. Sound Marketing experience would be advantageous but an enquiring mind is an essential qualification. Starting salary would be in the range £750-£1,200, with regular progress beyond this figure according to merit.

Apply to Urwick, Orr & Partners, Ltd., Kinbox House, Wellington Street, Slough, quoting reference MU/1111/1 on the envelope.

CONNAUGHT FOOD PRODUCTS

part of Schweppes Limited, comprising Chivers and Sons, William P. Hartley and William Moorhouse and Sons Limited, have the following vacancies at their London Head Office :—

COST ACCOUNTANT

This post would only suit an ambitious man ready to take responsibility and willing to travel fairly extensively—but not normally at week-ends—throughout the British Isles. Must be fully experienced in standard costing and budgetary control. Some knowledge of the preserves industry would be an advantage.

ORGANISATION AND METHODS OFFICER

with experience of mechanised accounting to study and re-organise the flow of information between head office, factories and distribution depots. The starting salary would not be less than £1,300 per annum.

Interviews will be carried out by the Chief Accountant and Methods Manager respectively, but applications, giving brief details of qualifications and of present and past responsibilities, should be sent in the first place to **Personnel Manager, Connaught Food Products, Green Walk, London, SE1.**

CHIEF FINANCE OFFICER

LIVINGSTON DEVELOPMENT CORPORATION

APPOINTMENT OF CHIEF FINANCE OFFICER

Applications are invited for the post of CHIEF FINANCE OFFICER to the LIVINGSTON DEVELOPMENT CORPORATION.

The salary range for the post will be £2,700-£3,400 per annum and the initial salary payable will depend upon qualifications and experience of the successful applicant.

The post will be superannuable either under the Local Government Superannuation (Scotland) Act, 1937, and the Local Government Superannuation Act, 1953, or under the New Towns Pensions Scheme.

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For other appointments see pages 618 and 627

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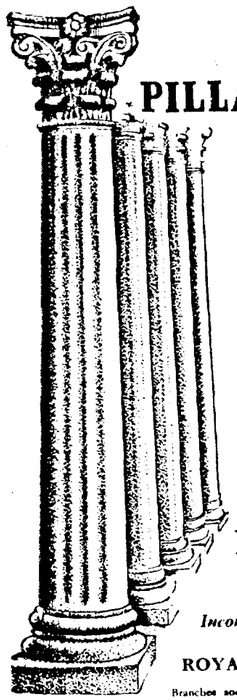
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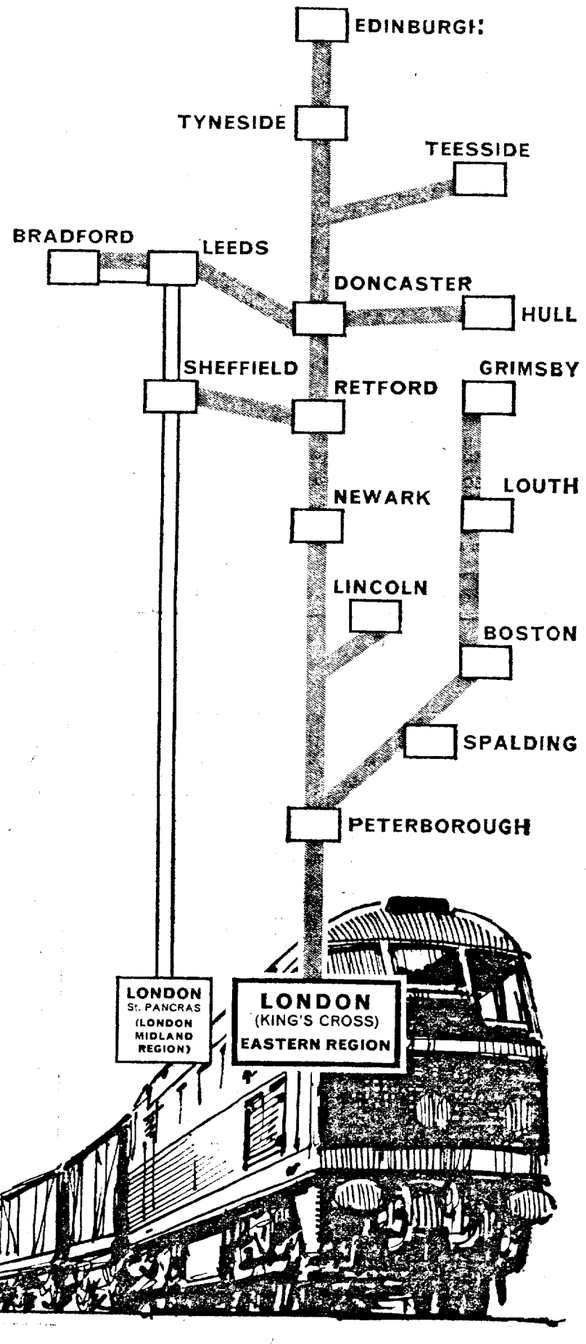
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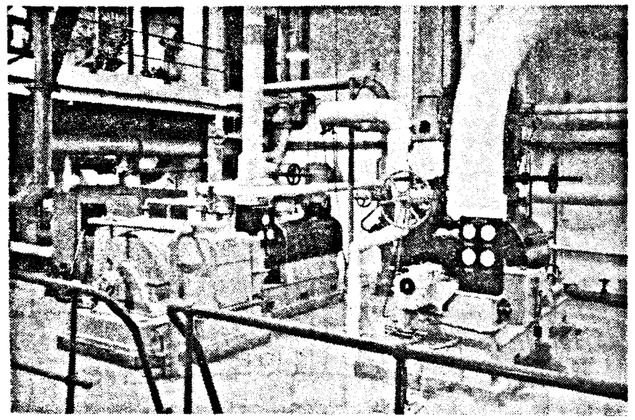
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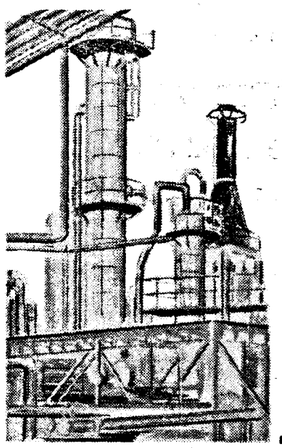
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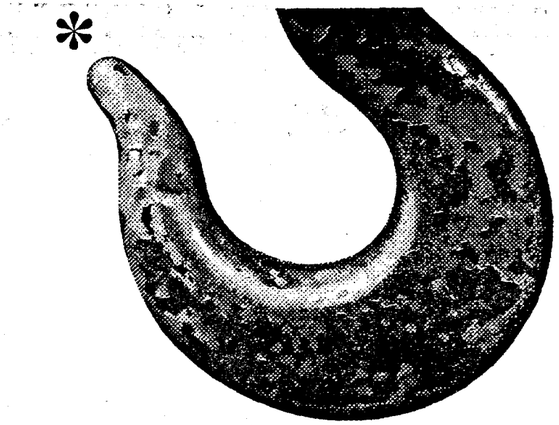


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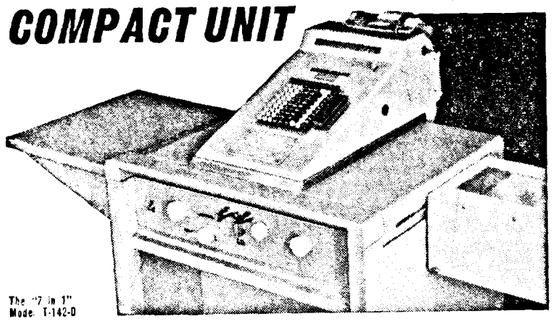
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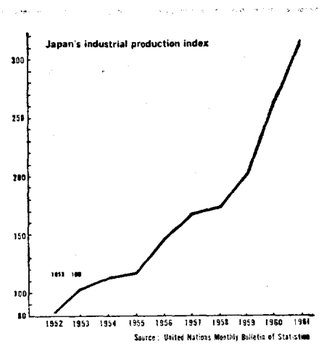
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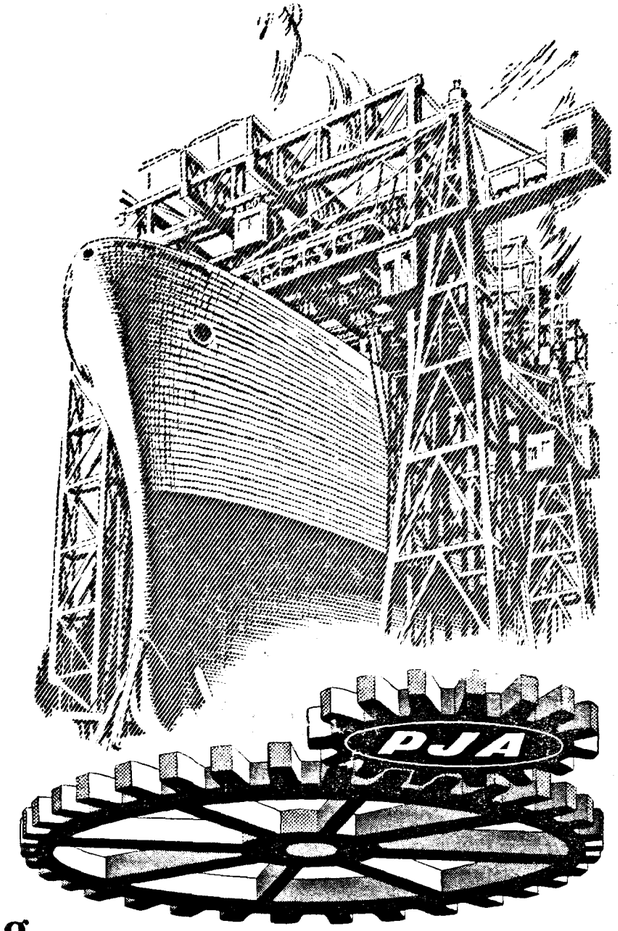
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INTERNATIONAL

Europe and the Old Men

Panic about Britain's negotiations with the common market is not justified by facts. Doubts in Paris and Bonn do not mean that there has been a clear-cut decision to block Britain's entry (p. 649). Indeed, the negotiations in Brussels are gathering speed (p. 650).

Dr Adenauer's strange remarks in Berlin about the Anglo-Saxons have revived speculation in Bonn about getting rid of him (p. 678).

General de Gaulle's press conference has dismayed French "Europeans," as well as prompting renewed speculation about his terms for British entry to the common market (p. 678).

M. Pompidou's new government is being harassed by strikes, now that the Algerian national emergency is past (p. 657).

Indochina's Crumbling Walls

American troops have had to land in Laos to prove to friend and foe that America is prepared to use force if things go really wrong, but there is still some prospect of achieving a neutral Laos (p. 653), as Washington still hopes (p. 690).

The flood of American aid to **south Vietnam** has failed, so far, to check the communist guerrillas (p. 683).

Overcrowded **Hongkong** has had to turn back 25,000 refugees trying to escape from China (p. 677).

The **Philippine** claim to **North Borneo** is a threat to the grand design of a federation of Malaysia (p. 661).

Kennedy and The Economy

The **Area Redevelopment Administration** has celebrated the first anniversary of its attack on the hard core of chronic unemployment (p. 687).

President Kennedy is **wooing businessmen** with tax concessions and with firm statements on wage increases (p. 690).

Americans have a lesson to learn from Europeans about how to spend their country into prosperity (p. 690).

Republicans are throwing away their chance of victories in Maryland in next November's election (p. 693).

Soon the United States, like other countries, may have only one **airline** flying the **Atlantic** (p. 694).

Labour Pains

Strikes in **Spain** have shaken the structure of the official trade unions and produced something like what democracies mean by wage bargaining (p. 679).

Aden's trade unions show too much concern for political power and too little for the welfare of their members (p. 684).

Racial Partners

The **Congo's** future depends on the success of current talks with the Belgians (p. 658).

Bridging the gap between races, says Mr Sandys, is the **Commonwealth's** grandest task (p. 662). In **Rhodesia** Mr Butler is seeing some of the difficulties in practice (p. 658).

HOME

Oily Waters

Caught between acquisitive governments and competitive markets, the international oil companies are left with less room for manœuvre (p. 697).

Governments will soon make their choice on the best means of crossing the Channel (p. 710).

Wall Street appears to have weathered one of the worst storms of its postwar history (p. 701).

Rough Passage

The local elections give a grim augury for Tories—including some of their leading lights (p. 654).

Montgomery confirms the Liberals' national advance (p. 657).

As releases of American stockpiled tin draw near, the London Metal Exchange can expect some stormy sessions (p. 705).

The British economy may be drifting into expansion (p. 700).

Both exports and industrial production show modest improvements (p. 700).

Half Seas Over

The Government, above all, is to blame for the inflationary debacle of the dock wages settlement (p. 652).

Now ministers are under even greater pressure to increase the pay of nurses: but what is really needed is more for the qualified hospital staffs (p. 657).

Yachtsmen are crying out for more homes for their boats (p. 668).

Rock Bottom

The overgrown chemical industry is gradually being deprived of its dumping grounds (p. 699).

Tomato growers cannot have welcomed the wise words of a top farmer this week (p. 662).

If it is to regulate London's new cut-price taxis, the Government should take a more liberal course than any suggested in the Commons this week (p. 658).

It should also risk facing some unpopularity by restricting boxers' freedom to maim each other for cash (p. 662).

Gambling is the last obvious field where the state could raise more money but does not (p. 662).

Ground Swell

The new universities that are yearning for benefactions promise to set a new and exciting pattern for higher education (p. 665).

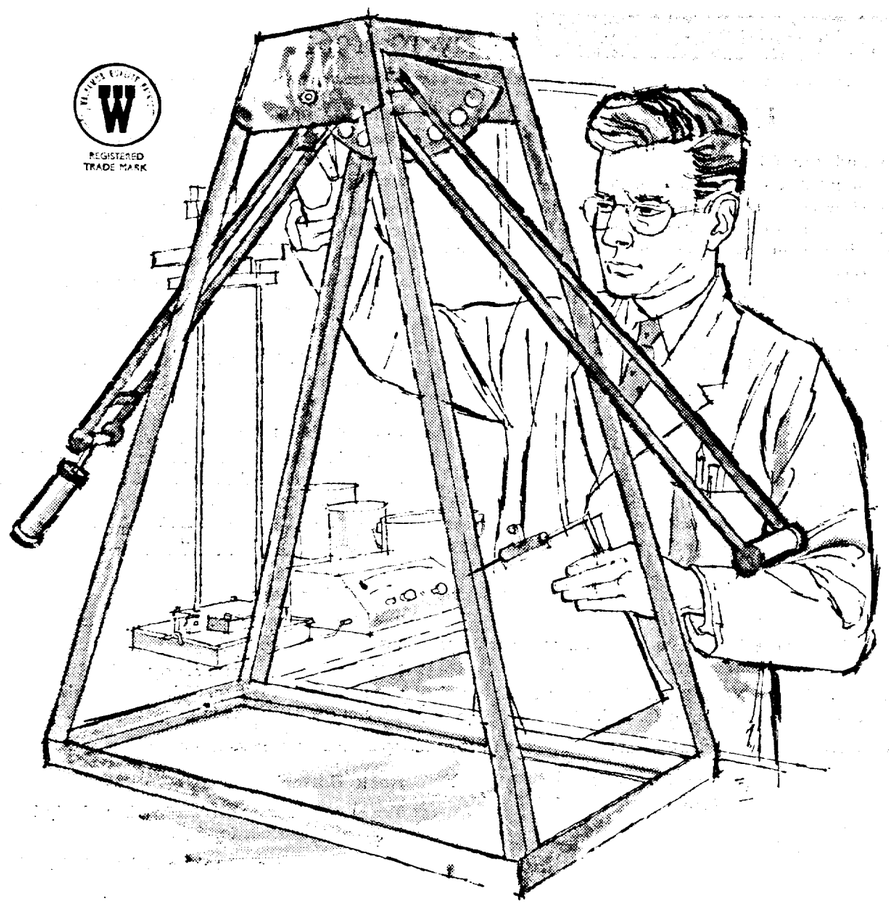
Adult education, however, is becoming more rarified (p. 668).

Urban Renewal: some sense from a Fabian (p. 660).

Housing: the Government's projects for new private building and for aid to landlords need a fresh drive (p. 660).

Justice: more judges—and new courts—are still needed for northern litigants (p. 666).

Detailed contents on page 649



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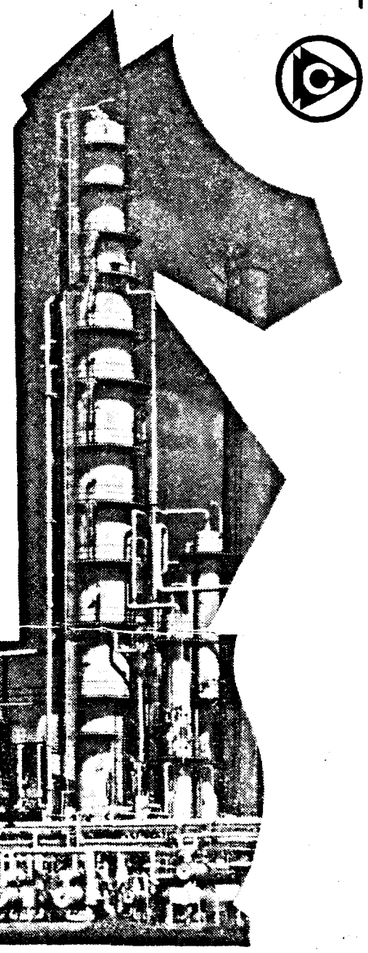
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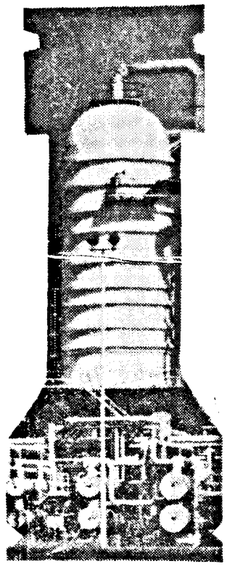
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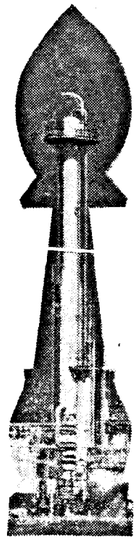
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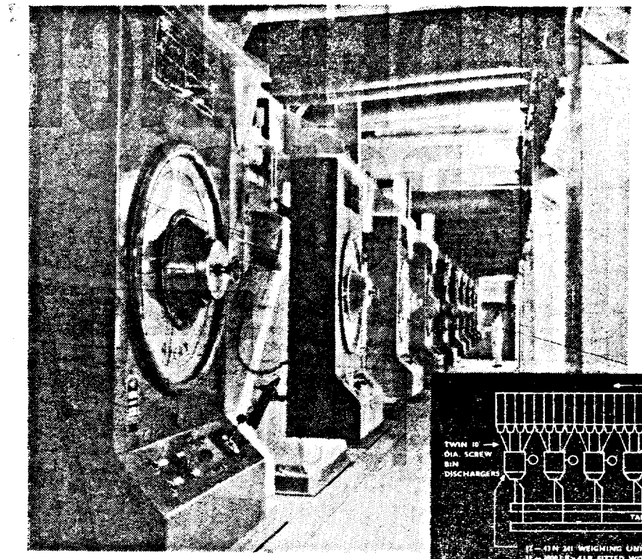


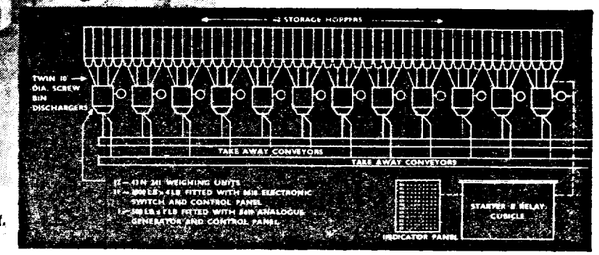




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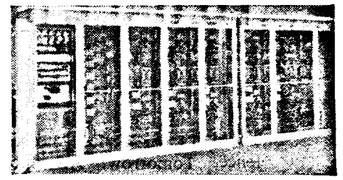




The blending plant at Associated Feed Manufacturers Ltd., Belfast.

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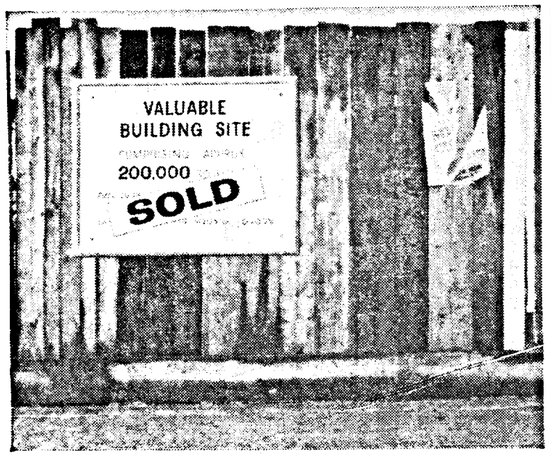
There are 48 material blending bins, arranged in nests of 4, each nest supplying one of the 12 fully programmed hopper scales. Eleven of these hopper scales are fitted with electronic switches to control the material flow from 2-speed twin-worm dischargers. An accuracy of 0·2% is maintained. At any one of these hopper scales, the weighman selects the required ingredients, pre-sets the scale to the correct weight required of each material, and presses the starter button. Weighing and discharging is then fully automatic.

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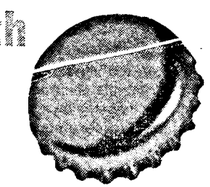
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Issued by the National Savings Committee, London, S.W.7

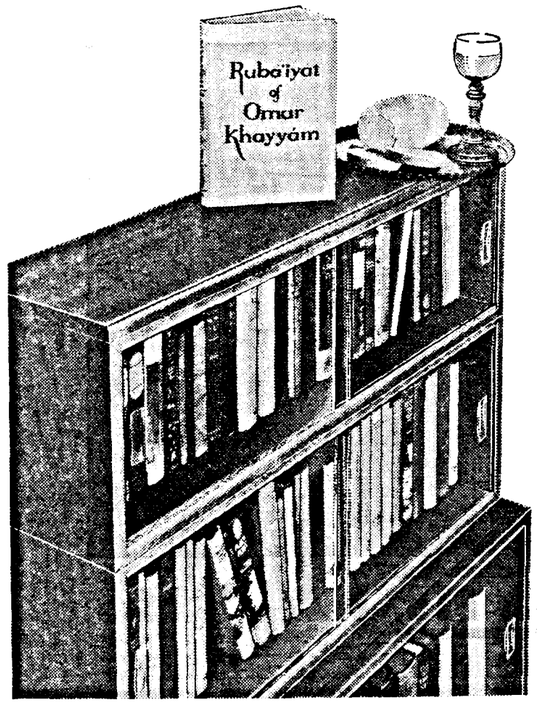


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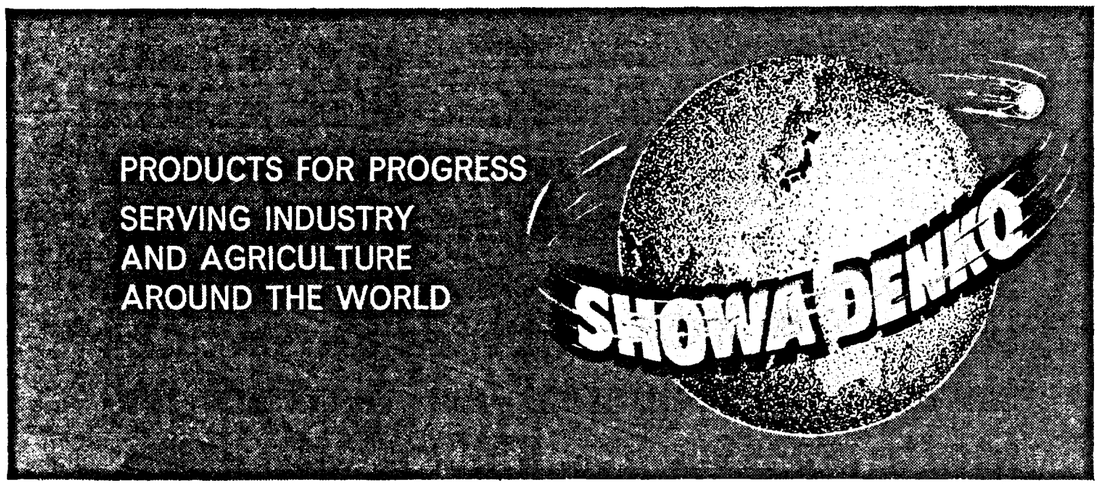
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INDEPENDENT TELEVISION FOR SCHOOLS Broadcasting plans for 1962/63

Ten programmes will be transmitted each week on the Independent Television Network during the School Year 1962/63. Transmission times are given below. Between them, the ten series are designed to meet the needs of all children in primary and secondary schools between the ages of 9-18. They have been approved by the Educational Advisory Councils and Committees of Associated-Rediffusion, Associated TeleVision, Granada TV, and for Scotland.



PROGRAMMES IN THIS TIMETABLE ARE NETWORK PRODUCTIONS FOR ALL REGIONS

Monday	**2.35** (15 minutes)	German	*IV and V Forms*
	2.54 (13 minutes)	Junior Mathematics	*Age about 10*
	3.11 (20 minutes)	Secondary Science	*Age 14 and over*
Tuesday	**2.57** (25 minutes)	Discovery	*VI Forms*
	3.26 (25 minutes)	Drama	*Age over 13*
Wednesday	**2.57** (25 minutes)	Arts	*VI Forms*
Thursday	**2.35** (15 minutes)	Elementary French	*2nd and 3rd Year*
	2.54 (18 minutes)	The World Around Us	*Age 10*
Friday	**2.35** (25 minutes)	Music	*Age 13-15*
	3.04 (18 minutes)	Story Box	*Age 9-10*

Besides these programmes, networked throughout the United Kingdom, additional ones will be transmitted in their own regions by the Independent Television Companies listed below. Details can be obtained from the Education Office of your local Company.

1 ANGLIA TELEVISION
2 ASSOCIATED-REDIFFUSION
3 ASSOCIATED TELEVISION
4 GRAMPIAN TELEVISION
5 GRANADA TELEVISION
6 SCOTTISH TELEVISION
7 SOUTHERN TELEVISION
8 TYNE TEES TELEVISION
9 TELEVISION WALES AND WEST
10 ULSTER TELEVISION
11 WESTWARD TELEVISION

ASSOCIATED-REDIFFUSION ATV ASSOCIATED TELEVISION

GRANADA TV

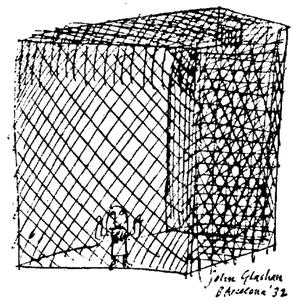
PROJECT 304

The story of the great
Shell Chemicals
Sculpture Competition
by A. N. Other—Carter

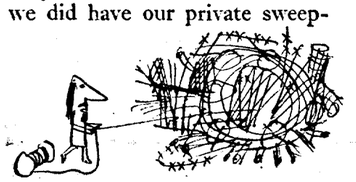
Chapter Eight:
Who Will Win?

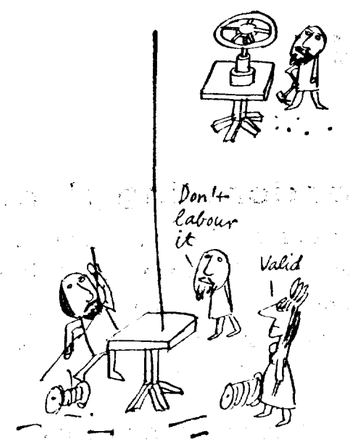
Of course, many of us at Shell Chemicals—men like Carter from Ketones, Carter from Polyolefins, Carter from Low Pressure Waxes and Greases—had always been interested in sculpture, and I myself had studied in the old days in Paris (ah, Isobel!). 'After all, it's the queen of the plastic arts,' said Carter from Polystyrenes, 'and we're plastic scientists, aren't we, hey?' 'Speak for yourself,' said grumpy old Carter the Demonstration Farm Manager. 'I should have thought it was pure, abstract form and balance that would appeal to a sculptor, not this decadent, sensuous rot.

Take the formula for Trifolex a selective weedkiller for the con-

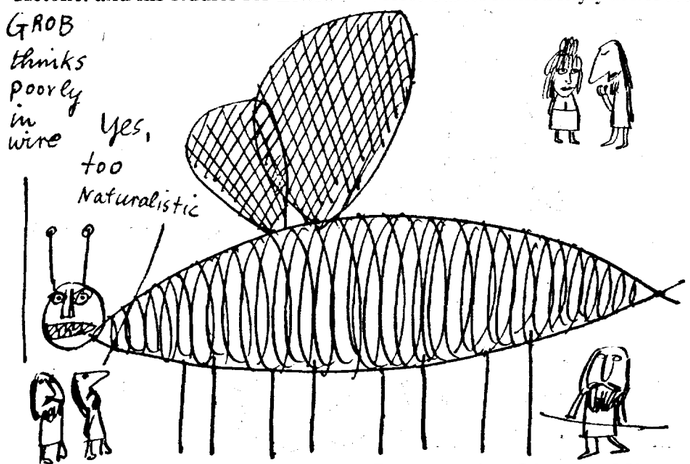


trol of weeds in cereals, undersown cereals, new leys, grassland and some varieties of peas based on the sodium salt of—' ' — 2-methyl-4-chloro-phenoxybutyric acid,' we all chanted. But we did have our private sweep-





stakes as the studies and maquettes for the sculpture competition for *The Spirit of Shell Chemicals* began to come in. Carter from Ketones fancied the chances of that old war-horse Henry Jollifant ('our leading *derrière-garde* sculptor' someone had spitefully called him, dear old man). He'd had experience in this field, a centenary bronze of the famous American woman novelist Ethyl Amyl Ketone: and his studies for Elvira



(dry-cleaning aid for either white spirit or chlorinated solvents) and Liquila (exterminates blackfly, aphids, thrips, whatever they are, leaf miners, etc.) were lovely things. Carter from Polyolefins was enthralled by the preliminary work of Max Grob, the Destructionist, on his brooding monster-figure of Dielmoth (a moth-proofer), seen as a kind of devil-behemoth. I myself fancied that weird, shaggy outsider, the Welshman, Jones the Statue. 'I believe in everythingness, man!' he told me, 'I'm a pan-artist, isn't it, just right for Shell Chemicals, all over the place they are, printing inks to fertilisers.' So the Spanish sculptor Paella discovered. Down at our labs. at Egham he saw a most lovely girl having a hair-set (monoethanolamine is the preferred amine for neutralising thioglycollic acid in home-perm preparations, and a client's snag was being smoothed out), and many delicate retorts and pieces of equipment were broken as he pursued her with loud Spanish cries. The uproar was unnoticed in another room where Carter from Triethylene Glycol was standing before an intricate molecular model. 'What calm in the heart of action!' said Isobel, in that thrilling husky voice. Carter smiled shyly at her...

Do not miss Chapter Nine:
'The Exhibition of Maquettes'

For any information about chemicals contact the Information Officer, Shell Chemical Company Limited, 170 Piccadilly, London W.I.

The Economist

MAY 19, 1962

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VOLUME CCIII - NUMBER 6195

Not to Panic

A SPECTRE is haunting Europe again; not Marx's, this time, but the spectre of two authoritarian old men trying to run western Europe in a way that means the exclusion of Britain. This apparition is not wholly a figment of the imagination of people, like Lord Beaverbrook, who are disposed to think that bogeymen begin at Calais. Recent events have added just a little weight to the possibility that Dr Adenauer and General de Gaulle might really be coming to the joint conclusion that their ideas about the future of Europe are incompatible with Britain's, and therefore that Britain had better be kept out of the common market. Our Paris correspondent describes on page 678 the press conference on Tuesday at which General de Gaulle combined a salute to "Franco-German solidarity," and some notably Adenauerian comments on east-west relations, with a quizzical reference to Britain's place in the world. Our Bonn correspondent discusses on the same page the aftermath of Dr Adenauer's apparent hint a week earlier that he might shift his weight from the side of the scales favouring Britain's entry into Europe to the side opposing it.

Before despair sets in, however, the obvious thing to be said about this suspicion that Dr Adenauer and General de Gaulle are ganging up against Britain is that it remains no more than a suspicion. It is perfectly natural at the present stage of the negotiations that both men should want to be seen pursing their lips about the British application, but this does not necessarily mean, and neither has said clean out, that they will set their face against it in the final test; indeed, their official spokesmen (for what weight they carry in these circumstances) have solemnly denied that they mean to. This week's events have not materially changed the prospects of Britain's going into the common market compared with what they were a fortnight ago. The best way of seeing this is to set out briefly the circumstances in which Britain might decide it could not go in after all. The exercise suggests that these prohibitive circumstances are still pretty remote.

The first thing that could make Britain change its mind would be the imposition of unacceptable terms in the Brussels negotiations. It is fairly clear, in our opinion, what would amount to unacceptable terms. The Six might refuse to accept provisions that would give Canada, Australia and New Zealand a reasonable hope of maintaining the present value of their food exports, or something fairly close to the present value, until the expected time comes when world-wide arrangements will take care of their interests. The Six might also refuse to come to a reasonable understanding with the neutrals of the European Free Trade Association, a "reasonable understanding" being either the offer of associate membership of the common market or else the opening of the Six's tariff walls to the principal exports of these countries.

Either or both of these things would mean that the Six were publicly and humiliatingly testing whether Britain would break its word. In either case, but in none other that comes easily to mind, a sense of what one cannot decently do to old friends might require Britain to withdraw its application—even though Britain's own economic and political interests might suggest swallowing hard and carrying on.

But, as our special correspondent in Brussels points out in the following article, the opening of the really serious stage of the negotiations last weekend yielded no evidence that such unacceptable terms are in fact going to be imposed. This

is not conclusive proof that they will not be imposed later; if Dr Adenauer and General de Gaulle are toying with the idea of keeping Britain out, it is unlikely that their ruminations would have seeped down to their negotiators in Brussels. Yet the very fact that no change in intentions has trickled through to Brussels must surely mean that the two men are not—at the most—doing more than toy with any such idea; they must realise how tricky a business it would be to force Britain's withdrawal by such tactics. It would be tricky because, whether or not Dr Adenauer is changing his mind about wanting Britain in, Italy, Belgium and Holland have not changed theirs, and a brutal banging of the door in Britain's face would shake the joists and beams of the whole European community. It would, moreover, offend the United States—which five of the Six, at any rate, are presumably still reluctant to offend.

The other thing that might make Britain change its mind is a feeling that, even if the terms for joining the club are perfectly acceptable, it is just not going to be the sort of club that Britain wants to be in. If the wily old tacticians in Bonn and Paris really wanted to keep the British out, their best tactics would be to play quietly and persistently on this feeling. The feeling would be encouraged by their doing two things calculated to raise British goose-pimples: by General de Gaulle expressing his support for Dr Adenauer's attitude on east-west negotiations; and by Dr Adenauer hinting that he rather admires the general's views about the potential self-sufficiency of continental western Europe. Is it fanciful to detect signs that the pair are doing just this?

Even if they are, however, the right British response is to say quite pointedly that this is unlikely to deter Britain from wanting to come in. The banding together of Dr Adenauer and General de Gaulle on the two propositions that cut right across the grain of British foreign policy (supposing this banding together is really taking place, which is not clear) would undoubtedly be a cause of serious friction if Britain were inside the common market; but the likelihood is that the cause of friction would be temporary. As the general engagingly admitted on Tuesday, mortals are mortal. Only if there were a fair degree of certainty that the present leaders in Bonn and Paris would be succeeded by others who would perpetuate a Franco-German alliance on these two points—intransigence towards eastern Europe, and a gradual detachment from the United States—might Britain reluctantly feel obliged to stay out of a community led by people with such views.

But in fact the evidence points in the opposite direction. Pressures are rising—almost certainly in Bonn, and very probably in Paris too—which will sooner or later give people whose ideas are more like those of the British a chance to lay their hands on the levers of power. This is exactly the sort of situation in which it will be desirable for Britain to be inside the community; it will then be able to encourage and support the forces favouring conciliation in central Europe and a continued close attachment to the United States. To misappropriate Kipling: if Europe were going to be what Europe sometimes seems to be, under these two veterans, how soon we'd drop her. But the odds still are she ain't.

Foglamps in Brussels

Our special correspondent shows that the actual negotiations on the common market are gaining speed

For some time Britain's negotiations with the common market have resembled a straight road to a predestined goal obscured by thick fog. For over a year the key men in Brussels and Paris have been able to suggest in principle how the Commonwealth problem would eventually be solved. The road, however, has not been easily traced by the negotiators in Brussels, groping amid the obscurities of thousands of tariff items, and held up by the time-consuming need for the Six to agree amongst themselves. Now that only two months remain if solutions are to be found before the summer holidays and the Commonwealth conference in September, there is a pressing need for greater speed.

The meeting of ministers from the Six and Britain on May 12th provided Mr Heath with the occasion to give the necessary shove. He did so with a classic combination of concessions and demands. The concession was formal British agreement that the common tariff should eventually apply to imports of manufactures from the developed Commonwealth countries—Canada, Australia and New Zealand. The demands were, first, that this application of the common tariff should be delayed and its effects reviewed from time to time and, second (the biggest issue in the negotiations), that agricultural exports from these countries should be given outlets "comparable" to those they have today. Mr Heath backed the new proposals by some rumbustious talk designed to get away from the platitudes of the last few months and to stimulate the Six to hard negotiation.

He was rewarded by the best debate the seven ministers have yet had. Since the British proposal on manufactures was modelled on (and in part designed to forestall) a proposal from the Six, a good deal was common ground. It was agreed that an effort should be made to lower the common tariff in negotiations with the United States, and the British suggested that there should be formal consultation between the common market and the Commonwealth at various stages before the tariff was finally applied. Here is a valuable precedent which might be applied to other fields. On manufactures there are still some disagreements. How much delay is the Commonwealth to be allowed before the common tariff is applied to them, and on how many products? But these are matters that can be settled in the last phases of bargaining.

The talks did not make equal progress on the demand for "comparable" outlets for the old Commonwealth's farm produce. But that is due as much to the vagueness of the request as to the obstinacy of the Six. "What is a comparable outlet?" they ask. "The same exports as the Commonwealth sends today, at the same price, for all time? . . . We cannot be asked to give far firmer guarantees for the future of Commonwealth exports than Britain gives today."

The British have now accepted the idea that world-wide agreements might ultimately be used to solve the problem, as the Six propose. But the by now classic problem of the "link" or "hinge" (described on page 234 of *The Economist* of April 21st) has still to be overcome. The British demand firm guarantees for the old Commonwealth until the world-wide agreements work. The Six retort that, if the guarantees for Commonwealth countries are too effective, they will have an interest in blocking the world-wide agreements altogether. Some formula has still to be found to link the transitional Commonwealth arrangements smoothly to the eventual world-wide answers.

In the next few weeks officials are to try to find the answer by concentrating on one key group of products, cereals, as a model for others. Some ideas are floating in the Brussels air that might provide the answer. Might it be laid down that there should be a world-wide agreement after, say, five years, with a saving clause that there shall be continued though limited Commonwealth arrangements if this wider effort fails? Could the ultimate level of the common market's cereal prices be fixed in advance at a low level? The European Commission's recent proposals on the common policy for dairy products look helpful to New Zealand. As in Britain, the policy is mainly aimed at maintaining a high price for milk, leaving scope for a low butter price competitive with the price of margarine. The Six's negotiators are beginning to realise that Mr Macmillan must have something definite to offer Mr Holyoake, Mr Menzies and Mr Diefenbaker when he meets them on September 10th.

On the other three Commonwealth subjects—Africa, Asian manufactures, and the so-called "zero tariff" list—there is quiet progress. On "zero tariffs" the two sides have hitherto been frozen in extreme positions, with the British asking for the common tariff to be reduced to nothing on forty vital products and the Six saying no. Now officials have been told to examine all kinds of alternative solutions (including tariff quotas, or fixing the tariff somewhere between zero and the present level). An understanding that textile exporters in India and Pakistan shall continue to enjoy an assured market has been reached already. It remains to work out details and see how far the principle is to apply to other Asian exports, from cricket bats to combs. On Africa, the principle of association has long since been accepted by both sides.

THE Commonwealth question, the heart of the matter, thus does not justify the pessimism lavished on it lately. Perhaps the slow pace of the negotiations has encouraged some journalists who descend on Brussels once a month in search of a scoop to see sensations where none exist. But, though the negotiations are now moving, as Mr Heath told the House of Commons on Wednesday, into a second and more active phase, three major problems still have to be faced.

The first is a problem for the British Government—the problem of its own farmers. There are signs that the Six understand the complexity of the Commonwealth problem, but there are no signs whatever that they are ready to grant the quite excessive British demands for protection for British farmers. The Six seem happy to absorb the idea of an annual review of farm incomes into the common agricultural policy, and to make other minor adjustments. But they are not going to grant one of the most efficient farming industries in Europe a national feather bolster in addition to the comfortable common mattress already laid out for Europe as a whole. How, ask the Six, with impeccable logic, can Britain expect the community to lower its prices to help Commonwealth imports and at the same time raise them to protect British farmers?

Lack of time is the second major problem which may have to be faced by the negotiators soon. Though the work is now gathering speed, and three ministerial meetings may be held by the end of June, it may still be necessary in a few weeks' time to find further ways of speeding things up. For every hour of negotiation with the British, the Six need two or three hours to sort things out among themselves. Will it be possible, as time runs short, for the Six to put a full-time team on the job?

The third problem, smouldering beneath the surface of the negotiations, is the uncertain attitude of France. So far the attitude of the French negotiators has been one of reluctant acquiescence. The French are still acting as the backstop of the Six, occupying extreme positions, teasing the British tactically when they get the chance. But last weekend, as before, there was no sign of any rigid French (or for that matter German) obstruction. And the further the negotiations go, the less easy it is for anyone to go back.

Mr Macmillan's visit to Paris on June 2nd could have a limited but real bearing on the negotiations. He and General de Gaulle can hardly be expected to decide the tariff on

The Economist

MAY 17, 1862

SOUND BANKING

¶ It is now possible that any number of persons should combine together to form a bank; it is likewise possible that these persons should stipulate, if they please, only to be liable for a stipulated sum. We may, therefore, inquire what is the best constitution for a bank which is starting *de novo*, which has its rules and limitations to choose. Banking differs from most kinds of business in one important respect. A bank, as such, lives on its credit. Till it is trusted it is nothing; and when it ceases to be trusted it returns to nothing. It is not only essential, therefore, that a bank should do its business well; it is at least equally essential that it should be *thought* to do its business well. It must not only be sound in reality, but must be believed to be sound by those who do business with it. . . . Some apprehension has been entertained that the system of limited liability would encourage speculative management. It is said that directors who risk their whole property will be more careful than those who risk but a portion of it. The experience of the Bank of England proves, however, that this is not necessarily the case. Everybody admits that in its choice of securities the Bank is careful and cautious enough. And, in the long run, a good board of directors, who have a considerable stake in the undertaking, will take adequate precautions—will take much more careful and more effectual precautions than a *bad* board of directors, though all their means (if any) are exposed to loss and ruin. It is necessary that directors should have a large risk in the undertaking; but there is no advantage in making that risk excessive; it may even encourage alarm and *panic*. The system of *un*limited liability is that which fosters the *most* speculative management. It is that system which makes bankers out of men who have nothing to lose—who do not object to subject *all* their property to liability, because they have *no* property—who are as reckless in the use of money as in the mode of obtaining it—who have never known the caution which the very possession of property teaches—who, like the Directors of the Royal British Bank, squander idly what they have acquired improperly. . . .

Australian exports of canned peaches (sliced). But the two men could ensure that the fatal decision to dig in and block the negotiations altogether is never taken by General de Gaulle. If the Prime Minister can persuade the French president to give a word of positive encouragement to his negotiators, it would be better still. The elder statesmen surveying the world scene cannot on their own dispel the Brussels fog. But at least they can make sure that the negotiations do not suddenly run blindly into a large barricade marked "*entrée interdite*."

Surrender at the Docks

THE port employers' surrender which bought off the dock strike was even further out of line with the Government's incomes policy than the nationalised electricity industry's inflationary wage award last November. All dockers have got an extra 3 per cent on piece rates or an extra 4½ per cent on time rates immediately. From August 27th they will also enjoy an extra two hours a week paid at overtime rates, which will increase their earnings from present output by something over another 4 per cent. From the end of next August, therefore, the cost of shipping individual exports will be between 7 and 9 per cent higher than it is now; it is true that the indicated annual rate of inflation in dock wages will be only just over half of this—the last national increase in the docks was in August, 1960—but the figure will still be well in excess of the Government's guiding light.

This degree of wage inflation has been achieved in an industry where it cannot possibly be said that inflation was rendered inevitable by an exorbitant pressure of demand or by an urgent need to recruit more workers. On the contrary, the docks industry is at present working at a more depressed level of activity than for some time past; in Liverpool—the most militant area—an average of 8 per cent of registered dockers were unemployed every day in the first quarter of this year. Most of those who want to check inflation by depressing demand would presumably not wish to go so far as to push unemployment higher than 8 per cent in every industry that has strong trade union organisation right across the country. Nevertheless the weaker spirits in the Government will now cite this docks experience as proof, not that demand deflation and the "threat of unemployment" do not work as methods to check cost inflation, but that the more direct method of encouraging pay pauses and resistance to strikes does not work either. Once again, the pessimists will say, it has been shown that governments are impotent to push back the tide of wage inflation because private employers, at the final pinch, will always give more than the state of the national economy warrants.

If this were true then, given the country's unwillingness to resort to really mass unemployment, it would mean that Britain's main economic problem of avoiding inflation was insoluble. But in fact, in the present case, this complaint about official impotence was quite unproven. The Government's incomes policy was breached in the docks dispute because the Government made no attempt to implement it.

Ministers could have stopped the final large breach of their guiding light (even if not the smaller, initial one) at any time up to Saturday of last week, simply by saying that in their view a further inflationary increase in the employers' offer would be an even worse disaster for the national economy than a full-scale national strike. But the Government never said this; instead, as the battle drew near its crunch, it put up its Minister of Labour in the House of Commons to explain that it had now no sort of incomes policy in this matter. "It is not the duty of the Minister of Labour," said Mr Hare, in flat denial of every brave word spoken about incomes policy before the event, "to comment on the detail of these negotiations." When asked by Mr Gaitskell (who was in an equally irresponsible mood) whether the Government had brought any "pressure to bear on the employers not to make a further offer," Mr Hare said indignantly: "The Government have not brought pressure to bear on the employers. I made that absolutely clear." He went on to say that to require him to answer such questions was "not fair to me" and would "not be helpful to a settlement"; this ignored the fact that an inflationary settlement was precisely the thing that one did not wish a Cabinet minister to be helpful to.

ONE could excuse the Government's retreat from any attempt to use its influence to implement its incomes policy if it had decided, as a definite act of policy, that a dock strike would have such appalling special disadvantages for the economy that this was one case where it was economically better to run away. But no such decision was taken. Mr Hare (supported by the Prime Minister, who flew down from Inverness for the occasion) was merely adamant for indecisiveness, tolerant for drift, peacemaking by hoary and unreflective instinct. When the terms of the settlement were announced Ministers expressed some private shock; while the negotiations proceeded they expressed no public alarm at the prospect of an inflationary settlement.

It was therefore not surprising that the port employers should butter up Mr Cousins with soft words before the final meeting at the Ministry of Labour ("he has shown a wise statesmanship in these negotiations"), and that during the meeting Mr Cousins should stand out for and get slightly more than he had originally asked for four days earlier. The Government, after all, had not been stomping the country to say that it would disapprove of any new twist to inflation, which it will now allow to be passed on to export costs. The one sensible remark made after this disaster was Mr Enoch Powell's observation that when the line of incomes policy has been breached in one sector, this makes it all the more necessary to hold the line with redoubled vigour in other sectors; but the logic of that will not appeal to hospital nurses and others, until the Government and the country at last come to realise the folly of constantly encouraging employers to run away from any threat of national strikes—and until it has become invariable Government practice publicly to blazen forth the guiding light during each crucial wage negotiation.

Gunboats to Laos

The American forces despatched towards Laos are meant less to win battles than to influence people

THE movements of the American 7th Fleet and the landing of marines in Siam on Thursday are part of an exercise in "credibility." In an earlier age this kind of operation was known as showing the flag, or sending gunboats. By a visible display of strength, the United States, (with a promise of British support, in good time) is trying to show that it means, if necessary, to use it. The effectiveness of the display depends on whom it is intended to impress.

The answer is various, and so perhaps will the consequences be. There are friends to be encouraged, and other people to be deterred. On May 11th, the State Department's spokesman expressed the view that the Russians had it within their power to halt their communist friends in Laos who, by seizing the town of Nam Tha and two villages in the north and routing the troops of the right-wing Boun Oum government, precipitated the present crisis. The Russians and the Americans agreed in Washington on Tuesday evening that it was necessary to restore the fragile cease-fire in Laos. But the theory that Moscow has only to say the word and the Pathet Lao (Laotian communists) and Viet Cong (Vietnamese communists) will spring to attention is almost certainly an oversimplification.

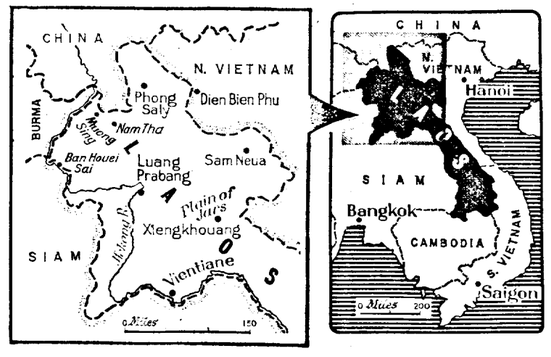
True, the Russians have been supplying arms to the Pathet Lao since the summer of 1960—very likely with the object of being better placed to control events in Laos. But the Vietnamese communists, who have always led the Pathet Lao from the rear, have ambitions of their own in what used to be French Indochina. It has probably suited President Ho Chi Minh of north Vietnam to have the Russians involved in Laos rather than the Chinese (who are uncomfortably close); but he is capable of turning to the Chinese for arms should the Russians seriously obstruct his plans. He would probably listen, on the other hand, if the Russians told him that it would be inconvenient for the Pathet Lao to take Vientiane or Luang Prabang just yet.

The attitude of the Chinese is therefore crucial. The patient efforts of Mr Averell Harriman, who led the American delegation in the early stages of the Geneva conference on Laos and who is now in charge of Far Eastern affairs in the State Department, have apparently convinced the Russians that the Americans are sincere in their support for a policy of neutrality for Laos. There is no evidence, however, that the Chinese have been convinced. Unlike the Russians, the Chinese have no interest in keeping relations with the Americans tolerably civilised. The Chinese did in the end agree with the Americans and everybody else at the Geneva conference on Laos last December on the essentials of a neutralised Laos. But the apple-cart on the doorstep is a tempting thing to kick at every now and then.

In the end, the Chinese will act as their self-interest dictates. Though Peking may not regard a general reduction of tensions as part of its interests, it is clearly alive to the advantage of getting the Americans out of Laos. The plan for a neutral Laos seems the best way to get the Americans out, if it can be made to work. So long as it retains the slightest chance of succeeding, it will not be in the interests of China to sabotage the tentative Geneva agreements; indeed, egging the Pathet Lao on beyond the breaking point of American patience would be the best way of ensuring direct American intervention in Laos—which it is hard to believe the Chinese really want. However confident they might be of outmatching the Americans in another "Korea" under Laotian conditions, China is hardly in the shape for a major war just now.

The communist leaders of north Vietnam, next door to Laos, have a slightly different viewpoint. A Pathet Lao victory in Laos would be a major stage in the fulfilment of an old ambition of theirs, and perhaps a guarantee of long-term victory in south Vietnam. Complete communist control of the Laotian countryside would allow a major build-up of Vietnamese communist forces designed to bring about the final "liberation" of Vietnam south of the dividing line. North Vietnam, however, despite the tested prowess of its army, is not a great power and cannot, in the last resort, ignore the counsels of its larger brothers. Despite Sino-Soviet differences, the Chinese, as well as the Russians, probably agree that the prospect of an American landing at Hanoi, the capital of north Vietnam (which would be a more logical place to land than somewhere in the trackless jungle of Laos), would be too high a price to pay for victories on the periphery of north Vietnam. If a landing at Hanoi is the "last resort" the Americans are talking about, then the Pathet Lao may yet be stopped in their tracks.

AMERICA'S smaller allies are proving as troublesome as Russia's; the smaller they are, the more troublesome. If the movements of the 7th Fleet are designed to impress the communist capitals, their twin purpose is surely to reassure the Siamese and south Vietnamese and restore some sense to Prince Boun Oum's government in Vientiane. The Siamese have been bitterly disappointed at the failure of Seato (the south-east Asia treaty organisation) to intervene in the successive Laotian crises, though the organisation met in emergency session in Bangkok on Wednesday. Now Marshal Sarit seems resigned, if not to the need for a neutral Laos, at least to the need to stop inciting his nephew General Phoumi Nosavan, the "strong man" of the right-wing government in Laos, to sabotage a Laotian settlement. The presence



of American marines would be a fair payment for the marshal's restraint.

The right-wing Vietnamese and Laotians are more difficult to satisfy. President Ngo Dinh Diem (as a special correspondent points out on page 683) is in a grave situation in the face of the Viet Cong offensive, and it could become desperate if the communists really controlled Laos. He will therefore welcome any sign of deeper American involvement in Laos.

The Laotian government led by Prince Boun Oum is the most troublesome of all. The behaviour of the prince and General Phoumi Nosavan is consistent only with a desire to wreck the Geneva formula and embroil the United States in a shooting war designed to make Laos safe for the general and his friends. After the rout of his forces, and under American pressure, he seems, however, to have agreed to "allow" Prince Souvanna, the neutralist leader, to be his own minister of defence and the interior in a coalition government of right, left and centre. Until such a coalition government has been formed the draft Laotian settlement cannot be applied. General Phoumi may be encouraged to let the right-wing group join a coalition by the sight of American marines lined up on the Siamese bank of the Mekong, and casting a stern if fatherly eye on him.

LAOS probably sounds far worse than it really is. The alternative to neutrality, a formal partition, would be impractical. The present situation is worrying, but not much worse than it has been, and it can be lived with for a time yet. There is nothing new in the rout of the right-wing troops, and their defeat is counterbalanced by the successes of the tribal allies of the government, Meos in the north, Khas in the south, who control large stretches of countryside behind the communist lines. In fact, and in an untidy jig-saw way, Laos is already partitioned.

If nerves remain steady, the solution of a neutral Laos may even at this late stage come into focus again. There is, after all, no overriding need for it to be applied by the present set of right-wing leaders, who were backed by the State Department in Mr Dulles's day because of their intransigence. There may be more co-operative Laotian anti-communists, such as the former premier, Mr Phoui Sananikone, waiting in the wings.

Slide From Conservative

Last week's swing in the local elections went from Tory to Liberal when a Liberal fought the seat, from Tory to Labour when no Liberal appeared

RIGHTLY or wrongly the electorate nowadays treats local elections as a plebiscite on the Government. The result of the plebiscite in England and Wales last week was that the Conservatives suffered their worst drubbing ever, and the Liberals put up by far their best performance. Labour did not return quite to its peak during the last Parliament, nor to its previous peaks in 1945 and 1952; to that extent it could be said to have fallen below the triumphant bogey it had set in local elections in Scotland the week before. But there are signs that Labour did better last week than first analysis of the bare figures might suggest; this poll has considerably increased the possibility that Mr Gaitskell may be prime minister after the next general election, and not just because of Liberal interventions either.

The best first places in which to assess the figures are in the boroughs outside London, where one-third of the 10,000 councillors are re-elected each year; most wards have three councillors, so that the same electors vote in about 3,300 wards each year, which makes it possible to compare these borough results, not only with 1959 (when most of the year's retiring councillors were elected), but also with last year—and, perhaps most interestingly, with the equivalent Torrington period of anti-Conservative swing in the middle of the last Parliament. In 1958, at Torrington-time, the Conservatives held 1,300 of these annually contested borough seats; a year ago they held 1,500; last Thursday they fell to only a thousand, for the first time since these contests started to be fought on mainly party lines. Labour won or held 1,541 seats last week; this was 200 more than last year but 60 fewer than at Torrington-time in 1958. The Liberals, who had elected only 120 provincial borough councillors in 1958 and 200 in 1961, last week elected a record 456.

The Liberals' sensational advance was made overwhelmingly in Tory constituencies. In normally socialist towns the Liberals won only about one out of twenty of the seats, and in the marginal boroughs only about one out of eight—Labour outnumbering them by 14 to 1 in the first group and by 7 to 2 in the second. But in towns where Labour is normally in, say, a 60-40 minority to the Tories, Labour held on to about a third of the seats this time and the Liberals proceeded to win another quarter of them—so that the Conservatives were reduced to a minority in many of their own previously safe seats. And in places so non-political (or so solidly Tory) that Labour has never made any headway at all, the Liberals marked up even more astonishing successes. Bexley and Buxton, Sale and Salisbury, Worcester and Weston-super-Mare returned only a single Conservative councillor each (out of between eight and twelve wards contested in each place); these defecting Tory boroughs, be it noted, include the parliamentary seats of Mr Erroll and Mr Heath. Exactly the same thing—it is surprising that the newspapers did not make more of this—happened in the prime minister's own parliamentary constituency of Bromley; here the Conservatives held on to only one ward out of seven, while Labour (with two seats, one a gain), the Liberals (with three gains from Tory) and an Independent (who unseated a Tory) took the rest. If there is no such thing as a personal vote for a candidate, Mr Macmillan might now theoretically be expected to lose his own seat at the next general election. And in Aldershot, Maidenhead and Kingston-upon-Thames, the Tories actually lost every single ward; it looks as if Mr Boyd-Carpenter may very well lose Kingston to a Liberal next time.

The balance of Liberal representation on local councils has therefore been transformed. Most Liberal councillors now come from southeast of the Wash-Severn line, where only a quarter of their far smaller total was elected four years ago. Their especial triumphs came in what once seemed the heart of Conservative England: the seaside resorts and the commuter suburbs. Clearly the recent by-elections at Blackpool and Orpington were not isolated freaks. From Scarborough to Torquay, by way of Southend and Bournemouth, the seaside landladies last week were on the march; there are now over a dozen seaside constituencies where the Liberals have a serious chance of winning parliamentary seats. But far more dangerous for the Government is the revolt of suburbia. At the time of Torrington the Liberals elected exactly eight councillors in the whole of outer London; last week they elected a hundred. The suburbs began to destroy the Attlee government in 1950 by swinging three times as far as the rest of Britain; their defection had been presaged in the municipal elections of 1947 and in Labour's most dreadful year of 1949; the same writing now seems to be appearing for the Conservatives on those trim commuters' walls.

Although Labour's losses were mostly to Liberals, the Conservatives lost seven times as many seats to Liberals as Labour did. But it does not follow that without the Liberal surge the Conservatives would have had a comfortable victory against Labour; on the contrary, there are signs that the Tories might then have lost more seats to Labour directly. In the industrial north, where the Liberals were still fighting as part of an anti-socialist combination, the Liberals made little progress and Labour did as well as in its best years. In the south Labour shared in the Tory spoils, and might well have won more seats if the Liberals had been out of the race. Only in the Midlands did the Conservatives hold their own against both rivals; but this area was the exception and not the rule. In the 28 metropolitan boroughs of central London—the area of the doomed London County Council—all of the 1,350 councillors (not just a third of them) came up for re-election. Here the Liberals made little impact, electing only a dozen councillors to Labour's 923 and the Conservatives' 400—again the worst Tory year since the "forty-five." Labour won both Wandsworth (where Tory Central Office blamed the Liberals) and St Pancras (the only borough where the Liberals fielded no candidates); here, in the former home of red flags and rent strikes, a purged Labour party captured 19 seats and control of the council. But in the neighbouring terminus boroughs of St Marylebone and Paddington local Labour parties possessing unpurged extremists continue, alone in London, to stagnate at Labour's previous disaster level.

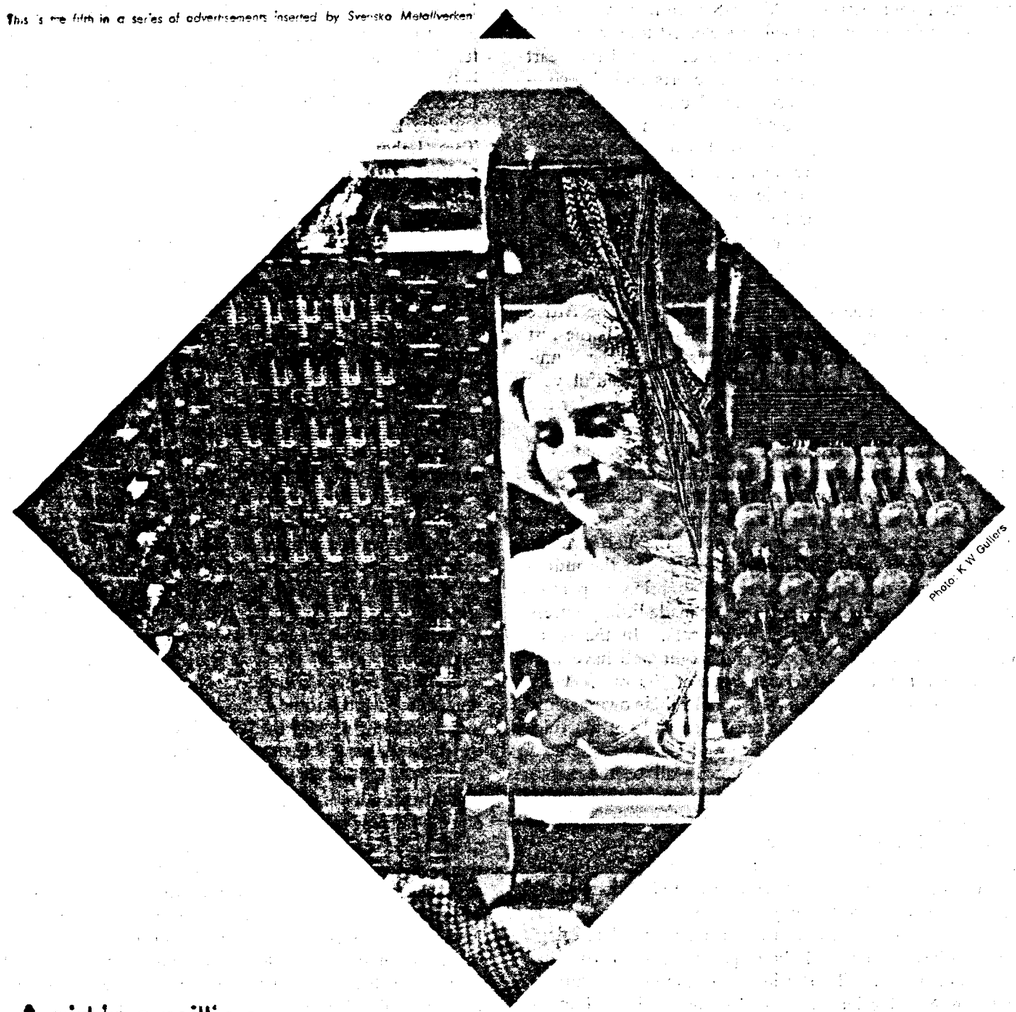
BUT, aside from the areas where Labour has such little local problems, there was one clear new trend last week which must gladden Mr Gaitskell's heart. To a surprising extent the Conservative defector, in default of a Liberal, seems to have voted Labour last week—especially in the south. So far from Labour winning most Tory seats where the Liberals were strongest (as one would expect if the Tory defeat was primarily due to Liberal intervention) the two opposition parties seem to have operated as alternative repositories of anti-government feeling. Liberals were the gainers from it in Eastbourne, Labour in Hastings; Liberals in Bury, Labour in Radcliffe; Liberals in Hertford, Labour in St Albans; Liberals in Ipswich, Labour in Norwich; Liberals in Richmond, Labour in Surbiton. In those county boroughs where Labour maintained its strength of 1956-58 the average Liberal gain was less than one seat per council; in those where Labour fell below its previous peak, the average Liberal gain was between 2 and 3 seats (and the difference persisted in pro-Labour and anti-Labour towns alike). In the South Midlands and the Lancashire textile towns, on Mersey and Tyne and Tees, Labour did about as well as in 1956-58; here a high proportion of the Tory losses went to Labour. In outer London (especially Essex), in Cheshire and the Manchester area, and in the Midlands Labour dropped badly behind its "Torrington" figure of four years ago; apart from the Midlands (where the Conservatives really did rather well), these were precisely the regions where the Liberals scooped up the spilt Conservative cream.

Detailed voting figures give no more comfort to the Tory Central Office. There were large Conservative defections (usually over 20 per cent), not only where Liberal candidates appeared in 1962, but also where they had already stood in 1961—and equally where there was a straight Conservative-Labour fight both times. The Labour vote went up in most places, often sufficiently to have won seats even if no Conservative voters had defaulted since last year. The Liberal poll jumped everywhere in the south, but often a new Liberal candidate brought a much higher turnout rather than simply siphoned Tory voters away. In Watford, for instance, (where Labour won three seats and gained control) Conservative losses seem to have been only marginally affected by Liberal intervention. Nine wards had three-cornered fights in both years; in these the Liberal vote was up by 52 per cent, the Labour vote up by 27 per cent and the Conservatives down by 9 per cent. One ward had no Liberal in either year; Labour's vote was 6 per cent up and the Tories' 34 per cent down. In one ward the Liberal fell out in 1962; and here Labour's vote rose 24 per cent while the Conservatives' rose only 10 per cent.

The naturally jubilant Liberals should perhaps take heed of one warning sign: they have done best where they were newest and least known—as they did at the last general election. A year ago they were more successful in towns where they were unrepresented than in those where they already had some strength; this year their biggest advances have come in their areas of greatest weakness, and they actually lost seats in old strongholds like Rochdale and Huddersfield. Moreover, the Liberal tendency to score successes where they are least profitable has hitherto applied over time as well as over space. Only once recently have they elected fewer borough councillors than the year before: this was in 1959, when they returned only 80 against 120 in 1958. Tories still hope that a general election will again weaken the Liberal appeal.

History will tell whether this hope is to be confounded. It is at least possible that recent Liberal advances may convince more voters that a Liberal vote will not in future be thrown away, especially now that in some towns (like Oxford and Bolton) Liberal advances have brought them to a stage where all three main parties are fighting neck and neck. Plainly the Liberals are now at a threshold. If they fall back from it there were some faint signs last week—because of the surprising swing to Labour where no Liberal appeared—that the Conservatives might profit rather less from any eventual Liberal ebb than both parties seem to expect. But if the Liberals cross that threshold the omens for the Conservatives will plainly be grimmer still.

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NOTES OF THE WEEK

FRANCE

The Dead and the Quick

No longer a general, M. Salan did his best on Wednesday at his trial to make himself appear an honourable martyr of the cause of French Algeria; but he already seems like a ghost. In spite of the great difficulties still confronting the government in Algeria, the French people have, with surprising quickness, decided that the Algerian problem is dead. They have taken up other disputes—such as strikes.

The government of M. Pompidou has just been hit by a storm that has come at least four months before it was expected. Instead of waiting for the talks due to take place between government, employers and unions in September on the subject of sharing out the national income—and thus giving M. Pompidou time to familiarise himself with the problem—the unions have acted now, and all at once. On Monday workers on the Paris bus and underground systems held a lightning strike; on Tuesday the entire railway system of France was paralysed by a 24-hour strike of the railwaymen; another on Wednesday threw the post and telephone system into disarray. For the weekend the country is promised a strike among the gas and electricity workers, and next Friday, May 25th, a twenty-four hour strike of civil servants.

All these strikes have a common origin. The foundation stone of the Fifth Republic's economic policy has been the rigid control over wages and prices exercised by the ministry of finance. The sacrifice involved was acceptable to most workers so long as the national emergency of the Algerian war lasted. Now the war is over—but, in the government's view, the economic control is as necessary as ever. Such is not the view of the government's employees, and it is state employees, in every case, who have resorted to the strike weapon. As in some other countries, private industry is by no means as stubborn in defence of a pay pause as perhaps it ought to be, and so its employees do better in the struggle to get bigger wage packets and shorter working-hours.

MONTGOMERY

To Liberal Everywhere

The Liberals are naturally cock-a-hoop over their triumph in the Montgomeryshire by-election, where they have followed up their local election successes by nearly trebling the late Mr Clement Davies's majority. The other people who have been vindicated by this result are those dreary statisticians who insist that Britain is very much one homogeneous country. After all the talk of local issues, of very special cases, and of candidates' personal local votes, this remote rural fastness of Wales seems to have followed something very like the average national swing. In a fantastically high (85 per cent) turn-out 9.2 per cent more of the polling electorate than in 1959 voted Liberal, and 9.4 per cent less voted Conservative. The newly appearing Welsh Nationalist picked up only 6.2 per cent of the poll, and Labour's share dropped by 6 per cent exactly.

Montgomery's value to Mr Grimond is mainly a negative one. Had the Liberals lost the seat it would have been a severe psychological blow, and given great force to the argument that Liberals are much better liked as picturesque novelties than as Members of Parliament. The result makes the Liberal revival look more real and by that very fact may help to make it so. It will certainly encourage Liberals to make a furious effort at both West Derbyshire (where the Tories in 1959 had a majority of 22.5 per cent over Labour in a straight fight) and West Middlesbrough (Tories' 1959 majority 19.4 per cent in a straight fight). It will be another remarkable achievement if they win either of these, but they may well make both of them a desperately close run thing between all three parties.

NURSES' PAY

2½ Per Cent Plus?

For all the official disavowals of responsibility for the terms of the settlement in the docks, the dockers' victory gave added punch to Labour's attack in Monday's debate on nurses' pay. It also clearly worried the Government's own supporters, who could perhaps see the consistent logic of the argument that as dockers had taken more of the national cake other people must now get less—but did not find it politically attractive. Yet the Minister of Health and the Financial Secretary to the Treasury, who wound up the debate, managed to stand their ground.

So far as the nurses are concerned, they have been offered new negotiations in the Whitley council immediately, and these negotiations will include "a constructive review of the pay structure of the profession." But at present they will not receive more than the pay increase of 2½ per cent already offered—and scornfully rejected. Any additional increases arising from the proposed review will be implemented in stages in accordance with the Government's incomes policy. Were, however, the nurses to take their claim to arbitration, Sir Edward



After the dockers

Boyle confirmed that the Government would be bound by the industrial court's findings, even if it awarded the nurses more than 2½ per cent immediately.

In the long run, trained nurses would surely benefit much more from a radical revision of grades and salaries than from an arbitration award. Too much was talked in the debate about the small take-home pay of a student nurse. In other countries, such as America, student nurses do not get a settled training allowance at all, but have to pay for their training like any other students—although, admittedly, they can then expect to be treated more like students and less like regimented unskilled labour. By any real international comparison the underpaid nurses in Britain are the ward sisters and staff nurses. There can be little doubt that the hospital service should come to depend much more on a larger body of fully-trained staff—many of them married women working part-time—and less and less on misuse of the work of a fluctuating mass of student nurses, many of whom fail to complete their training. Anything the Whitley council review can do to encourage this trend will be of immense long-term benefit to the nursing profession and to the hospitals.

CONGO

Black Belgians

QUIETLY, the centre of Congolese gravity has returned to Brussels. On April 19th Mr Tshombe left off talking in Leopoldville and returned, gravely displeased, to Katanga. Since then he has daily been just about to leave for Leopoldville again. So far he has not quite made it, although on Monday Elisabethville radio said he would return to resume his talks with Mr Adoula, the prime minister of the Congo, this Friday, May 18th. Meanwhile, Mr Tshombe's regime has seemed sure enough of itself to release political prisoners and arrange, gentleman-like, with the United Nations for the repatriation of 40,000 Baluba tribesmen from their refugee camp in Elisabethville to their homes in the north. But while Mr Tshombe and Mr Adoula remain apart, the possibilities for progress must be looked for in Belgium.

On May 1st the Belgians and the central-government Congolese began their talks about the amount of money each side thinks the other owes it; World Bank officials are acting as referees. The Belgians want the Congolese to take over the huge national debt of the former Belgian Congo; the Congolese want the portfolio of shares (and dividends, plus tax) that the Congo inherited at the time of independence to be handed over. Simultaneously, a representative of the United Nations is talking to the Belgian government, and to the Union Minière company, about sending Belgian technicians into the Congo, and about diverting Union Minière payments from Mr Tshombe's treasury to Leopoldville. The Belgians and the UN also have ideas about how much each owes the other. So far, it is enough that the talks have started; a rapprochement between Katanga and the rest of the Congo may depend on what is being arranged now in Brussels. The ability to make it last may depend upon how many Belgians, approved by the Congo government, can be found to return and help set the Congo machinery going again.

RHODESIA & NYASALAND

Rab's Blooding

MR BUTLER was greeted on his first Monday in Salisbury with a partly successful strike, riots, shooting by police on Africans and, as a result, two African deaths and many more injuries. The Home Secretary was also able to learn at first hand the meaning of the good old Rhodesian principle that "there are plenty more where they came from"—several thousand strikers were summarily dismissed, although many employers later relented and took some back. None of this makes life any easier for those who want Southern Rhodesia's Africans to show restraint. Yet Monday's strike was partly the result of an ideological squabble among the African leaders over which international organisation Southern Rhodesia's black workers should affiliate themselves to. In spite of the toughness shown by Sir Edgar Whitehead's government, the African politicians would do better to talk to Mr Butler than to boycott him; they would make better progress towards winning power peacefully by fighting Sir Edgar's elections than by boycotting them. And all Southern Rhodesian Africans might be better off if their leaders concentrated, at least until the day of power, on internal rather than international politics.

On Tuesday Mr Butler left for Nyasaland where, by contrast with white-governed Southern Rhodesia, the new black government under Dr Banda radiates peace, calm, and sensible statesmanship. In his next port of call, Northern Rhodesia, where he was due on Friday, Mr Butler faces a continuing strike by the Africans in the Copperbelt mines, an election campaign, and racial emotions as highly inflamed as Southern Rhodesia's. This week has given him plenty to see, plenty to tell the British Government about when he returns, and plenty to explain away next time the United Nations committee on colonialism returns to its favourite hunting-ground.

RUMANIA

Back to the Furrow

RUMANIA, whose past efforts at collectivisation have lagged a good way behind those of the rest of the Soviet block (except Poland), has suddenly become an exponent of what might be called *avant garde* methods of communist agricultural administration. The completion of collectivisation was announced in mid-March. Officially, it had not been planned to finish the business before 1965, but the stepping-up of the collectivisation campaign over the past year, and particularly during the past three months, made it unlikely that the remaining private farmers (and those in the loosely-knit agricultural associations) would be able to enjoy their independence much longer.

A special session of the Rumanian national assembly met on April 26th to celebrate the completion of the process, and to approve far-reaching changes in the administration of farming, which are obviously largely inspired by the recent Soviet changes. The "overwhelming majority" (according to the party leader, Mr Gheorghiu-Dej) of the agricultural specialists are to be uprooted from their comfortable town offices and attached to the collective and state farms. The ministry of agriculture is to be abolished and replaced by a Higher Agricultural Council of some 800 to 1,000 members (all specialists in farming) with an executive council, probably with fifteen to twenty-five members. On May 8th it was announced that Mr Dalea, a secretary of the party central committee, had been made chairman of the new council. He will have a seat in the cabinet and will—contrary to the usual present practice—retain his party post. He is young, experienced in agricultural matters and reputed to be tough and vigorous.

It looks as if the Rumanian regime means to try to avoid the mistakes which its neighbours, plunging more hastily into collectivisation, have all too obviously made. Campaigns to drive the peasants into collectives are usually followed by a fall in production. In Rumania, where until lately collectivisation has been pursued with circumspection, grain production has still failed, year after year, to reach its scheduled target. The regime will naturally want to avoid further setbacks to increased production; the recent changes evidently represent a determined effort to make collectivisation work from the beginning.

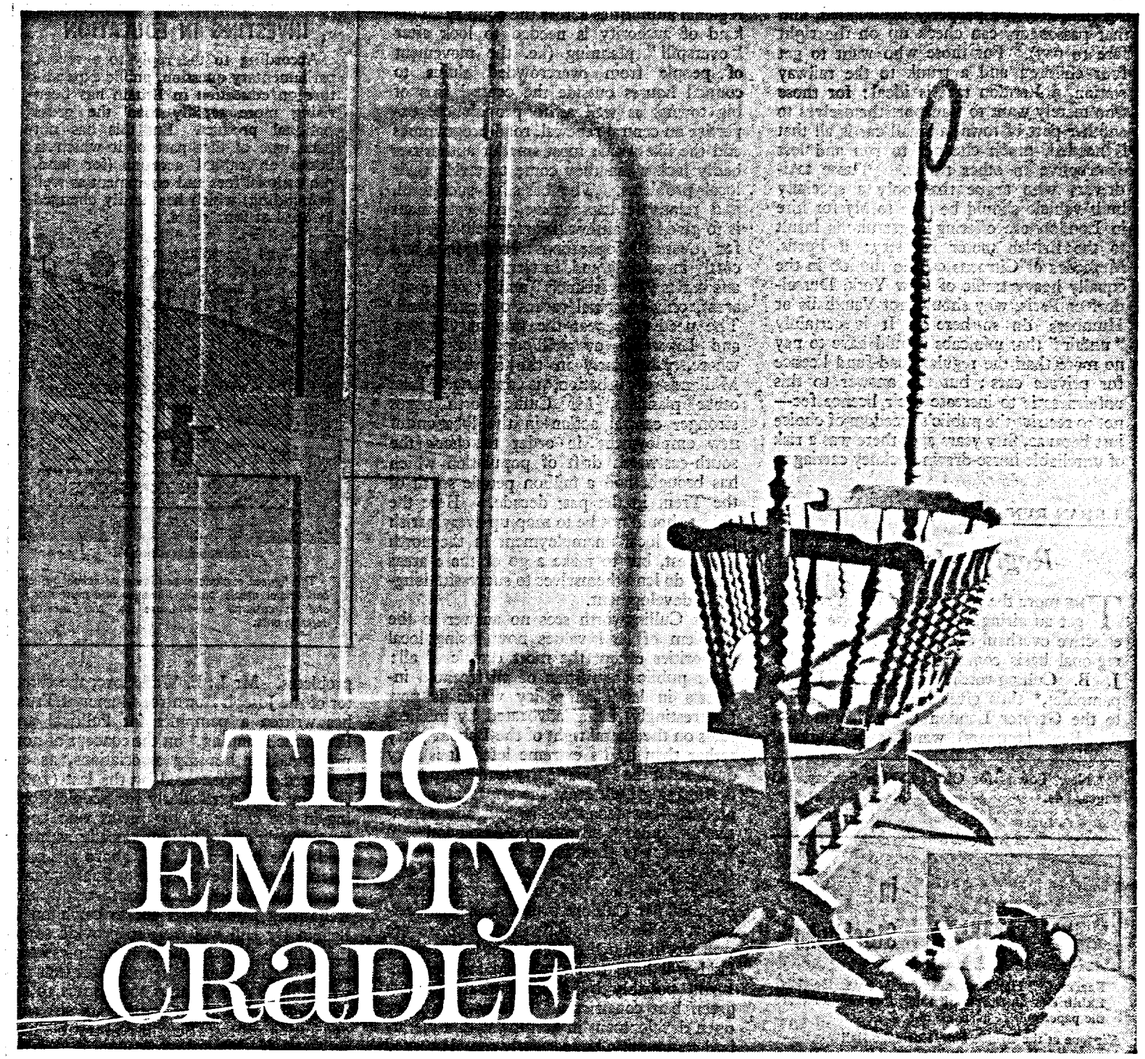
MINICABS

Maximistake

THE "minicab war," in which drivers of some traditional London taxis physically assaulted their new rivals in small radio-controlled hire cars, has died away: now the legislators are getting around to looking at the problem that gave rise to the hostilities—and are doing so in the worst possible way. Under an act of 1869, in the heyday of the hansom, taxis have to satisfy stringent police specifications before they can ply for hire, and their drivers must both have a clean record and prove that they have an encyclopædic knowledge of the streets of London. In exchange the number of cabs and of drivers is limited by law. Minicabs, which do not ply for hire in the sense of picking up passengers on hail, do not suffer from any such restrictions. The aim of a bill presented on Wednesday in the Commons by Sir Hugh Lucas-Tooth, and mistakenly granted a second reading, is to compensate for this "unfairness" to taxis by restricting the freedom of action of hire cars which are hailed by telephone or radio. But this, in turn, would be even more unfair to the public.

The verdict of Londoners on the new service has been to adopt the proprietary name "minicab" into the language, as "macintosh" was once so incorporated, and (although the hopes of some of the original promoters have been disappointed) to keep up a regular demand for them. But they have not swept the taxis off the streets: the taximen's one real complaint is that it is now harder to find fares back into town from the fringe areas where people automatically ring for a minicab (that is, in just the areas where the taxi service has always been inadequate).

The right answer should be to do away with most of the outdated restrictions on conventional taxis, while subjecting the small hire cars to exactly the same rules (see-



Forty years ago infant mortality figures were appalling. More than 8 out of every 100 babies died in their first year of life. Worst of all, this waste of human life was accepted as "normal". The empty cradle was a common tragedy.

But not everyone accepted it. Men of medicine worked unceasingly to reduce the perils of birth and infancy. The laboratories of the great private-enterprise companies such as Cyanamid joined the battle. Millions of pounds, millions of hours were devoted to the search for drugs to save lives. The antibiotics which have been developed by Cyanamid's Lederle Laboratories are now prescribed by doctors all over the world, to reduce the hazards that once robbed us of so many young lives.

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ing that they are properly maintained, and that passengers can check up on the right fare to pay). For those who want to get four children and a trunk to the railway station, a London taxi is ideal: for those who merely want to transport themselves to another part of town, a small car is all that is needed, much cheaper to run and less obstructive to other traffic. Those taxi-drivers who argue that only a specially built vehicle should be able to ply for hire in London are offering a gratuitous insult to the British motor industry: if Fords, Mercedes or Citroens can do the job in the equally heavy traffic of New York, Dusseldorf or Paris, why should not Vauxhalls or Humbers do so here? It is certainly "unfair" that minicabs should have to pay no more than the regular road-fund licence for private cars; but the answer to this unfairness is to increase their licence fee—not to restrict the public's freedom of choice just because, fifty years ago, there was a risk of unreliable horse-drawn hackney carriages.

URBAN RENEWAL

Regional Efforts

THE more the problems of urban renewal get an airing, the more the case for an effective overhaul of local government on a regional basis comes to be accepted. Mr J. B. Cullingworth, in a new Fabian pamphlet,* thus gives a qualified welcome to the Greater London Council, and (like the Bow groupers) wants a network of regional authorities across the country. This kind of authority is needed to look after "overspill" planning (i.e. the movement of people from overcrowded slums to council houses outside the central area of big towns) as well as to provide the expertise on central renewal, road programmes and the like which most smaller authorities badly lack when they come to tackle their local problems. The basis of successful, and relatively inexpensive, redevelopment is to give local authorities more elbow room for overspill operations: high flats are costly in subsidy and, in terms of necessary ancillaries like schools and recreational areas, only marginal savers of actual land. The need to repeat the present Glasgow and Liverpool overspill operations elsewhere, particularly in the crowded west Midlands conurbation, is pressing. Like other planners, Mr Cullingworth urges stronger central action in the location of new employment in order to check the south-eastwards drift of population which has brought half a million people south of the Trent in the past decade. Here the object should not be to mop up every parish patch of local unemployment in the north and west, but to make a go of those areas which do lend themselves to successful long-term development.

Mr Cullingworth sees no answer to the problem of land values now facing local authorities except the most drastic of all: "the public acquisition of all freehold interests in land," a policy which is now (interestingly) being advocated by intellectuals on the liberal right of the Labour party rather than by its extreme left. It is very doubtful if the Labour party leadership (now disengaging itself from the apparently more modest—but economically and administratively quite unworkable—proposal in "Signposts to the Sixties" to purchase all development freeholds) will swallow this political vote-loser of an idea; this makes some of Mr Cullingworth's thesis unnecessarily academic. But two other points are well worth following. The first is that more land will have to be released for development, possibly by a reappraisal of some green belt constrictions to allow for more open development in keeping with a motorised community, but certainly complemented by more new towns, in which private enterprise can play a part. Secondly, while private developers are generally keen to revamp town centres, the clearance of the "twilight" residential areas in the inner ring carries little or no prospect of profit under existing rental policies. Mr Cullingworth is not a great advocate of free market rents, but he would like to delegate responsibility to redevelopment agencies on the model of the new town corporations.

* New Towns for Old. Fabian Society. 41 pages. 4s.

The Economist in Stockholm

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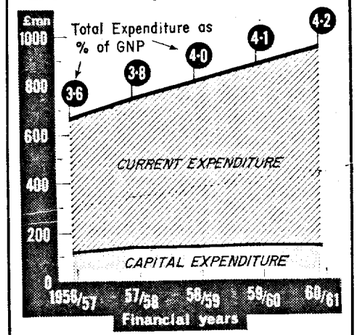
Make New . . .

TWO other facets of the problem of rehousing the people have been in the news this week, and both really raise the same (apparently politically unmentionable) problems. Mr L. E. Waddilove, the director of the Joseph Rowntree Memorial Trust, has written a pamphlet for Political and Economic Planning,* on the concept of non-profit-making housing associations, as encouraged and sponsored by the last (1961) Housing Act: particularly for people working in the centre of big towns who could increasingly afford to rent something better (and more convenient and, above all, more quickly obtainable) than the ordinary council house. Mr Waddilove argues forcefully that if housing associations are to catch on in Britain Dr Hill will have to provide something more than his present pump-priming grant of £25 million; he estimates that this will add no more than 7,000 houses to the national stock without starting up any self-generating process. But the real trouble here is surely that few people of great organising ability are going to go to the considerable trouble of starting, arranging to attract capital for, and running dynamic housing associations if associations that qualify for any Government aid have to be strictly non-profit-making bodies. At one time it seemed just possible that non-profit-making housing associations might be like non-profit-making bingo; some bright commercial sparks might find that there was some gravy in them, to be gleaned from strictly "ancillary" fees of course. But now it looks as if this will not happen; so the whole housing association idea—which could be a boon to many badly housed people, and a money-saver to the Government in the end—is probably simply not going to work.

* Housing Associations. P.E.P. 39 pages. 4s.

INVESTING IN EDUCATION

According to the reply to a recent parliamentary question, public expenditure on education in Britain has been rising more rapidly than the gross national product. But this has not been true of that part of it which is borne on capital account (for land, professional fees and equipment as well as building) which has hardly changed in the last four years.



The figures exclude expenditure on school milk and school meals, public libraries and museums, and educational expenditure by the service departments.

. . . Or Mend?

THE same considerations apply to the renewed efforts which the Ministry of Housing is making to find more landlords who are willing (and who have willing tenants) to take advantage of its scheme of improvement grants: the scheme under which the Government is willing to pay half the cost (up to £310) of improving the vast store of obsolescent and bath-less houses (probably between 2 and 3 million of them) which could be given proper plumbing and put into good repair, but which are now in danger of falling into slum-like decay. The number of house owners receiving improvement grants in this way rose from 30,000 in 1958 to over 125,000 in 1960, but only one-fifth of these were for privately rented houses.

Officialdom apparently believes that the biggest scope for action is at the local level in street-by-street campaigns, in which the opportunity to receive grants and the availability of local authority services are impressed on owners and tenants alike. But a real trouble here is that the landlord is allowed to recoup his outlay by raising the annual rent only by an amount equal to 12½ per cent of his share of the capital cost; if he borrows the money at 6½ per cent, and then pays the standard rate of income tax on the increased receipt of rent, he (or she) is left with a net recoupment of about 3¾ per cent—so that, if he has to bear any increased maintenance charges at all, he may recoup his capital only after twenty years (by which time the improved asset installed in his property will often have worn out). Most of the (far too few) improvements to rented property nowadays take place without benefit of any Government grant, just after the property concerned has become rent-decontrolled because the sitting tenant has moved out. The real way to tackle the problem of obsolescent old rented tenement accommodation is by full-scale rent decontrol—whether the property remains in private hands or has been bought by some redevelopment agency; but politicians hate the thought of that.

EGYPT AND SYRIA

Bull among the China

GINGERLY, the politicians in Damascus have been sidling round the supremely delicate question of Syria's future relations with the United Arab Republic. Whether it likes it or not, the new government is committed to the pledge that the army officers made at Homs on April 1st. Wisely, as it now seems, the Homs agreement has never been published, but it surely included some sort of promise to hold a referendum on union with other Arab countries, and specifically with the UAR. On May 13th the prime minister, Dr Bashir Azmeh, announced that a committee had been formed to study the question of Arab unity, and to devise a plan on ways and conditions of carrying it out. The members include several notables, among them Mr Michel Aflaq, a Ba'athist leader who still gives his support to a close link with the UAR, and Mr Akram Haurani, a Ba'athist who has been proclaiming his opposition to any such project.

With his attack on President Nasser's "dictatorial and fascist system," Mr Haurani has blasted his way through the government's tact. The former vice-president of the UAR now feels obliged to reveal the secrets that worried him during his time in office. The Cairo press, which has found Mr Haurani guilty of opportunism and personal ambition, seems, for once, to be not too wide of the mark. His outspoken tactics may signal his re-emergence as a prominent figure in Syrian politics.

President Nasser has responded with a forbearance lacking in most of those who work for him. In an interview with a Lebanese newspaper on May 13th, the president warmly praised the Syrian army and evinced benevolent goodwill towards the Ba'ath, although, he said, certain of its leaders had blundered. Direct relations between Cairo and Damascus could not be resumed, he said, until the Syrian people expressed their free will, and the Arab League was allowed to investigate, among other things, the economic consequences of the collapse of the union.

The Syrian people are unlikely to be greatly impressed by the hero's welcome that Cairo has given Colonel Sarraj, who escaped last week from the Mezze prison in Damascus. Colonel Sarraj fell from Egyptian favour just before the Syrian secession in September, and harsh words have been said about him in Cairo. But memories have proved usefully short. In Syria, probably, the memory of the colonel's security system will take longer to die.

NORTH BORNEO

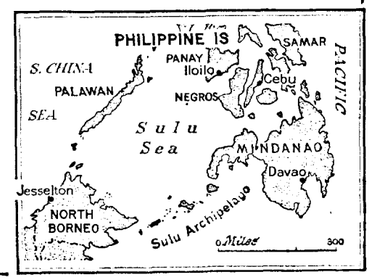
Voice from the Past

THE Philippine claim to British North Borneo, which as yet has not been officially stated, is one of those recondite issues that delight international lawyers. It would be of little interest to anybody else but for the fact that, if conceded, the claim might deal a death blow to the proposed Greater Malaysia project, which is designed to link the three British territories of Borneo (North Borneo, Sarawak and Brunei) with Singapore and the Malayan federation. The importance of the Greater Malaysia project is so great, as a potential contribution to the stability of south-east Asia as a whole, that ordinary people, including politicians, will have to take a closer look.

Though of long standing, the Philippine claim was dormant until earlier this year, when articles in the Manila press drew attention to it. In March, the Philippine House of Representatives passed a resolution urging the government to take steps to "recover" North Borneo. This probably embarrassed President Macapagal, who had never shown any enthusiasm for the claim before coming to office at the end of last year. Vice-President Pelaez, however, is known to be in favour of pressing the claim, and if it ever is pressed it is he who will do the pressing, as he is also the foreign minister.

As a talking point, the North Borneo controversy has its attractions. It is redolent of a romantic past when countries changed hands like used cars. At the beginning of the 18th century the Sultan of Sulu had sovereign rights over much of North Borneo, but in 1764 he ceded it to the East India Company. In 1851, however, the Sultan acknowledged Spanish sovereignty over Sulu and its dependencies, without saying whether these included North Borneo. Then in 1878 Baron de Overbeck, the Austrian consul-general in Hongkong, with his British partner Alfred Dent, acquired North Borneo from the Sultan (although the East India Company's title had never been rescinded). The British North Borneo Company (Chartered) took over the Overbeck-Dent interests, and in 1888 North Borneo came under British protection.

The Filipinos now argue that the Sultan of Sulu did not renounce sovereignty over North Borneo in 1878 and that, Sulu being Philippine territory, so is North Borneo. The British point out that the Philippine constitution of 1946 recognises the present boundaries. At best, the Philippine claim is flimsy, and it may be hoped that President Macapagal, who values the friendship of Tunku Abdul Rahman of Malaya, will not strain it by pressing on regardless.



GAMBLING

Twist or Bust

MR MCADDEN'S rejected amendment to the Finance Bill last week sought to reduce the taxation on football pool betting from its present level of 33 per cent (the old 30 per cent with the "regulator" surcharge of 10 per cent consolidated) to 25 per cent. But his best argument was not the need to ease the plight of pools promoters and their customers, who generally do very nicely: the real point at issue is that the Government, having found a convenient and sensible source of money, has tapped it to the tune of £30 million a year, but is still ignoring richer though less easily tapped sources. Dog-racing bets, for instance, are taxed by a 10 per cent levy on the tote and by a special licence fee for bookmakers on the course but not off it; other bets (including horse-racing bets) are not taxed at all, and the large sums that change hands at bingo, or at organised games of *chemin de fer*, bridge and poker, go unmarked by the Treasury's fingers.

Until this year, the Government could defend itself on the reasonable argument that it would not be able to collect a tax on off the course betting, because the Inland Revenue could not very easily go running round the street corners after illegal bookmakers' runners. But now that licensed betting shops are established, collection of a tax would be much easier; and it is a great mystery why Mr Selwyn Lloyd did not resort to one in his budget. The churches' council on gambling has estimated that, thanks partly to the easing of Government restrictions, turnover on gambling rose by a sum estimated at £79 million last year, all of it untaxed. It believes (admittedly, pretty tentatively) that £762 million changed hands last year in betting and gaming, of which £440 million went on the horses (with a further £33 million through the tote). Bingo provided a resting place for £25 million; football pools ran away with £101 million (but this total is going down, thanks partly to the fact that other bets are untaxed); while the other £150 million odd is estimated to have been lost and won on the dogs, card games and other betting. Theoretically, a 20 per cent tax on gambling turnover all round (or its equivalent in licence fees) would more than pay for 6d. off the standard rate of income tax.

BOXING

Ignoble Art



BARONESS SUMMERSKILL, whose bill against professional boxing was rejected by the House of Lords last week, will have—or ought to have—a lot of sympathy from everyone who was subjected to the spectacle of Benny Paret's public execution on the BBC's "Panorama" programme the previous Monday. Whatever defenders of these gladiatorial exhibitions may say—and they said some extremely fatuous things in the House of Lords—and whatever criticism may be made of the eccentric lengths to which the noble Lady goes in the conduct of her crusade, posterity will look back on a sport which has tolerated beatings on this scale with the sort of horror that contemporary Englishmen reserve for cock or dog fighting, for bull or bear baiting. Nobody knows exactly how many boxers and ex-boxers today are "punch-drunk," their reactions slowed, their reason diminished, their vision faded; but the previously unsuspected susceptibility of the brain to irreparable damage from quite minor blows to the skull makes it seem increasingly likely that not many long-service professional boxers escape into retirement without some hidden injury.

The risk is less among amateurs than among professionals; but amateur fights are of three rounds, totalling nine minutes, and they are stopped at the first sign of distress or injury. Professional fights may last ten or fifteen rounds of three minutes each, stop only when one of the boxers is incapable of further effort or is knocked insensible, and are conducted for the satisfaction of an extremely demanding audience on whose bounty the boxers' livelihood depends.

English standards of supervision and control are already much higher than those of many other countries, but they are not high enough to make the "art" a noble one. If they are ever to be high enough—and that would be high enough to kill boxing as a popular spectacle—there is a strong case for saying that a brave Government, at the risk of being labelled a killjoy, should now proceed to appoint a commission of inquiry into boxing; and interested people should campaign for an international convention which would extend tighter control to all countries.

TOMATOES

Treason at the Top

BRITISH tomato growers, still exulting over their success in persuading the Government to extend the annual period in which high duties are charged on imported foreign fruit, must have felt as if the world had ended on Monday, when Mr David Fenwick, a leading light of the National Farmers' Union, publicly forecast the death of tomato growing in Britain within 20 years, if not sooner. And he was quoted as saying that it was nothing less than stupid to grow tomatoes slowly and painfully under glass in Britain when, an hour or two away by air, the Italians could grow them without much trouble, cost or heartache, in their open, sunny air; and that when the tariffs had to go after Britain entered the common market, Italy and Holland would between them end the Elysium in which British horticulturists have been living. All this was said on the eve of the announcement that a working party has been set up in Brussels to discuss what on earth to do about Britain's reservations about horticulture in its application to join the market.

Mr Fenwick's words will undoubtedly confirm the worst fears of those British farmers whose livelihood has depended these past few years, not on the efficiency which will prepare the rest of the industry for European competition, but on the willingness of the Government to subsidise the high-cost growing, under glass, of many horticultural products. But it will encourage those people who have maintained, against all the signs, that there are some farmers who know how many beans make five; and that there are enough of them to keep British agriculture, growing the right crops, from any danger of ruin.

THE COMMONWEALTH

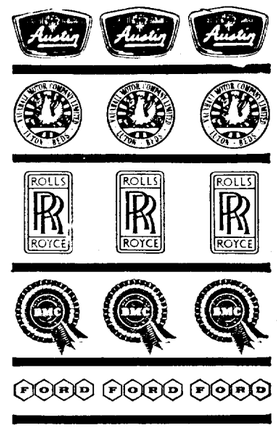
The Way to What?

"TO show the way—that is the supreme mission of our modern Commonwealth." This is the concluding sentence of a booklet published this week* in which the Secretary of State for Commonwealth Relations seeks to explain to the general reader, particularly in other member countries, "what it means to us in Britain." It may be recommended just as warmly to non-Commonwealthians.

Some curious comment on this booklet has already appeared. The most curious, perhaps, was a leading article in *The Times*, which thought it saddening that Mr Sandys had found it so hard to explain to the inquiring young what the Commonwealth stands for. This article passed right over what is surely the key passage in his booklet, in which he describes "the greatest challenge with which the Commonwealth has yet been faced." This is the problem of race relations, "the most complex and intractable problem of the second half of the twentieth century." He argues that the withdrawal of South Africa, and the clear dissociation of the Commonwealth from racial policies, is not enough.

"The greatest multiracial association the world has ever seen" has a more positive job to do—the job of showing by example that peoples of different races can understand and respect each other, and work together in friendly confidence. There is, in fact, a good deal more in Mr Sandys's booklet than the familiar bunch of platitudes. Dissatisfaction is here more noticeable than the customary complacency. He notes the manifold unofficial links between the peoples of the member countries, but urges that they are "not nearly enough" in the changing conditions of our time. He holds it essential that member countries should develop more direct links with each other, instead of channelling everything through Britain.

* The Modern Commonwealth. By Duncan Sandys. 28 pages. HM Stationery Office, 2s.



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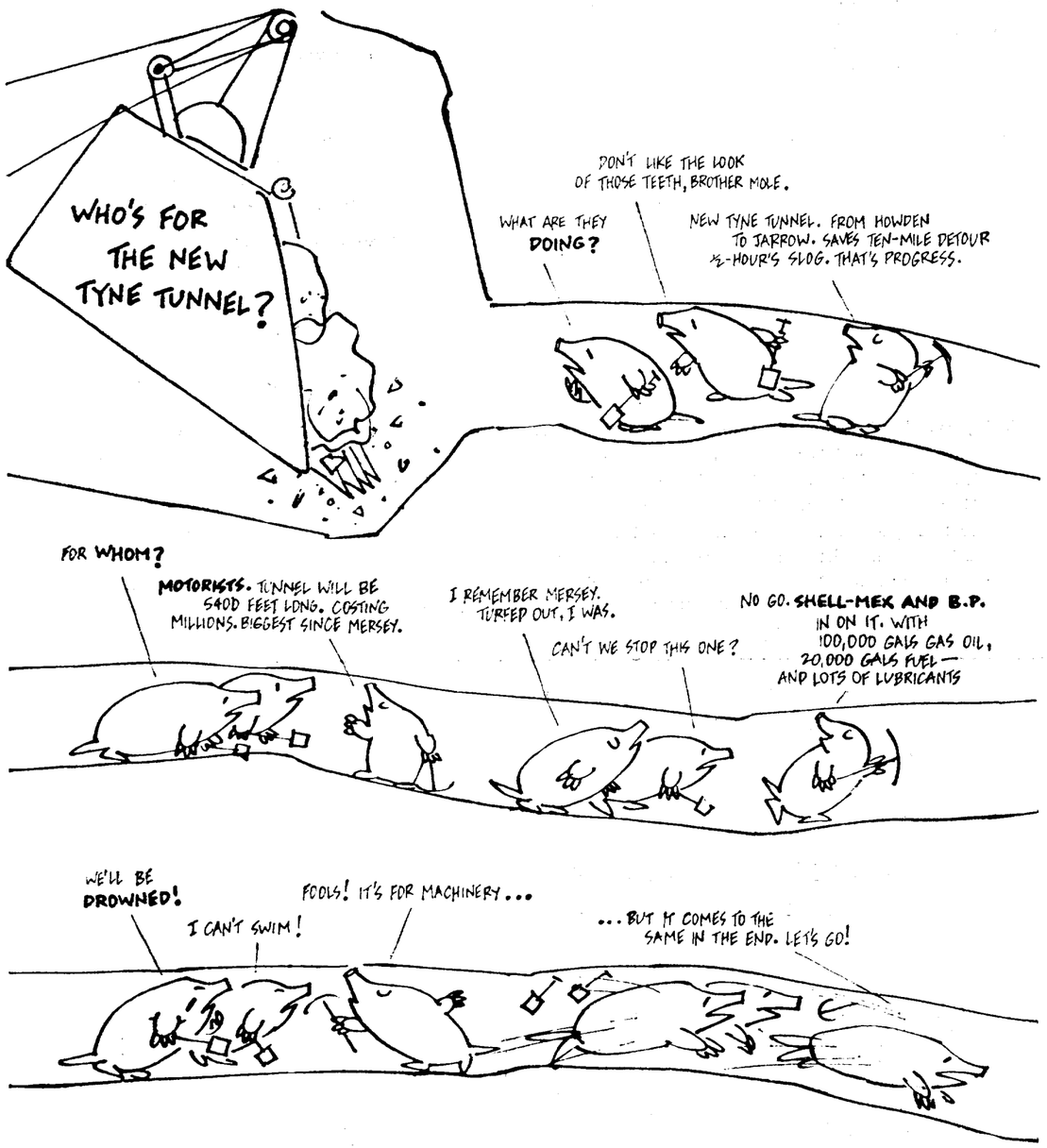
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HOME REPORT

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

Growing Pains

FROM OUR SPECIAL CORRESPONDENT



York's vice-chancellor: Lord James of Rusholme

THE two newest and rawest (but certainly among the most exciting) of British universities have stood up this week, announced their intentions and asked for money. York is appealing for £2 million, of which £750,000 is said to be in the kitty already. East Anglia, whose chancellor-designate, Lord Mackintosh of Halifax, is no slouch at fund-raising, wants £1½ million. Much of the money is needed for living and recreational accommodation for students (providing the "university atmosphere") to which the Treasury is markedly, and at present rightly, less devoted than the University Grants Committee and the advocates of residential education would wish. York wants to get half its undergraduates in residence from the outset, and eventually to increase this proportion to two-thirds—which is actually more than Oxford and Cambridge have at present. Since York has decided to adopt a version of the college system it has, at a rough guess, added anything up to £1 million to its immediate development costs. It happens to lie at the centre of a proud and comfortably-off province, and in a city with more than its share of social benefactors: it can be reasonably confident of raising the extra wind. Other new universities, either coming into being or in the Robbins committee's pipeline, may not be so lucky.

The capital fact for the future is that if new universities are founded (by Treasury decision) in small cities like York and Norwich the accommodation problem is bound to raise its head from the beginning. There are simply not enough local landladies to take in student lodgers, and the new universities dare not rely too heavily on this resource. *The Economist* has regularly argued that in the necessary crash-programme for expanding higher education the logical place for new universities is in the suburbs of large conurbations, where a fair proportion of students can commute from digs or from their own homes. There are obvious objections to this (e.g., the new kind of student may well come from an overcrowded home which has little experience or tolerance of the academic life) and many dons are strongly opposed to letting the Treasury get away with second-best institutions at any time. The sole, and sufficient, answer comes from those sixth-formers who will not get a higher education of any kind if the Oxbridge tradition remains the actual, or unspoken, standard for every university promotion committee in the next decade.

But York, to its credit, has set one target that deserves encouragement and emulation. Like its immediate predecessor, Sussex, it aims at a student population of 3,000 in ten years' time; since East Anglia is doing the same, the numerical doldrums into which Keele has fallen (800 undergraduates after 12 years) can probably be written off as an unfortunate and introspective case. But York is looking still further ahead. Its development plan envisages a continuing expansion to 7,000 undergraduates, and conceivably even more. The new universities, provided they pick the right sites and provided they aim at continuous growth in this way, can be expected to make a much bigger contribution to expansion in the 1970s than those which have stabilised their numbers at 3,000 or so. York reckons that it takes five years to replace a building and development apparatus once it is dismantled: there is clearly a strong case for thinking now in terms of institutions which can expect to push steadily on towards 10,000 places.

This would be a very large scale indeed for a British university (although London has 22,000 students and Oxford and Cambridge just under 9,000 each). But universities of this size are quite common form elsewhere. They invoke educational and administrative problems to which York's answer—the college unit of 300—is not the only solution. If the new universities are worth their salt they should find themselves stimulating a demand for their kind of education on which it would be utterly criminal to slam the gates. With their bright ideas on syllabuses and inter-related studies, these are the places where the livelier type of sixth former should be most anxious to go. Both Sussex, with its interest in European studies, and York, which has the desire and opportunity to set a national pace in the social sciences, may soon be opening up quite new vistas of what a university should teach.

IF the seven new universities already set afoot do, in fact, achieve the Sussex-York rate of growth they will be providing only 21,000 of the total of 170,000 university places which the Government wants by 1973-74 (and which will certainly be inadequate by then). The other 35,000 new places will have to come from the enlargement of existing universities and colleges—with a sizeable contribution needed from the dozen established institutions which have been jogging along for years with under 2,000 students apiece. The new signs of enterprise in these quarters are all the more welcome just now, but here, too, the need for private donation is sometimes even more painfully obvious. Southampton, for example, has just launched a centenary appeal (the centenary being that of the original Hartley Institution in Southampton) to help it to rise from 1,750 places to 4,000 by 1980. Its present endowments bring in only £2,500 a year; not unnaturally, it is now asking for the sum of £400,000 from industry, alumni and others. This month St Andrews, with a strong residential tradition, has appealed for £1 million to raise its numbers from 2,500 to 4,700. Usually the money comes in. The new Churchill College at Cambridge ran a spectacular appeal for £3 million. The University College of Swansea announced this month that it had raised 90 per cent of the £500,000 it needed for new halls of residence. Last July three London colleges got £250,000 each from a single, anonymous benefactor—all to build halls of residence.

But new problems are appearing. As Sir Douglas Logan, principal of London University, pointed out last week, the impression seems to be growing that the provision of new buildings specifically for teaching can safely be left to the UGC and the Treasury. This is simply not so, as this week's university protests against Treasury policy should again make plain. "We yearn for further

benefactions," Sir Douglas announced unashamedly, and he quoted the university's difficulty in getting an adequate computer—for which public funds will pay only one-quarter of the cost. The university means to hire out computing time to commercial firms, and has had to form its own company, Computers (Bloomsbury) Ltd., to do so. It is an old gambit of science departments to get new equipment by devoting themselves to research for outside customers; it is not always an ideal arrangement.

The rapid growth of the postgraduate university population, an inevitable and necessary complement to undergraduate expansion (and taking up 13 per cent of all places), is also causing fresh headaches. Not all postgraduates want to live in college, but most of them (particularly the married ones on small grants) need help with accommodation. At Oxbridge this has brought new institutions into being, although individual colleges like Corpus Christi at Cambridge have made commendable efforts on their own. Elsewhere the answer may have to be special postgraduate flats. Since York is keen on 4-year courses (the last year leading to a master's degree), it will need to make an extra effort for its postgraduates. Even for their administrative staffs the growing universities have a housing problem on their hands: a number of them are looking into the idea of setting up non-profit-making housing associations, which could benefit from Government aid.

All these are the pains of expansion. They are taken much more hardly by settled academic communities (with their resistance groups who do not want expansion anyway) than by the new universities which are picking the men they want and giving them the stimulus of rethinking every issue, ranging from curricula and teaching methods to planning social nuclei on the campus and improving teacher-student relationships. In the end it will be the Sussexes, the Yorks, the Norwiches and their successors that will do most to set a new pattern for British university life with fresh ideas and on a broader, more popular scale. The pity is that they have not had the opportunity and the incentive to do so sooner.



Streatfeild on Trial



FROM A CORRESPONDENT IN LEEDS

In February, 1961, Mr Justice Streatfeild's interdepartmental committee on the business of the criminal courts published its recommendations for improving the administration of justice in England and Wales. In particular it recommended a reduction in the time accused persons spend awaiting trial; it thought eight weeks should be the maximum for such delays.

If in what are already known as "pre-Streatfeild" days the time-honoured assize circuit system was not quite creaking to a halt, it most certainly had reached an alarmingly congested state. So many criminal cases awaited the attention of the itinerant judges that civil litigants were being denied justice. Time after time term ended, particularly on the north-eastern circuit, with a high proportion of civil cases unheard, although as many as five judges attended assizes in Leeds and others were sent to hold occasional special sittings for civil work at Durham.

Many of the Streatfeild committee's recommendations were implemented in the Criminal Justice Administration Act to which the royal assent was given last March. The number of judges was increased and May 1st saw the opening of the first legal term in which the new circuit arrangements are being operated.

The revised itineraries provide in practice, if not in theory, for the division of each circuit into general and special categories. Thus some of the judges assigned to a circuit for a term are intended to spend more time at the busier towns and to visit them more frequently. On the north-eastern circuit Mr Justice Phillimore and Mr Justice Roskill opened summer assizes in Leeds on May 2nd and will sit there until May 25th before moving to Sheffield. They are due back in Leeds on June 19th and will remain until July 13th, when they will return to Sheffield until term ends on July 31st. For the July weeks of their Leeds visit they will be joined by two judges for divorce work. Meanwhile Mr Justice Sachs and Mr Justice Atkinson are on the other section of the circuit and will visit Newcastle, Durham and York twice during the term.

At first sight this plan might be expected to meet the needs of what has been recognised as the most congested circuit. It is already clear, however, that it will not. The situation in Leeds is worsening. On May 2nd the two judges faced a criminal calendar of 67 accused persons and a cause list containing sufficient civil actions to occupy two judges for at least 20 sitting days.

The criminal business is expected to occupy both judges fully until May 25th. The civil cases will almost certainly become *remanets* to the Leeds sittings fixed for June 19th, when they will join the cases now being set down for hearing at those sittings, at which, of course, there will be a substantial criminal calendar as well. It seems certain that unless extra judges are sent to Leeds before the end of the term many litigants will still be denied justice until the autumn. Newcastle, Durham and York are all busy assize towns and it is unlikely that the judges on that part of the circuit will have much, or indeed any, time to assist their hard-pressed brethren in Leeds, where late court sittings have been the rule rather than the exception for too many years.

It is accepted that criminal work, in which the liberty of the subject is involved, must have priority on judicial time. The establishment of more permanent crown courts on the Liverpool-Manchester pattern has been rejected for the reasons advanced in the Streatfeild report—risk of judicial staleness, the sense of isolation which besets judges in such courts and the danger of the judges becoming prosecution-minded. "A judge," said the report, "cannot be expected to remain at his judicial best when he is dealing with the same kind of case all the time in the same place, with the same police officers, the same advocates and very often the same criminals before him."

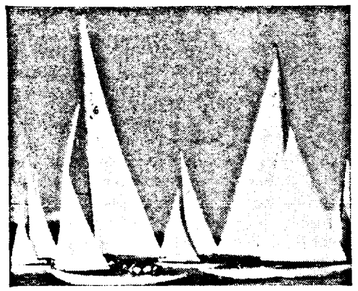
So delayed litigants can only look hopefully to the Lord Chief Justice, who arranges these matters, to show an awareness of north-eastern problems. It is felt locally that this awareness could be expressed in no better way than by the immediate despatch to the West Riding of extra judges, or if none are available, of specially appointed commissioners.

In Leeds particularly, these problems are accentuated by the poor accommodation available. In its Victorian town hall there have been days in recent years when three old-fashioned courts and several makeshift and inconvenient ones of recent construction have accommodated five assize judges and four or more magistrates' courts. The city's other magistrates' courts, six or seven of which sit daily, have on such occasions been banished to adjoining buildings. At least they have been free there from the all-pervading cooking smells of which the town hall has never been rid since its basement became a civic restaurant. Many a judge has publicly and strongly condemned the building as unfitted for the administration of justice, but even after inquiries from the Lord Chief Justice the new law courts which have been talked about for a quarter of a century are still only being talked about.

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Sacred Cowes?

FROM A CORRESPONDENT IN HAMPSHIRE



MESSING about in boats is the pastime of an increasing number of devotees from the Duke of Edinburgh and Mr Uffa Fox downwards. Cowes, the recognised mecca of yachtsmen, is trying to reconcile the traditions of its glorious, if prim, past with some aggressive plans for tapping the profits that are to be found in this expanding sport.

With a population of 17,000, Cowes depends upon its tourist trade, and that in turn hangs on the fame of Cowes Week (the first week of August) when a series of regattas is held by the seven chief yacht clubs in the town. Top yachtsmen (not women) belong to the small but influential Royal Yacht Squadron; past members include Louis Napoleon, Kaiser William and most English kings and princes since George IV. It is said to be easier to become a member of the House of Lords than to be elected to the squadron. At the other extreme the Island Sailing Club caters for the bulk of Cowes Week enthusiasts; its membership is now a record 2,700.

Though some stalwarts of the RYC still hanker after the 1930s, Cowes as a whole pursues the main chance. Entries for the regattas last year were the highest ever; an average of 300 craft were competing on each of the 10 days of the "week." Hundreds of other vessels of all shapes and sizes crowded neighbouring areas as harassed mariners in the Solent can testify. Most sailing clubs announce record memberships.

The sailing boom has brought changes not only in the size of Cowes week, but also in the craft taking part and in their owners. Boats tend to be smaller, for the cost of larger yachts takes them out of reach of most pockets. A seaworthy boat cannot be built for less than £400 a ton, while a superlative yacht may run to as much as £1,000 a ton. These prices no doubt account for the popularity of "do-it-yourself" kits and the growing numbers of dinghies. Today's yachtsman is often a white-collar worker, seeking refuge on the seaways from the crowded summer roads of the south. Boat ownership is yet another status symbol, much to the delight of hire purchase companies which seem (so far) to find boat owners a better risk than car buyers.

Two proposals by Hampshire businessmen have emphasised the changes that have come to Cowes. One plan is to build a "botel" in a disused boatyard in East Cowes; it would have 150 chalets, a heated swimming pool, ballroom, and three slipways into the River Medina. The company would run its own fleet of boats for hire to holidaymakers who want to learn to sail. Since the idea comes from a man who is almost a local Billy Butlin (with three holiday camps on the Isle of Wight) commercial success is likely—if planning permission can be had.

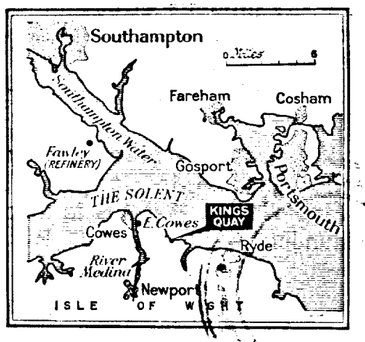
The second, and somewhat similar, plan is for a yacht "marina" (a stretch of sea water enclosed for small boats) at Kings Quay near East Cowes. The marina would be able to accommodate 500 vessels as well as provide a public service by protecting the wooded cliffs from erosion by the sea.

WHILE local boatbuilders (who rarely employ more than ten men) tradesmen and hoteliers are by no means averse to such developments, strong opposition has come from the Solent Protection Society. These stalwarts of a silent Solent are aghast at disturbing an "unspoiled" area. Yet it seems likely that an unplanned hotch-potch of inadequate facilities that would grow in the area anyway would do rather more damage than any marina. It is also claimed that the Kings Quay marina would not provide a haven for yachts when a north-easter was blowing; hydrographic experts say these fears are baseless.

The society is concerned about the threat of further industrialisation along the Solent, notably between Fawley and Calshot Spit on the mainland. The spectre of a "second Merseyside" has been invoked, and only to stop this is the society prepared to accept a yacht marina. It seems that what is good for the Solent in general is bad for Cowes in particular, that a marina is preferable to a factory—but nothing at all is even better.

Rather nearer the bone the society has attacked the Cowes harbour commissioners for "slumbering away on past glories" by providing insufficient moorings for the Cowes week influx of boats. The harbour board is smarting under this "unfair and frivolous attack"; its indignation seems righteous enough, for at a meeting last week it was pointed out that 296 moorings were laid down last year—although yachts entering Cowes pay neither fees nor dues. Most yachtsmen would agree that the facilities, though cramped during Cowes week, suffice for the rest of the season. The East Cowes schemes would certainly help at the peak periods.

Whatever happens to these particular proposals, the future of Cowes seems safe enough. In the last decade the population of West Sussex increased by over 20 per cent and that of Hampshire and the Isle of Wight by over 10 per cent, notably near Portsmouth-Southampton. There are plenty of potential yachtsmen coming along.

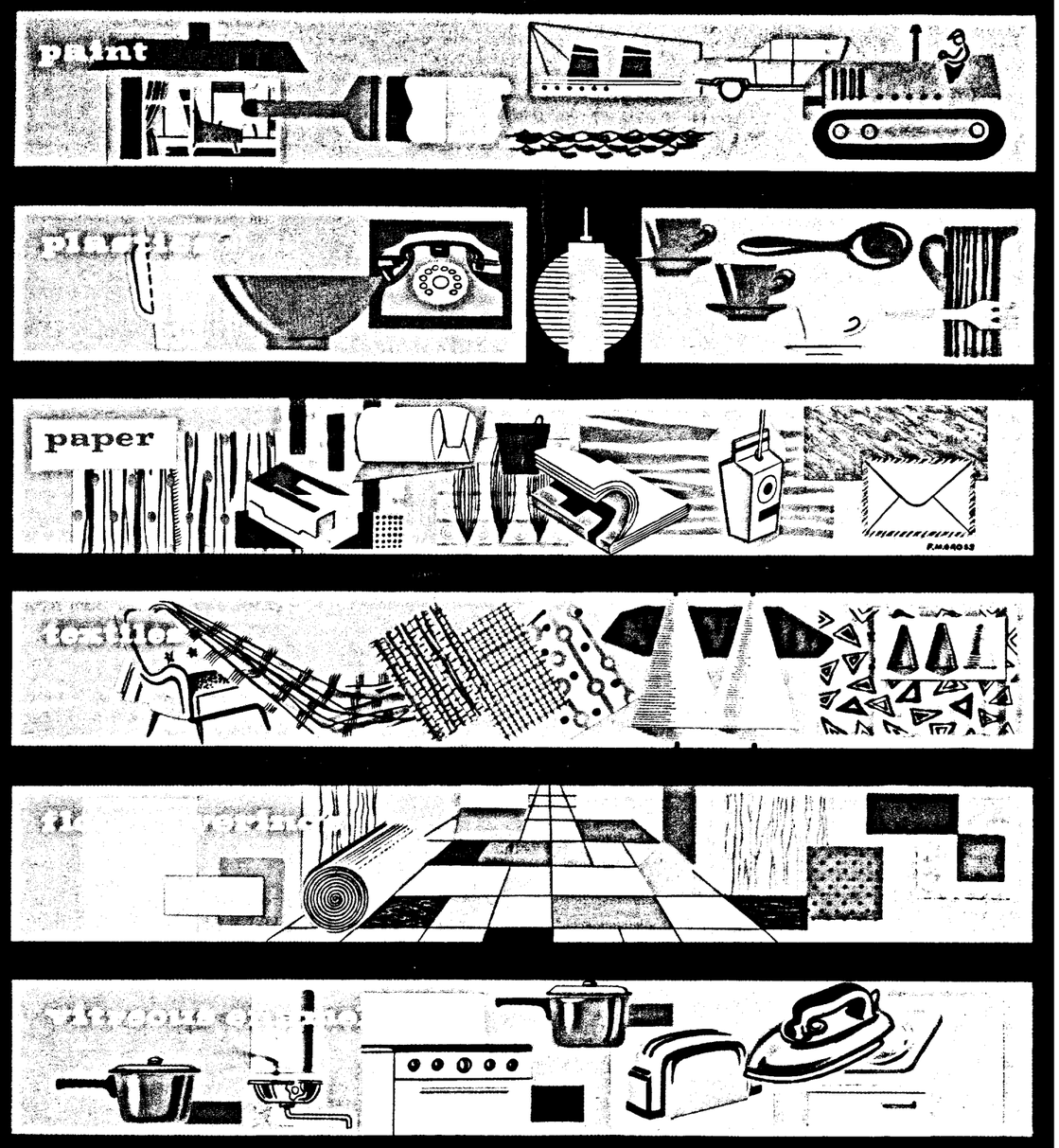


Educating the Educated?

THAT the old popular image of adult education needs to be overhauled is shown conclusively in the latest report of the Universities Council for Adult Education. Sample surveys in the large cities suggest that the people who take advantage of these classes are not so much those who missed earlier opportunities at school but may well be actual university graduates or former grammar school children. Thus Nottingham reports that its student group is "drawn predominantly from the professional middle class"; nearly 40 per cent had a full-time education beyond the age of 19. Newcastle found that 69 per cent of the men and 68 per cent of the women went to grammar schools—and 8 per cent of the men and 11 per cent of the women had been at public (i.e. independent) schools. At Middlesbrough, where a fifth of the students had been at university, the comment is made: "It is surprising to learn how comparatively few people, in this area of great chemical and steel industries, actually come from industry. It would seem that adult education is still making only a minimal impact among industrial workers of all grades."

The added numbers (and visible enthusiasm) of industrial workers attending day-release classes have plainly still to spill over into the general field of adult education. The universities are making efforts to cater for the demand for adult vocational courses of all kinds, but there is a danger that the wider generation of interest may be handicapped when new applicants, using this "alternative ladder," discover that the social and cultural atmosphere can be very much one of rarified minority group interests and pursuits. A more balanced intake would be better, for all concerned—without necessarily resulting in any diminution in the academic quality of the classes provided.

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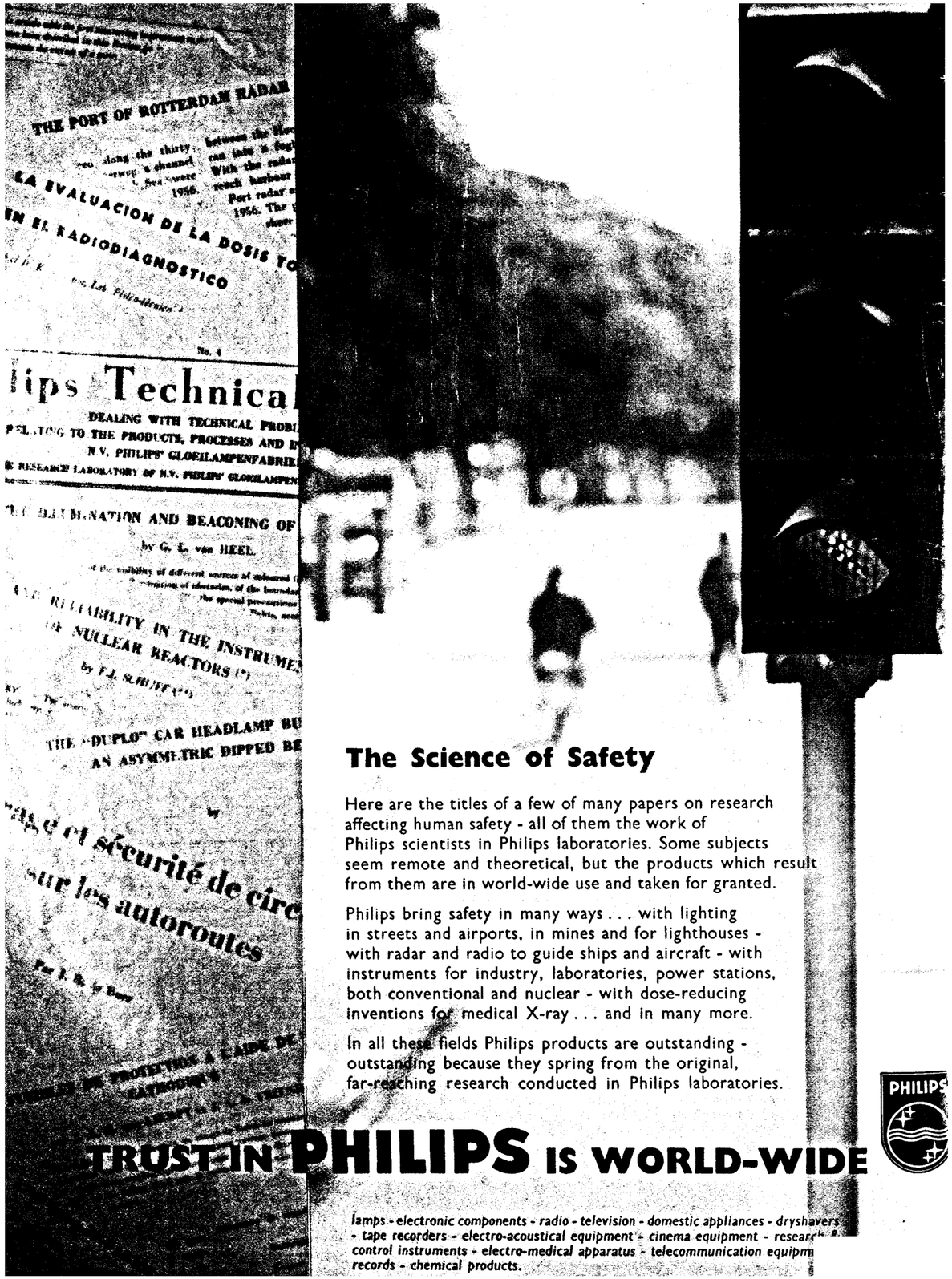


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LETTERS

Three Hands in Kashmir

SIR—The article in your issue of May 12th creates the impression that the Sino-Indian dispute is a result of the Indian role at Belgrade. Since the dispute antedates the conference at Belgrade this misjudgment of emphasis is unfortunate.

No one can state with absolute certainty what the Chinese motives are in this dispute but we can make some guesses. Since theoretically they do not approve of neutralism their laudation of Sukarno may not have as much significance as you seem to imply.

May I venture, however, two more reasons for the Chinese intransigence. While they have not succeeded in isolating India from its neighbours, they have achieved one result from their stick for India and carrots for others policy. When it comes to a serious clash between the two countries, the neighbouring countries with common frontiers with China will remain neutral for fear of jeopardising their border settlements.

Secondly, the Chinese action has resulted in a vociferous pressure group in India seeking to align the country to the West and it has split the Communist Party, inhibiting its immediate growth. They can legitimately use this as an excuse for scoring points against Russia in the ideological battle. In the long run this is important for them although so far they have failed because Mr Nehru has remained firm against the right-wing pressure from the Swatantra and the Praja Socialist parties.—Yours faithfully, DEV MURARKA

London, NW2

Redundancy

SIR—In your issue of May 5th you state the case for "compensation for sacked workers" according to the time they have been in employment, the benefits being expressed as a proportion of each worker's earnings while in work. You suggest this calls for hard thinking.

In 1919, the late Seebohm Rowntree took the initiative in forming a small non-party study group, which included Lord Astor of Hever, the late P. J. Pybus and others, including the writer. In 1920, we published a statement advocating national unemployment insurance on the basis of 50 per cent of average earnings, plus 10 per cent for a dependent wife, and 5 per cent for dependent children; up to a maximum of 75 per cent. Benefits at this rate would be related to length of service. Contributions would be made by employers, employees and the state; the redundancy cost falling on employers.

These proposals were not adopted by the state; but the Rowntree company adopted a supplementary unemployment benefit scheme to achieve the same ends for company employees; including provision for organised short time. This scheme, with improvements, still continues. The cost was originally estimated at 1 per cent of the wages bill, but has proved to be less. Provision was made for lump sum settlement where this would secure alternative employment or other means of livelihood. The scheme is fully described in Seebohm Rowntree's "Human Factor in Business," and in my own "Prescription for Partnership."

Such a scheme (which has continued for over 40 years) could form a working basis for the redundancy provision for which you seek. If thought fit, the special redundancy benefits could be at a higher percentage for one week for each completed year of service to the extent that unemployment continued for so long.—Yours faithfully,

WM. WALLACE

Moretonhampstead, Devon

Local Elections

SIR—One of the curiosities of British press reporting is the treatment of local election results. Every year it is the same story. The boroughs poll on a Thursday in May; and next morning every paper devotes most of a page to printing the available results. These, of course, include all the places which have unopposed returns or are small enough to poll early; so the reader can learn with no difficulty every year that Aldeburgh, Cowbridge and Lostwithiel each elected four Independents again. But Birmingham is bigger than Bishop's Castle, and Manchester much larger than Montgomery; so their results come in later. The public, which on Friday was presumed to be thirsting for news of the tiniest Cornish borough, on Saturday has apparently lost all interest in municipal affairs; and if Liverpool missed the last edition, Liverpool will be left out for good.

Local dailies sometimes have the same strange attitude; for example, the exile from Birmingham who gets the wrong issue of his local paper will have no information this year about the elections for his own city council. And the student of local government who wants to investigate previous election results will find himself unlucky. Since *The Times* never prints a missed result in the next day's paper, there is no published source from which he can be sure of learning what happened in the big cities in a given year. As for the London boroughs, the *Evening Standard* used to print the votes in full; now it merely gives the winners' votes—except, of course, for the most interesting boroughs which, being marginal, come in too late. No one will be very surprised at the inadequacy of the evening papers; but one might have expected that a journal of record would take its pretensions a little more seriously.—Yours faithfully,

Oxford PHILIP WILLIAMS

Service Overseas

SIR—It so happened that I was reading the article "Expatriatism Is Not Enough" in your issue of April 21st while listening to a debate on this very subject which took place in the programme commission of the 17th plenary assembly of the World Federation of United Nations Associations in Liberia, during the week from April 30th to May 5th.

While in general agreement with the contents of your article, may I be allowed to point out that this is not only a British or Commonwealth problem. The federation, as well as our affiliate, the International Student Movement for the United Nations (ISMUN), are constantly under pressure from youth organisations and even elderly people in many western countries to achieve a measure of international co-ordination of supply and demand in this field.

It is frequently pointed out to us that if voluntary services are to be handled exclusively on a national basis they might easily become a new element in the cold war. Some even maintain that this is already the case today.

The subject under discussion in our Monrovia assembly was the result of a proposal from the United Nations Association of Switzerland that the federation's secretariat in Geneva should have a special section devoted to voluntary service. The assembly considered that while the international voluntary service problem is playing an increasing part in the programme and activities of member associations and ISMUN and that the federation should make every endeavour to increase opportunities for such service, this should be done within the framework of the United Nations family.

Within the UN programme of expanded technical assistance there already exists, although on a modest scale, a junior expert programme. One of the many problems that will have to be studied is whether this programme can be extended. Another and psychologically very important problem is how to give satisfaction to the ambitions and ideals of a large number of young, not necessarily skilled, people who, before starting upon a career, desire to devote a year or more to voluntary service in developing countries.— Yours faithfully, A. PELT

Secretary-General, World Federation of United Nations Associations

Monrovia

BOOKS

The New Scramble in Africa

Africa and the West: *Elements of Free-World Policy.*

By Arnold Rivkin.

Thames and Hudson. 251 pages. 21s. (10s. 6d. paperbound).

WHAT is Africa to the world, apart from a source of raw materials and trouble? The question must come before asking what the world can do for Africa. Different countries are still prospecting to see whether there is anything of value in the dark, now deserted, continent. Europe is bound to Africa by more than the Mediterranean: trade and cash flow in both directions; if the flow is more in one direction than the other it is, even so, sustained by the strong emotional ties that bind some black countries to their former white mothers. The mental horizons of modern Africa are drawn within the imaginations of black men educated in Paris or London, or by French or English teachers. The Portuguese apart, almost all colonies have been liquidated—yet in European and African minds parts of the continent are still either "French" or "British Commonwealth" or even "Belgian."

Now that the governors have withdrawn, there is room for newcomers. Today's explorers wear Russian, American, Israeli, or Chinese helmets; some paramount chiefs welcome them because this is evidence of independence. From the African point of view the rivalry between the Russians and the Americans is a kind of security against re-colonisation by one of them. But the Americans are faced with a double difficulty: they must decide how to keep the Russians out; and how to build up close contacts with the Africans without upsetting European governments that may instinctively regard African ground as still essentially theirs.

All this is implied in Mr Rivkin's book, which, as he points out, is a collection of already published articles, polished up and refurbished. The result is some repetition and some upsetting use of words ("pragmatic authoritarianism," for instance); these obstacles apart, the book is a useful exposition of several African problems. But Mr Rivkin is not satisfied with mere exposition; he cannot rest without making proposals for change. Some of these seem original, some merely grandiose; nearly all contain grains of usefulness within the sweep of enthusiasm.

For instance, Dr Nkrumah's phrase about achieving a "jet-propelled" rate of economic growth is taken as a theme; all other African leaders, it is found, want much the same thing. And, with wide variations, nearly all of them seem to be going broadly the same way ("pragmatic authoritarianism") about getting it. Here, in his boyish American way, the author scents danger. Is the communist way going to prove too attractive? Maybe not—and there is some hope in the Israelis, who, as a "third force," get a whole chapter. Israel and Ghana, it is pointed out, get along well together; there can be no fear that Israel will take a country over, and, like the countries it assists, Israel is young, enthusiastic, underdeveloped. Israel has what Africa needs most—technical expertise. Because of Israel's special qualities, Mr Rivkin suggests, a "free-world state" might do well to channel assistance to Africa at least partly through the Israelis.

Again, the giving of aid to Africa would be better organised, and more acceptable to Africans, if a kind of Colombo Plan for Africa were devised; this would reconcile the interests of America and Europe as well as the existing international organisations. It would be flexible, Mr Rivkin says, and allow for bilateral agreements within it. Using the United Nations would not do so well, because communists will not seriously give aid through an organisation they cannot control. Such a western body, for all the naivety with which Mr Rivkin puts it forward, might well suit the Africans better than United Nations aid, for it would leave at least one other source—the communists—to go to in competition.

But this is not the only exposition-and-advice in the book. African states are arming rapidly; Mr Rivkin assembles the facts in a typically useful chapter. What to do? Agree through the United Nations not to sell arms (except those used in keeping internal peace) to African states; at the same time get everyone to guarantee Africa against aggression and externally supported subversion. This, says the author, would largely remove the incentive to arm. If so, Africa is better than anywhere else, and feels safe more easily.

Turning the tables, Mr Rivkin gives advice to the United Nations, too. In three countries, he points out, former UN trust territories (Cameroun, Togo, Somalia) have been set off to independence with empty treasuries, in a state of war or in danger of it, and without real means of self-protection. A detailed charter for a proposed standing committee to tackle the matter is offered.

For all that it may seem presumptuous, this list of topics about African policy in the west is worthwhile; people are rushing too fast into Africa, and not thinking slowly enough. Mr Rivkin writes with an enlightened, if stodgy, pen; he does seem to have recorded what the African politicians want, and what western politicians are thinking about what African politicians want. If he also sets down what Mr Rivkin wants, no matter. It is a starting point.

Economics Applied

Studies in an Inflationary Economy

By F. W. Paish.

Macmillan. 345 pages. 45s.

PROFESSOR PAISH is interested mainly in what the highbrows called "applied macro-economics," and a selection of his writings of the past decade (plus two new papers) reflects this. Radcliffery, inflation, the balance of payments and the capital market occupy most of the book, and Professor Paish attacks these topics with a slide-rule for sword and a national income blue book for bible. The results are clear, capable and, in some cases, contentious.

A considerable amount of the analysis relates to problems that have been much discussed in the last few months, both in connection with the pay pause and with NEDC. In the last chapter, a new and extended version of articles in the *Financial Times*, Professor Paish argues that since inflation occurs when incomes grow faster than output and because the rate of growth of incomes depends on the proportion of productive capacity employed, it can be avoided only if unused capacity is kept sufficiently high and sufficiently steady. He then boldly estimates the percentage employment of capacity quarterly throughout the decade and relates it to the development of the price-level. His conclusion is that 5-7 per cent unused capacity (2-2½ per cent unemployment) will enable Britain to avoid inflation. He also argues that a temporary stimulus to growth, by raising the employment of capacity, will react on prices only after a lag, when the rate of increase of incomes has begun to respond to the higher pressure or demand. It follows that he can agree with the expansionist of today that a boost to demand would raise output a lot and prices a little this year, while differing fundamentally from them about the desirability of securing growth by expanding demand here and now.

Another implication of the argument is that inflation does not result from an upward wage push by the trade unions. Indeed in an earlier chapter Professor Paish asserts that, at times of heavy inflationary pressure, collective bargaining has actually lengthened the lag between an increased demand for labour and higher wage rates. He goes on to argue that if the unions had forced up the general level of wage rates, earnings would not have risen faster than rates.

This brief summary shows that Professor Paish holds views that are far from universally accepted. Even his leftest critics, however, will admire the way he puts them. This book is the sort of economics that convinces the non-academic that economics is a useful art.

Whose Allegiance?

Dual Nationality

By N. Bar-Yaacov.

Published under the auspices of The London Institute of World Affairs by *Stevens.* 324 pages. £2 10s.

DUAL nationality gives rise to many problems, which are most acute in time of war. A man born in the territory of country B of parents who are nationals of country A may sometimes find himself guilty of treason against one or other of the two countries if he takes sides in a war between them. Great hardships may also arise in time of peace; for instance, when individuals possessing two nationalities are called upon to undergo military service in both of the countries to which they owe allegiance. Unfortunately, as Dr Bar-Yaacov points out in this extremely competent and timely book, nationality is primarily a matter for each state to decide for itself; international law provides few restraining principles or guides.

Dual nationality may therefore be acquired at birth by a man born in a state recognising the *jus soli* of parents who are nationals of a state which has adopted the *jus sanguinis*. It may also arise if a man naturalised in one state continues to retain his former nationality. Again, marriage may give a new nationality to one of the spouses, without necessarily leading to loss of a former nationality. And lastly dual nationality may result from the transfer of territory where the inhabitants acquire a new nationality without losing their old one.

Some attempts have been made to rationalise this confusion by an international action. The Hague Codification Conference, convened by the League of Nations in 1930, was responsible for a Convention on the Conflict of Nationality Laws, by which the United Kingdom and some eleven other countries (not, however, such major countries as the United States, France and Germany) are bound. Apart from the limited sphere of its operation, the convention gave only modest encouragement to the elimination of dual nationality, mainly because of the reluctance of states to relinquish their control over nationality. A protocol, dealing with the specific problem of military service in cases of dual nationality, has however been ratified by thirteen states, including the United States and the United Kingdom. Since the last war, the United Nations has returned to the subject and a special rapporteur has prepared a report on multiple nationality for the International Law Commission. The outcome is uncertain, mainly because, although the ideal of one "effective" nationality, giving expression to the real links between a person and a particular country, is generally recognised as the desirable and single aim, there is much room for controversy on what constitutes the reality of such links. Meanwhile particular problems caused by dual nationality are to some extent dealt with rather haphazardly by bilateral conventions, especially in relation to military service.

The nature of the problem, with its roots in the national legislation of each country, makes it a very difficult theme for a readable book. An immense amount of highly technical detail is inevitable, as attention is directed first to one country and then to another. Dr Bar-Yaacov has carried out his task with great skill, giving a fair example of the laws of particular countries but attempting in his consideration of judicial decisions bearing on them to extract as much as possible that could be used as a common basis for an international agreement. His general conclusion is the need for international recognition of a modified *jus soli*, by which nationality is acquired by birth in the country where the parents have established their permanent residence. This is a possible solution, but in the increasingly fluid circumstances of modern life it may be doubted whether the permanent residence of the parents is a reliable indication of the likely loyalties of the children. However, Dr Bar-Yaacov's book does not claim to have solved the problem of dual nationality; what he has done is to set out, in this form and detail perhaps for the first time, the essential material for a further attempt to deal with it. Incidentally he provides a most interesting account of the nationality laws of Israel; these are particularly important in view of the mass immigration of persons already possessing nationality in one or more other states.

"Carronades"

Carron Company

By R. H. Campbell.

Oliver & Boyd. 358 pages. 30s.

THE affairs of the Carron company effectively dealt with in this bicentenary study by Mr Campbell fall into three periods. The first (and most famous) runs from the origins of the ironworks in 1759 to the end of the Napoleonic wars. The second, of conservative and even restrictive management, ends with the partnership squabbles and financial-legal preoccupations after 1850. The third deals frankly with the redevelopment after 1870, which did not always produce the desired results. The Carron works, although giving an original impetus to the Scottish industrial economy, was not typical of nineteenth century experience. For much of the time Carron was able to rely on an established trade in its quality products, which allowed it to lag behind in technical innovations (it was one of the last Scottish concerns to adopt Neilson's hot blast) without paying the penalties that some high-cost Scots producers suffered. In the early days the company owed much to the risk-taking of the Scottish banks and to the resilience of the Glasgow merchant houses.

The legendary success (and much of the early prosperity) of Carron came from ordnance, in particular the "carronades" of the American, French and Napoleonic wars. It is fascinating to learn of the company's initial disasters in this field; in 1773 the Board of Ordnance actually ordered Carron guns to be removed from all ships. The "carronades" had to prove their success with Liverpool merchantmen before official approval was won. This was what the partnership had relied on, as the scale of its initial enterprise demonstrated. But throughout the years of dazzling fame profits fluctuated according to rumours of war; later conservatism seems to have cost the company the benefits of, for example, the railway boom of the 1840s. Mr Campbell's is a valuable contribution to Scottish economic history, with an eye on the occasional social curiosity, too: a lucrative sideline in the business of the Carron coastal fleet was the War Office's habit (as late as 1895) of moving troops from Scotland by sea.

British Railways

The Geography of Communications in Great Britain

By J. H. Appleton.

Oxford University Press for University of Hull. 270 pages. 30s.

IT could be said epigrammatically of this book that it is practically useless. But this would be only in the sense that it is scarcely conceivable that anyone would ever use it in planning communications. It is, on the other hand, for the most part very readable, and clearly reflects the great enthusiasm of the author for his chosen subject, which can be described as the historical geography of railways in Great Britain. Other means of communication are not neglected—the author, for example, supplies a lot of interesting information about canals—but it is not unfair to say that railways get the biggest bite out of the cherry.

The table of contents would not immediately reveal what were the main themes, but this becomes clearer when one has read the introduction. Communications are discussed as parts of the landscape, and as Mr Appleton remarks, "the present work is a study of anatomy rather than of physiology." Further, "about half the book deals with the relationship of communications to the land surface." All this is fair enough, but it must be pointed out that, with the exception of the last two chapters, "airways and other forms of transport," and "postwar plans and progress," railways seem to be the main elements which Mr Appleton sees in the scene around him.

The book is probably of greatest value to the student of geography, professional or amateur, for its nearly unique discussion of communication development in relation to geomorphology, that is, landscape forms in modern genetical terminology. The more general reader, especially if he is an amateur of railways, will enjoy chapters V, VI and VII, which deal with "the form and function of communications," "evolution," and "nodes and junctions," though probably

few will find that they can really share to the full the author's intense interest in the latter.

A minor blemish is that the book is not always quite up-to-date. For instance, it is no longer true that the River Tamar is crossed by a railway bridge many miles below the lowest road bridge. A more serious criticism is that the book is so exclusively, even myopically, concerned with the British Isles that it fails even to refer to the way in which British nineteenth century economic policy and political thought have left their imprint on the communications landscape of these islands, and made it different from that of even their nearest neighbour, France. "What can they know of England who only England know?"

The book is very well illustrated by maps and photographs. It is, within its limits, a very readable, thoughtful, and informative book for students of geography.

Political Buganda

The Political Kingdom in Uganda

By David E. Apter.

Princeton University Press. London: *Oxford University Press.* 514 pages. 60s.

THE kingdom of the book's title is Buganda, and Professor Apter's aim is to explain the uniqueness of its political development.

The book is admirable for its comprehensive approach to political analysis. Its historical sections are not merely "background"; they also give a full account of the most important events of the past seventy years, with proper attention to religious, social and economic changes, as well as political affairs. The present-day economic and social scene in Uganda is also described; and the quality of political life in Buganda is sketched in a few brilliantly observed pages.

Professor Apter's main argument is that Buganda adapted itself almost too well to foreign influences and the British Protectorate. New elements were assimilated into the political system with the same success as has marked Buganda's absorption of emigrants from neighbouring tribes. Yet adaptation stopped short of altering the basic structure of tribal authority. Suddenly it seemed that changes were coming too fast, both as a result of spontaneous developments in Buganda and because the Protectorate Government began to force the pace of political evolution, and the modernised tribal state was seen to be in danger of collapse. This moment of discovery coincided with the Kabaka's opposition to Sir Andrew Cohen in 1953.

The deportation of the Kabaka strengthened all the tendencies already driving Buganda apart from the rest of Uganda. Neo-traditionalism was now so strong that Buganda became its own political "party." As a result, the growth of territorial political parties on the normal African pattern was stunted; and Professor Apter concludes that the best chances for future political development in Uganda lie in a federal system of government.

There is nothing to quarrel with in an explanation that makes much sense. Professor Apter does risk losing his readers' sympathies, however, when he lapses into sociological jargon—how unnecessarily is shown by the notably clear section at the end of the fourth chapter. Then, too, it might have been better if the author had ended his book at a fixed point in time. As it is, he has tried to keep up to date in a scrambling fashion that makes the latter part of the book confusing and sometimes misleading. For instance, the chapter on political parties is written in the present tense, but gives very little attention to the two major parties of 1961.

These are minor criticisms, however, of a book that is an authoritative contribution to modern African history and political science. Professor Apter has seen remarkably clearly through the miasma of local politics, and has provided a cogent account of the past and present political situation of Buganda in its relations with Uganda.

Two Cultures

The Tribe and its Successors

By *William Rayner.*
Faber. 239 pages. 30s.

MR RAYNER has set himself the ambitious task of describing the impact of white settlement on the Mashona tribes of Southern Rhodesia in terms of anthropology, history and current politics. It may seem too much for the compass of a fairly short book, but "The Tribe and its Successors" will give the general reader an adequate and lively summary of the collision of two cultures over a period of seventy years. The consequences of the white presence in Africa are as far off resolution as ever, and Mr Rayner helps to explain why.

It is only in recent years that a serious attempt has been made to explore the African past. The Boers, who set the tone for the exploitation of the land south of the Zambesi, regarded the Bushmen and Bantu as the children of Ham, an inferior species to be used and ill-used like the beasts of the field. The missionary effort of the mid-nineteenth century, and the anti-slavery movement which it inspired, brought a modification of this view; it came to be accepted that churches and schools for Africans were desirable. The black man had become human, but only just. His emancipation was infinitely slow and conflicted entirely with the motives of the white men who were then digging feverishly for diamonds and gold. Cecil Rhodes emerges as the central figure of the book, a man obsessed not with money (although he was a millionaire before he was thirty), but with power and juvenile dreams of glory. In the face of scepticism in Whitehall he imbued the City with his own vision of the riches to be exploited in Mashonaland, and support was readily forthcoming. There was a Rhodesia lobby in those days, too. But he failed to find another Kimberley, and the copper belt of the northern province only became important long after his death.

In his dealings with Africans Rhodes was devious and ruthless, and he remained to the end a racialist at heart. By contrast, Lobengula, the last king of the Matabele, appears as a man of honour, a noble savage, whose primitive values were no match for white men who clinched every argument with a Maxim gun. Mr Rayner tells the story well; and in these days, when Sir Roy Welensky and others extol the achievement of the pioneers in opening up the country, it is useful to be reminded that they were little more than a ragbag of mercenaries on the make. Later settlers did make a contribution, however reluctant, to African advancement, but too often it was linked with contempt and distaste. Mr Rayner's last chapter, expressing a personal view of the future, is detached and fair. Like most other observers who know the Federation well, but who do not belong, he takes it for granted that the days of white supremacy are numbered.

OTHER BOOKS

THE COMPLETE GUIDE TO PERSONAL INVESTMENT. By P. J. Naish. *Evans.* 256 pages. 21s.

This book, written by a financial journalist, treats investment in a way suitable for the novice without dodging its complexities. Thus, while he advocates the unit trust as a good medium for the small investor, he also gives a useful introductory guide to the various sections of the equity market. His opinions are balanced and the book is laid out clearly and simply. In offering advice to the investor, potential or practising, Mr Naish *is on ground well worn in the last few years*; but, unlike some of his racier contemporaries, who lack both depth and breadth, he has produced a useful work.

WHAT'S WHERE IN LONDON. 1962 edition. By Denys Parsons. *Kenneth Mason Publications.* 138 pages. 7s. 6d.

This fascinating guide to where you can hire peers' robes, dump a baby, take your brass repairs and buy a backscratcher or shoes for difficult feet is sensibly being made an annual fixture. The 1962 edition includes a new chapter on how to find out—a guide to reference libraries. At 7s. 6d. this unique booklet—the original manuscript was turned down by thirteen leading publishers—is first-class value for both amusement and instruction.

THE INTERNATIONAL JOURNAL OF PRODUCTION RESEARCH. *The Institution of Production Engineers.* Annual subscription, five guineas; individual copies, 30s.

This new journal is intended to provide a centre of information on the many aspects of production, human as well as technical. By bringing them together, its founders hope that they will help to encourage the development of a unified science of production. Readers will welcome a journal that is less specialised than most newcomers.

ROBBERY IN LONDON. Cambridge Studies in Criminology, edited by L. Radzinowicz. By F. H. McClintock and Evelyn Gibson. *Macmillan.* 166 pages. 30s.

The gist of this report by the Cambridge Institute of Criminology appeared in an article in *The Economist* on November 26, 1960.

DOCUMENTS ON INTERNATIONAL AFFAIRS. 1958. Edited by Gillian King. Published by *Oxford University Press* for the Royal Institute of International Affairs. 624 pages. 84s.

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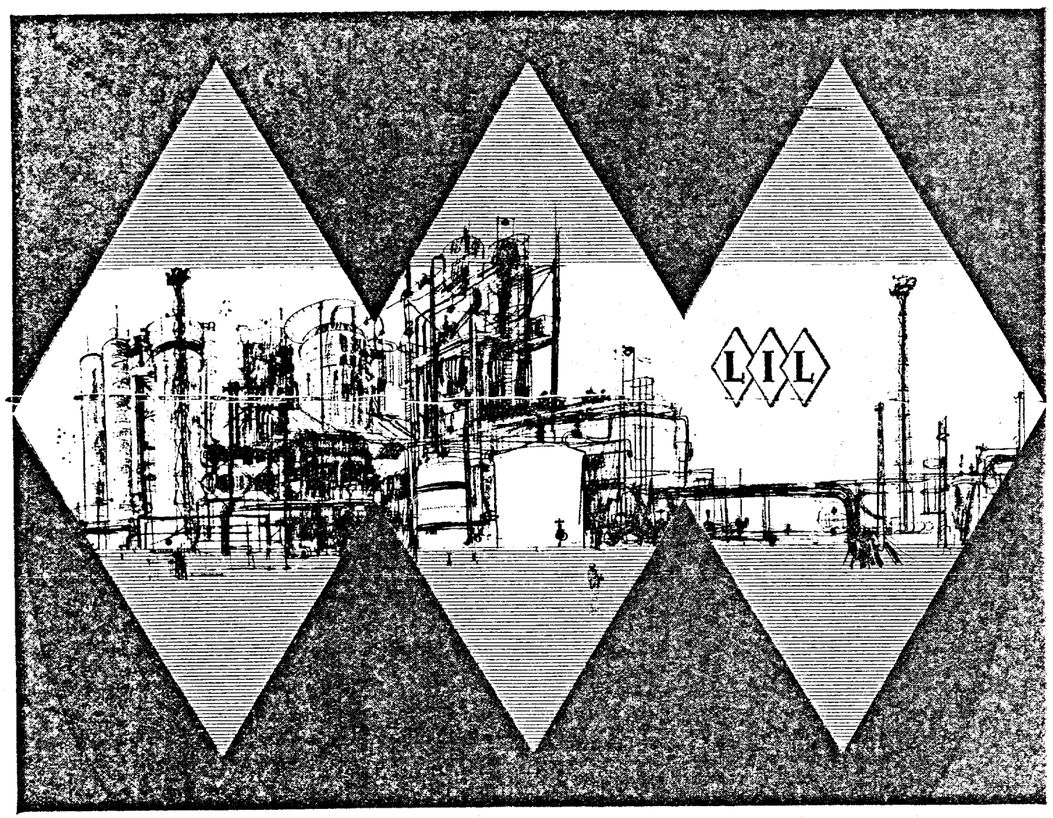
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ORTE

THE WORLD OVERSEAS

The Exodus to Hongkong

FROM OUR HONGKONG CORRESPONDENT

Wednesday

THE great exodus from China into Hongkong continues. In the past sixteen days approximately 25,000 exhausted refugees have forced their way across the border of the colony's New Territories. And they are still coming. They swarm over, or break down, the eight-foot barbed wire fence in the greatest mass crossing of the frontier since the Japanese invasion in 1941. They then bow respectfully to waiting Hongkong police and Gurkhas, submit fatalistically to detention, gulp down a meal and accept their return to China literally by the truck-load. In pillboxes on the mountain ridges, surveying the ravines and precipices of the border, impassive communist guards, who three months ago would have shot down in cold blood any refugee seeking to escape, watch the jostling waves of "escapees" huddle along the fence to wait for nightfall; they even direct latecomers to more convenient points of entry.

Late last year—as reported in *The Economist*—the mainland grapevine brought word to Macao that in a planned campaign for "thinning out" the population in the drought-ridden Kwangtung province (bordering Macao and Hongkong) the Canton authorities proposed to force elderly, infirm and disabled "useless mouths" on both colonies. In a rare public statement on the touchy subject of the refugees, the colonial secretary in Hongkong, Mr C. B. Burgess, announced that because Hongkong's population of 3,500,000 was so dangerously swollen, illegal entrants would all perforce be turned back.

Now the deluge has come. But the swarming refugees are not "useless mouths"; they are mostly young and ablebodied and they are neither starving nor manifesting signs of malnutrition. They attribute their flight to hardships, food shortages and fear of worse hardships and food shortages. Many of them are former factory workers who have been transferred from Canton to work in farm communes—which apparently did not welcome them. Some have "exit permits." Some have tramped for up to six days from remote Kwangtung areas—which means that they had accumulated sufficient food for the trek. Some came by train—which means that the authorities knew they were going and why. Some have told of passing through small villages whose inhabitants, learning of their destination and hopes, left *en masse* with them. Some have persisted in their escape attempts, making two or even three crossings.

It is altogether an amazing story—with dark and alarming undertones. One implication is that communal discipline has crumbled; certainly a bloody reaction will be unavoidable if the authority of the communist border guards is to be restored. So far the guards have accepted Hongkong's compulsory return of 25,000 "escapees" whose flight they had previously authorised if not encouraged. But a screening system is in official operation; occasionally returned refugees are brought back to the checkpoint at Lowu and it is pointed out that they hold Hongkong identity cards; these



are then accepted. The ominous prospect of course is that the refugees may be ordered by the communist guards to resist return, or that the guards may refuse to accept the returning truckloads. Portuguese Macao, too weak to resist its swollen flood of refugees with "exit permits," is now crammed with arrivals who, because of tightened security by the Hongkong authorities, are no longer able to make the night smuggling run to Hongkong as easily as in the past.

How much Peking knows or cares about this Kwangtung exodus is purely a matter of conjecture. In non-communist history Chinese peasants, and families have always been accustomed, under the flail of famine, to migrate to cities and new areas. There are reliable reports by visitors that in Shanghai tens of thousands of urban workers are also being removed to rural communes in the campaign to reduce the teeming city's population by one-third. The Mao regime has consistently disdained world opinion on Chinese internal conditions, so that the natural assumption that a question of "face" is involved in this tolerated revelation of such widespread discontent cannot be sustained.

The Hongkong government must be congratulated on having handled the sudden macabre crisis with a shrewd combination of diplomatic discretion and administrative efficiency. The dog-tired police have shown patience and sympathy in dealing with the invasion. Those refugees—some are barefooted—who have been injured or hurt in flight are in hospital and presumably will not be returned. There have been pathetic scenes as Hongkong residents carrying provisions move around the outskirts of the camps where the refugees are assembled for their return, crying aloud the names of relatives and friends who they suspect may be among the escapees.

Belated humanitarian intervention by Formosa—which in the past has shown interest in accepting only able-bodied refugees from Hongkong—could have embarrassing political side-effects for Britain. Cash donations by the United Nations will not touch the problem. Offers by a small number of countries prepared to accept refugees will still necessarily be subject to delays and the provision of temporary accommodation already heavily overtaxed in the overcrowded and water-rationed colony. The vital question in Hongkong is whether, having allowed his people to go, Mao will now try to stop them or exploit them as a strange new instrument of disguised aggression.

Unscrambling in Bonn

FROM OUR BONN CORRESPONDENT

It is planned that Dr Adenauer shall pay a state visit to France from July 1st to 6th, and that General de Gaulle shall be a guest of the Federal Republic some time in the autumn. The federal foreign minister, Herr Schroeder, had a word with the French ambassador in Bonn on Tuesday about these arrangements. Such comings and goings naturally excite those who have lately been scenting a change in Dr Adenauer's foreign policy—a change, perhaps, that would compound France and the Federal Republic into something of a counterweight to the Anglo-Saxon influence in Europe. But this week's clarifications of German intent (which had been obscured by Dr Adenauer, more in sorrow than in anger, at his meandering press conference in Berlin on May 7th) convincingly dispel the shadow of an impending change of any substance. It is unlikely that, when they meet, the two venerable statesmen will decide upon anything more tangible than they have at previous councils. No one has yet been able to discover precisely what the general and the chancellor say to each other when they are alone. Their encounters are mystic, wonderful—yet symbolic, at least, of the two nations' sensible resolve in future to live constructively alongside each other.

That the Federal Republic continues both to trust the Anglo-American allies in their attempt to find a workable Berlin settlement, and to want Britain to be a full member of the European Economic Community, was the burden of assurances given in Bonn this week by Dr Adenauer to the American ambassador, by Herr Schroeder to the British ambassador, and by state secretary Carstens to the French ambassador. Such reaffirmation should scarcely have been necessary: for, short of embracing communism, the west Germans have in the last resort no choice but to accommodate themselves to the wishes of their chief protector. One of Dr Adenauer's explanations for his contrariness has been that he did not want the east German journalists who attended his press conference to go away with the impression that west Germany was in a capitulatory mood. (To one who had asked him whether it was not wrong that certain agents were trying to undermine the east German Democratic Republic from west Berlin, Dr Adenauer countered gently, "There's not really much to undermine, is there?") In private the chancellor has once again deplored what he often suspects to be a standing conspiracy by some western journalists to trip him.

The confusion and annoyance which Dr Adenauer engendered, and his long absences from Bonn, have renewed speculation about his fitness to stay in office until the end of 1963—which is generally assumed to be the latest possible moment for him to carry out his promise to the coalition to retire in time for his successor to have a chance to establish himself before the general election of 1965. The Social Democrats have been clamouring that the "impossible chancellor" should be sent packing. The Free Democrats, whose leader, Herr Mende, refused last September to serve in a coalition cabinet headed by Dr Adenauer, have confined themselves to applauding pointedly Herr Schroeder's expressions of confidence in what the Americans are doing. So have most of the Christian Democrats who believe the time has come for the 86-year-old to make way for a younger man. Permanent civil servants at the foreign ministry and elsewhere are confiding to friends their dismay at the difficulties caused by the chancellor's intrusions and prejudices, and their hope that Herr Schroeder will resist them more effectively than his predecessor, Herr von Brentano, did.

Herr Schroeder seems to be succeeding, and in the process earning the respect of both the diplomatic and the political communities. Having taken all three parties in the Bundestag into his confidence, he has persuaded them of the usefulness of the American negotiations with the Russians, and of the unprofitability of holding at this juncture a foreign affairs debate from whose acrimonious confusion the enemy would assuredly derive comfort. There is much approving talk of Herr Schroeder's "new style," of his "flexibility" and "pragmatism."

In the course of the past few days the foreign minister has been showing his paces in the framing of some radical but constructive amendments to the Anglo-American proposal for a thirteen power authority for controlling the communications between west Berlin and the Federal Republic. The gist of these amendments, which are to be despatched shortly to Washington, is that only six governments should be represented on the authority—those of the Soviet Union, the United States, France and Britain, all with full voting powers, and those of west and east Germany, with no right to vote at all. But how far Herr Schroeder's "pragmatism" will go in the long run is still an interesting matter for conjecture. Many of the younger generation of Germans would be relieved if the foreign minister had the moral courage to declare unequivocally that the existing eastern frontiers must be considered permanent. As it is, the senseless agitation for revision continues.

Yet, however realistically Herr Schroeder may be setting about his difficult and discouraging job, it should not be supposed that he would ever be ready to accept responsibility for recognising the sovereignty of an independent east Germany. There is no west German politician in sight who would. For the communists have made their objective perfectly clear. One newspaper has recalled this week Mr Khrushchev's observation at the Leipzig fair in 1959: "The west Germans will yet come to appreciate that it would not be so bad after all to have Walter Ulbricht as federal chancellor and Otto Grotewohl as president of a united German people's republic of workers and peasants.... If the people in west Germany are not ready yet, there's no hurry. Let there be two states for the time being." Another has published a factual report concerning the works' militia in east Germany, whose 380,000 members, all evangelical communists, are being trained to seize power in the Federal Republic should an opportunity present itself.

Hard-Boiled in Paris

FROM OUR PARIS CORRESPONDENT

France's European crisis has been precipitated earlier than was expected after General de Gaulle's press conference on Tuesday. Few people thought that his words would have such an immediate effect. At the conference the journalists followed the now customary procedure of providing cues for the presidential monologue, and this time the monologue was centred around Europe and its place in the world. Nothing in it was really a surprise to those familiar with the gaullist doctrine, but the general's public restatement of his opposition to the idea of integration, and the contemptuous way in which he made it, proved too much for the European conscience of the Christian Democrat (MRP) ministers. That same night all five of them handed in their resignations from the one-month-old government of M. Pompidou.

In his press conference General de Gaulle simply dotted the i's in the historical record. He denied the authorship of the expression *"L'Europe des patries"* and claimed that he preferred a Europe of states, because nothing solid can be built except through the co-operation of states. Whatever the formula, the general did not hide his aversion from any idea of supranationality. Nobody in western Europe, in his view, now has the power to impose a federation, and therefore all federal solutions are simply ridiculous flights of fancy. True, if Europe abdicated its role, an outsider could impose a larger federation; but if this was the aim of the integrationists they should say so plainly.

There was no doubt among the general's audience about whom he was thinking when he referred to the outside federator. In this way he shifted the European quarrel to its Atlantic level and suggested that the real dispute was over the American leadership of the western block. Admittedly he described Nato as an indispensable alliance. He also granted that the United States assumed the biggest share in the western military effort, and was therefore entitled to "sound" the Russians if it chose. Yet he immediately added that Paris, like Bonn, considers such talks to be harmful and has no intention either of taking part in the atomic farce at Geneva. He also emphasised that the international situation had altered radically in the thirteen years since Nato was created. The Russians have acquired the means of annihilating the United States, and by the same token have undermined Europe's faith in the American shield. Europe must have a deterrent of its own, and the general modestly brandished the budding French strike force as a suitable substitute.

The gaullist vision of a future European equilibrium from the Atlantic to the Urals is very nebulous. The immediate concrete prospect is of a continental coalition based on Franco-German foundations. General de Gaulle refused to say whether there would be room for Britain in such an edifice, but the general impression here is that when Mr Macmillan comes to the Chateau de Champs early in June he may well find that the French are trying to raise the price of admission for newcomers. Dr Adenauer, who will be the general's next visitor, should provide the answer to another awkward question: Will the Germans, despite their present differences with Washington, in fact help to lay the foundations of a construction of which the Americans so obviously disapprove? But even before the reactions of Bonn and other European capitals could be learned, the resignation of M. Pflimlin and his four colleagues showed how shocked the French "Europeans" were by General de Gaulle's ideas.

Shock may be too strong a word. Since nothing in the general's remarks was entirely new, the MRP leaders' surprise is surprising. Only a month ago, when M. Pompidou replaced M. Debré, they agreed to add two portfolios to the three they already held in the previous government. Why the sudden change of heart? The MRP ministers have put forward the following explanation. Admittedly they knew the general's views on Europe, but they thought that they could influence his policy within the government and work towards a compromise on both the European and the Atlantic fronts. The general's press conference convinced them that the influencing might be the other way round, that they might be made use of to bury European integration just as M. Debré was used as the grave-digger of French Algeria. Hence the catholic trade unions are restive, and the MRP feels it has nothing to lose in a general election.

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A government reshuffle, however, does not require a general election. M. Pompidou, having filled the gaps in his cabinet (he promoted secretaries of state to ministerial rank and brought in only one newcomer), can get on with the job. General de Gaulle, convinced more than ever that parties are a nuisance, can wait for a better opportunity to weaken their influence. Everything is happening as if France had already finally got rid of the Algerian problem. The trade unions call more and more strikes. The general has his eyes on the European horizon. The "Europeans" are mounting a counter-offensive. And the Algerian massacre goes on just the same. In real life, unlike the history books, chapters do not end with a clear full stop. Nor do they start on a new page.

Labour Unrest in Spain



FROM OUR SPECIAL CORRESPONDENT

"Asturias" is one of the most emotive words in Spanish—sinister or heroic, according to the mouth which utters it. It was in Asturias in 1934 that socialists, communists and anarchists succeeded, for the first and last time, in surmounting their doctrinal differences and establishing a workers' soviet. It was in Asturias that General Franco, assigned the task of crushing the revolutionaries, made his first harsh impact on Spanish internal politics. Nothing could have startled the general's present supporters (and some of his opponents) more than the sudden resurgence of the word—whispered at first, then chalked on walls, then emblazoned on handbills—in every industrial province in Spain.

During the previous six months there had been strikes involving tens of thousands of workers in Barcelona, Berga, Cadiz, Cartagena, Valencia and many Basque towns. At Beasain, near San Sebastian, workers had demonstrated against the *sindicatos* (the official, falangist-dominated "vertical syndicates" to which workers and employers alike must pay dues) and demanded free trade unionism. In February, Sr Jiménez Torres, the general secretary of the *sindicatos*, alarmed by his officials' reports of working-class discontent, submitted to the minister responsible for syndical and falangist affairs, Sr José Solís Ruiz, a suggestion for liberalising what he called the "outmoded" structure of his organisation. The two men, hitherto close friends, quarrelled, and Sr Solís accused Sr Jiménez Torres of being a "*vaticanista*" seeking to strengthen Catholic Action influence in the unions. Sr Jiménez Torres resigned, a more pliable official—Sr Lamata Mejía—was appointed in his place, and the crisis was swept under the mat. But workers continued to go on strike. As a group of Basques told your correspondent recently, "even fear retreats before hunger."

Spanish workers are hungry not only for better and more varied food but for decent homes and consumer goods. They ask: "Why

should we have to emigrate to obtain a civilised standard of living?" The tales told by vacationing emigrants, and the example of working-class tourists from France and Germany, tantalise them; their appetities are excited by crude hard-selling press and radio advertising and glittering display-windows; but their earnings for a nine-hour day rarely exceed twelve shillings, and it is harder for them than for clerks, teachers and lawyers to hold a second job. The Basques already quoted said: "We want our share of these marvellous economic achievements the papers and radio are always telling us about. After all, the workers bore the brunt of the stabilisation programme." ("How right they are!" commented a distinguished Spanish economist to whom this was repeated.)

Strikes are still illegal in Spain, and strikers may be charged before a military tribunal with rebellion against the state; but except in fairly isolated communities, or where a small group of ringleaders (invariably described as "communists") can be speedily identified and arrested, outright repression is now rare. Army officers are increasingly unwilling to serve on "political" tribunals and sometimes mark their displeasure by awarding minimal sentences. And the government is restrained by the knowledge that Spanish affairs are under close scrutiny in the countries belonging to the European Economic Community, where liberal and socialist publicists are ready to pounce on any impropriety that will justify Spain's exclusion from the community.

When the seriousness of the latest Asturian and Basque strikes became apparent, the government tried at first to intimidate the workers by moving in security forces and ordering employers to impose a lock-out. Forty or fifty arrests were made. But where strikers stood firm they and their employers were soon informed, generally within a week, that they were at liberty to negotiate a settlement, and were assured that the government would observe a neutral attitude. (The government contributed to a settlement by authorising the mine-owners to increase the price of coal. The civil governor of Oviedo province helped to ease tension by persuading managements to allow strikers to obtain food on credit from company shops.) Strike procedure came, in fact, to resemble that followed in the decadent democracies. *Sindicato* officials were either by-passed or obliged to forget their "vertical" pretensions and negotiate on the workers' behalf—with unofficial strike-leaders breathing down their necks. Some employers, in Beasain and Bilbao, have told the workers' representatives that they prefer this method of negotiating and are in no hurry to return to the cumbersome "vertical" system in which union officials represent no one but themselves and every dispute is apt to be dramatised and treated as an incipient insurrection.

A PERSONAL representative of Sr Solis toured the Asturian and Basque strike centres early in May to inspect the damage suffered by the *sindicato* system. After studying his—pessimistic—report, worried *sindicato* and falangist officials from several provinces, meeting in a monastery near Madrid, drew up a list of the measures they considered the government should take to prevent a further deterioration of the industrial situation. Understandably, they saw little need for serious political or structural reforms; but they recommended economic concessions.

Government economists are worried, too—and are strongly critical of the coal-owners who, they say, pocketed the big profits they made during the easy years of protection and autarchy instead of investing in mechanisation. For their short-sighted reliance on cheap labour many other industries may now suffer. Inflationary breezes are, indeed, already sweeping the main industrial regions. Soon after it became known that the miners were being offered 157 pesetas a day (plus a productivity bonus of 78 pesetas a ton for *picadores*), workers went on strike in Vizcaya province for a minimum wage of 160 pesetas. (166 pesetas = £1.) Leaflets signed "MOS" ("trade union opposition movement") appeared in Catalonia demanding a similar minimum. Strikes broke out in León, Guipúzcoa, Jaén and Córdoba. Then "MOS" leaflets distributed in Madrid urged "catholics, communists, socialists and anarchists" to forget their differences and prepare a general strike "for decent wages and liberty."

So far the strikes have been economic and scrupulously non-political, but their political consequences are being felt. In Asturias and the Basque provinces they were led by organisers of the clandestine Christian Democratic Left and Socialist Labour party, which form the core of the Union of Democratic Forces: the UDF has undoubtedly gained influence and prestige in consequence. The liberal monarchists of *Unión Española* have expressed sympathy with the strikers and protested against the censorship. Communist influence has nowhere been decisive, and in the Basque country it has been almost imperceptible; in Gijón workers are reported to have made angry remarks about "communist strike-breakers" when a Polish ship arrived with a cargo of coal (it had to be unloaded by the army). The regionalist movements, however, have been encouraged to step up their agitation—not only in Catalonia and the Basque country but in the Canary islands.

Twenty-four influential intellectuals—including José María Gil Robles, leader of the right-wing Christian Democrats, and Dionisio Ridruejo, once the Falange's propaganda chief, now a left-of-centre critic of the regime—have signed and circulated a statement on the strikes in which they call for the establishment of a situation "as near as possible to liberty, justice and concord" and urge all Spaniards to address petitions to General Franco advocating freedom of expression and "normal, non-totalitarian" trade unionism. Students have demonstrated boldly in the centre of Madrid and Barcelona in support of the strikers and against the "plutocratic" *Opus Dei* wing of the administration. They distributed handbills reading: "1962—last year of the dictatorship."

Canadian Waterloo?

FROM OUR OTTAWA CORRESPONDENT

CANADIANS go to the poll on June 18th, which is the anniversary of the Battle of Waterloo, and the election now looks like being another "damn close run thing." The confidence which the Liberal leader, Mr Pearson, has long shown now appears more reasonable than it did even a month ago. In the early weeks of campaigning, Mr Pearson's appearances have aroused warmer enthusiasm than was generally expected, while Mr Diefenbaker's campaign has fallen rather flat. The comparison is perhaps unfair, since the response to Mr Diefenbaker is inevitably seen against the fervour which he aroused in 1957 and 1958, while Mr Pearson's performance follows very modest forecasts.

But the universal impression of reporters who have followed the two leaders through their erratic airborne election tours from one province to another is supported by a Gallup poll published last week but taken two weeks earlier (that is, before devaluation). It gave the Liberals 45 per cent of the decided vote, against 38 per cent for the Conservatives. This was a switch since January of three per cent to the Liberals from the New Democratic party, formerly known as the CCF. The Conservative share was unchanged, and so was the eight per cent shown for "others," mainly Social Credit. Only in the four western provinces were the Conservatives ahead, with 35 per cent against the Liberals' 31 per cent. It is in the west that the New Democratic party and the Social Crediters have their chief strength, though Social Credit is becoming a factor in parts of Quebec.

If the popular vote follows the poll it still would not assure a Liberal majority because most constituencies will have three or even four candidates. But the decline of the New Democratic party must be especially encouraging to the Liberals, apart from the

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Drinks - Alcoholic	
Beer	234,998
Spirits	174,075
Wine	14,822
Total	423,895
Drinks - Soft	38,870
Engineering	24,183
Entertainments	
(including Cinemas & Theatres)	377,572
Food & Food Beverages	276,213
Football Pools	100,895
Footwear	14,985
Furniture	37,696
Heating & Lighting	29,504
Hotels, Restaurants & Cafes	16,793
Household Equipment	73,329
Insurance Cos. & Building Societies	126,021
Jewellery	8,699
Medical (including Patent Medicines)	49,395
Men's Wear	37,133
Motors, Cycles & Accessories	159,738
Newspapers & Publications	233,700
Office Equipment	24,376
Petrol & Oil	110,654
Photography	71,825
Radio & Television	48,142
Stores & Drapery	133,189
Textiles	14,051
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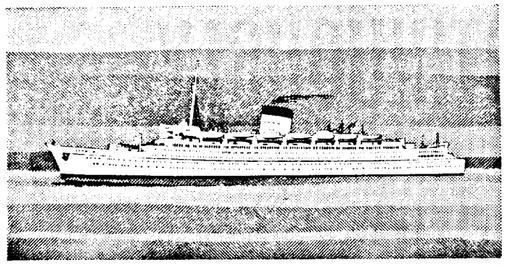
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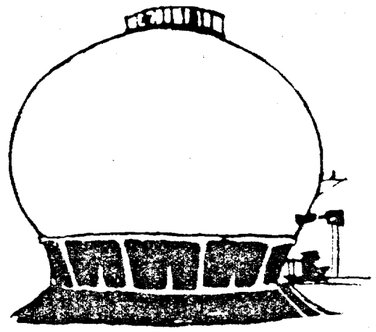
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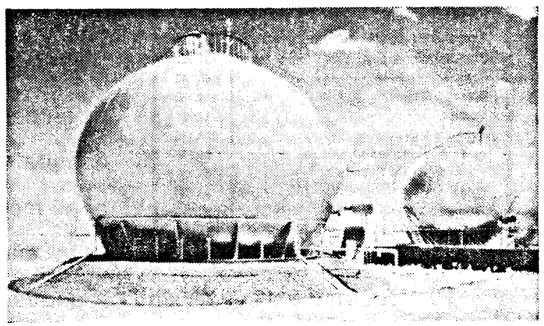


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psychological effect of being in the ascendant so early in the campaign. Mr Diefenbaker's early performance has persuaded some reporters that he is "holding back," others that "the old magic is not working." A few days' sally through Quebec was received with notable coldness. At one town where the crowds were larger than usual, a reporter asked why, and received the reply: "*Les gens ne sont pas pressés. Vous savez, il y a pas mal de chômage.*" Quebec is Mr Diefenbaker's weakest area. His strongest are the prairies and the Maritime Provinces. Ontario with its 85 seats, of which the Conservatives won 67 in 1958, looks like the crux in so far as there can be any crux when so much depends on the hazard of split votes.

The only real issue which has emerged so far is Canadian prosperity. The Liberals are pounding away at the theme "the wasted years," comparing Canadian prosperity and prestige before 1957 with unemployment and loss of foreign confidence since then. Mr Diefenbaker devoted his first national television address on Monday to ridiculing the "wasted years" slogan, and reciting his government's accomplishments. But he still gets a greater response on the platform when he attacks the former Liberal regime in 1958 style and equates it (rather incongruously) with the new men around Mr Pearson.

The Liberal leader faces the double task of driving home his "wasted years" theme and of establishing the still weak image of himself as a national leader. He is going at it with gusto. But it will take a big sweep to reverse the Conservatives' 1958 majority. Mr Diefenbaker could lose 70 seats and still have an overall majority of the 265. Both smaller parties are expected to make some gains. So the next government will depend on whether Mr Diefenbaker or Mr Pearson wins more seats; in either case it could be a minority government. At this stage the running is so uncertain that remarkably few bets are being placed.

The War in Vietnam

FROM OUR CORRESPONDENT LATELY IN SAIGON

THE Americans are becoming more and more embroiled in south Vietnam, yet the situation there grows worse and worse. For a while in February and early March it seemed that the Vietnamese forces were having some success, but in April the Viet Cong regained the initiative and there was a record number of "incidents." Now communist successes in Laos will stimulate the Viet Cong and make it easier for supplies and men to reach them from across the border.

No part of the country is wholly free from Viet Cong infestation, and incidents occur even on the outskirts of Saigon. The city itself presents a deceptively smiling face, with its French boulevards and well-stocked shops, and the adjoining Chinese city of Cholon is apparently as busy as ever with buying and selling. But one leaves Saigon at one's peril—the diplomatic corps cannot even get to its favourite beach. A fine road which the Americans built to help the army go out and fight is in Viet Cong hands except for the first few kilometres. The countryside is perilous with possible ambushes and strewn with booby traps—such as buried concrete blocks bristling with barbs that tear into soldiers' feet. Brother fights brother in this hideous little war that could so easily become a major international one.

The United States is firmly committed to prevent the triumph of communism in south Vietnam, whose loss could lead to the loss of all south-east Asia. Mr George Ball, the American under-secretary of state, recently said at an Economic Club dinner in Washington that American personnel in south Vietnam would be increased to 8,000 this year. Americans have been multiplying enormously during the last few months and now number between 5,000 and 6,000, all behaving very carefully and discreetly. None of them however are combat troops; few are armed with anything more formidable than a cigar. Some two thousand are connected with the various projects of economic aid, and military assistance consists of supplying material, instructors and technicians. The Vietnamese army, numbering 174,000, has American weapons and is trained by Americans. Americans pilot the helicopters that carry Vietnamese troops to trouble areas, and the Lockheeds that take supplies to outposts. Large, white and conspicuous, Americans advise Vietnamese commanders in the field, meticulously calling them Sir.



By the end of June, 1961, the United States had spent a total of $2,135 million on aid, economic and military, to south Vietnam; now it is spending something like a million dollars a day. All this is to defeat a mere 25,000 ill-armed guerrillas, and so far it is not even succeeding.

What is needed, rather than more aid, is greater efficiency in its use. Administration, for example, tends to be paralysed by palace control. A properly co-ordinated intelligence system should replace President Ngo Dinh Diem's private lines. There should be a proper chain of command in the army, which might be quite effective but for the interference which results from the president's distrust of it since the army coup of 1960. Very little progress has been made with the joint American-Vietnamese programmes agreed on some months ago for fiscal, economic and administrative reforms.

Worst of all, although good campaign plans are made, progress in carrying them out is slow. The Vietnamese government has the advice not only of the Americans but also of a small British military mission under Mr R. G. K. Thompson, who was secretary for defence in Malaya and knows all about fighting guerrillas. From this co-operation a plan has emerged which aims at clearing the Viet Cong from one area at a time. Villages are ringed with barbed wire and the villagers armed and trained to defend themselves, while hamlets that are too small to be defended are abandoned and their inhabitants resettled in new strategic villages. While operations are going on, restrictions of all kinds are imposed on the peasants; these are designed in particular to prevent food supplies from reaching the Viet Cong, in order to force them in the end to abandon the district. Once the area has been declared "white" the restrictions are lifted, so that the peasant has an interest in keeping it so, and, it is hoped, at least enough confidence in his security to co-operate with the authorities.

That is the theory. The practice has been rather different. A start was made in Binh Duong province just north of Saigon, where of 56 villages only about 10 were still under government administration. "Operation Sunrise," it is grandly called, but there is no indication that it has achieved any definite and permanent result. Meanwhile no start has been made on a similar plan for the Mekong delta south-west of Saigon. Effort still seems

to be dissipated over the country in so-called strategic villages (sometimes fortified purely symbolically with a fence of crossed bamboo) which have no hope of holding out in isolation.

A weakness of all such plans is that it is not easy to get the love and loyalty of the peasant when you are turning him off his land at bayonet point and forcing him to start all over again, first building himself a house. It is still more difficult if, as the Vietnamese government does, you impose on him a heavy levy (between 700 and 1,200 piastres per family) to pay for his own defence. No thoughts of all the schools and hospitals that have been built with American aid are likely to console him. It must seem preferable to be subjected to a Viet Cong raid, which could result in nothing worse than the atrocious murder of the government's headman, the removal of some young men to train as guerrillas, the surrender of food, and of the weapons, if any, just supplied by the government. The peasant is for the regime that will let him till his land in peace.

It is no answer to the need for greater vigour and efficiency to say that support should be withdrawn from the regime of President Diem. Unpopular and nepotist it may be, but no effective alternative is available. Nor is it helpful to suggest that the Americans should be firmer with their clients. As it is known that they cannot let Vietnam go under, the threat to cut off aid would be ineffective. One can only hope that the new gravity of the situation will produce a new tempo and a new sense of priorities.

Militants Against the Military

FROM A CORRESPONDENT RECENTLY IN ADEN

About a third of the six thousand union members who work for the British forces in Aden met at the Trades Union Congress compound in Aden on May 11th to hear an invisible and anonymous leader incite them to a 48-hour illegal strike. Belligerent words boomed at them from a loud-speaker fed by a tape recording. This ingenious, if impersonal, approach to trade union militancy was used by the union to avoid the fate of the five members of its emergency committee who are in prison for trying to persuade the workers to down tools by more old-fashioned methods.

The Forces and Associated Employees Union is demanding higher wages, housing allowances and indemnities on termination of service. It derived its courage to defy the government from its strength, which is greater than that of the many other unions that pepper the Aden industrial scene and which, by a process of fragmentation, seem to be increasing as time goes on. Even so, the forces union called only for a two-day strike, which may have been inconvenient but was hardly damaging—for one presumes that at a pinch serving men can serve themselves for a while.

The significance of the union's action lies less in its demands than its importance as a challenge to the government, and as evidence of still more industrial unrest. For several years before 1960 union leaders led their workers into so many strikes that, in August, 1960, the government introduced an industrial relations ordinance which made strikes and lock-outs illegal. There was peace in 1961, during which legal proceedings under the ordinance were taken in only two cases. In his speech to the legislative council last January, the governor, Sir Charles Johnston, attributed this happy state of affairs to the new law, and no doubt it played its part in establishing the method by which settlements could be reached before the strikes took place. But Sir Charles admitted that most of the 99 disputes successfully ended by conciliation and negotiation "were settled in favour of the workers, who obtained part or all of their claims." The Aden chamber of commerce goes further; it contends that the retroactive pay awards were extravagant and sometimes exceeded the highest hopes of the unions themselves.

On the face of it, it seems premature to claim too much virtue for the ordinance, the coercive effects of which were not tested by results that consistently favoured the unions. The recent behaviour of the unions shows that their challenge is now directed against the ordinance itself and this, in turn, suggests that the testing time lies immediately ahead. At least two of the strikes this year were deliberately designed to flout the law and the leaders were consequently prosecuted and imprisoned. Even the strike of schoolgirls against their headmistress's treatment of a Palestinian pupil had political undertones; veiled teenagers, looking for all the world like diminutive Ku Klux Klanners, refused to go to school, damaged the buses that were sent to take them there and stoned the police who tried to prevent them. There are still innumerable claims that might reasonably be made regarding wages and conditions, but these are not the essence of the current situation, for, as the record of the 1960-61 settlements shows, the unions have every reason to play the ordinance as long as their lucky run lasts. Workers and their wages, genuine aspirations or otherwise, are caught in a mess of politics.

The ordinance may not be numbered among the most liberal of dispensations for unions, but it was not entirely coercive in its intentions. (It was introduced by an elected Adeni minister and passed by the legislative council on which the elected members have a majority.) If workers reach a collective agreement with their employer the ordinance restores their right to strike, the idea being that the unions should win back their freedom by first entering voluntarily into agreements. It is difficult to escape the conclusion that to encourage the unions the employers were called on to pay the piper while the government called the tune. It failed, nevertheless, to charm the TUC, which has exerted its influence consistently to stop the unions from using the ordinance, or indeed from working with the ministers of the colony at all.

As usual in cases like this, employers and people in the government suspect subversive influences ranging from Cairo to Moscow. The forces union is suspected of hatching plans to undermine the military base. It is just as likely that the dizzy whirl of ideas that passes for politics in the colony, and which has numerous conflicting currents within the broad stream of nationalism, has brought to the surface of union activity a political strategy that defeats the outsider's comprehension. There are also domestic factors; the TUC, for example, supports the union with Yemen because it has a majority of Yemeni members, although no unionist in his right mind could seriously seek the Imam Ahmed's rule. If anybody wants coercion he can find it in the Yemen, where a four-year-old boy can be chained to a wall until his parents come back to pay their taxes. Yet this support for Yemen is one element in the TUC opposition to government policy.

The pity of it is that both the colony and the workers need good unions. There are still a great many workers whose lot could do with improvement, but this could best be achieved by industrial action directed strictly to industrial ends. Instead, many of their leaders are seeking to acquire power for themselves by destroying the effectiveness of the Aden upper class, which is now becoming fairly powerful. The colony needs stability both for economic reasons and to pursue its constitutional evolution successfully. Its entrepôt trade is declining, and although the port is used more than ever, it has not had its proper share of the increased shipping of the Red Sea. Djibouti, the capital of French Somaliland, is thriving and industrial troubles that drive ships to that port can do long-term harm to the prosperity of Aden. Fortunately for the colony, it is highly unlikely that the forces union will ever be able to drive away the military bases, which put about £11 million into circulation in Aden every year.



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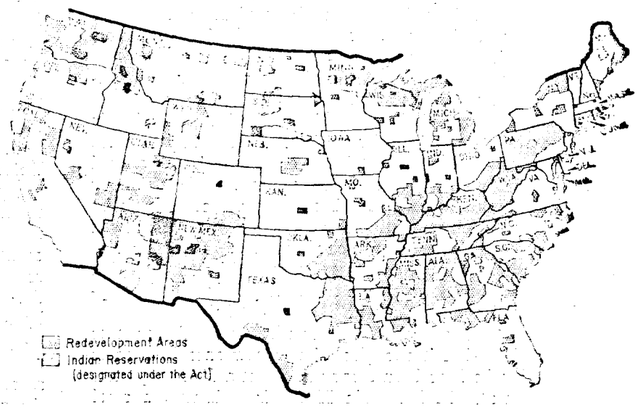
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AMERICAN SURVEY

AMERICAN SURVEY is prepared partly in the United States, partly in London. Those items which are written in the United States carry an indication to that effect, all others are the work of the editorial staff in London.

Development Begins at Home



The whole State of Alaska, the island of Hawaii in the State of Hawaii, a large part of Puerto Rico, the Virgin Islands, Guam and American Samoa have also been designated as eligible for aid under the Act.

THERE were 66,824,000 Americans at work in April, a record for the month, and the number out of work was below 4 million for the first time since November. But 5.5 per cent of the labour force was still unemployed and 719,000 people had been jobless for over six months. Even if the economy expands fast enough, and long enough without a check, to reduce this rate to 4 per cent of the labour force by next year—and it now looks as if, after all, this official forecast may be fulfilled—the hard core of long-term unemployment is likely to persist, at least in some communities. It is years since a nationwide recession or a nationwide boom made much difference to the depressed iron-mining regions of Minnesota, the coal-mining sections of the Appalachians or the textile towns of New England. For places like Detroit and Pittsburgh sustained unemployment is a newer experience, the result of the replacement of semi-skilled labour by machines, but it may prove to be almost as permanent there as elsewhere.

President Kennedy was plunged into this problem right at the beginning of his election fight, when he campaigned in West Virginia, the most depressed of all depressed areas. His gratitude to the citizens of that state for putting him on the road to victory reinforced his natural desire to do something quickly about chronic unemployment. One of the first measures to be approved by the new Congress was the Area Redevelopment Act, to create new jobs for the unemployed in such communities; it had already been vetoed twice by President Eisenhower. It was followed this year by the Manpower Retraining Act, to teach new skills to those who have been out of work for long periods. But both of these measures are comparatively long-term operations and will have only a limited impact before this autumn's congressional elections. Nor will they provide much immediate stimulus for the economy. So President Kennedy has now asked for $600 million to be spent at once on needed public works which could be started without delay—and it looks as if he may get a favourable answer.

These outlays would be confined mainly to places eligible for aid under the Area Redevelopment Act. At the beginning of May, one year after the Act had been signed, the Department of Labour or some other authority had designated as eligible:

(1) 148 urban-industrial areas where the rate of unemployment had averaged 6 per cent of the labour force for from one to three years and had also been far above the national average;

(2) 735 rural areas and "small labour markets" where workers were consistently underemployed and incomes consistently low;

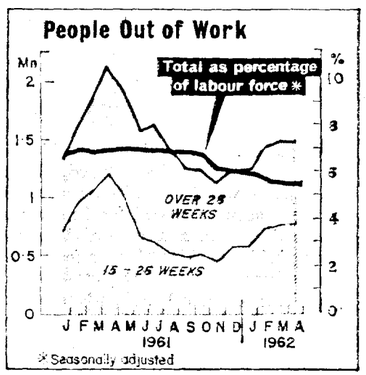
(3) 50 Indian Reservations where similar conditions prevailed.

There were 34.7 million people in these areas, with more than 1.4 million of them out of work; they contained 19 per cent of the national labour force but 31 per cent of the unemployed. In some of them over 20 per cent of the workers were jobless and the average was above 10 per cent. The median family income in the areas of underemployment, at $1,560 a year, was only about a quarter of the national median. Altogether nearly 1 million new jobs are said to be needed. To fill the gap the Area Redevelopment Administration is relying not only on the work created directly by its projects but also on that created indirectly by the need for supporting services and by added purchasing power in the districts concerned.

Once designated, a redevelopment area is eligible, over a period of four years, for:

(1) Loans, to be made to official or private applicants, to buy, develop or improve land or facilities for building or expanding factories; altogether $200 million will be available for these purposes but the ARA may not put up more than 65 per cent of the cost. By May 1st, 21 such loans had been approved, for projects ranging from the distribution of peat moss in Maine to a bottling plant for soft drinks in New Mexico.

(2) Loans of up to 100 per cent of the cost ($100 million is available) or grants ($75 million was authorised and $40 million appropriated) for building or improving public facilities; 7,285 was the estimated number of permanent new jobs to be created by the 19 loans and grants approved so far, mainly for water and sewage facilities but also for a ski jump and other ski-ing facilities to bring visitors to northern Michigan.



(3) Technical assistance—advice, economic surveys, research into new uses for resources, a study of food marketing practices in Samoa, and so on.

(4) Job retraining programmes, to cost $14.5 million; the hundredth has just been approved.

Only three states—Vermont, New Hampshire and Delaware—are without redevelopment areas and it has been contended that there are far more of them than are needed or than the money available will cover effectively. To the second of these arguments Mr William Batt, the head of ARA, replies that the loans and grants from his agency are "seed corn"; they stimulate local initiative and self-help and force the distressed areas to mobilise their resources, and those of state and federal governments to analyse their problems and to plan their own programmes. The financial assistance from ARA brings a crop of new investment from local authorities and from private enterprise.

It has been suggested that ARA is duplicating work already being done by state and local agencies and that many of these projects would have been undertaken if no help had been offered by Washington. This suggestion comes from bankers, among others, who think that they have been done out of business by cheap loans, although some people feel that the government itself charges too much interest in the circumstances. There are also people who say that ARA encourages communities to think that all that they need to do to ensure satisfactory industrial development is to build a new plant with government help.

The first and most publicised project under the new Act answers these complaints—but it also gives rise to new ones from some of the liberals who have been among the most ardent supporters of redevelopment. In Mountain Home, in Arkansas, a rural area with exhausted soil and no assets except its people, those people had already, by their own efforts and by increasing their taxes, raised the money to build a factory and lease it at an uneconomic rent to a manufacturer of shirts. They then found that they could not afford to supply the additional water which was needed. ARA provided $160,000 for a new water system and some 500 people, mainly women, got jobs and are spending their wages in the local shops. Another factory to make boxes for the shirts may be set up soon. But wages are still very low in Mountain Home—it was this which attracted the shirt-maker in the first place—and he extracted a promise that no trade union would come into his factory.

The question now is whether federal funds should be used to help operations of this type, common as they are and badly needed as they are in the South, particularly since such manufacturers tend to be inefficient and unprofitable and to move on to other communities which offer better terms. Thus they do not provide the stable employment which is one of the purposes of the Act. It contains strong "anti-piracy" provisions to ensure that the industry it brings in is genuinely new, not stolen from somewhere else, but this does not prevent "pirates" who are industrialising without ARA from drawing this industry away again. And then there is the deeper question of whether in the long run it is desirable to keep a dying community alive; would it not be better for the people to move away entirely, as many of them have done already, to places where there are broader opportunities for them and for their families?

THE main reason for these difficulties is that rural communities as well as industrial ones are eligible for aid under the Act. This also explains why its benefits are spread so thin. There is little argument about the need for help for towns whose source of livelihood has gone as a result of changes in demand or technique, leaving behind a skilled labour force and all the other things—communications, power lines, etc.—which industry needs. Such a district is southern Illinois, where coal mining no longer pays; if ARA's Rend Lake project there proves practicable, it will supply the district with the water which modern industrial processes must have and which is all it lacks—or so it is hoped—to make it attractive to new industry. Developments under the Act may even, it is thought, attract industry from abroad to some redevelopment areas; foreign companies would be welcomed as American companies have been in similar areas in Britain.

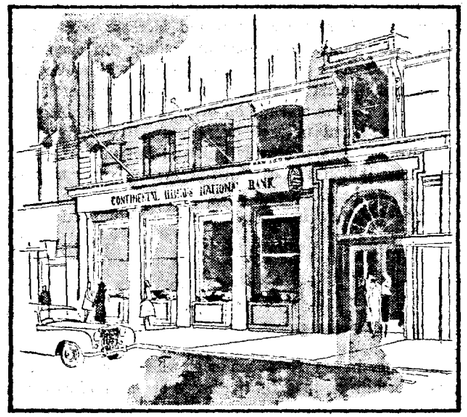
But the congressional representatives of rural areas made it quite clear that, unless their constituents could benefit, they would not vote for area redevelopment, and so the conditions for receiving aid under the Act were made broader than the experts had advised. They were also made broader than some of the communities themselves desired; last year a group of counties in Texas protested violently against the insult of being labelled depressed. But all Congressmen like to come up for re-election bearing concrete benefits from Washington. At one point it looked as if they would not have much to show from the Area Redevelopment Act, at least not in time for next November. There was much criticism of the slowness with which Mr Batt was producing results. But to comply with all the provisions of the Act is necessarily a slow process, and Mr Batt is determined not to lay himself open to charges of having flouted Congress or of having set bad precedents. First the areas must be certified as eligible for aid. Then each one is required to produce its own development plan, which must be approved by the state and then by the federal authorities as justifying the investment involved. Only after that can specific projects be considered. Thus it was not until April that the programme really got going; in that month more "job-creating" projects were approved than during all of the previous six months. Then one of the main purposes of the scheme is to co-ordinate all the government resources available and all of the existing programmes, such as those for channelling as many government contracts as possible into depressed areas and for new highways. Such consultation, and the sharing of authority with other departments, take time and can be frustrating but they prevent overlapping and duplication.

Retraining programmes were one of the first activities to be started in several places; money is provided for tuition and subsistence allowances and unemployed workers are trained for jobs that either are available—repairing automatic transmissions, for example—in the community or will be available—operating turret lathes, for instance—when a planned industrial project actually begins. There have been some setbacks: the number of nurses' aides needed in one West Virginia community was overestimated and the trainees could not get work. Many unemployed people are unwilling to admit that they will never get their old jobs back and many, especially in mining areas, cannot pass the required aptitude tests or have insufficient education to cope with complicated mechanical processes which modern industry requires. One promising project for training tractor drivers in Mississippi foundered on a combination of racial prejudice and fear of interference from Washington. But the scheme has provided valuable preliminary experience for the new and more far-reaching Manpower Retraining Act, which offers training for a much longer period and covers the whole country.

It is not only in retraining that the Area Redevelopment Act is a pilot operation for other undertakings. It will provide valuable experience also for those who handle the readjustment provisions of the coming Trade Expansion Act, designed to help businessmen and work people who suffer from increased competition from abroad. ARA's insistence on development plans parallels that which now comes from foreign aid officials dealing with under-developed areas abroad and the problems are often very similar. Both types of assistance are intended to provide new opportunities for those who have lacked them in the past. Area redevelopment is an official recognition—a rather belated one, many people think—that the United States has at home some of the same deficiencies that it has long been trying, at great expense, to remedy abroad.

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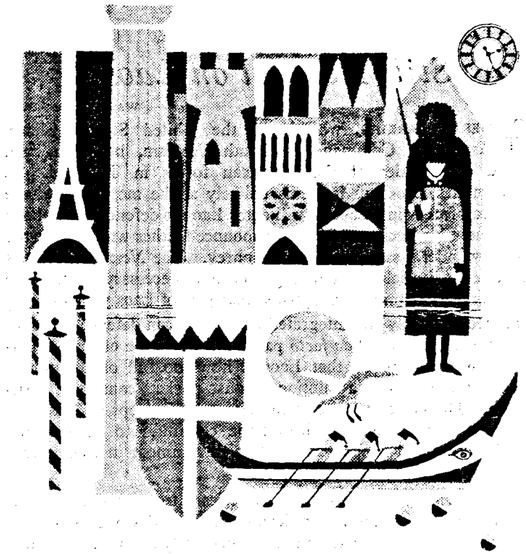
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Still Neutral on Laos

WASHINGTON, DC

GENERAL HARKINS, who heads the United States Military Assistance Command in South Vietnam, has also been named commander of the American forces in Thailand. In between lies Laos but it seems unlikely at the moment that the American forces in Thailand will enter Laos to defend the Mekong river line. No decision has been announced either way. "Let the enemy wonder," said Senator Humphrey. The *New York Times* suggested editorially that it might become necessary to preserve from further communist aggression that part of Laos which can be defended militarily and integrated with American defence of South Vietnam, calling this "*de facto* partition." But the official American view seems to be that Laos is now too full of communist pockets for this to be a solution because pockets cannot be partitioned. Therefore, in spite of the dispatch of troops to Thailand, apparently the main American hope continues to be that the Russians will still support a coalition government in Laos under a neutralist prime minister.

The Soviet reaction to the American troop movements is regarded in Washington as relievingly mild and Congress's reactions to the situation in Laos is described aptly as more mute than militant. There appears to be no plan to delay the release by August of the 145,000 American National Guardsmen and Reservists who were called up last autumn because of Berlin. While the Americans, not for the first time, are fervently hoping that Mr Nosavan will henceforth content himself with being a bad general instead of insisting on being an even worse politician as well, all faith in the fighting qualities of the anti-communist Laotians seems to have been lost finally. Some complain that, if only the United States government had withheld the general's pay cheque earlier, he could have been compelled into a coalition without the current disaster. The likeliest explanation for the failure of the United States to do this seems to be that the Administration was mortally afraid of being accused by Republicans of cutting off funds to "staunch" anti-communists. Certainly President Kennedy has shown little disposition to believe the reports from the Central Intelligence Agency that the general was really worth backing.

Some Americans are waking up to the fact that a neutralist government in Laos, even if achieved, will now really be only a thin cover for American disengagement from Laos. This in turn makes South Vietnam's situation more precarious. For some time it has been feared that factionalism within South Vietnam between Mr Diem and his non-communist opponents might by itself open the door to a successful communist take-over there. But the United States is committed to both Thailand and South Vietnam; this provokes sobering thoughts of American soldiers once more fighting communist Chinese.

Even-handed President

LAST week, while the President flew off to Atlantic City to lecture the United Automobile Workers on his wage policy, seven high-level members of his Administration were in Virginia, at a meeting of the Business Council, exchanging olive branches with Mr Blough, its head and the President's late antagonist on the steel front. Suspicion that the Administration is "anti-business" will be hard to eliminate, but none of the big businessmen present could deny that its spokesmen came bearing real gifts. The Treasury promised that more generous tax allowances for depreciation of capital assets, which have been long delayed and are greatly desired, will definitely be available to businessmen when they make their tax returns this year. And Mr Heller, the chairman of the Council of Economic Advisers, repeated his hint that substantial reductions in taxes, both on corporations and individuals, will be proposed this summer, in good time for Congress to act on them during 1963.

At the UAW convention Mr Kennedy plainly felt himself among friends, as he had not when he addressed the Chamber of Commerce. But he faithfully told the trade unionists that he expected them, as well as businessmen, to take account of the national interest in negotiations affecting wages and prices. He had two reasons for speaking with particular firmness. Mr Walter Reuther, the UAW president, hastily and tactfully agreed that in the long run wage increases should come out of increased productivity, not out of the consumer's pocket. But he argues that in the short run wage increases should exceed increases in productivity, partly because he thinks that real wages have lagged in the past, partly to enlarge effective demand and stimulate the economy into more rapid growth. The second reason for Mr Kennedy's outspokenness is that the UAW is involved in two sets of wage negotiations which businessmen regard as tests of the sincerity of his wage policy—in aluminium and, more importantly, in the aerospace industry, whose main customer is the government.

Any union—or businessman—tempted to defy the President had a new demonstration last week of how harshly he can turn on pure self-seeking. He pointed out icily that it is the savings and loan associations, that have paid practically no taxes up to now, which are stirring up a whirlwind of popular protest against the tax revision Bill. The House has passed it and it is now before the Senate Finance Committee; it would increase taxes on savings and loan associations. But their misleading propaganda has led many people to think that the provision for withholding taxes on dividends and interest is a new imposition. In fact it is only a measure to collect the revenue on over $4 billion of income which goes unreported and untaxed every year. The impression that the poor would suffer is equally untrue. But the Treasury would gain about $1 billion a year which at present other taxpayers are being forced to provide. This money would almost pay for the tax credit to spur new investment which is authorised in the same Bill.

Deficits Pay

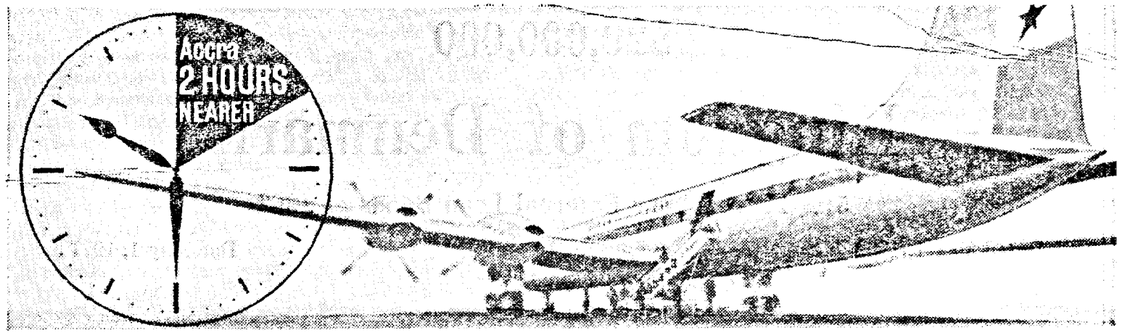
FROM AN AMERICAN CORRESPONDENT IN EUROPE

THERE must be an American somewhere—and a place surely exists for him on the editorial board of the *Wall Street Journal*—who can contrive to demonstrate that the economic performance of the United States in the past five or six years has been better than that of western Europe. As the mediaeval metaphysicians showed, a properly armed theoretician can prove anything and economic theory is most rewarding in this respect. At the very least, such an American should be able to argue convincingly that the continental Europeans, who have clearly done everything wrong, are headed for grave trouble in the "long run"—even though they may have been growing faster, investing more, making more profits, raising wages and living standards faster, avoiding recessions and maintaining full employment up to now.

By all the truths Americans have lived by, the continental Europeans must be in for dire trouble. Their economic sins are almost unspeakable. First, and by all odds foremost, their governments never balance their budgets—at least as Americans understand the term. More awful still, they do their best to avoid surpluses in these budgets. All of them have some nationalised industries; not one, for example, has that pillar of free enterprise, a privately-owned railway system. Almost without exception, they take more from their people in all forms of taxation than does the United

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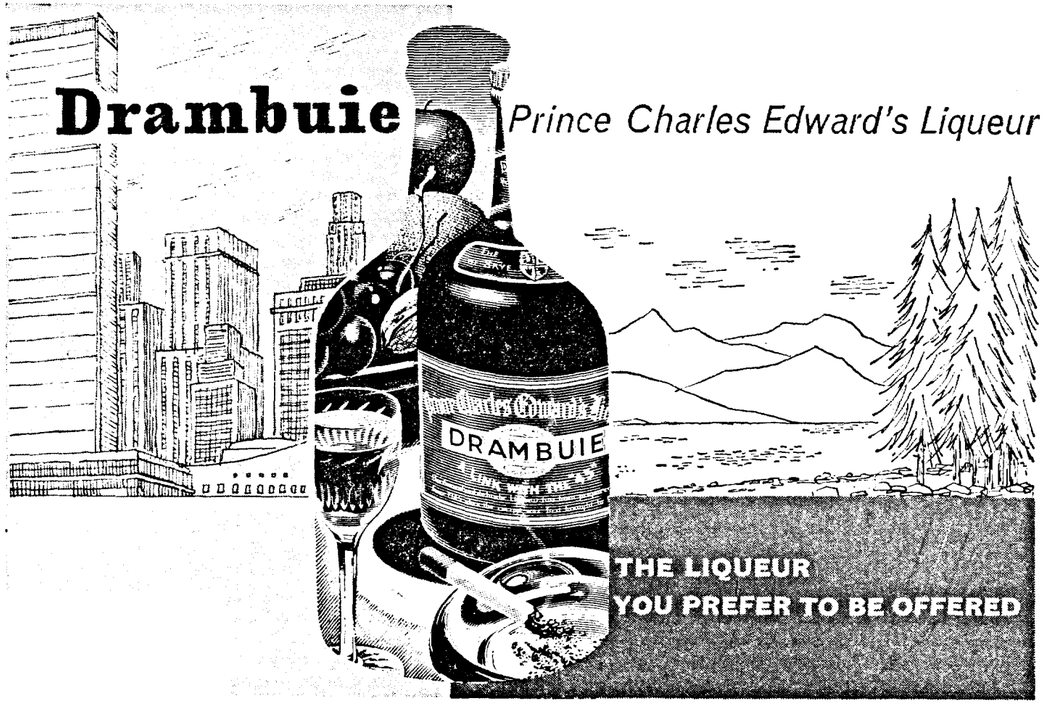
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States ; yet, unaccountably, " incentives " have not been dulled and " risk capital " has not dried up. Government spending in European countries rises giddily year after year, much faster than in the United States, and the welfare state knows no bounds. Most subversive of all, Europeans have been living in sin with creeping inflation for ten years, with hardly a dire consequence to show for it. They are virtuous enough to say that they hate themselves for doing it but they do it and nothing much happens.

It is clearly an unjust world that permits such economic sinners to go on getting richer and richer and at the same time permits them to take away nearly a billion dollars worth of American gold each year. The continental Europeans, in fact, are doing in economics what any sensible man knows is impossible: they are spending themselves rich. Unfortunately, all this has gone on with such good results for so long that the painful question arises of whether virtue and sin have not changed places. In the " long run " Europe may be doomed to suffer, but the long run seems to fade farther and farther into the distance. Europe is now in its fourth consecutive year without the shadow of a recession and looks like repealing the business cycle altogether. What moral does this hold for America ?

THE first thing is to decide which economic transgression has been most effective. Many of the people who have come to admire the profligate way of life in Europe have centred their gaze on a number of small things instead of on the essential big one. There has been study and approval of such factors as Monnet type national planning, a heavy concentration on indirect taxes in the " mix " of taxation and the aggressive use of rapid depreciation allowances for industry. These are all no doubt important and useful. But the one big reason for continental Europe's success story is the way government policy has affected total demand. By avoiding surpluses in their budgets by means of rapid rises in spending and occasional cuts in taxes, by keeping the supply of money expanding constantly, European governments have given Keynes in heaven (or at least in purgatory) the satisfaction of having been right. They have shown that a fiscal and monetary policy aimed, above all things, at high demand—when necessary created through bigger budgetary deficits and never curtailed by surpluses —is the way to make an advanced economy work well.

Between 1941 and 1953, when Americans, wringing their hands over the awful things which they were doing, had big and purposeful deficits and a steadily expanding supply of money, they also had a successful economy. Of all the " old days," the most pleasant to contemplate are those only a dozen years ago when it was generally hard to find labour in America—and those days saw the country " automating " considerably faster than it is doing now, measured by the rate of investment in plant and equipment as a portion of total activity. Nor is there any need to go to war to practise the sin of spending yourself rich. Building schools, for example, does just as well.

In 1953 Americans returned to the path of virtue and a policy of holding back demand by curbing the rise in government spending and making money scarce. There was a vast sigh of relief that sanity had come back. But by about 1957, plainly things began to go sour. Ever since then, Americans have been telling themselves all the wrong reasons why the economy has been working badly and growing slowly. They have ended by doing slightly better than the profligates across the Atlantic in the battle against the dragon inflation, but it is doubtful whether the spiritual comfort of this victory compensates the 4 million unemployed in America for the loss of the more crass pleasure of having enough to eat.

The conclusion to be drawn is that the American government should also try to spend its country rich. This means setting out aggressively to create, and then to maintain, a rapidly rising aggregate of demands. Probably the goal of surpluses in the budget should be dropped for good. A deficit of $5 or $6 billion in the forthcoming fiscal year should invigorate a recovering but still under-employed economy—always provided that the deficit is brought about intentionally by higher spending or a tax cut and not inadvertently through the failure of a sluggish economy to produce the expected receipts from taxes. To be successful, one must sin with a certain style. The tragedy of the recent American deficits is that they were unwanted and thus did not stimulate the economy very much.

But the economic Puritans will ask: what about the balance of international payments ? The answer is that the American balance of payments abroad fares better when the American economy at home fares better. With the exception of France, which for a while overdid sin and inflated right out of sight, the same has been true for Europe ; and now France, back to mere creeping inflation, is doing best of all. There is, in short, no evidence that a payments deficit is increased necessarily by full employment and rapid growth and they may easily reduce it. As for " confidence " the only real attack on the dollar occurred late in 1960 when the United States was heading into the most recent recession in its dreary series. Some European bankers may shake their heads about budgetary deficits in America, but these do not deter them from investing on Wall Street when the stock market looks good.

Corrupt and Discontented

REPUBLICANS in Maryland have only themselves to blame if, as seems probable, they fail to elect a Governor in November. In Tuesday's primary election they chose two lack-lustre candidates, Mr Small for Governor, Mr Miller for the Senate in Washington, while their best vote-getter, former Governor McKeldin, sat on the side-lines. He had refused to stand, allegedly because the rich men who normally finance Republican campaigns threatened to sit on their money-bags if Mr McKeldin were the nominee ; he is too moderate and too modern for them. Yet if there were ever golden opportunity for Republicans in Maryland, where they are often outnumbered, it is this year when the two top Democratic candidates have been slinging mud at each other. As a veteran district leader in Baltimore said with heart-felt feeling: "This is the worst I've ever seen ; it's a terrible thing when the public finds out what's going on."

Mr Tawes was renominated for Governor by the Democrats, but he won only 176,000—about 45 per cent—of their votes, compared with 261,000 in 1958. Over 124,000 votes went to Mr Mahoney, a rather shop-worn perennial candidate for high office, and 117,000 disgusted Democrats gave a big protest vote to Mr Hume, a candidate who had hardly any support from local Democratic organisations but whose strength was his insistence that the level of politics in Maryland must be raised. Early in the campaign the over-riding issue was the savings and loan (building society) scandal which has been rocking the state for years. But in the closing weeks Mr Jack Pollack of Baltimore, one of the very few remaining old-fashioned city bosses, dropped a bombshell: he invited newspapermen to listen to an alleged tape-recording of a conversation which he had held with Mr Tawes in 1958. This left few doubts that the Governor had promised a number of judicial appointments to the Baltimore boss in return for an immediate contribution of $5,000.

At first Mr Tawes protested that the tape was forged ; then that conversations about patronage with political leaders were normal practice ; finally that he did not give Mr Pollack all of the appointments which the boss demanded and indeed had kept Maryland out of his clutches. In fact the two fell out very quickly over patronage but until quite recently the Governor seems to have hoped to win back Mr Pollack's support. All this would have been

gravy for Mr Mahoney if he had not been the recipient of Mr Pollack's transferred loyalty; the voters were urged by the other candidates to wonder what Mr Mahoney might have promised. This boomerang effect may have saved the Governor's bacon: but Mr Tawes still has to reckon with a grand jury which started this week to determine whether he had violated the state laws against corruption.

Grain of Comfort

By a combination of procrastination, pressure and judicious lobbying the Administration has squeezed out of the House Agriculture Committee a Bill which extends to all the major grains the strict crop controls already applied to wheat, cotton, rice and tobacco. This means that the President's farm policy is still alive in spite of the fact that the Senate Agriculture Committee gleefully rejected almost all of his proposals for tackling the mountain of surpluses not by reducing price supports for farm commodities but by fiercer restrictions on production. But even in the House committee the final vote—which was only 18 to 17—had to be postponed five times to secure one vital Southerner; every Republican and three southern Democrats voted against the Bill. The Administration now hopes that the House will accept its committee's report and that the Senate will have second thoughts. The emergency programmes adopted for wheat and feed-grains are about to expire and need to be replaced by permanent legislation.

The Administration fared less well over its proposals to dam the flood of milk. The House committee would agree only to a voluntary scheme of incentives for producers who curb their output while the Senate committee eliminated the dairy section of the Bill completely. It also refused to make wheat farmers choose between cutting their production by 20 per cent or doing without price supports. The heart of the Administration's Bill, however, was its plan to bring maize and other feed grains under rigid controls for the first time. Farmers would have to accept these or sacrifice all supports for their prices. Over the objections of the Republicans and the Southerners, who are concerned about supplies of feed for their expanding herds, the House committee agreed. But its opposite number in the Senate kicked over the traces and substituted Senator Proxmire's suggestion for extending the present voluntary system, which makes individual farmers ineligible for price supports unless they reduce their plantings by at least 20 per cent from 1959-60. They are compensated for turning the land thus freed over to soil-conserving uses. The programme is popular with farmers and has been quite successful in reducing plantings, but less so in reducing production, since non-participating growers have stepped up their output and yields continue to rise. Senator Proxmire's objection to compulsion was that it would never obtain the approval of two-thirds of the producers of feed grains needed to bring it into force; too many of them grow feed only for their own use.

The Administration can take comfort, however, from the fact that both committees approved in principle of its plan to get farmers to convert some 50 million acres of crop land to other uses during the next twenty years. Land retired under the original soil bank is now being brought back into production as contracts expire and the most promising solution seems to be to persuade farmers to find other permanent and profitable uses for excess acres. These include recreational purposes, wild-life refuges and turning the land over to trees or grass.

Pan World Airline?

The two American airlines which compete across the Atlantic Ocean, Pan American World Airways and Trans World Airlines, carried only 37 per cent of transatlantic passengers last year, 3 per cent less than in 1960 and 26 per cent less than in 1950, although the total traffic on these routes has increased enormously, TWA lost nearly $3 million on its international operations last year (and a great deal more on its domestic ones) while Pan Am's profits were far lower than in 1960. In the circumstances it is not surprising that both the airlines and the Civil Aeronautics Board, the government agency which regulates them, are concerned about the situation.

The CAB is considering a staff report which proposes a return to the controlled competition which prevailed between the two airlines for a few years after the war, with Pan Am serving only the northern European centres, London and Frankfurt, and TWA having exclusive American rights to the southern routes to Europe but giving up its services east of Cairo. Pan Am would certainly not want to lose its lucrative traffic to Paris and Rome. Its solution is a complete merger of the two airlines, which would give the United States the single overseas air carrier which other countries already have and which Pan Am has always favoured—provided, of course, that Pan Am itself was this "chosen instrument." The merger would also give Pan Am the other thing which it has always wanted, domestic routes inside the United States. These the CAB has refused firmly to allow Pan Am to have and for this reason, among others, many people think that the agency would refuse to approve the merger if it ever becomes a formal proposal. Some guidance as to whether the CAB would agree to such a concentration of power in the air may come from its decision, not expected before the end of the year, on the proposed merger between American Airlines and Eastern Air Lines, now the second and fourth largest domestic carriers; United Airlines is the largest and TWA comes third. Together American and Eastern account for over a third of the internal traffic.

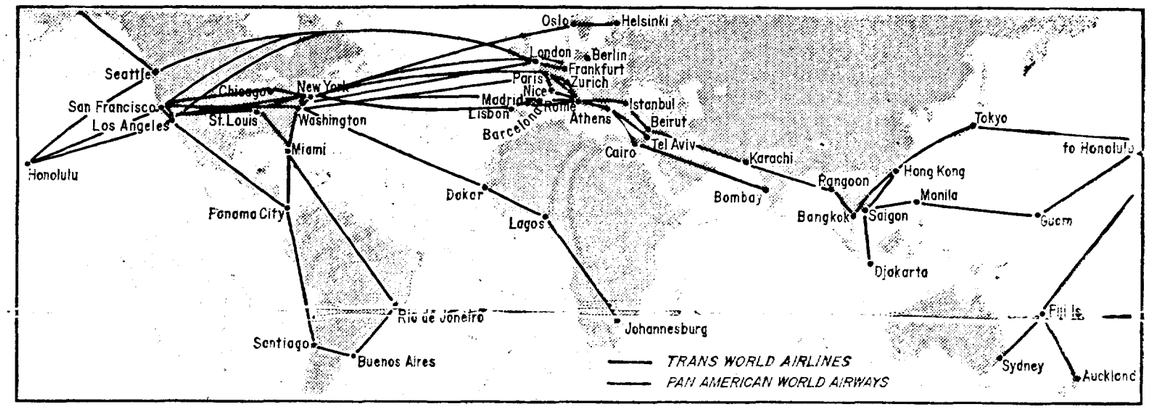
But even if the CAB accepted a single international airline as a matter of economic necessity, the Department of Justice's trust-busters might object and, as this is a question of foreign policy, the President's approval would also have to be obtained. Meanwhile, however, the negotiations between the companies themselves cannot get very far until the complicated problem of who controls TWA is settled. Mr Howard Hughes owns four-fifths of the voting stock but he was forced to put this into a voting trust in 1960 to get the airline out of financial difficulties. Now he is trying to regain control and, if he succeeds, Pan Am will have the almost impossible task of bargaining with this eccentric recluse.

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Free Schooling till Twenty?

FROM A SPECIAL CORRESPONDENT

In all the controversy over education little attention is paid to the junior college. Yet there are now about 700 of these "in-between" institutions, with around 750,000 students—more if summer courses are included—or about one-fifth of all enrolment beyond the high school. A junior college usually offers two-year continuation courses for high school graduates, either in technical and vocational skills or in academic subjects as a preparation for further higher education. These institutions are often known as "community colleges" since their students, who usually include some older people, come as a rule from the surrounding neighbourhood and thus can live at home. Most of these colleges are supported by state and local taxes.

The junior college is the fastest-growing division of American education. Every year there are about 35 more of them; their students increased by 110,000 in 1961 and have quadrupled since 1950. California alone has 70 such junior colleges, with 100,000 students, and expects to have 300,000 in junior colleges by 1972. New York has 16,000, expects to have 80,000 by 1970 and plans to make its junior college system "the broad base of all state-supported higher education." A junior college tends to be started when the leaders of a community realise that many of its young people are being stranded on the educational beach after high school. One of its purposes is to give them the training—in nursing, typing, industrial electronics and so on—needed to find jobs. But it also encourages the abler students to go on to complete a four-year college course. Indeed, quite often a community becomes ambitious and turns its junior college into a four-year one—usually to the detriment of its vocational work.

The main problem of the junior colleges is that they have to compete—for funds, teachers and students—with the more powerful and better-known institutions. (As the president of one junior institution noted "If a body's warm and has a PhD, it's probably teaching in a university.") The junior colleges' main opportunity for growth comes from the enormous demand for better-educated citizens and trained technicians, particularly in electronics. Congressman Brademas of Indiana is sponsoring a Bill for federal aid to the junior colleges to train technicians—the "indispensable chief petty-officers of industry." Some educationists are even beginning to argue that twelve years of universal free education is not enough and that, in a period when man's knowledge is increasing so fast, everyone capable of profiting from two more years of education should be encouraged to do so. According to the President's Commission on Education Beyond the High School, just under half of all young people would benefit from fourteen years of schooling.

SHORTER NOTES

Hopes that a Philippine contingent may join the American forces in Thailand come at an unfortunate moment in US-Philippine relations. President Macapagal has just called off the state visit which he was to make to Washington next month because the House of Representatives has unexpectedly rejected a $73 million measure to clear up Philippine claims for war damage. Small claims—under $500—have been paid in full but only just over half has been paid on 86,000 larger ones. Some Congressmen suspect that the Bill would simply bring windfalls to Philippine businessmen who have done nothing to rehabilitate their country. There is hope that the House can be induced to change its mind.

* * * *

Governor Faubus of Arkansas has decided that he is well enough after all to run for an unprecedented fifth term. The improvement in his health was reinforced by public opinion surveys which suggested that he would win the Democratic nomination in the primary election next July but he faces very strong opposition.



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THE BUSINESS WORLD

Oil Companies and Governments

It is to the interest of responsible oil companies to avoid as far as possible unduly high or low prices or violent fluctuations in the volume or direction of traffic from year to year—which have proved to be the usual concomitant of government to government agreements.

—THE HON. M. R. BRIDGEMAN, chairman of British Petroleum, annual statement to shareholders, 1962.

IN Ceylon this week the government-owned Ceylon Petroleum Corporation went on snaffling the best petrol stations and kerosene selling points on the island, for use in conjunction with storage tanks similarly seized from international oil companies to distribute the petroleum products it is buying from Russia's governmental *Sojuzneftexport*. Caltex, with a bellow of protest, closed its marine bunkering station and seemed on the verge of pulling right out of Ceylon. Stanvac and the joint Shell-BP marketing company there, which has suffered at least as much as the American companies but has the largest stake in the local market and in marine bunkering there, seemed for the moment prepared to sit tight.

Russian products are being distributed by a governmental marketing corporation, too, in India—though with less incursion upon the established companies operating there. That is not all that is at issue between these companies and the Indian government. But a fortnight ago Burmah-Shell, the biggest refining and marketing company there, offered unilaterally to tear up an operating agreement in India that the government contends is onerous, and operate under a normal industrial licence with a rupee company. Clearly, it hopes to be able to negotiate on all the issues between it and the government, but it is not making its offer conditional upon any particular points involved in them.

In Iraq, again, BP has been lifting oil from the new offshore tanker terminal south of Basrah harbour that the Iraq operating companies began to build before the port authority put exceptional cargo dues on Basrah oil, and long before General Qasim decided to ban company operations everywhere in Iraq except the small areas where they are actually producing. The companies do not recognise Iraq's act of expropriation as legal, but go on operating; General Qasim continues to rumble about further measures to restrict them, but reserves his noisier fulminations for Kuwait. And in Kuwait, as if to emphasise that companies have to be selective between host governments, BP and the Gulf Oil Corporation of Pittsburgh have just agreed to relinquish 50 per cent of the area of their onshore and coastal strip concessions, even though there were no provisions for relinquishment of any kind in the Kuwait agreements.

Companies engaged in the international oil business have at all times more kinds of governments than one to deal with, and different shades of government within each kind. What is common to almost all of these, nowadays, is an increasingly direct interest in oil; and some, of each kind, are seeking common interests in it and the influence to further those interests jointly. The "responsible oil company"—which in Mr Bridgeman's context means one not finally responsible to any one government, even if one government owns half of it—is naturally uneasy about this:

> Companies such as ours have a double function to perform in that it is their business to ensure at the same time a market for the producer and a dependable source of supply for the consumer. These objectives cannot be achieved by direct agreements between the governments of the producing and consuming countries except through arrangements which, by disrupting the normal channels, tend to leave the producer at the mercy of the consumer or vice versa, whenever the contracts are due for renewal.

So far, there has not been much talk about long-term contracts between governments—except, recently, in a cold-blooded analysis of the world oil market, characteristically inimical towards the major companies, produced by the Italian ENI (*Ente Nazionali Idrocarburi*) group. But Mr Bridgeman's apprehensiveness about the temptation for groups of consumer governments to get into direct touch with groups of producer governments is well-based.

CIRCUMSTANCES of surplus such as continue to surround the world oil industry, almost inevitably set many a government wondering whether it could not itself improve on the performance of such parts of the job done by the internationally-integrated companies as affect it. Non-integrated buyers of crude oil, be they independent companies established in some market or governments with some control of access to a market, can nowadays get oil at lower prices than those at which it is invoiced to affiliates of the international groups within their borders. Producer governments certainly cannot get better prices for their crude oil than those "posted" by the companies controlled by the international groups there. But some of them may feel they

can still get apparently better kinds of royalty and tax deals from newcomers to oil production—and perhaps later get these generalised to include existing concessions. And they may also feel that a united producers' policy may enable them to stabilise or raise prices, and even to reach some overriding understandings with consumer governments—not all of which want petroleum products, at least, sold at the lowest prices that competition can exact.

These circumstances of surplus are circumstances that have reduced BP's net return on integrated oil operations from 14.4 per cent in 1957 to 9.2 per cent in 1961. They reduced Shell's net integrated return from 15.3 per cent in 1957 to 8.5 per cent in 1960, though the decline was arrested last year and the percentage net return remained the same. Anyone even distantly cognizant of the tax angles involved in "net integrated return" for the international oil companies—each of which has a different spread of assets on which profits are made or taxable profits shown across the world—recoils from generalising comparisons here. But Shell in 1961 took credit for having achieved the same sort of internal rationalisation as some of the American integrated companies had carried through about a year earlier. This process earns no mention in the BP statement to shareholders. Perhaps BP feels that it put itself through the wringer after the Abadan affair, and ever since been as lean as some of the companies that now pride themselves on having taken a course of slimming. (This, it need hardly be said, would be debated.)

The surplus continues. So, it should be said, does an increase of about 4-5 per cent a year in oil consumption in the non-Communist world. Capacity to produce oil also increases at about the same rate; this results from a continued and hectic exploration to locate more capacity to produce oil. Various institutional and political factors are built into this exploration effort; tax offers its temptations here too; and there are some genuinely gambling incentives, over time, to go on exploring, since the return on expenditure on exploration is random and may be fabulous. The pressure to spend money that will keep the surplus in being is high; the likelihood—one Middle East having been discovered—that the surplus of productive capacity will continue for quite a while is even higher.

As Shell pointed out last month, the officially "posted" prices in the Middle East, which commemorate circumstances of market power no longer available to the major companies, have ceased to "represent the commercial value of crude oil." This is lower than these prices wherever deals are made freely with independent customers (and on occasion, even where deals are made with affiliate companies). If they invoice crude oil at these prices to affiliates in consuming countries, in most cases the integrated companies have to take losses on refining, since the prices they can get for refined products are influenced if not wholly set by the offers that independent marketers—let alone Russians—can make. The ruling level of product prices, for some months, has not been slipping much (though completion of the next instalment of refining capacity may bring it down again). But payments to producing governments—via royalties and taxes to bring the level up to 50 per cent of apparent profits—are based on the posted prices of crude. And this makes these artificial prices, meaningless except in an internal company context, practically irreducible. The royalties and tax paid to producing governments—in effect, an inescapable cost of crude—have therefore squeezed the net integrated return available to integrated companies. For these companies cannot, in their turn, escape meeting market prices for the petroleum products that they finally sell. Those product prices are not in all countries (consider Britain) quite as low as in the most freely competitive markets such as Sweden and Italy; but they are becoming more realistic everywhere.

To a cool if friendly observer (such as, say, the European Common Market) it must seem possible that in the medium run this pressure on the net integrated return, from the production end, will continue to gain ground. This need not necessarily mean much further shrinkage of the total return—which in the cases of companies such as Shell and BP, on Middle East oil, must now be down close to the level of the public utility return that some of its critics would like to impose on this industry. It is certainly down to the level that might begin to inhibit the self-financed exploration for diversified sources of oil which some European authorities still believe to be a practical insurance against price-fixing by producer governments. This might, therefore, in accordance with pressure to protect domestic fuel industries, lead consumer governments such as those of the common market to support product prices; or even to offer help in making funds available to carry on the exploration that the integrated companies have been accustomed to self-finance out of integrated profits on oil (shown, as a matter of convenience, on crude).

It is entirely reasonable to postulate a steadily continued, or even somewhat improving, rate of growth in demand for oil; and once a major company has cut out much of its deadwood costs, as Shell clearly has, there seems room for a steady growth in gross income with some moderation in the growth of internally-controllable costs. It is a little less easy to assume that relative stability will continue in those elements of costs that are largely outside the integrated company's control, such as producer government revenues. The money may well be forthcoming to finance the requisite investment in downstream facilities and even in exploration that these integrated companies consider wise—though not automatically from self-financing. But it is becoming difficult to postulate circumstances in which the integrated international companies regain more freedom to manœuvre—or even to retain as much as they have today.

INVESTMENT SERVICES ON LATER PAGES

COMPANY AFFAIRS

Comments on pages 713, 714, 717 and 718 on:

Bowater Paper	Rolls-Royce	Beecham Group
A. E. Reed	Hawker Siddeley	Bovril
Wiggins Teape	Bristol Aeroplane	Allied Suppliers
Spicers	Reckitt & Colman	Schweppes
British Petroleum	Burmah Oil	Pressed Steel
Boots Pure Drug	Rank Organisation	Mecca
De Beers	Sears Holdings	Insurance Reports

STOCK PRICES AND YIELDS

Stock prices, yields and security indices on pages 720 and 721

MONEY AND EXCHANGES

Money market report, exchange rates and public finance on page 719

Dumping Chemicals

Last week, six months after certain British plastics producers had applied to the Board of Trade for anti-dumping duties on polythene from Italy and the United States, the Board announced that a case for action had been established. But there is in fact no call for it any longer: the dumpers have increased their prices. The Board of Trade has said that it will have to consider putting on a duty if polythene from Italy and the United States is dumped again. This threat should make it unlikely that more dumping will take place.

Before an anti-dumping duty is imposed, the Board of Trade must be satisfied that what is complained of really amounts to dumping, i.e. that goods are being imported and sold here at prices which are less than "the fair market price in the exporter's country." There must also be clear evidence that this is causing or threatening material injury to the British industry complaining, or will retard its establishment in this country, and that protection against dumping will be in the national interest. None of this is easy to prove; the documentary evidence demanded is rightly formidable. The most difficult matter of proof is "material damage." The producer has to show that imports are taking a substantial part of the market and damaging his business, or that prices have been forced down by the competition to a level where he is unable to make a reasonable profit. The application is advertised and the Board of Trade invites the alleged dumpers to argue against action. This is a lengthy process, but the board is happy that it should be. It would rather not impose duties at all, and these things have a way of sorting themselves out, given enough time. Since the Dumping and Subsidies Act was passed, in 1957, there have been 32 applications, of which 13 were for duties on chemicals. Three orders for anti-dumping duties on chemicals have been made, out of a total of only five anti-dumping orders altogether.

These figures suggest that the chemical industry is peculiarly prone to dumping (or, at the least, to complaining about it). The high cost and large size of modern chemical plants make it overwhelmingly attractive to operate them as close to full capacity as possible, and to export surplus production at prices which can, if necessary, go down to marginal cost. The practice is only stigmatised as "dumping" when the goods are sent at a low price into another producing country—which may happen as soon as the traditional "third" markets of the non-producing countries are saturated. Many of these third countries have begun to build their own chemical industries and to protect them fiercely. Thus the gentlemanly system under which chemical producers only cut each other's throats far away from home has broken down. Moreover, the penultimate check against dumping—dumping right back—does not work against the main offender, the USA, protected by tariffs on chemicals which are among the highest in the world.

Historically, there are good reasons why Britain and the USA should have protected their chemical industries; the first World War exposed the danger of relying on production in other countries. Both tariff systems remain basically as they were first conceived about forty years ago, and the chemical industries of the two countries which have grown strong enough to stand by themselves under this protection, have not exerted much pressure to have them changed. The Americans have at least been consistent by including in the old categories new chemicals as they were developed. Plastics, most of which were never thought of when the tariffs were first put on, are included as resins and carry a duty of about 40 per cent. In Britain they are not considered to be "synthetic organic chemicals" and carry a duty of 10 per cent, although the "chemicals" from which they are made carry 33⅓ per cent. Moreover, American duties on coal tar chemicals, a category that can be made to include almost all organic chemicals, are based not on their landed values but on the American selling price, which results in higher duties than the 40 per cent laid down; for dyestuffs the duty is effectively between 80 and 120 per cent. The difference between tariffs in the United States and in most Continental countries is even sharper, some countries (Benelux, Scandinavia, Austria) having virtually no tariffs on chemicals at all. American chemical producers are thus in the happy position of being at the right end of a one-way valve, through which they can siphon off their surplus production without fear of reprisals. In few cases only is competition felt within their home market.

The chemical industry in the United States is by far the biggest in the world, with a turnover in 1960 of about $27,000 million compared with western Europe's $19,750 million. Even if there were no tariffs, size in this heavily capital-intensive technology gives American producers a great advantage in world markets. In this fast-growing industry capacity has outstripped demand, particularly in petrochemicals, its fastest-growing sector, where a habitual optimism (which has been called "impulse buying on a grand scale") unhappily bore fruit at a time of slight recession. The scramble from outside to get into the chemical industry, mostly by oil companies, has helped bring about massive surpluses: for instance, polythene capacity in the United States was about 180,000 tons ahead of consumption in 1961, which is more than the total British production. The effects of surpluses of this size on world markets have been dramatic. The price of polythene in Britain has dropped by half in recent years. In Europe, prices of many plastics, solvents and intermediates have dropped below the level where, according to some manufacturers, it is possible to make a profit. This is probably an overstatement, but chemical companies' results for last year showed drastic falls in profits in spite, in many cases, of an increased volume of sales.

Petrochemicals are not the only chemicals to be dumped, nor is the USA the only offender. The most recent anti-dumping order concerned ammonium sulphate imported from East Germany; this and other fertilisers command prices in the free market—i.e. in non-producing countries—that are only a half to two-thirds of the prices in producers' home markets. The chemical industry in Italy has been growing at more than 12 per cent a year since 1953, and its petrochemical capacity will be growing by more than four times in the five years 1958-63 on present plans. This is another situation leading to surpluses and dumping, and Italy has

figured as the shipper in five of the applications for duties on chemicals. The problem is a general one: The United States, Britain, Italy and Japan are all dumpers of chemicals. But it is most aggravated by the massive size of American surpluses.

Ideally, everyone agrees, there would be no tariffs and dumping would look after itself. This is the solution proposed in the Rome Treaty for trade within the common market: while tariffs are being reduced between member countries, imports can be returned to the exporting country without the payment of further duties. But even if dumping can be dealt with in the common market in this way, there will still remain the problem of the United States. American chemical manufacturers are understandably seeking to hold their advantage and are bitterly resisting President Kennedy's attempts to liberalise trade. So long as there is a substantial difference between US tariffs and the common market external tariff, Europe will tempt American producers as a dump for their surpluses.

At the moment, no joint common market policy on dumping has been approved, but the Rome treaty lays down that, after the expiry of the transitional periods, the common commercial policy will include protective commercial measures to be taken in cases of dumping or subsidies. The acceleration of internal tariff cuts makes agreement on this more urgent than ever and in March, proposals on common commercial policy were submitted by the Commission to the Council. The first common action was taken this week, when the council drew up a list of products on which it may impose retaliatory duties if the USA decides to go ahead next month with increases of duties on carpets and glass; the list will probably include polythene and hydrocarbon solvents. The policies of common market members on dumping are widely different: France has shown her attitude by her recent quick action against imported US polythene and, the point made, removal of the duty; Italy and Germany are both considering legislation but the Low Countries have none at all. In Britain the 1957 Act is applied carefully and reluctantly by the Board of Trade, which considers that almost anything is better than more protection. (The department is sometimes called by interested parties, perhaps with a touch of bitterness, the "Board of Free Trade.") It is important that the differences between these countries should be aligned in a joint policy, but it is to be hoped that duties will only be imposed as a last resort.

BUSINESS NOTES

THE ECONOMY

Figures Fit the Optimism

ALTHOUGH the improvements in industrial production and in Britain's overseas trade recorded in official statistics published this week are not exciting, they are distinctly encouraging, and now arguably consistent with the optimistic forecasts about the economy that Whitehall has been offering for some time. They emphasise, incidentally, the difficulty of forming outside opinions on monthly data without the more elaborate forecasting upon which the Treasury and the National Institute of Economic and Social Research now rely.

A rise of £2 million a month in exports, allowing for seasonal variations, which was achieved in April as during the first quarter of the year, is consistent with an increase of about 9 per cent a year in exports. That was the figure that the Institute forecast for 1961 in its *Economic Review* last week, and it is one with which the Treasury is now at pains to say that it has no quarrel (it firmly denies ever having put out higher forecasts).

Similarly, one could argue that a rise of one point in industrial production in one month—such as is estimated to have occurred between February and March, after a two-point rise between January and February—could imply an increase in output of twelve points a year, or about 11 per cent. Nobody at present is drawing this comfortable conclusion from the current figures. For one thing, this index is quoted to the nearest whole percentage point. An increase from 113 (1958 = 100) to 114 can therefore mean anything from an increase between 113.4 and 113.6 to an increase between 112.6 and 114.4; there is a whole range of "underlying rates of increase" with which it is consistent.

A one point change, also, has a sizeable chance of being wrong; indices for particular months are often adjusted by a point (as those for the last quarter of last year were in the figures published this week). Upward revision of that quarter's figures, moreover, makes the average for 1961 itself nearly 114; although this has nothing strictly to do with what is occurring now, the rough-and-ready observer from outside may be unwilling to predict a boom simply from a recovery in output back to the level of March, 1961.

On the side of demand, the official economists remain confident about the rise of 4 per cent from April to April in consumer spending which the Chancellor predicted in his Budget speech. They have some questions about the latest figures on hire purchase spending; without too much reliance upon elaborate theories about the hire purchase cycle, they do expect quite an increase in new contracts this year as repayments run off. Nor are they as convinced that private investment is falling as some economists outside. On these assumptions, and taking into account increases in public consumption and public investment that are quite certain, they do not need to assume an impossible increase in exports to support their guesses that national output during the next twelve months may achieve the rate of growth that their new semi-official colleague, NED, would consider respectable.

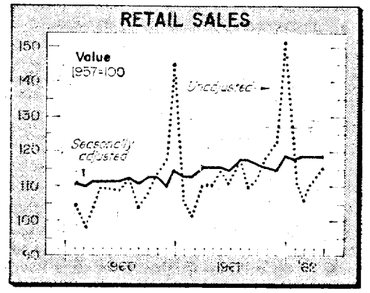
OVERSEAS TRADE

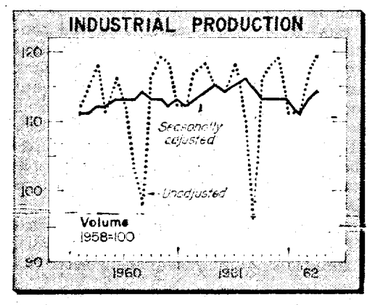
Not Brilliant but ....

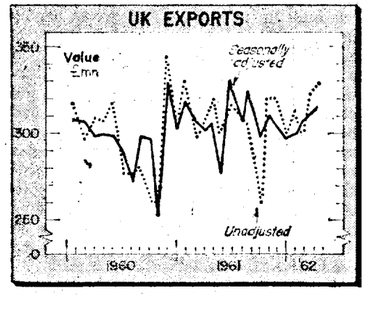
EXPORTS rose in April to continue the remarkably steady improvement since the turn of the year. But there is still not much steam behind this improvement; one bad month now could easily blot the copybook. Exports, seasonally adjusted, edged up £2 million to £314 million in April, the fourth consecutive monthly rise since the very low December figure of £297 million. But the average for the first four months of this year is still no more than ½ per cent higher than the average for the whole of 1961. The position looks a little brighter when exports in the latest three months are compared with those in November, December and January; on this basis exports show an increase of 3¼ per cent. But the average for the January-April period of £308 million is exactly the same as for the same period of 1961. Imports in April also rose fractionally, to £359 million, so that after crediting re-exports of £14 million the crude trade gap fell to £31 million—the smallest for eight months. Putting the valuation of imports and exports on the same footing, the trade account in April would actually be in the black.

Seasonally adjusted values — £ million per month

		Exports fob	Re-exports fob	Imports cif	Crude gap
1961	1st qtr.	309	12	385	64
	2nd ,,	305	13	363	45
	3rd ,,	309	15	357	33
	4th ,,	304	13	362	45
1962	1st qtr.	306	12	367	49
1961	Nov. .	305	14	359	40
	Dec...	297	14	350	39
1962	Jan. ..	300	12	380	68
	Feb. ..	307	11	362	44
	Mar...	312	11	358	35
	April .	314	14	359	31







WALL STREET

After the Storm

A correspondent cables:

FOR the moment at least, Wall Street appears to have weathered one of the worst storms in its postwar history. In the wild trading session on Monday prices seesawed from an early loss of over 9 points on the Dow Jones industrial average to a gain of 6 points at the close. There have been wider swings in prices since 1945, as in September, 1955, when President Eisenhower suffered his heart attack, but at no time since 1933 have so many small investors selling in tiny lots tried to get out of the market all at once. At one point, the stock exchange's high speed ticker lagged 34 minutes behind transactions on the floor. The great army of shareholders that the New York Stock Exchange has recruited, now estimated at some sixteen million people, came within a hair's breadth of panic, induced apparently by the possibility of hostilities in Laos. Though the machinery of the stock exchange nearly broke down, the actual trading volume was only 5.9 million shares—a busy day but not one, had it not been for the preponderance of small orders, to cause such extensive mischief.

The malaise was not caused by Laos alone. American investors have long thought inflation to be the *raison d'être* of equity investment, and they have still to adjust their sense of values to an economy where rising prices are no longer the order of the day. Foreign investors, who hold about 6 per cent of the shares listed on the New York Stock Exchange, are also becoming increasingly restive about the long term outlook for the American economy, particularly about the continued loss of gold and the unanswered question whether the United States may be forced to consider foreign exchange control as a means of meeting its balance of payments problem. In addition, the searching probe that the Securities and Exchange Commission is conducting into the affairs of Wall Street has inevitably chastened some of the speculative elements in the market.

Monday's turnaround came, as many observers had expected, when the institutional investors in general and the mutual funds in particular came back into the market just at the point when selling by private investors had reached its climax. This arrested the decline in the Dow Jones average at 626, roughly 14 per cent below the peak touched late last year. The market then rallied and by the middle of the week the average had climbed to 660. There appears to be little reason to expect a further upturn in equity prices now but, by the same token, the selling has cleared the air and brokers are not fearing an early resumption of the dumping of stocks that has characterised the market in the last few weeks. The basic reason for this belief is simple: business is still good and while the rate of advance in the economy may be disappointing to those who took Mr Heller's prediction of this year's gross national product of $570 billion seriously, it is nonetheless vigorous. Industrial production rose by another one per cent in April to a new record of 117 (1957-59=100); overtime worked in industry has gone up; and industrial profits are rising. With a rise in earnings coinciding with a fall in prices, shares are now more realistically valued. Using the broadly-based gauge of the 125 stocks included in Moody's Investors Service's industrial average, the market is now selling 17 to 18½ times its 1962 earnings, compared to over 22 times at the end of last year. By London's yardstick this may still look high but there are plenty of institutional investors who are quite willing to take the risk.

THROGMORTON STREET

Bright Periods and Showers

WHILE the gilt-edged market is convinced that a further relaxation of the credit squeeze, through the release of special deposits, is not too far away the equity market still wonders what is in store for the economy. Gilt-edged stocks have risen steadily, particularly in the medium range where some institutional and foreign buying has been reported, but equities have swung up and then down again, with the result that *The Economist* indicator over the week to Wednesday's close was 1 point lower at 355.7. Relief that the dock strike was settled pushed equities up early this week but the rally was not strongly based and the cut in the Rolls-Royce dividend unsettled the market. Steel shares again lost ground, partly on consideration of the latest by-election result, though they rallied slightly on Thursday.

A year ago the stock market might automatically have characterised the dock strike settlement as inflationary and marked equities up; but today British dealers, like their American counterparts, are more sceptical how far prices will rise even when industrial production expands. They agree that industrial profits should start moving up again as the recovery in the economy gets under way; but they are equally convinced that competitive pressures will keep the advance in earnings within fairly tight bounds. The market, too, has been having second thoughts about some of the equities—such as brewing, banking, insurance and store issues—which have been bid up to high prices and offer low earnings yields. In general, the improvement in production in March and the better trade figures for April have done more to hearten gilt-edged stocks than equities.

The speculative gains tax may also be having an effect on the industrial market. Before it was introduced a fall in prices often brought short-term speculators back into the market as buyers. Now there are signs that the new tax is inhibiting their actions and is widening the movement in

prices. The tax did not prevent the attractive offer by Ready Mixed Concrete (United Kingdom) of 750,000 ordinary shares of 5s. each at 24s. and a yield of 4½ per cent from being oversubscribed 60 times. The existence of the tax means that new issues terms have to be that much more attractive ; but clearly it was the five-fold increase in the profits of Ready Mixed Concrete in six years which ensured the success of the issue. This offer for sale was underwritten but the £9.8 million rights issue by Thorn Electrical of "A" non-voting ordinary shares, which are unpopular with the institutions, was not. On the other hand, "substantial shareholders" entitled to more than a third of the new shares have indicated that they will exercise their rights. Two years ago the institutions successfully blocked a scrip issue by Thorn of non-voting ordinary shares. Whether the attractive terms of the rights issue will outweigh the objections this time or whether the institutions will sell their rights in the market remains to be seen. Both ordinary and "A" ordinary shareholders are offered one "A" share at 45s. for every two shares they own ; helped by the forecast of maintained profits and a higher dividend (27½ per cent, against 25 per cent) the existing "A" shares stand at 76s., to make the rights worth 10s. 3d. The indicated ex-rights yield, however, is no more than 2 per cent.

THE EXCHANGES

New Rate Under Pressure

WITHIN a fortnight of its effective devaluation to 92.50 cents to the United States dollar, the Canadian dollar has fallen well below its parity and touched a low point of 91.80 on Wednesday. Nothing seems to go right for the Canadian authorities. The floating rate failed to float ; Mr Fleming's "significant discount" at first appeared only reluctantly and later was restrained from galloping away only at great cost to Canada's reserves. Now the new fixed rate is looking sick.

Immediately before the rate was fixed the Canadian authorities were large sellers of Treasury bills ; the inference is that they wanted to build up funds of Canadian dollars in the belief that the exchange rate, once fixed, would move towards its ceiling. That the rate has moved in the opposite direction suggests that authorities misjudged the margin of devaluation necessary to hold the downward pressures on the rate. Mr Rasminsky, governor of the Bank of Canada, now has the difficult job of managing this rate. Although the official support points for the Canadian dollar (under IMF rules) are around 91.57 and 93.43, the authorities let it be known after market hours on Tuesday that they would support the rate at 91.74 and 93.24. Since then the rate has tended to recover, and it closed on Thursday at 91.90. It is also reported that some of the grain companies who have been running substantial short positions since the devaluation are now taking their profits with consequent improvements in the rate. The Bank of Canada has certainly been in the market, although to what extent is not known ; it is possible that Mr Rasminsky will take the opportunity of squeezing the bears and convince the speculators that Canada intends to stick to its new rate.

Sterling has strengthened this week on two pieces of news. The dock strike that did not materialise took the rate against the US dollar up a 1/16 cent to $2.81 5/16, and the reaction to the trade figures on Wednesday added a further 1/16 cent. There has been a substantial inflow of foreign money to the London local authority loan market this week, attracted by the interest differential of around ¼ per cent on a covered swap from Euro-dollars. The premiums on hard and soft dollars and the discount on security sterling have widened over the week. So far the market is unwilling to attribute these movements to any particular cause, but one explanation that finds favour is that the uncertainties on Wall Street have induced some Americans to cut-back their British investments, for which they receive security sterling, while some of the demand for hard and soft dollars is reported to come from British investors looking for bargains on Wall Street.

COTTON TEXTILES

Bad After Good?

No doubt a large section of the cotton industry believes that the Estimates Committee on assistance to the industry gave a clear cut endorsement of its case against imports in its report published on Monday. The conviction that the industry was rebuffed yet again when it put its case before the Prime Minister on Tuesday seems equally deep-rooted. The Estimates Committee found that though the money voted by Parliament had been used in the way intended to promote the modernisation and efficiency of the industry, "failing a speedy and satisfactory solution to the related problems of imports, marketing and the fuller use of plant and machinery, much of the expenditure incurred will have been to no purpose."

In these circumstances it might be as well that less than £25 million of the estimated cost of £30 million for the reorganisation scheme will probably by committed in this way. When the scheme was launched outsiders were allowed to labour under the misapprehension that the money would eventually make this industry viable without further expedients. If limitation of imports is to be the main bastion in the industry's defences, the money could have been spent to better purpose elsewhere. If it is not intended to bring the industry to the pitch of efficiency at which it can compete on level terms with imports, there is only a shaky case for spending government money to raise the industry from one level of uncompetitiveness to another.

The industry's plea to the Premier was that it should not be expected to wage a war on two fronts. Relieved of anxiety over Asian competition in the rear, it believes that it would be a match for European rivals. If it were not there could hardly be any grounds for discussion. The Cotton Board delegation asked for an extension of the period of assisted re-equipment, and lower limits on imports of Commonwealth cottons. In contrast to earlier agreements, it wants the government and not the industry to take the initiative in negotiating a renewal of restrictions with Hongkong, India and Pakistan, and asks for new import quotas to be based on the current level of imports, which is well below last year's peak. Above all, it wishes to check the habitual expansion of these quotas on renewal, and to see other countries bear a fairer share of the burden. What other countries do is mainly their own affair. But it is doubtful whether the new statement promised by the government will reveal any desire to protect its "investment" in this troubled industry.

SOUTH AFRICA

Embarras de Richesse

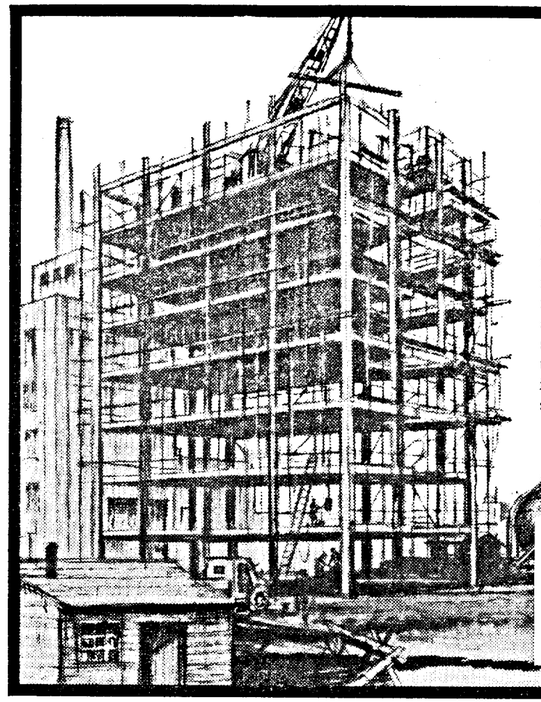
A Johannesburg correspondent writes:

FROM a low point of little more than £70 million last June South Africa's foreign exchange reserves have climbed steadily to over £180 million—higher than they have been since 1947. And last week South Africa received a £3½ million loan from the Deutsche Bank at 6 per cent for 10 years—terms that indicate a marked confidence in South Africa's future. Indeed only five months ago the Deutsche Bank made a similar loan to South Africa, but on that occasion it was for only two years with the possibility of a one-year extension. The rise in South Africa's reserves has been due not only to control on current and capital transactions ; it has also been helped by the sluggish business conditions and slack consumer demand which have bedevilled South Africa's economy since Sharpeville. Indeed it is possible that total imports would have been little higher in 1961-62 had there been no quotas at all.

As the reserves have piled up, liquidity has built up too. This pressure of money first checked and then reversed the previous rise in short-term interest rates and eased a tight capital market to allow a reduction in Bank rate last December to 4½ per cent from the 5 per cent to which it had been raised in May, 1961. This cut was supposed to give the green light to business to make use of the ample credit for expansion which earlier had been affected by political uncertainties. But business spending has shown little reaction so far because in many industries there is still under-utilised productive capacity.

Further increases in reserves, heavy over-

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The Lady and the Lion Cub



A Lady bade her faithful Swain
Caress her Lion Cub,
But when he would perforce refrain
He earned himself a snub.
Milady's cub was full of spite
To scratch it was not loth.
Its teeth could give a nasty bite,
And harm could come from both.
So when Milady said, Begone
And darken not my door,
Her Swain sought con-so-la-tion
In Guinness at "The Boar".
'Twas here that later he was told
Of his successor who
Had by the beast been roughly mauled.
(The Cub's now in the Zoo).

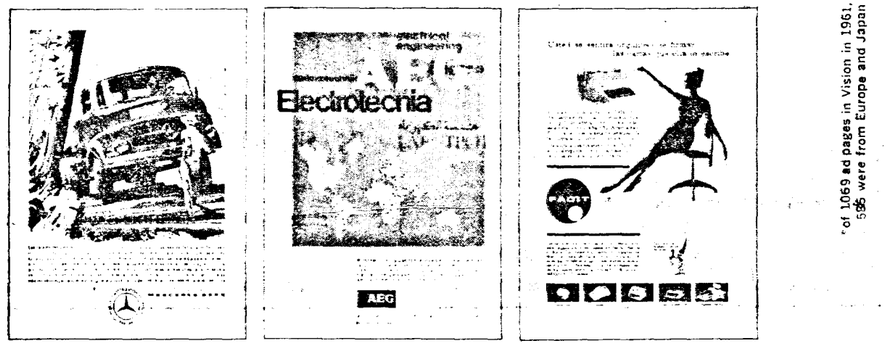
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Don't make him love you *and* your pet
And so become a bore,
Or you may find to your regret
That he loves Guinness more.



Guinness is good for you—and me



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* of 1069 ad pages in Vision in 1961, 596 were from Europe and Japan

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subscription of new issues, and the steep decline in money market rates, have renewed pressure on the Reserve Bank for another cut in Bank rate. Last week Dr M. H. de Kock, its governor, made it plain that he had set his face against one. His view is that the economy may forge ahead again towards the end of the year under the impact of the big spending on public sector projects. And he emphasises the difficulty of the central bank in persuading the commercial banks and building societies to follow its lead by reducing their lending and deposit rates.

So Dr de Kock has chosen instead to unhitch Treasury bill re-discounts from Bank rate. As the bill rate has declined to less than 3 per cent, the penalty gap has widened steadily to more than 1½ per cent, and the money market's month-end journeys to the Bank have become increasingly expensive. The gap has also been costly to the National Finance Corporation which, when faced with large withdrawals of call money, had to raise cash by heavy rediscounting of Treasury bills. For the time being the Bank will therefore set a special re-discount rate for Treasury bills at ½ per cent above the current tender rate. This move has been criticised as evidence of the Reserve Bank's failure to show the banks and building societies who decides monetary policy in South Africa. But the fact that the legislation under which they operate—and compete for deposits—is currently being examined by a committee of enquiry can hardly set aside the Bank's responsibility for keeping interest rates as low as may be safe, particularly when everyone is demanding an early and sustained business revival. A possible upturn in business by the year-end is surely no argument for not lowering rates now.

BUILDING SOCIETIES

Another Voice

STATISTICS published by the Building Societies Association, covering about 77 per cent of the total assets of the movement, show that net receipts in the first quarter of this year were better than in the fourth quarter of last year. Excluding interest credited to investors' accounts, the net inflow in the first quarter amounted to £49 million compared with £26 million in the fourth quarter. The poor inflow of funds towards the end of 1961 is reflected in the low level of mortgage advances in the first quarter of this year: at £88 million advances were the lowest for any quarter for three years. The societies were deliberately maintaining their liquid resources at a high level and the liquidity ratio of 15.4 per cent at the end of March compares with 15.3 per cent at the end of December and with 14.5 per cent at the end of March, 1961.

The decision by members of the association to leave their rates unchanged while interest rates elsewhere in the economy are falling should stimulate the inflow of money this year. The amount advanced on new mortgages will certainly rise in the current quarter. But not every society agrees with the association that lending and borrowing rates are unlikely to be reduced this year. The biggest of them, the Halifax, is still outside the association; at the annual general meeting, the president, Mr L. A. D. Maclean, has again proclaimed its independence with the statement that "circumstances might arise which would make it both prudent and desirable to make some changes" in the Halifax's interest rates. When the Halifax offers and charges the same rates as other big societies, its inflow of money is stronger than theirs. This can be embarrassing in the sense that the Halifax then has to push up its mortgage lending, with the risk that expansion can soon become so fast that its reserve ratio is threatened. Its habit of thinking and acting independently and differently from the other societies has its own logic.

TIN

Stockpile Jig

IT now seems almost unbelievable that three years ago the International Tin Council's buffer stock manager was holding the price of tin so stable that he drew protests from dealers on the London Metal Exchange that he was ruining their business. The price of tin is now fluctuating so unpredictably that some regular users of the exchange are temporarily nonplussed. On Friday of last week cash tin fell £11½ to £904 a ton, the culmination of several weeks of tumbling prices. Over the week-end the International Tin Council owned up to having met last week and despatched a letter to the American authorities concerning releases of tin from its strategic stockpile. The council has also called a full meeting for May 22nd to discuss the matter, though its next session had been fixed for July 10th.

Cash tin rebounded £17½ to £921½ a ton on the news and the recovery was extended to £925½ on Tuesday. But overnight reports were received that the full Armed Services Committee of the House of Representatives had endorsed its sub-committee's approval of the government's request for permission to sell 50,000 tons of tin from the stockpile, an event that could clearly be foreseen. But cash tin dropped £15½ to £910½ a ton in the Wednesday morning session of the Metal Exchange. Later in the day a message was received from Malaya that its government proposed through the ITC that a "cut-off" price should be agreed for sales of American tin. The "cut-off" price was set—optimistically it appears—at the ITC "ceiling price" of £965 a ton. Tin promptly bounced back to £916½ a ton.

This Gilbertian setting leaves no scope for weighing customary market influences such as the level of stocks and possible developments in Laos. The ITC has helped no one by not revealing the nature of its communication to the United States. But that is a minor imponderable in this messy situation. Some large purchases of spot tin were coupled with sales of forward metal. On the first three days of this week the prices of spot and forward tin have been identical, a rare occurrence that bears witness to the market's cruel dilemma. On Thursday, spot tin bounded up to £924½ a ton, but then fell back to £919½-£921½ an exceptionally wide quotation in the afternoon.

OFFICE STAFF

Girls for Hire



OFFICE workers' summer holidays provide "the London season" for flocks of migrant shorthand typists—and the bread, butter and jam for the people who provide the typists. Clerical staffs have a chronic tendency to multiply, and with them increases the demand for temporary staff—which persistently runs ahead of supply during the holiday period, in spite of the rapid growth of agencies specialising in supplying temporary secretaries. It is quite common for a girl who earns 10 guineas a week to be replaced when away by one who costs 14 guineas—a difference which, multiplied several times over, makes quite a large addition to the employment bill.

Frequently, indeed, the difference in cost represents mainly the fee charged to the employer by the agency—which remains her formal employer. A temporary shorthand typist may well be hired out in London in the summer for 9s. 6d. an hour for six hours of work a day; of this, she will perhaps receive 7s. 6d. plus insurance contributions from the agency. Overtime rates—admittedly often paid out of the petty cash and not reported—usually go to the agency only, not to the typist. Experienced secretaries do no better at temporary than permanent work, though many married women prefer occasional employment for other reasons.

At the height of the summer and the shortage, some agencies seek and offer typists at rates well above even the more expensive standard fees. The Employment Agents Federation is now attempting to control this free market by "insisting," this year, on the observance by its 193 member agencies in London of maximum payments to temporary typists. During the summer these maximum rates are 7s. 4d. an hour for a shorthand typist and 6s. 4d. for a copy typist. Last year virtually all the federation's members kept to the recommended maximum without obligation. So

this year's gesture must chiefly be regarded as a weapon for the association against non-members, who make up about 40 per cent of London agencies. These non-members, while the demand holds up, may prefer to secure the services of the girls by paying more, so long as this enables them to get more business and their cut of what employers are prepared to pay.

Nobody has made any rules, however, about the size of the cut to be taken by the agency, or recommended maximum scales of charges to employers. Some agencies vary wages according to ability but charge the same fee to the employer, whether the girl herself is actually paid ten or twelve guineas a week. Relating fees directly to earnings would mean a more elaborate scale of charges. But this might be a small price to pay for greater fairness to the temporary worker and the employer for whom she actually works.

ELECTRICITY GENERATION

Backing Both Horses

THE million-megawatt power station that the Central Electricity Generating Board wants to build at Kingsnorth on the Medway estuary will be the first in Britain designed from the outset to burn either coal or oil. For a station that is close to the refineries of the Thames estuary and can also get coal in by sea from the north-east coast or south Wales, such flexibility has an obvious appeal as a means of strengthening the CEGB's bargaining position with its rival suppliers. The extra cost of the station does not seem to be very great; equipment for storing and handling two fuels instead of one has to be installed and the furnaces designed for both. But if the estimated cost of under £40 million is attained, the price of flexibility would be only £2 or £3 a kilowatt. Like the 14 stations in Britain that already burn oil—out of the 232 the CEGB runs—Kingsnorth will be designed to use heavy residual fuel. The board has not gone as far as some Japanese stations in designing plant to burn crude oil if necessary—ignoring the "valuable" light products that are often nowadays hard to sell—but it probably could not buy crude oil as cheaply as Japan can. It takes quite a time to convert one of the other 14 stations to burn coal—the burners have to be replaced—and the cost of changing rules this out unless something really dramatic happens to fuel prices.

The Kingsnorth station could be built by 1967 if the CEGB gets the planning permission it has requested from the local authorities and consent from the Ministry of Power. The site is marshland which the CEGB already owns, and is big enough to allow the station to be expanded to a capacity of 4 million MW. Feeding into the grid at Northfleet, 12 miles away, the new station will help ease the problem set by the growing demand for electricity in south-east England. But the Board says that this would not affect its desire to build other stations, nuclear or conventional, along the south coast.

JUTE

Pakistan Stumped?

ALL Pakistanis, it seems, do not play cricket. The authorities have therefore been forced at last to declare a temporary end to export price control of jute after a stubborn innings. The working—or malfunctioning—of EPC was simplicity itself. An export price was fixed from time to time which should have ensured that Pakistan obtained full benefit of its virtual monopoly of raw jute supplies for the outside world. An absolute minimum export price was also fixed for the season, below which no exports were to be permitted. The flexible EPC price has not been scrupulously observed, to say the least, by shippers. Neither has the long stop seasonal minimum. The tug-o'-war between western spinners and Pakistan over prices has been going inexorably in the spinners' favour this season, and the shippers' readiness to court displeasure has prevented Pakistan's delaying tactics causing a bigger disruption to the flow of normal trade than it did.

A holiday in the East muffled the impact of this week's suspension of EPC. For jute firsts the absolute seasonal minimum was £13 a ton below the last EPC rate. But lightnings were within £2 a ton of the bottom rung, and hearts were already at rockbottom and being freely dealt in unofficially below the minimum. Following news of the supension of EPC, London Jute Association firsts fell by £4 to £105 a ton, though they already discounted the prevailing EPC rate. Following the jute famine, this grade is still relatively scarce. No decision has yet been taken by the Pakistani government on the establishment of a jute buffer stock, which was the subject of a recent international meeting.

Pakistan has already been jostled out of its formerly impregnable position in jute. It seems unlikely that it will again be capable of independently restricting jute acreage under any pretext to raise prices. Since partition, India has expanded its output of jute until it is comparable with that of Pakistan, and aims at self-sufficiency. It has just agreed to sell up to 100,000 bales of low grade jute to Russia, its first export for some time, which contrasts with the recent shortage of jute in India. In fact, India has now been compelled to establish a buffer system to protect prices. The deal with Russia might have influenced Pakistan's decision to scrap its price controls temporarily; it seems that competition in raw jute between the two countries might not be far away.

For its part, Pakistan has built up its mill capacity, aided by the weighting of jute export prices against foreign competitors, who enjoy the protection of their own governments only in their home markets. A further four mills are planned in addition to five new ones already decided upon, which will bring the total to 23. Like a worm sliced asunder, partition has produced two integrated jute industries in the Asian subcontinent where only one previously existed. Though weather conditions have improved it is said that a substantial fall in jute production is likely this year, and it has been questioned whether the present, and relatively low, price level, which might have discouraged growers, will benefit the jute industry. What does seem certain, however, is that high prices encouraged a rapid increase in substitute fibres such as kenaf in Thailand, and probably stimulated greater substitution for jute goods by other materials.

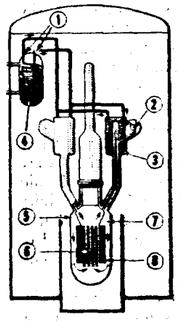
Curtain-Raiser for Euratom

THE Atomic Energy Authority has had some small foretaste in the past three years of what it will be like to work as a member of an international team like Euratom. In 1959, the OEEC's European Nuclear Energy Agency agreed to contribute £5.7 million and about half its senior technical staff towards the estimated £13.6 million cost of a five-year investigation into the promising nuclear system now known as Dragon at the AEA's Winfrith Heath establishment. At the end of the period, the reactor was to become the property of the AEA. Whether anyone seriously believed that Dragon could be harnessed so quickly or cheaply is open to doubt. Certainly after three years' work, during which the estimated cost has risen by a relatively modest 15 per cent, the twelve countries sharing the experiment are reconsidering their position. A "stretch-out" of the programme has been proposed from five to eight years; this would bring the probable cost to £24 million, which may lead some of the smaller countries to ask for their share in the experiment to be reduced and also to some re-assessment of the AEA's role, since it will no longer be so attractive to the authority to take over the reactor at the end of this longer period.

The OECD countries have no reason to feel displeased with their investment. The Dragon system is difficult to build, and it is not a candidate for commercial nuclear power before 1970. But it is one of the most promising of the advanced reactors on the stocks. The system on which it works sounds disarmingly simple. Take a Calder Hall reactor, shrink it in size, increase its temperature to more than 1,000°C, and the result is a compact, highly efficient system of nuclear power. In practice, the difficulties of engineering this concept are great. The high temperatures involved mean that the internal structure, including the containers for the fuel, must be made entirely of graphite, a material with many weaknesses. One of these is that at high temperatures it reacts with every suitable cooling gas except helium. Somehow, to save the graphite from attack, chemists must remove 99.9999 per cent (to four decimal points) of the impurities present in the helium before they allow it into the reactor. This can certainly be done in the quantities required for Dragon, which gives no electricity and only 20 MW of heat, but power station engineers may flinch from the thought of repeating the process on a commercial scale.

Once in, the gas must be protected against re-contamination through leaks, and fascinating tricks have been thought up to produce a virtually leak-tight structure. The right form of fuel now remains one of the biggest headaches. One design will inevitably contaminate the helium with radio-active gases produced at each fission, and unless these can be purged out of it all the cooling circuits will become steadily more radio-active. This purging can be done, but it adds to the capital cost. The other type of fuel should in theory prevent any of these fission wastes from escaping at all, but this may be difficult to achieve in practice.

Dragon will test both systems when it is loaded with fuel late next year. Its importance to the British and European nuclear programmes is that it introduces thorium, cheap and freely available, as a possible nuclear fuel (thorium turns into a form of uranium suitable for reactors) for future generations of reactors. Also—most important for Britain—it is a backstop against trouble with the elaborate "fast breeder" system being developed for the 1970s at Dounreay. The Dragon system, with its high gas temperatures and graphite structure, is also being developed in the United States, which speaks volumes for its commercial promise.



COARSE GRAINS

Dear Barley

BARLEY which Mr Maudling refused to have dumped here at £15 a ton last summer during his spell at the Board of Trade would recently have fetched £25 a ton. Though this appears to have been bad business, it was not sheer folly; the deficiency system of subsidising agriculture produces a twisted reasoning of its own. Britain is nearing self-sufficiency in barley grown under a system that ensures the farmer a return of £27 11s. 8d. a ton. When the world price for barley, which still mainly dictates market prices here, reflects a glut of cheaply produced barley the bill for deficiency payments is unbearable. Hence Mr Maudling's ban on barley landed here, duty paid, for less than £20 a ton. Animals eat most of the barley. If the government bows to pressure to raise the minimum import price towards the common market's lower price target of about £25 a ton they will be the chief sufferers from dear food and the Exchequer will get most of the protection.

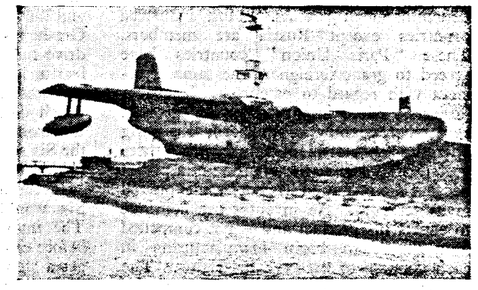
Barley has made nonsense of many widely held beliefs, including the idea that barley and maize are largely interchangeable so that their prices cannot diverge far. This belief has been shaken by the incontrovertible evidence that barley is about £25 a ton, not much cheaper than the best quality wheats, while maize remains at about £20 a ton. Barley is dearer than at any time since 1957; maize, which is considered more nutritious, is no dearer than a year ago. Following the draught in North America, available stocks of barley have been depleted. Conditions on the prairies have only recently been improved by rain. China has bought barley, but as the United States will still not deal with China, America's huge surplus of maize has not been drawn upon directly, though it is to be reduced by stronger curbs on production.

Compounders of animal feeding stuffs are said to be using very little barley at current prices. Maize is good enough for most animals except for pigs. Imports of barley in the first four months of this year dropped to a very low level; imports of maize rose sharply. If the enhanced value of barley exports is taken into account, the combined bill for maize and barley imports was little changed from last year. The late spring and prospect of poor supplies of early grazing increased the need of animal feeding stuffs. High prices for home grown barley have brought hopes of a much reduced bill for barley subsidies this year, but prices might not behave so considerately when the main weight of the harvest is felt.

The worst of the squeeze on barley

AIRCRAFT

£9,000,000 Down



THE flying boat possesses a sentimental appeal to the pioneer air traveller rivalled only by the airship; these were the only aircraft in which one could walk about—quite apart from the nautical parallels. But now the flying boat is nearly as dead as the airship, and the sale of the three Saunders-Roe Princesses for little more than their scrap value—probably under £100,000—seems to mark the end of this chapter in British aircraft development, though the Government had spent more than £9 million on these machines alone. The buyer of these vast hulks, which have become a familiar landmark on the Solent as they lie cocooned on its shore—one at Cowes and two at Calshot—is the Winder Aircraft Corporation of Florida, which hopes that it will be able to use the aeroplanes for testing nuclear engines. Shifting them to America will be a tricky problem in itself; to make them flyable would be expensive, for they now lack engines, and they are bulky for sea transport. Towing is one way that has been suggested.

Once the superior efficiency of landplanes was demonstrated after the war, and a network of aerodromes became available through the world, the commercial appeal of the flying boat had gone. In prewar days, when aerodromes were still grass fields, a long-range aeroplane that needed plenty of space to take off could find it only on the water—and being able to land on the sea was still considered comforting by passengers and crew. Enough of this tradition survived the war for giant flying boats to be part of the Brabazon committee's recommendations for civil aircraft development. But by 1951 British Overseas Airways Corporation had decided that it did not want to split its fleet between landplanes and flying boats—a year before the Princess first flew. So the career of this type was always of somewhat academic interest, even if it managed to live on rather longer than its landplane equivalent, the Bristol Brabazon.

Patents in Europe

DISAGREEMENTS between members of the common market have recently stolen the headlines, but the Six have invited no publicity for a supra-national project in which they appear to have made remarkable progress. This veil of near-secrecy has obscured their negotiations for a European master patent. Now they have reached the stage of drafting an agreement and, so far, have shown no disposition to discuss it with others—even those, like Britain, who reckon to know a thing or two about patent legislation and would be directly affected by any system that EEC might adopt before Britain came in.

Patent rights vary between different countries, including the Six, and are not a field in which easy victories are to be won—the Commonwealth never achieved as much. Reason says that there should be international recognition of common industrial property rights; but people have to muddle along with an unco-ordinated collection of independent national examinations and searches. The law under which the Patent Office Seal is administered is as majestic as that which governs the Great Seal of the United Kingdom, but its practitioners would not claim that it is streamlined.

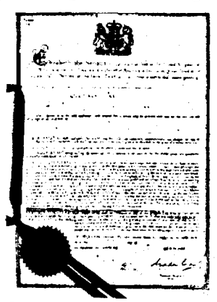
An international convention originating in the nineteenth century and revised from time to time provides the highest common denominator in patents. Most industrial countries except Russia are members. These "Paris Union" countries have agreed to grant foreigners the same treatment with regard to patents as their own subjects. More importantly, they prevent a member country compulsorily throwing open the rights of manufacture within three years of the date of the granting of a patent because the invention has not been exploited in its territory. An inventor can continue to export his product and is not compelled immediately to begin manufacturing in each country to preserve his rights. The convention also gives the inventor priority in taking out a patent in all other member territories for a year after he first files his specification in any country.

These are useful but minor essays in co-operation. They even involve slight infringements of national sovereignty. But despite several attempts to extend the area of agreement, most countries have hung on to their traditional ways, though some progress is being made toward international classification of inventions. About the time the Six began discussions for a Euro-patent in 1959, Britain (which originally had no knowledge of them) proposed a more dilute international system to the Council of Europe, by which there would be a patent granted by an international office which was prima facie valid in all member countries; but after that its validity and scope would be determined in each particular country according to that country's laws. Because the scheme proposed by the Six is so far forward, the British plan has been shelved.

Britain's feeling for sovereignty may have mellowed of late, but it does not follow that its preference for a looser patents pact than the one envisaged by its prospective European partners has itself weakened. Patents and the associated field of trade marks are not within the ambit of the Treaty of Rome. The discussion of a pact stems from a meeting of foreign ministers who wished to harmonise their practices in these complicated matters and to reduce the duplication of work in their separate patent offices.

Examination and search for novelty of inventions, not to speak of the presentation of the inventor's applications to many national patent offices, absorbs the energies of a remarkable number of talented people. The Six plan to set up a supra-national search office, possibly at The Hague where a search organisation already exists, and to found a separate body to examine inventions. It will be open to European inventors to apply for the Euro-patent or national patents for both will co-exist, at least for a period. The Euro-patent must bridge the wide gap in patent practice between France, Germany and Italy. One can hope that, by an inverse Gresham's law, good patent practice will drive out bad. British patents experts are fearful lest the European code does not incorporate all that is best in British practice which dates back to the time of James I. But from what is known of their intentions, the Six seem resolved on something approximating to practice over here.

In one major respect the proposals of the Six would conflict with British practice. The intention is to publish specifications before examination, so that competitors will get a sight of the rabbit much earlier than under the British system. Details would be published within 18 months of filing an application for a patent, whereas in Britain they may be withheld for up to 3 years longer. The British Patents Act is replete with safeguards for consumers. For example, an inventor applying for a patent in Britain must write a specification that can be readily understood by people of ordinary proficiency in the affected trade. He must even state the best method of performing the invention known to him, and he has to define the scope of the invention claimed so that when others widen the field he cannot retrospectively become much more ambitious for his discovery. Would the European legislation be so considerate?



By permission of the Comptroller-General of Patents

TRACTORS

Who's Doing Better?

TRACTOR production rose by 11 per cent in the first quarter of this year compared with the same period of 1961, according to the Agricultural Engineers' Association; but the two biggest manufacturers, Fordson and Massey-Ferguson, are oddly coy about revealing their own figures. One of them must have been doing better, but neither will admit to this—one might guess, however, that it was Massey-Ferguson, which was not enjoying a particularly successful period in 1960 but has been doing rather better in the last year. Its sales of all types of machinery at home rose 16 per cent in 1961 while its exports rose 12 per cent. Fordson reports a 10 per cent rise in home sales last year, suggesting that Massey-Ferguson was regaining some lost ground. Among the smaller companies, David Brown made 29 per cent more tractors in the first two months of this year, and BMC's output is about 15 per cent up—the move to Bathgate, which will nearly treble its capacity, will start soon.

The companies agree in optimism about their prospects for the rest of the summer at least. The home market began the year more buoyantly than one might have expected from the number of tractors in use, with sales running six per cent above last year's in January and February, but March saw a sharp fall, as with cars. Export business was ten per cent higher in the first quarter. Europe, Australia and America are the biggest export markets; shipments to West Germany, Canada and the United States were all roughly double the 1961 level. Markets like South America, Africa and Australia, however, showed falling sales.

KUWAIT

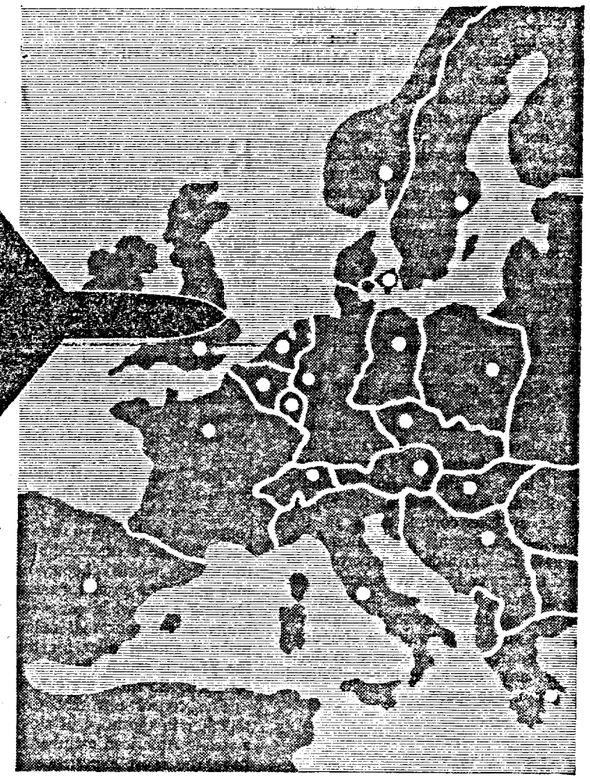
Middle East Manufacturing

NEWS that a German consortium is to make a project study for a steelworks in Kuwait may raise some Western eyebrows seems to have passed. Despite the hostile elements, a large acreage has been sown to barley. Barley futures are up to £3 a ton cheaper than immediate supplies. Current high prices might attract more barley from non-Commonwealth sources and when Russia is relieved of the obligation to limit its exports to this country at the end of June, its exports might increase. But Russians have recently shown particular interest in the British compounding industry. To increase meat production in Russia, exports might be forfeited in favour of the production of animal feeding stuffs.

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brows. There is no present or apparently imminent shortage of steel capacity in the world as a whole, or in areas able to supply the Middle East fairly conveniently; and though there are some known deposits of iron ore in the Middle East, Kuwait has seldom figured in the surveys of ore resources there. On the other hand, it has vast resources of ultra-cheap fuel, oil and natural gas; it could probably import pig iron from India fairly cheaply; and if it should be thinking of an integrated works, many of the new ones being built around the world are based on imported ore, and new techniques of iron reduction with natural gas are now available. But the limitations on demand for steel in Middle Eastern markets may be a more important commercial obstacle than the technological conditions of materials supply.

This is not the first study ever to be made of establishing secondary industries in the Middle East to use its abounding fuel resources, and in so doing to reduce its dependence upon the extraction and shipment in crude form of one natural resource. Because more and more oil is now shipped as crude, the proportion of the area's income coming from manufacture—processing oil in refineries—must indeed have been falling. There have been several studies made of petrochemical processing in Kuwait and other oil countries in the area or of industries such as cement that have very high fuel costs. Most of them have been defeated by the limitations of the market, or by the inconvenience of transporting some of the materials that could be produced at relatively low cost there. But it is only a matter of time before one of these projects breaks surface commercially in the Middle East—as ammonia production from natural gas in Trinidad, exported in specialised tankers and able to undersell that produced in most industrialised countries, has already suggested. It cannot be ignored that countries such as Kuwait are abundant in another resource that is essential to steel-making or any other highly-capitalised industry—capital to spare.

CHEMICALS

Pfizer's New Venture

NEXT month Pfizer intends to market polyethers imported from Jefferson Chemicals of the USA and in 15 to 18 months it should be able to supply them from its own plant at Baglan Bay, near Port Talbot. Propylene feedstock will be supplied "over the fence" from a nearby British Hydrocarbon Chemicals plant. Details of the plant which will use processes licensed from Jefferson Chemicals have not been published, but it is thought that its capacity will be of the order of 6,000 tons a year. Pfizer is best known for its pharmaceuticals but it already has a chemicals division to market a range of fine chemicals. If this project, the first attempt by Pfizer to enter the field of petrochemicals, is successful, the company will manufacture other products at Baglan Bay, where it has an option on enough land for sizeable expansion.

The choice of polyethers for a first throw is interesting and not wholly unpredictable. These are materials used in the manufacture of polyurethanes, which have long been among the most promising of new chemicals. The rate of growth of polyurethanes has mostly been due to their use in the manufacture of rigid and flexible foams. Rigid foams are used as insulation in refrigerators and, the industry hopes, increasingly in building; flexible foams are used in upholstery and in the motor industry, which offers the best prospect of growth. The main advantage of the foams is their cheapness and the relative cheapness of the machinery required to make them. But the attractiveness of this market has not passed unnoticed: in the USA it has been estimated that polyether capacity is three times the demand and the gap for polyurethanes is even wider, they are over supplied by between ten and fifteen times. However, the market will increase steeply in the next few years, by about three times in the next eight years.

In Europe the possibilities for expansion are even greater and it is probably this, rather than the British market, that has attracted Pfizer. In Britain two companies already make polyethers and two more besides Pfizer are thought to have plans to manufacture. Estimates of the size of the polyurethane market vary widely (9,000 to 20,000 tons in 1961) but the consumption of polyethers is probably not more than 10,000 tons, and it may be as little as 7,000 tons. Present production is slightly less than 10,000 tons, which does not leave much margin of expansion for the new projects. It is perhaps as well that plants for making polyethers can easily be converted to other products.

CROSSING THE CHANNEL

Lobbyists Galore

RECOMMENDATIONS from British and French civil servants about the type of solid Channel crossing—if any—that ought to be chosen are expected by their governments in a matter of weeks; accordingly, the pressure from interested parties is increasing. Last week M. Jules Moch, president of the *Société d'Etude du Pont sur la Manche,* went to see Mr Marples after lecturing the press on the virtues of a bridge and perils of a tunnel; the week before Sir Richard Costain had reminded the press that a tunnel need not be dug, but can just be sunk. Sir Richard added that this "immersed tube" could be built by the consortium that he heads for a guaranteed price.

The Channel Tunnel Study Group, which began all this activity back in 1960, has to compete with the *SEPM* for a government concession to build—a tunnel or a bridge—but it has an open mind about the type of tunnel it would choose, especially as it may get a firm price for the immersed tube. Drilling a tunnel involves so many risks of faults in the rock that nobody is likely to make a similar offer for this system, and the price is much the same—£130 million for each. So tubes are getting warmer.

The consortium that Costains has got together in the hope of sinking a tube has a strong American membership. Americans have the most experience of this sort of construction (although it was first suggested by Richard Trevithick in the 1800s for a tunnel under the Thames). The Los Angeles outfall sewer, built by one of the American members, Hyperion Constructors—itself a consortium—is the closest parallel to a tube under the Channel; it runs seven miles out into the Pacific and is 14 feet in diameter, whereas a Channel tunnel would be 41 feet in diameter. The other American members are Kaiser Engineers and Constructors, the engineering branch of the Kaiser empire, and Ellicott Machine Corporation, makers of dredging machinery—which would be needed to dig the trench under the Channel into which the tube would be sunk. On the British side, Costains do all sorts of civil engineering; Balfour Beatty is another civil engineering firm, specialising in tunnelling and electrical work; Swan, Hunter, as shipbuilders, would be interested in building the platforms from which the tunnel would be lowered. The sole French member of the consortium, *Entreprises Campenon Bernard,* is a big civil engineering contractor; the concrete sections of the tunnel would probably be made in France under its supervision.

SEPM is a combination of industrial companies that would be interested in building a bridge or supplying the material for it, trade associations and some big French banks. The *Compagnie Française d'Entreprises* has designed the bridge; the *Compagnie Industrielle et Financière des Chantiers et Ateliers de Saint-Nazaire Penhoët* are shipbuilders and engineers; the *Société des Forges et Ateliers de Creusot* are steelmakers; and there is another consortium called the *Association Françaises d'Etudes.* Among interested trade associations there are the *Chambre Syndicale de la Sidérurgie Française,* the *Union des Chambres Syndicale des Industries du Pétrole,* the *Union Routière de France* and the *Chambre Syndicale des Constructeurs d'Automobile.* The banks concerned, which might lend the company money—and it would need about £230 million—are the *Crédit Lyonnais,* the *Banque Nationale pour le Commerce et l'Industrie,* the *Société Générale* and the *Banque Française pour le Commerce Extérieur.* Dorman Long and Merritt Chapman and Scott, which started the present bridge campaign in 1960, would probably take part in building any bridge. On the financial side Lord Gladwyn is trying to drum up a British Channel Bridge Company as a partner to *SEPM.*

The Channel Tunnel Study Group, the Establishment in this pond, is by contrast devoted to those who only want to invest their money: the Suez Canal Company, the Channel Tunnel Company and its French equivalent, the *Société Concessionnaire du Chemin de Fer Sous-Marin Entre la France et l'Angleterre,* and a consortium of American banks, Technical Studies, Incorporated. Its members are not, therefore, likely to be directly involved in the risks and technical struggles that building anything across the Channel is bound to involve.

OIL REFINING

East German Giant

AT the western end of the 2,000-mile pipeline that is being built to move Russian oil to central Europe—and which is also making western oil companies apprehensive about exports moving farther afield—the East German regime is building a refinery planned for an ultimate capacity that few people in western oil would consider nowadays. The new plant, at Schwedt on the Oder, is designed for an initial capacity of two million tons a year when it comes on stream in 1963. But the plans, on paper at least, are for four million tons in 1965, eight million tons by 1970, and 24 million tons by 1975.

Whether, by then, this might be the world's biggest "single" refinery is impossible to guess. Abadan in Persia and Baton Rouge in Louisiana have capacities of more than 20 million tons a year. But both are oilfield-centred refineries built in the era when few markets were large and diverse enough to take the whole range of petroleum products, and the balance of economic factors clearly favoured refining at source in giant plants that could gain considerable economies of scale. Since the war, this balance has shifted somewhat (economies of scale in crude oil transport being even more dramatic than those in refining); political factors have come in, too, to favour refining near markets. Most recently, market-centred refineries have begun to be built inland at the end of crude oil pipelines rather than on the coast. As markets grow, certainly, the refining complexes serving them will develop too. But none of the plants now being built in south-east Germany and north-east France, at the end of these pipelines have capacities larger than four million tons a year, or have announced plans for expansion of the order of those being talked about for Schwedt.

One reason for choosing to plan a refinery of this size is that East Germany was deprived of all its significant sources of power by the transfer to Poland of Silesian coalfields east of the Oder-Neisse line. Though a relatively large proportion of the Schwedt refinery output will be directed to manufacture of petrochemicals, its main significance will be in the power that it will provide for the hungry East German industries. Today East Germany is spending 13 million marks a year on storage of crude oil alone in Polish, West German and other nations' ports. The new refinery's storage will reduce this figure (it will hold 180,000 tons). Though even today East Germany is claimed to be more industrialised than Italy, it is planning for further growth at about seven per cent per year.

Short of hydro-power, bituminous coal and, so far, oil, East Germany is putting its other fuel investment into the development of lignite deposits, in which 25,000 million tons are known to exist and reserves may total 40,000 million tons. A pilot power station at Leuna is designed to use lignite with high salt content, though deposits of lignite in this area will be exhausted by 1975. The present East German electricity output is about 40,000 million units per year, and if electricity consumption expands with the economy at the rate of about 7 per cent per year, then by 1975 about 90 million units would be needed annually. In heating value, as distinct from diesel fuel and petrol, 24 million tons of crude oil would produce fuel oils equivalent to 25 million tons of bituminous coal or yield electric power of about 55,000 million units. So the huge refinery capacity planned for Schwedt might do no more than fill the gap between power requirements for eastern Germany and its severely limited local fuel resources.

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PACKAGING

Foreign Policy

SQUARENESS, in containers, is hip. The obvious space saving advantages of flat-sided vessels are bringing them into favour, particularly with the chemical industry. But dockers will always find it easier to roll a barrel or drum than to lift a cube. What is ideally suited to mechanical handling may also have to be dealt with manually at some stage in its journey; what is convenient for exports may not be welcome in imports, and so on. The use of pallets for loading miscellaneous items provides big savings in time, space and labour. But when it comes to unloading general cargoes for diverse destinations by this means, the complications of sorting goods on pallets are so great that direct handling is still usually preferable.

This particular problem is not one often faced by the chemical industry, whose products lend themselves to more easily streamlined bulk handling. In its ultimate form, the pipeline or the carry-and-store demountable tank, bulk movement of chemicals dispenses altogether with special packing for transport. But for smaller quantities, growing use is being made of non-traditional materials for chemical drums—fibreboard, plastic or special alloys. Here, too, export markets threaten to complicate the use of new materials by imposing differing standards. Exporters are most anxious to avoid a repetition of the anomalies that have grown up around the transport of many familiar containers: to give only one example, Australia and New Zealand have totally incompatible regulations about valves on gas cylinders. This was among the questions raised at a conference called this month by the British Standards Institution, which it is hoped will eventually lead to action on a world-wide scale by the 45 member countries of the International Standards Organisation.

SHORTER NOTES

An Economic Planning Advisory Council for the Construction Industries has been set up with Sir Harry Pilkington as its chairman. Ten organisations connected with the industry are represented on it, though one of the biggest, the National Federation of Civil Engineering Contractors, is keeping out. The new council will seek to act as the official spokesman of the whole industry in its dealings with the National Economic Development Council; the civil engineers propose to do so separately through a committee consisting of the Federation, the Institution of Civil Engineers and the Association of Consulting Engineers.

★

The Thomson Organisation is to buy Thomas Nelson and Sons, the publishers. The acquisition will involve no issue of shares as it will be entirely on a cash basis; the price is thought to be about £2 million.

DIESEL SMOKE

The Facts

NO DIESEL ENGINE NEED EVER SMOKE
MODERN MAINTENANCE INSTRUMENTS ENSURE THIS
UP-TO-DATE FLEETS ARE ALREADY EQUIPPED BUT THE TOTAL
NUMBER OF VEHICLES ON THE ROADS IS IMMENSE
THERE IS NO MORE NEED FOR ANYONE TO DELAY
DUNEDIN TESTING AND TUNING EQUIPMENT
BRINGS
FUEL ECONOMY — POWER — EFFICIENCY
TIME-SAVING MAINTENANCE
COMPLETE CONTROL OF EXHAUST SMOKE
HEALTHIER LIVING
INSTRUMENTS CHEAP ENOUGH FOR EVERY TYPE OF OPERATOR
OFFICIALLY APPROVED BY DIESEL ENGINE MANUFACTURERS
USED IN 120 COUNTRIES
THESE SIMPLE FACTS SPEAK FOR THEMSELVES
DUNEDIN
BRITISH — UNIQUE
A FIRST-CLASS SERVICE TO THE WORLD
DUNEDIN
SOLE MANUFACTURERS OF DUNEDIN DIESEL TESTING AND
TUNING INSTRUMENTS
AND ALSO OF
THE DUNEDIN SMOKEMETER
FOR THE CORRECT ASSESSMENT OF EXHAUST SMOKE
SENSITIVE, PORTABLE, SIMPLE, ACCURATE
OPERATED WITH THE VEHICLE ON THE MOVE
USED BY BRITISH ENGINE MANUFACTURERS

Dunedin Engineering Co. Ltd.,

73-75 Mortimer Street, London, W.1. Tel. Langham 3633-4

COMPANY AFFAIRS

Prices of equities have moved irregularly on the London stock market this week but on balance they were lower and The Economist *indicator lost one point to 355.7. Relief at the ending of the dock strike threat brought a brief halt to last week's slide in prices but some disappointing company results (notably from Rolls-Royce) and the Montgomeryshire by-election result led to further selling. By contrast gilt-edged, helped by some foreign buying, made steady gains. Among equities steel shares were particularly dull but they rallied on Thursday; A. E. Reed made a bright showing among paper shares.*

Overcapacity in Paper

OVERCAPACITY in the paper industry in Europe and throughout the world has sharply reduced profits. And the industry may be afflicted by slender margins for some time to come, for the gap between demand and capacity may not narrow much in the next two or three years. At the moment, for instance, **Bowater Paper** is running its mills in this country and Canada at about four-fifths of normal capacity. Unit costs are high and competition between the paper-makers to operate their modern mills as fully as possible is keeping prices down. Paper groups in this country, moreover, are having to bear the full brunt of Scandinavian competition resulting from the successive EFTA tariff cuts. The British paper-makers therefore welcome any steps which will bring the EFTA and common market countries together for they would be less exposed behind the common tariff of the EEC.

Bowater Paper	1957 £ mil.	1958 £ mil.	1959 £ mil.	1960 £ mil.	1961 £ mil.
Sales	102·5	107·2	117·0	142·1	148·4
Trading profit	17·2	18·1	20·1	23·5	21·9
Gross profit	10·0	9·9	10·6	12·3	10·0
Net equity earnings	4·6	4·9	5·2	5·4	4·5
Retained cash flow	8·0	8·6	9·1	10·0	9·7
Net fixed assets	118·0	136·1	143·5	155·0	165·6
Net current assets	25·7	22·5	24·4	32·8	20·6
Net liquid assets	—	Dr.2·1	Dr.1·3	0·8	Dr.14·6
Net equity assets	52·9	56·5	67·0	87·4	87·0
	%	%	%	%	%
Ord. earnings	34·3	34·6	27·8	22·7	17·9
Ord. dividend	10·4	10·4	12·5	13·75	13·75
Gross profit/sales	9·8	9·2	9·1	8·7	6·7
Gross profit/net equity assets	18·9	17·5	15·8	14·1	11·5
Net earnings/net equity assets	8·7	8·7	7·8	6·2	5·2

Price (£1 shares): 37s.3d. Earnings yield: 9·6%.
Dividend yield: 7·4%. equal to 10·4 years' earnings.

This looks beyond the immediate future and as Bowater shareholders thumb through the pages of the annual report and accounts they may be haunted by fear of a lower dividend. Over the past year the price of the £1 shares has fallen by a third and now at 37s. 3d. the £1 shares yield 7.4 per cent; with the current dividend covered only 1.3 times the possibility of some further reduction in income is implicit. The group's long-term growth potential, however, is a different matter; many substantial developments both in Europe (where its investment now amounts to £14 million) and North America are still contributing little to profits, while the associated companies, Bowater Scott, makers of tissue products, and the Tasman Pulp and Paper of New Zealand are ploughing their profits back and not currently paying dividends. All this is reflected in the low return earned on capital employed. But capital expenditures have remained high and at the end of the year Bowater Paper was deeply in debt to its bankers. The loan of £5 million raised in Switzerland since then has only partly lightened the burden.

Pressures on the paper-makers in the British market will remain intense and the directors of **Wiggins Teape** have already said that sales and profits in the first three months of 1962 have been below those for the corresponding period in 1961. Wiggins Teape's trading profits fell last year from £6,008,000 to £4,977,000 but £430,000 of this fall can be attributed to the transfer of assets to Millbank Paper (which Wiggins Teape now owns jointly with British American Tobacco). Nevertheless the figures point to a decline both in sales and profit margins, especially in the second half of the year. The emphasis put by Wiggins Teape on specialised and high quality papers may give profits some protection that Bowater with about half of its profits coming from newsprint may not enjoy. This is reflected in the slightly lower yield of 6 per cent offered by the £1 shares in Wiggins Teape at 47s. 3d. on the maintained dividend of 14 per cent, covered 1.8 times.

By contrast, Spicers report a fall in trading profits in 1961 of only 2 per cent from £1,243,000 to £1,220,000 but after higher charges for depreciation and tax net profits fell from £583,000 to £494,000. In this case the decline in profits is probably understated as the latest figures include nine months' profits from the Boyden group, an acquisition which could well have added £200,000 to gross profits. Against this, however, Spicers received less in investment income in 1961 having reinvested the proceeds of its earlier sale of British Waxed Wrappings in Boyden. The fall in trading profits was much steeper in the second half of the year than in the first half and the cover on the maintained dividend of 12½ per cent has fallen to 1.8 times. At 39s. 9d the £1 shares yield 6.4 per cent.

Disappointing results from other paper producers had led the stock market to canvass the possibility of a cut in the dividend from **A. E. Reed** for the year to March 31st. Wednesday's surprise announcement of a maintained dividend of 16 per cent and better trading results in the second half of the year produced a sharp rise in the price of the shares, the ordinary gaining 5s. to 42s. and the "A" ordinary 5s. 10½d. to 40s. 7½d. The latest profits include a full year's earnings from Imperial Paper and Anglo-Canadian Pulp and Paper, both acquired from the Daily Mirror group. Not surprisingly, therefore, net sales of the group rose from £71.4 million to £95 million, gross profits from £6.6 million to £7.8 million and net profits from £3.7 million to £3.9 million. A better guide to the year's outcome is provided by the directors' statement that "the rate of earnings overseas has generally been maintained, but profits in the United Kingdom have fallen considerably" and that "the profits of the group as a whole have improved in the second half year." Two principal reasons are given for this improvement; the seasonal nature of the industry in Canada; and "the gains which have arisen in the United Kingdom from improved efficiency and lower operating costs."

Compared with the first half of the financial year gross sales in the second half were £2 million higher at £58 million, gross profits, £1.2 million higher at £4.5 million and net profits £700,000 higher at £2.3 million. On the increased capital of £28.7 million the ordinary dividend of 16 per cent is covered only 1.3 times.

Rolls-Royce

A GLOOMY interim statement from Rolls-Royce in October dashed any hopes of increased profits or dividends but the stock market was not prepared for the shocks which this week's preliminary statement revealed. The cut in the ordinary dividend from 11 to 8 per cent and an effective loss on trading, if all development expenditure had been charged in the 1961 accounts, sent the shares down by 2s. to 29s. 9d. Yet Rolls-Royce's total sales revenue rose from £109¼ million to £123¾ million, reflecting the major re-equipment programmes of many airlines. The order book is thinner; orders in hand of £96 million at the end of 1961 are £20 million less than at the end of 1960, the reduction occurring largely in civil aero engines.

Last year's costs rose more quickly than sales and profits were badly hit by lower margins in the aero engine business (where the Tyne engine alone absorbed £2½ million in special costs) and the effect of lower sales of motor cars. A substantial increase in stocks and high interest rates are reflected in the sharp rise from £409,000 to £1,787,000 in interest charges and the consolidated trading surplus fell from £11.6 million to £8.9 million.

If the year's development and research expenditure of £10.5 million, against £7.7 million, had been charged in full against the surplus, Rolls-Royce would have made a loss of £1.7 million. This, in the directors' opinion, "would not fairly reflect the experience of the year's trading" as part of the development expenditure will ultimately be recovered by sales of engines already ordered by customers. They estimate the total recovery at £6.6 million, of which £2.4 million relates to 1960 and £4.2 million to 1961. This sum has been capitalised, so that the amount charged for development directly against revenue in 1961 has been reduced to £6.3 million. On this basis, the year's gross profit is £2.5 million; as there is no tax charge it is the net profit as well and, on this new basis of accounting, covers the smaller dividend 2½ times. The fall in orders and the decision to capitalise part of the development expenditure are worrying portents and investors should take another critical look at the yield of 5½ per cent.

Hawker Siddeley

WHILE the results of Rolls-Royce were worse than expected, those from Hawker Siddeley were better. But twelve months' profits in 1961 are compared with 17 months in 1959-60. Hawker Siddeley's sales at £320 million in 1961 seemed to have run at the same level as in 1959-60 when they amounted to £458 million. On the other hand trading profits in Britain of £23,881,000 were at a lower level than in 1959-60 when they amounted to £35,061,000; but proportionately more profits relating to prior years were consolidated into the trading surplus in 1959-60 than in 1961. Last year the British group spent proportionately less on research and development though the total remains heavy at £9.8 million, against £15.6 million. But while the gross profits actually earned by the British group last year were running at a slightly higher level, the net loss of the Canadian group rose from £537,000 to £813,000 so that the net income of £4,717,000 was proportionately less than the £7,771,000 recorded in 1959-60. The latest figure is subject, moreover, to exceptional charges for certain Canadian losses and exchange adjustments and these reduce the cover on the dividend as rounded up from the equivalent of 10.6 per cent to 11 per cent, to 1.2 times.

The directors say the order book is at a substantial level. In Canada, several new contracts have been won and there are now "definite signs of improvement." Hawker Siddeley is still predominantly an aircraft group and its ventures in other industries, both in Britain and Canada, have not been especially happy. Not surprisingly, therefore, the £1 shares, which gained 3s. 6d. to 23s. 6d. on the results, yield as much as 9.4 per cent.

Bristol Aeroplane

AFTER the good reception of Bristol Aeroplane's profits for 1961, Sir Reginald Verdon-Smith now reveals that far-reaching changes in the structure of the industry initiated in 1959-60 have begun "to achieve demonstrable results." This is reflected in the rise of 5½ per cent in Bristol's gross profits from £2,048,000 to £2,162,000 and in the dividend from 12½ to 13½ per cent, now covered 2.2 times.

Bristol is now largely a holding company, deriving 79 per cent of its income last year from investments in associated companies. These include a 50 per cent holding in Bristol Siddeley engines, 20 per cent in British Aircraft Corporation, 15¼ per cent in Shorts and a 10 per cent holding in Westland. Last year's income from these holdings was hardly changed, at £1,890,000. Bristol Siddeley paid an unchanged dividend, Short Brothers made a loss and BAC did not pay a dividend, as it is ploughing profits back to cover development expenditure. In direct trading, Bristol's companies in this country benefited from "satisfactory results from pre-merger aircraft and missile contracts executed on our account by British Aircraft Corporation" and the trading profits of all the British companies rose from £255,000 to £417,000. Overseas subsidiaries, notably in Canada, did not fare so well and their trading profits fell from £281,000 to £83,000.

Sir Reginald says that the changes in the industry have strengthened its structure and efficiency and that the group's associated companies have full order books for the next two years. The 10s. shares stand at 16s. 9d. and yield 8.1 per cent.

Food and Drink

FOOD and drink equities have retained their popularity with investors on the grounds that they are among the last to be affected by a downturn in the economy and that they should benefit from the expected rise in consumer expenditure last year. Their defensive attributes are plain but their growth potential has probably been exaggerated. Competition is fierce; costs are rising; profit margins are slimmer; and last year's profits can be regarded as no more than satisfactory. This has been particularly true of the British market; but trading internationally has its own problems. The profits of **Reckitt and Colman** rose last year by no more than one per cent though sales were 10 per cent higher; this was largely due to lower margins at home and to exchange losses abroad. It is not clear from the preliminary statement of **Bovril** whether unsettled conditions in South America had the same effect on its profits as they had on Reckitt and Colman's; but the fall in Bovril's profits for the second year running can hardly be explained by lower margins alone. The branded products of Bovril and Reckitt and Colman are equally well known; but investors believe there is more spring and elasticity in Reckitt and Colman, which on the basis of profit retentions has extended its trade overseas and which is looking forward to bigger sales and profits this year.

	Gross profit		Net profit		Ord. dividend per cent		Price	Yield per cent
Years to December 31	1960	1961	1960	1961	1960	1961		
Reckitt & Colman	9,691	9,747	4,918	4,719	12	12	76/-	3·2
Beecham Group	7,950	7,512	4,018	3,919	30	30	45/3	3·3
Allied Suppliers	3,475	3,992	1,435	1,716	10	10	25/6	3·9
Schweppes	3,788	3,584	1,841	1,606	24	24	31/9	3·8
Bovril	1,465	1,136	600	382	12	12	51/-	4·7

About half of the sales of the **Beecham Group** are in food and drink products, largely in the home market; its branded toilet and medicinal products are sold more abroad than at home and in all about a quarter of its total sales are made overseas. Thus it is more dependent on the home market than Reckitt and Colman and not surprisingly the pressure on margins is more apparent in Beecham's results than in Reckitt and Colman's. In the year to March 31st Beecham's total sales rose by 4 per cent, from £56.3 million to £58.6 million, but its gross profits fell by 5½ per cent from £7,950,000 to £7,512,000. The fall in profits was most marked in the second half of the financial year when the gross profit margin was 11.7 per cent and the net margin 6.4 per cent, compared with 14.0 per cent and 7.4 per cent respectively in the first half. Beecham's margins in the winter, when its advertising expenditure rises to a peak, are usually smaller than in the summer; but the latest ones are lower than those recorded in the winter of 1960-61 (12.9 per cent gross and 6.6 per cent net).

In the American and British markets, however, the bargaining power of retailers has been strengthened by the establishment of bigger empires and this poses a further threat to the margins earned by suppliers. The brewing combines and the big multiples and super store chains in the grocery trade are demanding and getting, the chairman of **Schweppes**, Mr R. Hanning Philipps says, bigger discounts or increased promotional allowances on their bulk orders. This is squeezing Schweppes' profits at a time when the growth of its sales at home appears to have been checked. Schweppes has turned its thoughts to expansion overseas and to a wider spread of interests at home, where it is trying to consolidate its interests in the preserves industry. This reorganisation has imposed its own strains: while Wm. Moorhouse added to its profits both Chivers and Hartley made losses last year. These two companies should soon be earn-

Continued on page 717

BY APPOINTMENT TO HER MAJESTY QUEEN ELIZABETH II MANUFACTURERS OF MOTOR CARS AND LAND ROVERS THE ROVER COMPANY LIMITED

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Photograph by Terence Donovan

How to judge gin

ıe great international jury assembled at the Hospes Exhibition in Berne gave the gold medal to Burnett's gin. And added their ılicitations. How do you judge that one gin is better than another? It's done mainly by nose. First you check that the spirit is ean and pure, smooth not harsh. You consider the character. Then, and only then, do you sip. This is how the internatio al ıry judged Burnett's gin. They were very favourably impressed. You will be, too. Try Burnett's, and follow your no se.

BURNETT'S GIN

Continued from page 714

ing profits again; but the chairman says that Schweppes will find it hard to maintain its volume of soft drink sales this year.

Competition at the retail level is as fierce as it is among the suppliers and it has forced the multiples to spend heavily on modernisation. **Allied Suppliers,** for instance, is traditionally regarded as a chain of small grocery shops and in the past it has been criticised for its slowness in adapting its stores to self service. But it now seems to be hotting up the pace of development. It is closing small, uneconomic branches and letting them out to other retailers; from money released by the sale of some freeholds it is modernising and extending its bigger stores. At the end of 1960 it had converted over 500 of its 3,800-odd stores to self service; by the end of 1961 it had 3,500-odd stores open, of which nearly 670 were self service. The new impetus in Allied Suppliers must be largely responsible for the recovery in its profits last year.

British Petroleum and Burmah Oil

THERE is much to commend in the way **British Petroleum** presents its trading results for 1961. For the first time the accounts of subsidiaries with one or two minor exceptions have been fully consolidated and a comprehensive five-year table is included. The extracts from it set out in the table show how much margins have been under pressure. In his statement Mr Maurice Bridgeman makes it clear that any improvement in profit margins is more likely to come from lower operating costs than from any general improvement in prices. The dividend on **Burmah Oil's** holding in BP forms an important part of its income. The 1961 accounts of Burmah Oil reflect the higher dividend paid by BP for 1960 while this year's accounts will include the fractional increase in the final dividend of BP for 1961. Considerable changes in the sources of Burmah Oil's income have arisen from the altered status of joint venture companies in Burma and India; as the governments in these countries have increased their stakes in them, what were subsidiaries of Burmah Oil have become trade investments. The pressure on Burmah Oil's own operating margins has been partially offset by bigger sales of its marketing subsidiaries; another factor leading to the increase in pre-tax profits from £18½ million to £20¼ million was the substantial fall in the charge for exploration expenditure particularly in the United States.

In 1961 BP invested £124 million in exploration and other items, £15 million more than in 1960. All but £6 million of this came from internal resources while outside borrowings of £8¼ million (including the £5 million Swiss loan) were the lowest for some years. Of its total "properties and operating assets" of £396 million the report shows that only £61 million represents production and exploration; tankers account for £42 million, marketing £120 million and refineries £173 million. In addition BP has big investments in associated companies, including Kuwait in production and Shell Mex and BP in marketing. The profits earned on this vast array of assets in Mr Bridgeman's view refute suggestions that the profits of integrated oil companies are excessive. This is certainly not the view of the stock market where BP at 33s. and Burmah Oil at 35s. 3d. offer returns of almost 9¼ per cent.

Group sales (tons mn.)	1957 51·1	1958 60·4	1959 63·2	1960 72·9	1961 78·3
	£ mil.	£ mil.	£ mil.	£ mil.	£ mil.
Gross income	795·9	835·2	863·6	957·3	1,036·2
Profit before tax	127·6	138·2	131·1	144·9	142·1
Net income	55·0	63·0	63·3	62·2	60·1
Ord. dividend	15·2	17·7	22·8	25·1	25·7
Ord. dividend per £1 unit	1/3	1/5½	1/9²³	1/11¹³	1/11²³
	%	%	%	%	%
Net income/gross income	6·9	7·5	7·3	6·5	5·8
Net income/net assets	14·4	14·1	12·0	10·4	9·2
Payments to Middle East countries	93·7	118·8	114·7	128·0	126·6
Capital expenditure	113·5	137·5	140·7	109·1	123·9
Retained earnings	100·8	114·1	111·8	112·0	117·7

Pressed Steel

THE reasons for Pressed Steel's loss of £2,668,000, against a profit of £1,885,000 were given in the preliminary statement. Mr Alex Abel Smith, the chairman, now has some important things to say about the future. Profits should stage a good recovery this year; Pressed Steel returned to profitable trading in the first quarter and Mr Abel Smith hopes for "much improved results." The refrigerator division is unlikely to help much; intense competition makes it difficult for any manufacturer, however efficient, to earn a satisfactory return on invested capital. The railway carriage and wagon division, too, is expected to make only a "modest contribution." The Beagle aircraft subsidiary is still in the development stage, writing off expenditure and not making profits.

Everything, therefore, turns on the motor body division. Mr Abel Smith holds that the motor industry "has once more entered on an upward cycle" and he expects a steady build-up in production for the next four or five months at least. By the end of the year the expansion programme will be completed. There must be a permanent rise in the demand for cars to justify the money that is being spent on this programme. The decision to push ahead with expansion when the company was making losses has made its mark on the company's finances. Nearly £4 million was borrowed from the banks and £5 million from the Board of Trade. As the programme will cost about another £9 million to complete, Pressed Steel has arranged to borrow another £4½ million from the Board of Trade and its bankers have agreed to bridge any gap. Money from the Board of Trade at 5½ per cent is cheap; but the loan of £9½ million is repayable between 1964 and 1972 in equal annual instalments of £1,100,000. This could take some of the gilt off earnings. It could prove an onerous burden if Pressed Steel, with greatly increased capacity, suffered a setback similar to last year's. Clearly there is scope for recovery in the 5s. shares, now standing at 17s. 9d. and yielding 1½ per cent on the nominal dividend of 5 per cent; but last year's results have drawn attention to its vulnerability and investors will be more careful in bidding the price up than they were in the past.

The Economist Indicator (1953=100)

1962	Indicator	Yield %	1962 High	1962 Low
April 11	362·7	4·94		
,, 18	355·8	5·08		
,, 25	359·4	5·03		
May 2	362·4	5·00	364·4 (Jan. 17)	346·3 (Mar. 28)
,, 9	356·7	5·10		
,, 16	355·7	5·10		

Financial Times Indices

1962	Index †	Ord. Yield	2½% Consols Yield	Bargains Marked
May 10	297·5	5·31	6·15	13,757
,, 11	296·0	5·34	6·17	13,334
,, 14	299·7	5·27	6·14	17,304
,, 15	300·0	5·26	6·12	16,157
,, 16	296·4	5·28	6·11	14,739

High, 310·2 (Jan. 19). Low, 291·4 (April 2).
† July 1, 1935=100.

Rank and Mecca

THE leaders of the Bingo boom have been the Rank Organisation and Mecca but it seems to have influenced the results of Mecca more than those of the Rank Organisation. Last year **Mecca's** trading profits rose from £818,000 to £1,093,000; this reflected in part the contribution made by new acquisitions, notably the Hammersmith Palais, though Mecca's entry into ice skating came too late in the year to add much to profits. Net profits benefited from a more favourable basis for charging depreciation and rose by 29 per cent to £461,000 to provide earnings of about 30 per cent on the increased ordinary capital on which the dividend has been raised from 20 to 22 per cent. Mecca's prospects still beckon but the yields of 1¼ per cent offered by the 5s. ordinary shares at 60s. and of 2¼ per cent on the "A" shares at 39s. 7½d. point to a long pilgrimage.

The news from the **Rank Organisation** is less encouraging, for the directors in making a formal offer for Murphy Radio forecast a fall in profits before tax from £6,451,000 to about £6,000,000 in the year to June 30th next. Profits from cinemas are expected to be slightly smaller but the profits of the industrial subsidiaries, particularly Bush, Rank Cintel and Rank Precision, are expected to be "materially lower." These reductions will not be fully offset by a marked improvement in profits from the group's miscellaneous activities. The directors expect net equity earnings to fall from £1,595,000 to about £1,330,000 to cover the forecast dividend of 25 per cent (against 22½ per cent) about 1¼ times. Not surprisingly the ordinary shares fell back on this forecast which coincided with the first dealings in the

new 6¼ per cent convertible unsecured loan stock. In an excited market the stock touched a premium of 20 on the issued price of 99 before falling back to 10¼ premium. In buying the stock at this sort of price investors were clearly prepared to look beyond current profits and to hope that in a few years time such interests as bowling centres, television rental and relay and Xerography will be real money-spinners. At the current premium the loan stock puts an effective price on the "A" ordinary of 36s. in 1963, compared with the current market price of 30s. 9d. and yield of 4¼ per cent.

Boots Pure Drug

BOOTS PURE DRUG has yielded not much more than 2 per cent for well over a year and investors now have to examine more critically the growth expectations of the shares. To those who hoped that the policy of modernising its stores and extending their range would counteract the difficult conditions in retail trade last year the preliminary statement must have seemed disappointing. Boots' gross profits in the year to March 31st rose by 5 per cent from £8,826,000 to £9,271,000 but this is not quite the drive that investors had expected. The turnover figures published in the full accounts will show how severe the squeeze on retail margins was and how far sales of pharmaceutical products, which accounted for 14 per cent of the group's turnover in 1960-61, may have been held back by the higher charge for NHS prescriptions.

The tax charge was higher so net profits rose by less than 2 per cent from £4,263,000 to £4,340,000, raising earnings fractionally from 26.8 to 27.3 per cent. The ordinary dividend was maintained at 12 per cent; the stock market had hoped for 13 per cent and its disappointment was mirrored in the fall of 1s. 3d. to 30s. 9d. in the 5s. shares. They now yield 1.9 per cent on the dividend and just over 4.4 per cent on earnings; thus they discount expansion well beyond the current year.

De Beers

STOCKS of diamonds held by the De Beers group increased still further last year even though record sales were made through the Central Selling Organisation. The latest rise of R2 million (1 Rand = 10s. sterling) brings their book value up to R37 million, and the directors say that the market was unable to absorb certain qualities of small diamonds. Steps are being taken to improve the market for these stones. Diamond sales rose by R12 million last year; the directors claim that the increase in stocks resulted from bigger purchases from major producers, particularly Russia, and from the West African alluvial diamond fields.

De Beers own mines stepped up their output last year, though the production of Consolidated Diamond Mines of South-West Africa declined. The group's income on diamond account rose from R65.3 million to R70.5 million, more than offsetting a reduction from R23.4 million to R21.6 million in investment income. A note in the full accounts says the tax charges fully provides for the recently announced increase in tax on diamond mining in South West Africa, and after tax the group's net profits were R44 million, against R40.4 million. The increase in the dividend from 12s. 6d. to 14s. per deferred share has raised dividend disbursements from R22.9 million to R25.4 million. Transfers to reserves have reinforced liquid resources still further: Holdings of cash have risen from R115.6 million to R123.4 million and further sums have been invested in readily realisable assets. The yield on De Beers deferred at 156s. 3d. is 9 per cent.

Sears Holdings

LAST year the trading profits of Sears Holdings rose by 5 per cent from £10,416,000 to £10,920,000: British Shoe Corporation's profits rose from £5,740,000 to £5,892,000 (accounting for 54 per cent of the total), and Sears Engineering's profits rose more sharply from £4,005,000 to £4,399,000 (40 per cent of the total). The group's turnover rose by nearly 6 per cent and exports, accounting for over a fifth of sales, rose by 12 per cent. The chairman, Mr Charles Clore, says that the group experienced more intense competition at home and abroad and had to absorb higher costs; he attributes the advance in profits to an improvement in "internal efficiencies." The ordinary dividend of 25 per cent, covered twice by earnings, was maintained on the capital as increased by a one-for-five scrip issue in June.

The balance sheet reflects the effect of Sears' expansion. Stocks and debtors rose from £29¼ million to £35¼ million and this, together with stock market purchases of shares in Saxone prior to the merger, brought net liquid assets down from £7,693,000 to £242,000. But the £5 million debenture placing made recently by British Shoe has reinforced cash balances and the group's retained cash flow is about £4 million. Profits should rise again this year; 1961 was a difficult year for the retail shoe trade but 1962 should produce some benefits from the merger with Saxone. In Sears Engineering the Bentley Group, which makes hosiery knitting machinery, should be working at full capacity this year; but Mr Clore says that Furness Shipbuilding "will be barely fully occupied in 1962." The 5s. ordinary "A" shares, now standing at 39s. 7½d., yield 3.2 per cent on the forecast of a maintained dividend of 25 per cent on the capital as increased by the proposed one-for-six scrip issue.

Insurance Reports

THE latest batch of insurance reports make generally more cheerful reading. Most of the companies in the table earned a better underwriting surplus in 1961; this largely reflects a reduction in their commitments in North America. The slight fall in the surplus of London Assurance stems from a substantial underwriting loss of £760,000 in the accident department as a result of the hurricanes. The elimination of unprofitable business has been of benefit to the Guardian and the Sun Alliance, though the latter still has an underwriting deficit in the United States. The Guardian operates on only a very limited scale in the United States and the slightly lower surplus on its accident business stems from the loss on the motor account. Northern and Employers reports a loss on its fire account as a result of its experience in the United States; but its US business as a whole earned a profit. By far the biggest increase in underwriting surplus is reported by the Royal Exchange; this reflects a sharp rise in premium income.

The investment income of all the companies has risen—notably so in the case of the Guardian, which made a two for one rights issue last year. The full benefit from the investment of the proceeds of that issue will be seen in the current year's accounts. Most of the offices have invested considerable sums in property developments but more than one chairman stresses the long term nature of such investments. Meanwhile most of the offices, in the words of Lord Knollys, the chairman of Northern and Employers, have "made a reassessment of the prospects of ordinary shares and fixed interest securities." Not surprisingly the balance of new investment in the past year swung back towards high yielding fixed interest stocks but equities were by no means neglected. The Royal Exchange, for example, was a seller of equities in the early months of 1961 but it came back into the market as a buyer later.

	Net underwriting surplus		Gross investment income		Dividend per share	Price	Yield per cent
	1960 £'000	1961 £'000	1960 £'000	1961 £'000			
Guardian	1,287	1,698	3,212	3,731	1/4	59/-	2·3
London	384	370	2,266	2,417	1/9	61/6	2·8
Northern & Employers	*	982	4,216	4,602	4/2·4	177/6	2·4
Royal Exchange	799	1,554	3,376	3,507	3/9	123/3	3·0
Sun Alliance	2,848	3,489	3,160	3,299	2/8	95/9	2·8

* No comparable figure available.

Money and Exchanges

EXCHEQUER RETURNS

For the week ended May 12, 1962, there was an "above-line" surplus (after allowing for sinking funds) of £3,414,000 compared with a deficit of £58,498,000 in the previous week and a deficit of £3,820,000 in the corresponding period of last year. There was a net expenditure "below-line" of £6,153,000 leaving a total cumulative deficit to date of £92,770,000 compared with £50,659,000 in 1961–62.

£'000	Estimate 1962–63	April 1, 1961, to May 13, 1961	April 1, 1962, to May 12, 1962	Week ended May 13, 1961	Week ended May 12, 1962
Ordinary Revenue					
Income Tax	2,790,000	154,291	154,412	26,423	24,041
Surtax	188,000	18,000	18,600	1,700	2,200
Death Duties	264,500	33,400	30,500	5,000	4,800
Stamps	95,000	12,600	12,700	2,200	1,100
Profits tax, EPT and EPL	374,000	24,500	26,200	3,700	3,900
Other Inland Rev. Duties	...	...	...	...	...
Total Inland Rev.	3,711,500	242,791	242,412	39,023	36,041
Customs	1,653,000	189,404	185,083	30,510	36,098
Excise	1,077,000	141,855	143,875	25,545	33,090
Total Customs and Excise	2,730,000	331,259	328,958	56,055	69,188
Motor Duties	150,000	7,874	11,885	2,131	5,611
Broadcast Lic's.	41,000	2,500	2,600	...	...
Miscellaneous	165,000	79,785	11,440	243	432
Total	6,797,500	664,209	597,295	97,452	111,272
Ordinary Expenditure					
Debt Interest	600,000	82,101	65,774	1,708	4,662
Payments to N. Ireland Exch.	100,000	9,609	10,342	...	...
PO Fund — Initial settlement	...	...	...	...	...
Other Consolidated Funds	12,000	1,037	880	14	76
Supply Services	5,611,650	566,884	584,860	98,900	102,600
Total	6,323,650	659,631	661,856	100,622	107,338
Sinking Funds	41,000	3,460	3,725	650	520
"Above-line" Surplus or Deficit	+	+	−	+	+
		1,118	68,286	3,820	3,414
"Below-line" Net Expenditure*		51,777	24,484	17,421	6,153
		−	−	−	−
Total Surplus or Deficit		50,659	92,770	21,241	2,739
Net receipts from:					
Tax Reserve Certificates		17,706	22,505	1,874	1,329
Savings Certificates		−3,900	1,000	−300	−900
Defence Bonds		7,611	391	1,763	−437
Premium Savings Bonds		6,000	3,000	400	200
Total		27,417	26,896	3,737	192

* Net receipts of £10 million to the Civil Contingencies Fund in 1962–63 compared with £4 million in 1961–62.

FLOATING DEBT

(£ million)

	Treasury Bills		Ways and Means Advances		Total Floating Debt
	Tender	Tap	Public Dept.	Bank of England	
1961					
May 13	3,160·0	1,893·0	275·3	...	5,328·2
1962					
Feb. 10	3,070·0	1,989·0	246·8	...	5,305·8
,, 17	3,040·0	2,302·6	275·4	5·0	5,622·9
,, 24	2,990·0	2,382·5	207·4	...	5,579·9
Mar. 3	2,950·0	2,481·4	236·7	5·0	5,673·1
,, 10	2,960·0	2,435·5	248·2	0·8	5,644·4
,, 17	2,960·0	2,423·9	251·1	...	5,635·0
,, 24	2,980·0	2,391·6	290·8	...	5,662·5
,, 31	3,000·0	2,330·6	260·7	...	5,591·3
April 7	2,980·0	2,400·5	253·0	2·3	5,635·8
,, 14	2,970·0	2,433·5	254·1	5·0	5,662·7
,, 21	2,960·0	2,448·7	226·0	3·3	5,638·0
,, 28	2,940·0	2,542·3	223·0	...	5,705·3
May 5	2,920·0	2,512·6	243·6	...	5,676·2
,, 12	2,940·0	2,236·5	248·2	0·5	5,425·2

THE MONEY MARKET

FOLLOWING poor allotments of 26 and 20 per cent in the previous two weeks the discount market syndicate "went for the bills" at last Friday's Treasury bill tender and raised its bid by 8d. to £99 0s. 1d. Total applications increased by £7 million to £413 million, but the outsiders did not raise their bids as sharply as the market and the average rate of discount fell by only 2s. 1.01d. to £3 19s. 8.71d. per cent. As a result the market received a satisfactory allotment of 57 per cent.

Credit was comfortable at the end of last week and, more unusually, on Monday of this week. On Friday and Monday the authorities sold small amounts of bills to absorb the surplus credit. On Tuesday and Wednesday, however, the market was forced to borrow from the Bank of England at Bank rate, although on both days the authorities helped the market by the special purchase of bills. On Tuesday one or two houses borrowed a very small amount, and on Wednesday three or four houses shared a small amount. The authorities obviously feel that last week's reduction in the bill rate was too sharp for present policies.

In New York this week the bill rate fell to 2.646 per cent from 2.720 per cent.

MONEY RATES

LONDON

	%		%
Bank rate (from 5%, 26/4/62)	4½	**Discount rates:** Bank bills:	
Deposit rates (7 days' notice):		60 days	4 1/8–4 3/16
Banks	2½	3 months	4 1/8–4 3/16
Discount houses	2 1/2–2 3/4	4 months	4 1/8–4 3/16
Local Authorities	4 5/8	6 months	4 1/8–4 1/4
Call money: Clearing banks' minimum	2 7/8	Fine trade bills: 3 months	5 1/2–6
		4 months	5 1/2–6
Day-to-day	2 7/8–3 7/8	6 months	5 3/4–6 1/2

NEW YORK

	%		%
Official Discount rate: (from 31/5%, 11/8/60)	3	**Treasury Bills:** May 7	2·720
		,, 14	2·646

BANK OF ENGLAND RETURNS

(£ million)	May 17, 1962	May 9, 1962	May 16, 1962
*Issue Department**:			
Notes in circulation	2,290·6	2,322·6	2,307·4
Notes in banking dept.	34·8	52·8	68·0
Govt. debt and securities*	2,323·2	2,373·9	2,374·0
Other securities	0·7	0·8	0·7
Gold coin and bullion	0·4	0·4	0·4
Coin other than gold coin	0·8	0·3	0·3
Banking Department:			
Deposits:			
Public accounts	10·2	14·9	15·2
Special deposits	152·9	233·2	233·2
Bankers	254·1	230·5	232·4
Others	85·1	69·1	70·3
Total	502·2	547·7	551·1
Securities:			
Government	408·5	451·0	432·6
Discounts and advances	57·6	42·4	49·2
Other	18·2	18·5	18·4
Total	484·3	511·9	500·2
Banking department reserve	35·8	53·6	68·8
"Proportion"	% 7·1	% 9·7	% 12·4

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue increased by £50 million to £2,375 million on March 7th.

TREASURY BILL TENDERS

Date of Tender	Amount (£ million) Offered	Applied for	91-Day Bills Average Rate of Allotment	Allotted at Max. Rate *
1961	*91 day*		s. d.	%
May 12	250·0	445·8	86 5·04	50
1962				
Feb. 9	230·0	412·8	108 0·74	22
,, 16	220·0	389·8	109 10·81	28
,, 23	220·0	405·6	110 7·47	21
Mar. 2	230·0	382·6	110 11·26	37
,, 9	230·0	396·2	100 5·89	53
,, 16	230·0	411·8	97 7·57	41
,, 23	230·0	408·1	89 0·47	48
,, 30	230·0	392·2	88 1·16	57
April 6	230·0	398·7	87 4·62	46
,, 13	230·0	407·9	86 8·54	41
,, 19	230·0†	386·6	85 4·31	46
,, 27	220·0	386·3	81 0·54	26
May 4	220·0	406·0	81 9·72	16
,, 11	230·0	412·8	79 8·71	57

* On May 11th tenders for 91 day bills at £99 0s. 1d. secured 57 per cent, higher tenders being allotted in full. The offer for this week was for £230 million 91 day bills. † Allotment cut by £10 million.

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Effective Limits	Market Rates: Spot					
	May 16	May 10	May 11	May 12	May 14	May 15	May 16
United States $	2·78–2·82*	2·81 1/4–3/8	2·81 3/16–5/16	2·81 3/16–5/16	2·81 1/4–3/8	2·81 5/16–7/16	2·81 5/16–7/16
Canadian $	...	3·03 15/16–04 1/16	3·04 1/8–1/4	3·04 7/8–05	3·05 5/16–7/16	3·06 3/16–5/16	3·05 15/16–06 1/16
French Fr.	13·622–14·027	13·78 1/8–3/8	13·77 1/8–7/8	13·77 3/4–78	13·78 1/8–3/8	13·78 1/4–1/2	13·78 3/4–78 1/8
Swiss Fr.	11·94–12·54 7/8	12·18 3/8–7/8	12·18 1/4–5/8	12·18 1/4–1/2	12·18 3/8–7/8	12·17 1/2–3/4	12·17 7/8–18 1/8
Belgian Fr.	137·96–142·05	139·87 1/2–92 1/2	139·87 1/2–92 1/2	139·87 1/2–92 1/2	139·90–95	140·00–05	140·02 1/2–07 1/2
Dutch Gld.	9·983 1/2–10·28 1/2	10·10 5/8–7/8	10·10 1/4–1/2	10·10 1/4–1/2	10·10 1/2–3/4	10·10 5/8–7/8	10·10 5/8–7/8
W. Ger. D-Mk.	11·037–11·365	11·25 1/8–3/8	11·24 3/8–25 1/8	11·24 3/4–25	11·25 1/8–3/8	11·25 1/8–3/8	11·25 1/8–3/8
Portug. Esc.	...	80·15–25	80·15–25	80·15–25	80·15–25	80·15–25	80·15–25
Italian Lire	1725–1775	1745 1/2–46 1/2	1745 1/2–45 1/2	1744 3/4–45 1/4	1745 1/2–46 1/2	1746–46 1/2	1746 1/4–47
Swedish Kr.	14·27 1/2–14·70	14·47 1/8–48 1/8	14·47 1/4–1/2	14·47 1/4–1/2	14·47 3/8–48	14·47 1/2–3/4	14·47 1/2–3/4
Danish Kr.	19·06 1/2–19·62	19·39 1/2–40	19·39 1/2–3/4	19·39 1/2–3/4	19·40 1/8–3/8	19·39 7/8–10 1/8	19·39 3/4–40
Norwegian Kr.	19·71–20·30 1/2	20·05 1/8–3/8	20·05 1/8–3/8	20·05 1/8–3/8	20·05 1/4–1/2	20·05 1/4–3/4	20·05 1/2–3/4
	* Official Limits	**One Month Forward Rates**					
United States $		5/16–3/16c. pm	5/16–3/16c. pm	5/16–3/16c. pm	5/16–3/16c. pm	3/8–1/4c. pm	3/8–1/4c. pm
Canadian $		1/4c. pm–par	1/4c. pm–par	1/4c. pm–par	1/4–1/2c. pm	5/16–3/16c. pm	5/16–3/16c. pm
French Fr.		1/2c. pm–par	1/2c. pm–par	1/2c. pm–par	1/2c. pm–par	1/2c. pm–par	1/4c. pm–par
Swiss Fr.		1 7/8–1 3/8c. pm	1 7/8–1 3/8c. pm	1 7/8–1 3/8c. pm	1 7/8–1 3/8c. pm	2–1 1/2c. pm	2–1 1/2c. pm
Belgian Fr.		23–13c. pm	23–13c. pm	23–13c. pm	23–13c. pm	25–15c. pm	25–15c. pm
Dutch Gld.		1/2–1/4c. pm	3/8–1/8c. pm	7/8–1/8c. pm	1/2–1/4c. pm	7/8–3/8c. pm	3/4–1/2c. pm
W. German D-Mk.		1 3/4–1 1/4pf. pm	1 3/4–1 1/4pf. pm	1 3/4–1 1/4pf. pm	1 7/8–1 3/8pf. pm	1 7/8–1 3/8pf. pm	1 7/8–1 3/8pf. pm
		Three Months Forward Rates					
United States $		7/8–3/4c. pm	1 3/16–1 1/16c. pm	1 3/16–1 1/16c. pm	1 3/16–1 1/16c. pm	1 3/16–1 1/16c. pm	7/8–3/4c. pm
Canadian $		3/4–1/2c. pm	3/4–1/2c. pm	3/4–1/2c. pm	1 1/16–9/16c. pm	3/4–5/8c. pm	1 3/16–1 1/16c. pm
Swiss Fr.		3 7/8–3 3/8c. pm	3 3/8–2 7/8c. pm	3 3/8–2 7/8c. pm	3 3/8–2 7/8c. pm	3 7/8–3 3/8c. pm	3 7/8–3 3/8c. pm
W. German D-Mk.		4 3/4–4 1/4pf. pm	4 1/2–4pf. pm	4 1/2–4pf. pm	4 1/2–4pf. pm	4 1/2–4pf. pm	4 1/2–4pf. pm
		Gold Price at Fixing					
Price (s. d. per fine oz.)		249/5 1/2	249/5	...	249/4 3/4	249/4 3/4	249/4 3/4
,, ($,, ,, ,,)		35·08	35·08	...	35·08	35·08	35·08

STOCK PRICES

Prices 1962 High	Prices 1962 Low	BRITISH FUNDS AND GUARANTEED STOCKS	Price May 9, 1962	Price May 16, 1962	Net Red. Yield, May 16, 1962§ £ s. d.	Gross Red. Yield, May 16, 1962 £ s. d.
100 15/16	100 3/32	Treasury 5½% 1962	100 17/32	100 9/16	2 2 9	4 5 9
98 1/32	96 5/16	Exchequer 3½% 1962-63	98 1/4	98 1/32	3 10 2	4 12 1
100 3/32	98 1/8	Conversion 4½% 1963	100 1/16	100 1/8	2 18 7	4 12 9
96 13/16	93 5/16	Exchequer 2½% 1963-64	96 13/32	96 13/32	3 6 9	4 6 7
99 11/32	97 1/16	Conversion 4½% 1964	99 3/16	99 11/32	3 1 8	4 16 9
94 3/8	90 1/32	Savings Bonds 3% 1955-65	94 3/32	94 3/16	3 13 2	4 19 3
100 3/8	98 2/32	Exchequer 5½% 1966	100 3/32	100 1/4	3 3 9	5 8 4
87 13/16	85	Savings Bonds 2½% 1964-67	87 13/32	87 13/16	4 5 6	5 6 6
86 9/16	83 5/16	Funding 3% 1966-68	86 1/2	86 9/16	4 8 9	5 15 6
86 13/16	84 7/8	Conversion 3½% 1969	86 3/4	86 13/16	4 9 5	6 0 0
84 1/16	82 5/8	Funding 3% 1959-69	84	84 1/16	4 11 8	5 17 9
97	92 1/2	Victory 4% 1920-76	97	97	2 19 11	4 12 10
81 3/16	78 15/16	Savings Bonds 3% 1960-70	80 7/8	81 3/16	4 13 1	6 0 2
92 13/16	90 5/16	Conversion 5½% 1971	92 1/2	92 13/16	4 3 0	6 5 10
99 1/8	97 1/16	Conversion 6½% 1972	98 7/8	99 1/16	3 18 2	6 6 10
93 13/16	91 3/16	Conversion 5½% 1974	91 7/16	91 1/2	4 1 9	6 4 3
89 7/8	87 3/4	Funding 4% 1960-90	88 1/4	88 1/2	3 12 4	5 5 10
72	70 7/16	Savings Bonds 3% 1965-75	71 13/16	72	4 15 2	6 4 4
71 7/8	69 5/8	Treasury 3½% 1977-80	70 3/8	70 1/2	4 10 10	6 4 4
70 3/4	68 5/16	Treasury 3½% 1979-81	70 1/8	70 3/4	4 10 4	6 5 0
93 1/8	90 3/16	Funding 5½% 1982-84	93 1/8	93 1/8	3 18 5	6 4 10
37 1/4	34	Conversion 3½% 1986-96	37 1/8	37 1/4	4 4 4	5 19 4
85 7/8	82 5/8	Treasury 5% 1986-89	84	84 1/8	4 0 10	6 5 0
62	56 13/16	Funding 3½% 1999-2004	61 7/8	61 13/16	4 1 7	6 2 0
90 3/16	84 1/8	Treasury 5½% 2008-12	89 13/16	90 3/16	3 16 9	6 4 11
63 7/8	58 1/4	Consols 4% ..... after Feb. 1957	63 7/16	63 1/2	3 18 0	6 8 4
56 7/8	52 1/16	War Loan 3½% ..... after 1952	53 5/8	55 7/16	3 17 3	6 6 0
56 1/8	52 5/16	Conv. 3½% ..... after Apr. 1961	55 11/16	55 11/16	3 17 4	6 6 9
48 1/8	44 7/8	Treasury 3% ..... after Apr. 1966	47 3/8	47 5/8	3 17 4	6 6 7
41 1/16	38 1/16	Consols 2½%	40 7/16	40 7/8	3 15 3	6 3 0
40 3/8	38 1/16	Treasury 2½% ..... after Apr. 1975	40 1/16	40 1/4	3 16 0	6 4 5
92 3/16	89 15/16	British Electric 4½% 1967-69	92 1/8	92 1/4	4 2 11	6 4 11
75 3/4	74 1/8	British Electric 3% 1968-73	75 1/16	75 5/16	4 16 2	6 4 11
70 1/8	69	British Electric 3% 1974-77	69 5/8	69 3/4	4 14 7	6 4 0
80 1/16	79 1/4	British Electric 4½% 1974-79	79 5/8	79 9/16	4 6 4	6 5 0
72 7/16	70 3/8	British Electric 3½% 1976-79	71 3/16	71 3/16	4 11 0	6 4 7
84 7/16	82 3/8	British Gas 4% 1969-72	84 1/8	84 7/16	4 8 10	6 4 6
82 1/8	80 7/16	British Gas 3½% 1969-71	81 3/4	82	4 11 10	6 3 2
57 1/8	53 3/16	British Gas 3% 1990-95	57 1/8	57 1/8	4 5 8	6 0 3
75 3/4	74 3/8	British Transport 3% 1968-73	75 1/8	75 5/16	4 16 2	6 4 1
79 1/8	77 3/8	British Transport 4% 1972-77	79 1/8	77 1/8	4 8 11	6 4 10
60 1/2	56 1/2	British Transport 3% 1978-82	60 1/8	60 1/8	4 9 10	6 3 8

Prices 1962 High	Prices 1962 Low	DOMINION AND CORPORATION STOCKS	Price May 9, 1962	Price, May 16, 1962	Red. Yield May 16, 1962 £ s. d.
82	79 1/2	Australia 3½% 1965-69	81 3/4	81 3/4	6 11 0
98 1/2	96	Australia 6% 1974-76	96 1/4	96 1/2	6 7 0
66	54 1/2	Ceylon 4% 1973-75	55	54 1/2	10 7 0
96 3/4	94 1/2	New Zealand 6% 1976-90	96 3/8	96 3/8	6 8 0
75 1/2	63	Rhodesia and Nyasaland 6% 1978-81	65	65	10 8 0
86 3/4	82	South Africa 3½% 1965-67	86 1/8	86 3/4	6 13 0
58 1/2	48	Southern Rhodesia 4½% 1967-92	49	48	10 1 0
81 1/2	77 3/4	Agricultural Mortgage 5% 1959-99	81 1/2	81 3/8	6 10 0
89 1/8	86	Birmingham 4½% 1967-70	89	89 1/8	6 3 0
92	88 3/4	Bristol 5% 1971-73	92	89 1/4	6 5 0
90 1/2	83	Corporation of London 5½% 1976-79	88 1/2	88 1/4	6 6 0
46 3/4	43	L.C.C. 3% ..... after 1920	45 3/4	45 3/4	6 9 0
86 1/4	84	L.C.C. 5% 1980-83	86	86	6 5 0
89 1/4	87	Middlesex 5½% 1980	89	89	6 7 0

NEW YORK PRICES AND INDICES

	May 9 $	May 16 $		May 9 $	May 16 $		May 9 $	May 16 $
Atch. Topeka	24 3/4	25 1/8	Boeing	44 7/8	45 1/8	Int. Harvester	51 7/8	52 3/8
Can. Pacific	24	23 3/4	Celanese	38 1/2	38 1/4	Inter. Nickel	76	73 1/8
Pennsylvania	15 1/8	15	Chrysler	48 1/4	50 3/4	Inter. Paper	31 3/8	31 1/8
Union Pacific	31 3/4	31 7/8	Col. Palmolive	43 1/2	44 1/2	Kennecott	75 1/2	76 1/4
Amer. Electric	64 1/2	66 1/8	Crown Zeller	50 1/8	49 3/8	Monsanto	47 1/4	46 1/8
Am. Tel. & Tel.	119 1/2	120 1/2	Distillers Seag.	44	42 5/8	Nat. Distillers	28 1/4	28 3/8
Cons. Edison	76 1/2	76 7/8	Douglas	25	25 1/8	Pan-American	21 1/4	22 1/8
Int. Tel. & Tel.	42 1/8	43 3/8	Dow Chemical	51 7/8	52 1/2	Procter Gamble	80 1/8	78 1/4
South'n. Nat. Gas.	46	45	Du Pont	224 1/4	222 1/4	Radio Corpn.	55	55 1/8
United Corpn.	8	8	East. Kodak	106 1/8	108	Sears Roebuck	83 1/2	81 3/4
Western Union	36 1/4	36	Ford Motor	93 1/4	92	Shell Oil	37 1/4	36 3/8
Alcoa	56 7/8	55 1/4	Gen. Electric	70 1/4	70 7/8	Socony-Mobil	51 3/8	51 3/8
Aluminium	72 1/2	73 1/4	General Foods	83 1/2	83 1/8	Stand. Oil Ind.	51 1/4	49 1/2
Amer. Can	43 1/4	44 1/4	General Motors	51 7/8	52	Stand. Oil N.J.	51 3/8	53 1/2
Am. Smelting	63 3/8	60 1/4	Goodyear	39 1/4	38 1/4	Union Carbide	100 1/8	99 1/2
Am. Viscose	58 1/4	57 1/2	Gulf Oil	40	40	U.S. Steel	55 3/8	57 7/8
Anaconda	44 5/8	45 3/4	Heinz	52 1/2	51	West. Electric	31 1/4	33
Beth. Steel	37 1/2	38 7/8	Int. Bus. Mach.	451	457	Woolworth	74 1/8	75 3/4

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

1962	425 Industrials	Yield %	25 Rails	Yield %	50 Utilities	Yield %	Govt. Bonds	Yield %
April 18	71·88	2·99	32·70	4·93	63·93	3·17	90·06	3·88
„ 25	71·27	3·01	31·77	5·08	63·77	3·17	89·85	3·90
May 2	69·49	3·09	31·80	5·07	61·67	3·28	90·17	3·87
„ 9	67·64	3·18	31·12	5·19	60·16	3·37	90·39	3·85
„ 16	67·66	3·17	31·11	5·19	60·15	3·37	90·39	3·85

425 Industrials :—High, 75·22 (Jan. 3). Low, 65·99 (May 11).

* Ex dividend. † Tax free. ‡ Assumed average life 7½ years. § The net redemption yields allow for tax at 7s. 9d in £. ‖ Ex capitalisation. ¶ Ex rights. ‡‡ Ex all. (a) Interim dividend (b) Final dividend. (c) Year's dividend. (d) Capital distribution of 1s. 0d. per share. (f) Flat yield. (g) Equivalent to 7·2 sterling. (h) After Rhodesian tax. (i) To latest date. Japanese prices supplied by Diawa Securities, Tokyo.

FOREIGN AND OVERSEAS STOCKS

	May 9	May 16		May 9	May 16		May 9	May 16
FRANCE	Frcs.	Frcs.	**GERMANY**	%	%	**HOLLAND**	%	%
Air Liquide	1,250	1,226	A.E.G.	424	410	A.K.U.	358 1/4	365 3/8
Banque de Paris	570	540	Bad'che. Anilin.	451	424 1/2	Bijenkorf	930	950
Citroen	222	206·5	Bayer	521	505	Heinekens	480	515
C. F. Petrole.	280	283	Commerzbank	536	510	Inderunie (Fl.50)	Fl.199	Fl.194
Cie. G. d'Elect.	1,295	1,265	Deutsche Bank	615	592	K. N. Hoogoven	647 1/2	674 1/2
Machines Bull	685	681	Hoechst Farb.	498	483	Kon. Zout-Ket.	870	930
Pechiney	270·1	262	Kundenkredit	488	463	Philips	870 1/2	805
Printemps	702	680	Loewenbrau	1,210	1,130	Robeco (Fl.50)	Fl.226	Fl.224
Rhone-Poulenc	478	474	Mannesmann	242 1/2	235 1/2	Rotterdam Bk.	351	363
S.I.M.	408	393	Siemens	648	607	Thomassen & D.	640	650
Saint-Gobain	400	391	Thyssen-Huette	202	199	Valeurop	Fl. 79·4	Fl. 77·6
Usinor	216	216	Volkswagen	643	617	Zwanenberg	892	970
Index	106·8	103·8	Herstatt Index	105·52	100·62	Index	333·71	345·9
	Dec. 30, 1960 = 100.			Dec. 31, 1959 = 100.			1953 = 100.	

ITALY	Lire	Lire	**BELGIUM**	Frcs.	Frcs.	**SWEDEN**	Kr.	Kr.
Ass. Generali	153.500	150.000	Arbed	30.200	29.800	Asea	226	218
Breda	6.360	6,240	Bqe. Nat. de Bel.	10.425	10,250	Elektrolux	129	130
Edison	4.811	4.614	Bque. Soc. Gen.	3.555	3.450	Ericsson B. Kr.35	133	129
Fiat	3,008	2,980	Cockerill-Oug.	2.930	2,905	Separator B	305	305
Finsider	1,555	1,531	Esperance Long	5.750	5.500	Skand. Banken	205	206
La Centrale	15.160	14,600	Hoboken	19.700	19.200	Sv. Cellulosa	193	193
Montecatini	3.318	3,243	Innovation	6.760	6,800	Sv. Handelsbank	201	201
Motta	35.700	34,925	Photo Gevaert	3.590	3.385	Tandstck. B Kr.50	163	162
Olivetti	10,660	10,360	Sidro	1.090	1,070	Index	171·42	170·34
Pirelli S.p.A.	12,370	12,150	Soc. Generale	14.450	14.175		Dec. 29, 1956 = 100.	
Rinascente	840 1/4	805	Sofina	8.100	8.170	**NORWAY**	%	%
Snia Viscosa	7,730	7,632	Un. Miniere I/10	1,268	1,276	Bergens Priv'bk.	216 1/4	213
Index	717·68	705·83	Index	407·2	404·4	Borregaard	230	227 1/2
	1950 = 100.			May 9, 1940 = 100.		Norsk Hydro	315 3/4	314 1/4

AND YIELDS

LONDON : NEW YORK : FRANCE
GERMANY : HOLLAND : ITALY
BELGIUM : SWEDEN : NORWAY

Prices, 1962 High	Prices, 1962 Low	Last Two Dividends (a) (b) (c)	ORDINARY STOCKS	Price, May 9, 1962	Price, May 16, 1962	Yield, May 16, 1962	Cover
		% %	**BANKS, DISCOUNT & HP**				
32/6	26/3	5 a 5 b	Barclays £1	26/3	26/9	7·48	1
12/6	9/9	15 c	Brit. Electronic Inds. .5/-	10 10½	10/11½	7·41	¼
66/3	56/4½	4 a 9½ b	B.I.C.C. £1	63/6	64/6	4·19	2
14/8¼	12/7½	5 a 7½ b	Crompton Parkinson .5/-	14/-	14/3	4·39	2½
89/6	76/-	23½ c 31½ a	Decca Record 10/-	84/-	84/6	2·76	1¾
45/6	42/-	12½ b 5 a	E.M.I. 10/-	43 4½	42/3	4·14	2
54/6	41/3	5 a 9 b	Elliott-Automation .5/-	53/6	51 1/2	1·37	2¼
27/9	22/-	3 a 5 b	English Electric £1	23/9	23/9	6·74	1½
34/-	42/9	7 b 3 a	General Electric £1	31/9	30/6	6·56	¾
59/3	44/6	43 a 8 b	C. A. Parsons £1	44/6	43/6	5·75	2
47/9	42/9	31 4 a 6½ b	A. Reyrolle £1	44/6	45/-	4·33	2½
89/6	63/6	25 c 25 c	Thorn Electrical 5/-	83/6	86/3	1·90	3
			ENGINEERING				
32 4½	20/3	9 c 9 c	Babcock & Wilcox £1	30/9	30/6	5·90	1½
38/3	27/3	7 b 3·2 a	John Brown £1	37/7½	37/7½	5·42	2¾
6/-	4/3	3 a 7 b	Cammell Laird 5/-	5/11½	5/4½	9·30	1
26/10½	22/-	10 a 20 b	Internat. Combuse. ..5/-	26/4½	25/6	5·88	1¼
5/6	3/4½	... ...	Rich'ds'ns. Westg'th. 10/-	5/11½	4/9	...	...
38 4½	28/6	21 a 9½ b	Swan Hunter £1	29 10½	28/6	8·42	1¼
14/9	10/6	5 c 5 a	John Thompson 5/-	14/9	13/9	1·82	...
36/-	30/4½	12½ a 16½ b	Coventry Gauge 10/-	35/3	34/6	4·14	2¾
73 7½	60/7½	22½ a 16 b	Alfred Herbert £1	69/6	67/6	4·11	2
47/6	39/6	12½ b 5 a	Allied Ironfounders ..£1	41/3	41/9	8·38	1½
99/9	90/9	10 b 5 a	Averys £1	97/9	98/3	3·05	2½
20/3	16/6	4 a 7½ b	B.S.A. 10/-	17/3	16/7½	7·02	2½
11/6	9/9	8½ b 4½ a	George Cohen 5/-	11/6	11 4½	5·71	1¾
33/-	27/3	17½ a 10 a	Davy-Ashmore 10/-	28/-	27/3	5·05	2¼
81 10½	74/4½	5 a 11 b	Guest Keen £1	78/7½	77/6	4·13	3½
21/-	17/10½	12 b 4 a	Head Wrightson 5/-	17/10½	17/10½	4·48	2½
85/6	80/6	7 b 5 a	Metal Box £1	83/9	81/7½	2·94	2¼
18/-	14/9	10 b 4 a	Ransome & Marles ..5/-	17/9	17/3	4·06	3
48/-	39/6	10 b 3 a	Renold Chains £1	47/6	47/7½	4·20	2
64 10½	52 10½	7 b 7 a	Tube Investments £1	52 10½	53/6	5·23	3
31 1½	25/3	21½ a 7½ b	Vickers £1	26/9	25/3	7·92	1¾
71/6	60/-	10 b 3¾ a	Ward (Thos. W.) £1	68/6	67/-	4·10	3
20/6	15/6	5 a 16 b	Woodall-Duckham ..5/-	17/-	15/6	6·77	2¾
			FOOD & TOBACCO				
25/6	19/9	10 c 10 c	Allied Suppliers 10/-	24 1½	25/6	3·92	2½
12 4½	10/2¼	12½ b 10 a	Assoc. British Foods. .1/-	10/3	10/7½	2·12	2
61/3	51/3	8 b 4 a	Bovril £1	61/3	51/3	4·68	1½
12/9	11/4½	11·9b 11·7a	Brooke Bond 'B' 5/-	12/6	12/9	3·59	3½
15/10½	13/11½	10 b 2½ a	International Tea 5/-	15/-	14/10½	4·20	1½
82/6	72/9	105·6 b 5 a	J. Lyons 'A' £1	79/6	78/6	4·03	1¼
38/3	29/10½	5 a 9 b	Ranks Hovis 10/-	35/4½	34/-	4·12	...
13/7½	10/10½	7½ b 2½ a	Spillers 5/-	13/11½	12/10½	3·88	2¼
50/9	47/11½	1 a 1 b	Tate & Lyle £1	47/9	47/6	5·05	2¼
18/-	15/3	9 b 5 a	Unigate 5/-	16/4½	16/6	4·24	2
63/9	53/3	22½ c 15½ a	Brit. Amer. Tobacc. .10/-	53/6	56/6	6·50	3
41/3	29/11½	5 a 15 b	Gallaher 10/-	30 11½	32/7½	6·13	2
43/9	47/6	7½ a 14 b	Imperial Tobacco £1	47/6	51/6	8·74	13¼
			INSURANCE				
8 5/16	6 9/16	22·7a 25 b	Britannic 5/-	7 13/16	7 1/2	2·60	...
68/-	55/3	20 a 25 b	Commercial Union ..5/-	57/9	57/3	3·93	...
35 15/16	31 7/8	41·17c 62·74c	Equity & Law Life ..8/6	32 1/4	32 3/8	1·34	...
114/3	84/6	10 a 20 b	General Accident. ..5/-	108/-	107/3	1·40	...
60/6	46/9	... ...	Guardian 5/-	55/-	60/3	2·21	...
48 3/4	38 1/2	80 a 110 b	Legal & General ..5/-	46 3/8	47 3/4	1·00	...
180/-	142/9	81 1/2 a 121 b	Northern & Empl. ..1/-	171 3/8	180/-	2·33	...
13 11/16	10 5/8	20 a 20 b	Pearl 5/-	12 3/4	13 11/16	2·68	...
293/6	249/6	208 3 c 208 3 c	Prudential 'A' 4/-	28	28 1/2	2·39	...
47 10½	41/10½	... ...	Royal 5/-	42 10½	44 10½	3·34	...
127/9	103/9	7½ a 11 7·8 b	Royal Exchange £1	123/6	123/3	3·04	...
			MOTORS & AIRCRAFT				
18/3	15/3	12½ b 7½ a	British Motor 5/-	15/6	15/8¼	6·37	3¼
85/3	80/4½	20 20 c	Jaguar Cars 'A' 5/-	82/-	81/3	1·23	8
41/6	28/-	5 a 3 b	Rolls-Royce £1	31/7½	28/6	5·61	...
6/8¼	5/9	12 c 4 c	Rootes Motors 'A' ..4/-	6/11½	6/-	2·67	...
78/6	66/9	11 b 5 a	A.C.V. £1	68/6	67/-	4·78	2
94/6	76/9	20 c 20 c	Leyland Motors £1	92 10½	91/9	4·36	2
17 7½	13/10½	8 a 5½ b	Bristol Aeroplane ..10/-	15/7½	16/8¼	8·09	2
24/8¼	19/6	5 a 6 b	Hawker Siddeley £1	21/6	23/-	9·57	1¼
36/9	26/9	14 a 6 b	Dowty Group 10/-	35/9	28/-	5·54	2½
39/-	28/11½	5 a 15⅝ b	Dunlop Rubber 10/-	35/3	36/-	4·40	1¾
77/-	63/9	11½ b 2½ a	Joseph Lucas £1	71/7½	74/7½	3·69	2½
22/-	16/-	5 c 9 a	Pressed Steel 5/-	17/-	18/-	1·39	1¼
39/-	34/4½	12½ c 5 a	Triplex Holdings ..10/-	39/-	38/6	3·25	2¼
			MINES				
150/-	136/3	40 a 50 b	Anglo-American 10/-	148/6	149/6	6·02	13
64/3	52/6	6¼ b 18¾ b	Consolid. Gold Fields. £1	59/-	60/-	8·33	2½
96/3	81 10½	15 a 20 b	General Mining £1	86 10½	91/3	7·67	2
60/6	46/6	40·8a 122·5b	Union Corporation .2/6	54/9	55/9	7·32	2½
18 10½	16/9	40 a 40 b	Daggafontein 5/-	18/9	18 10½	21·19	1¼
94 4½	81 10½	70 a 100 b	Free State Geduld ..5/-	87/6	90/-	9·44	1½
47/6	39/6	25 b 25 a	Hartebeestfontein ..10/-	42/6	43/3	11·56	1½
56/6	50/6	50 a 60 b	President Brand 5/-	52/9	54/3	10·14	1½
128/9	117/6	90 a 120 b	Western Holdings ..5/-	125/-	128/9	8·16	1¼
19/-	15/3	6 a 5 b	Winkelhaak 10/-	15/6	15/3	7·21	3
56/9	42/6	13½ a 36¾ b	Chartered 15/-	46/3	45/6	16·48	1½
56/6	47/-	60 b 20 a	Rhod. Anglo-Amer. 10/-	50/6	50/3	15·92	1¾
37 4½	28/-	... ...	Rhod. Selection Tst. ..£1	28/6	28/3	12·74	...
21/9	16/6	15 a 17½ b	Tanganyika Cons. ..10/-	16/6	16/7½	19·55	1¼
57/-	47/-	3¾ a 11¼ b	Consolidated Zinc £1	49/-	50/9	5·91	1½
157/6	135/-	100 a 180 b	De Beers Defd. Reg. .5/-	152/6	156/3	8·96	1¾
$151½	$128¾	$1·50 c $1·60 c	Internat. Nickel ...n.p.v.	$135¾	$133½	2·13	...
18/9	15/3	7½ a 30 b	London Tin 4/-	15/7½	15/6	9·68	1¼
43/9	34/6	27½ c 30 c	Rio Tinto 10/-	35/6	36/6	8·22	2
35/-	25/9	52½ c 25 a	Tronoh 5/-	29/-	27/3	9·63	1
			PAPER & NEWSPAPERS				
12 10½	11/7½	5 a 10 b	Daily Mirror 5/-	12/3	12/-	6·25	1¼
82/6	62/6	4 a 9 b	W. H. Smith & Son 'A' .£1	79/-	82/6	3·15	2
24/9	18/6	10 a 14 b	Thomson Org'n. 5/-	19/9	19/3	6·23	1½
47/3	37/6	5 a 8¾ b	Bowater Paper £1	40/3	38/3	7·19	1
45/-	35/-	5 a 11 b	Albert E. Reed £1	38/6	43/6	7·35	1½
43/9	37/-	4 a 8½ b	Spicers £1	42/-	39/-	6·41	1¾
55/-	46/9	4 a 10 b	Wiggins Teape £1	52/6	46/9	5·99	1¾

Prices, 1962 High	Prices, 1962 Low	Last Two Dividends (a) (b) (c)	ORDINARY STOCKS	Price, May 9, 1962	Price, May 16, 1962	Yield, May 16, 1962	Cover
		% %	**MISCELLANEOUS**				
29/-	21/9	20 b 20 a	Assoc. British Picture .5/-	24 3	22·6	6·67	2¾
40/-	25/6	40 b 20 a	Assoc. Television 'A' .5/-	28/-	27/11½	11·06	1¾
33/3	25/6	16 a 14 b	Beecham Group 5/-	27/11½	46/11½	4·26	1¾
39 4½	32 7½	62½ b 31½ a	British Match £1	34/3	35/-	5·71	2
16/3	13/3	4 a 6 b	British Oxygen 5/-	13 4½	13/6	3·95	1¾
9/-	7/9	3 a 7 b	British Ropes 5/-	8 10½	8/11½	6·15	1½
62/3	55/6	7½ a 15 b	De La Rue 10/-	61/-	60/6	3·72	2
29/-	39/6	7½ a 12½ b	Gestetner 'A' 5/-	56/-	55/6	1·80	3
55/9	49/-	15 c 7½ a	Glaxo 10/-	50/6	49/-	3·06	3¼
43/-	43/-	3 a 12 b	Harrisons & Cr. Defd. .£1	46/6	46/6	6·52	2½
31/3	32 4½	5 a 20 b	Hoover 'A' 5/-	37/3	36/3	3·45	1¾
12½ b	12½ b	5 a 10 b	Ilford 5/-	23/3	22/3	3·93	1½
107/3	100/-	12½ a 7½ b	I.C.T. £1	122/6	116/3	11·96	2½
49/3	41/6	12½ c 12½ c	National Canning £1	48/3	46/9	5·35	1
41/3	35 10½	10 b 6 a	Powell Duffryn 10/-	39/9	40 4½	3·96	2¼
40/6	32 4½	17½ b 5 a	Radio Rentals 5/-	36/9	36/9	3·06	2¾
37/-	28/6	15 b 7½ a	Rank Organisation ..5/-	34/-	31 9/16	3·94	...
38/-	31 10½	7½ a 16½ b	Schweppes 5/-	33/-	32/-	3·75	1½
41 7½	36 7½	25 c 25 c	Sears 'A' 5/-	40/3	39 10½	3·13	2
29 10½	24/-	8½ a 13 b	Thomas Tilling 4/-	29/6	29 10½	2·68	2
64/-	51/6	4 a 8 b	Turner & Newall £1	62 10½	62 1½	3·86	2
47/3	38/3	9·47a 15·32b	Unilever 5/-	39/3	39/3	3·16	3
11⅞	9 15/32	8 a 13 b	Unilever N.V. ..... 12 fl.	9 15/32	9 25/32	2·52	3
18/9	14/3	5 a 10 b	United Glass 5/-	14/6	14/9	5·08	...
14 6	10 5	10 b 5 a	United Molasses 10/-	23/-	24/9	9·89	1
			SHIPPING				
32/3	22/9	13½ b 6½ a	Brit. & Com'wealth. 10/-	24/6	23/9	8·42	2
18/-	15 7½	8 c 6 c	Cunard £1	16/3	15 10½	...	...
18/9	16/9	7 c 6 c	France Fenwick £1	18/9	18/6	7·57	½
31/6	21/-	10 c 10 c	Furness Withy £1	25/3	24/6	8·16	1
17½ c	Nil	Nil a	London & Overseas .5/-	6/-	5/6	...	...
3 a	3 b	5 a 3 b	P & O Defd. £1	19/9

Prices and Wages

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

BRITISH

Prices and Wages.....	This week	External Trade.....	May 5th
Manpower and Output....	April 28th	Industrial Profits.....	April 21st

OVERSEAS

Western Europe.....	April 14th	United States.....	May 12th

	Unit	1959	1960	1961	1961			1962				
		mid-June			May 2	May 9	May 16	April 17	April 24	May 1	May 8	May 15
WORLD PRICES												
Commodity Price Indicator:												
All items	1958=100	96·8	98·3	95·3	98·0	97·2	97·1	92·7	92·8	92·5	92·3	92·4
Food	"	95·8	93·0	93·0	96·0	94·7	94·3	89·3	89·6	89·0	89·0	89·2
Fibres	"	95·3	98·7	104·4	107·8	107·4	106·5	102·5	102·2	102·0	101·9	101·4
Metals	"	113·0	122·4	115·0	115·6	118·3	119·3	114·2	114·2	114·1	113·8	113·8
		Monthly averages			1961			1961		1962		
BRITISH WHOLESALE PRICES		1959	1960	1961	Jan.	Feb.	Mar.	Nov.	Dec.	Jan.	Feb.	Mar.
Materials used in:												
All *manufacturing industries*	1954=100	101·7	101·8	100·6	100·6	100·7	100·9	100·1	100·3	101·6	101·7	101·6[12]
Mechanical engineering	"	124·5	126·2	128·1	126·6	127·0	127·7	128·4	128·9	129·0	129·2	130·1
Electrical machinery	"	115·6	116·9	118·3	116·7	116·9	117·3	118·8	119·0	119·0	119·3	120·2
Construction	"	113·4	115·1	118·2	116·4	116·8	117·3	119·3	119·4	119·6	119·7	120·1
House building	"	111·0	114·0	118·0	116·3	116·6	117·2	119·1	119·1	119·5	119·7	119·6
Products of:												
All *manufacturing industries*	"	111·5	113·0	116·0	114·3	114·6	115·1	117·3	117·5	117·8	118·0	118·2[13]
Chemicals and allied trades	"	106·6	106·0	105·1	104·8	105·3	105·4	105·0	105·0	105·1	105·2	105·1
Iron and steel	"	129·0	128·5	129·7	128·9	128·9	128·9	130·3	130·7	130·7	131·0	133·7
Textile industry	"	96·0	100·8	104·0	103·4	103·8	104·4	103·5	103·7	103·5	103·4	103·4
Food manufacturing	"	106·9	106·9	107·2	106·7	106·4	106·4	107·9	108·3	109·6	110·3	110·7
New construction (8)	"	113	114	117	...	116[11]	...	120[9]	...	...	121[11]	...
Commodities:												
Cotton, raw	"	68·6	75·0	74·8	75·8	75·8	75·9	74·2	74·5	74·7	74·8	73·8
Wool, raw	"	76·6	76·3	76·2	71·6	74·2	74·4	73·7	73·7	73·5	76·2	77·7
Rubber, No. 1 RSS, one month future	"	148·1	158·0	122·8	123·9	118·0	125·1	112·3	114·8	118·2	122·1	118·3
Softwood, imported	"	95·4	104·9	107·3	107·3	107·3	107·5	106·7	106·8	105·5	105·5	104·1
Copper, ex-warehouse	"	95·6	99·0	92·3	88·5	90·0	90·6	92·2	92·5	92·7	94·5	94·4
Coal	"	135·4	137·4	144·8	147·1	147·2	147·2	147·1	147·3	151·1	151·6	151·5
General chemicals	"	106·7	105·0	103·8	103·9	103·9	103·9	103·7	103·4	102·9	102·7	102·5
UK RETAIL PRICES (10)	Jan. 17,											
All items (1)	1956=100	109·6	110·7	114·5	112·3	112·3	112·7	116·9	117·1	117·5	117·6	118·1[10]
Food	"	108·2	107·4	109·1	107·7	107·5	107·4	109·8	110·2	110·7	110·5	111·7[10]
All items	1938=100[2]	273	276	285	280	280	281	291	292	293	293	294
Food	"	285	282	287	283	283	282	289	290	291	290	294
Housing	"	180	186	194	189	190	190	198	198	198	199	199
Clothing	"	268	271	276	274	274	275	278	278	278	278	278
Fuel and light	"	284	291	309	312	313	313	323	323	324	325	326
Household durable goods	"	300	300	305	303	303	303	309	309	311	312	313
Drink	"	261	256	274	257	257	257	282	282	282	282	282
Tobacco	"	428	444	467	449	449	449	491	491	491	491	491
Purchasing power of £ (based on all consumer spending)	1938=100	35·5	35·2	34·3	34·9	34·9	35·0	33·6	33·5	33·4	33·4	33·3
UK TERMS OF TRADE												
Import prices:												
All items	1954=100	98	99	97	98	97	97	96	96	96	96	96
Food, drink and tobacco	"	98	97	94	97	94	95	93	93	93	94	94
Basic materials	"	93	96	95	94	94	94	93	94	93	93	92
Fuels	"	104	98	96	95	96	96	97	96	96	96	96
Manufactured goods	"	104	107	107	107	107	107	106	106	106	105	105
Export prices:												
All items	"	109	111	112	112	112	112	112	113	113	113	113
All *manufactures*	"	111	114	115	114	115	115	115	116	116	116	116
Metals	"	115	118	118	118	119	118	118	118	119	120	120
Engineering products	"	117	120	122	121	122	121	122	123	123	123	123
Textiles (excluding clothing)	"	98	102	106	105	107	106	104	106	106	106	107
Terms of trade:												
Ratio of import to export prices	"	90	89	86	88	87	87	85	85	85	85	85
SHIPPING FREIGHTS												
Tramp shipping freights	1960=100	96·9	100·0	106·8	103·7	106·0	103·2	109·3	101·2	96·9	95·2	96·9
UK WAGES												
Normal weekly hours:	Jan. 31											
All workers	1956=100	99·6	98·0	95·9	96·4	96·4	96·3	95·4	95·4	95·2	95·2	95·2
Weekly wage rates (5):												
All workers (3)	"	117·0	120·0	125·0	123·5	123·7	124·0	126·2	126·4	126·8	127·2	127·7
Men	"	116·8	119·7	124·6	123·2	123·5	123·6	125·8	126·0	126·4	126·8	127·3
Women	"	117·0	120·8	125·3	123·5	123·6	124·0	126·4	126·5	127·2	127·3	128·3
Juveniles (4)	"	119·0	123·2	130·3	128·4	128·8	129·0	131·7	131·9	132·2	132·8	133·5
All workers	Sept., 1939=100	304	312	325	321	321	322	328	329	330	331	332
Changes in weekly wage rates:												
Workers affected by increases	'000	392[6]	927	648	2,050	2,025	366	1417	245	1,418	1,927	845
Net increase in weekly wage bill	£'000	104	359	339	845	453	129	65	110	522	367	389

(1) For a rough conversion to basis of June, 1947, multiply throughout by 1·534. (2) The interim index of retail prices has been linked back to 1938 with the aid of calculations made by Professor R. G. D. Allen for the London and Cambridge Economic Service. (3) For a rough conversion to basis of June, 1947, multiply throughout by 1·561. (4) In general, males under 21 and females under 18 years of age. (5) Weekly earnings are surveyed in April and October. October figures are: Men, 1959: 271s. 1d.; 1960: 290s. 8d.; 1961: 306s. 10d. Women (full time), 1959: 140s. 11d.; 1960, 148s. 4d.; 1961: 154s. 6d. Youths (under 21), 1959: 117s. 6d.; 1960: 130s. 0d.; 1961: 137s. 10d. Girls (under 18), 1959: 90s. 10d.; 1960: 96s. 10d.; 1961: 102s. 0d. (6) 18,000 workers had a net decrease in wages over the year. (7) 25,000 workers had wage cuts (but over the whole of 1961 no worker had a net decrease). (8) Index of building costs. (9) Average for fourth quarter. (10) Using the revised retail price index based on January, 1962=100: March: all items=100·5; food=100·9. (11) Average for first quarter. (12) April 101·6. (13) April 118·2.

COMPANY MEETINGS

THE BRITISH PETROLEUM COMPANY LIMITED

REPORT AND ACCOUNTS FOR 1961

The fifty-third Annual General Meeting of the Company will be held at Britannic House, Finsbury Circus, London, EC2, on Thursday, June 7th.

CHAIRMAN'S STATEMENT

The following is the Statement by the Chairman, the **Hon. M. R. Bridgeman, CBE**, which has been circulated to Stockholders with the Report and Accounts for the year ended December 31, 1961:

Since our last meeting there have been several changes in the Board. Sir Harold Snow retired from his position as Deputy Chairman and Managing Director at the end of last year, though I am pleased to say that he remains a member of the Board, where we benefit from his 40 years of experience with our group. Mr A. E. C. Drake, who joined the company in 1935, has succeeded him as a Deputy Chairman. In addition, we have filled three of the four additional vacancies created by the amendment to the company's articles last October. In February we appointed Lord Cobbold a Director, and I need hardly say how greatly we shall value his immense knowledge of the City gained by his service at the Bank of England, and his 12 years as Governor. We are also appointing as Managing Directors Mr A. F. Down and the Hon. William Fraser, making seven Managing Directors in all instead of six, which will help to spread the load more evenly. I regret to say that Mr Desmond Abel Smith has decided not to seek re-election. He became a Director in 1951, and we shall greatly miss his advice and help.

LARGER WORLD OIL CONSUMPTION AND PRODUCTION

Turning to the main developments and trends in the oil industry during the past year, energy consumption in 1961 outside the Communist zone rose by some 3 per cent, a little more than half the increase in 1960, and oil consumption expanded by 5 per cent, but the incidence of the increase was uneven. In the USA the gain was less than 1 per cent; in Western Europe it rose by 11 per cent, and in Japan by 26 per cent. Total world production of crude oil and natural gas increased during 1961 by 73 million tons, of which some 20 million tons were in the Communist zone. Middle East production rose by 18 million tons, or just over 7 per cent, and there was a further rapid expansion in North Africa, where exports of crude oil from Libya began in the autumn, and are expected to increase considerably during 1962. Exports from the Communist zone during 1961 increased by just over 3 million tons to 30 million tons. Most of the additional shipments were made to Western Europe and supplies from that source now account for nearly 9 per cent of the area's total requirements.

COMPETITIVE CONDITIONS CONTINUE

Competitive conditions persisted throughout the year, particularly in the European markets where about 40 per cent of our sales are made, and there is no immediate sign of their easing. The cause of this state of affairs is to be found in the smaller increase of world demand, although it is still substantial, in the surplus capacity now existing in all the main exporting countries, in the development of exports from new producing areas, and especially in the continued expansion of suppliers from the Communist area. Conditions of this kind naturally lead to increasing pressure on prices, though crude oil posted prices at world export centres remained unchanged throughout the year. The impact of Russian oil on the European market has a more far-reaching implication than the short-term dislocation of prices. If prolonged, the present low selling prices, in which Russian oil plays a major part, could at some future date endanger the energy supplies of Europe by making it difficult to finance the development of facilities for bringing oil to the consumer in the growing quantities necessary.

BP GROUP SALES INCREASED

In spite of these unfavourable conditions, BP group sales of crude oil and refined products in 1961 again increased, and totalled over 78 million tons, a rise of some 7½ per cent as compared with 1960. The same rate of increase applied equally to crude oil and products. Our own resources are more than enough to meet the requirements of our markets, but we are obliged to buy substantial quantities of crude oil from the franc area for our French refineries. In spite of the position in the USA, where the limitation of imports affects our trade, there is every prospect that the world demand for petroleum products will continue to expand, and I am confident that BP will continue to obtain its share of this expanding market.

In general, our relations with the governments of the producing countries are good, but one of our greatest difficulties in recent years has been to demonstrate effectively that their interests and ours are complementary and not conflicting, since through the existing arrangements for sharing the profits, both sides are equally interested in reducing costs, increasing output and avoiding rapid fluctuations in price. It is unfortunate that those who try to play their part in the progressive development of natural resources on the basis of freely negotiated agreements—and this applies particularly to the management and staff of the operating companies—should in some quarters be branded as exploiters and imperialists. It is our continuing hope that we can succeed in demonstrating that this is not the case.

OPERATING CONDITIONS: "FIFTY-FIFTY": RELINQUISHMENT OF TERRITORIES

Next, I think it may be useful to make some reference to the conditions under which the oil companies operate. It is not everywhere understood that a 50/50 division of profits based, as it is in our case, on posted prices would, if the calculation were based on the prices actually realised, be the equivalent in present conditions of a 60/40 or even 70/30 division in favour of the producing country. It is also not generally understood that under the so-called 75/25 system, where the producing country is obliged to contribute half the cost of development, the net revenue per ton has not in any single instance, as far as we are aware, been higher than that obtainable under the more normal type of 50/50 arrangement, and in cases where the quality of the oil is below average, or the cost of production higher than average, it is almost certain to be significantly less.

Another point I would like to make on this subject is that there is nothing abnormal in a system which provides for the gradual relinquishment of unexploited territory. But measures which involve the compulsory relinquishment of areas which are already fully or partially developed, or which deny to those who took the original risk the right to choose areas of reasonable size to be retained for future exploration, are not only inequitable in themselves but are likely to damage the confidence of those who look to the long-term rather than to the more speculative short-term aspect of oilfield investment. It is also open to question whether the immediate re-allocation of relinquished areas at a time of world surplus is likely to bring any benefit to the country concerned, since it cannot influence the total tonnage consumed, but may well depress the price level at which current production can be sold.

PROFITS ON INTEGRATED OPERATIONS NOT EXCESSIVE

In some quarters the view has been expressed that the profits of the integrated oil companies are excessive. Our own results for the year 1961 show, I think, that this is not the case. An integrated company like our own is of course a concern which produces and trades in oil throughout all the stages involved in finding the oil and in bringing it to consumers in the form they need. For if oil in the ground is to acquire a value, those who have access to it must also have outlets for its sale. An integrated company must therefore not only be sure of its supply of crude oil, but must have refineries, ocean-going tankers, storage installations and marketing networks.

We believe that it is impossible to assess in isolation the true profitability of any one of the several functions which are involved, such as the actual production or transport or refining or marketing of the oil, without making assumptions which are largely arbitrary as to the part which each plays in determining the price at which the product is sold. To say that an inte-

grated oil company makes a profit at the producing stage is like saying that the profit of the village baker is derived from mixing his dough. The baker cannot make a profit until he has bought an oven, and probably a van as well, and has baked and delivered his bread and been paid for it. The only figure that really matters in the case of an integrated oil company is the net income after tax remaining with the group when the results of all its constituent elements have been set one against the other.

GROSS INCOME EXCEEDED £1,000 MILLION

The financial results for the year are set out elsewhere in the report, and it is hoped that the new form of presentation will give a clearer picture of our progress and results.

It will be noted that for the first time our gross income has exceeded the £1,000 million mark, but in spite of this our net income after tax at £60 million was slightly lower. This is due almost entirely to narrower profit margins, the reasons for which have already been explained, since, by comparison, operating expenses are much the same as in the previous year. As, however, there is little sign of any general improvement in prices, it is to lower operating expenses that we must chiefly look if our present profit margins are to be improved. We are therefore constantly examining each phase of our operations to ensure that, by the adoption of newer techniques, the cost of our operations is reduced to a minimum.

PROFIT LESS THAN 1d. A GALLON

It will be seen that our rate of return on capital employed has fallen from 14.4 per cent in 1957 to 9.2 per cent in 1961. Putting it in another way, our group profit over the last three years has amounted to £185 million and our sales to 214 million tons. So for these three years our margin was less than £1 per ton or, in more familiar units, less than 1d. a gallon. In 1961 it was 15s. per ton or rather more than a halfpenny a gallon. Bearing in mind the considerable risks which an integrated oil company has to assume, this rate of profitability is far from excessive, especially since out of our net return we must find a large part of the capital needed for further development.

In assessing the position of an integrated group like our own there are several important considerations to be borne in mind. One is that periods of surplus like the present, may produce a situation in which the newcomer with negligible overheads may seem to have the edge over the integrated company, because he is operating in a small way in a restricted area. But such situations do not last for ever, and I do not think that, if the bulk of the world's oil trade had been handled during the last 15 years by a large number of smaller concerns, each dealing with one only of the many functions which are involved, the interests of the consumer would have been satisfied so well or at such small expense. Moreover, the integrated companies have been able to ensure to the producing countries prices which have enjoyed a greater stability than those of most other raw materials. I do not think this would have been possible if the producing industry had been divorced from refining and marketing.

OIL COMPANIES' DOUBLE RESPONSIBILITY TO CONSUMER AND PRODUCER

Companies such as ours have a double function to perform in that it is their business to ensure at the same time a market for the producer and a dependable source of supply for the consumer. If one market becomes blocked for fiscal or political reasons, it is our business to develop another, and to ensure that no producing country is deprived of an outlet for its exports, and that no consuming country is in danger of being left without several alternative sources of supply at economic prices. These objectives cannot be achieved by direct agreements between the governments of the producing and consuming countries except through arrangements which, by disrupting the normal channels, tend to leave the producer at the mercy of the consumer or *vice versa*, whenever the contracts are due for renewal. It is to the interest of responsible oil companies to avoid as far as possible unduly high or low prices or violent fluctuations in the volume or direction of traffic from year to year—which have proved to be the usual concomitant of government to government agreements.

The most obvious example in recent years of changes due to political as opposed to economic considerations was the diversion of virtually the whole of Cuba's oil imports from Venezuela to Russia. Less obvious, but perhaps as serious in their implications, are the imports, particularly into Italy and Sweden, of Russian oil at very low prices, with which importers of Middle Eastern oil cannot compete if payments of royalties and taxes to those countries are to continue at their present level. Arrangements of this sort necessarily disturb the normal relationship between the producer and consumer in a manner inimical to one or the other, and, eventually maybe to both.

BP AND THE COMMON MARKET

It would perhaps not be out of place for me to say something about the Common Market in so far as our own business is likely to be affected. From one point of view, the ultimate decision on whether or not Britain enters the Common Market will not directly affect us, since we and our associates already market our products in all six of the European Economic Community countries and are interested in eight oil refineries and two petroleum chemical plants within that area. On the other hand, there are already considerable divergencies of policy, on oil in particular and energy in general, as between the present members of E.E.C., and if the trend is to be towards the adoption of a common pattern, it is not yet possible to foresee what form this pattern will take.

Italy, for instance, has aimed at buying energy at the lowest possible price, whether it be oil from Russia or coal from the United States, irrespective of other considerations. Other countries, including France, which has adopted a system which involves the purchase by French refiners of large quantities of Saharan oil at higher prices, are primarily concerned with securing preferential treatment for certain of their associated overseas territories. Others again are preoccupied with the relationship between imported fuel oil and their domestic coal industry. Here plainly is a potential conflict of interests which, if it is to be resolved, will necessitate a considerable measure of compromise. The solution, whatever it may prove to be, will certainly have an important bearing on the economics of the oil industry and in particular on that of the main producing and exporting countries.

REPORT OF DIRECTORS

The following are extracts from the Directors' Report:

The accounts of the group are presented in a new form. In the past it has been the practice to submit consolidated accounts comprising the parent company and certain subsidiary companies. A large number of subsidiary companies, dealing mainly with the distribution of oil products in overseas countries, were not dealt with in the accounts though in recent years a statement has been attached setting out the income of the group as a whole with the exception of The Tanker Insurance Company, Limited, whose accounts were given separately.

For the year ended December 31, 1961, the group accounts comprise a consolidation of the parent company and all its subsidiary companies excluding only certain minor companies with insignificant income whose consolidation would have caused undue delay in presentation. Figures for the year ended December 31, 1960, provide a true comparison with the 1961 figures.

The accounts now consist of:

(1) An income statement, with schedules.
(2) The balance sheets of the group and the parent company, with schedules.
(3) Notes on accounts.

In the income statement and balance sheets broad classifications are shown, details being given in the schedules. Figures are given in £ million.

Immediately following the accounts is a statement of capital expenditure, a summary of group finance, and comparative statistics for the years 1957 to 1961.

RESULTS FOR THE YEAR

Income of the group before taxation at £142.1 million compares with £144.9 million in 1960.

Sales of crude oil and products, which exclude transactions of a reciprocal nature, were 78.3 million tons, a 7½ per cent increase over the previous year. Sales income is still adversely affected by the continuing intensive competition in the industry.

The taxation charge is £81.5 million (£82.5 million in 1960) made up of overseas taxation £88.8 million (£92 million) and a United Kingdom tax credit of £7.3 million (£9.5 million).

The net income of the group is £60.1 million (£62.2 million) of which £57 million is dealt with in the accounts of the parent company which also has a balance brought forward on revenue account of £7 million.

Your Directors have appropriated £30 million to general reserve. The preference dividends (net) and interim ordinary dividend paid amount to £7.9 million. After providing £18.5 million for the recommended final dividend of 1s. 5d. per £1 unit of stock, free of income tax, there is £7.6 million carried forward on revenue account to 1962.

At January 1, 1961, the parent company's general reserve was £195 million of which £11.5 million was capitalised in accordance with the resolution dated October 26th. To the balance of £183.5 million has been added the appropriation for the year 1961 of £30 million mentioned above and £15 million of provisions no longer required against investment in associated companies, making a total at the end of 1961 of £228.5 million on general reserve.

In accordance with the resolution dated October 26, 1961, the authorised and issued capitals were increased. Additions to capital reserves of the parent company during the year amounted to £12.7 million of which £2.5 million was the fifth of ten equal instalments received from the Iranian government under the terms of the 1954 Agreement and £10.2 million was received from the companies with whom your company is associated in Iran.

CAPITAL EXPENDITURE AND FINANCE

Capital expenditure incurred by subsidiary companies in 1961 amounted to £84.7 million and the group's proportion of capital expenditure by associated companies was £39.2 million, making a total of £123.9 million (£109.1 million in 1960).

Finance to meet this capital expenditure arose mainly from capital receipts, income retained and depreciation amounting to £117.7 million (£112 million in 1960).

The net assets representing the stockholders' interest at £605.5 million have increased by £68 million. Properties and operating assets have increased by £40.5 million and, after transfer of £15 million of provisions no longer required, the investment in associated companies is up by £25.4 million.

PAYMENTS TO MIDDLE EAST COUNTRIES

Of the £88.8 million overseas taxation for the year £83.6 million arises in Iran, Iraq, Kuwait and Qatar, in which territories payments in the nature of royalties of £43 million have also been made and are taken into account prior to arriving at the group income before taxation. The total for the Middle East countries from the group in 1961 is therefore £126.6 million which compares with £128 million in 1960.

SURVEY OF OPERATIONS

The following are extracts from a Survey of Operations attached to the Chairman's Statement:

From the BP group's production sources (Iran, Iraq, Kuwait, Qatar, Egypt, Trinidad, Nigeria, U.K., Canada, U.S.A. and Germany) we obtained in all some 79 million tons of oil in 1961.

In Kuwait work has begun on an artificial island to enable testing to be carried out in a structure underlying Kuwait Town. Development drilling has continued in the Murban field in Abu Dhabi and plans are being made to export this crude oil to world markets. Further wells have been drilled in the offshore field at Umm Shaif. It is expected that the first shipment from this field will be made from Das Island during the second half of 1962. In our joint undertaking in Nigeria the new crude oil loading terminal at Bonny was completed. At the end of the year oil was being exported at a rate in excess of 3,000,000 tons per annum.

We continued throughout the year to participate in oil exploration in the Algerian Sahara. In Libya encouraging signs have been obtained from two test wells in an area in which we recently acquired a half interest.

In Australia, Frome-Broken Hill, in which we hold one-third interest, carried out further surveys and drilled two more wells. No commercial discovery was made. In New Zealand gas at great depth was met in one well. At the end of the year production from all our land areas in Trinidad was at the rate of 1,485,000 tons per annum. Production from the offshore Soldado field in which we have one-third share, at the year end was at the rate of over 1,500,000 tons per annum. Five successful wells were drilled in the Provincia field in Colombia and plans are being made to link the field to an existing pipeline which will connect it with the Atlantic Ocean.

COMPARATIVE STATISTICS

	1961	1960	1959	1958	1957
Group Sales in millions of tons	78·3	72·9	63·2	60·4	51·1
Gross Income – £ million	1,036·2	957·3	863·6	835·2	795·9
Income before Taxation – £ million	142·1	144·9	131·1	138·2	127·6
Net Income – £ million	60·1	62·2	63·3	63·0	55·0
— as % of Gross Income	5·8%	6·5%	7·3%	7·5%	6·9%
— per gallon sold	·709d	·788d.	·925d	·963d	·994d
Return on Average Capital Employed	9·2%	10·4%	12·0%	14·1%	14·4%
Cash Dividends on Ordinary Stock — £ million	25·7	25·1	22·8	17·7	15·2
— per Stock Unit (adjusted for capitalisation of reserves)	1/11⅜d	1/11⅛d	1·9⅜d	1·5⅛d	1/3d
—per gallon sold	·304d	·319d	·333d	·271d	·275d
Payments to Middle East Countries under "50/50" Agreements – £ million					
— Taxation	83·6	86·2	76·3	78·8	61·6
— Royalties, etc.	43·0	41·8	38·4	40·0	32·1
— Total	126·6	128·0	114·7	118·8	93·7
Total Assets less Current Liabilities — £ million	729·7	651·1	582·3	501·5	409·0
Capital Expenditure – £ million					
— Subsidiaries	84·7	69·7	99·6	96·0	85·1
— Associates (Group Proportion)	39·2	39·4	41·1	41·5	28·4
— Total	123·9	109·1	140·7	137·5	113·5
Capital Receipts, Income Retained and Depreciation – £ million					
— Parent and Subsidiaries	95·2	95·4	98·0	102·7	90·1
— Associates (Group Proportion)	22·5	16·6	13·8	11·4	10·7
— Total	117·7	112·0	111·8	114·1	100·8
Long-term Money Borrowed and Tanker Finance – £ million	8·3	20·2	37·2	49·8	23·3

RECORD REFINERY THROUGHPUTS

The total quantity of oil refined on our account at refineries in U.K., Aden, Australia, Belgium, Canada, Eire, Egypt, France, Germany, Iran, Italy, Kuwait and Lebanon, was approximately 51,000,000 tons or 4,000,000 more than in 1960. To achieve this high throughput many of the refineries were run at maximum capacity for prolonged periods and record throughputs were achieved at Aden, Dunkirk, Hamburg, Kent, Kwinana and Lavera.

We have arranged for the supply of gas by pipeline to the Scottish Gas Board and the Wales Gas Board from Grangemouth and Llandarcy respectively while our supply arrangements at Kent with the South Eastern Gas Board continue to expand.

The number of jointly owned projects in which we are participating with other oil companies continues to increase. We now have an interest in 11 of these new projects, all in various stages of development (Mersin in Turkey, Algiers, Durban, Mombasa, Port Sudan, Strasbourg, Whangarei in New Zealand, Port Harcourt in Nigeria, Abidjan on the Ivory Coast, Dakar in Senegal and Umtali in S. Rhodesia).

The group has interests in the manufacture of petroleum chemicals in the U.K., France and Germany and also in the manufacture of anti-knock agents. Up to the end of 1961 the capital expenditure of the companies concerned was £122 million. Of this the group's share was about £54 million. The total production of chemicals was 440,000 tons.

SEA TRANSPORT

The number of sea-going tankers was 120 at the end of 1961 compared with 144 at the end of 1960.

During 1961 existing orders with two builders were rearranged to include two 100,000-ton tankers in place of smaller vessels. These tankers are for delivery in 1965 and 1966 and so far are the largest ordered in British shipyards. They should show a considerable economy in transport costs. At the end of 1961 27 tankers with a total deadweight of about 1,300,000 tons still remain to be delivered in respect of orders placed by the BP Tanker Company in previous years.

MARKETING

Sales of products showed a satisfactory increase generally in line with the rise in total consumption in the areas where we market. We are continuing to fill the gaps in our petrol sales network and by modernisation and improvement are increasing sales through existing facilities. Competition has emphasised the need for new ways to attract the customer and we have achieved some success in this respect.

The BP Touring Service, providing help and advice to those touring with their cars, has been improved, and we are now catering for the special needs of the growing number of motor-boat users.

We have had conspicuous success in the rapidly expanding market for domestic heating oil.

The development of new equipment and the use of operational research techniques have been directed towards reducing the cost of distribution and sales of our products.

In Scandinavia the impact of cheap Russian oil is particularly acute and we have adopted a more selective selling policy in this area.

In other countries in Europe, noticeably Germany and Italy, our sales have shown an increase in all products.

RESEARCH

The application of operational research methods to our supply and manufacturing operations has produced important advantages. These methods are now in routine use, but can still be greatly extended in scope, and research is proceeding to this end. It is now evident that the largest and fastest computer available will be required for these calculations, and for this reason we have taken a share in the Atlas computer being installed by London University.

We have joined with National Research Development Corporation, British Ropes and Guest, Keen & Nettlefolds in the formation of Energy Conversion Ltd. to further research into fuel cells and other new means of producing electrical energy from oil.

STAFF

The increasing competition and narrowing margins of today provide a stimulus to our staff to which they are responding admirably.

The group's need for capable men and women ready to accept hard work and good but not extravagant conditions will continue to grow, although the expansion of our staff will probably be slower than that of our business in general.

We intend to maintain and strengthen the understanding and confidence between management and employees which has existed in BP for so long, because we believe that the success of a group like ours rests largely in the skill, ability and energy of those who work for it.

THE ANGLO-PORTUGUESE TELEPHONE COMPANY

75 YEARS OF PROGRESS

MR ALASTAIR F. ROGER ON A FIRST-CLASS SERVICE AT LOW RATES

The seventy-fifth annual general meeting of The Anglo-Portuguese Telephone Company, Limited will be held on June 5th at Strowger House, 8, Arundel Street, London, WC2.

The following is an extract from the statement by the Chairman, **Mr Alastair F. Roger,** which has been circulated with the Report and Accounts:

The Accounts for the year to December 31, 1961, show that the satisfactory progress of your Company continues.

Total Revenue for the year at £4,021,936 is £306,365 higher than the 1960 figure.

Total Expenses including Royalties to the Portuguese Government, Renewals of Telephone Plant, Depreciation, Taxation, Directors' Remuneration, and Service of Debentures, amount to £3,273,452, an increase of £171,472 over the previous year.

Net Profit is £748,484 as against £613,591 in 1960, an increase of £134,893.

Your Directors recommend and the Accounts provide for a final dividend of 6 per cent on the issued Ordinary Stock which, together with the interim dividend of 3 per cent paid in November last, make 9 per cent for the year. A dividend of 9 per cent on the "A" Ordinary Stock is also provided for in the Accounts.

These dividends, together with the dividend on the 6 per cent Preference Stock require £428,137. General Reserve is increased to £1,800,000 by a transfer of £250,000 and the balance on Profit and Loss Account carried forward is increased by £70,347 to £426,919.

Provision for Renewals has been increased by £513,049, and now totals £4,220,312, which is equal to 22.6 per cent of the original cost of installed plant. Our Consulting Engineers have made their annual investigation and have reported that, in their opinion, the provision is adequate and not in excess of what is reasonably necessary.

GENERAL PROGRESS

Throughout the 75 years which have passed since your Company was formed we can justly claim to have rendered a most valuable service in Portugal and to have built up a telephone network which, size for size, compares favourably with any in Europe and, perhaps, in the world. In return we have always enjoyed conditions of complete amity with the Portuguese Authorities who have at all times shown a ready understanding of the problems and difficulties involved in providing and operating a large public utility service.

Our tariff structure has not changed materially since 1950, the monthly rental of a telephone in Lisbon and Oporto costs 7s. 6d., and the cost of a local call is 1½d. The comparable charges in the United Kingdom for a business line are, rental £1 3s. 4d. per month and 3d. per local call.

There is no single factor which enables us to provide a first class service at such low rates but undoubtedly a prime reason is that, over the years we have been fortunate in being served by an enthusiastic administration and a loyal and energetic labour force.

In my statement last year I said that while additional profitable business continues to be available to us we must proceed with due caution in planning our future capital development. This is no less true today that it was a year ago, but, I am glad to say that there are already signs in international financial circles of restored confidence in the strength of the Portuguese Economy after the setback caused by disturbances in Africa last year.

Our gross capital expenditure in 1961 amounted to £2,140,000 and the total Fixed Assets in the Balance Sheet stand at £19,583,600.

The Waiting List numbered 6,220 at the end of the year and the total number of stations in service was over 299,000.

Requests for service shows no sign of diminishing and applications are still being received at the rate of over 2,200 per month.

Subject to unforeseen circumstances the outlook for 1962 is satisfactory.

ASSOCIATED FISHERIES

The annual general meeting of Associated Fisheries Limited was held on May 11th in London, **Sir Hugh Fraser, Bt, DL, JP** (the chairman), presiding.

The following is an extract from his circulated statement:

The year has been one of progress. The Group trading profit, after charging depreciation of fixed assets and all working expenses, increased by £383,224 to £1,010,971, to which new Subsidiaries acquired during the year contributed £157,533.

The profit for the year was derived from our interests in trawling, cold storage and distributing businesses, other than "Eskimo" frozen foods, where profits have again been ploughed back in substantial promotional investment designed to increase rapidly the "Eskimo" share of the fast expanding market in frozen foods.

The net Group profit of the year amounted to £602,455 as against £423,531.

I mentioned last year that Eskimo's growth was at more than double the rate of overall market increase; during this past year our growth has speeded up still further to nearly five times the industry average.

Eskimo is fast becoming the major name for the Top quality frozen food.

The Future: I am satisfied that your Company is well endowed with the right spirit and well equipped to overcome whatever difficulties are encountered and, looking ahead to the anticipated progress of Eskimo frozen foods, I view the future with confidence.

The report was adopted and a final dividend of 16 per cent approved.

VOSPER LIMITED

(Shipbuilders & Engineers)

The twenty-fifth annual general meeting of Vosper Limited will be held on May 23rd at Portsmouth.

The following is an extract from the circulated statement of the chairman, **Mr Owen R. Guard:**

As the Accounts show, we have succeeded in turning a loss of £29,828 into a profit of £4,038. It is regretted that your Directors are once again unable to recommend the payment of a dividend.

It will be appreciated that the shipbuilding industry in Great Britain as a whole has been going through a very difficult time.

I am glad to say, however, that the volume of orders booked and work in hand at our yards constitutes the highest total achieved for many years.

Our roll damping division continues to obtain an ever-increasing volume of orders.

Continuing our efforts to exploit the most successful development of the "Brave" and "Ferocity" types of gas turbine fast patrol boats, we have recently signed a contract with the Royal Danish Navy for two of these vessels.

A letter of intent has been received for the construction and delivery to the Ghana Navy of two corvettes. This is a joint operation with Vickers Armstrong. In addition, we have an order for six patrol craft for the Royal Malayan Navy.

Taking into account all factors, and with the knowledge that all our departments will be fully at work during the current year, prospects seem to be brighter.

THE BURMAH OIL COMPANY LIMITED

CONDITIONS AFFECTING RESULTS

FURTHER EXPLORATION CONCESSIONS: PROSPECTING PROGRAMME INTENSIFIED

NATURAL GAS PRODUCTION INCREASED: GOOD REFINERY AND PIPELINE PROSPECTS

MR W. E. EADIE REVIEWS WIDESPREAD ACTIVITIES AND DEVELOPMENTS

The Sixtieth Annual General Meeting of the Burmah Oil Company Limited will be held on Friday, June 8, 1962, in the Merchants Hall, 30, George Square, Glasgow.

The following statement by the Chairman, **Mr W. E. Eadie,** has been circulated with the Directors' report and accounts for the year ended December 31, 1961:

ACCOUNTS

In 1961 the demand for petroleum products in Burma, Pakistan and India, in which countries your Company has long had interests, rose by



Mr W. E. Eadie

8 per cent over the previous year, by comparison with a total free world increase of between 5 and 6 per cent. Sales in these countries totalled 10,300,000 tons, the increase over 1960 amounting to some 770,000 tons. Of the total volume of products sold in these markets your Group's share was 2.2 million tons.

The Group Trading Income, which includes the Profit on Trading and also Dividends from Trade Investments, amounted to £7,796,998 in 1961 compared with £6,663,974 in 1960, an increase of £1,133,024. The Profit on Trading, which is the profit made by our trading subsidiary companies less the cost of exploration programmes, at £4,456,515 shows a decrease of £516,515 compared with the 1960 amount of £4,973,030. This reduction is due partly to adverse trading conditions, although the increased volumes of sales by our marketing subsidiary companies have to some extent compensated for the lower profit margins. The main reason for the reduction is the change in our shareholding interests in the joint venture companies in India and Burma whereby our holdings in these companies now come in the category of Trade Investments, our share of the profits from them, when received, being treated as Dividends from Trade Investments. These profit reductions have been partially offset by the inclusion of the Group's interest in the 1961 profits of The Tinplate Company of India Limited and by a substantial decrease in the charge for exploration expenditure. Now that certain areas of production have been established off-shore in Louisiana drilling expenditure in these proved areas is capitalised and will be written off over their estimated production life, thus enabling the cost of finding these reserves to be spread over a number of years.

In India, the change in the Group's interest in the joint venture arises from an agreement with the Government of India under which there has been a reduction from 66⅔ per cent to 50 per cent in your Company's shareholding in Oil India Limited. In Burma, as I mentioned in my Statement last year, the reduction in our holding in The Burma Oil Company (1954) Limited was effective from September 1960.

The provision this year for depreciation of £719,622 is £478,807 lower than that for 1960. This has arisen mainly because of the transfer of our interests in Oil India Limited and The Burma Oil Company (1954) Limited to Trade Investments. Dividends from Trade Investments are not taken into account until they are received, and income under this heading at £4,060,445 shows an increase of £1,171,072 over 1960 due to increased dividends having been received from our marketing and refining interests and to the inclusion under this heading of dividends received from The Burma Oil Company (1954) Limited. Oil India Limited is expected to declare its first dividend in respect of the year 1962.

Other Dividends and Interest received during 1961 amounting to £12,386,476 are £604,357 greater than in 1960 due in the main to the increased final dividend for 1960 received on our holdings in The British Petroleum Company Limited.

After charging taxation and deducting retentions by subsidiary companies the profit dealt with by your Company is £11,041,983 compared with £9,235,798 in 1960, an increase of £1,806,185.

Including the balance of unappropriated profit of £582,661 brought forward from 1960, there is available £11,624,644, from which your Board has appropriated £2,000,000 to General Reserve. After deducting the Preference Stock dividends for the year and the Ordinary Stock interim dividend of 6d. per £1 unit of Ordinary Stock free of income tax which was paid on December 5, 1961, there remains £7,380,417 for disposal, out of which your Board recommends that a final dividend of 1s. 7d. free of income tax per £1 unit of Ordinary Stock should be paid on June 22, 1962, amounting to £6,524,843, leaving a balance of unappropriated profit of £855,574 to be carried forward to 1962.

Turning to the Parent Company's Balance Sheet the decrease under Subsidiary Companies and the increase in Trade Investments and Debtors reflects the reduction of our shareholding in Oil India Limited to 50 per cent, resulting in that Company now being treated as a Trade Investment. During the year your Company invested in Great Plains Development Company of Canada Limited and this is included under Other Investments quoted outside Great Britain. The Loan to the Government of India of £1,500,000 is in respect of the cost of the shares in Oil India Limited purchased from us by the Government of India to increase its interest from 33⅓ per cent to 50 per cent.

The Unsecured Loan of £4,325,443 shown under Long-Term Liability is the amount advanced by your Company's Bankers for the construction of the Oil India Limited pipeline, to which reference has been made in previous statements. The full amount of the loan is expected to be approximately £10 million and this total may be reached early in 1963. Your Board is presently examining proposals to fund this amount on a long term basis.

In the Consolidated Balance Sheet, your Company's Investment in Oil India Limited accounts for £10,500,000 of the increase under Trade Investments with corresponding movements under other main headings in the balance sheet. With the earlier receipt of accounts of The Tinplate Company of India Limited it has been possible this year to consolidate them in the Group accounts.

In last year's Statement I referred to the position at that time of the claims filed in the Courts of Burma in respect of war-time "denial" operations in that country. I now have to report that in October 1961 suits were filed in Edinburgh by four of our subsidiary companies against Her Majesty's Government claiming compensation in respect of the damage they suffered in 1942 when the oil installations and other assets owned and operated by them were destroyed in order to deny their use to the advancing Japanese forces. As the proceedings are now before the Court further comment would be improper at this stage.

Before reporting in detail on our interests in the various countries in which we operate and trade I should like to comment on the general position of the Group as it stands today.

In Burma we have a 40½ per cent shareholding in The Burma Oil Company (1954) Limited, a joint enterprise with two other oil companies and the Government of Burma, the latter having a 51 per cent shareholding. This ratio of interests was established in September 1960 when the Government of Burma exercised its option under the Formation Agreement of The Burma Oil Company (1954) Limited to take up additional shares. In my Statement last year I reported that the Government of Burma had also decided to exercise its option under this agreement to acquire an interest in the marketing facilities and installations of our trading subsidiary company in Burma. The negotiations to that end which were then taking place were suspended and have not yet been resumed.

In Pakistan, where private enterprise enjoys relatively full freedom, Pakistan Petroleum Limited, in which our shareholding is 70 per cent, has now reached the dividend paying stage chiefly as a result of the development of the

natural gas industry following the discovery of the Sui gas field.

At last year's Annual General Meeting I was pleased to report the conclusion of an agreement with the Government of India under which the Government of India and your Company became shareholders on a 50:50 basis in Oil India Limited. To enable Government to take up this additional interest we loaned them free of interest £1,500,000 which is repayable in four equal annual instalments commencing in 1962. Under this agreement we are assured of earning a reasonable return on our investment and Oil India Limited has been given the right to exploration concessions in further areas.

These developments are major steps in the reshaping and consolidation of the Group's operational interests in the East following the grant of independence to Burma, Pakistan and India. An increased measure of stability of these interests has thereby been achieved in each of these countries and I hope that this will be maintained for many years to come.

It will be noted from my comments below on our operations that there is an expanding market for energy in Burma, Pakistan and India. Our distributing and marketing interests in these countries are well placed to share in the expected increase in the demand for petroleum products.

Stockholders will recollect that a start was made with a geographical spread of our interests some three years ago when we became associated with Murphy Corporation in the United States, Canada and Australia. A further step in this direction, to which I refer in detail later, was taken when we arranged to acquire a progressive shareholding interest in Great Plains Development Company of Canada Limited. These interests will, I hope, in due course make a valuable contribution to the future prosperity of the Group.

I now turn to the main features of the year's operations and activities in the various countries in which the Group has interests.

BURMA

TRADING

Apart from a few instances of insurgent activity, orderly conditions prevailed throughout the year. A new Five Year Plan, the second to be introduced in the country, was launched in August, giving priority to agricultural programmes, the development of improved transportation and communication facilities, the consolidation of existing industries, and the establishment of improved security conditions.

Rice production is the dominant factor in Burma's economy. Unfortunately the 1960-61 crop was so affected by bad weather that exports diminished by comparison with the previous year, leading to a reduction in the country's foreign exchange earnings.

The total demand in Burma for all petroleum products in 1961 was approximately 450,000 tons. The market for main products continued to expand, the increase over 1960 being 6.6 per cent. The crude oil production of The Burma Oil Company (1954) Limited was insufficient to provide for this expansion in consumption and that Company imported some 21,500 tons of products to meet the deficiency.

PROSPECTING AND OILFIELD OPERATIONS

Crude oil production from the oilfields of The Burma Oil Company (1954) Limited increased by 3.7 per cent during the year.

The extensive prospecting programme was intensified, and five test wells were drilled at Payagon, Tharrawaddy (2), Kyun Nyogi and Yedwet. It is extremely disappointing that all these efforts have so far failed to result in any discovery of importance. At the end of the year, tests were being drilled at Yenangyat, Aunglanmyo and Kyundaw. An engineering survey was made at Indaw in the Chindwin region in preparation for the deep testing of this structure, the site of a pre-war shallow oilfield, which is very difficult of access.

In the Chauk-Lanywa field development drilling was continued and preparations were made for secondary recovery operations. Outstep drilling was successful in parts of the old Yenangyaung field and oil production was materially increased. A deep test well was drilled in this field under difficult conditions through high pressure water sands but failed to find additional reserves. Operations were resumed at the old Palanyon field, for the first time since the war, with the drilling of relatively shallow wells from which a small production has been obtained. A deep test well is at present being drilled in this field.

REFINERIES

The refineries at Syriam, near Rangoon, and at Chauk, in Upper Burma, operated satisfactorily throughout the year. Work on expanding the Syriam refinery is now well in hand and the new plant is expected to start operating in mid-1963.

To achieve increased economy in operation it is proposed to link the refinery at Syriam with the distribution installation at Dunneedaw by a submarine products pipeline under the Pegu River.

PAKISTAN

TRADING

The economy of the country continues to develop and there was an encouraging increase in both industrial and agricultural production in 1961.

Demand for petroleum products amounted to some 2.3 million tons in 1961. Although competition in this market remains extremely keen, the increase in the Group's sales over the previous year was approximately 5 per cent.

PROSPECTING AND OILFIELD OPERATIONS

In recent years several international oil companies have been active in the search for new oilfields in the country but the results in 1961 were again disappointing.

During the year the Government formed the Pakistan Oil and Gas Development Corporation which has already started exploratory geophysical work in the Punjab with the assistance of Russian personnel and finance.

Our own prospecting operations are carried out by Pakistan Petroleum Limited and these operations were on a reduced scale during the year. The opportunity was taken to review the accumulated geophysical and geological data and to make an examination of further prospects in both the west and east wings of the country.

One gravity and one seismic party were employed for part of the year in concessions in Sind and the northern part of the Punjab. The well at Dasori in Sind drilled jointly with Pakistan Sun Oil Company was unsuccessful.

Natural gas produced from the Sui gas field of Pakistan Petroleum Limited amounted to 26,618 million cubic feet, an increase of 15.6 per cent over the production for the previous year. Since this field was brought on to production in October 1955 nearly 89,000 million cubic feet of gas, the equivalent of more than 2 million tons of oil, have been transmitted through the pipeline network. In terms of foreign exchange savings this represents around Rs.160 million (£12 million). During the year discussions have taken place, and are still continuing, with the Pakistan Government on proposals to extend the northern gas transmission line from Multan to Rawalpindi.

The Balkassar oilfield, which is operated jointly by Pakistan Petroleum Limited and The Attock Oil Company Limited, continued to maintain its small but steady production of oil.

In East Pakistan, gas production was taken from the well at Chhatak throughout most of the year for use in a nearby cement works. Production from the Sylhet gas field, so far on a small scale, increased during the year and preparations have been made for the drilling of another development well. This gas is being supplied to the Government's fertiliser factory at Fenchuganj, which is now expected to come on to full production in 1962. Gas production in Sylhet is accompanied by a small quantity of liquid hydrocarbons which is being separated and marketed.

REFINERIES

The refinery at present under construction at Karachi by Pakistan Refinery Limited, in which your Company will have a 15 per cent shareholding, is now well on the way to completion and operations are expected to start towards the end of 1962. Proposals for the construction of a refinery in East Pakistan were under examination at the end of the year.

INDIA

TRADING

India's economy continues to advance and under the third Five Year Plan, as in the preceding plans, there is heavy reliance on external financial assistance.

The planners estimate that by 1966-1967 the annual requirements of oil will exceed 14 million tons.

Total demand for petroleum products in 1961 amounted to some 7.6 million tons, an increase of approximately 9 per cent over the previous year's figure. In the face of competition, in which the Government-owned marketing organisation—Indian Oil Company—is now a factor, sales through our Subsidiary and Associated Companies increased by approximately 6.5 per cent.

The Oil Price Enquiry Committee set up by the Government of India, to which reference was made last year, completed its report during the year and the price recommendations contained in it were made effective on October 1, 1961. The prices and profit levels formulated by this Committee are the subject of further discussions between the established oil companies and Government.

PROSPECTING AND OILFIELD OPERATIONS

Assam continues to be the major oil producing State in India and crude oil production by Oil India Limited from its Nahorkatiya field was increased in 1961 to supply initial test requirements of the Government-owned refinery at Nunmati, near Gauhati. The Nahorkatiya field continued to provide crude oil to supplement the production from the Digboi field for the Assam

Oil Company's refinery. There should be a considerable increase in production from Oil India's fields in 1962, when the Nunmati refinery becomes fully operational and a further substantial increase in 1963 when the other Government-owned refinery at Barauni, in Bihar, comes on stream.

Oil India Limited has the right to explore in new concessions of 1,880 square miles in the north-east part of Upper Assam. No exploration was undertaken in these new areas in 1961 because of delay in the grant of licences.

In the Nahorkatiya, Hugrijan and Moran concessions of Oil India Limited, exploration and development drilling during the year has again been successful. Thirty wells were drilled, of which 25 were completed as good potential oil producers.

The Assam Oil Company's Digboi field continued to produce throughout the year. Special attention is being paid to gearing the organisation and operation of this Company to the diminishing scale of production from its old-established field.

REFINERIES

The Assam Oil Company's refinery at Digboi and the Burmah-Shell refinery at Bombay continued to operate satisfactorily throughout the year.

OIL INDIA PIPELINE

Progress continued on the construction of the pipeline and related facilities by which crude oil from Oil India's fields will be supplied to the Government-owned refineries at Nunmati and Barauni. The construction of this 720-mile-long line, the second longest crude oil pipeline in the eastern hemisphere, is an engineering project of exceptional magnitude and difficulty. Conditions of weather and terrain inevitably affect an undertaking of this nature, and a particular problem is the crossing of 78 rivers. Over 36 of these, the line makes use of existing bridges, but in the case of 33 rivers it has to be submerged below river bed scour levels. A further eight rivers are traversed by means of specially made pipeline suspension bridges, while over the Brahmaputra River, the most formidable hurdle of all, it will fortunately be possible to carry the line on the road and rail bridge which is now under construction.

Another problem is the crude oil itself, which, because of its high wax content, will require special conditioning at the oilfields when the pipeline system comes into full operation, and this part of the project called for extensive research in Assam and elsewhere by many chemists and engineers. The Oil India pipeline makes the fullest use of modern remote control and automation techniques and, when complete, will be one of the most technically advanced systems of its size anywhere in the world. The design and engineering of this project is in the hands of our wholly-owned subsidiary company, The Burmah Oil Company (Pipe Lines) Limited.

PUBLIC SECTOR OIL OPERATIONS

High priority is accorded to indigenous oil production in the third Five Year Plan, a provision of Rs.202 crores (approximately £151 million) having been made for oil exploration and production in the public sector as against Rs.26 crores (approximately £20 million) in the second Plan.

The Oil and Natural Gas Commission of the Government of India has found crude oil in commercial quantity in western India. Pending the construction of a Government refinery to process this oil, supplies of crude are being delivered by rail at the rate of some 160,000 tons per annum to the Burmah-Shell refinery at Bombay. The Oil and Natural Gas Commission is also carrying out prospecting in other parts of India, including Assam.

The Government-owned refineries at Nunmati and Barauni for the processing of Oil India crude oil are referred to above.

In the field of marketing and distribution, the Government-owned Indian Oil Company sold some 150,000 tons of kerosene and diesel oils, supplies of which were obtained from Russia.

USA

PROSPECTING AND OILFIELD OPERATIONS

In joint operations with Murphy Corporation and Ocean Drilling and Exploration Company, a Murphy Corporation associate, The Burmah Oil Western Company participated during 1961 in drilling in the offshore area of Louisiana. Drilling was carried out by Ocean Drilling and Exploration Company as operator.

Three wells were completed in the offshore field in the Eugene Island area, but our production has unfortunately declined rapidly. In the field in the South Pelto area, five wells were drilled in the year, four of them being potential producers. Production was started at the end of the year using a new type of submerged storage facility designed by Ocean Drilling and Exploration Company. It is hoped that increased production will be obtained from this promising field in which additional drilling is planned during the coming year. In a third field, in the Ship Shoal area, three dry holes and one successful well were drilled; arrangements were being made at the end of the year for the start of production. The Burmah Oil Western Company also participated during the year in a number of marine seismic surveys in the Gulf of Mexico.

CANADA

PROSPECTING AND OILFIELD OPERATIONS

In joint operations by BOC of Canada Limited and Murphy Oil Company Limited, two unsuccessful wildcat wells were drilled in the Liard River area of Northwest Territories.

In September your Company made an agreement with Great Plains Development Company of Canada Limited whereby it acquired from that Company 200,000 shares of its capital stock at $15.00 per share with the option, up to the end of 1964, to take up in whole or in part an additional 300,000 shares, the option price being $15.00 per share plus 4 cents per share for each month which elapses between September 30, 1961, and the date of purchase. In addition to acquiring these shares your Company purchased 60,000 shares of Great Plains Development Company of Canada Limited on the open market during the year. Subject to the exercise in full of the above option, your Company has also obtained from Great Plains the right of first refusal to the purchase of any shares up to a total equity shareholding of 51 per cent, which may be issued by that company prior to September 30, 1976.

Great Plains has concessions in Alberta, the Yukon and Northwest Territories, with growing oil and gas reserves in Alberta. Production of oil and condensate increased by 10 per cent in the year compared with 1960. Gas sales started at the end of the year and are expected to increase during 1962. Great Plains participated in ten successful well completions during the year—five for gas development and four for oil production with one exploration well finding gas.

The oil industry in Canada shows signs of improving. Internal demand, for both oil and gas, has lately been rising, crude oil production is expanding, and additional petroleum reserves are now needed. It is hoped that your Company will be able to participate in the expansion of the industry through its present interests in the country.

AUSTRALASIA

PROSPECTING AND OILFIELD OPERATIONS

BOC of Australia Limited completed a marine seismic survey in the Gulf of Papua on behalf of a group which includes also Murphy-Australia Oil Company, Australian Pacific Oil Company Pty. Limited and Union Oil Development Corporation. The Australian Government paid 50 per cent of the cost of this operation in accordance with its arrangements for subsidising exploration.

BOC of Australia Limited, jointly with Murphy-Australia Oil Company, obtained a year's option to acquire an interest in the concessions of Australasian Petroleum Company Pty. Limited and Island Exploration Company Pty. Limited in Papua. Consideration is now being given to the possible utilisation of gas reserves which have been indicated, but not yet proved, in these concessions.

TANKERS

Our small fleet was further reduced by the sale at the end of the year of m.v. "Burmah Sapphire" at the conclusion of eight years' trading. The remaining two vessels operated satisfactorily throughout the year.

INDUSTRIAL RELATIONS

In all spheres sound relations between labour and management were maintained and long-term agreements on major terms and conditions of service for workmen have been successfully negotiated, leaving a small number of individual issues still to be resolved.

Of particular interest is the agreement, covering employees in both Assam Oil Company Limited and Oil India Limited, reached with the Labour Union of the Assam Oil Company by which a job evaluation programme was accepted as the basis for resolving future job grading problems.

TRAINING

During the year 18 employees and ten scholars came to the United Kingdom for training courses and education. A further 21 men came here under the auspices of their respective High Commissions on scholarships financed by your Group through the Governments of India and Pakistan.

STAFF

The problems confronting our staff throughout the organisation steadily increased in volume and complexity. Against this background, the managements and staffs of all companies in the Group continued to serve with energy, enthusiasm and loyalty, and I have pleasure in conveying the Board's best thanks to all staff at home, overseas and afloat, for the very satisfactory way in which they have worked during the year.

SEARS HOLDINGS LIMITED

TOTAL SALES AGAIN INCREASED

FURTHER EXPANSION IN EXPORTS

FINANCIAL STATISTICS—1955–61

	1955 £	1956 £	1957 £	1958 £	1959 £	1960 £	1961 £
TRADING:							
Trading Profits of Group Companies:							
Footwear	1,504,000	2,843,000	3,086,000	3,208,000	4,436,000	5,774,000	5,929,000
Engineering and other Interests	2,816,000	3,475,000	3,623,000	3,916,000	4,460,000	4,642,000	4,991,000
	4,320,000	6,318,000	6,709,000	7,124,000	8,896,000	10,416,000	10,920,000
Interest on debenture stocks and loans	110,000	198,000	231,000	226,000	226,000	210,000	202,000
Profits before Taxation	4,210,000	6,120,000	6,478,000	6,898,000	8,670,000	10,206,000	10,718,000
APPROPRIATION OF PROFITS:							
Taxation	2,180,000	3,531,000	3,825,000	3,574,000	4,352,000	5,200,000	5,518,000
Pre-acquisition Profits	320,000	498,000	18,000	—	169,000	—	—
Minority Shareholders' Interests	105,000	163,000	257,000	278,000	162,000	216,000	280,000
Dividends	543,000	1,024,000	1,235,000	1,438,000	1,774,000	2,101,000	2,494,000
Retained Profits	1,062,000	904,000	1,143,000	1,608,000	2,213,000	2,689,000	2,426,000
	4,210,000	6,120,000	6,478,000	6,898,000	8,670,000	10,206,000	10,718,000
EMPLOYMENT OF CAPITAL:							
Fixed Assets	10,998,000	23,382,000	24,458,000	22,981,000	25,774,000	26,737,000	34,722,000
Net Current Assets	6,323,000	9,825,000	11,027,000	14,982,000	15,935,000	19,843,000	14,744,000
	17,321,000	33,207,000	35,485,000	37,963,000	41,709,000	46,580,000	49,466,000

MR CHARLES CLORE LOOKS TO ANOTHER YEAR OF PROGRESS

The Annual General Meeting of Sears Holdings Limited will be held on June 7th, at the Dorchester Hotel, London, W.1.

The following is an extract from the statement by the Chairman, **Mr Charles Clore,** circulated with the report and accounts for the year ended December 31, 1961:

TRADING RESULTS FOR 1961

Our total sales have shown an increase of nearly 6 per cent over those for 1960. Exports (which, as I explained last year, account for about one-fifth of our total turnover) have increased more than proportionately.

The analysis of our trading profits between the main subsidiary groups of which Sears is now comprised, is set out below:

	1961 £	Percentage of Total	1960 £	Percentage of Total
British Shoe Corporation	5,892,000	54	5,740,000	55
Sears Engineering	4,399,000	40	4,005,000	39
Motor Distribution	269,000	3	268,000	3
Mappin & Webb Group	309,000	3	355,000	3
Other Income (net)	51,000	—	48,000	—
	£10,920,000	100%	£10,416,000	100%

Later in this review I shall refer in detail to the merger of Saxone, Lilley & Skinner (Holdings) Limited with the British Shoe Corporation. At this point I only remind you that this important event took place after the end of 1961, so the figures set out above are not materially affected by the acquisition of new businesses.

APPROPRIATION OF PROFITS AND DIVIDEND

After providing for Loan and Debenture Interest, total profits before taxation amounted to £10,718,000 (1960—£10,206,000). Taxation has absorbed £5,518,000 compared with £5,200,000 in 1960. After providing £137,000 for the preference dividends payable by Sears Holdings Limited, there remains £4,783,000 (compared with £4,653,000 last year) available for the ordinary shareholders.

Your Directors recommend an ordinary dividend of 25 per cent less income tax for 1961. This is the same rate as that paid for 1960, but as the capital on which it is payable was increased by a 'one-in-five' scrip issue in June last, the effective dividend on the capital as it existed a year ago would be 30 per cent, or an increase of one fifth.

The proposed dividend will absorb £2,357,000 and is thus covered a little over twice by the net earnings in 1961.

PROPOSED SCRIP ISSUE

In previous years I have explained the substantial calls upon our resources which have to be met in order to provide for the capital cost of the various expansion schemes which are in hand, or are planned, for our subsidiary companies. So far as is reasonably possible we seek to provide a large part of these requirements from retained profits; in 1961 alone the profits retained amounted to £2,426,000.

Once again we feel we should recognise this capitalisation of our profits and your directors recommend that £120,433 out of Capital Reserves and £2,444,933 out of the Retained Profits shall be used to pay up in full 10,261,463 'A' Ordinary Shares of 5s. each, to be allotted to Ordinary and 'A' Ordinary Shareholders in the ratio of one new 'A' Ordinary Share for every six Ordinary or 'A' Ordinary Shares held at the close of business on April 19, 1962.

Having regard to the profits which we anticipate for 1962 and provided nothing unforeseen occurs, it would be our hope at least to maintain the same rate of dividend as for 1961, i.e., 25 per cent, on the capital as increased by the proposed scrip issue.

BALANCE SHEET

The Consolidated Balance Sheet shows clearly the increased utilisation of our resources arising from our expansion programmes. Thus, even after deducting the year's depreciation charge, Fixed Assets have increased by £1,750,000, whilst Stocks and Debtors have, together, gone up by nearly £6,500,000.

The increase in the amount of Investments is largely accounted for by purchases of shares in Saxone, Lilley & Skinner (Holdings) Limited.

As a result of these substantial outlays, our cash balances had been depleted, but since the end of the year, approximately £5 million has been raised by the issue of Debentures by British Shoe Corporation.

BRITISH SHOE CORPORATION

You will be aware that, following an offer to the ordinary shareholders of Saxone, Lilley & Skinner (Holdings) Limited, the latter company has become a subsidiary of British Shoe Corporation Limited. The offer was made partly in Ordinary Shares and partly in 7 per cent Debenture Stock of British Shoe Corporation Limited. As a result approximately 14 million Ordinary Shares and just over £5 million 7 per cent Debenture Stock in British Shoe Corporation were issued to former 'S.L.S.' ordinary shareholders.

The 'S.L.S.' group comprises over 500 retail units trading principally in the names of 'Saxone,' 'Lilley & Skinner,' 'Benefit' and 'Cable.' It also includes four major shoe factories, a number of repair depots and extensive warehouse accommodation.

At the time that the merger was announced, there were references in various places to the dangers of a monopoly in the retail footwear trade. The President of the Board of Trade, was, however, able to state the facts during the debate in the House of Commons on February 14th last. I quote from his statement to the House of Commons:

	Percentage Controlled by B.S.C.
Production of U.K. Footwear	8%
Retail Outlets	12%
Retail Sales	22%

I think these figures dispose of the monopoly 'bogey' very effectively, but even if they did not, it is obvious that any footwear retailer who sought to abuse its power by raising prices unreasonably or by failing to offer to its customers the merchandise they preferred, with good service, would merely encourage independent retailers to set up in competition. It is virtually impossible to conceive of a monopoly in a trade such as retail footwear, because at any time independent retailers can establish themselves if they think the trade is sufficiently attractive to justify it.

There can be no doubt that whilst we have already benefited from the integration so far achieved within the large retail group which we comprise (and we shall continue to benefit more in the future), these benefits are and will remain but a small share of the much greater benefits which our customers have enjoyed and will increasingly enjoy through lower prices, better quality and more attractive merchandise.

The merger with 'S.L.S.' became effective approximately from the middle of February, 1962, and so it does not affect the accounts now before you.

It is well known that 1961 was a difficult year for the retail footwear trade. Costs have continued to rise and competition has remained very keen, whilst the credit squeeze and wage pause have tended to restrain the increasing demand. Besides these factors, 1961 has witnessed a more complicated fashion problem than ever before, as a result of which exceptionally heavy stocks have had to be carried and losses arising from price reductions have been abnormally high.

Despite these difficulties, the B.S.C. group has achieved a considerable increase in sales and the fact that we have, besides, secured an increase in trading profits, is, we believe, creditable under the circumstances.

As a result of the opening of forty new branches and the modernisation of a further sixty branches, as well as the acceleration of the programme for maintaining our factories with the most modern plant available, the investment in fixed assets has increased by nearly £1,500,000, whilst the net increase in working capital has been about £2,000,000.

We have every intention of maintaining our expansion programme, the cost of which must increase with the addition of the Saxone, Lilley & Skinner group. In 1961 we expended more than the total profits of the group after taxation, so it is apparent that we cannot maintain our programme out of retained profits alone. For this reason we took the opportunity, whilst creating a 7 per cent Debenture Stock 1980/82, for the purposes of the 'S.L.S.' offer, to place approximately £5 millions of the same stock for cash at par.

At the time of the offer to the 'S.L.S.' shareholders, we made a forecast that the profits of the old 'B.S.C.' group, and the 'S.L.S.' group, would each show some improvement in 1962. The year has begun as anticipated and, subject to my usual qualification that we are very dependent on the maintenance of prosperity amongst our customers, the enlarged group should show satisfactory progress in 1962.

SEARS ENGINEERING

The constitution of the Sears Engineering group has not been changed since it was established as a separate group in the autumn of 1960.

(a) THE BENTLEY GROUP

At the beginning of the year we were unable fully to meet the demand for some types of Bentley machines, whilst the demand for other types was showing a tendency to increase to an almost embarrassing extent. Soon after the middle of the year, however, the worldwide demand for 'seamfree' stocking machines changed considerably and the volume of new orders fell away, which necessitated a rapid reorganisation of our production departments. As a result, the increases in output, sales and profits were less than we were entitled to expect at the beginning of the year.

Almost two-thirds of our production of knitting machines is exported. In view of our established reputation, we welcome the prospects of the Common Market, but it will then become even more important that, when the 'wage pause' comes to an end, wage increases should be coupled with increased productivity. This is an industry which has to meet the competition of European manufacturers whose wage rates, up to the present, have been lower than our own; our higher wage rates and standards of living can, therefore, only be maintained if we produce relatively more and relatively more efficiently.

We maintain our conviction that this is an expanding industry, whose products and those of our customers who use our machines, will be increasingly sought as the standards of living throughout the world are raised. It is, however, vital in a business such as this, that we do not relax our efforts to be not only up to date, but ahead of our competitors in all phases of our business. We must lead in development, design and quality and we must ensure that our customers have the benefit of rapid and efficient production and service, so that we can maintain and enhance the reputation of the group.

(b) FURNESS SHIPBUILDING

During 1961 the Furness yard has been fully occupied on orders booked some years ago and on the construction of a floating dock ordered by the Polish Government early in the year. Work on old orders is still progressing and in December last, we succeeded in booking a substantial new order from Norwegian owners for a 53,000 tons d.w. bulk carrier. Even so, we shall be barely fully occupied during 1962 and like all our United Kingdom shipbuilding competitors, we are in need of a sufficient revival in the shipping industry to tempt owners once again to hasten their fleet replacement programmes.

It is our intention to spend nearly £3 millions on the yard and when the work is complete we shall possess one of the most up-to-date shipyards in the world, capable of building tankers up to 100,000 tons deadweight and a full range of dry cargo vessels according to the requirements of our customers.

In the absence of an earlier improvement in the shipping industry than it is possible to forecast, we shall be well satisfied if Furness, with its structural steel department and its pipework subsidiaries, is able to maintain in 1962, the profits of 1961.

(c) ALEXANDER FINDLAY

During the year there was a further falling off in the demand for structural steelwork and the state of competition in the industry is such that the trade generally is quoting prices which do not admit of any profit. The fact that during 1961 we earned a reasonable profit and still have a satisfactory order book, is due to our policy of equipping ourselves to handle large and difficult contracts, involving exceptional facilities and techniques. I cannot, however, forecast a return to the relatively satisfactory profit levels of a year or two ago, unless and until competition has been reduced to a level which avoids the need to quote at a loss for all but the most specialised types of work.

(d) PEGSON

Production and sales by Pegson have again been at record levels and there was a further improvement in profits in 1961. Competition remains intense and only by maintaining maximum efficiency and a high level of production in the works can a reasonable profit margin be secured.

We shall continue our expansion programme at Pegsons and remain confident that this will bring its rewards in due course. In 1962, as well as in the succeeding years, we can expect an increase in turnover and profit, so long as there is no world recession which would call a halt to the industrial and economic development of those countries where development is most needed.

(e) PARMEKO

The main features of the year's trading by this member of our group have been a high output with record sales and total trading profits no more than maintained at the 1960 level.

Considerable progress has been made in the development of equipment for industrial use and the expansion programme referred to a year ago has been put in hand. It is expected that it will be completed by about the middle of the present year and should become revenue producing very soon thereafter.

(f) GENERAL

That, despite special difficulties in the hosiery knitting machinery market, Sears Engineering should have achieved record sales and higher profits in a year when, mainly owing to narrower margins, industry as a whole and the engineering industry in particular has suffered a

decline in profits, justifies our faith in this group.

MOTOR DISTRIBUTION

Although we have just maintained our profits in 1961 compared with 1960, this has been achieved only by including in the 1961 profits approximately £14,000 in respect of the profits of Carmo (Holdings) Limited for the period subsequent to its acquisition by the Sears group.

By the acquisition of the Carmo group, we have been able to strengthen considerably our Vauxhall/Bedford distribution business. The Carmo (London) territory adjoins that of Shaw & Kilburn, so that the opportunities for co-operation between the two concerns are considerable. In addition to the London territory, the Carmo group brought with it a substantial business in South Wales. Nash of Cardiff Limited, which has enabled us to extend our territory in a suitable area.

Assuming that the credit squeeze will be eased rather than tightened in 1962, this side of our business should provide a satisfactory increase in profits in 1962. Looking further ahead, I remain confident that under the powerful auspices of General Motors of America, the range of vehicles to be produced by Vauxhall Motors will be such as to enable us to compete satisfactorily with distributors handling any other make of car or commercial vehicle. Until this day comes, however, Vauxhall/Bedford distributors operate under a handicap arising particularly from the absence of a small car in the popular price range.

MAPPIN & WEBB

The trading profits of the Mappin & Webb group showed a decline in 1961, but this was largely due to higher rental charges which, in the total profits, were compensated by increased interest receivable.

Record sales and profits were achieved by the jewellery businesses, which continue to expand. During the year we acquired the old-established Birmingham retailer, Nathan & Co. (Birmingham) Limited, and the association of this high-class business with the new Mappin & Webb retail branch in Birmingham is proving successful. The modernisation of the Sheffield factories has made further progress.

We have plans for major improvements to the large Robinson & Cleaver store in Belfast, whilst the London store is now in course of being reorganised on lines which will emphasise its original and traditional speciality—high class linens. During the year the smaller subsidiary stores in Nottingham and Newcastle were closed and the properties either sold or planned for development for other uses.

GENERAL

My co-directors and I are confident that we shall be able to report another year of solid progress when, this time next year, the time arrives for me to report upon and review the tenth year of my chairmanship of your Company. Economic conditions beyond our control are likely to be the factors which will most affect the extent to which that progress is reflected in increased profits.

STAFF

It is again a pleasure to be able to record the enthusiasm and hard work of the large numbers who work within the Sears group. Our thanks are due to them for their sustained efforts, without which progress would be impossible.

THE SANDVIK STEEL WORKS CO. LTD.

(Iron and Steel)

SANDVIKEN, SWEDEN

100 YEARS OF STEEL PRODUCTION

EXTENSIVE INVESTMENT PROGRAMME

The Annual General Meeting of SANDVIKENS JERNVERKS AB was held at Sandviken, Sweden, on May 5th. The following is an extract of the report circulated with the accounts:

REVIEW OF THE TRADING YEAR

The invoiced sales of the SANDVIK Group of Companies for iron, steel and cemented carbide products amounted to £35.6 million, as compared with £31.6 million in 1960. The turnover of the Parent Company amounted to £29.2 million, an increase of 13 per cent.

The value of exports rose to £19.4 million and represents 68 per cent of the Parent Company's sales.

CENTENARY YEAR

In June of this year, the Company will celebrate its centenary and will look back on one hundred years of high grade steel production. Since founded in 1862, on the first commercial application of the Bessemer process, the Company has grown into the largest producer of special quality steels and cemented carbide products in Sweden.

SUBSIDIARY COMPANIES

The Company now has 25 subsidiaries throughout the world with employees numbering approximately 11,000. Two new subsidiaries *Sandvik Australia Pty. Ltd.* and *Sandvik Far East Ltd.*, have been formed for the sale of SANDVIK products in Australia and Japan respectively.

The two U.K. subsidiaries are *Sandvik Swedish Steels Ltd.*, Halesowen, Birmingham, responsible for the sales of steel, cemented carbide products and saws as well as for the manufacture of certain carbide cutting tools and clicking press knives, and *Sandvik Steel Band Conveyors Ltd.*, Selly Oak, Birmingham, specialising in steel band conveyors. Three hundred people are today employed by these two subsidiaries.

INVESTMENT PROGRAMME

The investment programme of the Parent Company which was more extensive during 1960 than in any previous year was further increased in 1961. In June last year, His Majesty King Gustav Adolf VI officially opened a new research laboratory, the largest of its kind in Sweden. Other major investments include a new mill for the extrusion of stainless steel tubes which will be completed by mid-1962. This plant will be completed at the cost of £2.5 million. The facilities for coldworking and hardening of strip are also being extended and a new factory for the manufacture of tungsten oxide will start production shortly. It is estimated that investments in 1962 will exceed the £5 million mark.

RESULTS

The trading results of the Parent Company after depreciation of plant, machinery and buildings by £1.72 million (1960: £1.04 million), were as follows:

	1961 £ millions		1960 £ millions	
Profit before tax.		3·83		4·36
Less Reserves:				
Pension Fund..			0·12	
Investment Fund	0·69		0·69	
Stock Reserve.	1·62		2·49	
		2·31		3·30
		1·52		1·06
Taxes.....		0·66		0·42
Net Profit		0·86		0·64

NEW CAPITAL

The increase in the share capital approved at the 1961 Annual General Meeting has been effected and 276,000 new shares, each of a nominal value of 100 Sw.Kr., have been issued. This represents an increase of the share capital from £5.72 million to £7.63 million. Existing shareholders were given preferential right to buy one new share for every three held.

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

BOARD OF DIRECTORS

Gustaf Söderlund, *Chairman*: Hugo Stenbeck, *Vice-Chairman*: Tage Wärn; Wilhelm Haglund, *Managing Director*: George Ekman; Lennart Magnuson; Göran Lindblom.

JAEGER

MR HUMPHREY TOMALIN'S STATEMENT

The seventy-ninth Annual General Meeting of Jaeger Holdings Limited will be held on June 6th in London, **Mr H. R. Tomalin** (the Chairman) presiding.

The following is an extract from his circulated statement:

Consolidated profit of £434,107 after all charges but before tax is £40,575 ahead of last year's £393,532. Heavier taxation on the year's results leaves net profit £193,249 compared with £192,911 last year. Your Directors recommend a final dividend of 8 per cent on the ordinary share capital which, with the 4 per cent interim dividend already paid, amounts to the same total of 12 per cent distributed last year.

Three new shops were opened during the year and two moved to larger premises. Six existing shops were adapted to include Young Jaeger departments. A new West-end showroom, for trade buyers, was opened. Production in the Group's factories expanded to meet the requirements of increased sales.

Export sales to and in overseas markets advanced by 8 per cent. A consistent decline has occurred in the English speaking Dominions. I therefore welcome the prospect of being incorporated in the Common Market.

It is impossible at this stage to estimate probabilities for the current year in view of the fact that our maximum activity occurs in the latter half, but I consider the Group well poised to take advantage of an up-swing in the economy.

In conclusion I want to express appreciation of the high standard of management displayed by all those holding positions of responsibility in the Group.

THE BRISTOL AEROPLANE COMPANY LIMITED

SIR REGINALD VERDON SMITH ON NEW COMPANIES' "OUTSTANDINGLY GOOD PROGRESS"

COMPANY'S STRENGTH AND WIDESPREAD INTERESTS GIVE CONFIDENCE IN FUTURE

The fifty-second Annual General Meeting of The Bristol Aeroplane Company Limited will be held on June 7th at Filton, Bristol.

The following are extracts from the Statement by the Chairman and Joint Managing Director, **Sir Reginald Verdon Smith, LLD, MA, BCL,** which has been circulated with the Report and Accounts for the year ended December 31, 1961:

The far-reaching changes in the structure of the industry which were initiated in 1959-60 began during the year under review to achieve demonstrable results—results which have already thoroughly justified the confidence with which in last year's statement I commended them to our stockholders—and a further step in the integration of the aero engine industry has recently been taken in that by agreement between Hawker Siddeley Group Limited and ourselves Bristol Siddeley Engines Limited has acquired from Hawker Siddeley Group de Havilland Engines Limited and Blackburn Engines Limited. All these changes have greatly strengthened the structure and efficiency of the industry as a whole, and in so doing they have benefited your own Company's chosen position as a holding company interested in the growth and success of so many constituent members of the industry.

Having mentioned a selection of the extensive projects on which the associated companies, including British Aircraft Corporation Limited, Bristol Siddeley Engines Limited and Bristol Aerojet Limited, were engaged, the Chairman continued:—

BALANCE SHEET

The net assets show an increase of £615,000 during the year; major variations include a reduction in bank overdraft of £3,133,000 to £1,797,000—the lowest year-end figure since 1952.

The significant changes in the appearance of the Balance Sheet during the year are all attributable to the progressive transition from pre-merger aircraft and missile work for the account of the Bristol Aeroplane Company to new work done by British Aircraft Corporation. This trend will continue during 1962 and 1963 with consequent release of funds to your Company which will then be available for further investment in British Aircraft Corporation and our other interests.

The Consolidated Balance Sheet cannot conveniently incorporate the balance sheets of the associated companies in which we have minority interests and therefore does not give stockholders a comprehensive impression of the scale of the operations with which in total we are concerned. For example, the value of orders held by the associated companies in the U.K. is of the order of £375 million.

PROFIT AND LOSS ACCOUNT

Net profits before taxation at £2,162,000 have increased by £114,000 compared with the previous year.

Profits of home companies, up by £162,000, have had the benefit of satisfactory results from pre-merger aircraft and missile contracts executed for our account by British Aircraft Corporation, offset by a small loss incurred by Bristol Aeroplane Plastics Limited also arising from contracts and development work which this Company inherited at the time of the mergers. Profits from overseas suffered from disappointing results in Canada where trading conditions generally were difficult during the year and only a small profit was achieved.

Dividends and interest from associated companies provide the main source of the Company's income, amounting to £1,890,000.

The charge for taxation (£869,000) is higher by £58,000: this figure is less than might be expected, since profits tax is not charged a second time on dividends received from United Kingdom companies whose profits have themselves borne profits tax already.

After deducting from net profits after tax (£1,293,000) dividends on Preference Stock (£38,000) and two interim dividends totalling 8 per cent on Ordinary Stock (£340,000), your Board has transferred £600,000 to General Reserve and has recommended a final dividend of 5½ per cent (£233,000), leaving £82,000 to be added to the amount brought forward (£477,000), so that the total now carried forward will be £559,000. The Board, in reflecting the Company's satisfactory results for the year by an increase of 1 per cent only in the rate of the Ordinary Dividend, has had very much in mind the Chancellor's request for dividend restraint at this time.

It will be recalled that the second interim dividend paid in January last was exceptional: it did, however, have the advantage of spreading profit distribution rather more evenly through the year, and it will be your Board's intention in future, if the trend of results justifies it, to make the usual interim dividend a somewhat higher proportion of the total for the year than has been the case in recent years.

FUTURE PROSPECTS

In arriving at a balanced judgment about our future prospects I believe that one is entitled to be more confident and encouraging about our own affairs than the critics and commentators of the industry as a whole are willing to allow. In the short term, that is over the next two years, our associated companies have full order books and settled programmes: given freedom from industrial disputes in the factories, reasonable stability in the cost of materials and services, and consistency on the part of their customers, the manufacturing companies have as good a prospect of maintaining an efficient level of production as we have seen for some years. It seems to me that our principal associated companies are unquestionably moving ahead at present. If this view about a section of the industry is at variance with views recently expressed in the House of Commons and elsewhere about the industry generally, it is because those whose anxieties are most pressing inevitably attract the most publicity; the attention of the public is hardly ever drawn to those whose strength based on achievement enables them to look after themselves.

Taking the longer view, again there are solid grounds for confidence. This is not just the "shallow optimism" of which some of the critics accuse the aircraft industry. We in this country have within our grasp the chance during the next decade of reaping the results of major new technological achievements. The grouping of the industry has made it possible to deploy resources more efficiently and speedily. We have behind us declarations of policy by HM Government repeatedly asserting in plain terms the Government's determination to maintain in this country a strong and stable industry. The companies in which we are interested have defined for themselves the long-range tasks ahead of them: they have the brains, the skill and the leadership, and they have shown themselves to be effective international competitors whatever and whenever opportunities are open to them.

As for the market for their products—air transport will certainly continue to grow, as, over the traffic lanes of the world, air travel supersedes ships and railways. The share of the market now taken by British aircraft and aircraft incorporating British equipment is a striking and refreshing feature of air travel today and there is good reason to believe that the trend can be continued. At the same time defence production will continue to demand new solutions: in providing them we shall find that changing technology will continue to bring new problems, new adjustments of competitive capacity, and even reasons for new partnerships with, and possibly integration with, foreign companies. There is no reason to be frightened about these developments: the interest which our overseas competitors take in our activities is ample evidence that they at any rate have no doubts about our competitive strength; as in other sectors of industry, the wider the market open to us the greater our opportunity of justifying the high cost of development effort by a correspondingly high level of sales.

So in conclusion I would summarise my statement on this occasion by saying that the new companies, in whose formation and development we have taken so large a share, have already made outstandingly good progress; judging by what they have accomplished already, you can rely upon their capability, and you can look forward with justifiable confidence to the results of their efforts and achievements in the years ahead.

THE THARSIS SULPHUR AND COPPER COMPANY, LIMITED

MR W. P. RUTHERFORD'S STATEMENT

The Annual General Meeting of The Tharsis Sulphur and Copper Company, Limited, was held on May 9th at the registered office of the Company, 136 West George Street, Glasgow.

Mr W. P. Rutherford, chairman of the Company, who presided, said:

The Report and Accounts for last year were posted to shareholders on our register on April 14th. If you agree, I will take them as read and proceed with my review of last year's activities.

SHIPMENTS

Last year I was able to report an increase in our shipments of pyrites but in 1961 we had a decrease of 63,237 tons making our total shipments 645,647 tons. In addition we shipped 75,395 tons of pyrites residues to the United Kingdom.

MARKETS AND PRICES

The markets appear to have stabilised between sulphur and pyrites and whether one or the other material is bought depends on type of plant for burning. Pyrites has a natural preference where the residues are utilised for the extraction of the contained metals, principally copper and the iron ore known in the trade as "purple ore," which form a very important part of the proceeds of the extraction works. These are situated in West Germany which is our most important export market and where the purple ore is sold.

In Spain, which has progressively increased to become our largest consuming market, the price of pyrites remained unaltered last year. The residues are mainly exported to Germany for treatment and the pyrites burners thus get an important rebate on the price they pay for pyrites. The price paid to the mines, however, has so far remained unaltered, with the pyrites producers getting no part of the benefit from the cinders value. We have protested repeatedly about the low official price in Spain and have pointed out that the contention that our average price is satisfactory is no longer applicable, with the reductions in recent years in the export price. This important point is under review in Madrid and we and others have submitted figures showing irrefutably the justice of our case in asking for an increase in the price. At the moment we await, not unhopefully, for a decision which will assist all the pyrites mines in the Huelva district.

MINES

The mines, besides producing the tonnage sold, progressed favourably in development. We experienced extremely heavy rains towards the end of the year which caused some flooding. I am glad to say that this was soon overcome without much damage. It is one of the hazards of opencast mining about which I spoke last year.

The Centre Lode at Tharsis continued its estimated production of cupreous pyrites and Preparation also continued at North Lode and in the adjoining lode, San Guillermo, to the north. In this new lode our work has been confined to making the necessary openings to commence mining when required. Little has been done on investigation of its length and width, but I may say that we have no reason so far to alter our hopeful estimate.

At Calañas we have a lode which runs parallel to the original No. 1 Mass which is made up of, to us, abnormal quality pyrites. It contains on average 37 per cent of Sulphur and 1.8 per cent of Copper. This pyrites is too low in Sulphur to be exported so we have decided to concentrate it and produce suitable export products. We have had it submitted to tests in this country with satisfactory results. Ores of a similar type are being concentrated by other mines in the district. We have decided to erect a small plant to deal with 100 tons daily to try out this process on that scale to be later extended if entirely successful. We have found a plant for sale in this country which we will purchase subject to obtaining an import licence and hope to erect at Calañas this year. This is an interesting new line which I hope and trust will be entirely successful.

ACCOUNTS

The net profit of £181,916 shows a reduction of £14,789 from the previous year. The fall in income through the reduced shipments of pyrites was more than offset by the increased sales of pyrites residues and improved returns from our exports of cupreous pyrites. Although shipments of pyrites fell by 63,237 tons the mining costs remained fairly constant. For this year, however, the outlook is not good. As I have told you on previous occasions the residues produced by our customers from the roasting of our pyrites represents the major part of the value of the ore. At the beginning of 1962 the price received by the roasters for these residues was reduced and so we took the somewhat unusual step, in close co-operation with the copper extraction works in Western Germany, of subsidising the residues price to maintain it at its present level. This joint effort to stabilise the cost of the sulphur contained in the pyrites has been much appreciated by our customers whose confidence in the future of pyrites has been further strengthened. Unfortunately this sacrifice on our part cannot fail to be reflected in our accounts.

In view of the strength of our balance sheet some shareholders may wonder why the Board does not recommend a more liberal distribution of the funds. I am pleased that our liquid position is so satisfactory at the moment and that we have been able to build up our reserves over the years to the substantial figure that these now are. However, when considering the whole position, your Board has to recognise that the Company is operating abroad and that this presents certain problems which do not confront industry in this country. It is considered necessary therefore to keep substantial liquid resources available in sterling and the wisdom of this policy has been well proven over many years, difficult. With the possibility of diminished profits in the current year the Board with regret cannot see their way to recommend on this occasion a larger distribution.

DIRECTORS

Your Directors co-opted Mr Fonthier to the Board and he will come up for election by you presently. Mr Fonthier, a Belgian mining engineer, lived in Spain for thirty years and was manager of Solvay's Mine in North East Spain and has much experience of conditions in that country. He has been highly recommended to us and will, I feel sure, be helpful in our councils.

It now falls to me to speak about myself. It is fifty-two years since I joined the Company by special invitation to assist my father, personally. On the death of the first Lord Glenconner in 1920 the Board appointed me to succeed him as Chairman. I had previously been appointed Managing Director and so I have continued in both offices until now. But the years don't stand still and although I have enjoyed exceptional health, my colleagues have suggested, and I have agreed, that I should lighten the load by remaining as Chairman and leave the Managing Directorship jointly to my sons. Fortunately, they have both trained fittingly to take this responsibility, Neil as an Associate of the Royal School of Mines followed by seven years as a mining engineer with us in Spain and visits to some of the leading mines in USA, Canada and Europe. His brother, Iain, after leaving Cambridge with honours, qualified as a Chartered Accountant here in Glasgow. Both have served in Head Office since the war and for several years as Technical and Commercial Directors respectively, so that their promotion, while giving them more responsibility, is a change of title more than occupation. They have worked close to me during the last twenty-five years and I feel confident of their successful management.

Tharsis has been so much of my life that I feel I must take this opportunity of expressing the pleasure that I have derived from my association, with the support and confidence of my colleagues and shareholders and the goodwill of our people in Spain. But I must not make this a valedictory address, and I hope to meet you on future occasions as your Chairman and inform you of our continued progress.

I must not omit in this personal talk to remind you of our indebtedness to our Staffs, in Spain under the excellent management of our General Manager, Mr Mackenzie, and here under Mr Johnston, our Secretary.

The report and accounts were adopted, the retiring directors, Mr William P. Rutherford, Mr Antoine Velge and Mr Norbert Fonthier, were re-elected, and the remuneration of the auditors, Messrs Brown, Fleming and Murray, CA, was fixed.

The proceedings terminated with a very cordial vote of thanks to the Chairman, proposed

Schweppes Limited

Hon. R. Hanning Philipps on Rationalisation and Purchase Tax

The Sixty-fifth Annual General Meeting of Schweppes Limited will be held on June 7th at the registered office of the Company, Schweppes House, 1-6 Connaught Place, London, W.2.

The following are extracts from the statement by The Hon. R. Hanning Philipps, M.B.E., the chairman:

The consolidated profit, after charging depreciation and taxation, is £1,846,998 as against £2,049,547 last year. After placing to Reserves £731,467, there is with the amount brought forward from last year a disposable profit of £2,118,814.

Your directors recommend a final dividend of 16¼ per cent less tax, absorbing £775,293, making a total rate of dividend of 24 per cent for the year 1961, and leaving a balance of profit to be carried forward in the Group accounts of £941,398.

HOME TRADING

Trading for the year 1961 did not prove so buoyant as the first half promised. Sales of Schweppes products for the first six months increased 6¼ per cent, whereas for the full twelve months the figure was 5 per cent. There was a distinctly more difficult trading climate for the last six months of the year. However, despite reduced profit margins, for the year as a whole the profit on the trading of Schweppes (Home) Limited equalled the 1960 profit.

The trading results of two of our home subsidiaries—L. Rose & Company Limited and Jewsbury & Brown Limited—were substantially increased, and thus made a useful contribution to the Group profits.

Another home subsidiary, The Park Bottling Company Limited, showed a 20 per cent increase in their sales of Pepsi-Cola, but owing to rising costs their profit increase was not proportionate.

CONNAUGHT FOOD PRODUCTS LIMITED

Our main disappointment has been in the trading of two of our preserve companies, Chivers & Sons Limited and Wm. P. Hartley Limited. Both these companies have made losses as against profits in the previous year. Wm. Moorhouse & Sons Limited, on the other hand, has again had a successful trading year, with a substantially increased profit.

We have found it necessary to cut out overlapping production activities, and thus deal with under-employment of both production facilities and personnel.

Effective from 1st January, 1962, the sales staffs of Chivers and Hartleys have been combined under a new Selling Company Chivers/Hartley Sales Company—to handle both brands of products, backed up by the newly formed Connaught Food Products Depot and Transport organisation. With these substantial new re-arrangements, I believe we are on the way to making these two fine old companies profit earning again, but it will take time for the new team to produce the satisfactory results we confidently expect.

OVERSEAS COMPANIES

With the exception of two of our African subsidiary companies, our overseas subsidiaries have shown good profits.

Schweppes (Australia) Limited is now an Australian public company in which we hold 68 per cent of the equity, the remaining 32 per cent being held by the Australian public. Their results for the year to 30th June, 1961, were a record as regards both sales and profits.

Despite economic difficulties in the Union, **Schweppes (South Africa) Limited** again increased its trading profit for the year.

Sales were increased by both **Schweppes (U.S.A.) Limited** and **Schweppes (Canada) Limited** and the American subsidiary produced a higher profit.

During the year our widespread franchise arrangements, with but few exceptions, have continued to expand both their operations and the revenue we derive from them.

RATIONALISATION

There has been a "wind of change" blowing through the markets of this country during the last two years. The effect on the manufacturer has been that more and more of his trade is being concentrated into the hands of fewer, and potentially larger, buyers who expect to receive increased discounts or promotion allowances for the same volume of trade. Our profit margins are in consequence being continually squeezed.

As a result of this trend we instituted important changes in our home selling arrangements. On January 1, 1962, the sales force of Schweppes (Home) Limited was made responsible for selling to the licensed trade all brands of drinks handled by our Group. At the same time the sales force of the Rose Kia-Ora Sales Company Limited was made responsible for selling all brands of drinks to the grocery and allied trades.

The reactions we have had in the past four months show that both the licensed and the grocery trades welcome this rationalisation of our sales forces, and that it will strengthen our selling arrangements, as well as economising in sales representatives' time and effort.

NEW MARKETING ARRANGEMENT

During 1961 we made an arrangement with **J. Lyons & Company Limited** for our Sales Company, Rose Kia-Ora Sales Company, to market Lyons' Sunfresh range of concentrated soft drinks alongside our own brands—Rose's, Kia-Ora and Suncrush. With effect from January 1, 1962, we converted this company into a limited company in which we hold 51 per cent interest and the Lyons Group hold 49 per cent. The manufacture and the ownership of our branded products remains in our hands, and likewise Sunfresh in Lyons hands. At the same time we acquired a 49 per cent interest in the Lyons subsidiary, O. R. Groves Limited, who market through licensees sparkling fruit drinks and "Sunkap" Dairy Orange.

Salient Figures from the Accounts

	1961	1960
ISSUED CAPITAL	£10,185,816	£8,222,725
RESERVES and Undistributed Profit	11,402,449	8,142,586
GROUP PROFIT	5,134,241	5,037,847
TAXATION	1,737,296	1,738,513
PROFIT after TAX	1,846,998	2,049,547
DIVIDENDS	1,177,416	1,070,325
DEPRECIATION	1,316,419	1,091,373
TRANSFER to RESERVES	731,467	618,424
CARRIED FORWARD	941,398	1,136,298

Your Board is dedicated to a policy of maintaining quality and service and will not contemplate any move that will vitiate that policy. We believe that our trade friends and our many consumers are in complete agreement with this.

With this in mind, your Board decided to increase prices of the Schweppes range of carbonated drinks by either 4d. or 6d. per dozen dependent on the size as from 15th January, 1962. This increase after 14 years of unchanged prices averages approximately 10 per cent.

We continue to hold unchanged our prices for squashes, but have decided to remove all our brands from the scope of Fixed Retail Price Resale Conditions, in line with the general climate of opinion that traders should be allowed to fix their own fair margins, having regard to the needs of their type of trade and the service they provide to the public.

OUTLOOK

The opening quarter of this year has been quiet, the prolonged cold weather, combined with a late Easter, having restrained stocking by our customers.

The Chancellor's 1962 Budget included an unexpected imposition in the 15 per cent Purchase Tax on all soft drinks. The cost of this tax we shall have to pass on to the trade and ultimately to the consumer. There is no device we can use to reduce the size or the contents of the drinks we offer, and to cut quality would be disastrous.

In general this tax will mean an increase to the consumer of 1d. per bottle for carbonated drinks and 4d. per bottle for concentrated squashes. Inevitably to begin with this will cause public resistance, but experience elsewhere indicates that in a comparatively short time this will be overcome. While it seems likely, therefore, that without considerable help from a hot summer we shall have a hard task to maintain our sales volume in 1962, in the long term this tax should not hamper your Group's home development.

ALLIANCE BUILDING SOCIETY

RECORD TOTAL OF ASSETS

The ninety-ninth Annual Meeting of the Alliance Building Society was held on April 27th, at Brighton.

The following are extracts from the speech by the Chairman and Managing Director, **Mr Lewis C. Cohen,** who presided:

For the year ending December 31, 1961, funds reached a record total of £81,979,805. Members and depositors increased to 113,966 from whom we received £15,271,956 and to whom we paid withdrawals of £11,253,730 (exclusive of interest).

Last year Societies found that investors' receipts were falling off as the 3½ per cent. interest per annum was not sufficient to retain, and attract, investors' funds wherewith the growing demand for advances on mortgage could be met. The Building Societies Association Conference recommended that a rate of 3¾ per cent. per annum, clear of income tax, be paid by Societies, which recommendation we adopted on July 1, 1961.

The events of 1961 are rapidly becoming forgotten. What I want to do is to give a public reminder that interest rates charged by building societies, and the Alliance in particular, *did not* go up in response to a Bank Rate change in 1961. The charges and the rate allowed to investors were put up when Bank Rank was 5 per cent.

It is useless for propagandists to try and talk down building society interest rates unless they wish to see societies starved of funds and unable to make loans to persons wishing to acquire their own homes.

A 3¾ per cent per annum rate of interest to investors, which with income tax at 7s. 9d. in the £ is equal to £6 2s. 5d. per cent per annum gross, is an excellent return on a Trustee investment which can be withdrawn in whole or part at very short notice without expense or loss. But it is currently no more than is required to maintain an adequate flow of money to meet the demands of would-be house purchasers.

1961 was characterised by a high level of demand for house purchase loans, and for the most part we were unable to meet the demand with the funds available to us. We lent £11,527,508 on 7,266 transactions, of which approximately 99 per cent were to individual borrowers connected with properties for their own occupation. The total amount owing on mortgages increased to £66,998,347.

While we take care to ensure that no borrowers take on a commitment beyond their capacity to carry out, we try to put house purchase within reach of as many people as reasonably desire it. We offer a thirty year term of repayment for the newer kind of houses and operate a scheme whereby, with insurance company guarantees, a borrower need only find one-twentieth of the total purchase price of the property he wishes to buy.

An allocation of £350,000 has been made to General Reserve. The reserves now exceed £3 million representing 3.66 per cent of the total assets of the Society. This reserve under-pins the security of our investors over and above the margin of security provided by every borrower.

The report was adopted.

HUDSON'S BAY

RECORD SALES

The two hundred and ninety-third annual general court of the Governor and Company of Adventurers of England trading into Hudson's Bay was held on May 11th in London. **Mr W. J. Keswick,** the Governor, presiding.

The following is an extract from his circulated report:

The Company did well again in 1961/62. Profit before taxes amounted to £6,113,000. The net profit after taxes of £2,937,000 and depreciation of £1,793,000, was £3,176,000. Last year's profit was £2,600,000.

Total sales again set a record. £105,145,000, as against £88,032,000 in the previous year. Fur and consignment sales reached a new peak and Wholesale sales were up slightly.

In November, 1961, an interim trading dividend of 5 per cent and a distribution of 1¼ per cent from the Land Account were paid. The proposed final trading dividend is 7 per cent and the proposed final Land Account distribution is 1¼ per cent.

This makes a total trading dividend for the year of 12 per cent which is approximately 2s. 4½d. per share gross and 1s. 5½d. net after deduction of United Kingdom income tax. The total Land Account distribution is 2½ per cent and is not subject to United Kingdom Income tax. The above dividends and distributions are based on an increased capital of £13,553,428 and are approximately equivalent to the payments made last year on a capital of £6,159,824.

The report and accounts were adopted.

Royal Exchange Assurance

THE RT. HON. LORD KINDERSLEY, C.B.E., M.C., THE GOVERNOR, REPORTING UPON 1961:—

LIFE DEPARTMENT The Group's funds had a successful year as the following figures for 1961 show

Total Life & Annuity Premium Income	Total of Life & Annuity Funds
"Royal Exchange" Funds £5,834,980	£43,128,019
"Atlas" Fund ... £5,576,334	£48,294,256

The "Atlas" has declared a reversionary bonus for the three years 1959 to 1961 at the rate of 55/- per cent. per annum, calculated on sum assured and attached bonus, together with a special additional reversionary bonus of 15% of attached bonus.

FIRE DEPARTMENT The world-wide Group premium income in 1961 was £19,216,602, an increase over 1960 of £650,084 and resulting in a surplus of £688,047 compared with £296,008 for the previous year.

MARINE DEPARTMENT The sum of £418,129 has been transferred to the consolidated profit & loss account compared with £349,485 in 1960. The fund now stands at £4,838,323 representing 174.75% of the premium income.

ACCIDENT DEPARTMENT The world-wide Group premium income increased by £1,703,425 to £30,952,641, and the surplus of £447,358 compares with £153,251 for 1960.

INVESTMENTS The gross average yields of interest income on the principal life and annuity funds have continued their upward trend and the gross interest, dividends and rents derived from the proprietors' funds increased by £131,520 over 1960 to £3,507,413.
Once again there was a substantial favourable margin between the market values of the Stock Exchange investments and the aggregate values appearing in the balance sheets.

DIVIDEND A profit for the year of £2,350,937 has been carried to the profit & loss appropriation account and in the light of the results disclosed the Directors are recommending that a final dividend be paid at the rate of two shillings and three pence (less income tax) for each £1 stock, making a total distribution of three shillings and nine pence (less income tax) for the year.

LIMMER & TRINIDAD LAKE ASPHALT

RECORD RESULTS

The Ninetieth Annual General Meeting of Limmer & Trinidad Lake Asphalt Company Limited will be held on June 28th in London.

The following are extracts from the circulated Statement of the Chairman, **Sir Hathorn Hall,** on the 1961 Accounts:

In the contracting business, in common with other industries, the tide of profitability ebbed some two years ago and is still running out. Many firms have had to report worse results, lower profits and, in a number of cases, actual loss. The Limmer & Trinidad Group of Companies, however, obstinately continues to swim against the tide. Once again our Group has achieved record results. In 1961, for the first time in our history, the trading surplus before depreciation exceeded £1 million. The Group Profit before taxation was an all-time record.

REPUTATION FOR FIRST-CLASS SERVICE

While we may rightly claim that our Group has an unrivalled capacity to undertake asphalt contracts of any magnitude, it must be remembered that our success in the past has depended, not on the undertaking of a few spectacular contracts, but on the meticulous execution throughout the British Isles of a multitude of jobs, some comparatively small, and our reputation is firmly founded on the principle that our primary purpose is to give, throughout nation-wide organisation, really first-class service to those who employ us.

During the year under review we have acquired the entire issued capital of Peter Prendergast Limited, and have changed that company's name to Limmer & Trinidad (Contractors) Limited. Through this company we are undertaking a considerable amount of new road construction in north western Scotland. When these contracts are completed it is to be hoped that this beautiful but more remote part of Britain will be opened up to the tourist from overseas with resultant benefit to our "invisible exports."

Our activities abroad have continued at a satisfactory level. In Mauritius we have obtained an extension to our existing work. Farther north, in the Arabian Gulf, after successfully completing an airfield contract in Sharjah, we moved our plant and equipment to Entebbe, in the heart of Africa, where another airfield contract is now in progress.

OUTLOOK FOR 1962

I am happy to be able to report a very satisfactory current position as regards our order book. The general trend of orders, which took a slight downward turn with the completion of some of our very big contracts, is now improving once again, and I have good reason to believe that our turnover for 1962 will be at least as great as that for 1961. The erosion of profit margins, however, continues, demanding even higher standards of operating efficiency; but that is a situation with which our Group is becoming familiar, and I am not unhopeful that those qualities in our Management, Staff and Workpeople, which prevailed over the unpromising conditions of 1961 will repeat that success in 1962.

As already announced, in order to provide capital for the expansion of the Group's activities, it is proposed to make a Rights issue to shareholders. Details of the terms of the offer will be communicated to Members in due course.

GRATTAN WAREHOUSES LTD.

RECORD SALES

The Thirty-second Annual General Meeting of Grattan Warehouses Ltd. was held on May 11th at the Midland Hotel, Bradford. **Mr William J. Roach,** chairman and joint managing director, presided.

The following is an extract from his circulated review.

The financial year under review covers the 13 months' period ended on January 31, 1962. That means that your directors have altered the Company's financial year-end from December 31st. The reason for this move is that the new year-end now approximately coincides with the issue each year of our Spring and Summer catalogue, and this in turn considerably reduces the very heavy volume of work involved in stocktaking.

In order to compare the 13 months' trading profit of £3,646,501 with the 1960 12 months' profit of £3,168,874, it is approximately correct to say that half the increase shown is attributable to the extra months' trading, and the other half to the continued expansion of the business which we have been able to maintain, and this, needless to say, is the result of another large increase in sales to yet another record for your Company.

Profits Tax was increased in last year's Budget from 12½ per cent to 15 per cent, and as a result of this, and the increased profits which your Company has made, the amount taken in this tax alone has increased by £160,000. On the other hand, extraordinary credit computed at £98,000 accrues from the change in accounting date.

A Final Dividend of 25 per cent is recommended for your approval. This would make a total for the period of 38 per cent, which is equal to last year's equivalent total of 35.1 per cent plus 1/12th extra, covering the extra month included in the Accounts. Thus we comply with the Chancellor's request for dividend restraint.

PROPERTY AND CAPITAL COMMITMENTS

During the period an additional storey has been added to the Company's largest warehouse and this is now in use.

Plans are well advanced to commence building in June a new Administrative and Buying block in Ingleby Road of approximately 100,000 sq. ft. This will also house a capital commitment in the form of an I.C.T. 1301 Computer, due for delivery in 1963 at a cost of £190,000.

A further capital commitment, which brings the total to £1 million, is in the form of premises near the centre of Bradford. The plan here is to demolish the existing building to provide a site for a new, large office block.

You will gather from the foregoing that we have ambitious plans for the future. Since, at the time of writing, only seven weeks have so far passed in this current year, it is as yet too early to advise you of any definite trends.

The report and accounts were adopted.

At the subsequent Extraordinary General Meeting resolutions increasing the capital of the Company and allotting a free scrip issue of one Ordinary Share for every ten Stock Units already held, were duly passed.

BROWN BAYLEY LIMITED

MR J. W. GARTON'S REVIEW OF SUBSIDIARIES' ACTIVITIES

The sixth annual general meeting of Brown Bayley Limited was held on May 11th at Attercliffe, Sheffield, **Mr J. W. Garton, JP** (the chairman), presiding.

The following is the statement by the Chairman which had been circulated with the report and accounts:

During the year Mr E. Gordon Sykes, a partner of a firm who are the solicitors of The Hoffmann Manufacturing Co. Ltd., has been appointed to the Board, together with Dr F. P. A. Garton who is a Director of The Hoffmann Manufacturing Co. Ltd., and has been acting in a consultative capacity in connection with personnel for the last five years to Brown Bayley Steels Limited. These appointments should strengthen the Board and make it more representative of the interests involved.

The Accounts now presented cover the twelve months ended December 31, 1961.

The Profit and Loss Account shows a balance after tax of £207,477 compared with £207,601 in 1960. The income is the same as for 1960 as both The Hoffmann Manufacturing Co. Ltd., and Brown Bayley Steels Limited have recommended the same dividends as for the previous year.

The Interim Dividends already paid by the Subsidiary Companies and the Final Dividends recommended by them are included in this Account. On this basis your Directors have pleasure in recommending a Final Dividend of 9 per cent, less tax. This together with the Interim Dividend of 5 per cent, less tax, already paid, makes a total for the year of 14 per cent, less tax, which is the same as for 1960.

SUBSIDIARY COMPANIES

The Hoffmann Manufacturing Company Limited: For the first six months of 1961 this Company was very busy but when the "credit squeeze" came into effect there was a shortening of the order book for bearings for consumer goods. This enabled bigger stocks of finished goods to be built up so that they can take immediate advantage of any improvement in trade.

The major portion of the Group Capital Commitment will be expenditure in connection with the erection and equipping of the new building at the Gloucester Works. This will house new ball making plant and other production machines.

Much time has been spent in the last year studying the extent to which technical change is affecting the roles and responsibilities of their staff, especially at foreman level. This Company now believes it is in a strong position to increase individual satisfaction and overall efficiency.

The less favourable trading conditions which have been operating since the time of the Chancellor's "little budget," make it difficult to assess with confidence the outlook for the future. The Company has a reasonably good order book at the present time. During the last few weeks there has been a slight increase in the demand for their products. This, it is hoped will grow so that workpeople and plant will be kept fully employed.

The Accounts of this Company for the year

ended December 31, 1961, are published as part of the Directors' Report and show a profit before tax, but after all other charges, of £1,893,412 and compare with £1,735,953 for the previous year. Income Tax and Profits Tax absorb £927,762 against £686,563 in 1960. The net profit for the year 1961, after taxation is, therefore, £965,650 and compares with £1,049,390 in 1960.

Brown Bayley Steels Limited: Profit margins were adversely affected by the increased costs associated with the shorter working week, wages awards and fuel prices. These additional costs were not covered by the small price increase eventually granted by the Iron and Steel Board.

Since then the situation was further aggravated by a marked falling off in orders from the general engineering industry. It is hoped that in the near future official policy will realise the necessity for action that will stimulate trade.

Considerable work has been done during the year in clearing the site and transferring plant in preparation for the developments associated with the new 32" Blooming Mill. Also, work is well in hand with the extension and roofing of the new ingot stock and furnace charging bay. The rate of progress obviously will be governed by future trading conditions.

There is no doubt that the capital equipment that has been installed by way of furnaces and forges over the last few years is helping considerably from a cost angle during these times when profit margins are low.

The profits of the South African Company are less than in previous years due to the difficulty of which everybody knows of trading in that country today and also by reason of making provision for a bad debt, part of the South African dividend was paid out of profits from previous years.

The Accounts of this Company for the year ended December 31, 1961, are published as part of the Directors' Report, and show a profit, before tax, after all other charges of £713,434 and compares with £1,080,901 for the previous year. Income Tax and Profits Tax absorb £258,261 against £478,959 in 1960. The net profit for the year 1961, after taxation is, therefore, £455,173 and compares with £601,942 for 1960. The Final Dividend recommended is 11 per cent, less tax, which with the Interim Dividend already paid of 5 per cent, less tax, makes a total for the year of 16 per cent, less tax.

The Farnley Housing Association Limited: The Association have again reduced the interest free loan by £200 and the balance now outstanding is £3,800.

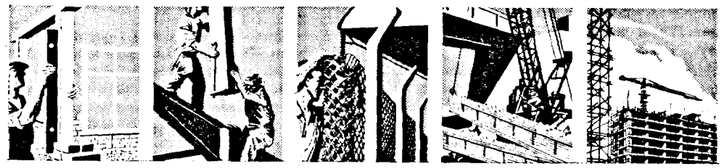
The report and accounts were adopted.

Copy for the insertion of Company Meeting reports must reach this office not later than Wednesday of each week and should be addressed to:

The Company Meetings Department,
The Economist,
22 Ryder Street, S.W.1.

Boulton and Paul Limited

STEEL CONSTRUCTION • CONCRETE PRODUCTS • BUILDERS' JOINERY
WIRE & WIRE PRODUCTS • FENCING • BUILDERS' EQUIPMENT



The Annual General Meeting of Boulton and Paul Limited was held on May 11 at Norwich. In the absence of the Chairman, the Managing Director, Mr. J. S. Murray, presided. The following is an extract from the statement of the Chairman, Mr. J. H. Tresfon, circulated with the Report and Accounts.

Good Results

Last year I ventured the opinion that conditions were still favourable in our fields of operation. Our group profits for this year show a pleasing improvement. As regards to future prospects the results of some of our development work, fostered over some years, should begin to show. However, with conditions as they are at present, the likely benefit in terms of profit may be a little delayed.

Developments

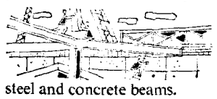
Good progress has been made with the development of the site at Lowestoft.

During last year we also purchased a freehold factory at Mile Cross, Norwich, to house our chain link and fencing departments, thus freeing some space at Riverside for the expansion of other departments.

The installation of the mechanized fabricating plant at Moreland Hayne, our London subsidiary on the steel side, was completed and came into production during 1961.

Structural Engineering

The tonnage fabricated by Boulton and Paul and Moreland Hayne was well up compared with last year. The results also improved.



Good progress is being made with our plants for making combined steel and concrete beams.

The department dealing with the manufacture and sale of mechanized steel fabricating plants has continued to be fully employed.

Our dutch barns, covered yards, storage sheds, etc., provide a steady flow of business year after year.

Wire and Wire Products



In the fencing department the past year was a disappointing one. However, there are now signs that this phase is over; the order book has improved, the factory has settled down, and it has been found that the new works undoubtedly make for more efficient production.

Timber Products

Sales of our standard joinery increased again over the previous year's record figures.



There is every reason to believe that the Lowestoft development is well founded on most up-to-date and efficient lines and will help us to keep ahead in the competitive field of household joinery.

Builders' Equipment

The turnover of Stephens & Carter, our subsidiary in the scaffolding, ladder and builders' equipment trade, has continued upwards.



Concrete Products

Our associated companies forming the Anglian Group making concrete products and selling ready-mixed concrete, sand and gravel had a successful year.

Balance Sheet

Total Reserves and Provisions now exceed £3,000,000 or, if the Depreciation Provision is deducted, £1,900,000.

The capital commitments outstanding at the year end of £857,000 are almost entirely for Lowestoft. I am pleased to say that we have been able to arrange for financing the project without recourse to the capital market at the present time.

Group Profits

The group profits at approximately £385,000 show an increase of about £33,000 after excluding from 1960 figures the special surplus on revaluing stocks.

Substantial allocations have once again been made to reserves and after providing for the fixed Preference dividends, we are recommending an ordinary dividend of 12½% for the year.

Summarised Results

Group profits	100%	£385,729
Taxation	46%	£154,419
Retained profits	26	98,436
Distributed profits	34	132,874
	100%	£385,729

Group profits *attributable to Ordinary Shareholders before Taxation as a return on:*		
Issued Ordinary capital	£1,237,500	24½%
Net tangible assets	£2,822,237	10¾%
Ordinary dividend *before Taxation as a return on:*		
Issued Ordinary capital	£1,237,500	12½%
Net tangible assets	£2,822,237	5½%

The Report and Accounts were adopted.

THE LONDON ASSURANCE

A YEAR OF CONSOLIDATION

The Annual General Court of The London Assurance will be held on June 6th in London.

The following is an extract from the circulated statement of the Governor, **Mr Harald Peake:** The year 1961 has been one of much hard work, of consolidation and of marked progress towards the greater integration of the "London" group of companies. The effect of this should be shown by improved results in the years to come. Premium income has increased in all departments.

The Life and Marine Departments have continued to do well. The Fire Department has produced a better result than for a number of years. The Accident Department has had a very difficult year with substantial underwriting losses in many areas.

Overall the consolidated profit for the Group, after taxation, is very similar to that of the previous year. This is disappointing as we hoped to achieve rather better results than a year ago. In the current year underwriting continues to be difficult. The Group is, however, in a better position to meet present-day conditions.

LIFE DEPARTMENT: The premium income of The London Assurance for 1961 was £3,141,520. New Life Assurance business has increased considerably. Net sums assured, at £18,190,967, were £4,000,000 in excess of the record figure for 1960.

The interest income has continued to increase and amounted in 1961 to £2,140,104. The Life Assurance Fund amounted at the end of the year to £35,303,629.

FIRE ACCOUNT: The Fire Department shows a welcome improvement in profit for 1961. The consolidated total premium income was £11,935,248, an increase of approximately £650,000. The transfer to Consolidated Profit and Loss Account amounted to £279,674 compared with £41,417 in 1960.

ACCIDENT ACCOUNT: Total premium income increased by £1,325,000 to £18,524,000, but we have to record with regret a substantial increase in the underwriting loss. Once again our results in this department have been dominated by our experience in the United States.

MARINE ACCOUNT: In the Marine Department we have had results which justify a transfer of £850,000. After making the transfer, the Fund stands at £9,141,731 or 145 per cent of the premium income, which is virtually unchanged from last year.

PROFIT AND LOSS ACCOUNT: After deducting the usual charges and expenses the Group profit before taxation amounted to £2,322,642. After taxation the net available profit amounted to £1,592,743. The directors have recommended dividends on the Ordinary Shares totalling 1s. 9d. per 5s. share. The profit retained in the business as a result of the year's operations is £678,335, bringing the amount carried forward on the Profit and Loss Account to £4,346,023.

Further steps in integration are under review and we are confident that by continued improvements in our methods and organisation we shall be able to give even more efficient service to our policyholders.

NORTHERN & EMPLOYERS ASSURANCE

ANOTHER SUCCESSFUL YEAR

The annual general meeting of Northern & Employers Assurance Co., Ltd., will be held on June 13th.

The following are extracts from the circulated statement of the chairman, **The Right Honourable Viscount Knollys, GCMG, MBE, DFC:**

1961 was, for your Company, a good year. Premium income in every class of business increased satisfactorily and totalled £91,000,000. Underwriting produced a profit of well over one million pounds. Interest income increased by £386,000, or over 9 per cent. Our invested funds increased by £18,000,000 to £172,000,000.

But, before I report on the operations of 1961 in detail, I should like to tell you something of what I regard as perhaps the most important and satisfactory feature of the year, the progress of the integration of our Companies' organisations.

I reported to you a year ago that in the USA integration was already complete and that the Head Office underwriting departments were to be amalgamated on January 1, 1962. This took place as planned. We hope that the Home branches will be integrated, as forecast, by the end of 1964.

Good progress has been made overseas. In Canada, Australia and East, Central and South Africa and senior joint appointments have been announced, and plans for joint offices are well advanced. I have been able to see, on recent tours, how anxious our staffs in different parts of the world are to be able to find themselves working side by side as soon as possible. The benefits to our Companies of integration are certainly evident to them.

Successful mergers, once mutual confidence and good will are established, depend on careful planning and deliberate action for their lasting efficient results. Decisions must not only be sound and fair but must be seen to be so. I think you would be pleased with what has been achieved so far in this direction.

RESULTS FOR 1961

The non-Life premium income for 1961 was £81,771,000, an increase of £2,897,000 over that for 1960, and the total non-Life underwriting profit was £982,000, made up of a loss of £164,000 on Fire Account and profits of £635,000 on Accident Account and £511,000 on Marine Account. It is gratifying that a profit was earned on our United States operations in a year which was a difficult one for the whole industry there. The total profit after taxation was £2,383,000. In view of the largely increased investment income, the satisfactory underwriting results and the low proportion of investment income being distributed by way of dividend, your directors would have felt justified in recommending at least a 2 per cent increase in the Final Dividend. They felt bound, however, to pay heed to the Chancellor's appeal for restraint and therefore have limited the recommended increase to 1 per cent, making 21 per cent for the year. After meeting the cost of the interim (8½ per cent) and final (12½ per cent) dividends, the amount carried forward on Profit and Loss Account is increased by £1,041,487 to £5,899,707.

FIRE

The loss shown in the Fire Revenue Account of £164,000 is due to the United States, where our experience was in itself disappointing and the Fire results were affected by a large increase in reserve for Unexpired Risks. Elsewhere good or fair profits in certain territories, including Great Britain, Canada, Australia and South Africa, were partially offset by moderate losses in others. The impact on our results of "Carla" and other hurricanes in the United States was not severe. Freedom from serious conflagrations helped to reduce the cost of Fire losses met by all insurers in Great Britain from £44,000,000 in 1960 to just under £40,000,000 in 1961.

ACCIDENT

Our United States interests again made a good contribution to the profit on this Account. In other parts of the world, results, as on the Fire Account, were mixed. Canada produced a good profit, and in Australia we just broke even, but there was a loss in South Africa. In West Africa political changes have produced new and interesting problems for us to master both in

SUMMARY OF THE CONSOLIDATED ACCOUNTS OF THE NORTHERN & EMPLOYERS GROUP

	1961 £'000	1960 £'000
Premiums Written :—		
Fire	20,263	19,971
Motor	27,364	26,636
Other Accident	26,675	24,923
Marine	7,469	7,344
Life	9,777	9,281
Total	£91,548	£88,155
Results :—		
Underwriting :		
Fire	—164	*
Accident (including Motor)	635	*
Marine	511	*
Total	£982	*
Life and Capital Redemption Profits	232	*
Income from Investments, before Tax	4,602	4,216
Net Profit after Taxation	2,383	2,266

* 1960 figure not comparable.

underwriting and in the financing of our operations there, which have been built up substantially in recent years. At Home we made an underwriting profit, but conditions are so difficult that we have been concentrating on a very careful selection of risks, and we shall pursue this policy at the expense, if need be, of any growth in premium income for the time being.

LIFE

The new Life business written by The Northern Group during 1961 maintained the high level of 1960, and the new sums assured, after deduction of reassurances, exceeded £60,000,000. In addition, annuities of over £3,700,000 per annum were written, and the total premium income in respect of Life and Annuity business increased by £496,000.

MARINE

Last year saw the close of the 1959 Account, and I am glad to be able to report that the result

was satisfactory, largely because there were no major Marine losses in that year. A transfer has therefore been made to Profit and Loss Account of £511,000. It is gratifying also that, despite the heavy losses both at sea and in the air at the end of 1960 second year settlements for the 1960 Account have not been as heavy as was to have been expected, and there is reason to hope that the run-off of this Account will prove to be no less satisfactory.

Marine casualties were however consistently heavy throughout 1961, though the effect of these on the 1961 Account cannot yet be fully measured.

INVESTMENTS

The distribution of the invested funds is little changed from last year, but that the total value has gone up from £154,090,000 to £172,209,000. These figures are for book values, and I am glad to say that the substantial excess of market values at the end of the year over book values was even greater than that at the end of 1960.

In calling your attention last year to the substantial addition to our investment income derived from non-Life funds in 1960, which amounted to £722,000, I mentioned that it was an exceptional increase. I am however pleased to say that there was another good increase in 1961, not so large, it is true, as 1960's, but, at £386,000, as satisfactory as we could expect in a normal year. This important part of our Group profits has thus grown by £1,108,000, or over 30 per cent, to over £4,600,000, in the last two years.

STAR (GREATER LONDON) HOLDINGS LIMITED

FURTHER EXPANSION ENVISAGED

The second annual general meeting of Star (Greater London) Holdings Limited was held on May 11th in London, **Mr Sion Potel** (the Chairman) presiding.

The following is an extract from his circulated statement:

For the year ending December 31, 1961, revenue exceeds that for the period of the previous accounts and in view of this and your Directors' confidence in the further expansion of the Company's activities and earning capacity they consider themselves justified in recommending that a Final Dividend of 8 per cent be paid for the year to December 31, 1961.

The proposed acquisition of the site at Old Compton Street, London, W.1, has now been effected by the acquisition of Old Compton Street Property Investment Co. Ltd., in February of this year.

Our acquisition of Concord Investment Co. Ltd., and its subsidiaries is adding a number of investments and important projects from which benefits may be anticipated to accrue to Shareholders during the current and ensuing years.

I have appended a summary of the Group's schemes in preparation or under development.

In course of Construction:
19/23 Knightsbridge, S.W.1.*
"Odeon Site," Sheen Lane, S.W.14.*
58/58A Old Compton Street, W.1.
36/38 Finchley Road, N.W.8.
52/54 High Street, S.W.19.
North Orbital Road, Denham
51 Guilford Street, W.C.1.
32 South Hill Park, N.W.3.
24/27 Grand Parade,
St. Leonards/Hastings, Sussex.

In preparation:
454/458 London Road, Croydon.
91/93 Gray's Inn Road, W.C.1.
Hinton Wood, Bournemouth.

Site for future development.
"Hippodrome Site," Portsmouth.

The report was adopted.

* Through associated Companies.

HONGKONG TIN

MR ADDINSELL'S STATEMENT

The thirty-third annual general meeting of Hongkong Tin Limited was held on May 10th in London, **Mr Addinsell,** chairman, presiding.

The following is an extract from his circulated statement for the year ended September 30, 1961:

Production was unrestricted during the financial year and the dredge produced the very satisfactory total of 616¼ tons of tin-ore, and sales, which included the small stock held at the beginning of the period, amounted to 621¼ tons. The hopes I expressed last April of the continuation of a satisfactory rate of production have been fully realised, the average monthly production over the five months, April to September, 1961, being 67 tons. The dredge has continued to obtain very satisfactory results during the current financial year.

The profit for the year, after providing £43,050 for taxation, was £110,737 which, together with the balance from the previous year and a small return of capital from the Grab Dredger Syndicate, gives a total of £128,827. A dividend of 20 per cent was paid in January and we have transferred to Revenue General Reserve £40,000. Your Directors are recommending payment of a final dividend of 60 per cent, making a total of 80 per cent for the year.

During the period under review we received repayment of the Company's contributions to the First Buffer Stock amounting to £23,364. A further £3,750, being the proportionate profit thereon, has been received since the date of the accounts. Contributions to the Second Buffer Stock are now being made from current output and at the end of September, 1961, these amounted to £10,807.

The preliminary arrangements for the development of the opencast mining project, to which I referred last year, have progressed satisfactorily. This venture is one of long-term development, which, if successful, will considerably extend the life of the property.

The General Managers' anticipation of the maintenance of a satisfactory rate of production from the dredge during the current year is being justified by results to date.

The report was adopted.

SUN ALLIANCE INSURANCE LIMITED

Extract from the Review of the Report and Accounts for the year 1961 by the Chairman, Mr T. D. BARCLAY

Reporting on the combined results of Sun Insurance Office Limited and Alliance Assurance Company Limited.

FIRE DEPARTMENT

	1961 £	1960 £
Premiums	19,112,621	19,294,667
Claims	9,403,031	9,253,418
Surplus	1,496,134	1,427,165

The premium income shows a reduction on that for 1960; this mainly arises from a reduction in the premiums received from the United States and from certain other overseas areas.

Fire claims continued at a high level particularly in the United Kingdom and the United States of America, our two most important areas of operation.

The Account was also affected, as it so often is, by weather claims, the largest single item being the hurricane which struck British Honduras where the Group has a considerable amount of business. Damage to Belize as a result of this hurricane was catastrophic and our Group bore its full share of the insurance losses. In America wind-storms again contributed largely to the total of the claims. At home the severe frosts at the end of the year caused a number of claims from burst pipes.

The surplus which it was possible to transfer to the Profit and Loss Account was a good one.

ACCIDENT DEPARTMENT

	1961 £	1960 £
Premiums	23,291,994	22,553,364
Claims	12,905,425	12,765,075
Surplus	1,571,522	1,254,080

This Account showed an expansion in premium income and a very pleasing increase in the surplus which was greatly assisted by the improved results of the Sun's Casualty business in the United States.

The Motor account showed a profit which is a tribute to the very careful standards of underwriting adopted by the two Companies.

Our Burglary account was inevitably affected by the crime wave but we take pains to advise and encourage our insured to take all possible precautions and this has resulted in our experience being rather better than might otherwise have been expected.

Our Personal Accident account continues to expand rapidly and the specialist service that we can give to agents on this class of business is greatly appreciated.

The Engineering business conducted by The National Boiler & General Insurance Co. Ltd., again showed excellent results.

MARINE DEPARTMENT

	1961 £	1960 £
Premiums	3,646,179	3,624,290
Fund at end of year	5,722,673	5,933,065
Transfer to Profit and Loss Account	421,678	166,822

The premium income of the two Companies in this Department shows a modest increase and the transfer to Profit and Loss Account is substantially higher. This transfer relates to the results of the 1959 Account which was closed at the end of the year. The 1960 Account is unlikely to be so satisfactory having regard to the fact that the incidence of ship casualties involving both total and partial losses rose during the latter part of that year and continued at a high level during 1961. Nevertheless, the 1960 Account may, in the absence of any unforeseen circumstances, be expected to show a reasonable profit.

LIFE DEPARTMENT

	1961 £	1960 £
Net new sums assured	22,088,421	20,925,293
Premium income thereon	481,151	455,748
Total life premium income	3,671,803	3,368,415
Total annuity considerations	1,242,526	1,650,570
Claims by death	867,636	917,623
Life and Annuity Funds at end of year	47,272,245	44,082,598

The Life and Annuity business of the Group is entirely transacted by the Alliance.

The increase in new sums assured was less than during the previous year largely because with our substantial Building Society connection we were particularly vulnerable to the contraction in advances for house purchase and the consequent drop in demand for Life policies in connection therewith. The total Life premium income, however, showed a satisfactory increase.

The exceptional demand for immediate annuities shown during 1960 was not maintained and the purchase money received reverted to approximately the 1959 level.

Claims by death were below expectations in 1961 but it is not to be expected that this favourable trend will necessarily continue.

PROFIT AND LOSS ACCOUNT

Our underwriting profits expanded by £641,267, but this increase was more than offset by higher tax charges. The gross investment income credited to the Consolidated Profit and Loss Accounts of the two Companies increased from £3,160,063 to £3,298,977; other items show little change. The Directors have decided to maintain the dividend at the same rate as was paid for 1960, viz. 2s. 8d. per share. This calls for dividends from the Operating Companies of 11s. 3d. from the Sun and 5s. 4d. from the Alliance. The balance of profits, after making a provision of £100,000 in the case of the Sun against fluctuations in Foreign Exchange, has been left in the balances carried forward in the Profit and Loss Accounts. In the Sun Alliance Account there is a small increase in the balance carried forward making the total £9,804.

CHERSONESE (F.M.S.) ESTATES LIMITED

MR T. B. BARLOW'S REVIEW

The fifty-second annual general meeting of Chersonese (F.M.S.) Estates Ltd. was held on May 15th in London. The following is a summary of the review by the Chairman, **Mr T. B. Barlow:**

The profit for 1961 was £59,752 as compared with £85,132 a year ago. Despite the fall in profit of 30 per cent, the dividend (4d. per stock unit costing £31,063) is reduced by only 20 per cent. This dividend policy arises from the fact that we have made good the arrears of replanting, which has cost £325,439 and our replanting reserve is now adequate to bring existing immature areas into bearing after allocating £14,000 to replanting reserve this year.

In 1962 it is expected our rubber crop will increase by 100,000 lbs. to 900,000 lbs. with more immature areas coming into bearing it should not be many years before we reach the two million mark.

But planting is a continuous task and having brought most of our rubber up-to-date the Directors are considering replanting the last block of old seedlings—225 acres—with oil palms.

In the Krian district there are several areas of oil palms, which provide a crop that is much more profitable than coconuts. In view of the falling yield from our coconuts we feel that we should try a small block of oil palms.

GENERAL

My impressions during my recent visit to Malaya were that the country is as prosperous as ever and that the plan for Greater Malaysia would go through.

The average c.i.f. price of rubber in London was 24½d. per lb. during 1961 compared with 31½d. per lb. during 1960. The price now is approximately 23d. per lb. and at this level seems to be competitive with synthetic.

The price of copra last year in Malaya was approximately £50 per ton. The price so far this year has been £54 per ton which should enable the estate to earn a reasonable profit from copra.

The report and accounts were adopted.

CROSSLEY BUILDING PRODUCTS

The twenty-seventh annual general meeting of Crossley Building Products Limited was held on May 14th at Middlesbrough, **Mr Rupert Speir, MP,** the chairman, presiding.

The following is an extract from his statement circulated with the report and accounts:

Once again the Group has produced record results. The Group net profit, after charging Depreciation of £103,633 (1960, £64,064) and Taxation of £128,795 (1960, £86,743), amounted to £115,332, representing an increase of £24,598 over 1960. Your Directors recommend a final dividend of 12½ per cent on the Ordinary Shares, making a total of 20 per cent,, less income tax, for the year.

In the early months of 1961 some concern was expressed nationally lest the supply of bricks should fall short of the demand. We were able to augment supplies by some 15 per cent of our former production. During the present year it is our aim to begin a further expansion of production.

The scope for our three merchanting companies was very great, and the results they achieved were indeed most encouraging.

All things considered I would certainly think that a high level of building operations will be required in the years ahead, and your Board are planning a programme of expansion and development for the Group.

The report and accounts were adopted and resolutions were approved increasing the issued capital by the distribution of 177,600 Ordinary Shares of 5s. each in the proportion of one for ten and increasing the authorised capital by £250,000 by the creation of 1,000,000 Ordinary Shares of 5s. each.

ATLAS ELECTRIC AND GENERAL TRUST LIMITED

RECORD GROSS EARNINGS

The fifty-fourth Annual General Meeting of Atlas Electric and General Trust Limited will be held on June 7th in London.

The following are extracts from the circulated statement of the chairman, **The Right Honourable Lord Remnant, MBE:**

The accounts now submitted reflect the difficult conditions which obtained during the greater part of the year to March 31st last. For the first four months to the end of July gross income from investments showed a satisfactory increase of 8 per cent. The so-called "little Budget," introduced by the Chancellor of the Exchequer in July with the object of effecting restraint in wages and dividends, checked any further increase and, in fact, a large part of the increase gained in the first four months was lost in the remainder of the year.

THE REVENUE ACCOUNT

In the result, gross income from all sources, although constituting an all-time high record, increased by no more than £11,863. Expenditure showed very little change but taxation increased by £9,512. The net revenue after taxation showed a small increase of £2,431.

We have not to meet any New Issue Expenses this year, and the Directors feel justified in recommending a small increase in the final dividend on the Ordinary Shares making a total of 9½ per cent for the year against 9 per cent for the previous year. £200,000 is again transferred to General Reserve and the balance of unappropriated revenue is reduced from £302,872 to £295,435.

INVESTMENTS

The valuation of the investments at £31,208,721, shows an appreciation of 86.8 per cent over the book value. The appreciation in the previous year was 94.5 per cent and, having regard to the deterioration in market conditions, the Directors consider this result satisfactory. It would have been less so but for the appreciation in value of our holdings in the United States. It is useful in this connection to note that the Financial Times index of British Industrials was 342.2 on March 30, 1961, and 291.8 on March 30, 1962.

It will be seen in the classification of investments on page 8 of the Directors' Report that there has been little change during the year in the overall distribution, although there have been considerable changes within the various classifications. The withdrawal of South Africa from the Commonwealth obliges us to include our investments in that territory under the heading of "Asia and Africa, excluding British Commonwealth."

PROSPECTS FOR THE CURRENT YEAR

The current year has opened in an atmosphere which is far from reassuring for investors. The level of industrial profits and dividends still shows a declining trend but the Chancellor is optimistic with regard to the course of the economy this year.

The easing of the restraint in wages and dividends may induce the more prosperous industrial undertakings to increase their distributions to shareholders, but profit margins have been reduced in very many cases. In these circumstances it is unlikely that there will be any material change in the present level of the Trust's investment income.

THE A.P.V. COMPANY LIMITED

ANOTHER RECORD YEAR

MR WILLIAM E. JENKINS ON GROUP'S STRONG POSITION

The fifty-second Annual General Meeting of The A.P.V. Company Limited, was held on May 9th at Crawley, **Mr William E. Jenkins, CBE** (the Chairman), presiding.

The following is an extract from his circulated Statement:

The good results announced for the first half of 1961 were maintained during the rest of the year, and Group Profits before provision for taxation amounted to £900,300 as against £750,235 for 1960. This profit is again a record for the Company and was achieved without consolidating the profit from the Australian Company. We have disposed of a portion of our holding in this Company so that it is no longer a subsidiary.

The profit after taxation increased to £451,167 compared with £350,151 for 1960. At a normal time these results would have justified a substantial increase in the dividend, but in view of the request of the Chancellor of the Exchequer for restraint, the Board is recommending a final dividend of 8¾ per cent less tax on the Ordinary Share Capital, making a total distribution for the year of 12½ per cent as against 11¼ per cent last year.

Turnover of the Group as now comprised expanded to £7.4 million compared with £7.1 million in 1960.

The Board propose to capitalise a sum of £300,000 out of reserves by making a bonus issue of 600,000 Ordinary Shares of 10s. each fully paid in the proportion of one new share for every five Ordinary shares held.

Letters have been sent to Shareholders and to Debenture Holders advising of proposals to form a new subsidiary Company at Crawley to take over the present operating business and to change the name of the Parent Company to A.P.V. Holdings Limited.

SUBSIDIARY COMPANIES

A.P.V.-Paramount Limited, the Foundry Company at Crawley and largest subsidiary, has again improved upon the profits of the preceding year and made a substantial contribution to Group earnings.

The Company in Australia, A.P.V. (Aust.)-Bryant Pty. Ltd. was converted into a public company during 1961. It made record profits in 1961 and the shares stand well above par. The mutual benefit of the Trading Agreement between the companies remains as previously.

The subsidiary in the North of England, Stainless Steel Plant Ltd., had a successful year and made a good return on the investment. In accordance with original plans, we have purchased land in Blackpool and are building a new factory as the present rented premises leave no room for the expansion of business which we anticipate.

Most of the other subsidiary companies showed increased profits, notably India, France, Italy and Canada.

SALES

Most markets remained buoyant throughout the greater part of the year, and intake of orders was again a record. This was achieved in spite of a recession in several overseas markets. The resulting decline in export orders was fortunately matched by higher sales at home, especially to the Dairy, Brewery and Soft Drinks Industries. We are continuing to intensify our efforts abroad in view of the wide potential markets which we know to exist. The European Common Market is still engaging our earnest attention; the total of orders from this area continued to advance, which is a satisfactory achievement in the light of the tariff differentials which we have to meet. Business with the Common Market countries represents about a quarter of total exports.

RESEARCH AND DEVELOPMENT

The field of continuous brewing remains the largest single Research and Development project and we have made encouraging progress. In this development we have worked in close association with several of the largest Brewery companies where pilot plants and commercial plants have been installed. With such a radical revision to established technology, progress will of necessity be slow, but nevertheless we have faith in the eventual widespread adoption of continuous brewing techniques.

PROSPECTS

For several consecutive years I have been able to report progressively improved results and this past year has been the most prosperous of all, but like most companies engaged in industry we are dependent on an expanding economy and increasing trade in various industries, in our case notably the Brewing, Dairy and Chemical industries.

There has during recent months been some slowing down in the placing of orders for Capital equipment by these industries, and consequently our order intake has declined by comparison with the same period in the previous year. This of course means more intensive competition and pressure on profit margins.

At this early stage it is not possible to make an estimate of the current year's trading, but if markets again expand, as we hope they will, your Company is in a strong position throughout the entire Group to take full advantage of the improvement.

The Report and Accounts were adopted. The resolutions changing the Company's name, increasing the capital and approving the bonus issue were duly passed at the Extraordinary General Meeting held immediately following the Annual General Meeting.

REFUGE ASSURANCE COMPANY LIMITED

The Chairman in a statement submitted with the 1961 Accounts mentioned that in the Life Branches the annual premium income of new policies written in the year was £2,670,000, and that this, together with single premiums of £630,000 assured total benefits aggregating some £49 millions. The total premium income of the year was some £22 millions, and payments to policyholders £16½ millions, of which £12,400,000 was to living policyholders and £4,100,000 payments on death. At the end of the year there were in force 7,660,000 contracts assuring £435 millions, including bonuses, and annuities of £998,000 per annum.

The premium income of the Company's subsidiary, the Federated Employers' Insurance Association, which conducts most classes of insurance business other than Life, was £2,384,000. The under-writing results of the Motor Department had again deteriorated and showed an appreciable loss.

INVESTMENTS

The Company's assets of £180 millions shown in the Balance Sheets included £49 millions in securities of the British Government and Local Authorities, £39 millions in Debentures and Preference stocks, and £41 millions in Ordinary stocks. In addition there are mortgages, largely in connection with House Purchase, of £34 millions and property investments of £8 millions.

BONUSES TO POLICYHOLDERS

In the Ordinary Branch surplus of £2,701,000 was allocated to policyholders to provide a bonus on with-profit policies at the increased rate of £2. 10s. 0d. per cent on the sum assured in respect of each year's premium due in 1961 and paid. This bonus is the highest paid in the Company's history.

In the Industrial Branch the total surplus allocated to policyholders was £2,371,000. A reversionary bonus at the rate of 34s. per cent on the sum assured has been granted on premium-paying policies which were in force on January 1, 1962, subject to the completion of one year's premium payments. Certain other increases in benefits have been granted to policies becoming claims within the next year.

UNITED MOLASSES

STRONG FINANCIAL POSITION

The thirty-sixth annual general meeting of The United Molasses Co., Ltd., will be held on June 5th in London. *The following is an* extract from the circulated Statement by the Chairman, **Mr G. W. Scott, CBE:**

The Gross Profits of the Group for 1961 amount to £4,389,771, a reduction of £126,903 over the Gross Profits for 1960 and the Net Profits of the Group at £1,605,061 show a reduction over the previous year of £402,738.

Trading conditions in all spheres of the Company's activities have been most difficult during 1961, and the reduction in the Gross Profits is less than I thought would be the case when I indicated in my Statement last year the Gross Profits might well show a reduction over those for 1960. The greater reduction in the Net Profits is largely due to the incidence of taxation.

Last year I expressed the hope that we would be able to recommend dividends out of Revenue Profits for 1961 at the same rate as for 1960, and it is, indeed, a pleasure in these difficult times to be able to transfer £250,000 to General Reserve and to maintain the rate of dividend.

In view of the very strong financial position of the Company, your Directors have decided to supplement the return to Ordinary Stockholders by recommending a Cash Distribution of 2½d. per Unit, not subject to income tax, out of Capital Profits. Your Directors hope, barring any unforeseen occurrences, to maintain the dividends for 1962 at the same rate as for 1961, even though this might involve the payment of some proportion of the dividends out of the substantial amount carried forward on Profit and Loss Account.

MELBOURNE & GENERAL INVESTMENT TRUST LIMITED

SIR DENYS LOWSON ON AUSTRALIA'S GROWTH

In the course of his address which has been circulated to Shareholders, **Sir Denys Lowson, Bt,** says:

The gross revenue for the year to February 28th last amounted to £101,417, against £94,735 for the previous year. The proposed final dividend of 14 per cent is payable on the ordinary capital as increased by the Rights Issue and makes a total of 24 per cent for the year.

The market value of investments as at February 28th last shows an appreciation of 66.0 per cent over book value. Based on this valuation the geographical distribution was as follows: 53.24 per cent in the United Kingdom, 40.89 per cent in the Commonwealth, 4.38 per cent in the United States of America, and 1.49 per cent in South Africa; whilst as regards categories we had 2.08 per cent in fixed interest securities with 97.92 per cent in ordinary and deferred shares.

Almost all the Unquoted Investments are represented by this Company's substantial holding in Carlton & United Breweries Limited of Melbourne, Australia; and this represents 30.19 per cent of our total portfolio. Carlton & United Breweries continues to make satisfactory progress, and the dividend paid by it is still less than half the net cash flow accruing after all expenses and taxation. Among important additions made to that Company's assets during the course of the year has been the acquisition of the Queensland Brewery Limited; one of Queensland's two biggest brewing companies, which operates breweries in Brisbane and Toowoomba.

The future of Carlton & United Breweries depends, of course, to a great extent on the future of Australia. At the present time one of the great uncertainties confronting Australia is the possible effect on her trade should Great Britain join the Common Market. However, wool, which is still Australia's greatest industry, and represents over 40 per cent of her exports in cash value, will continue to enter the Common Market countries free of tariff.

In the past ten years Australia has been severely handicapped in that the terms of trade have moved against her more than against any other country. As a result she has now to sell 50 per cent more exports by volume than she did ten years ago, in order to buy the same quantity of imports. This situation has arisen because the prices of the industrial products which Australia imports have risen at a greater pace than those of the primary products which she exports, and which still form some 90 per cent of her total exports. It is very important, therefore, that Australia should increase her exports of manufactured goods and good progress has been made in this direction over the last ten years when the value of manufactured goods exported has risen from £A41 million to £A119 million per annum.

The progress in this development of secondary industries in Australia has been assisted a great deal by private investment from Overseas; and it is pleasing to note that during the past five years the United Kingdom has provided 60 per cent of this new private investment, with the USA and Canada contributing 30 per cent, and the other countries 10 per cent. Industrial development in Australia has still a long way to go, and this can only be achieved by further investment from Overseas.

BANQUE COMMERCIALE POUR L'EUROPE DU NORD

The Ordinary General Meeting of the BANQUE COMMERCIALE POUR L'EUROPE DU NORD was held in Paris on April 25, 1962, to approve the accounts for the financial year 1961.

CAPITAL INCREASES

Within the framework of development of the bank's activities, there have been four successive increases of capital during the last twelve months. On the basis of resolutions passed at the Shareholders' General Meeting of May 30, 1961, the board of directors effected a capital increase by incorporating reserves of NF2 million. In February, 1962, the shareholders subscribed, in cash, a capital increase of NF3 million; and an Extraordinary General Meeting authorised the board to raise the capital, in the coming years, to NF35 million.

This authorisation, and the results of the financial year 1961, enabled the board meeting held on April 25, 1962, to raise on the one hand the capital to NF30,000,000, by incorporating NF5 million of reserves, and on the other hand by the receipt of NF5 million from a new shareholders' subscription.

Thus, from April 1961 to April 1962, the BANQUE COMMERCIALE POUR L'EUROPE DU NORD, in order to establish a better relation between its capital and the business it does, doubled its capital, raising it from NF15 million to NF30 million.

In fact, the balance sheet as at December 31, 1961, shows a figure of NF2,103,596,934.44—a marked increase on that of December 31, 1960, which was NF1,778,280,386.27.

Within the framework of increased activity, together with International Commerce and services rendered to local clients, the board of directors presented a Profit and Loss Account, the gross results of which were ... **NF15,607,690.43**
compared with ... NF11,641,392.20
for the financial year 1960, while net profit was ... ... **NF 5,017,087.75**
against ... ... NF 3,680,488.45
for the financial year 1960.

GLENFIELD & KENNEDY HOLDINGS LIMITED

CHAIRMAN'S STATEMENT

The sixty-third annual general meeting of Glenfield & Kennedy Holdings Limited will be held at Kilmarnock on May 25, 1962. The following is an extract from the statement by the Chairman, **Sir James R. H. Hutchison, Bt, DSO,** which was circulated with the Report and Accounts for the year ended December 31, 1961:

"During 1961 our companies had to face difficult conditions similar to those experienced in 1960, except that competition was even more intense and costs continued to rise. This combination of circumstances, and also the setback caused by strikes and flooding at Kilmarnock, have inevitably had an adverse effect on group earnings for the year. The downward trend of profits at Kilmarnock and Brighouse and in South Africa has however been offset to some extent by the more satisfactory returns from Blackett Hutton and from our USA subsidiary.

Group earnings, after providing for taxation, including profits tax at the increased rate imposed in the 1961 Budget, have sufficed to cover normal dividends with a small margin, but have left no surplus for strengthening reserves. The company has, however, provided reserves on a generous basis in the past.

Your directors continue to give much attention to the question of employing group resources to the best advantage, and schemes have been put in hand with a view to reducing costs and increasing the earning capacity of our undertakings. It is anticipated that we shall begin to reap benefit from some of these expenditures by the end of 1962.

The total value of orders received by group companies was slightly lower than for the previous year, whilst total deliveries showed a small increase. Outstanding orders at approximately £5,000,000 therefore show little change from the position at the end of 1960.

Group companies increased by ten per cent their contribution to the export effort during 1961 and goods were despatched overseas to the total value of approximately £2,200,000.

Total sales by group companies showed an increase on the previous year.

Group profit before taxation £449,123, compares with £541,458 for 1960 after charging depreciation amounting to £268,538 against £252,648 for 1960. The other items indicated as having been charged in arriving at group profit show little change. There is, however, a substantial increase in interest earned on short-term deposits.

Taxation this year absorbs a higher proportion of earnings due to income tax capital allowances being receivable on a lower level of capital expenditure than was incurred in 1960, and also on account of the heavier burden of profits tax imposed in last year's Budget. Profit after taxation is £205,931 against £296,626 for 1960. Apart from a small credit of £3,947 for taxation adjustments there are no special items this year.

The directors recommend the same dividend

distribution as last year which requires £205,264, leaving £6,614 to be added to the carry forward which now amounts to £208,111.

The probable trend of business during the remainder of 1962 is still a matter of considerable uncertainty. An early general increase in demand for capital goods which would assist our undertakings may depend to a large extent on future government policy and on a successful outcome of the deliberations and recommendations of the National Economic Development Council.

There is no sign of the long expected revival in orders from the oil industry on which depends the prosperity of our Worcester factory. Our Guisborough steel foundry is likely to continue operating well below normal capacity until there is an increase in the demand for cast steel oil valves and an improvement in orders from the steel industry. It may be expected, however, that during 1962 we shall continue to receive a satisfactory volume of orders for standard products at Kilmarnock and Brighouse, and every effort is being made to achieve improved profitability at these and our other works through a policy of rationalisation and by employing all possible measures to reduce costs. Specialty products manufactured by group companies should make a valuable contribution to earnings again this year.

We are making every effort to improve the volume of exports. This involves constant visits being paid abroad by highly-placed executives. On these visits our representatives report that conditions are keenly competitive.

Since the war our experience in business on the Continent has been very limited and steps are now being taken to rectify this position by strengthening our group representation in Europe. In this and other ways we are preparing to meet the challenge and undoubted opportunity which will be presented to us if Britain enters the Common Market.

Whilst one hesitates to prophesy, it would not be unreasonable to hope that the results for 1962 will be at least no worse than those for 1961."

THE EVER READY TRUST COMPANY LIMITED

CHAIRMAN'S COMMENTS

The Annual General Meeting of the Ever Ready Trust Co. Ltd., will be held on June 4th at Bowman's Place, Holloway, London, N.7.

The following are the comments by the Chairman, **Mr A. V. Perry,** on the report and accounts for the year ended March 31, 1962, circulated to the Shareholders.

REVENUE

The Consolidated Accounts submitted to you reflect a full year's trading by our Subsidiary Company, Whittingdon Securities Ltd. In its first full year of trading this Company operated at a profit (after allowing for the write-off mentioned in the next paragraph) and we are satisfied with the progress it has made.

Gross Revenue for the year at £217,559 shows an increase on last year of £20,045 or some 10 per cent. Two factors have diminished the growth of our net Revenue this year. First, lower dividends on some of our investments, and secondly, provision for depreciation of investments in our Subsidiary Company at our year end. This provision, which is the difference between the book value and the market value of certain securities held by Whittingdon Securities Ltd. in its portfolio, is admissible for taxation purposes. This item will necessarily be a fluctuating figure from year to year in a dealing company. On this year's Accounts a provision of £7,434 has been made as a charge against Revenue.

CAPITAL

The Issued Capital of the Company, as increased by the scrip issue of last June, is now 3,600,000 Ordinary shares of 5s. each, or £900,000 nominal. At the year end the market value of our portfolio, plus current assets, less current liabilities at £3,610,106 showed a small diminution (2.4 per cent) on the corresponding figure for the previous year of £3,714,033.

£80,000 of the profit arising on realisation of investments has been transferred to Capital Reserve.

GENERAL

You will have already received a circular from the Company regarding a Rights Issue that your Board propose making. When this Rights Issue has taken place the Issued Capital of the Company will be £1,000,000 and will place our shares in the "Trustee" category.

Subject to unforeseen circumstances your Directors consider that the current rate of dividend recommended to you, namely 15 per cent. will be maintained on the capital as increased by the proposed new Rights Issue.

APPOINTMENTS

THE INTERNATIONAL NICKEL COMPANY (MOND) LIMITED

has an immediate vacancy in its

STATISTICAL DEPARTMENT

for a young Economist with a good knowledge of statistical method. The ability to read French and/or German would be an advantage. Salary will be according to age and experience. Assistance with housing can be given in appropriate cases.

Applications in writing to :

MR. A. E. JENKINS,
The International Nickel Company (Mond) Limited,
Thames House, Millbank, London, S.W.1.

COUNCIL OF EUROPE RESEARCH FELLOWSHIPS, 1963

A series of these Fellowships, which are offered annually and are of the value of 6,000 new French francs each, will be made in December, 1962. The Fellowships for 1963 will be for a period of 12-months starting on January 1st. They are intended primarily to encourage research into the following questions, considered in the light of their present-day importance :

(a) Political, legal, economic, scientific, applicultural, social, educational, and youth problems connected with European integration ;

(b) European civilisation (philosophy, history, literature, and the arts).

Candidates are invited to propose subjects which would be likely to make a positive contribution to the fields of study mentioned in *the preceding paragraphs,* with the object of writing a publishable work.

Candidates must normally be nationals of a member State of the Council of Europe or of a State which has acceded to the European Cultural Convention. Refugees from European countries which are not members of the Council, legally resident in the territory of a member State, are also eligible for awards.

Application forms, which must be returned by September 5, 1962, may be obtained from Universities Department, The British Council, State House, High Holborn, London, W.C.1.

THE UNIVERSITY OF SHEFFIELD

Applications are invited from graduates of any University for a DOUGLAS KNOOP RESEARCH FELLOWSHIP in ECONOMIC HISTORY tenable from October 1, 1962. Value £800 a year and normally tenable for two years. Applicants should be available for interview in Great Britain. Applicants who expect to graduate in 1962 will be considered. Applications (three copies), indicating the line of research proposed and including the names and addresses of three referees, should reach the Registrar (from whom further particulars may be obtained) by June 12, 1962.

For further appointments and other classified advertisements see page 745

UNIVERSITY OF BRISTOL

Applications are invited for the post of Research Assistant in Economics ; salary range £750 to £900 per annum.

Candidates must be graduates in economics, preferably with some training in mathematics and statistics. Candidates expecting to graduate in 1962 may apply.

Applications should be sent not later than June 15th to the Registrar, University of Bristol, Bristol 8 from whom further details may be obtained.

THE NESTLÉ COMPANY LIMITED

Promotion has created a vacancy at our London Head Office on the section which searches for new products and co-ordinates the subsequent development of these products. Published non-technical data on food production and consumption must be studied, catalogued, and reported on. In addition, food stores and exhibitions must be visited, so that we are fully informed of new products appearing on the United Kingdom Market.

Applicants should be in the age range 22-27, may be either male or female, and will probably possess a degree to deal with commerce, or Part A of the A.I.A. examination. Experience in the handling of information, or of the food industry, would obviously be advantageous, but in the main what we seek is an enquiring mind allied to a fresh and alert intelligence.

The person appointed will be directly responsible to the Head of the Department, and will frequently be called upon to display both initiative, and resource, in a field of commerce where one must always be at least two moves ahead of the game. Salary and prospects are excellent, as are the range of other benefits provided.

Please write, stating age, qualifications and experience to

THE PERSONNEL MANAGER,
THE NESTLÉ COMPANY LIMITED,
ST. GEORGE'S HOUSE,
WOOD STREET, LONDON, E.C.2.

CITY OF LEICESTER

COLLEGE OF TECHNOLOGY

Require Two Lecturers in WORK STUDY and to assist with MANAGEMENT STUDIES. Salary : £1,650-£2,000 p.a.

Apply to Registrar for further details and application form.

THE LONDON SCHOOL OF ECONOMICS AND POLITICAL SCIENCE

(UNIVERSITY OF LONDON)

STUDENTSHIP IN SOVIET STUDIES

A Studentship in Soviet Studies is offered to men and women with good honours degrees or to those who have to obtain such degrees this summer. They need not have had any previous training in the field of Soviet Studies or the Russian language, but the successful candidate will be expected to learn Russian.

The Studentship will be of the value of at least £600 a year and the holder will be required to read at the School as a full-time student and to undertake research in some branch of Soviet Studies. His programme of work will require the approval of the Director.

Applications must be received by 11 June for the Studentship tenable from the following October and should be addressed to the Secretary of the Graduate School, The London School of Economics and Political Science, Houghton Street, Aldwych, London, W.C.2.

THE LONDON SCHOOL OF ECONOMICS AND POLITICAL SCIENCE

(UNIVERSITY OF LONDON)

STUDENTSHIP IN THE ECONOMICS OF LATIN AMERICA

A Studentship in the Economics of Latin America has been established with funds provided by Business firms with interests in Latin America. The holder will be required to read at the School as a full-time student and to undertake research in the Economics of Latin America or advanced study preparatory to such research. His programme of work will require the approval of the Director.

The Studentship will be of not less than £600 a year, and provision will be made for the cost of approved travel in Latin America. Candidates must have obtained, or obtain this summer, good honours degrees in economics, but previous study of Latin America is not required. As the purpose of the award is the furtherance in the long term of Latin American studies in this country, preference will be given to candidates domiciled in the United Kingdom.

Applications must be received by 11 June for awards tenable from the following October by the Secretary of the Graduate School, The London School of Economics and Political Science, Houghton Street, Aldwych, London, W.C.2.

A General Manager

is required for the U.K. Division of an international growth organisation selling a unique process in the office equipment field.

- HE will be based in London and be responsible to the Managing Director for the profitability and growth of the division with branches around the country and having a sales, service and administrative staff of some 250.
- HE must have a successful record in business with a background of sales, marketing and financial responsibility, including budgetary control. Experience in office machinery would be an advantage.
- HE will be aged between 35 and 50 and his salary will be negotiated. He will now be earning at least £3,000.
- BRIEF details should be sent in confidence to us as the company's advisers on the understanding that nothing will be disclosed to the company without permission.

Letters should be addressed to D. M. Sidney.

JOHN TYZACK & PARTNERS LTD
10 HALLAM STREET · LONDON W1

DEPUTY (ADMINISTRATION) TO INVESTMENT MANAGER OF THE CENTRAL BOARD OF FINANCE OF THE CHURCH OF ENGLAND

The rapid growth of the Funds administered by the Investment Office of the Central Board of Finance of the Church of England, which include the Investment Funds set up by the Local Authorities' Mutual Investment Trust, creates a vacancy for a Qualified Accountant or Secretary (preferably the former) to act as Deputy (Administration) to the Manager. The vacant post is not directly concerned with investment analysis or dealing, but applicants should possess some knowledge of and interest in investment matters. The qualities looked for are : flawless knowledge of accountancy, good draftsmanship, some knowledge of committee work, capacity for organisation and for control of staff. An aptitude for public speaking and an interest in local government would both be advantages. Other things being equal, the Board would feel elected to appoint a practising member of the Church of England. Age 30-45. Initial salary, according to age, experience and qualifications, £2,000 to £2,500 per annum ; non-contributory pension scheme. Send full particulars of education, experience and present remuneration to the Investment Manager, Central Board of Finance of the Church of England, Gondenough House, 33 Old Broad Street, London, E.C.2, making the envelope "Personal."

LARGE CANADIAN FINANCIAL INSTITUTION

with head office in Montreal requires

ECONOMISTS

Applications are invited from recent university graduates as well as graduates with practical experience. Candidates should have good writing ability in addition to a sound knowledge of economics. Familiarity with the Canadian economy and sources of Canadian economic statistics an advantage. Salary according to qualifications and experience. Superannuation plan and good staff benefits. Write Box H.2508, c/o Streets, 110 Old Broad Street, E.C.2.

BBC REQUIRES Current Affairs Talks Producer (Sound) to be a member of "Ian O'Clock" Editorial Group and to share responsibility for initiating and producing commentaries, interviews, discussions, etc., for "Ian O'Clock," for the weekly Current Affairs "Home Service, and for "Tonight's Topic" in Light Programme. Good education, sound U and journalistic experience a great advantage since the work is associated with news of the day and successful candidate will often be required to handle technical programme making facilities at high speed. Late evening work not more than twice a week. Salary £1,380 (possibly higher if qualifications exceptional) rising by five annual increments to £1,780 max. p.a.—Requests for application forms (enclosing addressed envelope and quoting reference 62.G.183, Tel.) should reach Appointments Officer, Broadcasting House, London, W.1, within five days.

Cadbury's

STATISTICIAN
(MAN OR WOMAN)

Cadbury Brothers Ltd., of Bournville, require a Statistician to assist in the development of statistical quality control, sampling inspection, tasting procedures and related matters. Candidates, who should be under 27 years of age, should have an Honours degree in Mathematical Statistics or in Mathematics with knowledge of statistics.

Applications should be addressed to :

THE EMPLOYMENT MANAGER,
CADBURY BROTHERS LIMITED, BOURNVILLE, BIRMINGHAM

NOTTINGHAM AND DISTRICT TECHNICAL COLLEGE

BURTON STREET, NOTTINGHAM

Principal : D. A. R. Clark, M.Sc., Tech., M.I.Mech.E.

Applications are invited for the following new posts for September next :

SENIOR LECTURER IN ECONOMICS
LECTURER IN LAW

Staff are expected to conduct research work. Consultancy work is allowed.

Salaries in accordance with the Burnham Technical Scale as follows :

Senior Lecturer : £3,800 x £50 — £4,000 p.a.
Lecturer : £1,900 x £40 — £1,900 p.a.

A salary above the minimum may be paid in approved cases.

Further particulars and form of application may be obtained from the Principal, to whom completed forms should be returned not later than June 2, 1962

PIG INDUSTRY DEVELOPMENT AUTHORITY

require a

STATISTICIAN

for duties in their offices situated near Letchworth. Qualifications B.Sc. or Diploma in Statistics preferably with experience in agricultural investigations. A punched-card unit is situated on the premises with access to a computer. Salary dependent upon age and experience within scale £1,000-£1,500.

Application forms obtainable from the Establishment Officer, 15 Ridgmount Street, London, W.C.1, should be completed and returned by June 4, 1962

ROYAL INSTITUTE OF PUBLIC ADMINISTRATION

ADMINISTRATIVE ASSISTANT required to help with organisation of meetings and training courses and development of membership. Must be able to work as member of a team and to take personal responsibility. Essential qualifications are ability to handle details, an interest in problems and methods of public administration. A degree in government or public affairs would be a considerable advantage. Salary scale £700 to £950. Apply by June 8th to Director, 24 Park Crescent, London, W.1.

MARKET RESEARCH MANAGER

of an international food manufacturer requires an

ASSISTANT

who will be capable of taking responsibility for research into a number of the Company's existing products and development lines.

Applications from men or women age 24-30 preferably with at least two years' Market Research experience are invited. Salary in range £800-£1,100 plus substantial bonus. Pension/Life Assurance benefits.—Replies to Box 1622.

UNIVERSITY COLLEGE OF SWANSEA

Applications are invited for a TUTORSHIP IN ECONOMICS. Salary £650-£700 (at present under review) together with F.S.S.U. benefits and family allowances. The appointment will date from October 1, 1962, and will be for one year in the first instance, but may be renewed for a second year.

Further particulars may be obtained from the Registrar, University College, Singleton Park, Swansea, to whom applications (six copies) must be sent not later than *Thursday, May 31, 1962.*

UNIVERSITY OF BELFAST

The Senate of The Queen's University of Belfast invites applications for an Assistant Lectureship in Medical Statistics from October 1, 1962. Applications will be welcomed from candidates with no previous experience in medical statistics but who are qualified or hope to qualify in statistics or mathematics in the near future. The salary scale is £800 x £50 to £950 plus F.S.S.U. Initial placing on this scale will depend on experience and qualifications. Applications should be received by *May 30, 1962.* Further particulars may be obtained from G. R. Cowie, M.A., LL.B., J.P., Secretary to the University.

COUNTY COUNCIL OF ESSEX

ESSEX INSTITUTE OF AGRICULTURE, WRITTLE, CHELMSFORD

Applications are invited from Graduates for the following posts from September 1, 1962 :

(1) Assistant Lecturer in AGRICULTURAL ECONOMICS and FARM MANAGEMENT.

(2) Assistant Lecturer in ANIMAL HUSBANDRY.

Successful candidates for either or both of the posts may be offered appointments as assistant wardens. If so, free board residence will be provided.

Salary Grade B assistants scale for teachers in Farm Institutes within scale £770 to £1,450 (higher scales may apply according to class of degree and period of training). Increments above the scale minimum will be allowed for approved teaching or commercial experience and War National Service. Assistance may be given with removal expenses.

Further details and application form from the Clerk to the Governors (quoting ref. D).

UNIVERSITY OF LEICESTER

DEPARTMENT OF ECONOMICS

Applications are invited for a LECTURESHIP or ASSISTANT LECTURESHIP in Economics. Salary scale for Lecturer £1,150-£1,950 a year, for Assistant Lecturer £900-£1,050 a year, with F.S.S.U. and family allowances ; initial salary according to qualifications and experience.

Further particulars from the Registrar, to whom applications should be sent by June 22nd.

APPOINTMENT REQUIRED

ACTUARY (with specialisation in statistics) seeks fresh position ; has previously held responsible positions in electronics research and measurement and latterly in actuarial consulting practice. Interests include operational research and risk theory. M.A. (Cantab.) (Mechanical Sciences Tripos).—Write Box 1624.

BUSINESS AND PERSONAL

WANTED : Economist, Nature, Annual Register, English Catalogue of Books, Times Indexes, Scrutiny, Horizon, Who's Who, Trans. & Proc. of the Royal Society ; and almost any learned and scientific Journals, Proceedings, Transactions, etc. Long runs only. —H. Pardes, 138 Devonshire Chambers, Bishopsgate, London, W.1. MONarch 5250.

INSURANCE BROKERS AT LLOYD'S of long standing and with facilities for the efficient handling of all classes of business wish to form an association with a merchant banking house. Replies will be treated in the strictest confidence.—Box 1623.

DIRECTORS needing able office staff on, and Dp.—Consult Stella Fisher Bureau, 436 Strand, W.C.2. TEMple Bar 6644.

NORRIS BROTHERS LIMITED, designers of Donald Campbell's "Bluebird" car and hydroplane, offer their services to companies requiring the application of original thought to their problems in Research, Design and Development.—62 Church Road, Burgess Hill, Sussex.

UNIVERSITY OF LONDON : A lecture entitled "Value judgements in political science" will be delivered by Professor G. Sartori (Florence) at 5 p.m. on May 28th at the London School of Economics and Political Science, Houghton Street, Aldwych, W.C.2. Admission free, without ticket.—James Hemlerson, Academic Registrar.

SECRETARIAL TRAINING, especially for university graduates and older students. Stenography and machine shorthand courses.—Write, Organising Secretary, Dacies's, 158 Holland Park Avenue, W.11. PARK 4654.

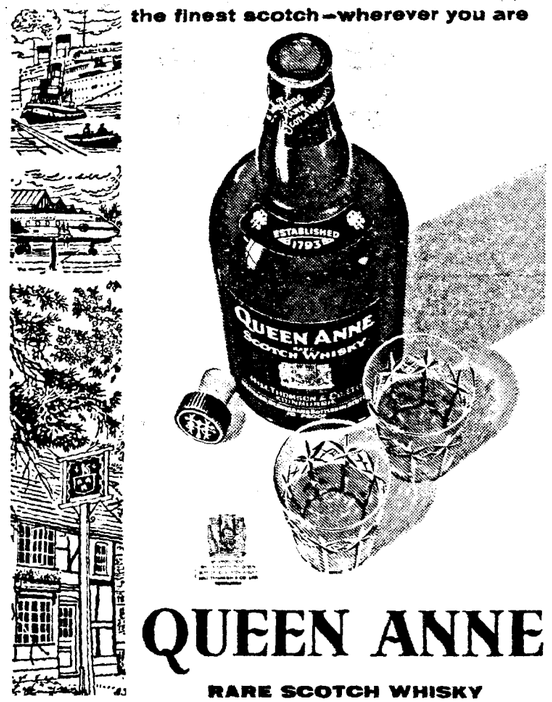
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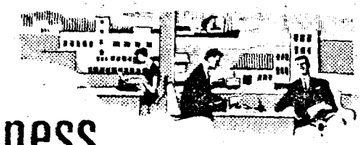
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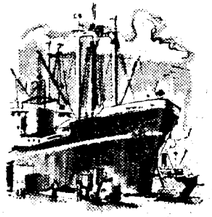
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Published weekly every Saturday, fifty-two times a year in London, England.

In The Economist this Week — May 26, 1962

INTERNATIONAL

Red Curtains

Iron: The idea of an international authority to watch over access to **Berlin** should not be dropped; it should be tried on the Russians (p. 764).

Bamboo: **Hongkong** has been as generous as it can be to a flood of Chinese refugees; other countries should offer equivalent space and food before criticising the quota system (p. 762).

Outwardly at least, Cambodia remains calm, neutral and sovereign (p. 771).

French Lace Curtain: **General de Gaulle's picture of Europe** includes no special place for Britain; but neither is Britain yet left out of it (p. 766).

Dark Recesses

Antimacassar: Ex-general **Salan** is not, after all, to lose his head. Surprisingly, too, neither the OAS nor the French regime was put in the dock at his trial (p. 795).

Duster: By letting **Dr Banda** secede, and by clearing away technical obstacles in the way of African politicians in **Northern Rhodesia**, Mr Butler can make the central African picture much clearer, with his emphasis on the economic realities (p. 766).

Under the Carpet: Dr Verwoerd, finding **South Africa still under** heavy attack, is more determined than ever to sweep his enemies out of sight (p. 800).

Mobile: President Nasser's new charter for an **"Arab Socialist Union"** provides inspiration, but nothing resembling a working blueprint (p. 767).

Leather Armchairs

Rocking Chair (1): So far President Kennedy's **tariff** proposals are having a surprisingly smooth passage through the United States Congress (p. 787).

Rocking Chair (2): The next item on the agenda of the American congressional Ways and Means Committee is help for **old people** when they are ill (p. 788).

Sagging Couch: The recent sharp drops in **Wall Street** prices (p. 809) reflect partly a change in the stock market's basic assessment of share values (p. 789), partly **a lack of business confidence** in the Administration (p. 789).

Two lumps, plus: The proposed revisions in the **sugar quotas** almost certainly go too far for the American Congress (p. 790).

Picture Window: **Texas** always does things in a big way; **the Estes scandals** are no exception (p. 789).

HOME

The Word

If Mr Lloyd's warning of "July measures" again in order to squeeze demand is seriously meant, the Government may be going to cut off its nose to spite the face that has been repeatedly slapped by pay pause-breakers (p. 759).

Coventry's new cathedral is a triumph for a church anxious to present its faith to the people in a contemporary way (p. 763).

The **Church of England** has put forward some sensible suggestions for a reform of its archaic liturgy; and the other established **church—of Scotland**—is sensibly trying to live down its fire-eating (and puritanical) past (p. 768).

Britain will be short of 50,000 **teachers** in 1970: Sir David Eccles's desperate proposals for alleviating that shortage should certainly not be laughed out of court (p. 760).

The Flesh

Bank employees are not quite as hard done by as they would like to appear (p. 784).

British Motor Corporation has introduced a new model to tempt Australians (p. 812).

Hard and soft dollars are now one (p. 811), but the **Euro-dollar** is likely to retain its independent existence (p. 821).

In support of that more common dollar (p. 807).

Cunard has to trim its sails (p. 815).

The Devil

Among the many specious "special cases" for breach of the Government's incomes policy there is at least one honest one—that of **probation officers** (p. 767).

The protected belts round many cities are not so much green as cabbage looking (p. 783).

Hampstead Garden Suburb has wrested victory from a take-over Goliath; now it must win the peace (p. 784).

Dr Hill's surrender to the parochial-minded on **London's outer fringe** has set a bad example for would-be stop-outs elsewhere (p. 771).

Labour's attempt to exorcise **Lord Russell** (and all *his* works) was rewarded by a flick of his sharp tongue: but Right will eventually triumph (p. 766).

And All His Works

Engineering production rose in the first quarter of this year, but new orders languished (p. 810).

Makers of **domestic appliances** have yet to feel the thrill that spring should have brought (p. 821).

Detailed contents on page 759



Budd progress rides the rails

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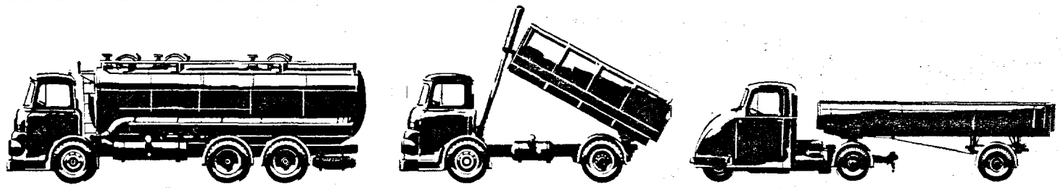
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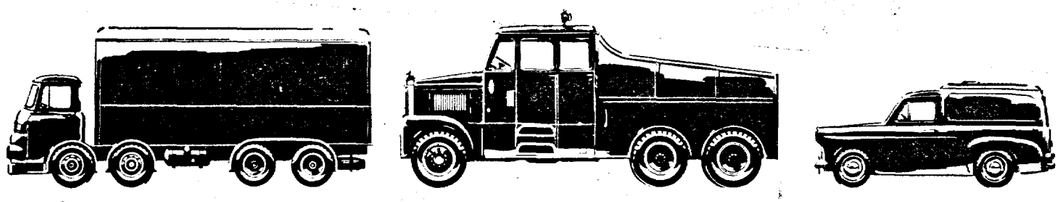
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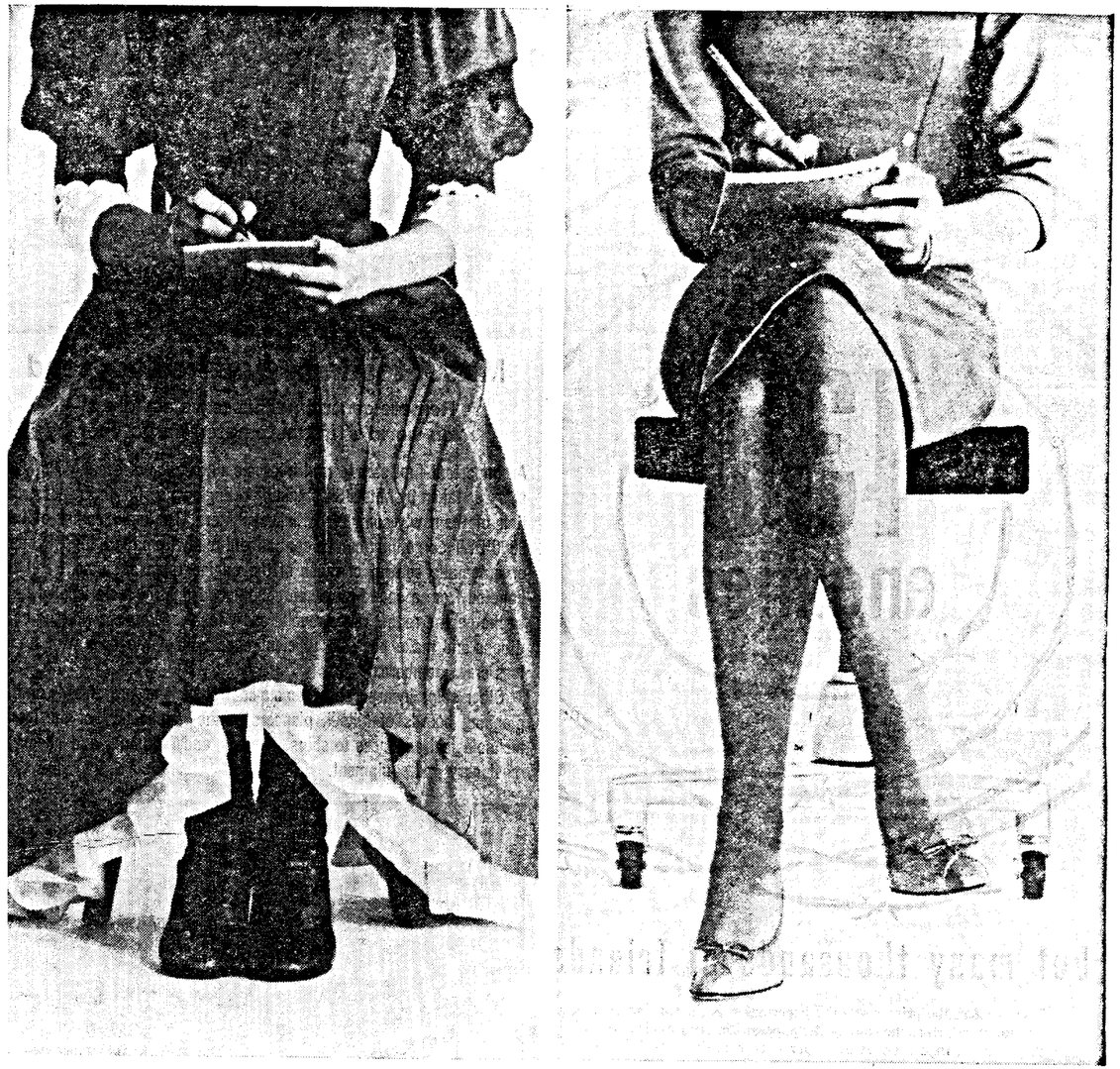
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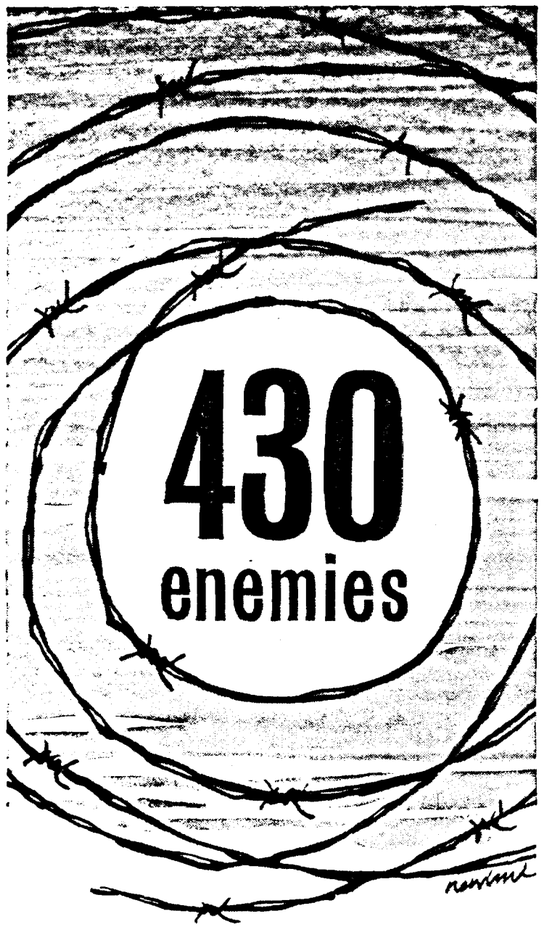
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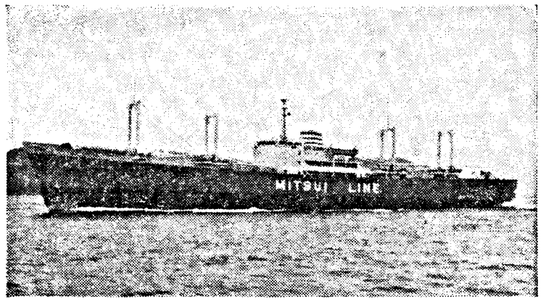
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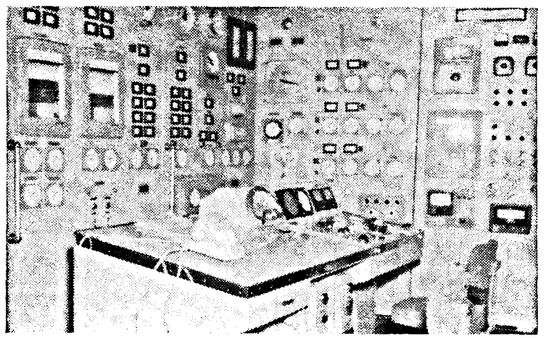


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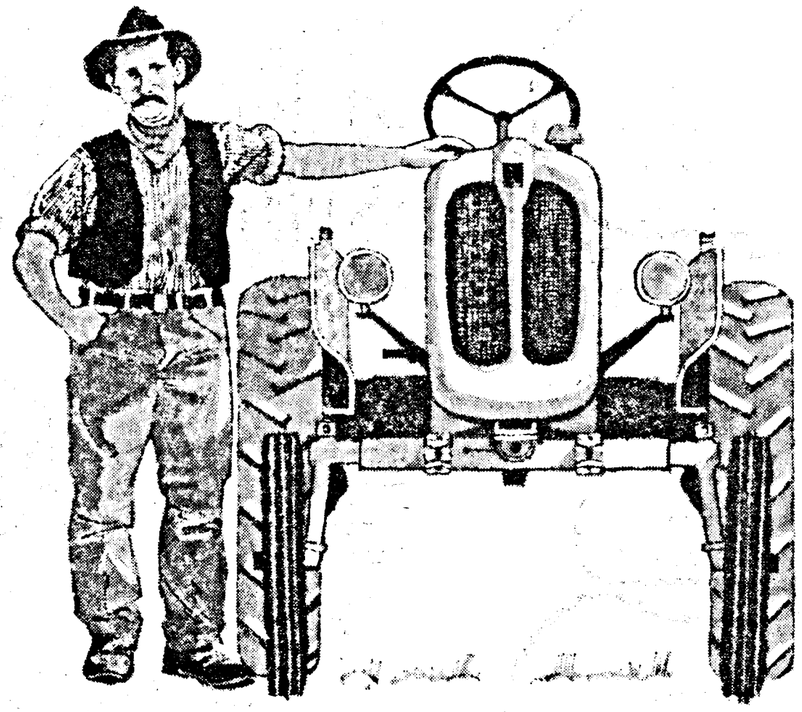
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VOLUME CCIII - NUMBER 6196

Its Own Executioner?

"WE shall not shrink," the Chancellor of the Exchequer told a conference of Conservative women on Tuesday, "from doing what we think is necessary." Mr Selwyn Lloyd never does shrink; that is why he has stayed to reach where he is. But what is it that he will not shrink from doing now? With some broken pieces of his incomes policy drifting away (instead of exports) through the dock-gates, he seriously contemplates putting all the wraps again, as he had to do last July, on demand, output—and expansion. It is like the Chinaman who burned down his house to roast his pig. Because the Government fears failure in its good bid to stop the push of inflating costs, it can think only, once more, of stopping everything. What will certainly shrink then will be the country's whole future prospect—and the Government's too.

Democratic governments dig their own graves. When they fail to persuade, to carry conviction, they fail to govern, and cease to be governments. "We cannot compel," Mr Macleod pleaded on Tuesday in pardon of the boltholes (77 industrial ones have been cited as well as the docks) in the Government's project to keep pay rises in line with production. But it is of no use for democrats to say that if only they had the power they lack to command observance of their policies, they could make these work; all they can, and should, command is respect. It is more relevant, sounder sense and better political philosophy to say (as Lord Hailsham says) that there are moral questions here for free citizens as well as their rulers to face; the state does not exist, as too many Tories and most Socialists believe, to make men good. But it does exist to help men to make the best of themselves.

No recognition of the responsibility of individual citizens, of the "selfish" employers and "arrogant" trade unionists the Prime Minister talked about on Wednesday, can chip the tiniest bit from the responsibility of representative parliamentary governments to make policies on the nation's behalf, and to make them stick: by outright persuasion and the frankest publicity, which are democracy's tools; and, because persuasion must never become just empty exhortation, by setting competitive incentives that will marry the citizens' and the nation's interests. "What the Government can do," Mr Macmillan said, "is to bring forcibly before the public—employers and employed alike—the need to match incomes with production." This it has not done. The tale of what happened in the docks two weeks ago has been told in too many contradictory ways; but clearly the Government, unable to command, did not really try to persuade or convince the employers where their, as well as the country's, true interests were. What is at issue is what the Prime Minister called, grandly, "the long-term shaping of the future"—which starts now.

It is not altogether surprising that foreign spectators of the melodramatic Tory downslide in the by-elections, which is not yet over, should conclude, too hastily yet, that the Government is down and out. What is astounding is that so many Tories themselves should be so death-wishful. Some, like Mr Lloyd himself, with the highest austere purpose, can see little choice but to go down into the shelters again and hope that better times will sound the all-clear. Others, weaker vessels, prefer appeasement: new measures, new men, anything to woo back the renegade voters. Without any doubt Mr Macmillan's government, in this over-long spell of Tory office, does need the new-blood transfusion and facelift that are talked about for July. But the charge of any new persons,

or new policies, must be to do right things better, that is more resolutely and more effectively, not to do different things for fear of fresh Orpingtons—or to run for cover against inflation into stagnation and recession.

Once, when Mr Lloyd embarked on the pause in pay, he had the chance of making history; even now, with his National Economic Development Council poised to make the pace for properly balanced and efficient growth, in world markets as well as at home, the chance has not gone. The plea to him now must be that he will have the positive courage of his conviction when he glimpsed the truth that the real spur to inflation was the push of incomes: but not the negative and self-defeating courage of his (and his counsellors') unfounded apprehension that the tide of demand may already be rising perilously. The complaint against the April budget was not that it ought to have injected a rip-roaring dose of added demand into the economy; it was that, having bravely started on a policy to contain incomes, not without effect, Mr Lloyd produced precisely the same, neutral, unstimulating budget that he would have had to produce if no incomes policy existed. And now he talks warningly, and depressingly, about another tightening budget in July. This is to give in.

The deepset difficulties of an incomes policy in a democratic country give no reason or excuse for not pressing forward with it. There are big misconceptions, as several ministers have recognised this week, about what is needed, or possible. It is nonsense to suppose, for instance, that keeping increases in line with production simply means giving everybody the same restricted rise. To give everybody, across the board, two or three per cent would be as absurd and as uneconomic (though by no means as calamitous) as giving everybody across the board ten or twelve per cent. The rise in output will set the total non-inflating rise in all incomes; but some will rise less, even not at all, and others more, perhaps much more. The proper test in a competitive economy is quite simply recruitment: scarcity of numbers in growing enterprises (and superfluity in declining ones); and, within the context of recruitment, rareness of quality and skill.

The trouble is, of course, that the British economy is not properly competitive. To make the incomes policy stick, to furnish the right incentives for it, the Government should already have embarked, without waiting for the common market, upon dramatic measures to give the process of pay and recruitment its right competitive setting: ranging from a large-scale lowering of high tariffs to the extirpation of resale price maintenance. This is what ministers should have been doing, instead of bewailing their impotence to make a pay policy work. But they should have been doing vastly more; they should have been loud every day by every means, and with detailed chapter and verse, about precisely what increases in this or that industry seemed to them to be in line with good national economics. They cannot wait for Ned to do this.

The danger now is that the Government may be going to throw away all that they have gained, yielding to the piecemeal claims of equity if not of pressure, and then curbing the whole process by curbing the whole economy itself, to the grievous hurt of exports as well as output. Cases in equity indeed there are, very different ones now from the days when coalminers were the least well rewarded of industry's workers. Scarce nurses and scarce teachers and probation officers and the rest, all these have claims that squarely meet the test of recruitment, which must be decisive, as well as of equity; but the cardinal criterion is that any increases must go to the right workers in the right places in the professions and industries beset by shortages of staffs or skills; the cardinal veto is that they shall not be given regardless to everybody else.

Easier said than done, the critics and the cynics and the politicians and the trade unionists will say. Yes, indeed: the upshot in a free society will at best be vastly less than perfect. But only by such endeavours can the country hope to grow forward, as it surely must, without inflation, its perennial parasite. And if the Government now looks away to any other resort it will be, politically as well as economically, its own executioner.

Chapter for Robbins

Britain's critical shortage of teachers is a direct result of past failures to expand higher education of all kinds

Love and marriage are the real culprits behind the crisis in English schools. Or so says the National Advisory Council on the Training and Supply of Teachers in its latest, rather hangdog, report published on Thursday. The predicament is quite simply stated. In 1960-61, 17,000 women joined the teaching profession after training—and nearly 16,000 left it, the older ones into retirement, but 10,000 young ones in order to get married or—more important—to have their first children. If this rate of wastage, which happens to have little or nothing to do with salary scales, continues to rise as it has been doing, the Minister of Education will be lucky if he gets a net gain of 500 women teachers a year in the mid-1960s; and this despite the doubling of residential training college places by 1966. By taking all the qualified men he can get (which may actually mean choosing them for training places instead of some more able girls) the Minister will have a net increase of about 5,500 teachers a year up to 1970. This is certainly less than half as many as the schools will need.

On the national advisory council's calculations, the teaching force in maintained schools in England and Wales (i.e., excluding independent schools, direct-grant grammar schools and special schools of all kinds) will have to increase by 100,000 over its 1960 figure of 264,000 simply to fulfil "current policies" in this decade. This means in order to absorb the intake from the second post-war population "bulge," to reduce classes to a manageable size, and to cater for the growing "trend" towards voluntarily staying on at school after the age of 15. Since the council seems to be banking on some levelling-off in the birthrate from now on, it may have made a conservative estimate of consumer demand. As the chart on page 761 shows, the birthrate has risen steadily (to the demographers' repeated surprise) for the past six years and may still have a kick in it yet. The minimum shortfall of teachers by the end of the 1960s will not be less than 50,000, and the problem will be particularly severe in the infant and primary schools, where women predominate. If the Government raises the school-leaving age to 16, as the Crowther report recommended and as most other advanced countries either have already done or mean to do in this decade, there will be a further shortfall of 20,000 teachers. But unless very drastic steps are taken to staff the schools, governments are likely to shelve the idea of raising the leaving age almost indefinitely. This is the measure of the crisis.

In the long run—that is, up to 1980—the only way to build up teaching strength is, as the Minister himself puts it in his letter to the chairman of the NAC, by "a massive expansion of the base of higher education." This is a sentence that should be digested by the Robbins committee and by the Treasury. (It may be remarked that the NAC, in its innocence, has based some of its present calculations on a more rapid expansion of the universities than the Treasury is currently prepared to countenance.) But two things are clear enough. The first is that any post-Robbins expansion is not going to add a single teacher by 1970. The second is that even a major training college expansion will not be enough to fill the gap by 1980 unless a substantial number of married women can be persuaded to return to teaching at the age of 40-45, when their own children are safely established at school.

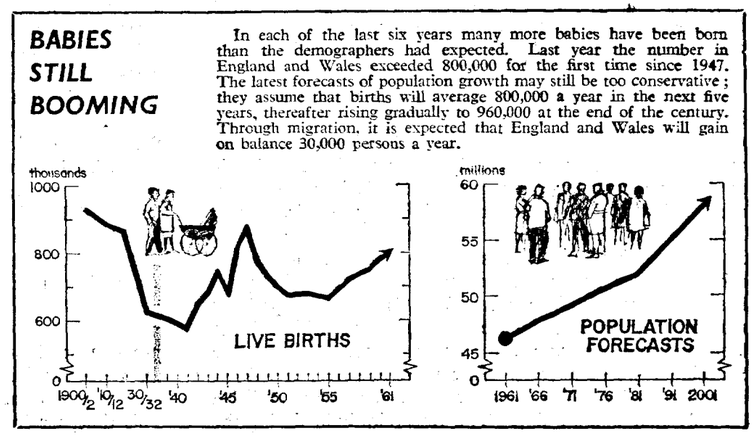
It is possible that the flow of returners (2,600 have come back in the past year after a special appeal) will pick up in ten years' time. If women do have their children in the early twenties, there is a greater prospect of their wanting a job, or an interest, in early middle age than there has been under the previous professional pattern of later marriages and child-bearing. But this is still largely speculative. (If the women do not return, one incidental effect could be to produce a majority of men teachers before 1975.)

The urgent need now is to make the best use of the manpower and womanpower available. There is no longer (as there was in the mid-1950s) any shortage of qualified applicants who want to train as teachers; in fact, good candidates with at least one "A" level in the GCE are at present being turned away. The Minister is now asking the training colleges to squeeze in as many as they can and to accept day students, some of them commuting over long distances. More day colleges, particularly for older applicants who probably mean to make teaching a serious career, are to be started. These methods should provide an extra 7,500 places. More, too, can be made of returning part-time teachers: Sir David Eccles hopes to double the present number to make up a full-time equivalent of 15,000 by 1965. The chief snag here is that in comfortable suburbia (like parts of Kent) there are more part-time volunteers than the local authority needs, while in Gateshead and West Bromwich, which really do have over-size classes, there are not enough.

In the Commons last week Sir David floated two other proposals—one for auxiliary helpers in schools, the other for initial two-year training courses for girls with their eyes already on marriage—which have had a distinctly mixed reception. Those Labour members who howled down the idea of "child minding" may now be regretting their hastiness: even socialist strongholds like the London county council already employ auxiliaries in infant schools (i.e., for children between 5 and 7) to do the nannying and other odd jobs under the supervision of qualified teachers. The National Union of Teachers, whose executive also jumped the gun last weekend, has now wisely had second thoughts. Its secretary, Sir Ronald Gould, who seems to have grasped that the union has a public responsibility to fulfil, has since given a qualified acceptance to the auxiliaries. It may have been apparent to him that the only alternative would have been to raise the compulsory age of entering school to 6 at least. There are now 50,000 infant teachers; to cope with the "bulge" another 20,000 are ideally needed by 1970. If the Minister can get 10,000 auxiliaries, the worst need not happen.

Sir David's second proposal is something that even he does not seem entirely happy about. It would mean that a girl who did not expect to teach for more than five years before marriage or child-bearing would take a two-year training course. If she wanted to go on teaching after five years, or if she returned to the profession later, she would take a further year's training to achieve full qualification. The NUT is pretty sternly against this, regarding it as a means of introducing sub-standard teachers. The union is all the more sensitive on the point since it has just secured a three-year training period for all non-graduates—a step which should eventually lead to the training colleges giving their own degrees.

The notion of an interrupted course of any kind is still anathema to the cosy British academic tradition. But as the base of higher education expands people are going to have to get used to the idea of students dropping out (as they do in other countries) for all kinds of reasons and then returning to finish their studies. It is difficult to believe that two-year trained teachers could not play a very useful and acceptable part in, for example, team teaching—where the head of the



team dealing with a large class would always be a senior person. There is a great deal more that needs to be done in Britain in trying out new teaching techniques, and also in making the best use of mechanical aids—as efficient teachers are generally anxious to do. The NUT has every right to watch its own members' interests, but it will not win many friends if it gets into a habit of shooting down new ideas on sight.

It is obvious enough that a collective miscalculation, originating with the hapless demographers, has played a big part in the growth of this national predicament since the birthrate leapt upwards again in 1955. But even if more training facilities had existed, the high wastage rate among young women teachers in the last few years would probably have nullified most of the sizeable investment involved. The real lesson is that a country with as narrow an entry to higher education of all kinds as Britain still has, is bound to run into crises of this kind whenever a sudden strain is put on trained resources in any sector. In this decade Britain will not only need more teachers in the schools, it will need them in universities, technical colleges, commercial colleges—it will need trained people all round. And the demands in the 1970s will be even greater. This is why the country must take deliberate aim to raise the school-leaving age in order to exploit its full potential talents, and why the present bottleneck at 17-plus has to be removed by hook or by crook against all the resistance groups. More than anyone else, the NAC has written a key chapter for the Robbins committee.

Bread for Hongkong

The refugees from China bring dangers that compassion alone cannot remove

THE refugees who knock illegally at the gates of Hongkong bear an unspoken message about conditions in China, though the exact value of the message may be hard to assess. Turning them away, as the colonial authorities have been doing, tells us a great deal, and in a more precise way, about conditions in Hongkong itself.

Turning refugees away is always altogether repugnant, but the humanitarians, including the international refugee organisations, have to reflect before they cast too many stones. When the second world war ended, Hongkong's population had fallen to 600,000; now it is well over three million. Nobody knows the exact figure. The uncertainty reflects the fact that there have always been two streams of immigrants from China, the legal and the illegal.

A legal immigrant, who may or may not be a refugee in the strict sense, is a Chinese from Kwangtung province, of which Hongkong is geographically a part, who arrives armed with a Chinese exit visa and a re-entry permit as well. If he comes from elsewhere in China, he would do well to have a wife or an aged mother living in the colony. In any one day, fifty immigrants from Kwangtung are legal; the fifty-first has to queue up next morning. For the rest of China, there is no quota and admission depends largely on the credibility of the life stories told on arrival.

Since more than a million migrants have come to Hongkong in the last twelve years, the colony cannot be accused of inhumanity. The job accomplished in re-housing some tens of thousands who formerly clung to the hillsides in insanitary shacks has been remarkably efficient. There is misery, inevitably, in the crowded colony, particularly in Kowloon and the leased territories on the mainland, but there is little begging, and that is not the least of Hongkong's miracles. Now something dangerously like saturation point has been reached. Water, not food, is the worst problem (voluntary organisations have been generous with gifts of food and the Americans, for instance, are sending some $5 million worth a year). Just now, however, Hongkong is perilously dry. The rains are late and water is available for only four hours a day. The reservoirs built during the past few years provide the rationed trickle but would soon dry up if uncontrolled immigration were allowed. Moreover, on Wednesday the communist authorities, who are short of water on their side of the border, turned off the tap controlling supplies for Hongkong. The situation is thus grimmer than ever.

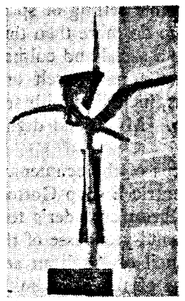
That, in its simplicity, is the predicament. Unless some country or countries come forward with offers of living room, not for small quotas, but for hundreds of thousands of immigrants, criticisms will seem out of place. President Kennedy's decision, announced on Wednesday, to admit 4,000 immigrants from Hongkong, though welcome, hardly touches the problem. Until last week the Nationalist authorities on Formosa were not prepared to take more than 1,000 a year, able-bodied and carefully screened. Now President Chiang Kai-shek, who has living room problems of his own and a growing army of new mouths and unemployed, has thrown Formosa open to immigrants from Hongkong. Nothing, however, has been said about providing transport to Formosa, and the offer has political overtones embarrassing for Hongkong which, now as always, survives by courtesy of Peking.

This is not, of course, the first refugee crisis in Hongkong's post-war history. In 1956, when restrictions were imposed after a period of latitude, the communist authorities reminded Britain that under the original treaty arrangements governing the cession of Hongkong, all natives of China were to have unrestricted access to it. True, the communists did not press the point, which they may have found embarrassing. The present difficulties have been discussed in Peking between British representatives and the Chinese government, but there is no sign that the Chinese intend to hold the British to the letter of arrangements that have become unworkable.

THERE are, however, baffling elements in the situation now. When previous waves of refugees appeared, the Chinese frontier guards often fired at those who sought to escape. This time, far from firing, they seemed, until this week, to be helping the refugees to find the best illegal routes into the colony. Were the Chinese authorities, beset themselves by starvation, seeking to find out what the traffic will bear? Or showing the discontented that, like it or not, they will have to stay put?

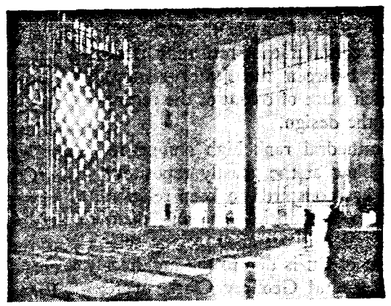
These are natural questions to ask, but no exact answers can be given. China has been short of food since 1959, when a cycle of natural calamities and poor harvests set in. Recent estimates of nutritional standards have varied greatly, ranging from the starvation level of 1,150 calories a day to the incipient undernourishment of 1,900. The latest arrivals in Hongkong have been hungry but not starving, but this fact, though interesting, is hardly conclusive. If people are starving in parts of China, they can be in no condition to seek refuge elsewhere.

The human problem of an undernourished population is bedevilled by politics. Officially, the Chinese government does not admit that there is a problem, and this non-recognition is itself as political a decision as America's non-recognition of the Chinese communist regime. Of the grain bought abroad, notably from Canada and Australia, during the past three years, much has gone to Russia, to settle debts, to Albania to keep a distant satellite friendly, to the Chinese army to keep it fitter and happier than the peasants who take the road to Hongkong, and to the cities most likely to be seen by foreigners. Russia is in no position to help, even if Mr Khrushchev thought it worth his while to aid ideological deviates. America still bulges with surpluses and the United Nations with good intentions, but the two are one in Peking's eyes and equally anathema. If this year's rains fall where they are needed and are not excessive, the Chinese people's plight may be eased. If not, the countries that have either space or food to spare (and Russia is among the first) may have to think fast and clearly.



Stones for Coventry

The new cathedral has its distinctive message for the modern church



THE consecration of Coventry cathedral this week is a great event for the Church of England, but its significance extends well beyond the confines of the Anglican communion. It constitutes a major breakthrough in the world-wide effort to present religion to the people in terms of contemporary art and architecture. Christianity may or may not be accepted as truth, but shrouded in out-of-date ecclesiastical architectural forms, masked so often by the shoddy and second rate, it does not nowadays look true in modern terms. The achievement of Coventry cathedral is to speak to this generation in its own idiom and to make religion once again seem relevant. Whatever disputes may rage over the precise place that Coventry should be accorded in the grand procession of European cathedrals, this fact will remain. And it could have happened in England in no more suitable place than Coventry, the Leeds of the twentieth century, a city stamped with the aspirations and failings of the age which has made it great and prosperous.

Architecturally, Coventry cathedral is extraordinarily simple. Sir Basil Spence, breasting the tide of criticism which for over seven years has threatened his creation with modification and at times even extinction, has remained faithful to the vision which first came to him, pacing the ruins of the old St Michael's in October, 1950. The juxtaposition of the old and the new, the pinnacle and the rock, suffering and resurrection, is satisfying both symbolically and architecturally. The porch connecting the two parts of the cathedral and framing the sky with its canopy and tall cylindrical columns is both beautiful and useful. Through it will pass a stream of men and women, moving from the factories to the city centre; glancing to the right through Mr John Hutton's soaring glass screen they will be able to join momentarily in the cathedral services. This openness to non-ecclesiastical life which would have so scandalised Pugin is a recurring theme in the cathedral, echoing along the unencumbered nave and reverberating in the chapel of Christ the Servant, a cylinder of clear glass which uses technological and industrial Coventry as a backdrop.

Simplicity of conception and construction are matched. The weight of the cathedral rests on the eighty-foot high double walls, an outer wall of pink Hollington stone (a real wall not a curtain), and an inner one of precast concrete blocks. A coarse textured grey-white plaster covers the inner wall which contrasts with the floor of black Kellymount marble from Ireland. Looking south, the nave with its concealed windows is a little austere but is saved from dullness by the graceful pillars of precast concrete which support the fan tracery of the canopy and taper down into bronze pegs only two inches square.

Sir Basil Spence, to whom a rood would be an abomination, has focused attention on the altar with its backcloth of Graham Sutherland's tapestry of Christ in Majesty. In colour and form this tapestry is masterly. The great central ellipse with its inner oval formed by Christ's clothing and four broken rectangles containing the symbols of the evangelists is best seen from the extreme end of the nave. On approaching nearer the serenity of Christ's face grows, but the clothing becomes more representational and takes on the distracting appearance of a woman's dress. The tapestry is so overwhelming that it tends to eclipse the altar, a long concrete table inspired by Leonardo's Last Supper at Milan. Graham Clarke's altar cross—perhaps the most beautiful single object in the cathedral—also suffers by half-merging into the Suther-

land crucifixion filling the lower part of the tapestry and forming the reredos to the Lady Chapel. The boys' wooden choir stalls projecting into the sanctuary are a further distraction which could have been lessened had they been made of Sir Basil's chosen material, metal.

COVENTRY'S glass, engraved screen and windows, has rightly been hailed as the cathedral's outstanding feature. Only one window is seen on entering, John Piper's and Patrick Reyntien's baptistery window, a great, glowing mass of red, blue, green and yellow glass, symbolising with great subtlety of colouring the light of the Holy Spirit penetrating the complicated activities of men. Below it stands the font, hewn out of a rough boulder from the valley of Barakat near Bethlehem. The ten nave windows, invisible from the entrance, are orientated south to form the angled window recesses. As the cathedral faces north this allows sunlight to pour in all day, but it also has a symbolic significance. Sir Basil's intention was that the full beauty of the cathedral should be revealed only to the communicant returning from the altar rails. The contrast between the rather sombre approach to the altar and the rich blaze of colour of the return gives deep religious feeling to the design.

The works of art in the cathedral rank high among its glories. They strike a death blow at the ghastly repository *bric-à-brac* which for so long has conspired to keep religion from worshippers. The cathedral authorities—*mirabile dictu*—gave Sir Basil a free hand and this act of sagacious self-abnegation has paid off. Great credit is due to the architect for his courage. Laurence Lee and Geoffrey Clarke were unknown students when Sir Basil selected them to design the glass for the nave. Epstein, who is magnificently represented by his powerful and compassionate St Michael, as well as by the captivating door knobs in the entrance porch, is not exactly the favourite son of the churchy.

Geoffrey Clarke's crosses are outstanding wherever they occur, as are Elizabeth Frink's little masterpieces. Her mitre crowns the towering bishop's throne, reducing the ordinary to his proper human size, and her bronze eagle, quivering with life, forms the lectern, ready, unlike the normal paralysed brass species, to pounce on any dozing member of the congregation. Outstanding also are Hans Coper's pottery candlesticks and the crown of thorns designed by Sir Basil for the Gethsemane chapel. Ralph Beyer's clear lettering in the nave reflects the genius of Eric Gill and John Piper's flowing vestments in the papal colours are both dignified and gay. The only weakness is Einar Forseth's Swedish stained glass which is in the worst tradition of Victorian glare, but is happily tucked away in a side passage.

THESE splendours, such is the corrosive power of original sin, have stirred up an undercurrent of criticism in Coventry itself. "Why this waste?" is being asked, as if it had not already received a reasonably authoritative answer. In fact, the cathedral has been astonishingly cheap, costing only £1½ million. The primary purpose of a cathedral remains what it always has been—to offer to God the best that man can give, and to enable the great religious ceremonies of the diocese to be conducted in a suitable setting of space and beauty. Yet Coventry is intended to do more than this. Like its medieval predecessors it will be a social and cultural centre. A theatre is incorporated in the nave itself and beneath the floor lies a network of rooms, including a library, a lecture hall and a broadcasting studio. Music and drama will centre about the cathedral.

Coventry is also intended to be a focus of the ecumenical movement, an idea fostered by the eccentric Bishop Gorton, which finds its chief expression in the grim crusader's tent of the chapel of unity. In June, a thousand-year lease of the chapel will be given to the Joint Council of Anglican and Free Churchmen. Yet another purpose of the cathedral is to support five chaplains who, freed from the distracting routine of parish life, will be able to concentrate on specialised work such as the industrial mission now being conducted by the Rev. Simon Phipps. These activities may help to win the hearts of down-to-earth Midlanders, but the cathedral's beauty should exercise its own sway. Its existence will challenge church builders everywhere to shake off their Gothic and tractarian chains and embark on the adventurous, if sometimes perilous, course of presenting religion to contemporary man in terms which he can understand.

Doctors Galore

Would an international body watching over access to Berlin help the patient, or just argue while he died of strangulation?

FOR fifteen years now, control of the access routes to west Berlin has been a question of life and death for the city. It is not surprising that there should be hot debate between Bonn and Washington about the composition of the international authority which, the Americans are now suggesting, should supervise access to the city and arbitrate over any disputes. The argument has been aggravated by one of Dr Adenauer's periodic bouts of alarm at the general posture of his Anglo-Saxon allies in east-west matters and by American irritation with his growingly unpredictable ways of asserting his views; and this has in turn stirred up all the latent doubts in German minds about Dr Adenauer's continued capacity for leadership. But this week the emotional dust has been settling a little. On Tuesday the Germans handed a counter proposal on the international authority to the Americans. The actual issue, the access authority, which should be a principal topic in the next round of exchanges between the Americans and Russians, deserves a closer look.

The American proposal is an attempt to find a means of bridging the gulf between the Russians, who assert that the German Democratic Republic already has the sovereign right to control access to Berlin, and the western powers, who assert that the allies, and the west Berliners, who do not even recognise the DDR, have rights which stem from the agreements reached with the Russians both at the end of the war, and in 1949, after the Berlin blockade. Why not, suggest the Americans, hand over control of the routes to Berlin to an international authority of some thirteen members, with five drawn from the east, five from the west, and three neutrals holding the balance? The inclusion of neutrals, it is argued, would take some of the sting out of the clash between east and west in Berlin, and subject the Russians and east Germans, as well as the West, to the critical gaze of world opinion. The inclusion of east and west Germany in the access authority would be a concession to the east German claim for wider acceptance in international affairs, without conceding or even raising the question of actual diplomatic recognition. The Americans know well that the gulf between themselves and the Russians on Berlin goes deep, but here at least is a plank which might be thrown across it.

Right from the start some features of the proposal caused alarm in Bonn; they were criticised quietly and sensibly by Herr Schroeder at the Athens meeting of the Nato Council, and loudly and annoyingly by Dr Adenauer at his press conference in Berlin on May 7th. The fears were systematically set out by Mr Sebastian Haffner in a characteristically carefully argued article in *Die Welt* of May 15th. For a start, Mr Haffner points out, a measure of recognition for the east Germans is in fact implied. Views are bound to differ on what degree of recognition may be really involved, but four other objections seem more pertinent. The east Germans would be judges in their own case, Mr Haffner suggests. They are the main people who are likely to obstruct the routes to Berlin; yet as members of the access authority they would help to decide on cases of obstruction. The west would also have a weak voting position in the new authority, he argues. The five western members would probably be less united than the five eastern ones and so less effective. And the neutrals would be insufficiently interested in the whole business to be really vigilant defenders of free access to the city. The three European neutrals (Sweden, Switzerland and Austria) whom the Americans propose for the tricky job of arbiter would be highly vulnerable to Russian pressure, and so reluctant to get into trouble by opposing the Russians on some crucial issue.

THE chaff of Mr Haffner's analysis plainly needs separating from the good grain. To argue that European neutrals would not be interested in the Berlin question or that they might lean to the eastern side is to push fears for Berlin's safety to excess. But there is obviously a real possibility that the Austrians and Swedes (though not the Swiss) could get into an awkward spot if they found themselves opposing Moscow in a major tussle between America and Russia. Some less exposed neutral umpires may have to be found. Plainly the role of the east Germans in the authority will also have to be examined carefully and will be a difficult part of the negotiation.

This week's proposals from the west Germans are an attempt at compromise between the original American suggestion and the doubts Mr Haffner voiced. What irked the Americans about Dr Adenauer's outburst in Berlin was the total absence of any constructive counter-proposals. Now the Germans have produced an answer. They have suggested that the four occupying powers shall remain responsible for access arrangements as they are today but they should be assisted by an "operating" body of neutrals who will take decisions by unanimous vote. The east and west Germans would help in a technical capacity without votes.

The difficulty is that this watering down of the American idea might make it even less acceptable to the Russians and east Germans. For some years they have been protesting that rule by the former occupiers is out of date. Perhaps the main flaw in Mr Haffner's arguments and in some of the current thinking in Bonn is the assumption that the present condition of Berlin is the best that can be had, and that it can be kept. Of course any international authority might provide opportunities for obstruction. Physically, after all, the east Germans and Russians are in a position to chop through Berlin's arteries today, either at a stroke or slice by slice. It seems better to seek to devise an arrangement which the Russians might conceivably operate with at least sporadic goodwill than to stand pat on a position which leaves the West vulnerable to communist harrying and involves incalculable dangers for both sides.

There is, of course, no guarantee that any reasonable western proposal for an international control authority would be accepted, or even considered, by the communists. In Prague last weekend Herr Ulbricht rejected the American ideas lock, stock and barrel. Allied troops must be withdrawn from Berlin, he declared. Sovereignty over the routes to Berlin belonged to east Germany alone. But opposition from Herr Ulbricht to moderate western proposals does not necessarily condemn them. He may have an interest in prolonging a state of tension in Germany—even to the brink of nuclear war—which Russia does not share. Before the proposal for an international control authority is dropped in disgust, it should at least be elaborated in a form which makes some attempt to meet Russian preoccupations, and tried out in one of Mr Rusk's encounters with Mr Dobrynin, the Soviet ambassador in Washington.

It would be both wrong and unfair to be too irritated with the west Germans for the resistance they have been putting up to this first modest American attempt to break the deadlock in central Europe. In the last six months, Bonn has moved some way from the rather rigid doctrines which immobilised German policies hitherto. The process is a painful one, and occasional cries of protest, like Dr Adenauer's in Berlin, are natural enough. The west Germans still have a way to go, if they are to play a helpful part in east-west exchanges. But this week's memorandum does reflect the recognition in Bonn (even by Dr Adenauer) that it is wiser for west Germany to co-operate with the United States and do its best to try to influence the unfolding east-west talks than merely to try to bar the way.

The upheaval in Bonn in the past fortnight also has a moral for west German domestic politics. As minister of the interior Herr Schroeder was not popular; he was regarded as one of Dr Adenauer's good boys. As foreign minister, he has in the past few weeks been acquiring the reputation of a man who can also stand up to Dr Adenauer in his errant moments and remind him of the painful necessities of German policy, like the alliance with the United States. And it is particularly encouraging that this show of ability to face up to the Chancellor successfully and adapt German policy to the new realities is winning him nothing but credit in his own country.

NOTES OF THE WEEK

NYASALAND AND RHODESIA

Mr Butler's Duty

Due back in London this weekend, Mr Butler seems to have left behind him in central Africa a distinct impression that Nyasaland will soon be let go. Indeed, Dr Banda will be in London during June; the discussions at the central Africa office that will then take place now seem likely to end in a plan for Nyasaland's secession from the federation that binds it to the two Rhodesias. At the same time, however, Dr Banda will be begged, earnestly and repeatedly, to count the economic cost—and, perhaps, to agree to loose links with a pair of economically (but not necessarily politically) associated Rhodesias. Mr Butler's disposition, in short, seems to be towards getting the best possible economic deal for central Africa. If this is to have any chance of working, the Government should look more closely than ever at Dr Banda. He is being allowed to secede because, indisputably, he has acquired a popular mandate to do so. For the same reason there is hope that, as head of an elected government, he will grow less intransigent.

There is only a shadow of such a hope in Northern Rhodesia. The rickety constitution under which the protectorate will go to the polls in October makes it a matter of luck whether or not a decisive account of the people's will can be given. Luck can, however, be given a helping hand by Mr Butler, whose duty it now is to remove all technical obstacles in the way of free politicking by the African parties.

This means, as Mr Kaunda has demanded, an impartial delimitation commission; freedom for African politicians to campaign wherever they wish; automatic registration of party branches; release of genuinely "political" prisoners (and opportunity for such people to vote); and removal of certain restrictions on the registration of voters. Registration, it seems, is more difficult for qualified Africans in Northern Rhodesia than it was in Nyasaland. A local newspaper has pointed out that Africans who have lived in the territory for decades, but were born outside it, must become federal citizens before getting the vote. This puts many educated Africans in a difficult position: either they have to register as citizens of the federation they are determined to break, or they lose their chance to vote against it. In small matters as in large, Mr Butler has much to do.



Roy and Rab

FRANCE

Dialogue of the Deaf?

Characteristically President Kennedy has not taken General de Gaulle's remarks on May 15th about Nato, the French deterrent and the role of the United States in the world lying down. At his press conference on May 17th the President voiced his disapproval of the independent French deterrent and spoke of the dangers of a proliferation of nuclear weapons. In a speech on May 19th he returned to the theme with greater emphasis. American willingness to bear "our full share in western defence is deeply felt, but it is not automatic." Europeans must not take it for granted. Put more crudely, if Europeans persisted in the kind of stubborn attempt to go it alone militarily which General de Gaulle was advocating, they might hasten the evil day of an American withdrawal from Europe instead of ensuring against it.

The President's fearsome words may have frightened some people, but there is no sign that they have affected President de Gaulle. In a speech at Limoges on May 20th he returned to some of his own pet themes. The Atlantic alliance was necessary, but France must have "its will, its personality, its soul, its policy." It now had the task of constructing a united Europe on the practical lines France had suggested.

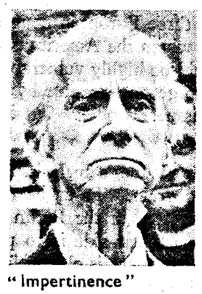
On Monday Mr George Ball, the American Under Secretary of State, called on M. Couve de Murville, with the idea of urging him to accept Britain's application to join the common market. His plea was apparently a muted one, and rightly so. If the experience of the European Defence Community is any guide, forthright American advocacy of a European project is one of the best ways of stiffening Gaullist resistance to it.

Yet if President de Gaulle is not amenable to Anglo-Saxon persuasions, this does not necessarily mean he has definitely decided to block British membership of the common market. In Brussels the negotiations between the British and the Six in the past ten days have made little progress on two crucial issues—"zero tariffs" and "comparable outlets" for Commonwealth agriculture. But at the same time the Six are obviously making efforts to get their key men to Brussels to thrash things out. In Luxemburg on Tuesday the French blocked the starting of talks on British entry to the European Coal and Steel Community; but the trouble was mainly due, not to a French wish to obstruct the British, but to a dispute within the community between the advocates of an integrated Europe and *l'Europe des patries*. General de Gaulle's somewhat rigid picture of Europe does not expressly provide a place for Britain, but neither does it expressly leave it out.

LABOUR AND CND

Dissidents of May

Chiefly, it seems, because of Mr Crossman's advocacy, the Labour party's national executive committee decided on Wednesday not to expel Lord Russell (a) during his 90th birthday celebrations and (b) without giving him a chance to explain himself. These curious, if sentimental, grounds for a stay of execution were also extended to Lord Chorley, Canon Collins and, by implication, Lady Wootton — all, like Lord Russell, sponsors of a "general disarmament and peace" conference to be held in Moscow in July under the auspices of the World Peace Congress, a familiar communist-front organisation. The executive is obviously hoping for a belated change of heart from at least some of those on the carpet which would save it from the internal rumpus that getting to grips with the Campaign for Nuclear Disarmament would necessarily involve. All this is simply so much water off Lord Russell's back; even his sympathisers' request for an explanation he described as an "impertinence." The right-wing members of the executive (two of whom are said to have voted for outright expulsion) should not have to bide their time long.



"Impertinence"

The May Day rumpus is still reverberating at all levels. On Monday morning *Tribune* bought a full-page advertisement in the *Guardian* to give its report of the Gaitskell meeting in Glasgow, with strictures by Mr Michael Foot on the leadership's imitation of Moscow-style "democratic centralism"—by which Mr Foot means decisions by the parliamentary Labour party. What is not denied in *Tribune*'s account is that plans to stage an anti-Gaitskell demonstration were widely canvassed well in advance of the meeting by the Glasgow CND, the Committee of 100 and the Young Socialists. This hardly tallies with the favourite left-wing explanation that the barracking was spontaneous, prompted solely by the content of Mr Gaitskell's speech (i.e., those 10 minutes of it that were heard).

The party executive did agree on Wednesday to proscribe the independent nuclear disarmament election committee, an organisation of CND members which intends to run its own parliamentary candidates. CND itself has still to make its decision at its annual conference; if it climbs on the hustings officially it has been served clear warning that it invites proscription. As for the actual electoral chances of CND candidates, it is relevant that in Glasgow itself, with a population of one million, CND claims only 700 members.

2½ PER CENT

The Case for Probation

Still insisting on an immediate salary increase of more than 2½ per cent, the nurses have refused to resume Whitley Council negotiations until the management side has given an assurance that this is not ruled out. But nurses are no longer the only public service to feel they have been badly done by as a result of the Government's incomes policy—although they continue to have a monopoly of public sympathy. Last week, on the eve of their association's celebration of its fiftieth anniversary, probation officers were also told that they cannot have more than a 2½ per cent increase this year.

For probation officers the Government's decision is the more galling in that they have been hoping for a substantial revision of their salaries for some years but were made to wait until the Morison committee reported. The recommendations of that committee, published two months ago, were in fact as favourable as could have been expected: increases were proposed of between 30 and 40 per cent, which would have brought the maximum salary, outside London, to £1,350 for a trained probation officer and to £1,650 and £2,600 for the senior and principal grades. Because, however, immediate increases of this size would obviously not have been acceptable to the Government, the probation officers agreed in the joint negotiating committee to an interim settlement of 10 per cent.

Now this has been turned down. The Government would certainly have found it even more difficult to resist the nurses' claims if it had agreed to 10 per cent—and, like the nurses, the probation officers have been promised a wider review of their claim at the beginning of next year. But, unlike the nurses, the probation service is clearly short of recruits; in addition, it is having to train officers on the job and it needs to expand from its present strength of about 1,750 to 2,750 in the next few years in order to cope with the increasing amount of work put upon it. If there were ever a case in the public sector for the application of the right kind of flexible incomes policy, this is the one.

Break, break, break

Less deserving cases have been developing their techniques this week to break through the Chancellor's incomes policy in the dockers' wake. The theatre musicians have announced in a suitably grave voice that they are underpaid; and they have given notice that, unless the situation is remedied, they intend to withdraw their labour after the last performance on June 9th from every theatre in the West End of London—with the exception of Covent Garden and Sadler's Wells. Their employers (the Society of West End Theatre Managers) have offered them 9d. in the £1, or 3¾ per cent, but the musicians demand a rise of £5 on their present minimum of £14 for eight performances a week, and they are pressing for the employment of live musicians where records are now used in theatres.

More subtly contemporary are the tactics of the 55 electricians at the British Motor Corporation's Cowley works, who downed tools and put 17,500 of their mates out of work while waiting for their claim to be settled—for 3s. 8d. a week each above the rise that the management had agreed to give them. Their view of the dispute has been that it is a fiddling amount, but a matter of principle; it does not seem to have occurred to them that the management would take the same view.

The most advanced technique of all is that employed by the civil servants, who are insisting that the doctrine of "comparability" should override every other consideration. Since the Treasury has gone on record as accepting this as a "primary" factor in the past, the civil servants' nagging on the point is a tricky one for a Chancellor pledged to hold the line in the public sector. If an incomes policy is to mean anything at all it should not countenance undiscriminating hoicks up of 5½ per cent all round regardless of the actual need to recruit, and conditions prevailing among particular categories of government employees. The arbitration court has now to make its choice between the stated policy of the Government, as employer, and the claims of "case-law" relating to the pay structure in the government service.

UNITED ARAB REPUBLIC

Arab Manifesto

Arab Nationalism, Arab Socialism and now, combining the beauty of the two concepts, an Arab Socialist Union. The new phrase is President Nasser's, created during the great five-hour speech with which, on Monday, he opened Egypt's National Congress of Popular Forces. The president was presenting a charter of action for the United Arab Republic; he was also, it seems, looking beyond Egypt in a bid to regain his lost leadership of the Arab people by defining what it is he can offer them. That the appeal was to people as distinct from most of their governments was brought home by his insistence that revolution is the only bridge to socialism and unity.

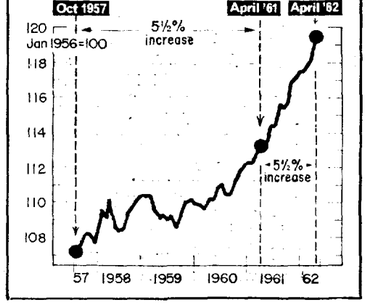
The charter provides inspiration, not working blueprints for socialism. But from the extracts so far available in London it is hard to disentangle what is firmly set on the far horizon and what is intended as a guide to present-day action. Insurance against old age and sickness, equality of the sexes are obviously, for Egypt, goals for the future; what, then, about freedom of expression or, say, the raising of local councils above the authority of the state executive? Two general principles emerge. First, the state should control all principal means of production, but people should still be allowed to hold and inherit a limited amount of land and property. Second, no single class of people should dominate the new co-operative society—but the former "capitalist exploiter" class no longer, it appears, count as people.

President Nasser's charter has been awaited with some anxiety. Substantially

RETAIL PRICES UP AND UP

The jump of 1.6 points in the retail price index between March 13th and April 17th was the largest for any month for six years. Part, but not all, of this rise must have been only seasonal; it was due mainly to higher prices for potatoes and other vegeables and increased local rates.

Over the last twelve months the index has risen as much as in the previous three and a half years.



less interest was aroused by the election, in February, of the 1,750 members of the national congress. The congress will be meeting this weekend to discuss the charter, each speaker being allowed 15 minutes. As the president recently told a Lebanese journalist:

> Actually, I do not believe in leaving matters to committees which meet, study and submit one proposal or another. I believe that it is more advantageous to turn over to committees clear-cut proposals which they can study, debate and amend.

The congress is unlikely to have much power even to amend. But it does, undoubtedly, represent groups that have never been honestly represented before. Probably its most useful function will be to act as antennæ for the presidency, keeping it more in touch than hitherto with what goes on in its revolutionary nation.

ARGENTINA

Wasted Years

HAVING failed to dragoon the politicians into submission, the Argentinian army has decided to do without them. On Sunday, the cabinet (which was nominated by President Guido, who, in turn, was appointed by the armed services) announced that parliament would go into recess until new elections are held in about a year's time. Meantime, the president will govern by decree. Lamely fighting back, the politicians turned up on Tuesday at the chamber of deputies to declare that this was all very unconstitutional. A cordon of police let most of them into the building, but tried to prevent some of the 47 Peronist deputies, whose election in March started the government on its slide, from getting in too. The incident ended in turbulence.

Tears for the collapse of representative government in Argentina should not be too freely shed. The economic and political record of the seven years since the fall of General Perón is lamentable. Despite the intermittent calls for a new economic policy of austerity and national self-sacrifice, the country's finances are in a wretched way. There are huge budget and trade deficits, the government is unable to pay its employees their salaries or pensions, the absurdly corpulent railway system has only been nibbled at, and the standard of living of the poorer classes has gone steadily down. Politically, the government could not be called democratic. When, through Dr Frondizi's over-confidence, the Argentinians were at last given a chance to vote for the people they wanted, a large number of them showed at once that what they wanted was to end the present state of affairs and return to Peronism.

Argentina's blessings have been squandered. Compared with other Latin American republics, Argentina is an advanced country. It is well ahead in economic development, its educational system is progressive, it is plentifully endowed with natural resources, and not vexed with racial problems. Whatever General Perón's failings (and they were manifest), he succeeded in smashing through the social taboos that strangulate some of the other republics. But these fortunes and advantages have not been greatly exploited by the leaders who, over the past seven years, have been fighting their endless tactical battles. Sadly, there is no evidence that the armed services, themselves scarcely less divided than the politicians, will provide enlightened leadership.

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THE CHURCHES

Anglican Liturgy

THE three hundredth anniversary of the Book of Common Prayer in its 1662 form has been marked by some very reasonable suggestions by the Primate that the Church of England should be given a modest degree of autonomy in ordering its own liturgical affairs. The need for reform of the liturgy to bring it more into accord with contemporary thought and feeling is obvious. As the Archbishop of Canterbury has pointed out, it is hard for some modern worshippers to pray in the sustained literary periods of Elizabethan prose. In any case, the whole of Christendom has been affected by the ferment of new ideas about worship and liturgy, and the Church of England is no exception.

The principal legal change proposed by the Primate is that the two houses of Convocation, together with the House of Laity, should be given power by a two-thirds majority in each body to authorise alternative forms of service for experimental use for a period not exceeding seven years. A further seven years' grace could be given by the church bodies, but after that the authority of Parliament would be needed for any permanent change in form. All that the House of Commons would be asked to do, therefore, would be to give ultimate sanction to the accepted practice of the church. This would still preserve the state's last word, which is inseparable from continued establishment. As the proposed changes are so practical and so minor there is little fear that the *odium theologicum* involved in the 1928 Prayer Book debates will be generated once again. That is more likely to come when the Commission on Church and State makes its recommendations on ecclesiastical appointments.

Meanwhile the Prayer Book (Alternative and other Services) Measure promises to give the church a more flexible instrument for gradually reforming her liturgy than she has had so far. The danger of a once and for all reform is precisely that the reform will be tied to the age which produced it. The 1928 Prayer Book is already dated. But the potential partial re-writers of the Prayer Book would do well to heed the Primate's warnings, first that the note of mystery should be maintained, and second that any re-writing should be in good English.

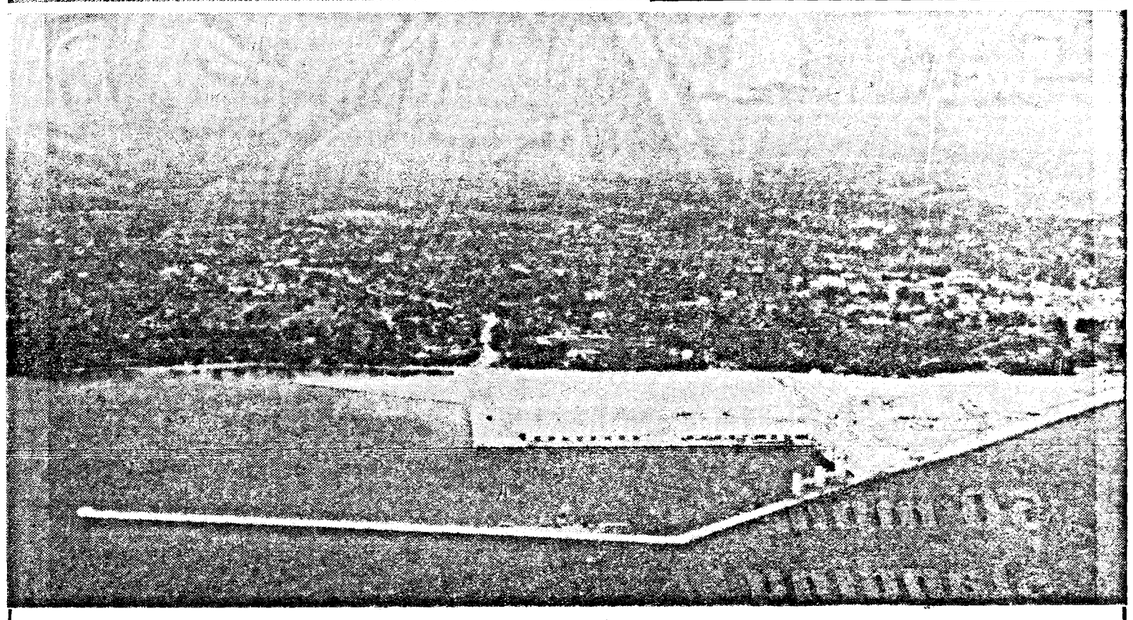
Presbyterian Confession

THE other established church—the Church of Scotland—has also been looking ahead, to the dismay of its conservatives, at the General Assembly in Edinburgh this week. The retiring Moderator, Dr Craig, stood unembarrassedly by his visit to the Vatican which is, however unimportant in a strict ecumenical sense, likely to prove one of the major contributions to the social relationships of the catholic and presbyterian communities in Britain in this century. It is particularly important that this lead should be followed up locally, as a fair section of the kirk seems prepared to do. The kirk has also been confronted with a resolute attack on antediluvian sabbatarianism, presented by its church and nation committee. Since this questions one of the tenets of the Westminster confession of faith, it plainly marks a break with the diehard past. It may also be significant that the new Moderator, Dr Davidson, has for long been an advocate of revising the Westminster confession in modern terms.

The kirk is still sensibly wary of the Anglican conditions for formal union (the Church of Scotland already allows Anglicans to take its communion without any similar concession from Canterbury). But the presence in Edinburgh of the primate of the Swedish Lutheran church has been a salutary reminder of how close full intercommunion could be. Both the Church of Scotland and the Church of England are in intercommunion with the Scandinavian Lutherans—although not with each other. The beam here seems very much in the Anglican eye. Perhaps it will get smaller as a result of the Anglican-Presbyterian Conference to be held at Durham in July. This conference is not intended to formulate definite schemes of re-union but the question of unity will be, as the tactful official phrase puts it, "under consideration."



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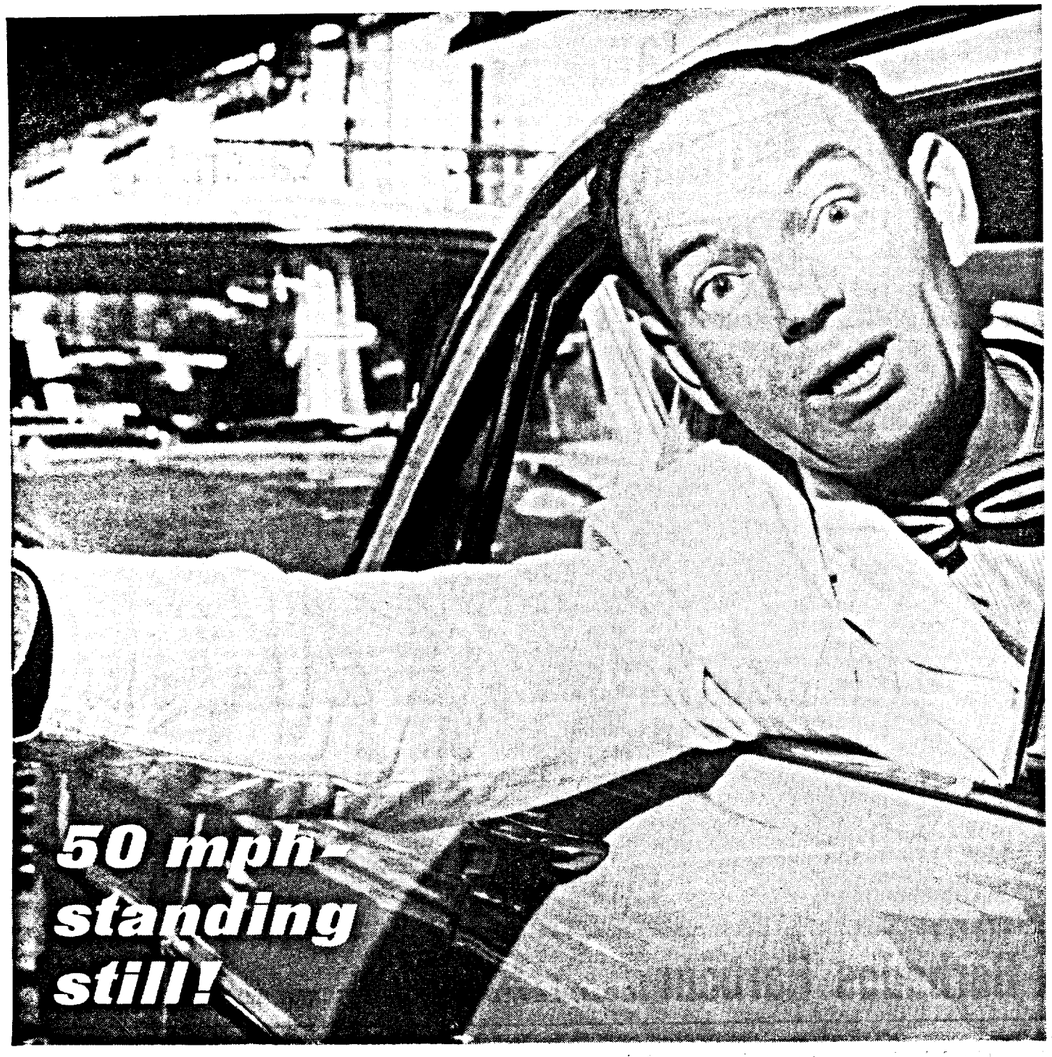
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LONDON SUBURBS

Maybe It's Because . . . ?

DR HILL'S geography is puzzling. His final definition of the outer boundary for the future Greater London Council excludes another four urban districts *in toto* (in addition to the three let off before the municipal elections), and another two—Chigwell and Epsom—are offered the judgment of Solomon: that is, the main built-up areas, including the Hainault housing estate in Chigwell, to go to the GLC and the remainder to placate the jealous county council. (Just what will local patriotism make of that?) In all, some 325,000 suburbanites have been relieved of having to call themselves Londoners and of fulfilling any responsibility towards the one place to which, in one way or another, most of them owe their living. Although Dr Hill rightly dug his toes in over another eight districts, this did not need too much moral courage: two of them actually declared that they wanted to be in the GLC area despite their county council's objections.

The Ministry of Housing and Local Government has so far had little to say about the criteria for these decisions. The authority Dr Hill has really had to placate is Tory Surrey, and to do this he seems to have decided to surrender those spinal developments that reach most conveniently into the green belt, although their physical attachment to the London conurbation can hardly be disputed. He can have paid little attention to where the populations concerned are actually employed. Banstead and Esher, each with a relatively high proportion of commuters, are both left out, but Yiewsley and West Drayton (with claims to be just about the most self-supporting of the fringe areas) stays in. In giving up Cheshunt, the one sop to Hertfordshire, the minister has overridden the Herbert commission's argument that the Lea valley development is primarily a London problem; both Edmonton and Tottenham have housing estates in the area. Finally, by releasing Staines and Sunbury, Dr Hill has set himself another little problem. Both these urban districts belonged to Middlesex, which, of course, is going to disappear anyway. So who will now get the waifs—predatory Surrey? Or are there no imperialists in Bucks? This has not been at all a happy exercise, and the backwash may yet be felt, not only when the GLC comes into being but also when the cries go up for exemption from some of the more imaginative proposals by the Local Government Commission elsewhere in the country.

FISHERY LIMITS

And Now Britain?

ANOTHER flutter ran through the fishery lobby when Mr Leburn, one of the Scottish under-secretaries, declared last week that the possibility of Britain extending its fishing limits was "under careful review." Mr Leburn had been pressed yet again to enforce the Herring Fishery (Scotland) Act of 1889 which would exclude foreign vessels from areas beyond the three-mile limit in the Moray Firth and elsewhere. Since this act was held (in 1907) by a later government to be contrary to international law, it is not enforced against foreign vessels although it is against British ones. Hence this particular recurrent outcry.

In the past ten years, while British distant-water and middle-distance trawlers have been conducting rearguard actions against the twlve-mile limits off Iceland and Norway, no government could well cave in to the herring men's demands, and it would be appalling tactics for anyone to think of doing so now, with the disputes over the Faroes (with Denmark) and the White Sea (with the Soviet Union) still unsettled. But it is already perfectly plain that a minimum of six miles is the best that can be got anywhere in the north-east Atlantic where there really are fish, and that probably (as off Norway) a ten-year phase-out period for trawlers between six and twelve miles is going to become standard practice. This was, in fact, the American-Canadian proposal that Britain voted for at the last, indecisive law of the sea conference in 1960. As an easy gesture of retaliation, the case for a general extension of British limits obviously has its appeal.

But the real, long-term need is not for the protection of local interests (whether they are Icelandic line-boats or Scottish herring-boats); it is to conserve particular fish stocks against the danger of general overfishing. This has always been the British argument against the flat imposition of national limit lines irrespective of biological factors, and it may have to be voiced again if other countries go beyond twelve miles and start claiming rights up to the edge of the continental shelf. One corollary to a common west European market in fish and fish products should be common rights of access to fishing grounds. If there ever is to be progress in this direction, it will not be helped by the British Government succumbing now to the protective pressures it has condemned in everyone else.

CAMBODIA AND KOREA

Death to Traitors?

WHILE Laos drifts and south Vietnam fights for its life, the other component of France's former Far Eastern empire, Cambodia, remains at least outwardly calm, united, neutral and sovereign. This does not mean, however, that the communists are not doing their worst. Last week fourteen of them, including Non Suon, the leader of the party—which in Cambodia

The Economist

MAY 24, 1862

ENGLISH AND IRISH PRISONS

Captain Crofton's resignation of his position as Chairman of the Directors of the Irish Convict Prisons—a step we fear partly necessitated by the measure of economy which deprived him a year ago of one of his colleagues, partly by inevitable ill health—is a serious blow to the public interest. It is the misfortune of the better methods of treating criminals—as indeed it is of all the highest methods of dealing with men generally—that they depend much more on individual wisdom, tact, and sagacity, than comparatively mechanical systems. As it was long ago observed of political constitutions that the corruption of the higher is much worse than the corruption of the lower, so is it certainly of penal and reformatory systems. The truer and nobler they are, the more do they depend on the individual sense and judgment by which they are directed and inspired. Sir Joshua Jebb's system for the English prisoners has this advantage, and this only, over Captain Crofton's in Ireland, that it is far less dependent on the individually superintending judgment of Sir Joshua Jebb than is Captain Crofton's. . . . It would be the principal merit of Sir Joshua Jebb's system that it would not miss Sir Joshua Jebb. . . . But the very merits of the Irish plan are those features in it which make its efficiency depend very largely indeed on the hand which guides the helm. It is not a routine system, but an individualising attempt, which succeeds in the hands of men able to reach by a kind of instinct each convict's better nature, and which might fail deplorably in the hands of men with none of this swift instinct. It has been Captain Crofton's great merit and great fortune to succeed eminently in the choice of subordinates of this class. . . . If they do not understand the tempers and capacities of the convicts individually,—what are their dangers, what their virtues, what the motives which have the happiest power over them,—the comparative breadth and force of the whole scheme is lost at once, and it degenerates into something worse than the gang-mechanism of Chatham and Dartmoor. On the English system, as we have said, the rise from class to class is at once a routine rise which can be arrested only by very exceptional misbehaviour, and is not of much importance to the men, because it does not in fact put into their own hands the power of materially shortening their own sentence. Whatever term is remitted to them is remitted merely by rule, and only violent or extremely reprehensible conduct will delay it. But on the Irish system, the rise from class to class is really a difficult matter, involving hard voluntary effort, and rewarded by a real and considerable shortening of the term of penal servitude.

English or Arabic?

JORDAN is thinking of having its own university. Hence the visit last week to London of a Jordanian royal commission charged with studying education in the Middle East, Europe, Britain and the United States. But between the dream and fulfilment are many rubicons to cross. Who, for example, will pay for it? A killjoy, indeed, might ask if a country so small and dependent on foreign aid should really be so ambitious. Yet the project is well in line with a general Middle East tendency to localise education. In the past three years Egypt has opened two new provincial universities to supplement its three old foundations in Cairo and Alexandria. So, even if Arabs knew no frontiers and had no political quarrels, a university in Jordan would not now be out of place.

But where, when and how—if at all—and what kind of university? These are the questions that the Jordanian royal commission seeks to answer. The only proposals so far are those of a British team of experts who were last year invited to Jordan to make a preliminary study. And these, though thoughtful in detail, raise some problematical points. Little fault is likely to be found with their practical approach to curricula which relate the country's resources to the kind of people it needs. Jordan is a farming country with a wonderful range of antiquities. Agriculture and archæology are therefore seen as the foci round which to group science and arts faculties. But medicine and engineering are thought not to warrant the outlay in equipment for the number of students training.

The siting of a university and the choice of teaching language are much more debatable issues. The proposed position, just outside Amman, is considered by many Jordanians to be too disturbingly near the capital's political flurries. Some speak for Salt, more detached, but still in the heart of east Jordan and so within range of the bulk of the population. Others still plead for Jerusalem, where once it was hoped that there might be a sublime supernational university to which middle easterners from everywhere would think it a privilege to come.

As for the teaching language, the British experts call for English and thus send an anxious tremor through every nationalist heart. Jordanians, already conscious of being politically isolated, may hesitate to drift as well from the mainstream of Arab educational development. All over the Arab east universities are turning to Arabic, sometimes even for science and medicine. (Teaching is often in Arabic even when textbooks are foreign: there is all the difference between reading a textbook slowly and taking in all the nuances of lectures and discussion.) This is not just for nationalist reasons, but because foreign language teaching handicaps students who are not linguistically gifted but may have great talent in their own subjects. Their difficulties have grown more marked since secondary schools—as in Jordan—gave up English language teaching in general subjects, even in their higher forms. Arabic is seen as opening up opportunities to every type of student; English as favouring an élite.

Were a university placed in Jerusalem, where so many tongues are spoken and foreign institutions abound, teaching in English might not be unseemly. But in deepest east Jordan—just how English could they decently be? The British experts point to Beirut university as offering a healthy English teaching precedent. But that is an American foundation with an international character, whose degrees are often a passport to a well-paid job abroad. A national university in Jordan whose aim is to produce useful citizens, not necessarily cosmopolitans, is not a true parallel. But the goodwill that prompts the comparison should not be overlooked. If Jordanians would learn in English they could almost certainly count on help from British universities, not least in the provision of teaching staff. And by this—the quality of its teachers—their venture must stand or fall.

A suggestion, however, made in a letter to *The Times* by Mr Eric Fletcher, MP, that London University might sponsor a Jordanian university as it sponsors universities in the Commonwealth sounds almost like killing with kindness. Jordan, in its own right, deserves the most generous and sympathetic aid that British universities can give it. But to offer it the Commonwealth treatment is, not only politically clumsy, but linguistically misconceived. Commonwealth countries contain their many and varied languages within their own frontiers and each can decide, without prejudice, on the merits of having its higher education anglicised: English can even be a bond in a country where many dialects are spoken. But Jordan's language is that of a great system of Arab nations who, however disunited politically, are united in cultural pride. The problem of finding teachers for a Jordanian university would certainly be great and would have, in the end, to determine its language policy. Yet Jordan might find an uncommitted way by having no rigid policy, using Arabic or English empirically, according to the staff it can muster, but with perhaps a bias towards English in a subject like archæology, in which it might hope to enjoy some international prestige.

is known as the Pracheachon—were sentenced to death for plotting to overthrow Prince Sihanouk's government. The Cambodian chief of state, whose admirable if intermittent leadership keeps his countrymen in his debt, has never hesitated to speak his mind about communism and its local practitioners.

Luck has supplemented the prince's ability, and his realism has put it to good use. Unlike Vietnam, which was partitioned, and Laos, which had two provinces in effect amputated, Cambodia emerged in one piece from the Indochina war. The Laotian and Vietnamese communists achieved recognition during the Geneva conference of 1954, but the Cambodian communists were ignored. Another favourable circumstance is that the Pracheachon so clearly takes its orders from Hanoi and not from Peking (still less Moscow). This helps Cambodia to keep its neutral balance. The point was presumably taken in the right quarters last January when Prince Sihanouk, in a speech commenting on the arrest of the Pracheachon men, specifically absolved Peking from responsibility for the alleged plot and put the blame squarely on north Vietnam.

In south Korea, too, the death sentence is being used as an instrument of policy, but in very different circumstances. On Sunday, six soldiers were sentenced to death in Seoul for misappropriation of army funds. This must be seen as part of the continuing campaign against corruption initiated by the military dictator, General Park. There are, however, signs of a softening. Two weeks ago, General Chang, the original "front" man of the military regime, was released from gaol; and last week, 13,000 prisoners were pardoned. General Park, who celebrated the anniversary of the coup on May 16th, evidently feels more secure as time goes on.

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BOOKS

Mr K's Aeroplanes

A History of Soviet Air Power

By Robert A. Kilmarx.

Praeger. 366 pages. 42s.

ANYONE essaying a complete, integrated and fully documented study of the history of Soviet air and rocket power from Tsarist days to the Soviet astronauts and space-flights of the early 1960s must know that his attempt will inevitably be punctuated by missing data and uncertain and conflicting statistics. This said, Dr Kilmarx has produced, on the whole, a scholarly, worthwhile book; it is to be recommended both to students of the subject and to the broader public interested in Soviet affairs or in aviation in general.

The book is scholarly because it is carefully documented. But the author himself does not appear to be a real aviation scholar. He occasionally makes a comment that seems either curious or a sort of *non sequitur*. In writing, for instance, about the effect of the Korean war on Soviet air thinking, he says that close-support air operations in Korea could enable Russia to "evaluate better the larger scale contribution atomic weapons might make to a future war," and also that "perhaps the number of UN aircraft downed by Communist ground fire encouraged [Soviet] advocates of surface-to-surface missiles." One would have thought that both East and West were still in the throes of evaluating primitively the contribution of atomic weapons to war and were getting progressively worse at the evaluation. It is hard to see how the Korean war could have contributed to Soviet air thinking under this heading. Then again, when Dr Kilmarx writes of the undoubted technical and tactical weaknesses of Soviet long-range bomber operations in the second world war, he mentions the poor planning, bad navigation and inaccurate bombing and adds that most of the operations were flown at night "without fighter escort." This was true of most of the best night bombing by the Royal Air Force or the Luftwaffe. Fighter escort and well-planned accurate night bombing attacks have no fundamental relationship.

But "A History of Soviet Air Power" clearly represents the fruit of much serious and worthwhile study and is a valuable addition to the growing bibliography of books on the subject of Soviet aviation. It underlines the fact, belatedly recognised by the West, that for the last twenty-five years the Soviet air force has been further advanced technically than was generally realised outside Russia. For instance, the Russians flight-tested their first jet engine as early as 1940, and, as Dr Kilmarx also points out, many of their fighter and short-ranged bomber aircraft of the second world war bore comparison with their equivalents in the Luftwaffe, the RAF or the United States Air Force.

On the whole, Dr Kilmarx preserves a sense of balance in assessing the weaknesses and strengths of Soviet air power. He covers a wide range of topics, including airborne forces, helicopters, strategic air defence, long range bombers, rockets, transport aircraft and space weapons—the latter inevitably in a rather speculative way. Usually he writes about them straightforwardly, historically and factually. But every now and then a politician seems to emerge from the text to confuse both the writer and the reader. For instance, Dr Kilmarx says that the Soviet civil aviation programme provides a cover for the further development of advanced military bombers. In fact, the reverse is true. Soviet jet bombers like the Bear, Bison and Badger preceded Soviet jet transport planes, civil or military; the supersonic jet Bounder bomber has arrived before a supersonic transport plane. There has been no secret about this, for these machines, jet transports and bombers, have all been paraded publicly on Soviet Air Days. The Tupelov 104 jet liner that you might fly in from London to Moscow is, in part, the child of the earlier Badger bomber and not the father.

As regards bombers, it is not quite clear which of two very divergent figures Dr Kilmarx would have his readers take as the current strength or potential strength of the Soviet long-range bomber force. In one place (page 254) he says that recent articles have estimated it at from 150 to 200 aircraft and then a little farther on (page 257) states that until new weapon systems are available, the Soviet long-range air threat will reside primarily in a force of about 1,500 bombers. But this is a rare case of what seems to be inconsistency. In general the author weaves a clear, sequential, pattern of trends and facts about a subject on which it has been rightly and often said that there are no experts but only degrees of ignorance. To point rather heavily at certain lacunae in "A History of Soviet Air Power" is to try to warn the lay reader. It is a good guide to most aspects of Soviet air power, about which too few books have been written and too many people, even in high places, have only the vaguest of notions.

Siamese Twins

Memoirs of a Special Case

By Chaim Raphael.

Chatto & Windus. 207 pages. 18s.

MR RAPHAEL leads two lives, successfully intertwined. He was brought up as an orthodox Jew, and he is a Hebrew scholar, pious in his devotion to his people and their customs. He is also, and very consciously, a modern Englishman: he has had a successful career as an Oxford don, a civil servant and a writer of thrillers (under the gentile pseudonym of Jocelyn Davey). This combination seems to lead to no conflict; he writes as a happy man, who gets pleasure from both his incarnations. But it does lead to a deep and constant preoccupation with the fact of his double nationality: not so special a case, perhaps, as he believes, but certainly an extreme one.

In this book he brings together some half-fictionalised memoirs or half-biographical stories—one hardly knows which, and it does not matter—all on this enthralling theme. They are written with charm and style, but with a little too much schmalz. The characters, other than Mr Raphael's own pleasant and civilised self, are from romantic stock; and they are all, Jews and goys alike, bathed in a somewhat rosy glow. But they are only the background to the author's real theme: of his changing feelings, at different times and in different countries—schooldays in the north and west countries, Jerusalem under the mandate, and more briefly London and New York during and after the war—about his two selves. There may be more rounds to come, but one has a strong impression that the Englishman in Mr Raphael has pretty well killed the Jew by kindness.

Female Labour

Woman in Parliament

By Jean Mann.

Odhams. 256 pages. 21s.

HISTORY is unlikely to record Mrs Mann, who retired from Parliament at the last election, as one of the great political figures of our era. Some will recall the campaign she waged to safeguard children from accidents at home; others may remember that it was apparently her vote which saved Aneurin Bevan from expulsion by the Labour Party's National Executive Committee in 1955. But the significance and sense of these memoirs is that they are essentially a view of politics straight from a typical Labour party woman's section.

While Mrs Mann is always fun to read and brings a rather engaging style to her task, it is only fair to say that her work lacks a firm structure. Proof reading, too, could be better. We are inclined to wander backwards and forwards over a patchwork of time and topics. On the way, however, we pick up many interesting crumbs from the political high table. Mrs Mann is very insistent that Aneurin Bevan, not George Brown, was the main figure in that House of Commons dinner scene with Khrushchev, and she attributes the spotlight of publicity that was focused on the present Deputy Leader of the Labour party to the efforts of the "red rebels" to deflect attention from their adopted hero's role. Like most

people, Mrs Mann is inconsistent towards her contemporaries. She has firm likes and dislikes. She liked Nye Bevan, while remaining earnestly critical of the damage he had done. She likes Jennie Lee. She paints a human picture of women MPs and has a pat on the back for everyone she describes, Tory as well as Labour ; Barbara Castle gets a good word. Mrs Mann is by implication rather less charitable towards some male contemporaries.

While she gives an understanding account of an MP's life, there is a rather pharisaical tendency to judge harshly those who may not be pulling their weight. She is ambivalent about intellectuals ; she seems to like them in politics when their theories and diagnoses accord with her own, but when an intellectual is, for instance, advocating a radical approach to moral issues with which she disagrees, she can be very scathing. But, prejudices and all, Mrs Mann has the common touch ; she understands issues which trouble voters. Whether she really understands the changing society of today is another matter. At least she tries.

View from the Top

The Commonwealth

By Patrick Gordon Walker.
Secker and Warburg.
408 pages. 36s.

THE Commonwealth sometimes seems to be all things to all men. The British Empire in disguise, the basis of a new world Third Force, a closely-knit economic grouping, or an association of states with certain historical and institutional similarities bound together for their own advantage: all these views and many others have their adherents. Mr Gordon Walker supports the last-named of these views. Admirer of the Commonwealth though he is, he recognises that a closer political or economic association is unlikely. He is also well aware that the romantic, or Beaverbrook, picture of the Commonwealth is dangerous, because it fails to recognise the absolute equality in status of all its members. What remains after the end of British paramountcy, the end of a common foreign policy and diplomatic representation, the dismantlement of sterling area controls, and the growing divergence of members' interests and policies ? Mr Gordon Walker believes that two linking factors are crucial—the English language and Parliamentary democracy. Because these underlie the Commonwealth, its members have been able to construct a network of consultation, discussion and advice, which extends from prime ministers to middle-aged civil servants, and embraces such subjects as telecommunications, agriculture and relations with the United States.

Reading Mr Gordon Walker's book, one is impressed that the Commonwealth works as well as it does, that countries increasingly absorbed in their own problems maintain and value their relations with other members in different continents. But it is difficult to be as sanguine about the future as he is. The English language, once independence is well established, ceases to be thought of as the language of imperialism. The danger is rather that standards of teaching the language are falling, especially in Asia, and the younger leaders do not come from homes in which English is regularly spoken, as many of the veterans did. As for Parliamentary democracy, Mr Gordon Walker's arguments on Pakistan and Ghana are a shade disingenuous. On Pakistan, he writes: "Parliamentary democracy was the only kind of democracy with which the people of Pakistan and the people who must ultimately devise the constitution were familiar." This, of course, begs the question whether Pakistan will in fact be a democracy at all, and that is surely a more important question than whether its system is Parliamentary or Presidential. On Ghana, he relies heavily on the 1960 constitution to establish the basically democratic nature of Dr Nkrumah's state, without asking how such a constitution is affected by the increasing tendency in Ghana for the state and the ruling party to become identified.

This, of course, is not to say that democracy is impossible in Afro-Asian countries, an attitude Mr Gordon Walker rightly condemns. But it is to say that institutions in the Commonwealth may diverge, straining its cohesion. Already there is a tendency for certain members to decree their own conditions of membership. Instances are Tanganyika's statement that it would not want to be a member if South Africa retained its association with the Commonwealth after becoming a republic, and the threat, as yet unconfirmed, that Ghana would leave if Britain were to join the common market. Such ultimata, however justified, may break up the whole association.

So may British handling of the remaining intransigent colonial problems, above all Central Africa. This book deliberately omits the colonies from consideration, as it omits the common market, though these are crucial to the Commonwealth's immediate future. For though the Commonwealth has moved further and further away from being Anglocentric, as the author explains, British behaviour is the touchstone of the attitudes toward the Commonwealth in the newly-independent countries. India and Canada were able to separate the British fiasco at Suez from their own membership of the Commonwealth to some extent ; but is it conceivable that Ghana would have done so if Suez had happened a year or so later? And here one encounters something without which no description of the Commonwealth can be complete: popular attitudes. As an ex-minister, Mr Gordon Walker is understandably interested in inter-government relations, senior civil servants, military heads and the like. But any association as amorphous and informal as the Commonwealth in the end stands or falls on the public opinion of its member-states. It is here that the new Commonwealth of which Mr Gordon Walker writes has yet to take root, not as a bilateral relationship with Britain, not as an uneasy successor to an Empire, but as a genuine multilateral association. Mr Gordon Walker deserves congratulations for a realistic, unsentimental yet sympathetic history of the Commonwealth and assessment of its present role. But it is a bird's eye view from the top ; the worms may yet turn.

Requiem for a Sovereign

The History of the Gold Sovereign

By Geoffrey Duveen and H. G. Stride.
Oxford University Press. 123 pages plus 18 pages of illustrations. 30s.

THIS book is much better produced and much more readable than the general run of books on coins ; in spite of this tribute it will certainly be valuable to collectors. It is the first to be written exclusively about sovereigns, and the authors have made good use of a lot of hitherto unpublished material from the records of the Royal Mint. Numismatically they cannot be seriously faulted, and descriptions of designs and of minting processes are full and accurate. To an extent they have written a brief history of the Mint, and especially of the more notable and skilful people who worked there, during the period academically known as modern history. But the book is also in a broader if still rather a special way an excellent history book, and should commend itself to historians, in that the authors have tried unusually and pretty successfully to place the fortunes and changes of the gold coinage against their proper background of political and economic causes.

Sovereigns have nearly always been beautiful coins, desirable aesthetically as well as for more obvious reasons ; the first to be issued, in 1489, set a fine standard. By the time sovereigns ceased to circulate, in the first world war, Pistrucci's superb George and Dragon had decorated most of the reverses for a century. Lloyd George was evidently not concerned with such frivolous thoughts when he proclaimed in 1914 that

> anyone who for selfish motive, of greed and excessive caution or cowardice goes out of his way and attempts to withdraw sums of gold and appropriate them to his own use, let it be clearly understood that he is assisting the enemies of this country.

Nowadays few people see a sovereign, and many of the young have never seen one. They are still occasionally minted, largely for export, and as it is always comforting for a reviewer to be able to show off by finding an error he will point to one in the inscription attributed (on page 92) to sovereigns of the current reign: "Britt: Omn:" only appeared on a handful struck in 1953 for national collections.

It is unlikely that gold sovereigns will ever again be used as normal currency in the United Kingdom, and this little history book is a fit and not too solemn requiem.



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A Thousand Russian Years

Lord and Peasant in Russia: *From the Ninth to the Nineteenth Century*

By Jerome Blum.

Princeton University Press. London: *Oxford University Press.* 666 pages. 100s.

SHOULD their financial position ever enable the universities of this country to implement the recommendations of the Hayter report in the field of Russian studies, the many historical works of synthesis and the occasional studies in depth that have come from the pens of American scholars such as Vernadsky, Florinsky, Treadgold, Raeff and the author of this book among others will stand them in good stead.

Professor Blum unfolds and analyses the thousand-year-old history of the relationship between Russian lords and peasants. He sees this relationship as a "function of the political and economic evolution" of Russia. The demands of the state on the one hand and the long-term trends of economic growth and contraction on the other were the two controlling forces that in turn or in interaction shaped the mutual relations between lords and peasants. Although the working of these interrelated forces was in evidence from the earliest stages of Russian history, it became pronounced from the fifteenth century onwards, and ultimately led to the enserfment of the peasant by his lord and to the subjection till 1762 of the lord to obligatory service to the state. The growth of serfdom in Russia went *pari passu* with the evolution of autocracy, but the growth of absolute government as such did not bring about serfdom. It "only channelled and intensified already existing tendencies." Moreover Russia was not the only country in which serfdom emerged when it had largely disappeared in western Europe; its experience was shared by other countries of eastern Europe.

After 1649 when serfdom, though still loosely defined, became state law till 1861 when, under the impact of liberal ideas and political events, it was abolished by statute though still viable as an economic organisation, the vicissitudes of the lord-peasant relationship continued to be affected by the interaction of economic and political factors. Given this broad approach to his subject, it is not surprising that Mr Blum has written not just a monograph on landlords and peasants in Russia but a history of Russia from a particular point of view. There is no denying that the history of a country, where even by the end of the nineteenth-century a bare 13 per cent of the population was urban, can with impunity be written in terms of landlords and peasants. Nor is it possible to write narrowly about the landlord-peasant relationship in Russia, which was at the very core of the political and economic evolution. But was it really necessary to include so much background detail? The student of Russia has easy access to most of the sources quoted by Mr Blum; even the general historian without knowledge of Russian can obtain much background material for the period till the seventeenth century.

However, this is only a minor criticism of an important book in which the author comes to grips with fundamental issues of Russian history that are the subject of controversial interpretation.

Theory v Application

Money, Trade and Economic Growth

By Harry G. Johnson.

Allen and Unwin. 199 pages. 25s.

MOST of this book originated, as the preface explains, in a series of lectures given at a refresher course for Pakistani economists. Thus the first half provides, in a hundred pages, a survey of modern international trade theory that will be a gift to the advanced student. It is concise, authoritative and clear, dealing in turn with the mechanism of balance of payments adjustment, comparative costs, customs, unions and the relation between trade and growth.

Granted that this theory is all good stuff, what can we use it for? Here Professor Johnson is not very helpful; indeed, he rather gives the impression that the function of the real world is to illuminate theory instead of the other way around. It is disconcerting to find the chapter on trade and growth ending with a single paragraph which lists the complications that have been avoided in the preceding analysis by confining it to a world with only two countries where only two goods are produced.

Clearly, theory of this sort can never give a direct answer to a policy problem. A theory that took account of sufficiently many complications to be usable by, say, the United Kingdom negotiators in Brussels, on the other hand, seems impossible of achievement. The theory of international trade, therefore, is not like the potter's wheel or the surveyor's theodolite. Its function is nearer that of holy writ, to guide thinking in the right general direction and to confound error, for only the analytically pure at heart can avoid the simple fallacies to which ordinary mortals are prone. Those that are not with it are against it, since everyone has some theory implicit in his ideas, and most such implicit theories are inconsistent and therefore wrong.

With one exception the rest of the book is less important, though it never falls below the high standard which Professor Johnson has led his readers to expect. The exception is the revised version of an address to the American Economic Association commemorating the twenty-fifth anniversary of Keynes's "General Theory." Once again, this is a godsend for students. It points out some of the main characteristics and limitations of Keynes's great work in relation to subsequent contributions to economic theory.

The book ends with two lectures on the economics of opulence. The first of these explains how interesting it would be to put economic theory in different terms; this is merely superior after-dinner talk among economists. The second illustrates the proposition that not all professors of economics at Chicago are members of the Chicago School.

The Underdeveloped

The Backward Society

By R. Frost.

Longmans. 246 pages. 18s.

THIS book on underdeveloped countries is intended for a wide and unsophisticated audience. The discussion and description are general, the style is colloquial. The references to facts are seasoning, not substance.

Mr Frost is an economist in the International Bank for Reconstruction & Development with considerable experience of the development of the "poor and backward countries." He has set down his reflections on their problems, his criticisms of their policies and his prescriptions for what they should do to help themselves. He examines alternative patterns of organisation of national economic activity, placing more or less reliance on bureaucracy or the market, the objectives and principles of the allocation of factors of production and the obstacles to their efficient use in backward economies, and foreign trade. Backward countries lack capital "in the shape of goods and trained technicians"; these can be obtained in exchange for exports; it is therefore on production of more and varied exports that the "backward" countries should concentrate. To import capital goods, however, requires not foreign exchange alone but also saving. "The opportunity for progress" which Mr Frost describes in his concluding chapter is "the occurrence of a boom in the prices of [a country's] principal exports." The rapid rise in the income of exporters "provides an opportunity for making substantial savings," which can be used to advantage or wasted. This is the main theme of the book.

Mr Frost deliberately does not discuss foreign investment and foreign aid (he does not seem to draw much of a distinction between the two). A subsidiary connected theme is that more should be left to the market and to private enterprise.

In the course of the book, Mr Frost makes a number of shrewd observations and criticisms, but these sometimes lack many qualifications which ought at least to be suggested. No one would disagree with the statement that "whatever assistance the backward countries received their progress still depends upon their own effort, initiative, self-discipline, organisation and government." But it is unfortunate that a book which is addressed to the uninformed, and is meant to stimulate interest in the problems of the underdeveloped countries, should leave an impression of obstinate wrongheadedness on the part of these countries, and no sense of what has been achieved and learned in the past decade. It is also unfortunate that there should be little or no hint of the part played by the advanced countries, which are partly responsible for past errors, through their methods of aid-giving and their advice, and whose co-operation in trade (leaving aside their aid) is essential to the success of the policy suggested here.

Scotch Original

Agricultural Sir John

By Rosalind Mitchison.

Bles. 300 pages. 35s.

HE was that inexorably Scottish product —the bores' bore. Prodigious, didactic, unsquelchable, indefatigable Sir John Sinclair of Ulbster belongs to a long, lean line, the progeny of, one supposes, the superlative bore of all, the Admirable Crichton. His financial memoranda to Pitt and Dundas, his monstrous correspondence, his management of the (Sinclair-created, housed, dominated and distracted) Agriculture Board, his published Works, Reports and Codes are each, in their way, unspeakable. And yet there are sound, as well as merely solid, memorials. There is the First Statistical Account of Scotland, that necessary (and sometimes absorbing) mine. There is, still visible, the face and form of Caithness, from Thurso town out into the couthie fields under that broad, chill sky. There are the reverberations of the agricultural revolution quickening through late eighteenth-century Scotland at the direction of the reforming lairds.

It was the work of the Amateur and the Patriot in the age when these were qualities. When Sinclair died in 1835, as Mrs Mitchison writes, "the period when moderate intelligence, landed wealth and conscientious hard work could lead to fame was passing to an age of more professional ability." The verdict is rightly applied to the best of a generation of Sir Johns. This is an engaging and skilful book, good on the man, brilliant in such vignettes as the Caithness election of 1789, and soundly based on family and estate papers. It is recommended reading for outsiders drafted by government Whips into the galleys of the Scottish Grand Committee: Sinclair the parliamentarian would have run *that* if he had only thought of it.

Father of Parliament?

Simon de Montfort

By Margaret Wade Labarge.

Eyre and Spottiswoode. 324 pages. 30s.

SIMON DE MONTFORT caused controversy in his own time, and still does. Did he lead the baronial opposition to Henry III from selfish motives? Or was Stubbs right when he wrote "The idea of representative government had ripened under his hand."?

The facts of de Montfort's career are unusual and dramatic. He was born and brought up in France, but came to England in 1230 to claim his father's earldom of Leicester, which had been seized by King John. He succeeded in his claim, and rose in Henry III's favour, until in 1238 he married the king's sister Eleanor, widow of William Marshall. His marriage led to a long and bitter dispute with Henry over his wife's financial claims on her brother, and Simon gradually became the acknowledged leader of the increasing opposition to the king. When civil war broke out in 1263, he led the baronial forces. His victory at Lewes left him in control of the king and government; but at Evesham, a year later, he was defeated and killed by the future Edward I.

This new biography is an attempt at a reappraisal of de Montfort. As such it has something to offer, for Mrs Labarge takes the view that Simon's motives were largely self-interested. She lays considerable emphasis on the complicated dispute over Eleanor's dowry, the administration of Gascony, and the ambitious character of Simon. These sections of the book are detailed, and contain material of considerable interest.

Mrs Labarge is not so good on the wider reasons for baronial discontent. This is a pity, because the period is one in which the precarious equilibrium of the feudal state was lost, and it is therefore particularly interesting. Faced with an inefficient king, and an administration from which they were excluded, the feudal magnates tried to produce an alternative system of government. The Provisions of Oxford were the result of the same forces which had produced Magna Carta, and reveal in the same way the baronial view of administration. More important even than this, the period saw the beginnings of an embryonic parliamentary assembly, which included knights and burgesses in an attempt to widen support for the baronial aims. Whether de Montfort was responsible for this or not, his claim to be so is part of his legend and deserves full discussion.

Naval Strategy

The Strategy of Sea Power

By S. W. Roskill.

Collins. 288 pages. 25s.

THE Royal Navy has been singularly fortunate in finding within its own ranks a historian of such high quality as Captain Roskill to chronicle, examine and criticise the role it played in the last war. Equally fortunately for the navy and naval history, Captain Roskill has now broadened the horizons of his thought. Naturally enough his examination of naval strategy is primarily based on British experience; this is not so restrictive as it sounds and through careful distillation it has produced a short book that is a pleasure to read.

Captain Roskill is too modest a man to claim the originality of perception of such predecessors as Mahan, Corbett and Richmond; what he does is to draw upon their work with critical appreciation and subject their findings to the test of experience in modern war. His great gifts lie in exposition and comment. They appear not simply in the broader theme of the clash between the maritime and continental schools of strategy but in the more detailed passages linking strategical principles to tactical applications. The reader would naturally expect the chapters on the last war to be perceptive, but on opening the book he could not have anticipated that it would contain, for instance, the clearest exposition of the Battle of Jutland that has been written in the compass of a few pages. Because he writes with a just sense of perspective, Captain Roskill cannot be accused of special pleading in his comments on current strategy.

Saturn's Land

The Planet Saturn: *A History of Observation, Theory and Discovery*

By A. F. O'D. Alexander.

Faber. 474 pages. 63s.

THE publishers here extend, by the pen of a recent Director of both the Saturn and Jupiter sections of the British Astronomical Association, their valuable series on the solar system to "a history of observation, theory and discovery" of what, even in the smallest refracting telescope, assuredly seems the most bizarre of our fellow-planets. Dr Alexander takes us back 2,600 years, and forward thence through all the stages of advance in our knowledge of Saturn and his rings, satellites, "white spots," etc. It is heartwarming to realise that an excellent vaudeville comedian, the late Will Hay, was so good an amateur astronomer that he made as recently as 1933 one of the big forward jumps in our knowledge of the planet.

It is also worth consulting this beautifully illustrated and documented work—much of it hitherto unavailable in English—to learn how much practical astronomers still depend on the hand-sketches of amateurs all over the world. The drawings made by Italians in the last twelve years, using small telescopes, show up on Plates XXI and XXII much better than even the formidable photographs made on the 200-inch Mount Palomar reflector. Dr Alexander need not have been so modest about his work or style in his preface. This is going to prove a standard work of reference for both experts and laymen.

OTHER BOOKS

THIRD FIVE YEAR PLAN. *Government of India Planning Commission.* 788 pages. Rs. 10.00.

ANGOLA: A SYMPOSIUM, VIEWS OF A REVOLT. Published by *Oxford University Press* for the Institute of Race Relations. 167 pages. 9s. 6d.

A SHORT HISTORY OF THE MIDDLE EAST: FROM THE RISE OF ISLAM TO MODERN TIMES. 6th edition, revised. By G. E. Kirk. *Methuen.* 342 pages. 27s. 6d.

COMPETITION, CARTELS AND THEIR REGULATION. Edited by J. P. Miller. *North-Holland Publishing Company.* 436 pages. 70s.

LETTERS

Growing Pains

SIR—As a relative newcomer to the University of Keele, but one who felt the objects of the college (as it then was) sufficiently important to justify uprooting myself and my family from a settled position in Cambridge, may I protest strongly against the implications of your special correspondent's reference on page 665 of your issue of May 19th to "the numerical doldrums into which Keele has fallen" and his suggestion that this "can probably be written off as an unfortunate and introspective case"?

These remarks suggest that the growth of this university has been arrested and that its planners have been unmindful of the national need for additional university places. The facts are quite otherwise. In spite of the difficulties that have attended the establishment of a new university in the past decade we are now ahead of the original programme, and the proposals which were submitted to the University Grants Committee for the coming quinquennium were to expand by a further 50 per cent. Naturally, a small university makes a proportionately small contribution to the provision of new places for the prospective students of the next decade. But numbers are not everything, and the pioneers of Keele believed that they could make an important contribution to higher education by meeting the needs of that group of students who want a wider but yet more integrated course of training than is provided by most of our sister universities. My colleagues and I believe that we are continuing to do this and that we can do it better if our numbers are not too great.

It is, of course, much more exciting to speak of proposed expansion in ten years to a student population of 3,000 than to remember the difficulties of carrying out our small but important pioneering experiment in the years of even greater financial stringency that immediately followed the ending of the war. But it should not be forgotten that the freedom with which the present new universities are able to plan their development owes much to the new principles for which the Keele pioneers fought so bravely twelve or more years ago when they insisted that we should have power to grant our own BA degree and to settle our own curriculum.

Even if one accepted your special correspondent's easy assumption that the country needed nothing but big universities, surely it would be ungenerous to "write off" what has been achieved at Keele? Many of us believe that the country needs small universities as well as big ones, and even in the United States with its very large universities there are well known and highly regarded institutions of about the present size of Keele.

Our programme for the coming five years was an expansion from 800 to 1,200. The fact that the Treasury grant now announced for 1962-67 falls far short of what we asked will clearly imperil that expansion. Increased private generosity and even more support from charitable foundations will be needed if we are to achieve our object, but such support depends on some measure of acceptance that our aims and our achievements are worth supporting. Such confidence in Keele might easily be upset if your special correspondent's ill-considered remarks were left unchallenged and it is for this reason that I am asking you to publish my belief that the Keele experiment has been worthwhile and is a success.—Yours faithfully,

HAROLD TAYLOR
Keele, Staffs Vice-Chancellor

Hongkong Textiles

SIR—In your issue of May 5th your Hongkong correspondent gives a distorted and misleading impression of the conduct and situation of the Hongkong textile industry which could seriously damage the industry's commercial relations in international trade. We trust you will allow us to correct the record as far as is possible within the space limitations of your correspondence columns. There are many features of your correspondent's criticisms which are completely refuted by the facts but to reply to them in detail would require more space than the original article. Certainly in our view the article did not present a fair and balanced picture.

As you are aware, the Hongkong industry has voluntarily restricted its exports to the United Kingdom since February 1958. Its undertaking to do so has been loyally carried out and has now been extended until December 31, 1965. Hongkong cooperated fully in last year's textile negotiations in Geneva because it too desires to see international trade in textiles put on an orderly basis free from arbitrary action by importing countries. Under this agreement the volume of exports for the year 1960/61 is not in any sense either a ceiling or a base level, as your correspondent suggests, but is relevant only as the minimum below which an exporting country should not be asked to exercise restraint. Moreover the long-term agreement, to which Hongkong also accedes, recognises that sudden requests for restraint may disrupt the trade of exporting countries and urges participants to use the restraint procedure sparingly. There is no question of "reckless Hongkong exporters" rushing to exceed a "base" level of goods. What happened was that in November, 1961, President Kennedy remitted to the Tariff Commission a proposal by the US Department of Agriculture that an import levy of 8½ cents per lb be levied on imports of cotton manufacturers. American importers, anxious to forestall this levy, sent an increasing flood of orders to Hongkong. It would, we suggest, be too much to expect that the individual mills reject these orders. Hongkong did not initiate a flood of textiles to the USA; it was the natural reaction to a flood of orders from the USA. And the orders were prompted not by any desire to violate the Geneva agreement but by the normal commercial practice of buying before prices rise.

The Hongkong industry does not object to the fact of the American action, but to its practical aspects: firstly, the delay in making a request leading to an abrupt request for immediate cessation; and secondly, the requests include certain categories where the "disruptive" effects of Hongkong exports is hardly credible and certainly has not been demonstrated; for example, the requested level of restraint for sweaters and cardigans was 7,055 dozen and for raincoats 10,831 dozen.

We should like to take this opportunity to confirm that the Hongkong textile industry remains in favour of a multilateral arrangement which will protect both importing and exporting countries from disruption of their trade and industry, while not putting obstacles in the way of the expansion and readjustment of world trade in textiles. We believe that in the light of these agreed aims, your correspondent's criticisms of the Hongkong industry are unjustified and uninformed.—Yours faithfully,

SIK-NIN CHAU
Chairman, Federation of Hongkong Industries

W. C. G. KNOWLES
Chairman, The Hongkong General Chamber of Commerce

Maximistake

SIR—"Limitation" of the number of cabs licensed in London (your issue of May 19th) was removed in 1833, never again to be reimposed. Drivers were first licensed in 1838 (when "hackney carriage" was statutorily defined as one "plying for hire") and their numbers have never been limited.

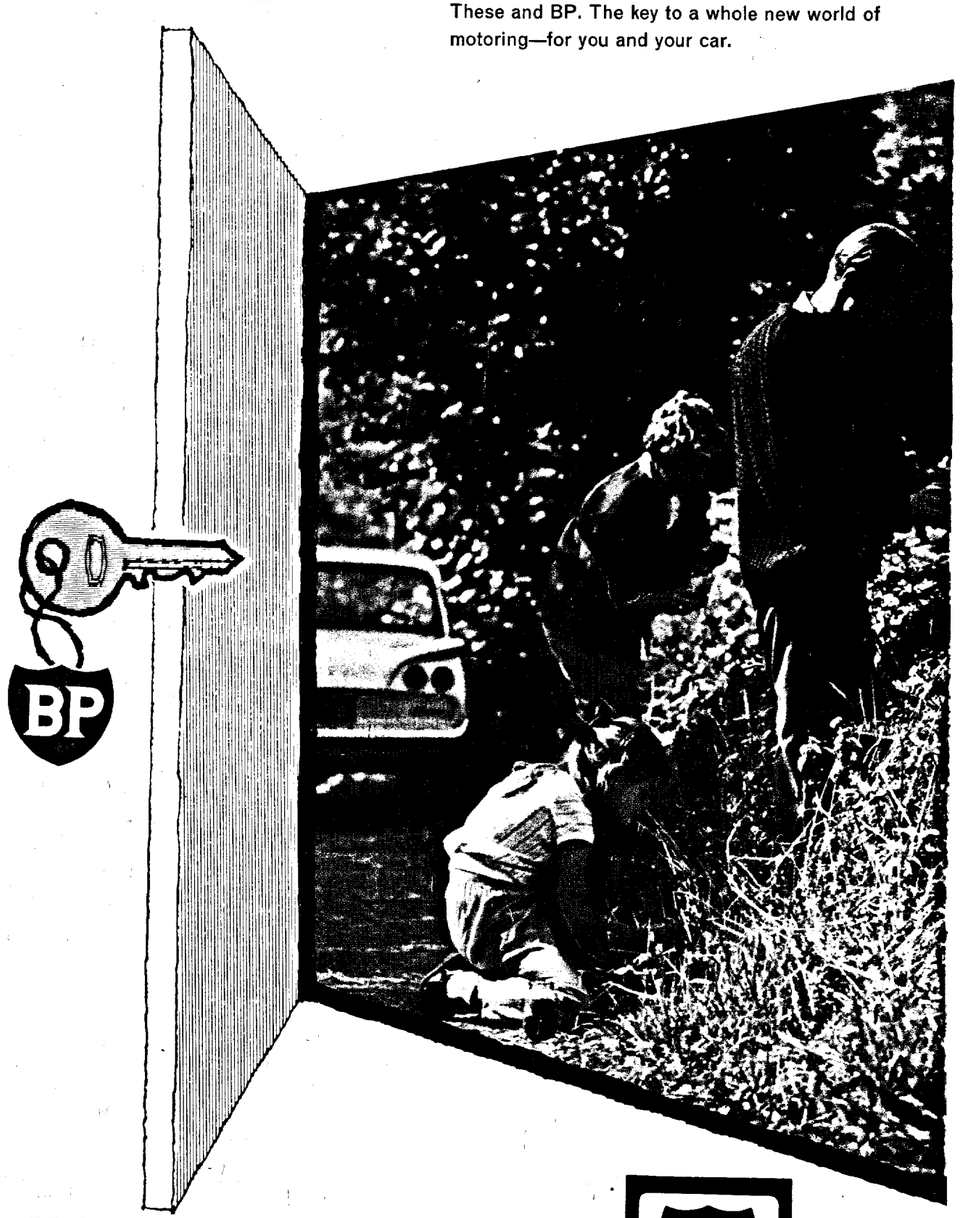
Had you made a study of the Hindley report (1939), the Runciman report (1953), and the report lately made public by an independent committee of technical experts set up in July, 1961, to examine the existing taxi regulations and to advise "what, if any, modifications could be made in them consistent with the need to safeguard the public," quite the opposite conclusions must have been reached.

The ultimate responsibility for assessing "the public interest" is Parliament's and members have, in these three reports, sufficient factual information at their disposal to make a studied judgment. Since no private member's bill can reach the statute book unless the members, themselves, so desire, and since this is not a political issue, only the justice of our plea can place it there. *Magna est veritas et praevalet.*—Yours faithfully,

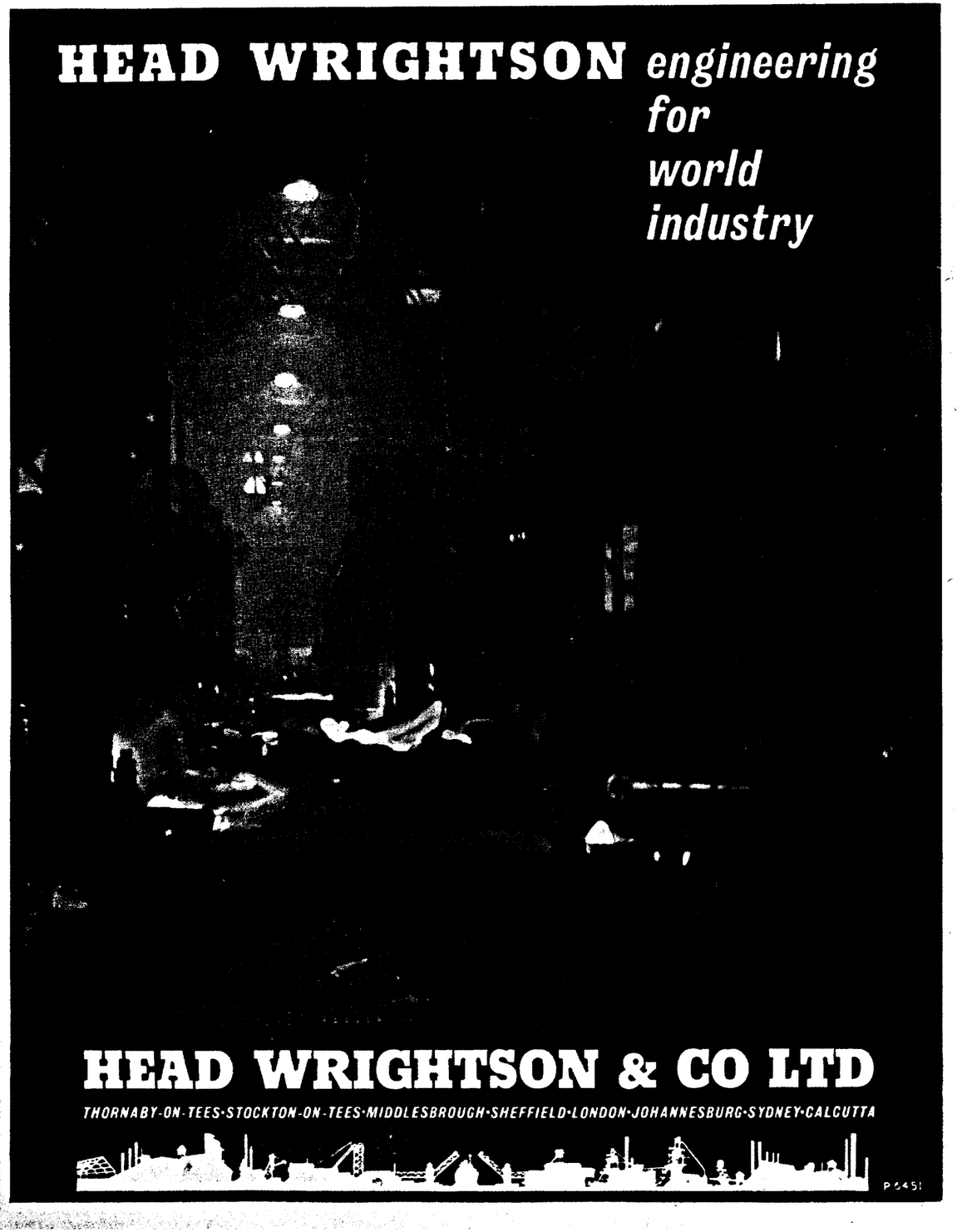
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HOME REPORT

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

Green Fantasia

FROM OUR SPECIAL CORRESPONDENT



Along the precarious border

GREEN belts are often regarded as perhaps the most laudable innovation of British town planning. But what actually happens in a green belt? The recent findings of a skilled American observer* underscore the point that all that glistens on a map is not green on the ground. In actual fact population is growing at well above the national average in green belt areas around the largest cities. Within the London green belt live a quarter of a million recent arrivals, who according to the Abercrombie plan should not be there. Of course in the absence of planning controls these figures would be very much higher. The difficulty of preserving green belts is that these are precisely the places where people most want to live.

More surprising perhaps is Professor Mandelker's discovery that the Ministry of Housing is not quite as tough as it pretends to be in upholding green belts. It seems that local planning authorities may allow as many as half of development applications, although most of these are minor changes that are reasonably consistent with green belt principles. Of the refusals that go to appeal, the Ministry allowed 30 per cent of green belt cases in one home county compared with 46 per cent for non-green belt cases, and in a West Midland green belt area Ministry consents arose from 20 per cent (1955-7) to 42 per cent (1958-60). In view of the strong presumption that development should not be allowed in green belts, this hardly looks like firm Ministry backing for the policy.

But although quite a lot of development goes on in green belts, there are no clear rules as to what will be permitted and Ministry decisions often seem inconsistent. In general, however, building is much more likely to be allowed in a village (particularly in a large village) than in the open country; the development of spare sites within a village ("infilling") is more acceptable than peripheral growth; and the building of one or two dwellings is a more likely proposition than a larger scheme. These guidelines certainly work against large-scale or conspicuous developments. It is in victories over "spec" developers that the green belt policy has shown its teeth.

In fact though, planning control follows much the same lines in other rural areas than green belts. Administration is sometimes (not always) more lenient, but pressures are also weaker. Green belts are specially prized partly because of their promise of extra protection, partly because of their defensive role against the outgrowth of the big cities.

Clearly the wider a green belt, the harder (in general) it becomes to defend. The logical Scots have run a very narrow but effective green belt around Edinburgh. The muddled English prefer more diluted green belts and recent extensions in Buckinghamshire make the London green belt over 20 miles wide in places. Further extensions may follow as exurbanites and country lovers seek fresh cover against new development threats. But they can hardly hope to seal up so large an area when London is bursting at the seams.

What is needed over green belts is a little more clarity and realism, and the following three points might help to achieve it. First, it is useless to try to stop a city growing simply by encircling it with a green belt. If employment in a city grows the job-holders must live somewhere, and a tight green belt increases the numbers who must live a long way from their work. The growth of employment in offices and service trades is particularly marked in large cities, pre-eminently in London. There is everything to be said for offsetting this employment growth by stimulating the dispersal of industries and routine office work, but until these policies are effective, a tight green belt is bound to produce longer journeys to work, higher land prices, and scarcer housing.

Secondly, why have a green belt at all around the smaller cities—the Norwiches, Brightons and Swindons? It is impossible to check the growth of the big conurbations by manipulating minor extensions of minor towns; it would take 200 schemes like Haverhill or Bletchley to make any impression upon the London "overspill," and in any event industries and people will not move to hundreds of little places. If the planners are in earnest about curbing London, Birmingham and Manchester, they ought to give every possible encouragement to the growth of the solid, middle-sized provincial towns—and a green belt is the opposite of a stimulus to growth. Ordinary planning controls would still exist to guide development, and too much "green belting" will also blunt their use.

Finally, the design of green belts merits fresh attention. They ought to include (as they often do not) attractive accessible areas of the countryside with recreational value; conversely, duller land might be excluded except where it seemed desirable to establish a clear break between cities (for example, between Birmingham and Coventry or between Nottingham and Derby). The rules which govern development within a green belt ought to be clarified. The Ministry's general order of preferences is fairly sensible, but it needs applying more consistently and firmly. This will only be possible if housing pressures are more realistically met within urban areas.

At present green belts are being rapidly gestated by county planning authorities, and few of them have received final statutory approval. The danger is that the Ministry will let the counties play with green belts as if they were attractive but harmless toys, without insisting that they be realistic and workable in the national context. This would be a pity. Green belts are only one weapon in the town planners' armoury and are no substitute for routine control; but they could play a worthwhile part in shaping the landscape of the emerging urban regions.

* Green Belts and Urban Growth by Daniel R. Mandelker. University of Wisconsin Press, $5.00. (Obtainable from Town and Country Planning Association.)



Brothers at the Bank?

FROM A CORRESPONDENT

QUIET strife is still simmering between the bank staff associations and their everlasting rival, the National Union of Bank Employees. This autumn—possibly—the International Labour Office will consider a complaint put before it by the Trades Union Congress, alleging that the staff associations contravene an ILO convention, signed by Britain, which outlaws "workers' organisations under the domination of employers . . ." or financially supported by them. The staff associations, while conceding privately that their foundation some forty years ago may have been designed to counter the threat of the newly-formed guild (as it was then), most strenuously deny that they are now dominated by anybody. In particular they point to the salary increases (during the pay pause) that they have won by resort to arbitration.

Meanwhile the NUBE has put in a ludicrous claim for a 30 per cent increase in bank pay: and some employers, faced with a chronic need to compete for young entrants with other industries, have simply given more money anyway. Nobody could fail to agree that bank salaries are negotiated in an atmosphere of Gilbertian confusion. But it needs a fairly vivid imagination to see the events of the past six months as a planned operation by the managements, acting through their tools in the associations.

It is a good while now since the Midland staff association wound itself up as a gesture of disapproval of the way it was treated by the management. This was probably the first sign of real militancy in the internal bodies. In 1953 the Lloyds staff association negotiated an arbitration agreement with the bank, and since then several of the other associations have followed suit, including the Midland association that was formed after the first one died. The last half year has seen the queer logic of these separate arbitration agreements come to full flower. For last November, after the Lloyds association had taken the bank to arbitration, managers in that bank were awarded a 5 per cent increase, and chief clerks 2½ per cent, both back-dated to January, 1961. And last March another arbitration award gave all Midland staff, irrespective of rank, a flat 2 per cent, also back-dated to the beginning of 1961.

These concessions have not been allowed to disturb for long the near-uniformity of bank salaries. The timing of it all has been very ragged, and the exercise is not yet complete, but the end-products that have so far appeared show only minor differences. Thus, in April Barclays gave 5 per cent, 2½ per cent and 2 per cent, all back-dated like the others, to some extent combining the Midland and Lloyds awards. Westminster had given the Lloyds awards in January, but not the flat 2 per cent which had not then been born. In the meantime an additional 3 per cent, dated from April 1 this year, had come into the picture, presumably in connection with the cost of living, so that Barclays gave out its 3 per cent within a few weeks of its larger announcement, while Westminster killed two birds with one stone by combining the 3 per cent with the 2 per cent for its unappointed staff. Then Lloyds joined in with 3 per cent plus 2 per cent, but as senior staff as well as the unappointed had this increase, Lloyds managers have had in all a little over 10 per cent, compared with a little over 8 per cent for their opposite numbers in other banks.

The salary scales, which run from entry to about the age of 30 for men and rather longer for women, will presumably now range from just over £300, for men and women alike, at 17 to a little over £900 for men and about £650 for women, at 31. (In comparing one bank with another the incidence of pension contributions has to be remembered; the banks with non-contributory pension schemes pay proportionately less than those with contributory schemes.) These scales, however, apply only to those clerks unsuitable for promotion to higher ranks; one new entrant in every two, it is said, has a chance of becoming a manager.

MANAGERS' salaries are not published, except for minima on appointment and a vague "over £4,000" or "over £4,500" at the other end of the range. The minima for new managers should now be £1,700 or £1,750 instead of the £1,600 advertised before; the top figures may not change dramatically, for there has been a cut-off figure of £3,000 for some of the percentage increases; but a round £5,000 would be a good figure for a recruiting advertisement, if there are enough managerial salaries to justify it.

The staff associations that went to arbitration can take some pride in their success, and the individual bank-clerk will of course count his blessings; but his pleasure must have been tempered by the vaguely ridiculous atmosphere surrounding it. The banks must be less than happy at the further support provided for the impression that all questions of pay are centrally settled. (Probably the top men in the clearing bank managements are not averse to a quiet word with each other—and certainly the staff associations talk together informally in their central council.) The staff associations that did not go to arbitration, or indeed have no arbitration agreements, must wonder what their members make of it all—when they hear, for instance, that their colleagues in Williams Deacon's, where there is no staff association at all, are gettinfg the same rises as the rest. The union cannot be delighted by increases stemming from arbitration agreements which it has called useless. Was it chagrin that prompted the 30 per cent claim, which achieved remarkable press and broadcasting coverage although (or perhaps because) it had so little touch with reality?

Arbitration awards and the reluctance of other banks to let competitors' salaries get out of line have produced results for bank staffs that they can hardly have expected in an atmosphere of wage restraint. But the fact remains that bank clerks, who have been free these many years to choose the kind of representation they like, have remained obstinately divided. The squabbles between the two sides have been neither edifying nor useful to the staffs.

Have they been useful to the managements, on the principle of divide and rule? Surely not even that, in the long run—certainly not at the moment; of late the bankers must have been thinking wistfully how much easier it would be to negotiate—jointly—with one body, whatever its name, union, Central Council of Bank Staff Associations, or an alliance between the two. Each side blames the other for the repeated failures to reach a *modus vivendi*. With the coming of computers, the need for a five-day week to attract staff, and the approaching possibility of workers being paid by cheque, stirring times are certainly ahead for bank clerks. It seems high time to bury this hatchet, which is all the more hurtful for being rusty with age.

Henrietta's Hampstead

FROM OUR SPECIAL CORRESPONDENT

WHAT precise element it was in the climate of the early twentieth century which prompted people to utopian social experiments is still a matter for argument, but that there was one there can be no doubt. How else can one explain the existence in the whirligig mill of Britain of such oases as Letchworth and Hampstead Garden Suburb? There they are, neat, green, floral in the heart of the commercial desert; cherished and passionately beloved by their inhabitants; the despair of their wretched directors, grubbing along on peppercorn ground rents and fixed dividends; and the source of many a cool calculation in the boardrooms of property developers, to whom these planned and pretty wide open spaces are a reproach and a goad.

Not long since, Letchworth Garden City fought bravely to a victory in the House of Commons over the takers-over whom it thought were about to become oppressors of the ideals which founded it. Now it is Hampstead Garden Suburb's turn to rejoice



in the fall of the mighty, whose techniques are not yet proof against the ferocious counter-attacks of threatened Gardeners. In the High Court on Tuesday, Mr Justice Pennycuick found against a resolution of the controlling trust, made last December, to accept a take-over bid from Suburb Leaseholds Ltd. for the third of Dame Henrietta Barnett's brainchild not already owned by that subsidiary of Messrs Cotton's and Clore's City Centre Properties. The National Trust, who brought the petition, the Residents' Association and the suburb's protection society are jubilant; but their real fight, to overcome the financial difficulties which triggered the bid, is begun rather than ended with the judgment.

In 1906, when social consciences were hardly astir elsewhere, Dame Henrietta founded the Hampstead Garden Suburb Trust Ltd. with a capital of £75,000, issued as £1 shares, with the object of providing homes in pleasant surroundings for people of all classes. Profit was not the motive, and dividends were limited to 5 per cent. The project flourished, but in a way which brought tears to City eyes filled with visions of high-density terraces and numerous rents; and in 1954 the first bid was made—by the then independent company of Co-partnership Tenants Ltd., who already owned nearly two-thirds of the suburb.

The bid was resisted on the advice of the trust's board, and safeguards were instituted against any repetition: 60,000 1s. deferred shares were issued to four bodies thought to be in tune with the suburb's ideals: the suburb's Institute, the Barnett Board, the Bournville Trust and the National Trust. The deferred shares carried no voting power except in proceedings to wind up or alter the trust's purposes, when they carried two votes each—equalling the voting power of the ordinary shares. Meanwhile, Co-partnership Tenants had become Suburb Leaseholds.

BY late 1961, the development of the suburb was virtually complete: the trust had an income from ground rents of £31,500, enough to cover its expenses and dividend payments and a bit over; but some of its finance came from 4 per cent mortgages due in 1965 and 1966. Costs were rising, and in a few years, the trust claimed, the bit over would become a bit under. It was not alone in its calculations, for, while it was debating this incipient disaster, Suburb Leaseholds offered to buy it out in effect, by paying for the transfer of the assets to a new Community Trust from which Suburb Leaseholds would accept 2,000-year leases on the property and pay a rent of £10 a year.

The new trust would be primarily concerned with certain charities connected with the suburb, which would be guarded by covenant against unsuitable development (though the covenant would not be enforceable by the usual penalty of forfeiture of lease). On the new trust's board were to sit the directors of the present trust, five nominees of the institute (on whose board some of the present trust's members sit), two from the Barnett board (of which the trust's chairman is chairman), two from the takers-over (who already own nearly a quarter of the ordinary shares) and two from the Residents' Association to see fair play.

At an extraordinary meeting, the shareholders refused the bid by a show of hands, but had to accept it on a poll, since only a tiny proportion of the ordinary issue is in the hands of the residents affected. The first three of the deferred shareholders (now entitled to votes) likewise accepted. But the National Trust, feeling itself morally bound to uphold the residents, voted against, and later added its 30,000-vote voice to the protesting suburb's squeak to bring a petition against the resolution. The petition succeeded on the ground that the substitution, for those mentioned in the original memorandum of association, of different beneficiaries (the charities named in the formation of the new community trust) to receive the balance of assets in a winding-up did not comply with section 5 of the Companies Act.

So the threat, real or imagined, of tower blocks and terraces in the garden suburb has been turned aside, and most suburbanites will rejoice with the protection society that those who choose to involve themselves in a social experiment should be allowed to continue it unmolested. The financial problem remains, however, insoluble by such simple means as raising rents (there are 40 years to run before that can happen); and the real task of the protectors is now to produce plans for some other solution.

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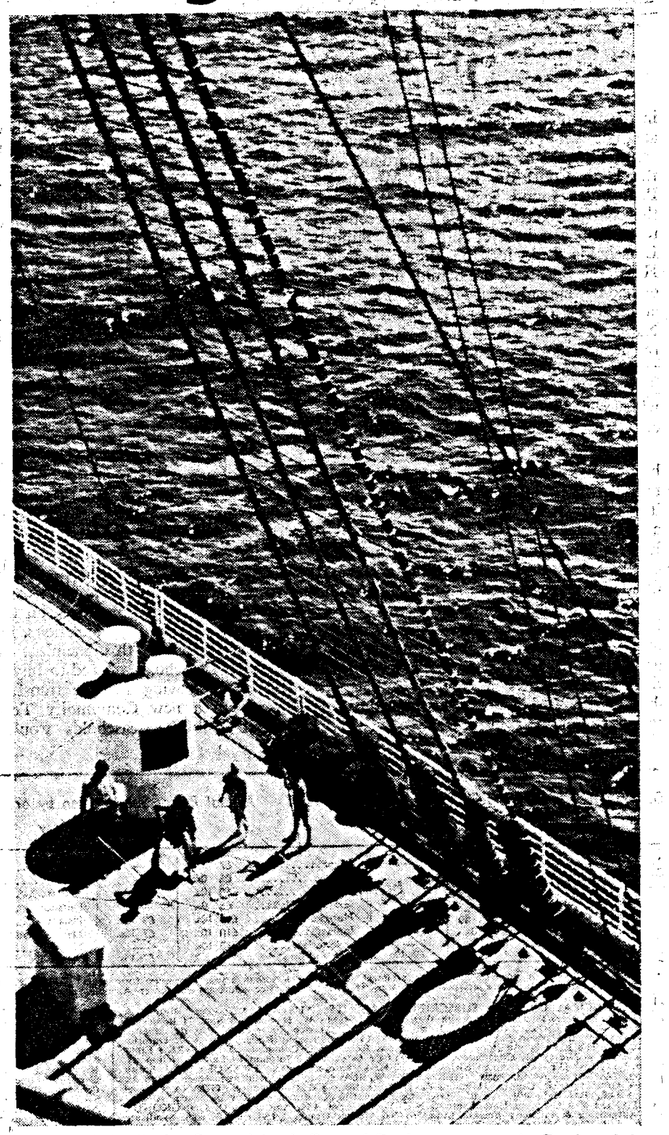
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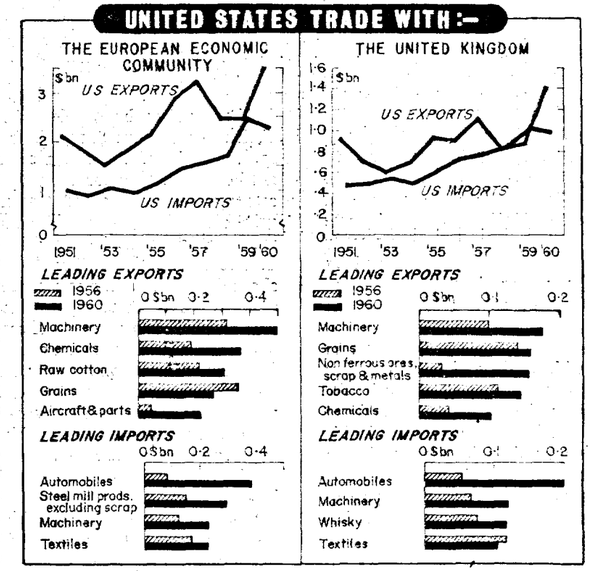
Trading in a Grand Design

WASHINGTON, DC

THE Trade Expansion Bill which President Kennedy sent to Congress last January is expected to clear its first hurdle and to emerge from the Ways and Means Committee of the House of Representatives (probably while this issue of *The Economist* is in the press) in a form which gives the President almost all that he asked for. There is still an obstacle race to run, for beyond the floor of the House, where a satisfactory vote is expected, waits the Senate Finance Committee, which is much less free-trade minded than the Ways and Means Committee, and after that the Senate itself. But so far the new tariff legislation has had a surprisingly clear course.

The President has never concealed his view that the political aspect of this legislation is its most vital quality—though this "grand design" has served as a framework for some heterogeneous elements. In his original message to Congress on the subject the President spoke glowingly of an integrated western Europe, joined in trading partnership with the United States, which would shift the world balance of power farther to the side of freedom. But evidently it was felt that this would not be enough to move a Congress that is habitually besieged by lobbying protectionists. Therefore, the rather odd spectacle was witnessed of the Secretary of State, Mr Dean Rusk—there are few more high-minded and idealistic men than he is—boasting that the legislation, if passed, would be used to make a good Yankee trade, meaning to drive a hard bargain with the European Economic Community.

But in spite of the recent increase in duties on carpets and glass, the United States appears to be no more protectionist nowadays than it is isolationist. There seems to be a widespread, rueful recognition that the more powerful a country becomes, the less sovereignty it really possesses in the sense of being able to do what it likes or to go it alone. This sober realisation makes General de Gaulle's current posture or pose in France appear tragi-comic to many people on this side of the Atlantic. Nevertheless, President Kennedy felt obliged last week to emphasise not only the American commitment to the defence of Europe "since the threat to western freedom is basically indivisible," but also that it is a commitment to "a common defence," that the United States expects its allies to play their part and that it will insist on participating in the decisions affecting war and peace in Europe. "A coherent policy cannot call for both our presence and our absence." Mr Kennedy went on to say that he welcomed the rise of a united Europe, which would be a stronger partner, and that both it and the United States would become stronger yet if their economies were built up by expanding their trade.



As the trade Bill, which is designed to do this, emerges from the Ways and Means Committee it will give the President the power to abolish some tariffs altogether. The groups of commodities affected by this provision might include machinery of different kinds, railway vehicles, motor cars, cosmetics and some chemicals. All of them would be in categories where the United States and the European Economic Community together account for at least 80 per cent of world exports; the important assumption underlying this is that the EEC will include Britain, Denmark, Greece, Ireland and Norway. The President will also have authority to cut other tariffs in half, on entire categories of goods. These reductions and the abolition of some tariffs would both be spread out over a period of not less than five years from the time that negotiations with foreign countries for reciprocal concessions were concluded.

The President will have power, as well, to raise tariffs and by quite a lot—half as much again as the rate at which they stood in the middle of 1934, when American duties were still at or near their zenith. But it is not expected that this latter authority will be used, except in a dire emergency and as an extraordinary last resort. The Tariff Commission will continue to have the right to recommend increases in duties in order to protect industries; but the President will continue to have the right, that has been well exercised in the past, to reject such recommendations. The President will be empowered to provide loans and tax relief for firms which require such aid to enable them to adjust to the competitive conditions brought about by reduced tariffs. Workers who are laid off for the same reason may get part of their usual wages, for eighteen months, and also allowances while they are being retrained for new jobs at the federal government's expense. It is estimated that such aid, to firms and to workers, may cost the government $70 million a year.

There has been a tendency in the Administration to look critics of the trade proposals straight in the eye and to declare that these proposals will prove to be a sovereign remedy for ills ranging from the deficit in America's international balance of payments to the slow pace of its economic growth, as if they were a kind of Buck-U-Uppo, the potent patent medicine in

the story by Mr P. G. Wodehouse. The dificit in the balance of payments is probably the tightest single rein on the sort of action with which Mr Kennedy might try otherwise to accelerate the rate of growth. Therefore it is perhaps natural that the two problems should appear thus in conjunction. The argument is that, if there were a broad and mutual lowering of tariffs on both shores of the Atlantic, American exports and imports would each increase by about the same percentage ; this would mean that the surplus which the United States currently enjoys on its trading account would expand and so reduce the deficit in the balance of payments. The Secretary of the Treasury believes that exports would increase proportionately more than imports and so increase the benefit to the balance of payments.

As their living standards continue to rise, the Europeans are expected to buy still more American goods. Since 1958 the six countries of the existing European Economic Community have increased their imports from the United States by 44 per cent. Hopeful collectors of statistics point out eagerly that at present these six countries have only twenty-three radios to every hundred persons, compared with ninety-five to every hundred persons in the United States, and that the Europeans lag even farther behind in refrigerators and washing-machines.

EUROPEAN farming is admitted, however, to be a problem and there have been warnings that the common market's variable import levies may reduce Americans and other outsiders to being mere residual suppliers of wheat and flour, feed-grains, pork and poultry to Europe. It is also confessed sadly that it is the United States which has shown Europe, by its example, the way to a system of high support prices for farmers and of agricultural surpluses which may mean competition for American farm exports in third markets. Reductions in American tariffs may be contingent on the EEC assuring the United States that Europe will remain a large market or even become a larger one) for American agricultural exports.

One of the central ideas of the " task force " which was originally set up by Mr Kennedy to consider what his tariff policy ought to be was that it should be aimed at bringing about a general liberalisation of trade. This became distended, however, into a " grand design." In an address to the National Association of Manufacturers last December, President Kennedy said that the trade Bill would make it possible for two great markets to be harnessed together in a team that would be capable of pulling " the full weight of our common military, economic and political aspirations." Some of Mr Kennedy's advisers feared that closer association of the European Economic Community with the goals of the United States might be hampered, or even prevented, by peripheral neutral Swedes and Swiss and Austrians or by the claims of the British Commonwealth or by political football played by parties in Britain. As a result the chief preoccupations became to ensure that what was called the European core was satisfactorily consolidated and to keep it from being perforated or diluted by every Tom, Dick and Harry crowding into the common market, perhaps trailing Commonwealth or ex-colonial cousins after them.

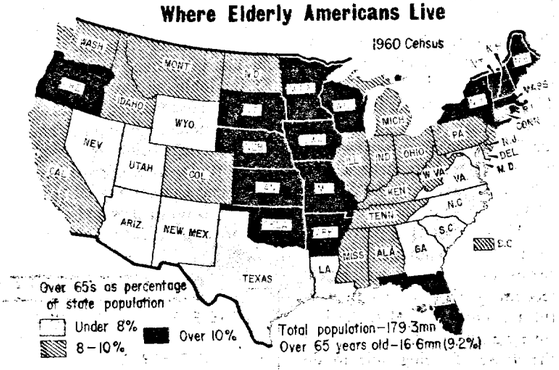
There may be second thoughts about dilution now that the core seems to have become overheated with illusions of grandeur. But even if the Trade Expansion Act turns out after all not to be the royal road to an Atlantic Community, Americans are unlikely to turn away from the dream which Mr Nelson Rockefeller, in his lectures at Harvard University this year, described as the historic choice that was fast rushing upon the West. The spectre of a narrow and inflexible Bonn-Paris axis (with its own striking power) may soften resistance to a wide, loose, pragmatic kind of association which has been frowned on hitherto as lacking the clear, sharp outlines of a grand design.

Medical Stakes

Now that the House Ways and Means Committee has finished its work on the trade Bill, it is free to take up a much more controversial domestic issue: the President's plan to finance hospital and nursing care for old people through the federal social security system. This explains why last weekend was chosen for rallies in over thirty cities ; the biggest of these was addressed by President Kennedy himself. Advocates of medicare—as the plan is called—think that the closed door against which they have been beating for years is beginning to give. Members of Congress came back to Washington after Easter with the impression that there was widespread support for a dignified federal scheme for dealing with the heavy medical costs which burden the country's old people and their relatives.

The President is not alone in believing, as he said this week, that, if the issue can be brought to the floor of the Senate and the House of Representatives, the response will be favourable. But in the House Ways and Means Committee, which held its hearings last year, the Administration has failed so far to win over the three Democrats whose votes are needed if the Republicans, with the help of two Democrats, including the chairman, Mr Mills, are not to block the Bill. Mr Kennedy himself is not as optimistic about success this year as he was once, but a failure can be turned into an election issue which may pay rich dividends ; more than 15 per cent of the voters are over 65 years old.

Where Elderly Americans Live



The day after the President spoke, the American Medical Association spent about $100,000 to answer him on television. Its spokesman called the plan a cruel and costly hoax, which would not help some 3 million old people who are not covered by social security ; he also asserted that it would destroy the flourishing private health insurance schemes and would lead to socialised medicine, lower standards and interference with the doctors' freedom to treat patients. The AMA has seen to it that complaints about the British health service are well-aired. In fact the payment of doctors' bills is carefully excluded from the scheme, which covers only hospital costs and those of care in nursing homes and at home. The AMA actually supports a measure which authorises the use of federal money to pay doctors ; this is the Kerr-Mills Act, which involves a means test, and leaves it to individual states to decide whether to help those who cannot meet their medical bills (only about half of the states now do this and most of the beneficiaries are in a handful of states). Some doctors are so intransigent that they are threatening not to treat hospital patients under the scheme if it is adopted—a piece of folly which only damages their own cause.

What most encourages the friends of medicare is the rash of compromises now being proposed by its critics and by individual Republicans. Progressive Republicans from New York suggest that old people should be given the choice of having their care paid for through social security or being given money to help them to pay for private health insurance. This would remove the taint of compulsion, although it might leave the federal fund with all the worst risks. But if a compromise of this kind—or like the proposal of Mr Harrison of Virginia to confine the scheme to catastrophic illness—is adopted, it will be the Democrats who make the running; the Republican leaders in Congress are still solidly hostile.

Wall Street's Reappraisal

FROM A CORRESPONDENT IN NEW YORK

In September, 1958, the giant pension fund of the American Telephone and Telegraph Company was authorised to invest in common stocks for the first time and this decision came to symbolise the new respectability of such investment. Thus the cult of the equity was born. On the premise that the American economy was on a treadmill of inflation, prices of common stocks were bid to the highest point, in absolute terms, in history. Similarly, investors demonstrated their willingness to pay more for a share per dollar of earnings than at any time since the bottom of the great depression, when the market was selling primarily on the hope of recovery rather than on the fact of performance. Now, Wall Street is engaged in unwinding the work of the past four years. Shares on the New York Stock Exchange are in a broad and general decline that has continued unabated since the middle of March, in spite of two major " selling climaxes " and a rash of confident statements from brokers that " value " has returned to the market and that buying opportunities are at hand. According to one major Wall Street brokerage firm, " for the first time in years, nearly every stock on the big board is in at least a minor downtrend."

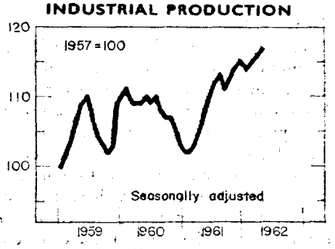
Concern about the future and the possibility that the economy may be in recession by the early part of 1963 have played an important part in the thinking of investors during the current decline in the market. But Wall Street's professionals are taking a more fundamental view of the slump in prices. Inflation is not the potent force that it was once ; in fact, industrial prices were slightly lower at the end of 1961 than they were at the beginning of the year when the recession was at its depths. As this lesson begins to sink in gradually the investing public, and especially the major institutional investors, are starting to question the propriety, to say nothing of the wisdom, of buying common stocks on the promise of growth that under the best of circumstances may be twenty years away. This reappraisal is set against the backdrop of a strong and resilient bond market which, even after a healthy rise in prices (and a consequent decline in yields) since the first of the year, still provides investors with a most attractive return on their money. Long-term United States bonds are yielding close to 4 per cent compared to 3 per cent for common stocks, while top grade state and local issues, whose interest is exempt from federal taxation, yield over 3 per cent. In a word, Wall Street's concept of value is changing.

There has been no outright dumping of shares, but fears are developing that the market's decline may begin to feed upon itself, that the pessimism generated by declining share prices may be reflected in a contraction of businessmen's plans for capital spending ; this might mean even further declines in share prices. There are rumours that margin requirements (which govern the use of credit in buying shares) will be lowered from the present level of 70 per cent to give the stock market a much needed shot in the arm. But these reports are not taken very seriously and in the meantime investors are left, jittery, wondering at just what point the collective intelligence of the market place will decide that the mystic quality of value has returned once again.

Confident Statistics

In President Kennedy's view and that of most detached economic observers the statistics for April should have restored confidence to the stock market already. The latest of these indicators, and one of the most significant, came with the details of new orders placed for durable goods, which stopped going down in April. This put the final touch on the picture of an economy which had recovered from its new year hesitation and was all set for a record summer. Housing was another sector which had been doing badly, but the number of new houses started was up in April for the second month running, to the highest level for nearly three years. The output of the country's mines and factories rose by almost 1½ points on the index and personal incomes also went up again, as a result of the increased amount of employment in industry. Consumers are spending their higher incomes and apparently intend to go on doing so ; the volume of retail trade is very satisfactory, with motor cars selling particularly well.

INDUSTRIAL PRODUCTION



As a result of all this the President's advisers expect the economy to show a sustained upward surge well into next year. Businessmen's economic advisers, however, doubt if the recovery will have this much vigour and think that it may level off by the beginning of 1963. Some, at least, of this pessimism springs from their distrust of the interference with their activities which, they are convinced, will come inevitably from the Administration. Nothing that the President can do seems able to allay these suspicions ; nothing he can do, after all, can hide his fundamental lack of sympathy for the businessmen's point of view. Nevertheless, businessmen, led by Mr Blough, the villian of the steel episode,' are making a great effort to co-operate with the President, serving on various special committees which he has set up and so forth. Mr Kennedy wants both businessmen and trade unionists to give up their old arguments and to approach from a technical rather than a political angle the basic challenges which today lie behind all the bargaining over wages—how to ensure a steadily growing economy, for example, or how to stem the outflow of gold. This week's conference in Washington on national economic issues was an attempt to encourage this more sophisticated, creative attitude. The result was disappointing for all three groups of participants—businessmen, trade unionists and government officials—seemed as widely separated as ever, in public, at least.

Whose Scandal?

Last week when Mr Kennedy met the press he was well-primed for the inevitable questions about the spreading scandal surrounding Mr Billie Sol Estes, a Texan who is alleged to have greased the palms of government officials in order to obtain favourable treatment for his cotton and grain storage empire. The President insisted that the federal government, which has 76 investigators on Mr Estes's trail, had been the first to bring him to book for defrauding a number of finance companies ; Mr Kennedy also defended Mr Freeman, the Secretary of Agriculture, and then carried the war into the Republican camp. Most of the surplus grain stored in Mr Estes's highly profitable warehouses went there during the Eisenhower Administration. (Moreover, members of Congress of both parties had dealings with Mr Estes.) And

the President turned the whole affair to some advantage by warning Congress that opportunities for corruption would increase unless it brought agricultural surpluses under control by approving the Administration's farm Bill. The government already pays nearly $500 million a year to private interests for the storage of surplus grain and scandals in this field are not new.

Both of the subcommittees—one in the Senate, under Mr McClellan, and one in the House, under Mr Fountain—which are delving into the Estes affair will try to discover what it is in the system which made it possible for Mr Estes to become, in two short years, one of the ten largest storers of surplus grain in the country and to obtain, in a way now judged illegal, other men's valuable rights to grow price-supported cotton. This is considered to be more important than establishing whether civil servants accepted small presents in return for favouritism to Mr Estes, though this will also be investigated. So far four government employees have resigned or been discharged, three of them, including a former Assistant Secretary, from the Department of Agriculture and one, Mr Holleman, an Assistant Secretary of Labour, who was discovered to have accepted $1,000 to help to pay his bills in Washington from Mr Estes, an old personal friend.

The chief congressional forum will be Senator McClellan's subcommittee, which has an enviable reputation for non-partisan thoroughness; open hearings will probably start next month. Mr Estes himself, who has been warned not to leave the country, may prefer not to say much, as he has been indicted by both federal and state authorities. In Texas Mr Estes, some of his business associates and the Commercial Solvents Corporation, a big eastern chemical firm, have been charged with violating the anti-trust laws by trying to corner the market in anhydrous ammonia, a fertiliser which increases crop yields greatly and thus helped to fill Mr Estes's storage facilities. His main income—over $7 million in three years—came from storing government grain which is now being transferred elsewhere.

Labour's Leaders in the Net

THE mills of justice grind slowly. But last week three prominent trade union leaders were in trouble which can be traced back to the famous hearings on labour abuses that Senator McClellan held between 1957 and 1959. The biggest fish is the one which has got away so far: Mr James Hoffa, the tough little president of America's largest trade union, the International Brotherhood of Teamsters. This union, which no longer confines its recruiting activities to lorry-drivers, was kicked out of the American Federation of Labour and Congress of Industrial Organisations in 1957 for corrupt practices. Mr Hoffa has now been charged with violating the Taft-Hartley Labour Relations Act by accepting large sums of money from a road transport firm with which he had negotiated a trade union agreement. Such transactions were made illegal to prevent employers from suborning the representatives of their workers.

Luck and the employment of high-priced legal talent have helped Mr Hoffa so far to evade the clutches of the law. But this charge—and another being brought in Florida, where he is accused of defrauding members of his union—might shake the loyalty of his teamsters and he seems to be rattled; only last week he was accused of beating up a member of his staff. In all, some fifty present or former leaders or members of the teamsters' union have been brought to court, about half of them during the Kennedy Administration, though the Attorney General, an old enemy of Mr Hoffa, is trying to discourage the idea that this is a personal vendetta.

One of these is Mr Beck, Mr Hoffa's predecessor as president of the teamsters, whose conviction on charges of embezzling union funds was confirmed last week in a 4 to 3 decision of the Supreme Court. He faces 15 years in prison on this charge. The troubles of the teamsters bring no tears to the eyes of the leaders of the AFL-CIO but the case of Mr Hutcheson, the president of the Brotherhood of Carpenters and a member of the executive council of the federation, is another matter. The Supreme Court has upheld his conviction for contempt of Congress; he refused to answer questions, some of them about a road scandal which later led to his being convicted on a serious charge in Indiana. If the second conviction is upheld, Mr Hutcheson will be barred, under the Landrum-Griffin Act, from holding union office for five years. But until this happens the AFL-CIO will be left holding the rather embarrassing baby; contempt of Congress, in itself, is only a misdemeanor and no bar to union office.

Global Sugar?

AT last Congress has received the Administration's proposals for revising the legislation which has stabilised the supply and the price of sugar in the United States and has protected domestic producers by a system of quotas since 1934. Cuba was by far the largest foreign supplier until its quota was suspended in 1960 after its new government had expropriated American property on the island. Since then the existing sugar legislation has been extended temporarily while attempts have been made to reach agreement on a new system. Even now these have not been entirely successful and it seems likely that there will have to be yet another temporary extension of the existing Act.

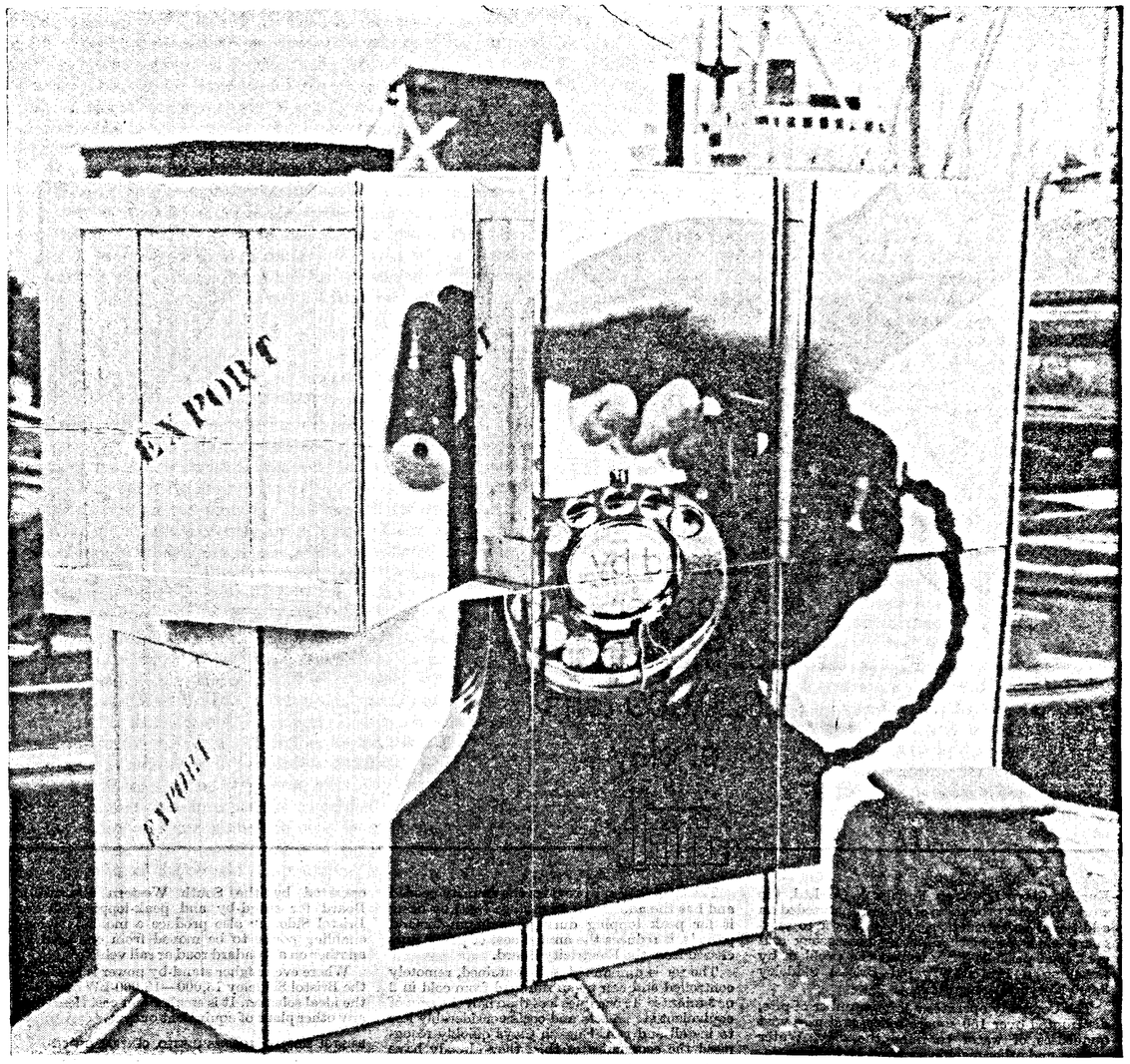
The total United States demand for sugar, on which the proposed new quotas are based, is put at 9.7 million short tons a year, to be supplied as follows:

	Short tons
Domestic areas :—	
Mainland beet	2,650,000
cane	895,000
Hawaii	1,110,000
Puerto Rico	1,140,000
Virgin Islands	15,000
Philippines	980,000
Cuba	2,584,277
All other foreign suppliers	325,723

This allocation increases the share of the domestic producers on the mainland by over 6 per cent at the expense of the offshore domestic producers (who have not been filling their quotas) and of Cuba. In addition mainland producers would receive a larger share—63 per cent instead of 55 per cent—than in the past of the annual increase of about 150,000 tons in consumption.

This seems to be enough to satisfy the domestic producers, although the refiners object to Cuba still being allowed to ship as much as 250,000 tons in a refined state. In practice, of course, nothing at all is coming from Cuba and it is here that the argument really begins. The proposed legislation provides that, when the United States does not have diplomatic relations with a country, that country's share—meaning Cuba's share—of the sugar supply can be bought from any friendly foreign country subject to the payment of a fee covering the difference—usually from 2 to 3 cents a pound—between the world market price and the United States price. The Administration also wants to impose such a fee by stages on imports of sugar from all countries except the Philippine Republic (where special treaty arrangements are involved). This would eliminate gradually the present premium on imported sugar which is in effect a haphazard form of foreign aid to countries which sell sugar to the United States. The official view is that the premium no longer serves to ensure steady supplies because apart from Cuba there is no country which can guarantee to meet any sudden increase in American demand.

Mr Cooley, the chairman of the Agriculture Committee of the House of Representatives, disagrees, arguing that to drop the premium would bring back the era of violent fluctuations in sugar prices and would hand over control of the market to Russia and



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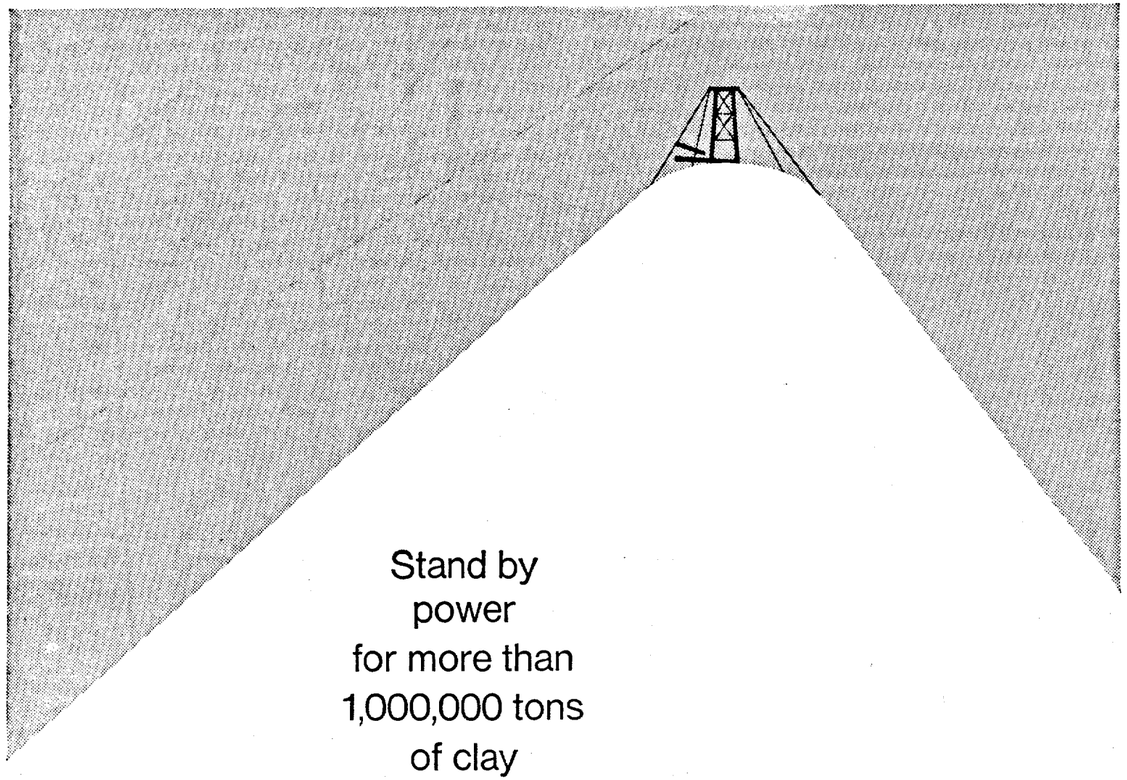
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The Company operates a large number of pits, distributed over 150 square miles, and uses vast quantities of water to mine the clay. Water pumps and other machinery must be kept operating to avoid flooding, otherwise equipment and weeks of valuable production may be lost.

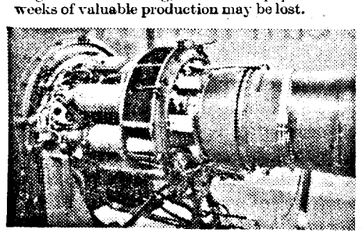
The 3,000-kW set provides the security needed and has the additional advantage that, by using it for peak lopping during maximum-demand periods, it reduces the annual cost of power purchased from the Electricity Board.

The set is unmanned, self-contained, remotely controlled and can be on full load from cold in 2 or 3 minutes. It occupies less than half the area of equivalent steam sets and costs considerably less to install and run. English Clays quickly recognised the economics of this; they already have 17,500 kW of steam plant.

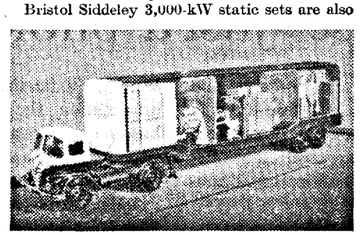
Bristol Siddeley 3,000-kW static sets are also operated by the South Western Electricity Board for stand-by and peak-lopping duties. Bristol Siddeley also produce a mobile version, enabling power to be moved from one area to another on a standard road or rail vehicle.

Where even higher stand-by power is required, the Bristol Siddeley 15,000—18,000-kW set offers the ideal solution. It is smaller and costs less than any other plant of equivalent output.

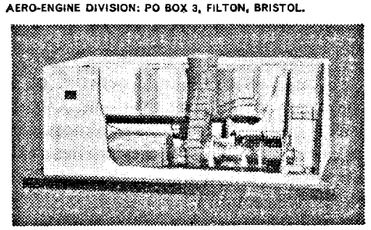
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The 4,250-shp Bristol Siddeley Proteus which powers the mobile and static 3,000-kW sets.



The mobile 3,000-kW turbo-generator powered by the Bristol Siddeley lightweight Proteus gas turbine.



The 15,000—18,000-kW static turbo-generator which is powered by the lightweight Olympus gas turbine.

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Cuba. He also suspects, with justification, that the whole scheme is a first step towards the Administration's objective of substituting a global quota, open to all foreign bidders, for individual country quotas. This, in his view, would lead eventually to complete abolition of the quota system. But allocation by countries lays the government open to charges of exerting economic influence and to pressures from those who want a share, or a larger share than at present, in the American market, as many countries do. The main concern of the Administration, however, is to prevent the American sugar market from settling into a new pattern of vested interests that would leave no room for Cuba should there be a change of government in that country. This is why a quota is still reserved for Cuba and why the Administration opposes Congress's desire to divide this quota among other suppliers.

Mining Water?

FROM A CORRESPONDENT IN COLORADO

WHAT seems to be a simple income-tax case in a federal court in West Texas has all the water-conscious West looking on. For when it is finally decided—probably by the Supreme Court—this case may affect the entire country's policy on the use of water, particularly of "ground-water." This is water far enough underground to be recoverable only by drilling. There are immense stores of it even in some dry regions, since it has been accumulating for ages by slow percolation through porous underground strata from higher levels.

In some areas, such as in West Texas, New Mexico and Arizona, ground-water supports a large irrigated agriculture and geologists say that it is being exhausted much faster than it can accumulate, so that the supply is running out. Now a farmer in West Texas, Mr Shubet, contends that this makes ground-water a non-renewable mineral, rather than a renewable natural resource like water flowing on the surface of the earth. Therefore he has asked the court to rule that he is entitled to a "depletion allowance" on his income tax, specifically to a refund of $300 on his 1959 payment.

The depletion allowance permits owners of mineral deposits to escape taxation on some of their income, on the ground that they have to deplete their mineral capital to get it. The best-known example is that of the oil and gas producers, whose tax-free retention of up to 27.5 per cent of their gross income from production (if this does not exceed 50 per cent of their net income) costs other federal taxpayers more than a billion dollars annually. Congress has permitted smaller amounts of tax-free income on other minerals, usually 15 per cent, and it is to this group that the Texas farmer seeks to add ground-water where there is evidence that the supply is being exhausted.

This contravenes the general federal policy that all water is to be classed, and conserved, as a renewable resource. For example, Mr Udall, the Secretary of the Interior, only recently forbade the granting of any more applications for agricultural homesteads in areas where the water-table is declining—that is, where users are already depleting the underground store. If this policy is carried out it would restrict the use of ground-water as nearly as possible to the volume moving underground from the distant highlands. But if the Texas farmer should win his suit, it is estimated that farmers in Texas and New Mexico would get refunds and annual benefits of about $6 million a year; users of ground-water in other areas of declining water-tables would also benefit. The effect would be to encourage greater use and more rapid exhaustion of underground water everywhere, at the expense of the taxpayer.

Drilling for this water is very expensive, and relatively few farmers or ranchers can afford to go deeper than a few hundred feet or to pay the electrical bill for pumping. Yet the potential supply is immense. In the West as a whole there are billions of acre-feet (of 325,851 gallons each) available. Much of this water is tainted with salts and cannot be used until cheaper methods of cleansing it are devised; but much is fresh enough for use "as is." The supply is particularly large under the Great Plains, which are part of that vast sweep of the West that the water-experts say will exhaust its runoff (fresh water flowing over the surface) almost immediately, and which must curtail the use of water, or find fresh sources of it. If ground-water is treated as a minable resource, to be developed rapidly and exhausted, this would mean "ghost-towns" on the plains and in the deserts, like the deserted mining towns where ore deposits have been played out.

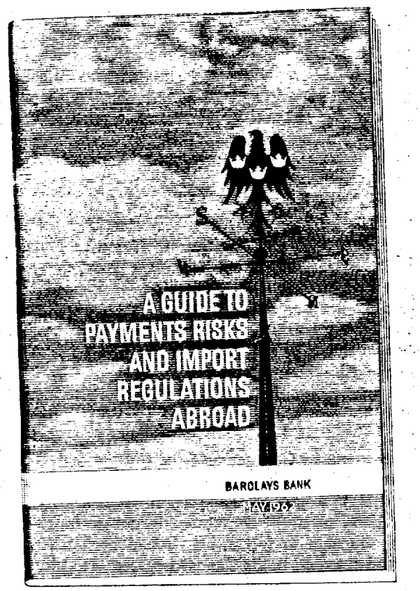
That the government is taking the West Texas claim seriously is shown by the elaborate evidence it put before the court. Its experts sought to show that it had taken the underground waters in Texas, at least, only a relatively few years to percolate hundreds of miles through underground strata from the higher ground—probably the Southern Rockies—where they first fell as rain. Opposing geological experts testified, on the other hand, that it had taken these waters hundreds of years to accumulate and that therefore they could hardly be considered as a renewable resource. Everyone in the West will keep a wary eye on this case until it is finally resolved.

Nutmeg State

REPUBLICANS in Connecticut—the nutmeg state—had to think fast last week when their one Senator, Mr Prescott Bush, decided that he would not stand again. It is less than a fortnight until his party meets in convention to choose its candidates and, with his campaign in full swing, it had been taken for granted that Mr Bush would be its standard-bearer. He pleaded ill-health and advancing years but his abstinence may be due, in part, to a poll of public opinion which suggested that he was likely to be beaten roundly if his opponent were Mr Ribicoff, a former Governor of Connecticut and famed vote-getter who is now Mr Kennedy's Secretary of Health, Education and Welfare. Instead the aspiring giant-killer is likely to be Mr John Davis Lodge, the brother of Mr Henry Cabot Lodge and Governor of Connecticut from 1951 to 1955; he was also Mr Eisenhower's Ambassador to Spain. Mr Ribicoff and Mr Lodge clashed in 1954, when the Democrat became Governor by a narrow margin.

Mr Lodge's emergence as a senatorial candidate means that there is one less Republican straining for the privilege of knocking out Mr Dempsey, the present Democratic Governor. Mr Dempsey inherited the office when Mr Ribicoff went to Washington and with it inherited also a host of problems: higher taxes, rising road deaths and the bankrupt New Haven Railroad. The Republicans are still not short of gubernatorial candidates—there are six of them—but the two in front are Mr John Alsop, brother of the newspaper columnists, and Mr Edwin May. Both are classed as liberals and if one of them is elected he would fortify the small band of progressive Republican Governors.

Mr Ribicoff has been pressed—probably not against his will—to step back into Connecticut politics because it is thought that he will help to pull Mr Dempsey through. With Mr John Bailey, the Democratic national chairman, strongly behind him in Connecticut Mr Ribicoff is likely to win the Democratic senatorial nomination handily. But he has stopped just short of announcing his candidacy and probably will not do so until July when the Democrats meet to choose their nominees. There is one small cloud on the horizon—Representative Kowalski, a Pole in a state where his countrymen form a sizeable minority and a man who has won a bigger vote than any other politician in the state's history. If Mr Kowalski, who is campaigning against "bossism," controls 20 per cent of the delegates to the Democratic convention, he can demand a primary election; this might leave some scars on Mr Ribicoff.



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THE WORLD OVERSEAS

Salan's Surprise Survival

FROM OUR PARIS CORRESPONDENT

"By a majority vote . . . extenuating circumstances. . . ." The rest of the sentence was drowned in pandemonium. In the decorated hall of the palace of justice, the defence and their friends in the audience were singing the *Marseillaise* and chanting *Algérie Française*. Bewildered journalists could hardly trust their ears. The same military tribunal which, last month, had sentenced to death General Jouhaud, second in the hierarchy of the Secret Army Organisation (OAS), had now spared General Salan, the official leader of the organisation and the man who took full responsibility of all its actions. Once the cries and the jubilation had died down, the news came through that Salan had saved his head but received a sentence of life imprisonment. This surprising verdict, announced shortly before midnight on Wednesday, ended the strange seven days' trial of the general.

In fact, it cannot accurately be described as the trial of General Salan. The prosecution, in principle, wanted to restrict the proceedings to Salan's part in the *putsch* of April last year, and to the subsequent crimes of the OAS. But throughout the seven days there was relatively little talk about the thousands of victims, predominantly Moslem, who suffered at the hands of the OAS. The prosecution called only four witnesses, and it could hardly expect to get any information out of General Salan himself. The former commander-in-chief in Algeria, his hair still bearing traces of conspiratorial dye, rose on the second day of the trial to read, in a monotonous tone of voice, his declaration. The gist of this was that he had brought General de Gaulle back to power to prevent civil war and to keep Algeria French. Subsequently, General de Gaulle betrayed his word, and the OAS is the consequence of this betrayal. He, General Salan, had remained true to his pledge and accepts full responsibility for everything, but would not, he said, answer any questions. His silence throughout the trial was, tactically, a clever move. Thereby, he accepted responsibility in the abstract, but refused to be tarnished by concrete, criminal details.

Four witnesses for the prosecution ; sixty for the defence. Of these the most moving was the general's brother, himself a gaullist, but who pleaded that his brother had been deceived and should be spared. Otherwise the trial was a procession of advocates for French Algeria. A bunch of retired generals, some serving officers, a marshal's widow, a paratrooper priest in the *Torquemada* tradition, a professor of economics who presumed to speak in the name of youth, all came forward to assure General Salan of their sympathy and devotion. Self-confessed conspirators of 1958, MM. Biaggi and Delbeque, who subsequently parted company with the government over Algerian policy, explained how General de Gaulle had used Algeria as a stepping stone back to power. The usual contingent of Algeria's "*mal-élus*," and their French associates, retold the story of General de Gaulle's betrayal and its tragic consequences.

Yet, if the prosecution failed to put the OAS on trial, the defence, for all its opportunities, also failed to put the gaullist regime on trial. Nothing was seen of the famous incriminating evidence that Salan is supposed to hold in a safe in Madrid. For students of the last days of the Fourth Republic and of the birth of the Fifth, the trial did no more than confirm one old suspicion and suggest a new one. It has been confirmed that in May, 1958, General de Gaulle, while negotiating with M. Pflimlin for the legal succession, was simultaneously in contact with the insurgents in Algiers. The new suspicion concerns Corsica. If M. Arrighi is to be believed, the decision to invade Corsica was taken in Algiers after the arrival of a special gaullist emissary, a lady who afterwards became M. Debré's press officer.

Much of the tribunal's time was taken up with an even older case—the mysterious "bazooka affair." In January, 1957, a shot fired from a bazooka killed a French major at the Algiers headquarters. The real target had been the commander-in-chief, General Salan. It is generally believed that the attempt was part of the first plot to overthrow the regime, and that Salan was to be removed because, at that time, he was considered too loyal. The assassination was to be in Algeria, but the inspiration came from Paris. Persistent rumours have associated M. Debré with the plot. Now that he is no longer prime minister, M. Debré was able to deny these allegations categorically. He emerged unscathed from his duel with the defence counsel's admittedly tame attack. But the situation was less clear cut when M. de la Malène, his close associate, came to deny that, in August, 1958, he had gone to Algiers on behalf of M. Debré, who was then minister of justice, to negotiate with the army an arrangement whereby the bazooka trial should be held in camera and the accused put on parole. The confrontation at the trial between M. de la Malène and General Dulac was, to say the least, ambiguous. The correspondent of *Le Monde* summed up the general impression in the words of the French ditty: "I hold thee, you hold me, by the goatee. . . ."



Before the jubilation

This impression was not limited to one incident. True, it would not have been logical to expect the defence lawyer, M. Tixier-Vignancour—a Vichy man in 1940 and one of the stars of the extreme right since the war—to probe too deeply into the bazooka case. Such are the vagaries of politics that the lawyer who is now the chief defender of General Salan was then the counsel of his chief would-be assassin, a man called Kovacs, who, in the meantime, has vanished. But Maitre Tixier-Vignancour, who has a reputation as a famous destroyer of reputations, seemed relatively restrained on this occasion. It was he who, on Wednesday, delivered the final, lengthy plea for the defence.

He started from the premise that, rightly or wrongly, General de Gaulle had decided well before the end of the Fourth Republic

that Algeria must become independent. He could not reveal his decision because he needed the support of the army in Algeria to return to power. Some of the general's associates, for instance, MM. Debré and Frey, were in his secret. Others, such as M. Soustelle and General Salan, were not. General Salan appears in this version as the simple soldier fooled by the political general. He did not grasp the truth until the end of 1960. But, pleaded the lawyer, "Machiavelli never asked for the execution of those who did not guess his designs." As for the alleged crimes of the Secret Army, they are or should be exonerated as a natural reaction to the atrocities of the so-called forces of law and order. (The advocates of French Algeria, who used to shout treason whenever it was suggested that Moslems had been tortured, have developed a passion for the rights of man now that it is Europeans who are, apparently, involved.) There remained one obstacle—the precedent of General Jouhaud. M. Tixier-Vignancour offered a way out: a bill has been tabled in the chamber proposing the extension of the Evian amnesty to cover offences committed up to the end of April. The judges, it seems, were looking for just such an excuse.

Many people had hoped that the seemingly inevitable death sentence would be commuted. Some because recourse to the guillotine creates a dangerous precedent, others because they believe in mercy. But the verdict came as a shock. This is why, while lawyers were rejoicing, journalists and others were pondering. Some argued that if generals don't eat generals, General Jouhaud, too, must now be reprieved. Others maintain that it was too strange to be the whole story and that the real trial must have taken place out of court. The seven days of proceedings, during which neither the OAS nor the regime were effectively put on trial, have not cleared away the mystery of General de Gaulle's relationship with his officers, they have deepened it.

Mr Menzies's Mission

FROM OUR SPECIAL CORRESPONDENT

Not much more than a month has passed since Mr John McEwen, Australia's federal minister for trade, returned from an intensive visit to all centres of decision-making in the negotiations for the common market. Washington, Ottawa, London, Paris, Bonn, The Hague, Brussels, Rome—all were visited and everywhere prime ministers, economic ministers, agricultural ministers and trade ministers were given a forceful account of Australia's particular problems and needs. Now Mr R. G. Menzies, the Australian prime minister, is leaving this week for another round of talks—this time mainly in London and Washington. Moreover, he has persuaded leading members of the opposition to undertake a parallel mission of inquiry at the same time. In addition, Mr Arthur Caldwell, the leader of the opposition, will attend the meeting of the Commonwealth prime ministers in September. All these moves reflect both the present realities of Australian politics and the fateful importance that Australia attaches to the outcome of the common market negotiations.

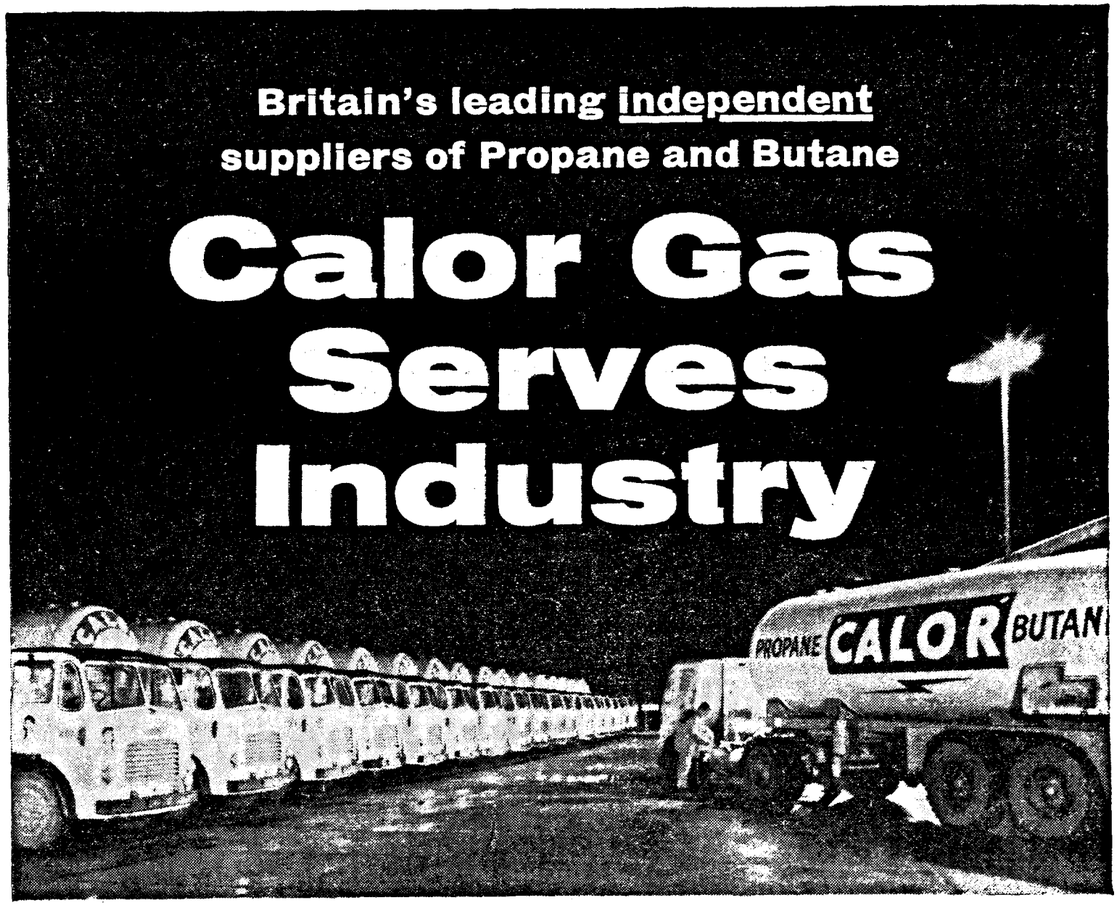
Since last year's federal elections Mr Menzies's coalition of Liberals and members of the Country party has had to rely on a majority of a single vote. Such a situation does not necessarily strengthen the position of the leader under whose guidance the coalition lost its old comfortable majority. It leaves the government vulnerable to any well-aimed opposition attack. And it inevitably has most politicians looking over their shoulders at the possibility of an early dissolution and new elections. These three factors have played their part in dictating Mr Menzies's decision to go on his travels before the autumn meeting of Commonwealth prime ministers. He does not wish, at a time when his own leadership has been weakened, to see his energetic and redoubtable minister of trade acquire any monopoly in the well-publicised defence of Australia's vital interests. He wishes to associate the opposition inescapably with any decisions that have to be made. And he seeks to underline as dramatically as possible that the present government, for all its parliamentary precariousness, is grappling strenuously with a life and death threat to Australia's future prosperity. Some of his labour critics even accuse him of playing up the gravity of the crisis so that the government's handling of it may redound to its credit if and when a new appeal to the country is decreed.

The general reaction, however, is to concede the prime minister's view that action is needed and to applaud the "statesmanlike response" of Mr Caldwell and his colleagues. Ever since Mr Duncan Sandys visited Australia last year to announce Britain's decision to apply for membership in the common market, Australian public opinion has become steadily more aware that some large upheaval—still unspecified but undoubtedly important—may be about to overtake their prosperous, comfortable, productive land. They are not sure what its nature will be—indeed nobody is, including the negotiators locked in bargaining at Brussels. But enough is known about the shape of Australia's production and trade to make Australians realise—with some uneasiness—that very large interests are at stake.

In spite of one of the highest national incomes per head in the world and a steadily growing industrial sector, Australia is still in the first place a primary producer. Its exports overwhelmingly reflect this fact. Between 1957 and 1962 wool alone accounted for over 40 per cent of its exports. And this, together with foodstuffs, hides and skins, ores, concentrates and a very little processed copper, made up between 75 and 80 per cent of all exports. Britain has long been the largest single outlet for Australian exports and has had the largest share of Australia's market in return. It is true that the pattern is changing. Imports from Britain have slightly increased—from £A307 million in 1958-59 to £A341 million in 1960-61. But the proportion has fallen; total imports have grown from £A997 million to £A1,086 million and the share of the common market and of non-European suppliers has gone up sharply. Yet Britain still supplies Australia with nearly one-third of its imports. Australia's exports to Britain have fallen in recent years. They stood at £A257 million in 1958-59 and at £A232 million last year, at a time when Australian exports in general were growing—from £A811 million to £A970 million—and the share going to the common market and to non-European outlets, particularly Japan, had increased by £A184 million. Yet Britain alone still receives about one-quarter of all Australia's exports.

Nor do the percentages alone give the full story. In some sectors Britain absorbs virtually all Australia's exports. Sixty per cent of all the fruit that is canned in Australia is then exported and 90 per cent of it goes to Britain. Of Australia's exports of butter, apples and pears, 80 per cent is sent to Britain. Britain provides a guaranteed market for bulk purchases of Australian wheat, meat and sugar. Very large sums have been invested in building up a future metals industry with an eye on the British market. There is, too, the additional difficulty that many communities lie in single product areas. Isolated cattle stations in the Northern Territory, cane growers among their brilliant green fields in tropical Queensland, closely settled wine producers on the irrigated lands along the Murray and the Murrumbidgee—all these groups have an overwhelming dependence upon existing patterns of trade. And some at least of these patterns could shortly be exposed to considerable disruption.

It is not the whole flow of exports that is in question. Wool, hides, skins and mineral concentrates—making up between 30 and 40 per cent of exports to Britain—are not affected, since they enter the common market as well as Britain duty free. It is on the whole range of foodstuffs—bulk and processed—that Aus-



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tralia's chief worries are concentrated. What happens to the £A70 million worth of wheat and flour sold to Britain, the £A43 million of beef and veal, the £A13 million of canned meat, the £A22 million of butter, the £A34 million of sugar, the £A11 million of canned fruit? (These figures represent the annual average since 1957-58.) Most of these products will be directly affected by the common agricultural policy of the common market according to which single prices will be fixed inside the market and levies imposed on foodstuffs coming in from outside to ensure that the domestic products within the market are not undersold. French wheat or Dutch butter would enter Britain at whatever prices had been fixed by market decision and Australian producers would have to get over the high wall that will be created by the levies. This protection for Europe could, moreover, increase output inside the market far beyond domestic demand. The levies might be used to subsidise exports and Australia could find itself competing fiercely in shrinking third markets against European wheat and meat exported at dumping rates. To this should be added a number of quite high protective market duties at present proposed for processed foods—over 20 per cent *ad valorem* for canned fruits, 26 per cent for canned meat, 9 per cent for dried grapes, a variety of duties on all types of wine. The total picture is to cancel all Australia's preferences in the British market and in fact to transfer them to European producers. This is the picture of difficulty and even doom that Mr McEwen has conjured up. And theoretically it could follow from a British entry into the common market unaccompanied by any safeguards for Commonwealth trade.

WHAT safeguards will Mr Menzies be bargaining for as he travels round in the next few weeks? In general, the Australians, like other primary exporters, hope for the largest possible extension of the market's duty-free list for raw materials. Again like other industrial exporters, they urge that industrial tariffs should be low—and in particular low enough not to cripple such nascent industries as the Australian venture into aluminium. They are profoundly interested in the American proposals that such temperate products as wheat and coarse grains must be regulated on a world basis through commodity agreements, fixed prices and export quotas. But such agreements are clearly for the future. Meanwhile, how is a violent disruption of Australia's vital trade in foodstuffs to be withstood?

Here Australia's chief emphasis is placed on securing in the common market as a whole "comparable outlets" to those now enjoyed in Britain. Nobody knows quite what they would be. Would a quota of such and such a size for canned peaches be the equivalent of so much cut off traditional exports of lamb? Might various categories of exports be grouped in comparable "baskets" and an overall figure be agreed with individual fluctuations? If the price of particular commodities went up, would the general quotas come down? Should the outlets allow for "reasonable growth"? Then there is uncertainty about the duration of special arrangements. Should they simply tide Australia over until world agreements are reached? Or is a permanent preferential arrangement with Europe envisaged?

They do not, however, throw much light on the chances of success. The Australians feel fairly confident that Britain will not enter the market without securing some safeguards for them. They know the United States is strongly opposed to any continued preferential arrangements. Mr Dean Rusk told them so firmly during the recent Anzus meeting and they responded with some resentment, reminding America of its duty against Australian wool, its restrictions on imports of lead, zinc and butter, and of its own preferential system for sugar. But they do not know and cannot guess whether the French negotiators might exploit the Commonwealth's need for special protection in order to confront Britain with an impossible choice: to enter the market only by abandoning Commonwealth pledges and responsibilities which in all honour it must maintain. Since the outcome is thus still so far from clear, few Australians have asked themselves the further question whether a British decision to remain outside the common market on their behalf might not ultimately do them more harm than good. Australia's prosperity, after all, depends on expanding world trade, yet few Australians seem to have considered the possibility that a check to integration in Europe might lead to increased American isolationism and hence to the ultimate extinction of expansion and élan throughout the free world.

The Volkswagen Tragi-Comedy

FROM OUR BONN CORRESPONDENT

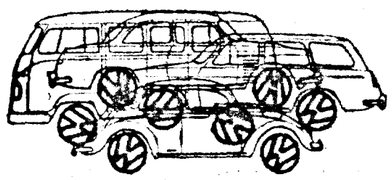
IT would be possible for some latter-day Aesop to compose an engaging fable about a lowly beetle who caused an uproar among the lions. By reason of its numbers and social significance, the Volkswagen beetle is in fact capable of provoking an immense stir in the German economic and political jungle. Some 75,000 workers are employed at Wolfsburg in three daily shifts, making over one million people's cars a year. Volkswagen snouts and snortings are inseparable from the contemporary German street scene. Of the million new cars shipped from Germany last year (the Federal Republic is at present the foremost exporter of motor vehicles) approximately every other one was a Volkswagen. The people's car has even spawned people's shares. Little wonder, then, at the commotion caused when the manufacturing company raised the car's domestic price on April 1st by some £25 (DM 240 to DM 390, according to the model). Several other leading car manufacturers have followed suit. A confused, and often angry, debate has been in progress. It concerns fundamental economic principles in general, and in particular the dangers of inflation and common market competition. Several public personages have joined battle. Through the smoke some of them can be discerned fingering painful bruises, and mouthing what could be only four-letter words if the German language had any.

The Volkswagen serial, which is generally agreed to be a tragi-comedy, opened on March 21st within twenty-four hours of Dr Adenauer's departure for his customary spring holiday in northern Italy. It was then that Dr Adenauer's deputy, Herr Erhard, impetuously seized the opportunity to display qualities of leadership which some of his critics, including the Chancellor himself, had suggested he was lacking. In the dual role of minister of economics and pretender to the Palais Schaumburg, Herr Erhard broadcast with unusually earnest mien an appeal for "moderation"—warning his radio and television audience that disaster lay round the corner should the west Germans persist in expecting to receive more of the world's goods than they themselves were producing. The inexorable facts were that while wages and salaries had risen in 1961 by 12.8 per cent, production had increased by only 5.9 per cent, and that the workers were still pressing for more money and leisure, although since last year they had been receiving, he claimed, more of both than was the rule in western Europe. Herr Erhard made it clear that he expected employers to resist wage demands in future, instead of yielding, as on past occasions, and blandly passing the bill on to the consumer.

Herr Erhard often has an unlucky, as well as a lucky, touch in handling public affairs. His barbs that night were flighted too heavily in one direction. A leading trade union official in Lower Saxony, Herr Karl Hinkel, spoke up for the injured. Herr Erhard's broadcast, Herr Hinkel complained, had been in the main "a massive attack on the workers and the trade unions." The charge was widely repeated. Yet no sooner had the minister tried to correct this effect by broadening his range than he suffered the

smart of appearing to be contemptuously ignored. On March 27th the manufacturers of the Goggomobil car announced price increases of three to five per cent with effect from April 1st. The public took little notice. But it became instantly excited when, on March 28th, the prodigious Volkswagen hatchery announced that as from April 1st the home price of its standard model would be raised from DM 3.810 to DM 4.200 (mitigated to some extent by the installation of hydraulic brakes), that of the export model from DM 4.740 to DM 4.980, and that of the convertible from DM 5.990 to DM 6.230. Now everybody looked to see how Herr Erhard was taking it. To aggravate his discomfiture, similarly defiant price increases were announced in the course of the next few days by NSU, Ford, Daimler-Benz and BMW.

Herr Erhard tried at once to reverse these decisions. In his address to the Federation of German Industries on April 3rd, naming no names, he scolded car manufacturers who raised their prices immediately after granting wage increases for behaving "just as irresponsibly as the trade unions themselves." Behind the scenes Herr Erhard pulled what private strings he could to bring the insubordinate to heel. But in vain. On April 30th the Volkswagen board of management, headed by its director-general Herr Nordhoff, rejected a recommendation to revoke which had been submitted by the supervisory board under the chairmanship of the leader of the powerful metal workers' union, Herr Brenner. Herr Nordhoff



pointed out that while the men who made the Volkswagen had received substantial wage increases since 1957, and the quality of the car had been improved, its price had remained the same until April 1st, and even then was still below that of 1949. There were not only the workers, but also a million and a half shareholders to think of. Herr Nordhoff apologised to Herr Erhard for having embarrassed him. The company, unfortunately unaware of Herr Erhard's intention, had decided upon the price increases before the minister made his clarion call to the country. "It's a circus," Herr Brenner exclaimed, not without *schadenfreude*. To Herr Erhard's further mortification this remark, and the Social Democrats' "resounding box on the ear for Erhard," were widely used headlines.

Three days later, on May 2nd, Herr Erhard presided in the Chancellor's absence at a meeting of the cabinet which afterwards put out a communiqué affirming the government's extreme displeasure and its firm intention to continue its fight against Volkswagen. Largely at Herr Erhard's inspiration, the Christian Democrats in the Bundestag drafted a recommendation on May 8th to the effect that the import duty on cars of common market manufacture should be halved. Having in the meantime returned to Bonn and listened to the objections of heavyweights in the Federation of German Industries to Herr Erhard's dubious weapon of retaliation, Dr Adenauer tried to prevent its use, but for once was overruled. Hoping, none the less, to contrive some sort of compromise, the Chancellor, partly from guile and partly because of misunderstandings on the telephone, inspired a communiqué after a cabinet meeting on May 14th, promising buyers of the dearer Volkswagen a built-in radio for which no extra charge would be made. Within the hour, Herr Nordhoff had blown the cabinet's pretty pipe dream into thin air.

The ruffled ministers decided on May 16th (with the four Free Democrats in the cabinet dissenting) to ask the Bundestag to approve the suspension of fifty per cent of the duty on cars imported from common market countries. This would mean that cars with an engine capacity over two litres would pay duty of six and a quarter per cent *ad valorem* instead of twelve per cent, and that cars with an engine capacity of 800 cubic centimetres to two litres would pay five per cent instead of ten per cent. The minimum of 800 per cent, it was reckoned, would protect the makers of some of the very small cars, yet it would put Renault's Dauphine at an advantage by lowering its price, which is at present approximately that of the Volkswagen export model, by the equivalent of roughly £18. But on May 18th, when the time came for the Bundestag to vote on the government's proposal, so many dissenting Free Democrats had slipped away that there was an insufficient quorum. Once again the unlucky Herr Erhard had been thwarted in full view of the public.

On Tuesday of this week, the presence of a sufficient number of deputies having been assured, Herr Erhard got his way in the Bundestag by 331 votes to 81, with 21 abstentions. But it was not an occasion for congratulation, either for him individually or collectively for the Adenauer regime. Considerable doubt, if not displeasure, is being felt and voiced throughout west German industry by this unilateral manipulation of import duties for a domestic penal purpose, without any reciprocal favours from the foreign beneficiaries concerned. It is questionable whether the booming Volkswagen company will feel the slightest pinch. Herr Erhard is being criticised for having let concern for his prestige cloud his judgment. Alike from Right and Left the question is being asked whether Dr Adenauer is capable of maintaining adequate control much longer. The subject will certainly be raised at the annual conferences which all three parties represented in the Bundestag are holding in the Ruhr in the course of the next ten days.

Dr Verwoerd Fights On

FROM OUR SOUTH AFRICAN CORRESPONDENT

APARTHEID may be fraying slightly at the edges; the enmity the world shows towards South Africa is not. For these two reasons, Dr Verwoerd is concentrating more than ever before on making the South African laager as impregnable as possible—and as uncomfortable as could be for the opponents of his government's race policy. The "Sabotage Bill," debated in Parliament this week, is the latest, if not the most awesome, addition to Dr Verwoerd's armoury.

Tiny cracks are appearing on the hard stone face of apartheid. For business reasons, Japanese have been "accepted" as "whites." Afrikaans-speaking white selectors have nominated non-white athletes for inclusion in a South African team competing outside the borders of the republic; a Coloured (mixed-blood) man has been chosen as the workers' delegate to the International Labour Organisation conference in Geneva, against bitter opposition from Afrikaner Nationalist-orientated trade unions. The two latter events, both unique in South African history, are in conflict with the apartheid philosophy. In both cases the government has had no short-term option but to acquiesce with bad grace—with the assurance that "this will never be allowed to happen again." At times, of course, it is able to hit back hard at once, as when it changed the law after a Japanese had been classified as White by a state board.

Most significant of all the dents made in the white laager's fence, however, was the decision of Dr Verwoerd, after years of stalling and protesting, to invite two United Nations representatives to the republic. They were given freedom to go where they wished in the former mandated territory of South West Africa and see

and interview whom they liked. Here, no matter how the incident is explained, was an about-face which has puzzled many a fervent Nationalist reared in the conviction that the UN has no business in a South Africa that will tolerate no interference in its domestic affairs. The government realised, however, that the climate of world opinion was such that it had to ward off further frontal attacks and play for time. No matter how determined Dr Verwoerd's people remain, the fact is that the UN has now climbed over the laager fence and had a good look round. This might, incidentally, introduce a little more realism into the Trusteeship committee's handling of the matter. To add to Afrikanerdom's immediate worries there has been the patent failure of the "granting of self-government" to the Transkei tribes to impress South Africa's critics abroad, or even wholly to mollify African opposition in the territory itself or anywhere else.

On top of this, fourteen years of Nationalist rule have failed to destroy the hard core of outspoken resistance put up by both blacks and whites. Now Dr Verwoerd's government will restrict still further the area of personal liberty, and launch yet another assault on all liberal thought and action. The "Sabotage Bill"—actually a co-ordination of the provisions relating to subversion in other statutes, particularly the Suppression of Communism, Riotous Assemblies, and Criminal Procedures acts, is intended to make extra-parliamentary opposition as difficult and as dangerous as possible.



Man from the UN with escorts

As such it amounts to an act of intimidation and terrorism. Few people believe the threat of sabotage is anywhere near serious enough to justify a Draconian piece of legislation like this—death or a minimum of five years' imprisonment for sabotage; the onus placed on an accused to prove the innocence of his intentions; giving the minister the power to ban newspapers and prohibit the holding of meetings; confining "named" individuals, like Mr Albert Luthuli, to house arrest without trial and making it an offence for newspapers to publish statements from them; and restricting the discretion of the courts.

Even so moderate a critic as the leader of the parliamentary opposition, Sir de Villiers Graaff, has said that the bill shows that the government is unable to rule with ordinary powers. A former chief justice, Mr Centlivres, has labelled the measure the "Sabotage of Freedom" bill, and the Progressive party has taken the lead in organising country-wide protests. The Black Sash movement, born in the days of the vain fight to preserve the franchise rights of the Cape Coloured people, has re-emerged to demonstrate by public display its abhorrence of this further invasion of personal rights and threat to the rule of law. The bill has come as close to shocking White anti-Nationalist opinion as measures of this kind are capable of doing in South Africa's reactionary political climate.

But the bill will soon become law substantially as it stands because most Whites are insensitive to the threat to western values inherent in such measures, and because the parliamentary opposition is powerless in the face of an administration ruthlessly determined to impose its will on its opponents. The old cry of self-preservation is being advanced as the justification for a measure which will reduce the rights of the individual as radically as any Afrikaner Nationalist measure of the last decade; for the majority of the Whites this is enough. The law was fathered, appropriately enough, by a minister of justice who was interned for two years in the second world war because of his sympathy for Nazism: he was a "general" in the fascist Ossewabrandwag movement which flourished during the war.

Inevitably the Bill will drive extra-parliamentary opposition further underground and stiffen the resolve of opponents beyond the borders of the republic to do whatever they can to bring about the end of apartheid. Against these possibilities the internal and external defences of the laager are being strengthened. South Africa is now calling up 10,000 men under 25 every year for military training, and is spending about 12 per cent of its budget on defence—more than during the war. The liaison between the army and the police is closer than ever before: both forces are being expanded at a rate unprecedented in peacetime.

But of course, as Sir de Villiers Graaff has implied, the government does not regard this as peacetime. It is certainly doing nothing to break down the impression that the country faces some dire peril—even if the peril is partly of its own imagination and partly of its own making. At the same time every agency is being used by the government, here and abroad, to spread the impression that normality and peace reign supreme within South Africa's borders.

Nigerian Re-action

THREE choices lie before the frustrated Action Group party of Nigeria. It can turn inwards towards its Yoruba-based tribal self and stick to running the relatively advanced western region, as part of it does now. This might, however, mean a dangerous increase in the pressure towards taking the region out of the federation; at the least it would severely strain the young country's unity at a time when its new economic development plan calls for solid national feeling. Alternatively, the federal branch of the party could resign itself to remaining the federal opposition for the foreseeable future (as, it seems, it must). Its leader, Chief Obafemi Awolowo, might then at least congratulate himself on keeping the flame of democratic opposition alive in west Africa: the federal government's attempts to frustrate this by promoting the non-Action Group part of the western region into new regional status must then be fought in the courts and at the polls. Finally, the party could join the ruling parties of the country in a national coalition, saving Nigeria's unity, perhaps, but doing little for the preservation of the liberties of its citizens.

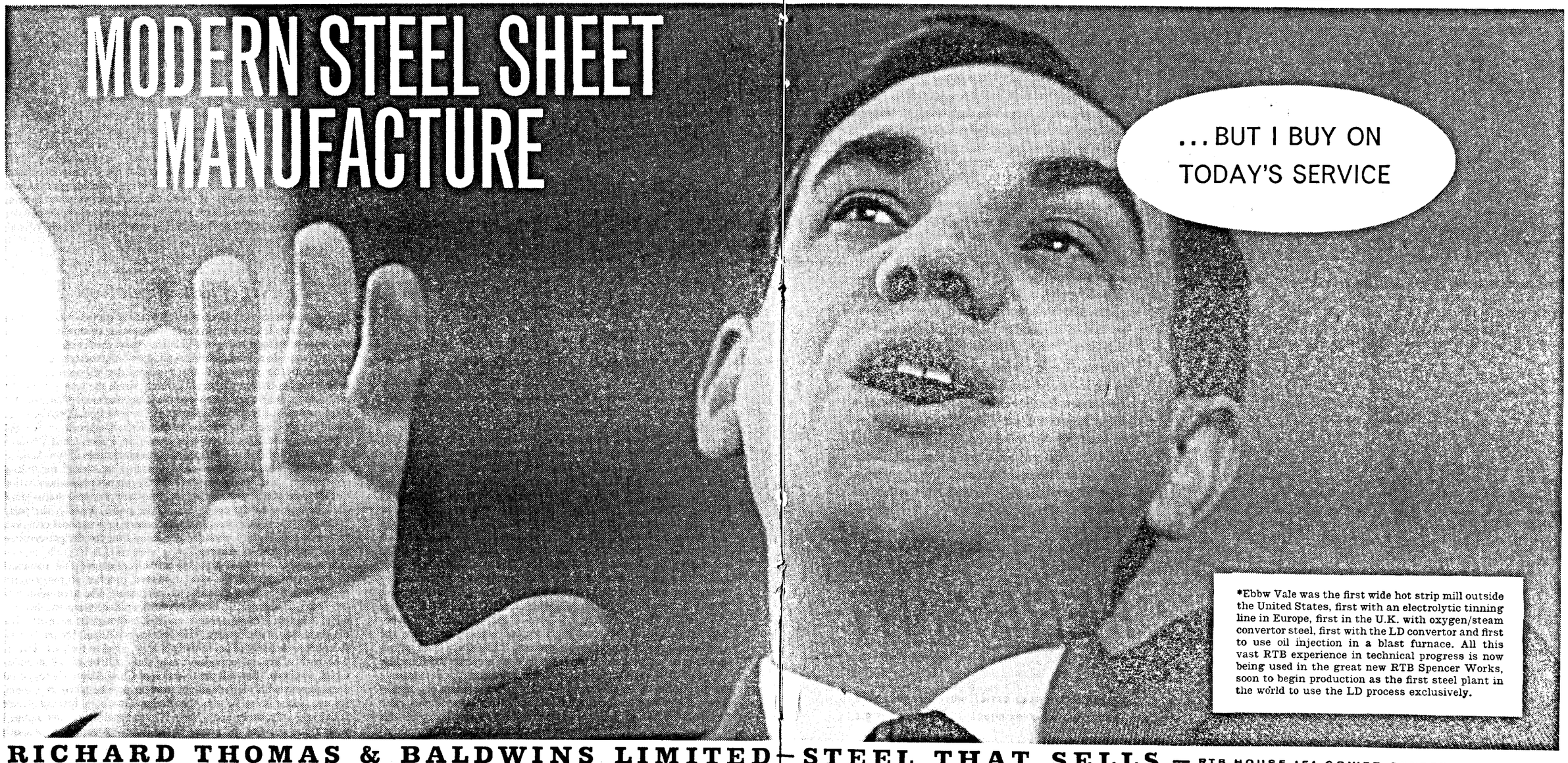
It was this last (and arguably attractive) course that members of the party accused the now dismissed premier of the western region, Chief Samuel Akintola, of pursuing. The accusation was only part of a generally bitter personal feud between the leaders. Chief Akintola is now, it seems, out of it, although he is challenging his dismissal in the courts. His successor, Alhaji Dauda Soroye Adegbenro, is likely to be, initially at least, loyal to the party leader. The path of federal opposition may thus still be travelled under Chief Awolowo. But will the rejection of Chief Akintola's supposed arrangement with the federal government now be taken as a signal for the secessionists within the Action Group to intensify their activities? Probably not. Most Nigerian politicians are imbued with a fine sense of the power of the federal government to crush rebelliousness. But the possibility remains: within west Africa the reaction to Chief Akintola's dismissal may be felt for some time.

THE ECONOMIST MAY 26, 1962

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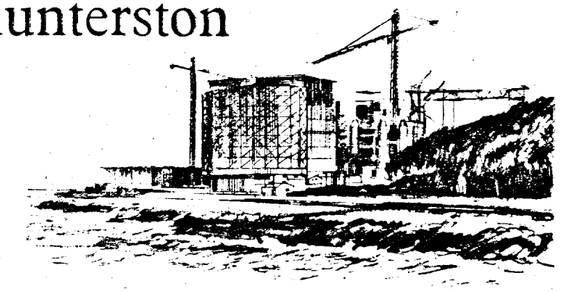
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THE BUSINESS WORLD

What Happened at Hunterston



IN February this year, Mr Norman Elliott became chairman of the South of Scotland Electricity Board. In January last year, Mr Arnold Lindley became chairman of the General Electric Company. These newcomers have a six-year-old tiger by the tail—the Hunterston nuclear power station that GEC is building and the SSEB is buying. Nothing is more remarkable about this project than the fact that, to this day, no contract exists specifying either a price or a completion date for it. It is not usual, to put it mildly, to order 360 megawatts of nuclear power capacity without checking the price. The two men have to sort out, if they can, an agreement on what the one side says Hunterston has cost and what the other side says would be a fair price. But first they have to secure that the station is finished and commissioned ; it was supposed to be on line this year, but to get full power from it by the end of 1964 will be possible only if it is quite remarkably free from teething troubles. This note of optimism, however, is welcome relief after the depressing history of Hunterston ; things are going better, and none too soon, but there is a legacy of inadequate planning and supervision that has still to be cleared up.

It may be said that this would be best left to the principals concerned—the board and GEC—and that inquests into what is already over the dam do no good. This is not how the matter strikes a responsible newspaper ; there is in question here a lump of public investment that, with its fuel, has a £70 million price tag on it. There is the liveliest public interest, too, in how the gap between what GEC has spent and what the SSEB says it would be prepared to pay can be closed. Who is to suffer more, the board using public money or the company using its shareholders' money ? Here is the major mischief in not proceeding by a contract. There have been attempts on both sides to get agreement. GEC's attitude, not unreasonably, is that it should be paid what the job has cost ; and this it reckons on the basis of a tender on 1956 prices and updated for cost and price additions since at just over £60 million, with another £3 million to be added for final items of cost, making £63 million in all. So far, the SSEB has paid around £35 million towards the cost, and GEC is reckoning on getting payments on account of £1 million a month for the next fourteen months. It is no use trying to hide the wide range between GEC's ideas of cost and the SSEB's ideas of price ; there is a gap of about £8 million between them. However the final figuring turns out, something has to give.

As the accountants argue back and forth, some account of how Hunterston's troubles came about is called for. The government's historic nuclear power programme launched seven years ago made no provision for building a nuclear power station in Scotland. Not until four atomic construction teams had begun to prepare bids for the first two English stations at Bradwell and Berkeley did the Scottish authorities decide to invite tenders. Since they had no site in mind, it was suggested that the atomic plant teams should bid for a station of about the same size and performance as Bradwell. The tenders were in by September, 1956 ; before Christmas contracts had been given to three of the four industrial consortiums, among them the General Electric Company and Simon-Carves. Initially, there was doubt about who should get which station, until research showed that certain nuclear data given by the Atomic Energy Authority to GEC were wrong and that the company had some re-designing to do. By this time the South of Scotland Electricity Board was meeting local opposition to its choice of site—at Hunterston on a sheltered bend of the Ayrshire coast opposite the Isle of Arran and backed by low hills. A public inquiry was clearly going to be necessary ; and as the delay could be put to good use by GEC, it was awarded the Hunterston station and not one of the English stations.

GEC had put in a bid of £37½ million for Bradwell ; the SSEB assumed, mistakenly as it turned out, that Hunterston could be built for the same amount and did not ask GEC to re-tender. Lacking planning permission, the board could tell GEC little in advance about the site ; the enormous differences in civil engineering work in Bradwell's clay and Hunterston's rock became apparent only when the men moved in. And this was not the only reason why the original guess of £37½ million no longer applied. The Atomic Energy Authority, after examining the tenders, ordered design changes in all three stations which added substantially to their cost ; the most expensive and extensive changes were asked of GEC. In the mood of atomic euphoria that prevailed in 1957 neither

GEC nor the Scottish board discussed who was going to pay for them. Each assumed the other would pay.

In an atmosphere of benevolent mutual misunderstanding the men moved on to the site in October, 1957. For a time all went swimmingly. GEC had taken responsibility for the whole job and only discovered by experience what it had bitten off. The SSEB, accustomed to large scale employment of consultants, appointed the Atomic Energy Authority as its nuclear consultants, and the firm of Kennedy and Donkin as engineering consultants. The two had equal authority; there was no single, ultimate responsibility for what happened on the site. When changes were recommended, there was no one to query their necessity. When decisions had to be taken, there was no one to take them.

Before long GEC discovered that its labour force included contrary characters from Clydeside, fractious and home-sick for the shipyards. In retrospect, the most charitable comment that can be made is that the men's complaints might have been forestalled if more care had been paid to the organising and costing of their work. The most vulnerable sub-contractor was the Motherwell Bridge and Engineering Company responsible for erecting the reactor shells and the boilers, key jobs that on other sites have been divided between at least two separate companies. Unofficial strikes reached a peak during 1959 when the men were coming in and out like a stage army, and in September that year GEC took the ultimate step and shut the site down, against the advice of the Employers' Federation. It was not opened again for four months, by which time strikes and lack of discipline had accounted for more than half the expected three years' delay. Since then there has been uneasy truce rather than genuine industrial peace on the site; and, despite improvement, the tempo and organisation of work still seem below par.

Yet had the men behaved like angels Hunterston could not have been finished on time. It had already suffered too many design changes, and this is where much of the extra cost can be run to earth. The changes were ordered by the Atomic Energy Authority in its role of technical consultant. Some of them were plainly necessary and corrected demonstrable faults in design. But it can be and is being argued even by the SSEB's own men on the spot, that the majority were refinements involving more cost and delay than they were worth, yet passed unquestioned by the SSEB.

Not until the end of 1960 did GEC realise that the SSEB had never accepted responsibility for these design changes and seemed, indeed, to regard them as GEC's liability. The board appeared willing to pay up to £37½ million, but to regard everything above that as open to negotiation. In its own management troubles, GEC's board had systematically stripped the atomic energy division of promising management material to fill gaps elsewhere. Thus the staff in charge of one of the biggest projects GEC ever tackled was constantly changing. And the company was running up bills on the site faster than money was coming in from the SSEB.

GEC began to remonstrate with the SSEB; in the spring of 1961 the company wrote the first letter actually threatening to stop work unless it was paid. This letter had no effect on the SSEB; but it had a startling effect on GEC's sub-contractors, who began to pull out. Work ran down, which was much what GEC intended. During this period Mr Arnold Lindley, who had founded GEC's atomic energy division, had moved up through the board from managing director to chairman; and last November, when he repeated his threat to close Hunterston first to the SSEB and then to the Secretary of State for Scotland, it began to look as if he meant what he said. GEC's bank overdraft by then was crowding £16½ million.

THE time had come for some rapid changes. The chief engineer of the SSEB had retired in October and the board had not yet replaced him; in January the chairman also retired, with his health broken. The SSEB's morale was at its lowest. A new chairman was not appointed until late in February, when Mr Norman Elliott, an engineer and a lawyer who was chairman of the South Eastern Electricity Board, agreed after hesitation to take this hot seat. He in turn has appointed his own chief engineer from inside the SSEB, and borrowed one of the Atomic Energy Authority's most experienced reactor builders to supervise the station. So, for the first time in six years, Hunterston now has a boss. There have been changes on the contractors' side, too, both at Motherwell Bridge and at GEC, whose atomic power division is now merged with Atomic Power Construction to form the United Power Company, which takes responsibility for Hunterston's construction, although the debt remains GEC's headache. Heroic efforts on the site to re-introduce an orderly working schedule aim at full power by end-1964. Major jobs have for the first time been tackled and completed on time, with a corresponding fillip to morale. If this were all the SSEB had to worry about, it could feel confident of having turned the corner.

Yet rejoicing would be premature. A contract with a firm price and completion date seems as far away as ever. Admittedly the deadlock between GEC and the SSEB has been breached and new men are wielding new brooms in a way that has sparked confidence in the discouraged and dispirited. But the area of difference between GEC and the board is still terrifyingly big. It turns on this one, all-embracing question—for how much of the extra cost of Hunterston is the board responsible, and how much must GEC write off against experience? In their anxiety to keep the site moving, engineers have pressed ahead with work without their masters agreeing who was to pay for it. For this they cannot be blamed, for their masters did not seem to care. The record at Hunterston is one of mismanagement at the top and growing demoralisation on the site until no man who valued his career was willing to be connected with it. Yet Hunterston started out as the finest, most advanced nuclear power station to be built in this country; GEC has shown in Japan that it can erect such stations to plan, and the SSEB is no laggard in building big thermal plants.

One of the parties that emerges with credit from this trouble is the civil contractor, John Mowlem, which has finished a £15 million contract, all but £800,000, to the original timetable—with some odd results. Work on Hunterston is now not only behind schedule; it is also out of phase. The lodge keeper stands in his finished lodge by the gates. The pastel tiles are going up in the turbine house beside turbines that will not turn for two years and the little laundry lies blue-and-cream under the shadow of cranes lowering hunks of metal on to incomplete reactor structures, while glaziers fight a full-bodied wind off the Firth of Clyde to fix glass walls around what parts are in place. The bill for civil engineering is higher than the figure quoted in the original (Bradwell) estimate, but is not an item that the SSEB is likely to dispute.

Things never go absolutely right with projects of this kind and size; the English atomic stations have their troubles and delays, too, and Hunterston might just catch up with them if it has the luck (and it can only be luck) of a clean start. But the delay is one factor in the recent increase of electricity charges to the SSEB's consumers and there will be further increases in costs to meet as the plant is paid for and commissioned. How expensive the station will be in terms of capacity installed is anybody's guess: between £165 and £200 a kilowatt (providing electricity at between 1d. and 1¼d. a unit, compared with ½d. from a modern thermal plant), according as the argument is decided on the eventual price. How expensive it will be running against the board's thermal stations, whose coal costs have lately gone up sharply, will depend partly on the success of GEC's design and its newly conceived charging machine, which will be most advantageous if it works well. And if it should be thought that nuclear power systems are hopelessly troublesome, it is only too likely that the next generation of thermal generating systems working at critical temperatures and pressures will hardly be less so. These creatures are difficult enough in all conscience. It is not necessary to make them more difficult by failures in legal, accounting, managerial and financial arrangements. Hunterston has started to put some of its extraordinary shortcomings right; but the two sides involved have a duty to themselves, their customers, their shareholders and the public to clear up the rest as early as possible.

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Burden Sharing for the Dollar

IN the week to May 16th, the United States lost $35 million of gold, bringing the reserves down to $16,435 million. This year's losses so far amount to $455 million, against $364 million to the same date in 1961. Gold shares have been the only shares to advance against a gloomy background of losses in industrials and a renewed buzz about the price of gold. The dollar has been weak against continental currencies, particularly the Swiss franc and the Deutschmark. Restlessness about the dollar is increasing. Both those who mistrust it and those who want to see it strongly playing its crucial part in the world's monetary affairs must study two speeches, by Mr Douglas Dillon, the Secretary of the Treasury, and by Mr Robert V. Roosa, Undersecretary for Monetary Affairs, who seized the timely occasion of the American Bankers' Association Conference in Rome last week for major policy statements.

Mr Dillon's propositions were essentially simple: he argued for a "do-it-yourself" development of the European capital markets to relieve the strain on the New York market, and on the American balance of payments, imposed by foreign borrowing. Mr Dillon characterised the recent $25 million borrowing in New York by the European Coal and Steel Community as a "not very efficient use of the world's financial resources." To develop up-to-date capital market mechanisms is indeed one of the responsibilities that rests on Western European countries; to remove "no longer necessary" restrictions on free capital movements is another; and perhaps one might add the possibilities of inhibiting American buying of European portfolio investments could be examined by the American authorities. Britain in the common market could make a powerful difference to the mobilisation and distribution of European investment funds. Here Mr Dillon certainly struck home:

> Today the plain fact is that underwriting and distribution facilities in the industrialised countries of continental western Europe are generally inadequate to meet the foreseeable needs of domestic borrowers—much less those from abroad.

To reform these palpable weaknesses cannot be easy or quick. Britain might open the London market more freely to foreign borrowing; there are restrictions in Italy and France that could go; and Germany might begin to construct the modern capital market that it now virtually lacks.

The Roosa plan is of a far more portentous character. Brooding over the defence of the dollar, Mr Roosa has been examining the possible ways in which the outflow of gold can be staunched. He faces the obvious dilemma with utter frankness:

> A clear distinction has to be drawn . . . between the absolute and unconditional availability of gold to foreign monetary authorities for legitimate monetary purposes and the compulsion on us—in co-operation with foreign monetary authorities—to avoid any unnecessary dispersions of the United States gold reserve, on which our existing international system, in the last analysis, depends. The United States would in fact be just as derelict in its duty to help support and sustain a growing and viable international economy if it failed to defend the gold stock through improved techniques of monetary co-operation as it would be if it failed to make gold available to foreign monetary authorities on demand.

Since the United States is the only country that maintains complete interconvertibility between gold and its own currency at a fixed price, it must be a ready seller of gold on demand. The difference is that other countries are not necessarily sellers to the United States when they have exchange deficits, because their own gold reserves are cushioned by dollar reserves.

So Mr Roosa is concerned to develop methods that minimise

America's gold losses when the balance of payments swings into deficit—"by no means to avoid them, but certainly to avoid conditions that exaggerate them." And he draws some interesting lessons from the success that the United States has enjoyed in the past fourteen months in entering (for the first time since the late 'thirties) into foreign exchange transactions specifically for monetary purposes. These transactions have had the limited aim of alleviating temporary disturbances in the exchange markets, and have been conducted in co-operation with the monetary authorities in Germany, Switzerland, Holland and Italy. By selling the national currencies forward the Federal Reserve Bank of New York, acting as agent of the American authorities, has sought to temper the immediate possibility that dollar holdings accruing to individual countries in disconcerting volume might be converted into gold. In the case of the mark transactions, which reached a peak of about $350 million in mid-June, the American authorities in effect made it possible for recipients of dollars to continue to hold them, and to assure them of later convertibility into marks "if their acquisitions did in fact prove to be sustained"—which means, in part, if they were retained by private holders and did not ultimately come into official exchange holdings.

In the 14-month period, Mr Roosa estimated, total forward exchange operations of the US Treasury in the four currencies concerned have amounted to about $1½ billion—each transaction naturally involving the borrowing of appropriate local currencies to cover the "swap." He sees in this cautious experiment a potential approach to a system in which a key currency country could become an active participant in the international exchange markets. Would these methods assist towards stability in the mechanism of international finance? Could they reinforce the fundamental work of the IMF? Would they help international liquidity and strengthen the role of gold?

MR ROOSA discerned two themes from this recent American experience. First, the United States was increasingly aware of the dual nature of its balance of payments problem:

> We must gain and keep the initiative for influencing the factors that affect our balance of payments, but we must do so in the impeccable manner that assures and retains bankers' confidence. This means that, both as a trader and as a banker, the United States has to keep its markets open and free. We have, therefore, a major stake, which the western world shares with us, in resolving our balance of payments' problem within the framework of a free international economy, with stable exchange rates and an immutable gold price of $35 an ounce.

A sizeable deficit in American payments must almost certainly produce some increase in foreign central bank holdings of dollars, and hence to some further drain on US gold reserves. The disciplines which such movements imply are "fundamental and clear." But Mr Roosa added:

> With $8½ billion of liquid dollar holdings in the hands of private foreigners, we must make sure that speculative forces are not fed by uncertainty about either the ability or the determination of the United States to stand firmly behind the inter-convertibility of the dollar with gold at the fixed price of $35 per fine ounce.

To be able to test whether developments against the dollar might be deeply rooted and sustained, or whether short-lived and soon reversible, is therefore a valuable addition to monetary technique; it gives a chance of countering the irrational floods of funds from one monetary centre to the next.

So far, these exchange operations have been dictated by market developments. Do they serve as model for a continuous policy of holding moderate amounts of convertible currencies in defence of the dollar as a key currency? One difficulty here is how to acquire such currencies in a sustained period of payments deficit. But in time holdings ("comparatively small") of other currencies could be built up, through open or forward positions, that might be able to handle "a considerable part of the normal swings in payment patterns, leaving the gold reserves available to cover more fundamental and lasting adjustments." The suggestion, then, is for perimeter defences for the dollar that would economise the dependence on gold and enable strong countries other than those responsible for the two key currencies to take over, in effect, some part of their burden in international payments and investment.

Such a system, Mr Roosa suggested, might be a sensible way to provide for any large increase in long-run liquidity requirements. Many knotty problems would have to be resolved—through the Basle group, the Organisation for Economic Co-operation and Development, and the International Monetary Fund. But Mr Roosa concluded:

> Explorations along these lines are far preferable, it seems to me, to the often proposed types of action (involving still more difficult decisions and negotiations) that basically involve an oath of allegiance by all governments and central banks to a synthetic currency device, created by an extra-national authority bearing neither the responsibilities nor the disciplines of sovereignty.

In drawing so extensively on Mr Roosa's immaculately drafted speech, *The Economist* has had in mind the need to counter any cynical suggestion that the United States is trying to argue itself out of trouble. As Britain has every good reason to know, irrationality plays as conspicuous a part in international exchange as the safeguarding of commercial interest. The fact that the dollar is in trouble is in a sense a credit to American generosity and liberal policies as well as a relief to what was a dollar-starved world. But much is now working together for good in the exchange markets, by a number of international arrangements working in apposition to the IMF. If any monetary authority is foolish enough to seek individual advantage by undermining them, or failing to support them, it could set in train a disaster of monetary fission. The atom club has few members; the monetary club has many. Mr Roosa is urging them above all else to be clubable.

INVESTMENT SERVICES ON LATER PAGES

COMPANY AFFAIRS

Comments on pages 825, 826 and 827 on:

Anglo American	Philips NV	Vickers
Dunlop Rubber	Marks & Spencer	General Motors
Castrol	Averys	Rolls Razor

STOCK PRICES AND YIELDS

Stock prices, yields and security indices on pages 828 and 829

MONEY AND EXCHANGES

Money market, report, exchange rates and public finance on page 830

BUSINESS NOTES

IN THE MARKETS

Paying Less for Growth

ON every stock market in the western world equity prices are in retreat. Common market equities, as measured by the Euro-syndicat index, are at their lowest point since May, 1960; American equities, as measured by the Dow Jones average, at the lowest point since January, 1961; and British equities, as measured by the *Financial Times* index, at their lowest point since polling day in October, 1959. The stock markets are not anticipating a world-wide economic recession; but they are questioning the pace at which further economic growth will occur. In particular, taking their lead from Wall Street, they are wondering whether the calculations about equities based on the assumption of continued, if controlled, inflation are any longer valid; and whether in a world of more stable currencies the impetus given to earnings and dividends by an expansion in production and trade will be sufficient to justify the high prices and low yields that many equities command. The phrase "profitless prosperity" has made its impact, and without any great head of steam in profits investors have seriously begun to wonder whether returns of 3 per cent, 2 per cent and less on equities, when fixed interest bonds are yielding more, look forward to pie in the sky rather than to the hard competitive facts of domestic and international trade.

EQUITY INDICES

	Base = 100	Jan. 2	Mar. 1	May 1	May 16	May 23
Financial Times	1935	307·1	298·6	307·3	296·4	288·5
The Economist	1953	363·6	356·6	362·4	355·7	340·2
Dow Jones Av.	—	724·7	711·8	671·2	654·0	626·5
Standard and Poors'	1941*	75·0	74·2	69·1	67·7	64·2
France	1960	120·7	107·1	110·5	103·8	103·9
Germany	1959	119·1	113·4	107·3	100·6	96·3
Holland	1953	368·7	392·5	352·7	345·9	338·5
Italy	1950	730·7	718·4	728·4	705·8	712·2
Eurosyndicat	1958	167·3	181·1	188·1	155·7	154·4

* Base = 10.

At times and in its own fashion, the London stock market has made its own obeisance before the altar of "growth"; but, largely because of the sobering and steadying influence of institutional investment, it has often been more discriminating in its worship than other stock markets. And investors do know what earnings they are buying in British and American stocks; in many European stocks they have no idea what the earnings may be. Some British stocks still discount the future a long way ahead—in some instances too far ahead; but British investors learnt a sharp lesson from the boom in the spring of 1961 about the dangers of bidding up the price of all equities indiscriminately. Thus there is less reason for London to panic about price/earnings ratios than there is in other stock markets.

British Problems

IN addition to the further fall on Wall Street, the British market had to contend with domestic problems. It was badly shaken by a gloomy set of company statements, notably those from Dunlop, Fisons and Averys, and then its ideas about industrial expansion later in the year and a further relaxation of the credit squeeze suffered a blow when the Chancellor said that he might have to reimpose economic restrictions if the policy of pay restraint is not allowed to succeed. His statement that "we shall not shrink from doing what we think is necessary" unnerved the stock market though prices became a little steadier on Thursday.

The speculative gains tax has had some effect on the market in the sense that it has inhibited some short-term speculators from "buying on a fall." The selling has not been heavy, but there are no buyers and the jobbers have been marking down prices ruthlessly. As a result, *The Economist* indicator lost 15.5 points to 340.2, its lowest point since the general election. Neither the fall in prices nor the speculative gains tax deterred the stags in the issue of ordinary shares by Ready-Mixed Concrete. When dealings began this week the shares at one moment touched 43s., compared with the issue price of 24s. before coming back to 35s. 1½d.

Apart from a momentary attack of nerves on Wednesday following the Chancellor's statement the gilt-edged market has remained firm. The prospect that the tap on the 1972 Conversion stock will soon run dry has attracted some switching and some outright purchases and the price has moved up quite sharply. The background to the £12 million offer by the City of Birmingham of a 6¼ per cent stock 1972-73 at 97 was thus favourable. The stock offered a running yield of 6⅞ per cent and a redemption yield of 6¾ per cent. The issue was oversubscribed and dealings began at a premium of ¼. Evidently the speculative gains tax is not a great hindrance even for new bond issues if the terms give investors a reasonable turn.

Wall Street's Reaction

A correspondent cables:

IN a speech to the American bankers in Rome, Mr Walter Heller, the chairman of the council of economic advisers, emphasised that in recent years the behaviour of equity prices on Wall Street has not always correctly predicted the course of the economy and once again he expressed his confidence in the economic prospect in the coming month. Mr Heller did not sway the market.

So despite Mr Heller, and without any special sense of panic, prices have fallen to another new low. By the close on Wednesday, the Dow Jones industrial average had fallen to 626, about 14 per cent below last year's high, and the gains made in last week's short-lived rally had been completely wiped out. There appears to be little indication that the bottom is in sight and by virtually every yardstick the market still looks weak and vulnerable. In Wednesday's fall, for instance, 460 stocks fell to new lows for 1962, compared with 236 stocks on Tuesday and 103 stocks on Monday. Moreover, about ten times as many stocks fell as the number that rose, and most of those that did rise were preferred stocks. Even the odd-lot investors, who traditionally go in the opposite direction to general movements in the market, are now bears though in the earlier days of the decline they had been buyers on balance. An important factor in the decline has been the sobering effect of the Securities and Exchange Commission's investigation of the stock market. A number of leading stock exchange houses have come under fire for loose branch office administration and for trading on "inside tips." The SEC has been careful not to alarm Wall Street, but its probe has undoubtedly made speculators more cautious and this has robbed the market of some of the technical support that might otherwise have been forthcoming.

THE ECONOMY

Unemployment Up

AFTER a pause in February, unemployment in Britain has continued to rise—in the sense that it has failed to improve as much as it should seasonally. Between February (the worst month for unemployment) and May, the number of people wholly unemployed can usually be expected to fall by about 60,000; this year the reduction was only about 20,000. Including those only temporarily stopped, there were 423,663 people registered as out of work on May 14th, equivalent to 1.9 per cent

of the labour force; a year ago the rate was 1.3 per cent.

Although unemployment worsened a little in May, the number of vacancies rose by about 6,000 in a period when normally there is no change. This is the first increase in vacancies, other than purely seasonal ones, since June, 1961. But with 109,000 fewer vacancies than a year ago and 108,000 more people wholly unemployed, there are eight people seeking work for every five jobs offered.

ENGINEERING

Output Up, Orders Down

THE engineering industry found its order books still shrinking in the first quarter of this year, though that is the time when it should be building up orders against the lean period that comes at the end of the summer. Total orders received were 13 per cent less in volume than they were in the first quarter of 1961. The fall was larger in home orders—16 per cent—than in export orders, which dropped less than five per cent. So the trend that was appearing last year has continued, with investment at home falling and forward export business, too, tending to decline. March by itself showed an even bigger fall in orders than the quarter as a whole—20 per cent—but the random manner in which large and small orders are booked means that this should not be regarded as too disastrous a sign for the industry.

The output of the industry rose throughout the quarter, which must account for much of the rise in the index of production. For March it was six per cent higher than a year before, helping to bring the volume of orders on hand down to 119 from 120 at the end of December. Export deliveries rose less than those to the home market, which the Board of Trade ascribes to the after-effects of the 1960 dock strike that inflated shipments early in 1961; in total they were four per cent higher in the quarter than a year before. Last year and in 1960 orders were coming in at a rate nearly 20 per cent higher than deliveries, which perhaps best illustrates the extent to which the industry is now living on its fat—in a seasonally adjusted sense.

GAINS TAX

A Look at Disclosure

THE key discussion on the Finance Bill this week was Wednesday's debate on the propriety of enforcing disclosure to the Inland Revenue by banks and other agents of their clients' affairs that might be concerned with the gains tax. The government had earlier promised to rectify the inadvertent drafting which would have brought the switching operations of the mutual life offices within the tax, so putting them on the same terms as the proprietary life offices. It also resisted efforts by the opposition to turn this short-term gains tax into a long-term capital gains tax—not the easiest exercise in logic, since Treasury spokesmen insist that it is "equity," not revenue, that the government is after. The danger remains that this expediently-framed legislation may be changed in the simple way that Labour amendments proposed into a bad capital gains tax, thus ruling out the possibility of a properly constructed one. A sensible amendment to exclude from charge gains of less than £100 was promptly rejected; the Financial Secretary, Sir Edward Boyle, took it upon himself to assure the House that the Inland Revenue would have "something better to do than chasing small investors about these small sums." Will they? How does he know? And is he qualified to say so?

The government has been moved, at least a little way, by criticism of the powers that are sought for the Inland Revenue to demand of bankers and other agents particulars of their clients' transactions. It would not concede that a High Court order should first be secured. The view of the Attorney General, Sir Reginald Manningham-Buller, was that the powers were necessary to secure a proper check but they could be exercised only for a named person, not in general enquiries, to check the accuracy of a return made by a particular tax payer. But he promised that before the report stage he would consider whether the powers could be more closely defined. He did not say why Section 414 of the Income Tax Act 1952 was insufficient for this purpose.

CANADIAN DOLLAR

Question Marks

THE Canadian dollar this week has been bumping along its artificial bottom of 91.90 American cents, betraying a lack of certainty, if not indeed of confidence, about the effectiveness of the devalution three weeks ago. *The Times* Ottawa correspondent has put more bluntly than anyone else the fears that now surround the Canadian dollar: "Any further devaluation before June 18th would seriously affect the chances of a further term in power for the Progressive Conservative Government." Even those informed Canadians who are full of questioning about the Canadian Government's policy would probably regard this as an extreme way of putting things. Without raising the possibility of a second devaluation within a few weeks of the first, they are asking whether electioneering is compatible with the right combination of economic and financial policies that is needed to make the first devaluation "stick." Government spokesmen have been making much of the fact that Mr Louis Rasminski, the Governor of the Bank of Canada, was behind the move to a 92½ per cent dollar—a compliment that has suggested to some realists who remember the Fleming/Coyne controversies that if devaluation goes wrong another Bank Governor can be publicly involved. This may sound a cynical view, but with the Prime Minister and Finance Minister out in the country electioneering, it has taken some hold. At any rate, the campaign is providing more opportunity for spending promises than for urging the kind of austerity and belt tightening that alone can make sense in Canada's present difficulties; and in this the Liberals are well abreast of the Progressive Conservatives.

Much is being made, too, of the support that Canada can now get from the IMF—$225 million in two bites before awkward disciplines are imposed from Washington—as if this could provide decisive support. Meanwhile, the Canadian authorities seem to have been much concerned to reassure the Toronto market that the dollar would be held at 92½ cents—an ear-stroking move that was not received as being made from strength. There is, indeed, every indication that the maintenance of an easy monetary policy by the Canadian authorities is itself financing the outflow of capital from Canada, and while the hand of the Bank of Canada may be at work in the rising level of bill rates, the almost gossamer-thin market for long bonds is coming under severe pressure. It looks more and more as if Canada must resort to a real, effective bank rate—not a residual bank rate determined by what is made to happen in the money market, but a meaningful use of interest rate policy. This would be a first psychological step towards making present devaluation effective.

OVERSEAS TRADE

Fine Not Dandy

THE government's tapping of the export barometer this year has produced such consistently encouraging readings that it is hard to resist the temptation to keep running out to check whether it really has stopped raining. Exports in April were still on the upgrade though not as pronouncedly so as in the earlier months of recovery. The seasonably adjusted rise of £2 million carried them to £314 million fob, the best monthly result since August of last year. If the Board of Trade had not made much of the consistent monthly improvement in exports to the sterling area since the end of 1961, it would possibly have been irrelevant to record that exports to the sterling area in April fell back quite sharply to around the February level after a heart-warming rise in March. In the past three months expansion in exports to Australia and New Zealand have been partially offset by setbacks elsewhere, which one hopes have been fully taken care of in earlier export prognostications. Nevertheless, an improvement in exports to the sterling area of 2½ per cent over the level of the previous three months was achieved.

The North American market stayed flat in April at the disappointing March level. Apart from the £2 million rise in exports to Western Europe, the progress was made in the miscellany of markets covered by "rest of world" (a rise of £4 million) and in exports to Russia and its satellites (up £3 million). However, an improvement smells as sweet whatever its regional classification. Exports of chemicals recovered quite strongly in the past three months, and exports of whisky flourished. Exports of basic materials and fuels were respectively 10 and 8 per cent higher than in November-January.

The fall in imports of basic materials continued in April, bringing the seasonally adjusted figure to £71 million cif, compared with a peak of £93 million in February of last year. In the last three months, imports were 13 per cent less than in the corresponding period of last year. Imports of foodstuffs rose by 5 per cent, compared with a year earlier; increased imports of fruit and vegetables contributed to the growth. Imports of potatoes in April were £4½ million, against £2½ million in April, 1961. The increase was entirely in old crop potatoes.

Though the Dillon round of reciprocal tariff reductions was completed by last week's announcement that Britain had agreed cuts on a range of goods mainly of interest to itself and EEC members, no date has yet been fixed for bringing them into effect. Imports from EEC countries worth £115 million in 1959 will benefit from the complete round of tariff reductions, mostly of 20 per cent. The common market countries bound themselves not to raise certain tariffs where the implementation of the common external tariff would otherwise have called for it. Cuts in tariffs on certain other products were also negotiated. Reductions agreed in the common tariff will not come into full effect until it replaces the individual tariffs of the member states. Only the first stage of this transition has been completed.

COAL

The Ruhr Cartel Loses

ON May 18th the European Court at Luxembourg dismissed with costs the Ruhr coal companies' appeal against the community's ruling of June, 1960, by which they were forbidden to set up a single Ruhr coal sales syndicate; but the German mine-owners are still hoping against hope that the last word has not been said. And one of their grounds for hope derives from the pending negotiations for Britain to become a member of the community (which France appears to have managed this week temporarily to block on an issue of procedure).

The German coal industry is arguing that if Britain joins ECSC it would be insupportable for the German companies to have to compete severally against the single marketing department of the monolithic National Coal Board, which has 200 million tons a year to sell at home and abroad. In such circumstances the European court has already admitted, there might be a case for reconsidering the situation. Coal marketers in west Germany are also arguing that the European Court cannot have taken into account the inroads of fuel oil competition into markets formerly served by coal. It is argued in Essen that the proposed sales syndicate is the only weapon with which coal can meet the competition of oil.

The Germans are prepared to argue that the validity of the Luxembourg treaty, which was framed in the light of the conditions prevailing in 1952, has been impaired by subsequent developments, and are suggesting serious efforts to "bring the treaty up to date" as soon as possible. They argue that revision would become imperative should Britain, whose coal output is almost as large as that of all the Six put together, enter the community. But it is appreciated that the process would be long and difficult.

INVESTMENT DOLLARS

Pooling the Pools

LAST week the Chancellor of the Exchequer announced the merging of the pools of "hard" and "soft" dollars—a move long advocated by outside observers—and an important relaxation of the highly debatable control of direct investment overseas he introduced last July. This imposed on companies wishing to invest outside the sterling area the condition of "clear and commensurate benefits to United Kingdom export earnings and to the balance of payments" in the short-run before they could get the necessary foreign exchange through the ordinary market. Companies unable to fulfill this condition may now use this new pool of "investment" dollars for such projects—which introduces a new element in the market for this fixed pool of currency, since its use has hitherto been limited to portfolio investment.

The unifying of the hard and soft dollar means that the pool available for buying European securities, previously soft dollars, is greatly enlarged. Hitherto the soft dollar could be used to buy securities anywhere

Stockholm Occupied



BRITISH industry has descended on Stockholm in its biggest ever promotion exercise. The centre-piece is a trade fair where over 500 British firms in 210,000 square feet of fairground are showing products worth £2 million on and around stands that cost over £500,000 to erect. Around this centre-piece are the trimmings of history: the ghost of Oliver Cromwell and his Anglo-Swedish Trade Treaty of 1654; and the British way of life with policemen, a double-decker bus, a 60-foot replica of Big Ben (complete with chimes) in Stockholm's main square; the Royal Navy, the Royal Air Force, the bands of the Royal Scots Greys and the Argyll and Sutherland Highlanders, Beryl Grey dancing with the Swedish Ballet Company, Burnley football club, British jockeys at a special race meeting, and Prince Monolulu.

A sudden deluge of British goods has filled the windows of Stockholm's stores and even the local television service has turned its nationwide facilities over to the fair promoters. All in all, the Swedes seem greatly impressed by the whole effort and the activities in Stockholm itself are persuading many that they ought to go and see the fair. In the first three days over 30,000 members of the public have seen the fair besides the many business visitors. The organisers and many of the representatives at the fair think that the Swedes have been "bowled-over" although they themselves add that Sweden is not a country used to big trade fairs. Most of the firms and industries have made a real effort to get their products across and many of the stands are very good, in particular ICI's, the shipbuilding industry's, and the National Coal Board's, though the fair as a whole lacks an air of unity. One unfortunate aspect is that Swedes who come to the fair on the London Transport bus from the centre of Stockholm are greeted at the entrance by a portable bus-stop and a vista of peanut and ice-cream stands. These do, however, at least hide a terrible Tudor-style public-house originally intended as the main-piece of this entrance.

Planning for the fair began eighteen months ago with the image of EFTA as its driving force; a wistful undertone is not therefore altogether surprising. One of the commonest question asked of the organisers was "why have the fair in a country that already takes 10 per cent of Britain's exports?" The organisers answer first that the fair is not limited to Sweden; businessmen from Denmark, Finland, and Norway are being flown to Stockholm; secondly, there is a limited number of countries where a fair can be held, and many countries have their own fairs in which British firms already participate; and thirdly, that it is as important to preserve established markets as to go after new ones.

in the world, including the dollar area, while hard dollars were available for the purchase of North American securities only. At the same time residents of overseas sterling area countries were allowed access only to the soft dollar market. Before investment in Europe became popular, this created a movement of funds from the soft pool to the hard pool; the reverse movement was prohibited so that the hard pool grew at the expense of the soft. The growth of investment in Europe created a strong demand for soft dollars and just before the amalgamation of the pools the soft dollar was quoted at a premium of 5½ per cent over the official rate, compared with 2½ per cent for the hard dollar. After opening at 3 per cent the rate for the new investment dollars rose to 4¼ per cent but has since returned to 3 per cent. So far there has obviously been little buying of these dollars for direct investment purposes, but once the market gets under way—and since the authorities do not intend to supply it with fresh dollars from the reserves—each purchase for direct investment will involve a permanent reduction of the pool and tend to create a higher premium.

These moves have two implications. First, the authorities presumably now feel that investment in factories and other projects overseas is at least as important as having a third line of reserves which in an emergency can be quickly called in and converted into foreign exchange. Secondly, the ending of a control which allowed funds to flow into but not out of dollar stocks, must suggest that the authorities now feel that the non-dollar element in this third line of reserves is as important as the dollar element.

BANK CREDIT

Playing Safe

THE movement of net advances of the clearing banks in the four weeks to May 16th confirms that the sudden increases in February, and to a lesser extent in March, were attributable to temporary demand to finance tax payments and that the lending policy of the banks has not changed. The fall in advances of £4 million compares with a fall of £7 million in the previous month to mid-April and is against the seasonal trend; in the same period of 1961 advances rose by £23 million and in 1960 by £40 million. Advances of the Scottish banks were virtually unchanged following the previous month's increase of £7 million.

There is no suggestion of a tailing-off in the demand for advances. The liquidity ratio of the banks has been stationary at 32.6 per cent for the last three months and is now the highest it has been for mid-May since 1957. In these circumstances there is no doubt that had the banks wanted to they could have increased their advances. That advances have in fact fallen suggests that the banks are determined to "play safe" until they receive a firm indication from the authorities, in the shape of a release of special deposits or a withdrawal of the official request for restraint in lending, that they are willing to see an increase in bank credit.

LONDON CLEARING BANKS
MAY 16, 1962

	£ mn.	%	Changes on Month £ mn.	Changes on Year £ mn.
Gross deposits	7,519		+71	+169
Net deposits*	6,942		+26	+102
Liquid assets	2,454	32·6	+24	+140
Cash	601	8·0	−16	+ 8
Call money	729	9·7	+34	+149
Treasury bills	861	11·4	+15	− 51
Other bills and "liquid" credits	263	3·5	− 9	+ 34
Special deposits	221	2·9	+ 1	+ 76
Risk Assets:				
Gilt-edged	1,001	13·3	+ 3	+ 7
Other market investments	112	1·5	...	...
Advances*	3,365	46·8	− 4	− 81
(To State Boards)	(56)		(...)	(−6)

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

MOTORS

Output Lags

RISING home sales and exports were not reflected in the output of the motor industry in April. The weekly rate of production fell from 26,176 in March to 23,626 in April, though in fact this is no more than the result of the Easter holiday. Within the static total output dropped at the British Motor Corporation as the result of its strike in the first week of the month—which lost the company about 9,000 vehicles. This was offset by an increase of about 15 per cent at Ford as its new Zephyr-Zodiac range neared full output and that of the older models was stepped up to meet spring demand. The other firms do not seem to have altered their production rate significantly, though Standard-Triumph has started producing the new Vitesse, making for some increase, while Rootes has been suffering recently from troubles among its suppliers. With BMC's latest strike as well May is unlikely to show a rise in output either.

Stocks must have fallen sharply in April, and they will be continuing to do so this month. Though home sales did not rise quite as much as might have been expected after the budget, they reached 79,600, and with exports of 51,266 sales exceeded production by about 25,000. The home market seems to be more active this month, so that stocks will be falling even more in the absence of the rise in output that the industry, and especially BMC, had been planning. Delivery delays are now even more likely to appear soon for its cars. As happened last summer, BMC may find its share of the market falling because it cannot meet the demand. Ford already seems to have been regaining some lost ground with the spring.

The continued high rate of exports may still be a result of a change from de-stocking to stockbuilding in many markets, but it also reflects the increased competitiveness of British cars now that many new models are available and the older ones are being sold at lower prices—even though the higher sales that are being won in this way cannot add to manufacturer's profits. The United States, Australia and Europe continue to be the markets accounting for most of the increase in shipments. Exports of commercial vehicles, however, continue to be lower than they were last year—a disappointing reversal of fortune.

Selling to Australians

THE Australian market has given the British motor industry much pain since the war. The locally-built Holden has won a dominating position there, and local politics have forced British companies to invest heavily in local assembly plants; recurrent balance of payment troubles continue to cause sharp fluctuations in demand. Just now, sales are recovering from the last year's slump, caused by the government's efforts to curb home demand; sales in the first two months of this year were a third higher than a year before. The British Motor Corporation should therefore have a good start with the new Austin Freeway and Wolseley 24-80 models that it has just introduced as direct competitors for the Holden and the Ford Falcon—which between them account for nearly half of all sales in Australia.

The Freeway is a special model for Australia, though like the Austin Lancer and Morris Major this really means a unique combination of (modified) parts from other models in the BMC range. The engine is a smaller version of the six-cylinder unit used in the Austin A110; with the same cylinder dimensions as the 1,622 cc four-cylinder unit used in the Lancer and Major, so that it can be machined on the same line, it has a capacity of 2,443 cc and develops 80 bhp. The emphasis is on power at low engine speeds to give good top gear acceleration, so a three-speed gearbox is used. The body is that of the A60, with a slight increase in track and wheelbase, and modified steering and suspension. Priced at £A1,130, including a heater, it costs £A79 more than a Holden and £A41 more than the Falcon, which do not have a heater. It thus has a slight disadvantage to overcome in price when competing with these cars, as well as having to storm the entrenched position that the Holden at least now possesses—with the concomitant of high part-exchange values for used models.

Despite these efforts with special models, it is the Mini that has done most to improve BMC's sales in Australia, as in Britain. Introduced last year, it has brought BMC's share of the market up to nearly 16 per cent in the first two months of this year, against

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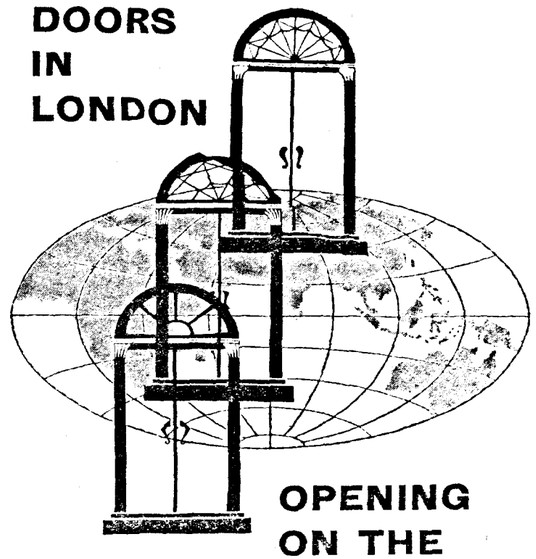
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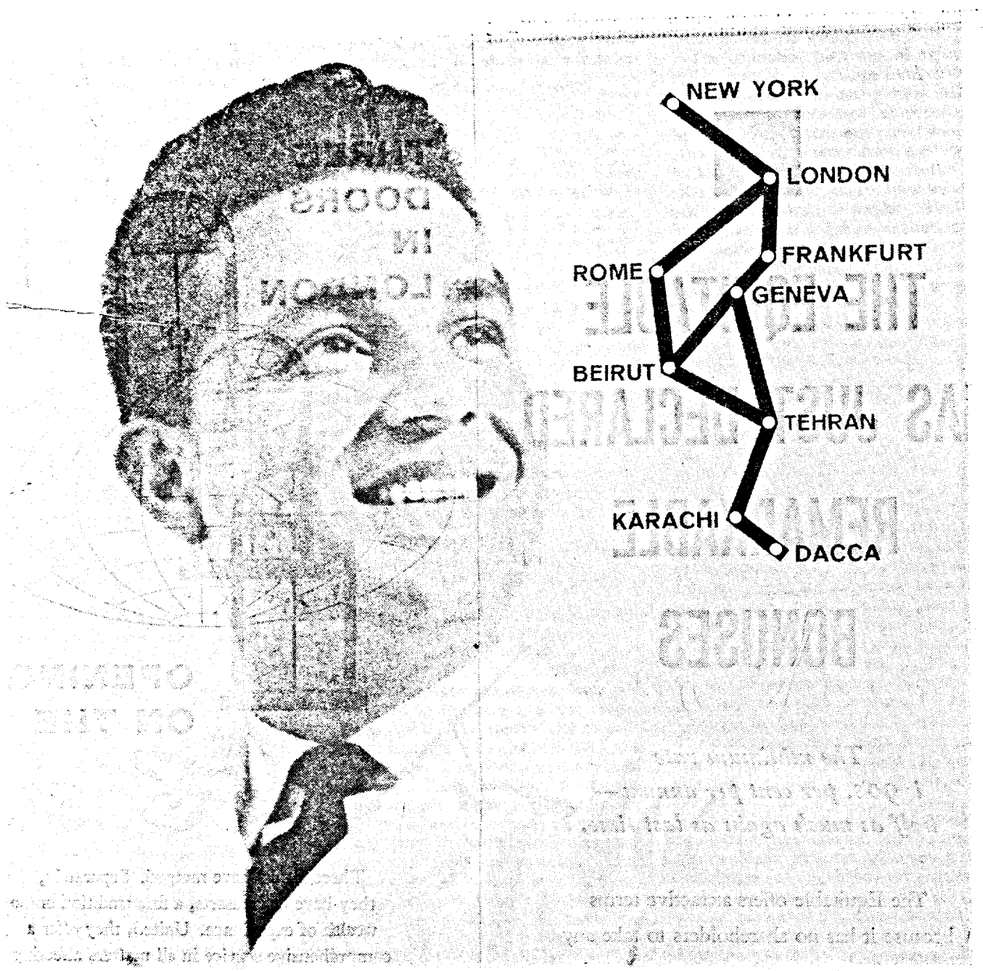
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7½ per cent a year before. This puts BMC ahead of Volkswagen, which has about 12 per cent of the market, and just ahead of Ford with 15½ per cent. But it is still far behind Holden, which accounts for 36 per cent of sales. BMC will have to pick up a good deal more before its investment of £A21 million in its Sydney plant is anything like as profitable as that of General Motors in the Holden.

LINERS

Cunard Has to Redeploy

THE results from Cunard fulfil the forecast made last October that there would be a "heavy loss" for 1961. The consolidated operating surplus has fallen from £4.5 million to £1.1 million but after depreciation and tax a net profit of £668,000 in 1960 has been replaced by a net loss of £1,729,000. This depressing news caused little stir in the market and the shares were unchanged at 16s. even though hopes of a token dividend held out by the directors in their forecast have been dashed. It is a sorry comment on the present fortunes of the shipping industry that with the passing of the dividend the Cunard shares are no longer eligible as an investment for trustee. The directors' decision presumably reflects the grim prospects both on the sea and in the air for the last balance sheet showed cash and investments of £17 million, equivalent to about 26s. a share.

Since the decision was taken last year to postpone the building of a replacement for the *Queen Mary*—and to abandon the idea of building a vessel of very similar characteristics—there have been several signs of radical rethinking by the Cunard Line in respect of its North Atlantic services. For example, the normal summer overhaul of the *Queens* has been dispensed with, so that the ships can take the fullest advantage of the high season; and it is proposed to try some cruises from New York with the *Queen Elizabeth*. This is in the nature of an experiment, for the vessel was never designed with the alternative purpose of cruising in mind, but it may prove commercially successful.

The intermediate passenger-and-cargo services to New York and Canada have been pruned. The *Media* and *Parthia* have been disposed of, and at least two of the four *Saxonia* class vessels are to be refitted for cruising; and it is possible that some sailings will be made from Continental ports. Meanwhile tenders have been invited from several British and European shipyards for the construction of four cargo vessels of 7,500 tons deadweight for the North Atlantic cargo services, at present being partly provided by vessels chartered from Sweden. Finally the *Mauretania*, when not cruising, will operate between New York and the Mediterranean in competition, mainly with the Italia Line. But so far as passenger traffic is concerned, it looks as though the Cunard Line is going to make a determined bid in the air, both across the North Atlantic and in Europe. The outcome of the present hearings before the Air Transport Licensing Board, therefore, are likely to be of great significance to the company.

CHARTER FLYING

Storm in a Teacup

THE minor fracas that occurred last week between British and United States aviation authorities over permits for chartered aircraft is a storm in a teacup mighty irritating to Cunard Eagle, but unlikely to disturb any of the other North Atlantic airlines unduly. Charter flights have become the accepted method of fare cutting on this route; last year, 256,478 passengers crossed in chartered aircraft at roughly half-fare. This is half as much again as the numbers who used chartered aircraft in 1960, and accounts for 13 per cent of all passengers on the route. It is business that the scheduled airlines can ill afford to lose. Although traffic is rising they have recently been selling less than half their seats, and are offering cut rates for parties of 28 or more to try to fill them.

Cunard, frantically searching for work to occupy a fleet that now include two Boeing jets representing a £6 million investment, has been trying since its licence for regular services was refused by the Minister to expand its charter business on the North Atlantic. It has come up against an American ruling under which, while permits are granted for almost unlimited charter flying by charter airlines, airlines flying scheduled services to the United States have their charter flights rationed to a fixed 10 per cent of those services.

America's Civil Aeronautics Board has threatened to apply this ruling to Cunard Eagle on the grounds that, although the main company has no regular services to the United States, its subsidiaries have. Strict interpretation of this rule would decimate the flights planned by Cunard. The CAB has no love for Cunard Eagle, and has let the airline cool its heels waiting for a decision for so long that this summer's plans have had to be cancelled and the Ministry of Aviation driven to intervene. The Ministry has pointed out amiably enough that further dilly-dallying by the CAB might prompt it to look at UK licensing arrangements for American charter flights into this country. But the two agencies have no intention of falling out over an airline that both regard as one of aviation's awkward squad, ever prone to rock the boat.

FERTILISERS

Come Muck-spreading . . .

IN a gloomy week for the fertiliser industry, Fisons announced that it expects its trading profit for the year to 30th June 1962 to be down by £1.3 million on the previous year's £3.6 million and that "there will have to be a modest reduction in the final dividend". Shell, ICI and Fisons also published lists of fertiliser prices for the 1962/63 season which show reductions for the third year in a row.

The price reductions match, as they have for two years, cuts in government subsidies; last year these provided nearly 30 per cent of the £114.5 million farmers spent on fertilisers. The subsidies are to be reduced by £2.5 million in the coming year and the reductions may well continue until they disappear altogether (which they must, if Britain is to join the common market). Although the Monopolies Commission found in 1959 that high profits were being made on some fertilisers, it is unlikely that these would allow manufacturers to match cuts in subsidies indefinitely. Indeed, if Fisons' profit estimates are anything to judge by, the industry cannot really afford the present reductions. Yet prices will probably move still lower to anticipate competition from abroad.

Even against this highly competitive background, Fisons' forecast of a drop of more than a third in profits for the current year is a shock. It reflects not only the price reductions, which were general throughout the industry, but also the effects of Fisons' special discounts last year. By inducing farmers to buy fertiliser in June, Fisons effectively maintained last year's profits at the expense of this year's. The fall suggests that earnings will not be more than about 10 per cent on the ordinary capital. The "modest reduction" in the final dividend that the board foresees is likely to be at least 1 per cent, making a total of 10 per cent, although a final of less is possible, particularly in view of the gloomy prospects for next year.

The fall is attributed to a drop in the sales of compound fertilisers, of which Fisons is the largest UK manufacturer, holding 40 per cent of the market, and to a "considerable loss" on the food side. The losses on food may not be repeated but those from fertilisers are likely to increase: this year's price reductions, although allegedly accounted for by "progressive efficiency," will cost Fisons an estimated £1 million—and this does not allow for a drop in sales. It seems that shareholders are aware of these arguments as the price of the ordinary shares has dropped by 5s. 6d. this week.

BIDS AND DEALS

Taking the Biscuit

AS in other branches of the food trade competition in the biscuit industry is keen and margins are under pressure. Competition has come from within the industry and from the confectionery trade, and although sales have shown a small but steady rise biscuit prices have risen only half as much as other food prices since the war. Costs have risen sharply, in advertising and in packaging. In recent years

chocolate biscuits have sold rather better than plain biscuits but these are now subject to a 15 per cent purchase tax.

Not surprisingly the trend is towards automatic processes, fewer lines and bigger units. Apart from Associated British Foods the two major companies in the industry making biscuits alone are Associated Biscuit Manufacturers, which includes Huntley and Palmers and Peek Frean, and United Biscuits, which resulted from the merger of McVitie and Price and Macfarlane Lang in 1948. Both these biscuit companies have recently published their results for 1961, showing increased sales but lower profit margins and lower net profits. With size clearly an important factor in this industry it is not surprising that United Biscuits, already the biggest manufacturer in this country, has now made a bid in shares and cash worth in all £6½ million for William Crawford and Sons, the biggest private company making biscuits in this country. William Crawford has factories in Edinburgh and Liverpool, and also owns 47 per cent of the capital of D. S. Crawford, a public company which operates a number of restaurants and bakery shops in Edinburgh and Newcastle. United is offering to acquire the remainder of the D. S. Crawford capital at a price of 65s. for the 10s. shares, quoted at 42s. in the Edinburgh market. In all this acquisition will add about £840,000 to United Biscuit's profits before tax of about £3 million, while the United Biscuit's ordinary capital will be raised from £6 million to £7.1 million. At the current price of 47s. 6d. the United Biscuit shares yield just over 3 per cent.

STEEL

Will Russia Pay for Knowhow?

When the Austrian Chancellor, Dr Gorbach, leaves for an official visit to Moscow at the end of June to persuade the Russians that some form of association between Austria and the European Economic Community does not violate its treaty obligation to remain neutral, it is likely that he will also discuss the problem of LD steelmaking in the Soviet block. This relatively new process of pneumatic steelmaking with oxygen was developed in Austria after the war; it is comparatively cheap in capital cost and particularly suited to very high production of standardised qualities of steel. Internationally it has been adopted more widely than any other of the oxygen processes.

At present there are 35 LD (Linz-Donawitz, after the two main Austrian works) steelworks in operation throughout the world with a total yearly output of 25 million tons, and a further 47 works planned to produce 45 million tons a year are under construction. According to these figures there should be 82 LD steel plants in operation by 1965 with a total yearly output of 68 million tons, so that LD output by then should constitute 20 to 25 per cent of world steel output.

Although the Austrian steel industry is nationalised, a special company, BOT (Brassert Oxygen-Process Co.) has been set up at Zurich to issue licences to produce and to exploit the LD process. The shares of this company are held, half and half, by the two big nationalised Austrian steel enterprises, Vöest and Alpine-Montan. Its accounts are a closely guarded secret, since both groups of shareholders are anxious to prevent licence holders knowing what the profits from the competitive sale of licences amount to.

The Austrians have so far refused to sell the rights of the LD process to any country in the Eastern block, although certain of these countries, USSR and Rumania, have made known that they were interested. On the occasion of Khrushchev's visit to Austria in 1960, the Russians expressed the desire for the Austrian iron and steel industry to build an LD plant with an output capacity of 2 million tons. But blowing a Bessemer converter from the top with oxygen is not beyond the wit of steelmen anywhere: there seemed little doubt that even if they were refused the LD rights the Russians could develop a similar process, and eventually the Austrians decided to negotiate.

The ensuing discussions, which have gone on since 1960, have broken down over the question of payment. The Russians were prepared to pay half in currency and half in goods—a large part of the goods they

NEW CARS

Vitesse, French and British



The Renault R8

High performance in relation to their size is common to the new Renault R8 and the Triumph Vitesse. The Renault, which will be officially announced at the end of June, is a supplement rather than a replacement, for the Dauphine. It has, according to *l'Auto-Journal*, the same 956 cc engine as the Floride S and Caravelle models introduced in March, with its engine power slightly reduced to 51 bhp; and it shares their other mechanical parts, including Dunlop disc brakes on all wheels—the first time a small mass-produced car has been so equipped—and a radiator mounted behind the rear-mounted engine. The R8 seems to have rather more body space than the Dauphine, and its performance should be substantially better with 21 more bhp available.

Though the price has not been fixed, it is likely that it will be higher than those of the Simca 1000 and Citroen Ami-Six, which cost about £475 in France. Renault seems to regard it as a competitor for larger-engined cars such as the Simca Aronde, Peugeot 403 and Volkswagen 1500. Though the R4 has not taken sales away from the Dauphine, the R8 seems bound to do so; but keeping the Dauphine going will allow Renault to get the full benefit from its by now depreciated investment in tools for this model, and to offer a wider range. One-model policy is becoming a thing of the past.

The Triumph Vitesse is a rather more specialised car: it is the Herald fitted with a 1,596 cc version of the Vanguard Six engine, dolled up with a new bonnet and four headlamps. Developing 70 bhp, this gives the car the performance that the Herald has lacked; acceleration is significantly better than that of the Mini-Cooper, and if the gears are used it is in fact little inferior to that of bigger cars like the new Ford Zephyr Six and the various 3-litre sixes up to 60 mph—which it will reach in second gear. At higher speeds, its acceleration is less good than that of the bigger cars, however; the maximum speed is nearly 90 mph while the bigger cars will mostly reach 100 mph, and acceleration in top gear is naturally inferior. But the Vitesse is a strong contestant for the traffic lights *Grand Prix*. The car can be cruised at up to 80 mph, though its directional stability begins to deteriorate at higher speeds. Disc brakes are fitted to the front wheels, and they are able to cope with the car's performance.

Selling at £837 for the saloon and £893 for the convertible, the Vitesse is £26 cheaper than the Ford Capri and comparable to the 1,500-1,800 cc saloons, but £197 dearer than the Mini-Coopers. Standard-Triumph reckons that it will tap a specialised market among those who want a small high-performance car, but something bigger than a Mini. It is certainly attractive in terms of performance for money. The new version of the Ensign, with the 2,138 cc version of the Vanguard four-cylinder engine used in the TR4, which S-TI has introduced at £848, should keep its stake in the medium-sized car market alive. Though this is a dated design, the price is that of the Ford Zephyr 4, and the car has a reputation for ruggedness.



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have in mind being oil. Their proposal, however, came up against opposition from the Austrian Department of Commerce which refused to sanction the transaction unless 75 per cent of the price was met in currency.

The Austrians demand at least $3 million for the LD patents. They have in mind, also, the question of contracts for building LD plant, particularly the converter vessels. The Voest company builds plant as well as making steel, and has gained quite a number of contracts for doing so at foreign LD plants. But Russia is a large scale exporter of steel plant too, though its expertise, like that of Britain or the United States until recently, has been more in the openhearth field than in plant for pneumatic steelmaking. The Austrians are naturally not anxious to add to the array of foreign plant builders now prepared to build LD steel plants yet another—and one whose commercial policies often have a strong dose of politics.

URANIUM

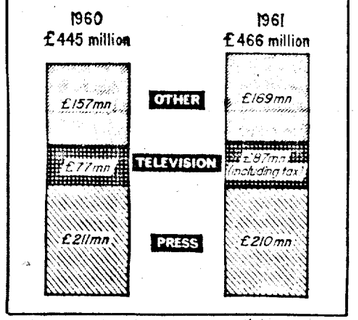
$5 *a Pound*

ALL that appears to be holding up the signing of the most toughly negotiated uranium contract of all time, under which the Atomic Energy Authority will agree to buy from Canada 12,000 tons of uranium that it does not want, is the Canadian government's own domestic problem of sharing the contract sensibly and equitably (the two are not synonymous) between existing mines. The terms of the contract had been settled by the beginning of the year, although when *The Economist* mentioned a price of $5 a pound, less than half what the Canadians were accustomed to and $3 less than they were asking, this was denied in Canada at the time. But the Canadian Prime Minister has now himself confirmed that agreement has been reached at prices reported from Canada to be between $5 and $5.25 a pound. This, roughly, sets the world price for uranium, which has been in a state of flux waiting for just such a large deal as this to show a price at which a large buyer would buy and a big seller sell.

The 12,000 tons, on which the Atomic Energy Authority had an option that it took up only under government pressure, is a lifeline for the Canadian uranium industry. Without it, the mines would almost certainly face closure in 1966, when present contracts expire. The AEA's order will keep them ticking over until the early 1970s, when prospects for atomic power might be expected to produce a demand for uranium that does not exist today. But the AEA already has eight years' supply of uranium either in stock or on order, the value of which it is already beginning to write down. This, in addition to the new contract, looks like meeting all foreseeable British uranium requirements for the next 12 years.

ADVERTISING EXPENDITURE

Spending on advertising and other forms of sales promotion last year once more reached a record figure, according to the *Advertiser's Weekly* annual survey, though the gain was less than had been expected earlier. As a proportion of national income the total remains at under 2.2 per cent. Though press advertising declined along with the number of newspapers, national Sunday papers, provincial dailies and provincial and suburban weeklies all increased their revenue from this source.



FINANCIAL STATISTICS

At Length

IN August, 1959, the Radcliffe committee recommended the "regular issue in a single publication" of all the statistics relating to the monetary system. Foreshadowed in the last budget speech that publication has now appeared. It contains within its 80 pages—63 of tables and 17 of explanation—all the available statistics on the monetary system, with the notable exception of those relating to insurance companies.

The announcement that this publication was to appear came as a surprise; the introduction of a quarterly bulletin by the Bank of England, with comments on policy and events along with a series of statistics, was taken as the authorities' compromise on the Radcliffe recommendation. The new publication is nonetheless very welcome. It in fact draws most of its material from the Bank of England quarterly and the monthly digest of statistics, but also includes a good deal of material which, while published regularly, has never before appeared in convenient table form, and some information that is entirely new. There are new tables on local authority borrowing, central government capital account, public corporations' appropriation and capital accounts, trustee savings banks, and local authority and other superannuation funds for public employees. The publication's great merit is that it collects all this information in one place and that many of the tables, particularly those on exchanges rates and interest rates, are more comprehensive than ever before. *Financial Statistics* is published monthly by the Central Statistical Office and costs 7s. 6d.

RUBBER

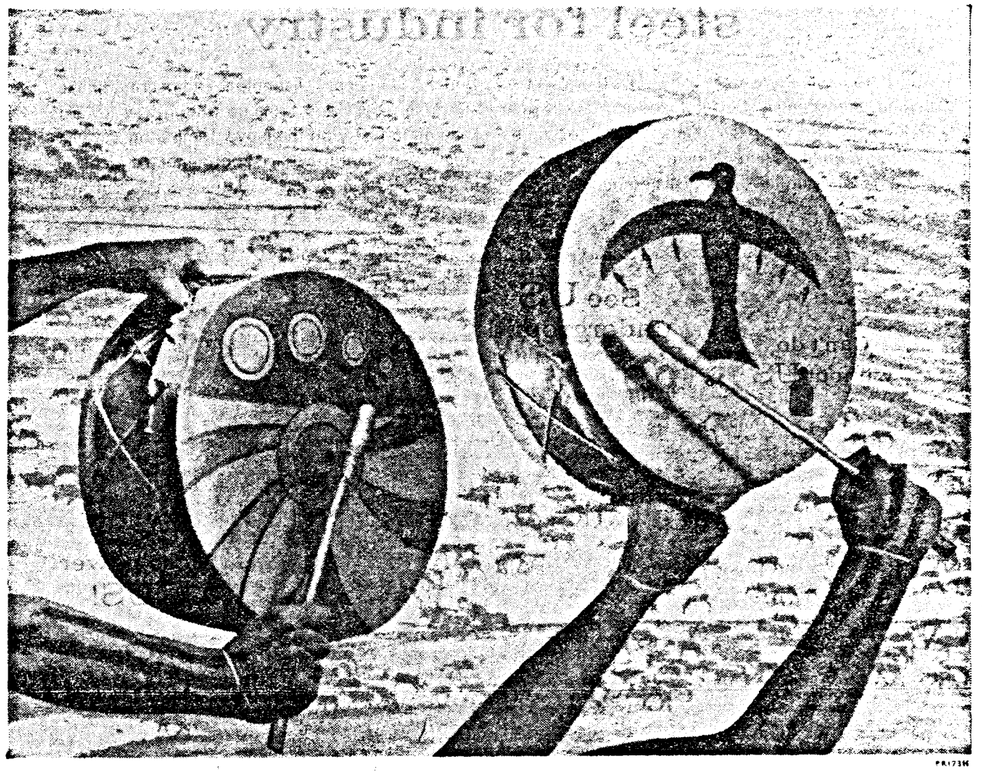
What is High?

THE chairman of the Rubber Growers' Association commented last week among deeper reflections that high prices are not always a blessing. For rubber growers his words are almost tragically accurate. But how much is high? Since 1959, rubber has never been free of rumours about stockpile releases. The system of releases has been changed so often that it hardly deserves to be called policy. It is a fair inference from the fairly low level of stocks, high rate of consumption, especially in the United States, but steady price of rubber that the latest bout of stockpile talk has prevented a recovery to a slightly more remunerative level than the current price of about 23¼d. a lb for RSS1. This is borne out by the relative strength of nearby supplies, particularly in New York, which command a premium. But with boasts about dramatic switches to new synthetics loud in the air perhaps this is no bad thing. Tremendous improvements in yields are being claimed by new natural rubbers. If there is going to be a struggle to retain natural rubber's share of the market, from the growers' point of view the battle cannot begin too soon.

The average spot price of the best grade of rubber fell 25 per cent to 24¼d. a lb last year. But in the free world, synthetic raised its share of consumption two points to 54 per cent and there is as yet no sign of a halt to this trend in 1962. Much of the blame for synthetic rubber's ascendancy is placed by Mr Charles Jackson at the door of the United States' stockpiling authorities. American manufacturers were deprived of natural rubber by government decree in order to build the stockpile. Mr Jackson wants similar restrictions placed now on synthetic producers in order to dispose of the stockpile. He reckons they might even welcome the opportunity that might present itself of raising their prices. Though actual prices paid for synthetic rubbers are not easy to ascertain, recent sharp reductions have slimmed the margin of profit.

While rubber consumption of all types is expanding, there would be something to be said for this argument if it were practical since the recent fall in rubber prices has occurred when natural rubber production and consumption were in balance. The current level of stockpile releases is likely to result in a further small surplus of natural rubber this year. Blunders in the disposal of stockpile rubber could obviously cause economic chaos in rubber producing countries. But since this is not a practical suggestion, the prospect is for some intensifica-

Drums *(non-returnable)* along the Athabaska



Under the midnight sun of Canada's far North-West, a line of barges creeps into Yellowknife—a gold-mining settlement on the desolate shore of a great lake. Their load—cyanide in drums—is prosaic, perhaps; but it has completed an adventurous journey that started 10,000 miles away at an I.C.I. factory in England: by sea across the Atlantic and through the Panama Canal to Canada's Pacific coast; down-river by barge, overland again for many a rugged mile, down-river once more to the waters of the lake itself.

Such odysseys are not uncommon for I.C.I. chemicals, and least of all for I.C.I. cyanide. Known for 50 years as the key for unlocking gold and silver from their ores, it is used almost everywhere these precious metals are mined—in the Australian deserts, in the rolling hills of Southern India, in the mountains of Colombia and the uplands of Fiji. And, like so many I.C.I. chemicals, it is no stranger to the world's engineering industries. Cyanide case-hardening salts from I.C.I., as well as degreasing solvents and metal pre-treatments, play a part in the production of everything from hypodermic needles to agricultural machinery.

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tion of the pressure from stockpile releases. Higher production in Malaya and elsewhere has also to make itself fully felt.

CHEMICALS

Anti-Dumpers

A DEPUTATION from the Association of British Chemical Manufacturers headed by its chairman, Mr John Hanbury, visited the second secretary of the Board of Trade, Sir Leslie Robinson, on Thursday this week to discuss the impact of chemicals dumping on the British chemical industry. The industry feels that the Board's present policy, of only applying anti-dumping duties when all else has failed, is allowing dumping seriously to harm it and to hamper its growth.

One of the industry's main objections is to the time which the Board takes in dealing with applications. This is rarely less than six months by which time, the industry says, the damage has been done: the market, once depressed by cheap imports, never recovers to its former level. Indeed, the simple presence of such imports is sometimes enough to force down prices. Some members would like to see anti-dumping legislation here run more on the lines of the Canadian system, where the evidence of prices from import documents alone is considered sufficient basis for immediate action. At the least, the industry would like the Board of Trade to use its powers to act swiftly, as it sometimes has on agricultural imports.

The industry is also seriously concerned at the effect that dumping is liable to have on its growth, particularly on petrochemicals. It argues that if the chemical industry is to maintain its record of rapid growth, about 40 per cent faster than manufacturing industry in general, new investment ought to be protected.

There are certainly signs that imports are affecting the new petrochemical plants. British Hydrocarbon Chemicals new petrochemicals complex at Baglan Bay includes a styrene monomer plant which should be completed this Autumn. When it is finished it will probably be "mothballed" after testing until the price of styrene recovers enough to make its operation economical. (An application for an anti-dumping duty on styrene monomer from Canada and the USA was lodged with the Board of Trade in March this year and is being considered.) Thus, there can be no doubt that the chemical industry is suffering from these, as it considers them, "unfair" practices. But they are characteristic of the industry throughout the world—do British producers sell abroad at home prices?—and rigid protection of one section of it would be, at best, a short-term palliative.

FRANCE

Monetary Policy Now

FRANCE'S Finance Minister, M. Giscard d'Estaing, has outlined to the Chamber important details of France's monetary policy. His ideas seem to be cast in the same mould as those of his predecessor, M. Wilfrid Baumgarter. There is now, he said, a possibility of an American drawing on the IMF. The Fund possesses sufficient assets, but European currencies are low. The "Paris Club" offered a better solution than the strengthening of quotas, which would have embarrassed the Fund with amounts of useless currencies, and would also have entailed the use of common market currencies by a body in which the common market countries have very little say in terms of voting power.

M. Giscard d'Estaing recalled complaints made to France by certain countries whose currencies were disturbed by her balance of payments surpluses. His answer was: France has set the franc free; reduced its customs duties, not only as a result of the Rome Treaty, but voluntarily; has raised foreign travel allowances; and has authorised the purchase of foreign shares by the French public. Dollar debt repayments were $213 million in 1959, $316 million in 1960, $320 million in 1961, and $116 million at the beginning of 1962. France's exchange reserves are running below those of Germany and Italy, and are sufficient to cover only six months imports as well as serving as cover for imports in the whole of the franc area. The Minister concluded, however, "We must hold ourselves in readiness to place considerable sums at the disposal of the Fund."

HAMBROS BANK

Euro-dollar's Future

THE directors of Hambros Bank have this year decided to separate sterling and foreign currency transactions in the bank's annual accounts. Sir Charles Hambro, chairman of the bank and a director of the Bank of England, tells shareholders that this division has been made because "for the most part" the foreign transactions arise from business in Euro-dollars which, in Sir Charles's view, "are likely to be a temporary phenomenon in the European economy."

The market is temporary, Sir Charles argues, since it exists only because the American banks are limited as to the rates of interest they may pay on foreign deposits. This indeed is one of the reasons for the market's rapid growth and if the Americans abandoned regulation Q the market would probably be weakened. But any one of London's main foreign exchange dealers will tell Sir Charles that regulation Q is now only a subsidiary reason for the market's continued existence, and that the market is likely to flourish as long as the American payments deficit pumps dollars into foreign hands. If the American banks were permitted to increase the rates paid on foreign-owned deposits and took advantage of that freedom, then London would merely pay a slightly higher rate to keep the deposits in Europe. The Euro-dollar is the most convenient source of international credit for the borrower and provides an international money market for the lender. It serves a need, and the dollar is its medium only because of all currencies it is the most readily available and most readily acceptable.

Temporary or not, however, the growth of the bank's business in 1961-62 stemmed largely from the increase in advances in foreign currencies (mostly Euro-dollars) from £2 million to £24½ million which exceeded the total of almost £20 million for sterling advances. Total deposits in foreign currencies at March 31st amounted to over £28 million, acceptances were £3 million higher at £32 million while total assets rose by £31 million to £149 million. The increased volume of business explains the proposed rights issue which will raise in all about £3½ million. Following a split of the present £1 units into 5s. shares the offer will effectively be four 5s. shares at 35s. each for every 25 held. At the current price of 21s. 3d. for the £1 units the rights are worth about 10s., and on the present dividend of 22½ per cent the yield improves to 2¼ per cent. Last year net profits rose from £655,000 to £751,000 with some £28,000 of the increase relating to net profits retained by subsidiaries, largely by the newly acquired banking firm of Laidlaw & Co., New York. Among its other interests the bullion firm of Mocatta & Goldsmid enjoyed a busy year which brought an increase from £3¾ million to £6½ million in bullion held at March 31st. No doubt a good deal of this increased activity is a reflection of the silver boom at the end of 1961.

DOMESTIC APPLIANCES

Winter Still

SUMMER has so far been as chilling for the domestic appliance makers as for everyone else. The refrigerator manufacturers have the coldest feelings, needing a good heat wave to cheer up their business. Their sales in the first quarter were four per cent lower than in 1961 and there was a more noticeable drop in April—despite all their efforts to make their products more tempting by cutting prices, which by now has probably gone as far as it can if profits are still to be earned. Drastic cuts in production in the winter allowed the makers to get their stocks below last year's level by the end of March, however (they had started the winter with 110,000 more in stock than a year before). Retailers, slightly battered by recent experience and aware that they can get delivery whenever they want, have allowed their stocks to fall. They have continued to find that their best business comes with the obsolete models that manufacturers want to get rid of, probably at a loss. The public is now bargain-

conscious enough to seize the opportunities such sales offer, but they rather spoil the impact of the price cuts made on the new models.

Washing machine makers continue to find their market pretty static at home, though the switch to more elaborate machines helps their turnover. Hoover's decision to return to a full working week at its Merthyr Tydfil factory seems mostly the result of improving export sales. The whole industry's exports in the first four months of this year amounted to 92,000, about 16 per cent higher than a year before, and Hoover claims to account for about three-quarters of foreign sales. As before, the best business is being done in the smaller and cheaper appliances, where the need to put down a 20 per cent deposit does not entail parting with more than many people are likely to carry in their wallets. So the industry continues to agitate for a ten per cent deposit on all appliances, to bring its bigger products within reach of these impulsive buyers.

UNIT TRUSTS

Steady Growth

In each of the past twelve months sales of units by unit trusts have exceeded repurchases. Helped by twenty block offers, amounting in all to about £10 million, total sales rose to £30,884,000 in the year to end-April and net sales of £18,494,000 were ten times bigger than the previous year's figure of £1,839,000. The value of funds rose from £244,966,000 to £264,164,000 so that allowing for net sales capital appreciation was no more than ¼ per cent. Over the same period *The Economist* indicator fell by 15 per cent so that even after allowing for the holdings of unit trusts in American and Continental stocks, the trusts had clearly done well.

Other figures confirm the growth in popularity of unit trusts over the past year; the number of unit holdings, for example, has risen from 646,000 to almost 710,000. Savings plans are bringing in an increasing number of small regular savers; over the year their number grew from under 30,000 to about 40,000. Although each investor's contribution is small, averaging no more than £4 a month, and the cost of administering the thrift plans is high they are becoming increasingly important to the trusts; annual savings under these plans now amount to £2 million, against £1.2 million a year ago. They are thus responsible for about 7 per cent of the total inflow of funds to the movement. There is some evidence too of growth in the number of big buying orders and this is reflected in the rise in the average holding from £322 last July to £372 at the end of April. It seems that some investors having experienced the difficulties of direct equity investment have seen the advantage of spreading their risks through a unit trust. Essentially, however, this is a medium of investment for the small saver and until the management groups are allowed to use more aggressive selling techniques (as a result, for example, of higher loading charges) nothing more than steady growth can be expected. Nevertheless their performance in a period of volatile markets must be regarded as creditable.

PETROL

Murco One

Murco Petroleum, a British subsidiary of the Murphy Corporation of Arkansas, this week opened the first of its owned and managed petrol stations in Britain, at Bournemouth. While not a price-cutter, Murphy is using multi-grade pumps to offer seven different grades of gasoline rather than the regular, premium and super grades that the established marketing companies here generally offer (with or without a "mixture"). This means that some of its grades are at different prices from those of the major companies. The company which introduced this kind of pump and grades in America, Sun Oil, has vigorously denied accusations that this amounts to a form of price cutting, and BP uses multi-grade pumps in somewhat the same way on the Continent. From the outside, one would not have guessed that Murco's pattern of interests in oil would exactly drive it into fairly heavy investment in breaking into the British market. But this thrusting and successful company presumably knows its own business, and it deserves a friendly, if puzzled, welcome from the British consumer.

RAILWAY ELECTRIFICATION

Buying Experience

In his final report on the 1960 failures of electric trains on British Railways* Brigadier C. A. Langley concludes that the decision to use the 25 kV system was correct, and that the troubles resulted from lack of experience in designing this novel type of equipment—for British companies—and then from inadequate testing before it was put into service. To have tested prototypes thoroughly enough to discover and then rectify the faults, he says, would have delayed the introduction of the suburban electric services by two years, so he considers that British Railways was taking a justifiable risk. One wonders, however, what the cost of the failures, withdrawal of services and modifications has been to the railways and the contractors—in damaged reputations as well as cash—and whether delay might not have proved the cheaper. Even within the timetable that was followed, too, there surely might have been more testing of the one novel feature of the British system, the combination of 6.25 kV and 25 kV working. This caused many of the troubles experienced, but little test running was done on the lower voltage—or, more important, through the change-over points between the two.

Brigadier Langley has concluded that the main causes of the troubles were failures of the mercury-arc rectifiers (which change the alternating current supplied by the overhead wire into the direct current that the motors use). These failures over-stressed the transformers on both the Glasgow and north-east London units. Other causes were the faulty operation of the automatic power control equipment that automatically switches the transformer from the 25 kV to the 6.25 kV setting, and of the circuit breakers: the former over-stressed the transformers and the latter the motors. On the Glasgow trains, which were built by Associated Electrical Industries, the troubles were overcome by modifying the transformer to allow to stand up to higher voltages and by minor changes to the automatic power control equipment, circuit breakers and rectifiers. The modified trains are now running smoothly.

The trains on the Eastern region, made by the General Electric Company, have proved a more difficult problem. Though the transformers have proved rather tougher than those on the AEI stock, the rectifiers have given constant trouble, in spite of many modifications made by GEC. The high maintenance costs of this equipment have led British Railways to ask GEC to replace it by silicon semi-conductor rectifiers, used successfully on some AEI equipment and by English Electric.

* Final Report on the Accidents and Failures that occurred in Multiple-unit Electric Trains in the Scottish Region and Eastern Region, British Railways. HMSO.

SHORTER NOTES

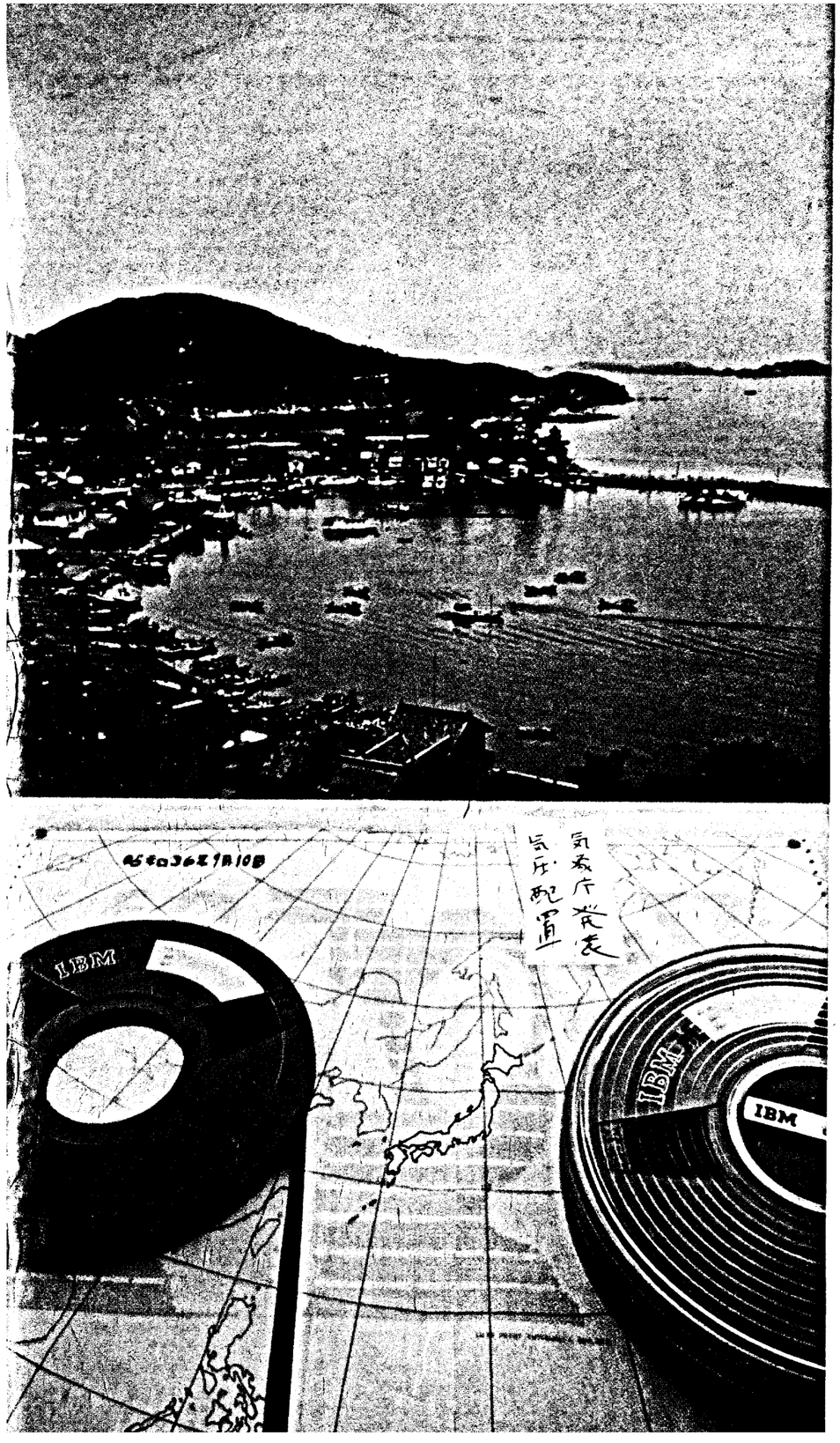
In the three months to April 30th the assets of the Halifax Building Society rose by £16.1 million to £559.7 million. Net receipts amounted to £14.7 million and new mortages are being granted at the rate of £2 million per week.

*

The chairman of Gallaher, Mr C. W. Mason, said at the annual general meeting that there had been a partial recovery in sales from the low level of consumption after the Royal College of Physicians' report on smoking. There was an increasing trend towards tipped brands, but Mr Mason said it was still premature to give a more definite picture.

*

The directors of S. Smith and Sons, the motor and aviation instrument makers, say that profits to date have been materially less than forecast and it is clear at this stage that profits for the year to August 4th will be materially lower than in 1960-61; however they are maintaining the interim dividend of 7½ per cent and hope to declare an unchanged final dividend of 12½ per cent.



JAPANESE SCRIPT INDICATES THAT MAP SHOWN IS WEATHER CHART AUTOMATICALLY PRINTED BY AN IBM COMPUTER AT JAPAN METEOROLOGICAL AGENCY IN TOKYO. THE COMPUTER CONSULTS LATEST ATMOSPHERIC CONDITIONS ON MAGNETIC TAPE REELS, COMPILES WEATHER PREDICTIONS DAYS IN ADVANCE.

Drawing the fangs of the Tai-Fu dragon

This is Tomo, a fishing village that sleeps more soundly these days because of an IBM computer.

Since time began, Tomo and a thousand other Japanese towns have trembled under the attack of the dread Tai-Fu, the Great Wind. Pouncing without warning, boiling the sea up over the shores, typhoons rip across the islands a dozen times a year.

But today Tai-Fu has lost one of its deadliest weapons—surprise. Typhoons move so fast they often strike before their course can be plotted by hand. Now Japan's weather experts have found something faster—an IBM computer.

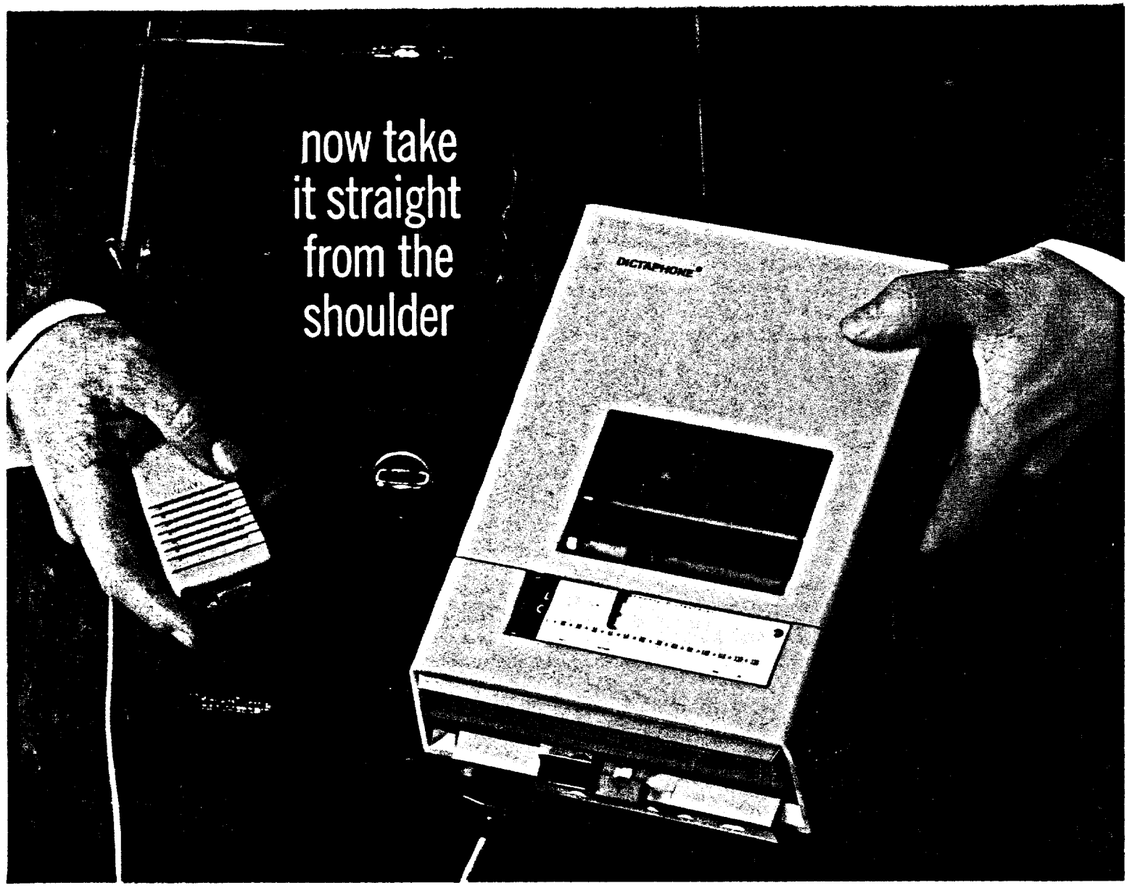
Applying Numerical Weather Forecasting techniques, the computer digests huge masses of data to predict a storm's path so quickly that even Tai-Fu can't keep ahead. The Tomos of Japan can be warned in time to batten down, board up, take to high ground.

Twice each day hundreds of ships and weather stations from India to the Arctic radio their local winds, temperature, barometric pressure to the Japan Meteorological Agency in Tokyo. There, the IBM computer needs little more than an hour to run this data through complex equations and produce a weather forecast for the next two to three days—a task that would take 180 years working 40 hours a week with a desk calculator.

The computer even prints out its own weather maps, like the one shown, predicting conditions over thousands of square miles. Numerical Weather Forecasting is improving all the time; already meteorologists talk of weather predictions a month ahead. When that day comes, some of the chief forecasters will probably be weather-wise IBM computers, just as they are now.

IBM

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1962—Dictaphone introduce Travel-Master portable



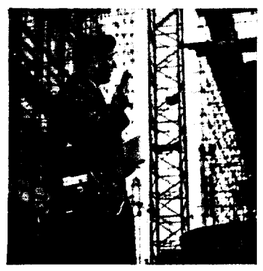
The new Dictaphone Travel-Master

The very latest addition to the Dictaphone range—this book-sized recorder weighs only 5 lb. and gives the man in the field all the advantages of a standard Time-Master dictating machine. The fully transistorised, battery powered Travel-Master will work anywhere.



Travel light with the sound you can see

Even in a car you can use it. The Travel-Master needs no tapes or wires for recording, but only the unique Dictabelt. This records permanently and visibly so that you can find your place and play back in a second. It brings an end to the muddle of the unmarked tape.



On site say it - then just post it

Once you've recorded progress, just slip the Dictabelt into an envelope and post it to your office. On arrival, your secretary can then immediately transcribe it on a standard Time-Master transcriber. The Dictabelt is an exclusive feature of every Dictaphone model.



Don't take notes, take Dictabelts

No need for notebook and pencil. The Dictaphone Travel-Master is ideal for recording on-the-spot impressions—and for anything from interviewing to stocktaking. Its nickel-cadmium batteries run for four hours and can be recharged overnight. It costs only £105.

DICTAPHONE
REGD. TRADE MARK

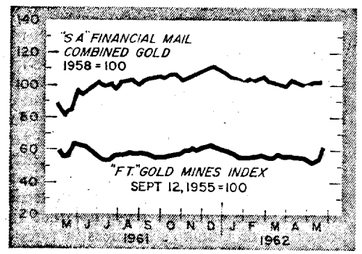
Dictaphone Company Ltd., 17-19 Stratford Place, London W.1. Tel: HYDe Park 9461
The words DICTAPHONE, TIME-MASTER and DICTABELT are registered trade marks.
The Dictaphone Time-Master has been accepted for the Design Index of the Council of Industrial Design.

COMPANY AFFAIRS

In the London stock market the past week has been one of almost unrelieved gloom. Disappointing company news from Dunlop, Fisons and others, the sharp fall on Wall Street and the Chancellor's threat to reimpose economic curbs if his wage restraint policy was not heeded were all factors behind the sharp fall in the price of equities which left The Economist *indicator 15.5 points down at 340.2, its lowest level since the general election. By contrast gilt-edged stocks remained firm and the new Birmingham 6¼ per cent loan opened on Thursday at ½ premium. The one bright spot among equities was Ready Mixed Concrete which touched 42s. against the offer price of 24s. and closed on Thursday at 35s. 1½d. But almost all the honours this week have been taken by gold shares.*

Anglo American and Gold Shares

WHEN the Anglo American Corporation report was issued at this time last year South Africa was close to the proposed stay at home strike by non-Europeans. A show of force by the authorities made it of little effect but this did nothing to halt the flight of foreign money from the new republic and it was soon followed by exchange controls. This split the two main markets in gold shares, Johannesburg and London, and resulted in a sizeable discount for prices in London on those quoted in Johannesburg. But now with equity markets both in London and New York depressed and nervous, gold shares are once again attracting buyers—American and European as well as British investors. There are two elements in the latest boom in Kaffir prices—speculation, based on renewed doubts about the ability of the United States to maintain the dollar price of gold at $35 an ounce, and more genuine investment buying, based on the improvement in the economic outlook in South Africa.



Speculation about the dollar price of gold may die as quickly as it was born but hopes for some further relaxation in South Africa's exchange controls may be more soundly based. From a low point of about R140 million last June South Africa's foreign exchange reserves have risen to over R370 million. Only this week, for example, substantial increases in foreign currency allowances to South African tourists were announced. The first chinks in the currency control curtain appeared in March when Dr Donges, the finance minister, introduced two measures which appeared to be aimed at reducing the substantial discount in prices between London and Johannesburg. One permitted the South African Reserve Bank to buy gold shares in London for resale in Johannesburg; so far this scheme does not appear to have got off the ground and there are some doubts in South Africa whether the scheme is workable. The other proposal is for an issue of up to R20 million of 5 per cent bonds for subscription in blocked rands but repayable in freely convertible currencies in five annual instalments. The prospectus for these bonds was issued this week and it will be interesting to see how many outside investors are prepared to take a five-year view of South Africa's prospects.

The current activity in gold shares in London succeeded in reducing the average discount on a representative list of gold shares from over 19 per cent to about 14 per cent. The earlier gains were most marked in individual mining shares but by the middle of the week the emphasis had swung back to the mining finance shares, with Anglo American Corporation again to the fore. On Thursday, however, prices generally looked easier.

At 157s. 3d. the 10s. shares in Anglo American are now over 40 per cent above their low for 1961 and offer a yield of 5¾ per cent on the maintained dividend of 90 per cent. In Johannesburg the shares stand at around 185s. so there is some prospect of further capital appreciation if controls were completely lifted. But investors may still wonder whether the rise has been overdone and whether a yield of only one quarter of one per cent above that offered by a representative group of leading equities in this country is justified. The political risk may be less acute than it was a year ago but the government's latest legislation against sabotage hardly suggests that it can be ignored.

But there is no denying the strength of the company as revealed by the figures in the accounts; this however is also true of De Beers, whose shares still yield nearly 8¼ per cent. As the table shows, there was little change in Anglo American's investment income last year and there was a further increase in loan interest; the rise in gross profits in fact reflects a sharp jump in income from interest and royalties and a smaller net loss on the realisation of investments. The increase in the market value of Anglo's quoted investments reflects prices in Johannesburg and not in London.

On the gold mining side the report draws attention to the rise in costs and the heavy burden of taxation. The present tax-free margin of 6 per cent on mining revenue was formulated in 1946 when interest rates in South Africa were well below what they are today. And because of the number of new mines which have recently become tax payers the amount of tax paid under the formula doubled from R32.3 million in 1959 to an estimated R65 million in 1961. Copper profits were affected by the voluntary cutback in sales although production was maintained; as stocks were built up profits are unlikely to be affected by the recent strike of African mineworkers. The demand for diamonds remains strong except for certain qualities of small gems. Profits of the collieries will be helped by the increase in prices granted early this year though the benefit will be offset to some extent by continually rising costs. The rise in costs throughout the group suggests that investors have yet another factor to take into account into their calculations about South African shares and one which should add to their caution.

	1960 R'000s	1961 R'000s
Income and Dividends :—		
Interest royalties, etc.	11,080	12,999
Investment income	16,319	16,601
Net loss on realisation of investments	2,380	1,685
Loan interest	6,762	7,724
Gross profit	17,331	19,352
Taxation	1,146	1,894
Net profit	15,689	16,914
Ordinary dividend	9,525	9,585
Retained profits	5,879	7,043
Consolidated balance sheet :—		
Investments—		
Quoted*	94,985	102,459
Unquoted	21,693	16,187
Loans to associated companies	27,693	36,553
Loans by associated companies	163,920	152,041
Debentures and loan stock	18,320	17,936
Capital reserves	27,571	27,822
Revenue reserves	65,427	72,470
Ordinary capital	10,588	10,612

* Market value :—1960, R199,656,000
1961, R215,865,000

Philips NV

THE one-for-five rights issue by Philips NV at Fl. 118.75 per Fl. 25 share sets a puzzle for investors throughout the western world. Should they add to their stake in one of Europe's leading "growth" stocks (but one where immediate growth prospects may be less sturdy than before)? Or should they, recalling the effect of the mammoth rights issue by Royal Dutch/Shell, conclude that enough is enough? The issue, designed to raise over £70 million, is

a big one. As about 30 per cent of the Philips equity is owned in the United States, American investors, who will be allowed to subscribe at a fixed rate of exchange, are invited to put up about £25 million. Will they be prepared to do so with Wall Street so weak and electronic stocks so much out of favour? Electronics indeed form only a small part of the Philips business and primarily its expansion will come from the sale of television sets in Europe; but it has had the magic label "electronics" pinned on it, and may now suffer from some disenchantment.

Economic growth in Europe has temporarily slowed down and Philips will not escape. Results for the first quarter are better than had been expected; sales, compared with the first quarter of 1961, are up by 12 per cent and profits by 2½ per cent. The increase in sales compares with 4 per cent over the whole of 1961 and is, the directors say, better than they had expected for 1962 as a whole; profit margins were lower than in the first quarter of 1961 but they were higher than in the two last quarters. But those who wonder whether the answer to Philips' problem was a convertible loan stock (so as to carry the equity over a temporary period of slower growth into a period when the rapid rate of expansion achieved in the 1950's would be resumed) may regard the rights issue as something of a second best.

About 5 per cent of the Philips equity is owned in this country, so that British investors are being asked to put up about £3½ million. In earlier issues they had no other option but to sell their rights. The Treasury has now permitted them to take up their rights by using investment dollars, which have to be bought at a premium of about 3 per cent; this slightly reduces the value of the rights to British investors. The shares are quoted in Fl. 10 units in this country and at £7⅞ are well below their 1961 peak. Allowing for the investment dollar premium the rights are worth about 10s. per share. The ex-rights dividend yield is no more than 2.1 per cent and the ex-rights earnings yield not much more than 5 per cent. Like their American cousins, British investors are concerned about low-yielding stocks and Philips is not one of those European companies with big hidden reserves and concealed profits.

The greater part of the new money will be raised on the Continent. There was some fear among the European mutual trusts that the Philips equity might be diluted by an offer of the rights on substantial bonus terms. The company has avoided this trap and this may encourage the European mutual funds to add to their holdings. On the other hand, are the terms generous enough to attract private investors? In the past, they have come to expect a big bonus element in rights issues. No investor would decry the excellent management at Philips nor deny its excellent long term prospect. But he must be wondering whether the shares will hold their price with so much more stock available and whether to sell the rights and to hope for a lower price later.

No Thrust in Vickers

THE new Vickers House on Millbank has become a dominating feature of London's skyline; there is not so much in the latest Vickers report to suggest that its shares may become a dominating feature of London's stock exchange. The shares are included in most of the leading stock market indices and as they yield 8 per cent at 25s. 3d. they have a big influence on the average yields these indicators show. The group has a big stake in three industries in difficulties—aircraft, steel and shipbuilding—which accounted for about 70 per cent of its total sales in 1961. But this proportion is likely to decline, for in time sales of aircraft will cease to be included in the group's accounts and will be reflected only by investment income received from British Aircraft Corporation. Aircraft that the Vickers group had in production or under design (such as the VC10) before the merger were not passed over to BAC and last year Vickers' aircraft sales rose from £24 million to £44 million. This included the delivery of 32 Vanguards but they produced little by way of profit. In the previous five years some £15 million had been written off Vanguards' development expenditure; this expenditure has now "received more favourable treatment from the Inland Revenue," which explains the low tax charge of under £2 million on profits of £9.4 million.

	1957	1958	1959	1960	1961
	£ mil.	£ mil.	£ mil.	£ mil.	£ mil.
Sales	203·0	177·0	156·0	159·0	169·0
Trading profit*	14·6	13·7	10·1	12·9	11·1
Gross profit	13·2	12·7	9·1	11·6	9·4
Net equity earnings	4·7	5·3	3·9	4·9	5·9
Retained cash flow	5·7	6·4	5·0	6·0	6·8
Net fixed assets	42·2	46·0	49·8	46·3	51·6
Net current assets	59·8	74·7	69·4	67·2	68·8
Net liquid assets	Dr.5·7	13·3	11·3	Dr.9·0	Dr.4·0
Net equity assets	76·2	89·6	90·7	92·3	97·1
	%	%	%	%	%
Ord. earnings	25·4	21·2	15·4	19·7	23·7
Ord. dividend	10·0	10·0	10·0	10·0	10·0
Gross profit/sales	6·5	7·2	5·8	7·3	5·6
Gross profit/net equity assets	17·3	14·2	10·0	14·0	9·7
Net earnings/net equity assets	6·2	5·9	4·3	5·3	6·1

Price (£1 shares): 25s. 3d. Earnings yield: 18·8%.
Dividend yield: 7·92%. equal to 5·3 years' earnings.
* Including investment income but after provisions and depreciation.

A tax credit in respect of earlier years related largely to aircraft development expenditure and amounted to £1.6 million and there were investment allowances of £1.3 million. The tax charge is likely to remain unusually low in 1962, for while the tax credit in respect of earlier years may be smaller the group should continue to enjoy the benefit of substantial investment allowances, particularly on English Steel's £26 million programme at Tinsley Park. This programme accounts for nearly all of the group's total capital commitments of £26¼ million; but Vickers itself will have to provide only a small part of the total sum of about £30 million (including additional working capital) required by English Steel, since the latter is financing the development largely by bank loans and a debenture. Not surprisingly, while English Steel's sales fell only slightly its profits fell sharply from almost £5 million to £3¾ million. The outlook is not encouraging: Lord Knollys, the chairman of both Vickers and English Steel, says that English Steel's profits are unlikely to be better unless there is a marked improvement in demand.

In shipbuilding the short-term prospects are slightly more encouraging as orders on hand will entail full working nearly to the end of 1963. Last year this side of the business achieved "an almost record profit" even though the division's sales fell from £47 million to £35 million. Sales of the engineering division were maintained and the swing away from armaments has continued. A number of its new projects, such as Hovercraft and accelerated freeze drying plant, are still in the experimental stage.

For an account of future prospects shareholders of Vickers will have to await the valedictory statement of Lord Knollys at the annual meeting. It seems unlikely that he will be able to look forward to anything better than maintained profits this year. But the £1 shares discount any troubles ahead fairly fully.

Dunlop Rubber

HAVING risen to their peak for the year of 39s. following the publication of the annual report, the 10s. shares of Dunlop Rubber fell to 36s. in generally weak markets in the three weeks preceding the annual meeting. But the real knock came after Sir Edward Beharrell's remarks at Tuesday's meeting, on which the shares dropped 4s. 7½d. to 31s. 4½d.:—

> This year the problem is more than usually difficult due to the long winter, which has affected our business both in the United Kingdom and elsewhere, and to labour problems, which have been a disturbing and costly factor. The trading results for the early months of the year have therefore fallen short of our expectations and were lower than in the same period of last year.

Sir Edward hoped that the 1961 level of profit will be maintained but said this would not be easy. The wide territorial spread of Dunlop's activities offers some protection against difficult trading conditions in any one market, such as those experienced in Britain last year. The aim now is to obtain a comparable spread of industrial interests; the directors recognise that the proportion of Dunlop's business in tyres—about 70 per cent—is high and that it is becoming increasingly competitive.

The current high rate of capital expenditure is unlikely to fall but Sir Edward said that the proceeds of the £12 million debenture issue would put Dunlop's finances "on a sound basis for some little time to come." The current yield of 5 per cent represents a more realistic assessment of the group's prospects in highly competitive markets than the stock market was making only a month ago.

Marks and Spencer

WHILE the growth in sales and profits of Marks and Spencer in the year to March 31st last was much more modest than in earlier years, there was little slackening in capital expansion. The balance sheet shows that net fixed assets rose last year by £6 million to £64½ million, in extensions to existing stores rather than in new stores. Stocks, too, increased by £1½ million, but liquid assets fell by only £1½ million to £10¾ million, for besides a further issue of £2½ million of debenture stock, the group's cash flow (including provisions for repairs) amounted to nearly £6½ million.

For an account of the past year's trading results and prospects and plans for the future shareholders must await the statement of Lord Marks at next month's meeting. They will hope that, as last year, he will give separate turnover figures for the expanding food section, which with sales of £28½ million accounted for over one sixth of the group's total sales in 1960-61. But margins on this side of the business are generally smaller than on clothing where Marks and Spencer appears to be intent on raising the quality of the goods it sells. The continued success of this policy would help to justify the current yield of 2.6 per cent offered by the 5s. "A" shares at 91s.

General Motors

THE recession in the United States last year led to a fall of ten per cent in the sales of General Motors, but its net profits fell by only seven per cent with the result that the margin on sales rose from 7.5 per cent in 1960 to 7.8 per cent. This unexpected improvement seems to have resulted in part from a fall in taxes and in part from a reduction of 42,000 in the number of GM's employees—to 553,000, of whom 253,000 worked outside the United States; this saved $249 million on the wage bill. There was also a fall of $1.52 in the average weekly pay of hourly-paid employees. All of this points to a flexibility and a power of control over costs that no British car manufacturer is likely to be able to achieve.

About 90 per cent of GM's sales on the civil market are accounted for by "automotive products"; only three per cent of sales come from defence contracts. Outside the motor field, GM has hardly been able to retain the same golden touch; its venture into the aero engine industry with Allison has never been a great success; and now it has to face the consequences of pinning its hopes for the commercial market on the turbo-prop engine rather than the jet. But the rise in sales of cars in the United States this year is being accompanied by an increase in GM's share of the market—from 46.5 per cent last year to 52 per cent in the first quarter of this year. The volume of GM's sales in the first quarter rose by 38 per cent over the corresponding period in 1961 when sales were depressed; the increase for the full year will undoubtedly be smaller. New models, such as the Chevy II compact, account for some of the increase, but the popularity of the standard model Chevrolet remains the backbone of GM's prosperity. Better profits should be earned, and this appears to be confirmed by the decision to raise the dividend to $2.50 per share despite the fall in earnings in 1961. On the bigger dividend the shares at $93½ (London) yield 4¾ per cent.

	1957	1958	1959	1960	1961
Total vehicles (thousands)	3,885	3,310	3,851	4,661	4,037
	$ mil.	$ mil.	$ mil.	$ mil.	$ mil.
Net sales	10,989·8	9,522·0	11,233·1	12,736·0	11,395·9
Net income	843·6	633·6	873·1	959·0	892·8
Net earnings	830·6	620·7	860·2	946·1	879·9
Dividends	555·5	558·9	561·8	564·2	707·4
Dividends per share	2·00	2·00	2·00	2·00	2·50
Net income/sales (per cent)	7·7	6·7	7·8	7·5	7·8

Castrol

CASTROL has the biggest single share of the market in lubricating oils in this country but competition is fierce and margins are narrow. Sales of lubricating oil in this country rose by 5 per cent last year but the stock market did not expect any appreciable rise in Castrol's profits as the increase in prices came too late to benefit earnings in 1961. The rise of almost 8 per cent in Castrol's gross profits from £3,311,000 to £3,576,000 therefore came as a pleasant surprise and it makes good the setback suffered in 1960. But a bigger tax charge left net profits only fractionally higher at £1,717,000, to cover the unchanged dividend of 20 per cent 2½ times. The 10s. ordinary shares at 48s. yield 4¼ per cent.

The results suggest that Castrol at least maintained its domestic sales last year and probably also did well in overseas markets, which accounted for over half its sales in 1960. Though the current year should produce some benefit from higher prices competition from the big oil companies, notably through "tied garages," is unlikely to diminish.

Averys

LAST July the chairman of Averys referred to the rising costs of labour and raw materials but he did not expect the results for the year to March 31st last to be substantially different from those in 1960-61, as order books were fuller than they had been a year before. It now seems, however, that the pressure became more acute as the year wore on, for Averys' gross profits fell by 7½ per cent to £2,416,000 and net profits by 15 per cent to £1,176,000. The fall in profits was clearly bigger than the stock market expected and the £1 shares lost 8s. 9d. to 89s., to yield 3.4 per cent on the maintained dividend of 15 per cent covered just over twice.

One subsidiary, at least, made a loss, for while the profit attributable to minority interests amounted to £16,000 in 1960-61 it was replaced by a loss of £47,000 in 1961-62. No doubt the statement with the full accounts will make it clear where the losses occurred and where the pressure on margins was most intense—at home, where the group's interests include shop fittings as well as its well-known weighing and testing machines, or overseas, where profits in Australia and South Africa fell in 1960-61.

Rolls Razor

SINCE Mr John Bloom acquired an interest in Rolls Razor two years ago its name has become something of a misnomer, as 95 per cent of its output now consists of washing machines. A policy of direct selling to the public backed by aggressive advertising has won the company about 10 per cent of the washing machine market in this country. There have been lively unofficial dealings in the ordinary shares since the suspension of their quotation just over two years ago. This is an unusual background to the company's offer for sale of 500,000 1s. ordinary shares, which takes the form of a tender, a method used in the past only by water companies and more recently by one or two property companies. The minimum tender price was 20s. but the shares have been changing hands at about 25s. However, the issue price is to be 23s., to offer a yield of almost 3½ per cent.

At this price the shares still discount a good deal of future growth in a market which is unlikely to expand as rapidly in this country as had been expected and in which competition is intense. However Rolls' policy of high deposits on credit sales appears to have insulated it from the worst vagaries of the credit cycle. Gross profits in 1961 amounted to £269,000 and the minimum forecast for the current year is £650.000. This would produce earnings of 176 per cent to cover the proposed dividend of 80 per cent about 2.2 times. The Rolls-Colston dishwashers and other activities such as discount stores are not expected to contribute much to profits in the current year; but they add to the speculative possibilities of the shares.

The Economist Indicator (1953 = 100)

1962	Indicator	Yield %	1962 High	1962 Low
April 18	355·8	5·08		
,, 25	359·4	5·03		
May 2	362·4	5·00		
,, 9	356·7	5·10	364·4 (Jan. 17)	340·2 (May. 23)
,, 16	355·7	5·10		
,, 23	340·2	5·34		

Financial Times Indices

1962	Index †	Ord. Yield	2½% Consols Yield	Bargains Marked
May 17	296·5	5·28	6·11	13,741
,, 18	294·2	5·32	6·10	13,219
,, 21	293·6	5·33	6·09	16,529
,, 22	288·8	5·42	6·08	15,367
,, 23	283·5	5·52	6·10	14,559

High, 310·2 (Jan. 19). Low, 283·5 (May 23).
† July 1, 1935 = 100.

STOCK PRICES

Prices, 1962 High	Prices, 1962 Low	BRITISH FUNDS AND GUARANTEED STOCKS	Price, May 16, 1962	Price, May 23, 1962	Net Red. Yield, May 23, 1962§ £ s. d.	Gross Red. Yield, May 23, 1962 £ s. d.
$100^{15}/_{16}$	$100^{9}/_{32}$	Treasury 5½% 1962	$100^{9}/_{16}$	$100^{9}/_{16}$	2 0 1	4 4 8
$98^{13}/_{32}$	$96^{13}/_{16}$	Exchequer 3% 1962–63	$98^{11}/_{32}$	$98^{13}/_{32}$	3 10 4	4 12 8
$100^{7}/_{32}$	$98^{1}/_{3}$	Conversion 4¾% 1963	$100^{1}/_{8}$	$100^{3}/_{16}$	2 16 8	4 11 5
$96^{13}/_{16}$	$93^{31}/_{32}$	Exchequer 2½% 1963–64	$96^{17}/_{32}$	$96^{7}/_{16}$	3 7 10	4 7 11†
$99^{13}/_{32}$	$97^{1}/_{16}$	Conversion 4½% 1964	$99^{11}/_{32}$	$99^{11}/_{32}$	3 1 4	4 16 10
$94^{3}/_{8}$	$90^{13}/_{32}$	Savings Bonds 3% 1955–65	$94^{3}/_{16}$	$94^{5}/_{32}$	3 13 5	4 19 8†
$100^{3}/_{8}$	$98^{3}/_{32}$	Exchequer 5½% 1966	$100^{1}/_{4}$	$100^{1}/_{4}$	3 3 6	5 8 4
$87^{7}/_{32}$	85	Savings Bonds 2½% 1964–67	$87^{3}/_{16}$	$87^{23}/_{32}$	4 6 0	5 7 2†
$86^{1}/_{16}$	$83^{15}/_{16}$	Funding 3% 1966–68	$86^{9}/_{16}$	$86^{1}/_{2}$	4 9 4	5 16 2†
$87^{1}/_{8}$	$84^{3}/_{8}$	Conversion 3½% 1969	$86^{29}/_{32}$	$87^{1}/_{16}$	4 9 3	5 19 11
$84^{1}/_{8}$	$82^{5}/_{8}$	Funding 3% 1959–69	$84^{1}/_{16}$	$84^{1}/_{16}$	4 11 11	5 18 11
97	$92^{1}/_{4}$	Victory 4% 1930–76	97	$96^{15}/_{16}$	4 12 11	4 13 4‡
$87^{5}/_{16}$	$84^{15}/_{16}$	Savings Bonds 3% 1960–70	$87^{3}/_{16}$	$87^{5}/_{16}$	4 12 11	6 0 11
$92^{7}/_{8}$	$90^{9}/_{16}$	Conversion 5% 1971	$92^{13}/_{16}$	$92^{7}/_{8}$	4 3 1	6 5 11
$99^{3}/_{8}$	$97^{1}/_{4}$	Conversion 6% 1972	$99^{1}/_{16}$	$99^{3}/_{8}$	3 17 7	6 6 3
$93^{13}/_{16}$	$91^{7}/_{16}$	Conversion 5½% 1974	$91^{1}/_{16}$*	$91^{1}/_{16}$*	4 1 9	6 6 4
$89^{7}/_{8}$	$87^{3}/_{4}$	Funding 4% 1960–90	$88^{1}/_{2}$	$88^{1}/_{16}$	3 12 3	5 6 2†
$72^{1}/_{8}$	$70^{1}/_{16}$	Savings Bonds 3% 1965–75	72	$72^{1}/_{16}$	4 15 2	6 4 5†
$71^{7}/_{8}$	$69^{5}/_{8}$	Treasury 3½% 1977–80	$70^{1}/_{2}$*	$70^{5}/_{8}$*	4 10 8	6 4 2†
71	$68^{5}/_{16}$	Treasury 3½% 1979–81	$70^{3}/_{4}$	$70^{13}/_{16}$	4 10 1	6 4 10†
$93^{7}/_{16}$	$90^{3}/_{16}$	Funding 5½% 1982–84	$93^{1}/_{8}$	$93^{1}/_{8}$	3 18 2	6 4 7†
$57^{5}/_{8}$	54	Redemption 3% 1986–96	$57^{1}/_{4}$	$57^{1}/_{4}$	4 0 7	6 4 9†
$85^{7}/_{8}$	$82^{3}/_{8}$	Treasury 5% 1986–89	$84^{1}/_{8}$	$57^{1}/_{2}$	4 4 0	5 18 11†
$62^{1}/_{4}$	$56^{15}/_{16}$	Funding 3½% 1999–2004	$61^{7}/_{16}$	$62^{3}/_{16}$	4 4 4	6 1 8†
$90^{15}/_{16}$	$84^{1}/_{8}$	Treasury 5½% 2008–12	$90^{3}/_{16}$	$90^{9}/_{16}$	3 16 6	6 3 8†
$63^{7}/_{8}$	$58^{1}/_{4}$	Consols 4% ..... after Feb. 1957	$63^{1}/_{2}$	$63^{11}/_{16}$	3 17 10	6 8 1
$56^{1}/_{8}$	$52^{1}/_{16}$	War Loan 3½% ..... after 1952	$55^{7}/_{16}$*	$55^{11}/_{16}$*	3 16 11	6 5 7†
$56^{1}/_{8}$	$52^{5}/_{16}$	Conv. 3½% ..... after Apr. 1961	$55^{11}/_{16}$	$55^{7}/_{8}$	3 17 2	6 6 5†
$48^{1}/_{8}$	$44^{7}/_{8}$	Treasury 3% ..... after Apr. 1966	$47^{3}/_{4}$	$47^{7}/_{8}$	3 17 2	6 6 5†
$41^{1}/_{8}$	$38^{1}/_{8}$	Consols 2½%	$40^{7}/_{8}$	41	3 15 1	6 3 0†
$40^{3}/_{4}$	$38^{1}/_{16}$	Treasury 2½% ..... after Apr. 1975	$40^{1}/_{2}$	$40^{11}/_{16}$	3 15 8	6 4 0†
$92^{5}/_{16}$	$89^{15}/_{16}$	British Electric 4½% 1967–69	$92^{1}/_{4}$	$92^{3}/_{16}$	4 2 11	6 1 6†
$75^{3}/_{4}$	$74^{3}/_{8}$	British Electric 3% 1968–73	$75^{5}/_{16}$	$75^{7}/_{16}$	4 16 0	6 3 11†
$70^{1}/_{8}$	69	British Electric 3% 1974–77	$69^{3}/_{4}$	70	4 14 1	6 3 7†
$80^{13}/_{16}$	$79^{1}/_{16}$	British Electric 4½% 1974–79	$79^{7}/_{16}$	$79^{13}/_{16}$	4 6 0	6 4 8†
$72^{7}/_{16}$	$70^{3}/_{8}$	British Electric 3½% 1976–79	$71^{3}/_{16}$	$71^{3}/_{8}$	4 10 9	6 4 4†
$84^{1}/_{2}$	$82^{3}/_{4}$	British Gas 4% 1969–72	$84^{7}/_{16}$	$84^{7}/_{16}$	4 9 0	6 4 10†
$82^{1}/_{2}$	$80^{1}/_{16}$	British Gas 3½% 1990–95	82	$82^{1}/_{8}$	4 11 8	6 3 11†
$57^{7}/_{8}$	$53^{13}/_{16}$	British Gas 3% 1990–95	$57^{1}/_{8}$	$57^{1}/_{16}$	4 5 5	6 0 0†
$75^{3}/_{4}$	$74^{1}/_{8}$	British Transport 3% 1968–73	$75^{5}/_{16}$	$75^{7}/_{16}$	4 16 0	6 3 11†
$79^{1}/_{8}$	$77^{3}/_{8}$	British Transport 4% 1972–77	$77^{1}/_{2}$*	$77^{3}/_{8}$	4 8 10	6 4 9†
$60^{1}/_{2}$‖	$56^{1}/_{2}$	British Transport 3% 1978–88	$60^{1}/_{8}$	$60^{7}/_{16}$	4 9 4	6 3 2†

Prices, 1962 High	Prices, 1962 Low	DOMINION AND CORPORATION STOCKS	Price, May 16, 1962	Price, May 23, 1962	Red. Yield, May 23, 1962 £ s. d.
82	$79^{1}/_{2}$	Australia 3½% 1965–69	$81^{3}/_{4}$	$81^{3}/_{4}$	6 11 0†
$98^{3}/_{4}$	96	Australia 6% 1974–76	$96^{1}/_{2}$	$96^{3}/_{8}$	6 6 0†
66	$53^{1}/_{2}$	Ceylon 4% 1973–75	$54^{1}/_{2}$	$53^{1}/_{2}$	10 12 0†
$96^{3}/_{4}$	$94^{1}/_{4}$	New Zealand 6% 1976–80	$96^{3}/_{8}$	$96^{1}/_{4}$	6 9 0†
$75^{1}/_{4}$	63	Rhodesia and Nyasaland 6% 1978–81	65	65	10 8 0†
87	82	South Africa 3½% 1965–67	$86^{3}/_{4}$	87	6 12 0†
$58^{1}/_{4}$	48	Southern Rhodesia 4½% 1987–92	48	$48^{1}/_{2}$	9 19 0†
$81^{5}/_{8}$	$77^{3}/_{4}$	Agricultural Mortgage 5% 1959–89	$81^{3}/_{8}$	$81^{3}/_{4}$	6 9 0†
$89^{1}/_{8}$	86	Birmingham 4½% 1967–70	$89^{1}/_{8}$	$89^{1}/_{8}$	6 3 0†
92	$88^{3}/_{4}$	Bristol 5% 1971–73	$89^{1}/_{4}$	89	6 5 0†
$90^{1}/_{2}$	88	Corporation of London 5½% 1976–79	$88^{1}/_{4}$	$88^{1}/_{4}$	6 6 0†
$46^{3}/_{4}$	43	L.C.C. 3% ..... after 1920	$45^{3}/_{4}$*	$45^{7}/_{8}$	6 9 0†
$86^{1}/_{8}$	84	L.C.C. 5% 1980–83	86	86	6 5 0†
$89^{1}/_{4}$	87	Middlesex 5¼% 1980	89	89	6 7 0†

NEW YORK PRICES AND INDICES

	May 16 $	May 23 $		May 16 $	May 23 $		May 16 $	May 23 $
Atch. Topeka	$25^{1}/_{8}$	$24^{1}/_{2}$	Boeing	$45^{1}/_{8}$	42	Int. Harvester ..	$52^{3}/_{8}$	$49^{5}/_{8}$
Can. Pacific	$23^{3}/_{4}$	$23^{1}/_{8}$	Celanese	$38^{1}/_{2}$	$35^{3}/_{4}$	Inter. Nickel ..	$73^{1}/_{8}$	$69^{1}/_{8}$
Pennsylvania	15	14	Chrysler	$50^{1}/_{4}$	$46^{3}/_{8}$	Inter. Paper	$31^{1}/_{8}$	30
Union Pacific	$31^{7}/_{8}$	$30^{3}/_{8}$	Col. Palmolive ..	$44^{1}/_{2}$	$39^{1}/_{8}$	Kennecott	$76^{1}/_{4}$	75
Amer. Electric ...	$66^{3}/_{8}$	65	Crown Zeller...	$43^{1}/_{8}$	$44^{1}/_{2}$	Monsanto	$46^{1}/_{8}$	$44^{1}/_{8}$
Am. Tel. & Tel. ..	$120^{1}/_{4}$	$115^{1}/_{8}$	Distillers Seag ...	$42^{5}/_{8}$	$40^{7}/_{8}$	Nat. Distillers...	$28^{1}/_{8}$	$26^{3}/_{8}$
Cons. Edison	$76^{1}/_{8}$	74	Douglas	$25^{1}/_{8}$	$22^{5}/_{8}$	Pan-American ..	$22^{1}/_{8}$	22
Int. Tel. & Tel. ..	$45^{1}/_{8}$	$41^{1}/_{8}$	Dow Chemical...	$52^{1}/_{2}$	$51^{5}/_{8}$	Procter Gamble	$78^{1}/_{4}$	75
South'n. Nat. Gas.	45	$43^{1}/_{2}$	Du Pont	$222^{1}/_{4}$	$217^{1}/_{8}$	Radio Corpn....	$55^{1}/_{8}$	$53^{1}/_{4}$
United Corpn.	8	8	East. Kodak	108	$103^{3}/_{8}$	Sears Roebuck ..	$81^{3}/_{4}$	$77^{1}/_{4}$
Western Union ..	36	$34^{7}/_{8}$	Ford Motor	92	$86^{1}/_{2}$	Shell Oil	$36^{3}/_{8}$	$36^{3}/_{8}$
Alcoa	$55^{1}/_{4}$	$54^{1}/_{8}$	Gen. Electric ...	$70^{3}/_{8}$	$68^{1}/_{8}$	Socony-Mobil ..	$51^{3}/_{8}$	$52^{1}/_{2}$
Aluminium	$23^{1}/_{2}$	$22^{3}/_{8}$	General Foods ..	$83^{1}/_{8}$	$76^{1}/_{8}$	Stand. Oil Ind. .	$49^{1}/_{2}$	46
Amer. Can.	$44^{1}/_{4}$	$42^{3}/_{8}$	General Motors ..	52	$51^{1}/_{8}$	Stand. Oil N.J. .	$53^{3}/_{4}$	$51^{7}/_{8}$
Am. Smelting	$60^{1}/_{4}$	$54^{1}/_{2}$	Goodyear	$38^{3}/_{4}$	$35^{3}/_{8}$	Union Carbide ..	$99^{1}/_{2}$	96
Am. Viscose	$57^{1}/_{2}$	$53^{5}/_{8}$	Gulf Oil	40	$37^{5}/_{8}$	U.S. Steel	$57^{5}/_{8}$	$54^{1}/_{4}$
Anaconda	$45^{3}/_{4}$	44	Heinz	51	50	West. Electric..	33	$31^{1}/_{8}$
Beth. Steel	$38^{7}/_{8}$	$36^{1}/_{8}$	Int. Bus. Mach...	457	$415^{1}/_{4}$	Woolworth	$75^{3}/_{4}$	$74^{1}/_{4}$

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

1962	425 Industrials	Yield %	25 Rails	Yield %	50 Utilities	Yield %	Govt. Bonds	Yield %
April 25	71·27	3·01	31·77	5·08	63·77	3·17	89·85	3·90
May 2	69·49	3·09	31·80	5·07	61·67	3·28	90·17	3·87
" 9	67·64	3·18	31·12	5·19	60·16	3·37	90·39	3·85
" 16	67·66	3·17	31·11	5·19	60·15	3·37	90·39	3·85
" 23	64·21	3·34	30·25	5·34	57·75	3·51	89·85	3·90

425 Industrials :—High, 75·22 (Jan. 3). Low, 64·21 (May 23).

Prices, 1962 High	Prices, 1962 Low		Last Two Dividends (a) (b) (c)		ORDINARY STOCKS	Price, May 16, 1962	Price, May 23, 1962	Yield, May 23, 1962	Cover
			%	%	**BANKS, DISCOUNT & HP**				
$63^{1}/_{2}$	$57^{1}/_{2}$	$\frac{1}{2}$	$6^{3}/_{4}$ *a*	$6^{1}/_{2}$ *b*	Barclays £1	101/6	99/6	2·61	...
33	$25^{1}/_{2}$	$\frac{1}{2}$	8 *a*	8 *b*	District £1	104/9	106/6	3·00	...
$27^{1}/_{2}$	$22^{1}/_{2}$	$\frac{1}{2}$	4·3 *a*	5·1 *b*	Lloyds £1	69/–	68/3	2·75	...
$14^{3}/_{4}$	$12^{7}/_{16}$	$\frac{1}{2}$	5 *a*	$7^{1}/_{2}$ *b*	Martins 5/–	14/3	14/–	4·46	$2^{1}/_{2}$
39/6	76/–		$221^{1}/_{2}$ *c*	$71^{1}/_{2}$ *c*	Parrs Bank £1	98/6	96/9	3·10	$3^{1}/_{2}$
45/6	38/3		$12^{1}/_{2}$ *b*	5 *a*	Nat. Provincial 10/–	42/3	38/3	4·58	2
54/6	41/3		5 *a*	9 *b*	Westminster 'B' 10/–	99/–	98/3	2·71	...
27/9	22/–		3 *a*	5 *b*	English Electric £1	23/9	22/3	7·19	$11^{1}/_{2}$
34/–	26/–		7 *b*	3 *a*	General Electric £1	30/6	29/6	6·78	$5^{1}/_{4}$
59/3	42/–		$43^{3}/_{8}$ *a*	$81^{3}/_{8}$ *b*	C. A. Parsons £1	43/6	42/–	5·95	2
47/9	42/9		$37^{1}/_{2}$ *a*	$61^{3}/_{4}$ *b*	A. Reyrolle £1	45/6	45/6	4·29	$2^{1}/_{2}$
89/6	63/6		25 *c*	25 *c*	Thorn Electrical 5/–	86/3	86/–	1·90‡*	3
					ENGINEERING				
$32^{1}/_{2}$	20/3		9 *c*	9 *c*	Babcock & Wilcox £1	30/6	31/–	5·81	$11^{1}/_{2}$
38/3	27/3		7 *b*	3·2 *a*	John Brown £1	$37^{7}/_{16}$	$35^{7}/_{16}$	5·73	$2^{3}/_{4}$
6/–	4/3		3 *a*	7 *b*	Cammell Laird 5/–	$5^{3}/_{4}$	$5^{3}/_{4}$	9·41	1
$26^{1}/_{16}$	22/–		10 *a*	20 *b*	Internat. Combust. 5/–	25/6	$24^{1}/_{2}$	6·15	$1^{1}/_{4}$
5/6	$3^{1}/_{4}$		...	...	Rich'ds'ns. Westg'th. 10/–	4/–	...	...	...
38/	29/9		$31^{1}/_{2}$ *a*	9½ *b*	Swan Hunter £1	28/6	27/9	8·65	$1^{3}/_{4}$
14/9	10/6		5 *c*	5 *a*	John Thompson 5/–	13/9	12/9	1·96	...
36/–	30/4		$\ddagger 12^{1}/_{2}$ *a*	$\ddagger 6^{1}/_{4}$ *b*	Coventry Gauge 10/–	34/6	34/6	4·14	$2^{3}/_{4}$
$73^{7}/_{2}$	$60^{7}/_{2}$		$\ddagger 2^{1}/_{2}$ *a*	$\ddagger 6$ *b*	Alfred Herbert £1	67/6	65/9	4·22	2
47/6	38/6		$12^{1}/_{2}$ *b*	5 *a*	Allied Ironfounders..... £1	41/9	38/6	9·09	$1^{1}/_{2}$
99/9	90/–		5 *a*	10 *b*	Averys £1	98/3	90/–	3·33	$2^{1}/_{2}$
20/3	15/3		4 *a*	$7^{1}/_{2}$ *b*	B.S.A. 10/–	$16^{7}/_{8}$	15/3	7·65	$2^{1}/_{4}$
11/6	9/9		$8^{1}/_{2}$ *b*	$4^{1}/_{2}$ *a*	George Cohen 5/–	$11^{1}/_{4}$	$11^{1}/_{2}$	5·84	$1^{3}/_{4}$
33/–	25/–		$17^{1}/_{2}$ *b*	10 *a*	Davy-Ashmore 5/–	27/3	25/–	5·50	$2^{1}/_{4}$
$81^{1}/_{2}$	$74^{1}/_{2}$		5 *a*	11 *b*	Guest Keen £1	77/6*	$75^{11}/_{2}$*	4·26	$3^{1}/_{2}$
21/–	$17^{1}/_{2}$		4 *a*	12 *b*	Head Wrightson 5/–	$17^{1}/_{2}$	$18^{1}/_{4}$	4·35	$2^{1}/_{2}$
85/6	78/3		7 *b*	5 *a*	Metal Box £1	$81^{7}/_{2}$	78/3	3·07	$2^{1}/_{4}$
18/–	14/9		10 *b*	4 *a*	Ransome & Marles 5/–	17/3	15/9	4·44	3
48/–	44/6		7 *b*	3 *a*	Renold Chains £1	$47^{7}/_{2}$	$46^{1}/_{2}$	4·31	2
$64^{1}/_{2}$	51/3		7 *b*	7 *a*	Tube Investments £1	53/6*	$51^{1}/_{2}$*	5·45	3
$31^{1}/_{2}$	24/9		$2^{1}/_{2}$ *a*	$7^{1}/_{2}$ *b*	Vickers £1	25/3	$24^{1}/_{2}$	8·04	$1^{3}/_{4}$
71/6	60/–		$3^{1}/_{2}$ *a*	Ward (Thos. W.) £1	67/–	66/–	4·17	3	...
20/6	14/6		5 *a*	16 *b*	Woodall-Duckham..... 5/–	15/6	16/3	6·46	$2^{3}/_{4}$
					FOOD & TOBACCO				
25/6	19/9		10 *c*	10 *c*	Allied Suppliers 10/–	25/6*	$24^{9}/_{2}$	4·04	$2^{1}/_{2}$
$12^{1}/_{4}$	$10^{1}/_{2}$	$\frac{1}{4}$	$12^{1}/_{2}$ *b*	10 *a*	Assoc. British Foods..1/–	$10^{7}/_{2}$	10/9	3·09	2
61/3	48/–		8 *b*	4 *a*	Bovril £1	51/3*	48/–*	5·00	$1^{1}/_{2}$
12/9	$11^{1}/_{2}$		$\ddagger 3\cdot 9$ *b*	$\ddagger 1\cdot 7$ *a*	Brooke Bond 'B' 5/–	12/9	12/6	3·66	$3^{1}/_{2}$
$15\cdot 10^{1}/_{2}$	$13^{1}/_{2}$		10 *b*	$2^{1}/_{2}$ *a*	International Tea 5/–	$14\cdot 10^{1}/_{2}$	$14^{1}/_{2}$	4·41	$1^{1}/_{2}$
82/6	72/9		$10\cdot 5_{8}$ *b*	5 *a*	J. Lyons 'A' £1	78/6	78/–	4·06	$1^{1}/_{4}$
38/3	$29^{1}/_{2}$		5 *a*	9 *b*	Ranks Hovis 10/–	$34^{1}/_{2}$	$33^{1}/_{2}$	4·24	...
$13^{7}/_{2}$	$10\cdot 10^{1}/_{2}$		$2^{1}/_{2}$ *a*	$7^{1}/_{2}$ *b*	Spillers 5/–	$12^{1}/_{2}$	$12\cdot 7^{1}/_{2}$	3·96	$2^{1}/_{4}$
50/9	45/6		11 *a*	1 *b*	Tate & Lyle £1	47/6	45/6	5·27	$2^{1}/_{4}$
18/–	15/3		9 *b*	5 *a*	Unigate 5/–	16/6	15/9	4·44	2
63/9	53/3		$\ddagger 22^{1}/_{2}$ *c*	$\ddagger 5\cdot 6$ *a*	Brit. Amer. Tobac. 10/–	56/6	53/3	6·90	3
41/3	29/11_{2}		5 *a*	15 *b*	Gallaher 10/–	$32^{7}/_{2}$	30/6	6·56	2
63/9	47/6		$7^{1}/_{2}$ *a*	14 *b*	Imperial Tobacco £1	51/6	48/3	9·33	13_{4}
					INSURANCE				
$85^{1}/_{16}$	$69^{1}/_{16}$		$\ddagger 22\cdot 7$ *a*	$\ddagger 25$ *b*	Britannic 5/–	$7^{1}/_{2}$	$7^{5}/_{8}$	2·55	...
68/–	55/–		20 *a*	25 *b*	Commercial Union ..5/–	57/3	55/6	4·05	...
$35^{15}/_{16}$	$31^{1}/_{4}$		$\ddagger 41\cdot 17$ *c*	$\ddagger 62\cdot 74$ *c*	Equity & Law Life ...8/6	$32^{3}/_{8}$	$31^{1}/_{4}$	1·39	...
114/3	84/6		10 *a*	20 *b*	General Accident..... 5/–	107/3	102/3	1·47	...
60/6	46/9		...	...	Guardian 5/–	60/3	57/3	2·33‡‡*	...
$48^{3}/_{4}$	$38^{1}/_{2}$		80 *a*	110 *b*	Legal & General..... 5/–	$47^{3}/_{4}$*	$46^{1}/_{16}$*	1·03	...
180/–	145/9		$81^{1}/_{2}$ *a*	$121^{1}/_{2}$ *b*	Northern & Empl..... £1	180/–	175/–*	2·40	0
$13^{11}/_{16}$	$10^{5}/_{8}$		$\ddagger 20$ *a*	$\ddagger 70$ *b*	Pearl 5/–	$13^{11}/_{16}$	$13^{1}/_{16}$	2·81	...
$29^{3}/_{4}$	$24^{9}/_{16}$		$\ddagger 208\frac{1}{3}$ *c*	$\ddagger 208\frac{1}{3}$ *c*	Prudential 'A' 4/–	$28^{1}/_{2}$	$28^{5}/_{16}$	2·40	...
$47^{1}/_{0}{}_{2}$	$41\cdot 10^{1}/_{2}$		...	...	Royal 5/–	$44\cdot 10^{1}/_{2}$	$43/11_{2}$	3·48	...
127/9	103/9		$7^{1}/_{2}$ *a*	$11^{1}/_{4}$ *b*	Royal Exchange £1	123/3	119/9	3·13	...
					MOTORS & AIRCRAFT				
18/3	15/–		$12^{1}/_{2}$ *b*	$7^{1}/_{2}$ *a*	British Motor 5/–	$15/8^{1}/_{4}$	15/–	6·67	3_{4}
85/3	78/–		20	20 *c*	Jaguar Cars 'A' 5/–	81/3	78/–	1·28	8
41/6	$27^{1}/_{2}$		2 *c*	3 *b*	Rolls-Royce £1	28/6	$27\cdot 10^{1}/_{2}$	5·74	...
6/8$^{1}/_{4}$	5/6		12 *a*	4 *b*	Rootes Motors 'A' ..4/–	5/6	5/6	3·91	...
78/6	$64/4^{1}/_{2}$		11 *b*	5 *a*	A.C.V. £1	67/–*	$64/4^{1}/_{2}$	4·97	2
94/6	$88/7^{1}/_{2}$		20 *c*	20 *c*	Leyland Motors £1	91/9	$88/7^{1}/_{2}$	4·51	2
$17/7^{1}/_{2}$	$13\cdot 10^{1}/_{2}$		8 *a*	$5^{1}/_{2}$ *b*	Bristol Aeroplane ..10/–	$16/8^{1}/_{4}$	17/–	7·94	2
$24/0^{1}/_{4}$	19/6		5 *a*	6 *b*	Hawker Siddeley £1	23/–	$21/4^{1}/_{2}$	$10\cdot 29$	$1^{1}/_{4}$
36/9	26/9		$\ddagger 5^{1}/_{2}$ *b*	$\ddagger 4$ *a*	Dowty Group..... £1	28/–	28/–	5·54	$2^{1}/_{4}$
39/–	$28/11_{2}$		5 *a*	$15\frac{1}{2}$ *b*	Dunlop Rubber 10/–	36/–	30/3	5·23	$1^{3}/_{4}$
77/–	63/9		$11^{1}/_{2}$ *b*	$21^{1}/_{2}$ *a*	Joseph Lucas £1	$74/7^{1}/_{2}$	$73\cdot 10^{1}/_{2}$	3·72	$2^{1}/_{4}$
22/–	16/–		5 *c*	9 *a*	Pressed Steel..... 5/–	19/–	16/6	1·52	$1^{1}/_{4}$
39/–	$34/4^{1}/_{2}$		$12^{1}/_{2}$ *c*	5 *a*	Triplex Holdings ...10/–	38/6	38/–	3·29	$2^{1}/_{4}$
					MINES				
158/9	136/3		40 *a*	50 *b*	Anglo-American.....10/–	149/6	157/6	5·71	$1^{3}/_{4}$
64/6	52/6		$6^{1}/_{4}$ *b*	$18^{3}/_{4}$ *b*	Consolid. Gold Fields..£1	60/–	63/6	7·87	$2^{1}/_{2}$
96/3	$81\cdot 10^{1}/_{2}$		15 *a*	20 *b*	General Mining..... £1	91/3	93/9	7·47	2
60/6	46/6		$40\cdot 8^{3}/_{4}$	$122\cdot 5$ *b*	Union Corporation ..2/6	55/9	57/9	7·07	$2^{1}/_{2}$
$19/7^{1}/_{2}$	16/9		40 *a*	40 *b*	Daggafontein 5/–	$18/10^{1}/_{2}$	$19/7^{1}/_{2}$	20·38	$1^{1}/_{4}$
$105/7^{1}/_{2}$	$81\cdot 10^{1}/_{2}$		70 *a*	100 *b*	Free State Geduld ...5/–	90/–	102/6	8·29	$1^{1}/_{2}$
47/6	39/6		25 *a*	25 *a*	Hartebeestfontein ...10/–	43/3	46/6	$10\cdot 75$	$1^{1}/_{2}$
60/6	50/6		50 *a*	60 *b*	President Brand 5/–	54/3	59/6	9·24	$1^{1}/_{2}$
$141/10^{1}/_{2}$	117/6		90 *a*	120 *b*	Western Holdings ...5/–	128/9	$140/7^{1}/_{2}$	7·47	$1^{1}/_{4}$
19/–	15/3		6 *a*	5 *b*	Winkelhaak..... 10/–	15/3	16/9	6·57	3
56/9	42/6		$13^{1}/_{2}$ *a*	$36^{2}/_{3}$ *b*	Chartered 15/–	45/6	45/6	16·48	$1^{1}/_{2}$
56/6	47/–		60 *b*	20 *a*	Rhod. Anglo-Amer. 10/–	50/3	52/–	15·38‡	$1^{3}/_{4}$
$37/4^{1}/_{2}$	28/–		...	...	Rhod. Selection Tst. ..£1	28/3	28/6	$12\cdot 63^{3}/_{4}$‡	...
21/9	16/6		$15^{1}/_{2}$ *b*	$17^{1}/_{2}$ *b*	Tanganyika Cons. ...10/–	$16/7^{1}/_{2}$	16/9	19·40	$1^{1}/_{4}$
57/–	47/–		$3^{1}/_{2}$ *a*	$11^{1}/_{4}$ *b*	Consolidated Zinc £1	50/9	50/9	5·91	$1^{1}/_{2}$
$168/11^{1}/_{2}$	135/–		100 *a*	180 *b*	De Beers Defd. Reg. 5/–	156/3	$161/10^{1}/_{2}$	8·65	$1^{3}/_{4}$
$\$151^{1}/_{2}$	$\$128^{1}/_{2}$		$\$1\cdot 50$ *c*	$\$1\cdot 60$ *c*	Internat. Nickel ...n.p.v.	$\$133^{1}/_{2}$	$\$128^{1}/_{2}$	2·21	...
18/9	15/3		$7^{1}/_{2}$ *a*	30 *b*	London Tin..... 4/–	15/6	15/6	9·68	$1^{1}/_{4}$
43/9	34/6		$27^{1}/_{2}$ *c*	30 *c*	Rio Tinto 10/–	36/6	36/–	8·33	2
35/–	$25/9_{8}$		$52^{1}/_{2}$ *c*	25 *a*	Tronoh 5/–	27/3	27/–	9·72	1
					PAPER & NEWSPAPERS				
$12/10^{1}/_{2}$	$11/7^{1}/_{2}$		5 *a*	10 *b*	Daily Mirror 5/–	12/–	$11/7^{1}/_{2}$*	6·45	$1^{1}/_{4}$
83/–	62/6		4 *a*	9 *b*	W. H. Smith & Son 'A'..£1	82/6*	82/6*	3·15	2
24/9	18/6		10 *a*

Money and Exchanges

EXCHEQUER RETURNS

For the week ended May 19, 1962, there was an "above-line" deficit (after allowing for sinking funds) of £13,359,000 compared with a surplus of £3,414,000 in the previous week and a deficit of £5,738,000 in the corresponding period of last year. There was a net expenditure "below-line" of £7,923,000 leaving a total cumulative deficit to date of £114,052,000 compared with £62,576,000 in 1961–62.

£'000	Estimate 1962–63	April 1, 1961, to May 20, 1961	April 1, 1962, to May 19, 1962	Week ended May 20, 1961	Week ended May 19, 1962
Ordinary Revenue					
Income Tax	2,790,000	183,528	178,757	29,237	24,345
Surtax	188,000	20,000	21,000	2,000	2,400
Death Duties	264,500	40,000	35,600	6,600	5,100
Stamps	95,000	14,400	14,500	1,800	1,800
Profits tax, EPT and EPL	374,000	30,000	32,300	5,500	6,100
Other Inland Rev. Duties	...	...	...	...	...
Total Inland Rev.	3,711,500	287,928	282,157	45,137	39,745
Customs	1,633,000	224,305	218,314	34,901	33,231
Excise	1,077,000	159,775	163,895	17,920	20,020
Total Customs and Excise	2,730,000	384,080	382,209	52,821	53,251
Motor Duties	150,000	7,874	14,101	...	2,216
Broadcast Lic's.	41,000	5,000	5,100	2,500	2,500
Miscellaneous	165,000	80,609	11,612	824	172
Total	6,797,500	765,491	695,179	101,282	97,884
Ordinary Expenditure					
Debt Interest	600,000	98,839	84,573	16,738	18,799
Payments to N. Ireland Exch.	100,000	9,609	10,342	...	...
PO Fund — Initial settlement	...	...	...	...	...
Other Consolidated Funds	12,000	1,049	904	12	24
Supply Services	5,611,650	656,884	677,060	90,000	92,200
Total	6,323,650	766,381	772,879	106,750	111,023
Sinking Funds	41,000	3,730	3,945	270	220
"Above-line" Surplus or Deficit	—	4,620	81,645	5,738	13,359
"Below-line" Net Expenditure*	57,956	32,407	6,179	7,923	
Total Surplus or Deficit	62,576	114,052	11,917	21,282	
Net receipts from:					
Tax Reserve Certificates	19,121	22,967	1,415	462	
Savings Certificates	−2,300	700	1,600	−300	
Defence Bonds	8,942	1,240	1,331	849	
Premium Savings Bonds	6,500	4,000	500	1,000	
Total	32,263	28,907	4,846	2,011	

* Net repayments of £10 million to the Civil Contingencies Fund in 1962–63 compared with £4 million in 1961–62

FLOATING DEBT

(£ million)

	Treasury Bills		Ways and Means Advances		Total Floating Debt
	Tender	Tap	Public Dept.	Bank of England	
1961					
May 20	3,180·0	1,839·1	316·3	...	5,335·5
1962					
Feb. 17	3,040·0	2,302·6	275·4	5·0	5,622·9
„ 24	2,990·0	2,382·5	207·4	...	5,579·9
Mar. 3	2,950·0	2,481·4	236·7	5·0	5,673·1
„ 10	2,960·0	2,435·5	248·2	0·8	5,644·4
„ 17	2,960·0	2,423·9	251·1	...	5,635·0
„ 24	2,980·0	2,391·6	290·8	...	5,662·5
„ 31	3,000·0	2,330·6	260·7	...	5,591·3
April 7	2,980·0	2,400·5	253·0	2·3	5,635·8
„ 14	2,970·0	2,433·5	254·1	5·0	5,662·7
„ 21	2,960·0	2,448·7	226·0	3·3	5,638·0
„ 28	2,940·0	2,542·3	223·0	...	5,705·3
May 5	2,920·0	2,512·6	243·6	...	5,676·2
„ 12	2,940·0	2,236·5	248·2	0·5	5,425·2
„ 19	2,940·0	2,221·9	283·8	0·3	5,445·9

THE MONEY MARKET

ALTHOUGH the authorities had forced the discount market to borrow at Bank rate on two occasions last week, it again raised its bid by 8d., to £99 0s. 9d., at last Friday's Treasury bill tender. The average rate of discount fell by 2s. 7.67d. to £3 17s. 1.04d. per cent, which means that the outsiders raised their bids fractionally less than the market, and with a fall in total applications of £29 million to £384 million, the market's allotment at 61 per cent was even better than the previous week's 57 per cent. These two good allotments contrast sharply with the very poor allotments in earlier weeks, and now that the market has replenished its portfolios it will probably fall-in with the authorities' wishes and slow-down the pace at which the bill rate has been falling.

Credit was in good supply on Thursday and Friday of last week, but became tight on Saturday. On Monday and Tuesday credit continued short; on Monday three or four houses were forced into the Bank for a small amount and on Tuesday four or five houses borrowed a large amount from the Bank despite the large amount of help supplied through the open market. On Wednesday credit turned easy when the Ready Mixed Concrete money flowed back to the banks.

MONEY RATES

LONDON

	%		%
Bank rate (from 5%, 26/4/62)	4½	**Discount rates:** Bank bills:	
Deposit rates (7 days' notice):		60 days	4–4 1/16
Banks	2½	3 months	4–4 1/16
Discount houses	2½–2¾	4 months	4–4 1/16
Local Authorities	4½	6 months	4–4⅛
Call money:		Fine trade bills:	
Clearing banks' minimum	2⅞	3 months	5½–6
Day-to-day	2½–3¾	4 months	5½–6
		6 months	5¾–6½

NEW YORK

	%		%
Official Discount rate: (from 3½%, 11/8/60)	3	**Treasury Bills:** May 14	2·646
		„ 21	2·700

BANK OF ENGLAND RETURNS

(£ million.	May 24, 1961	May 16, 1962	May 23, 1962
*Issue Department**:			
Notes in circulation	2,299·6	2,307·4	2,293·8
Notes in banking dept.	25·7	68·0	81·6
Govt. debt and securities*	2,323·5	2,374·0	2,374·0
Other securities	0·8	0·7	0·7
Gold coin and bullion	0·4	0·4	0·4
Coin other than gold coin	0·8	0·3	0·3
Banking Department:			
Deposits:			
Public accounts	13·6	15·2	12·8
Special deposits	152·9	233·2	233·2
Bankers	257·6	232·4	247·7
Others	77·4	70·3	71·9
Total	501·5	551·1	565·7
Securities:			
Government	427·8	432·6	428·8
Discounts and advances	46·7	49·2	53·8
Other	18·2	18·4	18·6
Total	492·8	500·2	501·2
Banking department reserve	26·7	68·8	82·4
"Proportion"	5·3	12·4	14·5

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue increased by £50 million to £2,375 million on March 7th.

TREASURY BILL TENDERS

Date of Tender	Amount (£ million) Offered	Applied for	91-Day Bills Average Rate of Allotment	Allotted at Max. Rate*
1961	*91 day*		s. d.	%
May 19	260·0	432·5	88 3·18	33
Feb. 16	220·0	389·8	109 10·81	28
„ 23	220·0	405·6	110 7·47	21
Mar. 2	230·0	382·6	110 11·26	37
„ 9	230·0	396·2	100 5·89	53
„ 16	230·0	411·8	97 7·57	41
„ 23	230·0	408·1	89 0·47	48
„ 30	230·0	392·2	88 1·16	57
April 6	230·0	398·7	87 4·62	46
„ 13	230·0	407·9	86 8·54	41
„ 19	230·0†	386·6	85 4·31	46
„ 27	220·0	386·3	81 0·54	26
May 4	220·0	406·0	81 9·72	16
„ 11	230·0	412·8	79 8·71	57
„ 18	230·0	383·6	77 1·04	61

* On May 18th tenders for 91 day bills at £99 0s. 9d. secured 61 per cent, higher tenders being allotted in full. The offer for this week was for £230 million 91 day bills.
† Allotment cut by £10 million.

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Effective Limits	Market Rates: Spot					
	May 23	May 17	May 18	May 19	May 21	May 22	May 23
United States $	2·78–2·82*	2·81 1/4–3/8	2·81 1/4–3/8	2·81 1/4–3/8	2·81 3/16–5/16	2·81 3/16–5/16	2·81 1/8–1/4
Canadian $	...	3·06–06 1/8	3·06–06 1/8	3·06–06 1/8	3·06–06 1/8	3·05 13/16–15/16	3·05 15/16–6 1/16
French Fr.	13·622–14·027	13·78 1/8–3/8	13·77 3/8–78 1/4	13·78–78 1/4	13·77 7/8–8	13·77 5/8–7/8	13·77 1/2–3/4
Swiss Fr.	11·94–12·54 7/8	12·17 5/8–7/8	12·17 3/8–5/8	12·17 3/8–5/8	12·17 3/8–5/8	12·15–15 1/4	12·14–14 1/4
Belgian Fr.	137·96–142·05	140·05–10	140·00–05	140·00–05	140·00–05	139·97 1/2–140·02 1/2	139·95–140·0
Dutch Gld.	9·98 3/4–10·28 1/2	10·10 1/2–3/4	10·10 5/8–7/8	10·10 1/2–3/4	10·11 1/8–3/8	10·10 1/2–3/4	10·10 1/4–1/2
W. Ger. D-Mk.	11·037–11·365	11·24 7/8–25 1/8	11·24 5/8–7/8	11·24 3/8–7/8	11·24 3/8–25	11·24 1/4–1/2	11·23 3/8–5/8
Portug. Esc.	...	80·15–25	80·15–25	80·15–25	80·15–25	80·15–25	80·15–25
Italian Lire	1725–1775	1746 1/4–3/4	1746–46 1/2	1745 3/4–46 1/4	1745 3/4–46 1/4	1745 1/2–46	1744 3/4–45 1/4
Swedish Kr.	14·27 1/2–14·70	14·47 3/8–7/8	14·47 5/8–7/8	14·47 5/8–7/8	14·47 1/2–3/4	14·46 7/8–47 1/8	14·46 3/8–5/8
Danish Kr.	19·06 1/2–19·62	19·40 3/8–5/8	19·40 1/2–3/4	19·40 1/4–1/2	19·40 1/4–1/2	19·39 3/4–40	19·39 3/4–40
Norwegian Kr.	19·71–20·30 1/2	20·05 1/2–3/4	20·05 1/2–3/4	20·05 1/2–3/4	20·05 3/8–7/8	20·05 3/4–06	20·05 1/8–3/8
	* Official Limits	**One Month Forward Rates**					
United States $		3/8–1/4c. pm	5/16–3/16c. pm	5/16–3/16c. pm	5/16–3/16c. pm	5/16–3/16c. pm	1/4–1/8c. pm
Canadian $		5/16–3/16c. pm	5/16–3/16c. pm	1/4–1/8c. pm	1/4–1/8c. pm	3/16–1/16c. pm	3/16–1/16c. pm
French Fr.		1/2c. pm–par	1/2c. pm–par	1/2c. pm–par	1/2c. pm–par	1/2c. pm–par	1/2c. pm–par
Swiss Fr.		2–1 1/2c. pm	2 1/8–1 7/8c. pm	2 1/8–1 7/8c. pm	2 1/8–1 3/8c. pm	2–1 1/2c. pm	1 3/4–1 1/2c. pm
Belgian Fr.		25–15c. pm	25–15c. pm	25–15c. pm	25–15c. pm	25–15c. pm	25–15c. pm
Dutch Gld.		3/4–1/2c. pm	1 1/8–7/8c. pm	1 1/8–7/8c. pm	1 3/8–1 1/8c. pm	1 1/8–7/8c. pm	1 1/8–7/8c. pm
W. German D-Mk.		17/8–1 3/8pf. pm	1 5/8–1 1/8pf. pm	1 5/8–1 1/8pf. pm	1 1/2–1pf. pm	1 1/2–1pf. pm	1 1/2–1pf. pm
		Three Months Forward Rates					
United States $		13/16–11/16c. pm	13/16–11/16c. pm	13/16–11/16c. pm	13/16–11/16c. pm	11/16–9/16c. pm	5/8–1/2c. pm
Canadian $		3/4–5/8c. pm	3/4–5/8c. pm	11/16–9/16c. pm	5/8–1/2c. pm	5/8–1/2c. pm	9/16–7/16c. pm
Swiss Fr.		4 1/8–3 3/8c. pm	4 1/4–3 3/4c. pm	4 1/4–3 3/4c. pm	4 1/4–3 3/4c. pm	4–3 1/2c. pm	3 3/4–3 1/4c. pm
W. German D-Mk.		4 1/4–3 3/4pf. pm	3 7/8–3 3/8pf. pm	3 7/8–3 3/8pf. pm	3 3/4–3 1/4pf. pm	3 3/4–3 1/4pf. pm	3 3/4–3 1/4pf. pm
		Gold Price at Fixing					
Price (s. d. per fine oz.)		249/4 3/4	249/5	...	249/4 1/2	249/4 1/2	249/6 1/4
„ ($ „ „ „)		35·08	35·07 1/2	...	35·07 1/2	35·07	35·07 1/2

COMPANY MEETINGS

GALLAHER LIMITED

(Incorporated in Northern Ireland)

INCREASED GROUP PROFITS
TURNOVER REACHES RECORD FIGURE
SMOKING AND HEALTH
"WHOLE PROBLEM OUT OF PERSPECTIVE"
MR CECIL W. MASON ON THE OUTLOOK

The sixty-sixth Annual General Meeting of Gallaher Limited, was held on May 23rd at Granite House, Cannon Street, London, EC, **Mr Cecil W. Mason,** Chairman, presiding.

The Secretary, Mr George Iliff, ACA, read the notice convening the meeting and the report of the auditors.

The following is the Chairman's Statement circulated with the report and accounts for the year ended December 31, 1961:

In my Statement last year I said that your Directors hoped to be able to present satisfactory results for the year 1961, but this must be coloured by the uncertainty as to whether and when the Chancellor of the Exchequer would use the powers to impose by Order a surcharge on duties, including tobacco duty. The Chancellor did, in fact use these powers in July, 1961, when tobacco duty was increased by 10 per cent. In these circumstances your directors hope that you will consider the Group's trading results for 1961 to be satisfactory.

TRADING RESULTS

The Group profits, before tax, for the year 1961 amounted to £13,661,427, an increase of £1,918,150 over the 1960 profits. The proportion of the Company's 1961 profits absorbed by taxation is considerably higher than in 1960 by reason of the increase in the rate of Profits Tax from 12½ per cent to 15 per cent. The Group net profit, after tax, for 1961 is a record at £6,350,881 as compared with £5,834,300 in 1960 —an increase of £516,581: thus, the effect of the higher rate of taxation imposed on all of our profits for 1961 has been that the increase in profits of £1,918,150 before taxation becomes an increase of £516,581 after taxation.

The Directors have transferred to General Reserve Account the sum of £4,000,000 which increases the balance on the Group's General Reserve to £14,000,000. An interim dividend of 5 per cent, less tax, was paid in 1961 on the Ordinary Capital of £24,300,000, and your Directors recommend a final dividend of 15 per cent less tax. The appropriation to General Reserve exceeds the net profits available after dividends, so that, after taking credit for taxation provisions for previous years no longer required, the Carry Forward in the Consolidated Profit & Loss Account at £3,299,895 is £654,149 less than the Carry Forward from last year.

Arising out of the 10 per cent surcharge on tobacco duty imposed in July, 1961, the Group has made an exceptional profit, after all relevant taxation, of £618,193, which has been transferred to the credit of Reserve for Contingencies.

CURRENT ASSETS

In the Consolidated Balance Sheet at December 31, 1961, the total current assets amount to £102,490,272, an increase over the figure in the 1960 Balance Sheet of £4,798,144.

Stocks of work-in-progress and finished goods at the end of 1961 were fractionally higher in quantity than at the end of 1960, but the 10 per cent surcharge on tobacco duty, which the Group has to pay immediately, on the withdrawal of tobacco from bond, has brought about an increase in the value of those stocks. The amount due by trade customers was higher for the same reason.

The quantity of leaf tobacco which we held in stock at the end of 1961 was marginally lower than at the end of 1960, but the average cost of those stocks was higher.

LEAF SUPPLIES

In my statement last year I told you that we were able to improve our stock position and had bought more than twelve months' replacement of leaf tobacco. It is fortunate that we did increase our stocks when the opportunity presented itself, because 1961 was a difficult buying year in which we were unable to purchase enough tobacco of the types we required to cover a full twelve months' usage.

Despite the downward trend of commodity prices in general, the price of leaf tobacco shows a continued rising trend. The average cost of our purchases again increased and I regret to say that there are signs that prices may rise further this year.

The 1961 USA crop contained limited supplies of quality tobacco required by United Kingdom manufacturers and strong competition for these types resulted in the higher average cost of our purchases.

The 1961 Rhodesian crop, which it had been hoped would be more suitable to our requirements, again proved to be disappointing.

The current crop which is now being sold in Rhodesia is estimated to be of record weight at 250 million lbs., but the effect of drought conditions experienced over large areas of the country during the growth of the crop will again result in a difficult buying season.

In Canada the quality of the crop has been more suitable to our requirements and I am pleased to record the improvements which have been effected in the grading and handling of this tobacco.

In India, while prices were higher than in the previous year the quality of the crop was satisfactory and we were able to purchase our requirements.

SALES

During 1961 the Group's turnover increased to a record figure of £349,000,000 compared with £320,000,000 in 1960. This was due partly to the increase in the price of some of our cigarette brands in June 1961 and the increase in duty arising from the Government Surcharge applied at the end of July 1961, and partly to an increase in our quantity sales which resulted in an improvement in our share of the market. This increase in our sales was achieved in spite of the very intense competition which continued throughout the year and the depressing effect on consumption which occurred as a result of the July duty increase. The latter had an immediate effect on sales, in particular of the higher priced cigarettes and tobaccos which had not recovered by the end of the year.

During the latter part of the year the Company introduced Benson & Hedges King Size Filter cigarettes and a small sized cigar—Harlequin—both of which are making satisfactory progress.

Your Company is continually reviewing the competitive position of the Group and will continue to introduce new brands from time to time.

GENERAL MATTERS

Last year I referred to the additions to our manufacturing capacity and informed you that our new factory in the Manchester area commenced production in 1960. Considerable progress has been made since that date and it is now producing at approximately 65 per cent capacity.

Despite the steps we have taken in the past few years to add to our manufacturing capacity, some of our factories are still congested. During 1961 an opportunity presented itself to resolve these production problems and the Company arranged to purchase a large modern factory building adjacent to the Company's principal factory in Belfast. Completion of this purchase will take place at the end of June, 1962. Although this building was designed for use as a textile mill, a considerable sum of money will have to be spent in adapting it to our use, and it should prove itself to be a fine modern factory for our purpose.

The new cigar factory at Cardiff for J. R. Freeman & Son Limited, which was nearing completion at the time of the Annual General Meeting last year, has been in production since October 1961. This single-storey factory is proving to be highly satisfactory in every respect

and economical in operation. It has also provided the Group with reserve capacity for cigar manufacture. The old cigar factory at Cardiff has been sold.

In the middle of 1961 the company acquired the old and well-established name "Abdullah" and the United Kingdom and Eire trade marks associated with it. These brands are now being sold through the Group's selling organisation. Early this year we purchased the business and the world trade mark rights, except in New Zealand, of John Cotton Limited, which was established in Edinburgh 192 years ago.

J. WIX & SONS LIMITED

As you have already been informed, the Company acquired from The American Tobacco Company in early January, 1962, the whole of the issued share capital of J. Wix & Sons Limited in exchange for £3,600,000 of Ordinary Stock in Gallaher Limited, equivalent to 7,200,000 10s. Ordinary Stock Units. The profits of Wix from the beginning of January, 1962, will form part of the profits of the Gallaher Group, but as Gallaher did not own the Wix shares at December 31, 1961, no account is taken of Wix in the Accounts of Gallaher Limited at that date.

For your information the Balance Sheet and Profit and Loss Account of Wix at December 31, 1961, are shown at the end of the Statement of Accounts.

ENGINEERING SUBSIDIARY

Our engineering subsidiary had a satisfactory year. Its main product, the Mono Pump, is sold in many countries of the world.

These results again reflect credit on management, staff and workers and we thank them for their achievement.

EXPORT

In January this year Gallaher International Limited was formed and at the time the following Press statement was issued:

"Gallaher Limited announces the incorporation of a new subsidiary company—Gallaher International Limited—with an authorised capital of £250,000.

It is the intention of Gallaher Limited to extend through this new company its interests in world markets outside the United Kingdom and Eire. Heretofore its overseas interests have been negligible in comparison with its business in the United Kingdom.

This company will deal with the brands of Gallaher Limited, Cope & Lloyd (Overseas) Limited, J. R. Freeman & Son Limited and J. Wix & Sons Limited."

Since 1932 we had arrangements which precluded your Company from trading abroad, and our overseas trade was handled by British-American Tobacco Company Limited. An agreement has now been reached whereby Gallaher is able to trade in world markets, with the exception of New Zealand where Gallaher trade marks have been sold outright to B.A.T.

B.A.T. acquired many years ago the export rights of J. A. Pattreiouex Limited, the makers of "Senior Service" and "Nelson" cigarettes. The export rights of Benson & Hedges Limited and of Peter Jackson Limited have never been owned by your Company.

It is now the intention of Gallaher to enter world markets whenever suitable opportunities arise, either by developing its own trade marks or by acquiring established businesses, and it is for this purpose that Gallaher International Limited has been formed.

SMOKING AND HEALTH

All shareholders will have seen references to the Report of the Royal College of Physicians on Smoking and Health. It seems to me that the recent publicity has put the whole problem out of perspective. Excess in most habits is harmful, but the great majority of smokers exercise moderation in this habit, from which they derive pleasure and comfort without injury to their health.

It is certainly not our wish to encourage children under 16 to smoke, and, in conjunction with the Trade, certain steps have already been taken, as announced in the Press, and the Trade is consulting with the Government to see what further steps can be taken.

As has so often been stated, there is no scientific evidence as to the cause of cancer. It is to be hoped that with all the research going on in the world today science will soon discover the cause. Your Company will continue to play its part in this research.

OUTLOOK

This is, of course, a particularly difficult year on which to make a realistic forecast of our trading. Apart from the continuing high rate of duty, which in itself will have an effect on the level of consumption, the recent smoking and health controversy has had a material effect on sales and it is still too soon to be able to judge long-term reaction. I can say, however, that competitively the goodwill of your Company's brands, because of their high quality, is second to none and I have every confidence that your Company will maintain its share of the trade.

DIRECTORS AND EMPLOYEES

Immediately following the completion of the purchase of the Wix business your Directors appointed to the Board of Gallaher, Mr F. H. Wright, the Managing Director of J. Wix & Sons Limited, who has been associated with the tobacco industry for 40 years. It gives us great pleasure to welcome Mr Wright to the Board, not only for his personal qualities but because his experience and knowledge of the Trade are of great value to us in our deliberations. I am happy to welcome the Wix employees to our Group and would like to place on record our appreciation of the co-operation we have received from the Wix Management, which has been and is proving most helpful.

In the course of the next year two of your Directors, Mr J. D. Hopkins and Mr J. Young, will be retiring.

Last year I told you of the formation of a Board of Management, and we have recently appointed as Directors three of its senior members, Mr R. S. L. Berkeley, Mr H. B. Glyn and Mr A. W. H. Stewart-Moore. These three new Directors have spent their working lives in the service of the Company. We have also appointed as Director, Mr A. W. S. Pollock, who is Managing Director of Gallaher International Limited. Although he has not had long service with the Company he has gained his experience in the tobacco trade in world markets. I and my colleagues are confident that these four new Directors will be an added strength to the Board.

During the year we have appointed to the Board of Management, Mr J. C. L. Boyes, FCA, who succeeded Mr R. G. Knight as Chief Accountant of the Company on the latter's retirement in May last year.

To all employees of the Group I give my best thanks for their support and enthusiasm, which has enabled us to present to you the results of another successful year.

The report and accounts were unanimously adopted and the retiring directors, Sir Walter A. Edmenson, CBE, DL, and Mr J. D. Hopkins, who retired by rotation, and Mr R. S. L. Berkeley, Mr H. B. Glyn, Mr A. W. S. Pollock, FCA, Mr A. W. H. Stewart-Moore, and Mr F. H. Wright, FCA, who had been appointed during the year, were re-elected.

NORWICH UNION INSURANCE SOCIETIES

ANNUAL MEETINGS

LIFE SOCIETY

Speaking at the one hundred and fifty-fourth annual meeting of the Norwich Union Life Insurance Society held in Norwich on May 22nd the President (**Sir Robert Bignold**) said the Society had had another record year. New life insurances for sums insured of over £162 millions were an increase of over £22 millions, whilst the capital value of new deferred annuities in connection with pension schemes exceeded £86 millions, an increase of 42 per cent over 1960.

New annual premium income was nearly £5 millions, an increase of 23 per cent whilst considerations for immediate annuities amounted to £4 millions, bringing total premium income to £34½ millions.

Interest income, after deduction of tax, was £11¼ millions, the rate of interest earned at £6 0s. 2d. per cent gross (£5 5s. 2d. per cent net) being the highest recorded in the Society's history. Total payments to policyholders amounted to over £15 millions; total funds increased by £24 millions to £234 millions.

Nearly £4,400,000 was distributed as bonuses to with-profit policyholders, the rates in the United Kingdom being 5s. per cent higher than those for the quinquennium ended December 1960.

FIRE SOCIETY

At the 164th annual meeting of the Norwich Union Fire Insurance Society Ltd, Sir Robert Bignold said that in spite of determined effort in a difficult year, overall results were disappointing, though not without encouraging features. Total Group premium income had increased by £2,346,180 to the record figure of £40,256,468 and total assets were up by £4¼ millions to £85,967,331.

Though premiums in the Fire Account at £14,318,267 showed a satisfactory increase, underwriting profit of £103,097 was a considerable reduction on the 1960 figure of £356,309.

Premiums in the Accident and General Account showed a healthy increase of nearly £2 millions to £18,515,692, but the account showed an underwriting loss of £399,236 against a loss of £232,557 in 1960.

Marine premium income advanced by £45,643 to £3,425,684. The transfer to profit and loss was £35,000 against £105,000 the previous year, leaving a Group Marine fund of £3,840,505.

Net profit amounted to £314,955 and the total amount available for appropriation was £1,122,017. After payment of dividend and a transfer to Pension Reserve, £562,642 was carried forward.

further steady progress by DUNLOP

SIR G. EDWARD BEHARRELL, the Chairman, in the course of his speech at the 63rd Annual General Meeting of the Company, held on May 21st in London, said:

RESULTS FOR 1961

SALES: The year 1961 was not without its difficulties with a much lower level of activity in the vehicle and some other industries, particularly in the United Kingdom, resulting in over capacity. There were also problems in some overseas countries where we operate. In consequence intensely competitive conditions prevailed throughout the year and in these circumstances we were fortunate to be able to increase our sales volume.

COSTS: We were also fortunate that during the year there was much greater stability, and a generally lower level, of natural rubber prices than in 1960. We were able still further to increase the proportion of synthetic rubber used from 44 per cent to 47 per cent, and together these two factors gave us a considerable cost benefit. Inevitably much of the benefit was absorbed by lower selling prices and increased labour costs again amounted to a considerable figure. Nevertheless, we were able to improve our margin of profit from 5.1 per cent to 5.6 per cent and the whole organisation is exerting every effort to maintain this. It must, however, be recognised that as tariffs fall pressure from customers for lower prices as well as the pressure from labour for higher wages together constitute a major problem facing industry. As a Group we are doing everything possible to achieve economies in other directions, particularly by the modernisation of plant and equipment and by a continual review of our activities and organisational structure.

EARNINGS: We did well overseas, with profits about 12 per cent higher than in 1960. These results were helped by record exports from the United Kingdom which were 13 per cent higher than in the previous year.

It is interesting to note that at this time last year the Directors reported that for 1960 United Kingdom profits were 15 per cent higher than in the previous year and that overseas profits were 10 per cent down. For 1961 the position was reversed although for the United Kingdom the reduction was quite small. But the significance of these movements lies in the fact that territorially the Group's activities are well spread so that the effect of temporarily difficult trading conditions in some countries is cushioned, as it was in the United Kingdom last year.

We are endeavouring to achieve a similar position as regards our range of activities because we recognise that the proportion of our business in tyres —about 70 per cent—is high, and this business is becoming more and more competitive. I want stockholders to know that the Board is giving much attention to the expansion of our other interests and the development of new activities.

The establishment of a rubber reclaiming plant, in association with the U.S. Rubber Reclaim Company, and the manufacture of synthetic gutta percha for golf balls by a new Dunlop process, are examples of what we are doing. Yet another can be seen in the announcement at the end of last month that Dunlop disc brakes are to be adopted by the Studebaker Corporation in the United States for their new "Avanti" model. The work involved in developing a product of this kind takes time to mature; but the news is particularly encouraging for us because it is the first instance of this type of disc brake, pioneered by Dunlop, being fitted on a production car by a manufacturer in that country.

You will have noted that the provision for depreciation showed a further increase in 1961 and that our capital expenditure totalled some £13¾ million. Against this total cash flow of the Group amounted to £12 million. Capital expenditure must continue at a high rate if our existing plants are to be kept at the highest state of efficiency quite apart from expansion, both in countries where we are already established and for our new ventures in Malaya and Nigeria. For these reasons, and because our temporary borrowings are high, the Board decided in the middle of 1961 that further long term finance should be obtained in the United Kingdom. Shortly after this decision had been taken, however, the Chancellor introduced his "Little Budget" and our financing operation had to be postponed until conditions became more favourable. This, as you already know, was not until March of this year when we issued £12 million of Debenture Stock. We were most gratified by the way the issue was received. The proceeds of this issue will put our finances on to a sound basis for some little time to come.

NATURAL AND SYNTHETIC: The emergence of new synthetic rubbers is a regular occurrence. Perhaps one of the more remarkable at present in the chemist's mortar is cis-polyisoprene. In its chemical composition it is the equivalent of natural rubber, but, in the way that theory and practice have of not coinciding, it is not the technical equivalent. There is a technological gap to be filled. However, we do know that in certain important respects, especially in tensile strength, resistance to wear and stickiness or "tack," it behaves in a similar, if somewhat inferior, manner to natural rubber. On the other hand, it probably has some advantages over natural rubber.

Another polyisoprene, trans-polyisoprene, is synthetic gutta percha. Gutta percha, which is mainly used in golf ball covers, has been in short supply; indeed, it has tended to disappear from the market. In a pilot plant we have solved the manufacturing problems associated with the synthetic product, and we are now building a plant to make it.

Your Company's attitude towards natural rubber is best summed up in the decision to establish another plantation in Nigeria, and to re-plant steadily in Malaya. At the same time we are planting oil palm in Malaya, in a number of small trial plots where the soil appears suitable before deciding whether to follow the example of the Malayan Government by having a tropical agricultural unit not necessarily confined to rubber.

THE PRESENT YEAR

At this stage it is too early to know what our results are likely to be for the year as a whole; I hope that we can maintain our 1961 figures although, with the influences to which I have referred earlier, this will not be easy; but I can say that all possible efforts are being made by the managements of our Divisions and Companies to improve the efficiency and competitive attack of all parts of the Group.

The report was adopted.

ASEA

ALLMÄNNA SVENSKA ELEKTRISKA AKTIEBOLAGET
Sweden

BUSINESS TURNOVER FOR 1961 SET A NEW HIGH RECORD

LARGEST EXPORT ORDER IN COMPANY'S HISTORY RECEIVED FROM NEW ZEALAND

EIGHT 102,500 KVA GENERATORS ORDERED FOR THE SNOWY MOUNTAIN SCHEME

SHARE CAPITAL INCREASED BY BONUS ISSUE

The following is an excerpt from the Annual Report for 1961, the Company's seventy-ninth year of business.

SUMMARY

Characteristic features of the activities of the Asea Group during 1961 were high demand and increased production. The turnover of the Group amounted to 1,612 Mkr. (1,353 Mkr. in 1960), and of the Parent Company to 919 Mkr. (735 Mkr.). (Mkr. = million kr. = £69.000 approximately).

The net profit of the Parent Company for 1961 amounted to 37.6 Mkr. (29.9 Mkr.) after allowing 33 Mkr. (14 Mkr.) for taxes and 19.8 Mkr. (23.2 Mkr.) for the Asea Pension Funds.

It is proposed that the share capital of the company be increased by means of a bonus issue to Kr. 379,687,500, by issuing 759,375 new 100 Kr. shares, one for every four older shares held. Further, an unchanged dividend of 8 Kr. per share is proposed, applying also, in effect, to the bonus issue.

THE ASEA GROUP

Turnover increased by 19 per cent to the record level of 1,612 Mkr. (1,353 Mkr. in 1960). At the end of 1961, the Asea Group employed 30,928 persons in Sweden (30,681 in 1960) and about 2,900 elsewhere.

There has been a high rate of activity within the Group and, on the whole, the means of production were fully utilised; the volume of production was greater than in any previous year, further increase being limited by the shortage of labour.

THE PARENT COMPANY

The average number of persons employed by the Parent Company was 19,564 (18,511 the previous year), of whom 8,604 were salaried staff (8,202) and 10,960 were wage-earners (10,309).

Export orders amounted to 37 per cent of the total orders received and increased more than domestic ones. The increase was most marked in the case of the company's products for the generation and distribution of power. The sales of standard products also increased considerably. A feature of both the home and export markets was high sales volume combined with keen price competition. However, because of a greater volume of production and keener cost control, profitability has increased.

MARKET CONDITIONS

The falling trend in Europe and the rising one in the U.S.A. mean harder competition for Asea both in Sweden and on the export market. A contributory factor is the surplus capacity, mainly in the field of heavy equipment of certain competitors outside Sweden. In this situation, Asea has the advantage of a large order-book ensuring full production during 1962. The wide diversity of products and the spreading of sales over many categories of customers and markets diminish the effects of a falling market on the company, and many orders received by Asea are based on long-term investment programmes which are relatively independent of temporary fluctuations in trade.

ORDERS AND DELIVERIES

The Power Department obtained the largest export order in the history of Asea when the New Zealand Electricity Department ordered 600,000 kW, 500,000 V high-voltage d.c. equipment for a link between South Island and North Island. The Snowy Mountains Hydro-electric Authority in Australia has ordered eight 102,500 kVA hydro-electric generators. Orders for hydro-electric and steam-turbine-driven generators have been received from the Swedish State Power Board and from power companies in Sweden and elsewhere.

Export orders for large transformers include three 47,000 kVA three-phase units for the Bureau of Reclamation in the U.S.A. and a 160,000 kVA three-phase transformer for Denmark. The Swedish State Power Board has ordered fifteen 145,000 V high-voltage circuit-breakers and CEMIG in Brazil have ordered five 345,000 V air-blast circuit-breakers. Sales of capacitors have been good, the export orders which dominate in the field include one for a 42,000 kVAr, 132,000 V shunt capacitor for the C.E.G.B. Equipment was supplied for the 160,000 kW, 200,000 V, high-voltage d.c. power transmission system between England and France which was commissioned on December 8, 1961.

The Industrial Department has received many orders for electrical equipment for rolling mills. A feature is that almost all the installations are fed by rectifiers instead of by rotary converters. Sales of press-ductors for rolling mills have continued to increase. Major orders have been received for electrical equipment for furnaces. Ten induction stirrers have been sold, eight being exported. Large low-frequency induction furnaces have proved to be suitable for pig iron foundries and many have been ordered. An Australian customer has ordered a large complete mine hoist plant which will consist of three hoists, the largest, which is rated at 6,000 h.p., for a net load of 24 tons. This is the first order for an entire installation of this kind to be received from Australia. Important orders have been received for completely automatic sugar centrifugals from Denmark, Britain, France, Belgium, Italy, the Argentine, Australia and Mauritius.

The Traction Department received orders for fifteen 6,000 h.p. double locomotives for the ore line in the far north of Sweden. Eight 3,600 h.p. express locomotives with a maximum speed of 94 m.p.h. and seven motor coach sets were among the items supplied to the Swedish State Railways.

PRODUCTION

The factories of the Parent Company turned out 17 per cent more goods by volume than in 1960. The raw materials situation improved considerably as compared with the previous year, but prices rose a little during 1961. As a step in the rationalisation of production, the manufacture of rotating machines is being concentrated to Västerås and the manufacture of transformers to Ludvika, production of these items being discontinued at the Hälsingborg Works. This latter plant has now taken over from the Västerås factories the manufacture of such electro-mechanical products as cranes, hoists and gears.

TECHNICAL DEVELOPMENTS

The development work on high-voltage d.c. transmission schemes has been concentrated on a prototype valve for the system now ordered for New Zealand. Converters equipped with thyristors, i.e. controlled semi-conductor rectifiers, have been developed for the feeding and controlling of motors and generator fields. The first deliveries of active-gap lightning arresters (surge protection) have been completed with good results. Equipment for carrying out special tests on circuit-breakers in the High-power Laboratory at Ludvika has extended the testing range to 4,500,000 kVA.

NUCLEAR POWER

The comprehensive work on the Ägesta reactor continues and the reactor tank, the main heat-exchanger, the main cooling pumps, etc., have been set up in the underground rock chamber. An investigation has been carried out concerning the modification of the Marviken reactor so that a direct cycle, heavy-water steam turbine can be added to the plant thus converting the system into a boiling-water dual-cycle one. During the year, 3 tons of uranium dioxide slugs have been sintered for the first charge at Ägesta and about 3 tons of aluminium-clad fuel have been supplied to AB Atomenergi.

ACTIVITIES OF THE MAJOR SUBSIDIARY COMPANIES

SURAHAMMARS BRUKS AB

(Steelworks)

Ore was mined in the company's own mines on a larger scale than in the previous year. The level of manufacture of pig iron and chills at Spännarhyttan has been more or less unchanged. Production and sales at the steelworks at Surahammar increased. Production in the strip mill increased. The furnace hall in the strip mill has been extended and two electric pit furnaces were installed and commissioned during the year.

AB ELEKTROHELIOS

(Domestic appliances, industrial heaters, etc.)

The turnover of the company increased during 1961 by 7.8 per cent from 104.3 Mkr. to 122.9 Mkr. The new series of electric stoves introduced during the first quarter of the year was well received. Competition continues keen and there is still excessive production capacity in Sweden. Sales of combined sink and cooker units and of the company's other electrical heating appliances have increased. The export of freezing equipment continued although not as well as had been expected. Promising developments in Denmark and Norway were hampered by the retention of import restrictions and, in Britain, credit restrictions combined with the 25 per cent purchase tax on freezers with a volume of less than 12 cu. ft. had an unfavourable influence on sales. The demand for the company's industrial kitchen equipment and other industrial equipment continued to increase both in Sweden and on the export market.

AB LILJEHOLMENS KABELFABRIK

(Cables, etc.)

As a result of brisk demand during the year, the turnover increased to 112.5 Mkr. (102.7 Mkr. the previous year). There were many orders in hand at the end of the year, particularly for high-voltage cables.

The company has played its part in the creation of the high-voltage d.c. transmission scheme across the English Channel by supplying large numbers of capacitors and, in the case of the New Zealand transmission scheme has received considerable orders for capacitors for filter circuits and phase compensation. As in previous years, the greater part of capacitor production has been exported.

HISS AB ASEA-GRAHAM

(Lifts, escalators)

Major orders include 44 escalators and 6 funicular lifts for the Stockholm Underground Railway, 12 lifts for the editorial offices of a Stockholm newspaper (Dagens Nyheter), 11 lifts for a new office building in Stockholm, and 53 lifts for blocks of flats in Gothenburg and Malmö. At the beginning of 1962, Asea took over the company's Static Converter and Lighting Control Departments.

AB ASEA SVETSMASKINER (Aseaweld)

(Electric welding equipment, electrodes)

Sales of the company's products increased considerably on all markets during the year. Major orders included a complete plant for tube manufacture.

SUBSIDIARY COMPANIES OUTSIDE SWEDEN

During 1961, sales by these companies continued to increase, both as far as products from Sweden and products manufactured locally were concerned. Production at all the manufacturing companies was greater than in any previous year. In Brazil, the extension of the transformer factory has been concluded. Branch offices have been opened in Recife, Belo Horizonte, Rio de Janeiro and Porto Alegre. In Finland, a warehouse and factory building outside Helsingfors has been completed. The production of certain commutator motors for the entire group at the French company has developed satisfactorily. Offices, stores and a factory are being built in Mexico. Production at the Norwegian company has developed very satisfactorily. Transformer manufacture, measured in MVA produced, has increased by almost 40 per cent. In South Africa, the manufacture of transformers has increased considerably and preparations for the extension of the factory are continuing.

CONDENSED STATEMENT OF CONSOLIDATED ACCOUNTS AT 31st DECEMBER, 1961

CURRENT ASSETS:	£
Cash (including £1,921,000 on blocked account in Bank of Sweden)	21,084,000
Securities	456,000
Debtors	21,674,000
Inventories	22,747,000
(In the case of Group companies in Sweden, these are generally valued at 40% of cost or market value, whichever is the lower.)	
	£65,961,000
Less: Current Liabilities	39,230,000
Net Current Assets	26,731,000
Trade Investments and Loans	5,585,000
Fixed Assets	41,188,000
	£73,504,000

Financed by:	£
Share Capital	26,131,000
Statutory and Capital Reserves	12,778,000
Debentures and Mortgages	13,748,000
Long-term liabilities	10,166,000
Revenue Reserves, and Profits undistributed at 31st December, 1961	8,163,000
Minority Shareholders	2,518,000
	£73,504,000

Group Turnover, 1961	£110,943,000
Net Profit before tax	£7,614,000
Net Profit after tax	£3,486,000

Proposed Dividend for Asea for year to 31/12/1961 is 8% on share capital of £26,131,000 and requires £2,090,500.

MONTECATINI

Società Generale per l'Industria Mineraria e Chimica

MILANO, ITALY

AN OUTSTANDING YEAR

STATEMENT AND ANNUAL ACCOUNTS FOR 1961

The projects, achievements and successes of an industry whose vigorous activity reflects the scientific, technical and economic progress of the nation as a whole. Capital raised to 225 thousand million lire.

Ordinary and extraordinary general meetings of Montecatini stockholders were held in Milan on April 18th, under the chairmanship of **Dr Carlo Faina,** Chairman and Managing Director of the Company. 703 shareholders attended, representing 90,081,317 shares directly or by proxy.

Before starting business, Count Faina paid a tribute to the distinguished memory of Ing. Giuseppe Mazzini, who was Chairman of Montecatini from 1948 to 1955 and served as a Director from 1940 until his death in November of last year.

EXTRAORDINARY GENERAL MEETING

The extraordinary general meeting discussed a series of three financial resolutions. The first provided for a free issue of 30 million new 1000-lire shares, with benefit of dividend from January 1, 1962, increasing the Company's capital from 150 to 180 thousand million lire, to be allocated in the ratio of one for every five shares already held, on payment of 25 lire per share in respect of charges. The second resolution submitted to the general meeting proposed (1) the issue of a 50 thousand million lire 5½ per cent debenture loan, for 18 years, by June 30th next and (2) an increase of the Company's capital from 180 to 225 thousand million lire, by the issue, during the current year, of 45 million additional 1000-lire shares, to be offered preferentially to existing shareholders at par, on payment of 25 lire per share in respect of charges, in the ratio of one new share for every four shares already held. Dr Faina explained that the last two operations were necessary to provide the funds required for the vast programme which the Group now had in hand.

The extraordinary general meeting was also asked to approve the complete merger with Montecatini of a number of companies of which Montecatini was already sole shareholder. These mergers were recommended on technical, economic and organisational grounds as a means of improving co-ordination of productive resources.

The firms concerned were:

Società Chimica Lombarda A.E. Bianchi & C. S.p.A.
Società Idroelettrica Atesina S.p.A.
Società Italiana del Litopone Anonima.
Marengo S.p.A.
Metallurgica Feltrina S.p.A., and
Graniti d'Italia S.p.A.

After hearing the Auditors' statement, a number of shareholders spoke on these resolutions. The Chairman replied, stressing the untiring combined efforts of all members of the Montecatini Group to develop and exploit new and up-to-date sources of wealth and employment for Italy.

All resolutions were approved, with only one dissentient, representing 500 shares out of 90,081,317.

ORDINARY GENERAL MEETING

Dr Faina introduced the Board's report on the activities of the Montecatini Group during 1961.

The Chairman began by observing that the past year, which had opened with some not-unjustified fears of an economic pause in the highest circles, had subsequently proved excellent in all respects. He attributed this favourable trend to the programme launched in 1950 for developing the depressed areas of Southern Italy; this policy had permanently increased overall demand within the existing economic system, and had considerably raised living standards in the South of Italy.

Dr Faina went on to speak of the flexibility of the capitalist system, referring to two events of the preceding months which were of the greatest importance for Italian mercantile interests. The first was the decision to follow a more co-ordinated economic policy in Italy, on the basis of a wide-ranging overall programme; the second was the current emergence of large economically integrated areas, covering the territory of several States.

Within the vast economic areas in process of formation, competition was becoming increasingly fierce, to the benefit of the consumer, and the normal standard of living was rising rapidly in consequence. There was an urgent need for larger undertakings capable of introducing technical and structural innovations and putting them into practice, and for new plant, particularly in the chemicals industry, which could supply competitive products on a much larger scale than that to which many Italian and European manufacturers were accustomed. As a concrete example of new achievements, Dr Faina quoted the huge Montecatini petrochemical plant at Brindisi, for which total capital investment would exceed a hundred thousand million lire. This plant would be able to process two million tons of oil annually into an impressive range of intermediate and finished products.

After recalling the work of Montecatini in Southern Italy over the past 40 years and emphasising the great new tasks which the Group was now called upon to face, under the remorseless impact of technological progress and revolutionary new social needs, the Chairman outlined the Company's principal results in the various branches of production during 1961.

The Group's mining branch produced 1.4 million tons of pyrites, while bauxite production remained virtually unchanged. Having regard to the trend of the sulphur market, the exploitation of Marremma pyrites as a source of high-grade iron ore was particularly important. The pyrites would be treated, by new patented processes, in a large plant at Follonica in Tuscany, where production would start during the second half of 1962. The associated firm of Monteponi and Montevecchio, formed by the merger of the two companies in 1961, produced 117,447 tons of lead and zinc ores and had plans for development to meet European competition in the Common Market.

There was a further increase in marble production and sales were higher, 35 per cent being exported to a total of more than 60 countries. In the hydrocarbons sector, intensive prospecting was continued and identified deposits of natural gas were vigorously exploited. Montecatini had pioneered the working of Sicilian potassium and the San Cataldo mine had produced over 641 thousand tons. During 1961, preparatory work was started for the mining of the Palo deposit, adjacent to that at San Cataldo, which would provide two thousand tons daily. The fluor-spar mine at Prestavel (Trento) would come into operation this year.

The performance of the Group's chemical industry was equally promising. In the case of sulphuric acid, the trend towards production of concentrated acid continued during 1961; 240,949 tons of nitrogen were produced and plants were substantially modified and integrated so that the rate of progress achieved from the start through the efforts of Ing. Giacomo Fauser could be maintained in this important branch of the industry.

Turning to the fertiliser sector, in which Montecatini occupied a dominant position, as it did in the case of fungicides and insecticides, the Chairman referred particularly to potash and compound fertilisers, saying that here the economic situation was precarious and offered little incentive for further development, because phosphate raw material costs were rigid and earnings had been cut by the stabilising action of the C.I.P. (Interdepartmental Committee on Prices).

Derivatives of sulphur, phosphorus, nitrogen chlorine, fluorine and so on were steadily gaining in importance, in accordance with Montecatini's established policy of selecting products offering the combined advantages of cheapness and technical novelty. All research establishments had therefore further intensified their efforts and had provided production units with valuable suggestions for new lines and means of reducing existing operating costs. As examples, the Chairman quoted the new titanium dioxide plant which came into production last year at Spinetta Marengo and the Group's new activities in the field of special metals.

In the plastics sector, the Montecatini Group was now unquestionably one of the leading suppliers in Europe and overseas; Count Faina referred particularly to the growing success, both in Italy and throughout the world, of the polypropylene resin "Moplen." A further large plant had started production at Ferrara in 1961 and another would be following shortly at Brindisi. Under the heading of synthetic fibres, the Chairman mentioned production of the polypropylene fibre "Meraklon" by the associated company Polymer, stressing its steady advance and the wide possibilities available in very many applications.

Continuing his statement, Dr Faina said there had been a substantial increase in production and sales of paints and intermediates. This applied particularly to "Ducotone" which was now marketed in a completely new bactericidal and insecticidal formulation. The completion of a big paint research and development laboratory at the Codogno plant, was further evidence of Montecatini's determination to concentrate increasingly on pioneering new products in this field.

Activity was satisfactory as regards coal by-products, intermediates and dyes, but a number of factors militated against progress in the pharmaceutical products sector during 1961. These included failure to take the expected measures to bring legislation on drugs and medical products up to date, to allow the patenting of pharmaceutical manufacturing processes and to regulate the registration of branded medical products.

After noting that Vetrocoke was planning to build an up-to-date plate-glass factory at Trieste in conjunction with the Belgian firm Glaverbel the Chairman briefly reviewed the activity of Montecatini's associated companies in other countries.

Plant for the production of "Moplen" had been built at Neal, West Virginia (USA) and at Schwechat (near Vienna) by Danubia Petrochemie AG; a third factory was being built by Rotterdamse Polyolefinen Maatschappig at Pernis (Netherlands). Agreements had been concluded with the Madras Aluminium Co., for the construction of an alumina plant (to produce 20,000 tons annually) and an aluminium plant (to produce 10,000 tons annually) in the Mettur area of Madras State.

In Spain, the Societa Cromo SA had been formed, with equal holdings by Montecatini and the Spanish firm Cros SA, to manufacture paints. In the hydrocarbons sector, the association comprising the French firm PREPA, Montecatini, Fiat and Snia Viscosa, which was formed to prospect the Algerian Sahara, continued exploration of the concessions obtained. Finally, during 1961, Montecatini processes continued to gain ground throughout the world, with a total of 16 new plants in 7 countries. The Group submitted 300 patent applications in Italy, and a large number in other countries, these figures being clear evidence of the high technical and organisational level attained by the Company.

Turning to Montecatini's other activities, Dr Faina noted that output of electric power had reached 3,500 thousand million kWh in 1961, an increase of 2.2 per cent over the previous year. 51 thousand tons of aluminium were produced and modernisation and expansion were in progress at Bolzano and Mori. Plans were being prepared for the construction of a new plant to produce 100,000 tons of metal annually. Its final location in Sardinia was the subject of detailed negotiations, in order to ensure optimum efficiency and thus, maximum competitive power on the European market.

The associated firms "Lavorazione Leghe Leggere" and "Metallurgica Feltrina" both increased their output; the former planned to build a hot rolling mill for large sheets, which would be capable of handling present and future home demand for aluminium, and aluminium alloy sheeting.

The Chairman also mentioned study and research associated with productive activities, referring particularly to the work of the Research Centre maintained at Saluggia (Vercelli) by the associated firm SORIN, which had extended its nuclear reactor and thus doubled output of nuclear radiation for research and the production of isotopes.

Dr Faina concluded his statement, which was vigorously applauded at several points, with a reference to building activity, which was almost doubled as compared with 1960, and to the various welfare facilities provided for Montecatini employees. Finally he thanked all concerned—managements, office staffs and workers—for their active contribution to the success of the Company.

DECISIONS OF THE ORDINARY GENERAL MEETING

The General Meeting unanimously approved the Board's report and resolutions, reappointed the retiring Directors and elected Prof. Alberto Ferrari to the Board.

A dividend of 115 lire per share was declared, payable from April 26, 1962.

THE EAST ASIATIC COMPANY LIMITED

(Aktieselskabet Det Østasiatiske Kompagni)

COPENHAGEN, DENMARK

The following is a summary of the Annual Report for the financial year 1961, presented by the Board of The East Asiatic Company Limited at the Company's Annual General Meeting in Copenhagen on April 9, 1962:

The international situation continued to be characterised by the conflicting political interests of the world powers, but the industrial countries of Western Europe are advancing on a wave of prosperity, which is likely to be accelerated by the growth of the Common Market. This is in contrast to the economic conditions prevailing in those parts of the world producing raw materials, at a time when the achievement of independence by new states is already attended with friction.

Up till now, international trade and shipping have not derived appreciable benefit from the West-European prosperity, and as the activities of the Company are subject to the conditions imposed by the world economy, the overall result reflects this state of affairs.

Shipping Department: The depression prevailing for several years in international shipping continued without perceptible improvement.

A total of 1,166,000 tons of cargo was carried by the Company's vessels on 85 voyages on the established routes during the past year. The tanker trade was characterised by unduly low freight rates, but the Company's tankers were employed on time charters, the proceeds of which were reasonable under the circumstances.

Trading Departments: The world trade in raw materials, in which the Company engages, has undergone changes in the post-war years; this has caused some of the traditional lines of business to disappear, but at the same time new articles have been taken up, including also imports to Denmark.

The Company's Overseas Branches and Associated Companies: It is natural that working conditions in the various parts of the world should vary but as far as the Company is concerned they were characterised during the past year by various difficulties, although the total financial result was comparable to that of the preceding year.

Participation in Other Companies: Investments have risen by Kr. 8,596,278.83 to a total of Kr. 95,131,765.70, to which should be added the investment totalling Kr. 25,040,551.01, made in Nordic Tankships I/S (Partnership).

RESULTS AND DIVIDEND

		Kr.
From Shipping		41,042,590.90
From Trade		13,312,045.70
Overseas Branches		64,062,133.34
Dividends from Investments in other Companies including profits from participation in Nordic Tankships I/S (Partnership)		8,785,208.36
		127,201,978.30
Less Interest and Financing Expenses		4,306,239.55
		122,895,738.75
From which are to be deducted: Administration Expenses at Head Office and Overseas Branches	Kr. 64,922,116.79	
Allocation for Taxes	6,742,269.00	71,664,385.79
		51,231,352.96
Depreciation		27,850,187.73
		23,381,165.23
Balance brought forward from last year		8,835,391.40
At disposal		Kr. 32,216,556.63

which it is proposed to apply in accordance with the accounts as follows: to pay to the shareholders a dividend of 15 per cent; to distribute an amount of Kr. 4,318,856.34 to the Board, Managing Directors, and employees as a bonus; to allocate Kr. 3,000,000.00 to the Extra Reserve Fund, Kr. 3,000,000.00 to the Pension Fund, Kr. 1,000,000.00 to the Insurance Fund, and Kr. 1,000,000.00 to the Extra Depreciation Fund for Buildings and Furniture, leaving Kr. 8,647,700.29 to be carried forward to next year.

LONDON BRICK COMPANY LIMITED

NEW RECORDS IN PRODUCTION AND DELIVERIES

GROWING BENEFITS FROM INCREASED OUTPUT AND GREATER EFFICIENCY

MR A. T. WORBOYS ON RISING COSTS AND PRICE STABILITY FACTOR

The Sixty-second Annual General Meeting of London Brick Company Limited was held on May 22nd in London.

Mr A. T. Worboys, CBE (the Chairman), presided and, in the course of his speech, said:

The profit on trading and sundry income for the year is £3,721,714, an increase of £731,908. The net profit before taxation is £3,645,961. Taxation, amounting to £1,699,923, is up by £479,310 due partly to the increase in the rate of Profits Tax, but mainly to the increase in profits for the year.

The net profit after taxation is £1,946,038 and, after adding the unappropriated profits at the beginning of the year and a taxation adjustment in respect of the previous year, there remains a balance of £2,391,203. A sum of £1,000,000 has been transferred to General Reserve. After deducting the net dividends on the 8 per cent Cumulative Preference Stock and the net interim dividends of 17½ per cent on the Ordinary Stock, there is a balance carried forward of £174,884. Bearing in mind the Chancellor's request for restraint, the interim dividends declared are the same as for the previous year and the Directors do not recommend any further dividend for the year.

CAPITAL PROPOSALS

In their Report the Directors have stated that they consider a wider market in the Company's Ordinary Stock is desirable and, with this in mind, they have decided that Ordinary Stock shall be transferable in units of 5s. each. This will give small investors a greater opportunity of acquiring an interest in the Company.

The Directors have also stated that they are of the opinion that it is necessary and desirable to bring the Company's Issued Capital more into line with the book value of its assets. Proposals will be submitted at an Extraordinary General Meeting, to be held immediately following this Annual General Meeting, to increase the Authorised Capital of the Company by £2,000,000 to £10,000,000, and to capitalise the sum of £1,625,000 of the General Reserve and to make a bonus issue to Ordinary Stockholders raising the Issued Capital of the Company to £8,525,000, comprising £400,000 8 per cent Cumulative Preference Stock and £8,125,000 Ordinary Stock. At the same Extraordinary General Meeting a proposal is being submitted to alter the Articles of Association to simplify the sealing of Share and Stock Certificates.

SUBSIDIARY COMPANIES' ACTIVITIES

Dealing now with our two Subsidiary Companies, Stewartby Housing Association Limited continued in full operation.

With regard to Transformers (Watford) Limited, our manufacturing subsidiary, orders received during the year were again at a record high level, but severe competition has resulted in selling prices not keeping in step with increases in manufacturing costs. I am pleased to report that the increase in the order book applies to contracts received from both home and export markets and the increased capacity of the new shops is well covered for some months ahead.

During the year the sale of the Clay Electric Cable Covers manufactured by the Parent Company has continued to increase and the number sold during the year was the highest since the direct marketing of these covers to the electricity supply industry.

NEW RECORDS ACHIEVED

Returning to the Parent Company, once again new records in production and deliveries were achieved during the year. The demand for all our products continued to exceed our productive capacity—this in spite of the fact that we were receiving the cumulative benefits from the extensions and many improvements which had been made during the previous two years.

It must not be inferred, however, because we have completed these extensions, that we shall rest content. We cannot regard the high level of demand upon us with equanimity, but rather as a spur to still further productive capacity and, after a full appraisal of our existing resources and the higher level of production resulting from them, we have decided to extend still further at our Calvert Works. Our objective is another new kiln to yield approximately 50 million bricks a year. Work on this kiln was started in January this year and should be completed by about the middle of the year. Our Calvert Works will then be established as the second largest brick-making unit in the country, the largest being our own Stewartby Works, which, incidentally, is the largest in the world.

LABOUR RELATIONS

On the general labour position, our relationship with the various Trades Unions with which we negotiate wages and conditions of service, continue to be most friendly and we shall do our best to keep them so. In May last year the basic hourly wage rate was raised by 2½d. an hour and many differential rates were also increased. When this settlement was negotiated, the Trades Unions agreed not to make another application as regards the basic rate, except in exceptional circumstances, before April, 1962. We therefore arranged our own "pay pause" somewhat ahead of the Chancellor of the Exchequer.

DELIVERY DELAYS REDUCED

At the beginning of 1961 few members of the industry envisaged encountering a check in the tide of building activity which had been rising steadily since 1958.

As I have already stated, the demand for all our products exceeded our capacity to supply in spite of the fact that, as a result of our extensions and greater efficiency, we had more bricks available for distribution in 1961 than ever before. Therefore, while still retaining a strong order position, the slowing down in the pace of building during the last months of the year enabled us to reduce delivery delays and improve our service which, of course, was welcomed by our customers. By the year's end we were able to supply all their requirements within a few weeks of orders being placed and, as each of our District Sales Offices benefited directly from the increased production, it followed that all areas of the British Isles shared equally in the higher deliveries.

PRICE STABILITY—COMPANY'S FINE RECORD

I now come to yet another very significant advantage gained from the benefits accruing from our increased production and greater efficiency. During the last ten years it has enabled us to pursue long periods of price stability in the face of constantly rising wages and other costs. We have thus sought to pass on to the building industry some of the benefits gained from our general programme of increased and more efficient production, and the fact that advances in the price of our bricks during the last ten years have been much lower than those for other materials, testifies to our fine record in this respect.

Last year we were perhaps fortunate in that the benefits of increased production enabled us, in spite of a substantial wage advance, to maintain and, in the case of Common bricks reduce, the price of our products. This year our position is more difficult, we have already had to concede further increases in wages and we are threatened with substantial rises in other directions. How long we can bear these additional burdens without recouping in any way part of the increased costs remains to be seen.

In these days when a great variety of building materials is available to the architect and builder, it is interesting to record that brick construction is as popular as ever and that the demand for our facing bricks continues to be very strong.

During 1961 the tonnage of Hollow Clay Blocks which we produced was greater than ever before—we are the principal suppliers of this material in the country.

Our Field Drain Pipes continue to play a major part in the drainage of farmland throughout England and Wales.

CURRENT PROSPECTS

A word on the prospects for the current year. We are working to full capacity and our order book is strong. Nevertheless, we have suffered from the effects of bad weather during the early months of the year. These have affected our production and costs and, up to date, our trading results are below those of last year.

I have already mentioned additional charges we have to face and, under present circumstances and conditions, it is very difficult to anticipate the final results for 1962. However, I am sure that Stockholders will regard the results as satisfactory, provided that no unforeseen difficulties arise during the remainder of the year.

The report and accounts were unanimously adopted.

At a subsequent Extraordinary General Meeting the proposed increase of capital, the issue of one new fully paid 5s. Ordinary Share for each £1 of Ordinary Stock held, and the proposed alteration to the Articles of Association were approved.

THE YORKSHIRE INSURANCE CO., LTD.

LORD MIDDLETON'S REVIEW

The Annual General Meeting of The Yorkshire Insurance Co., Ltd., was held on May 23rd at York.

The Right Honourable Lord Middleton, KG, MC, LL.D, the chairman, in the course of his speech said:

Life Department: New business production in 1961 again constituted a record. At £71 million there was an increase of £21 million on the previous year.

Last year it was announced that in future valuations would take place every two years, and the next will be due on the 31st December, 1962. In the meantime, the interim fixed rate of bonus on claims arising before the valuation date is at the record figure of 60s. per cent which was declared last year.

Fire Department: Over-all results in 1961 were much improved. Premium income amounted to £4,301,212, an increase of £142,438 in the year.

Accident and General Account: The Accident and General Account with a total premium income of £9,924,185 has again shown a satisfactory rate of growth.

Marine Account: The total premiums in the account at £2,199,040 show a slight reduction.

Profit and Loss Account: The net interest amounts to £457,480, an increase of about £16,000 on the previous year. After crediting the departmental transfers and other items the total income is £1,142,483.

The report was adopted.

SEAFIELD AMALGAMATED RUBBER COMPANY LIMITED

EXPANSION OF FACILITIES TO MEET STEADILY INCREASING CROPS

MR A. H. MARSHALL REVIEWS A SATISFACTORY YEAR

The Third Annual General Meeting of Seafield Amalgamated Rubber Company Limited was held on May 22nd in London, **Mr A. H. Marshall, MA, FCA** (Chairman and Managing Director), presiding.

The following is an extract from his circulated statement.

The Report and Accounts cover the year to 30th September, 1961. It has been a year of solid, if unspectacular, progress. Crops have increased satisfactorily, costs of production have been reduced, and our replanting and oil palm conversion programmes are proceeding rapidly. During the year 677 acres were replanted in rubber, and 2,392 acres were prepared for oil palms.

The adverse factor affecting the year's results has been the price of rubber, over which we have no control. For the year under review, the average London spot price of R.S.S. No. 1 was 25½d. per lb., compared with 34½d. per lb. in the previous year. This fall in the price has more than outweighed increases in crops and reductions in costs, and the Group Net Profit for the year is down to approximately two-thirds of that shown in last year's Accounts. In comparing the results with those in last year's Accounts it must be remembered that last year had the benefit of several extra months' crops from five of the subsidiaries.

ACCOUNTS

The Group Net Profit of the year, after charging Depreciation and Amortisation of £201,345, was £954,244. The fall would have been heavier if we had not received refunds of Anti-Inflationary Cess of £112,824.

The Malayan Government has since passed legislation under which, if this Cess again becomes payable, it will no longer be refundable when the price of rubber falls again. Bearing in mind the fall in our net average sale price of rubber from 25d. per lb. to 20d. per lb., the results are satisfactory.

Of the Group Net Profit of £954,244, Provision for Taxation takes £396,290. £100,000 has been appropriated to Development Reserve to assist in financing the development of the oil palm areas and our commitments in Nigeria.

An Interim Dividend of 12½ per cent. was paid on 31st October, 1961, and your Board recommend a Final Dividend of 17½ per cent.

CROPS:

The crops harvested during the year were:

Rubber	27,787,266 lb.
Palm Oil	2,598 tons
Palm Kernels	733 tons

Rubber Crops exceeded estimates by 299,066 lb., but Palm Oil fell short of estimate by 107 tons. Kernels, however, exceeded estimate by 29 tons.

ESTATES

The general standard of upkeep and maintenance of all the Group Estates is constantly improving, and agriculturally they are in first-class condition. The steady rise in crops requires increasing factory capacity. A new factory was built on Bukit Rajah Estate during the year covered by the Accounts, and another one is being built on Seafield Estate during the current year. A further one is planned for Ulu Yam Estate next year. After this we expect to have to turn our attention to our palm oil factories, and in due course we are planning to erect in three or four years' time an additional factory to process the fruit which will be beginning to be harvested in substantial quantities from our new oil palm areas largely in the coastal districts.

Rubber: The average yield throughout the Group was 934 lb. per mature acre, an increase of 58 lb. over the previous year. Six Estates now yield over 1,000 lb. per acre and several others are approaching that figure. With nearly 10,000 acres out of 40,000 immature and planted with modern pedigree material, a steady increase in average yield over the next ten years as these young areas reach full maturity may be expected.

Oil Palms: Our oil palm areas cover 2,999 acres mature and 2,820 acres immature. During the year they produced 2,598 tons of oil and 733 tons of kernels, representing average yields per mature acre of .87 tons of oil per annum and .25 tons of kernels per annum. You will be aware that palms start to yield fruit in useful quantities after about four years, whereas the period of immaturity of the rubber tree is about seven years.

In view of the promising outlook for this crop, your Board has decided to extend the area to be converted to palms. An additional 3,770 acres are being converted in the five years to 1966, and a further 2,950 acres are planned for the following five years.

Tin Ore: The high price of tin has given rise to increased prospecting activity by miners, and ore is being mined on Batu Caves Estate. Prospecting is also proceeding elsewhere. Income from this source will be modest, but none the less welcome, and will be first received during the current year, but it is not expected to make a significant contribution to our profits.

PROSPECTS FOR THE CURRENT YEAR

Estimated crops for the current year to September 30, 1962 and actual crops for the six months to March 31, 1962, are as follows:

Estimated Crop for year to 30.9.62	
Rubber	29,020,000 lb.
Palm Oil	2,656 tons
Kernels	720 tons
Actual Crop for 6 months to 31.3.62	
Rubber	14,723,500 lb.
Palm Oil	1,318¼ tons
Kernels	380¼ tons

The price of rubber has remained around 25d. per lb. (spot R.S.S. No. 1), and the prices of Palm Oil and Kernels have remained around £80 and £48 per ton c.i.f. London respectively.

If these levels of crops and prices continue for the second half of the year, then the trading results should be similar to the year now under review. There will, however, be no repetition of the exceptional receipt in the form of the refund of Anti-inflationary Cess.

Our planting programme for the current year covers 643 acres to be planted or replanted in rubber and 1,556 acres in oil palm.

By the end of 1971, your Company plans to have 32,610 acres planted in rubber, and 12,950 acres planted in palms.

Nigeria: Ilushin Estates Limited in which the Company has a six per cent interest is progressing well. Some 3,641 acres are now planted, and a further 900 acres are being planted in 1962. Tapping of the 1957 planting is expected to start in 1964 or 1965.

The report and accounts were adopted.

Dresdner Bank's Business Expansion

Capital and Reserves DM 560 million - Over DM 8 billion of Deposits
352 Offices in Western Germany

In the year 1961, the Dresdner Bank AG. achieved further substantial progress. The deposits maintained with it rose by 16.2% to DM 8.1 billion*; its total credit extended, including that in the form of guarantees, grew by 16.9% to DM 6.6 billion. The Bank's assets and liabilities contain altogether some DM 1.8 billion of foreigners' liabilities and assets respectively. In the Balance Sheet as at December 31, 1961, quick assets amount to DM 4.2 billion, or roughly 46% of the Balance Sheet total; the cash reserve alone is shown at DM 1.1 billion.

The number of the Dresdner Bank's customers rose in the course of 1961 to 1.1 million. In the Bank's offices, numbering over 350 and located at more than 200 places in the Federal Republic of Germany, 14,700 persons are employed; in order to cope with the expanded volume of business approximately 1,500 had to be newly engaged in the course of 1961. At Berlin, the Bank is represented by its subsidiary, the Bank für Handel und Industrie AG., with 40 branches.

Out of the 1961 earnings, after strengthening the undisclosed reserves, a further DM 27 million were allocated to the free reserves; these now equal the capital and amount to DM 245 million. With the addition of the legal reserve which exceeds DM 70 million, the Bank thus has published capital and reserves totalling DM 560 million, which corresponds to 6.1% of the total Balance Sheet. In pursuance of a resolution adopted by the General Meeting, held at Düsseldorf on May 16, 1962, a dividend at the unchanged rate of 16% has been paid to the shareholders on the capital as increased last year. Payment of this dividend took a sum of DM 39.2 million as compared with DM 35.2 million a year previously.

The Bank's traditional activity in securities has been more and more extended during recent years to include international capital markets. In the course of the year under report, a number of further leading shares were introduced by the Dresdner Bank to official quotation on German stock exchanges. The work of the departments concerned with property administration and investment has been found increasingly valuable by its clientèle both at home and abroad.

In conformity with the expansion of German external trade, the volume of international payments channelled through the Dresdner Bank also greatly increased. To handle the letter of credit business, the Bank, which has no branches of its own abroad, once again placed substantial credit facilities at the disposal of its correspondent banks. The amount of guarantees which the Bank was asked to provide in respect of tenders, deliveries and payments on account showed a large increase. In initiating new business relations between importers and exporters the Bank, co-operating with its correspondent banks numbering more than 3,300 in all parts of the world, rendered its usual assistance. In that connection it also employed the services of its Representative Offices at Cairo, Istanbul, Madrid and Paris. In nearly all important Latin American cities the Bank maintains joint Representative Offices together with its associate, the Deutsch-Südamerikanische Bank.

* 1 billion = 1,000,000,000.

Chairman of the Board of Directors: Carl Goetz, Margarethenhöhe über Königswinter.

Board of General Managers: Fritz André, Düsseldorf; Gustav Glück, Frankfurt on Main; Herbert Henzel, Frankfurt on Main; Werner Krueger, Düsseldorf; Ernst Matthiensen, Frankfurt on Main; Oskar Nathan, Hamburg; Fritz Reinhold, Frankfurt on Main; Hans Rinn, Hamburg; Fritz Rudorf, Düsseldorf; Dr Adolf Schäfer, Düsseldorf; Erich Vierhub, Frankfurt on Main; Dr Franz Witt, Hamburg. *Deputy General Managers:* Dr Walther Blancke, Düsseldorf and Cologne; Leonhard Freiherr von Richter, Frankfurt on Main; Dr Ludwig Schneider, Essen.

Main Items of the 1961 Balance Sheet as compared with 1960 (millions of DM)

ASSETS	1961	1960
Cash and due from Central Bank	1,140.8	1,243.4
Due from Banks and Cheques	673.4	296.5
Bills, Treasury Bills, and Medium-Term Notes	2,390.1	2,188.5
Fixed-Interest-Bearing Securities	435.1	356.8
Shares and Participations	433.5	480.0
Equalisation Claims	255.4	257.6
Debtors	3,459.1	2,760.1
Long-Term Loans	248.0	205.5
Real Estate and Buildings	111.4	104.7
Other Assets	113.6	95.5
	9,260.4	7,988.6
LIABILITIES		
Deposits	5,036.7	4,508.4
Savings Accounts	1,657.8	1,451.7
Total	6,694.5	5,960.1
Deposits of Banks	1,400.9	1,007.6
Due to Foreign Banks (Nostro Liabilities)	84.0	10.4
Long-Term Funds	157.2	144.2
Own Acceptances	1.5	0.1
Capital and Reserves	560.4	490.0
Special Reserves	280.1	301.4
Other Liabilities	81.8	74.8
	9,260.4	7,988.6
Guarantees	942.6	934.3
Bills Endorsed	199.8	131.0
EXPENDITURE		
Salaries and other Staff Expenditure	179.8	154.4
Other Expenditure	56.7	48.3
Taxes	102.5	131.6
Net Profit	39.2	35.2
	378.2	369.5
REVENUE		
Interest and Discount	190.0	175.1
Commissions and Fees	188.2	194.4
	378.2	369.5

DRESDNER BANK
AKTIENGESELLSCHAFT

Düsseldorf . Frankfurt on Main . Hamburg

RECKITT & COLMAN HOLDINGS LIMITED

ANOTHER YEAR OF EXPANSION

LARGER SALES AND TRADING PROFIT

MR J. B. UPTON'S REVIEW OF OPERATIONS

The ninth Annual General Meeting of Reckitt & Colman Holdings Limited will be held in the Connaught Rooms, 15, Great Queen Street, London, W.C.2, on Thursday, June 7, 1962, at 11.30 a.m.

The following is an extract from the Chairman's Statement in respect of the year ended December 31, 1961:

After rationalising and reorganising our trading operations along the lines mentioned in my Statement on the 1956 Accounts, your Board subsequently completed the task of concentrating in the "central treasury" the surplus funds available within the Group. Much of this money was then invested in gilt-edged and other fixed interest securities until your Directors could employ it more effectively in the Shareholders' interests by financing new trading activities. In the subsequent years we set out to acquire certain new businesses both at home and abroad but tried not to diversify our activities too much. Our aim was to acquire businesses, capable of expansion, which would fit into the patterns of trade which had been developed by the various members of our Group.

After the acquisition of a new company it is usually necessary to embark on a phase of development which costs money, and consequently its profitability does not immediately reach that of our established business. The overall effect on our results tends to be more marked at a time such as the present when, as a matter of policy, we have been more than usually active in this field. In almost every case our recent acquisitions are progressing well and I expect to see further improvements in the future.

THE CONSOLIDATED PROFIT AND LOSS ACCOUNT

The Trading Profit of £10,040,000 compares with £9,921,000 for the previous year, after absorbing foreign exchange losses which were £322,000 greater than in 1960. This increase in profit of £119,000, or just over 1 per cent, is barely satisfactory even at a time when many companies have been unable to maintain their profits, but since the improvement results from sales higher by 10 per cent it is clear that competition is keeping our margins under pressure. While this is true up to a point, it does not tell the whole story, for more than their share of this modest increase in profits came from our overseas activities where profit margins in local currency were, on average, held at the previous levels. Business in the home market in the latter part of 1961 was affected by the events leading up to and by the Chancellor's "little budget" of July, and our higher expenses here fell more heavily on a turnover which did not quite come up to earlier expectations.

Overseas profits would have been better except that a persistent enemy returned to plague us in the shape of the exchange losses, to which I have already referred. We have had to write off £397,000 on this account as against only £75,000 in 1960. South America is the usual trouble spot and for much of last year the situation was reasonably hopeful. The unexpected resignation of the President of Brazil in August, 1961, precipitated a crisis in that country's economy and is the main reason for the exchange losses being considerably heavier than they were in 1960. The present situation in Argentina does not encourage hopes of stable South American exchange rates in 1962.

Higher wages both at home and abroad have had to be faced. Increases in productivity have in the past been able to minimise their effect but there is a limit to the extent to which efficiency can be improved and during 1961 it became necessary for these extra costs to be passed on to our customers, where this was possible, in the form of slightly higher prices in many parts of the world. This is an unsatisfactory solution to the problem of rising costs in a competitive world market except in so far as the decreased purchasing power of money makes the process universal.

DIVIDEND

The Consolidated Profit for the year, after taxation, is £4,866,000 against £5,083,000 in 1960, a drop of £217,000 for which the higher rate of Profits Tax in the United Kingdom is primarily responsible. Our Company earns more than half its profits overseas, excluding exports from the United Kingdom. It would therefore be misleading to attempt a comparison between total Company earnings on the one hand and claims for higher spending power at home on the other. Your Directors, however, feel that a measure of restraint is still necessary all round and accordingly recommend the payment of the same final dividend (7 per cent) as was paid last year, making a total of 12 per cent for the year, adequately covered by earnings.

A year ago our expectations were that sales would increase—which they did—and that our trading profit for 1961 would be better than it has turned out to be; this latter expectation would have been realised but for exchange losses overseas and the slight slowing down of business in the home market in the latter part of the year. 1962 has started steadily and once again in the absence of major political or economic setbacks across the world, we can foresee prospects of higher sales and higher profits in 1962.

CONSOLIDATED BALANCE SHEET

The further expansion of the business is indicated by an increase from £52,741,000 to £56,061,000 in the book value of the total net assets, while the equity interest attributable to the ordinary shares has grown from £45,771,000 to £49,195,000.

Reckitt & Sons Ltd. and its subsidiaries increased their sales more than their profits. D. R. Collins Ltd., who made a satisfactory advance, is launching in 1962 a new Goya perfume called "Entice." Westminster Laboratories Ltd., whose Senokot is universally recognised, also did well.

J. & J. Colman Ltd. and its subsidiaries, which operate mainly in the condiment and specialty food trade, again returned improved figures for both sales and profits.

Chiswick Products Ltd. and its subsidiaries had an interesting year. The satisfactory increase in sales to which I referred last year was repeated in every large section of the business though between individual lines there were fluctuations, due chiefly to the changes in shoe fashions which I have mentioned before as a factor affecting the trade. Competition is still intense in both the floor and shoe polish markets.

Sissons Brothers & Company Ltd., with its subsidiaries, again had a difficult year: sales increased slightly but profits did not. The household paint business suffered from lack of buoyancy in the whole retail paint market and competition continued to be intense. However, I think that the future is more promising.

In the industrial field Porter Paints Ltd. made good progress and Portafleck, the multi-colour paint about which I wrote last year, has been well received.

The R. T. French Co. of Rochester, USA, like J. & J. Colman Ltd., is engaged chiefly in the condiments and food specialties trade. In 1961 French achieved a sales record and maintained its profit. Trading conditions improved in the United States as the year progressed in accordance with our expectations.

Reckitt, Colman, Chiswick (Overseas) Ltd., the company which looks after the great overseas trade of our Group outside the USA, reports a substantial increase in sales but, because of the currency depreciation to which I have already referred, a less substantial increase in profits.

EXPORTS

Exports from the United Kingdom increased slightly and profits from them were satisfactory.

At the time of writing it cannot be said with certainty that the United Kingdom will join the European Economic Community but, whatever the outcome of the negotiations, we are organised to deal with the future situation and we expect the progress of our European trade to continue. I may add that I believe that it will be good for our Company that Britain should join the Common Market—on the right terms.

DEUTSCHE BANK

AKTIENGESELLSCHAFT

DÜSSELDORF · FRANKFURT (MAIN) · HAMBURG

1961: A Year of Active Business

The balance sheet total of DM 12,600 million is 12.1 % above that of 1960. Transactions with our non-banking customers rose by 8 % and amounted to DM 436,100 million.

Deposits increased to DM 11,100 million of which savings deposits accounted for DM 2,400 million.

Cash balances amounted to about DM 1,200 million; overall liquidity reached 45 %.

At the end of 1961 outstanding loans totalled DM 8,000 million. This represents an increase of 1,000 million as compared to 1960.

The foreign business of the Deutsche Bank continued to expand in 1961. The Bank acted as adviser in many and diverse ways with respect to problems involving the financing of investment projects abroad.

The Annual Meeting on May 3, 1962 has resolved

- **to transfer an additional DM 40 million to the open reserves and**
- **to distribute a dividend of 16 %.**

The Bank's capital and reserves amount to DM 640 million.

47 new offices were opened in 1961. At the end of 1961 a staff of 20,823 worked in 457 offices of the Deutsche Bank.

We are represented in Berlin by the Berliner Disconto Bank, in Kiel by the Bankhaus Wilh. Ahlmann, in the Saar by the Saarländische Kreditbank. An extended network of correspondents and representative offices abroad connects the Deutsche Bank with all important places of the world.

Balance Sheet as of 31st December, 1961 with comparative figures (abridged)

ASSETS	31. 12. 1961 in millions of DM	31. 12. 1960
Cash and Balances with Deutsche Bundesbank and on Postal Cheque Account ..	1,193.7	1,389.1
Balances with other Banks	667.8	446.7
Bills discounted	2,287.7	2,109.1
Treasury Bills and Notes	641.1	481.8
Medium-Term Interest-Bearing Notes (Bons de Caisse)	176.4	97.7
Quoted and Unquoted Investments	989.1	941.8
Claims on Federal and Laender Authorities under Currency Reform Laws of 1948	493.9	501.0
Consortium Participations	243.3	223.5
Advances	4,831.3	4,230.3
Long-Term Loans	609.5	434.3
Loans on a Trust Basis at Third Party Risk	77.1	64.6
Investments in Subsidiaries and Associated Companies	96.6	80.5
Bank Premises and Properties	158.4	153.8
Sundry Assets	109.4	67.7
	12,575.3	11,221.9

LIABILITIES	31. 12. 1961 in millions of DM	31. 12. 1960
Issued Share Capital	300.0	250.0
Statutory and Voluntary Reserves	340.0	300.0
Total Deposits	11,122.1	9,903.8
Current Accounts	5,425.7	4,775.5
Time Deposits	3,313.7	2,927.9
Savings Accounts	2,382.7	2,200.4
Due to Banks and other Institutions	14.4	16.0
Own Acceptances in Circulation	53.3	50.7
Long-Term Loans	291.6	299.1
Loans on a Trust Basis at Third Party Risk	77.1	64.6
Reserve Fund for Pensions	153.0	146.2
Other Reserves	157.0	135.0
Sundry Liabilities	18.8	16.5
Profit	48.0	40.0
	12,575.3	11,221.9

Profit and Loss Account for the year 1961 with comparative figures

EXPENDITURE	1961 in millions of DM	1960
Salaries	220.9	204.6
Employee Benefits, Pensions etc.	35.1	32.7
Other Operating Expenses	65.7	57.6
Taxes and Similar Expenses	126.7	136.2
Additional Depreciation on Bank Premises and Properties	10.0	10.0
Transfer to Statutory Reserves	—	25.0
Transfer to Voluntary Reserves	40.0	25.0
Profit	48.0	40.0
	546.4	531.1

RECEIPTS	1961 in millions of DM	1960
Interest including Discounts	231.8	218.4
Commissions, Fees and other Income ...	314.6	312.7
	546.4	531.1

GENERAL MEETING OF FIAT SHAREHOLDERS

Chairman Valletta's Report points to the continual development of Fiat activities within the framework of the national and international situation: "New times are ripening, and the horizon is widening" — Sales at 641,000 million lire — 632,000 motor vehicles and 30,468 tractors produced — 163,000 million lire worth of exports—Fiat's employees now number 112,000.

The General Meeting of Fiat Shareholders was held on April 27th in the Great Hall of the Fiat Central Training School. **Professor Valletta,** the Chairman and Managing Director, presided over the meeting attended by the whole Board of Directors and by the Auditing Committee.

FIAT'S PROGRESS

Fiat is steadily increasing its operating forces and results. Increments for 1961 were greater than those for 1960. Here are the highlights:

Total sales (including "OM"): 641,000 million lire; 96,000 million more than in 1960, of which:

Exports totalled 163,000 million lire, exceeding the 1960 total by 13,000 million lire.

631,992 motor vehicles produced and sold of which 230,201 were exported, against 530,665 vehicles built in 1960.

30,468 tractors produced and sold, including 12,917 exported, in contrast to the 1960 production of 26,908 tractors.

Iron and steel products equivalent to 1,400,000 ingot tons (100,000 tons more than in 1960).

Number of Fiat employees (including "OM") as at December 31, 1961: 107,671, against 92,891 at the end of 1960. Since December last to date the payroll has increased to 112,000 of which no less than 90,000 are manual workers. Despite technological progress, Fiat has been able to give employment to 15,000 new workers.

THE ITALIAN SCENE

In giving these figures of Fiat expansion, Professor Valletta points out that they must (as indeed figures, no less remarkable, of other major concerns) be measured by Italian standards, bearing in mind the size and scope of our country.

Professor Valletta's Report states that the excellent business trends in Italy are an incentive for the Government and the country to seek a solution to the basic problem of existing disparity between North and South, between town and country, and between all classes of the population throughout Italy, in order to attain an effective participation of the whole nation in the increasing prosperity which is the outcome of combined endeavour.

THE MOTOR CAR—A VITAL PRODUCTION

What Professor Valletta says in his Report on the national and international situation and on the automobile industry in particular, is of general significance.

Of the 641,000 million lire of Fiat total sales in 1961, no less than 491,000 million lire resulted from the 631,992 motor vehicles the company produced and sold in that year; an increase of 101,327 units over 1960. This expanding automobile market is a reflection of improved Italian living standards. Automobile production is a veritable "pilot industry" in the country's progress, and one of the principal contributors to its prosperity. It provides continually increasing employment and extends the market not only in relation to motorisation alone, but also in relation to the many ancillary activities it creates (including tax revenue raising). Italy's automobile and motorisation policy in general can only be one of development in the interest of the whole country, towards technical, cost and operating improvements. Automobiles must be made accessible to ever more people, by becoming more economical, safe and comfortable, just as Fiat is constantly striving to make them. Therefore, vehicle taxation should be reduced, commencing with the petrol tax, to lower the running costs of motor vehicles and tractors. Also, the tax equalisation contemplated by the Treaty of Rome should be finally implemented. More and better roads should be provided to ensure safer traffic conditions.

Italian automobile production has increased five-fold in 10 years, with an output of 760,000 units in 1961. The capacity of the Italian domestic market is still remarkable, particularly in the light of the development of the South. Yet the country still has only one motor car to every 25 inhabitants, against one to every 10 in France, England, Germany, and one to every 6 in Sweden (not forgetting the USA with one to every 3).

There remains a marketing potential in Italy for millions of cars, especially when the problem of adequate roads and parking space is solved.

Fiat motor vehicle production is developing on the basis of a planned daily average of 3,000 units. Passenger car production continues on models 500, 600, 1100, 1300/1500, 1800 and 2300, all of which are selling extremely well at home and abroad.

While the new models 1300 and 2300 brought out in 1961 won high-rating European acceptance, the 500, 600 and 1100 are in ever wider demand, and their steady success testifies to Fiat's sound policy in giving pre-eminence to small and medium utility cars.

The Report affirms that Fiat will not present any new models in 1962, although research and experiments on new prototypes are continuing, even though not all of them will reach production.

EXPORT AND IMPORT

Fiat is extending export activities in all directions including Eastern European countries, principally Russia and Poland. Next May Fiat will participate for the first time in an Italian Industrial Exhibition in Moscow. It will be chiefly an engineering display.

Professor Valletta stressed that competition is intensifying in international markets. "This demands greater manufacturing and marketing efficiency. The more we import the more we must export; but never beyond the absorption capacity of each country. The import-export ratio is becoming a more critical problem as liberalisation of trade proceeds under the Common Market."

The problem is especially important to the automobile industry. Italian automobile prices have always been on equality with, or lower than, those of foreign cars. Prices, however, are related not only to the quality of the product but also to the magnitude of operations. The Fiat manufacturing and sales organisation as a whole calls for continual growth in structure, methods, investment funds (these are constantly ensured by Fiat share and bond owners) as well as for a spirit of initiative.

NEW PLANTS

The Report tells of the continual expansion of Fiat's facilities; from those for primary processing (iron and steel products) to those for finished products, particularly the Mirafiori automobile plant. The new foundry at Carmagnola will commence operations this year. The extraordinary plant investment programme of 190,000 million lire will be virtually completed within 1962 with some expansion, however, within the limits imposed by available resources.

Sales and servicing activities are being consolidated. "To build first-class cars is not enough; they must be serviced at the customer level." The Fiat sales and servicing organisation is today one of the most closely knit in the automobile industry throughout the country and the world. In Italy it comprises 25 Branches, 400 Dealers, 500 authorised and specialised Repair Shops. Abroad, Fiat is active in all continents and in over 150 countries; with some twenty manufacturing and assembly plants for motor vehicles and other Fiat products.

Fiat operations in Southern Italy are likewise being extended not only as the outcome of business handled by its Dealers there, but also through new manufacturing activities. Particularly important are Fiat's occupational training programmes, designed to build up skilled industrial labour in those Southern areas. The output of the Fiat plant in Naples is rising steadily. Small commercial versions of Fiat's basic passenger car designs are being manufactured in that plant, and others are planned. The O.ME.CA plant now under construction at Reggio Calabria for the manufacture of rolling stock will provide considerable employment for the local population. Developed jointly with Finmeccanica, the O.ME.CA plant is a further example of the way in which Fiat is co-operating with the IRI group of companies. A Fiat training school for young men is being built at Bari; and there are also similar schemes for Sicily.

In the field of *public works,* Fiat's Construction Division is increasingly active in Italy and abroad, individually or jointly with other organisations. In Italy, the doubling of the Turin-Milan motorway has just been completed, and work is to start on the extension of the Savona Ceva highway as far as Fossano. The tunnel under the Great St. Bernard Pass will be virtually completed before the end of this year. Abroad, Impresit (Imprese Italiane all'Estero), has undertaken besides other important new projects, the construction of dams just as colossal as the Kariba in South Rhodesia; namely the Volta Dam in Ghana, the Blue Nile Dam in the Sudan, and the Dez Dam in Iran. Italconsult—in which Fiat has an interest—is engaged in contracts in Argentina, Tunisia, Morocco, Lebanon and Greece. Fiat is associated with Electroconsult in project activities in Paraguay, East Pakistan, Brazil, Mexico and Iran.

In 1963 the Great St. Bernard and the Mont Blanc tunnels will be opened to traffic. Attained through man's daring and imagination, they are symbols which will open new avenues to the endeavours of Italy and Europe towards the new frontiers of the free world's ideals.

1961 closed with a net profit of 26,403,551,876 lire after statutory depreciations, and the Meeting approved a dividend of 95 lire per share.

WEST RIDING AUTOMOBILE COMPANY LIMITED

SIR RONALD G. LEON'S STATEMENT

The Fifty-seventh Ordinary Annual General Meeting of the West Riding Automobile Company Limited was held on May 17th in London.

The Chairman, **Sir Ronald G. Leon, Bart,** presided and the following is a precis of his Statement:

Very satisfactory results have again been achieved during the year under review with Net Revenue showing an increase of £10,030 over the previous year.

On the other hand Income Tax and Profits Tax are up by £7,050.

The Directors recommend the payment of a final Dividend of 6 per cent on the Ordinary Stock, maintaining 10 per cent for the year, and the carrying forward of £102,198.

As anticipated, there was another substantial increase in wages during the year, which, being implemented over a period from May to July, was followed towards the end of August by an increase in passenger fares; the revised scale was introduced a year, almost to the day, after the previous rise.

This inflationary cycle which has continued for the past ten years, is aggravated by penal taxation of the industry and the attitude of successive Chancellors of the Exchequer in disregarding the reiterated appeals made by our Associations for the abolition of, or a substantial reduction in the Tax on Fuel Oil, now over 275 per cent, is difficult to understand and greatly to be deplored.

Little or no benefit has been derived from the "Pay Pause" and, successful claims for higher wages and improved conditions put forward by the Unions on behalf of the provincial busmen, must, in the absence of any compensatory tax relief in the recent Budget, inevitably result in further widespread demands upon the travelling public. It will be our aim to minimise such demands by ever increasing efficiency of operation.

I am happy to report that the Wulfrunian omnibuses introduced last year are fulfilling expectations. Fifty-one such vehicles are now in service, twenty-six more will shortly be delivered and an order for a further twenty has been placed.

We have also successfully introduced a number of one-man operated vehicles and their use will be extended so far as may be practicable.

Traffic receipts are currently maintaining a satisfactory level and it may well be that not a few of the many passengers lost to the industry some years ago have been regained during the past two years. The outlook in this respect at least is not discouraging.

The provision of adequate and reliable services with comfortable modern vehicles contributes greatly to the preservation of public goodwill and I would ask you to join me in a sincere expression of thanks to our entire staff for their untiring efforts to that end during yet another year.

The report and Accounts were adopted and the retiring Director, Mr J. H. P. Lough was re-elected.

HARLAND AND WOLFF, LIMITED

CONTINUING DIFFICULTIES FACING SHIPPING INDUSTRY

PROGRESS OF IMPROVEMENT SCHEME TO COMBAT BUILDING COSTS

MR J. S. BAILLIE ON NEED FOR ADEQUATE CREDIT FACILITIES

The seventy-seventh Annual General Meeting of Harland and Wolff, Limited, was held on May 17, 1962, at the Registered Office of the Company, Queen's Island, Belfast. **Mr J. S. Baillie,** Chairman, presided.

The Secretary read the notice convening the meeting and the Report of the Auditors.

Mr Baillie said: As the Report of the Directors and Statement of Accounts for the year ended December 31, 1961, have been in your hands for some time, I propose with your permission to take them as read. (Agreed.)

In March this year Sir Frederick Rebbeck, acting on medical advice, resigned from the offices of Chairman and Managing Director, and from the Board, after more than fifty years of exceptional service with the Company. Elected to the Chair in 1930 during times of great crisis he directed the Company's affairs through the succeeding period of depression, and since, with courage and resource, and his services merit the highest tributes we can pay him.

Almost exactly fifty years ago, in February 1912, the first ocean-going Diesel engined vessel, the SELANDIA, set out on her inaugural voyage. Built and engined by Burmeister & Wain, Copenhagen, this vessel was described by Sir Winston Churchill, then First Lord of the Admiralty, as "the most perfect maritime masterpiece of the century." Shortly afterwards Harland and Wolff concluded an agreement with Burmeister & Wain for building B & W engines under licence. F. E. Rebbeck was put in charge of this development, and the co-operation with Copenhagen then begun has continued unbroken throughout the years. Today the initials H & W—B & W are well known all over the world, and it is fitting that the great work Sir Frederick Rebbeck has done in the development of this prime mover for the British mercantile marine should be put on record.

THE ACCOUNTS

Turning to the Accounts, I would draw your attention to the Notes on the Consolidated Profit and Loss Account. You will see that it has been necessary to provide £729,676 for Depreciation and £184,300 for specific contingencies against the Group profit on trading. As regards your own Company, you will see from the Report of the Directors that the balance available for payment of dividend on the Ordinary Stock after payment of the Preference dividend amounts to £68,839. As you will also see from the Report, taking into consideration the uncertainty of any improvement in trading results for the current year, the Directors are of the opinion that the payment of the dividend on the Ordinary Stock must be related to the net profit for the year, and they recommend accordingly.

The profits on trading for 1960 and 1961 reflect the financial consequences of the conditions under which the Company has been operating, since it has been necessary in each of these two years to make substantial provisions for ascertained and expected losses on work done.

TRADING CONDITIONS

So much has appeared in the press recently regarding the state of the shipbuilding industry that everyone must be aware of the continuing difficulties of shipbuilders and of the shipowners on whom we depend. Passenger liners are meeting with ever increasing competition from the air, and also, as one shipowner after another points out, with ever increasing costs of operation. The depressive effect of these factors is clearly becoming increasingly evident. The tonnage of vessels being built in United Kingdom shipyards has reached its lowest level for seventeen years; and for the first time since the War the industry is without a passenger liner on the stocks.

The President of the Chamber of Shipping in a recent address emphasised two matters of vital interest to the shipbuilding industry in the United Kingdom. Firstly, that builders here traditionally looked to British owners for 80 per cent or thereabouts of their orders; and secondly, that although the volume of orders placed by British Shipowners in the United Kingdom for the past year has been well below the normal ship replacement programme, other owners, particularly in Norway and Japan, are steadily augmenting their fleets, and have ordered a considerable number of new ships in the course of the past year. Only a very few of the vessels from Norwegian owners have been secured for yards in the United Kingdom. Accordingly the problem for the British shipbuilder today is, firstly, to match his costs with fiercely competitive current world prices and, secondly, to be able to offer credit facilities comparable with those available elsewhere.

IMPROVEMENT SCHEME

Faced with the prospect of continuing adverse conditions and with ever advancing labour costs, plans were made by the Board over three years ago to effect a reduction in building costs by re-craning a number of enlarged slipways in the Musgrave Shipyard at Belfast, and the construction of an additional large fabrication shop. We have referred to this work in the Directors' Report, and I am glad to say that we shall shortly commence the construction of two new vessels in the re-equipped section of this Yard—the first a large methane carrier for Methane Tanker Finance Limited: the second an 80,000-ton tanker for the Sigval Bergesen group of companies. Work has commenced on the second phase of this improvement scheme, to which I referred in my speech at last year's Annual Meeting, and we hope to bring these further new facilities into partial operation at an earlier date than originally planned. The new fabrication shop to serve these slipways is almost completed. In addition, efforts to reduce costs are under constant and critical examination throughout the whole organisation.

As well as the vessels to which I have already referred, we have still to lay down an assault ship for the Admiralty and three vessels for Messrs Andrew Weir & Co. Ltd. Other vessels are under construction or fitting out both at Belfast and Glasgow.

INCREASE OF BORROWING POWERS

If the Company is to compete successfully with British and foreign shipbuilders it is essential that we should be in the same position as our major competitors to undertake the financing of contracts, wholly or in part, during their performance. The availability of credit is frequently the determining factor now in the placing of orders. The present borrowing powers of the Company are limited to the amount of the issued capital, which today represents rather less than the cost of two large tankers. It is therefore proposed to alter Article 85 with the purpose of increasing the limit of the Company's borrowing powers to three times the issued capital. Your Board in commending this change for your approval is satisfied that it represents an essential step to put the Company in a position to carry out existing contracts and to compete for new work.

In the matter of credit the recent financial stringency brought about by the general state of the country's external trade has been an added difficulty, and in these circumstances it is all the more satisfactory to record the willing and substantial support of the Company's bankers, which made possible the conclusion of the contracts for the two large vessels to which I have already referred.

We are pleased to welcome to the Board Mr A. O. Milne and Mr T. E. Murphy, executive officers of the Company, who were appointed Directors in July, 1961 and in March, 1962, respectively.

In conclusion, I take this opportunity to thank all members of our organisation for their loyal co-operation and service throughout the year.

The Report and Accounts were adopted; the proposed dividend was approved; the retiring Directors, namely, Mr A. O. Milne, Mr T. E. Murphy, Mr J. H. Crossey, Sir Andrew McCance and Mr W. T. Underwood were re-elected. The remuneration of the Company's Auditors, Messrs Price Waterhouse & Company was fixed.

The meeting passed unanimously a Special Resolution increasing the borrowing powers of the Company to three times the issued capital.

GILL & DUFFUS LIMITED

Statement by the Chairman, Mr. J. I. Murray, circulated with the Report and Accounts for the year ended 31st December, 1961.

During the past year trading conditions both at home and abroad were generally favourable and the group as a whole earned satisfactory profits. Not all the subsidiaries, however, increased their profits as compared with 1960 and of the total increase much the greatest contribution came from the parent company and Gill & Duffus Inc. The latter company had a particularly good year and it is, I am happy to say, continuing to build up its position in the American market. The group turnover on a tonnage basis showed a further increase, but on a value basis owing to lower prices it showed a reduction of £2 million at approximately £40 million.

Although the consolidated profit before tax showed an increase as compared with 1960 of £75,966, the consolidated net profit applicable to members fell by £11,953 to £351,737 as compared with £363,690 a year ago. In a company such as this where it has been the practice from time to time to write substantial sums off fixed assets and development expenditure the tax charge must vary somewhat from year to year. The charge for the past year looks high and it has, of course, been increased by the extra liability for profits tax and by the incidence of balancing charges and allowances. Some part of the latter increase should be recovered in future years.

DIVIDEND POLICY

In my statement last year I said we hoped that a more liberal dividend policy would be justified in the future and by recommending a dividend of 30% on the capital as increased a year ago, we have been able to give practical expression to this hope. Of the consolidated net profit applicable to members amounting to £351,737, the dividend on the preference shares and ordinary stock will take £197,210, leaving as surplus for the year £154,527. Deducting the amounts retained in and capitalised by subsidiary companies there remains to be carried forward to next year a balance of £1,232,291, of which £673,563 is retained by the parent company and £558,728 by subsidiaries. In spite of the increased dividend the company's cash flow is still substantial since retained earnings and depreciation for the past year amounted to £257,339. In addition development expenditure on the cashew nut plant at Hull was written down further.

The consolidated balance sheet shows the effect of the capitalisation issue made last year. Issued capital is increased by £206,250 and there is a corresponding decrease in the balance standing at the credit of share premium account. The company's financial position has once again been strengthened. The surplus of current assets over current liabilities was £3,112,926 as compared with £2,878,605 a year ago, an increase of £234,321 and bank advances at £861,513 show a reduction on the year of £793,601.

I am sorry to say serious engineering difficulties have been encountered—as so often happens with such projects—in connection with the plant for shelling cashew nuts. We are hopeful that these difficulties are now being overcome, but our plans have received a set-back. Up to date the operation has been a disappointment and from a financial angle has been substantially written off. The development of an entirely new automatic plant for such a process is always an extremely difficult business. However, a great deal has been learned from this project and despite the delay we have good hopes for its future.

The Ghana Government's policy in connection with a long-term agreement for the supply of cocoa beans to West African Mills Limited in Takoradi is once again under review. It is understandable in the light of constantly changing circumstances that the Government should at this stage be unable to commit itself for long to an agreement without reconsidering from a political angle its side of the bargain. The present position is that we have entered into contracts for the supply of cocoa beans sufficient to keep the mill in Takoradi working up to January 1963, so that the results for 1962 should show a reasonable profit as compared with a small loss for 1961. Meantime negotiations are again proceeding and given goodwill on both sides and a proper understanding of each other's problems we see no reason why a mutually satisfactory arrangement beyond this date should not be concluded. For our part we shall do everything we can to meet with respect the reasonable desires and aspirations of the Ghana Government.

PLANTATION AND COLONIAL PRODUCTS LTD.

As has already been announced the company has offered to buy for cash the whole of the issued capital of Plantation & Colonial Products Limited amounting to 350,000 shares of £1 each at a price of 67s. per share. This involves an investment of £1,172,500 in this highly successful private company, which it is intended to finance by the issue of £1,031,250 Convertible Unsecured Loan Stock 1980/85 to be offered as of right to our ordinary stockholders. Dealing internationally as it does mainly in cocoa, but also in other products such as rubber and coffee, Plantation and Colonial Products Limited fits naturally into our business. It also brings with it some relatively young yet highly skilled and proven management. We welcome this company and all its employees to our group and look forward to co-operating with them in every way. It will be our earnest endeavour to ensure that all the members of its staff continue to enjoy the same happy and secure working conditions as they have had in the past. It is intended that both companies will continue to operate independently but in order to assist in the co-ordination of administration, Sir Eric Tansley will be appointed Chairman of Plantation and Colonial Products Limited and Mr. R. G. McFall, a Director of that company, will be invited to become a Director of the parent company; both appointments to take effect when the arrangements are completed. Mr. Arnold Golodetz, of Plantation and Colonial Products Limited, has been asked to remain on the Board of that company. Our aim is to give all our customers still better service and at the same time we are confident that these arrangements will strengthen our organisation. They also constitute an important step in our policy of planned development and growth.

PROSPECTS PROMISING

Although it is too early to be definite the prospects for the current year are promising. The full effect of the purchase tax on confectionery cannot yet be gauged but, subject to some reservations regarding this tax and its effect on our trade in the United Kingdom, the prospects are still that 1962 will be another satisfactory year. A further statement will be made in November when the payment of an interim dividend is considered.

In conclusion I would like to express on behalf of all stockholders grateful thanks to the Directors and Staff both at home and abroad for their services in 1961 and for the great contribution which they have once again made to the company's progress and prosperity. This is not, I feel, a mere formality and I am sure that few bodies of stockholders and for that matter Chairmen can have been better or more loyally served.

BRITISH ISLES AND GENERAL INVESTMENT TRUST LIMITED

SIR DENYS LOWSON ON THE ECONOMIC OUTLOOK

In the course of his address, which has been circulated to shareholders, **Sir Denys Lowson, Bt,** says:

The revenue account shows that dividends and interest for the year ended January 31, 1962, amounted to £151,744, an increase of £12,639. We have prepared a revenue estimate for the ensuing year and barring unforeseen circumstances, we anticipate that the revenue will be well maintained.

Your Directors propose a final dividend of 8 per cent on the capital as increased by the Rights Issue last year, which, with the Interim dividend of 6 per cent makes 14 per cent for the year. This will leave surplus revenue of £14,629, which will thus allow the carry forward to be increased to £87,407.

Our investments with a book value of £1,437,886 have a market valuation of £2,612,370; thus showing an appreciation of 81.7 per cent. Your Company's portfolio of investments is widely distributed. Based on the valuation at January 31, 1962, 84.70 per cent of the investments are in Companies operating in Great Britain and the Commonwealth, 13.94 per cent in the United States of America and Canada, and 1.36 per cent in Central and South America and miscellaneous countries. Whilst as regards categories, 6.80 per cent is in bonds, debenture stocks and notes, 4.78 per cent in preference and preferred ordinary stocks and shares, and 88.42 per cent in ordinary and deferred ordinary stocks and shares.

During the year under review this country found itself in Balance of Payments difficulties. Since then there has been a substantial improvement, exports in fact rising by 4½ per cent and with imports falling by 2½ per cent the visible trade gap at the end of the year was reduced considerably.

At the present time approximately 50 per cent of our total exports go to the Commonwealth and the United States of America, and therefore are extremely vulnerable to changes of commodity prices and the economic climate of the United States. If, therefore, we are to have a sustained growth in the volume of our exports it is essential that we should find further new markets for our products. In addition we must bear in mind that the primary producing countries, with the development of their secondary industries will tend to rely less on the import of consumer goods, and will require goods more of a capital and scientific nature.

As regards the current year the outlook is encouraging; there has been a rise in exports for five consecutive months and the latest figures, seasonally adjusted, show that exports and re-exports rose by £5 million to £328 million, whilst imports increased by only £1 million to £359 million, reducing the visible trade gap to £31 million, which is the lowest for eight months. Furthermore, during 1961 increases in wages and costs were contained within a reasonable limit. Provided these can be prevented from moving ahead faster than increases in production the outlook would appear to be reasonably favourable which in turn should be reflected in company results and dividends.

REICHHOLD CHEMICALS LIMITED

TRADING CONDITIONS AFFECT PROFIT MARGINS

MR G. S. BACHE ON CURRENT YEAR'S PROSPECTS

The Tenth Annual General Meeting of Reichhold Chemicals Limited will be held on June 19th at the Abercom Rooms, Bishopsgate, London, E.C.2.

The following is the statement by the chairman, **Mr George Samuel Bache,** circulated with the report and accounts for the year ended December 31, 1961:

As many will recall we suffered a sad loss in the tragic death of our late Chairman, Mr W. H. Breuer, who was killed in a motor-car accident on April 26, 1961.

The Annual Accounts for the Tenth year are presented in established form and reflect the year's operation of our Group.

The pattern that obtained in the Chemical Industry during the second half of the year is well known and some sections of our Group were similarly affected, this having an unsatisfactory impact on Profit margins.

An Interim Dividend of 7½ per cent less Income Tax on the Ordinary Share Capital of the Company has been paid. A Final Dividend in respect of the year to December 31, 1961 of 15 per cent less Income Tax at the Standard Rate ruling on the date of payment is now recommended thus maintaining the 22½ per cent overall Dividend.

The Capital Expenditure programme of the operating Companies still requires us to "plough back" money each year, in addition to the provision we make for depreciation.

In view of the increased capacity in the allied chemical field and the competition now evident from Europe, the Directors have again decided to defer plans for the development of the Brockhampton site.

Our available facilities are adequate to take care of the present programme and it is proposed to place a further £75,000 to General Reserve.

THE SUBSIDIARIES

BECK, KOLLER & CO. (ENGLAND) LTD. In the last quarter keen competition mainly from the Continent developed, the result of the Credit Squeeze became more apparent (resulting in an increase in bad debts) and it became necessary to re-catalyse and also replace some part of the Phthalic Anhydride plant which resulted in an appreciably lower tonnage of Phthalic Anhydride being produced during the last quarter.

Unless anything unforeseen should occur the yield from the plant is anticipated to increase substantially in 1962.

Due to the inclement weather and delays in delivery of some essential parts of the Plant, plus teething troubles, the new modern Alkyd Resin Plant at Speke did not come on stream until early October. The enlarged capacity should enable us to cut production costs and materially assist in increasing the efficiency and economic working of the Factory.

The new extensions include specialised semi-production units which will facilitate the more rapid production of improved and newer resinous products.

In order to relieve congestion on the South Site a new Block of buildings was erected on the North Site named "Frodsham House."

This addition provided accommodation for the enlarged Despatch Department, a Beck, Koller Board Room and new offices for James Beadel & Co., Ltd.

VINYL PRODUCTS LTD. In spite of increased competition, sales were maintained and showed a slight increase over 1960.

A period of consolidation in the Carshalton Works has resulted in higher productive efficiency with a satisfactory impact on the profit level.

The Company derives increasing benefit from Royalties received from some twenty Licensees throughout the World although higher export sales would still be obtained if the Board of Trade decide to remove the Import duty on Vinyl Acetate Monomer.

The development of new products is vital to the future of the Company and in this connection a new type of acrylic copolymer emulsion has been developed which enables improved and economic water paints to be manufactured by the Paint Industry replacing Linseed Oil in the old type oil bound distemper paints.

VINATEX LTD. The move from Carshalton to Havant has been completed and the new Plant after an unparalleled series of delays and teething troubles is now operating satisfactorily. The heavy costs of transferring machinery and its installation, together with new Plant, coincided with a recession in the Consumer Industries and these, coupled with the development of fierce competition with drastic reductions in selling prices, resulted in a trading loss.

Vigorous steps have been taken to reduce expenditure without affecting efficiency and the situation is under constant review.

In order to broaden the scope of the Company's activities it was deemed expedient to take advantage of the existing sales coverage and technical service facilities by concluding an arrangement with the well-known North American Resin Manufacturers THE REXALL DRUG AND CHEMICAL CORPORATION of the U.S.A. for the distribution in the United Kingdom of their resinous Polymers which include Polystyrene, Polyethylene and at a later date Polypropylene.

GENERAL

During the year all Companies were obliged to absorb substantial increases in Direct Labour and Salary costs and repetitive demands for increases must inevitably militate against the Companies' ability to counter the competition arising from the privileged position enjoyed by importers of resinous products.

In this connection I would point out that imported resins attract import duty either on an Ad Valorem basis or by incurring Excise Duty for hydrocarbon oils and pay whichever may be the higher.

In the majority of cases the hydrocarbon oil duty (being higher) is paid but the domestic manufacturer is also obliged to pay the same hydrocarbon oil duty so that in effect the imported synthetic resins in the main are admitted "Duty free."

The Chancellor of the Exchequer has a strong case for the rectification of this anomaly under consideration and it is hoped that at long last some action will result in an amelioration of the difficulties arising from the U.K. Manufacturers being penalised in the Industrial usage of hydrocarbon oils.

Investment Allowances and Scientific Research afford a welcome relief particularly where a Company is engaged in a progressive development programme, such as your Group.

THE CURRENT YEAR

It is felt that the competition to which I have referred has now shown signs of levelling out and on a note of caution I would expect a progressive improvement during the current year. You will appreciate that it is extremely difficult to give any accurate forecast since during the year under review, in the first half the Beck, Koller Company was progressing extremely well but toward the end of the second half there was a marked decline for reasons explained. In the case of Vinyl Products Ltd., however, although in the first half of the year progress was slow there was a marked improvement during the second half which resulted in a satisfactory result at the end of the year.

We continue to enjoy full interchange of technical information with Reichhold Chemicals Inc., and their affiliate Companies throughout the World and the new products under license from Spencer Kellog & Sons, Inc., are now providing a welcome addition to the sales range of the Beck, Koller Company.

On March 10th a new suite of Offices was leased at Hillgate House, 26, Old Bailey, E.C.4, and provides excellent accommodation for Reichhold Chemicals Ltd., Beck Koller & Co. (England) Ltd., and James Beadel & Co. Ltd., London Offices.

Once again I am sure you would wish to associate yourselves with the tribute I am happy to pay on behalf of the Directors, to all Factory Employees, Technical and Administrative Staffs and Directors of Operating Companies for their loyalty and support during the very difficult period under review.

ZANDPAN GOLD MINING COMPANY LIMITED

(Incorporated in the Republic of South Africa)

CHAIRMAN'S SPEECH

The seventh annual general meeting of Zandpan Gold Mining Company Limited was held on May 21st in Johannesburg.

Mr B. L. Bernstein (the chairman), who presided, said:

Satisfactory progress is being made with the initial development programme which commenced at the end of March, 1962. Up to May 18th a total of 7,248 ft., all in country rock, had been accomplished and development is now proceeding at a rate of about 4,000 ft. per month. It is planned to increase this rate to about 7,000 ft. per month by the end of June 1962.

Work has so far been concentrated mainly on the provision of ore-pass, travelling-way and return airway facilities in the vicinity of the shaft on all levels between the 6,600 ft. and 7,250 ft. elevations. This work is nearing completion and a start has now been made with the advancement of exploratory development. Three main headings are planned, each equipped with twin airway facilities. One is being advanced south-west parallel with the strike of the reef in the general direction of borehole TL 29 on the 6,600 ft. horizon where reef is expected at about 600 ft. from the shaft. Another is being advanced eastwards on a line passing to the south of borehole Z 6 on the 7,100 ft. level where a reef intersection is expected at about 2,500 ft. from the shaft.

The third main heading is being advanced north-west on the 7,250 ft. level towards borehole TL 40 where it is expected to intersect reef at about 2,000 ft. from the shaft. Development in other directions will depend on the results obtained in these headings.

Some reef development is anticipated on the 6,600 ft. level during the current quarter and on the 7,100 and 7,250 ft. levels during the quarter ending September 1962.

It is hoped by the end of this year to have achieved about 60,000 ft. of development of which approximately 20,000 ft. could be on reef.

The only reef exposures to date are intersections which have been obtained during the course of the development of ore-passes and travelling-ways in close proximity to the shaft. The values obtained were of the same order as those obtained in the shaft intersection.

OPERATING COSTS

The cost of running the mine on the basis of the development programme to which I have referred will be about R330,000 per month. At the end of April we had about R4,000,000 of capital funds available and these funds will, therefore, last until about April 1963.

I would like to refer particularly to the haulage being advanced in an easterly direction on the 7,100 ft. level. The object of this haulage is not only to explore the south-eastern area of the mine, but to comply with the Mines and Works Regulations which require the provision of a second outlet to the Mine. As we are obviously not yet in a position to site, finance and commence sinking another shaft in order to comply with these regulations this requirement is being met by advancing this haulage eastwards with the object of connecting up, in due course, with a haulage from the No. 4 shaft of the Hartebeestfontein Gold Mining Company Limited. The Hartebeestfontein Company has agreed in principle to this proposal and details are being worked out at present. The distance between our shaft and the Hartebeestfontein No. 4 shaft is 15,000 ft. and the distance from our shaft to the boundary is 10,000 ft. Indications are that this haulage having intersected the Vaal reef about 2,500 ft. from the shaft, will continue in the footwall of the reef, and it will be possible to prospect the reef further to the east by means of underground drilling. Indications are that this holing could be completed by about June 1963.

PRODUCTION AND FINANCE

The decision to raise the additional capital which will be required to bring the mine to production must wait until adequate development has been carried out and we have more information as to values and conditions underground. Shareholders are aware that to bring the mine to production at 100,000 tons per month it will be necessary to provide additional capital to finance both the Reduction Works and a second shaft, estimated at approximately R15,000,000. The mine could be brought to production before the second shaft is completed by utilising the holing into the Hartebeestfontein workings as a second outlet should circumstances justify such a course, in which event the milling rate would then be limited to 70,000 tons per month until the second shaft was brought into use. At this stage I can give you no further indication as to the future programme. The Board's decision on these matters will be dependent on results of underground development and the condition of the capital market.

The motion for adoption of the Directors' Report and Accounts was seconded by Mr S. G. Menell, put to the Meeting and carried unanimously.

The retiring Directors were re-elected, the remuneration of the Auditors was fixed, and payment of their expenses was confirmed.

The Resolution for the adoption of new Articles of Association was passed as a Special Resolution.

G. D. PETERS & CO. LIMITED

SUBSTANTIALLY IMPROVED RESULTS

The fifty-third annual general meeting of G. D. Peters & Co. Limited was held on May 21st in London, **The Lord Inverforth** (the chairman) presiding.

The following is an extract from his circulated statement:

The Accounts for the fifty-two weeks ended 30th December last show Group profits of £216,507 against £119,735 for the previous year. After various adjustments there is left a Group Profit before taxation of £150,571 against £60,781. Your Directors recommend a Final Dividend, less Income Tax, of 5 per cent, making a total Dividend for the year of 7½ per cent.

The decided improvement shown in the profitability of your Company has been achieved notwithstanding the small export demand for vacuum brake cylinders and the cancellation by the British Transport Commission of its substantial vacuum brake contract with the Company.

This curtailment of demand for one of the Company's main products, and the consequent obsolescence of specialised plant has been a burden on our other activities and is the subject of a claim for compensation lodged with the British Transport Commission.

Having reviewed the satisfactory progress of the Group's interests at home and abroad, the chairman concluded:

The reorganisation announced last year has proved beneficial in administering the wide diverse activities of the Group, and I feel hopeful, provided there are no unforeseen circumstances, political or otherwise, that the results for 1962 will continue to show an improvement.

The report was adopted.

MAPLE & COMPANY LIMITED

GROUP'S STRENGTH AND BUOYANCY DEMONSTRATED

The seventy-second annual general meeting of Maple & Co. Limited was held on May 23rd in London, **Mr G. R. Holman,** President of the Company, presided.

The following is an extract from his circulated statement:

The Balance Sheet and Accounts reflect in figures the results of a rather difficult year. As you know, for a considerable part of 1961 we have had a severe Credit Squeeze, a Surcharge on Purchase Tax, and a Pay Pause. The fact that, despite these measures, our turnover and gross profits have shown modest increases and have exceeded all previous equivalent figures, demonstrates the buoyancy and strength of your Company, especially as during the period under review no additions have been made to the Group. Our wage bill and fixed overheads have perforce increased, and it is principally for this reason that our trading profits are somewhat lower than those achieved twelve months ago.

Your Company now has a wide geographical spread, and this has undoubtedly helped considerably to maintain turnover, for the reason that retail trade varies to a notable extent in different parts of the country.

The London departmental sales showed an increase once again, but these additional sales were not great enough in volume to counteract the unavoidably heavy extra operating expenses which we have experienced in so many directions.

Last year I mentioned your Company's reputation for quality, and it is worthy of note to record that whereas there has been a decrease in the sales of the less expensive merchandise and in the hire-purchase section, there has been an appreciable upward trend in nearly all our departments for the better and best quality goods.

Exports: These have constituted a "best-ever" and once again have been world wide.

Contracts: A further expansion in this section has taken place and indeed has been an important factor in our general increase in turnover.

Real Estate: Your Directors are always seeking opportunities for further expansion of the Company's activities, but they are very conscious of the necessity of obtaining only the right business at the right price.

The past year has on the whole been a disappointing one for the furniture and allied trades in general, and the various Government measures to which I have already referred have of necessity weighed particularly heavily on the line of business in which we are engaged. However, our equivalent net trading profits before tax were only £39,023 less on this occasion than the all-time record of last year, or just under 6 per cent, and over £100,000 greater than in 1960.

I can assure you that your business is in good shape and very much alive to obtain all possible orders. Furthermore, it is equipped and ready to take advantage of any easement in the current stringent situation.

The report was adopted and a total distribution of 17 per cent (same) approved.

E. POLLARD & CO. LIMITED

MARKED TRADING IMPROVEMENT

The 50th annual general meeting of E. Pollard & Co. Limited was held on May 23rd in London.

Mr H. Edward Pollard (Chairman and Managing Director) presided and, in the course of his speech, said:

The Consolidated Accounts for the year ended December 31, 1961, show that the Trading Profit for the year was £312,000 as compared with £183,000 for the previous year. The net Profit is £291,700 against £174,600. Income Tax and Profits Tax remove a further £148,600. It was £73,600 last year and after reflecting on the general business situation and in view of our increasing commitments the directors are proposing to repeat last year's rate of dividend and pay 12½ per cent again on the ordinary Shares of the Company.

The recovery in earnings is encouraging and particularly in the Shopfitting and Display sections of the business, which as I mentioned last year, was then depressing and difficult.

As regards Engineering, orders and production increased for all types of lift and shutters.

As regards the future, prospects are really much the same: we are faced with continually increasing overhead expenses, but we have a good start with our Work in Progress at over a million and a quarter pounds. Shopfitting and Display enquiries are steadier and in fact the demand for all our products is good, so that I feel that 1962 should be a satisfactory year.

The report was adopted.

ABERDARE HOLDINGS LIMITED

The 26th ordinary general meeting of Aberdare Holdings Limited was held on May 22nd in London, **Sir John Pascoe, BA** (the chairman), presiding. The following is an extract from his circulated review:

The consolidated Profit and Loss Account shows trading profits for the year of £743,534 as against £636,517 for the previous year. After an increased taxation charge of £394,196—the increase being £97,221—and writing off capitalisation expenses and other items of £8,142, the net profits of the Company amount to £352,489 as against £331,544.

We are recommending a final dividend of 8 per cent on the £2,252,757 capital now issued, which, with the 7½ per cent paid on the old capital, is equivalent to a total distribution for the year of 12.326 per cent on the enlarged capital.

Since the close of the financial year, the authorised capital of the Company has been increased to £3,000,000 and we have issued one share in three free and two new shares for five at 5s. per share. The proceeds of the issue amounting to £519,876 are being utilised in providing additional facilities at Aberdare Cables, an extension to one of the plants and the completing of equipment in the new research building at Blackwood, Monmouthshire.

With all our factories having satisfactory order books, we have every reason to expect—barring any events over which we have no control—that the results for the coming year will be at least equal to those of the year under review.

The report was adopted.

BRITISH ROPES

The World's largest manufacturers of wire, rope and cordage

Extracts from the Report and Accounts for 1961 and from Mr. Harry Smith's statement to the Stockholders.

TRADING CONDITIONS generally deteriorated. We also had to face non-recurring costs in establishing overseas factories and in reorganising certain subsidiary companies at home. Predicted demand was upset by sudden changes in Government policy.

PROSPECTS. In 1962 we would be sensitive to any further decline in volume or margins: on the other hand we should certainly feel some of the benefits of our overseas investments and reorganisation at home, although not the full benefits. Any general increase in world trade, coupled with our own programme of cost reduction, should bring a substantial improvement in our results.

	1961	1960	1959
		£ thousands	
Total Group Sales	26,465	27,010	23,877
Issued Capital	11,061	11,061	5,455
Group Net Assets	20,566	20,462	17,773
Group Profit—gross	2,048	2,701	2,543
Profit after Tax	1,001	1,349	1,311
Dividends	642	629	581

The Directors' Report and Accounts are obtainable from: The Secretary, British Ropes Ltd., Doncaster, England.

NORTH BRITISH & MERCANTILE INSURANCE

RECORD VOLUME OF NEW LIFE BUSINESS

MR CYRIL H. KLEINWORT'S STATEMENT

The 152nd Annual General Meeting of North British & Mercantile Insurance Company Limited was held on May 17th in Edinburgh.

The following are extracts from the statement issued to the shareholders by **Mr Cyril H. Kleinwort,** Chairman of the General Court of Directors, in connection with the accounts for the year ended December 31, 1961:

I am sorry to say that two of our colleagues, The Honourable Arthur Q. Crichton and The Right Honourable The Earl of Selborne, PC, CH, who are both due to retire by rotation this year, have decided not to offer themselves for re-election. Mr R. G. Harman, who became General Manager in July, 1954, is retiring at the end of May and he has accepted our invitation to join the General Court on his retirement.

Turning now to our Accounts for the past year, there has been some rearrangement of the Fire and Accident business of the "Commercial Union"/"North British" Group in the United States of America which is now pooled amongst all our various Companies there. This has resulted in a decrease in the "North British" Group share of the Fire income and an increase in the share of the Casualty premiums.

FIRE DEPARTMENT

The total Fire premiums at £16,975,500 show a reduction of £2,103,539 during the year following the readjustment in the United States and losses at £10,081,743 are down by £694,763.

After adjustment of the Provision for Unexpired Risks on the usual 50 per cent basis, the loss on the year's working amounts to £989,067, 5.83 per cent of premiums.

CASUALTY DEPARTMENT

Total Casualty premiums were £16,744,572, an increase of £4,065,661 over the 1960 figure of £12,678,911, which is, of course, principally accounted for by the alteration in the United States. Total claims incurred were £10,829,543, an increase of £3,622,396, the percentage of claims to premiums being 64 per cent compared with 56.8 per cent for 1960.

After adjusting the Provision for Unexpired Risks on the usual basis there is an underwriting loss of £130,570, .78 per cent of premiums compared with an underwriting loss of £54,527, .43 per cent of premiums for 1960.

MARINE DEPARMENT

Our premium income shows a small decrease of £79,688, compared with 1960. It has been affected by a number of factors such as a fall in ship values, breaking-up of old tonnage, and lower rates for international business as a result of intense competition.

The Marine Account has continued to be satisfactory partly owing to the 1959 underwriting year having been extraordinarily free of major casualties. We have transferred a profit of £309,009 to Profit and Loss Account.

LIFE DEPARTMENT

Once again the Life Department wrote new business for a record volume of sums assured, the amount retained at our own risk in 1961 being £26,259,613—an increase of 15 per cent over 1960.

The gross rate of interest earned on the Life Fund in 1961 was £6 1s. 3d. per cent compared with £5 16s. 6d. per cent in 1960. The level of our Life expenses remains virtually unchanged, although—as a consequence of the adjustment already referred to—the ratio of expenses to premium income has the appearance of having altered considerably.

Our rates of premium have been kept under review and a number of downward adjustments have been made.

INVESTMENTS

The year 1961 again witnessed high interest rates on long term fixed interest securities. Whilst opportunity was taken to obtain the maximum advantage of these rates we were at the same time faced with further substantial falls in market prices of fixed interest securities during the course of the year. However, thanks to the substantial Equity holdings which we had acquired in earlier times—and these were added to during the year whenever we could do so on favourable terms—the market value of our investments remains substantially above the book value at December 31st last.

PROFIT AND LOSS ACCOUNT

The results of our operations for the year 1961 are summarised in this Account. Interest, Dividends and Rents amounting to £2,703,244 show an increase during the past year of £256,612. The operations in the Fire, Accident and Marine Departments resulted in a net loss of £810,628. After taking credit for an amount of £108,598 representing one-fourth of the shareholders' profit from the Life Branch 1959 valuation, charging taxation amounting in all to £965,770 and making provision for the usual transfers to the Staff and Widows' Pension Funds, the balance available is £724,719.

It is proposed to maintain the dividend at 2s. 6d. per share of which 1s. 3d. is being paid as an interim dividend. The total dividend of 2s. 6d. per share with the dividend on the Preference Stock, will absorb £885,062 and leave a balance on Profit and Loss Account to be carried forward of £13,414,182.

The report and accounts were adopted.

APPOINTMENTS

CITY OF OXFORD EDUCATION COMMITTEE

COLLEGE OF TECHNOLOGY

Required in September next:
SENIOR LECTURER IN ECONOMICS and related subjects for established full-time and part-time courses for B.Sc. (Econ.).
LECTURER in MANAGEMENT STUDIES with good qualifications in the field of Applied Economics and industrial relations and with some industrial experience.
Facilities for research available.
Salaries: Burnham Technical Scale—Senior Lecturer, £1,500 to £2,000; Lecturer, £1,000 to £1,800 per annum.
Further particulars and application form which should be returned by June 9th, can be obtained from the Principal, College of Technology, Headington, Oxford. Stamped addressed envelope required.

UNIVERSITY OF CAMBRIDGE

The Faculty of Economics and Politics wish to appoint an Assistant in Statistical Research to assist the teaching staff of the Faculty. Applicants should possess either an honours degree in Economics with some statistical training or appropriate statistical experience. The stipend will be in the range £750-£1,000 per year. Further details may be obtained from the Secretary, Faculty of Economics, Sidgwick Avenue, Cambridge, to whom applications should be sent by 20th June, 1962.

THE DURHAM COLLEGES

IN THE UNIVERSITY OF DURHAM

The Department of Social Studies is to undertake a study of services for old people in the North East. Applications are invited from graduates for two research posts. Salaries will be within the range £700-£1,850. The appointments will be for one year, renewable for periods of up to three years.
Applications (three copies), together with the names of three referees, should be sent not later than June 18, 1962, to the Registrar and Secretary, 38 North Bailey, Durham, from whom further particulars may be obtained.

UNIVERSITY OF LONDON

CHAIR OF PUBLIC ADMINISTRATION AT THE LONDON SCHOOL OF ECONOMICS

The Senate invite applications for the Chair of Public Administration tenable at the London School of Economics and Political Science (salary not less than £2,600 a year plus £100 London Allowance). Applications (10 copies) must be received not later than June 22, 1962, by the Academic Registrar, University of London, Senate House, W.C.1, from whom further particulars may be obtained.

UNIVERSITY COLLEGE OF RHODESIA AND NYASALAND

Applications are invited for Lectureships or Assistant Lectureships in the following subjects: ACCOUNTANCY, GOVERNMENT, ECONOMICS, SOCIAL ANTHROPOLOGY
Salary scales: Lecturer, Grade I, £1,880 x £80—£2,200 per annum; Grade II, £1,480 x £70—£1,800 per annum. Assistant Lecturer, £1,200 x £50—£1,350 per annum. Passages to Salisbury for appointee, wife and dependent children on appointment, with allowance for transport of effects. Installation grant of £100 in addition for persons recruited from outside Africa. Superannuation and Medical Aid schemes. Unfurnished accommodation at rent of 15 per cent of salary. Assistance given for triennial visits overseas. Detailed applications (6 copies) naming 3 referees by June 30, 1962, to Secretary, Inter-University Council for Higher Education Overseas, 29 Woburn Square, London, W.C.1, from whom further particulars may be obtained.

OXFORD UNIVERSITY

INSTITUTE OF STATISTICS

Applications are invited for junior research posts in applied economics. Candidates should have a good degree in economics or statistics. The salary will be according to age and qualifications in the range £750-£1,250 per annum. Posts are superannuable and an allowance of £50 per child is paid.—Application forms may be obtained from the Secretary of the Institute, St. Cross Road, Oxford. Closing date 9th June, 1962.

THE UNIVERSITY OF SOUTHAMPTON

Faculty of Social Sciences. Applications are invited for the post of Lecturer or Assistant Lecturer in Politics. Candidates should have a special interest in political theory or the history of political ideas. Salary scales: Lecturer £1,050 x £50—£1,400 x £75—£1,850 with an efficiency bar at £1,475. Assistant Lecturer £800 x £50—£950. These scales are expected to be revised shortly. The initial salary will depend on qualifications and experience.—Further particulars should be obtained from the Secretary and Registrar, The University, Southampton, to whom applications (7 copies from United Kingdom applicants) should be sent not later than June 15, 1962.

UNIVERSITY OF ABERDEEN

DEPARTMENT OF STATISTICS

Applications are invited for the post of LECTURER or ASSISTANT with special interest in economic statistics and econometrics. Salary on Lecturers' scale £1,150-£1,900; on Assistants' scale £900-£1,050 with F.S.S.U., child allowance and removal allowance. Placing according to qualifications and experience.
Further particulars from the Secretary, The University, Aberdeen, with whom applications (8 copies; Lecturer; 6 copies, Assistant) should be lodged not later than June 16, 1962.

THE DURHAM COLLEGES

IN THE UNIVERSITY OF DURHAM

The Department of Social Studies is to undertake a study of social and economic conditions and planning problems in County Durham. Applications are invited from graduates in economics, sociology, geography, town and country planning and related fields for two research posts. Salaries will be within the range £700-£1,850. The appointments will be for one year renewable for periods of up to three to five years.
Applications (three copies) together with the names of three referees, should be sent not later than June 18, 1962, to the Registrar and Secretary, 38 North Bailey, Durham, from whom further particulars may be obtained.

DERBY AND DISTRICT COLLEGE OF TECHNOLOGY

Principal: T. Heap, Ph.D., M.Sc., F.R.I.C., A.M.I.E.M.

Applications are invited for the post of LECTURER IN MANAGEMENT STUDIES AND INDUSTRIAL ADMINISTRATION. Duties to commence in September, 1962, or as soon as possible thereafter.
Applicants should have a degree or equivalent professional qualifications and industrial and teaching experience.
Salary in accordance with the 1961 Burnham Scale for Lecturers, viz. £1,600 x £40—£1,800.
Application form, returnable by June 6th, and further particulars may be obtained from the Registrar, Derby and District College of Technology, Kedleston Road, Derby.

For further appointments and other classified advertisements see pages 850, 851 & 852

UNIVERSITY OF SYDNEY

LECTURESHIP AND LECTURESHIP/SENIOR LECTURESHIP IN ECONOMICS

Applications are invited for the positions of Lecturer and Lecturer/Senior Lecturer in Economics.
The salary for a Senior Lecturer is within the range £A2,550 x £95—£3,000 per annum; for a Lecturer within the range £A1,730 x £105—£2,435 per annum. In each case cost of living adjustments will be allowed (at present £A24 per annum). The salary is subject to deductions under the State Superannuation Act. The commencing salary will be fixed according to the qualifications and experience of the successful applicant.
Under the Staff Members' Housing Scheme in cases approved by the University and its Bankers, married men may be assisted by loans to purchase a house.
Further particulars and information as to the method of application may be obtained from the Secretary, Association of Universities of the British Commonwealth (Branch Office), Marlborough House, Pall Mall, London, S.W.1.
Applications close in Australia and London on *July 6, 1962.*

APPOINTMENTS

ASSISTANT FINANCIAL COMPTROLLER

BRITISH OVERSEAS AIRWAYS CORPORATION

are seeking a Chartered Accountant with good industrial experience for the above senior staff post which is at their London Airport headquarters.

He will assist the Financial Comptroller in all aspects of his responsibility to the Managing Director for the financial and economic management of B.O.A.C. and for the provision of efficient accounting services throughout the Corporation.

He must be aged 35 to 45 and should preferably hold a University degree in the economics field. He must possess ability to express financial and economic facts in simple language for management purposes and have had considerable practical experience of management accounting and costing.

The salary will depend on qualifications and experience but about £4,000 per annum is envisaged.

Applications should be addressed to the Secretary, B.O.A.C. Headquarters, London Airport, Hounslow, Middlesex, and all envelopes should be marked Private—STD.

SOCIAL SURVEY IN ADEN

The Government of Aden require an experienced sociologist with a knowledge of Arabic to undertake a social survey of Aden. The primary purpose would be to obtain basic information on movements of population, labour conditions, wages, housing, etc. The study, which would take about fifteen months, would involve mainly field work, and the officer appointed would be given the close co-operation of Government field staff.—Further particulars from the Department of Technical Co-operation, Sanctuary Buildings, Great Smith Street, S.W.1. Reference RF 24/2101.

ASSISTANT INVESTMENT MANAGER required for expanding Pension Fund of leading industrial company in London. Considerable ability in investment research looked for including company analysis and knowledge of institutional investment requirements. Age 28-40. Preference will be given to candidates with a professional qualification together with experience gained from previous employment in a Pension Fund, Merchant Bank or Stockbrokers' Office. Pension scheme and wide range of employee benefits.—Applications, quoting IM 4468, with full details, to Box 1626.

INTERNATIONAL PUBLICATION. City—Vacancy occurs for young economics graduate with proved writing ability. Languages. Five-day week, pension fund.—Write, Box 1628.

MARKET RESEARCH MANAGER

of an international food manufacturer requires an

ASSISTANT

who will be capable of taking responsibility for research into a number of the Company's existing products and development lines.

Applications from men or women age 24-30 preferably with at least two years' Market Research experience are invited. Salary in range £800-£1,100 plus substantial bonus. Pension Life Assurance benefits.—Replies to Box 1622.

THE WOOL TEXTILE INDUSTRY

The Wool Textile Delegation and Wool (& Allied) Textile Employers' Council, jointly based in Bradford, desire to fill the vacancy of Secretary General. This is an important post covering Internal Administration, Public Relations and Government Department Contacts. The successful applicant will be expected to carry great responsibility for which the salary with pension, will be commensurate.

Apply:

The Chairman,
Wool Textile Delegation,
Lloyds Bank Chambers,
Hustlergate,
BRADFORD, 1.
Yorkshire.

KINGSTON UPON HULL EDUCATION COMMITTEE

COLLEGE OF COMMERCE
Principal: P. Barber, M.A.

Required for September, 1962, LECTURER IN FACTORY MANAGEMENT in the Department of Management Studies, to lecture in Factory Management, Work Study and allied subjects in the courses leading to the Post Graduate Diploma in Management and H.N.C. and H.N.D. in Business Studies.

Candidates should possess a University Degree in Economics, Commerce or Administration and/or be a corporate member of an appropriate professional institution and have had practical industrial management experience. Familiarity with current methods in management education would be an added attraction.

Salary: Burnham Technical Scale, £1,600 by £40 (5) to £1,800 per annum.

Further particulars and application forms, to be returned as soon as possible, may be obtained from the Chief Education Officer, Guildhall, Kingston upon Hull.

UNIVERSITY OF KHARTOUM

FACULTY OF ECONOMIC AND SOCIAL STUDIES

Applications are invited for the post of Professor of Economics in the Department of Economics.

Salary: Professor—£S.2,760.

Cost of living allowance approximately £S.180 per annum at present. Outfit allowance £S.50. Family allowances: Wife: £S.60 per annum; first child, £S.90 per annum; second and third child, £S.30 per annum each (£S.1=£1 0s. 6d. sterling). Passages for appointee and family on appointment, termination and annual leave. There is a superannuation scheme, and arrangements can be made to maintain F.S.S.U. policies. Direct appointment on contract normally for five years with possibility of renewal (secondment welcomed if possible). Unfurnished accommodation provided at rent (excluding rates) up to 7½ per cent. of salary.

Applications (10 copies), detailing qualifications and experience, and naming three referees, by June 15, 1962, to Registrar, University of Khartoum, c/o Inter-University Council for Higher Education Overseas, 29 Woburn Square, London, W.C.1, from whom further particulars may be obtained.

GENERAL MANAGER

LIVINGSTON DEVELOPMENT CORPORATION

APPOINTMENT OF GENERAL MANAGER

Applications are invited for the post of GENERAL MANAGER to the LIVINGSTON DEVELOPMENT CORPORATION. The General Manager will be in complete charge of the Development Corporation's organisation and the qualifications necessary are considerable administrative experience, outstanding initiative and proved organising ability. Technical qualifications of a specialised nature are not essential, but administrative experience of the technical problems associated with the planning and development of a project of this character would be a considerable advantage.

The salary range for the post will be £3,900-£4,500 per annum and the initial salary payable will depend upon qualifications and experience of the successful applicant.

The post will be superannuable either under the Local Government Superannuation (Scotland) Act, 1937, and the Local Government Superannuation Act, 1953, or under the New Towns Pensions Scheme.

Canvassing, directly or indirectly, of the members of the Development Corporation will constitute an absolute disqualification.

Applications, containing full details of the candidate's age, qualifications and experience, together with the names and addresses of referees, should be submitted in twelve copies to the undersigned not later than June 5, 1962. Envelopes should be marked "General Manager."

There is no prescribed form of application.

THE CHAIRMAN,
LIVINGSTON DEVELOPMENT CORPORATION,
YORK BUILDINGS,
QUEEN STREET,
EDINBURGH

BOARD OF TRADE

BANKRUPTCY EXAMINERS

The Bankruptcy and Companies (Official Receivers) Service has vacancies for 50 Examiners (men or women). The work involves investigating the affairs of companies in compulsory liquidation and of partnerships and individuals in bankruptcy, and should appeal to those with an insight into human nature and a liking for an active life in the world of affairs. An accurate appreciation of words and legal connotations, and the ability to grasp the significance of a balance sheet and account books, are essential.

Applicants must be at least 20 on 1st June, 1962, and must have passed *either* (i) the Intermediate Examination of the Institute of Chartered Accountants (England and Wales, Scotland, or Ireland), the Association of Certified and Corporate Accountants, or the Society of Incorporated Accountants; *or* (ii) the Final Examination of the Chartered Institute of Secretaries or the Corporation of Secretaries.

Starting salary in Inner London for successful candidates aged 20-24 ranges from £936 to £1,293 according to age; for those aged 25 or over it ranges from £820 to £1,090, depending on qualifications and experience. The maximum of the scale (Inner London) is £1,490, but there are prospects of promotion to posts carrying salaries well above £2,000. All posts are pensionable.

For further information and an application form, write to Civil Service Commission, Burlington Gardens, London, W.1, quoting 24/1162/13A. Closing date 15th June, 1962.

MIDLANDS ELECTRICITY BOARD

PRINCIPAL ASSISTANT (ORGANISATION AND METHODS)

Applications are invited from suitably qualified persons for the above appointment in the Chief Accountant's Department at Headquarters.

Applicants should have experience in office organisation and methods and some knowledge of mechanised accounting, including punched card machines.

Salary within the range of £1,530/£1,650 per annum (N.J.C. Grade 9). Superannuable.

Applications, giving full details of qualifications, age, experience and present salary, should be forwarded, within 14 days, to the Secretary, Midlands Electricity Board, Mucklow Hill, Halesowen, Nr. Birmingham.

F. W. CATER,
Secretary.

UNIVERSITY OF CAMBRIDGE

DEPARTMENT OF APPLIED ECONOMICS

Applications are invited for an appointment which it is hoped to make, from October 1, 1962, in connection with research into the Growth of Public Quoted Companies and its Finance. The appointment, which will be for two years in the first instance, will be in the Junior Research Officer grade, and will carry a pensionable stipend related to age and experience ranging from £750 by £50 to £1,000 a year. Applicants should have at least a good second-class honours degree in economics or statistics. A non-pensionable allowance of £50 a year is payable for each dependent child under sixteen years of age or receiving full-time education. A limited contribution may be made towards removal and travelling expenses. Applications, giving details of academical qualifications and experience, together with names of two referees, should reach the Director, Department of Applied Economics, Sidgwick Avenue, Cambridge, by June 20, 1962.

RTB

OPERATIONAL RESEARCH DEPARTMENT

MATHEMATICAL STATISTICIAN

We now need a man, aged up to about 25, who has either a good Honours degree in Statistics, or a first degree in Maths, and a postgraduate qualification in Statistics.

The Company is one of the largest steel producers in the country and has works in Lincolnshire, Monmouthshire, the Midlands and West Wales, and will shortly commission Europe's most advanced strip mill at Newport, Mon. The Operational Research Department was formed in 1956 and now has a project staff of more than 20 graduates representing mathematics, statistics, economics, physics, chemistry and engineering. We have adequate library and electronic computing facilities.

The department is tackling some challenging projects in the field of optimisation and control, both of individual processes and integrated production systems. There are also studies of a "strategic" nature. The work combines intellectual interest with the stimulus of practical application, and the atmosphere is congenial. The present vacancy is for a man to help study and develop *adaptive* methods of control. This will call for application of the latest statistical techniques and may require the development of new ones. In view of this, we have in mind that the man appointed would probably specialise in this field for his first 18 months, with the opportunity to move into general operational research work after that.

The department is based mainly in Monmouthshire amid a unique combination of the Welsh mountains, the Usk and Wye valleys and the Bristol Channel. Cardiff and Bristol are within easy reach and London is only 2½ hours away by train. Salaries are competitive.

For further information on the Company, the department and on operational research as a career, please write, giving brief details of your age, qualifications and experience, to:

The Manager, Operational Research Department,
RICHARD THOMAS & BALDWINS LIMITED,
33/34 Commercial Street, Newport, Mon.

THE DISTILLERS COMPANY LIMITED

ECONOMISTS

Vacancies for experienced economists exist at various levels in the London headquarters of the Industrial Group of The Distillers Company Limited.

Successful applicants will join a small team of economists whose main duties are to advise senior management on current economic trends, both at home and overseas, and on the future expansion of the chemical and related industries and of such other industries as may be specified from time to time. These posts carry attractive prospects for progress both within the headquarters of the Industrial Group and in the operating Divisions of the Company.

Candidates for these appointments, aged between 27 and 40, must hold good honours degrees in economics. A working knowledge of either statistics or of the principles of management accounting would be an advantage, as would a sound knowledge of one or two European languages. An appreciation of present-day economic affairs is essential; although several years of practical experience of this type of work in the chemical or allied industries is desirable, applications will also be welcomed from those with appropriate experience of other industrial or commercial activities.

Write: STAFF MANAGER,
THE DISTILLERS COMPANY LIMITED,
21/22 BOLTON STREET, LONDON, W.1.

Quote Reference: 256 EC.

UNIVERSITY OF READING

Applications are invited for a lectureship and an Assistant Lectureship in Economics in the Department of Political Economy.

Further particulars may be obtained from the Registrar (Room 22, O.R.B.), The University, Reading, by whom applications should be received by June 16, 1962.

CHIEF FINANCE OFFICER

LIVINGSTON DEVELOPMENT CORPORATION

APPOINTMENT OF CHIEF FINANCE OFFICER

Applications are invited for the post of CHIEF FINANCE OFFICER to the LIVINGSTON DEVELOPMENT CORPORATION.

The salary range for the post will be £2,700-£3,400 per annum and the initial salary payable will depend upon qualifications and experience of the successful applicant.

The post will be superannuable either under the Local Government Superannuation (Scotland) Act, 1937, and the Local Government Superannuation Act, 1953, or under the New Towns Pensions Scheme.

Canvassing, directly or indirectly, of the members of the Development Corporation will constitute an absolute disqualification.

Applications, containing full details of the candidate's age, qualifications and experience, together with the names and addresses of referees, should be submitted in twelve copies to the undersigned not later than June 15, 1962. Envelopes should be marked "Chief Finance Officer."

There is no prescribed form of application.

THE CHAIRMAN,
LIVINGSTON DEVELOPMENT CORPORATION,
YORK BUILDINGS,
QUEEN STREET,
EDINBURGH.

For further appointments and other classified advertisements see pages 849 and 852.

ABBOTSHOLME SCHOOL

Applications are invited for the post of Bursar which comes vacant towards the end of 1962. Salary according to experience aged qualifications. Married accommodation available. Experience in administration, accountancy, property management desirable.—For further particulars, apply Headmaster, Abbotsholme School, Rocester, Uttoxeter, Staffordshire.

STATISTICIANS

especially if they have recently graduated, or are about to graduate this year, are offered an opportunity of joining the Statistical Studies section at the National Coal Board's London Headquarters. The successful candidate will assist in analysing and interpreting a wide range of statistics for the guidance of management. The work calls for application of all the main statistical techniques, and at the same time affords an insight into some of the major problems of a major industry. Candidates should have a degree in statistics, or in an associated field with statistics as a major subject, or other appropriate statistical qualifications. Pay and prospects of promotion are good. Please write for application form to Headquarters Staff Manager (X.2578C), N.C.B., Hobart House, Grosvenor Place, S.W.1.

THE ECONOMIST AND THE ECONOMIST INTELLIGENCE UNIT

Group Chief Accountant

A Chartered Accountant is required for appointment as Group Chief Accountant to the Group of Companies including The Economist and the Economist Intelligence Unit.

He will be responsible for all accounting functions of the Group. The Accounts Department, which is centralised, has recently been completely reorganised.

He must have a good educational background, good commercial experience, a knowledge of modern office procedures and equipment, and a knowledge of Management Accounting.

His age should be between 30 and 45. Salary will depend on experience but applicants will not be considered unless they are earning £2,000 now. There is a good contributory pension scheme, canteen, provident and bonus schemes and four weeks holiday.

This is an attractive post in a lively and expanding organisation. Good prospects exist for development and financial advancement; therefore it will be essential for the person appointed to develop a real interest in the business.

Write in confidence to the Secretary,
The Economist Newspaper Ltd., 22 Ryder Street, London, S.W.1.

THE ROYAL COLLEGE OF SCIENCE AND TECHNOLOGY, GLASGOW

(Affiliated to the University of Glasgow)

CHAIR OF INDUSTRIAL ADMINISTRATION

The Governors invite applications for the Chair of Industrial Administration. The salary attached to the Chair is within the range £2,700-£3,100. Particulars of the appointment and forms of application may be obtained from the Secretary, George Street, Glasgow, C.1.

THE LONDON SCHOOL OF ECONOMICS AND POLITICAL SCIENCE invites applications from graduates for an appointment to an Assistantship in the Bursar's Department. The successful candidate will be required to assist the Bursar in some part of his duties, which include responsibility for the work of the Building Committee, the planning and control of building operations, and the purchase of furniture and equipment. The starting salary will be not less than £900 nor more than £1,400 a year, plus £60 a year London Allowance, with F.S.S.U. benefits and family allowance.

Further particulars should be obtained from the Assistant Secretary, The London School of Economics, Houghton Street, Aldwych, London, W.C.2.

FORD OF BRITAIN

COST ANALYSTS

Ford of Britain is in the middle of a major expansion programme designed to place the Company in a position to meet the challenge of world markets. In 1962 alone capital expenditure is planned at over £40 million. This massive programme will be successful only if operating costs are controlled to a competitive level and, to ensure this, the various control systems employed in the Company are being strengthened. As a consequence there are now a number of exceptional opportunities for experienced cost analysts.

Applications are invited from men aged 25-35 who have had several years' experience in an engineering industry on cost control or related work. An accounting or engineering background is probably the most suitable but graduates and others with relevant experience will be considered. The work is constructive and there is unlimited scope for individual initiative. Prospects will not be limited to the finance field as the Company management development policy ensures that men of high general ability are detected and advanced as rapidly as their capacity can sustain. Salary and promotion therefore depend entirely on ability.

Applicants are invited to send personal details, including age, qualifications, experience and approximate salary required (marking envelopes "Ref. A6A") to:

Mr. P. G. Slip, Recruitment and Placement,
Ford Motor Company Limited, Dagenham, Essex.

APPOINTMENTS SELECTION LIMITED



have been retained to advise on the following appointment:

CAREER OVERSEAS

for

Chartered Secretary

A large Tin Mining Group with Head Office in London requires a Secretary for the Group's companies in Malaya. Applications for this appointment are invited from Chartered Secretaries in the middle thirties.

It is essential that candidates should have had experience in company secretarial, management and administrative functions.

The starting salary for a three-year contract, with a substantial annual increment, will be about £2,500 p.a. plus generous marriage, leave and passage allowances, a provident fund and pension scheme.

Will prospective candidates please apply, giving a detailed curriculum vitae and quoting Reference CS/OT.4, to

APPOINTMENTS SELECTION LIMITED
PEMBERTON HOUSE, PEMBERTON ROW, LONDON, E.C.4

The strictest confidence is observed with all communications.

FINANCIAL NOTICE

FARBWERKE

HOECHST

AKTIENGESELLSCHAFT

vormals Meister Lucius & Brüning

FRANKFURT (MAIN)

Payment of Dividend

NOTICE IS GIVEN to shareholders that following a resolution passed at the Annual General Meeting of shareholders held on 17th May 1962 a dividend for the year ended 31st December 1961 will be paid as from 18th May 1962 as follows

share certificates per DM 100.....	DM	18.00
less German Capital Yields Tax of 25%.....	DM	4.50
	DM	13.50

against delivery of Coupon No. 11 or lodgment of London Deposit Certificates for marking.

Coupon No. 11 or the London Deposit Certificates may be presented as from 18th May 1962 to

S. G. Warburg & Company Limited,
30 Gresham Street, London, E. C. 2.

from whom listing forms can be obtained for completion in duplicate.

Coupons will be paid at the rate of exchange on day of presentation.

Payments made on London Deposit Certificates will be made at the rate of exchange on the day of receipt of dividend on equivalent shares deposited in Germany.

United Kingdom Income Tax will be deducted at the rate of 4s. 9d. in the £ unless claims are accompanied by an affidavit.

German Capital Yields Tax deducted in excess of 15% is recoverable by United Kingdom residents and the Company's United Kingdom Paying Agent will provide the authorised depositories with the appropriate forms for such recovery.

Frankfurt (M)-Hoechst, 18th May, 1962

THE BOARD OF MANAGEMENT

ECONOMIST

The Wiggins Teape Group requires a Male Economist, aged 30/35, to head the Economic Research and Sales Reporting Sections of their Statistical Department at Gateway House, 1 Watling Street, E.C.4.
Applicants for this responsible appointment should have a good Honours degree and at least five years' appropriate experience. They are invited to write to Personnel Department, giving particulars of education, experience and remuneration.

NOTTINGHAM CO-OPERATIVE SOCIETY, LTD. invites applications for the position of Public Relations Officer.
Applicants should have practical experience of marketing, publicity and press work, and consumer education. The successful applicant will be required to assume final responsibility for the work of the educational department. Professional qualifications must be produced.
Superannuation Scheme, with transfer clause, in operation.
Application forms are obtainable from the Managing Secretary, Sutton-in-Ashfield Co-operative Society, Ltd., 245, Derby Road, Lenton, Nottingham. The closing date for receiving applications is Saturday, June 16, 1962.

A YOUNG graduate economic statistician is required immediately by the Totbill Press. The successful candidate must be able to interpret statistics and make coherent analysis and reports. Some acquaintance with punched-card systems is desirable.
Particulars, including age, qualifications and experience, to K. L. Cohen, Research Manager, Totbill Press Limited, 33, Totbill Street, London, S.W.1.

APPOINTMENT REQUIRED

FRENCHMAN, 39, in high administrative post, graduate Sciences Politiques, law and business administration degrees, perfect English, specialised knowledge of market research (Common Market, EURATOM), of the European outlook and of world affairs, seeks position as Assistant to Managing Director or in University or Economic Research Centre, where his capacity for concrete achievement will be challenged.
Excellent personal, family and professional references.
Write Box E.5.012, CONTESSE Publicité, 20 avenue de l'Opéra, Paris 1er.

BUSINESS AND PERSONAL

INSURANCE BROKERS AT LLOYD'S of long standing and with facilities for the efficient handling of all classes of business wish to form an association with a merchant banking house. Replies will be treated in the strictest confidence.—Box 1623.

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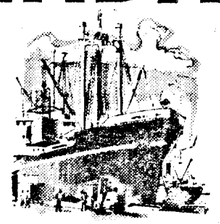
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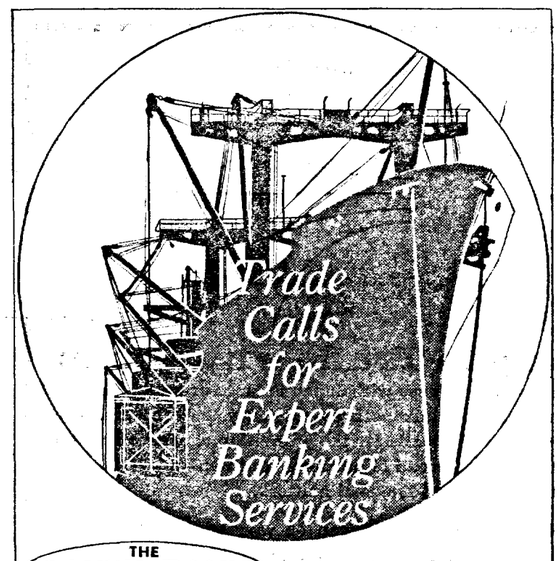
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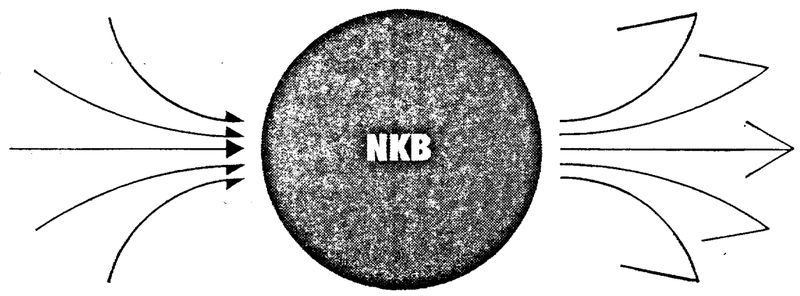
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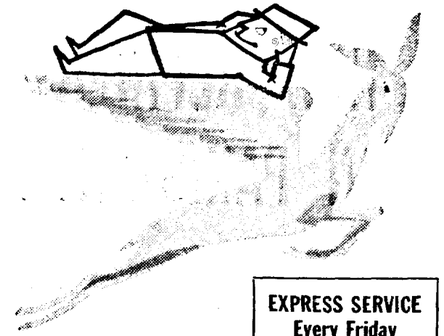
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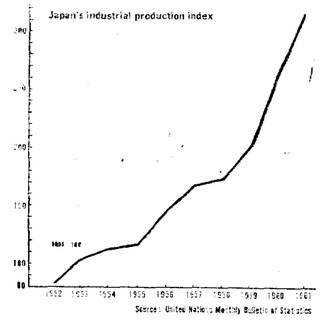
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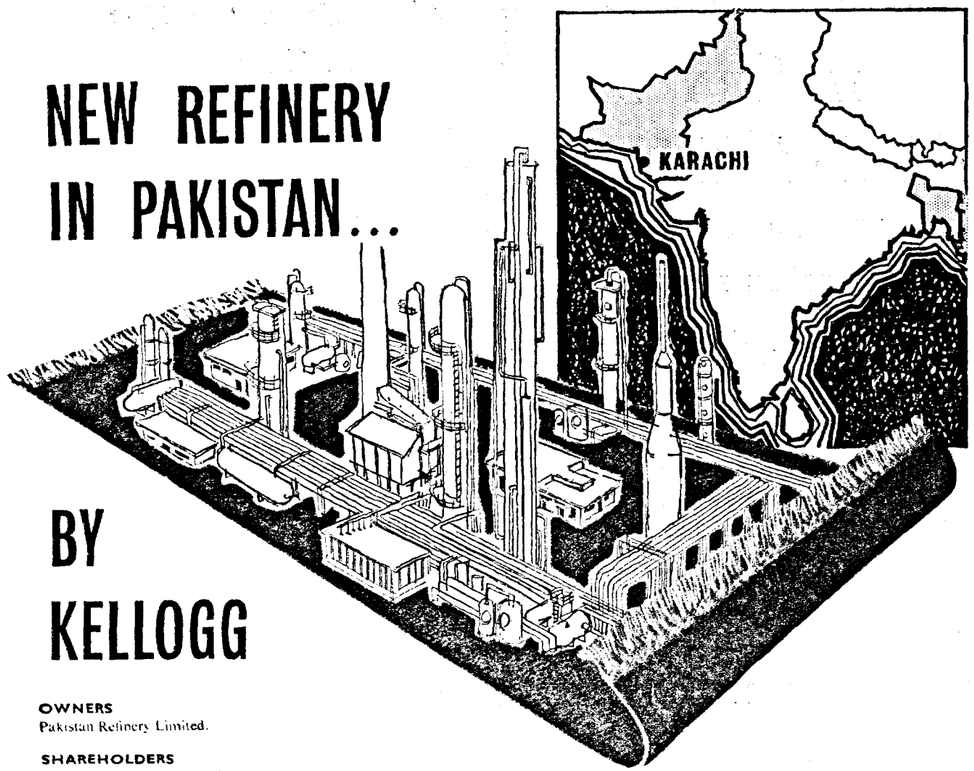
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LOCATION
West Pakistan, about 8 miles S.E. of Karachi, in the Korangi area.

SCHEDULE
Construction is under way and the refinery will go into operation in late 1962.

CAPACITY
Initially 35,000 barrels per operating day with provision for expansion.

PRODUCTS
Motor petrol, aviation jet fuel, kerosene, diesel fuels, fuel oil.

Pakistan is building its first major oil refinery processing imported crude oil and Kellogg has been assigned the responsibility for this important project. Kellogg International Corporation has the major task of carrying out the engineering design, the procurement of equipment on a world-wide basis and the actual construction of the project. This new Pakistani refinery is being constructed for a fixed price which provides a sound understanding to all concerned for economic planning and financial control.

Essential features of this integrated, grass roots refinery will be efficiency in operation and maintenance, provision for future expansion and an optimum capital cost consistent with a high standard of refinery design and maximum safety. The refinery, which is situated near Korangi, will consist of a crude distillation unit, a hydrotreater, and a catalytic reforming unit together with the necessary ancillary facilities. The receiving and distribution terminal for the refinery, complete with tankage and pumping equipment, will be located at the port of Kiamari and will be connected to the refinery by an 8 mile pipeline system.

This project in Pakistan is an impressive example of the petroleum industry's leadership in providing capital investments to the developing nations of the world. The Kellogg organization takes pride in being the medium through which this undertaking is being executed. Kellogg is experienced in handling projects of this type and welcomes the opportunity to explain in detail how such a project is executed.

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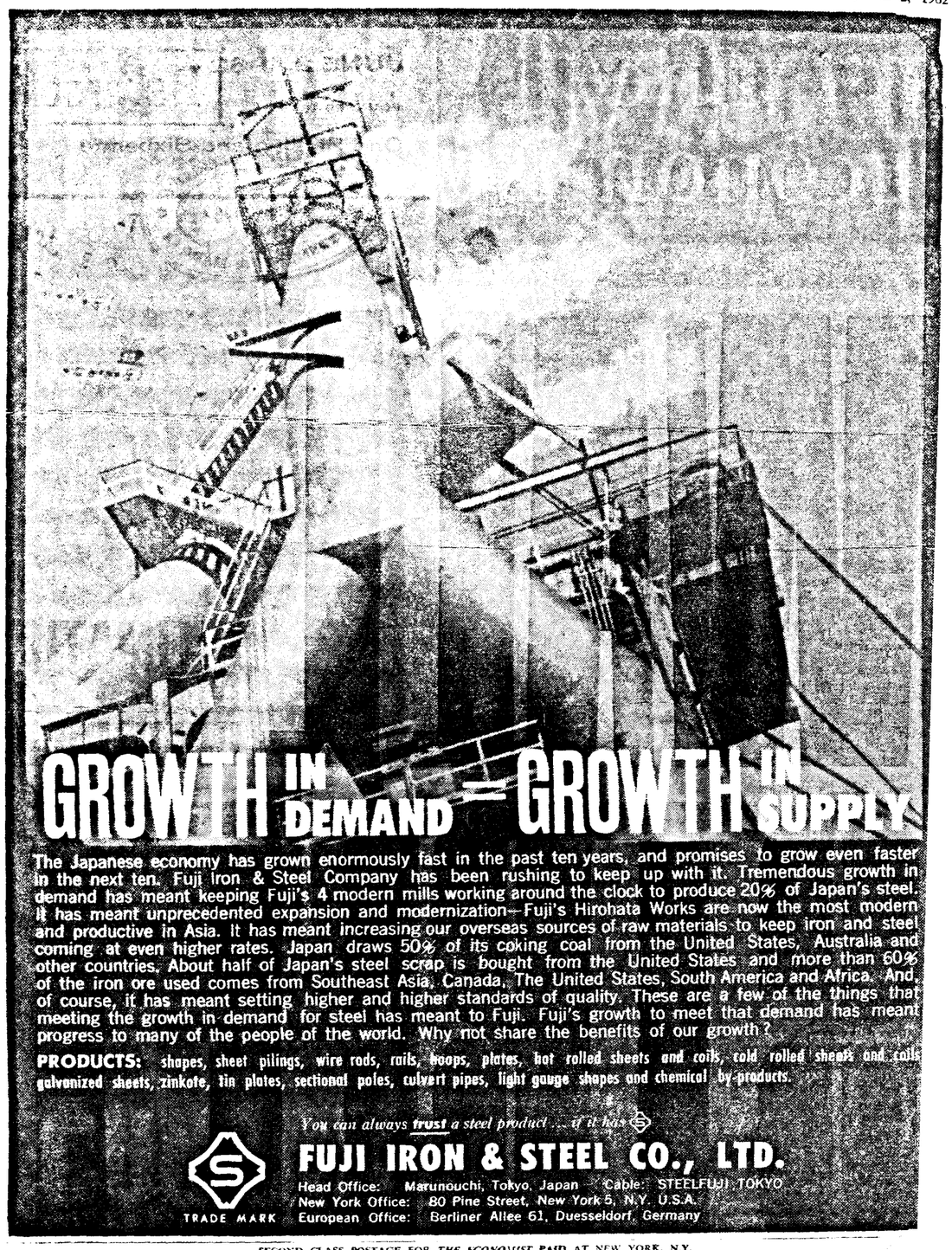
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The Economist this Week — June 2, 1962

HOME

Beggar-My-Neighbour

The stock markets that followed Wall Street through the ups and downs of last week's heavy seas can take small comfort from its present mood; shareholders may be confronted with a future of "profitless prosperity" (p. 869).

If **Wall Street** is to regain faith in itself the American Administration may have to intervene (p. 891).

Downs and ups in London; in Frankfurt; in Paris and in Zurich (pages 910, 911).

Grandmother's Footsteps

Next week's two **by-elections** will show how far the Opposition parties have crept up on the Tories: but it still looks as though only Wall Street can keep Mr Macmillan from another term in office (p. 872).

The **Conservatives** may be going to lose the best party chairman they have got (p. 875).

An all-party revolt in the Commons has convinced everyone that many **ex-servants of the Crown** are badly treated: but justice now could upset the Government's economic plans (p. 877).

Cops and Robbers

The Royal Commission on the Police has made some sound recommendations for remodelling **Britain's police forces;** but it has not taken the final, right step of recommending the establishment of a few, large police areas (p. 873).

A new report from the Ministry of Labour shows how little industry is doing to train its **supervisors** (p. 884).

In the **motor industry** the trade union cowboys may at last be in a strong position to challenge the power of the (red) Indians (p. 875).

Mr Marples must not be deflected from his intention of slapping down **bad drivers** by spuriously scrupulous arguments (p. 876).

King of the Castle

The **National Coal Board** is often regarded in its homeland as a somewhat ludicrous pachyderm; in Europe it is seen as something more formidable, especially by its potential partners in the Coal and Steel Community (p. 907).

The Dutch show how **State Coal** can be made to pay (p. 919).

The Eurodollar: a new kind of international currency, unfettered child of the market and the bankers' practical answer to restrictions (p. 908).

Scrabble

The **Family Planning Association** is looking for a place in the modern world of state medicine and scientific progress (p. 878).

Weston-Super-Mare is finding itself a twentieth-century notch, and relieving Birmingham of some of its excess population (p. 885).

A quiet English visitor tries to unscramble **Hongkong's banking system** (p. 914).

Oxford looks for a place for its graduate students (p. 885).

INTERNATIONAL

RESPONSIBILITIES

The Americans, the British and the European Community have each to face the implications of the ties that are binding them closer together, whether they like it or not. New frontier zeal must not lead the United States to seem to try to impose its views on the proper form of the common market on Europe (p. 870).

Britain has now got one foot in **Europe's Brussels door;** but the other will not follow until the problem of Canadian and Australian produce has been solved (p. 899).

The Treasury ought now to be reviewing the ceiling it imposes on loans to the **Colonial Development Corporation,** which must also get rid of its obsolete name (p. 878); the **Department of Technical Co-operation** badly needs encouraging in its quite essential task (p. 877).

Mr **Khrushchev** has apparently decided that the European community is a Bad Thing (p. 875). A new **Liberal Party** pamphlet offers some new reasons for believing the contrary (p. 882).

RESPITES

The **Ceylon** press has had another breath-taking reprieve; but the government still means it no good at all (p. 904).

King Saud of Arabia is trying to revive **Islam** as a political weapon, for use against President Nasser's pan-Arabic socialism (p. 903); President Kudsi of **Syria** is trying to patch up a government shaken by resignations (p. 903). The outlook for neither is bright.

The general belief that **Dr Adenauer** is not going to retire until next year leaves his opponents and dauphins with plenty of time to manœuvre (p. 876).

Dr Verwoerd has gained valuable time as a result of a UN tour of South-West Africa; his next step will depend on what the International Court does, and on what the Russians do afterwards (p. 882).

RESPONSES

Once more the Russians have calculatedly sabotaged an agreement at **Geneva,** after seeming to accept it (p. 876).

Czechoslovakia has still not conformed to the new line laid down by the 22nd communist congress (p. 900).

President Kennedy's **tax bill** might be doing better in the American Congress if his proposals had been more ambitious (p. 892).

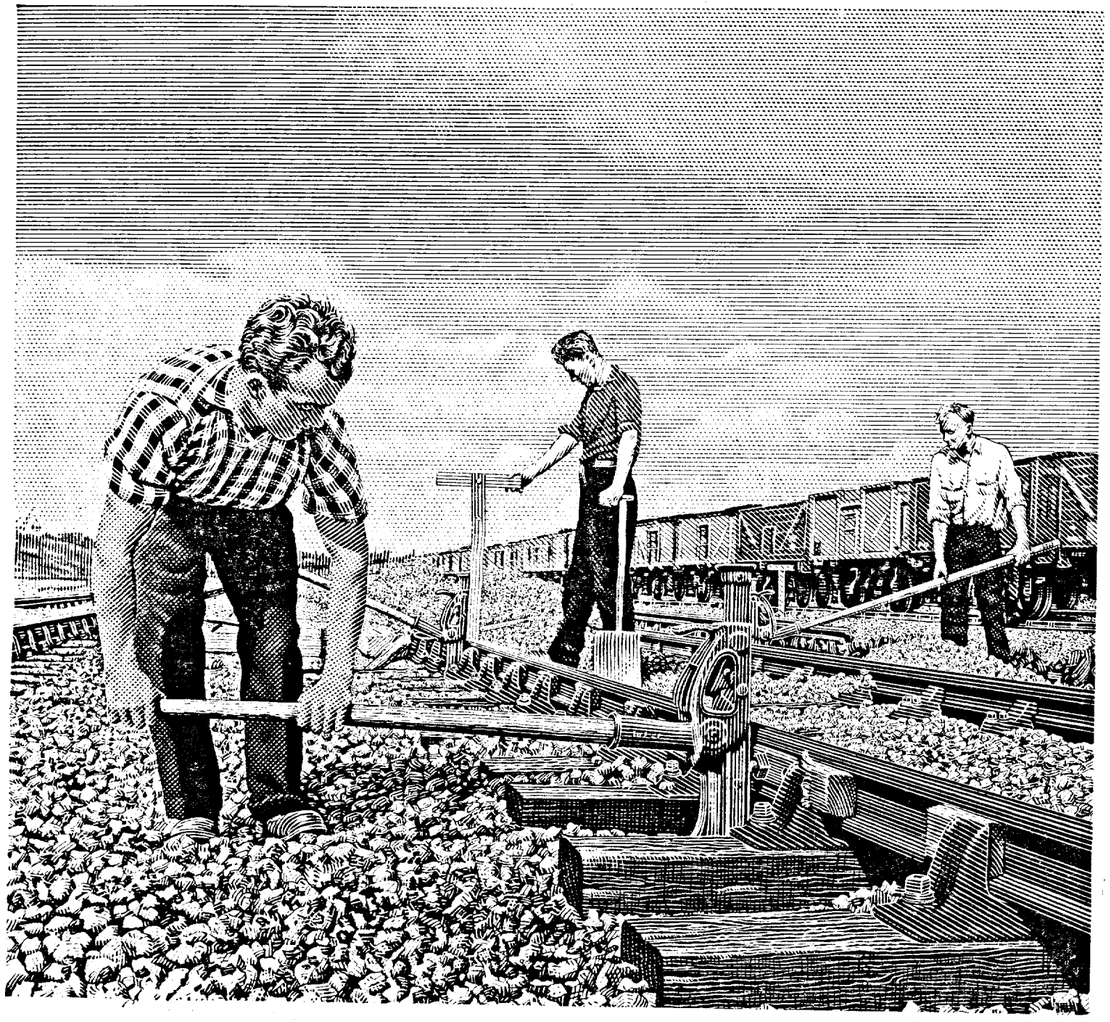
It is up to Dr Eric Williams to rise to the occasion of the **Trinidad** constitutional conference (p. 881).

American teaching machines do not mean mechanical education (p. 896).

Detailed contents on page 869

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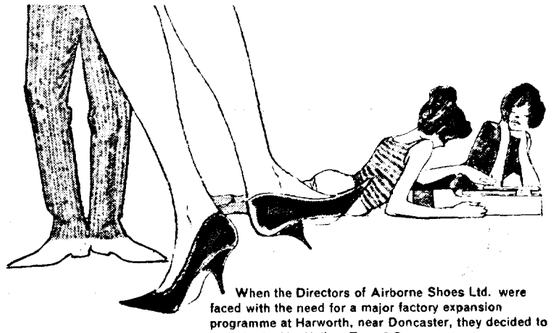
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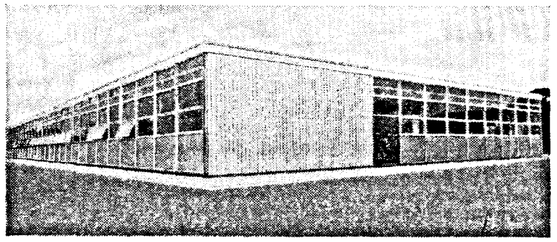


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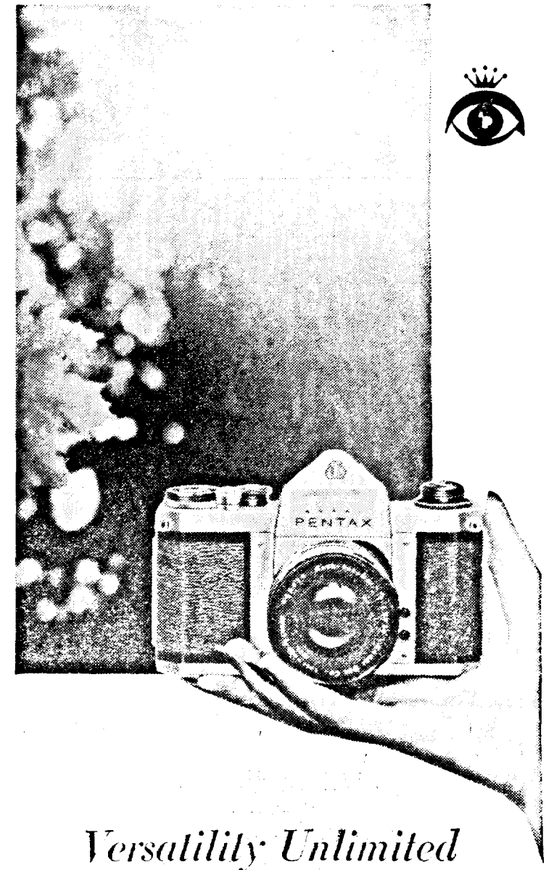


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"Suppress it, Son"
"Dad, Old Squirt says that OHM'S law . . ."
"Son, listen. O.H.M.S. reminds me of little buff envelopes"
"So you're definitely non-ohmic, Dad?"
"Call it that if you like, Son"
"I could call it non-linear, too, Dad"
"And a lot of good that would be, Son. I'd think you were accusing me of not toeing the party line"
"Dad, I'd never accuse a classical economist like yourself of deviationist tendencies"
"Then you'd better elucidate, Son"
"Certainly, Dad. Non-linearity is a characteristic of one of the many types of resistors made by Morganite Resistors. It means that they don't obey Ohm's law, which, as you know, says . . ."
"I know, I know, Son. Mr. Ohm and I were old friends"
"And they're used in surge suppression, contact protection, voltage stabilisation . . ."
"Son, those are real twenty dollar words. Explain yourself simply"
"Certainly, Dad. In the formula on the blackboard—you might call it non-Ohm's law—n 1 to 6 according to the application. Now R equals . . ."
"Son, I think you'd better switch to some of the other things made by these erudite Morganites"
"Switch is the word, Dad. They make rocker, toggle and rotary switches, alone or in combination with carbon track potentiometers, edge-operated and preset potentiometers . . ."
"Son, spare us, please"
"And docile little devices, Dad, that do obey Ohm's law, called Insulated Resistors"
"Well that's a relief, Son. Such obedience must indeed bring pleasure to Mr. Ohm"
"Yes, Dad—and lots of other people too. Transistor radios, television sets, and computers are crammed full of them"
"I said 'Pleasure', Son"
"I heard you, Dad. Of course, we all take our pleasures differently, you know"
"Agreed, Son; and mine, as you will remember from some of our previous conversations in this series, is a Napoleon brandy; and I need one badly now to revive me".

With apologies to Harold Wincott

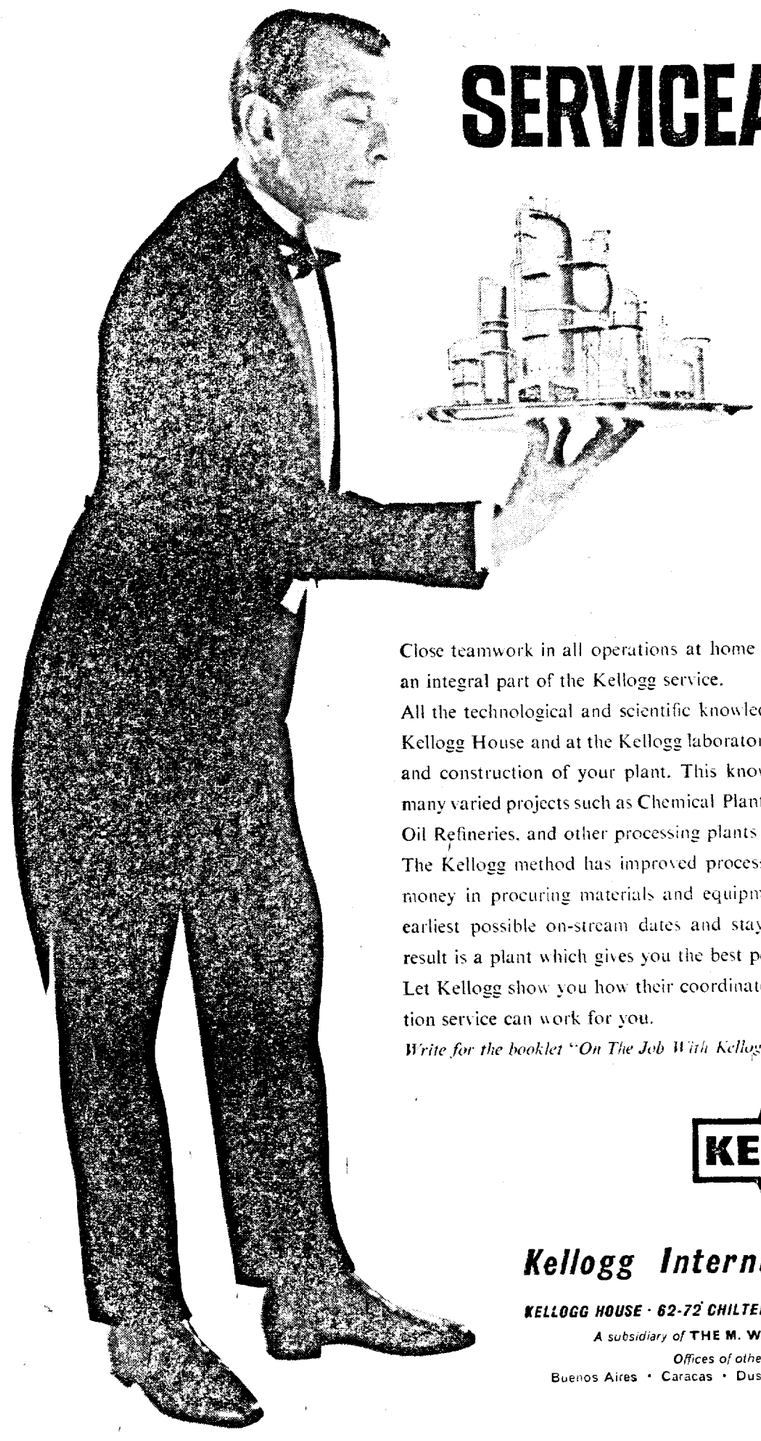
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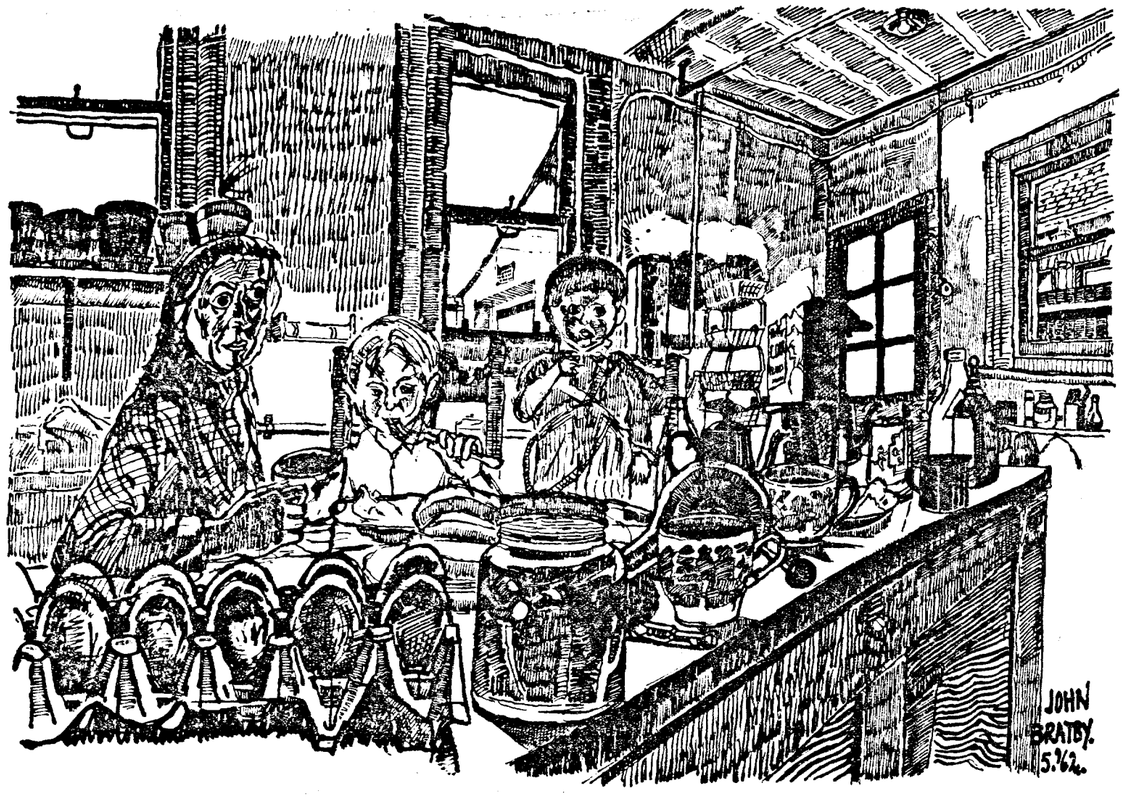
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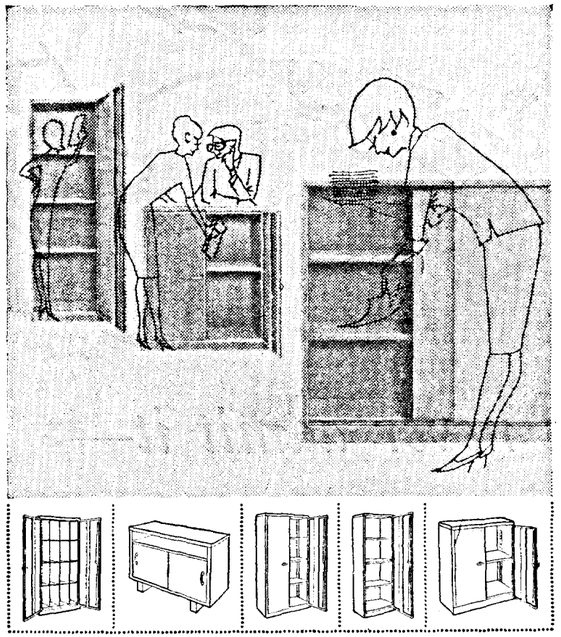
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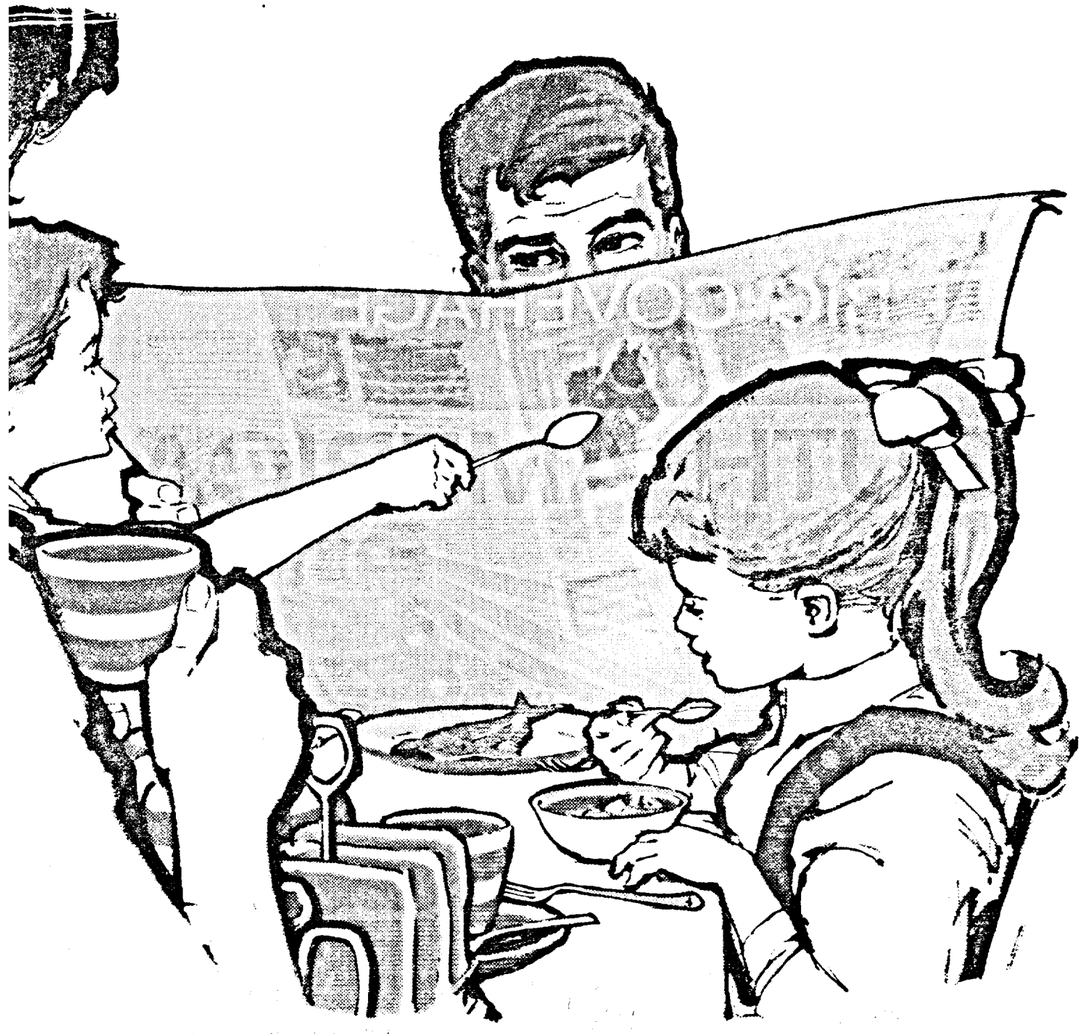
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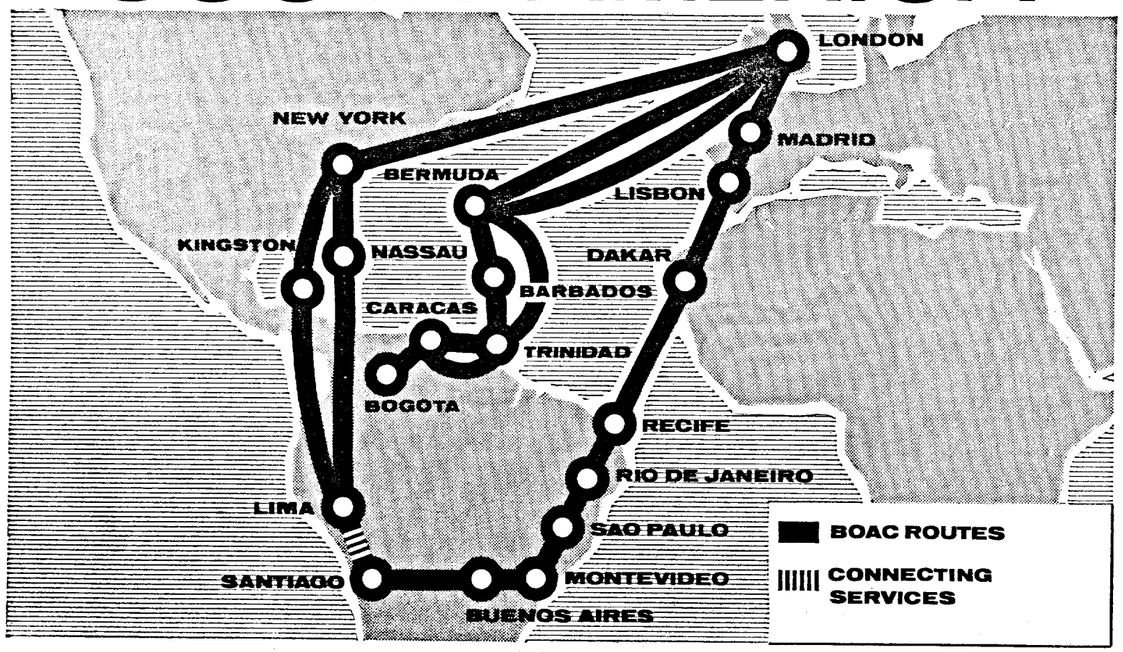
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The Economist

JUNE 2, 1962

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VOLUME CCIII - NUMBER 6196

Intimations of Instability

TO say again, and again, that 1962 is not 1929 is perhaps, after the convulsive behaviour of stock markets this week, an unavoidable bromide. But nobody should pretend that this sedative reassurance amounts to any sort of prognosis of what the convulsions have portended. Certainly ghosts still walk on Wall Street. The burst of cheering that greeted the closing bell in the market on Tuesday, after the last hour that had nearly wiped out the losses of the day before, was an expression of spontaneous relief; but it also testified to the weight of the fears that had—for the moment—been lifted and to the underlying instability of stock markets today. Men live, today, in less confidence on all accounts than in the twenties; and simply to record that Wall Street fell more sharply on Monday than on any day since October, 1929, cannot but evoke one of the spectral reasons why we still walk so warily. These fears nag not on Wall Street alone but on the Continental bourses, where prices have tumbled from the heights of euphoria, and in London, where in turn on Tuesday the stock exchange suffered its worst setback since 1929, only to rally as strongly as Wall Street a day later. Once again, Wall Street has reasserted its dominant influence on the world's stock exchanges. And the reasonable reassurances that "the authorities" must offer—that the American economy is in sound shape and that small investors should not panic—inevitably conjure up the old disquieting atavistic precedents of a generation ago.

This does not make the reassurances less reasonable. The short run pointers for the American economy this year are still tilted firmly upwards. It is still possible, even after the rally, that the break in prices on Wall Street may jar the confidence of business and cause some significant trimming of forward capital investment plans, or may whittle down purchases of cars or houses or other goods. But to assume that, in this day and age, governments would not have the time, or the nerve, to apply counter cyclical policies if the economy plunged downward towards an old-style depression is to confess that nothing was really learnt by the capitalist countries from the thirties—that Keynes might never have been born. This is capitalism's outstanding question.

At the heart of the current turmoil, the American stock markets are, admittedly, in much better shape than they were thirty-three years ago. Proportionately, the falls in prices have been smaller and the quick rally was nearly as sharp as the preceding decline. The stock markets are nowadays more closely regulated (though indeed their present degree of regulation is under further scrutiny); they are far less vulnerable to margin selling now, and there has been no pyramiding this time of holding companies. The danger spot in Wall Street is elsewhere; it resides in the decisions that small investors in the mutual funds—the American form of unit trusts—will take. If, having been persuaded by high pressure salesmanship to put their faith and savings in the capital appreciation of equities, they become disenchanted and begin to sell their holdings, the fall in the market could swiftly gather pace—and with it the repercussions on business confidence. As far as possible, the managers of the mutual funds in America have stayed out of the equity market in the last few months; while the savings have continued to flow in they have been building up their liquid balances. These could now provide the longstop in the markets—provided that the mutual fund investors themselves stand fast.

This is to ask a lot of investors who bought for prosperity and are now

told that the prosperity may be "profitless." They have seen the glamorous "growth" stocks—electronics, bowling alley and "leisure" issues—tumble. They once bought equities as a hedge against inflation; they have now seen, not least in President Kennedy's brusque stand on steel prices, outright efforts by the Administration to prevent renewed inflation. They were encouraged to buy equities to share in the fruits of economic growth; they are now by no means sure how much long-term growth the American economy can count upon or how much this will be reflected in profits and in dividends. Once the concepts of "equities for inflation" and "equities for growth" are questioned, what is left in the cult?

In these terms, it is possible to argue that the latest bout of selling in Wall Street simply represents the latest phase (perhaps even the culminating one) in the process of disenchantment and that the fall is no more than a necessary correction to the excessive exuberance of the past. This is a comforting doctrine: it implies an early levelling off in market prices; all's well, it says, that ends well. It may, immediately, be right as well as comforting; but how far does the readjustment in dividend and earnings yields have to go before investors recover their confidence? It is not only in Wall Street that investors have to ask whether they have not discounted future profits much too far ahead. London prides itself on sober assessments and does, in fact, enjoy the steadying influence of institutional investors who can be more flexible in their attitude towards equities and fixed interest stocks than, say, an American mutual fund. But here, too, in some equities expectations have looked overbought for some months. This is true not only of London and New York; it is true also of the continental bourses, where American and other investors have blithely bought earnings which cannot be calculated in the present with any accuracy, let alone in the future. This week's melodramatic shake-up, however irrational in its ups and downs, does reflect a reappraisal of the rising expectations of these free countries. It is a straight challenge to the makers of western policies; can they, in stamping on inflation, not maim growth itself?

ALL investment is anticipatory; and because the stock exchange is the market where the predictions, guesses and hunches are translated into hard cash bargains it reflects an economy's past, present and future and acts as a magnifying mirror of the state of confidence. There can be no doubt that confidence in the economic future has taken a hard rap from the fall in equity prices in practically all markets in the western world. Thoughts have to be jerked out of a contemplation of what happened in 1929 and in the thirties into an appraisal of what may in fact happen in the sixties. This is the sobering exercise to which these events invite us.

It may indeed be the exercise that the stock markets are in their way engaged upon at present. In Britain, investors have to adjust their ideas to an economy hobbled by the balance of payments and by the push of costs; on the European continent, to a slowdown in the roaring rate of growth. In the United States, looking past the still favourable indicators for this year, investors have to ponder the special problems of an economy given lately to rather more severe fluctuations across a rather slower trend of growth than has been common on this side of the Atlantic: special problems that include a growth of labour productivity outstripping the growth of production, so that the employed labour force is hardly rising and unemployment does not fall much; and which may include, as the speculator seeking new shares to back will not fail to notice, an ominous dearth of civilian growth industries, just when the defence-based industries that provided the lion's share of growth and innovation during the fifties have settled into steadier orbit.

All these may indeed be the new, and formidable, special problems of advanced industrial economies. The United States naturally meets them first; it also, habitually, recognises them earlier than other economies might. To confuse them with the problems of 1929 merely fogs the new challenge with old fear. One should not underrate the stock market's nose for detecting uncertainties in the economic climate; but the uncertainties of 1962—and beyond—will not go away with a Wall Street rally. This week we have got perhaps, in these intimations of instability, a whiff of the future—and just a glimpse of the test in competitive progress that the free countries have to face.

What Happened
In Wall Street and the World's Markets | pages 891, 910

Yankees at King Charles's Court

The earnest American interest in European union has great value and some tactical drawbacks

AMERICAN statesmen, tackling the organisation of Europe, sometimes appear as innocents abroad. Their zeal for European and Atlantic unity is marked by native boldness, generosity and imagination, and by an endearing sense that what was good for America is good for Europe too. But the disposition to oversimplify, to slip from the idealistic to the doctrinaire, can be irksome to natives whose attachment to their ancient customs goes deep.

In hard fact, Europe has every cause to be thankful for the generosity of the American approach to its affairs. For ten years whole-hearted American support for the communities of the Six has been an essential, perhaps a decisive, factor in their success. Now, despite the fear that an enlargement of the common market will hit American exports, warm American support for British membership is smoothing Mr Macmillan's way, while President Kennedy's trade programme is opening up a wider prospect for the whole western world. Yet at times the very ardour of the American approach can

be self-defeating, as it was eight years ago with the European Defence Community. The impatience and vision of the men on the new frontier could bring dangers now.

Both the vision and the over-simplifications owe much to individual men. Just as the success and shape of the European communities are due in large measure to the foresight and zeal of the band round M. Jean Monnet, so the support in Washington, first for the communities of the Six, then for British membership and now for a grander Atlantic design, owes much to the close personal relationship between the Monnet group and men like Mr Dillon and Mr George Ball, the American Under-Secretary of State. Most of the ideas floated by these men in the past eighteen months—a new drive to cut down Atlantic tariffs, a new world deal for agriculture, a much closer integration of western economic policies generally—are admirable. But no coterie of men, however wise, has a monopoly of sound ideas, and sometimes the grand new designs have been incomplete. There is a problem of applying ideas to realities which the men on the new frontier have not yet fully solved.

The American picture of the new Europe, a mighty unitary pillar which is to be one pier of a new Atlantic bridge, leaves no place for excrescences like the European neutrals, who do not share in carrying the central military load. Here there are arguments on both sides. But Dr Adenauer did put his finger on a flaw when he quipped in Berlin that the United States was trying at one and the same time to keep the neutrals out of the common market and to persuade them to help in a new international authority to control access to the city. Has American policy for east-west relations, which now seems bent on keeping down the temperature in central Europe, been fully reconciled with the clearcut objective of a tightly integrated—and committed—West?

Visiting Australia and New Zealand early in May, Mr Rusk, the American Secretary of State, fell into another difficulty. His trip—for a meeting of the Anzus pact—was designed in part to boost the morale of the outlying members and to persuade Australia and New Zealand to share America's military burdens in south-east Asia. Yet he found himself infuriating opinion in the two countries when he declared that the United States opposed any permanent preferential arrangements for Australian exports in the European market.

True, some of these limitations of the American approach to integration are little more than faults of style. After all, Australian wheat—the main bone of contention with the Australians—gets no preference in the British market today. There is sound sense in the contention—heard in both Washington and Brussels—that in the end the problems of temperate agriculture will be solved only by world-wide agreements under which all the main producers and consumers combine to stabilise prices, open up markets gradually, and organise the disposal of surpluses systematically. But is it really necessary to proclaim the funeral of imperial preference in advance?

The defects of style also reflect subtle but significant misunderstandings of the nature of the Commonwealth problem. It is true, as Mr Rusk pointed out in Australia (and as *The Economist* and the "Europeans" on both sides of the Channel have pointed out many times before) that the Commonwealth does not depend for its existence on the relics of the Ottawa system, the rapidly eroding tariff preferences which some Commonwealth countries allow on some of the produce of some others. It would be a poor lookout for the Commonwealth if it did. The Commonwealth is held together by more subtle and flexible bonds—common values, a pattern of consultation, a "capacity to adapt" (Mr Rusk's phrase)—which can, or should, survive changes in the mechanics of trade.

BUT these ties "light as air but strong as links of iron" have to be handled delicately. Mr Menzies will be pointing out while he is in London that there are Commonwealth communities—say, his fruit-growers—who are so highly dependent on the existing trade pattern that they need some kind of effective preference (perhaps a tariff quota) if they are to survive. They cannot be comfortably fitted into the grand, unpreferential and logical design which surely should in time unfold for the basic agricultural products. The invisible Commonwealth bonds would be damaged, too, if the British did not fight, and appear to fight, to guarantee all kinds of specific Commonwealth trade interests—even though by the time the guarantees are effective, many of the special interests may have been taken care of by bolder solutions embracing the whole West.

Mr Menzies' hotfoot trip to London is, in short, not wholly a by-product of Australian domestic political ephemera. Britain's bid to enter into the common market presents the Commonwealth system with a major test. For the health and well-being of the system it is desirable that Britain should join the common market. But whether the Commonwealth, with all its potentialities as a multi-racial community, survives the change intact depends very much on the skill with which it is grafted on to Britain's new European source of energy and wealth. That is why, though preferences may have no future, the ideas the British negotiators have been putting forward in Brussels for some kind of permanent system of consultation between the Commonwealth and Europe have great value. Plans for a more effective joint European aid effort—perhaps for the participation of the European community in the Colombo plan—would be valuable too. Groupings like the Commonwealth and the French community—even, one day, the United States itself—may be increasingly subsumed in a new western system of collaboration, but they remain in themselves sinews of political strength.

It would be altogether wrong to blame M. Monnet and Mr Ball for their near-monopoly of big ideas about the future of the West. The British have been so slow themselves to grasp the full potentialities of the common market in and outside Europe that it is not surprising that its shaping has fallen to others. But one omission could be remedied quite soon. In the recent tariff negotiations in the General Agreement on Tariffs and Trade (the 20 per cent "Dillon round") the British government was slow to sew up its side of the triangular bargain between Europe and America. Yet Britain has an immense interest in rapid and massive bargaining to get tariffs down on both sides of the Atlantic. Once President Kennedy gets his new trade powers, Britain should assume its proper, leading position in the tariff bargaining between Europe and America. Hard bargaining with America ought to be extended to agriculture too. So far, when Americans have talked of world-wide agricultural agreements, they have seemed to mean the opening of European doors to American

and Commonwealth exports. But why not get something back from the United States if the Commonwealth reduces preferential margins on British goods? Dutch, Danish and New Zealand farmers have an interest in reducing American barriers to their own exports of butter and cheese. Not everyone in Washington is blind to such possibilities. But a mighty shove will be needed from both Europe and the Commonwealth if the United States is to be made to bring its agricultural support system into the bargaining—as it should.

The Six have lately begun to wake up to the potential strength of Europe's bargaining position. They have answered American duties on glass and carpets (necessary in terms of the domestic politics of President Kennedy's trade legislation, but still painful for European exporters) with the threat of duties on American exports of some chemicals. The move is a healthy one. One of the strongest arguments used in Washington to support the new ideas for Atlantic partnership has been that the common market will otherwise soon tread on American toes. The sooner it does, and the common interest in hard bargaining becomes apparent, the firmer the eventual partnership will be.

SUCH thoughts could—surprisingly—perhaps lead Mr Macmillan this weekend to a position not wholly opposed to that of General de Gaulle, whom he is visiting near Paris. The general has always seen unity as a means of enabling Europe to stand up to America. And there is this much in it: the Atlantic community which the Americans are beginning to conceive will be sound only if both the two pillars on which it is built are strong and of comparable height.

With characteristic magnanimity and farsightednesss the grand designers in Washington have appreciated this; their wish for a strong, united Europe could even lead them to accept some kind of Franco-British pooling of nuclear weapons, if this proved a decisive condition. But they have not always appreciated some other implications: that if Europeans are to form their own community they must be allowed to shape it in their own way. The thought is relevant to Britain's application to join the common market. American persuasions may still be effective in Bonn, but in Paris there are indications that the very earnestness of the American anxiety for British membership could actually stiffen the French terms.

If the zeal of the men in Washington who see the success of a common market, including Britain, as the key to the West's future has to be properly harnessed, there is the more reason for Europeans to look outward to the opening prospects of the widening and still indispensable partnership with America. The kind of archaic egocentricity that colours General de Gaulle's attitudes is no French monopoly. If America has much to discover about Europe and the Commonwealth, Europe has as much to discover about its own new world-wide responsibilities, until lately the prerogative and burden of America alone.

Tory Spectres

To each of the parties next week's by-elections present a major, and perhaps crucial, test for the future

THE Conservatives, too, have been talking this week about 1929 and about 1923. Mr Macleod, speaking on Monday, at Matlock in the Derbyshire West constituency, gave an awful warning to absconding Tories who might have forgotten the behaviour of Asquith and Lloyd George in putting in the two minority Labour governments of the 1920s. So did Lord Hailsham at Middlesbrough on Wednesday. But the more immediate scare that Tory candidates are trying to play up is that the present swing to the Liberals could at last present Labour with its first outright by-election gain in this Parliament. If this were to happen either at Derbyshire West or at Middlesbrough West—both of which poll next Wednesday—it might be the one thing, some Conservatives have been saying, that would bring the rebellious electorate to its senses. According to this thesis, the Liberal vote might then be expected to fade, particularly at a general election, as doubtful Tories reinsured against another 1945.

If, however, the Liberals were actually able to repeat their Orpington success and take enough votes from both the other parties to win a semi-suburban seat like Middlesbrough West, then they might go on to become a really serious prospect in a substantial number of Conservative-held seats, and perhaps —if the general election were held at a singularly unpropitious time for the Government—install themselves in some of them. There are thus two Tory nightmares that could develop next week. The first is of a Rochdale situation (i.e. the Liberals letting Labour into a seat, which Labour might then hold at the general election). The second is of an Orpington-plus situation (i.e. the Liberal revival displaying such sufficiently powerful momentum in all parts of the country that a numerically significant third party—with, say, 25 parliamentary seats—might determine the government of the country at the start of the next Parliament).

In advance of the public opinion polls, the Tories seem to have assumed that in rural Derbyshire West, which the Liberals did not fight in 1959, the Liberal has relatively little chance of getting in himself—although some reports from the spot do not speak highly of Tory morale. In Middlesbrough West, however, although the Liberal did badly in 1959 (getting 9.7 per cent of the poll—far below the party's national average), a greater possibility exists of a real take-off. In the two other Tees-side by-elections this year, both in Labour-held seats, the Liberals, starting from nothing, took 23 per cent of the poll in Middlesbrough East in March and 27 per cent at Stockton in April. From the outset, this has seemed to give the Liberal, Mr Scott, fighting his second Middlesbrough constituency within three months, a good prospect of being there, or thereabouts, next Wednesday night. Middlesbrough West is not a particularly easy seat for the Liberals, despite its large suburban segment, since it lies in a heavy industrial area, and is one which Labour, with 35.4 per cent of the poll in 1959, has serious hopes of winning itself this time. The Labour vote is not likely, therefore, to disappear—to the Liberals' advantage—in the extravagant proportions that it did at Orpington. Even if Mr Scott failed to carry the seat, anything above 27 per cent of the poll would be a result to rejoice Mr Grimond's heart. In Derbyshire West anything like the East Fife result—26 per cent of the poll—would be encouraging for a first attempt.

FOR Labour to win in either Derbyshire West or Middlesbrough West would mean that the party had at last broken out of the straitjacket in which, despite Mr Gaitskell's and Mr Brown's prophecies of a general election victory, it has been pretty strictly confined throughout this year's by-election series. Labour has still to show either that it can take a significant number of votes directly from the Conservatives or that, where a Liberal stands, it does not also lose one vote for every two that the Tories lose. Thus, if Labour loses no more than 4-5 per cent of its 1959 poll in either seat, it will be doing well. But wherever the Liberals have made a serious push outside a traditional working-class stronghold in the present by-election series, Labour has seen much of its remaining white-collar and under-30s vote swept from its grasp. In farming or semi-suburban seats, like next Wednesday's two, Labour must still feel itself vulnerable to a Liberal attack—although, in general election terms, a wound at Derbyshire West this time would in no sense be mortal. In this kind of calculation, the Stockton result is a peculiarly bad augury for Labour's chances in Middlesbrough West, for at Stockton the Liberal took 18.5 per cent of the poll from the Tory and 8.5 per cent from Labour. A repetition of this would actually mean a neck-and-neck Liberal and Tory race in Middlesbrough, with Labour trailing sadly, and the issue conceivably depending on the very small number of casual votes that drift the way of the two Independents.

Obviously Labour cannot afford to find itself shut out in third place in either seat or falling below one-third of the total votes cast. One suspects that when the public opinion polls pronounce on the local prospects at the beginning of next week Mr Brown will heave a sigh of relief if Labour enters the home stretch with hopes of over 30 per cent of the vote in both constituencies. In Derbyshire West this alone would be a moral victory in a difficult area for Labour; in Middlesbrough West it could be enough to persuade Labour supporters to come out in force both to oust the Tory and stop the advancing Liberals in their tracks.

For the Labour nightmare at this stage is that, while the Tories are still expected, at a general election, to reclaim a substantial proportion of those party dissidents now plumping for the Liberals, past experience suggests that most Labour votes captured by the Liberals at by-elections stay Liberal at general elections. The latest National Opinion Poll in the *Daily Mail* gives Labour a lead of 3.3 per cent over the Tories in the country as a whole; making the normal assumptions about "wasted" Labour votes running up vast majorities in the party's strongholds, this margin certainly does not justify the party's expectations of forming the next government independently. It is therefore the size of the Labour vote that should attract most attention next week If it does not show a distinct improvement on recent performances, the odds will still remain on Mr Macmillan winning his second general election—other things being equal.

But will other things be equal, in the sense that the Tories can still reasonably look forward to an upturn in the economy this autumn? It is, after all, on this phenomenon that the party relies to reclaim the middle-class, white-collar votes—dependent on an expanding economy—that are now swinging Liberal. It is doubtful whether Wall Street's chilly message will really influence voting behaviour in a seat like Middlesbrough West next week; probably it will have no more importance than the local row over whether or not Mr Gaitskell means to nationalise ICI. But Mr Macleod, for one, has good reason to look over his shoulder at the real spectre for Tory prospects—and restrictionist policies—that 1929 conjures up.

New Model Police

The Willink report sets out the necessary first steps for the organisation of a modern, and efficient, police service

IT is frankly disappointing that the Royal Commission on the Police has—with one dissentient—set its face against the radical reorganisation of the existing 158 local forces in Britain into 18 or so large regional divisions. The arguments for this scale of rationalisation are twofold. First, the future development of local government groupings in this country must increasingly favour the regional unit for a wide range of services that naturally demand the breaking down of local autonomy. This has been done already with the hospital services. It must eventually come in a purposeful way with town and country planning. And the emergence of concepts like the Greater London Council and the continuous county on Tyneside, which recognise the cohesion of large conurbations for all local government functions that call for a high degree of co-operation between the constituent boroughs, shows in which direction the tide is going to flow in the 1960s and 1970s. Secondly, the needs of the police themselves in the age of the motorised and technically-expert criminal inevitably call for the practical integration of local forces whatever their responsibility to a precise unit of local government.

The Willink commission is rightly concerned to raise the standard of recruitment to the top and specialist jobs in the police service. It remarks that the police are "failing to attract a sufficient number of recruits of the quality required to make future leaders." It has discovered "no recent instance of a university graduate entering the service." It must surely be apparent that the wider the scope of professional responsibility, the less the chance of parochial interference by some watch committee or other (e.g., in questions like promotion) and even the greater the financial reward for running a large unit, then the more likelihood there is of recruiting the standard of entrant that the commission wants. Arguments of this kind were put forcefully to the commission by the Inns of Court Conservatives in their evidence; only the sensible Dr Goodhart seems to have agreed wholeheartedly with them.

Plainly the Willink commission has kept two dangers very much in mind. It must have been impressed, even against its better judgment, with the popular feeling against a national

police force—although this has not prevented it from recommending the appointment of a chief inspector of constabulary for Great Britain who would be the senior professional adviser of the Home Secretary and the Secretary of State for Scotland. It may also have considered that to establish regional police forces in advance of the development of local government authorities covering a similar area would, in effect, be to set up a national police force. These hesitations can be respected, although the existing status of the Metropolitan Police, who are directly responsible to the Home Secretary, suggests that the large unit is really more acceptable than some constitutionalists would make out. It is certainly desirable that where bigger local authorities do come into being in the major conurbations—as they should, for example, on Tyneside and Tees-side—they are given full responsibility for the administration of the police service throughout their area.

The commission's actual recommendations for amalgamations are undoubtedly useful in themselves; they should help to clear away a good deal of inefficiency and obstructionism. The commission believes that forces with a strength of under 200 (there are 58 of them at present) suffer considerable handicaps; and that the retention of forces under 350 in strength (there are another 39 of these) is justifiable only in special circumstances. The smaller the force, particularly in boroughs, the more chance there is of inflexibility in calling in outside assistance, the less scope there is for the employment of specialists, and the greater the difficulty in settling promotion and disciplinary issues with visible impartiality. The commission calls for an expert working party to put forward proposals for compulsory amalgamations; it makes no precise recommendations itself beyond suggesting that in Scotland only Glasgow, Edinburgh, Aberdeen and Dundee should retain independent burgh forces. This would suggest that in England and Wales no borough of under 180,000 population would have any right to its own force, although the qualifying figure might profitably be set much higher.

IN several ways the claims of centralisation are openly admitted. The chief inspector of constabulary is one; the recommendation that secretaries of state should be statutorily responsible for the efficiency of the police service, and have power to call for reports from chief constables is another (with implications of greater opportunities for parliamentary questioning). The commission wants a new central unit for planning and research. It would give secretaries of state the right to compile the short lists for the appointment of chief constables, thus removing some of the difficulties that cropped up in the recent Kilmarnock case. All this is a sensible recognition of modern needs. In contrast, the commission rejects the idea of a national CID, at least until "the resources of the present system have been fully developed and exploited"—although three members enter the warning that much more needs to be done to improve the rate and speed of detection.

The commission wants to see an injection of non-political membership in all local police authorities in England and Wales (it is already true of the counties). It would like two-thirds of the membership to come from elected councillors and one-third from co-opted justices. This will raise some eyebrows—and some hackles among rating authorities. It rejects as "theoretical rather than real" the obvious criticism that magistrates should not be directly identified with their local police. This is a doubtful thesis; if it has validity it is only in the context of very much larger police regions than the average run of county boroughs.

The commission states firmly that relations between the police and the public are good; it finds no evidence that in recent times they have ever been otherwise. The only sense of antagonism is said to be among motorists and young people. To improve relations with car drivers the commission suggests that uniform policies should be formulated for the enforcement of traffic laws. It sensibly does not want the creation of a separate corps of traffic police. Although this idea has its attractions it would lead inevitably to the establishment of some kind of sub-police force which, because of its inferior status in the public eye, might merely invite complaints and easy disrespect. No ideas are offered on how to raise the estimation of the police among young people. It may be remarked that chief constables who seem to resent the realistic, but invariably sympathetic, treatment of police life in popular television programmes do nothing to advance the police claims for understanding.

By and large the commission seems satisfied that complaints against the police are both small in number and reasonably dealt with by internal investigation. This approval extends to the investigation carried out after the demonstration in Trafalgar Square last September by the Committee of 100. Even so, there are ways in which existing practice could be improved. The commission wants the decision on whether or not to institute criminal proceedings against police officers after complaint by a member of the public, to be taken by the Director of Public Prosecutions. It wants a tightening up in the recording of complaints at divisional headquarters, and the complaints books to be examined by inspectors of constabulary and members of the local police authority.

A minority of the commission calls for the appointment of a commissioner of rights both to review the decisions of chief officers in dealing with complaints and to review police conduct in disputed incidents. This ombudsman-like innovation is worth support; it should not be resented by chief constables if it helps to satisfy public opinion that incidents like the handling of the crowds late at night in the Trafalgar Square demonstration are thoroughly looked into by an impartial authority. Cases of this kind might be better dealt with *in camera* before a commissioner, allowing for the full presentation of the police version of events, than in public argument in the House of Commons.

The Willink commission has done a thoroughly useful job, both in its emergency recommendations on police pay eighteen months ago and in its airing of the needs and problems that beset a modern police force. Its plans for reorganisation probably go further than most local authorities—or chief constables—would like to see, although appreciably less far than the future evolution of local government may eventually require. Its major conclusions should be accepted by the Government and implemented with the least delay.

Appointments, Business and Personal notices, and other Classified Advertisements: pages 944, 951 952 & 953

NOTES OF THE WEEK

SOVIET UNION

Mortal Combat?

MR KHRUSHCHEV challenged the common market on Wednesday to something like mortal combat. It was not news, of course, that the Russians do not like the European movement; nor was the substance of his arguments fresh. What was new was that he, and not some obscure party theoretician, was using them. His counter-proposals were odd. He suggested an international conference to consider setting up a world trade organisation "to embrace all regions and countries of the world without any discrimination." Since this phrase roughly defines the purpose of Gatt, of which Russia is not a member, the Soviet leader's proposal might seem superfluous, but it should, of course, be seen in context.

Mr Khrushchev was talking, however, to the underdeveloped (and mostly uncommitted) countries, and only incidentally to the Europeans themselves. The common market, he argued, was an imperialist device to undermine the independence of the emerging countries and to prevent them from industrialising themselves. The occasion was a Soviet-Mali friendship meeting, with President Modibo Keita present; the Soviet host peppered his speech with references to "neo-colonialism" and said the socialist states were ready to help the new countries defeat it.

The Soviet prime minister's speech was the culmination of what begins to appear as a carefully orchestrated campaign launched by the external services of Moscow radio early this year. The targets are widespread and the treatment selective. There have been anti-common market talks in Danish, for instance, and in English and French for the African countries. In Russia itself, until quite recently, analytical commentaries on the common market were confined to specialised journals, while the popular press limited itself to occasional warnings and anathemas. But the coverage is now being extended. On May 23rd, *Pravda* devoted a full page to "The Common Market—weapon of monopolies," half of which was taken up by an article on the new phase in European integration by the academician A. Arzumanian. Four days previously, *Ekonomicheskaya Gazeta* devoted five of its pages to a summary of a discussion on the same subject held by its debating club.

Professor Lyubimov recently compared the EEC to a Maginot line and recalled the fate of that military monument. The Russians claim that no common market can solve the conflicts and contradictions of capitalism; and no defensive earthworks, they add, can prevent Russia's economic expansion.

MOTOR INDUSTRY

Strikes at a Standstill

VERY firmly the workers of the British Motor Corporation and of Ford Motors have told their less responsible shop stewards to get lost. Having tried the soft approach in their talks with the top union officials at the Ministry of Labour last year, the employers are seeing that perhaps toughness pays: the 55 British Motor Corporation electricians who caused the trouble have gone back to work with no more than they had been offered when the strike began, while the Ford men have started work again, refusing even a one-day token strike, despite the management's refusal to talk turkey over their wage claim. The left-wing shop stewards, in the Midlands and in London, are learning that the refusal by the Confederation of Shipbuilding and Engineering Unions to vote for a strike applies to their realms too: Mr George Woodcock, general secretary of the TUC, was by coincidence carrying the argument for responsible trade unionism into the annual conference of the Boilermakers' Society, that fortress of old-fashioned militancy.

The real drama of the week took place at Fords. The company has recently given responsibility for labour relations to a member of the board, who has seen the Dagenham plant's shocking record prolong itself in the past months (69 unofficial stoppages in 32 weeks). It claims that, because of the men's intransigence, it has made "no profit at all on passenger or commercial vehicles this year," and it has refused to grant any pay increase until the disruption stops. The official unions, while covering themselves against the militants by making threats of a strong future reaction, have swallowed this refusal. And, best of all, a highly influential union leader has made a very sensible suggestion for improving the firm's labour relations.

Mr Jack Cooper (whose predecessor as general secretary of the National Union of General and Municipal Workers, the former Sir Tom Williamson, took his seat in the Lords this week) has proposed that Ford's Dagenham plant, in which 21 different and often rival unions are represented, should be split up into a dozen sectors, for each of which a permanent full-time senior shop steward should be appointed, to be responsible to all the unions concerned. These officials, whose appointment would conflict with all the outworn traditional dogmas of union autonomy, would have the job of forestalling trouble before it reaches the point of a walk-out. In exchange, all workers at Fords would be subject to one month's notice of termination of contract, binding for both employer and employees.

If the employers want their tough stand to have long-term results they would do well to adopt this suggestion as their own: it was not discussed by the unions when they met on Wednesday. A root cause of the trouble at Fords is that, though the men



Where BMC stopped

earn high wages, there is always a risk of their losing money or job through circumstances beyond their control. By all accounts too, Ford's supervisors are not above criticism in their dealings with the admittedly awkward men's representatives. If the management does nothing to reduce the element of job insecurity, there will be no lack of angry militants seeking revenge for this revolutionary week.

CONSERVATIVE PARTY

Change for Macleod?

TWO reports—one from the chief whip and the other from a group of backbenchers—will have briefed the Prime Minister for his meeting with the Tory 1922 committee, which is taking place as *The Economist* goes to press. They show that while party morale has not collapsed it is distinctly low and nervous in front of the Derby day by-election double. The actual loss of both Middlesbrough West and Derbyshire West may not greatly surprise

the party chairman, Mr Macleod, who all along has maintained that the anti-government storm would not blow itself out until mid-summer. The Tory recovery plan that seems to be shaping up is for the terms of entry to the common market and the cabinet reconstruction to be announced together in July, whereupon the party will go over to the offensive, preaching the cause of Europe with missionary fervour and trying to rob the Liberals of every stitch of their more respectable clothes. As their contribution to protecting the consumer 50 Tory MPs have tabled a motion urging the Government to take a more purposeful stand against monopolies.

No blinding flash of light is likely to illuminate Mr Macmillan's mind as he goes through the other lucubrations of his self-appointed advisers from the backbenches. They have made the usual complaints about lack of effective public relations, failure of ministerial grasp, the need for an immediate cabinet reshuffle. They have also demanded a full-time party chairman. This request should be distinguished from the personal campaign against Mr Macleod conducted in the *Express* group of newspapers. It is, indeed, slowly dawning on backbenchers that he is a good party chairman, getting on well with the permanent officials and making speeches which for style and content might even get a grudging alpha minus from Lord Hailsham himself.

What really is exercising most Tories is not that there is too much Mr Macleod but that there is not enough of him. There is no question of the Prime Minister actually sacking Mr Macleod to please the few voluble critics, but in the cabinet reconstruction he is likely to be given the choice of remaining as full-time party chairman or taking on a Government department. Since the post of party chairman is a highly exposed one and as no previous holder has ever gone on to really high office, there seems little doubt of the course Mr Macleod would like to follow. But whether a change—except to very high office—could now be presented as anything but a personal reverse is another matter.

DISARMAMENT

Keeping it Dark

ASSEMBLING hopefully on Tuesday to confirm, as they thought, the one agreed text to emerge from ten weeks of negotiation, delegates at the Geneva disarmament conference found the rug brusquely snatched from under their feet by Mr Valerian Zorin, the Soviet delegate. The shock was the greater because this text had been jointly tabled only four days before by Mr Zorin and the American delegate, Mr Arthur Dean, who had thrashed it out at a whole series of meetings. Moreover, it was the Russians who had insisted on, and secured, top priority in discussion for this particular item—a declaration condemning propaganda that might lead to war.

Mr Zorin's explanation why what he had offered to the conference on the Friday was no good on the Tuesday was transparently artificial. He cited the "provocative" sending of American troops to Thailand (on May 17th), and the alleged threats of preventive war contained in a book by Dr Edward Teller and an article by Herr Franz Josef Strauss (both published months ago). These "recent events," he said, had forced the Soviet government to insist on revising the declaration.

Although his *volte-face* was apparently designed for maximum dramatic impact, it cannot have come as a complete surprise to the other delegates—except, perhaps, to those of the east European countries, whose spokesmen had duly fallen into line in welcoming the agreed text, and who have now had to perform the usual simultaneous somersault. Among the western, and at least some of the non-aligned, delegations, there had been growing up throughout May a belief that Mr Zorin was under orders to disrupt the conference by injecting "cold war" bitterness even into discussion of items on which it might have seemed possible to achieve harmony. Tuesday's affair merely confirmed this belief further. If, as is increasingly evident, the Russians are set on avoiding any real down-to-earth discussion of practical aspects of disarmament, the question that remains is whether this is a careful build-up towards a breaking off of the talks as in 1957 and 1960, or a stone-walling operation intended to show once again that no agreement can be hoped for in negotiation with Russia at any level below the summit.

GERMANY

Next Year's Chickens

NOT surprisingly, the German Social Democrats in congress this week have been much preoccupied with the future government of west Germany when and if Dr Adenauer leaves office. With more show of sorrow than of anger the Social Democrat leaders, Herr Ollenhauer and Herr Brandt, spoke of the need for a change at the helm and declared themselves willing to participate in a broadly based government once Dr Adenauer was gone. As after the last elections, Herr Brandt clearly sees a "large coalition" with the Christian Democrats as a means of finally exorcising the remaining social prejudices against a Social Democratic government which still exist in Germany. The party's moderate approach to the task of opposition is not to the taste of all its members. But at this week's party gathering the left-wing heretics were, as usual, firmly put down.

Social Democrats are not the only people speculating busily about the post-Adenauer era. Among the Christian Democrats too the Chancellor's authority has appeared to be in decline since his Berlin sortie on May 7th. Arguments about foreign policy, and speculation about the succession, have been rife. At the moment, however, it is generally accepted that the Chancellor will not leave office until next year. And Dr Erhard, hitherto the accepted heir-apparent, has lost a good deal of credit through his bungling of the Volkswagen affair. If there is any star in the ascendent it is that of Dr Schröder, the foreign minister.

Herr Lübke, the federal President, whom Herr Brandt met for a discussion on foreign policy on Monday, shares his leaning towards a broadly based coalition. Some clues to the mood of the Christian Democrats may be given by their party congress this weekend. It may be that, as usual, the doubts will be swept under the red carpet on this ceremonial occasion. But an important step to prepare the party's organisation for the post-Adenauer era will be taken on June 5th, when Herr Dufhues, the new party organisation chief, takes office.

ROAD TRAFFIC BILL

Special Pleading

MR MARPLES has come under heavy pressure from backbenchers on both sides of the House who think that clause 3 of the Road Traffic Bill, now before a standing committee, is too hard on offending motorists. The clause provides for the automatic disqualification from driving of anybody convicted three times in three years of certain offences such as speeding, ignoring traffic lights or pedestrians on zebra crossings, driving while uninsured or without due care. Disqualification would not invariably be compulsory. "Special reasons" may be adduced by the offender in mitigation of his offence—and it is on the definition of these special reasons that the minister may be impelled to give way.

On the face of it, there appears to be a good case for arguing (as a powerful motorists' lobby has argued) that the past record of the driver involved, the extent to which he depends on his driving licence for his livelihood, and the "bad luck" of being caught where so many go free should be special reasons for avoiding disqualification. But this case does not really bear closer examination. The past record of the driver (his two previous offences) will by definition be taken into account; the dependence of a driver on his licence has nothing to do with his disregard of clear regulations; nor can the random nature of prosecutions be called a matter of luck (they would be a good deal less random if there were more policemen to enforce the law).

Clearly the precedent established by a ruling of the Lord Chief Justice in 1946 is the right one: special reasons in mitigation must relate to the offence, not the offender—that is, where some overriding reason exists for the commission of the offence, or where, but for the contribution of some other person, it would not have been committed at all. Just as clearly, the purposes of the whole bill would be vitiated if special categories of people immune from the normal penalties were created, if taxi-drivers, for example, were allowed to drive consistently badly with impunity. That would not only be inequitable; it would defeat the intention which the bill ought to be proclaiming—to bring about a radical change in road habits. Mr Marples should stand firm.

SERVICE PENSIONS

Pauper, Capt. (retd.)

LAST week, on a motion by Mr William Deedes, the House of Commons once again addressed its attention to the matter of past servants, armed or otherwise, of the Crown and its late possessions. Many of these people retired, before the reforms of the 1950s, under a system which had been modern after the Crimea, and as a result they are considerably worse off than the Government (judged by its own increases) thinks its servants ought to be. What was a generous reward for services rendered in 1919 has become, through circumstances outside the control of the pensioners (and, for that matter, of the Government), pretty mean. Members on both sides of the house demanded that equity be restored, and that civil servants retired from ex-colonial territories which were not fulfilling their obligations should receive as adequate a handshake as those from territories which were careful to keep their pensions in line with British practice. They thought the Government might be the best source of this "topping-up" money.

Sir Edward Boyle gave a soft answer, but failed to turn away the wrath of the 21 members who spoke for the motion. It was the Government's policy, he said, to rely on the ex-colonial employers to keep in step with home pensions: departure from that would breed difficulties, even though the amount involved was less than £300,000 a year. As for armed service pensions, the house ought to remember that pensions were rewards of service, and were related to working salary and the length of that service, not to the needs and subsistence of the pensioner. The Government was nevertheless sympathetic to the plight of these people who suffered particularly from the effects of the rise in the cost of living, and would give its attention to the idea of setting up a loan fund from which to top-up colonial pensions.

Nothing, however, is likely to be done; not so much because of the Treasury's well-known doctrine of immutability, but because of the spiral of irrefutably fair claims which would arise from such a topping-up. The military would be followed by police, firemen and fisheries inspectors, and the colonial servants by home civil servants and a great many others whose pensions were awarded on the old code. The amount involved might yet not be wholly crippling, but the Government believes this expenditure would, at this time, be contrary to its economic policies—and it is on them that those pensioners who now receive adequate pensions are going to have to depend if they are not to suffer the same fate as their predecessors.

SERVICE OVERSEAS

Twilight and Dawn

RECRUITMENT on permanent and pensionable terms for service in British dependencies is soon likely to stop altogether. Already it is a mere trickle; contracts for a limited term of years now prevail over offers of a full career. In the twilight of empire, one thing is clearly seen. For British specialists as for administrators, there is no prospect of passing into the service of a newly independent government and remaining there, with normal chances of promotion, until retiring age. The 1960 report of the Select Committee on Estimates envisaged a new advisory and technical service, absorbing former servants of the Colonial Office as well as new recruits, which would enable Britain to meet some of the needs of Commonwealth and other "new" countries for expert staff by providing a pool of personnel available for periods of secondment on demand; their security—in the form of pensions, pay while unemployed, and promotion rates—would be guaranteed, wherever they might roam, by their own government at home. This concept, although described as "attractive," is firmly demolished in the white paper* which the Secretary for Technical Co-operation, Mr Vosper, presented on Tuesday.

Such a service, it is forcefully argued, would not be a practical proposition, because the numbers, duration, and types of vacancies could not be accurately forecast; and because there would be little to attract good candidates in a career studded with spells of unemployment (albeit paid unemployment) and possibly fading away into a kind of sinecure; without prospects of rising to a senior post, and involving constant switches not only from country to country but also from the service of one government to that of another.

The Department of Technical Co-operation therefore proposes to base most future recruitment on the principle of service overseas "for limited periods which form part of a career based primarily in Britain."

On present showing, the white paper may seem unduly sanguine about the prospects of prising more teachers, doctors and other specialists away from a home country that wants many more of them for itself anyway. It recognises, at least, that example is better than exhortation, and promises that "all Government departments will make a special new effort" to release staff for service

* Recruitment for Service Overseas: Future Policy. Cmnd 1740. HMSO, 2s.

The Economist

MAY 31, 1862

COLONIAL OBLIGATIONS

"Since, then, our colonial empire costs us five millions a year in calculable outlay, and as much again, perhaps, in ways that we cannot estimate; since our commerce with it would be just as great and just as profitable if we were traders merely, and not owners; and since its political value is simply and undeniably a delusion, why should we insist on retaining it? The answer—the only and sufficing answer—lies in one word. It is our DUTY. We owe to those we govern obligations which we cannot shake off, and must not neglect. Our relations with our countrymen and our subjects cannot be cast aside the moment they cease to *pay*. Of course, as soon as a colony really made and peopled by Englishmen is in a position to stand alone,—as soon as it can govern itself and defend itself,—as soon as it no longer *needs* us,—there can be no reason why we should retain its unwilling allegiance a single hour. Nor should we dream of doing so. If Canada or Australia wished for independence, we should gladly let them go, and wish them Godspeed. But they do not, nor is there any likelihood that they will. The connection costs them little, and profits them much. Canada, indeed, is likely to be dragged into our disputes with the United States, but she can count upon our vigorous defence. Australia has fewer external dangers, but greater internal deficiencies and wants. Neither colony could gain anything by shaking off a dependence which, though recognised, is never felt. . . . But our other colonies are differently situated. They have not yet risen to the full growth and stature of nations. They are not exclusively British. They are not homogeneous. There we have special duties to perform: civilisation to spread among inferior tribes; justice to administer to heterogeneous and unfriendly populations, all equally committed to our charge. In New Zealand and at the Cape there are aborigines whom we are bound to protect, and whom we must improve and educate if we can. If we were to cast off these colonies, it would probably go hard with the *native* races. It *might* even go hard with the European settlers. . . . To all Englishmen settled among savages we owe protection. To all uncivilised races among whom we have encouraged or permitted Englishmen to settle, we owe guidance, guardianship, and teaching.

overseas ; this presumably implies that due inducement will be offered. Devoluted Britain cannot in this respect match a country such as France in which the central government is the direct employer of a much wider range of professional people, and can shuttle them more easily between posts at home and abroad, with guarantees against loss of seniority. The DTC will have to use a lot of vigorous persuasion on both public and private employers if the present sadly inadequate supply of volunteers is to be enlarged to anything like the scale needed. In its task of encouragement, it deserves to be encouraged.

DEVELOPMENT

Not Yet Contemporary

THE attention of the British Government might well be respectfully drawn to the fact that the number of colonial territories is shrinking. Fourteen months ago Mr Macleod, then colonial secretary, acknowledged this in the Commons and concluded that the functions and title of the Colonial Development Corporation would have to be reviewed. The review, according to the corporation's 1961 report and accounts, is now " proceeding." It had better proceed smartly: since Mr Macleod's revelation three more territories have become ex-colonial ; and Uganda goes in October, with the Caribbean hot on its heels. Another fourteen months and the CDC might be almost restricted to Fiji and the western Pacific islands, for under its present constitution it cannot establish new projects except in colonies.

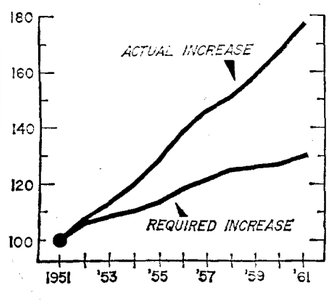
Projects begun in colonies may be carried on after independence, however. As a result, the CDC is a plantation owner in the federal Republic of Cameroun (independent, non-Commonwealth) which, last September, took the formerly British southern Cameroons under its wing. This may set a fortunate precedent and help the British Government in good time to stretch its imagination beyond, say, " Commonwealth Development Corporation " to, say, " Contemporary Development Corporation." Then money could be put into other people's former colonies besides Britain's—a counterpart, perhaps, for an increased flow of European money into English-speaking Africa.

The case is strengthened by the CDC's latest report. Not only is the corporation now paying its way ; it is making a profit and, albeit slowly, paying off its debt to the Treasury for earlier losses. Its operating surplus for 1961 was £3½ million, about £1 million up on 1960. Its credit-worthiness is now good (in contrast to the early years) and it is hopeful of borrowing increasing amounts from lenders other than the British Government. This is as it should be, but the Treasury ought now to be reviewing the ceiling of £130 million for long-term Treasury loans to the CDC.

I'M ALL RIGHT JACK

The lower line in the chart shows the increase in average wages and salaries per head, taking 1951 equal to 100, which would have been required to meet the rise in the cost of living, as measured by the consumers' price index. The upper line shows the increase which actually occurred.

The figures were given by the Financial Secretary to the Treasury in a parliamentary answer this week.



FAMILY PLANNING

Voluntary Reappraisal

TO every voluntary movement sooner or later there comes a time for detached, critical self-appraisal: a time for assessing whether its organisation is best fitted for its purposes ; whether they are being equally well fulfilled by any other body ; whether, indeed, they still exist. The Family Planning Association has had the courage to undertake just such an appraisal through the medium of a working party of detached but friendly observers, under the chairmanship of Professor Lafitte, and this week, at its annual conference, it has been digesting and discussing the sections of the report that have been completed.

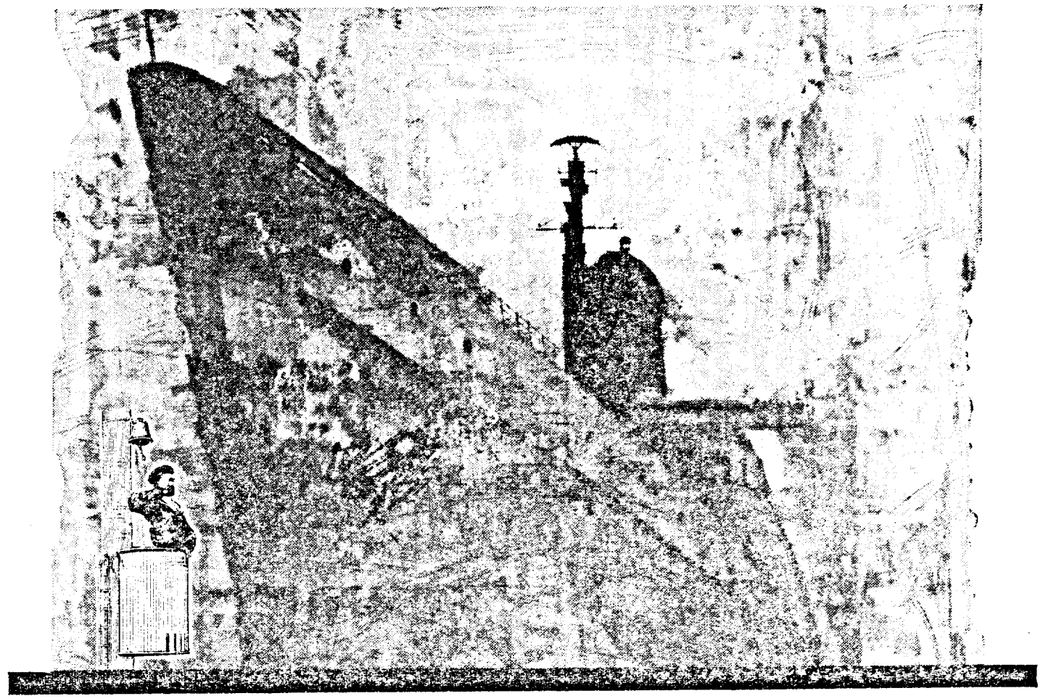
When the working party was beginning its own survey, the marriage survey sponsored by the Population Investigation Committee was just being completed. The results of this survey, which was discussed in *The Economist* of September 16, 1961 (page 1053), show that the actual practice of birth control in Britain diverges widely from the aims and methods of the clinics run by the Family Planning Association. The association's first object is " to advocate and promote the provision of facilities for scientific contraception." The marriage survey showed that about seven out of ten of couples who married in the 1950s fully approve of birth control in principle, and of those who practise it, whether avowedly or with reservations, about two-thirds began when they married. But for the FPA clinics the scientific method of contraception is *par excellence* the cap worn by the woman, whereas only a minority, less than 15 per cent, of avowed birth controllers prefer this method; the sheath is chosen by a half of them, whether they were married in the 1930s or 1950s, and though withdrawal (*coitus interruptus*) is less popular now than it used to be, it still takes second place and is the method used initially by one in five of the recently married couples. In other words, the British people, to a much greater extent than Americans, still prefer contraceptive methods that are undertaken by the husband.

Planner, Plan Thyself

THE Family Planning Association, on the other hand, is a woman's organisation, staffed for women by women. Out of the 7,761 new clients who came to the association's clinics in November, 1960, only 15 were men, and there are only 6 male doctors known to be working in them out of about 450 altogether. The family planning movement began, the Lafitte report points out, at a time when ignorance of birth control was widespread and when doctors and leaders of society were hostile, and took on the nature of a crusade to protect wives from their husbands' " selfishness " and the lower classes from their own ignorance and the prejudice of their betters. Today, however, the atmosphere is completely different, although the unskilled manual workers still lag well behind the rest of the community in their attitude and practice. Birth control is respectable, even in the eyes of the Church of England—bishops' wives can be found among the professional men's wives who tend to run the branches—and though there is an increasing tendency among newly-weds to seek expert advice about the means of achieving family planning, the advice is just as likely to be sought from doctors privately as from the FPA clinics, and a good many couples get along without professional advice at all.

If, therefore, the last big barrier is removed, and the health authorities can give birth control advice and instruction to any couple desiring it, and not just for reasons of the woman's health, has the Family Planning Association a future as an independent voluntary organisation ? Many local health authorities, and a few hospitals, already lend premises for use as FPA clinics, free or at a nominal rent, thereby giving the association a concealed subsidy. Furthermore, as the Lafitte report emphasises, the association is unlike other voluntary organisations in not having to rely on donations and subscriptions to carry out its work. It pays its way mainly by the discounts it receives from the manufacturers of the contraceptives it supplies to its

in a changing world

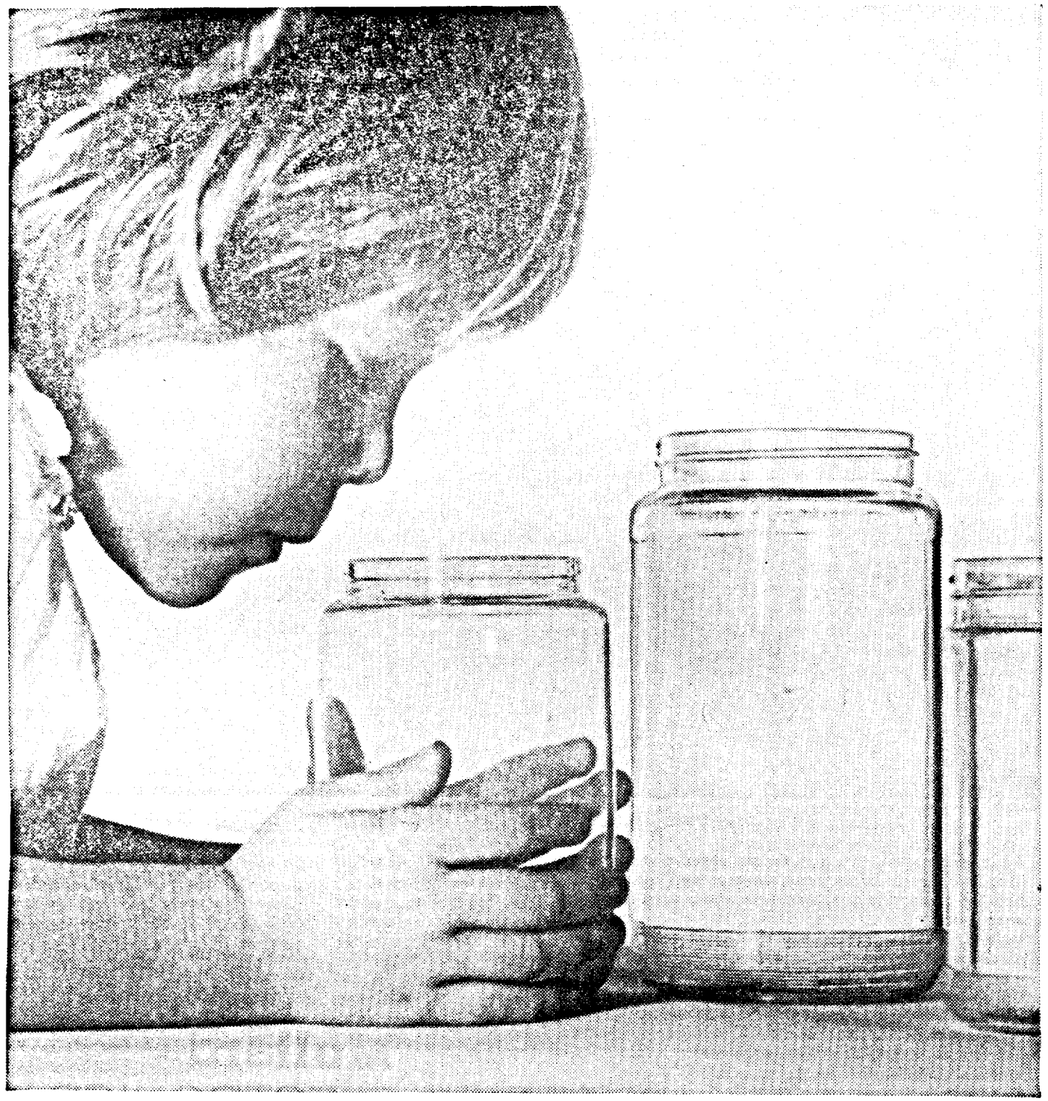


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clients—much more generous discounts than are given to chemists or doctors. This subsidy tends to put blinkers on the workers in many of the association's branches, who tend to think exclusively in terms of supplying the cap.

Sooner or later an oral contraceptive that is both safe and reliable will surely be developed. Already the "pill" is available both from the health service, if birth control is medically justifiable, and from the FPA clinics. When it has become the recognised method, the association, as it is today, will become out of date. There could still be work for a voluntary organisation in this field, but it may be concerned more with general advice on matters of sex and parenthood than with birth control, and this implies much closer co-operation with other voluntary bodies like the Marriage Guidance Council.

NIGERIA

Theory Half Proved

LIKE nearly every black African country, Nigeria is not a nation but a collection of tribes living within boundaries drawn by a former colonial power. The question about it, as about others, has been: will it disintegrate? The theory of Nigeria, comfortably held in Britain, is that the three regions, each with a dominant tribe and party, are so finely balanced one against the other that not only unity but democracy will prevail. In the event, the northern and eastern parties together run the central government; the western region provides the federal opposition. On Tuesday, however, the government of the western region was suspended under a bill passed by the federal parliament: a federally-appointed administrator will run the region until December.

The bill was introduced by the federal prime minister, Alhaji Sir Abubakar Tafawa Balewa, who said that his government was motivated solely by a desire to keep the peace. On the face of it, this seems justifiable. The Action Group, ruling party in the west, had broken into two factions, each with a different idea of who should lead the party and who should be prime minister of the western region. Neither side showed itself willing to accept defeat; the danger has been a possible growth of secessionist ideas within the region. But Sir Abubakar will now need to exercise great restraint if he is to resist the temptation to destroy the Action Group and its authority within the western region altogether. By doing this he would, of course, remove the federal opposition. For this reason, the democracy part of the British theory of Nigeria may now be proved wrong. But the federal government's firm action at least suggests that the country remains strongly enough governed to hold together. A crisis like the present one had to come. If Sir Abubakar keeps Nigeria in one piece now, the chances of it staying that way will be immeasurably strengthened—and, in the long run, so will the confidence of potential investors.

TRINIDAD

Clash of Colours

ORPHANED by the collapse of the West Indies Federation, the separate islands, or groups of islands, are now intent on seeking their early independence. Following close on the heels of the delegates from Barbados and the Leeward and Windward islands (the "little eight" who have agreed, provisionally, on some loose form of federation), a delegation from Trinidad and Tobago is at present in London. The problems for Trinidad, compact and relatively well-endowed, seem infinitely simpler than for its small, scattered and impoverished neighbours. But over its constitutional conference, which opened on Monday, hang the shadows of racial suspicion.

If Trinidad is treated reasonably generously by the outside world, its economic future holds promise. Its troubles are social, arising from its mixed population of African and Indian descent. About a third of its million people are Indians who, till now, have done rather better economically than the African majority. Frightened of losing



Dr Williams (left) and adviser

their grip, the Indians, in the name of the opposition Democratic Labour party, have been trying to entrench various checks and balances into the constitution. In particular, they are anxious to find a way of ensuring that the judiciary should be independent of government grace and favour—a hard thing to guarantee in a community as tiny as Trinidad's.

In the end, all arguments about Trinidad revolve round the personality of the prime minister, Dr Eric Williams. A clever, touchy man, he is suspected by his enemies, and by some of his friends, of harbouring authoritarian designs. In December, his People's National Movement won 20 of the 30 seats in parliament; tempers were not improved by the opposition's charge that his party had fiddled the voting machines which Trinidadians use instead of ballot boxes. Now, uneasily, Dr Williams and the opposition leader, Dr Capildeo, are arguing things out at Marlborough House. Dr Williams has suffered himself in the past because of colour prejudice abroad; the best lesson to draw would be to show tolerance at home.

ULSTER ELECTION

Who's Second?

NORTHERN IRELAND went to the polls in its general election on Thursday but the actual result had already been decided when nominations closed on May 21st. With 20 Unionists, including Lord Brookeborough and five other members of his cabinet, all returned unopposed Ulster is assured of another term of Unionist government. Three Nationalists and one Independent Labour candidate were also returned without a contest. The results in the remaining 28 seats will be announced by the time this issue of *The Economist* is in readers' hands. The real interest here is in the performance of the Northern Ireland Labour Party.

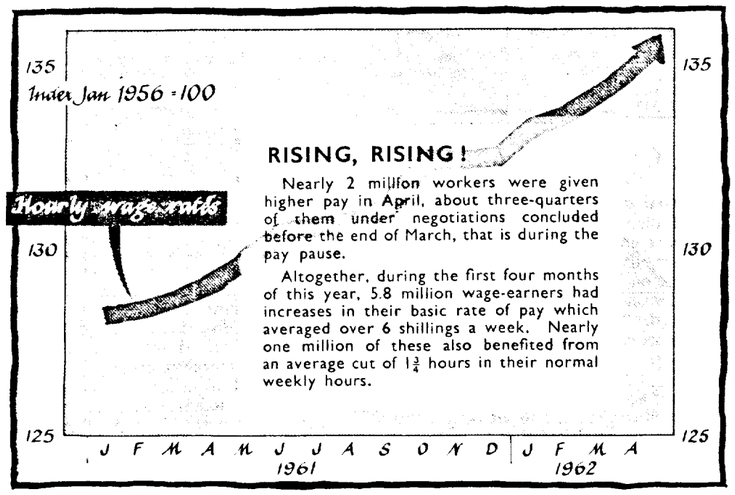
The entire weight of the election campaign was concentrated in Belfast where Labour was defending the four seats it won in 1958 and attacking the Unionists in seven other constituencies. In the Unionist stronghold of Ballynafeigh Labour will also test Ulster's Liberal revival in the competition for who comes second. It would be a bad result for Labour if it were to lose any of its four seats, particularly as no third candidates appeared there to split the anti-Unionist vote; it would be a very good result for the party if it were to win, or make a really close fight of it in three other city seats: Willowfield, Cromac and Duncairn. Elsewhere, and particularly outside Belfast where the party was breaking new ground, its prospects have not seemed too rosy. There were 12 Nationalist-Anti-Partitionist members in the last parliament, and the group had some hopes of gaining one more seat. The prospect is that Labour will still remain the third party, and it could even lose its uncomfortable title as the official Opposition if the Nationalists, as some signs indicate, choose to accept this role as their rightful due, and thus, by im-

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plication, recognise—for the first time—the Northern Ireland constitution.

SOUTH WEST AFRICA

Red to Move

DR VERWOERD has done well out of inviting two members of the United Nations special committee on South West Africa to tour both South Africa and the South West. He has convinced the United Nations men (but not yet the General Assembly) that there is no threat to international peace and security in South West Africa, that there are no signs of militarisation in the territory, and that genocide is not being practised. He will not have won their approval of apartheid: the judgment will be found in the committee's report, due to be presented in September. Meanwhile Dr Verwoerd's Minister of Justice, Mr J. Vorster, said in parliament on Monday night that Ghana and certain other black African states were preparing to liberate the Republic by 1963; it is not known whether or not the attack would come through South West Africa, thus creating the threat which the General Assembly is worried about. Mr Vorster was justifying his "Sabotage" Bill, which places the presumption of proof of innocence on the accused—and whose harshness has aroused protests from thousands of South Africans, black and white.

Future relations between South Africa, South West Africa, and the United Nations will largely be affected by two rulings due to come from the International Court this year. The first case concerns payments for extraordinary United Nations operations (like the one in the Congo). If the court says—as it probably will—that these payments should be regarded in the same way as normal contributions to the UN, then South Africa—and the communist countries—will be called upon to pay up. At this point African and Asian governments anxious to support the UN and attack South Africa should watch what the Russians, self-advertised friends of the anti-colonialists, decide to do.

By ignoring such a World Court decision, the Russians would weaken the UN (which they want) and weaken its capacity for putting pressure on Dr Verwoerd (which they do not want to be caught doing). All this would determine the effect of the second impending judgment: on whether, legally speaking, South West Africa is, or is not, a United Nations responsibility, inherited from the League of Nations. If the Russians ignored an International Court ruling against them, Dr Verwoerd would feel better able to do the same. His gains of the past week might then be consolidated.

EUROPE

After the Plunge

A NEW twist has been given to the pamphlet war about the common market by a new Liberal party publication.* It steps off the well-trodden ground of for and against on to the new terrain of the opportunities that may open up once Britain is inside the community. Most of the nine contributors are not Liberal party men; they include M. Pierre Uri, one of the drafters of the Rome treaty, and M. Hirsch, president of Euratom until he fell foul of General de Gaulle last year. (*The Economist* must also declare an interest; a member of its staff is a contributor.)

The intriguing thing about the pamphlet is the way a good many common assumptions about the common market are turned upside down. Mr Robert Neild, for example, who firmly declares himself a socialist, is evidently not alarmed by the prospect for sterling if Britain joins. On the contrary he sees a pooling of reserves, a Triffin plan for Europe, as offering a new opportunity to solve the sterling problem. Politics, where the fears of British anti-common marketeers are most acute, are seen by several contributors as the area where Britain can make its biggest contribution. Instead of discussing the dangers for the Commonwealth and other outside countries if Britain joins, the contributors talk of a future Atlantic community and of joint western policies to help the undeveloped world. One can almost hear sceptical voices protesting that this pie in the sky is all very well—but that what matters is the tough and exceedingly difficult negotiations in Brussels. Yet how much simpler Britain's European problems would be today if a few more people, in the past, had thought beyond the next fence.

In a speech on May 25th, M. Marjolin, vice-president of the European Commission, elaborated some ideas of his own about the need for a European plan. Such venturesome thoughts are naturally not touched on in a new Treasury pamphlet, "Background to the Negotiations" (HMSO, 3s.). But this is easily the most intelligent and forward-looking government publication on the subject so far. A chapter "If Britain Joins" gets to grips with some of the likely consequences of British membership. It foresees an invigorated economy and, for the Commonwealth, a changed but not diminished position in the world.

* Europe after Britain Joins. Liberal Publication Department. 5s.



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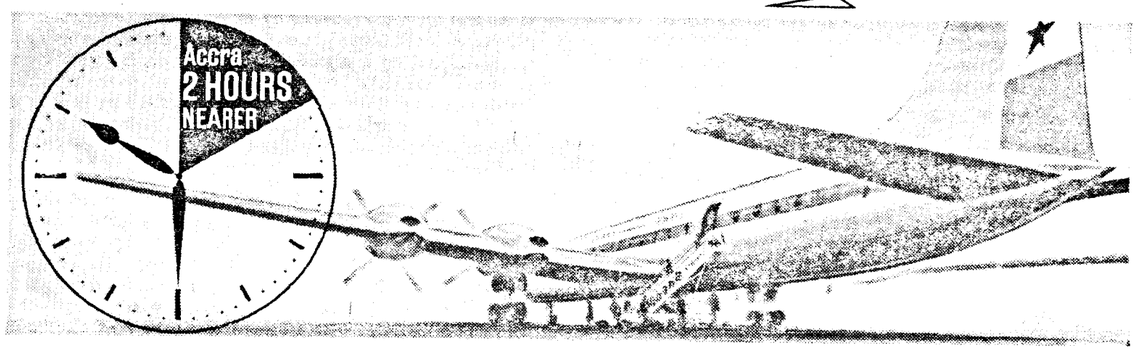


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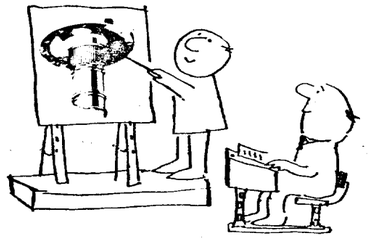
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HOME REPORT

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

Foremen at School

FROM OUR SPECIAL CORRESPONDENT



Two ministries have just revealed their present state of thought about the training of factory supervisors. The Ministry of Labour has published the report* of a committee set up last year by Mr Hare, while the Minister of Education, Sir David Eccles, has put his name to some departmental views on the matter. Both ministries agree that things are pretty bad; the independent observer might add that both the poor performance of many British manufacturers, and the number of strikes that arise from the failure of communication between workers and managements, must in part be due to the poor quality of the most junior (as well, sometimes, as of the most senior) links in the management chain.

There are about half a million supervisors and foremen in British industry. Last year only 10,000 students went through courses for supervisors in the 140 technical and commercial colleges that offer such training. Almost half of these attended evening courses only. Some 2,000 firms use the facilities of the Ministry of Labour's excellent Training Within Industry scheme; 1,100 others systematically provide more comprehensive training courses for their supervisory personnel. But there are 6,000 firms in Britain each employing more than 250 workers, and 8,750 more employing over 100 apiece. Evidently only a tiny proportion of supervisors and foremen are trained at all—which is all very well for the born leaders, but leaves a terrible gap among the others. What is encouraging about the Ministry of Labour report is that the committee unanimously—including the representatives of the employers' organisations—proclaimed its extreme discontent with the inadequacy of the present amount of training given to supervisors.

Quite clearly there is a demand for this training: quite clearly, too, there is no lack of people ready and willing to supply it. Apart from the Ministry of Labour, the Department of Scientific and Industrial Research, the universities and the technical colleges, at least 14 separate bodies (from the Workers' Educational Association to the City and Guilds Institute to the National Institute of Industrial Psychology) are concerned either with the training of supervisors or with the training of people to train supervisors. Many large firms, and the nationalised industries, have their own training schemes. Seven of the voluntary bodies concerned with training were represented on Mr Hare's committee—which is perhaps why, although condemning the results of the present uncoordinated arrangements, it recommended that they should not be changed. Pointing out, quite rightly, that the activities of the exising bodies rarely overlap, and that there is plenty of room for all of them, the committee went on to argue the case against the setting up of some central body; it will itself meet again at the end of the year to review progress, and the Minister's National Joint Advisory Council of bosses and trade unionists will be kept regularly in touch with developments.

* The Selection and Training of Supervisors. HMSO. 3s.

This is quite certainly inadequate. The committee does not have the pull to get things done (the last committee on this subject, in 1954, reported that the employers' organisations were "taking an interest," but this is about all that could be said eight years later). The NJAC is composed of men too senior in their own organisations, and too busy with other subjects, to do very much in so detailed, yet so vital, a field. The committee contented itself with recommending that the employers' organisations should be more active in setting up training courses and publicising them among their members; but the employers' organisations of this country have remarkably little influence on their backward members and hardly enjoy the lively respect of their most go-ahead ones.

In fact the training of supervisors is two separate problems. First, there is the question of how to train men who are not expected to rise very high within their firm, or to exercise very great responsibility. For them, training within the firm is the first need: they must fully understand the firm's attitude to trade unions, the negotiating procedures, elementary principles of instruction for new entrants, safety rules, and so on. There is no need to send such people away on courses. But if misunderstandings, and perhaps strikes or—worse—accidents are to be avoided, it is vital that they should not simply be given an extra thirty bob a week and left to muddle through. But before some employers will take the necessary trouble to see that these men are properly told what to do, they must be stimulated by the prospect of some immediate advantage. (The committee seems to have argued that everyone agrees that training is a good thing: so they do, in general terms, but many less bright employers fail to see where the profit lies for themselves.) The effective means of persuasion here could well lie in an unfair and discriminating bribe, perhaps in the form of a tax concession, for those employers who really do see that their foremen are properly instructed.

The second, and rapidly growing, class of supervisors consists of white-coated technicians whose job inevitably involves them in a certain amount of order-giving. For them, supervisory skills should be built into their technical training; any refresher course should (as some already do) include instruction in modern techniques of labour relations. This is precisely where co-ordination, with official backing, is needed between all the admirable bodies specialising in one particular field of training; and it is the point at which training in supervisory skills falls most nearly within the purlieu of education as such. The universities and technical colleges need to be brought into this field through the Ministry of Education itself; just as they are helping the motor industry (thanks to the Minister of Labour) to improve its industrial relations by training shop stewards and foremen, they can play their part in other industries. It is a pity that the committee, which put forward all the arguments for a really swingeing reform in official attitudes here, failed to follow them through to their conclusion.

Birmingham-on-Sea

FROM A CORRESPONDENT IN BRISTOL

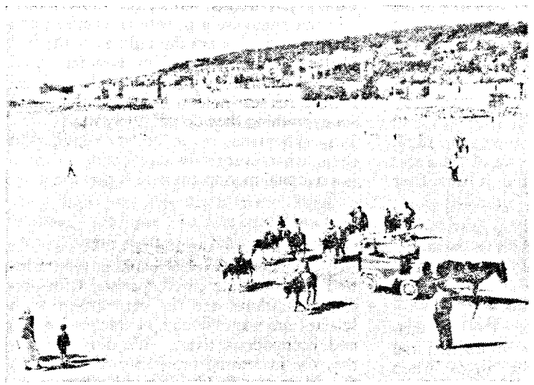
The Minister of Housing and Local Government, Dr Hill, announced this week that he intends to designate a site for a new town at Dawley, Shropshire, to take part of the West Midland overspill population. But more modest efforts under the Town Development Act still have a part to play.

Weston-super-mare, the Somerset seaside resort with a fear of old age, has opened an outlet for Birmingham's overspill. What Birmingham (population 1 million) needs to lose in industrial weight, Weston (population 42,000) aims to gain. For years people concerned with the future of the resort have feared that it might become a gigantic old folks' home. It relies almost exclusively on the seasonal holiday trade, and has steadily lost many of its young people. Amusement arcades offer few employment prospects for qualified school leavers.

More than 1,300 children will leave school in Weston this summer, and many of them will eventually feel compelled to move out unless more varied employment can be found for them. This means more light industry and, in particular, immigrant firms that will bring in a nucleus of skilled workers with them.

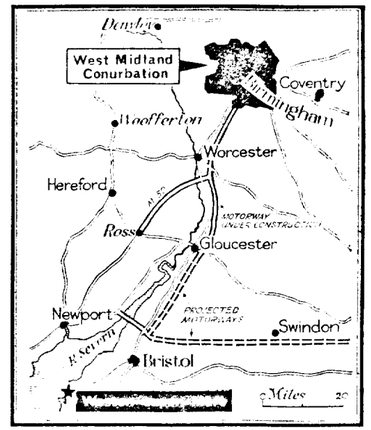
The link with Birmingham looks a natural one. Birmingham is to Weston as Brighton is to London. A third of the resort's holidaymakers come from the Midlands. Many Midlanders retire to Weston, and several Birmingham firms run convalescent homes there.

Four years ago Weston borough council gave the overspill scheme the go-ahead, with government blessing under the Town Development Act. A 125-acre corporation-owned site at Oldmixon, not far from the town centre and near the sea, was set aside for industrial and housing development. The council will lease sites on it or sell freehold, and in some cases, subject to Whitehall approval, will build and lease factories.



But nothing for school leavers

The chief drawing factors for Birmingham firms are the cheaper land and good communications. Oldmixon has a railway link; the Bristol port system is only 20 miles away; and a new motorway route, planned to run through Somerset from Bristol, will be close at hand.



Of the 44 acres set aside for industrial development on the site, 13 have already been taken up, including 1¾ acres occupied by the first settlers from Birmingham—a firm that had been in the city for nearly 150 years. Work starts soon on a factory for another Birmingham firm, which should be engaged in full production at Oldmixon by the end of the year. A start is also set this year for a third factory, also for a Birmingham firm, and negotiations for others are now continuing.

The remainder of the site is for housing, shops and a school. Work has started on 160 houses, and another 800 houses or flats will be built when required. Weston officials hope that eventually 20 firms may be accommodated at Oldmixon. It is a purposeful effort to save their own town from economic imbalance. For Birmingham something on a more impressive scale—like the new town project at Dawley, which is to take over 80,000 people, and possibly another new town at a place like Woofferton—is urgently needed.

Postgraduate Pains

FROM A CORRESPONDENT IN OXFORD

At present Oxford has just over 1,500 resident graduate students reading for research degrees or diplomas. Undergraduates in residence number about 7,350. While the undergraduate sector has grown by only 70 per cent since before the war, the sector of resident graduates has increased by nearly 300 per cent and a report by the university's committee on postgraduate studies suggested last week that severer methods of selection would have to be imposed. Graduate studies at Oxford are less weighted in favour of science than at Cambridge (48 per cent compared with 72 per cent) but, even so, contrast with the still massive predominance of arts subjects among undergraduates, only 28 per cent of whom read science.

The growth of this graduate sector raises important and difficult problems for a university traditionally oriented towards the teaching of arts undergraduates.

POSTGRADUATE STUDENTS AT BRITISH UNIVERSITIES
(excluding one-year courses in education)

	1938–39	1956–57	1960–61
Number	3,094	9,940	14,285
Per cent of student body	6·2	11·1	13·3

Source: Cmnd. 1691

The science graduate, whose increasing numbers have been an important cause of the development of the graduate sector as a whole, has a focus for his working life in the department. This is not to say that all is well with the organisation of scientific graduate studies. To judge by inquiries here, and by a survey undertaken at Cambridge last year, provision of graduate seminars and lectures, and of enthusiastic and competent supervision by a generally overworked staff, is far from ideal. Further, the graduate belongs to the world neither of dons nor of undergraduates, and thus fits into neither of Oxford's traditional niches.

On the arts side the problems involved have not, even yet, been seriously thought out. The candidate for a B.Phil. or a D.Phil. has no centre for his studies equivalent to the science department, and thus works largely in isolation. The idea of an arts centre is now recommended—and so is the establishment of a remodelled inter-faculty board to look after postgraduate needs. At present supervision can all too easily be limited to hasty coffee or tea sessions fitted in by a harassed college tutor between his work of teaching undergraduates.

Graduates have a spectrum of personal and financial problems in addition to those raised by the organisation of their studies.

These are particularly pressing for the married students, estimated last year to form about a quarter of the whole. Here financial difficulties can be really acute, particularly if there are children. Ministry of Education grants for graduates, averaging £333 a year, do not err on the side of generosity, and though there is clearly some force in the argument that endowing the wrong researchers is worse than endowing none, to screen candidates by making research financially unattractive, rather than by limiting admission to the really able, seems a doubtful approach.

OXFORD'S graduate policy is taking a number of lines and is still evolving. For the select few there are two excellent postgraduate colleges, Nuffield and St Antony's. An argument has recently been put forward for a third, though so far without attracting much support. This October the existing buildings of St Catherine's Society will become a graduate centre, Linacre House. Boards of faculties have been tightening up standards of admission for research candidates, and trying—though still with scanty success—to organise postgraduate studies more rigorously. Some frank American comments on their postgraduate schools have exposed several risks to be watched out for here. A plan for building graduate flats in North Oxford has currently run into opposition from the Ministry of Housing but some colleges, like New College, are putting up blocks for unmarried graduates.

Marginal Seats

EVER since the Festival Hall opened its plate-glass doors, the Royal Albert Hall has been in the sort of financial predicament which puts the silver into its management's hair. While it is not losing money, it is not making any, either ; and one of the things which keeps the situation from getting any better is precisely the system which keeps it from getting any worse—namely, the holding of seats by people with a financial stake in the hall. They can come in at just about any function, public or private, and sit down and watch. But even if they do not come in, their seats must not be sold to the public. This is continually giving the Festival Hall the edge in securing bookings of all kinds.

The Albert Hall was meant to be built with the profits of the 1851 exhibition, but after buying up stretches of South Kensington (for the plethora of museums) the money ran out. Fresh funds were therefore raised from individuals, in £100 units, each of which entitled the donor to free entry to his Albert Hall seat for 999 years. The Queen has 50 of these seats ; the commissioners of the estate took 500, which they afterwards returned, as did the contractors the 300 they had taken in consideration of a little price-lopping. But what was left over was still not enough to make ends meet: in 1876, the seat-holders imposed a rate of £2 a seat annually on themselves, and it was later raised to £3 for each of the 1,287 seats held by the 370 people who have inherited or bought or been given the right by the original investors. Nevertheless, the spectacle of 1,000 or more empty seats in the best part of the house continued to haunt the management. A special act of Parliament was needed before the holders could be excluded on 10 occasions each year ; another, in 1951 (when the competition from the subsidised upstart across the river was being badly felt), raised to 18 the functions from which seat-holders could be barred—and permitted the holders to levy a further £7 a seat annually on themselves for 14 years.

But neither that, nor the annual appeal to relinquish seats not going to be used in the following year, has been enough. The hall's financial worries continue. Wages have doubled ; seat prices are much the same as they were 50 years ago ; the orchestras and organisations which use the hall say they cannot pay higher rents ; the Government will not subsidise a private enterprise ; and those 1,300 seats are the only asset the hall has over its competitor. Now another appeal has been made by the President, Lord Pender, for seat-holders to give up their seats for everything they do not really want to see. It is either that or go under, taking with them what everybody else seems to think is a national monument paid for by the state.

LETTERS

Deficits Pay

SIR—Your correspondent (May 19th) attributes the greater economic progress of Western Europe compared to the United States in the last decade to a greater willingness to "spend itself rich." His case is not convincing, since deficits have been common in the United States, too. Whatever the Eisenhower Administration may have intended, it achieved a budget surplus in only three years out of eight, and only a small surplus at that. The true reason for the lagging American performance is to be found in another Keynesian tenet, namely that a country cannot simultaneously have full employment, equilibrium in the balance of payments and fixed exchange rates.

There have been several studies of purchasing power parities in recent years, though none of them have been published in the United States. They all come to the same conclusion: the dollar is strongly overvalued. For instance, official German figures for January 1962, based on a detailed comparison of individual prices, suggest an overvaluation of about 22 per cent compared to the German mark ; the mark itself is now somewhat overvalued in relation to most other European currencies. The devaluations of 1949 had lost most of their initial justification by the middle 1950s when European and Japanese production had recovered. This overvaluation not only inhibits American exports (especially through its effect on wages), and stimulates overseas investment by US firms. More importantly, it prevents the government from pursuing a truly expansionary domestic policy.

We all know that devaluation or depreciation of the dollar would raise tremendous problems. But as long as the balance of payments remains a constraint on fiscal or monetary policy, the prospects for full employment in the United States do not appear bright.—Yours faithfully,

H. S. HOUTHAKKER
Professor of Economics
Harvard University

Brothers at the Bank

SIR—We strongly challenge the various imputations made in the article in *The Economist* last week. The article calls our present pay claim "ludicrous." We must point out that no claim which the union has ever lodged can justifiably be called ludicrous—the claim is both just and fair. We consider that the present level of banking remuneration is far too low in comparison with pre-war conditions and in comparison with salaries and wages in comparable professions and occupations today. We also consider that the increasing prosperity of the banks should be matched by increasing remuneration for those who have helped to bring this about—namely the bank employees. There is abundant evidence to justify this point of view but we are sorry that no attempt was made in the article to refer to it.

Contrary to the impression given by the article, the union is not claiming a flat 30 per cent increase at all levels of banking remuneration. Our pay policy provides for a new salary structure for all grades, which means *in some cases, increases of up to* 30 *per cent.*

The article goes on to say that the staff associations can take some pride in their success in taking individual banks to arbitration and in the resultant salary increases. May we point out that the total increases granted by the banks in the last six months amount to some 5 per cent for the clerical staff, with slightly higher percentages for senior grades—but the non-clerical staff in some banks being ignored altogether. This is the first major salary increase since July 1960 and yet, since that date, the cost of living has risen by over 7 per cent. These increases have not therefore alleviated in any way the continued decline in real living standards of bank staffs. The staff associations are responsible for this decline, but it is difficult to see how they can "take pride" in it. There is only one solution for an equitable salary and wages structure in banking: for the banks nationally to negotiate with the only national and independent union in British banking—the National Union of Bank Employees.

Finally, we must point out that our complaint to the International Labour Office is being heard by the Freedom of Association Committee of the ILO on the question of a denial of elementary trade union rights. This complaint is being reviewed at this moment in Geneva. We are not specifically claiming a contravention of ILO Convention 98 (as stated in the article) because the review of this particular Convention does not come up until next year.—Yours faithfully,

J. L. HORNBY
General Secretary,
National Union of Bank Employees
London, SW1

Liberal Ethos

SIR—Neither M. Briand nor Mr Arthur Henderson would travel by train at night if they could help it. When they had to attend for some League of Nations business, they took the day train from Paris to Geneva. At the appropriate hour M. Briand's *chef de cabinet* used to come along the train to Mr Henderson's compartment and invite him and me to lunch with M. Briand in his saloon. M. Briand spoke no English and Mr Henderson no French. In consequence, after a few civil exchanges through an interpreter, Mr Henderson tended for the rest of the meal to talk English to M. Briand's *chef de cabinet*, while I talked to M. Briand in French.

One hot afternoon an imp possessed me and I let a bee out of my bonnet at M. Briand. I ventured to ask him whether he did not agree with me that in an ideal democratic state there should be only two parties, one collectivist and the other individualist. Neither would ever be wholly right, but the interplay between the two should produce the nearest one could hope for in the way of good government. I had warmed to my subject when I perceived that the great man was asleep. There is a superstition that, if one stops talking in such a conjuncture, the other will wake. Who was I, it seemed to me, to do the weary statesman out of a well-earned nap ? And I went on developing my thought. Mercifully Mr Henderson very soon decided to return to his compartment. M. Briand thereupon roused himself and bade us a civil farewell.

A few months after this M. Briand died. Meeting his *chef de cabinet* about that time I offered condolences, as I knew that the two had been on affectionate terms. He surprised me by telling me that M. Briand had been interested in what I had said in the train: he had not been asleep at all and had repeated much of it to his secretary after we had gone.

I wonder whether the point taken by M. Briand could not with advantage also be taken by our national phoenix, the resurgent Liberal party ? Can it be that they should look for their main support from those electors who do not want a vamped-up, Butlerised version of collectivism, but a full-bodied individualist creed, appealing to the present-day heirs of the philosophic radicals of 150 years ago ?—Yours faithfully,

Broadwindsor, Dorset N. RONALD

US Steel

SIR—In your issue of May 5th you reviewed (page 442) "Pricing Power And The Public Interest" by G. C. Means. The review failed to mention the following matters, among many others:

(1) To "prove" that profit margins had increased—and hence could be "blamed" for steel price increases—Dr Means resorted to self-serving selection of nontypical data. He compared the data for the year 1953 with those for what he called "fiscal 1959." For part of 1953 steel prices were subject to wartime price ceilings. If the years of the great depression and those when wartime price controls were in effect are left out, there were only three years in US Steel's entire history when its income as a per cent of sales was as *little* as it was in 1953. As for his "fiscal 1959"—the twelve months ending June 30, 1959—this was the period when steel customers were rebuilding inventories from the 1958 recession and frantically enlarging them against the long steel industry strike that occurred in the latter half of 1959. By this device Dr Means gathered into a selected twelve months' period about three-quarters of the profits earned for the full two years involved. He thus got a *big* figure to compare with his selected *little* figure ;

(2) Dr Means ignored the really relevant and readily available data (as regularly published by the American Iron and Steel Institute) to show what the increases in steel prices went to cover. In 1940 the steel industry's receipts per ton of steel shipped were $73. In 1960 they were $207, an increase of $134. The profits per ton in 1940 were $6, or about 8 per cent of sales ; in 1960 they were $12, or a little less than 6 per cent of sales. The increase in receipts (price) per ton was $134 ; the increase in profits per ton was $6. The difference, or $128, went to cover cost increases which were $55 for employment costs, $56 for purchases including interest, $6 for depreciation, and $11 for taxes. It would appear difficult to most people to "blame" the steel price increase over the period on the *shrinking* profit margin ;

(3) Dr Means contends that the employment cost inflation—a big part of the increased prices being taken to cover it—was partly due to company efforts to enlarge profit margins because it stimulated labour unions to demand and secure bigger wage increases than would otherwise have occurred. It is interesting reasoning, but for it to have any validity one must suppose that price increases preceded wage increases, whereas the fact is that the wage increases preceded the price increases.—Yours sincerely,

BRADFORD B. SMITH
Economist,
United States Steel Corporation
New York

The New London

SIR—I have never been a member of the Banstead witenagemot (your issue of May 5th) but as I have lived in Banstead and worked in London for close on 60 years, it may not be presumption on my part to state what I believe may be the objection of the ordinary resident of this district to the proposal that we should become part of the Greater London Council.

You invite the answer by your statement that Banstead relies on Central London for its daily bread. Sir: Man does not live by bread alone. Stand on Banstead Downs when the wind is from the north and you will inhale all the smoke and fumes of London. Face south-west, into the prevailing wind, and you can almost believe it is possible to smell the good air of the Channel.

The urban-minded developers who have, through the years, made a mess of our once not unattractive High Street, may wish to see the whole area urbanised, but even they forget that London ends where the Banstead Downs begin and that our large area of Green Belt (in spite of your remarks) and the commons and heaths will long keep this district rural.—Yours faithfully,

Banstead, Surrey HENRY RUTHERFORD

★

SIR—Why *Greater* London Council ? What, under the new arrangements, will London be if it is not the whole of the area of the new upper tier authority ? A principal theme of the royal commission report was that London is not a conurbation, or growing together of separate towns, in the Manchester or Birmingham sense, but the natural growth of the same great wen. How then Greater ? Let us not baptise the new authority with a name meaningless from the day it is born.—Yours faithfully,

Manchester EDMUND DELL

[There is, of course, the City of London, which will retain its identity—with a population of under 5,000—under the GLC.]

BOOKS

When the Lights Went Out

August 1914

By Barbara W. Tuchman.
Constable. 499 pages. 45s.

It will soon be the fiftieth anniversary of the outbreak of the first world war, and its commanders and its battles, their names once household words for half of us alive today but meaning nothing to the other half, are likely to be recalled in many books. Indeed, the commemorating and reconstructing process has begun already. The last year or two have seen more than one fresh account of the Flanders fighting and the horrors of trench warfare ; and now Mrs Tuchman has taken for her subject the course of the war to the eve of the battle of the Marne.

In deciding to stop there she has exceeded the limits of her title. In the search for strategic unity or for a significant turning point she could not stop before the eve of Marne. But it was on September 4, 1914, that Joffre, pushed by Gallieni's insistence even more than he was deterred by Sir John French's reluctance to co-operate, halted the French retreat and ordered general action to begin on September 6th ; and it was on September 5th that the German High Command persuaded Kluck to begin a withdrawal on September 6th in an attempt to retrieve his mistake in wheeling north and east of Paris. This was certainly a turning point ; but from the point of view of strategic unity Mrs Tuchman would have been wiser to take a more extended title and continue her account through the incomplete victory of the Marne, the German retreat to the Aisne, the race for the possession of the Channel ports and the battle of Ypres, which marked the onset both of winter and of the stalemate of trench warfare.

This opinion is supported by another consideration. Mrs Tuchman exceeds her title limits at the beginning as well as at the end, devoting her first hundred pages to a survey of prewar planning and of the diplomatic outbreak of the war, which goes as far back as to include a long description of the funeral of Edward VII in May 1910 —her chosen symbol of that unity of Europe and that level of civilised international dealings which were soon to be submerged. In itself this further departure from the title would be unimportant. It is more regrettable that her analysis of the prewar situation and of the causes of the war does not quite reach the high level upheld throughout her subsequent analysis of the warfare. It is not that it is factually at fault or that the emphasis on the facts is anywhere misplaced. Least of all need we dissent from her conclusion that the aims and actions of the German Government were the chief cause of the war when German historians are themselves now recognising that this was so. It is rather that when interpreting international politics, and especially on the eve of wars, the historian has to place the aims, the actions and the mistakes of men and governments in a more complex setting than when he is interpreting even the strategic conduct of wars. Factual analysis and narration are not in themselves enough. But factual analysis and narration are the directions in which Mrs Tuchman excels. Her book would have gained in unity if she had avoided so much preliminary material, in a field in which she is not so thoroughly at home, and used the space saved in this way to extend her analysis of the war to the point suggested.

How excellent she is at her best is revealed throughout the book from the point at which it embarks upon the military operations. Her reconstruction of these—of the escape of the *Goeben* to Constantinople, of the battle of the Frontiers and the German breakthrough in Belgium, of Tannenberg, of the German advance to Paris and Kluck's wheel—is one that it would be difficult to improve on. It makes compulsive reading on account of its clarity and its wit, its sharp delineation of the characters of the men involved, and the sound judgment, which extends beyond its set pieces and its individual portraits to convey a firm understanding of the ways in which the fighting on the different fronts was strategically interlocked. The sources quoted at the end of the book confirm the impression that it is a work of scholarship no less than a piece of writing of the highest quality. The accompanying maps and photographs are worthy of the text.

Canadian Miscellany

Northern Approaches : *Canada and the Search for Peace*

By James Eayrs.
Macmillan. 104 pages. 30s.

There is no end to the making of speeches and the writing of papers about Canadian-American relations, and there have always been more Canadian dons ready to write about external affairs than about the more controversial domestic matters to which they might have directed their critical faculties with greater benefit to the country. But things are gradually improving with a new generation of young dons, who are far better paid, and probably feel more secure, than their predecessors ever hoped to be. One of the most prolific of this new generation is James Eayrs, associate professor in the Department of Political Science at the University of Toronto, who teaches a subject called "international politics," and contributes generously to the prevailing passion for seminars on Canadian-American relations, Canada-and-this, Canada-and-that.

So much effort goes into these well-intentioned efforts that one can easily sympathise with Mr Eayrs's desire to get wider circulation for papers delivered to small groups of earnest intellectuals. But it really does not make a very satisfactory book.

The most original chapter is a memorandum not previously published about Canada's early dealings with Soviet Russia in the 1920s, for which Mr Eayrs has been able to draw upon the Mackenzie King papers. It is interesting, but tiresomely incomplete without the earlier story of Canadian policy towards Russia from 1917 to 1919 under Borden. Most of the papers, lectures and articles reprinted in the book deal with more recent events. Mr Eayrs has said many of the proper things about Canadian relations with the United States and some perceptive things about relations with the Commonwealth. He waffles about Cuba ; and the papers on defence are ephemera, which probably got all the attention they deserved on their first appearance. Their reappearance only shows that the author shares the confusion of the political parties' current arguments on defence.

It is a relief, in the penultimate chapter on China, to find one subject on which Mr Eayrs has a definite opinion. He thinks Canada should have recognised China long ago, and he suggests that 1955 might have been a good time. But he unfortunately relapses into fuzzy generalities when it comes to suggesting how Canada should act in 1962 and 1963.

Mr Eayrs is a diligent researcher and tireless filer of both historical and current documents. He recently published a volume on "Government and Foreign Policy in Canada," which was reviewed in *The Economist* on March 17th. His judgments are lively and generally sensible, though he has a curious blind spot on the monarchy. The greatest present value of his work should be to first-year students whose outlook is being enlarged by a course in history or philosophy. But Mr Eayrs needs a wider audience and the relatively thin ranks of "opinion-leaders" in Canada need him. He displays a lively intelligence and an unusually well-organised comprehension of available sources. All this gives promise of far more useful and mature work in the future, provided Mr Eayrs can resist the superficial success of the facile.

Great Expectations

Plainville, Fifteen Years Later

By Art Gallaher, Jr.
Columbia University Press. 317 pages. 49s.

In the United States, unlike this country, sociology is booming, and the problem there is to find some new aspect of American life to investigate. When this proves impossible, all that remains is to go back to some previously studied scene and see how it has changed. This is precisely what Professor Gallaher has done. Plainville, the subject of this book, is a small American farming community, which fifteen years ago was in its outlook predominantly rural. At the same time, it was experiencing the very first stages of the process of urbanisation that has spread in all directions across the American continent. Today Plainville has been quite engulfed by urban America, both economically and culturally.

The particular changes that Professor Gallaher discusses are quite illuminating. His chief point is that there has been a shift in values among the farmers and their families, a revolution of rising expectations. Plainvillers, today, like all Americans, expect things to get better all the time. Economically, this has meant the abandonment of subsistence farming, a rush into cash crops, and the adoption of mechanised techniques designed to make of farming just another means of earning money. Farming is no longer a way of life, but a job like any other. The result of this has been both over-mechanisation and over-production. (This helps to explain the thousand million dollars a year that the American government spends on storing farm produce.)

For those interested in the processes making for change rather than its consequences, the author makes the interesting point that while fifteen years ago the forces making for change in Plainville were developing naturally from within the community, today changes are being forced on it from outside, whether they come through the directives of Government agencies for agricultural reform, or along the major highway that now bisects the town.

What, in effect, this study demonstrates is not so novel: that the new industrial revolution is transforming the lives of such communities with no less rapidity than the original one, though decidedly less brutally. Since, however, these changes have their source in the United States, Britain can be certain to experience them too ; Professor Gallaher provides us with a great deal of information for understanding what may be happening in our countryside tomorrow, if not today.

Indian Textbook

India : *A Modern History*

By Percival Spear
Michigan University Press. London: *Cresset Press.* 520 pages. 63s.

No history of India can ever be satisfactory. The ancient facts are too uncertain, the modern prejudices too strong. Dr Spear, however, achieves his limited aim ; he has written a good textbook for undergraduates. His style is admirable, he is our leading authority on India, and he escapes the pitfall of giving undue weight to those subjects and periods on which he is personally expert. He is up to date on Mohenjo-Daro, to which modern scholarship is inclined to attribute more and more of the special quality of Hindu civilisation. He is summary about the period between Alexander and the coming of the Muslims ; the millennium and a half which made Indian society as we know it, but of which we know incredibly little. He is balanced and conservative on the British period.

But even Dr Spear has his bias. Had the Moghuls moulded India as much as he implies India would not be very different from Persia or Egypt or Iraq ; rather is it the south, the custodian of Indian tradition, and British influence, that have made India the very special country it now is. Enamoured of Delhi, Dr Spear sees Shivaji as a scourge instead of seeing him as the first redeemer of Hindu self-respect. It was Shivaji who made the Maharashtrians India's most upstanding, honest and fearless people. Had Akbar been as great a ruler as Dr Spear would like us to believe, nobody would have applied to his court the Persian proverb:

> If the monarch says that the day is night
> reply—the moon and the stars shine bright.

The undergraduate who reads Dr Spear needs someone oriented to Hinduism and the south to provide the other side, Sardar Panikkar perhaps ; certainly Panikkar and Spear together provide all the answers we know.

Rhodes and Mozambique

Anglo-Portuguese Relations in South-Central Africa, 1890-1900

By P. R. Warhurst.
Longmans. 183 pages. 30s.

Most of the frontiers dividing the Portuguese colonies of Angola and Mozambique from adjoining British territories were settled in 1891. Before that, however, Rhodes had embraced the ambition of seizing those parts of Mozambique which could assure him of access to the sea from Matabeleland and Mashonaland. The reasons why he failed in his various forays into Mozambique are set forth in the twenty-third volume of the Imperial Studies Series, which is published for the Royal Commonwealth Society under the general editorship of Professor Graham. Mr P. R. Warhurst, a graduate of Witwatersrand and now a schoolmaster in Southern Rhodesia, has written a diligent though humdrum account of the whole squalid affair. One aspect of his book that is particularly useful at the moment is its illustration of Britain's deep involvement with and commitment to the defence of the Portuguese position in Africa. As the blurb rightly points out and the book develops, "Britain finally agreed to confirm her long-standing obligations"—dating, indeed from 1661—"and guarantee all Portuguese territory. This guarantee is still incumbent on Britain and was the most positive outcome of a decade of tension."

No doubt as imperial historiography demands, this is a record of events in Africa without, or almost without, the Africans concerned. Mr Warhurst's heroes are Salisbury and Rhodes, who between them, as he sees it, caused civilisation to "trundle along the dusty roads into the interior." African armies generally appear as "hordes," and there is even the surprising statement on page 78 that Chaka was the liquidator of "millions of Africans in Natal." How large, one wonders, was the population of Natal at the beginning of the nineteenth century ? It would surely have given helpful depth to Mr Warhurst's treatment of the records if he had paused to consider how things looked from the point of view of men like Mzila and later leaders on the African side.

As it is, however, he is concerned only with the progress of imperial expansion. Within these limits he has tidily filled a gap in the known sequence of events, and here and there where the events were particularly lurid—as when Willoughby "invaded" Beira—the book really comes to life. It is a pity that the title is misleading. Although Mr Warhurst briefly notes the terms of the Anglo-German Convention of 1898, which provided for the eventual partition of Angola as well as of Mozambique, he deals only with the south-eastern side of the story. There are some well chosen photographs.

Old-fashioned Criticism

Ibsen and Strindberg

By F. L. Lucas.
Cassell. 494 pages. 50s.

A reading of this book is almost bound to provoke the question: "What is the worth of destructive criticism ?" His unflagging, lifelong interest in dramatic literature has led Mr F. L. Lucas to devote a good deal of attention to a writer whom he finds quite repulsive—August Strindberg. About one-third of this large and highly priced volume is taken up by a hostile account of the life and works of "this maniac misogynist," to use the author's own epithets. It is not, of course, unreasoned prejudice that drives Mr Lucas to castigate Strindberg for morbidity, cruelty, hysteria. He prides himself on his esteem for moderation and rationality, and he makes his critical position explicit—though in terms that are curiously vehement for one who sets up as the defender of balanced sanity. "I have always loathed Dionysus," he says, "both in Euripides and in real life —the blind emotionalism that still yawps and yelps fanatically across the world."

There is nothing frenzied about Ibsen, though much that is gloomy and even tortured. Mr Lucas admires him greatly, and examines his plays at length ; but why it should be necessary to summarise the plots is by no means obvious, even though a personal slant is often given to the summary. But his strong distaste for abnormality does disqualify him as a critic of Strindberg. Presumably he would dismiss the whole of surrealist art as a dangerous aberration, and the exploration of experi-

ence by a mind on the verge of madness seems to him valueless. He gives a derisive account of *The Ghost Sonata,* a play that can easily be made to sound ludicrous ; yet a powerful production conveys the seriousness of its theme—the destruction of illusions. He makes heavy fun of the slaughter of the caged canary in *Fröken Julie,* but on the stage this has a devastating significance. And the terms in which he admits to finding this play slightly less nauseating than *The Father* betray something worse than a total lack of sympathy—they show a kind of spitefulness. "For hero and heroine [*Fröken Julie*] has a lout and a trollop instead of a halfwit and a hag." In what sense can Julie, highly bred, highly sexed but virginal, be called a trollop ? And if it is fair to call the Captain a half-wit, what about another tragic hero notoriously lacking in common sense, and finally goaded to madness—Lear ?

Mr Lucas's tone when he deals with Strindberg is often reminiscent of Rymer's criticism of *Othello,* which he found "a bloody farce without salt or cavour." The erecting and bombardment of Aunt Sallies is an exercise that nowadays appeals strongly to inexperienced young literary critics, but it is peculiar that someone of Mr Lucas's standing should indulge in this sport. "Let criticism be clear-headed and hard-headed," he says, "but not hard-hearted." Yet the gibing tone betrays a lack of the patience and imaginative sympathy that characterise good interpretative criticism. The debunking is of course sometimes quite funny. Mr Lucas can write mordantly, and he enjoys thrusting in the personal reminiscence or the sardonic aside ; he does this even when writing perceptively and appreciatively about Ibsen. The whole method of this book shows him to be an unrepentantly old-fashioned critic ; but nobody could accuse him of not putting all his cards on the table.

Integration and Identity

American Capital and Canadian Resources

By Hugh G. J. Aitken.
Harvard University Press. London: *Oxford University Press* (1961). 229 pages. 40s.

THIS book has a much wider significance and more general interest than its title suggests. It is a penetrating and lucid study of the problems presented by regionalism in conflict with internationalism and with the preservation of national identity as these are exemplified in North America. The author brings insight begotten of long study of economic history to his analysis of American investment in Canada, along with the whole complex of entrepreneurship, skilled labour, organisational methods and advanced technology that goes with it. The dynamic part played by "command centres" in the United States in directing the advance of the Canadian resource frontier not only accelerates Canada's economic progress ; it is moulding the Canadian economy to the pattern of North American continental needs.

A heavy import of capital and technology into Canada in periods of rapid growth fits the historic pattern of development ; the recent influx of capital is proportionately no more formidable than that in earlier periods of expansion. What is new is the dominance of American capital, enterprise and markets in the great new forest and mineral staple export industries, which set the pace of growth. Earlier staple exports, notably wheat, tightened trans-Atlantic, not continental, ties and strengthened the cohesion of a nation that stretches across the northern half of the continent from the Atlantic to the Pacific. The new staple industries cut across this east-west national axis, creating new frictions between the federal and provincial governments and welding Canada to the United States. The shift in economic alignment is reinforced by the "unfortunate imperatives of continental defence."

The author, perhaps optimistically, sees no danger to Canada's formal political independence, but a real threat to its cultural survival and effective independence, especially as Canadians are continuously exposed to American media of mass communication.

In the early stages of Canada's development, strong ties with Europe helped it to maintain its identity in the face of American expansionism. This counterpoise can no longer offset American influence. If Canada is to maintain its identity it must do so by its own efforts ; economic integration need not necessarily mean cultural absorption for a people that can meet its challenge by their own vigorous distinctive cultural contribution.

Anti-Fascism

Mussolini's Enemies : *The Italian Anti-Fascist Resistance*

By Charles F. Delzell.
Princeton University Press. London: *Oxford University Press* (1961). 633 pages. £5.

PROFESSOR DELZELL'S admirable book covers the entire field of Italian anti-Fascist activity from the parliamentary crisis that followed Matteotti's murder to the advent of the Italian Republic. Half of it deals with the story of armed resistance in Italy, whose origins and character are distinguished from those of the Resistance in France. The French movement was military and moral, and in a sense anti-political for it was born of the revulsion that followed the breakdown of the Third Republic. In Italy the movement was more widespread and popular and its complexion was highly political since it stemmed from twenty years of underground anti-Fascism and blossomed in the atmosphere of excitement surrounding the rebirth of a multiparty system. The distinction is essential to understand later developments in each country.

The author modestly presents his work as a *cronistoria* to be used as the point of departure for further studies when new material comes to light. In reality it is likely to remain for many years the basic study of Italy's second Risorgimento. Certainly no Italian historian has as yet attempted anything approaching such a thorough, detailed and detached survey. There is only one criticism to make of this young American school of historiography (which recently yielded another important Italian study in Richard Webster's account of Christian Democracy): the method is so scientific that sometimes one feels intuition is being mortified by too much laboratory testing. Facts are sacred, of course, but opinions must also be strong and free.

Professor Delzell advises the reader that his prejudices are those of "an American Democrat who feels sympathy for at least several of the goals sought by the non-Communist groups in the Italian Resistance." This said, he records every shade of anti-Fascist political thought and action and every known assessment of their probable weight. Each tree and leaf in the anti-Fascist jungle is described, but at the end of it all the reader feels he knows little about what it felt like to be walking in that wood. This is particularly true of the first part of the book. The author had personal experience of Italy during the war but does not seem to have known Fascist Italy at first hand. A dip into Brancati's novels or into Zangrande's autobiographical "Lungo Cammino"—the tale of a young Fascist idealist who turns Communist—might have helped him to get the atmosphere of a "despotism tempered by epigram" and to understand what the anti-Fascists were up against besides special courts, militiamen and agents provocateurs.

It is almost a relief when the professor lets his democratic American (that is, anti-Communist) slant make him overlook a clue. One cannot, for instance, accept his view that the Matteotti murder marked the beginning of a determined anti-Fascist resistance. This is to underrate the importance of the earlier wave of popular anti-Fascism, which was and still is one of the toughest threads in the Italian social fabric. The great American illusion about Italy is the belief that this potentially Communist thread can safely be pulled out from the rest.

A less serious omission concerns the role of Croce's liberal anti-Fascism. Professor Delzell notes that Mussolini was awed by Croce's international reputation, but though a footnote mentions Lucio Lombardo-Radici's book on the subject, he does not record that Communist writer's opinion, shared by Salvemini, that Mussolini deliberately allowed Croce and his disciples enough freedom to act as a safety valve to let off intellectual anti-Fascist steam. So long as this was not bottled up, he reckoned it would not overthrow his regime. But these are small faults in an otherwise well balanced, honest and scholarly work.

AMERICAN SURVEY

AMERICAN SURVEY is prepared partly in the United States, partly in London. Those items which are written in the United States carry an indication to that effect, all others are the work of the editorial staff in London.

Shocks and Shares

NEW YORK, *Wednesday night*

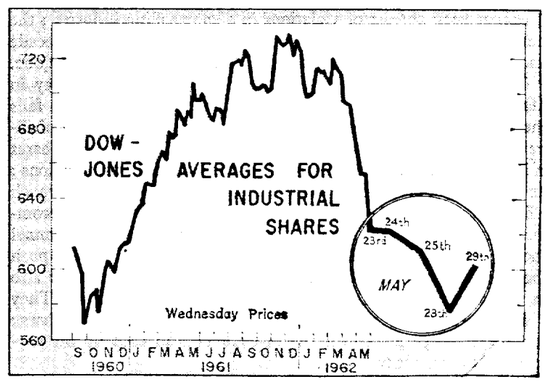
THE Memorial Day holiday today was welcomed as a much needed respite on Wall Street ; the stock market had seen the wildest gyrations since 1929 during the two preceding days. Confusion and uneasiness continue to prevail, however, for in spite of Tuesday's recovery the descent has been so broad and deep that even veterans of the market place are close to a state of shock and have no instinct or confidence about what the future holds. Brokers and the managers of investment institutions are convinced that most equities are reasonably priced, or even cheap, but they wonder whether the individual investors who did most of the selling will regain their appetite for common stocks. Indeed, brokers fear that many new investors who were lured into equities during the latter stages of the market boom which has now broken and who have never experienced painful losses before may now simply be waiting for an opportunity to sell out. Declines in the long post-war bull market, which were usually limited to less than 10 per cent and were few and far between, did not discourage investors but the current dive in share prices, which has brought a reduction of over 25 per cent in the Dow-Jones industrial index, is utterly bewildering and incomprehensible to a majority of shareholders in the country. Moreover, most of the damage has come in a few days and actual losses in issues which had been favoured by both institutional and individual investors were far greater than the drop suffered by the averages.

While the price structure had been weakening for some time the panic which swept the market last Friday and again on Monday revealed that the safeguards erected since the great crash of 1929 are far from invulnerable. For example, the stiff margin requirements—70 per cent of cash has to be put up for any purchase of shares—were supposed to prevent the excessive use of credit. Nevertheless speculators have been evading this regulation by dealing through foreign banks and high-rate money lenders as well as through bank loans for unspecified purposes. A major factor in the latest selling wave was a demand from the banks that margins be covered ; the falls in share prices had reduced the value of the collateral originally deposited as security for loans. In particular the banks made a target of unregulated lenders using bank credit to provide funds for speculation in the stock market. Some brokers complain that credit was distributed unevenly in the market and that this engendered a good deal of thinness so that, in the absence of buyers, specialists found it difficult to absorb shares without drastic markdowns in price. On Black Monday those forced to sell experienced falls of as much as 10 per cent between trades of a hundred shares.

On Tuesday new margin calls led to further markdowns in the morning but then institutional buyers, particularly pension funds administered by banks, began purchasing, in substantial blocks in many cases, shares which individuals were selling to regularise their margin accounts. Mutual funds also increased their purchases somewhat but they are behaving cautiously, perhaps because they are afraid of large scale redemptions of their shares which could force them to liquidate portions of their portfolios. So far sales of shares in mutual funds themselves are reported to be holding up but, if disenchantment spreads and holders of mutual funds sell, this could bring on fresh waves of selling.

The fact is that the copious and refined statistical indicators used by the Wall Street professionals failed to give any advance hint of this spiralling plunge in share prices. Thus the professionals are showing little faith in their own yardsticks, pointing out that, though shares are available on a "value" basis, the mass disenchantment with equities is such that investors who were eager to buy at prices equal to thirty times earnings are reluctant to make purchases when they are at only fifteen to seventeen times earnings. Now that confidence has been shaken Wall Street feels that it will take a long time to rebuild that confidence unless Washington intervenes to stimulate both the market and the economy. But the prevailing view in Washington is that the market was overdue for a correction. Wall Street does not disagree but the financial community argues that the correction has been overdone ; for this it blames the Administration and particularly President Kennedy who is being talked about in terms reminiscent of those used against Franklin Roosevelt in the mid-nineteen-thirties.

Administration officials refuse to accept this stigma of being anti-business. They insist that the economy is turning in a good though not a sparkling performance and they regard the drop in the stock market as an isolated phenomenon that does not call for any special attention. They may not maintain this hands-off attitude for the danger is that the frightening fall in share prices which has meant big paper losses for almost every investor may react on the economy. It is Mr Kennedy's hope that the market will now catch up with the economy but Wall Street's fear is that the fall will act as a drag on business. If the selling wave was simply a whirlwind that has blown itself out the total damage may not be too severe. But it is bound to do some harm to retail trade—consumer spending was just beginning to look robust—and to the capital investment by business which has been counted on to provide the stimulus for a sustained period of growth. This does not mean that a recession is imminent ; but



an early and prolonged decline in the economy can no longer be dismissed as out of the question and the long-run competitiveness of American industry is being questioned again.

It is both easy and erroneous to draw parallels with 1929 but the present situation is not without its own perils and it could have far-reaching repercussions. For one thing some 16 million shareholders are directly affected by the course of the stock market and, though many have only relatively small amounts invested, the psychological impact of the drop should not be underestimated. For another, confidence in the dollar may be shaken if the economy is unable to maintain a commendable rate of growth. In fact Europeans have been steady sellers of American equities in recent months; they have been putting the proceeds into short-term Treasury obligations, but they could withdraw their funds from the United States or show a preference for gold and this would hamper the Administration's capacity to deal with any domestic symptoms of recession. Washington trusts that its efforts to achieve international co-operation in defence of the dollar will prevent a serious drain on the stock of gold but officials are worried that Wall Street's decline may touch off an emotional flight from the dollar. Thus Washington cannot ignore Wall Street's distress, even though it is not prepared to go to the rescue directly. Actually a relaxation of margin requirements might not make much difference at this stage. The essential factor for restoring confidence is to assure a continued rise in business activity.

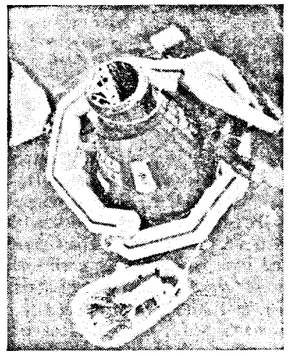
Wall Street's Own Failings

SOME businessmen put part of the blame for this week's crack in the stock market on the broad investigation of its practices which the Securities and Exchange Commission has been carrying out for the past six months and it is true that the first open hearings were concluded only a few days ago. In fact, the SEC has been bending over backward to avoid starting a scare and there has been no headline hunting. But now that people have been reminded of how much money can be lost overnight, the business of selling securities will be under even stronger pressure to put its house in order. The SEC is not abandoning the idea, which Congress adopted almost thirty years ago, that the best way to safeguard investors is to see that they have the full facts about securities and to have the industry police itself. But more of both remedies are needed, particularly in two areas where self-regulation has never gone very far and which have grown much faster than the securities business as a whole: the over-the-counter market, where securities not listed on the exchanges are bought and sold, and the mutual funds, America's equivalent of Britain's unit trusts. The SEC itself is bringing more prosecutions and obtaining more convictions than ever before, but it admits that it cannot keep abreast of violations in a snowballing industry; the number of broker-dealers has risen from 3,000 to 4,750 in a decade and the number of salesmen has gone up from 35,000 to 102,000.

The SEC considers that the cases which it put on display in May each illustrate one of the ways in which the industry falls short of proper professional standards of behaviour: hordes of ill-trained, unqualified, often part-time salesmen (particularly of shares in mutual funds) who are interested primarily in their commissions; lax supervision, even by reputable firms, of their proliferating branch offices; profits made by insiders on shares which they have recommended to the public; the practice whereby mutual funds channel their buying of shares through brokers who, in turn, help to push the sales of the mutual fund's own shares. Mutual funds are also in trouble over their sales of shares on the instalment plan. They deduct in the first year most of the commission and service charge for the whole period and if the investor fails to keep up his payment he cannot get this back.

Though Mr Funston, the president of the New York Stock Exchange, rather foolishly insisted that he could see nothing wrong, there are stirrings of self-reform in some quarters. The American Stock Exchange has cleaned house pretty thoroughly; examinations for salesmen are being stiffened, a clearing-house for securities traded over the counter is being set up and there is talk of a rogues' gallery to keep undesirables out of the business. How far and how deep these reforms go will help to determine the amount of legislation for which the SEC will ask a responsive Congress next year.

Per Ardua Ad Mare



COMMANDER CARPENTER'S three orbits of the earth last week were an answer to those who have been suggesting that the United States may be too cautious about its space flights, that it may be putting safety before progress to an unjustifiable extent. The astronaut also shook those who were becoming bored with these exploits. His safe launching into space was taken almost for granted by the public, particularly when it was achieved without difficulty and with hardly any delay; the intense interest and sense of personal participation which such an adventure should arouse only developed with the "cliff-hanging" finale, when for nearly an hour Commander Carpenter was lost, maybe disintegrated, maybe drowned, only to turn up safe and not even exhausted on a life-raft in the Caribbean Sea.

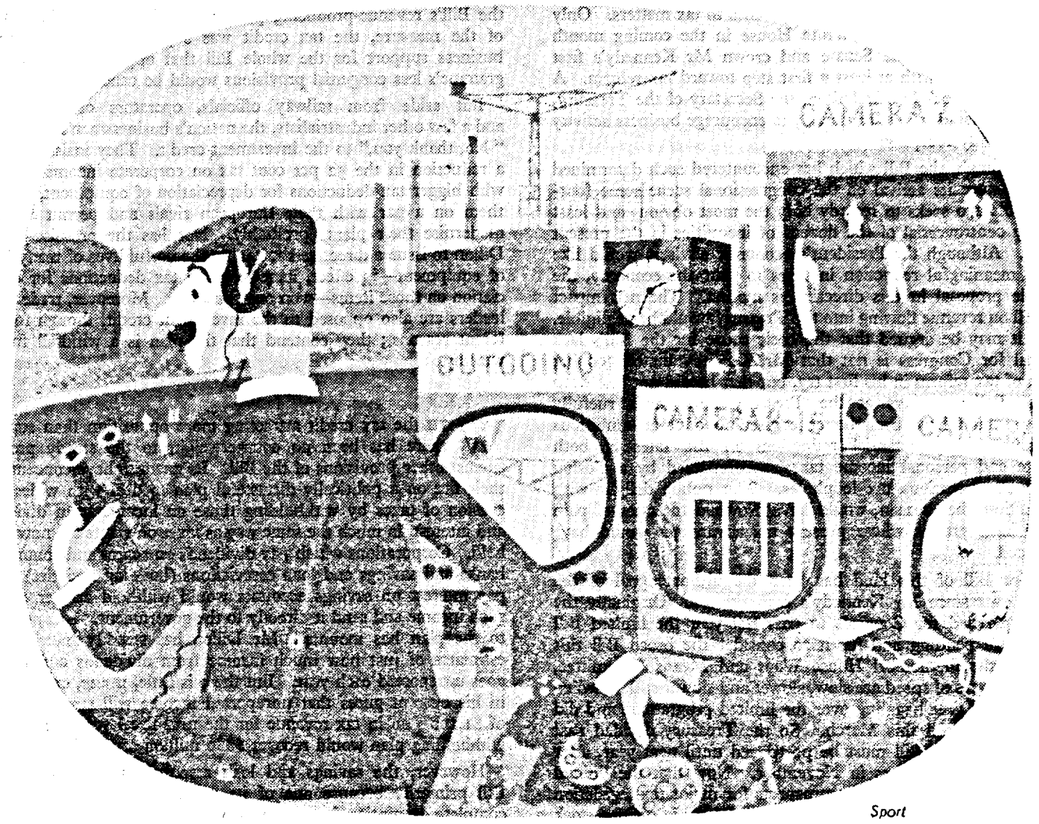
That he was retrieved so efficiently was according to plan but that he went so widely astray, 250 miles from his scheduled landing area and entirely out of touch with the tracking stations, was not. What actually went wrong is not yet clear—and is unlikely ever to be clear to the layman. But part of the difficulty was an excessive use of fuel and was, to some extent, at least, the result of an error made by Commander Carpenter. Perhaps he was given too much to do—technical experiments in living in a capsule, tests of both the "do-it-yourself" and the automatic controls of the space vehicle, photographs and other observations of space phenomena for the benefit of the scientists. Or perhaps he was just too anxious to please everyone and to make the most of what was undoubtedly the greatest experience of his life.

Even his mistakes were instructive but Commander Carpenter's experience shows why space officials refuse to be hurried and why they still expect that it will be at least five years before an American lands on the moon. He will still be there before the Russians, however—or so the American experts maintain.

Unsweetened Taxes

WASHINGTON, DC

PRESIDENT KENNEDY is in serious danger of a humiliating rebuff from Congress over his first, exceedingly cautious attempt to bring equity and purpose to the chaotic federal tax laws. His tax revision Bill, which surmounted heavy odds to win grudging approval from the House of Representatives, may have its heart cut out in the Senate; this body is far more receptive than is the House to the President's social welfare proposals but



Sport

TV schweppsicolor

Our "Gee-Whiz, the Ringside" programme gives you the pick of the day's sport. We show you the Test Match, except when we have to make room for "Pacifier", the Programme for Nearly Threes at 4 o'clock. If the demand for unsportingly high fees precludes us from showing you the rest of the top contests, we can still give you such slightly less well-attended events as the boxing trials for Under Tens and, in between times, take you right among the competitors in the cross country tri-car test. This difficult course for low-powered engines includes the mound in Mud Field, and so far no-one has crested it.

But now over to Schweppington Oval, where George Countryside is waiting to tell you that although play has been resumed at last, there is a little delay here because P.G.L. Stoker, brother of A.G., is having trouble with his pad strap—and, yes, here comes our twelfth man, Tony Striker, who has anticipated him. There's quite a little stir, in the crowd. Funny that his name too, begins with St. Has it ever struck us what a team could be made out of cricket names beginning with St.? During the pause, let's have another look at that skyline, camera. Recognise that scaffolding? But here comes the ball—no, Stoker made as if to strike but almost at once decided to withdraw his bat with that so very easy, that so frightfully familiar, gesture. It must be 42 minutes since P.G.L. intended to make contact, conceivably a record for red-haired left-handers. We'll just ask Ray Wobber...

Everybody likes this programme, because we are all thrilled by sport particularly without the dangers of getting there, to say nothing of the horrors of taking part. So let's draw the curtains, shut out the breezes and the light, and settle down.



Written by Stephen Potter; designed by George Him

SCHWEPPERVESCENCE LASTS THE WHOLE DRINK THROUGH

it is traditionally obstreperous when it comes to tax matters. Only a massive campaign by the White House in the coming month can turn the tide in the Senate and crown Mr Kennedy's first two years in office with at least a first step toward tax reform. A suggestion this week by Mr Dillon, the Secretary of the Treasury, that the Bill should be passed quickly to encourage business activity has had a chilly reception.

Oddly enough, the Bill which has encountered such determined opposition since its arrival on the congressional scene some fourteen months ago seeks to remedy only the most obvious and least politically controversial of the dozens of inequities in the present tax laws. Although the President's economic advisers would like to see a meaningful reduction in taxes to spur the economy, the Bill's sole proposal in this direction is modest. The net impact of the Bill on revenue flowing into the Treasury would be negligible. Indeed, it may be argued that the basic cause for the Bill's lack of appeal for Congress is not that Mr Kennedy bit off too big a chunk of tax reform in his first try, but that he did not bite deep enough. Policy makers at the Treasury now admit ruefully that they would have been better advised to offer an ambitious programme with substantial reductions in the rates of both corporate and personal income taxes, accompanied by a closing of the really notorious tax loopholes. The public delight with tax reduction, they reason, would have drowned the cries of pain from business groups whose present tax advantages would have been erased.

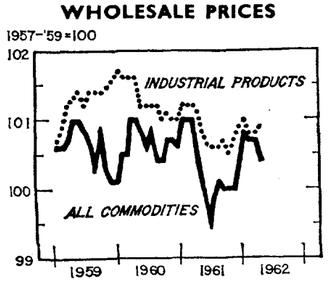
A major Bill of this kind has been the ultimate goal of the Treasury ever since Mr Kennedy's inauguration. Originally the Treasury planned for Congress to pass last year the limited Bill which is still pending and for it to consider the broad Bill this year. But the methodical House Ways and Means Committee, whose three rates of speed are slow, slower and slower still, dawdled away all of last year haggling over the limited programme and did not approve it until this March. So the Treasury decided that action on the major Bill must be postponed until next year, after the congressional elections in November. Now that the limited Bill may not pass this year, the prospects for major tax legislation are clouded although just this week, after the panic on the stock market, Mr Hodges, the Secretary of Commerce, called for sweeping reductions in the near future to restore confidence.

The central problem of the present Bill has been the failure of its single proposal for relief, a tax credit for new business investment, to generate the enthusiasm among businessmen that the Treasury hoped it would. The credit, which, as approved by the House, would permit a businessman to reduce his annual tax payment by as much as 7 per cent of the cost of new equipment which he had bought in the year, was assigned a twofold mission by the Treasury. Once it had become law it was supposed to induce businessmen to modernise their facilities at a relatively low cost to the Treasury—an annual loss of $1.2 billion under the version passed by the House; this would be met by the Bill's revenue-producing provisions. And before the passage of the measure, the tax credit was supposed to win so much business support for the whole Bill that opposition to the programme's less congenial provisions would be cancelled out.

But aside from railway officials, operators of coal mines and a few other industrialists, the nation's businessmen have replied "No, thank you," to the investment credit. They insist that only a reduction in the 52 per cent tax on corporate income, coupled with bigger tax deductions for depreciation of equipment, will put them on a par with their European rivals and permit them to modernise their plants profitably. Nor has the promise by Mr Dillon to issue a directive shortening the useful lives of many items of equipment—in effect, increasing the tax deductions for depreciation on those items—won over business. Moreover, trade union leaders are also opposed to the investment credit, though for different reasons; they contend that the plan is a windfall for the wealthy.

WHOLESALE PRICES

1957–'59=100



At the beginning of this year the American index of wholesale prices was shifted from the old 1947–49 base to a more up-to-date one. The index turned down last month as the result of a fall in the prices of farm products and foods. The stability of the wholesale price level explains why officials refuse to see any inflationary tendency in the recent rise in the consumer price index.

WITH the tax credit attracting more opposition than support, there has been no counterweight to the steady pressure against other provisions of the Bill. Its enemies have concentrated their fire on a politically distasteful plan to deal with widespread evasion of taxes by withholding those on income from dividends and interest, in much the same way as taxes on wages are now withheld. Corporations which pay dividends on shares and commercial banks and savings and loan associations (building societies) which pay interest on savings accounts would withhold 20 per cent of such income and send it directly to the government. As opposition to the plan has mounted, Mr Dillon has steadily increased his estimates of just how much income from dividends and interest goes unreported each year. But there is little, if any, exaggeration in his current guess that unreported income will result in a loss of $1.1 billion in tax revenue for the next fiscal year and that the withholding plan would recover $880 million of that loss.

However, the savings and loan associations, who oppose the Bill primarily because one of its provisions erases the virtually complete exemption from taxes which they now enjoy, have stirred up a letter-writing campaign to Senators of a magnitude seldom seen on Capitol Hill. Democrats standing for re-election are in a state of panic over the thousands of protest letters from their poorer constituents; up to now such people have ignored blissfully the tax payable on the income accruing from their modest savings accounts and now they are threatening retaliation on election day for what they regard as the imposition of a new tax. As a result, Democrats are joining the solid Republican opposition to the withholding proposals and the plan can boast of no more than 40 tried-and-true supporters in the 100-member Senate.

Although there has been little public protest, other provisions of the Bill are far more obnoxious to business than the withholding scheme; in particular, it dislikes the proposed new plan for taxing the overseas operations of American corporations. The present law allows American taxes on the earnings of a US-controlled foreign subsidiary to be deferred until those earnings have been returned to the United States in the form of dividends. Mr Kennedy recommended that such income be made taxable in the year in which it is earned. The less drastic version passed by the House does this for subsidiaries which have been set up in low-tax countries such as Switzerland to collect earnings from a manufacturing subsidiary in a relatively high-tax country such as west Germany, thus avoiding most taxation all along the line. Attacks on other provisions of the Bill have been limited largely to the taxpayers most directly affected: businessmen whose entertainment costs are curbed a little, mutual fire and casualty insurance companies and consumer and farm co-operatives.

All these provisions and possibly also the investment credit are acceptable to the Senate; it is the withholding plan which is the trouble. But the Treasury does not want the Bill without this plan. And if the Senate does pass a Bill stripped of the withholding provision Mr Mills, the chairman of the House Ways and Means Committee, will demand that it be restored in the final version of the measure. In that event, there is a good chance of a deadlock between the two houses that would kill the Bill. There remains, however, ample time for the White House to retrieve the situation. Senator Byrd, the conservative chairman of the Senate Finance Committee, who has no use whatsoever for the tax Bill, has been conducting interminable hearings on it and probably the committee will not actually send the Bill to the Senate floor for another month. This gives Mr Kennedy's agents a chance to use both pressure and persuasion on defecting Democratic Senators.

Whatever happens to this year's Bill, the tax men at the Treasury insist that they will return to the battlefield next year on a broader front. They want to go after such sanctified loopholes as the enormous tax advantages granted to the oil and gas industry, the law which permits business executives to receive mammoth bonuses at low rates of taxation in the form of stock options and the multiple tax dodges which can be found in the workings of the capital gains tax. If no Bill is passed this year there will also be another attempt to secure a withholding scheme for dividends and interest. The Treasury's tentative plans include tax reductions that may total as much as $8 billion a year to soften these blows, which is probably what should have been done in the first place.

Other Cheek to China?

THE sudden ending of the flood of refugees over the Chinese border into Hongkong has also eased the mounting and embarrassing pressure in the United States for greater help for those refugees and for the others who were being left starving in China. For the long-standing sympathy between the American people and the Chinese people, based on missionary work and trading contacts, has not been broken by what most Americans consider to be the forced imposition of an unwanted and disastrous communist government on their old friends. The efforts made by the British in Hongkong have been much praised and congressional committees are now considering how the United States can provide more assistance. The difficulties in Hongkong are more widely understood than might be thought from Senator Mundt's castigation of the policy of turning last month's invasion of refugees back across the border. But if that invasion is renewed influential groups in the United States will undoubtedly try to insist that surplus American commodities should be used to feed the new refugees as they are already helping to feed the million already in Hongkong.

The real shortage, of course, is not of food but of water, shelter and space; Hongkong has no room for more refugees. And so far there is little suggestion that the United States can, or rather will, do much about this situation. President Kennedy has invoked the emergency provisions of the immigration laws so that some 5,000 Chinese can be admitted at once on temporary parole, as Hungarians were in 1956 and Cubans more recently, with the possibility that Congress may grant permanent residence later. The number may be increased but it would make no real dent in Hongkong's problem even if the United States admitted all the 19,000 refugees who have applied for visas in the hope of getting places on the quota, which allows 105 Chinese to enter each year, or of being accepted as non-quota immigrants; there were 1,700 visas of this kind issued in Hongkong last year. These people all have sponsors in the United States and many of them have skills which guarantee them jobs, while the new refugees coming into Hongkong are untrained peasants with no American connections. There is not much prospect of resettling them satisfactorily anywhere although many suggestions—Formosa, Australia, Brazil—are being made.

The alternative way of alleviating the plight of the refugees would be for the United States to give, or sell, food to the Chinese government so that they did not need to leave the country. But the Chinese government has made no approach and until it does, either directly or through some international organisation, President Kennedy will do nothing. What he will do if there is an approach, however, is still, it is said, being argued over within the Administration. To send grain to China would strengthen a government which has never disguised its contempt for the United States and might save that government from collapse. On the other hand, to turn the other cheek to China would emphasise to the world both the failure of communist economic planning and the generosity of the United States. If the Chinese government can bring itself to appeal for help it is likely to get it.

Lesson for Mr Romney

IN Michigan the Democrats, with the aid of the powerful automobile workers' trade union, have elected seven Governors in a row but they cannot capture the State Senate because rural counties are so heavily over-represented in it. This built-in deadlock is one reason why the wealthy state of Michigan was driven, three years ago, to the edge of bankruptcy; even now the Republican Legislature is refusing to allow the Democratic Governor to levy a 3 per cent income tax to meet Michigan's deficit of $71 million. Another factor is the rigidity of the 53-years-old State Constitution, which sets a limit of $250,000 on the debt which the state may incur and ear-marks certain revenues for particular purposes. After the crisis in 1959 non-partisan groups began to agitate for a new Constitution; one of these was led by Mr George Romney, then head of the American Motors Corporation. He is now the chief Republican aspirant to the Governorship and, if he wins it, a real possibility for the Republican presidential nomination in 1964 in spite of his unorthodoxy; he regrets his party's identification with big business and yearns for a "citizens' party" untainted by economic interests.

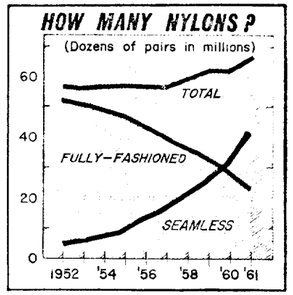
On May 11th the delegates to the constitutional convention approved a new basic law after eight months of work—and of partisan finangling which must have been an eye-opener for a man who has never before engaged in politics. Mr Romney had to cope with both the Democrats and the right-wing Republicans. The Republican Legislature had insisted that delegates be chosen on a party basis and, because the trade unions were asleep, the Republicans won a big majority. The bitterest fight was over legislative reapportionment. The Democrats naturally wanted to redraw the boundaries of the Senate districts according to population; they also favoured a graduated state income tax to solve the state's financial problems and, less admirably, the election of most major state officials. The conservative Republicans wanted no reapportionment and no income tax; to prevent the convention from breaking down Mr Romney had to engineer compromises with them which he may regret if he becomes Governor.

The new Constitution increases the debt limit to $65 million, but it bans a graduated income tax and puts off until 1970 any real reform of the State Senate unless—which is not very likely—the courts rule that something must be done sooner. The Constitution, which almost all the Democratic delegates opposed in spite of many useful reforms, must be submitted to the voters. How it will affect Mr Romney's chances is uncertain. A poll taken last January showed that he would have won only 41.9 per cent of the vote to over 50 per cent for Mr Swainson, the Democrat who is seeking re-election. But Mr Romney's campaign is only just beginning and his recent experiences must have removed a good deal of his political *naïveté*.

Legs without Ladders

FROM A CORRESPONDENT IN NEW YORK

THE modern feminine practice of showing not just a leg, but two of them and at length, has fostered a major industry which has fattened on the evanescent character of the stockings it produces and particularly on their propensity to break into ladders. Were the 65,104,000 pairs of female American legs 14 years of age and over clothed in stout wool or cotton, they might need half a dozen pairs of stockings in a year. Since nylon, nearly as fine but not as durable as a spider's web, is preferred, they require about a pair a month. But this profitable built-in demand-creating factor is now threatened by a new process, based on a combination of European and American skills, producing a shapely, seamless tube of transparent nylon which will cling to any leg and will not ladder. This stocking resembles mesh veiling and in its finest form the difference in weave from that of the conventional type is scarcely visible. It is to appear on the American market next week—similar stockings are already on sale in Britain—and, if the new product comes up to expectations, it will create a revolution in the stocking industry almost as seismic as was the substitution of nylon for silk in 1938.



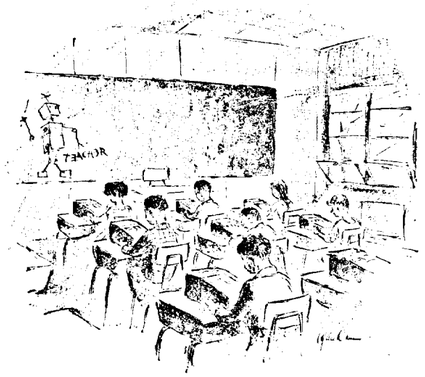
The American factories are concentrated in the southern states ; the industry is made up of 734 companies and 105,862 employees and its annual payroll is around $280 million. Last year it turned out almost 70 million dozen pairs of women's nylon stockings. Of these, a million dozen pairs were exported while 34,000 dozen pairs came into the country, half of them from Japan. Until about ten years ago most of these stockings were "fully-fashioned," with a seam at the back and a good fit around the ankles. But then, with skirts becoming shorter and weaves finer, seams were increasingly visible and women got bored with being told that their stockings were crooked. Meanwhile, manufacturers were learning how to knit thin nylon tubes and to make them fit. By 1961 the output of the seamless type of stocking had risen to 65 per cent of the whole.

The seamless stocking is knit round and round and the next step was for a German inventor to discover that in this process the stitch could be locked so that the stocking would not ladder. Fully-fashioned lock-stitch stockings had long been available but they were often not very attractive, while until then seamless stockings had only been "run-resistant." Thus the new invention brought heavy competition to get the new product on to the American market first. Various processes and patents are involved and a single manufacturer claims to have spent $3 million in converting his factory and to have set aside another $1 million for advertising. The seamless fad itself had already caught the manufacturers flat-footed and with them the manufacturers of stocking-making machinery. But by this spring some fifteen makers of seamless machinery were competing. If now the locked-stitched seamless and ladderless stocking makes the new machines obsolete, there will be carnage in the stocking industry.

The new answers to feminine prayer are said to compete in colour, fit and fineness of thread with any on the market and to be ladderproof, although not holeproof. They will sell at a retail price of $1.75 a pair ; which is expensive (it is slightly more than the 11s. 6d. being charged for the British products, but these do not seem to be as fine in weave). In the United States the new stockings were introduced to the press as a boon to "all women who have had their social and emotional lives disturbed by runs," but little information was offered about their anticipated length of life and only now are consumer tests being made. Nor is there any way of telling yet whether the new seamless, ladderless nettings will sweep conventional stockings away ; they may merely widen the range of choice, adding a new factor to the multitudinous variations in colour and weave that are already on sale. But, if women shift entirely to the new type, what will take the place of ladders as the quick destructive factor which pushes up demand ?

Education ex Machina

FROM A CORRESPONDENT IN NEW YORK



Drawing by Alan Dunn, © 1962 THE NEW YORKER Magazine Inc.

TO package and sell education like a bag of potatoes presents problems to even the most enterprising. But businessmen, in co-operation with certain educational specialists, claim to have solved these problems through the invention of teaching machines. About 200 firms are developing these mechanical wonders which range in price from 99 cents to over $6,000 and teach subjects as different as algebra, Hebrew and American geography. The inexpensive models are operated by hand; the more expensive ones incorporate computer mechanisms.

The teaching machine puts to use one of the most interesting developments in modern education. For the past few years intensive experiments have been carried on with a teaching method called "programmed instruction." A programme breaks down a given subject into steps or "frames" which are presented one after another in logical sequence either in the pages of a book or on film or paper which is viewed through the window of a machine. Each frame contains information. To progress from frame to frame the student is asked to put the new knowledge to work immediately, filling in blanks in a sentence or completing a diagram.

Here, for example, is part of a vocabulary programme which moves from familiar to unfamiliar words:

34 Anti words are opposites: Nazi and anti-Nazi, septic and antiseptic. An opposite place that isn't against anything is the place at the opposite end of the globe from the Arctic which we call the ——— arctic.

34a Antonym and synonym are opposites. The opposite of antonym, meaning "opposite in meaning" is synonym meaning "——— in meaning."

34b Actually no two words have exactly the same meaning; there is always some difference between them. Although syn means "alike," it is more correct to say "similar." We should say that synonyms have "———" meanings.

34c Listening to some people's troubles can arouse very strong feelings in you. You share their discouragements and fears. You have "similar feelings," or you feel ——— pathy for them.

Programming devices were developed during the nineteen-twenties but aroused little interest until 1954 when Dr B. F. Skinner, the Harvard psychologist, urged that the findings of research into the process of learning should be applied in the classroom. The theory is that to learn something a student must engage actively in the process. The Skinner method employs a machine resembling a portable record player. The student turns a knob to make a frame appear in its window. He reads, studies, writes an answer in a small opening on the machine's face and turns the knob. His answer moves under the glass, to prevent it from being changed, and the correct one appears. The student advances to a new problem only when he gets the right answer.

A second major programming method, called the Crowder method, presents a frame containing a large chunk of information. The student reads this and then is asked to pick an answer to a series of multiple choice questions. A right answer sends him ahead ; the wrong one shuttles him to a remedial frame.

So far, however, the machines suffer from mechanical flaws and are considered to be still of dubious value. The programme itself is the important thing. A growing number of schools, including the tax-supported ones in New York City, are incorporating programmes into their curricula. They have been used from the kindergarten through college but seem to be most successful at the secondary level when applied to subjects such as mathematics, science and grammar which respond to logical development. There has been notable success in helping backward students. Programmed instruction also shortens the time needed to master a given subject. In one instance—not an isolated one—a secondary school class completed a complicated algebra course in two weeks instead of two months.

But the method is still in its infancy and requires much testing and development. What can and cannot be programmed? The Centre for Programmed Research in New York, a non-profit organisation backed by the Carnegie Corporation, is experimenting with poetry. Such a programme would present an analysis or analyses of a given poem and through discussion of, say, metaphor, would attempt to stimulate the student to formulate his own interpretation. Another experiment uses synchronised sound and film to teach languages.

No one knows yet what a child educated from start to finish on programmes would be like, but there is no intention on the part of any of the more responsible figures in the field to produce children with robot minds. The potential effect of programmed instruction on the schools seems clear. Even if it only proves feasible for the child to learn and retain factual material by this method, this will not only speed up education but will also free teachers from the dreary tasks of correcting papers and giving routine instruction. Their primary job will be to teach. But programmes will do little to relieve the present desperate shortage of teachers ; to be successful such methods must be used by skilled instructors.

Unfortunately this promising development is being jeopardised by rank commercialism. Business firms are promoting programmed teaching machines as cure-alls and as short cuts to college places and degrees.

White House on Rails

THE deadlocks between the railways and their workers may force the Administration deeper than ever into collective bargaining in an industry for which the government has always taken special responsibility. These disputes present Mr Kennedy with as grave a challenge as the steel industry did—and a more complicated one. He cannot afford a railway strike, with all the damage this would do to the economy. He will also do much to avoid any increase in railway charges, with all the repercussions these would have on prices as a whole. But the railways cannot be expected to absorb vast new costs : unlike the steel companies, many of them are losing money already. And if no agreement is reached, some of the railwaymen are free to strike next week.

An independent board has proposed an increase of 10 cents an hour for about 450,000 non-operating employees—the men who maintain the trains, sell the tickets and so on. The unions asked for 25 cents an hour and President Kennedy has welcomed the board's compromise as within his guide-lines for wages. This is just true if 4 cents of this non-binding award are regarded as enabling the men, who have gone without an increase for some time, to catch up with other workers. But even so, the formula prescribes a lower rate of increase in wages in industries like the railways, which are over-staffed and which already pay wages which are above the average. And where are the railways to find another $100 million a year—or more if other employees share in the increase?

Strangely enough, they may find the money in another labour dispute. This, which involves work rules for the 210,000 men who actually run the trains, goes back to 1959; late in 1960 the Eisenhower Administration persuaded both sides to accept an investigation by a tripartite commission. This February, when the commission presented its report, the managements, who complain that antiquated work rules are costing them $500 million a year, were delighted ; the report agrees with them that firemen on fire-less diesel trains can be dispensed with, that the ridiculous system of paying men by the distance they cover should be scrapped and that retirement should be compulsory at 65. Although the board also recommended that the wages of three-quarters of the workers should be raised, the trade unions found this small compensation for the loss of jobs. Faced with a threat that the managements might put the commission's recommendations into effect next month, the trade unions appealed to the National Mediation Board ; at least, as long as mediation goes on, no changes in the rules are permitted. If mediation breaks down, the President still has other ways, under the Railway Labour Act, of delaying a strike and eventually the railwaymen may accept modernisation of their work rules in return for higher wages. But to be acceptable such a bargain must be accompanied by vigorous retraining programmes for the 40,000 or more men who will lose their jobs.

SHORTER NOTES

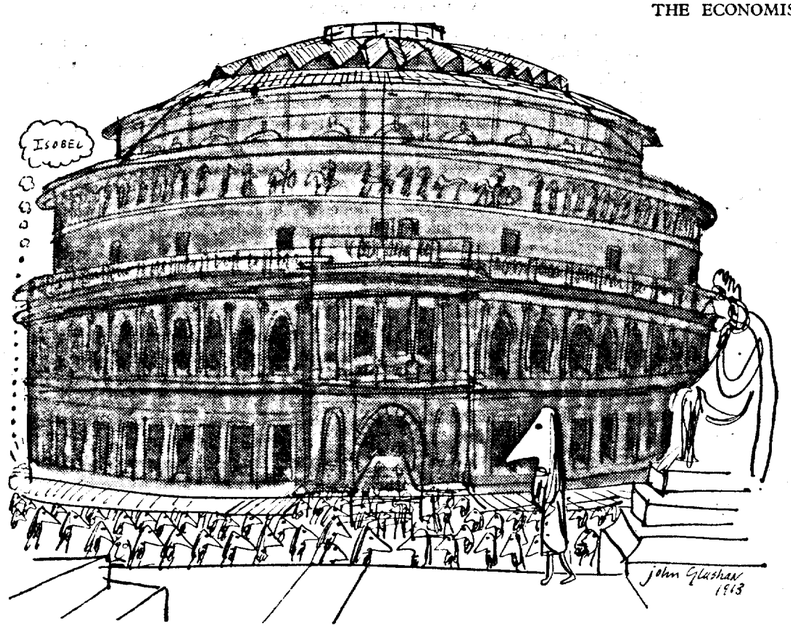
As expected, Mr Richardson Dilworth, the ex-Mayor of Philadelphia, will be the Democratic candidate for Governor of Pennsylvania next November and will be opposed by a Republican member of Congress, Mr William Scranton. The latter did unexpectedly well in last month's primary election, in which the nominees were chosen, in the two large cities, Philadelphia and Pittsburgh, in which a Democrat must have a large majority to outweigh the Republican vote in the rural districts if he is to carry the state.

* * *

Last week the Supreme Court set aside six convictions for contempt of Congress on the ground that the indictments did not specify the subject under enquiry by the committee before which the six refused to testify. They can therefore be tried again if the Department of Justice decides to bring fresh and valid indictments.

* * *

Dr James Tobin, who is leaving the President's Council of Economic Advisers, will be succeeded by Dr Gardner Ackley, from the University of Michigan. He is an expert on fiscal and monetary policy and worked on price controls during the last war.



PROJECT 304

The story of the great
Shell Chemicals
Sculpture Competition
by A. N. Other—Carter

Chapter Nine:
The Exhibition of Maquettes

'That fellow Carter' (the Polyglycols - man - turned - PRO in charge of the sculpture competition for *The Spirit of Shell Chemicals*) 'is getting above himself,' grumbled Carter from Ketones to Carter from Polyolefins. 'He's caught that smart-art cynicism from Benson Benson' (the non-sculptor and author of *Negative Form*, one of the three judges). 'He said to me yesterday "Of course, sculpture's not an English thing, old boy. Decoration of flat surfaces that's us. Read your Pevsner". I don't believe he *loves* sculpture as we do.'

But everyone had to agree he organised the Exhibition of Maquettes brilliantly. He thought big. He even wanted to call them *maques*, not the diminutive *maquettes*, till someone told him there was no such word. He hired the Albert Hall for the fortnight. Partly because of the prize money, partly because of the novelty of this marriage of industry and art, and partly through Carter's own exertions, queues stretched daily to Knightsbridge; Carter had loud-speaker vans, sandwich-men, buskers, to entertain them with lecturettes on Michelangelo, leaflets about our pesticides, technical data on the injection moulding of Carinex (one of our polystyrene moulding powders) and so on.

He even had a notice by the Albert Memorial saying NOT ONE OF OURS until Mr. Carter the director whose idea this whole scheme was, made him take it down, albeit with a twinkle in his eye. 'No knocking!' he said.

Outstanding maquettes were old doyen-sculptor Henry Jollifant's *Three Graces* (Ethyl Benzene, Ethyl Alcohol, and Ethyl-ene Oxide); the Spaniard Paella's *Freedom*, a Laocöon-like piece showing a youth (the lusty petrochemicals industry) breaking away from his father (the oil industry) and achieving separate identity. But the popular press seized on the huge construction by the shaggy Welshman, Jones the Statue. 'I'm a pan-artist, boy,' he said; and certainly his great steel framework embodied other arts besides sculpture —— a puppet ballet, pages of a science-fiction novel set in the star Aldrin (controls wireworm) ruled by a good spirit Phosdrin (kills aphids) and a demon, Dalapon (kills weeds). Over the heads of the crowd I sometimes saw Isobel, the Isobel of my own Paris sculpting days. She always seemed to be with Carter from Triethylene Glycol. *His* exhibit was a last-minute surprise. . .

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THE WORLD OVERSEAS

Mr Heath Soldiers On

FROM OUR CORRESPONDENT IN BRUSSELS

At Brussels on Tuesday and Wednesday, Mr Edward Heath, leading the British team, and the European Economic Community ministers reached agreement on two of the items of their seven-point agenda. These were the application of the tariff on manufactures from Canada, Australia and New Zealand ; and the problems of economic union, such as capital movement, labour questions and social security.

If Britain joins the community, the first 30 per cent step towards the common external tariff on manufactures from the three high cost Commonwealth countries (a step already taken by the Six at the end of 1960) will be made by Britain on entry. The second 30 per cent step will be taken by Britain on January 1, 1967, almost four years after the Six take their second move. The complete tariff, to be applied by the Six at the end of their transition period—probably before 1970 now the programme has been accelerated—will not be made by Britain until the beginning of that year. In 1966 and 1969 there are to be consultations with the three Commonwealth countries to see what effects the tariff has had on their trade, and to discuss possible concessions from the enlarged community. This agreement, which involves about 2 per cent of Britain's total imports from the Commonwealth, was passed on by Mr Heath to representatives of Canada, Australia and New Zealand on Tuesday night.

Experts working on this problem, as also those studying the problems of economic union, may now close their files ; and as Mr Heath later remarked, this fact in itself gives considerable encouragement to the negotiators. At the previous ministerial meeting, the president, Sr Emilio Colombo, had said he hoped for a general panorama of solutions to the major problems by the end of July. Whether this deadline can be met is still doubtful. The talks, this weekend, between Mr Macmillan and General de Gaulle may have some bearing on it ; in any case, none of the rumoured opposition from the general and Dr Adenauer made itself felt at this week's meeting. Though journalists searched hard for straws that would show whether or not a cooler wind was blowing, the session seems to have been both businesslike and constructive. Thus the fears raised by the French refusal, a week earlier, to allow negotiations on British membership of the Coal and Steel Community to start have not found any further confirmation.

But the going was still rough. Last weekend Britain tabled a new paper proposing the gradual application of the common external tariff (CET) on exports from India, Pakistan and Ceylon in return for guarantees on the level of such exports. On Wednesday, Mr K. B. Lall, the Indian ambassador at Brussels, called a press conference in order to criticise the British proposal. His contention was that it would ultimately face India with a reverse preference on the British market. Promises of compensation for damage suffered by Indian trade were, he felt, unsatisfactory. Both the British paper and an Indian memorandum now lie before the ministers, whose own past researches into these problems seemed to be leading towards the recommendation of some system of guarantees.

Another complex item on this week's agenda is the list of products for which Britain has requested a zero duty in the CET. Talk has been knee-deep in technicalities revolving round aluminium, lead, zinc, wood pulp, ferro-alloys and newsprint as well as (to the Six) mysteriously-named items such as railway sleepers—which to their surprise have nothing to do with couchettes. The Six have yet to make counter-proposals on aluminium, lead and zinc ; in the case of woodpulp, ferro-alloys and newsprint they seem to be thinking in terms of tariff quotas. Progress on these subjects is held up by doubt about the future status of Norway (which bears on aluminium) and of Sweden (which bears on woodpulp and newsprint). So far the Six have been silent on the line they are likely to take on the requests of these two countries, respectively for membership and for association ; nor has Britain formally raised the question. Perhaps delegates feel that they already have enough on their plates.

Not much headway was made this week about the possible association of West Indian and African Commonwealth countries on terms similar to those established between the community and its sixteen African and Malagasy partners. The Six, now trying to fix up with the African states a new associate agreement offering lowered preferences and diversified aid, are reluctant to prejudice this process by coming to terms with Commonwealth candidates. The British in turn are understandably reluctant to press their candidates' case until they know what association is to mean. Experts have now lengthened the list of tropical products under study to include sugar, tobacco and citrus fruits as well as coffee, cocoa, tea, bananas, palm oil, oilseeds and spices ; but further progress on this big question will probably have to wait until the Six decide what offers to make to their present associates, and until they find what the latter will accept.

Other experts reported on the adaptation of British horticultural habits to the system of grading and quality standards that has been devised by countries with long experience as exporters. The working party soldiers on through definitions of the roundness and the redness of Guernsey tomatoes—but the crucial subject is not the Guernsey glasshouses or the orchards of Kent. It is the Canadian prairies and the Australian and New Zealand pastures. From the beginning of the negotiations Mr Heath made it clear that he was seeking "comparable outlets" for foodstuffs from the temperate countries of the Commonwealth. In more recent statements he has gone some way to meet the evident predilection of the Six for a world-wide agreement on these basic commodities. Disagreement still exists on whether transitional arrangements should be for a fixed term of years or whether they should be extendable until world agreements have been concluded. The Six fear that unless a time limit is set, it may be the provisional that lasts. The British, sceptical of how soon world-wide arrangements can be reached, are worried about the possible gap between the end of the time

limit and the ideal, but more remote, prospect of world solutions. A "hinge" mechanism to join the two has yet to be devised. Few here doubt that this hinge is the one on which the whole question of Britain's entry into Europe will turn.

Hard Times for Neutralists

FROM A CORRESPONDENT LATELY IN LAOS

PRINCE SOUVANNA PHOUMA'S return from Europe to Laos last week presents a last fragile hope of a political settlement. The truth is that there is little positive enthusiasm for a coalition government—both sides are only considering a "neutralist" regime because they have nearly abandoned hope of achieving what they want by military means. The Pathet Lao have long known that the Americans would never allow them a complete military victory in Laos since this would not only have a shattering effect on Siamese morale, but would make the reinforcement and supply of the Vietcong guerrillas in South Vietnam much easier. Hence the Pathet Lao have consistently supported the idea of a Souvanna government, even though they would have only a quarter of the cabinet positions.

The Pathet Lao have another reason for their seeming moderation. They know that they are infinitely better organised, politically speaking, than their neutralist allies. At a recent cease-fire anniversary celebration in the Plaine des Jarres a meeting was addressed jointly by Pheng Phongsawan, deputy to Prince Souvanna, and by Nouhak, the chief Pathet Lao liaison officer at the neutralists' capital of Khang Khay. The largest meeting hall holds only 500 people, all of whom dutifully applauded both the moderate phrases of Pheng Phongsawan, and the speech of Nouhak, which sounded like a Radio Hanoi commentary. The significant point was that the neutralist was heard only by his immediate audience, while copies of the Pathet Lao speech were at once distributed in the streets. Even in the neutralist-administered Plaine des Jarres there is at least one Chinese communist bookshop; and bright Lycée students who might once have gone to Paris now go to Hanoi.

The young neutralist commanders, whose troops look smart and well-disciplined, insist that they are not communists, or even fellow-travellers. They point out that they derive all their military supplies, and even food, from communist sources; how, then can they refuse to accept, say, Vietnamese teachers? They claim, apparently with justification, that their army is entirely loyal to Prince Souvanna; but they agree that the longer coalition is delayed, the more likely they are to be merged with the Pathet Lao. Should full-scale civil war be resumed, some of the neutralists' political leaders would go into exile, but their army would fight against General Phoumi.

Looking ahead, the neutralists claim that most of the Pathet Lao rank and file are Lao first and foremost, and that communist ideology is naturally repugnant to the Lao temperament. The neutralists claim undeclared allies among some of the Vientiane politicians, who are keeping as aloof as they can from the Phoumi-Boun Oum regime. Together, these young men say, they could prevent the country going communist, though they would, of course, be quite happy to have diplomatic relations with Hanoi and Peking, as with neighbouring Cambodia.

According to this optimistic theory, the Americans' best weapon, once a coalition were formed, would be not the four right-wing-nominated members of the government, but the giving of financial aid, on the condition that the country were not completely taken over by the communists. Prince Souphannouvong, the Pathet Lao leader, is said to make no objection to American aid as such, provided aid is accepted from communist countries as well. It must be said that most observers do not accept this rosy view. The chances of resisting a communist takeover for more than, say, a year are perhaps only fifty-fifty. The Pathet Lao grass-roots organisation is good; almost certainly they would do well in an election. One of the conditions of entering a coalition should perhaps be the postponement of elections for some considerable time.

All this, however, is somewhat hypothetical. General Phoumi is still hoping to persuade the Americans to intervene militarily in the civil war. The official American view is that, quite apart from the political considerations, military intervention in Laos would inevitably lead to counter-action by the Chinese and Vietminh. They also know that the fighting which preceded the dismal collapse of the royalist forces at Nam Tha was in fact provoked by General Phoumi. Nevertheless, discipline among the various kinds of American representatives and advisers in Vientiane, though better than a year ago, is still poor, and General Phoumi knows that he has many secret sympathisers in the Central Intelligence Agency and among American military personnel.

WHEN the Americans first tried, in January, to get the Vientiane government to enter a coalition on terms acceptable to Prince Souvanna and the Pathet Lao, they cut off the economic aid of $3 million a month, but they continued military aid and the use of their "White Star" team, who in fact, if not in theory, took part in actual fighting. Thus General Phoumi was not inclined to take the economic sanctions too seriously.

He knows that he himself and the foreign minister, Khampan Panya, are the only members of the Vientiane government totally unacceptable not only to the Pathet Lao but also to the neutralists. Even if, for form's sake, he were given an official position in a coalition government, his personal authority would be gone for ever. It is therefore likely that General Phoumi will resist all attempts to force him into a coalition, preferring to go into exile if absolutely necessary, but hoping that at the last moment the Americans will have cold feet, drop the Harriman policy, and resume full support for the Vientiane regime.

Prospects for a Laos settlement, therefore, are not very bright. The partition suggestion made by Senator Dodd is quite impracticable. Each side has pockets of influence within the territory generally controlled by the other. No artificial land frontier could possibly be divised in so mountainous and wooded a country. If coalition negotiations should break down, time is on the side of the Pathet Lao. The neutralists in the middle will be squeezed out. Anyone who has been able to contrast the cynical fatalism of Vientiane with the dedicated fanaticism of the Pathet Lao can have little doubt of the eventual outcome. Only a massive American intervention, with its incalculable consequences, could redress the balance; and even then, nothing short of a full-scale military occupation could prevent the revival of Pathet Lao activity. Thus the West should spare no effort to save the negotiations and take the calculated risk of a coalition government.

Stalin Over Prague

BY A CORRESPONDENT LATELY IN PRAGUE

THE enormous statue of Stalin, overlooking Prague and the Vltava from its commanding position on the Letná height, seems to symbolise the continuing "orthodoxy" of a communist country that has changed but little since the death of Stalin. For six months a government committee has wrestled with the embarrassing and difficult task of deciding what to do with this huge group of figures, once jokingly referred to by the citizens of Prague as the "bread queue." Although its demolition is not physically as easy as that of its counterpart in Budapest, which was torn down in a matter of hours in 1956, the fact that it has not been removed suggests that Czechoslovakia, in spite of its unsullied loyalty to the Soviet Union, is somewhat out of step with Mr Khruschev's policy of de-stalinisation. Orthodoxy seems to be evolving into heterodoxy.

Everybody, including the communists themselves, agrees that since the 22nd Soviet Communist party congress there have been almost no significant changes for the better in Czechoslovakia. The leaders have made no concessions of any importance, nor has there been any serious ferment among students or writers comparable to what happened in 1956. Even the smaller statue of Stalin in Bratislava, which could easily be removed, looked down benevolently on the May Day procession as it passed through Stalin Square. Only in late April was the name of Stalin Avenue in Prague quietly changed one night to the politically neutral *Vinohradská* (Vineyard). In spite of some criticism after the 22nd congress, Gottwald remains the patron saint of Czechoslovak communism. Indeed it was not until April that his mausoleum on Vitkov hill was closed for "technical reasons," presumably to permit the cremation and re-internment of the body.



Mr. Novotny on his own

The slowness of the Czechs to make serious changes, even in externals, since the 22nd congress, suggests, according to the wags, that the leaders are waiting for the 23rd congress. Few Czech or Slovak communists have any special sympathy for China or Albania, or would be willing lightly to endanger their close relations with the Soviet Union for the sake of either; all the same the break with Albania, and the conflict with China, have deeply unsettled them; those events have perhaps suggested that a slow and cautious course is desirable until the final outcome of the Sino-Soviet conflict is known, and Mr Khrushchev's victory over his domestic rivals indubitably confirmed.

For the communist leaders in Prague the year 1962 is a far cry from 1960, when the new constitution proclaimed the achievement of socialism, thus apparently placing Czechoslovakia in the van of the socialist camp, or from 1961, when the 40th anniversary of the party was celebrated with pomp and ceremony. Now Mr Novotny finds himself isolated, not only from the people at large, but also from wide sections of the party. His criticism of his predecessor, Gottwald, and even more, of the respected Zápotocky, certainly did not endear this upstart to the older communist cadres. Another veteran, a founder of the party, Karl Kreibich, has long been pushed to the side and was not even invited to join in the anniversary celebrations.

The recent arrest and imprisonment of Rudolf Barák, young, intelligent, and popular in spite of his long tenure of office as minister of the interior from September, 1953, to June, 1961, was bound to alienate his fellow post-war communists, to whom he was probably the only member of the Politburo capable of providing leadership in a new, anti-stalinist course. Whether in fact Mr Barák had sent a letter to Mr Khruschev professing his lack of agreement with Mr Novotny's policies cannot, of course, be verified, but the fact that the story should be told and believed in Prague indicates the position occupied by Mr Barák in the minds of some Czech communists. Few, if anyone, in Prague believed that corruption was the real issue, and many thought he had been arrested because of personal rivalry with Mr Novotny. In any case, the fact that a top leader should be tried, even though ostensibly on charges of embezzlement, in Prague in the year 1962, underlines strikingly the differences between Czechoslovakia and other communist states.

Nor has there been any rehabilitation of Slánsky, executed in 1952. On the contrary, the main burden of the sins of stalinism has been heaped on his dead shoulder including the breaches of legality from which he himself suffered; in this way accusing fingers have been diverted from Gottwald and from his still living associates, such as Siroky or Bacílek. Other victims of the Slánsky purge, including some intelligent and able persons, have enjoyed no public rehabilitation, but have been quietly released, some only within the last two or three years. Whether the views of Mr Barák, who was chairman of the committee for reconsidering these purge trials (whose report has not been published) had anything to do with his own trial, is unknown.

IN the past, Czechoslovakia's relatively good economic situation has promoted the stability of a regime lacking wide public support. Now unexpected, and unexplained, economic difficulties have developed to plague the government. Long queues form in the early morning outside every meat store in every village and town. Pork is in especially short supply, but beef is also scarce. In part this is due to the greatly increased meat consumption which was only partly met by the expansion in livestock production in 1961. In part it is due to the long winter, and the inadequate supplies of fodder. No doubt it reflects, too, the recently completed collectivisation drive and the lack of incentives which farmers complain about. But the crisis has been accentuated by the interruption of normal trading relations with China, and to a lesser extent, Albania, so that hard currency, which might have been used to cover emergency imports of meat and other scarce foodstuffs, has been used for other more urgent supplies. Moreover the call-up of troops during the Berlin crisis last year, many of whom have still not been released, has not helped the labour shortage in the countryside. The long hours of waiting in queues has exasperated people who are already tired from long hours of work, "voluntary" brigades and frequent political meetings. Not surprisingly, Czechs talking to foreigners now indulge in more uninhibited criticism than this correspondent has experienced in many previous visits.

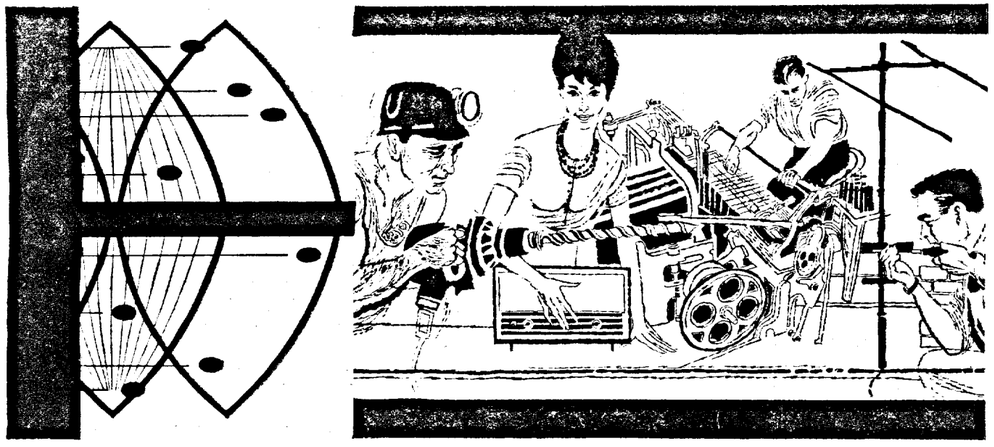
In spite of temporary scarcities, however, there is a considerable degree of affluence. The problem is not lack of money, but shortage of consumer goods, especially cars, furniture, television sets and so on. Housing, although limited, is infinitely better than in other parts of the Soviet block. With dollars sent by friends and relatives abroad, Czechs and Slovaks can buy at the many Tuzex stores excellent goods, including even construction materials, at relatively low prices.

Party members, although disillusioned about their earlier hopes

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and ideals, remain loyal for more practical reasons, such as the improved standard of living, and the prominent role of Czechoslovak industry and technology in the underdeveloped world. Gone is the enthusiasm of 1948 ; ideology is at its lowest ebb, and *Rudé Právo*, the party daily, is, by common consent, the dullest newspaper in eastern Europe. Non-communists receive no special praise or encouragement, as in Mr Kadar's Hungary, nor do the non-communist parties have, as in Mr Gomulka's Poland, any life of their own. Neither the Church nor the writers occupy the position enjoyed in these two neighbouring countries. The democratic tradition of Masaryk and Benes hinders the ideological remoulding of people's minds but does not offer a stimulus for revolt or even passive resistance. Fear is a dominant factor in Czech and Slovak passivity, coupled with the memories of the inertness of the West at various crucial historic turning points ; the events of, say, 1938 and 1948 offer small encouragement for the Czechs and Slovaks to indulge in the foolhardiness of revolt. Although nothing is predictable in the communist world, a dramatic change in the Prague scene seems as little likely as that the Elbe should start flowing south to the Danube.

Islam against Nationalism

BY A CORRESPONDENT

THE prayers of the pilgrims at Mecca this year had hardly subsided when the great and the godly among them gathered in conferences for the purpose of reviving the fortunes of the Moslem world. This was a new, and possibly a final, effort to revive Islam as a political movement in opposition to Arab nationalism. First, there was a four-day conference at Mecca, instigated by King Saud, which ended on May 22nd. From there most delegates went post haste to Baghdad to join the fifth session of the World Islamic conference, which started this week. They were enthusiastically welcomed by the Iraqi prime minister, General Qasim. No doubt the general welcomed his role as host to the Moslem world, although his seizure of power over the bodies of a royal family, descended from the Prophet, must surely put him in a poor light with the strictly faithful.

But of the two conferences, the one at Mecca was by far the more significant in terms of current Arab politics. The delegates decided to form an Islamic League, intended to give the Islamic community a political power transcending that of the Arabs, and they condemned nationalism. In short, the conference was trying to use religion as a weapon against President Nasser's Arab socialism and secular concept of progress. Only under the banner of Islam were the Arabs ever united, concluded the conference:

> Those who disavow Islam and distort its call under the guise of nationalism are actually the most bitter enemies of the Arabs, whose glories are entwined with the glories of Islam.

The Mecca delegates called on all Moslem countries to eliminate non-Moslem habits from their societies, including alcohol, prostitution and usury. They bound them to adhere to Islamic law, to give the new generation only an Islamic education and to eliminate from schools, press and radio all ideologies inconsistent with their religion. These proposals represent an attempt to turn back the clock of Middle Eastern history. The Arabs put nationalism first as long ago as the first world war, when they fought for freedom from the Moslem Turks on the side of the infidel British. Apart from the emaciated rump of the Moslem Brotherhood, there are no politically-minded people in the Arab world today who put the community of Islamic states above their own nationalism. In matters of education, law, customs and even clothes the trend is everywhere, except in the most remote areas, towards modernity.

The constituent assembly of the newly formed Islamic League consists almost entirely of distinguished sheikhs, ulema and muftis. It includes the former Mufti of Jerusalem, Haj Amin el-Husseini, whose reputation in the Arab world these days can hardly do good to the league's cause. It is a non-governmental body that has set itself up as the conscience of the Islamic world, and is calling on the political leaders to meet at a summit conference to restore the greatness and purity of Islam.

Ahmadu Bello, the prime minister of Northern Nigeria, and Allal el-Fassi, the Moroccan minister of Islamic affairs, are members of the constituent assembly, and the Imam Ahmed of the Yemen has broadcast his blessing. But, otherwise, there are very few signs of enthusiasm among Moslem governments. King Idriss of Libya, for example, went silent home from Mecca.

There can be little doubt that King Saud has promoted and financed this league as a political weapon against President Nasser, who has made it plain that he sees the future of the Arab world as a socialist society free from kings and sheikhly rulers. King Saud responded to Egyptian propaganda with an aggressive campaign of his own, launched when President Nasser was at the nadir of his fortunes after the break with Syria. The purpose of the league is to reveal President Nasser as unfaithful to his religion and to confuse Arab politics with the many coloured strands of politics in the Islamic world. It seems a forlorn hope. The World Islamic conference has never had much influence and there is no reason to suppose the league can do better. The Arab world is showing much greater interest in the Egyptian congress of popular forces, which is now discussing President Nasser's charter for the creation of an Arab socialist society. An " unshakable faith in God " is the fifth of President Nasser's six principles.

Syria's Widening Cracks

FROM OUR MIDDLE EAST CORRESPONDENT

POLITICAL unheavals in Damascus reflect the much wider convulsion that is spreading over the Arab world. President Nazim Kudsi is consulting Syria's political leaders in an effort to fill the gaps in the government created by the ministerial resignations last week. The situation is so obscure that it is still uncertain how many resignations have actually taken effect. Ministers in the key departments of foreign affairs, the interior and finance have got out and at least two others are on the brink. The confusion is made worse by individual ministers giving different reasons for their resignations. The conservative minister of finance, Mr Khouri, objected to the bank law that requires the state to participate in all bank shareholdings ; a more important reason for the rupture was the concern expressed by some of his colleagues for what they thought to be the government's equivocation over the Egyptian question. Things are in such a state of flux that the wild suggestion has even been made that the work of March 28th should be undone by recalling the dissolved parliament and reinstating the government of Dr Dawalibi.

The government has appointed a commission to study the problem of its relations with Egypt, and there has been a steady stream of hints that it is thinking in terms of suggesting a form of close association that falls short of union. The strongest opposition to this comes from Mr Akram Haurani, who in 1958 was one of the principal architects of the UAR. On Tuesday Mr Haurani circulated a bitter written attack on President Nasser, accusing him, among other things, of exploiting the coup of March 28th. This suggests that there is something to exploit ; and, indeed, Nasserism is by no means dead in Syria. The most striking single example of widespread disloyalty to the regime was the success of Colonel

Sarraj in escaping from Mezze gaol and reaching Cairo, a journey that could not have been ventured without very good friends along the way—especially with a price of 20,000 Syrian pounds on his head, and with a face that most Syrians are only too familiar with.

The Syrian Ba'ath party, which has been a powerful factor in giving some coherence to ideas of Arab socialism and unity, is now openly split on the Egyptian issue. One wing, led by Mr Michel Aflaq, favours a close association with Egypt as the starting point for a wider Arab union. The other and probably more powerful wing, under Mr Haurani, has set itself against bilateral pacts, arguing that only by multilateral agreements can countries like Syria preserve their identity. The debate is likely to be loud and angry, and now that President Nasser has defined his faith in socialism in Egypt's new national charter, it seems that Syria's relations with the United Arab Republic and its attitude toward socialism will stand or fall together.

At the time of writing (a necessary qualification with all commentaries on the Syrian situation) the most durable politician seems to be Mr Rashid Barmada. He survived the fall of the Dawalibi government, in which he was minister of defence, to become the deputy prime minister and minister of agriculture in Dr Azmeh's administration. He is now among the most vociferous of those who deny that the government has any intention of resigning or that the president's current talks have any object other than filling the gaps in the existing cabinet. But his record as a prophet is suspect. Two days before this last crisis broke he was assuring an Aleppo audience that the government was rapidly leading the country back to stability.

The hazards of the situation are sharpened by the trigger-happiness of the army officers who, although themselves divided, operate on the principle of action first and thought later. A feature that distinguishes them from their counterparts in Egypt and Iraq is that they refuse to assume the responsibility of power as well as its exercise. General Zahreddin, the commander-in-chief, has just broken an unusually long silence in a broadcast speech that was remarkable chiefly for what it omitted. The frequency with which leading politicians are visiting army commanders in the south of the country is worth remarking.

Press Stalemate

FROM OUR CORRESPONDENT IN CEYLON

CEYLON'S press, which the finance minister, Mr Dias Bandaranaike, has repeatedly described as "living on borrowed time," has had an unexpected postponement of its date with fate. There are serious differences of view between senior members of the government, and the fate of the press will depend on the resolution of these disagreements.

When the government parliamentary group met late in April there was a surprise switching of draft bills. One draft, prepared by the minister of justice, Mr Fernando, who had been entrusted with the task, was mysteriously withdrawn; in its place came a bill widely believed to have the finance minister in person as its author. The justice minister's own version was merely the fourth or fifth in a series—his previous essays having either been rejected outright by the government group, or having failed to gain cabinet approval. What appeared to be the sisyphean endeavours of the minister of justice were interpreted as dilatory tactics by left-wing newspapers close to the government. Indeed, the switching of drafts came at the height of a personal campaign against the minister by left-wing weeklies.

The new draft was approved by the government group in principle, but drew instant fire from all the opposition parties except the communists, who supported the first part of the bill, dealing with ownership. Even the communists, however, described as obnoxious the second part, which envisages permanent and rigorous press controls. Politicians and newspaper people expected this bill, with perhaps a modified second part, to be presented to parliament before its prorogation on June 14th. Then came a surprise move by the minister of agriculture, Mr C. P. de Silva, the leader of the house and second man in the ruling party. Mr de Silva, who had previously circulated a memorandum not only challenging the basic tenets of the draft bill but questioning the wisdom of the government's post-election pledge, presented two bills of his own.

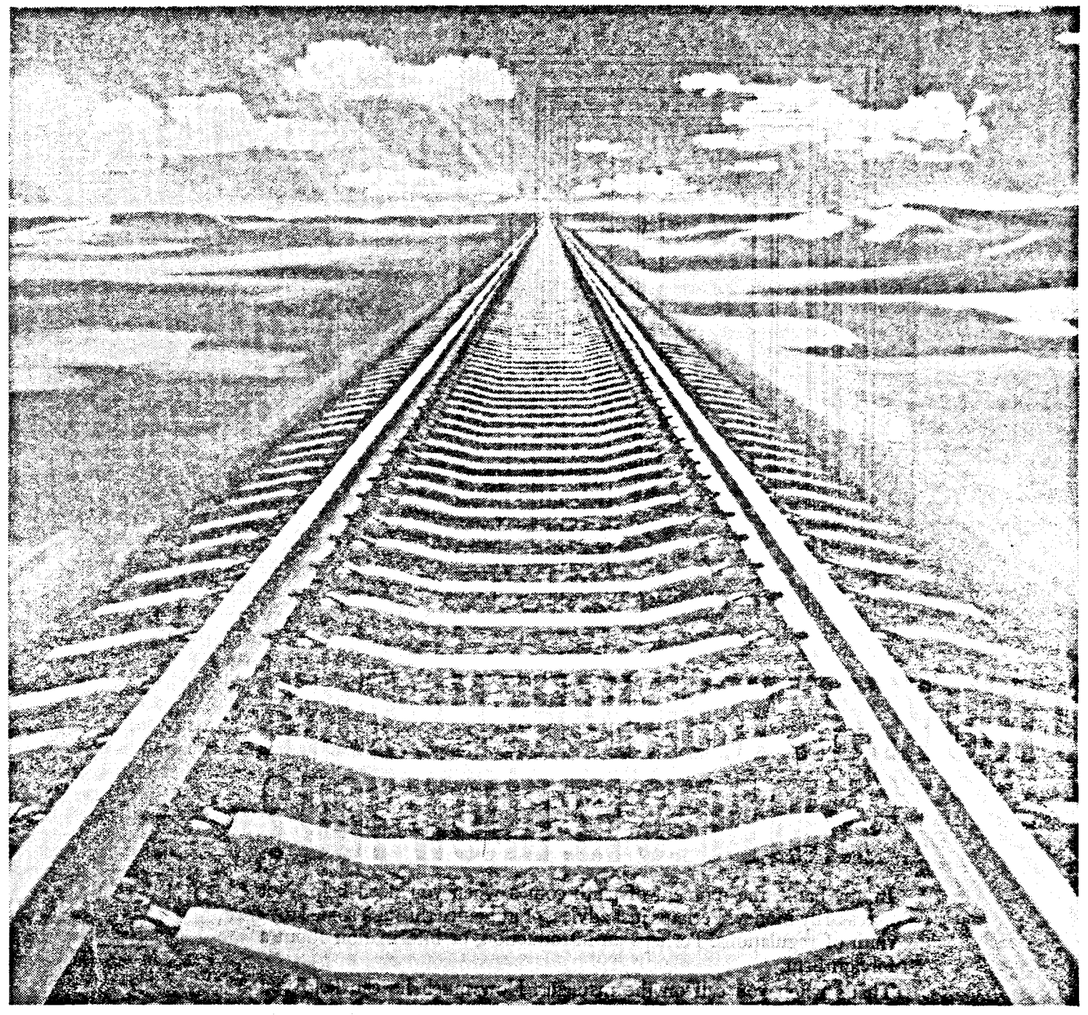
The first of these concerns future ownership and is entitled the "Reconstitution of Newspaper Companies Bill." The second is the "Ceylon Press Council Bill." Mr de Silva's memorandum clearly shows him to be in fundamental disagreement with the minister of finance. Thus, he argues that a broad-based ownership of shares is in reality no antidote to monopolies, which can be broken only by the establishment of other newspapers. The draft approved by the government party only perpetuates monopoly in a worse form, because it adds "a new terror, namely government dictatorship." This, in Mr de Silva's view, would mean the end of democracy in Ceylon.

THE idea that inspires his own draft bill on ownership is a mixture of two concepts deriving from company law and the law of public corporations. A board of trustees would be entrusted with the task of selling a certain proportion of the present shares of the two newspaper groups; priority would be given to employees, and the sale must be concluded before an appointed date. Shares not sold by this date would presumably go back to the present owners. Meanwhile the government has the right to nominate two directors to the newspaper boards. Regarding day to day press controls, the minister of agriculture proposes a liberal adaptation of the Indian press council. Neither of Mr de Silva's two drafts was discussed at the last cabinet meeting, but it is believed that his proposals are supported by several ministerial colleagues. In these circumstances, the postponement of the press dispute was inevitable.

Although these developments may mean another lease of life for the present system, neither proprietors nor journalists should rejoice over a turn of events that merely prolongs the uncertainty. Neither a sudden intellectual illumination nor a new wave of liberalism accounts for the present hesitations. The disagreement flows much more from personal antagonisms than from any appreciation of the actual issues involved. Increasingly apprehensive of the growing authority of Mr Dias Bandaranaike, the Freedom party's old guard gives the impression of ganging up against the finance minister, who has been called one of the cleverest politicians in south-east Asia, but who is young and in a hurry. In the opinion of Dr Perera, the Trotskyist leader, all this looks like a flashback to 1958, when another strong man, Mr Philip Gunawardena, was outmanoeuvred by the Freedom party's old guard. Incidentally, Mr Gunawardena, now in opposition, has become Mr Bandaranaike's most consistent and firm admirer.

But the cabinet dissensions of those days had an ideological colouring. Few of the personalities of the present government have any clear ideological position. Even Mr Bandaranaike, the most intelligent and articulate of them all, has shown himself to have no ideological moorings. The island's political picture reminds one of those interminably long Sinhalese films, which the local industry churns out with depressing regularity. It is crammed with events and colourful detail, lacking only point and purpose.

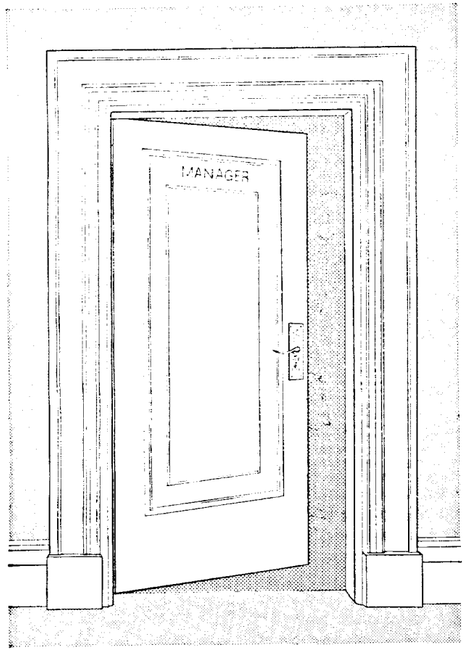
Correction.—Bad handwriting in the office caused *The Economist* last week to give Australia's total imports in 1958-59 as £A997 million instead of £A797 million.



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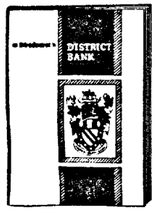
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THE BUSINESS WORLD

British Coal? *C'est formidable*

SOME weeks ago, through a tragic ill-timing of publicity, it became publicly known that the High Authority of the European Coal and Steel Community was talking rather more specifically with representatives of the British coal and steel industries than the Council of Ministers of the community liked ; and a rather abrupt end was put to such informal contacts. Since then, there has been little between these British industries and Luxemburg, though their contacts with industrial counterparts among the Six continue close. This jealousy of anything outside the conclave of the Council of Ministers was raised to a higher power last week, when the French minister among them took his colleagues by surprise by insisting that any negotiations about the entry of Britain into ECSC must be carried on between ministers as representatives of governments, not of the community. He did this at the end of a meeting in which these colleagues had already committed themselves to negotiation as a community, so the conflict broke it up ; which was presumably what the French had intended.

There was a characteristic mixture of logic and illogic in this disruption. So long as the French insist upon the responsibility of governments in the European Economic Community, against the powers of supra-national authorities, they can hardly accept the responsibility of EEC's older brother in Luxemburg for negotiating the terms on which Britain may join. On the other hand, it made no difference to who would do the negotiating: the same gentlemen, wearing different cockades in their hats, would be involved. And while some of their partners among the Six took this move as just another exercise in delay, the French representative linked with his assertion that ECSC's council itself had no competence in the matter the suggestion that talks with the British should start quite soon.

All this is largely explainable, whether understandable or not, in terms of the internecine politics of the Six. So is the slow and crablike approach towards a common energy policy among them ; here national circumstances and the office politics of Brussels and Luxemburg also enter. But it is not altogether easy for the British onlooker to appreciate that there are also specific reasons for the industries centred on Luxemburg to approach negotiations with the British coal industry, in particular, with care ; and for the timetable of urgency in formulating energy policy to be somewhat affected by the timetable of negotiations about British adherence to the Treaty of Paris. The British coal industry looks rather different from across the Channel. There is no doubt that it is a somewhat ponderous economic animal. But here we tend to identify it as a lame hippopotamus ; from there it looks like a quiescent but potentially surly rhinoceros.

LORD ROBENS and his nowadays slightly merrier men would be quite glad to alter their local brand image into something slightly more formidable, as others see them. To the European industries, the sheer weight of the National Coal Board bulks understandably large ; it is not much smaller than the rest of them put together. (This is not true of steel ; which is why the entry of the British steel industry, humiliating as it may be in Tothill Street, may seem a little less important to its European opposite numbers.) The British coal industry believes that there is more cheap tonnage from efficient, profitable pits within its 190 million tons a year than there is within the 230 million tons a year of the ECSC's coal industries. Whether this is true or not is arguable. Whether if true it denotes any particular virtue is questionable, since geology often counts as much as human endeavour in the comparative efficiency of mining industries. What matters is that some of its competitors agree. Moreover, coal in Europe at least is an industry much more entangled in political and economic controversy than steel. And the monolithic structure of this nationalised industry, which in British eyes may seem at times to make it only clumsier, arouses apprehensions abroad. Ruhr coalowners who are now enjoined against co-operation in selling may well look askance at the unified *élan* of Mr Ezra's marketing department, co-ordinating the sales of coal from 670 pits ; and even, rightly or wrongly, envy Lord Robens' occasional way with the Cabinet.

European coal producers, without doubt, will welcome the NCB as a powerful ally in their sectional arguments, and this at present may quite offset apprehensions about its potential prowess as an exporter. They regard the NCB as a heavyweight which so far has managed to shut out the competition of American and Polish coal with rather more aplomb than they. Britain as a participant in a common energy policy—should this still remain to be formulated by the time it entered EEC and ECSC—would certainly not be unequivocally protectionist. Under clouds of liberal verbiage, it would probably not be unequivocally anything. But the Coal Board, at any rate, would be a sizeable sectional ally for the coal lobbyists. Some of them, incidentally, fear that any decision to allow Brititsh consuming industries to import American coal on a large scale might drive the British industry into stronger

efforts to export our coal at cut prices. And this point, in its turn, is not without some convenience for the Coal Board in resisting any shift in British policy towards coal imports during the interim before Britain may enter Europe.

THE board, for its own part, is entirely sanguine about an entry to Europe ; it professes to be ready to go in without any transitional period and with practically no safeguards. The vexed question of publishing transport prices on Dr Beeching's railways does not bother it in the same way as this requirement under the ECSC pricing system may bother the steel industry. All its industrial coals are sold at prices ex-pithead, so that transport charges are not its business ; it argues breezily that its zone-delivered prices for domestic coal are an internal affair, and one incidentally that its domestic consumers' council would like made even simpler and more standardised within zones than they are. It does not at present publish pithead prices but would be quite prepared to do so (and has indeed done a practice exercise for one division). It does not expect any very dramatic increase in coal trade from one side of the Channel to the other between Britain and Europe from joining ECSC, but reckons it would gain on balance from freer movement of coal. It hopes for some scrutiny of landed prices to ensure that these cannot be concocted with fictitiously low shipping charges in them, but assumes that the European coal industries and Luxemburg would want this safeguard too.

With its productivity continuing to rise, and the chance of breaking even this year, there are some grounds for the British industry's visible improvement in morale. It is pushing ahead as fast as ever with mechanisation ; concentrating more and more of its output into the more profitable pits and areas ; mounting a planned selling drive with more expenditure on promotion than has ever been put behind coal in Britain. This year it is concentrating on securing the business it already has ; the next stage will be a drive for new business ; later it would hope to take the competition to oil. Like its counterparts in Europe, it is looking to one basic customer to secure its future: Lord Robens said the electricity industry had told him it would be wanting 100 million tons of coal a year, regardless of its other fuel requirements, in the seventies. It may look to electricity beyond its borders ; Britain's power station smalls are the cheapest in Western Europe.

One has still the uneasy feeling that part of this confidence is based upon assumptions about continued protection that may be over-optimistic. The board is cheerfully cynical about Europe's readiness to agree on any common energy policy that would really abandon coal to utter competition. It is also inclined to believe that within a few years there will be pressures of one kind and another to harden up oil prices. Both assessments assume the best for it, but still may be realistic. But there are few signs that it is prepared also to consider the worst. What kind of output does it think it could commercially sustain if a Europe including Britain should opt for cheap energy, and if the effective level of oil prices should remain much where it is today ?

Euro-Dollars—Here to Stay?

The debate on the Euro-dollar is now in the open. Sir Charles Hambro, chairman of Hambros Bank and a director of the Bank of England, has described the Euro-dollar as "likely to be a temporary phenomenon." Most foreign exchange dealers disagree. This new kind of international currency is growing rapidly, yet far too little is known about it.

VISIONARIES and reformers devise intricate schemes to create a new international currency, and the financial powers that be waste little time in rejecting them. Meanwhile the more venturesome of bankers, in the best tradition of adapting the available instruments to evolving needs, have for their own purposes forged a rough and ready substitute—the hybrid Euro-dollar. The particular distinction of the Euro-dollar as an international currency is that it has no separate existence. The term refers simply to ordinary dollar deposits with United States banks that come into external hands and are re-deposited with banks outside the United States—mainly in Europe, but also in Canada, Japan and elsewhere. They are used either for re-lending to another bank or commercial borrower as dollar credits ; or, rather less frequently, for conversion into local currency. This foreign market in dollar deposits, which is matched by similar but much less important foreign markets in other currencies (producing such horrors as Euro-sterling and Euro-Swiss) has reached a pitch of organisation and efficiency that is rarely matched in markets for domestic currencies. It is playing an increasingly important role in financing world trade ; it has provided the nucleus of a true international money market, with important side effects on traditional forms of international short term investment ; it has important consequences for the United States balance of payments—and still more effect for the payments figures. Yet far too little is known about it: investigators from first the Federal Reserve Bank of New York and then the International Monetary Fund could make few confident estimates of the market's exact size*.

What lies behind the development of a hybrid form of financing to this scale of importance ? Fundamentally, the Euro-dollar market has arisen because the dollar is now the most convenient source of international credit—while for a complex of reasons United States institutions themselves are not fitted to organise this international credit market on their own. So, in a way that London could hardly have dared to hope, banks in the City and other continental centres have after all succeeded in grafting their own experience and skill on to American money.

The two classic characteristics of an international trading

* See IMF staff papers of December, 1961, and Federal Reserve Bank of New York bulletin of November, 1960.

currency are that it must be freely usable and readily available. The dollar has always fulfilled the first function ; but only comparatively recently, as American payments deficits have pumped more and more dollars into foreign hands, has it fulfilled the second—when currencies are scarce they are not used, but hoarded, which is one reason why the German mark and the Swiss franc have scarcely been used in international trade. Sterling still plays a major part. But restrictions on overseas borrowing in London, first imposed in the 1957 crisis, have made it less freely available ; indeed these restrictions provide the foundation for the external free market in Euro-sterling. And since London's relatively high interest rates have made sterling relatively expensive as a financing currency, the cheapest and readiest source of finance has been the dollar. But what is it that favours the dollar market outside the United States ?

ONE reason is simple : some people just do not want to hold their dollars in the United States. The iron curtain countries obviously have reasons of their own, and they played a prominent part in the development of this market. They are now borrowers as well as lenders in the Euro-dollar market and banks throughout the world are no longer surprised to be solicited for dollar deposits by the central bank of Eastern Germany. Nor are the communist dollar owners the only ones who prefer to do their dollar deals in Europe or Canada. Individuals and corporations may simply find it more convenient to bank on their own side of the Atlantic ; and they will certainly find it more remunerative.

A second, more fundamental, reason for the emergence of the Euro-dollar market is the limitation imposed by the Federal Reserve authorities themselves on maximum deposit interest through the famous Regulation Q. This limit has traditionally been 2½ per cent for three months deposits and 3 per cent for longer deposits (though 4 per cent can now be paid on the less popular deposits of over a year).

The rising tide of interest rates generally, in the United States as well as other countries, has made these deposit rates increasingly uncompetitive internationally. Foreign banks (as well as branches of United States banks in foreign centres) have been offering notably more attractive rates for dollars and so cutting through the unnaturally wide spread that separates the borrowing and lending rates of American banks on their home ground. Thus deposits of (Euro) dollars with banks in Europe or Canada have for some time commanded about 3½ per cent on three months notice. Lending rates vary rather more according to the status of the borrower, but between banks of high standing the spread may be ¼ per cent or even less. The banks that are active in Euro-dollar business like to keep their hand in, and the business helps their correspondent relationships. There is a ready market in deposits of varying terms, from call to one year and more. And, because these rates are linked to world demand for and supply of dollars and not to conditions in local credit markets, Euro-dollar rates are broadly uniform in different centres—for lenders and borrowers of the same status. Banks normally watch as far as they can the amounts of Euro-dollar deposits going to particular borrowers ; and if they feel that one bank or country has "over-borrowed" they will charge penal rates: offers to Japan have been 2 per cent and more above the ruling rate. But most borrowers are able to secure dollar credits more cheaply in Europe than would be the case in the United States. This is not only, as European banks like to broadcast, because the Americans work on much larger margins. The credit standing of a borrower will always be known more closely in his own market ; and since the New York market has never built up the unique specialised knowledge of international trade financing of the City of London, the organisation of such financing, even on a dollar base, has become widely diffused over many financial centres.

LONDON is certainly the largest centre in the Euro-dollar market. The overseas banks (notably the Bank of London and South America), the merchant banks and branches of American and other foreign banks make the running, though as the market has developed the clearing banks have also taken a part. The only indication of the size of the market has been the disclosure in the Bank of England quarterly bulletin last September that the total foreign currency deposits held with the overseas and foreign banks (i.e. excluding both merchant banks and clearing banks) was £500 million or $1,400 million in June, 1961, equivalent to over 40 per cent of these banks' total deposits from overseas residents (the remaining 60 per cent being ordinary sterling deposits). About £300 million of these foreign currency deposits was held with American banks and about £125 million with the British overseas banks. Total overseas deposits with these banks in the following six months actually declined on balance, and the total foreign currency deposits are unlikely to have changed greatly.

But the great snag with all these figures of deposits that banks shuffle around among themselves is that they involve double counting. This is likely to be a still larger element in additions of dollar deposits in different centres ; and no meaningful estimate has ever been made of the total size of the Euro-dollar market. All that is certain is that deposits of tens of millions of dollars can be placed within minutes. The most active centre on the Continent is probably Paris, where the authorities have counted $800-900 million of dollar deposits —and forbid their banks to convert any of these into francs. The German banks are also active in placing dollar deposits —indeed, they have used the Euro-dollar market as their first line of liquidity, a substitute for an efficient domestic money market. Italy, Holland, Canada, and (as a borrower) Japan are the other main participants. The Swiss banks are rather conspicuous absentees, except for straightforward placing of their own funds ; they profess to be opposed in principle to chain lending with no knowledge of who is to be the ultimate borrower.

This feeling of unease about the pyramiding of liquidity risks is indeed shared quite widely among European banks, including many of those that are knee-deep in the Euro-dollar business. Are their reservations justified ? Certainly this is a business on which all concerned, including the monetary authorities in the lending and borrowing centres, must keep the closest eye. But in practice, while the individual banks have no idea where their own credit will ultimately land up, the key institutions that make the market have a pretty shrewd idea about the whole state of play—as can be measured by the premiums on loans to Japanese or Latin American borrowers. And the interposing of so many intermediary stages in the credit transaction may not increase risk

at all. The process has permitted the revival, in effect, of a traditional form of trade financing: a Japanese bank that borrows from a London bank and then re-lends to a Japanese client is in effect taking an acceptance risk—and so is the London bank which has originally borrowed the funds from a German bank. Each lending institution in the chain is able to choose the credit risk it wants to take, and price it accordingly. The Euro-dollar market comes as close to the economist's "perfect market" as one is ever likely to see.

WHAT then are the wider effects of this unobtrusive addition to the financial scene? It has undoubtedly increased the amount of credit available for trade financing. The Euro-dollar market does not by itself significantly increase the supply of dollars in foreign hands, since the market is fed preponderantly by existing foreign holders. But the market does greatly increase the velocity of these dollar deposits, pushing them where they are most needed and providing a highly efficient source of funds that is on tap through the world-wide network of correspondent banking. Undoubtedly, this activity has made the US dollar a more attractive currency to hold than if the maximum return were still set by 2½ per cent on time deposits in New York; to this extent it may have been important in obviating pressure for conversion of foreign dollar balances into gold.

For borrowers, the Euro-dollar market has been an unmitigated boon—and they cover a widespread group. No national credit cartel can be quite the same now that the Euro-dollar market offers an alternative source of funds. While Euro-dollars are mostly used to finance international trade, they are also available for domestic purposes—and more wide awake corporations now keep a close eye on the rate for Euro-dollars loans as adjusted for the premium or discount on the forward exchange cover back into their own currency. Thus firms in Germany have found that by borrowing dollars from Dutch banks (which in turn have borrowed these from German banks) they can obtain their marks more cheaply than if they borrowed from their own banks direct. The Euro-dollar market has done its part towards ironing out differences in local credit conditions—sometimes to the authorities' embarrassment. Thus in Japan the conversion of dollar deposits into yen added to domestic liquidity on a large scale—though it also brought valuable relief for the official reserves at a time of increasing strain.

In Britain, the bulk of dollar deposits is re-lent in dollars, and borrowed dollars that are converted are almost invariably covered against the exchange risk. In June, 1961, only about one tenth of the overseas and foreign banks' dollar deposits was switched in this way, though this proportion was probably unusually low because of the high swap premium. London banks generally keep a close watch on the cost of Euro-dollars compared with the rate on local authority loans, after allowing for the cost of the forward exchange swap. And some of them have discovered that by taking dollar deposits and using them to buy New York Treasury bills they can, at some cost, secure a gratuitous addition to their liquidity ratio—a loophole that the Bank of England would certainly stop if it were used in a large way.

The Euro-dollar market does add to the difficulty of keeping national credit in watertight compartments; it does have its dangers for inexperienced participants; and it does make nonsense of quite a few official figures, particularly those purporting to say who owns dollar deposits. But it has helped to bring international banking back to a dynamic and testing role. Unfettered child of the market place, it is the bankers' own international currency, their practical answer to restrictions and regulations on currencies.

BUSINESS NOTES

IN THE MARKETS

Gyrations in London

LONDON and the European bourses have been the mirror of Wall Street this week; they slumped one day and then recovered almost equally as sharply the next. As Wall Street was closed on Memorial Day and the Continental exchanges on Ascension Day, London was the only stock exchange to remain open all the time; but like the other markets it waited upon Wall Street. International considerations swamped but did not entirely obliterate domestic influences on the London market. On Tuesday, for example, industrial equities were additionally affected by the statement from Ford Motor that its income had fallen sharply and that so far this year it has made no profit at all on passenger and commercial vehicles.

This, however, was a small stone thrown into the whirlpool of turbulence created in the London market on Tuesday by the overnight slump on Wall Street. Then in the biggest fall in prices since 1929 industrial equities lost 4¾ per cent by noon and nearly 6½ per cent by the close. The jobbers cut prices vigorously and widened their quotations right at the outset but the pressure of small selling persisted throughout the day. In all nearly 16,000 bargains were marked. Inevitably the biggest falls occurred in stocks with low dividend and earnings yields and in such stocks as Elliott-Automation and Philips Lamps which in the past have attracted American and Continental interest. Gilt-edged stocks did not escape the storm, though their losses in comparison with equities were moderate.

The recovery in equities on Wednesday was as sharp as that on Wall Street. Again, however, it was small investors who dominated the market; as a whole the institutional investors continued to stay on the sidelines. The number of markings rose to over 20,000 but the instability and uncertainty of the market was demonstrated by the fact that it was practically impossible to conclude any sizeable bargains. The size of the fluctuation clearly owes something to the speculative gains tax, which acts as a restraint on short-term "in and out" speculation. By Wednesday afternoon however prices began to slip back a little; there were some reports of further American selling through the Zurich exchange. In all, equity prices by the close had recovered by nearly 6 per cent while gilt-edged stocks had regained about half the losses they had made the day before. As a result of these movements, *The Economist* indicator fell from 340.2 to 332.1 over the week to Wednesday's close, having tumbled to 313.6 by the close on Tuesday. Such violent swings

as these emphasise how unstable the market is and not surprisingly the London market simply marked time on Thursday when equities lost a little ground and gilt-edged stock, on the release of special deposits, were a little firmer.

. . . *In Germany*

Frankfurt

ON the Continent, the setback and recovery in equity prices which occurred in the stock exchanges of western Germany has been notably sharp. On Tuesday, the prices of leading German equities fell by over 5 per cent, with the result that they were about 24 per cent lower than they were at the end of April, about 30 per cent lower than at the end of 1961 and over 40 per cent below the peak touched in August, 1960. Then, on Wednesday, the rebound carried prices up by about 9 per cent. This points to the speculative nature of some of the transactions and certainly there was some bear covering on Wednesday. Some of the biggest movements occurred in chemical shares and in Volkswagen, which, having fallen to 492 on Tuesday, recovered to 562 on Wednesday. But at the end of April Volkswagen had stood at 662 and has reached a peak of 1,100 not so many months before. These shares have attracted a wide circle of small investors who, having fought in the bull market, are now faced with substantial book losses. So far, about a quarter of the original recipients of the Volkswagen shares have sold their holdings.

The weakness and volatility of the German stock exchanges reflects domestic influences as well as the behaviour of Wall Street. Indeed, the impact of selling of German securities by overseas investors has been comparatively small in the last few days, as these investors lost interest in German securities after the Berlin crisis in August. One important reason for the sharpness of the movements in German equity prices has been selling by domestic investors who used bank credit to make their original purchases. The number of investors relying on bank credit appears to be greater than the stock markets had assumed. These investors were pressed by the banks to cover their loans when share prices fell heavily, and the cascading effect of forced sales on the market has accentuated the decline. Selling to cover margin calls and short selling by speculators have certainly been major influences on the market; but among small investors at least there is belief that the big corporate investors have acted in such a way as to force prices down from what they considered to be highly inflated levels. In all, there can be little doubt that German investors are worried about the course of prices and wages in the economy and by the attitude the government is taking towards business.

. . . *In France*

Paris

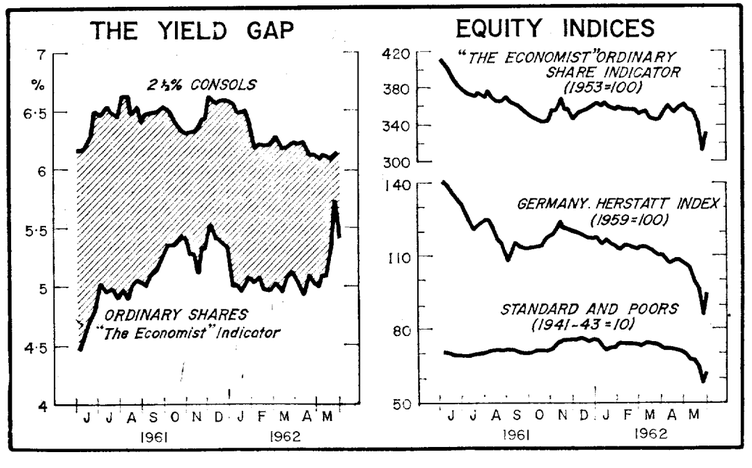
ON Tuesday, the Paris bourse weathered the storm coming from New York relatively well. Equity prices fell by about 6 per cent, but there were signs of recovery in the market towards the close and heavy buying on Wednesday more than offset the previous day's losses. Paris is less dependent on foreign funds than other Continental markets and is, therefore, less directly affected by fluctuations on Wall Street. Confidence in the franc and in the prospects of economic growth has not been shaken; there was little dealing in gold on Tuesday and the company reports published recently have been particularly encouraging. The big dealers on the bourse did not give way to panic and simply hedged their commitments; by the time the small investor came into the market the recovery was on its way. Some French commentators have concluded that when New York sneezes Paris no longer catches 'flu. But this proud assertion is an overstatement, for Tuesday's fall was substantial in both the spot and forward markets and it was foreign selling, particularly of overseas securities and internationally-quoted stocks, that triggered it off: Gevaert, Bangue de Paris et Des Pays-Bas, Standard Oil and Pechiney all fell by more than 6 per cent.

Paris, in fact, does not stand alone and in recent weeks prices on the bourse have reflected the general downward trend in American and European equities. There are some specific reasons for this malaise. The continued bloodshed in Algeria has offset some of the hopes raised by the proclamation of peace. Strikes, combined with Monsieur Pompidou's apparent search for conciliation, have strengthened fears that the rise in wages will depress profit margins. The flood of refugees from North Africa has raised the question of new taxation. But the causes of the decline are not exclusively domestic. And though the bourse did not panic this week and its mood, on the whole, is still buoyant, shrewd observers of its behaviour reject as absurd the idea that Paris is immune from Transatlantic influences.

. . . *and in Switzerland*

Zurich

ON Wednesday, the Swiss exchanges recouped a great part of the losses that had been made the previous day. Prices have been falling sharply on the Swiss exchanges since the beginning of the month, but the slump in Wall Street then produced conditions verging on panic in the Swiss stock exchanges on Tuesday. Industrial and insurance shares made heavy losses and other weak sectors of the market were banking and finance company issues. There can be no doubt that many of the shares listed on the Swiss exchanges look overvalued; dividend yields are still extraordinary low



	Jan. 2	April 6	May 28	May 29	May 31
APC	55/9	54/6	58/6	53/3	56/10½
Bowater Paper	45/3	44/3	34/3	32/–	35/–
City Centre Props.	60/–	60/3	65/6	60/3	62/4½
De la Rue	56/–	60/–	58/9	50/3	57/3
Decca Record	81/3	79/–	80/–*	71/–*	77/–*
Distillers	37/6	41/1½	41/1½	37/1½	39/6
Eastwoods	93/–	101/3	111/10½	103/9	107/6
Elliott-Auto	45/6	50/10½	48/3	42/9	46/9
Guest Keen	78/9	80/4½	73/10½	70/11½	70/9
GUS "A"	56/11½*	57/3	62/6	56/9	61/–
ICI	57/–	56/11½*	51/10½	48/3	51/3
ICT	111/3*	121/–	107/6	98/9	103/–
Jaguar "A"	85/11½	83/6	76/9	70/4½	73/1½
Legal & General	401¼	453¾	451¼	391½	41
Marks & Sp. "A"	99/9	97/3	90/10½	86/9	89/–
Nat. Prov.	90/–	94/9	102/6	91/6	96/4½
"Shell" Transport	29/9	31/3*	30/4½	27/6	30/6
Thorn Electrical	67/9	74/6	84/–	76/–	77/3
UDT	38/9	35/9	38/–	37/–	37/–
Unilever Ltd.	46/9	42/4½	35/6	33/–	36/3
United Steel	38/9*	35/11½	28/4½	26/10½	27/4½
Whitbread "A"	36/–	36/10½	39/9	35/–	38/–
Funding 5½% 82/4	90932	90932	91132	91316	91516
War Loan 3½%	513¼	543¼	552132	551¼	555¹⁵⁄₁₆

* Ex dividend. Gilt edged prices are shown net.

and so, as far as they can be calculated, are earnings yields. The fall in prices that took place before this week's shocks corrected some of the excesses and the Swiss economy is still sound; but here, too, the course of stock market prices in the next few weeks will depend upon the behaviour of Wall Street.

SPECIAL DEPOSITS

Well Timed Release

THE first release of one-third of the banks' special deposits on Thursday looked, on the face of it, a pretty opportunist boost to confidence in the stock market. The market, however, more or less shrugged off the news; a sure sign that it was more concerned with what Wall Street would do after its holiday. In fact, while the move could not have come at a more convenient moment, it was in no way a panic measure: the authorities, like many outside observers, have had such a move in mind for some time.

Deposits equivalent to one per cent of the clearing banks' gross deposits and one half of one per cent of the Scottish banks' will be released, which means that the banks will be back where they were before last July's little budget with special deposits of two per cent for the clearing banks and one per cent for the Scottish banks. In all, some £70 million will be released so that the banks may now increase advances by about £250 million without materially reducing their liquidity ratios. The authorities decided to release these deposits for two reasons. First, up until now special deposits have moved upwards only and the authorities were most anxious to show that they could in fact move either way. Secondly, they now feel that there is enough spare capacity in the economy for exports to grow without endangering internal stability. At the same time, although exports are growing, the pace is slow and the authorities are anxious that lack of credit should not be an obstacle to export production. The authorities are also worried by the trend of domestic consumption; hire purchase debt has failed to expand despite all the predictions.

The Bank of England has sent a letter to the banks, the counterpart of the one they received at the time of the July measures, informing them of the modification in the restraints on lending. However, the banks are still urged to concentrate on advances likely to facilitate exports and to continue to frown on advances for speculative purposes, particularly in those areas where resources are already fully employed. The Bank has also despatched letters to the hire purchase and insurance companies detailing the new modified requests to the banks and asking them to harmonise their actions.

The authorities have made it clear that this latest sign of confidence in the economy's expansion is not complete freedom on the lines of 1958; but that the time has come for expansion to gather pace. The only July measures that now remain are the slightly modified controls on direct investment in non-sterling countries and the regulators that were built into the budget.

MOTORS

No Profits

IT is hardly news that the margins of the motor industry are being squeezed between rising costs and increasing competition, but Ford's statement that it has made no profit at all on passenger or commercial vehicles this year came as one of the many shocks suffered this week by the Stock Exchange—which had perhaps shrugged off the implications of the interim statement from the British Motor Corporation rather lightly. Ford's statement is a little surprising, however, for it raised the prices of its cars only last December, and its production has been rising throughout the year, to reach about 75 per cent of capacity by April. But it has been suffering from persistent labour trouble and the inevitable dislocations caused by changing to the new Zephyr-Zodiac range—two special profit depressants, of which one at least, for a time, should be non-recurring.

Ford says that its total profit for the first four months of this year was half that of the same period in 1961—when the annual profit dropped from £34 million to £22 million. One must assume that this £11 million, or possibly more, a year is all being made from tractors and spares. The latter always show the highest profit margins in any motor manufacturer's business, and companies are fond of maintaining that their rivals subsist on nothing else (or should be able to do so, if they kept up with the demand for spares). Ford is probably right when it tells the unions that it cannot risk raising its prices again; though it has regained some of the share of the market that it lost in the winter, it is still doing much less well than a year ago. With BMC determined to go on increasing its share of the market if it can, Ford cannot assume—even after the cut in purchase tax—that higher prices would be followed in Longbridge. The only price increases since the budget have been £12 on the Hillman Minx and £10 on the Singer Gazelle—whose low prices, cut last August, had been one of the wonders of the motor trade.

The moral for investors in the motor industry is clear: dividends may be cut. BMC has had a disappointing period since it decided to maintain its interim dividend, losing 9,000 vehicles from strikes in April and 30,000 from the electricians' strike this month. In between it had not managed to raise production to capacity levels, as it was hoping to do by now; and it is therefore all the more likely to be losing sales to its rivals—mostly Ford—during the summer. Increasing exports, especially to Europe, are being won by cutting prices to levels that yield little contribution to overheads, let alone profits.

THE EXCHANGES

In Wall Street's Shadow

LAST week the dollar suffered from nervousness about the price of gold; this week Wall Street's gyrations took over and sent funds scuttling home. The resulting pressure on the dollar brought it to the support point in Milan, kept it on the floor in Amsterdam, and in Frankfurt the Bundesbank was reported to be supporting the dollar. The biggest fall was in Zurich where on Tuesday the dollar fell 57 points to Frs. 4.3155. The pound has suffered from the dollar's weakness as foreign operators have sold dollars through sterling as a means of switching to their own currencies. Sterling closed on Wednesday at 2.81 compared with 2.81¼ before the weekend.

Britain has repaid a further £25 million to the International Monetary Fund—this time in US dollars, marks, Canadian dollars, and Swedish kronor. This brings total repayments to £275 million and leaves the debt outstanding at £229 million. This repayment also serves to increase Britain's stand-by credit with the Fund which now totals £454 million. Britain is sensibly continuing to reconstitute its international credit facilities rather than adding to its reserves. This repayment of £25 million, judging from the change in the reserves after the last two repayments to the Fund, means that May's gold figures will probably show a true increase of around £30 million.

The Canadian dollar continues under pressure, and after holding its own for about a week at 91.90 to the US dollar, it fell sharply this week to 91.75—the point at which the Bank of Canada has unofficially pledged unlimited support. In fact a report from Canada indicates that the loss to the reserves in May—the rate was pegged at 92.50 on May 3rd—will be around $165 million which will bring the loss since the beginning of the year to about $630 million or a fall of just over 30 per cent.

The exchange markets were much quieter at the close of this week. America was on holiday on Wednesday and some of the Continental centres closed early on Wednesday in anticipation of Thursday's Ascension Day holiday. Added to this the world's leading foreign exchange dealers have been making their way to Rome for their annual Forex Club meeting. Most of them had squared their books for the end of the month before they left and the exchanges were left with very little business.

NEW ZEALAND

Importing At a Price

THE New Zealand government has announced that residents who hold funds overseas may, in the coming year from July 1, 1962, to June 30, 1963, use those funds for imports, provided that at the same time 20 per cent of the funds are repatriated and lodged with the Reserve Bank. There has already been a rush of applications to the Reserve Bank although the closing date is not until the end of September and these funds now command a premium of 8 per cent over the official exchange rate. Most of the money is held in London and estimates put it at between £50 million and £90 million. New Zealand purchases between 45 and 50 per cent of its imports from Britain; this scheme should mean a small but welcome boost for Britain's exports.

For New Zealand the repatriation proviso will mean a useful addition to official reserves of foreign exchange. At the end of April these were only £63 million, above the low point of £49 million in December, 1961, but still only equal to three months imports. This scheme also means that the government of New Zealand will be able to maintain employment without throwing an extra burden on the balance of payments. The 1962-63 licensing schedules allowed for imports of only £250 million; this figure was likely to force stocks so low that production and employment might have been endangered. This is a novel move which has avoided the unpleasantness of compulsory repatriation of privately-held foreign funds, but which is likely to have much the same effect in the end. However it is still no more than a stop-gap in a grim situation; a situation which could get grimmer if Britain's markets disappear into the fastness of the common market without adequate safeguards for New Zealand's products.

ATOMIC ENERGY

Business Looking Up?

IT has become traditional in recent years to leave statements of atomic power costs to the Central Electricity Generating Board and its chairman, Sir Christopher Hinton, whose public pronouncements have been marked by ever-increasing gloom about the probable price of electricity from the CEGB's first two nuclear power stations, which are now being commissioned. On Wednesday night, however, the chairman of the Atomic Energy Authority, Sir Roger Makins, cast a fly into Sir Christopher's stream by remarking that the Authority is in fact the only body in this country with practical experience of running nuclear power stations; and that 5½ years' experience of Calder Hall "suggests that the assumptions about the cost of nuclear generation of electricity by the magnox systems are unduly conservative and weight the balance against nuclear power."

This is precisely what a number of scientists have been saying inside the Authority and the CEGB, but Sir Roger went further and suggested new values for the separate factors making up the cost of nuclear power. Few people question the CEGB's estimate that electricity from the first nuclear stations at Bradwell and Berkeley is likely to cost a penny a unit, although no one knows how CEGB arrives at this figure. But later stations of the same type incorporating various improvements should, on the same costing basis, said Sir Roger, produce electricity at 0.6d. a unit. If the same stations are credited with the 85 per cent load factor achieved at Calder Hall, and not the 75 per cent load factor used in the standard costing formula, the figure becomes 0.56d. a unit. If they are credited with a 30 year life, which now seems technically possible, and not the 20 years of the standard formula, the cost falls to 0.49d. a unit, equal to the best coal-fired station and "there is a still further advantage to be gained" if allowance is made for the likelihood of getting more work out of the fuel than expected. In short, the Calder Hall type of power station, carried to the ultimate, could be competitive.

It could be argued that no electricity authority would keep an ageing power station on 85 per cent load for 30 years, but Sir Roger would admit that his own figures are as notional as those he is obliquely challenging. Neither set should be read as more than convenient short-hand indicating the relative efficiency of different types of power station and through that, how they might be expected to compare on costs. What Sir Roger is saying is that the AEA has technical grounds for believing the commercial prospects for Calder Hall type stations are far brighter than would appear judging from Bradwell and Berkeley alone. This forecast is based on hard operating experience; when Sir Roger predicts that commercial versions of the advanced type of gas-cooled reactor about to go critical at Windscale—the first nuclear design to offer "steam conditions appropriate to the latest type of turbo-alternator"—will produce electricity at 0.45d. a unit (or, ominously, 5 per cent more if the Authority charges a royalty) he is back in the crystal gazing business. And when he states bravely that the Authority's interest in new types of reactor using heavy water is not an insurance against total failure by the new Windscale design, he is in a minority of one, for nearly everyone else thinks it is.

AIRPORTS

Home and Dry

THE Ministry of Aviation will almost certainly not get the credit it deserves for dragging this country's international airports by their bootstraps from the red into the black. Most countries resignedly subsidise their airports, either openly or indirectly. Prodded by Parliament, the Government decided some five years ago to try and make British airports pay; and on Monday, Mr Thorneycroft was able to tell the House of Commons that the three airports serving London—Heathrow, Gatwick and Stansted—broke even last year on a turnover of £9 million and should now begin to show a "modest profit." The credit for this is entirely due to Heathrow, with a profit of £750,000. Three years ago, this group was £3¼ million in the red. But this year, the £1.7 million profit expected at Heathrow will be sufficient to cover losses not only at Gatwick and Stansted but also at the other main international airport, Prestwick in Scotland, and still leave a credit of half a million pounds. This clears the way for the formation of an independent authority to operate these major airports; the smaller provincial airports will either be taken over by local authorities or closed.

The airlines might comment bitterly that this success was achieved by the merciless jacking up of landing fees which they have denounced, on somewhat shaky evidence, for being the highest in the world. They may feel that the spectre of still further increases has now been removed, but there hangs over them the new prospect of "en route service charges," when the new authority is formed, for navigation services still provided by the Government. Complaints that Britain's airports would have broken even sooner, had they been run with more commercial acumen in developing other sources of revenue, may be heard less in the future. Concessionaires at Heathrow complain already about swingeing rents and Mr Thorneycroft closed a debate in which the Government had been repeatedly criticised for the bad bargain it drove with Esso, and Shell-Mex and BP when it leased sites to them at the airport at a fixed rent to 1991, by blandly announcing that he had invited other oil companies to tender for the right to compete with these two sitting tenants "on a gallonage" (i.e., a levy per gallon sold) basis.

BUILDING

Output Falls

THE output of the building industry fell for the second quarter running in the first three months of this year: but weather rather than recession seems to be the factor mostly responsible. At £710 million, the value of output was still six per cent higher than it had been a year earlier, though two per cent lower than in the last quarter of 1961. The most noticeable declines where new construction is concerned were in housebuilding for private developers—which may well be dropping as a result of tight credit as well as bad weather—and in industrial building for private customers, which was two per cent lower than in the first quarter of last year. The industry has been saying recently that it has not suffered as much as it had expected from the Chancellor's measures of last July, which may give a better impression of its state than a straight interpretation of the production figures might suggest. Fairly stable output at last autumn's level still seems the most likely outcome for the year.

METALS

Square Peg

After vigorously protesting its right to be heard on American stockpile releases, The International Tin Council has now had to admit that it really has nothing to say. Once more producers and consumers who share power within the council's chambers have failed to reconcile their differences and have prevented it from recovering the reins of the tin market which were snatched away by the speculators a year ago. The council seems to have been experiencing increasing difficulty in achieving any sort of agreement ever since—a repetition perhaps of the old adage that a committee without authority soon loses its sense of responsibility.

Tin has entered an era in which the stockpile will be its master. By its failure to settle an agreed approach to this problem, the council has forfeited whatever chance existed that world opinion could be brought to bear on this monster. As it can be doubted that the United States would bow to world opinion anyway, it might be as well that the keepers of the stockpile should now hear the unadulterated views of the producers, who stand to lose most through inexpert handling. The old upper price peg—adopted by the council after strenuous debating in the absence of any immediate likelihood of being capable of enforcing it—seems still more inexplicable after this week's statement from the council, unless consumers believe that by this manoeuvre they have cut down producers' ideas of the price at which stockpile releases might start from £1,000 to £965 a ton. But as far as influence is concerned, the council currently seems to possess almost as much in the London money market, where it has £15 million of stabilisation funds to invest, as in the tin business.

Nickel Wavers

The reaction of the giant International Nickel Company of Canada to having the price of nickel set by one of its smaller competitors, Falconbridge, has been the very essence of meekness and mildness. Falconbridge reduced its price from £660 to £642 a ton ; the chairman of International Nickel, Mr H. S. Wingate, expressed surprise but not dismay and promptly followed suit. The pill was apparently an easy one to swallow, since a cut of this order can be recouped from the benefit accruing to ex-

A Plague of Bankers

FROM OUR CORRESPONDENT IN HONGKONG

Hongkong is plagued by too many banks with too little liquidity. A drastic streamlining has been recommended by Mr H. J. Tomkins, a quiet Englishman from the Bank of England, who arrived on invitation in the Colony to review the dangerous situation.

His proposed reforms, which will almost certainly become law this year after protocol consideration by the Banking Advisory Committee and banking interests generally, amount to a replacement of the 1948 Banking Ordinance, which has inadequately controlled the reckless expansion of many so-called banks in Hongkong that too often reflect the old Chinese banking tradition of a family name, a money-changer's licence and a devious speculation policy. This speculative instinct can facilitate a sudden run on the bank which finds little hard cash in the till but rows of empty, high-rent apartments on The Peak.

There was a run on Hongkong's Liu Chong Hing Bank last June, following Oriental rumours by competing native banks. The Hongkong Shanghai Bank and the Chartered Bank closed dignified ranks to protect their floundering, hard-pressed colleague. But Hongkong banking has never been quite the same since, and precarious neighbours of the Liu Chong Hing, in sudden shock, felt the hot breath of another panic against the backs of their necks.

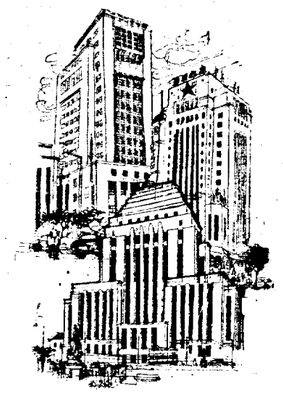
There is no central bank in Hongkong. The Hongkong and Shanghai is certainly the strongest in the Colony—just as the Chartered Bank is physically the highest and the (Communist) Bank of China perhaps the most durable politically. The Tomkins report (released in Hongkong last week) said that "the struggle for deposits is fostering cut-throat competition, reflected in part by the payment of a high rate of interest and by the rapid extension of branch banks. The same volume of business shared among fewer banks would tend to make each stronger and yet leave scope for a reasonable degree of competition."

Mr Tomkins warned that some banks were too heavily committed in the property market or the stock exchange, and that some were "over-trading on the basis of their present capital—either because it is too small, relative to their liabilities to the public, or because too much is employed in long-term or speculative transactions."

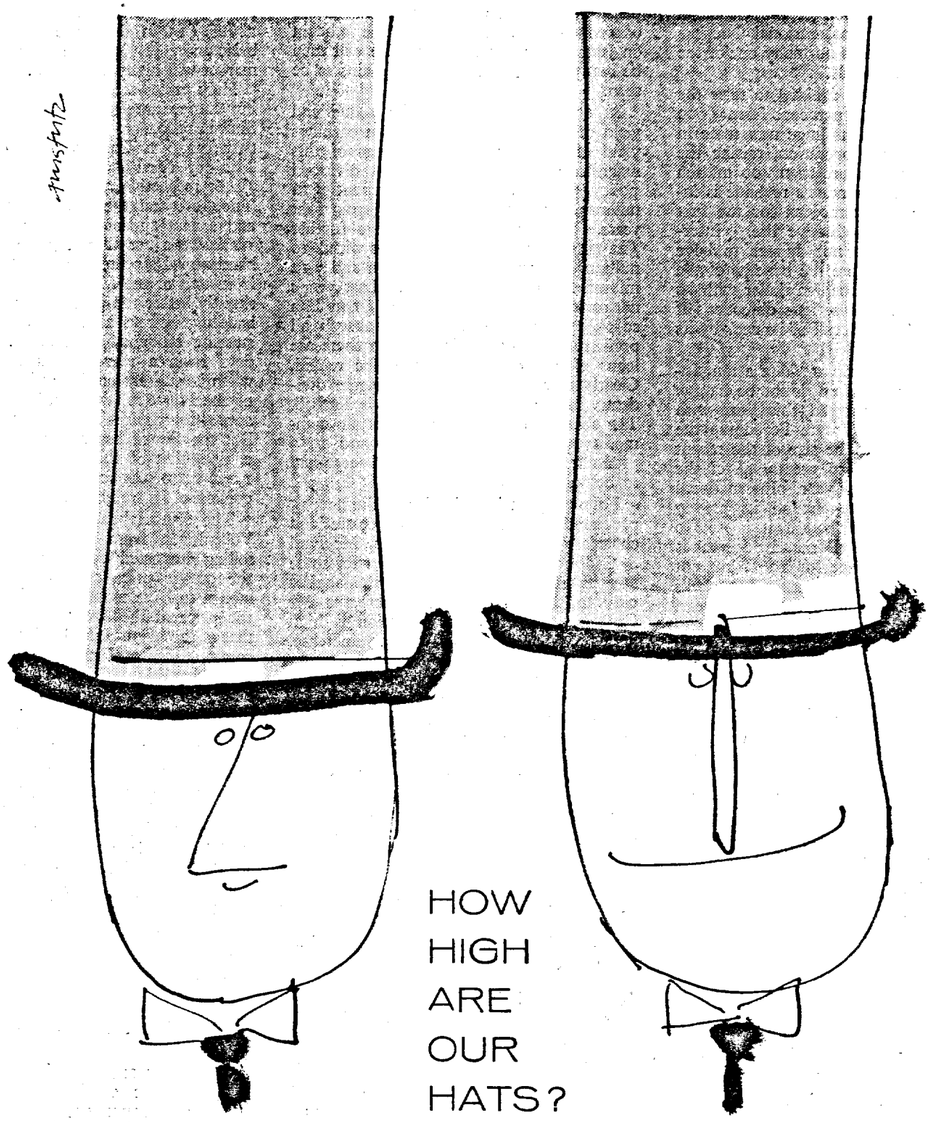
In brief, Mr Tomkins's recommendations will restrict banks to "classical banking" and, under the supervision of a Banking Commissioner, responsible to the Financial Secretary, will prevent banks from holding real estate or market shares valued at more than 25 per cent of capital and reserves.

Unsecured advances to directors, their relatives or commercial firms in which they are interested will be limited to one per cent of capital and reserves with a ceiling of HK. $250,000. Unsecured advances to officers or employees will be limited to the equivalent of one year's salary. Participation in wholesale or retail trade, import-export or any industrial, commercial, or agricultural undertaking will be prohibited. No clients or groups of clients with common control can obtain credit in excess of 25 per cent of a bank's paid-up capital and reserves. Minimum capital for an operating bank will be HK. $5,000,000 and open reserves shall be built up to an equal amount. Cushioning capital and reserves shall amount to at least five per cent of deposit liabilities to the public.

All this means that a considerable number of the existing 87 "banks" in Hongkong will lose their licences and will revert properly to their legitimate business of money-changing and remittance-shopping. It is assumed that the first Hongkong Banking Commissioner will not be a local Hongkong banker, in order to stress piously his independence and impartiality. It is understood that a suggestion, during the toughly polite Tomkins's investigations, that he should be called "Inspector" instead of "Commissioner" was rejected, not because of unfortunate Russian precedent, but because it was agreed that "Inspector" did not so happily and effectively imply mutual and trustful cooperation and a continued, if disguised, absence of socialistic "controls." The neat trick in all Hongkong reform is to have controls but to call them something else.



. . . the Chartered is the highest



We in Life Assurance have on occasions been accused of being a bit high-hat about finance. Perhaps this is because, sometimes, we talk in millions and not in hundreds or even thousands. But remember one thing—the money we invest has been entrusted to us by millions of individual policyholders. Our job is to get these policyholders the best deal possible, but always with safety in mind. This is something the Life Assurance industry has been doing pretty successfully for the past two hundred years. And the way it's done—the *only* way it can be done—is through free investment. But caution doesn't rule out flair and imagination. We invest the money where it does most good—for the policyholder and for the nation. It helps to provide valuable and flexible finance for public projects and industrial expansion.

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porters from devaluation of the Canadian dollar. Because of International Nickel's predominance, nickel is normally one of the most stable of all metals.

International Nickel decided to raise the price of nickel by 10 per cent from £600 a ton last year when its huge new mine in Manitoba came into operation, raising the group's capacity to more than 400 million lbs. a year. The new mine's revenue is incidentally free of income tax for the first three years of its productive life. International Nickel does not appear to have been over-eager to share the benefits of the depreciation of the Canadian dollar with its customers, but has no serious objections if dragged along by the scruff of its neck by its competitors.

If the reductions stop at £642 a ton, International Nickel will no doubt be happy. But Falconbridge merged this year with Ventures, making McIntyre Porcupine the largest shareholder. The size of the recent reduction is unlikely to greatly affect the offtake of nickel this year. International Nickel must therefore expand its greatly increased stocks of nickel, if it is not to hold back production. Demand this year is higher than the average for 1961, but not as great, judged by International Nickel's sales, as in the final quarter of that year. Russia has abruptly terminated an agreement with International Nickel to buy the metal under an existing contract; Cuban nickel has been sold in Western Europe through the agency of the communist countries; and more nickel might be released from the American stockpile. Whatever Falconbridge's motive's were in initiating the latest round of cuts, it seems that International Nickel, the acknowledged price leader for the metal, is a prisoner as far as supporting the market is concerned. Unless it is prepared to face a price war, it seems that it will have to carry most of the burden of stocks, until nickel consumption again matches output.

CADBURYS

Coming to the Market

BEFORE the shares of British Cocoa and Chocolate have received a stock exchange quotation they have been given the growth tag. The marketing of the shares in this holding company of the Cadbury group is to be made through an introduction. Up to a million shares are expected to be made available to the market from certain large shareholders who will sell their new shares resulting from the proposed one for six scrip issue. To encourage other of the 550 shareholders to sell at least part of their new shares the chairman has said that in the absence of unforeseen circumstances the ordinary dividend will be maintained at 5½ per cent on the increased capital; thus the sale of new shares will bring no loss in income. Moreover they are guaranteed a minimum price of 60s. a share, net of all expenses, in respect of any shares which are offered and sold. Dealings are due to begin on June 19th; but whether there will then be ready buyers at this price remains to be seen.

At 60s. the £1 shares offer a dividend yield of only 1.8 per cent but an earnings yield of 11¼ per cent. Earnings of this magnitude make a more liberal dividend policy possible. But, having spent £16 million on capital account in the past four years, the group plans to spend a further £22 million in the next four years with £10 million coming from depreciation and £12 million from retained profits. Last year's net cash flow amounted to over £7 million so the programme should not absorb all profit retentions; but in addition there are loans of about £3¾ million to be repaid. Clearly therefore the scope for bigger dividends in the immediate future is limited. The shares, moreover, carry a certain commodity risk and in both 1955 and 1959 profits fell sharply when stocks of cocoa had to be written down.

Following the introduction of the new 15 per cent purchase tax on chocolate and chocolate biscuits, the chairman, Mr Paul S. Cadbury, expects sales to suffer for some months and profits to fall. But this applies only to the home market where, as Mr Cadbury points out, consumption is high and is unlikely in any case to increase. Indeed most of last year's advance in sales occurred abroad, where sales at £25½ million accounted for about 28 per cent of the total of £92 million. The group now plans to launch new products in the food trade but it is not clear whether any of the proposed capital expenditure is on these new ventures; in any case they are hardly likely to make a major contribution to profits in the next few years.

CAR IMPORTS

Hopes of Better Days

NEW models like the Simca 1000, introduced to the British market this week, should do something to help revive the sales of foreign cars in Britain. After rising in the boom of 1959-60, these sales gradually declined to the end of last year as the appeal of old models like the Renault Dauphine became weaker. The position of many importers was worse than the relatively small decline in their share of the market—from about 6¾ per cent in the spring of 1960 to 3¾ per cent at the end of 1961—would suggest. Many were caught with heavy stocks that had to be liquidated by one means or another last year; imports dropped from 57,000 in 1960 to 24,000 last year—though over 35,000 imported cars were sold. This year imports are running close to sales, with 11,018 cars coming in during the first quarter compared with 6,289 a year before. The reduction of import duties on goods from common market countries that will come into effect this summer should help sales, too; but it will only mean a cut of about £15 in the price of a car with a basic price of £400, so only the common market will really cut prices.

High prices are the chief obstacle to selling more imported cars in Britain; the Simca 1000, at £758, costs £118 more than the Mini-Cooper, while the ordinary Mini or Ford Anglia sell for £223 and £146 respectively, less than the Simca. Though it has the appeal of a new model and a neat appearance, it is hardly so remarkable a car that it can overcome this handicap. Its performance is little different from that of the Mini or Anglia except for slightly better top gear acceleration, and its handling betrays a more pronounced oversteering tendency than one expects these days from a rear-engined car—especially when its suspension design is similar to that of the Fiat 600, which is one of the more successful designs in avoiding this habit. But the Simca has a considerably heavier engine, that of the Aronde reduced from 1,290 cc to 944 cc, so it has a larger proportion of its weight on the rear wheels.

The Simca thus seems unlikely to oust Volkswagen from its place as the best-selling imported car. One might expect the drastic price cuts made by Fiat last month to have more effect, for these bring the price of the 600D to only £27 above that of the Mini. Like British makers in the common market, Fiat is taking a loss in the hope that big tariff cuts will come soon. Only such hopes can justify the investment that most foreign companies are putting into their British sales and service organisation. But a sign that Britain will definitely enter the common market will start an even stronger effort, as many importers will then be able to offer dealers rather more concrete rewards to forsake British manufacturers. And if there is to be a substantial increase in the sales of imported cars, more and bigger dealers will be needed to handle them.

LAGER BEER

New Brewery at Dundalk

BACCHUS was not kind: on the day that Guinness officially opened the new Harp Lager brewery at Dundalk it drizzled. This was hardly the right weather for a drink which has made its biggest impact on the British market in fine, hot summers. But it did not dampen the spirits of the Irish licensees who attended the opening and were assured by the Prime Minister that they served the most discriminating beer drinkers in the world. The licensees felt that they were participating in a venture that would help Dundalk, their trade and Ireland. At Dundalk an old brewery has been reconstructed, a modern lager plant taking the place of the smaller and conventional ale and stout brewery once owned by Great Northern Brewery. It will serve the Irish market and, following the pattern of the

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

NEW ISSUE

$25,000,000

European Coal and Steel Community

(High Authority)

5¼% Sinking Fund Bonds, Due April 15, 1982

These Bonds were offered by underwriters managed by the undersigned.

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parent brewery at Dublin, it will export beer to the United Kingdom.

Work on the plant is not yet completed and like the lager brewery Guinness and other members of the Harp Lager consortium are building at Alton it should have a capacity of about 350,000 barrels a year. But while Dundalk has cost about £1¾ million the new brewery on the green field site at Alton will cost between £2½ million and £3 million. Currently Dundalk is brewing at an annual rate of under 200,000 barrels ; this is no mean achievement in view of the short time that Harp Lager has been on the market. " Skol " remains the best selling lager in Britain, probably accounting for about a quarter of the market ; but already Harp is running neck and neck with Carlsberg in not too distant second place. Concerned about the future trend in stout sales, Guinness has been the principal driving force behind Harp Lager ; but like Ind Coope with " Skol " it must be wondering whether the rate of growth achieved in the last ten years, when lager sales in Britain have risen from about 100,000 barrels to over 600,000 barrels a year, will be maintained. Like Ind Coope, however, the sponsors of Harp Lager are convinced that they are brewing a beer that can compete effectively with imported lagers. Lager has been a costly venture for the British brewers and unless a rapid rate of growth in sales is secured it may not prove to be all that profitable.

DOMESTIC APPLIANCES

Buyers Go Direct

THE most buoyant sales of washing machines in the past two years have been those of machines sold direct to the public. The prosperity of the companies engaged in this form of selling is perhaps surprising, after the demise of Vatric in the 1960 slump amongst accusations of " switch selling "; the smear might have been transferred to its rivals. But they have in fact shot ahead : Rolls Razor, the company into which Mr John Bloom merged his firm, Electromatic, sold 80,000 washers last year, or 10 per cent of the total. Its chief rival is Duomatic. Low prices is the chief reason for the success of these companies. Rolls offers a twin-tub machine for 39 guineas and a de luxe version for 59 guineas, while Duomatic's roughly comparable models cost 38 guineas and 55 guineas. A Hoovermatic twin-tub washer costs £89.

The technique that Mr Bloom has found successful—and first used to sell imported washing machines—is to advertise in the national press, wait for reply coupons to come in, then send sales brochures and follow them up with a salesman's visit. He claims that sales are almost directly related

Making State Coal Pay

HIGH among the geographical curiosities of northern Europe ranks Dutch Limburg, an appendix tacked on to the bottom right-hand corner of the Kingdom of the Netherlands after one of the most obscure frontier disputes of the nineteenth century. The Dutch Crown might well have thought that it was getting a pretty poor bargain when it took this province finally under its wing in 1860. But ten years later workable deposits of coal were located under the earth, and around 1900 private interests, first German and then French, began to put Dutch coal on the market in a big way. Eager to preserve this Dutch resource for Holland, the state stepped in and established a national coal-producing concern.

Now the Limburg coal-field around the city of Heerlen produces some 12½ million tons a year from 12 collieries. Four of the pits, producing 60 per cent of the coal, are owned by the nationalised *Staatsmijnen* concern, the others by private firms controlled from abroad. Wages, welfare and labour relations are dealt with by the private and public mines working amicably together ; there is genial agreement between the two that the state mines have stimulated the private concerns to adopt an enlightened social policy, while the private mines have stimulated the state mines to make profits.

For this, to a foreigner, is the most remarkable thing about the Dutch mining industry. The seams generally are narrow and sloping, and the terrain is heavily waterlogged : but the trend of profits for the mines has been steadily upwards. For the private mines this can be explained by the fact that much of their production is high-grade house-coal. (The Dutch love a glowing stove ; five years ago 30 per cent of Dutch domestic heating was provided by oil, but in face of a strong sales campaign by the coal producers and the introduction of modern stoves the share of oil has now sunk to 10 per cent). In the state mines, however, over 80 per cent of the coal produced is industrial coal most suitable for coking—just the type of coal that has recently been under the strongest competition from producers outside western Europe. The state mines produce some 3 million tons of coke a year, of which half is exported. And in 1960 the state mines paid a dividend to the Dutch Treasury of 20 per cent from a pre-tax profit of £10 million.

The secret of this prosperity, the envy of coal producers (and of Treasuries) elsewhere, is that the *Staatsmijnen* is far from being a mere mining company. It is a large seller of gas and electricity, while the pit-heads are the centre of a vast chemical manufacturing complex (the plant is built in modular form to avoid damage through subsidence). Here the *Staatsmijnen* produce fertilisers for the highly efficient agricultural industry of Holland ; in co-operation with private chemical firms plants right at the pitheads transform by-products of coal into such advanced materials as caprolactam, which is ultimately spun into man-made fibres, and polythene, as well as a vast range of other plastics and synthetic chemicals. It is hardly fair to use its profits as a stick to beat the National Coal Board, with its painful concentration on the less glamorous business of simply bringing coal to the surface and selling it as such.

THE mining part of this nationalised operation has, however, also gone ahead rapidly enough. Over the last five years coal prices have sunk by 20 per cent, output has remained steady at about 7½ million tons a year, and the number of underground workers has fallen from 31,400 to 26,700 without creating any unemployment. So many Limburgers commute across the frontier to the high-wage area around Aachen that a new and serious labour shortage is afflicting the mines. In sharp contrast with some other countries, both managements and unions seem thoroughly unwilling to break the national wages policy even to straighten out this anomaly.

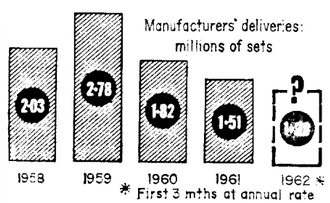
Despite the labour shortage, plenty of people in Holland now feel that the mining industry can be left to stand on its own firm feet. The State has a continual need for capital—particularly for its colossal land reclamation programme—and it is more than likely that the *Staatsmijnen* will shortly be turned into an ordinary public company. This company will have to deal with the most dramatic development yet for the Dutch fuel industry—the discovery of vast deposits of natural gas in the northern provinces. The deposits will be exploited by a company in which the *Staatsmijnen* will have 40 per cent, the rest being held by a company owned jointly by Standard Oil of New Jersey and Royal Dutch-Shell. On the past record of the *Staatsmijnen*, the oil companies have no need to fear that their nationalised (or denationalised) partner will prove less commercially astute than themselves.



to advertising ; and, having spent £371,000 on press advertising last year, he plans to spend £750,000 this year—which may make Rolls the heaviest spender on advertising among all washing machine makers. Duomatic is also a heavy advertiser, spending £264.000 on press space last year. But neither company is a significant spender on television. Hoover spent only £280,000 on press advertising last year, though its total budget was £733,000, while AEI-Hotpoint spent £633,000 (about £574,000 of this on television).

The rapid growth of these companies has not passed without some criticisms of their trading methods. The service facilities provided by Rolls produced a number of complaints last year to the Consumer Advisory Council, reported in the July issue of *Shoppers' Guide*. While Rolls admits that in the early days of production in 1960 some machines were of unsatisfactory quality and its service organisation did not grow fast enough to keep up with needs, it now has 220 service engineers operating from 18 service depots, and claims to be able to give service within three days of getting a call in towns and within four days in country districts.

TELEVISION'S TROUBLES



Television sales are still falling. In the first quarter of this year, manufacturers delivered 15 per cent fewer sets to the shops and to the rental companies than in the same period last year. The chart shows the probable level of deliveries this year if the present trend continues unchecked. The industry is now living in a replacement market.

OIL REFINING

In France, But Where?

ESSO STANDARD S.A., the French affiliate of Standard Oil of New Jersey, has just confirmed, through the normal administrative procedure, its long-heralded plan to construct a new refinery near the Etang de Berre, the principal oil refining centre in France, on the very doorstep of Marseilles. The plant, which is intended to come on stream by 1966, fits in with the announcement made by several petroleum companies of their intention to construct a pipe-line for finished products to supply the industrial complex of Lyons, the second largest urban centre in France, from this refining complex on the Mediterranean coast.

Both these projects conform with the traditional flow of oil distribution in France—from coastal refineries, well placed to take crude oil, to inland depots and setting stations. But there are new oil interests prepared to argue that this tradition no longer fits circumstances in which oil will be increasing its present third of French energy consumption to about half, in ten years' time. And one of these dissenters—UGP, the *Union Generale des Pétroles*, a company created in 1959 when the French state purchased 60 per cent of the Caltex refining and marketing interests inside France—is backing its opinion with investment. It is planning two refineries inland, right within the market areas they serve. One of these is planned by UGP and Mure-Union at Feyzin, close to Lyons, with an initial capacity of 1.5 million tons ; the other at Montereau near Paris with a capacity of 1.2 million tons, wholly by UGP. A third project, for an installation in Burgundy, by the Antar company, seems to have been abandoned.

Inland refining close to market centres is a new policy being adopted in the centre of western Europe—in Switzerland and around Stuttgart and Strasbourg—by many oil marketers: hence the several crude pipelines being planned or laid from the Mediterranean. Not all marketers, however, are yet prepared to agree that it is yet justified for the Paris and Lyons market areas, which are not so far from the sea. (Similar reasoning, so far, has precluded a refinery in the Midlands of England.) While a growing proportion of product demand continues to be fuel oil—and while this remains as costly to move along a pipeline as it is now—the argument for piping crude will grow, and the distance inland at which a market area justifies local refining may come down.

In the Lyons market, as elsewhere in France, UGP is a thrusting newcomer, determined to push "franc zone oil"—though not, so far, one given special privileges by the French state (which has a pretty tight control of the country's oil market). Is there any likelihood that its state connections—and its objectives in marketing—may impel the Government to give a more favourable passage with permits and licensing of refineries to UGP than to the Esso project, which is planned to serve the same markets in a different way ? This is still possible ; but the replacement in the new Government of MM. Jeanneney and Debré by MM. Maurice-Bokanowski and Pompidou may indicate a decrease in the Government's desire to intervene in the petroleum sector.

FILMS

Saturation Point

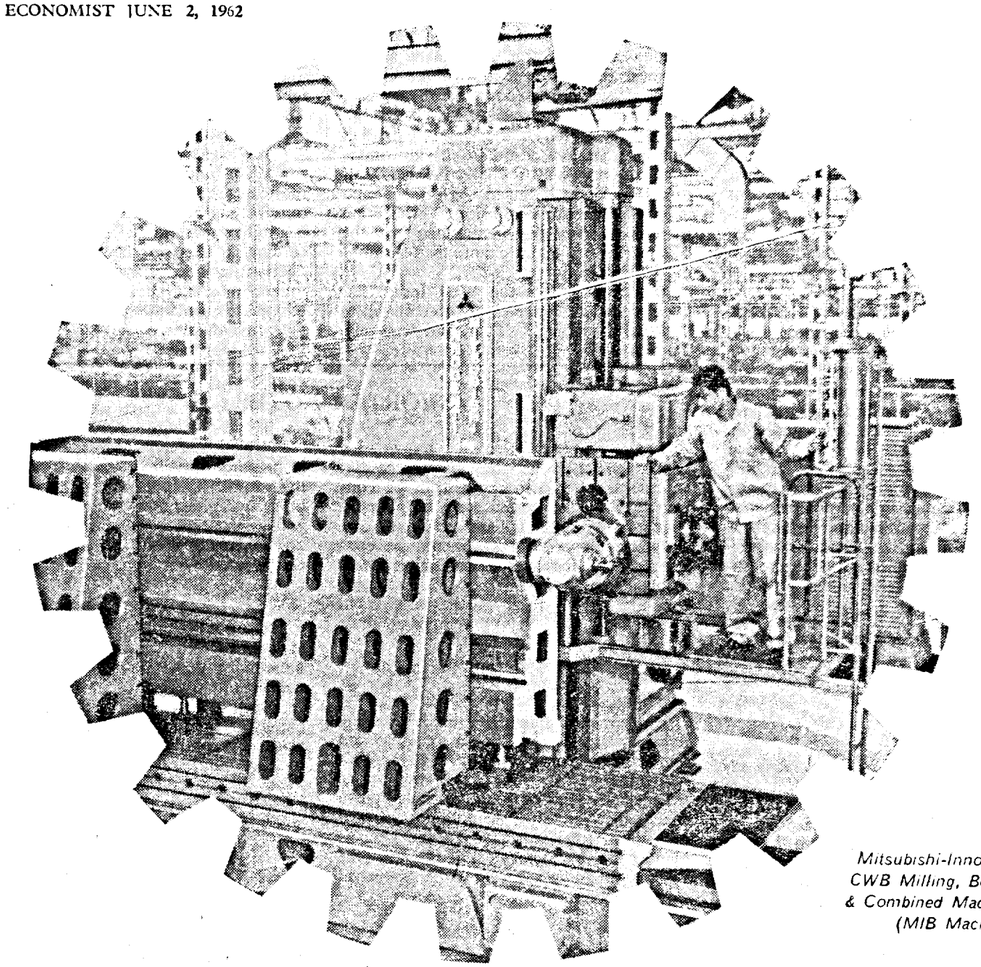
A BOX-OFFICE hit in the cinema, to the generation of which the whole system of film distribution is geared, generally makes most of its money in a brief blaze of fame and profit followed by a scattering of smaller sparks. Only the marathon epics sometimes successfully break the pattern with a prolonged comet-like trail. It is not the principle but its application that has often been criticised by those in the industry who feel it could be used more profitably if more flexibly, and particularly by the cinemas outside the dominating Rank and ABC circuits, who resent the fact that the shine has gone out of most popular films by the time that the two big chains have finished with them. This situation is made worse by the shortage of films with what the trade ambiguously terms "BO appeal."

Last week Rank's Theatre Division announced the details of a release pattern for two new films, "Tiara Tahiti" and "Bon Voyage," which is aimed at making the maximum profit in a much shorter time than usual and will incidentally enable many more independent cinemas to share in the first release—which will be completed in the unusually short time of five weeks. It is also expected that by this concentration second-round cinemas may gain some benefit from the massive publicity which will accompany the film in each region. Region here means television region, for a key part of the Rank scheme is heavy TV advertising to publicise the release. (In the first quarter of this year Ranks spent £19.000 in television time.) The co-operation of the distributors—for these films Rank themselves and Disney—is necessary not only over the publicity expenditure but also in the provision of the large number of copies of each film necessary for this so-called "saturation release," in this case 100 instead of the usual 40 or 50. A similar technique was adopted, with unexpected success, for a film called "Hercules Unchained" shown on the ABC circuit last year. The distributors must also have been influenced by the fact that colour film prints have come down in price lately from 5.1d. to 4.6d. per foot. Even so, 100 copies of an ordinary length colour feature film would cost about £19,000, and it has yet to be proved that this method is a permanently satisfactory answer to the still declining audiences for run-of-the-mill pictures. Within existing areas of competition it would anyway be difficult to extend the technique much further—150 copies might be the limit.

HOLIDAY BUSINESS

Licensing Travel Agents

A PRIVATE member's bill providing for the compulsory registration of travel agents had its first reading on Wednesday. There are abuses in the travel business, as Mr Edward Milne was able to show. The holidaymaker is always at the mercy of the agent, because he is buying a commodity that cannot be inspected in advance. Few agents actually run off with the deposits of their clients, but some do sell holidays that fall substantially short of the brochure's



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According to the British periodical "Shipbuilding & Shipping Record" Mitsubishi Zosen, in 1961, again placed first among the world's shipbuilding firms with a total of 246,606 tons actually launched. Ships are a complex of precision machinery which demand a far higher degree of safety than machinery used on land. Mitsubishi Zosen makes a wide variety of land machinery, such as power machinery and plants, iron and steel manufacturing machinery, chemical machinery and plants, loading and unloading machinery and machine tools. Mitsubishi Zosen's superior technology and most modernized facilities, which made it the world's leading shipbuilder, guarantee high quality and reliability in all its products.

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promises. Nevertheless, Mr Milne's bill needs careful drafting if it is not to turn the travel business into a closed shop. At present there are perhaps 500 travel agents in the strict sense, firms with agencies to sell rail and air tickets. But there are at least twice this number of people arranging holidays and some of them are very small, their only working capital being the deposits taken from those who buy their tours. Occasionally disaster hits a small man who assumes financial liability for chartering an aircraft, only to find that too few people have bought his tour to make it pay.

But for every small tragedy of this kind, there are hundreds of cases where the small man, sometimes operating from his own house, can and does give good service and value to his customers at prices lower than the big agencies with overheads that have to be met in and out of the holiday season. The bigger agents are seriously worried about the damage one well-publicised failure can do to the travel industry, but they also feel keenly the competition from the small and the amateur "tour operator" who skims some of the cream off the lucrative holiday traffic. Registration must not offer a means of putting these small men out of business.

SUGAR

Hostages to Freedom

THERE are no saints in sugar. Any exporter worth his salt would gladly swap his share of a "more viable" world market for a fixed American quota. Prospects for the passage of the new Sugar Bill through Congress in its present form seem slender; the chances of it achieving some of this effect claimed for it are slimmer still. Producers' representatives hovering expectantly around Washington have not yet abandoned hope of getting American prices for any sugar they are allowed to sell there, in Cuba's place.

Though it can be contended that a mild touch of the whip by means of import levies would not be out of place as a corrective for aspirants to Cuba's 2½ million short tons quota, given the irrational basis for most sugar production it can hardly do much good. No-one would wish on Americans the ludicrously complicated mechanism that welds protectionism to the free market in Britain. The best that can be said of it is that with a little jiggering here and there, like the constitution, it works. But the American proposals for opening the Cuban quota to all suppliers even at world prices would probably result in a gallop to fill it and possibly disorganisation of prices. As an extension of the free market it would be a failure. Many producers are holding sugar in readiness for quick despatch to the United States. It is in the nature of things that this market should be more highly prized than others.

That producers who get over £45 a ton based on their costs of production under the Commonwealth Sugar Agreement should fall over themselves to sell to the United States at world prices (currently about £24 a ton) might appear odd. In fact, nearly all major exporters have a guaranteed market and can therefore afford to subsidise marginal exports. With the effective demise of the International Sugar Agreement and unchecked growth in subsidised production there is a danger that in the long-term the free market will be little more than a dumping ground.

A spokesman for the West Indies has claimed that the price of sugar could fall to "virtually nothing." That, unfortunately, could be almost literally true. The West Indies which has a small and not very lucrative home market relies on the free market for 50 per cent of its exports. Compared with some cane producers it does not even appear to have low costs on its side.

Cuba, which has all the advantages that the West Indies lack, has mainly through mismanagement produced only 4.1 million tons of sugar this season, compared with 6.7 million tons in the previous year. According to C. Czarnikow, beet sugar production in Europe has also fallen by 3 million tons and consumption has risen to temporarily balance production at about 53.4 million tons.

SHORTER NOTES

The cocoa study group has requested a United Nations negotiating conference that an international cocoa agreement be convened. It has suggested early 1963 would be a suitable time. It has been agreed that sales, not export quotas, should be considered as the basis of a stabilisation agreement, if that proves feasible. An executive committee is to meet in the autumn to review progress in preparing a draft agreement.

★

Jet Petroleum announces that it is raising its recommended retail prices for its 97 and 100 octane petrol by a penny a gallon. This will bring its prices to 3d. below those of the majors. Half of the increase will go to the retailer, and half to Jet; the general increase in costs over the past two years is blamed for the increase, together with the cost of obtaining secure supplies of petrol through Continental Oil.

★

This week's happenings on the London Stock Exchange have drawn a good audience and on Tuesday and Wednesday the daily rate of visitors to the public gallery shot up to about 1,200. On four evenings in July during the Festival of the City of London visitors will be admitted to the floor of the House.

★

The Australian steel and industrial group, Broken Hill Proprietary, is making an issue of £7½ million of a 6¼ per cent sterling debenture at 98½. Since 1945 the group's capital expenditure has amounted to £A250 million and the proceeds of this issue will go towards financing the present programme of expenditure which is running at about £A50 million annually. The prospective redemption yield is 6⅝ per cent, and an unusual feature of the issue is the long gap between the initial payment of £25 per cent and the further call of £73½ per cent which is not due until January 31st.

Production of man-made fibres contracted from 50 million lb in March to 47 million lb in April. Output in the first four months of the year was 193 million lb, compared with 181 million a year earlier and a record 205 million lb in the corresponding period of 1960.

★

Executive Appointments Limited, a firm of management selection-consultants, has announced the establishment of business connections with similar firms in a number of European countries, for the use of British employers seeking continental managerial staff. The company has similar connections in New York. Earlier this year Management Selection Ltd. established a US branch jointly with the New York consultants Hoff, Canny and Bowen; it also has its own subsidiary in Paris.

★

This week's offer for sale of 1.6 million 5s. shares at 5s. 4½d. each in New Issue Permanent Investments was oversubscribed. The aim of this recently formed trust is long term investment in new issues and rights issues.

★

Applications were received for only 65,000 of last week's offer of 250,000 units of the Orthodox Unit Trust at 15s. 6d. to yield 4½ per cent. This is the first block offer not to receive a full subscription for well over a year.

COMPANY AFFAIRS
Comments on pages 945 and 948, on:
Elliott-Automation — John Thompson
Coats, Patons and Baldwins — Royal Mail
Wm. France, Fenwick — Coast Lines
Bishopsgate Property — Discount Houses

STOCK PRICES AND YIELDS
Stock prices, yields and security indices on pages 946 and 947

MONEY AND EXCHANGES
Money market report, exchange rates and public finance on page 949

COMPANY MEETINGS

THE BRITISH COCOA AND CHOCOLATE COMPANY LIMITED

HOME AND OVERSEAS SALES EXPANSION: TOTAL NEARS £92M.

PLANNED HEAVY CAPITAL DEVELOPMENT PROGRAMME

PROPOSED APPLICATION FOR ORDINARY SHARE QUOTATION

MR PAUL S. CADBURY ON AN ACTIVE, VIGOROUS AND PROGRESSIVE ORGANISATION

The forty-third Annual General Meeting of The British Cocoa and Chocolate Company Limited will be held on June 18th at Bournville.

The following is the circulated statement of the Chairman, **Mr Paul S. Cadbury, CBE:**

Any report on the state of the business made in 1962 is overshadowed by the Chancellor's decision to impose a 15 per cent purchase tax on the products of our industry. Milk chocolate and chocolate biscuits are part of the food of the people of this country. Men, women, and particularly children need proteins and carbohydrates in their diet, and milk, sugar and flour are traditionally most important. Forty-three years ago when I first joined this business the average intake of liquid milk was less than half of today's figure. We have played our part in encouraging the consumption of full cream milk in the form of milk chocolate. Combined with cocoa and sugar it is a perfect food and to enjoy what you eat is a good thing in itself. This is the first time a Chancellor has brought food under the purchase tax and it obviously raises doubts as to what future Chancellors might want to do to other milk products such as cheese or butter. The consumption of sugar in one form or another remains constant at about two pounds per head per week. In the early 1920's more sugar was consumed as sugar and less in chocolate and sweets than is the case today.

Trading conditions in 1961 were satisfactory. Group sales at £91,900,000 have increased as compared with last year; at home to a total of £66,400,000, an increase of £1,200,000; and overseas to a total of £25,500,000, an increase of £4,000,000. In the overseas figure are included export sales, which at almost £4,000,000 have increased by 4¼ per cent. The sales of our overseas companies at just under £22,000,000 are an all time record.

RAW COCOA

A much discussed feature in the raw cocoa market during the last three years has been the upsurge in the production, particularly in West Africa. There has naturally been concern that this increase in production might leave excess quantities of unwanted cocoa on the market. The forecast for the production of 1961/62 shows a comparatively small increase compared with the two previous years—23,000 tons as compared with over 100,000 tons in both 1959/60 and 1960/61.

The notable feature of the present position is the increase in world consumption. In 1960 this was up by 56,000 tons over 1959 and for 1961 by 89,000 giving a world consumption of over one million tons for the first time. The estimated increase for 1962 is 100,000 tons. The lower prices which have been ruling during the last three years have made possible this increase in consumption.

Cocoa is subject to weather conditions. If the rains do not come at the right time of the year in West Africa the crop will be smaller than in a normal year. Violent fluctuations in price are bad for the grower and the manufacturer. A modest stock carried from one season to the next is the traditional method of limiting such fluctuations. Only in the last two years has it been possible to accumulate such a stock. If the present trends in production and consumption continue it appears that we should soon be in balance.

TRADING AT HOME

Sales for the Cadbury and Fry businesses in this country have increased by £1,500,000 and are an all time record. The most important line we sell on the home market is milk chocolate, both with and without the addition of nuts and fruit. During 1959 and 1960, partly owing to the high price of cocoa and the poorer value that we could offer, sales declined. We have been able to increase the weight or decrease the price of some of our lines and I am glad to say that through vigorous selling and advertising the sale of our moulded chocolate has now recovered and in 1961 showed a satisfactory increase. To some extent this was offset by a decrease in our chocolate assortment sales, but here again individual lines to which we have been able to give a good deal of attention are showing an increase. Since the end of the year the recovery which was obvious at the end of 1961 has continued and we made a good start in 1962.

J. S. Fry and Sons have had another good year, and their home and export trade increased to the record figure of £13,000,000. During the year a large new manufacturing block in which is installed the latest type of machinery, has come into full production at Somerdale. Fry's continue as leaders of the confectionery bar market.

THE OVERSEAS COMPANIES

During the past twelve months I have visited all our companies. Cadbury-Fry-Pascall Proprietary Limited in Australia are the largest in the group. Sales have steadily increased since the war. The Australian economy has been depressed during the past twelve months and our own sales have reflected this position. Nevertheless the company have made a small increase in their tonnage sales and profits are satisfactory.

In New Zealand Cadbury Fry Hudson Limited are working at full capacity. The factory has been extended by the addition of a new manufacturing block. The sales continue to increase and here again the profits are satisfactory.

The Irish company, Fry-Cadbury (Ireland) Limited, operate three factories in Dublin. Sales both for the home market and for export have increased very rapidly. The Board has decided, since present capacity is over-strained, to build another manufacturing block at Malahide Road—the modern factory on the outskirts of Dublin. There is also in County Kerry a milk factory producing partially manufactured milk chocolate for the English market. Fry-Cadbury (Ireland) Limited continue to make good profits.

In South Africa, Cadbury-Fry (Proprietary) Limited show a sales increase and a satisfactory profit position.

The Canadian company, Fry-Cadbury

	1952	1953	1954	1955	1956	1957	1958	1959	1960	1961	Average of last Five Years
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Group Sales	53,296	61,588	72,473	76,295	79,579	82,504	84,246	85,109	86,701	91,899	86,092
Taxation	1,585	2,951	3,901	965	4,045	5,038	4,531	2,646	4,279	5,233	4,345
Profit attributable to the Group	944	3,156	3,528	937	3,577	4,934	4,119	2,328	4,995	5,495	4,374
% on Shareholders' Capital employed	3·68%	11·19%	11·32%	2·98%	9·49%	10·86%	7·92%	4·28%	8·52%	8·72%	8·00%
Shareholders' Capital employed	25,621	28,197	31,175	31,480	37,680	45,449	51,981	54,386	58,604	63,050	54,694
Net Dividends (after tax):											
Preference	94	99	99	103	103	103	103	110	110	110	107
Ordinary	349	418	418	437	437	478	164	983	639	639	581
Capital Distribution to Ordinary Shareholders				47		95	107	104		119	85

Limited, are meeting fierce competition. In September they made a substantial increase both in the weight and the size of their moulded chocolate lines, and sales have responded well. The short term profit position of the company is not satisfactory but I am satisfied that in the long term their policy will be fully justified.

The business of the German group, headed by Cadbury-Fry G.m.b.H., has continued to expand. Until 1960 our business was done on an agency basis, and some of the increase in the total overseas sales figure is due to the fact that for the first time we have included the whole of our German turnover in the group sales. Building work at the existing factory in Bremen has now been completed and the firm is selling a chocolate confectionery line, Freude, on the German market in addition to the important moulded chocolate lines. Further land has been bought adjacent to the present factory on which new buildings will be erected to cater for the expanding turnover of the company.

In India, where goods are manufactured in two small factories in the City of Bombay, land has been purchased fifteen miles from the centre of the city alongside a new motorway. When the new factory is built at Thana, manufacture will be transferred from the two city factories. In spite of very severe restrictions on the supply of raw materials, and particularly of raw cocoa, our business is developing rapidly. We hope that in the years to come sufficient cocoa will be grown in India to supply the demands of the Indian market. In the meantime we have been very successful in selling as our main line, "Bournvita," which is made largely from locally grown ingredients, the most important of which is malt extract made from Indian barley.

CAPITAL EXPENDITURE

During the past four years the Group has spent £16 million on capital development. Of this over £4 million has been spent by our overseas companies. We have planned a capital programme of £22 million in the next four years of which £6 million will be spent overseas. Ten million pounds of this will come from the normal depreciation which we charge in our costs, but £12 million, that is, £3 million per annum, we shall expect to find from the ploughed back profits of the various companies.

PROFITS

During the past ten years, while turnover has increased every year, the net profit of the Group after meeting taxation has varied considerably. The figure which the Directors watch is the average over a number of years rather than any one year's results. During the ten year period the price of raw cocoa has twice come down from very high levels. On both occasions we have written off from our profits the amount by which the cost of our purchases had exceeded the market price at the end of the year. We were able to recover most of this writing down in the following years. We still believe that our policy is the right one in a very competitive market.

The table on the previous page sets out the record of sales and profits of the British Cocoa and Chocolate Company group over the last ten years.

It can be seen that the net profits of the group have varied from £900,000 in 1952 and 1955 to over £5,000,000 in 1961, the average net profit for the whole period being £3,400,000. The dividends in 1958 and 1959 should be considered together.

Fixed Assets were revalued during the years 1956 to 1959 to replacement value.

THE PROSPECTS FOR THE FUTURE

The sale of chocolate and chocolate confectionery, on which our business mainly depends, is higher in this country than anywhere else in the world. It is, therefore, unlikely that total consumption of these products will increase. I have already referred to the new tax on chocolates and chocolate biscuits. My estimate is that for some months sales will suffer and this must inevitably affect profits. In the long run we are determined to maintain and increase our own turnover.

As will be seen from the figures I quoted earlier, the Group sales have grown slowly during the past six or seven years. As we are convinced that no business should plan to stand still, whatever the problems to be faced, we are directing both technical and marketing research to a study of those areas of the food trade in which natural development can take place. On May 1st last we registered a new company, Cadbury Foods Limited, which will be responsible for developing new products for sale both at home and overseas. Since the war we have been very successful in diversifying our activities. The factory at Moreton was built to house our growing chocolate biscuit trade. Before the war we sold chocolate biscuits made in the Bournville factory, but the tonnage was very small. By specialising in chocolate biscuits, we have become recognised by grocery traders as the leaders in this field, a position which we have further consolidated by the early introduction of packaging in a trade where, before the war, all lines were sold loose. The introduction of a new line of half covered biscuits, Coasters, during the past year has been well received, and has helped in the further expansion of our share of this market. I am, of course, concerned that the imposition of purchase tax on chocolate biscuits discriminates against that section of the biscuit industry in which we have specialised. In exports to the dollar countries alone we sold £600,000 worth of chocolate biscuits last year.

MEETING A CHALLENGE

As I have already said, the most gratifying feature of our 1961 trading has been the recovery in our moulded chocolate sales. This affects both turnover and profits, but it is in this section of our business that value is most important and it is in this section that the new tax raises most problems.

The budget of 1962 has faced us with a challenge. About £7,000,000 will be added each year to the price of our lines which the public will pay by way of tax. This is after taking credit for the withdrawal of the duty on raw cocoa and sugar. Values we can give are inevitably affected. In addition there is a large bill for labels, plant and machinery made obsolete by the sudden changes.

It has been our policy for many years to show the prices clearly on the lines we sell. We know that this practice commands public support. If there are to be changes in value at any time at the whim of a Chancellor this policy must be reconsidered.

Since its foundation The British Cocoa and Chocolate Company has retained the character of a family business, and the transfer of ordinary shares is restricted. Today I am sending out a communication to the shareholders telling them that the Board has decided that the time has come when we should amend the Articles of Association and seek a quotation for our ordinary shares. Proposals to this effect will be put to an Extraordinary General Meeting of the shareholders who today will receive a full statement of the position. Although some shares will change hands it is not anticipated that the conduct of the business will be in any way varied. We have always studied the interests of our shareholders and we shall continue to do so. Our policy is conservative. It is conservative because we believe the long term prosperity is the most important thing for the business as a whole, for its shareholders, and for those who depend on us for regular employment.

We are recommending to the Annual General Meeting an increase in the ordinary shares by capitalising some of our reserve. One new bonus share will be issued for every existing six shares. If the shareholders approve and no unforeseen circumstances arise, it will be the policy of the Directors to maintain the present rate of dividend on the increased Ordinary capital at 5½ per cent for 1962.

A business must not be judged by the size of its buildings or the complication of its machines. It depends essentially on the work and co-operation of all those who are employed in it. At Bournville, Somerdale, Moreton and in the other factories at home and overseas we are a happy team. This is not because there is any magic in a name or in an old tradition. The companies within The British Cocoa and Chocolate Company are active, vigorous and progressive. This activity, vigour and progress springs from the enthusiasm of the 28,000 men and women, both management and workers, who contribute their ability and effort to the success of the business.

In spite of the difficulties I am convinced that we shall maintain our position as leaders in the industry. There may be some setbacks during a period of adjustment. It will, however, be the policy of my Board to ensure that such a period is short and that the future plans of the business are suited to the new conditions.

THE LUNUVA (CEYLON) TEA & RUBBER ESTATES

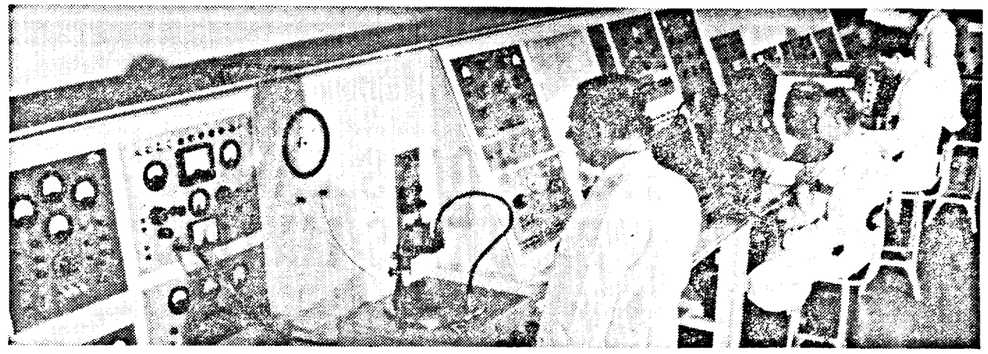
The Fifty-fifth Annual General Meeting of The Lunuva (Ceylon) Tea & Rubber Estates Limited will be held on June 21st in London.

The following are extracts from the circulated statement by the chairman, **Mr H. W. Horner:**

During the twelve months ended March 31, 1962, the gross prices obtained for all Ceylon tea sold in Colombo and London averaged almost exactly 2¼d. less than the average for the preceding twelve months. The average gross price for the company's teas fell by slightly less than that figure, despite the fact that one estate (Sapumalkande) suffered a prolonged strike resulting in a net loss of tea crop estimated at about 290,000 pounds while prices for its teas in the closing months of the year were adversely affected by Government restrictions in Iran and Iraq, its main markets. In spite of the Sapumalkande strike, the company's tea crop was again a record.

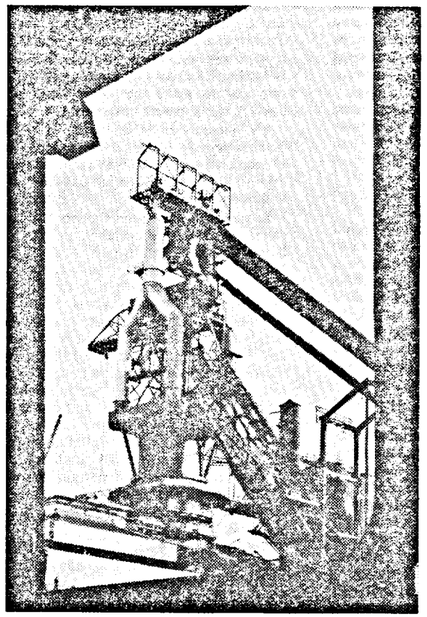
The rubber crop fell short of the estimate by nearly 200,000 lb., much of this shortage being attributable to the Sapumalkande strike. Selling prices on the Colombo market have shown a considerable decline in conformity with world prices.

The profit for the year before tax is £104,125, nearly £80,000 less than the corresponding figure for 1960, but the profit after tax falls little short of that for the previous year, after a substantial adjustment has been made for tax in respect of previous years. The Board recommend a dividend of 6 per cent.



In laboratories like this one at Rochester Elliott-Automation Group scientists are constantly testing the quality of Elliott products and developing even more reliable new control systems.

Elliott-Automation reports record results for 1961



Spencer Works, Richard Thomas and Baldwin's new steel strip mill near Newport, will be the most highly automated steel works in the world. Elliotts have been acting as automation consultants for the plant and are supplying automation systems for the control of the steel making process.

ELLIOTT-AUTOMATION was the first company in the world to specialise entirely in automation. It has continued to take the lead in the rapid growth of automation during the last decade and is the predominant company in this new field of technology, producing equipment for every type of control requirement and undertaking complex automation projects in countries all over the world.

At the I.E.A. Exhibition in London, from May 28 to June 2, 1962, Elliott-Automation has taken a stand of 8,000 square feet in an attempt to illustrate the wide scope and diversity of its products. But even though this is twice as large as any other stand at the Exhibition, it can accommodate only a fraction of the equipment which would be necessary to show the full extent of the Group's activities.

SUMMARY OF RESULTS AND POINTS OF INTEREST 1961
(in approximate figures)

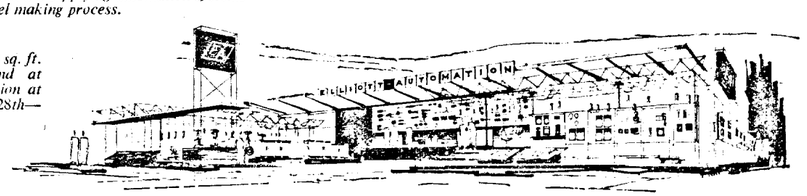
Group Sales	£27,000,000
Profit before Debenture Interest and Tax (being 8.8% on Sales)	£2,370,000
Profit before Tax (being 6.3% on Net Tangible Assets)	£2,206,000
of which Taxation took 47%	£1,046,000
Preference Dividends 4%	£86,000
Ordinary Dividends 21%	£468,000
Retained in Business 28%	£606,000
Cash Flow (Retained Profits + Depreciation)	£1,184,000
Fixed Assets acquired (gross)	£2,050,000
Depreciation	£578,000
Earnings before Tax per 5s. Ordinary Share	1s. 7¼d.
Number of Shareholders*	15,000
Number of Employees in United Kingdom*	12,500
Factory Floor Area in United Kingdom*	1,700,000 sq. ft.

* Average for year

There are nearly 100 Operating Companies and Divisions in the Group

Copies of the full Report and Accounts can be obtained from the Secretary, 34 PORTLAND PLACE, LONDON, W.1.

Right—Part of the 8,000 sq. ft. Elliott-Automation Stand at the 1962 I.E.A. Exhibition at Olympia from May 28th—June 2nd.



J. & P. COATS, PATONS & BALDWINS LIMITED

J. & P. COATS, LIMITED — PATONS & BALDWINS, LIMITED

Review by the Chairman, Sir Malcolm McDougall, of the affairs of the Group for the year ended 31st December 1961

On 29th June, 1961, shareholders were informed that the Merger of J. & P. Coats, Limited and Patons & Baldwins, Limited, had been completed. The Accounts for the first year's trading of the new Company are in your hands, and on these and other relevant matters I have a number of comments to make. As I see it, the two main items of interest are the progress of the Merger and the trading results for the year to 31st December, 1961.

THE MERGER

The foreseen advantages of the Merger were outlined in the Letter of Offer issued on 24th January, 1961, and I am happy to report to you that a good start has been made in achieving these. The two component businesses are largely complementary but it is already confirmed that a worthwhile degree of integration can be attained without in any way impairing the valuable goodwill of the individual businesses. In this matter a good deal depends on the response of executive management at all levels to the new atmosphere, and I am most happy to tell you that all concerned are meeting the situation with eagerness and enthusiasm. I am confident, therefore, that under the guidance of your Board the benefits of the Merger will, in due course, be fully obtained.

On the more specific side I have to report to you some of the developments that have already taken place. We have acquired complete ownership of the P & B Australian subsidiary—Patons & Baldwins (Australia) Limited—by making a successful offer for the whole of the 5% Preference Stock and the one-third minority holding of Ordinary Stock. The offer for the Ordinary Stock was in cash or CPB shares. Most holders elected to take cash, 46,983 CPB Ordinary Shares being issued to the others. The offer of shares as an alternative to cash was made to enable stockholders in the Australian subsidiary to maintain an interest in that business through CPB, if they wished to do so. The future conduct of the P & B and Coats businesses in Australia permits of a considerable degree of integration which would not have been possible if Patons & Baldwins (Australia) Limited had continued with a large minority interest. The latter company will continue as a subsidiary of P & B.

More recently Patons & Baldwins, Limited, have acquired a fifty per cent interest in a South African wool spinning company. This will ensure a direct interest in local manufacturing which, when expanded, will mean that the wool trade in that market can be insulated from import difficulties. It is proposed that the company will change its name to Patons & Baldwins (South Africa) Limited.

A smaller example arises in Belgium where the Coats subsidiary has been able to provide space and labour for the processing of man-made fibres, and thus resolve a difficulty which was facing P & B at Darlington.

PROFITS AND DIVIDEND

The 1960 Accounts of P & B covered a period of eight months only, and the profits added to the Coats 1960 figures would not provide a suitable comparison with the first year's profits of CPB. No comparative figures can therefore be given in the 1961 Accounts, but the CPB figure, after deduction of taxation and minority interests, compares closely with the estimate of £8,400,000 mentioned in section 4 of the Letter of Offer.

As intimated on 17th May, 1962, the Directors have recommended a final dividend on the Ordinary Shares of 8¾% less income tax which, with the interim of 3¾% already paid, makes a total for the year of 12½%. This will permit the transfer to General Reserve of £1,000,000, leaving £467,161 to be carried forward. The Board felt in making this recommendation that in all the circumstances this was a reasonable line to take in appropriating the first year's earnings of the new Company.

The making of forecasts of earnings can be a hazardous exercise but, from our experience to date, I would expect that the broad pattern in 1962 for cotton, wool and synthetics should not be dissimilar to that in 1961.

BALANCE SHEET

The consolidated balance sheet as at 31st December, 1961, has had added to it for comparative purposes the values of liabilities and assets as at 1st January, 1961. A few comments thereon may be of interest.

The increase in the aggregate amount of share capital is entirely caused by the issue to some stockholders in Patons & Baldwins (Australia) Limited of 46,983 Ordinary Shares, to which I have already referred.

Debentures and fixed loans include £1,921,913 of 4½% Unsecured Loan Stock. This replaced a similar amount of 4% Debenture Stock outstanding against Patons & Baldwins, Limited. The purpose of the operation was to make the Loan Stock a direct liability of the parent company.

The increase in land, buildings, plant and machinery reflects the continuous programme of replacement, and the improvement and expansion of manufacturing capacity at home and overseas mills.

In the group of current assets the value of stocks has risen appreciably, in part due to larger quantities and in part to higher cost of manufacture. Doubtless you will have noted the outstanding position that this item takes amongst the Company's assets. Many factors combine to produce this. Cotton and wool, our basic raw materials, tend to be bought seasonally. Large-scale production of finished goods means a long pipeline in the mills. The assortment of articles to cover the needs of many different types of customer and our policy of speedy service demand large stocks of finished goods. All of this requires elaborate and careful planning to keep stocks in quantity at a workable minimum level and permit of smoother production at the mills. These features, so simply defined, demand constant attention and vigilance.

Quoted investments have changed little in terms of original cost. These non-trade investments represent surplus funds of certain foreign subsidiaries which, for various reasons, are not capable of transfer to the parent company. As it happens, plans are in preparation for substantial reorganisation at a number of these subsidiary companies which, in all likelihood, will absorb a proportion of these funds.

The reduction in bank balances etc. can be ascribed chiefly to the purchase of the minority interest in Patons & Baldwins (Australia) Limited.

Bank overdrafts stand in strong contrast to the overall cash position. The reason for this is that in a number of overseas countries our policy is to borrow to provide working capital rather than remit from the parent company. This policy will continue.

PATONS & BALDWINS, LIMITED

1961 was an excellent trading year for the Patons & Baldwins' interests, with sales volume reaching a record level. The main contributory factors were a substantial increase in hand-knitting wools and of yarns of man-made fibres—mainly of the acrylic type—for the machine knitting trade. The craft of hand-knitting has over recent years enjoyed considerable favour and this, in combination with the overall regular industrial requirements, has sustained the demand for these products.

In the women's outerwear trade in particular, the acrylic type synthetic yarns have become a major factor and impinge to a considerable extent on what was hitherto essentially a wool yarn field. To meet the increasing demand, production throughout the Company's factories has been steadily expanded. At home the installation of machinery at the new Jarrow factory is now complete although production there is not yet up to the full potential. Patons & Baldwins' reputation was founded on wool but, with the emergence of the newer man-made fibres, it has been essential to develop new processing methods and to equip the mills with some specialised machinery. The handling of man-made fibres presents many problems but these are being progressively solved.

Throughout the past year the wool market has shown no major fluctuations and consequently there was no occasion to provide for any writing down of wool stocks at the year end.

Two of the major export markets for wool are South Africa and New Zealand, in which countries P&B has over many years enjoyed a valuable export trade. The substantial decline in import licences for both these markets has hampered trade, but as I have explained elsewhere, in the case of South Africa arrangements have been made which it is hoped will but the situation is being closely watched, counter-balance the probable restriction in exports to that market. The situation in New Zealand does not warrant the kind of arrangement we have made for South Africa. Elsewhere current trade continues generally on a satisfactory basis.

For reasons of internal control the business of Fleming, Reid & Company, Limited has been made a direct subsidiary of Patons & Baldwins, Limited. At the Greenock factory improvements in layout in the spinning mill, knitting factory and warehouse are well on the way to completion and these, with the installation of some new machinery and equipment, are already showing favourable results in increased efficiency and economy of operation. The mill and the knitting factory continue to be fully occupied.

A considerable programme of modernisation of the Scotch Wool Shops has been embarked upon and the improvement in those branches which have been dealt with is clear for all to see. The more pleasing appearance of these shops and the wider display of goods are already attracting additional customers and increased turnover. While a good deal remains to be accomplished, everything possible is being done to speed up the programme during 1962, so that this subsidiary may make its expected contribution to Group results.

J. & P. COATS, LIMITED

On the Coats side, 1961 was also a satisfactory trading year. Apart from being, as you know, the larger side of the business, it is spread over many more markets and is therefore more directly affected by economic and political influences which vary from country to country. The greater proportion of overseas income comes from investment in subsidiary companies in contrast to the earnings derived from exports from the home mills. So far as the earnings of subsidiary companies are concerned, it is our policy to bring home each year as much of these as circumstances permit. This means that, in general, profits of these subsidiaries are retained only to the extent that reserves are decreed by law or normal commercial contingencies require.

The pace of technical development in the various aspects of sewing thread manufacture over the past ten to fifteen years has been much more rapid than ever before, and no new development of any importance is neglected or unassessed by our technical staff, both at home and abroad. The ultimate test of such developments is their effect on the two major aspects—quality and cost of manufacture. In addition to changes arising from new and more efficient plant and machinery, there has been a consequential pressure on all manufacturing units, which are being gradually but steadily brought up to a common standard of improved performance. Based on this, many schemes have been completed or are nearing completion, and others, predominantly in the U.K., Spain, Italy and Portugal, were authorised during the course of the year. A good deal of the expenditure at home, either made or to be made, is concerned with the spinning mills. Important parts of this outlay will qualify for grants under the Cotton Industry Act, 1959, thereby reducing the capital cost appreciably. We are at this time particularly interested in new wet process techniques, such as dyeing and bleaching, which are under intensive study. Should our hopes in this direction be realised, considerable expenditure will be necessary on re-equipment at many of our factories.

In aiming at practicable maximum efficiency, Standards Department controls have been re-examined and re-established, and action is now being taken to ensure that, in so far as local conditions permit, manufacturing methods and use of labour conform to what we describe as "Group Best Practice". All of this has already produced considerable savings in cost of manufacture, and it is certain that further savings will be realised. We are fully conscious of the fact that the competitive nature of modern business, especially that conducted on an international basis, demands the highest attainable levels of efficient productivity. The whole weight of our considerable manufacturing experience has been directed with new emphasis to this particular aspect of our business. We are fortunate to have an outstandingly able Research team, and it is appropriate that I should take this opportunity to thank them for the good work which they are doing.

The obtaining of raw cotton supplies for certain important mills has not been easy. The poor quality of the Egyptian crop necessitated our withdrawing as purchasers from that market. This we greatly regret since we have traditional ties with this, the chief source of raw cottons of the quality we require for our specialised products. Unless the Egyptian Government, which has now assumed complete control of raw cotton operations, can re-impose standards designed to produce in quantity raw cotton up to previous market specifications, it will be difficult, if not impossible, for us to re-enter that market. This will involve for Egypt the loss of a considerable amount of foreign exchange and will leave us with the problem of finding alternative sources of supply which, so far, we have been able to do.

EUROPEAN COMMON MARKET

The question of Great Britain's membership of the European Economic Community is now being widely and warmly debated and manifold support or opposition are forthcoming from all quarters. In confining myself, as I feel I should do, to the specific interest of our Company, I have no view to give you on the question of principle. The simple reason is that we are already operating within E.C.M., having important sewing thread manufacturing units in Germany, Italy, Holland and Belgium.

We realise that being in the Common Market may bring to us many new problems. At this stage nothing is to be gained by elaborating possibilities of this nature, but the position is being closely watched. Obviously internal developments foreshadowed in the Treaty of Rome will tend to move slowly, but at this stage we do not foresee that anything of consequence will occur which would have a discriminatory effect on our business. In any event, whenever the need arises we shall take suitable action to protect our interests.

We have no wool spinning facilities in the Common Market, and the Patons & Baldwins' business is predominantly on the basis of exports from Great Britain. Every effort is being made to increase this trade, and the question of providing manufacturing facilities within the Market is being studied.

DIRECTORS

I would like to draw your attention to the changes which took place in the Boards of Coats and of Patons & Baldwins during 1961. When I was appointed your Chairman, Mr. C. W. Bell became Managing Director of J. & P. Coats, Limited, in my place, and we welcomed as new members of the Coats Board during the year Messrs. H. Godfrey, R. G. Laidlaw and G. V. Shillito, three senior executives of that Company. Since the end of the year Mr. F. H. Brewitt has retired from the Patons & Baldwins Board after 47 years of service, 16 of them as a Director. He has been succeeded on that Board by Mr. A. M. Mackness whose long experience of wool-buying will be invaluable.

EMPLOYEES

In conclusion, and on your behalf, I would wish to thank all those who serve the Company, at home and overseas, for a year of loyal and industrious effort.

CAMMELL LAIRD & CO. LIMITED

UNRIVALLED SHIPBUILDING, ENGINEERING AND SHIP-REPAIRING FACILITIES

ADMIRAL SIR MICHAEL DENNY REVIEWS GROUP'S POSITION AND PROSPECTS

The ninety-eighth annual general meeting of Cammell Laird & Co. Limited was held on May 30th at Birkenhead. **Admiral Sir Michael M. Denny, GCB, CBE, DSO** (Chairman), presiding.

The following is an extract from the Chairman's Statement circulated with the Report and Accounts for the year ended December 31, 1961:

With the announcement of our Interim Dividend in October last year, it was stated that while the Interim Dividend was to remain unchanged, no promise could be given that the Final Dividend would be maintained. That statement was made because indications then were that our profits for 1961 would be on a reduced scale. While our profits have been reduced, I am glad to say that they have not been reduced as much as at one period appeared likely.

ACCOUNTS

The Group Profit for the year to December 31, 1961, was £659,778, compared with £811,834 in the previous year. The net Profit dealt with in the Accounts of Cammell Laird & Company Limited for 1961 is £375,904 compared with £302,993 in 1960. The balance brought forward from the previous year is £8,901, compared with £97,296 in 1960 and your Directors now recommend a Final Dividend of 7 per cent less tax, leaving £58,649 to carry forward to 1962.

Prospects. Looking ahead we do not expect our profits to increase notably in 1962. As to the more distant future, our interests are mainly dependent on the well-being of the Mercantile Marine, the new construction requirements of the Royal Navy, the demand for all forms of road and rail vehicles, the overall prosperity of the Iron and Steel Industry of the U.K., and, last, but not least, the elimination of inter-union disputes which strangle the productivity of modern shipbuilding and ship-repairing yards.

CAMMELL LAIRD & CO. (SHIPBUILDERS & ENGINEERS) LIMITED

In spite of the difficult conditions encountered by the shipbuilding industry during 1961 we were actively engaged on the construction of merchant and naval ships of various types.

During the year four ships totalling 74,100 gross tons were launched and three ships totalling 46,950 gross tons were completed. Those launched comprised the tanker *SEPIA* for Shell Tankers N.V., of Rotterdam; the passenger ferry *OVERCHURCH* for the Corporation of Birkenhead; the tanker *OTINA* for Shell Tankers Ltd.; and H.M.S. *ORACLE*, a submarine for the Royal Navy. Those completed were the *SEPIA;* the *RETRIEVER*, a cable repair ship for Cable & Wireless Ltd.; and H.M.S. *SEALION*, a submarine for the Royal Navy. *SEPIA* (67,120 tons d.w.) is the largest tanker we have so far constructed at our shipyard.

Orders were received during the year for the construction of a diesel-electric cable-laying ship for Cable & Wireless Ltd., an *Oberon* Class submarine for the Royal Navy, and a single-screw diesel-driven trailer/container vessel for Coast Lines Ltd.

Major projects carried out during the year by our Engineering Department were the completion of the machinery installation of *SEPIA* and the installation of all the main and auxiliary machinery in H.M.S. *DEVONSHIRE*, a prototype guided missile ship for the Royal Navy, which has satisfactorily completed sea trials. In addition the Department completed and shop tested three sets of double-reduction steam turbines and two diesel engines for submarines for the Royal Navy. Six sets of water-tube boilers for merchant and naval vessels were also built and tested. The Engineering Department again supplemented its engine and boiler building activities by a large amount of miscellaneous work including the manufacture of large gear cases, slitting machines for the paper industry, printing machine rollers, grass cutting flails and dynamic balancing of turbine rotors. Other work included the major overhaul of the main gearing of a cargo liner, and experimental work on new techniques for welded diaphragms for steam turbines on behalf of the Parsons and Marine Engineering Testing, Research and Development Association (*PAMETRADA*).

Our Ship-repairing Department was actively employed in the early part of the year but subsequent operations were seriously affected by a prolonged ship-repairing strike on Merseyside and by a cessation of work on the part of our own shipwrights. The adverse publicity resulting from the Merseyside ship-repairers' strike did a great deal of harm to the area in that many shipowners diverted their ships to other ports but every effort is being made to regain the confidence of customers. The Department has again experienced intensely competitive conditions and work is difficult to get at economic prices.

We regret to record that work during the year under review was again badly upset by demarcation trouble with considerable loss of production and hardship to many employees. Shipbuilding is often viewed as a continuous process, in which craftsmen are transferred from a ship completing on to the next ship in line. This is only partly true. The type of ship varies so much that the numbers of each craft required on each contract may change very considerably. This will go on as long as we cling to the traditional basis of tightly defined craft skills. The trade unions' interests in craft skills therefore clash with their equal interest in stability and continuity of employment. There have been the beginnings of practical thought about this. Two unions, both interested in pipework, have found an agreeable solution and are to be congratulated, and the two unions concerned with hull construction are considering a similar approach. With our industry engaged in a bitter struggle for survival, all employed in the industry must make a determined and sustained effort to avoid any action which is detrimental to the progress and prosperity of our industry.

We are hopeful that we shall be able to make the fullest and most economical use of the untrivalled shipbuilding, engineering and ship-repairing facilities we now possess in our shipyard and that our unremitting efforts to secure new orders for all branches of our business will meet with a greater measure of success.

During 1961 the major part of Phase I of the reconstruction of our shipyard was largely completed, and only the completion of the new No. 5 Dry Dock and some small items in the reorganisation of electrical supply remained outstanding at the end of the year.

Construction of the new No. 5/6 jetty was completed during 1961 and the second 100-ton travelling jib-crane was put into commission. We were also engaged during the year with the reorganisation and re-equipment of our Engine Shop under Phase II of our reconstruction scheme.

THE PATENT SHAFT STEEL WORKS LIMITED

The Works are well and economically run and an enterprising sales organisation is being built up. The Company is more than holding its own *vis-à-vis* its competitors in the present limited markets.

The possible improvements in the plant to which I made reference last year were deferred, in the light of the recession. It now seems more important to provide adjuncts to the new plate mill, to improve the range and saleability of the Company's products. These improvements are under detailed examination.

The revision of steel prices and the reduction in interest rates came too late to affect the results of 1961. They will be very beneficial to the Company in the current year. Nevertheless, taking into account these factors and possible improvements to the plant, it is unlikely the Company will fully cover its interest and depreciation charges for the next two years. The losses in 1962 and 1963, however, should be lower.

METROPOLITAN-CAMMELL CARRIAGE & WAGON COMPANY LIMITED

The continuation of difficult trading conditions in the railway rolling stock industry gave further impetus to the efforts of Metropolitan-Cammell Carriage & Wagon Co. Ltd., to obtain alternative work and to further this objective, the company's activities were, as from January 1, 1961, reorganised into four separate divisions.

Railway Division. The severity of competition both in price and in credit terms for export orders was undiminished while the decline continued in new orders for rolling stock to be placed by British Railways.

The outstanding event of the year was the receipt of a further contract from London Transport Executive for 450 Tube Cars for delivery in continuation of the contract for 589 similar cars. Export orders received included 23 Passenger Coaches for Hong Kong, 3 additional Diesel Railcars for Jamaica, 1,000 Wagons and 35 Brake Vans for Pakistan, 64 Cattle Wagons for Kenya, 80 Ore Wagons for Liberia and 58 Underframes with Bogies for Sudan. Orders for British Railways comprised only 450 wagons and this emphasised the serious position arising due to the reduction of British Railways total requirements and their policy of manufacturing

an ever increasing proportion of those requirements in British Railways Workshops.

As a result of the fewer orders at the beginning of the year, output was considerably less than in preceding years but deliveries included 264 London Tube Cars, 27 Pullman Cars and 568 wagons for British Railways. The principal shipments for export comprised 1,000 wagons for Pakistan, 8 Sleeping Cars for Kenya, 50 Underframes with Bogies for Sudan and 16 Mechanical structures for Electric Locomotives for South Africa.

No improvement in the prevailing low price levels can be expected whilst the demand for railway rolling stock remains so far below the capacity of the industry.

Bus Division. The value of the new bus orders was more than double that of the preceding year. Much of this was due to contracts for a further 240 of the renowned M.C.W. Olympic Integral construction bus for Buenos Aires and 200 Double Deck bodies of advanced design for Liverpool Corporation.

Evidence of the success of the Olympic range of single deck vehicles was also provided by further orders for this type from Uruguay and Jamaica. Orders were also received for large numbers of double deck bodies for public transport operators in the United Kingdom.

Largely because of the wider range of small quantities, the value of output was less than in previous years. In addition to deliveries to many home market customers, shipments included 89 single deck vehicles for Ghana, further Olympics for Uruguay and Jamaica and the first consignment, against the order for 240 Olympics, for Buenos Aires.

A higher turnover is expected from the larger order book carried into 1962.

There is no apparent fall off in demand for buses but the very keen competition experienced in this sphere of the company's business is expected to continue.

Engineering Products Division. A substantial amount of general engineering work was obtained and a satisfactory level of output of an ever widening variety of work was achieved. The order book also provided a fair amount of work carried into 1962.

The division is expanding to include production of Mechanical Handling and Conveying equipment and fabricated structural work, and has entered into licensing arrangements for the manufacture of established types of Mobile Cranes and Side Loaders of advanced design. Other projects offering good prospects are also being actively considered.

Commercial Vehicle Division. Orders were obtained for a wide variety of bodies including vehicles for carrying various liquids, tilt and tipping bodies, fire fighting vehicles, vans and containers.

The first of a series of lightweight semi-trailer integral construction vans of advanced design is now on demonstration after extended testing and bulk production has started on different models of this van which will be available as plain, insulated or fully refrigerated vehicles.

Although the volume of work obtained in this first year was not great, some of the orders from major operators have provided openings for considerable potential future business and a number of further projects which appear to have good possibilities are being investigated.

ENGLISH STEEL CORPORATION LIMITED

1961 was a year of difficulty in which all sections of the Corporation encountered the troubles experienced generally by the steel industry. The less favourable trading results in spite of only a small reduction in turnover, were due to increased costs and narrower profit margins, particularly noticeable in the last quarter of the year.

The small price increase granted in July, 1961, by the Iron and Steel Board for certain products did little to compensate for higher costs of coal, fuel oil, wages and salaries, and National Insurance contributions.

The value of orders received was only 82 per cent of the total of the previous year and the tonnage of steel melted was only 85 per cent of the production in 1960.

The drop in Trading Profit was more than made up in the higher figure of Profit after Taxation because of the release of provisions for tax and other purposes no longer required. As a result, the balance carried forward, after normal transfers to reserves, increased by £503,000.

Rising costs and the possibility of entry into the Common Market make it essential that production equipment should be maintained at the peak of efficiency. Despite the recent recession in trade, the replacement and development programmes are being pressed forward, in full confidence that rising standards of living will provide an expanding market for the products of the Group.

Forge and Engineering Corporation. There was an improved demand for heavy forgings and the output of medium forgings was maintained. The year ended with an increased balance of orders in hand and it should be possible to maintain a high level of production throughout 1962.

During the year an 80-ton Electric Arc Melting Furnace with vacuum de-gassing equipment was installed particularly for the production of forging ingots which places the Company in a better competitive position with Continental manufacturers for specialised types of forgings.

In the Drop Forge full production was not maintained, due to the decline in demand from the motor car and heavy vehicle industries. In the aircraft industry production and development work continued in the manufacture of engine parts in highly alloyed steels and in large airframe components in high tensile material.

Rolling Mills Corporation. The partial utilisation and large stocks of carbon and alloy steels in the hands of customers led to a fall in demand much in excess of the reduction which could be accounted for by the decline in general industrial activity. In consequence operations in the melting plants and mills were limited from June onwards. 1962 commenced with a low volume of orders in hand and unless there is an improved demand, turnover is unlikely to be greater than in 1961.

The separate plant for the production of high speed and tool steels was fully occupied throughout the year and substantial expenditure is being incurred to improve productivity and quality.

Castings Corporation. This section of the business did well. The record output in 1960 was exceeded during the year and all plant was occupied to capacity. Whilst the completion of major developments in the heavy steel industry at home will reduce requirements of heavy castings from this source, production in 1962 may be maintained through export outlets. New outlets for specialised castings for railway vehicles continued to be developed.

Spring Corporation. Due to lack of demand the new plant installed for the production of road laminated springs worked considerably below full capacity. Other sections of the plant were well occupied in the production of coil and laminated springs for rail and other purposes. New developments in spring design are expected to improve demands in 1962.

Taylor Bros. There was no improvement in the demand for railway wheels and axles from home or overseas and the plant was operated at a very low level of capacity. The dearth of new construction orders at home and uneconomic prices prevailing in export markets do not suggest improved prospects in the current year.

Darlington Forge. Whilst there was an adequate volume of work for the forging plant there was a shortage of orders for castings of the weight and type for which the foundry is equipped. There has been some improvement in demand in the early months of 1962 and a revival in requirements from the shipbuilding industry could ensure a full order load.

Firth-Vickers Stainless Steels. Firth-Vickers Stainless Steels Ltd. is owned jointly with Thos. Firth and John Brown Ltd. The company had a very successful year to September 30, 1961, in production and profits. A fall in demand from home and overseas has, however, since made short-time working necessary in sections of the plant. Good progress has been made in the schemes authorised in 1960 for increasing outputs of flat products and for the production of strip in the bright annealed condition. Part of the new plant is in operation and the scheme will be completed in 1962. During the year further capital expenditure of £4,500,000 was approved for new plant which will replace existing hand sheet mills and provide capacity to meet increasing demands for stainless steels in the form of plate and wide sheets.

Overseas. Canadian Steel Wheel Limited, in which the Company has a 50 per cent interest, overcame the difficulties inherent in starting up a new plant and operated throughout the year at a satisfactory level of production. Increased demands for its products are anticipated in 1962.

In Australia the works erected at Dandenong for the manufacture of engineers' tools has reached planned production and considerable success has been achieved in the sale of its products.

Tinsley Park Development. The scheme for providing new electric melting furnaces and rolling mill plant has made good progress. Contracts for all the major items of equipment were placed early in the year. As far as can at present be foreseen in spite of certain delays the installation should be substantially completed at the end of 1962 and the Board anticipates that production will commence in the early months of 1963.

Current Position. Production was at its lowest level at the end of 1961 and there has been little improvement during the first quarter of 1962. There are now signs of some revival of demand for certain products and more normal working may well be resumed in the later months of the year. Costs over which the Group has no control continue to rise without adequate compensation in selling prices. The recent price increases granted by the Iron and Steel Board do not apply, except to a trivial extent, to the types of steel produced by E.S.C. Unless there is an early and marked improvement in demand the results for 1962 are unlikely to be more satisfactory than in the year under review.

In the long term the Directors are confident that there will be an expanding market for the products of E.S.C.

The report and accounts were adopted and the dividend, as recommended, was approved.

UNION MINIERE DU HAUT-KATANGA

Rhythm of normal prcduction maintained

Company ready to play its part in Congo's recovery

The annual General Meeting of shareholders was held in Brussels on May 24, 1962, under the chairmanship of **M. Paul Gillet,** Chairman of the Board of Directors.

The meeting approved the balance sheet and the profit and loss account for the 1961 financial year. The gross result is 3,314,464,264 francs (compared with 3,928,591,153 francs in 1960). On deducting the depreciation of capital outlay, provisions for taxes, interest, miscellaneous duties and royalties, the net profit amounts to 1,526,580,449 francs (against 2,365,820,563 francs in 1960).

The meeting fixed the net dividend for 1961 at 800 francs per share (80 francs per tenth), it being understood that the payment of this dividend remains subject to their being able to obtain from the responsible monetary authorities, the necessary amount in Belgian francs. The date of payment will be fixed later by the Board of Directors.

Messrs E. Sengier. Advisory Director and J. Cousin, Director. placed their mandates at the disposal of the Meeting which joined with the Board in regretting these decisions which will deprive the Company of the eminent co-operation of two pioneers of the very early times. The meeting expressed unanimous sentiments of respectful recognition and decided to confer upon them the honorary functions of Director with, for Mr Sengier, the title of Honorary Chairman of the Permanent Committee and, for Mr Cousin, the title of Honorary Chairman of the Management Committee.

On the proposal of the Board of Directors, the meeting re-elected M. P. Gillet, Chairman of the Board in the quality of Director. At M. Gillet's request, this mandate is limited to one year. It also re-elected Messrs R. Terwagne and J. P. Paulus as Directors and M. J. Greaves as Auditor.

In addition, the meeting designated Messrs J. Verdussen, Manager of the Company in Brussels and G. Assoignon, General Manager in Africa to complete respectively the Directors' mandates left vacant by the departure of Messrs Sengier and Cousin.

EXTRACT FROM THE MESSAGE OF THE CHAIRMAN P. GILLETT

After having rendered homage to the courage and devotion of the personnel and evoked the long and eminent collaboration of Messrs Sengier and Cousin whilst hoping that they would still exercise the friendly moral influence that they have had on the leaders and engineers of the Company, M. P. Gillet replied in advance to certain questions which might be raised by the shareholders.

As regards investments, the Chairman exposed the ineluctable risks of the alternative which face the Board of Directors: reduction of investments or maintenance of the programme. It is this latter solution which appears as the more favourable to assure the future of the Company.

Another, even more delicate, question is that of the regime to which the activity of the Company is at present submitted. The problem is badly misunderstood and has given rise to serious attacks against the Company. The Chairman explained this, briefly as follows:

The Haut-Katanga, where our mining and metallurgical activity is carried out, and from where all our products are exported, is entirely under the control of the Katangese Government. The Leopoldville Government has never yet exercised any control in this region.

Since the declaration of the autonomy of Katanga in July 1960, the Katangese authorities have made a series of orders or laws imposing upon companies who exercised an activity in the region, to pay to these authorities their duties, taxes, export duties, and royalties, as well as the dividends due to the public authorities. In addition, the currency resulting from the export of products originating in Katanga, have to be transferred to the Banque Nationale du Katanga, in virtue of the regulations relating to the control of money exchange.

The question of knowing if the Katangese regime is justified in view of the particular circumstances, must not be confused with the fact that this regime exists *de facto,* and that it has, moreover, shown on numerous occasions, its capacity for imposing its decisions. Union Minière cannot therefore do other than comply with the instructions of the Katangese authorities.

Such a shut-down would stifle the economic life of Katanga, and would deprive its populations of their means of subsistence. It would lead to the development of troubles similar to those which took place in other parts of the Congo, putting the security of our agents and their families in peril.

EXPORTS

We have also been reproached for having stopped the export of our products via the Port-Francqui/Matadi route. These exports were first of all rendered impossible by the insecurity which reigned for many months in Kasai. A material impossibility has been added, resulting from the destruction of the bridge during the military operations.

The work of rebuilding the bridge hindered for a long time by the insecurity of the frontier region in which it is situated has just been started and the material supplied. If the work is not further disturbed, one can hope for the re-establishment of traffic in three or four months' time.

Union Minière deplores the persistence of the political deadlock in the relations between the Central Government and that of Katanga. At every possible occasion, we have expressed the wish for an agreement between the interested parties, agreement upon which the future of a considerable number of African and European nationals depends.

But in the meantime, we must comply with the decisions of the authority which has, moreover, the means of imposing them.

THE CURRENT YEAR

One last question certainly has your attention: that of knowing how the current financial year presents itself. The reply is obviously subordinated to the political, monetary and financial situation of Katanga. I would not hazard a forecast in such problematical fields. By contrast, on the industrial plan, I can confirm that the situation remains good, the rhythm of normal production is maintained, and the courage of our personnel does not weaken.

It has been truthfully said that in the Congolese disaster, one single thing resists, and that is private enterprise. Union Minière can testify to this. With its powerful means of production restored, its personnel courageous and competent, its social works extending their action over the whole population, it can be a factor in the recovery of the Congo. It is ready to play this role. But, let there be no illusions, many other factors condition this recovery.

Main points of the report by the Board of Directors

GENERAL SITUATION

On two occasions, in September and December, 1961, the Company's activity in Katanga was troubled by the outbreak of military operations. Certain installations were submitted to aerial attacks by the United Nations Organisation. The Lubumbashi plant was shut down on December 6th then occupied for two months by UN forces who carried out looting and destruction.

The continuation of the Company's operations was subordinated to the obligation to observe the rules laid down by the local authorities (payment of duties, taxes, royalties and conversion of currency).

INDUSTRIAL ACTIVITIES

In spite of the events of September and December, the mining extraction was generally maintained at a level comparable to that of the preceding year. It remained centred on Kipushi mine and the Western mines; however the Kambove-West mine also intervened to some extent.

In 1961 the production of copper amounted to 293,509 tons, some 7,000 tons less than in 1960 (300,675 tons).

The production of cobalt was 8,326 tons in 1961 (against 8,222 tons in 1960).

The production of zinc concentrates amounted to 183,050 tons at 54.43 per cent zinc (against 193,004 at 56.57 per cent in 1960).

In 1961 Union Minière produced 13,549 kg of germanium metal (25,100 kg in 1960), 190,492 kg of cadmium (208,959 in 1960), 107,552 kg of silver (123,258 in 1960) and 34 kg of gold (45 kg in 1960).

The Company delivered 26.9 grm of radium (against 27.6 grm in 1960).

The electrical energy produced by the power stations in Haut-Katanga amounted to 2,034 million kWh (against 2,008 in 1960).

SOCIAL SITUATION

The working personnel numbered 20,549 on December 31, 1961, to which figure must be added 360 temporary agents engaged to combat unemployment.

Staff personnel amounted to 1,708 persons (against 1,755 at the end of 1960) and this strength includes 132 African agents (against 86 at the end of 1960).

The effective promotion of African personnel remained one of the first concerns of the company; it has been continued methodically and successfully.

20,455 children now attend the Company's elementary schools.

In spite of the social and political tension and the forced unemployment in certain plants during December, the moral state of the personnel remained good and their devotion to the Company has earned them the merited praise of the Board of Directors joined by the General Meeting of shareholders.

RESULTS

The total product of the activity of the company for the financial year, i.e. the net dividend, the statutory royalty and the various duties and taxes, amounted to 2,987,935,095 francs.

Of this amount, the public authorities will receive a total of 2,096,457,589 francs, i.e. 70 per cent, and the private shareholders 891,477,506 francs, i.e. 30 per cent.

In fact if one includes the tax on dividends paid by individual shareholders, the true percentage of the Companys's activities received by the public authority reaches nearly 75 per cent. In addition, in spite of the present difficulties, Union Minière continues to support important expenditure on education, medical and social work in Africa.

THE BRITISH DRUG HOUSES LTD.

Summarised Consolidated Balance Sheet as at 31st December, 1961.

	£	£
Issued Capital		2,647,500
Reserves		1,944,078
Future Tax		153,800
Minority Interests		134,418
Loan Capital		1,974,231
		£6,854,027
Represented by :—		
Goodwill		253,835
Fixed Assets, *less* Depreciation		2,841,017
Current Assets	5,580,218	
Less Liabilities	1,821,043	
		3,759,175
		£6,854,027

Summarised Consolidated Profit & Loss Account for the year ended 31st December, 1961.

1960			1961	
£	*£*		*£*	*£*
578,865		Profit for the year before taxation		631,283
316,297		Taxation provisions		311,859
£262,568				£319,424
		Dividends :—		
6,158		Minority Interest	5,975	
24,117		Preference Stockholders	24,117	
176,400		Ordinary Stockholders (16 per cent)	176,400	
206,675				206,492
£55,893		Retained Profits		£112,932

Extracts from the Statement by the Chairman, **Mr Geoffrey C. R. Eley, CBE,** circulated with the Report:

The cost of salaries and wages of the parent company rose by £123,500. We managed to absorb this large increase but to do so presented a continual challenge.

Our development programme resulted in additions to Freehold and Leasehold Properties of £561,238, and to Plant, Machinery, etc., of £205,873—a total increase of £767,111.

The final stage of our development at Poole should be completed by the end of 1962 and thereafter we shall be equipped to provide a greatly improved service to users of laboratory chemicals throughout the world.

Our Indian subsidiary has acquired a 19-acre site near Bombay for a new factory to replace our present rented premises which are now inadequate.

By far the most significant step taken during 1961 for the long term future of your Company was the arrangement entered into with Mead Johnson & Company, under which Mead Johnson have acquired a 35 per cent voting interest in BDH, with an opportunity to convert that into a 35 per cent share interest in due course, placing at our disposal meanwhile, on most favourable terms, some £5,000,000. We are satisfied with the collaboration that has been building up between the two firms—especially in the field of research—and we remain of the opinion that the partnership has exceptional growth potential.

Sales of your Company and its subsidiaries reached a new high level of some £11,700,000.

Clinical trials of our oral contraceptive are being undertaken both in this country and elsewhere, and its effectiveness as a contraceptive has been confirmed; but we are not prepared to issue until we are satisfied that we have achieved the best possible formulation, and I do not feel able to put a probable date to our reaching a decision on marketing.

Although we are not alone in the oral contraceptive field we retain full confidence in the future of our product.

We continue to research actively in a number of other fields and our research potential has been materially expanded by our new partnership with Mead Johnson & Company.

So far this year group turnover has shown some improvement on last year, but with the constant erosion of profit margins it is unusually difficult to make any worthwhile forecast of the year's results.

Chairman's additional remarks: Since the report and accounts were circulated we have made an offer for the issued capital of James Woolley Sons & Co. Ltd., wholesale and manufacturing chemists, of Manchester. Acceptance of the offer is being recommended by the Directors. The sum involved is about £134,000.

ING. C. OLIVETTI & C. S.p.A.

NOTEWORTHY DEVELOPMENTS IN EXPORT FIELD

The Ordinary and Extraordinary Meeting of Ing. C. Olivetti & C. S.p.A., was held at Ivrea on March 15, 1962. During the Ordinary Meeting, the Chairman of the Company, **Dr Giuseppe Pero,** read the report of the Board of Management.

In the foreword the Report, after brief reference to the world economic position during 1961, deals with the progress in the Italian production of office machines, which production had been greatly increased especially during the past few years. From 1950 to date, the Italian production of typewriters increased by 446 per cent, the total for 1961 being more than 640,000, whilst the total of calculating machines produced during the same year was almost 620,000, representing an increase of 1208 per cent compared with the figure for 1950.

There were noteworthy developments also in the export field, exports from Italy in 1961 being 7 times higher for typewriters and 23 times higher for calculating machines than in 1950. To a great extent these excellent results had been achieved thanks to the popularity of the Olivetti typewriter.

Production had increased in quantity by 33.8 per cent compared with 1960, which meant that employment had been found for another 3,000 workers. The great increase in production, especially during the past two financial years, and the prospects for the future, had led to the decision to build a new factory near Ivrea for the manufacture of typewriters and calculating machines, and a second factory near Milan for the production of electronic machines.

Great progress had been made also in sales which, compared with 1960, increased in all, in quantity, by 32.8 per cent. Imports especially, were up by 32.9 per cent, whilst home sales, in Italy, showed an increase of 32.6 per cent. The importance of these achievements was enhanced when a comparison was made with the excellent results obtained in 1960. The Company's sales had, in fact, increased by 89 per cent in a period of two years.

In an analysis of the most important markets, there had been a very big increase in exports to Latin America which were more than double those of 1960. Such results were made possible thanks to the attentive and efficient work of co-ordination, represented by the development of the local sales organisations and that of the industrial establishments owned by the largest of the Olivetti companies in Latin America.

Sales had also increased considerably in other countries, however. Both in Africa and in Asia, to which continents exports rose by 15.3 per cent and 66 per cent, respectively, compared with the figures for 1960. Exports to European countries were also up by 17.2 per cent. The exports to France and Germany, taken together, accounted for nearly 16 per cent of the total sales.

The North American market, nevertheless, still topped the list (USA and Canada). During 1961, they made up 17.7 per cent of the total sales. That figure was achieved mainly because of the increased exports of calculating and accounting machines which, compared with the figures for 1960, were higher by 11 per cent and 27.6 per cent respectively.

There was not such a marked increase in the number of typewriters sold. That had been expected, as a natural consequence of the development of the local production on the part of Underwood. As a result of the strenuous efforts made, the production of Underwood typewriters was greatly increased during 1961 and above all, it reached a stage of gratifying stability whilst production costs were, at the same time, reduced.

Commensurate with the increase in sales, the Company's distributive organisation in Italy, and especially abroad, was reinforced, three new associated companies being formed, in Japan, Peru and Sweden. The extension of the existing network of distributors, organised by the associated companies, also continued apace, and a revision was made of the dealer network.

The balance sheet, at December 31, 1961, closed with a net profit of L. 4,803,488,233, after making provision for all charges, including depreciation of the fixed properties of L. 2,497,043,693.

The Ordinary Meeting unanimously approved the balance sheet and profit and loss account, and the Board's proposals for the division of the net profit: L. 3,600,000,000, allotted to the shareholders, corresponds to a dividend of L. 90 per share, payable as from March 20, 1962.

This was followed by an Extraordinary Meeting of the Company at which, in view of the vast programme of new construction, new equipment and new enterprises designed to reinforce the Company's means of production commensurate with its outstanding development, it was decided to increase the share capital from 40 to 60 *milliards*.

BALANCE SHEET AT 31st DECEMBER, 1961

ASSETS	31.12.1961	31.12.1960
1. Fixed Assets :		
Civil properties	L. 1,159,832,614	L. 1,110,028,581
Industrial properties	L. 9,618,057,573	L. 7,971,646,184
Specific machinery and plant	L. 10,307,092,287	L. 8,883,461,421
Furnaces	L. 457,533,860	L. 382,090,474
General installations	L. 3,829,043,549	L. 2,879,362,801
Electronic products	L. 1,430,000,000	—
Motorised vehicles	L. 618,995,263	L. 581,873,630
Patents and furniture	L. 1	L. 1
	L. 27,420,555,167	L. 21,808,463,092
2. Goods and Materials :	L. 10,867,812,792	L. 7,066,883,374
3. Financial Accounts :		
Cash	L. 794,505,477	L. 430,206,415
Banks	L. 892,453,319	L. 1,669,988,652
Bills receivable	L. 4,490,561,461	L. 3,113,639,014
Fixed interest securities and guarantee deposits	L. 427,105,975	L. 419,551,478
Shares in other concerns	L. 33,228,313,980	L. 26,740,783,982
	L. 39,832,940,212	L. 31,714,168,944
4. Credits :		
Clients	L. 19,802,486,872	L. 11,334,252,704
Associated companies	L. 33,037,206,257	L. 24,159,093,657
	L. 52,839,693,129	L. 35,493,346,361
	L. 169,425,794	L. 79,709,151
5. Expenses for which amortisation is required by law	L.131,130,427,094	L. 96,162,570,922
6. Suspense Accounts :		
Directors' qualifications	L. 2,000,000	L. 2,002,500
Sureties and guarantees	L. 8,024,000,000	L. 4,201,640,000
Guarantees in securities and cash	L. 407,180,865	L. 388,586,368
	L. 8,433,180,865	L. 4,592,228,868
Total	L.139,563,607,959	L.100,754,799,790

LIABILITIES	31.12.1961	31.12.1960
1. Share Capital :		
Ordinary shares	L. 24,000,000,000	L. 15,000,000,000
Preference shares	L. 16,000,000,000	L. 10,000,000,000
	L. 40,000,000,000	L. 25,000,000,000
2. Reserves :		
Ordinary	L. 460,641,903	L. 260,012,367
Extraordinary	L. 329,320,381	L. 1,279,320,381
Fiscal contingency account	L. 432,202,290	L. 302,011,649
For overprice of shares	L. 12,500,000,000	—
Profit carry-over from last financial year	L. 38,152,258	L. 43,185,746
	L. 13,760,316,832	L. 1,884,530,143
3. Amortisation Fund :		
Industrial properties	L. 2,581,740,423	L. 1,945,922,870
Specific machinery and plant	L. 8,031,670,582	L. 7,145,583,584
General installations	L. 2,224,357,388	L. 1,830,443,319
Furnaces	L. 354,920,753	L. 321,330,630
Electronic products	L. 314,600,000	—
Motorised vehicles	L. 354,648,889	L. 358,762,797
	L. 13,861,938,035	L. 11,602,043,272
4. Welfare Fund (length of service)	L. 9,069,648,895	L. 6,807,057,686
5. Debentures	L. 10,637,210,000	L. 10,887,935,000
6. Swiss loan, 4.50%	L. 2,190,000,000	L. 2,190,000,000
7. Accrued liabilities	L. 2,589,250,752	L. 2,373,816,275
8. Associated companies	L. 163,044,044	L. 223,745,553
9. Welfare fund services and activities	L. 140,755,443	—
10. Debts :		
Suppliers	L. 2,777,908,210	L. 4,285,200,303
Banks	L. 15,517,553,742	L. 12,544,638,912
With collateral security	L. 1,967,809,189	L. 1,801,967,364
Bills payable	—	L. 2,300,000,000
Various	L. 13,651,503,719	L. 10,249,045,699
	L. 33,914,774,860	L. 31,180,852,278
11. Profit	L. 4,803,488,233	L. 4,012,590,715
	L.131,130,427,094	L. 96,162,570,922
12. Suspense Accounts :		
Directors' qualifications	L. 2,000,000	L. 2,002,500
Sureties and guarantees	L. 8,024,000,000	L. 4,201,640,000
Guarantees in securities and cash	L. 407,180,865	L. 388,586,368
	L. 8,433,180,865	L. 4,592,228,868
Total	L.139,563,607,959	L.100,754,799,790

PROFIT AND LOSS ACCOUNT AT 31st DECEMBER, 1961

EXPENSES	31.12.1961	31.12.1960
General expenses	L. 19,474,873,899	L. 15,222,825,826
Taxes	L. 2,362,717,004	L. 1,584,227,018
Depreciation	L. 2,497,043,693	L. 2,042,168,634
Welfare fund (length of service)	L. 2,262,591,209	L. 1,560,602,231
Net profit for the year	L. 4,803,488,233	L. 4,012,590,715
Total	L. 31,400,714,028	L. 24,422,414,424

PROFITS	31.12.1961	31.12.1960
Gross profit for the year	L. 31,283,536,662	L. 24,282,128,502
Various profits	L. 117,177,366	L. 140,285,922
Total	L. 31,400,714,028	L. 24,422,414,424

Avv. MARIO AMI
Dott. GIUSEPPE SPERTINO
Rag. ANGELO VERML, Auditors.

Dr GIUSEPPE PERO, Chairman.

HALL & HAM RIVER LIMITED

The First Annual General Meeting of Hall & Ham River Limited was held on May 30th in London, **Mr M. W. Hall** (the Chairman), presiding.

In his circulated review, the Chairman said that the Accounts indicated that the decision to merge the two Groups of Hall & Co. Ltd. and Thames Grit & Aggregates Ltd. was a wise one and fully justified the recommendation made to their shareholders by the Directors of the two Companies.

After reviewing the satisfactory financial results the Chairman said that the Board felt justified in recommending a total dividend of 17½ per cent as against the forecast of 16 per cent.

He continued: The year of 1961 proved to be a good year for trading and as a result nearly all sections of the Group did well in spite of credit restrictions. Total sales of the Group were more than £26,000,000.

The Chairman, after reviewing the major activities of the Group, concluded: The Group has many interests and operates over a very wide area which no doubt will steadily be extended, but the major parts of the business depend on the success of the building trade as a whole. At present 1962 does not show the same promise as last year for a number of reasons, and care should be taken, therefore, in assessing the final result. Further economies arising out of the merger, however, should be satisfactory.

The report was adopted.

18 35
BAYERISCHE HYPOTHEKEN-U. WECHSEL-BANK

Bayerische Hypotheken-und Wechsel-Bank

MUNICH

Theatinerstrasse 9-18 Kardinal-Faulhaber-Strasse 10

289 Branch Offices in **Bavaria**, the Palatinate, and Baden-Württemberg

Offices of the Mortgage Department
at Augsburg, Berlin, Düsseldorf, Frankfurt/M., Hamburg, Hannover, Ludwigshafen a.Rh., Nürnberg, Regensburg, Saarbrücken, and Würzburg.
Agent for Southern Baden at Freiburg i. Br.

At the General Meeting held on April 30, 1962, it was agreed to distribute **a dividend of 16% and a bonus of 3% on nominal DM 100,000,000.— Common Stock for the Business Year 1961.** Payment will be effected as from May 2, 1962, through any branch of our Bank and the other pay offices that have been publicly announced, against presentation of coupon No. 12 and less 25% capital revenue tax, 10% of which can be recovered upon request, in accordance with the Anglo-German agreement on double taxation.

The following are some figures from the Balance Sheet as per December 31, 1961 :

Capital (stock capital and reserves)	DM 260,200,000.—
Deposits with the Banking Department	about DM 2,707,026,000.—
Savings Deposits included therein	about DM 1,076,998,000.—
Pension Fund	about DM 79,912,000.—
Debtors	about DM 1,471,782,000.—
Long-term Loans of the Mortgage Department	about DM 1,847,274,000.—
Outstanding Bonds and Borrowings of the Mortgage Department	about DM 2,000,820,000.—
Net Profit	DM 19,000,000.—

Munich, May, 1962.

THE BOARD OF DIRECTORS.

ISTITUTO MOBILIARE ITALIANO
ROME, ITALY

General and Special Stockholders' Meeting held May 4, 1962

The General and Special Meeting of the Stockholders of The Istituto Mobiliare Italiano (IMI) was held in Rome on May 4th, in the presence of Treasury Minister Roberto Tremelloni and Bank of Italy Governor Guido Carli. Mr Stefano Siglienti presided over the Meeting.

After cordially welcoming the distinguished guests, Chairman Siglienti read the Statement presented by the Board of Directors.

Having recalled the notable results achieved by the Italian economy in 1961, the year of the centennial of Italy's unity, the Statement stresses that IMI has been operating for thirty years, and illustrates the major steps in the Institute's eventful life and its considerable contribution to the progress of the Italian economy. This contribution can be summarised in the following figures at constant values (1960 prices): loans totalling 2,200 billion Lire to 14,068 concerns; bond issues totalling 1,300 billion Lire; a 20 per cent average annual rate of increase in loans outstanding.

Noting the increasing importance which IMI has been assuming in Italy and on an international level, the Statement announces that, in order to meet the Institute's expanded operational requirements, it was decided to open an office in Brussels, where the most important Institutions of the European Economic Community are located, and two more offices in Southern Italy, in Naples and Catania.

Moving on, after a brief analysis of the present monetary and financial markets, to the discussion of the activities carried out in the 30th year, the Statement indicates that this activity, from the quantitative viewpoint, can be summarised as follows (as compared to the preceding year): a 31.9 per cent increase in loan applications received, which totalled 369.8 billion Lire; a 26.5 per cent increase in loan transactions completed, totalling 243.5 billion Lire; a 15 per cent increase in the amount of loans outstanding, which as at March 31, 1962, totalled as much as 1,031.5 billion Lire, of which 880.6 billion Lire in ordinary transactions (up 21.6 per cent as compared to the preceding year) and 150.9 billion Lire in special transactions (on behalf of Government and other Agencies) (down 12.7 per cent).

As regards the transactions completed in the year, industry absorbed 145.1 billion Lire or 59.6 per cent of the total (as compared to 61.2 per cent in the past year), tertiary activities 54.1 billion Lire or 22.2 per cent (as compared to 26.7 per cent) and shipowners 44.3 billion Lire or 18.2 per cent (as compared to 12.1 per cent). These amounts were borrowed by enterprises of all types, size and branches of production.

It is stressed that small enterprises have received loans to a total amount of more than twice that loaned last year. In particular, activities have been intensified in the sector of low-rate credit to medium and small industrial enterprises. In fact IMI occupied first place, among Credit Institutions authorised to operate pursuant to Law No. 623 of July 30, 1959, in terms of the number of loans approved by the end of March, 1962. Loans to concerns located in Southern Italy totalled as much as 82 billion Lire and the Institute has provided support for the construction of new plants to an amount exceeding last year's figure by 150 per cent, and has contributed to the establishment of 53 new enterprises. In the sector of credit to exporters, in which IMI is the principal lender, the amount of outstanding transactions has risen to as much as 70.6 billion Lire. As regards the raising of funds on the money market, IMI has floated bond issues, which, as usual, were very favourably received by the public, and totalled 178 billion Lire as compared to 143 billion Lire in the 29th year. Furthermore, the market has entirely underwritten the 23rd public bond issue to an amount of 100 billion Lire; a record figure for the Italian bond market, apart from bond issues floated by or for the Government. IMI has also continued to play its traditional rôle as an intermediary in the inflow of foreign capital. Among other transactions in this field, it has floated on the public Swiss market a bond issue totalling 50 million Swiss francs.

The Statement then reports on the situation as reflected in the Institute's balance sheet, which registers an increase in both reserve funds from 50,559 to 56,331 million Lire and profits from 1,947 to 2,145 million Lire, as confirmed by the year's statement of incomes and expenditures. The Board of Directors recommends the following distribution of this profit, plus the 1,091,037 Lire carried over from last year: 1,666 million Lire to reserve funds (which thus rise to 58 billion Lire) and 480 million Lire to Shareholders (an 8 per cent dividend on paid-in capital), the balance being carried forward.

The Chairman then passed to the special part of the Agenda and submitted to the Meeting a proposal for increasing the Institute's capital stock from 20 to 50 billion Lire, by issuing 150,000 new shares of stock, face value Lit. 200,000 each, which will be reserved for subscription at par by the present stockholders. This increase in capital stock appears to be warranted in the light of the dimensions reached by the Institute, and will provide a more adequate base upon which to expand further its activities in Italy and on the international financial markets, in fact in all directions permitted by its by-laws.

In this connection, the Board of Directors recommended certain amendments to the by-laws, in order to harmonise them more effectively with the legislative and economic reality.

The Chairman then announced the establishment of the "Shipping Credit—Autonomous Section of IMI." This Section, provided for in Royal Law Decree No. 491 of June 2, 1946, has now been established to assist Italian shipowners provided for in Law No. 1 of January 9, 1962; the Section's capital funds will be subscribed by IMI and by "public credit institutions" and "banks of national interest."

The Stockholders unanimously approved the General and Special Statements by the Board of Directors and by the Board of Auditors, and adopted the Board's recommendations.

SUMMARY BALANCE SHEET AS OF MARCH 31, 1962
(30th Year)

ASSETS	Lit.
Subscriptions receivable on capital stock	14.000.000.000
Securities owned and cash on hand	144,196,443,307
Loans and sundry credits in Lire and foreign exchange	904,992,716,318
Outstanding guaranties	12,848,908,708
Miscellaneous	25,516,988,397
	Lit.1.101.555.056.730
Contra accounts:	
Securities and bills held and on deposit	251,692,578,741
Special and fiduciary operations	308,396,720,350
GRAND TOTAL:	Lit.1.661.644.355.821

LIABILITIES	Lit.
Subscribed capital stock	20.000.000.000
Reserve funds	56,330,927,922
Bonds, loans and sundry debts in Lire and foreign exchange	985.067.476.446
Outstanding guaranties	12,848,908,708
Miscellaneous	25,162,294,648
Balance of year's profits	2,145,449,006
	Lit.1.101.555.056.730
Contra accounts:	
Securities and bills held and on deposit	251.692.578.741
Special and fiduciary operations	308,396,720,350
GRAND TOTAL:	Lit.1.661.644.355.821

STATEMENT OF INCOMES AND EXPENDITURES AS OF MARCH 31, 1962

INCOMES	Lit.
Interest on loans	42.957.959.277
Interest on accounts current and securities	2.892.302.990
	Lit. 45.850.262.267

EXPENDITURES	Lit.
Overheads	1,980,935,947
Taxes	3,542,093,218
Interest paid on bonds	35,708,701,655
5% interest on reserve funds	702,350,000
Depreciation	1,770,732,441
Lit	43.704.813.261
Balance of profits	2,145,449,006
Lit	[illegible]

N.V. Gemeenschappelijk Bezit van Aandeelen Philips' Glocilampenfabrieken

PHILIPS' INCANDESCENT LAMP WORKS HOLDING COMPANY

EINDHOVEN
THE NETHERLANDS

NOTICE OF AN ISSUE OF

6,153,140 Ordinary shares of Fl.25 each at Fl.118.75 per share.

The above new Ordinary shares will rank for all dividends in respect of periods commencing on and after 1st January, 1962. N.V. Philips' Glocilampenfabricken ("the Operating Company") will receive the proceeds of this issue and will simultaneously issue to the Holding Company an equal number of its own Ordinary shares.

The proceeds of this issue will be used for the general purposes of the Operating Company, including the provision of working capital and the improvement and extension of plant and equipment.

Shareholders in the above-named Companies will be given the opportunity to subscribe new Ordinary shares in the following proportions :—

TWO new Ordinary shares for each TEN old Ordinary shares
or
TWO new Ordinary shares for each THIRTY 6 per cent. Cumulative Participating Preference Shares
at the price of Fl.118.75 per Ordinary share of Fl.25 par value.

Warrants in bearer form will be made available in denominations of 2, 4 and 40 shares.

Pursuant to the above, the under-mentioned arrangements are being made for holders of Unit Certificates to Bearer issued by Royal Exchange Assurance.

Arrangements for Holders of Unit Certificates to Bearer Issued by Royal Exchange Assurance

Holders of the above Unit Certificates are entitled to apply for new Units of Fl.10 in the proportion of :

ONE new Unit for every **FIVE** Units of Fl.10 held and **at the price of Fl.47.50 per new Unit**, payable in full on acceptance, against surrender of Coupon No. 50 detached from Unit Certificates.

Enquiries regarding the arrangements for obtaining the requisite currency can be made at Philip Hill, Higginson, Erlangers Limited, 34, Moorgate, London, E.C.2.

Applications may be made from Friday, 1st June to 3 p.m. on Tuesday, 19th June, 1962, and subscriptions made in compliance with the conditions given below are payable at the offices of Philip Hill, Higginson, Erlangers Limited, 34, Moorgate, London, E.C.2.

Holders of less than five Units who desire either to make up their holding to five Units or to dispose of their Coupons No. 50 should consult their bankers, stockbrokers or Philip Hill, Higginson, Erlangers Limited.

Against surrender of Coupon No. 50 and on receipt of monies paid by applicants, Royal Exchange Assurance will, in exercise of its rights, subscribe the appropriate number of Ordinary shares of the Holding Company to be held on behalf of Royal Exchange Assurance in Amsterdam.

Permission under the Exchange Control Act, 1947, has been received from the Bank of England to enable Royal Exchange Assurance to issue new Unit Certificates to Bearer in respect of such new Ordinary shares.

To the extent to which applications by Unit Certificate holders are not received, Royal Exchange Assurance will sell the rights remaining in respect of the shares held to their order and will pay the proceeds against delivery of Coupons No. 50 not already used in the exercise of rights. An announcement will be made in the press in due course giving details of the cash attributable to such coupons.

CONDITIONS

Subscriptions will only be received through Authorised Depositaries in the United Kingdom.

H.M. Treasury will not authorise the purchase of Dutch Guilders through the London Foreign Exchange Market to enable United Kingdom residents to exercise their rights, but under present Exchange Control practice, United Kingdom residents may subscribe for the new Ordinary shares by using the proceeds of sale abroad of any resident-owned foreign currency securities or by selling part of their rights for the purpose of taking up the remainder.

Listing Forms and further particulars including information regarding the Company, can be obtained from :

PHILIP HILL, HIGGINSON, ERLANGERS LIMITED

34, Moorgate, London, E.C.2.

31*st May*, 1962.

INNS & COMPANY

(Public Works Contractors, Asphalters, Sand and Gravel Pit and Quarry Owners, etc.)

RECORD TRADING RESULTS

The twenty-seventh annual general meeting of Inns & Company Limited was held on May 25th in London, **Mr Walter Wallace** (Joint Managing Director) presiding.

The Chairman, in the course of his speech, said: When I spoke to you last year I expressed the opinion that we could expect better results for the year now under review. I think you will agree that the Report and Accounts now before you bear out the confidence we held at that time.

The Consolidated Trading Profit for the year ended December 31, 1961, amounted to £1,230.269 compared with £885,605 for the previous year, an increase of £344,664. Depreciation and other charges and provisions account for £293,725 as against £224,818 leaving a Consolidated Net Profit before tax of £936,698, an increase of £272,321 or forty per cent over the previous year.

I should add that these figures set a new record level of profit in the history of your Company.

The sum of £511,088 has been provided for taxation which is equivalent to 54½ per cent of the Net Profit figure I have mentioned, which again emphasises the tax anomaly of no allowance being given for the land used up in the course of mineral extraction.

I would now like to mention one or two features of the Consolidated Balance Sheet. This for the first time includes the figures of our latest acquisition—Land Reclamation Company Ltd., which has made the expected contribution to our profits.

The total cost of the fixed assets of the Group amounts to over four million pounds. These assets have all been well written down and now stand in the books at a figure of £2,287,000.

On several occasions in the past I have drawn your attention to the valuable asset which the Group holds in the form of Freehold Land. It may be of interest to Shareholders to know that at the Balance Sheet date your Group owned approximately 12,000 acres of Freehold Land, and held leases in respect of a further 500 acres, containing large reserves of mineral spread over a very wide geographical area, which remains such an important feature in our service to customers.

Shareholders will realise that the results to which I have referred indicate a considerable expansion in your Company's affairs.

I am sure you will understand that as the business expands more finance is required and this has influenced our decision to recommend the maintenance of our previous dividend of a total of 30 per cent less tax for the year.

In order to deal effectively with our widening field of activity Mr Robert Wallace, Junior and Mr John Wallace, who have been in the service of the Company for over 10 years, were recently appointed Deputy Managing Directors. At the same time, Mr W. E. Lillyman was appointed to the Board. He joined the organisation in 1933 and has for some years past been our London Manager.

With regard to the current year, I would like to say that trading so far, on the whole, has been satisfactory.

The report and accounts were adopted.

BANQUE DU CAIRE

Head Office: **Cairo, Egypt, U.A.R.**

CONDENSED BALANCE SHEET AS AT 31st DECEMBER, 1961

LIABILITIES	L.E.	ASSETS	L.E.
Capital	1,100,000	Cash in Hand and Balances with Banks and Correspondents	11,273,265
Reserves	735,276	Investments	12,612,634
Deposits	48,672,702	Bills Discounted	1,225,793
Central Bank of Egypt	2,000,000	Loans	33,014,354
Syrian Branches' Liabilities as at 30/6/61 (Contra)	5,723,707	Syrian Branches' Assets as at 30/6/61 (Contra)	5,723,707
Provisions and Sundry Credit Balances	9,239,688	Sundry Debit Balances	4,078,543
Profits	456,923		
	67,928,296		67,928,296
CONTRA ACCOUNTS	39,403,944	CONTRA ACCOUNTS	39,403,944

BILLERUDS AKTIEBOLAG

Manufacturers of Pulp, Paper and Timber

Säffle

SWEDEN

Founded in 1883

1961 SALES			
Dissolving pulp	metric tons	99,200	
Other sulphite pulp		59,500	158,700
Greaseproof, glassine and other sulphite paper	metric tons	23,000	
Kraft paper and kraft liner		114,200	137,200
Sawn timber	standards	36,600	
Boxboards		3,300	39,900

SUMMARY OF RESULTS	Million £ 1960	1961
Net invoiced value	20·7	21·3
Gross profit from industrial operations	3·9	2·5
Earnings from forestry	0·9	0·7
Depreciation and appropriations	3·3	1·8
Taxes	1·0	0·5
Net profit	1·0	0·9
Dividend	0·7	0·7

PROPERTY AND PERSONNEL 1961		
Productive woodland	acres	708,200
Insured value of buildings and plant	million £	61·4
Total number of employees		8,600

1962 PROGRAMME

Forests: The company, which owns forestland for about 50 per cent. of its needs, is trying new methods and organization forms for logging and transportation using tractors, big trucks and radio-operated equipment.

Power: The consumption of the mills is covered by energy produced at the company's hydroelectric and steam power stations. A station with a head of 620 feet is under construction by a company, in which Billerud owns 50 per cent.

Research: The laboratory facilities in Säffle are now being extended, with especial emphasis on pilot plant facilities, and today more than 150 people are engaged in research work to improve present and develop new processes and products.

Mills: At the 110,000 tons Gruvön Kraft Paper Mill the bleaching capacity is now 80,000 tons annually, and an off machine coater has been installed. New products in 1962/63 will be polyethylene coated paper and extensible paper. At the Slottsbron Sulphite Mill a soda digester will be ready at the end of 1962, giving the company possibilities to offer still higher qualities of dissolving pulp.

Investments during 1961: 2·8 million £.

THE LAWLEY GROUP LIMITED

YEAR OF PROGRESS AND EXPANSION

The fourteenth Annual General Meeting of The Lawley Group Limited was held on May 29th at Stoke-on-Trent.

The following is an extract from the circulated statement of the Chairman, **Lord Poole, CBE, TD:**

Last year I said that we would maintain our results at least at the 1960 level. I am pleased to be able to say that we have done better than that. Total profits show an increase over 1960 being £565,000, before deduction of tax, against £512,000. Tax absorbs on the 1961 profits £299,000, so that we are left with a net profit for the year of £266,000. In view of the request of the Chancellor of the Exchequer your directors have recommended the dividend be limited to the same rate of 20 per cent as that paid last year.

Our turnover for 1961 was higher than it was in 1960 and this naturally assisted us to meet the constantly increasing costs with which we are faced. Additionally however, we are reaping the benefit of the extensive reconstruction and reorganisation of our factories which we have carried out over the past several years, and this is enabling us to meet the keener competition of today with competitive prices and improved service to our many customers.

DEVELOPMENTS

During 1961 we have continued our policy of modernising and reconstructing our factories. We have spent something over £100,000 in the year on new buildings, plant and kilns at our Baddeley Green, North Staffordshire and Paladin factories. Work is proceeding on further extensions to our Regent Bone China factory, the North Staffordshire Hotelware factory and our Church Bank Earthenware factory. We have ample funds to meet such expenditure.

On the retail side in pursuance of our expressed policy, we acquired during the year the well-known business of George Kelsey, Harrogate, and the retail china and glass business of H. G. Stephenson Limited, Manchester. Modernisation plans have been prepared for these stores and they will be undertaken in 1962. In 1961 we added another sales floor to our shop in London's Regent Street.

Having reviewed the Group's interests overseas, the statement concluded:

The outlook in all markets, home and overseas, is one of keener competition and increased costs. We shall do well in 1962 if we can approach the results of 1961. I feel that we are well placed to do so but one hesitates to make optimistic forecasts when world and political conditions are so uncertain.

The report and accounts were adopted.

COLONIAL DEVELOPMENT CORPORATION

A Notable Landmark in a Further Year of Progress

CDC BOARD'S REVIEW OF 1961

For CDC, 1961 was a year of continued progress and marked by a further improvement in operating results. With the approval of thirteen new projects, the Corporation achieved a notable landmark in exceeding a total of one hundred projects for the first time. Capital approved for the 102 continuing projects now amounts to £115m, of which £84m. had been spent at December 31, 1961.

Diversity of Projects.—The new projects approved in 1961 again reflect the wide range of CDC activities in many parts of the Commonwealth. The 1961 list includes agricultural projects in Kenya and Sarawak and forestry in Fiji; a local development agency in Tanganyika, housing finance in East Africa, Northern Rhodesia and Trinidad; industrial and property development in Sarawak, Hong Kong and Tanganyika; and a railway linked with an iron-ore mine in Swaziland. For these new projects CDC commitments of over £10m were approved during the year.

Association with Other Interests.—CDC finance which may take the form of loan or share capital is usually to be found working in association with capital from other sources; indeed it has been CDC's experience that its participation in a project often encourages others to do likewise. New investments during 1961 again illustrate the wide variety of arrangements associating CDC with other interests which included the Federal Government of Germany, the World Bank and well-known commercial companies from Britain, Canada, South Africa, New Zealand and Hong Kong, together with territorial governments of the countries in which it operates. As well as this association with others in particular projects, CDC has made a start in raising, for its general purposes, substantial amounts of finance from sources other than HM Government.

Financial Structure.—The balance sheet reflects for the first time the changes in the form of CDC's liabilities to the Exchequer announced by the Secretary of State in April 1961. The CDC debt to the Exchequer (estimated at £9m) in respect of Treasury advances invested in wholly abandoned projects and consequently lost, is frozen and placed in a Deferred Liability Account. Similarly, the accumulated fructification interest (estimated at £11m at December 31, 1960), which would have been payable by CDC by instalments over the next 30 to 40 years is frozen and placed in the same account. An obligation to pay off the amount in the Deferred Liability Account remains, annual repayments being calculated according to a formula related to CDC profits each year. The formula provides that CDC will repay to the Treasury 60 per cent of any excess over £250,000 of an adjusted profit figure. The working of the arrangement is to be reviewed after three years. The sum payable to HM Government in respect of 1961 will be £394,438.

CDC had hoped that the Government might have seen its way to adopt the Sinclair Committee's recommendations as to the write-off of the early losses, comprising the Special Losses Account and the provision of some part of the CDC financing in the form of equity capital or its equivalent in recognition of the risk-bearing nature of much of CDC's investments. However, the Corporation recognises the value of the concessions which have been made and is grateful for them. They should provide a sounder and more realistic basis for its future operations.

Improved Operating Results.—Net profits of direct projects, income from subsidiary companies, investments and managing agency fees increased by £1,047,061 to £3,993,772 in 1961 as compared with 1960 and the Corporation's operating surplus by £1,035,298 to £3,453,068 from which sum a provision of £522,689 has been made against the book value of projects and investments. Interest currently payable to HMG increased by £290,000 to £2,028,265: for the first time a provision (£875,231 net) has been made for fructification interest accruing during the year but not yet payable, bringing the total charge for Government interest to £2,903,496. After other small adjustments a balance of £7,719 has been credited to the Reserve Fund.

A Unique Organisation.—CDC is unique in that it alone of the metropolitan governmental development agencies maintains a permanent resident organisation in the areas in which it operates. By this means it is able to keep in close touch with local conditions and provide a management organisation on the spot. CDC manages, or has some responsibility for management of, more than half of its 102 projects: considerable progress has been made in training local people for posts of executive responsibility, both on projects and in the regional organisations.

What Kind of Projects?—CDC gives priority to projects such as agricultural smallholder schemes, building societies and local industrial development agencies which assist the inhabitants of developing countries to establish themselves as members of an economically self-supporting and ordered community. To ensure balanced development CDC also has large investments in basic development projects such as power, housing and transport and large-scale productive enterprises. The CDC £39m investment in productive and processing enterprises was associated in 1961 with a turnover at the rate of £30m per annum of which goods worth £17m were exported from the territories concerned.

Scope of Operations.—At the present time CDC is not empowered to make new investments in territories after independence. In April last year the Secretary of State for the Colonies said in answer to a question in the House of Commons that in view of the shrinking number of Colonial territories the present terms of reference in independent territories would need to be reviewed in the future. This is an important and welcome decision for the Corporation. The work of review is now proceeding.

A copy of CDC's Annual Report and Accounts for 1961 *will be sent on request: applications should be addressed to the Information Officer, Colonial Development Corporation,* 33 *Hill Street, London, W.*1.

Chairman's Statement • DE BEERS CONSOLIDATED MINES LIMITED

Incorporated in the Republic of South Africa

DIAMOND SALES A RECORD

Mr H. F. Oppenheimer's Review

The following is from the statement by the chairman, **Mr H. F. Oppenheimer,** which has been circulated to members:

The total sales of diamonds by our organisation in 1961 amounted to R191,423,720. This was a record and exceeded the 1960 total by about R12 million. In spite of these large sales the stocks of diamonds held by the company and its subsidiaries increased by nearly R2 million. The stock of R37,057,989 held by our producing companies and the Diamond Corporation at the end of the year was however reasonable in relation to the total volume of trade and the demand for diamonds was and has continued to be satisfactory

There is, however, some over-production of certain qualities of small gem diamonds and it has been necessary for us to stock substantial quantities of these goods. This has caused us some concern and we are taking special steps to build up the demand for these qualities.

In my statement last year I mentioned that we were making large purchases of diamonds produced by individual diggers in Sierra Leone and that we were also buying important quantities of diamonds from Russia. Our purchases from both these sources were considerably higher in 1961 than in 1960 and we also bought a substantial quantity of diamonds on the Ivory Coast.

The profits on these large purchases are quite inadequate to justify the risk and effort involved. We undertake this business not for its own sake but in order to maintain the stability of the market and make possible the profitable and orderly marketing of the production from the mines of our group and from the other diamond mining companies who market their productions through our organisation.

We are also called upon to spend large and increasing sums on promotion and advertising in the interests of the trade as a whole. It is fortunate for the industry that our organisation and our financial resources are adequate to meet all these responsibilities.

CONTRACT WITH S.L.S.T.

The new contracts which came into operation on January 1, 1961, governing the operation of the Central Selling Organisation have worked smoothly on the whole. I am sorry, however, to inform shareholders that the negotiations for the renewal of the Diamond Corporation's contract for the purchase of the diamonds produced by Sierra Leone Selection Trust Ltd. were unsuccessful. The negotiations broke down principally on the question of the profit margin to be allowed our organisation.

We were particularly anxious if possible to buy these diamonds because we were and are concerned that if these goods were marketed through a separate channel it might be difficult for us to maintain the price level of the same qualities which we buy through the Sierra Leone Government Diamond Office. We were, however, unfavourably placed to compete for the purchase of the Sierra Leone Selection Trust production. So long as we are able to maintain our price level it is profitable for merchants who are not called upon to bear our responsibilities to buy direct from producers at prices very close to those at which we sell.

Small individual producers have always profited from this situation and we ourselves, as I have explained, buy very large quantities of diamonds from West African diggers and from Russia at prices that enable us to do little more than cover our expenses. The situation of the large production companies is, however, in our view different. In order to meet the price required by Sierra Leone Selection Trust we would have had to offer terms considerably more favourable than those accorded by us to any of the other major producers and which if insisted on generally would make it impossible for us to continue to operate the Central Selling Organisation. As I write there is still no certainty about how the Sierra Leone Selection Trust production will in the long run be marketed.

INDUSTRIAL DIAMONDS

The year has seen important new developments in the fields of industrial diamonds. Our factory at Springs for the manufacture of synthetic diamond grit started production on July 1st. The quality of the product is very satisfactory and the costs of production have in practice proved considerably better than the estimates on which we based our decision to proceed with this business. Research work is being actively continued with a view to the production of varying sizes and qualities of grit for specialised purposes. Greatly improved qualities of natural diamond grit are also being prepared and our organisation is now able to give customers a wide choice of different diamond grits, natural or synthetic, as may be required to meet their particular needs.

Operations at the producing mines of the group proceeded satisfactorily throughout the year.

The group has maintained its very strong cash position and is continuing its policy of broadening its basis by investment outside the diamond industry. At the end of last year the value of the group's non-diamond investments taking market prices for quoted investments and book value for unquoted investments was R147,386,858 and the group's net current assets amounted to R95,638,596. After deduction of minority interests the total value of non-diamond investments and net cash assets attributable to our company was R203,708,847.

In view of this strong position and of the increase in the net profit of the group attributable to De Beers from R40,417,826 in 1960 to R43,962,705 last year, the dividends for last year were increased by 15 cents per share to 140 cents as compared with 125 cents paid in respect of each of the three years 1958-60. Shareholders will realise from what I said earlier in this statement that we face many new and difficult problems. We are however well equipped to handle them. The year 1962 has started well and we look to the future with confidence.

The annual report and accounts are obtainable from the London office 40, *Holborn Viaduct, E.C.*1.

BANCO DI SICILIA

HEAD OFFICE

PALERMO-SICILY

CONDENSED STATEMENT OF CONDITION

LIABILITIES	Dec. 31, 1961 Lire
Capital	7,845,000,000
Reserves	7,969,148,800
Special Reserves	12,363,738,808
Special Funds Reserved for Development of Sicilian Economy	85,267,019,030
Undivided Profits	30,287,168
Deposits and Certificates of Deposit	616,374,250,499
Official Cheques Outstanding	28,588,587,172
Acceptances and Bills Rediscounted and Letters of Credit Outstanding (as per contra)	41,447,784,908
Other Liabilities	104,000,474,700
Total Liabilities Lire	854,618,895,065
Customers' Securities Held for Safekeeping (as per contra)	213,898,621,825
Securities on Deposit with Other Banks (as per contra)	52,084,000,434
Foreign Exchange and Securities for Future Delivery (as per contra)	57,645,440,912
Lire	1,178,246,958,236

ASSETS	Dec. 31, 1961 Lire
Cash and Due from Banks	94,237,282,440
Securities Owned:	
Government	45,777,011,390
Other Securities	16,383,019,561
Investments and Participations	3,013,971,405
Bills and Treasury Notes Discounted	72,953,648,688
Advances in Current Accounts	280,685,167,015
Loans Against Securities	24,859,249,220
Long-Term Loans	153,818,366,224
Banking Premises and Real Estate	5,007,901,535
Acceptances and Bills Rediscounted and Letters of Credit Outstanding (as per contra)	41,447,784,908
Furniture, Fixtures and Equipment	1
Other Assets	107,435,472,600
Total Assets Lire	854,618,895,065
Customers' Securities Held for Safekeeping (as per contra)	213,898,621,825
Securities on Deposit with Other Banks (as per contra)	52,084,000,434
Foreign Exchange and Securities for Future Delivery (as per contra)	57,645,440,912
Lire	1,178,246,958,236

* Including Treasury Bonds.

TOZER KEMSLEY & MILLBOURN (HOLDINGS) LIMITED

The fourteenth Annual General Meeting of Tozer Kemsley & Millbourn (Holdings) Limited will be held on June 20th in London.

The following are extracts from the circulated statement of the chairman, **Mr J. R. Millbourn:**

Your Directors recommend the payment of a final dividend of 7½ per cent, making a total of 12½ per cent for the year, the same rate as for 1960 but on the ordinary capital as increased to £1,540,000 by the bonus issue in the proportion of one for ten authorised on June 21, 1961.

Turnover and earnings of the main operating Companies—Tozer Kemsley & Millbourn Ltd. and Subsidiaries, Stephen Fraser (London) Ltd. and Subsidiaries—before providing for bad and doubtful debts were less than in 1960 but were not unsatisfactory. Their main difficulty has been the slowness in the collection of outstanding accounts and the substantial amounts it has been necessary to provide against possible bad debts.

The turnover we can achieve in 1962 will inevitably depend on the economic and political conditions we have to contend with in the markets where we trade.

Unless trading conditions generally improve during the year it is unlikely that we will equal or exceed last year's turnover. Unless we run into new troublesome spots, which we cannot foresee at present, we do not expect to have to repeat the very heavy provisions for bad and doubtful debts which it was necessary to set up in the Accounts for 1961.

BSR — BETTER SOUND REPRODUCTION

BIRMINGHAM SOUND REPRODUCERS LTD.

ALL-TIME RECORD PROFITS IN A DIFFICULT PERIOD

PROUD EXPORT ACHIEVEMENT

PROPOSED CHANGE OF NAME

The Annual General Meeting of Birmingham Sound Reproducers Ltd. will be held on June 19th in London.

The following is the Review by the Chairman, **Dr D. M. McDonald, BSc, MB, ChB,** which has been circulated to Shareholders.

The year 1961 has been one of unremitting gloom for the consumer industry as a whole in Britain, with falling sales and reduced profit margins. It should, therefore, come as a pleasant surprise to our Shareholders that our Company has achieved all-time record profits during this period. The net profit, before tax, is £1,816,547, compared with £1,526,576 for the previous year. The full measure of our success will be appreciated when it is realised that this profit was made in the face of increasing world competition.

The wide spread of our sales on the export markets leads to a stability which could not be obtained on the home market alone. We are justly proud of our export record which continues to represent over 70 per cent of our output, the majority of this to the North American countries. Despite this exceptional percentage there are many more countries where our sales are still negligible and these markets remain to be explored. We look forward to the entry of the United Kingdom into the Common Market. In spite of present high tariffs to the various countries of Europe, the Group is even now able to compete successfully with Continental manufacturers. The reduction in tariffs brought about by Britain's entry should result in an increasing volume of business.

Our Design and Development Department has never been stronger and many new products in the existing and other fields will shortly be available for production.

Since the end of the financial year we have purchased the Share Capital of Fred Fowler Limited, manufacturers of engineers' cutting tools and having many outlets in the United Kingdom and on the Continent. This enables the Group to diversify into a new and rapidly expanding field of engineers' cutting tools, which should show us an excellent return on the capital outlay.

Tape Heads Limited is now wholly owned by us and the production of its heads for the expanding tape recorder industry has been completely reorganised. Its products are now accepted widely and we look forward to increasing business here.

You will be asked to approve the change of name of the Parent Company to B.S.R. Limited. It is felt by your Directors that as the shortened form is already a household word we should adopt this as the title of the Company.

Notwithstanding the increased profits and large cash resources we considered it wise for many reasons not to increase the dividend. The Interim Dividend of 10 per cent on £1,500,000 Ordinary Share Capital has already been paid for the year to December 31, 1961. Your Directors have decided to recommend the payment of a Final Dividend of 30 per cent (less Income Tax) in respect of the year to December 31, 1961, on the present issued Share Capital of £1,500,000. (Dividends for 1960—Interim Dividend of 15 per cent on £1,000,000 and Final Dividend of 30 per cent on £1,500,000—equivalent to a total of 40 per cent on the present issued Share Capital of £1,500,000).

As a measure of our confidence in the future it has been decided to capitalise the sum of £500,000 by way of a Scrip Issue of one new 5s. Ordinary Share for every three 5s. Ordinary Shares registered on May 14, 1962. You will be asked to approve this at the Meeting.

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	Airmail	Air Freight
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Canada — Quebec & Ont. Provs.	£10 10s. or $31·80	£8 5s. or $25·00
Canada — Other provs.	£10 10s. or $31·80	£9 0s. or $27·25
Ceylon	£10 10s.	£7 5s.
China	£12 5s.	—
East Africa	£10 10s.	£7 10s.
Egypt	£7 15s.	—
Europe	£6 0s.	—
Ghana	£10 10s.	£6 10s.
Gibraltar, Malta	£5 0s.	—
Hongkong	£10 10s.	£8 15s.
India	£10 10s.	£7 10s.
Indonesia	£10 10s.	—
Iran & Iraq		£7 15s.
Israel	£7 15s.	—
Japan	£12 5s.	—
Jordan	£7 15s.	—
Lebanon	£7 15s.	—
Malaya	£10 10s.	—
N. Zealand	£12 5s.	—
Nigeria	£10 10s.	£6 10s.
Pakistan	£10 10s.	—
Philippines	£12 5s.	—
Rhodesia	£10 10s.	—
S. Africa, Sth. & Cen. America	£10 10s.	£7 10s.
Sudan	£7 15s.	£6 15s.
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W. Indies	£10 10s.	—

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AMALGAMATED METAL CORPORATION

SIR PAUL BENTHALL'S REVIEW OF ACTIVITIES

The thirty-third Annual General Meeting of Amalgamated Metal Corporation Limited will be held on June 21st at Princes House, 93 Gresham Street, London, E.C.2.

The following are extracts from the statement by the Chairman, **Sir Paul Benthall, KBE,** which has been circulated with the report and accounts for the year ended December 31, 1961:

The profit for 1961 before providing for taxation is £826,803 compared with £932,479 for the previous year. The net charge for taxation is £349,244, and after deducting minority interests in subsidiaries not wholly owned, the group profit after taxation is £455,064, compared with £516,318 in 1960.

The proposed final dividend of 8 per cent on the ordinary shares will bring the total distribution up to 11 per cent, and the preference and ordinary dividends therefore again absorb £331,937.

THE BRITISH METAL CORPORATION LIMITED

The trading of The British Metal Corporation was maintained at a satisfactorily high level, and Vivian Younger & Bond Limited also had a good year in their metal business. The turnover of the latter company in Nigeria showed an increase on the previous year, but rising costs resulted in lower margins. During 1961 Vivian Younger & Bond (Nigeria) Limited acquired a minority interest in Makeri Smelting Company Limited, which owns and operates the new smelter at Jos. This smelter is now treating the greater part of Nigeria's production of tin concentrates. Intercotra Limited, a new subsidiary to which I referred last year and which operates a clearing and forwarding business in Nigeria, earned a satisfactory profit.

Brandhurst Company Limited, which deals in cobalt, asbestos and other minerals, again had a good year. Halkyn District United Mines Limited, a subsidiary in which BMC held slightly more than half of the share capital, and which has not mined lead for some years, has in 1962 been sold to Courtaulds Limited.

The investment in Western Credit Limited has not yet produced any return, but we are glad to report that the company's consolidated accounts for the year to June 30, 1961, showed a net profit of £98,000 after tax, the comparable figure for the previous year having been a loss of £253,000.

During 1961 BMC took a participation in The Builders and General Mortgage Company Limited, a company formed to provide bridging finance for the building industry. The Company is making satisfactory progress.

A year ago I reported good results in 1960 from The British Metal Corporation (Australia) Pty. Limited, but said that in 1961 Australia was going through a trade recession which was affecting our earnings. This position unfortunately continued throughout the year, and our Australian group of companies ended up with a small loss. BMC (Australia)'s satisfactory trading profits being more than counterbalanced by losses incurred by other companies in that group engaged in the distribution of machine tools. This has been particularly disappointing, and had the Australian group earned the same profit as in 1960, our own consolidated profit after tax in 1961 would have been slightly higher than in 1960. Two months ago the Australian Government announced various reflationary measures, and we hope that conditions in the capital goods industry will improve and that our group in that country will again be able to make a useful contribution to our earnings.

The British Metal Corporation (South Africa) (Pty.) Ltd. has again had a very good year, and the British Metal Corporation (Canada) Limited had a satisfactory year. It was announced to the press last November by Noranda Mines and BMC (Canada) that by mutual agreement the sales arrangement, under which the latter company was responsible for the sales of non-ferrous metals and minerals under the control of the Noranda group, had been terminated. There will be a consequential reduction in commissions earned by BMC (Canada), but active steps are being taken to expand the company's earnings in other directions.

HENRY GARDNER & CO. LIMITED

The profits before tax of Henry Gardner & Co. were slightly higher than for the previous year although the net profits for 1961 were marginally lower. The Company's general trading operations in commodities and other merchandise yielded a good improvement in gross revenue. This improvement was sufficient fully to absorb in the 1961 Accounts a substantial charge for repairs and renovations on the office building and contents commissioned by the Company on the conclusion of negotiations for a long-term lease of the property.

Gardner's Subsidiary Companies returned a reduced Group profit, due mainly to less favourable results in Canada and Malaya. Of the individual units John Buttery's Rubber Estate Agency business maintained a fully satisfactory level of profits but the merchandising company in Malaya, Sandilands Buttery, suffered a material reduction, due to higher establishment costs in the territory.

In Canada, Drew Brown incurred a small loss in what was, for them, a year of adjustment. For over ten years they derived good revenue from an important sales agency for imported pigments and much of this revenue was lost to them in 1961, when the manufacturers decided upon a policy of domestic manufacture coupled with distribution through their own sales organisation. Developments are well advanced towards replacing this loss of revenue through direct trading and light manufacturing activities and we expect to see improved results in 1962.

Rayner & Stonington in New York had a successful year through active trading in cocoa and coffee.

During the year our board was strengthened by the addition of Sir Douglas Thomson, Bt, to our number. His long experience of shipping and of affairs in parts of the East will be of great value.

EDWARDS HIGH VACUUM

Specialists in high vacuum equipment for:

INDUSTRY · RESEARCH · ATOMIC ENERGY · MEDICINE · EDUCATION

The twenty-second Annual General Meeting of Edwards High Vacuum Limited was held on May 30th, in London, the Rt. Hon. Lord Wilmot of Selmeston, PC, JP (the chairman), presiding.

The following is an extract from his circulated statement:—

We can report another record year of expansion in the Company's business, especially in our export trade.

FACTORS INFLUENCING THE RESULTS

During the year we completed our plans for a substantial increase in research, development and production capacity. The total production areas represent approximately a 100 per cent increase in capacity. For many years we have had difficulty in maintaining delivery promises; with these new facilities we can now report considerable improvement.

Home sales were lower than expected, but this trend was offset by the increase in the export figures. It must be pointed out, however, that export sales do involve lower margins.

The expansion of the Research and Development Divisions is of particular importance since its objective is to realise to the full every opportunity presented in the wide field of application of high vacuum principles (with particular emphasis on components), and to reduce the period between the development of new ideas and their conversion into saleable goods. With these objects in view an increase of 50 per cent has been made during the year in area, equipment and trained scientific personnel.

In view of all the circumstances I have indicated, your Directors feel that the maintaining of the Group Trading Profit at approximately £360,000 can be regarded as most satisfactory. The total dividend for the year of 15 per cent represents the same percentage distribution as for 1960 but it is paid on the total of Ordinary Shares increased by the Rights Issue made during August, 1961.

Notwithstanding the present trend of home orders, your Directors feel that with the increase in export sales and their plans for the consolidation and expansion of Group selling activities, the long-term growth of the Company as revealed by the trend of past years can be maintained.

Having reported significant increases in turnover of the companies in Canada, America, Italy and Germany, the chairman continued:

INTERNATIONAL REORGANISATION

Important plans are now under consideration for the reorganisation of your Company on an international basis. We desire to obtain the maximum co-operation between all companies in the Edwards Group in research, production, selling and servicing facilities.

With these objectives in mind your Directors propose to reorganise the Company on the basis of an International Holding Company, and have negotiated with our Associates in the Canadian, American and Italian companies the acquisition of 100 per cent interest in those companies in consideration for shares in the Holding Company.

It is hoped that full details of this scheme will be forwarded to shareholders in June at the same time as a Circular concerning a proposed scrip issue of seven new Ordinary Shares for every 10 Ordinary Shares held.

The report and accounts were adopted.

Head Office: Manor Royal, Crawley, Sussex.

CANADA · ITALY · GERMANY · U.S.A.

BANK OF WEST AFRICA LIMITED

AN APPRECIABLE GROWTH OF BUSINESS IN MOST BRANCHES

PROVISION OF EXCEPTIONALLY HEAVY FINANCE FOR SALE OF WEST AFRICAN PRODUCE

The sixty-eighth annual general meeting of the Bank of West Africa Limited will be held on June 21st at the office of the company, 37 Gracechurch Street, London, E.C.3.

The following are extracts from the statement by the Chairman, **Mr Sylvester Gates, CBE,** which has been circulated with the report and accounts for the year ended March 31, 1962:

In the Balance Sheet the Reserve Fund shows the increase of £200,000 appropriated from the past year's profits, bringing this fund up to £3,500,000. Current, Deposit and Other Accounts have risen during the year by some £3,000,000. On the assets side of the Balance Sheet cash is rather high with a ratio of 11 per cent to deposits. The localisation of our resources following upon the establishment of Central Banks in Nigeria and Ghana has tended to result in higher total cash holdings. In regard to other items which fall within the assets comprised in the liquidity ratio I should mention Other Bills at £6,884,000 which compare with £5,175,000 a year ago and £367,000 in 1960. In the year ended March, 1961, we provided exceptionally heavy finance in connection with the sale of certain lines of West African produce, some part of which was carried by way of bills. This arrangement was so successful that during the past year it has been extended. With the help of N. M. Rothschild & Sons a consortium comprising eleven other banks was organised which under our leadership has provided one of the largest crop credits believed to have been raised in London in recent years. Our Advances are slightly lower compared with a year ago, now amounting to some 50 per cent of deposits, the reduction being accounted for by reason of the crop finance this year provided through the services of our friends in the consortium.

PROFITS AND EXPENSES

Profits earned during the year show a small reduction. Overall expenses continue to grow and we are hard pressed to keep our income abreast with them. The restriction on the transfer of profits from Ghana is unwelcome, as any restriction of this nature is bound to be to the investor. However, in our case the 60 per cent of net profits required to be reinvested in Ghana presents no immediate problem as that amount will be more than absorbed for years to come by our capital works programme.

We are exerting ourselves to the utmost to develop the banking habit in those overseas territories which we serve. Once again we have secured an appreciable growth in business at most of our branches.

During the year we have opened new buildings at the following points: Agege, Agodi, Calabar, Ikeja and Oyo in Nigeria and Dunkwa and Wa in Ghana. New branches have been opened at Kaneshie (Accra) in Ghana and at Kenema in Sierra Leone.

Rising costs are tending to limit our further extension into new areas. It may therefore be that the rate of increase in the number of our offices will be rather slower than in the past eight or ten years during which period we have trebled the size of our business.

IMPORTS AND EXPORTS

At present the imports of the so-called underdeveloped countries in Latin America, the Middle East, Africa and Asia total about £7.1 thousand million and their exports nearly £7 thousand million. If, while their population rises by 2½ per cent each year, per capita income (at constant prices) is to increase by 3 per cent per annum, their import requirements (ignoring for the moment any possible savings from the growth of domestic manufacture) will be £21 thousand million by 1980. Therefore even if they were to receive sufficient aid and loans to finance, say, £3.5 thousand million of these imports, exports would have to rise from £7 thousand million to £17.8 thousand million over the next twenty years.

Demand in European and North American markets for the traditional export commodities of tropical countries cannot be expected to keep pace with an export increase of this magnitude. At best, we may hope that the 1980 saleable aggregate will be about £12.5 thousand million, leaving at least £5.3 thousand million to be represented by exports of manufactures, including under manufactures the value added by processing materials and foodstuffs.

Such a rate of increase in manufactured exports may possibly be within the power of those countries which have already acquired massive industrial capital and a variety of industrial techniques—countries such as India or Brazil. But West Africa is still at an earlier stage of development; more dependent than are most underdeveloped countries on income from the export of foodstuffs and raw materials; more dependent also than the average on the import of manufactured goods. Although West Africa is developing its manufacturing activity, and will do so at an increasing rate, the resultant output will not be such as to solve the basic problem quickly. For the next decade, at any rate, economic development must be closely related to income from export of the well-known tropical staples.

STEPS REQUIRED TO MAINTAIN LIVING STANDARDS

It is incumbent not only on the governments of underdeveloped countries but on the governments of the more highly developed countries also to do all they reasonably can to prevent the creation of strains which could lower the standard of life of those dependent on tropical agriculture. What steps can be taken? First, and by far the most important, Britain and countries like her must be prepared to accept as much as possible of what the poorer countries can produce for export, whether these are primary products or, as they may increasingly become, simple manufactures. Secondly, there are certain practices which the Common Market countries should take action to prohibit. The Treaty of Rome imposes on its members a uniform external tariff, but has hitherto left them free to levy internal excise duties. Surcharges of this type arouse justifiable resentment and should be withdrawn. Thirdly, a comprehensive analysis of market prospects for tropical staples in consumer countries should be undertaken, resulting in action and not merely a further programme for action.

But however much co-operation they receive from the developed countries, the growers' problems will call for unsparing efforts on their own part to improve their efficiency.

THE LONDON ASIATIC RUBBER & PRODUCE COMPANY, LIMITED

and its Subsidiaries

ISSUED CAPITAL £1,628,934 in 2s. shares

Directors: Sir Eric Macfadyen, J.P. (President elect), John Sands, C.A. (Chairman), R. O. Jenkins, M.C. (Vice-Chairman), A. W. Porter, D. R. Mathews.

Secretaries and Agents: Harrisons & Crosfield, Limited.

Summary of Directors' Report and Accounts for year ended 31st December, 1961.

PROFIT AND DIVIDEND:		
Profit after tax		£843,690
Replanting expenditure		£224,511
Dividend for year—40 per cent		£399,089
TOTAL ASSETS (including new planting expenditure 1961—£108,666)		£5,429,068
NET CURRENT ASSETS		£1,139,260
CROPS:	1961	Estimate, 1962
Rubber	29,444,733 lb.	29,901,400 lb.
Palm Oil	1,719 tons	2,600 tons
Palm Kernels	353 tons	628 tons
ESTATES:		acres
Planted: Rubber		48,931
Oil Palms		4,147
		53,078
Replanted or new planted in 1961		1,314
Programme for 1962		1,700

Fifty-fourth Annual General Meeting, 11 a.m. on 25th June, 1962, at The Queen's Room, The Baltic Exchange, St. Mary Axe, London, E.C.3.

RAND MINES, LIMITED

(Incorporated in the Republic of South Africa)

ADDRESS BY MR CHARLES W. ENGELHARD, CHAIRMAN

The sixty-seventh Annual General Meeting of the Company was held in the Board Room, Corner House, Johannesburg, on Thursday, May 24, 1962.

Mr Charles W. Engelhard, who was in the Chair, addressed the meeting as follows:

INVESTMENT AND DIVIDEND POLICIES

As a mining finance company and as a parent company of the Central Mining—Rand Mines Group, Rand Mines' principal interest continues to be the dual one of investment in and administration of South African mining companies, particularly gold mining. The total value of the company's quoted investments on the Johannesburg Stock Exchange at the end of 1961 was R28 million of which 72 per cent represented investments in gold and uranium mines, 7 per cent in coal mines, 14 per cent in industrial and other enterprises and 7 per cent in finance companies. As mines have finite lives, close attention is given to the company's investments in this field so that as large a proportion as possible is held in mining equities with reasonably long life prospects. For instance, 82 per cent of the company's investments in mining companies are in mines which are estimated to have lives of 20 years or more.

EXPLORATION AND DEVELOPMENT

With its dual function of investment and administration Rand Mines is interested not only in maintaining and building up its share portfolio but also in finding and establishing new mining and industrial enterprises. In recent years Rand Mines has devoted considerable attention and funds to these objectives and it must be borne in mind that only an active and imaginative organisation will recruit and keep the best men in the technical and administrative fields.

Geological exploration continued during 1961 on the reduced scale envisaged. Operations were conducted over a wide area of Southern Africa in the search for exploitable deposits of gold as well as copper, manganese, tin, fluorspar and other base minerals. No commercial deposits were proved during the year but some of them still hold promise and continue to be under active investigation. The two copper prospects in South West Africa were disproved after initial promise and have been abandoned as have sundry other ventures both in South West Africa and the Republic. No ventures are at present under investigation in the Rhodesias.

MINING INTERESTS

During 1961 the companies of the Group continued to play an important role in South African and therefore world gold production; together they were responsible for 19 per cent of the 73 million tons of ore milled by the whole South African industry; and for 18 per cent of the 22½ million ounces of gold produced. Uranium production of the Group mines was 15 per cent of the total South African production of 5,468 tons of uranium oxide. The collieries of the Group produced 6.5 per cent of the total South African production of 44 million tons of coal.

INDUSTRIAL INTERESTS

Rand Mines has material investments in the industrial sphere, principally in the Pretoria Portland Cement Company and its associated cement companies; in The Hume Pipe Company (South Africa); and in The Northern Lime Company. The operations of all these companies last year were satisfactory bearing in mind the difficult trading conditions.

FUTURE OUTLOOK

The economy of the country, especially during the last two years, has been subjected to burdens which have inevitably led to serious difficulty. Indeed, rapid falls of gold holdings and foreign reserves in the middle of 1961 were a matter of great concern. At this juncture the Government took steps to tighten up import control and, in addition, imposed certain restrictions with regard to dealings in shares and movement of capital. I think it demonstrates the tremendous resilience of the South African economy that these restrictions in a very short time resulted not only in a reversal of the outflow, but also created a remarkable rise in the reserves from R142 million in June, 1961, to R370 million last week. The Government has stated that it views the restrictions imposed as interim measures, and it is hoped that before too long it will be possible to relax them gradually and eventually to eliminate them completely. Such a step would, of course, be a large one in the restoration of world confidence in South Africa. I do not desire to express opinions on political policies or to comment upon the attitudes of peoples in other countries towards South Africa. On the one hand it is clear that considerable unjustified prejudice against the Republic exists in the outside world. On the other it is equally clear that if South Africa is to prosper and regain world confidence, thereby ensuring an inflow of capital from abroad, it must recognise the necessity of evolving a policy which will result in an overall atmosphere of harmony and prosperity among all the peoples residing within the Republic. It is also clear that this country has special problems, and that these, particularly in the light of developments in other parts of the world, do not offer ready or simple solutions. The people of this country have, however, faced difficulties again and again in their long history and have successfully overcome them. I am confident therefore that the problems which are faced to-day, particularly if taken in the light of the tremendous advantages enjoyed by the Republic, can be solved in a way which in time will be satisfactory not only to those within the Republic, but will be acceptable to all reasonable people in the world at large. Such a return of confidence will inevitably result in re-attracting foreign capital to this country and thus make possible more rapid large scale progress, particularly in undeveloped areas. This in turn, by improving the conditions in those areas, will help to eliminate some of the problems.

From the point of view of the development of business in South Africa, it is certainly encouraging to note the emergence of large development programmes from industry, mining and Government, particularly the Orange River project. It is our hope at Rand Mines that we may be able to play a worthwhile role in the future development of the country's resources.

HAWKINS BROS. HOLDINGS (GOSPORT)

PROGRESS AND DEVELOPMENTS REVIEWED

NAME CHANGED TO HAWKINS DEVELOPMENTS LIMITED

The 8th annual general meeting of Hawkins Bros. Holdings (Gosport) Limited was held on May 28th in London, **Mr T. B. Bond** (the Chairman) presiding.

The following is his circulated statement:

When I reported to shareholders at the Seventh Annual General Meeting on December 29, 1960, I asked for patience and understanding to be exercised to allow the reconstituted Board to effect changes in the Company's trading policy. However, it soon became evident that, to permit this, changes in the financial structure were necessary. Accordingly, on September 28th last, the nominal capital of the Company was increased to £500,000, and the borrowing powers altered to four times the paid-up capital. In the covering circular to shareholders I also announced that three minor and one major housing developments of our own had been commenced: a new departure in the Company's activities. Our next move, which was announced in my circular of November 23, 1961, was to make a one for one "rights" issue at par and at the same time issue 1,500,000 shares at par to Marvan Investment Trust Limited. The basic reasons for this were to provide adequate working capital for the Company's new development activities and also to finance a Joint Venture housing development with The Unit Construction Co. Ltd. under the name of Unihawk Ltd.

BOARD'S CONFIDENCE

At this point in the Company's history I can only say that preliminary indications of the profitability of the new activities are favourable. Given reasonable weather and a satisfactory economic background, I and my Board are quietly confident as to the outcome. The general contracting side of the business has done well, and all in all a satisfactory rate of profit earned, which is, of course, confirmed by the figures and our proposed re-entry into the dividend list.

I think it is noteworthy to record the recent appointment of Mr S. Collins, an experienced building and contracting executive who previously held a responsible position with a nationally known contractor. He has been elected a Director of our subsidiary company.

Your Board have for some time considered that the present name of the Company is somewhat unwieldy, and furthermore that the name is now inappropriate, as the Company's activities are no longer confined to the neighbourhood of Gosport. It is therefore proposed to submit a Special Resolution changing the name of the Company.

I feel that shareholders' thanks are well deserved by our Joint Managing Directors, Mr Robert S. Lamdin and Mr Warwick Martin, who have not spared themselves in achieving this improvement in the Company's fortunes. Indeed, our thanks are due to all the Company's executives and operatives.

The report and accounts were adopted, and the proposed dividend of 10 per cent, less tax, for the 15 months ended December 31, 1961, was approved.

The proposed change of the Company's name to "Hawkins Developments Limited" was sanctioned.

BARTON & SONS

The annual general meeting of Barton & Sons Limited was held on May 30th at Sutton Coldfield.

The following is an extract from the circulated statement of the Chairman, **Mr H. Prichards**:

The profit before taxation of £1,069,968 shows a reduction of just under 6 per cent when compared with the previous year. The Group Sales for the year under review amounted to £7,910,000. This is a decrease of £410,000 on the year 1960, but the group did not experience a falling off in the demand for its products, in fact the reverse was the case. The majority of the subsidiary companies expanded their output during 1961, and the reason this is not reflected in the group sales figure is that there was a substantial increase in the gross value of work in progress in our structural steel section.

A final dividend of 11½ per cent on the Ordinary stock is recommended, making 17½ per cent for the year. This compares with an effective dividend of 16 per cent for 1960.

The Net Profit for the year after meeting all charges including taxation is £541,117, compared with £587,971 last year.

When the capital projects already authorised are completed, we shall have spent £1,000,000 since the beginning of 1960 in re-equipping, modernising and expanding the productive facilities of the group. With our improved facilities and a continuance of the very successful efforts employed by the management and staffs of our subsidiary companies, I anticipate being able to present a very satisfactory report in respect of the operations of the current year.

The report was adopted.

SELECTION TRUST

Mining Finance and Exploration

RESULTS FOR YEAR ENDED 31st MARCH, 1962

	£	(1961) £
Revenue, less expenses, of the Company and its subsidiaries was ...	3,728,740	3,497,330
Taxation amounted to	1,789,087	1,610,746
	1,939,653	1,886,584
Interest of outside shareholders in profits of subsidiaries was... ...	100,571	30,063
leaving	£1,839,082	£1,856,521
This amount has been applied as follows:—		
Transferred to Reserves or Surplus	686,361	743,549
Ordinary Dividend of 7s. 3d. per stock unit (1961, 7s. 0d.) less tax	1,152,721	1,112,972
	£1,839,082	£1,856,521

Exploration Expenditure of £461,147 (1961, £359,881) was charged to Exploration Reserve. Net appreciation of £26,429 in the value of certain investments (1961, £196,287 depreciation) was credited to Investment Reserve.

CONSOLIDATED NET ASSETS

	£	£
Quoted Investments at book values	5,256,687	5,047,591
Unquoted Investments at book values	470,074	523,466
Net current assets	2,418,436	2,331,751
Other assets less liabilities	1,490,212	1,431,637
Interests of outside shareholders	(1,881,211)	(1,833,703)
	7,754,198	7,500,742
Appreciation of Investments over book values*	31,537,061	26,858,805
Total Net Assets	£39,291,259	£34,359,547

** Taking quoted investments at stock exchange prices and the unquoted investment in Tsumeb Corporation at Directors' valuation.*

ANALYSIS OF ASSETS AND INCOME	% of Assets	% of Income
United Kingdom	5	3
U.S.A. and Canada	50	32
Ghana and Sierra Leone	13	30
Rhodesia	6	7
South Africa	14	15
South-West Africa	12	13
	100"/"	100"/"

The above percentages take into account both direct and indirect interests in the countries concerned and are necessarily only approximate.

PRINCIPAL INTERESTS

American Metal Climax
Bikita Minerals
Consolidated African Selection Trust
Rhodesian Selection Trust
Sierra Leone Selection Trust
Tsumeb Corporation
Vaal Reefs Exploration and Mining Company
Western Decalta
Western Holdings

Copies of the Annual Report of Selection Trust for the year ended 31st March, 1962, may be obtained from the Company's Transfer Office at

107, CHEAPSIDE, LONDON, E.C.2.

THE FRIARS INVESTMENT TRUST

DIVIDEND INCREASED

MR J. N. BUCHANAN'S STATEMENT

The thirty-fifth annual general meeting of The Friars Investment Trust Ltd. was held on May 28th at 30, Gresham Street, London, E.C., **Mr J. N. Buchanan, DSO, MC,** chairman, presiding.

The following is the chairman's statement circulated with the report and accounts for the year ended February 15, 1962:

You will see from the Directors' Report that during the year under review £500,000 5½ per cent Debenture Stock, 1985/90, was placed privately. Although this money was only invested for part of the year the income from it together with some increases from the existing investments raises the Dividend collections to £351,094, against £323,022 last year. Tax Refunds received are also up by £8,500 to £27,434. After payment of all expenses, interest and tax, the Net Revenue for the year is £188,965 equal to earnings of 15.43 per cent, against 14.25 per cent for the previous year.

During the year an increased Interim Dividend of 5 per cent was paid and the Board now recommend a Final Payment of 6½ per cent, making 11½ per cent for the year, against 11 per cent paid for the previous year.

APPRECIATION OF INVESTMENTS

The valuation of our Investments at the date of the balance Sheet amounted to £8,806,406, an increase over last year of £1,027,428, of which £440,000 is accounted for by the new Debenture money. The appreciation over book cost at the year-end was 142 per cent. The appreciation at February 15, 1961, was 146 per cent but if this is adjusted for the issue of Debenture Stock by adding the proceeds to the book cost and valuation at February 15, 1961, the appreciation then becomes 128 per cent. This year's figure of 142 per cent is therefore a satisfactory increase.

ALTERATION TO ARTICLES

The Directors consider that the Company should conform to the practice which is now common of issuing Stock certificates without signatures or with signatures affixed by mechanical means. In order to make it possible for this to be done an alteration to the Articles of Association is required after which the Board will in due course take the necessary steps. You will find enclosed with the Accounts a Notice calling an Extraordinary General Meeting, to be held immediately after the Annual General Meeting on May 28, 1962, at which the appropriate Resolution will be submitted.

The alteration to the Articles of Association will also incorporate certain provisions relating to certificates which are now required by the Stock Exchanges. A Proxy in favour of the Directors for use at this Meeting is also enclosed which you are invited to complete and return to the Registered Office so as to arrive not later than 12.05 p.m. on Saturday, May 26, 1962.

At a subsequent extraordinary general meeting the proposed alteration to the Articles of Association was approved.

BANQUE DE PARIS ET DES PAYS-BAS

PARIS

The Annual General Meeting of the BANQUE DE PARIS ET DES PAYS-BAS was held on May 17th in Paris under the chairmanship of **Governor Henri Deroy**. The following points are taken from the Report of the Board of Directors.

The main features of the world economy in 1961 were the moderate recovery of the United States and the slight slowing-down of expansion within the Common Market.

Conditions varied in the countries where the Bank operates. Belgium began to overcome the difficulties created by the severing of ties with the Congo and by the coal crisis. In the Netherlands, the revaluation of the guilder on March 7, 1961, weakened the country's ability to compete in international markets and brought a temporary halt to the rapid growth of the years 1959 and 1960. In Switzerland, activity was exceptionally brisk due to a high intake of foreign workers. However, the Authorities were not fully able to cope with the massive inflow of capital.

Although in France the gross domestic product did not advance as quickly as in 1960, it nevertheless rose by a further 4.5 per cent. For the first time since 1927, there was a favourable trade balance. The balance of payments showed an increase of $900 million in foreign exchange reserves. This inflow was the main cause of a high degree of liquidity in both the capital and money markets.

The net profit of the year to December 31, 1961, for the BANQUE DE PARIS ET DES PAYS-BAS amounted to NF 20,133,784.07 enabling a net dividend of NF 11.50 to be paid on each share of NF 100.

Pursuing its efforts to extend the already important part it plays in French industry, the Commercial Banking Department this year has again succeeded in increasing its volume of business, thereby demonstrating the effectiveness of its activities.

The operations entrusted to us by foreign correspondents rose by almost 20 per cent while deposits in new francs and foreign currencies have also grown. The Bank financed French exports to Brazil, Chile, Ecuador, the Soviet Union and the Republic of South Africa, and concluded a credit agreement with the Industrial Bank of Japan.

In its investment banking operations, the Bank acted as syndicate manager for the placing of loans floated by Librairie Hachette, Société du Pipe-Line Sud Européen, Société Industrielle des Raffineries de Sucre de Saint-Louis, Société d'Investissements Immobiliers du Nord SIMNOR, Compagnie de Signaux et d'Entreprises Electriques, Compagnie Générale de Télégraphie Sans Fil C.S.F., and Matériel Téléphonique.

The Bank also acted as syndicate manager for the increases in capital made by the Compagnie des Machines Bull, Etablissements Neyrpic, Société Anonyme des Forges et Aciéries du Nord et de l'Est, Union Sidérurgique du Nord de la France USINOR, Société Fives-Lille Cail and Agence Havas

We give below a few extracts from the Report's survey on companies belonging to the Bank's group or in which the Bank has interests.

During the first year of its existence, *PARIBAS CORPORATION* joined in the underwriting of 39 American stocks, most of which were placed outside the United States. It also gave its assistance to 169 new loan issues by local Authorities and public utilities in the United States.

Société d'Investissement de Paris et des Pays-Bas, with a capital of NF 80 million, had net assets on December 31, 1961, of NF 174.5 million, comprising 85.51 per cent French securities and 14.49 per cent foreign securities. On the basis of these net assets, the net worth of each NF 100 share was NF 218.24 at the end of the year.

The net assets of the *Compagnie Belge de Participations PARIBAS COBEPA*, with a capital of 700 million Belgian francs, amounted to 840.3 million Belgian francs on December 31, 1961. Based on these net assets, the net worth of each no par value share was 1,200 Belgian francs.

The sales of the *Compagnie Générale de Télégraphie Sans Fil C.S.F.* in 1961 were 22 per cent higher than in the previous year. The percentage increase for all the compagnies of the Group is 25 per cent. The volume of sales by its foreign subsidiaries made satisfactory progress, particularly in Italy. The *C.S.F.* has just increased its capital from NF 70,055,500 to NF 84.066,600 by a scrip issue.

The *Compagnie Française des Pétroles* group handled 20,165,000 tons of crude oil in 1961 compared with 18,662,000 tons in 1960. This year was also noteworthy for the promising results obtained from drillings in Libya.

The appointment of Mr Renaud Gillet as a Director was confirmed and the retiring directors, Mr Jean Reyre and Mr Arnaud de Voguë were re-elected for a further term of office.

APPOINTMENTS

UNIVERSITY OF NEW ENGLAND
Armidale, New South Wales

PROFESSOR OF POLITICS AND GOVERNMENT

Applications are invited for appointment to the foundation Chair of Politics and Government. The Department will be expected in time to develop the teaching of political theory and institutions, public administration and international relations; but it would be preferred that the Professor's interests be primarily in the central fields of political theory and institutions.

The salary is £A4,250 per annum, plus a cost-of-living allowance, at present £A44 per annum. Other conditions include Superannuation on the F.S.S.U. pattern; a year's study leave after each six years' service, (other with a contribution towards overseas travel (or *pro rata* for shorter periods); first-class fares and removal expenses; finance to buy or build a home.

Further information and the conditions of appointment are available from the Registrar of the University or from the Secretary, Association of Universities of the British Commonwealth (Branch Office), Marlborough House, Pall Mall, London, S.W.1.

Applications will close in Australia and London on *July 16, 1962*.

UNIVERSITY OF BRISTOL

Applications are invited for the post of Research Assistant in the School of Management Studies. Initial salary within the range £900 x £50-£1,050 p.a. Applicants must hold a degree in a subject or subjects relevant to management studies. Further particulars may be obtained from the Registrar, University, Bristol 8, to whom applications should be sent by June 25th.

THE UNIVERSITY OF SHEFFIELD

DEPARTMENT OF EXTRAMURAL STUDIES

Applications are invited from suitably-qualified Honours Graduates for the post of TUTOR IN ECONOMICS/INDUSTRIAL RELATIONS, to begin duties as soon as possible in the session 1962/63. Teaching duties will include day-release classes for Mineworkers, but a Tutor is sought who will be interested in the development of a wider range of studies in an industrial area. Salary on the scale £900 x £50-£1,050 (Probationary Tutor); £1,150 x £50-£1,500 x £75-£1,950 (Staff Tutor), with F.S.S.U. provision and family allowance. A grant towards removal expenses will be made. Applications (10 copies) by 30th June, 1962, to the Registrar, The University, Sheffield, 10, from whom further particulars may be obtained.

UNIVERSITY COLLEGE, DUBLIN

Applications are invited for the post of Assistant in Political Economy. Salary scale: £800 x £50 to £900.

If the successful applicant is a member of the F.S.S.U., he will be enabled to have his membership continued on the normal basis. Tenure of the post will be for two years. The appointment will date from October 1, 1962.

Applications, with the names of two referees, should reach the undersigned not later than June 15, 1962.

Signed:

J. P. MacHale,
Secretary and Bursar,
University College,
Earlsfort Terrace,
Dublin, 2.

THE LONDON SCHOOL OF ECONOMICS AND POLITICAL SCIENCE

Applications are invited for a Junior Fellowship in International Studies, tenable for one year from October, 1962. Emoluments within range £750 to £1,000 a year.

Applications, together with the names of three referees, should be received not later than June 20, 1962, by the Secretary, London School of Economics and Political Science, Houghton Street, London, W.C.2, from whom further particulars may be obtained.

UNIVERSITY OF EXETER

Applications are invited for the post of LECTURER or ASSISTANT LECTURER in GOVERNMENT.

Salary scales (under review).
Lecturer: £1,050—£1,850 per annum.
Assistant Lecturer: £800×£50—£950 per annum.

Further particulars may be obtained from The Secretary of the University. Closing date or applications (eight copies; one copy from overseas candidates), 16th June, 1962.

UNIVERSITY OF EXETER

CHAIR OF ECONOMICS (Second Chair)

CHAIR OF PSYCHOLOGY } Chairs in newly
CHAIR OF SOCIOLOGY } independent departments

The Council invites applications for the above Chairs, to which appointments will be made from October 1, 1962, or as soon thereafter as possible.

The salary in each case will be not less than £2,600 per annum.

Further particulars may be obtained from The Secretary of the University, to whom applications must be submitted (14 copies; one copy from overseas candidates) by June 22, 1962.

UNIVERSITY OF DUBLIN
TRINITY COLLEGE

ASSISTANT IN ECONOMICS AND STATISTICS

Applications are invited for the post of Assistant in Economics and Statistics; duties to be taken up on September 21, 1962. The appointment will be for one year in the first instance, at a salary of £450; the assistant will be eligible for re-appointment for a further year at a salary of £500.

Applications (4 copies), giving full details of academic career and the names and addresses of three referees, should reach the Registrar, Trinity College, DUBLIN 2, from whom further particulars may be obtained, not later than June 19, 1962.

ABBOTSHOLME SCHOOL

Applications are invited for the post of Bursar which comes vacant towards the end of 1962. Salary according to experience and qualifications. Married accommodation available. Experience in administration, accountancy, property management desirable.—For further particulars, apply Headmaster, Abbotsholme School, Rocester, Uttoxeter, Staffordshire.

UNIVERSITY OF BRISTOL

Applications are invited for the post of Agricultural Economist in the Bristol Province of the Provincial Agricultural Economics Service. The person appointed will hold the status of Lecturer in the University and the appointment will be made within the Grade II scale £1,150 x £50-£1,500 p.a. with F.S.S.U. and Family Allowance benefits. The scale then proceeds £1,500 x £75-£1,950 p.a.

Further particulars may be obtained from the Registrar, The University, Bristol 8, to whom applications should be sent by June 30th.

UNIVERSITY OF GLASGOW

LECTURESHIP IN ECONOMETRICS IN THE DEPARTMENT OF SOCIAL AND ECONOMIC RESEARCH

Applications are invited for a Lectureship in Econometrics in the Department of Social and Economic Research. Salary scale: £1,150 to £1,950 per annum (efficiency bar at £1,650). Initial salary according to experience and qualifications. F.S.S.U. and family allowance benefits.

Applications (8 copies) with the names of three referees should be lodged, not later than June 23, 1962, with the undersigned, from whom further particulars may be obtained.

ROBT. T. HUTCHESON.
Secretary of University Court.

UNIVERSITY OF BELFAST

LECTURESHIP AND ASSISTANT LECTURESHIP IN ECONOMICS

The Senate of The Queen's University of Belfast invites applications for a Lectureship and an Assistant Lectureship in Economics from 1st October, 1962, or as soon thereafter as possible. Salary scales (at present under review) are £1,050 to £1,850 plus contributory pension rights under the F.S.S.U. for a Lectureship, and £800 x £50 to £950 plus F.S.S.U. for an Assistant Lectureship. Initial placing on the salary scale will depend on qualifications and experience. For the Lectureship special qualifications in statistics or mathematical economics are desirable but not essential. Applications should be received by *15th June, 1962*. Further particulars may be obtained from G. R. Cowie, M.A., LL.B., J.P., Secretary.

UNIVERSITY OF ST. ANDREWS

Applications are invited for the following posts tenable in Queen's College, Dundee, in the University of St. Andrews, commencing October 1, 1962 :—

Lectureships (three) in Economics.
Lectureship in Geography.
Lectureships (two) in Modern (including Economic) History.
Lectureships (two) in Political Science (One Lectureship—special qualifications in political Institutions).
Lectureship in Psychology.

Salary scale: £1,150 x £50 to £1,500 x £75 to £1,950 (efficiency bar £1,500). Placing according to qualifications and experience. F.S.S.U.; family allowance; grant towards furniture removal expenses. Applications (6 copies) containing the names of three referees, to be lodged not later than June 23, 1962, with the Secretary of the University at Queen's College, Dundee, from whom further particulars may be obtained.

For further appointments and other classified advertisements see pages 951, 952 & 953

UNIVERSITY OF GLASGOW

DEPARTMENT OF SOCIAL AND ECONOMIC RESEARCH
ASSISTANTSHIP IN APPLIED ECONOMICS

Applications are invited for an Assistantship in Applied Economics. Salary scale: £900-£1,050 per annum. Initial salary according to experience and qualifications. Applications from persons intending to graduate this session will be considered. F.S.S.U. and family allowance benefits.

Applications (3 copies) with the names of three referees should be lodged, not later than June 23, 1962, with the undersigned, from whom further particulars may be obtained.

ROBT. T. HUTCHESON.
Secretary of University Court.

COMPANY AFFAIRS

In the London stock market this week the movements in share prices have reflected the violent fluctuations on Wall Street. On Tuesday the falls in prices were the sharpest since 1929 and low yielding stocks, particularly banks, insurance, property, building and electronics were badly hit. Motors too fell back sharply on the dismal news from Ford Motor. Wednesday provided a complete contrast and with the small investor to the fore, prices moved up sharply and wiped out a good deal of the previous day's losses. The Economist *indicator which had fallen from 340.2 to 313.6 by the close on Tuesday showed a net fall of 8.1 to 332.1 over the week. On Thursday prices eased ahead of Wall Street's opening but the release of special deposits helped gilt-edged stocks.*

Elliott-Automation

Low yielding shares fall into two categories: those in companies which look ripe for a take-over bid and those thought to have exceptional growth prospects. Elliott-Automation and other shares in the electronics industry come in the second category. After falling 5s. 6d. to 42s. 9d. on Tuesday the 5s. shares in Elliott-Automation recovered to 46s. 9d. to offer a dividend yield of 1½ per cent and an earnings yield of 3 per cent. Are these nominal yields justified?

In his statement with the full accounts the chairman, Mr Rudolph de Trafford, goes some way towards supplying the answer in one of the few optimistic statements to come from British industry in recent months:

> While it is obviously impossible to forecast the rate of growth for your company year by year, we remain firmly convinced that this is still in its early stages and is bound to continue for a long time to come. In the current year, orders and deliveries continue to show a substantial advance and at the present time we can see no reason why the year's results should not show further satisfactory progress.

Sales and profits have risen sharply since the merger between Elliott Brothers and Associated Automation in 1958. From £16 million in 1959 sales jumped to £20 million in 1960 and £27 million last year. In the same period trading profits have doubled from £1½ million to £3 million; and equity earnings have almost matched this rapid growth, rising from 18½ to 32 per cent. The growth in earnings owes a good deal to the high gearing of the ordinary capital. Since 1959 the proportion of capital and reserves attributable to debentures and preference stocks has risen from 8 to 38 per cent. The company now plans to issue a further £2 million of a 6½ per cent debenture which will bring the total issue of debentures to £6 million, compared with an issued ordinary capital of £5.6 million. The company's appetite for funds has been big and in 1961 despite the issue of £4 million debentures, a cash flow of £1.1 million, and a lease back arrangement with the Legal and General net bank overdrafts fell only slightly, from £2 million to £1.6 million.

On the assumption of a further expansion in profits, the benefit to shareholders from the improvement in gearing could be substantial, though against this must be set the likelihood that the group will have to continue to allocate large sums for research and development. How much is so allocated is not known as research and development is charged before striking trading profits. But the principal uncertainty is how quickly or how willing British industry is prepared to adopt automation systems. The group's wide range of equipment together with its large number of licensing agreements with major American firms does however indicate that it should do better than most in an industry where competition is increasing.

John Thompson

THIS week's preliminary statement from John Thompson, the Wolverhampton boilermakers, amply fulfilled expectations of a sharp recovery in profits in 1961. The group's trading profit rose from £994,000 to £1,424,000 and coming after the Babcock and Wilcox results it strengthens the belief that the boiler making industry may be over the worst and that most of the losses on atomic power contracts have now been absorbed. In 1960 the group reported a net loss of £1,777,000 after providing £1.7 million against exceptional losses on the Berkeley Nuclear Power Station contract and in 1961 net profits after taking into account a tax credit of £188,000, amounted to £552,000. The atomic power losses are not completely over but the current provision made against them of £201,000 after a tax relief of £228,000 has been met by a transfer from general reserve.

These results are backed by a better than expected dividend of 15 per cent, against the previous year's payment of only 5 per cent. The 5s. shares actually gained 3d. on Tuesday and at 14s. 4½d. yield almost 5¼ per cent.

The Economist Indicator (1953 = 100)

1962	Indicator	Yield %	1962 High	1962 Low
April 25	359·4	5·03		
May 2	362·4	5·00		
,, 9	356·7	5·10		
,, 16	355·7	5·10	364·4 (Jan. 17)	332·1 (May 30)
,, 23	340·2	5·34		
,, 30	332·1	5·42		

Financial Times Indices

1962	Index †	Ord. Yield	2½% Consols Yield	Bargains Marked
May 24	284·3	5·50	6·10	13,448
,, 25	383·2	5·53	6·10	13,116
,, 28	279·3	5·60	6·10	15,291
,, 29	261·3	5·99	6·17	15,745
,, 30	276·6	5·66	6·13	20,398

High, 310·2 (Jan. 19). Low, 261·3 (May 29).
† July 1, 1935 = 100.

Coats, Patons and Baldwins

As there is a tendency to imagine that all textile groups are tarred with the same brush, it has to be pointed out that the wool side of the newly-formed Coats, Patons and Baldwins group achieved a record volume of sales last year and, in hand-knitting yarns and synthetic yarns for the knitwear industry, is well established in a thriving market. The combined group's net profit of £8,336,000 in 1961 was slightly below the forecast of £8,400,000.

No loss was suffered on wool stocks last year, and though the grades of cotton normally required for the thread business could not be obtained from Egypt and a long-standing trading connection has been broken, it seems unlikely that there will be any difficulty about supplies or falling prices for the group's raw materials this year. The chairman of the group, Sir Malcolm McDougall, tentatively forecasts that the pattern of results from wool, cotton and synthetics will be similar to those of 1961. The longer-term benefits of the merger have still to emerge, though the chairman cites several examples where the merger has already been turned to good account in the group's overseas trading. The current dividend of 12½ per cent is covered 1.8 times by earnings and at 42s. xd, Coats, Patons and Baldwins offers a yield of 6 per cent.

Coats has some three quarters of its manufacturing capacity abroad and, within the common market it already has factories in Germany, Italy and Holland. Where needed, working capital for overseas subsidiaries has been covered by local borrowings. Hence bank overdrafts have risen from £4 million to £4.9 million, even though the group's holdings of liquid assets amounted to £16¾ million. Capital commitments are over £3 million. The modernisation of the Scotch Wool Shops is to be completed by Patons and Baldwins. A number of Coats' overseas factories are to be modernised and some reorganisation abroad will absorb further funds. Part of the cost of the group's continuing re-equipment in Britain will be met by government grants, but the chairman says that new techniques for dyeing and bleaching may involve heavy expenditure on re-equipment.

STOCK PRICES

Prices, 1962 High	Prices, 1962 Low	BRITISH FUNDS AND GUARANTEED STOCKS	Price, May 23, 196.	Price, May 30, 1962	Net Red Yield, May 30, 1962§ £ s. d.	Gross Red Yield, May 30, 1962 £ s. d.	Cover
100[15]/16	100[3]/32	Treasury 5½% 1962	100[9]/16	100[9]/16	1 17 1	4 3 7	...
98[7]/16	96[3]/16	Exchequer 3½% 1962–63	98[31]/32	98[31]/32	3 9 2	4 11 11	...
100[7]/32	98½	Conversion 4¾% 1963	100[3]/16	100[3]/16	2 15 11	4 11 4	...
96-3/16	93[1]/16	Exchequer 2½% 1963–64	96[7]/16	96[13]/32	3 8 4	4 8 8	...
99[7]/16	97[1]/16	Conversion 4½% 1964	99[11]/32	99[7]/16	3 0 1	4 15 10	...
94[3]/8	90[11]/32	Savings Bonds 3% 1955–65	94[3]/32	94[1]/8	3 13 8	5 0 2	...
100[3]/8	98[3]/32	Exchequer 5½% 1966	100[1]/4	100[5]/32	3 3 10	5 8 10	...
87[27]/32	85	Savings Bonds 2½% 1964–67	87[3]/32	87[5]/8	4 6 7	5 7 11	...
86[9]/16	83[5]/16	Funding 3% 1966–68	86½	86[1]/2	4 9 7	5 16 7	...
87[1]/8	84[7]/8	Conversion 3½% 1969	87[1]/16	87	4 9 9	6 0 7	...
84[7]/8	82[9]/8	Funding 3% 1959–69	84[1]/16	84	4 12 5	5 18 9	...
97	92[1]/4	Victory 4% 1920–76	96[15]/16	96[3]/4	4 3 1	4 14 3	...
81[5]/16	78[15]/16	Savings Bonds 3% 1960–70	81[5]/8	81[1]/4	4 13 4	6 0 8	...
93[1]/16	90[9]/16	Conversion 5% 1971	92[7]/8	93	4 3 11	6 5 11	...
99[1]/8	97[1]/4	Conversion 6% 1972	99[3]/8	99[1]/16	3 17 3	6 6 1	...
93[11]/16	91[1]/8	Conversion 5½% 1974	91[15]/16	91[1]/4	4 2 8	6 5 5	...
89[7]/8	87[3]/4	Funding 4% 1960–90	88[1]/16	88[1]/4	3 13 1	6 5 10	...
72[3]/4	70[7]/16	Savings Bonds 3% 1965–75	72[1]/16	71[7]/8	4 15 10	6 5 2	...
71[7]/8	69[5]/8	Treasury 3½% 1977–80	70[1]/4	70[3]/8	4 11 4	6 5 0	...
71	68[5]/16	Treasury 3½% 1979–81	70[3]/16	70[3]/4	4 10 7	6 5 5	...
93[7]/16	90[3]/16	Funding 5½% 1982–84	93[3]/8	93[5]/16	4 3 18	6 4 10	...
57[3]/8	54	Redemption 3% 1986–96	56[1]/4	56	4 1 0	6 5 4	...
85[7]/8	82[3]/8	Treasury 5% 1986–89	85[3]/4	85[7]/16	4 4 6	5 19 7	...
62[1]/4	56[15]/16	Funding 3½% 1999–2004	62[3]/16	62	4 1 8	6 2 2	...
90[9]/16	84[1]/8	Treasury 5½% 2008–12	90[9]/16	90[1]/4	3 16 10	6 4 3	...
63[7]/8	58[1]/4	Consols 4% ..... after Feb. 1957	63[11]/16	63[3]/8	3 18 4	6 8 11	...
56[7]/8	52[1]/16	War Loan 3½% ..... after 1952	55[11]/16*	55[1]/4*	3 17 7	6 6 8	...
56[1]/8	52[3]/16	Conv. 3½% ..... after Apr. 1961	55[7]/8	55[1]/8	3 17 9	6 7 3	...
48[1]/8	44[1]/8	Treasury 3% ..... after Apr. 1966	47[7]/8	47[5]/8	3 17 8	6 7 3	...
41[1]/8	38[1]/8	Consols 2½%	41	40[5]/8	3 15 10	6 4 3	...
40[3]/4	38[1]/16	Treasury 2½% ..... after Apr. 1975	40[11]/16	40[1]/8	3 16 7	6 5 6	...
92[5]/16	89[15]/16	British Electric 4½% 1967–69	92[3]/16	92[1]/8	4 3 5	6 2 1	...
75[3]/4	74[3]/8	British Electric 3% 1968–73	75[7]/16	75[5]/8	4 16 4	6 4 5	...
70[1]/8	69	British Electric 3% 1974–77	70	69[7]/8	4 14 7	6 4 2	...
80[13]/16	79[7]/16	British Electric 4½% 1974–79	79[13]/16	79[5]/8	4 6 6	6 5 4	...
72[7]/16	70[3]/8	British Electric 3½% 1976–79	71[3]/8	71[1]/8	4 11 5	6 5 1	...
84[1]/2	82[3]/4	British Gas 4% 1969–72	84[7]/16	84[1]/4	4 9 9	6 5 8	...
82[1]/4	80[7]/16	British Gas 3½% 1969–71	82[1]/8	82	4 12 3	6 3 9	...
57[7]/8	53[13]/16	British Gas 3% 1990–95	57[5]/16	57	4 6 0	6 0 10	...
75[3]/4	74[3]/8	British Transport 3% 1968–73	75[7]/16	75[3]/8	4 16 4	6 4 5	...
79[1]/4	77[1]/4	British Transport 4% 1972–77	77[3]/8	77[3]/8*	4 9 6	6 5 7	...
60[1]/2	56[1]/2	British Transport 3% 1978–88	60[7]/16	58[3]/8*	4 10 7	6 3 6	...

Prices, 1962 High	Prices, 1962 Low	DOMINION AND CORPORATION STOCKS	Price, May 23, 1962	Price, May 30, 1962	Red. Yield, May 30, 1962 £ s. d.	Cover
82	79[1]/2	Australia 3½% 1965–69	81[3]/4	81[5]/8	6 12 0	...
98[3]/4	96	Australia 6% 1974–76	96[3]/8	96[1]/4	6 9 0	...
66	53[1]/4	Ceylon 4% 1973–75	53[1]/4	53[1]/4	10 13 0	...
96[3]/4	94[1]/4	New Zealand 6% 1976–80	96[1]/4	96[1]/4	6 9 0	...
75[1]/4	63	Rhodesia and Nyasaland 6% 1978–81	65	65	10 9 0	...
87[1]/8	82	South Africa 3½% 1965–67	87	87	6 13 0	...
58[1]/2	48	Southern Rhodesia 4½% 1967–92	48[1]/2	48[1]/2	10 0 0	...
81[7]/8	77[3]/4	Agricultural Mortgage 5% 1959–89	81[5]/8	81[5]/8	6 9 0	...
89[1]/2	86	Birmingham 4¼% 1967–70	89[1]/8	89	6 4 0	...
92	88[3]/4	Bristol 5% 1971–73	89[3]/4	88[3]/8*	6 6 0	...
90[1]/2	88	Corporation of London 5¼% 1976–79	88[1]/4	88[1]/4	6 7 0	...
46[3]/4	43	L.C.C. 3% ..... after 1920	45[7]/8	45[3]/4	6 10 0	...
86[1]/8	84	L.C.C. 5% 1980–83	86	86[1]/8	6 5 0	...
89[1]/4	87	Middlesex 5¼% 1980	89	89	6 7 0	...

NEW YORK PRICES AND INDICES

	May 23 $	May 30 $		May 23 $	May 30 $		May 23 $	May 30 $
Atch. Topeka	24[1]/2	23[3]/8	Boeing	42	40[7]/8	Int. Harvester ..	49[3]/8	48[7]/8
Can. Pacific	23[1]/8	22[3]/8	Celanese	35[3]/4	34[1]/2	Inter. Nickel ...	69[3]/8	63[1]/4
Pennsylvania	14	12[7]/8	Chrysler	46[3]/8	43	Inter. Paper	30	29[1]/4
Union Pacific	30[3]/8	29[5]/8	Col. Palmolive ..	39[1]/8	38[1]/2	Kennecott	75	71[5]/8
Amer. Electric ...	65	59[1]/2	Crown Zeller....	44[1]/2	45	Monsanto	44[7]/8	42
Am. Tel. & Tel. ...	115[1]/8	108[1]/2	Distillers Seag...	40[7]/8	39	Nat. Distillers..	26[3]/8	25[3]/4
Cons. Edison	74	69[3]/4	Douglas	22[3]/8	20[7]/8	Pan-American ..	22	19[3]/4
Int. Tel. & Tel....	41[1]/8	39	Dow Chemical...	51[5]/8	49[1]/8	Procter Gamble ..	75	70
South'n. Nat. Gas.	43[1]/2	40[1]/2	Du Pont	217[1]/8*	208[7]/8	Radio Corpn....	51[3]/4	49[7]/8
United Corpn....	8	7[1]/4	East. Kodak	102[3]/8	100[7]/8	Sears Roebuck .	77[1]/4	69[1]/8
Western Union ..	34[7]/8	30[5]/8	Ford Motor	86[1]/2	82[1]/2	Shell Oil	36[3]/8	33[7]/8
Alcoa	54[1]/8	54[1]/2	Gen. Electric ...	68[1]/8	66	Socony-Mobil ..	52[1]/2	49
Aluminium	22[3]/4	22[1]/2	General Foods ..	76[1]/8	72[1]/4	Stand. Oil Ind. .	46	46[1]/8
Amer. Can.....	42[3]/8	42[1]/2	General Motors .	51[1]/8	50	Stand. Oil N.J. .	51[7]/8	50[1]/4
Am. Smelting	54[1]/2	53	Goodyear	35[3]/8	37[1]/2	Union Carbide.	96	93[1]/4
Am. Viscose	53[5]/8	47[3]/4	Gulf Oil	37[5]/8	37[1]/2	U.S. Steel	54[1]/4	53[1]/4
Anaconda	44	41[1]/2	Heinz.....	50	45[1]/2	West. Electric..	31[1]/8	30[7]/8
Beth. Steel	36[1]/8	35[3]/8	Int. Bus. Mach...	415[1]/4	383	Woolworth.....	74[1]/4	69[3]/4

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

1962	425 Industrials	Yield %	25 Rails	Yield %	50 Utilities	Yield %	Govt. Bonds	Yield %
May 2	69·49	3·09	31·80	5·07	61·67	3·28	90·17	3·87
,, 9	67·64	3·18	31·12	5·19	60·16	3·37	90·39	3·85
,, 16	67·66	3·17	31·11	5·19	60·15	3·37	90·39	3·85
,, 23	64·21	3·34	30·25	5·34	57·75	3·51	89·85	3·90
,, 29	61·13	3·50	28·82	5·60	54·22	3·74	90·17	3·87

425 Industrials :—High, 75·22 (Jan. 3). Low, 58·57 (May 28).

FOREIGN AND OVERSEAS STOCKS

	May 23	May 30		May 23	May 30		May 23	May 30
FRANCE	Frcs.	Frcs.	**GERMANY**	%	%	**HOLLAND**	%	%
Air Liquide ...	1,192	1,183	A.E.G.	403[3]/4	411	A.K.U.	352[1]/2	346
Banque de Paris	527	510	Bad'che. Anilin..	418	424	Bijenkorf	975	940
Citroen	198¶	186·9	Bayer	471	468	Heinekens	494	493
C. F. Petrole..	274	272	Commerzbank ..	485	445	Interunie (Fl.50)	Fl.190·5	Fl.181
Cie. G. d'Electr.	1,241	1,230	Deutsche Bank.	553	520	K. N. Hoogoven	650[1]/2	646
Machines Bull.	560¶	560	Hoechst Farb. .	430[1]/2	433	Kon. Zout-Ket.	900	800
Pechiney	261	268	Kundenkredit ..	445	392[1]/2	Philips	775	718
Printemps	715	690	Lowenbrau.....	1,115	1,060	Robeco (Fl.50).	Fl.220	Fl.210
Rhone-Poulenc .	458	452	Mannesmann ...	235[7]/8	242	Rotterdam Bk. .	360	354
St.M.	399·5	380	Siemens.....	592	575	Thomassen & D.	658	592
Saint-Gobain..	390	385	Thyssen-Huette	195[1]/4	192	Valeurop.....	Fl. 77	Fl. 72·6
Usinor	212	206	Volkswagen	598	562	Zwanenberg ..	865	825
Index.....	103·9	100·5	*Herstatt Index*	96·31	94·15	Index.....	338·5	329·3
Dec. 30, 1960=100.			*Dec. 31, 1959=100.*			*1953=100.*		
ITALY	Lire	Lire	**BELGIUM**	Frcs.	Frcs.	**SWEDEN**	Kr.	Kr.
Ass. Generali .	152,300	149,995	Arbed	29,500	29,000	Asea.....	228	221
Breda.....	6,250	6,040	Bque. Nat. de Bel.	10,250	10,275	Elektrolux	127	122
Edison	4,576	4,615	Bque. Soc. Gen.	3,450	3,275	Ericsson B.Kr.35	133	125
Fiat.....	3,014	2,950	Cockerill-Oug.	2,850	2,850	Separator B....	305	290
Finsider	1,543	1,499	Esperance Long	5,510	5,500	Skand. Banken.	207	207
La Centrale....	14,850	14,940	Hoboken	19,075	17,950	Sv. Cellulosa....	200	195
Montecatini....	3,273	3,201	Innovation	6,600	6,100	Sv. Handelsbank	201	201
Motta	34,505	32,940	Photo Gevaert.	3,095	2,640	Tandstk. B.Kr.50	167	162
Olivetti	10,360	9,445	Sidac	1,050	1,000	Index.....	177·27	169·27
Pirelli S.p.A....	12,304	11,850	Soc. Generale ..	14,275	13,925	*Dec. 29, 1956=100.*		
Rinascente....	826[1]/2	790	Sofina	8,075	7,690			
Snia Viscosa ..	7,750	7,649	Un. Miniere ...	1,320	1,240	**NORWAY**	%	%
Index.....	71·2	23 ·702·17	Index.....	403·9	395·0	Bergens Priv'bk.	215	229
1950=100.			*May 9, 1940=100.*			Borregaard.....	225	217[1]/2
						Norsk Hydro..	310	287[1]/2

' Ex dividend. † Tax free. ‡ Assumed average life 7¼ years. § The net redemption yields allow for tax at 7s. 9d. in £. ‖ Ex capitalisation. ¶ Ex rights. ‡‡ Ex all.
(n) Interim dividend. (b) Final dividend. (c) Year's dividend. (d) Capital distribution of 1s. 0d. per share. (f) Flat yield. (g) Equivalent to 7·2 sterling. (h) After Rhodesian tax.
(t) To latest date. Japanese prices supplied by Diawa Securities, Tokyo.

AND YIELDS

LONDON : NEW YORK : FRANCE
GERMANY : HOLLAND : ITALY
BELGIUM : SWEDEN : NORWAY

Prices, 1962 High	Prices, 1962 Low	ORDINARY STOCKS	Price, May 23, 1962	Price, May 30, 1962	Yield, May 30, 1962 §	Cover
			%	%		
32/6	23/9	**ELECTRICAL & RADIO** A.E.I. £1	24/9	25/3	7·92	1
12·6	9/–	Brit. Electronic Inds. 5/–	10/–	10/–	7·50	1¼
66/3	56/4½	B.I.C.C. £1	63/–	60/–	4·50	2
14·8½	12/7½	Crompton Parkinson .5/–	14/–	13·9	4·55	2½
89·6	71/–	Decca Record 10/–	80/–	79/–*	2·95	1¾
45·6	33·9	E.M.I. 10/–	38/3	37/–	4·73	2
54/6	51/3	Elliott-Automation .. 5/–	49,4½	46·10½	1·49	2¼
27/9	21/–	English Electric £1	22/3	22/9	7·03	1½
34/–	26/–	General Electric £1	29/6	28/4½	7·05	¾
59/3	40/–	C. A. Parsons £1	42/–	41/–	6·10	2
47/9	42/3	A. Reyrolle £1	45/6	43/3	4·50	2½
89/6	63/6	Thorn Electrical 5/–	86/–	77/–	2·08‡‡	3
		ENGINEERING				
32·4½	20/3	Babcock & Wilcox £1	31/–	29/4½	6·13	1½
38/3	27/3	John Brown £1	35/7½	35/–	5·83	2¾
6/–	4/3	Cammell Laird £1	5/3¾	5/2½	9·64	1
26·10½	22/–	Int. Combust. 5/–	24/4½	23·10½	6·28	1¼
5/6	3/4½	Rich'ds'ns. Westg'th. 10/–	4/–	4/–	...	...
38/4½	26/–	Swan Hunter £1	27/9	27/–	8·89	1¾
14/9	10/6	John Thompson 5/–	12/9	14/9	5·08	...
36/–	29/3	Coventry Gauge 10/–	34/6	30/9*	4·65	2¾
73/7½	60/6	Alfred Herbert £1	65/9	64/–	4·34	2
47/6	35/–	Allied Ironfounders.. £1	38/6	36/–	9·72	1¼
99/9	84/3	Averys £1	90/–	86/–	3·49	2½
20/3	14/11½	B.S.A. 10/–	15/3	14/9*	7·91	2½
11/6	9/9	George Cohen 5/–	11/1½	11/–	5·91	1¾
33/–	23/3	Davy-Ashmore 5/–	25/–	25/3	5·45	2¼
81·10½	70/1½	Guest Keen..... £1	75·1½*	70/6	4·54	3½
21/–	16/6	Head Wrightson..... 5/–	19·4½	17/6	4·57	2½
85/6	72/–	Metal Box £1	78/3	77/6	3·10	2½
18/–	14/11½	Ransome & Marles.. 5/–	15/9	15/11½	4·63	3
48/–	43/6	Renold Chains £1	46·4½	43/6	4·60	2
64·10½	46/6	Tube Investments..... £1	51·4½	50·4½	5·56	3
31/11½	23/6	Vickers £1	24·10½	25/3	7·92	1¾
71/6	59/–	Wmd (Thos. W.) £1	66/–	59/–	4·66	3
20/6	14/6	Woodall-Duckham...5/–	16/3	15/3*	6·89	2¾
		FOOD & TOBACCO				
25/6	19/9	Allied Suppliers 10/–	24/9*	23/6	4·26	2½
12·4½	9·4½	Assoc. British Foods..1/–	10/9	9·7½	2·34	2
61/3	43/9	Bovril £1	48/–*	47/6	5·05	1½
12/9	11·4½	Brooke Bond 'B' 5/–	12/6	12·11½	3·77	2½
15·10½	12/9	International Tea 5/–	14/2¼	13/6	4·63	1½
82/6	72/9	L. Lyons 'A' £1	78/–	78/3	4·05	1¼
38/3	29·10½	Ranks Hovis 10/–	33/–¶	32/–	4·38	...
13·7½	10·10½	Spillers..... 5/–	12·7½	12/–	4·17	2½
50/9	44/–	Tate & Lyle..... £1	45/6	45/6*	5·27	2¼
18/–	15/3	Unigate 5/–	15/9	16/–	4·38	2
63/9	52/–	Guardian 25/–	53/3	53/6	6·87	3
41/3	29/1½	Gallaher 10/–	30/6	30/–	6·67	2
63/9	47/6	Imperial Tobacco..... £1	48/3	49/–	9·18	1¾
		INSURANCE				
81[5]/16	67[9]/16	Britannic 5/–	75[9]/16	63[4]/4	2·88	...
68/–	50/–	Commercial Union .. 5/–	55/6	53/9	4·19	...
35[5]/16	28	Equity & Law Life ...8/6	31[1]/4	28[1]/2	1·53	...
114·3	84/6	General Accident.. 5/–	102/3	94/–	1·60	...
60/6	46/9	Guardian..... 5/–	57/3	54/–	2·47	...
48[3]/4	38[1]/2	Hogg 10/–	40/–	41	1·16	...
180/–	142/9	Northern & Empl..... £1	175/–	167/6	2·51	...
131[13]/16	102[9]/16	Pearl 5/–	131[13]/16	13	2·83	...
293[1]/4	249[13]/16	Prudential 'A' 4/–	285[1]/2	26	2·62	...
47·10½	39/–	Royal 5/–	43·11½	41/3	3·64	...
127/9	103/9	Royal Exchange £1	119/9	113/6	3·30	...
		MOTORS & AIRCRAFT				
18/3	13/9	British Motor 5/–	15/–	14/5¼	6·93	½
85/3	70/4½	Jaguar Cars 'A' 5/–	78/–	73/–	6·85	8
41/6	25/9	Rolls-Royce..... £1	27·10½	26/10½	5·95	...
6·8¼	4·11¼	Rootes Motors 'A' ...4/–	5/6	5/3	3·05	...
78/6	60·11¼	A.C.V. £1	64·4½	63/9	5·02	2
94/6	76/9	Leyland Motors £1	88·7½	86/–	4·65	2
17·7½	13·10½	Bristol Aeroplane ...10/–	17/–	16/6	8·18	2
24·8¼	19/3	Hawker Siddeley £1	21·4½	20/6*	10·73	1¼
36·9	26/9	Dowty Group..... 10/–	28/–	27/7½	5·61	2½
39/–	27/9	Dunlop Rubber 10/–	30/3	30/3	5·23	1¾
77/–	63/9	Joseph Lucas £1	73·10½	70/–	3·93	2½
22/–	14/9	Pressed Steel..... 5/–	16/6	15·4½	1·63	1¼
39/–	34/4½	Triplex Holdings ...10/–	38/–	34/4½	3·64	2¼
		MINES				
158/9	136/3	Anglo-American.... 10/–	157/6	154/–	5·84	1¾
64/6	52/6	Consolid. Gold Fields..£1	63/6	63/3	7·91	2½
96/3	81·10½	General Mining..... £1	93/9	93/9	7·47	2
60/6	46/6	Union Corporation .. 2/6	57/9	58/3	7·01	2½
19·7½	16/9	Daggafontein 5/–	19·7½	18/9	21·33	1¼
105/7½	81·10½	Free State Geduld .. 5/–	102/6	103/9	8·19	1½
47/6	39/6	Hartebeestfontein .10/–	46/6	46/9	10·70	1½
60/6	50/6	President Brand 5/–	59/6	60/–	9·17	1½
141·10½	117/6	Western Holdings .. 5/–	140·7½	141·10½	7·40	1¼
19/–	15/3	Winkelhaak..... 10/–	16·9	17/3	6·38	3
56/9	42/6	Chartered 15/–	45/6	44/3	16·95	1½
56/6	47/–	Rhod. Anglo-Amer. 10/–	52/–	49·9	16·08h	1¾
37·4½	26/–	Rhod. Selection Tst. ..£1	28/6	26/6*	13·58‡‡h	1¼
21·9	16/3	Tanganyika Cons.....10/–	16/9	16·10½	19·26	1¼
57/–	47/–	Consolidated Zinc £1	50/9	48/9	6·15	1½
168/11½	135/–	De Beers Defd. Reg. 5/–	161·10½	159/4½	8·78	1¾
$151½	$110	Internat. Nickel ..n.p.v.	$128½	$121	2·35	...
18/9	15/11½	London Tin..... 4/–	15/6	15/11½	9·92	1¼
43/9	34/6	Rio Tinto..... 10/–	36/–	35/6	8·45	2
35/–	25/9	Tronoh 5/–	27/–	26/6	12·26	1
		PAPER & NEWSPAPERS				
12·10½	11/6	Daily Mirror..... 5/–	11·7½	11/9	6·38	1¼
83/–	62/6	W. H. Smith & Son 'A'..£1	82·6*	78/9	3·30	2
24/9	17/6	Thomson Org'n..... 5/–	18·9*	17/9	6·76	1½
47/3	32/–	Bowater Paper £1	35/9	35/3	7·80	1
45/–	35/–	Albert E. Reed..... £1	39/–	40/–	8·00	1½
43/9	35/6	Spicers..... £1	37/–*	35/9	6·99	1¾
55/–	44/–	Wiggins Teape £1	47/–	45/–	6·22	1¾

Prices, 1962 High	Prices, 1962 Low	ORDINARY STOCKS	Price, May 23, 1962	Price, May 30, 1962	Yield, May 30, 1962 §	Cover
			%	%		
27/9	21/–	**MISCELLANEOUS** Assoc. British Picture. 5/–	20 b	10 a	6·82	2¾
33/3	24/9	Assoc. Television 'A' .5/–	40 b	20 a	26/9	13¼
16 a	14 b	Beecham Group..... 5/–	16 a	14 b	41·9*	3·59	1¾
39·4½	32/7½	British Match £1	62½ b	31½ a	35/6	3·47	2
16/3	12/3	British Oxygen..... 5/–	14 a	6¾ b	13·4½	4·02	1¾
9·10½	7/9	British Ropes 5/–	3 a	7 b	8·13	8·3	6·06	1½
62/3	50/3	De La Rue..... 10/–	59/–	58/6	3·85	2
56/–	39/6	Gestetner 'A' 5/–	7½ a	12½ b	53/6	5·01	2·00	3¾
55/9	43/–	Glaxo..... 10/–	15 c	7½ a	45/9	4·33g	3·16	3¼
49/–	42/6	Harrisons & Cr. Defd..£1	3 a	12 b	45/–	4·26	7·06	2½
41/3	32/4½	Hoover 'A' 5/–	5 a	20 b	36/–	4·34	3·68	1¾
23/3	17/–	Ilford 5/–	5 a	12½ b	20/6	4·69	1·49	1¼
122·6	98/9	I.C.T. £1	7½ b	4½ a	111/3	105/–	2·14	2½
49·3	41/6	National Canning £1	12½ c	12½ c	45/9	4·95	5·56	1
41/3	35·10½	Powell Duffryn..... 10/–	10 b	6 a	40·4½	39/9	4·03	2¼
40/6	32/4½	Radio Rentals..... 5/–	17½ b	5 a	36/6	3·13	2¾
38/–	25/–	Rank Organisation.. 5/–	5 b	7½ a	36/–¶	28/3	4·42‡‡	...
38/–	26/6	Schweppes 5/–	7½ a	16½ b	29/–	30/–	4·00	1½
41/1½	35/3	Sears 'A' 5/–	25 c	25 c	38/6	37·7½	3·32	2
29·10½	24/–	Thomas Tilling 4/–	8½ a	11½ b	28/6	27·9	2·88	2
64/–	50/9	Turner & Newall..... 5/–	4 a	8 b	55/9	55/–	4·36	2
47/3	33/–	Unilever £1	9·47a	15·32b	37/3	36/6	3·40	3
14½	11⅝	Unilever N.V. ..... 12 fl.	8 a	13 b	10/–	9	2·77	3
18/9	14/3	United Glass 5/–	14/3	15/6	4·84	...
24½ a	†10[5]/8 b	United Molasses 10/–	23/3	25/11½	9·75	1
		SHIPPING				
32/3	22/9	Brit. & Com'wealth. 10/–	23/9	22·9	8·79	2
18/–	15·7½	Cunard £1	16/–	16·10½	...	...
18/9	16/9	France Fenwick £1	18/6*	18·2/4	8·24	½
31/6	21/–	Furness Withy..... £1	24/–	23·11½	8·65	1
9·7½	5·4½	London & Overseas..5/–	5/6	5·4½	...	...
31/–	17/9	P & O Defd.	19·11½	18·7½	6·44	...
12·11½	8·4½	Reardon Smith..... 10/–	8/6	8·9	2·86	...
12/9	7/6	Royal Mail..... £1	8/3	7·9	...	...
		STEEL				
48·4½	31/6	Colvilles £1	33·4½	33·11½	9·66	2½
27/3	19·7½	Dorman Long..... £1	20·3	21·4½	9·36	2¼
31/–	26/–	Lancashire Steel..... £1	27·4½	26·9	8·22	3
21·4½	12/3	South Durham £1	13/3	13/–	...	1¼
31·3	22/6	Steel Co. of Wales..... £1	25/9	24·7½	10·86	2
36·10½	26/11½	Stewarts & Lloyds..... £1	27·11½	27·7½	10·86	2
51·10½	41/6	John Summers £1	45·10½	43·7½	6·88

Ships in Distress

On Tuesday shipping shares fell less than most other equities but they had earlier in the year suffered very sharp falls. The report and accounts and chairman's statement from Cunard were eagerly awaited this week but printing difficulties have caused a delay and these will not be received by shareholders until next Monday. But some of the other shipping companies have issued their reports. Mr H. Leslie Bowes, the chairman of **Royal Mail Lines,** said this week that he detects a slight improvement in trade in the first five months of the current year but costs are still rising and the company has to face higher dock charges as a result of the recent pay award. But the chairman of **Wm. France Fenwick,** Sir Kenneth Pelly, takes a different view in telling shareholders that "it is difficult to see any cause for optimism in the foreseeable future," while in a preliminary statement the directors of **Coast Lines** say that profits for the early months of 1962 are appreciably lower.

As the table shows the results of these companies contrast with each other. Royal Mail achieved a small increase in operating profits but this was more than offset by a very sharp increase in interest charges and the dividend has been passed. A loss of £500,000 arose from the cancellation of meat contracts which occurred when it was too late to recall the company's ships. Royal Mail is seeking compensation from the meat companies. While there is little prospect of an early fall in the group's overdraft of £8¼ million there should be some benefit from lower interest charges in the current year.

	Gross profits £'000s		Dividend per cent.		Price	Yield per cent.
	1960	1961	1960	1961		
Coast Lines	1,407	1,120	10	10	28/7½	7·0
France Fenwick	151	227	7	7	17/4½	8·1
Royal Mail	166	*Dr.238*	5	Nil	7/9	—

The drive for economies goes on, offices have been shut and certain services withdrawn but their effect on profits may not be large for the chairman says that "massive economies" made in the past four years have been "more than swallowed up" by increased costs. Royal Mail's future is closely linked with that of South America and Mr Bowes is hopeful that the large amount of aid being given to those countries by the United States will bring in its wake a demand for both capital and consumer goods. But a further cloud on the horizon is the possibility that if Britain joins the common market it will look less to South America, and particularly the Argentine, for its meat supplies.

From the point of view of France Fenwick Britain's proposed entry could perhaps benefit the company's colliers through increased coal exports but against this have to be set the possible effects on trade with commonwealth countries. The trend in the coasting collier trade is towards bigger ships and last year the company purchased a secondhand ship though it sold three of the ships it already owned; as a result net fixed assets at the end of 1961 had fallen from £4.3 million to £4.0 million. A new deep sea tramp vessel is under construction in Spain and this is reflected in capital commitments of £977,000. Net liquid assets amounted to £447,000 and the group may have to consider further sales of ships.

In the past year Coast Lines appears to have weathered the storm better than most; but in 1960 its profits were badly hit by several strikes at the peak holiday period. The results also reflect the board's policy of diversification which led to several new acquisitions in 1961.

Bishopsgate Property

The insurance companies' view of the prospects of leading property companies has been reflected in the considerable stake they have taken in property equities. Yet another sign of confidence is revealed in the launching by Hambros Bank and M. Samuel of Bishopsgate Property and General Investments, which will be the biggest investment trust specialising in property shares. With an authorised capital of £10 million the trust will issue 7.8 million in £1 shares; of these 3½ million are being offered to the public at 22s. per share. The remaining 4.3 million shares are being issued to important shareholders in 13 leading property companies in exchange for shares they already own in the companies. Thus the initial portfolio of the trust will consist of shares in Beaumont Property, Berkeley Property, Chesterfield Properties, City Centre, City of London Real, Imry, Peachey, Samuel Properties, St Martin's-le-Grand, Town and City, Town & Commercial, United Real and Warnford. From the viewpoint of the sellers of the shares the exchange into the trust's shares offers a useful element of diversification.

It is intended to invest the bulk of the £3.6 million arising from the public issue in other property investments and the directors, who include a number of property experts, are eager that these investments should include some in unquoted companies. It also seems clear that they will not be averse to making unsecured loans when suitable propositions arise. In addition to property investments, about £1 million will be invested in gilt-edged stocks and industrial equities. In its early years the trust will distribute about 90 per cent of its available income and on this basis the directors forecast a minimum dividend of 2½ per cent for the 13 months period to end-June, 1963. Thus the prospective yield is no more than 2.3 per cent though this is hardly surprising in view of the composition of the portfolio. In present markets, however, it is doubtful whether this return will be sufficiently attractive to ensure a full subscription to the issue.

Discount Houses

The six discount houses that have just issued their full reports have passed through a vintage year for Bank rate changes; those houses that made up their accounts on April 30th took in six changes, the others, five. The discount market deals in money; a rise in the price of its stock in trade means a loss and a fall means a gain. But it is not entirely a case of swings and roundabouts. When rates are rising outsiders keep clear of the bill market. At the tender before Bank rate went to 7 per cent last July the market received some 66 per cent of the bill allotment; it is estimated that the loss on these bills was something like £1 million. When rates are falling, and there is a chance of gain, everyone crowds into the market and the discount houses tend to get low allotments.

However disclosed profits of these six houses have stood up well to the fluctuations in Bank rate; profits rose on average by 15 per cent compared with the previous year's 13 per cent. The biggest increases were those of Seccombe Marshall and Campion, and Smith St Aubyn, although in 1960-61 Smith St Aubyn's profits fell by 3 per cent and Seccombe Marshall and Campion's rose by only 9 per cent. By contrast the profits of King and Shaxon in 1961-62 rose by only 4 per cent compared with a 50 per cent increase in the previous year. Dividends have remained unchanged but three houses have made scrip issues and maintained their dividends on the increased capital and so has Smith St Aubyn after its one-for-four rights issue. Allen Harvey and Ross is to make another scrip issue, this time on a one-for-six basis, and again forecasts a maintained dividend on the bigger capital.

All houses show a substantial increase in their gilt-edged holdings and the second half of the year has provided ample opportunities for profitable jobbing. With Bank rate back to 4½ per cent these bonds are now earning very satisfactory profits. Nearly all the houses report a fall in bills discounted. This is due to the heavy competition for Treasury bills and the reduced offerings of them. However the reports indicate that commercial bills have taken up a great deal of this slack—a trend which should be maintained if Britain joins the common market.

	Date of accounts	Net profits 1961	Net profits 1962	Percentage change	Dividend 1961	Dividend 1962	Middle price May 31	Middle price Yield
Allen Harvey & Ross	April 5	140,000	151,000	+ 8	13⅓*	15	61/–xc	4·9
Clive Discount	March 31	149,000	176,000	+18	10	10	32/–	6·3
Jessel, Toynbee	March 31	123,000	138,000	+12	8⅓*	10	41/–	4·9
King & Shaxson	April 30	218,000	226,000	+ 4	9 13/28*	12½	74/–	3·4
Seccombe Marshall and Campion	April 30	105,000	127,000	+23	12½	12½	53/–	4·7
Smith St. Aubyn	March 31	240,000	295,000	+23	17½	17½	85/–	4·1

* Adjusted for scrip issues.

Money and Exchanges

EXCHEQUER RETURNS

For the week ended May 26, 1962, there was an "above-line" deficit (after allowing for sinking funds) of £24,384,000 compared with a deficit of £13,359,000 in the previous week and a deficit of £42,633,000 in the corresponding period of last year. There was a net receipt "below-line" of £31,735,000 leaving a total cumulative deficit to date of £106,701,000 compared with £81,390,000 in 1961–62.

£'000	Estimate 1962–63	April 1, 1961, to May 27, 1961	April 1, 1962, to May 26, 1962	Week ended May 27, 1961	Week ended May 26, 1962
Ordinary Revenue					
Income Tax	2,790,000	217,939	210,522	34,411	31,765
Surtax	188,000	21,700	23,300	1,700	2,300
Death Duties	264,500	45,800	42,600	5,800	7,000
Stamps	95,000	17,300	16,400	2,900	1,900
Profits tax, EPT and EPL	374,000	34,000	37,200	4,000	4,900
Other Inland Rev. Duties	...	...	...	...	...
Total Inland Rev.	3,711,500	336,739	330,022	48,811	47,865
Customs	1,653,000	247,541	248,553	23,236	30,239
Excise	1,077,000	170,895	172,725	11,120	8,830
Total Customs and Excise	2,730,000	418,436	421,278	34,356	39,069
Motor Duties	150,000	7,874	14,101	...	...
Broadcast Lic's.	41,000	5,000	5,100	...	...
Miscellaneous	165,000	80,830	27,994	221	16,382
Total	6,797,500	848,879	798,495	83,388	103,316
Ordinary Expenditure					
Debt Interest	600,000	104,449	87,076	5,610	2,503
Payments to N. Ireland Exch.	100,000	13,162	14,150	3,553	3,808
N.I. Fund — Initial settlement	...	...	...	...	...
Other Consolidated Funds	12,000	1,067	929	18	25
Supply Services	5,611,650	773,584	798,234	116,700	121,174
Total	6,323,650	892,262	900,389	125,881	127,510
Sinking Funds	41,000	3,870	4,135	140	190
"Above-line" Surplus or Deficit	—	47,253	106,029	42,633	24,384
"Below-line" Net Expenditure*	...	34,137	672	Cr. 23,819	Cr. 31,735
Total Surplus or Deficit	—	81,390	106,701	18,814	7,351
Net receipts from:					
Tax Reserve Certificates		21,658	24,673	2,537	1,706
Savings Certificates		−4,000	−300	−1,700	−1,000
Defence Bonds		10,374	1,866	1,432	626
Premium Savings Bonds		7,900	5,200	1,400	1,200
Total		35,932	31,439	3,669	2,532

* Net repayments of £10 million to the Civil Contingencies Fund in 1962–63 compared with £4 million in 1961–62

FLOATING DEBT

(£ million)

	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Dept.	Ways and Means Advances: Bank of England	Total Floating Debt
1961					
May 27	3,210·0	1,843·3	249·7	...	5,303·0
1962					
Feb. 24	2,990·0	2,382·5	207·4	...	5,579·9
Mar. 3	2,950·0	2,481·4	236·7	5·0	5,673·1
,, 10	2,960·0	2,435·5	248·2	0·8	5,644·4
,, 17	2,960·0	2,423·9	251·1	...	5,635·0
,, 24	2,980·0	2,391·6	290·8	...	5,662·5
,, 31	3,000·0	2,330·6	260·7	...	5,591·3
April 7	2,980·0	2,400·5	253·0	2·3	5,635·8
,, 14	2,970·0	2,433·5	254·1	5·0	5,662·7
,, 21	2,960·0	2,448·7	226·0	3·3	5,638·0
,, 28	2,940·0	2,542·3	223·0	...	5,705·3
May 5	2,920·0	2,512·6	243·6	...	5,676·2
,, 12	2,940·0	2,236·5	248·2	0·5	5,425·2
,, 19	2,940·0	2,221·9	283·8	0·3	5,445·9
,, 26	2,950·0	2,258·8	229·3	...	5,438·1

THE MONEY MARKET

Although it raised its bid by only 2d. to £99 0s. 11d., the discount market did surprisingly well at last Friday's Treasury bill tender, receiving an allotment of 47 per cent. This was less than the average for the two previous weeks of 59 per cent, but was a great deal better than some of the meagre allotments earlier this year. The average rate of discount fell by 9.23d. to £3 16s. 3.81d. per cent bringing the total fall since last month's cut in Bank rate to nearly ½ per cent. Total applications rose by £15 million to £398 million.

The small increase in the market's bid—the increase in each of the previous two weeks was 8d.—did not persuade the authorities to ease their open market operations and the market was forced to borrow from the Bank of England at Bank rate on two occasions. On Monday three or four houses were forced to borrow a moderate amount and on Wednesday one or two houses took a small amount. On Tuesday credit was very tight but with the stock markets so unsettled the authorities kept the market out of the Bank by giving a very large amount of assistance.

In New York the bill rate fell from 2.700 to 2.656 per cent.

MONEY RATES

LONDON

	%		%
Bank rate (from 5%, 26/4/62)	4½	Discount rates: Bank bills:	
Deposit rates (7 days' notice):		60 days	4 –4 1/16
Banks	2½	3 months	4 –4 1/16
Discount houses	2 1/2–2 3/4	4 months	4 –4 1/16
Local Authorities	4⅜	6 months	4 –4 1/8
Call money: Clearing banks' minimum	2⅞	Fine trade bills: 3 months	5 1/2–6
Day-to-day	2 7/8–3 7/8	4 months	5 1/2–6
		6 months	5 3/4–6 1/2

NEW YORK

	%		%
Official Discount rate: (from 31/2%, 11/8/60)	3	Treasury bills: May 21	2·700
		,, 28	2·656

BANK OF ENGLAND RETURNS

(£ million)	May 31, 1961	May 23, 1962	May 30, 1962
*Issue Department**:			
Notes in circulation	2,301·1	2,293·8	2,290·4
Notes in banking dept.	24·2	81·6	84·9
Govt. debt and securities*	2,323·5	2,374·0	2,374·0
Other securities	0·8	0·7	0·7
Gold coin and bullion	0·4	0·4	0·4
Coin other than gold coin	0·8	0·3	0·3
Banking Department:			
Deposits:			
Public accounts	12·3	12·8	14·1
Special deposits	152·9	233·2	233·2
Bankers	266·5	247·7	246·8
Others	77·9	71·9	72·6
Total	509·6	565·7	566·6
Securities:			
Government	437·5	428·8	425·0
Discounts and advances	47·0	53·8	55·0
Other	17·9	18·6	18·8
Total	502·4	501·2	498·8
Banking department reserve	25·1	82·4	85·8
"Proportion"	4·9 %	14·5 %	15·1 %

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue increased by £50 million to £2,375 million on March 7th.

TREASURY BILL TENDERS

Date of Tender	Amount (£ million) Offered	Amount (£ million) Applied for	91-Day Average Rate of Allotment	91-Day Allotted at Max. Rate *
1961	*91 day*		s. d.	%
May 26	270·0	440·2	88 8·74	50
1962				
Feb. 23	220·0	405·6	110 7·47	21
Mar. 2	230·0	382·6	110 11·26	37
,, 9	230·0	396·2	100 5·89	53
,, 16	230·0	411·8	97 7·57	41
,, 23	230·0	408·1	89 0·47	48
,, 30	230·0	392·2	88 1·16	57
April 6	230·0	398·7	87 4·62	46
,, 13	230·0	407·9	86 8·54	41
,, 19	230·0†	386·6	85 4·31	46
,, 27	220·0	386·3	81 0·54	26
May 4	220·0	406·0	81 9·72	16
,, 11	230·0	412·8	79 8·71	57
,, 18	230·0	383·6	77 1·04	61
,, 25	230·0	398·4	76 3·81	47

* On May 25th tenders for 91-day bills at £99 0s. 11d. secured 47 per cent. higher tenders being allotted in full. The offer for this week was for £240 million 91-day bills.
† Allotment cut by £10 million.

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Effective Limits May 30	Market Rates: Spot May 24	May 25	May 26	May 28	May 29	May 30
United States $	2·78–2·82*	2·81 1/16–3/16	2·81 1/16–3/16	2·81 1/16–3/16	2·81–81 1/8	2·81–81 1/8	2·80 15/16–81 1/16
Canadian $	...	3·06 1/16–3/16	3·06 1/8–1/4	3·06 3/16–5/16	3·06 1/16–5/16	3·06 3/16–5/16	3·06 3/16–5/16
French Fr.	13·622–14·027	13·77 3/8–5/8	13·77 3/8–5/8	13·77 3/8–5/8	13·77–77 1/4	13·76 1/2–3/4	13·76 1/2–3/4
Swiss Fr.	11·94–12·54 7/8	12·14 1/4–1/2	12·14 1/4–1/2	12·14 3/8–1/2	12·14 1/4–1/2	12·12 1/4–1/2	12·12 1/8–3/8
Belgian Fr.	137·96–142·05	139·92 1/2–97 1/2	139·92 1/2–97 1/2	139·92 1/2–97 1/2	139·87 1/2–92 1/2	139·70–75	139·72 1/2–77 1/2
Dutch Gld.	9·98 3/4–10·28 1/2	10·10 1/4–1/2	10·09 7/8–10 1/8	10·09 7/8–10 1/8	10·09 5/8–7/8	10·09 3/8–5/8	10·09 3/8–5/8
W. Ger. D-Mk.	11·037–11·365	11·23 1/4–1/2	11·23 1/4–1/2	11·23 1/4–1/2	11·22 3/4–23	11·21 1/4–1/2	11·22–22 1/4
Portug. Esc.	...	80·15–25	80·15–25	80·15–25	80·15–25	80·15–25	80·15–25
Italian Lire	1725–1775	1744 1/2–45	1744 7/8–45 1/8	1744 7/8–45 1/8	1744 3/4–45	1743 1/2–44	1743 3/4–44 1/4
Swedish Kr.	14·27 1/2–14·70	14·46 1/2–5/8	14·46 1/2–5/8	14·46 1/2–5/8	14·46 1/2–3/4	14·46–46 1/4	14·45 3/8–7/8
Danish Kr.	19·06 1/2–19·62	19·39–39 1/4	19·38 3/8–7/8	19·38 3/8–7/8	19·37 1/8–38 1/8	19·37 1/8–5/8	19·37 1/4–1/2
Norwegian Kr.	19·71–20·30 1/2	20·05 1/8–3/8	20·05 1/8–3/8	20·05 1/8–3/8	20·05 1/8–3/8	20·04 1/2–3/4	20·04 3/8–5/8
	* Official Limits	**One Month Forward Rates**					
United States $		1/4–1/8c. pm	1/4–1/8c. pm	1/4–1/8c. pm	1/4–1/8c. pm	1/4–1/8c. pm	1/4–1/8c. pm
Canadian $		3/16–1/16c. pm	1/8c. pm–par	1/8c. pm–par	1/8c. pm–par	1/8c. pm–par	3/16–1/16c. pm
French Fr.		1/4c. pm–1/4c. dis	1/4c. pm–1/4c. dis	1/4c. pm–1/4c. dis	1/4c. pm–1/4c. dis	1/4c. pm–1/4c. dis	1/4c. pm–1/4c. dis
Swiss Fr.		1 1/4–3/4c. pm	1–1/2c. pm	1–1/2c. pm	1–1/2c. pm	1–1/2c. pm	1–1/2c. pm
Belgian Fr.		20–10c. pm	20–10c. pm	20–10c. pm	23–13c. pm	23–13c. pm	25–15c. pm
Dutch Gld.		1 1/2–1 1/4c. pm	1 1/2–1c. pm	1 1/2–1c. pm	1 1/2–1 1/4c. pm	1 1/2–1c. pm	1 1/2–1c. pm
W. German D-Mk.		1 3/8–7/8pf. pm	1 3/8–7/8pf. pm	1 3/8–7/8pf. pm	1 1/4–1 1/4pf. pm	1 1/2–1pf. pm	1 1/2–1pf. pm
		Three Months Forward Rates					
United States $		5/8–1/2c. pm	9/16–7/16c. pm	1/2–3/8c. pm	1/2–3/8c. pm	9/16–7/16c. pm	5/8–1/2c. pm
Canadian $		1/2–3/8c. pm	7/16–5/16c. pm	3/8–1/4c. pm	5/16–3/16c. pm	3/8–1/4c. pm	7/16–5/16c. pm
Swiss Fr.		3 3/8–2 7/8c. pm	3–2 1/2c. pm	3–2 1/2c. pm	3–2 1/2c. pm	3 3/8–2 7/8c. pm	3 1/4–2 3/4c. pm
W. German D-Mk.		3 3/8–2 7/8pf. pm	3 3/8–2 7/8pf. pm	3 3/8–2 7/8pf. pm	3 1/8–2 5/8pf. pm	3 1/2–3pf. pm	3 1/2–3pf. pm
		Gold Price at Fixing					
Price (s. d. per fine oz.)		249/7 1/4	249/7 1/2	...	249/7 1/4	249/8	249/9
,, ($,, ,, ,,)		35·08 1/2	35·08 1/2	...	35·08 1/2	35·08 1/2	35·09

UK External Trade

Imports are valued cif: exports fob.
Total trade unless otherwise stated.

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

BRITISH			
Prices and Wages	May 19th	External Trade	This week
Manpower and Output	April 28th	Industrial Profits	April 21st
OVERSEAS			
Western Europe	April 14th	United States	May 12t

	Unit	Monthly averages 1959	1960	1961	1961 Feb.	Mar.	April	1961 Dec.	1962 Jan.	Feb.	Mar.	April
VALUE												
Imports:												
Total	£ million	331·9	378·4	366·5	353·1	398·9	355·2	338·3	402·3	333·0	389·7	349·1
Food, drink and tobacco	,,	126·5	128·1	123·6	117·7	131·7	120·9	119·9	138·9	120·2	142·5	125·4
Basic materials	,,	77·6	88·3	82·1	82·9	88·1	82·1	73·8	88·0	64·7	74·7	67·3
Fuels	,,	38·9	40·0	40·3	40·2	47·1	40·3	37·3	46·7	39·6	45·9	37·3
Manufactures	,,	87·6	120·5	118·9	111·3	130·5	110·7	104·9	126·4	107·5	125·4	118·1
Exports of UK produce:												
Total	,,	277·5	296·2	306·9	297·1	309·9	318·6	298·5	311·5	298·2	322·4	327·3
Manufactures—Total	,,	234·5	250·0	259·9	253·9	265·7	275·0	244·7	263·9	250·9	271·5	276·9
,, Metals	,,	37·8	39·3	39·5	40·5	39·4	41·6	38·0	36·8	37·8	40·5	38·0
,, Engineering products	,,	122·4	131·0	139·5	132·1	142·9	151·0	128·5	148·0	135·0	144·5	156·8
,, Textiles	,,	20·7	21·7	20·8	21·7	22·2	21·7	19·4	20·7	20·8	21·6	20·0
Re-exports	,,	10·9	11·8	13·2	11·2	15·3	12·7	12·9	12·2	10·9	14·9	14·2
Balance of trade (exports less imports)	,,	−43·5	−70·4	−46·4	−44·8	−73·7	−23·9	−26·9	−78·6	−23·9	−52·4	−7·6
VOLUME(1)												
Imports:												
Total	1954=100	122	138	135	143[4]	...	137[6]	132[5]	...	139[4]	...	132
Food, drink and tobacco	,,	118	121	121	124[4]	...	121[6]	124[5]	...	...	...	...
Basic materials	,,	101	110	101	111[4]	...	106[6]	94[5]	...	...	...	...
Fuels	,,	143	157	164	179[4]	...	162[6]	161[5]	...	...	...	...
Manufactures	,,	150	201	196	205[4]	...	198[6]	192[5]	...	...	...	...
Exports:												
Total	,,	116	122	125	128[4]	...	127[6]	127[5]	...	126[4]	...	128
Manufactures	,,	117	124	127	131[4]	...	131[6]	126[5]	...	...	...	...
BY AREA												
Imports:												
U.S.A.	£ million	30·9	47·1	40·2	38·9	42·9	38·9	38·9	44·1	38·2	43·7	36·1
Canada	,,	26·0	31·2	29·1	25·9	28·7	23·5	31·0	24·9	24·1	25·7	24·4
Latin America	,,	26·8	25·8	23·2	25·3	30·2	25·5	20·0	23·1	21·8	30·4	26·8
West'n. Europe—Common Market	,,	46·6	55·1	56·5	52·3	60·5	53·9	48·6	59·7	53·9	61·6	54·4
,, ,, Free Trade Association (3)	,,	39·0	46·5	46·2	43·6	45·7	41·2	40·4	47·3	37·6	43·3	42·0
Soviet Eastern Europe	,,	9·7	11·6	13·0	10·7	11·9	10·2	11·4	15·2	11·0	10·2	10·0
Other Non-Sterling	,,	32·7	35·6	35·7	45·1	44·9	36·7	34·2	47·9	36·8	40·1	40·2
Sterling area	,,	120·2	125·5	122·6	111·3	134·1	125·3	113·8	140·1	109·6	134·7	115·2
Exports of UK produce:												
U.S.A.	,,	30·3	27·1	23·4	20·7	20·5	19·8	27·0	25·1	25·5	26·1	28·3
Canada	,,	17·3	17·9	18·5	17·6	15·7	31·3	14·8	15·0	17·2	14·1	18·7
Latin America	,,	12·9	14·3	13·9	14·5	13·2	13·2	13·6	16·3	12·6	15·9	13·7
West'n. Europe—Common Market	,,	38·8	43·3	51·1	45·7	54·4	49·2	55·6	55·5	56·3	61·3	60·9
,, ,, Free Trade Association (3)	,,	32·0	35·9	40·1	37·1	38·2	37·5	41·3	43·0	40·2	45·5	47·2
Soviet Eastern Europe	,,	5·1	6·4	8·8	7·7	8·3	7·8	8·7	9·7	8·2	9·0	10·1
Other Non-Sterling	,,	29·3	32·2	34·3	33·5	38·3	33·4	32·4	38·2	33·1	36·8	36·9
Sterling area	,,	111·8	119·1	116·8	120·3	121·3	126·4	105·1	108·7	105·1	113·7	111·5
TRADE IN SELECTED COMMODITIES												
Imports:												
Wheat	'000 tons	356·3	342·0	327·5	349·5	379·3	343·9	357·7	355·2	357·7	366·9	326·2
Meat	,,	67·6	69·3	61·2	60·0	76·9	66·9	50·6	66·9	61·3	91·0	60·7
Sugar, unrefined	,,	201·8	183·3	172·4	166·2	148·5	203·9	188·7	213·4	142·3	151·4	178·3
Raw cotton (2)	,,	22·5	22·5	18·4	31·6	24·9	24·6	20·2	20·3	15·3	20·1	17·3
Raw wool, sheep's and lambs' (2)	mn. lb.	58·6	49·8	49·4	58·1	66·7	73·4	48·9	84·6	46·6	71·0	48·0
Rubber, natural and synthetic (2)	'000 tons	17·0	16·2	16·2	19·8	24·6	16·7	12·3	23·8	21·8	22·9	13·6
Softwood	'000 stds.	121·7	150·0	134·2	74·3	80·1	77·2	112·8	94·4	61·7	66·0	56·4
Woodpulp	'000 tons	185·4	225·4	215·1	239·3	224·6	208·6	201·3	218·7	186·8	163·0	193·9
Crude petroleum	mn. galls.	847	963	1,059	1,012	1,257	1,006	967	1,151	1,026	1,227	947
Exports of UK produce:												
Coal, including bunkers	'000 tons	343	455	475	397	442	372	498	369	444	356	392
Woven piece-goods—cotton	mn. sq. yds.	29	27	24	24	29	26	20	21	22	22	19
,, ,, ,, wool	'000 sq. yds.	8,536	8,089	7,528	7,973	7,865	7,816	6,636	7,633	7,833	7,161	6,823
Passenger cars and chassis	number	47,414	47,491	30,897	27,119	26,359	31,784	38,203	49,705	45,789	46,201	51,268
Commercial vehicles and chassis	,,	10,619	12,127	13,913	16,689	16,447	13,596	11,595	13,164	10,990	14,100	13,477
Agricultural tractors	,,	9,474	11,951	11,790	13,682	13,513	12,241	10,190	12,958	14,706	14,705	11,230
Machinery—electrical	£'000	5,706	5,257	5,506	5,422	5,678	5,698	5,511	4,838	5,652	4,592	5,867
,, other	,,	47,264	52,948	61,374	59,612	64,355	62,442	59,604	66,254	59,251	64,856	66,405
Chemicals, elements and compounds	,,	5,862	6,442	6,422	6,917	6,678	6,769	6,740	6,489	6,367	7,003	6,562

(1) Trade with the Channel Islands is included in the total import and export indices only. (2) Retained imports. (3) Including Finland. (4) Average for first quarter. (5) Average for fourth quarter. (6) Average for second quarter.

APPOINTMENTS

THE ELECTRICITY COUNCIL

Assistant Secretary

(Administration)

The Electricity Council invite applications for the post of Assistant Secretary (Administration).

The duties involve responsibility for the work of the Administration Branch of the Secretary's Department, including attendance at meetings of the Council and their Committees and supervision of general administration and committee work.

The post demands administrative ability and a wide experience, including the supervision of staff engaged in the drafting of correspondence, papers and minutes of meetings. The work involves co-operation with other Departments of the Electricity Council on the presentation of policy issues. Knowledge of the electricity supply industry and its problems, and experience of work requiring consultation with Government Departments and representative bodies, would be considered advantages. Applicants should possess a University degree or appropriate professional qualifications.

● *The post is superannuable and the commencing salary will be in accordance with qualifications and experience within the range of NJM Scale 7 8 being £3,100-£3,575 per annum inclusive of London area allowance.*

Applications, stating age, present appointment and salary, qualifications and experience, together with the names of two referees, should be forwarded to R. A. Finn, Secretary, Trafalgar Buildings, 1, Charing Cross, London, S.W.1, by Friday, June 8, 1962. Quote Ref. EC/171.



AGIP *The British subsidiary of the international oil company*

There is now an opportunity for a young, talented and ambitious man to join this Company at the beginning of a rapid expansion programme as a

SENIOR MARKETING EXECUTIVE

He will be concerned with all aspects of the Company's marketing operations, and must especially have sound experience and a proven record of success in building up and running a retail network. He will be concerned with sales to all outlets, and must have experience in negotiation at a senior level.

Previous experience should have been in large progressive organisations employing modern management techniques. An essential requirement is the ability and personal qualities necessary to establish and maintain high standards of performance from subordinates.

Location: London *Age:* under 40 **Salary, etc.: by negotiation**

Please write concisely to:
Chief of Personnel Relations, AGIP Ltd., 197 Knightsbridge, London, S.W.7.

Previous applicants need not re-apply **Quoting reference E.16.**

LONDON COUNTY COUNCIL

Principal Youth Employment Officer required July, 1962. This is an important post in a service in which there are likely to be far-reaching developments. Youth employment, industrial personnel management, or the right kind of professional or administrative experience necessary for directing the work of 20 Youth Employment — — — — Bureaux, a Careers Advisory Section and a section dealing with handicapped young persons. Salary scale: £2,170 x £85-£2,425 x £80-£2,585; commencing salary above minimum where appropriate.

Application forms and details from Education Officer, (Estab. 2/G.1510/62), County Hall, London, S.E.1, returnable by June 18, 1962.

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

STAFF APPOINTMENTS

Applications are invited from men or women for appointments as Assistant Secretary and as Administrative Assistant. Commencing salaries from £1,000 to £1,500 per annum. Preferably university graduates. Not necessarily members of the Institute. Age 23 to 40. Good prospects. Five-day week; non-contributory pension scheme. Applications, in writing, stating age, full particulars of education, qualifications, experience and present salary, to the Secretary of the Institute, Moorgate Place, London, E.C.2. Envelope to be marked "Staff Appointments—Confidential."

HATFIELD COLLEGE OF TECHNOLOGY

HATFIELD, HERTS

Principal: Dr. W. A. J. Chapman, M.Sc.(Eng.)

Department of Business & Social Studies
Assistant Lecturer, Grade "B" in

ECONOMICS

Appointment vacant as from September 1, 1962.

Details obtainable from: Academic Registrar

STANDARD TELEPHONES AND CABLES LIMITED

SALES OFFICE ASSISTANT

Our Private Communication Equipment Division wishes to appoint an Assistant to its Sales Office who has had experience in the handling of enquiries and orders for sound reproduction equipment.

Candidates ought to have reached at least G.C.E. "O" level standard, and be in the age range 21-35.

The Division operates at Footscray—a pleasant residential district only 13 miles from Central London.

The Company offers a wide range of attractive welfare benefits, including a Non-Contributory Pension Scheme.

Write, stating age, experience and salary required, to:

W. J. Yeomans, Personnel Manager,
Standard Telephones and Cables Limited,
Footscray, Sidcup, Kent.

BRADFORD INSTITUTE OF TECHNOLOGY

TECHNICAL INFORMATION OFFICER

Applications are invited from suitable persons for an appointment as Leader in the Department of Industrial Administration. The person selected for this post will be seconded by the College for his first two years to Technical Information Officer serving the Technical Information Centre which is to be located in Leeds.

The Leeds Technical Information Centre is being established under the auspices of the Department of Scientific and Industrial Research with the support of local bodies.

The Technical Information Officer will be responsible for encouraging local industry, and particularly the smaller firms, to take advantage of developments in science and technology, helping them with their current technical problems and directing them to local and national sources of specialised information.

Candidates should have a degree or equivalent qualifications in engineering, physics or chemistry and a wide interest in industrial problems. Industrial experience would be an advantage.

Salary Scale: £1,600 to £1,800 per annum.

Previous experience will be taken into account in fixing the commencing salary.

Further particulars and forms of application may be obtained from the Registrar, Bradford Institute of Technology, Bradford, 7.

For further appointments and other classified advertisements see pages 944, 952 & 953

The INSTITUTE of BANKERS

ASSISTANT SECRETARY

The Institute of Bankers have a vacancy for an Assistant Secretary. Applicants should have a degree of a United Kingdom university—or appropriate professional qualification—and experience of banking or kindred matters. They must be vitally interested in education and experienced in administration and public speaking. Age should be 31-35. Salary progressive from starting point of £1,750 p.a., with contributory pension and widows' scheme.

Apply, in writing, by June 15, 1962, to: **The Secretary, The Institute of Bankers, 10 Lombard Street, London, E.C.3.**

ROYAL COLLEGE OF ADVANCED TECHNOLOGY, SALFORD

DEPARTMENT OF MANAGEMENT STUDIES

Revised Advertisement

The College is to set up a Department of Management Studies and the Governing Body requires a person of outstanding ability and with first hand relevant experience for appointment as HEAD OF THE DEPARTMENT.

The function of the new Department will be in the first place to provide courses in Management Studies leading to the Diploma in Management and to similar post-graduate courses. But it is intended to offer the maximum amount of freedom to the person appointed so that he can develop the Department, having particular regard to his own experience and interests in relation to modern conditions.

The salary offered will normally be within the range £2,000 rising to £2,550 per annum, but for a particularly well-qualified candidate the Governing Body might be prepared to consider a salary within the range £2,850 rising to £3,075 per annum.

Applications, giving details of age, education, qualifications and experience, together with the names and addresses of not more than three referees, should be sent to the Secretary, Royal College of Advanced Technology, Salford 5, Lancs., by June 22, 1962, quoting MS.L.

CENTRAL ELECTRICITY GENERATING BOARD MIDLANDS REGION

APPOINTMENT OF ASSISTANT

(PLANNING, DEVELOPMENT & ORGANISATION OF MACHINE ACCOUNTING)

Applications are invited for the above appointment, based on the Regional Accountant's Department at Wake Green Road, Moseley, Birmingham 13.

Candidates should have an interest in system and procedure work, and should have had experience in the use of punched card machines. Experience in programming a 650 Computer would be an advantage.

The Salary for the post will be in accordance with Grade 4 of the National Joint Council Scales, i.e. £950-£1,070 per annum.

Applications, in writing, quoting appointments number 282/62 MR, and giving full details of age, education, qualifications, experience and present position and salary, should be submitted to:—

Regional Personnel Officer,
53, Wake Green Road,
Moseley,
Birmingham, 13,

to arrive not later than June 8, 1962.

NOTTINGHAM CO-OPERATIVE SOCIETY, LTD. invites applications for the position of Public Relations Officer.

Applicants should have practical experience of marketing, publicity and press work, and consumer education. The successful applicant will be required to assume final responsibility for the work of the educational department. Professional qualifications must be studied.

Superannuation scheme, with transfer clause, in operation.

Application forms are obtainable from the Marketing Secretary, Nottingham Co-operative Society, Ltd., 248, Derby Road, Lenton, Nottingham. The closing date for receiving applications is Saturday, June 16, 1962.

GENERAL ECONOMIST, 27-35, good degree, familiarity with statistical sources, sought by international research organisation, Paris.

English French mother tongue, reading knowledge of German, Italian an advantage. Salary range £1,500 x 100 to £2,000 according to qualifications and experience.

Reply with hand-written curr. vitae to *The Economist*, Box 1630.

Bowaters

SENIOR ECONOMIST

An experienced economist is required to join a small team working under the direction of the Chief Economist. His duties will include investigations of specific projects and the interpretation of national and international economic trends.

The successful applicant should be a graduate economist, aged about 35, with suitable practical research experience in the industrial sphere. Fluency in a European language—preferably French—is essential. The appointment is at the headquarters in London but some overseas travel will be involved.

Applicants should forward a brief summary of their personal history to:—

Chief Personnel Officer,
The Bowater Paper Corporation Limited,
Bowater House, Knightsbridge, London, S.W.1.

UNIVERSITY OF NEW ENGLAND
Armidale, New South Wales

RESEARCH FELLOW
WOOL INDUSTRY

Applications are invited for the above position in the Department of Farm Management.

The duties will be to undertake full-time research into the economics and management problems of the sheep and wool industry in Northern New South Wales. The investigations are being financed initially by a grant from the Wool Research Committee. Applicants should have a degree or major in Agricultural Economics or a degree in Economics, Agricultural Science or Rural Science with some post-graduate research experience in the field of farm economics.

The appointment will be initially for a three-year period on completion of which permanent appointment or re-appointment for a further term will be considered.

Salary will be within the range £A1,730 x 105-£A2,435 with commencing salary determined in accordance with qualifications and experience. In addition a cost of living allowance, at present amounting to £A44 per annum is payable. First-class rail or sea fares to Armidale are payable for the successful applicant, wife and dependent children.

Further information may be obtained from the Secretary, Association of Universities of the British Commonwealth (Branch Office), Marlborough House, Pall Mall, London, S.W.1.

Applications close in Australia and London on *July* 31, 1962.

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Applications are invited from suitably-qualified persons for the post of SENIOR LECTURER. The work is principally concerned with the Diploma in Management Studies and the new Diploma in Business Studies. One of the following fields should be offered: applied economics, industrial psychology, applied psychology, business finance and control, factory management. Research and consultancy are encouraged.

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Application form and further particulars may be obtained from the Principal, Leeds College of Commerce, 43 Woodhouse-lane, Leeds 2.

GEORGE TAYLOR,
Chief Education Officer.
Education Department,
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The Senate invite applications for the Montague Burton Chair of International Relations tenable at the London School of Economics and Political Science (salary not less than £2,500 a year plus £100 London Allowance). Applications (10 copies) must be received not later than July 9, 1962, by the Academic Registrar, University of London, Senate House, W.C.1, from whom further particulars may be obtained.

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The Board is charged under the Youth Employment Service Act (Northern Ireland), 1961, with the provision of a comprehensive Youth Employment Service in Northern Ireland and applications are invited from suitably qualified men and women for appointment as Senior Youth Employment Officers. The duties include substantial responsibilities in matters of organisation and administration.

Applicants should be at least 28 years of age and hold a University Degree or equivalent qualification. They should also have wide experience of youth employment work, or in some capacity offering sufficient appropriate experience. Preference will be given to suitably qualified ex-Service candidates.

The salary scale is £1,140 to £1,480, commencing salary according to qualifications and experience and the post is superannuable. Canvassing will disqualify.

Application forms and further particulars may be obtained from the undersigned to whom the forms should be returned not later than *June 15, 1962.*

C. P. BLACK,
Acting Secretary to the Board.
Room 126,
Stormont,
Belfast, 4.

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This vacancy provides an interesting opportunity for a suitably-qualified person with appropriate experience to assist and gain further experience in the work of a busy planning office responsible for 500 square miles of countryside, towns and villages, partly within, but mainly just beyond the Metropolitan Green Belt. Duties initially would be mainly on County Development Plan work, including Village Plans and Rural Planning Policy, as well as dealing with interesting problems of Town Centre redevelopment, Green Belt and Overspill proposals. Opportunity would also be given for gaining wide experience on development control work. Consideration would be given to Architects, Landscape Architects, Geographers, Economists with some experience of planning or allied work, who wish to widen their experience in planning.

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Applications, stating age, qualifications, experience, present and previous appointments and salaries, together with names of two referees, should reach the County Planning Adviser, Broomfield Place, Broomfield, Chelmsford, Essex, by June 12, 1962.

The Wellcome Foundation Limited require for their Biological Control Laboratories a Statistician to take charge of their Statistical Unit at Dartford.

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May 31, 1962.

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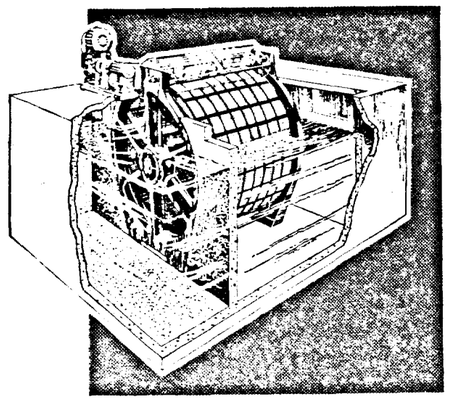
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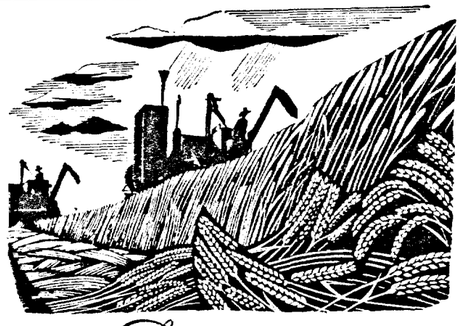
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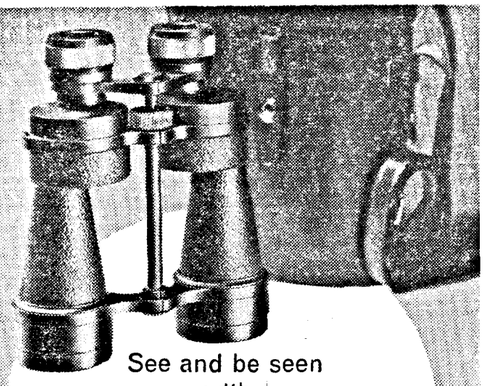
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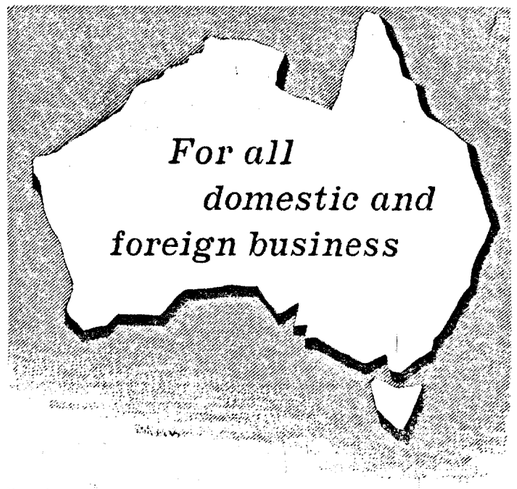
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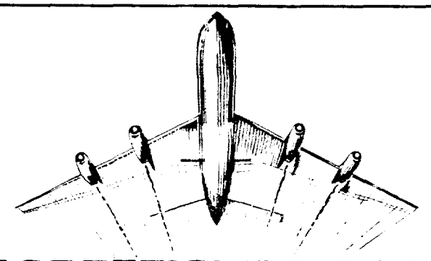
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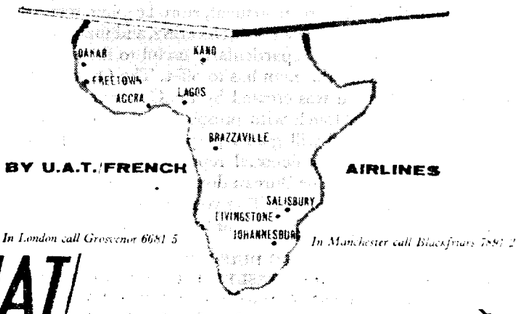
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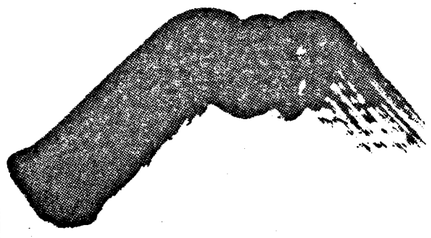
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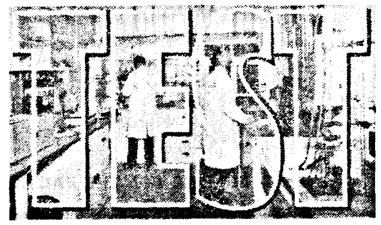
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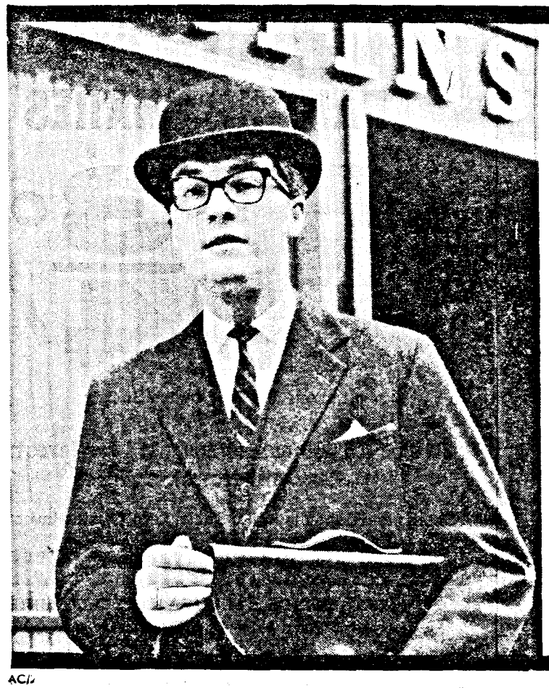


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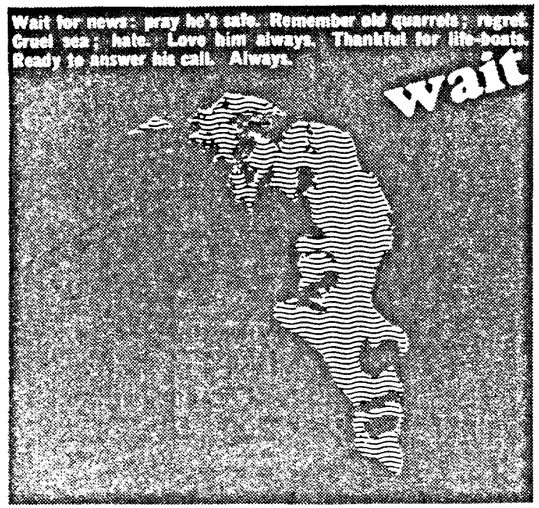


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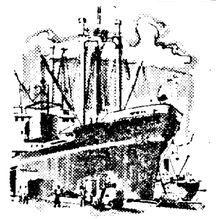
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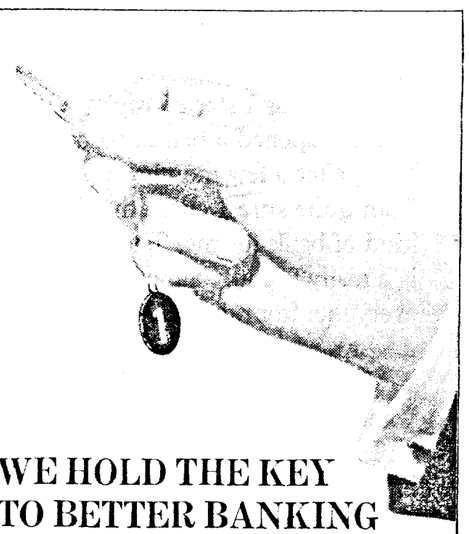
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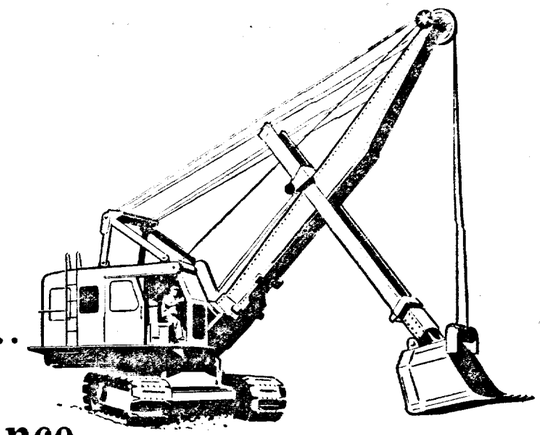
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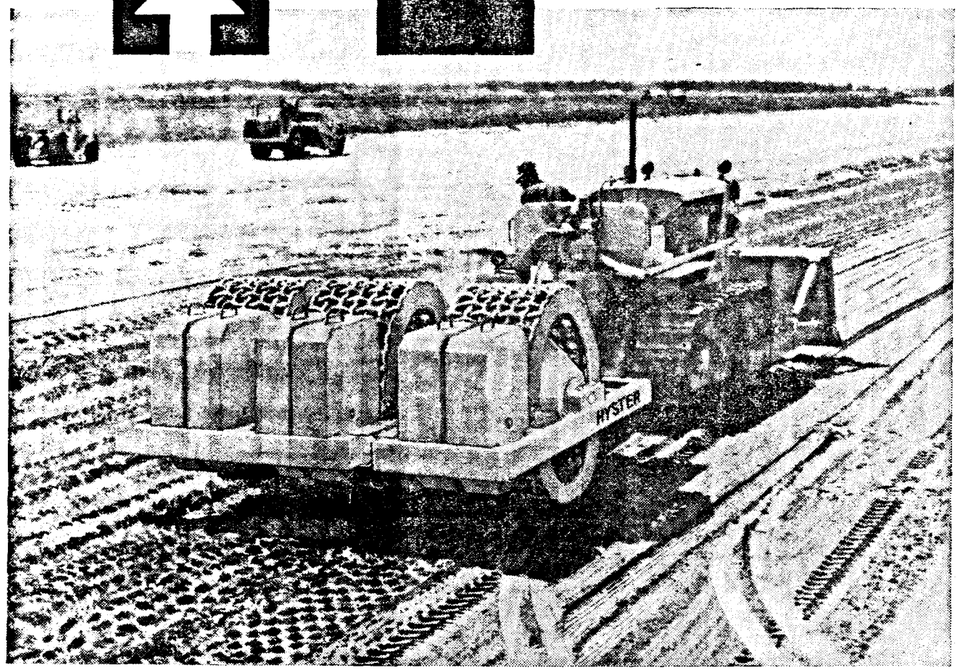
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In The Economist this Week — June 9, 1962

INTERNATIONAL

European Auguries

Protests from the Commonwealth at this stage in the British negotiations with the common market are designed to prepare positions for the bargaining that lies ahead (p. 971).

The negotiations in Brussels will show what the nice noises from Paris after Mr Macmillan's meeting with **President de Gaulle** mean (p. 1006). In France the Secret Army is certain of defeat, but has General de Gaulle won? (p. 976).

At party congresses in west Germany there have been intimations of **Dr Adenauer's** political mortality, even though Dr Adenauer has been gamely denying it (p. 1006).

Though the strikes in **Spain** have ended, a rift has been torn in the veil across the face of Spain (p. 978).

Indonesian Instabilities

It must be hoped that negotiations with Holland over west **New Guinea** will soon begin, but there is a danger that Indonesia will merely export its chronic economic difficulties and instability (p. 974).

Manoeuvres in Middle Africa

In the **Congo** Mr Tshombe has signed an agreement with Mr Adoula ; yet there are reports that more foreign mercenaries are entering Katanga (p. 982).

Mr Butler's hopes that Northern Rhodesia will want continued political links with Southern Rhodesia are unduly sanguine (p. 982).

The chances of union in **east Africa** are shrinking as Kenya, Uganda and Tanganyika each assumes a political character of its own (p. 981).

M. Houphouët-Boigny of the **Ivory Coast,** who has been visiting this country, neatly combines Francophilia with power (p. 982).

Soviet Sorrows

Higher food prices in **Russia** tarnish the image of Nikita the Bountiful, and challenge his ability to produce an "incomes policy" (p. 977).

Food shortage has sent **China's** political slogans into retreat (p. 1003).

Yugoslavia has been producing too little and consuming too much (p. 1003).

Wall Street Worries

International bankers fear that recent pressures on the dollar may tempt the United States to cure its troubles with "unsound" measures (p. 1011). The events of the past week have shown how much Wall Street dominates European stock exchanges (p. 1013). What American business seems to need is a tonic, but the Administration has not made up its mind about the prescription (p. 996).

The ground is being prepared, however, by pointing out that **budget deficits** are not necessarily inflationary (p. 996).

President Kennedy is seeking some method between the two extremes of nationalisation and unregulated competition to save America's system of **public transport** from bankruptcy (p. 995).

HOME

Big Battalions

The Government's deep relief at holding West Derbyshire in the parliamentary by-election is the measure of Tory morale after the loss of Middlesbrough West, where Mr Gaitskell, prodded on by some ex-Tories, has made a step towards office (p. 972).

The **merger** between ACV and Leyland would bring together the only sizeable manufacturers of large lorries in Britain, perhaps to anticipate a possible foray into the market by one of the car companies (p. 1014).

The agreement between **Cunard and BOAC** is a departure for a nationalised industry : will it turn out to be a new type of creeping denationalisation ? (p. 1015).

Scots are once again planning to ask themselves—on a pretty large scale—whether home rule would be worth it (p. 989).

Pay Corps

Wages are appreciably lower—and hours longer—**on the land** than in most other British occupations (p. 975).

That the Government has only itself to blame for its defeat over **civil service pay** does not make it any easier for the future of its incomes policy (p. 976).

Task Force

Mr Heath, working up to D-day for the **common market,** has gone some way to calming the fears of his dissident followers : but he has not flushed Mr Gaitskell from his foxhole (p. 976).

The new town planned for Dawley in Shropshire will do something, but not enough, to relieve **Birmingham's** internal pressures (p. 988).

As far as their language is concerned, the **Russians** might not exist for most Britons (p. 977).

A promotion from the undervalued technological ranks will make Glasgow the first British city with **two universities** (p. 984).

The Government's hospital plan has raised some fears among **health service doctors**—but not enough to lend any truth to the *canard* about all of them emigrating to America (p. 984).

Awkward Squad

Mr Cecil King's strictures on the freedom of the **British press** are not entirely without their point (p. 981).

The directors of the defunct *News Chronicle* have been judicially frustrated in their desire to do their employees some good, but as shareholders they and others will pay some of the compensation (p. 981).

The impression among laymen that law and justice are not the same things is reinforced by a recent ruling about **wills** (p. 985).

Detailed contents on page 971

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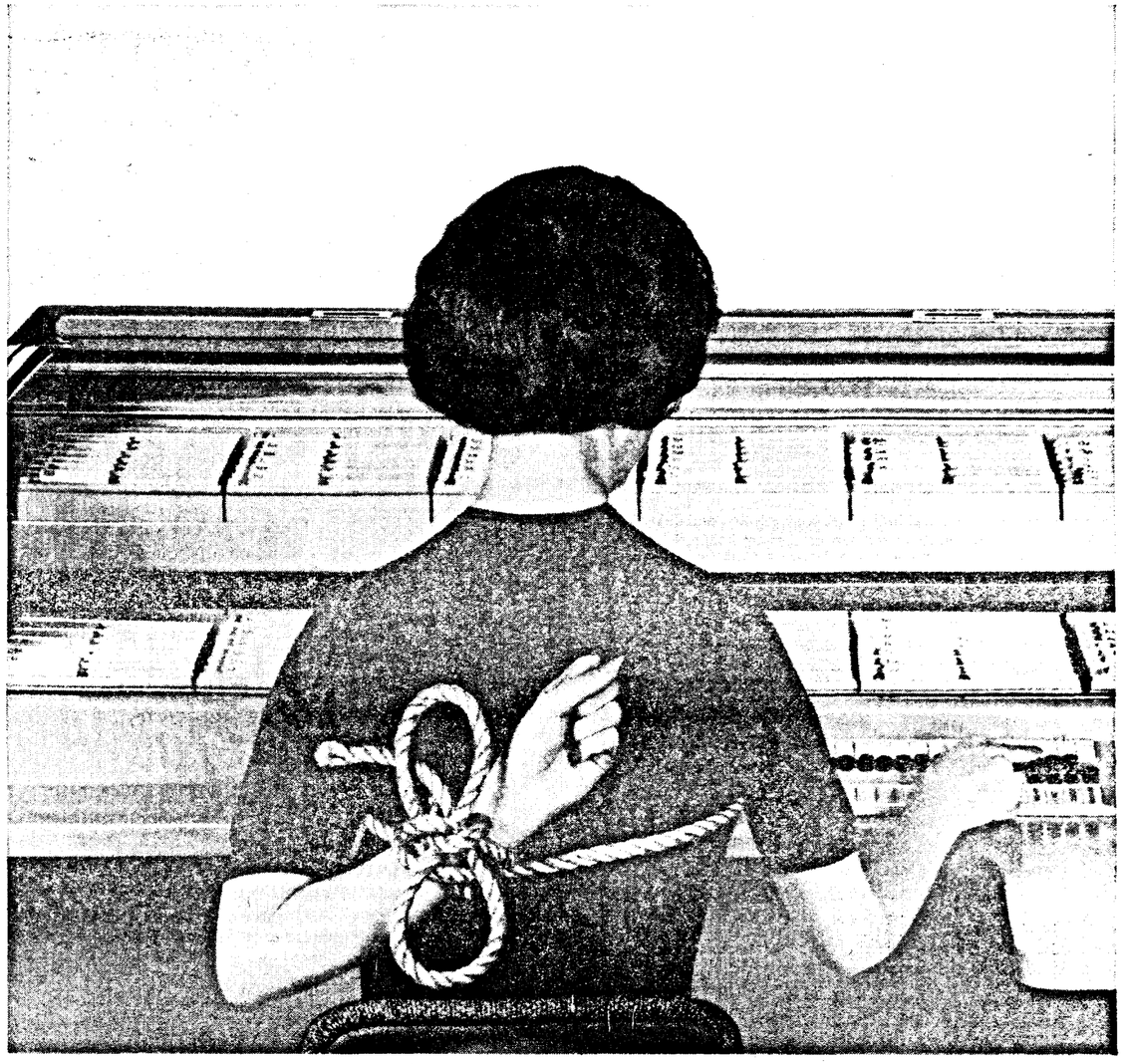
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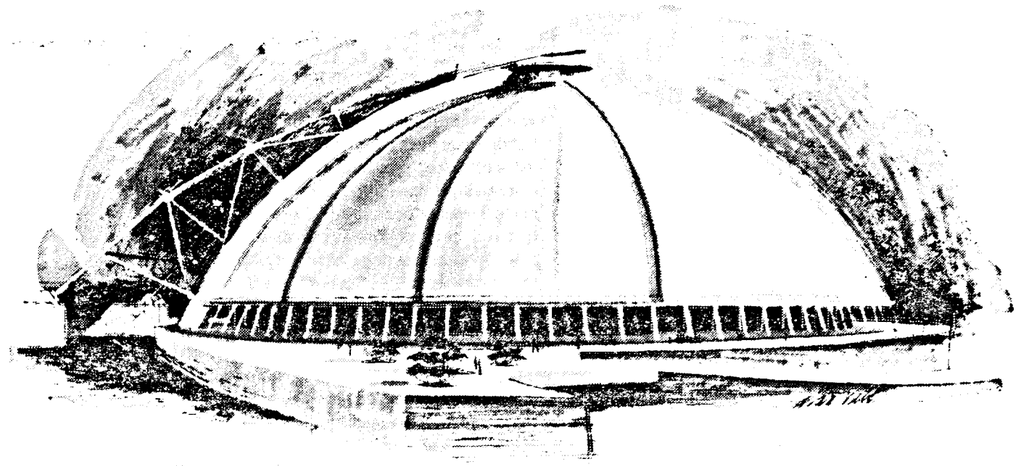
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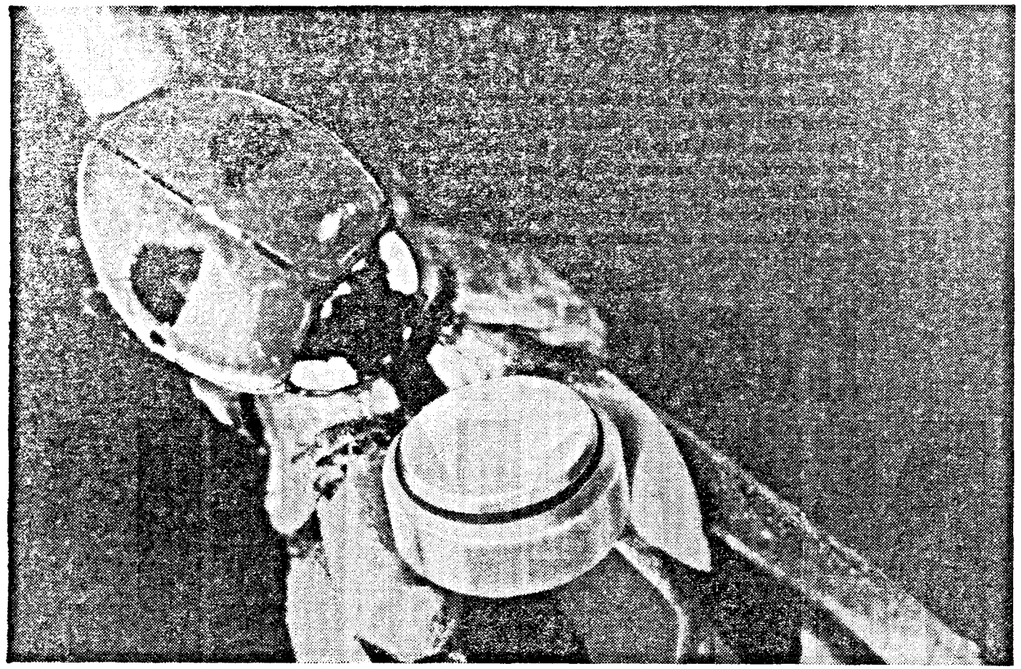
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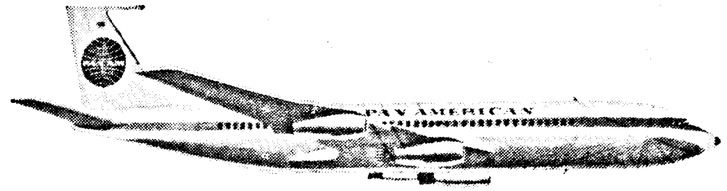


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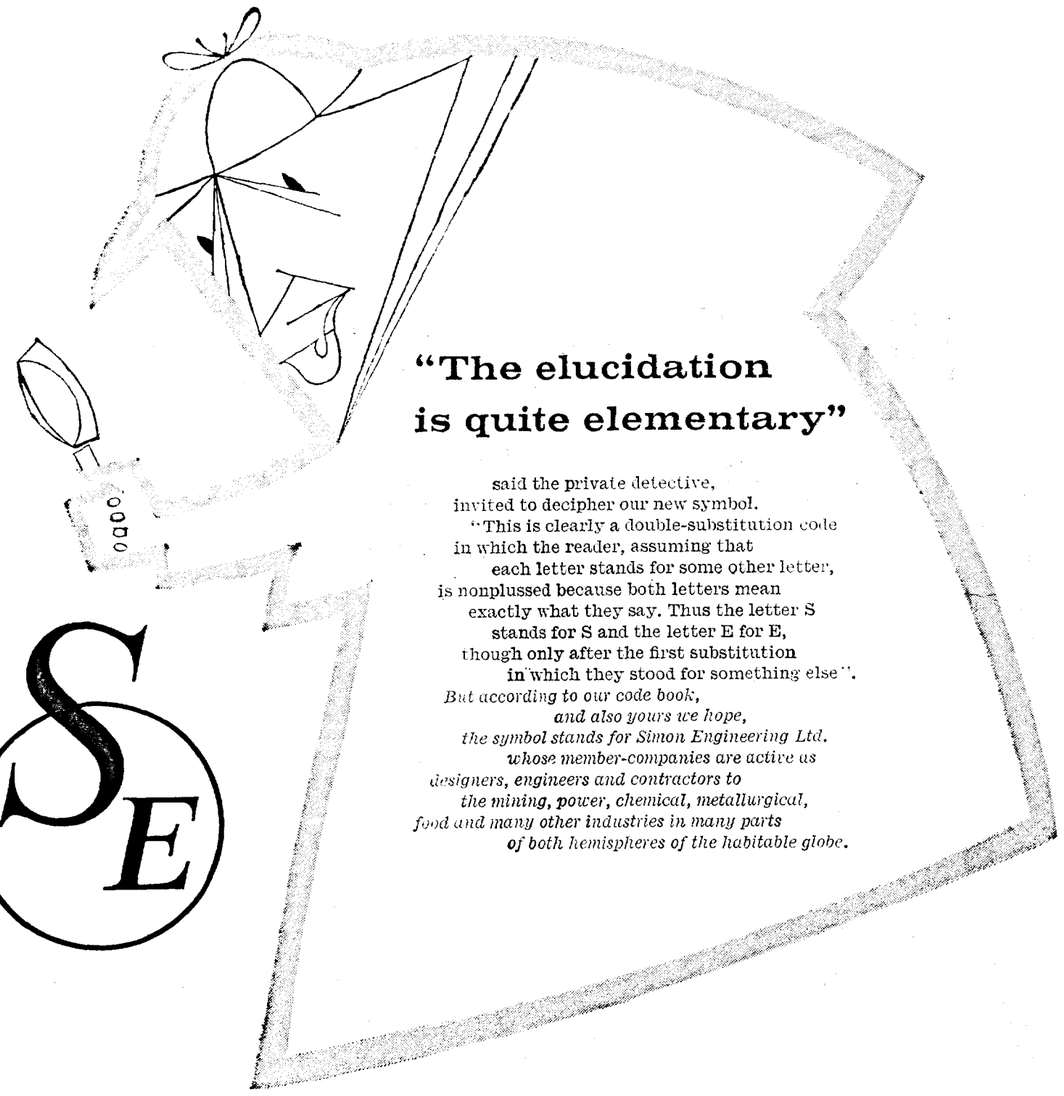
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COMMONWEALTH MARKET

Mr Menzies's Mouse

CONSIDERING its size (very small), the mouse Mr Menzies released under Mr Macmillan's legs last week has caused a disproportionate to-do. The Prime Minister of Australia arrived in London last week to see Mr Macmillan. On June 1st he issued, together with Mr Marshall, the New Zealand minister of trade (who has been in Europe watching the negotiations for some weeks), an unprecedented joint warning about the trend of Britain's negotiations with the common market. Their statement called the first outline agreement between the British negotiators and the Six, reached in that week and envisaging that the common market tariff would eventually apply to exports of manufactures from New Zealand, Australia and Canada, a "disturbing development." In their view, what had been agreed at Brussels fell far short of providing "adequate safeguards" for Commonwealth trade in these products. The sally has brought the anti-common marketeers in the House of Commons out in force. The hesitant ones, like Mr Harold Wilson, have been gathering up their skirts in dismay at Mr Menzies's fearsome beast.

It needs to be noted that the actual commercial interests at stake for Australia and New Zealand in this first piece of the Brussels bargain are minute. Exports of the manufactures concerned make up a mere two per cent of Britain's imports from the Commonwealth ; and most of that quantity comes from Canada, representing 15 per cent of Canadian exports to Britain. Manufactures account for only two per cent of Australia's exports to this country (less than 1 per cent of total Australian exports) and a quarter of one per cent of New Zealand's. Even when allowance is made for lost potential growth, a low tariff on New Zealand's non-existent exports of machinery and textiles to Europe cannot seriously be called a threat to the Commonwealth or to New Zealand.

To say this is not to write down the real Commonwealth problem, but merely to attempt to put the past week's ructions in perspective. Altogether, 15 per cent of Australia's exports may be affected if Britain joins the common market, and 40 per cent of New Zealand's. For New Zealand in particular, the exports of agricultural products which provide the bulk of these exports can be called a vital interest. As the heart of the bargaining with the common market approaches, the two governments have used a side issue as an opportunity to state their case. Last week's protest should be seen, not as a plea for the minute quantities of trade affected by Mr Heath's first bargain with the Six, but as a warning shot before the major engagement that lies ahead. The two Commonwealth ministers did urge that the agreement "must not in any circumstances be taken as a pattern" for others ; and here, at any rate, they were in earnest.

All this represents, in one respect, a bad turn of luck for the British Government. Tactical needs in Brussels have forced it to begin with what may well be the most adverse part of the Commonwealth bargain. Ever since Britain first applied to join the common market, it has been clear that the Six were not going to exempt the manufactures of rich countries like Canada from the common tariff. These products, they forcibly argue, compete with their own and have no claim to the special consideration due to exports from the undeveloped world. The Commonwealth governments can, indeed, count themselves lucky that the Six have been willing to sugar the pill in three ways—a prolonged transition period (until 1970); consultation with the Commonwealth at two stages ; and a declaration that the common tariff must be reduced in



Warning from Mr Menzies

the inevitable bargaining with the United States.

The dose is still not very palatable. In the early stages of the negotiations, it was hoped in London that it could be made less bitter by leaving the final decision until a late stage when it could have been synchronised with what may be more favourable parts of the bargain, such as association with the European Economic Community for some Commonwealth countries. British and Commonwealth opinion could then have weighed gain against loss and reached a balanced political judgment on the whole package deal. But things have not quite worked out according to this hopeful plan. Partly because the British are the suitors (though not the suppliants) in the negotiation, partly because they do not have to struggle at every stage to agree among themselves as the Six do, Mr Heath and his team are having to make the running at Brussels. It is they who have to lead each hand, deal out the detailed proposals, and keep the tempo up. Mr Heath's concession about manufactures which so upset Mr Menzies and Mr Marshall was an essential, indeed inevitable, tactical prelude to the crucial negotiating phase. This phase is now on ; and we may as well accept that it is going to contain some uncomfortable moments.

Between now and the end of July there may be many more occasions when the needs of negotiation run counter to political expediencies at home. Agreements on other sectors of Commonwealth trade are almost bound to raise protests. Now that Australia and New Zealand have set the pattern, other countries (like India) can hardly hold back. Favourable bits of the bargain, when they come, will not get the same attention as the hard bits. More even than in the past six months the British Government—and British opinion generally—will need to keep cool. For the lesson of Mr Menzies's sensational but little mouse is not that the Commonwealth problem is any worse than it has been made out to be in the past, but that judgment must be suspended until a fair picture can be obtained of the whole bargain, which can then be put to Commonwealth and parliament.

In that settlement, certain really important Commonwealth interests will have to be protected if Britain is to join the common market. As members of parliament have been rubbing in this week, the staple agricultural exports of Australia and New Zealand must not fall over a "precipice" at the end of the transition period, as Mr Menzies fears his manufactures may. But that does not, and could not, mean permanent preferences for Commonwealth farm exports in the European market. Everybody concerned is agreed that there will have to be new world agreements on prices and quantities. What has to be ensured is that, as the transition period ends, Commonwealth export interests will be smoothly taken care of by the new world arrangements. These, and not any vestigial system of preferences, will make the weather in which the trade and the economies of the Commonwealth countries grow or wither. Mr Heath made the right point in his ample report to the Commons on Wednesday: there can be no rigid guarantees freezing the present pattern of Commonwealth trade indefinitely. The problem is different: to get the members of the European Community to assume a general responsibility for certain Commonwealth economic interests, as they do for each other's.

The signs provided by the bargaining in Brussels deserve attention, but it would be a great mistake to be wholly mesmerised by them. For the terms agreed in Brussels are likely to be less important than what Britain and the Commonwealth do with them once Britain is inside the common market. What has sustained the cohesion of the Commonwealth in the past has been the sharing of certain purposes, values, and habits of mind. Modernised, these can usefully contribute to the loosening-up and expansion of the world's economic life. The negotiations on trade interests at Brussels are a holding operation ; once this is concluded, the Commonwealth countries, those of them that now stick together, will have plenty of challenging economic objectives to pursue in common, both in the liberalising of world trade and in organising economic co-operation on something approaching a worldwide scale. The common market has provided the impetus for this process, which cannot be reversed whatever is done, or not done, at Brussels. Commonwealth energies, like British energies, will be better devoted to preparing for the future than to cherishing the past.

Labour's Derby Day

For the first time this year Mr Gaitskell has taken a small, but positive, step towards office

By a very short head the Government escaped the worst possible Derby day double in this week's two by-elections. If, in fact, the Liberal Mr Gardner-Thorpe had come from nowhere to take Derbyshire West it would have been a truly spectacular Tory unseating ; but after the publication of the *Daily Mail*'s National Opinion Poll on Tuesday most Tories had probably braced themselves for an Orpington-style switching of the Labour vote to the Liberals simply in order to snatch the constituency from under the Government's nose. The sighs of relief from Tory Central Office that Labour discipline proved as good as it did could be heard across Smith Square at noon on Thursday. Even so, whatever had happened on the run-in in Derbyshire West, the Government's loss of Middlesbrough West, where a number of Tories seem to have switched directly to the Labour side, would still, for that very reason alone, have been the more significant result. The Government, at this stage of its fortunes, might accept a Torrington-style result in a rural constituency, even under the very walls of Chatsworth, with something resembling equanimity. The real nightmare for the Tories has been to see Labour making any kind of advance that would jeopardise Tory chances in the really marginal seats that actually decide general elections. Now, at last, this seems to be happening.

Labour's victory at Middlesbrough West is unquestionably the party's best performance since the Tories' by-election slump set in last November. Not only has it captured the seat, it has increased its share of the poll (by 4.2 per cent) in doing so. At the least this means that the party has held the great bulk of its normal vote against the Liberal challenge in a semi-suburban constituency ; in the neighbouring seat of Stockton in April the Liberals wrested one Labour vote for every two that they took from the Tories. But a closer look at the figures suggests that Labour may have done even better than hold its own. One-seventh of the electorate who voted in Middlesbrough West at the general election in 1959 did not, for one reason or another, vote this time. The natural presumption must be that a majority of these were dissatisfied Tories, but Labour, too, must have had its share of abstentions—at least in the sense that voters die or move out of the district or simply take the half-day off at the seaside. Thus, for Labour to have dropped no more than 797 votes since 1959 carries a pretty clear implication that the party has actually had a small, positive accretion of strength this time.

Since the Liberals were gaining votes (5,493 of them) for themselves there can be a presumption that the shift to Labour was directly at the expense of the Tories. If only one-quarter of Wednesday's abstentions (i.e. 1,694 votes) came from the Labour side, the party can claim to have picked up 897 votes, or 6 per cent of its total poll, from outside the ranks of its 1959 supporters. This is a small but not entirely insignificant, figure: Mr Gaitskell and Mr Brown can give thanks for it whenever they contemplate the range of more marginal Tory seats that they have to win, with or without the Liberals' aid, at a general election. For the first time this year Labour, however sluggishly, has got under way.

Why has this happened at Middlesbrough West and not before ? The lower Tees-side area has been particularly conscious of local unemployment (4.5 per cent) and short-time working: this may have helped to ensure a relatively high turnout among Labour's block of industrial working-class voters in the constituency. But the primary factor in the Labour victory appears to have been the party's success in beating back the Liberal effort to sweep up Labour's share of the white-collar, suburbanite vote. No image could have been more Gaitskellite than that projected by the Labour candidate, Dr Jeremy Bray, and nothing helped to project that image more effectively than Mr Gaitskell's assurance that Labour has no plans to nationalise ICI, on whose bonuses the budgets of a good many Middlesbrough households of all classes have come to depend. (Labour's anti-Polaris wing may equally reflect on the fact that Mr Gaitskell's clash with the nuclear disarmers in Glasgow on May Day has done a Gaitskellite candidate no harm at all with the electorate.) Even so, the real lesson of Middlesbrough West is that where Labour was seen to have a fighting chance to oust the Tory, a small but decisive number of floating voters decided that a vote for the Liberal was a wasted vote. Mr George Scott, despite his success in picking up an extra 16.2 per cent of the poll, failed to do quite as well as the Liberal at Stockton. In this sense, Middlesbrough West can be counted Labour's revenge for Orpington.

At Derbyshire West Labour was not able to stop the Liberals taking just under one Labour vote for every two taken from the Tories ; in a rural or purely suburban constituency this is always more likely to happen than in a mixed one like Middlesbrough West. This result confirms that there are now over 100 seats where the Liberals can claim to be the only serious challengers to the Tories, not only in by-elections but at general elections as well. If Labour felt that its chances of winning an outright majority in the House of Commons next time were still slim (i.e., a national swing to Labour of no more than 3½ per cent) it might seem logical for the party to drop its own candidates in seats like Orpington, Blackpool North and Derbyshire West which, on current evidence, could conceivably be carried by a Liberal in a general election. But equally these are precisely the seats where the Tory vote, after losses of up to 25 per cent in the share of the poll (as at Derbyshire West) is almost certainly at rock bottom. If the Tories do pull back a substantial number of their absconders at a general election it will be at the Liberals' expense ; since the Labour vote in these seats is also at, or near, rock bottom (i.e. in the sense that it reflects the hard core which is not prepared to cast a non-socialist vote even to oust the Tories) a Labour withdrawal would still not be a guarantee that Mr Grimond would lead a sizeable third party in the Commons—and put a minority Labour government into office. This is a nice calculation in some constituencies, but the argument for a formal Lib-Lab electoral pact is still not substantiated.

The Tory candidate in Derbyshire West, Mr Aidan Crawley, can probably be thankful for two factors that saved him from the kind of consequence of the National Opinion Poll that he had good reason to fear. First, the farm vote, however fed up with the Government, had no very good reason to swing *en masse* to Liberals who are even more determined to join the common market than Mr Macmillan and Mr Heath are. Secondly, there actually was an anti-common market candidate in the field to skim off this particular segment of the protest vote ; if his 4.1 per cent of the poll had been added however illogically to the Liberals' 32.6 per cent Mr Gardner-Thorpe would just have squeaked home.

The Tories had decided in advance on what their consolation prizes would be this week. At Derbyshire West Mr Crawley was robbed of much of his thunder against the opinion polls by Labour's failure to seize what looked like the main chance. At Middlesbrough West the local Tories can at least claim to have substantiated Lord Hailsham's and Mr Macleod's warnings that massive desertions to the Liberals would let Labour in. This may well concentrate some suburban minds wonderfully, but to rely on this kind of tonic is a thoroughly poor advertisement for the party doctors. Labour's accretion of strength under a good Gaitskellite candidate should be a warning that the white-collar electorate is not quite as apprehensive of milk and water socialism as Central Office patently believes. Mr Lloyd's progressive relaxation of his grip on the economy can be interpreted as a positive hint of expansionist thinking ; the progressive loosen-

ing of the Government's grip on its incomes policy, as this week's all-round hoick-up in civil service pay after the dockers' award painfully demonstrates, is altogether the reverse of encouraging. Mr Macleod's belief that the by-election slump should pick up after mid-summer is hardly one that Mr Macmillan can feel encouraged to put to the test with something like 200 Tory seats in the country that can now be lost almost at will. If and when the cabinet changes do come any consequent promotions to the Lords can certainly not be risked this year.

A Warrior in Chaos

Efforts to bring the Dutch and Indonesians together should go on; but Indonesia's mounting chaos presents a problem of its own

HOPES that the Dutch and Indonesians would start negotiations about west New Guinea were dashed again this week, when President Sukarno told the acting secretary-general of the United Nations that military activity was being stepped up. He contended that the Dutch had been reinforcing their troops; and indeed it would be surprising if they had not, since Indonesia has been dropping paratroopers on the island during the past few weeks. It would have been more helpful of President Sukarno to welcome the fact that the Dutch are now ready to negotiate with the Indonesians on the basis of the Bunker proposals for west New Guinea's future.

The Bunker proposals are named after Mr Ellsworth Bunker, the able American diplomat who has been trying to find common ground between Holland and Indonesia that would enable both sides to negotiate a settlement of their dangerous and long-standing dispute about west New Guinea. Mr Bunker has proposed that the Dutch should transfer authority to a temporary administrator to be appointed by the acting secretary-general of the United Nations. In the first year of the administrator's two-year term, UN officials would replace the Dutch; in the second year, Indonesians would replace the UN officials. After an unstated period of years, the Indonesians, by then fully in control, would give the local population a chance to vote on their own future. The Indonesian side accepted the Bunker proposals as a basis for negotiations on April 9th, and the Dutch prime minister, Professor de Quay, after protracted cabinet discussions, announced his government's acceptance on May 24th.

If the Dutch decision does eventually bring the Indonesians to the conference table, it will have avoided an absurd and harmful colonial war. But in the long term, the aspect of any Dutch-Indonesian negotiations that will most interest Indonesia's friends and neighbours is whether the Indonesians can then be expected to emerge from their deepening chaos and bankruptcy, or will merely take the opportunity to export their troubles to New Guinea.

When, on May 6, 1961, *The Economist* argued that the time had come to concede the Indonesian claim to Dutch New Guinea, it described this course as the least of several evils. What seemed decisive was the improbability that the Dutch would be willing or able to stay on in New Guinea and see their ten-year development programme through to the end. The Dutch decision to negotiate on the basis of the Bunker plan suggests that the doubt was well founded. Unfortunately, the Dutch took a year to make up their minds, and in that time things have gone from bad to worse in Indonesia.

All the earmarks of a state in collapse are present, from inflation and hoarding to corruption and administrative chaos. Exports declined sharply in the second half of last year, and by the year's end the gold and foreign exchange reserves were down to a point so near zero that no statistical sleight of hand could disguise the fact. In 1960, sugar exports had earned $3 million; last year there were none. A third of the country's tin dredges were reported to be lying idle. Slight increases in the value of petroleum, coffee, copra and palm oil exports did not compensate for the major falls in sales of other commodities. Rice imports, already the highest for any country in the world, are still rising; at least in the cities, rice is selling at up to twenty times the official price; there is malnutrition and even, in some parts of Java, famine. Distribution difficulties, largely attributable to the persecution of Chinese traders in recent years, and therefore government-made, have aggravated food shortages. Cholera and smallpox complete a dismal picture.

Fear that the policies of President Sukarno and his supporters would lead to conditions such as these drove some of Indonesia's ablest economists and politicians into dissidence four years ago. Defeated in the field, most of the rebels have surrendered (and this fact has helped copra exports from Celebes to recover), although the underground opposition remains active. Since the Dutch transferred sovereignty to the Indonesians more than twelve years ago, and were physically expelled in 1957, the old excuse that colonialism was to blame for Indonesia's troubles no longer holds water.

Having brought his country to this pass by errors of omission or commission, President Sukarno embarked last year on an eight-year development plan (which seems utopian with finances in their present shape) and, in April, announced the creation of an "economic operations supreme command," whose civilian members have been put into military uniform to sustain the metaphor of a martial approach to economics. The martial approach is indeed a fact of Indonesian life. With an empty treasury, the Indonesian government is drawing on some £400 million worth of Soviet credits, nearly half of which seem likely to go on military supplies of one kind or another; nearly £40 million is being spent on a mammoth setting for the Asian Games, to be held in Jakarta in August; the foreign minister, Dr Subandrio, was in Moscow last month drawing up another shopping list.

Given Indonesia's financial and economic condition, the irresponsibility of purchases on such a scale, and of a policy of violence in west New Guinea, is matched only by Mr Khrushchev's blithe shouldering of the burden. In the long term, however, he may well feel that his gamble is worth while. Indonesia is potentially a rich country—in natural resources, one of the half dozen richest in the world. Its Communist party is the biggest and strongest in Asia outside China (and at the end of April, President Sukarno himself turned up at its congress to defend its patriotism against all comers). If ever the Russians feel like foreclosing, they will not be short of local helpers to sustain their own technicians.

Since, by any reckoning, the Indonesian problem would be made still worse if it ever came to outright war with Holland, one must continue to hope that negotiations will start soon. One would be justified, however, in urging U Thant to keep an unbiased Asian eye on the Indonesian scene. Since the UN may soon have to face onerous responsibilities in New Guinea, he will be entitled to make his influence felt when it comes to determining the duration of the proposed interim administration, the conditions of the transfer to Indonesia and the time the Papuans are to be asked to wait before voting on their own future.

Wages on the Land

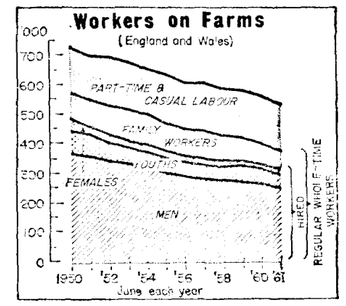
A £10, 40-hour week on British farms; this target was set by the National Union of Agricultural Workers at its biennial conference last month. A claim to add 25s. to the existing minimum rate of £8 15s. 0d. will be presented to the Wages Board by the workers' side on July 2nd. The reduction of the standard working week, at present 46 hours, will presumably be made a separate—and less hopeful—issue. All this has to be seen in the context of Britain's bid to join the European agricultural arrangements.

What sort of a case can be made out for agricultural workers? Opportunely, the Ministry of Agriculture has just released more detailed information about their earnings than has previously been published. An article in the current issue of *Economic Trends* analyses the results over the last fifteen years of a regular sample survey in which about 5,000 farms in England and Wales are visited annually and information collected about some 20,000 regular whole-time workers and 5,000 other workers. The earnings figures discussed here are confined to those of hired men doing regular whole-time work, for which the £10 claim is made.

The latest information is for the twelve months ended September 30, 1961, over which the weekly minimum wage rate for men averaged £8 6s. 9d., but actual earnings £10 16s. 3d. The accompanying table shows that it is overtime pay and bonuses, rather than payments in kind, which make up most of the difference. Contrary to general belief, not all farm workers receive payments in kind, at least not of the type recognised officially as such. Nearly half the men receive a cottage, valued at 6s. 0d. a week, and about one in twenty board and lodging worth 38s. 0d. a week. Add in free milk which works out at about 1s. 4d. a week a head and these are practically all the "perks" which are officially valued.

But there are many ways in which farmers supplement statutory cash payments. To begin with, the contract frequently provides for overtime working to begin before the standard week has been worked. For the 4 per cent of men for whom basic hours last year were under 43, the farmer could pay less than the full minimum wage for this length of time, but he could not do so for the 35 per cent of men for whom basic hours were between 43 and 46. It is also common practice for the farmer to contract for some regular overtime working at time and a half, and in addition to pay a premium. For skilled workers such as bailiffs, foremen and cowmen, the basic wage accounts for only about three-fifths of total earnings.

Whereas the weekly minimum wage has little more than doubled over the last fifteen years, premiums are now three times what they were—evidence of the farmer's need to give extra reward to attract labour. Eight out of ten men now receive some premium, one out of three gets £1 or more a week in this way. As the chart below shows, average earnings for men (aged 20 and over) in agriculture have increased faster than wage-rates; even so, last year they were some £4 5s. short of those of men (aged 21 and more) in industrial work. Moreover, the farm man worked 51 hours for his pay, the factory man rather under 48 hours. Nor does it seem that the average picture is a distorted one: 42 per cent of men doing manual industrial work were earning £15 and over in October, 1960; a year later only 15 per cent of cowmen and 9 per cent of all hired men on the land were receiving a similar sum.

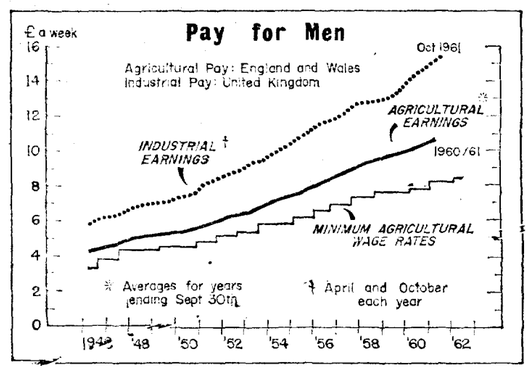


How nearly a fair society could equate these earnings is anybody's guess. Housing, transport and food cost the farm dweller less than they do the townsman. How many industrial workers are there who would not value accommodation at no more than 6s. a week? On the other hand, the drift of potential skilled labour from the land may continue beyond a point at which mechanisation can replace it. As the chart above shows, the decline in the agricultural labour force over the last decade has been chiefly the consequence of a reduction of about a third in the number of men and youths working regularly whole-time; casuals bridge the gap.

WEEKLY AGRICULTURAL EARNINGS
(Men: Year ended September 30th, 1961)

	General workers	Cowmen	Bailiffs & foremen	Average*
	s. d.	s. d.	s. d.	s. d.
Minimum wage for basic hours:				
In cash	159 0	154 4	158 1	159 4
In kind	6 5	10 5	7 6	6 1
Contractual overtime	7 9	39 7	10 3	9 7
Premium	11 0	25 3	53 7	17 4
Contract wage	184 2	229 7	229 5	192 4
Non-contractual overtime	21 4	20 4	15 7	22 5
Other earnings in cash and kind	0 8	1 9	6 5	1 6
Total earnings	206 2	251 8	251 5	216 3

* Including stockmen other than cowmen, tractor drivers, market gardeners and ancillary workers in agriculture.



NOTES OF THE WEEK

ARBITRATION

Minimum to Maximum

THE Civil Service Arbitration Tribunal has given a pay rise of 4 per cent to all civil servants outside the Post Office and earning less than £2,400 a year; it has aroused the strongest hopes of a comparable rise among Post Office workers, nurses, probation officers, and a host of far less deserving workers who will complain that their sacred differentials have been disturbed; and it has made nonsense of the Government's wish to keep wages within the limits of the national increase in production. The tribunal decided to do these things in the face of a perfectly clear explanation by the official side on the Whitley council of the reasons why it was unwilling to offer more than 2 per cent to the staff.

The job of the civil service arbitrator was defined by the Priestley commission in 1955 as that of keeping the pay of civil servants in line with pay outside. In February, literally on the eve of a work-to-rule campaign by civil service clerks, the Chancellor of the Exchequer announced that from the beginning of April "the position on arbitration in the civil service" would be restored to what it was before July 1961 (the beginning of the pay pause). The members of the tribunal have always been encouraged to think of themselves as judicial, rather than executive, officers; they can hardly be blamed for following precedent when told that precedents will once more apply. The Government—for its failure to impose its will (e.g. in the docks) instead of simply hoping to persuade people by the Coué method—must shoulder the full responsibility for this defeat of its whole economic design (which is far more serious than any by-election result).

The tribunal's decision was, by coincidence, announced immediately after one of the first serious sessions of the National Economic Development Council. It is pretty clear that other people will now be encouraged to take Ned's hopeful target figure of a 4 per cent annual increase in national production as their own minimum objective for pay rises. It is a tough day for the planners.

COMMONS

Common Market Debate

THE Commons debate on the common market negotiations, which entered its second phase as *The Economist* was going to press, gave an excellent opportunity of taking both the Government's and Opposition's temperature on the issue. The patients do not seem to be doing too badly. Mr Heath's speech made it quite clear that the Government is well past the point of no return and pressing forward determinedly and optimistically with the negotiations. The Prime Minister was there to give his benevolent patronage to his protégé and was plainly delighted with him. Mr Heath has more than fulfilled the promise he showed in the early part of the session. He spoke with lucidity and even with enthusiasm, at all times in full command of facts, figures and issues. As he spoke the most intractable problems took on at least the appearance of manageable proportions. Brussels seems to have given him the confidence in addressing the House which hitherto he has never quite managed to acquire. He has evidently seen the vision of the promised land and knows that it is good.

The House itself paid him its highest compliment by listening in silence and close attention to everything he had to say. Despite the Derby and the heat there was no sign of restlessness. No barrackings came from the Tory commonwealth lobby, who maintained a decent decorum. Mr Heath got two cheers from his own side, first when he spoke about the pace of change in the world, of which he was obviously aware but others (he thought) were not, and again when he spoke of the contribution Britain had to make to the common market in terms of political stability and industrial strength. Here he was speaking to the heart of the party which is still thrilled by the idea of Britain's greatness. This is a much more fruitful line in selling the common market to the backbenches than the conjuring up of the bogeys of what may happen if we stay out. Perhaps the Tories were still under the spell of this vision when they took without a murmur Mr Soames's admission that joining would mean dearer food and his rather nebulous suggestion that an annual price review should be obtained. There were of course the dissenting voices of Mr Peter Walker and Mr Robin Turton to all that Mr Heath had to offer, but though raucous they were ineffective.

Mr Gaitskell's position seems to be very much what it was, save that his scepticism over the economic advantages of the market has grown—perhaps he has been having some more conversations with Mr Douglas Jay? By championing New Zealand he walked off with another piece of Tory commonwealth clothing. There is much to be said tactically for Mr Gaitskell's policy of non-commitment but the danger is that while he remains detached the pro-and anti-European forces in the party will become so polarised as to be beyond his control.

ALGERIA

Whose Victory?

GENERAL JOUHARD'S appeal from the death-cell to General Salan, entreating him and the Secret Army to face the inevitability of Algerian independence and the need to come to terms with the Muslims, highlights the dilemma in which the terrorists still in Algeria now find themselves. Either they can continue their indiscriminate attacks on the Muslim population, and endeavour, by destroying as many schools and hospitals as possible, to reduce Algeria, in their own phrase, to the condition it was in before the French arrived there; or they can, as General Jouhaud suggests, try for a reconciliation with the National Liberation Front (now busy turning itself into a political party for the referendum and elections next month). Either course involves the admission of defeat, the abandonment of the dream of French Algeria, the undeception of the European inhabitants of Algeria whom the Secret Army so cruelly misled into thinking that it could triumph. No wonder the terrorist leadership has been bitterly divided between those, mostly *pieds noirs* (Algerian-born), who seek an accommodation, and those—mostly ex-officers—who want to fight to the bitter end.

But if the Secret Army is certain of defeat, it is not yet clear who, if anybody, has won. There was an uneasy truce from May 31st to June 6th, while the Secret Army and the provisional executive tried to come to a settlement, but the predictable breakdown of the talks has led to a resumption of Secret Army violence, this time clearly in pursuit of a scorched earth policy. Nothing can rob the FLN of its chief prize, national independence; but if the Secret Army is not checked in time the damage done will make the task of reconstruction infinitely more difficult.

The French government is in a hardly more pleasant position. The verdict in General Salan's trial made it look foolish and left it, for the moment, impotent: it has had to stand on the sidelines while M. Farès, the head of the provisional executive, and the men of the Secret Army discussed the future of Algeria without it. Much worse is the real possibility that the scorched earth policy will lead to precisely the mass exodus of Europeans and the destruction of the Franco-Algerian connection that the French government tried so hard to prevent by the Evian agreements. Already the refugees are pouring northward across the Mediterranean. It may well be that General de Gaulle has not yet paid the full price for his failure to gain effective control of the instruments, as distinct from the trappings, of power.

SOVIET UNION

Spreading It Thin

THE sharp rise in Soviet meat and butter prices announced on June 1st is a major blow to Mr Khrushchev's popularity. And the simultaneous cut in the price of sugar will not sweeten the bitter pill. Mr Khrushchev has been in effective charge of Soviet agriculture ever since Stalin's death. He has staked his claim to fame among Russians as Nikita the Bountiful, the man who will deliver the goods. He has talked about surpassing American standards of consumption. Now he has been compelled to admit the failings of his farm policy in a spectacular way—through the first Soviet price increases in fifteen years. And sharp ones at that: retail prices of meat go up by an average of 30 per cent, while the increase in butter prices averages 25 per cent.

Such a big jump is bound to hit wage-earners, particularly in the lowest income groups, and offset recent wage increases. In a candid passage of his speech to a group of young Cubans on June 2nd, Mr Khrushchev actually admitted that some of the wage increases had been a mistake. Money incomes went up, but the supply of meat and butter failed to keep pace. The reasons given for the size of the increase in retail prices are not quite so candid. It is argued that the higher prices now paid to farmers had to be passed on to consumers. The Soviet economy is not really governed by such strict accounting. In the past few years rising costs of procurement have not been reflected in similar increases of retail prices. The primary purpose of the move is to cut down demand, in the face of unusually glaring shortages and unusually long queues.

The decision to adopt the solution of "rationing by the purse" can hardly have been reached without tense discussion in the inner circle of Soviet power. It is in this context that the arguments publicly put forward acquire significance. The official statement maintains that scarce resources could not be diverted from other sectors of the economy to cushion higher farm prices. Investment in heavy industry could not be slashed without affecting the pace of economic growth, while the international situation did not permit of any saving on armaments—quite the contrary. It is all very difficult. Much the same difficulties seem to be repeated just now in the economies of Russia's European allies; so that the Council for Mutual Economic Aid, now meeting in Warsaw, has indeed much to discuss.

LEARNING RUSSIAN

Too Late for Pilkington?

THE Annan committee's report on "The Teaching of Russian," published on Thursday*, is meant to jolt—and it does. There are only 221 schools (and 216 full-time teachers) prepared to instruct British children in the language of the world's second power, with its great literature, its major scientific and technological importance and, the report suggests, its developing status as a *lingua franca* of commerce. In 1961 Russian was offered by just 1,027 candidates for the General Certificate of Education at "O" level (fewer than in Italian or Welsh) and by a mere 236 at "A" level. The committee believes that, given the appalling resistance to teaching anything new, the necessary expansion of Russian studies should not be at the expense of languages like German and Spanish, but that the favoured position enjoyed by both French and Latin could be sensibly diminished. (The only *caveat* here must be that teaching children actually to speak French should, if anything, be stepped up.) The committee wants to increase the Russian teaching force to 1,500 in 15 years and it calls, commendably, for intensive one-year courses in Russian for teachers of other languages. To train 40 such teachers would cost about £62,000 a year (two-thirds in payment of the trainees' full salaries); one would like to see positive financial inducements for all teachers who extend their qualifications—in Russian or mathematics or any short-staffed subject—in this way.

Similar encouragement is needed for "sandwich" courses in Russian at technical colleges, and the committee rightly points to the use of audio-visual aids as one means of surmounting staff shortages, particularly for pupils whose needs are functional rather than to secure an elegant mastery of the language. But there is a still wider public that should also be tapped. The BBC's "Russian for beginners" series on sound radio prompted the sale of 53,000 copies of the course pamphlet. Probably very few of the real beginners went the full distance of 40 weekly lessons, but the value to others studying by some alternative method was substantial. This is precisely

* HMSO 3s. 6d.

The Economist

JUNE 7, 1862

THE STATE OF THE CONSERVATIVES

¶ The position of the Conservative party at the present moment is very peculiar, and is assuredly neither prosperous nor dignified. . . . In spite of several small skirmishing victories, in spite of success at most of the recent single elections, the effective strength of the party in the country appears to diminish in proportion as its mere numerical strength in Parliament increases. The temper of the country has rarely been more conservative; the Conservative ranks have not for many years been fuller or better recruited; yet "the Party" has seldom been less likely to come into office, and the country has seldom been less desirous to see them in office. They seem to be stricken with some strange *incapacity for power*—some curious disability which neutralises and mars all the apparent advantages of time and situation. Wherein is the explanation of this to be sought? It is not difficult to discover. In periods of excitement and severe political strife, such as all of us can well remember, —when great constitutional questions were under discussion, when organic changes were eagerly demanded by one portion of the country and vehemently resisted by another,—when whole classes were clamouring over rights withheld or grievances endured,—when the intelligent public opinion of the country was really and widely divided as to the doctrines to be embraced and the course to be pursued,—the people were naturally anxious to see power in the hands of that political party which sympathised with their sentiments and was pledged to carry out their wishes. . . . But at the present moment there are no stirring legislative questions and no broadly marked lines of policy to agitate the popular mind. It would be difficult to name any single *measure* which the people are anxious about—any great point in dispute at home which they are desirous to see settled in one way rather than in another. The temper of the country is "moderately and cautiously liberal," or "generously and wisely conservative." . . . The nation, therefore, has no reason for siding with the one party rather than with the other, except such as may be furnished by the relative character and capacity of the leading men of each. Almost for the first time for a very long series of years, it is at liberty to choose its rulers with reference to their *fitness for ruling*, irrespective of their doctrines. Now it is impossible for any man of the least impartiality to doubt for a moment on which side of the House—on which side of either House—lies the preponderance of administrative talent and of political reputation. . . . Accordingly, there are thousands of Conservative electors throughout the land who at all contests vote regularly in favour of Lord Derby's or Mr Disraeli's candidate, but who, nevertheless, have no very earnest wish to see Lord Derby or Mr Disraeli in office.

the function that new educational channels on television should serve throughout the languages field. At present no Russian is spoken on British telly at all. Will the Pilkington proposals for British broadcasting take cognisance of the fact?

SPAIN

Action and Reaction

BORN in early April, the Asturian miners' strike, which spread to other industries and involved, from time to time, 100,000 workers, has at last virtually petered out. But it dies victorious. The government, which at first set its face firmly against any concessions, at length allowed the mine owners to offer wage rises of from 3 to 6 shillings a day (increases of 25 per cent and upwards) and to find the money by increasing the price of coal by 10 shillings a ton. True, this was ungraciously done; but the strikers went back to work knowing that the falangist myth of labour representation by the government-controlled "syndicates," trade associations for reconciling the interests of workers and employers, has been shattered, and that they have secured better wages by a weapon hitherto illegal—the strike.

The Church has swung over to support the right to strike, and all the elements of opposition, whether socialist, communist, or "intellectual," have rallied to the workers' support. The law which proclaims the strike a misdemeanour seems now to be a dead letter, and the syndicates an outdated device.

Not that General Franco has renounced either the law or the syndicates. A letter smuggled out of Oviedo prison reports that a large number of strikers have been arrested, imprisoned, and beaten up. On June 3rd, the anniversary of the Nationalist victory in the Civil War, a huge military parade was held in Madrid, presumably to demonstrate the basis of armed strength on



General Franco: which way?

which, ultimately, the regime reposes. A week earlier, in a speech to civil war veterans, the Caudillo scouted suggestions that he was too old to continue in power much longer, and launched an attack on Catholic sympathisers with the strikers that has since been repeated in section of the press. Opposition men in Madrid and elsewhere have been arrested.

Still, the great rent in the veil has been torn. If only in the economic sphere, some of General Franco's subjects have recovered the power of independent action by allying for a specific purpose. What this means for the future of Spain, the regime and its supporters have yet to acknowledge.

European Debate

SPANIARDS are being allowed to discuss European integration, and to debate whether their country should join the European Economic Community, with unusual freedom. The press has published both the pros and the cons (with falangist papers generally—until recently, at least—against, and Catholic papers for). European committees and study groups have sprung up in all the main cities. After preliminary conversations at Saragossa, delegates of the various European-minded groups have now decided to set up a national co-ordinating committee which will hold its first meeting in Madrid this month. They hope ultimately to create a nation-wide movement for European integration.

Spanish officials concerned with international and economic affairs, and the younger army officers, are generally favourable to the European Economic Community. But older-school officials, particularly at the ministry of the interior, are beginning to view the European movement in Spain with some suspicion. Some falangist diehards grumble that it is merely a façade to cover the propagation of liberal ideas.

In Barcelona in April, Sr Gil Robles boldly told a gathering of 1,500 pro-Europeans that so long as Spain was governed by an authoritarian regime it would simply not be admitted to the Community, for "the pillars of the EEC are democracy and the rights of man." More recently, a liberal economist lecturing a pro-European audience in Madrid was applauded for his double-edged references to Spain's claims to membership of the "free world"; and a monarchist lawyer had fun in a northern town quoting General Franco's claim that Spain was Europe's pace-setter in social affairs. The European movement may or may not be tempting Spaniards with liberal thoughts; but it is helping them to acquire once more a thirst for debate and a taste for irony.

TRADE UNIONS

Ballotry

THE sword of industrial power has swung wildly and unpredictably out of the hands of those who, for so long, have never wearied in wielding it militantly. Last week the negotiators of the engineering unions met the employers to put, once again, their claim for higher pay and shorter hours; they were reduced to appealing to the better feelings of their opposite numbers ("You have missed a great opportunity for trying to pour oil on troubled waters"). And they had to agree to wait around patiently for yet another month—their original claim was put in last September—until all the members of the employers' federation have given their views on the claim. If the answer then is a refusal, or a tiny token concession by the employers, the unions will have to do some pretty tough thinking; the rug was pulled from under them when their members balloted against a strike.

To the unconcealed relief of these uncomfortable union bosses, their most vociferous critics within the unions, the left-wing shop stewards of the motor industry, are themselves being slapped down on the factory floor. Ford workers voted to go back to their jobs despite their unofficial leaders; now two of the angriest of BMC's stewards have been voted out of office by the very people who have so often followed them out on strike. The situation at BMC is vastly complicated by the perennial rivalry between the Amalgamated Engineering Union, which organises many skilled men, and the Transport and General Workers' Union, which has probably more members in the plant but which occupies fewer key positions. But whoever the shop stewards are, they must now reckon with a far greater discretion among the bulk of the workers about the issues that really justify a strike.

This is not to say that votes by the rank-and-file are always the answer to long-term union problems. It seems likely, for instance, that the merging of several unions in the printing industry—which would certainly make it easier to digest

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TURKEY An international consortium, on the lines of the Aid India Club, may shortly be formed to provide the $1,500 million that Turkey needs for its five-year development plan. The review examines the government's attempts to revive production and prepare for planned development against a background of continuing stagnation and the persistent political crisis. The encouragement to be given to the private sector and the inducements offered to the foreign investor are discussed; current production and foreign trade trends are analysed; and Turkey's negotiations with the Common Market are reviewed.

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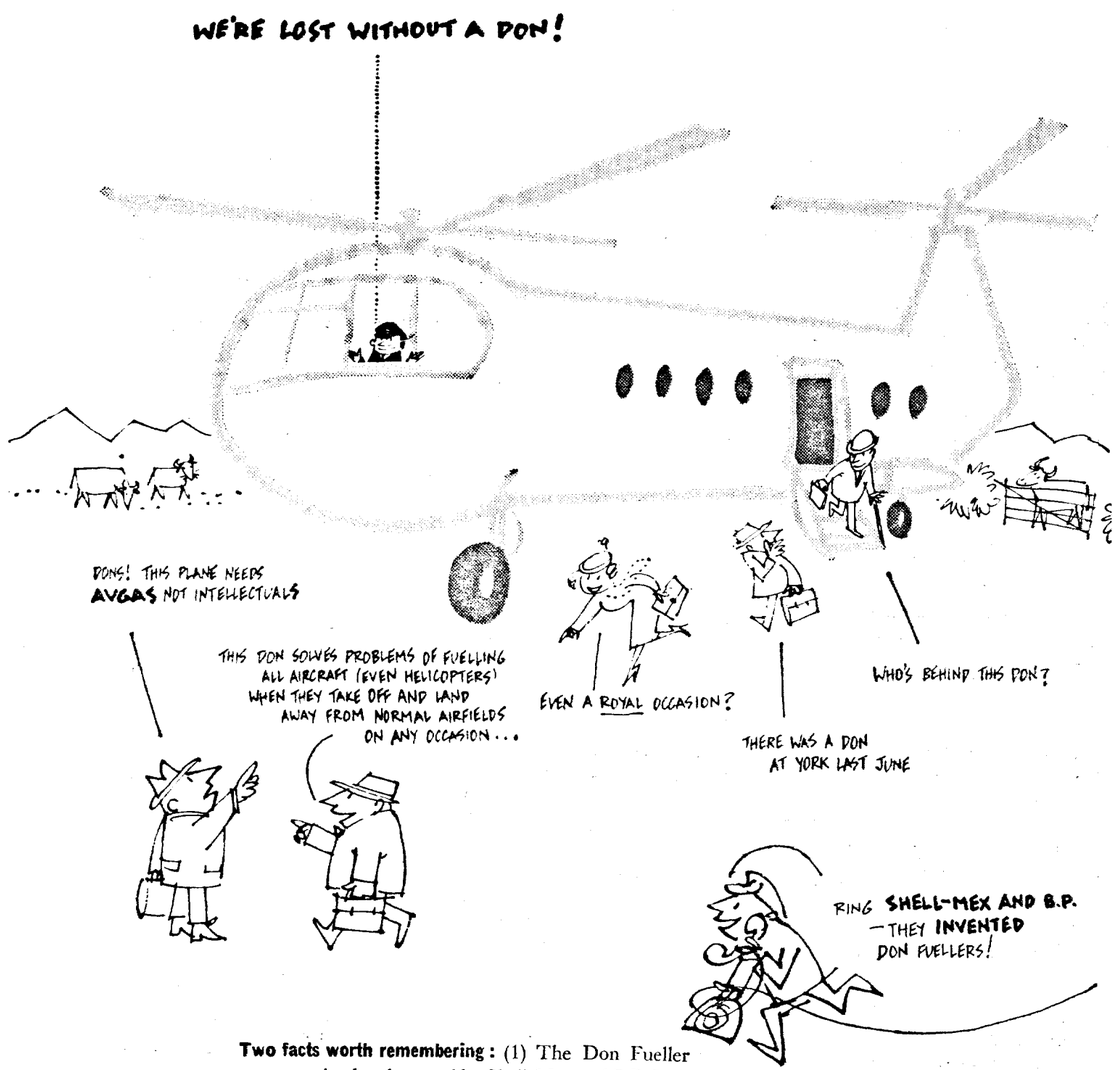
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Two facts worth remembering: (1) The Don Fueller was conceived and created by Shell-Mex and B.P. Ltd. anticipating the need for a safe, simple way to transport fuel and load it to aircraft away from normal airfields. (2) Shell-Mex and B.P. Don Fuellers now operate from Hurn and Manchester and will take fuel to aircraft almost anywhere in Britain.

SHELL-MEX AND B.P. LTD — SHAPE A FLYING FUTURE

new printing techniques—may be frustrated or postponed because the members of the London Typographical Society are unwilling to risk forgoing some of the special advantages that they enjoy within their small and well-run craft union. A strong committee set up by Justice, the legal reformers, is now to investigate the legal position of British trade unions; it might well start by considering how the normal safeguards of society could be extended to cover ballots within the trade unions, and the rules under which they are conducted.

FREE PRESS?

Fourteen Perry Masons

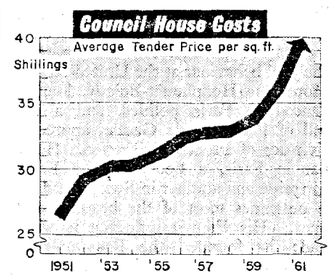
It is really not true that "the British press is as censored as most censored presses." Nor will some scepticism about the goals of popular journalism be allayed by the revealing plaint—and surprising too, because the *Mirror* newspapers are not among the indiscreeter kind—that

> We employ on the *Mirror* and *Pictorial* three full-time and eleven part-time barristers to avoid printing libels, breaches of parliamentary privilege, breaches of the Official Secrets Act or committing contempt of court.

But Mr Cecil King, who said these things to the annual meeting of Sunday Pictorial Newspapers Ltd., had a fair point. The restrictions on the freedom of the British press are of two sorts. Those designed, necessarily, to safeguard official secrets for reasons of national security are capable of being used to protect secretive officials (and politicians) from proper criticism; disclosure is still a vigilant press's duty. Those designed, rightly, to protect the reputation of individuals and to ensure the due and impartial processes of the law are too easily used either to suppress valid criticisms of the outcome of court proceedings or, by the ludicrously large penalties imposed upon offending newspapers, to make the risk of any honest criticism of individuals too large to be taken. But this is a two-way business: the outsize damages given by juries against newspapers in some libel actions do reflect a popular view, however wrong-headed, of the propensities of the press; and some papers may too easily forget, especially in crime and trial or gossip stories, that in a free country their so-called rights are really the duty which they owe to its free citizens, who have their individual rights as well. Everybody will share Mr King's liberal relief when he can get rid of his fourteen Perry Masons.

UP THROUGH THE ROOF

The Ministry of Housing and Local Government write in their annual report that "a most disturbing feature of 1961 was the sharp rise in the building cost of local authority dwellings." Last year 42 per cent of all dwellings completed by local authorities in England and Wales had three bedrooms. The average tender price per square foot for such a dwelling rose by nearly 4s. to 39s. 9½d.



STOPPED PRESS

Compensation Deferred

The first purpose of the directors of the *News Chronicle* and *Star* in selling these unprofitable properties to Associated Newspapers in October, 1960, was to apply the proceeds to the compensation of their loyal and discarded staff. But they did not manage to make sure that this good social purpose was legally buttoned-up. Indeed, it has now been decided in the High Court that the purpose itself, "however laudable and however enlightened," was beside the point; and that, apart from any outstanding and *bona fide* legal obligations, a company which has ceased to engage in a trade cannot apply its funds to such a purpose arising from that trade, even though a majority of its shareholders may have wished to do so. The plea of one shareholder, pursuing the entitlement of holders of stock too, that the company had not the power to make those payments was accepted by Mr Justice Plowman on Wednesday. The judge was "not satisfied that the decision to distribute this enormous sum of money was taken *simply* [our italics] in the interests of the company as it would remain *after* [our italics] the transfer of the newspaper enterprise." It is, in this day and age, a sobering thought that the conception of the directors of the Daily News Ltd. of their industrial responsibility should still not count in the legal reckoning of a company's ultimate duties. The only recourse now (failing a reversal of the judgment, and an appeal might hold up any payments to employees for indefinitely longer) would seem to be to get the money as swiftly as possible into shareholders' hands, so that the majority of them may fulfil what they have consistently held to be their obligation. The first honest purpose has been held up, perhaps with some sad effects, and because of some lack of legal foresight, but it still need not altogether be frustrated.

PERIODICALS

All Change

The fortunes of *Topic*, launched last October as a British *Time*-style news weekly, have been distinctly mixed. It must have been close to going under (as Hulton's *L'Express*-style *Weekly Post* had gone under) within a few weeks of first publication, but a staff reshuffle and some redesigning recaptured part of the circulation lost after the first issues. By last week, however, when its owners were finally induced to part with it, it was selling fewer than 40,000 copies, and losing perhaps £2,000 weekly. The new owners, Messrs Clive Labovitch and Michael Heseltine, publish the glossy, masculine monthly *About Town* with not inconsiderable success, and some of that paper's shine has already rubbed off on to the first issue of *Topic* under the new dispensation—not surprisingly, since many of *About Town's* staff now appear on *Topic's* editorial list. Both seem to be aiming at the same market of fashionably up-and-coming young executives; but *Topic* could well try to appeal to the more serious and hard-headed among them.

The Rev. Timothy Beaumont's name has been linked with the new owners of *Topic* —although they deny him. One of Mr Beaumont's early acquisitions, *Time & Tide*, remains in the long rough patch which he has not been able to smooth out: Liberal in tone, it ought to have filled a gap, but so far its circulation has stayed stubbornly around the 14,000 mark (its sale is supposed to have been exceeded last week by that of the new lampoon, *Private Eye*), and Mr Beaumont is now thought to be planning to convert it to a monthly. In this field its chief rival is more likely to be *Encounter* than *About Town*.

EAST AFRICA

Three Roads

An east African federation would in itself be a weak thing: 22½ million poverty-stricken, backward people; a few thousand bickering, yet educated and modern-minded black politicians and administrators, and a few hundred bickering, yet largely uneducated and backward-looking tribal groups. Not much—but more than Kenya, Tanganyika, or Uganda standing alone could aspire to be. Yet, sadly, the chances of joining up the three territories have grown fainter. Each is developing a political character of its own.

Uganda, a quasi-federation since its constitutional conference in London last September, could emerge more nearly a federation from the conference that opens at Marlborough House on Tuesday. The plan is to settle the final details in advance of independence in October; in fact three tribal kingdoms (Toro, Bunyoro, and

Ankole) will probably press for the federal status now enjoyed by the Baganda tribe. The district of Busoga may make the same claim. So far, however, the Ugandans have at least been good-natured in their approaches to one another. In Kenya, however, political bitterness seems to be on the increase once again—and the constitution that is now being worked out will give considerable powers to regional authorities.

At the other end of the scale, Tanganyika is tightening the structure of its unitary state. On May 31st the prime minister, Mr Rashidi Kawawa, announced a new republican constitution due to come into effect on December 9th, the first anniversary of Tanganyika's independence. It seems certain that Mr Julius Nyerere will be the first president. This will make him head of the state, the army, the civil service, and the single, dominant party, the Tanganyika African National Union; head of the executive—the paramount chief, in fact, of his country's 120 tribes. On paper, the sovereignty of parliament and the rule of law are still guaranteed.

Such a constitution might shock, say, Mr Macleod who, little more than a year ago, visited Dar es Salaam as Colonial Secretary and made a plea in favour of the "Westminster model" of government. But Mr Nyerere sees his new constitution as the only way of holding his country together while his Tanu party exhorts its population towards harder work and patience in the face of necessarily slow economic advance. The hope must be that Mr Nyerere's sunny temperament prevents him from becoming needlessly authoritarian or harsh (as Dr Nkrumah, armed with a similar constitution, has become in Ghana); and that further outbursts of irritation against the whites and the Asians are curbed. Tanganyika, as Mr Nyerere knows, needs its immigrant communities as much as it needs further aid from Britain: if east African federation does become a dead letter, both white men and outside money will be needed even more.

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CENTRAL AFRICA

After the Hysterics

In the weeks before and after Christmas, the world stood about as much central African emotion as it could reasonably be expected to bear; since then this source of international worry has receded somewhat into the background. Little attention is being paid (except by U Thant) to the Congo. Mr Butler's report to the Commons on May 31st on his tour of Rhodesia and Nyasaland was so quietly heard that, by comparison with other Rhodesian occasions, it was ignored. For the Tory party, this means two fewer sets of headlines to irritate its backbenchers; for the central Africans there is, perhaps, a greater chance of progress.

In the Congo, Mr Tshombe, prime minister of the breakaway province of Katanga, signed an agreement with Mr Adoula, prime minister of the Congo, on May 30th. If this agreement is put into effect, the Katanga gendarmerie will be reintegrated into the Congo army, and, most likely, the size of the army will be reduced. A military commission of three majors from each side has been charged with the job, though with instructions that leave many loopholes. Other commissions will study finance, transport and communications, and currency problems; in each case the aim will be full reintegration.

If this seems optimistic, the acting secretary-general of the United Nations, U Thant, brought matters back to Congolese normality on June 5th by announcing that he has been receiving unconfirmed reports of more foreign mercenaries going into Katanga province. If this continued, he said, the UN might have to seek a new Security Council mandate. He complained that "many member states who are paying for the operation do not favour any fresh UN involvement in the Congo, while many who do not pay their share have been advocating a more vigorous policy."

Before the Fever

In Rhodesia, just across the border from the Congo, the trend of events is equally mixed. Mr Tshombe is reported to have heavily backed (with money and jeeps) the minority African nationalist party that will contest the October elections in Northern Rhodesia. Mr Butler must be backing (with hope) the majority African party. His belief is that Mr Kaunda's United National Independence party may begin to face economic facts once it comes in sight of political power.

It is only on such a belief that Mr Butler could possibly have built the impression he has given—that he thinks northern Rhodesia might yet agree to retain political links with southern Rhodesia. His hope, too, is that Dr Banda will want federal money once he is granted the forms of secession and independence; the British Government is reluctant to subsidise Nyasaland itself to the probable tune of £5 million to £6 million a year.

On present form, Mr Butler may be too sanguine: the key lies in Southern Rhodesia's political deadlock. There, the African nationalists have taken the intransigent path of complete non-cooperation with the whites; Sir Edgar Whitehead's government seems equally determined to retain power. The British Government says it can do nothing about it; are bullets and knives to be the only answer?

IVORY COAST

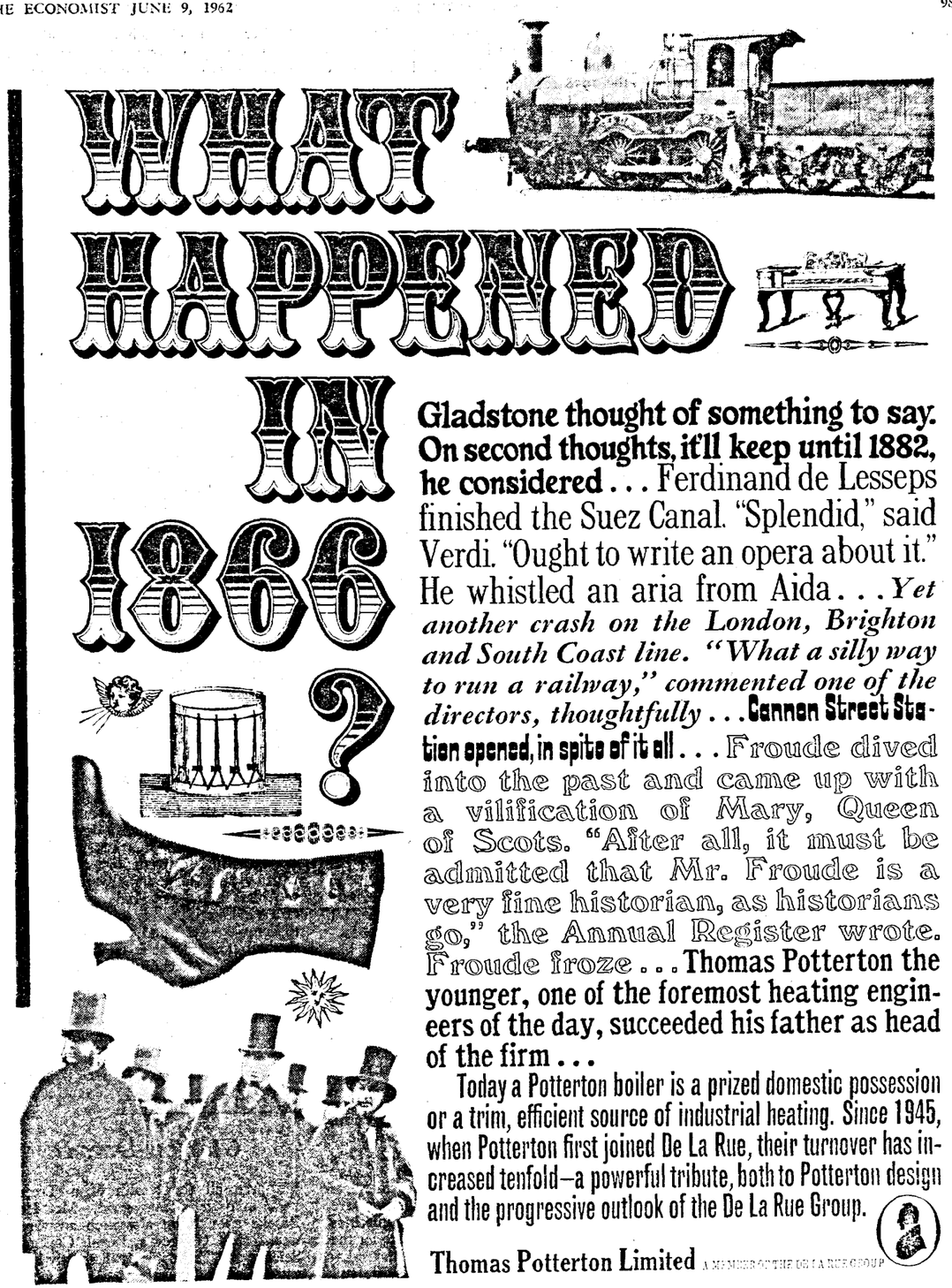
Lots in a Name



President and Consort

The Gold Coast may now be Ghana, but the Ivory Coast is still the Ivory Coast: this is not for nothing. Nor is it simply for the £18 million France gave in aid last year to one of its richest former colonies in west Africa. It cannot be wholly explained, either, by the 12,000 contented French settlers in Abidjan; the French-paid French technicians and advisers in the administration; the French officers in the army; the arrangement whereby the country is defended by the French; the growing influx of new French private capital; the near-monopoly of franc-zone trade in the Ivory Coast; or the presence of a French minister of finance in the cabinet. Rather, it is an awareness on the part of President Felix Houphouët-Boigny that all these items together add up to a satisfactory pay-off for his 3,100,000 devoted followers in return for helpful behaviour at the United Nations.

More, Mr Houphouët-Boigny, long experienced in Paris politics, and a close friend of President de Gaulle, appreciates the virtues of French civilisation. He has a flat in Paris, a house in the French countryside and another in Switzerland; his wife outshines most of the beauties of St Tropez. His French influence is widely spread: he founded the Rassemblement Démocratique Africain, still a major party in half a dozen African states. He com-



mands the support of the twelve presidents of the states in the "Brazzaville" group, and just now he is renewing his ties with his former RDA colleagues, the radical presidents Sekou Touré of Guinea and Modibo Keita of Mali.

Where this will lead only he knows, but it is more likely that these two presidents will be enticed back to a pro-western, "moderate" line than that the Ivory Coast will move left. In recent months, Mr Houphouët-Boigny has moved towards the radical pan-Africanists; but not very far.

His present tour of western capitals (he was in Britain this week after a three-week stay in America) may be intended to reduce his dependence on France. Civil servants in his republic have already been instructed to use English. Old, for an African leader, at 56, he is known at home as *Le Vieux*. Like other European politicians with similar nicknames, Mr Houphouët-Boigny remains shrewd, able in getting the most out of France in the nicest way, and, above all, he remains in power.

IRAQ

Qasim's Boomerang

WHILE few Iraqis would dispute their country's claim on Kuwait, most of them abhor the diplomatic bog into which General Qasim's way of urging this claim has led them. The latest flounder was taken last weekend when the Iraqi prime minister decided that Baghdad and Washington should no longer be represented in one another's country by ambassadors. General Qasim has said that he would have to review his relations with any country that recognised Kuwait; he later allowed himself some elbow room by interpreting this as the withdrawal of ambassadors, not the ending of diplomatic relations. The axe has fallen on Iraqi-American relations because the new Kuwaiti ambassador to Washington recently paid a formal visit to President Kennedy.

Countries, including Britain and Saudi Arabia, which sent their representatives to Kuwait before General Qasim laid down his ultimatum have nimbly slipped through the net of Iraqi retribution. Although Iraq has not had an ambassador in London since the 1958 revolution, this has not deterred a British ambassador from stoutly sitting it out in the unrewarding dust of Baghdad. But Jordan, Persia, Japan and, last month, Lebanon have had to recall their ambassadors. The United Arab Republic would have had to do the same thing, if an earlier quarrel had not already whipped away the ambassadors between Cairo and Baghdad. Visitors to Iraq are not allowed in if they have a Kuwaiti stamp on their passport—a ruling that adds to the tiresome clump of passports that anybody working in the Middle East has to carry around with him.

It is hard to see who but Iraq is injured by all this pettiness. Smashing his foreign minister's carefully created Arab policy, General Qasim has only succeeded in isolating Iraq from the rest of the Arab world. Even Syria, which at one time was believed to exercise a restraining influence, is now more pressingly concerned with relations with Egypt. Iraq, under its self-made rules, is unable to attend the meetings of the Organisation of Oil Exporting Countries, of which Kuwait is a member. General Qasim is a bit like those Britons who used to regard the English Channel as isolating the continent. But the month will pass calmly if the general evinces nothing more harmful than bad temper when Kuwait, on June 19th, celebrates its first year of independence.

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HEALTH SERVICE

Hospitals and Doctors

THE Government's hospital plan came in for some criticism in detail in the House of Commons this week, but its general purpose was approved. That purpose is to concentrate the general—that is, non-teaching—hospital services of the country in district hospitals of 600-800 beds, serving a population of 100,000 to 150,000; these will provide all facilities for diagnosis and treatment except of cases falling within the "super-specialties," like neurosurgery, which will be organised regionally.

Inevitably the plan will mean the end of many small local hospitals, and inevitably there will be local distress on this account, some of which was expressed in the debate. All the emotion that is spilled over the closing of small but ancient grammar schools will be voiced again when Little Puddlecombe's war memorial hospital is shut down. Some of these small hospitals may be able to remain in being, but for a new need. They may, for instance, particularly if the Minister of Health's attempts to integrate the three branches of the health service are successful, be of use to the local authorities in their provision of community care for the old and the disabled. But will their disappearance as general hospitals isolate still further the third branch of the health service—the family doctor? Will he have less opportunity even than he has now of treating his patients in hospital himself and of using the hospital's diagnostic facilities?

Answers to these questions, which may dispel the fears expressed on the general practitioner's behalf in the debate, will presumably be looked for by the committee of the Central Health Services Council that is now studying the future of general practice. In the meantime, all that Mr Powell can do is to insist, as he did to the annual conference of local medical committees this week, that the family doctor is the key to the whole health service structure.

No Mass Exodus

BUT the real purpose of Mr Powell's address to the conference of local medical committees was to scotch the idea that doctors, whether in general practice or in hospitals, are so dissatisfied with the service that they are emigrating in large numbers to America and the white dominions. An estimate has been made, and is being quoted in the United States, that the emigration of British doctors is equivalent to about one-third of the output of British medical schools. Mr Powell used some simple arithmetic to disprove this (though his own calculations had to be based on some guesswork). From the annual output of doctors (about 1,750), supplemented by an influx, last year, of 200 doctors from the armed forces, have to be met the annual loss by death or retirement of at least 1,100 and an average annual increase of British doctors working in the health service of about 500. From the remainder has to come the replacement of doctors in industry, in other jobs outside the health service, and the wastage of women doctors through marriage.

There is thus little room for any sizeable net emigration of British doctors, and Mr Powell supported his arithmetic with evidence from the deans of medical schools and by an analysis of alleged emigration to Australia in 1957. Indeed the allegation of a "mass exodus" is so patently contrary to common sense and common knowledge that all this arithmetic ought not to have been necessary to confute it. But it has been so widely quoted as a proof of the unpopularity of the health service among doctors that something had to be done to prevent it from passing into medical mythology both here and in the United States.

SECOND UNIVERSITIES

Glasgow Does It

WITH all the stealth of a Treasury minister doing good, Mr Henry Brooke allowed, in a written answer last week, that Glasgow's Royal College of Science and Technology will shortly be elevated into a full university. Armed with the blessing of the University Grants Committee—and of Glasgow's other university at Gilmorehill—the college is to expand its numbers (now just under 2,000) and its site, add a faculty of industrial and social studies and give its own degrees, initially those of BSc, BSc (Engineering) and BA. The actual transformation will not take place until after the Robbins committee on higher education has reported, but the college's principal, Dr S. C. Curran, seems confident that his first graduates will emerge by 1966. This means that, at long last, the practicability of two universities co-existing in one city has been admitted. It means, too, that in the interests of expansion some fuddy-duddy notions of what a university should be like—residential accommodation, sinecures for the old liberal arts and so on—have been pushed aside.

For the moaners who are wringing their hands over academic standards the best advice is to look at the standards that the Glasgow tech. has achieved (and which have earned it a rightful place on the UGC's books for some time). For those, like *The Economist*, who believe that second universities in or near the large conurbations should be a first priority of expansion, Glasgow's success is one to be envied and emulated. If Glasgow can do it, why not Manchester—with its admirable College of Science and Technology—if it wants to? And, naming no names, why not a second, expanding university in London as well? As for the Scots, they are now pressing the UGC for another, completely new, foundation elsewhere. Good luck to them.

TURKEY

Parties and Prisoners

AGE has not withered Mr Inönü's political dexterity. His resignation last week as Turkey's prime minister brought about the collapse of a government too hopelessly divided to govern, and gave him the chance of constructing a more single-minded one. The manœuvre was carried out subtly, without open threats from the military, but with enough pointed innuendoes to remind squabbling politicians that democracy in Turkey is still in the gift of the service chiefs.

The clash in the fallen coalition of Mr Inönü's own Republican People's party and the Justice party (the one deeply anti-Menderes, the other the spiritual successor of Mr Menderes's Democrat party) still concerned the 500 Democrats in Kayseri jail: the Justice party demanded their wholesale release at once. There are many people in Turkey, apart from Mr Menderes's followers, who are disturbed at having in prison all the deputies and ministers of a one-time majority party. But, the deed being done, its undoing can hardly be brought about by one fine sweep of the hand. Mr Inönü's original approach appeared eminently sensible. He proposed an amnesty for some half of the prisoners in October and for most of the rest six months later. Indeed, to many of the prisoners the prospects seemed so tolerable that they begged their sympathisers outside not to agitate further.

That the Justice party rejected this plea suggests a grave lack of experience: the wiser pro-Menderes people are probably those in jail. The Justice party has anyhow now queered the pitch for both party and prisoners. The party has split, a moderate wing being ready to serve again under Mr Inönü, together with the New Turkey party (which also contains former Democrats). These, with the RPP, might give a new government the stable majority required to start on urgent social and economic reforms, leaving the amnesty till later.

VENEZUELA

Target for the Left

FOR the second time in a month Venezuelan marines have pitted their strength against their government. On June 2nd, a battalion of marines seized control of Puerto Cabello, Venezuela's main naval base. A few hours later they were driven out by loyal contingents of the army and air force. On May 4th, a garrison of rebellious marines held the port of Carupano for two days before being dislodged. Since he was elected in December, 1958, President Betancourt has survived some half-dozen attempted coups d'état. To begin with, the main danger came from the cashiered officers still loyal to General Pérez Jiménez and from disaffected men of the Right who saw themselves as the general's successor. The leaders of the two recent revolts seem, in contrast, to have identified themselves with left-wing discontents. The equation is probably deceptively simple: the marines call themselves nationalists, to be nationalist in Latin America is to be anti-American, and to be anti-American is to serve the interests of the extreme Left.

President Betancourt's ambition is to be Venezuela's first leader ever to hand over to a legal successor at the expiry of a full term in office. To this end he has laid about him with a heavy whip. Last month he proscribed both the Communist party and the Movement of the Revolutionary Left. The press is silenced, and a wave of arrests has cut short the terrorist activities of the extreme Left.

Venezuela's oil revenues both steepen the precipice between the standards of life of different classes and groups, and provide the government with an opportunity to do something about it. Dr Betancourt has used some of the money to press ahead on the lines laid down by the Alliance for Progress. He has attacked the problems of illiteracy and housing, and, in an effort to check the mass invasion of the towns, claims to have settled 36,000 peasant families in new smallholdings. But the very fact that President Betancourt is one of the few Latin American leaders who give a serious impression of being intent on social reform picks him out as a target for the far Left. Communists in Latin America are awake to the view that only the bold and honest application of the principles of the economic alliance with the United States can prevent matters eventually turning their way.

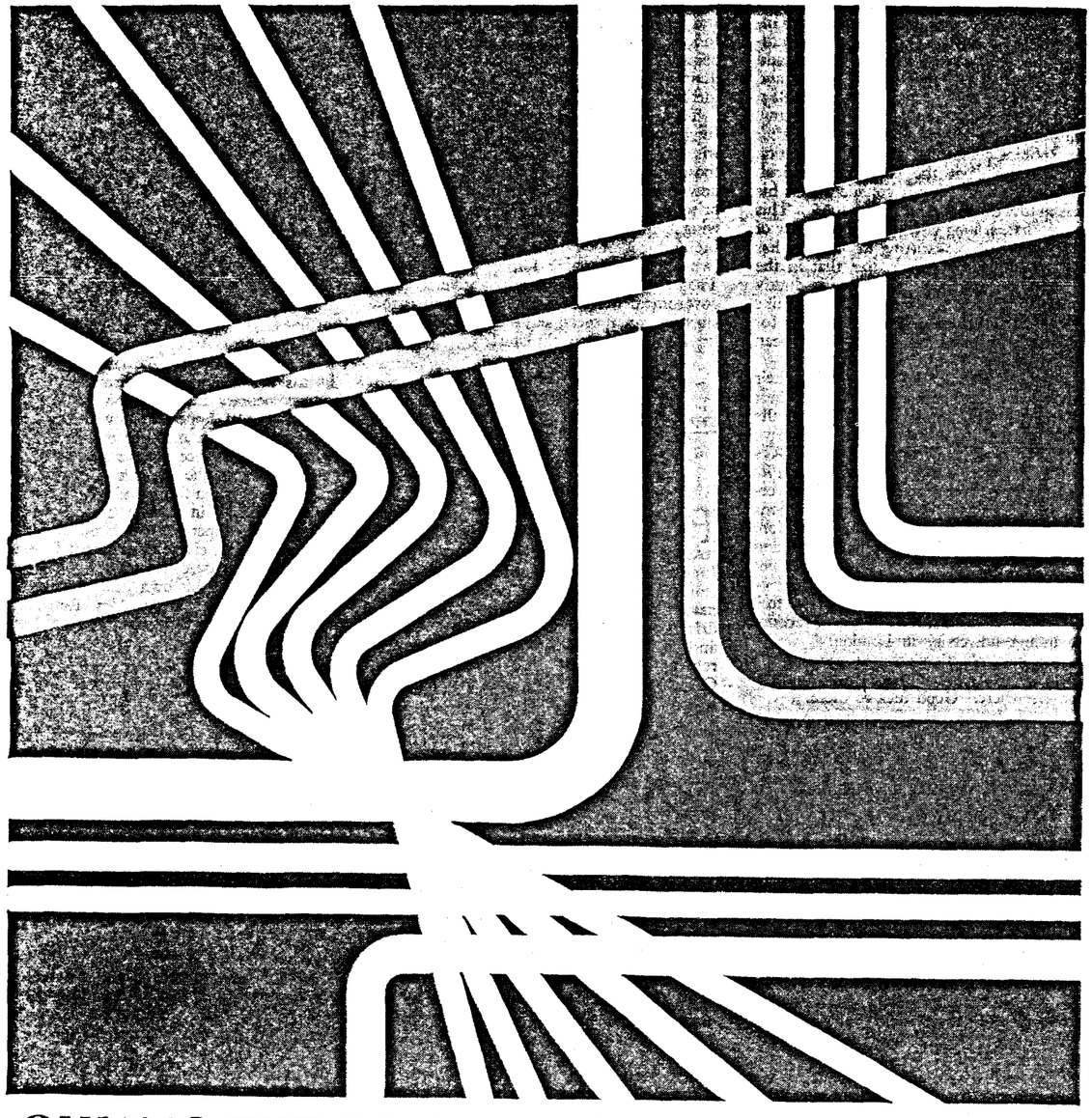
WILLS

Just Coincidence?

THE impression that the law can be an ass has had some confirmation from the testamentary interpretation laid down by the Court of Appeal in Rowland's case. Dr Rowland was a member of the South Pacific Health Service and he and his wife were exposed to the hazards of travel in small boats between the islands. With these dangers obviously in mind both made wills leaving their property to each other. Dr Rowland added a clause stating that in the event of the decease of his wife "preceding or coinciding with his own" his estate was to go to his relatives; Mrs Rowland executed a similar clause relating to her husband, leaving her estate to her relatives. In July, 1958, a ship with both the Rowlands aboard disappeared with the loss of all hands.

The Court of Appeal had to decide whether Dr Rowland's estate—which was the only valuable one—went to his relatives or to his wife's as her heirs. Their decision turned on the interpretation of the word "coincide." The Law of Property Act of 1925 provides that where two or more persons die in circumstances rendering it uncertain which survived the other, the younger should be deemed to have survived. The Court of Appeal applied this section, thus defeating Dr Rowland's clear intention of leaving his property to his own relatives.

But it is questionable if there was any need to apply this section, since in Pringle's case (1946) Ch. 124, Mr Justice Cohen held that of two sisters who died in an air raid by the same bomb, the deaths were simultaneous within the meaning of a codicil in one of their wills. This case could have been applied to give the word "coincide" the meaning of death in circumstances where the ordinary man would infer that death was simultaneous—such as deaths in an air crash or by a wreck at sea. The Master of the Rolls, who gave a dissenting judgment, declared that the function of the courts is not to give a rigid grammatical interpretation of the words of a will but to construe the testator's intention. Lord Denning has already rendered great services to the law in attempting to bring it into relationship with changed social conditions. On this occasion he failed.

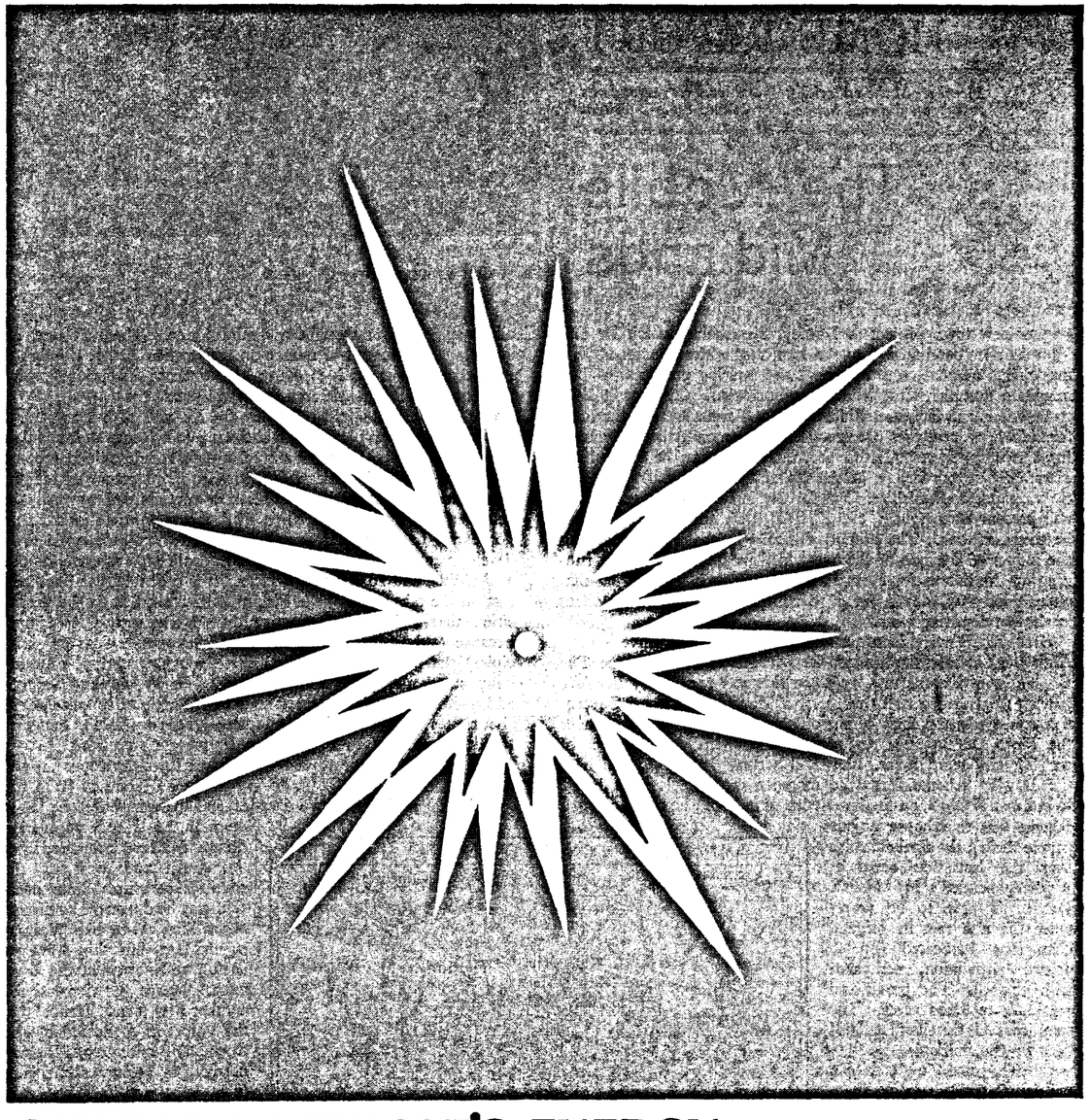


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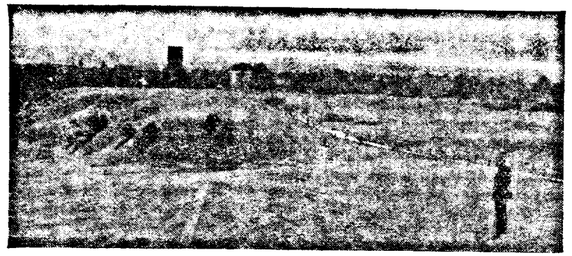
GULF IS A VEHICLE'S ENERGY

GULF

HOME REPORT

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

The Mobile Midlands



Dawley's scars

FROM OUR SPECIAL CORRESPONDENT

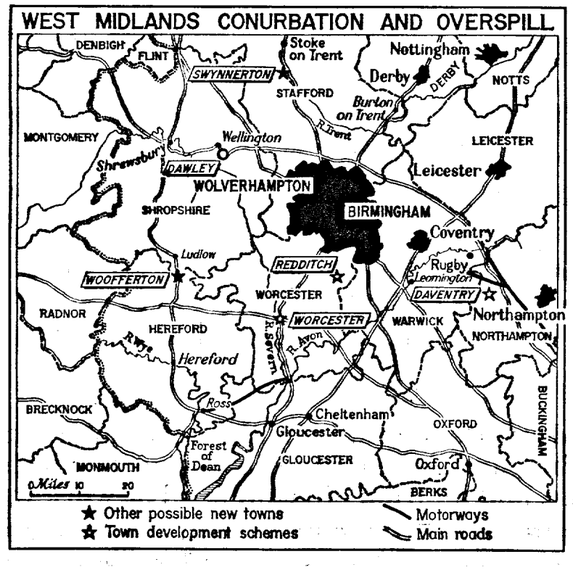
THE new town project at Dawley, Shropshire, which Dr Hill has now commended to the local authorities concerned, is a major, but overdue, step to relieve the housing problems of Birmingham and the West Midland conurbation. There will have to be others; in fact, the Midlands New Towns Society, the most formidable of local pressure groups, has for months been demanding a second new town, either at Woofferton, near the Shropshire-Herefordshire border, or at the Royal Ordnance factory site at Swynnerton, Staffordshire. But for the immediate future Dawley will present Birmingham, and Dr Hill, with enough problems to be going on with. The primary difficulty in physically expanding the industrial dynamo of the West Midland region is not in running up the houses for overspill population, it is in ensuring that enough industry moves out of Birmingham to give employment in the development areas.

Even so, Dawley is a turning point in Conservative policy. After the Skelmersdale project for Liverpool's overspill (see *The Economist* of October 14, 1961), which was Mr Henry Brooke's parting dispensation at the Ministry of Housing and Local Government, it marks the final admission that piecemeal schemes under the Town Development Act are not enough for the clearance of the big city slum areas. Dr Hill virtually owed Birmingham the Dawley scheme from the moment the city lost its battle to build at Wythall, on the inner edge of its green belt (the original scheme was to rehouse 40,000 people there); the final skirmish over the last 600 acres at Wythall, ended in March. Dawley is now to be nearly twice the size that its original champions advocated (up to 90,000 population, compared with 50,000). The provisional area runs to 8,000 acres. The total cost of development will be £70-£80 million.

Of this, some £2-£4 million will be incurred in renovating a site that is scarred by spoil heaps and derelict industrial workings. This is a new social benefaction accompanying new town schemes that could become expensive: ministerial spokesmen, looking over their shoulders at the National Farmers' Union, may be glad enough to announce that no demands are being made on "good agricultural land"; at an extra £400 or so per acre the advantage may be thought a doubtful one. The real case for spending this amount of money on reclamation is that it helps to win local support (as it seems to have done in Shropshire) which the new town will need in its formative years.

For Birmingham itself, Dawley (which will take 15 years to reach its maximum planned population) is in no sense an immediate substitute for Wythall, or for any scheme that could quickly rehouse a working population that is still tied to employment within the conurbation. Nor is it more than a contribution towards the conurbation's long-term need to shed 300,000 people in the next 20 years. Last year Mr Brooke suggested three substantial town development schemes, to take 30,000 people at Worcester, 25,000 at Redditch and 20,000 at Daventry. It is probable that Redditch, just on the other side of the Birmingham green belt, is the proposition that looks most attractive to the city authorities simply because (although in evident defiance of sound planning principles) the population rehoused there could expect to commute daily across the green belt to its old jobs in Birmingham. In addition, the Minister has been sounding Worcester county council about sites for residential development, possibly for as many as 100,000 dwellings, to be provided by private enterprise.

It is plain that Dawley, plus Mr Brooke's town development, will still leave a surplus of 135,000 people to be rehoused from the conurbation in the next two decades, and there may well be many more if the natural population drift to Midland industries from the north and west of the country keeps up. Some overspill may be drawn off by distant but willing towns like Weston-super-Mare, but this, however useful, will not affect the main issue. Hence the demand for another new town. Hence, too, the proposals sponsored by the Town and Country Planning Association, to press ahead with town expansion in places like Hereford, Shrewsbury, Burton, Leamington and Rugby. But, equally, the TCPA has called for investigation of the prospects in other areas—like the Forest of Dean and Mid-Wales—that are really suffering from a declining population and dwindling economic prospects. The injection of new life from the West Midlands could do them a power of good.



But none of these projects is likely to get off the ground without a very different governmental attitude to the distribution of industry. Up to now, Board of Trade policy has been to encourage industry to shift into unemployment areas. Thus, BMC has had to expand by setting up at Bathgate, in West Lothian, and some of Livingston new town's hopes of prosperity depend on the development of a components industry to serve Bathgate. It is very difficult to see Birmingham opening up its own hinterland as well, by a voluntary dispersal of firms that at present consider themselves irremediably tied to a close local orbit. These firms say that theirs is a prosperous conurbation that really works. Dr Hill's dilemma is whether to let a success story rip—which simply means building houses for commuters in satellite towns—or whether to attempt a planned dispersal, using fiscal incentives, for industry itself. Are the people to be mobile or the factories?

It would be wrong to plan the new Midlands without taking into account the increasing mobility of the skilled worker, owning his own car and very probably wanting a more status-conscious home than the choice he can get on a council estate. This argues for a deliberate use of land outside the actual green belt for perhaps 40,000 population who could reasonably commute into the conurbation. If there is a region where the housing association idea might catch on among £20-£25 a week men this is the one. But for the conurbation's own future viability, Dr Hill's experts have now to consider the remaining population whose work need not be so strictly tied to the Birmingham trademark. Once Dawley finds its feet they have to explore the means of diverting new industry (and the new population still streaming into the central area) out of the congested conurbation. This can best be done within a 50-mile radius, along roads that give easy communications for managerial staff and goods traffic. If the decision favours a second, preferably smaller, new town as a first focus for this second stage there is a good deal to be said for letting private enterprise run it (as Northumberland is thinking of doing above Tyneside). Birmingham firms might well be readier to move into Shropshire or south Staffordshire, within an hour or so's driving distance of head office, than to a decrepit airfield that some depressed local authority 200 miles away has sold to the Board of Trade as a budding industrial estate.

Labour Edges Forward

FROM A CORRESPONDENT IN BELFAST

NORTHERN Ireland's general election last week really ended in a draw. The Northern Ireland Labour Party took on the Unionists in 14 constituencies, 11 of them in Belfast. But despite its highly organised election machine Labour did no better than hold the four seats it won in the last general election in 1958. Its sole consolation was that the party's vote rose by 8 per cent in Belfast as a whole.

How far this swing was a genuine leftwards movement is open to doubt. A substantial number of Roman Catholic voters, especially in Oldpark and Clifton, are thought to have voted Labour because they resented the Stormont government's attitude towards the Mater Infirmorium hospital, a voluntary Catholic hospital in north Belfast. The Mater hospital decided to remain outside the state health scheme which the Stormont government introduced in 1948, and the government has since declined to give it any financial support. The Labour candidates, through generosity or illogicality, argued that the hospital should be given public grants and this time reaped electoral reward.

It is clear that plenty of Unionist voters deserted the government last week, but very few of them went over to Labour. In Pottinger, the Belfast constituency held by Mr T. W. Boyd, the leader of the NILP, the Unionist vote fell by 12.9 per cent but Labour's vote increased by a mere 2.2 per cent (in fact, by 101 votes). In Victoria, also held by Labour, the Unionist vote fell by 9.2 per cent; Labour's went up by 5.2 per cent.

These two Stormont constituencies are in the Westminster parliamentary constituency of Belfast East, which has been hard hit by the recession in shipbuilding and the uncertainty in the aircraft industry. Taking Belfast East as a whole, the total Unionist vote was 1,715 less than that of the four opposition candidates. This could be bad news for the Unionist Mr Stanley McMaster, who represents Belfast East at Westminster, and it has been interpreted as a sign that industrial Belfast, despite its long history as a Unionist stronghold, is reluctantly following the anti-Tory swing in Britain. But it is still early days to judge the Stormont result in this way.

Labour's failure to become a strong parliamentary opposition at Stormont is a bad blow to the party's ambitions (there had been hopes that visible advance this time could have brought the party within sight of power in the 1970s). The local initiative is now in Nationalist hands to form an effective opposition at Stormont. The Nationalists are enthusiastically in favour of joining the common market, in the belief that if both Belfast and Dublin are inside the EEC political partition must eventually wither away. The Nationalists gained one seat last week (Mid-Tyrone) and won a new ally in the Irish (anti-partition) Labour candidate who captured the Dock division in Belfast. This means that the Nationalists and other anti-partitionists should have more than three times as many members at Stormont as the NILP, and they may decide to become the official opposition. The issue will be settled when the new parliament meets on June 20th.

Home Rule Again

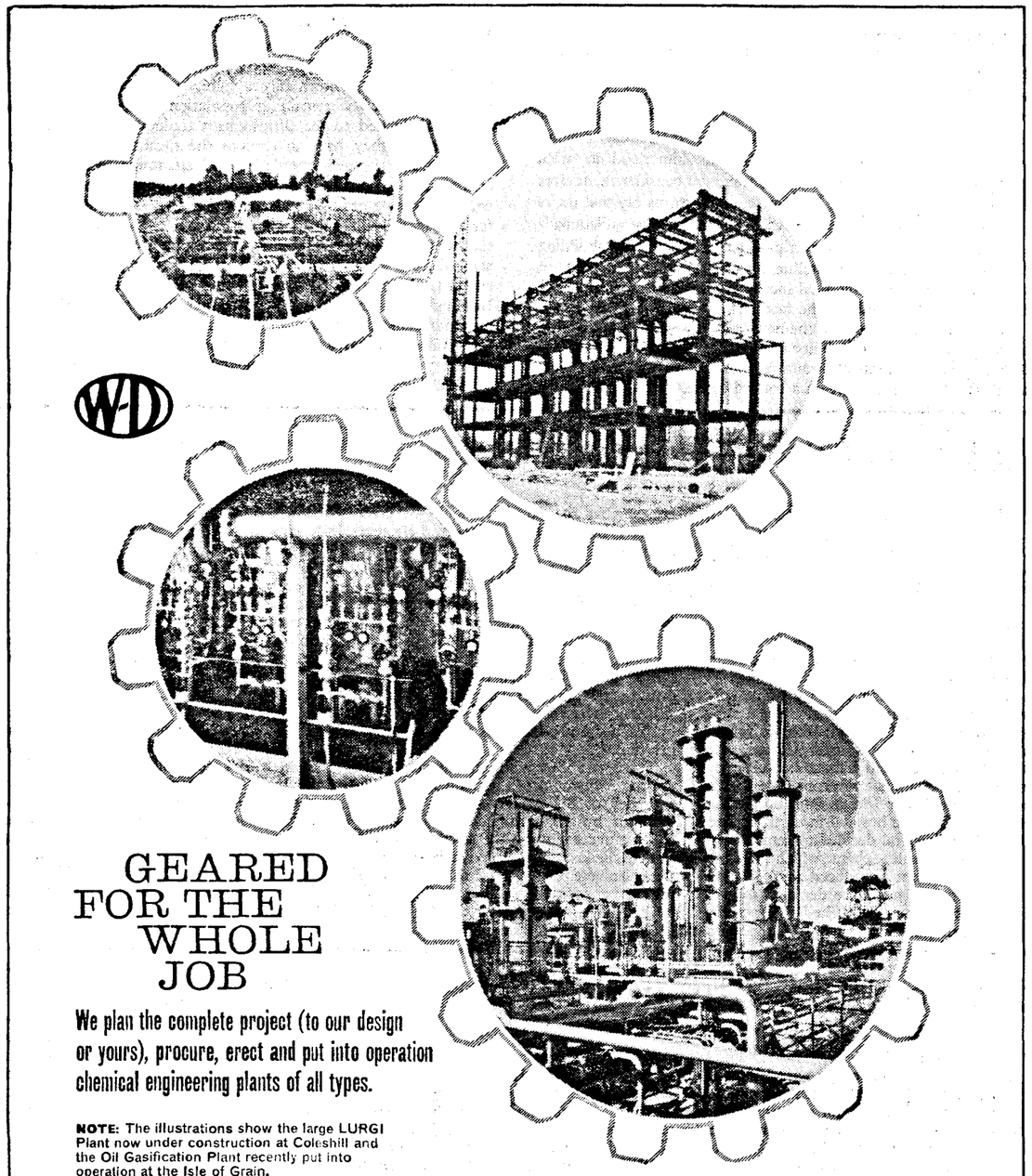
FROM A CORRESPONDENT IN GLASGOW

THE Scottish Plebiscite Appeal Fund decided last week to try to accelerate the raising of the £100,000 which it wants to stage a private referendum on whether or not the Scots electorate desires home rule. A national organiser will be appointed to co-ordinate the work of the existing regional appeal groups, and undergraduates of the four Scottish universities are planning a fund-raising day in October. The appeal is already supported by the Convention of Royal Burghs (an ancient forum which embraces all the Scottish burghs and was once a constituent third of the Scottish Estates before 1707). This means that municipal approval is likely for plebiscite flag-days in many towns, a faintly comic and laborious way of getting in the bawbees.

All this has come at a time when political nationalism has seldom been less active. Nationalism, of course, has never had much to show for its efforts. Labour used to believe in nationalism and the Conservatives have recently taken note of it by substantially extending administrative devolution, but only the Liberals can be counted active sympathisers now. The Scottish Plebiscite Society itself was founded not to fight for nationalism but to canvass public feeling about self government. The society (in spite of occasional outside doubts) stoutly maintains that it is non-political.

Scotland's 3½ million electors may thus, at some future date, find themselves confronted with a pretty extensive ballot paper. They will first be asked to choose between retaining the present parliament at Westminster (with its 71 Scottish MPs) or having some measure of legislative devolution by way of a Scottish parliament (probably located in Edinburgh). Voters who want more local responsibility within Scotland will then be asked to indicate their preference for one of three possible systems.

These are expected to be: (1) a provincial parliament on the Ulster model; (2) a parliament with authority over all Scottish affairs, including taxation and budgets; and (3) a totally independent parliament with power to withdraw from the Commonwealth. The



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questions are more sophisticated than those in the two previous small-scale local polls held at Kirriemuir and Peebles. Because these two polls showed a decided preference for a greater degree of devolution they are frequently quoted by nationalists to demonstrate how Scottish feeling stands when the issue is not confused by the normal party struggle. But few nationalists show any self-critical faculty in estimating the value of privately-conducted referenda in which the electorate is not aware of making any decisive choice. Can the present plebiscite have any validity if it is not accompanied by a real political argument over the consequences of any decision?

So far the plebiscite bodies are cagey about progress in financing this project. The appeal for funds was first made six months ago, but nobody is saying how much has been raised since. The likely date for the plebiscite is thus still obscure. There is no indication, if the £100,000 is not forthcoming, of whether or not the plebiscite can be run on a smaller budget. In fact a great many relevant answers are not to be had, although it does seem to be agreed that the minimum electoral response would need to be in the region of 75 per cent to be at all satisfactory. How many staunch Scots will be deterred by the thought that the next general election could find Britain already inside Europe?

PREVIOUS PLEBISCITES

Questions :—	Replies % Peebles, 1959 (75 per cent poll)	Kirriemuir, 1949 (87 per cent poll)
I am in favour of an independent parliament in Scotland	16	23
I am in favour of a Scottish parliament for purely Scottish affairs (UK parliament to continue for crown, defence, foreign affairs, and other matters delegated by the Scottish parliament)	66	69
I am not in favour of a Scottish parliament of any kind	12	5

LETTERS

Liberal Ethos

SIR,—I would like to support Sir Nigel Ronald's thesis that the resurgent Liberal party should look for its main support from the present-day heirs of the philosophic radicals of 150 years ago who want "a full-bodied individualist creed."

As one who stood four times as a Liberal party candidate, when it was still possible for a free-trader honestly to do so, and have continuously studied its policies for seventeen years, I am certain that the policies it is putting forward today, where different from anyone else's if at all, are in essence the very reverse of radicalism.

The radical of today must truly believe in what the Socialists and the Conservatives do not believe in, namely, in free market policies, rather than planning, in sound money rather than inflation, in lower rather than higher state spending, in dismantling rather than buttressing the welfare state, in the re-expansion rather than the demise of the Commonwealth, and could not conceivably believe that Britain should sign the Treaty of Rome, the quintessence of High Toryism today.—Yours faithfully,

London, EC2 OLIVER SMEDLEY

★

SIR—Sir Nigel Ronald's alternatives might have been the right ones when he talked to the somnolent M. Briand, but they are no longer feasible or relevant. The choice is now between local self-governing *ad hoc* collectivism, and national bureaucratically controlled collectivism, with unlimited powers. For example, in housing the choice is council housing and commercial speculation, or self-governing housing associations. In education it is between increasing bureaucratic centralisation on Curzon Street, or self-governing institutions largely run by the teachers and parents concerned.

I am a Liberal because if any of the three parties favour the latter alternatives it is the one to which I belong. A major tragedy in British domestic politics in the 1960s will be averted if the Liberals can get power at Westminster before they have got it at County Hall, because in that case so many party stalwarts will have a stake in the *status quo* in local government that all hope of averting larger doses of bureaucratic collectivism will be postponed to a date which cannot be of much interest to any of us.—Yours faithfuliy,

Basildon, Essex GEORGE PATTISON

Africa and the Common Market

SIR—Your correspondent, writing on May 19th about the Brussels negotiations, says: "On Africa, the principle of association has long since been accepted by both sides." Neither the United Kingdom government nor the Six are competent to decide on the question of association. It is quite clear that Ghana, and probably Nigeria, Tanganyika and the prospective Commonwealth members in east and central Africa, will choose not to be associated with the common market.

The nationalist political leaders in these countries can see no place for themselves as Africans and neutralists in what is essentially a European political organisation. They do not seek a favoured position for their exports to the European market as compared to the exports of Latin America or Asia. And they are content not to share in the benefits of the common market's special capital fund for Africa.

You and other leaders of British opinion may not agree with this reasoning. But you cannot ignore its implications. These members of the Commonwealth are not asking for special privileges. But they will certainly insist that their exports to Britain —and if possible to the other Common Market countries—be not discriminated against. This is not an unreasonable demand. If it is not granted, if Ghanaian cocoa, or Nigerian groundnuts, or Tanganyikan coffee are placed under a tariff handicap as compared to competing products from the Cameroons, or Senegal, or the Ivory Coast, the repercussions on the Commonwealth are bound to be profound.—Yours faithfully, J. H. MENSAH

Accra

Foremen at School

SIR—Your correspondent (June 2nd) writes in reference to certain shop-floor supervisors that "there is no need to send such people away on courses," and suggests that their main need is for "instruction" in negotiating procedures, safety, etc.

This narrow approach seems to offer the supervisor little help with the wide range of problems with which he has to deal, many of which cannot be solved by reference to the firm's rule book. Is there not a need for a broader conception of education for supervisors? In the three-week residential course at this college we have tried to do this (and there is plenty of room for experiment in this field) by including human and industrial relations, organisation and communication in management, and techniques such as costing and work study. Also by getting away from a purely "instructional" approach and trying to develop social and managerial skills in our students through participation in discussion, syndicate work, problem solving and reporting back on the works visits which form part of the course.

This type of course could be run within industry. But the college of technology has the advantage of bringing together supervisors from a number of firms, and the exchange of experience forms a useful part of the course.—Yours faithfully,

DOUGLAS TOOKEY

Leicester College of Technology

Leicester

BOOKS

African Encounter

The New Societies of Tropical Africa:
A Selective Study.
By Guy Hunter.
Oxford University Press for the Institute of Race Relations. 394 pages. 42s.

IT is some forty years now since the social scientists acquired exclusive rights to describe anything that was happening anywhere and ousted the old school of travel writers. Strong on statics (dynasties, old customs, sport, food and drink) the pre-1914 generation was, of course, hopelessly weak in the dynamics department. So the old generalist's classic (Mackenzie on Russia, Bell on Tibet) yielded to whole POL/EC/SOC libraries of progress. Until 1939 the "underdeveloped countries" did remain mostly the stamping-ground of amiable prehistorians, botanists, zoologists and people interested in the sexual life of savages. It is only now that they are coming, with a vengeance, under the faculties of social studies. Behaviour patterns in backward areas are definitely at a premium and American teams scour the Kalahari for bushmen to measure and classify.

Mr Guy Hunter is a POL/EC/SOC man, but with a difference. He has had experience as a co-ordinator of studies as well as being an educational specialist of distinction. His purpose here is to tear the heart out of many learned men and bring their findings together. In his foreword, Mr Philip Mason tells us that the Institute of Race Relations sponsored the book at the request of industrialists, who badly needed information on the African continent. This admirable demand has stimulated a valuable work, for the book aims mainly to enlighten "engaged" people such as business men and diplomats. It is moreover extremely well written and illustrated.

First comes a short survey of the encounter between Africa and the western civilisation that penetrates it now. This leads to a finely selected series of descriptions and discussions of the African economy in the countries roughly between the Sahara and Dr Verwoerd (of the tropical countries there is little about Ethiopia or the Sudan). Mr Hunter is particularly good on the African trader and how his expatriate colleagues could help him multiply; and on education, which he has long studied in the field. The political and philosophical sections that follow are rather less successful. In his survey of parties and parliaments the author gives us only a faint picture of Pan-Africanism and no adequate profiles of the prophets of African socialism except Léopold Senghor. Industrialists would surely have been helped by a more careful analysis of Messrs Nkrumah, Sekou Touré, Mboya and Kaunda. Nor is there enough of the seamy side of Africa; of politicians' corruption in Nigeria or of the "Afro-Marxist" youth movements, which must shortly challenge the Establishment in quite a few places. Some judgments read rather strangely: "On the whole Tanganyika seems to be moving fairly smoothly towards a bourgeois intellectual society"; or the suggestion that the prospect of nationhood is bleaker in Uganda than Kenya.

Mr Hunter's main philosophical conclusions are that an industrialising Africa faces uprootedness; that Europe's "mixture of good, but also deadly, genes" is entering African society; that the European midwife must be eclectic, not provincial; and that those concerned with African development should promote "a more socialised industry and a less atomised domestic life" than Europe's own. One may wonder who can make the choice and by virtue of what. As Mr Hunter points out, a supplanting of traditional authority at breakneck speed (an authority already undervalued under colonialism) could leave a void which the new central government men could not fill. He is aware that somehow Africans, seconded by non-African advisers, must invent Afro-European institutions. But when it comes to the key question of the spiritual sanction of the new leadership his thought begins to run out. In fact there is danger of sheer anarchy in Africa if the symbolic hierarchy of chiefs and religion is destroyed. It would seem, then, that beyond the practical institutional problems of co-operatives, trade unions and the like, there lie spiritual questions of unique difficulty. Indeed the new societies of tropical Africa probably cannot (it would be odd if they could) develop *new* institutions at all unless at the same time they grasp values in some form.

A Welcome Reprint

W. B. Yeats, 1865-1939
By Joseph Hone.
Macmillan. 513 pages. 30s.

THE first edition of this biography came out in 1943. It has been out of print for some time, for the number of copies originally printed was severely restricted by wartime conditions. As a study of the poet's life and background it has never been superseded. Joseph Hone enjoyed the help and encouragement of Mrs Yeats, and had free access to the relevant personal papers. His familiarity with Ireland, his friendship with the poet, his narrative skill and his fresh, unaffected style all qualified him well for his task. Although Hone died in 1959 and did not see this edition through the press, it is substantially the same as the first, though completed by an epilogue recounting the transference of Yeats's remains from France to Ireland in 1948 and their reburial at Drumcliff. The publishers are to be congratulated on reissuing the book, and at so reasonable a price, for it is beautifully produced and contains several illustrations.

Few poets have put as much of their external life into their poems as Yeats did. His prose "Autobiographies" are, of course, of the highest value to those who want to know about his development as man and artist; but how many circumstantial touches there are in the poems too. The friends he loved and mourned are named; so are the places he cared for and the authors who fired his imagination. The activity of his daily life, his participation in public affairs, directly nourished his poetic energy. The earlier poems and plays, it is true, are only tenuously connected with actual events, people and places. Their insubstantiality contrasts strangely with the strong, positive, unmistakably personal quality of the poems written from about his fiftieth year onwards.

In writing his life of Yeats, Joseph Hone made good use of the poems. He did not, however, set up as a literary critic. There have been almost too many interpretative studies of Yeats during the past twenty years. This is straight biography, and excellently done, with understanding and sympathy; and such a book is of importance to readers of the poetry. Unquestionably Yeats was a poet whose life does illuminate his works. We need to know about his forebears, about Maud Gonne and Lady Gregory, his Rhymer Club friends, his Abbey Theatre activities, the impact on him of the civil war, his emergence as a senator, "a sixty-year-old smiling public man." It may be that we also need to know about astrology, alchemy and theosophy in order to understand a whole esoteric language of symbolism. But the poetry does make its own tremendous impact even on those who have never plunged into *A Vision* or spent much time on critical commentaries. For sophisticated and unsophisticated alike, this biography is indispensable reading.

Scapegoat

At 12 Mr Byng Was Shot
By Dudley Pope.
Weidenfeld and Nicolson. 353 pages. 30s.

WHY was Admiral Byng shot on the quarterdeck of *HMS Monarch* on March 14, 1757? The short answer is undoubtedly that the government of the day had made a miscalculation. The French bluff of a cross-Channel invasion had succeeded and it was thought, in spite of warnings from England's spies, that their Mediterranean fleet would not endanger Minorca. At any rate Byng was sent too late and with an inadequate and badly equipped force; Minorca was lost; and the Government needed a scapegoat. Byng may have been a bad choice too, for he had not seen much action and anyway seems to have been unimaginative, wedded too closely to the letter of the Fighting Instructions, which laid down the details for conducting sea-battles. He was cleared of the charges of cowardice and "disaffection," which left, by implication, only that of negligence if the death sentence was to be imposed. Yet this word was not mentioned at the trial and he was found guilty of an error of judgment, not in itself a capital offence. By this time the dice were too heavily loaded against him, and even Byng himself felt that there was little chance that any of the negotiations on his behalf would come to anything. "It is now become an affair merely political—without any further relation to right and wrong, justice or injustice," he told a friend, and this seems today, as it seemed to Dr Johnson at the time, to be the heart of the matter.

Mr Dudley Pope's account is much better than the title of his book suggests, though in fact it is a quotation from the log of *HMS Monarch*. At all events its catchpenny nature and the lurid jacket design, worked up from a contemporary engraving, should not put readers off. The book has considerable historical value as it is sufficiently documented for students of the period as well as being a clear and swiftly moving account for those who merely wish to follow the story.

The book's importance lies not merely in a lively narrative, for this has been done before, but also in the use made for the first time of Augustus Hervey's Journal. Hervey was one of the few officers serving under Byng who stood up for him throughout. He was an impetuous, arrogant man and his support might perhaps be suspect if taken in isolation. He was apt to censure his enemies in the most extravagant terms: Lord Barrington, the War Secretary, is "that wasp of power and snake of ministerial dirt" and Captain James Gilchrist, who commanded one of Byng's ships in the battle, is castigated for the unfavourable evidence he gave at the trial with the comment that he was "the most fawning sycophant that ever cringed to power." Yet Hervey was a very competent naval officer, and as he took part in the battle himself and criticised some of Byng's decisions, his witness is important.

One of the uglier aspects of the story is the cynical way in which the Government tried to cover up its inadequacy by censoring Byng's dispatch on the Battle of Minorca before publishing it in the London Gazette—he had already been deprived of his command and imprisoned on his return to England on the evidence of an enemy report. It is illuminating to read the full dispatch with the censored passages set in italic in Appendix IV.

The book ends with the inscription on Byng's tomb at Southill: a fine example of lapidary indignation, which includes the disturbing phrase that "Bravery and Loyalty were insufficient Securities for the Life and Honour of a Naval Officer"—a fitting comment on the whole sorry story.

East and West

From Fear Set Free
By Nayantara Sahgal.
Gollancz. 240 pages. 25s.

IT is a commonplace of comment on the Englishman in the tropics that he takes his roast beef, his golf and his dinner jacket with him, and mixes little with the locals. Mrs Sahgal's pages suggest that he has no monopoly in this attitude. "When my husband's father went abroad," a friend tells her, "he took sacks of dal and rice with him. He did not smoke. He led the same life there as here. Why need our people succumb to western ways when they go abroad?" Elsewhere, Mrs Sahgal wonders why two neighbouring families, one Kashmiri, the other Malabari, neither of whom has gone back to their native provinces for four generations, persist in keeping strictly to Kashmiri and Malabari food, and would shrink from a marriage between their children, because Kashmiris only marry Kashmiris, Malabaris only Malabaris. And again: "When we entered the home of Usha, my Bengali friend, I entered a little Bengal, ate a Bengali lunch, and listened to her family talk Bengali around me." One is reminded of the foreign nurses recently reported to have threatened a hunger strike in a British hospital because the food was British.

Superficially, this is a book of first class raportage. Witty, closely observed pictures of life, political, diplomatic, social, domestic, in three continents, flow smoothly from Mrs Sahgal's sophisticated pen. We have innumerable sketches, as vivid as they are penetrating, of life behind the scenes in the Indian Prime Minister's household, in Mrs Pandit's households as India's representative in Moscow, Washington, the United Nations and London, and of Mrs Sahgal's own household, wrestling with the problems of the newly married, as the wife of a rising young Indian business man in a British firm, first in provincial Kanpur, then in cosmopolitan Bombay.

But Mrs Sahgal is not the daughter of Mrs Vijya Lakshmi Pandit, nor the niece of Jawaharlal Nehru, for nothing. She comes of a family with an aristocratic, Brahminical tradition of culture and intellectual interests, deeply involved in politics, both in the inner counsels of dependent India's struggle for freedom and of independent India's struggle to preserve national unity in the face of caste, linguistic and other divisive tensions. Bilingual in English and Hindi, the family is heir to two civilisations, and fundamentally what Mrs Sahgal's book is about is the contrasts between them, which she tries, and one feels successfully tries, to synthesise. Mrs Sahgal describes, with equal good humour and cool intellectual appraisal, the clash between the view of life to which her own experience has led her, in which Gandhi's moral values take first place, with those of her husband's community, preoccupied with business, and sceptical of the doctrine of non-violence, which, she reports her husband as saying, "may be all right for saints but not for ordinary people. . . . It's a myth that we in India are less violently inclined than any other nation." Mrs Sahgal's capacity to assess the Indian scene by western values and the western scene by Indian values should make her book interesting to Indian and western readers alike.

Dutch Interior

Daily Life in Rembrandt's Holland
By P. Zumthor.
Weidenfeld and Nicolson. 374 pages. 36s.

SOONER or later most people interested in history come to a point where they want to get away from events and personalities and find out about ordinary things. The success of such books as Eileen Power's "Medieval People" shows that everyday life can be as interesting as power politics. Weidenfeld and Nicolson are publishing a new series with this in mind, describing normal conditions in various historical contexts.

Since the purpose of this sort of book is not to describe political events, a lot of minor and apparently trivial information can be included that is often omitted elsewhere. This is particularly true of Professor Zumthor's book, which deals with a period when an extraordinary outburst of creative achievement took place in the United Provinces as they emerged as a nation after their long struggle against Spain.

Much of what is included is ordinary enough—marriage, the care and education of children, the management of the home; but the book is full of amusing and interesting sidelights. The Dutch mania for domestic cleanliness was already apparent; visitors were provided with straw overshoes; and on one occasion a visiting burgomaster was carried bodily across the hall by a maidservant in case his muddy feet should mark the polished floor. Life was not, however, always peaceful and ordered. The Amsterdam money market was one of the most active in Europe. In the 1630s it was disturbed by a wave of speculation in tulips; fortunes were made and lost overnight; and a house could be sold for three bulbs. Leyden became an important commercial centre, basing its wealth on textiles and employing child-labour on a scale reminiscent of the industrial revolution. Four thousand children were procured from Liège in the decade 1638-1648 and employed in the mills. Conditions were bad, but it is worth noting that attempts were made to regulate them by appointing inspectors and limiting the work to 14 hours a day.

This is a book full of technical information rather than ideas. Professor Zumthor's comments on his material are brief. The translation from the French is good, and the book as a whole readable and entertaining.

A Peculiar Partnership

The Duchess of Dino

By Philip Ziegler.

Collins. 382 pages. 28s.

"As for Talleyrand I *doat* upon him. . . . I could listen to him for any number of hours. . . . There are weak moments in which I think him handsome. . . ." Emily Eden's appreciation of the octogenarian's charm and the reticence of her occasional references to "Madame de Dino" are typical of the tolerance with which high political society received them during Talleyrand's ambassadorship in England. There were, of course, uncharitable exceptions: the Duke of Argyll thought him "a disgusting looking individual with the complexion of a corpse considerably advanced in corruption"; while Creevey described her as "this extremely handsome devil living with old T., the uncle of her husband, and having three or four children by him."

But Dorothea Duchess of Dino did not allow the occasional irritations of London's gossip or its fogs to mar her enjoyment of life in England. She made herself popular, she was widely entertained, she even approved of English women; they walked badly but were graceful in repose; had brilliant complexions and dressed with diversity if not taste. And the men, unimaginative but kind and sensible, never became familiar or indiscreet. She particularly appreciated weekends at the great country houses which exuded gothic romance—Eridge, whose ivy-covered towers induced an agreeable melancholy; Knole, pleasingly "venerable and lugubrious." And only at Woburn was everyone dull, except her notoriously foulmouthed hostess. Philip Ziegler's picture of Dorothea's years in England is a most felicitous contribution to its social history.

Dorothea entered Talleyrand's life through her marriage to his nephew Alexander-Edmond Talleyrand-Perigord, whose Dukedom of Dino was merely a diplomatic compliment to his uncle. The alliance was imposed on her by her mother, the widowed Duchess of Courland, to please the Czar, in whose territories some of her vast estates were situated. It was a kind of insurance against Napoleonic war damage. But it did not provide cover against the risks of Talleyrand's friendship: mother and daughter completely succumbed in turn to his experienced seductions. But Mr Ziegler successfully discredits the novelettish legend of Dorothea's conquest during the Congress of Vienna and argues convincingly that she became Talleyrand's mistress in 1816, after she had broken both with her extravagant and unfaithful husband and her Austrian lover Clam-Martiniz, and when her mother's association with Talleyrand had become platonic.

Creevey's aspersions were not entirely groundless, but his arithmetic was faulty; her husband was the father of her two sons, but Talleyrand of her daughter Pauline. Yet this well balanced, urbanely written biography leaves no doubt that it was Dorothea's strong character, her masculine decisiveness of mind combined with her unerring feminine instinct, rather than her physical charms, which made her indispensable to Talleyrand and gave her an historical importance distinct from, if not independent of, his.

Despite her youth (she was only twenty-two when the Congress ended), her help as hostess and confidante was of inestimable value to Talleyrand in Vienna, during the frustrating Bourbon Restoration, and in the uncertainties of the 1830 Revolution—above all, in the outstanding success of his mission to England. She accepted the responsibility of telling him when to retire from public life, and, not so long after, of persuading him to prepare himself for a life to come, in which his interest had never been noticeably strong. The story of his reconciliation with Rome, told without cynicism or sentimentality, is not unmoving. He died in 1838. Dorothea, forty years younger, lived on till 1862, indomitably dealing with her problems as a great feudal landowner in the turbulent eighteen-forties and fifties. But her sense of purpose died with Talleyrand, leaving only the memory of the devotion that gave their peculiar partnership its special place in history.

Past Recalled

Writing

By David Diringer. 261 pages.

The Phoenicians

By Donald Harden. 336 pages.

The Byzantines

By David Talbot Rice. 224 pages.

Thames & Hudson. Ancient Peoples & Places series. 30s. each.

The appearance of these three volumes marks the completion of the first twenty-five titles and the inauguration of the second in the series so admirably edited by Dr Glyn Daniel. The great welcome given to the series is due in large measure to the care with which authors have been chosen and to the uniform excellence of editing and presentation that masks any inequalities in the originality or quality of writing of individual volumes. Yet the triumph of accomplishment ought not to blind us to the elementary simplicity of the underlying idea, which is in essence to build upon and enrich the memories and experiences of nearly everyone capable of profiting from reading books.

From our school days we have deeply planted but possibly hazy memories of peoples like the Celts, Etruscans, Phoenicians or Byzantines. Again, and increasingly, as we travel more widely and more often, we gain experience of more places: homely ones like East Anglia or Wessex seen fleetingly through car windows; or more distant ones like Brittany or Sicily, glimpsed from ships or motor-buses. And over and above all this we dream at times of peoples of whom we have hardly heard or of places we may never visit. Whether the periods dealt with are wholly prehistoric or whether meagrely or lavishly documented by historical records, the aim of this series is to make peoples and places of the past more lively to us by dwelling on their material traces brought to light by archaeologists. In this the reader is greatly helped by generous photographic illustrations, backed up by maps and line drawings, and by explanations much more adequate than those usually provided in books of this kind. The very acceptability of these volumes carries with it certain limitations, but only those who look for standards alien to an age of egalitarian culture will find cause for disappointment or complaint.

In "The Phoenicians" Dr Harden treats of people with whom he first established contact at the outset of the archaeological career that led him first to the Ashmolean and then to the London Museum, of which he is now director. After summarising their history and geographical setting, the author treats of broad aspects of their culture and way of life, combining in the most fruitful way written sources like the Canaanite clay tablets from Ugarit, together with references in Homer and above all in the Old Testament, with the abundant and widely scattered archaeological traces. Among the Phoenician achievements to which he draws special attention are their alphabetic script, their voyages of exploration and their wide-flung commerce. Although, as Dr Harden reminds us, we learn much of what we know about them from their enemies, it is all the same difficult to love the Phoenicians; in his concluding lines he has to admit that "the Phoenician . . . was less interested in art for his own purposes than in the price he could get for it abroad."

For "The Byzantines" Professor Talbot Rice is able to rely upon a much more complete historical record and his book is one that calls perhaps for less originality. Yet the mere complexity of the thousand years or so of Byzantine history and the length and erudition of modern historical works on the subject will ensure a ready welcome for this brief but well balanced outline. Again, the fullness of the historical background enhances in some respects the buildings and minor artifacts displayed in this volume.

The third volume noticed here and the twenty-fifth of the series, that by Dr Diringer on "Writing," marks a departure in that it is concerned with a topic rather than a particular people or place. Although this will certainly add to the commercial success of the series, it detracts from its coherence. On the other hand, it would be churlish not to acclaim Dr Diringer's book in its own right. The central place of writing in the fabric of civilisation itself gives a well illustrated and succinct account of its world-wide history a special value, and Dr Diringer's volume is a real mine of interest.

AMERICAN SURVEY

AMERICAN SURVEY is prepared partly in the United States, partly in London. Those items which are written in the United States carry an indication to that effect, all others are the work of the editorial staff in London.

Transport in Knots

WASHINGTON, DC

In America, this is not the century of the common carrier. American trains carry no more passengers than they did in 1885 and only one American in seven has ever flown. Many of the six hundred-odd railway companies are going broke and the airlines are not much better off though their long-term future looks rather brighter. Governor Rockefeller of New York has predicted that public transport may break down completely or be nationalised. Either outcome is so horrible to contemplate that railway and airline companies may at last be encouraged to depart from the competitive theory of the American way of life and to merge on a widespread scale. All these complaints are long-standing. In a lengthy message to Congress in April President Kennedy tried to put the perplexing transport picture in perspective. The message contained little that was new. But it made constructive and intelligent use of a mass of studies and reports that his predecessors preferred to leave occupying an estimated 36,000 cubic feet of pigeon-holes in the official files.

The President's message, like the transport situation itself, was not wholly free of contradictions and ambiguities. For instance, he said that the most highly developed and diversified transport system in the world was suffering from a chaotic patchwork of inconsistent and obsolete legislation and controls and he did not seem at all sure in his own mind whether the chief problem was too much control or uncontrolled competition. Public transport in the United States is tangled in taxes and subsidies and in archaic regulations that compel excessive competition, as well as in regulations that forbid it. It seems doubtful whether the transport system will be able to free itself of all these shackles. The President said that fewer federal regulations and subsidies were needed but soon he was talking about what would be in effect fresh federal subsidies and also further federal regulation. To trounce him for this, however, or to hint darkly that while flourishing the keys of the gyves in one hand he is concealing new shackles behind his back with the other is unfair. Such apparent contradictions appear to be inherent in the transport situation.

City transport is a massive problem in itself and Mr Kennedy acknowledged that this is very unlikely to be solved without some sort of subsidies: he suggested federal grants to total $500 million over three years. The ailing railways hope to benefit from such grants, for the President suggested that railways might lease their underworked facilities to local authorities, as is done in Philadelphia; there services are provided for commuters at a loss of a million dollars a year but the Pennsylvania Railroad Company does not itself have to meet this loss. At the same time, Mr Kennedy indicated that such subsidized city transport ought to be planned comprehensively on an area-wide basis and administered through a public agency and that only then would the federal government be willing to match each local dollar with two of its own.

If the railway lines that span a continent are not also to require large government subsidies—they are now eligible for emergency loans backed by the government—the alternative will probably have to be mergers. In public transport especially, mergers are the traditional American ogres; this explains the President's somewhat nervous assurances that he was not thinking solely of controlling the maximum rates that the railways could charge but would also continue to rely on laws against trusts, monopolies and predatory trade practices. Nevertheless, Mr Kennedy said that each proposed merger would have to be judged on its merits and that, while competition should be preserved among alternative forms of transport, it might not be possible to continue it between competing companies in the same line of business if there was not sufficient volume of traffic. Railwaymen would no doubt say that this justifies the recent proposal for merging the two biggest railway companies (in dollar terms) in the United States, the New York Central and the Pennsylvania Railroads.

The railways are operating at only a quarter of their capacity and the post office says that it has difficulty in delivering mail because there are now whole states without a single passenger train. Five years ago, there were about a million and a half railway workers, but now there are only about three-quarters of a million and this dwindling band understandably resists with some fierceness any thought of abandoning the featherbedding practices that keep, for instance, 40,000 firemen working on diesel locomotives with no fires.

Strangled with punitive taxes and restrictions imposed on them because the wicked railway barons of the nineteenth century milked and watered their companies, bilked the federal government and ruined the farmers, the gouty railways are steadily losing passengers to the motor vehicle and freight to lorries and barges. The lorries have blasted huge holes through the restrictions that still tie the railways; Mr Kennedy in his message called severely for a curb on unlawfully high road charges and for much larger penalties for evasions of commercial regulations, as well as of road safety, by both private and common carriers.

When Mr Khrushchev was in the United States in 1959, he put his thumb on the sorest spot of all. He remarked that most of the 60 million motor-cars on American roads carried only one passenger or none and said that in Russia it was thought more convenient to pack people into trains and buses. Radio commentators and others hastened to assure him that the motor-car was the supreme symbol of the American way of life and that they were glad of it. But even then the gladness was ebbing and, in fact, it has ebbed further since. Many millions of dollars have been spent on creating for the motorist a concrete paradise of fast motor ways, by-passes, over-passes, under-passes and clover-leafs. But others besides discomfited railway companies are wondering more and more if concrete cannot be spread too far.

Between 100,000 and 150,000 families will, it is estimated, have to move because of the giant road-building programme that has been in progress since 1956 and will continue at least to 1971. In most states these families get no recompense or assistance and President Kennedy again drew attention to their plight in his message to Congress. At the same time, a congressional committee is inquiring into allegations of corruption in connection with the road building programme. One estimate is that a tenth of the $41 billion being spent on the inter-state system of roads goes in graft. Meanwhile, in the cities and towns, where three-quarters of Americans live, public transport has steadily worsened in spite of steadily

rising fares. Public housing put up to replace slums is threatened with being pulled down to make way for more motorways through cities. Los Angeles in trying to avoid a traffic coronary has become all arteries and no heart. The best public transport in the United States is New York's shabby and overcrowded system.

Nothing much came of President Kennedy's offer last year to finance experiments in improving transport in cities, such as that being tried in Ithaca, New York (see box). But this year it is hoped that Congress, with its eye on urban voters, will approve the Administration's proposals and that metropolitan areas will agree to Mr Kennedy's condition, which is that the often conflicting authorities in each area shall sink their sovereignties in a single transport body with which the Administration's chosen instrument, the Housing and Home Finance Agency, can then deal.

In urban areas, the Administration visualises people using both trains and buses more and being able to transfer from one to the other without difficulty. This is a microcosm of what is envisaged for the country as a whole, for Mr Kennedy said in his message to Congress that he hoped to see inter-carrier services with through routes and joint rates. This however will probably be more difficult to achieve. The water-carriers and the lorry-men are lobbying against the President's proposals that the railways should be allowed to compete on equal terms for carrying farming and fishing products and bulk commodities and the airlines are lobbying against the threatened loss of their right to be subsidised and the rise in the cost of jet fuel.

But so great is the plight of the carriers that it seems almost certain that sooner or later something along the lines of the President's proposals will have to be adopted. Mr Kennedy himself said politely that a revision of the magnitude required was a task to which Congress would no doubt wish to devote considerable time as well as effort ; he added that he thought it ought to begin considering the task right away but it is most unlikely that anything much will be done before next year. In a letter to the President Senator Kefauver professed to fear the emergence from the existing transport malaise of a series of mergers that would in turn become a single giant private monopoly. But there seems no real reason why there should not be two or three combined rail, road and air systems in each large region or why these should not be made to yield the benefits of well-organised public utilities without leading to either private monopoly or nationalisation.

For some time now the town of Ithaca in New York State has been publicised as a place which is experimenting with free bus services in an attempt to keep motor-cars off the streets. As a result Ithaca has been accused of the heinous practice of socialism, but it has also received interested letters from other cities, both in the United States and abroad, which are struggling with traffic problems. In fact, Ithaca is not running free buses yet; the experiment has not begun. What the city is now doing is running the buses which used to be privately operated and running them at a loss because it has lowered the fares. About $600 is being lost each month at present but the number of people using the buses is going up steadily and the deficit is being reduced by between $25 and $35 each week. It is hoped that eventually the operation will break even. Before that happens, however, Ithaca may indeed be running free buses, with the federal government paying two-thirds of the loss. But this will be done only as an experiment and free rides will be interspersed with periods during which varying fares are paid; they will range from zero to ten cents a journey compared with the six journeys for a dollar (eight for students) which is the present charge.

What seems to be holding matters up are vociferous opposition from citizens, who demand to know why Ithaca should act as the federal government's guinea-pig in solving urban transport problems, a recent change in the composition of the city council and the time it takes to work out all the details that have to be attended to—parking counts, for example—if the experiment is to produce the desired information. The experiment has the support of the shop-keepers in Ithaca; they are suffering from the competition of neighbouring towns which have shopping centres outside the city limits and are therefore unaffected by parking difficulties. The scheme is also supported by those who feel it would mean having to pay fewer traffic policemen.

Tonic for Business?

NEW YORK

Although most indicators and in particular the sales of new motor cars show that the economy is continuing to expand, the stock market remains uneasy. There was another sharp drop on Monday and, while prices recovered in the middle of the week, there is no certainty that there will not be further falls. The deflation in share prices, which began months ago, is already having its impact on the economy. The latest government survey of the plans of businessmen to invest in new plants and facilities, taken before the recent slide on the stock market, reports that these plans are no more ambitious than they were in February. The total—$37.2 billion for the full year 1962—remains only 8 per cent above actual investment in 1961 and is below the figure reported by a McGraw-Hill survey in April. This suggests that caution has become the watch-word in business circles.

Certainly businessmen now feel that the risks of spending more are rising because the government's position on profits is so clouded. Officials in Washington continue to profess to be puzzled, as well as annoyed, at the idea that the Administration is hostile to business, but there is no doubt that businessmen are convinced that this is so. The break-down of communications between the two has become serious now that the economy has reached a point at which increased participation by private enterprise is essential for continued advance.

The Administration is still split between two schools of thought as it was when it first took office. Dr Heller, the head of the President's Council of Economic Advisers, Mr Goldberg, the Secretary of Labour, and Mr Hodges, the Secretary of Commerce, are seeking ways to stimulate business and bolster confidence, preferably by winning from Congress stand-by authority to cut taxes across the board. The Treasury and the central bank, on the other hand, are anxious to give the orthodox no grounds for alarm and want to hold the line, with tax reform postponed until next year. The reassuring speech on Monday of Mr Dillon, the Secretary of the Treasury, was addressed as much to the opposition inside the Administration as to the public. The prospect is that the Treasury will win out but the demand for a tax cut, even if it means widening deficits in the Budget, is growing. Whether some overt move would succeed in winning business over is uncertain. Some officials are counselling the Administration to give businessmen an assurance behind the scenes that there will be no retaliation if they feel that they must raise their prices.

Deficits Debated

In the midst of his speech about the Administration's plans for general tax reductions next year Mr Dillon let drop the observation that deficits in the federal Budget need not be inflationary—and hence need not damage America's balance of international payments—unless they coincide with strong demand which puts pressure on the available resources. The Secretary of the Treasury thus prepared the way for the probability that this year's $7 billion deficit will be followed by another one, perhaps of the order of $2-3 billion. Officially the Administration is still forecasting a

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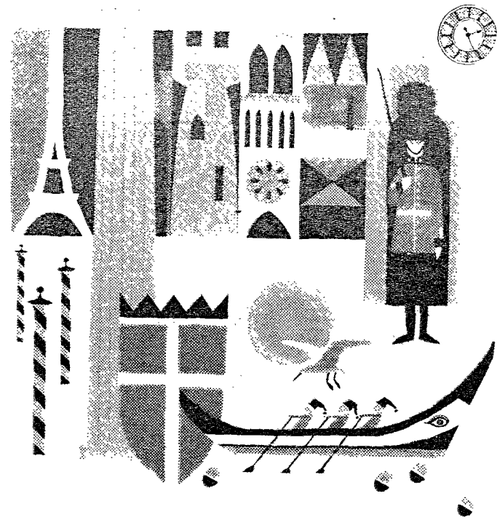
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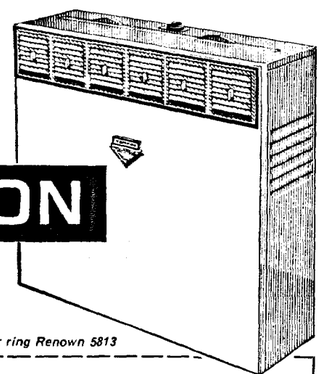


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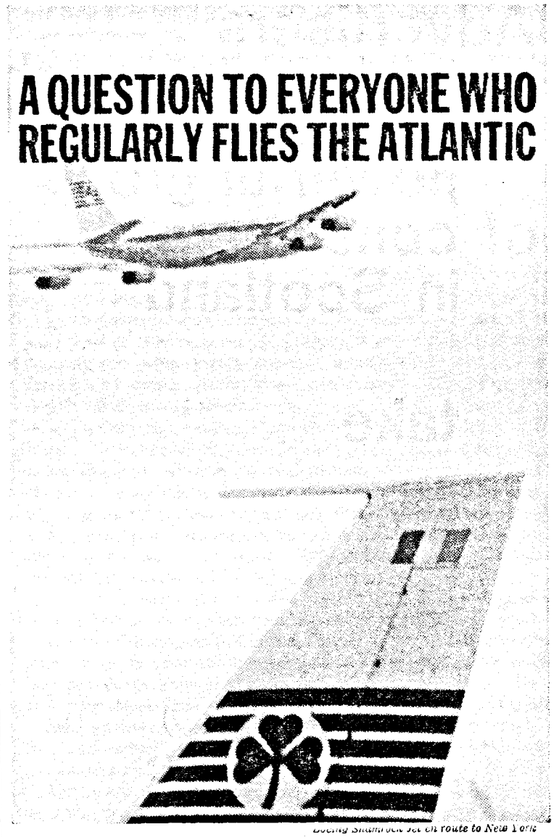
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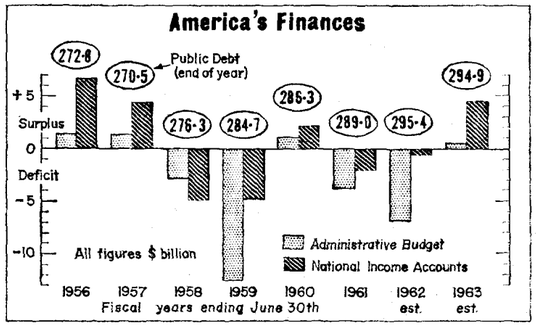
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balanced Budget in the fiscal year 1963, which begins next month, but the economic pace will have to be brisker if revenues are to be large enough to cover expenditures. Conceivably the gross national product may reach $570 billion for 1962, as the government forecast in January, but the odds against it are increasing.

A modest, unplanned deficit of $2 billion or so would provide little or no economic stimulus. Indeed it might even be a surplus in disguise. More and more people are realising that the so-called administrative Budget, which the President sends to Congress each January, gives a very misleading picture of the impact of federal operations on the economy. By including loans and capital spending and excluding the government trust funds, it exaggerates deficits and minimises surpluses to the tune of about $3 billion.



A much more refined tool is provided by the national income accounts which exclude loans, include the trust funds and enter the tax payments of business as they accrue and are set aside, not six months or so later when they are actually paid to the government. As the chart shows, if the Administration were to succeed in balancing the administrative Budget in fiscal 1963, it would in fact be draining over $4 billion out of the economy just when many businessmen are looking for a shot in the arm.

Not long ago Mr Kennedy said cautiously that America's budget-keeping might not be as modern as it ought to be and at his instigation America is to see what it can learn from Europe in the art of using the Budget to secure rapid economic growth. The President has to be cautious; to most conservatives any "tinkering" with budget procedures means opening the door to profligate government spending. Mr Dillon had a taste of their rigidity when he asked for the limit on the public debt to be raised to $308 billion for the coming fiscal year to see the Treasury through the period when tax collections are lean. Republican members of the House Ways and Means Committee attacked the immorality of budget deficits in prosperity and in the end the committee refused to approve the higher ceiling for more than nine months. A great deal of economic education will be needed to convince conservatives that a deficit in the administrative Budget may not be a deficit at all and that there is nothing immoral about trying to keep the economy growing.

To Catch a Tourist

THE new United States Travel Service is in a mood of cautious self-congratulation over the rise in the number of visitors to America. In the first three months of 1962, 13 per cent more foreigners travelled to the United States than in the same period of last year. Of these, 54,000—or more than half—came from Europe where, since last autumn, the American government's trade and travel centres have been putting down roots. It is still too early for the USTS to attribute the increase of tourists to the Madison Avenue-nurtured "Visit the USA" campaign, with its full-page advertisements assuring readers that America can indeed be explored on £5 a day and that two can tour as cheaply as one. The campaign has been under way for only a scant two months. Yet, significantly or not, in April and May applications for visitors' visas at the American Embassy in London have been running 25 per cent ahead of last spring, while in Scotland the demand for visas has, dramatically and inexplicably, risen fourfold.

In spite, or perhaps because, of the collaboration of three of New York's most celebrated advertising agencies, the USTS finds itself with an embarrassingly blurred image of its product. The 140 other agencies who solicited the account have not been alone in pointing this out. How should America be sold—as the land of the free, home of the brave or as the land of the cut-rate holiday? Is the object of the campaign to fill bus station waiting rooms every night with sleeping tourists? A more significant remedy for the deficit in the country's balance of international payments, which inspired the formation of USTS, might come from those who demand a steak and a first-class hotel. Americans themselves have questioned the wisdom of recommending a budget of £35 a week for the traveller. While this sum would be adequate if one knew the hedge-rows and by-ways of American resorts and travelled out of season, Europeans attempting to do the trip for this might return home, not only penniless and hungry, but also angry at having been misled. But within America the campaign has won sympathy for visitors from abroad. Railways will now grant them a discount of 15 per cent. Two small airlines have adopted "package plans" based on a flat fee, similar to those offered by the long-distance bus companies. A hotel chain has gone so far as to list domestic wines which can be bought at $2 a bottle.

A USTS survey of British travellers returned from America found that the average expenditure for three weeks was only £100, apart from travel costs, but that these amounted to a hefty £250. The real handicap facing the young American tourist industry and its advertisers is still the painful cost of crossing the Atlantic—a fact which has led critics to argue that the chief benefit from tourism is propaganda and that the American government would do better to subsidise cheap charter flights than to buy expensive newspaper space for pictures of the Grand Canyon.

LBJ Still on the Way

AUSTIN, TEXAS

THE Democratic party in Texas may not be going to hell in a hand-basket just yet, after all. Mr John Connally, a former Secretary of the Navy and a political *protégé* of the present Vice President of the United States, Mr Lyndon B. Johnson, used this colourful phrase to describe what he thought was happening to the party at the hands of its disgruntled liberals and its dissatisfied ultra-conservatives. Mr Connally gave up his post with the Kennedy Administration in order to return to Texas and try to stop the rot by seeking the Democratic nomination for Governor. He won this last Saturday by a slender margin in a run-off against his liberal opponent, Mr Don Yarborough. They had been the two leading candidates—neither of them with a clear majority—in the primary election in which the party tried to choose its nominees in May. In that election Mr Connally got over 100,000 votes more than Mr Yarborough, but this lead was reduced to well under 30,000 in the run-off.

Mr Connally owed his close call to the diminishing supply of middle-of-the-road Democrats in Texas—a phenomenon which may be appearing in other states as well. Mr Johnson's influence gained Mexican and Negro votes for Mr Connally and this may well have saved the day for him. For ultra-conservative Democrats and nominal Democrats with Republican hearts voted for Mr Yarborough in the hope that, if he were the Democratic candidate for Governor

in November, the Republican nominee would do better than he would against Mr Connally. In several places people who had voted in the primary for the former General Walker, who represented the extreme right-wing, switched to Mr Yarborough in the run-off. Ultra-conservatives and liberals, both anxious to gain control of the Democratic party in Texas, agree in regarding Mr Connally as a dangerous obstacle in the way of their rival ambitions.

"I Understand You Plan To Sit Out This Dilemma"



General Walker, after his defeat, condemned both Mr Connally and Mr Yarborough as dedicated agents of the New Frontier's "socialism" while declaring, however, that Mr Yarborough was the more honest of the two. This was because Mr Yarborough described himself as a "down-the-line supporter" of President Kennedy; Mr Connally, on the contrary, stressed carefully his own points of difference with the Kennedy Administration. He criticised both medical care for the aged through the social security system and federal help for education in state schools and said meaningly that he was a "business booster, not a business baiter." His victory, and that of three other members of the conservative "slate" who were contesting the nomination for various other offices against liberal opponents in the run-off, may strengthen the presidential ambitions of Mr Johnson in 1968, for the victory showed that the machine which he built up when he was Senator from Texas has retained its grip on the state's politics.

However, in order to enter the Governor's white-brick mansion in Austin next January, Mr Connally must beat a strong Republican candidate in November: Mr Jack Cox, a former Democrat who holds ultra-conservative views less palæolithic perhaps than those of Mr Walker but almost identical with the political opinions of Senator Barry Goldwater of Arizona. Mr Cox has described the result of the Democratic party run-off as a victory for "the Connally-Johnson combine of dollars and deceit" and the outcome of the election in November may conceivably turn on how many liberals in the Democratic party still feel sore enough over their wounds to refrain from voting for Mr Connally. Liberal defection was blamed for the defeat last year of a conservative Democrat by another Goldwater Republican, Mr John Tower, when they competed for Mr Johnson's old seat in the United States Senate.

Mr Connally has called upon the liberals to give him their support in November, although during the campaign he and Mr Yarborough travelled vast distances by air and are said to have spent between them about $750,000 mainly in order to accuse each other of being tools of sinister, non-Texan forces. Mr Connally called Mr Yarborough a creature of eastern radicals and Mr Yarborough called Mr Connally a lobbyist for eastern capitalists. Mr Cox, who is a forty-year-old oil man, says that if Mr Connally becomes Governor Texas will fall into tyrannical socialism directed from Washington. Imagination reels from what he might have said had the Democrats chosen Mr Yarborough as their gubernatorial candidate.

Some Democrats think that if disgruntled liberals abstain from voting in November and if ultra-conservatives in the party decide that Mr Connally, whom they regard as a mere mouthpiece of Mr Johnson, is altogether too liberal by their standards, then the Republicans may win a third of all the votes cast in the election. This would suggest that Texas is in danger of becoming a genuinely two-party state; President Kennedy carried it in 1960 by a mere 40,000 votes. Others believe that the real division, irrespective of party labels, is between ultra-conservatives and liberals and that there is alarmingly little middle ground left in the state. Whichever view is right, Texan politics are certainly likely to continue to be colourful and polemical; one of the state's resources is natural gas and the politicians have their full share of it and a considerable degree of gall as well.

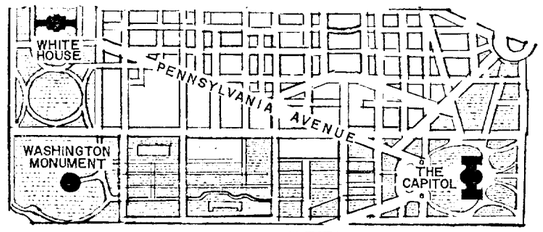
Nixon's Last Win?

In California it is the Republican party which may lose next November's gubernatorial election because of its split personality. In Tuesday's primary election Mr Richard Nixon, Vice President of the United States under Mr Eisenhower and the defeated presidential candidate in 1960, won the Republican nomination for the Governorship. Mr Nixon has never been defeated in California and it was taken for granted that he would not be this time. But the size of his majority was crucial and in that respect the result was inconclusive. Mr Nixon is a dedicated middle-of-the-roader and his opponent, Mr Shell, is a right-winger who had the support and, more important, the financial help not only of the extreme reactionaries, the John Birchers and others who are even stronger in California than in Texas, but also of the less bigoted Goldwater conservatives who are both rich and influential. Their efforts were concentrated behind Mr Shell in this campaign and perhaps for that reason he did much better against Mr Nixon than did the right-wing candidate who fought for the senatorial nomination against the Republican incumbent, Mr Kuchel. But this may also have been because Mr Kuchel is more popular and better known in the state than is Mr Nixon. Moreover Mr Shell, a member of the State Legislature, had the local knowledge and experience lacked by Mr Nixon, whose political life has been spent entirely in Washington.

When the campaign began the forecasters were giving not more than 20 per cent of the votes to Mr Shell; by last week the figure had gone up to 40 per cent. In the end Mr Shell got about 35 per cent, quite enough to embarrass Mr Nixon seriously, especially since Mr Shell is refusing to guarantee his unconditional support to Mr Nixon unless he promises to be a good conservative. This he cannot promise—even if he wanted to—and still win the Governorship. But it will be almost as hard for him to win it without the votes of Mr Shell's supporters; in the primary campaign he was careful not to attack Mr Shell directly. There are almost 4 million voters in California who are registered Democrats and under 3 million Republican ones; therefore Mr Nixon must hold at least 90 per cent of the Republicans and gain over 20 per cent of the nominal Democrats. And in California any concession to Mr Shell's reactionaries will repel even illiberal Democrats, as Mr Nixon is well aware.

In fact Californian Democrats are unusually united this year behind their present Governor, Mr Brown, whose record in office has been satisfactory on the whole. Even if Mr Nixon manages to solve his dilemma the Republican chances of upsetting Mr Brown are not good, especially as he will have strong backing from Washington. Mr Shell's main argument against Mr Nixon in the primary was that he could not win in November; in this Mr Shell may be right in spite of Mr Nixon's dogged determination not to lose his last hope of a political future.

Capital's Main Street





The one art on which the federal government cannot avoid having an impact is architecture. Therefore it is not surprising that such an aesthetically-conscious Administration as the present one should have turned its attention to improving the design of official buildings. Nor is it surprising that such a socially-conscious Administration should be determined to improve the working conditions of civil servants. In Washington far too many of them are now cooped up in obsolete, inconvenient buildings, often the revolting temporary structures which have become permanent features of the city's beautiful vistas. To get rid of these "tempos" and of other outmoded quarters, to concentrate scattered branches efficiently and to provide for the 20,000 additional government employees who are expected in the next ten years will mean putting up 12 new buildings with over 13 million square feet of office space at a cost of $425 million.

This record programme comes at a time when the north side of Pennsylvania Avenue is due for redevelopment. Thus it provides an opportunity for the federal government to co-operate with the city authorities in turning this cluttered, down-at-heel 1½ miles of thoroughfare into the "grand axis" which it was meant to be, leading from the President's home to that of Congress, symbolising the separation of powers and the basic unity which together form the American system of government. The president's Ad Hoc Committee on Federal Office Space—a name which is not up to the cultural standard of the Kennedy Administration—has therefore recommended that much of the new building should take place along Pennsylvania Avenue. But the committee does not want to repeat the Federal Triangle, the solid phalanx of government offices on the south side which are deserted at night and have no vitality of their own. The committee thinks that the new buildings should be interspersed with privately-owned shops, gardens and other amenities, to be enjoyed by the public at all times and to bring the government into the life of the city. Pennsylvania Avenue would in effect become the Main Street of the United States. This, coupled with the new development on the far side of the Capitol, would also have the effect of bringing that imposing structure into the heart of the town which it dominates and of checking the drift away from the centre which is a major problem in Washington as in almost every other American city.

Nor does the committee approve of either the "Graeco-Roman ruins" or the "mausoleum" styles which have characterised government building for so long. Its report, endorsed by the President, encourages the General Services Administration to employ at home the modern architects and contemporary designs which have already been seen in American embassies abroad. But Congress, which must provide the money, may not allow the government to be so enterprising.

Exodus from State

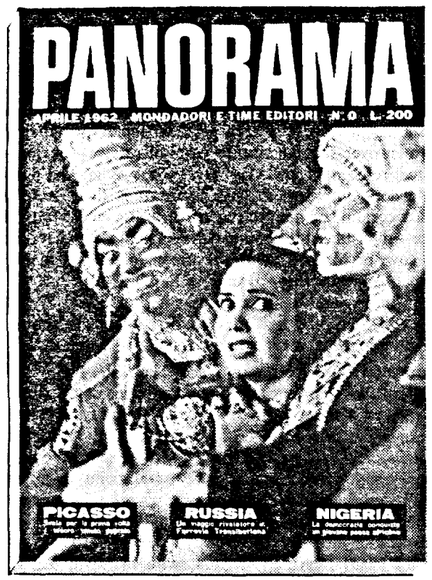
At the end of this month 212 officers of the Foreign Service will be retiring, about twice as many as is usual in a year. Over a hundred of them are men in the top four grades of the service, which contain fewer than four hundred people; seventeen of them hold the rank of career minister or career ambassador. One of them is Mr Livingston Merchant, the 58-year-old Ambassador to Canada. This mass departure is caused by a law passed two years ago which gave a 12 per cent increase in their pensions to top men over 50 with twenty years of service—but only if they requested retirement by May 31, 1962. What the Department of State does not seem to have foreseen is that, under the law, it can ask certain key men to stay on only at a considerable financial sacrifice—men like, for example, Mr Thompson, the Ambassador to Moscow, or Mr Bohlen, the Secretary of State's special adviser on Soviet Affairs. But so far the Foreign Relations Committee has been rather cool to the idea that it should give Mr Rusk, the Secretary of State, the right to extend the bonus to ten or a dozen picked diplomats who remain on active duty.

Apart from this small group, Mr Kennedy and Mr Rusk are believed to be well satisfied with the opportunity to clear out dead wood at the top and to make room for younger and abler men. Indeed, their disposition to disregard the sacred rights of seniority seems to have speeded up the exodus; older men in the department grumble that there is no point in staying on at a financial sacrifice only to be passed over for inexperienced outsiders. There are two recent cases in point. One is the choice as Ambassador to Australia of Mr William Battle, a 41-year-old lawyer in Charlottesville, Virginia, who managed Mr Kennedy's unsuccessful election campaign in that state and, like his friend, the President, commanded a naval PT boat in the Pacific during the war. The other is the appointment as Ambassador to Ghana of Mr William Mahoney, a 45-year-old lawyer who handled Mr Kennedy's campaign in Arizona. Neither seems to have the distinction or special qualifications which would justify going outside the career service when a rather touchy country is involved.

This is not a complaint which can be made against the choice of Admiral Kirk as Ambassador to Nationalist China. He succeeds Mr Drumright, an Eisenhower appointee who has been an embarrassingly fervent admirer of Marshal Chiang Kai-shek and who is one of the Ambassadors leaving the service in July. Admiral Kirk is acceptable to the American right wing, which holds such passionate views on China, but it is believed that he will work well with Mr Harriman, the Assistant Secretary for Far Eastern Affairs. It has taken a long time to find a man with the Admiral's dual appeal. But by the end of the summer the Administration will have to fill an even more crucial post; Mr Thompson, after five years in Moscow, has been promised that he will be relieved.

SHORTER NOTE

On July 9th E.I. Du Pont de Nemours & Company, the big chemical firm, will give its shareholders their first instalment of the 63 million General Motors shares which it may not retain under the anti-trust laws. This first distribution will consist of 23 million shares, with a market value of about $1.2 billion. The General Motors Corporation is having a particularly good year and the interesting question now is how many of the shares will be sold and what the effect will be on the price. Congress has provided that the distribution should be considered as a return of capital so that no tax—apart from, possibly, a low capital gains tax—will be payable. Certain members of the Du Pont family and certain trust funds must dispose of the GM shares which they receive, but they have from three to ten years for this.



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A new magazine is about to be launched in Italy. Called PANORAMA, it will be a joint venture of two famous publishing houses: Time Inc. of the United States; and Mondadori of Italy. Written in Italian, edited in both New York and Milan, and printed in Verona, the first edition will be dated October 1962. It will be on sale throughout Italy in late September, and the initial circulation is expected to exceed 200,000 copies monthly.

PANORAMA creates a precedent in publishing. The combined resources of Time Inc. and Mondadori will put at its disposal the talent of a world-wide staff of editors, reporters, artists and photographers, drawing upon the whole panorama of human experience for their material. It will bring to the expanding Italian market a monthly magazine more colourful, more handsomely presented and wider in scope than anything it has previously known. The work of the people who produce *Time*, *Life*, *Fortune* and *Sports Illustrated* will be available for the first time in Europe in a language other than English, and will be complemented by special material prepared for PANORAMA by its own Italian editors, making it rich in ideas, in information, and in illustration.

The introduction of PANORAMA is a realistic tribute to the lusty growth of the Italian economy. It will provide advertisers with a new and impressive showcase — a showcase which will put their goods and services before a growing public with growing spending power, in the healthiest market in Europe.

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THE WORLD OVERSEAS

Wind of Doubt in China

FROM OUR CORRESPONDENT IN HONGKONG

WINDS of change and doubt are blowing through China. None, sniffed appraisingly from Hongkong, bears the heady exhilaration of that triumphant wind which Chairman Mao Tse-tung once reported to be prevailing over the wind from the West. On the contrary, uncertain and variable they seem to be whirling away the grey dust of dead and scattered hopes and plans in gusty circles of retreat.

First-hand reports from Canton and Shanghai agree that a great "thinning-out" of the population is in process. The movement is to disperse surplus factory workers from industrial plants that are being closed down to rural communes—where food rations are smaller. Then, in turn, they are moved from communes where food is scarce to other communes, where food perhaps may not be so scarce. The city workers do not want to go, although they can see that factories are closing down because of shortages of raw materials, and the communes do not want the city workers to come because the local labour forces are already sufficient and the food resources insufficient.

It is said that 600,000 workers are being moved from Canton and more than 2 million from Shanghai. These are the only cities from which Hongkong hears reliable reports from visitors and refugees, but it is reasonable to suppose that the uprooting process is not restricted to those two urban centres. There are consistent reports of homeless people on the move, tramping in the old traditional Chinese fashion, away from areas where rice is in short supply and may get shorter, to areas where rice may be in better supply. Because this restless fear coincides with the thinning-out policy, the authorities appear to be permitting this sort of aimless wandering to take place alongside their own planned dispersal. The Hongkong breakthrough was reminiscent of the massed descents on the foreign concessions in Tientsin, Shanghai and Hankow in the old hard days.

The evidence suggests that the authorities have done the best they could to spread rationing fairly among their hungry and growing millions. Whether or not policy blunders and party maladministration have been more to blame than natural disasters for agricultural failures, the regime must be given credit, on the evidence available, for handling food stocks adroitly enough to avoid the mass famine of pre-revolutionary days. If tens of thousands, by first-hand observation, are semi-fed and suffering from serious vitamin deficiency, millions are not dying from starvation as in China's former years of sorrow, and thousands are no longer dying in the streets every winter in Shanghai as they did only twenty years ago.

As socialised and productive units, the communes have shrivelled —if perhaps temporarily—to bureaucratic husks. Whereas formerly, a full-blown commune averaged 4,750 households and incorporated a number of villages, and whereas approximately 550 million of China's rural population were divided into 26,500 communes, today the "production brigade" of a single village carries out the shrunken routine of a commune. There are fewer "self-criticism" meetings. The cadres are a hapless and furtive lot, improvising, exhorting and scraping around, under official fire from Peking for shortcomings that were not always their fault, and under the scornful derision of the old men of the villages, whose sterling worth and example has now been reprovingly, if belatedly, upheld by the party.

But, politically the framework of the commune enables the party to sustain close and unremitting supervision over the commune captives, whose discipline in labour may have been relaxed but whose liberty is still harshly confined. The villages, singly, still own all the land as they did, formerly, as a group. It is nonsense to talk of a crisis for the Peking regime because of the revelations that came from the fleetingly raised frontier controls. Army loyalty and discipline remained firm and constant, and the party restored its controls as effortlessly and effectively as it had relaxed them.

The pattern of China's winds of retreat, evident in the shifting industrial policy and the population dispersal, cannot yet be charted. Cause and effect alike can be traced in the hardship, discontent, human misery and fear of uprooted, transient and hungry millions. City workers who have not yet been removed to communes fear that they will be deported tomorrow. Commune peasants who are hungry but not yet starving fear that they will be starving tomorrow. Peking is now hastening to proclaim the gravity of the continuing weather difficulties, both drought and flood. It has been admitted that traffic on the main railway line from Canton to Peking was suspended for several days because of sudden disastrous floods, following the prolonged drought in Kwangtung. The grim conclusion to the storming of the Hongkong frontier by refugees from drought-ridden areas was the mass drowning of scores of despairing latecomers in the flooded Shumchun river along the border.

Other harbingers of retreat and change are the party's revived overtures to intellectuals and educated survivors of the old system, and the sudden party-blessed denunciation of early marriages. The three banners—The General Line, the Great Leap Forward and the People's Communes—are drooping in the winds of doubt. The general line is in expedient retreat and the greap leap pants in exhaustion flat on its face. But the banner of the communes still waves, if not as bravely as before.

Belgrade's Moment of Disillusion

FROM OUR SPECIAL CORRESPONDENT

FEDERAL dovecotes have been fluttered in Belgrade. The occasion was a characteristically long and involved speech by Mr Kardelj, Marshal Tito's senior deputy. On May 28th, he presented the federal Assembly with a comprehensive reorganisation of the central administration designed to overcome the "negative manifestations" which Marshal Tito had described, explosively and vividly, in a speech at Split three weeks earlier. Some bodies in the administration have been merged, and new ones created; some old ones have been given different responsibilities; others have been abolished and then re-established under a new name. New men are being brought into the federal administration; and among those already there, although heads have not rolled, many have been given new caps to wear (sometimes more than one) and new briefs to master.

In short, the kaleidoscope of the federal administration has been given a vigorous shake, and the particles are now in the rather painful process of settling into their new pattern. How exactly the pattern will look is not at all clear. The senior men are too fussed to explain the new set-up to visiting journalists ; they may well be hard put to it to explain it to themselves.

This upheaval is certainly a response to Marshal Tito's plea, in his speech at Split on May 6th, for an all-out campaign against the country's economic failures and failings. He inveighed against "extravagant" increases in wages and salaries ; against unjustified price increases ; against factory managers who square their local officials and then do what they like ; against business men who not only make unnecessary trips abroad, but also make shady motor car deals with foreigners. He complained that too often the workers were not getting a square deal and therefore worked badly ; that investments were often extravagant and misplaced ; and that the foreign trade enterprises were bungling their job.

Marshal Tito's hard-hitting speech, much of it extempore and all of it clearly from the heart, was received with wild enthusiasm by his largely working-class audience. It is still reverberating in the offices of factory managers and local officials around the country. Many of them have been hauled over the coals already ; others fear what may be coming. Marshal Tito and his colleagues have however, evidently realised that this attack on the men who are the essential props of the regime can be carried too far. At the opening of the Belgrade Fair on May 23rd, Marshal Tito condemned the "witch-hunting" that some workers' councils have apparently felt free to indulge in ; he went out of his way to speak sympathetically about the difficulties of factory managers. Mr Kardelj, too, put in a good word for them in his speech to the federal Assembly.


Tito: Exploding at Split

It is not, of course, anything new for the Jugoslav leaders to complain openly about what is going wrong ; they have been doing so for years. But today the government's strictures have an added urgency because of serious worry about the country's economic situation. It is one thing not to take too seriously the human failings of factory managers and business men—and, after all, the Jugoslavs had a very thin time for years—when the economy is booming ; it is quite another thing to turn a blind eye when production begins to drop and the trade deficit soars. The situation does not worry the better-off man in the street, especially in the big cities, who, by his standards, has never had it so good ; the shops of Belgrade are stuffed with goods, many of the main streets are lined with parked cars, and the roofs of apartment blocks are quite thickly sprinkled with television aerials. But that is a large part of the trouble ; consumption has been going up faster than production.

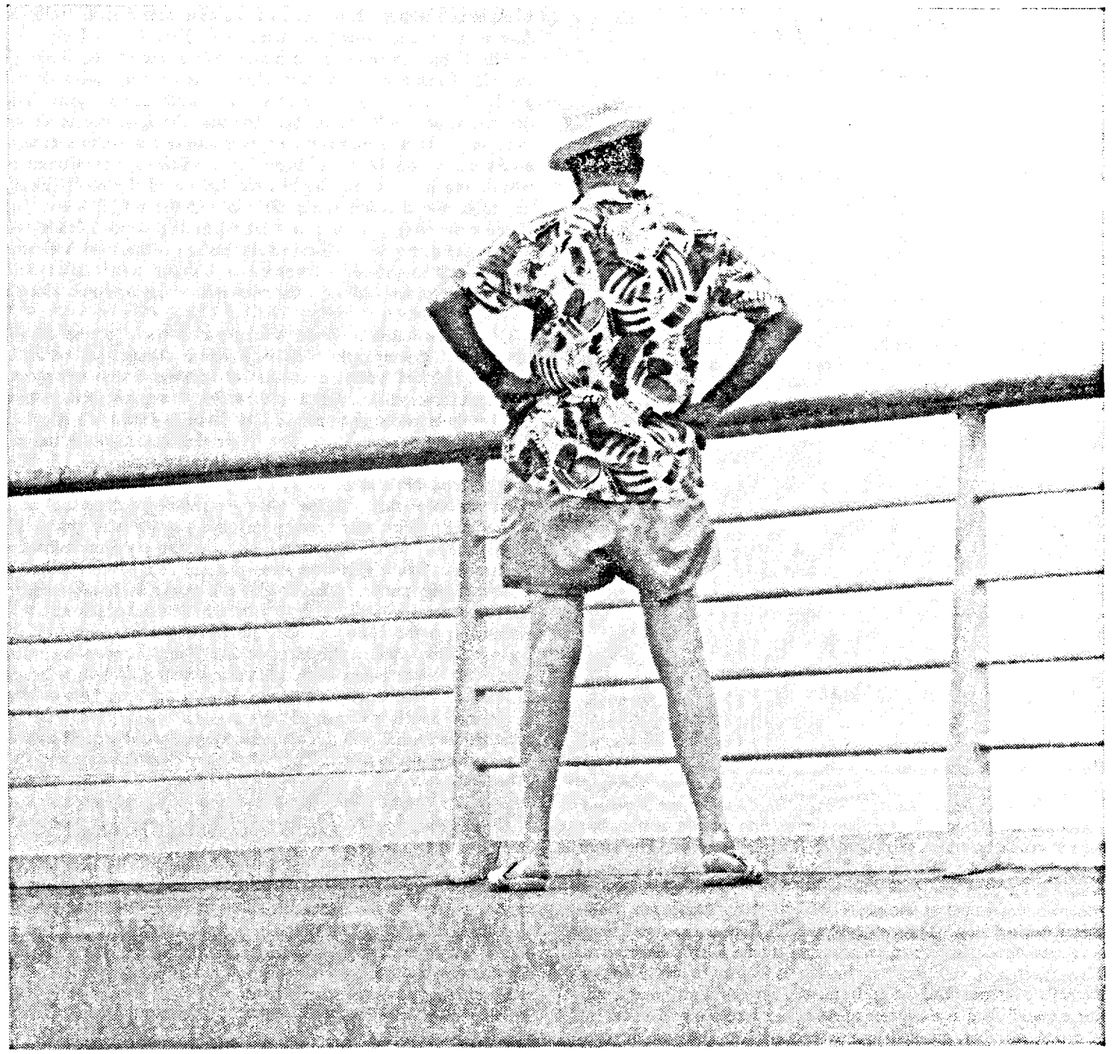
The Jugoslavs could not expect, or want, to maintain the extremely high rate of economic growth that was achieved between 1954 and 1960, when it averaged more than 12 per cent, and was believed in some years to be the highest in the world. But when the rate of growth drops to less than half of the 1954-60 average, as it did during the first quarter of this year, then it is time to worry. Moreover, the currency reform and the measures to liberalise foreign trade that were taken early last year have not had the hoped-for effect on the trade deficit, now more than $800 million. Imports—and often inessential ones at that—have increased more than they should. Exports have not expanded as much as was planned. This is partly because of the poor harvests of the past two years, but also because of the failings of the foreign trade enterprises ; their selling techniques are often inefficient and off-putting to potential foreign buyers, and they have tended too often to take the easy way out of selling their goods on the home market.

For the Jugoslav leaders their present difficulties are a disappointing sequel to their attempt at further decentralisation early last year. The control that the communal authorities had been able to exercise over the way in which the workers' councils divided their net income between investment and wages was then removed. But as Mr Kardelj admitted on May 28th, they had taken this step without adequate preparations and "with a fairly big dose of illusions." In fact, not surprisingly, ordinary human failings predominated over far-sighted idealism ; too much was allotted to wages, too little to ensuring that production steadily went up. Moreover, too often the top people in each enterprise have been able to manipulate the complicated and imprecise wage regulations very much to their own advantage. The government is seriously concerned about the widening of the wage differentials.

THE intention now seems to be to try and put things right by giving the federal authorities—at any rate for the time being—a more efficient control over the activities of the republics, communes and individual enterprises. In April the government began to set up a chain of supervisory commissions which will, in effect, be able to control the way in which the workers' councils distribute their net income. And the general object of the reorganisation announced last week is clearly to strengthen the federal administration and give it greater powers of supervision over the way in which the economy is developing. Mr Todorovic, the vice-president in charge of economic affairs, now finds himself wielding—on paper at least—a far more comprehensive authority over the economy than is enjoyed by any one man in Britain ; and it is significant that the prime ministers of the three most advanced and independent-minded republics—Serbia, Croatia and Slovenia—have been brought in to strengthen the federal administration.

One of the puzzling things about the Jugoslav situation is the difficulty of deciding how much theory really coincides with practice. What is obvious is that enough decentralisation and self-management have been introduced to allow an uncomfortably large number of people to misbehave themselves or make a mess of things. But if the workers' councils were really functioning as they should be, they would surely be better able to keep their erring managers in check. And it can be argued that in many important respects decentralisation has in practice hardly got off the ground ; for instance, the federal authorities can still wield important financial controls. If this is true, it is hardly surprising. The system the Jugoslavs are trying to introduce cannot possibly be established quickly, smoothly and tidily, but only gradually, slowly and with periodic setbacks.

What the government appears to be trying to do now is to put right its own mistakes, which it freely admits, and overcome the human failings of those upon whom the success of the system must largely depend. From an economic point of view this is not really of major importance ; the elimination of corruption and skulduggery will not by itself solve Jugoslavia's basic problem of seeking a way to increase production and cut down its trade deficit. But from a political point of view it is of great importance. The Jugoslav leaders are clearly deeply disappointed that so many factory managers and local officials, most of them party members, have failed to live up to the high-minded role expected of them. The hope that they would act as a unifying and co-ordinating force throughout the country has been disappointed. For the Jugoslav communist leaders this must be by no means the least serious aspect of their present difficulties.

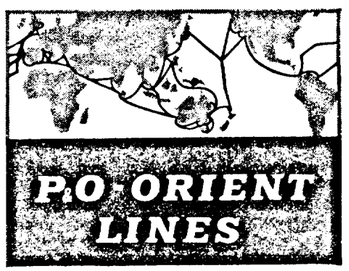


THE BEST-DRESSED MAN IN THREADNEEDLE STREET

You'd know him anywhere by the cut of his pinstripe. There isn't a better dressed man in Threadneedle Street. But for four weeks his sartorial standards have been enough to make Savile Row swoon and his boardroom blench.

And the odd thing is he's not losing any sleep over it. When in Rome has always been his motto. And just at present Rome is a sunny, happy-go-lucky ship packed with good living and some of the nicest people he's ever met. Formality went overboard the day the ship left San Francisco for Sydney, Colombo, Bombay and Home.

He was pretty tired after the long American Tour. He knew he needed time to relax and refresh himself before he met his directors again in Threadneedle Street. His report could wait—but his health couldn't. So he's sailing home, the roundabout way . . . pottering round the ports of call if the fancy takes him, clinking the ice in a tall glass on deck if it doesn't. And when he gets back into that knife-edge pinstripe he'll be a different man from the worn, grey person who went away. Can *you* think of a nicer way to rest on your laurels ?



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Channel Fog

FROM OUR PARIS CORRESPONDENT

Most of General de Gaulle's visitors come away pleased. But as nobody is told what actually happened, it usually takes some time to find out whether they had solid grounds for their satisfaction, or whether a misunderstanding was lurking somewhere. Mr Macmillan's meeting at the Chateau de Champs last weekend was no exception. Because it ended with a joint statement, when none had been expected; because this statement referred to the "community of interests" between the two countries; because French officials reported that the prime minister's declaration of European faith had been "a revelation" to General de Gaulle, hopes have been raised here of miraculously easy progress in the common market negotiations at Brussels. At the risk of appearing the odd sceptic out, it seems necessary to peer through the fog of mystery and platitudes at the basic objectives and assumptions of the two partners.



General and prime minister: private visions

Gaullist misgivings about Britain's entry into the common market are not really based on suspicions of British sincerity. The truth is that Britain does not easily fit into General de Gaulle's grand design for a new, composite European power, outlined long ago, and merely restated at his press conference on May 15th which caused such a fuss. The two governments do, for the time being, have one idea in common, an aversion to the idea of federation. They diverge on the part that Europe is to play in world affairs. Britain's presence will make it increasingly difficult to use the European alliance as a counter to American leadership. The advent of a new member, entitled to a seat in nuclear and summit conferences, would decrease the chances—whatever they are—of a French bid for European leadership. No "revelation" can change these hard facts.

The two statesmen may have made progress, all the same, if they came down from their favourite visions to discuss the limitations of their respective bargaining positions. The weakness in the British position is familiar and is summed up bluntly in Paris as follows: "France is not trying to join the Commonwealth, it is Britain that is trying to join the common market. The British cannot, therefore, expect to get the best of both worlds." Equally, however, it is beyond France's power to dictate its terms at will, except to the extent that it can get the backing of its continental partners. Dutch and Belgian opposition has, so far, blocked the French plans for a political organisation of western Europe that might have preceded Britain's entry into the common market. The general's May 15th press conference, with its anti-American undertones, not only led a group of his own ministers to resign. From Dortmund, where Dr Adenauer's Christian Democratic Union sat this week in conference, there has come an echo stressing the value of American presence and leadership.

The French government behaves as if aware of the limits of its field of manœuvre. At Brussels the French negotiators do not go it alone; they act as the defenders, if decidedly resolute defenders, of the Rome treaty. In Paris the reticence is shown indirectly. Thus there has been apparent in recent weeks a remarkable solicitude on the part of high French officials for the Commonwealth and its survival. They have discovered the revolutionary nature of the decision facing Britain and the magnitude of the sacrifice involved. It is true that when the same officials talk to Americans they are inclined to emphasise the threat to American trade which might be contained in a big common market with Britain a member and the Commonwealth enjoying some kind of special position.

One really wants to know whether, as a result of the cordial weekend at Champs, this line is going to change. General de Gaulle's political behaviour in the last four years shows two contrasting characteristics. He has shown his European partners how stubbornly he can stick to his plan. He has also shown (his Algerian policy is the example) that he can change course if he has to. Just at the moment the general's international position looks favourable to him. Britain needs French good will if it is to get into the common market. Dr Adenauer, suspicious of American talks with the Russians, sets great store on a partner who shares his distrust of east-west negotiation. The Algerian cease-fire enhances General de Gaulle's international prestige and hence, probably, his bargaining power. This might well be a propitious moment for the general to strike a deal with his allies, in which Britain's admission to the European Community might be a part of the package. But, equally, President de Gaulle might choose the other path. He might spurn compromise and stick to his old design. He might even overplay his hand. The British may have to discover in Brussels whether the progress at Champs was real, or whether the cordiality of this weekend was one of those insubstantial moods that confuse matters more than they clear them up.

Looking Beyond Adenauer

FROM OUR BONN CORRESPONDENT

It was game of Dr Adenauer, at 86, after 14 exacting years in office, to deny at Dortmund this week that the Adenauer era was about to end. The annual party conference, 525 delegates representing 256,800 members of the Christian Democratic Union, received the news as amiably as it was imparted. Up in front, roseate under the camera lights, the cluster of leaders whose ambitions would be most affected by Dr Adenauer's going — among them Herr Erhard—contrived to smile indulgently.



Until some three months ago it had been assumed that Dr Adenauer would retire in the autumn of 1963. But his long, semi-convalescent absences from the capital since he was re-elected chancellor in November, aggravated by some fumbling this spring in Bonn and Berlin, has inspired much talk of the prudence of an earlier withdrawal. At Dortmund the chancellor denied that he had ever committed himself to be gone by a given date. He recalled that during the cabinet-making last autumn he had written to Herr Krone, then leader of the Christian Democrats in the Bundestag, promising to resign the chancellorship soon enough for a successor to establish himself before the 1965 election:

> I gave no date. And I think I was right. The date will depend on a number of domestic and foreign political circumstances, and on personal considerations. So, ladies and gentlemen, you will have to put up with me until further notice.

In their different ways, the three political parties are all getting ready to adapt themselves to the exigencies of the post-Adenauer period. All three set about it quite frankly at the party conferences they held during the past fortnight—the Christian Democrats at Dortmund, the Social Democrats at Cologne and the Free Democrats at Düsseldorf. The synchronisation and the common North Rhine-Westphalia setting were not fortuitous. On July 8th the voters of North Rhine-Westphalia—the most populous and prosperous of the west German states—are to go to the polls to elect a Diet for the next four years. This is the first of a series of *Land* elections due this year: Schleswig-Holstein votes on September 23rd, Hesse on November 2nd and Bavaria on November 25th. Next February or March the west Berliners are due once again to elect their city parliament. The men who emerge from these elections will have an influential say in federal affairs during the first post-Adenauer years.

Herr Gerstenmaier, the forthright president of the Bundestag, who last autumn aired misgivings about Dr Adenauer's fitness to hold office for a further term, said in the chancellor's presence at Dortmund on Tuesday that it was the Christian Democrats' business to see that the "approaching change at the top" was effected so smoothly that the party's unity, and its prestige at home and abroad, should not be impaired. Next day, shortly before the conference broke up, Dr Adenauer's followers made a beginning of taking leave. Immediately after they had re-elected him chairman of the party they appointed a "managing chairman" to relieve him of the bulk of his work. Their choice was a Ruhr-born Catholic lawyer of 53, Herr Josef Dufhues, minister of the interior for North Rhine Westphalia. The managing chairman's special task for the time being will be to refit the party machine in the light of the lessons learned from last year's general election, at which the party lost its absolute majority in the Bundestag. The appointment, which is for two years, has been devised to separate the offices of chancellor and party chairman—in other words, to prevent the next Christian Democratic chancellor, whoever he may be, from becoming as suffocatingly powerful as Dr Adenauer.

A man of many talents, including energy, style and an untarnished political past, Herr Dufhues may himself graduate to the chancellorship in due course. In the meantime there are candidates of longer and senior standing to be considered. Although Dr Adenauer steadfastly withholds his patriarchal blessing, Herr Erhard must still be held the most likely successor were the Bundestag to have to elect one this summer. Herr Erhard's reception at Dortmund (he was elected by 424 votes to the presidium) was markedly warmer than that given to Herr Schröder, whose seven months' performance as foreign minister has put him unquestionably in the running, now or later.

Dr Adenauer told the conference he was convinced that even after he had gone the Adenauer era would continue—in spirit. He meant, it seemed, that his successors would faithfully follow the broad lines of policy that he has laid down for the Federal Republic, notably the western alliance and the ties with France and the European Economic Community. This is very probably true. Yet, at Dortmund, both Herr Erhard and Herr Schröder rather more than hinted that they believed it might be necessary for west Germany to revise some cherished tenets concerning the defence of Berlin and the political and economic organisation of western Europe. It was Herr von Brentano, the former foreign minister and the present leader of the Christian Democrats in the Bundestag, who most faithfully toed the rigid Adenauer line. Opposed to any concessions to the communist countries, Herr von Brentano counselled unequivocal refusal of the east German government's request for trade credits worth some DM 2,000 million. Dr Adenauer's present view on this subject—tentatively disclosed at a press conference—is that Bonn should make terms, which would include the dismantling of the Berlin wall.

It was only natural that the Free Democrats (at present uneasy junior partners in Bonn's coalition government) and the Social Democrats (in opposition) found it easier to take Dr Adenauer's forthcoming retirement for granted. Both conferences also took it as read that the immediate post-Adenauer period would present succulent opportunities for party advancement. The Free Democrats showed themselves disturbed by their reputation for representing the interests of the employers more zealously than those of the workers. There was much talk of the need for appearing to be a "people's party." They decided to spend the DM 3 million coming in from state funds on a planning staff composed of the mixture of technical pundits and crystal-ball gazers that the White House has brought into fashion. Herr Wolfgang Döring, the party's one-time "Young Turk" who overplayed his nonconformity, was conspicuously restored to favour by being elected one of Herr Mende's three deputy chairmen. The single recommendation from the floor to the platform was that the party should give priority to legislation designed to help war victims and refugees from east Germany. Warm approval was expressed for the government's foreign policy as now being conducted by Herr Schröder.

That Herr Ollenhauer, the Social Democratic chairman, should castigate Dr Adenauer for his failings and demand his instant resignation was to have been expected. Nor was it surprising that he would have none of a formal proposal that "party friend" should supersede the socialists' traditional "comrade" as a form of address. The most interesting feature of this Cologne conference was the readiness expressed by the party leadership to enter into coalition with the Christian Democrats after Dr Adenauer's departure. As Herr Brandt put it, the Social Democrats in the Bundestag, with the support of only 60 or 65 other deputies, "could elect a chancellor who need not be a Social Democrat." Herr Brandt, the party's man of moderation, was elected a deputy chairman in place of Herr von Knoeringen. In the course of the conference he slipped away to Bonn, where he had been invited by President Lübke, who, it seems, would be happier were a grand coalition to assume responsibility when Adenauer's Germany has to sort itself out without Adenauer.

Home Truths and Heimatsrecht

FROM OUR SPECIAL CORRESPONDENT

When something unpleasant has to be said in west Germany, it has become common to get a foreigner to say it. Partly this is a symptom of Germany's postwar interest in and respect for all things foreign and European; partly it reflects the Germans' characteristic shyness of voicing heretical thoughts amongst themselves. Whatever the reason, at weekend discussion groups there is a demand for foreign lecturers to speak unpalatable home truths. And just now—especially since the Berlin wall upset familiar attitudes—Germans are going through a period when they are anxious to reassess their attitudes to central Europe.

Some audiences need no foreign prophet to precipitate bold thoughts. Your correspondent, speaking in May to the Tönissteiner Kreis, a group of bright young men got together by the Federation of German Industries, found that all his audience without

exception accepted the permanence of the Oder Neisse line. But before other audiences such heresies may be very much out of place. One of these is the Steinbacher Kreis, a group where prominent refugees, mainly from the lost territories, meet to discuss their problems and those of central Europe. Here your correspondent, lecturing last week on British views of Europe and, particularly, central Europe and the Oder-Neisse line, got plenty of sour looks and sharp retorts. "If you had been a German and had said what you said, you would have been thrown out as a traitor," was one, admittedly half-humorous, reaction.

The men at this gathering, many of them prominent figures in Landesmannschaften or refugee corporations, have no sinister intentions; they had merely failed to take in the changes in central Europe over the past fifteen years. They are either convinced that one day some of the lost territories will come back or, when they see this will not happen, unable to concede the legality of the loss. When told by the visiting Briton or Frenchman that the west German claim to the lost territories weakens the position of the west and hamstrings west Germany's own eastern policy they are amazed. "The Bonn government," they protest, "always tells us that staunch German support for the western allies has earned us indefatigable western support for our claims. Now you tell us this is not true." They are distressed (one elderly figure to the point of tears) to hear that the British Government's acquiesence in Bonn's territorial claims does not represent British opinion; they are shocked and hurt to hear that it is not merely communists who urge giving up the claims on Poland.

Others see some force in the pragmatic arguments for giving up the claim, but stick, with characteristic legalism, to their rights. "This land belonged to us by right," they say, "however impractical the claim we cannot give it up." The argument that Germany's past behaviour has imposed special obligations on Germans takes time to register against this rigid view. Amongst the older generation distance also lends enchantment to eastern nostalgia. Youngsters who left Silesia in 1945 have long since settled down in the federal republic. But many of their elders still combine a burning sense that their home is in the east with bitter memories of Russian looting in the last months of war. Their image of the east is unrelated to the Poland of today. It is a near mythical picture of the happiness and horrors of the past. And some of the spurious academic studies in Germany on eastern Europe continue to provide material for this unreal picture.

The Case of Comrade Pokrovsky



POSTHUMOUS rehabilitation is one of the most awkward tasks facing Stalin's successors. It is one thing to admit that innocent men fell victims to a bloodthirsty tyrant, but quite another to explain why the crimes were committed and what were the ideas for which the victims paid with their life. One rehabilitation leads to another, and the accusing finger may point in the direction of the Kremlin, where most of Stalin's accomplices are still entrenched. Besides, the revival of some of the old "heresies" might prove a strain for the orthodoxy of today. The case of M. N. Pokrovsky, the most famous of the bolshevik historians, provides a good illustration of the difficulties involved. Pokrovsky was first rehabilitated as far back as 1955. Last month *Kommunist* published an appreciation of his life and work, in which is recalled Lenin's tribute to him. But in the seven intervening years the author's historical works, banned under Stalin, have not been republished nor are they certain to be reprinted in the near future.

Mikhail Nikolaievich Pokrovsky, born in 1868, was at first a brilliant pupil of such liberal historians as Kluchevsky and Vinogradov. But he rapidly abandoned a promising academic career for the life of a Marxist historian and revolutionary fighter. He combined his historical research with active work in the revolutionary movement and soon became a leading figure in the bolshevik group (though he did not always side with Lenin's faction). When the bolsheviks came to power Pokrovsky was appointed deputy commissar of education. His task was to lay foundations for a new culture for the masses that would break completely with the tsarist past. Pokrovsky's own contribution, in addition to administrative and collective work, was a "History of Russia" in two volumes. This popular indictment of the tsarist past, published in 1920, was translated into many languages —including English—and became a classic textbook for communists.

Pokrovsky died in 1932 and thus escaped the Moscow trials, although towards the end of his life he was being bullied into line by Stalin. The real disgrace, however, was posthumous. Pokrovsky's books were banned, his pupils and followers deported. The contents of his "History of Russia" explain Stalin's wrath. The book, written in a period of revolutionary fervour, was a work of demolition and debunking. The portraits of the tsars read like extracts from an abominable rogues' gallery. Peter I had murdered his son, Catherine had killed her husband, while Alexander I had assassinated his father. Neither Ivan the Terrible nor Peter the Great is spared in this indictment of tsarist oppression and exploitation. Stalin, gradually emerging as the successful heir of Ivan and Peter, could not tolerate such a debunking of his predecessors. When in 1945 he declared that victory over Japan was a revenge for the Russian defeat of 1904, he could not allow Russian students to read in their textbook that tsarist intervention in Asia was a long story of imperialist plunder.

But can Russia's present rulers reprint such an "unpatriotic" work? The fact that the author explains in the preface that his book is destined for the same public as the "ABC of Communism" of Bukharin, who has not yet been rehabilitated, is only a minor obstacle; the book could be republished without the preface and with an introduction correcting some of its historical interpretations. It is the anti-nationalist spirit of the book that might come as a shock after a quarter of a century of patriotic exhortation.

Mr O. Sokolov, the author of the article on Pokrovsky in *Kommunist*, points out that the historian received Lenin's blessing —which would seem to be the best possible recommendation. Lenin had highly praised Pokrovsky's short history, and had simply asked that it should be furnished with a chronology to make it more useful to a popular public. It should not be forgotten, however, that when the book was published, and Lenin made his comments, the international nature of communism as well as the condemnation of the tsarist past were taken for granted. Soviet leaders are now fond of talking of a return to "Leninist norms." But, in the meantime, entire generations have been brought up in the spirit of Russian nationalism and are hardly prepared for the iconoclasm of the old bolshevik historian. The rehabilitation of Mikhail Pokrovsky was relatively easy. The long-delayed republication of his works—and particularly of his popular short history—has proved more difficult and would be more significant.

Refugees who have come west more recently, perhaps for family reasons, often hold more moderate views. They have learnt to live with the Poles who have settled, say in Silesia, and recognise the possibilities of working with them. Such realism provides a starting point from which a few of the more moderate refugee leaders, particularly those who have been outside their country since the war, hope to build afresh.

> Tell our people that they must give up their claim because of the facts of power, and they will never be reconciled. But tell them they have a duty in central Europe, to bury the past and work with the Poles for the good of Europe and we may make some progress.

But on one point the visiting foreigner often finds himself at odds with even the most moderate of the older refugees. To the foreigner the time seems to have come when a clear lead from Bonn could now persuade the bulk of German opinion that the Oder-Neisse frontier must be accepted as permanent. Those involved in the refugee organisations still feel that more time is needed if a new nationalism is not to rear its head.

Spanish Workers Discover Europe

FROM A CORRESPONDENT IN SPAIN

SPAIN'S acute shortage of skilled labour has undoubtedly strengthened the workers' hands during the recent labour troubles in Asturias and elsewhere. The shortage has been caused mainly by the emigration of skilled workers to Germany, France and other common market countries in search of higher wages and better conditions. The exodus has gathered momentum over the past three years or so until it is now a major factor in the economic situation. Unskilled emigrants are more numerous than skilled: but this has not created a problem, although some employers are advertising for *peones* for training, and in certain areas, particularly on the Costa Brava, these command relatively high wages as builders' labourers. There is always a large reserve of unemployed or underpaid labourers in the poorer agricultural areas of Spain. The skilled workers are, however, a serious loss. Their exodus has led, particularly in Catalonia, where there is a tradition of small firms, to intense and often unscrupulous competition among employers.

Spain has, of course, always been short of skilled workers because of the general poverty and backwardness of the country. General education is still deficient, and the better educated go into non-manual employment, so that there is a surplus of poorly paid white-collar workers. The government has been making efforts to expand technical training in the rural areas of the south and west in the hope of developing industry there; but many, or most, of those trained are likely to migrate to the industrial areas of the north and east, or to emigrate. Now that the Spanish worker has overcome his distrust of foreign-speaking countries and emigration is a familiar thing, the pull of the much higher European wage-rates is being fully felt. Throughout last year, particularly during the second half of the year, the government raised Spanish wage rates, cautiously and industry by industry, through new collective agreements between the official syndicates and the employers. These have, however, created problems of their own—apart from the main problem—of the danger of renewed inflation; smaller firms find themselves in difficulties (the larger ones had often granted most of the rise already); firms in areas where labour is cheap and plant antiquated (for example, the Valencian textile factories) are reluctant to conform; and the workers are discontented at losing the production bonuses and other extras with which employers used to make up their earnings. Moreover, even after the agreements a skilled worker can probably earn two-and-a-half to three times as much in Germany as he can in Spain. Further rises will be needed if workers' readiness, and freedom, to emigrate continue.

Officially the authorities do nothing to hinder emigration, but they make some attempt to canalise it. A government order of January, 1960, put the Spanish Institute of Emigration in charge of recruitment for work abroad, giving priority to those registered as unemployed; but it is stated that any worker intending to emigrate has only to show that he has a firm contract. In any case the majority do not declare their intention, but go abroad on the pretext of personal visits or holidays and then stay on (clandestine frontier crossings are less common than they used to be, partly because it is easier to leave legally and partly because of the complications which workers may get involved in abroad if their papers are not in order). Lately there have been reports that the police are obstructing skilled workers who apply for exit permits by insisting on formalities, papers, sponsors, guarantors and so on. This may, however, be due to the influence of local employers. The declared government view is that emigration must be free because Spain has always been, and will continue to be, an exporter of labour. This is quite true, but the character and trend of emigration have changed.

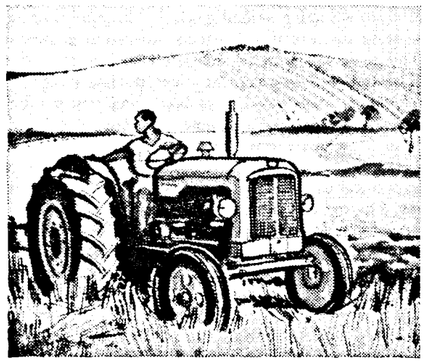
In the past emigration was almost entirely to Latin America. Apart from the political exiles of the Civil War and a natural traffic to neighbouring France, very few left to work in Europe. The emigrants were mainly from the large estates of the south and from Galicia, where holdings were too small to support growing families. Its volume varied according to economic conditions in Spain. In the late 1950s, however, this began to change. In 1959 emigrants to Latin America, who had numbered some 50,000 a year in the early 1950s, had sunk to some 35,000, and emigrants to Europe had risen to 24,000. Emigration to Latin America has remained stationary since that date, while last year there were 27,000 emigrants to western Germany alone, and at the end of March, 1962, there were more than 74,000 Spaniards working there. Large numbers have also gone to Switzerland and Belgium, and some hundred thousand go every year on temporary contracts to France, apart from the 600,000 Spaniards permanently established there. Since 1959 an increasing proportion of the emigrants have been skilled workers, many from relatively prosperous regions.

Emigration is no longer the last resort of the impoverished. Many of those who go could find employment at relatively high wages in Spain, but they are drawn by the offer of better terms. It is true that in 1959 there was the beginning of the trade depression caused by the stabilisation of the peseta; but at the same time the demand for labour in other countries was growing with their industrial expansion and, in the case of west Germany, because of a diminishing flow of manpower from east Germany. This demand is greater than ever today, while the Italians, the main emigrants, are finding more employment in Italy. If Spain enters the common market this will increase mobility.

There are, however, signs that the movement may be slackening. A substantial number of workers are reported to have returned to Spain in recent months, though figures are hard to obtain because many of those who left prefer not to register their return. They include many who took their wives with them. Some have found that the higher wages did not go as far as they expected; others that they had to live in a single room when in Spain they shared a rent-controlled flat with the family; many objected to intensive work—they would rather live and work in the Spanish way. Not all, in fact, are prepared to endure foreign surroundings for the sake of an extra margin of pay.

Correction.—Mr George Khouri, the Syrian minister of finance, was wrongly stated in *The Economist* last week, page 903, to have resigned from the government. The minister who had resigned was Mr Nuhad es-Sibaa, the minister of economics; Mr Khouri now holds both portfolios.

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Some of them are farmers; they may farm half an acre; they may farm half a million acres. Large or small, they need seasonal credit

and we provide it



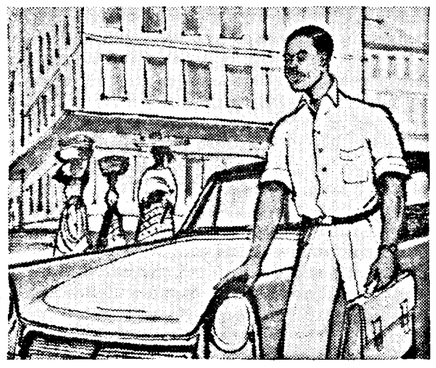
Some are merchants; they may count their staff by thousands and their factories, or mines by hundreds; or they may carry their complete stock-in-trade upon their heads. They all need working capital

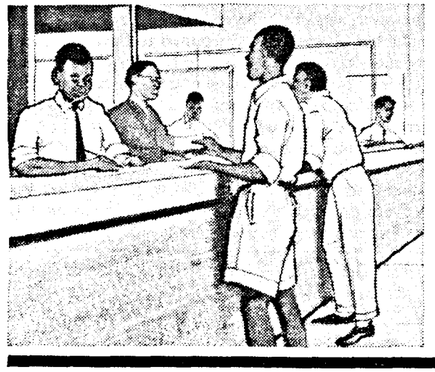
and we provide it



Some are just ordinary people; they want a safe place to keep their savings, they want current accounts and overdrafts: above all, they want advice and understanding

and we provide it





IN 41 TERRITORIES, OVER HALF THE WIDTH OF THE WORLD, PEOPLE NEED MONEY—*AND WE PROVIDE IT*

BARCLAYS BANK D.C.O.

54 Lombard Street, London, EC2

Britain's Largest Overseas Bank

THE BUSINESS WORLD

Wall Street and the Dollar

It is to the world's currency managers, above all, that Wall Street has unwittingly thrown down the gauntlet. After a short period of calm in the early months of this year the gold and exchange markets have immediately reflected the upheavals in the stock markets—and not surprisingly. This is not just a matter of European investors in American securities selling out and bringing their money back home. The setback on Wall Street can itself be directly related to the strain on the United States balance of payments. This is what cautioned the American Administration into a decidedly conservative budgetary policy; it also lies behind the Administration's strong determination to check increases in prices, intensifying businessmen's complaints of "profitless prosperity." Still more clearly, the payments difficulties threaten to set limits on the natural Keynesian way that may need to be taken by the United States to pull itself—and the rest of the world—out of the rut.

Many bankers turn this conflict round the other way, fearing that the United States may now be tempted to cure its domestic troubles by "unsound" measures and thus bring the strains on its external finances to breaking point. While Mr. Douglas Dillon, Secretary of the US Treasury, was whistling up his courage in New York this week and citing improved payments figures for May as "a clear indication of growing confidence in the dollar," the markets have told a rather different story. Only a few weeks ago the Swiss franc was still being supported against the dollar. Now the dollar is again in need of support in most Continental centres; buying of gold has increased; and the uncertainty has extended to sterling.

Nor can these currency movements this time be dismissed as wholly irrational and transitory. The annual report of the Bank for International Settlements, issued this week, is far from reassuring in many ways. It concedes that the basic maladjustments in payments balances are being corrected, "probably more so than is suggested by statistics as yet available"; but "these statistics give emphasis more to what remains to be done than to what has already been accomplished." And the BIS report states bluntly that the "decisive contribution can now come only from the deficit countries."

For Britain it insists that domestic expansion can only follow in the wake of expansion in exports, and places high importance on wages policy, regretting that there has been no permanent reform of arbitration procedures. It is still more critical of the United States. Progress in eliminating the payments deficit has been "slower than desirable"; losses of gold and accumulations of dollars by other countries "cannot continue indefinitely." Here too, the report puts strong emphasis on wage policy and is unsatisfied with the target of keeping wage increases to the average rate of productivity growth. It notes that "for certain products important in international trade, US prices remain significantly higher than European prices." Wages in America, it recognises, have in recent years been rising more slowly than in Europe. But it thinks this may be offset by the scope that exists in Europe for raising productivity towards American standards, as the common market increases the opportunity for large-scale production. The report therefore puts little hope in an improvement in the United States trade balance; so it suggests that more positive efforts should be made to check the anomalous outflow of private capital, which the American authorities themselves lament. "The United States is the only country that has not put the major emphasis in monetary measures on external requirements. . . ."

Thus the BIS supports those who advocate more positive use of interest rates to adjust the balance of payments; and also agrees that there is "ample European experience to show that the possible internal restraint of a tighter monetary policy can be alleviated by fiscal and other policy means." Unfortunately, however, this reference to a new stimulus from Keynesian budgeting, as a concomitant of the use of interest rates according to international rather than domestic dictates, is not spelled out by the BIS. Indeed, at a number of points, the central bankers' bank suggests that so long as the needed improvement in external finances does not materialise the United States, too, is bound to go slow on domestic expansion —even though its economy is manifestly under-employed.

It is a pity that the BIS did not rather support the educative efforts of those (now belatedly including Mr Dillon himself) who still need to remind businessmen and bankers that budget deficits can be respectable. If a significant budget deficit is needed to restore the American economy to reasonably full employment, then nothing will be gained by shrinking from it. The bankers, to a man, may call for all the virtuous disciplines of retrenchment and restraint; but when the results of excessive retrenchment and restraint show themselves in stagnation and threatened recession, their own confidence falls

further. Thus a significant wave of feeling against the dollar developed first when business turned downward in autumn, 1960, and most recently when Wall Street embarked on its latest slide. The dollar cannot, any more than sterling, find an artificial haven in policies that demonstrably weaken the economy on which it is based.

If the central bankers and treasury officials of leading European countries find such conceptions too radical, then the outlook is pretty grim—not least for the stability of currencies. The alternatives before the financial powers-that-be have now been narrowed pretty closely. A rise in the price of gold, however desirable it may have been up to the mid-fifties, would now, after all the solemn assurances from President Kennedy downwards, be a shattering blow to monetary confidence in the true sense. So, probably, would a general move to floating exchange rates. These are "last resort" solutions to break out of a senseless deflationary spiral. The bankers should bear them in mind as a spur to developing what is almost certainly the only alternative—a strengthening of the base of international liquidity by new forms of international credit.

The grandiose Triffin scheme is in the stocks; but the American authorities in particular are trying to move in a similar direction through piecemeal acts of central banking co-operation, extending as far as mutual credits between the Federal Reserve and central banks in Europe—including, last week, the Bank of England. But a new impetus is immediately required if it is to cope with the task in hand—notably, the financing of the American deficit for at least the projected period of eighteen months before the end of 1963. The United States is anxious that as much as possible should be financed through further additions to European holdings of dollars. The European authorities have thus far done much to co-operate, but they are becoming restive—and the private holders behind them are sensitive to such indications. The bilateral facilities with the Federal Reserve are at present tolerated by the European authorities only on a very small scale as they are not really happy about the creation of credit and reserves which these facilities involve. One has the feeling, generally, that the American authorities may find the European authorities reluctant to go much further as things are.

To get results, therefore, the United States authorities may now have to give a rather bolder lead. Above all, they may need to set an impressive example in holding other people's currencies themselves. Mr Robert Roosa, the under-secretary at the US Treasury who is largely the inspirer of these innovations, last month pointed in this direction for the future but implied that a significant move must wait until the United States itself gets into surplus and earns the foreign currencies. But it need not wait. The United States could buy the European currencies for gold.

A deliberate and voluntary depletion of America's gold stock in this way, by say $2-3 billion to $13-14 billion, could have exactly the psychological results that are needed at this time—and it would leave equivalent room to finance the deficit without any continuing erosion of the gold stock. The move would demonstrate that the United States was indeed confident about the adequacy of its gold stock, and prepared to suspend the domestic gold cover requirement by decree. It would demonstrate that the United States, for its part, had full confidence in its partners' currencies. And it would make it much easier for Britain, in turn, to change its own policy on reserve backing for sterling A gesture by the United States of this kind should certainly accompany any drawing on the facilities of the Paris club in the International Monetary Fund, which should soon be ready for use. A major extension of mutual holding of currencies is the only real way to achieve the necessary broadening of the base of international liquidity. Practical bankers are fond of pointing out that private holdings of mobile funds are all too "internationally liquid" at the moment; but the difficulty in coping with them itself stems from the deficiency of the underlying liquidity base of the cash at the bottom of the pyramid.

VERY likely, an extension of the gold exchange standard in this way would require the adoption of gold value guarantees. This is a step from which both the United States and the British authorities have shrunk so far, and it involves real difficulties and even psychological dangers in knowing where to draw the line. But if the guarantees were part of a specific scheme for mutual holding of currencies between a limited group of monetary authorities, they should involve fewer complications; a parallel is to be found in the existing dollar guarantee on official balances held by members of the European Monetary Agreement.

Larger and wider facilities for international credit cannot, as has to be repeated *ad nauseam*, be a substitute for ultimate real economic adjustment. Interest rates, as has been suggested, should play a more important role here; wages policy in the deficit countries is of cardinal importance; and one need not rule out altogether, for particular cases, a limited, conditional and agreed use of export subsidies. But a large and flexible framework of international credit is growing more and more necessary to provide the leeway for smooth and rational instruments of adjustment to take effect. It could be especially necessary in the next year or so, to provide a shield against old-fashioned suspicion of legitimately reflationary American policy. On the international as well as the domestic plane bankers are apt to fear that additional credit will provide a soft option for the politicians. But they should consider what will be the likely results of failing to provide sufficient credit to prevent either the American dollar or the American economy from grounding. It is least of all in their own interests to sail too close to the wind.

INVESTMENT SERVICES ON LATER PAGES

COMPANY AFFAIRS

An article on page 1051 discusses the merits of the shares of the leading chemical producers in Europe.

Comments on pages 1050, 1051, 1052 and 1053 on:

Hawker Siddeley	Guest Keen	Associated Portland
Turner and Newall	Butlins	De La Rue
Land Securities	Watney Mann	Stoll Theatres
United Drapery	Steel Dividends	

STOCK PRICES AND YIELDS

Stock prices, yields and security indices on pages 1054 and 1055

MONEY AND EXCHANGES

Money market report, exchange rates and public finance on page 1056

Investing in Europe

IN the last few days the dominant influence that the American economy and Wall Street has upon the stock markets of the western world has been re-emphasised. It was easy to overlook this fact in the talk about the higher rate of economic growth in Europe; later it was equally easy to attribute the fall in European share prices simply to the slowing down in the rate of European expansion. Investors have had reason to note that the economic cycles in the United States and Europe are not always in phase. But now that confidence has been shaken Wall Street is once again calling the tune in the Continental bourses. It was not until American capital began to be invested in European stocks that Continental investors really lost their suspicion of industrial equities. Equally, the withdrawal of American funds after the Berlin crisis last year and more recently after the fall on Wall Street has clearly played an important role in undermining the stability of the stock exchanges in Europe.

At this stage it is impossible to say how much farther prices will have to fall before confidence is restored. But the events of the past few days, coming as they did in the wake of a decline lasting several months in the value of European equities, suggest that any climb back will be slow and faltering. Investors who have had no real experience of the sudden drop in values that can occur in industrial equities, have come into the Continental bourses either directly, or indirectly through the European mutual funds, which have more than doubled their assets in the last few years. Having been bitten once, the small investors may now fight shy. On the other hand, more sophisticated investors who are concerned with the long-term prospects rather than with the immediate ups and downs in stock market values may consider this is as good a moment as any to buy.

Only this week, for example, an issue of shares by Trans Europe, an investment trust sponsored by J. Henry Schroder Wagg and Company with the aim of channelling British funds into Continental equities, was floated on the London capital market. In all, the trust offered 30 million of 4s. ordinary shares at 4s. 1½d. each; it had already received firm applications for 18 million shares from institutional investors so that the public took up 7 million of the 12 million shares it was offered. But, promising the paltry dividend of "not less than 1½ per cent" for 1963, its sponsors are deliberately taking a long-ranging view. They say:

> The members of the Common Market and some other Western European countries have in recent years achieved remarkable, but not always uniform, rates of business growth. There is evidence that in some of the countries where expansion has been most spectacular the rate of advance is now settling down. The various national economies have still to be viewed as separate entities offering differing prospects. Nevertheless, in the opinion of the directors of Trans Europe a period of further expansion and development lies ahead for Europe as a whole.
>
> The directors feel that they should emphasise, however, that the shares of Trans Europe are not to be regarded as an investment offering large immediate dividends or capital appreciation, but as likely to have attractive growth possibilities with an increasing yield as time passes. They consider the present is a favourable time to commence selective investments in Continental Europe.

The directors also note that the expenses of managing Continental investments are higher than those incurred in managing British investments and that current dividend yields are generally lower than those obtainable on comparable British securities. American and European investment buying—and, in some instances, outright speculation—have brought the yields on many Continental equities down to very low levels. The high level of self-financing in European companies and the existence of substantial hidden reserves in many of them have been cited as a justification for the low yields. But, were it not for a number of Continental and American investors who have no interest in dividend yields at all and are entirely concerned with the possibility of an appreciation in capital values, many European securities, even at today's prices, would look overvalued in terms of the returns they offer. The reversed yield gap has existed in European countries for a good number of years, as a history of inflation has made Continental investors wary of fixed interest bonds for which, outside the ranks of the institutions, there are few buyers.

AS a whole European insurance companies and pension funds play a much smaller role in the bourses than British ones do in the London market. The Continental insurance companies are normally subject to very strict controls on portfolio investment. In Italy no insurance company is permitted to invest in equities at all and in Holland only one company is allowed to do so. In Germany investment in shares is restricted to 10 per cent of the reserves attributable to policyholders and in Belgium it is restricted to 15 per cent. The bulk of the funds of the Continental insurance companies is therefore invested in government bonds, mortgages and real estate. And even where the law permits the insurance offices a limited participation in equities, few of them take full advantage of the concession. Pension funds are developing rapidly, but as they are usually either under the direct control of the state or managed by insurance companies whose freedom to invest is strictly circumscribed, the impact that these funds have made upon the Continental bourses is small.

The virtual absence of the permanent and stable influence of insurance and pension funds on the markets in industrial equities has two important consequences. First, the market in many Continental securities is thin and it can be dominated by the actions of a few big stockholders. Some of the bourses are simply places where specialists meet to fix prices and, not surprisingly, a good number of bargains are struck outside the stock exchanges. This tends to accentuate the volatility of price movements and the investor has to place his orders carefully for fear of moving prices against himself. Margin dealing on the back of bank credit, notably in Germany, adds to the instability and in the recent fall small German investors have complained about the actions of big corporate stockholders who, they claim, have deliberately exerted pressure to bring prices down. Secondly, highly developed and articulated markets for new issues, based on institutional underwriting and support, hardly exist on the Continent and as a result the interest of private investors in new issues has to be stimulated by offers on "bonus" terms. Many of the private

investors are, moreover, simply looking for a quick capital profit and speculators, who rely on tips and "inside information," can have an important influence on the success of an issue and the subsequent course of market prices.

By British or American standards, the state of development of many of Europe's capital markets is low and clearly this seriously impedes investment. An equally big obstacle is the lack of adequate and consistent accounting information about assets and profits. Apart from the well-known international stocks, the merits of individual Continental securities are extraordinarily difficult to evaluate. There are substantial differences not merely between the various countries but between one company and another in the same country and between one year and another in the same company. Companies in France and Germany are, for instance, obliged by law to publish turnover figures but in other countries no such legal compulsion exists. In any case, there are more ways than one that "turnover" can be defined. Profits often mean very much what the company wants them to mean and hence for most European securities it is virtually impossible to calculate earnings in accordance with the formulæ used in Britain or the United States. Net profits in German companies—and in many French and Italian ones as well—represent nothing more than the sums distributed to shareholders and in many European accounts the treatment of depreciation, expenses, and allocations to reserves differs materially not only from one country to another but from one company to another. So instead of earnings yields and price/earnings ratios, investment analysts on the Continent have to use the much cruder measure of the company's cash flow, which they compare either with the price of the shares or the value of sales. This is an inadequate tool and its use is limited by the further fact that consolidated accounts, which include the profits earned by subsidiaries, are a rarity in Europe. It was the lack of a legal compulsion on companies to consolidate the profits and assets of subsidiaries which, British investors will recall, stood in the way of proper investment analysis in this country before the passing of the 1948 Companies Act; and a number of Continental countries are indeed in the process of reforming their own company legislation.

Thus in the great majority of cases the investor faced with a meagre dividend yield on a European security can only guess what the earnings yield might be. Accounting standards are, however, gradually improving: a number of companies have become readier to tell shareholders more about the fortunes of their business. The development of the mutual funds has brought a more rigorous discipline into investment analysis on the Continent and is creating more highly informed and articulate markets for European securities. The marketability of these securities is improving gradually. But it is a slow process and it is clear that, even leaving aside questions of tax and the confidence that an investor has in the general level of stock market prices, there are a number of obstacles standing in the way of informed investment in individual Continental securities. For most investors, the safest route into the risks of European investment clearly lies in the trusts and funds sponsored by the merchant banks. The bankers have close contacts not merely with each other but with the companies in whose securities they are interested. They can bring a degree of expertise and knowledge to the problems of investment that the individual investor cannot hope to possess. But they are offering the sober prospects of a long haul, not the excitements of short-term speculation.

Merger of Mastodons

LEYLAND'S bid for Associated Commercial Vehicles took the market by surprise. Rumours of bids for ACV had circulated before, usually linked with the British Motor Corporation, but they had died down recently when BMC showed no sign of acting. The terms, a straight one-for-one share exchange for ordinary capital, with the terms for the preference shares to be announced later, were judged reasonably generous for ACV holders; and its shares moved up from 62s. 6d. to 77s. 6d., with Leyland shares dropping to 80s. from 85s. If Leyland maintains its 20 per cent dividend for the current financial year—which for both companies ends on September 30th—ACV shareholders would get four per cent more than they got last year, and move into a company with a more steady record of growth than their own. But the refusal of Leyland and ACV directors to comment on their prospects makes such estimates pure speculation. The fall in home demand for lorries—18 per cent for those over four tons unladen weight, for which Leyland and ACV claim something under half of the market between them—means that profits are likely to drop, though for Leyland better results from Standard-Triumph may help to balance this.

The ACV shareholders are therefore being invited to participate in Leyland's venture into the car market at a time when it looks relatively prosperous, with home sales booming as never before. But the main explanation for this merger may be the desire of the two remaining big independent commercial vehicle manufacturers to combine in face of the threat that the car makers will soon be encroaching more deeply upon their market, in search of better profit margins than even the biggest manufacturer can now earn on cars. ACV makes nothing smaller than a 14-ton lorry, though Leyland itself goes down to a 7/8 tonner; and up to about 24 tons. The lighter Leyland lorries meet some competition from car makers, but buses, which form 33 per cent of ACV's output and 21 per cent of Leyland's, are a field in which the big car makers offer only limited competition—in the light coach rather than public service vehicle field. Jaguar, owning Daimler and Guy, is the chief competitor for the imminent combine. Leyland's Scottish subsidiary, Albion, which goes down the scale to the five-ton lorry overlaps the car makers' ranges; and that is the part of the Leyland group that seems to be doing worst just now.

For some time past, however, the medium-sized lorries that car makers already produce have been selling less well than the heavier ones left to these specialists. And this trend is likely to continue; as profit margins tend to be bigger the heavier the lorry, car makers would be ignoring obvious opportunities if they did not start making bigger lorries. Their present expansion schemes, which for BMC and Ford involve building new commercial vehicle factories, give the opportunity to add such vehicles to their ranges.

COMBINATION should make ACV and Leyland better able to meet such competition. At present they both build a complete range of diesel engines from 100 to 300 hp, though only Leyland has its own foundry; one engine of each size would be cheaper, and the same goes for other mechanical parts. Eventually one would expect some general standardisation of the two companies' ranges, though there is less to be gained from this in lorry manufacture than there is with cars. The mechanical parts of a lorry are virtually all that is mass-produced in any sense of the term, assembly or rather construction of each vehicle proceeding in a manner that would delight the heart of vintage car enthusiasts.

One feature AEC has and Leyland lacks is two subsidiaries making bus bodies, though AEC has sometimes been short of work for them; this might help strengthen the group when merged. But the biggest gains would come in selling and servicing costs in export markets. Leyland especially has built up a chain of subsidiary companies or associates which it is already getting to handle Triumph cars, but which could more easily add ACV commercial vehicles to their activities. And since Leyland already exports 55 per cent of its output and ACV 50 per cent, with the foreign market generally growing faster—which at present means not contracting—gains here would count for much. The financial link recently announced between ACV and the French lorry builder, Willème, in which Simca also has a shareholding, gives ACV a direct interest in the French market through Willème's agreement to use its engines and assemble some of its lorries—but it does not really fit in with any rationalisation between AEC and Leyland.

Production figures are something that Leyland and ACV decline to reveal, but they may be about 8,000 a year each for Leyland itself and for ACV, with perhaps a similar number from Leyland's subsidiaries. This would probably make the combined group second only to Daimler-Benz in Europe as makers of heavy lorries and buses. In the heaviest lorries, however, there may not be much difference in output between the British companies and Daimler-Benz, or other German makers like MAN and Klockner-Humboldt-Deutz. In France the only companies that can compare with the scale of Leyland and ACV production are Berliet, making over 12,000 vehicles in 1960, and Simca which made 6,500. For the most part, therefore, ACV and Leyland would be competing with equals in Europe, though equals with rich uncles in the background. The two British companies have shown that they are often able to meet the competition of these European companies in third markets, and should be able to gain on balance in Europe if tariff barriers disappear. But there is not the same advantage of scale on the side of the British companies as there is with the smaller lorries, as made by the car manufacturers. No European maker can match the 106,000 made by Bedford last year. And though this is a relatively smaller part of the lorry market than it is in Britain—the advantages of big lorries were appreciated earlier in Europe than in Britain—it is where British companies can most easily find a substitute for declining sales at home.

If Leyland and ACV do not merge, either might be expected to merge with someone else, with ACV, unencumbered by car making, the most eligible partner. For they are the only significant companies in what is still the most profitable part of the motor industry, yet facing more difficult times ahead. So both sides have a motive to get together. Though this merger could produce initially the closest approach to monopoly in any section of motor manufacture, it could also, in the long run, preserve most competition. But Leyland's problems of digestion will not be eased by this new gollop.

BUSINESS NOTES

ATLANTIC TRANSPORT

One-Ninth Denationalised?

ONE fact stands out, shining and clear, in the confused and confusing agreement made this week between the British Overseas Airways Corporation and the Cunard Steamship Company. For the first time, a privately owned company has been allowed to "buy" a sizeable share in a nationalised industry—paying mainly with two aircraft for which it had no commercial use. Other nationalised industries have set up joint companies with private industry before on minor fringes of their business, but what BOAC has done remains unique. The corporation is forming a £30 million subsidiary with Cunard of which it will hold 70 per cent and Cunard the remaining 30 per cent, and is transferring to this new company roughly one-third of its business—namely, its Atlantic and Caribbean services. Cunard will put in its own tiny Caribbean network plus the two Boeing jets that it owns. This arrangement leaves each with the rump of an airline that they will continue to operate independently—for how long one can only speculate. Cunard will operate inside Britain and Europe, providing that British European Airways does not win its appeal to have these licences revoked, and BOAC has its routes to the remaining four continents. But both will sell the other's tickets at their booking offices and the actual business of flying the new airline will be so closely integrated into BOAC's existing services that it might be less confusing all round to say that Cunard is acquiring what amounts to a ninth share of BOAC. The mystery is why it wants to, and has been allowed to do so.

The state corporation has lost money steadily for several years, and last year's deficit looks suspiciously close to £15 million. Indeed, BOAC's plight is a great deal more serious than is commonly supposed. Nevertheless, the Atlantic is where airline profits are made when they are made at all, and is also the route where the switch to air, first of passengers and now of freight, has hit shipping the hardest. Cunard has been refused permission to run its own North Atlantic air services, which left it with two £3 million jets (with spares) but no work for them. This came hard for a company whose fortunes are mainly com-

mitted to Atlantic transport and which had gracefully withdrawn from a situation where the government had foolishly committed itself to financial help to the tune of £18 million to the declining sea element in that transport.

BOAC, in turn, frees itself from the needling fear that the government might at any time repent and allow Cunard to fly on the Atlantic. And in its present state, the corporation might gain from whatever new blood, fresh ideas and hard commercial experience can be gained from Cunard. There may be some somewhere in the Cunard organisation, although had the government wanted to buy talent into BOAC's management there are simpler and possibly more effective ways of doing it. Wednesday's joint statement was ambiguous about what part, if any, Cunard in general and Mr Harold Bamberg in particular will play in the new organisation. Mr Bamberg, whose own enterprising airline was bought by Cunard, was not present himself at the press conference to explain. Obviously neither side has got beyond tentatively roughing out the shape of a company that represents something new in aviation and new in Britain's nationalised industries. It could offer a lifeline to Cunard out of its present troubles, what BOAC gets from the bargain is less clear but such is the corporation's present condition that any change in the *status quo* must be for the better.

THE ECONOMY

By Instalments

"We are expecting a substantial increase in economic activity in the months to come," the Chancellor of the Exchequer told his constituents last Saturday, and two days later the President of the Board of Trade announced a relaxation of hire purchase controls—down payments on all goods except cars reduced from 20 to 10 per cent, with no change in the maximum repayment period of three years. This is the first specific boost to personal consumption. It followed closely on the release of one-third of the banks' frozen deposit, but this was accompanied by continued requests for restraint and priority for export finance. The hire purchase houses this week are understandably bewildered to have the Governor's caution in one hand and an apparent go-ahead from the Government on the other.

However, they welcome the relaxation. A deposit of 10 per cent accords with their own recommended minimum for durable goods; for cars the members of the Finance Houses Association ask deposits above the statutory minimum, and a reduction here would have embarrassed them. This, as well as the notably more buoyant state of the market for cars than for household equipment, explains the Government's discriminatory action. Now that the statutory deposits for both categories of goods are at a sensible commercial level, the Government should resolve to leave well alone. Certainly one would expect any new stimulus to consumption to come from the indirect tax regulator—which is available for use under last year's Finance Act. The Government is understandably disturbed by the continued fall in hire purchase debt; but it may have been stung by a Labour member who asked bitingly whether the state of the country was now such that it was safe for more people to get into debt but not safe to give them more purchasing power.

Long Term Commitments

At its second working meeting this week, the National Economic Development Council finished roughing out its chosen frame of reference. Last month, it chose 4 per cent per year in economic growth as a "provisional target" for Britain, to some degree hypothetical but also, inevitably, as a benchmark for its own and the other planners it will consult to work upon. It also selected sixteen industries to examine in detail, with the co-operation of representatives of each. This month, it considered "conditions favourable to faster growth" (favourable here includes unfavourable).

These were familiar as propounded: other people have been studying them for a long time, though not specifically from the aspect of their relevance to faster growth. The first and most important is the relationship between growth in the economy and the balance of payments (on which yet another academic essay has offered some moderately depressing figuring this week*). Then come problems of the adequacy and quality of investment; of the relation between the rate of growth and the extent of capacity utilisation; and of manpower supply and deployment. Ned is also considering management and its training; technological change; the structure of taxation and public expenditure. These chapter headings are all relevant, in one sense or another. But Ned will need to stick to those directly bearing on rates of growth, and where it can find something positive to say. It is giving itself roughly six months to complete its first sketch of a 4 per cent. plan. That will not leave much time for side turnings.

IN THE MARKETS

More Rumbles from Wall Street

A correspondent cables:

Any hopes on Wall Street that last week's nosedive in prices was an over-correction were shattered on Monday when the Dow Jones industrial average fell by over 17 points to just under 594—just half the fall of the previous Monday but still disquietingly large by any normal standards. Though prices held their own on Tuesday and recovered smartly on Wednesday, when the Dow Jones average rose to 604, few are bold enough to assert that the bottom has been reached. Margin calls are still being made and it is evident that there has been much more use of credit in the market than the authorities had suspected. Institutional investors who have received much applause for arresting last week's decline are maintaining a selective policy of picking up bargains; and now that yields on equities are closer to bond yields than at any time for four years brokers are reporting that some big funds are switching back to equities. But there is no massive or concerted effort by the banks and mutual funds to restore public confidence in the market. The mutual funds report higher sales but it is still too early to be sure that they will retain the support of the mass of small stockholders. In fact the big question is whether those buying on contractual plans (similar to the thrift plans run by unit trusts in Britain) and who have therefore involved themselves in long term purchases of the funds' shares will continue to keep up their payments now that losses are being registered.

The death throes of the bull market affected blue chips along with more speculative growth issues; even utilities, which have been regarded as practically invulnerable, suffered drastic falls. Institutional buyers have so far concentrated most of their purchases on tested issues which now offer attractive yields and the prospect is that these are the stocks which will improve most in any rise. The hardest hit are unlisted issues, including those of companies with good earnings, for there has been real distress among the "over-the-counter" dealers who were unable to absorb the stocks that were being offered. Absorption is also a problem with some listed stocks, and some of the big institutions say that they are staying on the sidelines until the market settles down and it becomes possible to attain precise quotations and to determine the amount of stock available. But with so many investors being forced to liquidate because of margin call, it may take some time for the market to return to normal.

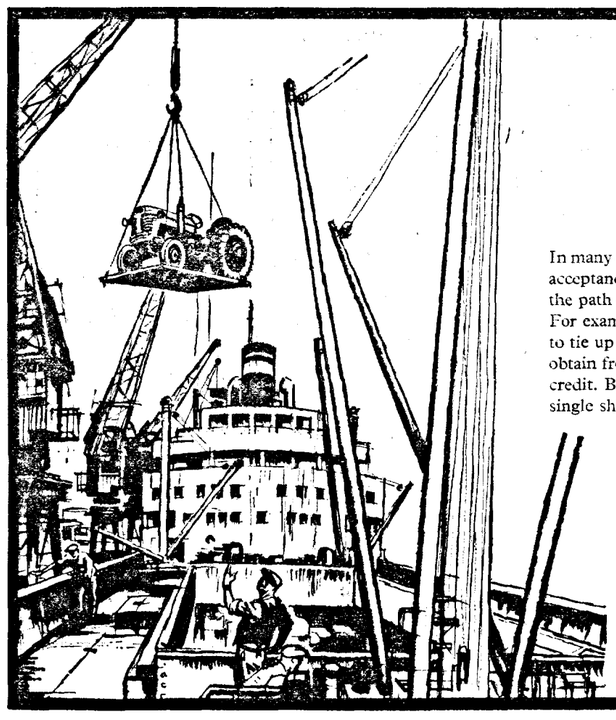
Apprehension in London

Throgmorton Street did not panic this week when prices dipped sharply on Wall Street again on Monday. The volume of trading in London has been small—not least on Wednesday, Derby Day. But the industrial market is still disquieted by the blows given to business confidence and prices have slipped back. By Wednesday, *The Economist* indicator had fallen by 11.1 points to 321.0 over the week and the *Financial Times* ordinary index was down to 266.9. Neither the release of special deposits before the weekend nor the easing of hire purchase restrictions after it managed to cheer the market up. The more staid

* "Export Growth and the Balance of Payments," by R. J. Ball and Pamela Drake. *The Manchester School*. May.

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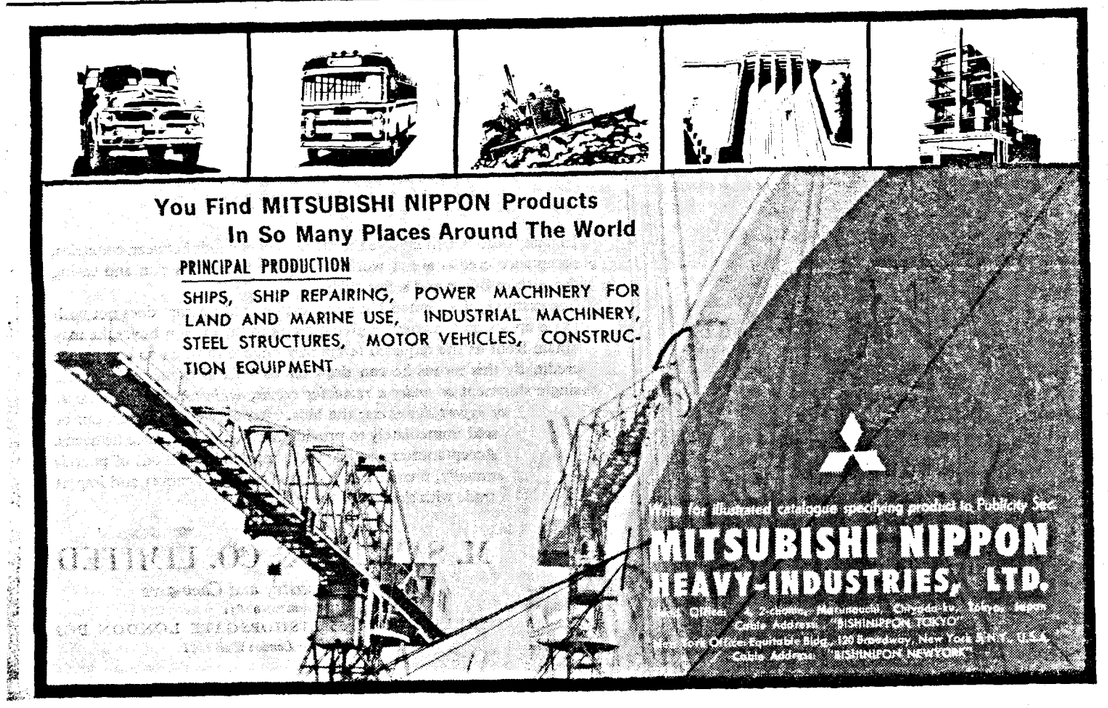
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blue chips, as well as the low yielding "growth" stocks, have suffered in the setback, but the biggest falls have occurred in sections such as banking, insurance, property and stores where, for some time, there have been apprehensions that future earnings had been discounted too optimistically.

On Thursday, after Wall Street's overnight rally, the industrial market was a little brighter; but there can be no doubt that, while the London market has behaved more soberly this week, its fears have not been banished. Dealers have taken some comfort from the fact that the London stock exchange has been less exposed to margin selling by speculators who have used credit to buy stock than have both Wall Street and the German markets. Moreover, the drive to bring small investors into equity investment has been more restrained in Britain than in some other countries. Thus the area of the shock-wave may be less, but even so, as the actions of the jobbers in sharply cutting prices so as to frustrate big selling orders has shown, the tremors from Wall Street have reverberated through the London market.

This, however, has not halted the flow of new issues, many of which no doubt were planned some weeks ago. One of these came from the District Bank, even though banking shares have been among those most affected by the reversal in the mood of investors. Evidently the banks are now convinced that they should back up their development programmes in premises and new equipment with new share capital. This issue is on particularly attractive terms. Currently the existing shares of the District Bank stand at 101s., but the issue of 3,000,000 shares of £1 each, offered by rights in the ratio of one for two, is priced at par. Thus the rights are worth 30s. The new dividend rate has naturally had to be scaled down. For 1961 the District Bank paid a dividend of 16 per cent and the indicated dividend on the enlarged capital is 12½ per cent; but this represents an increase in income for shareholders who take up their rights, raising the effective yield from 3.2 to 3.5 per cent.

Firmer Base for Gilt-edged?

THE gilt-edged market has so far shown perhaps surprisingly little response to the uncertainties spreading outward from Wall Street, which in exact measure as they cast doubt upon future growth of western economies and of share dividends might be expected to increase the attraction of the fixed interest return. Some investors, in their first reaction to the market shock, make no close distinction between these different investment media—all seem discredited; while others have noted that the yield differential in favour of gilt-edged has narrowed. But if the general industrial uncertainty persists, support for fixed interest securities should grow.

The gilt-edged market did receive a temporary boost from the release of £70 million of the banks' special deposits on Thursday last week and buying of medium dated stocks led to the exhaustion of the official "tap" in 6 per cent Conversion 1972—of which £300 million was issued in December last in conjunction with £200 million of the 1982-84s. When the tap for that stock ran dry a month ago the monetary authorities, even though they had no real need to take more money out of the market by net funding sales, still wanted to keep some kind of control over the long end of the gilt-edged market, and accordingly issued a new tranche of 5 per cent Treasury Stock at a deliberately unattractive price. Now they have chosen another way to keep control over the medium end of the market without attracting funds into the Exchequer: they have let through the biggest ever corporation issue, £40 million for the London County Council.

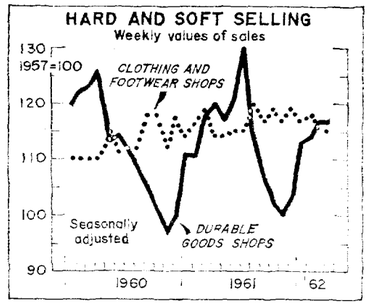
This issue has the same coupon and the same ten year redemption date as the Conversion 6's; but whereas these have been near par the LCC issue is offered at 95½, giving a gross redemption yield of fully 6¾ per cent and acting as an immediate brake on the rest of the market. The substantial margin of yield on the new issue reflects not only its size but—as did the terms of the Birmingham issue before it—the constrictive effects of the gains tax. Corporation stocks are on the whole bought by investors who mean to hold on; the banks may conceivably be tempted to take small parts of the LCC stock at its very attractive yield, but for the most part they keep to government stocks which are much more marketable. Application lists for the LCC issue remained open all day on Thursday, and the underwriters were left with 61 per cent. This is in fact not a bad result, for the underwriting was very widely spread and a number of the participating institutions might otherwise have put in firm applications.

RETAIL TRADE

Quiet in the Shops

A FEW hours before the announcement of the easing of the credit squeeze, the Board of Trade released its hire purchase statistics for April, as well as the final estimates of retail sales for that month. The further decline of £5 million in total debt, the ninth successive monthly fall, brought the amount outstanding to £883 million, £85 million below the July 1961 peak and lower than at any time since February 1960. New credit extended by hire purchase companies in the month was 25 per cent lower than in the previous April, credit sales by household goods shops were 7 per cent down. After making the difficult attempt to allow for the moving date of Easter as well as ordinary seasonal influences, the Board concluded that "April showed no improvement compared with the rather subdued March results."

The retail trade statistics also reflected stickiness. Seasonally adjusted, the index of the value of sales was 118 (1957=100); this was about half a point higher than in March but, after allowing for price increases, it denoted a slight fall in the volume of business from earlier months this year. In durable goods shops, the value of sales remained at the March level, a little higher than in the first two months of the year but nevertheless 3 per cent lower than a year earlier. A slight increase in sales by furniture shops was more than

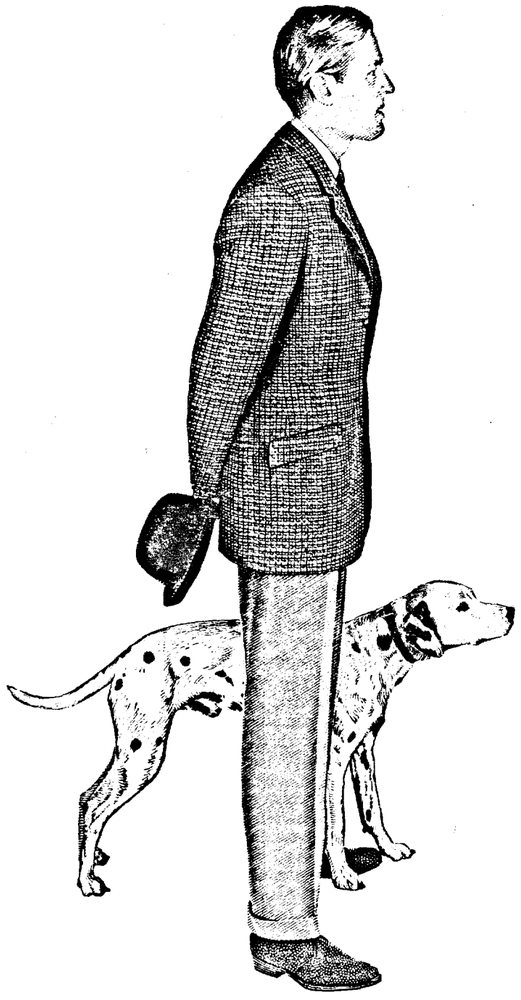


offset by the 6 per cent fall experienced by other shops selling durable goods. Since prices of durable goods had risen about 2 per cent over the twelve months, the volume of this trade as a whole was some 5 per cent down on April 1961.

Perhaps partly because of the stronger competition from durable goods shops for spare money, partly because of the poor spring weather, the trade of clothing and footwear shops took a downturn in the latest two months for which figures are available. Taking March and April together, the volume of business in these shops was about 2 per cent below earlier months this year and 4 per cent below the same months last year. Food shops maintained a pretty steady level of business over the first four months of this year—but at a slightly lower level than in the closing months of last year. Certainly there is no sign of any expansionary forces in this latest batch of statistics.

Boom in Cars

THE record number of new cars sold on hire purchase in May suggests that the cut in purchase tax has by now unleashed car buyers in droves. With 23,451 contracts recorded by Hire Purchase Information, 15 per cent more than the previous record in May last year, total sales of new cars may prove, slightly to the amazement of the trade and the bemusement of the more pessimistic forecasters, to have reached 100,000 for the month. Even if they have, the proportion of new cars sold on hire purchase must have risen sharply from the 20 per cent that seemed to have become standardised; perhaps the Cuthbertson cycle is not going to prove as much



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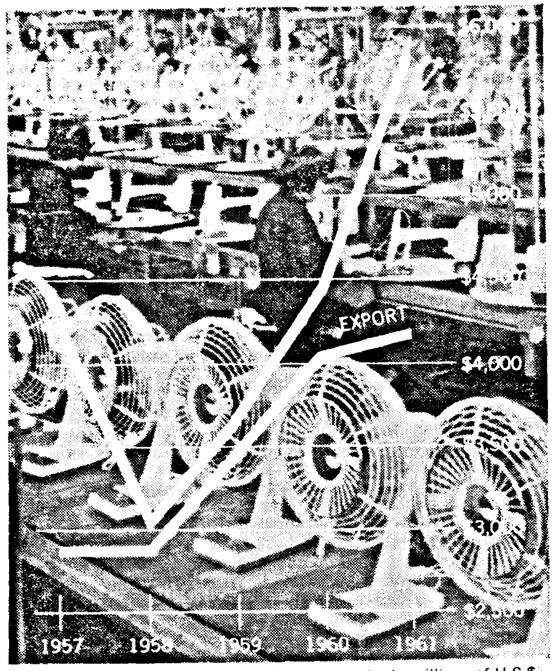
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of a myth as all that. Sales of second-hand cars had also improved in May, with contracts exceeding 76,000—after being pretty depressed earlier in the year, the trade would have been in trouble if it had not, but it looks as if they have a fairly sure foundation for new car sales by now. Even motor-cycle sales improved; contracts for new machines rose by more than a third, though they remained nearly 40 per cent lower than a year before.

THE EXCHANGES

Continentals Going Home

THE first two days of this week presented the unusual spectacle of both the dollar and the pound under fire at the same time, as Continental holders repatriated their funds into their own currencies. Sterling was also sold from New York on Tuesday, and the Bank of England gave significant support to the rate at $2.80⅝. Security sterling dropped to $2.79½, as foreign holders sold British stocks. The weakening of the spot rate was, however, been accompanied by continued strength in the forward rate, suggesting that some operators who were long of sterling may possibly have switched temporarily into dollars and covered their return into sterling. Seasonal factors are also now swinging against the pound, and commercial purchases of dollars have been noticeable in this week. Wednesday and Thursday brought relief for both currencies; sterling recovered, and the dollar, which had previously been at its lower support point in virtually all the main Continental centres, rose above it in Holland and Germany.

But sentiment remains disturbed. The foreign exchange dealers who gathered in Rome for the annual meeting of their Forex club were noticeably calmer than a year ago, when every kind of rumour was flying around. This time the disquiet was of a different kind. "Last year" one delegate sourly put it, "we were thinking about 1949, this time we were going rather further back, to nineteen-twenty—." The conference elected as its president Mr R. A. O. Bridge, the universally popular chief exchange dealer of the Bank of England.

In the gold markets the uncertainties emanating outward from Wall Street have have brought some sizeable, though not continuous, demands on the London market. This has been met from official sources, and the price has remained around 35.08-09 a fine ounce. Possibly some of these sales may be on account of European central banks participating in the new gold pool. The annual report of the Bank for International Settlements is notably reticent on this scheme, and says simply that European central banks "agreed to co-operate with the United States in putting gold onto the market if this should prove necessary to keep prices in line" and "arranged to avoid unco-ordinated purchases in the market." Nor does it give any quantitative indication of the scale of previous intervention in the London market, beyond saying that it was "much less than the unofficial guesses that have been in circulation.

Gold Inflow Slackens

THE movement in Britain's reserves in May was much as expected. The true rise of £26 million marked a further deceleration in the pace of inflow, but this was to be expected as commercial influences became less favourable seasonally and as the interest differential in London's favour was further reduced. The actual rise in the reserves in May was £19 million. A further repayment of £25 million was made to the International Monetary Fund, and this was not quite offset by the addition of £18 million from a mutual credit arrangement with the Federal Reserve System. The Federal Reserve has credited $50 million into the dollar account of the Bank of England which in turn makes a credit of £18 million in the Federal account in London. This transaction, which exactly mirrors an earlier one made by the Federal Reserve with the Bank of France, is in the form of a three-months swap, with provision for renewal and with forward exchange cover. The main purpose of this arrangement, as of that in Paris, appears to be less operational than demonstrative—as an indication of the wide spread of the dollar's defences.

RESTRICTIVE PRACTICES COURT

Magnets Hold Fast

THE Permanent Magnet Makers' Association, whose members are responsible for 75 per cent of UK production, are to be allowed to retain their minimum pricing agreement together with a technical pooling agreement. The judgment of the Restrictive Practices Court hinged on the acceptance of the plea that the co-operation in innovation and research was not only beneficial to the public in itself but could not exist without price-fixing. Mr Justice Mocatta found that although price-fixing was not the original cause of later technical co-operation—which arose and is still stimulated by foreign competition—the death of the first could be expected to severely limit the second. The only aspects of the agreement which were disallowed were that which classified certain buyers as worthy of a price 5 per cent lower than that charged to anyone else and the regulation making the introduction of new materials to the market subject to members' agreement. The system of making inquiries known to all interested members was retained.

The judge held that members' prices were on the whole reasonable, and pointed out the downward trend in the period 1950 to 1960. The research and development could not be equalled, he was sure, by the disunited efforts of individual British firms under the stimulus of free competition. It appears to be luck as much as good management that has in the past kept the agreed magnet prices at "a reasonable level," since costing was in most cases done on very inadequate information. As a result of the case a more thorough and accurate method of self-knowledge is to be worked out, and as in the cement makers' case, this will be the basis on which the Registrar of Restrictive Practices will in future be able to check that this particular price agreement remains a well-behaved animal.

ELECTRICITY

Growth Beyond Compare

BY 1970-71, the Central Electricity Generating Board expects maximum demand on its system to be about twice as high as it was in 1960-61, say 55,000 megawatts; and it expects to be selling about two and a quarter times as many units of electricity as today. This is the CEGB's forecast of the trend—7.6 per cent per annum compound for demand and 8.6 per cent per annum for unit consumption. As Mr Ronald Edwards, chairman of the Electricity Council, said at the British Electrical Power Convention this week, there are several kinds of mathematical curves which can be made to fit the recorded expansion of electricity demand and sales over the past 40 years. A compound interest growth obviously cannot go on for ever—if only because in about thirty years, extrapolating the trends from the record, electricity consumption would swallow up the whole of Britain's energy consumption. But simple extrapolation of this exponential trend fits the record so far as well as any of the more complex formulæ. Almost any other industry, given growth to compare with electricity's, would be glad to accept the problem of fitting the right curves.

The power industry has to make definite plant programmes up to about seven years ahead; and in planning major national projects such as the 400 kV "super-super-grid" it has to look forward to the late seventies. Its planning about the fuel it will use is not as tight as other parts of its programme; a proportion of dual-firing plant will give it some flexibility as between coal and oil. But a single-fuel station, once built, uses that one fuel over its whole operating life. Mr Edwards gave estimates of fuel demand for 1970-71, when the industry's fuel demand will have risen by nearly 70 per cent, suggesting that coal will still supply nearly three-quarters of power's fuel, with nuclear generation rising to take up most of the rest and oil consumption levelling off.

The forward estimates of demand and unit consumption imply an improvement in

load factor for the industry, which certainly needs this to make economic use of its investment in supply capacity. The bulk supply tariff has already been significantly modified to encourage the improvement of load factor; now, obviously, it is the turn of the retail tariffs, and a comprehensive review of possible innovations in such tariffs is under way. As Mr Edwards, himself a professional economist, told the convention, economists are always abrim with ideas about how this might best be done; now what he called their "almost unhealthy interest" in the question is communicating itself to the industry.

LEAD AND ZINC

Stitch in Time

LEAD and zinc producers have belatedly patched up their complicated differences and lead output restrictions are rather unexpectedly "on" for a further year. The tortured compromises worked out by the international lead and zinc study group have never yet proved fully effective, so the market's response to the latest agreement, which has been more tortured than usual, is understandably sceptical. Zinc is also included in the new bargain which described in the words of the official statement is practically without meaning to the layman and contains no figures from which the others might deduce how effective the curbs are likely to be.

The effect claimed for the new restrictions is that new supplies of lead metal will fall short of demand, producing a further fall in producers' stocks, which have already been cut with the help of the large barter deal arranged with the United States as an integral part of last year's restriction programme. The surplus of zinc metal, if any, this year was judged comparatively small after the new restrictions are put into effect. Though the lead market has not been entirely apathetic, prices have strengthened little on balance following the Geneva agreement. Spot lead has now fallen back to £59 a ton, compared with £64 a year earlier; no improvement occurred in zinc, which at £67½ a ton is now £12 lower than a year ago.

Australia, which appears to be adopting an intransigent approach to some of its trade problems nowadays, has come out of this year's protracted discussions fairly well. Having peremptorily raised lead production from 163,000 to about 200,000 tons a year in April, Broken Hill Associated Smelters have agreed to cut back to 191,000 tons. Some surplus concentrates of the Australian producers might also be sold to other refiners, since there will be no restriction on their output. Some bearish longer-term implications for lead which were heavily stressed by one spokesman for the Australian industry between the two meetings of the study group in Geneva have not been removed by the new agreement. The study group is therefore badly in need of a success with the current round of restrictions to restore its prestige in attempting to deal with the possibly greater problem on the horizon.

BUILDING SOCIETIES

The Year's Reckoning

THE Chief Registrar of Friendly Societies always issues his report on building societies (HMSO: 4s. 6d.) in time for

AIRCRAFT INDUSTRY

Shorts v. The Rest

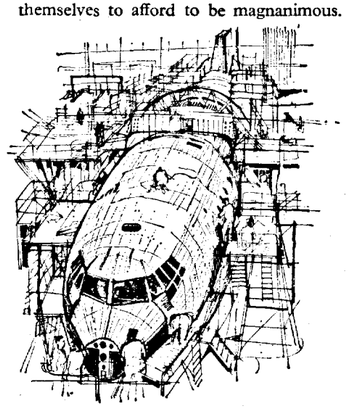
AN issue that has been hanging over the government since the aircraft mergers of 1960 will have to be settled during the next few months. What place should Short Brothers and Harland have in the re-organised aircraft industry? The government has been able to postpone a decision for so long, because Shorts has had sufficient work to stay decently employed up to the middle of this year, but under normal circumstances it would now be planning to stand off an ever increasing stream of men. With ingenuity, dismissals might be postponed until the end of the year, but no longer.

The re-organised aircraft industry provides for two engine companies, two aircraft and one helicopter company; an outsider like Handley Page gets short shrift when it attempts to compete with them for government orders. But Shorts with its 7,000 workers, is owned 69½ per cent by the government and happens to be the largest engineering employer in Northern Ireland. It is well housed in factories better laid out for engineering on large structures such as airframes than most are in the United Kingdom, efficiently managed and well-tooled with considerable experience in new techniques such as tape-controlled machining. If the aircraft industry were expanding, the government would not have much difficulty in getting one or other of the big groups to take over the company. Bristol Aircraft acquired its interest in Shorts in this way. But when the industry is contracting as it is today, no-one is in the market for a large factory that carries with it an unspoken political liability to keep it employed.

A good proportion of the company's work represents the Seacat missile, which is performing and selling well, and heroic efforts have been made to break into new markets for executive aircraft and—more significantly—for small freight aircraft suitable for bush airlines. But these are fringe activities that cannot keep a company of this size alive. The future of Shorts, if it is to have a future, depends on finding work to replace the ten Belfast military freighters which is already beginning to run down in some departments.

So the company is in the centre of some of the hottest competition in the industry. The main reason why the RAF ordered only ten Belfasts, after the expenditure of £10 million on their development, is because they have propellors and the RAF now moves its troops by jet. It wants to move their heavy equipment by jet too, over quite fantastic distances dictated by the steady reduction in the number of bases. It would like such refinements as near vertical take-off, so that the freighters could deal with "bush-fire" wars in awkward terrain. All this the industry can give at a price, and would love to give it because of the opportunity provided to test out techniques that might be applied later to civil designs.

Matters have reached the stage when the RAF has to be asked squarely whether it is prepared to pay the price for these refinements and endure the delay that they involve. The matter could be put simply as a choice between one all-singing, all-dancing jet or three Belfasts. With prospective fighters running to £3 million per machine, Britain's air services are in some danger of being equipped with a handful of prototypes too valuable to fly. There are signs that feet are being put down in the matter of freighters, if not of combat aircraft; hence some of these much coveted orders may go to Shorts rather than to either big group. But the big groups will not like such a decision and will certainly make their displeasure known; for they are too short of work themselves to afford to be magnanimous.



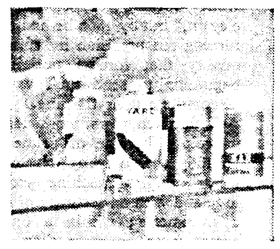


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WHERE NEXT? On the bathroom shelf, where the battle of the sexes is starting all over again. Because nowadays men's toiletries—aerosol shaving foam, hair dressing and talcum powder for instance—are demanding a fairer share of the space. In the bathroom too—this is the day and age of the can.

There are two ways of spending Saturday afternoon. You can stay in the kitchen and clear up after the mid-day meal and think about what to make for supper—or you can do what you want. Like gardening. Or sitting about and *thinking* about gardening.

Cans to clear your conscience

Cans let you do this kind of thing with a clear conscience. Lancashire hot-pot for lunch (straight from the can) leaves hardly any mess in the kitchen and not much washing-up either. So you can spend all afternoon exactly as you like — until ten minutes before supper. Then go to the store cupboard. Put the soup on to heat. Open a can of tongue, serve with a fresh green salad and garnish with canned potato-salad. Follow with a can of peaches and a can of cream. And if you'd spent all afternoon preparing it — you couldn't have done better.

ETIQUETTE NOTE: *Is this a ladylike way of drinking beer? Certainly! Times being what they are (and very nice too) just punch, raise can, lower beer.*

the annual conference of the Building Society Association. At this year's conference at Eastbourne, the chairman, Mr John Dunham, used the statistics compiled by the registrar to demonstrate the progress made by the movement last year. New mortgage advances at £546 million were only £14 million less than the record level achieved in 1960 and the average amount advanced was £1,500. At the end of the year there were 2,425,000 borrowers holding 2,455,000 mortgages and the average mortgage debt stood at £1,170. Mr Dunham also pointed out that the number of investors had risen to 4,689,285 and that their holdings amounted to £3,146 million. Now that the building societies are governed by a new act the report of the chief registrar is less colourful that it has been in earlier years. But Sir Cecil Crabbe does emphasise that about 300 small societies have not as yet altered their rules, particularly those in regard to meetings and voting rights, so as to comply with the provisions of the new act. The act firmly establishes the rights of members of a society; but unless the rules are altered the members may not be aware what their rights are.

THE MOVEMENT'S BALANCE SHEET

1960

Liabilities	£ mn.	%	Assets	£ mn.	%
Shares	2,721	80·0	Mortgages	2,647	83·6
Deposits†	265	8·4	Investments*	415	13·1
Other liabilities	38	1·2	Cash	71	2·2
Reserves	142	4·4	Other assets	33	1·1
Total	3,166	100·0	Total	3,166	100·0

1961

Shares	2,921	85·0	Mortgages	2,870	83·5
Deposits†	315	9·2	Investments*	455	13·2
Other liabilities	44	1·3	Cash	75	2·2
Reserves	156	4·5	Other assets	36	1·1
Total	3,436	100·0	Total	3,436	100·0

* At book values. † Including Government advances.

Having come through a difficult year successfully, the building societies can look forward to further expansion this year. The firm line that the big societies have taken about stability in interest rates has been reflected in an increase in the inflow of savings and as a result mortgage quotas are less restrictive than they were a year ago. Mr Dunham believes there is still plenty of scope for an extension of owner-occupation; about 40 per cent of the dwellings in this country are owned by their occupants, compared with 62 per cent in the United States. Mr Dunham also pointed out that over 20 per cent of all dwellings now built for sale are flats (compared with 7 per cent five years ago) and he suggested that if the societies were to play their full part in financing this development some amendment of the law relating to the responsibilities of owners and occupiers of individual freehold flats would seem to be desirable.

SWISS PRECISION

Meters by the Yard

IF and when Britain adopts the metric system, its standard meter will certainly come from the *Société Genevoise d'Instruments de Physique*. This quiet and reticent company has been in the business of metrology for just a century now, and has just celebrated its hundredth anniversary with some pomp and circumstance, in London as well as Geneva. The company was born in 1862 in a farm house on the edge of Plain Palais, a common once outside but now right in the centre of Geneva.

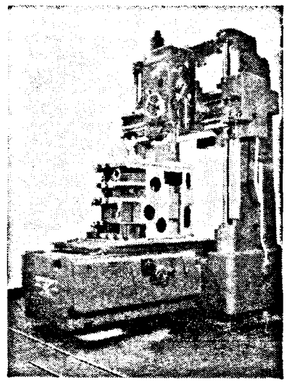
When a small band of professors at Geneva University felt the need for a local workshop where their own scientific instruments could be repaired and new ones developed, Auguste de La Rive, occupying the chair of general physics at the Geneva Academy, and Marc Thury, lecturer in physics and mechanics and professor of botany, began this Academic venture. De La Rive was convinced that "to attempt to make money while working for science is not very elegant," but by 1862 he had the workshop turning out precision instruments of such quality that foreign undertakings were beginning to send their workmen there to complete their training.

Within ten years, work connected with metrology became of prime importance. In 1865 the company developed the first linear dividing machine 500 millimetres long and with an accuracy of two-tenths of a millimetre; within a few years the errors were no more than a few thousandths of a millimetre. When in 1875 the International Meter Convention was signed and some sixty standard meter prototypes were distributed to the nations which had adhered to the convention, SIP became one of the foremost commercial supplier of secondary standards. But in 1937 the International Bureau of Weights and Measures, which had kept five or six meter prototypes to carry out its day-to-day work, commissioned SIP to re-polish and re-divide those prototypes it had in current use: and, indeed, in 1954 the international bureau recommended all countries who were holders of prototypes to have them re-divided in this way.

For some time the Geneva firm had been looking for ways to eliminate the inaccuracy of the human eye in using measuring equipment. In 1945 their first photo-electric measuring machine was constructed; this, they say, made easy readings to one-hundred-thousandth of an inch. From this to the photo-electric dividing machine was only one more step.

The firm's most modern item of measuring equipment, for the new redefinition of the standard meter, is its "photo-electric longitudinal comparator plus an interferometer enclosed in a rigid airtight and thermally insulated cylindrical housing, set on an extremely stable foundation in an air-conditioned room, free from vibration and protected against any variation in temperature, in pressure or in the composition of the air." This piece of measuring equipment gives the fractions to half-a-millionth of an inch and allows estimates to the accuracy of .05 millionths of an inch. Société Genevoise is the only firm in the world with the skill and the know-how and experience to make this instrument.

Meters make for fame rather than for big turnover. Three-quarters of Société Genevoise's £3 million worth of turnover are made from the sale of jig-boring machines. Developed just before the first world war, first for the watch industry and later for jig and tool rooms the world over —92 per cent of the firm's production is exported—these are some of the most accurate machines produced anywhere in the world. The guaranteed accuracy of .00015 inch is no problem; but as with the group's measuring controls SIP is trying to eliminate the error of human judgment. Numerical control now allows automatic positioning of the machine table and spindle heads by means of punched tapes.



Despite this anxiety to avoid human error, every machine made by SIP depends on the accuracy of the frame supporting the spindle head and carriage; and the guide ways for these frames are hand scraped. Each machine takes a skilled workman a thousand hours to scrape. There is no other instrument or measure than the accuracy of his hand and his eye.

The company has had connections in Britain since the twenties: during the war maintenance and rebuilding facilities for these vital machines were set up here. In 1955 the Geneva firm bought the total share capital of its selling and maintenance associates; now one of its range of seven jig borers is made at Newport Pagnell, and the group now also manufactures some measuring equipment in Britain.

PROFITS SQUEEZE

A Temporary Halt?

AFTER falling by 6½ per cent in March and nearly 7 per cent in April, the trading profits of the 309 companies whose accounts were analysed in this office in May show only a marginal fall. Indeed, if as in May the profits of the oil group, notably BP and Burmah, are omitted, trading profits show a slight increase. However, higher charges for depreciation, interest and tax have produced lower profits at gross and net levels. There are no really sizeable increases in profits of individual companies although BICC, Gallaher, Marks and Spencer and Rugby Portland were among those to produce good results. By far the sharpest fall came from Pressed Steel which reported a trading loss of £545,000 against a profit of over £5 million.

Although net equity earnings fell by 7½ per cent the companies paid out more in dividends and the cover well to 1.8 times. Though both trading profits and dividends were higher in May, there is no sign yet of any slowing down of the decline in returns on capital employed. Too much should not be drawn from a single month's profits and already, indeed, the reports of Cunard and Guest Keen and Nettlefolds, published this week, suggest that profits of companies reporting in June will show a fairly sharp fall.

PROFITS AND DIVIDENDS

(£ million)

Companies reporting in May	TOTAL (309) Previous year	TOTAL (309) Latest year	EXCLUDING OIL (302) Previous year	EXCLUDING OIL (302) Latest year
Trading profit	486·7	485·2	305·2	308·6
Gross profit	388·0	382·2	223·3	218·6
Net equity earnings	179·4	170·8	107·4	99·8
Net dividends	87·3	91·4	54·1	56·7
Times covered	2·1	1·9	2·0	1·8
Net equity assets	1,889·4	2,055·4	1,260·4	1,356·2
	%	%	%	%
Gross profit/net assets	20·5	18·6	17·7	16·1
Net earnings/net assets	9·5	8·3	8·5	7·4

FERTILISERS

New Patterns

ICI's announcement that it will be closing down two ammonia factories is not wholly unexpected. The two, at Dowlais and Prudhoe, are the smallest of ICI's five plants (counting Severnside, which is not yet on stream) and account for perhaps a quarter of ICI's total ammonia production. It is uneconomic to operate them under today's conditions. They had been built by the government on sites secured for strategic rather than commercial reasons during the war and were inherited by ICI. Site and size apart, what counts most against them today is their dependence on hydrogen derived from coal. There are two main steps in the production of ammonia: the preparation of hydrogen and its reaction with nitrogen. Today it is the production of hydrogen which determines the economics of the process and has dictated the decisive move from coal-based to oil-based ammonia. ICI has recently announced that it is converting its plants at Billingham and Heysham to its own naphtha-based steam reforming process for making hydrogen, which the new plant at Severnside will also use. These improvements will make it possible for ICI to continue to dominate the UK market, but in export markets the group will find it increasingly difficult to compete. The world pattern of ammonia production is changing rapidly, and to the disadvantage of producers who, like ICI, have to depend on imported feedstocks.

Plants based on natural gas have been operating in the USA for some time and, more recently, in Italy and France. These are intended to supply a local market. The change is being brought about by companies such as W. R. Grace, of New York, which intends to enlarge its plant in Trinidad; other plants have been suggested for Venezuela and Kuwait. None of these is intended for local markets; they are designed to make ammonia in places where energy and feedstock are cheap and will rely on special tankers to ship liquid ammonia in bulk to the world markets (the keels of two such tankers for W. R. Grace are being laid).

Prices of nitrogenous fertilisers have dropped in the last year and it is to be expected that, under the influence of cheap ammonia from these new plants, they might drop further. However, European producers do not intend to let this happen without a struggle. Already there are signs that the market is hardening and prices have even recovered a little in some countries. Some people think they see behind this the rebirth of the old Nitrogen Cartel under the guise of Nitrex, the nitrogen export office in Brussels, which, after some years of dormancy, has been showing signs of life.

MEAT

Farm and Factory

A COMPLETE vertical combination in a traditionally horizontal industry will be created when the Fatstock Marketing Corporation acquires, for £7,450,000, the entire ordinary capital of Marsh and Baxter, the bacon and sausage firm. The FMC is a producer-sponsored wholesale and distribution business, the biggest dealer in British meat in the country with a small but growing interest in imported New Zealand lamb. It estimates its share of the total meat market as now approaching 20 per cent, and an important part of this is pig-meat—it claims to handle 30 per cent of all pigs marketed and 70 per cent of quality bacon pigs. Marsh and Baxter, with 40 per cent of the country's curing capacity, was an obvious choice in the FMC's declared expansion policy. M & B's trading subsidiaries include the well-known C. & T. Harris, of Calne, and it also owns about 40 shops.

Subject to members' approval, the purchase will provide the opportunity for a reorganisation of FMC. This will involve the creation of a public company, FMC Limited, 35 per cent of whose shares will be owned by a specially-formed trust, the NFU Development Trust Ltd. Money for the M. & B. deal is partly to be raised by a stock market issue of 6.5 million FMC Ltd. shares, in which preference is to be given to FMC and NFU members. The issue does not, therefore, mark any departure from the underlying principle of FMC —that the farmers should be financially linked to their own biggest meat outlet.

Both FMC and Marsh and Baxter are only too familiar with the pig industry's notorious fluctuations. Marsh and Baxter made a profit before tax of only £488,000 last year compared with £1,461,000 in 1958, though it hopes for £900,000 in the 1961-62 financial year. After a sticky period in 1957 and 1958, followed by reorganisation and a new chairman, the FMC has been increasing its modest profit, though with an overdraft of £2.5 million it badly needs the working capital to be obtained from its new structure. In proposing the Marsh and Baxter deal, the FMC has made it clear that it is interested in developing manufacturing activities. Greater diversification may be a standby if the Ministry of Agriculture's committee on meat marketing and distribution, which may produce its recommendations next year, should favour a statutory marketing board.

BOEING CRASH

Nightmare Come True

THE nightmare of many a jet pilot came true on Sunday at Orly airport: the brakes were unable to pull a Boeing 707 to a stop during take-off and 131 people died. If a certain critical speed is not reached during take-off by the time the aircraft has travelled a given distance down the runway (usually because the engines are not producing enough power, although there are other reasons) the pilot is under instructions to put on the brakes and abandon the take-off. So says the rule book; but pilots of jets weighing 140 tons racing down the runway at between 150 and 200 mph during this critical stage might be forgiven for hesitating before they try to stop this monster on its brakes alone. And in the seconds that they hesitate, the jets may have passed from the speed at which they can—theoretically—be stopped to the speed where they must take-off or crash. The problem does not arise on propeller aircraft where take-off speeds are slower, and where putting the propellers into reverse pitch can provide a braking effect more powerful than anything that can be applied to the wheels.

Safety experts are beginning to suspect that pilots sometimes take-off under marginal conditions precisely because they fear an accident like that at Orly. They might not do this if some further braking mechanism were provided on the machine,

or the runway itself, to halt aircraft. Military machines use tail parachutes; crash nets have been discussed, but the most promising device seems to be the navy-type arrestor wires tested in the United States by the Federal Aviation Agency. These have pulled up a fully laden Boeing 707 without damage on a hook dropped from the fuselage. The Orly accident will doubtless accelerate this kind of research. Pilots—and passengers—need some assurance that the toll of take-off and landing accidents will stop.

COTTON TEXTILES

No Change

HAVING decided against extending further aid to the cotton textile industry, the Government has diplomatically waited until almost the final hour before announcing that decision. A statement was promised before the Whitsun recess in answer to the industry's well directed and *persistent lobbying against imports* and for an extension of the qualifying dates for assistance under the re-equipment scheme. Tighter import restrictions on Commonwealth countries have been refused. That much might have been guessed by the Board of Trade's earlier endorsement of Hongkong's offer to extend current restrictions on exports of cotton textiles to this country for a further three years after the end of 1962 and to limit yarn exports which had not previously featured in the Commonwealth agreements. No extension of the re-equipment scheme was offered either, so that the industry has nothing to show for a campaign which, one hopes, reached its climax in this week's demonstrations.

The President of the Board of Trade was able to point out that supplies from all the major low-cost Asian producers, communist countries and Spain are now regulated, so that stability will be ensured "over a large part of the market" if other Commonwealth countries accept arrangements similar to those suggested by Hongkong. This sort of stability is ensured over too large a part of the market for Lancashire's taste. The revised Commonwealth agreements have escalator clauses which permitted supplementary exports when conditions in Britain warranted it. At the moment the export ceilings are above the level of imports so that the tables have been turned on the Lancashire industry, which might have to wait until imports hit their ceilings before they get the full benefit of greater demand in the British market. The Cotton Board has recorded intense disappointment on behalf of Lancashire at the failure to reduce imports. But a new licensing system for imports has been announced by Mr Erroll, which will allow restrictions to be rapidly imposed should imports expand suddenly from an unexpected quarter. The Government has also decided to accept the long-term Geneva agreement on exports of cotton textiles by low-cost producers, under which Britain is exempted from the obligation to admit increased imports.

SHORTER NOTES

Sweden, which on Thursday reduced its Bank rate from 4½ to 4 per cent, is the first country to have made a voluntary supplementary contribution to the International Development Association. It is contributing an extra $5.8 million in freely usable Swedish kronor, in addition to its initial subscription of $10 million. Mr Eugene Black, president of the World Bank, has expressed his gratitude and asked other countries to follow. But a general increase in subscriptions, he says, will in any case be necessary.

★

The Organisation of Petroleum Exporting Countries, in Geneva this week, completed the conference that it had adjourned in April for representatives to consult with their governments. OPEC at this week's meetings accepted Libya and Indonesia as full members to take part in its discussions: but the upshot of these discussions will not be fully known until its resolutions are published in about two weeks' time.

★

With the introduction of the shares of Gerrard and Reid next week all twelve members of the London Discount Market Association will have quotations for their shares. Both 6 per cent preference and £1 ordinary shares are being introduced and dealings in the ordinary shares are expected to start at about 52s. 6d. to offer a yield of 4½ per cent on an indicated dividend of 12½ per cent.

★

The Stock Exchange inquiry into dealings in Eastwoods shares prior to the announcement of take over proposals by Rugby Portland has now been completed. It is understood that it shows there is some foundation to the allegations that there was a leakage of information. The Stock Exchange Council has given to the chairman of both companies details of certain transactions in Eastwoods shares.

★

Notwithstanding the protests from Mr Dillon, Secretary of the US Treasury, European countries are continuing to borrow on the New York market. The latest is Portugal which, as part of a general borrowing programme of $125 million from the United States, the World Bank and Germany, is raising $20 million from leading United States banks in two, three and four year notes with coupons of 5½ per cent. The loan was negotiated by Dillon, Read & Co.

★

Lord Rank is to retire as chairman of Rank Organisation after the annual meeting in October and he will be succeeded by Mr John Davis, the present deputy chairman and managing director. Lord Rank is to become president of the Rank Organisation.

★

Last year the number of new companies registered in this country fell from 34,312 to 33,645. A total of 416,894 companies were registered at the end of 1961, compared with 393,494 at the end of 1960. The number of public companies had fallen by 124 to 10,682 by the end of the year though their total paid up capital rose by £153 million to £4,879 million.

★

Although diamond sales through the Central Selling Organisation were lower in the first quarter of this year than in 1961, exceptionally high sales in May raised the total for the first five months of the year to £40.9 million, compared with £38.8 million in the same period in 1961.

★

Mr H. Benson, deputy governor, and Lord Heyworth have resigned from the board of the Hudson's Bay Company. No reason has been given for their resignations.

★

Plans have been announced for the reorganisation and expansion of the Wider Share Ownership Committee. A council of supporters has been formed which will have up to 250 corporate and individual members and an appeal has been launched for £30,000 to finance a campaign to interest the "small" and "new" investors in share ownership.

★

The trading profits of the British and Commonwealth Shipping Company fell in 1961 from £8,317,000 to £6,454,000, and net profits from £4,341,000 to £3,005,000. The ordinary dividend has been maintained at 20 per cent.

★

Net profits of Associated Newspapers, which owns the *Evening News* and *Daily Mail*, rose from £1,602,000 to £2,269,000 in the year to March 31st; the dividend has been raised from 27½ to 30 per cent, and a one-for-two scrip issue is proposed.

★

Sales of Firth Cleveland, the industrial holding company, fell from £36 million to £34 million in 1961, and gross profits fell from £3,067,000 to £2,076,000. The ordinary dividend has been maintained at 32 per cent.

COMPANY MEETINGS

PRESSED STEEL COMPANY

RECENT MARKED IMPROVEMENT

STEADILY RISING VOLUME OF BUSINESS ENVISAGED

NEED TO HOLD CAR PRICES AT COMPETITIVE LEVEL

MR ALEX. ABEL SMITH'S STATEMENT

The thirty-fifth annual general meeting of the Pressed Steel Company, Ltd., was held on June 4th at the Queen's Room, Baltic Exchange Chambers, St. Mary Axe, London, E.C., **Mr Alex. Abel Smith, TD, JP,** chairman, presiding.

The Secretary, Mr J. S. Kean, CA, read the notice convening the meeting and Mr G. E. Richards of Price Waterhouse & Co. read the report of his firm.

The following is the chairman's statement circulated with the report and accounts for the year to December 31, 1961:

THE ACCOUNTS

The year under review was the most difficult experienced in the Company's history. The Accounts for the year show a loss on trading of £675,240. To this must be added charges for debenture interest, depreciation and remuneration and expenses of the auditors. In addition, full provision has been made against the design and development expenditure incurred by the Company's aircraft subsidiaries. On the other hand, taxation provisions totalling £962,493 made in former years and now no longer required have been credited to Profit and Loss Account; this figure includes £550,000 previously transferred to tax equalisation account which can now be released in view of unabsorbed capital allowances. After taking all these items into account and deducting the proportion of the year's loss attributable to minority shareholders in subsidiaries, the group loss amounted to £2,638,383.

The balance brought forward on Profit and Loss Account from last year amounted to £2,365,514 to which has been added £1,500,000 transferred from general reserve. After charging the loss referred to above, together with the regular dividends paid on the two classes of Preference shares and a dividend of 5 per cent on the Ordinary shares as recommended below, there is left a balance of £990,189 on Profit and Loss Account.

During the first three months of the current year there has been a marked improvement in trading, but, as mentioned below, substantial additional borrowing will be necessary to meet the balance of expenditure on the Company's development programme. While your Board is conscious of the need for the time being to conserve the resources at its disposal it nevertheless feels justified in recommending the payment of a nominal dividend of 5 per cent on the Ordinary shares in respect of the year 1961.

BALANCE SHEET

Fixed assets show an increase of £9,558,541 reflecting further investment in connection with the expansion programme. Of this sum £6,279,793 was attributable to new plant, machinery and equipment.

The increase in interests in subsidiaries reflects the growth of British Executive and General Aviation Ltd. (Beagle).

The increase of £23,704 in the amount of issued Ordinary shares is accounted for by the conversion during the year of £74,075 of the remaining outstanding £80,500 5½ per cent Convertible Debenture Stock 1977/82. The balance of £6,425 was redeemed in accordance with the provisions of the Trust Deed.

Liabilities include borrowings of £5,000,000 from the Board of Trade, details of which are included in the notes appended to the accounts, and £3,959,306 from the Company's bankers making a total of £8,959,306. The item "Other bank advances" refers to a credit guaranteed by Export Credit Guarantee Department and financed by the Company's bankers. This credit has been granted to an overseas associate of one of the Company's important home customers in connection with the supply of car body tools.

Outstanding capital commitments at the year end were £5,950,000 and to complete the expansion programme approximately a further £3,290,000 will be required. Under arrangements already made with the Board of Trade an additional £4,500,000 is available from that source and your Company's bankers have indicated their willingness to provide bridging finance for the gap that may remain. The size of this gap will be influenced on the one hand by the amount of additional working capital that may be required and on the other by the contribution that will be made by retained earnings—which in turn is dependent on the course of business.

THE PAST YEAR
MOTOR CAR BODY DIVISION

A disappointingly low level of body business persisted throughout the year. Apart from a general recession in the industry there were two other factors mainly responsible for this: first, the restraints on trade in the form of credit and hire purchase restrictions and the surcharge on purchase tax imposed by the Government at a time when business in the motor car industry was already flagging: and second, the series of unofficial strikes which plagued the industry throughout the year. In particular, a vital portion of your Company's Swindon plant was closed for more than a month in the early summer by a stoppage which was immediately and publicly denounced by the main Union concerned as being unconstitutional: additionally, there were major unconstitutional strikes at the factories of certain of our customers and other suppliers to the industry. As an indication of the extent of the damaging effect of these strikes, there was not one month in which the Company's production was free from interruption.

This combination of adverse circumstances was experienced in a year in which heavy extra costs were incurred in bringing into production new manufacturing facilities and newly automated assembly lines. It is not unduly difficult to absorb the extra costs and additional overheads involved in starting up a new plant during a period when business is generally good and volume builds up quickly; but it is doubly difficult to do so during a period of recession especially when the effects of the recession are intensified by strikes. In the result a sharp reduction inevitably occurred in the profitability of this important division.

On one point, however, your Board was never in any doubt, and that was the necessity in the interests of the Company, of the motor car industry and indeed of the country that the build-up of production facilities should go forward in order to ensure that the capacity and the trained labour would be available to meet the foreseeable body requirements of our motor car customers. In fact, good progress was made with the expansion programme, but the substantial financial contribution from retained earnings which had been anticipated, was lacking. This necessitated earlier recourse to the Company's bankers than had been planned, a matter to which I have already referred.

PRESTCOLD DIVISION, SWANSEA

The year under review was once again a disappointing one so far as sales of domestic refrigerators were concerned. The market was adversely affected by the various restraints imposed by the Government and furthermore that important factor, the weather during the summer, was far from favourable to sales. Consequently, the industry experienced an intensification of the price-cutting war at a time when manufacturing costs were continuing to rise.

During the year the final stages of the move of the Refrigeration Division from our Cowley and Theale factories to our new plant at Swansea were completed and the build-up and training of the labour force proceeded. A move of this magnitude is inevitably a costly operation. In addition, as is to be expected with a

new factory incorporating a high degree of automation, a number of teething troubles were experienced which had their effect on production and costs.

The commercial refrigeration business continued to expand satisfactorily but its results were affected by extra costs involved in bringing the new factory into operation. This, coupled with the low volume and cut prices on the domestic side, resulted in unprofitable trading for the division as a whole. The necessity to write down stocks at the end of the year due to general price cutting by competitors also adversely affected the results.

In the autumn a Prestcold dishwasher was introduced. This has been well received and is proving a useful addition to the Prestcold range. We also introduced a waste disposer—something which in the United States is looked upon almost as a necessity in the kitchen; while its advantages have still to be fully appreciated in this country, sales are increasing.

A matter which in the Board's opinion is of considerable importance for the future, was the announcement towards the end of the year by your Company and the English Electric Company of an agreement which will lead to a rationalisation of certain of the manufacturing facilities of the two companies in the field of domestic appliances. This arrangement will I am sure prove of value to both companies.

Prestcold Finance Limited, in which your Company has a 40 per cent interest, has steadily increased its business which, though still relatively small, is progressing on sound and profitable lines. Arrangements are being made to extend the facilities offered by the Company to cover aircraft sold by Beagle.

RAILWAY CARRIAGE AND WAGON DIVISION, LINWOOD

As I have been at pains to point out in the past, the prosperity of this Division is largely dependent on the British Transport Commission. The Commission, for reasons that are all too well known, has during the past few years placed progressively fewer orders for rolling stock. Furthermore, there was very little export business offering. While your Company was successful in obtaining a reasonable share of such orders as were placed, to meet competition it was necessary to quote very keen prices.

With the large scale introduction of motor car body work to our Linwood factory, which at one time was devoted almost exclusively to railway business, it is proving possible to find other uses for the area no longer required for rolling stock.

BEAGLE

An outstanding event of the year was the excellent reception accorded to the four Beagle prototype models which were displayed at the Society of British Aircraft Constructors' Farnborough Show last September. They were a Beagle B.206 twin engined executive aircraft powered by Rolls-Royce Continental engines, a single engine Beagle Auster Airedale, a Beagle Auster Terrier, and a Beagle Auster Mark Eleven—the latter being a military liaison aircraft. The roominess and general cabin design of the B.206, coupled with its performance, attracted favourable comment and resulted in a large number of enquiries.

Since Farnborough there has been further progress. Both the Airedale and the Terrier are now in production and plans for the manufacture of the B.206 are in hand.

The outlook therefore is promising, but, it was nevertheless considered prudent to write off the development expense of the aircraft project, pending an evaluation of its earning capacity.

TRAINING CENTRE

Of general importance to all spheres of the Company's activities was the opening on September 20th by Mr William J. Carron, Chairman of the Confederation of Shipbuilding and Engineering Unions and President of the Amalgamated Engineering Union, of the Company's new training centre at Cowley. This will enable the Company to increase appreciably its craft and student apprentice intake and provide training for a greater number of supervisors and management trainees. That this is a worthwhile and indeed essential investment having regard to the growth in the Company's labour force, actual and anticipated, your Board is in no doubt.

THE OUTLOOK

Motor Car Body Division—Business showed the first real sign of upturn in January but scheduled deliveries of bodies could not be met due to interruptions in production on a number of days on account of the severe weather conditions. In February shipments of bodies showed further improvement and this trend has continued, although I am sorry to say that some production has been lost due to more stoppages in the industry; fortunately these have not been of long duration. The new 723,500 sq. ft. building at the Swindon plant is complete and production has started. Motor car body production is also increasing at the Linwood plant. In both cases initial costs on new models continue to be heavy, but as output improves this situation will be corrected. According to our customers' forward schedules, there should now be a steady production build-up to satisfactory levels.

At Linwood an additional 500,000 sq. ft. building is in course of construction from which bodies will be shipped to the adjoining Rootes Group factory which is also under erection. This building, which is expected to be equipped and ready for production by the end of the year, will mark the completion of the expansion programme.

Your Company's body and tool making capacity will then be nearly double what it was in 1959 when the programme was announced. Bodies and/or body tools are now being supplied to the following companies: Alfa-Romeo, B.M.C., Ford, Jaguar, Rolls-Royce, Rootes, Rover, Siam di Tella (Argentina), Standard-Triumph International, Vauxhall and Volvo. While fluctuations in demand are inevitable, your Board shares with its customers the conviction that the world is car hungry and that the trend of sales will be strongly upward over the years that lie ahead.

I believe that the motor car industry has once more entered on an upward cycle. In this it has been helped by the recent reduction in purchase tax and I am hoping for a steadily increasing output of bodies, anyhow for the next four or five months. This, however, will not be attained if the industry is to suffer, directly or indirectly, interruptions by stoppages of work.

In April, 1961, the Minister of Labour held a series of meetings between employers in the motor industry and the Unions concerned, and as a result a charter was signed with a view to eliminating these unofficial strikes. Unfortunately, subsequent events have not yet shown any real improvement in labour relations, and perhaps there is still scope for some further development of existing procedures.

This is a vital time for the industry—demand for British cars on the Continent is rising encouragingly, but if sales are lost due to inability to deliver on account of strikes, they may well be lost for good. And equally as important is the fact that manufacturing costs should be held steady. It is being proved daily that British-made cars are at present competitive in price but that situation can all too easily change if costs rise.

Prestcold Division—The Budget has brought a little comfort in that the effective rate of purchase tax on domestic refrigerators has been reduced to 25 per cent as a result of the withdrawal of the surcharge, but credit restrictions which bear so heavily on the sale of refrigerators and other consumer durable goods are still with us. I nevertheless believe that a hot summer would have the effect of lifting sales appreciably above last year's levels. The most disquieting aspect of the refrigeration picture is the fact that estimates of existing productive capacity for domestic refrigerators in this country indicate a total for 1962 of more than twice last year's volume of sales. This can only lead to a continuation of cut-throat competition and a price-cutting war. It is for this reason that I welcome so warmly our agreement with the English Electric Company. It is perhaps pertinent to mention that when your Board took the decision in 1959 to enlarge the Company's productive capacity, there were about thirteen manufacturers of domestic refrigerators in this country, whereas there are now approximately double that number. In addition many foreign makes are on sale.

At the same time, with currently only 26 per cent of homes in this country equipped with refrigerators, there is a great market potential but, with competition as it exists today, it is difficult to see any manufacturer, however efficient, showing a satisfactory return on the capital invested.

Railway Carriage and Wagon Division—The Company has sufficient business in hand, including orders for New Zealand and Pakistan, to keep the reduced production facilities busy for the rest of this year. The order for fifty "Roadrailers" placed by the British Transport Commission last year should be completed shortly; further tests will then be carried out including running trials as complete trains. If these are satisfactory we hope that substantial orders will eventuate; in this we are encouraged by the interest being shown by a wide range of potential industrial users. At the same time the fact remains that the B.T.C. policy appears to be one of retrenchment.

As the future looks to-day, I cannot see this division making at best more than a modest contribution to profits. Rather than allow production facilities to lie idle, our policy will be to continue, where possible, utilising space which is surplus to the requirements of this division for motor car business.

Beagle—I am glad to be able to report that an encouraging sign of official support for Beagle's activities is an order which has been received for two B.206 aircraft from the Ministry of Aviation for the purpose of an evaluation leading towards what we may well hope will be a substantial production order. At the same time, the Army has placed an order for an ultra-light autogyro which we have developed and which, again, encourages us as an indication of military interest.

Martin Electrical Equipment & Manufacturing Company (Theale) Ltd.—An announcement of the formation of this company to manufacture resistance welding equipment, rolled metal mouldings and light stampings, was made in March. The welding equipment which is very advanced in design and has an application to a wide range of industry, will be manufactured in our Theale factory. Your Company's interest in this new company is 40 per cent, the balance of the capital being held by Thompson Enterprise, S.A., a Swiss subsidiary of Thompson Industries, Inc., of Indianapolis, U.S.A.

To sum up it will be clear that the Company is still in a difficult period of development and expansion. Nevertheless a return to profitable trading during the first three months of the current year encourages the Board to hope for much improved results for 1962. By the beginning of 1963, our expansion programme will be completed and we shall then I hope be able to settle down to what I believe will be a steadily rising volume of business which will fully justify the large capital investment that will have been made.

BOARD CHANGES

Mr J. S. Kean, Secretary of the Company, has joined the Board. Mr L. Blount and Mr R. Wattis have been appointed Divisional Directors.

At the end of the year Mr A. L. Shuttleworth reached the retiring age after 35 years service and retired from the Board. Mr A. D. Sutherland, a Divisional Director, also retired on attaining retirement age after 34 years service.

I would like to pay tribute to the valuable contribution made by these two Directors during their many years of service.

TRIBUTE TO EMPLOYEES

I should on your behalf like to thank all those who work for the Company for their contribution during an exceptionally difficult year.

The report and accounts were unanimously adopted; the proposed dividend was approved and the retiring directors, Mr Alex. Abel Smith, TD, JP, Mr R. T. Pemberton, MIMechE, MIChemE, and Mr J. S. Kean, CA, were re-elected.

BAKER PERKINS LIMITED

EXTRACTS FROM THE CHAIRMAN'S SPEECH TO THE STOCKHOLDERS AT THE 61st ANNUAL GENERAL MEETING 30TH MAY, 1962

It is somewhat of an innovation to hold Annual General Meetings in an evening, but I felt that we should give an opportunity to our local and employee stockholders to attend and learn a little more about the Company and how its affairs are conducted.

As you will see from the map at the end of our Annual Report, we are reaching out into every corner of the world, but we are faced with more intense competition on all fronts; 45 per cent of our sales are now made outside the United Kingdom.

Your Directors have constantly in mind the need to keep the costs of our equipment as low as possible. At the same time, if we are to keep developing new and up-to-date equipment which will make the industries we serve more efficient, we have to spend large sums of money in research. The high design cost of automatic machinery is not always appreciated by the user.

We expect to have a reduction in expenses during the year, as the Bank Rate was reduced to 4½ per cent on April 26, 1962, just after my Annual Review had gone to the printers, and the rate of interest we pay on our bank overdraft is reduced proportionately. We are also proposing to attack costs by reviewing and modifying, where necessary, the Company's organisation to meet changing conditions.

EUROPE

I recently attended the DRUPA Printing and Paper Exhibition in Düsseldorf, Germany, and was greatly encouraged with the number of visitors to the stand of our subsidiary, James Halley & Sons Ltd. In this highly competitive international field of printing machinery their exhibits were creating a good deal of interest. With this encouragement, we hope to be able to extend in the not too distant future the line of printing machinery offered by the Group.

Earlier this month I returned from a visit to our associated company in Germany and am happy to report that I found it prosperous and very confident of maintaining its position in the Common Market. I also visited our subsidiary company in Cologne, which sells wrapping and packaging machinery in Germany, and found it confident that it could continue to sell British machinery on competitive terms. In fact, we have recently spent about £75,000 in building and equipping a sales office and demonstration facilities as we feel we can use our office in Cologne to develop our sales of wrapping and packaging machines throughout Europe.

The Group is, therefore, well placed in its coverage of the European Common Market countries and sales there should certainly not suffer by the elimination of tariffs if Britain becomes a member. On the other hand, Britain's membership would mean that the Group would meet with much stiffer competition in this country if tariffs on imports are gradually cancelled on equipment from European manufacturers. In my view, if Britain does enter the Common Market the necessity for us to manufacture there will be greatly reduced. If she does not enter, then I think we shall have to consider very carefully the establishment of our own manufacturing facilities in one of the Common Market countries to avoid the import duties that will be levied against us. I am saying this because I am not sure that the position is always clearly understood.

OVERSEAS SUBSIDIARIES

It is now almost a month since I wrote my Review, which was circulated with the Report and Accounts for 1961. In reporting the poor results of your United States subsidiary, Baker Perkins Inc., last year, I find that these were not too different from those reported by many other companies in the manufacturing industry.

I feel that I should make a brief statement on the current trading position as it has developed since my Review was published. I am sorry to report that during the past four weeks your United States company has been suffering the effects of a strike, as the workers refused to accept the terms of a new three-year agreement on wages and conditions negotiated with their representatives. It is not known how long this stoppage will continue but, needless to say, it has already had an effect on the profits for the year and will do so to an increasing extent if it is prolonged.

Also I regret to say that the improved rate of order-taking for 1962 by your United States subsidiary, mentioned in my Review, has not continued, and in both the Bakery and Chemical machinery fields orders have slowed down. There are still prospects of big Bakery plant orders but unless they are received in the very near future they will be too late to have much effect on 1962 profits. United States Stock Exchange prices slumped in the last week, which is indicative that business as a whole over there does not seem to be developing in 1962 in the way that was hoped. This may well have its effect on our Company in the United States, in common with other producers of capital goods. It is too early to say what effect it may have in other parts of the world.

The Australian Company is producing excellent results, and we are happy to be welcoming shortly the visit of Mr Allan, Managing Director of Gordon Brothers Pty. Ltd. of Melbourne, in which company we have a substantial investment.

THE CURRENT YEAR

Viewing the operations of the Group this year as a whole, I can only repeat what I have stated in my circulated Review, namely, that during the year to date trading has in general been at a fair level and gives promise of reasonable results for the year, so far as one can see at this stage, apart from the warning I sounded earlier when I was talking about the United States.

A. I. BAKER.

FINANCIAL SUMMARY

	1960 £	1961 £
Total Sales	18,000,000	23,700,000
Net Profit after Tax and Minority Interests	530,000	686,000
Distributed as Net Dividends	232,000	293,000
Retained for employment in the business	298,000	393,000
Ordinary Issued Capital Stock	3,072,000	3,993,000
Net Profit as % of Ordinary Stockholders' Equity	6·5%	6·8%

Since the chairman gave his statement at the annual general meeting the strike at Baker Perkins Inc., has been settled.

SPILLERS LIMITED

SATISFACTORY OUTCOME OF YEAR'S OPERATIONS

THE COMMON MARKET: HARMONISING OF AGRICULTURAL SUPPORT SYSTEMS AS YET UNRESOLVED

SIR WILFRED D. VERNON'S REVIEW OF HOME AND OVERSEAS INTERESTS

The 75th annual general meeting of Spillers Limited was held on May 31st at Old Change House, Cannon Street, London, E.C.4, **Sir Wilfred D. Vernon** (the Chairman) presiding.

The following is the statement by the chairman which had been circulated with the report and accounts for the year ended 31st January, 1962:

FINANCIAL REVIEW

The financial outcome of the year's operations was satisfactory and despite keen competition there was a small improvement in the overall rate of trading profit earned on turnover and on capital employed.

The group profit before taxation was £5,827,000. This was arrived at after a higher charge for depreciation occasioned by several factors, viz. a rise in replacement costs, the coming into operation of additional equipment and the inclusion of a full year's provision in respect of two subsidiary companies acquired in 1960-61. This profit represents an increase of some 10 per cent over that for the previous year. About one half of this increase came from our own trading operations and the remainder from income from trade investments which this year was augmented by a dividend from our associated company in Rhodesia. After providing for taxation (which was relatively higher than last year mainly because of the rise in the rate of the profits tax) there was a net profit attributable to shareholders in Spillers Limited of £2,822,000 as compared with £2,639,000 for 1960-61.

It is proposed to pay a final dividend of 7½ per cent on the ordinary shares which with the interim dividend of 2½ per cent will make the total distribution the same as for the previous year. The results would have justified a small increase in this distribution but the Directors considered that in all the circumstances, including the Government's appeal for restraint at this time, the right course was to leave the dividend unchanged.

Capital expediture at some £5 million was considerably less than last year and related in the main to the replacement, improvement and extension of production facilities. In addition working capital requirements at the year-end had increased by some £2½ million. Against this increased investment of £7½ million there was a net cash flow, represented by depreciation provisions and retained earnings, of about £4 million. Liquid balances accordingly fell by about £3½ million. It is the fact, of course, that there are periodic fluctuations in the working capital needed—particularly with stocks of raw materials—and the latter were somewhat high at the balancing date.

WHEAT AND GRAIN MARKETS

For a number of years past world production of wheat has exceeded consumption with the result that large surplus stocks were built up, particularly in the USA and Canada. 1961 saw the first significant reversal of this trend. This was brought about by a combination of substantial purchases by China from Canada and Australia and the effect of prolonged drought in reducing the Canadian crop to about half its normal quantity. There has consequently been a material reduction in the Canadian surplus and it is expected that the carry-over in Canada at the end of the cereal year on 31st July next will be the lowest for a decade.

Arrangements for a new International Wheat Agreement have been concluded and subject to ratification by the member governments this will come into operation on 1st August 1962. It is of particular interest that the Government of the USSR has decided to become a party to it. The new agreement provides for increasing both the minimum and maximum prices by 12½ cents a bushel.

There was a general advance in wheat prices during the year particularly of English and Canadian wheats. Whether prices will continue to rise further cannot be predicted with any certainty since many factors are involved. These include not only physical considerations such as the extent of the 1962 crop, but political decisions in certain countries both as to import and export.

In the case of coarse grains there was a generally upward trend in the price of maize with a slight weakening towards the end of the year. The United Kingdom produced a record crop of nearly five million tons of barley in 1961. Contrary to the fear which I expressed last year it now seems probable that the whole of this will be absorbed by home consumers without undue difficulty. Indeed despite some rather disorganised marketing in the early stages the price rose sharply and remains at a high level.

The rise in wheat and grain prices combined with higher wages and other costs necessitated some advance in the price of a number of our own products during the year.

SURVEY OF PRINCIPAL ACTIVITIES

Flour Milling: There is little indication of any increase in the consumption of flour in the highly developed countries. In the United Kingdom the situation is aggravated by the continued import of flour at "dumped" prices from countries where milling capacity is even more out of relation to current demand than it is here. These conditions make for intense competition and there was a small falling off in our own deliveries last year with a consequential reduction in profit. Although flour milling still constitutes our largest single activity I think shareholders will be interested to know that it now accounts for less than half of our turnover and earnings.

Animal Feeding Stuffs: Our business in this field—which covers a comprehensive range of feeding stuffs for all types of poultry, cattle, pigs, sheep and horses—continues to expand. As I have previously informed you it has been our policy to concentrate on the development of high quality compound foods designed to give the most profitable results to producers of livestock and dairy produce. This necessitates heavy expenditure on research, experimental and advisory services and I believe that our efforts in this connection are being justified by the manner in which our products are received by the agricultural community.

Earnings during the year rose with increased volume of business although keen competition kept margins below the level which we would consider reasonable.

Baking: Our principal concern during the year was the commissioning of the new bakeries to which I referred in my last statement and the continued improvement of efficiency at existing units. I am glad to say that overall there was some expansion in volume of business and in earnings.

Other Activities: Steady progress was made on the pet foods side. Results were satisfactory for biscuits and meals where we lead the market and we continued to develop our trade in canned pet foods.

Rusk and allied products together with "Pinjar" seasonings, spices and stuffings also made progress.

Our position with self-raising and prepacked plain flour was maintained.

The merchanting section had a successful year.

Extent of Manufacturing Operations: Since the widespread extent of our manufacturing operations in this country may not be fully appreciated we have this year included with the Annual Report a list of the various factories and their locations. This shows that there are in operation 15 flour mills; 11 feed mills; 12 biscuit and rusk factories; 2 canning factories; 54 bakeries; and 10 other plants. It will also be seen that these are so placed as to offer facilities for economic distribution of the products concerned to most parts of the country.

OVERSEAS INTERESTS

As you know the Rhodesian Milling Co. (Pvt) Ltd. is owned jointly with the British South Africa Company and has been steadily developed for a number of years. It is engaged in the production of flour, maize, meal and animal foods and operates mills and factories at Salisbury, Bulawayo, Umtali and Gwelo in Southern Rhodesia and at Lusaka and Livingstone in Northern Rhodesia. Its associated companies operate bakeries in Salisbury, Bulawayo and Kitwe (NR).

Development and modernisation is continuing on a substantial scale but the directors of the Rhodesian company decided that a stage had been reached when there should be some distribution of current profits and the company declared a dividend in respect of the year ended 31st May, 1961.

Like all investors in Rhodesia we are deeply concerned by the political problems affecting the Federation and I earnestly hope that a solution will be found which will permit the continued economic development of these territories and so further the advancement of all races. I should like to pay tribute to what has already been achieved in this way and to say that given conditions of stable and responsible government I would hope that the policy of partnership among the various peoples would be pursued at a reasonable pace, bearing in mind that attempts to force this in advance of the capacity of the African population could result in disrupting the progress already made. Political considerations apart I have confidence in the continued success of the Rhodesian company despite some measure of rising costs.

In Australia our associated company, John Darling & Sons (Australia) Ltd., which trades in Victoria and New South Wales, has been merged with Allied Mills Ltd. Allied Mills Ltd. is a public company carrying on a similar business as millers and bakers together with other interests in the production of foodstuffs in New South Wales. Our investment in the form of ordinary shares and unsecured notes in Darlings has been exchanged for similar holdings in Allied Mills—our proportionate share in the capital of the latter company being of course much lower than it was in Darlings. It is considered that this amalgamation of interests will effect considerable economies and go some way towards securing desirable rationalisation in the milling and baking industries in New South Wales. The Darling company paid the same dividend as formerly for its last financial year.

THE COMMON MARKET

The question of the possible effect on the company and the industries of which it forms part in the event of the United Kingdom joining the European Economic Community is naturally one which engages our close consideration. The problems arising are peculiarly complex for us because of the special factors relating to agricultural produce and manufactured products derived therefrom. In all of the six countries at present constituting the Common Market there exist various arrangements for the support of agricultural prices. The securing of agreement among the Six on some plan for harmonising these arrangements has been difficult and protracted. The further problem of harmonising the British system of agricultural subsidies with any such plan is, so far as I am aware, as yet unresolved.

At the risk of over-simplification one would say that the essential difference between the continental and British support systems lies in the circumstance that broadly under the former the consumer of the product bears the cost of the support whereas in the United Kingdom this is met by direct subsidy from the Exchequer. The effect of the latter is presumably cheaper food at the cost of higher direct taxation.

The continental plan for cereals and their derivatives would seem to be based on a complicated system of import levies, quotas and some element of official price intervention. The British approach must presumably provide for adequate safeguards for home agriculture and have due regard to our obligations to the Commonwealth. Clearly there are wider issues of national policy involved than those affecting our own industry and these may well lead to this country joining the Community and consequently some harmonising of the agricultural support systems. Nevertheless I must own to some disquiet about the possibility of our being faced with a system, which apart from raising price levels, might entail some loss of freedom both as regards choice of markets for raw materials and the ordinary conduct of our business. At this stage, however, the situation is too obscure to permit of any balanced judgment and all I can say is that we would not as a company be afraid of competition, provided it was on a basis of fair trading, both within and outside the Common Market.

OUTLOOK

In a business like ours, which is affected amongst other things by international factors like grain prices and freight rates and where domestic competition is so keen, it is difficult to make any reliable forecast of results at such an early stage in the financial year. Judged by preliminary estimates for the early months, however, we have made a useful start and I am hopeful that the outcome of the year as a whole will be satisfactory.

PERSONNEL

The past year has not been a particularly easy one and my colleagues and I are therefore the more grateful to the management, staff and workpeople throughout the whole organisation for their continued efforts and contribution to the satisfactory results. I know that the shareholders will wish to join in this expression of thanks to all concerned.

The Directors in their Report have paid tribute to the outstanding service to the Company and the industry of my two colleagues who are retiring shortly after this meeting—Mr H. B. Vernon and Mr Laurence Hosegood. I should like to add an expression of my high appreciation of their distinguished work and my warmest gratitude for their assistance to and co-operation with me personally over the many years of our happy association in the business.

I should also like to commend to you the confirmation of the election to the Board of Mr Normand. He will be primarily responsible, under the Managing Directors, for the animal feeding stuffs side of the business and I am sure that his appointment will be much in the company's interests.

CHAIRMAN'S ADDITIONAL REMARKS

Addressing the meeting, the Chairman said:—

Before concluding the business of the meeting I should like to tell you that during the past few months we have been actively considering introducing a share option scheme for the Directors and the senior executives in the Company. We think that a scheme offering as it will an incentive to those executives, whose influence on the results of your company must in the nature of things be considerable, is to be commended both in the interests of the individuals concerned and also in the interests of the Company and its shareholders. As you know, a scheme of this nature involves the issue of new shares, which requires the sanction of the Company in general meeting and it is our intention to summon an Extraordinary General Meeting in the near future in order to obtain the necessary authority. The number of shares required will not exceed one and one half per cent of the issued equity of the Company.

As Chairman of the Company and as the holder of a relatively large block of shares for many years, and in order to retain an impartial view, I shall not personally participate in the scheme; neither, for the same reason, will Sir Archibald Forbes, the Deputy Chairman.

That is all I have to say upon the subject now, ladies and gentlemen, and that concludes the business of the meeting.

The report and accounts were adopted and the final dividend, as recommended, was approved.

The appointment of The Hon. William Normand as a director was confirmed and the retiring directors, Mr H. W Pratten and Mr C. P. Rishworth, were re-elected. The directors having been authorised to fix the remuneration of the joint auditors, Messrs Chalmers, Wade, Impey, Cudworth and Co., and Messrs Deloitte, Pleader, Griffiths and Co., the proceedings terminated.

DEUTSCHE PFANDBRIEFANSTALT

— Incorporated under Public Law —

WIESBADEN-BERLIN

Balance-Sheet as at 31st December 1961.

(Abridged)

Liabilities:	DM	Assets:	DM
Debenture stocks in circulation	1,838,168,827.85	Long-term loans	2,169,443,064.57
Long-term borrowings	607,870,979.74	Equalisation and coverage claims	44,598,412.29
Short and medium-term liabilities	30,169,099.03	Securities	82,307,754.78
Deposits	9,531,304.20	Cash on hand, including credit balances at Federal Bank and on Postal Cheque Account	1,278,983.33
Interest on debenture stock in circulation and long-term borrowings	29,786,194.07	Credit balances with credit institutions	244,503,759.87
Transitory credits	173,705,058.13	Own debenture stocks	12,544,464.94
Capital stock	50,551,443.71	Short and medium-term receivables	81,380,743.80
Reserves	49,895,725.95	Interest on long-term lendings	1,508,634.64
Adjustments of value	5,000,000.00	Transitory credits	173,705,058.13
Special reserves	12,323,796.23	Participations	1.00
Miscellaneous liabilities	1,116,752.26	Land and Buildings	5,000,000.00
Deferred items	11,212,561.61	Loss on issue of debenture stocks under redemption price	1.00
Profit carried forward from preceding year	95,480.59	Operating and business equipment	1.00
Profit for fiscal year	6,030,689.00	Miscellaneous assets	423,419.94
		Deferred items	8,763,553.08
Total	2,825,457,912.37	Total	2,825,457,912.37

Profit and Loss Account

Expenditure:	DM	Receipts:	DM
Wages and salaries	6,334,913.78	Interest on mortgages, local loans, other loans, equalisation and covering claims and substitute cover assets	121,267,456.25
Social security contributions	392,881.99	Other interest	6,468,597.74
Appropriation to pensions reserve and voluntary social security expenditure	1,257,697.59	Commission and other non-recurring receipts in the loan business	5,427,814.54
Depreciation	1,730,166.46	Receipts from participations	3,000.00
Appropriation to reserves	5,000,000.00	Extraordinary receipts	195,159.01
Interest on debenture stock	111,222,084.03	Other receipts	1,407,665.47
Other expenditure	2,801,260.16		
Profit for the business year	6,030,689.00		
Total	134,769,693.01	Total	134,769,693.01

Wiesbaden, January 24, 1962.

DEUTSCHE PFANDBRIEFANSTALT

The Board of Directors:

Dr. Lubowski; Dr. Quenzer; Dr. Letschert; Dr. Menard.

WOODALL-DUCKHAM LIMITED

COMPETITION KEENER AND MARGINS LOWER

GROUP'S POSITION OF OVERALL STRENGTH

MR T. C. FINLAYSON'S REVIEW

The 14th annual general meeting of Woodall-Duckham Limited will be held on June 25th at Woodall-Duckham House, 63/77, Brompton Road, London, S.W.3.

The following is the statement of the Chairman, **Mr T. C. Finlayson, CBE, MSc, Hon. MIGasE, MIChemE, FInstF,** circulated with the report and accounts for the year ended December 31, 1961:

In my last Statement I drew Members' attention to the fact that the annual profits of the Group are always greatly influenced by the dates on which substantial contracts are completed and brought into account and that the net profits for 1961 were not expected to reach the level of 1960. It was then anticipated that, apart from unknown circumstances, the profits for 1961 would enable the dividends forecast to be paid with an adequate margin for reserves. Although 1961 has not been an easy year for a Group mainly engaged in the supply of capital goods to the Steel, Coal, Gas and Chemical Industries, the year's results have generally conformed to these anticipations.

The consolidated Profit and Loss Account for 1961 shows a profit before taxation of £762,526 compared with £1,413,128 for 1960. Taxation amounted to £342,000 compared with £690,119 for 1960. The Net Profit applicable to Woodall-Duckham Limited for 1961, after sundry adjustments, was £435,651 against £696,255 for 1960. Out of the Group Net Profit of £435,651, profits amounting to £192,632 were retained by the Subsidiary Companies, leaving a Net Profit of £243,019 available in the Parent Company's Accounts.

The usual 5 per cent. Interim Ordinary Dividend was paid in December, 1961. Your Directors propose to recommend that a Final Ordinary Dividend of 16 per cent. should be paid on the Ordinary Shares in respect of 1961 making, as forecast, a total of 21 per cent. for the year on the increased Ordinary Capital. Ordinary Shareholders therefore will receive approximately the same overall return as for 1960.

The value of work carried out by the Group during 1961 was £14½ million compared with £13¾ million in 1960. The orders received by the Group amounted to £14 million compared with £13¾ million in 1960. The value of unexecuted work in hand at the beginning of 1962 was £21 million compared with £21½ million at the beginning of 1961.

TURNOVER ANALYSIS

Members may be interested to know the relative contributions of the Member Companies of the Group to the total turnover. Taking the average of the years 1960 and 1961, the following is the percentage of the Group total order book provided by the individual Operating Companies:—

Woodall-Duckham Construction Company Ltd.	65·0%
W. J. Jenkins & Company Ltd.	9·2%
Ames Crosta Mills & Company Ltd.	6·5%
Woodall-Duckham (Australasia) Pty. Ltd.	6·1%
United Fireclay Products Ltd.	5·7%
Nordac Ltd.	5·6%
The Stourbridge Refractories Company Ltd.	1·9%
	100·0%

Mention has already been made of the fact that 1961 has not been an easy year for the Group. I would like to elaborate this point so that Members can appreciate the present position. The principal Operating Company, Woodall-Duckham Construction Company Ltd., was built up on the design and construction of plant for the carbonisation of coal for the Gas and Coking Industries. As the Company was in the fortunate position of building over 50 per cent. of all such plants in Great Britain and as coal was (and still is) the one basic indigenous raw material abundantly available in this country, it did not seem to be excessively optimistic to anticipate that the demand for coal carbonisation plants would continue for many years to come. Events, however, have turned out otherwise. For new gas-making plants the Gas Industry has come to rely almost entirely on plants using imported liquid or gaseous oil products as their manufacturing feedstock. The Steel Industry, apart from its lower rate of output, is now requiring less blast furnace coke per ton of steel due to improved manufacturing techniques with a consequence that the building programme for new coke oven plants has been noticeably curtailed.

The above facts placed a greater urgency upon the principal Operating Company to become more deeply involved in new processes of gas manufacture based on oil and in becoming established in new fields where its constructional abilities can be utilised. For some time the Company has applied itself energetically to this task. In the meanwhile, the progress and expansion of the other Member Companies of the Group has become of increasing significance.

Brief particulars of the activities of the seven Operating Companies which constitute the Woodall-Duckham Group are given in the following paragraphs:—

WOODALL-DUCKHAM CONSTRUCTION COMPANY LTD.

Chemical, Civil and Mechanical Engineers and Contractors.

During 1961 the Company continued to carry out a large volume of construction work for the Steel, Coal and Gas Industries and received orders for new work to the value of £9 million. Of these orders, the most important was for two batteries of coke ovens, coal and coke handling plant and by-product plant to be built at Vanderbijl Park for the South African Iron & Steel Industrial Corporation. Work is now in progress on this large contract. Although the Gas Industry has placed no orders for new coal carbonising plants, a large volume of orders has been received from the Gas Industry for the repair and rebuilding of the many plants already built by the Company which are still responsible for the production of a considerable proportion of town gas manufactured.

Work has continued on the design and construction of the two large High Pressure Gasification Plants, one for the South Eastern Gas Board employing the Shell Process for the gasification of oil and the other for the West Midlands Gas Board employing the Lurgi Process for the gasification of small coal. Design and construction work have also proceeded on other plants for the production of town gas from oil using catalytic processes. Two such plants, at Cambridge and Crewe, have been put into successful operation duing the year.

The Company is actively engaged in Design Studies concerning a number of new processes and plants for the production of gases from both coal and oil and their subsequent treatment to meet special requirements.

W. J. JENKINS & COMPANY LTD.

Materials Handling and Coal Preparation Plant Engineers.

The steps taken in 1959 and 1960 to broaden the Company's sales coverage produced a satisfactory increase in the 1961 order book. Contracts included a complete coal preparation plant for the National Coal Board. Licence Agreements were concluded with two Companies in the U.S.A. to give the Company further entry into specialised equipment for the Chemical, Pharmaceutical, Food, Plastics and Paint Industries.

The reduced order books of 1959 and 1960 at very low profit margins resulted in a major reduction in turnover during the past year with the consequence that the Company operated at a loss for the second year in succession. The Works has a full production programme for 1962 and the financial results for the year will show a definite improvement.

WOODALL-DUCKHAM (AUSTRALASIA) PTY. LTD.

Chemical and Mechanical Engineers and Contractors.

The credit restrictions imposed by the Australian Government led to the deferment of various projects with the effect that the 1961 order book was substantially less than that for 1960. The value of constructional work carried out exceeded £1 million and during the year the largest single contract which the Company has ever executed was brought to a successful conclusion. The trend away from coal carbonisation in Australia and New Zealand has stressed the wisdom of diversifying the Company's activities. The Company is now much less dependent on the building of such plants. The Refractories Division again recorded higher turnover, but unfortunately little improvement in profitability due to increasing manufacturing costs. There has been an encouraging increase in the supply of high quality bricks for the Steel Industry. The financial results of the Company continue to fall short of our expectations.

THE STOURBRIDGE REFRACTORIES COMPANY LTD.

Manufacturers of Refractories and Cements.

The turnover of the Company showed an increase of 5 per cent. in comparison with 1960. The trading profit of the Company improved. The policy of modernising the plant continued. One continuous kiln was converted to oil firing, leading to improved quality of product and lower cost of firing. Various steps have been taken to expand and diversify the Company's activities away from the Gas Industry in which the demand for refractory materials is declining.

UNITED FIRECLAY PRODUCTS LTD.

Manufacturers of Refractories. Building Bricks, Sanitary Pipes and Fittings.

The financial results of the past year on the whole have been rather disappointing. There have been considerable increases in cost of production generally, particularly in wages. In spite of the reduction in demand in the Steel Trade, sales compared favourably with 1960 and the Company has continued to widen its connections. The demand for fireclay pipes and building goods has been good throughout the year. Research into new products has been actively pursued during the year and a number of full-scale trials are in progress. Until the recession in the Steel Industry is alleviated, however, results will continue to be disappointing but the Works, which has recently been extended and modernised, is well situated to take advantage of improvements in trade.

NORDAC LTD.

Chemical Plant Designers and Specialists in acidic corrosion problems.

The volume of work carried out during 1961 was the highest in the history of the Company and satisfactory profits were achieved. There was, however, a slowing up of orders, particularly in the Process Plant Department, due to a general disinclination of the Chemical Industry to place firm orders. The extension of the Works and Laboratories has been completed. New applications for the Process Plant Department and new types of lining materials have been under active investigation. A Licence Agreement has been concluded with a French organisation for the exploitation of the Company's submerged combustion plants in France and French territories. Further expansion of the Company in the long term is regarded as certain but profitability in 1962 is expected to be lower than in 1961 due to reduced intake of orders.

AMES CROSTA MILLS & COMPANY LTD.

Sewage Purification Engineers.

1961 was a year of continuing progress. The orders received showed a 20 per cent. increase in comparison with 1960. The spread of orders covered the Company's wide range of products. In particular the Simplex High Intensity Cone continues to create world-wide interest and orders for 62 plants incorporating Simplex High Intensity Cones were received. The value of work executed exceeded £1 million, for the first time. The new Branch Works at Heywood has been brought into full operation. Overseas sales are very active. Arrangements have been finalised for complete representation of the Company's activities in a number of European countries. The export trade in general is an important and expanding aspect of the Company's activities. New developments in the Company's range of products are continually taking place and the prospects for a profitable expansion of the Company are promising.

WOODALL-DUCKHAM HOUSE

During the early part of the present year, 1962, the Directors of the Company were informed that the London County Council proposed to apply for compulsory powers to acquire Woodall-Duckham House, Brompton Road, S.W.3, as part of the Knightsbridge Development Scheme. After careful consideration, it was decided to sell the freehold to the Developers, Capital & Counties Property Company Ltd., by private negotiation and a sale was completed showing a satisfactory capital profit which will be reflected in next year's accounts. The sale of Woodall-Duckham House under these circumstances will necessitate the establishment of new headquarters for Woodall-Duckham Construction Company Ltd., by the middle of 1964.

GENERAL

The forward trading position is very much the same as reported last year. Competition is still keen and profit margins low. There has been a slowing off in demand for the types of plant and products which the Group offers and whereas an active diversification policy has been pursued for some years it takes time to replace the turnover lost by the reduction in demand for traditional types of coal carbonisation and treatment plants in which the Group has held a leading position for so long. Although the Group turnover in 1962 is likely to exceed that for 1961, the net profits for 1962 are not expected to reach the same level as for 1961 consequent upon the policy of bringing into profit only completed contracts coupled with the prevailing lower profit margins. Taken overall, however, the future of the Group is promising, the financial position is strong, and as trade recovers and Capital Expenditure becomes less restricted, Group Profits should improve.

May I conclude by offering the sincere thanks of my colleagues and myself for the enthusiasm and hard work shown by all those employed in the constituent Companies of the Group.

THE RUBBER PLANTATIONS INVESTMENT TRUST, LIMITED

PROGRESSIVE TREND TOWARDS DIVERSIFICATION

The fifty-third annual general meeting of the Rubber Plantations Investment Trust, Limited, will be held on June 27, 1962, in London.

The following is an extract from the Statement by the Chairman, **Mr J. F. E. Gilchrist,** which has been circulated with the report and accounts:

The Accounts we present for the year to March 31, 1962, show gross revenue of £353,123 and, after taxation, net revenue of £185,279 compared with £199,328 a year ago. Including £158,620 brought in, we have £343,899 available for appropriation. The Directors recommend a dividend of 14 per cent and a bonus of 1 per cent, making 15 per cent for the year, which will absorb £174,694 (net) and leave £169,205 (£158,620) to be carried forward.

In conformity with the policy decided upon a few years ago our portfolio of investments shows a progressive trend towards commercial and industrial equities. Nevertheless, the Directors have every intention of continuing to retain a substantial interest in the Rubber and Tea plantation industries.

Much has been said on the subject of competition between natural rubber and the various forms of synthetics but successful admixture and the wide area of complementary usage are often ignored. We are confident that natural rubber will continue to be required in increasing quantities, but a too high price would encourage the use of synthetic material. The natural rubber industry is fully alive to the need for a scientific approach in all its aspects.

Statistically, tea production this season is in excess of consumption. Even so the market for tea has shown an unexpected degree of resiliency especially for the better qualities.

BANCA NAZIONALE DELL' AGRICOLTURA

Head Office: Rome, Italy

BALANCE SHEET AT 31st DECEMBER, 1961

LIABILITIES	Lit.	ASSETS	Lit.
Capital	2,000,000,000	Cash	20,154,926,723
Ordinary Reserve*	3,100,000,000	Bills Receivable	14,221,722,826
Deposits and Current Accounts	257,645,038,895	Bills Discounted	130,540,172,373
Accounts with Credit Institutions and Foreign Exchange	49,955,177,674	Carried Forward	5,495,389,040
Bankers' Drafts	9,155,852,889	Government and State-guaranteed Securities	95,905,104,807
Sundry Creditors	19,424,328,406	Agrarian Credits	4,963,108,654
Bills for Collection	2,468,395,964	Advances against Securities	28,399,741,582
Staff Indemnity Fund	8,172,490,041	Current Accounts	70,759,484,010
Unclaimed Dividends	23,584,309	Accounts with Credit Institutions and Foreign Exchange	29,680,112,719
Rebate on Bills	1,144,604,498	Sundry Debtors	4,532,532,421
State Pooling Bills Rediscounted	57,070,872,409	Bank Premises	1
Acceptances and Endorsements	60,556,240,366	Furniture and Fittings	1
Securities Deposited as per contra	71,299,198,581	Staff Indemnity Fund	6,710,201,146
Lit.	542,015,784,032	Acceptances and Endorsements	60,556,240,366
Profit Balance brought forward	48,929,801	Securities Deposited	71,299,198,581
Profit 1961	1,153,521,437		
Lit.	543,218,235,270	Lit.	543,218,235,270

* Reserves since increased to Lit. 3,500,000,000

127 Branches in Italy

Representative offices in Germany: Frankfort M. and Munich

HARGREAVES GROUP LIMITED

A YEAR OF NOTABLE DEVELOPMENTS

HIGHER TURNOVER AND PROFITS DESPITE COMPETITIVE CONDITIONS

FINANCING EXPANSION—PROPOSED RIGHTS ISSUE

MR HARALD PEAKE REVIEWS GROUP'S EXTENSIVE INTERESTS

The forty-second Annual General Meeting of Hargreaves Group Limited will be held on June 26th at Bramham, Yorks.

The following is the statement of the Chairman, **Mr Harald Peake,** which has been circulated with the Annual Accounts:

Early in the financial year the substantial road haulage business of Smith & Robinson (Leeds) Limited was acquired, partly for cash and partly for shares. Consequently comparison of results with those in previous years may be misleading. After making proper allowance for the profits of the new business it can be said that the Group as a whole has had a more profitable year.

Group turnover was £27,384,609. Profit margins have tended downwards owing to more competitive conditions. The Group Trading Surplus before Depreciation was £1,243,777 compared with £978,223. The marked improvement is mainly attributable to the acquisition of additional assets following the raising of £1,000,000 of new money by the rights issue in 1960. The substantial sums retained in the business out of profits in recent years have also contributed towards the higher profits.

Payment of a final dividend which will bring the payment to stockholders for the year to 3s. a share is recommended. This is the amount forecast in my circular letter to stockholders dated June 2, 1961, being at the same rate as for the previous year but on the increased capital.

The trading prospects for the subsidiary companies in the Group are good.

The time has again arrived when it is necessary to raise additional funds to provide working capital for our expanding business and to meet heavy expenditure on capital account.

COMPOSITION OF THE GROUP

The Consolidated Accounts, now presented, cover the trading operations of all but one subsidiary company for the year ended March 31, 1962, and of that other partly-owned subsidiary for its year ended on June 30, 1961.

The wholly-owned subsidiaries are:
Hargreaves (West Riding) Ltd.
Hargreaves (Lancashire) Ltd.
Hargreaves Coal & Shipping Ltd.
William Pepper & Co. Ltd.
Lepton Coal & Clay Ltd.
Hargreaves Motors Ltd.
Smith & Robinson (Leeds) Ltd.
Liquid Fertilizers Ltd.
Hargreaves Quarries Ltd.
The Reliance Garage Co. (Brighouse) Ltd.
The partly-owned subsidiaries are:
Cross Bone Fertilisers Ltd.
East Yorkshire Printers Ltd.

Shares in these companies are shown in the Balance Sheet of the Holding Company at £3,273,875.

At the present time Hargreaves Group Ltd. holds 129,960 out of 130,000 ordinary shares and 2,122 out of 2,127 preference shares in Cross Bone Fertilisers Ltd. Steps are being taken to acquire the few remaining shares in order that this may become a wholly-owned subsidiary company. When this has been done additional permanent capital will be provided by Hargreaves Group Ltd. to develop the business.

The assets of Hargreaves (Huddersfield) Ltd. have been acquired by Hargreaves (West Riding) Ltd. and the company is being liquidated.

The assets of Fred Chappell Ltd. have been acquired by Hargreaves Motors Ltd. and the company is being liquidated. The trade name of Fred Chappell will be retained.

Following an Extraordinary General Meeting held at Bowcliffe Hall on January 30, 1962, the name of the Holding Company was changed from Hargreaves (Leeds) Ltd. to Hargreaves Group Ltd. During the last ten years the extension of the activities of the Company have made the old name somewhat misleading.

CHARRINGTON-HARGREAVES LTD.

In the Balance Sheet of the Holding Company the heading of Trade Investments reappears after a lapse of one year. This refers to shares in, and loans to, the newly formed company of Charrington-Hargreaves Ltd. to which I referred in my statement a year ago. The capital of the company is held in equal amounts by ourselves and our friends, Charrington, Gardner, Locket & Co. Ltd. The company has the sole distributorship of Mobil Fuel Oils in the North Midlands and the North, and it commenced to trade in August, 1961. It has made a good start and the prospects are promising.

TRADING RESULTS

Turnover increased during the year from £23,498,832 to £27,384,609, of which Smith & Robinson (Leeds) Ltd. accounted for £1,009,635. It will be seen, therefore, that on a comparable basis the business of the Group has continued to expand. This is necessitating the provision of additional working capital, and Bank overdraft facilities amounting to over £1,000,000 are being used at certain times in the month.

Competition has been keener in most branches of the Group's activities. Weather conditions have been favourable to our business as fuel distributors, the abnormally long cold spells being unaccompanied by snow and ice on the roads.

It will be seen in the Consolidated Profit and Loss Account that the Trading Surplus before Depreciation was £1,243,777. Depreciation amounts to £473,033 and Taxation to £338,514. Profits attributable to Outside Shareholders of Subsidiary Companies at £949 are very much lower than a year ago owing to further purchases of minority shareholdings during the year.

The final result of the year's trading is an available amount of £431,281, of which it is recommended that £206.718 be distributed as dividends and £224.563 be added to Retained Earnings.

The dividend, including that now recommended, totals 3s. per £1 stock unit, and is that which was forecast in my letter to stockholders dated June 2, 1961, in connection with the capitalisation of £500,000 standing to the credit of Share Premium Account.

BALANCE SHEETS

The Balance Sheet of the Holding Company shows that the issued capital is now £2,250,000 compared with £1,500,000 a year ago. The increase results from the capitalisation of £500,000 standing to the credit of Share Premium Account, following the rights issue of 1960, which was approved at the Extraordinary General Meeting held on June 27, 1961, and also from the issue on July 4, 1961, of 250,000 new ordinary shares of £1 each in part payment for the shares in Smith & Robinson (Leeds) Ltd. The authorised capital is now £3,000,000 so that £750,000 remains unissued.

Reserves and Retained Earnings amount to £1,321,269 compared with £1,002.143 a year ago. The former figure includes £640,625 standing to the credit of Share Premium Account following the issue of 250.000 new ordinary shares in part exchange for shares in Smith & Robinson (Leeds) Ltd.

The investment in Subsidiary Companies at £3,273,875 compares with £1,909,382 a year ago. The large increase is mainly due to the acquisition of the share capital of Smith & Robinson (Leeds) Ltd., to the provision of additional capital for Hargreaves (West Riding) Ltd. and Hargreaves Quarries Ltd. and to the purchase of further minority holdings in Cross Bone Fertilisers, Ltd.

In the Consolidated Balance Sheet it is interesting to note that Fixed Assets now stand at £3,015,635 compared with £2,104,845 a year ago, the increase resulting from heavy spending on capital accounts of subsidiary companies and from the addition of the assets of Smith & Robinson (Leeds) Ltd. The Bank overdrafts were £512,074 at the date of the Balance Sheet compared with Balances at Bank of £380.824 a year ago.

CAPITAL REQUIREMENTS

In the Financial Record for Ten Years it will be seen that the Net Fixed Assets have more than doubled in the last four years. This has been made possible by the raising of nearly £1,000,000 of new capital from the stockholders in 1960 and by the substantial amount of profits which have been retained annually in the business.

Commitments for capital expenditure at the date of the Balance Sheet amounted to £315,000. At the present time recommendations from the boards of subsidiary companies for capital expenditure amounting to £1,500,000 are under consideration. During the past year the Group set aside approximateiy £700,000 under the headings of depreciations and additions to retained earnings towards the heavy capital expenditure. It is hoped that a similar amount will be available in the current year. For the time being the Group is depending, to a greater extent than is desirable, on its Bank for working capital. To obviate this, it will be necessary to provide from £750,000 to £1,000,000 of new working capital over the next year or two.

After taking all of these factors into consideration the Directors have decided to make, in the absence of unforeseen circumstances, a rights issue to stockholders at an early date of one new share, at a price to be announced in due course, in respect of every £3 Ordinary Stock held at that time by stockholders. An issue on these lines will increase the issued capital from £2,250,000 to £3,000,000, which is the amount of the authorised capital at the present time.

The Directors have decided to convene an Extraordinary General Meeting to follow immediately after the Annual General Meeting for the purpose of approving an increase in the authorised capital of the Company. A Notice of this meeting is enclosed with the Accounts.

PERSONAL

Our Managing Director, Mr Kenneth Hargreaves, took up his duties as High Sheriff of Yorkshire in May, 1962. Stockholders, I know, will wish to join his co-directors in wishing him a very successful year of office.

Mr Herbert Robinson, who was a founder director of Smith & Robinson (Leeds) Ltd., joined our Board in July, 1961, and retires under the Articles of Association. His wide experience of road haulage generally and of the transport of liquids in bulk by road in particular is of great value to the Group. I commend to the stockholders his re-election as a director.

The Directors retiring by rotation are Mr A. J. Martin, the Hon Martin Peake and Dr D. A. Scholefield.

Mr A. J. Martin devotes the greater part of his time to the Chairmanship of Hargreaves Quarries Ltd., which makes a substantial contribution to the profit of the Group.

The Hon Martin Peake relinquished, at his own request, the post of Secretary of the Holding Company last summer in order to devote more of his time to public interests. His legal training and wide knowledge of the organisation of the Group make him a valuable non-executive director.

Dr D. A. Scholefield joined the Group in 1953, since when he has built up a highly efficient and comprehensive technical branch which serves a large number of customers of our various companies. He is on a number of our boards and is frequently called in to advise when problems of a technical character present themselves anywhere in the Group.

I also commend the stockholders to re-elect these three persons.

Mr Robert B. Strachan has joined the Group as Secretary of the Holding Company and as legal adviser to the subsidiary companies.

A number of changes have been made in the boards of subsidiary companies with the object of preventing the senior executive directors from being overloaded and also with the object of giving increased responsibility to a number of our young executives.

The Group is fortunate in having a very efficient, enthusiatic and conscientious staff in charge of its diversified activities. To them and to the general body of employees the thanks of the stockholders are due for the achievement of very creditable results in a year which included a national economic crisis necessitating a second Budget in July, 1961.

Two hundred and thirty-eight of our staff and employees are stockholders of the Group and I hold it as an honour that I am able to give them personally, along with the other stockholders, an account of my stewardship during the past year.

PROSPECTS

The current year has started well with most branches fully employed. The continuing recession in the iron and steel industry is, however, having an adverse effect on the volume of business in certain areas.

The recent reductions in Bank Rate should have a stimulating effect on industry generally. National economic policy is now based on increased productivity and if this is achieved it should involve an increased demand for the services which the Group is designed to give.

Conditions are more competitive than a year ago. Nevertheless it can be said that the prospects for the current year are good.

TABACOFINA

Union Financière Belge des Tabacs

ANTWERP, BELGIUM

The Annual General Meeting was held in Antwerp on May 10, 1962, under the chairmanship of **Mr van Zuylen.** The following details have been extracted from the report:

Within the Common Market sales rose in the Low Countries and Luxembourg, and markets widened further in France and Italy as the local state-controlled producers agreed to less protection. A quota subject to an import duty at a lower rate assisted imports into Germany. One of our subsidiaries manufactures under licence.

In Belgium, the number of packets of the traditional type of cigarettes rose from 1959 to 1960, and both the proportion and quantity of filter-tip cigarettes (now 35 per cent of total consumption) increased. Cigars and whiffs grew more popular, especially in the cheaper ranges. The steady fall in pipe and hand-rolled cigarette tobacco sales was significant.

In Holland the consumption of such tobacco has risen steadily for some years. Lower taxes assisted in a rise in the sales of cigarettes in 1960, especially by *Société Ed. Laurens "Le Khedive"* which is now forty years old.

During the past year we consolidated our shareholding in our Canadian subsidiary and took up interests in *Tabalux* and *Cigarette Tabalux.* The capital was raised from B.Fr.800 m. to B.Fr.840 m. by the creation of 20,000 new shares.

Net profits for the year 1961 of B.Fr.82,379,638 added to the balance brought forward from 1960, amount to B.Fr.88,346,199. After credits to reserves and other deductions, it is proposed to distribute B.Fr.72 m. in the form of a dividend of B.Fr.100 gross per share, and to carry forward B.Fr.6,085,399.

BOARD OF DIRECTORS

Jacques van Zuylen (Chairman); Frans Vander Elst (Vice-Chairman); Edmond Wouters (Managing Director); Jean Vander Elst (Director and Manager); Pierre Vander Elst-de-Gruyter; Paul Vander Elst; Jean Mertens; Jean Borin; Willy Tombeur; Paul van Houts; Joseph Radart.

GUARDIAN ASSURANCE COMPANY LIMITED

Annual General Meeting,
June 6th, 1962.

Chairman:—
The Rt. Hon. Lord Blackford, C.B.E., D.S.O., J.P.

SUMMARY 1961

The year 1961 was a period of consolidation for the Guardian Group of Companies following the rapid expansion of recent years, but nevertheless the results were very satisfactory, showing an increase in the aggregate premium income and in the total underwriting profits. Underwriting profits transferred to the Profit and Loss Account amounted to £1,865,158 compared with £1,406,318 in 1960.

Investment income amounted to £3,730,721 showing an improvement on the year of £518,755.

The assets of the Group showed a record increase of £29.948,331 of which £25,529,778 comprised additional investments.

Life Department

Net New Sums Assured 1960 ...	£70,946,066
Net New Sums Assured 1961 ...	£90,510,589
Transfer to Profit and Loss Account 1961	£133,773
Gross Rate of Interest Earned 1961	£6 18s. 5d.
Life Fund at end of 1961 ...	£114,317,189

Fire Department

Net Premium Income 1960 ...	£14,549,694
Net Premium Income 1961 ...	£14,467,927
Transfer to Profit and Loss Account 1961	£654,509

Accident Department

Net Premium Income 1960 ...	£25,549,050
Net Premium Income 1961 ...	£26,846,089
Transfer to Profit and Loss Account 1961	£421,363

Marine Department

Net Premium Income 1960 ...	£7,275,128
Net Premium Income 1961 ...	£7,511,377
Transfer to Profit and Loss Account 1961	£622,320
Marine Fund at end of 1961 ...	£9,135,824

Profit and Loss

Gross Investment Income 1960...	£3,211,966
Gross Investment Income 1961...	£3,730,721
Cost of Preference Ordinary Dividends for 1961 (gross) ...	£2,355,493
Balance Carried Forward ...	£1,660,011

Balance Sheet

A valuation of the Stock Exchange Securities was made at 31st December last and disclosed a substantial surplus over the total value as shown in the Balance Sheet.

TOTAL ASSETS OF GUARDIAN GROUP £229,360,726.

The Company Transacts All the Principal Classes of Business as well as undertaking the office of Trustee, Executor and Administrator.

HEAD OFFICE: 68, King William Street, LONDON E.C.4.

GUEST, KEEN & NETTLEFOLDS, LIMITED

MR K. S. PEACOCK'S REVIEW

The Annual General Meeting of Guest, Keen & Nettlefolds, Limited, will be held on June 28th, in Birmingham.

The following is an extract from the Statement by the Chairman, Mr K. S. Peacock, circulated with the report and accounts for 1961 :—

In my Statement a year ago I gave a warning that in certain directions the Group was being affected by a decline in trading conditions from the high level of 1960. This decline continued and was accentuated by the restrictive policies initiated in the Government's "little budget" of July 1961. The effect on profit margins became increasingly severe throughout the Group in the United Kingdom. Our steel companies were also hard hit by the cumulative effect of increases in costs which they have not been fully allowed by the Iron and Steel Board to recover in selling prices. Such increases occurred in wages and in the prices of many supplies including two of the most important to the steel industry, coal and fuel oil. The price of the latter was forced upward by the Government's extraordinary decision to impose a tax on this essential source of energy, a decision that even now has not been reversed in the recent Budget.

The year 1961 was also a period of Government restrictions and anti-inflationary measures in Australia and the Group's largest overseas company, John Lysaght (Australia) Limited, which produces steel sheets and fabricates them into a wide variety of products, was seriously affected from May 1961 by a sudden recession in demand.

GROUP RESULTS

The combination of these unfavourable developments in the United Kingdom and Australia caused your Board, when announcing early in November 1961, the interim ordinary dividend of 5 per cent, less tax, to predict a fall of some £7 to £8 millions in the Group profit, before tax, for 1961 from the record profit of £30.8 millions earned in 1960. Unfortunately the results of the steel companies continued to worsen nor was there any improvement in Lysaght (Australia)'s trading, so that the final figure of Group profit, before tax, for 1961 was no better than £22.3 millions.

The Board considers that some breakdown of total profit will be helpful to an understanding of the position and the following table shows comparisons with the four previous years:

Surplus on trading, after depreciation, but excluding investment income:	1957 £ m.	1958 £ m.	1959 £ m.	1960 £ m.	1961 £ m.
U.K. Steel Companies	9·3	8·6	10·6	11·8	6·4
U.K. Engineering and Distributing Companies	9·8	9·4	9·4	11·4	10·4
Overseas Companies	4·8	6·1	5·8	7·4	4·6
Group Total	23·9	24·1	25·8	30·6	21·4

It will be seen that, although the engineering and distributing companies in the United Kingdom achieved a profit only £1 million below the record total of £11.4 millions in 1960, the steel companies fell away to £6.4 millions from £11.8 millions in 1960. Overseas the fall of £2.8 millions is mainly accounted for by John Lysaght (Australia) who made £5.0 millions (sterling) in 1960 and only £2.4 millions in 1961.

I have mentioned profit margins several times and now draw your attention to the drastic fall in the two key ratios of surplus to turnover which declined to 9.0 per cent, the lowest figure since 1953, and profit to total net assets employed which fell to 11.3 per cent, the lowest figure recorded in the past ten years.

These reductions were partly due to pressure of rising costs and partly to reduced turnover, the Group total falling to £238 millions from 1960's record figure of £251 millions. While the engineering and distributing companies managed to increase their sales to outside customers from £123 millions in 1960 to £127 millions in 1961, the steel companies' turnover (excluding sales to Group companies) fell from £56 millions to £49 millions and overseas companies sold £62 millions, or £10 millions less than in 1960. I must put in a word of warning. The profit of the steel companies comes not only from their direct sales to outside customers but also from the considerable volume of sales (at market prices) to the engineering companies of the Group. For this and other reasons it is not possible to present a reliable analysis, over the three divisions of the Group, of the Group ratio of surplus to turnover. Moreover as all finance of Group companies in the United Kingdom is centralised the other vital ratio of profit to total net assets employed cannot be analysed satisfactorily over the three divisions.

Returning now to the Profit and Loss Account, the charge for taxation has increased from 50.7 per cent of profit before tax in 1960 to 52.6 per cent in 1961 despite the investment allowance relief having increased from £1.2 millions to £1.6 millions. This is partly due to profits tax being increased in the 1961 Budget from 12½ per cent to 15 per cent.

The exceptional items in 1961 included only £68,498 for realised profit on sale of quoted investments compared with £1,594,316 from the same source in 1960 and the total available profit for the year fell to £11,055,774 from £16,606,552 in 1960. After deducting outside shareholders' interests in subsidiaries and preference dividends the net profit attributable to Ordinary Stockholders was £10,153,708.

Your Board made it clear in November 1961, when declaring the interim dividend for 1961 that it was intended to recommend in due course a final dividend at the same rate of 11 per cent, less tax, as the final dividend for 1960. The Board has now reconsidered the situation in the light of the final figures for 1961 and has decided despite the uncertain outlook for 1962, with which I deal further in a later paragraph, to re-affirm the views expressed six months ago and accordingly recommends a final dividend for 1961 of 11 per cent, less tax.

CAPITAL EXPENDITURE

It is expected that the annual rate of expenditure in 1962 and 1963 will not fall below the £20 millions of 1961. Profit retentions in those years (together with depreciation to be set aside) even at the low level reached in 1961 would, with present financial resources, sufficiently cover this expenditure, but naturally we hope in due course for a recovery in the Group's margin of earned profits over dividend requirements.

THE FUTURE

It is, I find, very difficult indeed to give any reliable forecast for the future. Since the announcement made with the interim dividend in November 1961, trading conditions in the steel industry in the United Kingdom have further declined and have as yet (May 1962) shown no real tangible signs of improvement other than on the wide flat products side in which G.K.N. is not, directly, much interested. It would appear to me likely that it will be some considerable time before much better conditions are enjoyed although there are varying views expressed in the industry on this point. Export figures have improved substantially but this is only being achieved under highly competitive conditions. The industry is suffering from a considerable over-capacity of production throughout. Whether the expansion which has been made in recent years will be justified in the near future is problematical, but it would seem obvious that throughout the current year we shall all run on average considerably under capacity. Business, however, changes rapidly in the steel industry, though I do not think it can change rapidly enough in the current year to make any appreciable change in G.K.N. affairs.

Our engineering companies have held their own very well in spite of various complications in trading and I would cautiously forecast a slight improvement in this side of the business.

As far as overseas companies are concerned our most important consideration is Australian conditions and here I would think that there is reason for some optimism. The position of our Indian companies remains satisfactory and conditions in Sweden are reasonably well maintained. Africa, which does not bulk too largely in our affairs, is still an enigma.

From all this it will be gathered that I cannot tell Stockholders that the outlook for 1962 is bright, but with the up-to-date plant and machinery in our works, the wide diversification of our business and the continuing loyalty and enthusiasm of our employees, we are well equipped to take advantage of any change for the better.

REPORT AND STATEMENT OF THE CHAIRMAN

Hawker Siddeley Reports Steady Progress

SIR THOMAS SOPWITH INDICATES FAVOURABLE TREND OF CURRENT YEAR'S TRADING

Sales £320 million; U.K. Trading Profit £19 million, Net after Tax £4,717,325; Dividend Increased to 11%

The Twenty-sixth Annual General Meeting of Hawker Siddeley Group Limited will be held on 28th June, 1962, at the Dorchester Hotel, London. The following are extracts from the Annual Statement by the Chairman, Sir Thomas Sopwith, C.B.E., Hon. F.R.Ae.S., which has been circulated with the Directors' Report and Accounts for the year ended 31st December, 1961.

1961 has been a year of steady consolidation for Hawker Siddeley Group after the somewhat spectacular growth of 1960.

We are now nearly half-way through 1962 and I am glad to be able to report that all the trends indicate that this will be not less successful than last year.

FINANCE

The trading profit for the United Kingdom companies amounted to £19 million for the 12 months ended 31st December, 1961, compared with £29 million for the 17 months ended 31st December, 1960.

In addition to the usual depreciation charges, we have again charged a substantial sum—nearly £10 million—for Research and Development on major aircraft projects, an expense illustrating once more the enormous cost of bringing modern aircraft up to the stage of production and sales. This charge against profits covers expenditure on the Trident, Argosy, Avro 748 and de Havilland 125 and although the Directors consider it prudent to write off these costs now, in the long term we are confident these aircraft will be successful and much of these costs should be recovered.

A. V. Roe Canada Ltd.—now named Hawker Siddeley Canada Ltd.—sustained a loss after tax, our share of which is £812,000. In Canada trading conditions have been difficult, but there are definite signs of improvement and we have recently secured new contracts worth many millions of dollars from Canadian and overseas sources.

The amount available for distribution from operations of the year, after tax and all other charges, is £4,717,325. An interim dividend of 5%, less tax, has already been paid and your Board has recommended a final dividend of 6%, less tax, making a total of 11%, less tax, for the year. These dividends are covered by net available profits more than 1·7 times and maintain our unbroken record of payments over twenty-six years.

Our turnover for this year was £320 million, of which direct exports from the United Kingdom amounted to £34 million.

Firm orders at 31st December, 1961, were approximately £350 million and this level is being maintained.

AVIATION OPERATIONS

The highlight of the year was the success of the Hawker P.1127. A whole new field in aircraft engineering and design has been opened up by this revolutionary fighter.

The de Havilland Trident made its first flight in January of this year. This jetliner, 24 of which have been ordered by BEA, is the first in the new group of second generation jetliners.

Production of the Avro Vulcan jet bomber—the spearhead of Bomber Command—continues and will continue for many years.

Before the Farnborough Air Show this year, we hope that the new DH/125, a small executive jet transport, will make its first flight.

BRISTOL SIDDELEY ENGINES

Activity at Bristol Siddeley Engines Limited, in which we have a 50% interest, has increased during the year.

In the last twelve months Bristol Siddeley purchased from us Blackburn Engines Ltd. and The de Havilland Engine Co. Ltd. This resulted in all our U.K. aero engine interests being consolidated in Bristol Siddeley, which now offers a range of aero gas turbines, rocket and ramjet engines wider than any of its competitors.

SPACE

There are people who maintain that since we cannot compete with America or the USSR in Space because of the enormous cost, we should sit back and do nothing. We are very much opposed to that defeatist thinking. Within our financial limitations there is still a very considerable range of highly interesting projects well within the scope of a confederation of Britain and European Governments.

INDUSTRIAL OPERATIONS

Our Industrial sales last year were the highest in the history of the Group and our order book is steadily rising.

The immediate future of our electrical companies is bright and they continue to obtain an increasing share of the national electricity development programme.

Thirty-seven Brush Type 2 main line diesel electric locomotives were ordered by the British Transport Commission in 1961, bringing their total order to 263 and 14 similar units were ordered by Rhodesia Railways.

We are now one of the largest manufacturers of medium speed and small diesels in the United Kingdom.

Marine business continued to expand despite the recession in shipbuilding.

CONCLUSION

I can report to you that the Group is strong and confident. We are in good heart. We view the future as a challenge and a great opportunity.

FINANCIAL HIGHLIGHTS

YEAR TO 31ST DECEMBER 1961

	£
Sales	320,000,000
Research and Development Expenditure—U.K. Group	9,836,000
Taxation	2,875,000
Profit after Tax and Minority Interests	4,717,000
Dividends to Shareholders	2,760,000
Profits for the Period Retained in the Business	1,957,000
Order Book at 31st December 1961	350,000,000
Number of Shareholders: Ordinary	75,593
Preference	7,326
Number of Debenture Holders	19,477
	102,396
Employees at 31st December 1961: In the U.K.	101,479
Overseas	31,212
	132,691

Chairman's Statement

ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED

Incorporated in the Republic of South Africa

IMPORTANT NEW DEVELOPMENT OPPORTUNITIES AHEAD

Mr. H. F. Oppenheimer Stresses Need for Rapidly Rising Living Standards in Southern Africa

The following is from the statement by the chairman, Mr H. F. Oppenheimer, which has been circulated to members:

The situation of the South African economy has improved in many ways since I wrote my last statement to shareholders a year ago. Now there are signs of increasing business activity in some sectors of the economy and during May the reserves reached their highest level for more than fourteen years. This upturn bears witness to the basic strength of the economy, and to the effectiveness of the stringent measures taken by the Government to prevent the outflow of capital. It would, however, be unwise to regard the improvement as a reason for complacency. While I believe that there is now a better understanding overseas of our problems than there was a year ago, it is extremely difficult to raise risk capital abroad for investment in South Africa.

'Fortunately our resources are substantial . . .'

If capital is not available from abroad it will be even more important for us than it is for other developing countries to make the most efficient use of our own resources, both of labour and capital, and there is reason to apprehend that the Government's policy of job reservation on a racial basis, and of locating industry so as to effect the greatest possible measure of separation of the races, may not be easily reconcilable with these economic needs.

The difficulty of raising new equity capital abroad has thrown our Group back on its own resources and on the securing of loans to a greater extent than would probably have been thought desirable in the past. Fortunately our resources are substantial, and there is no reason to fear that our new enterprises will be hampered by lack of capital. Indeed we have been able to use the credit and the overseas connections of companies of our Group in a manner which has, I believe, been helpful to the country at a difficult time. Thus in the middle of last year, Rand Selection Corporation succeeded in raising a loan of $30,000,000 in the United States of America. The whole of this sum was brought to South Africa, where it made a significant difference to the reserves of foreign exchange, and it is now being used by Rand Selection for its business in Southern Africa.

At a later stage, further loans were raised in the United States in order to finance an important new investment in Canada; and finally, negotiations are being concluded to raise a loan of 50 million Swiss francs (approximately R8,100,000) to fund our existing Swiss Loan of a like amount which expires in July, 1962.

In the Federation of Rhodesia and Nyasaland the economy has so far shown up well in the face of political uncertainty. The association of the three territories has brought economic strength to the whole, and a dissolution of the economic ties would certainly result for all of the territories in a slowing down of their economies and with it, of course, a check to the rise in living standards and an increase in unemployment. Effective economic union, however, cannot in my view be maintained without a central political authority, although a case can be made for a redistribution of some of the present federal and territorial functions. I accept, as do most people concerned with Rhodesia, that the present concept of federation has not commanded wide African support, in spite of its economic merits. There are many reasons for this but the most important I believe is that the constitution at the present time gives comparatively little participation in the Federal Parliament to the African people. What is required is an immediate substantial share for Africans in the Federal Parliament and a progressive approach to a full system of common-roll franchise open on fair and equal terms to all citizens without distinction of race.

'We are not afraid of change . . .'

I cannot emphasise enough how important it is that the present uncertainty should be brought to an end as soon as possible. The Federation has progressed in a remarkable manner in spite of constant political uncertainty both in the territorial and federal fields, but the cumulative effect of this uncertainty is now undermining confidence and stultifying external investment and, as a result, giving rise to growing unemployment, particularly of Africans.

I regard the development of the rural economy of the Federation as being of major importance. Not only should it lead to the raising of the Africans on the land above subsistence levels, it should also halt the drift to the towns, where there is already considerable unemployment and by increasing the living standards of a large section of the inhabitants, it would stimulate secondary industry. Our Group has undertaken to make a long-term loan to the Government of over £5.1 million with the object of helping to promote schemes for rural development.

We continue to have confidence in the economic future of the Federation and in the prospect it offers, in spite of all criticism and difficulties, of becoming, given time, a state in which there will be genuine co-operation between the races. Since Federation, companies of our Group have invested in Northern Rhodesia, including profits ploughed back, about £100 million. We have not hesitated to undertake any project through political fears. We are not afraid of change and we believe we shall be able to work successfully with the governments of the future. I recognise, however, that our confidence is not widely shared at present by overseas institutions, and until it is made clear what the pattern of political development is to be, and the governments concerned show their determination to adhere to this pattern, the Federation will have to rely mainly on its own inadequate resources for the development of the country and the raising of living standards, which to my mind remains the major problem in Africa.

In South Africa the gold mining industry continues to earn increased profits as the newer mines of the Orange Free State and the Far West Rand approach maturity, their expansions substantially outweighing the inevitable decline of the older mines. Provided inflation can be avoided, there is no reason why the present prosperity of the gold mining industry should not continue for many years.

'. . . new avenue for promotion of the abler Africans'

Since the Orange Free State goldfield ceased to require the major part of the Corporation's technical and capital resources, we have turned our attention to the Western Deep Levels project. This mine has now come into the first stage of production, with ore being drawn from the Ventersdorp Contact Reef. During the first two months of operations the company milled 216,000 tons and earned a working profit of R662,352, both of which figures were well above expectations. Plans are in hand to expand the plant to handle 160,000 tons a month. In due course the mine will also draw ore from the deeper-lying Carbon Leader Reef, which will become its principal source of tonnage.

After a full investigation, we have started to make a number of changes in the way in which African labour is used on the gold mines. New personnel organisations have been established on certain mines of our Group, which will give greater guidance and assistance to Africans in their work than has been done before, while at the same time enabling the evaluation of performance of individuals to be undertaken more accurately than formerly. Within this organisation a number of African personnel assistants have been appointed. These posts call for high qualities in the holders and carry appropriate rates of pay. This will create an important new avenue for promotion of some of the abler Africans on the mines.

The jobs done by Africans have been carefully reclassified and, in order to distinguish clearly between different levels of skill and particular aptitudes, some new categories have been created. A residential training school has been established on the East Rand for the training of our African employees for the more responsible jobs. We have taken steps, using work study and conventional efficiency methods coupled with moderate capital expenditure, which will reduce the total number of Africans employed and so make possible the payment of increased wages to the more highly skilled Africans without affecting profits to any material extent. These measures have been introduced experimentally on three of our mines over the last nine months and we hope to introduce them on all the gold mines of the Group.

These measures by themselves will not make possible increases in wages for all classes of African workers on the scale which we consider to be desirable. We are accordingly studying other measures, and present indications are that it may be possible, through improved techniques, to increase the rate of face advance, thus allowing concentration of mining with higher productivity.

'We have embarked on new ventures'

The copper mining industry is still suffering from an excess of productive capacity over demand. However, the steady upward trend of world consumption has not abated and the gap between productive capacity and demand is narrowing. By regulating their production and sales the producers have had considerable success in eliminating wide fluctuations in the price of copper, which in the past created uncertainty among consumers of copper and tended to encourage substitution of other materials. Work on research and promotion is taking place throughout the world to develop the greater use of copper in all its applications. In all these circumstances, I regard the long-term future of copper with confidence.

Since the end of the year an opportunity arose for us to extend our base metal mining interests into new territory by the acquisition of a substantial interest in the Hudson Bay Mining and Smelting Company Limited, a large-scale producer of copper and zinc in Canada. Companies of the Group acquired 400,000 shares, equal to 14.5 per cent of the capital, in the Hudson Bay company, for a total cost of $20,000,000, equivalent to approximately R14,000,000. No money was remitted from either South Africa or the Federation for this purpose, and the funds required by the Group for investment in Southern Africa have therefore not been depleted.

The diamond industry enjoyed an exceptionally high level of demand for its products, resulting in record sales and record profits. Although the pattern of the past suggests that minor setbacks may well occur in particular years, there is no reason to doubt that the steady upward trend in the world demand for diamonds, which has been maintained since the end of the war, will continue.

Recently we have embarked on a number of new ventures connected in different ways with the iron and steel industry. In Swaziland we plan to open up an iron-ore mine, as a result of which the first railway across Swaziland is to be built. These developments should have far-reaching effects on the whole economy of Swaziland.

In South Africa, we have entered the field of ferro-alloys and alloying materials. Transvaal Vanadium Company is already producing vanadium for export on a profitable basis. This metal is a constituent of special steels and has an important part to play in the rapid industrialisation taking place in many parts of the world. In partnership with Avesta Jernverks Aktiebolag, a Swedish producer of stainless steel, we have formed a company called Transalloys Limited, which will produce ferro-chrome, also for export.

'There is therefore reason for optimism . . .'

The year under review has been on the whole a favourable one for our Group. The consolidated net profit of the Corporation for 1961 amounted to R16,914,211, which is R1,225,309, or 7.8 per cent., more than the figure for the previous year, and just over two-and-a-half times the profit of R6,083,596 earned nine years ago in 1952. Solid progress has been made and we have important opportunities for new development before us, of which some are in fields which are new to us. There is therefore good reason for optimism provided that the major political, social and racial problems of Southern Africa are tackled in a spirit of co-operation. A policy of co-operation, not of separation of the races, remains essential, because even if the South African Government's efforts to speed up the development of the native reserves are successful, as I hope they will be, the majority of the non-white peoples of South Africa will inevitably continue to live outside the reserves in what are sometimes referred to as the "white areas."

These are not simple matters, but one thing at least seems clear: nowhere can a stable social order be established in an environment of poverty. Government policies which aim at social and racial solutions at the cost of economic development are sure to be self-defeating. We cannot afford not to make the best use of our limited capital resources and of the abilities of all sections of our population.

If living standards can be rapidly raised the other problems that face us will become much more tractable. Such things have happened in other countries. One of the most striking examples of this type of change is the way in which the belligerent nationalisms of Europe, which were the main cause of two world wars, have given way to the co-operation of the Common Market. Given wise policies in the interim, and a sufficient rate of economic growth, the same thing can happen in South Africa; but only if all people living in South Africa are consciously and deliberately encouraged to participate in the growth of the country to the fullest extent to which they are capable.

The full statement and report and accounts of the Corporation are obtainable from the London office, 40, Holborn Viaduct, E.C.1.

BANCO DI NAPOLI

Founded in 1539

Head Office: NAPLES, ITALY

The Annual General Meeting of the General Council of the Banco di Napoli was held on April 30, 1962.

The volume of Deposits, Savings Accounts, and Current Accounts at December 31, 1961, amounted to Lire 793,217,294,820 which represents an increase of 14·34 per cent over the 1960 figures.

Net profits reached the figure of Lire 863,565,821. After distribution, the capital and reserves of the Banco di Napoli amount to Lire 20,065,516,319.

Board of Directors.—*Chairman*: H. E. Corbino, Prof. Epicarmo. *Vice-Chairman*: Cav. del Lav. Cutolo Ing. Constantino. *General Manager*: Cav. del Fav. Fusco, Dott. Stanislao

BALANCE SHEET AT DECEMBER 31, 1961

LIABILITIES	Lire	Lire	ASSETS	Lire	Lire
Capital	15,500,000,000		Cash		34,252,054,896
Reserve	4,045,941,443		Balances with other Banks		71,204,275,093
		19,545,941,443	Government and State guaranteed Securities		136,260,907,369
Deposits and Bonds		360,586,390,443	Securities and Bonds	257,628,062,359	
Current Accounts		394,119,981,871	Current Accounts	339,074,326,068	
Funds held for Third Parties		38,510,922,506	Advances against Securities	10,824,466,260	
Special Reserve Fund Covering Industrial Credit Risks		7,852,889,657	Carried Forward	16,653,020,210	
Bills & Cheques		22,936,663,625	Mutual Credits	102,413,749,980	
Credit Bonds Issued		46,753,702,883			726,593,624,877
Advances against Securities		10,784,719,399	Holdings		6,405,942,457
Assets Rediscounted		50,882,228,341	Premises, etc.		2,187,896,901
Acceptances, Endorsements and Guarantees		36,968,900,866	Furniture and Fittings		1
Bills for Collection		13,427,674,999	Acceptances and Endorsements		36,968,900,866
Sundry Creditors		48,203,189,850	Bills Receivable		21,887,011,962
Miscellaneous Liabilities		10,530,403,696	Sundry Debitors		48,841,535,446
Contra Accounts		3,700,903,300	Branch Accounts		6,036,254
Profit Balance c/f to 1962		4,656,684,310	Miscellaneous Assets		1,915,672,588
Profit 1961 available for Distribution		863,565,821	Contra Accounts		3,700,903,300
Banker's Drafts		2,999,410,500	Banker's Drafts		2,999,410,500
Securities Deposited as per Contra		303,329,315,929	Securities Deposited for Third Parties		203,329,315,929
Securities Deposited with Third Parties		104,731,066,512	Securities Deposited as per Contra		104,731,066,512
		1,381,384,555,951			1,381,384,555,951

UNION CORPORATION, LIMITED

(Incorporated in the Republic of South Africa)

STATEMENT BY SIR CHARLES HAMBRO

The Annual General Meeting of Union Corporation, Limited was held on June 4, 1962, in Johannesburg. **Sir Charles J. Hambro, KBE, MC,** presided. The following are extracts from his statement:

I mentioned last year that we had transferred the Corporation's non-African interests to a wholly-owned United Kingdom subsidiary company, Unicorpora Limited. This step and the growth in importance in recent years of some of our wholly-owned South African subsidiaries have now made the consolidated accounts of considerably greater significance and value than the Corporation's own accounts as a measure of its progress and financial position. We have recognised this in the re-arrangement of the presentation of the figures in the Annual Report and Accounts for 1961 and, in commenting on the year's results, I propose to deal only with the consolidated figures. Dividend income in 1961 showed a satisfactory increase of R517,000 to R5,494,000 and our interest in the profits of Winkelhaak Mines and of the Evander Township Company at R1,872,000 was up by R290,000. On the other hand, share realisation profits fell sharply by R1,824,000 to R388,000. While this reduction was mainly due to share market conditions during 1961, it must be remembered that in both of the previous two years realisation profits included to a large measure exceptional realisations arising from the flotation of Bracken Mines and Leslie Gold Mines. Other income was fractionally higher and charges against income and provisions, including provision for taxation, were slightly lower.

The net profit for the year at R6,393,000 was thus some R984,000 less than in 1960.

This consolidated profit includes the Corporation's interest in the profits of Winkelhaak Mines, a substantial proportion of which has been appropriated by that company for capital expenditure including expenditure on shaft-sinking. The fact that profits so appropriated, though attributable to the Corporation, are not in fact available to it has been recognised in the accounts by a transfer of R1,000,000 to Capital Reserve Account. Last year, you will recall, for the same reason R1,200,000 was appropriated to Capital Reserve Account.

In addition R2,500,000 has been appropriated to General Reserve Account and R500,000 to Exploration Reserve Account.

The final dividend for the year was maintained at last year's figure of 18½ cents per share free of U.K. income tax making, with the interim dividend of 6½ cents per share, a total distribution for the year of 25 cents per share free of tax. This represents a slight increase over the total distribution in respect of the previous year which amounted to the equivalent of 24⅜ cents per share free of tax. The two dividends for 1961 absorbed R2,500,000 against a distribution of R2,462,500 in 1960, leaving R2,344,000 to be carried forward.

In deciding on the final dividend for 1961, your Directors had to bear in mind the Corporation's financial position and the commitments still confronting it. During the year the Corporation's liability for calls on partly paid shares in the capital of subsidiary mining companies was reduced by R10,700,000 to a little under R2,000,000 and since the year-end the final calls on the subsidiaries' capitals have been paid, so that the Corporation now has no commitments on its shareholdings in these companies. Nevertheless, as the sponsoring house, the Corporation may feel it desirable, if requested to do so, to make temporary loan finance available to Bracken Mines and Leslie Gold Mines. The requirements of these two Companies for further finance are difficult to gauge at this stage and the manner in which this further finance should be raised by them has not been decided, but the expectation is that during the course of the next eighteen months or so, for these two companies together, the Corporation may have to provide loan facilities of the order of R3,000,000 and rather more for short periods. Furthermore, apart from this, it is desirable that the Corporation should at all times be so placed financially as to be able to take advantage of any attractive opportunities for investment or for development of new enterprises.

With these factors in mind, arrangements have been made, as mentioned in my address last year, to borrow in South Africa R4,000,000 at 6¼ per cent per annum interest. At December 31st last, R800,000 of this loan had been received and the balance of R3,200,000 will be drawn at the rate of R200,000 per month up to April 30, 1963. Repayments at the same rate will commence on May 31, 1964.

EXCHANGE CONTROL

In the middle of last year, to everyone's regret, pressure on the country's gold and foreign exchange reserves compelled the South African Government to take a number of protective measures. One of the most important of these was a considerable extension of exchange control which, *inter alia*, restricted the traditional freedom of non-resident investors, including those within the sterling area, to repatriate their capital from South Africa at will, and also prohibited South African residents from remitting funds abroad for the purchase of South African and Rhodesian securities. As a result, for the first time for many years, the free and intimate connection between the markets for South African securities in Johannesburg and in London was broken and prices in London went to an appreciable discount on those in Johannesburg.

The success of the measures taken by the authorities to protect the reserves is shown by the fact that from a low point of R142,000,000 on June 16, 1961, in just under a year the South African Reserve Bank's gold and foreign exchange holdings have risen to R376,000,000. Thus the immediate task of rebuilding the country's monetary reserves appears to have been achieved. There remains the equally important and no less difficult task of easing these restrictions and rebuilding confidence so that more overseas investors will wish to invest new capital in enterprises in this country. It is also desirable that South African investors should be able to invest abroad since successful foreign investment can do much to help the country's balance of payments. The recent, though slight, relaxation by the authorities of the exchange control measures to permit foreign investors some repatriation of their capital and to permit certain South African institutions to make limited purchases of South African securities on the London market are thus greatly to be welcomed as a first step in the liberalisation of exchange control. Inevitably, because the Corporation is a South African company with international interests, exchange control has hampered our business to some extent, notably because the separation of the Johannesburg and London Stock Exchanges has led to a narrowing of the markets in both centres.

The annual report contains particulars of the operating results of our Group Companies and of those companies outside the Group in which we are interested.

U.K. AND S.A. TAX ARRANGEMENTS

Last year I expressed the hope that the United Kingdom and South African Governments would enter into new arrangements which would ensure that South Africa's withdrawal from the Commonwealth would result in little or no change to the matters which particularly affected our business, notably taxation reliefs. I am pleased to say that under the Standstill Agreement the existing arrangements continued until May 31st of this year and that a public announcement was made in both Houses of Parliament to the effect that a new Double Taxation Agreement between the two countries was under consideration. I have every reason to believe that this Agreement will be concluded shortly and that under the new arrangements United Kingdom investors will continue to receive credit in the United Kingdom for taxes paid by South African companies from which they draw dividends and for taxes already paid in South Africa on such dividends and that individuals resident in South Africa, who have investments in United Kingdom companies, will retain their former rights to claim repayment of some of the United Kingdom tax underlying the dividends that they receive. We would welcome this not only because of the large United Kingdom interest in South African mining and industrial concerns but because these matters have direct bearing on the Corporation itself and its shareholders in both countries. The Corporation, as you know, at present has dual residence, being resident not only in South Africa where it is incorporated but also resident in the United Kingdom for tax purposes.

RESIDENCE

Shareholders will recall that in 1956 the Corporation applied to the British Treasury for permission to cease to be resident in the United Kingdom but that this permission was refused. The question of the Corporation ceasing to be resident in the United Kingdom has continued to exercise the attention of your Board who remain of the view that it would be in the best interests of the Corporation for it to be solely resident in South Africa where it is incorporated, where the general meetings are held and where its main activities lie. Representations on this question have also been made by the South African Government to the United Kingdom Government. Recently, in order to enable the British Treasury to review the question in the light of the changed circumstances since 1956 the Corporation has submitted a new application. We must now await the outcome.

I should mention, however, that should this application succeed, and the Corporation cease to be resident in the United Kingdom our interests outside Africa would continue to be held by our London Company, Unicorpora Limited, whose Board will meet in London and whose affairs will be administered by the London office staff of the Corporation.

In conclusion, on your behalf, I would like to thank the management and staff of the Corporation in Johannesburg and in London and the directors, managers and staffs of the companies under our administration for the splendid work they have done during the past year. The Union Corporation Group of Companies employs no fewer than 60,000 people; most of them are in South Africa but there are numbers in Mexico and also in the United Kingdom. We like to feel that they are all members of one large family and we are conscious that we have a continuing responsibility for their welfare and happiness. In this connection, I know you will be pleased to learn that in 1961 five of the gold mining companies in the Group won awards for safety in the competitions organised by the Prevention of Accidents Committee of the Chamber of Mines.

The report and accounts were adopted.

SAUNDERS VALVE COMPANY

RECORD RESULTS

SATISFACTORY GROWTH OF EXPORTS

MR P. T. STEPHENS ON THE OUTLOOK

The annual general meeting of the Saunders Valve Company, Limited, will be held on July 5th in London.

The following is an extract from the Statement of the Chairman, **Mr P. T. Stephens,** circulated with the report and accounts:—

Once again I am able to present shareholders with results which are at a record level. Total turnover increased 16 per cent as compared with the previous financial year. Export turnover increased 25 per cent; a satisfying achievement in a year when the pound sterling was for a time seriously under pressure.

Export sales of Saunders diaphragm valves were 59 per cent of our total diaphragm valve sales. We have achieved year by year an export performance of this order against competition at home and abroad. Our export sales of Safran centrifugal pumps, which are sold in competition with similar pumps manufactured in every industrialised country in the world, amounted to 37 per cent of our total pump sales. These export performances compare favourably with those of their respective industries overall.

PROFIT ALSO A RECORD

A record turnover produced a record profit for the year ended March 31, 1962, of £534,339, subject to taxation of £291,000. An interim dividend of 7½ per cent less income tax was paid during the year, and a final dividend of 10 per cent less income tax is now recommended payable on the capital increased during the year by the issue of one new share free for every three shares previously held. Thus the net cost of the dividend at £95,703 is covered approximately 2.5 times by net earnings, and we regard this as both prudent and adequate in all the circumstances.

Our interim announcement warned that production in the second half would be lower as a result of easing in the rate of orders received. In the early part of the last financial year the rate of valve production was still being accelerated under the stimulus of lengthened deliveries. We then experienced at mid-year, within a period of three months, a sizeable drop in ordering rate, particularly from overseas. A number of our Distributors ordered for stock in the first half of 1961 at levels which in the event exceeded their ultimate needs. In the second half of the year Distributors' stocks rose in some cases to an inconvenient level, delivery periods returned to normal, and the necessary corrective steps to adjust our own rate of manufacture were taken in due time without, I am glad to record, any serious results in human terms.

FACTORY EXTENSION

At Cwmbran we have during the year completed extensions to our Plastics Factory and Finishing and Polishing Section. We are at present building extensions to the South Works, of warehouse and despatch facilities, and a small training school. A centralised Development Block will also be built during this summer.

The whole of our existing site at Hereford we now own freehold. Recently we have been fortunate to purchase an adjacent site which will provide further space for building extensions.

At Wolverhampton extensions are now required, and negotiations are being actively pursued to this end.

Completion of the new premises at Leeuwarden have been delayed for a number of reasons, not least due to bad weather this winter and spring. They will be brought into commission before the end of the summer. We are organising this centre on the assumption that the United Kingdom will eventually become a full member of European Economic Community.

Overseas manufacture has progressed and been extended during the year. We have further negotiations for establishment of local manufacture proceeding at the present time. Our policy remains as always to ensure that every market has a full range of Saunders valves available to it, either by export or, where this is not practical or economic, by local manufacture.

THE CURRENT YEAR

It is early in the current year to forecast trading results. Production is running at the level to which it was reduced, and it is not expected greatly to increase until later in the calendar year. However, this will depend on the incoming rate of orders received, which have showed a rising tendency both at home and abroad in the last two months. This could be the beginning of an increasing flow of demand resulting from a general expansion of business activity. New Developments, products and materials will continue to assist our progress, and in any event we remain confident of the long-term growth of Saunders' business.

An interim report will be issued in November and, subject to unforeseen circumstances, we shall then recommend an interim dividend of 6 per cent less income tax on the present capital of £1,000,000, as compared with 7½ per cent declared last year on the capital of £750,000.

GEORGE MALLINSON & SONS

The twenty-fifth annual general meeting of George Mallinson and Sons, Ltd., was held on June 5th at Leeds, **Mr Wilfred Wagstaff,** chairman, presiding. The following is an extract from his circulated statement.

The Accounts show a Net Profit (after making full provision for Taxation) of £116,910, an increase of £698. Our Trading Profit is approximately £20,000 higher, but this has all been absorbed by the increased amount required for taxation. Depreciation is still high at £59,805 (£66,202 last year). Your Directors therefore consider the results to be satisfactory and recommend a final dividend of 22½ per cent, making a total of 27½ per cent for the year.

Notwithstanding the credit control, production has been at a high level, and although there has been and indeed still are signs generally of a temporary easing of demand for Woollen and Worsted cloths, our order book is in a healthy condition and in the absence of any unforeseen circumstances, we look with confidence for another year of good trading.

Your Directors are closely watching developments following this country's application to join the Common Market. It appears that should the negotiations succeed, the new situation will present both a challenge and an opportunity. A Euromarket survey has already been made and I am confident that your Company will be able to maintain its competitive position and take advantage of the large potential market thus opened up.

The report and accounts were adopted.

THE BRITISH BORNEO TIMBER COMPANY, LIMITED

MR H. G. C. TOWNSEND'S REVIEW

The following is an extract from the address by the Chairman circulated to shareholders.

The easing in prices advised in the previous report lasted for several months. This, added to higher production costs, prevented the results from matching up to 1960. Nevertheless, they are not unsatisfactory since 1960 was an all-time record.

Profit before taxation is £185,198 compared with £376,748. After providing £92,866 for taxation and adding £99,718 brought forward, with a small surplus of £1,146 on disposal of fixed assets, the amount available for appropriation is £193,196.

In view of market conditions the Board in January this year judged it prudent to reduce the interim dividend to 4 per cent, compared with the equivalent of 5 per cent for the previous year. A gradual recovery in market prices has been occurring and the Board therefore recommend a final dividend of 20 per cent, making 24 per cent for the year, compared with the equivalent of 25 per cent.

Log production during 1961 reached the record total of 9,036,338 cu. ft., exceeding the previous year's output by nearly 15 per cent, the first time that the 9 million cu. ft. mark has been passed. Reports on the current year's activities to date show production at rather below the level of last year. Price indications are reasonably encouraging, but by common knowledge timber markets are sensitive and increased competition can quickly cause a setback.

The Annual General Meeting will be held in London on June 28th.

THE ASSOCIATED PORTLAND CEMENT MANUFACTURERS LIMITED

The Parent Company of the Blue Circle Group

A RECORD YEAR AT HOME AND ABROAD

DAMAGING EFFECT OF OIL DUTY ON EXPORT TRADE

HEAVY CAPITAL EXPENDITURE PROGRAMME FINANCED FROM OWN RESOURCES

MR J. A. E. REISS ON STEPS TO MAINTAIN GROUP'S POSITION AS WORLD'S LARGEST CEMENT ORGANISATION

The ANNUAL GENERAL MEETING of The Associated Portland Cement Manufacturers Limited will be held on June 28th in London.

The following is an extract from the statement by **Mr J. A. E. Reiss, BEM** (Chairman and Managing Director), which accompanied the Report and Accounts sent to Stockholders:

Accounts: Once again I should like to refer to the Capital Expenditure by our Group. Expenditure during 1961 amounted to £8,649,514 and during the sixteen years since the last war we have expended on capital account £74,478,467; during the same sixteen years we have provided out of profits £39,873,818 for depreciation and transferred £13,617,650 to Fixed Assets Replacement Reserve, a total of £53,491,468, which is equivalent to nearly 72 per cent of the outlay. This expenditure has been financed without your Company having to issue fresh capital.

The Associated Portland Cement Manufacturers Limited holds 100 per cent of the equities of The British Portland Cement Manufacturers Limited and Alpha Cement Limited, so a clearer picture of our past year's working in the United Kingdom is produced by combining the results of these three Companies than is shown in the Consolidated Accounts, which include our overseas interests. The figures to the nearest thousand pounds are as follows:

The Excess of Trading Income over Expenditure after deducting Directors' and Trustees' Emoluments, Subvention payments to subsidiaries and Share Issue Expenses increased by £1,368,000 to £11,092,000. We set aside for depreciation £3,110,000 which was £250,000 more than a year ago and the allocation for replacement of fixed assets of £400,000 was similar to that provided in 1960; the total provision under these headings was £3,510,000. Investment Income and Interest amounting to £2,136,000 was £14,000 less than in 1960; Debenture and Loan Stock Service at £260,000 showed an increase of £94,000 as compared with the previous year. The net Surplus, before providing for taxation, was £9,458,000, an increase of £1,010,000. Provision for Taxation increased by £779,000 to £4,864,000 leaving available for appropriations and payment of dividends £4,594,000, which was £231,000 more than in 1960. An amount of £200,000 has been transferred to Staff Pension Fund Reserve and £1,943,000 to Unappropriated Profit, the two items amounting in total to £2,143,000, being £26,000 more than in 1960, leaving for distribution as dividends £2,451,000 or £205,000 more than a year ago.

PAST YEAR

We experienced the biggest percentage increase in demand last year that we have ever had and our deliveries were 8.57 per cent higher. It was only by using up all our stocks and importing a limited tonnage from the Continent, which was sold at normal prices, that we were able to keep our customers satisfied. Certain of our competitors showed a greater percentage increase than us but it must be remembered that unlike some of them we were delivering to the limit of our capacity the previous year.

This time last year I foretold the damaging effect that the hydro-carbon oil duty would have on our export trade. Events have unfortunately borne this out as our exports fell by one-third, equivalent to some 300,000 tons. We had no alternative but to withdraw from many of our old traditional markets because the oil duty turned a profit, already only marginal, into a loss. We also had to deal with increasing competition from countries on the Mediterranean who earn foreign currency by the export of cement. In these cases, prices are not based on normal commercial considerations but are subsidised by increased charges made to Home consumers. It is disappointing indeed that the Chancellor did not have second thoughts in his recent Budget about this crippling oil duty. The main advantage to your Company of this country joining the Common Market—if and when this takes place—will be the rationalising of our fuel costs as compared with other European countries.

THIS YEAR

In spite of all the cold weather, deliveries to date are only slightly down on last year when the weather was particularly good for building. We do not expect the output of the Building Industry to change significantly this year although it is possible there may be some falling off in activity in the autumn.

Our expansion programme is well under way both as regards increased capacity and the provision of more bulk depots. We expect to have our third kiln in operation at Cauldon by August and our new works at Westbury in production before Christmas. This latter works would have been in operation four months earlier had it not been for a delay caused by a third Public Inquiry that was held last summer. A big bulk loading and distributing plant at Uddingston near Glasgow came into production last autumn and others will be working at Birmingham, Grangemouth, Dundee, Aberdeen and Exeter by the end of this year. This type of depot enables us to take advantage of the favourable rail rates for this class of traffic and to give a greatly improved service to our customers.

As I have said above, prospects in the export trade are dim indeed. Up to the time of writing, our figures show a further sharp decline and it seems certain that by the end of the year we shall have lost some 75 per cent of our trade in grey cement. We still continue to export many special products that bring us a good return but the tonnage is comparatively small and the profits made cannot be compared with those which were possible up to a few years ago on ordinary cement.

We have recently completed negotiations for the acquisition of the Midland Gravel Company Limited which operates ten pits in the Birmingham area. A special Gravel division is being formed to co-ordinate the operations of this Company together with those of the other two gravel companies, Queslett Sand & Gravel Company Limited and Baillie Brind & Company Limited which we already control and which also operate in that area. This will be a large undertaking in its own right and we believe that it will prove extremely profitable.

OVERSEAS COMPANIES

I am happy to report, once again, record sales by our overseas interests, amounting to 2,608,339 tons. Our production abroad has grown over four and a half times since the end of the War and we are continuing our policy of expansion where favourable opportunities exist. It must be said, however, that in some parts of the world commercial considerations are becoming subordinated to politics to such an extent as to lessen the inducement to capital investment from abroad and the countries in which this tendency is most marked are among those which have the greatest need for outside assistance in their development projects.

In Australia The Commonwealth Portland Cement Company Limited and its wholly owned subsidiary, Metropolitan Portland Cement Proprietary Limited, delivered a record tonnage, which exceeded that of any other manufacturer in New South Wales. Construction of the new 300,000-ton works near Geelong by our subsidiary, The Victoria Portland Cement Company Proprietary Limited, is proceeding as planned and the plant is expected to go into production in the latter part of next year.

Once again Malayan Cement Limited, of which we are the largest shareholders, established new records. Demand continues at a high level and further expansion is proposed.

Trading conditions in Mexico were somewhat quieter than in 1960 but the three Companies in which we are interested fully maintained their position. There has since been an upsurge in demand and prospects for the ensuing year are good.

In New Zealand also The Golden Bay Cement Company Limited had a very satisfactory year's working in spite of keen competition. The acquisition of the entire share capital of Waitomo Portland Cement Limited was completed and a rotary kiln, which was surplus to requirements at Golden Bay, is being installed at the Waitomo works in order to make this a more productive plant.

In South Africa the creation of the Republic did not affect trade to the extent which once seemed likely. Our subsidiary, White's South African Portland Cement Company Limited, registered a small reduction in sales and profits. The balance of payments position in the Union has shown a striking improvement since the introduction of Exchange Control last year and trading prospects generally are considerably brighter.

On the other hand, trade in Southern Rhodesia has been seriously affected by political uncertainties. The Salisbury Portland Cement Company Limited more than maintained its position relative to other manufacturers but sales and trading results were lower than during the previous year. Construction work is now at a low ebb and it has been found necessary to restrict cement production in keeping with the reduced demand.

In Kenya also political developments had a markedly adverse effect on trade. Little building is in progress and there are no prospects of improvement in the foreseeable future.

Trading results of The West African Portland Cement Company Limited, in which we have a 51 per cent share interest, were adversely affected as a result of large scale imports from Iron Curtain and other countries and a small loss was incurred during the year's operation. The position has since been rationalised by the introduction of a licensing system and the Company's prospects are regarded as satisfactory.

In Canada there was some improvement in trade in British Columbia, with a resultant improvement in the working of our associate company, Ocean Cement & Supplies Limited. There are indications that this improvement will be maintained. Canada Cement Company Limited, the largest producer in the Dominion, in which we have a minority share interest, produced results much in line with those of the previous year.

CONCLUSION

While over the past decade our expansion has been largely overseas, we have not lost sight of opportunities at home and the plans and projects I have mentioned are designed to ensure the maintenance of our position as the largest cement manufacturing and distributing organisation in the world, which I am sure is your wish.

I. GRIEW. & CO.

The Twenty-six Annual General Meeting of I. Griew & Co. Limited was held on May 31st at Baltic Wharf, Wallasea Island, Essex, **Mr H. D. Griew** (the chairman) presiding.

The following is an extract from his circulated statement:

I am pleased to report an improvement of over £12,000 in the Group Trading Profit for 1961. This has been obtained by an increase in turnover by Davey & Armitage Ltd., largely due to continued expansion in the sales of Wallboards and Particle Board.

Profit margins were maintained by Davey & Armitage Ltd., during the year, but the increase in costs was substantial. I feel that the maintenance of the profit in the circumstances is not unsatisfactory.

The recession in the furniture and radio industries continued throughout the whole of 1961 and this has again adversely affected trading by our other subsidiary, The Stamford Trading Co. Ltd. Despite a considerable improvement in profit margins as compared with 1960, turnover was insufficient to yield a profit and there was a trading loss in 1961.

The consolidated profit before Taxation is £6,768 more, but the Net amount of £23,454 is only £1,779 higher. Your Directors are therefore recommending that the distribution on the Ordinary Shares shall be maintained at the rate of 15 per cent for the year.

Reviewing the current position, the turnover in Davey & Armitage Ltd., for the first three months shows a satisfactory increase, but competition is very keen and profit margins tend to shrink. In our other subsidiary, the Directors now have greater scope for replenishment of stocks which are in demand and I am hopeful that this will lead to a better trading result.

I would also like to refer to one aspect of our activities which I have not previously stressed, and that is the port facilities of Davey & Armitage at Creeksea. As well as discharging its own cargoes and those of Stamford Trading Co. Ltd., the Company has recently loaded cargoes for exporters. Should this country enter the Common Market, it is obvious that these activities could be vastly extended.

The report was adopted.

THE SUNGEI KRIAN RUBBER ESTATE LIMITED

SIR JOHN D. BARLOW'S STATEMENT

The Fifty-third Annual General Meeting of The Sungei Krian Rubber Estate Limited was held in London on June 5th.

The following is an extract from the review of the Chairman **Sir John D. Barlow, Bart, MP:**

The profit for 1961 was £87,572 compared with £131,446 last year. This fall in profit was due mainly to the lower price of rubber in London during 1961 of 24½d. cif compared with 31½d. per lb. in 1960.

Taxation on current profits requires £29,500. The Board propose to transfer £33,000 to replanting reserve and £5,000 to General Reserve. The dividend recommended for the year is 3s. 6d. per stock unit and will require £21,438 net. The carry forward is slightly increased to £39,587.

INVESTMENTS

Investment income and interest during 1961 of £58,480 was twice as large as the agricultural profit earned by Sungei Krian and Somme Estates. Our trade investments earned £27,000 compared with £43,700 in 1960, because of reduced dividends from our holdings in plantation companies in Malaya, which mainly produce rubber.

Income from other investments earned £30,600 compared with £22,100 in the previous year. This increase was mainly due to a higher dividend received from a produce Company in Africa, but it is not expected that this high rate of dividend will be maintained because of a fall in the price of tea.

With lower prices for rubber and tea, which are the two commodities mainly produced by our trade investments, income from this source will be lower during the current year.

ESTATES

The crop harvested was 1,858,500 lb. against 1,923,000 lb. in 1960. The area in tapping was reduced as rather more acreage was cut out for replanting than became mature.

Wages and other benefits to labourers remained fairly constant throughout the year, but quite considerable revisions are to operate from January 1, 1962. The spokesmen for the Malayan Estate Employers and of the National Union of Plantation Workers are to be congratulated on the good spirit in which negotiations have been conducted. The results of these negotiations are generally approved by the estates' communities.

The bulk of Sungei Krian Estate has a soil very suited to Oil Palm cultivation. The Directors have, after careful deliberation, decided to replace a considerable section of the old rubber land to this more profitable crop. Nursery stock has to be grown and this takes just over a year. Preparations are now in hand and it is planned to plant up 390 acres of oil palms, using modern pedigree seed, in 1963. Planting with oil palms is somewhat cheaper than planting with rubber and the period of immaturity is less. Heavy outlay is required for the processing plant, but there is reason to believe that the capital cost of the factory may be shared with other nearby estates, which have similar types of land and are commencing oil palm planting.

GENERAL

The outlook for natural rubber can be regarded as reasonably good. The continued expansion of the motor industry in many countries ensures an increasing demand, and while a large proportion of this is met by synthetic products, natural rubber also benefits. Much depends on the volume of buying by Russia, who in recent months has been the largest purchaser of Malayan rubber.

The report and accounts were adopted.

MINERALS SEPARATION LIMITED

MR J. N. BUCHANAN'S STATEMENT

The Fifty-seventh Annual General Meeting of Minerals Separation Limited will be held on June 27th at the Chartered Insurance Institute, 20, Aldermanbury, London, E.C.2.

The following is an extract from the Statement by **Mr J. N. Buchanan,** the Chairman, which has been circulated with the Report and Accounts for the year ended December 31, 1961:

In the year ended December 31, 1961, another record in the profits of the Company was established. As shown in the Report of the Directors the gross profit of the Group is £1,773,017 against £1,331,219 last year, which in itself was a record up to that time. The net profit available after taxation, minority interests and other small deductions has risen to £636,558 from £507,945 last year, representing an increase of over 25 per cent. An interim dividend of 6d. per share, as against 4d. the year before, has been paid, and we now propose a final dividend of 11d. per share, being the same actual final as before. For the whole year, therefore, the dividend will be 1s. 5d. per share as against 1s. 3d. This distribution absorbs 68 per cent of the amount available, as against a distribution of 75 per cent last year, and leaves retained profits at £202,704 against £125,133.

Your Board has been for some time of the opinion that the large margin between the issued capital of the Company and the value of the assets should be lessened. It is also desirable, in their view, to improve the gearing of the capital. They therefore propose to authorise the creation of £2,500,000 Preference Shares and to distribute at this time to the Ordinary Shareholders, free of charge, £1,000,000 of such Preference Shares carrying an interest coupon of 6 per cent. This will entail every 10 Ordinary Shares receiving one £1 Preference Share. Your Board have no intention of making any further issue in the near future, but think it wise to authorise the larger amount now, with a view to issuing additional Preference Shares for cash or as bonus if and when it may be desirable.

The large cash figure and the lower book and market value of the quoted investments reflect the sale of a substantial part of our holding in Mercury Securities. In furtherance of the policy outlined a year ago, such sales have been made gradually during the closing months of last year and in the opening months of this year. Our present position is that we have realised in round figures over £3,000,000 from such sales, and today retain an investment in Mercury which at present value represents a figure of over £1,250,000.

GENERAL REVIEW

We attach in the usual form a summary of past Group balance sheets, profits and dividends. It shows, as you see, considerable expansion for 1961 under nearly every head. One striking illustration of the growth of the Company may perhaps be taken from the fact that the gross Group profit figure for 1961 at £1,773,000 is nearly equal to the total Balance Sheet figure of £1,780,000 in 1951.

1. *FOSECO LTD.*

This Company continues to be our most important subsidiary, contributing last year no less than 60 per cent of the gross profit of Minerals Separation Ltd. The Foseco Group had a very satisfactory year, reaching a record turnover in all countries of over £8,000,000. Their gross Group profit before deduction of taxation and minority interests, exceeded £1,000,000 for the first time in their history. All their established companies show further progress particularly good results being obtained in the U.K., U.S.A., Japan, Italy, Canada, South America and Switzerland. Extensions to factories and warehouses to provide important services were added in U.S.A., Japan, Belgium and elsewhere, and new companies were formed in Switzerland, Argentine and Holland. The re-organisation in Germany is proceeding, though rather more slowly than we had hoped, and the profit stage was not reached there last year. Active consideration continues to be given to further technical development. The most spectacular increase in profits came from the U.S.A. and Japan. In both these countries the outside interests have, up to now, amounted to about 50 per cent. In March of this year an agreement with the outside holders of shares in Foseco Inc., the U.S.A. Company, was entered into, whereby, following an exchange of shares with Foseco Ltd., the American Company has become a wholly owned subsidiary of Foseco Ltd. In this connection Mr N. R. Owen of J. H. Whitney of New York has joined the Board of Foseco Ltd. The immediate result of this exchange of shares was to reduce the percentage of the Foseco Group held by Minerals Separation, but, as has been done in earlier transactions of a similar kind, Minerals Separation bought a further line of shares, and today their holding of the enlarged Group is 77 per cent.

2. *MERCURY SECURITIES LTD.*

I have already dealt with the change made in the size of this holding. As this is a Public Company, whose Report and Accounts are readily available, I need not make any further comment, other than to express appreciation to the Company of their continued success.

3. *INVESTMENT TRUST PORTFOLIO.*

The contribution to profit from this Division of our assets was on a slightly higher level than last year.

4. *OTHER SUBSIDIARY AND ALLIED COMPANIES.*

Our new or enlarged interests in the three Companies (a) (b) and (c) following have absorbed a large part of the reinvestment of the money forthcoming from our "Mercury" sales, though part of these investments was made too late to contribute to the results for 1961.

SUMMARY OF GROUP BALANCE SHEETS, PROFITS AND DIVIDENDS, 1951 TO 1961

	YEAR ENDED 31ST DECEMBER										
	1951	1952	1953	1954	1955	1956	1957	1958	1959	1960	1961
GROUP BALANCE SHEETS	£	£	£	£	£	£	£	£	£	£	£
Issued Capital	220,000	250,000	250,000	1,000,000	1,000,000	1,000,000	1,000,000	1,100,000	2,000,000	2,500,000	2,500,000
Reserves	1,242,190	1,332,427	1,388,234	892,259	1,489,084	1,662,495	1,811,765	2,118,496	2,058,158	2,841,510	4,502,826
Total Capital and Reserves	1,462,190	1,582,427	1,638,234	1,892,259	2,489,084	2,662,495	2,811,765	3,218,496	4,058,158	5,341,510	7,002,826
Debenture Stock	—	—	—	250,000	500,000	500,000	500,000	500,000	500,000	—	—
Outside Shareholders' interest in Subsidiaries	7,290	9,418	3,044	3,368	3,587	168,551	231,991	630,480	593,042	671,487	855,675
Other Liabilities	310,853	439,751	410,675	520,545	552,510	1,183,464	1,296,281	1,884,107	2,429,159	3,469,719	4,433,670
	1,780,333	2,031,596	2,051,953	2,666,172	3,545,181	4,514,510	4,840,037	6,233,083	7,580,359	9,482,716	12,292,171
Fixed Assets	447,248	463,509	464,616	373,363	206,343	716,879	755,436	1,220,378	1,566,703	1,843,510	2,406,482
Investments:											
Quoted	674,605	580,155	603,355	1,480,958	2,366,007	2,163,373	2,178,987	2,444,531	2,544,405	3,117,893	2,945,821
(Market Value)	(1,334,735)	(1,018,121)	(963,795)	(2,428,967)	(3,116,175)	(2,667,438)	(2,532,877)	(3,512,209)	(5,980,218)	(7,507,850)	(6,736,605)
Unquoted and Trade	321,168	331,032	361,249	254,633	284,710	206,699	196,715	210,440	378,687	446,221	448,627
Current Assets	337,312	656,900	622,733	557,218	688,121	1,427,559	1,708,899	2,357,734	3,090,564	4,075,092	6,491,241
	£1,780,333	£2,031,596	£2,051,953	£2,666,172	£3,545,181	£4,514,510	£4,840,037	£6,233,083	£7,580,359	£9,482,716	£12,292,171
GROUP PROFITS	£	£	£	£	£	£	£	£	£	£	£
Profits before Taxation, Minority Interests and Appropriations	291,440	341,243	337,471	413,110	434,493	693,244	740,975	818,717	1,108,161	1,331,219	1,773,017
Dividends (Gross)	154,000	175,000	175,000	200,000	250,000	300,000	300,000	330,000	400,000	625,000	708,333
Balance retained	33,611	18,375	27,058	54,912	74,603	83,802	117,484	113,370	224,446	125,133	202,704
DIVIDENDS	% 70	% 70	% 70	% 20	% 25	% 30	% 30	% 30	% 20	% 25	% 28½

Note: Free scrip issues of 3 for 1 in 1954 and 3 for 5 in 1959.

(a) *STANDARD INDUSTRIAL HOLDINGS LTD.*

This is a Holding Company into which the Standard Industrial Group transferred its controlling interest in seven industrial companies last February. The issued capital of the Company is £2,000,000 divided into £1,200,000 in Preferred Ordinary Shares of £1 each, and £800,000 in Deferred Ordinary Shares of 10s. each. Your Company hold 1,100,000 Preferred Ordinary Shares, on which at present 10s. per share has been paid up. It is anticipated that further calls will be made in the near future, as money is required for new acquisitions, some of which are now under consideration. It will be seen, therefore, that by their holding, Minerals Separation control 55 per cent of the capital, and the Company is therefore a subsidiary. The Standard Industrial Group has been built up largely by the initiative and judgment of Mr A. F. de Breyne and Mr J. G. Cuckney, whose managerial efficiency we view with confidence. By mutual agreement, to add to the portfolio of the new Company, we have transferred to it our shares in J. W. Jackman & Company, which has therefore become a wholly owned subsidiary of Standard Industrial Holdings Ltd.

(b) *HECHT, LEVIS & KAHN LTD.*

For some time we have held a substantial interest in this Company in association with Messrs S. G. Warburg & Co., and other friends. In April this year, by mutual consent, the other members of this Group agreed to sell to us their holdings, which together were less than our own, and we now hold just over 50 per cent of the Ordinary Shares, and the Company has thereby become a subsidiary. The main asset of this holding Company is their majority holding of the shares of S.A.F.I.C. Alcan et Cie, a French merchant trading and development company quoted on the Paris Bourse, which we believe has a promising future. A scheme of capital rearrangement for Hecht, Levis & Kahn Ltd. is at present being carried out, and is expected to be completed in the near future; thereafter it is our intention, with the consent of the present Board, to appoint our representatives to that Board.

(c) *MINNOW FINANCE LTD.*

As you know, Minerals Separation is an Investment Trust Company, and as such does not take part in underwriting, short term trading in shares or commodities, syndicates or any other form or activity generally recognised as finance business. In our view there are opportunities for such business, and we have therefore formed a new Company with a Capital of £250,000 in £1 Ordinary Shares for this purpose, of which Minerals Separation owns 225,000 shares.

PERSONNEL

After dealing in detail with various other subsidiary companies of the Group, the Chairman said: "It will be seen from the above review that the Company has had perhaps a more than usually active year. This has added to the burden carried throughout the whole Group by all its members. Our sincere thanks are due and gladly tendered to them for another successful year's work."

THE MORGAN CRUCIBLE COMPANY LIMITED

FACTORS AFFECTING RESULTS

The twenty-eighth annual general meeting of The Morgan Crucible Company Limited will be held on June 28th at Battersea Works, Battersea Church Road, London, S.W.11.

The following is an extract from the review by the chairman, **Mr A. L. Stock,** which has been circulated with the report and accounts:

As intimated at interim dividend time the expected increase in profits which was forecast last year has failed to materialise, largely owing to a substantial drop in the profits from overseas companies.

With the adoption of the common terminal accounting date of December 31st, the Accounts of the Holding Company and the recently formed United Kingdom subsidiaries cover a period of nine months and, in consequence, there is a lack of true comparison of the results of the period under review with those of the previous financial year.

The Group Profit before tax but after Loan Interest is £1,758,000 as against £2,236,000 last year. If no change had been made in accounting dates I estimate the profits of the Group would have been of the order of £2,000,000.

With total profits of the United Kingdom subsidiaries approximately the same as the previous year, the reversals in the American and Australian subsidiary companies largely account for the fall in Group earnings.

On an annual basis, turnover has slightly increased. Sales to overseas customers have again increased in total and represent 45 per cent of the Group turnover compared with 43 per cent last year.

Making adjustments for the uneven accounting periods, earnings before tax on capital employed are slightly above 12 per cent.

With the proposed maintenance of dividends on ordinary capital at 14 per cent for the year, profits retained in the Group amount to £174,000 or 25 per cent of profit available for distribution. The smaller retention of profits compared with previous years can be attributed to the change in the accounting period and adverse conditions overseas—both of which may be regarded as peculiar to the period under review.

The steps initiated in the last few months to reorganise the activities of our American company have already caused a marked change in its fortunes. It is now operating at a modest profit.

No such sharp reversal is expected in Australia in the current financial year due to the uncertain political situation.

Progress was made in Belgium, France, Switzerland and Japan, which is likely to continue.

Despite recent optimistic statements about the nation's economic prospects, it seems unlikely that the slow growth in the consumer industries will counterbalance the continuance of production below capacity in many basic industries. Some falling off in demand and pressure on profit margins must therefore be expected at home. The recovery overseas, to which I have already referred, is likely however to outweigh the falling off at home, with the result that profits for the year should fall somewhere between my £2,000,000 estimate and those of the year 1960/61 (£2,236,000).

LISBON ELECTRIC TRAMWAYS LIMITED

The sixty-fourth annual general meeting of Lisbon Electric Tramways Limited will be held on June 27th in London.

The following is an extract from the circulated statement of the chairman, **The Rt Hon Lord Rathcavan:**

1961 was the first complete year of the revised traffic pattern that was inaugurated following the introduction of the Lisbon Underground Railway in 1960. Bus traffic continued to expand and 33 more double-deck buses were put into service for the extension of three routes and the reinforcement of many others.

The total number of passengers carried, 381,269,407, showed an increase of 3,552,040; the total number of miles run at 32,211,583 showed an increase of 1,372,331.

In connection with the additional wages to our personnel to which I referred in detail in my statement last year, an increase, which we felt to be justly due, has been granted from April 16, 1962, which will amount in a full year to about £500,000. I also pointed out last year that it would be essential for us to obtain authorisation to increase fares in order to meet this extra charge. Negotiations between the Company and the Portuguese Authorities to authorise increased fares are in an advanced state and it is expected that a decision will be announced very shortly.

Our net profit for the year 1961 after all charges and Depreciation Reserve amounts to £79,429 compared with £69,223 in 1960. The Directors recommend a Final Ordinary Dividend of 4 per cent net making a total of 6 per cent net for the year.

BRITISH BELTING & ASBESTOS

GROUP'S CONTINUED GROWTH

The sixty-fifth annual general meeting of British Belting & Asbestos Limited will be held on June 29, 1962, at Fountain Hall, Fountain Street, Bradford, Yorks.

The following is an extract from the Statement by the Chairman, **Colonel Sir William C. Fenton, MC, JP,** which has been circulated with the Report and Accounts for the year ended December 31, 1961:—

In our parent Company we have been very busy throughout the year and our sales increased by 14 per cent over the previous year. I regret I cannot report a corresponding increase in profits, which were affected by the heavy costs of re-organisation and by a wage increase at the beginning of the year. The profits of the Group, after all expenses and depreciation but before tax, were £1,425,440 against £1,428,005 in 1960, the earnings of the parent Company having increased by £24,879, and those of subsidiary companies having fallen by £27,444. Unfortunately taxation was £82,952 higher than in the previous year, with the result that the final profit fell to £732,416, compared with £817,933 in 1960.

In spite of the fall in the final profit, your directors feel justified in maintaining the same dividend as last year and recommend a final dividend of 11½ per cent, bringing the total dividend for the year to 17½ per cent.

PARENT COMPANY

The re-organisation of the Works in order to separate the Asbestos, Belting and Mintex production units has made good progress but is not yet completed.

Additional buildings for the manufacture of new types of brake lining have been erected and new and more up-to-date machinery has been purchased for all Divisions in order to increase production capacity and efficiency.

Our increased production capacity, coupled with the development of new materials, especially for disc brakes, has enabled us to increase our brake lining turnover in spite of the recession suffered by the motor industry in 1961.

We again increased our direct exports, which accounted for 21 per cent of our total sales. Exports to Australia and Canada constituted a record, while sales to the European Economic Community countries also rose, with record sales to Holland and Sweden.

In a successful company expansion is a continuing process and capital commitments of the Group at the end of the year amounted to £593,222.

Research work is essential to a growing company. When our present laboratory was completed in 1956 reasonable provision was made for expansion. Its growth and importance to the Company are such that we propose to extend it again this year.

As announced in January this year, we have formed with Birfield Limited a joint and equally-owned company, Railko Limited, which started operations in April. This Company will continue to manufacture the plastics products of the former Birfield subsidiary, Railko Limited, and we have transferred to it the production of the materials previously made by the Plastics Department of our Mintex Division. Both companies have been pursuing the development of new and improved bearing materials and, although these developments are still in their early stages, it is believed they show great promise.

The Group: The parent Company and its subsidiary companies have increased in size during the year.

On the whole subsidiary companies made slightly less profit than they did last year, and were responsible for 33.5 per cent of the Group's profit before tax.

After reviewing the activities of the subsidiary companies at home and overseas, the statement concluded:

PROSPECTS

We have expanded our productive capacity during the last two years. Orders and production are coming more nearly into balance and we are better prepared to deal with an increased volume of business than we were a year ago.

In the parent Company we have had a general wage advance of 2½-3 per cent this year. Competition is keen and the tendency throughout the Group is to increase our volume of business with a lower margin of profit.

I am hopeful that the Government's policy will in future result in more continuity of production than has been the case in recent years. This will help our output and costs.

I do not propose to make a forecast of profit for the year, but for the quarter ended March 31st Group sales have shown an increase on last year's figures.

THE MUNICIPAL TRUST COMPANY LIMITED

HIGHER GROSS REVENUE

SIR ROBERT ADEANE ON PROPOSED "RIGHTS ISSUE"

The eighty-second annual general meeting of The Municipal Trust Company Limited was held on June 5th in London.

Sir Robert Adeane, OBE (the Chairman), who presided, said:

Your Company's Gross Revenue at £215,473 is up by approximately 5 per cent. Net earnings amount to 23 per cent on the Ordinary Capital and your Board are recommending a final dividend of 11 per cent which with the interim dividend of 6 per cent paid last September will amount to a total distribution of 17 per cent for the year. Payment of this dividend will take £76,225, leaving £27,125 to be added to the Revenue Reserve and thereby increasing that Reserve to £255,779.

INVESTMENT OPPORTUNITIES

In June of last year Ordinary Shareholders had the opportunity of adding to their stake in the Company by a 1 in 10 "rights issue" at par, the price of the shares as quoted on the Stock Exchange then being in the region of 22s. We feel that Shareholders welcome these opportunities of increasing their holdings, and this is confirmed by the fact that of the total number of shares then offered approximately one-half of one per cent was not taken up. It is our intention to make a further "rights issue" now on similar terms and allotment letters should be in your hands before the end of the month. Equity yields obtaining in the United Kingdom still greatly exceed those offering in America and in other countries abroad and on a selective basis we feel that favourable investment opportunities exist today.

INVESTMENT PORTFOLIO

From the classification of investments as set out in the Directors' Report you will notice that the value of our holdings in Debenture Stocks is lower than it was last year. We have, in fact, reduced the proportion of our funds invested in this section of our portfolio to reduce our liability for Profits Tax, as income received on holdings in Debenture and Loan Stocks attracts this onerous tax whereas income received on investments in Preference and Ordinary Shares does not. Another point in the classification which calls for comment is the reduction in value of our Steel and Shipping holdings. The bulk of the former were sold at a higher level than that now ruling, and a revival in shipping is still a hope deferred. A surplus of tonnage and a reluctance of owners to scrap old ships overhangs the industry and looks like doing so for some time.

For some months past a number of industrial concerns have been reporting lower profits and reduced dividends due to higher costs and increasingly severe competition. I feel that this trend is by no means over and reductions in dividends must be expected from some of the securities in our portfolio.

Anyone who reads the predictions of the Chancellor will not anticipate anything other than greatly increased trade and prosperity in the Autumn. So constant and confident are his predictions that I have an uneasy feeling that he may be "whistling to keep his courage up." This may not be so—the Treasury advisers may be right. I hope they are, but nevertheless it is necessary to be selective in investment, and a wide spread such as is offered to holders by this Company may be a welcome sheet anchor in times such as these.

CURRENT YEAR'S PROSPECTS

As I have already indicated results for the current year are not easy to forecast and we cannot expect our revenue to be as buoyant as it has been recently. However, it should be well maintained and I am confident that we shall be laying before you satisfactory results when we meet again in a year's time.

The report and accounts were adopted; the proposed increase of the authorised capital from £1,100,000 to £1,500,000 by the creation of 1,600,000 new shares of 5s. each was approved.

Copy for the insertion of Company Meeting reports must reach this office not later than Wednesday of each week and should be addressed to:

The Company Meetings Department,
The Economist,
22 Ryder Street, S.W.1.

THE UNITED SUA BETONG RUBBER ESTATES, LIMITED

THE OUTLOOK FOR NATURAL RUBBER REVIEWED

SIR JOHN HAY'S STATEMENT

The fifty-third annual general meeting of The United Sua Betong Rubber Estates, Limited was held on June 6th in The Queens Rooms, Baltic Exchange, St. Mary Axe, London, E.C.3.

The following are extracts from the circulated statement of the Chairman, **Sir John Hay:**

In the knowledge that in 1961 the price of rubber was coasiderably lower than in 1960, it was not to be expected that our profits could equal those of the preceding year. In the circumstances, it should be an agreeable surprise that we have done so well, thus enabling us again to put to reserve a substantial sum and to pay a dividend which falls little short of last year's distribution.

A lower rubber price brings a lesser rate of Malayan export duty, and we also benefited from a refund of the "anti-inflationary cess" collected in earlier accounting periods. For our own part, however, we succeeded, by timely selling and by the manufacture of high quality concentrated latex, in obtaining an average price significantly in excess of the year's market average for standard grades. For an increased crop estate expenditure was less than last year's, a very creditable achievement.

In sales so far made from the 1962 crop we have secured a price per lb. approximating to our 1961 average, but clearly there must be some falling off by the end of the year if the market does not rise above its current level. On the other hand, we anticipate a further rise in crop. I shall, as usual, give the latest figures for output and sales at the Annual General Meeting on June 6th.

The means available to a rubber producing company to combat a major fall in the commodity price are not unrestricted. Wages, which account for the largest part of estate expenditure, are closely regulated by nation-wide agreements with the National Union of Plantation Workers, which has recently secured further benefits for its members in negotiations with the employers' association. We gave our labour a fair deal ungrudgingly, but must also ask their representatives to realise the implications of increasing competition with the synthetic products of industrialised countries. The overhead expenditure of a Malayan rubber estate includes a wide range of social amenities, many of which are recognised in urban areas as the responsibility of the State.

The current catch phrase for industry is to increase production. That is nothing new to us. That has been our constant aim, mainly through replanting upon which we embarked in the 1930's, and, except for the interruption of the war years, have continued steadily ever since. Supplementing such replacements, we have recently added to our acreage by new plantings on our reserve land. In consequence, as much as 35 per cent of our acreage is still immature. In the course of time, however, this will become productive and in a very few years our annual crop should be at the rate of about 30 million lbs.

Our oil palm interests are represented by our shareholding in Oil Palms of Malaya Limited, and a copy of my annual statement as Chairman of that company is available on application to the Secretaries. U.S.B.'s original application for a lease of land to be planted with oil palms, land now incorporated into Oil Palms of Malaya, was made over thirty years ago. It is interesting to observe that the oil palm has now come to be regarded as the most promising alternative crop to rubber in Malaya and companies already so engaged are hastening to extend their acreages, whilst others are making their initial entry into this field of enterprise.

Our last issue of capital was as long ago as 1939. Since that date we have carried out a large programme of replacements, extensions and fresh investments. All this has been done out of our own resources without impairment to the strong financial position which has been for long a marked characteristic of the Company.

I am sure stockholders would wish to be associated with our expression of thanks to the staff and those who work with them for their services during the year.

RUBBER PROSPECTS

In industry generally, the past year has been notable for increased competition and lower profits. Operating under such conditions the natural rubber industry appears to have done well in comparison with the giants of other enterprises, whose stocks carry the complimentary title "blue chips" and which give to the investor a yield which is in many cases a mere fraction of the average yield over past years to the rubber investor who has had the tenacity to stick to his holding.

But, however agreeable past results may be, reliance on these must be qualified by future prospects in all their uncertainties. What then is the outlook for natural rubber? Estimates of supply and demand cannot, of course, be regarded as precise predictions. They are at the best an intelligent guess. Our estimate points to an approximate balance between the two sides with the probability of a slight surplus on the production side. There is, however, one outstanding uncertainty in such an exercise. The Communist countries are very large consumers. Their market interventions are liable to be spasmodic and there is little information about future requirements such as would enable one to form any reasoned estimate. Past purchases seem to justify an estimate of 500,000 tons for 1962. Any significant divergence from that figure could have a very considerable influence on price.

STOCKPILE RELEASES

From this forecast I have omitted from our consideration any releases from stockpile. By agreement with the governments of producing territories, the rate of releases is on a scale related to price and at the present level deteriorated rubber only can be sold. The quantity so limited is not likely to weigh heavily on the market. From the reports of the proceedings of committees in the U.S.A., appointed to study the subject of stockpiles, it is evident, however, that there is a section of opinion, impatient of such limitations, which urges larger and less qualified releases. Whilst one can understand this desire to be rid of stockpiles no longer considered necessary and turn them into cash, to do so to such an extent as to depress the price below its economic level would surely be doubtful policy. It might well disrupt the economy of the major producing countries of the East which come into the category of the less developed and would be regarded as an act at strange variance with the promise of continuing aid aimed at raising the standard of living.

The efforts of the natural rubber industry, the prosperity of which is so vital to Eastern territories, to modernise itself and become increasingly efficient, have had considerable success and deserve recognition. Whilst it cannot expect to be spared the competition common to private enterprise, whether from synthetics or otherwise, the scales should not be weighed too heavily against it by stockpile releases in excess of market requirements. The outlook for natural rubber is not so gloomy as to lead to the conclusion that there will not be opportunity in the future for orderly and continuing moderate sales from stockpile but these should be governed by the considerations mentioned here.

COMPETITION WITH SYNTHETIC

In a recent assessment of the future relative competing liabilities of the natural and synthetic industries, we were regaled by the prospects of outputs from the former at the rate of 3,000 lbs. per acre. These expectations apparently have their origin in experiments carried out by the Rubber Research Institute over trial plots of one-third of an acre planted with the latest selected clones. In these exceptional conditions the average over a period of years did not exceed 2,000 lbs. But even this lesser figure is remarkable and encouraging. It would ill become me to put any limit to future achievement, but it should be recognised that in the best circumstances there must always be some disparity between the results of small-scale experiment and what can be attained on a commercial scale. Moreover, in the context of rubber there is a long time lag between planting and production. In Malaya, where replanting has been carried out on a larger scale than in other countries, the average yield from selected stock on estates was, in 1960, at the rate of 890 lbs. per acre: remaining seedling rubber reduced this to an average for all of 657 lbs. per acre. The average for the whole of the group, of which this Company is a member, was over 1,000 lbs. As more improved stock comes into bearing this figure should undergo a gradual improvement, but 3,000 lbs. per acre, over any significant area, is not within sight. But without indulgence in unrealities, one can recognise that there is a well established trend to higher outputs and that what has been achieved contrasts favourably with the levels of 300/500 lbs. per acre which were formerly the common experience. This continuing advance contains the promise of an ability to meet successfully the competition of the synthetic product.

PRICE STABILITY

An unusual feature of the rubber market has been the degree of price stability. The spread between the highest and the lowest during 1961 was within the comparatively narrow limit of 5d. per pound. Conditional stock releases and synthetic rubber selling at a fixed price have been contributing causes. In these circumstances it is surprising that it should be considered profitable to give further consideration to the establishment of a buffer stock, a costly device and uncertain in its results. The Tin Scheme, of which Malaya is a prominent member, with its paraphernalia of quotas, buffer stocks and predetermined price ranges, has quite failed to influence the price of tin which has recently been notorious for its capricious behaviour. There have been other notable failures in the various attempts to control commodity prices. It is improbable that between territories operating under widely varying conditions any agreement could be reached as to the realistic level of price at which rubber could be stabilised. Natural rubber in its price cannot be divorced from the pattern of a developing synthetic industry. It is essential that it should remain flexible and sensitive to changing conditions. Whatever may be the merits or de-merits of a buffer stock in relation to other commodities, it has little relevancy to the circumstances of natural rubber.

The aims for this industry should comprise:

(a) An agreement for continued control of stockpile releases.

(b) Encouragement to replanting.

(c) A steady pursuit of research aimed primarily at efficiency in production.

Pursuing this course we can look with confidence to the future.

KUALA LUMPUR-KEPONG AMALGAMATED LIMITED

FUTURE OF NATURAL RUBBER

MR J. W. A. CALVER'S OPTIMISM

The Fifty-fifth Annual General Meeting of Kuala Lumpur-Kepong Amalgamated Limited will be held on June 28th in London.

The following are extracts from the circulated Statement by the Chairman and Managing Director, **Mr J. W. A. Calver, MA, TD,** for the year ended September 30, 1961:

Last year's Chairman's Statement was made by Mr Copeman and my colleagues and I were very sorry when he decided that the time had come for him to retire from the Board of this company. Mr Copeman became the Chairman of the Kuala Lumpur company on the retirement of the late Mr E. B. Skinner in 1958 and was architect first of the amalgamation in 1959 and then of the further amalgamations in 1960 which resulted in the expansion of this company to its present size, and we owe to him a very great debt for all his work and trouble over these latter years. I am glad to say that we are not altogether losing his services as he remains on the Boards of four of our subsidiaries.

ACCOUNTS

The accounts now submitted to you cover differing periods to September 30, 1961, for the parent company and all the subsidiaries except Kepong and Buntar whose accounts are for twelve months to the end of December, 1961.

We have changed the form of the Accounts and I hope that as a result they are clearer to follow.

A comparison cannot be made with the profits for last year owing to the acquisition of new subsidiaries but at £768,048 after taxation and charging depreciation and amortisation they were reasonably satisfactory in view of the fall in the world price of rubber by 8¾d. per pound since the last accounting period. This has enabled us to recommend dividends for the year totalling 12½ per cent free of tax, equivalent to 20.4 per cent before tax.

We have thought it prudent to set aside out of profits by way of transfers to Reserves and depreciation and amortisation of fixed assets sums totalling approximately half million pounds which is available for the development of the estates.

ESTATES

Last year Mr Copeman referred to our large replanting programme and this is well in hand with 2,801 acres replanted with rubber in 1961 and 287 acres with oil palms. Under our long-term replanting programme we should have replanted in the ten years to the end of 1970 over 25,000 acres of rubber in Malaya in addition to converting nearly 5,000 acres of Fraser Estate to oil palms. It is rash to give more than a guess at crops and costs in the future but with about 50,000 acres of modern rubber in Malaya alone, the potential yield should be of the order of 60,000,000 lb. by 1970 and costs should be low indeed, other things being equal. We should then be able to face lower prices with greater equanimity than should synthetic producers.

Our Malayan crop for the periods under review was 38,239,427 lb. against an estimate of 37,501,177 lb. This year to the end of April crops are well above those harvested for the same period last year and substantially in excess of the estimate of 35,958,151 lb. for the year. We shall be disappointed if we do not harvest well over 38 million lb. in spite of the areas cut out and the fewer months covered. In Sumatra and Nigeria we should harvest over 4½ million lb. so that altogether we should harvest nearly 43 million lb. of rubber in 1962.

We have had a worrying year in Indonesia where the authorities have promulgated a new agricultural law which envisages the handing over of approximately 30 per cent of the planted areas of foreign-owned plantations to the Government and a serious reduction in the period of tenure of the acreage remaining. By arrangement with other companies managed by our Medan Agents we hope to retain our excellent Bukit Maradja estate intact but shall have to come to some mutual agreement on the question of compensation. Meanwhile our 1958 profit remittance, which had been approved, has been blocked and we do not know when we shall receive it; nor do we know when we can hope for profit remittances for later years.

In Nigeria the Oban estate which has been developed jointly with the Eastern Region Development Board is doing very well.

GENERAL

The price of natural rubber for the current year to date has been reasonably profitable and we must hope that this will continue so that with increased crops we look forward with cautious optimism to a not unsatisfactory year's trading.

I remain optimistic about the future of natural rubber. I have for long contended that with the world consumption of rubber having increased at the rate of roughly doubling every ten years and still progressing at a very substantial rate there should be every prospect of natural rubber producers being able to sell profitably all they can produce, provided they continue to increase their efficiency by increasing their yield per acre and improving the commercial presentation of their products in accordance with demand.

A lot is heard of improved synthetics but the users still tell us that there is nothing to equal natural rubber except for particular purposes or for special products. The fact is we make a premium product. My only fear is that our efforts to reduce costs will be vitiated by an over enthusiastic wage policy or by import duties or quotas designed to preserve uneconomic national synthetic manufactures. I do not fear releases from the U.S. stockpile provided that they are in reasonable quantities at reasonable prices.

BARRY & STAINES LINOLEUM

The Annual General Meeting of Barry & Staines Linoleum, Ltd., will be held on June 28th in London.

The following are extracts from the circulated Statement of the Chairman, **Mr T. J. Cavanagh:**

I regret that the trading results for the year to January 31, 1962, are so disappointing. The severity of the recession affecting our home and export markets has increased. There is no doubt that the linoleum industry is passing through a critical period.

Our French Subsidiary, despite difficult trading conditions, managed to show a better profit. Sheerloom Carpets Limited, manufacturers of tufted carpets, showed a reasonable profit, as did our rubber flooring and other subsidiary activities.

To meet the changed circumstances we have done a considerable amount of redeployment and reorganisation and we have more in contemplation. We have been able to reduce costs and concentrate some of our operations under fewer roofs. We have also developed new products and new effects in our linoleum, rubber and engineering sections. Our research and development departments are working at high pressure not only in the improvement of our existing operations but in the development of other products.

Unless demand for our main products picks up, I cannot foresee a restoration in our fortunes until our plans for further redeployment and diversification have been completed. I am convinced that the steps being taken by the Board will bring about the desired results.

JOHN BRIGHT & BROTHERS

HIGH LEVEL OF ACTIVITY

The thirty-ninth annual general meeting of John Bright and Brothers Limited will be held on June 27th in London.

The following is an extract from the Statement by the Chairman, **Mr Fred Train,** circulated with the Report and Accounts for the year ended March 31, 1962: The Consolidated Accounts show a profit for the year of £481,026 after making an increased allocation for depreciation, but before charging taxation. Taxation absorbs £212,734, leaving a balance of £268,292.

After referring to various additions and allocations dealt with in the Accounts, the Chairman continued: The Directors recommend a total distribution of 12½ per cent for the year on the increased Ordinary Stock.

The reduction in Group Trading Profit is due to the unfavourable trading conditions generally prevailing in the Cotton Textile Industry, the secondary effects of which have been felt by our business. We are a vertical organisation engaged in the spinning, doubling and weaving of various fibres into fabric. Our finished products, which are sold largely to the Plastics, Rubber, Electrical and Chemical Industries, become in effect their raw materials and our turnover and profit margins depend quite substantially upon the success of our customers themselves in maintaining or expanding their trading position.

The Chairman then reviewed the Group's trading position, and continued: Our plans for development are proceeding satisfactorily. Nevertheless, we have felt some of the secondary effects of the recession in the general Textile industry resulting in a contraction of the Group turnover of approximately 4 per cent. The conditions all the more illustrate the necessity for continued modernisation, diversification and expansion in accordance with and where possible in anticipation of ever-changing circumstances. I am happy to add, however, that a marked recovery became apparent towards the end of our financial year and all sections are now running at a higher level of activity.

The Chairman then referred to the Cotton Reorganisation Scheme, and said: We are still convinced that it is only through the continued installation of modern, automatic equipment that we can meet competition. We constantly strive to reduce costs at every turn without in any way departing from our basic principle of improving the quality of our product wherever possible. This is a policy we shall earnestly pursue as is clearly shown by our Capital Expenditure of over £300,000 during the past year and which emphasises not only our confidence in the future, but also our determination to maintain the leadership we enjoy in technical advancement and efficiency of production.

Commenting on the Common Market, the Chairman said: In my opinion, so far as our Company is concerned, the advantages of joining in the Common Market far outweigh the disadvantages. We accept the challenge which it offers confident that ultimately we will benefit.

Turning to future prospects, Mr Fred Train said: Prospects are brighter than they were a few months ago. Certain sections are running to capacity, others are reflecting the increased consumer demand, and indications point to this improvement being maintained although margins are still under pressure. The rate of improvement will vary from section to section, but on balance I feel that we may again look forward to a successful year.

DRAYTON CONTROLS LTD.

EVER-INCREASING LONG TERM PROSPECTS

The thirteenth annual general meeting of Drayton Controls Ltd. was held on May 31st in London, **Mr P. H. Lloyd, TD, DL** (the chairman), presiding.

The following is an extract from his circulated statement:

In my statement last year I expressed the view that trade was becoming more competitive and that alteration in Government policy could have a harmful effect on business. Both these remarks, unfortunately, have turned out to be justified. Nevertheless, your Company has in general maintained its position and in fact its output in almost all its activities has increased.

The consolidated profits for the year amounted to £321,531 compared with £305,085 last year.

Production: As the expansion of the Drayton Castle operation will require almost the whole of the factory purchased in 1960 it was necessary to secure additional manufacturing space. We have been fortunate in securing the lease of another factory in West Drayton of some 50,000 sq. ft. This has enabled us to transfer the whole of our Hydroflex Division to these premises. When the reorganisation is completed there is little doubt that improved efficiency will be obtained and, at the same time, considerable room for expansion will be available.

The main business of the Parent Company in industrial instrumentation, controls and steam traps continues in a satisfactory manner.

Shipping: Our trade in the shipping industry has increased considerably and has been helped by our association with Drayton-Southern Limited. I am happy to say that it looks as though there is a possibility of obtaining orders from foreign shipyards.

Small Motor Section: This is increasing its activities and some interesting possibilities are under investigation. These motors are now finding their way to the European market.

Brewing Industry: I am delighted to tell you that our equipment is installed on all four continuous brewing plants operating in this country. The brewing industry is accepting more and more of our equipment as time goes on and it seems as though they are becoming alive to the necessity for fuller automation.

"X" Valves: You will remember last year I told you that we were about to assail the high temperature high pressure steam user field. The market is proving receptive to our approach and prospects are good.

Having reviewed the satisfactory progress and outlook of the subsidiary and joint companies, namely, Drayton Controls (Heating) Ltd., Drayton Castle Ltd., Drayton Johnson Ltd., Drayton-Southern Ltd. and Drayton Greaves Private Ltd., the chairman continued:

Common Market: For your group of Companies it would seem entry into the Common Market may be of benefit.

Outlook: There is little doubt that this young and vigorous Group, which I firmly believe is in its infancy, will have ever increasing long term prospects. So far, out of the three enterprises which we have embarked upon with other Companies in this country, two are going ahead at a far greater speed than was ever contemplated, and the other is operating to schedule.

The report was adopted and a final dividend of 17½ per cent approved.

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Malaya	£10 10s.	—
New Zealand	£12 5s.	—
Nigeria	£10 10s.	£6 10s.
Pakistan	£10 10s.	—
Philippines	£12 5s.	—
Rhodesia	£10 10s.	—
South Africa	£10 10s.	£7 10s.
S. and C. America	£10 10s.	—
Sudan	£7 15s.	£6 15s.
U S A	$29·50 or £10 10s.	$25 or £9 0s.
West Indies	£10 10s.	—

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COMPANY AFFAIRS

Last week's feverish excitement on the London stock market has given way to a period of relatively quiet conditions. But neither the release of special deposits nor the halving of hire purchase deposits helped equities and over the week to Wednesday The Economist *indicator lost* 11.1 *points to* 321 *though on Thursday markets were cheered by the rally on Wall Street. Gilt-edged stocks were helped by the release of special deposits and this resulted in good gains particularly among the "shorts" but longer dated stocks turned dull on sheer weight of the new LCC issue. Gold shares have been in demand. Among equities Hawker Siddeley provided one of the few bright spots.*

Brighter Horizon for Hawker Siddeley?

UNLIKE earlier years the latest report and accounts of the Hawker Siddeley Group are accompanied by a chairman's statement; and an optimistic one it is too. It is certainly at odds with the market's assessment of the shares which even after a rise of 3s. this week puts them on a yield of 9.6 per cent at a price of 23s. This return reflects the uncertain outlook of the aircraft industry and the unprofitable trading of the Canadian subsidiary but there are factors to suggest that along with those of some other companies in the aircraft industry, notably Bristol Aeroplane, the shares may be undervalued.

In the past few years profits of Hawker Siddeley have been pulled down by the vast sums which have been charged for research and development. For the seventeen-month period to end 1960 these amounted to £15.6 million and for 1961 to £9.8 million, both sums absorbing over half the trading surplus for those periods. It now seems likely that for the moment at least the back of this expenditure has been broken and that the 1962 accounts will show a reduction in it. A further boost to profits is likely to come from the group's operations in Canada; these resulted in a net loss of £813,000 in 1961 but the chairman, Sir Thomas Sopwith, tells shareholders that now there are definite signs of improvement and that a large amount of new business has been obtained. With net overdrafts in Britain now amounting to £23½ million there should also be a considerable saving from lower interest rates; moreover, the overdraft should be reduced in the current year.

Clearly the prospects for the group's profits in the current year seem bright with orders still amounting to £350 million. Orders on the industrial side, which contributed about £2 million to total gross profits of £8¼ million, are rising steadily and the chairman says that "business has never been better and is growing all the time." In his review, Sir Thomas stresses that military contracts still account for the majority of the group's business and says that this situation is likely to continue for some considerable time. In this field he lays great stress on the potential of Hawker's little vertical-take off fighter which the Nato governments are supporting; this is perhaps the only class of military aircraft likely to be ordered in quantity. But if the group's military aircraft contribute most to profits it is the civil air projects which have absorbed most of the development expenditure. Hawker Siddeley has not had to write off the same kind of civil losses as Vickers but for the future more will depend on the success of the Trident rather than the other smaller, less ambitious civil aircraft of the group. So far the only firm orders have come from BEA for 24 Tridents; but the directors hope that eventually they will sell at least 100. This would produce a profit on this development but the going will be tough in the place of strong international competition. The Comet has now become a profit earner with some being built, as Viscounts were, for stock.

In his review Sir Thomas does not underestimate the difficulties confronting the aircraft manufacturers but shareholders will note that with almost half the year gone there is every indication that the current year will be not less successful than last year. On balance the shares may be on the threshold of recovery; moreover, in uncertain markets the attractions of the 5¾ per cent convertible debenture should not be overlooked; at 88 it offers a flat yield of over 6½ per cent and an equivalent conversion price up till July 1964 of about 26s.

Guest Keen and Nettlefolds

THE report of Guest Keen and Nettlefolds may please investment analysts more than shareholders as for the first time it contains a breakdown of total profits and turnover; for 1961 this commendable frankness emphasises under what severe pressure margins have been.

The table reveals the changes in turnover and profits which have occurred, but inter-group transactions make it impossible to produce a meaningful analysis of specific margins on sales. The group has been hit on all three fronts. Though the engineering and distribution section added to its sales higher costs cut into its margins, as they did in the steel division, where there was a marked drop in sales. The fall in overseas profits reflects in the main the fall in demand for sheet steel products made by the group's biggest overseas subsidiary, John Lysaght (Australia), where gross profits were more than halved in 1961 from £5 million to £2.4 million. The chairman, Mr K. S. Peacock, says he finds it difficult to give any reliable forecast for the future. There are no tangible signs of improvement on the steel side of the business and he can only "cautiously forecast a slight improvement" for the engineering companies. The most promising prospect seems to be John Lysaght (Australia), where sales will probably pick up in the current year.

	Turnover		Gross profits	
	1960	1961	1960	1961
	£ mil.	£ mil.	£ mil.	£ mil.
UK steel	56	49	11·8	6·4
UK engineering	123	147	11·4	10·4
Overseas	72	62	9·4	4·6
Total	251	238	30·6	21·4

Some items of the group's capital expenditure have been cancelled or postponed but there was still £36 million committed at the end of 1961 and Mr Peacock says that the annual rate for 1962 and 1963 will not fall below the £20 million spent last year. If the cash flow in the current year is no bigger than last year's £15½ million, GKN will have good reason to be thankful for its liquid assets of over £14 million. The £1 ordinary shares at 65s. 3d., their low point for the year, have fallen by 10s. 10½d. since the preliminary report and now yield 4.9 per cent on the twice covered dividend of 16 per cent.

Associated Portland Cement

LAST year deliveries by Associated Portland Cement, which accounts for just over 60 per cent of the home trade in cement, rose by about 8½ per cent. Some of APC's competitors secured bigger increases than this but as the chairman, Mr John Reiss, says not all of them were delivering to the limit of their capacity in 1960 as APC was. In this capital-intensive industry it has not been possible for APC to match the installation of new capacity exactly with the steady growth in demand. But it is busily building new plants, financed solely from retained profits, and bringing them into production and by the end of this year its capacity should be about 8 per cent more than it was at the beginning. The cold weather did affect deliveries early this year but, even so, in the first twenty weeks they were marginally higher than in the same period of 1961. There may be some falling off in building activity in the autumn but Mr Reiss does not expect the output of the building industry to change significantly over the year as a whole. Moreover the increase in cement consumption seems likely to be higher than the rise in building activity in the next few years.

Continued on page 1052

Chemicals in Europe

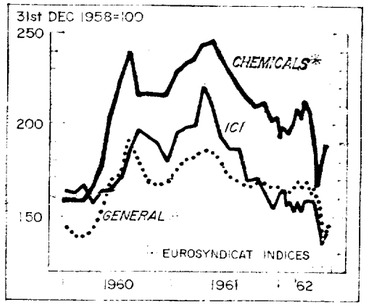
BY A CORRESPONDENT IN BRUSSELS

ATTRACTED by the rapid rate of growth in capacity and output in the European chemical industry, investors have not discriminated much in recent years in buying the equities of the leading chemical companies. By the middle of last year, their prices had been bid up to a very high level; but once it was realised that over-capacity, price cutting and in some instances outright dumping were cutting deeply into profits the reaction in share prices was sharp. Continental investors are still perturbed by the fall in product prices, the increase in wages (which was as high as 15 per cent for Bayer last year) and by the intensity of competition. The companies are still however pressing ahead with their plans to expand capacity. Competition is forcing them to bring their plants up to date and to invest substantial sums in the development of new products; as a result capital expenditures planned for this year are in many cases higher than the sum actually spent in 1961.

At the same time important changes are taking place in the structure of the industry. Among the European chemical companies only ICI is really a giant, and to face up to British and American competition the smaller European companies have drawn closer together. A number of important mergers —Rhone-Poulenc in France, Union Chimique in Belgium and Zout-Ketjen in Holland—took place last year; the aim has been to cut overhead costs. Some of the complex joint operations which had developed since the war were swallowed up in these mergers; but the big companies still participate in joint ventures, particularly with members of the oil industry which, to protect their own massive investments and to keep as much control as possible over margins, have moved forward into petrochemicals.

From the investor's point of view, many of the basic statistics for measuring the size of the companies and of their interests in various markets are lacking. But as measured by turnover, the biggest companies in the European Economic Community are the three successors to IG Farben in Germany and Rhone-Poulenc in France while Montecatini dominates the Italian market. None of the companies listed in the accompanying table with the exception of Zout-Ketjen, are simply interested in the production of basic chemicals and petrochemicals. Bayer has, like ICI, important investments in photographic products, man-made fibres and pharmaceuticals; Montecatini has interests in oils, metals and quarrying while Rhone-Poulenc, after its merger with Celtex, and Union Chimique, after its merger with Fabelta, have entered the man-made fibre industries. Moreover, the emphasis in development which was earlier concentrated upon petrochemicals has been swung more towards special chemicals and pharmaceuticals. Like Bayer, Hoechst in Germany has actively extended its interests in pharmaceuticals and man-made fibres. The other big German company, BASF, has concentrated upon plastics. In France, Péchiney and St Gobain both have about half their interests outside the chemical field and they have been drawing together closer in their chemical operations.

These differences have been reflected in the earnings of the companies. The record of such companies as Montecatini and Union Chimique has been highly erratic as compared with the more steady progress made by the German and French concerns. The sharp intensification in competition has produced even more marked divergences in the profits earned by the various concerns. The French companies, for example, have continued to benefit from the high level of domestic demand while in Germany, though Bayer still appears to be the strongest of the three big producers, Hoechst's latest earnings are the more impressive. Against the competition of Bayer, it took Hoechst some years to establish its own branded pharmaceutical products on the European market; it now appears to have successfully done so. In the past the other German company, BASF, concentrating upon plastics, has enjoyed a tremendous rate of growth but now it is locked in a fierce competitive battle with other European producers though so far its profits have been less affected than had been feared. In Italy, competition has been intensified by the development of state agencies such as ANIC and by the entry of Edison into the chemical field. Faced with greater competition at home Montecatini has thus been forced to try to add to its share of the market in other European countries—and as a result its profit margins have suffered.



The accompanying table shows the cash earnings, including the amounts provided for depreciation, in the last two years of the leading companies. In the past most of the companies have generated much of their capital development from their own cash flows but recently the squeeze on profits has made them more dependent upon outside finance. More and more of them have had to appeal to shareholders for new money. The method generally used has been to issue equity shares to shareholders on "bonus" terms. These new issues may look "cheap" to the subscribers but as the companies have to promise to maintain their dividends on the increased capital they in fact represent an expensive way of raising new money. Recently the German chemical companies have tried to raise new money at terms more favourable to themselves though this has run into resistance from shareholders. There can, however, be little doubt that future issues by the European chemical companies will contain a smaller "bonus" element than in the past.

Since they reached their peaks either in 1960 or early in 1961, chemical equities throughout Europe have fallen sharply, with ICI and Montecatini falling the most steeply. Recently the bourses have become more selective, discriminating much more precisely between the merits of the three German companies and reflecting renewed optimism about the French concern. A big question mark still hangs over Montecatini; in particular, European investors are wondering whether the big development in the Brindisi area will be as profitable as it should be and whether it will bring a substantial boost to earnings. In the long term, the growth of the European chemical industry seems assured; but shares in it are no longer "the" investment in the future of the European Economic Community.

		ICI Consolidated	Bayer (a)	Rhone–Poulenc Non-consolidated	Rhone–Poulenc Consolidated estimates	Montecatini Non-consolidated	Zout-Ketjen Consolidated	Union Chimique
Sales 1961	£ million	568·9	320 (gross)	68 (net)	260 (net)	112 (f)	36 (e)	32
,, 1960	£ million	562·1	290	(c)	...	96	...	...
Issued capital	£ million	266·6	74·2	49	49	103	5·8	7·8
Market capitalisation (end-May)	£ million	714·5	326·5	437	437	340	50·3	29
Numbers employed	...	114,000	60,000	15,000	55,000	38,000	5,000	10,000
Net profits 1961	£'000s	31,381	16,300	5,795	...	8,590	2,275	1,068
,, ,, 1960	£'000s	44,724	20,640	(c)	...	7,540	(c)	918
Depreciation 1961	£'000s	40,505	22,800	5,000 (e)	...	10,630	3,003	2,563
,, 1960	£'000s	37,258	21,000	(c)	...	8,910	(c)	2,443
Cash earnings 1961	£'000s	71,886	39,100	10,795 (e)	37,000 (b)	19,220	5,278	3,631
,, 1960	£'000s	81,982	41,640	(c)	...	16,450	(c)	3,361
Cash earnings yield	%	*10·1*	*11·9*	*2·5*	*8·5*	*5·6*	*10·5*	*12·5*
Cash earnings growth 1958–61	%	*41*	*50*	(c)	...	*41*	(c)	*86*
Market price (end May)	(d)	51s. 1½d.	440%	NF. 445	...	L. 3.285	861%	F. 3,700
"High" and "Low" 1959–62	(d)	82s. 9d.–32s. 9d.	790%–290%	NF. 690–NF. 215	...	L. 5,620–L. 1,980	1,175%–424%	F. 4,850–F. 1,035
Net dividend yield (end May)	%	*3·3*	*2·9*	*1·1*	...	*3·5*	*1·5*	*2·7*

(a) Sales figures include all subsidiaries; other figures relate to parent company plus any payments by subsidiaries to the parent. (b) Estimate based on a margin of 14½ per cent on sales. (c) Non-comparable data. (d) Local currencies. (e) Estimates. (f) Consolidated sales are estimated at £175 million.

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A steady expansion for APC in the home trade, based on new capacity, is therefore likely. APC has lost a great deal of its export trade, notably in the Mediterranean area, and though the plants serving this trade are not ideally sited for home deliveries the loss of unprofitable orders and the possibilities of some switch-over from exports to home deliveries is not unrelieved

	1957	1958	1959	1960	1961
	£ mil.	£ mil.	£ mil.	£ mil.	£ mil.
Sales	49·8	49·9	52·7	54·4	57·5
Trading profit	14·6	15·1	15·5	15·9	17·8
Gross profit	10·5	10·5	11·4	11·4	13·0
Net equity earnings	4·0	3·9	5·1	5·2	5·9
Retained cash flow	6·4	6·3	6·7	7·6	8·4
Net fixed assets	47·1	49·5	52·1	62·8	66·3
Net current assets	21·6	23·0	24·5	20·3	21·1
Net liquid assets	8·5	9·6	14·1	10·2	9·9
Net equity assets	52·6	56·1	63·7	72·1	75·2
	%	%	%	%	%
Gross profit/sales	21·1	21·0	21·6	21·0	22·6
Gross profit/net equity assets	19·9	18·7	17·9	15·8	17·3
Net earnings/net equity assets	7·6	7·0	8·0	7·2	7·8

Price (£1 shares): 53s. 0d. Earnings yield: 8·3%, equal to 12 years' earnings
Dividend yield: 3·6%

misfortune for the group. The plants it is operating overseas seem likely to enjoy another good year, with the exception of those in Rhodesia and Kenya. Hence a further increase in the group's total profits seems reasonably assured. The £1 shares at 54s., to yield 3½ per cent, are well below their 1962 peak of 61s. and clearly they have to be numbered among the blue-chip equities for the long haul.

Turner and Newall

THE directors of Turner and Newall are always cautious in their forecasts; but they have plenty of reason for caution this year and their interim statement is in fact a well-balanced assessment. In announcing an unchanged interim dividend of 4 per cent, the directors say that profits in the first half of the year to September 30th have fallen appreciably below the record figures achieved in 1960-61. Profit margins in both the mining and manufacturing sections of the business are still under pressure. In manufacturing an improvement depends upon the revival in general economic activity in this country; in this respect, the directors say, there is "little sign of much real progress so far" except in a few cases, of which the motor industry is the most noticeable example. In mining competitive conditions are expected to continue for some time ahead. Profits for the full year will therefore be at a "reduced level" but barring a further deterioration in trading conditions the directors hope to maintain the total dividend at 12 per cent. On this statement the £1 shares fell 4s. 9d. to 48s., to yield 4.9 per cent.

Butlins

BUTLINS' results for the year to March 31st came as a cheerful prelude to the holiday season. In November Mr Billy Butlin had forecast an increase of £1½ million in gross revenue and forecast a final dividend of not less than 40 per cent. In fact the final dividend has been set at 55 per cent to make the total payment of 70 per cent, against the equivalent of 40 per cent. Gross revenue last year rose from £8.7 million to £10.4 million but the trading profit rose by more than 50 per cent from £1.8 million to £2.7 million. Clearly the results owe much to a full season from the new Bognor Regis holiday camp which accommodated over 100,000 visitors, compared with only 29,000 in its first year of operation; they suggest that the new camps operate on much higher profit margins than the older ones.

Already Butlins looks set for a further advance in profits for the new Minehead camp was opened at the end of last month and bookings there for the current year already total 65,000. Not surprisingly the 1s. shares although they lost 1s. 7½d. to 19s. 1½d. this week are almost double the price of a year ago and on a dividend which is covered 1.2 times yield 3.7 per cent.

De La Rue

IN the year to March 31st last, gross profits of the De La Rue Group rose by 13.6 per cent from £2,287,000 to £2,599,000 but a heavier tax charge almost wiped out this gain, leaving net profits only £3,000 higher at £1,105,000. The group earned its higher profits only by selling appreciably more; turnover rose by almost 18 per cent to a record of £21.9 million, and the gross margin on sales fell from 12.3 to 11.8 per cent. In this country sales rose by 11½ per cent, those made by overseas companies rose by 14½ per cent and the biggest increase of all came in exports from this country, where the increase was nearly 33 per cent. But profits attributable to minority holders fell from £341,000 to £273,000, suggesting that there may have been a further setback in Formica, in which American Cyanamid has a 40 per cent stake; this is hardly surprising in view of the depression in the furniture trade.

The other major item of good news for

Contrasts in Steel

THE decision of South Durham to pay no interim dividend made a depressing start to the season of interim dividends from the steelmakers. In most cases steel shares appear to discount the worst having fallen about 25 per cent this year and offering yields of up to 10 per cent. As the season gets under way it is clear that the results and statements will be a mirror of the widely differing experience of individual sections of the steel industry. It is already clear that **John Summers** has done better than all the other steel companies, for as a producer of sheet it has enjoyed the benefit of a renewed demand from the motor industry while its main competitor in this field, Steel of Wales, was hampered at the start of the financial year by the bricklayers' strike. Moreover it is the sheet producers who stand to gain most from the recent price increases. In announcing a maintained dividend of 6 per cent the directors tell shareholders that the demand for sheet has improved since the start of the financial year and that they expect the present "satisfactory level" of operations at Shotton to be maintained for the rest of the current year. Trading profits for the 26 weeks to end March amounted to £7.1 million, against £7.3 million for the corresponding period in 1960-61 and £13.2 million for the whole financial year. Thus the directors' forecast at the time of the convertible debenture issue that profits "should not compare unfavourably with those for last year" seems likely to be realised.

The statement from **Lancashire Steel** was gloomier and much less revealing than that from John Summers. Announcing a maintained interim payment the directors say simply that this does not imply that the final dividend will be maintained at the same rate as last year. The previous total payment of 11 per cent was covered 3.6 times. Lancashire Steel is primarily a producer of wire rods and light rolled products where output fell by 20 per cent in the 6 months to March 31st, the sharpest fall in any sector of the steel industry.

A similar line has been followed by the directors of **Stewarts and Lloyds,** the tube producers, who in maintaining the interim dividend tell shareholders that the final dividend will depend upon the full year's results. These are unlikely to be very encouraging. In February the chairman said that profits were running substantially below those for the corresponding period in 1960-61 and that is apparently still the case with most works operating well below capacity. The 1960-61 payment was covered 2¼ times and the uncertainty as to the final dividend suggests that the fall in profits has been sharp.

Among the interim statements has come a full year's accounting from **Consett Iron,** which ends its year on March 31st. They are as bad as the statement in December that no interim dividend would be paid had led the market to expect. Trading profits have fallen from £5,009,000 to £2,222,000 (and in the second half of the year from £2,658,000 to £541,000) but reflecting the capital expansion programme there has been a much higher charge for depreciation of £2,111,000, against £1,584,000, and loan interest amounted to £1,036,000 so that there was a group net loss of £925,000 against a profit before tax of £2,473,000. Unlike some shipping companies however Consett has had regard to the trustee status of its ordinary shares and there is to be a dividend of 2 per cent.

STEEL DIVIDENDS

	Interim	Final	Interim	Price	Yield
Lancashire Steel	3½	7½	3½	23/3	9·3
Stewarts & Lloyds	5	10	5	26/6	11·3
John Summers	6	9	6	45/6	6·6
	Final	Interim	Final		
Consett Iron	6½	...	2	12/3	3·3

shareholders is the proposed one-for-one rights issue at 10s. per share, which will raise £2¼ million. There was a brief confusion after the directors forecast a dividend of not less than 11¼ per cent on the bigger capital, which guaranteed shareholders no improvement in income; but the directors announced later that "they will be disappointed if they are not in a position to recommend a total dividend of 1s. 4½d. per share"—or 13¾ per cent. Their optimism reflects in some measure the strength of the order book, which shows a "very substantial improvement" compared with a year ago. The 10s. ordinary shares, at 57s. 9d., are now about 5s. lower than they were then and the forecast of a higher dividend raises the effective yield to 4.2 per cent.

Land Securities

WITH its shares yielding only 1¾ per cent Land Securities Investment Trust has little difficulty in raising new capital from its shareholders by a rights issue on attractive terms. But the latest results from what is one of the best known of all the property development companies hardly justify the present meagre return. In the year to March 31st the rise in its gross rental income from £3.6 million to £4.2 million was offset by a rise in expenditure from £1.9 million to £2.7 million. Net income was £45,000 higher at £669,000, reflecting, the chairman says, the rise in the net income from completed properties from £1,256,000 to £1,340,000.

The increase in the dividend from 6 to 6¼ per cent is modest, though the directors have forecast that the current rate will be maintained on the bigger capital after the one-for-three rights issue. The shares have fallen by 7s. 9d. to 35s. 3d. and with the new 10s. shares offered at par the rights are worth about 6s. 6d. and the prospective ex rights yield is 2¼ per cent. This yield looks a long way ahead and though the chairman, Mr Harold Samuel, says he can only give a general indication of future prospects, he adds that he expects a continued improvement in them so long as the results of the group are judged over a number of years. In the current year several of its schemes should begin to produce more income. Further afield, however, the group has not fared so well and the directors have decided to close down its activities in Canada, even though this involves a loss; they believe the funds, amounting to £2¼ million, could be better employed in this country.

Fixed assets rose from £55.1 million to £63.4 million in 1961-62. The balance-sheet shows the advances of £9 million from the Legal and General under that company's latest agreement with Land Securities. In respect of these advances made against the security of a 6½ per cent first mortgage debenture Legal and General has been allotted 900,000 shares in Land Securities at 30s. per share. A further £6 million is still to come from Legal and General, which will raise the total amount of debentures to over £34 million. In addition, at the year-end there were mortgages and overdrafts of almost £10 million. The proceeds of the £4.6 million rights issue and the repatriation of Canadian funds will improve the group's liquidity. But the group's profits will now have to bear substantial interest charges.

Watney Mann

EARLIER this year brewery shares were bid up to very high and in many cases unrealistic levels; now they are on average about 12½ per cent below their peaks and several are standing at their 1962 lows. This is the case with Watney Mann which at 22s. 6d. yields 4 per cent. In the first six months of the current financial year Watney Mann's trading surplus rose from £4,025,000 to £4,178,000 but a £200,000 increase in depreciation to £786,000 and a higher tax charge left net attributable profits 9 per cent lower at £1,552,000, against £1,707,000. The interim dividend has been maintained at 6 per cent and there is little doubt that it will again be followed by a final of 12 per cent for the total payment for 1960-61 was covered over twice. It is too early to say whether this cover can be maintained but the directors say that since April there has been a satisfactory increase over the same period in 1961.

United Drapery Stores

TRADING profits of United Drapery Stores in the year to January 31st rose by only 3¼ per cent from £10,103,000 to £10,427,000. The chairman, Mr Joseph Collier, says that the directors took the Chancellor's request into account in holding the ordinary dividend at 30 per cent, so that presumably in spite of the small increase in profits they were prepared to raise the dividend. This suggests that the directors are confident about the current year's prospects. In the first quarter sales, excluding those of newly acquired businesses, were higher than in the same period in 1961 despite the bad weather and the late Easter. Mr Collier says that he is confident in the group's ability to maintain this trend and he expects the year's results to be satisfactory. There may however be an increase in the tax charge as the past losses of Pooles Central Warehouses have now largely been absorbed; but substantial losses will be carried forward in respect of three more recent acquisitions.

Since the preliminary results were published the 5s. ordinary shares have lost 7s. 4½d. to 44s. 6d. but even now they yield only 3.4 per cent. The stock market is still looking for further growth. There will be growth; in 1961-62 the group opened 15 new branches in the multiple clothing division, five in the credit group, and more are planned; it made further acquisitions, of which the biggest was the William Whiteley department store, and these should contribute more in the future to profits. But the big question is the rate of growth and the key to this lies in the chairman's statement that the management is still expansion-minded. He says that the price required for good businesses is prohibitive and in the past the group has therefore taken over businesses where management had faltered and profits were temporarily depressed. In the future the group will be particularly interested in private companies engaged in retail distribution. The group still holds £3¼ million in cash despite a cash outlay of £1.7 million for Whiteley.

Stoll Theatres

IN November, 1960, Mr Littler frustrated the Cotton-Clore bid for Moss Empires by heavy buying in the market. The cost was high to Stoll, though it has since been cut by the repayment of the preference shares for which Mr Littler on Stoll's behalf had paid such a high price. Clearly having gained this victory Mr Littler had to justify the price. To many this seemed only possible through the redevelopment of the properties, particularly various dying theatres in the provinces and S. G. Warburg and Co. was brought in to advise.

Immediately after Prince Littler's victory Mr David Leapman was asked to join the board of Stoll Theatres, but the latest report states that a resolution is to be proposed at the annual meeting on June 19th for his removal from the board. In their report the directors say that "Mr Leapman has commenced proceedings against the company putting forward claims which the company considers to be ill founded." Mr Leapman has now come out with a statement that certainly suggests that the board has not been in full agreement on the pace of its property development so far. The slowness of the pace Mr Littler attributes to the reluctance of local authorities to give planning permission. The property development potential has been one of the chief attractions of the shares of both companies and shareholders must hope that Mr Littler at the forthcoming meeting of Stoll Theatres will give his side of the picture on the group's policy on property development, which so far has apparently yielded nothing more than the sale of three theatres. Alternatively, he can take cover behind his £80,000 management stock which gives him effective voting control of Stoll Theatres.

The Economist Indicator (1953=100)

1962	Indicator	Yield %	1962 High	1962 Low
May 2	362·4	5·00		
" 9	356·7	5·10		
" 16	355·7	5·10		
" 23	340·2	5·34	364·4 (Jan. 17)	321·1 (June 6)
" 30	332·1	5·42		
June 6	321·0	5·59		

Financial Times Indices

1962	Index †	Ord. Yield	2½% Consols Yield	Bargains Marked
May 31	273·8	5·71	6·14	15,584
June 1	272·9	5·73	6·21	12,279
" 4	269·3	5·81	6·23	12,996
" 5	266·7	5·87	6·24	11,798
" 6	266·9	5·86	6·24	10,270

High, 310·2 (Jan. 19). Low, 261·3 (May 29).
† July 1, 1935=100.

STOCK PRICES

Prices, 1962 High	Prices, 1962 Low	BRITISH FUNDS AND GUARANTEED STOCKS	Price, May 30, 1962	Price, June 6 1962	Net Red. Yield, June 6, 1962§ £ s. d.	Gross Red. Yield, June 6, 1962 £ s. d.
100$^{15}/_{16}$	100$^{*}/_{32}$	Treasury 5½% 1962	100$^{16}/_{32}$	100$^{19}/_{32}$	1 12 6	4 0 11
98$^{1}/_{16}$	96$^{3}/_{4}$	Exchequer 3½% 1962–63	98$^{13}/_{32}$	98$^{9}/_{16}$	3 6 2	4 9 3
100$^{1}/_{8}$	98$^{1}/_{32}$	Conversion 4½% 1963	100$^{3}/_{16}$	100$^{3}/_{8}$	2 11 5	4 7 5
96$^{13}/_{16}$	96$^{1}/_{32}$	Exchequer 2½% 1963–64	96$^{13}/_{32}$	96$^{5}/_{8}$	3 6 1	4 6 7
99$^{*}/_{32}$	97$^{1}/_{16}$	Conversion 4½% 1964	99$^{7}/_{16}$	99$^{13}/_{32}$	2 14 8	4 10 9
94$^{1}/_{2}$	90$^{11}/_{32}$	Savings Bonds 3% 1955–65	94$^{1}/_{8}$	94$^{1}/_{8}$	3 11 2	4 17 8
100$^{1}/_{16}$	98$^{3}/_{32}$	Exchequer 5½% 1966	100$^{3}/_{32}$	100$^{3}/_{16}$	3 1 3	5 6 5
88	85	Savings Bonds 2½% 1964–67	87$^{7}/_{8}$	88	4 4 11	5 6 2
86$^{11}/_{16}$	83$^{5}/_{16}$	Funding 3% 1966–68	86$^{1}/_{2}$	86$^{11}/_{16}$	4 9 2	5 16 3
87$^{1}/_{16}$	84$^{7}/_{8}$	Conversion 3½% 1969	87	87$^{1}/_{8}$	4 9 7	6 0 5
84$^{1}/_{8}$	82$^{7}/_{8}$	Funding 3% 1959–69	84	84	4 12 8	5 19 11
97	92$^{1}/_{4}$	Victory 4% 1920–76	96$^{3}/_{4}$	96$^{5}/_{8}$	3 7 8	4 15 0
81$^{3}/_{8}$	78$^{15}/_{16}$	Savings Bonds 3% 1960–70	81$^{1}/_{4}$	81$^{1}/_{4}$	4 13 7	6 0 11
93$^{7}/_{16}$	90$^{9}/_{16}$	Conversion 5% 1971	93	93$^{3}/_{16}$	4 2 7	5 5 8
99$^{5}/_{16}$	97$^{1}/_{4}$	Conversion 6% 1972	99$^{9}/_{16}$	99$^{11}/_{16}$	3 17 2	6 6 7
93$^{13}/_{16}$	91$^{1}/_{8}$	Conversion 5½% 1974	91$^{1}/_{4}$	91$^{3}/_{8}$	4 2 8	6 5 5
89$^{7}/_{8}$	87$^{1}/_{4}$	Funding 4% 1960–90	88$^{1}/_{4}$	88$^{1}/_{2}$	3 13 3	5 7 11
72$^{1}/_{8}$	70$^{7}/_{16}$	Savings Bonds 3% 1965–75	71$^{7}/_{8}$	71$^{13}/_{16}$	4 16 0	6 5 5
71$^{7}/_{8}$	69$^{1}/_{2}$	Treasury 3½% 1977–80	70$^{3}/_{8}$*	70$^{7}/_{16}$*	4 11 4	6 5 0
71	68$^{5}/_{16}$	Treasury 3½% 1979–81	70$^{3}/_{8}$	70$^{1}/_{16}$	4 10 10	6 6 5
93$^{7}/_{16}$	90$^{3}/_{16}$	Funding 5½% 1982–84	93$^{3}/_{16}$	93$^{1}/_{4}$	3 18 7	6 5 3
85$^{7}/_{8}$	82$^{3}/_{8}$	Treasury 5% 1986–89	84$^{1}/_{8}$	83$^{7}/_{8}$	4 1 5	6 6 0
57$^{3}/_{8}$	54	Redemption 3% 1986–96	57$^{1}/_{4}$	57$^{1}/_{4}$	4 4 7	5 19 9
62$^{1}/_{8}$	56$^{15}/_{16}$	Funding 3½% 1999–2004	62	60$^{3}/_{8}$*	4 2 6	6 2 11
90$^{1}/_{8}$	84$^{1}/_{8}$	Treasury 5½% 2008–12	90$^{1}/_{4}$	90	3 17 2	6 4 10
63$^{7}/_{8}$	58$^{1}/_{4}$	Consols 4% ..... after Feb. 1957	63$^{1}/_{8}$	63$^{1}/_{8}$	3 18 8	6 9 7
56$^{7}/_{8}$	52$^{1}/_{16}$	War Loan 3½% ..... after 1952	55$^{1}/_{8}$	55$^{1}/_{4}$	3 18 0	6 6 7
56$^{1}/_{8}$	52$^{5}/_{16}$	Conv. 3½% ..... after Apr. 1961	55$^{1}/_{8}$	55$^{1}/_{4}$	3 18 2	6 6 8
48$^{1}/_{8}$	44$^{7}/_{8}$	Treasury 3% ..... after Apr. 1966	47$^{3}/_{8}$	47$^{3}/_{8}$	3 18 1	6 6 8
41$^{7}/_{8}$	38$^{1}/_{8}$	Consols 2½%	40$^{5}/_{8}$	40$^{15}/_{16}$*	3 16 3	6 4 3
40$^{3}/_{4}$	38$^{1}/_{16}$	Treasury 2½% ..... after Apr. 1975	40$^{1}/_{4}$	40$^{1}/_{4}$	3 17 0	6 6 2
92$^{3}/_{8}$	89$^{15}/_{16}$	British Electric 4½% 1967–69	92$^{1}/_{8}$	92$^{1}/_{4}$	4 3 3	6 6 2
75$^{3}/_{4}$	74$^{3}/_{8}$	British Electric 3% 1968–73	75$^{3}/_{8}$	75$^{3}/_{8}$	4 16 6	6 6 4
70$^{1}/_{8}$	69	British Electric 3% 1974–77	69$^{7}/_{8}$	70	4 14 5	6 4 0
80$^{13}/_{16}$	79$^{1}/_{16}$	British Electric 4½% 1974–79	79$^{3}/_{4}$	79$^{3}/_{4}$	4 6 10	6 5 10
72$^{7}/_{16}$	70$^{3}/_{8}$	British Electric 3½% 1976–79	71$^{1}/_{8}$	71$^{3}/_{16}$	4 11 5	6 5 2
84$^{11}/_{16}$	82$^{3}/_{4}$	British Gas 4% 1969–72	84$^{1}/_{4}$	84$^{1}/_{2}$	4 9 3	6 5 3
82$^{1}/_{4}$	80$^{1}/_{16}$	British Gas 3½% 1969–71	82	82$^{1}/_{8}$	4 12 1	6 3 8
57$^{7}/_{8}$	53$^{13}/_{16}$	British Gas 3% 1990–95	57	56$^{13}/_{16}$	4 6 5	6 6 1
75$^{3}/_{4}$	74$^{3}/_{8}$	British Transport 3% 1968–73	75$^{3}/_{8}$	75$^{3}/_{8}$	4 16 6	6 6 4
79$^{1}/_{4}$	77$^{1}/_{4}$	British Transport Gtd 4½% 1972–77	77$^{3}/_{8}$*	77$^{1}/_{4}$*	4 9 6	6 6 5
60$^{1}/_{2}$	56$^{1}/_{2}$	British Transport 3% 1978–88	58$^{7}/_{8}$*	58$^{11}/_{16}$*	4 11 1	6 4 0

Prices, 1962 High	Prices, 1962 Low	DOMINION AND CORPORATION STOCKS	Price, May 30, 1962	Price, June 6, 1962	Red. Yield, June 6, 1962 £ s. d.
82	79$^{1}/_{2}$	Australia 3¼% 1965–69	81$^{5}/_{8}$	81$^{3}/_{4}$	6 12 0
98$^{3}/_{4}$	96	Australia 6% 1974–76	96$^{1}/_{4}$	96$^{3}/_{8}$	6 8 0
66	53	Ceylon 4% 1973–75	53$^{1}/_{2}$	53	10 17 0
96$^{3}/_{4}$	94$^{1}/_{4}$	New Zealand 6% 1976–80	96$^{1}/_{4}$	96$^{1}/_{4}$	6 9 0
75$^{1}/_{4}$	63	Rhodesia and Nyasaland 6% 1978–81	65	64$^{1}/_{2}$	10 11 0
87$^{1}/_{8}$	82	South Africa 3½% 1965–67	87	87$^{1}/_{8}$	6 12 0
58$^{1}/_{4}$	48	Southern Rhodesia 4½% 1987–92	48$^{1}/_{2}$	48	10 2 0
81$^{7}/_{8}$	77$^{3}/_{4}$	Agricultural Mortgage 5% 1959–89	81$^{5}/_{8}$	79$^{3}/_{4}$*	6 8 0
89$^{1}/_{8}$	86	Birmingham 4½% 1967–70	89	86$^{7}/_{8}$	6 4 0
92	88$^{5}/_{8}$	Bristol 5% 1971–73	88$^{3}/_{4}$*	88$^{7}/_{8}$*	6 7 0
90$^{1}/_{2}$	88	Corporation of London 5¼% 1976–79	88$^{1}/_{4}$	88$^{1}/_{4}$	6 7 0
46$^{3}/_{4}$	43	L.C.C. 3% ..... after 1920	45$^{3}/_{4}$	45$^{3}/_{4}$	6 10 0
86$^{1}/_{8}$	84	L.C.C. 5½ 1980–83	86$^{1}/_{8}$	86	6 5 0
89$^{1}/_{4}$	87	Middlesex 5¼% 1980	89	88$^{5}/_{8}$	6 8 0

NEW YORK PRICES AND INDICES

	May 29 $	June 6 $		May 29 $	June 6 $		May 29 $	June 6 $
Atch. Topeka	23$^{3}/_{8}$	24	Boeing	40$^{7}/_{8}$	43$^{1}/_{4}$	Int. Harvester ..	48$^{7}/_{8}$	51$^{1}/_{2}$
Can. Pacific	22$^{5}/_{8}$	22$^{3}/_{4}$	Celanese	34$^{1}/_{2}$	33$^{1}/_{8}$	Inter. Nickel ..	63$^{1}/_{2}$	62
Pennsylvania	12$^{7}/_{8}$	12$^{1}/_{4}$	Chrysler	43	43$^{1}/_{2}$	Inter. Paper	29$^{1}/_{4}$	28$^{1}/_{4}$
Union Pacific	29$^{7}/_{8}$	30$^{1}/_{4}$*	Col. Palmolive ..	38$^{1}/_{2}$	38$^{3}/_{8}$	Kennecott	71$^{5}/_{8}$	70$^{1}/_{2}$
Amer. Electric	59$^{1}/_{2}$	61	Crown Zeller....	45	43*	Monsanto	42	39$^{3}/_{4}$
Am. Tel. & Tel.	108$^{1}/_{2}$	108$^{3}/_{4}$	Distillers Seag....	39	39$^{1}/_{2}$	Nat. Distillers ..	25$^{3}/_{4}$	25$^{1}/_{2}$
Cons. Edison.....	69$^{3}/_{4}$	71$^{7}/_{8}$	Douglas.....	20$^{3}/_{8}$	21$^{1}/_{8}$	Pan-American ..	19$^{3}/_{4}$	18$^{7}/_{8}$
Int. Tel. & Tel.	39	39$^{3}/_{4}$	Dow Chemical..	49$^{1}/_{8}$	49	Procter Gamble ..	70	69$^{1}/_{4}$
South'n. Nat. Gas.	40$^{1}/_{2}$	40$^{3}/_{4}$	Du Pont	208$^{7}/_{8}$	187$^{1}/_{4}$	Radio Corpn....	49$^{7}/_{8}$	48$^{3}/_{4}$
United Corpn.....	7$^{1}/_{4}$	7$^{1}/_{4}$	East. Kodak	100$^{7}/_{8}$	96	Sears Roebuck ..	69$^{1}/_{8}$	72$^{1}/_{4}$
Western Union ..	30$^{5}/_{8}$	29$^{1}/_{2}$	Ford Motor	82$^{1}/_{2}$	85$^{1}/_{2}$	Shell Oil	33$^{7}/_{8}$*	35$^{7}/_{8}$
Alcoa	54$^{1}/_{2}$	55$^{7}/_{8}$	Gen. Electric	66	64$^{1}/_{8}$	Socony-Mobil ..	49	50$^{1}/_{4}$
Aluminium	22$^{1}/_{2}$	21$^{1}/_{4}$	General Foods ..	72$^{1}/_{4}$	73$^{7}/_{8}$	Stand. Oil Ind. ..	46$^{1}/_{8}$	46$^{3}/_{4}$
Amer. Can.....	42$^{1}/_{2}$	42$^{7}/_{8}$	General Motors .	50	50$^{1}/_{2}$	Stand. Oil N.J..	50$^{7}/_{8}$	51$^{1}/_{2}$
Am. Smelting	53	54$^{7}/_{8}$	Goodyear	37$^{1}/_{2}$	34$^{5}/_{8}$	Union Carbide..	93$^{1}/_{4}$	95$^{1}/_{4}$
Am. Viscose	47$^{3}/_{4}$	50$^{3}/_{4}$	Gulf Oil	37$^{1}/_{2}$	36$^{3}/_{4}$	U.S. Steel	53$^{1}/_{4}$	50$^{3}/_{4}$
Anaconda	41$^{1}/_{2}$*	41$^{3}/_{8}$	Heintz.....	45$^{1}/_{2}$	46	West. Electric..	30$^{7}/_{8}$	29$^{1}/_{8}$
Bath. Steel	35$^{7}/_{8}$	36$^{1}/_{8}$	Int. Bus. Mach...	383	365$^{1}/_{2}$	Woolworth.....	69$^{1}/_{4}$	70

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

1962	425 Industrials	Yield %	25 Rails	Yield %	50 Utilities	Yield %	Govt. Bonds	Yield %
May 9	67·64	3·18	31·12	5·19	60·16	3·37	90·39	3·85
„ 16	67·66	3·17	31·11	5·19	60·15	3·37	90·39	3·85
„ 23	64·21	3·34	30·25	5·34	57·75	3·51	89·85	3·90
„ 29	61·13	3·50	28·82	5·60	54·22	3·74	90·17	3·87
June 6	61·26	3·51	29·08	5·54	55 80	3·63	90·17	3·87

425 Industrials :—High, 75·22 (Jan. 3). Low, 58·57 (May 28).

Last Two Dividends (a) (b) (c)		ORDINARY STOCKS	Price, May 30, 1962	Price, June 6, 1962	Yield, June 6, 1962	Cover
%	%					
6¼ *a*	6¾ *b*	**BANKS, DISCOUNT & HP**				
8 *a*	8 *b*	Barclays £1	95/–	91/3	2·85	...
5·1 *b*	5·1 *b*	District £1	103/6	101/–	3·17	...
4·3 *a*	4·3 *a*	Lloyds £1	67/–	61/3	3·07	...
7 *a*	7 *b*	Martins £1	23/6	22/9	3·30	...
7 *a*	7½ *a*	Midland £1	91/9	90/3	3·32§*	...
7 *a*	7 *b*	Nat. Provincial £1	98/3	91/6	3·06	...
6¾ *a*	6¾ *b*	Westminster 'B' £1	94/9	92/3	2·88	...
8 *b*	4 *a*	Australia & N.Z. £1 p.p.	44/9*	44/9*	5·36	...
3½ *a*	5 *b*	Bk. Lond. & S. Amer. £1	38/9	37/9	4·42	...
$2·05c	$2·05c	Bank of Montreal $10	£20$^{15}/_{16}$	£20$^{15}/_{16}$	3·32	...
35 *c*	27½ *a*	Bank of New S. Wales £20	33¼	32½	4·43g	...
8 *c*	9 *c*	Barclays D.C.O. £1	36/3	33/9*	5·93	...
5 *b*	5 *a*	Chartered £1	54/9	54/9	5·48	...
7½ *a*	7½ *b*	Hongk'g. & Shang....$25	£16¼	£16¾	4·50	...
5/– *a*	10/– *b*	Nat. Com. Bk. Scot. 10/–	54/6	53/–	3·11	...
7½ *a*	7½ *a*	Royal Bk. Canada....$10	£25$^{1}/_{16}$	£23$^{11}/_{16}$	2·45	...
$2·37½c	$2·50c	Standard Bank £1	43/3	42/3	7·10	...
5 *a*	10 *b*	Hambros ..... £1 f.p.	200/–*	183/9*	2·45	...
7½ *a*	15 *b*	Schroders £1	87/6	82/–	1·83	...
6¼ *a*	6¼ *b*	Union Discount £1	58/6	58/6	4·27	...
Nil *c*	Nil *c*	Bowmaker 5/–	12/3	12/6	...	...
5 *b*	5 *b*	Lombard Banking 5/–	11/6	12/–	4·17	11¼
2 *a*	2 *a*	Mercantile Credit 5/–	12/3	12/3	3·06	¾
4 *a*	4 *a*	United Domins. Tst.. 5/–	37/–	37/6	3·53	...
		BREWERIES, Etc.				
4 *a*	4 *a*	Bass, M. & B. 5/–	15/3*	15/6*	3·55§*	2
		Charrington United .. 5/–	14/–	14/–	4·29§	13¼
6 *a*	6 *a*	Distillers 10/–	40/3	38/3	3·79	2
8 *b*	4 *a*	Flowers 5/–	22/3	21/9	2·76	...
12 *b*	8 *a*	Guinness 10/–	47/6	46/–	4·78	19¼
14 *b*	8 *a*	Ind. Coope, T.A. 5/–	13·4½	12/9	4·71§*	11½
6 *a*	6 *a*	Watney Mann 5/–	24/6	22/6	4·00	2
9 *a*	21 *b*	Whitbread 'A' 5/–	37/6	37/6	4·00	13¼
		BUILDING, PAINT, Etc.				
6½ *b*	3 *a*	Associated Portland. £1	58/–	52/9	3·60	21¼
4 *a*	7½ *b*	British Plaster Bd. ..10/–	23/6	22/9	5·49	21¼
10 *b*	16/9*	Richard Costain 5/–	16/9*	16/–*	5·00	29¼
12½ *b*	13/–	Critcall Eng. 5/–	13/–	12/9	6·75§	2
16½ *b*	11/3	International Paints ..4/–	11/3	11/3	8·05§	11½
25 *c*	25 *c*	Rugby Portland 5/–	60/7½	58/6	2·14	31¼
11·3 *b*	5 *a*	Wall Paper Defd..... 5/–	22/–	20/6	4·06	21¼
		CHEMICAL				
6 *a*	14 *b*	Albright & Wilson ... 5/–	23/7½	23/6	4·26	2
7½ *b*	2 *a*	Borax Defd. 5/–	16/11½	15/6	3·71	2½
7½ *b*	5 *a*	Fisons £1	31/6*	30/–*	...	...
2½ *a*	4 *a*	I. C. I. £1	52/–	49/4½	5·57	1
5 *a*	5 *b*	Monsanto 5/–	14/9	14/6	3·45	11½
		DRAPERY & STORES				
4 *a*	8 *b*	Boots Pure Drug 5/–	30/–	28/3	2·12	21¼
5 *b*	2 *a*	Montague Burton.... 10/–	25/7½	25/–	2·75	21¼
13½ *b*	5⅝ *a*	Debenhams 10/–	51/6	50·10½	3·77	11½
12½ *a*	6½ *b*	G.U.S. 'A' 5/–	60/9	59·10½	3·13	2
7½ *b*	7½ *b*	House of Fraser 5/–	35/7½	35/3	4·26	11¼
7½ *b*	7½ *b*	Lewis's Invest. Tst.... 4/–	14/7½	14/–	3·57	2
3½ *b*	10⅝ *a*	Marks & Spencer 'A'. 5/–	89/9	87/3	2·72	11½
5/– *b*	4⅝ *a*	United Drapery 5/–	46/3	45·11½	3·32	13¼
20 *b*	10⅝ *a*	Woolworth..... 5/–	48/–	47/–	3·81	11¼
		OIL				
†7·78 *a*	†7·11½ *b*	British Petroleum £1	31/6	32/3	9·97	2
†2½ *a*	†7·11½ *b*	Burmah Oil £1	34/–	34/6	9·86	11¼
†70 *b*	†70 *b*	Royal Dutch..... 20 fl.	£13⅞	£13⅛	3·97	21½
†10 *a*	†15 *b*	Shell Transport 5/–	30/6	30/3	6·75	21½
...	...	Ultramar 10/–	26/6	25/9	...	...

FOREIGN AND OVERSEAS STOCKS

	May 30	June 6		May 30	June 6		May 30	June 6
FRANCE	Frcs.	Frcs.	**GERMANY**	%	%	**HOLLAND**	%	%
Air Liquide	1,183	1,212	A.E.G.	411	415	A.K.U.	346	343¼
Banque de Paris ..	510	529*	Bad'che. Anilin ..	424	407	Bijenkorf	940	882
Citroen	186·9	179	Bayer	468	465	Heinekens	493	465
C. F. Petrole..	272	318	Commerzbank..	445	445	*Interunie* (Fl.50)	Fl.181	Fl.177·5
Cie. G. d'Elect.	1,230	1,270*	Deutsche Bank.	520	515	K. N. Hoogoven	646	599
Machines Bull.	560	530	Hoechst Farb.	433	418	Kon. Zout-Ket.	800	726
Pechiney	268	263	Kundenkredit ..	392§	395*	Philips	718	628¶
Printemps	690	689	Lowenbrau	1,060	1,050	Robeco (Fl.50).	Fl.210	Fl.205
Rhone-Poulenc ..	452	457	Mannesmann ...	242	239½	Rotterdam Bk..	354	330¼
S.I.M.	380	377	Siemens	575	558	Thomassen & D.	592	620
Saint-Gobain..	385	381	Thyssen-Huette	192	195	Valeurop.....	Fl. 72·6	Fl. 74·6
Usinor	206	205·9*	Volkswagen	562	580	Zwanenberg ..	825	796
Index	100·5	101·9	*Herstatt Index*	94·15	94·08	Index	329·3	316·0
Dec. 30, 1960=100.			*Dec. 31, 1959=100.*			*1953=100.*		
CANADA	$	$	**AUSTRALIA**	£A	£A	**JAPAN**	Yen	Yen
Abitibi Pr. & P.	46*	45	Ampol Pet....	12/1	11/8	Ajinomoto	484	511
Aluminium ...	24⅝	23¾	Ass. Pulp & P...	29/–	31/3	Fuji Iron	48	49
Bell Tel.	53	52⅞	Aust. Con. Inds.	70/6	71/–	Hitachi	85	88
Can. Brewer's.	10⅜	10⅛	Aust. Oil & Gas	62/–	58/6	Honda Motor..	290	307
Can. Imp. Bank	61½	60⅜	Brit. Tobacco....	22/–	22/9	Kirin Brewery.	473	487
Can. Pac. Rly..	25⅛	25	Broken Hill Pty.	59/9	59/6	Mitsub. Chem..	65	67
Hiram Walker	53¾	52¾	G. J. Coles	12/9	13/–	Mitsub. Elect..	80	80
Imperial Oil....	45⅞	45½	Felt & Textiles .	7/3	7/8	Mitsub. Heavy ..	69	72
Noranda Mines	30¼	30	I.C.A. A.N.Z...	40/6	41/–	Nippon Elect..	367	379
ShawinigamWtr	22½	23¼	Myer Emporium	31/6	31/6	Sony	731	759
Steel of Canada	19	18¾	Ready Mix Con.	17/8	17/4	Toyo Rayon ...	151	161
Trans.Can.Pipe	21⅝	21¾	Woolworth	16/–	15/10	Yawata Iron ...	53	54
Toronto Ind. Index	577·10	566·13	Sydney Indust. Index	299·09	298·59	Dow Jones Index	1362·30	1416·75
1933=100.			*1937/39=100.*			Average		

* Ex dividend. † Tax free. ‡ Assumed average life 7¼ years. § The net redemption yields allow for tax at 7s. 9d. in £. || Ex capitalisation. ¶ Ex rights. ‡‡ Ex all.
(a) Interim dividend. (b) Final dividend. (c) Year's dividend. (d) Capital distribution of 1s, 0d. per share. (f) Flat yield. (g) Equivalent to 7·2 sterling. (h) After Rhodesian tax.
(l) To latest date. Japanese prices supplied by Diawa Securities, Tokyo.

AND YIELDS

LONDON : NEW YORK : FRANCE
GERMANY : HOLLAND : CANADA
AUSTRALIA : JAPAN

Prices, 1962 High	Prices, 1962 Low	Last Two Dividends (a) (b) (c)		ORDINARY STOCKS	Price, May 30, 1962	Price, June 6, 1962	Yield, June 6, 1962	Cover
		%	%					
32/6	23/3	5 *a*	5 *b*	**ELECTRICAL & RADIO**				
12/6	9/–	...	15 *c*	A.E.I. £1	25/3	24/–	8·33	1
66/3	56/41/2	4 *a*	9½ *b*	Brit. Electronic Inds. 5/–	10/–	9/9	7·69	1/4
14/8¼	12/7½	7½ *b*	5 *a*	B.I.C.C. £1	60/–	59/3	4·56	2
89/6	71/–	23½ *c*	7½ *a*	Crompton Parkinson 5/–	13/9	14/7½	4·27	2½
45/6	33/9	12½ *b*	5 *a*	Decca 10/–	79/–*	74/–*	3·15	13¼
54/6	41/3	5 *a*	9 *b*	E.M.I. 10/–	37/–	35/6	4·93	2
27/9	21/–	3 *a*	5 *b*	Elliott-Automation ... 5/–	46·10½	45·4½	1·54	2
34/–	26/–	7 *b*	3 *a*	English Electric £1	22/9	22/3	7·19	1½
59/3	38/–	43 *a*	8 *b*	General Electric..... £1	28/4½	27/9	7·21	¾
47/9	42/3	31 *a*	6½ *b*	C. A. Parsons £1	41/–	38/–	6·58	2
82/–	56/–	25 *c*	25 *c*	A. Reyrolle £1	43/3	42/6	4·59	2½
				Thorn Electrical 5/–	66/41/2¶	64/6¶	2·13§§	3
32/4½	20/3	9 *c*	9 *c*	**ENGINEERING**				
38/3	27/3	7 *b*	3·2 *a*	Babcock & Wilcox.... £1	29/4½	28/9	6·26	1½
6/–	4/3	3 *a*	7 *b*	John Brown £1	35/–	32/1½	6·35	2¾
26·10½	22/–	...	...	Cammell Laird 5/–	5/2¾	4/9¾	10·39	1
5/6	3/4½	...	...	*Internat. Combust.* £1	23·10½	23/6	6·38	1¼
38/4½	26/–	2½ *a*	9½ *b*	Rich'ds'ns. Westg'th. 10/–	4/–	4/3	...	...
14/9	10/6	5 *a*	10 *b*	Swan Hunter £1	27/–	26/6	9·06	13¼
36/–	29/3	12½ *b*	10 *a*	John Thompson 5/–	14/9	14/4½	5·22	...
73/7½	60/6	12½ *a*	6 *b*	Coventry Gauge.... 10/–	30/9*	30/–*	4·76	2¾
47/6	33/9	12½ *b*	5 *a*	Alfred Herbert £1	36/–	34/6	4·55	2
99/9	84/3	5 *a*	10 *b*	Allied Ironfounders.... 5/–	86/–	84/6	3·55	2
20/3	14/–	7½ *b*	4 *a*	Averys £1	16/–	14/9	5 *a*	10
11/6	9/9	8½ *b*	4½ *a*	B.S.A. 10/–	14/9*	14/–*	8·34	2½
33/–	22/6	17½ *b*	10 *a*	George Cohen 5/–	11/–	10/4½	6·27	13¼
81·10½	64·10½	5 *a*	11 *a*	Gravy-Ashmore 5/–	25/3	23/–	5·98	2¼
21/–	16/6	4 *a*	12 *b*	Head Wrightson..... 5/–	17/6	16/9	4·78	2½
85/6	72/–	7 *b*	5 *a*	Metal Box £1	77/6	73/3	3·28	2¼
18/–	14/11½	10 *b*	4 *a*	Ransome & Marles.. 5/–	15/11½	15/4½	4·55	3
48/–	42/3	7 *b*	3 *a*	Renold Chains	43/6	42/3	4·73	2
64·10½	46/6	7 *b*	3 *a*	Tube Investments..... £1	50/4½	47·10½	5·85	3
31/11¾	23/6	21½ *a*	7½ *b*	Vickers £1	25/3	24/9	8·08	1
71/6	58/6	10 *b*	3¾ *a*	Ward (Thos. W.) £1	59/–	58/6	4·70	3
20/6	14/6	5 *a*	16 *b*	*Woodall-Duckham*.. 5/–	15/3*	15/–*	7·00	13¼
				FOOD & TOBACCO				
25/6	19/9	10 *c*	10 *c*	Allied Suppliers 10/–	23/6	24/–	4·17	2
12·4½	9·11½	12½ *b*	10 *a*	Assoc. British Foods.. 1/–	9/7½	9/11½	2·47	2
61/3	43/9	8 *b*	4 *a*	Bovril £1	47/6	46/–	5·22	1½
12/9	11·4½	13·9½	11·7½	Brooke Bond 'B' 5/–	12/11½	12/–	3·81	3½
15·10½	12/9	10 *b*	2½ *a*	International Tea 5/–	13/6	13/3	4·72	1½
82/6	72·9	10⅝ *b*	5 *a*	J. Lyons 'A'

Money and Exchanges

EXCHEQUER RETURNS

For the week ended June 2, 1962, there was an "above-line" deficit (after allowing for sinking funds) of £17,252,000 compared with a deficit of £24,384,000 in the previous week and a deficit of £10,005,000 in the corresponding period of last year. There was a net expenditure "below-line" of £19,957,000 leaving a total cumulative deficit to date of £143,910,000 compared with £116,879,000 in 1961–62.

£'000	Estimate 1962–63	April 1, 1961, to June 3, 1961	April 1, 1962, to June 2, 1962	Week ended June 3, 1961	Week ended June 2, 1962
Ordinary Revenue					
Income Tax	2,790,000	255,331	256,437	37,392	45,915
Surtax	188,000	23,400	25,300	1,700	1,900
Death Duties	264,500	50,100	48,400	4,300	5,800
Stamps	95,000	19,000	18,600	1,700	2,200
Profits tax, EPT and EPL	374,000	39,600	42,600	5,600	5,400
Other Inland Rev. Duties	...	...	...	...	...
Total Inland Rev.	3,711,500	387,431	391,237	50,692	61,215
Customs	1,653,000	277,296	279,476	29,755	30,923
Excise	1,077,000	186,885	197,010	15,990	24,285
Total Customs and Excise	2,730,000	464,181	476,486	45,745	55,208
Motor Duties	150,000	9,853	14,101	1,979	...
Broadcast Lic's.	41,000	5,000	5,100	...	...
Miscellaneous	165,000	84,383	29,495	3,553	1,501
Total	**6,797,500**	**950,848**	**916,419**	**101,969**	**117,924**
Ordinary Expenditure					
Debt Interest	600,000	136,916	116,675	32,467	29,599
Payments to N. Ireland Exch.	100,000	13,162	14,150	...	...
PO Fund — Initial settlement	...	...	...	...	...
Other Consolidated Funds	12,000	1,092	1,084	25	155
Supply Services	5,611,650	852,286	903,506	78,702	105,272
Total	**6,323,650**	**1,003,456**	**1,035,415**	**111,194**	**135,026**
Sinking Funds	41,000	4,650	4,285	780	150
"Above-line" Surplus or Deficit	—	**57,258**	**123,281**	**10,005**	**17,252**
"Below-line" Net Expenditure"		59,621	20,629	25,484	19,957
Total Surplus or Deficit	—	**116,879**	**143,910**	**35,489**	**37,209**
Net receipts from:					
Tax Reserve Certificates		34,939	35,563	13,281	10,890
Savings Certificates		−4,400	1,200	− 400	1,500
Defence Bonds		11,235	2,157	861	291
Premium Savings Bonds		9,000	5,800	1,100	600
Total		**50,774**	**44,720**	**14,842**	**13,281**

* Net repayments of £5 million to the Civil Contingencies Fund in 1962–63 compared with £4 million in 1961–62.

FLOATING DEBT

(£ million)

	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Dept.	Ways and Means Advances: Bank of England	Total Floating Debt
1961					
June 3	3,240·0	1,825·3	258·5	...	5,323·8
1962					
Mar. 3	2,950·0	2,481·4	236·7	5·0	5,673·1
,, 10	2,960·0	2,435·5	248·2	0·8	5,644·4
,, 17	2,960·0	2,423·9	251·1	...	5,635·0
,, 24	2,980·0	2,391·6	290·8	...	5,662·5
,, 31	3,000·0	2,330·6	260·7	...	5,591·3
April 7	2,980·0	2,400·5	253·0	2·3	5,635·8
,, 14	2,970·0	2,433·5	254·1	5·0	5,662·7
,, 21	2,960·0	2,448·7	226·0	3·3	5,638·0
,, 28	2,940·0	2,542·3	223·0	...	5,705·3
May 5	2,920·0	2,512·6	243·6	...	5,676·2
,, 12	2,940·0	2,236·5	248·2	0·5	5,425·2
,, 19	2,940·0	2,221·9	283·8	0·3	5,445·9
,, 26	2,950·0	2,258·8	229·3	...	5,438·1
June 2	2,960·0	2,299·9	230·7	1·5	5,492·1

THE MONEY MARKET

A FURTHER fall in the Treasury bill rate of 7.83d. to £3 15s. 7.98d. at last Friday's tender brought it down to almost ¼ per cent below Bank rate. Although the discount market had been forced by the authorities to borrow at Bank rate on two occasions last week, it again raised its bid by 2d., to £99 1s. 1d. But with outside demand stimulated by the partial release of special deposits and by hopes of a further cut in Bank rate, total applications rose by £19 million to a 1962 peak of £417 million and the market's allotment fell from 47 to 43 per cent.

Credit was in good supply on Thursday and Friday of last week, and on both days the authorities sold back a small amount of bills; on each of the first three days of this week, they have given varying amounts of help to the market. Nevertheless, on both Monday and Tuesday three or four houses were forced to borrow a small amount at Bank rate, despite the large amount of help supplied through the open market.

In New York the bill rate continues to see-saw, and this week rose slightly from 2.656 to 2.691 per cent.

MONEY RATES

LONDON

	%		%
Bank rate (from 5% 26/4/62)	4½	Discount rates: Bank bills:	
Deposit rates (7 days' notice):		60 days	3 15/16–4
		3 months	3 15/16–4
Banks	2⅓	4 months	3 13/16–4
Discount houses	2 1/16–2 3/16	6 months	3 13/16–4 1/16
Local Authorities	4⅜		
Call money:		Fine trade bills:	
Clearing banks' minimum	2⅞	3 months	5 1/16–6
Day-to-day	2⅞–3 3/16	4 months	5 1/16–6
		6 months	5 3/16–6 1/16

NEW YORK

	%		%
Official Discount rate (from 3½% 11/8/60)	3	Treasury bills: May 28	2·656
		June 4	2·691

BANK OF ENGLAND RETURNS

(£ million)	June 7, 1961	May 30, 1962	June 6, 1962
Issue Department:			
Notes in circulation	2,303·3	2,290·4	2,304·4
Notes in banking dept.	22·0	84·9	70·9
Govt. debt and securities*	2,323·5	2,374·0	2,374·0
Other securities	0·7	0·7	0·8
Gold coin and bullion	0·4	0·4	0·4
Coin other than gold coin	0·8	0·3	0·3
Banking Department:			
Deposits:			
Public accounts	9·9	14·1	12·0
Special deposits	153·7	233·2	233·2
Bankers	251·3	246·8	240·3
Others	75·9	72·6	70·4
Total	490·8	566·6	555·9
Securities:			
Government	411·9	425·0	432·6
Discounts and advances	56·0	55·0	50·8
Other	18·0	18·8	18·7
Total	485·9	498·8	502·1
Banking department reserve	22·9	85·8	71·8
"Proportion"	% 4·6	% 15·1	% 12·9

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue increased by £50 million to £2,375 million on March 7th.

TREASURY BILL TENDERS

Date of Tender	Amount (£ million): Offered	Amount (£ million): Applied for	91 Day: Average Rate of Allotment	91 Day: Allotted at Max. Rate *
1961	91 day		s. d.	%
June 2	270·0	419·9	88 9·61	61
1962				
Mar. 2	230·0	382·6	110 11·26	37
,, 9	230·0	396·2	100 5·89	53
,, 16	230·0	411·8	97 7·57	41
,, 23	230·0	408·1	89 0·47	48
,, 30	230·0	392·2	88 1·16	57
April 6	230·0	398·7	87 4·62	46
,, 13	230·0	407·9	86 8·54	41
,, 19	230·0½	386·6	85 4·31	46
,, 27	220·0	386·3	81 0·54	26
May 4	220·0	406·0	81 9·72	16
,, 11	230·0	412·8	79 8·71	57
,, 18	230·0	383·6	77 1·04	61
,, 25	230·0	398·4	76 3·81	47
June 1	240·0	417·3	75 7·98	43

* On June 1st tenders for 91 day bills at £99 1s. 1d. secured 43 per cent, higher tenders being allotted in full. The offer for this week was for £240 million 91 day bills. † Allotment cut by £10 million.

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Effective Limits: June 6	Market Rates: Spot: May 31	June 1	June 2	June 4	June 5	June 6
United States $	2·78–2·82†	2·80 15/16–81 1/16	2·80 5/16–81 1/16	2·80 7/8–81	2·80 7/8–7/8	2·80 1/2–5/8	2·80 5/8–3/4
Canadian $	...	3·06 13/16–5/16	3·06 1/4–3/8	3·06 13/16–5/16	3·06 13/16–5/16	3·05 15/16–13/16	3·05 7/8–06
French Fr.	13·622–14·027	13·76 1/2–3/4	13·76 3/4–77	13·76 3/8–5/8	13·75 7/8–76 1/8	13·74 5/8–7/8	13·75 3/8–5/8
Swiss Fr.	11·94–12·54⅞	12·12 1/8–3/8	12·12 1/4–1/2	12·12–12 1/4	12·11 5/8–7/8	12·10 1/2–3/4	12·11 3/8–9/8
Belgian Fr.	137·96– 142·05	139·75– 80	139·77 1/2– 82 1/2	139·75– 80	139·70– 75	139·52 1/2– 57 1/2	139·57 1/2– 62 1/2
Dutch Gld.	9·98 3/4–10·28 1/2	10·09 1/8–3/8	10·09 1/4–3/8	10·09 1/8–7/8	10·08 5/8–7/8	10·08 1/4–3/8	10·09 3/8–5/8
W. Ger. D-Mk.	11·037–11·365	11·21 3/4–22	11·22 3/8–23	11·22 3/8–7/8	11·21 3/8–7/8	11·20 3/8–21	11·21 3/8–22
Portug. Esc.	...	80·15–25	80·15–25	80·15–25	80·15–25	80·15–25	80·15–25
Italian Lire	1725–1775	1743 1/2–44	1743 1/2–44	1743 1/4–3/4	1742 3/4–43 1/4	1740 3/4–41 1/4	1741 1/2–42
Swedish Kr.	14·27 1/2–14·70	14·45 1/2–3/4	14·45 7/8–46 1/8	14·45 5/8–7/8	14·45 1/4–1/2	14·44 1/4–1/2	14·44 7/8–45 1/8
Danish Kr.	19·06 1/2–19·62	19·37 1/4–1/2	19·37 5/8–7/8	19·37 1/2–3/4	19·36 1/4–1/2	19·35 3/8–5/8	19·34 5/8–35/8
Norwegian Kr.	19·71–20·30 1/2	20·04 3/8–5/8	20·04 3/8–5/8	20·04 3/8–5/8	20·04 1/8–3/8	20·03 1/2–1/2	20·03 1/4–1/2
	* Official Limits	**One Month Forward Rates**					
United States $	...	1/4–1gc. pm	1/4–1gc. pm	1/4–1gc. pm	1/4–1gc. pm	1/4–1gc. pm	1/4–1gc. pm
Canadian $	...	3/16–1 1/16c. pm	3/16–1 1/16c. pm	3/16–1 1/16c. pm	1gc. pm–par	1gc. pm–par	1gc. pm–par
French Fr.	...	1/2c. pm–1c. dis	Par–1/2c. dis	Par–1/2c. dis	Par–1/2c. dis	1/4c. pm–1/2c. dis	3/4–1c. pm
Swiss Fr.	...	1 1/8–7/8c. pm	1–1/2c. pm	1–1/2c. pm	1–1/2c. pm	1–1/2c. pm	7/8–3/8c. pm
Belgian Fr.	...	25–15c. pm	25–15c. pm	25–15c. pm	25–15c. pm	25–15c. pm	25–15c. pm
Dutch Gld.	...	1 5/8–1 1/8c. pm	1 5/8–1 1/8c. pm	1 5/8–1 1/8c. pm	1 5/8–1 1/8c. pm	1 5/8–1 1/8c. pm	1 3/4–1 1/8c. pm
W. German D-Mk.	...	1 1/2–1pf. pm	1 1/2–1pf. pm	1 1/2–1pf. pm	1 3/8–9/8pf. pm	1 1/8–5/8pf. pm	1 1/4–3/4pf. pm
		Three Months Forward Rates					
United States $	...	5/8–1 1/2c. pm	5/8–1 1/2c. pm	5/8–1 1/2c. pm	9/16–7/16c. pm	1 1/2–3gc. pm	1 1/2–3gc. pm
Canadian $	...	7/16–5/16c. pm	7/16–5/16c. pm	7/16–5/16c. pm	5/16–3/16c. pm	3/16–1/16c. pm	1gc. pm–par
Swiss Fr.	...	3 1/2–2 3/4c. pm	3–2 1/2c. pm	3–2 1/2c. pm	3–2 1/2c. pm	2 7/8–2 1/8c. pm	2 1/2–2c. pm
W. German D-Mk.	...	3 3/8–2 7/8pf. pm	3 1/2–3pf. pm	3 1/2–3pf. pm	3 1/4–2 3/4c. pm	3–2 1/2c. pm	3 1/8–2 5/8pf. pm
		Gold Price at Fixing					
Price (s. d. per fine oz.)	...	249/9	249/8 1/4	...	249/9	249/11 3/4	250/0 1/2
,, ($,, ,, ,,)	...	35·09	35·08 1/2	...	35·08	35·08	35·09

Manpower and Output

Labour figures relate to Great Britain and production figures to United Kingdom unless otherwise stated.
M = Monthly averages or calender months.
W = Weekly averages.

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

BRITISH

Prices and Wages	May 19th	External Trade	May 5th
Manpower and Output	This week	Industrial Profits	April 21st

OVERSEAS

Western Europe	April 14th	United States	May 12th

	Unit	Mid-year or averages: 1959	1960	1961	1961: Mar.	April	May	1962: Jan.	Feb.	Mar.	April	May
TOTAL MANPOWER		June figures										
Working population:												
Total	'000s	24,145	24,436	24,650	24,564	24,600	24,560	24,762	24,750	24,698	24,723	...
Men	,,	16,137	16,239	16,325	16,317	16,323	16,284	16,411	16,410	16,378	16,370	...
Women	,,	8,008	8,197	8,325	8,247	8,277	8,276	8,351	8,340	8,320	8,353	...
Armed Forces	,,	565	518	474	485	479	478	452	449	446	443	...
Civil employment:												
Total	,,	23,197	23,628	23,925	23,757	23,821	23,811	23,894	23,889	23,844	23,877	...
Manufacturing industries	,,	8,477	8,811	8,928	8,901	8,924	8,913	8,952	8,934	8,895	8,897	...
Employees:												
in engineering (2)	,,	3,545	3,741	3,799	3,793	3,797	3,801	3,843	3,839	3,824	...	...
in consumer goods industries (3)	,,	3,101	3,153	3,170	3,167	3,168	3,163	3,179	3,171	3,155	...	...
UNEMPLOYMENT		Monthly averages										
By duration:												
All durations—total	,,	475·2	360·4	340·7	350·8	340·1	299·3	461·0	453·8	441·8	438·8	423·7
Temporary	,,	30·7	14·5	28·6	28·5	18·2	17·0	40·6	40·4	30·6	32·2	26·2
Wholly unemployed (5)—total	,,	432·8	337·2	304·8	320·5	312·4	280·4	406·7	407·9	408·2	402·9	388·6
Seasonally adjusted	,,	...	...	...	265·5	299·0	285·4	355·2	353·9	371·7	387·2	394·8
Over 8 weeks	,,	243·4	187·6	157·1	174·3	171·8	158·2	198·0	204·5	211·3	215·5	...
By regions (4):												
Great Britain	%	2·2	1·6	1·6	1·6	1·5	1·3	2·0	2·0	2·0	2·0	1·9
London and South Eastern	,,	1·3	0·9	1·0	1·0	1·0	0·9	1·3	1·3	1·2	1·2	1·2
Eastern and Southern	,,	1·5	1·2	1·1	1·2	1·2	0·9	1·5	1·5	1·5	1·5	1·3
South Western	,,	2·2	1·7	1·4	1·6	1·4	1·2	2·0	1·9	1·8	1·8	1·6
Midland	,,	1·5	1·0	1·4	1·5	1·3	0·9	1·8	1·6	1·5	1·6	1·5
North Midland	,,	1·5	1·1	1·0	1·2	1·0	1·0	1·4	1·4	1·3	1·3	1·3
East and West Ridings	,,	1·9	1·2	1·0	1·0	1·0	0·9	1·5	1·5	1·5	1·5	1·5
North Western	,,	2·8	1·9	1·6	1·6	1·7	1·5	2·2	2·4	2·4	2·4	2·4
Northern	,,	3·3	2·8	2·5	2·4	2·4	2·3	3·5	3·6	3·5	3·4	3·5
Scotland	,,	4·4	3·6	3·1	3·3	3·2	3·0	3·9	4·0	3·7	3·7	3·5
Wales	,,	3·8	2·7	2·6	2·6	2·5	2·2	3·3	3·2	3·2	3·0	2·9
VACANCIES												
Unfilled vacancies: Total	'000s	224	314	320	314	337	354	224	213	218	239	245
Seasonally adjusted	,,	...	...	...	327	332	346	261	253	239	229	235
STOPPAGES OF WORK												
Working days lost: Total	M	'000s 439	252	254	442	339	275	121	1,934	2,017	242	...
in engineering (2) (15) industries	M	,, 80 14	121	122	173	182	109	51	1,801	1,780	167	...
INDUSTRIAL PRODUCTION												
Index:												
All industries	M	1958=100	105	112	114	118	115	114	111	117	119	...
seasonally adjusted	M	,,	...	...	...	*114*	*115*	*114*	*111*	*113*	*114*	...
Mining and quarrying	M	,,	97	94	93	95	93	93	94	101	101	...
Construction	M	,,	106	111	118	115 9	...	120 13	...	...	...	...
Gas, electricity and water	M	,,	103	110	116	121	110	105	148	143	144	...
Manufacturing, total	M	,,	106	115	115	120	117	115	109	116	120	...
,, ,, *seasonally adjusted*	M	,,	...	...	...	*115*	*116*	*115*	*110*	*113*	114	...
Engineering and electrical goods	M	,,	105	114	121	126	121	116	113	122	133	...
Shipbuilding	M	,,	94	85	86	87	87	86	88	87	90	...
Vehicles	M	,,	109	118	109	120	115	118	113	118	118	...
Chemical trades	M	,,	111	122	124	130	125	125	124	133	133	...
Textiles, leather and clothing	M	,,	107	113	111	120	115	108	103	116	116	...
Basic material production:		M/W averages										
Coal (7) (8)	W	'000 tons	3·963	3,725	3,663	3,763	3,679	3,630	3,810	4,086	4,109	3,713	4,077
Pig iron	W	,,	242	303	284	313	308	300	252	269	277	266	...
Steel, ingots and castings	W	,,	388	467	425	471	472	466	382	415	413	410	...
Sulphuric acid	M	,,	202·3	225·1	221·8	242·0	218·8	224·5	217·6	208·3	231·4	...	...
Newsprint	W	,,	12·87	14·25	13·70	15·06	14·34	14·04	13·73	12·75	13·38	...	...
Electricity (7) (11)	M	mn. kwh	8,764	9,904	10,631	11,236	9,835	9,697	14,446	12,600	13,968	11,281	...
Gas (12)	W	mn. therms	53·5	55·7	55·7	60·4	54·9	51·1	71·2	69·7	72·2	60·3	56·4
Textile production:												
Cotton yarn, single	W	mn. lb.	14·58	14·44	13·21	14·28	14·33	14·34	12·37	12·88	12·87	...	...
Worsted yarn (6)	M	,,	19·34	20·40	20·52	22·89	19·20	21·14	21·36	19·05	20·24	...	...
Rayon and synthetic fibres	M	,,	42·89	49·33	47·47	47·53	42·18	46·30	50·20	46·30	50·18	46·60	...
Cotton cloth, woven	M	mn. yds.	24·7	24·9	23·8	25·4	25·7	25·3	22·0	22·8	22·3	...	...
Wool fabrics, woven (6)	M	mn. sq. yds.	30·4	30·6	29·3	31·7	24·6	29·3	30·2	26·5	27·6	...	...
Engineering product on:												
Passenger cars and chassi	W	'000s	22·88	26·01	19·31	19·56	19·35	22·58	23·50	25·63	26·18	23·63	...
Commercial vehicles and chassis	W	,,	7·13	8·81	8·85	9·27	9·41	9·70	8·35	8·71	8·74	7·52	...
Merchant ships (1)	M	'000 gr. tons	115	108	115	144	114	161	96	86	114	...	...
Internal combustion engines (6)	M	'000 BHP	468	577	587	737	599	618	636	660	...	...	...
Metal-working machine tools (6)	M	£'000	6,564	7,911	9,643	10,906	8,670	8,958	9,789	10,348	11,906	...	...
Television sets	M	'000s	238·6	178·4	104·7	92·1	72·9	90·4	115·2	98·8	...	...	...
Permanent houses completed (10):												
Total	M	'000s	20·78	22·44	22·40	22·97	21·12	22·78	18·60	19·90	23·38	20·95	...
For local housing authorities	M	,,	8·29	8·60	7·74	8·98	7·14	7·72	6·27	8·01	10·14	6·97	...

(1) Vessels of 100 gross tons and over completed. (2) Engineering and electrical goods, shipbuilding and marine engineering, vehicles, metal goods. (3) Textiles, leather goods, clothing, food, drink, and tobacco, timber, furniture, paper, printing and publishing. (4) Number registered as unemployed expressed as a percentage of the estimated number of employees. (5) Excluding school-leavers. (6) Deliveries. (7) Great Britain. (8) Excluding all screening losses normally amounting to around 5,000 tons a week. (9) Average for first quarter. (10) England and Wales. (11) Generation for public supply. (12) Total available at gas works. (13) Average for second quarter. (14) On 1948 Standard Industrial Classification; later figures on 1958 classification. (15) Also including metal manufacture.

FINANCIAL NOTICES

Anglo-Transvaal Group of Companies

DECLARATION OF DIVIDENDS

NOTICE IS HEREBY GIVEN that Dividends have been declared in the amounts of Republic of South Africa currency set out below and payable to holders of Preference and Ordinary (and Participating Preference) shares registered in the books of the undermentioned Companies at the close of business on June 20, 1962, and June 29, 1962, respectively. Preference dividends are in respect of the half-year ending June 30, 1962.

In the case of those Companies which have a London Office, dividends will be paid to members on the London Register from the London Office in United Kingdom currency at the rate of £1 United Kingdom sterling for R2 South African currency unless there is a difference regarded by the Boards as material in the rate of exchange between the United Kingdom and South African currencies. Should there be such a difference the London Office will pay in United Kingdom currency calculated at the rate of exchange ruling on June 29, 1962, in respect of Preference shares and on July 2, 1962, in respect of Ordinary and Participating Preference shares, for conversion of South African currency into United Kingdom currency.

Warrants in payment of the Preference dividends will be posted on or about June 29, 1962 (unless a material difference in exchange rate occurs rendering a postponement necessary) and warrants for Ordinary and Participating Preference dividends will be posted on or about August 8, 1962, to members at their registered addresses or in accordance with their existing instructions unless instructions to the contrary are received in writing on or before the respective books close, and the necessary Exchange Control authority is obtained.

Members with registered addresses in the continent of Africa south of the Equator, will be paid from the Head Office, Johannesburg, and members whose registered addresses are elsewhere will be paid from the London Office (in the case of those Companies which have a London Office). Any requests by members with addresses within the Republic for dividends to be paid to addresses outside the Republic will require the approval of the Exchange Control Authorities. South African non-resident shareholders' tax and United Kingdom income tax will be deducted from dividends where applicable.

The transfer books and registers of members will be closed as follows:—

Preference Shares—from June 21 to 29, 1962 (both days inclusive).
Ordinary and Participating Preference Shares—from June 30 to July 9, 1962 (both days inclusive).

Name of Company (All incorporated in the Republic of South Africa)	Dividend Number	Amount of dividend in South African currency	Amount of dividend in UK currency calculated at the rate of £1 UK Sterling to R2 South African currency	Remarks
Anglo-Transvaal Consolidated Investment Company, Limited 6% Cumulative Preference	48	6c.	7·2d	
do. 5% Cumulative Redeemable Second Preference	29	5c.	6d	
do. Participating Preference	16	20c.	2/-	Being 10 cents (1/-) in respect of the fixed rate of 5 per cent per annum and 10 cents (1/-) being 50 per cent participation in final dividend declared on the Ordinary and "A" Ordinary shares, making a total of 25 cents (2/6d) for the year.
do. Ordinary and "A" Ordinary	33	20c.	2/-	Final, making 30 cents (3/-) for the year.
Anglo-Alpha Cement, Limited Ordinary	25	4c.	4·8d	
Anglo-Transvaal Collieries Limited 6% Cumulative Preference	52	1½c.	1·8d	
do. Ordinary	44	7½c.	9d	Final, making 13½ cents (1/4½) for the year.
Anglo-Transvaal Industries Limited 5½% Cumulative Preference	36	5½c.	6·6d	
do. Ordinary	17	7c.	8·4d	
Associated Manganese Mines of South Africa Limited, The 7% Cumulative Preference	51	1½c.	2·1d	
do. Ordinary	46	17½c.	1/9	Interim.
Consolidated Glass Works Limited Ordinary	11	7½c.	9d	
Consolidated Murchison (Transvaal) Goldfields & Development Company, Limited Ordinary	36	30c.	3/-	Interim.
Eastern Transvaal Consolidated Mines, Limited Ordinary	35	2½c.	3d	
Hartebeestfontein Gold Mining Company Limited Ordinary	13	25c.	2/6	Final, making 50 cents (5/-) for the year.
Nail and Chain Limited 5½% Cumulative Preference	29	5½c.	6·6d	
do. Ordinary	15	3½c.	4·5d	
Natal Portland Cement Company Limited Ordinary	8	4c.	4·8d	
National Bolts & Rivets Limited 6% Cumulative Preference	34	6c.	7·2d	
do. Ordinary	13	7½c.	9d	
South Atlantic Corporation Limited 6½% Redeemable Cumulative Preference	17	6½c.	7·8d	
do. Ordinary	37	10c.	1/-	
Wright Anderson (South Africa) Limited 5½% Cumulative Preference	30	5½c.	6·6d	

By Order of the Boards,
ANGLO-TRANSVAAL CONSOLIDATED INVESTMENT COMPANY, LIMITED Secretaries.
Per: R. E. FINNEMORE.

Head Office:
Anglovaal House,
56, Main Street,
Johannesburg.
June 5, 1962.

London Office:
Bilbao House,
36, New Broad Street,
London, E.C.2.

RAND LEASES (VOGELSTRUISFONTEIN) GOLD MINING COMPANY LIMITED

(Incorporated in the Republic of South Africa)

NOTICE TO MEMBERS
REPAYMENT OF CAPITAL No. 7

NOTICE IS HEREBY GIVEN that capital repayment No. 7 of 5 cents (6d.) per share will be made in Republic of South Africa currency to members registered in the books of the company at the close of business on the 29 June, 1962.

Payments to members on the London registered will be made from the London office in United Kingdom currency at the rate of £1 United Kingdom sterling for R2 South African currency unless there is a difference regarded by the Board as material in the rate of exchange between the United Kingdom and South African currencies. Should there be such a difference the London office will pay in United Kingdom currency calculated at the rate of exchange ruling on the 2nd July, 1962, for conversion of South African currency into United Kingdom currency.

Cheques in payment will be posted from the Head and London offices on or about the 8th August, 1962, to members at their registered addresses or in accordance with their existing instructions, unless instructions to the contrary are received in writing on or before the date the books close, and the necessary Exchange Control authority is obtained.

Members with registered addresses in the continent of Africa south of the Equator will be paid from the Head Office, Johannesburg, and members whose registered addresses are elsewhere will be paid from the London office. Any request by members with addresses within the Republic for repayments to be made to an address outside the Republic will require the approval of the Exchange Control authorities.

The transfer books and registers of members will be closed from 30th June, 1962 to 9th July, 1962, both days inclusive.

By Order of the Board,
ANGLO-TRANSVAAL CONSOLIDATED INVESTMENT COMPANY, LIMITED,
Secretaries,
Per: C. W. KING.

Head Office: Anglovaal House,
56, Main Street, Johannesburg.
5th June, 1962.

London Office: Bilbao House,
36, New Broad Street, London, E.C.2.

THE CUNARD STEAM-SHIP COMPANY, LIMITED

NOTICE IS HEREBY GIVEN that the eighty-sixth annual general meeting of the Cunard Steam-Ship Company Limited will be held in *Cunard Building (Fifth Floor)*, Pier Head, Liverpool, on Wednesday, June 27, 1962, at 3 p.m.

1. To receive and consider the Statement of Accounts for the year ended December 31, 1961, with the Reports of the Directors and Auditors.
2. To elect Directors in place of those retiring but who, being eligible, offer themselves for re-election.
3. To fix the remuneration of the Auditors.

By Order of the Board,
H. M. GOULDEN,
Secretary.

Offices: Cunard Building, Liverpool.
May 31, 1962.

A member entitled to attend and vote is entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not also be a member.

APPOINTMENTS

UNIVERSITY OF CAMBRIDGE
SCHOOL OF AGRICULTURE

Applications are invited for the post of Junior Research Officer in the Farm Economics Branch of the School of Agriculture. Qualifications should include an honours degree in Economics, Statistics, or Agriculture with Agricultural Economics. Salary: £750 x £50—£1,000. *Family allowance is payable at the rate of £50 for each child up to the age of 16 or who is in receipt of full-time education.* The posts are pensionable. Applications together with names and addresses of not more than three referees should be sent to the Secretary, School of Agriculture, Cambridge, to reach him not later than July 4, 1962.

THE UNIVERSITY OF MANCHESTER

Applications are invited for the post of TEMPORARY LECTURER or ASSISTANT LECTURER IN PUBLIC FINANCE in the Faculty of Economic and Social Studies, for one year from October 1, 1962. Salary scales as follows: Lecturer, £1,150 to £1,950 per annum; Assistant Lecturer, £900 to £1050 per annum. Membership of F.S.S.U. and Children's Allowance Scheme. Applications should be sent not later than June 30, 1962, to the Registrar, the University, Manchester 13, from whom further particulars and forms of application may be obtained.

UNIVERSITY OF BRISTOL

Applications are invited for the post of Agricultural Economist in the Bristol Province of the P.A.E.S. The post carries the standing of Lecturer in the University and the initial salary will be within the scale £1,150 x £50—£1,500 x £75—£1,575 (bar) x £75—£1,950 p.a. with F.S.S.U. and family allowance. Candidates should hold a degree in Economics or Agriculture with suitable post-graduate experience. Further particulars may be obtained from the Registrar, University, Bristol, 8, to whom applications should be sent by June 30th.

National Secretary Co-operative Party

Applications invited for post National Secretary Co-operative Party. (Present Secretary retires December 31st.) Application forms with terms and conditions of service obtainable from Mr. R. Southern, General Secretary, Co-operative Union Ltd., Holyoake House, Hanover Street, Manchester, 4.

Last date for returning application forms Monday, July 2nd. NO CANVASSING.

CENTRAL ELECTRICITY GENERATING BOARD
Headquarters,
S.E.1.

Planning for ELECTRICITY SUPPLY

The Development Section (Policy) of the Planning Department advises on some of the technical, economic and policy problems inherent in the continuous growth of the industry calling on the assistance of specialists in other Departments as necessary.

Engineers and Economists

are invited to apply for an appointment within a small group of this Section. This group is primarily concerned, in the longer term, with national energy resources and their utilisation. The successful applicant would be especially concerned with the Board's planning problems in the field of movement of fuels by whatever means to the Board's generating stations. Applicants should hold a University Degree or be members of an appropriate professional institution.

Experience of rail transport is essential, and knowledge of the electricity supply industry would be an advantage. Equally important is an imaginative approach to the longer term problems of the Generating Board and of the transport industries.

● *Salary on a scale within the range £1,810 - £2,155 per annum.*

Applications stating age, qualifications, experience, present position and salary, to the Appointments Officer, 24 30, Holborn, London, E.C.1, by 18th June, 1962. Quote Ref. EC 264.

British Transport Commission

MARKET RESEARCH

Applications are invited for the following post at London Headquarters:

Project Leader, Traffic Survey Office, Commercial Department, British Railways Central Staff (Ref: B.53)

Commencing salary not less than £1,300 per annum.

This is a new appointment and will provide considerable scope for a young man to use initiative. The successful applicant will maintain liaison between the Railway Regional and Central Offices and supervise work carried out by outside agencies.

Applicants should have had experience in the design and execution of marketing surveys—preferably in the industrial field and be familiar with the relevant statistical techniques.

Superannuation scheme. Certain travel facilities. Medical examination.

Write quoting post ref. and stating age, qualifications and experience to the Director of Establishment, British Transport Commission, 222 Marylebone Road, London, N.W.1, within 14 days.

PLAYTEX LIMITED
have a vacancy for
SENIOR O. & M. ASSISTANT
to join a team developing system for an I.B.M. 1401 computer.

The successful candidate will have had a good education and relevant experience. In return we offer a good salary for a challenging and responsible job, with pension rights and a 5-day week.

Please write, giving full details of age, education, qualifications, experience and present salary to:

PERSONNEL MANAGER,
PLAYTEX LTD.,
Playtex Park,
Port Glasgow.

For further appointments and other classified advertisements see pages 1058 and 1060

COUNTY COUNCIL OF ESSEX
COUNTY PLANNING DEPARTMENT

Applications invited for following appointment in County Planning Department:—

Senior Planning Assistant (APT III/IV—£906-£1,410), Development Plan Section, South-West Area Planning Office, Brentwood.

In this vacancy provides an interesting opportunity for a suitably-qualified person with some initial experience to assist and then further experience in the work of a busy planning office responsible for 500 square miles of county, which, towns and villages, mainly within, but mainly just beyond the Metropolitan Green Belt. Duties initially would be mainly on County Development Plan work, including Village Plans and Rural Planning Policies as well as dealing with emerging problems of Town Expansion, Redevelopment, Green Belt and Overspill proposals. Opportunity would also be given for gaining wide experience in development control work. Consideration would be given to Architects, Landscape Architects, Geographers, Economists and Civil Engineers with experience of planning or allied work, who wish to widen their experience in planning.

Threshold grade, assistance towards costs of removal, duty free and financial assistance for study purposes, superannuation, medical examination.

Application (stating age, qualifications, experience, present and previous appointments and salaries), together with names of two referees, should reach the County Planning Officer, Broomfield, Chelmsford, Essex, by June 12, 1962.

STANDARD TELEPHONES AND CABLES LIMITED

SALES OFFICE ASSISTANT

Our Private Communication Equipment Division wishes to appoint an Assistant in its Sales Office who has had experience in the handling of enquiries and tenders for sound reproduction equipment.

Candidates ought to have reached at least O.C.E. "O" level standard, and be in the age range 21-35.

The Division operates at Footscray—a pleasant residential district only 13 miles from Central London.

The Company offers a wide range of attractive conditions including a Non-Contributory Pension Scheme.

Write, stating age, experience and salary required to:—

W. E. Cousins, Personnel Manager
Standard Telephones and Cables Limited,
Footscray, Sidcup, Kent.

UNIVERSITY OF EDINBURGH
DEPARTMENT OF GEOGRAPHY
LECTURESHIP

Applications are invited for the post of Lecturer in Physical and Mathematical Geography in the Department of Geography. Preference will be given to candidates with an specialised qualifications in Survey and Photogrammetry, (a) research work in the geography of soils and (b) experience in Arctic and Sub-Arctic lands.

Salary Scale £1,150 x £50 to £1,350; Bar: £1,400 x £50 to £1,500 x £75 to £1,950 per annum, with placement according to qualifications and experience and with superannuation benefit and family allowance where applicable.

The successful candidate will be expected to take up duties on October 1, 1962.

Further particulars may be obtained from the undersigned with whom applications (six copies of the names of two referees should be lodged not later than 30th June, 1962.

CHARLES H. STEWART,
Secretary to the University.

June, 1962.

KUWAIT INVESTMENT COMPANY (S.A.K.)
(ISSUED CAPITAL £15,000,000)
invite applications for the post of

CHIEF ACCOUNTANT

Applicants should be highly qualified in Chartered Accountancy and must be fluent in English. Preferably with at least three years' experience in the field of investment.

The Salary for the post will be £2,500 per annum in addition to full accommodation, travelling expenses and annual paid leave.

Apply with full particulars of qualifications, age and copies of testimonials.

Write to:
The Chairman Kuwait Investment Company (S.A.K.), Post Box 1005, Kuwait.

THE ELECTRICITY COUNCIL

Commercial and Development Department

Applications are invited from Graduates (men and women) in Economics or cognate subjects who are interested in economic studies and related work associated with the continuing expansion of the Electricity Supply Industry. STUDENTS INTENDING TO GRADUATE THIS SUMMER ARE ALSO INVITED TO APPLY.

Successful applicants will be required to assist the Chief Economist at Council Headquarters in London. The Chief Economist is responsible for the economic information service of the Council, including information on the economics of power in other countries, for economic forecasting in fields affecting the Electricity Supply Industry, for co-operating in developing the Industry's cost, market and user research activities and for assistance in the consultation which takes place between the Council and the Electricity Boards on capital programmes, tariffs, etc.

• Salaries will depend on qualifications and experience. Initial appointments will be made within Grades 1 and 2 of the National Joint Council agreement, i.e., £640 to £815 including London Allowance. In exceptional cases consideration will be given to higher initial grading and salary. In particular, some post-graduate industrial or university research experience would be an advantage. Promotion will rest entirely on merit and successful candidates can be assured of being engaged on forward-looking work with good career prospects.

Applications, stating age, present position and salary and giving full details of qualifications and experience, should be forwarded to The Establishments Officer, The Electricity Council, Winsley Street, W.1. Quote ref.: ECO/176.

THE Economist Intelligence Unit Limited is again expanding its Research Divisions. Candidates for further posts should have a good degree, preferably, but not necessarily, in economics and/or statistics; they should also have experience of consumer market research and of research into marketing problems. Age preferably between 25 and 35. Salaries according to experience and qualifications.

Please send full particulars of qualifications, experience and present salary to "Research," The Economist Intelligence Unit Ltd., 5 Bury Street, S.W.1.

For other appointments see pages 1058 and 1059

UNIVERSITY OF NOTTINGHAM

DEPARTMENT OF SOCIAL SCIENCE

Applications are invited for an ASSISTANT LECTURESHIP IN SOCIAL ADMINISTRATION. Initial salary within the scale £900 x £50 to £1,050, plus membership of the Universities Superannuation Scheme and children's allowances. Conditions of appointment and form of application, to be returned by Saturday, June 23, from the Registrar.

BRADFORD INSTITUTE OF TECHNOLOGY

APPOINTMENT OF HEAD OF THE DEPARTMENT OF INDUSTRIAL ADMINISTRATION

Applications are invited for the above post at a salary scale within the range £2,600-£3,075 according to qualifications.

The Institute, which is developing rapidly, was transferred to an independent Governing Body, as from April 1. The expansion of the Department of Industrial Administration is an integral part of the planned development of the Institute as a college of advanced technology.

At present the Department has an establishment of over 30 staff specialising in Management, Economics, Professional and General studies. Considerable importance is placed on the development of courses in Management Studies, especially at post-graduate level. The Department is also responsible for a wide range of Management and General Studies for students reading for Diplomas in Technology. Research, for which which adequate facilities are available, is strongly encouraged.

Applicants should have appropriate academic and industrial qualifications and experience. The ability to direct new developments in education and research in management will be the main criterion for the appointment.

Further particulars of the appointment and forms of application may be obtained from the Registrar, Bradford Institute of Technology, Bradford.

AVIATION MARKET STATISTICIAN

A major Company, holding a leading position in the aircraft equipment industry, wishes to appoint a statistician in its Research Department to study long term trends in world demand for aircraft equipment and the requirements for meeting this demand.

Applicants should preferably possess the following qualifications:

1. A good University Degree and a sound statistical background, including some knowledge of mathematical statistics.
2. Experience in the aircraft industry.
3. Enthusiasm and the ability to organise his work with the minimum supervision.
4. The ability to prepare concise reports for top Management for use in the formulation of operating policy.

The Research Department is located in pleasant surroundings, and a good salary and competitive fringe benefits will be offered.—Write Box 1632.

MINISTRY OF AGRICULTURE, FISHERIES AND FOOD. At least one pensionable post in London for man or woman as (a) AGRICULTURAL ECONOMIST or (b) ASSISTANT AGRICULTURAL ECONOMIST. Age on June 1, 1962, at least 26 for (a); at least 21 and normally under 28 for (b). Qualifications: university degree, normally with 1st or 2nd class honours, in economics, agriculture, horticulture, or closely related subject, or comparable relevant qualification; also, for (a), at least three years' appropriate post-graduate experience. Knowledge of statistical methods or practical experience of agriculture or horticulture an advantage. Final year students may apply for (b). Duties include investigating changes in financial conditions of agriculture and factors affecting agricultural output, analysing data from farm accounts, and preparing material for farm and horticultural management advisory work. Inner London salary scale: (a) £1,402-£1,719; (b) £795-£1,282. Starting salary may be above minimum in either grade. Promotion prospects. Write Civil Service Commission, Burlington Gardens, London, W.1, for application form, quoting S503/62/7. Closing date June 29, 1962.

SOCIALISTS ARE INVITED to apply for the post of Grade III Assistant in the Labour Party Research Department. Candidates should have a keen interest in and some knowledge of political, social and industrial affairs. Honours degree, though not essential, an advantage. Salary scale £692-£838 p.a. Application forms from the Administrative Officer, The Labour Party, Transport House, Smith Square, London, S.W.1, to be returned by June 23, 1962.

UNIVERSITY OF OXFORD

COMMITTEE FOR COMMONWEALTH STUDIES

Applications are invited for the post of Senior Research Officer or Research Officer, depending on qualifications and experience, at the Institute of Commonwealth Studies. The appointment will normally be for three years, with the possibility of an extension for a further two years. The holder will be required to undertake approved research in the Institute under the direction of the Committee and there will be a preference for someone qualified to undertake a limited amount of teaching within the field of comparative government with special reference to Africa. He may be expected to work in association with holders of other University posts in this field and on a project leading to publication which will take account of his special interests. The salary will be within the range of £1,050 x £50 to £1,400 x £75 to £2,000 x £25 to £2,025 for a Senior Research Officer and £1,050 x £50 to £1,400 per annum for a Research Officer, with membership of F.S.S.U. and child allowances. It is hoped to fill the appointment with effect from October 1, 1962. Applications, giving the names of two referees, should reach the Secretary, Institute of Commonwealth Studies, Queen Elizabeth House, 21 St. Giles, Oxford not later than June 30, 1962.

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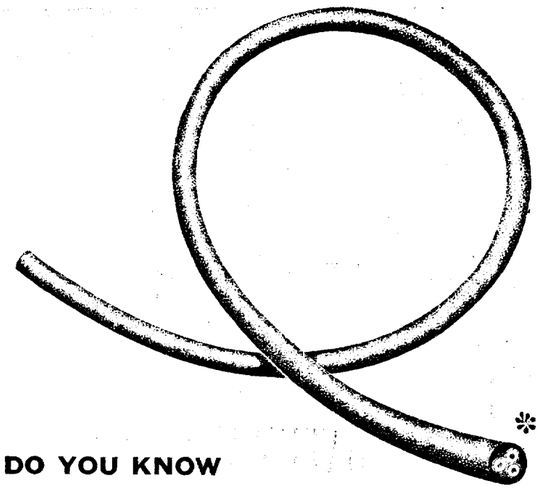
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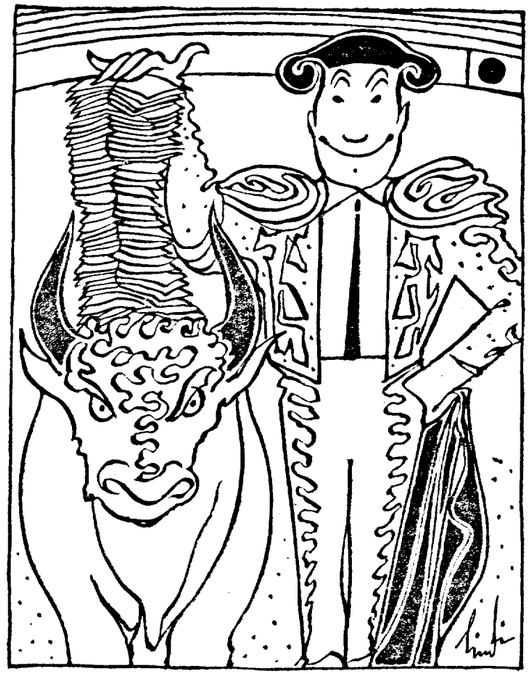
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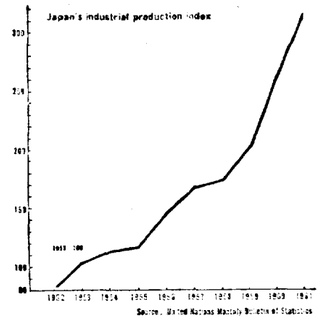
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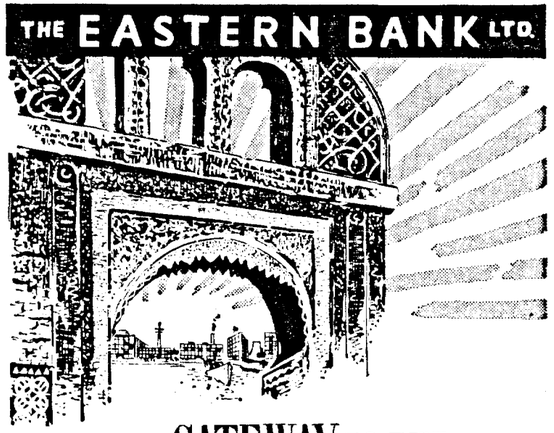
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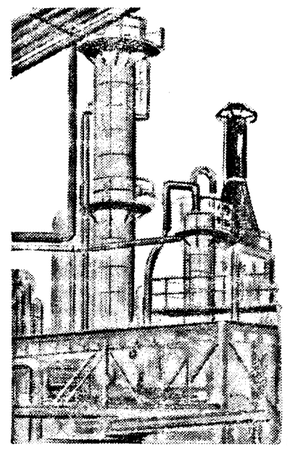
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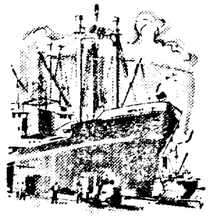
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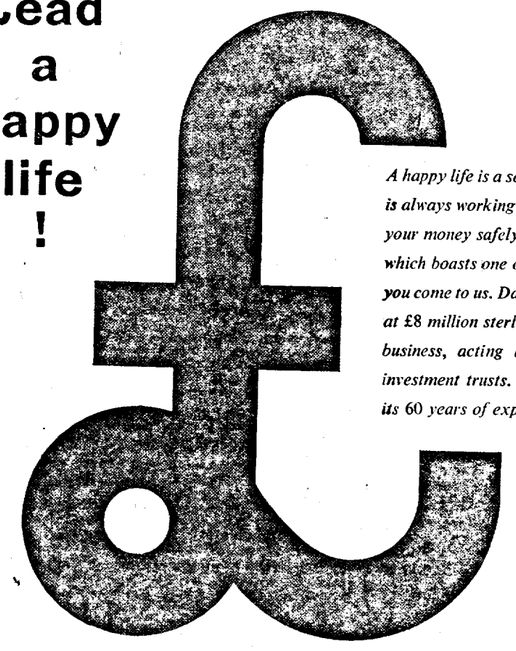
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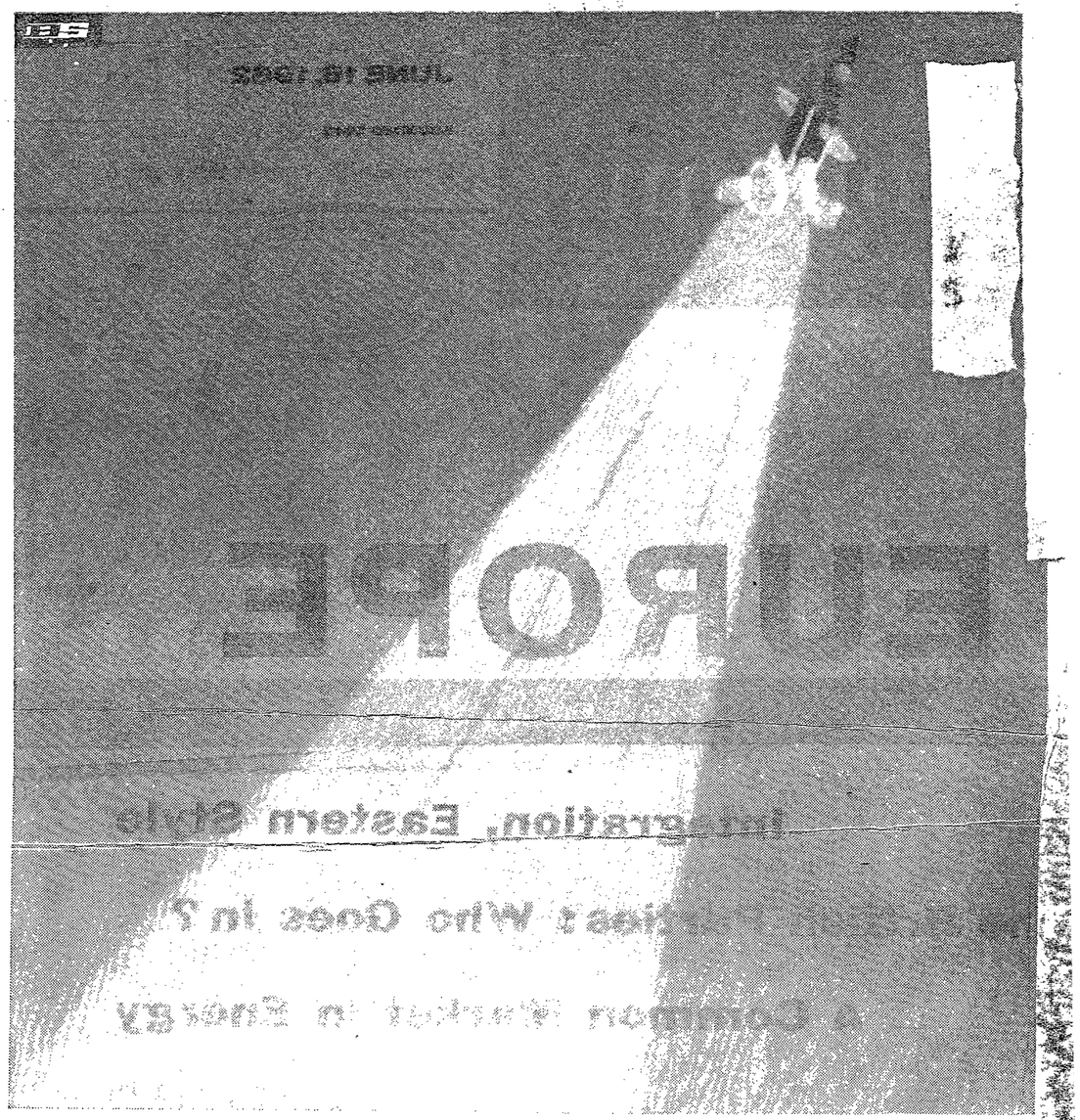
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In The Economist this Week — June 16, 1962

INTERNATIONAL

Comrades . . . Communist

Members of the communist equivalent of the common market have proved themselves better at sharing out common troubles than at elaborating common solutions to their economic problems (p. 1077).

Herr Ulbricht, faced with economic problems that his allies could not solve for him, made trade proposals to Bonn; the **west Germans** are still puzzling over their response (p. 1110).

. . . Capitalist

The latest decline on Wall Street is in effect a probably vain appeal to the Administration for early tax cuts (p. 1100) but its attempts to persuade the market into a better frame of mind have backfired (p. 1129).

London's reactions (p. 1129).

Acquaintances

Spain will find it hard to return to the western family until political change brings it closer into line with its European neighbours (p. 1082).

The diehards and dogmatists of Madrid have not been kind to their (opposition) Spanish brothers (p. 1114).

Italy: The Italian economy is blossoming out; monarchists and fascists are beginning to look more like weeds—as the local elections on June 10th showed (p. 1114).

France: The walk-out of the French Assembly by the "European" parties was a protest against General de Gaulle's attitude to parliament as much as against his attitude to his neighbours (p. 1083).

Turkey: Ankara's politicians have not yet learned to compromise, but they are all thinking more urgently about social and economic problems (p. 1109).

Pals

United Nations: The members have got together to point the finger of accusation at **Southern Rhodesia;** it got a bit sticky in **South West Africa** (p. 1086).

Bandits: The **Algerian** Muslim leaders, it seems, will not now be talked into further concessions to the Secret Army (p. 1084).

Interlacustrine Tribes: Africans in **Uganda, Rwanda** and **Burundi** may start cutting one another's throats when the Belgian and British "colonialists" depart this summer (p. 1090).

"Freedom Fighters": **Dr Nkrumah** has yet to learn that he is not his brothers' keeper (p. 1090).

Buddies

The American scene:
Old people in America will probably have to wait at least another year for **medical insurance** (p. 1099).

The latest difficulties over **foreign aid** arise out of the present lack of interest in the subject (p. 1103).

Mr Edward Kennedy's incursion into Massachusetts politics may make difficulties for President Kennedy (p. 1105).

Texas is less concerned about its latest scandal than is the rest of the United States (p. 1103).

Mr Samuel Newhouse is likely soon to be **America's leading newspaper owner** (p. 1106).

And the Canadian:
On the eve of Monday's **general election,** voters are perplexed and businessmen scared (p. 1113).

HOME

Crystal-Gazing

British opinion about Europe, in parliament and in public, shows hopeful signs of swinging towards a favourable verdict—if Mr Heath gets anything like reasonable terms from Brussels (p. 1079).

A **fuel policy** for Europe is beginning to take shape—and some vested interests, here and abroad, might be unhappy about it (p. 1125).

Hunterston—the cloudy future of nuclear power (p. 1136).

Prediction of the weather remains as unsure as any kind of forecast (p. 1090).

Trail-blazing

The **north-west of England** deserves new ideas to rescue it from a squalor accentuated by its own parochial traditions (p. 1121).

The green-belted city is due for a rethink in regional terms (p. 1093).

Gypsies: it is time to set a new route for Britain's neglected—and persecuted—minority (p. 1081).

Better guarantees from the garage give **new rights to the motorist** (p. 1137); the moment of total **traffic congestion** is approaching (and may be aiding road safety) at the peak seasons (p. 1089).

New thoughts are needed now about public servants' pay (p. 1084).

Book-making

Bookselling is bursting its straight jacket—hard or soft (p. 1127).

Rutland: the betting is on a sad end for a happy county (p. 1122).

Recruiting figures are up this year—but fewer want a long stay with the army (p. 1085); Scots Go Home? (p. 1085).

A decisive vote at the **Co-operative Union** improves the odds for the success of this giant retail organisation (p. 1138).

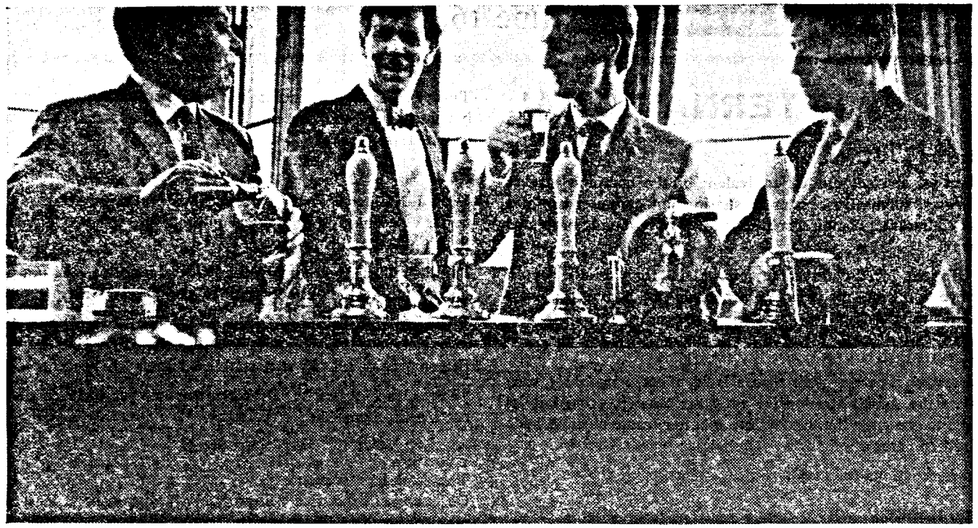
Stock-taking

No comfort can be derived from the latest poll of **British business opinion** (p. 1131).

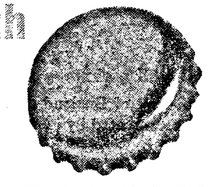
The Bank of England is still unhappy about **the British economy:** but one of its suggestions might raise eyebrows (p. 1132).

National Gallery: shutting the door behind a bolted, ducal horse (p. 1086).

Detailed contents on page 1077



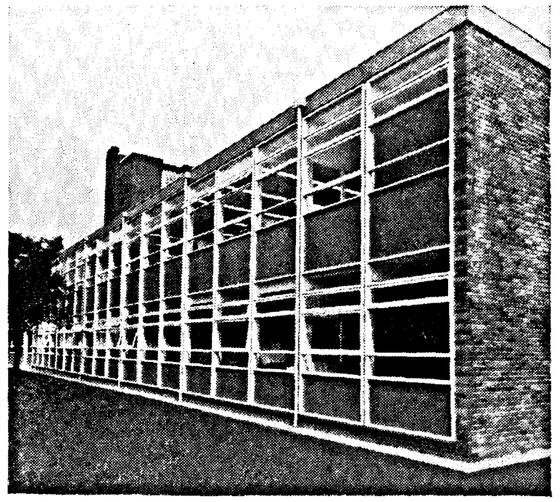
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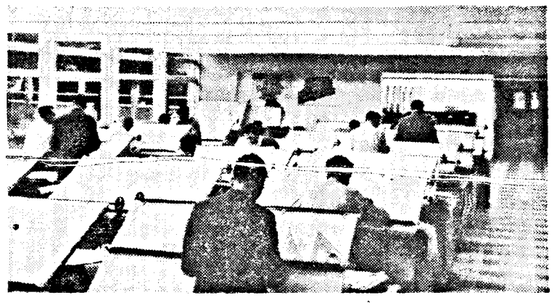


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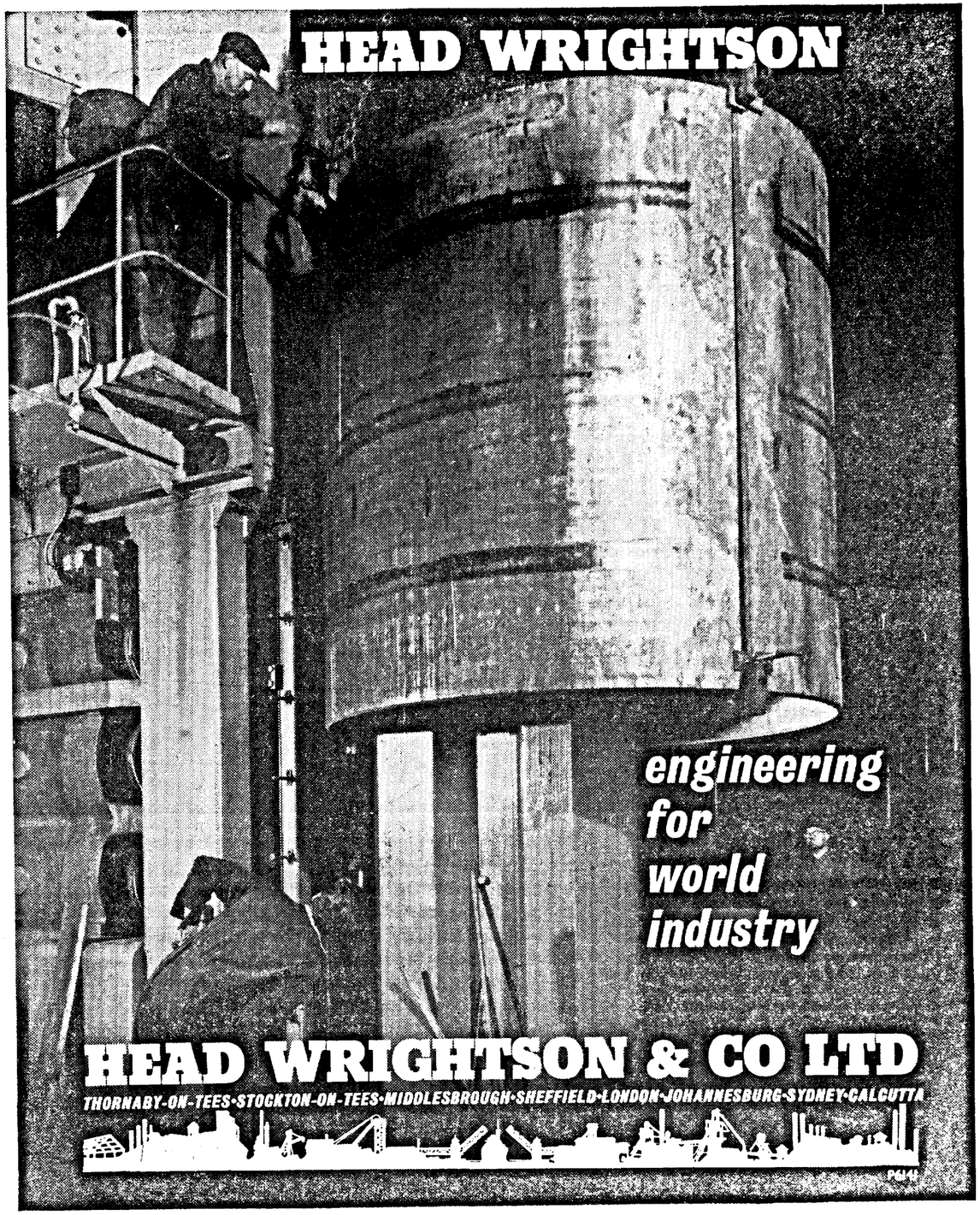
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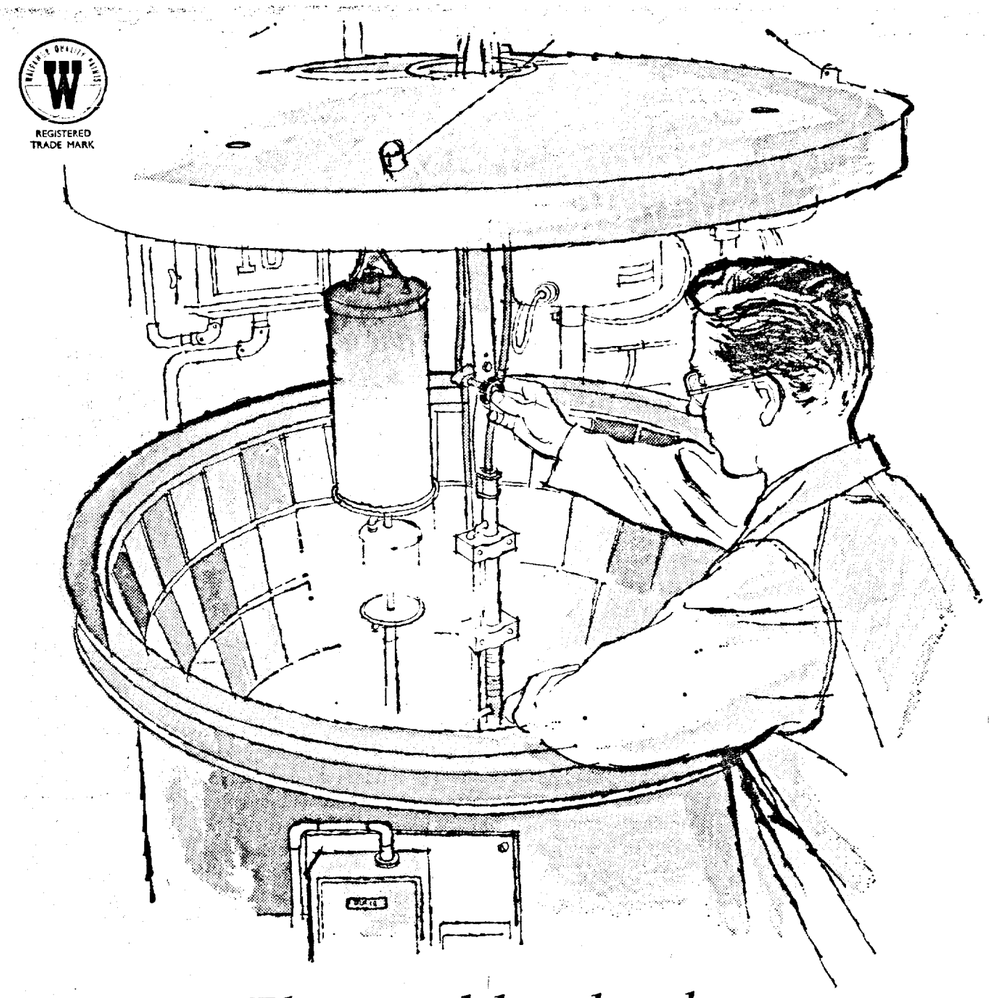
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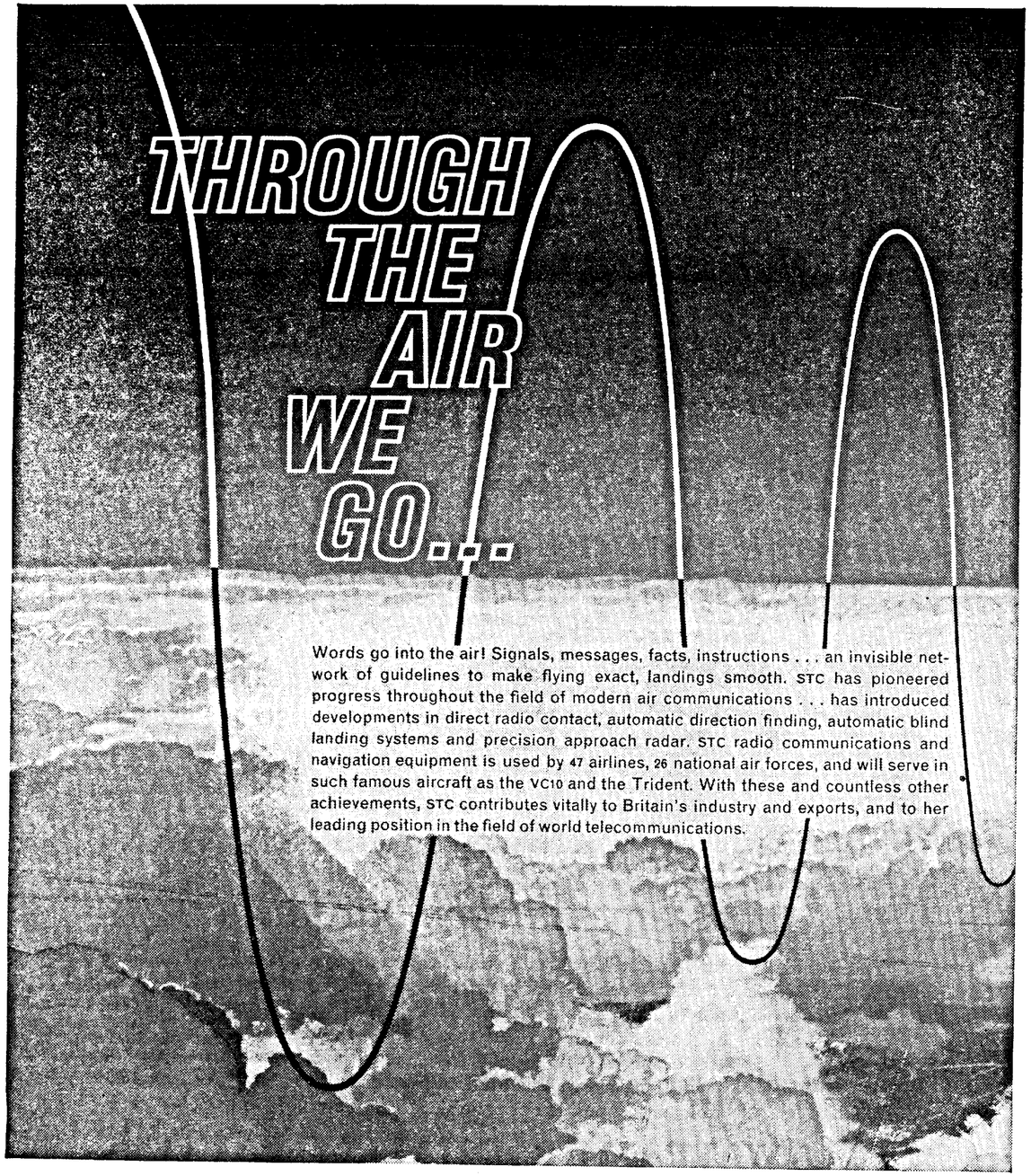
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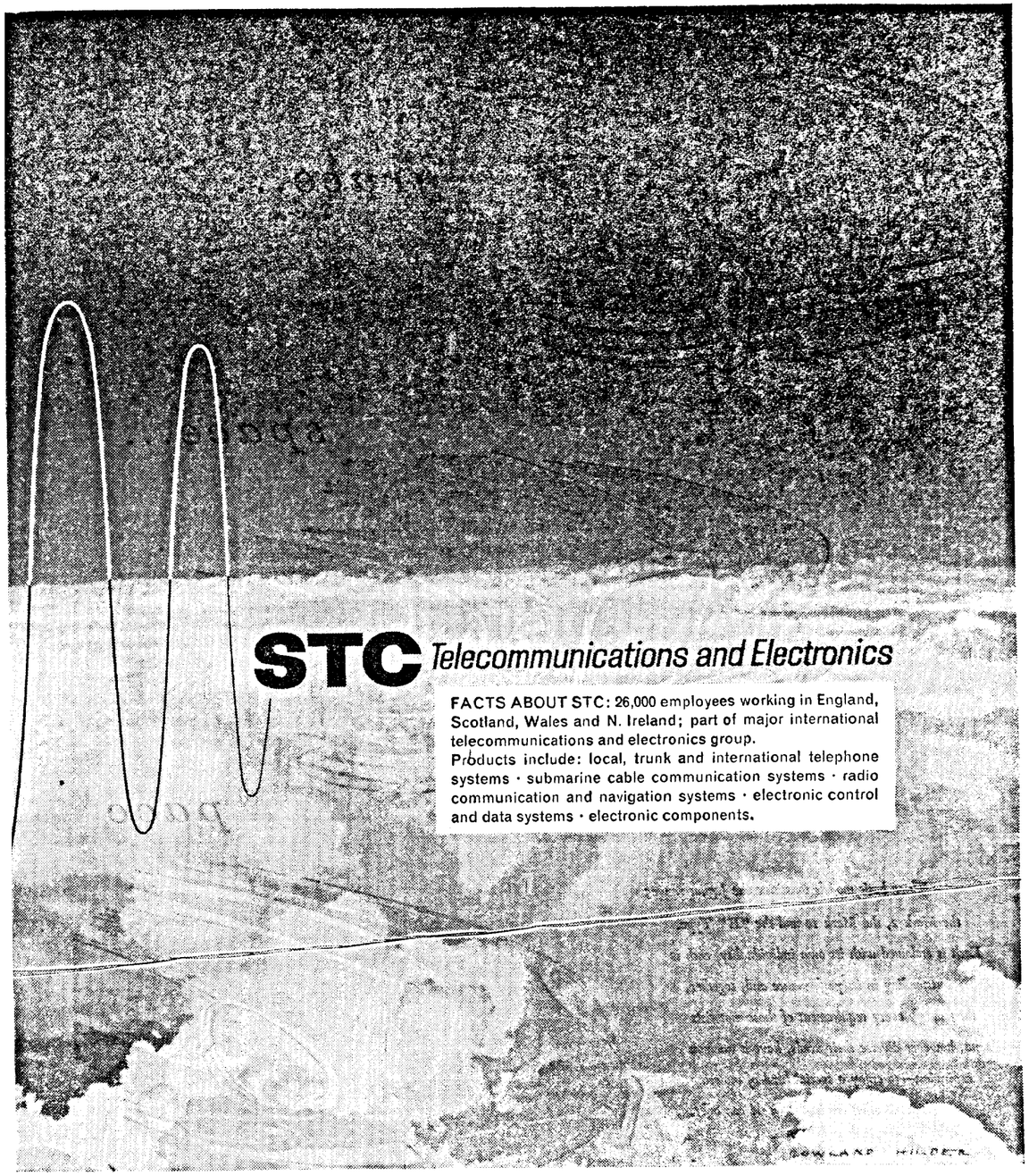
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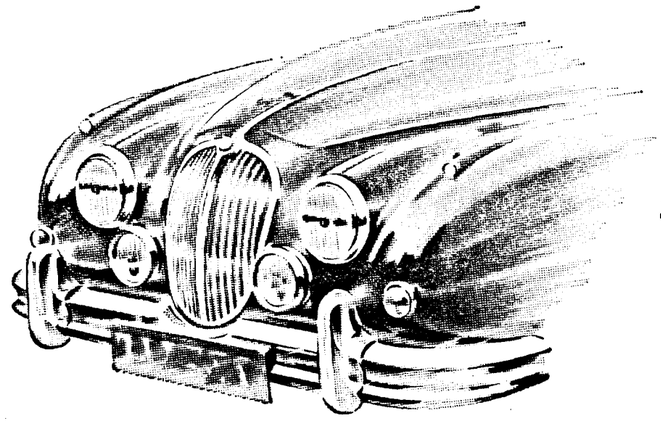
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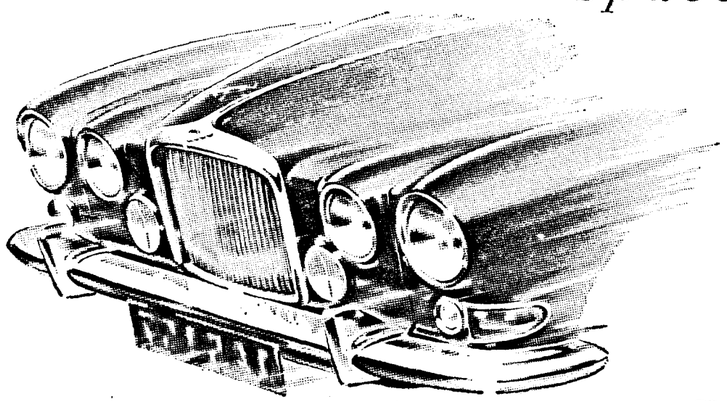
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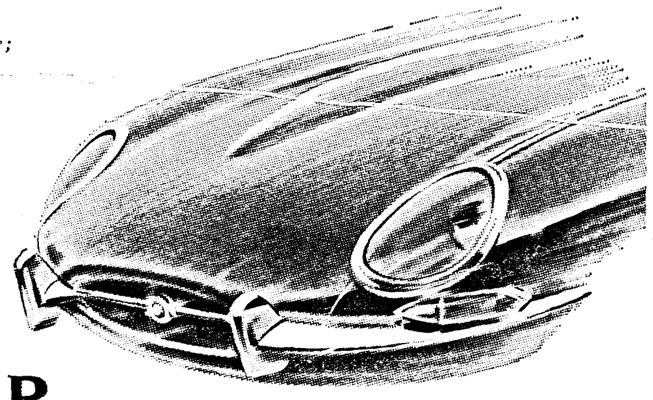
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The Economist

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Integration, Eastern Style

HERALDED by Mr Khrushchev's strictures on the common market, the summit conference on June 6th and 7th of its communist equivalent, the Council for Mutual Economic Aid, was brief and brought no spectacular announcements. All the highest European leaders of the Soviet block—though the Outer Mongolian took the place of the absent Albanian—were in Moscow last week in a dual capacity; they also managed to squeeze in a session of the Warsaw Pact organisation, Nato's opposite number. Two days seem little time to reach big decisions on two such important fronts.

Since the meeting of the supposedly supreme economic body took place so soon after the striking rise in the Russian prices of meat and butter (announced on June 1st), it was expected to deal with the food crisis. All the members of the club, with the notable exception of Poland, have by now roughly completed the process of farm collectivisation; their experts must have much information to exchange about common difficulties. What has been said so often remains true, that agriculture is the Achilles heel of the communist economy. Not only was investment in farming for many years patently inadequate; agricultural yields, so far, do not correspond even to that insufficient outlay. As a result, communist agriculture has failed to keep pace with industrial growth and has remained a factor of distortion in the whole economic development of these countries. Yet, all this restated, the crisis—of which the rise in Russian prices, and last week's preventive run on the food shops by the Polish housewives, are merely illustrations—is not only agricultural.

Admittedly, the low productivity in farming compels the communist countries to keep a high proportion of their manpower on the land, and this hobbles their economies generally. But it is not in food consumption that the average Russian, Czech, east German or Pole lags most behind his American, British or French counterpart. What makes the planner's life so difficult is that, at the present stage of development of these countries, the pattern of spending of their citizens is such that each increase in wages is most likely to be translated into bigger expenditure on food. Rents are kept low; public utilities are cheap; the welfare state relieves the citizen of a range of other expenditures. Purchases of durables are not enough to alter this pattern. Private motor cars are a rarity in the whole region, by the planners' choice. Modern household durables are not yet mass-produced on a scale sufficient to absorb a big share of the extra purchasing power, particularly as wage increases in recent years have in large part gone to the lower incomes.

In a sense, in fact, the symptoms of strain in the Soviet block are those of an industrial revolution. The sustained pace of industrialisation is made possible by a heavy rate of investment, with emphasis on producer goods, and by a rapid growth of the industrial labour force (in the Soviet Union alone, urban population has been rising at an annual rate of 3.5 million since 1953). All this involves the creation of extra purchasing power, part of which must be mopped up if the rate of investment is to be maintained. Under Stalin, the threat of forced labour was one of the means for ensuring this forced saving out of a relatively small national income.

Stalin's successors rightly concluded that Russia and its partners were ripe for more complex, and less brutal, methods of economic management. They diverted resources to the neglected sectors: housing, farming and light industry.

Indeed, in 1953, while Mr Malenkov was promising a quick upsurge in consumption, it looked as if a rapid increase in the supply of consumer goods was designed by the planners both to satisfy urban demand and to act as a spur to farming output. Stalin's heirs finally decided that the situation did not justify such sweeping remedies, and Mr Khrushchev has ever since presided over a more gradual transition. Slight shifts of resources, a relative decline of the defence burden, and managerial reforms were combined to ensure fairly steady progress in consumption. The system worked for five years as agricultural supplies rose rapidly (but starting from a very low level), under the joint impact of incentives and land reclamation.

Then the strains reappeared. For three years now, Soviet farm output has made no progress. In 1961, Poland alone in communist eastern Europe could boast bumper crops. Last year, too, saw (to put it mildly) the reversal of the relative decline in defence expenditure. Incomes had risen faster than supplies. Food shortages and queues spread throughout the area. When it was decided to encourage farming production through higher procurement prices and larger supplies of equipment, there were no spare resources. The cost had to be passed on to consumers; and on June 1st Mr Khrushchev, who so prizes his popularity, had the painful duty of announcing this to the Soviet public.

SINCE the problem is not simply one of food shortages (which obviously cannot be exported) but one of the allocation of scarce resources in a more general sense, the task of the planners could be lightened if a more rational division of labour could be achieved within the block. The Soviet leader must indeed have been irritated by western progress in economic integration. To suggest, because of his recent outbursts, that Mr Khrushchev views the common market as a serious economic threat to the Soviet block is surely an exaggeration. The communist countries are still setting the pace of industrial growth. Foreign trade accounts for only a fraction of their national product, and only about a quarter of that trade is carried on with the outside world. True, communist states with similar economies and similar difficulties would often be most happy to be able to bring in more scarce goods from outside the usual circuit. It is equally true that a common west European commercial policy conducted from Brussels could hinder some of their exports, such as oil, and could therefore limit their importing power.

But these are marginal problems. Mr Khrushchev's objections to the common market have been given a further airing this week, in circumstances that suggest that he is more interested in the chalking up of an argumentative point than in the substance of his trading relations with western Europe. How, otherwise, explain the breaking off on Wednesday of the Soviet trade talks with France? The Soviet complaint, that the French refuse to extend to Russia the tariff concessions they extend to their partners in the common market, is one that trading countries around the world have long since considered and rejected as not worth pressing. The truth doubtless remains that Mr Khrushchev's complaint is more political than economic.

What really irritates him about western integration is, no doubt, that the western states in general, and the common market countries in particular, are carrying out in their own fashion—through private and public international agreements, cartels and other arrangements—the capitalist equivalent of that "socialist division of labour" that the communist planners have been preaching for years, but have so far failed to practise. The single integrated communist market remains, up to now, a myth. The Council of Mutual Economic Aid, founded in 1949 as a counter to the Marshall plan, was firmly enough under Russian domination. But if Moscow abused its privileged position to juggle prices in its own favour, it failed to make use of it to impose a real division of labour. On the contrary, in the early years Stalin's doctrine of "socialism in a single state" was applied to each individual country. Each was to have its own heavy industry, its own rapid industrialisation—and, as a result, its own economic difficulties—on the Soviet model. Mr Khrushchev's recent quip about "unnatural marriages between persons of the same sex" could have been applied more aptly to this Stalinist creation than to the European Economic Community.

Here is one of the many fields in which Stalin's successors had to tinker with their master's heritage. Beginning about 1956, they have made efforts to instil life into the moribund council. Some progress of substance has been made in the exchange of information and the training of personnel. Some spectacular projects have been undertaken in common—the building of a common pipeline and of a joint electrical grid. But the fact remains that co-operation is still very largely limited to the dovetailing of existing blueprints, and only exceptionally starts where it should, with their common elaboration. At a meeting in Warsaw in December, the council advocated more elaborate schemes of co-operation, which were to be approved by last week's summit session in Moscow. It remains to be seen whether the council and its reinforced commission have gained the power to cut across frontiers. There is no sign as yet of a budding Gosplan for the Soviet block—though the communist leaders could certainly do with such a planning board to help them in their present difficulties.

THESE troubles should not be overdramatised. However painful for Mr Khrushchev, and however damaging to his reputation the rise in Soviet food prices, this and the similar increases that may occur elsewhere in eastern Europe are not a real threat to the communist regimes. (If the widely distorted story of the east German request for west German credits, discussed on page 1110, is looked at in its factual framework, it is not really an alarm signal of imminent east German economic collapse.) Once the belts have been tightened, the communist governments can hope to resume the distribution of slices from what are, after all, growing national cakes. They can hope that the lean years in farming will eventually give way to that spectacular breakthrough in agricultural productivity which is supposed—one day—to remove the chief obstacle to communist growth.

Any striking contribution to such a breakthrough could take only the form of a substantial shift of resources from defence and heavy industry to consumer goods and agricultural supplies: this is one for the Warsaw pact, whose meeting, held at the same time, approved Mr Khrushchev's efforts to come to terms with the Americans. Meanwhile, the European communists will go on groping towards the closer economic co-operation that persistently eludes them.

Who Goes In?

British politicians will soon have to climb down from their fences on the European issue. There are some hopeful signs of the side they want to choose

THE capital fact of British politics as the parties peer into the European future is that it has become manifestly easier to identify the potential parliamentary majority for entering the common market than to see a majority forming inflexibly, and coherently, against it. This balance of commitment, in advance of the terms from Brussels, was never more visible than in the Commons debate last week. The important thing now is that the pro-Europeans in all parties should not think of themselves as a somehow inhibited minority, having to act by stealth because they will cost their party votes when a somnolent country finally wakes up to the more awkward consequences of Mr Heath's negotiations. Indeed, to some of them, over-apprehensive at the presence of Mr Menzies and his Queen's men in Whitehall, the debate seems to have given the impression, at the time, of a further accumulation of reiterated backbench objections and doubts. Thus Mr George Brown, admonishing others besides the press gallery, thought it necessary to declare:

> At the end of the day to many who report our debates, sometimes without the attention they ought to have, it may look as though the climate of opinion in the House has hardened against going in. I believe that that would be an unwarranted deduction.

He is dead right, it would. On such occasions the climate of critical opinion in the Commons has two forms of expression: there is, naturally, a build-up of new objections and avowed objectors, and there is a parade of otherwise sound party men whose loaded questions indicate only that they have closed their minds to whatever ministers are saying. Quite the reverse happened last week. To Mr Heath the bulk of the House seemed almost meekly grateful; and even Mr Soames may reflect in unexpected tranquillity that had his reassurances been so unspecific on any other issue he would not have escaped alive from the agricultural lobby. By any count the majority of backbench doubts were the doubts of men steeling themselves to go in.

It is time to say that this does not appear to be out of keeping with the visible temper of the country at large. The country is by no means as ostentatiously jolling Europe as hankerers after the preoccupied insular past are inclined to assume. To declare flatly that They do not know about the common market is to be totally ignorant of all that has been stirred up and talked about and voted upon in chambers of commerce, trading organisations, trade unions, churches, women's institutes, public houses—and even constituency parties—in the past twelve months. People do not know or pretend to know and cannot know how a negotiated British signature to the Treaty of Rome will directly affect their own industry or livelihood. It is not, in reality, on the intimate knowledge of commerce that electorates make up their minds. What they observe and judge are the flow of events, the impinging of circumstances and the broad argument on the principles of national policy.

What is at stake over Europe has never been clearer than it is now; in these terms, it may not become markedly all that more apparent, even when the air is loud with interpretations of what precisely Mr Heath has brought back from Brussels by the end of July, or by the autumn—as M. Couve de Murville is now suggesting. The determination of British feelings began much longer ago, and, one suspects, will be finally settled by a wider understanding of Britain's new place in the world, than most party spokesmen—or most people in Europe itself—have realised.

But the best bet when Mr Heath reports is that there will be, whatever he has brought back, an upsurge of anti-European and, very probably, anti-American feeling. This is to be expected. It will come not merely from the protected industries and the threatened men, from declining shipyards and the most marginal tomato growers in the Lea Valley. It will come from people who are genuinely uncomfortable at what they believe to be a decisive parting from old ways and old friends. It will be accompanied by the most evocative expressions of what are felt to be loyalties, duties and responsibilities—and they will hurt, as they will be meant to hurt. When this outcry begins there will be timid souls in the parties who will give thanks that they ran for the storm shelter quite a while back.

But very few of them on the Tory side will be able to stay there for long. If the European terms are such that the Government feels justified in pressing on, there will then have to be a severe, and fratricidal, parliamentary action to get the necessary legislation through and to carry the campaign on specific issues to the country at large. If Mr Gaitskell has made anything about his position clear it is that this is a job he means, cannily enough, to leave to the Government. To do the job as it should be done Mr Macmillan must make up his mind to give it to a government of Heaths and Macleods who are really ready to take it on.

IN the Tory party itself the opposition has come from three groups: the sovereignty Tories; the special interest Tories (chiefly settled in the famous 80 farming seats); and the Commonwealth men. They are not all united, and they do not look at all like a prospective majority of the party: Lord Salisbury, who might have licked them into shape, is himself a European. The Government's present determination to push the Brussels talks forward to success has undoubtedly carried in its wake the great bulk of the deferential centre of the party, to whom the new presentation of the exercise in the light of an unexampled British political opportunity has come as a necessary solace and reassurance. The sovereignty issue, which Sir Derek Walker-Smith has made his own, has increasingly appeared too abstract to rally solid dissatisfaction. The agricultural interest is still worried, but it has steadily come round to the view, after a closer examination of European support policies, that whoever else suffers the efficient British farmer should manage not at all badly.

The chief, and obvious, point of danger for the Government, near the end of the day, is the Commonwealth. The feeling for Australia and New Zealand is real and deep, and the European terms on temperate foodstuffs will indeed have to be reasonable (no more) if a crisis, even a convulsion, is

to be avoided. The key position is that occupied by Mr Sandys, who ever since the Brighton conference last year has set himself up as the Commonwealth's watchdog. A resignation from him would be the one thing that could seriously split the party. But besides being Commonwealth Secretary Mr Sandys is also, by proved and devoted apprenticeship, a good European. What has been happening among the Tories, as last week's debate showed, is that the demand for a positive Commonwealth alternative has been well and truly hit out of court since a year ago. The party has been largely disabused of the idea that the Commonwealth is Britain's ideal and lasting trading partner; and now Tory Central Office has even come out with figures to show that last year Britain exported more to western Europe (i.e. the European Economic Community and the European Free Trade Association, plus Finland and Ireland) than to the Commonwealth itself. The resistance group in the party is therefore one pleading for the right friendly treatment for the Commonwealth, not one propounding the old imperial concept of turning totally, and fatally, away from Europe towards the open sea.

ACROSS the floor Labour's divisions are more distinct and, if Mr Heath were to get reasonable terms, more likely to prove deep-rooted. Mr Gaitskell, whose tactical calculations are complemented by the absence of any conspicuous personal feeling for Europe itself, is now seemingly so delicately poised that the only peroration he could risk last week was the one that had got by (too unflatteringly perhaps) earlier on the telly. The committed opposition still depends heavily on the diehard Left, concerned for socialist planning, worried by the presence of General de Gaulle and Dr Adenauer, and seizing on American political interest to confirm its belief that the common market is really just an instrument of the cold war (as the Soviet and satellite representatives in London have been so busy saying for so long).

This reluctance has had a response in the centre of the Labour party among some special interests (a few mining MPs and Mr Gooch, the farm workers' leader) and among stalwarts who still believe that the Attlee-Bevin negative response to the nascent coal and steel community was the right one. Among the Gaitskellite intellectuals there are Mr Jay and Mr Healey, very honestly convinced that Europe can only be an inward-looking group at odds with the underdeveloped world. But their support since last year has not been growing; and the Left (which is certainly not Mr Jay or Mr Healey on other matters) stays politically weak and isolated from the Gaitskellites and from the bulk of trade union members on the whole spectrum of other party issues.

The pro-Europeans, under Mr Jenkins and Mr Diamond, claim to be making headway; this has actually made it more difficult for the European regulars to catch the Speaker's eye when balancing the debate. A useful, and significant, accretion of strength is now coming from the sharp young Gaitskellites who have been winning by-elections this year: the maiden speech by Mr Rodgers from Stockton last week was in unmistakably affirmative tones. On balance, some 80 Labour members now seem committed to staying out and 75 to going in—with another 100 still on the fence. The biggest impact of the pro-Europeans has been in emphasising the deep desire of the continental socialist parties for British membership, and in disseminating the news that welfare states, subsidised by hefty employers' contributions, exist (sometimes better developed) outside Little England. In the clinch, the undecideds might be expected to follow Mr Gaitskell—and not Mr Wilson, who veered noticeably towards the left wing, this time, last week—and their professions of loyalty to the leadership have become more enthusiastic upon the reflection that Mr Gaitskell is really highly unlikely to lead them into the unilateralists' camp.

THE Liberals will want to forget Mr George Scott's aberration in the closing hours of the Middlesbrough West by-election, when he hastily re-wrote party policy and called on the Government to secure a popular mandate before leading the country into Europe. It is evident, however, that Mr Grimond had been stung by the Tories into emphasising, last week, that the party, just as much as anyone else (including *The Economist*), wanted good conditions for joining Europe. This could do the Liberals' own image some harm in blurring the party's only distinctive theme; and it could well help the Government—once it gets its common market campaign under way—in recovering the majority in the country that it wants at the next election to get right over the European hump.

For the central question for the electorate which does want to take the European opportunity is going to be how to secure a pro-European parliament, ready to implement the developing responsibilities of a European state, when Mr Macmillan gives the word. If the Tories were to return with an increased majority, which is still conceivable, there would be no problem, but a narrow party verdict one way or the other is now much more probable in the aftermath of Middlesbrough West. There are three possible outcomes. A reduced Tory majority would still be enough, despite the diehards, since the Government could presumably depend on Liberal and some substantial Labour approval for upholding its signature to the Treaty of Rome. A minority Labour government, put in office by the Liberals, would also be workable since on this issue the Tories would have to stand by their own acceptance of Europe. If the Labour left wing were to break away in a huff at this imposition of Liberal (and Tory) terms for a Labour government, it might be no bad thing for everyone.

The greatest danger would be the third possibility: a narrow Labour majority. If the leadership were still uncommitted to Europe it could then find itself very vulnerable to all the anti-European pressures from the Left, on whose votes its independent parliamentary status in other matters would depend, as well as, maddeningly, from the Right. This pressure would be all the stronger if the Labour party were to come back bearing the imprint of the decayed industrial areas which think they have most to fear from a junction with Europe, or indeed from any competitive show-down. Mr Gaitskell is clearly aware of this bias among the hard-core Labour electorate, on which the party relies for a good showing in its strongholds. But Labour has to win electoral support in the technologically advanced regions of the Midlands and south in order to start picking up marginal seats from the Tories. The best service that Mr Gaitskell can do himself, his party and the country is to pronounce firmly and very promptly on the contents (when these have been docketed) of Mr Heath's baggage from Brussels.

Foiled Circuitous Wanderers



. . . there's likewise a wind on the heath. Life is very sweet, brother . . .
George Borrow, *Lavengro*

THE wind blows yet; but it is the shock wave from passing traffic that shakes the caravans where they crouch on trunk-road verges far from water, strangers to sanitation, and cursed for nuisances by every parish-pompous Pilate in the new Jerusalem. Life, for most of Britain's share of Europe's gypsies, has turned sour; is even harder and more bitter than that of their fellows in some totalitarian states. Most are not even what Borrow would have called gypsies; "traveller" is the name they use themselves, embracing the "true Romany" of the townsman's roadside-fire fantasy, the *didicoi* or half-Romany, the mumper, the tinker and every other kind of nomad who, from wanderlust or force of circumstance, makes his home in a caravan on the roads. Nor is Borrow's distinction useful, for from his romantic notion of a pure and noble race apart springs the parish-councillors' excuse that "it's not the Romanies we're against . . ." as they evict another destitute *didicoi* family from its derelict common or quarry, washing their hands thereby of the squalor and misery which such persecution brings.

Nobody knows, and few care, how many gypsies remain, dragging slowly round their traditional circuits in the Midlands, the southeast and Wales, being passed from hand to hand, unable to stop or settle except on the highway. There may still be 100,000, as many as there were twelve years ago; for many children are born to take the place of those who give up the struggle to live as they please in the face of bureaucracy, prejudice and the Caravan Sites Act; as their traditional winter crafts and summer jobs are taken over by machines which stay in one place; or as the havens to which they used to retreat in the cold months (for they may still live in a farmer's field during their summer work for him) become inviolate, or too expensive (some, where their caravans have rested, have paid £40 as a premium, 30s. a week as rent, and a shilling as tribute to the landowner every time they have used the lavatory). Nobody wants, and few will tolerate, them: to houseproud and hygienic citizens they are an offence and a threat, and it is off with the raggle-taggle gypsies just as quickly as the tractors can get to the common to tow them away.

Such removals are blind and unthinking, creating misery and solving no problems, but the law under which they are promoted is only thoughtless and blinkered; the Government, unlike the rural district councils, has never formally resolved to hound the gypsies out wherever they are found, but it has passed several acts affecting them which merely forgot that the gypsies were there. Between them they ensure that caravans found on unauthorised sites will be removed by force within two days, thence to be ordered on from parish to parish until, in desperation, they end up watching the cars go by on the Dover road. Nor can the sympathetic landowner help in the face of a district council's intolerance: worse, a gypsy who owns land cannot use it for his caravan.

The gypsies are poor; but not so poor as to be unable to pay a reasonable rent for sites on which they could conduct the trade in scrap metal which, for most of them, has taken the place of horse-trading and peg-making. Very few of them live on national assistance until they reach the end of their road in a lay-by. For the most part they are illiterate, and their children, too. They are without the social knowledge that would ease their entry into the settled life for which their womenfolk yearn. They are suspicious of inquiry, resentful of their treatment, and sometimes spitefully vengeful towards even those *gorgios* (i.e. caucasians) who try to help them. All this does not exactly encourage the type of championship which is necessary if their condition is to be improved—and if, above all, something is to be done for their children, who cannot now take advantage (because of their unorthodox upbringing) of the educational opportunities to which their generally high native intelligence should lead them, and which they are occasionally offered.

HAPPILY, some consciences are stirring. A little investigation of the problems is breaking down the wall of prejudice behind which local authorities have sheltered their ratepayers, and it is possible as a result that those few flowers of compassion and good sense which now dot the barren circuits will proliferate until the road the gypsies take is again a pleasant one, if not the one that Borrow dreamt of. For this slow softening of hard parish hearts it is fair to give credit to the ceaseless agitation, over twelve years, of one man—Mr Norman Dodds, Labour MP for Erith and Dartford. His has been the voice which has moved a Government heretofore content to glean its knowledge of the gypsies from the columns of the newspapers; and, although his private bill pleading for a national plan to ease the travellers' plight was talked out last December, it was not without its effect, notably on Dr Charles Hill, who, at the next eviction, sent out a minatory circular to all local authorities.

But authority clerks do not always read parliamentary reports, and perhaps some of them do not read ministerial circulars either. So far only two councils, Ashford West rural district council in Kent and the Eton RDC in Berkshire, have done unprompted what Dr Hill and Mr Dodds want done. West Ashford started at an advantage, having access to an out-of-date but nevertheless existing survey of gypsy wanderings in Kent. Believing that nobody else would move if it did not, it set up a 12-caravan site with all the usual services near Chart, in the teeth of violent opposition from the local *gorgios*. It has been rewarded by exemplary behaviour on both sides.

Eton RDC is in the preliminary stages of setting up just such a site, at Iver, as the travellers' champions have been asking for. It will have all the necessary services, a park for lorries, and a store for scrap metal ; and it will accommodate 25 traveller families who are " locals " in the sense that Iver is a regular stop on their circuit, as the RDC has established from its own survey. Perhaps, too, the planning will go further and incorporate additions like some special educational facility to prepare illiterate children for " real " school and settled society, a labour office to direct those who would like to settle into the jobs they excel in, and a place for religious meetings. It is a notable beginning.

Twelve years after its iniquitous endorsement of a British *apartheid*, the conference of RDCs will this year debate two motions requiring the provision of sites for gypsies with the object of their eventual integration with the sedentary population (where this has been tried, as in Chislehurst council houses, it has not invariably been a success). The carrying of these resolutions would atone to some extent for the RDCs' earlier intolerance ; but only action following swiftly will ameliorate the hard lot of thousands of people now roaming about Britain looking for a place to rest (the closing of three sites in Kent put 2,000 of them into something like perpetual motion). The rejection of the resolutions, on the other hand, would confirm the suspicions of the travellers and their sympathisers ; and the RDCs would then have nobody but themselves to blame if ministerial pressure became onerous. Other governments have acted: in Holland the gypsy communities have been provided with 300 camps and even in Czechoslovakia they enjoy a good deal more freedom of movement than *gorgio* Czechs do.

But caravanners are not the only opters-out from what are considered the responsibilities of modern life ; though there are few new recruits to the life, there are still a fair number of vagrants whose only means of locomotion is their feet, taking them from ditch to wood, to haystack, to national assistance office and to Salvation Army shelter. Although their contacts with authority are more frequent, if less painful, than those of the gypsies, as little is known about them ; and they have not been prone to discussion of their lot, except on occasion with BBC documentary interviewers, not all of whom are concerned to destroy the romantic image of the knights of the road.

OF the 10,000 people who nightly shelter under the Salvation Army's roofs in England and Wales, 2,000 may be loosely called tramps—vagrants, the army says, living on national assistance and their native wit, wheedling, intimidating, pilfering and scavenging, hopeless and eternally optimistic, troubled, defiant, and growing fewer with each passing winter. They tramp and beg, work a little, register for employment (in order to collect national assistance in cash or kind) and melt away again ; and sink finally into paupers' graves. A young tramp today is a rarity: it is easier to live at home on national assistance than to plod up and down the roads, trying to fiddle a livelihood from people whose own relative prosperity and stake in the welfare state has made them impatient of self-imposed poverty. And the National Assistance Board, which maintains 33 reception centres (out of 215 it took over in 1948) at a cost of more than £300,000 a year, is determined to " rehabilitate " vagrants, by closing the cushier centres in country towns (the " spikes " at Guildford and Epsom have just been closed, and at least four more will shut their doors in the autumn) and shepherding them to the cities, where they can be influenced into employment. In a few years' time there should be no more tramps ; and nobody should regret their passing.

Spain's New Exiles

A divided, unreformed Spain will find entry into Europe hard

THE months since February, when Spain decided to seek association with the European common market, should have brought the Franco regime closer to its moment of truth. Plainly enough, the desire now fairly general in Spain not to be left out of the new European institutions was bound to bring Spain's political condition under scrutiny. Thus it is not by coincidence that the opposition leaders sent into exile when they returned to Madrid from Munich last weekend had gone there to take part in a conference of the European movement. The conference highlighted the political gap that separates Spain—and its Iberian neighbour—from the rest of western Europe, just as the recent wave of strikes drew attention to the economic gap between Spanish workers and the rest.

General Franco dithered over the strikes before he decided to treat them as an economic problem, to be solved by paying an economic price. The Munich meeting did not lend itself to such a diagnosis, and the authorities, this time without dithering, simply took the wrong kind of action. Nothing had been done to stop Sr Gil Robles, the Christian Democratic leader, or Sr Ridruejo, the disillusioned ex-Falangist, from going to Munich. Indeed, Sr Gil Robles had told the authorities in Madrid what he was proposing to say. But the European meeting proved, in effect, the occasion for a subsidiary Spanish conference, at which some eighty opposition leaders from inside Spain had to confer with three dozen exiles ; and a resolution highly unpalatable to the Madrid government resulted. Immediately the Munich conference ended, General Franco's cabinet passed a decree suspending the existing guarantee of freedom of residence in Spain to all Spaniards. The way was then clear to giving the opposition men, on their return, the choice between forced residence and exile. (Some further details of these events are added in a message from a correspondent on page 1114.)

On balance, then, the strikers seem to have fared better than the politicians—though the picture might be corrected if more were known of the rumoured arrests, ill-treatment, and transportation of many leaders of the strikes. By the letter of the law, to go on strike is just as illegal as to belong to an opposition party—no more, and no less. The strikers, however, had numbers on their side and were merely asking for better wages and conditions ; the politicians were asking for political freedom, a commodity outside General Franco's range of sympathy. To give them exile instead is an act of defiance which seems designed to push back still further the day of Spain's full return to the western family.

What happened at Munich is thus relevant to Spain's future, and to General Franco's. The range of opinions represented was impressive. Christian Democrats and Catholic Action workers' groups, Basque and Catalan nationalists, communists and socialists, monarchists and republicans were there and, given the diversity of these groups, it is not surprising that they found agreement laborious to arrive at. At first, exiles and " residents " sat separately to decide what political conditions should be imposed for Spain's adhesion to, or association with, the European common market. The exiles, having burnt their boats, were less cautious than the resident (as it then was) opposition. The former wanted free elections in Spain to determine the system of government Spaniards should have ; the latter were calling only for a freely elected legislature " within a reasonable time."

In the end, Don Salvador de Madariaga brought the two groups together in support of a resolution declaring that Spain should be required to introduce representative, democratic institutions, and in particular to guarantee civil rights ; recognise the " personality " of the various natural communities (such as Basques and Catalans); end the censorship; concede trade union rights, including the right to strike ; and respect the right of political opposition. Searing memories of the civil war were echoed in the final paragraph, which renounced all violence " before, during and after " the process of evolution.

Having been agreed after much negotiation by the various Spanish groups at Munich, this resolution was adopted on June 8th by the congress of the European Movement. It should not be ignored in Madrid, if General Franco and his ministers are in earnest about the common market. It amounts to notice served that there is a political, as well as an economic, price to pay, even for association with the European Community. The Spanish opposition has appreciated this ; it did not invent it. After two decades of sheltered economic eccentricity, it was not easy for the regime to admit even the need for economic action, but the admission has been made—notably in the speeches of Sr Ullastres, the minister of commerce—and in some fields even acted upon. An important preliminary step was indeed taken three years ago with the " stabilisation " plan, which has done what it was meant to do for the peseta, for the balance of payments and, until lately, for domestic prices.

Stabilisation, however, is of value only as a prelude to growth. What Spain needs most is change, and it is not going to be enough—as the Caudillo is probably aware—to limit change to economics. Indeed it will prove impossible ; if recent events mean anything, they mean that political change, too, is becoming harder to dodge.

NOTES OF THE WEEK

FRANCE

Silent Protest

ONCE again President de Gaulle's ideas on Europe have led to a row with the French centre parties. On Wednesday the foreign affairs debate in the Assembly, which was supposed to last two days, was cut short after M. Couve de Murville's opening speech. M. Simonnet, the chairman of the foreign affairs committee, acting as spokesman for the " Europeans," then declared that his committee had asked for a vote at the end of the debate to express the assembly's will. The government had refused it. M. Simonnet then read a declaration, signed by 293 deputies, endorsing a community-style Europe and attacking General de Gaulle's conception of an old-fashioned diplomatic conference of states. He, and most of the deputies except the Gaullists, then left the chamber.

The walkout seems to have reflected an accumulating sense of impotence. So long as the Secret Army remains a threat to the Republic, the centre parties cannot go too far in their opposition to the government. Yet General de Gaulle, though he benefits from the assembly's support continues to ride loftily over it. It seems doubtful whether the boycott of this debate will have done anything to improve matters. As M. Pompidou, the prime minister, neatly pointed out, the assembly can hardly influence the government by staying mum.

To a British onlooker M. Couve de Murville's actual speech was not unhelpful. Bit by bit President de Gaulle's European policy has begun to acquiesce more explicitly in British membership of the common market, if not exactly to embrace it. On Wednesday M. Couve de Murville spoke of British membership not as a remote hypothesis but as something that might actually happen, which France should accept if the British made the choice. An enlarged community might have less cohesion than the present Six, he said, but it would be more " impressive." In the framework of a general exposition of the European outlook, this was hardly objectionable.

The fact is that the walk-out by the " Europeans " was a protest, not against what M. Couve de Murville had said, but against General de Gaulle's entire political attitude. Suspicions that the French President would sabotage Nato, the European communities and British membership of them, if he could, remain unappeased. They have been fed by the recurrence in Paris and Bonn of suggestions that if the Benelux countries prove recalcitrant, Germany, France and Italy should go ahead and form a political union of their own. It is fortunate that this one remaining means of fixing the shape of European political union before the British are in seems totally impracticable.

EUROPE

To Luxemburg

THREE months after Britain's application for membership of the European Coal and Steel Community, the ministers of the Six have agreed to invite the British Government to start negotiations. On Tuesday they invited the British Government to present its case at Luxemburg on July 17th, as Mr Heath did with the common market in Paris last October.

The positive decision confirms the French claim that delay has not been occasioned by any wish to keep the British out, but merely by disagreement among the Six about how this negotiation should be handled. The French, sticking doggedly to General de Gaulle's conception of a Europe of states, wanted the negotiations to be con-

ducted by the six member governments; their five partners held that the council of the community should negotiate as one body. Now, under the skilful chairmanship of Signor Colombo, a compromise has been devised. The governments are to do the negotiating, but the council is to be brought formally into the conclusion of the talks. Negotiations are to be carried on in Luxemburg in parallel with the Brussels talks on the common market. To add a community flavour, the High Authority is to help co-ordinate the policies of the six governments, and is to sit in at the meetings, as the European Commission does at Brussels.

The Luxemburg talks should present few intractable problems. The British steel industry is engaged in an examination in detail of a "basing-point" price policy similar to that of the community. Lord Robens has made it abundantly clear that he sees more opportunities than risks for the British coal industry in Europe (though the Coal Board so far has seemed unready to face some uncomfortable realities of the European fuel market as a whole). The most awkward adjustment for Britain may concern transport. To make the community's price system workable, railways on the Continent are obliged to publish their rates. On Wednesday the Court of Justice of the community backed up this practice by ruling against a Dutch and Italian plea that road haulage and canal rates should be exempt from such compulsory publication. To fit in with all this, British Railways will probably have to publish some at least of their rates, which they do not now do. That could make it less easy to win customers by special concessions of one sort or another. To that extent Dr Beeching's efforts to achieve flexibility and economic operation may be handicapped.

ALGERIA

Hands Off Evian

With the Algerian referendum only a fortnight ahead, one thing has become plain. General de Gaulle in France, and the Algerian provisional government in Tunis, are sticking to the Evian agreement. The Europeans in Algeria must either take it or leave it.

Thousands are leaving it. Since the latest terrorist outrages—the burning of Algiers university and twenty schools—Europeans have been heading for Marseilles at the rate of 5,000 a day. But the show will go on over heaven knows what dead bodies. Political parties in Algeria, four beside the FLN (National Liberation Front), are starting now to campaign for the referendum—to which, in his television broadcast on Monday, General de Gaulle referred almost complacently. Faint hopes arose among Europeans that the Secret Army might obtain some concessions when Mr Belkacem Krim, a deputy prime minister in the provisional government, flew from Tunis to Algeria on Sunday; but they were rapidly dispelled on Wednesday, when his government stated from Tunis that the Evian agreements were not to be tinkered with. His presence in Algeria suggested a concern for security during and after the referendum; and it is probably only within these terms of reference that the Secret Army's demands have been under review at all.

It may be all to the good that the Secret Army's bluff has been called. Its desperadoes may now do their worst more quickly (but the sooner consuming themselves in their own fury) and the *pieds noirs*, mostly detesting them, may be firmer in drawing apart. Europeans with big business interests are those who are most anxious to find common ground with the Moslems. More and more are coming to recognise that the Evian agreements give French nationals such carefully considered rights—political, religious, economic and cultural—that they could not be improved in the letter. These agreements will work satisfactorily or not according to the spirit that applies them—and neither European nor Muslim can perfectly know what the spirit of a new Algeria will be. Perhaps down in Tripoli the spirit is being fashioned as the National Council of the Algerian Revolution draws up its blueprints for a new kind of people's democracy, with a dominant people's party—the FLN—and collegiate leadership.

TEACHERS AND NURSES

Guiding Lights?

The battle of the nurses' pay is to straggle predictably on. This week the Government refused to offer them more than 2½ per cent now, with another 5 per cent within the next three years for revising the salary structure. This will not do the Government much good with the popularity polls, but was nevertheless the right decision now, when plenty of other government employees—the railwaymen pushing to the front—are waiting eagerly for the wages policy to give way here before thrusting in their own less well deserved claims. The most probable next step will be the submission of the nurses' claim to arbitration, if they can be convinced that arbitration is "unfettered"—which means if they feel sure that arbitrators will again disregard Mr Lloyd's guiding light as they did, to the tune of 4 per cent, for the civil servants.

But the Ministry of Health does have a shot in its locker before the arbitrators make an ass of it and of the Treasury. The problem for the nursing profession—and for the nation that pays for it, and expects its services at all times—is very similar to that before the teachers. In the new round of Burnham committee talks the members, on both sides, should be thinking primarily about the need to encourage those who really intend to make a career (and to go on adding to their skills) in their chosen profession. This is not the time to shell out flat percentage increases all round. The people who really matter are those who have spent, say, five years as teachers or as nurses—the ward sisters and the teachers who, for example, have taken courses qualifying them in extra and short staffed subjects—deserve full and deliberate preference over those who may only spend a short time in the professions. Since this is the kind of suggestion that cannot be overtly supported by the staff organisations that depend for their numerical strength on the numerous short-term entrants, it is up to the Ministries to give their own positive and discriminating guiding lights.

WEST LOTHIAN

Safely Labour

The West Lothian by-election (where polling is taking place as *The Economist* goes to press) is not likely to yield a sensational result, although it should give a reliable indication of Scottish voting trends. West Lothian is a mixed mining and agricultural area and its voters have never been noted for their volatility. Over the last four general elections about 77 per cent of the electorate has turned out regularly to produce more or less the same result. Labour has secured a steady 60 per cent of the poll and the rest has normally gone to the Tories. At the last three elections there has been a straight Labour-Conservative fight, but this time the picture has been complicated by the appearance of Liberal, Scottish Nationalist and Communist candidates.

There is no doubt that Labour will hold the seat and the only question is by how much. Mr Tam Dalyell is said to be one of the able group of younger candidates who have lately been gladdening Mr Gaitskell's heart. Scion of an ancient Scots family, an old Etonian, and by Labour standards a very young man (he is only 29) he adds to these qualities those of being a convert-Conservative, a loyal Gaitskellite and a man of ideas. These very virtues could, however, lose him some of his left wing support, which may go in despair to the Communist candidate Mr McLennan, the secretary of the Scottish branch of the party. When a communist last stood 12 years ago he secured only 650 votes. The Tory is hampered by the intractable unemployment problem in the coal and shale mines. It will need the new British Motor Corporation plant at Bathgate to get really under way for a Tory ever to have much chance in the constituency.

No Liberal has stood in West Lothian since 1929 and the Liberal intervention now has apparently caused great resentment among the Nationalists. Undoubtedly the Liberal will scoop up a sizeable number of votes, principally absconding Tories, who might otherwise have thought of the Nationalist. If the Liberals can grab the second place it would be a very considerable feat and a follow-up to their Paisley triumph. The crucial test for Labour is whether, under very favourable local circumstances, it can increase its percentage share of the poll in the wake of Middlesbrough West.

BAOR

Barbarians Abroad?

The frictions between soldiers of the British Army of the Rhine and local Germans, which have come to a head in Minden in the past six months, reflect the old difficulties of keeping up morale in a peacetime army. Bull and training can fill up time. Craftsmen and technicians can carry on developing their skills. But for the average infantryman, preparing for a war which everyone hopes will never happen, boredom and apathy are bound to be a threat. Few members of Rhine Army, to say the least, are likely to bring warm feelings for the local population to their German station. Add to that last year's decision to prolong some men's service and the shortage of homes for the married, and a potentially explosive mixture is there.

Just now it is some men of the 1st battalion of the Cameronians who have earned a bad name in Minden. Lord Montgomery's "tribal areas" will hardly be pleased with the new nickname, "poison dwarfs." But the malaise is not confined to one battalion with a particularly low flash-point with strangers it does not like. It is, of course, possible to exaggerate the significance of the courts martial and violent incidents. There are German as well as British troublemakers in barrack towns. Internal offences against military discipline and mild civilian matters like driving offences all help to swell the figures of courts martial. All the same, to hear that one in 75 members of Rhine Army came before a court last year is not reassuring.

Most armies stationed abroad get into similar difficulties from time to time. What matters is that the right things should be done to get Rhine Army out of them. It is a strange thing in itself that a year or two abroad at the government's expense should be regarded as a hardship for a young man of nineteen. For a man with the wit to make an effort to learn the language and the curiosity to get to know the people it can be an opportunity. Too often in the past the members of Rhine Army have lived a life apart, their contacts with the Germans confined to business matters or the occasional casual (sometimes squalid) incident. Of course, not every Cameronian private, even given leadership, can be expected to interest himself in the antiquities of the Teutoburger Wald. Language courses provided by the army, General Cassels (the Commander-in-Chief) explained at a press conference on Wednesday, had met with a very poor response. In that case, why not make them an automatic part of training in stations abroad? But if barbarism begins, not in the barrack room but in school and home, that gives food for thought.

RECRUITING

Not So Rosy

Recruiting figures for the first quarter, just issued by the Ministry of Defence, show that, by the end of the year, the other-rank strength of the regular army should be well over 146,000, which has been the official minimum figure since the decision to abandon conscription was taken in 1957 (although some soldiers would plainly prefer an effective minimum of 180,000). By the end of the year nearly all the 40,000 national servicemen now serving will have left, although power to recall or retain them will be preserved. But a serious situation may be looming up as a result of the army's failure to persuade more men into prolongation of their service (that is, by extending their commitment from three to six years, or from six to nine).

At the end of the quarter, the other-rank strength was 141,979—about 10,000, or 6 per cent, more than it was in the same quarter last year, when enlistment was some 25 per cent less than this year's quarterly total of 8,049. The difference is due, in fairly equal proportions, to early discharge and the natural wastage of time-expired men. At this rate the monthly enlistment of about 2,500 men will not produce the 160,000-strong army which might be expected by the end of the year but, instead, one still some way short of 150,000. There are signs, too, that reluctance to prolong engagements is growing: if it is, the army will be increasingly one of recruits rather than of trained men; and, if the disturbing decline in standards of physique and intelligence continues, those recruits may not be the stuff of which useful armies are forged. These factors should not be forgotten in any assessment of the recruiting campaign, which has certainly succeeded in getting men into the army (though unit strengths, as opposed to overall numbers, indicate that they are not coming in fast enough yet), but cannot be sure that they are the right men.

The Economist

JUNE 14, 1862

WHEN TO MEDIATE

¶ In the first place, we have to ask ourselves what are the circumstances which, naturally and according to the usual etiquette of nations, are held to suggest and justify friendly mediation between belligerents, or even earnest remonstrance addressed to one or other, or to both? Such interposition appears to be warranted in three or four cases, or situations of affairs:—as, for example, when the object of the war has become, in the eyes of dispassionate and unblinded bystanders, clearly unattainable;—*or* when, after vast efforts and a competent lapse of time, the strength and advantages of the two parties appear so nearly balanced as to intimate that, if left to run its own course, the war may be interminable;—*or* when, from mutual obstinacy and ever-exasperating passion, there seems reason to fear that the conflict will degenerate into a war of extermination, or into a phase of savagery deplorable to humanity and disgraceful to civilisation;—*or* when its continuance is inflicting upon surrounding and inoffensive countries a degree of distress and inconvenience seemingly greater and more prolonged than neutrals are called upon to endure in deference to what may be termed the natural right of nations to fight at pleasure and in peace;—*or*, finally, when the events of the war have reached a phase which lends itself to, and seems to mark out a basis for, negotiation and arrangement.

LAOS

Crossed Fingers

Mr Khrushchev, for one, is pleased and has said so in unusually amiable letters to Mr Macmillan and President Kennedy. Indeed, the three Laotian princes have at last done what they agreed to do at Zurich a year ago, by forming a coalition government (though the right-wing Prince Boun Oum is not actually a member). Agreement has come late and in circumstances that bring no comfort to anti-communists; still, it is welcome if only because the alternatives to agreement are so plainly dangerous. How it will work in practice remains a question. The inclusion of only two communists and two right-wingers in a government of nineteen mathematically reduces the chances of friction; yet some friction is inevitable. As minister of economy and planning, the "red prince," Souphannouvong, will presumably have to go to his deadly enemy of yesterday, General Phoumi Nosavan, the finance minister, for the funds to carry out his projects. It will take all Prince Souvanna Phouma's patience as prime minister to keep the team together.

First there may be an interval in which the opportunities for administrative bickering are likely to be limited. Once the King of Laos has approved the new government—early next week, if the time-table is respected—Prince Souvanna Phouma intends to go to Paris for his daughter's wedding. He proposes to leave Prince Souphannouvong in charge at home, while General Phoumi leads the Laotian government to what ought to be the concluding phase of the Geneva conference on Laos. By the beginning of this year, the conference had agreed on a declaration defining Laotian neutrality, and on most of the clauses of a protocol concerning the elimination of foreign military influence from Laos. Since then, the conference has been inactive, waiting for the formation of a government that could accept the work of the fourteen

nations represented in Geneva in the name of the whole country. This can now be done ; after that, it may even be possible for the struggle for Laos to be conducted by the Laotians themselves, by political instead of military means.

UN AND AFRICA

Deeper South

A FEW miles above the Victoria Falls, the Zambezi flows down from South West Africa to Southern Rhodesia. In reality, the two territories are separated by the Kalahari desert; it is only the thin pointing finger of the " Caprivi strip," one of the odder legacies of colonial map-making, that links them. Now, however, another pointing finger, that of the United Nations, has brought them together in the week's news.

On Tuesday the UN Assembly, having been reconvened to discuss the imminent independence of Ruanda-Urundi, decided to debate Southern Rhodesia as well. This debate was to open on Thursday, but failed to start. It had been urged by the special UN committee of seventeen on colonial questions, six of whose members came to London in April to ask the Government to avert the explosive situation which, in their view, is building up in the colony. The British ministers who received them then said, in effect, that it was impossible for London to intervene in Southern Rhodesia's constitutional processes. It is perhaps understandable, in these circumstances, that the Assembly seemed unimpressed by the pleas advanced by Mr Adlai Stevenson and others for postponement of debate until September so as to give Britain more time (for what ?).

More difficult, if not impossible, to understand is the tangle into which the chairman of the UN committee on South West Africa, Dr Victorio Carpio, has now got himself. Dr Carpio, who is now Philippines ambassador in Cairo, said there on June 8th that he had not approved the joint statement issued in Pretoria on May 26th in the names of himself, his vice-chairman (Sr Martinez de Alva, of Mexico) and the South African government. Eyebrows have risen at each stage of this affair. They rose when Dr Verwoerd invited Dr Carpio and Sr Martinez to tour South West Africa ; again, at reports that Dr Carpio—formerly an outspoken critic—had told a private lunch party of South African business men that he would like to see apartheid succeed ; and again when the joint statement appeared, gratifying Dr Voerwoerd's supporters with its harmonious tone. Now, with Dr Carpio's disclaimer, they have been hitched up still further all round. The fact that Dr Carpio was abed with a fever on May 26th is scarcely enough to explain either the alleged publication of the statement despite his disagreement or his own delay of two weeks in disclaiming it. Dr Carpio's committee is, not unnaturally, hoping to see him in New York in July. Sr Martinez, too, should be able to shed light on this dubious affair.

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NATIONAL GALLERY

Up Guards

THE report of Lord Bridges and Sir John Ferguson on the theft of the Goya portrait of the Duke of Wellington from the National Gallery leaves no doubt about the validity of the two main conclusions. In the first place, security arrangements were inadequate ; secondly, the staff failed to carry out the instructions they had been given. On the other hand, the trustees feel that some of the criticism in the white paper is unjustified and, indeed, that some of the facts are misrepresented ; for example, that it is untrue that the practice had fallen into abeyance of marking with a tablet a wall from which a picture had been removed. Be that as it may, now that offers of resignation have been honourably made and rightly rejected, it is time to let the dust settle, only making sure that in the process the National Gallery is made more secure.

The combination of circumstances which favoured the thief on August 21st last year —which included rebuilding operations and a sick warder who has since died—may, it can be hoped, never occur again. The Goya loss is the only recorded theft from the gallery in its 138 years. But the number of defacements, some serious, which have taken place at intervals, suggests that perhaps the greater recurrent danger may be when the exhibition rooms are open to the public. Both kinds of threat reflect the inadequacy of the staffing arrangements at the gallery, both in numbers and quality. More, and more intelligent, uniformed staff (which means also better-paid staff) seems to be the foremost lesson to be learned. In view of the very tedious hours, whether during the night or day, and a basic weekly pay of £11-£13, it is not surprising to learn that there "is now very little competition for these posts."

Other recommendations that the trustees welcome are that the gallery should have a full-time security officer and that a senior police officer should be appointed to act as adviser to all London's museums and galleries. There is a good deal to be said for this latter suggestion. The director of a national museum, appointed for his expertise in its collection, cannot be expected to keep abreast of the latest methods of art thieves on the Riviera. Including improvements to the mechanical alarm systems, the cost of these recommendations for the National Gallery and other comparable national institutions is put at about £500,000 in capital expenditure and recurring expenditure of about £175,000 a year. These are not large sums when compared with the value of the collections at risk, but the recurring expenditure amounts to getting on for 10 per cent of these museums' total budgets, including their purchase grants.

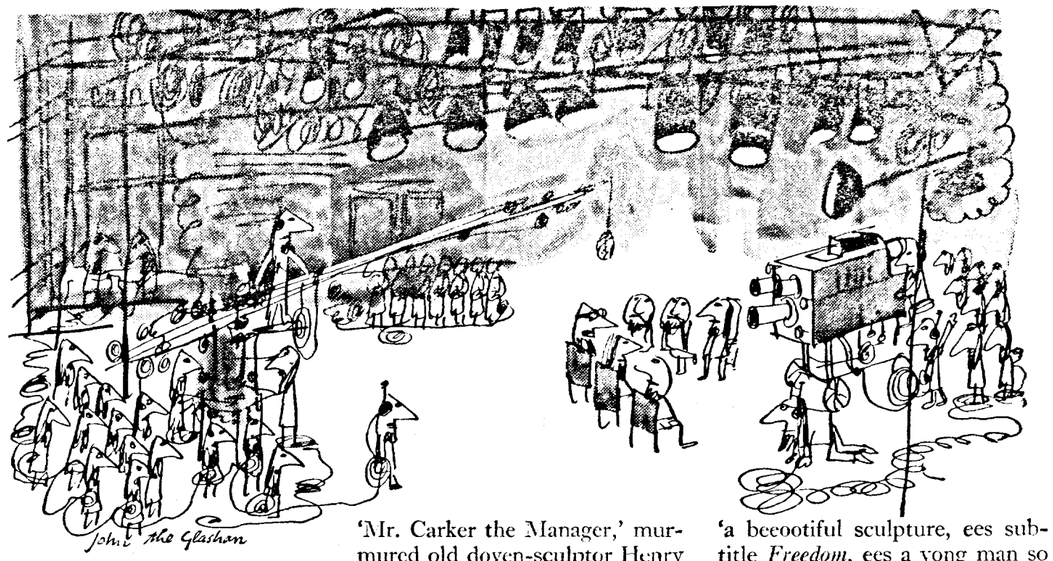
VACCINATION

Losses and Gains

THE local authorities most affected are now ruefully counting the cost of the widespread demands for vaccination provoked by this year's smallpox outbreaks. The vaccination of contacts of cases is accepted as part of the duty of preventing an outbreak from becoming an epidemic. But the cost of mass vaccination of people who had failed to have themselves and their children vaccinated and revaccinated at the appropriate time and place, and who then panicked or had to obtain an international certificate, is regarded as an unfair burden on the ratepayer.

Who is thus benefiting at the ratepayers' expense ? Individual doctors are normally paid 5s. for notifying each vaccination—though some local authorities are jibbing at this—and earned varying fees for each session in the *ad hoc* clinics for mass vaccination that were set up. But the extra money for the extra work earned by these general practitioners is deducted from the central pool from which they, and their fellow practitioners, are paid capitation fees for the care of the patients on their lists. The average earnings of a general practitioner from all sources, except private fees, are fixed by agreement between the profession and the Government. If doctors earn more in a particular year from a particular source, such as a local health authority, than they earned previously, the total amount paid to them stays the same, but the amount paid out of the central pool goes down.

Thus the net effect of this year's mass vaccinations (according to the Medical Practitioners' Union they may have amounted to five million) is to benefit the doctors who undertook them—though not by the gross amount of the vaccination fees as their capitation fees will be lower—and the taxpayer, who will not have to contribute so much to the central pool. The losers are the non-vaccinating Peters in general practice, who will have done the usual amount of family doctoring but for lower capitation fees, and the ratepayer in the vaccination areas, who has to pay the Dr Pauls.



PROJECT 304

The story of the great
Shell Chemicals
Sculpture Competition
by A. N. Other—Carter

Chapter Ten:
On TV Without Actually Advertising!

I fancy it will be some time before viewers forget the evening when the sculpture competition for *The Spirit of Shell Chemicals* was featured on one of those culture programmes. In the studio, besides half a dozen sculptors, were some of our chaps like Mr. Carter, the director who originated the scheme, Carter from Ketones, Carter from Low Pressure Waxes and Greases, Carter from Advertising.

It began quietly enough. 'Good evening, viewers,' said the popular compère Rex Lightbody, 'and it's *Daedalus Time !* Welcome to another stimulating ten minutes of culture ! Tonight we have palaeontology, some lesser Coptic frescoes, the madrigals of Gesualdo, and sculpture. Let's begin with sculpture. Tell me, Mr. Carter the Director——'

'Mr. Carker the Manager,' murmured old doyen-sculptor Henry Jollifant, a great Dickens fan.

'——what gave you the idea for this competition?'

'Publicity!' growled another sculptor, Max Grob, the leader of the Destructionist school.

'Well,' said Mr. Carter, gazing dreamily upwards (at the teleprompter), 'we wanted some dramatic but formalised concept that would, as it were, body forth the multiplicity of those resins, plastics, detergents, fertilisers, industrial solvents, aids to a hundred industries, which the Oil-Mother, that mineral Ceres, as it were, in her bounteous——'

'Thank you, Mr. Carter,' said Rex Lightbody. 'Now let's hear from Mr. Jones, the, ahah, Statue.'

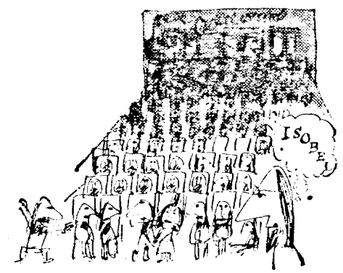
'Not *mister!*' roared the enigmatic Welshman, Jones the Statue, 'Jones the pan-artist, king of all trades, slave of none. *Mister* is English. Let the English get out of Cardiff, then. Home rule for Wales. Lovely thing I've done for Shell Chemicals, shows how chemistry is like the heartbeat of industry. But they haven't bought my soul, isn't it?'

'Yes, I mean no, er, pan-artist Jones' said Lightbody. 'Paella?'

'Ees making since a long time' said the famous Spanish sculptor 'a beeootiful sculpture, ees subtitle *Freedom*, ees a yong man so strong, is petrochemic industry growing up from old father the Oil industry.'

'Mr. Grob?'

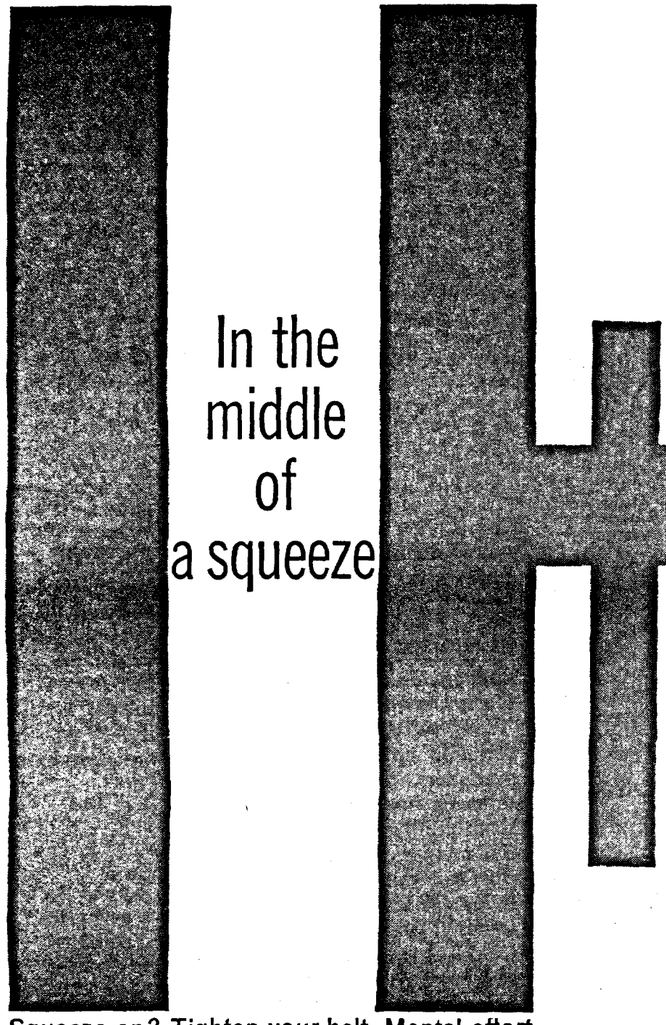
But Max Grob had just spotted in the studio audience Carter from Triethylene Glycol with his arm round Isobel.



He bounded towards them, shouting 'Put my girl down!' *His* girl. Why, I knew Isobel as a fellow sculpture student in Paris (ah, the Twenties! Ah, indeed, the Tens!). In the background I could hear Lightbody squeaking 'now, our palaeontological expert' . . .

Do not miss Chapter Eleven: 'The Quarrel of the Judges'

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PERU

Andean Countdown

AMONG the Latin American republics, Peru is the country that stridently calls for explosive change. None of the three candidates who are leading in last Sunday's presidential election looks like providing the dynamite. The official count is taking its time, but unofficial returns (and the Peruvian military intelligence service, a respectable authority) report that Sr Belaúnde Terry, the head of the Popular Action party, is drawing away from Sr Haya de la Torre, the founder of Apra (the American Popular Revolutionary Alliance). General Odría, who ran Peru from 1948 to 1956 and



No dynamite: Belaunde, Haya de la Torre

now heads his own party, is reported to be a close third. If no candidate wins a third of the total votes, the new president will have to be chosen by Congress, which was also elected on Sunday.

Under President Prado, Peru's economy has grown healthier. But the government has flinched before its battering social crisis. The basic problem is that about half Peru's population of Indians and mestizos live on the Andean plateaux where there is not enough food for them. Many of them crowd down to the towns, and the government, in the last two years, has done a good deal in the way of emergency relief. But the whole question of resettlement, which, boldly tackled, seems the only solution for the mountain dwellers, has been nervously fingered and put on one side. Of the two leading candidates, Sr Haya de la Torre's youthful courage seems to have been used up during the long trials of his struggle for power. Sr Belaúnde Terry, an architect with brains, energy and ambition, has produced bold ideas for opening up the country, but has not yet been able to show that he would push these ideas to the extent of discomforting his upper-class supporters.

Apra has come a long way from its revolutionary youth in the nineteen-thirties. For most of its life the party has been outlawed and its leader in exile or in refuge ; this is the first time that its candidate has been able to run for president. The party is well organised and retains its magic among the peasants. But they may not have noticed that Sr Haya de la Torre supported the last government, is now fervently anti-communist and anti-fidelist, and speaks strongly in favour of foreign investment and American aid. Nevertheless, old suspicions die hard, particularly in army memories. If General Odría's party has the casting vote, it is more likely to give it to Belaúnde, the moderate reformer, than to Haya, the reformed revolutionary.

BERLIN

Fire and Water

WHILE both East and West seem determined to carry on talking about Berlin, in the city itself dangerous exchanges of fire across the border are becoming commonplace. On June 8th the Russians protested to the western powers about shooting incidents in May. On the 10th the American commandant protested back about kidnappings and shootings by east German border guards and in particular about the fusillade set off by the escape, two days before, of an east German river craft. On the same day *Pravda* published a statement by the Warsaw Pact powers urging that the talks between the Americans and Russians on Berlin should go on.

The statement, produced by the heads of parties and governments of the Warsaw Pact at their meeting on June 7th, was by no means all sweetness. It stressed once again that western troops should be withdrawn from Berlin and the occupation regime brought to an end. The exchanges between Washington and Moscow must show, it said, whether the western powers were prepared to reach agreement acceptable to both sides, or were simply determined to drag the talks out. If they proved to be merely obstructing, the members of the Warsaw Pact would go ahead and sign a separate peace treaty with east Germany.

The Russians have cried "Wolf" in this way before ; and there will be people in the West who will urge that the best thing to do is to procrastinate and call the bluff once more. The fact remains that it is the western position in Berlin, not Mr Khrushchev's, which has been steadily deteriorating in the past two years. Mr Khrushchev is in a position to sign his peace treaty with the east Germans and tighten the screws on Berlin at any time he chooses. During the past year he has been given substantial ground for hope that the Americans are prepared to negotiate seriously. He is, it seems, still willing to put their good will to the test ; but he does see it as a test.

TUC

Forward, Slowly

THE half-yearly progress report of the Trades Union Congress is never one of the more exciting documents: basically it is a brief forecast of the vast report that is presented to the annual congress each September, lacking even the oases of hard fact that alleviate the verbiage of that tome. But this time it has something more, in tone and in content, that might just, hopefully, be attributed to the Woodcock regime at Congress House. The report gives notice that delegates to Congress will be asked to vote an increase in their unions' annual subscription to the central body from 9d. a member a year to 1s. 3d.: it also reiterates the TUC's promptings to unions in favour of raising union dues all round. ("In 1939 the average trade unionist was contributing 1½ per cent of his basic wage ; twenty years later his contribution was down to three-quarters of one per cent of his basic pay".) A new departure for the TUC is that it has decided to urge its constituent unions to try to bring their level of dues more closely into line with each other: it has asked unions with more than 50,000 members to tell it about their contributions and benefits, and it will then make proposals for greater standardisation. Friction can be caused when unions involved in the same dispute grant different benefits, or when unions compete for members on the basis of lower contributions.

In fact some of the craft unions (and some of the former craft unions that have in practice become general unions) have a far higher level both of subscriptions and of various benefits than other, later creations whose members are mostly among the lower paid. There is every argument for allowing well-paid men to insure themselves, through high payments to their unions, as much as they want. But it should be perfectly feasible for additional benefits to be covered by extra payments above a recognised basic subscription common to all unions: and the real advantage of a common level of dues would be that it might just be a beginning of the end of the sort of union thinking that enables the members of craft unions to regard themselves, *de facto*, as a cut above the labourers and thus, eventually, as the beginning of the end of superstitious adherence to outmoded demarcations between the jobs that men can do. Once the TUC starts thinking aloud about the need for uniformity—in whatever field—between unions catering for similar groups of workers, there is no knowing where it might end.

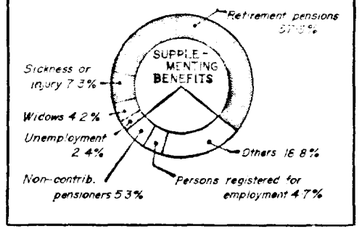
WHIT HOLIDAY

Dead Slow

PESSIMISTS had long predicted the complete *impasse*, brought about by soaring private car ownership and static road capacity, that almost materialised in southern England during the two hot days of the Whit weekend. The only consolation for this state of immobility must be that, once the 35 yards of road at present available for each licensed vehicle has shrunk to the point at which no movement is possible, about 7,000 people a year may escape the deaths they now meet in road accidents. Last weekend this seemed to be coming true; at 66, the provisional number of people killed on packed and crawling roads was 3 fewer than last year's total for the same period —a small but valuable decline which is attri-

ASSISTING THE OLD

Of the 1,844,000 weekly allowances being paid by the Assistance Board at the end of last year, over 71 per cent were supplementing national insurance benefits, the great bulk of these being retirement pensions. But the national assistance paid to the old and elderly does not stop there. Of the 532,000 allowances paid to people not receiving insurance benefits, old people accounted for most of the non-contributory pensioners and for just over a third of the "others"—persons not registered for employment because of age, disability or the care of dependants. In all, people over pensionable age accounted for 70 per cent. of the weekly allowances.



butable rather to drivers' inability to attain a lethal speed than to the "splendid standard of driving" which the motoring organisations claim to have noticed. By the same token, any claim that the 50 mph temporary restriction on many trunk roads has reduced the number of deaths (last year it was said to have produced a 30 per cent fall compared with 1960) will be a dubious one: there cannot have been many stretches of trunk road on which the average driver managed more than 25 mph. Whit, therefore, is not to be claimed as a famous victory, but Mr Marples—or the very belated summer—can take some of the credit for the figure of 3 per cent fewer road deaths in the first quarter of this year compared with the same quarter in 1961. Will it last?

Raineth every day

MR GRESHAM COOKE, the Tory member for Twickenham, has roundly denounced the Meteorological Office for its failure to make known in advance the dismal fulfilment of Whit Monday's promise: the holiday plans of thousands, by his reckoning, were gravely disrupted because the weathermen spoke on Saturday night of sunny periods. The last forecast from Mr Cooke was that he would carry his tiny storm into the flat calm of the Commons, there to rain down lightning bolts on the Air Minister's head. All this argues far too great a dependence on Mr Cooke's part, if not the public's, on the issued wisdom of oracles: after his suffering at the hands of (and subsequent complaints in the House about) an unforetold fog last year, he of all people ought to have been mindful of the folklore relating to the Air Ministry roof: "Ef woirceless says droi, gurt fluddin' be noigh."

But the temptation to make this admitted boob ("We were right: the weather was wrong," is the weathermen's quoted verdict) the basis of a standing joke is resistible in the light of the forecasters' real problems. They are right most of the time; and if Britain were actually composed of the several homogeneous regions which meteorological bulletins have to assume it is, they would be right almost all the time. As it is, they must cope with several million people each of whom quite naturally supposes that his personal horizon comprises the region for which the forecast is made; but the region is much larger, perhaps 100 miles across, and crammed with local variations which can produce such esoteric simultaneities as rain at Lord's and sun at the Oval. And until the promise of the Tiros satellite experiments is fulfilled, weather forecasting is likely to continue to be partly, at least, a matter of divination.

GHANA

Dr Nkrumah's Brothers

QUARRELS between black Africans are no affair of the white man, a Ghanaian minister said in Accra not very long ago; even so, white well-wishers must want to see the end of the tiff between Ghana and Nigeria. Irritation has long been felt on both sides, and on June 9th the Nigerian foreign minister, Mr Jaja Wachuku, accused Ghana of subversive activities in Nigeria. The immediate cause of this was probably the impolite comments of the Ghanaian press about the Nigerian federal government's declaration of an emergency in the western region. But the root causes go deeper than that.

Essentially, the difficulty is that while Dr Nkrumah rightly asserts that all Africans are, as black men, brothers, he fails to realise that he is not his brothers' keeper. Most literate Africans probably agree with the Osagyefo when he calls for continental unity, or for complete independence everywhere. From the African point of view his ideas are basically sound (except where they touch on the freedom of the individual); the trouble lies in the Ghanaian president's apparent unwillingness to debate great issues with other leaders who disagree with him.



It is hard to imagine many Africans disagreeing with Dr Nkrumah, for instance, when he calls a conference of "freedom fighters" from the white-ruled south of the continent. But the decisions taken at the conference which ended in Accra last weekend affect all Africa; if demonstrators are going to start demonstrating in Rhodesia, and guerrillas to start shooting in South Africa and Angola, then other independent African governments will want to know about it. A phrase being heard with increasing frequency in non-radical African countries is, "We must have unity, but not under one man or country."

From the Ghanaian point of view things look different. Their opponents are not only the European "colonialists," but the conservative-minded governments of some African countries. The Ghanaian government sees the Nigerian government in a glass, dimly; to Accra, Lagos is ruled by an establishment badly in need of fresh ideas. This outlook is shared by some young Nigerians, and by their counterparts in countries supposedly even more "moderate" than Nigeria. Such young men may even be admirers of Dr Nkrumah; hence Mr Wachuku's accusations of Ghanaian infiltration into Nigerian trade unions, political parties, and other organisations. The truth is that Dr Nkrumah's duty to young, radical Africa requires him to show willingness to sit down and talk to Africans who may be neither so young in outlook, nor so radical, as he still is.

EAST AFRICA

Africans Disunited

BY October the British and Belgian colonialists will have departed from the lands of the proud Bantu tribes that live between east Africa's great lakes. By November these unfortunate people may be



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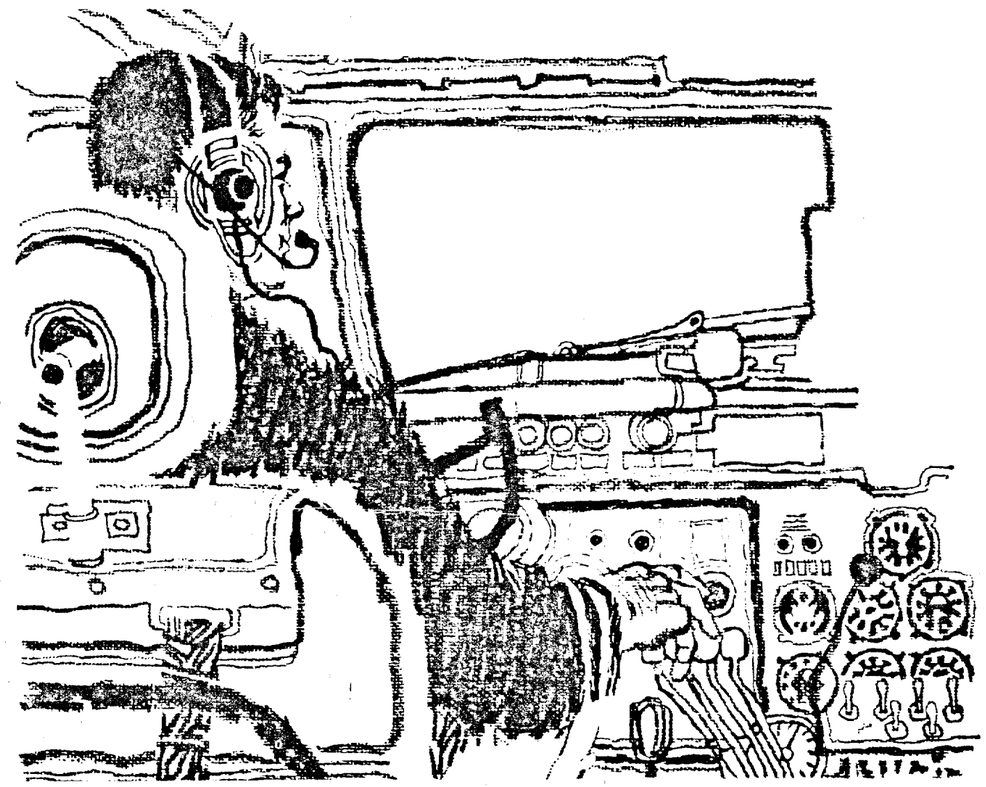
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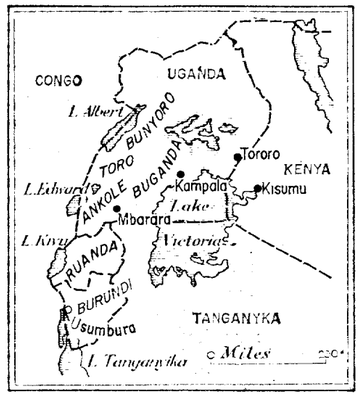


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cutting one another's throats. This has never been a reason for not going: not in India, or Cyprus, or the Congo. But is it, perhaps, a reason for delaying departure for a few months? The question was debated this week in New York, where the United Nations considered the imminent independence (on July 1st) of the collection of tribal areas known as Ruanda-Urundi: and in London, where the Uganda constitution and independence date (October 9th) are the subject of a Marlborough House conference.



Twelve million people live in these comparatively fertile highlands; before the imperialists arrived they were ruled by tribal despots, or Nilotic invaders from the North. Today most local difficulties are between traditionalists (like the Buganda and the Burundi courtiers) and the modernists. Inter-tribal arguments are bitter.

A special commission set up by the United Nations acknowledged in April that Ruanda-Urundi would not be able to hang together; it has since recommended that the kingdom of Burundi be independent on the date ordained. The republic of Rwanda, said the advisers, should become independent on a date to be debated; this week the General Assembly seemed ready to go ahead on July 1st anyway. But who will keep the peace? The Belgians have offered to keep troops in the area for three months after independence; Burundi will not hear of this. With luck, Burundi may enjoy comparatively stable government (it is the richer of the two), but the gendarmerie in both countries is weak and ill-organised. Both countries, too, are likely to lose more Belgian administrators and technicians than they can afford, and both are in need of outside aid to balance their budgets.

Refugees from Ruanda (to be "Rwanda") have poured into the Congo and Uganda; one tribal clash, on March 26th, resulted in between a thousand and two thousand deaths and "countless incidents of atrocities," according to the UN advisory commission. It seems hard to avoid the conclusion that a date after July 1st will become even more notorious in Rwanda's history.

Colonialists Entangled

UGANDA'S problems are equally tribal and, seemingly, intractable; the only hope is that, so far, Ugandans have shown a comparative reluctance to shed blood. A constitutional conference last October gave federal status to the rich, powerful Baganda and a certain degree of control over local affairs to Toro, Bunyoro, and Ankole. Now these three, plus the district of Busoga, want to catch up with Buganda; if they do, Buganda is certain to demand compensatory additions to its own powers. Such a process could quickly reduce Uganda to a loose collection of tribal principalities recalling Mr Tshombe's idea for the Congo.

The British Government's hope must be that all parties can be held to October's tortuously-negotiated agreement. Even if this is achieved, another problem will haunt the Colonial Secretary, Mr Maudling. It is an inter-tribal quarrel of the worst kind: a matter of half-a-dozen counties handed to Buganda by the British 65 years ago. Now Bunyoro wants them back, and a special commission (under Lord Molson) has suggested that two of them be transferred. The Bunyoro leaders are insisting on at least this, but the Kabaka of Buganda has instructed his delegation not to discuss the matter.

Mr Milton Obote, the prime minister of Uganda, relies for his parliamentary majority on a coalition between the traditionalist Buganda party, Kabaka Yekka, and his own modern-minded Uganda People's Congress. He is, therefore, in no position to negotiate between the Baganda and the Banyoro. Yet this is primarily an African quarrel, although one non-African solution might be a reasonably high payment of "compensation" by the British Government to Buganda. Mr Maudling's efforts to leave it to the Africans may not succeed.

CITY REGIONS

Tottering Shibboleths

BIT by bit the dogmas of postwar town planning are coming under serious attack, and by planners themselves. A passionate criticism of the purely constricting green belt—which interrupts urban sprawl, only to let it proliferate beyond the outer border—has come from Mr Maurice Ash, a member of the executive of the Town and Country Planning Association; although Mr Ash's pamphlet* expresses a personal view it is published under the TCPA's auspices. His solution to the overspill problems of the major conurbations is significantly in keeping with that suggested by Professor Myles Wright in the special issue of the *Town Planning Review* for October, 1961—January, 1962. Mr Ash applies the concept of the expanding city region specifically to the London area: he is all for letting the metropolis explode, provided that comprehensive development is concentrated at the growing points of each peripheral subregion and that the integration of the whole is achieved by fast communications routes. Thus the green belt would be broken up, or rather expanded into large areas of parkland "on the motor-car scale" (like Epping Forest and Windsor Great Park) instead of putting arbitrary limits on growth in any direction.

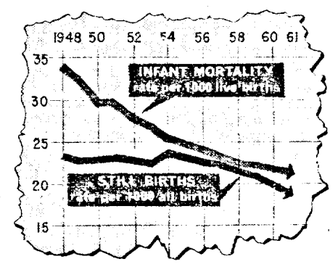
Mr Ash estimates that 2 million people will have to be shifted out of the central London area and settled in places like Bishop's Stortford, Chelmsford and Maidstone in the next 20 years; and he wants the entire London periphery, irrespective of local government boundaries, to be planned by ten suburban development corporations, partly on the model of the new towns but with much of the town centres and two-thirds of the housing put up by private enterprise. In this way he would expect to keep the total cost to the taxpayer to £700 million (£350 per head of overspill population)—or £35 million a year.

Professor Wright's analysis was applied to the provincial conurbations which not only have their own overspill but are precisely the places that need substantial redevelopment in order to hold their populations against the drift to the south that exacerbates London's difficulties. The basic need is not to work against natural economic forces by trying to shift industry and population right out of their accustomed, and usually profitable, orbits. Skelmersdale new town, only 12 miles from Liverpool, is an indication that official policy may now be changing course. Motor transport and the urge for better (i.e. surburban) housing have made the idea of the rigidly-defined city and its accompanying green belt, however useful in the past, look increasingly antiquated. The necessity for more regional and flexible planning (which does not mean unplanning, or less regard for social amenities) should now be driven home.

* *The Human Cloud.* 39 pages. 4s.

MORE ARRIVE AND SURVIVE

Despite a 20 per cent increase in live births in England and Wales between 1955 and 1961, infant mortality (deaths of infants under one year old) has risen by only 3 per cent to 17,211 and the number of stillbirths has fallen by 3 per cent to 15,343. Relative to every thousand live births, the infant mortality rate last year was only 21.4 compared with 24.9 in 1955 and 33.9 in 1948.



BOOKS

Gossip Columns

Pages from the Goncourt Journal
Edited, translated and introduced by Robert Baldick.
Oxford University Press. 456 pages. 38s.

UNCLE MATTHEW'S opinion that "Abroad is bloody and all foreigners are fiends" was, no doubt, arrived at by direct observation rather than from a close study of the literary sources. Had he had the opportunity of reading the Goncourt journal (first published in its entirety only in 1956-59) or the present admirable selection (handsomely produced and most reasonably priced) he would have found much to fortify his judgment. Fascinating as was the society in which they lived—Flaubert and de Maupassant, Daudet and Zola, Renan and Sainte-Beuve, Rodin and Taine: the list of even their intimate acquaintance is almost endless—the picture of it drawn here is almost wholly repulsive. When the Goncourts let us listen in on the conversation of the great and the gifted it is ten to one that they will be talking, in unnecessary detail, of some nasty disease from which a mutual friend is suffering. From an inflamed bladder we pass by an easy transition of thought to discussions of sexual experience that display the grossness and the inhumanity of a lecherous boss in a left-wing novel. When, more interesting topics at last exhausted, the talk turns to literature or the things of the mind it is even more difficult to feel that we have missed much by not attending the dinners at Magny's. Certainly if the discussion of Homer recorded on page 84 is a fair sample one might expect to do better both for learning and for wit at a dormitory feast in an English preparatory school. The plays and novels of contemporaries seem simply to have exacerbated the querulousness, the jealousy and the simple egocentricity that men of letters in any age exhibit; but were they, in any age, exhibited to the overwhelming degree that the Goncourts would have us believe?

This raises the fundamental question of the value of the journal. Dr Baldick, whose skill as a translator and editor of the work is exemplary, writes in an introduction that is lucid, informative and wise:

> Whether it is considered as a monumental autobiography or as a history of social and literary life in Paris in the second half of the nineteenth century, the Goncourt *Journal* is a document of absorbing interest and outstanding importance.

This claim is not exaggerated. Repulsiveness is not an antonym of readability. And to anyone even faintly interested in the period an original source of this scope is beyond price. Professor C. S. Lewis has remarked that we would give a great deal for half an hour's conversation with an Athenian—even an unintelligent Athenian—of the age of Aeschylus and Sophocles. No one would deny the intelligence of the Goncourts though some might question its depth.

Their real limitation, as revealed in the journal, is not so much stupidity as vulgarity of mind. A generous judgment, reported or delivered, is rare: a snobbish one is common. Their preoccupation with scandal, however shaky the authority (e.g. that given for the late Kaiser's sexual activities recorded on page 356) is another index of vulgarity. Easily the most striking, however, is their uncritical acceptance of prejudices—in their case those of a right-wing French aristocrat—down to anti-semitism. And, in the last resort, were they not more than a trifle bogus? It is not fair, perhaps, to quote the idiotic generalisations with which the book abounds. But the following sentence, penned by Edmond during the last days of the Commune, is unpleasantly revealing:

> I kept listening to the heart-rending cries of a wounded infantryman who had dragged himself up to our door and whom the concierge, out of a cowardly fear of compromising herself, refused to let in.

To claim tenderness of heart, to censure the cowardice of another, and just to sit there . . . .

Victorian History and Myth

Regina v Palmerston
By Brian Connell.
Evans. 387 pages. 42s.

As more authentic sources become available, historians of the England of a century ago track down and expose the myths built up by the great Victorian biographers, by old men's tales, and by the Lytton Strachey school that thinks Victorians figures of fun. Some of these sources are available to anybody who cares to look at them; in the British Museum for example, where Hammond's work before the war on Mr Gladstone and Ireland provided a quite new view of the principal figure of Victoria's reign and of one of its cardinal problems. Other sources are still sequestered, locked in the deed-boxes of remote solicitors or in the library of some surviving great house. In this last category come Lord Palmerston's papers, now at Broadlands, the home of his step-daughter's Mountbatten descendants. The collection, at some 500,000 pieces, is a smallish one by comparison with what some other great ministers have left behind; but it is undoubtedly important. Philip Guedalla dallied with it many years ago; then Sir Charles Webster used it for his monumental study of Palmerstonian foreign policy in the eighteen-thirties.

Access to this prize has now been given to Mr Brian Connell, who scorns Sir Charles's meticulous methods of scholarship and has determined to let his readers enjoy themselves. This volume contains the cream of the letters exchanged by Palmerston and Queen Victoria between her accession and his death. With this material, Mr Connell could hardly fail to prepare an enjoyable and entertaining book; and he has skilfully intermingled some 250 quotations from the Broadlands papers with about 300 more extracted from the royal archives at Windsor. Most of these letters have not been published before; and if many of the best of them have long been in print, they have lurked in more forbidding books than this. The brief commentaries the editor uses to string his extracts together are clear, conformist, and helpful; so clear that "There are no footnotes, which I truly believe drive the ordinary reader to exasperation". Historians will rather be exasperated that he has not printed the documents he quotes in full. But he is not writing for professionals or pedants; his publishers tell us that his "purpose has been to present this fascinating correspondence in a manner acceptable to those who read for pleasure." The book deserves indeed to be popular with "the general reader" and with professional historians alike, for the letters are written in excellent English by two remarkable characters.

The new evidence on the making of policy is slight; but by Palmerston's day the making of policy was no longer the task of the crown, even if Victoria thought it was. Perhaps unintentionally, this edition brings out a notable feature of Victorian statesmen that has not been much remarked before. They all devoted a great deal of time, thought and care to their correspondence with the queen; how did she come to absorb so much of their emotional energy? On the evidence of these letters, she was commonsensical rather than acute, and her interests in foreign policy were a good deal narrower than her minister's or her country's. Yet Palmerston could bring himself to write to her in tones of almost Disraelian flattery. More comment on this sort of point would have been welcome from Mr Connell, for he is evidently steeped in the authorised version of British nineteenth century history; perhaps in fact he is steeped in it a little too far. He promises us several more volumes. They are all likely, like this one, to make good reading; but they will present the editor with some problems unless he can break free of some of the "received views". For instance, he consistently calls Palmerston a Whig; how will he deal with those eighteen years of continuous, devoted service as a Tory minister with which Palmerston's official career began?

Bankers and the Rate

Opinion on Bank Rate, 1822-60
By A. B. Cramp.
Bell for London School of Economics. 129 pages. 25s.

BANK rate was subject to the legal maximum of 5 per cent for a century before the limitation was removed in 1833, so that it was hardly an effective instrument of monetary action until then. Open-market operations as a support for Bank rate did not come into regular use until much later than 1860, so that this analysis deals with the early decades of Bank rate policy, at a time when it might be clear what effect it had without the aid of open-market operations. Contemporary opinion ranged from the view that it had none, but was itself determined by market rates, to the conclusion—from so considerable and experienced a banker as Gilbart—that the Bank of England "may exact from the public any rate of interest she pleases." Within a few years Gilbart had substantially modified his opinion to the more acceptable one of

> though the bank [of England] cannot change the course of the current [of interest rates], she can give it increased strength.

Then, as in more recent times, what bankers did often differed from what they said they did. In the crisis of 1857, Bank rate rose to 10 per cent, but joint stock banks in London would not allow more than 8 per cent for deposits, though the general arrangement was for interest at 1 per cent below Bank rate. Apparently this was because the banks feared that the public would believe them to be greatly in need of funds if they offered so much for money. Ten years before a different, and more admirable, reason was given against high rates. A country joint stock banker said they would rather be very careful than charge unduly high rates—"it was revolting to any Man's Feelings to do it" and another did not think it right to increase their charge to a rate which was "usurious."

In other ways, too, the opinions and practices of a century and more ago were not unlike those we hear and see today. Then as now the direct effect of Bank rate on international movements of capital was evident and recognised. In the 1840s, a rise in Bank rate invoked confidence or psychological effects, because banks were strengthening cash reserves against a run; nowadays it prepares the public for a credit squeeze. The incantational effect diminished trade activity; it was the availability of credit, not its price, that mattered. Which bank general manager today would not salute with a wry smile the statement of a holder of that office in 1841 on his reaction to credit pressure: "I get a circular letter written to all my managers, stating they must be very cautious in their advances?" And which would not wonder if some influence has not been lost, on reading that country shareholders of London joint stock banks at that time "acted as what might be vulgarly called 'touters' . . . and invited depositors to remove their deposits . . . to those establishments with which they were connected"?

In this analysis of opinions on Bank rate, as expressed by bankers, businessmen and writers, the author's period is within Sir Theodore Gregory's heroic age in British monetary controversy, but it ends well before the adequacy of bank reserves was challenged. It was a time of Bank rate without open-market operations and of banking untrammelled by cash or liquidity ratios, and this admirable study of the period is of particular interest today, as the emphasis turns from monetary to fiscal measures of regulation.

Toynbee's America

America and the World Revolution
By Arnold J. Toynbee.
Oxford University Press. 85 pages. 12s. 6d.

THESE lectures at the University of Pennsylvania in "the city of brotherly love" (Philadelphia) last year bespeak Professor Toynbee's disappointment with Americans for having joined the minority of rich nations after having begun the world-engulfing process of revolution among the majority of poor nations nearly two centuries ago:

> Today America is no longer the inspirer and leader of the World Revolution . . . . By contrast, America is today the leader of a world-wide anti-revolutionary movement in defence of vested interests. She now stands for what Rome stood for. Rome consistently supported the rich against the poor in all foreign communities that fell under her sway; and, since the poor, so far, have always and everywhere been far more numerous than the rich, Rome's policy made for inequality, for injustice, and for the least happiness of the greatest number.

Accordingly Dr Toynbee places Fidel Castro alongside the revolutionaries in China in 1911, Father Gapon and the Russia of 1905, the Young Turks in 1908 and the Indian National Congress and Gandhiji, and derives them all from his approved Jefferson, in contrast with his disapproved John Adams and other American critics of Jacobinism. Many who regret the passing of the old America—an agrarian society—will disagree with Dr Toynbee's broad brushes and big sweeps on so vast a canvas. Were Jeffersonians responsible for nineteenth century European nationalisms which plunged the whole world, America willy-nilly, into the world wars of the twentieth? Are Americans responsible for the industrial nationalism sweeping the emancipated less developed nations today, just because Americans developed industrialism farthest? (The British, after all, began it, and held the Americans back while they could: were they right?) Did Rome stand any more for the rich against the poor in its territories than did, say, the demos and oligarchs of Athens, or the Carthaginians, or Pyrrhus and Alexander, or the Emperors who relied on the bought votes of the masses in the cities and the armies? Do the Americans of today, leaders and followers, pursue policies making for inequality, injustice, and "the least happiness of the greatest number?" If so, what about all the West Europeans who outnumber Americans: what policies are they pursuing both for their own peoples and others? Did they and their peoples just catch it from the terrible latter-day Americans, as the Communists, Young Turks, Chinese and Castro caught revolutionism from the good former-day Americans?

Great are the uses of history in current affairs; but great, also, are the risks of abuses. Historians run the risk of making history tell too much.

English Piety

The Church and the Nation
By Charles Smyth.
Hodder and Stoughton. 192 pages. 18s. clothbound, 12s. 6d. paperback.

BEYOND other living writers Canon Charles Smyth has a talent for using his scholarship so that the most ignorant reader may gain illumination. Here he ranges the centuries of English church history, from the Anglo-Saxons to the Tractarians, lightening the way with rare anecdotes and penetrating asides. The essays were originally called "Aspects of English Piety," a title that well sums up the intention of the book—a series of portraits of English religion in its successive movements.

Canon Smyth has no regrets for the Reformation or the dissolution of the monasteries, is proud of the word Protestant in its application to the Church of England, and believes that, act of state though the Reformation might be, there was far more in it than an act of state. He is concerned not with social and constitutional revolution but with the religious ferment that accompanied and conditioned it. He values the elements of continuity that survived the revolution, reveres the Book of Common Prayer and its moulding power upon the English character, admires the uniqueness of moral quality and devotional spirit to be found in a Richard Hooker or a George Herbert, prefers middle roads to extremisms. He has sympathy for puritans, knows that Macaulay's assault upon them is caricature, demolishes the legend of canting noses and the absurdities which simplifying schoolboys have derived from Tawney. He values the "establishment" because he thinks that the profession of Christianity is thereby (in some sense) still national, but he charmingly explains how the House of Commons threw out the proposed 1928 Prayer Book and left its use illegal, while the only form of service for baptism provided in the crypt chapel of the House of Commons is that from the illegal book.

Like Mandell Creighton, Canon Smyth values the Church more for its Englishness than for its international ties. He believes in a liberal tradition of churchmanship, detests heresy-hunts, regards the presence

of various traditions as strength, but perceives that a Church must stand for something if it is to be a church, and that even the broadest national church must rather contend for the souls of the people than adjust itself to the wishes of the people. In short, he has given not only an outline history, but also a portrait of that humane and intelligent character which is among the best products of the English religious tradition.

Airlines and Competition

The Law of International Air Transport

By Bin Cheng.
Stevens. 768 pages. 10 gns.

Post War International Civil Aviation Policy and the Law of the Air

By H. A. Wassenbergh. (2nd revised edition.)
Martinus Nijhoff. 209 pages. 15 guilders.

IF there is anyone who still thinks that airlines operate in conditions that make possible what economists call pure competition, Dr Cheng's book should put him right. No other international trade is so hedged around by governmental regulations as air transport. In hard times governments may well look increasingly for ways in which they can use regulatory powers to the advantage of their own national airline, and Dr Cheng's book highlights how many possibilities for this exist.

Dr Cheng's aim is "to present the law of international air transport through an analysis of all the international postwar air transport agreements to which the United Kingdom is a party." Although his book will thus have particular interest for readers in this country, it will be a major addition to aviation libraries throughout the world, for his analysis has a general application. The first of the book's three parts deals with the International Civil Aviation Organisation and is, perhaps, the least interesting. The practical regulation of air transport today lies in bilateral agreements between states and in agreements between the airlines themselves. This complex system of agreements between states is the principal chamber of what Dr Cheng calls "the labyrinthine legal grotto," and in the rest of the book his painstaking and scholarly examination of these agreements sheds much light in dark places; it also ensures that the book can be used as a practical work of reference both by those whose approach is academic and by those whose interest is severely practical.

One of the most interesting sections of Dr Cheng's book deals with inter-airline co-operation. His analysis results from an examination of many sources outside those usually consulted by writers of legal textbooks, but essential for proper understanding of problems where law and commercial policy are so intermixed. At a time when pooling agreements between airlines to rationalise their air services have been represented by some as a "bad thing," it is interesting to note Dr Cheng's judgment on them: "it should be pointed out first of all that pooling does not eliminate competition, but merely reduces that among its participants." What he does not point out —and it is perhaps the most important spur to competition among airlines that are in pool—is that the annexes to these agreements, which determine the air services to be operated, are normally re-negotiated every six months—a practical sanction to keep an airline on its toes vis-à-vis its pool partner. Dr Cheng holds the view that "whenever pooling or similar agreements exist the effect is to reintroduce predetermination [of capacity] through a back door," but he makes the point that such predetermination is entirely voluntary, and he does not conclude that it is harmful to the public interest. On his own showing, successful manipulation of pooling agreements can be an important element in gaining competitive advantage.

The interest in Mr Wassenbergh's book, which embraces in rather less detail a good deal of the ground covered by Dr Cheng, arises from his personal knowledge of inter-airline relationships and his views on future developments. At a time when the world-wide trend is for airlines to merge into larger units for their economic stability and when there are signs that Air Union may be on the way to becoming a reality, the views of one so close to KLM are bound to be interesting. Mr Wassenbergh's views on "liberalisation" of the air are, of course, traditional—one hears Dutch drums beating out a rhythm that is not new—and no doubt the geographical position of the Netherlands, which puts them in such a weak bargaining position over traffic rights, is largely responsible for this. Mr Wassenbergh, however, is inclined to overstate and oversimplify: "the choice," he says, "is no longer one between liberalisation and co-operation, but a choice between state-controlled operation of air services and commercial airline operation." Unfortunately, complex issues do not readily lend themselves to straightforward alternatives, and Dr Plesman's words which Mr Wassenbergh quotes, "Traffic is not an article of commerce," seem to have made little impact on aviation thinking. Today, whether one likes it or not, air traffic is not only an article of commerce, but also of national interest.

OTHER BOOKS

CENTRAL BANKING LEGISLATION. By Hans Aufricht. *International Monetary Fund.* 1,012 pages. $10.

This is a collection of banking and monetary legislation in selected countries—Britain, most Commonwealth countries and South Africa, and some Latin American and Asian countries, including Japan. The coverage for each country is reasonably comprehensive: for Britain, for example, there is the Bank of England Act, 1946, the less well-known Charter of the Bank of England, 1946, the Bank Charter of 1694, relevant sections of past Finance Acts and of the 1948 Companies Act, various Coinage Acts and, as an annex, the Bank Charter Act of 1844, sundry legislation on the gold standard, and a short bibliography on banking literature. At the end of this important new reference work Mr Aufricht appends a useful comparative tabulation of the ownership, staffing, composition and powers of central banks in his selected countries. Lastly, an index provides a quick guide to the section in each country's legislation that deals with various subjects—such as distribution of a central bank's profits.

CAPITAL IN THE AMERICAN ECONOMY. By Simon Kuznets. *Princeton University Press.* London: *Oxford University Press.* 693 pages. 96s.

The doyen of economic quantifiers concludes an enormous study of American capital formation and financing in this book, which has been preceded by eight substantial monographs. The summary of findings takes over thirty pages, which explains why no summary can be given here. But it should be said that no economist who wishes to examine capital and growth can afford to neglect this treasurehouse of statistical facts.

THE ARITHMETIC OF COMPUTERS. By Norman A. Crowder. *The English Universities Press.* 480 pages. 25s.

This is something outside the usual run of textbooks in subject and in presentation. Computers use an unusual type of arithmetic not taught in schools and compounded of the binary system, which counts in noughts and ones, and octals which proceed in series of eight, and which would replace the decimal system if Professor Hoyle had his way. The do-it-yourself method of learning these techniques which has been devised by Mr Crowder is immensely helpful to some and utterly infuriating to others; its value apparently declines in inverse ratio to the numeracy of the reader, although in dealing with the very real limits to a computer's calculating ability it covers ground that is often overlooked when a machine is being bought.

THE FINANCE OF LOCAL GOVERNMENT. By J. M. Drummond. 2nd edition revised by W. A. C. Kitching. (New Town and County Hall Series No. 6). *Allen and Unwin.* 256 pages. 25s.

TAXATION IN WESTERN NIGERIA. By G. O. Orewa. Published by *Oxford University Press* for the Nigerian Institute of Social and Economic Research. 186 pages. 18s.

A RUSSIAN-ENGLISH DICTIONARY OF SOCIAL SCIENCE TERMS. Compiled by R. E. F. Smith. *Butterworth.* 507 pages. 90s.

HIRE PURCHASE, CREDIT AND FINANCE. Business Law and Administration. By V. R. Fox-Smith. *Stevens.* 308 pages. £2 15s.

BRITANNICA BOOK OF THE YEAR, 1962. *Encyclopaedia Britannica.* 560 pages, 421 illustrations. From 5 guineas according to binding.

CAPITAL FORMATION IN JAPAN, 1868-1940. By Henry Rosovsky. *Free Press of Glencoe,* New York. 371 pages. $7.50.

PARLIAMENTS AND ELECTORAL SYSTEMS. Published by the *Scorpion Press* for the Institute of Electoral Research, 128 pages. 15s.

PUBLIC SOCIAL SERVICES. 11th edition. *The National Council of Social Service.* 190 pages. 15s.

TOWARDS A MALAYAN NATION. By T. H. Silcock. Published by *Donald Moore* for Eastern University Press, Singapore. 118 pages. M$4.75.

REGISTER OF RESEARCH IN THE HUMAN SCIENCES, 1960-1961. Department of Scientific and Industrial Research. Warren Spring Laboratory. *HMSO.* 123 pages. 10s.

ARGENTINE INCOME TAX GUIDE. Translated by W. Palmer. *Palmer Editorial,* Buenos Aires. 120 pages. $20.

LETTERS

Liberal Future

SIR—Mr Smedley's record of four unsuccessful election campaigns no doubt entitles him to be heard on Liberal policy, but perhaps should also serve as a warning against believing that he has an infallible recipe for success. It is quite untrue that the heirs of the philosophical radicals should be obliged to believe in policies of extreme individualism today. The important thing about the philosophical radicals was their method, not the set of conclusions at which they arrived in relation to their own period. They were challenging established institutions and policies because they believed that these did not conduce to public or private welfare. Since these institutions and policies arose in part from the control of the machinery of the state by a single, privileged, often selfish, and occasionally corrupt class, it is not surprising that they favoured a dismantling of public controls. In our own day, the radical may well feel that there are aspects of our affairs in which the role of the individual is too confined, but he may equally point to others where the role of society still requires enlargement. For instance, the development of Britain's export trade—a matter close to Mr Smedley's heart —must rely upon extending this country's facilities for research and for technological education, both of which must heavily depend upon the initiative of the state.

Similarly, the sense of social justice which is common to Liberals of all generations takes on quite a different connotation when applied not to nascent capitalism but to the highly complex and inevitably mixed economies of the modern industrial world. What distinguishes the modern Liberal from either the Tory or the Socialist is surely that he approaches these questions with a mind freed from traditional pre-conceptions and acknowledging no ingrained respects for established hierarchies. In this sense, a link with his early nineteenth century predecessors is well maintained. It has been Mr Grimond's great service to the Liberal Party that he has made it aware of its essential and irreplaceable role in present-day British politics. The line of radical advance he has sketched out for it is not only theoretically justifiable, but clearly more appealing to a large and vital section of the electorate than Mr Smedley's collection of tired shibboleths.
—Yours faithfully,
MAX BELOFF
Chairman, Executive Committee,
Oxford Oxford Liberal Group

Girls for Hire

SIR—The article in your issue of May 19th is so critical of the activities of employment agencies supplying temporary staff, that I must put the other side of the picture.

Because shorthand-typists are in very short supply, the agencies tap sources of labour not otherwise available to the market —married women, girls from the Commonwealth, etc.—in order to satisfy the demands of their clients. Moreover, the agency has to satisfy clients throughout the year with demands for small or large numbers of girls and in consequence must base its own administrative staff on demands during the peak summer period.

Regarding rates of pay, you are very wide of the mark. You must have a very poor opinion of temporary staff if you think that they would allow agencies to charge employers overtime rates without themselves being paid on the same basis. Quite apart from the ethics of the matter, agencies are not likely to run the risk of losing their already inadequate temporary staff by doing anything so stupid.

Members of this federation do not pay excessive rates to staff, and employers should insist that the agencies with whom they deal should not exceed those rates. I would gladly send a list of our registered members to any employer interested and I think it should be appreciated that whereas federation agencies form about 60 per cent of the total number of clerical agencies in London, they control a considerably greater percentage of the total business done in this sphere.

If any of your readers have complaints on any score against agencies I should be pleased to hear from them. Facts we can deal with. Generalities merely cloud the issue.—Yours faithfully,
D. J. CROPPER, Secretary,
Employment Agents Federation
London, W1

Australia and the Common Market

SIR—I would like to add my comments to the very well-balanced summing-up of Australia's problems in connection with Britain's intention to enter the common market, published on May 26th, under the title of "Mr Menzies's Mission."

In my opinion, although the immediate effects of Britain's move will be felt along the lines described in the article, similar loss of agricultural exports (including products of the canning industry) would have to be expected within the next five years in any case. One does not have to refer to the recent FAO publication concerning the future prospects of primary producing countries in temperate areas, to arrive at this conclusion.

The basic problem of Australia is that only a tiny percentage of its exports come from manufacturing industries proper, and that owing to the structure of this industry, no heroic increases in these exports can be expected. Most of Australia's substantial manufacturing companies in secondary and tertiary industry are foreign owned, and such subsidiary companies are evidently not meant to export and take away markets from parent companies. The rest, on the other hand, manufacture almost exclusively on "under licence" arrangements—which similarly preclude exports. In addition, the policy of Australian manufacturers, "diversification in smallness," viewing only the rather restricted home market as potential buyers, precludes production in really economic runs, and, evidently, automation is out of the question.

Short of an industrial revolution, which would have to be based on long-term planning by the Government, I see no possibility for an improvement in the export performance of the industrial sector to counteract the effects of shrinking markets and receipts from the exports of the dominant primary industries (agriculture and mining). The sums annually transferred in the way of profits by Australian subsidiaries to overseas parent companies, and by licensees to the holders of patents abroad, represent a huge drain on Australia's monetary reserves. It would be in the overseas parent companies' best interests to encourage their Australian subsidiaries to export, at least to the tune of producing the exchange covering their profit-transfers, as otherwise Australia might find itself one day in a position where it would have to impose drastic restrictions on these transfers in order to protect its reserves.—Yours faithfully,
L. F. DE GIDRO
Pymble, NSW

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Umeda Subway Station, Osaka—just five minutes from a Bank of America branch. Photo by Globecombers.

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AMERICAN SURVEY

AMERICAN SURVEY is prepared partly in the United States, partly in London. Those items which are written in the United States carry an indication to that effect, all others are the work of the editorial staff in London.

Ailing Medicare

WASHINGTON, DC

THE United States may not be the wealthiest and the unhealthiest country in the world as an American doctor says it is, but Americans are very interested in medical matters. The two most popular current series on the television screens feature the hospital adventures of a Dr Kildare and a Dr Ben Casey. Twenty-five million Americans, a third more than a decade ago, enter hospitals for treatment every year, although the population has risen by only a fifth. A controversy over medicine has now reached a point where families—and doctors—are divided into opposing camps. The American Medical Association is attacked as "a medieval guild" by the Professor Emeritus of Clinical Medicine at Harvard University because it opposes the government-sponsored proposals to provide for some of the medical needs of people aged 65 and over through an addition to the social security tax. The AMA attacks the proposals because they do not cover all persons over 65 or all medical expenses, but it is also afraid that eventually all Americans may be brought under this umbrella. A former President, Mr Truman, says that the AMA is making a fool of itself. The 70 per cent of Americans who, according to the public opinion polls, are in favour of the social security plan seem to agree with him.

The Administration's scheme, which is embodied in the King-Anderson Bill, emphatically does not propose that the United States should copy the British health service. Even if it did, the agitation by the AMA and some others might seem somewhat full-blooded. But there is a very stubborn American aversion to anything that savours either of the hand-out or of compulsion. Able minds in both the American political parties, as well as among the doctors, are hard at work trying to devise ingenious schemes that will assist old people more effectively, yet will not offend American scruples about tinkering with private enterprise.

Governor Rockefeller of New York and a group of like-minded people think that they have found a way. They advocate that every person who is insured under the federal government's social security scheme should be entitled at the age of 65 to choose either the government's medical plan or private insurance, with the government helping to pay the annual premiums. Such private plans would have to be approved by the federal government or by a state government, to ensure that the old folk were not exploited by unscrupulous promoters. But the principles of private enterprise and freedom of choice would be preserved. At the same time Mr Frank Bow, a Republican from Ohio, who was struck by the fact that every rich senior citizen can deduct from his tax payments 90 cents of every dollar that he spends on doctors and hospitals, is sponsoring a similar scheme for the not-so-rich. Mr Bow estimated that for about $250 a year an elderly couple could get an adequate private medical insurance policy and he has proposed that all elderly couples should be entitled to deduct that sum from their income-tax payments. Those who do not pay that much, or any, income tax, would receive a free medical insurance policy.

"Uh —— Perhaps We Should Have A Consultation"



The government, and almost everyone else, is unhappy about the existing Kerr-Mills legislation, which involves a means test. This provides federal grants, which the states must match to some extent, to pay for medical care for old people who can prove that they cannot afford to pay their medical bills themselves. Only twenty-eight states have responded and thirteen—including Ohio—say that they will not touch it. Although the measure became law eighteen months ago, only about half of the states are actually taking advantage of it and 90 per cent of the money to enable persons who are 65 and over to get medical care is being paid out in only three of them—New York, Massachusetts and Michigan.

In favour of the Administration's King-Anderson plan it is argued that less than a third of the 17 million Americans who are 65 and over have their hospital needs covered satisfactorily by private medical insurance. A visit to a hospital may easily cost them $500. By extending the existing social security provisions, insurance could be provided for only an extra dollar a month from each American worker who at present pays the social security tax and a similar sum from his employer.

What the American Medical Association fears is that the plan would gradually be enlarged, and the starting age lowered, until finally everyone was covered by a government-run health scheme, such as was in fact proposed twenty years ago when it caused bitter controversy. The King-Anderson Bill concentrates largely on hospitals and calls inevitably for some formal agreements between hospitals and the Department of Health, Education and Welfare. The AMA chooses to call such agreements "controls" and asks apprehensively whither they may lead. The question is indeed a delicate one. Following a study by the Columbia University School of Health and Administrative Medicine, which produced some curious findings, doctors and surgeons are currently being reproached for charging, and then splitting, unnecessarily large fees and for carrying out unnecessary operations. The King-Anderson Bill, if it is passed, might make such practices more difficult but, in order to get any Bill passed, the Administration may have to offer to let the American Medical Association have a voice in drawing up the contracts with the hospitals.

Two-thirds of American workers are insured, through group policies, against hospital and surgical expenses. There has been an enormous jump in the public's spending on its health. Many of the Americans who go into hospitals every year do so

for the "check-up" that General Eisenhower seemingly made so popular. The King-Anderson Bill is designed partly to relieve hospitals of what is fast becoming an overwhelming burden by transferring some of the weight of caring for the aged to nursing-homes and to visits to patients' homes by nurses. But some liberal critics complain that since the scheme does not cover doctors' fees it might tend to force elderly people into hospitals.

As almost everyone seems to agree that something more needs to be done to ensure that elderly people who fall ill do not suffer intolerable financial hardship, it might be thought that Congress would hasten to pass the King-Anderson Bill, or some compromise between it and one or other of the various alternative plans that have been put forward. But this would be to ignore the depth and bitterness of the struggle, which has now gone on for at least two years, between those who are anxious to include medical insurance in America's social security system and those who, either because they sincerely believe it to be the thin end of a socialist wedge or because they are deadly afraid of the powerful pressure from the medical profession, are determined that this shall not be.

This week the Ways and Means Committee of the House of Representatives discussed the problem behind closed doors. Through the keyhole there came murmurs of stubborn differences of opinion between the ten Republicans who oppose the Bill and the nine or ten Democrats who support it. The remaining four or five Democratic members of the committee appeared to be looking to the chairman, Mr Wilbur Mills, to indicate to them how he thought they ought to vote. Mr Mills is known to frown on the King-Anderson proposals, though which of them it is that he likes least and which he might be ready to compromise on, is something that he has hitherto seemed determined to preserve as a secret from even his closest friends.

Last month President Kennedy indicated that the Administration, for its part, was not prepared to compromise on the principle of financing the plan by social security payments—"the heart of the legislation." But this week the Secretary of Health, Education and Welfare, Mr Ribicoff, hinted that the Administration might be receptive to a compromise that would somehow weld social security payments with the patient's option that is favoured by Mr Nelson Rockefeller and Senator Javits. It is, however, generally believed that President Kennedy will be extremely fortunate to get even such a compromise accepted. As one caustic critic of the Bill's critics has remarked, it requires a real shove to bring the wealthy United States up to the mark that was set by Bismarck's Germany in such matters nearly a century ago.

Sinking Spell . . .

NEW YORK

THE combination of somewhat discouraging economic results for May and dissatisfaction in Wall Street with the President's chastisement of businessmen for believing in myths (in a speech which was meant to be conciliatory) was reflected this week by a new sinking spell on the stock market, with the Dow-Jones average of industrial share prices closing on Wednesday at 574.04, near to the low point registered a fortnight ago. General business activity is still advancing but, with profits of corporations lower in the first quarter than in the fourth quarter of last year and with retail sales in May showing a decline of one per cent from April, investors feel that there is nothing to cheer about. While some of the decline in the stock market is clearly an adjustment to the ending of inflation, there also appears to be concern over the prospect that deflation may be coming. Though the White House is obviously worried about the failure of business to appreciate what it is trying to do, so far the President and his advisers have not made that little extra effort which might achieve the desired results. Wall Street is much more in favour of Washington doing something than Congress or the Administration seem to realise. The investment community is both puzzled and disturbed that an Administration which is supposed to be dynamic and determined to get the country moving again is proving little more active than was its Republican predecessor.

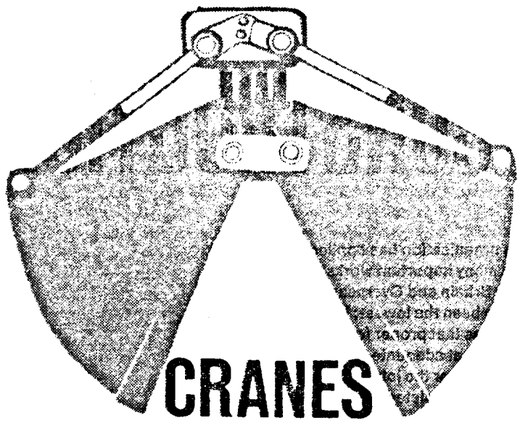
There are, of course, technical reasons for the market's weakness, particularly the calling of loans by banks which advanced credit to customers who put up shares as collateral for their borrowing. Loans to stock brokers have actually declined and most margin accounts are reported to be in good shape, but a surprising amount of credit had found its way into the market and is now being flushed out. This week, for example, Mr Edward Gilbert, a financier who headed the E. L. Bruce Company, the country's leading maker of hardwood doors, and who was seeking to acquire control of the Celotex Corporation, an important manufacturer of building materials, fled to Brazil after it was disclosed that he had borrowed almost $2 million of Bruce's money to shore up margin accounts for his Celotex purchases; much of his buying had been through banks, both domestic and foreign, which do not come under the Federal Reserve Board's margin regulations, and his exposure illustrates the kind of abuse that had made the market vulnerable.

Again this week many of the shares affected were the high-class "blue chips." Apparently investors are behaving indiscriminately, throwing out the good with the bad. While this provides bargains for those with funds, institutional investors are being very cautious and selective in their purchases. They are now able to get very good yields on many "blue chip" companies but, with selling more in evidence than buying, they are not rushing in. The desire for better yields has also had its impact on the "growth" stocks; International Business Machines and other favourites are now being sold with the proceeds going into bonds or equities, such as utility company shares, with good yields and the promise of increases.

. . . And No Lifebelt Yet

IN Wall Street's view the most useful support which it could receive from Washington would be an immediate reduction in taxes; supposedly this would bring a sharp upsurge in consumer demand and business investment and would thus encourage the lagging private sector of the economy. The Administration now agrees that a net cut in taxation, affecting incomes at all levels, is essential but the President does not want Congress to deal with it until next year. He will ask, however, that the reductions should take effect from January 1st and is prepared for them to result in quite a substantial deficit in the Budget to begin with; the theory is, of course, that the cuts will stimulate the economy and that the loss of revenue will therefore soon be offset by increased yields from the lower taxes. But Wall Street made it clear this week that the promise of tax cuts next year was not enough to keep the stock market's head above water at the moment and the President has admitted that "new circumstances" may force him to ask for the cuts this summer.

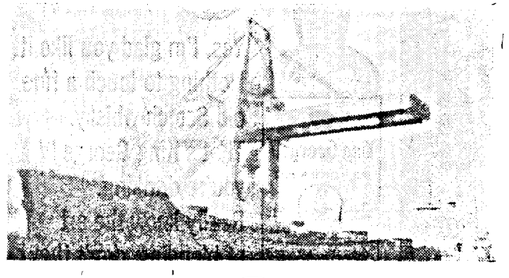
The main reason why President Kennedy does not want Congress to deal with general tax reductions this year is because they would get in the way of the important Bill, providing for specific revisions in business taxes, which is now before Congress and which in itself should help the economic recovery. This Bill is in serious political difficulty for a variety of reasons and already members of Congress are making the coming legislation for reducing taxes into an excuse for postponing action on the pending Bill. Next year's general tax legislation is supposed to be a reform measure, to bring up to date a tax structure which, officials are convinced, now acts as a drag on the national economy. But such a measure would inevitably be controversial and if the Administration decides that the stimulus of lower taxes is needed urgently it may have to leave the reforms out of the Bill.



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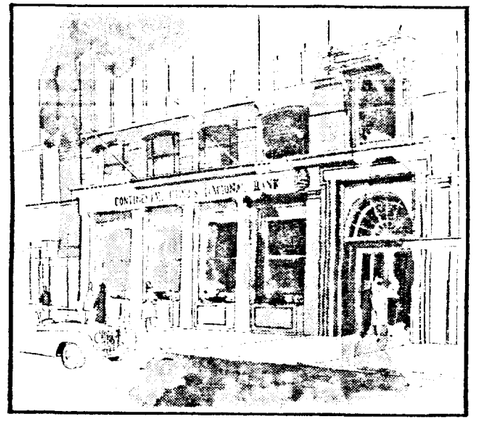
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The more urgent cuts in taxation seem to be, the easier it will be to obtain them from Congress, especially if they are asked for this year, when members have to face the voters in November. The Republicans are seizing on the present economic difficulties as an election issue, blaming the Administration for the slump on the stock market. Voting on a tax reduction Bill would cut across party lines but if Mr Byrd, the Democratic chairman of the Senate Finance Committee, has his way—and he usually does—the Bill will never come to a vote. He and those who think like him in Congress are even more in need of education in modern economic thinking than are the businessmen to whom President Kennedy addressed his lecture at Yale this week. He appealed also for co-operation, an appeal which fell on deaf ears in Wall Street but which had more impact on the men who are actually responsible for making the economy work. In particular Mr Roger Blough of the United States Steel Corporation, whose attempt to raise prices set off the present crisis in confidence, is now helping the White House in its search for the answers.

Fumbled Aid

On the fifteenth anniversary of the Marshall plan interest in foreign aid seems to be at an all-time low, though no doubt it will be a different tale when Congress turns from the authorisation Bills to the appropriation ones which fix the actual ceilings on spending. The Senate has pared only an insignificant $217 million from the President's request of $4.9 billion and the bone which the House Foreign Affairs Committee has thrown to the fierce guardians of the public purse comes chiefly from money for Latin America which will not be spent until 1964, 1965 and 1966. Even the 25 per cent cut in aid for India ordered by the Senate Foreign Relations Committee was retrieved in time ; instead, India's punishment for Goa and for Mr Menon's provocations is merely that it will not receive a planned increase of $90 million.

This climate of complacency and apathy is very largely responsible for a fumble which leaves neither the Senate, nor its leaders, nor the new foreign aid agency in a very flattering light and which has cost the President some of his power to exploit cracks in the communist block. Irritation with Jugoslavia's increasing friendliness for the Soviet Union led Senator Proxmire, a liberal Democrat, to sponsor an amendment—very popular with anti-communist groups—which would have cut off for a year any economic aid to Jugoslavia. In practice this would have cancelled only $10 million in development loans. The White House, which, unlike the foreign aid agency, was aware that Senator Lausche, a very conservative Democrat, had a much more damaging proposal up his sleeve, sent a message of warning to the Senate. But it was bungled and when members came pouring on to the floor to vote many failed to appreciate that they were cutting off the "sale" of agricultural commodities, as well as economic aid and loans, to both Poland and Jugoslavia and to other "communist or Marxist" countries. In an election year any anti-communist gesture looks attractive.

Thanks to the intervention of the President and the help of Senator Dirksen, the Republican leader, the Senate, having marched up the hill, has now marched part way down again but the fact that it did so to save markets for $150 million in American agricultural surpluses will stick in Polish and Jugoslav throats. If they are retained, the new conditions for sending surplus food abroad—that the recipient should not participate in any programme designed to further the communist conquest of the world—will be somewhat stiffer than those in effect now ; they seem to rule out any dispatch of food to the Chinese. Moreover, the ban on loans and grants, which still stands, would probably make it impossible to use for development in Poland the funds in local currency collected under the food programme. Now that the House Ways and Means Committee has voted to withdraw most-favoured-nation treatment from the trade of the two countries, they seem well on the way to being locked in the Soviet world. This means undoing a policy which has been pursued by both Republican and Democratic Presidents since the war.



Twisters in Texas

PECOS, TEXAS

The case of Mr Billy Sol Estes, the Texas "wheeler and dealer" whose cotton allotments, fertiliser tanks and grain storage enterprises are being looked into by the Department of Agriculture, the Internal Revenue Service, two congressional committees, four grand juries and the Federal Bureau of Investigation, has caused much less "fuss," as Texans call it, in Texas than elsewhere. The buying of politicians by businessmen is standard practice in Texas and, if Mr Estes sinned in the way in which he is said to have done, most Texans are prepared to feel fairly tolerant about it. On the scales of the giant oil industry Mr Estes with all his millions was a little-known lightweight and already a new Texan scandal involving stealing oil through slanted wells theatens to eclipse him.

On the whole Texans prefer their swindles to be more flamboyant than those in other states, in keeping with Texan traditions. Mr Ben Jack Cage, who is said to have fleeced thousands with his insurance companies and land companies about ten years ago and to be happily in Brazil, is obviously regarded admiringly by many Texans as a sort of up-to-date Jesse James ; Mr Estes may figure eventually as a second Billy the Kid. At worst, such adventurers are looked on as periodic, inevitable, natural disasters like the troublesome winds, called twisters, which flatten Texan homes and lift motor-cars up into the air at about this time of the year.

Even the remarkable muddle over the official inquiry into the death of Mr Henry Marshall, an agricultural official, is not new. Mr Marshall, who was looking into Mr Estes's cotton ventures, was found dead in a field, apparently shot with his own rifle and was pronounced a suicide. The case was reopened when it was pointed out that Mr Marshall had seemingly been shot several times with the rifle and that the bolt of the gun would have had to be pulled back each time. But only three of Texas' two hundred and fifty-four counties employ a qualified medical examiner to undertake such inquiries ; two years ago one justice of the peace who had given a verdict that death was due to natural causes changed his mind after the undertaker reported that the deceased had a bullet in his chest. This is one of the reasons why Texan criminologists suspect that Texas has probably nine undetected murders for every one that is investigated.

Mr Estes's financial empire appears to have blown away like the tumbleweed that grows around Pecos, the small town in West Texas where he lived. Pecos has about twelve thousand inhabitants and is two hundred miles east of El Paso. After walking along the main street for only three or four blocks, one finds oneself on a magnificently broad highway which seems, however, to be heading into blank and burning desert. But this is deceptive, for Pecos is famous for its canteloupe melons and is the centre of a sort of West Texas Gezira, where cotton is grown and irrigated with water pumped from six hundred feet underground.

Mr Estes's luxury home, estimated to have cost $100,000, is on a street corner in a surprisingly unpretentious neighbourhood even for Pecos, which is not a pretentious town. Most of the cost seems

to have been incurred in building a sort of guesthouse, which was put up originally in order to accommodate the former President, Mr Truman ; as it turned out he declined Mr Estes's invitation to stay there. Mr Estes, an ardent churchgoer, is said to have referred to God as his business partner and to have warned competitors who refused to knuckle under to him that "My Partner and I will fix you." One of his enterprises in Pecos was an ornate funeral parlour, with thick, soft carpets, silk-quilted coffins and a large chapel. It now appears singularly forlorn, as indeed does his house.

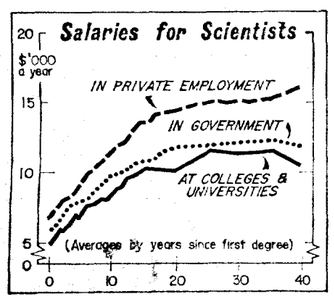
If the Estes affair has not caused enormous stir in Texas, where interest is focused on oil and on the new space industry rather than on cotton, ammonia and grain, it divided Pecos sharply. The suggestion that many of Mr Estes's fertiliser tanks might not in fact exist came first from a Pecos newspaper, the *Independent*, published twice weekly. The *Independent* was recently acquired by two brothers whom the town's other newspaper, the *Daily News*, partly owned by Mr Estes, accused of being members of the extreme right-wing organisation, the John Birch Society. Members of the society were said to patrol the streets of Pecos at night, armed with guns and announcing their intention to "put down vice." In Pecos they would probably have been hard put to find any. The only excitements that Pecos has to offer, now that Mr Estes has departed temporarily or permanently, are a marshal, wearing a ten-gallon hat, who is investigating Mr Estes's tangled affairs and the remittance man of a well-known American family, who is said to have taken up his abode in Pecos in a trailer with his Mexican mistress and to make a living by keeping bees.

Science Under Contract

THE federal government pays for over two-thirds of all the scientific research and development which is done in America—it plans to spend over $12 billion on this in the coming twelve months—but about 80 per cent of the work is done under contract by private firms, colleges and universities and other non-profit bodies. This resort to outside specialists arose partly because of the growing technical complexities involved, partly because the sheer volume of work outstripped the government's resources—it spent only about $100 million a year in this field before the war—and partly because of the scarcity of scientific talent and facilities.

Another factor has been civil service restrictions. These limit the salaries which may be offered to scientists and are particularly damaging in the upper ranges; for at least the past ten years the government simply has not been able to attract the men and women it needs. In 1960 alone about 500 senior scientists left.

For all these reasons a number of government departments, and particularly the newly independent Air Force, which had a great deal of money to spend and no tradition of doing its own research, turned after the war to private profit-making firms, educational institutions and non-profit-making bodies ; about 350 of the latter have been created, some of them by arms of the government itself. They are free to pay high salaries ; the Institute for Defence Analysis, for example, is said to have paid $40,000 a year for one man while Dr Getting, the head of the Aerospace Corporation which runs the Air Force's missile programme, receives $75,000 compared with the annual salary of $22,500 paid to Dr Webb of the government's space agency. Private firms, which dangle high salaries before government scientists, protested loudly when their own men were enticed away by their fast-growing rivals, the "non-profits" as they are called. The House Appropriations Committee has twice cut money destined for non-profit institutions because it disapproved of their salary scales and because it suspected that such "think factories" were usurping the government's decision-making powers.

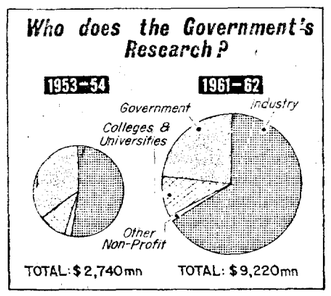


Last year the President appointed a committee under the chairmanship of Mr Bell, the Director of the Bureau of the Budget, to survey the whole field of contracting for research and development. Its report, which Mr Kennedy approved when it was submitted at the end of April, concludes that there is no alternative to the present system and that there are great advantages in the mobilisation of all the country's scientific resources for public purposes. But the committee argues, in wonderfully lucid English for a government document, that the system of contracting can be made more effective and less costly and that it is urgent to strengthen the government's own scientific competence ; this has been undermined by undue reliance on outside contracts.

The committee sees a real risk that decisions on basic policy may slip, either deliberately or by default, into private hands unless the government has scientists able to judge the feasibility and desirability of a project, to choose who shall carry it out and to evaluate the results. Another advisory group, headed by Dr Astin of the Bureau of Standards, thinks that the government should be able to pay up to $25,000 or $30,000 a year for top scientists. But it is not just a question of raising government salaries, as the President has already asked Congress for permission to do, or of preventing private bodies from paying excessive ones by means either of sharper competition or closer supervision of costs. Government scientists also need refresher courses and challenging work—which is assigned too often at present to independent contractors—and do not like to be by-passed by outsiders over important decisions.

The report makes a number of useful recommendations about the techniques of contracting for research, but its most interesting discussion concerns the novel conflicts of interest which are now arising. It is relatively simple to guard against individual scientists succumbing to the temptation of turning inside information to private profit—a matter which exercises members of Congress. So far the conflict of interest laws have not been rewritten, but earlier this year the President issued new regulations for government consultants which would have made it impossible, for example, for General Putt to be appointed chairman of a board advising the Air Force while he was the head of a company receiving contracts from it.

But the report points out that the public interest may suffer in other, less obvious, ways. A conflict of interest may arise when a firm employed to give technical advice on a project is allowed, at a later stage, to compete for production contracts. This difficulty is now understood more clearly ; apparently the General Electric Company may be excluded from much of the production work on the Apollo "man-in-the-moon" project because it has been given a contract for preliminary work and supervision. The report points out that even non-profit-making institutions are not immune ; they have stakes in securing further contracts for research and in their own success and reputation. Finally, quite outside the government, there is a whole interlocking directorate of scientists and businessmen who may be exposed to conflicts of interest. They may sit both on the boards of universities which advise the government and on those of firms which are competing for production contracts for weapons or space craft.



Big Brother's Burden

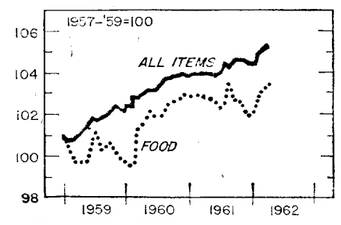
WITH the news that Mr Edward Kennedy had won the endorsement of the Massachusetts Democratic Convention for the seat in the United States Senate once held by his brother, people began to take seriously the current Washington canard about there being enough Kennedys in political life to hold the Presidency in turn until the President's daughter Caroline is old enough to run. To be sure, "Teddy," as he has been known in the bitter battle with Mr "Eddy" McCormack, the Massachusetts Attorney General, is not yet certain of the nomination. Mr McCormack, nephew of the conservative Boston Democrat who is Speaker of the House of Representatives in Washington, has sworn to fight on until the Democratic primary election in September. In Massachusetts politics, as intricate as they are nepotistic, a party convention's choice can be over-ruled by popular vote in the primary. And Mr McCormack, aided by his own blond, Celtic good looks, as well as by his uncle, hopes to convince the voters that the Kennedy machine put unfair pressure on convention delegates by offering postmasterships and other federal jobs, while threatening McCormack supporters with loss of patronage and even investigation of their income tax returns.

Young Mr Kennedy—just turned 30, the minimum age for a US Senator—may be, in fact, unbeatable, considering the power of his name and his family's performance-tested campaign organisation. Yet success would not be without its dangers as the President, who is said to have opposed his brother's candidacy, undoubtedly realises. Republicans would have new ammunition for their "too many Kennedys" charge and Mr Edward Kennedy's inexperience (and his confession of having cheated in a Harvard examination) make him far more vulnerable than the President or than Mr Robert Kennedy, the US Attorney General. Moreover, President Kennedy's entire legislative programme in Congress could be jeopardised. The defeat of his nephew could turn the influential Speaker from a half-hearted into a dedicated enemy of the White House, delivering a beating to every cherished Administration project.

There is also, of course, the risk that Mr Edward Kennedy may lose. Mr Edward McCormack is respected in Massachusetts as an able Attorney General, who helped to expose vast corruption within the state's government. Whoever wins the Democratic nomination, the Republicans should profit from the Kennedy-McCormack feud. The candidate they seem most likely to choose at their convention this weekend would be a strong one: Mr George Cabot Lodge, the son of former Senator Henry Cabot Lodge, Jr, from whom President Kennedy won the Senate seat in 1952. To have a Republican Senator elected from his home state would be a devastating blow to the President's prestige. No matter how much the Kennedy clan protest that the youngest brother is "on his own," they must be acutely aware that whatever happens to him in Massachusetts will affect the White House.

CONSUMER PRICES

In the last four months the cost of living in America has gone up by .7 per cent more than it did in the whole of last year. It is thought that there was another rise in May but officials still do not regard the increases as inflationary.



Sins of the Testers

THE President's call for shelters against nuclear attack, which caused so much excitement nearly a year ago, has rolled off American backs ; nothing seems likely to be done at this session of Congress about the proposed $6 billion joint effort—on the part of federal and state governments and individuals—to provide 235 million shelter spaces by 1967. But when the Public Health Service reports that nuclear tests have caused a rise in the radioactive pollution of milk the pickets march at the White House and worried mothers turn to dried milk. Even so the danger to health is largely a matter now for the experts. Early this month they reported to the Joint Congressional Committee on Atomic Energy new developments and changes in their views since the last radiation hearings three years ago. The purpose of the new hearings was to review the permissible limits for exposure to radiation and to make sure that everything was being done which should be done to protect the public.

Even among the government's own advisers, there is considerable difference of emphasis. The Federal Radiation Council, made up of Cabinet and sub-Cabinet officials, published at the beginning of the month a report—its first—which stresses the fact that the biological effects of fall-out from tests up to the end of 1961 have been much smaller than those caused by natural radiation. The report, the gist of which was presented to the congressional committee, sets out official estimates—lower than many unofficial ones—of the genetic damage which radioactive fall-out is likely to cause ; the committee is more doubtful whether the low-level radiation caused by the tests will actually increase deaths from leukaemia and bone cancer. The number of children likely to be born with gross physical or mental defects, as a result of the tests, to Americans now alive is put at about 110 in the first generation compared with from 4 to 6 million defectives who would have been born in any case. For the whole world the figure is given as about 1,200 in the first generation and possibly 50,000 for all generations. President Kennedy saw these figures before he decided to resume nuclear testing.

A much more critical report—released by the Administration only belatedly and under pressure—emphasises the gaps in the government's knowledge and performance, both in the field of detection of radiation and of counter-measures. The National Advisory Council on Radiation, which is composed of scientists, recommends that all responsibility should be centralised in the Public Health Service and that its funds in this field should be raised at once from $16 million to $25 million and eventually to $100 million a year. Gaps exist which may not be dangerous today, but might become so quickly. Indeed, Dr Morgan, the committee's head, testified that if the Soviet Union resumes testing in the Arctic permissible limits of exposure may be exceeded in several American cities which received a heavy dose of radioactivity last autumn. Radioactive debris, including the short-lived iodine 131, which is so dangerous to babies, settles much more quickly from tests in the Arctic than it does from the American tests on the equator.

Too Many Roads to Rome

WHATEVER the uncertainties in her personal life, Miss Elizabeth Taylor has firmer financial expectations than does the Twentieth Century-Fox Film Corporation from the relentlessly spectacular *Cleopatra* which has finally reached its long-awaited asp in Rome. Miss Taylor is assured not only of the highest salary ever paid to any star for any film but also of a substantial percentage of the world-wide rentals. Twentieth Century-Fox, on the other hand, having poured $30 million into the epic from which it is desperately trying to shoo the adjective "ill-fated", must wait and see which comes true: the claim of Mr Spyros Skouras that it will be "the greatest grossing film of all time" or the fear of an anonymous Fox official that a *Cleopatra* fizzle will "make us the biggest parking lot in Beverly Hills".

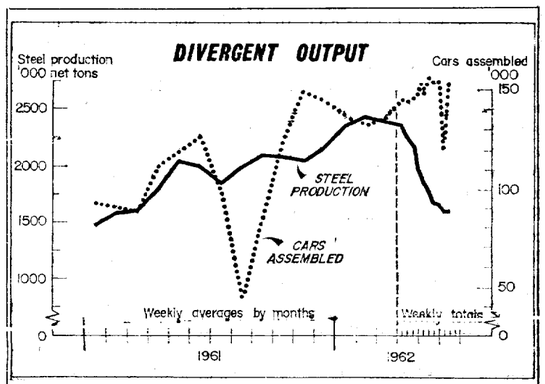
Yet even if *Cleopatra* succeeds in erasing the sting of the $2 million investment just abandoned on the Marilyn Monroe film, *Something's Got to Give*, not to mention the operating loss of more than $22 million suffered by Fox last year, it will not do much to restore Hollywood's reputation as the film capital of the world. The title has been claimed by Rome and indeed Italy, not to mention Japan and Britain, led America in film production last year. A film not only made in Italy, but in Italian, won for Miss Sophia Loren the Academy Award—the highest compliment of the American film industry whose own labour force, at 24,000 or so, is smaller by 6,000 than it was fifteen years ago. Three Hollywood trade unions have threatened to picket "runaway films" made by American stars abroad, whom they accuse of being un-American; Mr William Holden, they complain, by living in Europe not only escapes the 90 per cent tax on his high income but also, by luring producers overseas, deprives American film workers of $7 million a year. Other targets of Hollywood's wrath are the subsidies and quotas established by foreign governments, favouring films made by companies registered within their countries.

In the gloom pervading Hollywood, there is bitterness toward the demand for bigger, gaudier films. Producers seek greater returns from fewer pictures, risking larger, even catastrophic, losses. Metro-Goldwyn-Mayer, Inc., with its quarterly profit last March one-eleventh of that in March, 1961, is worried about *Mutiny on the Bounty*. That epic ran $9 million over its $10 million budget. But hovering before the troubled producers of the "blockbusters" are visions of *Ben Hur* ($48 million earned so far on an outlay of $15 million) and *The Ten Commandments* ($70 million for $14 million). But such glittering prizes too rarely follow the soaring costs, largely the result of rising salary scales and pensions, and neither Hollywood nor Washington is of the temperament to take one suggested solution, a subsidy for the film industry.

Not a Picayune Item

THERE is nothing paltry about Mr Samuel Newhouse's venture into New Orleans last week; he paid $42 million, the highest price ever given for a press property in the United States, for the city's two newspapers, the *Times-Picayune* and the *States-Item*, already published jointly with a combined circulation of 250,000 and a profit last year of almost $2.5 million. These additions bring Mr Newhouse's collection of daily papers up to eighteen, a number equal to the present total of the Scripps-Howard chain and well ahead of the now attenuated Hearst empire. But in terms of circulation Hearst still comes first with over 8½ million; Mr Newhouse's papers sell about 4¾ million copies and the Scripps-Howard circulation is 4¼ million. Mr Newhouse is also part-owner of four other newspapers, of two magazine chains—one of them the Condé-Nast group, bought reportedly when his wife asked him to bring *Vogue* home when he came—and of two radio and television stations. He owns three more of these outright and the whole package is worth over $200 million.

It does not contain, however, a daily newspaper with a national circulation. The properties are spread all across the country, from Portland, Oregon, where Mr Newhouse owns both papers, through Denver—the *Denver Post*—to Syracuse, New York, where again he owns both papers, one Democratic and one Republican. Mr Newhouse is proud of being an absentee owner, leaving undisturbed the people who are already running a paper when he buys it and allowing his editors freedom to express their very differing views—ranging from liberal to segregationist—and to handle their papers as they like. His criterion, according to a recent interview in the *New York Herald Tribune*, is that a newspaper should inspire confidence in its readers and serve the community. If it does these things its income, both from circulation and from advertising, will be healthy, says Mr Newhouse, and it will be a sound property which he will be ready to buy if he does not own it already.

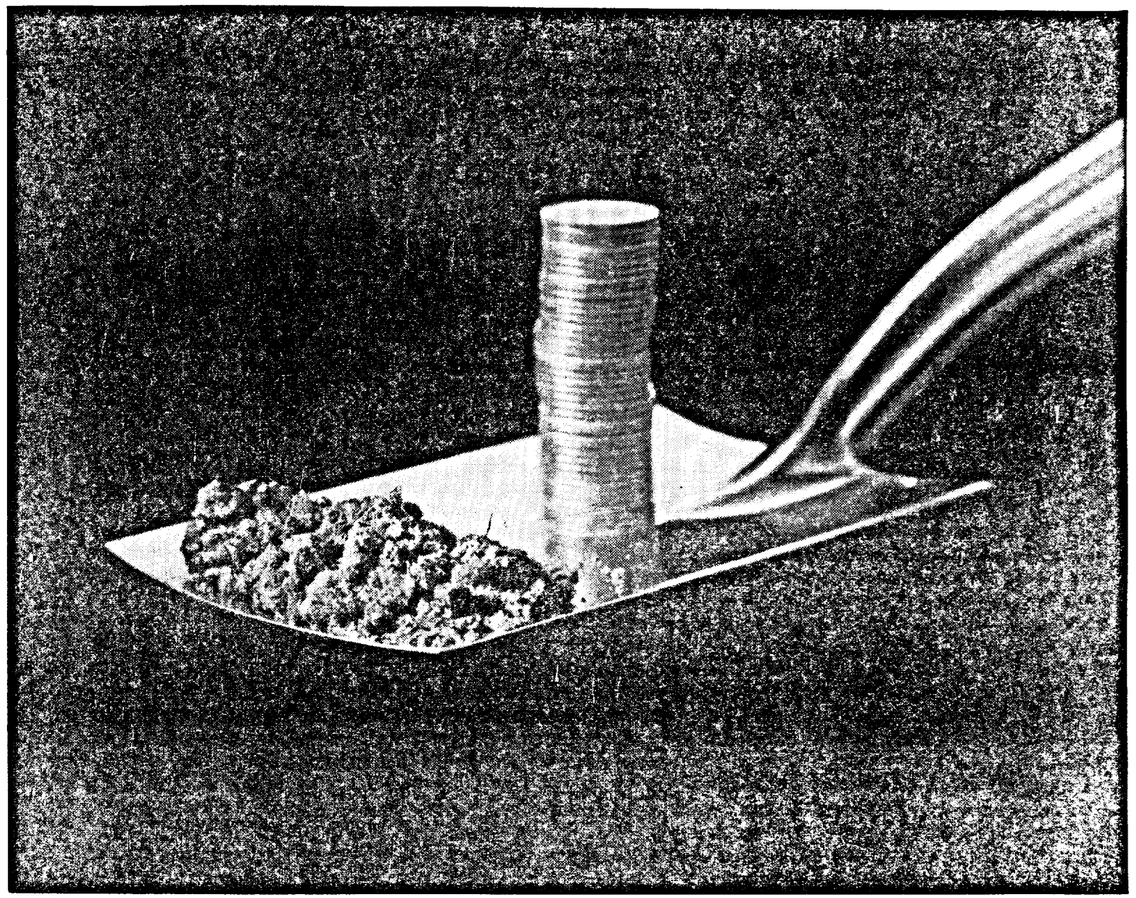


ONE of the odd manifestations of the present confused state of the American economy is that the two leading industrial indicators, usually linked closely, are moving in opposite directions: production is going down disturbingly at the steel mills while the number of motor cars coming off the assembly lines is going up to record levels.

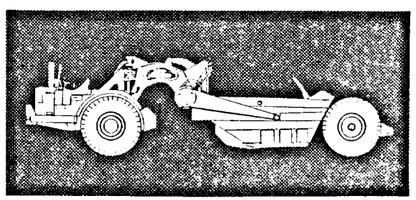
The main reason why the steel industry was urged to reach an early settlement in this year's labour negotiations, which it did, was to avoid a heavy build-up of stocks by consumers in anticipation of a strike; this would have brought a sharp slump in demand once the danger was over. Yet there has in fact been such a slump; steel mills were working at 80 per cent of capacity until the wage agreement was signed at the end of March, three months before the old contract expired; now they are down to only just over 50 per cent. The bottom has probably not yet been reached; the summer holiday season is coming and so is the period when motor manufacturers change over to their new models.

They, unlike other users of steel, do not seem to have any doubts about the future of the economy; the slump on Wall Street has not yet affected sales of motor cars. But the automobile industry must be following the current tendency to work with far smaller stocks of steel than used to be considered practicable. Otherwise, even allowing for the huge reserves built up earlier in the year, it would hardly be able to hold its steel purchases to present levels. For in May more cars were produced than in any month for over two years and sales were nearly up to the record of 1955; the industry has been doing almost as well in June, once it got over the Memorial Day holiday week.

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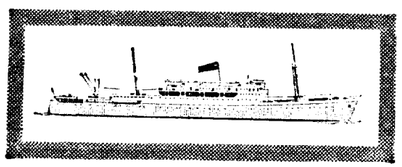
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THE WORLD OVERSEAS

The Turkish Dilemma

BY OUR SPECIAL CORRESPONDENT

ANKARA this week has been taking its latest political crisis quietly. In the raw, untidy, unfinished city, plonked down in the middle of the Anatolian plateau and dominated on all sides by the bare Anatolian hills, there has been little more tangible than a spate of contradictory rumours to upset the appearance of normality. But the politicians have been working overtime. Behind closed doors they have been meeting in their various party groups to cabal and manœuvre, to argue and exhort. Some have been expelled, others have resigned ; some have come to an agreement, others to blows. Absorbed in the struggle for power, and dominated by their political discords and personal animosities, they are playing fast and loose with the future of parliamentary government in Turkey. With the army watching, quietly but with interest, in the wings, they must be aware of this. But Turkish democracy, although old enough to have bred deep and bitter political divisions, is too young to have developed much of a knack for political tolerance and compromise.

The present crisis broke more than two weeks ago, but had been simmering for much longer. It arose because the Justice party (the successor to Mr Menderes's Democrat party), although a partner in the coalition government with Mr Inönü's People's Republican party, was apparently determined at whatever cost to secure a more or less immediate amnesty for the 350-odd Democrat politicians now imprisoned in Kayseri gaol. In recent months the obstructionist tactics of the Justice party deputies in parliament had virtually brought the government to a standstill, although some critics say the government might have pushed its legislative programme more vigorously. With skill and patience the prime minister, Mr Inönü, edged his way towards a compromise which would satisfy the Justice party without being more than the army would stand. On May 25th the executive committees of the two coalition partners settled for an arrangement under which all the politicians in Kayseri gaol would be released by the end of October except for 47 who are serving sentences of 15 years or more. But the parliamentary group of the Justice party would accept this compromise only with the addition of further concessions. Mr Inönü, pushed too far, dug in his heels and on May 30th, to the general surprise, handed in his resignation. Within a few days President Gürsel had asked him to try to form a new coalition. This week he was still trying, hampered in his task by the cathartic and convulsive effect of the crisis upon the PRP's three possible coalition partners.

Inside the Justice party there has been a violent and bitter struggle between the extremists and the moderates, who believe the party ought to co-operate with Mr Inönü in a programme of social and economic reforms ; at one point last week the party's imminent dissolution seemed possible. The extremists, led by the party leader, General Gümüspala, had apparently been determined to gain the maximum political credit in the country by forcing Mr Inönü to accept a more or less immediate and complete amnesty for the Democrat politicians. The general was under strong pressure from his powerful provincial bosses ; an inexperienced politician, he overplayed his hand. The inmates of Kayseri gaol may well have now lost their chance of liberty in the immediate future. (But since their existence in Anatolia's only centrally-heated gaol, with unlimited visitors, letters, books and food parcels, is far from uncomfortable, they may be better off (and safer) where they are for the time being.) The maladroitness of the extremists seemed likely at first to give the moderates their chance. But General Gümüspala summoned his provincial trusties to the capital, and at a meeting of provincial delegates last Sunday the extremists borrowed a leaf from Mr Menderes's book and simply steamrollered their opponents into silence and defeat.

Nobody (least of all they themselves) thought the moderates in the Justice party had much chance of success. Perhaps they will anyway be better off if, as seems likely, they form an independent group supporting Mr Inönü. On Thursday the prime minister seemed to be on the point of forming a coalition with the help of the two smaller parties, the New Turkey party and the Republican Peasants National party which has already sloughed off its extremist elements. A reasonably homogenous government along these lines would be much better placed to carry out economic and social reforms than the improbable partnership of incompatibles that has just ended (although, to be fair, it must be added that the members of the cabinet insist that they worked well and amiably together).

THE encouraging thing about Turkey today is that in spite of the political turmoil there is at long last a real sense of urgency and of purpose about dealing with the economic and social problems of an under-developed country with a soaring birth-rate, whose economy was gravely mismanaged under the Menderes regime and then allowed to stagnate after the revolution two years ago. That revolution has stirred up the Turks to think, talk and agitate about their social and economic problems in a far more lively and urgent manner than they have ever done before. A state planning commission has been set up and is working at full steam ; it hopes to present its five-year plan to parliament next month, and to start it off next year. The planners do not lack talent, enthusiasm or idealism ; and they seem to have made a real effort to win the understanding and co-operation of private enterprise. The chances of getting sufficient foreign aid seem reasonably encouraging. Foreign pundits who have studied the plan have, on the whole, been impressed, although they fear the Turks may be over-confident in aiming at an annual increase of 7 per cent in the gross national product. But whether or not the planners prove to have been over-ambitious, they may well develop into an important influence on the political scene.



Dogged Mr Inönü

In principle there is not all that much difference between the political parties about the immediate reforms that need to be tackled—land reform, tax

reform and a reorganisation of the costly and unprofitable state enterprises. But in practice their differing views, particularly for and against *étatism* or free enterprise, will give them plenty to quarrel over. Above all, a large dose of political courage is required to go through with any reform. The land reform bill just published is bound to be strongly opposed by the politically influential big landlords. Tax reform, in particular the taxation of agricultural incomes which hitherto have been left virtually untouched, poses such tricky problems that no firm proposals have yet been worked out ; a report on tax reform by Mr Kaldor has been received with respect for its ingenuity, but some dismay for its political explosiveness if carried out.

The problem for the Turks now is not merely whether they can produce a politically strong government, but whether any parliamentary regime can deal with their economic and social problems—which in a sense they are much better placed to tackle than ever before—so long as the political rift in the country between the PRP and the ex-Democrats remains so deep. Many people feel that the military regime made a bad mistake in holding elections so soon after the end of the Yassiada trials and the execution of Mr Menderes (if the trials and the executions had to happen at all). At that time Mr Inönü, in order to retain the army's confidence, did not feel able to condemn the executions publicly, although he did so privately. Whether or not for this reason, the unpalatable fact remains that he does not now enjoy the support of a majority of the electorate. He does, however, enjoy—more than any other politician—the support and confidence of the army ; and at this particular juncture that may be more important.

Nobody quite knows how much the army will stand from the bickering politicians. Its senior officers did not enjoy running the country, and it is believed that they will not embark lightly on the same task again. They are thought to have asserted their control over the younger officers who attempted the coup last February ; but this is something no one can be quite sure of. Inevitably, at this time of crisis, when the parliamentary experiment is limping so badly, extremist talk, either from the right or the left, obtrudes more obviously. There is also talk of some sort of guided democracy, made palatable by being called a return to Ataturk's principles ; or of a constitution along Pakistani lines. It is hard to say what it all adds up to. Mr Inönü, when talking to your correspondent on Monday, emphatically declared that there could be no retreat from full parliamentary democracy. Most Turks probably share his dogged determination to make the parliamentary system work. But they will certainly have to exert themselves vigorously if the clock is not to be turned back once again.

The Ulbricht Shopping Story

FROM OUR BONN CORRESPONDENT

THIS weekend, on what has come to be distinguished in the German calendar as the Day of National Unity, west Germany will be observing the ninth anniversary of the east German rising of June 17, 1953. As usual, teams of young west Germans are already trekking to the zonal border. There, they will be kindling beacon fires on commanding heights to signal their flickering pan-German hopes to whoever may be watching beyond the barbed wire. Dr Adenauer has planned to pay one of his rare visits to Berlin in order to speak, along with Burgomaster Brandt, at a mass meeting outside the city hall. In sequestered Bonn, members of parliament, senior civil servants and the diplomatic corps, including the British ambassador, will be assembling in the Bundeshaus by the Rhine to hear a protestant theologian, Professor Helmut Thielicke, discourse on the theme of the day.

There is an unusual accompaniment to this year's ceremonies. The Bonn government is having to decide whether it is proper to help the regime that still compels 17 million Germans to be citizens of the communist world and that schemes unabashedly to rope in the remaining 52 million as soon as the going is good. The west German public has been joining in the discussion ever since it heard about this quandary at the end of May. But for the government, the question was first posed on February 13th. On that day Herr Behrendt, a departmental chief in the east German ministry for internal and foreign trade, in the course of a routine meeting in Berlin with Herr Leopold, the west German interzonal trade negotiator, intimated that east Germany was interested in increasing imports of west German hard coal (at present running at 500,000 tons a year) by three million tons a year, in all probability for the next ten years. At subsequent meetings Herr Behrendt added that east Germany would like also to take substantially more machinery and industrial equipment from west Germany than had been arranged in the current trade agreement and, perhaps, some drugs, medicine and food into the bargain. The total cash value of the tentative east German supplementary shopping list that had emerged by the end of April was estimated to be approximately DM 3,000 million—DM 2,500 million for 30 million tons of hard coal and DM 500 million for industrial equipment and the rest. Herr Behrendt proposed that the bill should be settled at east Germany's convenience and that payment should be in kind, partly in brown coal, but largely in oil. (It is assumed in Bonn that the oil would be of Russian origin and available after the pipeline from the Soviet Union to east Germany has been completed.)

PROBABLY there would have been less of a to-do in west Germany than there has been over all this had the government been not quite so secretive. As it was, the public—and even some cabinet ministers—heard incoherent reports of "demands for credit" by east Germany just when the people's police were incurring even more than their usual odium because of their unsparing fire on desultory fugitives from the Democratic Republic. Their mood was voiced by Herr Lemmer, the minister for all-German questions, who came unheralded to a routine government press conference in Bonn in order to call attention to the killing of "at least forty" fugitives since August 13th, and to declare that in his opinion no credits should be given until shooting along the zonal and Berlin sector boundaries had ceased. Shortly before, at the Christian Democrats' party conference in Dortmund, Herr von Brentano, the former foreign minister, who now leads the party in the Bundestag, had altogether rejected the idea of helping Herr Ulbricht tide over a difficult spell of housekeeping. And Dr Adenauer had suggested that the opportunity should be used to persuade Herr Ulbricht both to demolish his uncivilised wall and to promise not to obstruct the traffic between the Federal Republic and west Berlin.

It has since become more widely understood that no formal application for credits has yet been received from the east German regime, and also more generally agreed that should it come, generosity would be the best policy. Even those who advocated, at first, that aid should be given in the form of food and medicines of immediate value to the population, rather than of supplies for heavy industry, are now conceding that it is heavy industry's products that enable the regime to buy such alleviations as the Polish potatoes that have come to the rescue of east German kitchens this spring. At the same time it is being sensibly recalled that economic dealings, however much to the Federal Republic's disadvantage for the time being, provide one of the few remaining possibilities of the two parts of Germany keeping in civilised touch with each other, and that Herr Ulbricht will no more live for ever than Dr Adenauer.

Herr Leopold in Berlin has been instructed to ascertain more



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precisely what is in the east German regime's mind. There is much that is obscure to the west Germans. Why, for instance, if east Germany is so desperately in need of medicines as to be suggesting that more should come in from the west, did it import only DM 1.4 million worth of them during the first quarter of 1962 when the interzonal trade agreement would have permitted twice as much? Many west Germans are disturbed by the news they receive from doctors and friends of the grave shortages in hospitals, surgeries and chemists' shops. Indeed, it has been suggested that one of the conditions on which economic help should be given might be a lifting of the ban, imposed on October 17th last year, on medicines being sent through the post from west to east Germany.

Having boasted in 1958 that his east German Democratic Republic was well on the way to overtaking the west German Federal Republic economically, Herr Ulbricht must be finding it galling to have to make soundings in 1962 for even temporary assistance. The first west German reactions angered him: Dr Adenauer's talk of conditions he dismissed as "political blackmail." *Neues Deutschland,* under the banner headline "Lemmer Lies and the Truth," ingeniously explained that the east German move was no more than a big-hearted attempt to help keep the Ruhr miners in work. Herr Lemmer will also be addressing the gathering in the Bundeshaus on the Day of National Unity. As he admitted sadly to his audience of journalists in Bonn last week, there is plenty of grist these days for the mills of those who like to point out how beastly the Germans can sometimes be to each other.

False Calm Before the Storm

FROM OUR OTTAWA CORRESPONDENT

On the eve of Monday's general election, the Canadian scene presents a bizarre contrast between the seemingly carefree attitude of the public and the grimly foreboding prophecies being made by most economists, financiers and business men. The political parties have been complaining of apathy; but, as the *Montreal Gazette* wisely observed, voters are not so much apathetic as perplexed. The concluding campaign speeches by the party leaders are not helping to clarify the financial crisis apprehended by Bay Street, Toronto, St James Street, Montreal, and Wellington Street, Ottawa (the home of the Bank of Canada and all the principal government departments).

A vague sense of uneasiness is widespread. The devaluation of May 2nd is already bringing some increases in retail prices. Paradoxically—but it is a paradox that goes to the heart of Canada's exchange problem—the first to catch public attention were for export products: petrol, bread and beef. Crude oil, wheat and cattle are all exported at United States price levels. Mr Alvin Hamilton, the minister of agriculture, was the first to boast that devaluation would bring higher prices to the farmers. But the oil refiners and distributors and the butchers who jib at absorbing the loss by keeping domestic prices where they are have incurred a thunderous denunciation from Mr Diefenbaker, who promised "drastic and effective action" against people who raised their prices. Mr Hamilton echoed him more fiercely, although the government's authority in this matter is slimmer than President Kennedy's was in the case of steel. Not surprisingly, the public is confused. Most people know that prices must rise, but many of the pure in heart still wonder whether devaluation was a good thing or a bad thing.

The Liberals, headed by Mr Pearson and Mr Walter Gordon, proclaim it as the culmination of Tory mismanagement, and they promise "to save the dollar", but they still give only vague hints of what they probably know must be done. Mr Diefenbaker has reverted to the style of election oratory he does best, denouncing and ridiculing his opponents. But he has had to say that further social welfare measures would have to depend on increasing national output, and he has been noticeably reticent about a number of eye-catching projects—a second transcontinental highway, a second transcontinental oil pipline and a grandiose national development fund—which the eager young advisers in his entourage have been pressing on him. He is trying to turn the tables on Mr Pearson by accusing him of making promises in every speech and at every whistle stop, and by calculating the cost of these promises in terms of income tax. His estimates increase with the efflux of time rather than with Mr Pearson's speeches. Last Monday it stood at an extra 5½ per cent on the income tax.

In fact, the critical state of the Canadian dollar has put a stopper on the promises of both party leaders, though not necessarily on those of their local candidates. Mr Pearson, whose basic theme is the need for better management, has naturally been more outspoken about the stern measures that may be necessary to restore Canada's financial credit than Mr Diefenbaker can be. Mr Diefenbaker's basic theme is that the Liberals are spreading "doom and gloom" and plotting to undermine Canadian freedom as, he says, they did until 1957.

But the most significant promise of all came from Mr Donald Fleming, the minister of finance, in a voice more muffled than is his wont or desire. Mr Fleming obviously appreciates better than any of his colleagues or his opponents the message of the markets. In the exchange market, the Canadian dollar has been held above its new International Monetary Fund floor for several weeks only by use of the exchange fund. The bond market, which is sagging anyway, would have gone the way of the stock market but for the intervention of the government's new purchase fund. Cynical market operators have remarked that Mr Fleming is selling United States dollars out of the reserves to uphold the Canadian dollar, and using the proceeds to buy in his own bonds. Incidentally he is also expected to redeem a $250 million issue maturing on June 15th which is held mainly in the banks.

All this coincided with the most formidable Liberal attack Mr Fleming has ever faced in his own constituency of Toronto, Eglinton, which has always been regarded as a safe Conservative seat. It has been mounted by Mr Mitchell W. Sharp, formerly an assistant deputy minister of finance, a deputy minister of trade and commerce (under Mr C. D. Howe), and latterly the vice-president of the Brazilian Traction Company. With admirable organisation and a large band of volunteer helpers, Mr Sharp has turned Mr Fleming's safe seat into the most dramatic battleground of the campaign.

As if this were not enough, Mr Fleming was confronted last weekend with the most unkindest cut of all from his own colleague, the same Mr Hamilton, who lashed out, not only at oil companies, bakers and butchers, but also at the exchange rate. He said 92½ cents was only a compromise between the conflicting views in the cabinet, and that he thought the rate should be 90 cents. This produced a statement from Mr Fleming that the present rate was definite and final; he took care to add that he had first consulted Mr Diefenbaker. The effect on the markets was not perceptible. But Mr Fleming did undertake that the future financial and economic policies of the government would be "of a character which involves no further reduction in the value of the

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Canadian currency." If he defeats Mr Sharp in Eglinton, if Mr Diefenbaker forms a new government, and if Mr Fleming still holds the finance portfolio, this might be the announcement of a new regime of financial austerity such as the financial community desires.

But these are all big ifs. Mr Diefenbaker's campaign appears to have revived after a setback that had an obvious effect on the prime minister's nerves. Mr Pearson has probably played his trumps. The Conservatives confidently promise to win 140 to 160 seats. The Liberals are equally confident. The outcome evidently depends on just how uneasy the public really is. The Liberals like to compare the present unease to the 1957 revolt against the old Liberal regime. If it is as strong as that, there might be a Liberal sweep. If it is just a puzzled disquiet unaccompanied by any wave of confidence in the Liberals, then Mr Diefenbaker will be back in power.

Green Light for Fanfani

FROM OUR ROME CORRESPONDENT

ITALY'S "opening to the left" (*apertura a sinistra*) has come through its first electoral test with flying colours. Voters at the local elections on June 10th showed themselves unmoved by the dire warnings from the right that the left-centre government coalition is about to wreck the galloping economy and open the door to communism. Sunday's vote, though limited to a tenth of the national electorate, is a mandate to Signors Fanfani, La Malfa, Saragat and Nenni to go ahead and show what they can do.

The Christian Democrats, who knew they stood to lose some votes, reckoned they could safely drop 5 per cent, but no more. This was the calculated risk of the *apertura*. In fact, their share has gone down by only 1.8 per cent (from 33.3 per cent to 31.5 per cent of the total votes), while the coalition as a whole has moved forward, though very slightly. This was due to the remarkable progress of the Social Democrats, who advanced their share from 3.3 per cent to 5 per cent; while the Republicans manfully held their tiny ground of 1.1 per cent. The Nenni Socialists also had no losses, although they were exposed to some heavy firing from the left. The result confirms the value of Socialist independence and suggests that the closer the Nenni and Saragat parties draw together the more likely they are to prosper. Signor Saragat, the leader of the Social Democrats, has won more votes since he approached the Nenni Socialists than when the two parties stood on opposite ground. For the first time since the end of the war, the Communists have had a setback, even though it was of less than one per cent (from 23.8 per cent to 22.9 per cent of the total). Already isolation seems to be producing the ill effects that the Communist leaders dread.

These results are the more remarkable because the voting was concentrated in central and southern Italy. Rome, Naples, Bari, Foggia and Pisa were the chief cities concerned and in all of them, except in Pisa, the right-wing parties, both extreme and moderate, are stronger than they are in the country as a whole. Fascists, monarchists and Liberals counted on this fact to give the left-centre a whacking and so discredit the coalition before it has started on its job. But while the extreme right unleashed a virulent and intemperate campaign, particularly in Rome, where the fascists were responsible for some disgusting incidents, the Liberals, though they attacked the government most bitterly, took care to dissociate themselves from the non-democratic right. They have been rewarded by doubling their votes, which rose from 2.8 per cent to 5.7 per cent of the total. This is comforting in that it shows that, even in the south, voters are beginning to prefer a reasoned and responsible conservatism to the nostalgic or hysterical postures of the extreme reactionaries.

In the climate of the Italian economic miracle, monarchists and fascists are becoming eccentric. This fact may discourage vested interests and pressure groups from sustaining the extremists and trying to use them as shock troops against the government. This is what seems to have happened in Rome, where the neo-fascist MSI had more money to spend on their campaign than all the other parties put together. In spite of the expenditure—and the violence—they gained only one additional seat, which was brought to them by a dissident monarchist. On the whole, the two extreme right-wing parties have lost ground even in Naples, where Signor Lauro's monarchists, though still the biggest party, lost five seats.

While the overall results of the elections are not difficult to read (proportional representation makes the reading easier), local situations remain difficult and extremely varied. The elections were being held in places where a paralysis of local government had resulted from the deadlock between the political parties and where a prefect's commissar was operating in place of an elected mayor. In Rome the deadlock still exists, at least on paper. The four parties of the *apertura* (Christian Democrats, Social Democrats, Republicans and Socialists) hold exactly half the 80 seats. The Communists have 19 seats, the MSI have 13, the Liberals have 6 and the monarchists have 2. A left-centre junta could only operate with Communist support. It might get this, but the Vatican, which has given its unofficial blessing to the *apertura*, might be reluctant to allow things to go that far in the holy city just when the oecumenical council is about to meet. Naples is also difficult. The monarchists and the MSI have only 29 seats out of 60 and, even with the support of the two Liberal councillors, they would find it difficult to stay in power. Pisa is a problem city for the Socialists. The Communists have beaten the Christian Democrats on votes and each party has 13 seats out of 40. Will the Socialists turn their backs on the Communists and prefer a left-centre junta? Signor Nenni says they will.

Spanish Diehards' Revenge

FROM A CORRESPONDENT

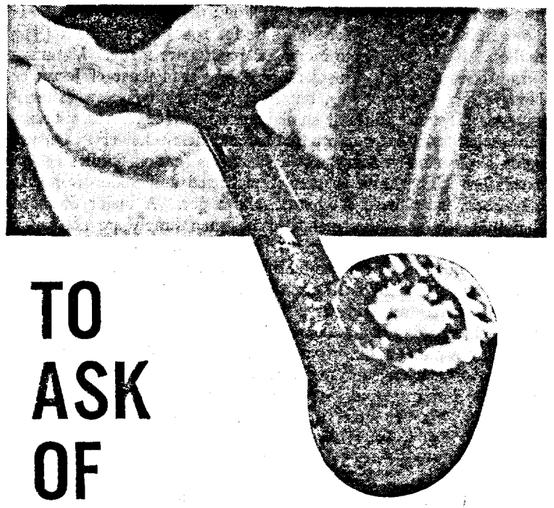
SR GIL ROBLES, leader of the conservative wing of Spain's underground Christian Democrat movement, received a standing ovation when he told the European Movement conference at Munich last week:

> We, the Spaniards of the interior, are happy to have discovered a complete identity of views with the Spaniards of the exterior. We are agreed on the need to create in Spain, progressively and without violence, a regime based on freedom of expression and permitting free trade unions.

Before leaving Madrid Sr Gil Robles had given the Spanish foreign minister, the cardinal-primate, and the chief of the general staff an outline of the kind of speech he intended to make. Although he personally was eager for a showdown on the issue of Spain's political fitness for membership of the European Economic Community, in the hope of forcing the "European" wings of the army and church to declare themselves, his friends expected the government either to ignore the Munich congress or, at most, to impose a fine on the Spanish participants. But the diehards of the ministry of the interior and the falange were already viewing the pro-European movement with suspicion. The Munich meeting played into their hands.

A decree was issued suspending for two years the right of Spaniards to reside where they please. Spaniards returning from Munich were interrogated by the police and then given the choice

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of exile or deportation to the Canary Islands. Sr Joaquín Satrústegui and other leaders of the liberal monarchist *Unión Española* opted for the Canary islands. Sr Gil Robles and Sr Prados Arrarte, head of the economic intelligence section of the Banco Central, chose freedom and exile.

The Spanish press, obeying government directives, described the Munich congress as an ultra-secret communist-influenced gathering whose aim was to subject Spain to "capitalism, communism and freemasonry." The arrest of a hundred members of an underground "Popular Liberation Front"—inevitably described as communist inspired—was announced. Leaders of Catholic Action were persuaded to publish a statement dissociating themselves from the Munich conference and denying that their organisation had helped the Asturian and Basque strikers. When a new strike was declared in Bilbao the two engineering firms affected were ordered to lock their workers out, and 35 "ringleaders" were arrested.

Sr Prados Arrarte, probably Spain's most brilliant economist and not a man given to hyperbole, told journalists on his arrival with Sr Gil Robles in Paris: "These are the throes of a regime which knows that it has not long to live." The diehards and dogmatists, discredited by last month's strikes, are trying hard to make a comeback, and the regime's information media are busy flattering the communists by attributing the blame, or credit, to them.

Self-Help in India

FROM OUR CORRESPONDENT IN INDIA

INDIA is taking its new foreign exchange crisis seriously. With reserves as low as they have ever been, drastic steps to cut imports and reduce unauthorised losses of foreign exchange were announced last week, while the export drive, long talked about, is at last being tackled with the urgency it deserves.

What is new is not so much the crisis as the sense of crisis. The failure of the "Aid-India club" (the group of contributing governments) to cough up last month gave a sharp final blow to the confidence which had been slowly corroded by months of common market negotiations. Everyone has known and said for a long time that the exchange position was shaky and something must be done. Now, for the first time, one can sense a determination to do it. There is an atmosphere of "export or die" that is reminiscent of Britain a dozen years ago.

The immediate difficulty is the simple and probably short-term one of money in the kitty. The reserve bank's sterling balances are down to £75 million, gold reserves to £89 million. This is not, in itself, an alarming situation: India could approach the International Monetary Fund for another loan (it drew £44 million last summer); the Aid-India club will be meeting again soon; and anyway this is always a bad season for the balance of payments. But Mr Desai, the finance minister, has made it clear that he is not interested in merely short-term remedies.

To begin with he has ordered a 50 per cent cut in the quotas of commercial importers, and cuts "on merit" in the quotas of actual users of raw materials and components. These cuts will be reconsidered in the autumn if the short-term position improves. There is not really much scope for cutting imports. Imports of raw materials and components have been restricted to the point where many industries have substantial capacity that they are not using. Consumer goods—most of them necessities—are only 18 per cent of the total bill of £719 million in 1961-62, against 30 per cent of a slightly larger bill ten years ago.

Several measures are to be taken to prevent the illegal outflow of exchange. Till now it has been possible to go abroad with Rs. 75 (£5 12s. 6d.) and a ticket. Those who did—perhaps half of all travellers—are suspected of being supported abroad in return for rupee payments to their hosts' agents in India, which were then repatriable in foreign currency. Over-invoicing of imports and under-invoicing of exports, to leave a private balance abroad, may now be punished by up to two years' imprisonment. Exchange regulations for study abroad will be tighter. Intensive measures against smuggling are planned. (This is no joke: £1.9 million of smuggled gold was seized last year, and undetected smuggling may be twenty times as much.

THE root of the problem, as Mr Desai stressed, is exports, which are meant to supply more than half the foreign exchange requirements of the Third Plan: £2,775 million against £2,400 million from foreign aid, including American surplus food. This implies a yearly average of £555 million; the target for 1965-66 is £638 million. Against this, the figure for 1961-62 was about £507 million. The obstacles to increased exports are many. Manufacturing costs are high, considerably higher than those of Japan or Hongkong; wages are low, but so is productivity. Raw material supplies are uncertain and sometimes unduly expensive. Transport bottlenecks hamper production and delay delivery. Quality control is generally below world standards (cotton textiles are an exception). The home market is protected and under-supplied: consumers have to take what they can get. A major obstacle, therefore, has been that many businessmen simply are not much interested in exporting. Exports are difficult and unprofitable; selling at home is as easy as falling off a log into a feather-bed.

The newly-created minister for international trade, Mr Manubhai Shah, has set himself to change this situation. It can be done: enterprising manufacturers have sold cameras to the United States, transmission line towers to New Zealand, electric fans to Canada, diesel engines to Britain, sewing machines all over Europe. The state machine tool factory has sold lathes to west Germany. For the more traditional exports—tea, jute and cotton textiles, in that order, still form roughly half the total—the problem is one of vigorous selling. There are already a number of export promotion councils for each industry, and a variety of export incentives, all of which have not had more than moderate success.

New measures include the appointment of a director of incentives, a director of transport to look after the movement of ores and other bulk commodities, and the establishment of export promotion cells in the ministries of agriculture, railways, mines and fuel, and steel and heavy industries. The provision of export credits and credit guarantees is being studied. Losses incurred in the development of new markets will be insurable through an existing government agency for export risk insurance. The state trading corporation is to give selling help to small industries (which may prove a mixed blessing to them). A "revolving fund" is to aid the export industries with their raw material imports.

One of Mr Shah's first moves was to establish a board of trade, consisting of leading industrialists and government officials, whose job will be to advise on exports. This could have meant just another committee. But its first meeting on June 9th was notable for its common sense and its lack of waffle. It is drawing up a code of commercial practices and organising quality control and pre-shipment inspection.

On the business side, there are signs that manufacturers are preparing to do more than plead for incentives. The cotton mills have accepted a 12½ per cent export quota of production, which carries a penalty if not met. Some industries have adopted, and others are considering, "export pools" which would help to push exports from the profits of the home market. The much neglected field of export advertising and selling—complaints here are familiar to a British observer—is beginning to get proper attention. It is too early to cheer, but it looks at last as if complaint and exhortation may evolve into action.

BP IS THE KEY

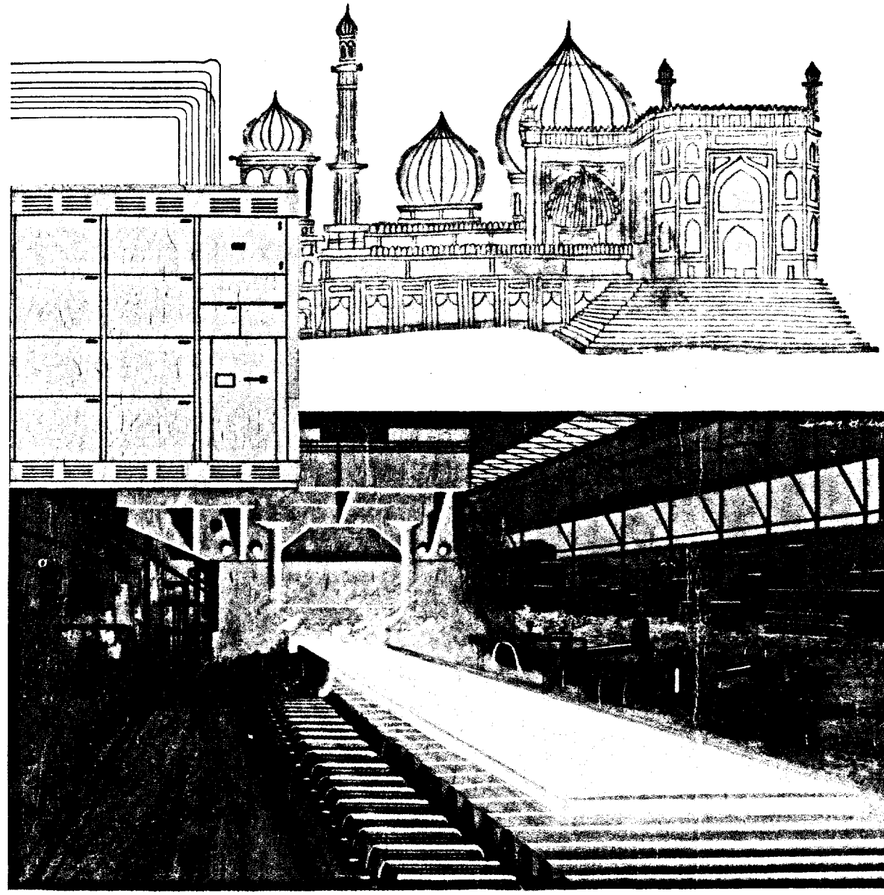
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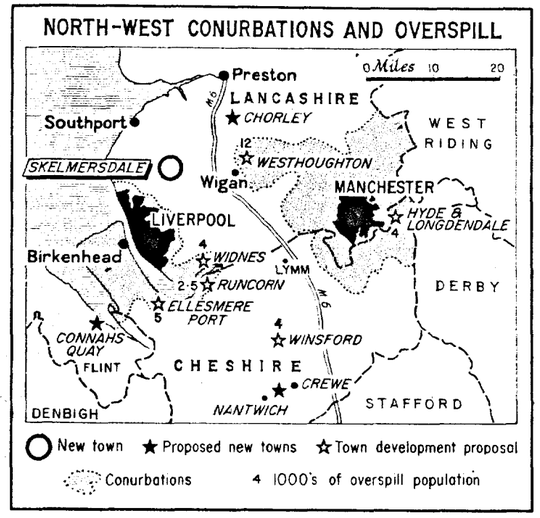


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HOME REPORT

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



The Road From Wigan Pier

FROM OUR SPECIAL CORRESPONDENT

To its inhabitants the "north-west region" is a statistical abstraction, whereas Lancashire and Cheshire (which mainly comprise it) are real places. Particularly, of course, Lancashire—yet within this robust and self-aware county local pride is also unusually strong, and the citizens of Burnley and of Liverpool seem sometimes (to themselves) to be inhabiting different planets. Increasingly, however, the problems of this populous industrialised region are becoming interwoven, and the Town and Country Planning Association's conference at Southport this week is a first modest attempt to seek out also some common solutions.

Foremost among the north-west's problems is the haunting fear of industrial decline. In recent years the decline of cotton and coal has been matched by the growth of the chemicals, engineering and vehicle industries. Nevertheless, the region's share of approved new industrial floor-space was lower for the decade 1951-60 than its proportion of national employment, and over half of this industrial development was concentrated (with Government assistance) in the "problem area" of Merseyside. The drift of workers to the Midlands and the south is now accelerating, and there are understandable fears that entry into the common market might set off a serious economic decline.

Yet the north-west has enormous assets of industrial enterprise and facilities, skilled labour and sheer grit. To sustain these assets the living and working environment needs to be transformed. It is here that the planning problems multiply. There is a miserable backlog of bad housing. One in every five dwellings is a statutory slum (including 40 per cent of Liverpool's houses), and as many again are almost slums. There is a serious shortage of housing sites near the still congested conurbations of Merseyside and Manchester (which Dr Hill has been seeing round this week) and the Government-inspired development of the motor industry on Merseyside will add considerably to this housing pressure. There is the close mesh of the old cotton and coal towns, often now unfortunately located and looking to outsiders (but less often to their citizens) as if they should either be rebuilt or scrapped.

How should these problems be tackled? The first point to recognise is that this is overwhelmingly an industrial region where 90 per cent of the vast population lives in urban areas and follows urban occupations. The greatest need is to find the best sites for new housing and industrial expansion. In point of fact population and industry are already moving southwards and westwards within the region. Natural (as opposed to Government-inspired) industrial growth is most marked in a central zone lying between the Manchester and Merseyside conurbations and extending south into mid-Cheshire and (potentially) north into mid-Lancashire. The building of M6 (by 1963) will emphasise this pattern trend. Population is also moving, or trying to move, into north Cheshire and the Lancashire coast and plain, where living conditions are far pleasanter than in Merseyside tenements or Manchester slums, or than in the outwardly grim Pennine towns.

The planning authorities are doing far too little to help and co-ordinate these movements; too often they seem to obstruct them. Lymm (still an excellent site for new development) was sacrificed to the agricultural lobby and replaced by Westhoughton, less satisfactory for housing and industry. Over three-fifths of the land available for housing in the Manchester conurbation is on the north side, yet it is southward, as land prices show, that people want to go (where annual sunshine may be almost twice as high). Green belts seem something of a fad in a region like this, especially as its vital recreational areas are the gregarious coastline (which needs far more care) and the lonely moorlands. Yet the green belt is pressing Birkenhead families into ugly, expensive flats to save grimy fields a few miles off.

If the north-west is to be really worth living in, a very large volume of improved housing is a necessity. In each of the Manchester and Merseyside conurbations (defined on a rather extended basis as shown on the map) a minimum of 100,000 slums ought to be replaced in the next twenty years—which will still leave Liverpool with slums up to almost 2000 AD. A reasonable replacement rate of other obsolescent dwellings will require at least a doubling of these figures, and perhaps half of all this replacement housing (public and private) might be put on the old sites. To this 100,000 "overspill" for each conurbation must be added prospective new households and the meeting of existing shortages, which will require something like another 100,000 dwellings in each area even if some continued migration to other parts of Britain be assumed.

Thus if the authorities plan for half-a-million houses in new schemes (which allows for some movement, too, from Pennine towns) they may be somewhere near the mark. Present allocations, including Skelmersdale new town, fall woefully short of this figure. Some of the new developments must, for reasons of industrial growth, be fairly close to Manchester and Merseyside, and no green belt theories or local government rivalries should get in the way of picking the most accessible and pleasant sites. Equally obviously, as much of the new development as possible ought to be away from the conurbations on sites with good industrial potential.

To meet this purpose the TCPA is proposing three substantial new towns—one at Leyland-Chorley (near the M6), one just inside Flintshire on the route to North Wales and the third at or near Crewe. While site selection is open to detailed argument, this

general design would effectively open up the region for new growth without just creating urban sprawl. In particular the Crewe project would cash in on transport and industrial advantages, and if built up (as tentatively suggested) to a 300,000 population figure it would also offer a stimulating essay in town design.

The sound development of the north-west turns upon new initiatives by the Government and the local authorities, whose functions divide neatly. The Government's task is to get going the major new developments. This must mean the establishment of new town development corporations, who alone could initiate town expansion on the necessary scale while leaving much of the housing—perfectly reasonably—to private enterprise. (By contrast local government overspill schemes are geared mainly to public housing, and are palpably too limited and localised to do this task.) An essential part of the new policy is to encourage industries to move into the new towns instead of to Merseyside, but this makes good economic sense. It is certainly a better way of stimulating development in the north-west than the provision of more employment in an area of congested housing and living conditions.

A principal task for the local authorities is to guide and assist the redevelopment and growth of the Manchester-Merseyside urban belt. Since at present this is the task of 14 county boroughs and 2 counties, many of them at loggerheads, the poor results are not wholly surprising. The Local Government Commission has a free hand to make proposals for two special review areas centred on Liverpool and Manchester, but the designated areas are far too small to permit an effective overhaul. Anything like the Tyneside or London solutions of a regional urban authority could not work within such narrow compass, especially as such large cities have somehow to be digested by the new authorities. If Dr Hill doubts the case for extending the special review areas substantially, he should be persuaded to spend another three days up there just to look at this problem. Most certainly he would then give the commission the elbow-room it needs for proposing local authorities that are more equal to formidable new tasks. The north-west deserves to be rescued from its own frustrating and partly accidental parochialism.

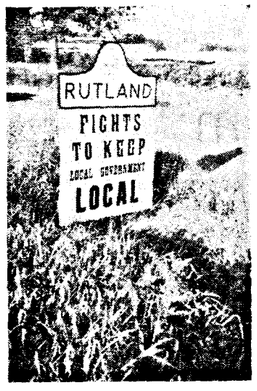


Manchester's backlog

Rutland's Last Stand

FROM OUR SPECIAL CORRESPONDENT

THE sweetness of early summer is nowhere sweeter than in England's smallest county. Rutland is genuinely famous for its fox-hunting, and well-known in the more recondite world of butterfly collectors for the presence of such living ornaments as the Greasy Fritillary. From within the county can be seen the red metallurgical smoke from the steelworks at Corby in Northamptonshire, the only sign of the world of heavy industry. True, ironstone is mined in Rutland: what the locals like about it is that it ensures the future of their railway services, and that the workings can be restored to agriculture within a couple of years after extraction. RAF bombers swoosh overhead, and right beside the Great North Road a battery of Thor rockets points (as the locals insist) towards the east. But this military activity takes its place alongside the fat Midland cattle as the second prop of a cream-fed rural economy that has always relied on farming and garrisons as its two main industries.



Rutland's warlike feelings are now directed not against the possible victims of the Thors, but at the dire schemes of the town-bound Londoners. The Local Government Commission, taking a hard look at Britain's age-old provinces, has decided that Rutland should become a mere rural district of Leicestershire. Officially, the Rutland county council is to fight this proposal at a ministerial inquiry later this month. Unofficially the local leaders have started a campaign fund—and hired a high-powered and right-wing public relations firm with the proceeds—to carry the fight to the public.

The main argument of the Local Government Commission is that Rutland is too small to provide all the services that a county should provide. Rutland's contention is that—for a rural area—they get along very nicely thank you, and that there is no evidence that they would be better off if things are changed. There are 25,000 Rutlanders, with 4,200 of these in the county town of Oakham and 2,000 (including some 600 boarding-school boys) at Uppingham; Ketton may now have 1,000 people, while the rest are spread around in 55 villages. (The next smallest English county, Westmorland, has a population over 2½ times as large.)

There are plenty of jobs in the county, what with the air force, some efficient light industry in the towns, the ironstone workings, two public schools—and, of course, farming. The farmers, indeed, are very glad that there is an open prison in the county, as this can sometimes help to overcome the acute shortage of labour at seedtime and harvest. Ringed by the large towns of Leicester, Grantham, Peterborough and Northampton, and with Stamford (Lincolnshire) and Corby (Northamptonshire) right against the county line, the local leaders see no reason why they should be asked to take anybody's overspill or to take part in regional planning more than they already do. They argue forcefully that there are advantages in their miniature organisation that cannot be measured by outside standards.

LOCAL government in Rutland is a very personal affair. The name of the chairman of the county council adorns the local beer engines: his fellow councillors are the nobility, squirearchy and influential tradesmen of the region. Their position is rarely questioned by opposition in elections (although one recent by-election notched up an impressive poll of 71 per cent of the electorate). In politics the council is nominally Independent, which means benevolently Tory. The small area of the county means that councillors can take a direct interest in the sort of committee meetings that elsewhere are sadly neglected, or whose business is delegated to officials. Rutland's low salaries have been accused of failing to attract officials of high quality: but there are certainly some capable ones who have accepted low salaries for a pleasant office, a house in a pretty town, and close human contact with those who are being administered.

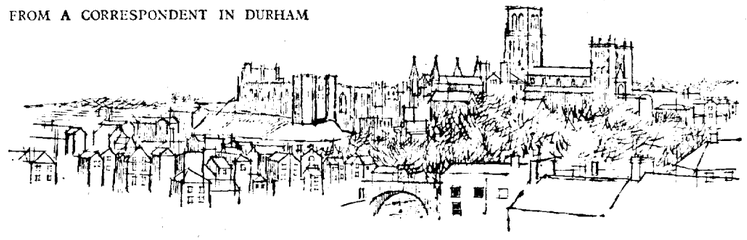
For those not in power or office, the first advantage of Rutland's administration is its low rates—perhaps the lowest in the country, and certainly 2s. lower than those in Leicestershire. But the council was criticised by the Local Government Commission for failing to provide certain services—notably in education. Rutland has no county grammar school (although it has one particularly fine new secondary modern school, used widely for adult education and technical classes in the evenings), but this has hardly been a handicap, for boys at least. The direct grant public school at Oakham takes over 200 day-boys paid for by the county and the Ministry of Education; other boys get a grammar-level education at schools just outside the county, with their fees paid by Rutland. Most of the grammar-school girls have to travel half a mile out of the county to Stamford High School in Lincolnshire, where again Rutland contributes to the cost of their teaching. There is no suggestion that by becoming part of Leicestershire the children of Rutland would be prevented from going to school in Lincolnshire or anywhere else near their homes. If subjects (such as Russian) cannot be taken within Rutland, no more can they in comparable rural areas elsewhere in Britain.

The county, in fact, depends on local enterprise and co-operation to get round its shortages of some specialists. This local effort can be of value when it comes to matters like home meals for old-age pensioners—for which Rutland does not pay a penny, since they are provided by voluntary bodies with close personal links with the county council.

Rutland is in the diocese of Peterborough, in Northamptonshire; it shares a member of Parliament with a part of Lincolnshire; with Leicestershire it shares a police force. It cannot provide all the services of a county council (nor, of course, can most counties: Leicestershire itself depends for some services on the county borough of Leicester), but it reckons that it is pretty well off. Amalgamation, its defenders argue, can only be justified if it will bring positive benefit to both parties. But the decision on its future must be a political one—and if Rutland is allowed to resist the imposition of cold logic on local government, who else might not claim to get away with it? Its only hope would be the emergence of regional authorities for really regional problems, in which well-run local councils (of all sizes) could find their own useful, and patriotic, niche.

Trouble on the Skyline

FROM A CORRESPONDENT IN DURHAM



DURHAM university is in the throes of an architectural war. Simply because its new buildings share a skyline with the Norman cathedral and the castle (once a palace of the prince-bishops but now the university headquarters) it has a responsibility, and a sense of being exposed to criticism, that other academic bodies trying to stretch out their capital grants do not necessarily share. Its critics say that this has not always inhibited Durham in the past. But the university is certainly in trouble now.

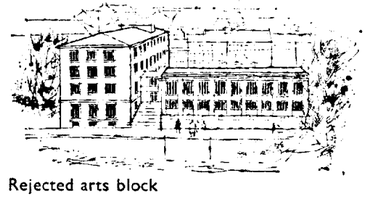
Its problem has been to find an architect who, within the financial limits imposed by the University Grants Committee, could design a new arts block which would not compete with the cathedral for attention, but yet would be of a design exciting enough not to lead the city fathers, the local newspapers, the students, and, worse, the county planning office, to label it (according to taste) an "architectural Munich," a cotton mill, or a new wing for Durham prison.

For these were some of the epithets applied to the first design for the £150,000 arts block prepared by the original architect, Mr Marshall Sisson. He envisaged an L-shaped block on a site on the opposite side of the river Wear to Durham cathedral. The main block, of four storeys, was to stand at right-angles to the river and the subsidiary block was to run along the river bank. The subsidiary was to have only two storeys to avoid obstructing the view of the cathedral.

The trouble was that when an artist produced an impression of the new block, hardly anybody in Durham outside the university really liked it, and a good few inside the university did not like it either. The main block was small windowed and severe, and the subsidiary, large-windowed neo-Perpendicular, seemed to be unrelated to the main block. It was promptly declared to look like a warehouse, or rather two, owned by different firms.

Mr Sisson commented bravely that this description did not worry him. "You get some very good warehouses in places like Manchester and Newcastle," he said. "It may look like a warehouse, but a damned good warehouse."

But in the context of the £3 million development scheme that the university is undertaking in Durham, the local planners put their foot down. They were strengthened in their opposition by the Royal Fine Arts Commission. The commissioners' report was not published, but it was said to take the view that "the whole conception showed little imagination or sensibility."



Rejected arts block

Mr Sisson replied that it was difficult to be exciting on what was allowed by the UGC. The design had been based on reason rather than romanticism and provided the university with what it needed.

If so, the city fathers voted against reason. For the first time the county council refused to pass university plans on architectural grounds and Durham city council followed suit by refusing planning permission.

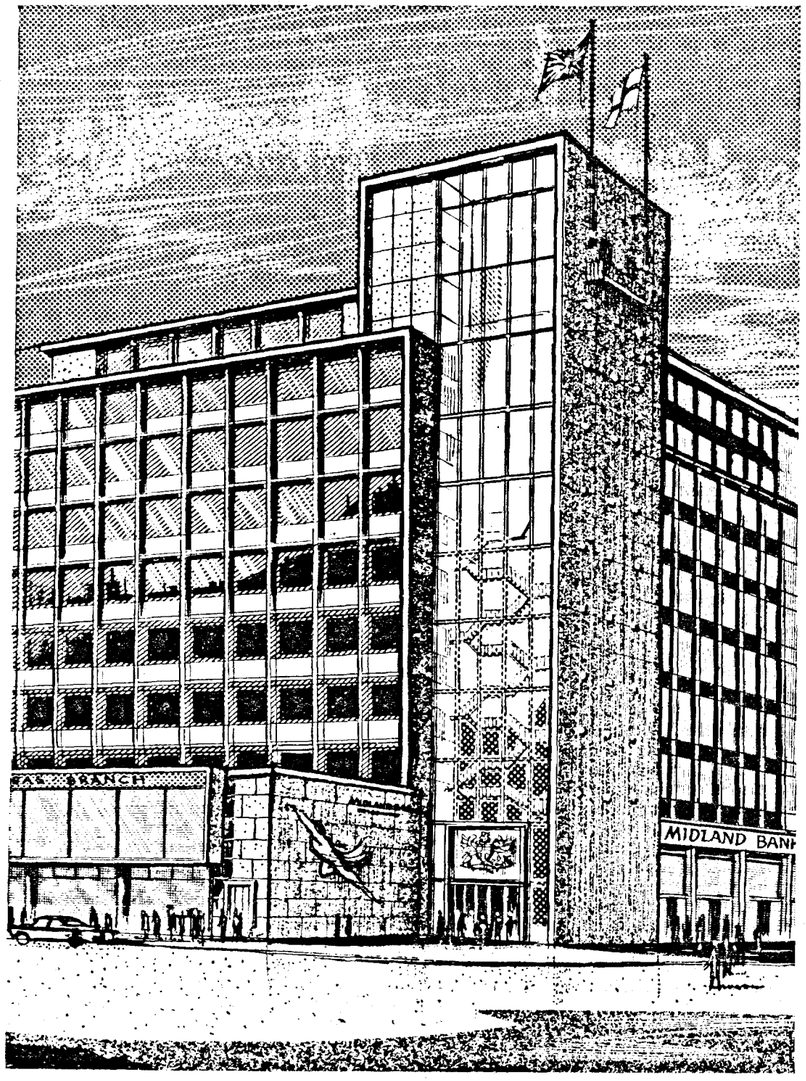
There was talk of an appeal to the Minister of Housing and Local Government, but finally the university decided to commission entirely new designs from a different architect, emphasising that Mr Sisson was continuing to work on two other projects.

Who is to inherit the arts block problem will not be decided until next month. One architect who is already working for the university is Sir Basil Spence. He is designing the new St. Aidan's College for women students to be built on a hill site south of Durham, and those who have seen his plans say they are "exciting."

IN the meanwhile, the university's arts department is likely to occupy Durham Shire Hall, the present headquarters of Durham county council. In September the council hopes to move into a new county hall (costing £2 million) on the outskirts of Durham, and the university is negotiating to buy the old one for upwards of £100,000.

Even harder things have been said about the old shire hall in its 65 years of existence than about the unborn arts block. With its domes, pillars, balustrades, and fussy ornamentation, the terracotta-faced building has been described as an architectural monstrosity and, more simply, a sore thumb. As it is, the new county hall has had its troubles. Before the Royal Fine Arts Commission would endorse the plans the site had to be changed and five storeys lopped off the height of the proposed building.

For, said the commission, if it had been left on its original site and as an eleven storey building, it too would have "competed" with Durham cathedral on the skyline . . . .



A NEW LANDMARK IN THE CITY OF LONDON...

The new building for the Overseas Branch of the Midland Bank has now been formally opened.

Situated at the corner of Gracechurch Street and Fenchurch Street in the City of London, this eleven-floor building is fitted with the latest aids to stream-lined efficiency and is air-conditioned throughout. And it provides accommodation for nearly 1,200 skilled men and women whose work is directly concerned with the many foreign banking services provided by the Midland Bank for those who trade or travel abroad. Long may we serve them.

Midland Bank OVERSEAS BRANCH

60 GRACECHURCH STREET, LONDON EC3

THE BUSINESS WORLD

A Common Market in Energy

In Luxemburg this week, the High Authority of the European Coal-Steel Community approved what is called a " document of synthesis " on the creation of a common market in energy, and this document was due to be formally adopted by an inter-executive group from the three European communities this Friday. The synthesis reached in this document has been mainly of the views of the common market commission in Brussels and those of ECSC representatives on this inter-executive group, which was given the task of formulating a " common energy policy " for the Six as long ago as 1959. If this synthesis of principles does become the core of long-term intentions for the energy market of the Six —if the governments, that is, can accept it—this may be another tribute to the adroit chairmanship of Signor Colombo, Italy's minister for foreign trade, who this week was displaying his virtuosity again in easing the way for negotiations over Britain's application to join ECSC. It would also commit the Six to aims of policy unlike those that most of them, as individual nations, appear to be following today—and quite unlike those currently pursued by Britain.

Signor Colombo was also in the chair at an informal gathering of ministers of the Six and members of the European executives—EEC, ECSC, and Euratom—which met to consider this whole question in Rome in mid-April. That private conference ended with the ministers asking the executives to present them with an agreed statement of principles for establishing a common market in energy in Europe (which was not precisely the same as a common energy policy), and adding that if these principles might require amendment of the treaties that set up EEC, ECSC or Euratom, the executives should assume that the treaties could be changed.

That informal conference in Rome asked the inter-executive group for its statement of principles within two months, which meant early June. At the time, it looked doubtful whether the Brussels and Luxemburg executives could reach agreement in the time. Some weeks ago, doubts began to be thrown on the ministers' anxiety for promptness, too: it was said that they could not want the statement for consideration until " after the recess." In the event, the executives did work fast together. The statement could have been ready for early June. As formally adopted by the inter-executive group this weekend, it will go to the individual ministers straight away. As a council, the ministers are due to consider it in the second part of their meeting that begins on July 17th—after first considering Britain's application to join ECSC.

A common market in energy for the Six, which the three executives are now defining in principle, implies the same sort of free trade across their national frontiers that is being developed for other commodities, and the same timetable as well. It embodies the same aims of cheapness and security of energy supplies that M. Robert Marjolin of the EEC Commission and M. Pierre Lapie of the ECSC High Authority were able to agree upon in European parliamentary debates earlier this year. And it accepts that for a region outrunning its domestic energy supplies as fast as the European Six undoubtedly are, the cheapness and security in question must be those of imported energy supplies—primarily of oil. There is no longer the assumption that coal can provide adequate assurance of security for a total energy demand expected to be about 40 per cent higher by the end of this decade, when the European common market comes into full operation.

By then, energy demand in Europe, the executives reckon, may be of the order of 700 million tons of " coal equivalent " a year, against about 500 million tons a year now. And even in physical terms, ignoring comparative costs, coal could hardly contribute anything to the extra 200 million tons. Oil will inevitably make up most of that increase. The question is simply how much more than that it will win—out of the market that coal still retains today.

The logical conclusion drawn from this in Brussels—and interestingly enough, accepted by the ECSC representatives in the inter-executive group—is that Europe cannot think of aligning the prices of cheap imported energy with those of more expensive home-produced energy; it must aim in the opposite direction. The price level which, by the end of a transitional period, energy sold in Europe will have to match must be the price of imports from secure sources. " Secure," in these executives' definition, does not include energy imports from the Soviet block. Russian oil and Polish coal are the only imports of energy on which they believe the Six should impose quantitative restrictions. A quota for these imports might be set as a percentage of total demand, rising in absolute volume along with that total. But they also consider that it should be a quota for the whole of the Six negotiated centrally with the Eastern suppliers, and then allocated as between countries or existing commercial importers; not left to individual countries.

As to other imports, this synthesis of views would keep the import of crude oil—as of coal—free of duty, and aim for a low import duty on oil products, with no quotas at all. Within the common energy market, there would at the end of the transitional period be wholly unrestricted movement of all forms of energy in trade between the countries. Within the countries, the aim should be low and " harmonised " duties on

oil products, particularly those that compete with other kinds of energy. Brussels would like to see black oil duties brought down to say $4 a ton by 1965 or so, and perhaps $2 a ton by the end of the transitional period in 1970. That level should eventually be the same within all countries; and in any revenue duties that might remain on products such as gasoline, there should be no possible discrimination against products from other countries in the communities. A low but not nil duty on oil products, and a low excise duty on oil products refined within the Community, would leave open the possibility of giving some preference to oil from associated territories, such as the French desire for Algeria. Neither the Brussels nor the Luxemburg executives appear to take any firm stand on this question; it is one which, if the security or price stability of oil from other sources than the Eastern block came into doubt, might be readily knit in with their basic objectives of cheapness and security. The Brussels commission is already, however, pressing for revision and eventual abolition of the tight state control that France maintains of its own internal market for oil products. With security in mind, once again, the Brussels commission wants Europe to hold larger stocks of oil than it does today.

FULLY applied, by the end of the transition, freedom of imports of energy from secure sources would have drastic effects on sales of coal within the European communities. Elaborate forecasts have been made, based on highly refined "energy balances" prepared in Luxemburg; suffice it to say that this policy could cut coal output within the Six in half. It is true that both executives favour some evening up of the conditions of competition between oil and coal, requiring publication of actual prices paid in oil bargains (even if only *a posteriori*) which might have some effect in moderating the discriminatory rebates that oil companies customarily give to one customer and another. But few of the coal experts in Luxemburg imagine that this would significantly stem the further encroachment of oil if imports were entirely unrestricted.

The principle that these executives—following the European Parliamentary Assembly—now feel agreed upon is that, if for social or other reasons it is decided to keep in being a margin of coal capacity over and above what could meet the price of imports, this margin should be supported by subsidies from general taxation, not by increasing excise taxes or putting quotas on imports. (The Brussels commission would like any subsidies to be general, to all mines, not simply administered to keep the highest-cost ones in inefficient operation.) Other allied measures might help: for example, making it worth while for electricity authorities to reserve most of their power station demand for conventional fuels to coal, or subsidising coal transport to distant Community markets such as Italy. (Comprehensive social policies of resettling and retraining miners, and helping to develop fresh industry in areas where freedom of imports would cause rapid decline, go without saying.)

The degree of decline in coal production that these executives envisage by 1970—even allowing for some modest margin of subsidised capacity over and above what can really compete—may have surprised the full High Authority in Luxemburg. When fully disclosed to coal producers, to help them plan their future investment, it may certainly surprise and dismay the coal industries of the Six (and indeed Britain's National Coal Board, waiting a trifle too blandly to be admitted to this club); and it will almost certainly provoke their lobbyists into perfervid political opposition. It may, also, unpleasantly surprise the politicians from the three coal-producing nations of the Six who sit on ECSC's council of ministers, which formally has the responsibility for deciding on a common energy policy. And the policy would probably require revision of the Treaty of Paris, under which the Coal-Steel Community was set up. It takes a specialised lawyer to decide precisely what can and cannot be done within the interstices of such treaties; but this one seems specifically to exclude subsidies of the kind now proposed. What is now proposed could almost certainly be fitted into the provisions of the Treaty of Rome, though there might eventually be convenience in some special protocol concerned simply with fuel. The question of uniting the executives that deal with the different forms of energy remains in the air, though this kind of policy would not absolutely demand it: but that question arouses tender national susceptibilities.

THIS synthesis of long-term aims for European energy may very well have a long way to go before it is accepted by the Council of Ministers of the Six, some of the members of which have recently been expressing cynicism about the possibility of ever reaching any common policy on energy. If it becomes accepted as defining the aims of policy, it will mainly draw lines of direction within which short-term policies will have to be devised or aligned over a transitional period—though it will set the directions towards which national policies should converge, and rather firmly. None of the six member countries except Holland and Italy has at present nearly as liberal a policy towards imports of energy as is planned here for the long term: and Italy may look askance at accepting limitations of security on its appetite for cheap Russian oil. Not all the short-term implications of the inter-executive groups new long-term policy have been fully worked out. Nor, perhaps, has the attitude that the administrative bodies of communities relying on imported oil should adopt towards the oil companies that deliver the imports or the producing countries from whose soil the oil comes—who themselves, too, are today busily preparing collective policies. Yet there is enough in the principles set down in this "document of synthesis" to encourage certain suppliers to the European energy market—and deeply to dismay others.

INVESTMENT SERVICES ON LATER PAGES

COMPANY AFFAIRS

Comments on pages 1159, 1160 and 1161 on:

Boots Pure Drug	Marks and Spencer	Courtaulds
Cater Ryder	Colvilles	Metal Box
Fine Spinners	J. Lyons	Smith's Potato Crisps
Ever Ready	House of Fraser	Daily Mirror
	Steel Company of Wales	

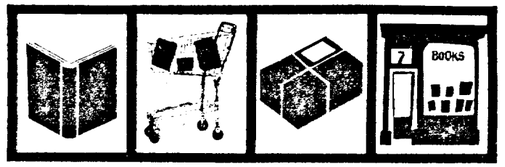
STOCK PRICES AND YIELDS

Stock prices, yields and security indices on pages 1162 and 1163

MONEY AND EXCHANGES

Money market report, exchange rates and public finance on page 1164

Who'll Buy a Book?



TRADITION holds that resale price maintenance in selling books began with Marshall's "Principles of Economics," published by Macmillan in 1890 for 18 shillings. Whatever Marshall may have thought, the practice has long since become accepted by both trade and public. Legally, individual publishers still have the right, like other manufacturers, to enforce net prices; it is their joint agreement to assert this right (the Net Book Agreement) which will come before the Restrictive Practices Court on June 25th.

Whatever the outcome, the case will throw light on an obscure trade. For an industry whose product is the printed word the book trade has strangely little information on record about is own fortunes. Nobody knows how many books are produced each year or how many are sold to the public—or can agree on the total value of sales. There is no uniformity of opinion in the book trade about its present prosperity or its future prospects—whether it is in a slow decline (disguised only by the gradually rising prices of both hard and soft cover books) or on the edge of an unprecedented boom.

The Publishers' Association reckons that publishers' sales in the home market (60 per cent of their total sales) were worth £45 million in 1960-61; to that wholesale figure widely-varying sales margins were added. This figure represented an increase of £6 million on the previous year, only partially attributable to the 1959 printing strike; yet the Association avers that, apart from sales to schools and public libraries, the home market for books is in decline, and that any increase in the value of sales to the public has been more than accounted for by rising prices. The official estimate of consumer expenditure on books, made by the Central Statistical Office, is more optimistic—indeed too much so. This estimates that in 1960 private individuals, quite apart from businesses, institutions and public authorities, spent £66 million on books (more than on magazines), compared with £43 million in 1955. Even though over £5 million of imports comes in to supplement the British publishers' home sales, this estimate may gross the publishers' estimates up with too high an average retail margin. And the ten per cent of this grossed-up figure that the CSO allows for "non-consumer buying," say, some £7 million in 1960, is certainly too low. In 1960-61 local authority purchases of school books in England and Wales, amounted to that alone, while in the same year public libraries spent £5.5 million on books.

Retailers of books, apart from the specialists who supply schools and libraries or cater for particular professions, certainly handle the sticky end of this trade, declining or static. They are hard hit by the public libraries (though some small general booksellers do supply their local libraries, and are glad to do so even at a mere 10 per cent margin). Even the success of paperbacks keeps the whole book trade running hard to stay in the same place, since a soft-covered novel is priced at perhaps a fifth of the hard-covered edition. A recent trade estimate was that 50 million paperbacks were sold in Britain last year; a guess on top of this estimate might be that these represented over a third of the total number of books sold but only 15 per cent of the retail value.

Undeterred by the acknowleged sluggishness of sales to the public, each year publishers bring out more and more new titles and editions (though initial print orders are often very small). Last year the record was again broken with a figure of 24,893, of which a large proportion fight for space in general bookshops along with a selection from the quarter of a million other titles already in print. The stock and distribution problems created by this agglomeration are enormous. Even if the most urgent need, the satisfactory filling of single copy orders, were met, this array of titles could no doubt be thinned to advantage without forfeiting its kaleidoscopic sales appeal.

What other factor, besides improved distribution, could improve the circumstances of retail bookselling? First of all one should perhaps make a distinction between books that are meant to be read and those that are meant to be referred to, or simply looked at. The first type of book relies on the existence of a reading public prepared to buy new books, while the other two can be sold to many people less concerned with reading as a "hobby" than with gardening or making model aeroplanes. But those people will buy books on gardening or model aeroplanes, and they may also buy dictionaries, encyclopædias, cookery books and travel guides. Non-readers, again, may buy expensive picture-books as gifts. They feel information is worth buying. The encyclopædia publishers every year sell thousands of multi-volume sets at around £100 a time, many to people whose only other contact with the printed page is through newspapers and magazines.

Some of this packaged knowledge lends itself readily to unconventional ways of selling and may be specially designed for it. But the greater part of the book trade in Britain is conventional (some would say this is putting it too mildly). Ten years ago the Publishers' Association found that 80 per cent of home sales were done through general bookshops (as against religious, educational, and other specialist booksellers). It is generally assumed that this is still the case—though general bookshops have meanwhile become more general and less bookish. The number of shops—including separate branches of the chains—recognised by the Booksellers' Association as booksellers has increased slightly, to over 3,000; the qualifications for recognition are lenient. Most book businesses are diluted with gramophone records, greetings cards or stationery, some to the point of being scarcely distinguishable from the shops which run books as a sideline. At most about 500 bookshops offering a reasonably wide range of stock and services to customers remain in the country. And it is a safe guess that only a small minority of these make out of books the sort of profits that would be considered reasonable in other forms of retailing.

UNPROFITABILITY is a chronic failing of bookselling. The average profitability may have improved somewhat since 1953, when the net profits of the new book departments of 12 representative shops averaged a mere £123 for every £10,000 of turnover. The last ten years, however, have seen not only the withering away of the most unprofitable concerns, but also a steady improvement in publishers' terms. The size and type of discount offered varies enormously. Educational and technical books have low margins, often 16⅔ per cent, on the principle that less risk is involved in a steady and calculable market. For general books (fiction, travel, poetry, cookery, etc.) 33⅓ per cent is a common discount, though single copy orders may get only 25 per cent, while if a bookseller is prepared to take several dozen copies he will get an additional quantity discount of 10 per cent or so. W. H. Smith, which reckons to sell about 20 per cent of the total sales of a really popular book and acts as distributor to its own branches, often commands a 40 per cent discount. Some publishers have taken to throwing in bonus incentives which encourage bigger individual sales, sometimes with the corollary of a service charge on single copies. An important change, too, in the past ten years has been the shifting of postal charges from the bookseller to the publisher.

Rising rents eat into improved margins, but an efficient and energetic bookseller today, even if obliged to occupy a cheap backstreet site, can earn at least a modest living from new books. If he does his job properly, big turnovers on popular titles—which he can help to make popular—should carry along the necessary stocks of worthwhile books of limited appeal. Less considerate or more commercially-minded retailers will not bother with worthy but slow-selling books, which depend more and more on the greater profits obtainable from the books that gain a big turnover.

SURVIVAL of worthy books—and booksellers—with a small turnover will undoubtedly be pleaded in defence of the net book agreement. The bookseller's favourite nightmare is a supermarket displaying hundreds of copies of the latest best seller below the marked price with the aim not so much of enlightening the masses as of attracting more customers for food and gadgets. This nightmare has come true in some American towns, with sad effects on local bookshops. The American use of books as "loss leaders" is only a by-product of the book boom there, in which between 1955 and 1960 sales are said to have doubled, to reach $1.2 billion. Part of this increase has certainly been due to massive direct selling, often at cut price, on a scale impossible through existing bookshops, though by no means always to their detriment. The choice of the Book of the Month Club, for instance, often creates a demand for that book in the shops.

Fixed prices do not prevent the use of direct selling here, though they probably limit its scale. Odhams Press, which specialises in instructional and "hobby" books, and the Reader's Digest sell specially produced books by mail order. The book clubs, now mostly unflourishing, also produce their own editions; if price maintenance ended they could make the more tempting offer of reduced standard editions. Yet wide coverage is even more important than price. The Reader's Digest with the unique advantage of its huge readership, sells hundreds of thousands of copies of each of its condensed books in Britain, which by retail standards thereby rank as among the very best sellers.

The recently formed publications department of the *Sunday Times* relies primarily on direct mailing to justify a six-figure printing of a fairly expensive book. The method used (borrowed from *Life* magazine which shares its first venture) is to offer a series of books at a "pre-publication discount" of 30 per cent. The scale of mailing indicates that the publishers must in fact rely on practically all sales taking place before official publication, so that the date of this and the eventual published price appear to exist mainly as sales gimmicks. Each copy of the *Sunday Times'* first book sold at 21s. will have cost almost as much in promotion. The minimum outlay on which to found from scratch a scheme for disposing of the bulk of a book's sales would be about £50,000, which would rule out the method for most books and publishers. But conventional publishers do sometimes use other variants of the pre-publication offer on a small scale to launch a book, and if retail outlets fail to expand they may eventually have to exploit these more seriously, perhaps to boost more than to replace retailing.

ULTIMATELY, any method of stimulating a mass market in books would benefit bookshops, though many of the small or weak—already in the most difficulty—might perish meanwhile. Eventually, a clearer distinction might be drawn between "popular" and "popular-with-the-literary" booksellers, who will always appeal to a minority. The book chains, which have no parallel in America outside New York, should ideally be the basis for expansion of retailing popular books. W. H. Smith might as wholesalers even find it possible to turn any serious efforts at supermarket retailing of hardback books into an asset; they are already supplying magazines to one of the John Gardner supermarkets. Paperback selling in non-book shops usually depends on supply by wholesalers (including Smiths)—though the collapse of Paperback Distributors Ltd. shows that unconventional outlets have to be carefully picked for profit. Only Lady Chatterleys sell everywhere. Alternatively store managers might be glad, as in some department stores they already are, to let out space to booksellers and/or publishers on a concession basis.

Literary bookshops depend on, and flourish alongside, a serious reading public. Buying for reading is a habit usually acquired in the late teens and generally lasts for life. More people can be expected to acquire it as and when more receive further education other than of a purely technical kind (though a good many university students still apparently regard book-buying as a means to passing exams only). The spread of provincial universities should provide a reprieve for several doomed local booksellers, as long as they can rise to the occasion. This may provide the opportunity and the incentive for publishers themselves, as some have in London, to put money into retailing. Someone, too, should put money into the people who do the selling; good ones are rare as gold but miserably paid. For it is the person in the shop who can encourage the book-acquiring habit, where this does not come naturally. At all levels, too, the desire to own a book as well as read it might be encouraged by national advertising of books as such, rather than individual titles. Publishers are already talking a good deal nowadays about a "reada booka week" campaign.

Markets in Disarray

For the third week Wall Street has demonstrated its fears for the future, spreading its gloom outward over the business community not only of the United States but of the free world as a whole. The dangers inherent in this process, to the economic prosperity, the currency stability, and the political strength of the west can hardly be overstated. These wider issues, and the combined challenge they present to the west's economic and currency managers (in leadership) and to its business community (in understanding), have been discussed in the last two issues of The Economist. *They have not changed, except to grow the more urgent as the toll on business confidence grows. The notes below and on page 1100 survey the latest damage.*

ON Wednesday this week Wall Street broke through its low point of sixteen days before. Whereas in the first and second weeks the market swung violently in both directions, in the first three days of this week it proceeded steadily downward. Over the three days the Dow Jones industrial average lost 27 points to 574.04, on a rising volume. This is a new low point for this year (though the *New York Times* average of fifty stocks is still above the May low). More significant is that the indices at present are only just above the low point which anticipated the recession of 1960. Almost the whole of the subsequent market recovery, therefore, which in turn correctly anticipated the real recovery in the American economy, has now been wiped out. That is consistent only with anticipation of another imminent recession —or else with sheer bewilderment and irrationality.

Wall Street in its present mood is not easily won over by words. It showed no positive response at all to President Kennedy's plea for, in effect, a Keynesian approach to budget thinking; while on Wednesday it may actually have been bewildered by the statement drawn by a Senate committee from Mr Dillon, Secretary of the US Treasury and a former investment specialist, that stocks should not generally sell at more than around fifteen times current earnings. That conforms very broadly with the average figure as it has been reduced by the market setback: but naturally there are many stocks still selling on much dearer prices. The verbal efforts of the Administration to change the course of events in the stock markets have been demonstrably inadequate, and may even have backfired.

London Looks to Gilt-edged . . .

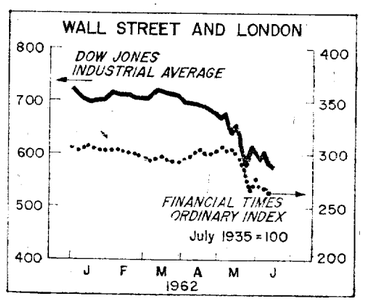
IN this setting, with no reliable indication of how far the Wall Street setback may go, and how wide its implications for the world economy may run, stock markets in London and on the Continent have generally followed quietly in Wall Street's shadow—and quite logically. Movements have not mirrored the movements on Wall Street so closely as in the first bewildering week, but the New York trend has clearly set the pace—at least until this Thursday in London, when equities began to rally in the wake of New York's overnight fall. On Wednesday the London equity market, as measured by both *The Economist* ordinary indicator and the *Financial Times* industrial index, had fallen to a new low point—and this is a low point since the pre-election anticipation of 1959, with falls of well over one quarter from the peak of just over a year ago. A continuing series of poor results from companies has been the more depressing against the background of a clouded world industrial prospect: and it is hard to see the reasoning behind Thursday's lone rise.

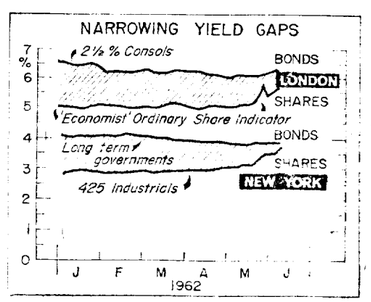
In this atmosphere investors, a little belatedly, have sought safety in fixed interest securities. Last week's large issue of £40 million by the London County Council has secured a warm response; its apparent failure, with 61 per cent left with the underwriters, was largely technical, as investors withdrew their firm applications in expectation of taking up underwriting commitments. This week in a very firm market the issue has reached a premium of three quarters of one point. The strength behind the gilt-edged market was demonstrated on Wednesday, when jobbers marked prices of long dated issues down in expectation of a reaction—which did not materialise. Prices went ahead again on Thursday.

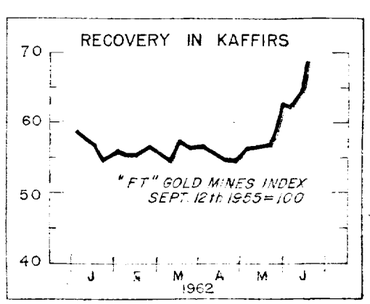
The changed investment climate is also starkly apparent in the pattern of new issues, with heavy concentration on fixed interest stocks. This week Castrol is raising £5.4 million in a 6½ per cent loan 1978-81, convertible into ordinary shares between 1964 and 1966 at prices only a little higher than the current 44s. A. E. Reed is to raise £5 million in a 6½ per cent debenture, 1987-92, at a price of 97—nearly five points below the price of a Dunlop debenture; and Whitbread is to raise £3 million in a similar length debenture, but with a coupon of 6¼ per cent—no price has yet been announced of comparable date; English Steel is raising £7 million with a similar coupon at a price of 96½.

. . . and to Gold

GROWING uneasiness among investors about industrial equities itself makes the relatively high yields on gold shares increasingly attractive. The increased strain that Wall Street's weakness threatens to bring on the United States balance of payments adds a further pointer to gold—for unless the monetary authorities of the west co-operate more extensively than they have shown signs of doing so far the prospect of an ultimate increase in the gold price will surely be increased. Finally, the steady improvement in the immediate economic outlook in South Africa adds a third attraction to gold shares at this moment. To-







gether, these influences have lifted London prices of Kaffirs by an average of 25 per cent in two months, with still sharper gains in individual stocks. The latest Bank of England bulletin shows that following net sales of South African securities of £16 million in the first half of 1961 and £22 million in 1960, British investors had stopped selling in the second half of 1961 (they were then selling Canadian equities), following the controls on capital movements out of South Africa. But substantial buying started only this spring.

South Africa (and no doubt Russia too) is indeed among the few beneficiaries of the events of the past few weeks. Its foreign exchange reserves, after dwindling to only R 140 million (£70 million) last June, had recovered to a comfortable R 393½ million at the end of last week. This week the Reserve Bank felt able to concede a second cut in Bank rate from 4½ to 4 per cent. The Governor of the Reserve Bank, Dr M. H. de Kock, could only say that the authorities were not only gratified with the present level of reserves but are now more optimistic than before about the financial outlook for the near future.

This suggests some rethinking by the authorities, for only last month it seemed that they had decided against an early cut in Bank rate. The Reserve Bank then set a special re-discount rate for Treasury bills at ½ per cent above the current tender rate, which had fallen below 3 per cent. The Bank will continue this special discount rate until the gap between Bank rate and bill rate has narrowed.

The continued recovery of South Africa's reserves has raised hopes for some further relaxation of exchange controls. Meanwhile the latest bout of buying in London has slimmed the discount between Johannesburg and London prices to about 10 per cent. By Wednesday, however, some speculators were ready to take their profits and prices slipped back further on Thursday. It remains to be seen whether investment interest will be sustained, for among the finance house issues yields such as 5¼ per cent on Anglo American are no longer quite so attractive—and the political risks, if less acute for the moment, remain unresolved.

Secrecy Breeds Confusion

No relapse has, however, been seen in demand for gold bullion. Sterling has been generally firm this week, and while the dollar has remained at support point against a number of Continental currencies it has staged a further recovery against the guilder. But the London gold bullion market remains disconcertingly active, with substantial demand from private sources on the Continent. Wednesday of this week was an especially heavy day, and demand was again substantial on Thursday. The Bank of England has made gold freely available to the market, but at fractionally higher prices each day—so that by Wednesday the dollar price was up to $35.10¼, compared with the level of $35.08 which had prevailed until the beginning of last week, and on Thursday the price was quoted at $35.10-12. The Bank has let the relatively high demand be reflected in a gently rising price, even on days when demand may have declined a little to a still high absolute level.

The Bank has thereby attracted some press criticism on the grounds first that the rising price may again stimulate demand for gold, and secondly that the Bank is allowing itself to be influenced by its other role as selling agent for South Africa. These criticisms seem premature. $35.11 is not, even by the standards of well before 1960, unduly high; it is not far above the normal New York selling price of $35.08¾ and cannot be near the shipping parity, which must allow at least 8 cents for cost of transfer. Nor is the best way to beat the gold speculator to hold the market price at a known and rigid point. The Bank of England does not defend $2.80 by always stopping the rate falling below $2.79⅞. At anything below $35.08 an ounce there is a large latent demand for gold from central banks—who, according to some reports, have in fact been buyers in London in the quieter months of this year in accordance with the new arrangements in the international pool. In order to avoid a rigid price the Bank may therefore have felt it wise to allow a little flexibility upward.

But one enters here the realms of conjecture. According to earlier intimations the bankers had agreed to stop the price going above $35.08, which was spoken of as a new shipping parity for those pool members who were now excused commission in New York. It was also said that central bankers would step in to buy at well below the parity of $35, so that the effective market swing appeared to be from a maximum of $35.08 to a minimum of, say, $34.92. The central bankers may shrug and say that the market got it wrong. But when the central bankers deal with matters of such central importance to the financial community they cannot expect the markets to take no interest. The inevitable result of the lamentable outcrop of secret arrangements between central bankers has been to add to rumour and confusion about currencies and gold. Is that what the central bankers really want? "Open agreements, secretly arrived at": the dictum is as valid for international finance as it is for diplomacy.

BUSINESS NOTES

THE ECONOMY

Slack to Take Up

No growth in activity; but a continued increase in capacity. That appears to be the balance of business opinion at the end of last month, as sampled in the latest survey by the Federation of British Industries. Out of the 666 firms responding to the questionnaire—a smaller number than usual—just as many reported a fall in output as reported a rise; but 64 per cent of them said they are now working below capacity compared with the 59 per cent who gave the same answer four months ago. Only one in twelve mention plant capacity as a factor that has been limiting their output, and shortage of skilled labour is becoming less of a problem, although it is still mentioned by one out of seven.

In some respects this latest sounding of business opinion is more cheerful. For instance, 19 per cent of businessmen now feel more optimistic about the general business situation than they did four months ago, compared with only 13 per cent previously. And the table below suggests that the downward trend in the rate at which orders are being taken up and in the length of order books is lessening. But the swings have not been enough to produce an upward balance of opinion, except on the export side. There the replies indicate both a rise in the level of overseas business and continued optimism about the future, especially about prospects in the Common Market.

BALANCE OF UPS AND DOWNS*

	Past 4 months to :— Oct., 1960	Oct., 1961	Feb., 1962	June, 1962
Level of output	+29	+ 7	− 4	Nil
Level of export deliveries	+ 8	+ 7	+10	+17
Length of order books—total	+10	−18	−27	−19
Rate of new orders :—				
Total	+14	− 9	−14	− 6
Exports	+ 2	− 5	+ 2	+10
Stocks of finished goods	+ 1	+ 6	+16	+ 6

* The excess (+) or shortfall (−) on the percentage of those answering "Up" over those answering "Down."

These returns were made before the recent further easing of credit restrictions, and whether this will have changed these businessmen's outlook remains to be seen.

1862
1962

Markets to touch down on

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But in the light of their other replies, the FBI finds it "not surprising" that a growing majority expect to authorise less rather than more investment in the next twelve months and that more firms report a rise than do a fall in stocks of finished goods in the last four months.

The Official Record

THE replies of these businessmen, giving equal weight to each, are not always easy to square with the official statistics, even allowing for the fact that the latter necessarily lag behind. But there is no great clash with those released this week. The Board of Trade provisionally estimates that in the first quarter of this year, after taking both price changes and seasonal factors into account, investment in manufacturing was 3 per cent lower than in the previous quarter, and that investment in distributive and service industries was 4 per cent lower. These falls compare with ones of 9 and 12 per cent respectively in the previous quarter: thus the decline first apparent in the closing months of last year has continued but at a considerably reduced rate.

Manufacturers were also putting less into stocks in the first quarter. Allowing for seasonal variations, the total volume fell by about one per cent, in contrast with the increase of 2 per cent in the final quarter of last year. While most of this fall was in stocks of materials and fuel, there was a definite fall in work in progress and a very slight fall in stocks of finished goods. This last fall is not reflected in the FBI inquiry (although a reduction in stockbuilding is indicated), but in both its last two surveys, more businessmen have been reporting a fall in work in progress than have been reporting a rise.

THE BANK'S VIEW

Not So Sanguine

THE Bank of England's quarterly bulletin for June, which sets a new standard in topicality by including a reference to last week's hire purchase relaxation, and maintains a high standard in quality, is noticeably less sanguine than Government spokesmen have been in their recent confident economic pronouncements. At home, the Bank says, "at the end of May the recovery of output still seemed to be largely a prospect rather than a reality." The balance of physical trade, as measured in the payments accounts, "probably reverted to a deficit" in the first quarter of 1962, following the small surplus achieved in the previous quarter. Exports rose in each of the first four months of this year; but, the Bank notes, "there was little sign of a beginning of the substantial rise in exports of machinery which must eventually play a large part in the desired increase in total exports."

Nor is the Bank too optimistic about trends in the international economy. It is much less impressed with the shift in Germany's balance of payments than is the Bundesbank itself—which, in its annual report, goes so far as to prepare for the prospect of the Federal Republic becoming a deficit country. The Bank of England, for its part, considers that "whether the [Germany's] current account surplus, though smaller, will be covered by the outflow of long-term capital is problematical." The net surpluses of France and Italy "have been increasing recently and seem likely to continue to do so." While the Bank insists that the solution of Britain's problem demands a "high level of initiative" here, through restraint of both home demand and wage costs, it finds it necessary to give warning that adjustment

> also implies elsewhere a somewhat slower growth of exports and a somewhat faster growth of imports. In the end industrial growth both here and abroad could be retarded if all industrialised countries took measures that arrested this process of adjustment by restraining domestic demand and stimulating exports, whatever their current external position.

But in practice industrial growth will be retarded if Britain and America alone, in their unsatisfactory external position, take undue measures to restrain demand. The Bank does not follow its logic through; nor is it easy to understand its warning that the British Government may have to consider phasing out long term capital programmes. The Bank fears a repetition of the excessive build up of demand of 1960; but then private investment was bursting uncontrollably forward, while today it is tailing off.

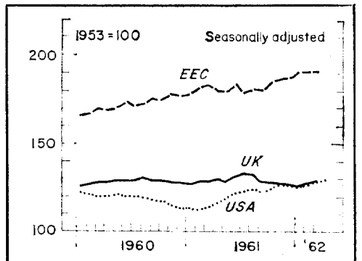
Role of Foreign Funds

ONE may also take issue with the Bank on a point of monetary policy. The bulletin comes unusually near a specific intimation of the Bank's intentions, or at least its wishes:

> A further gradual fall in the cost of finance for industrial investment might assist expenditure by British industry that would improve its competitive position; but it might have to be accompanied for a time by a continuation of some selective restrictions on the availability of credit.

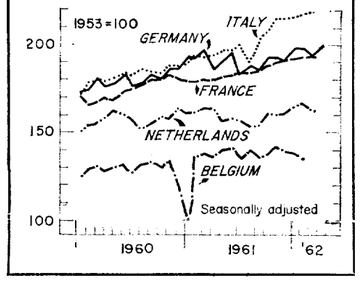
Is this formula of lower interest rates combined with quantitative restrictions on bank credit the right one for a time when, on the one hand, relatively high interest rates may be needed to support the external balance and, on the other, the banks are feeling such pressure on their resources and their liquidity that they may feel reluctant to provide the finance necessary for resumed industrial expansion?

The role of high interest rates in attracting foreign funds into portfolio securities as well as into money market assets is now recognised by the authorities themselves (rather oddly, indeed, this is cited as one reason for the recent cuts in Bank rate). The Bank does not really come near an explanation of the remarkable fall in recorded sterling balances in the first quarter of this year, when the inflow of private overseas funds "can hardly have been less than £200 million"; but "overseas residents may well have taken up part" of the large total of £120 million of Government stocks, mainly long term, that was sold to the large residual group of private buyers in these months, when official policy was "not to oppose some slow rise in prices." The inflow of overseas funds thus appears to be broadly based. Nor, as a useful special article in the Bank bulletin makes clear, does it interfere with domestic monetary policy, in the way that inflows of funds into Germany and Switzerland embarrass the authorities there. In London, a large portion of foreign funds finds its way into (or out of) the broad market for Government paper, leaving only a partial impact on the supply of credit to the economy at large—and even this may be offset by secondary effects of the inflow or outflow, above all on expectations in the gilt-edged market. Thus neither the great inflow of 1960 nor the present one have brought any major liquidity relief to the banks—partly because the supply of liquid assets being kept down by the Government is getting finance in the more favoured gilt-edged market.



EXPANSION AT A HALT?

By March, the EEC commission reckons, the growth of industrial production had come to a halt in all the countries of the common market except France and Italy; but it thinks that "in some countries a considerable improvement began in April." Charts above and below compare industrial output (seasonally adjusted) in Britain, the Six, and the United States; and unadjusted figures (from OECD) for the separate countries of the Six.



* Obtainable from Central Banking Information Department, Bank of England, London, E.C.2.

STEEL OUTPUT

Slightly Up Again

IN April, if allowance is made for seasonal fluctuations, steel output had already turned slightly upward; and the same improvement appears to have continued in May, bringing output to about 12-13 per cent higher than the low point of the recent steel recession last autumn. Actual output in May was 429,900 ingot tons a week, which represented about 79 per cent of productive capacity at the mills.

CONSUMERS' AND MERCHANTS' STOCKS OF STEEL
(Thousand tons)

	Stocks at end of 1961	Stock Change 1st Qtr., 1961	4th Qtr., 1961	1st Qtr., 1962*
Consumers' Stocks				
Sheet	511·2	− 74·4	− 27·1	− 43·9
Plate	666·6	+ 90·8	− 99·7	− 75·0
Tinplate	148·5	+ 2·6	− 0·9	+ 16·4
Other products	2,266·3	+ 68·8	− 158·6	− 104·5
Total all products	3,592·6	+ 87·8	− 286·3	− 207·0
Merchants' Stocks	487·8	+ 53·8	− 30·9	− 22·8
Total consumers' and merchants' stocks:				
Actual	4,080·4	+ 141·6	− 317·2	− 229·8
Seasonally corrected	—	+ 65·0	− 300·0	− 300·0

* provisional

Demand for strip mill products is still good, but not for much else; the same lack of orders for heavy products persists.

Consumption of steel in the first quarter of this year remained about the same as in the last quarter of 1961. Stocks of steel in consumers' and merchants' hands fell by 230,000 tons, about 6 per cent from the end-1961 level: allowing for seasonal factors, this was about the same fall as occurred in the last quarter of last year. At the end of March, the level of these stocks was still somewhat higher than when customers last changed from running down stocks to building them up; moreover, they still represented 14-15 weeks' consumption at the low recent rates. The Iron & Steel Board is hoping for some increase in consumption of steel from now on; it also thinks that "the decline in stocks . . . should slow down"; hence it expects some recovery in steel demand. But it is not expecting much stimulus to work through from the recent relaxations in the credit squeeze: capacity will remain "seriously under-employed."

SHIPPING

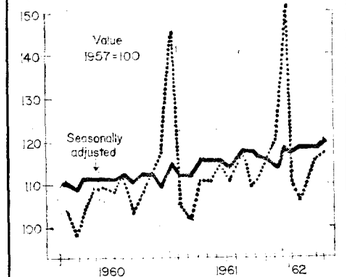
Compromise with America?

TALKS in Washington on the Federal Maritime Commission's demand that foreign shipping lines should produce documents revealing their trading activities now seem likely to end in agreement. But the fundamental disagreement between the United States and other nations concerning its right to regulate the activities of shipping lines operating to America may for the moment remain, even if in suspense. It is pretty well embedded in legislation—albeit legislation that the FMC has of late appeared determined to interpret as rigorously as it could. The conferences that set the rates for liner traffic across the Atlantic have had to file their tariffs with the FMC since 1934. Then the 1961 amendments to the 1916 Shipping Act laid down that they could only operate to the United States if their rates are approved by the FMC, that the published rates must be observed, and that changes must be filed 30 days before they are to be introduced.

The present talks in fact derive from an investigation that the FMC began two years ago, and was based on the provision of the 1916 Shipping Act that rates charged for shipments to the United States must not be unjustly discriminatory or unfair. The conferences had been charging three per cent more for shipments to or from Boston and New York than for other ports. This the FMC considered discriminatory, and its attempts to get foreign shipping lines to produce documents providing evidence for its investigation were the immediate cause of the resentment felt in Europe at American interference in the affairs of foreign companies. When Mr Marples told British companies not to produce the documents, an *impasse* was created; and the present talks, begun last month, are intended to solve it. But, as has been pointed out in America, European governments and companies have chosen a bad case on which to start their opposition to such behaviour by the FMC. Discriminating between different American ports is bound to be regarded as interfering in the domestic trade, even if it is only inspired by the inconvenience to shipowners of sending their vessels into these ports. The east coast ports themselves are full of complaints about the treatment that they receive from the railways, so their sufferings do not appear entirely foreign-applied.

The sort of compromise that may appear from the negotiations might involve the FMC dropping its demand that the shipping lines produce documents if they will drop practices of which it disapproves. Honour on both sides would then be satisfied. But a solution to the problem set by the American desire to regulate the activities of the conferences would remain for later solution. These are international bodies, however; international regulation seems more logical than national.

RETAIL SALES



According to the Board of Trade's provisional estimates, retail turnover was higher in May than in earlier months this year. The seasonally adjusted index is put at 119-120 (1957 = 100) compared with 118 in each of the three previous months. But price increases brought a dip in the volume of business in April; the calculations have yet to be made to determine how much of the May rise represented a real increase in trade.

BUILDING

Orders Hold Up

NEW orders obtained by building contractors were already recovering from their recent slight recession by the first quarter of this year. They totalled £516 million, which was only 1½ per cent below the record level reached in the first quarter of 1961 though in the fourth quarter last year they had been more than five per cent below the previous year's level. This more or less stable total contained, however, falls in orders from private developers for houses and for industrial buildings, and from public authorities for non-housing work, matched by increases in the orders from public authorities for houses and from private developers for offices and other non-housing work.

The biggest changes were the fall of 17 per cent in orders for industrial building and the rise of 22 per cent in those for public authority housing, which more than outbalanced the fall in private orders and leaves total orders for housing 4½ per cent higher than a year ago. So though the industry may be having to adjust its output, which will mean problems for builders in some districts, it hardly seems likely to face any lack of aggregate demand.

THE VC 10

Second Best?

IT has been difficult for members of the British Overseas Airways Corporation to conceal their growing despondency about the VC 10 airliner, 42 of which are on order from the British Aircraft Corporation. The VC 10 has not yet flown, but preliminary calculations are said to suggest that its costs may be higher than those of the corporation's Boeing 707s. Now BOAC has indicated that even the long-range version may not be long-ranged enough for some of its routes, and may,

unless the designers can make the necessary modifications, have to be supplemented by later marks of Boeing.

Whose fault is this? Vickers-Armstrongs, which thought up the VC 10 and still bears financial responsibility for it in spite of the formation of BAC, never set out to build an aircraft capable of competing with the long-range American jets although it has stretched later versions so that they can, at a pinch, be used on the North Atlantic where the Boeings and DC 8s reign supreme. It has not been suggested that the VC 10 has fallen down at any point on the performance promised. So why was the company encouraged to commit £10-£15 million of its own and the taxpayers' resources to building an aircraft that has so far had a disappointingly limited market, falling into the no man's land between the long-range Boeings and DC 8s and short-range jets like the Trident? Why did BOAC order a jet with this kind of specification? Was the decision taken by the corporation on its own initiative, or was it subtly persuaded that such a gesture would be for the good of the British aircraft industry, which plainly it has not been? And if so, why did the board give in to such pressure and is it going to do so again over BAC's proposed supersonic aircraft? The Anglo-French airliner now being discussed is another VC 10 in terms of range, another candidate for the too-long list of airliners with the wrong specification.

INDEPENDENT AIRLINES

The Young Giant

THE carving up of Cunard's interests in the air and their partial takeover by the British Overseas Airways Corporation leaves British United Airways as the only independent airline of size and the shipping industry's major stake in the air. The four shipping companies that back BUA have had happier results from their investment in recent years than Cunard has had from its purchase of Eagle Airways, or is likely to have for several years from its investment in BOAC. British United Airways is earning respectable profits from operations that now rank it 25th among world airlines. This is no mean performance in three years, starting from remarkably small beginnings in 1960. If the licences to operate regular services in Europe granted to it by the licensing board are confirmed by the Minister of Aviation, BUA will become a third force in British aviation.

The airline's management has been canny and conservative, with none of the comet trails that marked Eagle's erratic progress through the sky and demise last week in a dying fall of sparks. BUA may well be destined now to absorb the rump of Eagle that is still in Cunard's hands with the same cud-chewing munch that has digested eight other airlines, representing what was once a score of separate companies. Its most recent purchase, of Jersey Airlines, is in line with the consistent buying up of airlines with valuable routes. This partially insulates BUA from the vagaries of the British air licensing policy, and a special talent for integrating these purchases has been one of BUA's special strengths. The shipping companies that own the greater part of BUA must, however, recognise that however well run the company, its growth potential will be limited by the need to protect the two nationalised corporations. Is this why Cunard, a latecomer to aviation, decided to throw in its lot with BOAC which might over the long run (how long?) offer bigger returns in spite of its present staggering losses?

INTERNATIONAL INVESTMENT

A Stake in World Finance

THE European banks that co-operate in the Eurosyndicat group and run the European investment fund called Eurunion are launching a new open-ended fund, Finance-Union, which is claimed as the first international fund specialising in shares of financial institutions. About 50 per cent of the funds will be invested in banks, about 30 per cent in insurance and about 20 per cent in hire purchase, mortgage banks, discount houses and other specialised institutions. By area, the division, very approximately, will be 35 per cent in North America; 15 per cent in Britain; 10 per cent in each of France and Germany; and the remainder will be placed not only in other European countries but also in Japan, Australia and other overseas countries. Units are priced at 40 D-marks (about £3 11s.); the expected yield is about 2 per cent, on the normal unit trust basis of full distribution; by comparison, last week's issue of a closed end, British registered European investment trust by Schroder offered a yield of under 1½ per cent for 1963. The public took up only some £1.4 million of the £2.4 million offered to it, though institutional investors took up a firm £3.6 million.

The Finance-Union issue risks no such test, as it is open ended and the sponsors are making no forecasts. Some measure is provided by the experience of Eurunion, which in just over three years' of life has sold £16 million, about one quarter in London. The units stand at around £13 in London, compared with the issue price of £8 8s. Neither this trust nor Finance-Union can secure a quotation in London, since as a Continental unit trust registered in Luxemburg they do not meet Board of Trade rules. The offer cannot therefore be advertised, but N. M. Rothschild and Philip Hill, who are the London members of the group, are making the units available directly and through banks and brokers. In Britain the cost of the units will be increased by whatever premium exists on investment dollars—at present 2 per cent. The units are to be quoted in Luxemburg and, it is hoped, Amsterdam; they are in bearer form, and therefore free of stamp. Luxemburg levies no tax on dividends received by non-residents; but British investors do suffer a tax disadvantage from this form of investment, which is at present taxed by the Revenue at the full rate notwithstanding the fact that tax will already have been deducted at source from dividends on British securities in the trust's portfolio. But this issue may well get a good response. The sponsors modestly disclaim any credit for shrewd timing, but the fact is that shares of financial institutions are appealing to many investors at a time of industrial uncertainty—and their prices have now shed a good deal of their speculative froth.

BANKERS AND EUROPE

Scottish Hopes and Fears

BANKERS all over Britain are doing a good deal of thinking about the many-sided implications for them of Britain's entry into the common market. This was the theme of the presidential address to the Institute of Bankers in Scotland delivered on Whit Monday by Mr R. D. Fairbairn, general manager of the Clydesdale & North of Scotland Bank. The closer link with Europe, Mr Fairbairn points out, should help to increase the banks' resources—which in recent years have been growing much less than national income. Eventually, "it could mean the establishment of branch networks covering the whole area", or the formation of groups of commercial banks co-operating in the same way as many investment banks are already doing. But for commercial banks there is a drawback—the danger of damaging established relationships with correspondent banks. For this reason Mr Fairbairn puts first priority on strengthening these relationships. The British Bankers Association has already made informal contacts with the Federation of European Bankers Associations which is now established in Brussels, and he is sure that if Britain signs the Rome Treaty "we shall participate fully in its work".

Mr Fairbairn also sees certain possible dangers for British banking from the European connection—though he gives the impression that, like the City collectively, he is confident that the opportunities outweigh them. Mr Fairbairn has two main concerns. First, he would not relish any co-ordination of laws by which financial institutions are governed, if this would mean extension to Britain of the very close statutory regulations which for a variety of reasons are maintained in most continental countries. (By contrast, Sir John Musker, chairman of the discount house of Cater Ryder, expresses the hope this week that entry into the common market may lead to "credit being controlled more by supply than by rate.") Mr Fairbairn's second main concern is with the

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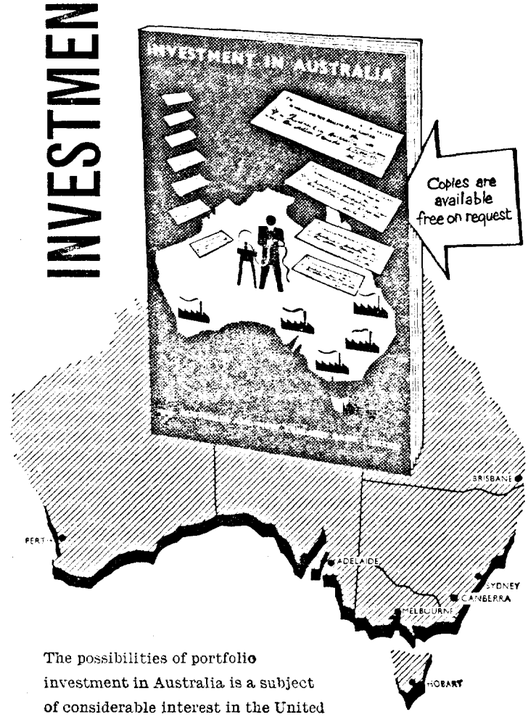
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INVESTMENT IN AUSTRALIA



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danger of unfair competition from state banking on the Continent, particularly from post office giro systems "not always paying their own way". But he recognises that for the present, Britain's bankers must make their "own methods of transmitting money so efficient, so inexpensive and so widely available that there is no need for a government sponsored service to supplement them".

SWEDEN

An Easier Course

THAT most venerable of central banks the Swedish Riksbank, lowered its discount rate from 4½ per cent to 4 per cent on Thursday last week. This move, following the ½ per cent reduction on April 6th, sets the Swedish level of money rates on an easier course, which the banks themselves had been seeking for some months past. Sweden's disinflationary successes last year may have attracted admiring attention from outside observers; but even Stockholm's more sedate bankers complained that the measures of restriction were being pushed so far that genuine trade and economic expansion was being frustrated. Lower money rates will not have any significant effect on the long-term capital market, where there is always a queue waiting to issue bonds, and where the prime mortgage rate remains firmly at 5.35 per cent.

The lower discount rate and the official intimations that the banks can undertake a more active lending policy, are not regarded with universal enthusiasm. Some bankers regard recent changes in central bank policy as rather too jerky and say that they will not take full advantage of the easier conditions for extended lending, simply out of fear that they may be reversed with uncomfortable sharpness later on. Others see no possibility that monetary and fiscal policy—both are now being eased, for there has been a concurrent release of investment credits to stimulate new capital formation—can cope with Sweden's ambivalent economic aims of bringing stimulus where it is needed (pulp exports are down 20 per cent in the first quarter, and building may be down 5 per cent this year) but of holding prices and keeping profits down. The recent wage contract runs at least twice as far as any likely productivity gains this year or next, and it includes one remarkable case in the world record of labour awards—a 26 per cent increase for women workers in distribution.

Yet the general motto is that expansion must not be limited by labour shortage—and Sweden has one of the lowest percentages of women employed in industry. The pace of activity and exports in machinery and vehicles remains impressive and industry, even shipbuilding, is generating resources enough for a high level of investment. Last year, investment increased by 13 per cent; this year the projected increase is 2 per cent—which is better represented as a further increase after a strong rise, rather than a serious check. Swedish eyes were turned to the possibility of an economic check during next winter well before Wall Street's troubles and doubts about the American economy appeared in the last three weeks. Sweden's change of direction may turn out to be a particularly shrewd piece of timing; if not, it may work more on the side of inflation than of economic expansion.

DETERGENTS

Softer than Soft

FOAM on rivers is unsightly enough, but it is as a symptom of pollution that it has concerned the Jephcott Committee on Synthetic Detergents. In the fifth report of its Technical Standing Committee—published on Wednesday—it is at last, nine years after it was set up, able to make some recommendations. The delay has been caused by the extreme difficulty of establishing standards in the first place, and the very marginal nature of the evidence it had to consider. The villain was suspected early on, but the evidence to secure a conviction could only be accumulated slowly.

The villain is now identified as the surface active component in detergents, alkyl benzene sulphonate. As soon as synthetic detergents were widely used, in about 1949, foam appeared on rivers and at sewage works. Modern methods of sewage treatment depend on the action of bacteria on sewage in the presence of air. It became apparent that the alkyl benzene sulphonates were resistant to bacteriological degradation and were passing through unchanged. In 1958 the Jephcott Committee was informed that a less resistant type of alkyl benzene sulphonate had been prepared. Extensive tests were carried out on this "soft" material both in the laboratory and in sewage works. For instance, with the co-operation of the main soap manufacturers, Luton was supplied with soft detergents. Observation and tests at the sewage works, which is self-contained and has a characteristic response to detergents, showed that the concentration of soft material in the final effluent was "half that from a similar amount of harder detergent." As a result of those tests, the committee recommended that "the use of the softer material now available be extended to the full capacity of the industry." But this is only a temporary measure. The present soft detergents are not completely degraded and softer material is said to be on the way. The committee did not, therefore, make recommendations which would make it necessary for the industry to extend its plant. The present capacity is sufficient for 60 to 70 per cent of the country's packaged detergents to be based on a soft material.

These recommendations are at once a source of modest joy and an embarrassment

to Shell, manufacturers of the soft material. Through no fault of its own, it finds itself in a quasi-monopolistic position, selling a material which costs (even more embarrassing) a quarter more than the hard stuff it is replacing. The only other British manufacturer of the alkylate, from which the detergent sulphonate is made, is Grange Chemicals which is saying nothing but hints that its research may produce results in a couple of years. Until then, Grange will be fighting for the remaining third of the market with Italian imports.

HUNTERSTON

Boiling Oil on Troubled Waters

THE Secretary of State for Scotland has been deeply involved in operations to salvage the Hunterston nuclear power station from angry political waters and the oil that he poured in an adjournment debate on this affair that took place before Whitsun had a dangerously low flash point. Mr Maclay has to get two things done. The first is to see that the power station is finished; there had been in the past a real danger that it might not be. Here he was able to tell the local member of Parliament for the Hunterston area, Mr John Rankin, that certain critical operations at Hunterston had recently been completed on schedule. This was the target towards which the new management, at the South of Scotland Electricity Board and on the contractor's side, too, had been working. What no one can be certain about is whether, as Mr Rankin suggested, there may be a fresh round of labour troubles on the site when the new wave of mechanics and electricians arrive to complete the work begun by the welders and the engineers. This could easily put back the target date of end-1964 for commissioning the station, already three years later than originally intended.

Mr Maclay's second task is to settle the financial dispute between what the owners of the station, the South of Scotland Electricity Board are willing to pay for it, and what the contractor, the General Electric Company, says that it will have cost to build. "Any guess," said Mr Maclay, reaching for a fresh barrel of oil, "that I might make at the price which the board will pay would risk prejudicing seriously its position in the difficult negotiations which have still to be completed with the company." Then Mr Maclay proceeded to give Mr Rankin what he described as a "minor hint," which came close to setting the soothing oil alight. The Secretary of State said that the price ultimately paid might not "greatly exceed £165" per kilowatt of capacity sent out. This means a price of between £50 and £53 million depending on whether the station is taken as delivering 300 or 320 megawatts. The contractor's estimate, published in *The*

Economist on May 26th and not contradicted by Mr Maclay when it was quoted during the debate, is that the station will cost £63 million to complete, £10 to £13 million more than Mr Maclay's figure. This is the size of the dispute between the two parties. Mr Maclay did not suggest how, or by whom, a gap of this vast size was going to be bridged.

PROTECTING CONSUMERS

Hooray for Garages

CAR dealers and garage owners, not normally the most imaginative of traders, launched a scheme this week that tackles the most difficult aspect of protecting and obtaining redress for dissatisfied shoppers: how to settle an argument about the quality of service provided. The Motor Agents' Association deserves great credit for conceiving the scheme. It will be sad indeed if the trade does not join it in numbers, and the example might well be copied by the motor industry itself, whose attitude towards its customers and their legal rights is still firmly selfish and reactionary.

The motor agents are proposing, for an annual fee of £7 7s. per member garage that joins, to settle disputes between garage and customer about the quality of work done by sending both sides of the case to the Institution of Automobile Assessors for a technical report and then laying the papers before the Institution of Arbitrators for their verdict. Where the verdict is given for the customer, but the garage either will not or cannot pay the damages awarded, then the Motor Agents' Association is prepared to pay up to a maximum of £500 on any one claim. In any case, it will pay all legal costs, which puts the customer in a rather better position than if he had sued the garage in the normal way; he in his turn will be asked for a deposit of £3 3s. to discourage frivolous complaints.

The scheme has obvious limitations. It deals in an eminently satisfactory manner with disputes about repairs which are a real source of grievance among motorists. The only question is how many of the MAA's 20,000 members will join, and the guess is between 8,000 and 12,000. The proposals for arbitration in disputes about the sale of second-hand cars are conspicuously less liberal, for here the MAA will arrange for arbitration only on matters that fall within the terms of the "guarantee" offered by the dealer when he sold the car. If the car was sold without a guarantee, or expires the day after the guarantee expired, the customer must take his chance in the courts and is no better off than at present. And disputes about new cars the MAA will not touch at all, leaving these to be fought out between the manufacturer and the customer. The buyer of a new car, who is invited to sign away his common law right on purchase, in return for what the industry chooses to call a "guarantee," would usually get the worst of any argument.

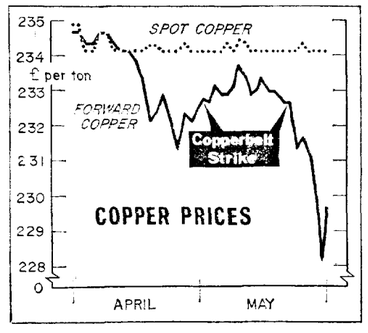
COPPER

Pressure Still High

COPPER producers who tried a gentle bout of shadow boxing with the copper market last autumn seem now to have become embroiled in a far less decorous struggle. Having nailed spot copper so firmly to £234 a ton for so long, the producer group (which is thought to include the major African copper companies aided and abetted by others) might now have difficulty in retiring gracefully from an increasingly difficult position if it were so minded. Though spot copper has remained at about £234 a ton since the end of January, a period in which even reputedly stable metals like aluminium and nickel have had to bend to the colder economic wind, forward copper has sagged on occasion to a discount of up to £6 a ton.

The recent strengthening of forward copper to £231½ a ton might be deceptive. Although the sharp widening of the backwardation owed something to the overspill of panic from the stockmarket crash, help has now come from an unlikely sounding quarter. The big Hoboken refinery at Oolen in Belgium is strikebound, and considerable uneasiness remains about wage settlements for American copper workers. As at other points this year, interruptions to supplies appear to have come along in the nick of time when the balance began to tilt away from the producers.

However, producers might be taking up considerably more copper in support of the market than they would wish. Consumption of copper and of other metals in Britain has been lagging this year. The offtake seems generally poor in most large consuming countries outside the United States, and within the United States, where consumption is strongest, the New York market, which is normally higher than London because of the 1.7 cents a lb import duty on imported copper, has sunk below London prices for the first time since early 1961. Copper has manifested other signs of weakness lately. It has also been guardedly stated that one American company which is not currently restricting its output would be prepared to join others in further cuts in production if they became necessary. The existing cuts are based on capacity which is expanding. When the producers' support operation began, the market pivoted neatly about the producers' price; now it gives the appearance of being distinctly lopsided.



BUTTER

Firm at Last

TENTATIVE steps belatedly taken to alleviate the slump in butter prices last year produced only a hesitant recovery. Almost as soon as the Government took the cow by the horns and imposed a cut of 33,000 tons to 390,000 tons in exports of butter to this country in the year from the end of March, prices have been boosted to a level which is acceptable to producers like New Zealand. New Zealand finest butter has risen from £285 to £305 a ton, and Australian choicest has shown a corresponding improvement. Danish butter has been raised from just over £300 to £330 a ton with effect from next week, restoring the premium for Danish butter to a more normal level.

Though some of the smaller quota holders might have quickly used them and the seasonal nature of supplies prevented exporters like Argentina filling theirs immediately, the main suppliers seem to have unloaded stocks onto the market roughly in accordance with their allotments. Fortified by the upper limit to imports, producers do not appear deliberately to have forced prices up to the more comfortable level they have now attained. But increasing demand from ordinary consumers does not appear to account for the rapid rise either. However, stocks in cold storage have been reduced sharply to 34,000 tons, compared with 55,000 tons a year earlier. And one explanation of this unexpectedly large fall is that the amount of butter taken for manufactured foods has increased.

Butter consumption is unlikely to alter much as a result of the latest round of price increases. In the first quarter of this year, consumption tailed off after prices began to recover, but the fall was partly seasonal. Consumption remained considerably higher than in the corresponding period of 1961. Demand for butter at current prices might therefore be outrunning the carefully metered quantities allocated to suppliers. Pastoral conditions in Europe have been worse than a year ago, so the market controllers might again see their efforts reinforced by nature. After the 1958 slump and the enforced limitation of imports, nature backed efforts to procure higher prices with a vengeance.

WATER

Nor Any Drop to Drink

MANCHESTER CORPORATION recently reported that unless emergency provision were made now, it would be

short of water in about eight years. Around London, sea water is moving into the artesian basin, advancing about a hundred yards a year. These are the two kinds of reason why desalting of seawater, for community supplies, may become relevant in temperate industrial countries as well as arid underdeveloped ones. In the United States the same problem has prompted Congress to vote $75 million to the Office of Saline Water Research for use over the next five years.

So far it has been only where there is a powerful commercial interest, for instance in Kuwait, that desalination plant is being installed. Existing methods and equipment can only desalinate water at costs which are, except in special circumstances, prohibitive. Most of the research to improve them is being carried out at the moment on three basic methods: distillation, freezing and electrodialysis. The first is self-explanatory, although there are many variations on the apparatus used. Low temperature methods rely upon the fact that, when seawater is cooled, crystals of pure ice are the first to separate out and these can be separated, washed and melted. Electrodialysis utilises the movement of the ions of soluble salts under the influence of an electric current. Other systems are under investigation but these three are at present the most important with distillation methods dominant. The freezing methods have the disadvantage of high capital costs but the advantage of lower running costs: less energy is needed to freeze water than to boil it. Electrodialysis is too expensive a method to use on a large scale with seawater, but it is particularly suitable for treating the brackish water which is found in many places, for instance under the Sahara.

It is tempting to beguile one's inner eye with visions of deserts blooming under the touch of desalinated seawater. Unfortunately, this is unlikely to happen; desalinated water will for a long time remain too expensive, except for humans or process industries. Even with this limitation, the market is expanding by about 25 per cent a year and is expected to be worth $50 million a year by 1965. The expansion has taken place almost entirely because of the improvement in the efficiency of desalination plants: the cost of treating seawater has been halved in the last twelve years and in another fifteen years it may be halved again. Much of this work has been carried out by the two British companies which lead the world in this field, G. & J. Weir and Richardsons Westgarth. Between them they have put up most of the large plants that have been commissioned so far, and one of them has been approached to carry out research for the US Office of Saline Water Research. It no longer matters which one, as they have recently joined forces: a company, Weir Westgarth, is to be formed in which both companies' personnel and experience in this field are to be pooled. Their main advantage has been the very considerable one of having been there first; Weir put up a land-based distillation plant fifty years ago. (It is still working.) But Germany, with a serious problem of water pollution, and Israel are both carrying out research; several companies in Europe are showing interest. Perhaps Richardsons Westgarth's and Weir's joint venture is intended to anticipate the stiffer competition of the future as much as to eliminate the competition between them that has been so fierce in the past.

CO-OPERATIVE SOCIETIES

Realism at Last?

PROFESSIONALS gained an eleventh hour victory over the amateurs at this week's Co-operative Party annual conference, a victory which just might save the retail movement from the slow death which has seemed its certain fate ever since the rejection or fuddy-duddy muffling of most of the realistic and detailed proposals put forward by Mr Gaitskell's independent commission in 1958.

The administrative reforms approved not only provide a desperately needed rationalisation of procedure but in practice can be expected to introduce into the top management of the movement the professional bias which it so sadly lacks. The executive of the Co-operative Union, the central body to which the 850 retail societies belong, is to have eight of its 27 members elected directly by the retail societies instead of through the bureaucratic sectional boards. These members will almost certainly be people who are actually engaged in selling things and these, together with the more forward looking among the other members, may produce a majority who think in modern marketing terms.

More specifically, the executive is to appoint three working committees, for financial, parliamentary and trade affairs. The latter is, as near as may be, the equivalent of the powerful retail development committee recommended in the 1958 report, and its birth will mean the demise of a watered down version introduced about 18 months ago. The Trade Advisory Committee, as it is to be called, will also take over the functions of the separate and often overlapping committees on food, dry goods and the like.

Any central planning of co-operative retail development can only be advisory. But it seems certain that the more progressive members, whose individual successes are statistically swamped by the scarcely perceptible growth or downright failure of the rest, will support it. For one thing, it is a welcome alternative to the wholesaler-run Co-operative Retail Services Ltd, through which the CWS has greatly increased its hold on the retail side of the movement in recent years and which is now the third biggest co-operative in the country.

A number of co-operatives in the North Midlands have formed a buying group (Normid) which specifies its requirements to manufacturers—if CWS goods do not fill the bill, it goes elsewhere. It would be a pity if in its anxiety to push its own retail image the CWS were to miss the chance of real co-operation with this and any other groups which may be formed on these lines. (The newly proposed streamlining of production and wholesaling groups should help eventually.) Like so much else in the Co-op movement the potential in ideas is there—it is the exploitation of it which has a depressing tendency to misfire.

SHORTER NOTES

The Japanese authorities have required their exchange banks to hold the equivalent of 20 per cent of short-term credits (including those in convertible free yen and Eurodollars) in foreign exchange deposits. About $1,000 million of credits are affected, requiring the banks to hold some $200 million in foreign exchange.

★

The International Monetary Fund has agreed to a new stand-by credit facility of $100 million for Argentina, and states that "in an effort to correct the weaknesses which have developed in recent months, the Argentine authorities have returned to policies of strict monetary and fiscal discipline."

★

The Scottish Widows Fund and Life Assurance Society is to advance £10 million to Metropolitan and Provincial Properties whose chairman is Mr Felix Fenston. The advance will be secured on a long term debenture and will be the first stage of a £25 million development programme which Metropolitan and Provincial is undertaking in association with Holland & Hannen and Cubitts. Scottish Widows will acquire a stake in Metropolitan and Provincial's equity.

RUBBER TRENDS

Quarterly bulletin for producers, manufacturers and dealers

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COMPANY MEETINGS

Telephone Rentals LIMITED

OPERATING TR SERVICES

ALL PREVIOUS RECORDS SURPASSED

PERIOD OF CONSOLIDATION ENVISAGED FOLLOWING PHASE OF RAPID EXPANSION

EMPLOYEES PARTICIPATION SCHEME OUTLINED

MR W. STUART PHILCOX ON GROUP'S CONTINUED STRENGTH AND PROGRESS

The thirty-third annual general meeting of Telephone Rentals Limited was held on June 13th at the Registered Office, 197 Knightsbridge, London, S.W.7, **Mr W. Stuart Philcox, DFC, MA** (chairman and managing director), presiding.

The Secretary (Mr. W. J. H. Ainley) read the notice convening the meeting and the report of the auditors.

The following is the statement by the Chairman which had been circulated with the report and accounts for the year ended December 31, 1961:

Once again I am able to report that the Company has had a successful year, in spite of rather more difficult trading conditions both at home and overseas.

RESULTS FOR THE YEAR

In my address last year I stated that we had to expect some quite heavy increase in our internal expenditure and this proved to be the case. To take only one example, the wage increases together with the reduction in the working hours to which I referred represented an addition of nearly 20 per cent to our wage rates. This does not take into account the amount and cost of additional overtime which paradoxically but inevitably follows a shorter official working week.

I also said that we might have temporarily to abandon the use of the word "record" in describing our progress and although this almost certainly holds good for the future, I am glad to say that the forecast was premature as regards the year under review. In the United Kingdom the amount of business contracted for against increased competition, together with the number of installations fitted, exceeded previous records, whilst the Profit before Tax of both the Parent Company and the Group as a whole disclosed in the Accounts now before you are the largest so far achieved.

I will now comment briefly on some of the changes in the Consolidated figures for the Group as compared with the previous year.

PROFIT AND LOSS ACCOUNT

Trading income is up by £365,258 and Dividends and Interest receivable show a slight decrease of £5,419. On the other side, Operating Expenses show a substantial increase, as foreshadowed in my statement of last year, of £222,147, the charge for depreciation is up by £90,239 and the Profit before Tax is up by £46,184.

United Kingdom Taxation is up by a modest £24,054 and Overseas Taxation by £1,073. The U.K. Taxation is substantially lower than it would be on account of the effect of the Capital and Investment allowances on the greatly increased volume of installations fitted during 1961. In fact the Investment Allowances reduce the Tax provisions required by no less than £149,293.

We have thought it wiser in addition to the reference in the Chairman's Statement to show in the Accounts this year, the gross figures of Profits Tax and Income Tax, and to show the relief in respect of Investment Allowances as a deduction.

The Net Profit after Tax, but before transfers to Reserves and provisions for Dividends, is £1,035,366, an increase of £45,354 over 1960. The sum of £457,990 has been transferred to the General Reserve, and £212,600 to the Tax Equalisation Reserve. £59,744 of this transfer to the Equalisation Reserve is accounted for by an adjustment of the Reserve for all years prior to 1961, to cater for the increase in the rate of Profits Tax from 12½ to 15 per cent.

An anticipated, we are proposing to maintain the dividend of 15 per cent on the Ordinary Share Capital as increased by the Capitalisation Issue.

After providing for the transfers to Reserves, and the Dividends on both the Preference and Ordinary Shares amounting to £290,443, we are left with an unappropriated Profit balance attributable to the Shareholders of Telephone Rentals Limited of £422,120, as compared with £353,190 for 1960.

BALANCE SHEET

Liabilities

The Issued Capital has been increased by £506,880, resulting from the Capitalisation Issue made in June of last year.

The full details of the changes in the Capital and General Reserves are shown in the notes attached to these Accounts, and consequently no further explanations are required.

The Parent Company's Shareholders' interests, consisting of Capital, Reserves and Unappropriated Profits, amount to £6,665,693, an increase of £526,160 over the previous year.

Having dealt with the various Tax Reserves, the only remaining Liabilities to show appreciable increases are Sundry Creditors and Accruals, which go up by £63,867 and Ordinary Share Dividends by £46,570. The increase in the Sundry Creditors and Accruals is almost wholly accounted for by progress payments on account of Electrical Contracting Installations being executed by our Paris Subsidiary, and by additional amounts due to their Suppliers. The increase in the amount of the Dividend is, of course, accounted for by the maintenance of the 15 per cent rate on the enlarged Share Capital.

Assets

The value after depreciation of the revenue-bearing Installations has increased by £764,618, which reflects the considerable increase in Installations fitted during 1961, resulting from the record new business obtained in 1960 and 1961.

The value of Freehold and Leasehold Properties shows a net reduction after depreciation of £6,839, on account of the sale of several Company-owned houses to our employees, offset to some extent by the purchase of further properties which it has been necessary to effect.

Office Furniture and Fittings, Vans and Cars shows a net increase of £24,149 after deducting an additional £16,436 for depreciation. This is a fairly large increase, and is almost equally divided between Furniture and Fittings, and Vans and Cars. In the interests of economy, we have been obliged to purchase additional vans to cover more adequately the territories in which we operate, and also, in view of the volume of work and the amount of equipment being handled, for the delivery of materials within the larger Branch areas.

Stock and Work in Progress at £1,254,689 is up by £147,536. The actual stock is up by approximately 10 per cent, whereas the Work in Progress is up by 20 per cent, and stands at no less than £482,079.

The total of Sundry Debtors and Prepayments is up by £49,881, consisting of an increase in

customers' accounts of £16,842, the balance being represented by various prepayments.

Our Liquid Resources, consisting of Tax Reserve Certificates, Deposits with Local Authorities, Investments and Cash are £116,774 less, reflecting the increased amount expended on Stock and Work in Progress.

The remainder of the items in the Accounts do not call for comment since the fluctuations are not material, and arise in the course of normal trading conditions.

OVERSEAS COMPANIES

As in previous years, a number of overseas visits by senior personnel were made and I visited South Africa towards the end of the year.

In South Africa, although the political situation remains unsettled, the underlying economic position is strong and certainly the country has made a remarkable recovery from the critical point reached immediately after leaving the Commonwealth.

Our Operating Companies again did well. Although their turnover was slightly down on the previous year, their profits showed a satisfactory increase, due largely to the results of the re-organisation in their engineering departments to which I referred last year.

In Canada business conditions improved during the year though unemployment remained at a high level. Our Company which operates from Toronto was again unable to make a profit though the loss for the year was considerably smaller.

In spite of the partial lifting of credit restrictions, trading conditions in Australia failed to make any rapid response and remained difficult throughout the year. This resulted in a small decrease in the volume of business done by our jointly-owned Company, though on account of careful administration, the amount of profit earned was again a record.

The type of business carried on by our Companies in Paris and Brussels respectively differs considerably from that of the Parent Company. They do very little rental business and operate to a large extent as electrical contractors. Although both Companies operate on a relatively small scale, each had a profitable year, and each made its contribution to the funds of Telephone Rentals Limited through the payment of a dividend.

FUTURE OUTLOOK

During the past four years the Company has been passing through a phase of rapid expansion. On account of the nature of our business, with its guaranteed service to subscribers, an increase in the number of installations necessitates an increase in the number of employees, particularly on the engineering side. This is illustrated by the fact that during the last two years alone, the number of our field engineers has risen by 40 per cent.

Apart from the direct cost of salaries and wages, the growth in the number of people employed brings about many indirect increases in expenditure. To take a few instances, more time and money must be devoted to training and instruction, larger and consequently more expensive premises are required, whilst the costs of our Pension and Profits Participation Schemes become greater as the new employees become eligible for inclusion.

An even more important consideration is the necessity to maintain the strength of our organisation. In order to reduce travelling and lodging expenses, it is necessary, as our installations become more widespread, that more and more of our commercial and engineering representatives should be resident in the territories in which they work, and consequently at a distance from our branch offices. This in turn increases the need for skilled and responsible supervision both in the offices and in the field, with a corresponding addition to our overhead expenses.

Your Directors see no reason why, in the absence of some major adverse development beyond our power to control, the profits of the Group should not continue to show an upward tendency as time goes on. But we believe that all shareholders will share our view that the next two or three years must be mainly regarded as a period of consolidation, during which the long term interests of the Company are safeguarded, even if the price to be paid should be some falling-off in the rate of increase in our profits.

EMPLOYEES PARTICIPATION SCHEME

The dividend falling due to be paid to employees after the Annual General Meeting under the Participation Scheme will bring the total amount distributed since its inception on July 1, 1946, to over £1,250,000. The annual dividends are of course classed as trading expenses and as such are wholly allowable as deductions for tax purposes.

There have been many references to this Scheme in past years, but because the sums involved are of some magnitude and because it has become a supremely important factor in the life and progress of the Company, I feel it right to devote some considerable portion of this address to a description of its method of operation, together with its underlying principles.

As stated in the descriptive booklet circulated to members of the Organisation the Scheme was inaugurated by the Directors with the object of giving the employees an added sense of partnership in the business by ensuring that they should have a share in the profits which their efforts have helped to create. The booklet also states that it is the firm belief of the Directors that long service devoted to the interests of the Company should be rewarded in such tangible form as shall identify their interests with those of the Shareholders.

All employees over the age of twenty-one and with a minimum of three years' continuous service are eligible for inclusion in the Scheme. The basis of participation in the distributable profits is governed by the amount of wages or salary earned, together with the length of continous service.

When eligible, each employee is given a certificate which shows the amount earned at a given date with a percentage addition for each completed three years of continuous service. The total amount shown on the certificate represents the notional capital in the hands of the employee and this sum ranks for participation in the distributable profits at the same rate as that paid in dividend to the Ordinary Shareholders.

Every third year each certificate is replaced by a new one, which shows the amount then being earned with the same percentage addition in respect of the increased service. The certificates are not transferable and become valueless upon termination of the employee's employment with the Company.

Before the Scheme was introduced we made a careful examination of the whole field of profits sharing schemes both in the United Kingdom and in the United States and we were somewhat disconcerted to find how many had been abandoned after relatively few years of existence.

The reasons for these failures seemed to fall roughly into three categories:

(*a*) The fluctuations in annual profits, owing to the characteristics of the individual business, were too wide to make profit sharing truly practicable.

(*b*) Those responsible had made the error of believing that their task ended with the introduction of the Scheme and of not recognising that constant effort would be required to prevent its failure through lack of vitality.

(*c*) The annual reward was too remote from the every-day occupation and the scheme degenerated before long into a form of annual share-out. The annual distribution all too quickly became regarded by the recipient as an automatic gift on the part of the Company with subsequent dissatisfaction if the amount distributed ever had to be reduced.

As regards the first category, Telephone Rentals Limited is fortunate in the fact that through the stabilising effect of a rental business, abnormal fluctuations in annual profits are unlikely to take place. With regard to the other two, I can at least say that every possible step is taken to avoid the inherent dangers.

Every year meetings are held at Head Office and at each Branch and Subsidiary Company where the Scheme is in operation, attended by both those who are already participants and those still in their qualifying period. At these meetings, new and replacement certificates are presented and the opportunity is taken to restate the principles upon which the Scheme is founded.

It would naturally be disappointing to the Directors if the employees did not from time to time express their gratitude for the material benefits of the Scheme. Yet nevertheless we have realised that it could be this very feeling of gratitude that could lead to its eventual failure.

We have lost no opportunity in making it clear that this Scheme represents a serious business undertaking entered into by both Company and employees and not merely an act of generosity or benevolence on the part of the Company.

To put the matter briefly, there is only one thing—considerable though it is—that the Company gives under this Scheme, and that is the right of entry. Thereafter it is the responsibility of each individual participant, with all possible assistance from the Company, to earn his or her share in the overall results that ultimately depend upon the work of everyone. We believe that it is the emphasis upon the word "earn" and the general acceptance of the challenge that the word implies that has made it possible for this Scheme to play such an important part in the progress of the Company and to avoid the dangers I referred to earlier.

It would not be at all true to claim that the success of Telephone Rentals Limited since 1946 has been solely due to the introduction of this Participation Scheme. But it is true to claim that owing to its existence we have been able to institute methods and procedures leading to efficiency and economy which otherwise might not have met with such wholehearted acceptance and support.

Every five or six years the Scheme is submitted to our Auditors for investigation and comment. On the first occasion, the ensuing report contained the following paragraph:—

"It will be seen that the average of the annual sums distributed in the year 1946 to 1951 is equal to 10.2 per cent of the profit earned. This would not appear to be a high proportion of the profits by any means and we feel little criticism could lie at the hands of the Shareholders."

It is, to say the least, noteworthy that although during the lifetime of the Scheme the number of participants have more than doubled, wages and salaries have sharply increased, whilst the rate of dividend itself has risen from 10 per cent to 15 per cent, the annual payments have fluctuated from a little above to a little below 10 per cent of the profits before tax; the average for the whole period, including the payment about to be made, being the identical figure mentioned in the above report, namely, 10.2 per cent.

I feel sure that some ten years after that report was made and in the light of actual performance, there will indeed be little criticism from the Shareholders.

In conclusion I would like to say that I feel equally sure that the Directors will have your full authority to send on your behalf a message of thanks and appreciation to all members of the Organisation at home and overseas for the contribution that each has made to the continued strength and progress of the Company.

The report and accounts were adopted and the dividend, as recommended, was approved.

The retiring director, Mr. A. A. P. Ethelston, was re-elected and the remuneration of the auditors, Messrs. Rooke, Lane and Co., having been fixed, the proceedings terminated.

THE EVER READY COMPANY (GREAT BRITAIN) LIMITED

MANUFACTURERS OF DRY BATTERIES

MR E. N. ROWBOTHAM'S COMMENTS

The following is the Statement of the Chairman **Mr. E. N. Rowbotham** issued with the Accounts for the period from February 26, 1961 to March 3, 1962.

SALES AND PROFITS

The Report and Accounts which accompany this statement deal with the operations of your Company for fifty-three weeks from February 26, 1961 to March 3, 1962, and I am glad to be able to report to you that your Company has again been able to show increased sales and net profit.

Although the Company can claim that its record of steadily increased sales and profit is still unbroken the increase in profits during the period under review is less than your Directors would have wished owing to considerably increased costs of wages and services. Turnover for the home trade was satisfactory but some difficulties were experienced last year in certain overseas markets. In March, 1962, the Company decided to increase some selling prices.

There is an increase of some £230,000 in the charge for taxation because of higher group taxable profits and the increase in the rate of profits tax.

SUBSIDIARY COMPANIES AND TRADE INVESTMENTS

The subsidiary companies, including those acquired during the previous accounting period have done well and have all contributed substantial amounts to the profit of the Company. On the continent of Europe your Directors are particularly pleased with the progress made by Daimon in Germany and Superpila in Italy.

During the year the capital invested in subsidiary undertakings has increased by £501,820 due in the main to an increase in the capital of Cramic Engineering Company Limited necessary to finance its continued expansion.

It is gratifying to note that there has been a large increase in the market value of Trade Investments from £2,587,816 to £3,427,685.

FINANCIAL POSITION

The surplus of Current Assets over Current Liabilities (including future taxation) in the Consolidated Balance Sheet has increased from £3,948,794 to £4,148,447, and available Cash Assets amount to £2,121,313. For some years past our Stock-in-Trade has been lower than we would have wished. During this year, however, we have been able to increase the stock of finished products to a figure which we consider more reasonable in view of the turnover. Our total stock has increased from £3,506,512 to £4,399,237, which we consider is no more than adequate for the business we are doing. To enable us to carry larger stocks of finished products our sales offices and warehouses round the country have been extended, thus providing better facilities for prompt delivery to our valued customers.

DIVIDEND MAINTAINED

Your Directors have given careful consideration to the amount of dividend recommended. They consider it essential to maintain their policy of ploughing back substantial sums out of the profits to be retained in the business for its future development and expansion and for the maintenance and improvement of its capital assets. They have therefore recommended a final dividend of 17½ per cent to be paid on the Ordinary Shares, making 22½ per cent for the year, which is the same as last year.

STAFF

Eight hundred and seventy-four members of the organisation have received gold watches for over twenty-one years' continuous service with the Company. Of this number six hundred and seventy are still employed within the Group. On behalf of the Shareholders and Directors I thank all who have contributed to the success of our Company during the past year.

FUTURE PROSPECTS

The current trading year has started satisfactorily, sales to date being in excess of those of the corresponding period last year.

The demand for your Company's "**Power Pack**" batteries for use in transistorised equipments continues to increase.

TIMOTHY WHITES & TAYLORS LTD.

BRANCHES THROUGHOUT GREAT BRITAIN

Extracts from MR. G. I. RUSHTON'S STATEMENT AT ANNUAL GENERAL MEETING, JUNE 7, 1962

INCREASED SALES AND PROFITS. The Accounts for the year ended January 13, 1962, once more show an increase in profits in comparison with the previous year. There has been a further substantial increase in the sales, and although expenses have increased and the number of National Health Service prescriptions has fallen I feel sure that you will be satisfied with the results we have been able to achieve.

The Trading Profit and sundry income of the Group amounted to £2,536,467 compared with £2,277,740 in 1960. After various deductions the profit before taxation was £2,008,656 compared with £1,773,728 in the previous year.

TRANSFERS TO RESERVES. The amount transferred to General Reserve this year is again £250,000 and the amount transferred to Development Reserve £30,000.

HIGHER DISTRIBUTION. Your Directors recommend a final dividend on the Ordinary Shares of 11½ per cent making a total for the year of 17½ per cent. This shows an increased distribution of 1½ per cent over the previous year and follows the policy of your Directors in endeavouring to ensure that the Ordinary Shareholders receive the maximum share of the profits after making all possible provisions and proper transfers to Reserve.

DEVELOPMENT POLICY. During the year under review two new stores were opened at Basildon and Bolton and the warehouse at Aldershot extended, whilst 11 uneconomic branches were closed. Last year I referred to a store which was to be built at Blackpool. The building work is proceeding and it is expected that the store will be opened in September of this year. We are also carrying out this year and next a very heavy programme of extension and alteration to about 50 of our existing branches which your Directors anticipate will result in additional trade and additional profits.

PROSPECT FOR CURRENT YEAR. The increase in turnover which applied throughout 1961 is continuing so far in 1962, although the National Health Service dispensing revenue has declined, and in spite of all efforts, expenses continue to increase. There is no clear indication as to what progress will be made generally in retail trade by the end of this year, but your Directors are confident that your Company will achieve a substantial share as in the past.

The report was adopted and the final dividend approved.

Copy for the insertion of Company Meeting reports must reach this office not later than Wednesday of each week and should be addressed to:

The Company Meetings Department,
The Economist,
22 Ryder Street, S.W.1.

THE AUSTRALIAN ESTATES COMPANY LIMITED

SIR DENYS LOWSON ON A DIFFICULT YEAR

STEADY PROGRESS

The Annual General Meeting of The Australian Estates Company Limited will be held on July 12th in London.

Sir Denys Lowson, Bt, the Chairman, in his Review, which is being circulated to stockholders, says :

SUMMARY OF RESULTS

The year ended December 31, 1961, has been a difficult one. All sections of our activities, apart from our sheep stations, showed diminished earnings. At our cattle stations we suffered from a very dry season and on some even drought conditions; while prices again fell. Although our sugar mills were permitted to mill in excess of their "peaks," a lower yield per acre, shortage of surplus cane, and a reduced price for sugar were the cause of a substantial drop in the profits of this department. Agency earnings also suffered as a result of bad climatic conditions both in Queensland and in Victoria.

In the circumstances the reduction of our gross revenue to £1,020.725 for the year 1961 from £1,333,775 in 1960 can be readily appreciated. After providing no less than £472,569 for depreciation, the net group profit is £219,895 and the subsidiary companies have retained £46,472, leaving a net profit available to the parent company of £173,423, as compared with £221,693 last year.

We propose to pay the same dividend as last year on the Ordinary and "A" Ordinary Stock, namely 10 per cent less income tax: in order to assist Australian and other overseas stockholders we have again expressed this also in its free of tax equivalent of 6¼ per cent. These, with the preference dividend, absorb £145,423 and the amount carried forward is increased to £861,850 from £852,525 brought forward from last year.

During the course of the year we lost Tyrie in New South Wales, which although it was freehold was taken over for closer settlement, notwithstanding the fact that since 1945 very substantial areas, amounting to nearly 43,000 acres in New South Wales alone, had already been taken over from us for the purposes of closer settlement. We also decided to dispose of Jemalong, which was the subject of a proclamation some few years back. This property had had a disappointing record; in spite of having what should have been good possibilities. The capital profits resulting from these and other transactions, less taxation arising thereon, amounted to £477,814 for the Group; and have been carried direct to Capital Reserve.

Stockholders will see on the outside cover of the report the Coat of Arms which was granted to the Company some three years ago and indicates our particular interests in Australia, namely the sheep, cattle and sugar industries.

PASTORAL-SHEEP

1961 was a variable rainfall year, and in some areas recordings were well below average in Queensland and New South Wales. Drought conditions prevailed at Thylungra, forcing agistment for some breeders. Fortunately this was mainly internal, as the season was better at Terrick Flock, Terrick Stud, and Bonus Downs. Mount Morris again had a difficult time. In New South Wales, Buckiinguy and Raby both had a light year; on the other stations conditions were generally favourable.

The overall 70 per cent lambing, obtained despite the dry season, is a very good result, and our wool clip was 550 bales larger than last year, exceeding a total of 10,000 bales. Cut per head was higher, and price nearly 5d. per lb. better than in 1960.

The Studs had a good year, Terrick sold a record number of over 3,000 rams at the best average price yet obtained, and gained major successes with its show teams at the Queensland State and other leading Queensland shows. Raby also had a record year, selling nearly 1,000 rams to outside buyers, and taking two important Reserve Championships at the Sydney Sheep Show. Oolambeyan ram sales were lower owing to dry conditions in areas where we usually sell rams.

The Bonus Downs lease which expired in 1960 is still held, but is likely to go before the end of the year. Mount Morris is to lose 44,800 acres, but probably not in 1962.

The loss during the last two to three years of various properties through resumption or acquisition for the purposes of closer settlement, including Bonus Downs and parts of Mount Morris and parts of Thylungra in Queensland, as well as Tyrie in New South Wales, together with the sale of Jemalong by the New South Wales Pastoral Company, will mean that in the future we shall not be able to carry the same number of sheep as in the past. There must, therefore, inevitably tend to be some fall in our income from this side of the business.

Your Directors have very much in mind the importance of acquiring some additional properties, not only in order to maintain our stock numbers but also to give us that mobility for placing our animals out to agistment, which is so essential during drought periods.

I am happy to tell you that we have been successful in acquiring one freehold property in Queensland called Terrica, and we shall use every endeavour to acquire further appropriate properties, either for sheep or for cattle fattening, if they become available. The difficulty is that the cost of such properties is often so high as to preclude the possibility of securing a reasonable return; particularly if they are liable to resumption after a relatively short period. Today, with the pressure from all Governments for closer settlement, it is exceedingly difficult for a company such as ours to secure lease renewals, except of properties which lie in marginal rainfall areas or are otherwise relatively unattractive.

PASTORAL-CATTLE

There was no general wet season in Queensland and although the North Western properties received patchy storms, seasonal conditions on these were the worst experienced since 1952. Chatsworth, in particular, was again stricken by drought, and overall drought expenses were high.

At Granada our shorthorn stud continues to improve, and we have a good demand for our herd bulls. At Millungera the Santa Gertrudis Stud is making good progress, and we expect the breed to do well in that country where the climate is hot and the natural grasses low in protein.

Cattle prices throughout Queensland in 1961 were well below those operating during 1959 and 1960, the average price per head being about £10 lower.

FARMING AND PASTURE IMPROVEMENT

We continued to obtain useful and helpful assistance from the Queensland University, the Commonwealth Scientific and Industrial Research Organisation (C.S.I.R.O.) and the Departments of Agriculture and Stock in Queensland and New South Wales, and I should like to take this opportunity to thank these friends most warmly for their assistance.

Sheep Properties :

On the agricultural side, the low rainfall and absence of flooding at Thylungra prevented planting of sorghum; and while a crop was put in at Dagworth, insufficient follow-up rain came and a grasshopper plague took all that grew.

Terrick Stud and Terrick Flock were more successful; the Stud produced 600 tons of sorghum silage, while the Flock grew an excellent first crop and has put down about 1,000 tons of sorghum silage as a future drought reserve. A useful oat crop was grown for grazing on the Stud. Terrick Stud has achieved good results with buffel grass, but the response has been slower at Dagworth and Mount Morris.

Raby's dry lucerne production continues to be good, and in addition, the stands are providing valuable grazing for top studs.

Cattle Properties :

At Tanderra, good results were obtained from about 1,800 acres sown to oats in 1961. On this area, about 900 two-year-old steers were fattened to ideal chiller weights within six months of their movement from the Northern properties. Tanderra's improved pastures are providing good feed for about 3,000 steers, and with the extension of oats in 1962 we hope for a continuous turn-off of fats throughout the year.

At Granada, lack of rain caused the failure of the 400 acres sown to sweed sudan and cow pea; but this experiment will be repeated in 1962. Five acres of lucerne were kept under irrigation, giving some high quality hay which was useful in supplementary feeding. Experiments in dry farming at Dalgonally also failed due to the season; but twenty-five acres of lucerne were established under irrigation with satisfactory results. This area is to be extended to fifty acres in 1962.

SUGAR

The estimated Australian production of raw sugar in 1961 was 1,382,000 tons 94 N.T.—about the same as in 1960; of this 1,315,000 tons were produced in Queensland, compared with 1,320,000 tons in 1960.

The 1961 Queensland crop suffered from low rainfall in almost all areas; some districts also had heavy frosts. Increased export sales, and lower yield per acre, enabled all available cane to be harvested.

A record of 833,545 tons of actual raw sugar was exported, due to short-falls in exports from other British Commonwealth countries and the sale of 90,000 short tons to the United States of America. The British Commonwealth Sugar Agreement has again been extended for another year, and will now operate until the end of 1969. The International Sugar Agreement no longer contains provisions restricting exports from any country.

Kalamia Mill crushed 388,000 tons of cane, compared with 343,000 in 1960, while Pleystowe Mill crushed 326,000 tons of cane, against 305,000 in the previous year. Both mills maintained a high standard of efficiency. Cane crushed from the Company's cane farms at Kalamia amounted to 18,000 tons—the same as in 1960.

Interest in mechanical harvesting of cane continues to increase and in 1961 about 5 per cent of the crop was harvested mechanically, while some 51 per cent was mechanically loaded.

AGENCY

Wool sold through Brisbane and Melbourne stores amounted to 180,000 bales, 6,600 less than in 1960. The decrease was in Brisbane, where clips were generally smaller due to the dry season. Average values per bale were £2 to £3 higher than in 1960.

Following the general trend, turnover of both sheep and cattle was lower; sheep values were down in both Queensland and Victoria, and the cattle market fell sharply.

Since 1959, we have been giving careful study to the question of an extension to our Brisbane Wool Store. Present capacity is about 70,000 bales per season, and there is a serious shortage of show and storage space. The extension will be commenced this year and completed early in the 1963/64 season. It will increase our seasonal capacity to about 120,000 bales and should cover our needs for some years to come. The existing store will be modernised at the same time, and the latest methods of mechanical handling will be used in both buildings. We are confident that our Brisbane Wool Store will be outstanding in the Commonwealth.

WOOL

Receipts into Australian Wool Selling Brokers' stores for the season 1961/62 are estimated to be 4,793,500 bales, a figure 38,000 greater than in 1960/61.

Estimates for each State are:

	1960/61 Actual	1961/62 Estimated
New South Wales ...	1,584,308	1,553,000
Queensland	776,503	751,000
Victoria	1,390,032	1,417,500
South Australia	495,021	533,500
Western Australia	422,732	446,000
Tasmania	86,886	92,500
	4,755,482	4,793,500

The clip from New South Wales was better than in 1960, although burr fault was more prevalent. Drought conditions were reflected in wools from Northern Queensland, but from other parts of that State production was up to standard. Generally, wool from other parts of Australia was well grown and in good condition. Sales over the past five years have been:

	Bales	£A	Average Per lb.
1957/58	4,374,694	337,770,554	62·45d.
1958/59	4,790,282	295,652,526	48·57d.
1959/60	4,929,227	359,429,490	57·92d.
1960/61	4,755,482	314,479,810	52·20d.
1961/62 (Estimated)	4,793,500	342,000,000	55·00d.

Japan took 33 per cent of Australian wool exports in 1960/61 and has dominated auctions during the current season, taking about 30 per cent of wool offered. The United Kingdom follows, then France and Italy. The United States of America and Mainland China have lifted greater quantities this season.

Market movements during the current season are shown by the following clean costs on Australian show floors:

		Average 64's	Average 56's
		(Australian currency)	
1961	July	109d.	92d.
	December	103d.	86d.
1962	January	104d.	84d.
	March	117d.	89d.
	May	118d.	90d.

AUSTRALIAN WOOL MARKETING

In 1961 at the request of growers, the Federal Government set up an independent committee (The Wool Marketing Committee of Inquiry) to examine the marketing system. It has spent a year in Australia and abroad making its investigation, and presented its report early in 1962.

The main recommendations of the Committee are that a permanent Commission should be set up to control wool production and sale (including promotion and research), and to speak for the industry with a single voice; that no alteration should be made at this time to the auction system, and that the introduction of a reserve price scheme is not advisable at present. Graziers' organisations are now considering the report.

The Sydney Greasy Wool Futures Exchange was established in 1960, but operations have not yet reached the volume considered reasonable at its establishment. Grower support has, so far, been of little consequence.

Emphasis recently has been on the promotion of wool, and it may not generally be known how much has been done by the C.S.I.R.O. on the research side. Some of their achievements include the production of a branding fluid which can readily be washed out of fleeces; a modified carbonising process which reduces yarn breakage; shrink-proofing, mothproofing, permanent creasing and drip-dry processes for woollen cloth; and an automatic controller for Noble combs which has now been installed in many mills in Australia and abroad.

Research is not a swift nor an easy process, and these are remarkable contributions to the Industry.

GENERAL

The Australian economy in 1961 was affected by the series of Federal Government measures taken in November 1960. There is little doubt that action was necessary to curb speculation and depress inflationary trends, but the measures have had a rather more lasting effect than was expected.

Recovery is proceeding, following a number of measures taken by the Federal Government in February 1962 to stimulate the economy and restore confidence.

There is no doubt about the basic soundness of the Australian economy, and the discovery of oil in commercial quantities—which seems a possibility — would add further economic strength and could assist particularly with the balance of overseas payments, one of Australia's greatest problems in recent years.

STAFF

One of the chief assets in conducting our business, and particularly in meeting the strong competition on the agency side, is the strength of our staff, and this depends to a considerable degree on their training.

In Victoria and Queensland, regional conferences have been held this year for branch managers and Branch staff, to exchange information and assist in training. As in earlier years, technical officers from Kalamia and Pleystowe have attended international conferences overseas, to gather the latest information on modern practices in the sugar industry. If the season permits, we hope to conduct schools on sheep and cattle matters at the stations, towards the end of this year, when our speakers will be leading scientists.

All these measures should assist staff to reach maximum efficiency, and ensure that thinking on all the Company's operations will be stimulated by modern ideas.

Particularly in Queensland, the year has not been an easy one for many of the Company's staff, and I would like to thank them all, whether on the sugar, sheep, cattle or agency side, for their hard work in the Company's service. Their efforts have been much appreciated.

Once again it is my pleasure to pay warm tribute to our Australian Director and General Manager, Mr G. S. Colman, to the Assistant General Manager, and to all their colleagues and staff. Throughout what was undoubtedly a difficult and trying year, they all worked splendidly and helped to enhance the Company's reputation, and maintain the fine progress which it has made in recent years. Mr G. S. Colman has been untiring in his devotion to the Company's interests; and the greatly strengthened Head Office management team which we now have is largely the result of his personal initiative and care. Stockholders owe him and all the other members of the organisation a deep debt of gratitude.

DIRECTOR'S VISITS

During the course of the year Sir Keith Officer visited Australia on business, and I am happy to say that he was able to make an extensive tour of our sugar mills, cattle and sheep stations, as well as agency branches and properties. We have benefited greatly from his deliberations with the top management in Australia, and your Directors desire to record their appreciation of the report which he made on his return.

FUTURE PROSPECTS

The probable effects of Britain's proposed entry into the European Common Market have caused some concern to Australian primary producers. It is not known at present on what terms the United Kingdom may be admitted, and what steps can be taken to safeguard Commonwealth interests. It does appear, however, that the Australian wool industry may be unaffected.

Although wool prices improved in 1961, they are still not high. The cost/price squeeze on the woolgrower is well illustrated by the Australian Bureau of Agricultural Economics indices, which indicate that in a period of about fifteen years to June, 1961, prices received by wool-growers increased by about 40 per cent and their costs increased by about 130 per cent.

The sheep properties all received useful early rain, and generally the seasonal outlook is safe for the present; although in New South Wales more rain is needed on all properties. In 1962 good rains have fallen in parts of Queensland, but these have again been patchy, and there has been no general monsoon.

All cattle stations, with the exception of Mt. Howitt (which, however, did have a fair flood) received good storm rains in the summer of 1961/62, and are expected to carry their stock through the winter and spring without difficulty. Chatsworth is again dry, but it has been able to return some of those breeders which have been away on agistment since the end of 1960.

During 1961, meat prices fell considerably and there has been a further fall in the opening months of 1962; present indications are that prices could be as much as £10 per head below those operating in 1961. Consumption per head of population appears to have decreased. With the reduced prices, it will take the cattle properties longer to recover financially from the effects of a bad season: but we have been able to keep losses in breeders to a minimum, and brandings will soon return to normal if seasons are good.

On the agency side, Queensland had one of her worst seasons in 1961, and the year was far from good in Victoria. In the latter State the first four months of 1962 were unusually dry: but good general rains fell during May and the outlook is now improved. In Queensland the season has opened quite well except in the south-western portion of the State.

Australian sugar production in 1962 is estimated at a record of 1,500,000 tons, and this has already largely been sold; it appears that our crop has a good chance of being marketed satisfactorily. The Queensland Sugar Board has announced that it will acquire 25 per cent in excess of individual mill "peaks."

The Australian population is now greater than ten and a half million people, having risen by nearly 25 per cent over the past ten years. The long-term future of the Commonwealth appears good, and national growth and achievement should continue satisfactorily in the years ahead.

CORRECTION

In the balance sheet of the Banco di Napoli, published on June 9th, we regret that the name and title of the General Manager, Cav. del Lav. Fusco Dott. Stanislao, were incorrectly spelt.

BROOKE TOOL MANUFACTURING COMPANY, LIMITED

EXPORTS INCREASLD BY 25 PER CENT

The Sixtieth Annual General Meeting of this company was held at Birmingham on June 6th, the Chairman, **Sir Alfred Owen, CBE,** presiding.

The following is an extract from his statement circulated with the Report and Accounts for the year ended September 29, 1961:

The profit for the year before taxation is £164,446 compared with £108.161 in the previous year. Profit after tax is £86.821 compared with £76.611 in the previous year. The figures under review include five months profit from Fred Whiteley Limited. Your directors recommend a final dividend at the same rate as last year, 5 per cent less tax, thus maintaining the annual distribution at 10 per cent less tax.

The sales of cutting tools improved considerably during the year and the increased volume of business more than compensated for the increases in costs which resulted from wages awards and other factors.

Sales for the first six months of the current year are higher than for the same period in the year under review.

As forecast in my statement last year both Harrisons and Denfords have achieved new output records during the year under review. Both companies have shown encouraging increases in profits.

Orders on hand remain at a high level and both factories show increases in output over the first six months of the current year compared with the corresponding period last year.

The expansion programme at Harrisons should be completed by the end of September 1962. It is expected that the benefit from the additional investment, which has been necessary to provide additional capacity to produce the new models now being offered, will accrue in the year ending September 1963.

At the end of April 1961 Harrisons acquired the entire share capital of Fred Whiteley Limited. This company has supplied fabricated bases used in the Boxford lathe for some years and is already proving to be a profitable addition to the Group's resources.

OVERSEAS TRADE

The Group continued its efforts to expand its overseas trade and an increase of 25 per cent over the previous year's figures was achieved. Direct exports account for more than one-fifth of the Group's sales.

Although this year should see an increase in the Group's turnover an increased profit is not expected. The reason for this is that the current year is one of development within the Group. On the machine tool side new facilities are being brought into use and still further additions to the range of products are passing through their initial stages. The parent company on the engineers small tool side is strengthening its sales force and preparing to introduce new product ranges, one of which is boring tool equipment made by the Davis Division of Giddings & Lewis of the United States of America. The Davis tooling will be manufactured under licence at the Company's Greet factory. These items involve expenditure, the benefits of which are not felt immediately.

The Report and Accounts were adopted.

THE CITY OF LONDON REAL PROPERTY COMPANY

CONTINUING STEADY EXPANSION

The ninety-eighth annual general meeting of The City of London Real Property Company Limited will be held on July 3rd in London.

The following is an extract from the circulated review of the Chairman, **Mr Leonard J. Williams:**

Fixed assets show an increase of £9.162,246 resulting from the inclusion of the Corinthian properties, acquisitions during the year and expenditure on properties in course of construction, notably those on the Stag site.

Apart from the income from Corinthian Investments Limited since the date of acquisition, there has been a further substantial increase in Gross Rents and Service Charges. After the usual outgoings the balance of this account amounts to £2,556,517, an increase of £256,570 over last year. An interim dividend of 3½ per cent has already been paid on £16.500.000 Ordinary Stock and your Directors recommend a final dividend of 8½ per cent on the £17,100,000 Ordinary Stock, making a total of 12 per cent for the year.

Having reviewed in detail the progress made on the Group's current development projects Mr Williams, referring to future plans, said:

FUTURE DEVELOPMENTS

The freeholds of Norfolk House, Laurence Pountney Hill, EC4, Nos. 2-4 Idol Lane, EC3, and Nos. 33-35 Eastcheap, EC3, have been acquired during the past year. It is intended to redevelop them as and when opportunities occur.

Many other sites have been purchased including the major part of the area adjoining our freehold at the corner of Lime Street and Fenchurch Street, EC3, and planning application has been made for the development of this area.

Agreement has been reached with the Corporation of London for your Company to lease the site of Nos. 69-70 Mark Lane, EC3, and arrangements have been made to redevelop this site together with our adjoining property in New London Street. It is hoped to start work on this project in December of this year.

We are joining with Kleinwort, Benson Limited and Corbett & Newson Limited to undertake the development of a site bounded by Philpot Lane, Fenchurch Street and Rood Lane, EC3. In this connection, the acquisition of various sites has been completed and planning application has been made for the erection of an office and shop building of approximately 156,000 square feet. The major portion of the building will be occupied by Kleinwort Benson Limited as their Head Office and we hope that the building will be ready for occupation in 1965.

You will have gathered that the steady expansion of the Group over the next few years is assured and this, together with increases in rents as existing leases fall in, should be of considerable benefit to stockholders. We continue our search for profitable investments both in standing property and in sites for redevelopment schemes. Faced with the prospective shortage of sites in the City of London, we aim to widen the scope of our operations by taking advantage of suitable opportunities to develop commercial and shopping centres in provincial cities and towns throughout the country.

ANOTHER RECORD YEAR FOR HAMBROS BANK

SIR CHARLES HAMBRO ON THE COMMON MARKET

The Fiftieth Annual General Meeting of Hambros Bank Limited was held in London on June 14, 1962.

The Statement by the Chairman, **Sir Charles J. Hambro, KBE, MC,** included the following remarks:

"We have continued to develop our traditional business with our many friends in Norway, Sweden, Denmark and Finland and we wish to thank all our banking connections in those countries for their support and co-operation. Our Scandinavian Service for British exporters continues to expand, and during the last twelve months we have also assisted in procuring orders for two 80,000 d.w. ton tankers to be built in this country for Norwegian account. We shall continue in the future as in the past to remember our Scandinavian origin and to foster our business in those countries.

MONETARY POLICY

"During the last year, Britain has suffered from a balance of payments crisis, resulting in a dangerous draining of our foreign currency reserves. By taking sharp monetary action the Government has corrected the short-term position, but this fluctuation of money rates at short intervals must disturb our power to compete in international markets and slow down the growth in our export trade. We all hope that the Government's efforts to check inflation will make these frequent monetary disturbances unnecessary.

"During the past year we have seen a considerable bidding up of rates for short-term foreign deposits. Rates have been paid which are quite out of line with the market. It is clear that this short-term money is being passed on to local authorities and hire purchase firms, as otherwise it could not command such high rates. Under normal conditions foreign deposits would find their way into the Discount Market where they would be used to good effect in the finance of trade by the discount of Bankers' Acceptances, and in the purchase of Treasury Bills.

"Naturally these higher rates have produced a greater inflow of money than would otherwise have been the case, but it is only an embarrassment. This surplus money is immediately withdrawn if there is any loss of confidence abroad. Thus at the time when the authorities are most in need of support the exchange position sharply deteriorates. Even internally the use of this foreign short-term money by local authorities and hire purchase companies appears to have substantial disadvantages in that at a time when the British banks may well be under official pressure to reduce advances they have to provide additional assistance for the local authorities and hire purchase companies when foreign deposits are withdrawn. Surely it would be better for the economy as a whole if rates were kept at a level which did not attract this 'hot money.'

COMMON MARKET

"As Merchant Bankers our main concern must be the negotiations in connection with the United Kingdom's entry into the Common Market. We believe first that Britain cannot afford to stay out of the Common Market and we believe that the Commonwealth will be better off with a rich Britain in the Common Market than with a Britain made poor because she stayed out.

"We realise that there are political complications for Britain in joining the Common Market, but we believe that the Common Market needs us, and that the City of London, as a financial centre, has everything to gain.

"Free trade between the United Kingdom and Europe will entail many adjustments and realignments in our industrial set-up, but overall, I am convinced that the resultant increase in this country's trade as a whole will far surpass any loss of business by a minority.

"What we must do, however, is to ensure that management and labour reorganise their methods so that their output in brains, skill and muscle compares favourably with that of their neighbours. This is just as much true in regard to us bankers as it is to industry as a whole, and during this year we are reorganising and developing our liaison arrangements throughout Europe in order to put us in a leading position to take advantage of the new business which we believe will arise in the event of Great Britain's entry into the Common Market.

INCREASED COMPETITION

"While I believe the present year will see a modest improvement in business, I do not believe that we can expect a significant increase in our export trade until we become more competitive as to prices and more dependable as to deliveries. The world is emerging from the shortages created by the war and the vast reconstruction required to replace the destruction caused by the war. The increase in the demand for goods and services has become more normal and will rise more normally, but at the same time, the productive capacity everywhere has been increased. As a result, I believe that this year we shall all feel increased competition and narrowing margins of profit, both in the domestic and export fields.

THE POUND

"A Royal Commission has been appointed to consider the adoption of a decimal system throughout this country and especially in regard to a decimal currency. As Merchant Bankers we are acutely concerned with the effect that a change to a decimal currency may have on the business of the City of London and we are convinced above all, that the pound sterling must be retained. Over one-third of the world's trade is financed in pounds sterling and international commodity markets are largely expressed in sterling, so that this unique symbol is just as important to the rest of the world as it is to the Sterling Area. I believe that if London is to become the financial centre of the Common Market and Europe, as well as the financial centre of the Sterling Area, the pound sterling must be our unit of currency, whatever else may be changed."

"RIGHTS" ISSUE

The Report and Accounts were adopted. At an Extraordinary General Meeting following the Annual General Meeting, shareholders approved resolutions to sub-divide the Bank's £1 fully-paid shares into shares of 5s. each, and an increase in the Authorised share capital from £7,000,000 to £8,000,000, by the creation of an additional 4,000,000 shares of 5s. each. Of these, 1,920,000 shares of 5s. are being issued to the Holders of £10 shares in the proportion of eight shares of 5s. for every five shares of £10 held and four shares of 5s. for every 25 shares of 5s. held. The Bank's brokers have obtained subscribers for 80,000 shares of 5s. In all, 2,000,000 shares are being issued.

BALANCE SHEET AT 31st MARCH, 1962

LIABILITIES	1962	1961
	£	£
Current, Deposit and Other Accounts	79,999,596	71,692,225
Deposit Accounts in Foreign Currencies	28,144,914	8,572,296
Acceptances	32,068,305	29,096,053
Paid-up Capital	4,000,000	4,000,000
Reserve	5,000,000	5,000,000
ASSETS	£	£
Cash in Hand, at Bankers and at Call	43,067,319	41,002,310
Bills of Exchange	19,204,162	15,661,219
British Government Securities	3,943.431	7,734,473
Loans, Advances and Other Accounts	20,848,801	19,132,791
Loans and Advances in Foreign Currencies	24,561,995	2,004,155
Investments in Subsidiary Companies	2,139,429	350,200
Other Trade Investments	3,379,373	3,379,373
Liabilities of Customers for Acceptances	32,068,305	29,096,053

MARKS AND SPENCER LIMITED

RECORD SALES OF £172,826,000

St Michael

THE HALLMARK OF QUALITY AND VALUE

LARGE BUILDING PROGRAMME

The thirty-sixth Annual General Meeting was held on June 12th at 47/67 Baker Street, London, W.1.

Lord Marks of Broughton (Chairman and Joint Managing Director) who presided said:

Ladies and Gentlemen:

May I take it that in accordance with our customary practice, the Directors' Report and Accounts be taken as read?

CHANGES ON THE BOARD

You will already have learned that Mr Harry Sacher, MA, did not wish his name to go forward for re-election today. Mr Sacher, who has been a Director of your Company since February 1932, has been closely associated with me ever since Marks and Spencer became a public company, and my colleagues and I are glad to know that his experience will continue to be available to us in a consultative capacity. I am sure you will wish me to thank him for his efforts on behalf of the shareholders throughout his long tenure of office.

We have co-opted Mr J. A. Lewando and Mr M. M. Sacher, MA, to our Board, and you will be invited later in this meeting to re-elect them. Both these gentlemen have long service with the Company. They have been alternate members of the Board since 1954, and we are sure that their appointments as Directors will be of benefit to the Company.

PROFIT AND LOSS ACCOUNT

Our profit for the year reached the record figure of £21,335,000 compared with £20,495,000 a year ago.

Taxation has required £10,800,000 as compared with £10,200,000 last year. £500,000 of the increase is due to the raising of the rate of Profits Tax from 12½ per cent to 15 per cent. Profit after tax amounts to £10,535.000 compared with £10,295,000 last year.

We are distributing this year a dividend at the rate of 47½ per cent. This is the same rate as was paid last year, but it is payable on a capital increased during the year by a scrip issue of £2,171,000 which raised our equity capital to £23,884,000.

After the appropriations detailed in the Directors' Report, the revenue reserves will amount to £18,578,000 while the capital reserves remain at £19,323,000.

PROPERTIES

The properties now appear in the balance sheet at £54,840,000. Our stores are freehold in the main. Where we do not own the freehold, we enjoy very long leaseholds. In fact, there are only 5 stores where our leasehold interest is less than 66 years.

You will note that Fixtures and Equipment stand in the balance sheet at £7,188,000, a rise of over £1,000,000 on last year. We have introduced counters, racks and other equipment specially designed to facilitate self-service and self-selection, a form of shopping which is much appreciated by the public.

GENERAL SURVEY

The sales for the year were £172,826,000 compared with £166,501,000 in the previous year, an increase of £6,325,000.

The figures of sales in the two years are, however, not strictly comparable because of the incidence of Easter, which has no fixed date. Easter marks the opening of the Spring and Summer season and is the first peak business period of the year. Owing to the vagaries of the calendar our financial year contained no Easter, whilst in the previous year we enjoyed two such periods.

The second half of the financial year lay in the shadow of the July Budget, which was introduced to carry out the Chancellor of the Exchequer's purpose of restraining personal spending and making the pay pause effective. In the July Budget, the Chancellor imposed a surcharge of 10 per cent on all rates of Purchase Tax and Customs and Excise Duty, and in his Budget speech he said:

"The effect of this surcharge will be to withdraw purchasing power from the economy at the rate of £210,000,000 per annum."

It is difficult to estimate the overall effect of the Chancellor's measures on our sales, but there is no doubt that they had a restrictive effect on public spending.

The continued growth in our business is attributable to four main factors:

1. The scientific and technical effort which has been devoted to creating and producing "St. Michael" garments and foodstuffs.

2. The massive investment we are making year by year in rebuilding and modernising our stores and extending their selling areas, so that in effect all the stores are being gradually and steadily transformed.

3. The close attention we give to controlling operating costs, to eliminating unnecessary paper procedures and to practising good housekeeping throughout our business.

4. The efforts we devote to maintaining the confidence and goodwill of our customers.

MERCHANDISING POLICY

Each year, we emphasise the importance of the scientific approach in the creation and development of "St. Michael" merchandise. Today applied science is revolutionising industry and agriculture, and this revolution profoundly affects the industries, in the field both of textiles and of food, which concern us most. The pace of advance is so great that it continuously enlarges the scope of the work carried out by our staff of scientists and technologists.

They make use wherever possible of the accumulated knowledge and scientific facilities provided by the appropriate research institutions and associations. Such institutions provide a reservoir of knowledge from which we draw and to which we, in our turn, are happy to contribute.

Our object is always the improvement of "St. Michael" garments and foodstuffs. This is an endless task and it is only by keeping abreast of the latest developments in technical progress that we can obtain continuous improvements in our values. In the textile field, we stimulate the development of new fabrics, both woven and knitted. We are also concerned with the application of new finishing, printing and styling techniques. In this way, we speed up the practical application of technical progress to the manufacture of "St. Michael" garments.

Recently, the 2nd World Congress of Man-Made Fibres was held in London. This was an important event in the history of the world textile industry and marked the spectacular progress of man-made fibres since the first World Congress eight years ago. Today, man-made fibres account for 23 per cent of the fibres used by world industry, and the proportion is continually rising.

We were gratified that it fell to one of our Directors, Dr Kann, to have the honour of delivering to the Congress the Inaugural Address on "Man-made Fibres and the Consumer." In his address he described the kind of contribution we as large-scale retail distributors make to finding suitable applications for the wealth of beautiful materials which are now at the disposal of the textile industry.

More than one-third of our textile garments are now made entirely from man-made fibres, some of which were unknown to the public only a few years ago. "St. Michael" garments made from cotton and wool, the natural fibres, have also undergone remarkable improvements due to new finishing and manufacturing techniques.

We now have at our disposal a wealth of fine materials which are quite new. By applying efficient production techniques to their conversion into "St. Michael" garments we have helped to bring about a social revolution whose benefits are available to everyone, however modest their means. Perhaps the best evidence of this is the continuous improvement, in quality and value, and the increasing variety of "St. Michael" garments. They display a beauty of colour and texture which only a few years ago were the privilege of the very few.

FOOD DIVISION

I am glad to say that our food business continues to expand. Sales in the last year were nearly £33,000,000 as compared with £28,500,000 in the previous year. "St. Michael" foods are increasingly appreciated by the public for their high quality, freshness and good value.

This is due to a concentrated effort on the part of our food technologists and executives who work in close association with our suppliers and manufacturers. Much work is done with leading specialist suppliers in the selection and specification of high quality raw materials and ingredients. This applies particularly to "St. Michael" bakery products which form a considerable part of our food business.

Our manufacturers are making great strides in mechanising production and improving efficiency. Large sums of money have been invested by them in rebuilding and expanding their factories, which not only incorporate the most modern plant and equipment but also provide the most hygienic conditions for the manufacture of their products. The factories are sited regionally, which makes for speed of distribution to stores which they serve, so as to preserve the oven-fresh quality of their goods. Our friends have been able to develop with confidence because of the increasing market Marks and Spencer stores offer for fine quality foods at reasonable prices.

We have encouraged the development, both in this country and abroad, of strategically sited packing stations at which "St. Michael" fruit is selected and graded. This represents a considerable step forward and enables us to apply principles of selection and grading which ensure that our fruit shall be of the best quality.

In order to satisfy the growing requirements of our customers we are widening the range of our food products. We can claim with assurance that the foods we offer to the public are made in hygienic, modern factories, from pure raw materials and the best ingredients. The public can see for themselves and they certainly appreciate the clean and attractive presentation of "St. Michael" foodstuffs in Marks and Spencer stores.

"ST. MICHAEL" OUR BRAND NAME

Our brand name, "St. Michael," is the most popular trade mark in the country, and the goods which bear its name are exclusive to Marks and Spencer. "St. Michael" is accepted as the hallmark of quality and value by the millions of customers who throng our stores each week and who buy our goods with confidence. The goodwill of our customers which we have built up over the years is a most precious asset. We spare no effort to maintain the high standards of value which we set ourselves and to be worthy of the trust and confidence of our public.

STORE DEVELOPMENT

Since 1955, when building controls were removed, we have carried out a systematic programme of store development which has so far required an investment of £38,000,000. We continue to follow the policy of financing our growth as far as possible from our own earnings. Apart from the £5,000,000 which we borrowed by means of a debenture, the whole of this massive investment does not bear any interest charges. It is interesting to observe that the rents and ground rents in respect of our 238 stores amount to less than £425,000 per annum. The contribution this policy makes to our trading profits is very substantial.

By 1955 we had been able to rebuild the 15 stores which were destroyed in the war. In the rebuilding their character was completely changed, and with their attractive modern elevations they constituted new landmarks. They had wider and more imposing frontages, more selling space to show the increasing range of "St. Michael" goods, and our customers were able to shop in greater comfort. Thus the pattern was set for our subsequent development.

During the last financial year we rebuilt, extended and modernised 23 stores. Currently, work is in hand at a further 21 stores, and others will follow as soon as plans have been approved. In all, we contemplate an investment of the order of £15,000,000 on our building programme over the next three years.

Thus our stores are undergoing a steady process of transformation. It takes two years or more to rebuild a major store and at any particular moment there is a substantial amount of work in progress, of which the full trading benefits are yet to come.

SIMPLICITY IN ADMINISTRATION

We continue to insist on the virtue of simplicity in methods of management and administration. There is a constant tendency, in business as in government, for costs of administration to rise, for procedures to become complicated and for paperwork to become burdensome and wasteful. Unless it is checked it can lay a heavy burden on business. We subject all our procedures to constant scrutiny in order to eliminate useless paperwork, with results which have again contributed substantially to the year's profits.

In our Simplification Exhibition at Head Office we have illustrated some of the methods by which we have tried to achieve simplicity in administration. It continues to attract a regular stream of visitors who have been troubled by the same problem and hope they may learn something from our experience. During the year over 1,000 businessmen and administrators from Government Departments and Local Authorities visited the exhibition and this brings the total number of visitors since the exhibition was opened, six years ago, to over 6,000. We welcome such visits, which are an indication of the world-wide interest attracted by our campaign against wastefulness in administration.

TRIBUTE TO MANUFACTURERS

It can truly be said that the degree of co-operation between our manufacturers and ourselves is unique and fruitful. The steadfast collaboration of our friends, who share our conceptions of quality and value, is essential in order to produce the vast quantities of goods we need week by week. Our high standards can only be carried out successfully by a consistent study of methods for improving their efficiency and by having at their disposal a force of instructed and devoted workers.

Where necessary we assist our suppliers by placing at their disposal the services of our Production Engineering Department, which can offer the help of technical experts with practical experience in many fields of production. We have organised an exhibition of production aids entitled "Towards Better Standards." Many of our manufacturers have taken advantage of visits to this exhibition which have helped them better to understand and apply our approach to efficiency and quality control.

We thank them for their valued assistance and look forward to many years of happy and understanding collaboration.

TRIBUTE TO STAFF

Over the years I have emphasised your Board's constant concern with the well-being of our staff. We have followed a policy of creating happy working conditions.

In pursuing this policy we provide, as you know, a wide range of welfare amenities, which are very much appreciated. We pay particular attention, in planning our stores, to furnishing comfortable and beautifully appointed staff quarters, which they value most highly.

We are rewarded by the loyal service we receive from our staff, which is a most valuable asset to the business. In particular, the courtesy and efficiency of the service in our stores, on which we are frequently complimented, are an essential factor in creating the goodwill which we enjoy with our customers.

We are particularly proud of the growing number of those who complete 25 years' service, of whom there are now over 1,500. Those who do so are invited each year to a ceremony at Head Office, which is greatly enjoyed by us all, including myself and the members of your Board.

Our concern for the well-being of our staff continues after they have left our service. Retire-

MARKS AND SPENCER LIMITED

10 YEAR STATEMENT

	YEAR ENDED 31st MARCH									
	1953	1954	1955	1956	1957	1958	1959	1960	1961	1962
	£	£	£	£	£	£	£	£	£	£
TURNOVER	86,931,000	94,806,000	108,375,000	119,400,000	125,012,000	130,429,000	134,449,000	148,023,000	166,501,000	172,826,000
PROFIT BEFORE TAXATION	6,741,000	7,867,000	9,268,000	10,130,000	12,806,000	14,143,000	15,059,000	17,806,000	20,495,000	21,335,000
TAXATION	4,275,000	4,850,000	4,800,000	5,175,000	7,200,000	7,950,000	7,350,000	8,725,000	10,200,000	10,800,000
NET PROFIT AFTER TAXATION	2,466,000	3,017,000	4,468,000	4,955,000	5,606,000	6,193,000	7,709,000	9,081,000	10,295,000	10,535,000
DIVIDENDS (NET)	1,282,000	1,675,000	2,365,000	2,660,000	3,181,000	3,441,000	4,132,000	5,384,000	6,381,000	7,013,000
FUNDS RETAINED IN THE BUSINESS										
PROFIT RETAINED	1,071,000	1,242,000	1,983,000	2,145,000	2,230,000	2,352,000	3,277,000	3,527,000	3,688,000	3,642,000
DEPRECIATION	765,000	794,000	660,000	693,000	876,000	904,000	944,000	943,000	1,015,000	1,164,000

ment does not involve a break in their close association with the firm, and they continue to enjoy many of the amenities which we provide.

I am sure that no company could be better served by its staff than we are, both at Head Office and at the stores, and that you will wish to join with me now in thanking them most sincerely for their devoted work.

The report and accounts were unanimously adopted.

TRINIDAD CENTRAL OILFIELDS, LIMITED

CHANGE OF NAME TO TRINIDAD CANADIAN OILS APPROVED

The forty-sixth annual general meeting of Trinidad Central Oilfields, Limited was held on June 7th in London, **Mr Jack E. Duckham,** Chairman and Joint Managing Director, presiding. The Report and Accounts for the year ended December 31, 1961, were adopted.

At an extraordinary general meeting following the annual general meeting, resolutions changing the company's name to Trinidad Canadian Oils Limited and increasing the directors' borrowing powers were passed.

The following are extracts from the chairman's circulated statement:

ACCOUNTS

The profit available for distribution amounts to £215,477 as compared with £193,303 in the previous year, the excess being in part occasioned by the absence of a tax charge on Canadian profits due to part utilisation of accumulated tax losses suffered by Canadian High Crest Oils Ltd., prior to acquisition of control by your Group.

Your directors are recommending a final dividend of 20 per cent. less tax, making with the interim 30 per cent less tax for the year as compared with 27½ per cent in the previous year.

TRINIDAD

In the present state of the World Oil Industry your directors are primarily concerned with the maintenance of oil and gas reserves in association with your company's joint operators in Trinidad. Secondary recovery procedures are being closely studied on the one hand and exploratory drilling of two of your company's fields not hitherto adequately tested are being undertaken on the other hand.

CANADA

Succinctly, I can say that the purpose for which we set up our Canadian interests has been attained. Under the energetic direction of my colleague, Mr R. S. Longcroft (President of the Canadian Companies), Canadian results have now offset lower Trinidad profits.

UNITED STATES

A letter to Shareholders announcing the acquisition by your company's sub-subsidiary, High Crest Oils Inc., of substantial Petroleum and Natural Gas assets in the State of Louisiana, was circulated on February 28, 1962.

The board of your American Company is now considering the development of this company's multi-zone potential in co-operation with the American associates of the business group with whom your company has been closely associated in Canada for a number of years.

THE CHARTERHOUSE INVESTMENT TRUST LIMITED

RECORD OF GROWTH

SIR NUTCOMBE HUME ON BELIEF IN PRIVATE ENTERPRISE

The thirty-seventh annual general meeting of The Charterhouse Investment Trust Limited will be held on July 5th at 30, St. Swithin's Lane, London, E.C.4.

The following is an extract from the review by the chairman, **Sir Nutcombe Hume, KBE, MC,** which has been circulated with the report and accounts.

The "Ten Year Record" shows that the Ordinary Share Dividend totalling 16 per cent now recommended was earned with a higher margin than in any previous year. This result might well have justified a higher distribution but for two important considerations which, coupled with the Chancellor's request for dividend restraint, have influenced your Directors in restricting the recommended increase to 1 per cent.

On the domestic side, last year the Trust received from The Charterhouse Group Limited two dividends totalling 10 per cent whereas in the previous year it received only an interim dividend of 4 per cent. The Group's dividend forecast for its current year is 8 per cent and if, as is probable, the Trust receives this dividend during its current year, its income from that source will show a decrease of £6,838 net as compared with the year under review.

ECONOMIC CONDITIONS

In the more general context, despite current prognostications of economic expansion, the reports of many industrial companies throw much emphasis on greater competition and reduced profit margins and it must be expected that for the time being dividend reductions are likely to become more common than dividend increases.

It is even possible that we in this country may be entering a period not unlike that experienced in the United States where, in spite of a high level of prosperity, industrial profits as a whole have remained virtually stationary since 1955. For these reasons we do not expect that the current year's profits will equal those of last year: nevertheless we will be disappointed if the dividend of 16 per cent cannot be maintained.

During the past year we increased our fixed-interest-bearing holdings from 6.8 per cent to 12 per cent to consolidate and to improve income by taking advantage of the high yields offered by good quality Preference and Preferred Shares thereby offsetting in some measure the lower returns which might be expected from equities, even though this might mean sacrificing some future reversion to the growth element.

On the eve of going to Press with these remarks, Stock Markets all over the world have suffered a severe fall which may yet continue for some time. One need not, however, apprehend that this presages a major slump similar to that of 1930, because the economies of the major countries in the world are today in a much healthier state than they were then, and there is not a speculative position built up on borrowed money. In my opinion holders of securities in companies which are well managed and well financed should retain their investments for the recovery which is bound to come sooner or later if the free enterprise capitalistic system in which we all believe is to survive: and as to that I, personally, have no doubt whatever that it will.

At this early stage of our current year's operations, I hesitate to be other than cautious about what the immediate future holds out for us but I am certain that the Trust will continue to produce results well able to bear comparison with those of the best of its kind.

BANCA TOSCANA

A Company Limited by Shares under Italian Law

Head Office at FLORENCE, ITALY

BALANCE SHEET AS AT DECEMBER 31, 1961

Capital L. 2,500,000,000 LIABILITIES	Lit.	Lit.
Savings Accounts		69,087,094,541
Current Accounts		56,989,461,011
		126,076,555,552
Circular Cheques		3,172,326,452
Sundry Creditors		3,287,502,162
Staff Indemnity Fund		3,154,929,121
Unclaimed Dividends		2,281,191
Bills for Collection		1,246,336,567
Acceptances and Guarantees		739,568,661
Unaccrued Interest and Discounts		2,287,793,823
Balance of Profit from Previous Years		271,526
Net Profit		387,078,981
Total Liabilities		140,354,644,036
Capital and Reserves:		
Capital	2,500,000,000	
Ordinary Reserve	1,375,000,000	
		3,875,000,000
		144,229,644,036
Contra Accounts:		
Securities Deposited by way of Guarantee, etc.:		
Pension Fund	700,800,000	
Outside Parties	20,731,348,131	
		21,432,148,131
Other Securities Deposited		39,903,294,339
	Lit.	205,565,086,506

Reserve L. 1,500,000,000 ASSETS	Lit.	Lit.
Cash		2,765,449,463
Bills, including Treasury Bills		54,578,567,216
Securities:		
Government or Government guaranteed	14,010,767,728	
Mortgage Bonds	5,778,177,754	
Miscellaneous	3,233,564,066	
		23,022,509,548
Participations		399,328,561
Advances		46,674,541,169
Bank Premises		1,285,360,821
Furniture and Fittings		1
Sundry Debtors		1,328,784,038
Customers' Liabilities for Acceptances and Guarantees		739,568,661
Bills for Collection		13,435,534,558
Total Assets		144,229,644,036
Contra Accounts:		
Securities Deposited by way of Guarantee, etc.:		
Pension Fund	700,800,000	
Outside Parties	20,731,348,131	
		21,432,148,131
Other Securities Deposited		39,903,294,339
	Lit.	205,565,086,506

The Thomson Organisation Limited

The Annual General Meeting of The Thomson Organisation Ltd., was held on June 7th, 1962.

The following are extracts from the Review of the Chairman Mr. Roy Thomson which was circulated with the Report and Accounts for the year ended December 31st, 1961.

I AM glad to tell my fellow shareholders that the year has been a satisfactory one.

Profit for the year 1961 before taxation as shown by the accounts is £4,649,301. This is a substantial increase over 1960, and is only partly accounted for by profits of new acquisitions.

We have decided that much of the future growth of the Company lies in the diversification of our activities into the broader realms of publishing as well as in further natural expansion on newspapers. As I will describe in detail later, we are making a large investment in magazine trade and technical publishing and in years to come the revenue from this will form a not inconsiderable part of our profits.

Accounts for 1961

The total profit of the Organisation before taxation, but after charging interest payable was £4,649,301, representing an increase of 13.2% over 1960. Of this, £2,371,923 is required to meet taxation. After excluding the proportion of the profit attributable to minority shareholders, and using the pre-acquisition profit of the new subsidiaries to write down goodwill, there remained £2,130,061 available for dividends and reserve. The fixed dividends on the three classes of preference shares had been paid by the end of the year together with an interim for 1961 on the Ordinary Shares of 10 per cent, absorbing £1,160,687. Your directors are recommending a final Ordinary dividend of 14 per cent.

The Sunday Times

The last year has been an exceptionally important one for *The Sunday Times*. Despite the appearance of a new competitor in the quality field, which caused a slight temporary setback in our circulation climb, the loss was made good by the beginning of this year. Indeed, in terms of circulation, *The Sunday Times* has reached an all-time record, despite this new competition. At present the circulation is running in excess of 1,100,000, the highest figure we have ever reached. That gives *The Sunday Times* a lead of about 400,000 over its nearest rival in the quality Sunday field.

The Colour Section, which was introduced on February 4th this year, has made a substantial contribution to this circulation increase; probably not far short of 150,000 copies a week. Surveys show that the average page readership through the Colour Section is running at the extremely high level of 80 per cent. Time and again the Colour Section has shown how colour can add to the impact and interest of articles, themselves of the highest *Sunday Times* standards. This is hardly surprising, since it is the normal pattern found with similar colour sections published elsewhere in the world. The Colour Section, though we shall be developing it still further, has gained an extremely high level of reader acceptance, and is already a firmly established part of what we feel justified in claiming as the complete Sunday newspaper.

In the course of the year, Mr. C. D. Hamilton, the Editorial Director of the Organisation, has taken over the additional duties of the Editorship of *The Sunday Times*. I want to take this opportunity to thank Mr. H. V. Hodson, the very able Editor for the previous 11 years, for his great contribution to the development and strength of the paper.

Regional Papers

We now administer or own leading regional newspapers in England, Scotland, Wales and Northern Ireland. These papers, which are all in a healthy condition, form the sturdy backbone of our Organisation and continue to make a major contribution to our profits.

Advertising

During the year the advertisement revenues of our newspapers showed an increase in excess of 10 per cent over the preceding year.

The Sunday Times advertisement revenue was a record one, and I am pleased to be able to tell you that this newspaper today is carrying a greater volume of advertising than ever before in its history. The Colour Section is too new a development for its advantages as an advertising medium to have been appreciated so far by all advertisers and advertising agencies. It has, however, proved itself an immensely successful medium for the more alert of them who have experimented with its advertising pages, both in full colour and in photogravure monotone.

Marketing Division

Continuing our declared policy of bringing on to the Board men experienced and successful in various fields of business, we decided that the Organisation could benefit from the introduction of advanced modern marketing techniques of the kind already practised in great industrial companies but hitherto unknown in the newspaper publishing business. We therefore invited Mr. Harry Henry to join the Board of the parent company. He had previously been a senior director of a large advertising agency and managing director of a prominent market research company. The newly-formed Marketing Division under his direction, has the task of servicing our existing commercial operations in order to increase their productivity and profitability.

We have been recruiting personnel for the Marketing Division from completely outside the newspaper industry, bringing in new skills and expertise which, combined with the experience and abilities already existing in the Organisation, will, in our view, pay off handsomely.

In this connection I welcome to the main Board Sir Miles Thomas, who brings to our discussions his wide experience in business, besides his detailed knowledge of all aspects of advertising and publicity.

Thomson Publications Limited

In addition to the progress we are making in the expansion and development of our newspaper and television interests, we have formed a new company, Thomson Publications Limited, as a vehicle for expansion in the field of magazine and trade and technical journals. A new management team under the direction of Mr. Gordon Brunton has been created, and I confidently predict the continued growth of this company over the years.

Book Publishing Activities and Plans

Last year the decision was made to extend our book publishing activities through the development of direct mail and mail order selling. A new company, Sunday Times Publications Ltd., was formed in August of last year for this purpose. In addition, another company, Direct Mail Marketing Ltd., has been created to deal with the mailing of promotional material, the handling of lists, the despatch and fulfilment of orders in this country, in addition to similar organisations throughout the Commonwealth. Both these companies are under the direction of Mr. C. H. G. Brann.

Thomson Printers Limited

Another innovation, which I believe will have the most profitable consequences for the Organisation, is the creation of a new subsidiary, Thomson Printers Ltd. Your company now owns a wide and comprehensive variety of general printing houses, employing between them several thousand people, and it seemed to us that this situation called for the most expert centralised control from headquarters. We have therefore established this new company to take charge of all our printing units, and have appointed Mr. J. H. G. McMahon as Managing Director.

Scottish Television Ltd.

Scottish Television Ltd. has continued to expand and improve its service to central Scotland. Its viewing public increased during the year from two and three-quarter to three and one-quarter millions. Local production of programmes rose to over ten hours a week.

Mr. Noel Stevenson, formerly the ITA representative in Scotland, was appointed to the Board of Scottish Television last September. He has taken up his post as Resident Managing Director and has already justified the high hopes we placed in him. He has relieved Mr. James Coltart of many duties he had been carrying out with such distinction since the inception of Scottish Television; it was impossible for him to continue to undertake these in view of his wider responsibility as Managing Director of The Thomson Organisation Ltd. Mr. Coltart has been appointed Deputy Chairman of Scottish Television Ltd.



Times are challenging, but our plans were laid long ago-and they were *well* laid

SIR ERIC BOWATER SPEAKING AT THE ANNUAL GENERAL MEETING OF THE BOWATER PAPER CORPORATION LIMITED, HELD AT GILLINGHAM ON 5th JUNE, 1962

Welcoming a record attendance of some 3,000 shareholders at the Annual General Meeting of The Bowater Paper Corporation Limited, held at the Gillingham plant of Bowater Packaging Limited on June 5, 1962, the Chairman, **Sir Eric Vansittart Bowater,** said:

Before dealing with the formal business of this meeting, I wish to say how happy we are that Sir Christopher Chancellor accepted my invitation to join us as a Director of the Corporation. Sir Christopher was at one time the General Manager of Reuters, and we are fortunate to have secured the services of a man of his wide knowledge and experience.

This is the first occasion in the past decade that I have not been able to report an increase in our trading surplus. It is, however, gratifying that this lower level of earnings is not reflected in our sales or turnover, which again constituted an all-time record. In terms both of volume and sales value, your Organisation continued its upward trend of the past ten years. In part this increase stems from the bringing into consolidation for the first time of a full year's operation of our French paper and pulp mills—the production and sales of which were at a higher level than in 1960—and also for part of the year our newly acquired packaging plant —Bowater Europea in Rome.

Moreover, our mills in North America operated to full normal capacity and achieved an increase in production and sales of paper and pulp: the continued development of our packaging plants in Europe contributed to our improved sales position: our Scandinavian pulp mills operated substantially to capacity, but on the other hand our Irish board mills operated at a lower level than formerly owing to intensive foreign competition. The businesses of our other companies (merchanting and services) were at a satisfactory level: the ships of the Bowater Steamship Company were fully employed in the transportation of our raw materials and products, and its earnings, although lower than in 1960, were satisfactory.

In the United Kingdom, we achieved a significant increase in production and sales of packaging products despite intensive competition. The speciality papers and boards of our United Kingdom mills more than maintained their previous levels, but there was a falling off in production and sales of newsprint.

The net result was an increase in volume and sales value to a new record level. What, then, led to a consolidated trading surplus which, at nearly £22 million, was some £1.6 million lower than the record year of 1960—although still substantially higher than in any other year in our history?

UPWARD TREND IN COSTS

One feature common to all our companies in all parts of the world is the continued upward trend of costs of wages, materials, supplies and distribution, over which we have little control. Once again it was necessary for us to absorb these increased costs. We have been able in the past few years partly to offset such higher costs by increased efficiencies in operation, by the introduction of new plant and equipment and by maintaining our mills and factories in first-class condition, but, of course, there must ultimately be a limit to what can be achieved by these means.

Only in certain restricted fields, and to a very limited extent, has it proved possible to effect some adjustment in selling prices, and the selling price for our principal product—newsprint—has remained unchanged in the United States since the beginning of 1957 and in the United Kingdom since January 1959. In the meantime there is no real evidence that the inflationary spiral has been checked anywhere—indeed, in all countries in which we operate, the upward trend has continued into 1962.

The whole of the decrease in trading surplus was in fact more than accounted for by adverse trading conditions in the United Kingdom, particularly in the last six months of the past year —attributable to the further erosion of profit margins, a slowing down in newsprint demand, and also the increasing impact of the progressively reducing tariffs in favour of the Scandinavian members of EFTA, and of course the effects of the prevailing world over-supply position.

NEWSPRINT CONSUMPTION

The total consumption of newsprint in the United Kingdom was substantially the same as for 1960, but our share was at a somewhat lower level and as a consequence it was necessary in autumn 1961 to take out of production one of the newsprint machines at our Kemsley mills in Kent. Some part of the diminution in our share of newsprint consumption during 1961 was, of course, attributable to a number of newspapers ceasing publication, and to variations in circulation and paging on the part of others. Nonetheless, except for the newspapers which ceased publication, all tonnage under our sales contracts was fully taken up, but there was a tendency for publishers to seek a greater proportion of their free or uncommitted requirements from other markets—particularly Scandinavia. Indeed, today no less than 50 per cent of the total newsprint consumed in the United Kingdom is imported.

Trading and economic conditions in the United Kingdom also adversely affected our packaging activities, in which field there is also at present excess manufacturing capacity. However, we are in no doubt that the demand for packaging products of all kinds will continue to grow.

It is now some years since the plans for the development of our Packaging Divisions were evolved, and the projects which these plans embraced are now almost complete. With only minor exceptions, all our packaging plants, numbering fifteen in the United Kingdom, are of postwar construction and today equipped with the most modern machinery.

The latest addition is the new fibre container plant at Stevenage, which came into successful operation in April. This plant is the largest of its kind in the United Kingdom and there has been installed in it the finest equipment available. We now operate four modern fibre container plants in this country. Our other packaging plants produce multiwall sacks, fibre drums, milk and fruit juice cartons, foil baking cups, trays and other aluminium and board containers. With these plants, together with Gillingham (cartons, bags and other flexible packaging), we cover today almost the entire field of packaging and are well equipped to meet the continued growth in demand that we anticipate.

INCREASED PROFITS IN N. AMERICA

Happily, there was a general improvement in our overseas activities, particularly in North America, where the profits of The Bowater Corporation of North America increased by over $2 million above those of the previous year,

and were at the highest level yet achieved. Because, however, of the devaluation of the Canadian dollar in terms of sterling, we did not benefit from these improved earnings in arriving at the consolidated trading surplus but our overseas activities in 1961 contributed 78 per cent of the earned surplus, compared with 70 per cent for the previous year. Of our total net assets of £186 million, some 60 per cent are situated in North America, 32 per cent in the United Kingdom, and 8 per cent in Europe and elsewhere overseas.

The price/cost ratio of practically all our products has become badly out of balance, a situation that can only be remedied by a material improvement in the economy generally.

We see little evidence of any immediate upsurge in the consumption of our products, particularly newsprint, in either the United Kingdom or the USA. During 1961 consumption of newsprint was almost static. However, in the first quarter of the current year consumption in the United States increased by just over 3 per cent, but, on the other hand, in the United Kingdom declined by some 5 per cent.

In Australia, too, newsprint consumption during 1961 declined by no less than 25 per cent, and so far there is little sign of recovery. In New Zealand and South Africa, two of our other important markets, the level of consumption remains substantially static.

ORDINARY DIVIDEND MAINTAINED

After most carefully assessing all relevant factors and information available, and having regard particularly to the fact that the adverse conditions in the United Kingdom whilst likely to continue for a while were, nonetheless, relatively recent in their impact, your Directors decided on balance to recommend the maintenance of the rate of dividend paid in 1960, namely a total for the year of 2s. 9d. per £1 stock unit.

Our investments in associated companies amount to nearly £4 million. These represent our participation in the Bowater-Scott Corporation in the United Kingdom and in Bowater-Scott Australia, in which we are in equal partnership with Scott Paper Company of the United States; in Bowater Philips in Belgium, in which we are equal partners with Philips Lamps, the world-wide electronics organisation; and in the Tasman Pulp and Paper Company of New Zealand—which is a public company—where we are interested to the extent of some 22 per cent of its issued capital.

The Bowater-Scott Corporation has earned for itself a very substantial part of the markets for hygienic paper products, with a clear lead over all its competitors in toilet tissue and others of its branded products. Bowater-Scott Australia enjoyed a highly successful first year of operations.

The new Bowater Philips corrugated fibre container plant at Ghent, Belgium, came into successful operation in January last.

We are responsible, in conjunction with Albert E. Reed & Company, for the management of the Tasman Pulp and Paper Company, whilst Bowaters in Australia and New Zealand are its sole selling agents. During its past financial year it achieved a record level of production and sales of newsprint and pulp, despite a general falling off in demand in Australia, its principal market. Good progress was made with the installation of its second newsprint machine which is expected to come into production at the end of this year.

The Bowater-Scott and Tasman companies achieved in their last financial year a not unsatisfactory level of profits, but these profits for the time being continue to be applied towards the further development of those companies. Given reasonable trading conditions they should reach the dividend-paying stage at an early date.

LONG TERM DEVELOPMENT PLANS

We have had in train for a number of years a very substantial development programme, designed to diversify the products of our paper mills, to develop our raw materials resources, to meet the natural growth of packaging needs in the United Kingdom and to develop in new areas such as Europe—in short, to ensure that we remain in the forefront of our industry and able to meet the inevitable demands upon a growth industry.

During 1961 overall capital expenditure on new plant, equipment and acquisitions amounted to approximately £22 million. This includes the new coated printing paper machine of Bowaters Carolina Corporation, which machine has now started up and is presently going through the "running-in" process; the installation of equipment for producing blade-coated printing papers in our Sittingbourne mill in the United Kingdom and in our La Chapelle mill in France, which equipment is due to come into production at an early date; the construction of the fibre container plant at Stevenage, together with the completion of the packaging plant at Gillingham; the acquisition of our new packaging plant in Rome, and also our new ship, the *Nina Bowater*, commissioned during the year.

This development programme is now nearing completion but not all of the plants involved have yet reached the stage at which they contribute to our consolidated earned surplus, or alternatively, whilst now profit-earning, have not yet reached the dividend-paying stage.

The total cost of such developments at the end of 1961, including the investments in associated companies, amounted approximately to £50 million, which will be increased to £58 million when projects still under construction have been completed. We believe that the underlying potential of these projects is immense.

In an industry such as ours development programmes have to be planned many years in advance. True the times are challenging, but our plans were laid long ago and they were *well* laid.

With one exception we have no further major projects under immediate consideration. The one present exception is the extension of our groundwood pulp mill at the Mersey Division of Bowaters United Kingdom Pulp and Paper Mills. In Britain there is rapidly becoming available an ever-increasing volume of wood suitable for our purposes, and it is important that we make the utmost use of domestic raw materials, both on grounds of economy and for security of supply. Accordingly, we have decided greatly to expand the groundwood pulp capacity at this mill, which will involve capital expenditure of some £1 million and will take some two years to complete.

BRITAIN AND THE COMMON MARKET

Much publicity has been given in recent times to the question of Great Britain's entry into the Common Market. I have long been convinced that in her own interests Great Britain must enter that Market, and I profoundly hope that the negotiations presently being conducted will achieve this objective. So firm are we in this belief that we decided several years ago to establish ourselves in the area. The mills and plants we have acquired there now represent the substantial investment of £14 million, towards the financing of which we have recently raised in Switzerland on very favourable terms a long-term loan equivalent to approximately £5 million.

I believe that if Great Britain does not enter the Common Market she faces a slow decline in her economy, which would also have a growing adverse effect upon the Commonwealth, for I am quite unable to see how Great Britain could then continue to buy from Commonwealth countries the large volume of raw materials and agricultural products that she presently buys.

In one way or another the outcome of the present negotiations will affect the industry not only in this country but also in all the other major pulp and paper producing countries of the world.

Another factor likely to influence the prosperity of our industry for some time is the present excess productive capacity in relation to most grades of paper and boards: moreover, additional capacity is in course of construction or planned in different parts of the world. I have no doubt whatsover that in the longer term all this capacity will be fully employed, but in the meantime our industry will be influenced by the short term economic trends in all countries, and its fortunes will inevitably be subject to some fluctuation.

THE PROSPECT AHEAD

While prevailing uncertainties make it impossible, in my belief, to predict results for 1962, figures and data available to date show a further decline in our earnings in the United Kingdom, whilst those of our overseas interests are running at substantially the same level as for the corresponding period of last year. I believe that, as far as the United Kingdom is concerned, these uncertainties will continue until the current problems peculiar to the United Kingdom economy have been resolved.

The world tends to move in economic cycles of relatively short duration, and we are now operating under conditions that for us and others are less favourable than for some time. I am perfectly confident it is only a matter of a short time before the tide will again turn in our favour, but when that time may arrive I am presently unable to forecast. I believe, however, that you will share my view that our Organisation is well equipped to meet whatever conditions may face us in the years to come. Despite the problems that presently beset us, we look forward to the future with complete and absolute confidence.

The report and accounts were adopted.

Anyone wishing to read the complete speech by Sir Eric Bowater may obtain a copy from: The Secretary, The Bowater Paper Corporation Limited, Bowater House, Knightsbridge, London, S.W.1.

Bowaters

THE BOWATER ORGANISATION · GREAT BRITAIN · CANADA · UNITED STATES OF AMERICA · AUSTRALIA · NEW ZEALAND
SOUTH AFRICA · IRELAND · NORWAY · SWEDEN · DENMARK · FRANCE · BELGIUM · ITALY

BOOTS PURE DRUG COMPANY LIMITED

"CHEMISTS FIRST AND FOREMOST"

SALES EXCEED £100 MILLION

MR WILLOUGHBY R. NORMAN ON PROFITABILITY OF DISPENSING

The Seventy-Fourth Annual General Meeting of Boots Pure Drug Company Limited will be held on July 12th. The following is a Statement by the Chairman, **Mr Willoughby R. Norman,** which has been circulated with the report and accounts for the year ended March 31, 1962:

SURVEY AND RESULTS

Profits before tax increased by £444,423, or 5 per cent, to £9,270,516, and after tax, the rates of which increased again this year, by £76,901 to £4,340,204.

On these results the Directors are recommending a final dividend of 8 per cent, making a total of 12 per cent for the year as previously.

The year under review has been particularly difficult because of factors over which we have had little control. Retail trading was very good until July when the Chancellor of the Exchequer in his 'little budget' increased purchase tax and intensified the credit squeeze, and from then on right until the end of our financial year at March 31st anticipated weekly increases were harder to achieve, business being squeezed between higher prices and restricted purchasing power. The Board of Trade index for retail sales showed an increase of 3.5 per cent for the year ended March 31, 1962. Against this your company's home retail sales increased by 7.7 per cent, and somewhere between 4 and 5 hundred million customers were served in our shops.

On the National Health Service dispensing side, which shareholders will recall accounted for 14 per cent of our turnover last year, we suffered two serious blows. First, just before the start of the year the Government increased the prescription charge to the patient from one to two shillings, which has resulted in a decrease of nearly 10 per cent in the numbers we have dispensed this year. Second, as from November 1st, although the dispensing fee was increased, the percentage on-cost was reduced on a sliding scale from 25 per cent to 12½ per cent according to the number of prescriptions dispensed by each chemist shop. This is a heavy burden on big dispensing businesses which are being penalised according to their efficiency by having a lower percentage on-cost, and nearly all branches in the Boots organisation have been affected in varying degrees. Because of this lower rate of profitability we have to re-examine the dispensing service in our day and night shops, and have already decided to eliminate the night service in at least one of the ten.

Wholesale sales to customers at home and abroad were down, but sales by the overseas subsidiaries were well up, making the total sales of the group to outside customers £106,624,000, the first time to exceed one hundred million pounds.

Profit margins, although lower than last year, were satisfactory except on the National Health Service dispensing. New techniques and more efficient methods produced many worthwhile economies throughout the business so that the good expense position of last year was further improved.

I am glad to be able to report that the level of stocks, which had been causing us some anxiety, has fallen by £300,000, and with favourable movements in debtors and creditors the cash position is very strong. Depreciation charged is £1,839,403 and with retained profits of £2,399,345 the cash flow rises to nearly £4½ million.

Gross capital expenditure during the year has increased by nearly £1 million which reflects the expansion on both the manufacturing and retail sides of the business.

ADMINISTRATION

A great deal of thought and energy is being devoted to the efficiency of administration, and we are studying, designing and installing various new administrative systems.

Last year I reported that we had installed an Emidec computer and that it was operating successfully on a wide range of merchandise accounting procedures. A great deal more work is now being handled by this equipment, and during the year a second major electronic installation built by De La Rue Bull was completed, and is operating on our wholesale and international sales, and undertaking chemical costing.

In this way we are building up a centralised information and statistical service designed both to reduce our operating costs and to improve management efficiency.

STAFF

I must as always pay tribute to the excellence of our staff who play such a vital part in the prosperity of the company.

Our aim is to provide secure and satisfying employment for an efficient and well-trained body of people whose intention it is to make their career with the company. We place great value on long service and this is reflected in many of the provisions we make for our staff, and particularly in the terms of our Profit Earning Bonus scheme. The bonus paid to the staff this year amounts to £861,196 as compared with £819,911 last year. The bonus is a percentage of the total profits and it is designed to bring home to every member how important it is to safeguard and improve our level of profits.

All our branch managers are registered pharmacists and they have therefore an intimate knowledge of the professional side of our business. We supplement this by training in business methods and management and this training continues in various ways throughout the manager's career.

We place great emphasis too on the training of our other retail staff. Modern methods of merchandising, and particularly the movement towards self-selection, demand more not less experience and knowledge, for it is our policy to ensure that members of the staff are available and well able to give advice and help where needed. We have recently established a number of provincial training schools which will supplement the work already done by the training centres in Nottingham and London.

As our branches are modernised to provide more attractive and convenient shopping facilities for the public, we also improve conditions behind the scenes for the staff.

On the wholesaling and manufacturing side of our business in Nottingham and Beeston it is a condition of employment that all employees up to age 18 attend either Boots College or a Technical College in our time and at full pay for one day per week.

The Company has also always taken an active interest in Industrial Medicine. We have four full-time doctors looking after the health of our staff.

Interest does not cease at retirement. Over the past few years we have been able to improve the pensions paid to most of our older retired people, particularly those with small pensions. We have now been able to make a major improvement in the General Pension Fund, largely because of the success of our investment policy and this has enabled us to apply a sum of approximately £1¼ million to improve the pensions of members of the General Fund who have retired, or the prospective pensions of those who are still in service. The increases in pension will reflect length of service, and in the case of the longer service people are substantial in amount.

We think that all these things are important for the morale and efficiency of the 40,000 people who make up our staff, and on whose skill and devotion the company depends. Its strength is the strength of the people who compose it. On behalf of the Board I thank them all, both at home and overseas, for the part they play.

MANUFACTURING

In the field of pharmaceutical manufacture our factories at Beeston and Airdrie have continued to show all round improvement in productivity. Considerable study and effort have been applied to the development of continuous manufacturing processes as distinct from batch production methods, and we are convinced that further economies lie ahead in extending these applications.

Special attention has been paid during the past year to increasing the efficiency of the chemical manufacturing operations and providing capacity to enable us to compete in this highly competitive market.

The rebuilding of the Nottingham chemical works has commenced and excellent progress is being made. This phase of the reconstruction which will extend over several years will cost £1½ million. The first production unit which is due to come into operation at the end of this year should enable us to take advantage quickly of the opportunities afforded by new processes stemming from our research and development. In the pharmaceutical chemical field new products afford significant improvements to health, and once these products have been fully evaluated it is essential to get into production as quickly as possible.

Planning of further units is at an advanced stage and it is anticipated that construction of a second manufacturing unit and warehouse will commence during the coming year.

On the Beeston site other major projects have been undertaken. These include an entirely new plant for the manufacturing of selective weedkillers. This plant, which came into operation in January, increases the available output for our present range of selective weedkillers, including our own discovery Iso-Cornox, and also provides capacity for new products.

Progress has been made in rebuilding and modernising the potassium permanganate plant with the help of the Ketjen Organisation of the Netherlands, who are associated with us in this project. The present output is being maintained whilst the new plant, which will be capable of much greater output, is being installed, and it is expected to be fully operative by the end of 1962.

Your company is also a substantial manufacturer, both pharmaceutical and chemical, of products for other companies, whose names are household words.

BUYING

A large proportion of our retail sales comes from merchandise which we buy from other manufacturers, importers or agents, and we buy a wide range of raw materials to supply our manufacturing plants. Many of these suppliers have served us well for a generation, and some indeed from the earliest days of the company. In many cases manufacturers co-operate with our buyers in providing us with an exclusive range of lines. The search for new merchandise takes our buyers further and further afield, and with the hoped-for prospect of the UK joining the European Common Market there will be a greater availability of merchandise with the prospect of wider choice and improving values.

We value most highly the happy relationships we enjoy with our suppliers and I would like to take this opportunity of expressing our grateful thanks.

SHOP MODERNISATION

Further progress has been made with our retail modernisation programme and work on 67 shops was completed during the year. The most notable was the final completion of our branch at the corner of Argyle and Union Street, Glasgow, which is now the largest in the organisation. Other large branches completed were Kirkcaldy, Kettering, Taunton, Bolton, Bradford and Bridgend, and two examples of the complete refit of very small and congested London premises are in Waterloo Station and Poultry.

We are planning to spend on retail modernisation and extensions £2½ million this year and the efficient handling of a programme of this size reflects great credit on the skill and industry of our Shop Planners, Estates Department, Architects, Shop Fitters and many others.

New shops will be opened at Hounslow, Airdrie and Altrincham, and large scale modernisations completed at Burton-on-Trent, Rhyl, Newcastle-on-Tyne, Southend, Hull, and Llanelly. Alterations of a major nature have commenced at Richmond, Crewe, Cardiff, Plymouth, Sheffield and York, and at many other smaller branches throughout the country. In all, this year we expect to complete work on 79 branches and start work on a further 40.

RETAIL

The past year has been one in which sales on the chemist side, in which we also include toilet, surgical, photographic, and farms and gardens merchandise, expanded more rapidly than those in what we call the Number 2 departments such as leather, fancy, silver, stationery, glassware and book. Because of the increasing size of our branches it is sometimes thought that this Number 2 merchandise is taking a predominant position, but that is not the case. We remain chemists first and foremost, and always will, and the chemist side, as opposed to the Number 2 side, accounts for over 80 per cent of retail sales.

There is one matter of particular interest to which I would like to make reference. This company has always been a strong supporter of resale price maintenance because we firmly believe it to be in the interest of the consumer, the retailer and the manufacturer. Uniform prices are not only welcomed by the customer but they make for economy and efficiency in distribution and in the long run result in lower costs. We as a company have always believed that prices should be kept as low as possible consistent with quality and service. There is severe competition between nationally advertised brands and this does in fact ensure that the prices at which they are sold are strictly competitive. We do not believe that the abandonment of uniform retail prices in this field will either make for greater efficiency in distribution or ultimately be to the benefit of the customer.

A chemist particularly is concerned with quality above everything, and a reasonable margin of profit is vital in order to support it and the standards of training and service which are necessary in the professional and ethical calling of pharmacy. Such margins are more important than ever now that National Health Service dispensing has been deprived of much of its profitability. If resale price maintenance should disappear we would safeguard our policy and maintain standards for our customers by increased development of own-label branding so as to have retailer identification. Our advertising slogans of "Boots for Value" and "Boots for Service" will be faithfully maintained.

OVERSEAS

I stated earlier that our sales to overseas customers were down on last year, but insofar as these sales are to our own subsidiary companies it is understandable, owing to the progressive and inevitable increase in local manufacture. The eight overseas subsidiaries increased their sales by 17 per cent, and their net profit before tax by 25 per cent during the calendar year. The biggest is Boots Pure Drug Co. India where sales exceeded £1 million for the first time, followed closely by Boots Pure Drug Co. Australia. Both companies operate a wholesale business and have manufacturing facilities, those in India being on an increasing scale.

The Managing Director with the head of the International Division visited both companies during the year, and with them and the Director of Research I visited the Indian and Pakistan companies. Good progress is being made on the construction of the new insulin factory in Bombay. A condition for the granting of the licence to manufacture crystalline insulin, and we shall be the sole manufacturer, is that 40 per cent of the equity of the Indian company is made available for Indian investment, so when arrangements have been completed this company will cease to be a wholly owned subsidiary.

In addition to our own subsidiaries we are represented overseas by agents in all parts of the world; may I thank them for the wholehearted way they have continued to support us?

SHAREHOLDERS

Shareholders might be interested to know who owns the company. There are 75,800 holders of the 102,400,000 5s. Ordinary Shares, of which 73,000 are individuals with an average holding of 1,005 shares, and 2,800 are corporate or nominee holders with an average holding of 10,433. Taken over both classes, the average holding is thus 1,351 Ordinary Shares, and 72 per cent of the equity is held by individuals.

Of the £3,465,866 of Loan Stock, Preference and Preferred Shares, 89 per cent is held by individuals.

I hope that all shareholders will support their company by buying their requirements from a Boots shop, where at standard prices throughout the U.K. they will find unsurpassed quality, value and range.

SUMMARY AND PROSPECTS

The Boots business is complex and far ranging. The advent of the Common Market will sharpen competition but will liberalise trade. Any abolition of resale price maintenance will create a new and difficult situation for retailers. I hope however that I have said enough to show that we have far reaching plans to take advantage of every opportunity which presents and to safeguard ourselves against any vicissitudes which might arise, and that our resources are efficiently deployed to meet the challenge of the future.

I would like to pay tribute to the Managing Director, whom we congratulate on his appointment to the National Economic Development Council, and to my colleagues on the Board and the Executive Management Committee for their work during a difficult year.

Looking ahead short term, the economic climate of the country is improving and if the growth of the economy is resumed I feel confident that your company will benefit in full measure.

FOISTER, CLAY & WARD

RECORD PRODUCTION AND TURNOVER

The Thirty-sixth Annual General Meeting of Foister, Clay & Ward Limited was held on June 14th in London, **Mr P. A. Clarke Vincent, FCA** (Chairman), presiding.

The following is an extract from his circulated review of the year 1961:

The net trading profits of 1961, viz £225,941, are less than those of the previous year by nearly £100,000, but three abnormal factors should be taken into consideration. In the Autumn of 1961 we decided to close down our Canadian Company to stop further losses. At home there was a contraction of purchasing power in the Autumn.

Thirdly, 1961 saw the completion of major expansion. The largest single item was our latest factory at Mansfield for the making up of fashioned outerwear which was opened only in May. Here we have undoubtedly a great potential.

Other recent additions and extensions are already showing gratifying results which we expect to improve further.

Our Scottish factory has progressed as anticipated and reached capacity production in the last few months of 1961. The expenditure on our men's underwear factory at Derby has been fully justified. At Middlesbrough, where we had in 1961 our first full year since moving and expanding departments, we achieved not only record production and turnover but the profits which should ensue.

The report and accounts were adopted.

MILK MARKETING BOARD

RECORD OUTPUT AND SALES

The annual general meeting of the Milk Marketing Board was held on June 7th in London.

Mr Richard Trehane, the chairman, in the course of his speech, said:

Since I addressed the Annual Meeting a year ago milk supplies from our farms have reached a very high level—the highest on record. Altogether the increase in total output compared with the previous year was 100 million gallons, or 5 per cent.

We have also broken records on the sales side—it is gratifying to be able to report a strong demand for liquid milk and for milk products. In the financial year just ended we sold an extra 29 million gallons of milk in the liquid market—an increase of 2 per cent.

VULNERABILITY OF HOME MARKET

The trend for a higher milk output appears to be general throughout the western world. Conditions have already manifested themselves in a surplus of milk products both in Europe and in North America and to some extent in New Zealand and Australia. The surplus takes the form mainly of butter and skim milk powder. In these conditions our market here becomes extremely vulnerable, for the excess supplies of produce from all quarters are directed here—the only free market for food in the world.

We have as you know complained of this to the Government on a number of occasions but our complaints have not been received with much sympathy. The Government were, however, obliged to listen and to restrict butter supplies this year when the market had become chaotic and seriously harmful to Denmark, New Zealand and Australia. It seems to us that the time has come for the Government to recognise the impossible situation created for us when dairy produce can be dumped here merely in order to get rid of excess supplies from the world market. The action now taken with butter should be applied to other dairy produce in order that prices in this market can be stabilised at a reasonable economic level. In fact, the very limitation of the butter outlet to this country must itself accentuate problems with other milk products to which the milk flow is likely to be diverted. The action taken on butter is not likely to be of much benefit to the home industry but it is none the less welcome as a sign that the Government are prepared to act.

Our attitude as a Board to this problem is that we are prepared to accept in modern circumstances the almost inevitable trend to surplus in dairy produce here and elsewhere. The producers are already bearing the loss on it in the form of reduced prices. The Government are also losing as a consequence of low prices of dairy produce imported here. We suggest that the time has come to regulate supplies to this market to maintain reasonable prices and to create machinery for use either by the Government or by the Board or jointly for disposing of the surplus on a properly organised long-term basis in the underdeveloped countries of the world. Others, of course, must do the same; otherwise we merely improve the market for the dumpers.

COOPERATION WITH NEW ZEALAND AND AUSTRALIA

We ourselves have done what we could to handle surpluses responsibly. We have been concerned for the past few years in close co-operation with the Dairy Boards in New Zealand and Australia to try to maintain steady markets at reasonable prices for cheese and skim milk powder in this country. We can, however, only maintain this stability in the market if we can keep a regulated supply without the fluctuations that tend to arise with varying climatic conditions. In this country we try to organise marketing in such a way that surpluses are made into butter and skim milk powder.

We believe that this is the right approach to marketing milk products in this country and we are hopeful that together with the Dairy Boards in New Zealand and Australia we can begin actively to develop markets for surpluses in other parts of the world which are not accustomed to consume dairy products as part of the diet of the people. This will be a slow and expensive exercise but will be worthwhile if these organisations of the dairy industry can deal with surpluses without allowing them to disrupt our market in this country at such enormous loss to our farmers and indeed to the Government.

In these days when there is once again much discussion of improved marketing of farm produce in this country we can take some pride that the Milk Board is an organisation belonging to and governed by the milk producers—an organisation that is effective to undertake this task and is so regarded by the agricultural community. It is strange to me having regard to this that there seems to be relatively little interest in promoting a similar organisation for fatstock, which is the biggest farming enterprise in the United Kingdom. If the Government or the political parties have reasons against this kind of farmers' organisation now they should say so clearly so that farmers know where they stand.

It will be asked why we as a Milk Board are interested in meat. When prices of cows fell in sympathy with the beef market last year we estimate that dairy farmers lost £4 millions and most of this loss is not covered by the Government guarantee.

We are in this way deeply affected by the marketing of fatstock and my Board believe that there should be set up a marketing board organisation for fatstock similar to our own and I hope that producers will insist that this should be done before it is too late.

Whenever this subject is mentioned many well-informed people conclude that the farmer wishes to replace the butcher. This is a lot of nonsense—a meat board should help the butcher. Let the meat industry ask those in the milk industry whether a marketing board acting on behalf of producers has helped them!

COMMON MARKET IMPLICATIONS

The Board are watching carefully the progress of the negotiations for our entry into the European Economic Community, without having as much information as we should wish but enough to indicate the likely trends. We have had consultations with the Milk Boards in Scotland and Northern Ireland and with other commodity boards in the United Kingdom and we maintain close contact with the National Farmers' Union as this subject develops. It is difficult to comment at this stage because there is too little information and the negotiations are obviously at a critical but advanced stage. But milk producers will expect the arrangements—if there is agreement—to provide proper safeguards for our own liquid milk market and the necessary measure of freedom to look after it. We hope also that we shall not in this country be subject to prices of butter much higher than the present level, for this appears to be the basis of support of the dairy farmers in most of the Six countries. This is a point which will be very important for us and indeed for all dairying countries in the near future, because most are already in conditions of surplus. The policy obviously should include a plan for reducing butter prices, increasing demand, and using other devices to guarantee the income level of dairy farmers. I am sure that our negotiators are well aware of this point but I must say again that primarily we wish to have freedom in the liquid market and then we will face the rest as it comes.

In the last year or two we have been devoting a good deal of our time to the subject of milk quality and I referred to this in my address last year. We have now reached the stage when we are prepared to proceed and to make progress in this field. After consultation with our own Regional Committees, the National Farmers' Union, the dairy trade through the Joint Committee and the Government, the Board have decided to introduce from October 1, 1962, a scheme for grading of milk supplies received from farms according to their compositional quality over a period and to vary the farmers' price accordingly.

EXPANSION OF CREAMERY INTERESTS

During this year we have continued our policy of expanding our creamery interests by taking over some units from other operators, by expanding our own and by setting up an entirely new and large enterprise at Kendal in co-operation with Glaxo Laboratories Limited, a concern which has a long record of good work in the milk field.

We have additionally taken over some milk distributing businesses in Lancashire and elsewhere and we find that above all they require reorganisation and much new capital. We have also found it necessary to expand in the field of transport—more milk requires much more transport and this, together with the recent developments of bulk milk transport from farms, has involved the Board in heavy new capital investment.

The report was adopted.

THE NATIONAL BANK OF NEW ZEALAND LIMITED

Extracts from the Statement by the Chairman, Mr. Arthur H. Ensor, to be presented at the Ninetieth Annual General Meeting on July 5th, 1962.

BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Our current, deposit and other accounts at £70,214,000 show a fall of £8,000,000 but the figures last year were high on account of special deposits in London.

It will be observed on the assets side that we are showing as a separate item our statutory deposit with the Reserve Bank, and also a deduction from that figure of the amount due to that Bank. Advances at £45,500,000 are £2,959,000 less than last year.

Our profits at £313,216 are slightly less than last year. From the net profit, £100,000 has been transferred to General Reserve. In January last an interim dividend of 4% less income tax at 7/9d. in the £ was paid and the Directors now recommend for your approval a final dividend of 5% less income tax at 7/9d. in the £, leaving a balance of £200,623 to be carried forward.

MONETARY AND FISCAL POLICY

Last year I commented upon the restriction on bank lending, indicating that it was not by itself an adequate policy to deal with the inflationary situation with which the country had been faced. I also said that curtailing of bank advances should rather form part of a co-ordinated policy which should also draw effective support from fiscal measures, including restriction in Government expenditure. The events of the past year in New Zealand have given additional weight to this view.

That the restriction of credit within certain limits is desirable and necessary and that the co-operation of the Trading Banks with the Authorities is essential there is no doubt. However, it is felt that the time has come for a review of the unsatisfactory operation of the statutory ratio system and its relation to targets for bank lending. It does seem essential to retain a measure of flexibility in order to ensure that adequate credit will be available for worthwhile new enterprises. It is unreasonable when business is active and trade and commerce are expanding that banking generally should be expected to remain static.

The Banks only make advances after a close and careful scrutiny of individual requests, and frequently with the concurrence of the Authorities, and such facilities cannot suddenly be withdrawn without the most serious disruption of industrial and commercial activities. This fact was widely appreciated in New Zealand at the beginning of last year and it was realised that any attempt to reduce advances ruthlessly would intensify rather than lighten the country's troubles.

INTERNAL ECONOMIC SITUATION

Internally, despite the import restrictions and the credit squeeze, retail trade turnovers last year reached record levels and only in recent months has there been any evidence of a reversal of that trend.

The present rate of de-stocking, however, cannot be continued for long without leading to increased pressure on prices. Stocks of goods held by manufacturers, wholesalers and retailers at the end of December, although fairly high, were well below the September peak levels.

At a time when the private sector is being severely affected by credit restrictions, it is very disappointing that Government transactions should be permitted to exercise an inflationary influence. After allowing for the public subscription of £36 millions to three internal loans and, on the other hand, for the re-purchase of £6.4 millions of stock issued to the Reserve Bank when New Zealand officially joined the I.M.F., there was an internal cash deficit on all Government transactions of some £12 millions during the year ended March 1962.

PROBLEMS OF CAPITAL DEVELOPMENT

Marketing and trade problems are of first-rate importance but the economic well-being of New Zealand will also be very dependent upon how successfully the expansion of industry and public utility services can be continued at an adequate rate. It is, of course, vital that this be accomplished without disturbing financial stability. This is not easy in a country enjoying a very high standard of living, including a wide range of social security benefits.

Although New Zealand has directed an average of approximately one-fifth of her gross national product to capital formation in recent years, it is doubtful if this proportion is adequate in relation to the country's high rate of population growth. However, the circumstances of the past year, with the emphasis on conserving local resources and overseas funds, has made the present Government exceedingly cautious in regard to industrial expansion. It would help considerably if a clear policy statement could be issued indicating the general order of priorities in capital development, the type of industries to be encouraged and the Government's attitude to private overseas capital investment. The image of New Zealand as a well run country with sound development prospects must be clearly established.

By joining the World Bank, New Zealand now has the opportunity of obtaining substantial capital sums at favourable rates of interest for approved projects. It is gratifying to learn that a team of World Bank officials, after visiting New Zealand, has pronounced the country credit worthy, although it is unlikely that any specific loans will be arranged before next year.

OVERSEAS TRADE AND COMMODITY MARKETS

The need to diversify overseas markets and export products has been generally acknowledged for some time, and continuous efforts have been, and are being, made in this direction. A New Zealand Trade Mission has been established at Brussels to institute closer relations with the Common Market countries. Trade surveys have been carried out over large areas of Western Europe and the Middle East, as well as in many South American countries.

OVERSEAS TRANSACTIONS

After falling sharply at the end of 1960, New Zealand's overseas reserves have remained at an uncomfortably low level in 1961, the monthly average being only £53.7 millions for the year compared with £97.5 millions in the previous year. Moreover, the figure for this year takes into account the increase to nearly £32 millions in net Government capital receipts, of which over £26 millions were derived from loans in London and New York. However, since New Zealand joined the International Monetary Fund last August, there is now a useful second line of overseas reserves.

The overall deficit in overseas exchange transactions of £16.6 millions during the year was chiefly due to higher import payments, but the Government's policy of curtailing imports by extending the 1961 period licences and introducing a restricted supplementary schedule has been fairly successful in its short term aims. These measures have been accompanied by an intensive credit squeeze and in the last quarter of the year import payments were at the lowest level for eight years.

THE EXPANSION OF INDUSTRY AND THE PUBLIC UTILITIES

Meanwhile, several of the larger schemes to initiate new industries are being brought steadily to a productive stage. In addition, new light industries are being established and extended, and major public works schemes of benefit to the Nation are being carried forward.

In looking to the future development of the country's wealth, it is encouraging to note the discovery of an apparently large deposit of natural gas and condensate oil at Kapuni in Taranaki. Investigations are still proceeding but all the evidence so far is that this will constitute a most valuable addition to New Zealand's exploitable natural resources and may well be of great value in the expansion of local manufacturing industry.

NEW ZEALAND AND THE E.E.C.

The question of New Zealand's future trading relations with the United Kingdom should Britain finally enter the Common Market has tended to overshadow other economic issues in New Zealand during the past year. This deep concern is very understandable when it is appreciated that, in spite of a considerable development of trade with Europe in recent years, the United Kingdom took by value over 50% of New Zealand's exports, as compared with under one-fifth taken by the Common Market countries. Moreover, 90% of New Zealand's exports of butter, cheese and lamb are regularly sent to the United Kingdom.

PROSPECTS

New Zealand's success in surmounting her present difficulties will rest largely on the extent to which internal financial discipline can be preserved and costs and prices contained. Added confidence in the country's continuing expansion will result from the introduction of a more fully co-ordinated policy of measured restraint at home, coupled with prudent overseas borrowing, including World Bank loans and a carefully selected programme of capital development. But the initiative now being displayed in promoting overseas trade leaves no doubt of the New Zealanders' traditional resourcefulness, which is the best guarantee of national prosperity.

Copies of the Directors' Report and Accounts can be obtained from the Secretary, The National Bank of New Zealand Limited, 8, Moorgate, London, E.C.2.

THE BOOKER GROUP

"I am worried by a growing impression of disenchantment in Britain towards the emergent countries..."

Extracts from the statement by the Chairman, SIR JOCK CAMPBELL

Profits and dividends

The Booker Group profit in 1961 after tax and all charges was £1,130,249, compared with £1,344,603 in 1960. From these profits the directors are recommending, as forecast, a final Ordinary dividend of 8*d* per share free of income tax, making a total dividend of 1*s* per share payable on the Ordinary share capital as increased by the issue last August of one new share for every eight Ordinary shares then held. The Preference and Ordinary distributions in respect of 1961 take £612,349 as against £546,760 for 1960.

The return on capital

Distributable profits were some £200,000, or 16%, less than in 1960; and the return, after tax, on shareholders' capital employed was down to 6.2%. It is fair to say that our way of presenting our accounts, which we believe to be only realistic, shows Bookers' return on capital employed in an austere light. For instance, this year some £400,000 for depreciation and replacement has been charged against taxed profits. However, 6.2% on capital employed is too low; and it compares unfavourably with our performance over the last 10 years, which has ranged between 7% and nearly 10%.

On the £5 million which we employ in tropical agriculture — preponderantly sugar in British Guiana — we made only about 5%. This was because of the low world price of sugar, combined with the high cost of making it in a year of big wage increases and poor agricultural yields in B.G.

In what we broadly call our shopkeeping businesses, we made 6% return on capital employed. This resulted from good sales and profits in British Guiana; reasonable sales but disappointing profits in Trinidad; record sales and profits in Northern Rhodesia; good sales but poorish profits in Nyasaland; much better profits in our wholesale and retail food businesses in southern England; and reasonable sales in our Western Canadian wholesale businesses, but too low a return there. The £14 million sales of our Western Canadian businesses offer prospects for much higher profits; when these have been achieved there is no reason, if all goes well elsewhere, why we should not be able to earn 10% on capital employed in our Shopkeeping group.

Rum — and our Jamaican coffee liqueur *Tia Maria* — had a bumper year of record sales and profits, and made nearly 13% on capital employed. More power to their and their customers' elbows! I don't know whether shareholders realise that we in Bookers sell over 11 million bottles of rum a year.

In a thoroughly depressed year for shipping our combined shipping operations made more profit than in 1960. Their return on capital employed helped rather than hindered the Booker average.

In our Industrial Holdings group (light industries and produce) the established businesses together made substantially higher profits than in 1960, and over 10% on capital employed. But the overall return of this group was reduced to 5% by foreseen development costs and losses in four companies in various stages of establishment.

Our Engineering group had an in-and-out year. Their established businesses did fairly well. The turnover of the sugar machinery companies (90% of it exported) was 12% up; their profits were down owing to narrower margins; but they produced 10% return on capital employed. Likewise Sigmund Pumps achieved a 22% increase in turnover (40% of it exported); but here again narrower margins reduced profits; and their return on capital employed was also about 10%.

The big event of the year for Bookers Engineering was the acquisition of the Pulsometer Pumps business. New developments, suited to our existing Engineering interests and within the capacity of our management, represent some £1¾ million of net trading assets not yet yielding profits. The final outcome for 1961 was a return of only 3% on capital employed in the Engineering group.

The Guianese crisis

The first budget under internal self-government in British Guiana was clearly, in intention, a serious attempt by the Government to get to grips with the formidable economic problems of the country by a hard programme of self-help.

The burden of the budget on people and business – on the Booker Group and our employees – is unquestionably heavy. There are real problems of administration and enforcement. But our views have been given a fair hearing by Ministers. We must now, in keeping with our oft-stated policy to work with and to serve the Government of the day, do all we can to work the new system well. If difficulties arise in practical experience we are sure we can discuss them with Ministers.

The Government are faced with the complicated task of striking the right balance between protecting a precarious economy and encouraging investment from outside.

The Guianese Government's pre-eminent aim – shared I hope by all parties in British Guiana – must now be to restore confidence. In this they can certainly count upon Bookers. No-one can gain from chaos and confusion in the country; everyone has a vested interest in mutual confidence and understanding.

The Rich and the Poor

I am worried by a growing impression of disenchantment in Britain towards the emergent countries. Apart from all else, this is wretchedly shortsighted. Broad and lasting prosperity can only flow from narrowing the gap between rich and poor countries. But, in fact, the gap is still widening. I wish that even some part of the resources of minds and money that are now devoted to means of destroying mankind could be devoted to solving this problem.

There remains plenty of work to be done, and plenty of room for profitable investment, by private enterprise in undeveloped countries. But this requires the directors of private investment to understand the problems and realities of the countries in which they are operating, and to adapt themselves to their societies and economies as they evolve, not as they would expect them to be in London and the Home Counties. For the new governments, it demands that, in making new rules, they recognise the problems of investors and their need for a sufficient return; and having made the rules, they must fairly and squarely explain them and stick to them. Uncertainty about the intentions of governments is the worst deterrent to investment.

Readers are invited to apply to the Secretary, Booker Brothers, McConnell & Co., Limited, Bucklersbury House, London, E.C.4, for copies of the report and accounts and the Review *of the Year, in which Sir Jock Campbell's statement appears. The* Review *also shows the progress of companies in the Booker Group during 1961 and contains the Booker family tree.*

The sixty-second annual general meeting will be held at the London Chamber of Commerce, 69 Cannon Street, London, E.C.4, at 12 noon on Tuesday, 3rd July, 1962.

Booker Brothers, McConnell & Co. Limited

BARBADOS · BELGIUM · BRITAIN · BRITISH GUIANA · CANADA · INDIA · JAMAICA · NIGERIA · NORTHERN RHODESIA · NYASALAND · TRINIDAD

ALUMINIUM-INDUSTRIE-AKTIEN-GESELLSCHAFT, CHIPPIS (AIAG)

Head Office : ZURICH, SWITZERLAND

PHASE OF STRONG EXPANSION

MR FRITZ SCHNORF'S STATEMENT

The seventy-third Annual General Meeting of ALUMINIUM - INDUSTRIE - AKTIEN - GESELLSCHAFT was held in Zurich on April 27th, and the following are extracts from the address given by **Mr Fritz Schnorf,** Chairman of the Board, and details of the Directors' Report.

MR FRITZ SCHNORF

"Aluminium consumption in the free world continued to rise by several per cent in 1961 and approached 3.5m. tons. Of this figure Europe accounts for more than 1m. tons. Consumption in Eastern block countries is estimated at a further million tons. This is an impressive development when it is considered that world consumption shortly before the second world war was still around half a million tons. On the international level our industry has met with conditions of lively competition for some years past. North America has not yet absorbed its excess capacity, although its domestic markets took up in the year under review about 10 per cent more aluminium than in 1960.

"Contrary to the conditions prevailing in the U.S. and Canada, the European virgin metal producers enjoyed full employment for their capacity. With some exceptions, producers of semi-finished goods also had full order books.

"Our own group of companies had once more a very satisfactory business year. The parent company AIAG, as well as most subsidiaries in Switzerland and abroad, generally utilised their productive capacity to its limits. Total output of the group has again increased slightly. Deliveries of metal and processing capacity were in equilibrium."

After reviewing in detail the development of the group's activities in Switzerland and in other countries, Mr Schnorf concluded by saying:

"Our Company is at present in a phase of strong expansion. From AIAG's foundation in 1889, it took 67 years before aluminium production of our Group first reached 100,000 tons. Compared with this, the capacity of new plant at present under construction, and due to be put into operation by the end of next year, amounts alone to 70,000 tons of aluminium per annum. The situation for semi-finished products is similar, with installations at present under construction permitting an additional output of 50,000 tons of rolled and extruded products.

"I should also like to refer to the field of plastics. In my address at this Meeting last year I had indicated that our management is following with great attention the developments in petrochemicals and plastics. It almost seems as though, just as the iron age succeeded the bronze age, so the former now has to give way to the age of plastics. The development of plastics is impressive and in some respects resembles that of light metals. We believe that independently of present market conditions we should avail ourselves of certain opportunities for operation in the field of plastics as a long term project and to complement our light metal production. Steps in this direction have also been taken in the year under review. As a sub-holding for investment in plastic chemicals we have founded *Cheminvesta AG. für Chemiebeteiligungen,* with head office in Zurich.

"The year under review brought us a wealth of constructive activity. I should like to express the thanks of the Board of Directors to the Management and all staff in this country and abroad for their work and the satisfactory results of 1961."

REVIEW

In the year under review, the European aluminium producers were able to utilise their productive capacity in full. In Switzerland aluminium prices remained stable for the sixth year in succession. Major quantities were exported by France and Norway. There was stiff competition in export markets, especially in the United Kingdom, Germany and the Benelux countries.

For the past six years, the international aluminium industry has suffered from excess production. Although light metal consumption is increasing throughout the world, it has remained behind the producers' capacity which was expanded excessively with a view to long term developments, especially in the United States.

With a fifth of aluminium production centred on North America, considerable sales pressure continued to emanate from that quarter in the year under review. At the end of September the price of aluminium was reduced in the US from 26 cents to 24 cents per pound. The Canadian export price remained during the entire year at 23¼ cents per pound.

The Group's plants in Switzerland and abroad were fully employed at all stages of manufacture. Production was again slightly increased by better utilisation of equipment. A good rise in output was also noted in semi-finished products. The turnover of the foil producing plants remained at about the previous year's level. Modernisation of manufacturing facilities made further progress. The extension of the Siders plant in the Valais is progressing and the new rolling mill facilities are expected to start production in the coming autumn. The new extrusion plant will be completed soon.

At Steg, near Chippis, a new reduction plant is under construction, which will come into operation this summer. This new plant is capable of producing more than 20,000 tons of metal per annum, raising the company's output capacity in the Valais, including the Chippis plant, to up to 60,000 tons per annum.

Systematic research and development work have led to improved manufacturing processes and lower costs. In the knowledge that further considerable rationalisation can still be carried out, AIAG is confident of maintaining its position in the conditions of stiffer competition that may be expected in the integrated European economy.

PRODUCTION

The company's reduction plants at Chippis, Rheinfelden and Porto Marghera again raised their output. That of the Lend plant temporarily declined slightly as a result of modernisation measures in progress. The Norwegian plant, *Mosjöen Aluminium A/S,* Mosjöen, in which AIAG has an interest, resumed normal production as from the spring of 1961.

The foil plant *Robert Victor Neher A.G.* in Kreuzlingen was employed to almost full capacity, while *Lavorazione Leghe Leggere S.p.a.* in Porto Marghera, in which AIAG has a 50 per cent holding, again increased its turnover of extrusion and rolled products. The output of this associated company has for the first time exceeded the 20,000 ton mark.

Aluminium-Walzwerke Singen GmbH., Singen a/Hohentwiel, increased its turnover of extrusion and rolled products, but *Star Aluminium Company Limited,* Wolverhampton, did not reach the previous year's turnover of foil owing to smaller demand on the domestic market. On the other hand, this subsidiary increased its sales of semi-finished products despite strong competition.

AIAG's American subsidiary, *Consolidated Aluminum Corporation,* Jackson, Tennessee, raised its output of foil and foil strip as well as its turnover of *Raffinal.* In the year under review AIAG decided to set up its own aluminium reduction plant in the US. It will be located on the Tennessee river about 60 miles from Jackson. Initial capacity will be about 20,000 tons per annum.

Changes in production resulting from market conditions caused new difficulties for the subsidiary *Aluminium Belge S.A.* Liège. The extrusion plant of *Aluminio Industria, S.A.,* Pindamonhangaba, Brazil, fully utilised its capacity.

RAW MATERIALS

More bauxite was produced and sold by *S.A. des Bauxites de France,* Marseilles, than in the previous year. The *Società Alluminio Veneto p.A.,* in Porto Marghera obtained about the same quantity as in the previous year from its mines in Apulia and the Abruzzi. The supply of the company's plants in Germany and Italy came again mainly from Yugoslavia, Greece and India.

Sierra Leone Ore and Metal Co. was founded in the year under review as a new subsidiary in Freetown. This company is exploring bauxite deposits with a view to subsequent mining and export. A concession agreement has been concluded with the Sierra Leone Government.

The alumina plants of *Società Alluminio Veneto p.A.* and of *Martinswerk GmbH.,* Bergheim near Cologne, fully utilised their capacity. AIAG's Italian subsidiary has recently started construction of a new 20,000 ton reduction plant

at Fusina near Venice. Jointly with this project a 70,000 kW thermal power station will be built to provide electricity for the new facilities. *Martinswerk GmbH.* put its new power station into operation after some initial difficulties. An expansion in this plant's capacity from 160,000 to 220,000 tons is in progress.

The *Société Française pour l'Industrie de l'Aluminium*, Marseilles, considerably increased its deliveries of alumina and *FRIA, Cie Internationale pour la Production de l'Alumine* of Kimbo (Republic of Guinea), in which AIAG has a 10 per cent holding, continued production throughout the year. In the year under review the parent Company obtained 87,500 tons of alumina from Guinea for its associated works in Norway and Germany and for the Chippis plant.

POWER SUPPLY

AIAG power stations operated normally during 1961. *Rhonewerke AG.*, Ernen, reached a new record output of 477m. kWh. *Elektrizitätswerk Rheinau AG.*, (AIAG participation 41.8 per cent) produced 257m. kWh compared with 204m. in the previous year. Total output of *Kraftwerke Gougra AG.*, Siders, (AIAG participation 30 per cent) was 391m. kWh. At the beginning of July, on the completion of construction work, the Lona river was diverted into the Moiry reservoir.

The new reduction plant at Steg will receive part of its power from *Kraftwerk Aegina AG.*, which was founded recently at Ulrichen, Valais. This power station will be constructed in partnership with *Maggia Kraftwerke AG.*; each partner is to participate with 50 per cent in the new company's share capital and power output.

Power production of all of AIAG's plants including the share in associated power stations totalled more than 2,000m. kWh.

OTHER SUBSIDIARIES

An increased turnover was again recorded by *Allega Aktiengesellschaft*, Zurich, which sells semi-finished products from stock. The *Anglo-Swiss Aluminium Co. Ltd.*, Sheffield, was able to sell all its available supplies of aluminium.

The *Aluminium Manufacturing Company of Nigeria Ltd.*, Lagos, added the processing of aluminium strip for roofing to its manufacture of aluminium hardware.

PROFIT AND DIVIDEND

The profit and loss account showed a net profit of Sfr. 19,149,597.59, which, together with Sfr. 2,432,918.51 brought forward from the previous year produced a total of Sfr. 21,582,516.10. It was accordingly proposed to pay a dividend of Sfr. 120 on each share of Sfr. 1,000 nominal; to allocate Sfr. 2m. to special Reserves; to allocate Sfr. 3m. as reserve for additional depreciation of plant; to transfer Sfr. 1m. to the Provident Fund and to carry forward the resulting balance of Sfr. 2,733,540.10. In order to increase liquid resources it was also proposed to increase the share capital from Sfr. 100m. to Sfr. 120m.

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

BOARD OF DIRECTORS

Fritz Schnorf, Meilen, Chairman; Robert Naville, Cham, Deputy Chairman; Dr h.c. Carl J. Abegg, Zürich; Dr Anton Bettschart, Rolle; Dr Robert Bühler, Winterthur; Heinrich Hürlimann, Küsnacht-Itshnach; Frédéric Maurice, Geneva; Cyrille Pitteloud, Sitten; Dr Rudolf Speich, Basle; Dr Ernst Wetter, Zürich.

HIGHAMS LIMITED

PROGRESS OF REORGANISATION

The fifty-fourth ordinary general meeting of Highams Limited will be held on July 5th in London.

The following is an extract from the circulated statement of the chairman, **Mr Alec E. Higham, OBE, JP**:

The sharp decline in profits is due principally to the complete re-organisation of the weaving departments of our sheeting and flannelette blankets. This was a scheme of considerable magnitude and the interference with normal production and the duplication of labour and other extraneous costs has had a marked effect on the profit earned. The main phase of our re-organisation is proceeding smoothly towards completion in two or three months. Taking all factors into consideration and in the knowledge that the main reason for the drop in profit was not a decline in our trading, your Board proposes to pay the same dividend as last year. The Group sales show an increase over the previous year, but profit margins have suffered to some extent.

Your Board considers that it would be of advantage if the Company's Issued Share Capital were brought within range of investments authorised by the Trustee Investments Act and Resolutions will be proposed at the Annual General Meeting for the capitalisation of part of the Company's Reserves which will have the effect of converting the existing 4s. Stock Units into 5s. Shares.

COMPANY NOTICES

CANADIAN PACIFIC RAILWAY COMPANY (Incorporated in Canada with Limited Liability). DIVIDEND NOTICE. *Ordinary Capital Stock*: At a meeting of the Board of Directors, held today, a dividend of 75 cents per share on the Ordinary Capital Stock was declared in respect of the year 1962, payable in Canadian funds on August 1, 1962, to shareholders of record at 3.30 p.m. on June 22, 1962. By order of the Board, T. J. Turner, Secretary. Montreal, June 11, 1962.

CANADIAN PACIFIC RAILWAY COMPANY (Incorporated in Canada with Limited Liability). DIVIDEND NOTICE. *Preference Stock*: At a meeting of the Board of Directors held today, a dividend of 2 per cent on the Preference Stock was declared in respect of the year 1962, payable on August 1, 1962 to stockholders of record at 3.30 p.m. on June 22, 1962. By order of the Board, T. J. Turner, Secretary. Montreal, June 11, 1962.

THE HUDSON'S BAY OIL & GAS COMPANY LIMITED



Wayne E. Glenn was elected President and a Director of Hudson's Bay Oil & Gas Company Limited, effective June 1. It was announced by Charles A. Perlitz, Jnr., chairman of the Board of Directors. He replaced G. T. Pearson, who has been made a Senior Vice-President of Continental Oil Company. For the past year Mr. Glenn has been a Vice-President of Continental serving in an executive capacity in the Administrative Department. From 1958 until 1961 he was Manager of Continental's Production Department and from 1954 until 1958 he was Assistant Manager of Production for the Company's Rocky Mountain Region. Mr. Glenn joined Continental Oil Company in 1940 and until 1954 held a variety of assignments in the Production phase of the business. He is a graduate in Petroleum Engineering from the University of Oklahoma. In his new position, Mr. Pearson will be responsible for administration of Continental's domestic operations. He will be located in Houston, Texas.

APPOINTMENTS

THE LONDON SCHOOL OF ECONOMICS AND POLITICAL SCIENCE

Applications are invited for appointment to a Lectureship or Assistant Lectureship in Modern Economic History. Salary scale for Lecturers: £1,150 x £50-1,300 x £75—£1,650; thereafter x £75—£1,950 a year plus £60 a Year London allowance; and for Assistant Lecturers £900 x £50—£1,050 plus £60 a year London allowance: with superannuation benefits and family allowances in both cases. In assessing the starting salary, consideration will be given to age and experience. Candidates should state their special fields of interest, and preference is likely to be given to those whose interests lie in the economic history of Europe, Africa or Asia in the 19th and early 20th centuries.

Applications, with the names of three referees, should be received not later than July 5, 1962, by the Secretary, London School of Economics and Political Science, Houghton Street, Aldwych, London, W.C.2.

For further appointments and other classified advertisements see pages 1166 & 1167

AUSTRALIA
THE UNIVERSITY OF NEW SOUTH WALES

Applications are invited for appointment to the positions of

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COMPANY AFFAIRS

After finishing on a slightly brighter note ahead of the Whitsun holiday, equity prices fell back again on the London stock market this week. The continued inflow of disappointing company news was a major depressing influence, and the further falls on Wall Street added to the downward pressure and over the week to Wednesday The Economist *indicator lost 5.8 points to 315.2. Prices however were firmer on Thursday, despite the previous day's losses on Wall Street. Gilt-edged stocks moved further ahead with interest centred on the new LCC loan which touched a premium of ¼. Gold shares, too, made further gains but they fell back later on profit taking.*

Shorter Stride for Boots

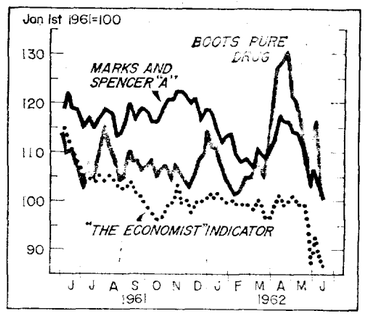
Boots

COMPARED with a year ago, Boots Pure Drug 5s. shares are practically unchanged at 27s. 9d.; earlier this year they touched 35s. 3d. and the marked fall owes something to the group's disappointing 1961-62 results. Apart from the effects of the Chancellor's measures last July, sales and profits of Boots were hit by the doubling of the NHS prescription charge which resulted in a fall of almost 10 per cent in the number of prescriptions it dispensed. Although the dispensing fee was increased in November, the percentage on cost was reduced on a sliding scale from 25 to 12½ per cent according to the number of prescriptions dispensed by each chemist shop. In the view of the chairman, Mr Willoughby R. Norman, this has penalised the big dispensing businesses, and almost all Boots branches have been affected in some degree. Because of the lower profit, the directors have already decided to close one of the night shops.

	1958 £ mil.	1959 £ mil.	1960 £ mil.	1961 £ mil.	1962 £ mil.
Sales	80·3	83·9	90·6	99·7	106·6
Trading profit	6·4	6·5	9·2	10·6	11·1
Gross profit	5·1	5·0	7·6	8·8	9·3
Net equity earnings	2·0	2·4	3·8	4·2	4·3
Retained cash flow	2·3	2·6	3·7	4·1	4·2
Net fixed assets	31·0	32·2	33·5	35·0	37·2
Net current assets	10·8	10·7	12·7	13·7	14·2
Net liquid assets	*Dr.*0·4	*Dr.*0·3	0·6	1·0	2·3
Net equity assets	34·7	35·9	38·0	40·2	42·8
	%	%	%	%	%
Ord. earnings	13·8	15·6	24·0	26·8	27·3
Ord. dividend	7·2	8·0	10·5	12·0	12·0
Gross profit/sales	6·4	6·0	8·4	8·8	8·7
Gross profit/net equity assets	14·7	13·9	20·0	21·9	21·7
Net earnings/net equity assets	5·8	6·7	10·0	10·4	10·0
Price (5s. shares): 27s. 9d. Dividend yield: 2·2%			Earnings yield: 4·9% equal to 20 years' earnings		

At the end of March there were seven fewer branches than a year earlier and at 1,298 they were below 1,300 for the first time since 1952. But the company's total selling space has increased considerably in that period, as many shops have been extended and modernised. It is more than two years since the group embarked on an intense programme of modernisation to double its total sales area in the next ten years. Capital expenditure last year amounted to £4.3 million, virtually covered by the group's cash flow of £4¼ million and a modest reduction in stocks helped to double the group's cash balances to £2¼ million.

Boots' bigger branches may suggest that the non chemist side of the business provides the growth element in Boots, but Mr Norman refutes this idea. In 1961-62, the chemist side (which includes photography and gardening as well as toilet and surgical goods) expanded its sales more rapidly and accounted for over 80 per cent of Boots' business. But the overseas companies made the greatest strides with sales up 17 per cent and gross profits up 25 per cent; annual sales of the Indian and Australian subsidiaries are now around £1 million. Their contribution to total profits is not known but the overseas tax figure suggests that their contribution is still small and investors must justify Boots' 2 per cent yield on home prospects. On this Mr Norman is cautious. He welcomes the stimulating prospect of the Common Market but would oppose any abolition of resale price maintenance. He detects some improvement in the current economic climate and is confident that Boots will benefit from any growth in the economy. More convincing reasons, perhaps, for the present low return are the group's impressive past record and the benefits to come from extensive capital spending; even so, a dividend yield of 2.2 per cent and an earnings yield of 4.9 per cent look well ahead given the decline in profit margins. But as the chart shows Boots shares like Marks and Spencer 'A' have made a better showing over the past year than *The Economist* indicator.



Marks and Spencer

M&S

SEVERAL companies ending their financial year at the end of March have pointed out that 1960-61 contained two Easter periods whereas 1961-62 contained none. Among them is Marks and Spencer, which shows a more modest growth in sales last year of 4 per cent to £173 million against a rise of 12 per cent for the previous year. Sales of clothing rose by only 1.3 per cent last year and almost all the increase in sales came from the food division. At £33 million compared with £28½ million, sales of food reresented 19 per cent of total turnover.

Food is evidently becoming an increasingly important part of the group's business and the range of its food products is being widened; at present, bakery products form a considerable part of the group's business. What are the implications for profits if growth is now largely to be sought from food sales? Margins on this side of the business are generally smaller than on clothing, so Marks and Spencer might be hard put to equal its last decade of growth—doubled sales, trebled gross profits and net dividends up more than five fold. Such figures explain the low yield; moreover, since 1955, £38 million has been spent on store development of which all but £5 million has come from retained earnings. This should provide the £15 million which the group plans to spend in the next three years. This rebuilding programme will doubtless justify itself but many benefits seem to be discounted in the present price of 85s. 9d. for the 5s. 'A' shares. Although they are 15 per cent below the 1962 peak the shares still yield only 2¼ per cent.

Steel Interims

GLOOMY interim statements still come from the steel companies. Colvilles and Steel Company of Wales report sharply lower profits and have cut their interim dividends. For shareholders of **Steel Company of Wales** the cut from 5 to 3¼ per cent is softened by the directors' forecast that the total dividend for the current year should be maintained at 10 per cent with a higher final payment. As a major producer of sheet Steel of Wales is well placed to benefit from the revival in the motor industry; but in the first few months of the current year profits were severely affected by the bricklayers' strike and the disorganisation which followed. The company has also incurred heavy costs in the initial operation of the three new 400 ton steel furnaces, which have had more than usual teething troubles, while in export markets it has been forced to cut prices to meet increased competition. Thus in the six months to end March sales fell to £62.7 million, compared with £68.7

million in the corresponding period of 1960-61 and trading profit before depreciation slumped from £12.3 million to £7.5 million. Since March a "substantial improvement in manufacturing costs and trading results" is reported, which has prompted the dividend forecast, and helped to steady the shares which at 25s. 9d. yield 7¾ per cent.

With the cut from 6 to 5 per cent in **Colvilles'** interim dividend there is however no firm indication of the likely size of the final dividend. The possibility of a further cut from last year's 10 per cent is suggested by the directors' statement that a marked recession in trade is still being experienced and that the outlook is still uncertain. They describe the increase of 10s. a ton for Scottish coal and the fuel tax as particularly severe burdens and say that the recent steel price increases "fell far short of meeting increased costs of production." In the six months to end March the trading surplus has been almost halved from £8.2 million to £4.3 million. No tax has been charged in view of the large investment allowances and net profits are £2 million lower at £2.9 million. No provision has been made against profits for the £225,000 commissioning expenses at the Gartcosh cold reduction mill nor for the interest accrued on government loans used to finance developments not yet in production. These loans now stand at £35 million and their servicing would cost Colvilles about £2 million gross a year. The Ravenscraig hot strip mill is due to start operations later this year but its impact on future profits will depend on whether it is run in without too much difficulty and, more important, whether demand for sheet and light plate, particularly from the motor factories now being built in Scotland, will support its planned capacity. The £1 shares stand at 29s. 9d.; it is less than a year since a three-for-eight rights issue was made at 57s. 6d. a share.

Courtaulds

If the preliminary figures of Courtaulds for the year to end March had been announced to the market without any prior indication of their content they may well have helped to dispel the present mood of gloom. But they were put out earlier this year in a major effort to frustrate ICI's take over bid. Against an estimate of £17½ million Courtaulds' profits before tax amounted to £17.7 million compared with £18.7 million for the previous year. Profits were running at the annual rate of £20 million in the second half of the year, compared with only £15 million in the first six months. The improvement came chiefly from the paint and fibre sections and reflects the benefits of reorganisation and rationalisation within the group. On the rayon side a further step in the rationalisation of production has now been taken with the proposed bid for Kirklees, virtually the sole remaining independent producer of viscose rayon. The offer of one Courtaulds for every 12 Kirklees shares is worth about £350,000, or 3s. 6d. a share. In 1960 the price touched 6s. but shareholders have since had their ordinary dividend halved to 4 per cent and the exchange into Courtaulds offers the prospect of a useful increase in income if the forecasts of profits and dividends are realised. For 1961-62 the dividend has been raised from 10 to 12½ per cent and for the current year a dividend of not less than 13 per cent and profits before tax of £23 million have been forecast. There are also two further annual tax free payments of 2½ per cent. Taking these into account the £1 shares at 42s. 3d. offer a prospective yield of 8.1 per cent.

In the longer term there is also the prospect of a possible distribution of shares of the new investment trust to which Courtaulds transferred investments worth £40 million. These included a large minority stake in Snia Viscosa, worth about £19 million and negotiations with Mediobanca for the sale of part of this holding are expected to be concluded soon. The initial object of the trust which is run by Courtaulds' financial advisers, Baring Brothers, is to realise the capital profits on some of the low yielding investments such as Snia and reinvest so as to widen its portfolio. Courtaulds' directors have said that they will make appropriate arrangements in due course for passing on the full benefits of this development, which could mean eventually a quotation for the shares after a distribution. Meanwhile shareholders are told that the chairman, Sir John Hanbury Williams, will deal with the current trading experience in his valedictory speech at the annual meeting; perhaps there will also be some indication of future relations between the company and ICI, which owns 38½ per cent of the Courtaulds ordinary capital after the "period of quiet reflection" urged both by Sir John and Mr Paul Chambers back in March.

Metal Box

The directors of the Metal Box group forecast in December that profits in the year to March 31st would be close to those for 1960-61. In fact, despite an 8 per cent rise in sales, group profits before tax fell slightly from £8,910,000 to £8,675,000. Much of the fall in the profits of the home group was offset by the higher profits earned by the overseas companies, which now account for 35 per cent of the group's profits. At home, the pressure on margins remained severe but overseas margins showed a further improvement after a setback in the first half of the year.

Six months to	Sept., 1960	March, 1961	Sept., 1961	March, 1962
Sales:—	£'000	£'000	£'000	£'000
Home	33,019	32,710	33,975	36,408
Overseas	11,625	14,564	13,373	15,106
Total	44,644	47,274	47,348	51,514
Gross profit :—				
Home	3,300	2,664	3,030	2,609
Overseas	1,357	1,590	1,304	1,732
Total	4,657	4,254	4,334	4,341
Tax	1,995	1,585	1,732	1,578
Net profit	2,158	2,110	2,135	2,186
	%	%	%	%
Gross profit/sales	10·4	9·6	9·2	8·4
Net profit/sales	4·8	4·5	4·5	4·3

As forecast, the group is maintaining the ordinary dividend at 12 per cent, but it is payable on the new shares issued in the acquisition of Perlite Box and Wallis Tin Stamping and it is now covered 2¼ times. Prospects for the current year again seem to rest on the continued success of the group's overseas interests, but their improvement last year was by no means as impressive as in 1960-61. At home the increase in can prices should at least offset higher tinplate costs. Having fallen from 85s. 6d. the £1 Ordinary shares, at 70s. yield 3.4 per cent.

Cater Ryder

This recently amalgamated house now ranks third in Lombard Street, and the amalgamation has paid off faster than expected. Profits, after tax and transfers to inner reserves, show a rise from £468,000 to £545,000; the company's year to May 31st happens this time to be more favourable than that of the other discount houses, including as it does all the reductions in Bank rate—which at 4½ per cent is actually down on the year. The dividend is maintained at 13 per cent and no forecast is made for next year; but shareholders will no doubt assume that it will be maintained on the increased capital following the one-for-ten scrip issue.

Sir John Musker, the chairman, looks forward to the "immense" broadening in scope for London and the discount market that should follow Britain's entry into the common market; he hopes for a more stable Bank rate and for credit "controlled more by supply than by rate." (The clearing banks would doubtless take a different view.) Sir John's one worry in dealings with Europe is the name of the breed. In modern times "discount house" has the connotation of a cut price shop selling durable goods in the high street rather than a respectable parlour in Lombard Street; the discount houses would be wise, he feels, to call themselves Discount Banks.

J. Lyons

Like some tea shops awaiting modernisation the 1961-62 results of J. Lyons are drab and uninspiring. Trading profits rose by 5 per cent from £6 million to £6.3 million but net profits for ordinary capital were only slightly higher at £1,185,000, against £1,139,000. The ordinary dividend has been maintained at 15⅝ per cent and its cover is fractionally better at 1.4 times. The directors say that turnover again increased but large sums had to be spent on "various forms of sales promotion." Over the past few years, the group has spent freely on expansion and diversification but so far with little apparent increase in profits. The group's overdraft doubled last year to £2½ million, against which there are cash balances of £680,000. There is no sign of any slackening in capital expenditure and commitments at the end of March amounted to £1,438,000.

Last month Lyons entered a new field with the leasing from Ind Coope of an Essex public house in which it will introduce "West End" catering. The intention is to set up a chain of these houses as an extension to its present programme of licensed steak houses in the London area. But it seems unlikely that these can make much impact on profits in the immediate future and fierce competition continues in the food industry, leaving the prospect for the current year unexciting. However, Lyons' catering establishments have an undeveloped potential, which is only just beginning to be tapped; this may justify the yield of 4¼ per cent offered by the £1 "A" shares at 73s. 3d.

Smith's Potato Crisps

With potato prices rising to "near famine levels," the profits of Smith's Potato Crisps have again fallen sharply. Potato costs of the parent company alone rose by £421,000 and accounted for three-quarters of the fall in profits. Sales of the group as a whole rose by about 6 per cent in the year to March 31st but net profits fell from £876,000 to £566,000. The ordinary dividend is maintained at 55 per cent but it is now covered only 1.3 times; the directors justify a maintained dividend in terms of their previous conservative dividend policy. But the slim cover and the uncertain prospects—the effects of the potato shortage are expected to continue till the end of July or later—suggest a possible dividend cut this year.

At 56s. 9d. the shares now yield 4.8 per cent and have failed to maintain their previous high investment rating. Apart from two poor potato crops, the market has become much more competitive; British Home Stores, Marks and Spencer and Sainsbury all sell their own crisps in their shops. Meredith and Drew makes crisps as well as biscuits while a recent entry into the field is Imperial Tobacco with its Golden Wonder crisps. This is still a small venture but it would not be surprising if Imps intended a major expansion of this business and there have been rumours of a possible bid for Smith's from Imperial Tobacco.

Fine Spinners and Doublers

The stock market could hardly have expected to get any pleasure from the preliminary results of Fine Spinners and Doublers. At the end of 1961 the interim statement mentioned a deterioration in the group's trading position with output and margins falling and orders becoming more and more difficult to get; the current state of the industry is no more encouraging for in the past week has come news of further closures among spinning mills in Lancashire. Trading profits of Fine Spinners in the year to March 31st fell by over 35 per cent from £2,740,000 to £1,802,000 and net profits were 53 per cent lower at £511,000.

After a maintained interim dividend of 5 per cent, the final has been cut from 10 to 7½ per cent making a total of 12½ per cent against 15 per cent. Earnings, however, amount to only 12¼ per cent so the payment is short-earned. But the group has adequate cash resources and is traditionally a steady dividend payer. Though losses were incurred in 1953 and 1959, since the war the ordinary dividend has never been cut by more than 2½ per cent. After previous slumps, profits have quickly recovered to give a small margin of cover for the ordinary payment. Though there is little comfort in the present situation the question of yarn imports appears likely to be resolved. At 20s. 3d. the £1 shares yield 12.3 per cent on a 12½ per cent. dividend.

House of Fraser

In past years comparison of profits of the House of Fraser group of stores has been made difficult by the inclusion of profits from its many acquisitions. However these were not a major factor in the results for the year to January 31st though a full year's contribution from the newly built Rackham's store in Birmingham was included this year compared with only two months' in the previous year. This, together with nine months' earnings from the first phase of the rebuilding of Arnott-Simpsons in Glasgow clearly went some way towards maintaining profits in a year when retail margins were under pressure. Trading profits fell by only 2½ per cent from £5,736,000 to £5,606,000. Net profits were fractionally higher at £2,462,000 and the dividend of 30 per cent, equivalent to the previous year's 45 per cent before the one-for-two scrip issue, was again covered about 1.3 times. The preliminary statement came as a mild disappointment to the stock market and did nothing to halt the present decline in stores shares which on average have fallen about 25 per cent from their 1962 peak levels. At 32s. 4½d. the 5s. ordinary shares yield 4.6 per cent.

Daily Mirror

In 1961-62 trading profits of the enlarged Daily Mirror group amounted to £9,112,000; on a comparable basis in 1960-61 trading profits would have been £6,645,000. The latest figures include the profits of Odhams Press, acquired in March, 1961, but only one month's profits from Imperial Paper Mills, which was sold to A. E. Reed in March, 1961; they also include the interim dividend paid by A. E. Reed on the shares it issued in exchange for Imperial Paper. Net ordinary earnings of £4,860,000 cover the maintained dividend of 15 per cent 1⅓ times.

The fall in profits in the second half of the financial year from £5,215,000 to £3,897,000 was explained in the preliminary report as being the product mainly of "additional expenses" involved in "consolidating recent successful mergers of women's magazines." But in the current year there are several favourable factors. There will be a full year's contribution from the shares issued by A. E. Reed, and presumably higher profits from the women's magazines, whose circulation and advertising rates have been raised. But the boost to profits of the *Daily Mirror* which followed the raising of its price to 3d. in March, 1961, will not be repeated.

The *Daily Herald* continued to trade at a substantial loss which more than offset the profits of *The People*. Trading profits of the book publishing companies have fallen sharply in recent years and no immediate improvement seems likely. Newspaper shares in common with most other groups are close to their 1962 lows and at 11s. 7½d., the Daily Mirror 5s. shares yield 6½ per cent. This is a higher return than most and suggests that the market is not expecting much bigger profits in the current year.

EVER READY

The chairman of the Ever Ready Company, Mr E. N. Rowbotham, says that the rise of 10½ per cent in trading profits from £3,434,000 to £3,796,000 in the year to March 3rd was less than the directors had hoped. The company had to meet considerably higher costs of wages and services, and while sales at home were "satisfactory" some of the overseas markets proved difficult. The current year has started satisfactorily and sales are higher than they were in the same period in 1961-62, and the recent reduction in hire purchase deposits will presumably swell the demand for transistor radios and thus for dry batteries, while the group should benefit from the better trading experience of the motor industry. The price increases made in March have presumably helped to restore profits margins. The 5s. ordinary shares at 39s. 1½d. are at their low point for the year but the yield is still only 2.9 per cent on the maintained dividend of 22½ per cent.

The Economist Indicator (1953=100)

1962		Indicator	Yield %	1962 High	1962 Low
May	9	355·7	5·10		
,,	16	355·7	5·10		
,,	23	340·2	5·34		
,,	30	332·1	5·42	364·4 (Jan 17)	315·2 (June 13)
June	6	321·0	5·59		
,,	13	315·2	5·68		

Financial Times Indices

1962		Index †	Ord. Yield	2½% Consols Yield	Bargains Marked
June	6	266·9	5·86	6·24	10,270
,,	7	267·5	5·85	6·24	11,275
,,	8	268·3	5·83	6·22	10,538
,,	12	266·2	5·88	6·17	12,301
,,	13	262·3	5·96	6·17	12,287

High, 310·2 (Jan. 19). Low, 261·3 (May 29).
† July 1 1935=100.

STOCK PRICES

Prices, 1962 High	Prices, 1962 Low	BRITISH FUNDS AND GUARANTEED STOCKS	Price, June 6, 1962	Price, June 13, 1962	Net Red. Yield, June 13, 1962§ £ s. d.	Gross Red. Yield, June 13, 1962 £ s. d.
$100^{15}/_{16}$	$100^{9}/_{32}$	Treasury 5½% 1982	$100^{19}/_{32}$	$100^{5}/_{8}$	1 7 5	3 18 0
$98^{21}/_{32}$	$96^{1}/_{16}$	Exchequer 3½% 1962–63	$98^{5}/_{16}$	$98^{3}/_{8}$	3 4 11	4 8 6
$100^{13}/_{32}$	$98^{1}/_{2}$	Conversion 4½% 1963	$100^{3}/_{8}$	$100^{13}/_{32}$	2 9 11	4 6 7
$96^{13}/_{16}$	$93^{11}/_{16}$	Exchequer 2½% 1963–64	$96^{5}/_{8}$	$96^{3}/_{8}$	3 6 3	4 6 11
$99^{29}/_{32}$	$97^{1}/_{16}$	Conversion 4½% 1964	$99^{29}/_{32}$	$99^{29}/_{32}$	2 14 4	4 10 9
$94^{19}/_{32}$	$90^{13}/_{32}$	Savings Bonds 3% 1955–65	$94^{1}/_{2}$	$94^{19}/_{32}$	3 10 7	4 17 3
$100^{23}/_{32}$	$98^{1}/_{32}$	Exchequer 5½% 1966	$100^{9}/_{16}$	$100^{23}/_{32}$	3 0 2	5 5 6
$88^{1}/_{32}$	85	Savings Bonds 2½% 1964–67	88	$88^{1}/_{32}$	4 3 11	5 5 3
$87^{3}/_{8}$	$83^{15}/_{16}$	Funding 3% 1966–68	$86^{11}/_{16}$	$87^{5}/_{16}$	4 6 11	5 13 11
$87^{5}/_{8}$	$84^{7}/_{8}$	Conversion 3½% 1969	$87^{1}/_{8}$	$87^{9}/_{16}$	4 8 2	5 19 1
$84^{3}/_{8}$	$82^{3}/_{8}$	Funding 3% 1959–69	84	$84^{3}/_{8}$	4 10 7	5 17 0
97	$92^{1}/_{4}$	Victory 4% 1920–76	$96^{3}/_{8}$	$96^{13}/_{16}$	3 1 3	4 14 7
$81^{9}/_{16}$	$78^{15}/_{16}$	Savings Bonds 3% 1960–70	$81^{1}/_{4}$	$81^{9}/_{16}$	4 12 9	6 0 2
$93^{1}/_{16}$	$90^{3}/_{4}$	Conversion 5% 1971	$93^{3}/_{16}$	$91^{15}/_{16}$	4 3 11	6 4 3
$100^{3}/_{16}$	$97^{1}/_{4}$	Conversion 6% 1972	$99^{11}/_{16}$	$100^{3}/_{16}$	3 16 1	6 5 0
$93^{1}/_{16}$	$91^{1}/_{8}$	Conversion 5½% 1974	$91^{15}/_{16}$	$91^{11}/_{16}$	4 2 0	6 4 10
$89^{7}/_{8}$	$87^{3}/_{4}$	Funding 4% 1960–90	$88^{1}/_{4}$	$88^{7}/_{16}$	3 13 0	5 6 10
$72^{1}/_{8}$	$70^{7}/_{16}$	Savings Bonds 3% 1965–75	$71^{7}/_{8}$	$72^{1}/_{8}$	4 15 6	6 4 8
$71^{7}/_{8}$	$69^{5}/_{8}$	Treasury 3½% 1977–80	$70^{7}/_{16}$	$70^{5}/_{8}$	4 11 0	6 4 9
71	$68^{11}/_{16}$	Treasury 3½% 1979–81	$70^{11}/_{16}$	$70^{5}/_{16}$	4 10 5	6 4 5
$93^{7}/_{16}$	$90^{3}/_{16}$	Funding 5½% 1982–84	$93^{1}/_{4}$	$91^{15}/_{16}$	3 19 6	6 4 6
$85^{3}/_{8}$	$82^{3}/_{8}$	Treasury 5% 1986–89	$83^{7}/_{8}$	84	4 1 5	6 5 11
$57^{3}/_{8}$	54	Redemption 3% 1986–96	$57^{1}/_{4}$	$57^{1}/_{2}$	4 4 3	5 19 4
$62^{3}/_{8}$	$56^{15}/_{16}$	Funding 3½% 1999–2004	$60^{3}/_{8}$	$60^{7}/_{16}$ *	4 2 6	6 2 1
$90^{3}/_{8}$	$84^{1}/_{8}$	Treasury 5½% 2008–12	90	$90^{3}/_{16}$	3 17 0	6 4 8
$63^{7}/_{8}$	$58^{1}/_{4}$	Consols 4% ..... after Feb. 1957	$63^{1}/_{8}$	$63^{11}/_{16}$	3 18 0	6 8 7
$56^{7}/_{8}$	$52^{1}/_{16}$	War Loan 3½% ..... after 1952	55	$55^{7}/_{16}$	3 17 3	6 3 7
$56^{1}/_{8}$	$52^{5}/_{16}$	Conv. 3½% ..... after Apr. 1961	$55^{1}/_{4}$	$55^{13}/_{16}$	3 17 5	6 7 1
$48^{1}/_{8}$	$44^{7}/_{8}$	Treasury 3% ..... after Apr. 1966	$47^{3}/_{8}$	$47^{3}/_{4}$	3 17 7	6 7 3
$41^{1}/_{8}$	$38^{1}/_{8}$	Consols 2½%	$40^{1}/_{16}$ *	$40^{1}/_{16}$ *	3 15 7	6 3 7
$40^{3}/_{4}$	$38^{1}/_{16}$	Treasury 2½% ..... after Apr. 1975	$40^{1}/_{16}$	$40^{3}/_{8}$	3 16 5	6 5 5
$92^{5}/_{8}$	$89^{11}/_{16}$	British Electric 4½% 1967–69	$92^{1}/_{4}$	$92^{3}/_{8}$	4 6 2	6 1 0
$75^{3}/_{4}$	$74^{3}/_{8}$	British Electric 3% 1968–73	$75^{3}/_{8}$	$75^{5}/_{8}$	4 16 0	6 4 2
$70^{3}/_{8}$	69	British Electric 3% 1974–77	70	$70^{5}/_{16}$	4 13 10	6 3 5
$80^{13}/_{16}$	$79^{1}/_{16}$	British Electric 4¼% 1974–79	$79^{1}/_{2}$	$79^{7}/_{8}$	4 6 3	6 5 2
$72^{7}/_{16}$	$70^{3}/_{8}$	British Electric 3½% 1976–79	$71^{3}/_{8}$	$71^{1}/_{2}$	4 10 11	6 4 7
$84^{3}/_{4}$	$82^{3}/_{4}$	British Gas 4% 1969–72	$84^{1}/_{2}$	$84^{3}/_{4}$	4 8 9	6 4 9
$82^{3}/_{8}$	$80^{9}/_{16}$	British Gas 3½% 1969–71	$82^{1}/_{8}$	$82^{5}/_{8}$	4 10 10	6 2 4
$57^{3}/_{8}$	$53^{13}/_{16}$	British Gas 3% 1990–95	$56^{13}/_{16}$	$57^{1}/_{8}$	4 5 11	6 0 10
$75^{3}/_{4}$	$74^{3}/_{8}$	British Transport 3% 1968–73	$75^{3}/_{8}$	$75^{5}/_{8}$	4 16 0	6 4 2
$79^{1}/_{8}$	$77^{1}/_{4}$	British Transport 4% 1972–77	$77^{7}/_{16}$	$77^{1}/_{16}$ *	4 9 1	6 5 3
$60^{1}/_{2}$	$56^{1}/_{2}$	British Transport 3% 1978–88	$58^{11}/_{16}$	59^{4}	4 10 7	6 3 6

Prices, 1962 High	Prices, 1962 Low	DOMINION AND CORPORATION STOCKS	Price, June 6, 1962	Price, June 13, 1962	Red. Yield, June 13, 1962 £ s. d.
82	$79^{1}/_{2}$	Australia 3½% 1965–69	$81^{3}/_{4}$	$81^{7}/_{8}$	6 12 0
$93^{3}/_{4}$	96	Australia 6% 1974–76	$96^{3}/_{8}$	$96^{3}/_{4}$	6 7 0
66	53	Ceylon 4% 1973–75	53	53	10 17 0
$96^{3}/_{4}$	$94^{1}/_{4}$	New Zealand 6% 1976–80	$96^{1}/_{4}$	$96^{1}/_{2}$	6 9 0
$75^{1}/_{4}$	63	Rhodesia and Nyasaland 6% 1978–81	$64^{1}/_{2}$	65	10 10 0
$87^{1}/_{2}$	82	South Africa 3½% 1965–67	$87^{1}/_{8}$	$87^{1}/_{2}$	6 11 0
$58^{1}/_{4}$	48	Southern Rhodesia 4½% 1987–92	48	48	10 2 0
$81^{7}/_{8}$	$77^{3}/_{4}$	Agricultural Mortgage 5% 1959–89	$79^{3}/_{4}$ *	80 *	6 8 0
$89^{1}/_{8}$	86	Birmingham 4½% 1967–70	$86^{7}/_{8}$	$87^{1}/_{8}$	6 4 0
92	$88^{3}/_{8}$	Bristol 5% 1971–73	$88^{3}/_{4}$ *	$88^{3}/_{4}$	6 7 0
$90^{1}/_{2}$	88	Corporation of London 5½% 1976–79	$88^{1}/_{4}$	$88^{1}/_{2}$	6 7 0
$46^{3}/_{4}$	43	L.C.C. 3% ..... after 1920	$45^{3}/_{4}$	46	6 9 0
$86^{1}/_{8}$	84	L.C.C. 5% 1980–83	86	86	6 5 0
$89^{1}/_{4}$	87	Middlesex 5½% 1980	$88^{3}/_{8}$	$88^{3}/_{4}$	6 8 0

NEW YORK PRICES AND INDICES

	June 6 $	June 13 $		June 6 $	June 13 $		June 6 $	June 13 $
Atch. Topeka	24	$23^{7}/_{8}$	Boeing	$43^{1}/_{4}$	$39^{1}/_{2}$	Int. Harvester ..	$51^{1}/_{2}$	$47^{3}/_{4}$
Can. Pacific	$22^{3}/_{8}$	$22^{3}/_{8}$	Celanese	$33^{1}/_{8}$	$31^{1}/_{8}$	Inter. Nickel ..	62	$60^{1}/_{8}$
Pennsylvania	$12^{1}/_{4}$	$10^{7}/_{8}$	Chrysler	$43^{3}/_{4}$	$40^{1}/_{8}$	Inter. Paper	$28^{1}/_{8}$	$26^{3}/_{8}$
Union Pacific	$30^{1}/_{4}$	$29^{1}/_{2}$	Col. Palmolive ..	$38^{5}/_{8}$	$36^{1}/_{2}$	Kennecott	$70^{1}/_{4}$	$70^{1}/_{8}$
Amer. Electric	61	59	Crown Zeller....	$43^{1}/_{2}$	42	Monsanto	$39^{3}/_{4}$	$38^{5}/_{8}$
Am. Tel. & Tel....	$108^{3}/_{4}$	$102^{1}/_{4}$	Distillers Seag..	$39^{1}/_{2}$	38	Nat. Distillers..	$25^{1}/_{2}$	24
Cons. Edison.....	$71^{7}/_{8}$	70	Douglas	$21^{1}/_{8}$	20	Pan-American ..	$18^{7}/_{8}$	$17^{3}/_{8}$
Int. Tel. & Tel....	$39^{3}/_{8}$	$36^{1}/_{4}$	Dow Chemical..	49	$45^{3}/_{4}$	Procter Gamble	$69^{1}/_{4}$	64
South'n. Nat. Gas..	$40^{3}/_{4}$	$40^{1}/_{4}$	Du Pont	$187^{1}/_{2}$	$179^{1}/_{4}$	Radio Corpn. ...	$48^{1}/_{2}$	$43^{1}/_{2}$
United Corpn.	$7^{1}/_{4}$	7	East. Kodak	96	$91^{3}/_{8}$	Sears Roebuck ..	$72^{1}/_{4}$	$68^{1}/_{4}$
Western Union ..	$29^{1}/_{2}$	$26^{3}/_{4}$	Ford Motor	$85^{1}/_{2}$	$80^{1}/_{4}$	Shell Oil	$35^{3}/_{4}$	$34^{5}/_{8}$
Alcoa	$55^{7}/_{8}$	$52^{1}/_{4}$	Gen. Electric	$64^{5}/_{8}$	$61^{1}/_{2}$	Socony-Mobil ..	$50^{1}/_{4}$	$48^{1}/_{2}$
Aluminium	$21^{1}/_{4}$	$19^{3}/_{8}$	General Foods ..	$73^{7}/_{8}$	$69^{1}/_{2}$	Stand. Oil Ind..	$46^{3}/_{4}$	$44^{7}/_{8}$
Amer. Can	$42^{7}/_{8}$	$41^{1}/_{4}$	General Motors .	$50^{1}/_{8}$	$49^{5}/_{8}$	Stand. Oil N.J..	$51^{1}/_{2}$	$49^{3}/_{4}$
Am. Smelting	$54^{7}/_{8}$	54	Goodyear	$34^{5}/_{8}$	$33^{1}/_{8}$	Union Carbide..	$95^{1}/_{4}$	91
Am. Viscose	$50^{3}/_{4}$	48	Gulf Oil	$36^{3}/_{4}$	$34^{3}/_{4}$	U.S. Steel	$50^{3}/_{4}$	$48^{1}/_{4}$
Anaconda	$41^{3}/_{4}$	$41^{5}/_{8}$	Heinz	46	45	West. Electric..	$29^{1}/_{4}$	$27^{3}/_{8}$
Beth. Steel	$36^{3}/_{8}$	$34^{1}/_{8}$	Int. Bus. Mach...	$365^{1}/_{2}$	$327^{3}/_{8}$	Woolworth	70	$66^{5}/_{8}$

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

1962	425 Industrials	Yield %	25 Rails	Yield %	50 Utilities	Yield %	Govt. Bonds	Yield %
May 16	67·66	3·17	31·11	5·19	60·15	3·37	90·39	3·85
„ 23	64·21	3·34	30·25	5·34	57·75	3·51	89·85	3·90
„ 29	61·13	3·50	28·82	5·60	54·22	3·74	90·17	3·87
June 6	61·26	3·51	29·08	5·54	55·80	3·63	90·17	3·87
„ 13	58·09	3·71	28·00	5·76	53·80	3·77	90·49	3·84

425 Industrials :—High, 75·22 (Jan. 3). Low, 58·09 (June 13).

Prices, 1962 High	Prices, 1962 Low	ORDINARY STOCKS	Price, June 6, 1962	Price, June 13, 1962	Yield, June 13, 1962	Last Two Dividends (a) (b) (c) %	%	Cover
105/–	86/–	BANKS, DISCOUNT & HP						
111/–	93/–	Barclays £1	91/3	90/3	2·88	6¼ a	6½ b	...
70/6	57/9	District £1	101/–	100/–	3·20	8 a	8 b	...
25/6	20/3	Lloyds £1	60/6¶	58/–¶	3·24	4·3 a	5·1 b	...
106/6	89/–	Martins 5/–	22/9	22/–	3·41	7 a	7 b	...
101/–	86/–	Midland £1	90/3	89/6	3·35**	7½ a	7½ a	...
104/–	84/–	Nat. Provincial £1	91/6	90/6	3·09	7 a	7 b	...
48/3	40·101/2	Westminster 'B' £1	92/3	91/–	2·92	6⅔ a	6⅔ b	...
40/9	37/11½	Australia & N.Z. £1 p.p.	44/9*	44/9	5·36	3 a	3 b	...
£25⅝	£19111/16	Bk. Lond. & S. Amer. £1	37/9	38/–	4·39	5 a	5 b	...
35	27¼	Bank of Montreal $10	£20⅜	£19813/16	3·38	$2.05 a	$2.05c	...
39/–	32/9	Bank of New S. Wales £20	32½	32¾	4·40g	8 c	9 c	...
58/6	53/3	Barclays D.C.O. £1	33/9	34/9	5·76	5 a	5 a	...
14/11½	10/9	Chartered £1	54/9	54/9	5·48	7½ a	7½ b	...
£19¾	£16	Hongk'g. & Shang. ... $25	£16¾	£17½	4·29	5/– a	10/– b	...
62/–	52/–	Nat. Com. Bk. Scot. 10/–	53/–	52/–	3·17	9 b	7½ a	...
£29⅞	£22111/16	Royal Bk. Canada $10	£23⅛	£22111/16	3·60	$2.37½c	$2.50c	...
45/3	37/6	Standard Bank £1	42/3	42/–*	7·14	5 a	10 b	...
230/–	157/6	Hambros ..... £1 f.p.	183/9*	183/9	2·45	7½ a	15 b	...
99/9	79/–	Schroders £1	82/–	79/–	1·90	21½ a	5 b	...
60/3	53/–	Union Discount £1	58/6	58/6	4·27	6½ a	6½ b	...
14/11½	10/9	Bowmaker 5/–	12/6	12/3	...	18 c	Nil c	...
14/3	10/6	Lombard Banking 5/–	12/–	12/–	4·17	5 a	5 b	...
16·41/2	10/6	Mercantile Credit 5/–	12/3	12/–	3·13	2½ b	2 a	...
44·11/2	31/–	United Domins. Tst.. 5/–	37/6	37/–	3·58	22½ b	4 a	...
18/6	13/3	BREWERIES, Etc.				...	4 a	...
14·3	13·3	Bass, M. & B. 5/–	15/6*	15/3	3·61**	...	...	...
24/6	17/6	Charrington United .5/–	14/–	13/7½	4·40**	8 b	6 a	...
44/–	37/11½	Distillers 10/–	38/3	37/3	3·89	6 a	6 a	...
21/6	17/6	Flowers 5/–	21/9	21/3*	2·82	8 b	4 a	...
14/–	8/–	Guinness 10/–	46/–	45/6*	4·84	4 a	8 a	...
29/–	22/–	Ind. Coope, T.A. 5/–	12/9	12/9	4·71**	12 b	6 a	...
25/–	22/–	Mitchell & Butlers ... 5/–	22/6	22/–*	4·09	12 b	6 a	...
42/41/2	31/9	Whitbread 'A' 5/–	37/6	37/–	4·05	9 a	21 b	...
61/–	50/6	BUILDING, PAINT, Etc.				3 a	6½b	...
27/41/2	21/6	Associated Portland. £1	52/9	51/6	3·69	7½ a	7½ b	...
18·101/2	14·101/2	British Plaster Bd. ..10/–	22/9	22/6	5·56	6 a	6 a	...
17/–	16/–*	Richard Costain 5/–	16/3	16/–*	4·92	10 b	10 b	...
19/–	9·101/2	Crittall Mfg. 5/–	12/6	12/6	6·75**	6 a	12½b	...
14/11½	9·101/2	International Paints ..4/–	11/11½	10/6	8·57	6 a	16½b	...
69/6	54/9	Rugby Portland 5/–	58/6	56/3	2·22	25 c	25 c	...
24/–	19/6	Wall Paper Defd..... 5/–	20/6	20/–	4·17	11⅔ b	5 a	...
25/7½	20/9	CHEMICAL				6 a	14 b	...
19/3	15/–	Albright & Wilson ...5/–	23/6	23/3	4·30	4 a	7½ b	...
43/3	29/–	Borax Defd. 5/–	15/6	15/33/4	3·76	11 c	4 a	...
58/–	47/6	Fisons £1	30/–*	29/–	...	6½ a	7½ b	...
18/6	12/6	I C I £1	49/41/2	48/3	5·70	5 a	5 b	...
53/–	45/9	Monsanto 5/–	14/6	14/–	3·57	10⅝ a	10⅝ a	...
38/–	30/6	DRAPERY & STORES				7·78a	7·113b	...
36/6	30/6	Boots Pure Drug 5/–	28/3	27/–	2·22	2½ a	2½ a	...
£14½	£12⅜	Montague Burton....10/–	25/–	22/6*	3·06	2½ a	2½ a	...
32/7½	27/–	Debenhams 10/–	50·101/2	49/3	3·90	5½ a	5½ a	...
32/9	20/6	House of Fraser 5/–	35/3	32/–*	4·69	11 a	11 a	...
		Marks & Spencer 'A'..5/–	87/3	84·101/2	2·80	13 a	13 a	...
		United Drapery 5/–	45·11½	43/41/2	3·46	13 a	13 a	...
		Woolworth 5/–	47/–	46/41/2*	3·86	11 a	11 a	...
		OIL						
		British Petroleum £1	32/3	32/9	9·81	2	2	...
		Burmah Oil £1	34/6	34/–	10·00	11 a	11 a	...
		Royal Dutch ..... 20 fl.	£13⅞	£13234	4·07	21 c	21 c	...
		Shell Transport 5/–	30/3	29/6	6·92	21 c	21 c	...
		Ultramar 10/–	25/9	24/6	... d	...	...	...

FOREIGN AND OVERSEAS STOCKS

	June 6	June 13		June 6	June 13		June 6	June 13
FRANCE	Frcs.	Frcs.	**GERMANY**	%	%	**HOLLAND**	%	%
Air Liquide ...	1,212	1,135	A.E.G.	415	412	A.K.U.	343¾	335½
Banque de Paris	529	509	Bad'che. Anilin ..	407	394½	Bijenkorf	882	852
Citroen	179	170	Bayer	465	449	Heinekens	465	455½
C. F. Petrole..	318	289	Commerzbank.	445	440	Incerunie (Fl.50)	Fl.177·5	Fl.175
Cie. G. d'Elect.	1,270	1,168	Deutsche Bank.	515	512	K. N. Hoogoven	599	581
Machines Bull.	530	510	Hoechst Farb. .	418	395	Kon. Zout-Ket.	726	710
Pechiney	262	248	Kundenkredit ..	395	391	Philips	628¶	593¶
Printemps	689	652	Lowenbrau	1,050	1,040	Robeco (Fl.50).	Fl.205	Fl.200
Rhone-Poulenc	457	425	Mannesmann ..	239½	232	Rotterdam Bk..	330½	324
S.I.M.	377	365·5	Siemens	558	561	Thomassen & D.	620	615
Saint-Gobain..	381	374·5	Thyssen-Huette	195	193	Valeurop	Fl. 74·6	Fl. 72·4
Usinor	205·9*	199	Volkswagen ...	580	556	Zwanenberg ..	796	770
Index	101·9	97·00	*Herstatt Index*	94·08	93·13	Index	316·0	313·8

Dec. 30, 1960=100. *Dec. 31, 1959=100.* *1953=100.*

	Lire	Lire	**BELGIUM**	Frcs.	Frcs.	**SWEDEN**	Kr.	Kr.
ITALY								
Ass. Generali .	148,350	142,600	Arbed	28,200	26,500	Asea	221	221
Breda	5,760	5,700	Bque. Nat. de Bel.	10,100	10,400	Electrolux	124	124
Edison	4,510	4,211	Bque. Soc. Gen.	3,370	3,320	Ericsson B.Kr.35	128	120
Fiat	2,917	2,882	Cockerill-Oug.	2,825	2,755	Separator B. ..	293	285
Finsider	1,488	1,435	Esperance Long.	5,610	5,300	Skand. Banken.	206	209
La Centrale...	14,570	14,000	Hoboken	18,100	17,625	Sv. Cellulosa....	192	191
Montecatini...	3,128	3,050	Innovation	6,150	6,110	Sv. Handelsbank	203	208
Motta	31,995	30,010	Photo Gevaert.	2,770	2,690	Tandstk. B Kr.50	162	162
Olivetti	8,960	8,425	Sidro	1,008	972	Index	169·55	169·19
Pirelli S.p.A...	11,635	11,305	Soc. Generale ..	13,850	13,500		*Dec. 29, 1956=100.*	
Rinascente....	779	743	Sofina	7,820	7,870	**NORWAY**	%	%
Snia Viscosa ..	7,520	7,345	Un. Miniere 1/10	1,250	1,226	Bergens Priv'bk.	215	212
Index	692·69	673·47	Index	395·3	391·6	Borregaard	219½	215
	1950=100.		*May 9, 1940=100.*			Norsk Hydro...	302½	297

† Ex dividend. ‡ Tax free. ‡ Assumed average life 7¼ years. § The net redemption yields allow for tax at 7s. 9d. in £. || Ex capitalisation. ¶ Ex rights. ‡‡ Ex all.
(a) Interim dividend. (b) Final dividend. (c) Year's dividend. (d) Capital distribution of 1s. 0d. per share. (f) Flat yield. (g) Equivalent to 7·2 sterling. (h) After Rhodesian tax.
(l) To latest date. Japanese prices supplied by Diawa Securities, Tokyo.

AND YIELDS

LONDON : NEW YORK : FRANCE
GERMANY : HOLLAND : ITALY
BELGIUM : SWEDEN : NORWAY

Prices, 1962 High	Prices, 1962 Low	ORDINARY STOCKS	Price, June 6, 1962	Price, June 13, 1962	Yield, June 13, 1962	Cover	Prices 1962 High	Prices 1962 Low	Last Two Dividends (a) (b) (c) %	%	ORDINARY STOCKS	Price, June 6, 1962	Price, June 13, 1962	Yield, June 13, 1962	Cover
32/6	23/3	ELECTRICAL & RADIO					27/6	21/–	20 b	10 a	MISCELLANEOUS				
12/6	9/–	A.E.I. £1	24/–	23/6	8·51	1	33/3	24/9	40 b	20 a	Assoc. British Picture. 5/–	21/6	21/6	6·98	23¼
66/3	56/41/2	Brit. Electronic Inds. 5/–	9/9	9/41/2	8·00	1¼	52/11½	39/–	16 a	14 b	Assoc. Television 'A' .5/–	26/6	24/9	12·12	13¼
14/81/4	12/71/2	Brit. C.C. 5/–	59/3	57/9	4·68	2	39/41/2	32/3	62½ b	31½ a	Beecham Group 5/–	40.6*	39/3	3·82	2
99/6	71/–	Crompton Parkinson .5/–	14/71/2	13/9*	4·55	2½	16/3	12/3	4 a	6⅔ b	British Match £1	34/9	32/3	6·20	2
45/6	33/9	Decca 10/–	74/–*	72/6	3·22	13½	61/3	50/3	7½ a	15 b	British Oxygen 5/–	13/3	13/–	4·10	13¾
54/6	41/3	E.M.I. 10/–	35/6	35/6	4·93	2	9·101/2	7/9	3 a	7 b	Elliott-Automation ...5/–	45/41/2	43/11½	1·62	2
27/9	21/–	English Electric £1	22/3	21/3	7·53	11½	56/–	39/6	71/2 a	15 b	British Ropes 5/–	8/–	7/9	6·45	11½
34/–	26/–	General Electric..... £1	27/9	29/3	6·84	¾	55/9	43/–	71/2 a	12½ b	De La Rue..... 10/–	57/–	57/–*	3·95	2
59/3	37/6	Parsons 5/–	38/–	37/6	6·67	2	49/–	42/6	3 a	12 b	Gestetner 'A' 5/–	48/–	47/–	2·13	33¼
47/9	42/3	A. Reyrolle £1	42/6	42/6	4·59	2½	41/3	32/41/2	5 a	20 b	Glaxo 10/–	45/9	44/–	3·41	33¼
92/–	58/–	Thorn Electrical 5/–	64/6¶	63/–	2·18**	3	23/3	17/–	5 a	12½ b	Harrisons & Cr. Defd. £1	42/6	42/6	7·06	2
		ENGINEERING					122/6	95/9	71/12½	41½ a	Hoover 'A' 5/–	34/6	32/6	3·85	13¼
32/41/2	20/3	Babcock & Wilcox £1	28/9	28/10½	6·26	11½	49/3	41/6	12½ c	12½ c	Ilford 10/–	18/6	18/–	4·86	11¼
38/3	27/3	John Brown £1	32/11½	32/11½	6·35	23¼	41/3	35/10½	20 b	10 a	I.C.T. £1	98/9	95/9*	2·35	21½
6/–	4/3	Cammell Laird 5/–	4/93/4	4/81/4	10·67	1	40/6	32/41/2	17½ b	5 a	National Canning £1	44/6	43/–	5·81	1
26/101/2	22/–	Internat. Combust. .5/–	23/6	23/3	6·45	11¼	37/–	25/–	15 b	7½ a	Powell Duffryn 10/–	38·41/2	36/71/2	4·37	21¼
5/6	3/41/2	Rich'ns. Westg'th. 10/–	4/3	4/3	...	...	38/–	26/6	7½ a	16½ b	Radio Rentals 5/–	34/9	33/3	3·38	23¼
38/41/2	26/–	Swan Hunter £1	26/6	26/3	9·14	13¼	35/3	30/–	25 c	25 c	Rank Organisation...5/–	27/6	26/9	4·72**	...
14/9	10/6	John Thompson 5/–	14/41/2	13/9	5·45	2½	29/101/2	24/–	8½ c	11½ b	Thomas Tilling 4/–	26/41/2	25/9	3·11	2
34/11/2	26/6	Coventry Gauge.....10/–	29/11½¶	26/6¶	5·39	23¼	64/–	46/9	8 b	4 a	Turner & Newall..... 5/–	49/–	46·9*	5·13	2
73/77½	58/6	Alfred Herbert £1	61/–	58/6	4·75	2	47/3	33/–	9·47a	15·32b	Unilever £1	34/9	34/–	3·65	3
47/6	13/9	Allied Ironfounders...£1	34/6	35/9	9·79	11½	119	8	8 a	13 b	Unilever N.V. ..... 12 fl.	81½	81½	2·94	3
99/9	82/3	Avery 5/–	84/6	82/3	3·65	2	18/9	14/3	5 a	10 b	United Glass 5/–	15/–	14/9	5·08	...
20/3	14/–	B.S.A. 10/–	14/–*	14/–

Money and Exchanges

EXCHEQUER RETURNS

For the week ended June 9, 1962, there was an "above-line" deficit (after allowing for sinking funds) of £8,295,000 compared with a deficit of £17,252,000 in the previous week and a deficit of £342,000 in the corresponding period of last year. There was a net expenditure "below-line" of £13,288,000 leaving a total cumulative deficit to date of £165,493,000 compared with £129,486,000 in 1961–62.

£'000	Estimate 1962–63	April 1, 1961, to June 10, 1961	April 1, 1962, to June 9, 1962	Week ended June 10, 1961	Week ended June 9, 1962
Ordinary Revenue					
Income Tax	2,790,000	277,669	280,693	22,338	24,256
Surtax	188,000	25,003	27,100	1,600	1,900
Death Duties	264,500	57,700	53,200	7,600	4,800
Stamps	95,000	20,500	20,500	1,500	1,900
Profits tax, EPT and EPL	374,000	47,100	48,100	7,500	5,500
Other Inland Rev. Duties	...	...	...	...	...
Total Inland Rev.	3,711,500	427,969	429,593	40,538	38,356
Customs	1,653,000	311,157	314,059	33,861	34,583
Excise	1,077,000	191,390	201,875	4,505	4,865
Total Customs and Excise	2,730,000	502,547	515,934	38,366	39,448
Motor Duties	150,000	12,197	14,419	2,314	318
Broadcast Lic's.	41,000	5,000	5,100	...	...
Miscellaneous	165,000	94,469	30,264	10,086	769
Total	6,797,500	1,042,182	995,310	91,334	78,891
Ordinary Expenditure					
Debt Interest	600,000	149,216	125,191	12,300	8,516
Payments to N. Ireland Exch.	100,000	16,879	17,417	3,717	3,267
PO Fund — Initial settlement	...	...	...	...	...
Other Consolidated Funds	12,000	1,101	1,107	9	23
Supply Services	5,611,650	927,286	977,306	75,000	73,800
Total	6,323,650	1,094,482	1,121,021	91,026	85,606
Sinking Funds	41,000	5,300	5,865	650	1,580
"Above-line" Surplus or Deficit	**57,600**	**131,576**	**342**	**8,295**	
"Below-line" Net Expenditure*	71,886	33,917	12,265	13,288	
Total Surplus or Deficit	**129,486**	**165,493**	**12,607**	**21,583**	
Net receipts from:					
Tax Reserve Certificates	36,558	36,614	1,619	1,051	
Savings Certificates	−3,900	1,800	500	600	
Defence Bonds	13,318	3,233	2,083	1,076	
Premium Savings Bonds	9,200	7,100	200	1,300	
Total	55,176	48,747	4,402	4,027	

* Net repayments of £5 million to the Civil Contingencies Fund in 1962–63 compared with £4 million in 1961–62

FLOATING DEBT

(£ million)

	Treasury Bills		Ways and Means Advances		Total Floating Debt
	Tender	Tap	Public Dept.	Bank of England	
1961					
June 10	3,270·0	1,827·6	242·2	...	5,339·8
1962					
Mar. 10	2,960·0	2,435·5	248·2	0·8	5,644·4
,, 17	2,960·0	2,423·9	251·1	...	5,635·0
,, 24	2,980·0	2,391·6	290·8	...	5,662·5
,, 31	3,000·0	2,330·6	260·7	...	5,591·3
April 7	2,980·0	2,400·5	253·0	2·3	5,635·8
,, 14	2,970·0	2,433·5	254·1	5·0	5,662·7
,, 21	2,960·0	2,448·7	126·0	3·3	5,638·0
,, 28	2,940·0	2,542·3	223·0	...	5,705·3
May 5	2,920·0	2,512·6	243·6	...	5,676·2
,, 12	2,940·0	2,236·5	248·2	0·5	5,425·2
,, 19	2,940·0	2,221·9	283·8	0·3	5,445·9
,, 26	2,950·0	2,258·8	229·3	...	5,438·1
June 2	2,960·0	2,299·9	230·7	1·5	5,492·1
,, 9	2,970·0	2,307·8	233·6	...	5,511·5

THE MONEY MARKET

ALTHOUGH the authorities had again forced the discount market to borrow at Bank rate before last Friday's Treasury bill tender, the market raised its bid by 2d. to £99 1s. 3d. for the third successive week. The average rate of discount fell by a further 7.70d. to £3 15s. 0.28d., and it is now lower than when Bank rate last stood at 4 per cent in January, 1960 (just before being raised to 5 per cent). There is no sign of any falling off in the demand for bills and total applications rose by £4 million to £421 million; the market again received a relatively modest allotment of 47 per cent. The market is clearly anxious not to run down its portfolio, partly in anticipation of higher demand for bills from the banks following the phased release of special deposits.

Credit has continued generally to be in short supply and Wednesday was the only day when the authorities did not provide any help. On Tuesday, however, the small amount of help supplied through the open market was not sufficient to prevent two or three houses borrowing a small amount from the Bank of England at Bank rate.

In New York the bill rate still see-saws and fell slightly from 2.691 to 2.671 per cent.

MONEY RATES

LONDON

	%		%
Bank rate (from 5%, 26/4/62)	4½	Discount rates:	
Deposit rates (7 days' notice):		Bank bills:	
		60 days	3 15/16–4
		3 months	3 15/16–4
Banks	2½	4 months	3 15/16–4
Discount houses	2½–2¾	6 months	3 15/16–4 1/16
Local Authorities	4⅜		
Call money:		Fine trade bills:	
Clearing banks' minimum	2⅞	3 months	5½–6
		4 months	5¾–6
Day-to-day	2⅞–3¼	6 months	5¾–6½

NEW YORK

	%		%
Official Discount rate: (from 3½%, 11/8/60)	3	**Treasury bills:** June 4	2·691
		,, 11	2·671

BANK OF ENGLAND RETURNS

(£ million)	June 14, 1961	June 6, 1962	June 13, 1962
Issue Department:			
Notes in circulation	2,306·1	2,304·4	2,321·9
Notes in banking dept.	19·3	70·9	53·4
Govt. debt and securities*	2,323·5	2,374·0	2,373·9
Other securities	0·8	0·8	0·8
Gold coin and bullion	0·4	0·4	0·4
Coin other than gold coin	0·8	0·3	0·3
Banking Department:			
Deposits:			
Public accounts	9·6	12·0	11·6
Special deposits	153·7	233·2	194·9
Bankers	264·6	240·3	238·1
Others	75·6	70·4	70·6
Total	503·6	555·9	515·1
Securities:			
Government	423·9	432·6	415·4
Discounts and advances	59·7	50·8	44·6
Other	17·9	18·7	19·0
Total	501·5	502·1	478·9
Banking department reserve	20·2	71·8	54·2
"Proportion"	4·0	12·9	10·5

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue increased by £50 million to £2,375 million on March 7th.

TREASURY BILL TENDERS

Date of Tender	Amount (£ million) Offered	Applied for	91 Day Average Rate of Allotment	Allotted at Max. Rate
1961	91 day		s. d.	%
June 9	270·0†	463·3	89 4·14	39
1962				
Mar. 9	230·0	396·2	100 5·89	53
,, 16	230·0	411·8	97 7·57	41
,, 23	230·0	408·1	89 0·47	48
,, 30	230·0	392·2	88 1·16	57
April 6	230·0	398·7	87 4·62	46
,, 13	230·0	407·9	86 8·54	41
,, 19	230·0†	386·6	85 4·31	46
,, 27	220·0	386·3	81 0·54	26
May 4	220·0	406·0	81 9·72	16
,, 11	230·0	412·8	79 8·71	57
,, 18	230·0	383·6	77 1·04	61
,, 25	230·0	398·4	76 3·81	47
June 1	240·0	417·3	75 7·98	43
,, 8	240·0	421·0	75 0·29	47

* On June 8th tenders for 91 day bills at £99 1s. 3d. secured 47 per cent, higher tenders being allotted in full. The offer for this week was for £240 million 91 day bills.
† Allotment cut by £10 million.

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Effective Limits June 13	Market Rates: Spot June 7	June 8	June 9	June 11	June 12	June 13
United States $	2·78–2·82*	2·80³₄–7₈	2·80³₄–7₈	2·80²₄–7₈		2·80³₄–7₈	2·80¹³₁₆–¹⁵₁₆
Canadian $	...	3·06–06⅛	3·06–06⅛	3·06–06⅛		3·06–06⅛	3·06¹₁₆–³₁₆
French Fr.	13·622–14·027	13·75⅞–76⅛	13·75¾–76	13·75¾–76		13·75⅞–76⅛	13·75⅞–76⅛
Swiss Fr.	11·94–12·54⅞	12·11¾–12	12·11¾–¾	12·11¼–½		12·11¼–½	12·11⅞–12⅛
Belgian Fr.	137·96–142·05	139·62½–67½	139·62½–67½	139·60–65	MARKET CLOSED	139·60–67½	139·67½–72½
Dutch Gld.	9·98¾–10·28½	10·10⅛–¼	10·10⅞–11⅛	10·01½–¾		10·11½–¾	10·11⅞–12⅛
W. Ger. D-Mk.	14·037–11·365	11·22–22¼	11·22–22¼	11·21⅞–22⅛		11·21¾–22	11·22–22¼
Portug. Esc.	...	80·15–25	80·15–25	80·15–25		80·15–25	80·15–25
Italian Lire	1725–1775	1742½–¾	1742½–43	1742–42½		1742–42½	1742½–43
Swedish Kr.	14·27½–14·70	14·45¼–½	14·45⅝–⅜	14·45–45¼		14·45–45¼	14·44⅝–⅞
Danish Kr.	19·06½–19·62	19·35⅜–⅝	19·34¼–35	19·34½–35		19·34½–⅜	19·34⅜–⅝
Norwegian Kr.	19·71–20·30½	20·03⅛–⅝	20·03½–¾	20·03½–¾		20·03½–¾	20·03½–¾
	* Official Limits	**One Month Forward Rates**					
United States $		¼–¼c. pm	¼–¼c. pm	¼–¼c. pm		¼–¼c. pm	⁵₁₆–³₁₆c. pm
Canadian $		⅛c. pm–par	⅛c. pm–par	⅛c. pm–par		⅛c. pm–par	par–¼c. dis
French Fr.		⅜–½c. pm	¼–½c. pm	⅜–½c. pm		⅜–½c. pm	¼–½c. pm
Swiss Fr.		1⅛–⅜c. pm	1½–1¾c. pm	1½–1¾c. pm		1½–1¾c. pm	1½–1¾c. pm
Belgian Fr.		25–15c. pm	25–15c. pm	25–15c. pm		25–15c. pm	25–15c. pm
Dutch Gld.		2–1½c. pm	2⅛–1⅝c. pm	2⅛–1⅝c. pm		2¼–1¾c. pm	2½–2c. pm
W. German D-Mk.		⅜–⅛pf. pm	1½–1pf. pm	1½–1pf. pm		1½–1pf. pm	1½–1pf. pm
		Three Months Forward Rates					
United States $		⅝–⅜c. pm	⅝–½c. pm	⅝–½c. pm		⅝–½c. pm	⅝–½c. pm
Canadian $		³₁₆–¹₁₆c. pm	³₁₆–¹₁₆c. pm	³₁₆–¹₁₆c. pm		³₁₆–¹₁₆c. pm	¹₁₆c. pm–¹₁₆c. dis
Swiss Fr.		3–2¼c. pm	3¼–3c. pm	3½–3c. pm		3½–3c. pm	3½–3c. pm
W. German D-Mk.		⅜–⅝pf. pm	3½–3pf. pm	3½–3pf. pm		3½–3pf. pm	3½–3pf. pm
		Gold Price at Fixing					
Price (s. d. per fine oz.)		249/11¾	249/11¼	...		250/0¼	250/0¼
,, ($,, ,, ,,)		35·09¼	35·10	...		35·10	35·10

Western Europe

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

BRITISH

Prices and Wages	May 19th	External Trade	June 2nd
Manpower and Output	June 9th	Industrial Profits	April 21st

OVERSEAS

Western Europe ..... This week United States ..... May 12th

	Austria	Belgium	Denmark	France	Germany, FR	Greece	Ireland	Italy	Netherlands	Norway	Sweden	Turkey	United Kingdom
INDUSTRIAL PRODUCTION (1) (1953=100)													
1956	141	123	115	133	138	130	105	128	124	122	115	...	112
1960	177	129	142	174	179	172	126	182	157	147	134	...	127
1961	184	135	...	184	190	180	137	200	159	157	139	...	128
1961, October	192	142	...	188	200	193	...	219	161	171	141	...	133
,, November	204	146	...	190	210	189	141[9]	215	160	179	143	...	134
,, December	193	139	...	192	193	186	...	208	161	158	141	...	126
1962, January	177	135	...	194	185	...	...	216	165	160	143	...	126
,, February	179	136	...	194	189	...	...	208	167	171	143	...	132
,, March	...	...	...	194	187[11]	...	...	227	163	173	143	...	134
VALUE OF EXTERNAL TRADE (2)													
Monthly averages or calendar months	m. schillings	mn. francs	mn. kroner	mn. New francs	mn. D. marks	mn. drachmas	mn. £	'000 mn. lire	mn. guilders	mn. kroner	mn. kroner	mn. lira	mn. £
	Import c. i. f.)												
1956	2,110	13,635	755[10]	1,622	2,315	1,159	15·2	165	1,180	721[10]	953[10]	95·1	309·9
1960	3,068	16,488	1,039	2,582	3,537	1,755	18·9	246	1,434	871	1,251	184·5	366·6
1961	3,217	17,536	1,076	2,748	3,668	1,785	21·8	272	1,554	961	1,260	382·1	353·3
1961, December	3,362	17,852	1,133	3,153	4,198	1,424	20·2	288	1,644	845	1,324	743·0	325·4
1962, January	3,334	18,375	1,188	3,428	3,767	1,729	21·9	276	1,731	1,035	1,415	327·1	390·1
,, February	3,036	17,143	1,134	2,940	4,031	1,663	21·4	300	1,514	889	1,220	378·8	322·1
,, March	3,371	...	...	3,220	4,150	...	...	326	1,745	1,070	1,448	...	375·0
,, April	...	...	...	3,000	...	...	...	...	...	...	...	...	334·9
	Exports (f. o. b.)												
1956	1,840	13,177	640[10]	1,325	2,571	475	9·0	112	906	460[10]	839[10]	71·2	261·9
1960	2,427	15,731	860	2,823	3,993	508	12·7	190	1,275	524	1,106	143·4	296·2
1961	2,605	16,352	885	2,970	4,246	558	15·0	218	1,309	553	1,181	260·4	306·9
1961, December	2,704	16,132	1,047	3,254	4,726	1,235	13·8	233	1,309	538	1,295	536·2	298·5
1962, January	2,332	18,660	897	2,976	3,825	745	14·2	204	1,314	603	1,252	386·0	311·5
,, February	2,440	17,129	824	3,080	4,063	853	13·6	239	1,234	524	1,127	262·0	298·2
,, March	2,893	18,800	...	3,320	4,750	...	...	260	1,494	627	1,155	...	322·4
,, April	...	...	...	2,990	...	...	...	...	...	...	...	...	327·3
COST OF LIVING (3) (1953=100)													
1956	108	104	112	103	104	126	107	109	108	109	109	136	112
1960	115	110	120	134	111	136	117	115	121	121	124	228	121
1961	118	111	125	138	114	138	120	118	123	124	127	236	125
1961, November	120	111	127[9]	141	115	138	121[9]	119	124	126	128	238	127
,, December	120	111	...	141	116	136	...	120	124	127	128	240	128
1962, January	121	112	...	142	117	137	...	120	125	128	130	240	128
,, February	121	111	129[8]	142	117	136	123[8]	121	125	128	130	246	128
,, March	122	112	...	142	118	137	...	122	...	128	131	247	129
,, April	124	112	...	...	...	...	...	...	...	129	...	...	130
EXPORT PRICES (4) (1953=100)													
1956	105	103	104	99	101	143	96	92	102	114	106	77	105
1960	103	97	99	132	101	122	102	86	100	103	101	81	110
1961	...	96	97	131	102	123	101	84	98	103	102	88	111
1961, November	...	96	96[9]	132[9]	102	123[9]	101	82	97	103[9]	101	176	111
,, December	...	95	...	...	103	...	102	85	98	...	100	181	112
1962, January	...	...	...	...	102	...	103	84	99	...	100	...	112
,, February	...	...	...	...	101	...	...	82	99	...	100	...	112
,, March	...	...	...	...	102	...	...	...	...	...	...	...	112[4]
GOLD AND FOREIGN EXCHANGE HOLDINGS (7) (mn. U S Dollars, end of period)													
1956	406	1,163	131·2	1,180	4,120	204·1	234	1,236	1,038	178·9	510	225	2,237
1960	698	1,422	255·1	2,070	6,737	223·5	268	3,080	1,742	282·7	490	252	3,231
1961	826	1,657	252·7	2,939	6,542	250·5	286	3,419	1,715	278·3	673	237	3,318
1962, January	814	1,664	238·2	2,992	5,815	257·3	275	3,408	1,724	246·8	676	248	3,410
,, February	822	1,649	225·0	3,057	5,857	270·8	276	3,323	1,726	240·1	681	248	3,424
,, March	837	1,662	242·6	3,221	6,088	279·4	283	3,279	1,745	242·0	689	235	3,452
,, April	845	1,620	231·9	3,318	6,034	...	281	3,274	1,754	237·3	712	226	3,472[3]

(1) This covers mining, manufacturing, electricity and manufactured gas with the following exceptions: Denmark excludes mining; Ireland and Sweden, electricity and manufactured gas; and Austria, manufactured gas. Greece is manufacturing only. United Kingdom includes construction. Germany excludes West Berlin and the Saar. (2) Special trade (excluding re-exports) with the exception of Ireland, Denmark, Norway and Sweden, which cover general trade. Belgium includes Luxembourg. Italy includes Trieste. The Saar is included with France before July, 1959, and with Germany after that date. Turkey liras per U S dollar; beginning September, 1960; 9 previously, 2·8. (3) May, 3,525. (4) April, 112. (5) In capital cities only for France, Turkey, for Greece prior to January, 1960, and Austria prior to March, 1959; Austria (prior to March, 1959), Denmark and Belgium exclude rent; Denmark includes direct taxes; Ireland based on August, 1953=100. (6) Index numbers of unit value which are influenced by changes in the composition of trade as well as price movements. Ireland seasonally adjusted. Turkey index in terms of U S dollars. (7) Holdings of the government and central bank. German figures from 1960 exclude long-term and earmarked assets; Norway and Sweden include foreign investments. Ireland includes some long-term British securities. (8) Average for first quarter. (9) Average for fourth quarter. (10) Special trade. (11) April, 190.

APPOINTMENTS

MSL *have been retained to advise on this appointment.*

MANAGING DIRECTOR

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THE UNIVERSITY OF MANCHESTER

Applications are invited for the full-time post of ASSISTANT (Grade II) in the Research Section of the Faculty of Economic and Social Studies. The person appointed will be expected to carry out work in association with the centre for Business Research. The salary scale is as follows: £900 to £1,050 per annum. Applications should be sent not later than June 30, 1962, to the Registrar, the University, Manchester 13, from whom further particulars and forms of application may be obtained.

UNIVERSITY OF OTAGO
DUNEDIN, NEW ZEALAND

LECTURER IN ECONOMICS

Applications are invited for the position of Lecturer in Economics. Salary scale: £1,250 x £75—£1,700 p.a.
Further particulars are available from the Secretary, Association of Universities of the British Commonwealth (Branch Office), Marlborough House, Pall Mall, London, S.W.1, or from the Registrar, University of Otago, Dunedin, New Zealand.

Economic Research Manager

A leading firm of City Stockbrokers requires a Manager for its Investment Research Department, which carries out a wide range of surveys of industry and of economic affairs.

The successful candidate is likely to have had considerable experience of Institutional investment research, or to be a graduate who has worked in an Economic Intelligence unit carrying out investigations into the structure and potential of diverse industries. Experience of directing a team of qualified men would be an advantage. The preferred age range is 35-45.

A man who combines vision and imagination with practised judgement could make this a key post in the organisation. The starting salary will depend upon qualifications and experience, and could be attractive to men currently earning up to £4,000 p.a.

Please send full details of education, training, career and present earnings to H. G. L. Sleep of Binder, Hamlyn, Fry & Co., 121 Queen Victoria Street, London, E.C.4. No information will be given to the client or to anyone else without the candidate's permission.

COUNCIL OF EUROPE RESEARCH FELLOWSHIPS, 1963

Awards of these Fellowships, which are offered annually and are of the value of 6,000 new French francs each, will be made in December, 1962. The Fellowships for 1963 will be for a period of 12 months starting on January 1st. They are intended primarily to encourage research into the following questions, considered in the light of their present-day importance:
(a) Political, legal, economic, scientific, juridical, cultural, social, educational and youth problems connected with European integration;
(b) European civilisation (philosophy, history, literature and the arts).

Candidates are invited to propose subjects which would be likely to make a positive contribution to the fields of study mentioned in the preceding paragraphs, with the object of writing a publishable work.

Candidates must normally be nationals of a member State of the Council of Europe or of a State which has acceded to the European Cultural Convention. Refugees from European countries which are not members of the Council, legally resident in the territory of a member State, are also eligible for awards.

Application forms, which must be returned by September 5, 1962, may be obtained from Universities Department, The British Council, State House, High Holborn, London, W.C.1.

SOCIAL RESEARCH APPOINTMENTS

A small social research unit is being formed to make a study of employment relations in the John Lewis Partnership under independent academic supervision. Applications for appointment to the unit are invited from suitably qualified graduates with some research experience. It is envisaged that appointments will be for two years with salaries within the range £1,000 to £1,750 per annum. For further particulars and application forms, write to Box No. L.96 LPE, 60-62 St. Martin's Lane, London, W.C.2.

UNIVERSITY OF SINGAPORE

Applications are invited for: (i) Lectureship or (ii) Assistant Lectureship in Economics. Salary scales: (i) £1,148 x £49—£1,442; £1,540 x £56—£1,820 p.a.; (ii) £1,001 x £49—£1,099 p.a. Initial point according to qualifications and experience. Allowances: Expatriation pay in range £250-£408 p.a., cost of living (temporary) in range £210-£560 p.a. Passages for appointee, wife and children not exceeding 12 years. Partly furnished house/flat at reasonable rent. Provident Fund Scheme. Detailed applications (3 copies) required, naming three referees, by July 31st, 1962, to Secretary, Inter-University Council for Higher Education Overseas, 29 Woburn Square, London, W.C.1, from whom further particulars may be obtained.

UNIVERSITY OF CAMBRIDGE
DEPARTMENT OF APPLIED ECONOMICS

Applications are invited for appointment to a post of Research Officer or Junior Research Officer in the Department of Applied Economics which the Committee of Management of the Department hope to be in a position to make in connection with research into Capital Formation and the Stock of Assets in Britain, 1830-1960. The appointment will be from October 1, 1962, for two years in the first instance. Scales of stipends are under review, but the pensionable stipends of posts in the grades mentioned at present range from £750 by £50 to £1,400 a year. Applicants should have at least a good second-class honours degree in Economics, Economic History or Statistics. A non-pensionable allowance of £50 a year is payable for each dependent child under sixteen years of age or receiving full-time education. A limited contribution may be made towards removal and travelling expenses. Applications giving details of academical qualifications and experience, together with names of two referees, should reach the Director, Department of Applied Economics, Sidgwick Avenue, Cambridge, by July 11, 1962.

Applications are invited from

CHARTERED SECRETARIES

(male) between the ages of 25 and 35 to assist in Company secretarial duties.

Applicants must have had at least three years' commercial experience and have a working knowledge of Patents, Trade Marks, Insurance and Company legal matters. The appointment will be to a junior managerial position and the successful applicant will be eligible for the Company's pension scheme.

Applications, written in long-hand, giving full details of age, experience, qualifications and present salary, should be submitted to the **Personnel Manager, Ferodo Limited, Chapel-en-le-Frith.**

THE ROYAL INSTITUTE OF INTERNATIONAL AFFAIRS. Applications are invited from graduates or under-graduates in final year for the post of RESEARCH ASSISTANT to work on the *Survey* and *Documents on International Affairs*. Salary in the scale £850-£1,050 according to qualifications and experience. Applications should be sent not later than July 6, 1962, to the Director-General, 10 St. James's Square, S.W.1, from whom further particulars may be obtained.

ECONOMIST

The Milk Marketing Board requires a young Economist (aged 21 to 25) with a good honours degree to assist with planning and research for sales and marketing operations. Previous experience in Economic and Statistical work for a commercial organisation will be an advantage. Salary in accordance with age and experience.
Applications, giving brief details, to the Personnel Officer, Milk Marketing Board, Thames Ditton, Surrey.

UNIVERSITY OF AUCKLAND
NEW ZEALAND

Applications are invited for the following appointments:—
LECTURESHIP IN ECONOMICS: The appointee will be expected to teach and examine courses primarily in economic history and to undertake research in this field, but he may also be required to do some teaching and examining in the more elementary stages of economic theory.
LECTURESHIP IN ECONOMIC HISTORY: The appointee will be expected to teach and examine courses primarily in economic history and to undertake research in this field, but he may also be required to do some teaching and examining in the more elementary stages of economic theory.
The salary for a Lecturer is £1,250 rising to £1,700 per annum. Commencing salary within these scales will be determined according to qualifications and experience. An allowance made towards the cost of travel and removal expenses.
Further particulars and information as to the method of application may be obtained from the Secretary, Association of Universities of the British Commonwealth (Branch Office), Marlborough House, Pall Mall, London, S.W.1.

Applications close in New Zealand and London on *July 20th, 1962.*

KUWAIT INVESTMENT COMPANY (S.A.K.)
(ISSUED CAPITAL £15,000,000)
invite applications for the post of

CHIEF ACCOUNTANT

Applicants should be highly qualified in Chartered Accountancy and must be fluent in English. Preferably with at least three years' experience in the field of investment.

The Salary for the post will be £2,500 per annum in addition to full accommodation, travelling expenses and annual paid leave.

Apply with full particulars of qualifications, age and copies of testimonials.

Write to:
The Chairman—Kuwait Investment Company (S.A.K.), Post Box 1005, Kuwait.

UNUSUAL COMMERCIAL OPPORTUNITY

in RECKITT'S (COLOURS) LIMITED, a company in the Reckitt & Colman Holdings Group concerned with the development and manufacture of colouring pigments, both in the UK and in a number of important overseas markets.

This company wishes to appoint a young man, aged 30-40, to assist the Managing Director and to concern himself with sales and commercial developments, on the understanding that, if he does well, he will be invited to join the Board of Reckitt's (Colours) Ltd.

Enquiries, which will be treated in confidence, are invited from those with experience and knowledge of the colour industry. A technical qualification would be a distinct advantage.

The salary will be appropriate to the qualifications and experience of the man appointed, and there will be considerable scope for improvement.

The company operates a recently improved pension scheme, with provision for widows and dependants. Assistance will be given with housing and removal expenses.

Applications should be addressed to:
The Personnel Director,
Reckitt & Sons Limited,
Dansom Lane,
HULL.

For further appointments and other classified advertisements see page 1158

THE UNIVERSITY OF MANCHESTER

Applications are invited for the post of TEMPORARY LECTURER or ASSISTANT LECTURER IN PUBLIC FINANCE in the Faculty of Economic and Social Studies, for one year from October 1, 1962. Salary scales as follows: Lecturer, £1,450 to £1,950 per annum; Assistant Lecturer, £900 to £1,050 per annum. Membership of F.S.S.U. and Children's Allowance Scheme. Applications should be sent not later than June 30, 1962, to the Registrar, the University, Manchester 13, from whom further particulars and forms of application may be obtained.

ECONOMIST OR STATISTICIAN

The Economics and Statistics Department of the Cotton Board requires a young graduate (male) with good qualifications in Economics and/or Statistics. Post-graduate experience would be an advantage, but is not essential. The work, which includes economic intelligence and research on a wide variety of matters concerning the textile industry and involves contact with top management. The starting salary will be commensurate with age, qualifications and experience. The post provides good prospects and excellent conditions. Applications, giving full details, should be addressed to Director of Statistics, The Cotton Board, 1 Alberton Street, Manchester 15.

BEA MATHEMATICIAN

We are seeking an able and objective man to fill a vacancy in our Fleet Planning Branch. He will be concerned with economic planning and future development, involving simulation studies, linear programming and other standard statistical methods.

An Honours degree in Mathematics is essential and at least two years' experience in the industrial application of OR techniques desirable. The appointment is permanent and pensionable with excellent prospects for promotion. Salary range: £1,209-£1,669 10s.

Write for an application form to: Personnel Officer, Head Office (E), BEA, Beatine House, Ruislip, Middlesex.

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Owing to promotion, a vacancy has arisen for a Junior Research worker to assist in a two-year study of local committees. The post offers a wide range of research experience and publication of results. It is suitable for a recent graduate (or student about to graduate) with a good Honours degree, perhaps in politics or another of the social sciences. Starting salary from £750 p.a.

Applications, together with full personal details and the names of two referees, to the Secretary, Acton Society Trust, 39 Welbeck Street, London, W.1, to arrive as soon as possible, but not later than 30th June.

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LL.B.
Banking Diploma
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B.Sc. Economics (Accountancy, Government, Industry and Trade). New Regulations	
Higher National Diploma Sandwich Course in Mechanical Engineering	
Graduateship of the Institution of Electrical Engineers Part III Examination	

Provision is made for students' social and athletic interests.

Applications for admission should be addressed to the Principal from whom any further information required may be obtained. Telephone: Bournemouth 20512.

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Sunday, June 17, 6.50 p.m.: Robert Davies (Inspector Mallett) makes an appeal on behalf of the Invalid Tricycle Association on BBC-TV. All readers. Donations: Ringway, Dartford, Kent. BBC Appeal, Ruislip Place, London, W.9.

ANTIQUARIAN BOOK FAIR. National Book League, 7 Albemarle Street, London, W.1. June 19-23. Rare books, manuscripts, fine prints. Open: Weds., 14th, 11-30; Thurs., 14th, 11-5; June 21 at 6.15: Colour film of the libraries of Yale University. Admission Free.

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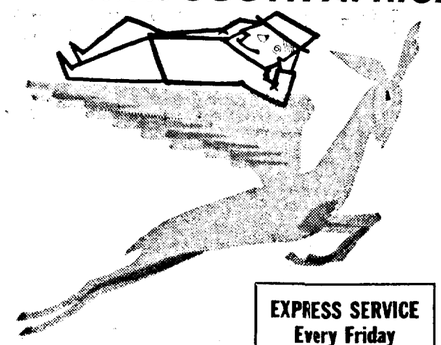
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30	£27 : 10 : 0	£27 : 10 : 0	£27 : 10 : 0
40	£30 : 8 : 4	£30 : 8 : 4	£30 : 8 : 4
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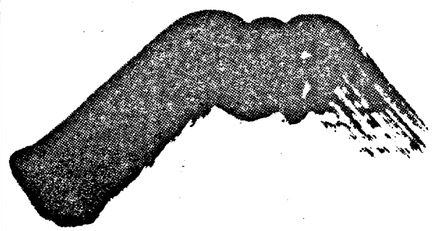
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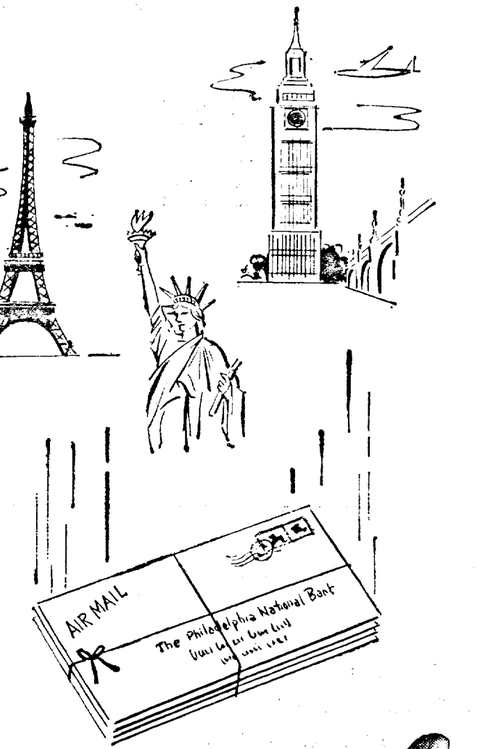
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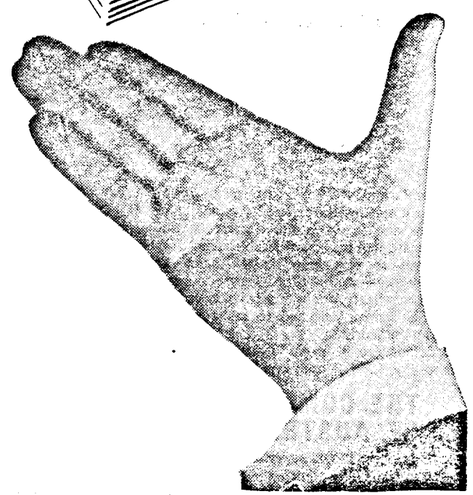
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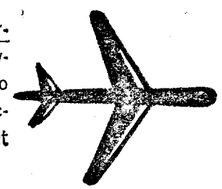
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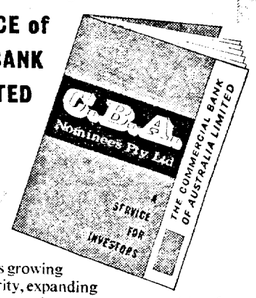
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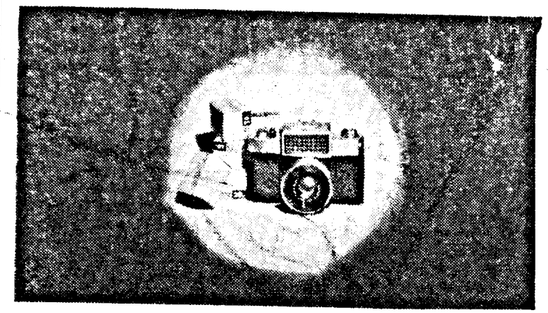


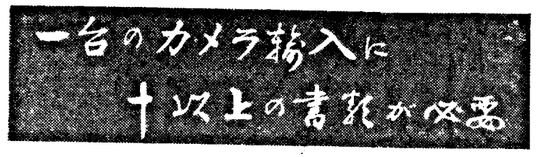
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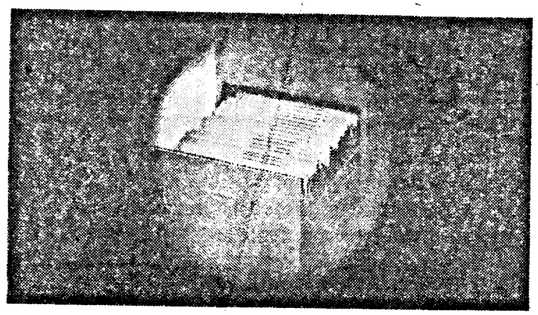
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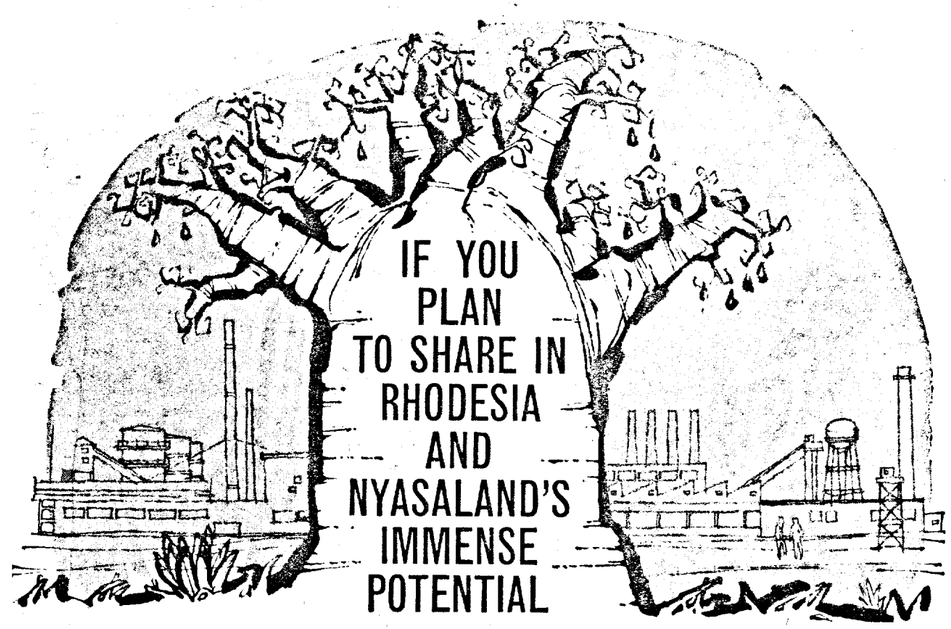




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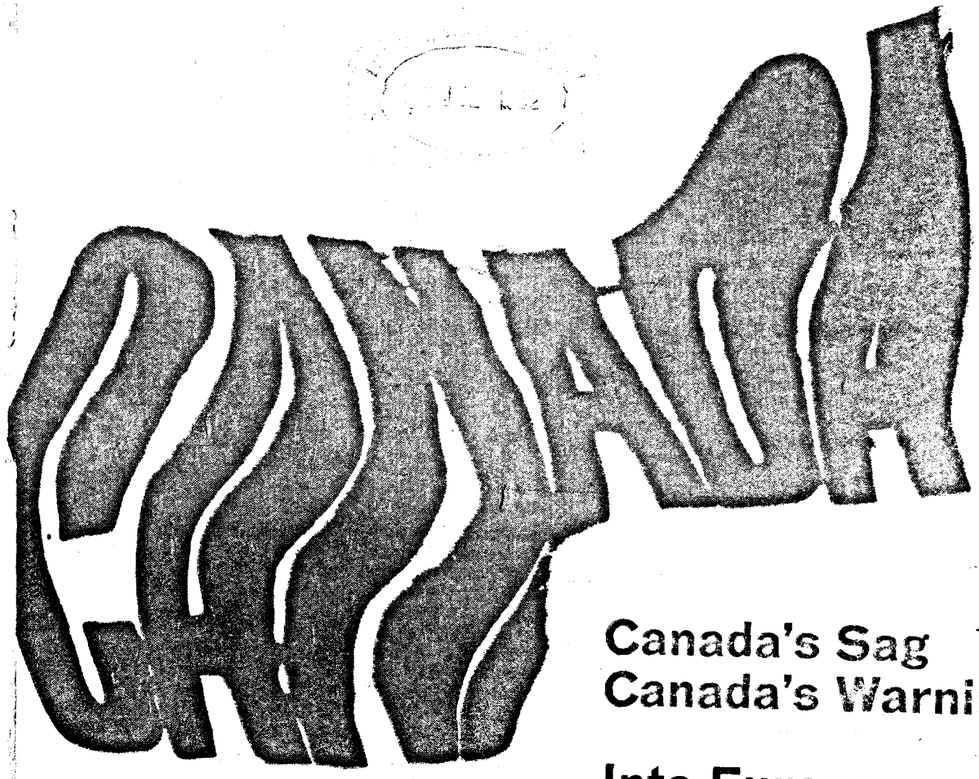
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Most successful perhaps was the trip to the Mdu district of Udm, wildest and most savage part of the vast jungle of the equatorial strip. But a knowledge of what is right for picture shows how easy it is to make friends with animals, of the right kind. The Deathrot millipedes were trapped, old leech gatherers cleaned the pools, and the fever-ridden swamp was concreted over by healthy Aborigines. First Aid dealt early with cases of fungus finger, blinds, and hippopotamus foot. While she wears a necklace (Maison Paris Copy), and jungle shorts by Stingling, we see here, making firm friends with a specimen of the exophthalmic alligator, our assistant, Miss Penelope Likewise.

We were lucky in coastal waters to find an early type of false fintail, thought to be extinct, but just visible in the smaller photograph through the hair, blond in this picture, of Penelope Likewise.



Written by Stephen Potter; designed by George Him

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SECOND CLASS POSTAGE FOR *THE ECONOMIST* PAID AT NEW YORK, N.Y.
Published weekly every Saturday, fifty-two times a year in London, England.

The Economist this Week June 30, 1962

HOME

SHORT SIGHT

The report of the Pilkington Committee is the biggest let-down since the Establishment tried to control the printing press; fortunately the decision on the future of television in Britain is still in the hands of Parliament (p. 1287).

The rising cost of TV productions (p. 1299); the fall-off in new viewers (p. 1354); the new technical prospects (p. 1367).

MIDDLE ROAD

Despite their post-Pilkington embarrassments, the **Tories** feel that they may be past the worst of their fortunes: but it still depends on the common market (p. 1295).

Sober thoughts for the **Liberal Assembly** (p. 1295).

Sobriety, too, was the key-note of this week's conference of the **shipbuilding and engineering unions** (p. 1304).

Wakefield could have afforded to remember its past while building for the future (p. 1305).

LONG VIEW

World commodity agreements are proposed which might solve the problem of agricultural surpluses—and assure Commonwealth producers of continuing outlets if Britain joins the common market (p. 1359).

Jenkins on accounts: more details from the Report on Company Law (p. 1371).

Cremation: ashes and progress (p. 1303).

Drugs: the risks of the new therapy (p. 1299).

Post office: consulting the customers is a receipt for success (p. 1306).

LONG HAUL

Dr Beeching's **railway problems** at home are likely to be increased by his problems in Europe: discrimination in pricing, part of his policy, would be banned under a new rule proposed in Brussels (p. 1361).

Rough surgery is sorting out the problems of **Holland's national airline:** deficits and sackings are not a railway monopoly (p. 1370).

Can the new **Immigration Act** work? (p. 1300).

The **new theatre** at Chichester sets an example for the English provinces (p. 1305).

The NUT wants more **science teachers:** why, then, does it not argue that they should be paid more? (p. 1299).

British Banking: **pages 1323 to 1352**

INTERNATIONAL

CANADA: DISENCHANTED NATION

Domestic ill health is paralysing Canada's effectiveness on the international scene (p. 1289). Mr Diefenbaker's first-aid measures may cause Britain and America pain (p. 1290). What these measures are (p. 1290).

FRIENDS IN ADVERSITY

Neither the **Iraqi** nor the **Syrian** government has the stability to give unity a meaning; **Egypt,** in disillusioned mood, protests less but can offer more (p. 1293).

Whites in Africa have already started a southern trek to join Dr Verwoerd's wonderland (p. 1303).

Rowdies in the BAOR will sour the host-guest relationship (p. 1299).

CANDID FRIENDS

The **United States** is determined not to let arguments with its **European allies** ruin the possibility of obtaining some agreement with the Soviet Union (p. 1307). It has also, through Mr Dean Rusk's tour of western Europe, been trying to induce these allies to put their **nuclear weapons** in some sort of pool (p. 1294).

About **Berlin,** Mr Rusk and his allies have agreed that no great harm has been done by recent negotiations with Russia, and not much good either (p. 1295).

NO FRIENDS AT HOME

President Kennedy has suffered a serious defeat in practice and in prestige over his **Farm Bill** (p. 1308).

The Supreme Court's decision over **prayers in United States schools** suggests that God's Own Country does not really belong to Him (p. 1308).

The improvement in America's **balance of payments** may not stand up to the threat of a recession (p. 1309).

Republicans are preparing for **next autumn's election** by attacking all along the line (p. 1309).

On the eve of **Dr Adenauer's visit to General de Gaulle** his colleagues have been insuring against its risks by indicating that what he may say will not necessarily commit Bonn (p. 1315).

The Monnet committee's pragmatic approach to **European federalism** should appeal to the British palate. But the neutrals are in danger of finding themselves out in the cold (p. 1296).

In the East, Mr Khrushchev's plans for a **closer communist economic group** have come up against the individualism of his allies (p. 1296).

The Russian public, faced with unattractive goods, is keeping its hands in its pockets (p. 1322).

FRIENDS OR FOES

As the Secret Army's last ditch resistance peters out, the **Algerian leaders** start on their sterner battle of repair and creation (p. 1292).

Washington and Peking are exchanging smoke signals over **Taipeh and Quemoy** (p. 1316).

A personal view of the Chinese experiment is reviewed on page 1353.

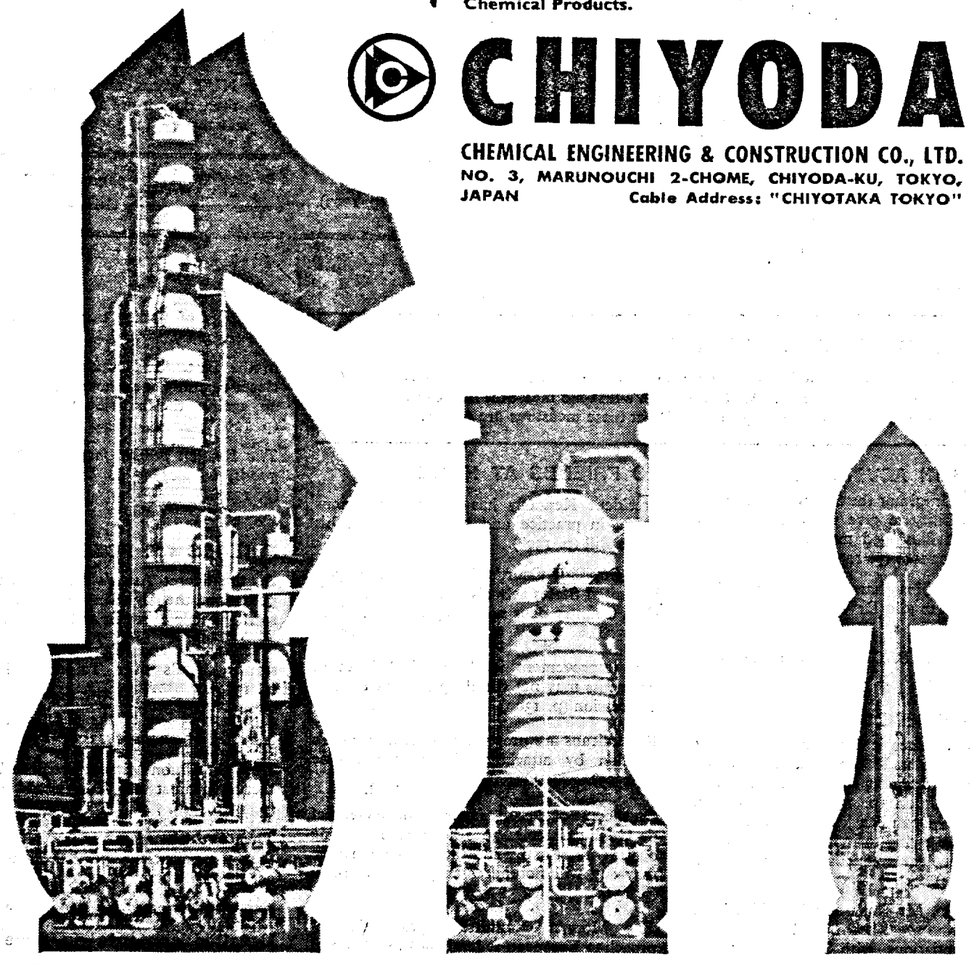
Does the Union Minière need the UN's protection against **Mr Tshombe's** blackmail? (p. 1316).

The **Turkish army,** more reform-minded than the politicians, persists in its efforts to act through them (p. 1321).

Detailed contents on page 1287

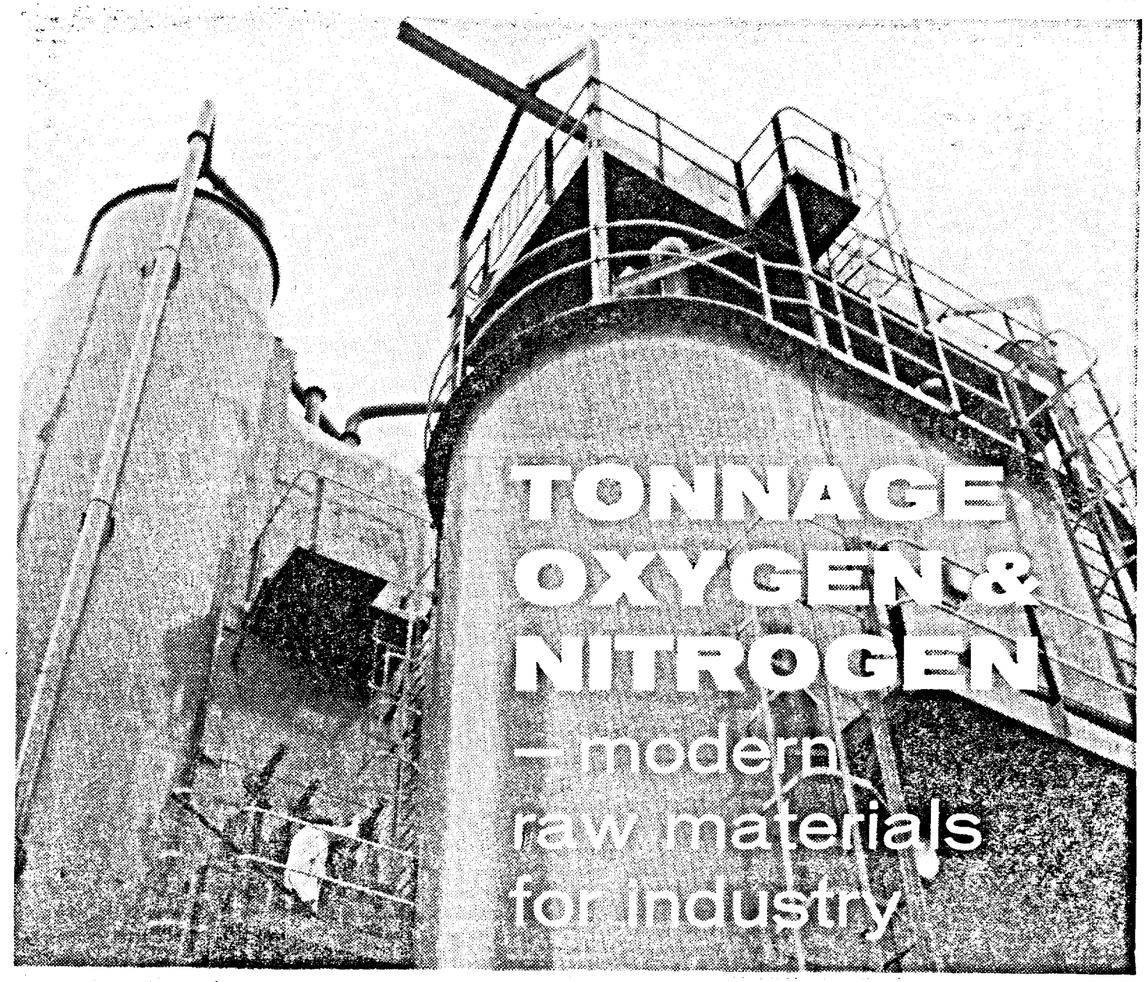
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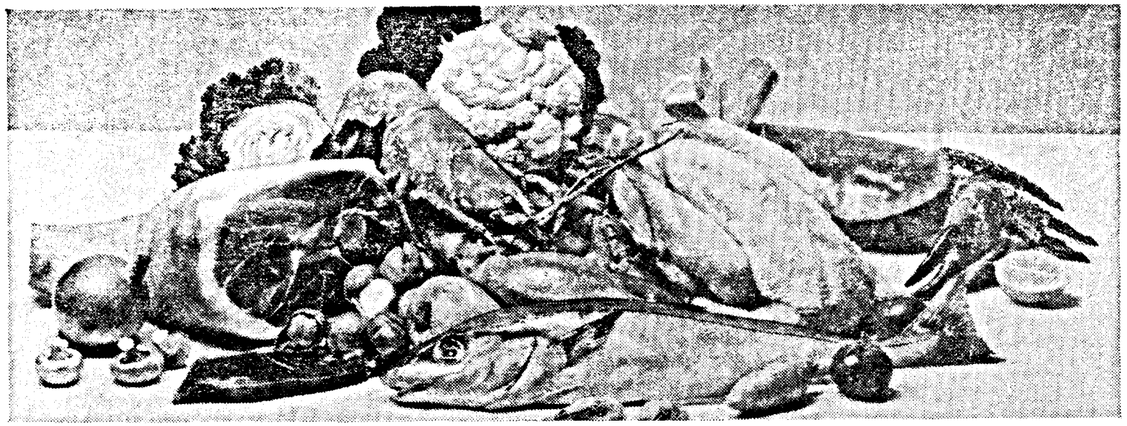
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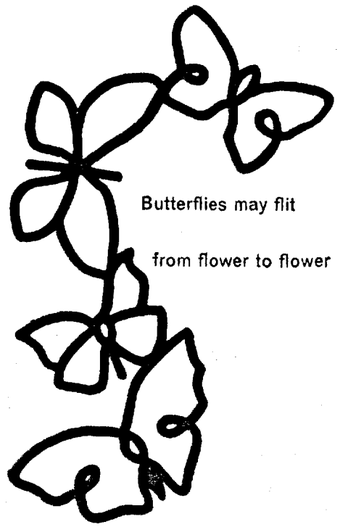
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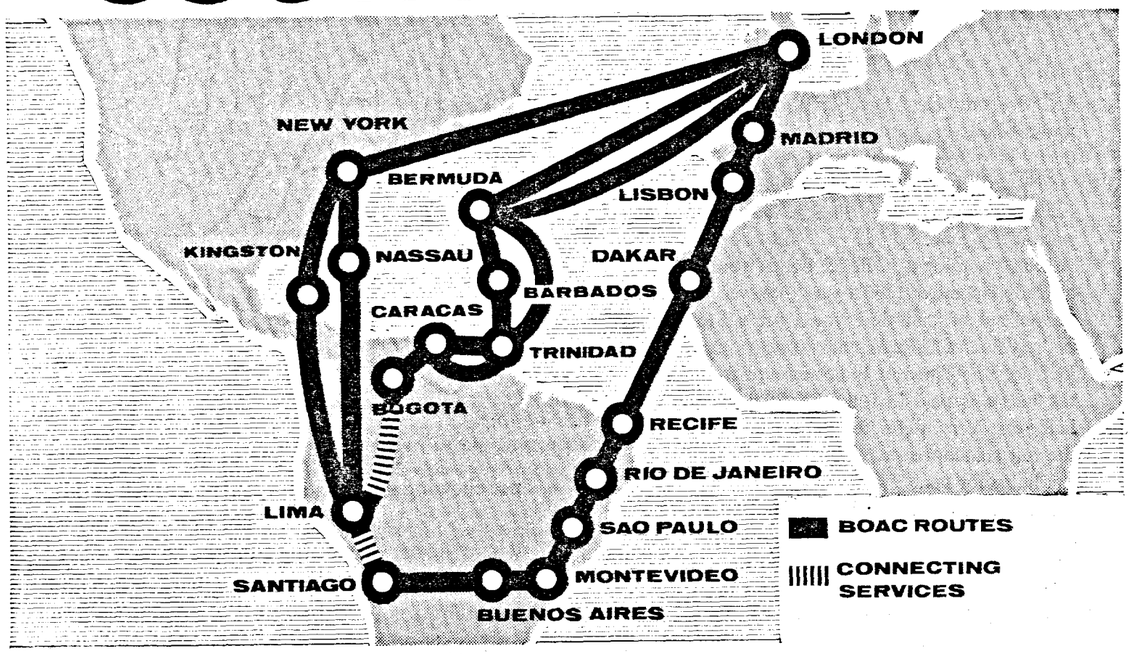
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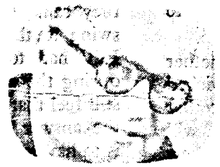
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VOLUME CCII - NUMBER 6201


Greene


Pilkington


Fraser

TV with Auntie

THE worst has happened. The Pilkington committee on television, the biggest and most revolutionary opportunity in human communication since the invention of printing, has fallen victim, hook and line and sinker, to its own dogged good intentions. The important thing now is to see that British audiences are not subjected to this compulsive nannying over everything they may want to see and hear. This is not, and never was, a matter to be decided by a committee of this kind. The decision belongs to, and cannot be shirked by, Government and Parliament. The test, in the public and political debate on this report, is simple. On the one hand, there are those intentions that are minatory and regulatory in trying to instil cultural uplift into a medium of popular entertainment; these are to be rejected by liberals. On the other hand, there are those that are expansionary and enthusiastic in developing the full potentialities of broadcasting (and this means essentially television broadcasting, although the principles are the same for sound radio) as freely and rapidly as possible; these are to be clasped to a free people's bosom.

The criteria by which liberals can fairly judge the Pilkington recommendations are three. Do they provide the largest opportunity, given the technical and economic possibilities that exist, for competitive choice by the consumer? Do they aim at reducing the inevitable element of monopoly, organisational and commercial, that attends so complex and expensive an operation as broadcasting? And do they stimulate the provision, and financing, of an additional service of direct education for a country whose educational system falls very far short of the demands already put upon it? Judged on these grounds the resounding verdict must be that the worthy Pilkingtonians, having seen the genie of television escape from its tight little bottle, have desperately decided to stuff it back in again.

The post-Pilkington debate is not just one between the British Broadcasting Corporation and the independent television companies. It is a row for everyone to join in—with one qualification. It is not a debate for those people whose open or covert aim in these exchanges is to profess their own aversion to popular taste—or, indeed, to television itself, except under wraps—or to declare a gentlemanly disinterest in other than minority pursuits; when these paragons pop up they should be hit squarely on the head. The Pilkington committee comes perilously close, on occasion, to just this kind of attitudinising:

> It is by no means obvious [it says] that a vast audience watching television all the evening will derive a greater sum of enjoyment from it than will several small audiences, each of which watches for part of the evening only.

There is an arrogance about this sort of remark that goes a long way towards explaining the committee's more paternalist recommendations. The chief conclusions which it draws from the complaints of triviality and violence levelled at television (and for which it places the blame wholly on the commercial companies) are that a tighter central control should be imposed on programming and that, by fiat, minority time should be increased substantially. To get this tighter control it proposes that the Independent Television Authority should run its own network, including responsibility for selling advertising time, with the programme companies restricted to producing programmes partly under contract and partly in competition with each other for the ITA to buy. To step up minority time the committee proposes that the third channel should go to the

BBC immediately, with a fourth, in five years' time, available to the ITA if it reforms and behaves itself.

In effect the ITA is to become, on ticket of leave, another sort of BBC, tarred as little as possible by the wicked commercial sources of its revenues, while the Big Brother Corporation itself, which gets the committee's clean bill, will work in duplicate. The expectation seems to be that the new model, and probationary, ITA will be better able to select "good television" for its programmes, paying proportionately higher rates to the producing companies for these shows than it will for "trivial television." This is neither good sense, good business, nor good democracy; what is much more likely to happen, as with the BBC up to 1955, is that "good television" in this sense will be equated with "safe," "uncontroversial" and (if the Pilkington strictures on violence are taken as law) "innocuous." This pressure to conform (that is, not to annoy the chief constables or the TUC or the nice people who wrote this report or the moral censors anywhere) will be all the greater if the ITA has to be on its primmest behaviour in order to qualify for its second channel in five years' time. And for those five years it will have to respond, too, to what the Pilkingtonians consider fair competition, i.e., two BBC channels to one ITA. This is putting back the clock with a vengeance—just when Britain, in every field of performance and imagination, should be putting all its clocks forward.

It will be best for everyone to realise at this point that the BBC, with all its many and admirable virtues, happens to be human—made with hands (though not, of course, supported by advertising) just like *The Economist* or the *Daily Mirror*. One must expect (and its backers and viewers will certainly expect) that it will organise its programme strategy in order to ensure that in no period during the peak viewing hours is ITA presented with easy competition on the other channels: that is, that one or other BBC channel will always be transmitting a "popular" programme at any one time. This is certainly not the way to encourage the ITA to run a "serious" programme during the hours that the Pilkington committee wants.

SINCE, in fact, ITV's public affairs programmes are now seen by an appreciably higher proportion of the viewing public than the BBC's (e.g., "This Week" doing twice as well as "Panorama") it could be argued (if this kind of knock-for-knock argument, at which ITA's Sir Robert Fraser is perhaps too ingenious, is really useful) that ITV actually has the better claim to be performing a genuinely educative function. Competition between the channels is an excellent thing; *The Economist* would like to see as many channels and as much competition as possible; what is quite wrong is the committee's idea of how best to organise this. The real objection to "popular" programmes is not that they are popular: it is that they can be unnecessarily stupid and pernicious and sheer bad television. With the best will in the world it is difficult to find grounds to justify the report's contention that there is somehow a difference in kind between the BBC and the commercial channels in this sphere. The best way to make "popular" programmes better is to give more people more chance to select the well-made light entertainment or plays or Westerns. It is absurd, and arrogant, to suggest that audiences do not exercise this selectivity now, whenever they can. The BBC itself happily supplied the proof of a swing to the "popular" programmes on its channel when ITV had to serve up visibly inferior "popular" material during the actors' strike earlier this year. If the minorities still feel that they would be badly done-by under competition the answer (dustily discarded by the Pilkington committee) is to have a serious look at pay-TV, which could well become technically feasible over most of the country in a much shorter space of time than the committee believes.

The Pilkington report does not reduce monopoly: it deliberately extends the powers of the existing monopolists. It accepts the idea of two masters, but every word the committee has written argues that these masters should both be stamped with the same image and armed with the same ethos in deciding for us what should and what should not be shown. It may be accepted that the cost of setting up a second and separate public system, financed by receiving licences, to run the new public channel, would be prohibitive, particularly with the surplus capacity built in to the new BBC centre at Shepherd's Bush. As things are, the committee seems unduly optimistic in accepting the estimate that the BBC can run the new service with a licence fee of only £6; the actors banded in Equity will have something to say about that very soon. But the Pilkingtonians are not prepared to introduce a new system or systems with the help of presumably tainted capital that actually is willing to set up, or help to set up, another service. This suspicion of advertising is so obsessional that it arouses doubts about whether the establishment, left to itself, would allow advertising anywhere, even in newspapers that are left exposed in the home for children to see in the waking hours before 9 p.m. If the fear is that contractors are on to easy money—as indeed they have been until now because of the monopoly element in their franchises—the obvious answer is to tax them progressively on their excess profits or to rack their rents or, best, to bring in other contractors to compete with them for the lovely lolly. The idea should not simply be to shovel such money hastily into the Treasury as too unclean for any other destination (as the committee wants to do with the reformed ITA's profits), but to use some of it for public service programmes on the third, and thus mixed, channel—and the rest of it, plus a contribution from the BBC's subventions, in starting up a direct educational (as opposed to merely educative) service on a fourth channel.

It is impossible to escape the conclusion that the Pilkington committee has failed utterly to grasp not only the educational potential of television but also the positive need to develop this kind of service as rapidly as possible with all the means available. In the long run this is the way to build up a critical and informed audience to drive out what dross exists on the "popular" (and properly democratic) channels. More immediately it is the way to establish not only a university of the air for those who have been squeezed out of the standard educational system (see *The Economist* of December 16, 1961), but a means of providing many more people with the minimum skills (e.g., in languages) that this country is going to need as part of Europe and in the world at large. The Annan committee's report on the teaching of Russian, published last month, is only one of a series of documents that demonstrate just how much has to be done with new techniques both in the schools and in the makeshift sector of adult education. The scope for this kind of service is even greater than that which existed for improving and expanding news and public affairs programmes before ITV arrived, with its new ideas, on the scene.

DELIBERATELY, the Pilkington committee, when putting back its clock, has opted to place a tremendous responsibility on the only too willing shoulders of Mr Carleton Greene; if its recommendations were to be accepted, the BBC's protected power and influence, in terms of the total listening and viewing audience, would be vastly greater than even in Lord Reith's day. There is no doubt that the corporation possesses the high purpose, the talent and, above all, the sheer professional skill—now sharpened by competition—to achieve a substantial and deserved success with a new television channel, and with local broadcasting as well. But the issues the Government and Parliament and the British people have to decide are, specifically, whether this is even conceivably the way to make the most of the potential that television possesses and to stimulate the new ideas and techniques that are already in train; and, politically, whether the authority for the development of this medium should now be concentrated in so very few hands—far fewer effective hands, in fact, than the Television Act of 1954 envisaged.

The clinching question is how far popular confidence can safely and sensibly be reposed in two paternalistic and establishment-minded instruments of broadcasting until the year 1976. In strictest truth, the Government really has to make up its mind about the community it represents. It must decide whether or not the broadcasting audience is discriminating enough to be allowed to make a choice of its own on the quality of what it sees; whether this individual discrimination is likely to increase or decrease with more, or with less, competition; and whether the audience is adult enough to live with advertising of all kinds, and identify it, when necessary, as a service or a silliness. If audiences cannot be trusted to do these things until 1976, then let them settle down with their two Aunties. God forbid, to turn to an older but still lively means of communication, that the Shawcross report on the press, when it comes soon, should turn out to have been written by Pilkingtonians.

Canada's Sag

To play its part in the world, Canada must solve its domestic problems—but not by being the harbinger of an international game of beggar-my-neighbour

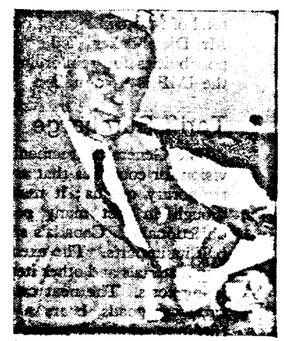
"A GREAT nation respected throughout the world in war and in peace" was the description Mr Diefenbaker gave Canada when he appealed on Monday night for national solidarity in grappling with what he repeatedly called "the emergency." It was a characteristically uplifting address, with Rooseveltian undertones in its emphasis on "substituting courage and confidence for fear."

Something less than Roosevelt's confidence showed through, however, in the prime minister's announcement that "I think it is well that Parliament should not meet until after a cooling-off period." This was hardly surprising. The electorate which four years ago gave the Progressive Conservatives a swamping majority, the biggest in Canadian history, has now cut them down to a minority government which rests on less than two-fifths of the votes cast on June 18th.

The hardest blow of all came with the subsequent counting of the armed forces vote, which, by switching two seats from the Conservatives to the Liberals, robbed the government of its narrow advantage over the combined parliamentary strength of the Liberals and the socialist New Democratic party. In any clash with the two parties to his left, Mr Diefenbaker must now not merely be content with passive non-intervention by the resurgent Social Credit party on his right; he will need its active voting support. And Mr Real Caouette, the man who engineered Social Credit's spectacular capture of 26 seats in rural Quebec, has been quick to condemn the government's new emergency measures.

If the Canadian electorate has thus produced something of a political vacuum, this seems at least to be a fairly true reflection of the country's mood. Disenchantment with Mr Diefenbaker has not led to a positive verdict in favour of Mr Lester Pearson's Liberals or of any other source of national leadership. The parochial and Poujadist character of the new-found enthusiasm of the Quebec *habitants* for Social Credit may be only an extreme symptom of a malaise that has come to affect the country as a whole: an inward-looking attitude of decided indifference to whether Canada is or is not "respected throughout the world."

This must be a matter for concern not for Canadians only. In the postwar world, their country emerged as one able to sustain an important international role. Its natural and traditional position as a friendly link between the United States and Britain was vigorously developed into a more ambitious and much more forward-looking function, the bridging of gaps between different nations and groups of nations. Mr St Laurent and Mr Pearson played a timely and necessary part in shaping the Atlantic alliance. Nor was Canada content to work only within the Atlantic framework: it made a substantial contribution to the reshaping of the Commonwealth into a modern multi-racial sisterhood, helping it thereby to withstand such strains as the Suez conflict; it became one of the steadiest work-horses in the United Nations, winning the confidence of emergent Asia and Africa without losing that of the older powers. Canadians fought in Korea, invigilated over the Indo-China agreements of 1954, and played a notable part in



In need: Mr Diefenbaker

the UN operations on Israel's borders and in the Congo.

Although somewhat dimmed after the Liberals' dramatic collapse in 1957, this light has not ceased to shine out over the world. But is it likely to shine any more? Pressing preoccupations with the domestic economy, a parliamentary conjuncture that gives no promise of freedom of manœuvre either for the present government or for any alternative administration now in sight, and a generally inward-looking trend that is by no means limited to rural Quebec, all suggest a further dimming.

The British government may find comfort in the thought that Mr Diefenbaker's expected tilt at its common market plans, when the Commonwealth prime ministers and presidents convene in September, will be a charge with a broken lance. There is no comfort in the contemplation of the impact of Mr Diefenbaker's emergency measures on Britain's (and other countries') balance-of-payments problems—a prospect which is discussed in the article that follows—but there is evidently a resigned acceptance; perhaps too resigned. Britain and the world at large, however, should be disturbed to contemplate the possibility of Canada lapsing into a general state of international passivity. The missing link is not a negligible one; and, for all the speculation about fresh elections in the near future, it may be a considerable time before Canada is in a position to move out actively again on to the world stage.

The moral is a familiar one. The effectiveness of a country's foreign policy must always rest ultimately on the health of its domestic affairs. Not even the most enlightened of foreign policies is exempt from this law; indeed, the more enlightened it is, the greater the danger of a reaction toward parochialism on the home front, and the greater, therefore, the need of good domestic management. Canada's postwar achievements have been an outstanding demonstration that a nation can play a great role in world affairs without being a great power. Canada's present sag is a reminder that it can sustain such a role only from a position of strength in its own national life.

Canada's Warning

ANOTHER unsavoury whiff from the nineteen-thirties drifted across the Atlantic on Sunday, this time from Canada. One month has passed since the sharp break on Wall Street; it has been a profoundly depressing month for the economic future of the western world. The immediate and proper response to the stock market's loss of nerve was to remember the differences with 1929. In fact, as each week goes by, it is the similarities that are looming larger—larger than one hoped they would ever be again. The world's stock markets have shown decisively that their sudden slide was no momentary aberration; they show no signs of grounding. Yet their distress signals have secured virtually no response in official action. The stock market, it is suddenly discovered against most of the evidence, is a wild and unreliable indicator; the underlying economies are said to remain sound and the authorities will not be panicked into reflationary measures by an overdue correction of unjustified speculation.

This official stand is backed up by, indeed it is taken up largely in deference to, respectable business opinion. To stimulate lagging economies by budget deficits seems almost as suspect now as it was a generation ago—with the one qualification, now as then, that the deficit might just be acceptable if it results from reductions in income tax in the top brackets. To give more money to corporations and rich men who will undoubtedly save it, and to give less to the mass of the community which is more likely to spend it, is still widely put forward in all solemnity as the one acceptable means of government action. True, this economic nonsense is no longer accepted as gospel by most trained economists, inside and outside government. But they in turn are showing themselves strongly inhibited by that elusive entity, business confidence—and not least by that still more paralysing conception, overseas business confidence.

It is concern for the dollar that forms the real constrictive brake on the Kennedy administration. The world's currency difficulties are now exerting a clear deflationary influence on the world economy, and threaten to create a deflationary spiral. So here is another element from the dreary cycle of the nineteen-thirties. Last weekend Mr Diefenbaker announced his measures to save the Canadian dollar—cuts in government expenditure, an increase in interest rates, and an increase in tariffs (in contravention of the General Agreement on Tariffs and Trade). The run out of the Canadian dollar has temporarily been stopped; the task for the United States dollar, and for sterling, is made that much harder. Could this, one is bound to ask, be the first play in an awful new round of beggar-my-neighbour?

The wider danger to which Canada's action points, more clearly even than the hesitations on Wall Street, has been obscured by Canada's particular difficulties. Its external payments have to be adjusted to a sharp reduction in the inflow of capital—an inflow that continued for no good reason long after the great Canadian boom of the first postwar decade had blown itself out. This means that Canada's living standards, and specifically its wage and salary rates, have to be adjusted to the hard achievement of the Canadian economy rather than to the luring example of the United States. And all this is made more difficult by the precarious political balance and by the recent record of economic mismanagement. (As one analyst sourly put it: "If there is one blunder in the financial book that Canada has not committed, I'd like to know what it is.") As a result Canada's exchange reserves, which last December stood at a comfortable $2,000 million, were almost halved within six months.

Yet when all this has been said it still does not follow, as the puritan instinct compellingly suggests, that the appropriate remedy is for the Canadian government to reach for the Geddes axe. In an economy that suffers from unemployment rather than excessive demand, a straight cut in spending is never a constructive solution. In Canada, plainly, the central need has been to give a direct push to exports and to compete more effectively with imports. In that measure, a controlled devaluation would have made sense; and the reduction in the value of the Canadian dollar which has so hamhandedly come about could—always provided that a close check is kept on Canada's domestic costs—make a real contribution to helping Canada to live within its means. But while Canada's friends are constantly exhorting it to do just that, to restore a sound balance to its trading account, they are indirectly putting obstacles in its way by making every effort to increase their own exports. The fact is that at a time when world purchasing power is deficient, not excessive, countries that put their own house in order are apt to upset other people's.

The Emergency Measures

Credits

The Canadian government is drawing the equivalent of $300 million in United States dollars from the International Monetary Fund; and it has been granted a line of credit of $400 million from the United States Export-Import Bank. The Bank of Canada has arranged a reciprocal line of credit for $250 million with the United States Federal Reserve System; and it has made a comparable arrangement for $100 million with the Bank of England. Since $100 million of the IMF credit is being drawn in sterling (the rest in other European currencies) Britain is putting up some $200 million of the total of $1,050 million of cash and stand-by credits. Even this, Mr Diefenbaker said, "by no means exhausts" Canada's possibilities for reinforcing the reserves. Canada's quota in the IMF is $550 million.

Tariff Surcharge

The General Agreement on Tariffs and Trade makes provision for countries that are in payments difficulties to impose temporary quotas; it makes none for increases in duties—though in fact many people would regard these as less objectionable. Canada's special levy is being applied to about half its imports. The exempted goods consist mainly of food, raw materials and other items with a heavy weight on Canada's living costs. The next category, mainly machinery and other producer goods, bears a special levy of 5 per cent; cars, furniture, clothing, radios and most durable consumer goods bear 10 per cent; and "luxuries," from whisky to sweets, 15 per cent.

Balance of Payments

At the same time the duty-free allowances for returning Canadian tourists are sharply cut. Together, these measures should improve the balance of payments by Can. $300 million a year. Since even after an improvement over 1960 and 1959 the deficit on current payments in 1961 was still around almost Can. $1,000 million, the government is still dependent on a continued inflow of foreign capital. In the first quarter of 1962, in which this inflow dried up, the deficit of $365 million had to be carried entirely by the exchange reserves.

Government Spending

Mr Diefenbaker announced cuts here of $250 million in a full fiscal year; together with an estimated $200 million from the import surcharges, this would reduce the budget deficit by some $450 million.

Interest Rates

The Canadian Bank rate, which had been fluctuating week by week in line with the Treasury bill rate since 1956, has been fixed at 6 per cent. The Treasury bill rate had already shot up from under 4 to over 5 per cent in the week preceding the new measures.

However much the bankers may try, Mr Micawber's recipe for happiness cannot be extended to international trade, in which one country's income is another's outgo.

So, in the economics of wonderland, the majority of countries are attempting, impossibly, all to improve their trade balances and their reserves at once. This, indeed, is the real sign that something is lacking in the international credit (or gold) base. The world bankers have in fact put up quite an impressive performance for Canada. Their credits are sufficient to double its reserves and restore them to their long held level, and the credits also incorporate, usefully, the new vogue for reciprocal credit lines between central banks, which properly extended could serve the same purpose as a Triffin-style international central bank. But it is chastening that no less than $1,000 million has been considered necessary for the Canadian dollar, which is not a reserve currency; and that even this has not obviated the need for harmfully restrictive measures. How much international credit, then, may be needed for the real test, which is to support not only the American dollar but a buoyant American, and world, economy?

CANADA's corrective measures will themselves sharpen America's—and Britain's—payments problems. The desperate need now is to ensure that a new and much more powerful spiral of defensive restrictionism is not set in motion by forcing either of these major economies further on the defensive. Both governments and bankers alike have an essential part to play. Governments must pay still closer attention to wage costs, to ensure that the proper adjustments of domestic economies to international earning power are made without the wasteful and futile remedy of leaving resources idle. And bankers must resolve to provide sufficient credit internationally to give room for adjustment through continued expansion, rather than spiralling contraction, of world production and trade. Some bankers still remain convinced that credit which they are well content to create domestically becomes a dangerous palliative when used internationally; and that the only sound way out is for the deficit countries, and above all the United States, to cut back their excess spending. Like Canada, do they mean?

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Which Algeria?

Deprived of their struggle, the Algerian revolutionaries will have to discover themselves as rulers

On the eve of the referendum (July 1st) in which the Algerians will vote themselves to independence, the disconnected manœuvres of the European extremists (the Secret Army Organisation) still tend to dominate the scene. The quiet in Algiers that followed the negotiations between the FLN (National Liberation Front) representatives and converted Secret Army leaders has highlighted Oran's convulsions. Reeling from the terrorists' body blow in setting its docks ablaze, that bitterly deluded city has been saved from headlong destruction by the last-minute call on Wednesday of former Colonel Dufour, a principal among "last-ditch" leaders, for an end to sabotage and violence. But the petering out of resistance is fitful and unpredictable. Freelance saboteurs, running amok, cannot be curbed in a trice. To the last, the Europeans' self-appointed leaders have wasted in dissension such political capital as they had.

Yet the Secret Army, and what it does, has done or still might do, is only a passing phenomenon in a painful transition period. Militarily, it is spent. Politically, it is discredited (or must function in the garb of a penitent). The real drama will begin with the return from Tunis (probably next week) of the exiled captains and rulers—Algeria's provisional government—and their reabsorption in the Liberation Front at home. There are rumours of schism in the front. Will the elections for a national assembly that are to follow the referendum produce an Algerian government that will honour, in the spirit as the letter, the Evian accords, by which independent Algeria is committed to collaborate with France ?

There is still some evidence that it will. The extraordinary self control of the Moslem population in the face of the OAS's excessive provocations has confirmed that the FLN does, as it claims, control the country. And it has shown that control to be exercised by resolute and responsible men. Such men are unlikely, no matter which come to the top, to head their countrymen away from a course that has been settled. National unity is a delicate instrument. Algeria's was forged in a sacrificial eight years' struggle. To submit it to the strains of a chopping and changing policy would be too hazardous. There is too much to do in Algeria—half a million refugees and nearly two million "regrouped" people to be returned, if not to their old homes, to some kind of normal existence ; the repair of war devastation and of the welter of damage done by the Secret Army ; and, on top of this, the long-term development, economic and educational, of a country whose Moslem population is multiplying at the rate of a quarter of a million a year. None of these tasks can be contemplated without the co-operation of the Europeans who remain in Algeria, or without reliable, abundant and sympathetic help from France.

This is not to say that there are not conflicting opinions. A glimpse of them was given in Tunis when the FLN-OAS truce in Algiers, tacitly approved by Mr Boudiaf and Mr Belkacem Krim, was openly disapproved by Mr ben Bella and friends. These divisions, roughly on the lines of moderate and extremist, have always existed in the front. It would be a dull, unrepresentative front without them. Indeed, it would be difficult to point to a big revolutionary movement which transforms itself, as the FLN is doing, into a preponderant party and does not have its activist and moderate wings. In Algeria the division is more marked in the body of the front than among the actual leaders. But the latter are naturally now concerned each to win the personal following that will assure his future position. Mr ben Bella, to take one, is himself a reasonable and broad-minded man, but five years' inactivity under arrest in France may have made him feel the necessity to strike a somewhat tough attitude in order to impress the army. In any event, actual policy will be hammered out in the party, and as between moderates and extremists a compromise will probably be reached.

Evianism in Algeria begins to look much like Bourguibism in Tunisia—a careful, inch-by-inch policy where collaboration with France is a matter of enlightened self-interest but does not preclude nationalist growls. As a Casablanca power, for example, Algeria will adhere pretty stiffly to the principles of non-alignment ; this seems likely to reduce the usefulness to France of Mers-el-Kebir and the other shorter-lease bases that France is retaining. On the other hand, the Algerians do not feel themselves compromised by having hired out these bases. If asked, they would answer today (though they might not so answer tomorrow) that what is possible in Mali, which still has French military installations, or Cuba (which still has its American base) should not be impossible to them. They are, in any event, in a much stronger position than Tunisia has ever been to manipulate a dual policy. Economically needy they may be, but, as nationalists, their credit is so high that they can draw on it almost endlessly. The whole Arab world admires them as the heroes who fought to the finish. Conscious of this, they can afford to treat loftily some of the sillier obsessions about colonialism and imperialism that fuddle the self-understanding of so many Arab states.

They may also provide some ideas for Arab and African countries that want to be on the crest of the social revolution but hesitate to adopt Cairo's doctrinaire form of socialism. Algeria's revolution is socialist as well as nationalist and a socialist pattern of society is likely to be aimed at. There will certainly be some land reform. But since industrial expansion, requiring French and other foreign investment, is the only way to support its multiplying population, a capitalist-socialist balance should be kept for a long time. Its proposed form of government is called, perhaps euphemistically, a parliamentary democracy. But the FLN, both in parliament and through its network of provincial councils, affiliated trade unions and all kinds of other societies, intends to dominate the state. In brief, there will be no father figure ; instead, a parent party round which tiny-tot parties may be permitted to play. This may sound bleak. Yet it should not be too discouraging for the Europeans who decide to stay on in Algeria. The FLN has good relations with some liberal men among them. And, in a phase of transition, a preponderant party may at least offer some hope of stable government.



Dr Azmeh

Arab Poker

The stake is a union that nobody wants to win yet



President Nasser

Unity is one of those things like disarmament and motherhood that everybody has to be for. While few Syrian politicians would dream of taking any positive step to resurrect their country's union with Egypt, most of them feel compelled to protest their faith in a creed that is sacred everywhere in the Arab world, and particularly in Syria. In his broadcast on June 6th, the prime minister, Dr Bashir Azmeh, followed the simple rules for this particular propaganda game: he enthused over some form of federal association, specifically with Egypt, while, at the same time, suggesting conditions that effectively preclude any such thing. Even so, he was out-bid by the Egyptians, still the Arab champions at political gamesmanship. When they retorted, Dr Azmeh threw in his rather weak hand by admitting, at a press conference on June 23rd, that his government is only a stop-gap and that decisions on the country's future are outside its range.

Syria's government is, indeed, in no shape to take risks. It represents no political party, and contains no leading politicians, but consists of men who, in April, were willing to help the army leaders to back out of their dilemma, and of others who at a later stage were willing to fill the gaps caused by resignations. Its job is to hold the ring while the parties regroup themselves into formations that might once again make constitutional government workable. In these circumstances, it is not a cabinet that can merrily take important decisions ; but it has been goaded by the spikes of Egyptian propaganda (and by the unguarded pledges that the army leaders made at Homs in March) into an obsessive flurry of oratorical activity about the whole question of Arab unity. It is too weak either to leave the subject alone, or to do anything effectual about it.

Its first attempt to do something seemingly constructive was to put most of the Syrian statesmen whom an outsider has ever heard of on a committee to study the framework and shape of unity. This committee never got off the ground ; in fact, it never even met, for, as the prime minister has explained, the government "in order to save time" had nominated the members without consulting them first. The next step was the broadcast on June 6th. In this, the prime minister criticised both the "secessionists" and those who wanted to plunge blind into marriage again. The government's own inclination, he said, was towards a federal union with Egypt, to which, in time, other Arab countries, headed by "sisterly Iraq," would attach themselves. He promised to get in touch with Cairo to find out its point of view, and to submit any final agreement to a plebiscite.

Syria did not have to wait long to get Cairo's response. On June 11th an article in *Al Ahram* (a newspaper often used for getting President Nasser's thoughts across to the public) showed how insufferable the Egyptians can be when they really try. The Egyptians, said *Al Ahram* in a long prologue, bear no grudges—and the pained holier-than-thou note in its recriminations revealed how deeply the opposite is true. In spite of all, therefore, the United Arab Republic holds out a hand of unity to the Syrian people. But—and here followed a list of reasons why the "pioneering experiment" had failed, and a list of conditions for any new union. Then, in a curt addendum, the article let the rest of the hot air out of the balloon by stating that the Egyptians were perfectly ready to discuss the details of union with Damascus provided, first, they could talk to a representative government (to which suggestion the Syrian press has responded with a loud and relevant scream about glass houses) and, second, provided the charges and countercharges of last September were first investigated.

Al Ahram's conditions for union laid down that in any future association the "national entities must remain identified" and have their own local governments. But defence, foreign policy, education, culture and "social work based on socialism and democracy" should come under central control. This sounds fine, but it is hard to see what national entity could survive the centralisation of so much. The feeling creeps through that the editor of *Al Ahram*, for one, is dead against trying out a new ménage with the quixotic, anarchistic Syrians.

But the Syrians themselves are almost as adept at demanding the impossible. In his broadcast Dr Azmeh insisted that any future Arab union should be based on a "democratic system." But if his search for a new type of union with Cairo had been in perfect faith, he would have to have allowed for the fact that Egypt is an authoritarian police state, bare of the trappings of western democracy. Even a loose federation between a tightly controlled Egypt and a freer roving Syria would be suicidal to one or other regime. President Nasser knows this and Dr Azmeh, of course, knows that he knows it. The same lack of realism dilutes the sincerity of those Ba'athist groups who wave a flag for union with Egypt. The Ba'ath, which is still the fount of liberal ideas in the Arab world, wants, uncompromisingly, union plus democracy plus socialism.

Only Mr Akram Haurani and his faction of the Syrian Ba'ath, whose invective against Cairo has now reached the predictable shrillness of accusing President Nasser of being soft on Zionism, have not hedged their bets. Two other leaders of the divided Syrian Ba'ath, Mr Salah Bitar and Mr Michel Aflaq, have given their support to a party statement that, in one deep breath, urges the reunification of Egypt and

Syria and condemns the banning of political parties and other such undemocratic practices. If the Ba'athists see their function as the conscience of an Arab world led by others, then the width of their target serves a purpose ; if they themselves want to lead, then they may have to decide which of their targets they want to hit squarely.

All this shadow-boxing ignores one major development in Egyptian policy. For while Cairo's left hand diligently keeps up the game of propaganda pat-ball, Egypt's days of slap-up, barrel-thumping Arab nationalism are, at least temporarily, over. President Nasser is a leader with far too keen an ear not to be aware of the growing isolationism of his own people. Now, when he speaks of unity, he describes it in terms that make sense to them, and might make sense to others.

In the monster speech with which, on May 21st, he presented Egypt's national charter, his comments on Arab unity took only a few minutes. He made four succinct points: unity of aim is more important than any demonstration of solidarity ; partial unity would be useful as a preliminary step ; complete union is impossible unless efforts are made to fill the existing economic and social lacunae ; and (here other Arab countries will cheer) the tactics of change should be left to "local elements."

In this unemotional attitude to the problems of unity, President Nasser comes closer to the approach of Dr Hashim Jawad, the foreign minister of Iraq. Against odds that are constantly being lengthened from within Iraq, Dr Jawad has been labouring away to build an Arab policy that is based on realities. The recent economic agreement between Iraq and Syria does away with visas and import controls, and makes a start towards establishing the free flow of capital and labour. Dr Jawad's prime minister, General Qasim, is effusive about union in a much more old-fashioned style. On Tuesday, he told a group of Iraqi students that the frontier between Iraq and Syria would soon disappear. He is reported to be ready with some federal proposals of his own. The Syrian government, for its part, has helped to smooth the way for the general's overtures by being the only Arab country, apart from Iraq itself, not to join in when Kuwait celebrated its first anniversary of independence.

Syria in its present indecisive and tremulous state looks for support from where it can get it. The question is whether Iraq, beset by its own problems, can offer substantial or worthwhile ballast. As Dr Azmeh acknowledged in his broadcast:

> It is imperative that unity with Egypt should begin as the first step towards unity with all Arab countries . . . the location of Egypt as the focal point of the Arab East and the Arab Maghreb gives it a special value, particularly since the biggest human force in the Arab world is in Africa.

Damascus and Baghdad can give each other courage by honouring the shrine of unity ; it is Cairo that can still make or break unions in the Arab world.

Games of bluff apart, the significant development is that the United Arab Republic, for the first time, is offering the rest of the Arab and African world something much more solid than the glowing personality of its leader. Egypt's great heyday in the Arab nationalist movement was in the late nineteen-fifties. But President Nasser's glory at that time was his successful defiance of the West. His achievement was to make less of a fool of himself than his opponents ; so long as he did not panic, he could not fail to come out on top. Ideology was conspicuous by its absence. Last year the situation changed fundamentally. Although the mistakes and muddles of Nasser's Arab socialism are manifest, his name is now linked in Arab eyes not with independence alone, but also with the goal of social justice.

NOTES OF THE WEEK

RUSK'S ROUND

Guns Worth Sticking To

France's allies may be powerless to prevent it from constructing a nuclear armoury if it really means to, as Mr Dean Rusk admitted in his ten-day trip to Europe that ended on Thursday ; but they can still try to induce the French to put their atomic arms under some kind of joint control. The Secretary of State seems to have brought to Europe some tentative ideas for preventing the power to fire these weapons (as distinct from the ability to make them) from spreading any further. "Multilateral control" is the formula. As our Washington correspondent points out on page 1307, the Americans are apparently willing to consider two alternative forms of multilateral control. One would be an arrangement by which all the European members of Nato (but not just a smaller "European" grouping of the common market powers) shared control over European-made nuclear arms. This would presumably put a British finger on the French safety-catch—and *vice versa*. But, quite apart from the difficulty of working out the details, it is not at all sure that General de Gaulle will exchange what he regards as his nuclear birthright for a merely European mess of pottage.

The other idea the Americans appear to have in mind is a genuinely transatlantic deterrent. This, if it is not to be hopelessly complex, would probably boil down to an arrangement of three nations (or four, or five) by which the British and French deterrents, plus part of the American one, would be placed under a joint command. Greatly daring, Mr Rusk asked M. Couve de Murville if France would agree to nuclear cooperation. Wait and see, said M. de Murville cannily. The scheme would enable the United States to exercise control over the use of a French striking force (if one does eventually come into being; once again, Mr Rusk refused any American help in its creation) in return for France's being given



Secretary and President: Mr Rusk at Oxford

the place in a western triumvirate it has sought since 1958.

It is good that President Kennedy is sticking to his guns in seeking to prevent control over nuclear arms from spreading into more and more independent hands. But Britain ought to realise what the implications are. The multilateral command envisaged by the Americans would mean submitting the British V-Bomber force to far stricter control than the joint targeting arrangements it presently has with the Americans. "There are very strong reasons for maintaining" the independence of the British force, said Mr Macmillan in the House of Commons on Tuesday. Even at the cost of making France—and soon, doubtless, others—say the same thing ?

Guns to be Wary With

Embroiled in a nuclear conflict with his allies, Mr Rusk cautiously preferred to be conventional about Berlin, the other main cause of inter-allied disagreement. The convention decided upon was for General de Gaulle and Dr Adenauer to admit that the negotiations with Russia had not proved as dangerous as they had feared, in return for which Mr Rusk admitted that the American idea of an international body to control the access routes to Berlin had not yet carried the negotiations any further forward. The second half of this exercise in self-criticism overlooks the fact that the international control body has not yet been formally proposed to the Russians because the Americans and the west Germans have not been able to agree what form it should take. Presumably the matter now rests until Mr Khrushchev decides that the vegetable (as he called the Berlin crisis in Rumania) is ripe for further attention. There are those who cannot help feeling that this leaves the initiative in the wrong hands.

The only east-west forum at which the practical problems of Berlin may be discussed in the near future is the meeting of the four occupying powers which the allies proposed on Monday to talk about the shootings along the wall. Just how dangerous these might become—to peace, as well as to the poor devils trying to escape from east Berlin—is shown by the suggestion that the west Berlin police should be allowed to fire at east Berlin guards trying to stop refugees crossing the wall. Fire can properly be returned when communist bullets are directed at targets inside, even a foot inside, west Berlin. But no police force can safely be given the right to intervene in what goes on—however hard to bear—in someone else's territory.

TORIES

State of the Party

The Tories have returned to Westminster with the indignant reproaches of the party stalwarts in the constituencies reverberating in their ears. This Whitsun cannot have been a happy one. Yet the leadership is now hopeful that, Leicester North East apart, the worst is over. They may be right, even if there is not much comfort in the latest National Opinion Poll which shows Labour with an 11 per cent lead. Since the Liberals have slumped back to their pre-Orpington position, it looks as if deserting Labour voters may be returning to the fold while dissenting Tories are still standing pat.

Tory fortunes are still dependent on the common market timetable and the government, although anxious, expects to have the terms in July. If the terms are right the stalwarts famished for a theme will be filled (and the Commonwealth lobby is likely to be sent empty away). Meanwhile the Prime Minister seems to be more on the ball again. He pleased the backbenches with his reply on the deterrent on Tuesday and his weekend speech has been taken as much more than a piece of Luton hooey. On the domestic front Ministers are preparing to fill in the outlines of the Conservative new look for the 1960s: the call to duty and responsibility which has replaced the materialist appeal of the 1950s. The status of workers is to be improved and the recommendations of the Industrial Charter (*née* 1947) are at last to be implemented. Contracts of service and redundancy payments, about which neither side of industry has been ecstatic in the past, are now to be encouraged. A consumers' council may well be set up, a weights and measures bill will finally appear, and the end may possibly be seen of resale price maintenance.

With all this delicate refurbishing going on, the Pilkington report, from the political point of view, is an admitted embarrassment. The Government wants to bury the past not to resurrect it, and while it may think of slipping the third channel to the BBC (as a "responsible" gesture) the public tearing up of the 1954 television act is another matter. However, it now looks as if Lord Hinchingbrooke's succession is something of a windfall to make the reform of the Lords more palatable. Lord Stansgate returning to the Commons in triumph would be one thing ; Lord Stansgate and Lord Sandwich together is quite another.

Mr Macmillan's reconstruction of the cabinet is the next major step. This week he is felt to have indulged a personal whim in appointing Mr Peyton to the junior job at the Ministry of Power—the political justification being that it has at least immured a recalcitrant critic. The real joinery that lies ahead will call on all the Prime Minister's skill in imparting a dynamic appearance to his administration. And it can only be done once.

Appointments, Business and Personal notices and other Classified Advertisements pages 1395 & 1396

LIBERALS

Sobering Up

The preliminary agenda for the Liberal Assembly at Llandudno in September makes it reasonably clear that there will be no dramatic clashes of opinion at the conference. Liberals, far from being intoxicated by their run of by-election successes, seem to have been sobered up by the prospect that there really might be another Liberal government in the foreseeable future. The growth of confidence is epitomised in the resolutions calling for the appointment of a Liberal shadow cabinet, something which is not quite the joke it once was. Growth in a sense of responsibility is shown by the executive resolution which recognises that "the great schemes of social reform envisaged by the Liberal Party make it unrealistic to offer to reduce substantially the general level of taxation until there can be brought about a rapid and continuous growth in the national wealth." Mr Macleod's gibes have evidently gone home.

The 70 resolutions give a good picture of the sort of society Liberals want. Though marred by some streaks of silliness—such as the demand to restore rent control—it is by no means unattractive. What Liberals project for Britain is a dynamic and therefore much less class-stratified society, in which ownership of shares and real property will be widely distributed. An executive resolution calls for the extension of profit sharing and the use of tax incentives to encourage employee shareholding schemes. A right to buy their own houses is proposed for both private and council tenants by the Smethwick Liberals and abolition of the leasehold system is urged by Conway. Service contracts, transferable pensions rights, and minimum notice periods are also urged for all workers. The setting up of a consumers' council is recommended as well as the abolition of resale price maintenance (these are clothes the Tories are hoping to steal). Other suggestions are not so happy. Lincoln has a windy proposal for setting up a national incomes board which should express the public interest "though it would have no power to enforce any particular settlement and the right to strike would not be impaired." It would formulate a clear and equitable national incomes policy "based on popular consent rather than Government decree." Just what does that mean ?

The resolutions on foreign affairs show that the Liberals are still the most internationally minded of the political parties. They demand an elected parliament for Europe and a United Nations police force. Ealing South is anxious to spread democracy in the under-developed countries by seconding technicians civil servants, "and even judges, when asked" to give a practical lead in democratic co-operation. Tories will give a wry smile as they read the Hove resolution calling for a director of publicity to present Liberal policy in clear and simple language. Perhaps such an official could

stop the executive and the associations from drafting their resolutions at such horrendous, almost Pilkingtonian, length. Fifty-one lines (the length of the first executive resolution) is certainly ill designed to focus liberal policy in the electoral mind.

SOVIET BLOCK

Common Market Wanted

WHATEVER the various motives that induced Mr Khrushchev to spend a week at the height of the summer trekking round Rumania, one of them emerged clearly from his speeches. This was his wish to give the Rumanians a pat on the back for the progress they have made in industrialising their country, and to assure them that nobody is trying to put a spanner in the works now. His assurances (with which was mixed some fatherly advice on the importance of working harder if you want to live better) were given concrete backing in the declaration issued when he left. This announced, among other things, that Soviet Russia would give Rumania technical aid in the development of its metallurgical, chemical and other industries.

In the course of a long speech on June 24th, his last day in Rumania, Mr Khrushchev mentioned the top-level meeting of the Council for Mutual Economic Aid (Comecon) that had been held in Moscow on June 6th and 7th, and uttered a guarded encomium on the advantages of closer economic co-operation between the socialist countries. This reference to the Comecon meeting may contain a clue to Mr Khrushchev's preoccupation with Rumania's industrial development. The meeting has been officially described as a major step forward in economic co-operation in the socialist camp. But in fact in the Moscow communiqué that followed the meeting there is only a very faint reflection of any hopes that Mr Khrushchev may have had of turning the council into a more cohesive and dynamic counterpoise to the common market. Indeed, the other members appear to have insisted on developing their trade with the common market. "Still closer" economic co-operation is called for, and "more favourable" conditions for an "international socialist division of labour"; but this sounds remarkably like pious exhortation. The principal task of the council remains the co-ordination of the various national plans. Its organisation is to be strengthened, principally by the establishment of an "executive committee" of deputy prime ministers, but there is nothing to suggest that this committee will in fact enjoy more than the purely advisory powers which up to now the organisation has had to make do with.

What actually was said behind the closed doors of the Comecon meeting is not known, but it seems likely that the Russians' plans for a closer economic block were disrupted once again by the smaller countries' determination not to sacrifice one jot of their sovereignty, and the fear of some of them (for example Rumania) that an international division of labour might mean the stunting of their infant industries in favour of a specialised role of food growers for the whole block. Hence Mr Khrushchev's assurances to the Rumanian miners and factory workers. Whether his efforts repay the personal wear and tear involved remains to be seen.

EUROPE

Monnet Manifesto

M. JEAN MONNET'S influential Action Committee for the United States of Europe has put its weight to the wheel in favour of British membership of the common market. Our Bonn correspondent describes on page 1315 how the committee's declaration was publicly endorsed by all three major parties there. The declaration, published on Tuesday, sees the community's first steps towards political unity as inseparable from British membership. When it talks of the "economic and political unification of Europe," it expressly includes Britain, whose "participation in the beginnings of a European political union will increase the influence Europe can exert on the world's affairs."

As was to be expected, the Monnet committee backs the community (or Brussels) approach to economic and political integration, and not the national approach of General de Gaulle. But its federalism is flavoured strongly with a pragmatism that ought to be congenial to the British. The habit of dealing with concrete problems one by one, as the Brussels communities do, is the real federating force. As yet, the committee says, politics are not ripe for "community" treatment. But—and here there is a clear disagreement with General de Gaulle—the declaration says they will be ripe for it when the form of political union comes to be reviewed, and it asks for a commitment now that this, and not the Gaullist way, will be the path chosen.

M. Monnet and his group have said before that British membership of the European community must be followed by a close Atlantic partnership. Nowadays this theme is more and more plainly to be heard from Washington, and it is right for a European body to take it up again, as the Monnet committee does. But the form of partnership that is meant is left carefully vague. Perhaps the most pregnant thought in the declaration is its suggestion that European unity provides a foundation on which an east-west settlement can be built. As Mr Heath pointed out in *The Observer* of June 17th, even Russia may one day come to realise that a west Germany integrated closely with its European neighbours may be a safer bet for reunification than a west Germany going it alone would ever be.

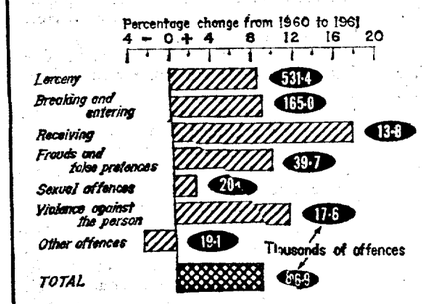
Efta in Eclipse

THE Monnet committee has not said whether the Europe of its ideal contains room for neutrals. In Bonn Herr Ollenhauer and the Social Democrats have made it plain that they at least would like to see the neutrals associated, but this view is not shared either by the key men in the European communities, or by Washington. Yet whenever the members of the European Free Trade Association meet, as they did at Copenhagen on June 21st, the British renew their pledge to try to get the neutrals into the market.

For nearly a year now the Six have held the view that the question must wait until the negotiations with Britain are over the hump. Since Mr Heath is still toiling up the slope, the neutrals' position can hardly be clarified before the autumn, even though negotiations between the Six and the Austrians and Swedes are due to start in early July. But once the autumn is here, and provided matters have been settled with Britain, the fate of the neutrals will come up for decision. Talks between the Six and the Swiss are to start in September.

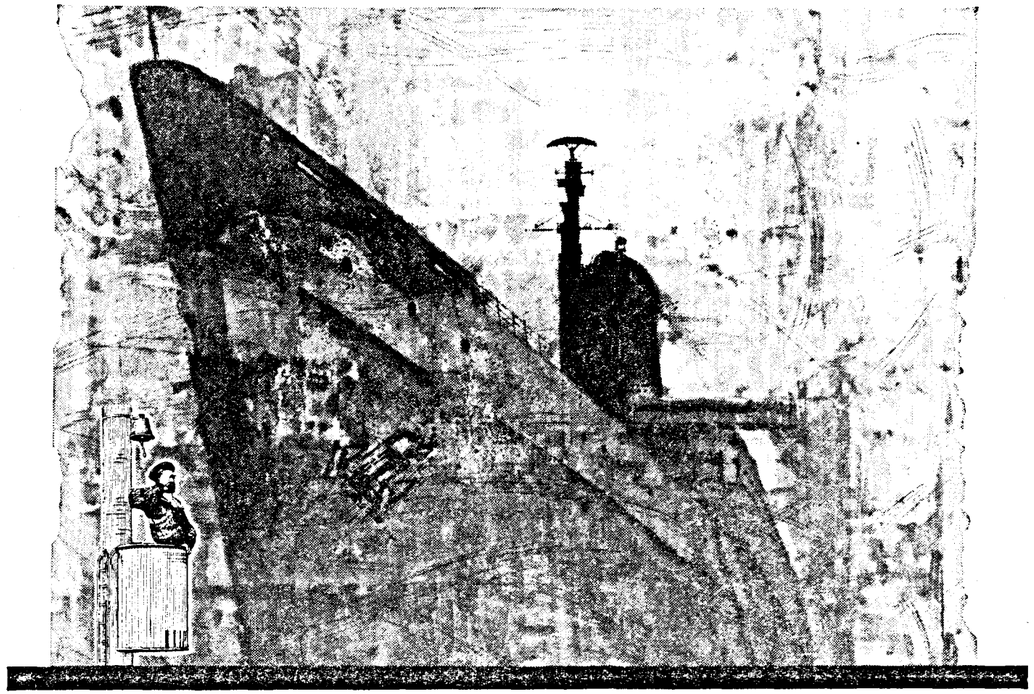
The Austrians have appreciated that the doorkey, for associates as for members, is held by the French. This week Dr Gorbach, the Austrian chancellor, and Mr Kreisky,

No Break in the Crime Wave



There was more crime in 1961 than in 1960 but the percentage increase was slightly less than that between 1959 and 1960. The information charted on indictable offences known to the police in England and Wales was given this week in a parliamentary written answer by the Home Secretary. The figures also show increases in the numbers convicted—11.1 per cent in the 17–21 year old group, 12.1 in the 14–17 year old group and 11.5 per cent in the total for all ages.

in a changing world

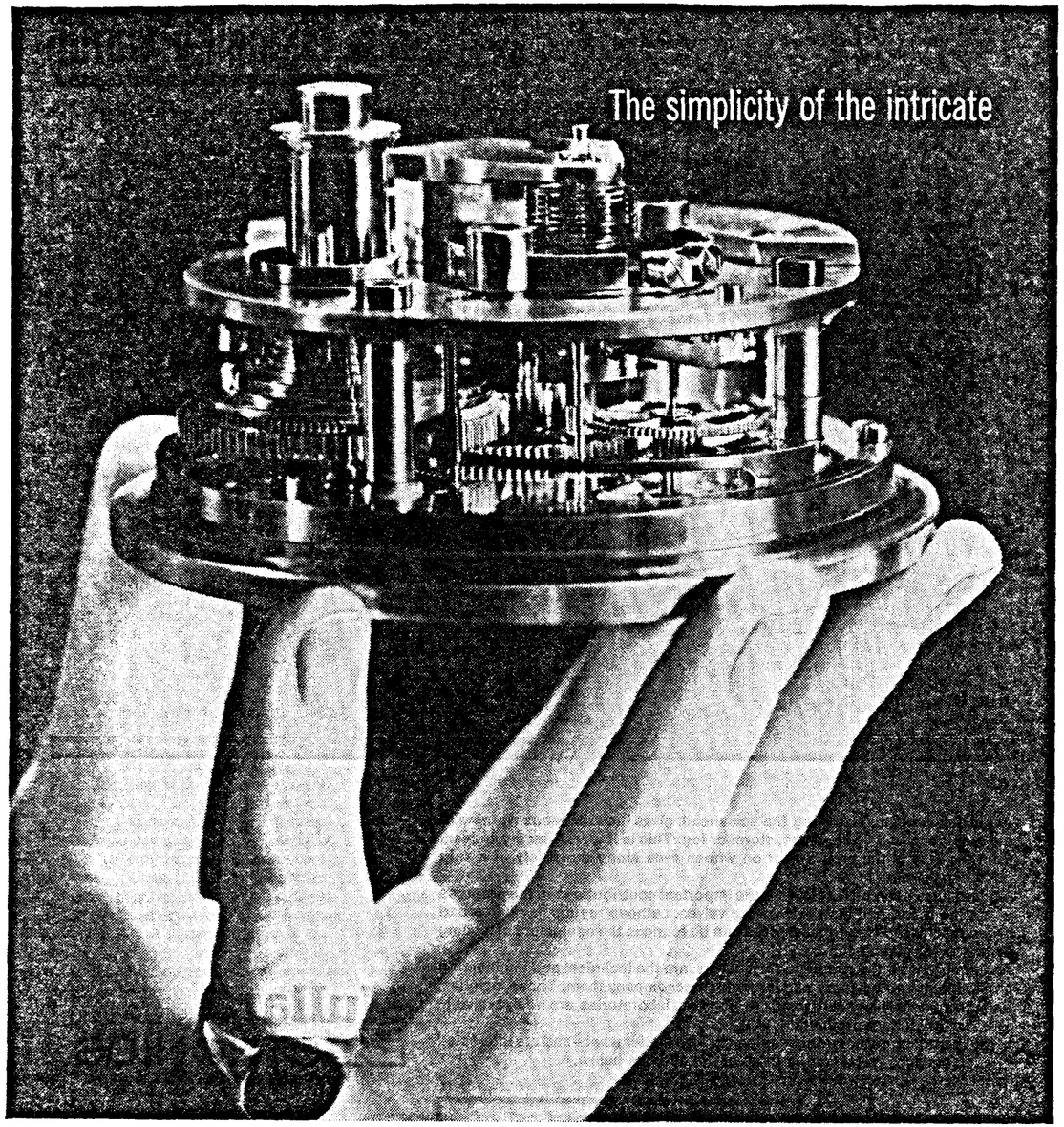


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the foreign minister, have been putting their country's case in Paris. While Washington seems flatly opposed to a special position for the neutrals, there have been moments when the French have shown sympathy for Austria's plight, though they show less for the Swiss and Swedes. The neutrals themselves have moved some way towards accepting economic integration; but can association be reconciled with their wish to run their trade with the Soviet block independently, or with the right to leave the community in an emergency?

In Copenhagen last week the Efta countries agreed on a further 10 per cent tariff cut on October 31st, to keep up with the Six who will have halved their tariffs towards one another by July 1st. But Efta, its transitory character now hardly questioned, seems a shell of an association as its members turn their energies to the talks at Brussels.

DRUGS

The Hidden Danger

THE drug industry has been coming under fire for a new reason. It is used to being criticised for intensive and expensive promotion of new drugs that are no more effective than already established ones, and for launching them before clinical trials to test their efficacy have been completed. Now it is being criticised for marketing drugs that have not been thoroughly tested for dangerous side-effects.

This criticism has been sparked off by reports from several different countries in the last nine months or so of an abnormally high incidence of congenital malformations in babies whose mothers had been taking a sedative called thalidomide while they were pregnant. These reports were first published last autumn, and the manufacturers immediately withdrew the drug from sale; in Britain it was made by Distillers and marketed under the trade name Distaval —other preparations, also containing thalidomide, were withdrawn at the same time. But there will still be some pregnant women who will have taken the drug before it was withdrawn; and a doctor, writing in the *Lancet* of June 16th, estimated that by the end of August—that is, nine months after the drug's withdrawal—about 800 malformed babies would have been born in England and Wales as a result of the drug.

It should be said immediately that the usual criticisms against drug manufacturers are not valid in this case. Distaval was properly tested for efficacy and for toxic side-effects, and it is recognised as having marked advantages over other sedatives—moreover, by no means all pregnant women who took it had abnormal babies. Since it has been withdrawn the manufacturers have been confirming the reports by intensive investigations of their own, and by their experiments on rabbits may have evolved a method for testing all new drugs to see whether they can harm the unborn child. The manufacturers can hardly be blamed for not anticipating the tragedies that have occurred. The limbless little monsters may be a ghastly, but unavoidable, price to pay for the advances in drug therapy that, taken as a whole, have changed the face of disease. But they will also serve as a warning that some new drugs—and the oral contraceptive may have to be included among them—can have dangerous effects that take some time to become manifest. Cannot the drug industry and the medical profession co-operate more closely in devising thorough testing procedures that will prevent future disasters?

SCIENCE TEACHERS

Spoiling a Good Case

WHEN will the National Union of Teachers learn that it cannot address the adult world as if it were still in the classroom where the sun rises and sets on Sir's word? The NUT may be right to argue, as it has this week, that Britain needs more science teachers, especially if schools are to give some time to preparing ordinary children, as well as baby boffins, to live in an increasingly science-biased world. There is no harm in reaching for the stars and calculating how many teachers would be required to give a margin for such ideals as extra sixth form work and classes of only 24 pupils—this gives a total demand for 47,090 science teachers, roughly twice the present number. But why spoil a perfectly good case by announcing in such a pleased manner that there is not the slightest chance of getting them? Who says there isn't? Not Lord Hailsham's Committee on Scientific Manpower which sees a real possibility of more scientists than jobs within the next three years and a positive surplus of scientists by 1970.

This committee and the NUT may not see eye to eye on the size of the demand for science teachers, but the difference is not so material that it affects the likelihood of a steadily increasing number of scientists becoming available for teaching jobs. It may seem logical to the NUT to argue that because science teachers are scarce today, all teachers should be paid more so that more scientists will be attracted to teaching. But to a world that has outgrown the square on the hypotenuse, it makes no sense at all and prompts the question why, if the NUT is so concerned about the present state of science teaching, it objects to special rates for the job which might encourage more teachers to take up science as well as more scientists teaching?

TELEVISION FEES

Ripening Fruits?

THE actors, it now appears, only just got their pay claim against the independent television companies over the line in time: the Pilkington committee's recommendations would certainly have made the companies even more unwilling to concede the substantial increases for networked performances—roughly trebling the lower fees —that were forced out of them by Equity's five-month strike. The general secretary of Equity told his annual meeting on Sunday that the pressure to increase the fees of the higher-paid actors (which were not formally covered by the agreement) is still being kept up, but the union will certainly find it harder than ever to raise them now.

Equity, however, is now concentrating on new adversaries: its discussions with the producers of films for television, interrupted for the duration of the battle with the television companies themselves, are now getting under way again. The BBC, too, is facing a claim from the actors' union (and will soon be facing one from the musicians), and it is hard to see how it can hope to keep the fees it pays much below those of the independent companies. The BBC is already running a deficit, and will quite clearly need to put up its combined television and radio licence charge (at present £4), even without an increase in the price both of its own productions and of the filmed shows that it buys. The Pilkington report suggests that a licence fee of £6 could provide two BBC television services; this certainly seems over-optimistic as things look at present.

BAOR

Young Europeans and Others

THE Government has now taken action both to tighten the discipline of the British Army of the Rhine, and to meet complaints that the press has not been given enough information about the courts martial that have been symptomatic of frictions with the Germans. Brief details of charges will be given to the press 24 hours before a trial, and the charge sheets distributed when the trial takes place. Unmarried men are in general to be in barracks by midnight, a regulation that was relaxed only a year ago.

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The new restriction seems right. The attempt to get recruits for a regular army has encouraged a healthy trend to give the soldier liberties comparable to civilian life. When those liberties are abused as they have been in the past year by men who have been given passes until 4.30 in the morning, they have to be reduced. To be in barracks by midnight is not unreasonable for a busy working army; and if it is not busy, it should be.

Will the excitement about Rhine Army's relations with the Germans now die down? As Mr Paget pointed out in the House of Commons on Tuesday, Rhine Army's record as a whole is not so bad as it has appeared to be in the last fortnight; or, to put it in another ambiguous way, only a little worse than the record of other British army units. But one can hardly go all the way with him and accept the thesis that breaking up bars and clouting the occasional German over the head must be regarded as normal incidents of the military life.

Rhine Army's relationship with the Germans seems curiously two-faced and the two faces have lately seemed to grow in incongruity. As occupation has been transformed into alliance, many commanders and units have developed close relations with their German hosts. Men have made German friends and married German girls. As the army goes regular, one can expect a growing proportion of men to settle down in the country. At the other extreme a regular army does include a fair proportion of toughs and misfits. These have caused the recent troubles and made things more difficult for their more sensible comrades. The danger is that their much publicised activities could lead to a general souring of relations. Living with Germans, and for that matter with other Europeans, means not just skilled diplomacy but sound relations between people.

INDOCHINA

Majority Verdict

In 1954, Mr Khrushchev was not in power and nobody had thought of the troika. Otherwise the Polish members of the three-nation control commission for Vietnam, set up after the conference that ended the Indochina war, would have been able to veto its latest report, which accuses the north Vietnamese communists of violating the cease-fire agreement by hostile activities in the south. Not having a veto, the chief Polish delegate refused to sign the report, which was the work of the Canadian and Indian members, and drew up a dissenting opinion of his own. He did not, however, disagree with passages in the report blaming the south Vietnamese government for violating the agreement in its turn by getting arms and advisers from the United States.

This is the first time the control commission has brought itself, albeit by a majority, to face the fact of the communists' disguised aggression in south Vietnam. The three weeks that elapsed between the signing of the report on June 2nd and its publication in London on Monday have naturally brought bitter complaints against it from Hanoi. The fact that publication was in London needs explaining. Under the procedure laid down in 1954, the control commission reports to the co-chairmen of the Geneva conference, who are the British and Soviet foreign ministers. In principle, publication takes place simultaneously in London and Moscow. The latest report, however, must have embarrassed the Russians, who did not reply to a British note on June 14th proposing publication on the 21st. By Monday, the Foreign Office felt it had waited long enough and went ahead with a white paper (Cmnd 1755).

In its note of June 14th, Britain repeated a former suggestion for a joint appeal from Moscow and London to the Vietnamese communists to behave themselves, and proposed mobile patrols on the borders of Vietnam. Many of the communist guerrillas in south Vietnam got there by crossing Laos, and (as an article on page 1316 suggests) the key to peace may lie in Vietnam's smaller neighbour. The coalition government has been sworn in in Vientiane, but a day later, last Sunday, the neutralist premier, Prince Souvanna Phouma, flew to Paris for his daughter's wedding, leaving his communist half-brother, Prince Souphannouvong, in charge. A communist spokesman for the new government thereupon denounced the presence of American troops in neighbouring Siam.

Despite international discords, hopes are now high that the international conference on Laos will reassemble in Geneva on Monday and formally define the country's neutral future.

The Economist

JUNE 28, 1862

FIRE IN THE METROPOLIS

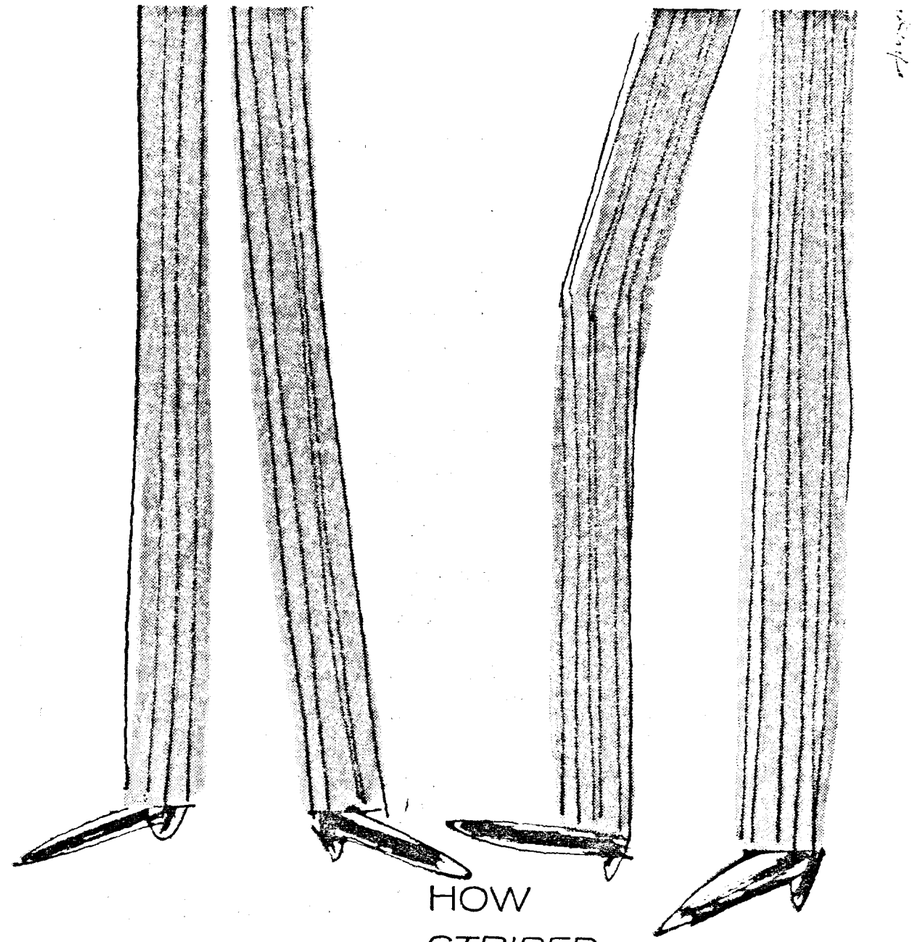
The London Fire Brigade. . . . commenced its operations under the united sanction of and from funds contributed by most of the leading Insurance Offices in London. . . . The Insurance Offices, alarmed at the growing expense and responsibility, again in February last addressed the Secretary of State for the Home Department, stating their wish and intention to give up the Brigade at as early a date as might be consistent with the formation of new and efficient arrangements for the protection generally of the metropolis against fire. A moderate expense they did not object to incur, but the expense has now assumed a magnitude which they cannot continue to bear. . . . To these representations great force is added by the evidence of Mr Newmarch, who states . . . that he believes the total value of property insurable against fire within six miles of Charing Cross (the area of the Metropolitan Board of Works) is not less than £900,000,000. Of this not more than about £300,000,000 is insured, and this property insured now bears, therefore, through the medium of the Fire Offices, the expense of the present Fire Brigade Establishment. In addition to this, it must be observed that the London Fire Brigade, a body of incalculable importance and acknowledged merits, has no legal standing or authority whatever. It exists, so to speak, upon sufferance. A man might set fire to his own house, endangering his neighbours', and unless overborne by force, positively refuse to allow the Insurance Office engines to put the fire out. Nor is this all; notwithstanding the ability and zeal of this Fire Brigade, it is admitted on all hands that on its present scale it is totally inadequate for the general protection required. All the way from Charing Cross to Richmond there is only one large and one small station. There is no station North of Holborn. The existing stations have been very naturally planted by the Insurance Offices where most property was insured, and not with reference to public safety. If any large district of London were to be materially increased by buildings of a small description, it might not be the interest of the Offices to protect them by incurring the additional expense of a new station.

IMMIGRATION

Lowering the Boom

On Sunday the first part of the Commonwealth Immigrants Bill becomes law (a month after the second part, which relates to deportation) and immigration officers at ports and airports may, at their considerable discretion, begin to turn away those Commonwealth citizens who are unable to find an excuse under this tortuous legislation for coming into Britain. They will be few—an exclusive society of instantly recognisable badmen, madmen and lepers, with a known spy or two thrown in: the code by which officers will administer the law has a let-out for practically everybody else. Nevertheless, the patently liberal intentions embodied in the code may easily be submerged if close attention is not paid to its practical working; and how this attention is to be paid is difficult to see, since no fewer than three ministries (the Home Office, Labour and Health) are involved in the screening of potential immigrants, and so far none of them is very clear about the others' duties.

The Ministry of Labour issues the vouchers which (unless the holders are plainly mad or sick on arrival) is a guarantee



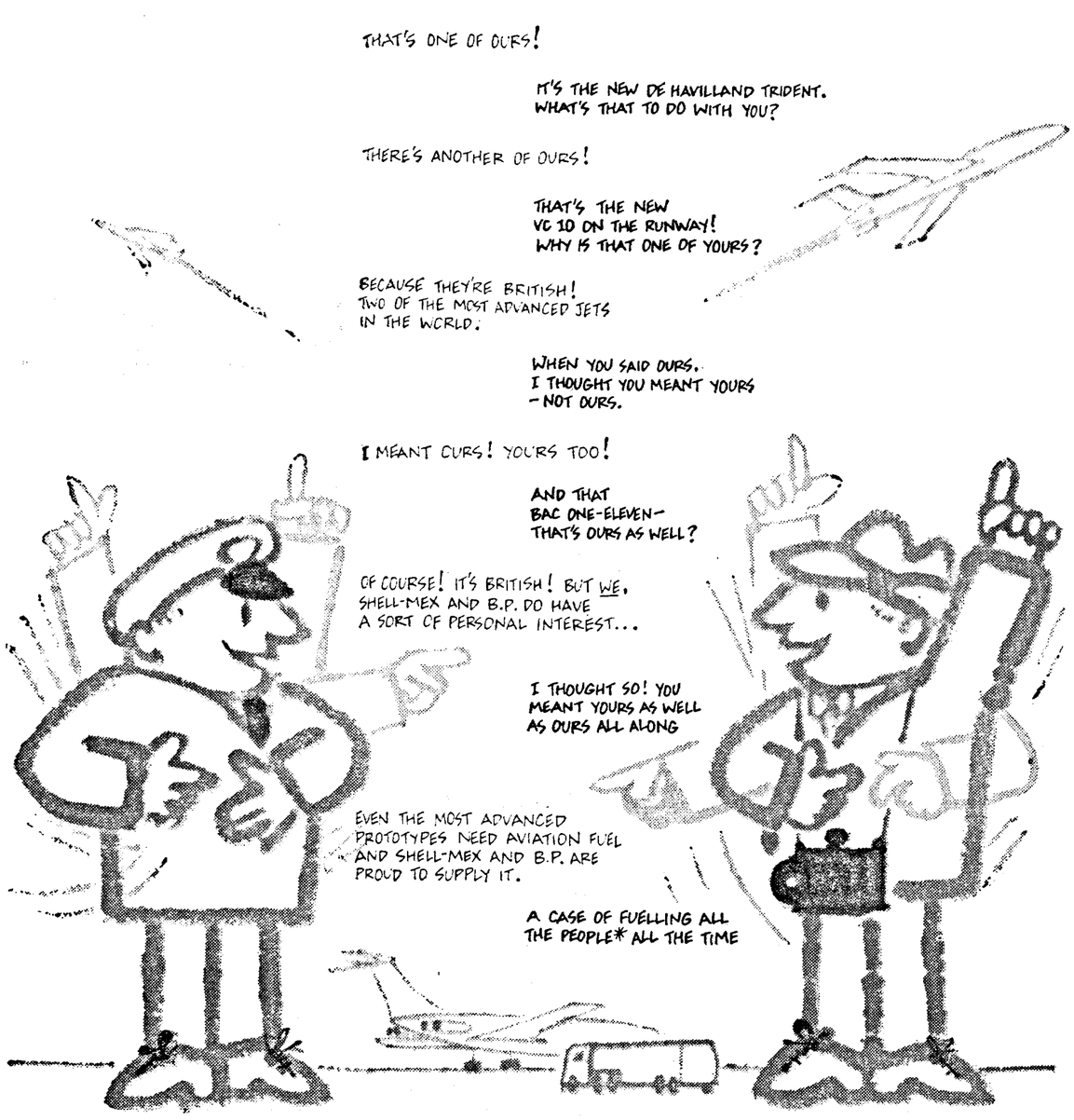
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WHAT'S IN THE AIR?



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of passage through the port controls: so far no more than 2,000 applications for them have been received, and the vast majority of them have been granted (those that have not are not refused, but "under consideration"). Only a tiny proportion of the vouchers has gone to people who have actually been offered jobs in Britain: 40 per cent of them are held by people with useful skills. But for all anyone knows, there may be many more applications in the pipeline from the various agents appointed to accept them in immigrants' countries. The Ministry of Health will supply the doctors. Their examinations of immigrants, if they are to be of any use, are widely thought to require between 20 and 30 minutes of careful work, with some attendant delay and complaint: that idea is squashed by the Ministry, which thinks that most examinations will take not more than five minutes. The Home Office looks after the immigration officers, who will accept most of the bill's burden. In spite of believing that something like 250,000 people a year will try to get into Britain from the Commonwealth, the Home Office has increased the strength of the immigration service by only 80 officers, to 480, none of whom seems likely to take home more pay for the extra work which will undoubtedly fall on him.

It is estimated that some 4,000 people managed to scrape in during the fortnight before the boom came down (some of them on specially laid-on flights by BOAC). There is no estimate of how many Britons will feel themselves sleeping safer in their beds on Sunday night with the thought that daddy is guarding the ports against nasty black men. Mr Butler should be grateful for the opportunity of scrapping the act after its trial year of operation.

CREMATION

Ashes or Dust?

THE Cremation Society, now 88 years old, had some cause to congratulate itself at its annual conference at Margate this week: in the past 20 years, the annual number of cremations in Britain has grown from 20,000 to 250,000, as a result partly of widely expanded facilities for this sensible means of disposing of the dead, partly of the intensive propaganda conducted by the society since Victorian times. In economic, as opposed (very often) to religious and possibly social, terms, this is undoubtedly a good thing. As Mr H. R. Page, Manchester's city treasurer, pointed out in a paper read to the conference (where he had been invited after advocating free cremation for all last year), earth burial makes away with far more of the natural resources of the country than the living can afford. Enough land is alienated by it, in Britain's ten largest cities alone, to accommodate 75,000 houses; £5 million is paid annually to about 10,000 people for the labour which ensures that the dead settle in the centres of cities while the living have to go a long way home to their overspill areas; and ratepayers have to find, on average, £15 for every grave in their council area—in which not a few of the cemeteries have been full for a century.

It is demonstrable that cremation uses less land, less labour and less money: Mr Page has it that still less need be consumed if economies of scale were introduced: chapels at crematoria are wasteful, as are gardens of remembrance, individual cremations and the rather ghastly mechanical devices which spirit the body from the sight of mourners. Far better, he thinks, would be a central furnace to which bodies could be brought for collective incineration when a convenient number was amassed, their ashes thence to be parcelled out to relatives by weight or volume. If economic terms were the only ones that mattered, these would be excellent suggestions. The treatment of the dead, however, is still much more in our society than mere disposal, and he would be a hard man who insisted on depriving mourners of even such poor consolations as they now enjoy; or who tried to bully religious earth-buriers into what they believe is the wrongful burning of their dead.

Sensible as it is, the hope of cremation for all is still a far-off one, and cremators, while they bring it nearer with such admirable inducements as free cremations (already available at Hull), will just have to accept the situation. They may also show their good faith by encouraging those who want to ameliorate the older earth cemeteries—by grassing over and abolishing everything but headstones in conscientious towns, or even by letting them go derelict, later to be redeveloped as parking places, in those less mindful of the mortal dust beneath their feet.

AFRICA

Trollip Washes Whiter

AFRICA'S great white trek is beginning. In 1961 South Africa attracted 16,309 white immigrants; this is 6,500 more than in 1960, nearly all the extra arrivals coming from other parts of Africa. The emigration rate, too, was up: from 12,612 in 1960 to 14,903 in 1961. About a third of these emigrants came directly to Britain; another third went to Rhodesia, some to sit on the citizenship fence while they decide between a materially comfortable return to the republic and a spiritually comfortable hop on to Britain.

Once whites decide to stay in the continent they feel safest in South Africa. This is understandable: they have the greatest numbers there. The continent has a population of around 250 million, of whom five million are white. About three million of the whites live under Dr Verwoerd; if all those in the uncomfortable political climates of Kenya, Tanganyika, Mozambique, Rhodesia and Angola were to move to South Africa it would add another half a million to his white population.

The white inhabitants of the Mediterranean shore, their separation much more social than racial, are in a different case. They will probably choose to stay where they are or cross to Europe, but a fair proportion of the whites in British and Portuguese Africa may one day turn up at Dr Verwoerd's door. On June 20th Sir Michael Blundell conceded, after all he has said for sixteen years, that there would be no place for a separate European community in the future African state of Kenya.



Sir Michael Blundell Dr Verwoerd

South Africa will always need to keep a place for the white man, if not for a "white community." There are too many to frighten out; and, anyway, the highly westernised Africans of the republic would probably rather take over a share in an existing modern state than a desert of destruction. Unlike the Algerian Arabs, but like the American negroes, they are not crying for "independence" but seeking admission to a society they want to maintain.

For this reason the South African minister of immigration, Mr A. E. Trollip, should realise that his call for 40,000 to 50,000 immigrants a year from Europe is nowhere near the answer to South Africa's problems. If immigrants are found, they may do good by helping to diminish the sense of outnumbered insecurity felt by the white South Africans. But the white population of South Africa can never catch up with the black population, let alone come to outnumber it. The only solution (unthought of, it seems, by Dr Verwoerd's government, but come round to by Sir Michael) will be to learn to live with it.

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HOME REPORT

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



Mr Ted Hill : old militancy
Mr Bill Carron : new sobriety



Portents Over Yarmouth

FROM OUR SPECIAL CORRESPONDENT

THE grey-headed leaders of the Confederation of Shipbuilding and Engineering Unions had a grey prospect before them when they met at Great Yarmouth this week. The members of the 39 unions they led had voted, by a two to one majority, against striking in support of last year's wage claim. (" To leave it to an uninformed majority to take a ballot vote is a very weak way out," thundered a spokesman from Belfast.) Not only were their own troops in disarray. Ever since the war, and despite the union leaders' ritual denunciations of successive Tory governments, they have pressed their claims in an atmosphere of rising prosperity and—outside a few sluggish areas—booming employment figures. Now things have sorely changed.

Mr Carron of the Amalgamated Engineering Union burst his first bombshell. The Ford Motor Company, he intimated, may be going to cancel its plans for a new factory on Merseyside, in one of the regions that have failed to keep up with the general employment boom. The reason, he said, is that Fords are fed up with the continued unofficial strikes that plague their British plants. So the company intends to expand in Germany instead. There are more portents on the horizon. Jobs in railway workshops throughout the country are threatened by Dr Beeching's cuts. Shipbuilding is in a poor way; according to Mr Ted Hill of the Boilermakers' Society, 20,000 workers have left the industry in the past two years. Engineering firms, particularly in the outlying areas of Scotland and Northern Ireland, are short of orders. The aircraft industry has laid off workers, and will be laying off more yet. The old militant buoyancy rang all too shrill against this dull undertone.

In tune with the suppressed mood of delegates in their after-conference relaxation were the cautious words of the moderates led by Mr Carron, Mr Kealey of the Transport and General Workers and Mr Matthews of the General and Municipal Workers (Mr Matthews, of course, is moderate in his political and industrial views, but dearly loves an immoderate scrap with his left-wing critics). Significantly, these three unions, the largest in the confederation, are also the only ones not completely dominated by apprentice-serving craftsmen; and all three of them have this year bumped up the number of members for whom they pay affiliation fees to the confederation, thus increasing the number of votes they could cast at the conference.

Of course, there were the usual zany moments. Unanimously the conference called on the Government to build a new Cunarder " by direct contract," blissfully ignoring a warning by Mr Clive Jenkins of the Supervisory Staffs that the Cunard board itself may have doubts about the economic future of its transatlantic sea services. Mr Ted Hill (" We are not abandoning our militancy for any government, not even for a Labour government ") accused Mr Matthews of " maligning us out of world markets "; Mr Matthews had pointed out that there were 78 unofficial labour disputes in shipbuilding in April and 61 in May. But the basic and novel seriousness of this year's approach was shown in the biggest debate of the week, on wages policy.

The conference duly opposed the Government's policies of wage restraint and reaffirmed its support for the current wage claim (to which the employers may be replying on July 3rd). But it did not call for an all-round claim to be put in now. Instead there was general support for a proposal by the Transport and General Workers that this year's claim should be on behalf of the lowest-paid workers. Mr Matthews got a big laugh by proclaiming that " the employers are with us on minimum rates "—but then nobody is satisfied with the present arrangements whereby average earnings are kept at a relatively high level by a range of incentive bonuses, overtime payments and so on, added to a basic wage of £8 4s. 10d. for unskilled and £9 15s. 2d. for skilled men (practically nobody being paid at these nominal rates).

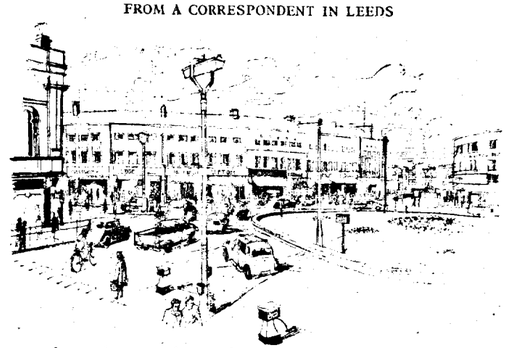
Mr Kealey's proposal was for an increase in the minimum rates by an optimistic £2 a week—but even a small advance in this direction would mean a closer relation between earnings and the nominal wage rates. It would, incidentally, also mean a scaling-down of the sacred differentials for higher paid men—although it would increase their holiday pay, and some overtime and piece-work rates would certainly rise as a result of a change in basic rates. The idea has been rejected by the confederation three years running. This time it was blessed and passed for action to the national executive, thus leaving the union negotiators with a large measure of freedom to bargain with the employers for a reshuffle of the traditional wage structure.

FURTHER signs appeared that the encounter with the crueller economic realities is pushing the confederation in other more progressive directions. The president of the conference, Mr Harold Poole, pointed out how desirable it would be if workers involved in the same strike and belonging to different unions were to receive the same level of strike pay; and at a private session on Thursday afternoon the conference was busy discussing how the confederation's constituent unions could co-ordinate their actions more closely.

In the wage struggle of the past ten years trade unions have all too often omitted to pay attention to the need both to reorganise the national wages structure and to reorganise the chaos that naturally arises from the coexistence of unions with wildly varying aims and constitutions. Now that the hurlyburly of the rich years seems to have petered out in favour of a pause more deep-rooted than anything dreamt up by Mr Lloyd, the unions have time to think. The confederation is often called the " little TUC." If it is blazing a trail for its big brothers' conference in September, it is leading towards the light.

Wakefield's New Look

FROM A CORRESPONDENT IN LEEDS



WAKEFIELD, a city and county borough of 61,000, houses the bureaucracy of Yorkshire's sprawling West Riding. Even if the rest of Britain hardly knows where it is, there are 13 non-county boroughs, 55 urban districts and 21 rural districts of Yorkshire which acknowledge it as their administrative capital. And, with the exception of bomb-damaged Hull, no other Yorkshire city has undergone so radical a reconstruction since the war, although there are plenty of West Riding towns that could do with just such a major redevelopment. Admiration for the speed and scope of Wakefield's change is tempered only by consideration of the near-vandalism with which the city fathers have virtually obliterated what few traces remained of an older Wakefield.

The result is that the city now rejoices in the benefits of modern town centre planning, even if that planning indicates a spread of what Mr John Betjeman described in Bradford recently as " international nothingness ". But to the thousands of shoppers who descend on the town centre from the surrounding colliery districts Wakefield has never looked so good.

The city's heavily restored Perpendicular parish church, said to have the West Riding's highest spire, now rubs shoulders with a bustling, streamlined shopping centre. The development of this centre, with the road-widening it has involved, has transformed the centre of the city. Dark, tight streets of slum properties have been demolished. Before 1950, except for three shops built in the 1930s, no shops had been built in the city since before the first world war. In the last 12 years 100 shops have been demolished and 115 new ones built. More shops and offices are at present under construction.

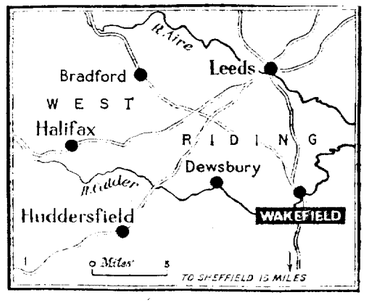
Wakefield's great advantage with its new layout has been the proximity of free car parking accommodation. The prosperous Saturday shoppers from the mining villages are able to drive into at least 1,000 free parking spaces on cleared sites. Wakefield corporation is determined that if any of these sites are used for development they will be replaced—possibly by multi-storey car parks.

To assist the flow of traffic, the planners have been at pains to ensure that each new shop has been built with a service road at its rear, so that vehicles need not park at the front of the premises on main roads. The city is certainly conscious of the risks of congestion, since it stands astride busy trunk routes from the Leeds and Bradford areas to south Yorkshire. Surveys are now being made for an inner ring-road in Wakefield.

IN addition to its central area development, Wakefield has several other large-scale schemes afoot. A miniature sky-scraper to house the county council's education department and its staff club has just been opened. Work on a new retail market is to start this year and a central fire station, an ambulance station and an old people's home will not be long delayed. There are to be further extensions to the technical and art colleges, and proposals for new police headquarters and a court house are being considered at the Home Office.

The shortage of building land is now making itself felt. No land is available for any large-scale private housing within the city boundaries, and it is not easy to find sites for further commercial and industrial development. The forthcoming proposals of the Local Government Commission might seek to remedy this difficulty, but any suggestion that Wakefield should expand at the expense of neighbouring local authorities is likely to be fought with native ferocity by the surrounding mining communities.

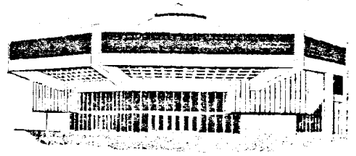
Its critics say that Wakefield's reputation in Yorkshire would have been higher had it shown any regard for Bread Street, a narrow, medieval thoroughfare that until a few weeks ago faced its cathedral. Concrete buildings are now being put up there. Although the new boulevards are being equipped with sturdy seats and flower tubs, little is ever heard of the city's cycle of 32 mystery plays and few inhabitants are able to direct the stranger to the Chantry Chapel on the ancient bridge over the Calder, which is still worth seeing in spite of the chapel's ruthless restoration in the last century at the hand of Gilbert Scott. Wakefield has a habit of turning its back on the past.



Chekhov at Chichester

FROM A CORRESPONDENT IN HAMPSHIRE

THE Chichester Festival Theatre opens on Tuesday for its first summer season, with plays by Chekhov, John Ford and John Fletcher, all chosen to demonstrate the varied possibilities of the theatre's unique design. The season begins when eight London productions have folded in as many weeks.



The Chichester theatre, in fact, opens at a time when many provincial theatres are dead or dying, those that linger existing only with the help of local enthusiasts or generous philanthropists. Since Chichester has a population of only 20,000 and is away from the theatrical mainstream in London, the management has had to offer a building that is striking, and productions and cast of sufficient quality to attract audiences who are prepared to travel quite a way for an evening's entertainment.

Still, Chichester is not badly placed as a cultural centre for the south coast. It is 31 miles from Southampton and Brighton and 17 from Portsmouth; and a car park for 600 cars caters for theatregoers from these places. Londoners, 61 miles away, have the inducement of a special train service—and Parisians are served by a charter air service, with theatre flights to Portsmouth airport once a week.

The theatre is sited in Oaklands Park,

only ten minutes walk from the centre of town. The architects have had to reconcile modern design with the superb Georgian terraces of this cathedral city. The result is certainly distinctive, if controversial. The fabric is of pebble aggregate, concrete and glass. The structure is hexagonal with a single span roof supported by a spider's web of steel rods which allows the audience completely unobstructed vision. The large apron stage is surrounded by the audience on three sides; no seat is more than 66 feet from the actors. The theatre cost £110,000 and seats 1,360—a very low constructional cost of £80 8s per seat.

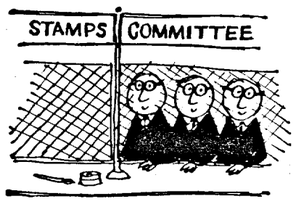
SIR LAURENCE OLIVIER, as festival director, has gathered a cast of big names for the 10-week season. It includes Fay Compton, Joan Plowright, Sybil Thorndike, Michael Redgrave and Lewis Casson. The plays themselves will exploit the unusual features of the theatre, which allow the performance of works unsuited to the standard stage. With a popular choice of three plays, the risk of financial loss is lessened, although most seats are already booked for this season. If this opening gambit goes well, there are hopes that Chichester will become the theatrical equivalent of Glyndebourne.

The finances of the non-profit distributing trust running the theatre look reasonably healthy. Under the patronage of the Duke of Norfolk, the trustees have almost cleared their initial debt, £105,000 of the £110,000 being raised by private donation and covenants. The Festival Theatre Society numbers over 4,000. Unlike the reconstructed Belgrade theatre in Coventry, no rate aid is given to the trustees. Nor did they have the fund of national and international sympathy to tap as Coventry did. Seats priced as low as 5s. cater for local students, while those at 25s. aim at the metropolitan audience.

The most immediate extensions being considered are a restaurant and art gallery. But as the theatre is built on an open site, it could at any time become the nucleus for a general festival of Arts similar, on a small scale, to the Edinburgh one, but almost certainly more experimental. This would do a great deal to sustain the theatre when the novelty of the concept and the building has worn off.

Chichester enthusiasts believe that this brainchild may well become a prototype for the live theatre in the second half of the twentieth century; it is certainly encouraging to see a small provincial city showing such enterprise.

Post and Public



FROM A CORRESPONDENT

JUST 50 years ago Sir Herbert Samuel (now Viscount Samuel), the then Postmaster General, set up local post office advisory committees to help the GPO in running the newly-acquired National Telephone Company's network, taken over at a cost of £12 million. The transference of the telephone network from private enterprise to the state had set off lively doubts about the possible effects of too bureaucratic an outlook. The outcome was a sensible advance in the development of consultation between the public, as consumers, and a nationalised organisation.

The first local advisory committees were confined solely to telephone matters, and they played a part in improving both the efficiency of the service and its public relations. Just after the first world war—when the public was inclined to be in a particularly hypercritical mood—the GPO bravely widened the scope of the committees to include telegraphs and postal matters. It thus became aware at close quarters of its shortcomings, and representatives of the public learned something of the inner problems and difficulties of the post office.

After some years of successful working it was decided that the local advisory committees should concern themselves with the whole of the activities of the GPO—at a time when the post office was expanding its services, often with a direct bearing on the growth of the primitive welfare state. It followed naturally that an advisory council should be created at the national level. A score of men and women of wide experience volunteered to serve on this body. To save them and their successors from pressures and lobbies the names are never published, although some of the members have announced their membership in books of reference.

Who takes the initiative in setting up a local advisory committee? Usually, the first move is made by the local borough council, or by one of the trade associations. A local committee might include representatives from the local chamber of trade, chamber of shipping, trades council, women's institute, townswomen's guild, along with the local head postmaster and telephone manager, or their representatives. As the meetings are in private and deal with questions of wide public interest, a representative of the local press is invariably included; direct reports of the proceedings are not published but it is useful for local papers to have some background knowledge of what is going on. Many of the complaints and suggestions involve internal administration and discipline which, with all the goodwill in the world, could not be discussed in public. They are advisory committees, not tribunals.

Each committee decides how often it shall meet. Any member of the public may submit matters for consideration, with no embargo on any subject relating to post office services. As a sign of the committees' independence, meetings are never held on post office premises unless it is impossible to find room elsewhere.

Before these local and national committees can function effectively, it is essential that members should have more than a nodding acquaintance with the work of the GPO. Thus, all members receive the Postmaster General's *News Letter*, with the latest information on the post office and its immediate problems. They also receive a simplified form of the annual commercial accounts, with explanatory notes. If a post office bill is before Parliament, either a copy of the bill or a good summary is sent to members. They have a copy of official booklets published for the benefit of the staff and the public, including the *Post Office Magazine* and the *Telecommunications Journal*. They visit postal sorting offices and telephone exchanges, and watch some of the 30 million postal items, and the 12 million telephone calls being dealt with daily. They see operations on both sides of the public counters and talk to members of the staff.

THE post office has now reviewed its policy on these local advisory committees. It had been suggested that the time had come to set up statutorily-recognised committees like those for the nationalised industries. But the Postmaster General decided that this could lead to just the kind of bureaucratisation the committees were designed to avoid. The only real complaint that can be levelled at the present system—and it is levelled by the post office itself—is that there are not more of them. They exist in cities like London, Manchester, Liverpool, Bristol, Belfast, Glasgow, Edinburgh, Leicester, Oxford and Derby: but the GPO would like to see the present total of 200 local committees doubled.

Where they do exist, the general public should be better informed that they do have this channel for complaints or suggestions to improve existing services. For example, very few criticisms of the new system of timed local telephone calls have reached the advisory committees—which might have cleared up some of the misapprehensions—although the row has blazed on elsewhere. The name and address of each committee can be obtained from the head postmaster; it would be better if this information were prominently displayed in all post offices.

AMERICAN SURVEY

AMERICAN SURVEY is prepared partly in the United States, partly in London. Those items which are written in the United States carry an indication to that effect, all others are the work of the editorial staff in London.

Atoms Among Allies

WASHINGTON, DC

THE Secretary of Defence, Mr McNamara, is like a chess-player who feels that he is in a strong position but whose jubilation is considerably modified by knowing that the chessmen are high explosives which may blow up the players at any moment. There must also be times when Mr McNamara feels that some of the people who are supposed to be on his side are hurtling abuse at him as well as at the inscrutable figure across the board, while others express their dissatisfaction with his method of play by producing lethal chessmen of their own and trying to thrust them into the game. Very probably Mr McNamara believes that it is military nonsense for Britain and France to produce nuclear weapons, when the United States has an "overkill" of those weapons coming out of both its ears. But the Secretary of Defence is learning, though reluctantly, to adapt himself to political expediency. In order to hold together the North Atlantic alliance the United States, it seems, is prepared at some time to agree to, and even to welcome, a multilateral European atomic strike force—whatever that may be, and even though, on any definition, the problem of whose fingers are to be on triggers and whose thumbs on safety-catches appears to be as far away from solution as it has ever been.

Meanwhile, the American government continues with its deeper ploy of attempting not to alarm the Russians and yet not to knuckle under to them. As seen in Washington, the best way out of the technological trap which threatens the hemispheres with wholesale incineration is to keep the deterrent massive and unified, but at the same time to continue to keep a keen lookout for all signs of yearning for compromises on an atomic test ban and arms inspection—and for butter instead of guns as a result—which may manifest themselves behind the iron curtain. In short, it is felt that with time and luck the big Soviet fish may just possibly be played into a net of international agreement. Meanwhile, however, General de Gaulle seems bent on upsetting the boat and having everyone, including himself, killed by the red Moby Dick. In Washington this seems unnecessarily sacrificial and, indeed, inimical to the interests of the Atlantic alliance, as President Kennedy emphasised at his press conference this week. According to the State Department's Deputy Director of Intelligence, Russia knows that it has to live with a militarily superior United States and the risk of nuclear war weighs heavily on Soviet policy-making.

It is felt that the way in which to meet aggression, should it be persisted in, is by a gentle escalation of weapons starting with conventional ones, with strategic nuclear strikes against military targets being only a penultimate resort and with the ability to make a second strike still held in reserve, to deter even a losing aggressor from atomic attacks on urban targets. But these methods seem to depend upon a tight, highly-responsible, highly-centralised control of all nuclear weapons. Any spread of such weapons makes everything much more difficult. Consequently, Mr McNamara views with irritation Frenchmen who insist that they want to have the power to tear off an arm of the enemy even though as a result everyone will be dead. The probable American retort to French scepticism about national nuclear forces provoking a pre-emptive Russian attack is that mice have caused elephants to run amok before now. It is perfectly evident that the United States is looking to Britain's entry into Europe to help to preserve the unity of allied military strategy. But this has not prevented Mr McNamara from feeling dissatisfied with British strength in troops or from intimating impatience, last week, with having in the Mediterranean two co-equal North Atlantic Treaty Organisation commands, one headed by a British admiral and another by an American.

At home the Air Force has detected an "aerospace gap" and wants to study the practicality of putting atom bombs in orbit, as a possible "break-through" towards finding a defence against attacks by ballistic missiles. In characteristic language *Pravda* condemned the programme of the American "atomic maniacs" for military use of space. More important, President Kennedy was reported to be very angry with the Air Force, because he regards space as one region where agreement with Mr Khrushchev may possibly be reached. Nevertheless, Mr McNamara appears to have been persuaded to consider building a space craft which would be able to intercept and destroy a "hostile" satellite.

THE question is whether the Secretary of Defence has now also been persuaded to consider what might be equally dangerous concessions to expediency in regard to a European nuclear force. Mr McNamara said in Athens in May and repeated this month in Michigan that limited nuclear capabilities, operating independently, were dangerous, expensive, prone to obsolescence and lacking in credibility as a deterrent. All the facts, he intimated, pointed inexorably in the direction of increased integration, unity of planning, concentration of executive authority, central direction and an indivisible system of targets. To this it is now added that nothing which Mr McNamara said will prevent the United States working out a new transatlantic partnership in military as well as other matters.

It is held, by people who insist that they are not unrealistically optimistic, that the problem of fingers and thumbs will be solved, amicably and without either yielding to General de Gaulle or tempting some west German government to try to emulate him. But other American voices remark, only half facetiously, that now it is the Europeans who seem to hanker after using nuclear weapons and that the Americans and Russians are tacitly agreeing that atomic war is too horrible to indulge in. Still others have long held that the Europeans are more anxious for the power to veto the use of nuclear weapons than for the power either to use them themselves or to order their use. But it is argued that, in that case, a European nuclear force becomes actually less "credible" as a deterrent than an American guarantee to use nuclear weapons in defence of Europe. And yet, unhappily, while failing to convince the Russians, the existence of a European force might induce Congress to swallow the bait of a reduction of American strength in Europe the next time that there is a crisis in the American balance of payments.

No illusions are harboured in informed quarters in Washington that General de Gaulle personally has been brought round to viewing with approval an eventual tie-up in Nato of the future French nuclear force with the British nuclear force and with the United States. Great care is being taken not to confuse what the French President told the Secretary of State with more optimistic statements made by other French spokesmen. At the same time, it is strongly

felt that what they are saying is not only more congenial but also more likely to become long-term French policy than is General de Gaulle's affirmation of what that policy shall be. What the other Frenchmen appear to have talked about is a multilateral European atomic strike force which, it is said, is at least more palatable than independently-operated national nuclear forces—more palatable, it is added, to the Soviet Union as well as to the United States, if the Russians are sensible enough to see it.

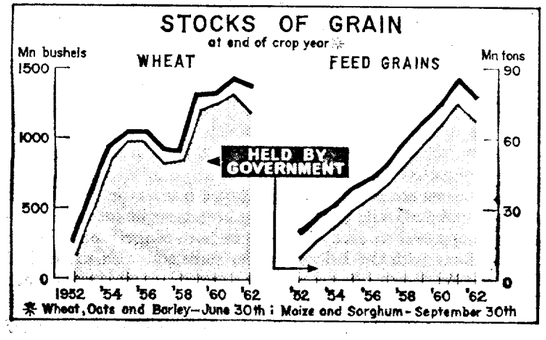
No one has managed to work out a satisfactory plan for a Nato nuclear force. When Mr McNamara called Nato a unique alignment of governments, he refrained carefully from saying that what makes it unique is that one of the parties to it has a virtual monopoly of its strategic power. But it is possible perhaps to turn Nato into a force that will meet all the requirements of European national pride and yet will still be a credible deterrent to the Russians, in the sense that they will respect it but will feel sure, along with everyone else, that it will not come into massive play over small provocations or false alarms. It is to that task, at any rate, that the efforts of both the Department of Defence and the State Department now seem likely to be directed.

Ploughed Under

On top of its worries over the slow pace of vital legislation through the sluggish and overloaded finance committees of Congress, last week the Administration suffered a stunning setback on the floor of the House of Representatives: its Bill to cut farm surpluses by stringent controls over the production and marketing of wheat and feed grains was rejected by 215 votes to 205. The defeat has encouraged the Republicans and disheartened the Democrats just as the Administration's vital trade expansion Bill is reaching the floor of the House and as the Senate is being prodded into greater efforts on the President's bogged-down programme. Mr Kennedy, hoping to rescue one more election issue to add to his growing pile and reluctant to reproach his own majority party, put the blame for continuing agricultural chaos on special interests and on the solid Republican phalanx which voted against his Bill—only one Republican sided with the Administration. But the embarrassingly large number of 48 Democrats voted with the Republicans and 17 of them were not even Southern Democrats. On Thursday Mr Kennedy called for the election in November of even more Democrats, out of whom a real working majority could be fashioned.

The Administration cannot reproach itself for not having tried. Mr Freeman, the persuasive Secretary of Agriculture, virtually camped in the Capitol, button-holing legislators; indeed, the arm-twisting from the White House may have lost some votes. The Republican argument—solidly backed up by the Farm Bureau Federation, the mouthpiece of the big farmers—was that the Bill would have involved intolerable regimentation. To retain high price supports farmers would have had to cut the actual production of wheat and feed grains, not just the acreage devoted to these crops, which account for more than half of all agricultural surpluses. Such compulsion would have been entirely new to producers of feed grains and General Eisenhower was reported to have said emotionally that he would go to prison rather than submit to being told that he could not grow grain to feed his own cattle. Southerners, who are raising more and more livestock, sympathised while a handful of Democrats from northern and western cities baulked at the high food costs which they feared might follow—even though they had been told that the taxpayer would benefit to the tune of nearly $1 billion saved in the first year of the programme.

Mr Freeman insists that the battle will be resumed in 1963, but for the present the most that can be salvaged in the House is probably a Bill extending for one more year the voluntary scheme, adopted last year as an emergency measure, under which farmers are paid for cutting their production by 20 per cent or more and deprived of price supports if they do not. This has not taken a very large bite out of the surpluses, as the chart shows, and it has not been cheap but without this stop-gap there would be a return to the "permanent" legislation passed in 1958 under which surpluses snowballed; this provides no controls over the production of feed grains and ineffective ones over that of wheat.



God in Court

America is profoundly disturbed by the decision of the United States Supreme Court that the reading of prayers in publicly financed schools is unconstitutional. Already the ruling, with which the court ended this year's session, is as controversial as that of 1954 against racial segregation in the same schools. For nearly two centuries the United States has basked in the happy ambiguity between its Constitution which makes no direct reference to the deity and its coins which bear the motto "In God We Trust"; between the presidential oath sworn before no higher power than the people and the Declaration of Independence uttered in the belief that all men are "endowed by their Creator with certain unalienable Rights." This confusion would seem to have been ended as the Supreme Court agreed with ten parents from Long Island, New York, that the non-denominational prayer to "Almighty God," composed by the New York State Board of Regents and read daily in the state's schools, violated the First Amendment guaranteeing freedom of religion. Whether the prayer was neutral or whether pupils were allowed to leave the room did not matter; the court found that the reading of the prayer "officially established the religious beliefs" within it and placed "indirect coercive pressure upon religious minorities to conform."

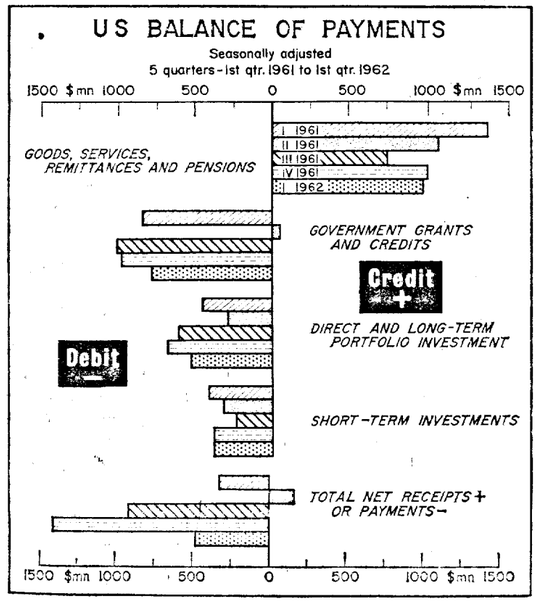
Yet the new ruling threatens to stir up the very sectarian strife that the founders of the Constitution were anxious to prevent. The parents who protested against the prayer were of minority faiths—Judaism, Ethical Culture and Unitarianism; one was a non-believer. Roman Catholics are "shocked and frightened"; according to Cardinal McIntyre of Los Angeles "we are forced to emulate Mr Khrushchev." To the religious and conservative South, the decision was another monstrous blow from the hated and interfering Supreme Court and even in the North reactionary members of New York school boards talked of defying the Court. Congressmen were eloquent in their disapproval of the "tragic" decision which pleased "no one but a few atheists and world communism." In both houses Bills were introduced to amend the Constitution—the only way in which the ruling could be reversed.

The uproar will reinforce the view commonly held abroad that America is a highly religious country, which sees the Cold War in terms of "God's Own Country" *versus* "godless communism." Yet the respect for the separation of church and state—which led to the court's six-to-one vote—also runs deep. President Kennedy has consistently displayed it in refusing to ask for federal funds for private (usually religious) schools. In the present controversy, he is urging American parents to intensify religious teaching at home, yet to support the Supreme Court decision even if they disagree with it. Some American communities have long forbidden not only prayers but Christmas trees and carols in the classroom, as unfair advertising for the Christian religion. And the principle of separation is respected—if only as a *modus vivendi*—by most of America's plethora of religions which are thankful (to what tactful politicians refer to as the God of Your Choice) that at least none of their competitors is Established.

Don't Look Now But . . .

The detailed breakdown of the American balance of payments in the first quarter of this year shows a considerable improvement not only over the exceptionally large deficit in the last quarter of 1961 but also over the average quarterly deficit—$600 million—for 1961 as a whole. However, compared with the first quarter of 1961 the figures are not so satisfactory and most of the improvement took place in unrecorded, and as yet unexplained, transactions (not included in the chart). These showed a net gain of over $600 million, to a surplus of $217 million, over the last three months of 1961. It is thought that much of this shift was the result of Canada's heavy losses of reserves during the period, leading up to the present crisis in the country which is the nearest neighbour and closest economic associate of the United States.

The Canadian situation is a warning to Americans of how swiftly a country's international accounts can get into serious trouble. But for the moment things are still going well for the United States, partly because the inflow of funds from Canada has continued, partly because the good results in the first three months of the year inspired confidence abroad and partly because of the successful and growing collaboration between the American authorities and those in foreign capitals. It is now six weeks since there was any drain on the United States' supply of gold and the recent collapse on the New York stock market has not brought any substantial net withdrawal of funds from the United States. Only $454 million worth of gold has been lost so far in 1962 and Treasury officials hope to keep the total for the year below, or at least not above, 1961's $857 million, with the total deficit on the balance of payments as a whole also well below last year's $2.5 billion. But independent banking experts feel that this calculation may be over-optimistic and that it fails to allow sufficiently for the long-term difficulty of balancing America's international accounts.



The strength of these depends, just as much as does the economy at home, on confidence and thus the word "recession" is doubly taboo as Mr Clague, of the Bureau of Labour Statistics, found last week. In an historical and theoretical analysis he had pointed out that the post-war pattern of business cycles suggested that the recovery would start to recede in the middle of next year. Mr Clague was disowned immediately by his superiors but the validity of his assessment is accepted in private. Indeed, the date is often advanced to late this year; many of the famous leading indicators of the National Bureau of Economic Research are already turning down, while the most recent statistics, notably of retail sales, are hardly encouraging.

If the outlook is still ominous in July, then an immediate tax cut will probably be requested to stimulate the economy; the President is leaving the door wide open for this. The official view is that such a reduction, although it would add to the deficit in the domestic budget, would only shake faith in the dollar if it was accompanied by an irresponsible increase in spending. Even so interest rates might have to be put up to attract foreign funds in order to keep the balance of payments under control in spite of the danger that higher costs for borrowing might cancel out the incentives for expansion offered by lower taxes.

Hard on Democrats

If the Republican election campaign keeps up the spirit in which it was launched by General Eisenhower last week—and there is every sign that it will—this year's fight will be the liveliest and hardest-hitting ever. Never has the ex-President spoken so forthrightly, so enthusiastically or so comprehensibly; he outlined in the strongest possible language all the reasons why the Republicans think that they have a good chance of winning seats from the Democrats this November and even perhaps of gaining the 44 needed to give them control of the House of Representatives.

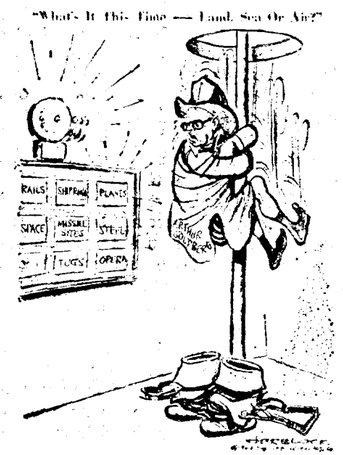
Traditionally the party out of power improves its position in a non-presidential election year but until recently its chances of doing so this time seemed slim. Now, however, the divisions in the Democratic party in Congress, in marked contrast to the disciplined Republican cohesion there, are frustrating the legislative programme of the party's own President. More important the slump on the stock market, brought on, it can be argued, by the economic policies of the Democrats, has underlined for every voter, even more than has the persistence of comparatively heavy unemployment, the failure of the Kennedy Administration to live up to its promise of speeding the country's economic growth. The Republican thesis is that the President is throwing his weight around desperately and ineffectively, threatening the freedom of the people and alienating important groups—his own supporters in Congress, businessmen, doctors—without whose help he cannot hope to restore prosperity.

While dissociating himself scathingly from the President's plea for co-operation in economic matters, General Eisenhower did reassert the desirability of continued bipartisanship in foreign policy. But this does not preclude the Republicans from pressing the Administration in this field either, although the only line of

attack which they have found here so far is the worn-out, but still politically telling, charge of being "soft on communism." This they had evidently hoped to develop in this week's examination by the Senate Foreign Relations Committee of Mr Walt Rostow of the State Department's Policy Planning Council and late of the White House staff. To pull down this close colleague of Mr Kennedy's would also be to discredit the academic advisers, the intellectual outsiders whose influence with the President is resented so much by Republicans—and by many Democrats. A story in the *Chicago Tribune* on a report by Mr Rostow said that he recommended an agreement with the Russians—a "no-win" approach, in fact, "an accommodation with tyranny." This gave the Republican leader, Senator Dirksen, what he thought was his chance. The Senate hearing was held at his request but Mr Rostow's replies do not seem to have left any openings for carrying the matter further. The report turned out to be a document which was still unfinished at the time of the press stories, which is completely confidential and which gives quite a different impression, it appears, when studied at its very full length. In effect Mr Rostow has laid down, in consultation with all the departments concerned, for the approval of the President, a comprehensive clarification of the Administration's foreign policy. And no one who has worked with Mr Rostow believes that anything produced by him can be soft.

Forced Landing

MR GOLDBERG, the Secretary of Labour and ever-ready fireman for trade union disputes, has had one piece of good news—the settlement, though at a high cost in wage increases, of the shipping strike on the West Coast. But the sleep he lost last week over the airlines may have been wasted. This is particularly disappointing. The Administration had some hopes that, if progress in the air could be reconciled with consideration toward the workers involved, this might help to loosen other knotty problems, caused by technical advance, particularly those of the railways. Here the managements have once more broken off talks with the men who run the trains on the grounds that the unions are refusing to negotiate on the basis of a presidential commission's report; this advocated doing away with many out-of-date work rules and in particular with the firemen who are now required on fireless diesel trains. This dispute seems to be heading toward the White House once more. The railways feel that they have a right to stand firm on "featherbedding" since they have accepted the advice of another White House board to raise the wages of their non-operating employees—though they have slashed their numbers at the same time.



The trouble in the air is that the flight engineers employed by Eastern Air Lines and Pan American World Airways have rejected the settlement worked out so painfully just before the strike deadline for Trans World Airlines. Pan American has secured a court order which forbids a strike until July 6th, but Eastern Air Lines—the country's fourth largest domestic carrier—has had to shut down entirely and transfer its 30,000 passengers a day to its competitors. The exasperated White House calls the strike "the height of irresponsibility" but the strikers feel that the chairman of the TWA branch of the union gave away too much to settle the long-standing dispute over the question of which union—theirs or that of the pilots—should represent the third man in the cockpit of jet aircraft when crews are cut, as everyone agrees they should be, from four men to three. The engineers' president has also attacked the settlement and it is possible that even the rank-and-file engineers at TWA may vote to reject it. The main complaint is that the TWA branch agreed not to require a mechanic's certificate of the third man; this would make it much easier for members of the pilots' trade union to qualify for the job, although the present engineers will be given priority. The eventual disappearance of the flight engineers' union is also envisaged. Such intricacies exhaust the patience of Congress and this week Senator Monroney proposed a Bill which would, in effect, require compulsory arbitration of disputes between the airline unions.

Stockpile—Political Asset?

THIS week, when Senator McClellan opened the main congressional investigation into the Billie Sol Estes affair, Democrats stood somewhat upon the defensive. But they have been taking the offensive on another political front—the stockpile, the $8.7 billion hoard of war materials of which $3.4 billion has been declared surplus. Indeed, the barring of the *New York Herald Tribune* from the White House stemmed, it is said, from its playing up of the Estes scandal and its playing down of Senator Symington's efforts to prove that there had been Republican mismanagement—if not worse—of the stockpile. His rambling investigation seems certain to keep the issue alive until just before the congressional elections and to postpone until next year any action on the plan, which the Administration has now drafted, to step up the rate of sales from the stockpile to between $600 million and $800 million a year; this is about eight times as much as Congress and nervous government agencies, both of which are under pressure from the industries concerned, have been willing to allow. Even now Congress, in extending the Defence Production Act for two years, has refused to give the President power to sell certain surpluses abroad at lower foreign prices.

So far Senator Symington's haul has not been very impressive, though he has declared loudly that the taxpayers have lost $1 billion over the stockpile—far more than anyone has suggested they have lost in the Estes affair. Two conflict-of-interest cases have been uncovered and the names of two eminent members of the Eisenhower Administration—Mr George Humphrey and Mr John Whitney, the publisher of the *Herald Tribune*—have been bandied about prematurely in connection with nickel contracts. Some contracts may have been too favourable to commercial interests, but nothing has emerged which seems to have involved more than bad judgment, although Senator Symington obtained an admission last week that purchases of lead and zinc between 1954 and 1958 were designed partly to shore up prices for the industry. Stockpile goals were manipulated to justify the buying of the metals, which are easily accessible in the western hemisphere, and competitive bidding was not employed. Over $200 million has been lost on lead and zinc alone.

Most of the mountain of surplus materials is the result, however, of the realisation in 1958 that to prepare for a five-year war was an exercise in optimism. Such bureaucratic red tape as has hobbled the use and disposal of the surplus is now being cut; for example, since April five government agencies have lost their veto over

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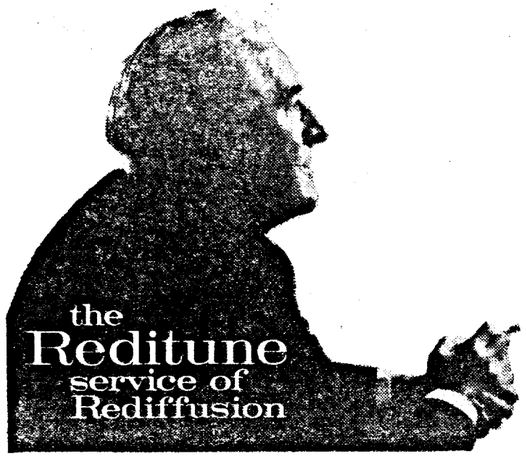
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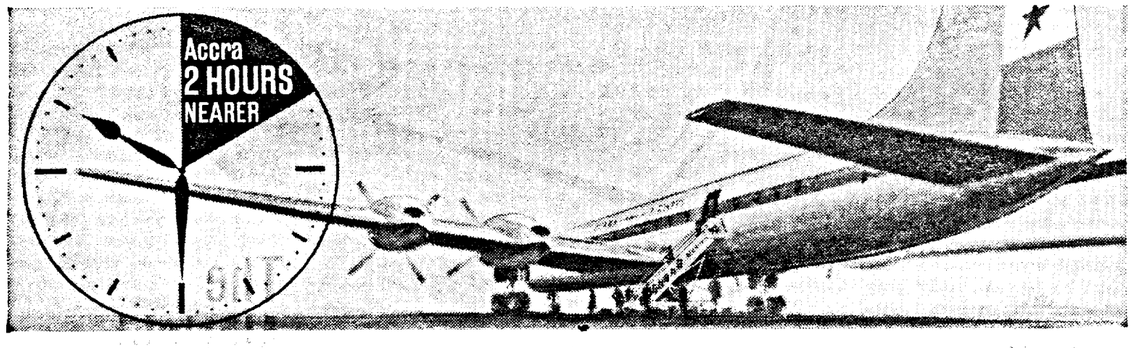
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sales. But if Congress really wants to reduce the surplus it will have to steel itself for much bolder bites than this month's nibble which, among a lengthy list of odds and ends, authorised the sale of 50,000 long tons of the tin of which the stockpile has so much and of which the world is running short.

Hold-up on the Hill

MEMBERS of the Secret Service, which guards the President, were the first government employees to be asked to "volunteer" to work without pay while Congress fiddles, but they may not be the last. So far the appropriation Bills for the new fiscal year, which begins on July 1st, have not been approved ; neither—and this is what is causing the present trouble—has any supplemental appropriation Bill to help the government to pay its way in the closing weeks of the present financial year. All this is because of a trial of strength on Capitol Hill between two venerable and obstinate legislators, 83-year-old Mr Cannon, of the House Appropriations Committee, and 84-year-old Mr Hayden, his opposite number in the Senate. Senate and House versions of all Bills must be reconciled in special conferences and these two old gentlemen have refused to meet since April.

The dispute, which is not quite as silly as it sounds, began over where they should meet ; traditionally the conferees from the House traipse over to the Senate, at some inconvenience. Mr Cannon won the concession that in future meetings were to be held in a half-way house, the old Supreme Court Chamber. But then he went on to demand that the chairmanship of the conferences, which has always been held by a Senator, should rotate between the two houses ; Mr Hayden demanded in return that half of all appropriation Bills, which traditionally originate in the House, should start in the Senate. The Senators might not be quite so unyielding if last year the House had not behaved particularly badly. It gaily shut up shop and went home before the Senate had completed work on pending Bills so that Senators had no choice but to swallow some extremely objectionable legislation. In fairness, the House has some claim to a share in the chair though Mr Cannon's argument that this will enable the House to restrain the Senate's extravagance will not appeal to everyone.

Senator Mansfield, the Democratic leader, fearing that Congress is becoming ridiculous, has proposed that after this session a special committee should be appointed to consider the dispute. The failure to pass new appropriation Bills in time for the new fiscal year is not unusual and is always dealt with by resolutions authorising the existing level of spending to continue. But this course is not allowed for supplemental appropriations ; an agreed Bill is needed. The onus is now on the House. It voted a $133 million supplemental appropriation for the most urgent needs ; the Senate has raised this to $277 million—about half what is required in all. The House must accept this version or lay aside its struggle for equality with the Senate. The alternative is to put the government to quite unreasonable inconvenience.

Living in a Shell

NEW YORK

THE government's statisticians, who compile records on practically everything, have no figures at all on the number of shell houses—dwellings completely finished on the outside but unfinished inside. These are a relatively new but substantial segment of the housing business ; it has been developing since the end of the last war and there are now about one hundred firms involved in it. They have built over 250,000 shells ; these are not prefabricated but they contain a high proportion of standardised construction forms and a skilled building crew—these operate independently—can put one up in two or three days. Prices range from $1,000 to $3,500, according to size, and a buyer will have to spend at least $1,000 to make it possible to live in a shell. The exact amount depends on how much outside labour is employed (most buyers complete a good portion on a do-it-yourself basis) and on the quantity and quality of the materials bought for plumbing, flooring, walls, lighting and so on.

It is agreed that at least 75,000 shells were built last year ; this represents a considerable outlay for lumber and other building materials. Last year's total was probably a high mark which will not be reached soon again, simply because the demand for shells is limited to those parts of the country where incomes are low, land is relatively cheap, building regulations are liberal or non-existent and the climate is suited to cellarless, wooden-frame houses. The South is an area which possesses these essential qualities and it is there that the shell industry got its start and continues to flourish. Indeed, it has grown most consistently in Mississippi, one of the poorest and most backward states, where Negroes have bought almost half of the shells that have been built. They may not be comparable to the average house in a suburban tract, but unquestionably they are superior to the tar-papered, tin-roofed shacks that are an eyesore in so many parts of the South ; and because shells can be bought on monthly payments that are no higher than the rent paid in slums, they have great appeal to those with low incomes—from $2,500 to $4,000 a year—who cannot afford a standard home.

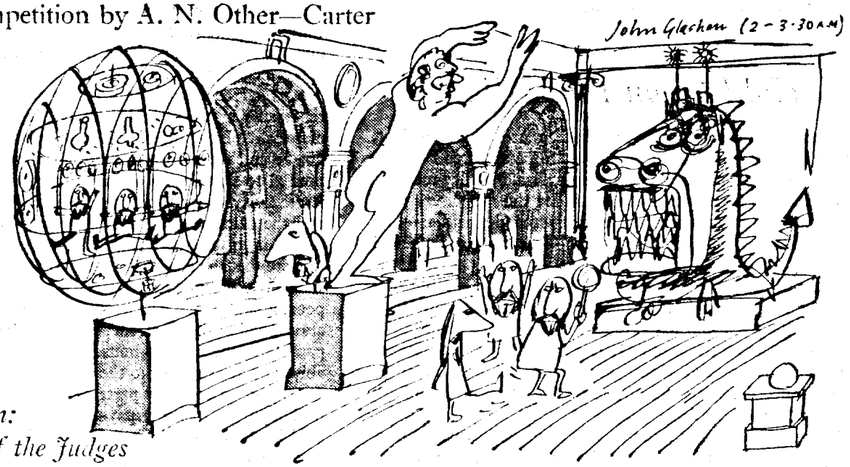
A basic shell does not qualify for mortgage backing from either the government or a bank. Yet at least 90 per cent of all shells are sold on credit on terms similar to, but longer than, those applied to motor cars. A prospective purchaser who does not have the cash is required to own the plot of land on which the house is to be built ; the seller will take title to the land as a down payment and provide a four to seven year mortgage, charging what amounts to 12 per cent on the loan. Admittedly this is an expensive form of financing, but it is not considered exorbitant by buyers who would ordinarily have no opportunity of owning a home of their own.

To acquire an adequate supply of credit was a major problem for builders in the early days of the industry. But the Jim Walter Corporation, a pioneer in the field, succeeded in persuading banks and other institutional lenders that buyers of shell houses, in spite of their low incomes, were good risks ; until last year it was rare for a builder to take a loss on a repossessed shell because the original owner had added to its value by completing the inside, so that it could be resold at a profit. This company also sold shares to the public and its rapid and profitable growth—it sold 14,000 houses in 1960—led other builders to follow its example. Last year the standing of the industry improved still further when the Certain-teed Products Corporation, a major manufacturer of construction materials, got into the shell home field itself. But these successes also stimulated excessive competition. Shell builders rushed to set up model houses as offices (last year, there were 33 shell home builders in Atlanta, Georgia) and branches (the nine biggest builders had over 400 branches) with little or no concern for market conditions, even venturing into the northern part of the country where the climate was hardly in their favour.

This increased competition led to a lowering of credit standards and to higher costs for each sale, which cut into profits ; some builders showed losses because of too rapid expansion. So now retrenchment is in progress, with a few builders closing down altogether while the larger outfits give up their unprofitable operations. The industry predicts that about 50,000 shells will be sold in 1962, which is probably roughly in line with the needs of the market. Earlier, builders had hoped to tap an additional market by selling "holiday" homes ; but those who could afford a second house were uninterested in basic shells. However, this type of housing should continue to fill a need in towns and semi-rural areas where incomes are low and living conditions backward.

PROJECT 304

The story of the great **Shell Chemicals**
Sculpture Competition by A. N. Other—Carter



Chapter Eleven:
The Quarrel of the Judges

One of the big surprises about the sculpture competition for *The Spirit of Shell Chemicals* was that the really spectacular clash of temperaments was not between sculptor and sculptor, or sculptor and chemist.

It is true that Jarker, Cromp and Barlby-Towson, the Three Hard Men from Accounts, lost no opportunity of sneering at 'these rotten chisellers'——once in the hearing of old doyen-sculptor Henry Jollifant. But he, knowing they were impotent against the '*onlie begetter*' of the competition, Mr. Carter the director, simply drew himself up to his full height



(nearly seven feet) and said 'Hence, pinchbeck arithmeticians! Begone, *adders!* Back to your abacus! *You* are not Shell Chemicals, but me friends like Carter from Polyolefins, Carter from Ketones, splendid fellers, transforming the modern world with source materials for plastics, resins, paints, rubbers, solvents, insecticides. *Theirs* is the glory I shall body forth——and not with chisels, you starveling calculators, you ignorant computers, but by the *cire-perdue* method.'

No, it was the three judges who quarrelled. Professor Hugo O'Bapchild, the famous Irishman, supported the Spaniard Paella's entry (there was no Irish entry), sub-titled *Freedom*; it showed a lusty youth (the petrochemicals industry) breaking away from his father the oil industry. 'Tis a darling thing,' said O'Bapchild 'ye can see there's still a bond of love there. But I wouldn't be an Irishman if I didn't say *Amen* to Freedom.'

'How anecdotal can you get!' sneered waspish Benson Benson, the non-sculptor and author of *Negative Form*. 'Surely you can see that Max Grob, the Destructionist, wins with this fearful non-dimensional *The Unknown Pest* (against which even Shell Chemicals are powerless)?'

'My dears, they're both too ponderous for words! said the third judge, Cosmo Fanlight, the TV panelist and articist. 'I'm tremendously *for* this amusing thing by Jones the Statue.' The enigmatic Welsh pan-artist had made a huge steel framework ('the world') inside which lights flashed, music played, puppets danced, fragments of novels and poems were read —— all representing the secret, inner, 'transforming' activity of Shell Chemicals.

'Not valid!' shouted Benson Benson.

'Not Irish!' shouted O'Bapchild. 'Philistine!' 'Dilettante!' 'Formalist!' 'Trotskyist!' 'Ironmonger!' 'Crypto-beat!' They were coming to blows when Isobel, whom I had known (if that is the word) in my own Paris sculpting days, came in with Carter from Triethylene Glycol.

What *he* showed them produced an instant, awed silence . . . .



Do not miss Chapter Twelve:
'Carter's Double Prize'

For any information about chemicals contact the Information Officer, Shell Chemical Company Limited, 170 Piccadilly, London W.1.

THE WORLD OVERSEAS

Adenauer without Germany

FROM OUR BONN CORRESPONDENT

THERE appears to be an open conspiracy among west German politicians—aided and abetted by the State Department in Washington—to make it amply clear in advance to President de Gaulle that, when he is closeted alone with Dr Adenauer between Monday and Friday next week, he would be wise not to set much store by anything his guest may promise contrary to Bonn's proclaimed policy. The substance of the signal that is being transmitted to the general by various media, and with varying shades of subtlety, is that Dr Adenauer is indeed worthy of the state honours that France is to pay him; yet the Chancellor is also an exceedingly old man who will soon be gone and is no longer entitled to tie his country to this scheme or that more or less without reference to anybody else.

The conspiracy has come into being almost spontaneously. It is a by-product of recent pronouncements and asides by Dr Adenauer that might have encouraged President de Gaulle's wayward dreams of power and glory. Sharing the president's conviction of the uselessness of negotiating with the Soviet government about Berlin, he had belittled, at a press conference in west Berlin, the State Department's soundings with Mr Dobrynin, the Soviet ambassador in Washington, concerning international control of the city's approaches. A few days later, in an interview with an American news agency, he had—to his foreign minister's alarm and despondency—toyed with Count Coudenhove-Kalergi's suggestion that France, Germany and Italy might go ahead by themselves to form a European political organisation should Belgium and Holland continue to insist on waiting for Britain. *Die Welt am Sonntag* gave pride of place this week to a letter from Herr Birkelbach, a Social Democratic Bundestag deputy who, recalling the fog of misunderstanding generated by the Adenauer-de Gaulle *tête-à-tête* meetings at Rambouillet and Baden-Baden, urged the government to "work for clarity" both at and after next week's get-together. All things considered, it looks as though Herr Birkelbach's advice is going to be superfluous.

Among the cruder attempts to curtail Dr Adenauer's prestige on the eve of his visit to France is that of the Hamburg weekly, *Die Zeit*. In a leading article this journal castigates the Chancellor for "trying to evade the future," for pursuing "a policy that exhausts itself in petty finesses, cheap tricks and glaring contradictions." For Dr Adenauer, *Die Zeit* asserts, "no trouble is too great to keep hold of power, no guile, no treachery. . . . For whom does he speak? What value for tomorrow has the word he speaks today?" This harsh judgment is not entirely unmarked by personal resentment; the owner of *Die Zeit*, Dr Bucerius, recently resigned from the Bundestag and the Christian Democratic Union in lone rebellion against the patriarch. But even the *Deutsche Zeitung*, a Cologne daily that often speaks for the Federation of German Industry, has thought fit to air the question whether, in view of the Chancellor's pending retirement, it may not be supposed here and there that the Federal Republic is sending a "lame duck" to deal with General de Gaulle.

Dr Adenauer's coalition colleagues have been cutting the master down to size much more gently, but none the less purposefully. Herr Dufhues, the new managing chairman of the Christian Democratic Union, continues to talk in public of the preparations that must be made for the day when Dr Adenauer will no longer be there. The Chancellor's aberrations from the declared government line about Europe, and on the American efforts to settle the Berlin dispute, have been unequivocally disavowed in turn by such leaders as Herr Mende (chairman of the Free Democrats), Herr Gerstenmaier (president of the Bundestag), Herr von Brentano (former foreign minister and Christian Democrat leader in the Bundestag) and last but not least by Herr Schröder, the foreign minister. On Tuesday Herr Birrenbach, a dedicated German member of M. Monnet's Action Committee for the United States of Europe, fielded a sturdy team at the press conference in Bonn at which the committee's latest manifesto was proclaimed. It included Herr von Brentano, Herr Ollenhauer and Herr Wehner (respectively chairman and deputy chairman of the Social Democrats) and Herr Rosenberg (deputy chairman of the Federation of Trade Unions), all of whom spoke of the necessity for prompt and full British membership of the European community in order that the wider goal of an Atlantic community might be reached the sooner.

IN the Bundestag on Wednesday, shortly before leaving for Brussels, Herr Schröder, who will be accompanying Dr Adenauer to France, made as much as he could, or dared, of an opportunity to clarify the government's European policy. It was presented to him systematically at question time by ten leading Social Democrats one after the other. Herr Ollenhauer wanted to know what the government was intending to do to bring about British entry as "the step of prime importance on the road to European integration." Herr Wehner asked whether Dr Adenauer believed, as once he had suggested he had believed, that a widening of the European community would be its undoing. Herr Erler was interested in the future of the three European neutrals. Professor Carlo Schmid inquired about the possibility of France, Germany and Italy going it alone for a while. And so on. The foreign minister parried elegantly. Without going into details, he recommitted himself and the Chancellor to orthodox government doctrine as previously expounded. A couple of feet away the Chancellor listened glumly and did not once intervene.

Much of the credit will be due to Mr Dean Rusk if all these precautions prove to have been unnecessary and Dr Adenauer is seen, after next week, if not to have dissuaded President de Gaulle from pursuing self-sufficient policies that would imperil the western alliance, then at least to have withheld German encouragement. Mr Rusk went to great pains when he was in Bonn last week to convince Dr Adenauer by argument and flattery of his, the Chancellor's, unique qualifications for dealing with the French president in the interests of all. Within a few minutes of his arrival Mr Rusk spoke of the "great Chancellor," and to the company at dinner that night he remarked, in the Chancellor's hearing, "One rarely has the opportunity of spending an evening with an historical personage such as Dr Adenauer." By the end of his brief stay Mr Rusk seemed to have talked the hesitant Chancellor into promising broadly to support Washington's views. Even if this was a rosy view, Herr Schröder wasted no time in putting it into currency. In a radio and television interview on June 23rd, a few hours after Mr Rusk had left for Rome, the foreign minister reported that Bonn and Washington were agreed on the aim of forming a multilateral nuclear force under Nato

for Europe, on the usefulness of the American-Soviet talks on Berlin and on the value of the discussions on European political union and the negotiations for British entry into the European community running simultaneously "with the object and in the anticipation that the day is nearing when Britain will enter such a political union."

Perhaps, when the two are alone together, Dr Adenauer will confess an unofficial sympathy with his host. For the two Catholic European statesmen, who have done so much for the permanent reconciliation of their countries, share a certain congenital antipathy towards insular, Protestant England. Nietzsche, in his chapter on peoples and countries in "Beyond Good and Evil," may have put it for them when he wrote: "The European noblesse—of sentiment, taste and manners, taking the word in every high sense—is the work and invention of France ; the European ignobleness, the plebeianism of modern ideas, is England's work and invention." If they might think that that was going a little too far, they would surely agree, as veteran autocrats, with Nietzsche's observation, a few pages later, on the importance of keeping "one's dark glasses: for there are circumstances when nobody must look into our eyes, still less into our 'motives.'"

China Coast Dither

FROM OUR CORRESPONDENT IN HONGKONG

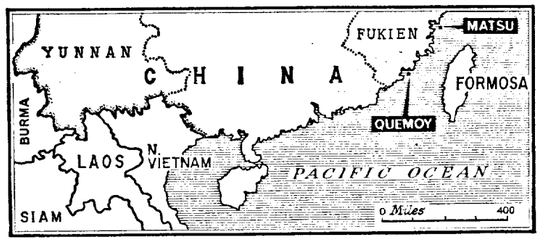
FAR EASTERN newspaper correspondents, evacuating Vientiane's Hotel Constellation over farewell Pernods in the sceptical expectation of at least six months' inaction under the new Laotian coalition government, agreed that they would next be assembling in Taipeh and Quemoy. It was nearly four years since the Chinese Communists had exploded millions of rounds of high explosive on the offshore islands with negligible results ; the Nationalists had recently been increasingly and insultingly bellicose ; the Mao regime could well use some military alarums and excursions to divert a discontented population ; more grapeshot on the heads of Quemoy's bored garrison would, as always, embarrass the Americans—and even the Russians.

Yet, when the expected intimations of renewed trouble along the China coast were heard last week, the red light unaccountably flashed first from Washington. The Chinese Nationalists were initially cast in the strange role of pacifiers of American disquiet. It was almost as though the wise shepherd, instead of the dishonest shepherd boy, was crying "Wolf ! " The Communists then confirmed the American reports of a massive build-up exceeding that assembled for the challenge to the offshore islands in 1958, but explained that the troops were there to resist an American-backed aggression by the Nationalists.

History was in effect wearisomely repeating itself, but with what Chairman Mao would describe as basic contradictions. All the evidence supports the Communists' contention that their build-up is indeed defensive. Every day the China coast opposite Formosa is meticulously photographed. There is no sign even of a beginning of the assembly of junks and landing craft for an invasion armada. If military distractions from internal difficulties were the Communists' motive, the Americans had jumped the Chinese gun ; Peking had made no press or radio mention of the transfer of a variously estimated number of divisions to what is by now a vast armed camp in Fukien province until the Americans sounded the alarm. Even now, after the Communists have been prompted and even hurried into empty, forced and familiar counter-warnings of American tricks and plots, there is still no evidence of preparations for a spectacular old-type blood-and-iron national campaign with marching thousands shouting "Taiwan will be liberated." It could happen overnight, of course, but the pattern still remains curiously static: Peking's "popular" demonstrations in the past have always preceded and accompanied troop movements.

It is perhaps necessary to stress the simple fact that the Chinese Communists are genuinely suspicious of American intentions and good faith and are unimpressed by the carefully and correctly "leaked" stories that Washington has, since last October, been resisting Nationalist pressure for at least moral and psychological support for more extensive air-dropping operations and exploratory commando sallies along the China coast. The Nationalists may or may not, in fact, be concentrating on training commando troops in amphibious tactics and secretly building landing craft in Formosa. But these reports, as correspondents know, are—perhaps wishfully—accepted as true in South Vietnamese military and governmental circles ; and certainly Peking has also heard them. It is probable that the Chinese Communists have more rewarding agents in Formosa than the Nationalists have in China—although certainly each side is fully represented in the other's camp.

A reasonable, if unexciting, appraisal of the present dither over the Formosa straits is that the Chinese Communists are simply playing it safe, that the Americans are worried more about the Nationalists than about the Communists and that the Nationalists certainly had, and have, nothing to gain from stressing the resolute communist preparedness when their line is that the homeland is



not only ripe for revolt but is also organising bouquets of flowers to drape around Chiang Kai-shek's neck as he wades through the surf to meet the welcoming millions. If these humble premises are accepted, the Americans were smart in sounding the fire alarm before self-defensive communist smoke signals were misread by the Chinese Nationalists.

It is necessary—and perhaps more significant—to record that the Chinese Communists are also moving troops south into Yunnan province, bordering Laos, where their generous "Friendship Highway" is boring into Phong Saly province of northern Laos. In any event, Far Eastern correspondents are perforce moving with resignation from Vientiane's Hotel Constellation into Taipeh's Friends of China Club. But the real news is still in Laos, where the hot war in South Vietnam will ultimately be decided.

The Congo and Neighbours

MR TSHOMBE has described his return to Katanga on Tuesday as a "temporary interruption" of his Leopoldville talks with the central Congo government, which will enable him to "think things over." Mr Adoula, more bleakly, said that this latest round of five weeks of talks seemed to have exhausted all means of ending the Katanga secession by negotiation, and that the United Nations would now have to shoulder responsibility for the problem again. The prime minister thought Mr Tshombe was bent on maintaining his breakaway regime, and on continuing to employ "foreign mercenaries." Mr Tshombe himself, as ever, remains uncommitted ; his one clear statement was that he had signed nothing.

In a few days' time the Tshombe secession will be two years old. Throughout those two years it has been sustained by the taxes and other revenues which the *Union Minière du Haut-Katanga* has paid to the secessionist "state" instead of to the Congo republic. The chairman of the company argued, at its annual general meeting last month, that it had no option: the Tshombe regime was in a

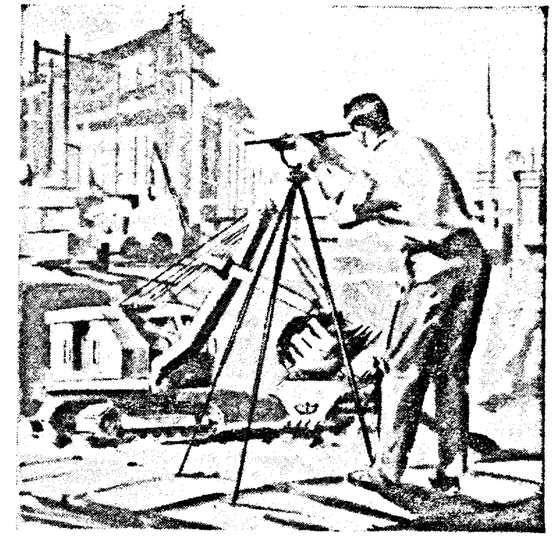


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position to enforce payment, and that was that. Behind this rather over-simplified expression of a relationship that has in fact been more subtle, the lurking reality seems to be the fact that Mr Tshombe's wilder associates have repeatedly threatened to wreck the company's installations if it did not play along.

Is this reality still real? Some of the wild men, notably the French ex-officers who master-minded the attempt to envelop the UN troops in Elisabethville last December, have left Katanga. True, there have been disturbing reports of others crossing the Rhodesia border to fill out the well-paid ranks. But the UN force, which, after all, unmistakably won the battle that was thrust upon it in December, presumably remains in a reasonably strong military position. What is there to prevent the *Union Minière* requesting its protection against wreckers? Anything apart from umbrage?

France's Ladder to the Top

FROM OUR PARIS CORRESPONDENT

"WHAT is the use of passing an examination? It is said that you only get a job if you pass. But I do not want a job; I shall be a rentier. . . . To be a bootblack, you have to win the job of bootblack and pass an examination; the jobs that are offered to you are those of bootblack, or swineherd or cowman." So Rimbaud, aged 8, described the French obsession with examinations in his diary. The rewards are not all as lowly as he said. Each year, when most teenagers leave their secondary school to go to work or to university, the brightest of them—or the most determined—stay on for at least a couple of years to prepare for the competitive entry examinations to the *grandes écoles*. These two years have been described as a term of hard labour. The available places are few, and the scholars prepare for several examinations at once, conscious that their careers are being settled.

The **Ecole Normale Supérieure**, which traces its origins back to the French revolution, is the pride of the teaching profession. At the rue d'Ulm, within a stone's throw of the Panthéon, some 80 young men are chosen each year from more than 600 candidates. (Seventy girls are admitted to an equivalent school at Sèvres.) Of the successful few, 35 read the arts, the remainder science. They prepare for two examinations: a university degree and a teaching diploma called *l'agrégation*. This emphasis on teaching upset the scientists and a reform was passed this year that enables some of the future scientific research workers to be excused from the teaching diploma. The *agrégation* is a passport to teaching posts in the state lycées and as such is open to other graduates. But the selected and specially coached *normaliens* are the élite of the profession. They will provide not only the teachers, but the lecturers and professors.

The school can claim as former pupils many of the famous names in the academic world. But its political influence has declined. During the Third Republic, the school was a breeding ground for politicians; the Socialist party, from Jaurès to Blum, recruited its intellectual leadership from there. The fact that the present prime minister, M. Pompidou, also started his career at the rue d'Ulm is not characteristic of the Fifth Republic.

Founded at about the same time as the Ecole Normale Supérieure, and lying within walking distance of it, the **Ecole Polytechnique** is, in theory, a military college. But this aspect is apparent only in the uniforms, the parades and the fact that a tenth of the syllabus is devoted to military training. In practice, it is France's top engineering school. Each year, 300 students are chosen from nearly 2,000 candidates. Rivalry continues during study, which is based on mathematics and physics, because the student's place in the list of graduates determines his choice of career. The top few are offered positions in the various departments run by the Ministry of Industry. About a quarter of graduates still go into engineering jobs in the armed forces.

Both the *polytechniciens* and the *normaliens* are expected to spend at least ten years in public service, or else to refund their scholarship. Some resign at once, others move out, having served their time. Thus, they are to be found not only in the key industrial jobs of the civil service and the nationalised industries, but also on the boards or in the top managerial jobs of the private sector, chiefly heavy industry. Their esprit de corps is famous in France.

The **Ecole Nationale d'Administration** was founded in 1945 in order to centralise, and if possible make more democratic, the recruiting for the administrative grades of the civil service. Its students do not come straight from school, but have either a university degree or some years of work behind them. The 80 or so places available each year are filled through two competitions. The first exam, for two-thirds of the places, is reserved for graduates under 26. The second exam is open to people under 30 who have had at least five years' experience in the civil service.

The successful have then to take two courses. For the first eleven months they are sent to posts, either in the provinces or overseas, and have to write a memorandum on some given subject. The second part of the course, lasting 17 months, is the more traditional pattern of lectures, seminars and essays. The final marks are important, because here, too, the student's position in class gives him first choice of career. The four most favoured branches of the civil service are: the foreign service; the *cour des comptes*, whose members, as irremovable as judges, control the accounts of the central government, the local authorities and the social security system; the *conseil d'état*, supreme administrative court and watchdog of the legality of government; and last, but not least, the *inspection des finances*.

It is, perhaps, a sign of the times that *inspecteurs des finances* are to be found in key positions everywhere. That they should hold all the top jobs in the ministry of finance and the Bank of France is to be expected. So is their prominence in private banks and industry (they tend to leave the civil service). But they are as prominent in politics as they are in business or the administration. Their numbers include M. Couve de Murville, the minister of foreign affairs, and M. Chaban-Delmas, the president of the National Assembly.

France has many other specialised higher schools to which entrance is by competitive examination. There are also bright young Frenchmen who combine several diplomas at once. (M. Giscard d'Estaing, the minister of finance, is both a polytechnicien and an inspecteur des finances; so is M. Clappier, the chief French negotiator in Brussels). The fence between civil service and private business is often crossed; and on either side, in commanding positions, sit men from the same schools, with similar upbringing and environment.

In theory, admission to this "establishment" is open to all. The best secondary schools are the state-owned *lycées*, which are free of charge. From there the rungs of the ladder are, apparently, climbed through competitive skill. But for all that, the social origins of the men who occupy the room at the top are no more popular than in most countries. Statistics giving the social background of the student population confirm this impression: children of industrial workers account for merely three per cent of the total; those of agricultural workers for less than one per cent. The proportion is even smaller in most *grandes ecoles*. The educational stakes, however efficient, cannot, on their own, compensate for other handicaps. For many French children, the disenchanted remark of young Rimbaud is still not utterly wrong.

SHUT THAT WINDOW—

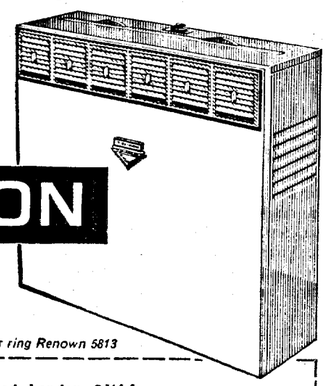


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Fresh Start in Turkey?

FROM OUR CORRESPONDENT IN ISTANBUL

On a rough calculation, if party discipline works as it should, Mr Inönü's new government will "command" 300 and more out of 450 seats in the National Assembly. It is also important to note that all the party leaders in the coalition have solemnly signed an agreement pledging themselves to carry out urgent reforms. [The coalition consists of the People's Republican party, the New Turkey party and the Republican Peasants Nation party, and a group of Independents who have split off from the Justice party.] Nobody is very sanguine, but there is still a hope that Turkey's parliamentary regime can be strong enough to introduce a radical change in the country.

Turkey's problem is one of the regime. Nowhere in the world, except perhaps India, is a clearer statement to be found of the question: can western-type parliamentary democracy carry out the far-reaching reforms demanded by an undeveloped country? Can such a regime break down encrusted conservative forces? In most Asian and African countries such regimes have already failed; not yet in Turkey. It is curious that a country which for centuries was regarded as the last word in political despotism should today be more passionate than any other to instal western democracy. What military junta in the world has abdicated power within seventeen months of seizing it, held genuinely free elections, set up a bicameral parliament and withdrawn quietly into the relative obscurity of the senate? All this the Turkish junta did. True enough, extramural pressures unknown at Westminster have been put on the "sovereign" parliament more than once since it was elected in October. Professor Ali Fuad Bashgil, who stood as a rival candidate for the presidency against the army's nominee, General Gürsel, was simply told by the army leaders that they could not guarantee his life; he left hurriedly for Istanbul. Mr Inönü has consulted ostentatiously in every political crisis with the chiefs of staff (who constitutionally, of course, have nothing whatever to do with politics). For the present it is clear that the armed forces and not parliament are the sovereign power.

Nobody can call this exactly democratic, and some of the bolder Turkish newspapers (not very often, it is true) have said so. But extramural pressures are, after all, better than outright army rule. The top army leaders are, at least for the moment, adamant that the parliamentary regime should go on. But there is no doubt of their, and many other people's, dissatisfaction with a government and parliament which, in seven months of deadlocked coalition, have produced no single measure of substance. This is a country where reforms in every branch of national life have been urgently needed for the last fifteen years. Turkey's population explosion is one of the world's most violent (a gross birth rate of 7 per cent is only kept down to 3 per cent net by the high infant mortality). The source of food for these teeming Turks is rapidly declining. Erosion aggravated by deforestation, is turning the whole of central Anatolia into a desert. The peasants, unable to scrape a living from their plots of dust, flood into the cities, where they camp in groups of squalid hovels like the tents of invading armies, half in, half out of the urban system. Half the total population of Ankara is believed to be made up of squatters. Unemployment is so widespread as to be almost general. The tax structure carries injustice to the point of insanity. These are just a few of the problems.

The five-year plan is now about to emerge. Mr Inönü is known to be interested in this; and in his declaration of economic policy in April he showed he had a grasp of the priorities. Turkey, he then said, could not expect more than about a quarter of the cost of the plan to be financed from foreign aid; the rest must be furnished by Turkey itself, mainly out of taxes. It remains to be seen what the plan consists of, whether it can be financed and, more important, whether the political regime is strong and determined enough to apply it. A basic doubt must also exist whether the parliamentary regime can solve Turkey's problems. There are very strong conservative forces to be overcome—feudal landlordism, big business, religious fanaticism—which are represented in parliament and, indeed, largely in the new coalition. A curious fact in Turkey is that reforming impulses are sparse among the politicians and the intellectuals but are at their strongest in the armed forces. Though we may not like to see armies nudging parliaments, in Turkey the army may well be nudging parliament in the direction it should best go.

The army coup of 1960, by deposing an established government, opened new vistas. During the last two years there have been strikes, workers' demonstrations and outbursts of class feeling unlike anything Turkey had seen before. The new leftist periodical *Yön* hovers on the edge of Marxism, but only exists because it has outright army support. But, for all the urgency of reform, there is still no political party represented in parliament with even a Fabian socialist tinge. This lacuna in Turkish politics is badly felt. The strongest socialists are in the armed forces. But the army is divided and is uncertain how to handle the problem of the regime. Today, faced by difficulties more formidable than even Kemal Ataturk had to tackle, Turkey's leaders still seem determined to have revolutionary reforms and democratic institutions as well. They are still groping their way towards a type of regime that can combine both.

Chinese in Siam

FROM A CORRESPONDENT IN BANGKOK

A RECENT round-up of Communist suspects in Siam netted at least one important party worker. It is no coincidence that the man in question, Nai Ruem Wongphan, was at one time a teacher in a Chinese school here, and that he received training as a party worker in China. The Siamese Communist party clearly looks more to Peking than to Moscow. The interrogation of Ruem is reported to have revealed connections with Chinese business men, some of whom in turn have connections possibly fortuitous, with Siamese official persons. But Ruem did not disclose the names of the people who financed his trip to China. He was executed on May 25th. All this has again drawn attention to the Chinese community in Siam.

Estimates of the proportion of Chinese in the country's total population of about 23 million vary widely. In terms of official nationality the figure is deceptively low, since every child born in the country with a Siamese mother is considered Siamese, unless formally registered at a foreign consulate. But about two million speak Chinese in the home, and far more are of predominantly Chinese blood. They are important for the usual reason that they control commerce, with 85 per cent of the retail trade in their hands and almost a monopoly of rice milling and exporting.

Siamese policy towards the Chinese immigrants has fluctuated. Up to 1932 and the end of the absolute monarchy Chinese immigration was uncontrolled. Intermarriage was fairly frequent—sometimes even with members of the royal family; descendants of Chinese families often became royal officials, noticeably tax-collectors, or farmers of the opium and gambling monopolies. The custom early developed, and still continues, by which Chinese families give some of their sons a Chinese, and others a Siamese, education. One prominent privy councillor today (his father was a British subject from Hongkong) is a pillar of Siamese conservatism; his brother is a monk in a Chinese Buddhist monastery in Siam.

The 1932 revolution led to a surge of nationalist, anti-Chinese

feeling. Laws were passed (and usually skilfully circumvented) to restrict certain businesses and professions to Siamese nationals. The war increased these pressures, and the pro-Japanese Pibul Songgram government whipped up specifically anti-Chinese feeling. Immediately after the war the Jawarad Road riots, in the heart of Bangkok's Chinese business district, against discriminatory legislation were a salutary shock. Since then Siamese governments have adopted a slightly more conciliatory policy; they have combined an attack on Chinese education and a virtual prohibition on immigration with laws making it somewhat easier to become a naturalised Siamese.

How far has this policy succeeded? Chinese higher and even middle-school education no longer exists. Even in Chinese primary schools the teaching of Chinese is restricted to six hours a week and the headmaster must be a Siamese. The learning of Chinese is essentially a night-school activity and all schools must not only be registered but are watched for communist infiltration. The very wealthiest Chinese, of course, continue to give their children at least part of their education abroad where they get away from the narrow, constricting influences of their own community. Very often this leads to semi-dynastic marriages between the offspring of Chinese businessmen and of Siamese military leaders. At a slightly lower level the process of assimilation takes place in Bangkok's universities where a great number of students of Chinese origin go so far as to change their surnames.

The Chinese Chamber of Commerce and the powerful secret societies try, on the whole, to steer clear of pro and anti-communist politics with an official bias towards Formosa, which is, of course, recognised by Siam. Some associations are, however, reported to have one or more members who maintain ties with the mainland. This would be in keeping with the traditional Chinese policy of re-insurance.

Meanwhile the Chinese business leaders devote most of their attention to cultivating friendly relations with military and government leaders. Immigration regulations can sometimes, it is said, be "fixed" and profitable commercial deals often come the way of those with the right contacts. The Siamese officials involved sometimes think that they are using the Chinese when the Chinese are in fact using them.

Despite these failings the Siamese policy is on balance proving successful. Assimilation is most rapid in the North where the Chinese minority is smallest, slowest in the South where the majority are not in fact Siamese-speaking but are Malays, with whom, both for religious and social reasons, the Chinese assimilate much less easily. Given another generation, the minority who are consciously Chinese will certainly have decreased in influence. The Siamese tradition of tolerance and easy acceptance as Siamese of anyone who chooses to give himself that label mean that intermarriage tends to produce Siamese, not Chinese, children.

Two other factors should not be forgotten. First, most of the Chinese community are shopkeepers, who realise that their social class would certainly not be favoured in a communist society. Secondly, the Chinese community is almost entirely Teochew-speaking (the dialect most remote from Mandarin) but most Chinese schools are following the mainland practice of teaching Mandarin. This means that what the Chinese young people learn is more and more a "foreign" language. Time, then, is on the side of assimilation. The problem is, just how much time has Siam?

Buyers' Market for Russia



RETAIL trade turnover in the Soviet Union used to beat all records for speed. Goods were snatched by eager customers as soon as they reached the counter. People bought anything—if a pair of shoes were the wrong size they could always be bartered for something better. It is not news that those days of acute scarcity are gone. What is strange is to learn that in Russia stocks of consumer goods have been piling up to such an extent that a wide gap has opened between the output of light industry and the actual sales to the public. This is the main lesson of a recent debate on retail trade by Soviet experts which has now been summarised in *Ekonomicheskaya Gazeta*.

Complaints about the general inability to supply the kind of goods that the consumer wants were the refrain in this debate. The deputy minister of trade of the Russian Republic revealed that "a good proportion of sewing machines lies in store, gets rusty and unworkable. There is nothing left but to write off all this merchandise and send it to scrap." The head of Moscow's biggest department store pointed out that the fashion is now for bright coats, but these are not to be found: "Factories supply black or dark grey coats. You put one on and look like an autumn cloud." Another manager disclosed that a high proportion of goods, sometimes exceeding half the supply, had to be rejected outright as unsuitable for sale.

Who is responsible for this waste? Traders put the blame on factory managers, who take a narrow view of plan fulfilment. To exceed targets in terms of value, they produce expensive goods without bothering about the state of the market. Or, to keep mass production going, they put off changing their patterns or designs. But the head of an industrial laboratory shifted the blame in the other direction. In his view, the distributing bodies are inefficient in their analysis of the market and slow to notice changes in demand. Both accusations, probably true.

No doubt this preoccupation with the symptoms of a buyers' market is a sign of growing prosperity—or, to put it more cautiously, a diminishing scarcity. But this is not a sufficient explanation. Surpluses of unwanted consumer goods appeared in Russia quite a few years ago, and not long after Stalin died the shops were actually driven to holding bargain sales. The planning of light industry and the machinery of trade have not been overhauled since then to deal with the new situation. Little has been done in market research or planning to ensure quick responses to pulls of demand. The problems of scale are not enough to justify mismanagement and waste (those who mistrust Marx can consult Marks and Spencer).

The main reason is that Soviet planners, reared in a sellers' market, feel at ease in heavy industry but are still clumsy when faced with problems of consumer choice. Unwanted goods piling up on shelves, or accumulating dust in warehouses, are a reminder that they can no longer afford to delay learning a more sophisticated approach to problems of consumer resistance.

British Banking

A survey by The Economist

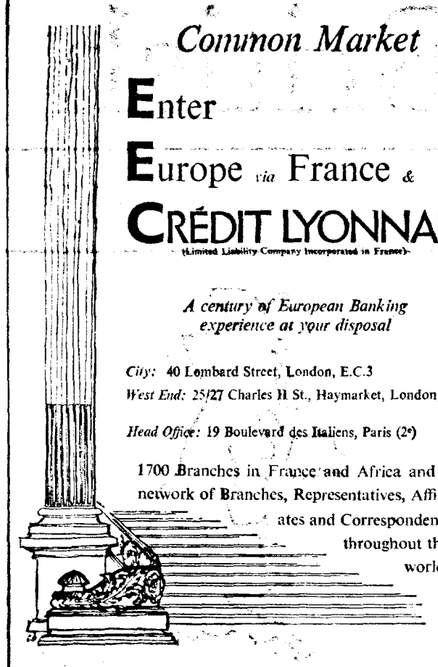


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Banker to Europe?

In the search for British businesses that clearly have the edge over their European competitors there is one that is on everybody's list : the City of London's business of looking after other people's money. The City knows that a new opportunity may lie before it. Twice in the past generation it has seen the foundation of its international banking business cut away, first by the collapse of the gold standard in 1931 and then by the tight exchange controls of the second world war and its long aftermath. In the past few years international banking contacts have already revived, stimulated by the piecemeal (and still not wholly complete) moves to effective currency convertibility and at the same time by the actual and anticipated strengthening of Europe's trading links. Against many people's earlier expectations, therefore, the City has had the chance to resume part of its traditional international banking function.

But this has needed adaptation of old ways. Those institutions that have sat back and lamented the passing of the foreign bond market or the decline of the bill on London have not found new business falling into their laps. The new international business has been channelled rather into those enterprising institutions—which for the most part have been merchant banks, overseas banks and foreign banks in London rather than the clearing banks or discount houses—that have been prepared to devise new instruments (above all the Euro-dollar) to accommodate it. Today the evident success of such business, capped by the prospect of Britain's entry into the common market, has brought a wider vision to the City as a whole. And the Bank of England, too, which may conceivably over the years have had certain gnawing doubts about its much attacked policy of reviving the City's international functions, has naturally welcomed the new European prospect as a vindication of that uphill struggle.

The Bank and the City are right to see a big new opportunity. But, incautiously approached, the opportunity could be a snare. A blinkered pursuit of international financial business without constant regard to the wider implications for the economy would be as dangerous now as, in some degree, it was in the nineteen-twenties and the nineteen-fifties. This survey looks at the main financial institutions of the City and of the rest of Britain as they stand on what is, one hopes, the eve of the great European adventure. It surveys the changes—and they add up to much more than is generally realised—that day-to-day evolution has brought to the financial market since the Radcliffe committee surveyed it three years ago. And it highlights some of the lessons, for the commercial institutions on the one hand and for the monetary authorities on the other, that may need to be applied if Britain is to become, with proper safety, chief banker to Europe.

INTO Europe, yes ; but at what interest rate ? This is the key question for Britain's monetary authorities, which has received quite inadequate attention in official circles, beyond the instinctive response that of course interest rates must be lower. There are powerful arguments the other way, based first on the needs of the balance of payments and secondly on the need to restore proper freedom and efficiency to the lending mechanism of the City itself. There is indeed an important lesson here from the basic shift that has been taking place in the London money market over recent years.

That shift, as the ensuing article spells out, has been at the expense of the " traditional " money market institutions and in favour of smaller, more flexible and less cartelised institutions. The relative loss of position by the clearing banks and the discount houses has been partly, if only partly, the result of the constrictive official hand, which while it has blocked few proposals for innovation outright has always loomed in the background as a potential quasher of new and independent action. The result, inevitably, has been to weaken the real effectiveness of official control itself, by reducing the relative role of the controlled sector in the total credit market.

The monetary authorities have, indeed, never really faced up to one of the few clear principles that emerged out of the Radcliffe report—that the market for credit is a single market and that controls on one particular part of it, albeit the largest part, are bound to be not only unfairly discriminatory, but also self-defeating. The Radcliffe committee drew no clear moral for monetary policy, in the choice between regulation through the interest rate or through quantitative controls and directives. But it did follow its logic through, pointing out that controls would make sense only if applied to the whole range of financial institutions, eventually including those " yet unborn." But the Bank of England and the Treasury have felt able to ignore any such rigorous reasoning. Their scheme for special deposits did, when unfolded, make a gesture to the " single market " view, by suggesting that the scheme might be extended to institutions other than the English and Scottish banks. In practice, to no one's surprise, it never has been so extended, nor would one wish it to be—a bad scheme is not made better by being made consistent.

What is a little alarming is that the Bank in its present mood seems wholly untroubled by the contradictions that quantitative controls and unofficial restraints on a particular set of institutions must have when applied in a wide and open market like London. How else can one interpret the widely noticed sentence from the Bank's June bulletin:

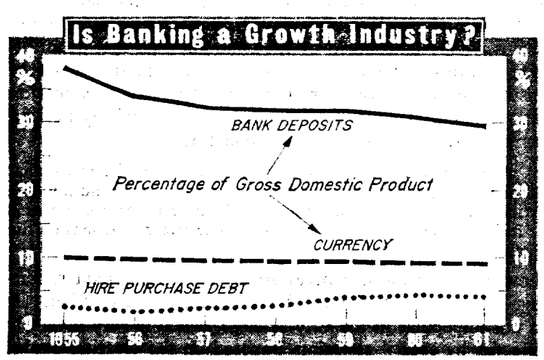
> A further fall in the cost of finance for industrial investment might assist expenditure by British industry that would improve its competitive position ; but it might have to be accompanied for a time by a continuation of some selective restrictions on the availability of credit.

Lower interest rates, if necessary by continued credit rationing—that seems to be the Bank's present prescription. It is not unpopular in the City at large, which is very diversely affected by special restraints imposed on the clearing banks. Whether these banks themselves should continue to accept such control so submissively is another matter ; one complicating element here is that the clearing banks, even though their profits gain quite markedly from high rates, tend to share

the very widespread City view that lower interest rates are necessary if London is to exploit its potential power to attract European lending business. But it can be strongly questioned whether this combination of cheaper but still tight credit makes sense, either for Britain's domestic economic objectives or for its international tasks—including, let it be said, attraction of a proper amount of international lending business to the City.

DOMESTICALLY, the first point to note is that a reduction in the cost of credit in the way intimated by the Bank will be largely illusory. It is a simple point of market principle that if one source of supply is kept artificially small in volume and made attractively cheap in price it will in effect have to be rationed ; and the unfilled demand will be met by the uncontrolled sector at a notably higher, free market price. The market for commercial bank credit in Britain has long been an artificial one, with rigid lending rates fixed by agreement—and nearly always below the rates charged by lenders who respond freely to the forces of supply and demand. A reduction of Bank rate, and of overdraft rates with it, will indeed lower the cost of finance for those people who can obtain overdrafts from the commercial banks ; but if at the same time the supply of bank credit is kept taut, then borrowers who find themselves turned down at the banks will conceivably have to pay even higher rates to outside lenders. At the best, the unnatural gap that generally exists between borrowing from a bank and from another source will remain ; and while it remains there will persist a discrimination of the kind most inimical to sound economic growth—discrimination in favour of the established, well-connected firm and against the newcomer.

If the authorities are indeed worried that certain kinds of desirable investment will be held back unless interest rates are brought lower, then an appropriate solution is to grant facilities at special rates from a public source. The Bank of England is still apt to throw up its hands in horror from such suggestions, which it associates with a concomitant flood of inflationary floating debt. But at present the authorities are in fact embarrassed by the strength of the public demand for medium and long-term public debt rather than by its absence ; in the existing mood of the markets a fixed interest issue by a government financing corporation would be readily absorbed. And a special interest rate granted by an agency of this kind would at least be discriminatory in a planned way. Can the same be said for all the favoured borrowers of the commercial banks ?



The number of banking customers may be steadily increasing—the banks are strangely shy in showing by how much. But total bank deposits are still not keeping pace with national output.

BUT there is a wider point here. If Britain is to approach anything like the 4 per cent rate of expansion on which the National Economic Development Council is working, it can hardly do so by continuing to sit tightly on the credit supply. The long fall in bank deposits in relation to national income, which began as a healthy correction of over-liquidity in the years of war and inflation, shows no sign of stopping. In 1955 the ratio was 38 per cent ; in 1958 it was down to 32 per cent ; in 1960, *pace* the great credit freeing, it was down further to 31 per cent ; and in the last quarter of 1961 it was recorded at 28.7 per cent. Credit expansion, not continued credit rationing, should be the aim of the monetary authorities ; and the guiding principle for interest rates is that they should be set at a level that will permit such an expansion.

For in the particular circumstances of Britain, and perhaps of the United States too, in which the pace of domestic expansion seems closely confined by the external balance, an improvement and expansion in credit facilities may necessitate at least nominally higher rates, rather than lower ones. In Britain's case this paradoxical movement may be necessary on two counts. In the first place, a rise in (or rather a freeing of) the standardised rates for bank lending, together with a concomitant lifting of the discriminatory quantitative restrictions and moral suasion applied to the big banks, is a necessary step to restore the efficiency of the credit market. Secondly, by drawing in foreign funds, it may directly increase, or indirectly give the government scope to increase, credit volume, through the support given to the balance of payments.

THESE two needs are both heightened by the prospect of closer financial relationships between Britain and continental Europe. On the one hand, the clearing banks and the discount market can never be expected to adapt themselves to the new potentialities while they remain hamstrung by official restraint and their own restrictive agreements—which themselves derive support from the official predilection for the *status quo*. At the same time, the whole scope for manœuvre in the London credit market, domestically and internationally, depends very largely on achieving a due balance between the inflow and outflow of capital.

No one doubts that lower interest rates would enable the City of London to attract a vast amount of lending business. But the awkward question is: how would that lending be financed ? The point cannot just be ignored or sidestepped by the assertion that Britain's exports would somehow have to rise sufficiently to produce the additional surplus. In fact, the City institutions are certainly strong enough to attract a good deal of European lending business at rates that, for the City, seem relatively high. The essential function of those rates would be to pull in a matching inflow of foreign funds to finance the additional outflow. With short-term

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and the business is a great deal more varied than this simple claim suggests. It includes a steadily increasing number of private accounts, current and deposit, in the United Kingdom, in Africa, in the West Indies. It includes a healthy proportion of business accounts, some of them very big business indeed, some of them very small, (acorns, from which oaks will grow?). It takes in the finance of overseas trade; our customers at 3,600 branches in 45 countries look to us for intelligence reports, for credit information, for all the financial know-how of Exports and Imports. The wills and trusts of our customers are part of our business; our customers include butchers and bakers, farmers and factors, rich men and not so rich, from Caithness to Cape Town.

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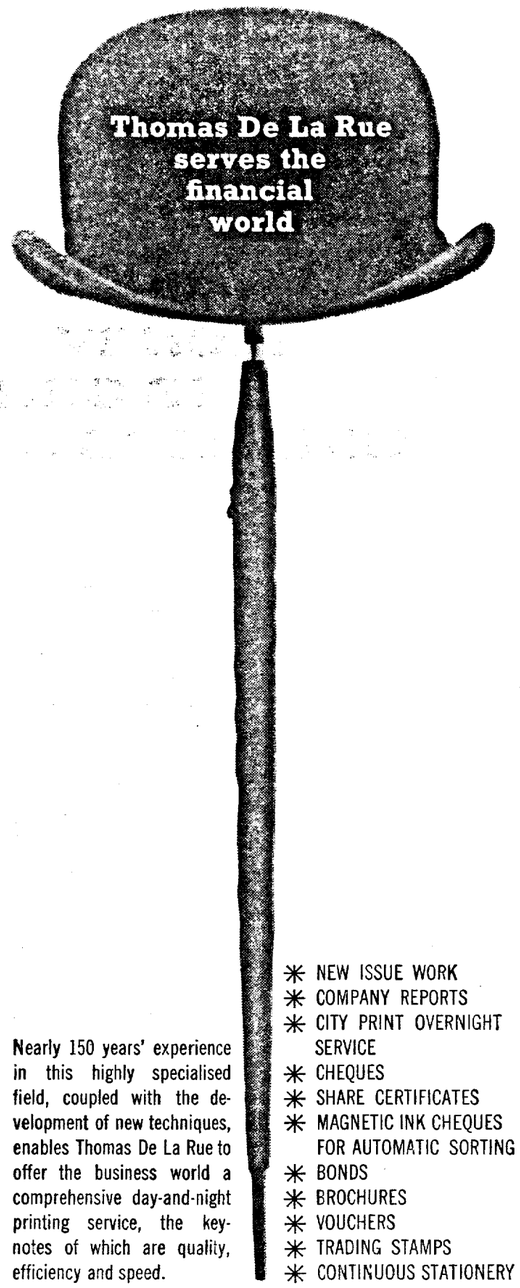
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interest rates historically high in the United States, with deposits on Euro-dollars (dollar deposits held outside America) fetching 3½-4 per cent and with all the pressures for a further rise in American rates, it is idle to suppose that London can somehow pull in the funds at two per cent.

It is possible to see a great future for the City of London in the common market. London has not so much the best as the only really well-organised of Europe's money and capital markets. With proper guidance it is possible that Lombard Street might even perform for Europe what in the nineteenth century it did for England, pulling in the funds from surplus areas and re-lending them immediately, taking advantage of day-to-day variations in local credit conditions and finding a use for money that is idle for a matter of hours. There are those in the discount market who look forward to the day when bills of big German banks, or even trade bills of big German firms, may find a ready market in London. But such business, it must be repeated, will not come automatically. The discount houses have already watched the emergence of a new international money market organised by different hands in the Euro-dollar market, from which the discount houses' quite uncompetitive deposit rates exclude them. If London's financial institutions are to rise to their new challenge they must be freed from inhibitions on expansion and innovation; and the crux of Britain's monetary problem is that in order to free them the authorities will need to give the economy the covering fire that realistic interest rates can provide.

The Changing Money Market

Lombard Street, post-Radcliffe and pre-Europe

LONDON has long been recognised as the widest and most resilient of the world's markets in money. In the past three years, in which international transfers of short-term investment funds have assumed a new importance, London has also shown that it has not lost its old capacity for change and adaptation. These funds are a new force moving in new channels and, for the moment at least, they are largely lost to the eyes of the Bank of England and the Treasury statisticians. This was dramatically shown recently when the authorities intimated that the inflow of private funds from abroad in the first quarter of 1962 was at least £200 million, and yet the recorded figures of sterling balances actually showed a substantial reduction for the period.

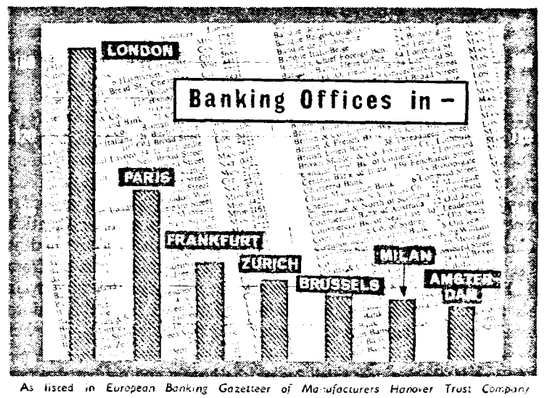
As a financial centre London offers unrivalled openings for investment funds, catering for every type of risk and every length of maturity. The gilt-edged market is probably the broadest market for government securities in the world; the banks and discount houses are professional operators at the short end of the market, the insurance companies and pension funds are active at the long end, and behind them stands the government broker. London also offers debentures and ordinary shares in markets with sufficient depth to absorb large dealings without the sharp gyrations that often occur on the narrower Continental bourses. Substantial parts of recent foreign inflows into London are believed to have been invested on the stock market—which is one reason why they have been lost to the figures.

The money market proper consists of those institutions that deal directly in short-term deposits: that is the clearing banks, the London branches of the Scottish banks, the merchant banks, the overseas banks and London offices of foreign banks, the discount houses, the hire purchase finance houses, and the local authorities. The money market itself is split into two fairly separate compartments; on one hand is the traditional market in money lent at call to the discount houses, above all by the clearing banks; and on the other is the market for short-term deposits of two days, seven days and more with the local authorities and finance houses.

This second and much younger market—its real growth dates from the mid-1950s when the doors of the Public Works Loan Board were almost closed to local authority treasurers—now rivals the traditional market in the total size of funds outstanding, although because of the longer term of the deposits, turnover in this newer market is still much lower. On March 31, 1958, temporary debt of the local authorities amounted to £488 million; by the end of December, 1961, it had grown to £1,080 million. In the same three years total deposits of members of the Finance Houses Association increased from £128 million to £319 million. By contrast, borrowed funds of the discount houses in these three years rose by only £146 million to £1,153 million. Daily turnover in the call money market, however, amounts to between £80 million and £100 million compared with a daily turnover in the local authority loan market which at times reaches £20 million, but is more often probably just below the £10 million mark.

While the deposit rate of the clearing banks is set at 2 per cent below Bank rate the rates paid by local authorities are quite flexible. In February, 1961, the seven-day rate actually moved above Bank rate, and it is only in the past few weeks that the rate has once more fallen below Bank rate. The attraction of these high rates is in no way shadowed by any element of risk, and foreign funds have consequently been flowing into this channel on an increasing scale. It can be held, indeed, that these high rates have perceptibly increased the total inflow of private funds from abroad in the past three years. The only comparable rates are the slightly higher ones offered by the finance houses, but overseas investors have seemed unwilling to place more than marginal sums here—though in fact at least those finance houses that are wholly owned by banks offer what is in effect virtually banking security.

The discount houses have attracted still less of this foreign



As listed in European Banking Gazetteer of Manufacturers Hanover Trust Company

The City of London has nearly twice as many main banking offices as the leading Continental centre, Paris.

money, and not surprisingly, since the market offers non-banking depositors rates 2 per cent below Bank rate for call money and 1¼ per cent below Bank rate for seven-day money. The market has felt unable to improve on these rates, partly because of its special relationship with the Bank of England as lender of last resort. The discount market's main source of funds is the call money provided by clearing banks. This market is very much controlled by convention and agreement. The discount houses provide an assured supply of Treasury bills for the clearing banks, who in return not only supply the market with over 50 per cent of its funds, but do not tender for Treasury bills on their own account and do not call on the discount market to supply bills until they have run for at least seven days ; this convention does not apply to any bills the banks may acquire on behalf of their customers. The clearing banks also fix a minimum rate for the call money they supply to the discount houses at ¼ per cent above their deposit rate, and therefore 1⅛ per cent below Bank rate. Part of the discount houses' "regular" call money is at this "basic" rate and part is at a slightly higher rate, so that on average the market pays ⅝ per cent below Bank rate for its regular funds. The rate for the balance provided by the clearing banks, and for all the money provided by outside banks, fluctuates with market conditions.

These conventions depend on the discount market's ability to supply the clearing banks with all the Treasury bills they need. Should the discount houses be unable to do this, then the whole edifice would come under considerable pressure and the banks might be tempted to do their own tendering. In fact the market's biggest problem at the moment is the continuing decline in its Treasury bill portfolios. The vogue for balanced budgets and for special deposits has considerably reduced the supply of Treasury bills at the very time when outside competition at the bill tenders, from overseas sources and from industry and commerce at home, has become more intense. The average weekly bill allotment in 1960 was £277 million, of which the market received on average about one-half. So far this year the market's average allotment on its application has fallen to 42 per cent.

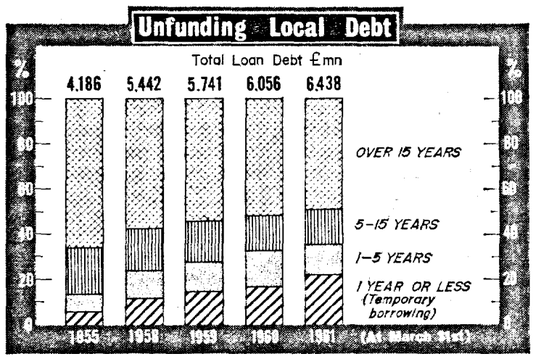
TOTAL Treasury bills held by the discount houses fell from £635 million at the end of 1959 to £533 million at the end of 1961. Ironically, and inevitably, one of the few occasions when the market secured a large quota of bills was immediately before the Chancellor increased Bank rate to 7 per cent last July. The market's loss on these bills is estimated at about £1 million by the deputy manager of the Union Discount Company. The burden of this loss was, however, mitigated for five to seven weeks after the increase by concessions from the clearing banks in the traditional margin between the tender rate and the banks' buying rate for Treasury bills.*

The clearing banks' holdings of Treasury bills have also been falling, from an average of 15.7 per cent of their deposits in 1959 to 13.4 per cent in 1961. The discount market has not found it easy to meet the banks' needs ; and increasingly it has had to ignore the obvious wishes of the authorities, indicated by their open market operations, and force down the bill rate in order to get adequate bill quotas. The result has been an intensification of the authorities' pressure on the market. In the last six months of 1960 the discount market borrowed £100 million in all from the Bank of England at Bank rate ; in the final six months of 1961 this figure jumped to £325 million. This has inevitably led to certain frictions between the market and the authorities—and has weakened the significance of the bill rate as a pointer to Bank rate policy. At one point the market actually found itself pressed to raise its discount rate—so that it missed the bills—at a tender preceding a Bank rate reduction.

In the face of declining Treasury bill portfolios the discount market has taken up more short bonds and increased its holdings of commercial bills. The market's holdings of short bonds have in the past year exceeded those of Treasury bills. Portfolios of commercial bills rose by nearly £70 million during 1961, an increase of some 57 per cent. This revival in the use of bill finance is in part attributable to the difficulties of obtaining overdraft finance. Bill financing was also helped by replacement of the *ad valorem* duty on bills in the 1961 budget by a fixed duty of 2d., which has reduced the cost of bill finance by at least ⅛ per cent per annum. The market now hopes that the easing of credit restraint will not bring a decline in the amount of bill finance used. And it is looking optimistically to Britain's entry into the common market. The market sees a big potential increase in its commercial bill business from closer links with Europe ; and it hopes that in time the Bank of England may prove willing to accept bills bearing good foreign names as eligible for rediscount.

THE local authorities are now obtaining more of their funds direct from investors, including foreign investors. But the City intermediaries—mortgage brokers and some active stockbrokers—are still very important. And merchant banks, overseas and foreign banks are still a large indirect channel for domestic and foreign funds flowing into the local authority loan market. Talk has been heard from time to time on the possibility of the local authorities setting up their own collective centralised borrowing body. The Treasury could also decide to place local authorities in England and Wales on the same basis as those in Scotland and limit their temporary borrowing to 15 per cent of their total debt—the percentage for Britain as a whole is at present 21 per cent. Official discussions have been taking place on these points in recent weeks. Meanwhile, these banks are likely to continue to offer deposit rates which are up to two points higher than those offered by the clearing banks and discount houses, and still allow a useful margin on re-lending to the local authorities.

Loans by merchant banks to local authorities between the end of 1958 and the end of 1961 increased from £27 million to £87 million ; those by London overseas banks and foreign banks



Between 1955 and 1961 temporary borrowing by local authorities in Britain rose from 5.8 per cent of their total debt to 21.4 per cent.

* Some interesting new sidelights on the history and present structure of the discount market were given recently by Mr Wilfred King, Mr H. F. Goodson, and Mr C. W. Linton in the Ernest Sykes Memorial Lectures. These are published by The Institute of Bankers, 10 Lombard Street, EC3, at 3s. 6d.

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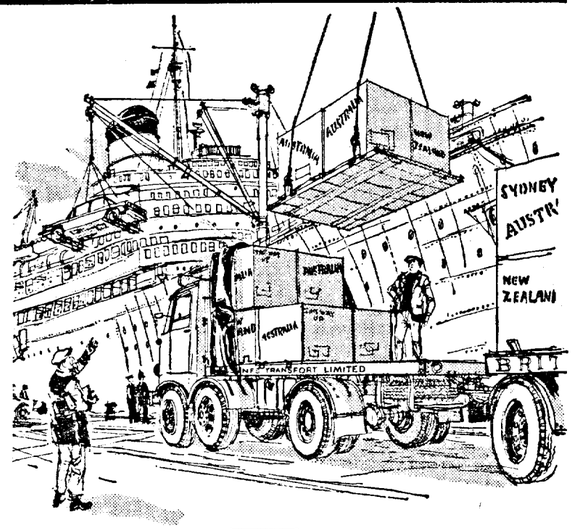
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Merchant Banks, Overseas and Foreign Banks in London

(All figures in £ million)

ACCEPTING HOUSES.

	Total Deposits	Balances with other U.K. banks	Money in London money market	Loans to U.K. local authorities	U.K. Treasury Bills	Other sterling bills discounted	Sterling Investments	Advances	Acceptances
1954—Dec. 31st	160·4	3·9	67·0	2·2	12·6	8·6	72·1	40·2	94·6
1955— ,, ,,	152·3	5·3	60·0	2·0	13·5	9·5	60·2	46·4	96·5
1956— ,, ,,	159·0	5·3	51·4	7·9	15·9	10·8	55·6	51·8	95·7
1957— ,, ,,	151·4	5·4	52·3	8·0	15·9	8·4	50·8	58·2	119·4
1958— ,, ,,	212·3	6·8	64·4	26·8	14·3	17·0	58·5	68·3	120·6
1959—June 30th	249·5	8·5	58·4	32·7	15·5	15·6	61·5	94·8	130·1
Dec. 31st	259·1	13·6	66·8	25·9	15·5	12·0	58·1	102·5	130·6
1960—June 30th	334·2	17·3	58·7	40·1	22·7	23·4	62·6	155·5	136·9
Dec. 31st	423·5	25·9	70·2	54·6	20·0	22·2	79·3	199·1	131·8
1961—Mar. 31st	409·4	26·9	76·3	58·9	29·3	16·1	68·2	167·0	163·6
June 30th	429·8	29·9	51·3	53·7	15·2	14·8	65·6	250·4	176·0
Sept. 30th	456·4	25·6	71·2	63·3	18·3	20·2	66·1	244·7	183·3
Dec. 31st	494·3	41·1	66·2	87·0	15·6	23·7	72·6	241·8	175·7
1962—Mar. 31st	551·7	31·8	80·3	125·5	32·6	20·1	70·1	228·7	184·7

AMERICAN BANKS.

1954—Dec. 31st	143·7	11·8	56·1	—	4·1	18·0	12·7	48·8	13·1
1955— ,, ,,	122·5	12·7	28·2	—	2·9	15·7	7·9	67·0	12·7
1956— ,, ,,	107·2	8·7	16·3	—	1·1	10·6	6·6	71·9	15·3
1957— ,, ,,	113·9	9·8	22·9	—	2·4	12·7	6·4	77·8	27·7
1958— ,, ,,	129·0	11·6	27·7	—	7·4	17·8	6·3	81·4	18·4
1959—June 30th	177·3	8·6	18·0	—	3·7	17·1	5·8	114·7	18·2
Dec. 31st	205·9	11·5	34·2	0·7	3·0	16·5	3·1	133·2	20·7
1960—June 30th	373·6	12·7	27·3	8·5	2·9	22·3	3·1	306·6	21·4
Dec. 31st	389·3	22·9	27·0	4·4	4·1	16·8	3·9	311·4	13·9
1961—Mar. 31st	426·5	19·2	20·9	5·7	1·8	13·0	1·7	366·7	18·5
June 30th	447·9	13·2	18·6	3·4	0·3	10·6	1·7	396·7	23·5
Sept. 30th	432·6	12·9	20·0	1·4	1·7	10·3	1·7	388·9	26·3
Dec. 31st	405·7	30·5	25·7	0·4	0·5	14·4	1·9	337·2	28·2
1962—Mar. 31st	415·4	22·8	16·8	0·4	0·5	10·1	1·9	375·3	26·6

BRITISH OVERSEAS BANKS.

	Total Deposits	Balances with other U.K. banks	Money in London money market	Loans to U.K. local authorities	U.K. Treasury Bills	Other sterling bills discounted	Sterling Investments	Advances	Acceptances
1954—Dec. 31st	600·7	44·1	154·2	12·0	78·8	55·0	293·8	106·3	41·4
1955— ,, ,,	544·9	42·8	113·2	0·6	75·1	48·1	296·9	120·0	26·3
1956— ,, ,,	514·6	45·5	103·7	0·6	59·3	55·3	286·7	112·7	27·2
1957— ,, ,,	497·1	36·2	88·9	4·3	70·7	49·9	267·0	117·1	33·5
1958— ,, ,,	572·6	45·9	106·6	8·3	97·2	41·9	271·7	165·0	23·6
1959—June 30th	671·4	52·8	90·1	11·4	123·6	50·1	303·7	194·3	30·7
Dec. 31st	659·3	72·8	119·7	17·0	65·5	51·3	316·9	200·9	35·5
1960—June 30th	693·8	107·2	81·9	17·5	76·8	56·8	298·1	230·7	39·5
Dec. 31st	767·1	117·4	104·5	34·9	62·2	50·4	312·8	285·0	28·5
1961—Mar. 31st	809·5	102·7	73·0	30·1	64·6	64·3	308·6	363·2	32·8
June 30th	829·2	112·7	86·4	33·1	52·9	52·0	309·2	385·6	42·4
Sept. 30th	827·5	105·8	92·5	34·9	66·1	61·4	312·8	359·5	53·1
Dec. 31st	819·8	112·9	103·1	44·3	48·0	72·2	315·9	351·5	48·4
1962—Mar. 31st	849·0	98·7	84·5	45·6	51·1	70·8	330·9	393·9	48·1

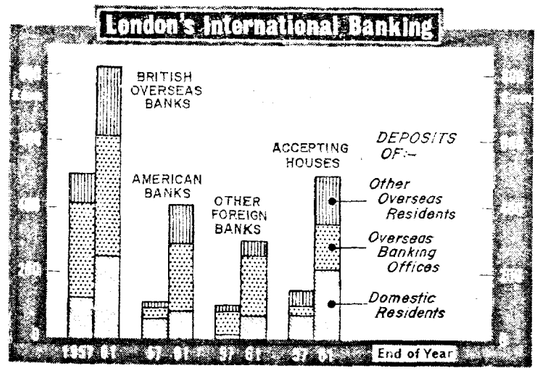
OTHER FOREIGN BANKS.

1954—Dec. 31st	125·5	17·4	41·0	2·7	10·1	11·2	15·1	29·2	20·9
1955— ,, ,,	140·2	11·5	65·7	2·6	7·5	12·8	12·5	33·1	22·1
1956— ,, ,,	94·6	8·3	25·9	1·4	5·5	13·2	11·6	37·7	17·0
1957— ,, ,,	105·7	13·9	29·3	2·3	7·4	15·6	10·5	36·4	25·2
1958— ,, ,,	171·0	21·7	49·1	25·6	9·7	16·9	11·5	46·2	24·9
1959—June 30th	202·4	28·9	29·8	46·4	10·3	9·6	8·6	79·9	19·0
Dec. 31st	203·0	33·3	36·9	36·9	6·0	10·3	7·9	85·4	21·7
1960—June 30th	220·5	30·3	38·7	35·8	10·4	11·0	9·4	93·3	24·3
Dec. 31st	311·3	46·8	39·7	62·1	14·2	13·7	11·8	129·0	25·5
1961—Mar. 31st	323·9	62·2	31·8	84·7	6·6	11·8	11·4	127·0	28·2
June 30th	293·1	55·8	31·5	56·6	5·6	8·9	10·6	135·2	30·2
Sept. 30th	266·9	37·4	25·7	53·0	8·7	11·5	9·2	134·3	35·1
Dec. 31st	293·1	59·2	29·1	60·6	7·5	9·3	9·5	131·6	35·8
1962—Mar. 31st	354·3	54·8	37·4	107·1	7·2	11·7	9·9	141·0	35·0

rose over the same period from £34 million to £105 million. In the first quarter of 1962 local authority loans by this group of banks increased by a further £86 million to £278 million. By contrast, loans to the discount market in the past three years by these banks have actually fallen from £248 million to £224 million. These banks have also found it profitable on occasions, that is when the cost of forward cover has been favourable, to borrow Eurodollars, convert them into sterling covered by a forward purchase of dollars and lend the proceeds to a local authority for an equivalent period.

These new openings have allowed the non-clearing banks to attract deposits on a spectacular scale. Total deposits of the merchant banks in the three years to the end of 1961 more than doubled from £212 million to £494 million and in the first quarter of 1962 increased by a further £55 million; this is discussed further in the next article. The experience of the foreign bank branches in London and of the overseas banks has been much the same; over these three years their deposits rose from £873 million to £1,519 million and in the first quarter of 1962 they increased by a further £100 million. This contrasts sharply with the experience of the London clearing banks, whose net deposits rose by only 7½ per cent in the three years.

The new thrust and bustle that the clearing bankers achieved when the authorities briefly returned the keys to their tills in 1958 came largely from switching assets from investments to advances. But now that advances are approaching the 50 per cent mark the bankers are hard up against the problem of how to add to their deposits. In past years bankers have refused to compete for deposits, first because they feared the expense of a competitive auction and secondly because the theorists told them that the size of the banking system's deposits was in any case fixed by the supply of liquid assets that the authorities pumped into the system, so that competition would merely result in their paying more for the same amount of deposits. This dictum has, however, been increasingly challenged in recent years. It ignores the leaks from the fixed pool of deposits into the Treasury's coffers through investment in Treasury bills outside the banking system, gilt-edged securities, tax reserve certificates and National savings, all of which erode the banks' credit base. But above all it ignores the potential increase in the pool from the inflow of foreign funds. So far only the non-clearing banks have directly attracted such funds. As the possibility of tapping foreign sources of credit grows, with the closer link of the common market, the clearing banks may be increasingly tempted to secure their share. To do so they may have to abandon the cosy agreements that have restricted their share of financial business in the years since the war.



Business of London's merchant banks and overseas banks has leaped ahead in the past four years, on the basis of both domestic and overseas deposits.

Merchant Banks Move Ahead

A notable revival by some of the City's oldest institutions

LONDON'S merchant banks, for which some observers saw little future in the early postwar years, have more recently been among the most active and the most enterprising of City institutions. They have played their full part in seeking out new sources of fianance and in meeting new needs. At the same time they have increasingly recognised their own need to broaden their own source of finance. Just after the war only one member of the Accepting Houses Committee, Hambros Bank, was open to the general investor. Today no less than ten of the seventeen members of the Accepting Houses Committee are either quoted companies themselves or associated with quoted companies. Investors have not been hesitant (and sometimes they have not been particularly discriminating) in taking up their new opportunity to acquire a stake in these great names of finance, which have been bid up in the stock market still more optimistically than the clearing banks. Even after the latest market falls, dividend yields offered by merchant banks are often not much above 2 per cent.

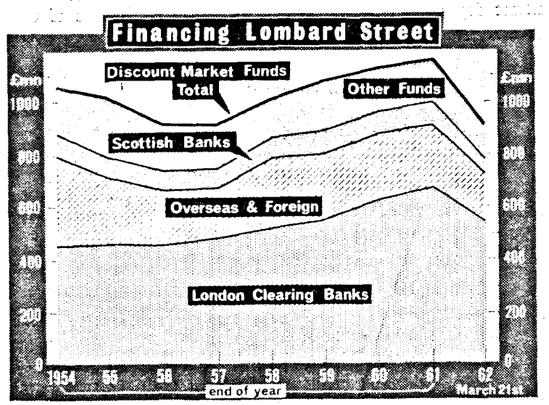
Certainly the London merchant bankers have been expanding their business a good deal faster than the clearers. Thanks to the stimulus of the Radcliffe committee, figures are now published regularly of the deposits and assets of the members of the Accepting Houses Committee ; for the other merchant banks—and the Issuing Houses Association has fifty-six members in all, including the seventeen accepting houses—there is still no information other than that in the few published balance sheets. For the inner ring, the official figures show how dramatically and how recently resources have grown. In the middle fifties deposits stagnated at around £150-160 million. In 1958 they shot up to £212 million ; and on March 31st this year they were £552 million.

Admittedly, the bulk of this expansion has been in deposits owned by non-residents—and often expressed in foreign currencies. Thus between end-1957 and last March deposits of overseas banking offices—particularly important in Euro-dollar business—leaped from £30 million to £165 million and those of other overseas residents from £50 million to £158 million. The merchant banks have taken a prominent part in the Euro-dollar market, and in channelling the proceeds to local authorities—to which the accepting houses were lending direct £126 million on March 31st. Among the most prominent in the Euro-dollar business are Kleinworts, Samuel Montagu, Guinness Mahon, Brown Shipley, and Hambros. Sir Charles Hambro, indeed, recently revealed the total of foreign currency deposits that his bank had collected at an impressive £28 million—while at the same time expressing his doubts about the usefulness and durability of the Euro-dollar business as a whole.

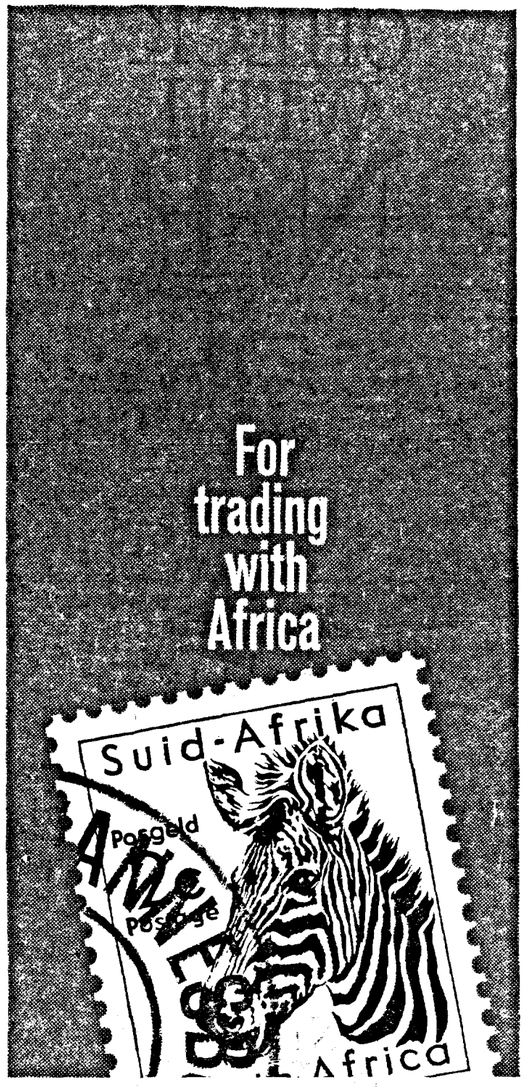
But the merchant banks' domestic deposits also showed a formidable rate of expansion, from £71 million to £229 million between December, 1957 and March, 1962. This trebling of domestic deposits, even if it does leave the total at a mere 3 per cent or so of clearing bank deposits, can yet not be ignored by the big battalions, for often it has been active and valuable accounts that have moved. Few individuals or businesses, of course, give up their clearing bank accounts altogether ; and deposits initially transferred to merchant banks do normally, in the final outcome, return to the clearing banks. The merchant banks have still made only small inroads into the clearing banks' basic business. But they have taken a large share of specialised business, whether in foreign exchange or investment advice, for which they compete directly with the clearing banks.

The merchant banks have also considerably increased their domestic lending. Thus in the twelve months to mid-1961 their advances to British residents rose from £89 million to £137 million, and their domestic acceptances rose from £100 million also to £137 million. The clearing banks, quite naturally, were not slow to point out that this expansion took place at a time when their own lending was being held back by special deposits ; and when the Chancellor of the Exchequer tightened the credit squeeze further last July and made specific requests for lending restraint, he gave a special reminder that the authorities' request for special lending restraint applied to all financial institutions. In the ensuing months the accepting houses' advances to British residents did fall considerably, and by March 31st last they had been reduced to £107 million—though both their domestic acceptances and their own discounts of sterling commercial bills showed a small increase.

THERE is indeed no reason to believe that the merchant banks are any less "loyal" than the clearing banks in their response to official requests. But in recent years the volume of bank lending has been governed less by these requests than by the more traditional limitations of liquidity and deposits ; and the basis of the merchant banks' expansion has been their success in drawing in additional resources, partly from overseas. This in turn has been achieved by conceding an attractive deposit rate—which may be as high as Bank rate itself or even above it. The clearing banks, meanwhile, operate under the self-imposed limitation of an uncompetitive rate fixed at 2 per cent below Bank rate. They may feel that here, too, they could not in practice compete freely, lest the authorities neutralise any addition to bank resources by raising the requirement for special deposits. It is indeed true that Britain's present system of monetary control does lean heavily on the limitation, whether indirectly by the banks themselves or directly by the authorities, of the volume of resources available to one particular group of lenders, the English and Scottish commercial banks ; and, like all discriminatory controls, this gives special stimulus to the uncontrolled, or less controlled institutions—including the merchant banks.



The discount market's need for funds has not on balance been growing over the past eight years; and the overseas and foreign banks have taken the opportunity to switch loans to more remunerative channels.



see THE STANDARD BANK in London

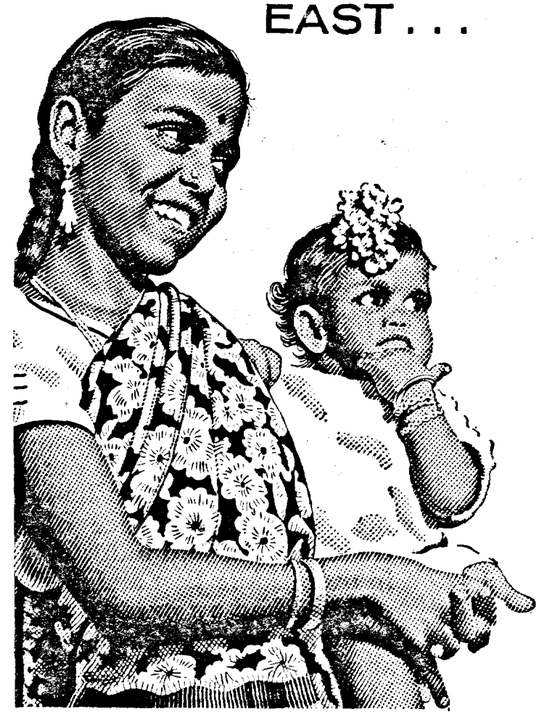
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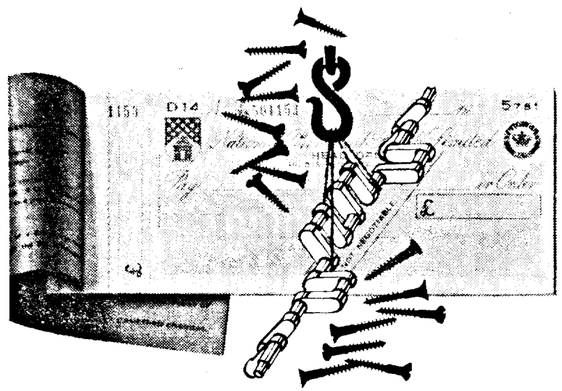
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Berliner Handels-Gesellschaft, Frankfurt
Compagnie d'Outremer pour l'Industrie et la Finance, Brussels
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Banque de Paris et des Pay-Bas, Paris
Lippmann, Rosenthal, Amsterdam
Sal Oppenheim Jr., Cologne
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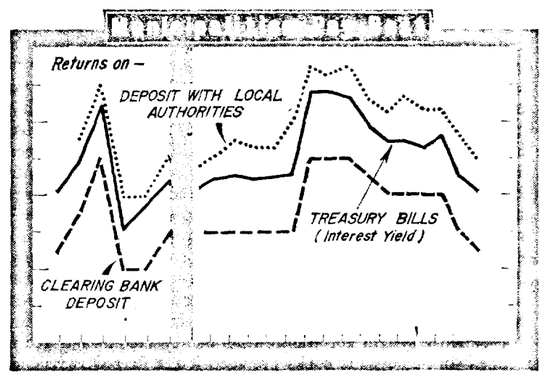
MUCH of the boom in the accepting houses' business has occurred in aspects not indicated by balance sheets, which have always understated the relative importance of these institutions in the financial firmament. The growth of agency, trustee, and advisory business of various kinds; of the important new issue business on the London capital market; of counsel on take-over tactics, which makes perhaps the sharpest test of a merchant bank's skill; all these functions bring to a merchant bank a level of activity out of proportion to the assets or staff employed.

This pressure has sometimes stiffened attitudes toward handling small accounts; one large house recently raised its minimum portfolio from £5,000 to £60,000. The merchant banks have kept in touch with the small investor in another way, by sponsoring and managing unit trusts, as well as closed-end investment trusts. This is a natural by-product of a merchant bank's ordinary portfolio management and trustee functions. Philip Hill manages the British Shareholders International Trust and the British Shareholders Trust; Warburgs are closely associated with Unicorn Trust; N. M. Rothschild advises Shield Unit Fund; and Kleinwort, Benson acts as adviser to the Municipal and General group. Recent setbacks on the stock exchange may have recoiled on the unit trust movement too. But in one specialised sector new unit trusts and investment trusts continue to proliferate. This is in investment in Europe and other foreign centres—the setbacks in stock exchanges there notwithstanding.

IN 1959 M. Samuel pioneered the first British investment trust specialising in common market shares. N. M. Rothschild and Philip Hill are the London associates (full membership must await Britain's entry into the common market) of the Eurosyndicat group, one of the new groupings in which the participating banks agree to investigate jointly any matter concerning finance or investment where the members may find mutual interests. In terms of present realities that may be putting it a bit high, and some European bankers still prefer to keep their links informal (and thereby, they say, wider). Eurosyndicat has more substance than most of the groups. It has its own investment bureau in Brussels, which manages the two unit trusts sponsored by the syndicate. Eurunion now totals £16 million, of which British investors hold about a quarter; the second, Finance-Union, was formed this month to invest in shares of financial institutions all over the world. Eurosyndicat also produces a regular common market investment service, including the Eurosyndicat index of common market equities—which is published regularly in *The Economist*.

Similar if less elaborate links have been forged by Hambros and Kleinwort, Benson in Eurofin and Eurinvest, a unit trust for common market shares, now totalling about £2½ million. No separate organisation or bureau exists for this syndicate; a Belgian member, the Kredietbank, provides the secretariat for both companies. Kleinwort, Benson is also the London agent for two other EEC-based unit trusts, Interitalia and Unifonds and is a member of Sogefina. Helbert Wagg, now incorporated in J. Henry Schroder Wagg, assists M. Samuel in the management of the New European General Investment Trust (Negit).

EUROPEAN co-operation is probably at its most informal in the field of trading finance. A venture offering complete traders' facilities to exporters to west Germany has been launched by Wm. Brandt's, including export credit, factoring, market and technical advice, and other services by arrangement, sometimes in association with German banks. Hambros, the largest of London's merchant



Deposits with local authorities have consistently had the edge over other short-term investment media in London, and now rank among the key rates in the international money market.

banks, retains traditional links with Denmark and Norway, and actually had its own stand at the recent Stockholm Trade Fair, as well as a fondly-remembered connection with Italy whose early years of independence were in part financed by some loans floated by Baron Hambro, a personal friend of Cavour. Last year Hambro brought Montecatini and Snia Viscosa to the London market. Hambros is making a big drive in Europe; it has opened six branch offices on the continent in the past twelve months. J. Henry Schroder Wagg and Wm. Brandt's have maintained close connections with Germany, while Rothschilds, Lazards, and Morgan Grenfell have links with financial houses in France through family ties. The Rothschilds of London and Paris recently restored a direct financial link for the first time since 1909; de Rothschild Frères became a corporate partner in N. M. Rothschild—the last remaining partnership among London's merchant banks. The aim of the London-Paris formal link in Rothschilds was specifically to recognise the new impetus that the common market has given to still closer collaboration.

While direct links in cross ownership are still a rarity, the City institutions in general, and the merchant banks very prominently among them, are girding themselves to the new opportunities that the common market should offer. Euro-dollars, international investment trusts, special trading schemes, advice on finance and marketing possibilities—these have been in a sense the preliminaries to the quite extensive financial service that the City of London may soon be offering to all of Western Europe.

What's Happening to Credit Transfers

Roused by a spectre from the Post Office—which has still not quite disappeared—the banks are providing a new and simple means of transferring money. It is too little understood.

CREDIT transfers represent one of the most sweeping moves taken by the British commercial banks since the war—throwing open their 12,000 branches to anyone, with or without a bank account, who wants to pay a bill. The mechanics of credit transfers, which have been in full operation for about a year, are simple enough. The one essential is to know the location of the account that is to be credited, which has to be inserted on the credit transfer form. This done, the form is simply passed over the bank counter, together with the requisite cash for the amount involved plus a fee of 6d for each item—there is no stamp duty on a credit transfer slip. Alternatively, people who have bank accounts can send completed transfer forms to their bank together with a single cheque to cover the total amount involved; in this case, the bank's charge for the operation is not standardised, but is levied as part of its charge for servicing the account as a whole. Especially when more than one payment is made at a time the credit transfer is significantly cheaper than the sending of separate cheques. And for people without bank accounts a credit transfer is cheaper than sending a postal order for any but the smallest bills. Already, credit transfers are being used to meet a large number of hire purchase and building society accounts and to pay gas, electricity, and telephone bills, and local rates.

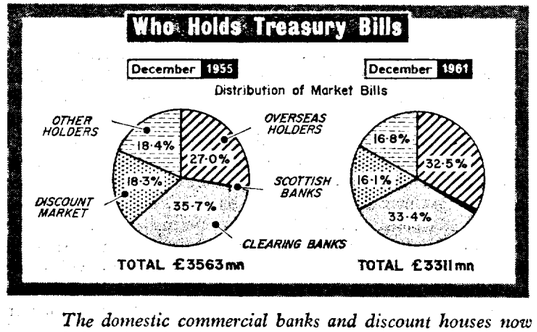
The banks had two major reasons for setting up a streamlined credit transfer system. The first, positive, reason was to attract deposits from the one half or so of men and women who do not have bank accounts. Secondly, the banks wished to avoid the major loss of deposits that would follow a move by the Post Office to create a national "giro" system. The Post Office is known to have drawn up a specific giro plan—which it could yet bring into operation. The plan followed the continental pattern, with a central credit clearing and numbered accounts. The Post Office scheme is believed to have involved a 6d charge for any giro transfer, which would take only one day; customers would be notified immediately of any change in their giro balance—which could not be overdrawn.

The immediate impetus to the banks' credit transfer system came perhaps from the Radcliffe committee, set up in 1957 and reporting two years later. The committee showed its interest in a simple low-cost national system for transferring money credits and recommended that unless the banks provided it the Post Office should. The rapid growth of hire purchase after 1958 had sharply increased the number of people paying small regular sums through the banks, and the need for new facilities was evident. The hire purchase firms were indeed at loggerheads with the banks.

Credit transfers, like most innovations, are not entirely new. Since 1930, the banks have operated traders' credits, generally used by firms to pay employees' salaries. Under this system the employer gives his bank a list of names and amounts, which the bank duly credits; one cheque from the firm to the bank covers all the payments. The banks estimate that traders' credits and standing orders have trebled since 1950, to their present level of some 65 million items a year. In addition, standing arrangements have long been made with banks by many local authorities and public utilities to accept credit transfers made out in their favour by their customers.

First public announcement of the banks' new plans came in July 1959, just before the Radcliffe report appeared. The banks stated they had been re-examining the whole problem of the transmission of payments. Their sub-committee, discussing traders' credits and payments facilities, frankly conceded that pressure existed from the public to extend such methods. Shortly before, the Industrial Bankers' Association, representing smaller hire purchase finance companies, had asked the banks to handle a minimum 500,000 payments a month, eventually rising to perhaps 3-5 million; it was this association which had hopefully asked Britain's 24,000 sub-postmasters to set up their own giro system for hire purchase payments.

In November 1959, after the Radcliffe report had appeared, the banks publicly committed themselves to extend and develop credit transfers. Early the following year they announced the formation of a new credit clearing, parallel to the cheque (debit) clearing. This took over all traders' credits plus standing orders and was later to cope with credit transfers. The next major step, in October 1960,



The domestic commercial banks and discount houses now hold only a fraction over 50 per cent of Treasury bills on the London market.



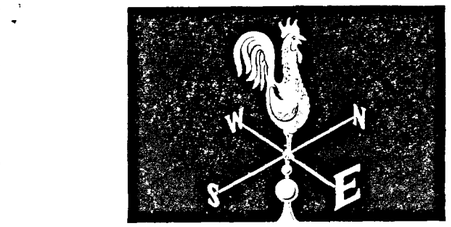
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(All figures in £ million)

LONDON CLEARING BANKS

		Deposits				Main Assets			
		Total	Current accounts	Deposit accounts	Other accounts	Total liquid assets	Bills discounted	Investments	Advances to customers and other accounts
1938—Weekly av. . .		2,277	1,215	930	132	672	280	637	964
1955	Averages of monthly figures	6,454	4,054	2,070	330	2,098	1,130	2,149	1,941
1956		6,288	3,932	2,008	348	2,218	1,271	1,978	1,820
1957		6,432	3,905	2,139	389	2,256	1,291	2,008	1,868
1958		6,636	3,769	2,442	425	2,255	1,277	2,149	1,923
1959		6,935	4,064	2,431	441	2,277	1,223	1,836	2,522
1960		7,236	4,207	2,515	513	2,299	1,149	1,407	3,123
1961		7,395	4,157	2,638	600	2,437	1,224	1,122	3,357
1962—January 17 . . .		7,716	4,252	2,774	689	2,789	1,467	1,122	3,224
February 21 .		7,422	4,024	2,746	652	2,465	1,191	1,095	3,337
March 21 . . .		7,411	4,041	2,726	644	2,416	1,067	1,096	3,375
April 18		7,448	4,057	2,719	672	2,430	1,118	1,110	3,369
May 16.		7,519	4,137	2,700	682	2,454	1,124	1,114	3,365

SCOTTISH BANKS

		Deposits					Main Assets		
		Total	Current accounts	Deposit accounts	Other accounts	Scottish bank notes outstanding	Bills discounted	Investments	Advances and other accounts
1938		244·9	94·5	124·3	26·1	17·9	6·8	142·2	82·6
1955	Averages of monthly figures	774·5	368·4	325·3	80·9	100·0	23·4	397·2	224·1
1956		724·4	334·4	318·6	71·4	107·1	30·2	359·5	203·3
1957		740·2	334·4	329·2	76·6	114·3	25·4	358·1	217·8
1958		747·3	313·7	353·4	80·2	116·9	32·2	354·7	219·1
1959		776·4	330·9	371·2	74·2	118·1	27·5	328·9	271·3
1960		789·7	346·5	372·8	70·4	122·1	28·1	288·6	331·8
1961		805·9	344·1	378·3	83·6	124·5	30·3	249·2	361·1
1962—January 17 . . .		826·9	347·1	381·2	98·5	121·3	43·1	235·8	363·9
February 21 . .		805·7	320·2	390·0	95·4	120·7	30·2	234·4	373·8
March 21		801·9	324·7	382·1	95·1	121·6	24·5	227·1	383·0
April 18		808·0	324·4	380·6	103·0	125·2	28·8	218·6	390·5
May 16		843·8	344·3	377·9	121·6	125·1	31·0	216·7	389·9

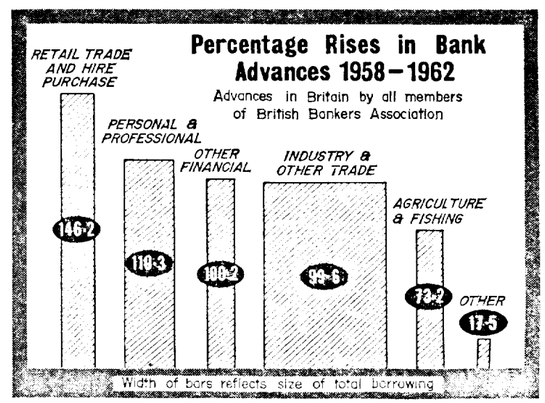
was to extend credit clearing, this time to include credits paid by customers into their own accounts from other branch banks. Both these moves of 1960 were basically technical. The big step that brought credit transfers to a wider public came on March 6th of last year. From that date anyone could go into a branch bank and have cash credited to a bank account anywhere in Britain, at a cost of only 6d a time. In May of this year the Trustee Savings Banks joined the scheme.

THIS last stage in development of credit transfers had to be split into parts. As many people paid their gas and electricity and other bills without charge to them, the banks allowed a further six months, to October 1st, for these customers to be brought into the new credit transfer scheme ; and at this stage everyone had to pay 6d for each item to be transferred. To some people, therefore, the scheme appeared as a new impost, as they had previously paid bills through the banks without charge, this being borne by the creditor himself. One large water board recently went so far as to circularise its customers deploring the change. But the banks were adamant that everybody must be charged on the same basis. They also resisted pleas from local authorities that transfers should be made only on forms supplied by them. Many large creditors were, and still are, concerned at the administrative problems in receiving numbers of transfers incorrectly or incompletely filled in.

The banks, on their side, were accused of moving too slowly. Plainly the clearing banks were somewhat divided on the new scheme. Some wanted to charge 9d for each transfer, but finally agreed to 6d (barely an economic level) because the Post Office had settled for the smaller fee. Other banks were concerned at the staff probems raised by crowds of people coming into the banks to pay their bills. From the start, the banks asked that credit transfers should not be presented on Saturday, nor after 2.30 p.m. on weekdays. What brought all the banks round was the need to attract, or at least keep, deposits. As advances returned to a more normal ratio of deposits after 1958, it became clear that the banks could expand their principal earnings asset only if total business increased. This meant channelling more funds and more customers through the banking system, even at higher marginal cost.

So far, the credit transfer system has progressed smoothly, if not dramatically. In 1961, the clearing handled 64 million credit items, with an equally large number probably covered by transfers within each bank. This year, two of the Big Five have experienced a 20-30 per cent increase in credit transfer business over 1961, so that a total of 80-90 million items seems possible for 1962. Some items by-pass the clearing because they are not on standard stationery—though this becomes general on September 30 next ; and transfers that are specially speeded at a cost of 2s. 6d. each also do not go through the credit clearing. Credit transfers normally take two days to clear (a day longer at week-ends) ; this may be slower than some cheques between local branches, but is certainly no worse than for cheque clearings as a whole. Even on the figures that have appeared so far, credit transfers represent more than 20 per cent of cheque clearings. The average value of credit transfers is however a good deal smaller.

INERTIA and conservatism—among the public rather than the banks—remain the major obstacles to faster development of credit transfers. Last autumn, the banks launched a six-months advertising campaign. Several of the larger creditors, such as gas and electricity boards, now print transfer forms on the back of their invoices. Other firms, such as large industrial life offices, have decided as a matter of policy that they still prefer to collect accounts by calling personally rather than use credit transfers. The Inland Revenue, too, seem unwilling to accept credit transfer payments.



Even after some cutback during the recent credit squeeze, it is the personal and professional borrowers and others who were most sharply discriminated against before 1958 that show the biggest increases in advances since then.

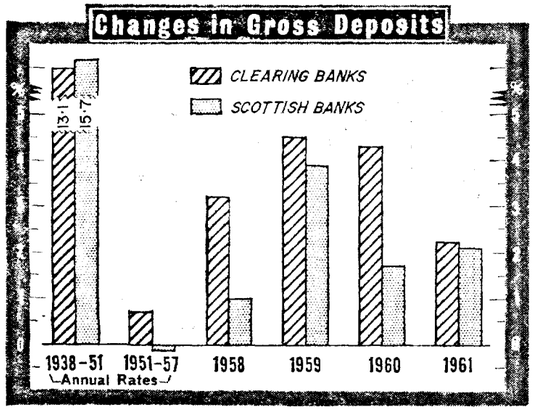
The major problem is to get the advantage of the system across to medium-sized business firms, most of which do not yet provide transfer forms with their invoices. For creditors, the great advantage of credit transfers, as opposed to cheques, is that they flow in automatically and are 100 per cent safe. There is no equivalent of the "bounced" cheque. Against this, the creditor may have to modify his own accounting system, and to ensure regular notification of transfer credits. For some businesses, credit transfers flow in all too unobtrusively.

For debtors, the advantage of credit transfers remains their cheapness and convenience. The average householder should be able to reduce his cheque drawings to three or four a month—when at last the butcher and the grocer reveal the location of their bank accounts on their invoices, or better still enclose a part-completed credit transfer form with it. Against this background, the prospects are for further steady growth in credit transfers, with many of the users drawn from people who do not have a bank account. This attraction of new customers, who now settle their debts through the Post Office, will certainly sharpen the banks' general problems of opening hours and adequacy of premises. Over the next few years, the development of credit transfers therefore promises to highlight the major issue in the banking world—whether or not it makes economic sense to attract a large section of the 50 per cent of Britain's adults who are still the "great unbanked".

Scottish Banks Mark Time

Two hundred and fifty years of political and economic unity between England and Scotland have done little to unify the banking systems of the two countries; and Scottish bankers are now fighting to hold their own in difficult conditions

SCOTLAND'S five remaining banks share one problem—how to find new deposits to sustain their growth. Scots bankers, still more clearly than their English counterparts, have reached a turning point. The painfully slow increase in deposits was not a problem of any urgency so long as advances could be expanded at the expense of investments. Between the end of 1958 and 1961 advances by the Scottish banks as a percentage of gross deposits and notes rose from 25.9 per cent to 38.1 per cent; investments over the same period fell from 38.3 per cent to 24.9 per cent. The process, of course, was a highly profitable one: helped by high interest rates, disclosed profits of the five banks have risen by 57 per cent in their last four accounting years; but in the latest of these they barely rose at all. Even now, admittedly, the percentage of assets held as advances remains lower, and the percentage held as investments remains higher, than at the English clearing banks; but the Scots pride themselves on being more cautious as bankers—and they also have a higher percentage of their advances which while nominally repayable on demand are in practice tied up in financing fixed and unrealisable assets. Four of the five Scottish banks say that there is no further room for switching other assets to advances. Growth now depends on deposits, and deposits are barely growing at all. In the past ten years gross deposits of the Scottish banks have risen by no more than 8 per cent. This compares with increases of 20 per cent in deposits of the London clearing banks and of 32 per cent in the funds of Scotland's Trustee Savings Banks.



Bank deposits are no longer showing their wartime and postwar buoyancy—in Scotland still less than in England.

WHAT chance have the Scottish bankers of reversing this trend? Bank deposits in Britain as a whole are tied closely to government finance, being built on the structure of liquid assets that the government uses to finance its residual borrowing needs. Now that an overall budget surplus has once more become an official policy objective, while at the same time funds are flooding into the Exchequer via the now more favoured gilt-edged market, the banks are no longer able to rely on an automatically expanding credit base. This stringency affects English and Scottish banks alike, but the Scottish bankers suffer the further disadvantage that the economy they serve is relatively the weaker. Bank deposits tend to follow, even if in recent years only partially, the rise in national income. Growth in the Scottish economy, however, has in the last eight years been only half the anything but impressive rate for Britain as a whole. The Scottish banks now see themselves entrenched in a declining sphere.

The Scottish banks also suffer from the dominance of London as a financial centre, which their London branches counteract only marginally. The tendency for industry and commerce in Britain to amalgamate into larger units very often means the centralising of accounts in London. Take-over bids, Scottish bankers point out, nearly always come from south of the border (though Sir Hugh Fraser has not been inactive). This centralising of accounting to the detriment of the Scottish bankers is especially evident in retail trade. Each day, shops that are part of a large group pay in their takings for transmission to London; the Scots do not even get the use of the money over-night. This flow of deposits to the south also tends to occur with the deposits collected by hire purchase companies and building societies in Scotland. It is true that these deposits do not reduce the total supply of bank deposits, since the money lent for purchase of houses or cars quickly flows back to the banks; but because these institutions collect more deposits than they lend in Scotland, the money does tend to flow back to the London clearing banks rather than to the Scottish banks.

The Scottish banks are also more severely affected by competition from Trustee Savings Banks. Deposits that flow into the ordinary departments of these banks are indeed lost to the banking system as a whole, as they go directly to the central government and thus reduce its residual financing needs. But with Trustee Savings

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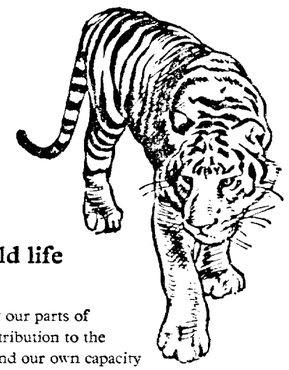
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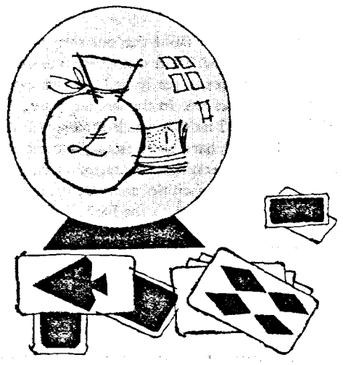
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Banks much thicker on the ground in Scotland the Scottish bankers are more exposed to this competition. The trustee banks are seen to be encroaching on the sphere of the commercial banks with an increasing range of services to customers and with their demands for a cheque system. In the commercial bankers' eyes this encroachment is unfairly based on special privileges such as not having to maintain cash or liquidity reserves and, more particularly, being able to offer depositors the first £15 of interest free of tax.

The managers of Scotland's bigger Trustee Savings Banks are aware of this bitterness, and realise that the commercial bankers are genuinely concerned lest a nationalised banking system should grow out of the Trustee movement. Many Scottish Trustee bankers are not in fact too keen on having their own cheque system—first because it would further antagonise the commercial banks, who would after all have to clear the cheques, and secondly because they feel a cheque system would be expensive to operate. These managers feel that the Trustee Savings Banks would be better served by the increasing use of the credit transfer; in May the clearing banks' credit transfer system was extended to enable transfers to be made to and from accounts at any savings bank.

One suspects, however, that the impact of competition from these banks is not so great as the Scottish joint stock banks are inclined to suppose. The growth in deposits with the Trustee Savings Banks has occurred almost exclusively in their special investment departments, which at present offer rates of interest between 4½ and 5 per cent, and not in the ordinary department. Roughly two thirds of the deposits in the special investment department are placed with local authorities and therefore flow back into the banking system. However, some of these funds too tend to flow south, since in general the Scottish Trustee Savings Banks lend part of their funds to English local authorities.

CAN the Scottish bankers counteract this pressure on deposits—and can they at the same time maintain a forward impetus for profits? There is some conflict between these two objectives, as most of the possible ways of attracting more deposits and more depositors tend to be expensive. Scotland has a long tradition of thrift and has been fairly well combed for deposits, so that the main effort in the Scottish bankers' fight for deposits must be directed against the savings banks. In this struggle the bankers ought to make much of their one clear advantage, of offering a full banking service including the lending of money besides merely accepting deposits and transferring money. The introduction of formal personal loans schemes by four of the five banks has gone some way to get this across to the public.

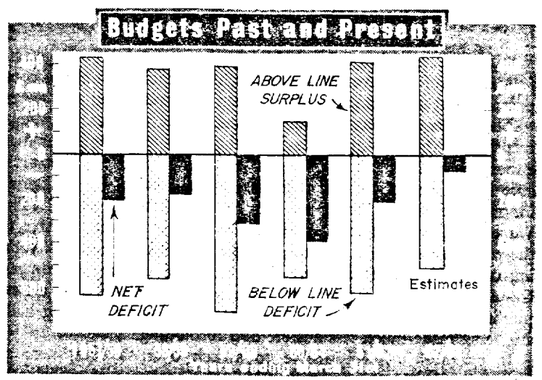
To make any real dent in the savings banks' market however—and Scottish bankers realise this—the banks must reform their hours of opening. The majority of the savings banks' customers are wage earners and to get their custom the banks must be open when the wage earner is free. This probably means that particular branches in commercial and industrial areas ought to remain open during the lunch hour—at present the Scottish banks close for one hour in the middle of the day—while branches in the suburbs ought to open at least one evening a week. Some Scottish bankers argue wistfully that the real answer is for the wage earner to be paid fortnightly, part cash and part credit to a bank account. He could then use the cash for day to day needs and pay his bills by cheque and never visit the bank from one month to the next. But in practice the bankers know that it is they who will have to conform to the weekly system of wage payment that exists.

Pressure on deposits makes it the more urgent to redeploy bank assets to increase their earning power, and the Scottish bankers have already gone some way in this direction. They are all in some way connected with hire purchase—although just at present this has actually reduced earnings—particularly in the case of the National Commercial Bank of Scotland, which led the way into this new sphere and is the most heavily committed in it.

The banks may however have some scope for higher remuneration on traditional banking services. One comparison recently made by a Scottish bank of charges on credit accounts suggested that charges were only one third of the English level. But this difference looks surprisingly large and the English banks have in fact been paring their own charges lately. In any case the Scottish banks could not be advised to raise their charges at a time when they are trying to attract new customers. A more promising line of action may be a selective increase in certain advances rates: for the marginal borrower, bank advances are outstandingly cheap. The personal loan is one form of more lucrative personal lending, but the margin between the cost of borrowing from a bank and taking credit from a hire purchase house still seems unjustifiably large. Further differentiation in bank lending charges between different categories of customers would benefit both the banks and the new customers who might thereby be accommodated.

It may be time too that the bankers dispensed with the fiction that all advances are repayable on demand. About 15 per cent of Scottish bank advances go to farmers; none of the bankers would expect these to be repaid on demand. Where an advance is in effect made for a fixed period, that period might be stated and the rate of interest adjusted accordingly. One possible counterpart of this realistic approach to lending—though by no means an essential one—would be to accept deposits for fixed periods and to pay a rate of interest varying with the length of the deposit. It is by no means clear, however, what the precise advantages of "fixed" deposits would be: some American banks have found time deposits the most volatile of all.

LIMITED opportunities for expanding deposits and increasing net earnings on them have naturally sharpened the need to cut—or rather to contain—costs. For Scotland the best scope in this field still lies in pruning the number of bank offices. Scotland has long been said to be "overbanked"—and some bankers now recognise that this administrative burden was partly the result of an apparent privilege, the right to issue their own notes. This provides in effect a subsidy to the small branch. Only those notes actually circulating need to be backed by Bank of England notes, so that the banks can maintain their cash reserve (i.e. their non-earning assets) at a minimum by providing branches with their own notes as a cash reserve. In a branch needing a cash reserve of say £10,000, only £1,000 need be in Bank of England notes, the rest in Scottish bank notes, thus minimising the loss of earning power. One Scottish banker



The impact of fiscal policy has been growing steadily more restrictive in the past three years.

estimates that without the note issue Scottish banks would have to close, as uneconomic, perhaps half their branches.

EVEN SO, many branches have been closed since the war as a result of amalgamation, and others have been replaced where possible by a mobile bank covering a number of branches. But it is a slow process. Often two banks look ready for amalgamation but it turns out that neither is quite big enough to take the other's customers or that neither is ideally positioned in the area. Many Scots do not take to mobile banks and the bank that maintains a full-blown manager at a branch usually gains customers from sub-branches.

Scottish bankers feel that there is room for at least another amalgamation among the banks themselves—although just where it could take place, with the British Linen Bank wholly owned by Barclays, the Clydesdale and North of Scotland Bank wholly owned by the Midland, the National Commercial Bank of Scotland owned 37 per cent by Lloyds, the Bank of Scotland so obviously proud of its independence, and the Royal Bank of Scotland having two English clearing banks as subsidiaries, is another matter. The most logical combination might be the British Linen and the Royal, since they are roughly complementary in the areas they serve. But it would take a lot of negotiation to persuade Barclays to take a minority holding in a bank which through subsidiaries was in fact competing with it in England.

The Scottish banks can never hope to be as profitable as their English counterparts: they pay interest on a far higher proportion of their deposits; their commission income is lower; the ratio of advances to deposits is lower; and the deposits tend to flow south. However the Scottish bankers give the impression that they are at least as aware as English bankers of the problems that banking all over Britain is now facing. And on the basic question of attracting more customers it is possible that the Scottish bankers, facing the greater pressure, might once again lead the way.

Life with the Computer

A banking correspondent takes a wide-ranging look at the big practical problems of the next few years, from the new challenge of the computer to the old headaches of staff and hours of opening

PROBABLY no application of the electronic computer has had so much publicity in the past ten years as its use in banking. For some time the banks seemed slow off the mark. But news of decisions, then of orders, then of actual installations, multiplied. The banks succeeded in finding a solution to the intricate magnetic ink problem. Formidable difficulties were overcome in choice of equipment, in agreement on the alphabet that would have to be used by the banks, and on adoption of a strip that is to adorn the country's cheques and make them readable by electronic scanners. The impression gained ground that the banks are, after all, moving bravely forward into the second half of the twentieth century.

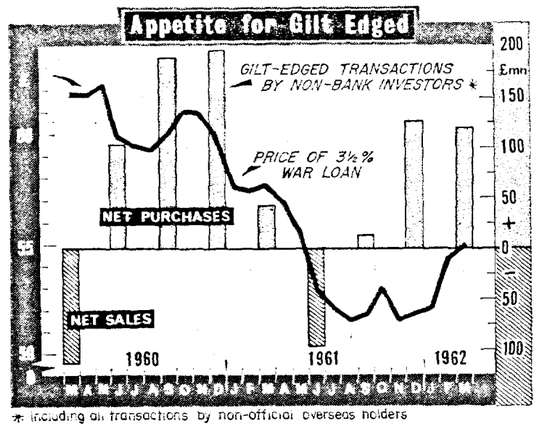
That the computer has been widely seen as the symbol of progressive banking is not entirely unreasonable. In practice, the banks have been embracing the computer with notably different degrees of warmth. Even the most enthusiastic of them, with a decade and more of hard work behind them and a great deal of know-how in their computer departments, have only just begun to get the idea off the ground. All the banks are now firmly in the computer market, but only three of the Big Seven yet have a computer in operation—a fourth is at work in Scotland—and it will be a long, long time before banking as a whole is getting full use out of whatever proves to be the optimum number of computers. But the computer does mean the end of an old order.

The banks first accepted the inevitability of computer development under the pressure of business that was increasing faster than either staff to handle it or premises to accommodate it. That pressure is still being felt, and there is no likelihood of its slackening in the foreseeable future, as the banking habit spreads. The Wages Act, which allows wages to be paid by direct transfer to the wage earner's bank account, though not yet by cheque, is working undramatically to increase the number of banking customers. Credit transfers of all kinds will in time help to familiarise a new public with the inside of the banks, at a time when banking halls are being made much less austere and forbidding.

In practice it is impossible to switch over to computers at once, even in those centres in which the accounts of sufficiently important branches can be reasonably centralised. The very large capital cost—£150,000 per computer as a minimum—might not be absolutely prohibitive, but manufacturing capacity both of computers themselves and of communications equipment on the one hand and the availability of trained staff on the other set obvious limits to the speed of the banks' computer expansion. In the end the computer may well work wonders. In the meantime growth has to be handled with conventional machinery.

But "conventional" in this context includes much that is itself new. Organisation and method study in banking is an art that few bankers foresaw even a decade ago—and indeed one that many bankers today regard as new-fangled, unnecessary and futile. Banking is, very properly, a conservative calling. But O and M has arrived, and is yielding its economies. So are a variety of mechanical aids, the most newsworthy of them being the note counters and coin sorters. And, perhaps most important, the pressure of a growing volume of work, combined with the evident need to expand the volume of banking resources, is slowly bringing about a change in the banks' whole outlook on their problems.

Broadly, the change can be summed up as a relaxation of the strictness of pre-war orthodoxy. The war itself produced very substantial simplifications of routine, and many procedures aban-



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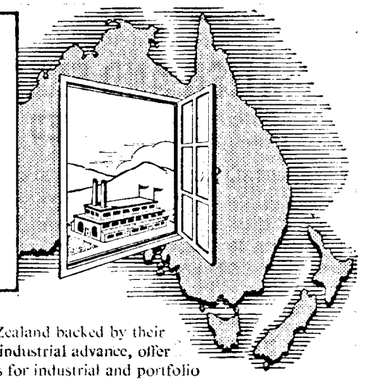
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doned because of staff shortages were found not to have been essential after all. Now there is a new pressure for change and flexibility, and when a particular simplification—suggested perhaps by O and M, perhaps by the needs of the computer itself—is seen to have an element of risk, it is not as inevitably rejected as it would have been a few years ago. The risk is now more likely to be calculated, and set against the saving; and the sum quite often gives a surprisingly satisfactory answer: 25,000 man hours saved in a year, perhaps, against a marginally increased opportunity for fraud by a customer or by a member of the staff. It is not always profitable to close every stable door that could conceivably be forced open.

BANKERS who learned their job before the war may shed a tear for the days when handwritten ledgers were the basis of all banking and no corners were ever cut. When Mr Anthony Tuke, in his last address to stockholders of Barclays, recalled from his young days "a ledger keeper of mature years going to his manager with his quill pen behind his ear to report that Mr So-and-so had changed his bookmaker again," there were many in the banks to sympathise with his comment: "I doubt if the computer will ever be invented that will perform a service of that quality"—though might a few bank customers have breathed a sigh of relief? The dominating fact is, of course, that if the banks are to serve a steadily increasing proportion of the population they are bound to embrace all the economies of mass marketing that are open to them.

For staffing is, and is likely to remain, the banks' central problem. Staffing difficulties are probably not so acute now as they were a few years ago, but in the large towns, and especially in London, the banks still find it very hard to recruit as many girls as they need. And even if they are attracting young men in sufficient quantity, it seems doubtful whether they can now be getting as many outstanding young men as they had before the war, when it was so much more difficult for boys to go to university. All the banks are now glad to welcome graduates, but graduates in turn have so far not shown themselves enthusiastic about banking, while those who do join are often not in the top flight.

One of the more public problems the banks will have to resolve before they can face the future with confidence has its own link with the staff problem. The National Union of Bank Employees is currently getting a good deal of publicity for its claim for a five-day week. The fact that only one of the big banks "recognises" NUBE does not really make this claim less significant. Saturday morning working is unquestionably a deterrent to recruiting: how great a deterrent no one is quite sure, but the pool from which the banks recruit does go otherwise mainly to five-day-week jobs.

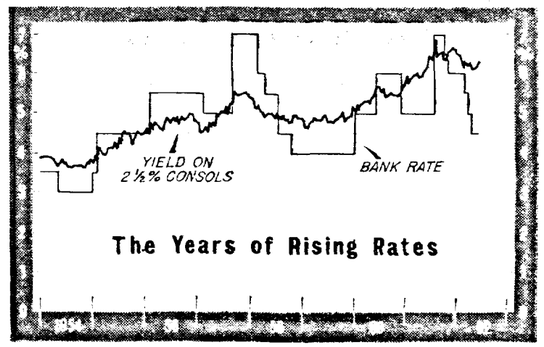
The dilemma is that the bank in the High Street is serving the same people as the shops around it, and they do more business on Saturday than on any other day. Neither they nor their customers would be pleased to see the banks shut on Saturdays. NUBE tends to shrug off the inconvenience to customers (though it has not gone as far as the staff association spokesman who said a year or two back that a customer who could not accommodate himself to present opening hours must be lacking in resource and initiative). But the banks have shown no sign yet of taking the Draconian advice of their militant petitioners. Indeed their thinking may reasonably be in the opposite direction: certainly the cutting down of service must be unpalatable to any good banker. The withdrawal of "narrative" from customers' statements was an economy of mechanisation, and the computer looming ahead made it seem ultimately unavoidable; but the bankers liked the change almost as little as their customers. And any number of spokesmen for their customers, actual and potential, have urged them to extend rather than restrict their hours of business.

The banks' present hours of 10 to 3 on weekdays and 9 to 11.30 on Saturdays are indeed significantly shorter than they were before the war, when the banks opened from 9 to 3.30 in London and 9.30 to 3 in the country. The new public, largely office and factory bound, is often knocking at a closed door. New thinking is needed here, above all on the possibility of experiment—in taking the banks to the factories, for example, though this would be in a sense a second-grade service; in late opening on one or two afternoons, or evenings, a week; in early opening, to serve the public on its way to work; even (if the staffing situation were only easier) a five-day week for the staff and full six-day opening for their customers.

The computers may have their side influence here. A computer that is used only for an eight hour day is quite unnecessarily costly, and the time cannot be far off when the cheques we cash in the day may be posted to our accounts in the small hours of tomorrow, ready for the branch staff coming to work in the morning. Nor, when this happens, will the computer staffs be the pioneers of shift working in the banks; special branches at airports and exhibitions have for years been open much longer than the normal banking hours.

RADICAL changes of the kind their new customers will want can probably be faced only if the banks abandon the national standard they have worked to in the past. It has long been accepted that the English banks are less willing to experiment than American banks because experiment is so much more difficult in a thousand branches than it is in one or two. In this matter of hours, at least, local option is perfectly feasible—it already operates on market day in some country towns. In many communities evening opening would be quite wasted, in others it would be welcome. In the business centres, notably in the City of London, the banks could close on Saturdays with no great loss to anyone (and great gain to the quality of their girl staff). In some of the busy shopping centres the banks could profitably open all day on Saturdays—and perhaps close on Mondays? Given a sufficiently imaginative approach the banks might find their staffs—*pace* NUBE and the staff associations—not as reluctant as one might expect to cooperate in this kind of innovation.

The computer can have the last word. Its most significant feature is its enormous appetite for work. This, of course, is the main reason for buying it. And once bought it has a habit of wanting to do more than the purchaser had imagined it could; the new owner of a computer, after he has learned to live with it, often finds himself looking round for work to occupy its idle hours.



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BOOKS

The Transformation of China

The Wilting of the Hundred Flowers: *Free Thought in China Today*

By Mu Fu-sheng.

Heinemann. 336 pages. 42s.

ONLY a Chinese could have written this book, and perhaps nobody but Mr Mu, who, as it happens, is an engineer and not a writer by profession, could have done it half so well. This is the outcome of a year spent in China, where he had returned after offering his services to the People's Government. Though a personal view of the communist experiment, it contains very little—indeed, tantalisingly little—autobiography. The dustjacket tells us that he practised as an engineer in Britain and the United States before returning to China, but we are not told the circumstances in which he parted company with the regime he had been serving.

There may be good reasons for this reticence. In any event, though it is frustrating to the curious, it is probably the secret of Mr Mu's success. He writes with calm detachment, refusing at all times to get hot under the collar, avoiding at once the pitfalls of deliberate anti-communism and of personal bitterness. As he is aware, this attitude will infuriate communists and anti-communists alike. Could there be a higher recommendation?

Mu Fu-sheng divides Chinese communists into three categories: the top party leaders, the veterans and the younger recruits. Seniority coincides with power. The top party leaders give the orders, the veterans (those who joined the party before 1949) execute them and the younger cadres work in unquestioning obedience to their elders. The author finds it impossible to talk about the first group and unnecessary to talk about the third. The second group—the veterans—as he points out, permeate Chinese communist society, often transforming the directives from the top leadership and leaving the imprint of their collective personality on the life of the ordinary people; and it is on them that the author concentrates.

Through the veterans, the Chinese Communist party has built up probably the most pervasive and effective machinery of control ever known, which neither the publicity methods of affluent democracies nor the brutalities of one-man despotisms can equal, and which outclasses the Soviet party's system in its power to compel not obedience but apparently cheerful acquiescence. The simple tool is the party committee, to be found in every street or factory, farm or office, and the simple method is inexhaustible repetition and persuasion.

The tool and the method have transformed China from a rowdy, dirty, corrupt society, plagued with pickpockets, flies, prostitutes and their pimps, and oppressive warlords, into a clean, polite, conformist, honest and puritanical one. Pickpockets, for instance, yielded to the method. In each city, a few were arrested, lectured on behaviour in a socialist society, then released after signing a slip of paper saying they repented. "Picking pockets became a safe and profitable activity; meanwhile, the register in the police station grew." Soon all the pickpockets were listed. Then one day, they were summoned to a meeting, where the patient veterans "persuaded" them to attend a training course to make them into useful socialist citizens.

Now the prison gates are open, for there is no point in a man's escaping if he cannot stay at a hotel for lack of credentials, buy a long-distance bus ticket without a letter of introduction from a recognised organisation, work without a trade union card, or even steal since the ever-present party man would have him arrested. All the achievements of the Chinese communists—and they are considerable—can be traced back to the same method, relentlessly applied. It has unified the vast country under central authority as it was never united even in the imperial past; it has carried China dramatically forward in industrialisation and education, especially in science and technology. Mr Mu neither minimises the material achievements nor ignores the setbacks, including the towering failure to tackle the population problem. Nor does he overlook the price, in intellectual sterility and stultified initiative, in inhumanity and in the absence of law in the western sense (ideology and the party having taken the place of law and the state).

This book covers far more ground than its modest title would suggest, though Mr Mu does explain how China's intellectuals were persuaded to express their views of the regime during the famous "hundred flowers" period ("let one hundred flowers bloom, let one hundred schools of thought contend"), paying for their rashness with a harsher repression. Mu Fu-sheng is clearly a man of vast culture, at home in the literary and scientific worlds, steeped in Confucius and Hsun Tzu, Marx and Nietsche and Keynes and Ricardo. He has placed his personal account of China today in its historical and cultural context. This critique of Chinese communism, always penetrating and frequently illuminated by special insight, is further enhanced by a profound awareness of western shortcomings. This is a major contribution to an understanding of an overwhelming and tragic problem.

Disenchantment

Conversations With Stalin

By Milovan Djilas.

Hart-Davis. 192 pages. 16s.

MR DJILAS'S latest book could be sure of the maximum publicity simply because its publication in the West has again landed the author in gaol with a stiff nine-year sentence. But it does not need this fortuitous and unwelcome boost; in its own right it is a distinguished and fascinating contribution to knowledge of Stalin and his circle. Moreover, Mr Djilas makes his points with an elegant brevity that shines through the filter of translation and is in welcome contrast to the turgidity of so much that is written about the Soviet Union.

There are no new important revelations in this book. It is in effect an account of three visits that Mr Djilas paid to Moscow in March, 1944, in April, 1945, and in January, 1948, and its interest lies, first in the account of the Jugoslav communist leaders' slow process of disillusionment with the Soviet Union and, secondly, in the intimate and startling insight that it gives into the mental processes and attitudes of Stalin and his associates. The process of disillusionment can perhaps be most vividly illustrated by Mr Djilas's description of his journeys to Moscow. On the first journey, when he regarded all things Russian with the simple-minded fervour of a communist revolutionary fighter, he was overwhelmed with emotion as he looked out of the plane. "I lost myself in the surge of the Volga and limitless grey steppes and found my primeval self, filled with hitherto unknown emotions. I wanted to kiss the Russian soil. . . ."

On the second journey, doubts and misgivings kept crowding in; they were accentuated by the violent attacks that Stalin had been making upon Djilas for his allegedly insulting remarks about the Red army. Even the Russian landscape now looked sombre, desolate and uninhabited. "I flew wavering between sky and earth, between conscience and experience, between desire and possibility." By the time he went on his third journey, he had more or less accepted the gulf between his revolutionary ideals and the grim realities of Soviet practice. He and his companions merely mocked at the Russian railway carriage sent to collect them from the Rumanian border town; they found it comical because of its "old-fashioned fussy décor", and grotesque because the miserably clothed attendant was forced to keep a laying chicken in his compartment because his pay was poor and his family large.

Mr Djilas's disillusionment arose basically from his growing realisation that Stalin neither trusted the Jugoslavs as fellow communists nor intended to let them go their own way. Perhaps the greatest contributory factor was his gradually accumulated knowledge of what sort of men they really were, who settled the future of their country over gargantuan midnight feasts in Stalin's villa,

and thought up even more idiotic ways of forcing each other to drink too much vodka. Mr Djilas's brief pen portraits of these men are extraordinarily vivid and perceptive—and mostly extremely repellent. Beria, "somewhat plump, greenish and pale and with soft damp hands," comes off worst—perhaps because he irresistibly reminded Mr Djilas of a certain royalist police chief in Belgrade who had specialised in torturing communists; while Mr Khrushchev, whom Djilas met not in Moscow but while visiting Kiev, comes off best—he is described not without asperity (for his educational shortcomings) but with a certain sympathy and even admiration.

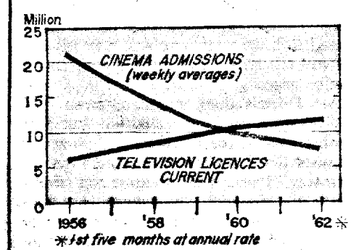
In Mr Djilas's portrait of Stalin himself perhaps the most interesting thing is the very obvious physical and mental deterioration that had set in during the three years from 1945 to 1948. Curiously, this seemed to make Stalin's power more, not less, absolute; it brought the personality cult to its fullest and most hideous flowering. The men around Stalin dared not even contradict him when he insisted that Holland did not belong to Benelux. And the furious and contemptuous manner in which Stalin hauled over the coals Dimitrov, the Bulgarian leader, and the Jugoslavs, because they had signed an agreement at Bled without Soviet knowledge and against Soviet wishes, throws a revealing light on his determination to keep his east European empire firmly under his thumb.

All Mr Djilas's references to his former Jugoslav colleagues are quite unexceptionable. But he knew that he was publishing this book against their express wishes. Technically they had grounds for putting him back in prison, because he has published, without permission, information that he learned in an official capacity (although it is no longer secret) and he did apparently break a promise, made when he was conditionally released from prison early last year, that he would not publish anything of a political nature. This, together with exasperation at his apparent determination to stick his neck out, may account for the Jugoslav government's decision to treat him without mercy. The Jugoslavs may also have felt that Djilas showed an unforgivable lack of political tact in reminding people, at this particular time, that they had once seriously considered the absorption of Albania.

Moreover, at a deeper level, it is clear that Mr Djilas's disillusion with Stalin extends to the whole communist system. What he is really questioning is a form of government under which one group assumes a complete ideological and political monopoly to the exclusion of every other group or point of view. This assumption of infallibility is a central article of faith for any communist party, in Belgrade just as much as in Moscow; and it is just as central now that Stalin has been discredited as it was when he was at the height of his power. It is presumably his burning conviction of this that produced in Djilas what he calls the overwhelming "inner compulsion" to get this book published, whatever the cost to himself.

LOOKING IN AND LOOKING OUT

The attraction of the home screen continues to reduce cinema business. But replacements are now the mainstay of television set manufacture; licences are increasing at the rate of just under half a million a year against the million rate of two years ago.



The Many Moods of Wilde

The Letters of Oscar Wilde

Edited by Rupert Hart-Davis.

Hart-Davis. 983 pages. 84s.

OSCAR WILDE had to a fatal degree the entertainer's temperament. Not only was he, by all accounts, an enchanting conversationalist; he was an inveterate actor, who never outgrew his instinct for self-dramatisation. He took a pleasure even more pronounced than Byron's in building himself up into a legendary figure, and since his death his reputation, again like Byron's, has been shored up by an accretion of legends. Friends and detractors rushed into print, contradicted and discredited one another. Recently he has become familiar as a film hero to thousands who have never seen a play of his or read a word he wrote.

It is a great satisfaction, in the midst of endless romancing and conjecture, to have a definitive edition of Wilde's letters. Mr Hart-Davis has collected well over a thousand, from every available source, and they are printed in their entirety, apart from one or two names suppressed from motives of courtesy. The editing is exemplary. The letters are grouped in nine sections, and there is an epilogue that gives eye-witness accounts of Wilde's dying. Though the introduction is brief and the comments introducing each section biographical, Mr Hart-Davis has managed to convey his compassionate understanding of this strange man; and any future biographer of Wilde will have cause to bless this book, with its admirable general index and ample footnotes.

Here are given for the first time the complete text of the immensely long letter to Lord Alfred Douglas which Wilde entrusted to Robbie Ross on his release from Reading Gaol, and which has long been known in

Ross's doctored version as *De Profundis*. It is a deeply pathetic document, particularly in the light of Wilde's subsequent decline; but it is histrionic too, disquietingly so.

"It was natural for Wilde to be artificial," said Ross, borrowing the master's idiom, "and that is why he was suspected of insincerity." This self-consciousness does detract from his quality as a letter-writer. Besides, the preciosity of his bejewelled prose is unacceptable to the mid-twentieth-century palate. His letter to R. H. Sherard for instance, defining friendship, is so phrased and cadenced as to embarrass or amuse readers distrustful of purple passages; and he expressed his passion for Douglas in a style that now seems incredibly rhetorical. But of course Wilde could, and often did, write excellent letters, especially to the press. His protests against stupid reviews of "Dorian Gray" are admirably done, and so is his letter to the editor of the *Daily Chronicle* about a warder who was dismissed for his kindness to children in prison. Wilde's generous good-heartedness shines out here, in his account of the miseries suffered by a little boy: "The child's face was like a white wedge of sheer terror."

These letters mirror a vast variety of moods: sheer high spirits, suspicion, gratitude, utter discouragement, infatuation, irresponsibility. Through them we trace astonishingly steeply graded ups and downs of fortune. Perhaps one of the most delightful is that addressed to Ada Leverson, on the day of his arrival at Dieppe after his release from prison, with its inimitable postscript:

> I am staying here as Sebastien Melmoth—not Esquire, but Monsieur Sebastien Melmoth. I have thought it better that Robbie should stay here under the name of Reginald Turner, and Reggie under the name of R. B. Ross. It is better that they should not have their own names.

Guide to New Buildings

The New Architecture of Europe

By G. E. Kidder Smith.

Penguin. 349 pages. 10s. 6d.

SOME architects are photographers; a few photographers are writers. Mr Kidder Smith, an American, manages to combine in unique form the architect, the photographer and the writer. He is already well-known, both in his own country and here, for his "Sweden Builds," "Italy Builds," "Brazil Builds," and so on. Now comes the English edition of his "New Architecture of Europe."

Mr Kidder Smith has ignored the larger, eastern, portion of Europe, so the title is really something of a misnomer. Within the western sphere it would be difficult to do better what the author has set out to do. Mr Kidder Smith is not only an acute critic of architecture; as a photographer he has an acute eye for hitting upon just that viewpoint that will tell us most about a building, that will give us its essence.

The result is as good a guide to the modern architecture of Western Europe as

one could wish for. It deals, in 350 pages, with 225 buildings from 16 countries: Western Europe has by now become a most prolific field to draw upon. Mr Kidder Smith has not missed much and, in the opinion of this reviewer, he has not included anything that should have been omitted. He is a very thorough man; he provides a map with cross references to the photographs; he indexes the buildings and he indexes their designers, with addresses and telephone numbers. Will they, one wonders, be plagued this summer by architecturally minded tourists, all anxious for a conducted tour? The book does one very important job. It demonstrates what should be well known by now, but is not, that the so-called international style is something upon which every country has in fact put its own indelible stamp.

Mr Kidder Smith is critical, but not unkind. He admits that in England he finds little of world-shaking merit, but as the Modern Movement began here—in the age of iron and glass—so, he thinks, it may also culminate here sometime in the next half century. One devoutly hopes that he is right.

Fabians in Perspective

Fabian Essays in Socialism: *6th edition*

With a new introduction by Asa Briggs.

Allen & Unwin. 322 pages. 30s.

ONE welcomes the reappearance of a classic, though regretting that it has not yet acquired the paperback status it merits. This sixth edition of Fabian Essays is, however, unique in that it is the first to appear (the fifth edition was merely a reprint) without a new preface by a member of the Old Guard. Shavian wit and Webbian reminiscences are replaced here by a studiously balanced, erudite and up-to-date introduction by Asa Briggs, now a professor at a new university. The volume is none the poorer for it: the earlier prefaces are all retained as appendices, and, in their stead, Professor Briggs seeks to view in perspective the essays and Fabianism generally.

The essays form a landmark: 1889, the year of their publication, was the centenary of the French Revolution, and the authors chose this of all years to publish an enduring testimony to British gradualism. The contributors do not all enjoy equal fame today: GBS and Sydney Webb, still household words; Graham Wallas and Annie Besant, unforgotten; Lord Olivier, William Clarke and Hubert Bland, remembered only by the specialist. A varied group of authors, they have nevertheless left their imprint upon history. This imprint, as Professor Briggs shows, went far deeper than the "permeation" of the Establishment and of the political parties, for which Fabian history is renowned. The real significance of these essays is twofold: first, in demonstrating the case for a more rational social and economic order, and second, through Hubert Bland's contribution, in pointing the need for a political party to proselytise this message

and programme. Thus, it was but a short step from these essays for the Webbs to conceive of the marriage between the radical intelligentsia and the trade unions that has been the enduring basis of the Labour party, and which has ensured that an important stream of socialist thinking in Britain has kept its feet on the ground. Professor Briggs aptly describes Fabianism as "an invitation to a permanent review of what was happening. It rested on no canons of finality." Fabianism has done much to shape the Britain of today: its empiricism makes it an ideal instrument for fashioning the scene of tomorrow.

How Russia Emerged

The Making of Modern Russia

By Lionel Kochan.

Cape. 320 pages. 35s.

THIS book is an essay in historical interpretation. The author accomplishes exactly what he sets out to do. He explains how the Soviet state of today has emerged and how it has become what we know it to be. The narrative is geared to the inescapable fact that in 1917 there was a revolution in Russia, that the Stalinist system with its feverish industrialisation tempo and forced collectivisation followed, and that ultimately Russia emerged as a "global Power", which managed "to overtake in decades a lag of centuries". An integrated set of developments and forces in operation since the sixteenth century, at least, had led ineluctably to this outcome. Stalin accomplished the task that Ivan the Terrible had set himself, and which successive Czarist governments either failed to grasp or were unable fully to cope with: the task of modernising and westernising Russia in order to rival the West in power.

In this schematic approach lies both the book's strength and its weakness: its strength in that it gives a coherent, logical and lively picture of Russia's past, it hangs well together, there are no loose threads, it reads easily, it is the ideal book for the general reader; its weakness in that it simplifies things, in that it is too neat and logical to be true to life. One must think of the late B. H. Sumner's "A Survey of Russian History," with its awareness of the complexity of historical processes, where clarity stems from a consciousness of the multiple forces at work. Sumner's, it is true, is not an easy book to read; it requires some prior knowledge of Russian history to appreciate its depth. It cannot be read through at almost one sitting as this one can. It is a book for the historian rather than the general reader. There is no doubt, however, that Sumner's synthesis is based on a large number of monographic studies and articles in academic journals, many of them Soviet, available at the time of writing his survey.

The chapter on Kiev Russia, though a masterpiece of synthesis, in which obviously some Soviet monographs have been taken into account, is rather out of place in Mr Kochan's scheme because it does not serve to explain how contemporary Soviet Russia came about. The dawn of Russian history heralded a development diametrically opposed to the one that actually took place.

Asia Rehashed

Asia in the Balance

By Michael Edwardes.

Penguin. 200 pages. 3s. 6d.

THE pace of events since Penguin published Guy Wint's "Spotlight on Asia" some years ago justifies a new "special" on the same immense subject. The actual book, however, hardly justifies itself. Mr Edwardes is signally less successful than Mr Wint was in selecting the facts that matter and often, in consequence, confuses instead of clarifies the reader. The author has some valuable insight to impart into the way Asians think (to the debatable extent that they think alike) and offers explanations for the failure of western-style democracy among peoples to whom it makes little appeal.

Much of this, however, has been said before and there is inevitably a ring of Martin Tupper about Mr Edwardes's wisdom. Moreover, it is not true, as the author asserts in a postscript written in December 1961, that the Geneva conference on Laos had at that time made little progress towards an agreement; and his account of Siam's attitude is inaccurate.

A Federal Republic

A Comparative Study of the Indian Constitution

By Sirdar D. K. Sen.

Orient Longmans (1961). 404 pages. 42s.

THE author of this well-written and interesting book has had practical experience of government that is given to few writers on constitutional law, many of whose works read as if they had never taken part in, or even visited, any legislative assembly. Sirdar Sen was for a time foreign minister of Patiala and later chief minister of Mandi and Cooch Behar. After an introductory part describing the background to the Indian constitution and the rules of comparative law regarding constitutional interpretation, the author proceeds to describe the general structure of the Indian Republic in the light of a comparative study of other federal constitutions, with particular reference to the principles of judicial organisation and of the distribution of legislative and executive power.

The work is sound and accurate with some interesting observations of a general nature: for instance, that the Indian constitution, although federal in character, does nevertheless possess marked features of centralism, and that the President of India himself is in truth the old Viceroy under a new guise. Much of the book is nevertheless spoilt by irrelevancy and a tendency to quarrel with previous writers on the sub-

ject—notably Sir Ivor Jennings, of whom the author has a lower opinion than is commonly held by experts on constitutional law. Again though the breadth of the author's reading is remarkable—the volume containing citations from the judicial decisions of at least a dozen jurisdictions throughout the world—there are occasions when one could dispense with a reference for the sake of a more closely-knit argument. For example, it hardly requires a reference to the Supreme Court of Mexico to be convinced of the assertion that

> the unconstitutionality of a law emanates from the conflict between it and the constitution or a certain constitutional precept.

Scientific Collection

The Collected Papers of Lord Rutherford of Nelson. *Vol. I, New Zealand, Cambridge, Montreal*

Under the scientific direction of Sir James Chadwick.

Allen & Unwin. 931 pages. £6 6s.

ERNEST RUTHERFORD, a New Zealander with a huge laugh, is one of the towering figures of science, described alternately as the father of nuclear physics and the Copernicus of the atomic system. More than this, he is a great historical figure, for the discoveries that he made fifty years ago about the structure of the nucleus have altered human destiny; they are the basis of all nuclear weapons, they are the essence of nuclear power. Science would in time have got round to these discoveries without Rutherford, but a great deal more slowly and without the clarity of vision that allowed him to propound a theory precise enough to form the basis for calculation.

His scientific papers, now being collected and published for the first time, are part of the web of history even if they remain incomprehensible to the average historian. His output from 1894 to his death in 1937 was immense; this is merely the first of what are intended to be four volumes and it covers his debutant period working mainly on the phenomenon of radioactivity in New Zealand, then England and, towards the end of the period, at McGill University in Montreal. The great discoveries come in the second volume, which will cover the period from 1907 to 1919 when Rutherford was at Manchester. The New Zealand government, the National Research Council of Canada (the Canadian equivalent of the Department of Scientific and Industrial Research) and the Leverhulme Trust have all made what Sir James Chadwick describes as "large grants" towards the cost of publishing the four huge books.

OTHER BOOKS

THE CLAIM FOR DEMURRAGE. By H. Tiberg. *Stevens.* 95 pages. 25s.

AN INTRODUCTION TO LOGIC. By D. Mitchell. *Hutchinson.* 192 pages. 12s. 6d.

ESSAYS AND STUDIES, 1962. Collected for the English Association, by B. White. *Murray.* 114 pages. 13s. 6d.

LETTERS

Commonwealth Universities

SIR—"Why not, the Commonwealth men suggest, set up a Commonwealth University Authority?" So you wrote last week. "Why not," you added, "have done it long ago, without waiting for a supposed European threat to provoke the idea?" But we did, fifty years ago next year. Not an authority, it is true, for universities are independent bodies, but an Association of Universities of the British Commonwealth, which is an instrument of the common tradition now shared by 131 universities and has done a great deal to promote the movement of academic staff among them. (Incidentally, its jubilee congress in London next summer may well see, for the first time, rectors of European universities among its guests.)

Further, through the Commonwealth Universities Interchange Scheme the British Council promotes short-term visits of academics, chiefly between United Kingdom universities and the rest in both directions. The Inter-University Council has guided the foundation and the staffing of Commonwealth university institutions, old and new, in all the areas that were colonial at the end of the war. The Department of Technical Co-operation is promoting secondment of staff to those institutions, which are now more interested in secondments than in permanent appointments from this country. The Commonwealth Scholarship Commission brings about 250 high quality Commonwealth scholars, mostly graduates, to the United Kingdom universities every year, and sends a smaller number in the outward direction. Seven thousand Commonwealth students of all kinds from overseas are to be found among the 111,000 now in the universities of this country.

It is not more organisation that is needed. Nor is there virtue in amalgamating the existing agents into a single organisation, as your plea for "a more systematic effort to help education in the undeveloped countries" may suggest. A single large authority would be no more effective, but merely less personal in its operation and administratively more expensive. What is needed is not a more systematic effort, but simply a bigger effort. The AUBC spends no more United Kingdom money than the £3,400 subscribed to it by the universities of Great Britain. The Inter-University Council advised on the spending of up to £1 million a year by the Colonial Office. The British Council spends £50,000 a year on Commonwealth university interchange, and the Commonwealth Scholarship Commission roughly £250,000 on scholarships and fellowships. The Department of Technical Co-operation's budget is not yet available. These sums are small in relation to the growth of trade between Britain, or Europe, and the Commonwealth, which the context of your observations suggests might be fostered by vigorous support of university education.

A bigger effort must proceed from a stronger university base in this country. We need to have staff and to spare at home if we are to give effective help to universities abroad. That can happen only when the Government finds itself no longer obliged to allow university building programmes to lag, to give inadequate recurrent grants and to hold down university salaries. The sooner that happens the better, for our own universities, for the Commonwealth universities, and for the strength of our voice in the Europe of the common market.—Yours faithfully,

ROBERT AITKEN
Vice-Chancellor

University of Birmingham

Braking Jets

SIR—In reporting the recent Boeing 707 crash at Orly Airport in your issue of June 6th, your correspondent described possible ways of emergency braking for jet airliners if a take-off has to be abandoned; crash nets, tail parachutes and arrester wires were discussed. No mention was made, however, of thrust reversers which are standard equipment on all Boeing 707s and DC-8s, including those with Rolls-Royce Conway engines. These reversers provide a very effective means of braking jet airliners, particularly when they are travelling at high speeds on a runway. At these speeds the load on the wheels is reduced because of aerodynamic lift and the braking force which can be exerted by wheel brakes is correspondingly reduced.

At a speed of 140 kts. the braking force which can be exerted by reversing the thrust of the four Conway engines on a Boeing 707-420 is 40,800 lb. The effectiveness of the reversers falls off as aircraft speed is reduced, but even when the aircraft is stationary a reverse thrust equal to 42 per cent of its full forward thrust can be applied.—Yours faithfully,

A. I. FENWICK
Public Relations Manager.

Derby Rolls-Royce, Ltd

New Guinea

SIR—You write that if negotiations between Holland and Indonesia over New Guinea are successful, "an absurd and harmful colonial war" will have been avoided. If war were to come, which would be the colonial power?—Yours faithfully,

London, N2 S. D. BAILEY

MSL *have been retained to advise on these appointments*

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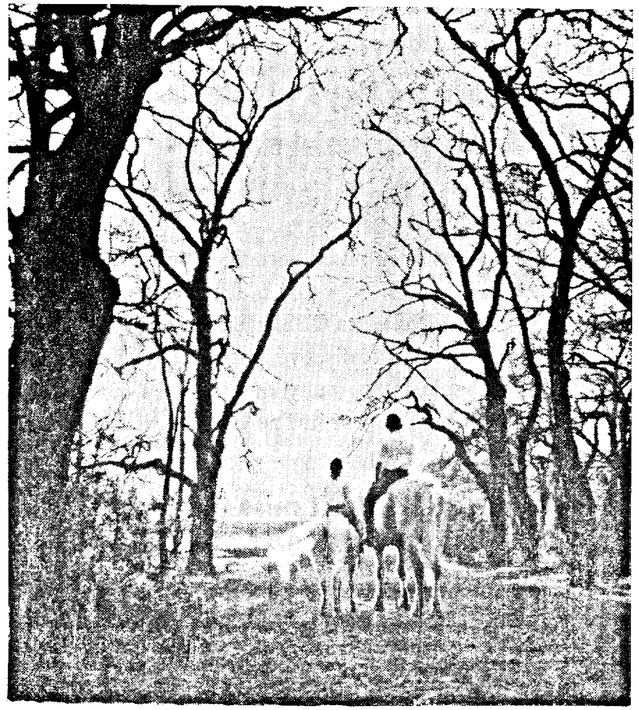
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THE OBSERVER

THE BUSINESS WORLD

Commodities and Europe

NEGOTIATIONS in Brussels have now brought the idea of fresh international commodity schemes right into the practical bargaining between Britain and the countries of the European Economic Community. "World agreements" have been put forward by the Six as the ultimate answer to assuring Commonwealth producers of continuing outlets for their temperate agricultural products such as wheat and butter. And as an ultimate objective, in principle, the British bargainers have accepted the idea, though this has not halted its arguments over the timetable of the transition period, the eventual agreements, and the possible "hinge" period in between, or for giving the Commonwealth a special place in such ultimate agreements. International commodity agreements are very far from new, though the proposition that a solid Commonwealth preference or a guaranteed market should be traded in exchange for one is novel. Whatever arrangements are made would contain definite advantages for producers who are likely to be affected by Britain's entry—but Britain has to consider its own consumers too. To work—and be seen to be likely to work—in the manner intended they will also have to carry vastly more conviction than any scheme for commodities that has been hatched until now.

A world scheme was already in embryo before the current round of negotiations in Brussels for the British entry into the common market began. Nurtured by the French from an unpromising beginning, this seems certain to influence the final shape of the projected world agreements. Other important producers of temperate products were made familiar with its principles some time ago, but it was only within the past year that knowledge of the scheme has coalesced into general agreement between most of the grain producers.

This so-called Baumgartner plan was broached by France at the recent discussions of trade ministers at the meeting of the General Agreement on Tariffs and Trade. The other members of EEC refused to own it, but it was apparently tentatively adopted by the United States. It could not at that time possibly have got past British objections.

But with whatever modifications the "other Five" clothe it, these French ideas could be the basis of the Six's still unsettled proposals for a world agreement on cereals. Late sittings by the Six on Wednesday evening and an unscheduled two-hour session on Thursday morning that delayed the start of the new round of talks with the British delegation failed to produce agreement on it or on transitional arrangements. The only visible progress made was agreement on a proposal for a joint declaration in favour of starting discussions for world-wide agreements in 1963. Among the objectives would be "reasonable prices" and "no distortion" of trade, both of which could mean many different things. However, the French appear to be clinging tenaciously to their views against the combined opposition of their five colleagues.

In essence, the Baumgartner plan aims at lifting world prices to a level compatible with European prices, and then disposing of surpluses through aid programmes. The first element—raising world prices—would be achieved in Europe by ensuring that no wheat, for example, would enter the common market below agreed prices. Import levies, as under the existing EEC agricultural policy, would ensure that prices were maintained within the common market at the prescribed level.

Outside Europe prices would be sustained by the operation of the aid programme. Any commodities bought on behalf of such a programme within or outside the common market would also be purchased at the European price. If the right price is chosen, and sufficient funds for aid are forthcoming, it is assumed that disposals of wheat can comfortably be maintained at a rate which will keep the whole structure in equilibrium. The difference between the European price and the producers' price in other countries can be absorbed by export taxes or import levies in varying proportions. Import levies and, perhaps, part of the export taxes would contribute to the aid fund, which might also receive a given small proportion of each participating country's national income. Contributions to this aid fund could be in kind—e.g., wheat—as well as cash; and its main purpose would be to distribute to needy countries the amount of these commodities that would otherwise have become surplus and depressed prices. It is imagined, rightly or wrongly, that in no market in the world need prices other than these chosen ones be paid for wheat; for example, there would be no more of those sales of "cheap" grain to countries like China.

QUITE apart from the obvious difficulties that could arise in harnessing a massive give-away food programme directly to the disposal of surpluses, the scheme in its simple form has shaky foundations, even though it is well trimmed with bright ideas. The assumption that some price can be chosen that will balance this mechanism without other aids may be too hopeful. Production controls or "guarantees" have to be incorporated into the scheme if it is hoped to make it last. This is of course the first point of many at which lesser schemes have bogged down in wrangles.

However, the outlines of this scheme have to be reckoned with. A point in their favour is that in the case of wheat

they could be squared with the existing International Wheat Agreement without additional fuss. Meat, dairy products, fruit and possibly sugar are the candidates immediately in line for similar treatment. It is claimed that tropical or sub-tropical countries should not attempt to produce products of a type, for which they are not suitably endowed simply by lack of purchasing power. The food fund could fill that need. The plan's supporters predict that surpluses can be readily fed into this yawning void up to the point where the ordinary market would give the producer a " reasonable " price.

Nor is this sort of reasoning overawed by the many-sided problem of surplus coffee. Though consumption of this drink cannot be so conveniently boosted, a more ruthless policy of destruction and production controls is suggested as the answer ; this of course would be more practical if financed by the industrialised powers. If higher prices were conceded for tropical foodstuffs because of their producers' special needs—which seems unlikely at present—raw materials, the problems of which are of a different type, might qualify for " assistance " in the same way.

If schemes for temperate foodstuffs give the impression that when they mean business the western powers have only to raise their fingers to produce higher world prices, other producers of primary products will step up their pressure for higher prices too. Any higher price for wheat brought about by this agency would be bound to have their repercussions on other commodities. Britain's entry in the common market seems certain therefore to stimulate demands for higher commodity prices all round. If one revalues British food imports in 1960 at prevailing French prices (though because of differences in the composition of Britain's imports this is not a strictly relevant comparison) it is said to add something like £400 million to their value, though the figure at stake in the Brussels negotiations is nearer £150 million.

Although Britain has accepted the principle, ultimately, of world agreements, its negotiators understandably look askance at schemes that incorporate price norms somewhere around the French level. Moreover, they are asking for solid assurances that such new arrangements would not limit overseas producers' access to the common market by stimulating increased production in Europe. This is a crucial point in the whole complex of world agricultural policy aimed as it might be, first, to put prices higher—i.e. to at least what would be an economic price if British and German farmers were not subsidised, or more likely somewhat higher than this level, and then to construct devices to syphon the surpluses off. Britain is still insisting upon relatively low prices for grain and some other temperate foodstuffs—which is the crucial economic test—and there will undoubtedly be a keen struggle over the critical price level. Britain's negotiators are also trying to get the Six to accept special responsibility for the trade of Commonwealth producers, with safety clauses to protect these if the agreements should fail completely or partially. The Six, in their turn, have not been slow to point out that international schemes containing special regional understandings have in the past been particularly prone to failure.

NATURALLY, there remain many questions to be answered about any international commodity agreements as portentous as the ones envisaged here. World arrangements of the kind envisaged by the French start from the viewpoint that the prices now paid in world markets for primary products are not " proper prices " at all. This is a thesis perpetually dear to primary producers as a group, who are understandably aggrieved by a trend in the terms of trade that has brought astonishing benefits to countries like Britain and ripped holes in their own flimsy finances. The primary producers' worries have already been blown up by some reporters into a " cold war " between some Latin American countries and the United States, which has talked more affirmatively of late about schemes to stabilise commodity prices. These primary producing countries, normally under-developed but not always poor, have some strong cards to play in sapping consumers' resistance to higher prices. Most consumers in industrialised countries might very well be able to afford higher prices for necessities now that they have become accustomed to spending their disposable income on the equipment of affluence. Taxes to increase aid are not particularly popular in most consumer countries, and if under-developed countries have to be saved from communism or themselves by increasing their income, stabilising or even inflating commodity prices may be presented as a convenient means to that end.

Few people today are anxious to argue that prices should be pushed to rockbottom as the final solution to surpluses of primary products—though almost all are ready to enjoy the low prices. The attitude of the United States to commodity agreements, at Punta Del Este nearly a year ago, had changed significantly. But in the international agreements that are already afoot for coffee and cocoa, consumers have nevertheless shown strong opposition to giving producers the aggressive schemes of price-lifting that most of these would favour. But consumers do not normally resist administered prices so long as they do not rise ; and in France, where coffee prices are anyway above price levels, it is convenient to argue that in order to make primary producers less indigent the world price will have to be raised, in spite of orthodox economic objections.

The reasoning behind advocacy of a higher price for wheat is that the free market price is a " dumped " or " depressed " price, completely out of tune with what importing countries would consider fit for their own farmers ; and that " a realistic price " lies somewhere in the middle. The London commodity markets, which were nursed back to health and vitality in the hope that they could regain their former role in world distribution and supply of commodities, look better suited to the former British concept of a wide free trade area than to the world arrangements which the new form of agreements favoured in EEC would imply. Such arrangements might leave markets and merchants with far less scope for their traditional activities. Among the Six there seems little concern for the theories of competitive pricing that form the *raison d'être* of the revived international markets in London.

In Brussels, Britain is faced by an ultimately *dirigiste* view that control of production through price becomes partly superfluous, given the other methods of control incorporated in the commodity schemes. The London price of wheat in the free market, which has been carefully preserved despite a high level of support for domestic agriculture, seems likely finally to succumb to some planners' judgment of what its price ought to be. But it will be tartly recalled in the City that many times before this producers have tried to bundle up their pressing problems in international commodity schemes—and not brought it off.

Dr Beeching Views the Mainland

As if Dr Beeching hadn't enough transport problems at home, he now seems likely to run into even more than he has bargained for abroad. In the Transport Commission's report last week, the essence of British Railways' financial problem was set out in rather blunter detail than ever before, with hints of surgery that might solve them. But ever since Britain applied to join the European Coal and Steel Community the railways here have been threatened with rules that demand freight rates for coal and steel shall be published and never departed from. This comes smack up against the commercial freedom which has been the one distinctive contribution of Conservative governments to nationalised railways (apart from Dr Beeching himself).

That power, to vary charges below a schelule of now high maximum freight charges, as much as seems commercially wise to get any given business, gives British Railways the right to employ discrimination in its pricing, as so many large-scale businesses in other industries do. It is a right that ECSC would probably take away for coal and steel traffic, if its transport rules are finally upheld by the European Court, as they seem likely to be. Moreover, the EEC's draft transport policy, as recently adumbrated by the commission, aims at applying the same principle of non-discrimination throughout freights—on the railways and on all other forms of surface haulage for payment. This may exacerbate British Railways' problems before they begin to be solved. Moreover, oddly enough, the way the commission plans to apply this principle, and in a sense to simulate a perfectly competitive market in a sphere where it never was on land or sea, display a rather similar doctrinaire dirigisme—from opposite motives—as those into which nationalising advocates of transport co-ordination have in the past found themselves drawn.

Whatever difficulties British Railways will have to overcome in the future, its present ones are starkly outlined from the figures now published. Nearly all of its loss of £136 million last year was incurred by transporting small consignments of general merchandise and by running stopping passenger trains outside the London area. The loss on this sort of merchandise alone is put at £70 to £80 million, while the revenue from it was only about the same amount. So the charges for the small consignments can only have covered about half of their costs. The slow passenger trains were even more unprofitable: they produced a revenue of about £30 million but incurred a loss of over £60 million, so fares represented less than a third of operating costs. Between them, these two activities thus bring in less than a quarter of all British Railways' revenue, while accounting for nearly all its losses.

Such figures may be old hat to the members of the BTC, but they still have some power to stagger the outsider: so does the failure to act to reduce the losses. Modernisation seems to have been regarded as a panacea that would transform unprofitable services into money-spinners in a puff of diesel smoke. But experience has sadly taught British Railways that the inevitably high overheads of a railway system virtually rule out the profitable operation of any line that does not carry heavy freight traffic as well as passengers. Fast and semi-fast main line passenger trains produce a revenue of £90 million, three times that of the slow trains, and just about cover their total costs ; bulk freight, coal and minerals shows a small profit. The suburban passenger services cover their direct costs but not overheads (though the position varies from district to district). Profit assessments of this type are bound to be arbitrary, depending on how fixed charges are allocated among the different types of traffic using a line. But where some services do not even meet direct costs, the moral is clear enough.

Stopping the losses from unprofitable traffic is tied up with the closure of branch lines: most carry nothing else. The BTC estimates that £25 million could be saved by closing stations and goods depots that handle local passenger traffic and small consignments of goods, while even more would be saved from the trains that would no longer run. If one can re-shape the railway system to provide only those services which are now profitable, plus the suburban services around big towns, then, the report surprisingly commits itself, such a system " promises to be viable." That is something to which Dr Beeching would not commit himself when he took over. The report adds that if new methods of handling general merchandise were introduced to attract the traffic suitable for railways that the BTC's traffic studies suggest exists but does not go by rail now, the position could be even better. Opposition to drastic reductions in the size of the railway system, from its employees and conservatives of all parties, is growing. The commission is obviously anxious to show that the results would be worth having—though it postpones its definitive proposals for another six months or so, until all these studies are over.

THIS group of studies, however, must fade into insignificance beside the cost studies that are envisaged as the basis of the EEC Commission's plan for European transport. In a fine flush of enthusiasm, the Commission is proposing that the future charges for road, rail and inland (but not sea) water transport should be based on studies of the average cost of transporting different goods, in national or smaller regions, by these three methods. Each transporter would afterwards be free to vary his charges by 10 per cent below or 30 per cent above a mean figure based on the result of the cost studies for his medium and area. The commission has not decided how many categories of goods it would need to use, nor the number of regions in which each base figure for charges would apply. But it feels sure that it is proposing a practicable system—which on the face of it seems a most dubious proposition. The plan also leaves customer firms completely free to transport goods in their own vehicles, and excludes consignments of under five tons and journeys of under 50 kilometres. The first exemption puts all public carriers, rail or road, at a disadvantage, while the second leaves plenty of scope for evasion.

Assessing the average costs of so diverse an industry as transport is a task from which the bravest must shudder. For railways alone the task is bad enough, with overheads to be arbitrarily allocated, but what can one make of average costs

in road haulage with its myriad of tiny units and multiplicity of operating conditions ? This enormous diversity means that any broad average figure that is arrived at may conceal a diversity of actual costs spreading over a much wider range than from 30 per cent above the average to 10 per cent below it. Even on railways the cost of transporting a similar load can vary by the order of four to one, depending on the nature of the route used and the amount of shunting and handling required, and the range of costs might well be greater in road transport. To produce categories in which the actual range of costs would vary by no more than 40 per cent from the mean, the sub-divisions might have to be so numerous that such a system, across Europe, might become unworkable. But if the number of average cost ranges is artificially limited, this system could amount to a strict price control on transport that is likely to inhibit its efficiency. The idealists of the Commission seem to be to the fore here, confident in their belief that the total cost—however calculated—indicates the most efficient means of transport, and certain that they can devise a means of ensuring that this is reflected in charges. Operators, ever anxious to ensure the profitable operation, will often be delighted to co-operate. But they should ponder the consequences of control over their rates while the manufacturer is quite free to use his own vehicles.

These provisions for settling charges are the most controversial part of the Commission's plan—which, let it be recognised, is just a plan and not yet a policy. For the rest, it follows the usual principles of non-discrimination and the publication of charges—here of the tariff range in advance, but of the actual prices charged only, perhaps, *à posteriori*—that form the basis of "European" enonomic thought. There would be a central licensing body to take over the functions now provided by national bodies, and this would aim to provide rather more capacity than was needed, to preserve the competition that the Commission insists, is the purpose of its plan to provide. Having done this, why should it want to go further ? Any advantages in leaving operators free to set their own charges appears to have escaped the planners. The Dutch transport system, often admired as the most prosperous in Europe, has been based on a gentle control of capacity and the sort of freedom in charges that British Railways is now obtaining.

This transport plan has now gone to the Council of Ministers, who have asked their advisers to report on it by the end of September. Whatever their verdict, membership of the Coal and Steel Community seems likely to force British Railways to stop discriminating in charges for coal and steel transport and to publish those rates. If the "trial run" of an ECSC-type pricing system for steel is to start this autumn as is hoped, the steelmakers will probably quote a set of notional freight charges, to supplement the steel prices that each manufacturer will then have to quote from any "basing point" he chooses. Eventual publication will not affect British Railways' ability to refuse unprofitable merchandise or to stop operating slow passenger trains, but they can hardly but embarrass its plans to maximise revenue from the more profitable sections of its activities.

Discrimination in pricing is fairly often a part of modern, workably competitive behaviour in heavily-capitalised industries selling joint products or services. The emphasis that the "Europeans" place upon its elimination from the business scene may attract much sympathy, in the creation of a larger competitive market: but can still prove naïve. The artificial re-creation of a pure, or *simpliste,* form of competition that may have existed in the past but more probably existed only in the textbooks can just be Utopian—particularly in transport, a sphere of economics where the writ of perfect competition has never run. But there, for the moment, it is ; and transport men, British and European, public and private, must assume that their behaviour may need to be governed accordingly. Entry into the common market will not mean just more competition of the same kind as now and a bigger potential market for their goods: it will also involve, to a still unsettled extent, learning a new code of conduct. If they wanted to meet EEC with its competitive dog collar turned round the other way, they should have taken up farming.

BUSINESS NOTES

IN THE MARKETS

Calmer in Wall Street

A correspondent cables :

BEGGARS are not choosers, and on Wednesday Wall Street derived an inordinate amount of cheer from the small rise registered by the Dow Jones industrial average, its first gain in eight trading sessions. At its present level of 537 the index is 30 per cent below its 1962 peak and brokers and investors, dazed and benumbed by the speed and breadth of the fall in prices, now hope that the market is finding a bottom that will be a springboard for a technical rally. The index, which previously had shown less of a drop than individual issues, now appears to have caught up with the overall market, largely because of the particularly sharp falls of blue chips like General Motors, US Steel and American Telephone, which are included in the averages.

Those who follow the technical indicators which proved so fallible in the débâcle are now pointing to the large amount of short selling as a bullish sign, because they believe it stems largely from amateur investors who are trying to recoup their losses and will attempt to cover their sales if there are signs of fresh buying. It is doubtful, however if the institutions with funds to invest will hasten a rise in prices by stepping up their purchases. But they have been bargain-hunting for those stocks offering attractive yields and the prospects of higher earnings, which with the selling that is still coming into the market they are able to get on their own terms. Indeed, until the present waves of selling show signs of abating there appears little chance of a sustained rally. The most that can be hoped for is a period of stability and this may be happening for the volume of selling is falling away and forced liquidation seems to be at an end.

If the worst of the storm is over, a period of calm would enable investors to reappraise their shrunken portfolios and their attitude towards equities, which has shifted so violently from excessive demand to extreme distaste. Security analysts responsible for the popularity of growth stocks like IBM, Polaroid and Litton Industries, and who promoted the concept of leisure industries from bowling to boating, have lost face but they have not completely abandoned faith. They still feel that companies growing at a fast rate deserve higher price earnings ratings and stress that the steep fall in prices now makes them reasonable purchases. But even if the storm has ended it will take a good deal of time to repair investor's morale and the demand for past growth favourites is not likely to reassert itself. On the contrary yields have once again come into their own and any substantial buying will probably be in the more established equities. Brokers keep repeating that there is money available for stock market purchases pointing out that mutual fund sales exceeded redemptions by $170 million in May and citing the New York Stock Exchange figures that there are now over 17 million investors. But those who have been buying and selling in the past months may now decide that the prudent course is to hug the sidelines until it becomes clear which way the economic winds are blowing.

On the Turn in London?

OVER the past three days to Thursday's close the *Financial Times* index of industrial shares has gained over 14 points, a rebound reminiscent of the one that immediately followed Black Tuesday a month ago. This in itself is no answer to the question whether the bottom of the market has now been reached. But the rally has been staged against a backcloth of continued uncertainty on Wall Street and even some distress selling on the Continent, notably in Frankfurt. Over the week to Wednesday, in fact, *The Economist* indicator still lost 4.9 points to 310.3. What is clear, however, is that in London sellers are for the moment now much less in evidence and that buyers are beginning to trickle back. So far, however, the institutions have been content to maintain a watching brief, although they have been buying insurance shares which had fallen more sharply than most. The gains this week have been sharp but they might not be a true reflection of the improvement in demand, for in the present sensitive markets jobbers are prone to mark prices up sharply on relatively modest deals.

Some hint of institutional thinking on present markets comes from Sir Edwin Herbert, the chairman of the Association of Investment Trusts, who has been called in to chair the new Courtaulds trust. Speaking as chairman of the Industrial and General Trust, which at the end of March held investments worth £57 million, he said that for many months past the trust had been weeding out shares where the yields had become unjustifiably low. Reinvestment had been in shares offering "better yields," and for the first time for many years the trust had made a substantial investment in gilt-edged. But Sir Edwin did not share the view held in some quarters that the "day of the equity is passed" and even in recent weeks the Industrial had been "cautious buyers of ordinary shares . . . where their yield seems fairly matched with prospects." He even suggested that there were some shares where the fall in price had been overdone.

The trend of the market this week shows there are private investors who share this view, particularly in relation to banks, insurance, property and store shares. One of the few groups not to share in this week's revival were the shares of the television contracting companies which were marked down sharply on Wednesday following the Pilkington report. But prices quickly rallied from the worst on doubts whether the government will implement the committee's proposals on changes in the function of the contracting company. On the other hand the committee's recommendations on colour television and the change to 625-line transmission helped the shares of both the set manufacturers and the rental companies.

While attention has swung slightly more toward equities the gilt edged market has maintained its recent firmness helped by the encouraging balance of payments figures. The banks have been substantial buyers at the short end of the market and this is reflected in the latest monthly statement which shows an increase of £73 million in the banks' holding of gilt-edged. The market has also been strengthened by hopes of another release of special deposits or a further cut in Bank rate but with the clearing banks ending their half year on Saturday it was hardly surprising that hopes of some further relaxation from the authorities must be deferred for another week.

Profits and the Bourse

A Paris correspondent writes:

THE Paris Bourse is hesitating after its premature celebration of peace in Algeria last week ; and, in the wake of New York and London, it too is discovering the phenomenon of profitless prosperity. There is an overtone of anxiety in Paris comments on the report of the *Commission des Comptes,* which states that "the rapid increase in wages, together with the check exercised on price increases by external competition, has considerably reduced the growth in trading profits of undertakings." The national accounts show that trading profits in non-financial undertakings rose in 1961 by only 3 per cent. to NF 95,400 million, against a rise of 6 per cent in the gross national product, to NF 260,000 million. Self-financing in business hardly increased between 1960 and 1961 ; the self-financing in private companies actually decreased by 20 per cent. As a result, the requirements of outside financing for all undertakings together increased by 15 per cent.

The squeeze on profit margins seems to have become accentuated in 1962, and is beginning to attract attention. Wage increases continue at an annual rate of 8 to 10 per cent. Trade inside the common market has grown by 75 per cent in four years ; and with it, the pressure of external competition on prices has grown too.

Even now, financial circles in Paris are slow to accept the idea of a concrete relationship between stock exchange prices and corporation profits. Dividends, heavily taxed, were disregarded during the great bull market, and attention was concentrated exclusively on potentiality for growth and for future scrip issues. This attitude brought about a frankly speculative atmosphere, especially in some sensitive sectors. Prices of chemical shares, for example, have increased elevenfold since 1949, while their income has increased only fourfold. The present tendency for profits to decline could clearly have damaging consequences if it were to become more pronounced.

THE ECONOMY

Unemployment Still Rising

ON June 18th, there were 397,323 people, or 1.8 per cent of the labour force, registered as out of work in Great Britain. Excluding the 24,992 who were only temporarily stopped, the number wholly unemployed was some 20,000 fewer than when the previous count had been taken on May 14th. But this was under two-thirds of the usual seasonal drop ; in effect, unemployment rose again. Apart from a pause in February and another, before that, in September, the underlying trend in unemployment has been steadily upward for over a year, adding on the average an extra 10,000 a month to the numbers out of work.

The increase in vacancies that was registered in May was more than wiped out in June. Against the usual seasonal rise of some 23,000 between the two months, the number went up by only 7,000. Excluding seasonal variations, for every five jobs on offer in June there were nine people seeking work.

BALANCE OF PAYMENTS

Invisible Improvement

THANKS to an improvement in invisible receipts, Britain's balance of payments in the first quarter of 1962 was notably more favourable than had been suggested by the trade figures alone. The balance of merchandise trade, which had achieved a small surplus in the fourth quarter of 1961, reverted to a deficit in January-March, of £33 million, though the deterioration is officially described as "largely seasonal." Yet despite an increase in net government expenditure on aid and other items, to the very high figure of £96 million in the first quarter of 1962, the recorded current balance showed a surplus for the first time since 1959.

Too much should not be made of this. The true, as opposed to the recorded, balance on current account was in fact in surplus in 1961 as a whole, when the recorded deficit was more than covered by a positive balancing item that the Treasury itself implicitly attributed to current rather than capital inflows. And the recorded improvement between October-December and January-March, from a deficit of £9 million to a surplus of £21 million, was itself more than accounted for by the end-year instalments of £38 million on the North American loans. But the improvement in net invisible earnings, to £54 million compared with £21 million in the first quarter of 1961, is certainly welcome; there were already signs last year that the steep decline in invisible income had been checked. Receipts of income, profits and dividends

BRITAIN'S EXTERNAL PAYMENTS

(£ million)

	1961 I	1961 II	1961 III	1961 IV	1962 I
Current Account					
Imports (fob)	1,053	1,024	944	977	1,012
Exports (fob)	983	982	914	984	979
Visible balance	− 70	− 42	− 30	+ 7	− 33
Government (net)	− 85	− 87	− 85	− 80	− 96
Other invisibles (net)	+106	+118	+114	+ 64	+150
Identified Current Balance	− 49	− 11	− 1	− 9	+ 21
Long Term Capital Account					
Inter-Government loans (net)	− 21	+ 23	+ 10	− 26	− 11
UK subscription to IDA	...	...	...	− 9	...
Other UK Official Long Term Capital (net)	− 1	− 11	− 1	− 5	...
Private investment (net)	+ 71	− 78	− 19	+ 75	+ 3
Balance of Long Term Capital	+ 49	− 66	− 10	+ 35	− 8
Balance of Current and Long Term Capital	...	− 77	− 11	+ 26	+ 13
Balancing item	+ 7	+ 20	+ 51	+ 3	+124

have recently shown a particular improvement, possibly in response to official pressure for higher remittances. New direct investment, both inward and outward, was higher in the first quarter than in the second half of 1961, and inward portfolio investment continued "on a substantial scale." As a result, recorded private investment again showed a net inflow, and the long term capital account as a whole only a very small outflow. High interest rates have succeeded in producing a complete offset to Britain's big outward capital commitments, and bare balance in the current account spells balance in the basic account—even before taking credit for any long term capital that is certainly lost in the positive balancing item. The unidentified inflow was as high as £124 million in the first quarter. This seems to be something of a record even for the British Treasury—which offers the consoling thought that a large balancing item is quite common at this time of year.

OVERSEAS TRADE

Hot Potato

THE disconcerting rise of £20 million (seasonally adjusted) in Britain's imports in May was, it seems, largely accounted for by the weather. Between them imports of maize for feeding cattle and potatoes for feeding the rest of the population cost £10 million more than in the same month last year. Fuel oil, fish and a miscellany of vegetables accounted for £10 million more. Between April and May there was a drop in imports of manufactures and semi-manufactures, and only a small rise in basic materials. The import bill has been significantly kept down by lower prices. So far this year import prices have been on average about 2 per cent lower than in the corresponding period of 1961, which if maintained could produce a saving of £80-£90 million over the year. In May, they were no less than 4 per cent lower than in the same month of 1961.

IMPORTS

	1961 Jan.–May £ m.	1962 Jan.–May £ m.	1961 May £ m.	1962 May £ m.
Fish	20·4	26·9	4·2	5·2
Barley	9·6	3·6	1·9	1·6
Maize	28·3	41·8	4·4	9·3
Apples	11·5	16·2	3·5	4·0
Potatoes (new)	7·5	11·6	3·5	7·0
,, (others)	0·2	4·3	...	1·5
Peas	1·4	2·3	0·1	0·5
Cauliflowers	1·1	1·7	...	0·2
Carrots	0·6	2·0	0·3	0·6
Lettuce	1·9	1·8	0·1	0·3
Onions	3·8	4·9	0·9	0·6
Tomatoes	12·2	11·4	3·5	3·5
Fuel Oil	27·6	29·9	4·1	6·1

Total imports in the past three months, after seasonal adjustment, were no greater than in the period December-February. An increase of £14 million, or 4 per cent, in food, beverages and tobacco was offset by a reduction of £12½ million, or 5 per cent, in imports of basic materials and of £4 million, or 3 per cent, in petroleum and petroleum products. Among finished manufactures, imports of vehicles and aircraft rose, but the expansion in imports of engineering products was almost entirely offset by a fall in other finished manufactures.

Exports continue to progress doggedly, though the North American market has become something of a black spot and will not be improved by Canada's efforts to protect its dollar. However, in the three months March-May, increased exports to western Europe (up £19 million) more than made good the fall of £10 million in exports to North America.

THE EXCHANGES

Backwash from Canada

THE dominant influence on the international exchange markets this week has been the recovery of the Canadian dollar. Financial operators and traders who had gone short of Canadian dollars in various ways—and the virtual halving of Canada's reserves within six months gives an

indication of the extent of this bear attack—have lost little time in covering their positions after the announcement of the new measures (which are reported and discussed on page ???). The spot rate, which had been held at 91¼ United States cents only through massive intervention by the Bank of Canada, rebounded to above the parity of 92½ cents at which it was fixed at the beginning of May; and the Canadian authorities must have succeeded in recouping part of their earlier exchange losses. In the forward market, however, the Canadian dollar remains at a substantial discount, of over 3 per cent per annum. Evidently many operators who are putting funds back into Canada are taking care to cover the exchange risk.

The reflux to Canada has naturally caused some backwash on sterling, as traders have made the purchases of Canadian dollars that they had previously deferred. At the beginning of the week the Bank of England was reported to be selling Canadian dollars to the market. Another, less noticed factor in the weakening of sterling was the withdrawal of funds for window dressing in preparation for June 30th. On Wednesday, however, sterling was again being bid, and the rate strengthened to 2.8083. No announcement has yet been made in London on whether the Bank of England's $100 million credit to Canada is a straight credit or whether it follows the sensible arrangements being spread round the world by the Federal Reserve System for establishment of mutual credits on a swap basis. This has the useful effect of increasing both countries' reserves; so the answer should emerge when the British reserve figures are issued next week.

It is the United States dollar that is most strongly connected with the course of Canadian finances. Financial dealings between the two countries are large and close, and just as the United States balance of payments must have been benefiting strongly from the outflow of funds from Canada in the first half of this year, so it would be strained by a reflux in the second half. This week the dollar has been generally firmer on the Continent and the gold markets have been quieter. United States officials intimated that their gold stock would be unchanged for the sixth successive week. This stability is now rousing a good deal of suspicion in European market circles, which are wondering what is being covered up. They have noted in particular the sharp rise, by some $100 million to $250 million in the past three weeks, in Swiss holdings of dollars, which are evidently not being converted into gold. Quietly, a Basle scheme for the dollar may already have been started.

MOTORS

Prosperous May

WITH home sales in May a record and production creeping up towards the 1960 level, May was the happiest month that the motor industry has enjoyed for a



After three years of training Ann Proctor is now a hair stylist with French of London.
Ann finds her job exacting but very satisfying. It's also well-paid. She gets a basic wage plus commission plus tips so it's not easy to work out her weekly income. But, it's certainly higher than the national average of £15.
Ann and her husband live in a flat, comfortably but modestly—for they are saving . . . saving for their own house and furniture . . . saving for a car . . . saving to spend.
Ann is a Mirror reader. Of the Mirror's 15 million readers, SEVEN MILLION are prosperous skilled workers and their families.
Sell to them in the paper that offers the largest readership at the lowest cost.

DAILY MIRROR

THE MIRROR GOES WHERE THE MONEY IS



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LONDON MIDLAND RAILWAY'S EXPORT EXPRESS

long time—except for the last weeks when the British Motor Corporation found itself coping with the strike of its electricians. Output reached 27,667 a week, 1,500 above the rate of March and (allowing for holidays) of April. With BMC's output and strike losses much the same as in April—only one week of the electricians' strike affected the May figures—about a third of the increase came from Ford and the rest from the smaller companies. These are all following Vauxhall's example in not adding to their labour forces, but getting all the production they can from the men they expect to be able to employ through the winter by working maximum overtime. Even so, Rootes in June, is said to have approached its 1960 rate of output.

The record sales on the home market in May, when 94,591 cars were registered, have been followed by a drop of about 10 per cent in June—there is usually some fall between the two months, so this is not really significant. Stocks of new cars are falling, but have proved surprisingly well able to meet demand; low sales in the first quarter had allowed dealers to accumulate more new cars than they had intended, but they are now benefiting from this unintentional foresight. Fords, except for the new models, remain freely available, as do most BMC models—though there are shortages of Minis and A60s in some parts of the country. Vauxhalls remain generally in short supply, with few dealers able to deliver from stock; and the same is true of most Rootes cars. These makers have a useful cushion against falling sales in the autumn. Ford appears to have been increasing its share of the market as sales rose in April and May, for no very evident reason—though its advertising agents might claim the credit. BMC may have suffered somewhat.

Exports fell a little from April but, at 45,935, they were still more than 50 per cent higher than a year before. Though slightly fewer cars are now being sent to the United States and Canada than earlier in the year, shipments remain high to Europe and more cars are going to South Africa and Australasia as import licences permit and sales improve. Commercial vehicle exports are now beginning to improve, after a disappointing start to the year, and exceeded the 1961 level in May for the first time this year. Australasia, South Africa and Europe are again the markets that have taken more—Finland is the biggest importer—offsetting lower shipments to most African countries.

TELEVISION TECHNIQUE

UHF and All That Jazz

THE Pilkington Committee on Broadcasting has pulled off the unusual feat of simultaneously over- and underestimating the rate of technical change in the radio industry, for which mums and dads will curse it as they battle with the tuners on their post-Pilkington sets. The committee has, harmlessly enough, made the expected recommendation to change the number of lines that make up the picture from 405 to 625. This is not strictly necessary but the committee could argue that the present 405-line picture already looks gappy on today's screens and will look even more so on the 30-inch screens promised by the industry. The committee may have been over-sold on the export advantages of using the same number of lines as the rest of Western Europe. What affects the innards of a set is whether the picture is "modulated" by being built up out of black-on-white as on one side of the channel, or white-on-black as on the other; while this basic difference remains, as it appears to under the Pilkington recommendations, one can hardly talk about "standardisation with Europe."

Some consequences of this change, however, seem more bother than a slightly better picture is worth. The change-over itself could take place with not too much complication. Sets can have the capacity to pick up 405 and 625 lines built into them, and these have been on the market for nearly a year. On some appointed day, when it can be safely assumed that few 405-line only sets are in existence, i.e. five or six years from now (the working life of a set is seven years), a switch-over could have been made from existing transmitters to a shadow chain of 625-line transmitters waiting in the background. Technically, this would be the simplest way to make the change; and it is within the capacity of the radio industry, at a relatively modest cost.

The same, however, cannot be said of the alternative chosen by the Pilkington committee, to provide two parallel 625-line services (one for BBC and one for ITA) until all the old 405-line sets have worn out. Such parallel services could not be accommodated in the very high frequency region of the radio spectrum where today's programmes are transmitted, so the only course would be to move them into the ultra high frequency region which is something of an unknown quantity to radio engineers with some awkward physical characteristics for television transmission.

The radio industry, frightened by the technical problems and the higher cost of UHF sets, begged the committee not to provide duplicate 625-line programmes in this region; other engineers, including the BBC and that maverick of the radio industry, Pye Ltd., thought these fears exaggerated and so did the committee. In some ways it had no other choice. Since it suggests the allocation to a Welsh television service of the space still available for a third television programme in the very high frequency region, any "third" television programme would have to go into the ultra high frequency zone, whatever the technical problems. There is no space for it elsewhere. And having suggested the plunge into UHF, there was no reason why the committee should not recommend putting the duplicate 625-line programmes there too.

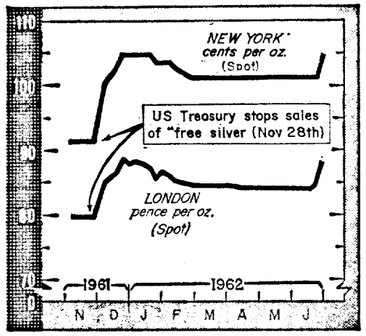
The committee will have greatly overestimated the industry's ability to build and market reliable UHF transmitters and sets if it thinks that the BBC can quickly get a third programme under way. But indeed it speaks of a 10-15 year "transition period" before the change-over from 405 to 625 lines is complete and the six nation-wide programmes that can be accommodated in the available spectrum are under way. Is this where the committee has underrated the speed of future technical progress? Radio engineers are already talking about reducing dramatically the "space" needed for a television signal, so that many more can be accommodated in the available spectrum; looking further ahead, they talk of an electronic "grid" comparable to the electricity grid, where the signal can be compressed into a condition that makes not merely six but hundreds of television channels available, and opens up the possibility of television as a means of communication and not merely of entertainment. The committee's technical advisors said that these developments were too far off to affect its recommendations, but the electronics industry expects to see them realised within twenty years.

Almost before the new system has shaken down, the Post Office may be faced not with a shortage, but a positive embarrassment of television channels demanding a radically different receiver from that marketed today. Meanwhile the radio industry, living from hand to mouth on a replacement market, can take comfort in the prospect of replacing the 12 million sets now in use that can take neither 625 lines nor ultra high frequency signals, and doing so with more expensive receivers, not to mention colour receivers at three times today's prices. Or would you rather have a piano?

SILVER

Speculative Spur

AFTER rolling along with little fuss since mid-April, silver has suddenly taken a further speculative turn. At the beginning of this week prices regained the peak level reached soon after the cessation of sales by the United States Treasury towards the end of last November. But at the fixing on Wednesday, spot silver slipped back a penny to 88d. a fine ounce. During its



period of quietude, pressure on the existing level of prices appeared to have been building up. But the method of fixing prices in London, which is the best available market, seems to exert a bias towards stability in prices. Suggestions have, in fact, been made that the procedure of the silver market might be modified.

Liquidation of speculative holdings of silver held over from last year's scramble had recently been barely covering expanding industrial demand. Then a small imbalance in supplies started silver moving, and speculative interest was immediately reawakened. Wall Street's crash played its part in the revival. Since American citizens have been deprived of their right to own gold abroad, owning silver is a useful alternative. Because repeal of the silver purchases legislation has got lost in the United States Administration's heavy legislative programme, there is still no forward market in silver in New York and the 50 per cent transfer tax on silver bullion transactions remains. But American interest has been felt in the London market, though often indirectly through Swiss agencies. China still shows no sign of resuming its silver sales and the 60 million ounces thought to have been exported by China last year are now evidently being missed.

STEEL

Arguments About Fuel

NEITHER steelmakers nor the Iron and Steel Board have given up the argument about importing American coal. The British Iron and Steel Federation devoted its most weighty recent broadside to a critical examination of British attitudes towards all fuels, not coal alone ; and the Steel Board has returned to the subject in the annual report that it published this week. It records that coke-ovens in Britain's ECSC competitors were importing "third country" coking coal (American and Polish) at the rate of 5½ million tons last year. Admittedly, those of the Six that are nowhere near self-sufficiency in fuel, Italy and the Netherlands, were the big importers.

But even in the Ruhr coking coal is fractionally cheaper than in Durham, and coke significantly cheaper. This is partly a matter of transport ; but the Board suggests that it may be largely because German coke-ovens get more than the 6½d. or so a therm for their coke-oven gas that British gas boards pay for the gas they buy from British ovens. Coke-oven gas is the main supply to the Ruhr grid, and not simply a by-product sold off to gas boards, as it is in Britain. The 6½d. average reflects some long-term contracts at very low rates, with some more recent ones at higher prices. The Coal Board, in some places, is losing money to fulfil such low-price contracts, because the coke made along with it piles up unsold. But the steel board's suggestion that the gas industry might be induced to pay more may be a doubtful one.

Changes in the market have made gas, which was the by-product of the joint production process that goes on in a coke-oven and which has been priced accordingly on these guaranteed contracts, into the main product ; so the whole operation lapses into loss. Coke-oven operators may want to close down their ovens, and can't because of supply guarantees. But the alternatives for gas boards are now beginning to make 6½d. a therm for coke-oven gas—whether this involves a loss or not—not as cheap as all that. Methane is being landed at about 6½d. a therm ; naphtha or propane might offer even cheaper gas. Neither steelmakers nor other coke-oven operators, except where very fortunately placed, can hope for much more for their gas in future than boards need pay for these alternative supplies.

BANK CREDIT

Little Response

THE release of one-third of special deposits and the relaxation of lending restraints have not so far had a great effect on advances of the clearing banks. The failure of advances to rise in the previous two months to mid-May, at a time when the banks were tending to relax their special scrutiny, gave the impression that reluctance to borrow was at least as important as the unwillingness to lend in holding back advances. This month's figures tend to confirm this.

In the five weeks to mid-June advances rose by £35 million. However, advances to the nationalised industries fell by £20 million, so that in all advances to the private sector rose by £55 million. Although

this is the biggest increase since April, 1961, apart from the exceptional increase in advances in February that went to finance tax payments, a good part of the increase is attributable to the debiting of half-yearly interest charges, which with advances at £3,400 million must amount to something like £80 million. The banks nowadays start

LONDON CLEARING BANKS
JUNE 20, 1962

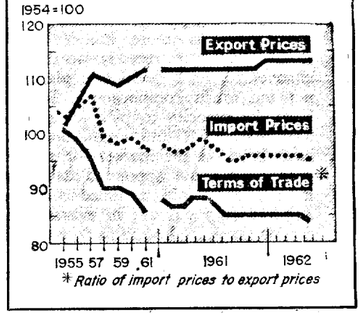
	£m.	%	Changes on Month £m.	Changes on Year £m.
Gross deposits	7,570		+ 51	+129
Net deposits	7,056		+114	+104
Liquid assets	2,530	33·4	+ 76	+136
Cash	626	8·3	+ 25	+ 16
Call money.....	710	9·4	— 19	+120
Treasury bills....	918	12·1	+ 57	— 49
Other bills and "liquid credits"	276	3·6	+ 13	+ 49
Special deposits	149	2·0	— 72	+ 3
Risk Assets :				
Gilt-edged	1,075	14·2	+ 73	+103
Other market investments....	112	1·5	—	—
Advances	3,401	46·8	+ 35	— 97
(To State Boards).	36	—	— 20	— 26

debiting this interest quite early in June to avoid a rush at the end of the month, so that perhaps £30 million to £40 million was already added to advances by June 20th.

The rise in the banks' investments of £73 million, the biggest monthly increase since October, 1953, is a reflection of both the release of special deposits and also the new £400 million gilt-edged issue which was reported as very popular with the banks. These increases in advances and investments have by no means neutralised the £72 million released from special deposits. The banks' liquidity rose by £76 million in the month to 33.4 per cent of gross deposits, compared with the previous month's figure of 32.6 per cent. The last time that the banks' liquidity ratio was as high as this in a June period was in 1957 ; there is obviously scope for the banks to increase advances in the months ahead if the demand appears.

TERMS OF TRADE

Import prices dropped a point in May, causing the terms of trade to move a further point to 84 (1954=100) in Britain's favour. Prices of basic materials dropped from 92 to 91, continuing the persistent decline since last summer. After rising in April, the index for food, beverages and tobacco dropped back two points to its previous level of 94.



* Ratio of import prices to export prices

Non-Clearers' Year

THE clearing banks are still losing ground in lending business to their smaller—and less squeezed—competitors. The detailed classification of advances made within Britain by the fifty-six members of the British Bankers' Association shows that in the three months to mid-May advances of the eleven clearing banks increased by £26 million, less than one per cent, to £3,333 million, while advances of the other members, that is, the Scottish banks, the Northern Irish banks, and the British overseas banks, rose by £37 million or 7 per cent to £580 million. Over the twelve months to mid-May advances of the clearing banks fell by £36 million, while those of the non-clearers rose by £62 million or 12 per cent. Monthly figures suggest that some £27 million of this increase came from the Scottish banks and advances of the Irish banks have remained roughly steady over the year ; so that it appears that it is the British overseas banks that have been largely making the running.

BRITISH BANKERS' ASSOCIATION
(£ million)

	3 months to May, 1961	3 months to May, 1962	12 months to May, 1962	Total at May, 1962
Personal and professional	+ 14	+ 14	+ 19	686
Hire purchase	+ 13	— 1	+ 43	104
Retail trade	+ 15	+ 25	+ 22	406
Industry and other trade	+101	+ 47	+101	2,204
"Other financial"	+ 18	— 5	+ 1	338
Other groups	+ 7	— 17	— 36	174
Change in total	+168	+ 63	+ 26	3,912

Fourteen of the twenty-six classified groups recorded an increase in advances on the previous quarter ; none of the increases were outstanding. The largest category, personal and professional, rose by £14 million or 2 per cent, but is still below the level of a year ago before the July budget. The biggest increases were in the retail trade, £25 million or 6.6 per cent, and food, drink and tobacco, £13 million or 6.3 per cent. In the industrial groupings increases were small. The only increases of any significance were for textiles, by 5 per cent ; chemicals 2.6 per cent ; and engineering 1.5 per cent.

ATOMIC FUEL

Cutback at Capenhurst

THE decision, announced by Lord Hailsham on Wednesday, to cut back drastically the output of enriched uranium from the Atomic Energy Authority's Capenhurst factory is an indication, not so much of a change in military policy as of a threatened surfeit of nuclear weapons. Unless these are exploded, their atomic warheads remain usable over long periods. For some months now, the authority has found itself stock-piling atomic explosive like plutonium from the eight reactors at Calder

ITALIAN ELECTRICITY

ENEL follows ENI

MOST Italian businessmen (and some outside Italy) hate the letters ENI. They have a more passive dislike for IRI. Now there is a new permutation to add to Italy's nationalised alphabet : ENEL. This stands for *Ente Nazionale Energia Elettrica*, the new state power board which will be invested with the exclusive power to produce, transport, transform and distribute electric energy once it has taken over the power systems in Italy from their present private owners in the nationalisation measure, the outline of which the Italian cabinet published last week.

In this public takeover expropriated utility companies will be paid in twenty biennial cash instalments with 5½ per cent interest through the Bank of Italy, starting on January 1, 1963. The value of their shares is being calculated according to their average Stock Exchange price between January 1, 1959 and December 31, 1961—which is generally about 20 per cent above recent stock values. The aggregate value of these power systems has been put at approximately £860 million.

After it takes over, ENEL expects to be investing roughly £170 million a year in new power facilities, of which it intends to provide approximately half of the new investments by self-financing. To finance the remaining half, and to keep up its compensation payments to former owners, ENEL will issue bonds to the tune of about £170 million each year for ten years.

About 1,530 major power companies are affected by this nationalisation, which produced three-quarters of the 61,000 million Kwh generated in Italy in 1961. Municipal utilities—320 of them, which produced about 6 per cent of the country's power—will have the option to become concessionaires of ENEL or become part of it. Companies producing power mainly for their own use are exempt from nationalisation. These companies accounted for nearly 17 per cent of the countrys total electricity production ; Fiat, Montecatini, Vetrocoke, Falck and Snia Viscosa representing 80 per cent of their output.

The Italian state already controls one-third of Italy's major utility companies through Finelettrica, the utility subsidiary of its holding corporation IRI (Institute for Industrial Reconstruction). About 40 per cent of the shares of Finelettrica are in the hands of private stockholders.

ITALY'S major utility production facilities are still largely concentrated in the North, but there is a well-organised national network capable of shunting power in the direction of demand on short notice. The high cost of power combined with its scarcity are often cited as one of the principal reasons for the underdeveloped state of Italy's South, and its farming crisis is also laid partly to a lack of power and high tariffs. The socialists' charge against private utilities is that they sell electric energy in zones where the demand is high and the business is most remunerative—and has shown little interest in taking energy to underdeveloped areas where industrial development needs the lowest possible power costs in order to compete. Advocates of nationalisation, on welfare grounds, want to reverse this, selling electricity more cheaply in the South and making up the loss by higher prices in the North.

The utility companies are not to be dissolved ; they are indeed being encouraged to diversify into other industrial activities. Italy's 500,000 utility shareholders will be able to keep their shares and follow their companies on new industrial ventures, sell them on the free market at any time, or sell them to ENEL in return for bonds at an interest rate not lower than 5 per cent. ENEL in turn will return the shares to the company that originally issued them, deducting their purchase value from expropriation payments.

Banks will be able to advance to the expropriated companies entering new industrial activities the equivalent of the instalments in bonds that the state will be paying them. But the ex-utility companies will have to invest these funds within "the framework of the general programme of economic development," and a credit committee working with the Bank of Italy will decide just which fresh investments fall within the framework of the "programme." The credit committee will exclude the use of these funds to gain control of private companies already in existence, for speculative manoeuvres, or for "operations of doubtful productivity." Rumours persist that the Edison Co. of Milan, Italy's largest private utility producer, is already hedging against the effects of nationalisation by negotiating with Volkswagen to build an automobile plant in Italy.

Impulsive reactions to the nationalisation bill caused erratic oscillations on the Milan stock exchange over the last week, even though the prices set in the government's formula were well above current levels. After this initial shock, what will probably happen is a gradual conversion of shares into bonds, depending on factors of convenience or confidence. At least, this is what the Bank of Italy is hoping.

Hall and Chapel Cross, and enriched uranium from Capenhurst, which consumes as much electricity as a large town when working to capacity.

It is ironic that the authority should find itself cutting production of the most coveted material in the world. Enriched uranium, the 0.7 per cent which will undergo fission, is a vital ingredient of the most effective nuclear weapons. The plants that perform this function of separation are among the wonders of the modern world ; only three exist in the West apart from Capenhurst, all in the United States, and even a country so skilled industrially as France is making heavy weather of the construction of a similar installation. Capenhurst has recently been modernised and extended, but the authority has to face a difference of perhaps a third between its production costs and those of American plants using cheaper power (the American price for enriched fuel has recently been cut by 12 per cent, a total of nearly 40 per cent in twelve months). So although there is a sizeable civil demand for enriched uranium in research reactors and for certain power stations—the Dounreay reactor and the advanced gas cooled reactor at Windscale—in hard commercial terms it is cheaper to get this from the United States. The authority faces considerable headaches in planning its future fuel policy, and in particular how to dispose of its mounting stocks of plutonium.

AIRLINE FINANCES

KLM Tries Surgery

WHAT do other countries' airlines do when they record multi-million pound deficits ? The Dutch airline, KLM, which is part government and part privately owned, and paid a dividend of 5 per cent in 1960, has just come through a disastrous period that wiped out all its accumulated reserves of profit last year, forced it to pass its dividend, and ended with a net loss of nearly £1 million. In the first three months of this year, KLM lost a further £4 million, and the government has rushed legislation through Parliament guaranteeing loans of £37 million which the airline will probably raise in New York. But this may not last long at the present rate of loss and in cases like these, surgery is required.

The death of its founder, Dr Albert Plesman, nine years ago, left KLM floundering like a rudderless ship at a time when an airline of this huge size most needed a firm guiding hand. Staff rose, output fell, costs rocketed . . . the story is as old as aviation itself. A new and by all accounts vigorous president has been brought in ; 1,400 staff have gone out, with 600 more still to go. Among these are 100 pilots who get a golden hand-shake of 3½ years' salary apiece. This may not be as generous as it sounds as KLM is reputed to pay only half the going international rate for pilots, which averages £5,000 a year for a jet captain. This shock treatment has worked well with the Scandinavian airline S.A.S., which a year ago was in much the same plight as KLM. Is it not time to try the same treatment on the British Overseas Airways Corporation in this country ?

COMMERCIAL VEHICLES

Britain in France

ETABLISSEMENTS WILLÈME, a small French lorry maker specialising in heavy lorries—it made 500 in 1960—seems set to become one of the larger manufacturers in France as an outpost of the British industry. Following its link with Associated Commercial Vehicles, which gives ACV two directors on its board and allows Willème to assemble 14-18 ton ACV trucks and to use ACV engines in its heavier lorries, it has now arranged to assemble and later partly to build the 1½ to 7-ton lorries of the British Motor Corporation. It will thus have a more or less complete range of lorries to offer, up to 18 tons. In a country where the commercial vehicle industry is relatively small, Willème has suddenly become a force.

Shipments of ckd lorries from BMC will start almost immediately. Willème will at first assemble them in its main factory at Nanterre, but it will enlarge its other factory at Chabenet to allow it to start making some parts for the lorries itself. The real draw for BMC in the agreement is that its lorries will now be sold and serviced in France by the Willème sales network, which will be extended for this purpose. Since British prices for light lorries are generally lower than those ruling on the continent, sales may well prove substantial ; BMC suggests that they may amount to several thousand a year. This will help to keep its new lorry factory at Bathgate employed.

An intriguing aspect of this agreement is that BMC is now associated with ACV, a company it had once been expected to buy ; and they are both linked with Simca, which has a shareholding in Willème. BMC does not say, however, whether it has obtained any financial interest in Willème itself ; the deal may be a simpler commercial agreement.

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SERVICES

Slot Cleaning



AFTER slot machine laundries, slot machine dry-cleaning. Certain of the American firms whose self-service cleaning machines have been installed in 2,500 depots since their introduction about 18 months ago are now offering dry-cleaning equipment through British distributors, and a few pilot plants are already in operation in and around London. The biggest splash so far has been made by the largest US manufacturers, Borg-Warner, whose Norge machines are available in Britain through Coin-op Cleaning Ltd. (associated with J. Lyons). A prototype centre with 16 Norge machines, accompanied by armchairs and coffee, opened this week at Ruislip. The distributors of Westinghouse laundry machinery, Anglo-West Laundry Distributors, also now sell coin-in-slot dry cleaners ; four have been installed in a Laundromat in Maida Vale and other firms have similar equipment in experimental use or about to be introduced. Prices, where decided, are mostly around £2,000 for a pair of machines sharing a filter plant.

To the consumer, this means that about 8 lb of clothes—say two men's suits and a couple of skirts—can be treated, at the moment, for 8s. to 12s. 6d. ; if used to capacity the machines are therefore a lot cheaper than professional dry-cleaning. It is not claimed that the process is a total substitute for a professional job, since none of the equipment presses clothes or can be sure of removing difficult stains that need individual attention. The machines are miniatures of ordinary dry-cleaning plant ; clothes are tumbled in a cleaning solvent which circulates through a filter and then, still in the same compartment, are dried in hot air from which traces of the fluid are removed by passing it through a condenser. All this takes about 45 minutes, and a good many kinds of clothes, if hung up for a few minutes afterwards, need no further finishing. Especially when installed in launderettes, this sensible addition to automatic living may well catch on. Its cheapness is its great advantage, though the ultimate intention is that the British should spend more, not less, on dry-cleaning: at present housewives are said to spend only 15s. a year each, compared with an American expenditure of £4 15s.

Jenkins on Accounts

The section of the Jenkins Report dealing with accounts is largely concerned with the ascertainment and distribution of profits and the disclosure of significant accounting information. It mainly builds on the sound foundations provided by the 1948 Act and the constantly developing standards of best practice. The report acknowledges the part played by the recommendations on accounting principles issued by the Institute of Chartered Accountants, which have done much to ensure that the standards of accounts are reasonably uniform and constantly rising, ahead of statutory requirements. In these circumstances, the main purpose of legislation is to lay down general principles and to leave to the initiative of the professional associations the working out of the appropriate solution to problems which are ever changing. If harmonisation of standards of financial reporting in Europe does become a reality, Britain will be well set to give the lead.

Ascertainment of Profits:

Little positive is said about ascertainment of profits beyond endorsement of the principle that they must be true and fair and calculated by normal standards of commercial prudence. The committee has not chosen to re-examine the abortive controversy of historical cost versus replacement cost. It follows the Cohen report, and almost universal practice, by supporting historical cost, while accepting that revaluation of fixed assets at current values, and the provision of appropriate depreciation thereon, is neither illegal nor reprehensible.

Distribution of Profits:

Capital profits : Emphasis is laid on the rules relating to the distribution of profits, rules which have hitherto been set largely on case law. The committee recommends that a capital profit should only be available for distribution as dividend provided that it is realised and that the aggregate value of the remaining assets is not less than the book value. This, with the obvious further condition that the company's articles must authorise a capital distribution, was the generally accepted position until it was upset by a recent court decision.

Past Revenue Losses : A fundamental change is recommended on the availability for dividend of revenue surpluses where there is an accumulated deficit on profit and loss account. Hitherto it has been thought that such surpluses could be distributed, however inexpedient that might be, but the committee believes that the revenue account should be regarded as a continuous account and that past losses should be made good before current profits are paid out as dividend. Presumably it would allow the past losses to be written off against a realised capital profit which would itself be available for distribution.

Pre-acquisition profits : The committee thinks that the general rule should be that pre-acquisition profits, distributed to the acquiring company after acquisition, should not be treated as available for distribution by the latter. The purchase contract should not be ante-dated earlier than the end of the latest accounting period of the acquired company. These rules should not apply to acquisitions within a group ; and where a new holding company has acquired at least 90 per cent of the ordinary shares of one or more companies in exchange for its own shares issued at a premium, it may treat as available profits the dividends received out of pre-acquisition reserves of any one, but only one, of those companies. The committee is acutely aware of the dangers of enabling companies to "buy profits" ; but its proposals could be said to discourage mergers by freezing reserves.

Balance Sheet Disclosure

Valuation of fixed assets: The committee is suspicious of revaluation of fixed assets. They may be legitimate, but the practice is capable of abuse—valuations must obviously be largely a matter of opinion. It therefore recommends that full details of revaluations should be disclosed. Would it not be equally useful if particulars were given of the dates on which assets shown at cost were acquired ?

Trade investments : The recommendation that the distinction (never precisely defined) between trade and other investments should be abandoned will, if implemented, be of great significance to investment analysts. Where quoted, market values will have to be given ; where unquoted, particulars of income and the share of underlying assets will be needed. The game of hunting out valuable trade investments will now gain momentum, with possibly rich prizes for the winners.

Capital commitments : Existing legislation requires disclosure of the amount of contracts for capital expenditure. Now it is thought that all such expenditure approved by a board, even if not contracted for, should be shown. This is sensible : at present the amount shown may represent only a fraction of the cost of a complete project.

Stocks : The committee recommends that work done in recent years by the chartered accountants in their recommendations on stock in trade and work in progress should be rounded off by legislation. The propriety of adopting different bases in different circumstances is recognised—so is the fact that the choice of base will affect the profit, and it follows that "shareholders ought to be concisely but adequately informed of the basis used." This, unhappily, will often not be possible where many different bases are employed in a single undertaking ; for such cases the report merely calls, rather lamely, for "an intelligible summary."

Capital and revenue reserves : The existing statutory distinction between capital and revenue reserves, which dates only from the 1948 Act, depends largely on the directors' opinion, which may legitimately vary with the passage of time. It has caused much ambiguity and confusion and accountants will be glad that its abolition is recommended.

Long and medium term indebtedness : In order to judge the strength of a company's liquid position the reader of its accounts ought to know whether its existing borrowings are long or short term. Bank indebtedness must already be disclosed and the committee recommends that in addition details should be given of indebtedness which is not repayable within five years.

Holdings in other companies : The task of discovering "who owns whom" is at present onerous but necessary to a complete appraisal of a company's interests. The series of recommendations made to secure appropriate disclosure will no doubt lead to the discovery of some strange bedfellows.

Profit and Loss Disclosure:

Rents : The committee thinks that rents received, if significant, should be shown separately. Similarly, it feels that rents paid, both for properties and plant, should be disclosed because of the increasing practice of selling freehold properties and taking them back on lease and of hiring instead of buying machinery and plant.

Taxation : The proposals relating to the treatment of amounts set aside to meet future tax and to provide for tax equalisation because of the incidence of capital allowances follow closely the practice which has evolved since 1948. The need to explain any distortion of the tax charge due to losses brought forward or other factors is also recognised.

Turnover : The recommendation that, difficult or not, turnover should be disclosed has already been widely commented upon. The method of computation should be explained in the first annual accounts produced after the requirement is enacted. It will be interesting to see how many directors in fact seize upon the exemption permitted where disclosure is thought to be harmful. The best practice can be contagious.

Comparative figures : A single year's figures have very limited use. The 1948 Act made it necessary to publish the comparative figures for the previous year. Now the Jenkins committee wishes to see a five-year summary of the most important figures. This goes half way to prospectus requirements and will help shareholders who do not read the financial commentators or have access to the statistical cards.

Continued from Page 1370

CAPITAL GOODS

Oil Engineering Depressed

THE exhibition of chemical and petroleum engineering equipment held in London last week and this was bigger and better attended than the first one, four years ago, but it did not gather as many enquiries about possible orders as its German counterpart, the ACHEMA. Some of the engineering stands had very few enquiries, and the biggest interest seemed to come from delegations from Eastern Europe. Stands included models of chemical plant erected or offered to Russia, Poland, Rumania and Czechoslovakia, though Lord Hailsham could be seen pondering over one to be built in Britain ; and visitors from Rumania, Poland, China and Russia were active in in talking about orders, at any rate.

Exhibitors were arguing that credits offered by Continental companies to Commonwealth countries specifically for the purchase of plant and equipment were affecting their trade. Elsewhere in Europe, as well as here, the dollar shortage of the early postwar years helped a hot-house development of local petroleum and petrochemical engineering industries. Owing to language and the location of oil interests, this development of former American specialities came fastest in Britain, but Germany and France were not far behind. But with a world surplus of oil, surpluses developing for many petrochemicals, and the dollar shortage over, sales of equipment by these manufacturers to the oil companies have been falling in recent years.

A similar slowdown of orders is also a complaint of many exhibitors in purely chemical engineering. Exhibitors are inclined to blame this on the July measures of last year—though the only investment these measures affected was in the public sector, which buys little from these industries or in working capital. The manufacturers say that about a year ago those fabricators and makers of ancillary equipment who had orders in hand were making full use of their capacity ; but they did not get enough orders in subsequent months to sustain this. Now they are well below capacity. It is difficult to decide if this

COMPANY AFFAIRS
Comments on pages 1389 and 1392 on :
Courtaulds — Whitbread
Metal Box — A. E. Reed
Dorman Long — Head Wrightson

STOCK PRICES AND YIELDS
Stock prices, yields and security indices on pages 1390 and 1391

MONEY AND EXCHANGES
Money market report, exchange rates and public finance on page 1393

reduced activity is basically due to over-expansion shrinking to a more comfortable size or to a genuine shortage of credit.

But How Much?

INVESTMENT in both industries shows a dip for 1959-60 and the oil industry is still not spending much in comparison with some years ago. Figures covering the period 1956-1961 are as follows:

	Capital Expenditure in the Chemical Industry	Value of U.K. Orders for Oil Equipment and Materials
	(£ million)	
1956.....	155	154
1957.....	188	134
1958.....	197	122
1959.....	164	(117)
1960.....	157	(119)
1961.....	204	(101)

But the Council of British Manufacturers of Petroleum Equipment, in its annual report, says that the figures, supplied as they are by the Oil Companies Materials Association, do not include the value of purchases by those chemical engineering contractors who secure " turn-key " contracts with oil companies. Since 1959 this type of contract has become more popular, so the decline in spending by the oil industry has perhaps not been as great as these statistics suggest.

Though the petroleum industry is the biggest customer of the chemical engineering construction firms, there is only a partial overlap between the two sets of figures above. For instance, it is reckoned that in 1958 the oil industry's purchases represented under £40 million of the total of £197 million shown for chemical investment. Both sets of figures, however, include items which are not specifically chemical or related to petroleum, such as buildings and lorries.

The equipment manufacturers calculate that this expenditure by the oil companies for 1961 can be divided into 55 per cent on refining, 35 per cent on oilfields, and ten per cent on other stages of the business. The equipment makers think that the figure for the first category may be 30 per cent too low, and those for the second and third 5-6 per cent low. On this reckoning the 1961 total would come up to £120 million ; but that the 1959 figure in the table would be much nearer accurate. This significantly moderates the apparent decline since 1956.

One more point is pertinent to the prospects before the combined industries. A recent issue of the *Chemical Age* of India carries an article stating that compared with the cost of ordering plant from America (taken as 100), European plant costs come out as follows for plant alone: France 69-85 ; Germany 66-96 and UK 63-84. When administrative overheads are added in France is 70-95 (USA = 100), Germany is 67-87 and Britain still comes out at only 64-85.

SHORTER NOTES

Tesco's discount supermarket at Leicester has a new section selling cut-price carpets, chairs, and some bedroom and kitchen furniture. Maintained prices on branded carpets will be adhered to, but gifts such as free underfelt will accompany purchases. Price reductions are said to include Wilton at 36s. a yard (from 48s.) and Axminster broadloom at 32s. 6d. a square yard (from 47s. 6d.). Delivery is free over a given area for goods worth over £10.

★

Rootes has introduced a convertible version of the Hillman Super Minx. Costing £960—£155 more than the saloon, which seems to be the accepted if rather prohibitive premium for fresh air in Britain —the new model replaces the Minx 1600 convertible.

★

Production of bricks and cement rose in May ; 673 million bricks were made, 2.3 per cent more than in May, 1961, while cement output at 1,198,000 tons showed an increase of 3.5 per cent. Stocks of bricks fell by 28 million, but they are still more than twice the abnormally small level of last year.

★

Investment Registry is arranging a placing of 100,000 of the 400,000 7½ per cent £1 Cumulative redeemable preference shares, and 750,000 of the 3,000,000 ordinary 2s. shares of Perdio Electronics, makers of transistor radios. The placing prices of 18s. 6d. for the preference and 8s. 6d. for the ordinary shares give respective yields of 8.1 and 5 per cent on the dividend forecast for the year to January 31, 1963.

★

A major event in the insurance world is the offer for sale of 1 million 4s. shares in C. E. Heath, one of the largest of insurance brokers and Lloyd's underwriting agents. A large part of its business comes from overseas, particularly North America. Offered at 80s., the shares offer a prospective yield of 3 per cent ; this compares favourably with the yield of under one per cent offered by the shares of Minet Holdings. However, while the Heath dividend is covered only 1.2 times that on Minet is covered about 12½ times.

COMPANY MEETINGS

BRAZILIAN TRACTION, LIGHT AND POWER COMPANY, LIMITED

(Incorporated under the Laws of Canada)

At the Annual Meeting held in Toronto on June 26th **Mr Henry Borden, CMG, QC,** President, presided. All Directors were re-elected.

The shareholders passed a resolution authorising the Directors, in supplement of the powers which they already have, to sell or otherwise dispose of the holdings of the Company in its Subsidiary Utility Companies in Brazil or any of them.

In addressing the shareholders the President noted that July will mark the fiftieth anniversary of the formation of the Company but pointed out that the organisation began to provide service in Brazil around the turn of the century, the first power plant of the Sao Paulo Light Company going into operation in 1901.

The President referred to the continuing inflation in Brazil and to the new steps that had recently been taken by the Government to control it. The President reported that remittances of 1961 interest on registered debt have come forward regularly so far this year but whereas the cost of such remittances up to the month of May was at the rate of 318 cruzeiros to the Dollar the rate applicable to the May remittance was at 359 cruzeiros to the Dollar. However, the Electric Companies have recently been authorised to increase the surcharges on their tariffs to compensate for the increased cost of 159 cruzeiros per Dollar for servicing their registered foreign debt that has occurred since July 1961. This compensation will not be immediate but will take place over the period 1962-64. While increases in tariffs were granted in most cases to meet increased wages in 1961, these, the President said, do nothing to improve the basic financial situation of the Operating Companies and that, apart from increases in respect of wages and the surcharges for exchange purposes, no tariff increases of any importance have been authorised in 1962 in spite of the best endeavours of the Companies to obtain them. Referring to the abolition of preferential exchange rates for interest remittances and certain imports, the President stated that this could not fail to bring about a decline in the Company's Dollar income unless substantial tariff adjustments are obtained bringing about a real increase in cruzeiro earnings.

The President then reviewed the discussions that had taken place in Brazil over a very long period with a view to reaching possible solutions of the telephone problem. He stated that these discussions had been held sometimes with Municipal Authorities, sometimes with State and sometimes with Federal Authorities. He referred to his circular letter to shareholders of April 2nd of this year in which he explained the difficulties and the events which led to the appointment of an Interventor by the Federal Government and continued " had the Federal Government not acted as it did, this Company would have ceased to function as a single strong unit owning and operating, under a single management, approximately eighty per cent of the telephones of the Nation. Thus it could not have served as a nucleus around which a strong nation-wide telephone service could be built, with some 18,000 trained employees, loyal to and proud of the Company which they serve." He stated that the State of Guanabara has claimed that the Federal Government in intervening has exceeded its Constitutional Powers and the whole question of jurisdiction as between that State and the Federal Government has been referred to the Supreme Court of Brazil.

In the meantime operation of the telephone system is being carried on normally by the administration of Companhia Telefonica Brasileira under the supervision of the Interventor. The President said that prior to Federal intervention and the attempted expropriation by the State of Guanabara the Company had been negotiating terms of sale of the Telephone Subsidiary with an Agency of the Federal Government and that these negotiations had reached their final stages but no agreement in writing had been concluded. At present, he said, a commission of eight prominent Brazilians under the Chairmanship of the Interventor is studying the terms of the proposed purchase by the Federal Government. He hoped, he said, that in the relatively near future an agreement of sale would be worked out between the Company and the Federal Government, and, continuing, he said, " I have no hesitation, however, in saying to you I feel that, having regard to all the circumstances, financial, economical and political, which surround this problem, the sale to the Federal Government of our Telephone Utility, if fair and reasonable terms can be agreed upon, is in the best interest of your Company and its shareholders."

With reference to the suggestion made by the President of Brazil over two months ago that the Brazilian Government might acquire ownership of foreign-owned Public Utilities in that country, Mr Borden repeated his comments that he had made to the Press on April 5th as follows: " The suggestion that the Brazilian Government might acquire ownership of foreign-owned Public Utilities in that country is understandable for many reasons and Brazilian Traction would not object to the purchase of its properties by the Brazilian Government provided the price is fair and reasonable and on terms which protect the shareholders investment. This would appear to me to be the approach of President Goulart as indicated by his address to the American Chamber of Commerce in Rio on March 23rd last and the reports of his public statements in Washington this week. With reference to the suggestion for channelling the shareholders investment into other fields in Brazil, the experience in similar circumstances in other countries in recent years has provided a precedent for the mitigation of the financial burden upon the purchasing Government through an agreement by the vendor to re-invest in other fields within the country a portion of the proceeds of the payment for the shareholders equity and so bring within manageable bounds the foreign exchange requirements involved in the transactions. We recognise that any discussions with the Brazilian Government will have to take into account the impact upon Brazil's balance of payments position and we are ready to discuss with the Brazilian Government some formula which would involve the re-investment of part of the proceeds of the sale of Brazilian Traction's Equity in its operating subsidiaries in other productive sectors of the Brazilian economy."

The President then read a résumé of the decrees that have been issued by the Federal Government of Brazil, which contemplate the purchase of foreign-owned Public Utilities in Brazil and said that he regarded these decrees as laying down the ground rules within which negotiations are to proceed in due course and commented " I do not regard them (the decrees) as being sufficiently precise to enable me to make any assessment of what their effect on your Company may be. However, I do remind you that the President of Brazil has stated that it is his Government's policy that the ownership of Public Utility Companies would be transferred amicably and with just compensation, into the hands of Brazil or Brazilians."

The President then paid tribute to the work and contribution of the very distinguished body of Brazilians in the Administrative Councils in Brazil of the Rio Light and Sao Paulo Light Companies and on the Board of Directors of several of the Subsidiary Companies.

He concluded, " now that a new era appears to be about to start, I think we can be confident that our Company, which through many trying years has kept faith with the Brazilian people, will be called upon to play an important part in the continued development of that great country. Furthermore, I believe that the Brazilian Government will understand that our shareholders, like investors all over the world, expect and have a right to receive a reasonable return on the money which they have invested."

WHITBREAD AND COMPANY LIMITED

COLONEL W. H. WHITBREAD REVIEWS BENEFITS OF ASSOCIATION

The Annual General Meeting of Whitbread and Company Limited will be held on July 27, 1962, at The Brewery, Chiswell Street, London, E.C.1.

The following is the statement by the Chairman and Managing Director, **Colonel W. H. Whitbread,** which has been circulated with the report and accounts for the year ended December 31, 1961:

The year 1961 has been one of the more important years for the British Brewing Industry and also for your Company. In the Brewing Industry there have been a series of mergers between large companies whose boards have decided that the time has now come to work together rather than in competition with each other, and hope to achieve not only economies through integration of their resources and manpower but also a stronger trading unit.

From your Company's point of view, 1961 has been important because our profits, excluding Tennant's of Sheffield, exceeded by 24 per cent the record figure of the previous year and, in the merger with Tennant's, for the first time in history we issued Whitbread and Company shares in exchange.

The profit figures are shown in the Directors' Report but they need some explanation. In the Group Profit after tax of £2,125,168, which is an increase of £630,000 over the 1960 figures, £270,000 was accounted for by Tennant's nine months' profits. Our reserves have increased from £6,584,621 to £13,803,767, but of this increase £6 million is represented by the share premium account resulting from the merger with Tennant's.

In the middle of this year we came to the conclusion that our shares were too heavy for the small investor, so that in August we arranged for them to be quoted and dealt with in 5s. units.

CASH

In an expanding Company such as this, there is a constant need of cash to finance expansion of our trade and to build and equip breweries, bottling stores and public houses. During the year, expenditure on capital assets and on trade investments, and payment of tax and dividends, exceeded cash accumulated from profits by about £3½ million; this was financed by the sale of Government securities and by the raising of £2 millions 6½ per cent Debentures 1984/87, for which payment was received in equal instalments in August 1961 and January 1962.

Since the end of the year the Whitbread Investment Company made a one for one Rights Issue at 21s. in which Whitbread and Company took up their rights. The Whitbread Investment Company bought from Whitbread and Company £4,700,000 of its trade investments. This was an interesting operation, as in addition to Whitbread and Company obtaining a valuable investment in the Whitbread Investment Company they received £2,300,000 cash. Whitbread and Company's investment in the Whitbread Investment Company is worth about £10 million.

During 1961 the book value of our trade investments rose from £4,520,392 to £7,885,301. We have continued to invest in our Associated Companies when suitable occasions have arisen.

STAFF AND EMPLOYEES

Having had such a good year, surely the first thing we should do is to think of those staff and employees who have managed to achieve this very satisfactory result. It has been a great achievement, first because everyone has made a great effort to keep down expenses, and much has been achieved in this direction, and, secondly, because we have succeeded in producing, and maintaining the quality of a number of superb articles, a factor which must not be forgotten in the hurly-burly of trading.

As regards the sales force, they have faced keen competition, especially with the formation of large new units in the Brewing Industry, but we should all be pleased that with the knowledge of having really good beer to sell we can compete under these more and more difficult conditions.

I personally would like to convey my gratitude to everyone working in the Company for their determination to achieve success. We are now half-way into another year and, in spite of the weather, we shall make every endeavour to maintain the excellent profits of 1961.

TRADE

In the early part of 1961 our trade was buoyant, as I think was shown by the publication of our half-year's profits, but in the 'Little Budget' in July the Chancellor imposed a 10 per cent surcharge on beers, wines and spirits which has affected trade. I think it is the general view in the Industry that this 10 per cent 'Regulator' has had a depressing effect on the trade of the type of high quality beers your Company produces. It seems a great pity that by imposing this extra tax the Chancellor has without doubt discouraged quality.

Some of us thought that the so-called 'Regulator' was a temporary affair. This appears not to be so, as in the 1962 Budget the Chancellor has consolidated this extra tax in the Excise Duty. I suppose one is rather naïve to think that if a Government increases a tax for a particular purpose it will reduce it when the reason for the extra tax has ceased to exist. In fact, where taxes are concerned, it seems that nothing is so permanent as 'temporary.'

Although the trade of your Company was affected by the 'Regulator,' your leading bottled beers, Whitbread and Mackeson, continued to be in great demand by the public. Total sales showed a handsome increase over our own 1960 sales and also an increase compared with the country's production figures for 1961.

DRAUGHT AND BOTTLED BEERS

About two years ago I referred in my Statement to the fact that the trend towards bottled beer was changing and that there was a swing of public demand towards draught beer. This has continued and we are very pleased with the increasing trade in our draught beers, and particularly in a comparatively new line of ours, called Tankard.

EXPORT

We have a successful business in Belgium and we trade in over sixty countries throughout the world. This trade increased by as much as 15 per cent during the year and makes a substantial contribution to the profits of the Company. I believe that if every company made a proportionate contribution to export of the size that we make there would be no problem of exports or balance of payments.

Naturally, we have to build factories abroad to achieve our export trade and you will have noticed that on any money we raise in this country we have to pay nearly 7 per cent, which is a burden on export that our competitors in other countries do not incur to nearly the same extent.

You will be pleased to hear that your Company have already a substantial stake in the Common Market. Some people think that if the United Kingdom enters the Common Market the tied house system in this country will break down. This may not be correct as there is a very strongly established system of cafés tied by loan already in existence in Holland, Belgium and France.

ADVERTISING

Your Company, as a national brewer, is obliged to spend many thousands of pounds on advertising, in fact it is a great expense directly affecting the profits, and it is a constant anxiety to your Board that money spent on advertising should be rewarding and devoid of any element of waste. Advertising alone is incapable of establishing a large and continuing sale of a product which the public at large does not want, and I am sure that to take the view that the consumer has neither taste nor perception could cause a large amount of money to be wasted.

The policy of your Company has been to keep the name before the public in a dignified manner, and when we produce an article which people like and are prepared to pay for, to draw their attention to it by advertising. Advertising agencies continually talk about market research. The ultimate consumer panel is the mass of the British public and I often wonder whether market research, particularly in our Industry where taste counts so much, really discovers what the people want.

ASSOCIATED COMPANIES

With the full accord of the Boards of our Associated Companies we have continued to strengthen our holdings, and we now have an effective financial interest in all of them. A few of our friends have suffered some criticism for having welcomed our co-operation. If, however, one examines, as we have done, the history of the companies with which we have been associated and their rise in profits, dividends, and share prices since we joined them, I do not think there can be any shareholder in these companies who could possibly feel that he has done anything but benefit from the association with Whitbread and Company.

From time to time we have arranged co-operation with other companies by which they bottle or even brew some beer for us, and they sell one or more of our national products. I can say with confidence that this has been a happy arrangement for both sides.

During the past year we have made trading agreements with: Eldridge, Pope & Company Ltd of Weymouth; Fuller, Smith & Turner Ltd of Chiswick; Hall & Woodhouse Ltd of Blandford; Wadworth & Company Ltd of Devizes, and have extended our trading agreement with Strong & Company of Romsey Ltd. Since January 1, 1962, we have made trading arrangements with Threlfall Chesters Ltd of Liverpool and Manchester and Okell & Sons Ltd of the Isle of Man. We have recently become closely associated with Boddingtons' Breweries Ltd of Manchester and Brakspear & Sons Ltd of Henley; we have made trading agreements with each of these companies and have substantial financial interests in them.

WINES AND SPIRITS

Although we have owned for many years F. S. Stowell Ltd, a company whose headquarters are in Chelsea, your Company did not tie their houses for wines and spirits or indeed take much interest in these commodities until after the war. Two years ago we began a thorough reorganisation of this side of our business and this is showing good results. However, it is difficult to assess how well we are doing, as all wines and spirits businesses are showing increases throughout the country.

With our recent mergers, to which I will refer later, we have acquired three other companies of this type. Wiley & Company Ltd, Thresher & Company Ltd and the St. Anne's Wine and Spirit Company, which will give us a much larger interest in this sphere of trading. Your Board consider that these should provide a valuable potential for further development. In addition, some of our Associated Companies own thriving wines and spirits businesses which are well known in their districts and, indeed, are experienced in developing this trade.

It is interesting that during the last year wines have increased in sales more than spirits, which pleases us, as it is far more rewarding to sell wines than the national branded spirits.

HOP FARMS

It is with great regret that I have to report the sudden death of Major Nigel Bardsley, who had run our Hop Farms so successfully since the war. Bardsley came into the Company straight from the Army and had no knowledge of growing hops or little indeed of farming. With the assistance of some very good foremen and the great support of Mrs Bardsley, he tackled his new appointment with such energy and intelligence that, after some difficult years, he managed to produce better hops than anyone else and became one of the most respected authorities on the growth of hops in the Industry.

This is a very great loss to the Company, not only in the management of the Hop Farms, but also because of the spirit of determined endeavour which he showed. He has set a splendid example to everyone connected with the Company.

MR L. C. THOMPSON AND MR CARL WOOTTON

We also regret that we have to mourn the loss during the year of Mr L. C. Thompson and Mr Carl Wootton.

Mr L. C. Thompson was Head Brewer of Whitbread and Company from 1926 until the end of the second World War. Mr Carl Wootton, who came to Whitbread's from Watney's in 1922 as our first technical production manager, was appointed a Technical Director in 1957 and retired in July 1959, although he remained on in an advisory capacity to the Directors on planning and development until his death.

Both these men saw the Company through a particularly difficult time in its technical development and raised the quality of production to its present high level, under the inspired influence of Sir Sydney Nevile.

HEINEKEN'S

Your Board have often considered that they should diversify their interests in the export market as a long-term policy, and, secondly, if lager is to become a big seller in this country which is assumed by some respected judges, they should make some arrangements to meet the possible demands for this type of beer. We were, therefore, fortunate last year to become associated with Heineken's, the famous Dutch brewers, who operate over twenty-five breweries throughout the world, including a successful business in the U.S.A. We are confident that Heineken's will be able to compete with any lager in the world.

Heineken's and Whitbread's will form companies based on equality of interest, not only for joint operations overseas but also for marketing Heineken's in this country. The members of both companies seem to get on very well together at all levels, and we are particularly happy to have made this arrangement with a company in Holland which is very much like our own.

TENNANT BROTHERS LTD.

Your Board have been closely associated with Tennant's since 1955. In the summer of 1961 their Board, the members of whom held quite a substantial holding in the equity, decided that the time had come for them to merge with a larger unit. The terms were negotiated between Kleinwort, Benson Ltd acting for Tennant's and Baring Brothers & Company Ltd acting for your Company and the merger was successfully concluded just before the end of the year.

We are determined to retain the name, prestige and loyalty that the Board of Tennant's have built up over many years so we decided that the present Board of Tennant's should continue to run their Company.

When we first became associated Tennant's Group Profit before tax was £223,714. The latest Group Profit for the nine months to December 31, 1961, is £610,041. I am looking forward to this being a happy partnership which will produce good results for your Company.

NORMAN & PRING LTD.

Also in the summer of 1961 it became clear that the Norman & Pring Board would have to spend large sums of money on their brewery and bottling plant, largely owing to the replanning of Exeter. So they came to the conclusion that they too should merge with a larger unit, and as we possessed a substantial interest and the Pring family and ourselves owned over 75 per cent of the equity we decided that we should come into closer association. This was achieved again by the issue of Whitbread shares to the family and outside shareholders of Norman & Pring.

Norman & Pring are a comparatively small but important brewery company in the West Country based on Exeter. Devon and Cornwall are becoming more and more prosperous through the tourist industry and we look upon this as an opportunity to develop the sales of our beers in that growing district.

FLOWERS BREWERIES LTD.

I have been personally associated with the Board of Flowers for many years but it was not until 1958 that I was invited to join their Board and, therefore, became more closely aware of the special circumstances of their business.

Last year the two Boards came to the conclusion that the future of our companies could best be stabilised and developed by a merger between them. Here again the Flower family and Whitbread's between them held a substantial financial interest in the company and Flowers invited Philip Hill, Higginson & Company Ltd and your Company Baring's to arrange the terms of a merger between them. This was finally accomplished in June this year. As the two Boards have known each other so well for so long, a good deal of reconnaissance has already been done as to how the two companies can best arrange their affairs.

In all these mergers we have informed the staff and employees that in future they will have the same consideration as the staff and employees of Whitbread and Company. In fact, they will become Whitbread men and women.

WHITBREAD POLICY

Whitbread and Company, like all other progressive companies, have to adjust their policy continually to the constantly changing habits of the people, the trend of public opinion, the financial policy of the Government and, not least, the operations of their competitors. Except for these considerations, there has been no basic change of approach or thought on the development of your Company.

This is the first time that Whitbread's have issued shares in order to merge with other companies. The Whitbread family have recently strengthened their interest in the Company, so that they are confident now that they can maintain control even if the issue of additional Ordinary capital should become necessary. The dilution of Ordinary capital by the issue of shares has to be very carefully examined to see that the profits accrued from the smaller company maintain the dividend cover after the issue of Ordinary shares of the larger company.

In many amalgamations during the last fifteen years the smaller company's shareholders have done well while the shareholders of the larger company have received little benefit. I think you can rely on your Board to have studied this point and that the recent mergers are based on a calculation that not only the shareholders of both the smaller brewery and of Whitbread and Company should benefit substantially but also that the staffs of both companies should have increased opportunities for advancement and wider scope.

CUSTOMERS

All of us here wish to thank our customers for their continued loyalty and support and for their large contribution to the success of this Company. The number of our retail accounts is so widespread that the sale of one extra bottle in a week by each of our customers makes a very substantial contribution to our sales and profits.

In the continuous competitive struggle we hope that our customers realise how much we appreciate their efforts and that we are always ready to help them with their trade problems and to inspire, by advertising and salesmanship, the sale of that extra bottle a week.

THE FUTURE

As a result of the mergers with Tennant's, Norman & Pring and Flowers, your Board and Management will be fully employed in reorganising so as to achieve the benefits of these operations. From other people's experience it appears that it takes quite some time to obtain the benefits of a merger, so that we can certainly not expect anything this year, in fact we may have a struggle to maintain our combined profits. But after a period of consolidation we hope that benefits will accrue which will strengthen the Company, develop our trade and further increase profits.

The weather and the temperature play a great part in the prosperity of our Industry and the cold prolonged winter which we have just endured has affected our trade. What we want now is a long period of warm weather, which will not only be good for our trade but good for all men and beasts.

FARBWERKE HOECHST AKTIENGESELLSCHAFT

vormals Meister Lucius & Brüning

FRANKFURT (MAIN)

The Annual General Meeting of FARBWERKE HOECHST AG. was held in Frankfurt (Main) on May 17th, and the following is a summary of the report presented by the Board of Directors:

REVIEW OF THE PAST TEN YEARS

FARBWERKE HOECHST AG., which was established on December 7, 1951, as one of the successor companies to *I.G. Farbenindustrie AG.*, took over the plants and subsidiary companies assigned to it on January 1, 1952. The Company in its present form has therefore been established for ten years. During this period new departments for man-made fibres, foils and petrochemical plastics were created, which are pointers to the Company's future, while the Company's own raw materials basis was expanded as well. Moreover, the spheres of work taken over were modernised and expanded.

Between 1952 and 1961 the annual turnover nearly quadrupled. The labour force doubled from app. 26,000 to 52,000. Almost DM 2,400m. was spent on investments in fixed assets. Research has considerably contributed to the positive development as a whole and absorbed investments totalling DM 817m. Forty-five per cent of the turnover achieved in 1961 was accounted for by products which had only been included in the sales programme as a result of research and development during the last ten years. Depreciation totalling almost DM 1,400m. was used to finance this growth (56 per cent of investments in fixed assets). Moreover, the capital funds and the long-term capital from outside sources were each increased by app. DM 850m.

BUSINESS DEVELOPMENT DURING 1961

The growth rate in large sectors of the West German economy slowed down noticeably during 1961, and this development did not leave the chemical industry unscathed. Despite this the expansion in terms of quantity continued, although at a slower pace. For example, chemical production increased during the year under review by 7.3 per cent as against 14.5 per cent during the preceding year. The intensification of competition on the domestic and especially on international markets, which had already begun during the preceding year, increased the pressure on earnings which had been felt for a number of years. The rise in turnover by value in the West German chemical industry in 1961 amounted therefore to only 3.6 per cent as against 12.6 per cent in 1960. The revaluation of the D-Mark, which hit the chemical industry especially hard in view of its high export ratio, had a considerable influence on this development.

The Company's turnover rose by 6.4 per cent to DM 2,880m., while the rise in terms of quantity amounted to app. 10 per cent. These growth rates are again above the average in the chemical industry as a whole. Capacity was fully utilised during the whole of the year. The high rate of investment in 1960 was also maintained during the year under review. Total expenditure in this field amounted to DM 446m., which was distributed among all plants and production spheres of the Company. Earnings were adversely affected by price losses totalling DM 105m. and by increased wages, salaries and social security contributions amounting to a further DM 73m.

The fact that in spite of this earnings approximately equalled those of last year is due to an encouraging increase in turnover and to internal measures which partly offset negative effects on profitability originating from the costs and price sectors.

It is expected that business volume will continue to rise in 1962. Development so far has confirmed expectations.

TURNOVER

Total turnover of FARBWERKE HOECHST AG., including those German subsidiaries in which HOECHST have an interest of more than 50 per cent, rose in 1961 by 6.4 per cent to DM 2,876 m., compared with the preceding year. The export ratio amounted to DM 911m. or 31.7 per cent. All sectors of production participated in this increase in turnover, although biggest increases were again achieved in the new fields of plastics, fibres and films. Among remaining production sectors pharmaceuticals achieved a good turnover increase in spite of sharp competition.

Of the total turnover, 19.5 per cent was accounted for by plastics, lacquer components and solvents, 17.5 per cent by fibres and films, 15.5 per cent by dyestuffs, textile auxiliaries and organic intermediates, 11 per cent by pharmaceuticals, 10 per cent by fertilisers and plant protection agents and 26.5 per cent by inorganic chemicals and other products.

INVESTMENTS

The high sales in terms of quantity and the continuing rise in demand for the Company's products necessitated continuing the investment programme as scheduled. With a view to securing favourable future development for the Company, investments for rationalisation and modernisation of works installations were increased in particular alongside the necessary expansion of existing capacity and the provision of new. Investments during the year under review totalled DM 466m., of which DM 230m. was financed by depreciation.

For 1962 more than DM 400m. is again scheduled for investments in fixed assets.

RESEARCH

Regular expenditure on research and development during the year under review amounted to app. DM 120m. This amount corresponds, as in the preceding year, to 4.2 per cent of the turnover. In addition, DM 26m. was spent on investments for research installations.

A new research centre on the south bank of the Main river is making good progress. At the end of 1961 the laboratory for plastics and synthetic fibres and the adjacent technical college were inaugurated. The laboratories for this sector, which had previously been distributed over many parts of the works, have thus been concentrated in one locality. A third laboratory block for parasitic and chemico-therapeutic research is under construction.

The Company employed 2,146 graduate scientists and technicians at the end of 1961. Of these, 873 work on research and applied techniques.

FIELDS OF PRODUCTION

Plastics, Lacquer Components and Solvents:—In the field of workable plastics the turnover by quantity in the main production group of the polyolefins has increased by almost one third. It should be mentioned, however, that the market is keenly contested. Sales of polyvinyl acetates, which are mainly sold as *mowilith* dispersions and which continue to rank among the most important products, have increased considerably. Business in solvents containing acetaldehyde is subject to considerable competitive pressure which forced the Company to reduce prices. By contrast, sales in carbon tetrachloride increased considerably, while business in methylen chloride was favourable, justifying good expectations for 1962. Turnover in the refrigeration product *Frigen* again rose considerably both in Germany and abroad. Sales of *Glykolen* continued to be subject to increased pressure of over-supply, which depressed the price level. Despite this, a satisfactory turnover increase was achieved, particularly in the case of anti-frost products. Sales of HOECHST waxes in Germany and especially in export markets rose encouragingly. Turnover in chlorine paraffins again increased considerably, but price pressure also increased in this field.

Fibres and Films:—In the man-made fibres industry expectations for 1961 were exceeded. Capacity for the production of *Trevira* fibres was fully utilised. Output of *Trevira* filaments and *Trevira* extra strong fibres for the technical sector was fully sold. As demand for *Trevira* still exceeds production capacity, the expansion of plant will be continued.

In the film sector, plastic films continue to advance further. Polyvinyl chloride films showed satisfactory development during the year under review. The *Hostaphan* film which is made from the same raw material as *Trevira* showed a very encouraging growth rate. In the case of *Cellophan* further modernisation of production installations has had a favourable effect; existing capacities were fully utilised.

Dyestuffs, Textile Auxiliaries and Organic Intermediates:—Turnover in dyestuffs developed satisfactorily, although individual sectors showed a slight drop. This was mainly due to under-employment in the German and West European textile industry and to increased competition. As a result, nearly all markets were under continuing sales pressure. In the field of organic chemicals and intermediates demand again exceeded production capacity.

Pharmaceuticals:—The year was especially successful in the pharmaceutical sector. The most successful preparations were cardiac and circulatory products, the sale of which was decisively boosted by *Segontin*. Anti-diabetic products also sold well. *Rastinon*(R) again considerably improved its share of the turnover in this group. Sales of antibiotics, especially of *Reverin*, also increased, although at heavily reduced prices.

Good progress was made in export markets, especially in West European and Latin American states as well as in the Middle East. Pharmaceutical production plants abroad developed satisfactorily. The products of the subsidiary company *Behringwerke AG.* achieved an encouraging rise in turnover.

Fertilisers:—As a result of unfavourable weather conditions, the fertiliser business only increased negligibly during the first half of 1961. The trend towards the full fertiliser continues, as it constitutes a measure of rationalisation in agriculture.

Inorganic Products:—The Company's own demand and the sale of inorganic products have risen further. In particular the consumption of chlorine increased considerably. Considerable expansion of production capacity eased the supply situation. Sales of phosphorous products again rose in quantity, but keen international competition did not allow a corresponding increase in value. In view of the rising demand in the detergent industry additional sales are expected. Turnover in carbon electrodes, at full capacity, was the same as the previous year. An increase was possible after the new round chamber kiln at the Griesheim works came into service at the end of 1961.

Special Sectors:—In the welding industry sales were further expanded in 1961. Turnover in welding apparatus surpassed all expectations. In the field of technical gases an encouraging rise in turnover was achieved. In the photographic sector a considerable turnover increase was recorded, especially in the case of *Ozalid*(R) paper and printing foils. Production and sales of chemical plant by *Friedrich Uhde GmbH.* developed favourably during the year under review. *Friedrich Uhde's* activities are still centred on foreign markets.

PARTICIPATIONS

The following changes have occurred:—

In March, 1961, HOECHST and the *American Celanese* group together founded *Bobina Faserwerke GmbH, Bobingen* (ordinary capital DM 50m., holding 59 per cent). The company will produce a new thermo-plastic synthetic fibre. An experimental plant has since been put into operation.

Also jointly with the *Celanese* group, *Ticona Polymerwerke GmbH.* was founded at Kelsterbach in December, 1961 (ordinary capital DM 10m., holding 59 per cent). This company will produce a new thermo-plastic material.

In co-operation with *Gesellschaft für Linde's Eismaschinen AG.*, HOECHST founded *Hüttensauerstoff GmbH.*, Essen, in December, 1961 (ordinary capital DM 20m., holding 50 per cent). The company's field of activity comprises the erection and operation of large oxygen plants for the supply of steelworks.

Expenditure for investments abroad in 1961 amounted to app. DM 18.4m. While during the preceding year a large part of the investments had been used for the acquisition of new participations and the erection of new production installations and had therefore been especially high, a considerable part of the money spent during the period under review was used for the normal expansion of the distribution organisation. Investments abroad up to the end of 1961 totalled DM 170m.

PERSONNEL

As a result of the Company's further growth and new production capacity, the labour force was further increased. At the end of the year under review it had risen by 1,830 to 52,162 workers and salaried employees.

BALANCE SHEET

The consolidated balance sheet comprises FARBWERKE HOECHST AG. and the German subsidiaries in which HOECHST has an interest of more than 50 per cent, with the exception of the building companies and the benevolent funds. During the year under review the balance sheet total increased by DM 366m. to DM 3,065m. Two thirds of the increase are accounted for by fixed assets, predominantly works installations, while the remainder is mainly made up by claims, chiefly for deliveries to customers and associated companies. Despite the high rate of investments in works installations the balance sheet structure has not decisively changed. As in the preceding year, company funds and long-term borrowed funds cover the fixed assets including the long-term claims, stocks and more than 40 per cent of the medium and short-term claims.

CAPITAL INCREASE

In 1961 the share capital was increased by DM 70m. to DM 700m. The shares of FARBWERKE HOECHST AG. were admitted for official dealing and quotation at the London Stock Exchange on November 20, 1961. HOECHST shares are now dealt in at eight foreign bourses.

At the Annual General Meeting of May 17, 1962, it was resolved to increase the share capital by a further DM 70m. to DM 770m. The result of this capital increase will cover the financing of the investment programme for 1962.

DIVIDEND

The Annual General Meeting of May 17, 1962 further resolved to utilise the profit of DM 126m. to distribute a dividend of 18 per cent for the business year 1961.

SUPERVISORY BOARD

(Aufsichtsrat)

Dr.-Ing. E.h. Dipl.-Ing. Friedrich Jähne, Munich, Chairman; Dr. rer. pol. Leisler Kiep, Kronberg (Ts), Deputy Chairman; Dr. rer. pol. Hermann Richter, Düsseldorf, Deputy Chairman; Hans Bassing, Schwalbach a.Ts.; Peter Braun, Frankfurt (M); Dr. rer. pol. Hanns Deuss, Düsseldorf; Nikolaus Fleckenstein, Frankfurt (M); Anton Ockenfels, Knapsack; Professor Dr. phil. nat. Dr. med. h.c. Dr. med. h.c. Boris Rajewsky, Frankfurt (M); Karl Schirner, Freiburg i.Br.; Max H. Schmid, New Canaan, Conn., U.S.A.; Fritz Schramm, Frankfurt (M); Dr. jur. Pierre Vieli, Küsnacht-Zurich; Dr. phil. nat. Wolfgang Wacker, Inzell a.d. Alpenstrasse; Dr. phil. Konrad Weil, Frankfurt (M).

BOARD OF MANAGEMENT

(Vorstand)

Professor Dr.-Ing. Dr. rer. nat. h.c. Dr. rer. nat. h.c. Karl Winnacker, Chairman; Dr.-Ing. Erich Bauer; Dipl.-Kfm. Berthold Gamer; Dr.-Ing. Paul Heisel; Solicitor Heinz Kaufmann; Kurt Lanz; Dr. rer. pol. h.c. W. Alexander Menne; Professor Dr.-Ing. Werner Schuhheiss; Dr. phil. Emil Thiel; Wolfgang Thies; Professor Dr.-Ing. Dr. rer. nat. h.c. Josef Wengler; Dr.-Ing. Robert Zoller. *Deputy Members*: Dr. rer. nat. Rolf Sammet; Dr. rer. nat. Jürgen Schaafhausen.

THE MERCANTILE AND GENERAL REINSURANCE COMPANY, LIMITED

STATEMENT BY THE CHAIRMAN HUGH KENNETH GOSCHEN

The Annual General Meeting of the Mercantile and General Reinsurance Company, Limited will be held on July 17, 1962, at the Company's chief office at Moorfields House, Tenter Street, Moorgate, E.C.2.

The following is a statement by the Chairman, **Mr Hugh Kenneth Goschen,** which has been circulated with the Report and Accounts for the year ended December 31, 1961:

Before I proceed with my usual review of the business of the Company during the past year, I would make reference to the tragic loss which the Company has suffered during the past few weeks through the untimely deaths of a Manager and a Deputy Manager, when still at the height of their powers.

Mr Michael Burton Stewart had spent the whole of his business career with the "Mercantile and General," and he had participated with enthusiasm in its growth from early beginnings. A fine linguist who had spent long periods on the Continent and in the Argentine, he had an exceptionally profound knowledge and experience of our international business and of the special human factors related to it.

Mr Walter Andrews came to the Company from direct insurance in the London market in the middle of the war, and among his many personal and professional qualities I would single out his unique knowledge of the intricacies of the Accident branches.

Both of these valued officials had a host of friends and we have been deeply moved by the numerous letters of sympathy we have received from all parts of the world, in nearly all cases expressing a personal share in our sense of bereavement for these good and trusty friends and colleagues.

There is no change in the form of presentation of the Accounts apart from the fact that the direct expenses of the Investment Department have been charged to Profit and Loss instead of being spread over the other departments.

The results follow the now all too familiar pattern. The Investment Income has once again to come to the rescue of the Underwriters. It had seemed that we were going to have a more satisfactory year, for the Fire experience generally was better, and indeed that account by itself shows a modest profit. Heavy and continuing losses in certain sections of the Accident Account, however, resulted in the Fire and Miscellaneous Account requiring, as you will see, a transfer of £333,774 from Profit and Loss. Whilst this loss must appear to overshadow the accounts for 1961, I can report considerable progress in other directions. The Life Department goes from strength to strength, the Marine Aviation and Transit Account is stronger and we have taken £25,000 from that account to Profit and Loss; there is an increased surplus in the Investment Portfolio, and thanks to a lot of hard work overseas our Companies and Branches in Canada, in Australia, and in South Africa, are all growing in stature. Overall, therefore, the picture is not an unsatisfactory one and the Company is indeed stronger as the result of the year's working. However, in these times of large risks when we are faced with the prospect of dangerous accumulations about which we may not even be aware, it is more than ever necessary to build up and conserve our resources against the day when perhaps we find ourselves face to face with a loss of catastrophic proportions.

Our organisation for servicing our business overseas continues to expand. We have had for some time an interest in a company in Holland known as Nassau Verzekering Maatschappii, N.V. This company, whose accounts are incorporated with our own, is growing steadily. In the East, where we have a large number of valuable connections, we have appointed Mr G. W. Hudson, FCII, to watch over our interests.

FIRE DEPARTMENT

Dealing now with the Departmental results in more detail I can report that the FIRE DEPARTMENT shows a satisfactory advance in net Fire income, due partly to natural development, but mainly to our growing business connections over the world.

At home the experience has shown some improvement although the high level of fire wastage has continued. There were fewer large industrial fires than in the previous year, but whilst insured values are concentrated in vast complexes involving many hazardous processes, these costly fires are one of the potential dangers of our business.

Overseas our business was again generally profitable and although we sustained losses arising from Hurricane "Hattie," our commitments were not heavy. We must always face the possibility of sudden natural disasters, of conflagrations, floods, earthquakes and the like. 1961 was relatively free of these.

ACCIDENT DEPARTMENT

In the ACCIDENT DEPARTMENT the year 1961 has again produced a heavy deficit, thus continuing the regrettable sequence of adverse results which we have now experienced over a period of six years with the sole exception of 1960, which gave us no more than a purely nominal net profit.

These losses have arisen principally in the Liability classes where Motor and General Public Liability have both given extremely bad results. This situation is largely attributable to the substantially higher damages now being awarded to third parties and in so far as these are a measure of the inflationary times in which we live it is an unfortunate consequence of the excess of loss system of reinsurance normally adopted for these classes of business that a disproportionately large share of this inflation cost falls upon the reinsurer. A further effect of higher awards is that our first advice of many claims is often received only after the lapse of some two or three years from the date of the accident. This adds greatly to the problem of securing adequate rates for our reinsurance treaties, since the true loss experience is only partially developed at the time of arranging the contracts.

The above observations are also applicable to Employers' Liability business which has also shown adverse results, particularly in Australia where the wide scope of the Workers' Compensation Acts has created its own special problem for us. We have now introduced there a new method of rating which we believe will reduce the impact of this problem in the future.

In general the other classes of business transacted in the Accident Department have produced reasonably satisfactory results. Although we have inevitably been involved in a number of hold-up and transit losses, our Burglary account has nevertheless ended on the right side, and Personal Accident continues to produce a profit. Engineering and Livestock business both resulted in a small loss, but this was offset by small profits derived from our other miscellaneous lines.

The Accident Department has again shown an expansion in premium income, but the development of our business is now being affected to a noticeable extent by the recent mergers of the large British Offices which, by creating huge group organisations, lessens appreciably their reliance upon and need for reinsurance cover on the traditional lines to which we have been hitherto accustomed. We must expect that this development will retard our rate of expansion in the future.

MARINE, AVIATION AND TRANSIT

This year our MARINE, AVIATION and TRANSIT Account shows further growth and the net premium income has exceeded one million pounds for the first time. The experience has also been favourable, reflecting the general improvement shown on the settlement of the 1959 account. However, this improvement has not, it seems, been maintained in 1960 and 1961 and in these years there has been a marked increase in the number of casualties.

The Aviation side of the account is developing also; the premium income has expanded and results are satisfactory, but the accumulation problem is serious and the degree of spread possible is limited, and since potential liabilities are very great, this branch of the account has some special problems for us.

LIFE DEPARTMENT

In the LIFE DEPARTMENT a further substantial increase in new business was achieved, net new sums assured amounted to the record total of £68,878,993, compared with £58,832,908 in 1960. In addition, our Subsidiary Life Company in Australia completed £5,518,856, as compared with £3,610,355 in 1960. The net Life premium income was £4,832,602 compared with £4,074,668 in 1960. The Life Assurance and Annuity Fund passed the £20,000,000 level in 1961, and at December 31st was £21,432,761.

Our overseas organisations again developed in an encouraging fashion. Australia, Canada and South Africa contributed very significantly to the total new business of 1961; in New Zealand our more complete underwriting service has proved useful and, in South Africa, our Life organisation was extended during the year by the appointment of a Life Underwriter to our Johannesburg Branch.

The proportion of our new business received from the United Kingdom Life Offices was, as in 1960, 45 per cent. Thus, the development of our business at home and overseas maintains a balance which we regard as satisfactory.

It is our custom to review our mortality experience at regular intervals and to modify our risk premium rates in the light of the information available to us. Our risk premium rates for the United Kingdom have been revised for new business as from April 1, 1962. New risk premium rates have also been introduced for Australia and New Zealand for new reassurances commencing on or after April 1, 1962.

INVESTMENTS AND LOANS

You will see from the Balance Sheet that the INVESTMENTS and LOANS of the Company (General and Life) show, at £34,074,782, an increase of £5,242,519 during the year compared with an increase last year of £3,842,810. Although 1961 began fairly confidently with the Financial Times Equity Index reaching its highest point ever in mid May, the disappointing level of the country's industrial production coupled with a rapidly deteriorating balance of payments position resulted in emergency measures being taken by the Government in July which included a 7 per cent Bank Rate. Owing to these developments fixed interest yields reached their highest level this century and this has meant that we have been able to add to our holdings of British Government Bonds and Debenture Stocks on historically favourable terms. Additions have been made to our equity holdings not only in the United Kingdom, but also in North America, Europe and Australia. The appreciation during the year of this section of our portfolio more than compensated for the depreciation of our fixed interest securities so that the market value of our Investments at December 31, 1961, exceeded the book value by an increased margin.

During the year arrangements were made with a young and growing property company to enable us to share in their property development and it is hoped by this means to build up a first class property portfolio. We have agreed also to take our proportionate share—a substantial one—in the new company recently established to provide long term finance for British exports.

The process of streamlining a rapidly expanding company is, of course, a continuous one. We have been busily engaged on a major reorganisation of the Production Departments and this will shortly be put into force. The main feature will be an Overseas Department which will be concerned with our ceding companies outside the United Kingdom. Towards the end of October an IBM 1401 Electronic Computer was installed—the first of its kind to be installed in an insurance office in London. Within a month it was doing a full day's work. Through these measures we confidently expect a still greater efficiency in our internal systems and thereby to continue to improve the service to our Ceding Companies. Whilst, however, the modern mechanical devices help tremendously in increasing efficiency, it is still the human element which is responsible for the success or otherwise of the business. The "Mercantile and General" are lucky to have in their General Manager and his Officials and staff a team who are contstantly striving to build an ever stronger British Reinsurance Company. With them we thank also the Directors, Management and staffs of our Companies and Branches in Canada, in Australia, in New Zealand, in South Africa and now also in Holland. All have contributed to a year which, if not one of overall success, has added strength and lustre to the Company.

LAMBERT BROTHERS LIMITED

A GRATIFYING ACHIEVEMENT

The fifty-ninth annual general meeting of Lambert Brothers Limited was held on June 21st, in London.

The following is a resumé of the statement issued to the stockholders by the chairman, **Mr R. Ratcliff Steel.**

I am glad to be able to record that 1961 has been a reasonably satisfactory year for the company. The improvement in freight markets, which was noted during 1959 and 1960, fell off during 1961 as the cargo available was insufficient to absorb the increase in the number of new buildings. Post-war shortages and two periods of political tension caused boom conditions in shipping which led to excessive construction of vessels of all types and the retention of many pre-war ships in commission. It is not, therefore, surprising that the prospects for higher rates of freight at the moment are not encouraging. However, living standards are rising through the world, and with the ultimate elimination of older and uneconomical ships we may hope for a better balance of tonnage supply and demand and a recovery in rates, although it is impossible to forecast when this may be.

The accounts have been presented in a new form this year, the principal change being in the balance sheets which are set out in columnal form. I hope the change will find favour with stockholders.

The consolidated profit and loss account shows a gross profit of £592,851, which includes the sum of £91,003 arising from credits in respect of prior years. After providing £279,695 for U.K. taxation the net profit is £313,176.

The board recommend the maintenance of the final dividend at 17½ per cent, which with the interim dividend paid makes the year's total 25 per cent, and a further special bonus of 5 per cent out of the credits in respect of prior years.

The Temple Steamship Company has suffered from the absence of any improvement in the freight markets. We are constantly watching for what we feel to be the right time to order new tonnage but in our view this is not yet.

Austin & Pickersgill of Sunderland is, in common with the whole of the shipbuilding industry, going through difficult times. However, the company has shown itself by the modernisation recently effected to be competitive with the most modern shipyards at home and abroad.

Lambert Brothers (Insurance) Limited continue to progress in all departments, and the underwriting agency has produced very fine results. London and Overseas Insurance Company under their management has had a more successful year. I desire to record my appreciation of the underwriters and personnel concerned.

The shipping services which we provide with the able assistance of our U.K. branch offices, subsidiary and associated companies and agents all over the world, have again been much in demand by our clients. Our aim is ever to improve and extend the service we offer and the results justify the efforts made.

The wide scope of our activities and the support of our world-wide clientele again enables me to report with great satisfaction an active and remunerative year's working. In conclusion I am sure you will wish to join with me in thanking our staff at home and abroad for their efforts during the past year.

The report was adopted.

THE FORESTAL LAND, TIMBER & RAILWAYS COMPANY

The fifty-sixth annual general meeting of The Forestal Land, Timber & Railways Company, Limited, was held on June 27th in London, **Mr G. F. Taylor, CBE** (Chairman and Managing Director) presiding.

The following is an extract from his circulated review:

The Consolidated Profit for the year of £255,252, before United Kingdom taxation, represents broadly the results of the Group's trading in tanning extract, and particularly its trading in wattle extract, since the total includes only a token dividend of £23,522 from La Forestal Argentina. The further decline in profits of £133,246 from the level of 1960—which itself showed a sharp deterioration of £646,658 in comparison with 1959—reflects the continuation throughout the year of the price war in the tanning extract industry.

There are so far no indications of any decline in consumption in the world tanning market which could significantly reduce 1962 turnover; and with the present strong undertone it is quite possible that prices may firm further in the course of the year.

Forestal Industries (U.K.) Limited should do better than in 1961 and, under reasonably favourable conditions, will commence to make some contribution to the profits of the Parent Company.

Taking everything into account, 1962 should be appreciably more profitable than 1961 for the Group as whole.

The report was adopted and a dividend of 3 per cent approved.

STOLL THEATRES CORPORATION LIMITED

DIRECTORS:

PRINCE LITTLER, C.B.E.
(Chairman and Managing Director)
T. FLEMING BIRCH, F.C.A.
STEWART CRUIKSHANK EMILE LITTLER
S. H. NEWSOME, J.P. OSWALD L. STOLL
P. J. P. DONALD
L. A. MACDONNELL, O.B.E.

CAPITAL:

		Authorised	Issued
Ordinary Stock ...	...	£1,601,934	£1,601,934
Management Stock ...	...	£80,000	£80,000
Ordinary Shares of 4s. ...		£508,066	—
		£2,190,000	£1,681,934

Consolidated Trading Profit: £493,173

Net Trading Profit after taxation: £266,963

Dividend for Year to 31st December, 1961, on the Ordinary and Management Stock, 10%.

Distribution out of Capital Profits on the Ordinary and Management Stock, 5% *(not liable to Tax).*

On a poll taken at the close of the meeting, resolutions were passed for the adoption of the Report and Accounts, payment of the dividends and capital distributions and re-election of three Directors. The Extraordinary Resolution for the removal of Mr. D. M. Leapman as a Director was also passed on this poll.

HEAD, WRIGHTSON AND COMPANY LIMITED

SIR JOHN WRIGHTSON'S STATEMENT

The Seventy-Second Annual General Meeting of Head, Wrightson and Company Limited will be held on July 19th at Teesdale Iron Works, Thornaby-on-Tees.

The following is an extract from the circulated statement by the chairman, **Sir John Wrightson, Bt, TD. DL:**

STAFF

In the year under review the total turnover of our various companies was a record. It is, therefore, particularly appropriate that in the beginning of my statement this year I should pay tribute to the work of our staff and workpeople both in Great Britain and overseas. Their enthusiastic approach to problems, their technical ability and their loyalty has again stood the company in good stead. I know it will be your wish that I should, on your behalf, thank each and every one of them for a good year's work in their particular jobs.

ACCOUNTS

Our trading surplus of £1,658,757 compares with a figure of £1,714.412 for the previous year. In spite of a record turnover, market conditions did not enable us to achieve a rate of profit as favourable as in previous years. I think the results are satisfactory considering the climate in which they were earned. The figure for depreciation of fixed and loose plant and machinery is £295,257—£40.848 more than last year. These figures reflect our long term policy of maintaining our various works at a high degree of efficiency.

From a taxable trading surplus of £1,363,500 the various taxes to which we are subjected reduce our Group net profit to a sum of £707,047.

To the Parent Company's net profit of £673,976 we add the balance brought forward from last year of £307,548 making a total of £981,524 to be dealt with. Your directors are proposing to transfer a sum of £400,000 to General Reserve, building that fund up to £1,400,000 and, with the preference dividends and the interim already paid, we are recommending a final dividend at the same rate as last year of 12 per cent on the ordinary shares, leaving almost undisturbed the balance to be carried forward to next year.

ASSOCIATED COMPANIES

In South Africa, Wright Boag and Head Wrightson (Pty) Ltd. have had a successful year, and they start the present year with an increase of the order book. It is satisfactory to observe that the spread of their interests has grown in parallel with our own developments at home, and we can look forward to further successful collaboration between them and our wholly owned subsidiary, Head Wrightson South Africa (Pty) Ltd.

The year was a difficult one for McKee Head Wrightson Ltd. Throughout the sterling area there was a shortage of projects in the petroleum, chemical and other fields in which that company operated: at the same time, the number of competitors had increased. Our partners, Arthur G. McKee and Company, therefore, approached us to revise the agreement with them covering our joint interest in this company, leaving undisturbed the long standing and successful arrangement that we have operated covering the iron and steel industry. The outcome of negotiations with Arthur G. McKee and Company was that immediately after the financial year under review we purchased their holding in McKee Head Wrightson Ltd. and carried out a major reorganisation involving its re-amalgamation with Head Wrightson Processes Ltd., the resultant company reverting to its previous status of a wholly owned subsidiary. Our success in Head Wrightson Processes Ltd. warranted reinforcement and expansion and this was thereby made possible.

The Nuclear Power Plant Company Ltd. has been active at Bradwell, Latina and Dungeness over the past year. At Bradwell the first reactor became critical on August 19, 1961, and it is anticipated that the whole station will be in commission in time for next winter's load. Since the year under review The Nuclear Power Group has received the order for the station to be built at Oldbury on Severn.

EXPORT

Our export orders received during the year were an improvement on the previous year but gave us no cause for complacency. Our foundries and forges have been engaged in extending their connections in Europe, and have been able to show a healthy advance in the value of contracts booked; a trend that we intend to nurture.

DEVELOPMENT EXPENDITURE

I think it might be of interest to you to give a few examples of our developments. We are now the acknowledged leaders, in Great Britain, of the electro-slag process of welding. This position has only been earned by an intense programme of development initiated some years ago. Our attention was directed to developments in Russia which so attracted the interest of our welding technicians that we were satisfied that it would be to our advantage to purchase a machine, subsequently increased to two. Six months' intense research work, both in the laboratories and the works, enabled us to put the machines into operation with not only a saving in cost, but a dramatic improvement in the quality of the welds produced. We are now regularly producing welds joining plates together, at one operation, from 3 in. up to 11 in. thick. This would have been considered almost impossible a few years ago.

I mentioned last year that our electric steel making plant at Stockton was entering service. This has meant that all our steel is now produced electrically, either in arc or induction furnaces. It has also encouraged us to intensify our programme of investigation into hard wearing steels for which we have high hopes. To keep pace with these developments we are installing a further electric induction melting furnace which will come into operation in August, several months sooner than we had anticipated.

I also mentioned last year that a new sand plant was shortly to go into operation. This accomplished, our study of sands was further extended to the range of plastic bonded sands and the growing art of shell moulding. We have been particularly pleased to observe that by pursuing these lines we have been able to show a great improvement in quality and surface finish without a rise in cost.

We are continuing to develop our effluent treatment activities: the field is large and the new skills required and techniques envisaged are a real challenge to our chemical and process engineers. We believe that the purification of the streams and rivers of Great Britain, and other highly industrialised countries, is something to which the public conscience is rapidly awakening, and we are looking forward to a steady growth in the importance of this side of our business.

In our services to the iron and steel industry we have been successful in extending our interest in the Kaldo and Linz-Donawitz Oxygen processes of steel making: we believe that great promise lies in the further development of this field. We are today building two Kaldo plants and two Linz-Donawitz steel plants. The large vessels employed by both these processes are of particular complexity and very massive proportions, and are entirely suitable for our heavy welding shop at Thornaby.

We have long been anxious to develop a product which could be mass produced in standard units and which could be sold from stock During the year we successfully launched on the market the Filigree Reinforcement Girder for the building and contracting trades. This girder is produced automatically on a machine using novel techniques of electro-hydraulic control. The installation and operation of this machine reflects great credit on the young staff concerned, and one of the most fascinating sights in our Thornaby works today is this machine producing Filigree Girders at a rate of 5,000 ft. per day. As the machine strain-hardens the strip and rod from which the girders are made, the maximum use is made of the strength of the steel with a significant saving in cost which has ensured its ready adoption by the building trade. We look forward to Filigree growing in popularity: we can readily increase production to match sales.

You may have observed the favourable reception that has been given to our development, jointly with the British Iron and Steel Research Association, of the "Hover Pulley" This device embodies the principle of the air cushion enabling us to convey thin strips of almost any material through processing machines at very high speeds. Our initial interest was in the application for thin tin-plate strip, but we have been pleasantly surprised at the growing size of the market which includes paper and textiles as well as materials with which we are more familiar.

Our efforts are directed towards further broadening our base, particularly concentrating on those products of a more sophisticated nature which should continue to attract demand in the future.

PERSONNEL

Since the end of the year under review, Sir Cyril Hawker has been elected to the Board. Sir Cyril has, for many years, been an executive director of the Bank of England from which he recently retired to take up the position of deputy chairman of the Standard Bank.

During the year we appointed Mr H. G. Sinclair, director of Alex Lawrie and Company, to be a non-executive director of Head Wrightson India Ltd. in view of the close connection between his company and ourselves for many years.

Mr W. H. Adams has been appointed a director of Head Wrightson Iron and Steel Works Engineering Ltd.; Mr E. J. Robinson a director of The Head Wrightson Export Company Ltd, and Mr J. D. Eccles a director and the general manager of Head Wrightson Stockton Ltd.

FUTURE OUTLOOK

As you well know Head Wrightson products are concerned with capital equipment both at home and overseas. As some of our traditional markets have contracted—and I refer particularly to railway requirements—we have developed new outlets to replace them; but this you will realise takes time. Our strength has been the flexibility of our works and the diversity of our products.

1961 was a year of great activity in our various works, but affected by lack of certain steel deliveries in the earlier and rising costs in the closing months which will be reflected in future results. To date, in the current year, activity continues at a high level as there is always a carry over from long term contracts in our type of business. We have booked substantial orders, but in total we are not fulfilling the budgeted rate due to the reduced capital expenditure schemes of many of our home customers and the difficulties overseas with long term credits and intense competition. Whilst the short term outlook cannot be said to be too propitious I have a sound feeling of optimism for the future. We have enthusiasm: we have imagination and skill: we have a great tradition. What we require is an economic background throughout the World where Growth is the key word.

MECCA LTD.

ANNUAL GENERAL MEETING, JUNE 28th, 1962

Directors:

C. L. Heimann, Alan B. Fairley — *Joint Chairmen*
Walter J. Pickard, O.B.E., J. S. Crichton, Eric D. Morley, W. A. Westgate — *Managing*
L. Ambridge, Jack Banks, O. Grant Crichton, T. A. S. Harpham, F. H. Benwell, J. H. Senior, F.C.A. — *Assistant Managing*

Secretary and Registered Office:
G. J. R. Pannett, B.Sc. (Econ.), B.Com., F.C.I.S., 76, Southwark Street, S.E.1.

	1960 £	1961 £
Trading Profit	817,987	1,092,873
Tax Provision	349,958	400,919
Profit after Tax and Minority Interests	366,533	469,683
Paid in Dividends (less Tax)	279,683	330,929
Retained	86,850	138,754
Dividends paid gross on Ordinary and 'A' Ordinary Shares	20%	22%
Fixed Assets	6,116,085	9,306,160

New premises opened last year were Dance Halls at Basildon, Bradford, Hull and Stevenage—Mecca Casinos at Liverpool, York, Seven Kings and Hanley, and a Banqueting Suite at Newcastle-upon-Tyne. The Crystal Ballroom, Newcastle Staffs was acquired, by an exchange of Shares.

In view of the short time they have been open, they have contributed very little to the year's results, but we have had the benefit of a full year's Trading at the Hammersmith Palais, which has been most encouraging.

We are satisfied with the increased Profits for the first Quarter this year, compared with the same period last year of the Branches we had at that time, and the current profit level of the Branches opened or acquired since then is very promising.

Silver Blades Ice Rinks Limited—we have a 50% Interest in this new Company, which is expanding rapidly.

Work is in hand on the Empire, Leicester Square, and other Dance Halls at Barnley, Portsmouth and Purley, two large Catering Establishments in the City of London and a new Service Depot.

CAPITAL AS AT 31/12/61:
Authorised: £3,000,000
Issued: £2,705,754
5% £1 First Cumulative Preference £145,000
5% £1 Second Cumulative Preference £138,302
5/- Ordinary shares £350,000
5/- 'A' Ordinary shares £2,072,452
Quoted London
'A' Ordinary share price at June 27, 1962, 34s. 3d.
High/Low quotation, 1962: 43s. — 32s. 6d.

THRELFALLS CHESTERS LIMITED

CONTINUOUS GROWTH

The seventy-fifth annual general meeting of Threlfalls Chesters Limited was held on June 27th in London.

Mr F. Cornwall (Chairman and Managing Director) presided and, in the course of his speech, referred to the Merger with Chesters Brewery Co. Ltd., of Manchester which had been successfully completed with effect from April 1, 1961, and continued: In the comparatively short period which has elapsed since the Merger, it may be reported that many of the anticipated advantages and economies are being effected.

I think I should inform you of a proposed further Merger, this time with The Birkenhead Brewery Co. Ltd. A joint statement setting out the details will be posted to shareholders on Friday next, the 29th.

Friday next, the 29th, will witness a further progressive step in the history of our Company, when we complete the purchase of the whole of the Issued Share Capital of A. J. Ley Ltd., Llandudno, Wholesale and Retail Beer & Wine & Spirit Merchants.

The profit on trading of the Group for the year, which includes the profits of Chesters Brewery Co. Ltd., and The West Cheshire Brewery Co. Ltd., amounted to £2,011,422. The comparable figures for the previous financial period do not include those of Chesters, but I have pleasure in stating the profits on trading for the combined Companies are well in excess of those of the previous year.

The profit before Taxation was £1,764,856 and after Taxation £903,375. The Directors recommend a Final Dividend of 13½ per cent, thus making a total payment of 22 per cent (20 per cent last year) for the year on the Ordinary Share Capital prior to the Merger. This being the seventy-fifth Anniversary of the Company, the Board, in addition, recommend the payment of 1 per cent Bonus to the Shareholders in recognition of such a memorable occasion.

Capital Expenditure on our Breweries and Bottling Factories has again been substantial to ensure the high standard of our products is maintained, and to cope with the ever increasing demand. Similarly so with our Licensed Houses. Improvements and alterations have been effected and are continuing on a very large scale, outstanding Contracts for Capital Expenditure being £427,000, and for the Group £598,000.

1961 was also a year of considerable importance to the Brewing Industry and the Licensed Trade. In July last the Chancellor of the Exchequer imposed a surcharge of 10 per cent on the Beer Duty then payable. In the recent Budget that surcharge was retained. This high Duty, in conjunction with the heavy taxation, leaves little margin to provide for our Heavy Capital Expenditure, the income return on which cannot in any way be compared with pre-war years. I feel perhaps it is rather premature to give a considered opinion on the effects of the new Licensing Act which came into force last year, and we now await to see what the result will be at the end of the Summer.

As regards the prospects for the coming year, as I have said on previous occasions, I am always reluctant to give my view, but anticipate at our meeting twelve months hence, providing no unforeseen difficulties arise, we will have a good report for you as a result of the continuous growth of the Company. The report was adopted.

UNITED DRAPERY STORES

A GROUP OF COMPANIES COMPRISING OVER 800 RETAIL SHOPS DEPARTMENT STORES AND DISTRIBUTIVE BUSINESSES IN ALL PRINCIPAL TOWNS THROUGHOUT THE UNITED KINGDOM AND EIRE

Extract from the Chairman's Statement from the Report and Accounts for the year ended 27th January, 1962.

The Group profit for the year, before taxation, was £9,799,505 which is an increase of £543,848 on last year. New businesses acquired during the year account for less than £20,000 of this improvement, the main increase therefore deriving from better trading results of our existing businesses. The period has not been without its difficulties and in all the circumstances this situation can be regarded as satisfactory.

The upward pressure of expenses has been and continues to be a matter for serious concern since much of it is outside our control, being the result of the continuous inflationary tendencies within the national economy. This growing encroachment on gross profit margins can only be effectively counteracted by sound sales growth based on the highest standards of value and service.

The net profit after taxation attributable to the Group for the year amounts to £4,886,283 which is £223,310 higher than last year.

In considering the final dividend, your Board took into account the Government's recommendation for restraint on dividends and proposes a final dividend of 20% making a total payment for the year of 30% on an Ordinary Capital of £13,836,895, which is 50% higher than a year ago following the Scrip issue made to Stockholders in June, 1961.

There has been a further substantial increase amounting to £5,250,000 in the book value of the freehold and leasehold premises, which in total now stand in the Balance Sheet at more than £25,000,000. This includes the freehold premises owned by Wm. Whiteley Ltd. on the basis of their recent revaluation at £3,125,000. The developments to which I referred last year, in Cardiff, Sheffield and Croydon, have been completed and those parts which are not occupied by our own businesses have been satisfactorily let. Further important developments have either started or will shortly commence in Oxford Street, London, Carlisle and Harrow, in addition to a continuous programme of reconstructing old buildings presently occupied or for future use in our multiple division. We have opened this year 15 new branches in our multiple clothing division and five in the credit group and plans are in hand for the opening of further branches during the current year.

The liquid position of the Group is very strong and sufficient to meet present needs. Total Capital and Reserves now amount to over £35 million.

After commenting on new acquisitions, the Chairman said:

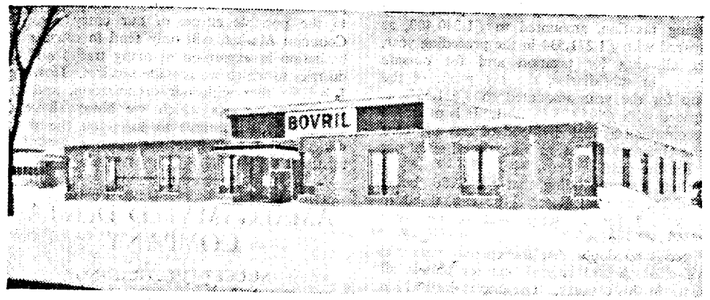
Your Board continues to be expansion-minded and will continue to examine with interest and acquire all suitable businesses which are offered to us on acceptable terms.

During the first quarter of the new financial year, despite the adverse factors of unfavourable weather and the lateness of Easter, Group turnover (excluding the additional sales from our new businesses) shows an increase on last year. I have confidence in your Group's ability to maintain this satisfactory trend and to make the most of conditions and available opportunities. I therefore expect, in the absence of unforeseen circumstances, to present you again next year with a satisfactory Report.

EXTRACT FROM TWELVE YEARS' REVIEW

YEAR ENDED JANUARY	GROUP PROFIT BEFORE TAXATION	NET DIVIDENDS PAID TO SHAREHOLDERS	PROFIT RETAINED IN BUSINESS	GROUP NET ASSETS
	£	£	£	£
1951	1,255,743	211,262	225,389	4,791,311
1952	1,760,974	236,333	370,151	6,050,605
1953	2,264,575	323,794	344,020	6,582,858
1954	2,601,584	409,620	440,419	9,435,103
1955	4,038,379	838,639	1,004,518	13,190,089
1956	5,501,668	1,300,180	1,153,576	21,364,888
1957	5,971,536	1,300,180	1,299,697	22,857,351
1958	6,389,080	1,429,725	1,280,408	24,307,497
1959	6,520,998	1,603,678	1,649,295	26,899,903
1960	7,410,355	1,926,441	1,919,513	31,785,903
1961	9,255,657	2,507,278	2,155,695	38,653,539
1962	9,799,505	2,613,984	2,272,299	40,359,643

A Copy of the 35th Annual Report and Accounts can be obtained on request from:
The Secretary, 364-366, KENSINGTON HIGH STREET, W.14.



Bovril Canada Ltd.—new Factory and office premises at Pointe Claire, Montreal.

Bovril Group's record sales in an uphill year

NARROWER MARGINS CUT PROFITS

The Sixty-fifth Annual General Meeting of Bovril Limited was held on 27th June in London. The following are extracts from the statement by the Chairman, Lord Luke, for the year ended 31st December, 1961.

Accounts

The profit on trading for the Group in 1961 at £1,348,711 is £291,694 down despite the record sales achieved during the year. Selling prices of corned beef both in this country and the U.S.A. continued to fall without any corresponding reduction in costs, and narrowing margins for Ambrosia products all contributed to the decrease in profits. In 1962 the demand for Bovril and our other products has increased but costs of production continue to rise.

Sales

Total sales of the Group were again substantially above those of the previous year. Sales of Bovril continued at a satisfactory level. Jaffacrush is already showing promising results. Like Jaffajuce it is based on the Jaffa orange and is, we feel, as good if not better than any comminuted squash on the market and in addition it is very reasonable in price.

Sales of Marmite in the Home Market were well maintained. To keep pace with changing methods of distribution in the grocery trade, readjustments in the sales organisation were found to be necessary.

Milk Products

The Milk Industry has continued to be highly competitive in 1961. The volume of milk pudding production was the highest ever to keep pace with record sales. Our manufacturing efficiency was increased but higher costs and lower selling prices have had to be faced. The brand image is so impressed on all sections of the grocery trade and on all housewives that the word "Ambrosia" means only Ambrosia Milk Puddings. Creamed Rice is by far the most popular variety, but Macaroni, Sago, Semolina and Barley are all becoming firm favourites with the public.

The current year has started well, but we have to face some heavy increases in the cost of some packing materials and raw materials.

At the Royal Dairy Show Magheralin Cheese gained a First Prize in the Cheddar Class and won the English Creamery Cheddar Cheese Challenge Trophy. Magheralin again secured a share of the contract for the production of National Dried Milk.

Bovril Overseas

Export Sales were slightly lower than in 1960, the principal decline being in Africa due to import restrictions and difficult trading conditions. In Canada sales of all products were well maintained and canned meats showed a satisfactory increase. In October we moved into our new Plant and Offices at Pointe Claire, Montreal.

Sales of Bovril by Bovril (Eire) Ltd. in 1961 were an all-time record in terms of sterling and showed a considerable improvement on the figures in 1959 and 1960.

Argentina

Prince Philip's visit achieved and accentuated a great fund of goodwill and was one of the most important trade missions of recent times.

During 1961 we processed approximately 103,000 head of cattle for the manufacture of Bovril raw materials and canned meats, but a balance needs to be achieved between the high prices for meat obtainable on the home market in Argentina and those the world is prepared to pay. The cost of cattle plus increased wages and higher costs of packing materials still rendered production of corned beef extremely uneconomical.

BOVRIL GROUP—SALIENT POINTS

Trading Profit	£1,348,711
Taxation for the year	£592,040
Depreciation	£277,390
Consolidated Net Profit	£544,520
Ordinary Dividend	£225,563
Profit retained in the business	£172,291
Capital Employed	£10,683,687

SIAMESE TIN SYNDICATE

MR W. R. B. FOSTER'S REVIEW

The Fifty-fifth Annual General Meeting of Siamese Tin Syndicate, Limited, was held on June 21st in London. In the absence of the chairman Sir Hubert Ashton, KBE, MC, MP, presided.

The following is an extract from the chairman's circulated review:

The total output was 2,480 tons of tin concentrates compared with 2,605 in 1960. Sales of tin concentrates were 2,461 tons, which compared with 2,735 tons in the previous year.

Group profit in 1961 was a little less than in the previous year, but nevertheless may be regarded as satisfactory. A final dividend of 1s. 3d. per stock unit is recommended, payable on the increased capital.

In the year ahead, given reasonable dredging conditions, we expect another good performance at Huey Moot. Koe Kien has already, in 1962, produced about double the amount of tin concentrates it turned out in the corresponding period of 1961. The Katu dredge in 1962 has had to continue to dig in an area of poor values and in difficult conditions. More promising ground lies ahead. Values of the ground to be worked at Bangrin should ensure a slight increase in production in 1962. Kota Bahru's record production of 457 tons of concentrates in 1961 encourages a hope that even better results will be achieved this year.

Our costs are on the increase and while it is true that the price of tin has also been rising, experience tells us that while prices fall as well as rise, taxes and wages are seldom reduced.

The report was adopted.

INTERNATIONAL PAINTS (HOLDINGS)

Extracts from the Statement by **Mr Charles R. Petrie,** Chairman and Managing Director, submitted at the Annual General Meeting on June 20th.

After providing for taxation, there is a net profit of £626,678 attributable to the shareholders of International Paints (Holdings) Limited. This figure compares with £515,131 for the previous year, which is an increase of £111,547 net after tax.

Your Directors are recommending final dividends which bring the total distribution for the year to 6 per cent on the Preference Shares and 22½ per cent on the Ordinary Shares, both subject to tax, absorbing in all £375,654 net.

The Group profit shows as compared with the previous year the expected improvement of our general position which was forecast in my statement a year ago. This has been achieved by unremitting efforts to increase our turnover in the face of intensified competition and by giving the most careful attention to the reduction of costs in every possible way. Even so we have not been able to do more than arrest the decline in profit margins which I reported a year ago. It is satisfactory to report that our UK paint companies expanded their sales in all departments. Whilst our UK paint activities resulted in improved earnings, the greater contribution to our increased profits came from our overseas companies.

Since the beginning of the current year our overall sales and profit margins have been maintained.

The report was adopted.

ALLIED INDUSTRIAL SERVICES

INCREASED TURNOVER AND PROFITS

The Annual General Meeting of Allied Industrial Services, Ltd., will be held on July 20th at Bradford.

The following is an extract from the circulated statement of the Chairman, **Mr Frank W. R. Douglas:**

In spite of all the difficulties caused by the upward trend of costs, being able to report yet another year of increased trading, both in turnover and in profits, must be considered satisfactory.

The profit of the Group for the year, before charging taxation, amounted to £1,340,400, as compared with £1,271,534 in the preceding year. After allowing for taxation and for outside interests in subsidiaries, the net profit of the Group for the year amounted to £621,552, as compared with £595,635 in 1961. It is proposed to recommend a final dividend of 22½ per cent on the Ordinary shares, making a total of 30 per cent for the year.

We are recommending that £206,250, being part of the General Reserve, be capitalised to provide a 1 for 10 scrip issue of Ordinary shares.

There is no doubt that the current year will prove a tough and rugged one for almost all industry in this country. The uncertainty which

prevails throughout industry and commerce as to the possible effects of our entry into the Common Market, will only tend to cause more hesitation in expansion in many trades and industries to which we provide services. However, I believe that with our organisation, and the expansion policies which we always have in view, we will continue to surmount the major difficulties and provide yet again a record in turnover.

AMALGAMATED DENTAL COMPANY

SUCCESSFUL TRADING

The fifty-seventh annual general meeting of The Amalgamated Dental Company, Limited, was held on June 22nd in London, **Mr Aiken Watson, QC** (chairman), presiding.

The following are extracts from his circulated statement for 1961:—

In a year marked by comparative gloom I am happy to report another term of successful trading. While we cannot hope to escape the general experience of shrinking margins, by constantly seeking to improve our efficiency we hope to temper the result.

COMMON MARKET IMPLICATIONS

Britain's entry into the Common Market will present us with problems. In the field of equipment and instrument manufacture we view the matter as a challenge and an opportunity: a challenge in that greater competition will be experienced in the home market: an opportunity in that we shall be better placed in the European field.

As a measure of our confidence in the equipment and instrument field we are now well advanced in our plans for a major extension to our Walton factory. This extension we expect to finance out of our own resources.

On the consumable side of our business, we already have manufacturing facilities in Europe and our problem is to use these to the greatest group advantage.

Steady growth of the industry appears to be assured so long as the prevention of dental caries remains elusive. No doubt, reduced consumption and elimination of certain food-stuffs and the addition of certain chemicals provides a defence in depth. Short of persuading the bulk of the population to accept a diet unpalatable to twentieth century taste, dental caries, like the cold war, appears to be an unending menace.

On the medical side of our business, which continues to expand, our medical subsidiary has made a promising start in electronic equipment designed to secure more accurate diagnosis of blood and heart disorders.

On the ophthalmic side our optical subsidiary is about to embark on the production of a new product in a field hitherto barely tapped in the United Kingdom.

SATISFACTORY CURRENT YEAR

Current trading is satisfactory. Granted no major upsets we expect another satisfactory year. The report and accounts were adopted.

Resolutions were also passed approving the capitalization of £321,533 out of the company's Capital General Reserve and its distribution to Ordinary Stockholders and Shareholders as Ordinary shares of £1 each fully paid in the proportion of one Ordinary share for each £5 Ordinary Stock or five Ordinary shares held and on their allotment converted into Ordinary Stock.

EMPIRE STORES

(BRADFORD) LTD.

Year ended 31st January, 1962

RECORD TRADING PROFIT

The fifty-third Annual General Meeting of Empire Stores (Bradford) Ltd. was held at the Midland Hotel, Bradford, on 28th June. The following is an extract from the Statement by the Chairman, Mr Leo Fattorini.

I think it is true to say that nationally the past twelve months have not been easy ones and it therefore gives me very real pleasure to report another year of progress and a record gross trading profit.

When I reviewed current prospects at our Annual Meeting last year I referred to the dangers ahead and these problems quickly materialised, commencing with the credit squeeze, followed by a purchase tax surcharge and a large increase in postal charges, and in January, 1962, we had a Post Office "go-slow." Nevertheless, due to foresight on the part of our directors and executives we have once again managed to surmount our problems and reach a new "high" in profit.

Considerable interest has been shown by the B.B.C. and the National Press in the Reports issued by the various Consumer Protection Associations. I think it right that our shareholders should know that the merchandise illustrated in our catalogues is not only selected with considerable care and attention by a special committee, but is constantly supervised and checked as deliveries are received, while great care and attention is given to every complaint or request from our customers.

The hundreds of glowing letters of appreciation which we receive show that our policy of "customer satisfaction" not only produces the utmost amount of goodwill but has the happy result of being one of the main factors that nourish our growth and progress.

As I have stressed before we undertake no hire purchase transactions and our bad debts experience has remained unchanged during the year.

Both our manufacturing subsidiaries, Fattorini & Sons Ltd. and Sports & Pastimes Ltd., have again increased their sales, but in common with industry as a whole profit margins tended to be squeezed.

ACCOUNTS

The consolidated group trading profit before deducting directors' remuneration, audit fees, depreciation and taxation, amounts to £501,230 compared with £437,872. Interest received increases this profit to £515,774, compared with £440,240 and the consolidated net profit before taxation has increased from last year's figure of £371,275 to £451,022.

In common with other companies, there has been a disproportionately large increase in profits tax, from £45,500 to £66,700, and as I remarked last year, after taxation which now amounts to more than 53 per cent of net profits, very little is left for the company to finance expansion.

DIVIDENDS

An interim dividend of 5 per cent was paid in December last on the then issued ordinary capital of £750,000 and at the same time we announced a 10 per cent capital distribution in ordinary shares, which was effected in January. We now propose to pay a final dividend of 15 per cent less tax on the increased ordinary capital.

CURRENT PROSPECTS

Once again, I have before me the trading results of the operating companies for the first three months of the current year. Mail order sales are considerably in excess of the corresponding period last year and I believe we shall have another satisfactory year's trading.

CONCLUSION

I should like to take this opportunity of paying my thanks to the hard-working and loyal team of employees throughout the group, and to thank our manufacturers for the support they have given us during the past twelve months. It is most gratifying every year to see the addition of nationally advertised names in the list of our suppliers.

THE INDUSTRIAL AND GENERAL TRUST

SIR EDWIN HERBERT'S REVIEW

The seventy-fourth annual general meeting of The Industrial and General Trust Limited was held on June 21st in London.

Sir Edwin Herbert, KBE, LLD (the Chairman) presided and, in the course of his speech referred to the Amalgamation of Second Industrial Trust Limited with the Company which became legally effective on January 31, 1962.

While, as with other Investment Trusts, the growth in Revenue of The Industrial showed a marked slowing down compared with previous years yet the actual increase of approximately 4 per cent is in all the circumstances not unsatisfactory.

The net result of the year's activities is a balance of £1,248,773 to be dealt with. The dividend we now recommend makes, with the two interim dividends, the equivalent of 20 3/16 per cent for the year on the Ordinary Shares in issue immediately prior to the Amalgamation. That is fractionally more than we had expected we could recommend when we introduced the Scheme of Amalagamation.

After outlining the factors which had contributed to the slowing down in the growth of revenue, Sir Edwin said: We as investors cannot expect to see Revenue, in the immediate future, expand at the rate it has in recent years. Indeed, I shall not be dissatisfied if during the current year we succeed in maintaining last year's level.

Referring to the Common Market, Sir Edwin stated: In my own opinion, providing adequate safeguards are obtained for our Commonwealth trade and our existing commitments with "the Seven" are recognised and the special position of British agriculture is protected, then I think that the right course is to join the European Economic Community. During the year we have continued to add to our investments in the Common Market Countries as we are convinced that whether this Country joins them or not these investments will be to our long term advantage.

Commenting on the recession in Wall Street stock market prices Sir Edwin said: Our own Stock Exchange has inevitably reflected in some degree the events on Wall Street though London has really kept its head remarkably well. One should try to see things in proportion because Stock Market disturbance can engender an apprehensive state of mind which in turn can undermine business confidence leading to a slowing down of economic activity.

We here have felt during a great part of the year under review that some prices were too high and some yields too low. For many months before May a weeding out process had been going on and we disposed of or reduced our holdings in a number of shares where the yield seemed unjustifiably low, and re-invested in better yielders. We even made a substantial investment in gilt edged which is something this Trust has not done for many a long year.

But I do not believe that the day of the equity is passed. Inflation remains with us, but apart from that, the economic system must grow as years go by. It is only through equities that the investor can fully share in that growth. At the moment we are cautious buyers of Ordinary Shares of Companies where the yield seems fairly matched with prospects. Of these shares at current prices there are some about. There are even some where in our judgment the recent fall has been overdone. Let me hope we are right.

The report was adopted.

CASSA CENTRALE DI RISPARMIO V.E. PER LE PROVINCIE SICILIANE

Founded in 1861

HEAD OFFICE: PALERMO

BALANCE SHEET AS AT DECEMBER 31st, 1961

LIABILITIES

	Lit.
Savings Deposits and Current Accounts	154,300,578,029
Special Current Accounts of Public Agencies	48,080,383,303
Italian Correspondents	2,985,239,042
Foreign Accounts	577,977,607
Cheques in circulation	4,850,284,379
Sundries	16,885,286,741
Total Liabilities	227,679,749,101
Capital plus Reserve Funds and Surplus	3,115,976,627
	230,795,725,728
Engagements on account of Customers, etc.	124,287,158,592
TOTAL	355,082,884,320

ASSETS

	Lit.
Cash in hand and Liquid Assets	21,275,712,657
Italian Correspondents	3,781,771,446
Foreign Correspondents	689,780,752
Securities and Investments	59,809,053,803
Discounted Bills of Exchange and Current Accounts	59,085,681,225
Special Loans	9,978,507,604
Agricultural Loans	31,440,641,063
Mortgage Loans to Public Agencies and Private Persons	28,695,420,115
Bank Premises	1,947,374,345
Furniture and Installations	1
Sundries	14,091,782,717
Total Assets	230,795,725,728
Liability of Customers for engagements as per contra, etc.	124,287,158,592
TOTAL	355,082,884,320

CHIEF ACCOUNTANT Benedetto Anselmi — GENERAL MANAGER Giuseppe Trapani — CHAIRMAN Gaspare Cusenza

THE AUDITORS Giuseppe Caccia, Salvatore Di Stefano Velona, Francesco Insinga

SPICERS LIMITED

(Paper Makers, Paper Merchants and Manufacturing Stationers)

The seventy-fourth Annual General Meeting of Spicers Limited was held on June 25th in London, **Sir Richard E. Yeabsley, CBE, JP, FCA** (the Chairman) presiding.

The following are extracts from his circulated statement:

When I reported to you a year ago I was able to say that, subject to any unforeseen deterioration in trading conditions, the profits of the Group for 1961 should show an improvement on 1960, particularly as 1961 would have the benefit of nine months' profits of the Boyden companies. This proved to be so for the first half of the year when we announced a figure of £455,000 as compared with £444,793 for 1960. However, by the time of the announcement of the half-year's results in the Press in October 1961 the indications were that the improvement which I had forecast would not be achieved as since June there had been a marked deterioration in trade in the U.K. and Australia. I therefore warned Stockholders that the profits for the full year would probably be slightly less than for 1960. In the event this is what happened, as with profits of £419,280 for the second half of 1961, compared with £511,126 for the same period of 1960, the final profit for the year after all charges except taxation, came out at £874,280 compared with £955,919 last year, despite the fact that Group sales at just over £28 million were the highest yet.

After charging taxation—last year the charge was abnormally low—the Group net profit is £494,258 compared with £582,561 for 1960. Your Directors recommend a final dividend of 8½ per cent, making a total distribution for the year of 12½ per cent, the same as last year.

After reviewing the Group's world-wide interests, the Chairman said:

DEVELOPMENTS AND PROSPECTS

Turning to developments since the end of the year under review, we acquired the whole of the share capital of Dispro Limited in February 1962. This is a small but efficient company whose activities are complementary to those of several of our divisions. It has developed a wide range of materials and laminates utilising film and paper and applying the principle of pressure sensitive adhesions. Many of these have a large potential for industrial purposes.

The deterioration in trade in the second half of 1961, to which I have already referred, has continued so far this year, and under present conditions it is not easy to forecast the Group's results for 1962, but on our experience to date it is likely that the profits for the first half of 1962 will be slightly less than those for the first half of 1961. Undoubtedly this will be a difficult year, but we feel that there will be an improvement in trade during the second half of the year and if this be so, the profits in this period should enable us to show results for the full year not materially different from those of 1961.

I am sure you would like to join me in thanking all our employees. They have loyally and industriously served the Group and enabled it to achieve what, in the face of difficult conditions, I think you will agree are not unsatisfactory results.

The report and accounts were adopted.

AMBER CHEMICAL INDUSTRIES

IMPROVED RESULTS

The Fourteenth Annual General Meeting of Amber Chemical Industries Limited was held on June 27th in London, **Mr D. G. N. Lloyd-Lowles,** chairman, presiding.

The following is an extract from his circulated statement for the year 1961:

Turnover and Profits.—Sales increased by nearly 24 per cent over 1960, the biggest increase being in Causeway. Results for the Group have similarly improved, the trading profit being up from £31,872 to £39,511, and the net profit up from £17,825 to £23,192, an increase of 30 per cent. Ordinary Dividends will be resumed as soon as our profits and finances permit.

Causeway.—We are proposing to change the name of this company from Causeway Reinforcement Ltd., to Causeway Steel Products Ltd., because its business has now moved far outside the original surface-armouring with which it began. Oil Refineries still form an important outlet for Hexmetal but perhaps an even more promising field is in the steel industry where Hexmetal is used for furnace lining. The Tubular Trestle Division has also done well.

Overseas, Causeway's market is also extending.

THE METROPOLITAN RAILWAY SURPLUS LANDS CO., LTD.

The Twenty-Ninth Annual General Meeting of the Company will be held on July 5, 1962. The following is a summary of Sir Bernard Docker's statement circulated with the Accounts for the year to March 31, 1962.

GROUP PROFITS. Gross rents amounted to £593,039 (1961, £533,393) and net rents to £449,225 (£405,247). After deduction of outgoings, increased charges for interest, and taxation, net profits were £314,052, against £301,371.

DIVIDENDS. A final dividend of 7 per cent., less tax, is recommended, making 11 per cent. for the year (against 10½ per cent.) on the capital as increased by the Rights Issue in 1961. There is carried forward £173,688, compared with £153,223.

DEBENTURE STOCK. During 1961, an issue of £2 million 6½ per cent. Debenture Stock 1986/91 was placed with financial institutions. The Trust Deed permits of further issues of stock against additional security.

AUTHORISED CAPITAL. It is proposed that the authorised capital should be increased from £6 million to £10 million.

PROPERTY TRADING SUBSIDIARIES. The profits of Ortem Estates, Ltd., from the purchase and re-sale of properties amounted to £251,000, i.e. £20,000 less than the peak figure of the previous year. Several new estates were acquired. About 80 acres of land adjacent to the coast at Littlehampton has been released for residential building and will be developed by us, or be sold for development over the next few years.

THE WHELMAR PROPERTY CO., LTD. This Company, the joint venture with The Metropolitan Railway Country Estates, Ltd., contributed an increased dividend from the sale of some 1,000 houses. The Company has reserves of land for several years ahead, and plans to build about 1,200 houses a year.

DEVELOPMENT PROGRAMME. The development programme reported last year at £4 millions over three years, estimated when completed, to produce about £400,000 a year additional rents, proceeds generally according to plan. Kensal House, off Deansgate, Manchester, is completed and fully let. A neighbourhood shopping centre of 18 shops and 15 flats at Alkrington, near Manchester, is practically complete and let. Part of the major development at Dundas Street, Middlesbrough, is due for completion in 1963, and the remainder in 1964, and is expected to produce net revenue of at least £120,000 per annum. Another development to provide 100,000 ft. of office and showroom space in Brazenose Street, Manchester, is scheduled for completion by the end of 1963. The Company has other considerable projects in Central Manchester, a freehold site of 54,000 ft. in a central position in Colchester, and some smaller schemes in other provincial towns. There have been delays due to planning difficulties for the small Doncaster site and the larger development at Bury.

North Terrace House, Adelaide, South Australia, has been completed and was opened on May 10, 1962, by the Premier of South Australia. Local professional advice is that the building will be fully let within twelve months.

INVESTMENTS IN OTHER PROPERTY GROUPS. Share interests have been acquired in a number of private property groups active in property construction, development and investment, managed by local men of considerable experience.

REVALUATION. The valuation of the properties secured to the £2 millions Debenture Stock showed a 16 per cent. appreciation over Book Values. A general revaluation would be of greater value in two or three years' time when the Development programme is further ahead.

SPREAD OF INVESTMENTS. The net rentals of properties held for investment are divided as to 42 per cent. from shops, 17 per cent. offices and commercial showrooms, 12 per cent. residential, 6 per cent. Ground rents, 19 per cent. industrial buildings and 4 per cent. Public Houses, Hotels and Hostels.

FINANCE. There are no immediate plans for issuing additional capital, but the question of raising further funds is constantly under review in connection with the relatively large development programme ahead.

PROSPECTS. As forecast 1961/62 has been a year of consolidation. Similar conditions are foreseen for 1962/63, but in 1963/64 and with increasing momentum in the year ending March, 1965, a substantial improvement in rental income is expected. There is no reason to doubt that the steady improvement made over the last decade will be maintained.

(A copy of the full Report and Accounts, together with the Chairman's statement, will be sent on application to the Secretary, Kensal House, 553/579, Harrow Road, W.10.)

Orders from Canada are larger than ever before and in Australia a satisfactory agreement for manufacture has been signed. Discussions have already been initiated with a substantial group in France in a similar, but less specialised, line of business, from which we hope to derive benefit, especially if the U.K. enters the Common Market.

Stuart Oils.—Most of you will remember my reference on previous occasions to the valuable association we formed in 1959 with D. A. Stuart Oil Co. Ltd. of Toronto and Chicago. Although progress at first was slower than we had anticipated owing to the difficulty of breaking into this rather competitive market, our experience over many years with Amber Oils coupled with unstinted support from D. A. Stuart Oils Ltd., has resulted in a determined and ever-quickening up-swing in sales.

Other Divisions.—In fuel additives there are signs that at least some of the previous expectations will be achieved. We feel hopeful that we shall see profits from this division during the current year. Ambersil, and its kindred products, have increased their turnover in spite of a reduction in the selling price.

Prospects.—Our expectations for the current year run high. All divisions in the Group look like exceeding their targets and, although increasing turnover will bring some problems of its own, I feel confident that we are in a better position than ever before to surmount them and to achieve even more satisfactory results by this time next year.

FORSTER'S GLASS COMPANY

The Forty-third Annual General Meeting of Forster's Glass Company Limited will be held on July 18th in London.

The following is an extract from the circulated review by the chairman, **Colonel Sir Charles Ponsonby, Bt, TD, DL,** for the year ended March 31, 1962:

For the fifth successive year there has been an increase in the profit on trading, which this year is £519,499 against £452,356 last year. The net profit after taxation is £208,148. It is proposed to maintain the dividend of 10 per cent on the increased capital.

In spite of the constant growing competition in our traditional markets by other packaging materials, the industry's sales of glass containers continues to expand and our own sales turnover was once again a record. During the past year your Company has been engaged in a considerable amount of development work, as a result of which we were able to offer our brewing and soft drinks industry customers a range of lightweight, non-returnable beer and mineral water bottles.

We are still involved in a substantial programme of capital expenditure, mainly in connection with the new batch mixing and storage plant. Our covered storage accommodation for bottle stocks has been considerably enlarged during the past twelve months and a new warehouse has been provided for the storage of cartons. The result of all this constructional work will be to improve still further the presentation of our products to our customers.

Your directors foresee increasingly difficult trading conditions developing. Sales during the first two months of the current year are, however, running slightly ahead of last year but, as always, our summer trade will be affected to quite a considerable extent by the weather.

HONGKONG (SELANGOR) RUBBER

MR ADDINSELL'S STATEMENT

The fiftieth Annual General Meeting of Hongkong (Selangor) Rubber, Limited, was held on June 21st in London, **Mr J. Addinsell,** chairman, presiding.

The following is from his circulated statement:

It gives cause for much pleasure to your Directors that on this, the occasion of the Company's Jubilee Year, they are able to place before you such satisfactory, and indeed record, results. Apart from the considerable improvement in tin tribute income our rubber crop again showed an increase and at 441,500 lb. was 50,100 lb. or 13 per cent up on the previous year. This increase would have been even greater but for the fact that early in the year the estate suffered two freak wind storms which caused severe damage to a portion of our highest yielding rubber. One part of the wind damaged area amounting to about 25 acres was so badly affected that it has been decided to replant it and this work will be carried out in the current year. We had taken the precaution to insure our pedigree trees against such a risk and settlement has been made by the Insurance Company; nevertheless, the loss of this rubber will necessarily affect to a moderate extent our crop for the current year.

1961 saw the first full year of tribute receipts since the Tin Company's dredge resumed production after the ending of tin restriction. Outputs were above expectations and with tin prices at good levels throughout the year we received £51,093 from this source. For the first few months of the current year revenue from tribute has continued at a satisfactory rate but considerable variations in monthly outputs are to be expected with a lower average rate of production during the remaining limited dredging life of the mine. As regards the opencast project, to which I referred last year, it is expected that gravel pump operations will commence in a month or so but in the initial stages mining will be of an exploratory nature with a view to exposing tin deposits which previous mining operations have indicated to exist at depth.

RUBBER PRICES

The lower level of rubber prices which ruled at the end of 1960 continued throughout 1961 and as a result net proceeds were £5,437 lower than the previous year in spite of the larger crop. The average price we received for our rubber was 6d. per lb. less but the impact of this fall was to some extent cushioned by reductions in export duty and production costs totalling nearly 2½d. per lb.

After taking into account various other items of income and expenditure, and providing £36,944 for the estimated tax liability on the year's working, we have available for appropriation £39,073 to which has to be added the balance forward and a small surplus on disposal of fixed assets, making a total of £45,955. Your Board recommend a final dividend of 60 per cent, making a total of 90 per cent for the year.

Last year I referred to 159 acres of reserve land suitable for planting and it is intended to undertake 40 acres of this area during the current year.

Rubber prices during the current year have continued around the lower levels reached during 1961. The policy of the Board over the post-war years has been to modernise your property as rapidly as possible and now with nearly 90 per cent of the rubber on the estate comprising pedigree material the Company will, as more of the immature areas come into bearing, be in a favourable position to produce at a competitive price.

The report was adopted.

HARGREAVES GROUP LIMITED

A WIDELY DIVERSIFIED UNDERTAKING

Distributors and carriers by road and water of solid and liquid fuels, chemicals, pulverised fuel ash and other materials; coal exporters and shipowners; heating and ventilating engineers; plant hire and general contractors; producers and distributors of roadstone, sand and gravel, tarmacadam and agricultural and industrial lime. Manufacturers of solid and liquid fertilisers; open cast and drift miners of coal and clay; vehicle distributors and coach builders; brick makers and printers.

The Forty-second Annual General Meeting of HARGREAVES GROUP LIMITED, was held on 26th June, at the Registered Offices of the Company, Bowcliffe Hall, Boston Spa, Yorkshire, **Mr Harald Peake,** the Chairman, presiding.

In his Circulated Statement for the year ended 31st March, 1962, the Chairman commented on the acquisition early in the year of the substantial road haulage business of Smith & Robinson (Leeds) Ltd. and added that after making proper allowance for the profits of this new business, the Group as a whole had had a more profitable year.

A Final Dividend of 2/- per £1 Stock Unit, making 3/- per £1 Stock Unit on the £2,250,000 issued Capital of the Company, for the year, was approved. The Directors anticipate that in the absence of unforeseen circumstances profits for the current year would be sufficient to maintain dividends totalling 3/- per £1 stock unit on the capital as increased by the rights issue of 750,000 new Ordinary shares of £1 each in the proportion of one new Ordinary share at 50/- for every £3 Ordinary stock held.

DIRECTORS :
Chairman
HARALD PEAKE

Deputy Chairman
COLIN G. FORBES ADAM, CSI, DL

Managing Director
KENNETH HARGREAVES, CBE, TD, DL.

Assistant Managing Director
GEOFFREY D. LAVERS

THE RT. HON. VISCOUNT INGLEBY
AUSTIN J. MARTIN, FCIS.
THE HON. MARTIN PEAKE
FRANK A. ROBINSON
HERBERT ROBINSON
DEREK A. SCHOLEFIELD, BSc, PhD.

Secretary
ROBERT B. STRACHAN, MA, LLB, FCIS.

HARGREAVES GROUP LTD. AND SUBSIDIARY COMPANIES
FINANCIAL RECORD FOR TEN YEARS

Year ended March 31	Turnover	Trading Surplus	Depreciation	Taxation	Dividends (Net)	Net Fixed Assets	Net Current Assets
	£	£	£	£	£	£	£
1953	11,171,806	187,952	81,114	61,170	18,023	535,778	210,293
1954	11,551,539	218,566	79,950	77,412	30,977	532,833	261,568
1955	12,305,912	304,575	84,393	97,775	48,387	653,568	247,873
1956	15,527,180	533,163	130,566	193,988	49,651	836,553	239,092
1957	17,254,913	719,525	151,557	315,966	64,687	914,354	441,534
1958	18,413,945	652,057	164,687	276,290	64,687	1,046,904	414,645
1959	19,015,793	647,690	202,612	206,882	90,000	1,426,326	416,557
1960	19,371,147	733,713	244,804	207,426	91,875	1,743,947	330,453
1961	23,498,832	978,223	333,927	321,412	137,813	2,104,845	1,055,038
1962	27,384,609	1,243,777	473,033	338,514	206,718	3,015,635	744,186

At a subsequent Extraordinary General Meeting of the Company the Authorised Capital of the Company was increased from £3,000,000 to £4,500,000.

ÖSTERREICHISCHE LÄNDERBANK

Vienna, Austria

EXPANSION OF BUSINESS

DIVIDEND INCREASED

The Annual General Meeting of Österreichische Länderbank was held in Vienna recently, and the following are details of the report presented by the Board of Directors:—

REVIEW

Following the growth pattern of Austrian economy in 1961, Österreichische Länderbank further expanded its volume of business. Earnings, including allocations to reserves, totalled Sch. 85 million after taxes.

The strong expansion of credit volume, combined with a lower growth rate in deposits, had a favourable influence on earnings. The Bank's higher earnings, however, were partially offset by increased expenditures. Money on deposit became more expensive as the deposit structure showed a definite trend toward higher interest-yielding accounts. Savings accounts now make up 28 per cent of all deposits compared with only 15 per cent in 1955. Additional increase in expenditures resulted from new labour contracts, higher depreciation as a result of modernisation, branch expansion and installation of automation equipment.

PROFITS AND DIVIDEND

Net earnings for the year climbed to Sch. 26.1 million., including Sch. 1.1 million carried over from the year before. On the strength of this achievement, a dividend increase to 10 per cent (from 9 per cent in 1960) on the share capital of Sch. 250 million is proposed. The net profit of Sch. 1.1 million, remaining after the deduction of Sch. 25 million set aside for dividends, is to be carried forward.

Security holdings were reduced to Sch. 497 million by the sale of Sch. 33 million fixed-interest bearing securities. The portfolio of shares listed on stock exchanges increased by Sch. 43 million.

Substantial expansion took place in foreign exchange transactions, primarily in the export and import field. Transactions numbered 637,000 and the volume, including turnover on free and blocked Schilling accounts of foreigners, totalled Sch. 41,000 million.

Turnover on current accounts expanded by 9.4 per cent and, including transactions on savings accounts, reached Sch. 356,000 million. Business in securities gained 37 per cent.

CURRENT ACCOUNTS

The number of current account entries rose by 3.6 per cent. Current accounts climbed by 8 per cent to a total of 216,000 while cheques and bills handled dropped by 0.8 per cent.

The balance sheet total rose by 8.1 per cent reaching Sch. 8,200 million. Savings accounts for the first time climbed above the Sch. 2,000 million mark. Their increase rate of 12.6 per cent in 1961 was higher than the 11.1 average gain recorded by all publicly-held Austrian banks.

Total liquidity at the end of 1961 amounted to 56.4 per cent, down from 60.1 per cent a year before. Despite expanded business volume, total liquidity was well above the required minimum liquidity ratio of 40 per cent.

Total capital and reserves reached Sch. 892 million. This sum is 12.6 per cent of the liabilities as opposed to 12.7 per cent for 1960, indicating that capital development has kept pace with the rise in deposits.

HARGREAVES GROUP LIMITED

PROGRESS IN CURRENT YEAR

The forty-second Annual General Meeting of HARGREAVES GROUP LIMITED was held on June 26th at Bowcliffe Hall, Boston Spa, Yorkshire.

Mr Harald Peake, the Chairman, in the course of his remarks, said:

The Annual Report, Accounts and Chairman's Statement which were posted to you on the 1st of this month were designed to give Stockholders a full account of the progress of their investment.

My Statement was dated May 28th and I feel that all that I can usefully do to-day is to bring Stockholders up-to-date as regards the progress of the Group. We now have the Trading Results of the first two months of the current financial year which show that, on a comparable basis, the profit for those two months are approximately 20 per cent higher than for the same period a year ago. This has been achieved on a larger turnover and in spite of the increased competition to which I referred in my Statement.

As regards prospects, I see no reason to modify the views which I expressed a month ago. The activities of our Group are widely diversified and cover a large part of the United Kingdom. Consequently, a set-back in one activity, or in one district, may very well be compensated by an improvement in other activities or in other localities.

The greater part of our profits result from giving essential services to industry and to the community generally, such as distribution and carriage by road and water of solid and liquid fuels, chemicals and other materials, supplies of road materials, tarmacadam etc., and manufacture and distribution of fertilisers.

The Report and Accounts were adopted and the Final Dividend of 2s. per £1 Stock Unit, making 3s. per Stock Unit, on the £2,250,000 issued Capital of the Company was approved. At a subsequent Extraordinary General Meeting the Authorised Capital of the Company was increased from £3,000,000 to £4,500,000.

PHILIP HILL INVESTMENT TRUST

ANOTHER SUCCESSFUL YEAR

The thirtieth ordinary general meeting of Philip Hill Investment Trust Limited was held on June 25th in London, **Sir Brian Mountain, Bart.** (the chairman), presiding.

The following is an extract from his circulated statement:

I am glad to report that the profits of your Company again show an increase.

Towards the close of the year under review, the Ordinary share capital of the Investment Trust was increased by the issue for cash to the holders of Ordinary shares of 5,000,000 shares, and now amounts to a total of £11,250,000. The premium of 15s. per share, after deducting the expenses of the issue, realised £3,749,420, and has been taken to Capital Reserves. The money raised by this issue is being invested as and when favourable opportunities arise.

The Profit and Loss Account shows an increased income of £1,672,312 (£1,606,955). There is a net profit before tax of £1,441,627 (£1,376,781). Taxation absorbs £547,670 (£528,030), leaving the net profit at £893,957 (£848,751).

Your Board recommend a final dividend of 7½ per cent less tax on the Ordinary share capital before the recent rights issue. This increased final dividend would make a total distribution of 13 per cent less tax on the old Ordinary share capital of £10,000,000.

Philip Hill, Higginson, Erlangers Limited has had a successful year. The total profit before tax rose to £1,367,779 (£1,272,133).

Your Board expect that, subject to unforeseen circumstances, the results for the current year will be satisfactory.

The report was adopted.

L'AIR LIQUIDE

The Ordinary General Meeting held on June 6, 1962, under the Chairmanship of Mr Delorme, President General Manager approved all the resolutions submitted.

After constituting the reserves, the accounts for the trading year 1961 showed a profit of NF 27,084,231,80 which made possible the payment of a net dividend, payable as from June 18, 1962 at NF. 7 per share, as against NF. 5,50 for the preceding year and of NF. 45,50 per founder share (part bénéficiaire) as against NF. 40,12 for the preceding year.

The meeting re-elected Messrs Edmond DESCHARS and Colin W. WEBSTER to the Board of Directors.

In his speech, the President first drew attention to the part that the Company had always held in the sector of low and very low temperatures, the importance of which is thus demonstrated at the "Cold and its Marvels" *Le Froid et ses Merveilles* Exhibition which is taking place now in Paris at the "Palace of the Discovery" *Palais de la Découverte.*

The President cited some of the uses, more and more numerous, that the Techniques of the Company find in fields as varied as the Industry, Researches in Pure Physics and even in the Domestic Life.

Finally, the President pointed out that the results of the first quarter of the present trading year were perceptibly higher than those of the corresponding quarter of the previous year.

At the end of the meeting, the Board availing themselves of the authorisation granted to them by the Extraordinary General Meeting of May 27, 1960, decided as announced by the President in his speech to bring the registered Capital from NF. 82.898.235 to NF. 119.875.160 by incorporating the Reserves and Issue Premiums on the one hand by increasing the nominal value of the shares from NF. 35 to NF. 60 and on the other hand by distributing one free new share for 8 old ones.

COMPANY AFFAIRS

Following a gloomy beginning to the new Account on Monday equity prices on the London stock market have staged a good recovery. But this was not sufficient to wipe out earlier losses and over the week to Wednesday The Economist *indicator fell by 4.9 points to a new low for the year of 310.3. Shares which have regained some lost ground this week include property, insurance, banks and stores, but gains have been general in most sections of the market. Gilt-edged, too, have maintained their recent firmness, but exceptions to the upward trend have been commercial television shares after the Pilkington report, and gold shares, which fell back as the interest in equities broadened.*

Courtaulds and Its Chairman

THE new look given to Courtaulds by the younger band of directors which proved a vital factor in staving off ICI's takeover bid earlier this year is reflected by the latest report and accounts. As promised during the struggle this is much more informative than those of earlier years, giving in particular a breakdown of profits and also of investment income as well as a geographical analysis of the group's sales. But the publication of the accounts was overshadowed by what is yet another sequel to the ICI-Courtaulds battle, the resignation of Sir Alan Wilson from the board. Sir Alan, who was chairman designate and was due to succeed Sir John Hanbury Williams after next month's annual meeting, figured prominently in discussions with ICI which led to the bid and his resignation does not come as a complete surprise. After the recent upheavals (perhaps revolution is not too strong a word) the appointment of a new chairman is no easy matter; the directors have to decide whether he is to come from among their own number or whether they should find an outsider. As a purely interim measure they have unanimously turned to one of their deputy chairmen and a former director of the Bank of England, Sir Dallas Bernard, who is 74. One difficulty in finding an outsider might be that he would feel he would have to shoulder responsibility for commitments already entered into by his colleagues.

These include forecasts of profits and dividends for several years ahead, and indeed the latest accounts add little to what was set out in estimates some months back. In the first two months of the current year these estimates have been fulfilled despite the unseasonable weather in April and May which affected the textile trade and the directors remain confident that the results will continue to meet their projections. The major contribution to the sharp increase in profits in the current year is expected to come from viscose, reflecting the benefits of rationalisation in recent years and also the integraion of British Enka which was acquired last November. Over the longer term Courtaulds is particularly confident of the growth potential of Courtelle although high development costs stemming particularly from the expansion of production in France have eaten sharply into profits of synthetic fibres, which fell last year from £582,000 to £323,000. As the table shows by far the sharpest increase in profits in 1961-62 came from British Celanese which increased its sales of Dicel and Tricel by 28 and 42 per cent respectively. Here, too, Courtaulds has carried out vigorous rationalisation which is now apparently paying dividends and this policy is clearly being pursued throughout the group and is reflected in the 4 per cent reduction in the staff of Courtaulds and British Celanese last year.

BREAKDOWN OF TRADING PROFITS

	1960–61 £'000s	1961–62 £'000s
Fibres :—		
Viscose	8,906	8,133
Acetate (Br. Celanese)	3,623	4,699
Synthetic	582	323
Other Activities :—		
Packaging (Br. Cellophane)	3,737	3,122
Paint (Pinchin Johnson)	987	1,252
Engineering	668	186
Gossards	258	429
Samuel Courtauld	329	228
	19,090	18,372
Central expenses	4,087	4,215
	15,003	14,157

Since the end of the financial year investments worth £24¼ million have been channelled into the newly formed investment trust; these include the holding in Snia Viscosa, of which a third has been sold for about £6 million. Nevertheless after taking up its rights the trust will still have about a 10 per cent stake in the Italian group. Courtaulds plans to transfer in all some £40 million of investments to the trust, and the balance will come largely from its gilt-edged holdings which were worth £13 million at the end of March and also from certain properties with scope for redevelopment. Clearly it will take some while for the trust to construct a balanced portfolio and shareholders may be unwise to expect any early distribution of shares in the trust, though this seems likely to come eventually. Despite these transfers Courtaulds is confident that it will be able to finance its capital investment from its own resources. Last year capital expenditure touched a new peak of £16½ million but it is expected to fall below this level in the current year. The shares have been an uncertain market this week and after falling 2s. 3d. on the news of Sir Alan Wilson's resignation they regained 3s. to 42s. 6d. to offer a prospective yield of just over 6 per cent without taking account of the further cash distributions.

Whitbread



A YEAR ago Whitbread could still be said to have stood aside from the spate of brewery mergers and take-overs. But it could hardly be said to be the odd man out today, for since then Whitbread has acquired outright three breweries in which it had held minority interests, Tennant Brothers, Norman and Pring and the much larger brewing group of Flowers. In the past, to maintain the family's existing control of the business, it has been Whitbread's policy to acquire minority holdings in other breweries, in many cases as part of, or an extension to, trading agreements. But the chairman, Colonel Whitbread says that the company has had to adjust its policy particularly in view of the operations of its competitors and this has meant for the first time the issue of Whitbread shares in a merger. He discloses however that the Whitbread family has recently increased its shareholdings in the company and he is confident that family control of Whitbread (which a year ago the chairman said would last for another generation) will be maintained "even if the issue of additional ordinary capital should become necessary." This might be taken to mean that further full acquisitions are likely.

However Colonel Whitbread suggests that for the moment Whitbread is intent on the group's reorganisation following these three mergers, but he warns shareholders that it will take some while for the benefits to appear and that in the current year "we may have a struggle to maintain our combined profits." Much will depend on the weather over the next few months. In 1961 Whitbread's sales showed a "handsome increase" over those for 1960 and for the brewing industry as a whole, and Whitbread's net profits excluding the nine months' contribution from Tennant Brothers rose by 24 per cent, although trade was affected by the 10 per cent surcharge on duties imposed last July. Whitbread Pale Ale and Mackeson again sold well while sales of Tankard have continued to benefit from the swing towards draught beer.

Events since the end of December must have already altered radically the shape of the 1962 balance sheet, for besides the Flowers and Norman and Pring acquisitions, Whitbread has sold a further block of shares in associated companies (worth at the

Continued on page 1392

STOCK PRICES

Prices, 1962 High	Low	BRITISH FUNDS AND GUARANTEED STOCKS	Price, June 20, 1962	Price June 27 1962	Net Red. Yield June 27, 1962	Gross Red. Yield June 27, 1962
$100^{15}/_{16}$	$100^{9}/_{32}$	Treasury 5½% 1962	$100^{5}/_{8}$	$100^{19}/_{32}$	£ s. d. 1 0 9	£ s. d. 3 16 5
$98^{3}/_{4}$	$96^{3}/_{16}$	Exchequer 3% 1962–63	$98^{5}/_{8}$	$98^{23}/_{32}$	3 3 0	4 7 6
$100^{13}/_{32}$	$98\frac{2}{}$	Conversion 4½% 1963	$100^{3}/_{8}$	$100^{15}/_{32}$	2 6 9	4 4 10
$96^{13}/_{16}$	$93^{7}/_{16}$	Exchequer 2½% 1963–64	$96^{5}/_{8}$	$96^{21}/_{32}$	3 6 2	4 7 11
$99^{15}/_{16}$	$97^{1}/_{16}$	Conversion 4½% 1964	$99^{7}/_{8}$	$99^{29}/_{32}$	2 13 7	4 10 9
$94^{19}/_{32}$	$90^{31}/_{32}$	Savings Bonds 3% 1955–65	$94^{15}/_{32}$	$94^{3}/_{8}$	3 12 2	4 19 3
$100^{19}/_{32}$	$98^{3}/_{32}$	Exchequer 5½% 1966	$100^{13}/_{32}$	$100^{17}/_{32}$	3 0 8	5 4 7
$88^{1}/_{32}$	85	Savings Bonds 2½% 1964–67	$88^{1}/_{32}$	88	4 5 3	5 6 10
$98^{1}/_{16}$	98	Exchequer 5% 1967	—	$98^{1}/_{16}$	3 9 6	5 8 11
$87^{1}/_{16}$	$83^{5}/_{16}$	Funding 3% 1966–68	$87^{3}/_{8}$	$86^{3}/_{16}$ e	4 8 4	5 13 2
$88^{1}/_{4}$	$84^{7}/_{8}$	Conversion 3½% 1969	$87^{15}/_{16}$	$88^{1}/_{8}$	4 6 8	5 17 8
$85^{7}/_{16}$	$82^{9}/_{8}$	Funding 3% 1959–69	$85^{1}/_{8}$	$85^{7}/_{16}$	4 8 1	5 14 6
97	$92^{1}/_{4}$	Victory 4% 1920–76	$96^{3}/_{8}$	$96^{1}/_{4}$	3 2 8	4 16 3
$82^{1}/_{16}$	$78^{15}/_{16}$	Savings Bonds 3% 1960–70	$81^{7}/_{8}$	$82^{1}/_{16}$	4 11 7	5 19 1
$93^{7}/_{16}$	$90^{9}/_{16}$	Conversion 5% 1971	$91^{1}/_{4}$	$92^{1}/_{16}$	4 2 1	6 2 5
$101^{1}/_{16}$	$97^{1}/_{4}$	Conversion 6% 1972	$100^{5}/_{16}$	100	3 14 5	6 3 4
$93^{13}/_{16}$	$91^{1}/_{16}$	Conversion 5½% 1974	$91^{11}/_{16}$	$92^{1}/_{8}$	4 1 4	6 4 4
$89^{7}/_{8}$	$87^{3}/_{4}$	Funding 4% 1960–90	$88^{3}/_{8}$	$88^{5}/_{16}$	3 13 6	5 7 6
$72^{1}/_{2}$	$70^{7}/_{16}$	Savings Bonds 3% 1965–75	$72^{3}/_{8}$	$72^{1}/_{2}$	4 14 11	6 4 5
$71^{7}/_{8}$	$69^{5}/_{8}$	Treasury 3½% 1977–80	$70^{21}/_{16}$	$70^{13}/_{16}$ e	4 10 11	6 4 9
$71^{3}/_{16}$	$68^{5}/_{16}$	Treasury 3½% 1979–81	71	$71^{3}/_{16}$	4 10 2	6 5 2
$93^{7}/_{16}$	$90^{3}/_{16}$	Funding 5½% 1982–84	91	$91^{1}/_{16}$ e	3 19 7	6 4 9
$85^{7}/_{8}$	$82^{3}/_{8}$	Treasury 3% 1986–89	$84^{1}/_{8}$	$84^{3}/_{16}$	4 1 4	6 6 0
$57^{3}/_{8}$	54	Redemption 3% 1986–96	$57^{3}/_{8}$	$57^{3}/_{8}$	4 4 7	5 19 10
$62^{3}/_{8}$	$56^{15}/_{16}$	Funding 3½% 1999–2004	$60^{3}/_{8}$	$60^{1}/_{2}$	4 2 8	6 2 6
$90^{3}/_{8}$	$84^{1}/_{8}$	Treasury 5½% 2008–12	$90^{3}/_{8}$	$90^{3}/_{8}$	3 17 0	6 4 9
$63^{7}/_{8}$	$58^{1}/_{4}$	Consols 4% ..... after Feb. 1957	$63^{1}/_{2}$	$62^{1}/_{4}$ e	3 18 5	6 7 9
$56^{7}/_{8}$	$52^{1}/_{16}$	War Loan 3½% ..... after 1952	$55^{3}/_{4}$	$55^{1}/_{2}$	3 17 6	6 6 9
$56^{1}/_{8}$	$52^{9}/_{16}$	Conv. 3½% ..... after Apr. 1961	$55^{5}/_{8}$	$55^{3}/_{4}$	3 17 8	6 7 6
$48^{1}/_{8}$	$44^{7}/_{8}$	Treasury 3% ..... after Apr. 1966	$47^{5}/_{8}$	$47^{3}/_{4}$	3 17 8	6 7 6
$41^{1}/_{8}$	$38^{1}/_{8}$	Consols 2½%	$40^{1}/_{4}$	$40^{3}/_{8}$	3 15 10	6 3 9
$40^{3}/_{4}$	$38^{1}/_{16}$	Treasury 2½% ..... after Apr. 1975	$40^{1}/_{4}$	$40^{3}/_{8}$	3 16 7	6 5 9
$93^{3}/_{8}$	$89^{13}/_{16}$	British Electric 4½% 1967–69	$92^{13}/_{16}$	$93^{3}/_{8}$	4 0 1	5 19 1
76	$74^{3}/_{8}$	British Electric 3% 1968–73	$75^{13}/_{16}$	76	4 15 4	6 3 7
$70^{3}/_{8}$	69	British Electric 3% 1974–77	$70^{1}/_{2}$	$70^{3}/_{8}$	4 13 5	6 3 0
$80^{15}/_{16}$	$79^{1}/_{16}$	British Electric 4½% 1974–79	$79^{15}/_{16}$	$79^{15}/_{16}$	4 16 5	6 5 6
$72^{9}/_{16}$	$70^{3}/_{8}$	British Electric 3½% 1976–79	$71^{1}/_{2}$	$71^{1}/_{16}$	4 11 0	6 4 10
$85^{3}/_{16}$	$82^{3}/_{4}$	British Gas 4% 1969–72	$84^{13}/_{16}$	$85^{5}/_{16}$	4 7 8	6 3 8
$83^{1}/_{16}$	$80^{9}/_{16}$	British Gas 3½% 1969–71	$82^{13}/_{16}$	$83^{1}/_{16}$	4 9 11	6 1 7
$57^{7}/_{8}$	$53^{13}/_{16}$	British Gas 3% 1990–95	57	57	4 6 4	6 1 4
76	$74^{3}/_{8}$	British Transport 3% 1968–73	$75^{13}/_{16}$	76	4 15 4	6 3 7
$79^{1}/_{8}$	$77^{1}/_{4}$	British Transport 4% 1972–77	$77^{13}/_{16}$	$78^{1}/_{8}$	4 8 7	6 4 10
$60^{1}/_{2}$	$56^{1}/_{2}$	British Transport 3% 1978–88	$58^{7}/_{8}$	$58^{7}/_{8}$	4 11 0	6 4 11

Prices, 1962 High	Low	DOMINION AND CORPORATION STOCKS	Price, June 20, 1962	Price June 27 1962	Red Yield June 27, 1962
$82^{1}/_{2}$	$79^{1}/_{2}$	Australia 3½% 1965–69	$82^{1}/_{4}$	$82^{1}/_{2}$	£ s. d. 6 10 0
$98^{3}/_{4}$	96	Australia 6% 1970–76	97	$97^{1}/_{4}$	6 8 0
66	52	Ceylon 4% 1973–75	52	52	10 17 0
$96^{3}/_{4}$	$94^{1}/_{4}$	New Zealand 6% 1976–80	$96^{5}/_{8}$	$96^{1}/_{2}$	6 9 0
$75^{1}/_{4}$	$62^{1}/_{2}$	Rhodesia and Nyasaland 6% 1978–81	63	65	10 3 0
$87^{3}/_{4}$	82	South Africa 3½% 1965–67	$87^{1}/_{2}$	$87^{3}/_{4}$	6 11 0
$58^{1}/_{4}$	48	Southern Rhodesia 4½% 1987–92	49	50	9 15 0
$81^{7}/_{8}$	$77^{3}/_{4}$	Agricultural Mortgage 5% 1959–89	80	$79^{3}/_{4}$	6 9 0
$89^{3}/_{8}$	86	Birmingham 4½% 1947–70	$87^{1}/_{4}$	$87^{1}/_{4}$	6 3 0
92	$88^{3}/_{8}$	Bristol 5% 1971–73	$88^{7}/_{8}$	89	6 7 0
$90^{1}/_{2}$	88	Corporation of London 5½% 1976–79	$88^{1}/_{2}$	$88^{1}/_{2}$	6 7 0
$46^{3}/_{4}$	43	L.C.C. 3% ..... after 1920	$45^{7}/_{8}$	$45^{7}/_{8}$	6 10 0
$86^{1}/_{8}$	84	L.C.C. 5% 1980–83	86	86	6 5 0
$89^{1}/_{4}$	87	Middlesex 5½% 1980	$88^{7}/_{8}$	89	6 8 0

NEW YORK PRICES AND INDICES

	June 20 $	June 27 $		June 20 $	June 27 $		June 20 $	June 27 $
Atch. Topeka	$23^{1}/_{8}$	22	Boeing	$40^{7}/_{8}$	$38^{3}/_{4}$	Int. Harvester ..	46	$44^{5}/_{8}$
Can. Pacific	$21^{7}/_{8}$	$21^{7}/_{8}$	Celanese	$31^{1}/_{2}$	31	Inter. Nickel ..	58	55
Pennsylvania	$10^{1}/_{2}$	$10^{3}/_{8}$	Chrysler	$42^{3}/_{4}$	$40^{3}/_{8}$	Inter. Paper	$27^{1}/_{8}$	$25^{1}/_{4}$
Union Pacific	$40^{3}/_{4}$	$38^{1}/_{2}$	Col. Palmolive ..	$37^{1}/_{2}$	$36^{1}/_{2}$	Kennecott	$70^{1}/_{4}$	$68^{1}/_{8}$
Amer. Electric	$57^{5}/_{8}$	54	Crown Zeller...	$41^{3}/_{4}$	42	Monsanto	$36^{1}/_{2}$	$36^{1}/_{4}$
Am. Tel. & Tel..	103	$101^{7}/_{8}$	Distillers Seag....	$37^{3}/_{8}$	$36^{7}/_{8}$	Nat. Distillers..	$23^{7}/_{8}$	$23^{1}/_{8}$
Cons. Edison.....	$70^{1}/_{2}$	$68^{1}/_{4}$	Douglas	191_{2}	$177^{1}/_{4}$	Pan-American ..	$17^{3}/_{4}$	$16^{3}/_{8}$
Int. Tel. & Tel...	$37^{1}/_{2}$	34	Dow Chemical...	$43^{7}/_{8}$	41	Procter Gamble	63	$58^{1}/_{8}$
South'n. Nat. Gas.	41	$39^{7}/_{8}$	Du Pont	$176^{1}/_{2}$	166	Radio Corpn....	$42^{1}/_{8}$	$39^{3}/_{4}$
United Corpn....	$6^{7}/_{8}$	$6^{7}/_{8}$	East. Kodak	$89^{1}/_{2}$	$86^{1}/_{2}$	Sears Roebuck..	63	60
Western Union ..	$26^{5}/_{8}$	$25^{1}/_{4}$	Ford Motor	$77^{1}/_{2}$	$72^{3}/_{8}$	Shell Oil	32	$30^{1}/_{2}$
Alcoa	51	47	Gen. Electric	60	$56^{3}/_{8}$	Socony-Mobil..	$48^{1}/_{8}$	$46^{1}/_{8}$
Aluminium	$18^{3}/_{4}$	$18^{1}/_{2}$	General Foods ..	$66^{1}/_{8}$	$60^{1}/_{8}$	Stand. Oil Ind..	$46^{1}/_{4}$	44
Amer. Can.....	$41^{7}/_{8}$	$40^{3}/_{4}$	General Motors..	$47^{7}/_{8}$	$46^{1}/_{4}$	Stand. Oil N.J..	$49^{5}/_{8}$	$48^{7}/_{8}$
Am. Smelting	$53^{1}/_{2}$	$52^{1}/_{2}$	Goodyear	$32^{3}/_{4}$	30	Union Carbide..	$88^{1}/_{2}$	85
Am. Viscose	47	$44^{1}/_{4}$	Gulf Oil	36	$34^{3}/_{4}$	U.S. Steel	$45^{1}/_{4}$	$43^{1}/_{4}$
Anaconda	$40^{5}/_{8}$	$38^{3}/_{8}$	Heinz.....	43	41	West. Electric..	$26^{3}/_{4}$	$25^{1}/_{2}$
Bath. Steel	$33^{1}/_{2}$	32	Int. Bus. Mach...	328	333	Woolworth.....	$65^{1}/_{2}$	$64^{1}/_{4}$

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

1962	425 Industrials	Yield %	25 Rails	Yield %	50 Utilities	Yield %	Govt. Bonds	Yield %
May 29	61·13	3·50	28·82	5·60	54·22	3·74	90·17	3·87
June 6	61·26	3·51	29·08	5·54	55·80	3·63	90·17	3·87
" 13	58·09	3·71	28·00	5·76	53·80	3·77	90·49	3·84
" 20	57·41	3·75	27·83	5·80	52·56	3·86	89·85	3·90
" 27	55·10	3·91	26·81	6·02	50·62	4·04	89·43	3·94

425 Industrials :—High, 75·22 (Jan. 3). Low, 54·80 (June 26).

Prices, 1962 High	Low	ORDINARY STOCKS	Price, June 20, 1962	Price, June 27, 1962	Yield, June 27, 1962	Cover
		BANKS, DISCOUNT & HP				
105/–	79/9	Barclays £1	88/6	88/6	3·11	...
111/–	87/–	District £1	96/3	88/6	3·62	...
70/6	53/3	Lloyds £1	56/6¶	55/6	3·39	...
25/6	20/–	Martins 5/–	21/3	21/–	3·57	...
101/–	80/–	Midland £1	87/3	83/3	3·60‡‡	...
100/9	73/3	Nat. Provincial £1	82/–¶	77/3¶	3·62	...
104/–	76/9	Westminster 'B' £1	84/–	79/3	3·36	...
48/3	40/6	Australia & N.Z. £1 p.p.	42/6	40/6	5·93	...
40/9	36/–	Bk. Lond. & S. Amer. £1	37/–	36/–	4·63	...
£25⁹/₁₆	£17¹/₂	Bank of Montreal ..$10	£18¹³/₁₆	£18¹/₁₆	3·74	...
35	27¹/₂	Bank of New S. Wales £20	32¾	32	4·50‡	...
39/–	32/6	Barclays D.C.O. £1	34/9	32/6	6·15	...
58/6	53/3	Chartered £1	54/9	53/6	5·61	...
£19¾	£16	Hongk'g. & Shang. ...$25	£16¾	£16¼	4·62	...
62/–	49/–	Nat. Com. Bk. Scot. ..10/–	52/–	50/–	3·30	...
£29⁷/₁₆	£21	Royal Bk. Canada $10	£22⁵/₁₆	£22⁵/₁₆	3·65	...
45/3	37/6	Standard Bank £1	42/6	40/6	7·41	...
54/4½	37/3	Hambros 5/–	39/6¶	37/9	3·98	...
21½	15	Schroders 5/–	21	19/6	2·04	...
61¼	61¼	Union Discount £1	58/6	57/9	4·33	...
14/11½	10/–	Bowmaker 5/–	11/–	10/–	...	...
5	5	Lombard Banking ...5/–	11/3	10/9	4·65	11¼
11/3	10/6	Mercantile Credit ...5/–	11/3	11/3	3·33	...
22½	4	United Domins. Tst...5/–	33/–	31/6	4·21	8½
		BREWERIES, Etc.				
18/6	13/3	Bass, M. & B. 5/–	15/7½	14/9	3·73‡‡	2
...	12/10½	Charrington United	13/6	13/6	4·44	13¼
8½	6	Distillers 10/–	37/6	37/–	3·92	2
14	8	Guinness 10/–	45/6	45/–	4·89	11½
...	8	Ind. Coope, T.A. 5/–	12/7½	12/6	4·80	11½
12	6	Watney Mann 5/–	22/6	22/9	3·96	2
9	21	Whitbread 'A' 5/–	35/9	34/3	4·38	13½
		BUILDING, PAINT, Etc.				
63	3	Associated Portland. £1	53/–	51/6	3·69	2¼
4	8½	British Plaster Bd. ..10/–	21/9	21/9¤	5·75	2¼
10	6	Richard Costain 5/–	16/–	15/6	5·16	2¾
10	12½	Crittall Mfg. 5/–	12/–	11/4½	7·42¤	2
6	10	International Paints ..5/–	10/9	10/7½	8·47	1½
25	25	Rugby Portland 5/–	54/–	50/–	2·50	3¼
5	5	Wall Paper Defd..... 5/–	20/3	19/3	4·33	2¼
		CHEMICAL				
14	b	Albright & Wilson ...5/–	23/3	22/–	4·55	2
4	7½	Borax Defd. 5/–	15/3	14/10½	3·87	2½
11	4	Fison £1	28/9	27/–	...	...
4	7½	I.C.I. £1	49/3	46/–	5·45	1
5	5	Monsanto 5/–	13/6	13/–	3·85	11½
		DRAPERY & STORES				
4	8	Boots Pure Drug 5/–	26/10½	26/–	2·31	2¼
2	a	Montague Burton 10/–	22/6	21/–	3·27	2¼
5	a	Debenhams 10/–	48/9	45/3	4·24	11½
12½	a	G.U.S. 'A' 5/–	55/7½	55/9	3·36	2
16½	b	House of Fraser 5/–	30/–*	30/3	4·96	1¼
7½	b	Lewis's Invest. Tst. ..4/–	13/4½	13/–	3·85	2
32½	b	Marks & Spencer 'A' ..5/–	85/–	84/6	2·81	1½
20	b	United Drapery 5/–	42/7½	42/9	3·51	13¼
10⅝	a	Woolworth 5/–	46/11½	46/–	3·89	11¼
		OIL				
‡7·13b	b	British Petroleum £1	36/6	34/–	9·45	2
‡7·11b	b	Burmah Oil £1	36/6	35/3	9·65	1¼
15	b	Royal Dutch ..... 20 fl.	£13¹/₁₆	£12⁹/₁₆	4·14	1⅝ 2½
‡15	b	Shell Transport 5/–	31/6	29/9	6·86	2½
...	...	Ultramar 10/–	23/–	23/6	...d	...

FOREIGN AND OVERSEAS STOCKS

	June 20	June 27		June 20	June 27		June 20	June 27
FRANCE	Frcs.	Frcs.	**GERMANY**	%	%	**HOLLAND**	%	%
Air Liquide	1,160	1,112	A.E.G.	399	374	A.K.U.	$336^{1}/_{2}$	$330^{5}/_{8}$
Banque de Paris ..	524	512	Bad'che. Anilin.	395	371	Bijenkorf	$825^{1}/_{2}$	805
Citroen	191	172	Bayer	446	414	Heinekens	440	430
C. F. Petrole..	323	307	Commerzbank..	423	386	Interunie (Fl.50)	Fl.172	Fl.165
Cie. G. d'Elect..	1,173	1,090	Deutsche Bank.	499	453	K.L.M. Hogoven	558	548
Machines Bull.	505	488	Hoechst Farb.	394½	373½	Kon. Zout-Ket.	731	721
Pechiney	251	238	Kundenkredit ..	385	376	Philips	578	589¾
Printemps	652	484	Lowenbrau	1,000	920	Robeco (Fl.50)	Fl.196	Fl.190
Rhone-Poulenc ..	422	415	Mannesmann ..	234½	227	Rotterdam Bk..	338	340
S.I.M.	366	374·5	Siemens	555	502	Thomassen & D.	615	615
Saint-Gobain..	370	355·5	Thyssen-Huette	191	182	Valeurop	Fl. 71	Fl. 68·6
Usinor	200	194	Volkswagen	550	501	Zwanenberg..	761	753½
Index	97·3	93·1	*Herstatt Index*	92·2	85·64	Index	309·2	303·4
	Dec. 30, 1960 = 100.		*Dec. 31, 1959 = 100.*			*1955 = 100.*		
ITALY	Lire	Lire	**BELGIUM**	Frcs.	Frcs.	**SWEDEN**	Kr.	Kr.
Ass. Generali ..	140,850	123,500	Arbed	27,700	27,500	Asea	213	211
Breda	5,600	5,210	Bque. Nat. de Bel.	10,450	10,250	Elektrolux	120	120
Edison	4,120	3,710	Bque. Soc. Gen.	3,285	2,945	Ericsson B.Kr.35	120	119
Fiat	2,838	2,691	Cockerill-Oug.	2,800	2,700	Separator B....	286	286
Finsider	1,387	1,322	Esperance Long	5,380	5,400	Skand. Banken.	207	207
La Centrale....	13,530	12,090	Hoboken	17,700	17,200	Sv. Cellulosa...	187	184
Montecatini....	3,030	2,910	Innovation	6,110	5,930	Sv. Handelsbank	208	207
Motta	29,800	26,975	Photo Gevaert.	2,760	2,600	Tandstk. B Kr.50	61	147
Olivetti	7,485	7,070	Sidro	992	980	Index	166·37	163·73
Pirelli S.p.A....	11,150	10,170	Soc. Generale ..	13,550	13,275	*Dec. 29, 1956 = 100.*		
Rinascente	736	673	Sofina	8,100	7,790			
Snia Viscosa	7,210	4,915‖	Un. Miniere I.10	1,176	1,136	**NORWAY**	Kr.	Kr.
Index	667·19	621·54	Index	388·1	383·7	Bergens Priv'bk.	210	208¾
	1950 = 100.		*May 9, 1940 = 100.*			Borregaard	207½	207½
						Norsk Hydro ...	290	285

*Ex dividend. † Tax free. ‡ Assumed average life 7½ years. § The net redemption yields allow for tax at 7s. 9d. in £. ‖ Ex capitalisation. ¶ Ex rights. ‡‡ Ex all. (a) Interim dividend. (b) Final dividend. (c) Year's dividend. (d) Capital distribution of 1s. 0d. per share. (f) Flat yield. (g) Equivalent to 7·2 sterling. (h) After Rhodesia tax. (l) To latest date. Japanese prices supplied by Daiwa Securities, Tokyo.

AND YIELDS

LONDON : NEW YORK : FRANCE
GERMANY : HOLLAND : ITALY
BELGIUM : SWEDEN : NORWAY

Prices, 1962 High	Low	ORDINARY STOCKS	Price, June 20, 1962	Price, June 27, 1962	Yield, June 27, 1962	Cover
		ELECTRICAL & RADIO				
32/6	23/–	A.E.I. £1	23/9	23/9	8·42	1
12/6	9/–	Brit. Electronic inds. 5/–	9·3	9 10½	7·59	1¼
66/3	51/9	B.T.C.C. £1	56/6	52/6	5·14	2
14·8¼	12·7½	Crompton Parkinson 5/–	13/6*	13/–	4·81	2½
89/6	63/–	Decca 10/–	69/6	67/–	3·48	13¼
45/6	33/9	E.M.I. 10/–	35/9	34/9	5·04	2
54/6	39/–	Elliott-Automation ... 5/–	42/9	40/9	1·72	2
27/9	20/9	English Electric £1	21/6	21/6	7·44	11½
34/–	26/–	General Electric £1	28/6	27/9	7·21	3¼
59/3	34/6	C. A. Parsons £1	36/–	34/6	7·25	2
47/9	38/9	A. Reyrolle £1	41/–	39/6	4·94	2½
82/–	58/–	Thorn Electrical 5/–	63/–¶	64/6	2·13‡‡	3
		ENGINEERING				
32·4½	20·3	Babcock & Wilcox £1	29/–	29·3	6·15	1½
38/3	27/3	John Brown £1	32/4½	34·7½	5·89	23¼
6/–	4/3	Cammell Laird 5/–	4/8¼	4/8¼	10·67	1
26/10½	21·10½	Internat. Combust. ..5/–	22/4½	21·10½	6·86	1¼
5/6	3/4½	Rich'ds'ns. Westg'th. 10/–	3/10½	3 7½	...	...
38/4½	26/–	Swan Hunter £1	26/9	27/3	8·81	13¼
14/9	10/6	John Thompson 5/–	13/9	13 7½	5·50	2
34·1½	21·10½	Coventry Gauge ..10/–	26/10½¶	26/11½	4·77	2¼
73/7½	55/6	Alfred Herbert £1	56/3	56/–	4·96	2
47/6	33·9	Allied Ironfounders... £1	36/9	34/9*	8·63	13¼
99/9	67/9	Averys £1	77/–	71·3	4·21	2
20·3	13/–	B.S.A. 10/–	13/9	13/–	8·98	2¼
11/6	8·6	Birfield 5/–	8/10½	8/9	7·43	13¼
33/–	21/6	Davy-Ashmore 5/–	22/3	23·3	5·91	2¼
81/10½	64/11½	Guest Keen £1	67/3	67/11½	4·77	2¼
21/–	14/3	Head Wrightson 5/–	15/6*	15/3	5·25	2½
85/6	67/–	Metal Box £1	69/9	68/6*	3·50	2
18/–	13·4½	Ransome & Marles... 5/–	14/11½	13·4½	5·23	3
48/–	39/9	Tarmac £1	40/9	39/9	6·03	2
64/10½	43·4½	Tube Investments ... £1	46/10½	46/11½	6·07	3
31/11½	23/6	Vickers £1	25/3	24/7½	8·12	1
71/6	54/–	Ward (Thos. W.) £1	56/–	55/–	5·00	3
20,6	12,3	Woodall-Duckham...5/–	13,6	12,6	8·40	13¼
		FOOD & TOBACCO				
25/6	19·9	Allied Suppliers 10/–	23/3	22·6	4·44	2½
12·4½	8·7½	Assoc. British Foods.. 12/–	8/10½	9·9	2·31	2
61·3	42·–	Bovril £1	42·6	42·3	5·68	11½
12·9	11·–	Brooke Bond 'B' ..5/–	11·9	11·3	4·06	3½
15·10½	11·10½	Internat'l Tea 5/–	12·6	12·3	5·10	11½
82·6	65·3	J. Lyons 'A' £1	69·6	65·9*	4·82	11½
38·3	29·9	Ranks Hovis 10/–	31·3*	30·9	4·55	...
13·7½	10·10½	Spillers 5/–	11·5¼	11·6	4·35	2¼
50·9	43·3	Tate & Lyle £1	45/–	44·7½	5·38	2¼
18/–	14·9	Unigate 5/–	15/9	15·3	4·59	2
63·9	52/–	Brit. Amer. Tobac... 10/–	54/9	54/–	6·80	3
41·3	28·6	Gallaher 10/–	29·3	28·6	7·02	2
63·9	47,6	Imperial Tobacco £1	50,–	51,–	8·82	13¼
		INSURANCE				
8·15/16	5¾	Britannic 5/–	6·8	6·8	3·18	...
68/–	50/–	Commercial Union ...5/–	52·6	54·8	4·15	...
35·15/16	21½	Equity & Law Life ..8/6	22½	25·3/16	1·71	...
109·3	69/–	General Accident.....5/–	75/–¶	76/–	1·97	...
60/6	43/–	Guardian 5/–	45/–	46·6	2·87‡‡	...
48·4	32·2	Legal & General.....5/–	36·4	37	1·28	...
180/–	138·9	Northern & Empl.....£1	143/9	151·3	2·78	...
13·11/16	10·8	Pearl 5/–	11·8	11·4	3·27	...
29¾	22·3	Prudential 4/–	23¾	23·3	6·93	...
47·10·3	37·6	Royal 5/–	38·10½	39·3	3·82‡‡	...
127/9	97,–	Royal Exchange £1	100,–	99,–	3·79	...
		MOTORS & AIRCRAFT				
18·3	13/–	British Motor 5/–	13/3¾	13·4½	7·48	3¼
85·3	60/–	Jaguar Cars 'A' 5/–	65/–	61/6	1·63	8
41/6	25/6	Rolls-Royce £1	26/3	26/–	6·15	...
6·8½	4 11¼	Rootes Motors 'A' ...4/–	5/3	5/11½	3·13	...
78/6	51/–	A.C.V. £1	73/10½	72/10½	...	2
94/6	73·11½	Leyland Motors £1	76/–	75/11½	5·32	...

Continued from page 1389

end of January £4.7 million) to Whitbread Investment Trust. Details have also been given this week of a placing of £3 million 6½ debenture 1986-91 at 96½. Last year trade investments rose from £4.5 million to £7.9 million and about £1½ million was added to fixed assets apart from the inclusion of Tennant Brothers. Thus despite the issue of a £2 million debenture last August, net liquid assets had fallen from £3.4 million to £600,000 at the end of December. Like most brewery shares Whitbread "A" shares, which have now been split from £1 to 5s., still stand above their equivalent price of a year ago; but with the dividend raised from 27 to 30 per cent the shares at 35s. 3d. offer a slightly higher yield of 4.3 per cent.

Metal Box

SALES of the Metal Box Company in the year to March 31st rose from £91.808,000 to £98,726,000, reflecting higher sales all round in both the parent company and all its subsidiaries. But the chairman, Sir Harold Roxbee Cox, says that the general pressure on margins that the directors mentioned in November has continued. Gross profits fell by 2½ per cent from £8,911,000 to £8,675,000, as the rise of £90,000 in profits overseas to £3,036,000 was offset by a fall in profits earned at home, which were £325,000 lower at £5,639,000.

Sir Harold says "the year at home has started well, and, given reasonable economic conditions, the volume of our turnover may be expected to increase satisfactorily enough." But the struggle against shrinking margins continues, and Sir Harold says that it "will continue to be difficult" to maintain them at both home and overseas. Some benefit may follow from the group's high level of capital on additional capacity and modernising of existing plant. Last year this reached £9,373,000, and with a further £3 million added to stocks, the group's cash assets fell from £8.7 million to £2.2 million. The £1 shares have shared in this week's recovery in the stock market and gained 3s. 4½d. to 70s. 4½d. However, earlier this year they stood at 85s. 6d., but they still yield only 3½ per cent.

A. E. Reed

FEW chairmen have come out so definitely in favour of Britain's entry to the common market as Lord Cornwallis, the chairman of A. E. Reed. But as he admits to shareholders his reasons are partly selfish for he believes that Britain's entry "would alleviate the difficult competitive situation" which has arisen from our membership of EFTA. Lord Cornwallis says that margins have declined progressively in face of successive tariff reductions and this will be made more acute by the latest decision to speed up the next 10 per cent tariff cut in October. Finland is clearly the main threat among the Scandinavian suppliers and between 1960 and 1963 it will have increased its paper-making capacity by 45 per cent. To meet this challenge Reed has both expanded and diversified but the increase in sales from £71 million to £95 million and trading profits from £9.1 million to £11.8 million stems largely from the inclusion of profits from Anglo Canadian Pulp and Paper Mills (against four months in the previous year) and for the first time the profits of Imperial Paper Mills. Their inclusion means that the proportion of the group's sales of newsprint has risen from 14 to 24 per cent; about 40 per cent of its profits now come from Canada. In addition the group has widened its interests both in Australia and New Zealand and in Norway and Italy where it is constructing new mills in association with local companies.

These developments support the chairman's confidence in the group's "steady and effective growth" but in the short term the group has to face the prospect of keenly competitive trading with demand for paper unlikely to come near to the world's paper-making capacity before 1965 at the earliest. In this country Reed places great faith in its packaging operations; like Metal Box it stands to gain from the increase in demand for the more sophisticated forms of packaging, which has largely stemmed from the growth of supermarkets and self-service retailing in this country. Among other products in this field Reed is hopeful of the future of multiwall paper sacks, particularly as a replacement for dustbins.

The group is now spending £1 million annually, or about one per cent of turnover, on research and development and at the end of March group capital commitments amounted to £3½ million. Thus with bank advances and acceptance credits of £6¾ million against cash and investments of £3¼ million it is not surprising that A. E. Reed has recently issued £5 million of a 6¼ per cent debenture. The £1 shares at 39s. 9d. still yield 8.1 per cent on the maintained 16 per cent dividend, which seems to allow for most of the short term uncertainties of the paper industry.

Dorman Long

THE decision of Dorman Long to cut its interim dividend from 3½ to 2½ per cent caused little surprise in the market following last week's reduction by United Steel and the dismal picture of Dorman Long's immediate outlook presented by the chairman at the annual meeting in January. As usual Dorman Long has not published profit figures, but ingot production in the six months to end March fell from 1,200,264 tons in 1960-61 to 884,888 tons in 1961-62. The directors say that both in its steel and structural activities Dorman Long is working at below 70 per cent of capacity and despite substantial economies they warn shareholders that profits for the full year will show a greater proportionate fall than output.

Unlike the statement of United Steel and Steel of Wales the directors of Dorman Long cannot offer any crumb of comfort for shareholders; they end their statement by saying that there are so far no indications of any improvement in orders. For 1960-61 the company paid a total dividend of 10 per cent from earnings of 28¾ per cent and shareholders would be unwise to expect a final of more than 5 per cent, in view of Dorman Long's extensive development programme. In January it was announced that the long term financing of this programme has been put off for the present; the £1 shares now stand at only 17s. 10½d., or about one third of their 1960 peak.

Head Wrightson

THE chairman of Head Wrightson, Sir John Wrightson, claims that the results of the group for the year to January 31st "are satisfactory considering the climate in which they were earned." Trading profits fell by 3 per cent from £1,714,000 to £1,659,000 and this is certainly no worse than some of the group's competitors. Turnover reached a record level and Sir John describes the year as one of "great activity in our various works, but affected by lack of certain steel deliveries in the earlier and rising costs in the closing months, which will be reflected in future results."

In the current year prospects are uncertain. Higher costs, evident last year, will loom larger in the accounts and orders have not reached expectations as many customers have cut back their capital expenditure schemes, but the chairman says that in the long term he is confident that the group's development programme—and particularly its diversification away from railway equipment—will pay off. The group has a wide spread of interests ranging through steel, oil and nuclear power plant, dock and mining equipment, bridges, and metal engineering, and Sir John is confident of a profitable future for the group's technical innovations which include electro-slag welding, filigree girders and hover pulleys. At 15s. 7½d. xd the 5s. ordinary shares yield 5.1 per cent on a maintained 16 per cent dividend covered over 2½ times.

The Economist Indicator (1953=100)

1962	Indicator	Yield %	1962	
			high	Low
May 23	340·2	5·34		
,, 30	332·1	5·42		
June 6	321·0	5·59		
,, 13	315·2	5·68	344 (Jan 17)	310·3 (June 27)
,, 20	315·2	5·64		
,, 27	310·3	5·64		

Financial Times Indices

1962	Index †	Ord. Yield	2½% Consol Yield	Bargains Marked
June 21	261·4	5·98	6·22	10,910
,, 22	257·0	6·09	6·22	12,625
,, 25	252·8	6·19	6·21	13,819
,, 26	257·5	6·07	6·20	11,845
,, 27	261·7	5·98	6·18	12,397

High, 310·2 (Jan. 19). Low. 252·8 (June 25
† July 1, 1935=100.

Money and Exchanges

EXCHEQUER RETURNS

For the week ended June 23, 1962, there was an "above-line" deficit (after allowing for sinking funds) of £12,475,000 compared with a deficit of £53,894,000 in the previous week and a deficit of £4,532,000 in the corresponding period of last year. There was a net receipt "below-line" of £20,823,000 leaving a total cumulative deficit to date of £218,313,000 compared with £158,943,000 in 1961-62.

£'000	Estimate 1962-63	April 1, 1961, to June 24, 1961	April 1, 1962, to June 23, 1962	Week ended June 24, 1961	Week ended June 23, 1962
Ordinary Revenue					
Income Tax	2,790,000	334,975	336,229	32,070	25,381
Surtax	189,000	27,900	30,400	1,300	1,500
Death Duties	264,500	68,100	62,900	4,500	5,000
Stamps	95,000	26,000	24,400	2,900	2,200
Profits tax, EPT and EPL	374,000	58,000	61,000	5,700	7,000
Other Inland Rev. Duties	...	...	...	...	...
Total Inland Rev.	3,711,500	514,975	514,929	46,470	41,081
Customs	1,653,000	372,861	372,671	30,521	32,614
Excise	1,077,000	200,700	209,695	5,245	5,275
Total Customs and Excise	2,730,000	573,561	582,366	35,766	37,889
Motor Duties	150,000	15,853	25,757	3,036	2,415
Broadcast Lic's.	41,000	6,800	7,300	1,800	2,200
Miscellaneous	165,000	105,641	41,316	10,961	10,952
Total	6,797,500	1,216,830	1,171,668	98,033	94,537
Ordinary Expenditure					
Debt Interest	600,000	192,346	176,014	5,462	6,050
Payments to N. Ireland Exch.	100,000	16,879	17,417	...	...
PO. Fund — Initial settlement	...	...	...	...	...
Other Consolid dated Funds	2,000	1,133	1,151	13	22
Supply Services	5,611,650	1,090,456	1,168,296	96,570	100,690
Total	6,323,650	1,300,814	1,362,878	102,045	106,762
Sinking Funds	41,000	6,180	6,735	520	250
"Above-line" Surplus or Deficit		90,164	197,945	4,532 Cr.	12,475 Cr.
"Below-line" Net Expenditure"		68,779	20,368	3,863 Cr.	20,823 +
Total Surplus or Deficit		153,943	218,313	669	8,348
Net Receipts from:					
Tax Reserve Certificates		39,766	38,997	745	1,680
Savings Certificates		4,600	400	300	300
Defence Bonds		16,352	3,652	1,769	162
Premium Savings Bonds		11,050	8,800	1,300	1,300
Total		62,568	51,052	3,814	2,842

* Net repayments of £6 million to the Civil Contingencies Fund in 1962-63 compare with £3 million in 1961-62.

FLOATING DEBT

(£ million)

	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Dept.	Ways and Means Advances: Bank of England	Total Floating Debt
1961					
June 24	3,290	1,874·2	201·6	...	5,365·8
1962					
Mar. 24	2,960	2,391·6	290·8	...	5,662·5
,, 31	3,000	2,330·6	260·7	...	5,591·3
April 7	2,940	2,400·5	243·0	2·3	5,635·8
,, 14	2,970	2,433·5	254·1	5·0	5,662·7
,, 21	2,960	2,448·7	226·0	3·3	5,638·0
,, 28	2,940	2,542·3	223·0	...	5,705·3
May 5	2,920	2,512·6	243·6	...	5,676·2
,, 12	2,940	2,236·5	248·2	0·5	5,425·2
,, 19	2,940	2,221·9	283·8	0·3	5,445·9
,, 26	2,950	2,258·8	229·3	...	5,438·1
June 2	2,960	2,299·9	230·7	1·5	5,492·1
,, 9	2,970	2,307·8	233·6	...	5,511·5
,, 16	2,980	2,314·5	287·2	0·8	5,582·5
,, 23	2,990	1,936·1	250·9	2·8	5,179·8

THE MONEY MARKET

THE Treasury bill rate rose sharply at last Friday's tender when the syndicate of discount houses lowered its bid by 9d. to £99 0s. 8d. The average rate rose by 2s. 2.74d. to £3 16s. 11.84d. However, total applications fell sharply by £53 million to £370 million and the syndicate was agreeably surprised to receive an allotment of 42 per cent compared with the previous week's 40 per cent, despite the rise in its rate. This increase in the bill rate in no way lessens the possibility of another reduction in Bank rate. The market's margin of profit on its bills had become so thin, with the rate for day to day money at 3½ per cent and the bill rate just below that level, that a cut in its bid had become more or less inevitable both to restore margins and to provide room for future manoeuvre.

With the rise in the bill rate the authorities eased their pressure on the market this week and it was forced to borrow from the Bank of England at Bank rate on Wednesday only, when two or three houses shared a small amount. In the past few weeks the market has rarely made less than two visits to the Bank. Throughout the rest of the week the authorities provided help by special bill purchases whenever credit was tight.

MONEY RATES

LONDON

	%		%
Bank rate (from 5%, 26/4/62)	4½	Discount rates: Bank bills:	
Deposit rates (7 days' notice):		60 days	4–4 1/16
Banks	2½	3 months	4–4 1/16
Discount houses	2½–2¾	4 months	4–4 1/16
Local Authorities	4⅞	6 months	4–4⅛
Call money:		Fine trade bills:	
Clearing banks' minimum	2⅞	3 months	5½–6
Day-to-day	2⅞–3⅞	4 months	5½–6
		6 months	5¾–6½

NEW YORK

	%		%
Official Discount rate: (from 31/5/%, 11/8/60)	3	Treasury bills: June 18	2·721
		,, 25	2·792

BANK OF ENGLAND RETURNS

(£ million)	June 28, 1961	June 20, 1962	June 27, 1962
Issue Department*:			
Notes in circulation	2,320·9	2,320·6	2,317·2
Notes in banking dept.	54·4	54·8	58·2
Govt. debt and securities	2,373·5	2,373·9	2,374·0
Other securities	0·7	54·8	0·7
Gold coin and bullion	0·4	0·4	0·4
Coin other than gold coin	0·8	0·3	0·3
Banking Department:			
Deposits:			
Public accounts	13·0	14·2	15·6
Special deposits	153·7	157·3	157·3
Bankers	275·9	241·9	241·9
Others	77·2	70·3	71·2
Total	519·8	483·6	485·9
Securities:			
Government	397·1	378·7	380·7
Discounts and advances	67·2	48·8	45·6
Other	18·4	18·6	18·7
Total	482·7	446·1	445·0
Banking department reserve	55·2	55·6	59·0
"Proportion"	% 10·6	% 11·5	% 12·1

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue increased by £50 million to £2,375 million on March 7th.

TREASURY BILL TENDERS

Date of Tender	Amount (£ million): Offered	Amount (£ million): Applied for	91 Day: Average Rate of Allotment	91 Day: Allotted at Max. Rate
1961	91 day		s. d.	%
June 23	260·0†	389·1	90 8·47	50
1962				
Mar. 23	230 0	408·1	89 0·47	48
,, 30	230 0	592·2	88 1·16	57
April 6	230 0	398·7	87 4·62	46
,, 13	230 0	407·9	86 8·54	41
,, 19	230 0†	386·6	85 4·31	46
,, 27	220 0	386·3	81 0·54	26
May 4	220·0	406·0	81 9·72	16
,, 11	220·0	412·8	79 8·71	57
,, 18	230·0	383·6	77 1·04	61
,, 25	230·0	396·4	76 3·81	47
June 1	240·0	417·3	75 7·98	43
,, 8	240·0	421·0	75 0·28	47
,, 15	240·0	423·5	74 4·01	40
,, 22	230·0	370·2	76 11·84	42

† On June 22nd tenders for 91 day bills at £99 0s. 8d. secured 42 per cent, higher tenders being allotted in full. The offer for this week was for £230 million 91 day bills.
‡ Allotment cut by £10 million.

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Effective Limits* June 27	Market Rates: Spot June 21	June 22	June 23	June 25	June 26	June 27
United States $	2·78–2·82⅝	2·80⅞–81	2·80⅞–81	2·80 13/16–13/16	2·80⅝–¾	2·80⅝–¾	2·80⅜–⅞
Canadian $		3·06 3/16–5/16	3·06 3/16–5/16	3·05¾–06	3·04⅞–¾	3·03 1/2–¾	3·03 1/4–⅞
French Fr.	13·622–14·027	13·76½–¾	13·76⅝–¾	13·76½–¾	13·75⅞–⅞	13·75⅞–⅞	13·76–76⅛
Swiss Fr.	11·94–12·54⅞	12·12⅝–⅜	12·12⅝–⅜	12·11⅞–12⅛	12·11⅝–⅜	12·11¾–½	12·11⅞–12⅛
Belgian Fr.	137·96–142·05	139·75–80	139·75–80	139·75–80	139·65–70	139·65–70	139·72½–77½
Dutch Gld.	9·98 3/4–10·28½	10·09¼–½	10·09⅛–⅜	10·09⅛–⅜	10·08½–¾	10·08¾–09	10·09–09¼
W. Ger. D-Mk.	11·037–11·365	11·21¼–½	11·20⅝–⅞	11·20⅝–⅞	11·19½–¾	11·20¼–½	11·20⅝–⅞
Portug. Esc.		80·15–25	80·15–25	80·15–25	80·15–25	80·15–25	80·15–25
Italian Lire	1725–1775	1743½–44	1743–43½	1742–42½	1743–43½	1742–42¼	1742½–43
Swedish Kr.	14 27½–14·70	14·44½–¾	14·43⅞–44⅛	14·43½–¾	14·43⅝–44⅛	14·43⅝–44⅛	14·44¼–½
Danish Kr.	19·06½–19·62	19 34½–35	19 34⅜–35	19 34⅝–¾	19 34⅝–¾	19 35⅛–⅜	19·34⅞–35⅛
Norwegian Kr.	19·97½–20·30½	20 04¼–½	20 04⅛–⅜	20·04⅛–⅜	20·03⅞–04⅛	20 03⅝–⅞	20 04⅛–⅜
	* Official Limits	One Month Forward Rates					
United States $		¼–⅛c. pm	¼–⅛c. pm	¼–⅛c. pm	¼–⅛c. pm	¼–⅛c. pm	¼–⅛c. pm
Canadian $		1/4c. dis–¾c. dis	1/4c. dis–¾c. dis	par–¼c. dis	1/4c. dis–¾c. dis	1/4c. dis–¾c. dis	⅛–9/16c. dis
French Fr.		⅜–⅝c. pm	⅜–⅝c. pm	⅜–⅝c. pm	⅛c. pm–par	⅛c. pm–par	⅛c. pm–par
Swiss Fr.		1½–1c. pm	1½–1c. pm	1½–1c. pm	1½–1c. pm	1½–1c. pm	1½–1c. pm
Belgian Fr.		23–18c. pm	23–18c. pm	25–15c. pm	23 18c. pm	25–20c. pm	23–18c. pm
Dutch Gld.		1–¾c. pm	⅝–¾c. pm	1–¾c. pm	1–¾c. pm	1⅛–⅞c. pm	1⅛–1⅛c. pm
W. German D-Mk.		1¼–¾pf. pm	1⅛–⅝pf. pm	1¼–¾pf. pm	1–½pf. pm	1¼–¾pf. pm	1¼–1¼pf. pm
		Three Months Forward Rates					
United States $		11/16–9/16c. pm	⅝–½c. pm	⅝–½c. pm	⅝–½c. pm	⅝–½c. pm	⅝–½c. pm
Canadian $		3/4c. dis–1 1/4c. dis	3/4c. dis–1 1/4c. dis	3/4c. dis–1 1/4c. dis	3/4c. dis–1 1/4c. dis	3/4c. dis–1 1/16c. dis	13/16c. dis–1 1/16c.dis
Swiss Fr.		⅞–¾c. pm	¾–½c. pm	¾–½c. pm	¾–½c. pm	4–⅜c. pm	4–⅜c. pm
W. German D-Mk.		3 1/4–2¾pf. pm	3⅛–2⅝pf. pm	3 1/4–2¾pf. pm	3–2½pf. pm	3 1/4–2¾pf. pm	3 1/4–2¾pf. pm
		Gold Price at Fixing					
Price (s. d. per fine oz.)		249/10¾	249/10¾	...	250/0	250/2	249/11¾
,, ($,, ,, ,,)		35/10	35/10½		35/10½	35/10½	35/10

UK External Trade

Imports are valued cif: exports fob.
Total trade unless otherwise stated.

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

BRITISH			
Prices and Wages.....	June 23rd	External Trade	This week
Manpower and Output....	June 9th	Industrial Profits	April 21st
OVERSEAS			
Western Europe.....	June 16th	United States.....	May 12th

	Unit	Monthly averages			1961			1962				
		1959	1960	1961	Mar.	April	May	Jan.	Feb.	Mar.	April	May
VALUE												
Imports:												
Total	£ million	331·9	378·4	366·5	398·9	355·2	394·4	402·3	333·0	389·7	349·1	411·6
Food, drink and tobacco	,,	126·5	128·1	123·6	131·7	120·9	132·0	138·9	120·2	142·5	125·4	153·1
Basic materials	,,	77·6	88·3	82·1	88·1	82·1	91·6	88·0	64·7	74·7	67·3	80·7
Fuels	,,	38·9	40·0	40·3	47·1	40·3	43·2	46·7	39·6	45·9	37·3	48·9
Manufactures	,,	87·6	120·5	118·9	130·5	110·8	126·3	126·4	107·5	125·4	118·1	127·7
Exports of UK produce:												
Total	,,	277·5	296·2	306·9	309·9	318·6	298·9	311·5	298·2	322·4	327·3	337·6
Manufactures—Total	,,	234·5	250·0	259·9	265·7	275·0	257·1	263·9	250·9	271·5	276·9	286·5
,, Metals	,,	37·8	39·3	39·5	39·4	41·6	41·9	36·8	37·8	40·5	38·0	43·6
,, Engineering products	,,	122·4	131·0	139·5	142·9	151·0	137·9	148·0	135·0	144·5	156·8	146·3
,, Textiles	,,	20·7	21·7	20·8	22·2	21·7	20·0	20·7	20·8	21·6	20·0	22·4
Re-exports	,,	10·9	11·8	13·2	15·3	12·7	13·6	12·2	10·9	14·9	14·2	15·6
Balance of trade (exports less imports)	,,	−43·5	−70·4	−46·4	−73·7	−23·9	−81·9	−78·6	−23·9	−52·4	− 7·6	− 5·8
VOLUME (1)												
Imports:												
Total	1954=100	122	138	135	143[4]	...	137[5]	...	140[4]	...	128	154
Food, drink and tobacco	,,	118	121	121	124[4]	...	121[5]	...	133[4]	...	...	...
Basic materials	,,	101	110	101	111[4]	...	106[5]	...	99[4]	...	...	...
Fuels	,,	143	157	164	179[4]	...	162[5]	...	179[4]	...	...	...
Manufactures	,,	150	201	196	205[4]	...	198[5]	...	195[4]	...	...	...
Exports:												
Total	,,	116	122	125	128[4]	...	127[5]	...	126[4]	...	132	138
Manufactures	,,	117	124	127	131[4]	...	131[5]	...	127[4]	...	...	...
BY AREA												
Imports:												
USA	£ million	30·9	47·1	40·2	42·9	38·9	39·3	44·1	38·2	43·7	36·1	40·5
Canada	,,	26·0	31·2	29·1	28·7	23·5	33·1	24·9	24·1	25·7	24·4	32·9
Latin America	,,	26·8	25·8	23·2	30·2	25·5	27·5	23·1	21·8	30·4	26·8	31·7
West'n. Europe—Common Market	,,	46·6	55·1	56·5	60·5	53·9	59·1	59·7	53·9	61·6	54·4	63·3
,, ,, Free Trade Association (3)	,,	39·0	46·5	46·2	45·7	41·2	47·8	47·3	37·6	43·3	42·0	48·5
Soviet Eastern Europe	,,	9·7	11·6	13·0	11·9	10·2	10·9	15·2	11·0	10·2	10·0	10·3
Other Non-Sterling	,,	32·7	35·6	35·7	44·9	36·7	40·7	47·9	36·8	40·1	40·2	43·4
Sterling area	,,	120·2	125·5	122·6	134·1	125·3	136·0	140·1	109·6	134·7	115·2	141·0
Exports of UK produce:												
USA	,,	30·3	27·1	23·4	20·5	19·8	21·5	25·1	25·5	26·1	28·3	30·3
Canada	,,	17·3	17·9	18·5	15·7	31·3	22·3	15·0	17·2	4·1	18·7	17·0
Latin America	,,	12·9	14·3	13·9	13·2	13·2	12·2	16·3	12·6	15·9	13·7	15·7
West'n. Europe—Common Market	,,	38·8	43·3	51·1	54·4	49·2	52·8	55·5	56·3	6·3	60·9	65·5
,, ,, Free Trade Association (3)	,,	32·0	35·9	40·1	38·2	37·5	39·7	43·0	40·2	45·3	47·2	46·5
Soviet Eastern Europe	,,	5·1	6·4	8·8	8·3	7·8	9·4	9·7	8·2	9·0	10·1	8·2
Other Non-Sterling	,,	29·3	32·2	34·3	38·3	33·4	31·6	38·2	33·1	37·1	36·9	37·9
Sterling area	,,	111·8	119·1	116·8	121·3	126·4	109·4	108·7	105·1	113·3	111·5	116·5
TRADE IN SELECTED COMMODITIES												
Imports:												
Wheat	'000 tons	356·3	342·0	327·5	379·3	343·9	421·3	355·2	357·7	366·9	326·2	374·9
Meat	,,	67·6	69·3	61·2	76·9	67·0	68·4	66·9	61·3	91·0	60·8	72·9
Sugar, unrefined	,,	201·8	183·3	172·4	148·5	203·9	176·7	213·4	142·3	151·4	178·3	228·4
Raw cotton (2)	,,	22·5	22·5	18·4	24·9	24·6	18·0	20·3	15·3	20·1	17·3	20·4
Raw wool, sheep's and lambs' (2)	mn. lb.	58·6	49·8	49·4	66·7	73·4	63·3	84·6	46·6	71·0	48·0	58·8
Rubber, natural and synthetic (2)	'000 tons	17·0	16·2	16·2	24·6	16·7	12·3	23·8	21·8	22·9	13·6	11·2
Softwood	'000 stds.	121·7	150·0	134·2	80·1	77·2	109·3	94·4	61·7	66·0	5·4	107·5
Woodpulp	'000 tons	185·4	225·4	215·1	224·6	208·6	259·1	218·7	186·8	163·0	19·9	214·8
Crude petroleum	mn. galls.	847	963	1,059	1,257	1,006	1,171	1,151	1,026	1,222	97	1,186
Exports of UK produce:												
Coal, including bunkers	'000 tons	343	455	475	442	373	579	369	444	356	39	388
Woven piece-goods—cotton	mn. sq. yds.	29	27	24	29	26	24	21	22	22	15	21
,, ,, ,, wool	'000 sq. yds.	8,536	8,089	7,528	7,865	7,816	6,882	7,633	7,833	7,161	6,823	6,895
Passenger cars and chassis	number	47,414	47,491	30,897	26,359	31,784	29,827	49,705	45,789	46,201	51,266	45,935
Commercial vehicles and chassis	,,	10,619	12,127	13,913	16,447	13,596	12,773	13,164	10,990	14,100	13,477	13,688
Agricultural tractors	,,	9,474	11,951	11,790	13,513	12,241	10,705	12,958	14,706	14,705	11,230	13,727
Machinery—electrical	£'000	5,706	5,257	5,506	5,678	5,698	5,707	4,838	5,652	4,592	5,867	5,943
,, other	,,	47,264	52,948	61,374	64,355	62,442	60,966	66,254	59,251	64,856	66,405	57,888
Chemicals, elements and compounds	,,	5,862	6,442	6,422	6,678	6,769	6,253	6,489	6,367	7,003	6,562	7,321

(1) Trade with the Channel Islands is included in the total import and export indices only. (2) Retained imports. (3) Including Finland. (4) Average for first quarter. (5) Average for second quarter.

APPOINTMENTS

Accountants

• AN internationally expanding British Company, part of a large Group with diversified interests, has foreign subsidiaries marketing a unique product.

• EACH subsidiary has an accountant whose department covers all standard routines and complete monthly accounts are produced to a tight schedule. Detailed budgets are required twice a year and a further three-year forecast once a year.

• TO meet current rapid expansion, an Accountant is required in Stockholm and Deputy Accountants are required in Paris, Dusseldorf and Milan. Future prospects could include opportunities to move into management.

• CANDIDATES, aged at least 25, must hold a British accountancy qualification and show experience and managerial potential which match what the job demands.

• SALARY will start at not less than the equivalent of £1,750 for the Accountant and £1,500 for the Deputies. Removal will be assisted and a normal English pension fund will be in force by the end of 1962 in addition to the local official social security plans.

Details should be sent in confidence to A. G. Cole.

JOHN TYZACK & PARTNERS LTD
10 HALLAM STREET · LONDON W1

BBC requires Talks Producer in Manchester to work mainly on topical magazines in Sound broadcasting. Opportunities may exist later for producing Sound talks and feature programmes at greater length and for work in Television. Applicants must have a good educational and keen interest in people and current affairs. Knowledge of the North and experience of journalism or broadcasting desirable. Salary £1,450 (possibly higher if qualifications exceptionally rising by five annual increments to £1,780 max. p.a.—Requests for application forms quoting reference 62/G 247 Ex/O should reach Appointments Officer, Broadcasting House, London, W.1, within five days.

MALE SECRETARY—International metallurgical company requires junior executive to travel with chairman. Duties will include preparation of agendas, concise minutes of meetings and initiation of active follow-ups of decisions with branch companies, agents, etc. Applicants should be single, aged 24-30, adaptable and of stable, discreet character. Very good written and spoken French, a Commerce or Economics degree and good shorthand-typing are essential. Salary by arrangement. Interviews in London.—Apply, in own handwriting, giving curriculum vitae to Box 1667.

THE UNIVERSITY OF SHEFFIELD

Applications are invited from graduates of any University for a DOUGLAS KNOOP RESEARCH FELLOWSHIP in ECONOMICS, tenable from October 1, 1962. The Fellowship is of value and normally tenable for three years. Applications should be available for interview in Great Britain. Applicants who expect to graduate in 1962 will be considered. Applications (3 copies) indicating the line of research proposed and including the names and addresses of three referees should reach the Registrar from whom further particulars may be obtained by July 16, 1962.

THE UNIVERSITY OF MANCHESTER

Applications are invited for the post of LECTURER in PUBLIC ACCOUNTING in the Faculty of Economic and Social Studies. Candidates should have a University degree and membership of the Association of Chartered Municipal Treasurers, or equivalent experience in Public Institutions, e.g. Hospitals, Nationalised Industries or Local Government. Salary on a scale £1,150 to £1,950 per annum; initial salary according to qualifications and experience. Membership of F.S.S.U. and Children's Allowance Scheme. Applications should be sent not later than July 14, 1962 to the Registrar, The University, Manchester 13, from whom further particulars and forms of application may be obtained.

UNIVERSITY OF AUCKLAND
NEW ZEALAND
AMENDED ADVERTISEMENT

Applications are invited for the following appointments:

LECTURESHIP IN ECONOMICS.
The appointee will be expected to teach and examine courses primarily in banking and public finance and to undertake research in this field, but he will also be required to help some lecturing and examining in elementary economic theory.

LECTURESHIP IN ECONOMIC HISTORY.
The appointee will be expected to teach and examine courses primarily in economic history and to undertake research in this field, but he may also be required to do some teaching and examining in the more elementary stages of economic theory.

The salary for a Lecturer is £1,250, rising to £1,700 per annum. Commencing salary within this scale will be determined according to qualifications and experience. An allowance is made towards travel and removal expenses.

Further particulars an information as to the method of application may be obtained from the Secretary, Association of Universities of the British Commonwealth (Branch office), Marlborough House, Pall Mall, London, S.W.1.

Applications close in New Zealand and London on July 20, 1962.

COLLEGE OF ADVANCED TECHNOLOGY, BIRMINGHAM
DEPARTMENT OF INDUSTRIAL ADMINISTRATION

Applications are invited for the following posts:

SENIOR LECTURER in FINANCE and COST ACCOUNTING

The successful candidate will be responsible for courses in Cost Accounting, Industrial Accounting, Industrial Finance, Budgetary Control and O. & M.

LECTURER in ECONOMICS

Candidates should possess a degree or equivalent professional qualification. Teaching experience and industrial and commercial experience would be added advantages.

Salary Scales:
Senior Lecturer £1,800—£2,000 Lecturers £1,600—£1,800

Further particulars and forms of application from the Staff Officer, College of Advanced Technology, Gosta Green, Birmingham, 4. Applications to be received within 15 days of this advertisement. Please quote 27/6.

K. R. PILLING, Acting Secretary.

BRADFORD INSTITUTE OF TECHNOLOGY
DEPARTMENT OF INDUSTRIAL ADMINISTRATION

Applications are invited for the following posts:

PRINCIPAL LECTURER IN PRODUCTION MANAGEMENT

Candidates should be graduates in engineering or hold an equivalent professional qualification and be prepared to undertake development work in modern methods of production management. The successful candidate will be responsible for the technical aspects of management in the course leading to the Institute's Post-Graduate Diploma in Management Studies.

LECTURER IN WORK STUDY
LECTURER IN STATISTICS
LECTURER IN ECONOMICS

Candidates should have good academic qualifications and have suitable industrial experience. They will be required to teach students preparing for the Post-Graduate Diploma in Management Studies or for the Diploma in Technology.

The successful candidates will be encouraged to develop industrial contacts and to undertake research.

Salary Scales:
Principal Lecturer £2,000 to £2,150 per annum
Lecturer £1,600 to £1,800 per annum
Previous industrial and research experience at a suitable level will be taken into account in fixing the commencing salary.

Further particulars and forms of application, which must be returned by July 14, 1962, may be obtained from the Registrar, Bradford Institute of Technology, Bradford, 7.

For further appointments and other classified advertisements see page 1396

THE UNIVERSITY OF MANCHESTER

Applications are invited for the post of LECTURER or ASSISTANT LECTURER IN ECONOMIC STATISTICS. Preference will be given to candidates with special interests in mathematical programming and/or statistical decision theory. Duties to commence on October 1, 1962, or as soon as possible thereafter. The salary scales are as follows:—Lecturer, £1,150 to £1,950 per annum; Assistant Lecturer, £900 to £1,050 per annum. Membership of the F.S.S.U. and Children's Allowance Scheme. Applications must be sent not later than July 16, 1962, to the Registrar, The University, Manchester 13, from whom further particulars and forms of application may be obtained.

SCHOOL OF ORIENTAL AND AFRICAN STUDIES
UNIVERSITY OF LONDON, W.C.1.
POSTGRADUATE STUDENTSHIPS

Applications are invited for a POST-GRADUATE STUDENTSHIP tenable for three years with effect from October, 1962. The field to be covered will be either Economics or Politics with reference to Africa, and the successful candidate must hold high Honours in a British University in an appropriate subject. The Studentship is intended to train the candidate for an academic career in accordance with the recommendations made by the Hayter Committee on Oriental and African Studies. The successful candidate may therefore be required to learn an appropriate language and will spend approximately one year in the area with which he is concerned. To finance this period abroad a special additional grant will be made to cover the cost of travel, outfit and the higher cost of living.

The financial arrangements will be in line with those of the Ministry of Education State Studentships for University graduates in Arts subjects, i.e. payment of tuition and other approved fees, a maintenance grant during term time of £192-£280 per annum, and a vacation grant of £45 per annum. Family allowances may also be payable to graduates over twenty-five years of age. The Studentship advertised will participate in any review of Ministry of Education State Studentships that may be made in the future.

Applications should be submitted forthwith to the Secretary of the School, stating date of birth, full details of education and qualifications, and the names of three referees.

SCHOOL OF ORIENTAL AND AFRICAN STUDIES
UNIVERSITY OF LONDON, W.C.1.
POSTGRADUATE STUDENTSHIPS

Applications are invited for a POST-GRADUATE STUDENTSHIP tenable for three years with effect from October, 1962. The field to be covered will be either Economics or Politics with reference to South-East Asia, and the successful candidate must hold high Honours in a British University in one of these disciplines. The Studentship is intended to train the candidate for an academic career in accordance with the recommendations made by the Hayter Committee on Oriental and African Studies. The successful candidate may therefore be required to learn an appropriate language and will spend approximately one year in the area with which he is concerned. To finance this period abroad a special additional grant will be made to cover the cost of travel, outfit and the higher cost of living.

The financial arrangements will be in line with those of the Ministry of Education State Studentships for University graduates in Arts subjects, i.e. payment of tuition and other approved fees, a maintenance grant during term time of £192-£280 per annum, and a vacation grant of £45 per annum. Family allowances may also be payable to graduates over twenty-five years of age. The Studentship advertised will participate in any review of Ministry of Education State Studentships that may be made in the future.

Applications should be submitted forthwith to the Secretary of the School, stating date of birth, full details of education and qualifications, and the names of three referees.

BBC requires a Topical Talks Writer in its African Service in London (British Service). Duties include writing short News Talks for translation and broadcasting in African Service and broadcasting News Talks for programmes in English in Africa. Opportunities for gaining interviewing and production experience. Qualifications: good general knowledge of international and African affairs, proven ability to write clearly and concisely, to think and work quickly essential. Special knowledge of East or West Africa, residence or travel in the area and previous experience of writing or editing in this field desirable. Previous broadcasting experience not essential. Selected candidates will be required to submit a report of a five minute talk on one of several topics and to deliver it at the microphone as part of a voice test. Salary £1,450 (possibly higher if qualifications exceptionally rising by five annual increments to £1,780 max. p.a.). Requests for application forms (enclosing addressed envelope and quoting reference 62/G 249 Ex/O) should reach Appointments Officer, Broadcasting House, London, W.1, within five days.

THE LABOUR PARTY has a vacancy in the International Department for a Grade III or Grade II assistant. Grading according to age, experience and qualifications. Salary £992-£935 or £824-£1,021 p.a. Candidates must be socialists with knowledge of international affairs and research experience. French and/or German an advantage.—Application forms from Administrative Officer, The Labour Party, Transport House, Smith Square, S.W.1, to be returned by July 11, 1962.

UNIVERSITY OF KEELE

Applications are invited from graduates for the post of Secretary or Assistant Secretary to the Appointments Committee at an initial salary in the range £1,150 x £50—£1,350 x £75—£1,950 per annum, depending on qualifications and experience. F.S.S.U. and children's allowances. Industrial commercial or similar experience highly desirable.—Applications should reach the Registrar, The University, Keele, Staffs, from whom further particulars and application forms may be obtained, not later than July 14, 1962.

UNIVERSITY COLLEGE OF SOUTH WALES AND MONMOUTHSHIRE

Applications are invited for the post of Assistant Lecturer or Lecturer in Economic History in the Department of Economics and Social Science from October 1, 1962.

Commencing salary will be determined by qualifications and experience. Further particulars may be obtained from the Registrar, University College, Cathays Park, Cardiff, to whom six copies of applications containing the names of three referees should be sent not later than July 14, 1962.

SCHOOL OF ORIENTAL AND AFRICAN STUDIES
UNIVERSITY OF LONDON, W.C.1.
POSTGRADUATE STUDENTSHIPS

Applications are invited for a POST-GRADUATE STUDENTSHIP tenable for three years with effect from October, 1962. The field to be covered will be either Economics or Politics with reference to Japan, and the successful candidate must hold high Honours in a British University in one of these disciplines. The Studentship is intended to train the candidate for an academic career in accordance with the recommendations made by the Hayter Committee on Oriental and African Studies. The successful candidate may therefore be required to learn an appropriate language and will spend approximately one year in the area with which he is concerned. To finance this period abroad a special additional grant will be made to cover the cost of travel, outfit and the higher cost of living.

The financial arrangements will be in line with those of the Ministry of Education State Studentships for University graduates in Arts subjects, i.e. payment of tuition and other approved fees, a maintenance grant during term time of £192-£280 per annum, and a vacation grant of £45 per annum. Family allowances may also be payable to graduates over twenty-five years of age. The Studentship advertised will participate in any review of Ministry of Education State Studentships that may be made in the future.

Applications should be submitted forthwith to the Secretary of the School, stating date of birth, full details of education and qualifications, and the names of three referees.

THE MINISTRY OF TRANSPORT

Applications are invited for a post of Statistician in the Ministry's HQ in London. Applicants must be at least 28 years of age on July 1, 1962 and should have had wide statistical experience and preferably a first or second class honours degree in statistics, or other appropriate main subject combined with statistics. Other graduates with specially suitable statistical experience will be considered.

The Ministry's statisticians are engaged in the collection, analysis and interpretation of statistical information about the shipping, shipbuilding and ports (b) roads, road vehicles, traffic and accidents and (iii) goods and passenger transport by road and by rail. The successful candidate would be engaged on work in one of these three main fields, which between them offer wide scope for any statistician whether his interest lies mainly in the economic field or on the mathematical side.

Salary scale £1,900-£2,054. The appointment will be on an unestablished basis initially with prospects of establishment to a permanent and pensionable post.

Write to or telephone the Establishment Staffing Division, Ministry of Transport, Room 2.132, St. Christopher House, Southwark Street, London, S.E.1 (Waterloo 7999, ext. 5010).

THE UNIVERSITY OF HULL

Applications are invited for a Lectureship in Political Studies tenable from October 1, 1962. Candidates should have some experience of academic research and an interest in Political Institutes would be an advantage. Salary scale: £1,350-£1,950 per annum with F.S.S.U., and children's allowances. Further particulars may be obtained from the undersigned, to whom applications (six copies) should be sent not later than July 14th.

W. D. CRAIG,
Registrar.

UNIVERSITY OF NEW ENGLAND

TUTORS IN ECONOMICS AND TUTORS IN ECONOMIC HISTORY

Applications are invited for Tutorships in Economics and Tutorships in Economic History. Commencing salaries will be within the following ranges depending upon grade of Honours in the degree and upon other qualifications: Grade I, £A1,320 x £A60-£A1,560; Grade II, £A1,320 x £A60-£A1,560; Grade III, £A1,560 x £A60-£A1,740.

Passages will be arranged to Australia and removal expenses up to £A200. The initial period of appointment will be for three years, but the successful applicants are likely to have the opportunity of applying for permanent Lectureships. At the end of three years the persons appointed will, if they so wish, be assisted with return passage and removal expenses of up to £A400, if married, and up to £A150 if single.

The successful applicants as well as sharing in the work of the Department will be encouraged to work towards a higher degree.

*Further information and conditions of appointment may be obtained from the Secretary, Association of Universities of the British Commonwealth (Branch Office), Marlborough House, Pall Mall, London, S.W.1, with whom two copies of the application, together with a recent photograph, should be lodged by *July 1st, 1962*. One copy should also be sent direct to: T. C. Lamble, Registrar, University of New England, Armidale, New South Wales, Australia by the same date.

BBC requires man or woman of initiative and energy to produce talks and discussions for Home Service and Third Programme. Candidates should be keenly interested in contemporary trends and ideas affecting contemporary society and must have wide range of knowledge in the political or literary field. Graduate or equivalent. Appointment may be for the period of one or two years or on short-service contract of two years with option to go on to staff. Salary in staff grades with start of £1,380 (age 25 minimum) rising by annual increments to £1,695 (age 30) or £1,845 (age 35) or slightly higher if qualifications exceptional. Salary £1,380 or slightly higher for short-term contract.—Requests for application forms (quoting reference 62/G.253/Ec.) should reach Appointments Officer, Broadcasting House, London, W.1, within five days.

CAMBRIDGE UNIVERSITY

Applications are invited for the position of Assistant in Research in the Department of Estate Management. Applicants should be qualified to undertake research in economic, legal, or social problems related to the use, tenure, or development of land. Salary scale £750-£1,000.—Further information may be obtained from the Secretary of the Board of Estate Management, 18a, Silver Street, Cambridge. Closing date for applications July 31, 1962.

For other appointments see page 1395

BBC requires Hausa Programme Organiser (British subject) for its African Services based in London. Duties include planning and production of programmes for broadcasting to West Africa in Hausa, supervision and coordination of duties of programme staff and preparation, in English for translation, of talks and feature programmes on wide variety of subjects including current affairs. Essential qualifications include definite interest in and knowledge of international affairs with special reference to Africa, organising ability and wide cultural background. Writing or broadcasting experience proven administrative ability, recent knowledge of West Africa particularly Northern Nigeria are considerable advantages. Knowledge of Hausa most desirable but successful candidate must be in any case willing to study the language. Salary £1,555 (possibly higher if qualifications exceptional) rising by five annual increments to £2,000 max. per annum. Reference for application forms (enclosing addressed envelope and quoting reference 62/G.255/Ec.) should reach Appointments Officer, Broadcasting House, London, W.1, within five days.

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UNIVERSITY OF MALAYA

NON-FACULTY DEPARTMENT OF AGRICULTURE

Applications are invited for (a) one post of LECTURER/ASSISTANT LECTURER in AGRICULTURAL ECONOMICS AND FARM MANAGEMENT and (b) one post of LECTURER/ASSISTANT LECTURER IN PLANT BREEDING AND GENETICS.

Candidates for post (a) should have a good Honours degree in Agricultural Economics, with specialist qualifications and post-graduate experience in Farm and Estate Management.

Candidates for post (b) should have a good Honours degree in Botany or in Agricultural Science with research and teaching experience in the above field.

For both posts, previous experience in tropical agriculture is desirable but will not be regarded as essential in the case of candidates who are otherwise well qualified for appointment.

Salary Scale: The amounts mentioned below refer to Malayan dollars (per *mensem*) and their approximate sterling equivalents (per annum) are shown in brackets.

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(£1,145 x 49—1,442 £2,540 x 56—1,820)

Assistant Lecturers: M$415 x 35—785 (£1,001 x 49—1,666).

In addition a variable allowance is at present paid at 35 per cent. of basic salary. Subject to certain minima, together with expatriation allowance if applicable, at specified rates. An allowance is made towards travelling expenses and housing assistance is available.

Further particulars and application forms are obtainable from the Secretary, Association of Universities of the British Commonwealth (Branch Office), Marlborough House, Pall Mall, London, S.W.1.

The closing date for the receipt of applications in Malaya and London is *July 31st, 1962*.

UNIVERSITY OF CANTERBURY

NEW ZEALAND

CHAIR OF POLITICAL SCIENCE

Applications are invited for the newly established Chair of Political Science.

The Chair is to be filled as from February 1, 1963, but, if necessary, the University will be prepared to negotiate with the successful applicant a later date on which he should take up his duties.

The salary attached to the Chair is at the rate of £2,800 per annum.

Further particulars are available from the Secretary, Association of Universities of the British Commonwealth (Branch Office), Marlborough House, Pall Mall, London, S.W.1, or from the Registrar, University of Canterbury, Christchurch, New Zealand.

Applications close in New Zealand and London, on *July 31st, 1962*.

BBC Requires Senior Assistant (Scientific Talks) in its European Talks and English Service in London (British Subject). Will be required to act as Science Correspondent for European Services. Work entails writing and occasional commissioning of talks in field of science and technology. Wide general knowledge of scientific and technological matters and ability to present them in simple terms suitable for a broadcast talk to a European audience essential. Selected candidate should be able to broadcast his own material in the English Service to Europe. Knowledge of European languages an advantage but not essential. Salary £1,725 (possibly higher if qualifications exceptional) rising by five annual increments to £2,225 max. p.a. Requests for application forms (enclosing addressed envelope and quoting reference 62/G.246/Ec.) should reach Appointments Officer, Broadcasting House, London, W.1, within five days.

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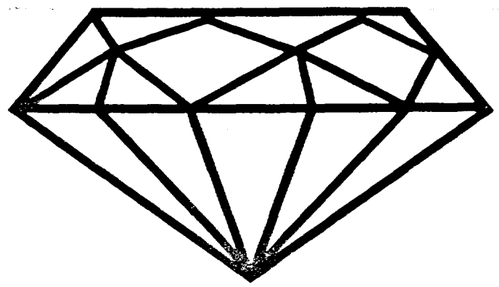
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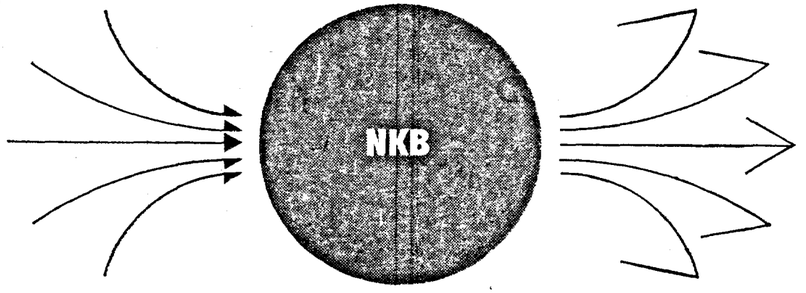
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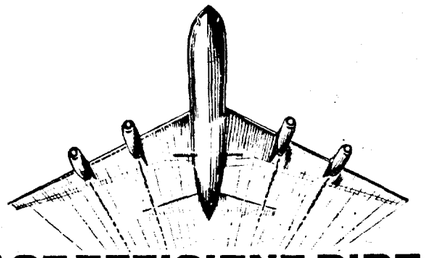
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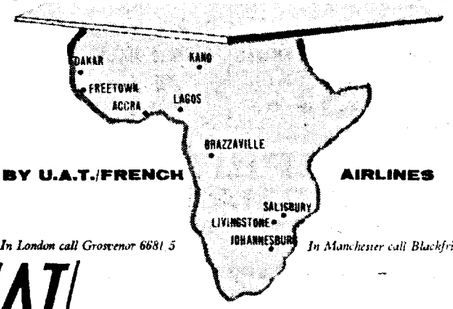
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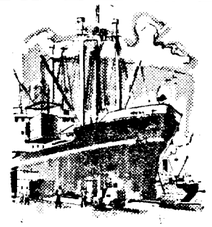


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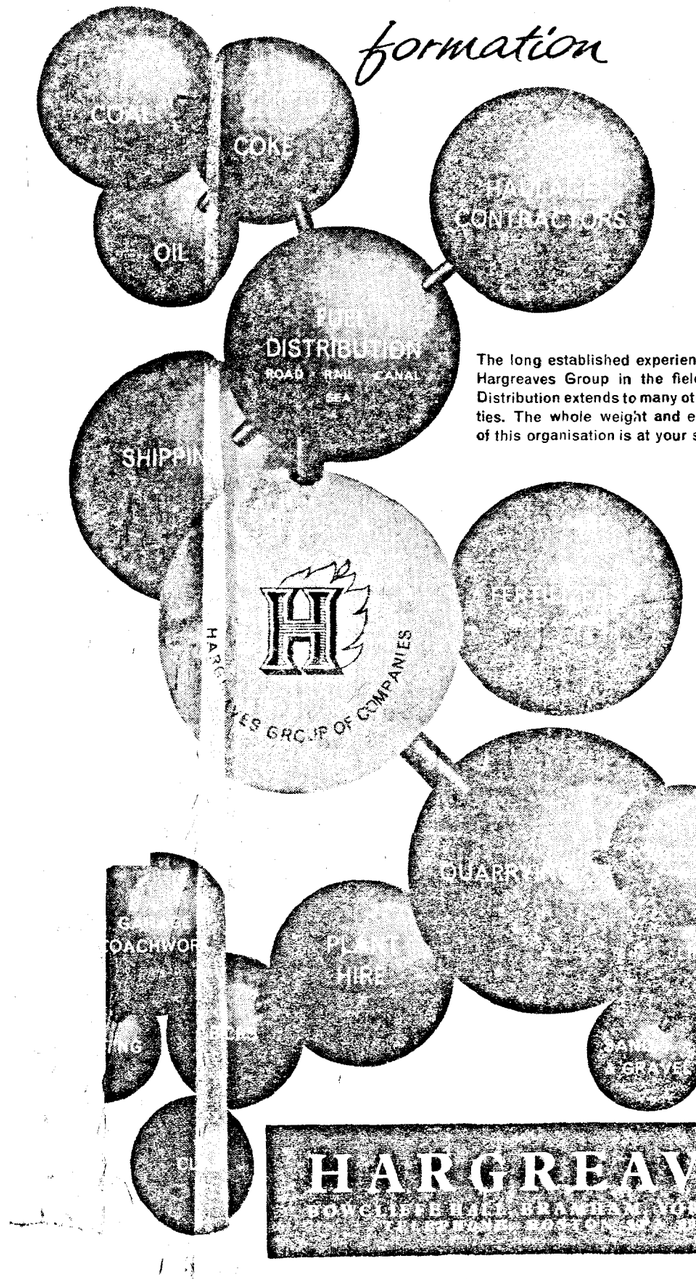
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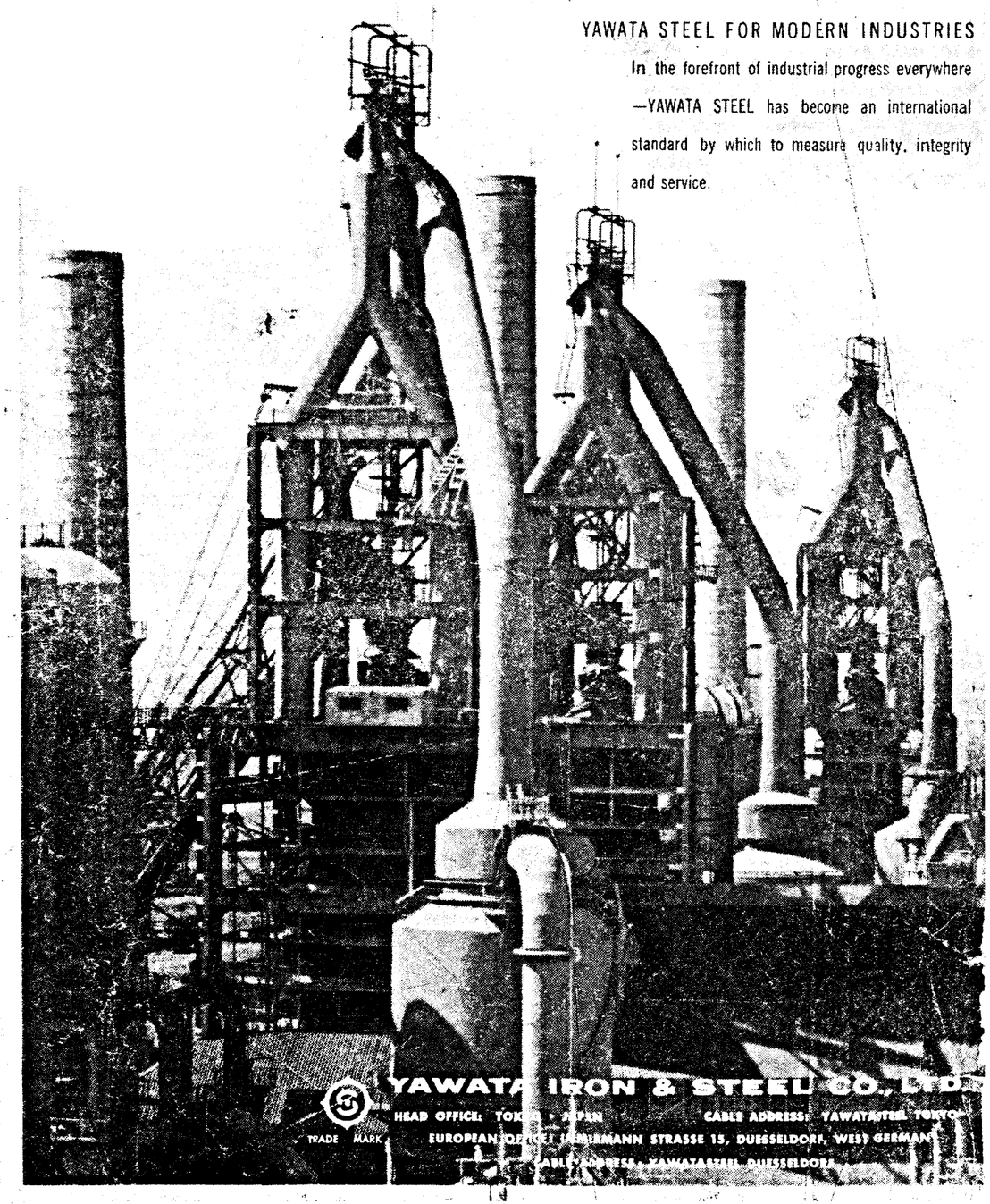
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